NORWEGIAN AIR SHUTTLE ASA

ANNUAL REPORT 2019

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LETTER FROM THE CEO

2019 was an eventful year that presented renewed challenges in the aviation industry as tough competition and the global trading environment intensified. Ongoing issues with Rolls Royce Trent engines affected the full utilization of our Boeing 787 fleet and the global grounding of the Boeing 737 MAX meant that Norwegian had to rapidly adapt our network to ensure that our obligations to our customers were met. These industry challenges were met head on with the Company adopting a number of cost reduction measures, including FOCUS2019 which achieved our initial goal to cut costs by NOK 2.3 billion and Program NEXT, while revaluating the entire network to ensure that the Company would continue along the path of returning to profitability in 2020.

Full year results for 2019 showed that year on year, unit revenue increased in nine consecutive months, driven by maturing routes and the optimization of Norwegian's global route network. The punctuality improved considerably during the past six quarters, and in the fourth quarter 2019 it was up 3.1 percentage points to 82.6 percent. While the net loss was NOK 1,609 million in 2019, the underlying operating result before ownership costs doubled to NOK 6.5 billion. The Company's total revenue in 2019 was NOK 43.5 billion, an increase of eight percent compared to 2018, driven by improved unit revenue and increased ancillary revenue per passenger.

Our focus on sustainability continued thanks to our young and more fuel-efficient fleet. 1.7 million metric tons of CO_2 were saved in 2019 compared to the industry average. At the same time, 40 percent of the total CO_2 emissions were offset through EU's emissions trading system. Since its launch in December 2019, 123,000 customers compensated their carbon footprint using the partnership between Norwegian and the climate-tech company CHOOOSE during the booking process.

The global spread of the COVID-19 virus has had an enormous impact on the aviation industry. At the beginning of the year, Norwegian expected to deliver a positive result in 2020, however, this guidance had to be withdrawn due to this unprecedented situation. Yet despite the current uncertainty affecting the entire travel industry I see this as a clear opportunity to redefine the core business of Norwegian, our structure, our network and our customer proposition. In fact, our agility and speed at seizing this crisis as a catalyst to drive change within the Company has been instrumental in ensuring that we emerge from this period a stronger Norwegian with a defined and clear mandate that will provide a stable and profitable platform for our investors.

A NEW NORWEGIAN

RESILIENT AND FOCUSED

It has been very clear that Norwegian must quickly adapt to a new trading environment. We must be able to quickly react to profitable opportunities that present themselves while maintaining a cost position that places us ahead of our competition.

New Norwegian will in turn be a stronger Norwegian with a sharper, leaner focus and we will be able to offer our customers a true competitive choice that will in turn support jobs, tourism and the wider Nordic economies

A STRUCTURE FIT FOR PURPOSE AND PROFITABILITY

We have announced a new management structure for the New Norwegian that takes us from growth to profitability by delivering on our strategy and business plan. In order to run a profitable and sustainable business going forward, we will build the commercial part around units in the Group – AIRLINE and AIRLINE ECOSYSTEM with clear P&L responsibilities.

We need to be able to attract, retain and develop good people, which is why the responsibility for all the Company's employees is placed in one PEOPLE department. Our employees and their contribution to New Norwegian is vital to achieving the Company's goals.

By bringing departments together to focus on our customers we gain insight and power to innovate and use smart choices throughout the customer journey. We will remain true to the core values of Norwegian which have been in place since its inception – a popular company that offers good quality flights at a good price. We have also been committed to improving operations through a simplified structure, clear roles and responsibilities, as well as even more efficient operations. We will be flexible, actionable, and cooperate well across the business.

A MODERN AND EFFICIENT FLEET

New Norwegian will be ready to capitalize on the changing nature of the travel industry going forward with a reduced and optimized fleet size concentrating on profitable and sustainable routes. We will continue to use a young and efficient fleet of aircraft that not only contribute to us fulfilling our emission reduction targets but also provide a lower cost base while providing our customers with the best modern flying experience and cabin environment.

FORTIFYING THE NORDICS AND THE WIDER NETWORK

Fortifying the Nordics will be the cornerstone of the New Norwegian strategy. We will leverage our award-winning brand as the leading long-haul low-cost carrier to capitalize on the widely accepted recessionary environment that we will inevitably be operating in.

We will continue to fly between proven long-haul destinations offering a low cost and value propositioned leisure product that is ideally focused on this specific market segment. There is no doubt that leisure traffic will rebound before business travel and we will be perfectly placed to strategically and geographically take advantage of this.

FOCUSING ON CUSTOMER CHOICE

New Norwegian also provides us with a unique opportunity to unlock further customer revenue potential and revenue streams within our business and industry ecosystem as we embrace further digitalization to meet the expectations of both our loyal and new customers.

Our customers will be able to take advantage of a digital ecosystem that responds and anticipates how they want to travel and what ancillary services will benefit their journey throughout every touch point.

THE FUTURE

We must all be prepared for the reality that across the industry there is still turbulence on the horizon. There are many uncertainties facing every aspect of global travel, from government-imposed travel restrictions to general demand in some markets being impacted for months if not years. We must be ready to face these uncertainties head on; New Norwegian will continue to adapt and strategically align the business to ensure that we weather this storm.

I can guarantee that this period will not be defined as the demise of the `old' Norwegian but as the beginning of a bold new chapter in our history for our shareholders, colleagues and customers. We continue to be on this journey together and I am proud of all that we have already accomplished while facing such adversity, be in no doubt that tough times lie ahead but a stronger New Norwegian will emerge victorious.

/s/ Jacob Schram
Chief Executive Officer

BOARD OF DIRECTORS' REPORT

Following several years of major international growth, Norwegian continued throughout 2019 to shift its strategic focus from growth to profitability. This change laid the foundation for a sustainable and profitable business for years to come, and the Company targeted a positive net result in 2020.

In March 2020, the effects of the COVID-19 pandemic with government-imposed travel restrictions and abrupt drop in demand forced the Company to cancel most of its flights, ground all but a few aircraft and furlough approximately 95 percent of its workforce.

Throughout 2019, the Company worked on reducing capacity growth in line with demand and worked continuously to set a route and base structure adapted to the large seasonal fluctuations across the industry.

Continued operational disruption due to issues with Rolls Royce engines on the Boeing 787 Dreamliner combined with the global grounding of the Boeing 737 MAX presented the Company with unprecedented challenges in 2019 and impacted the results and operations significantly. Despite the turbulence, Norwegian reported an underlying operating result of NOK 6,468 million, more than doubled since 2018. Revenue increased by 8 percent in 2019, supported by increased yield of 6 percent and increased load factor of 0.8 percentage points to 86.6 percent as well as increased ancillary revenue per passenger. The on-time performance was close to 80 percent, improved by more than 3 percentage points from 2018. Thanks to the airline's young aircraft fleet, its large share of direct flights and high load factor, CO_2-emissions were reduced by 3.6 percent to 70 grams CO_2 per passenger. More than 36 million passengers chose to travel with Norwegian in 2019, a reduction of 3 percent from 2018.

In 2019, the capacity, in terms of available seat kilometers, was one percent higher than the previous year; a little over the previously announced zero growth. The production growth (ASK) was reduced compared to previous years, driven by Norwegian's shift in strategic focus from growth to profitability, divestment of aircraft, engine reliability issues on the 787 Dreamliner and the global grounding of the Boeing 737 MAX. The planned capacity reduction and optimization of the route network have had a positive impact on the figures.

. At the end of 2019, the fleet operated by Norwegian comprised of 156 aircraft, including aircraft grounded or on maintenance, and 3 aircraft on short-term external lease.

In 2019, Norwegian secured significant financial milestones that further strengthened the airline's move to profitability. The cost-reduction program #Focus2019 delivered on target with cost reductions of NOK 2.3 billion for the year. The Company strengthened its financial position in 2019 through a range of measures, including reduction in capital commitments through postponed aircraft deliveries and establishment of a joint venture, raising new equity, extending the maturity on the Company's existing bonds, issuing a new convertible bond and selling the Company's investment in Norwegian Finans Holding ASA.

Norwegian's financial position at the end of 2019 was significantly affected by the implementation of IFRS 16, leading to substantially increased lease liabilities and right of use assets compared to the financial position as reported prior to 2019. The financial position is also affected by an appreciation of USD against NOK of 1.1 percent in 2019.

With the successful completion of #Focus2019, the Company launched the NEXT program, a multiyear transformational journey encompassing a wide range of initiatives across the organization. NEXT consists of more than 250 specific measures enabling Norwegian's return to profitability, both by optimizing the route network, reducing cost and improving revenues.

While the Company laid a foundation for future profitability and the NEXT program was set in motion, the airline industry and the Company was severely hit by the effects following the spread of COVID-19. The Company was forced to withdraw its guidance on a net profit in 2020 on 5 March 2020, as the Company was forced into hibernation mode with only a few aircraft operating in the domestic market in Norway, while working on financial restructuring and a revised strategy for when the Company returns to normalcy.

LOW-COST IS MORE CARBON EFFICIENT AND BETTER FOR THE ENVIRONMENT

Norwegian's modern and fuel-efficient fleet is the backbone of the low-cost business model. In the airline industry, cost efficiency and carbon efficiency go hand in hand. Norwegian's fleet, with an average age of 4.6 years, delivered a carbon efficiency of 70 grams CO_2 per passenger kilometer in 2019, corresponding to an improvement of 3.6 percent from 2018.

From 2009 to 2019, CO_2 emissions per passenger kilometer have been reduced by 33 percent - and investments in fleet renewal and fuel efficiency technology will continue in 2020. Replacing the fleet of 737-800s with the 737 MAX, once they are cleared for return to service, will improve carbon efficiency with another 20 percent per seat. In addition, fully implementing SkyBreathe, a new fuel saving tool for pilots, can save up to 2 percent of the entire fleet's fuel consumption.

In sum, Norwegian's resource efficient low-cost business model is well positioned to tackle the growing environmental attention among customers, employees, investors and regulators.

KEY EVENTS 2019

- The Company raised NOK 3 billion new equity in a rights issue in Q1.
- 18 Boeing 737 MAX aircraft were grounded by global aviation regulators as of 12 March 2019 and. Discussions about compensation and a new delivery schedule, including 16 new aircraft that were not delivered in 2019, continued throughout the year.
- The first Norwegian flight to Brazil was completed in April 2019, operated by a Boeing 787 Dreamliner between London Gatwick and Rio De Janeiro.
- 5 new Boeing 787 Dreamliners were added to the fleet. At the end of 2019, the fleet consisted of 156 aircraft: 37 Boeing 787 Dreamliners, 18 Boeing 737 MAXs, and 101 Boeing 737 800s.
- Niels Smedegaard was elected as the Company's new Chairman of the Board.
- Maturity was extended for two years and bond terms amended on Norwegian's two unsecured bonds NAS07 and NAS08.
- The loyalty program, Norwegian Reward, surpassed 10 million members.
- Norwegian and JetBlue signed a letter of intent for an interline agreement.
- Norwegian established a joint venture for parts of its aircraft fleet with China Construction Bank Leasing (International) Corporation DAC.
- Norwegian was awarded many international customer awards during 2019, including the highly acclaimed SkyTrax' award as "The World's Best Low-Cost Long-Haul Airline" for the fifth consecutive year.
- The Company achieved the target set in #Focus2019 with cost reductions of NOK 2.3 billion
- The shareholding in Norwegian Finans Holding ASA was sold.
- The Company concluded sale of in total 24 aircraft with delivery in 2019 and 2020, and deferred aircraft orders out in time.
- The Company successfully raised gross proceeds of NOK 2.5 billion in Q4 through a private placement and convertible bond issue.
- Emissions were reduced by four percent to 70 grams CO_2 per passenger due to new fleet and smarter operations.
- Norwegian tested and implemented SkyBreathe, a new app helping pilots fly smarter and more fuel efficient. SkyBreathe enables saved fuel consumption of up to 2 percent of total consumption, equaling approximately 140,000 tons of CO_2 and approximately NOK 250 million in fuel cost per year.
- AVTECH's new Cruise Profile Optimizer was tested and implemented, helping pilots calculate the most fuel-efficient altitude depending on the prevailing winds and aircraft performance. By utilizing advanced weather data, pilots can reduce up to 30,000 tons CO_2 emissions and approximately NOK 54 million in annual fuel cost.
- Jacob Schram was announced as new CEO of Norwegian, starting 1 January 2020.
- Norwegian sold its Argentinian subsidiary (NAA) to JetSMART Airlines.
- Norwegian launched a partnership with the climate-tech company CHOOOSE in December. The initiative was welcomed by the United Nations Framework Convention on Climate Change (UNFCCC) and offers customers an easy way to offset their emissions seamlessly in the booking process. By year end more than 25,000 customers had compensated their carbon footprint, supporting three Gold Standard-certified projects in Asia with approximately NOK 500,000.
- Norwegian became the first airline in the world to sign the UNFCCC Climate Neutral Now pledge, committing to becoming carbon neutral by 2050. The pledge includes working systematically to measure, reduce and offset carbon emissions.
- Norwegian became the first low-cost airline to introduce free gate-to-gate Wi-Fi on intercontinental flights and launched a premium Wi-Fi option on European routes.

GROUP OVERVIEW

Norwegian Air Shuttle ASA ("Norwegian" or "the Company"), the parent of the Norwegian Group ("the Group"), is headquartered at Fornebu in Norway, just outside Oslo. In 2019, the Company and its subsidiaries employed 9,388 staff at 20 operational bases in 11 countries across four continents. Norwegian has additional branch registrations according to local requirements in the operating regions. Norwegian has a leading position in the European short-haul point-to-point market, with a particularly strong position in the Nordics. In addition, Norwegian has developed a strong and differentiated position on flying long-haul transatlantic. In 2019, Norwegian operated more than 500 routes to over 150 destinations with both scheduled and charter service.

BUSINESS STRATEGY

Norwegian is developing a new strategy and business plan for a strengthened airline to re-emerge after the COVID-19 pandemic. While the new strategic platform is being designed, the below description relates to the strategy of the Company that was in place during 2019.

Norwegians vision is "to be the leading long-haul low-cost airline in Europe operating as the engine of global low-cost growth and dominating the Nordic short-haul market". The Group's operational priorities are safety, service and simplicity. Norwegian's overall business objectives are to be the preferred airline in selected markets and to generate profitability and return to its shareholders.

The current phase in the Company's development is characterized by a shift in strategic focus from growth to profitability. The Group has defined four strategic objectives towards 2022:

- Be the preferred airline for customers seeking value for money.
- Return to sustainable profitability.
- Fortify position as the leading short-haul carrier in the Nordics.
- Build a global low-cost alliance with our long-haul operation as the backbone.

BE THE PREFERRED AIRLINE FOR CUSTOMERS SEEKING VALUE FOR MONEY

Deliver on key aspects of the customer experience – before, during and after flight:

- Offer customers the freedom of choice to select additional products and

services. Provide a core, low-cost product to the price sensitive customer and a more comprehensive package to those who may want a little extra, thereby ensuring a broad market reach.
- Prioritize digital touchpoints and personalization.
- Sustainable on-time performance and regularity year-round.

RETURN TO SUSTAINABLE PROFITABILITY

Returning to sustainable profitability by keeping focus on the cost level and revenue generation:

- Recently opened routes and routes with heavy capacity growth will move from a build-up phase to a mature level with higher expected returns.
- Operational efficiency and tuning of route network.
- Optimize fleet for the Norwegians network. Divest up to 140 aircraft, including both aircraft from existing fleet and aircraft on order.

FORTIFY POSITION AS THE LEADING SHORT-HAUL CARRIER IN THE NORDICS

To continue as the leading short-haul carrier in the Nordics and maintain European presence, the Group continuously adjusts the short-haul network:

- Strengthen short-haul connectivity and frequency to attract higher paying segments.
- Dominate key leisure destinations.
- Leverage growth of long-haul operation in/out of Europe to feed short-haul network across Europe.

BUILD GLOBAL LOW-COST ALLIANCE WITH NORWEGIAN'S LONG-HAUL OPERATION AS THE BACKBONE

Norwegian is a truly global airline connecting many of the most attractive tier-one cities in the world through its long-haul network. To further expand the global footprint Norwegian will:

- Strengthen the customers' ability to seamlessly connect at both ends of a Norwegian long-haul flight.
- Focus on developing underserved markets between Europe and other continents.
- Continue to explore new market opportunities in the global marketplace.

CORE VALUES

Our core values are important as they support the vision, shape our culture and reflect what value we bring to the world, our customers and our colleagues.

Norwegian's core values are Innovation – Teamwork – Simplicity: IT'S Norwegian!

- Innovation: We think creatively and always seek to improve.
- Teamwork: We respect and help each other to succeed.
- Simplicity: We work hard to enhance the Norwegian experience.

CORPORATE STRUCTURE

The Norwegian Group consists of the parent company, Norwegian Air Shuttle ASA, and its directly or indirectly owned subsidiaries in Norway, Sweden, Denmark, Finland, Ireland, Spain and the United Kingdom.

The Group has structured its operations and different functions into several entities to ensure international growth and secure necessary traffic rights in line with the strategy. The purpose is to have an organizational structure that maintains Norwegian's flexibility and adaptability considering the Company's strategy. The respective companies offer permanent employment, and terms and conditions according to local markets, laws and regulations.

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

Norwegian has four main business areas:

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

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

ASSETS

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

AIRCRAFT OPERATIONS

At year-end 2019, Norwegian had five airline operators in four different countries, each holding a unique national air operator's certificate (AOC). Each AOC is under the supervision of the civil aviation authorities in their respective country. The co-existence of these operators gives the Norwegian Group broader market access than with a single AOC. Multiple AOCs is key to expanding the current route network.

The parent company Norwegian Air Shuttle ASA (NAS), based at Fornebu, outside Oslo, Norway, holds one of the AOCs. The fully owned subsidiaries Norwegian Air International Ltd. (NAI), based in Dublin, Ireland, Norwegian Air UK Ltd. (NUK), based in London, United Kingdom, Norwegian Air Norway AS (NAN), based at Fornebu, Norway, and Norwegian Air Sweden AB (NSE), based at Stockholm, Sweden, each have an AOC. Norwegian's commercial airline activities are operated through 20 bases globally in the following countries: Norway, Sweden, Denmark, Finland, United

Kingdom, Spain, Thailand, United States, Italy and France.

PEOPLE AND SERVICES

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

OTHER BUSINESS AREAS

Norwegian Reward, Norwegian's loyalty program, is growing rapidly – it surpassed 10 million members in September 2019 – and has presence in the airline's major markets. Members earn CashPoints when booking Norwegian flights and buying products or services from partner companies. Reward members can then use CashPoints as full or partial payment on all Norwegian flights or other products and services without restrictions, such as seat reservations and baggage. Reward has also introduced additional member benefits, which members can now claim after every sixth flight and use an unlimited amount of times within 12 months. The benefits include free seat reservation, free baggage, free Fast Track or a CashPoint boost.

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

Norwegian also provides commercial cargo activities and holiday packages to customers in the end market.

NORWEGIAN – BRAND VALUE

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

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

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

MARKET CONDITIONS

Norwegian is one of the largest low-cost carriers in Europe and among the ten largest in the world. It is a truly global airline, with a route network stretching across Europe into North Africa, the Middle East, North America, South America and South-East Asia. Norwegian's long-haul network has increased by more than 20 percent during 2019 and more than 60 intercontinental routes were operated during the year. Norwegian also has a vast domestic route network in Norway, Sweden, Denmark and Finland, as well as a wide range of routes between Scandinavia and the European continent and UK.

Air traffic has proven its resilience when compared to slow economic growth by outperforming global GDP which shows a clear global demand and appreciation of the benefits associated with aviation. Revenue passenger kilometers ("RPKs") experienced a global growth of approximately 4 percent between January and November 2019 according to the International Civil Aviation Organization (ICAO) figures. The low-cost carriers continued to increase their market share, with the European market at the top with 45 percent of total seat capacity. 2019 has also been a challenging year for the industry with slowing demand, equipment reliability issues from several original equipment manufacturers (OEMs) and geopolitical uncertainty with increased trade protectionism has significantly impacted the trading environment.

The European airline market remains fragmented with Europe's top seven airline groups only controlling 54 percent of seats to/from/within Europe in summer 2019, compared with a 77 percent share for North America's top seven. Whilst the short-haul market within Europe has continued to experience heavy competition with overcapacity in many areas, the bankruptcy of Thomas Cook and the subsequent purchase of its slots at Gatwick airport by easyJet, shows that there is a slow consolidation of capacity in the most competed markets.

Low cost carrier competition in the Nordic markets stabilized in 2019 with Norwegian continuing to hold a very strong number two position in the market.

Competitors on long-haul have continued to adapt their business models to better compete with Norwegian's lower cost offering by de-bundling their products, offering seat-only prices to compete with our low fares and adding additional capacity on thick routes. Actions by airline competitors continue to show that Norwegian's long-haul network is directly impacting on their margins.

With travel bans and an abrupt drop in demand following the spread of the COVID-19 virus, there is considerable uncertainty as to when the aviation industry and the Company is able to return to normalcy, as well as any long-term impact on the market.

OPERATIONS AND MARKET DEVELOPMENT

In 2019, Norwegian's strategic focus shifted from growth to sustainable profitability. In line with this strategic shift, network growth moderated to an overall increase in production of 1 percent measured by available seat kilometers (ASK). The long-haul network continued to grow with the delivery of additional 787-9 aircraft and is continuing to develop leading positions in key European outbound markets such as London, Paris and Barcelona, and key US outbound markets. As such, Norwegian is now the largest international carrier in both New York and Los Angeles. At the same time, there was a rationalization of the short-haul program to focus on core markets and maintaining the strong position on intra-Nordic and Nordics-to-Europe flights.

2019 has seen continued technical fleet challenges from the global grounding of the Boeing 737 MAX aircraft and ongoing Rolls Royce engine issues affecting the 787 operations. Wet-leased aircraft and changes to schedules have mitigated both challenges but has also had a negative impact on commercial performance and passenger experience during the year. The Company had contingency plans in place to minimize the inconveniences for passengers in 2020, however overshadowed by the COVID-19 pandemic.

NETWORK

Norwegian continues to deliver on its established network strategy, identifying major point-to-point markets that have been over-priced or underserved, while simultaneously maximizing aircraft and crew utilization.

On long haul, Norwegian has in 2019 consolidated operations into large catchment areas in Europe and the US, focusing on London, Paris, Rome and Barcelona. Operations have been consolidated into fewer airports, for instance by servicing one airport in cities like San Francisco and New York. Norwegian launched five new long-haul routes during the year, including Rio de Janeiro from London and New York to Athens. At the same time, closure of approximately 20 long-haul routes was announced.

The short-haul network has been through a transitioning period in 2019 with focus on rationalization and optimization. Unprofitable flying has been removed and capacity has been shifted into more profitable markets. Norwegian ended service on more than 50 short-haul routes during the year, while also adding around 22 new short-haul routes launched including Nordics to Gdansk and Düsseldorf.

During 2019, Norwegian announced the closure of its short-haul base in Madrid, the end of its transatlantic narrow-body operations from the Republic of Ireland and the consolidation of its Nordic long-haul operations into Oslo. The network complexity has been reduced with base closures carried out in Rome, Palma di Mallorca and Madrid, and the Company announced the end of its transatlantic narrow-body operations from Dublin and Edinburgh on the back of the MAX grounding. Seasonal operations with winter flights to the French Caribbean are discontinued and in December 2019, Norwegian sold its Argentinian subsidiary Norwegian Air Argentina.

Norwegian also announced that it signed a letter of intent for an interlining agreement with JetBlue and is developing interline capabilities with its global distribution system partner Amadeus. The partnership will provide feeder traffic to and from the US to Norwegian's long-haul network, complementing the feed from easyJet's short-haul network at Gatwick (powered through the easyJet Worldwide product). The technical solution enables the opportunity to add further interlining partners in the future.

INTERNATIONAL OPERATIONS

Norwegian Air International

Norwegian Air International Ltd (NAI), is an Irish subsidiary of Norwegian Air Shuttle. Established in 2013, NAI operates routes within Europe. During 2019, Norwegian Air International (NAI) went from operating 67 aircraft to operating 44 Boeing 737-800 aircraft. At the end of the year, NAI operated out of bases in Denmark, Finland, Spain, Ireland and the UK. NAI is based at Dublin Airport, Ireland with approximately 50 employees.

Norwegian Air UK

Norwegian Air UK Ltd. (NUK), is a UK subsidiary of Norwegian Air Shuttle. Established in 2015, NUK operates routes between the UK, USA and South America. During 2019 NUK went from operating twelve Boeing 787 Dreamliners and one Boeing 737-800 to operating 13 Dreamliners. At the end of the year, NUK operated all Norwegian long-haul routes from London Gatwick. NUK is a member of Airlines UK, the industry body that represents UK-registered airlines. NUK is based near London Gatwick, UK with 24 employees.

Norwegian Air Sweden

Norwegian Air Sweden AB (NSE), is a Swedish subsidiary of Norwegian Air Shuttle. Established in 2018, NSE operates routes in Europe and between Europe and the US on a wet-lease operation for the parent company. During 2019, NSE went from operating 3 Boeing 737 MAX to operating 27 Boeing 737-800 aircraft, 6 Boeing 737 MAX aircraft (all grounded) and 3 Boeing 787-9 Dreamliners.

SAFETY AND COMPLIANCE

The operational focus is always on safety and compliance. Safety is underlaying all activities governed by our five airlines: Norwegian Air Shuttle ASA, Norwegian Air Norway AS, Norwegian Air Sweden AB, Norwegian Air UK Ltd., and Norwegian Air international Ltd.

Our safety standards are based on compliance to the regulations and to our internal documentation, managed according to the Safety Management System principles and have dedicated safety departments and quality / compliance departments. The directors of both departments report directly to the accountable manager of their respective airline.

Norwegian as an international company brings new cultures and new challenges to the operation. Norwegian meets these challenges proactively, as part of the Management of Change, conducting change impact assessments and safety risk assessments to ensure that to the highest degree possible, hazards are identified, and associated risks are adequately managed. Norwegian's safety culture is derived from industry best practice and learning.

The four pillars of SMS (Safety Management System) are

1. Safety policy and objectives,
2. Safety promotion,
3. Safety risk management and
4. Safety assurance.

Norwegian places emphasis on its safety culture as a key safety tool, and the Norwegian Safety Management System is underpinned by a strong reporting culture, which is used to provide early identification of hazards, permitting opportunity to prevent escalation to accident or incident. It is also used to measure trends to be able to be proactive of implementing corrective actions or mitigating factors in the safety work.

The reporting culture is built on the foundation of "just culture", and a "learning culture". "Just culture" is a culture in which front-line operators and others are not punished for actions, missions or decisions taken by them which match their experience and training, but where gross negligence, willful violations and destructive acts are not tolerated. The knowledge Norwegian gains from its safety reporters is used to ensure continual safety improvement. The Norwegian code of ethics, applicable to all personnel, welcomes and ensures all cultures joining and already amongst the family experience respect and recognition in the workplace.

All changes in documentation or organizational changes are subject to a management of change process and the Company has an active hazard register and performing risk analysis to support safety measures and managing changes.

A collaborative, cohesive and proactive approach to safety across the Norwegian group airlines is recognized and accepted as essential to the business. Accordingly, the safety directors drive harmonized systems to deliver risk management and safety assurance, and the accountable managers and nominated persons ensure safety lessons from one part of the airline is utilized across the group to ensure the group of airlines learns and develops from a common set of data. Safety management system training is provided to all personnel, and specialist safety personnel receive internal and external training applicable to their role.

Norwegian moves from 2019 into 2020 with no fatal accidents since its inception in 1993. The Group had no critical personnel injuries during 2019. The safety is managed to a degree at and above regulatory requirements utilizing cutting edge safety IT systems fed with data from highly competent and well engaged personnel.

In order to ensure compliance with the European Union Aviation Safety Agency (EASA) regulations the compliance departments perform audits of both internal functions as well as contracted providers within all operational areas. The focus ahead is to develop predictive methods to manage safety.

AIRCRAFT MAINTENANCE

Norwegian has five Air Operator Certificates (AOCs) compared to six as of end 2018. Each individual AOC has its own approved certification from its respective national civil aviation authority. Each national civil aviation authority has approved the AOCs' maintenance organization (CAMO) and maintenance program (AMP).

The Company has a Maintenance Repair Organization (MRO) organized under Norwegian Air Shuttle ASA. The MRO delivers maintenance services to the AOCs in Norwegian for aircraft through a direct agreement with the AOCs. The MRO has commercial agreements with Boeing Total Fleet Care for delivering services for the 787 and the MAX.

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

Major airframe and workshop maintenance are performed by external sources subject to approval by the European Aviation Safety Agency (EASA) and the national aviation authorities. Airframe (base) maintenance for the 737 fleet is currently carried out by Lufthansa Technik in Budapest, Hungary. Lufthansa Technik and Boeing are undertaking engine and component workshop maintenance. Airframe maintenance for the 787 fleet is carried out by NAS Part 145 and Boeing Ireland. Rolls Royce UK carries out engine maintenance.

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

2019 has been a challenging year with regards to the global grounding of the Boeing 737 MAX as well as the engine challenges with the 787. The MAX was grounded in March 2019 because of two fatal accidents involving the aircraft type, on 29 October 2018, Lion Air Indonesia and the other on 10 March 2019 involving Ethiopian Airlines, with a total casualty of 346 people.

As a direct consequence of their recognition in the aftermath of these two accidents U.S. Federal Aviation Administration (FAA) commissioned the JATR (Joint Authorities Technical Review – The Review), that the type certification process as applied to the flight control system of the MAX was likely to have played a significant part in their causation.

The Review Team consisted of technical representatives from the FAA, NASA, EASA and the Civil Aviation Authorities of Australia, Brazil, Canada, China, Indonesia, Japan, Singapore and the United Arab Emirates. It was chaired by a former chairman of the NTSB and conducted its work between May and September 2019 before presenting its completed report to the FAA on 11 October 2019.

This report along with investigation reports from the two accidents played a significant role in Boeing along with FAA/EASA to solve the challenge being able to return the aircraft to service in a new excellent safety status and to regain passenger confidentiality. The MAX is still grounded by end of 2019.

Throughout 2019, and expected also for full year 2020, there has been and will be significant technical issues with the Rolls Royce engines for the 787s. Two of our Rolls Royce engines experienced an inflight shutdown followed engine seizure. In both events the crew handled the situation as they were trained for and the aircraft landed safely. As a result of these faults, Rolls Royce and EASA have implemented a tighter maintenance schedule on borescope of the engines and other maintenance actions.

FINANCIAL REVIEW

Norwegian reports consolidated financial information compliant to the International Financial Reporting Standards (IFRS) as adopted by the EU. IFRS 16 Leases was implemented from 1 January 2019 and had significant effects on the 2019 financial statements. IFRS 16 replaces IAS 17, Leases and related interpretations. IFRS 16 from a lessee viewpoint eliminates the classification of leases as either operating leases or finance leases. Instead, all leases are treated in a similar way to finance leases under IAS 17. There is a significant impact on the Company's income statement and statement of financial position from the adoption of IFRS 16. The Company elected to use the modified retrospective approach, thus not restating previous periods.

The preparation of the accounts and application of the chosen accounting principles involve using assessments and estimates and necessitate the application of assumptions that affect the carrying amount of assets and liabilities, income and expenses. The estimates and the pertaining assumptions are based on experience and other factors. The uncertainty associated with this implies that the actual figures may deviate from the estimates.

Maintenance reserve obligations, expected useful lives and residual values of aircraft as well as the recognition of deferred tax assets are among the most important estimates applied by Management when preparing the financial statements.

CONSOLIDATED INCOME STATEMENT

The Group's total operating revenue for 2019 increased by 8 percent to NOK 43,522 million (NOK 40,266 million), of which ticket revenue accounted for NOK 35,216 million (NOK 32,560 million). Ancillary passenger revenue was NOK 6,651 million (NOK 6,267 million), while NOK 1,654 million (NOK 1,439 million) was related to freight, third-party products and other revenue. The revenue increased due to an increase in yield of 6 percent, increased load factor by 0.8 percentage points and increased ancillary revenue per passenger by 10 percent. The number of passengers decreased by 3 percent during 2019 and average sector length increased by 2 percent.

The ticket revenue per available seat kilometer (unit revenue) for 2019 was NOK 0.35 (NOK 0.33), up seven percent from the previous year. The increase is a result of the Company's optimization of the route network, discontinuing unprofitable routes and decreasing utilization on narrow body aircraft going into the 2019 / 2020 winter season. Ancillary revenue per passenger rose by 10 percent to NOK 184 (168).

Operating expenses excluding aircraft lease, depreciation and amortization in 2019 amounted to NOK 36,208 million (NOK 38,094 million), with a unit cost of NOK 0.44 (NOK 0.43). The unit cost excluding fuel was at the same level as in 2018 at NOK 0.31. Unit cost excluding fuel in constant currency was 3 percent lower than in 2018.

Operating profit excluding lease, depreciation and amortization ("EBITDAR") was NOK 7,313 million, compared to NOK 2,171 million in 2018. EBITDAR was positively impacted by NOK 221 million following the implementation of IFRS 16. EBITDAR excluding other losses/(gains) was NOK 6,468 million (3,165).

The improved operating performance in 2019 is partially attributable to the successful implementation of the extensive cost reduction program #Focus2019, contributing with cost reductions of NOK 2.3 billion for the year. The negative financial impact of fleet disruptions caused by grounding of MAX aircraft and continued engine issues on the Boeing 787s is only partly covered by the manufacturers, with revenue reductions and cost increases impacting the operating profit of the Company negatively by approximately NOK 1.7 billion in 2019. Indirect negative effects such as increased passenger service costs, increased fuel burn and lower crew utilization as consequences of increased wet lease are not covered but resulted in increased costs for the Company.

Other losses/(gains) include gains and losses from foreign currency contracts, forward fuel contracts, translation of working capital in foreign currency and net gain or loss from sale of fixed assets. Net other losses/(gains) in 2019 was a gain of NOK 846 million (2018: loss of NOK 994 million), including a net gain of NOK 829 million from forward contracts on fuel, a loss of NOK 107 million from translation of working capital in foreign currency and gains of NOK 125 million from sale of fixed assets..

Operating profit before interest and taxes ("EBIT") for 2019 was positive by NOK 856 million (negative NOK 3,851 million), positively affected by IFRS 16 implementation by NOK 981 million.

Net financial items were negative by NOK 2,530 million (2018: positive NOK 1,232 million). 2018 financial items included a net gain of NOK 1,940 million following the discontinuation of the equity method for the Company's investment in Norwegian Finans Holding ASA ("NOFI") from the first quarter of 2018. IFRS 16 effects resulted in additional interest expenses recognized in 2019 of NOK 1,737 million.

The Group's share of profit or loss from associates for the year and resulted in a net loss of NOK 14 million (2018: gain of

NOK 129 million) in the consolidated income statement.

Loss before tax ("EBT") amounted to NOK 1,688 million (loss in 2018 of NOK 2,490 million) and net loss after tax was NOK 1,609 million (loss in 2018 of NOK 1,454 million). Loss before tax includes negative effects from IFRS 16 implementation of NOK 756 million and the IFRS 16 effect on loss after tax was NOK 662 million. Earnings per share were negative NOK 12.6 and would have been negative NOK 7.5 excluding IFRS 16 effects (2018: Negative NOK 19.5).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Norwegian has completed significant measures in order to increase financial headroom while transforming the business. The Company successfully completed a rights issue and a private placement with gross proceeds of NOK 4.0 billion and a convertible bond with gross proceeds of NOK 1.4 billion during the year, while extending the maturity of unsecured bonds amounting to NOK 3.4 billion by two years. The Company further sold its shareholding in NOFI, its shares in the Argentinian AOC and a total of 14 aircraft. The Company has further reduced capex commitments significantly, through establishing a joint venture with CCBLI for the upcoming 27 deliveries of Airbus A320Neos and restructured aircraft orders reducing capex by another NOK 22.0 billion for 2019 and 2020.

Aircraft assets are accounted for in USD, creating a natural hedge against USD denominated borrowings when translated into NOK. The Company received five new Boeing 787-9 Dreamliners during 2019, of which four financed through sale-leaseback. The Company sold twelve Boeing 737-800 aircraft and two Airbus A320 during the year and redelivered one Boeing 737-800 on operational lease.

Total assets and liabilities are significantly affected by the implementation of IFRS 16, leading to substantially increased lease liabilities and right of use assets compared to the financial position as reported prior to 2019. Net assets are also affected by an appreciation of USD to NOK of 1.1 percent in 2019.

Total non-current assets amount to NOK 70,734 million at the end of 2019, compared to NOK 44,209 million at the end of 2018. Transition effects following the adoption of IFRS 16 were NOK 32,797 million. The main investments during the year were deliveries of five new 787-9 Dreamliners, while twelve 737-800s were sold and five were classified as held-for-sale assets at the end of 2019. Intangible assets amounted to NOK 2,871 million at the end of 2019, compared to NOK 2,886 million at the end of 2018, including deferred tax assets of NOK 2,672 million compared to NOK 2,674 million at the end of 2018. The Company has NOK 514 million in unrecognized deferred tax assets at the end of 2019 related to carry-forward tax losses.

Total current assets amount to NOK 14,609 million at the end of 2019, compared to NOK 11,777 million at the end of 2018. Current assets include assets held for sale of NOK 1,205 million (851) related to five 737-800s that were immediately available for sale at the end of 2019. Investments amount to zero at year end following the sale of the Company's shares in Norwegian Finans Holding. The Company entered into an agreement in August to sell its entire shareholding in NOFI, of which 18.6 million shares were transferred to new owners during the third quarter. The remaining 14.0 million shares was sold in the fourth quarter in 2019. Trade and other receivables have increased by NOK 3,380 million during the year, driven by changed capacity with acquirers and increase in prepaid expenses. Cash and cash equivalents have increased by NOK 1,174 million during the year, ending at NOK 3,096 million.

Total non-current liabilities were NOK 57,192 million at the end of 2019, compared to NOK 26,662 million at the end of 2018. Non-current liabilities has increased by NOK 30,063 million and includes lease liabilities of NOK 30,080 million at the end of 2019. NAS07 and NAS08 are presented as non-current debt following the refinancing of the bonds approved by bondholders in 2019. During the fourth quarter, the Company issued a convertible bond providing NOK 1.4 billion in gross proceeds. Other non-current liabilities increased by NOK 467 million, mainly due to increased accruals for periodic maintenance on leased aircraft.

Total current liabilities amounted to NOK 24,026 million at the end of 2019, compared to NOK 27,619 million at the end of 2018. Air traffic settlement liabilities decreased by NOK 801 million from end of 2018 due to reduced production during the winter schedule for 2019 / 2020. Current borrowings decreased by NOK 6,720 million during the year, due to refinancing of bonds NAS07 and NAS08, repayment of credit facilities linked to the former NOFI shareholding, the sale-leaseback of four 787-9 Dreamliners during the year and the sales of two A320neos and twelve 737-800 with settlement of the corresponding debt. Included in current aircraft financing is financing on ten aircraft agreed to be sold during the next twelve months of NOK 1,796 million.

CAPITAL STRUCTURE

Equity at the end of 2019 was NOK 4,125 million compared to NOK 1,704 million at the end of 2018. Equity increased due to a rights issue and a private placement raising a net equity increase of NOK 3,981 million, a net loss of NOK 1,609 million for 2019, exchange rate gains from subsidiaries of NOK 95 million and actuarial losses of NOK 42 million. Other effects amounted to negative NOK 12 million.

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

Net interest-bearing debt at the end of 2019 was NOK 58,282 million compared to NOK 31,917 million at the end of 2018. Included in current year net interest-bearing debt are lease liabilities of NOK 34,274 million following the adoption of IFRS 16. At the end of 2019, the equity ratio was 4.8 percent, compared to 3.0 percent at the end of 2018. If the financial position did not include IFRS 16 effects, net interest-bearing debt would have been NOK 24,008 million at year end 2019 and the equity ratio would have been 9.1 percent.

The Group's gross interest-bearing liabilities of NOK 61,378 million (NOK 33,839 million) mainly consisted of lease liabilities of NOK 34,274 million, financing of aircraft amounting to NOK 21,927 million, bond loans with a net book value of NOK 4,797 million and pre-delivery payment financing of NOK 380 million.

In 2019, the Group extended the maturity on bonds NAS07 and NAS08 of NOK 3.4 billion. NOK 8,784 million of the interest-bearing loans mature in 2020. Current aircraft financing includes borrowings of NOK 1,796 million on ten aircraft agreed to be sold during the next twelve months of. This amount will be covered by proceeds from aircraft sales, expected to generate a net positive cash flow of NOK 900 million. NOK 95 million is short-term financing of prepayments to aircraft manufacturers and will be replaced by long term financing at the time of delivery of the aircraft. The Company issued 90,871,318 new shares through a fully underwritten rights issue in March 2019 in order to increase its financial flexibility and create headroom to the covenants of its outstanding bonds. Further, a private placement was successfully completed in November 2019, with 27,250,000 new shares issued. The net cash proceeds from the share issues were NOK 3,961 million.

CASH FLOW

Cash and cash equivalents were NOK 3,096 million at the end of 2019 compared to NOK 1,922 million at the end of 2018.

Cash flow from operating activities in 2019 amounted to NOK 3,038 million compared to NOK 463 million in 2018. Air traffic settlement liabilities decreased by NOK 801 million (increased by NOK 414 million). Changes in inventories, accounts receivable and accounts payable had a negative effect on cash flow by NOK 2,265 million (negative 1,998 million) mainly due to reduced capacity with credit card acquirers.

Cash flow from investing activities was NOK 8,332 million, compared to negative NOK 8,563 million in 2018. Purchase of tangible assets amounted a cash outflow of NOK 867 million (6,172) and consisted of acquisition of one purchased Boeing 787 and other fixed asset investments. Proceeds from sale of tangible assets of NOK 6,970 million (2,933) consists mainly of proceeds from sale of 14 aircraft including 2 Airbus A320Neos and 12 Boeing 737-800s and receipt of predelivery payments for 4 Boeing 787s under sale-leaseback transactions. Proceeds from sale of financial assets consists of the sale of the Company's shares in NOFI.

Cash flow from financing activities in 2019 was negative by NOK 10,193 million compared to positive NOK 5,984 million in 2018. Proceeds from new loans NOK 2,408 million (12,547) consists of a new convertible bond of NOK 1.4 billion, aircraft financing on one new Boeing 787, drawdowns of credit facilities and financing on pre-delivery payments. Principle repayments of NOK 9,295 million (6,519) consists of repayments of financing on sold aircraft, repayment of pre-delivery payment financing and credit facilities as well as scheduled down-payments on aircraft financing.

Under the accounting standards effective prior to the adoption of IFRS 16, cash flow from operating activities would be lower, mainly due to operational lease payments being included as a negative effect. Under IFRS 16, operational lease payments within the scope of IFRS 16 are reclassified to principal repayments of borrowings and payment of interest included as financing costs paid, both included in cash flows from financing activities. Net effect on change in cash and cash equivalents is zero. The net amount reclassified from operating activities to NOK 5,655 million in 2019.

FINANCIAL RISK AND RISK MANAGEMENT

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

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

The Group's reported results and net assets denominated in foreign currencies are influenced by fluctuations in currency exchange rates and in particular the US dollar.

The Group's main strategy for mitigating risks related to volatility in cash flows is to maintain a solid financial position and strong credit rating. Financial risk management is carried out by a central treasury department (Group treasury), under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risk in close cooperation with the Group's operating units. The Board provides principles for overall risk management such as foreign currency risk, jet-fuel risk, interest rate risk, credit risk, use of derivative financial instruments and investment of excess liquidity.

INTEREST RISK

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

FOREIGN CURRENCY RISK

A substantial part of the Group's revenues and expenses are denominated in foreign currencies. Revenues are increasingly exposed to changes in foreign currencies against NOK as the Group expands globally with more customers travelling from the USA and between European destinations. The Group's leases, aircraft borrowings, maintenance, jet-fuel and related expenses are mainly denominated in USD, and airplane operation expenses are partly 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, management has a mandate to hedge up to 100 percent of its currency exposure for the following 12 months. At the end of 2019, the Group did not have significant currency forward contracts.

PRICE RISK

Expenses for jet-fuel represent a substantial part of the Group's operating costs, and fluctuations in jet-fuel prices influence the projected cash flows. The objective of the jet-fuel price risk management policy is to safeguard against significant and sudden increases in jet-fuel prices whilst retaining access to price reductions. The Group manages jet-fuel price risk using fuel derivatives. Management has a mandate to hedge 10 to 50 percent of its expected consumption over the next 12 months with forward contracts. At the end of 2019, the Group did not have significant jet fuel forward contracts. The Company entered into fuel term contracts during the first quarter of 2020, covering approximately 35 percent of estimated fuel consumption in the first half of 2020 at an average price of USD 578 per metric ton and approximately 25 percent at USD 571 per metric ton for the full year.

LIQUIDITY RISK

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

CREDIT RISK

Credit risks are managed on group level. Credit risks arise from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposure to commercial customers. The Company's policy is to maintain credit sales at a minimum level and sales to consumers are settled by using credit card companies. The risks arising from receivables on credit card companies or credit card acquirers are monitored closely.

CLIMATE-RELATED RISKS

Climate-related risks include transition risks and physical risks. Transition risks refer to transition to a lower-carbon economy; physical risks refer to the impacts of climate change.

THE SHARE

The Company's shares are listed on Oslo Børs (Oslo Stock Exchange) with the ticker symbol NAS and is included in the benchmark index OBX, which comprises the 25 most frequently traded shares on Oslo Børs. Norwegian aims to generate competitive returns to its shareholders. The Board has recommended not to distribute dividends. The Company has not paid dividends during the last three years. The share had a closing price of NOK 37.75 at 31 December 2019 and yielded a negative return of 62 percent from the beginning of the year. Norwegian had 31,260 shareholders at 31 December 2019 and the ten largest shareholders accounted for 36 percent of the share capital. HBK Holding AS was the largest shareholder, holding 8.7 percent of the shares at 31 December 2019.

Transitioning to a lower-carbon economy may involve changes in government policies, technological development and customer demands. The speed and focus of these changes may create financial and reputational risks.

A changing climate may cause increased severity of extreme weather events. Cyclones, hurricanes and floods are acute, event-driven physical risks. Higher temperatures, sea level rise and heat waves are chronic physical risks stemming from longer-term shifts in climate patterns. Physical risks may impact financial performance directly or indirectly through supply chain disruptions. Climate-related risks are managed on group level.

CHANGES IN THE BOARD OF DIRECTORS AND GROUP MANAGEMENT

New directors were elected by the employees in January 2019. Geir Olav Øien (reelected), Eric Holm and Katrine Gundersen are elected for the period 2019-2021. At the Annual General Meeting 7 May 2019, Niels Smedegaard and Ingrid Elvira Leisner were elected as new members of the Board, following the decisions of Bjørn H. Kise and Ada Kjeseth to step down as members of the Board. Niels Smedegaard was elected Chairman.

During 2019, Bjørn Kjos stepped down as Chief Executive Officer. Geir Karlsen assumed the role as interim CEO until Jacob Schram was appointed as the new CEO from 1 January 2020. Asgeir Nyseth stepped down as Chief Operating Officer and Tore Jenssen assumed that position. Helga Bollmann Leknes stepped down as Chief Commercial Officer and was replaced by Interim Chief Commercial Officer Marty St. George. Kurt Simonsen further stepped down as Chief Customer and Digital Officer, while Knut Olav Irgens Høeg assumed the position of Interim SVP IT / Customer care in addition to his role as SVP Procurement. Managing Director Support Services and the Chief Legal Officer are now integrated within the departments of the Chief Operating Officer's and the Chief Financial Officer's organizations, respectively.

The Executive Management team was temporarily expanded during February 2020 to include Brede Huser as EVP Loyalty & Managing Director of Norwegian Reward, Kei Grieg Toyomasu as SVP Marketing, Guro H. Poulsen as SVP Crew Management and Sarah Louise Goldsbrough as EVP Human Resources.

In June 2020, a new group management team was presented and consists of the following:

- Jacob Schram, Chief Executive Officer
- Geir Karlsen, Chief Financial Officer
- Andrew Hodges, EVP Airline
- Guro H. Poulsen, EVP People
- Anne-Sissel Skånvik, EVP Communications
- Knut Olav Irgens Høeg, EVP IT, Supply Chain & Process Improvement
- Brede Huser (interim), EVP Airline Ecosystems
- Kei Grieg Toyomasu (interim), EVP Customer.
- Johan Gauermann (interim), EVP Operations

EVENTS AFTER 31 DECEMBER 2019

On 4 February, Norwegian announced that the Board of Directors in the Company decided not to use the board authorization granted by the Company's extraordinary general meeting to carry out a subsequent repair offering. Since the announcement of the private placement, the Company's shares have traded similar to or below the subscription price in the private placement of NOK 40. Consequently, existing shareholders wishing to avoid or reduce the dilutive effect of the private placement have had the opportunity to purchase shares in the open market during an extended period, at prices below the subscription price of the private placement.

In March 2020, the Company was severely impacted by the current outbreak of the COVID-19 virus. Starting on 10 March, the Company has regularly updated the market through stock exchange notices on the effects of the COVID-19 outbreak, with cancellations, layoffs and suspension of service until the current hibernation mode was reached. Further information on the impact of the COVID-19 pandemic is provided in the following section on Going Concern. Below are listed key events following the Company entering hibernation status.

8 April: Norwegian calls for an extraordinary general meeting with the aim to strengthen the balance sheet by converting bond debt and lease obligations to equity to meet the requirements of the Norwegian state guarantee program and create a sustainable platform.

20 April: Norwegian's pilot and cabin crew companies in Sweden and Denmark file for bankruptcy. Norwegian also notified OSM Aviation that it has canceled the crew provision agreements with several of its jointly owned OSM Aviation subsidiaries.

4 May: The extraordinary general meeting voted in favor of all proposed resolutions, including conversion of bonds and lease debt to shares, as well as the public offering of up to NOK 400 million.

6 May – 14 May: Norwegian completed a public offering of NOK 400 million.

18 May: The bondholders' meeting in NAS07 formally passed the proposed conversion and amendments to the bond terms. With this approval, bondholders in all the Company's four bonds had approved the restructuring plan.

20 May: Norwegian announced the successful completion of refinancing in which the Company converted NOK 12.7 billion of debt to equity, raised NOK 400 million in cash and equity through a public offering and secured access to the NOK 3 billion loan guarantee from the Norwegian government. Following the transaction, the Company has 3,069,624,807 shares outstanding, from previously 163,558,377. The Company also announced that power-by-the-hour arrangements with lessors are expected to further lower aircraft lease payments by approximately USD 250 – 285 million.

20 May: CEO Jacob Schram presented a new organizational structure and management team to be operational from 2 June 2020.

There have been no other material events subsequent to the reporting period that might have a significant effect on the consolidated financial statements for 2019.

GOING CONCERN

The Company has been severely impacted by the outbreak of COVID-19. In a very short time period, the Company lost most of its revenues. This adversely and materially affected the Group's contracts, rights and obligations, including financing arrangements. COVID-19 outbreak effects on travel restrictions and demand for air travel has forced the Company to enter hibernation mode, currently operating only seven aircraft primarily in the domestic market in Norway. With most of its revenue lost, the Company was not capable of complying with its ongoing obligations and forced to restructure its debt and ensure access to the state aid package offered by the Norwegian government.

On 20 May 2020, the Company announced that it had successfully converted NOK 12.7 billion debt to equity and NOK 400 million in new cash and equity through a public offering. With the restructuring in place, the Company fulfilled the conditions to access the Norwegian government's guarantee scheme for the aviation industry; NOK 3 billion has subsequently been made available to the Company. Under the guarantee scheme, the government will guarantee 90 percent of the loans granted to Norwegian and the private sector supports with the remaining 10 percent. The purpose of the guarantee is that the Company shall apply all amounts borrowed by it towards financing short-term liquidity needs caused by COVID-19 to ensure further operations of the airline (but not towards refinancing of other financial indebtedness of the Company or towards decreasing any negative balance on overdraft facilities or similar).

One of the conditions to obtain access to the governmental guarantee was to achieve a pro forma adjusted equity ratio at 31 December 2019 of at least 8 percent. Based on the financial restructuring, the Company achieved a pro forma adjusted equity ratio of 17 percent, based on reported equity ratio in the Company's fourth quarter 2019 interim financial statements adjusted by the mentioned public offering and debt conversions.

The Company also announced that agreements are made to further lower aircraft lease payments through a power-by-the-hour arrangement with lessors, expected to reduce lease payments by approximately USD 250 - 285 million until March 2021.

Even though the Company restructured its leasing debt and bond debt, and thereby getting access to the State Aid Package, the restructuring process of the aircraft financing and creditors such as vendors and hedge counterparties is still ongoing. At the time of this report, the Company had significant overdue payables of NOK 2,122 million and unrealized losses on jet fuel hedge positions of approximately NOK 730 million that are not entirely remedied by access to the state aid package. The Company is working with creditors for conversion of debt into equity, extending maturity on hedge positions and payment plans on overdue payments. Although the Company believes there are reasonable prospects to resolve such positions, there is a significant risk that the Company becomes insolvent and enters into bankruptcy if, inter alia, the Company's is not able to reach an agreement with its creditors, access to working capital and regain normalized operations.

The Group's firm aircraft orders totaled 190 aircraft with corresponding payment obligations. In accordance with airline industry market practice the total order is not fully financed. Debt financing of aircraft acquisitions is expected to be secured on a periodic basis, the size and timing depending on the schedule of aircraft delivery. The contractual capital expenditure commitment for the Company on aircraft deliveries and predelivery payments is USD 1.5 billion in 2020 and USD 0.6 billion in 2021, subject to uncertainties regarding the return-to-service for Boeing MAX aircraft and ongoing dialogues with both Boeing and Airbus on fleet orders.

A failure to secure financing or to meet payment obligations under aircraft acquisition contracts may lead to a breach of contract. Such default may result in severe financial penalties and make the Group unable to take on delivery of the acquired aircraft. This may have a material adverse effect on the Group's business, financial condition, results of operations, cash flows and/or future prospects.

The offering, the financial restructuring, the power-by-the-hour agreements and the access to the state aid package has provided the Company with sufficient liquidity and financial headroom to maintain its current hibernation mode until the end of 2020, contingent upon the Company reaching solutions on overdue payables and negative hedge positions. The Company continues to work with other creditors such as aircraft financiers and vendors to convert more debt into equity to strengthen the Company's financial position.

The long-term impact from COVID-19 on the global airline industry and thus on the Company is highly uncertain and depends on various factors, inter alia, duration and magnitude of the outbreak, containment measures, consumer confidence and economic conditions. The situation is evolving rapidly, and it is unclear how the virus will continue to develop or when the airline industry, and thus the Company, will see a recovery to baseline levels. Certain significant accounting estimates could be affected by the pandemic. If the situation persists, that could impact the Company's impairment evaluations, the ability and timing of utilization of carry forward tax losses and the ability to extinguish liabilities in the normal course of business.

Assuming that the COVID-19 outbreak effects on travel restrictions and demand for air travel continue forcing the Company to maintain its current hibernation mode for a period beyond the end of 2020, the Company estimates that it will no longer have sufficient working capital during the first quarter of 2021, and will need additional working capital of approximately NOK 2.2 billion through the second quarter of 2021. The Company expects to obtain this extra NOK 2.2 billion in additional working capital through obtaining additional financing, additional private placement of shares, reconsidering the Company's business plan and scale of operations, selling and refinancing assets or pursuing other sources of finance. If travel restrictions are lifted and demand picks up, allowing the Company to gradually return to normal service before the end of 2020, the need for additional working capital is assumed to be lower than in an extended hibernation case.

There is significant uncertainty surrounding the long-term effects of the COVID-19 pandemic and the Company may be dependent on obtaining additional working capital in order to meet its obligations in the upcoming twelve-month period. Although the Company believes there are reasonable prospects to resolve such defaults there is a significant risk that the Company becomes insolvent and enters into bankruptcy if, inter alia, the Company's is not able to reach an agreement with its creditors, access to working capital and regain normalized operations. The directors have concluded that the combination of these circumstances represents a material uncertainty that casts significant doubt upon the Company's ability to continue as a going concern and that, therefore, the Company may be unable to realize its assets and discharge its liabilities in the normal course of business.

Nevertheless, after making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

PARENT COMPANY RESULTS AND DISTRIBUTION OF FUNDS

Norwegian Air Shuttle ASA ("NAS") is the parent company in the Norwegian Group. Net profit for the parent company Norwegian Air Shuttle ASA was NOK 914 million (NOK 3,505 million net loss in 2018). Total assets at the end of 2019 amounted to NOK 43,479 million (NOK 43,345 million) and equity amounted to NOK 11,199 million (NOK 6,287 million). In accordance with the Company's corporate governance policy, the Board recommends the following distribution of funds:

(NOK million)	
Dividend	0
Transferred to equity	914
Total allocated	914

CORPORATE RESPONSIBILITY

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

The requirements of the Norwegian Accounting Act § 3-3c for reporting on Corporate Social Responsibility activities, have been covered in the separate report of Corporate Responsibility at Norwegian, presented in a separate section of the annual report and available on the Group's website www.norwegian.com. The Corporate Responsibility Report also includes reporting on health, safety, the environment, equality and non-discrimination, as required by the Accounting Act § 3-3.

CORPORATE GOVERNANCE

Good corporate governance is a priority for the Board of Directors. Norwegian's objective for corporate governance is based on accountability, transparency, fairness and simplicity with the ultimate goal of maximizing shareholder value while creating added value for all stakeholders. The principles are designed in compliance with laws, regulations and ethical standards. Norwegian's core values are innovation, teamwork and simplicity, but no business conduct within the Group should under any circumstances jeopardize safety and quality.

Norwegian is subject to the annual corporate governance reporting requirements under section 3-3b of the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance, cf. section 7 on Oslo Børs' continuing obligations of listed companies. The Accounting Act may be found (in Norwegian) at www.lovdata.no. The Norwegian Code of Practice for Corporate Governance ("the code"), which was last revised on 17 October 2018, may be found at www.nues.no.

The annual corporate governance statement is approved by the Board of Directors and is pursuant to Section 5-6 of the Public Limited Companies Act, subject to approval by the Annual General Meeting. Norwegian has adapted to the code and subsequent amendments in all areas.

The annual statement on how Norwegian complies with the Code of Practice and the Norwegian Accounting Act's requirements for corporate governance is included in a separate section of the annual report and available on the Group's website www.norwegian.com.

OUTLOOK

The Company provided its latest guiding on 13 February 2020, including decreased production (ASK) of 13–15 percent in 2020 versus 2019, and targeting a unit cost of approximately NOK 0.44–0.45 and a unit cost excluding fuel of approximately NOK 0.33–0.34 for 2020. The guiding assumed a fuel price of USD 552 per metric ton excluding hedged volumes, USD/NOK of 9.01 and EUR/NOK of 10.02. Given the uncertainty and ongoing impact on overall demand for air travel, Norwegian withdrew its 2020 guidance on 5 March 2020.

The Company had hedged 35 percent of its estimated fuel consumption for the first half of 2020 pre-COVID-19, and 25 percent of estimated fuel consumption for the full year using jet fuel swaps. The Company has reached an agreement with one party to terminate outstanding swap exposure and has moved some positions. Norwegian is now in dialog with the relevant counterparties to find solutions for these positions.

The Company also guided on contractually committed capital expenditures of USD 1.5 billion in 2020 and USD 0.6 billion in 2021. The Company is in ongoing dialogs with

OEMs, including both Airbus and Boeing regarding fleet orders.

Assuming that the COVID-19 outbreak effects on travel restrictions and demand for air travel continue forcing the Company to maintain its current hibernation mode for a period beyond the end of 2020, the Company estimates an expected cash burn between NOK 0.3 billion to NOK 0.5 billion per month. At this stage, it is too early to assess the full impact on the business.

FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS 2019

CONSOLIDATED INCOME STATEMENT 1.1 – 31.12

NOK million	*Note*	2019	2018
Passenger revenue		35,216.3	32,560.1
Ancillary passenger revenue		6,651.5	6,266.6
Freight		755.1	743.3
Other revenue		899.0	695.6
Total operating revenue	*4*	43,521.9	40,265.5
Personnel expenses	*6, 7, 17, 18*	6,817.5	6,664.6
Aviation fuel		12,607.1	12,562.2
Airport and ATC charges		4,140.3	4,373.0
Handling charges		5,260.2	5,200.5
Technical maintenance expenses		3,379.2	3,493.7
Other operating expenses	*5, 7A, 12*	4,849.9	4,806.4
Other losses/(gains) - net	*20*	(845.8)	994.1
Total opex excl lease and depreciation		36,208.5	38,094.5
Operating profit excl lease, depreciation and amortization (EBITDAR)		7,313.5	2,171.1
Aircraft lease, depreciation and amortization	*1, 10, 11*	6,457.5	6,021.7
Operating profit (EBIT)		856.0	(3,850.6)
Interest income		204.5	117.5
Interest expense		(3,108.6)	(1,159.5)
Other financial income (expense)		374.1	2,273.9
Net financial items	*8*	(2,530.0)	1,232.0
Profit (loss) from associated companies	*25*	(13.6)	128.5
Profit (loss) before tax (EBT)		(1,687.6)	(2,490.1)
Income tax expense (income)	*9*	(78.5)	(1,036.0)
Net profit (loss)		(1,609.1)	(1,454.1)
Basic earnings per share *	*16*	(12.6)	(19.5)
Diluted earnings per share *	*16*	(12.6)	(19.5)
Profits attributable to:			
Owners of the Company		(1,615.4)	(1,461.1)
Non-controlling interests		6.2	7.0

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 1.1 – 31.12

NOK million	*Note*	2019	2018
Net profit (loss)		(1,609.1)	(1,454.1)
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange rate differences on translation of foreign operations	*15*	31.4	347.9
Exchange rate differences on disposal of foreign operations		63.2	-
Share of other comprehensive income of associated companies		(20.8)	22.3
Net comprehensive income that may be reclassified		73.9	370.2
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Fair value gain/(loss) on investments in equity instruments designated as FVTOCI	*20*	(7.8)	(771.7)
Actuarial gains (losses)	*18*	(42.3)	2.7
Exchange rate differences attributable to non-controlling interests		0.3	0.6
Net comprehensive income that will not be reclassified		(49.7)	(768.5)
Total comprehensive income for the period		(1,585.0)	(1,852.4)
Total comprehensive income attributable to:			
Equity holders of the Company		(1,591.5)	(1,859.9)
Non-controlling interests		6.5	7.6

** Earnings per share for comparative figures have been adjusted with a factor of 1.76 due to effects of the rights issue completed in March 2019*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER

NOK million	*Note*	2019	2018
ASSETS			
Intangible assets	*10*	198.2	212.3
Deferred tax asset	*9*	2,672.4	2,673.8
Aircraft, parts and installations on leased aircraft	*11*	27,392.0	31,064.2
Right-of-use aircraft, parts and installations	*1.24, 11*	33,245.4	-
Equipment and fixtures	*11*	197.9	211.4
Right-of-use equipment	*1.24, 11*	35.7	-
Buildings	*11*	263.7	269.4
Right-of-use buildings	*1.24, 11*	297.3	-
Derivative financial instruments	*3, 20*	-	3.5
Investment in associate	*25*	23.7	70.3
Prepayment to aircraft manufacturers	*11*	4,946.6	8,561.3
Other receivables	*13*	1,461.4	1,142.4
Total non-current assets		70,734.2	44,208.6
Assets held for sale	*11*	1,204.5	850.6
Inventory	*14*	175.7	167.3
Trade and other receivables	*13*	10,132.9	6,752.6
Derivative financial instruments	*3, 20*	-	32.6
Investments in financial assets	*3, 20*	(0.0)	2,051.8
Cash and cash equivalents	*24*	3,095.6	1,921.7
Total current assets		14,608.7	11,776.7
TOTAL ASSETS		85,342.9	55,985.3

NOK million	*Note*	2019	2018
EQUITY AND LIABILITIES			
Share capital	*15*	16.3	4.4
Share premium	*15*	6,664.1	2,686.8
Other paid-in equity		149.2	132.9
Other reserves	*15*	1,085.5	1,011.7
Retained earnings		(3,814.0)	(2,148.6)
Shareholders' equity		4,101.1	1,687.2
Non-controlling interest		23.8	17.3
Total equity		4,124.9	1,704.4
Pension obligation	*18*	177.5	146.5
Provision for periodic maintenance	*19*	3,879.0	3,187.5
Other non-current liabilities	*19*	1.1	145.2
Deferred tax	*9*	540.7	614.5
Borrowings	*22*	22,144.4	22,530.0
Lease liabilities	*20*	30,079.8	-
Derivative financial instruments	*3, 20*	369.2	38.1
Total non-current liabilities		57,191.7	26,661.8
Borrowings	*22*	4,589.6	11,309.1
Lease liabilities	*20*	4,194.5	-
Trade and other payables	*21*	9,129.5	8,011.8
Air traffic settlement liabilities		6,106.5	6,907.3
Derivative financial instruments	*3, 20*	-	1,359.4
Tax payable		6.1	31.4
Total current liabilities		24,026.2	27,619.0
Total liabilities		81,217.9	54,280.8
TOTAL EQUITY AND LIABILITIES		85,342.9	55,985.3

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 1.1 - 31.12

NOK million	Share Capital	Share Premium	Other paid-in equity	Other reserves*	Retained earnings	Shareholders' equity	Non-controlling interest	Total equity
Equity at 1 January 2018	3.6	1,231.6	127.8	641.4	81.7	2,086.1	12.3	2,098.4
Profit for the year	-	-	-	-	(1,461.1)	(1,461.1)	7.0	(1,454.1)
Fair value gain/(loss) on investments in equity instruments designated as FVTOCI	-	-	-	-	(771.7)	(771.7)	-	(771.7)
Actuarial gains and losses	-	-	-	-	2.7	2.7	-	2.7
Exchange rate differences on translation of foreign operations	-	-	-	347.9	-	347.9	0.6	348.5
Share of other comprehensive income of associated companies	-	-	-	22.3	-	22.3	-	22.3
Total comprehensive income 2018	-	-	-	370.2	(2,230.2)	(1,859.9)	7.6	(1,852.4)
Share issue	1.0	1,455.0	-	-	-	1,456.0	-	1,456.0
Transactions with non-controlling interests	-	-	-	-	(0.1)	(0.1)	(2.6)	(2.7)
Equity change on employee options	-	-	5.1	-	-	5.1	-	5.1
Transactions with owners	1.0	1,455.0	5.1	-	(0.1)	1,461.0	(2.6)	1,458.4
Equity at 31 December 2018	4.5	2,686.7	132.9	1,011.7	(2,148.6)	1,687.2	17.3	1,704.4
Profit for the year	-	-	-	-	(1,615.4)	(1,615.4)	6.2	(1,609.1)
Fair value gain/(loss) on investments in equity instruments designated as FVTOCI	-	-	-	-	(7.8)	(7.8)	-	(7.8)
Actuarial gains and losses	-	-	-	-	(42.3)	(42.3)	-	(42.3)
Exchange rate differences on translation of foreign operations	-	-	-	31.4	-	31.4	0.3	31.8
Exchange rate differences on disposal of foreign operations	-	-	-	63.2	-	63.2	-	63.2
Share of other comprehensive income of associated companies	-	-	-	(20.8)	-	(20.8)	-	(20.8)
Total comprehensive income 2019	-	-	-	73.9	(1,665.4)	(1,591.5)	6.5	(1,585.0)
Share issue	11.7	3,977.4	-	-	-	3,989.1	-	3,989.1
Equity change on employee options	-	-	16.4	-	-	16.4	-	16.4
Transactions with owners	11.7	3,977.4	16.4	-	-	4,005.5	-	4,005.5
Equity at 31 December 2019	16.3	6,664.1	149.2	1,085.5	(3,814.0)	4,101.1	23.8	4,124.9

**See note 15 for details on other reserves*

CONSOLIDATED STATEMENT OF CASH FLOWS 1.1 - 31.12

NOK million	*Note*	2019	2018
OPERATING ACTIVITIES			
Profit (loss) before tax		(1,687.6)	(2,490.1)
Taxes paid	*9*	(38.3)	(22.7)
Depreciation, amortization and impairment	*10,11*	6,457.5	1,667.6
Profit from associated companies	*25*	13.6	(128.5)
Compensation expense for employee options	*17*	16.4	5.1
Losses/(gains) on disposal of tangible assets	*11,20*	(124.6)	(120.9)
Fair value losses/(gains) on financial assets	*20*	(1,361.4)	1,966.3
Financial items	*8*	2,530.0	(1,232.0)
Interest received	*8*	204.5	117.5
Change in inventories, accounts receivable and accounts payable		(2,265.3)	(1,998.4)
Change in air traffic settlement liabilities		(800.8)	413.7
Change in other current assets and current liabilities		93.9	2,285.1
Net cash flow from operating activities		3,037.8	462.7
INVESTING ACTIVITIES			
Prepayments aircraft purchase	*11*	(63.8)	(5,543.2)
Purchase of tangible assets	*11*	(867.2)	(6,171.7)
Purchase of intangible assets	*10*	(12.2)	(41.6)
Proceeds from sales of tangible assets	*11*	6,970.1	2,933.1
Proceeds from sales of financial assets	*20*	2,218.4	-
Proceeds from sale of shares in subsidiaries net of cash		(19.1)	-
Net investment in associated companies	*25*	16.8	26.9
Proceeds from total return swap		-	233.3
Other investing activities		89.4	-
Net cash flow from investing activities		8,332.4	(8,563.2)
FINANCING ACTIVITIES			
Proceeds from new loans	*22*	2,408.2	12,546.6
Principal repayments	*22*	(9,294.5)	(6,518.8)
Principal repayments of lease liabilities IFRS 16	*22*	(3,923.2)	-
Interest on borrowings and financing costs	*8*	(3,344.6)	(1,499.8)
Proceeds from issuing new shares	*15*	3,961.0	1,456.0
Net cash flow from financial activities		(10,193.0)	5,984.1
Foreign exchange effect on cash		(3.3)	(1.7)
Net change in cash and cash equivalents		1,173.9	(2,118.1)
Cash and cash equivalents at 1 January		1,921.7	4,039.8
Cash and cash equivalents at 31 December	*24*	3,095.6	1,921.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 General information

Norwegian Air Shuttle ASA and its subsidiaries (`Norwegian', `the Group' or `the Company') 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 2019 were authorized for issue by the Board of Directors on 9 June 2020. The annual shareholders meeting, to be held 30 June 2020, has the power to amend and reissue the financial statements.

1.2 Basis of preparation

The consolidated financial statements of Norwegian Air Shuttle ASA have been prepared in accordance with the International Financial Reporting Standards (IFRS) and IFRIC interpretations, as adopted by the EU. The consolidated financial statements are prepared on the historical cost basis, with some exceptions, as detailed in the accounting policies set out below.

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. 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 financial statements have been prepared on the going concern basis. Details on going concern are provided in Note 2.8.

New standards, amendments and interpretations that are adopted

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

- IFRS 16 `Leases´
- Prepayment Features with Negative Compensation – Amendments to IFRS 9
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle
- Plan Amendment, Curtailment or Settlement – Amendments to IAS 19
- Interpretation 23 `Uncertainty over Income Tax Treatments´

Interpretation 23 `Uncertainty over Income Tax Treatments´ sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Group to determine whether uncertain tax positions are assessed separately or as a group, and to assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings.

If this is the case, the Group should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings. If this is not the case, the Group should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

Except for IFRS 16 `Leases´, their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements. Further information on the adoption of IFRS 16 is given in paragraph 1.24.

New standards, amendments and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements:

- Amendments to References to Conceptual Framework in IFRS Standards;
- Definition of a Business (Amendments to IFRS 3);
- Definition of Material (Amendments to IAS 1 and IAS 8);
- IFRS 17 `Insurance Contracts´.

1.3 Basis of consolidation and equity accounting

1.3.1 Subsidiaries

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

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

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

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

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

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

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

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

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

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

1.3.5 Changes in ownership
The Group considers transactions with non-controlling interests that do not result in loss of control, as transactions with equity owners of the Group. Any difference between considerations paid and the relevant share acquired from the carrying value of net assets are recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

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

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

1.3.6 Other investments
All other investments are recognized in accordance with IFRS 9, Financial Instruments, 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 on the dates of the transactions or valuation where items are re-estimated. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency exchange rate of the reporting date. Any differences are recognized in the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates of the dates of the initial transactions.

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

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

1.5 Tangible assets

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

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

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

An aircraft is recognized as one or more components for depreciation purposes in order to consider different useful lives of the aircraft components. Depreciable components are 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 flights 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, considered to be 25 years for the fleet in Norwegian. When estimating the future residual values at the end of the 25-year period, Norwegian reviews reports from two separate independent aircraft appraisers for each applicable aircraft type and year of build and sets the residual value to an average value of the two appraiser's reports. In cases where the Company has contracts to cover all significant maintenance of the aircraft, the aircraft may be depreciated as one single component.

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 in the statement of financial position. The prepayments include capitalized borrowing costs. At delivery of aircraft, the prepayments are included in the acquisition costs of the aircraft.

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.

Depreciation periods and methods are assessed annually to ensure that they match the substance of non-current assets. Additional details on tangible assets are outlined in Note 11.

1.6 Intangible assets

1.6.1 Computer software

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

Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs which are directly associated with the development of identifiable software products 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 commences as each module is completed.

1.6.2 Goodwill and other intangible assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

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

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

1.7 Impairment of non-financial assets

Intangible assets with indefinite useful lives are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purpose of impairment testing, assets are grouped at the lowest levels of separately identifiable cash flows (cash-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 measured at amortized cost, measured at fair value through profit or measured at fair value through other comprehensive income. At 31 December 2019, the Group holds financial instruments measured at amortized cost and financial assets at fair value through OCI. The classification depends on the characteristics of the financial assets and the purpose for which they were acquired. The Management determines the classification of its financial assets at initial recognition.

Debt instruments that meet the following conditions are measured subsequently at amortized cost: the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI): the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL). Despite the foregoing, the Group may at initial recognition irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and the Group may irrevocably designate a debt investment that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Financial assets are presented as current assets, unless maturity is greater than twelve months after the reporting date and Management intends to hold the investment longer than twelve months after 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.

Gains or losses arising from changes in the fair value of the financial assets in the FVTPL category are presented in the income statement within other losses/(gains) – net of the period in which they occur. Interest on securities which is calculated using the effective interest method, is recognized in the income statement as part of other income. Dividend income from financial assets at FVTPL and FVOCI are recognized in the income statement as a part of other income respectively in the Statement of Comprehensive 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 recognizes a loss allowance for expected credit losses (ECL) on investments in debt instruments that are measured at amortized cost or at FVTOCI. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognizes lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within twelve months after the reporting date.

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 2019 or 2018.

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.

The group holds investments in money market funds classified as cash and cash equivalents. These funds are highly liquid and readily convertible to a known amount of cash which is subject to an insignificant risk of changes in value. Investments not meeting these criteria are classified as financial assets measured at fair value through profit and loss.

1.13 Equity

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

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

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

1.14 Liabilities

Financial liabilities are classified either as measured at amortized cost or as measured at fair value through profit or loss. The Group will have derivative financial liabilities being measured at fair value through profit or loss, whereas all other financial liabilities are measured at amortized cost.

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 twelve 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 twelve months. Payables due after the next twelve 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 cost of providing benefits under defined benefit plans 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 plan's administrator has not allocated actuarial gains/losses to the members of the AFP pension plan at 31 December 2019.

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 contributions are expensed over the remaining vested period. For further details see Note 17.

1.17 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent when it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

1.17.1 Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. 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 intend 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 amounts that reflect the consideration to which the entity expects to be entitled in exchange for goods and services promised to be transferred to customers 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 performance obligations in the contract with the customer are satisfied.

Revenue from the airline business is generally associated with the performance obligation of the air transport taking place. Tickets are pre-sold up in advance of the air transport taking place. The Group receives payment at or shortly after time of sale, but such payments might be partly delayed until time of transport with any hold-back imposed by credit card acquirers for security reasons. Between time of sale and time of air transport the amounts collected from the customers, including taxes collected on behalf of the authorities, are presented as air traffic settlement liabilities. The value of the resulting air traffic settlement liabilities represents the aggregate transaction price of performance obligations not yet satisfied.

Tickets can be purchased up to almost one year prior to the air transport taking place. The contracts with customers hence have a duration of less than one year and the corresponding air traffic settlement liabilities will always fall due within one year. Hence will also a financial year's reported revenue include the entire closing balance of the prior year's air traffic settlement liabilities.

The time between ticket sale and time of the air transport taking place is less than one year and based on materiality considerations the Group does not recognize any financing element in relation to ticket sales.

1.19.1 Passenger revenue

Passenger revenue is reported as traffic revenue when the air transport has been carried out and the performance obligations hence are satisfied. The value of sold tickets 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, seating and premium upgrades. Most of the products and services do not have separate performance obligations but are associated with the performance obligation of the air transport and are hence recognized as revenue at the time of the transport. Between time of sale and time of transport such ancillary revenue items are reported as part of the air traffic settlement liability.

Amounts paid by 'no-show' customers are recognized as revenue when the booked service is provided, and performance obligations are satisfied. 'No-show' customers with low fare tickets are not entitled to change flights or seek refunds for other than taxes once a flight has departed.

1.19.3 Contract costs

Certain incremental distribution costs in relation to the pre-sale of tickets are capitalized between time of sale and time of the air transport taking place. As such distribution costs are incremental and correlated with ticket sales, experience data is collected on the size of the various elements of contract costs relative to the size of the revenue. Such experience data together with the size of air traffic settlement liabilities give basis for capitalization and amortization of the contract costs.

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

Other airline revenues are recognized when the performance obligations have been satisfied through the rendering of services.

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

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

CashPoints:

- Airlines within Norwegian Group; Reward members earn from two percent on LowFare tickets and from ten percent on all Flex tickets.
- Corporate agreement; four percent on all LowFare tickets and twelve percent on all Flex tickets.
- Bank Norwegian Customers; 0.5-1 percent of the payment is earned as cashpoints on all purchases with the Bank Norwegian Credit Card. Total of four percent CashPoints earned on all LowFare tickets and ten percent on all Flex tickets when the tickets are purchased with Bank Norwegian Credit Card.
- CashPoints are also earned by members making purchases of goods and services from more than 50 Reward Partners according to the applicable accumulation rates and conditions set by the Reward Partners.
- CashPoints can be used as payment on all Norwegian flight tickets (full or partial), luggage, seat reservation and ticket changes.

Rewards:

Frequent flyer benefits, called "Rewards"; members receive an additional Reward for every sixth single flight. Members get to choose the following Rewards: CashPoints Boost (can be chosen five times), Free seat reservation, Free luggage and Free Fast Track. Each Reward can be used by the member on all flights for at least twelve months ahead. Members can collect a total of eight Rewards.

Member CashPoints gained from travelled airline tickets are recognized as a liability in the statement of financial position and recognized as revenue only when it has fulfilled its obligations. The 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 CashPoints 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 contract liabilities in the balance sheet, and they are released to the income statement when the points are redeemed or expire. Revenue and costs from issuing CashPoints to external partners in the loyalty program Reward are presented on a net basis.

Contract liabilities are measured by reference to fair value. They are classified as short term as available statistics at 31 December 2019 indicate that members' CashPoints are generally utilized within one year. Hence, the carrying value of the contract liability is estimated as the fair value of the liability.

1.20 Leasing
From 1 January 2019, the Group has applied IFRS 16 `Leases´ using the modified retrospective approach. Therefore, the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The new accounting policies for leases and transition effects to IFRS 16 are outlined in paragraph 1.24. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed below.

Accounting policies for leases applicable before 1 January 2019

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

The lease agreements, in which, most of the risk lied with the contracting party were classified as operating leases. Operating lease payments were 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 were recognized separately.

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

The Group leased tangible assets where the lease agreements transferred all material risks and rewards of the asset to the lessee at the end of the lease term. Such lease agreements were classified as financial leases. Financial leases were recognized at inception to the lowest of acquisition cost and the net present value of minimum lease payments. Financial lease assets were 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 were included in the statement of financial position as tangible assets.

Each lease payment under financial leases was 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 was classified as borrowings, see Note 22 for details.

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

1.21 Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker who is responsible for allocating resources and assessing the performance of the operating segments. The chief operating decision maker has been identified as the Executive Management. The Group has one operating segment, which is low cost air passenger travel. See Note 4 for further details.

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

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

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

Non-current assets are depreciated on a straight-line basis or by airborne hours and cycles over the estimated useful lives, taking expected residual value into consideration. An aircraft is decomposed into several components for depreciation purposes in order to consider different useful lives of the aircraft components, in accordance with 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. Deferred tax liabilities are recognized when an obligation has been incurred. Significant management judgment is required to determine the amounts of deferred tax assets that can be recognized, based on the anticipated timing and level of future taxable profits together with future tax planning strategies. Deferred tax liabilities that have been incurred are based on the best estimate of the likely obligation at each reporting period. These estimates are subject to revision based on the outcome of tax audits and discussions with authorities that can take several years to conclude. See Notes 9 and 27 for further details of tax positions.

The Group tests annually whether goodwill and other intangible assets with indefinite useful lives, have suffered any impairment in accordance with the accounting policy stated in Note 1.7. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (see Note 10). Estimating value in use for owned aircraft and for purchase contracts, require judgement. In 2019 indications of impairment have not been identified for neither aircraft nor purchase contracts.

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

1.24 Transition to IFRS 16 Leases
This note explains the accounting policies applied under IFRS 16 `Leases´ and the impact of the adoption of the new accounting standard on the Group's consolidated financial statements.

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases.

IFRS 16 allows various adoption approaches. The Group applied the modified retrospective approach under which all right of use assets (ROU assets) are measured at an amount equal to the lease liability at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where the Group is the lessor.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether the contract involves the use of an identified asset. The asset is not identified if the lessor has a substantive substitution right. The Group assesses further whether it has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period and whether it has the right to direct the use of the asset.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases, except for aircraft leases, and leases of low-value assets, including IT equipment. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

1.24.1 Measurement and presentation of right-of-use assets and lease liabilities

As a lessee, the Group leases many assets including aircraft, aircraft spare parts, facilities and other equipment. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most of these leases.

After the transition to IFRS 16, the Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The Group has tested its right-of-use assets for impairment in accordance with IAS 36 on the date of transition and at the financial reporting date and has concluded that there is no indication that the right-of-use assets are impaired.

For leases entered into before 1 January 2019, the lease liability is initially measured at the present value of the lease payments that are not paid at the transition date, discounted using the Group's incremental borrowing rate. For leases entered into after 31 December 2018, the lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

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

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Obligations for costs to restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset.

The Group presents right-of-use assets from aircraft and aircraft spare parts leases in `Right-of-use aircraft, parts and installations' in the consolidated statement of financial position. Right-of use assets from facility and equipment leases are presented as `Right-of-use buildings´ and ´Right-of-use equipment´, respectively. Lease liabilities are included in `Other non-current liabilities and `Trade and other payables´. Interest expense on the lease liability is presented as `Interest expense´ in the consolidated income statement. Depreciation of the right-of-use assets is presented under `Aircraft lease, depreciation and amortization´.

For aircraft sale-leaseback transactions after the transition date, the ROU asset is measured at the portion of the previous carrying amount of the asset that relates to the right of use retained by the seller-lessee. Gain or loss is recognized for the amount that relates to the rights transferred to the buyer-lessor.

1.24.2 Significant accounting judgements, estimates and assumptions used under IFRS 16

Judgements

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

Estimates and assumptions

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

1.24.3 Transition effects on the consolidated financial statements

There is a significant impact on the Group's income statement and statement of financial position from the adoption of IFRS 16. At 1 January 2019, right-of use assets of NOK 32,797.3 million and lease liabilities of NOK 32,688.1 million were recognized in the context of the transition to IFRS 16. Of these lease liabilities, NOK 3,668.3 million was due within one year. As part of the initial application of IFRS 16, the Group chose to apply the option to adjust the right-of-use assets by the amount of any provisions for onerous lease contracts recognized in the balance immediately before the date of the initial application. At 31 December 2018 provisions for onerous lease contracts amounted to NOK 37.6 million.

Approximately 99 percent of the total impact stems from changed presentation of aircraft leases previously accounted for as operating leases. Such aircraft leases are all contracts with a fixed term and with fixed lease payments. Under aircraft leases, the Group included, as part of right-of-use assets, an estimate of costs to be incurred in restoring the aircraft asset to the condition required by the terms and conditions of the lease. At the transition date, provisions for such restoring obligations of NOK 146.8 million were included in the value of aircraft right-of-use assets. Other maintenance obligations will be recognized in accordance with IAS 37 and built up over the lease term as time elapses and the aircraft is utilized, up until the relevant maintenance activities are carried out and the obligation is settled.

In general, the accounting treatment for leases where the Group is the lessee changed, whereas the tax treatment remained unchanged. As prior to the transition to IFRS 16, the companies in the Group receive tax deductions for lease payments as they are paid. Tax deductions are not available for the depreciation of right-of-use assets and finance costs on lease liabilities, which leads to temporary differences. The Group recognizes deferred taxes related to lease agreements on an aggregate temporary differences basis. At the inception of a lease, no net lease asset or liability and hence no temporary difference exist. A net liability arises subsequently as depreciation on the right-of-use asset initially exceeds the rate of which the lease liability reduces. If they are recoverable, the Group recognizes a deferred tax asset on such net liability applying the tax rate of the respective jurisdiction the lease is held in. In 2019, the Group recognized tax income of NOK 94.5 million related to leases accounted for in accordance with IFRS 16.

The Group used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, except for aircraft leases, the Group did not recognize right-of-use assets and liabilities for leases for which the lease term ends within twelve months of the date of initial application. The Group did not recognize right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment). Initial direct costs were excluded from the measurement of right-of-use assets at the date of initial application and hindsight was used in the determination of the lease terms.

Transition effects from the adoption of the new standard are presented in the table below. Further information on right-of-use assets is presented in the table in Note 11 on tangible assets.

(NOK million)	31 DEC 2018	IFRS 16 effects	1 JAN 2019
Total non-current assets	44,208.6	32,797.3	77,006.0
Total current assets	11,776.7	0.0	11,776.7
TOTAL ASSETS	55,985.3	32,797.3	88,782.6
EQUITY	1,704.4	0.0	1,704.4
Total non-current liabilities	26,661.8	29,129.1	55,790.9
Total current liabilities	27,619.0	3,668.3	31,287.3
Total liabilities	54,280.8	32,797.3	87,078.2
TOTAL EQUITY AND LIABILITIES	55,985.3	32,797.3	88,782.6

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average rate applied is 5.13 percent. The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

(NOK million)	
Operating lease commitments as at 31 December 2018 as disclosed under IAS 17 in the Group's financial statements	41,289.7
Discounted using the incremental borrowing rate at 1 January 2019	32,797.2
Less:	
Recognition exemption for leases of low-value assets	-4.5
Recognition exemption for leases with less than 12 months of lease term at transition	-104.6
Lease liabilities recognized as at 1 January 2019	32,688.1
Recognition of redelivery obligations	146.8
Derecognition of onerous lease contracts	-37.6
Total effect on equity and liabilities	32,797.3

The table below shows the maturity profile of the Group's lease liabilities based on contractual undiscounted payments:

NOK million	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2019				
Lease liabilities	5,644.8	5,308.7	14,170.2	17,032.2

Effects on the consolidated income statement and the consolidated statement of cash flow for the financial year are presented in the tables below.

IFRS 16 effects on consolidated income statement

(in NOK million)	Excl IFRS 16* 2019	IFRS 16 effects	2019
Total operating revenue	43,521.9	0.0	43,521.9
Total operating expenses excl lease, depr. and amort.	36,429.2	-220.7	36,208.5
EBITDAR	7,092.8	220.7	7,313.5
Aircraft lease	5,443.2	-5,443.2	0.0
Depreciation and amortization	1,774.4	4,683.1	6,457.5
Aircraft lease, depreciation and amortization	7,217.6	-760.1	6,457.5
Operating profit (EBIT)	-124.9	980.8	856.0
Net financial items	-792.8	-1,737.2	-2,530.0
Profit (loss) from associated companies	-13.6	0.0	-13.6
Profit (loss) before tax (EBT)	-931.2	-756.4	-1,687.6
Income tax expense (income)	16.1	-94.5	-78.5
Net profit (loss)	(947.3)	(661.8)	(1,609.1)

IFRS 16 effects on consolidated statement of cash flow

(in NOK million)	Excl IFRS 16* 2019	IFRS 16 effects	2019
Net cash flows from operating activities	-2,617.3	5,655.1	3,037.8
Net cash flows from investing activities	8,332.4	0.0	8,332.4
Net cash flows from financing activities	-4,537.9	-5,655.1	-10,193.0
Foreign exchange effect on cash	-3.3	0.0	-3.3
Net change in cash and cash equivalents	1,173.9	-	1,173.9

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 is denominated in foreign currencies. The Group's leases, aircraft borrowings, maintenance, jet fuel and related expenses are mainly denominated in USD, and airplane operation expenses are partly denominated in EUR. The carrying amount of the Group's net investments in foreign entities and proceeds from these investments varies with changes in the foreign exchange rate. In order to reduce currency risk, the Group has a mandate to hedge up to 100 percent of its currency exposure for the following 12 months. Hedging can consist of forward currency contracts and flexible forwards.

2.2.1 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.

2.2.2 Effects on net currency gains (losses)

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

If NOK had weakened by 1 percent against USD in 2019, with all other variables held constant, post-tax profit effect would have been negative by NOK 196 million (2018: Negative by NOK 149 million), mainly as a result of foreign exchange losses/gains on revenues, costs, receivables, payables, derivative financial instruments and cash and cash equivalents.

If NOK had weakened by 1 percent against EUR with all other variables held constant, post-tax profit effect for the year would have been positive by NOK 14 million (2018: Positive by NOK 1 million), mainly as a result of foreign exchange losses/gains on revenues, costs, receivables, payables, derivative financial instruments, cash and cash equivalents and non-current borrowings denominated in EUR.

If NOK had weakened by 1 percent against GBP with all other variables held constant, post-tax profit effect for the year would have been positive by NOK 30 million (2018: Positive by NOK 30 million), mainly as a result of foreign exchange losses/gains on revenues, costs, receivables, payables, derivative financial instruments and cash and cash equivalents.

2.2.3 Effects due to foreign exchange translations on other comprehensive income

The Group has major investments in operations abroad, whose net assets are exposed to foreign currency translation risk. Currency 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 with 1 percent against USD with all other variables held constant, other comprehensive income would have been NOK 43 million higher (2018: 70). If NOK had weakened with 1 percent against EUR with all other variables held constant, other comprehensive income would have been NOK 1 million higher (2018: 1).

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 secured bond issue, aircraft and prepayment financing, loan facility and financial lease liabilities. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Fixed interest rate borrowings consist of aircraft financing, guaranteed by export credit agencies. Borrowings are denominated in USD, EUR, SEK and NOK.

If the floating interest rate in 2019 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 36.6 million lower/higher (2018: NOK 83.7 million), 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 represent a substantial part of the Group's operating costs, and fluctuations in jet fuel prices influence the projected cash flows. The objective of the jet fuel price risk management policy is to safeguard against significant and sudden increases in jet fuel prices whilst retaining access to price reductions. The Group manages jet-fuel price risk using fuel derivatives. Management has a mandate to hedge 10 to 50 percent of its expected consumption over the next 12 months with forward contracts.

At the end of 2019, the Group did not have significant jet fuel forward contracts. The Company entered into fuel term contracts during the first quarter of 2020, covering approximately 35 percent of estimated fuel consumption in the first half of 2020 at an average price of USD 578 per metric ton and approximately 25 percent at USD 571 per metric ton for the full year.

2.5 Credit risk

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

A portion of the Group's sales are paid for by the customers at the time of booking and Norwegian receive the actual payments from the credit card acquirers either at the time of sale or at the time of travel. Delayed payments from credit card companies vary between credit card acquirers. A reduction in credit lines with credit card acquirers might have an adverse effect on the Group's liquidity. 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. The liquidity is affected by trading risks presented by current economic conditions in the aviation sector, particularly in relation to passenger volumes and yields and the associated profitability of individual routes.

The Board of Directors has imposed an internal liquidity target which is closely monitored by the Management. 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 projected cash flows are based on a detailed plan that covers a period for at least 12 months after the date of approval of these financial statements. In developing these forecasts, estimates and judgement are made to project revenue, costs and availability of different financing sources. Assessments are made of potential adverse effects from events outside the Company's control.

Norwegian has historically utilized aircraft financing institutions, such as ExIm, ECA and AFIC, as its primary funding source in relation to aircraft acquisitions in addition to the US Capital market by way of Private Placements, EETC and sale-leaseback arrangements. Norwegian is dependent on access to one of these or other financing forms to finance the delivery of aircraft. Deliveries in 2020 will be financed through export guaranteed financing, non-payment insurance product, in the US capital market or through other commercial sources of financing. The Group's financing policy includes sales-leasebacks transactions on several aircraft to diversify its aircraft fleet. In 2019, four aircraft were delivered and financed as sale-leaseback transactions (8 in 2018) and fourteen aircraft were sold (6 in 2018).

The Group's aircraft fleet consist of leased aircraft (Note 12) and owned aircraft (Note 11), whereof the Group has 190 aircraft on firm order with future delivery whereof 27 Airbus 320Neo is planned for in a JV arrangement with China Construction Bank as the senior lender. In accordance with airline industry market practice the total order is not fully financed. The financing will be secured on a periodic basis, the size and timing depending on the schedule of aircraft delivery and market conditions. Prepayments to aircraft manufacturers on future aircraft deliveries are financed by internal and external funds.

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

The Group's liquidity is significantly influenced by seasonal fluctuations. Dependent on the capacity available with credit card acquirers, a small or large portion of pre-sold ticket revenue can be made available for the Group. When limited capacity is available, the Group's working capital is cyclical with the seasonality of the operations, with larger cash inflows during the peak summer season and lower cash inflows during the slower winter season.

The Group's historic growth has led to significant liquidity needs, both in order to fund a growing fleet of aircraft and to fund additional costs related to large growth. Further, with pre-sold ticket revenue exceeding credit card acquirer capacity, a larger portion of the Group's available working capital is held back and not released until the date of flight.

The Group has executed several actions to secure sufficient liquidity and to strengthen the balance sheet during 2019, including

- sale of shares in Norwegian Finance Holding
- the successful implementation of an extensive cost-reduction program #Focus2019
- sale of 14 owned aircraft
- sale-leaseback transactions on four 787-9 Dreamliners delivered in 2019
- raising NOK 4 billion in new equity
- postponement of aircraft deliveries from aircraft manufacturers
- establishing a joint venture for managing a part of the large order book of aircraft
- the sale of the domestic operation in Argentina
- extending maturity on unsecured bonds of NOK 3.4 billion by two years
- the issue of the convertible USD denominated bonds of NOK 1.4 billion in November 2019
- and continued change of strategic focus from growth to profitability

Going into 2020 and beyond, the transformational program NEXT was initiated to ensure the continued shift in strategic focus from growth to profitability, targeting a strengthened operating performance and increased financial headroom. The Company was however severely affected by the global COVID-19 pandemic and the financing activities are directed towards obtaining sufficient working capital and carry out necessary financial restructuring to ensure the Company's ability to continue as a going concern until the airline industry and the Company is able to return to normalcy. Further information is provided in Notes 2.8 and 29.

The table below analyses the maturity profile of the Group's financial liabilities at the reporting date, not considering the financial restructuring that took place in 2020. Refer to Note 29 for updated maturity profiles subsequent to the financial restructuring. Maturity on lease liabilities is provided in Note 1.24.3. The amounts disclosed are the contractual undiscounted cash flows:

NOK million	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Over 3 years
At 31 December 2019				
Borrowings	4,544.1	4,665.4	2,920.8	15,603.3
Derivative contracts - payments	-	-	-	369.2
Trade and other payables	9,129.5	-	-	-
Calculated interest on borrowings	891.2	753.1	489.7	1,748.3
Total financial liabilities	14,564.8	5,418.5	3,410.5	17,720.8

NOK million	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Over 3 years
At 31 December 2018				
Borrowings	11,309.1	3,491.5	2,599.4	17,513.4
Derivative contracts - payments	1,359.4	38.1	-	-
Trade and other payables	8,011.8	-	-	-
Calculated interest on borrowings	1,605.7	653.2	550.8	2,177.7
Total financial liabilities	22,286.1	4,182.8	3,150.2	19,691.1

Borrowings that are due in less than one-year amount to NOK 4,544 million (2018 NOK: 11,309). The movement between the years is driven largely by the refinancing of the NAS07 bond of EUR 250 million and the maturation of aircraft prepayment financing and the credit facility during the period. In total NOK 133 million relates to debt on aircraft that are to be sold during 2020. The debt on aircraft to be sold in 2019 is repaid through sales proceeds. The repayment of prepayment financing is financed through ordinary aircraft debt financing. The remaining NOK 2,969 million of the total that is due in less than one year is ordinary principal payments of the remaining debt financing in the Group, including secured bond NAS09 of NOK 250 million which matures in November 2019, and aircraft financing prepayments.

After 31 December 2019, the Group has carried out a substantial financial restructuring, including converting bond debt into equity and extending maturity on all bonds. See Note 29 for further information and an updated maturity profile. The Group expects to repay the respective debt facilities upon their maturity by means of available cash on hand and by refinancing in the bank or bond market, depending on the financial situation and available alternatives at the time of such maturity. Repayments are made at par value. See Note 22 for details on borrowings.

There is no significant change in the liquidity risk for the Group arising from the adoption of IFRS 16 during the year. Lease liabilities are monitored with the Group's treasury function.

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 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 equity ratios at 31 December were as follows:

(NOK million)	**2019**	2018
Equity	**4,124.9**	1,704.4
Total assets	**85,342.9**	55,985.3
Equity ratio	**4.8 %**	3.0 %

The equity ratio at 31 December 2019 includes effects from IFRS 16, whereas the ratio at 31 December 2018 does not include effects from IFRS 16 since the new standard was not adopted at the time. Excluding IFRS 16 effects, the equity ratio at 31 December would have been 9.1 percent.

2.8 Going concern

The Company has been severely impacted by the outbreak of COVID-19. In a very short time period, the Company lost most of its revenues. This adversely and materially affected the Group's contracts, rights and obligations, including financing arrangements. COVID-19 outbreak effects on travel restrictions and demand for air travel has forced the Company to enter hibernation mode, currently operating only seven aircraft primarily in the domestic market in Norway. With most of its revenue lost, the Company was not capable of complying with its ongoing obligations and forced to restructure its debt and ensure access to the state aid package offered by the Norwegian government.

On 20 May 2020, the Company announced that it had successfully converted NOK 12.7 billion debt to equity and NOK 400 million in new cash and equity through a public offering. With the restructuring in place, the Company fulfilled the conditions to access the Norwegian government's guarantee scheme for the aviation industry; NOK 3 billion has subsequently been made available to the Company. Under the guarantee scheme, the government will guarantee 90 percent of the loans granted to Norwegian and the private sector supports with the remaining 10 percent. The purpose of the guarantee is that the Company shall apply all amounts borrowed by it towards financing short-term liquidity needs caused by COVID-19 to ensure further operations of the airline (but not towards refinancing of other financial indebtedness of the Company or towards decreasing any negative balance on overdraft facilities or similar).

One of the conditions to obtain access to the governmental guarantee was to achieve a pro forma adjusted equity ratio at 31 December 2019 of at least 8 percent. Based on the financial restructuring, the Company achieved a pro forma adjusted equity ratio of 17 percent, based on reported equity ratio in the Company's fourth quarter 2019 interim financial statements adjusted by the mentioned public offering and debt conversions.

The Company also announced that agreements are made to further lower aircraft lease payments through a power-by-the-hour arrangement with lessors, expected to reduce lease payments by approximately USD 250 - 285 million until March 2021.

Even though the Company restructured its leasing debt and bond debt, and thereby getting access to the State Aid Package, the restructuring process of the aircraft financing and creditors such as vendors and hedge counterparties is still ongoing. At the time of this report, the Company had significant overdue payables of NOK 2,122 million and unrealized losses on jet fuel hedge positions of approximately NOK 730 million that are not entirely remedied by access to the state aid package. The Company is working with creditors for conversion of debt into equity, extending maturity on hedge positions and payment plans on overdue payments. Although the Company believes there are reasonable prospects to resolve such positions, there is a significant risk that the Company becomes insolvent and enters into bankruptcy if, inter alia, the Company’s is not able to reach an agreement with its creditors, access to working capital and regain normalized operations.

The Group's firm aircraft orders totaled 190 aircraft with corresponding payment obligations. In accordance with airline industry market practice the total order is not fully financed. Debt financing of aircraft acquisitions is expected to be secured on a periodic basis, the size and timing depending on the schedule of aircraft delivery. The contractual capital expenditure commitment for the Company on aircraft deliveries and predelivery payments is USD 1.5 billion in 2020 and USD 0.6 billion in 2021, subject to uncertainties regarding the return-to-service for Boeing MAX aircraft and ongoing dialogues with both Boeing and Airbus on fleet orders.

A failure to secure financing or to meet payment obligations under aircraft acquisition contracts may lead to a breach of contract. Such default may result in severe financial penalties and make the Group unable to take on delivery of the acquired aircraft. This may have a material adverse effect on the Group's business, financial condition, results of operations, cash flows and/or future prospects.

The offering, the financial restructuring, the power-by-the-hour agreements and the access to the state aid package has provided the Company with sufficient liquidity and financial headroom to maintain its current hibernation mode until the end of 2020, contingent upon the Company reaching solutions on overdue payables and negative hedge positions. The Company continues to work with other creditors such as aircraft financiers and vendors to convert more debt into equity to strengthen the Company's financial position.

The long-term impact from COVID-19 on the global airline industry and thus on the Company is highly uncertain and depends on various factors, inter alia, duration and magnitude of the outbreak, containment measures, consumer confidence and economic conditions. The situation is evolving rapidly, and it is unclear how the virus will continue to develop or when the airline industry, and thus the Company, will see a recovery to baseline levels. Certain significant accounting estimates could be affected by the pandemic. If the situation persists, that could impact the Company's impairment evaluations, the ability and timing of utilization of carry forward tax losses and the ability to extinguish liabilities in the normal course of business.

Assuming that the COVID-19 outbreak effects on travel restrictions and demand for air travel continue forcing the Company to maintain its current hibernation mode for a period beyond the end of 2020, the Company estimates that it will no longer have sufficient working capital during the first quarter of 2021, and will need additional working capital of approximately NOK 2.2 billion through the second quarter of 2021. The Company expects to obtain this extra NOK 2.2 billion in additional working capital through obtaining additional financing, additional private placement of shares, reconsidering the Company’s business plan and scale of operations, selling and refinancing assets or pursuing other sources of finance. If travel restrictions are lifted and demand picks up, allowing the Company to gradually return to normal service before the end of 2020, the need for additional working capital is assumed to be lower than in an extended hibernation case.

There is significant uncertainty surrounding the long-term effects of the COVID-19 pandemic and the Company may be dependent on obtaining additional working capital in order to meet its obligations in the upcoming twelve-month period. Although the Company believes there are reasonable prospects to resolve such defaults there is a significant risk that the Company becomes insolvent and enters into bankruptcy if, inter alia, the Company’s is not able to reach an agreement with its creditors, access to working capital and regain normalized operations. The directors have concluded that the combination of these circumstances represents a material uncertainty that casts significant doubt upon the Company’s ability to continue as a going concern and that, therefore, the Company may be unable to realize its assets and discharge its liabilities in the normal course of business.

Nevertheless, after making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

NOTE 3: FAIR VALUE ESTIMATION

Financial instruments which are measured in the statement of financial position at fair value, require 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 for 2018 relate to the investment in 16.4 % of the listed shares of Norwegian Finans Holding ASA (NOFI). The shares in NOFI was sold during 2019, see note 20 for information regarding the sale.

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. Next to forward commodities contracts classified as derivatives, financial instruments in level 2 include conversion rights related to the USD bond issued by the Company in 2019. These conversion rights are financial derivatives linked to changes in the share price of the Company's shares. The strike price is NOK 50 per share.

The fair values of forward commodities contracts are determined using mark to market values from financial institutions. Spot prices in the mark to market calculations are based on mid-prices as set by the financial institutions (Handelsbanken, Mitsui, SEB, DNB, GRM, Goldman and Macquarie) at the reporting date. The forward contracts are classified as current or non-current assets or liabilities according to the net value at 31 December and maturity profile of individual contracts. Contracts with maturity within one year are classified as current assets and current liabilities. At 31 December 2019, the Group had no outstanding forward commodities contracts.

Level 3
If one or more of the significant inputs are not based on observable market data, specific valuation techniques are applied. The following table presents financial assets and liabilities measured at fair value at 31 December 2019:

NOK million	Level 1	Level 2	Level 3	Total
Total financial assets at fair value through profit and loss	-	-	-	**-**
- Derivative financial liabilities, non-current	-	369.2	-	**369.2**
Total liabilities at fair value through profit and loss	-	369.2	-	**369.2**

There have not been any changes in the valuation techniques used on the assets and liabilities listed in the table above through the year. The following table presents financial assets and liabilities measured at fair value at 31 December 2018:

NOK million	Level 1	Level 2	Level 3	Total
- Derivative financial instruments, non-current	-	3.5	-	**3.5**
- Derivative financial instruments, current	-	32.6	-	**32.6**
Financial assets at fair value OCI	2,051.8	-	-	**2,051.8**
Total financial assets at fair value through profit and loss	2,051.8	36.1	-	**2,087.9**
- Derivative financial liabilities, non-current	-	38.1	-	**38.1**
- Derivative financial liabilities, current	-	1,359.4	-	**1,359.4**
Total liabilities at fair value through profit and loss	-	1,397.5	-	**1,397.5**

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 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, amortization and aircraft lease (EBITDAR). Other information is measured in accordance with the financial statements.

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

NOK million	2019	2018
By activity:		
Passenger transport	35,216.3	32,560.1
Ancillary revenue	6,651.5	6,266.6
Freight	755.1	743.3
Other revenue	899.0	695.6
Total operating revenue	43,521.9	40,265.5
Per country:		
Norway	8,643.8	8,070.7
US	8,313.4	6,946.7
Spain	6,005.0	5,620.6
UK	4,458.1	4,323.4
Sweden	3,430.4	3,666.4
Denmark	2,976.6	2,837.4
France	1,949.3	1,745.3
Italy	1,213.6	1,073.0
Finland	1,206.0	1,326.6
Argentina	740.5	276.4
Other	4,585.2	4,378.9
Total	43,521.9	40,265.5
Total outside of Norway	34,878.1	32,194.8

Share of sale through own channels were 81 percent in 2019, compared to 79 percent in 2018. Sold seats own channels include bookings through internet, apps, direct API, travel agent portal, corporate portal, allotment and direct group bookings. It does not include bookings through GDS (Global Distribution Channels).

NOTE 5: OTHER OPERATING EXPENSES

NOK million	2019	2018
Sales and distribution expenses	1,073.8	878.5
Other flight operation expenses	1,778.3	2,004.5
General and administrative expenses	1,997.8	1,923.5
Total other operating expenses	4,849.9	4,806.4

Other operating expenses amounted to NOK 4,849.9 million (2018: NOK 4,806.4 million). Other operating expenses are related to sales and distribution, 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

NOK million	2019	2018
Wages and salaries	4,142.4	3,150.1
Social security tax	666.3	544.6
Pension expenses	353.2	319.0
Employee stock options	16.4	5.1
Other benefits	250.8	224.1
Hired crew personnel	1,388.4	2,421.8
Total	6,817.5	6,664.6

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

Head count and man-labor years *)

	Man-labor years 2019	Head count **) 2019	Head count **) 2018
Cabin Crew	4,487	4,768	5,178
Flight Deck Crew	2,073	2,380	2,746
Non-crew	2,674	2,241	2,291
Total	9,234	9,389	10,215
Norway	2,236	2,424	2,405
United Kingdom	1,741	2,026	1,790
Spain	1,845	1,697	2,090
Denmark	685	734	753
Sweden	682	733	768
United States	543	514	610
Italy	331	357	392
France	290	334	288
Finland	315	283	373
Thailand	191	186	205
Ireland	184	83	218
Argentina	174	18	175
Netherlands	16	0	33
Caribbean	0	0	115
Total	9,234	9,389	10,215

*) *including head count and man-labor years related to hired crew personnel*
**) *head count at 31.12.*

NOTE 7: REMUNERATION OF THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

Pursuant to the Norwegian Public Limited Liability Companies Act, section 6-16 a, the Board presented the following statement regarding remuneration of Norwegian's Management to the 2019 Annual General Meeting.

Remuneration of the Board of Directors
Total remuneration paid to the Board in 2019 was NOK 2.4 million in addition to shares awarded to board members (2018: NOK 1,65 million and no shares awarded). The Chairman of the Board, Bjørn Kise, received NOK 0,7 million (2018: 0,5 million). On 15 May 2019, NAS' shareholder elected board members were granted 78,125 restricted shares. There were no other bonuses or other forms of compensation paid to the Board members in 2019.

# of shares awarded to board members	2019
Niels Smedegaard	50,000
Liv Berstad	7,500
Christian Fredrik Stray	6,875
Sondre Gravir	6,875
Ingrid Elvira Leisner	6,875
Total	78,125

Directive of Remuneration of the CEO and the Executive Management
The purpose of executive remuneration in Norwegian is to stimulate a strong and lasting performance-oriented culture, enabling Norwegian to deliver on its strategy. The total compensation level should be competitive, however, not market leading compared to similar organizations. The Board determines the remuneration of the CEO, and the guidelines for remuneration of the 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. Compensation made to the Management going forward will be based on Norwegian's performance.

Principles for base salary
The fixed salary should reflect the individual's area of responsibility and performance over time. Norwegian offers base salary levels which are competitive, but not market leading in the market in which we operate. Salaries are benchmarked versus salary statistics provided by global 3rd party human resource and related financial services consulting firms.

Variable compensation and incentive schemes
Norwegian's short-term incentive (STI):

The STI is a short-term incentive with a timeframe of one year. The STI is a global incentive program designed to motivate, recognize and reward executives for the contributions they make towards meeting Norwegian's financial and business targets. The objectives of the program are to (i) clearly communicate to the executives the targets, (ii) communicate to the executives how bonus payment is linked to Norwegian's performance, (iii) drive the Norwegian organization's ability to meet or exceed Norwegian's performance targets, (iv) encourage more cross functional cooperation and "one Norwegian mind-set", and (v) improve Norwegian's ability to attract, retain and motivate employees.

Executives can receive variable salaries based on (i) Group revenue (weighted 30%), (ii) CASK ex fuel (weighted 40%) and (iii) special initiatives (weighted 30%).

Target bonus for the CEO is 75% of gross base salary. Max bonus is 127.5% of gross base salary.

Management can on an individual level be awarded with a special compensation for profit enhancing projects.

Norwegian's long-term incentives (LTIs):

Employee Share Savings Plan
Norwegian offers its Scandinavian employees participation in an employee share savings plan. The objective of the plan is to align and strengthen employee and shareholder's interests and remunerate for long-term commitment and value creation.

Under this plan, Norwegian will match 50% of the individuals' investment, limited to NOK 6,000 per annum. Provided that the employee contributes NOK 12,000 annually, Norwegian's contribution is NOK 6,000. The grant has a one-year vesting period. If shares are kept for two calendar years, the participants will be allocated bonus shares proportionate to their purchase. One bonus share will be earned for every tenth share allocated under this scheme.

Share Option Plan
The Board has established share option program for leading employees. It is the Company's opinion that share option programs are positive for long-term value creation in the Group.

The intention of this plan is to (i) attract and retain employees whose service is important to the Company's success, (ii) motivate such employees to achieve long-term goals of the Company, (iii) provide incentive compensation opportunities to such employees which are competitive with those of other companies, and (iv) to secure such employees share a common financial interest with the other shareholders of the Company.

The Board can offer share options to leading employees when shareholders have given authority to run options programs:

- The exercise price per share shall be the average price of the NAS share on trading days during the first 10 calendar days after presentation of Norwegian's 2nd quarter financial results plus 15% (rounded to the nearest NOK 1).
- Options granted can be exercised at the earliest after 3 years. The exercise period shall typically be 4 years.
- Any calendar year, each optionee's aggregated gross profit from exercise of options under all share option programs shall not exceed 3 years' gross base salary.
- If an optionee leaves the Company, the non-vested options will forfeit. Outstanding options exercisable at the date of such termination shall be exercisable no later than the first exercise period thereafter.

Principles for benefits
In addition to fixed and variable salary, other benefits such as insurance, newspaper, Internet and telephone might be provided. The total value of these benefits should be modest and only account for a limited part of the total remuneration package.

Principles for company car and car allowance vary in accordance with local conditions.

Pension
Executives participate in the same pension plans as other employees within the unit in which they are employed.

Executives in the Norwegian entities participate in a defined contribution pension plan. The annual accrual is 5% of the annual base salary from 1-7.1 G and 8% from 7.1-12 G (G is the base amount of Norwegian Social Security).

No Executives have a retirement agreement.

Severance pay
No executives have any agreement for redundancy payment. The notice period for the Executive Management is 6 months.

There were made no changes to the guidelines or principles of management remuneration during the 2019. The actual remuneration in 2019 was consistent with the guidelines and principles.

Total Compensation year 2019

NOK 1,000	Fee 1)	Salary	Bonus	Other benefits 2)	Total Compensation	Pension expense 3)
The Board of Directors						
Bjørn H. Kise, Chair of the Board (until 7 May 2019)	727	-	-	-	727	-
Niels Smedegaard, Chair of the Board (since 8 May 2019)	-	-	-	2,000	2,000	-
Liv Berstad, Deputy Chair	400	-	-	300	700	-
Christian Fredrik Stray, Director	367	-	-	275	642	-
Ada Kjeseth, Director	367	-	-	-	367	-
Ingrid Elvira Leisner, Director	-	-	-	275	275	-
Sondre Gravir, Director	275	-	-	275	550	-
Eric Holm, Director (elected by the employees)	21	-	-	-	21	-
Linda Olsen, Director (elected by the employees)	112	-	-	-	112	-
Geir Olav Øien, Director (elected by the employees)	125	-	-	-	125	-
Katrine Gundersen, Director (elected by the employees)	21	-	-	-	21	-
Total board of directors	2,415	-	-	3,125	5,540	-
Executive Management						
Bjørn Kjos (Chief Executive Officer) 4)	-	2,058	-	82	2,140	35
Asgeir Nyseth (Chief Operating Officer)	-	3,042	-	129	3,171	76
Anne-Sissel Skånvik (Chief Communications Officer)	-	1,927	-	174	2,101	75
Frode Berg (Chief Legal Officer)	-	1,976	-	155	2,131	75
Tore Jenssen (CEO Norwegian Air International Ltd)	-	2,662	1,862	161	4,685	246
Edward Thorstad (Chief Customer Officer) 4)	-	600	-	52	652	25
Bjørn Erik Barman-Jenssen (Managing Director Support Services) 5)	-	3,105	-	171	3,276	76
Brede Huser (EVP Loyalty and Managing Director Norwegian Reward) 4)	-	630	-	52	682	25
Helga Bollmann Leknes (Chief Human Resources Officer, Chief Commercial Officer, Managing Director NAR)	-	2,992	6,135	157	9,284	75
Kurt Erik Simonsen (Chief Information Officer) 6)	-	1,486	6,135	91	7,712	44
Geir Karlsen (Chief Financial Officer/Acting Chief Executive Officer)		7,263	4,000	155	11,418	129
Thomas Hesthammer (Acting COO/Group Accountable Manager)		2,078	-	111	2,189	71
Marty St. George (Interim Chief Commercial Officer)	-	452	904	-	1,356	-
Total executive management	-	30,271	19,036	1,490	50,797	952

1) *For the employee representatives in the Board of Directors, only their fee for serving on the Board of Directors fee is stated. Fees paid in cash relate to the period from 1 January 2018 to the Annual General Meeting in 2019.*
2) *Other benefits include company car/car allowance, insurance, telephone, internet etc. For board members, other benefits include shares awarded on May 15, 2019 at the current market price of NOK 40.00 per share. Other benefits for Niels Smedegaard include a sign-on fee of NOK 1,500 thousand in shares in the Company.*
3) *Pension expense reflects paid pension premium*
4) *Pro rata*
5) *Net salary agreement*
6) *Contingent Worker until 31 May 2019 (Invoice NOK 1,669 thousand)*

No share options were exercised by the Management in 2019.

Total Compensation year 2018

NOK 1,000	Fee	Salary	Bonus	Other benefits [2]	Total Compensation	Pension expense [3]
The Board of Directors						
Bjørn H. Kise, Chair of the Board	500	-	-	-	500	-
Liv Berstad, Deputy Chair	300	-	-	-	300	-
Christian Fredrik Stray, Director	275	-	-	-	275	-
Ada Kjeseth, Director	275	-	-	-	275	-
Sondre Gravir, Director	-	-	-	-	-	-
Linda Olsen, Director (elected by the employees) [1]	100	-	-	-	100	-
Geir Olav Øien, Director (elected by the employees) [1]	88	-	-	-	88	-
Marcus Daniel Hall, Director (elected by the employees)[1]	100	-	-	-	100	-
Katrine Gundersen, Director (elected by the employees)[1]	12	-	-	-	12	-
Total board of directors	1,650	-	-	-	1,650	-
Management						
Bjørn Kjos (Chief Executive Officer)	-	2,795	-	159	2,954	68
Geir Karlsen (Chief Financial Officer from April 2018)	-	1,867	-	126	1,993	-
Asgeir Nyseth (Chief Operating Officer)	-	2,548	-	164	2,712	74
Anne-Sissel Skånvik (Chief Communications Officer)	-	1,949	-	177	2,126	79
Helga Bollmann Leknes (Chief Commercial Officer)	-	2,023	-	162	2,185	69
Frode Berg (Chief Legal Officer)	-	2,001	-	155	2,156	72
Kurt Simonsen (Chief Customer and Digital Officer)[4]	-	-	-	-	-	-
Tore K. Jenssen (CEO Norwegian Air International Ltd)	-	2,107	-	156	2,263	71
Edward Thorstad (Chief Customer Officer)	-	1,822	-	158	1,980	73
Bjørn Erik Barman-Jenssen (Managing Director Support Services)[5]	-	3,055	-	170	3,225	76
Brede Huser (Chief Marketing and Sales Officer)	-	1,972	-	159	2,131	72
Total management	-	22,139	-	1,586	23,725	654

1) For the employee representatives in the Board of Directors, only their fee for serving on the Board of Directors fee is stated. Fees paid in cash relate to the period from the Annual General Meeting in 2017 to the Annual General Meeting in 2018.
2) Other benefits include car allowance/company car, telephone, internet etc.
3) Pension expense reflects paid pension premium less employee contribution
4) Contingent Worker (Invoice NOK 3.4 million excl VAT)
5) Expat. Net salary agreement

There was no bonus awarded to management in 2018. No share options were exercised by the Management in 2018. Refer to Note 15 for an overview of shares held by Management

NOTE 7A – AUDIT REMUNERATION

NOK million excluding VAT	2019	2018
Audit fee	12.1	10.6
Other audit related services	1.3	0.5
Tax advisory	-	-
Other services	0.2	-
Total	13.6	11.1

Deloitte has been the Group's auditor since 21 June 2013.

NOTE 8: NET FINANCIAL ITEMS

NOK million	2019	2018
Interest income	204.5	117.5
Interest expense	(3,108.6)	(1,159.5)
Net foreign exchange (loss) or gain	227.0	338.7
Appreciation cash equivalents	1.2	6.6
Other financial items	145.9	1,928.6
Net financial items	(2,530.0)	1,232.0

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 227.0 million is recognized in 2019 (2018: NOK 338.7 million gain). Interest expense includes NOK 1,737.2 million of interest expenses on lease liabilities (see Note 1.24).

See Note 3 for fair value estimation and Note 20 for further information concerning investments in financial assets.

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

The effect from financial items on the financial activities of NOK 3,344.6 million presented in the Consolidated Statement of Cash Flow, stems from interest on borrowings and financing costs of NOK 3,129.4 million and NOK 215.2 million, respectively.

NOTE 9: TAXES

This year's tax expense consists of:

NOK million	2019	2018
Tax payable	11.6	4.6
Adjustments from previous year	(57.2)	18.2
Change in deferred tax	(32.8)	(1,058.7)
Income tax expense	(78.5)	(1,036.0)

Reconciliation from nominal to effective tax rate:

NOK million	2019	2018
Profit before tax	(1,687.6)	(2,490.1)
Expected tax expense (income) using nominal tax rate (22%/23%)	(371.3)	(572.7)
Tax effect of the following items:		
Non-deductible expenses/income	(40.7)	(353.1)
Adjustments from previous year	(57.2)	6.7
Tax rate outside Norway other than 22%	(166.3)	(168.1)
Change in tax rate	-	83.3
Deferred tax asset not recognized previous years	545.2	(32.4)
Other items	11.9	0.4
Tax expense	(78.5)	(1,036.0)
Effective tax rate	4.6 %	41.6 %

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

NOK million	2019	2018
Intangible assets	(540.7)	(471.7)
Tangible assets	1,189.8	1,065.8
Inventories	(10.2)	(8.9)
Receivables	8.1	2.1
Financial instruments	-	(299.5)
Deferred gains/losses	242.4	207.1
Other accruals	324.1	444.0
Pensions	(39.0)	(32.2)
Other temporary differences	(200.3)	(156.5)
Loss carried forward	(3,619.7)	(2,809.4)
Not recognized deferred tax	513.7	-
Net deferred tax liabilities (assets)	(2,131.8)	(2,059.4)
Recognized as deferred tax assets	(2,672.4)	(2,673.8)
Recognized as deferred tax liabilities	540.7	614.5
Net deferred tax liabilities (assets)	(2,131.8)	(2,059.4)

Deferred tax assets are based on unused tax loss carryforwards and temporary differences in assets and liabilities. The Group's deferred tax assets, and in particular the Group's unused tax losses, are substantial both in nominal terms and in relation to total equity. At 31 December 2019, the Group's deferred tax assets amounted to NOK 2,672 million, compared to NOK 2,674 million at 31 December 2018 and NOK 1,019 million at 31 December 2017. At 31 December 2019, a deferred tax liability of NOK 541 million was recognized, and the net deferred tax asset was NOK 2,132 million.

Deferred tax assets are mainly explained by the historical tax losses of the Group. Unused tax losses are recognized 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. In situations where Group Companies have experienced recent losses, the Group will evaluate whether there are convincing other evidence supporting taxable profits and the future utilization of its carryforward losses, such as the Program NEXT, changing strategic focus from growth to profitability, route and base optimization across the Group, moving capacity from non-profitable routes and selling aircraft with taxable gains. The Group has also considered effects on non-recurring events on historic tax losses, such as startup-costs for the long-haul operation, technical engine issues, MAX grounding and cost of establishment in new markets. If the Group is unable to utilize its deferred tax assets, this will have a significant adverse effect on the Group's financial position.

Norwegian Air Shuttle ASA, Norwegian Air International Limited and Norwegian Air UK Limited all hold significant carry-forward tax losses. Tax losses in the relevant jurisdictions can be carried forward indefinitely. The estimated future profits for these companies will allow for utilization of carry-forward losses within the next five to eight years, insofar as the corresponding deferred tax assets are recognized in the statement of financial position. Norwegian Air Shuttle ASA, the Irish subsidiary Norwegian Air International Ltd. and the UK subsidiary Norwegian Air UK Ltd have recognized deferred tax assets of NOK 2,062 million (1,828), NOK 759 million (842) and NOK 99 million (109), respectively, in a large part related to carry-forward losses at 31 December 2019. Not recognized deferred tax of NOK 514 million relates to carry-forward losses in Norwegian Air Shuttle ASA not expected to be utilized within the scope of the Company's forecast period considered, taking into account various scenario analyses and uncertainty provisions for future projected earnings.

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 2019. Deferred tax liabilities and deferred tax assets are presented net to the extent that there is a legal right to settle current tax amounts on a net basis and the deferred tax amounts are levied by the same taxing authority.

NOK million	2019	2018
Recognized at 1 January	(2,059.4)	(1,018.9)
Charged/credited to the income statement	(32.8)	(1,201.4)
Adjustment from previous year	(22.0)	(3.8)
Adjustment due to change in tax rate	-	83.3
Charged directly to equity	(28.0)	-
Disposal of tax positions - sale of subsidiary	34.9	-
Translation differences	(24.6)	81.5
Recognized at 31 December	(2,131.8)	(2,059.4)

The effects of the COVID-19 pandemic might impact the Company's ability to utilize carry-forward tax losses and could lead to reductions in the deferred tax assets recognized in the statement of financial position in subsequent reporting periods. Refer to Note 29 for further information.

NOTE 10: INTANGIBLE ASSETS

			Other intangible assets		
NOK million	Software	Goodwill	Indefinite life	Definite life	Total
Acquisition costs 1 January 2018	488.9	94.0	44.3	69.6	696.7
Additions	32.1	-	9.5	-	41.6
Acquisition costs 31 December 2018	521.0	94.0	53.8	69.6	738.3
Acquisition costs 1 January 2019	521.0	94.0	53.8	69.6	738.3
Additions	12.2	-		-	12.2
Acquisition costs 31 December 2019	533.2	94.0	53.8	69.6	750.5
Accumulated amortization 1 January 2018	425.8	-	-	69.6	495.4
Amortization	30.7	-	-	-	30.7
Accumulated amortization 31 December 2018	456.5	-	-	69.6	526.0
Accumulated amortization 1 January 2019	456.5	-	-	69.6	526.0
Amortization	26.3	-	-	-	26.3
Accumulated amortization 31 December 2019	482.8	-	-	69.6	552.3
Book value at 31 December 2018	64.5	94.0	53.8	-	212.3
Book value at 31 December 2019	50.4	94.0	53.8	-	198.2
Useful life	3-5 years	Indefinite	Indefinite	See below	
Amortization plan	Straight-line	None	None	Straight-line	

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

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

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

Impairment testing of goodwill and intangible assets
The Group tests goodwill and assets with indefinite useful lives annually at year-end for impairment. Intangible assets with definite lives are tested for impairment and no need for impairment have been identified in 2019 or in 2018.

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 eight years, as the aircraft fleet is estimated for re-investment every eight years. Key assumptions used in the calculation are growth rates, operating costs, terminal value and discount rate. Cash flows beyond the eight-year period are extrapolated with a long-term growth rate. Estimated cash flows and discount rate are after tax.

Discount rate
The applied after-tax discount rate is 7.1 percent (2018: 7.9 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 1 percentage point will not result in impairment of goodwill and intangible assets.

Growth rates
The basis for calculating future growth rate is next year's budget as approved by the Board of Directors. Except for budgeted growth stemming from existing assets, no growth is incorporated in the impairment test for 2019.

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

Terminal value
A growth rate of 0 percent is used in calculating cash flow beyond the eight-year period.

Sensitivity
At 31 December 2019, the Group's value in use was significantly higher than the carrying amount of its goodwill and intangible assets. A sensitivity analysis has been performed, in order to determine if a reasonable change in key assumptions would cause the carrying amount to exceed the recoverable amount. A reduction in the estimated revenue per passenger kilometer by 2.2 percent, an increase in the unit cost by 1.9 percent, a reduction in the estimated load factor by 1.9 percentage points or an increase in WACC after tax by 1.9 percentage point would not lead to an impairment loss.

The effects of the COVID-19 pandemic might impact impairment assessments in subsequent reporting periods. Refer to Note 29 for further information.

NOTE 11: TANGIBLE ASSETS

NOK million	Buildings	Right-of-use buildings	Aircraft, parts and installations on leased aircraft	Right-of-use aircraft, parts and installations	Prepayment on aircraft orders	Equipment and fixtures	Right-of-use equipment	Lease	Total
Acquisition cost 1 January 2018	299.0	-	29,960.2	-	5,219.4	373.5	-	6.3	**35,858.4**
Additions	-	-	9,860.4	-	5,243.8	169.2	-	-	**15,273.5**
Transfers	-	-	2,489.1	-	(2,489.1)	-	-	-	**-**
Disposals	(4.2)	-	(7,079.9)	-	-	-	-	(6.3)	**(7,090.5)**
Reclassified to Asset held for sale	-	-	(853.0)	-	-	-	-	-	**(853.0)**
Foreign currency translation	-	-	2,353.1	-	587.2	-	-	-	**2,940.3**
Acquisition cost 31 December 2018	294.8	-	36,729.8	-	8,561.3	542.7	-	-	**46,128.7**
Acquisition cost 1 January 2019	294.8	-	36,729.8	-	8,561.3	542.7	-	-	**46,128.7**
Recognition of right of use asset on initial application of IFRS 16	-	315.5	-	32,432.0	-	-	48.6	-	**8.0**
Acquisition costs 1 January 2019	294.8	315.5	36,729.8	32,432.0	8,561.3	542.7	48.6	-	**46,136.7**
Additions	-	23.0	675.3	4,803.4	162.9	48.3	0.7	-	**5,713.7**
Transfers	-	-	758.9		(758.9)	-	-	-	**-**
Disposals	-	-	(4,968.8)	-	(3,047.0)	(3.3)	-	(6.3)	**(8,025.4)**
Reclassified to Asset held for sale	-	-	(163.1)			-	-	-	**(163.1)**
Foreign currency translation	-	(0.8)	716.7	596.0	28.3	(0.9)	1.2	-	**1,340.4**
Acquisition costs 31 December 2019	294.8	337.7	33,748.8	37,831.3	4,946.6	586.9	50.5	(6.3)	**77,790.3**
Accumulated depreciation 1 January 2018	19.6	-	4,098.4	-	0.0	283.0	-	6.3	**4,407.3**
Depreciation	5.8	-	1,535.1	-	-	48.3	-	-	**1,589.2**
Depreciation disposals	-	-	(277.3)	-	-	-	-	(6.3)	**(283.6)**
Reclassified to Asset held for sale	-	-	(2.4)	-	-	-	-	-	**(2.4)**
Foreign currency translation	-	-	311.9	-	-	-	-	-	**311.9**
Accumulated depreciation 31 December 2018	25.3	-	5,665.6	-	0.0	331.4	-	-	**6,022.3**
Accumulated amortization 1 January 2019	25.3	-	5,665.6	-	0.0	331.4	-	-	**6,022.3**
Depreciation	5.8	40.7	2,803.7	4,602.9	-	59.1	14.3	-	**7,526.4**
Depreciation disposals	-	-	(2,230.5)	-	-	(1.8)	-	(6.3)	**(2,238.5)**
Reclassified to Asset held for sale	-	-	0.2	-	-	-	-	-	**0.2**
Foreign currency translation	-	(0.2)	117.7	(16.9)	-	0.3	0.5	-	**101.4**
Accumulated depreciation 31 December 2019	31.1	40.4	6,356.8	4,586.0	0.0	389.0	14.8	(6.3)	**11,411.8**
Book value 31 December 2018	269.4	-	31,064.2	-	8,561.3	211.4	-	-	**40,106.4**
Book value 31 December 2019	263.7	297.3	27,392.0	33,245.4	4,946.6	197.9	35.7	-	**66,378.5**

At 31 December 2019, the Group operated a total of 156 aircraft (2018: 164), whereas 65 (2018: 76) were owned and 101 (2018: 88) were leased under operational leases. At the end of 2019, the Group owned 0 Airbus A320neo (2018: 2) that were not operated by the Group but leased out. See Note 12 for details about operational leases.

Aircraft
The Group acquired 0 Boeing 737 MAX 8 (2018: 8), 1 Boeing 787-9 (2018: 3) and 0 Airbus A320neo (2018: 3) during 2019. In addition, the Group acquired 0 Boeing 737-800 on sale-leaseback (2018: 2), 4 Boeing 787-9 on sale-leaseback (2018: 2), 0 Boeing 737 MAX on sale-leaseback (2018: 4). The group sold 12 Boeing 737-800 (2018: 1) and 2 Airbus A320neo (2018: 5) during 2019.

The residual value is NOK 4,800 million (2018: NOK 5,200 million) in total for all owned aircraft and deducted from the depreciable amount of the body of the aircraft. To determine the residual value, the Group has a process of internal assessment along with the use of two external and independent appraisers providing estimates on future value based on aircraft type and year of build. The economic life expectancy of the body of the aircraft is 25 years for the 737, 787 and Airbus A320neo aircraft, and the economic life of the owned aircraft is 25 years less the age of the aircraft at time of purchase.

Aircraft are owned by companies with USD as functional currency. The values presented in NOK in the consolidated statement of financial position, include effects from currency translation.

Assets held for sale
At 31 December 2019, Norwegian had five 737-800 aircraft which were considered being available for immediate sale following the requirements under IFRS 5. Sales and Purchase Agreements (SPA) to sell the aircraft were signed and they were taken out of operation. As a result, the aircraft were classified as Assets Held for Sale in the Statement of financial position at 31 December 2019. Delivery of the aircraft took place in Q1 2020. The transactions increased the Company's liquidity by USD 47.2 million after repayment of debt and had a positive equity effect. There were no effects in the Income statement or the Statement of financial position in 2019. Sale proceeds were used to repay debt and to increase the Company´s liquidity. The sales are in line with the Company’s strategy of capitalizing on the scale built up over the last few years and the changed focus from growth to profitability.

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

Spare parts
Spare parts consist of 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 one apartment in Seattle purchased in 2010 by the Group, and one apartment in Florida purchased in 2013 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. Three apartments in Berlin, purchased in 2007 for the purpose of housing crew and trainees stationed in Berlin on a temporary basis were sold in 2018. 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 22 October 2015, the subsidiary Arctic Aviation Assets DAC entered into a purchase contract for 19 new 787-9 Dreamliner aircraft, with an additional purchase option of 10 aircraft. Note 28 includes a table showing the timeline of future deliveries.

Until delivery of the aircraft, the Group will make prepayments to aircraft manufacturers, following a defined prepayment schedule. The Group capitalizes borrowing costs incurred for the construction of qualifying assets during the period of time which is required to complete the aircraft. Borrowing costs of NOK 281.6 million (2018: NOK 368.5 million) have been capitalized during the year. An average capitalization rate of 4.4 percent (2018: 5.0 percent) was used.

Equipment and fixtures
Equipment and fixtures consist of IT hardware, purchased software, vehicles and other equipment.

Financial lease assets
In 2009, the Group entered into lease agreements concerning electronic flight bag equipment. The lease agreement is classified as financial lease as all risks and rewards are transferred to the Group after the end of the lease agreement. Electronic flight bag equipment is depreciated over 4 years. The residual value of financial lease assets is 0. The Group disposed the equipment at book value.

Impairment of tangible assets
Tangible assets are tested for impairment and no need for impairment were identified in 2019 or 2018, and as such no impairment losses have been recognized. Refer to note 10 for description of impairment test carried out including overview of the assumptions made. The effects of the COVID-19 pandemic might impact impairment assessments in subsequent reporting periods. Refer to Note 29 for further information.

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

NOTE 12: LEASES

This note should be read in conjunction with Note 1.24 for further information on leases in the scope of IFRS 16.

At the end of 2019, the Group leases 91 (2018: 99) aircraft. The lease agreements on the Boeing 737 aircraft last between three and twelve years from the date of agreement. The lease agreements on the Boeing 787 aircraft last for twelve years. There are no options to extend the aircraft lease agreements. In 2019, four aircraft were delivered on lease agreements to the Group, all of which were sale-leasebacks of 787-9 Dreamliners. The Group redelivered one aircraft on lease in 2019.

The Group realized losses from sale-leaseback transactions of NOK 5.8 million in 2019 in profit and loss. An additional amount of NOK 84.8 million was deferred as an adjustment to the right-of-use assets of the four aircraft on sale-leaseback.

As outlined in Note 1.24, the contracts of all leased aircraft are in scope of the new leasing accounting standard IFRS 16. Consequently, lease expenses related to those aircraft are replaced by depreciation of the related right-of-use assets and interest expenses on the lease liabilities. When transitioning to IFRS 16, the Group applied the modified retrospective approach. Prior year comparable numbers were not restated as if IFRS 16 was applied in 2018.

Leasing costs expensed on aircraft lease within operational expenses was NOK 4,351 million in 2018. Included in leasing costs were wet lease and operating lease costs on aircraft from sale-and-leaseback transactions.

In 2019, the Group leases had short-term and/or leases of low-value items for one spare engine, 21 cars and 116 properties in Oslo, Dublin and London, in addition to properties in all the operating bases worldwide. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases. The Group recognized expenses related to lease contracts not in scope of IFRS 16 of NOK 172.8 million in 2019.

The following amounts are recognized in the income statement in 2019:

in NOK million	Technical maintenance expenses	General and administrative expenses	Total
Expenses relating to short-term leases	14.0	26.1	**40.2**
Expenses relating to low-value leases	-	0.5	**0.5**
Variable lease payments	96.7	35.4	**132.1**
Total	110.7	62.1	**172.8**

Leasing costs related to technical equipment, cars and properties expensed in other operating expenses in 2018 was NOK 228.9 million.

Annual minimum rent on non-cancellable lease agreements not in scope of IFRS 16 per 31 December is as follows:

2019 NOK million, nominal value	Aircraft	Cars	Property	Technical equipment	Total
Within one year	-	1.6	10.9	0.1	12.6
Between 1 and 5 years	-	2.6	18.9	-	21.5
After 5 years	-	-	5.5	-	5.5
Total	-	4.2	35.3	0.1	39.6

2018 NOK million, nominal value	Aircraft	Cars	Property	Technical equipment	Total
Within one year	5,035.9	1.3	83.7	123.1	5,244.1
Between 1 and 5 years	17,656.9	3.8	205.2	492.6	18,358.4
After 5 years	16,912.4	-	180.9	593.9	17,687.2
Total	39,605.2	5.0	469.8	1,209.6	41,289.7

In 2019, the Group leases out three Boeing 737 aircraft to its former subsidiary Norwegian Air Argentina S.A.U. These leases are classified as operating leases from a lessor perspective because they do not transfer substantially all the risks and rewards incidental to the ownership of the assets. Rental income recognized by the Group during 2019 was NOK 8.8 million.

NOTE 13: TRADE AND OTHER RECEIVABLES

Specifications of receivables

NOK million	2019	2018
Trade receivables	826.4	552.6
Credit card receivables	5,797.4	3,539.7
Deposits	1,777.9	1,652.1
Deferred leasing costs	24.4	-
Other claims	1,976.3	672.6
Sum trade and other receivables	10,402.4	6,416.9
Prepaid costs	928.8	1,103.1
Public duty debt	104.9	213.6
Prepayments to employees	0.2	3.5
Prepaid rent	157.9	157.8
Prepayments	1,191.8	1,478.0
Total	11,594.3	7,895.0
Maximum credit risk	6,623.9	4,092.3

Due dates, nominal value of receivables

NOK million	2019	2018
Within one year	10,132.9	6,752.6
After one year	1,461.8	1,142.8
Total	11,594.7	7,895.4

Fair value of trade and other receivables

NOK million	2019	2018
Due within one year	10,132.9	6,752.6
After one year *)	1,461.4	1,142.4
Total	11,594.3	7,895.0

*) *Discount rate 2.5 percent (2018: 2.5 percent). For receivables due within one year, fair value is equal to nominal value.*

Provision for bad debt

NOK million	2019	2018
Balance 1 January	20.3	15.6
Charged to the income statement	(26.3)	(23.2)
Accruals	26.3	28.4
Reversals	(3.3)	(0.6)
Balance 31 December	17.0	20.3

Overdue accounts receivable

NOK million	2019	2018
Overdue less than 1 month	575.3	114.7
Overdue 1-2 months	34.9	38.5
Overdue 2-3 months	21.8	48.4
Overdue over 3 months	165.2	73.5
Total	797.3	275.2

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

Prepaid costs as per 31 December 2019 include NOK 104.2 million (2018: NOK 125.7 million) of capitalized cost of distribution of tickets for future travel dates, i.e. distribution costs for tickets included in the air traffic settlement liabilities. In 2019 such distribution costs were amortized with an amount of NOK 1,023 million (2018: NOK 832.8 million).

NOTE 14: INVENTORIES

NOK million	2019	2018
Consumables	175.7	167.3
Total	175.7	167.3

Charges for obsolete parts in 2019 were NOK 45.2 million (2018: NOK 47.8 million).

NOTE 15: EQUITY AND SHAREHOLDER INFORMATION

Shares and share issues in 2019:

NOK million	Number of ordinary shares	Share capital	Share Premium	Total
1 January 2018	35,759,639	3.6	1,231.6	**1,235.2**
Share issue 22 March 2018	2,950,963	0.3	445.6	**445.9**
Share issue 16 April 2018	5,436,134	0.5	816.4	**817.0**
Share issue 25 June 2018	1,290,323	0.1	193.0	**193.2**
31 December 2018	45,437,059	4.5	2,686.7	**2,691.2**
1 January 2019	45,437,059	4.5	2,686.7	**2,691.2**
Share issue 08.03.2019	90,871,318	9.1	2,918.3	**2,927.4**
Share issue 05.11.2019	27,250,000	2.7	1,059.0	**1,061.7**
31 December 2019	163,558,377	16.4	6,664.0	**6,680.3**

All issued shares are fully paid with a par value of 0.1 NOK per share (2018: 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.

A rights issue of 90,871,318 shares was completed in March 2019 with a total transaction size of NOK 3 billion. In addition, Norwegian completed a private placement in November 2019 of 27,250,000 new shares with a total transaction size of NOK 1,090 million.

Description of items booked directly on shareholder's equity:
Other comprehensive income

NOK 31.4 million has been booked as exchange rate differences under comprehensive income in 2019 (2018: NOK 347.9 million). The exchange differences arise from translating the subsidiaries from functional currency to presentation currency. In addition, the Company's share of other comprehensive income in associated companies during 2019 amount to NOK -20.8 million (2018: NOK 22.3 million).

Actuarial gains and losses

During 2019, NOK -42.3 million in actuarial loss arising from defined benefit pension plans was booked directly to equity (2018: NOK 2.7 million).

Share option plan

In 2018 a total of 455,000 share options were granted to Management and key personnel, of which 380,000 were part of the options program and 75,000 were granted to Chief Financial Officer Mr. Geir Karlsen after he joined the Company on 1 April 2018. The options granted to Mr. Geir Karlsen have an exercise price of NOK 187. The options in the options program have an exercise price 15 percent above the average price the ten last trading days after the presentation of Norwegian's 2nd quarter 2018 financial results, which equaled NOK 278. The options granted may be exercised three years after the grant. The exercise window is four years. The potential gain on the options has a maximum cap of three times gross base salary per year.

In 2019 a total of 1,800,000 share options were granted to Management and key personnel, of which 1,200,000 were part of the options program and additional 600,000 were granted equally between Chief Executive Officer Mr. Jacob Schram and Chief Financial Officer Mr. Geir Karlsen in November 2019. The options in the options program have an exercise price 15 percent above the average price the ten last trading days after the presentation of Norwegian's 1st quarter 2019 financial results, which equaled to NOK 43. Options may be exercised at the earliest in 2022, and any remaining options in 2026 at the latest.

Total share option expense in 2019 amounted to NOK 15.6 million (2018: NOK 16.8 million). See Note 17 for further details.

The largest shareholders at 31 December 2019 were:

	Shares	Ownership	Voting rights
HBK Holding AS	14,229,015	8.7 %	8.7 %
Folketrygdfondet	10,884,688	6.7 %	6.7 %
Keskinäinen eläkevakuutusyhtiö Varma	7,600,000	4.6 %	4.6 %
Danske Capital (Norway)	6,381,845	3.9 %	3.9 %
Pareto Asset Management AS	4,052,733	2.5 %	2.5 %
City Finansiering AS	3,946,041	2.4 %	2.4 %
DNB Asset Management AS	3,678,057	2.2 %	2.2 %
Kite Lake Capital Management (UK) LLP	2,906,986	1.8 %	1.8 %
Sneisungen AS	2,322,414	1.4 %	1.4 %
J.P. Morgan Securities plc	2,233,055	1.4 %	1.4 %
Bank of America Merrill Lynch (UK)	1,842,739	1.1 %	1.1 %
Nordnet Bank AB.	1,608,859	1.0 %	1.0 %
Stenshagen Invest AS	1,523,476	0.9 %	0.9 %
Delphi Fondene	1,472,682	0.9 %	0.9 %
SEB Luxembourg - Custodian	1,386,658	0.8 %	0.8 %
Storebrand Kapitalforvaltning AS	1,307,945	0.8 %	0.8 %
Hands-On Property AS	1,143,753	0.7 %	0.7 %
Credit Suisse Securities (Europe) Limited	1,044,351	0.6 %	0.6 %
DNB Bank ASA	1,032,554	0.6 %	0.6 %
KLP Forsikring	1,032,260	0.6 %	0.6 %
Other	91,928,266	56.2 %	56.2 %
Total number of shares	163,558,377	100.0 %	100.0 %

The largest shareholders at 31 December 2018 were:

	Shares	Ownership	Voting rights
HBK Holding AS	11,204,809	24.7 %	24.7 %
DNB Asset Management AS	2,675,786	5.9 %	5.9 %
Folketrygdfondet	2,646,556	5.8 %	5.8 %
Danske Capital (Norway)	2,124,333	4.7 %	4.7 %
J.P. Morgan Securities plc	1,830,034	4.0 %	4.0 %
Ferd AS	1,629,032	3.6 %	3.6 %
Pareto Nordic Investments AS	973,170	2.1 %	2.1 %
Sneisungen AS	645,161	1.4 %	1.4 %
Storebrand Kapitalforvaltning AS	643,332	1.4 %	1.4 %
KLP Forsikring	608,955	1.3 %	1.3 %
FIRST Fondene NCP	571,940	1.3 %	1.3 %
Stenshagen Invest AS	500,395	1.1 %	1.1 %
Goldman Sachs International	488,245	1.1 %	1.1 %
Carnegie ASA	471,849	1.0 %	1.0 %
BlackRock Institutional Trust Company, N.A.	461,909	1.0 %	1.0 %
Danske Bank (Custodian)	459,239	1.0 %	1.0 %
Equinor Asset Management ASA	410,419	0.9 %	0.9 %
Catella Bank S.A.	353,737	0.8 %	0.8 %
DNB Markets	283,126	0.6 %	0.6 %
Assenagon Asset Management S.A.	266,512	0.6 %	0.6 %
Other	16,188,520	35.6 %	35.6 %
Total number of shares	45,437,059	100.0 %	100.0 %

Shares directly or indirectly held by members of the Boards of Directors, Chief Executive Officer and Executive Management at 31 December 2019:

Name	Title	Shares[1]
Niels Smedegaard	Chair	50,000
Liv Berstad	Deputy Chair	7,500
Christian Fredrik Stray	Board Member	7,517
Ingrid Elvira Leisner	Board Member	6,986
Sondre Gravir	Board Member	15,757
Geir Olav Øien	Board Member - Employee representative	-
Eric Holm	Board Member - Employee representative	964
Katrine Gundersen	Board Member - Employee representative	-
Geir Karlsen	Chief Financial Officer	-
Tore K. Jenssen	Chief Operating Officer	-
Helga Bollmann Leknes	Chief Commercial Officer	-
Kurt Erik Simonsen	Chief Customer and Digital Officer	-
Anne-Sissel Skånvik	Chief Communications Officer	1,000
Frode Berg	Chief Legal Officer	-
Bjørn Erik Barman-Jenssen	Executive Vice President for Operational Development	-

1) *Including shares held by related parties.*

Options directly held by the Chief Executive Officer and members of Executive Management:

		Issued in	2018	2019	
		Strike price (NOK)	43	43	
		Expiry	2025	2026	
Name	Title				Total
Geir Karlsen	Chief Financial Officer		50,000	450,000	500,000
Helga Bollmann Leknes	Chief Commercial Officer		50,000	150,000	200,000
Anne-Sissel Skånvik	Chief Communications Officer		70,000	50,000	120,000
Kurt Erik Simonsen	Chief Customer and Digital Officer		50,000	150,000	200,000
Frode Berg	Chief Legal Officer		20,000	50,000	70,000
Tore K. Jenssen	Managing Director Arctic Aviation Assets		20,000	150,000	170,000
Bjørn Erik Barman-Jenssen	Managing Director Support Services		10,000	50,000	60,000

Mr. Jacob Schram, elected Chief Executive Officer from 1 January 2020 was awarded 300,000 options on 20 November 2019. Terms and conditions for the options equals the 2019 program listed above.

Specification of other reserves

NOK million	OCI associated companies	Translation differences	Total
1 January 2018	(3.4)	644.8	641.4
Translation differences	-	347.9	347.9
Share of other comprehensive income of associated companies	22.3	-	22.3
31 December 2018	18.9	992.8	1,011.7
Translation differences	-	94.6	94.6
Share of other comprehensive income of associated companies	(20.8)	-	(20.8)
31 December 2019	(1.9)	1,087.4	1,085.6

See also consolidated statement of changes in equity for overview of total changes in equity.

Other paid-in equity
Other paid-in equity amounts to NOK 149.2 million at 31 December 2019 (2018: NOK 132.9 million) and 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.

	2019	2018
Profit attributable to the owners of the Company (NOK million)	(1,615.4)	(1,461.1)
Weighted average number of shares outstanding	127,901,823	42,487,877
Weighted average number of shares outstanding after dilution	157,583,823	43,447,877
Basic earnings per share (NOK) *	(12.63)	(19.53)
Diluted earnings per share (NOK)**	(12.63)	(19.53)

	2019	2018
Weighted average number of shares outstanding	127,901,823	42,487,877
Dilutional effects		
Stock options	2,130,000	960,000
Convertible bond	27,552,000	-
Weighted average number of shares outstanding after dilution	157,583,823	43,447,877

*) *Earnings per share for comparative figures have been adjusted with a factor of 1.76 due to effects of the rights issue completed in March 2019*

**) *Diluted earnings per share is based on average numbers of shares outstanding and dilution effects at period end. Diluted earnings per share is equal to earnings per share in the event of negative earnings per share.*

NOTE 17: OPTIONS

2019 Program

On 07.05.2019 the Annual General Meeting of Norwegian Air Shuttle ASA adopted a share option program limited to 1,200,000 share options. 1,200,000 options under this program were granted to ten executives in May 2019. Options may be exercised at the earliest in 2022, and any remaining options in 2026 at the latest. The exercise price is NOK 43, which was the average price of the NAS share on trading days the first ten calendar days after presentation of Norwegian's 1st quarter 2019 financial results, plus 15%. On 31 December 2019 there were 1,200,000 outstanding share options.

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

The following estimates were used in calculating the fair value for options granted in 2019:

Dividend (%)	0 %
Expected volatility (%)	57.45 %
Risk-free interest (%)	1.34 %
Expected lifetime (years)	4.50
Share price at grant date	32.15
Fair Value at grant date	12.72

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.

On 20.11.2019 600,000 additional options were granted to two executives. The following estimates were used in calculating the fair value for options granted in November 2019:

Dividend (%)	0 %
Expected volatility (%)	61.76 %
Risk-free interest (%)	1.22 %
Expected lifetime (years)	4.50
Share price at grant date	39.87
Fair Value at grant date	19.23

2018 program

On 08.05.2018 the Annual General Meeting of Norwegian Air Shuttle ASA adopted a share option program limited to 400,000 share options. 380,000 options under this program were granted to eleven executives in September 2018. Options may be exercised at the earliest in 2021, and any remaining options in 2025 at the latest. The exercise price was NOK 278, which was the average price of the NAS share on trading days the first ten calendar days after presentation of Norwegian's 2nd quarter 2018 financial results, plus 15%. To maintain the incentive of the plan, the Board approved an adjustment to the strike price from NOK 278.00 to NOK 43.00 on 24.09.2019. On 31 December 2019 there were 250,000 outstanding share options with strike price NOK 43.00 and 80,000 outstanding share options with strike price NOK 278.00.

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

The following estimates were used in calculating the fair value for options granted in 2018:

Dividend (%)	0 %
Expected volatility (%)	48.44 %
Risk-free interest (%)	1.33 %
Expected lifetime (years)	4.50
Share price at grant date	273.90

The following estimates were used in calculating the adjusted fair value for the options in the 2018 program due to the change in strike price:

Dividend (%)	0 %
Expected volatility (%)	67.87 %
Risk-free interest (%)	1.23 %
Expected lifetime (years)	3.45
Share price at grant date	37.19

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.

Outstanding options:

	2019 shares	Average exerc. price	2018 shares	Average exerc. price
Outstanding 1 January	960,000	291.54	510,000	316.40
Granted	1,800,000	43.00	455,000	263.00
Terminated	(630,000)	297.91	(5,000)	231.00
Outstanding 31 December	2,130,000	51.83	960,000	291.54

Total share option expense in 2019 amounted to NOK 15.6 million (2018: NOK 16.8 million).

Share savings program

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

The fair value of the bonus shares is measured at the grant date using the Black & Scholes option-pricing model. The fair value of the bonus shares and the corresponding estimated social security cost are expensed as personnel costs over the vesting period. Changes in estimated social security costs are expensed over the remaining vesting period. At 31 December 2019, accumulated expense amounted to NOK 7.1 million (2018: NOK 6.3 million).

NOTE 18: PENSIONS

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

Defined contribution plan

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

Defined contribution plans comply with local Pension legislation.

Pension expenses on defined contribution plans are NOK 321.1 million in 2019 (2018: NOK 298.0 million). The defined benefit plan was closed at the time of transfer for all pilots aged 46 or younger, and a new defined contribution plan was issued.

Defined benefit plan

As per 31 December 2019, 462 employees were active members (2018: 466) and 41 were on pension retirement (2018: 38). The related pension liability is recognized at NOK 177.5 million (2018: 146.5 million).

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

The mortality and disability estimates are based on up-to-date mortality tables K2013 BE. This has not had any material effect on the consolidated financial statements in 2019.

	Funded	
NOK million	2019	2018
Pension expense		
Net present value of benefits earned	24.5	23.7
Interest cost on pension liability	3.7	3.9
Return on plan assets	(0.2)	(0.1)
Administrative expenses	0.1	0.1
Recognized settlement	-	-
Social security tax	4.0	3.9
Net pension expense defined benefit plans	32.1	31.6
Pension expense on defined contribution plans	281.4	258.3
Social security tax	39.7	36.4
Total pension expense	353.2	326.3
Change in present value of defined benefit liability:		
Gross pension liability 1 January	293.1	267.6
Current service costs	28.7	26.4
Interest cost	7.5	6.3
Actuarial gains/losses	44.3	(1.9)
Benefits paid	(2.5)	(1.6)
Social security on payments to plan	(5.2)	(3.7)
Gross pension liability 31 December	365.9	293.1
Change in fair value of plan assets:		
Fair value of pension assets 1 January	146.5	118.0
Expected return	4.1	3.0
Actuarial gains/losses	2.0	0.6
Contributions paid	42.2	29.7
Benefits paid	(1.3)	(1.0)
Social security on payments to plan	(5.2)	(3.7)
Fair value of plan assets 31 December	188.3	146.6
Net pension liability	177.5	146.5
Social security tax	-	-
Net recognized pension liability 31 December	177.5	146.5

	2019	2018
Actual return on pension funds	5.60 %	1.80 %
Expected contribution to be paid next year	47.5	33.6

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 18.5 years. Wage adjustments, pension adjustments and the expected increase in state pensions were based on historical observations for the Group, and an expected long-term inflation rate of 1.5 percent.

	2019	2018
Discount rate	2.30 %	2.60 %
Expected return on pension funds	2.30 %	2.60 %
Wage adjustments	2.25 %	2.75 %
Increase of social security base amount (G)	2.00 %	2.50 %
Future pension increase	0.50 %	0.80 %
Average turnover	2-8%	2-8%

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

	2019	2018
Equity	12.7 %	12.8 %
Alternative investments	0.0 %	0.0 %
Bonds	13.5 %	12.5 %
Money market funds	17.0 %	10.2 %
Hold-to maturity bonds	31.4 %	30.6 %
Real estate	11.1 %	9.1 %
Various	14.3 %	24.8 %

The table shows actual distribution of plan assets at 31 December 2019 and 2018.

Historical information

NOK million	2019	2018	2017	2016	2015
Present value of defined benefit obligation	365.9	293.1	267.6	194.1	193.6
Fair value of plan assets	188.3	146.6	118.0	86.7	59.1
Deficit/(surplus) in the plan	177.6	146.5	149.7	107.4	134.5
Experience adjustments on plan liabilities	44.3	(1.9)	44.0	(26.2)	(86.0)
Experience adjustments on plan assets	2.0	0.6	1.0	(1.8)	(38.2)

NOTE 19: PROVISIONS AND OTHER LONG-TERM LIABILITIES

Periodic maintenance on leased aircraft

NOK million	2019	2018
Opening balance	3,346.3	2,765.6
Provisions charged to the income statement	2,282.7	2,554.4
Maintenance services performed and invoices received	(1,511.2)	(1,401.7)
Other items	(193.7)	(572.0)
Closing balance	3,924.1	3,346.3
Classified as current liabilities	45.1	158.8
Classified as non-current provision	3,879.0	3,187.5

For aircraft held under operating lease agreements, Norwegian is contractually committed to either return the aircraft in a certain condition or to compensate the lessor based on the actual condition of the airframe, engines, and life-limited parts upon return. In addition, during the lease term the Group is obliged to follow the maintenance program as defined by the aircraft manufacturers. In order to fulfil the conditions of the lease and maintenance obligations, in the form of major airframe overhaul, engine maintenance checks, and restitution of major life-limited parts, the Group is required to perform these obligations during the period of the lease and upon return of the aircraft to the lessor. The estimated maintenance costs are accrued and charged to profit or loss over the lease term for this contractual obligation, based on the estimated current cost of the major airframe overhaul, engine maintenance checks and restitution of major life-limited parts, calculated by either reference to the number of hours flown or cycles operated since last maintenance event or since the aircraft was new, or the age of the aircraft.

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

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

Parts of the periodic maintenance will be conducted in 2020, and NOK 45.1 million is classified as a current liability for periodic maintenance (2018: NOK 158.8 million). The current part of periodic maintenance is estimated based on the planned maintenance in 2020. Other items in the table above consist of currency effects, credits received from service suppliers and other adjustments.

Other non-current liabilities
Other non-current liabilities amounted to NOK 1.1 million at 31 December 2019 compared to NOK 145.2 million at the end of last year. Other non-current liabilities in 2018 consisted primarily of deposits on future aircraft leases from external parties.

NOTE 20: FINANCIAL INSTRUMENTS

Financial instruments by category

NOK million	2019 Financial assets at amortized cost	Financial assets at fair value through profit or loss	Financial assets at fair value through OCI	Total
Assets as per balance sheet				
Trade and other receivables *)	10,402.4	-	-	**10,402.4**
Cash and cash equivalents	3,095.6	-	-	**3,095.6**
Total	13,498.0	-	-	13,498.0

*) Prepayments not included in trade and other receivables	1,191.8

NOK million	2018 Financial assets at amortized cost	Financial assets at fair value through profit or loss	Financial assets at fair value through OCI	Total
Assets as per balance sheet				
Investments in financial assets	-	-	2,051.8	**2,051.8**
Derivative financial instruments	-	36.1	-	**36.1**
Trade and other receivables *)	6,416.9	-	-	**6,416.9**
Cash and cash equivalents	1,921.7	-	-	**1,921.7**
Total	8,338.6	36.1	2,051.8	10,426.5

*) Prepayments not included in trade and other receivables	1,478.0

NOK million	2019 Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Total
Liabilities per balance sheet			
Borrowings	-	26,734.0	**26,734.0**
Lease liabilities	-	34,274.3	**34,274.3**
Derivative financial instruments	369.2	-	**369.2**
Trade and other payables *)	-	7,949.9	**7,949.9**
Total	369.2	68,958.2	69,327.4

*) Public duties and liabilities from customer loyalty program not included in trade and other payables	1,179.6

NOK million	2018 Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Total
Liabilities per balance sheet			
Borrowings	-	33,839.1	**33,839.1**
Derivative financial instruments	1,397.5	-	**1,397.5**
Trade and other payables *)	-	6,700.5	**6,700.5**
Total	1,397.5	40,539.6	41,937.1

*) Public duties and liabilities from customer loyalty program not included in trade and other payables	1,311.4

See Note 22 for details related to borrowings.

Credit quality of financial assets

NOK million	2019	2018
Trade receivables		
Counterparties with external credit rating		
A or better	5,797.4	3,539.7
Counterparties without external credit rating	4,605.0	2,877.2
Total trade receivables	10,402.4	6,416.9
Cash and cash equivalents		
A+ or better	3,075.2	1,854.8
BBB +	20.4	66.8
Total cash and cash equivalents	3,095.6	1,921.7
Derivative financial assets		
A+ or better	-	36.1
Total derivative and financial assets	-	36.1

Investments in financial assets

NOK million	2019	2018
1 January	2,051.8	82.7
Additions		2,823.5
Sale	(2,044.0)	(80.0)
Reclassifications	-	(2.7)
Net gains/(losses) recognized in other comprehensive income	(7.8)	(771.7)
31 December	-	2,051.8
Current portion	-	2,051.8

Investments in financial assets was reduced in 2019 due to sale of the investment in 16.4 percent of the listed shares of Norwegian Finans Holding (NOFI). The cumulative gain on the sale is NOK 296.9 million.

Derivative financial instruments

	2019		2018	
NOK million	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts	-	-	1.2	0.3
Forward commodities contracts	-	-	34.9	1,397.2
Conversion rights	-	369.2	-	-
Total	-	369.2	36.1	1,397.5
Non-current portion:	-	369.2	3.5	38.1
Current portion	-	-	32.6	1,359.4

Trading derivatives are classified as current or non-current assets or liabilities depending on the maturity profile and net value of individual forward contracts. At 31 December 2019, the Group had no outstanding derivative contracts and the total unrealized value of derivatives was therefore NOK 0 (2018: loss of NOK 1,361.4 million). See details under the specification of 'Other losses/ (gains) - net' below.

Forward foreign currency contracts
The net fair value of the outstanding forward foreign currency contracts at 31 December 2019, were NOK 0 (2018: NOK 0.9 million). At 31 December 2019, the Group had no forward foreign currency contracts (2018: USD 20 million and EUR 20 million).

Forward commodities contracts
Forward commodities contracts relate to jet fuel derivatives. The net fair value of the outstanding forward commodities contracts at 31 December 2019, were NOK 0 (2018: NOK -1,362.3 million). At 31 December 2019, the Group had secured 0 tons of jet fuel (2018: 774,500 tons) through forward contracts.

Conversion rights
Conversion rights is related to the USD convertible bond issued 5 November 2019. See note 3 for information related to the USD bond.

Other losses/gains – net

NOK million	2019	2018
Net losses/(gains) on financial assets at fair value through profit or loss	(828.2)	1,223.6
Foreign exchange losses/(gains) on operating activities	107.1	(108.6)
Losses/(gains) on asset sale	(124.6)	(120.9)
Total	(845.8)	994.1

Net gains of NOK 828.2 million (2018: loss of NOK 1,223.6 million) is related to net gains on jet fuel derivatives.

NOTE 21: TRADE AND OTHER PAYABLES

NOK million	2019	2018
Accrued vacation pay	360.0	300.9
Accrued airport and transportation taxes	608.3	869.6
Accrued expenses	3,558.8	3,257.4
Trade payables	3,093.0	2,265.8
Payables to related party (Note 26)	637.6	204.6
Public duties	269.0	239.8
Current provisions for MRC (Note 19)	45.1	158.8
Other current provisions	557.8	714.9
Total	9,129.5	8,011.8

The current payables and provisions are non-interest bearing and are due within the next 12 months. Accrued expenses are related to goods and services delivered and not invoiced to the Group in 2019.

NOTE 22: BORROWINGS

Nominal value at 31 December 2019

NOK million	Nominal Value	Unamortized transaction cost	Book value	Effective interest rate
Bond issue	4,454.9	(27.4)	4,427.6	6.5 %
Aircraft prepayment financing	863.2	(2.7)	860.5	4.0 %
Aircraft financing	22,415.4	(969.5)	21,445.9	3.9 %
Total	27,733.6	(999.6)	26,734.0	

Nominal value at 31 December 2018

NOK million	Nominal Value	Unamortized transaction cost	Book value	Effective interest rate
Bond issue	3,585.2	(2.5)	3,582.7	6.5 %
Credit facility	1,125.0	-	1,125.0	2.0 %
Aircraft prepayment financing	4,142.6	(1.1)	4,141.5	6.9 %
Aircraft financing	26,060.6	(1,070.6)	24,990.0	3.8 %
Total	34,913.4	(1,074.2)	33,839.1	

Effective interest rate during 2019, recognized as financial items (Note 8) and capitalized borrowing costs (Note 11), is 10.1 percent (2018: 5.0 percent).

The value of the conversion rights related to the USD convertible bond issued 5 November 2019 of NOK 369.2 million, is not included as part of Bond issue and is classified under Derivative financial instruments in the consolidated statement of financial position. See Note 3 and 20 for additional information related to the USD bond.

Classification of borrowings

NOK million	2019	2018
Non-current		
Bond issue	4,178.4	1,182.2
Aircraft prepayment financing	281.9	280.5
Aircraft financing	17,684.1	21,067.4
Total	22,144.4	22,530.0
Current		
Bond issue	249.2	2,400.5
Credit facility	-	1,125.0
Aircraft prepayment financing	578.6	3,861.0
Aircraft financing	3,761.8	3,922.6
Total	4,589.6	11,309.1
Total borrowings	26,734.0	33,839.1

Cash and non-cash changes in total borrowings

Changes in total borrowings over a period consist of both cash effects (disbursements and repayments) and non-cash effects (amortizations and currency translation effects). The following is the changes in the Group's borrowings stemming from cash effects and non-cash effects:

NOK million	2019	2018
Opening balance total borrowings	33,839.1	26,304.8
Disbursement	2,039.0	12,546.6
Repayment	(9,294.5)	(6,518.8)
Net amortization effects	185.0	28.4
Currency translation effects	(34.7)	1,478.1
Closing balance total borrowings	26,734.0	33,839.1

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

NOK million	2019	2018
USD	15,350.6	21,545.3
NOK	249.6	1,374.2
SEK	909.7	932.7
EUR	10,224.1	9,986.9
Total	26,734.0	33,839.1

Collateralized borrowings are detailed in Note 23.

Covenants

Bond issue (NAS09)

- Minimum book equity of NOK 1,500 million.
- Dividend payments less than 35 percent of net profit.
- No dividend unless liquidity is above NOK 1,000 million and equity higher than NOK 3,000 million.
- Minimum liquidity (unrestricted cash) of NOK 500 million within the Group. Cash and cash equivalents for the Group as at 31st December 2019 are NOK 3,095.6 million, of which 830.4 million is restricted cash. See note 24 for cash positions

Bond issues (NAS07 & NAS08)

- Minimum book equity of NOK 1,500 million.
- No dividend payment.
- Minimum liquidity (unrestricted cash) of NOK 500 million within the Group. Cash and cash equivalents for the Group as at 31st December 2019 are NOK 3,095.6 million, of which 830.4 million is restricted cash. See note 24 for cash positions
- Following refinancing in 2019, the bonds are secured by pledge of the shareholding by NAS Eire Invest AS in Norwegian Air Norway AS and via a pledged account, see note 23.

Convertible bond issue

- The bond is secured by pledge of the shareholding in Arctic Aviation Assets, see note 23.
- Minimum book equity of USD 400 million within Arctic Aviation Assets.
- Maximum debt to book capitalization of 85 percent. The value of total debt within Arctic Aviation Assets cannot exceed 85 percent of the value of the total equity and liabilities within Arctic Aviation Assets.

Aircraft prepayment financing

- There are no financial covenants on aircraft prepayment financing.

Aircraft financing

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

The Group has not been in breach of any covenants during 2019.

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

	Carrying amount		Fair value	
NOK million	**2019**	2018	**2019**	2018
Bond issue	**4,178.4**	1,182.2	**3,778.2**	1,088.7
Aircraft prepayment financing	**281.9**	280.5	**279.1**	284.5
Aircraft financing	**17,684.1**	21,067.4	**19,155.1**	22,137.5
Total fair value	**22,144.4**	22,530.0	**23,212.4**	23,510.8

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

Bond Issue II
Interest rate of 4Y EUR swap interest rate and a risk premium equal to the spread at the reporting date. The bond was refinanced during 2019. The bond issue is a secured bond issue pledged in the shareholding and pledge account of Norwegian Air Norway AS, is denominated in EUR and matures 30 November 2021. The coupon is 7.25 percent. The loan will be redeemed at 105 percent of par value.

- ISIN: NO0010753437
- Ticker: NAS07
- Name: Norwegian Air Shuttle ASA 15/19 7.25 percent EUR

Bond Issue III
Interest rate of STIBOR and a risk premium equal to the spread at the reporting date. The bond was refinanced during 2019. The bond issue is a secured bond issue pledged in the shareholding and pledge account of Norwegian Air Norway AS, is denominated in SEK and matures 28 February 2022. The coupon is STIBOR + 5.03 percent. The loan will be redeemed at 105 percent of par value.

- ISIN: NO0010783459
- Ticker: NAS08
- Name: NORWEG.AIR SHUT.17-20 FLR

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

- ISIN: NO0010809940
- Ticker: NAS09
- Name: FRN Norwegian Air Shuttle ASA Senior Secured Bond Issue 2017/2020

Convertible Bond
Fixed interest rate of 6.375 percent. The bond issue is a secured bond issue pledged in the Group's shareholding in its subsidiary Arctic Aviation Assets, is denominated in USD and matures 15 November 2024.

- ISIN: NO0010868284
- Ticker: NASNO 6.375 11/15/24

Facility agreement
Interest rate of LIBOR 1Y and a risk premium equal to the spread at the reporting date. The Group has entered into facility agreements with UTF, DVB, BOC and Aercap in 2016, 2017, 2018 and 2019 respectively to cover pre-delivery financing for aircraft with deliveries in the period 2016 to 2020. The facility agreement with DVB was repaid and settled in 2018 and the facility agreement with BOC was repaid and settled in 2019

The borrowings which mature at the delivery of each aircraft in 2020 are classified as current borrowings and are denominated in USD.

Aircraft financing
Fixed and floating interest rate based on LIBOR and EURIBOR market rates and a risk premium equal to the spread at the reporting date. The spread of USD denominated borrowings is not entity specific, as the agreed spread is based on the overall credit risk of the financial markets in the United States. 25 percent of aircraft financing is exposed to cash flow interest rate risk with quarterly re-pricing dates, while 75 percent of aircraft financing is exposed to fair value risk on fixed interest rates. The borrowings mature quarterly after the delivery of aircraft. See Note 2 for further maturity analysis of borrowings. The aircraft financing is denominated in USD and in EUR.

Restructured bonds
Following the financial restructuring completed in May 2020, 50 percent of bonds NAS07 and NAS08 and 77 percent of the USD Convertible Bond were converted into equity. Further, no interest will accrue on either of the bonds until after June 2021 and the maturity was extended by 12 months on all bonds except the USD Convertible Bond. The new maturities are November 2022 for NAS07, February 2023 for NAS08 and November 2021 for NAS09. Financial covenants remain the same as described above, but with the requirement for minimum liquidity lowered to NOK 100 million until 1 July 2021.

NOTE 23: ASSETS PLEDGED AS COLLATERALS AND GUARANTEES

Liabilities secured by pledge

NOK million	2019	2018
Bond issue	249.6	249.2
Bonds refinanced	3,289.9	-
Convertible bond issue	1,257.3	-
Credit facility	-	1,125.0
Aircraft financing	21,445.9	24,990.0
Aircraft prepayment financing	860.5	4,141.5
Total	27,103.2	30,505.7

Owned aircraft are pledged as collateral to the providers of the relevant financing for the aircraft. In the case of pre-delivery deposit ("PDP") financing the parts of the aircraft manufacturer purchase contract that relate to the aircraft are pledged as collateral to the providers of the PDP financing. The Group provides guarantees to the benefit of lenders.

The Group has not issued any guarantees for third parties.

In 2019 the NAS07 and NAS08 bonds were successfully refinanced following approval by the bondholders. In order to secure approval of the refinancing, the Group has pledged the following assets.

- Pledge of the shareholding by NAS Eire Invest AS in Norwegian Air Norway AS. The principal amount of the secured obligations is limited to the aggregate amount of EUR 300 million and SEK 1,020 million.
- Pledged Account (including both present and future credit balances, any interest and any commission payable thereon). The principal amount of the secured obligations is limited to the aggregate amount of EUR 300 million and SEK 1,020 million.

Also, in 2019 the Group successfully completed the issue of the convertible bond. In order to secure the bond, the Group has pledged the shares in its subsidiary Arctic Aviation Assets.

The above pledges of the shareholding by in Norwegian Air Norway AS, the pledged account and the pledge of the shares in Arctic Aviation Assets are not shown in the table below as these assets do not have a book value in the Group.

Book value of assets pledged as security and guarantees

NOK million	2019	2018
Prepayment and aircraft	31,826.7	39,316.8
Buildings	252.6	258.4
Investment in Norwegian Finans Holding ASA	-	2,051.8
Total	32,079.3	41,627.0

NOTE 24: BANK DEPOSITS

Cash and cash equivalents

NOK million	2019	2018
Cash in bank	3,075.2	1,854.8
Cash equivalents	20.4	66.8
Total	3,095.6	1,921.7

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 2019, the interest terms of the main 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 +0.55 percent p.a.

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

Restricted cash

NOK million	2019	2018
Guarantees for leases and credits from suppliers	519.1	662.8
Safety deposits on defined benefit plan	239.5	235.1
Taxes withheld	71.8	68.1
Total	830.4	966.0

Bank guarantees are granted for leasing liabilities for aircraft, suppliers of fuel and handling services, as well as airport charges from airports and governments. There is also a guarantee/deposit in place to secure a pension program. Restricted cash is included in the line item Cash and cash equivalents in the statement of financial position. Unrestricted cash at 31 December 2019 was NOK 2,265 million.

NOTE 25: INVESTMENTS IN OTHER ENTITIES

Norwegian Air Shuttle ASA has the following investments in financial assets and joint ventures accounted for using the equity method:

2019

Entity	Country	Industry	Ownership interest	Type of investment	Share of profit recognized in 2019	Share of OCI recognized in 2019	Investment 2019 [1]	Carrying amount 31.12.2019	Fair value 31.12.2019 [2]
OSM Aviation Ltd.	Cyprus	Aviation crew management	50.00 %	Joint venture	(12.0)	(20.8)	(14.0)	23.7	N/A
SkyHawk Aviation Limited	Ireland	Aircraft lease	30.00 %	Associate	-	-	0.3	0.3	N/A

2018

Entity	Country	Industry	Ownership interest	Type of investment	Share of profit recognized in 2018	Share of OCI recognized in 2018	Investment 2018 [1]	Carrying amount 31.12.2018	Fair value 31.12.2018 [2]
OSM Aviation Ltd.	Cyprus	Aviation crew management	50.00 %	Joint venture	69.6	22.3	(29.3)	70.3	N/A

1) *Investments in OSM Aviation Ltd. relates to dividends received in 2019 and 2018 respectively*
2) *The shares are not traded in the open market and there is no fair value readily available for the investments*

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

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

A shareholder's agreement is in place between OSM Aviation and Norwegian Air Resources Ltd. stating that all dividends from Norwegian Air Resources Spain S.L, Norwegian Air Resources Finland Ltd., and OSM Aviation UK Ltd. are distributed to the joint venture OSM Aviation Ltd. Non-controlling interests are recognized at 50 percent of the equity of these companies, in total NOK 23.8 million at the end of 2019. The three subsidiaries are not material to the consolidated financial statements neither individually nor aggregated.

Arctic Aviation Assets DAC (Arctic), a fully owned subsidiary of Norwegian Air Shuttle ASA, subscribed to 30 percent of the shares in SkyHawk Aviation Limited, newly incorporated in Ireland. The remaining 70 % of the shares in SkyHawk are owned by CCB Leasing (International) Corporation DAC. SkyHawk signed an agreement to acquire 27 Airbus A320Neos from Arctic. The aircraft are scheduled to be delivered from Airbus to Arctic until end of 2023, with the immediate sale onwards to SkyHawk. SkyHawk did not receive any aircraft in 2019, and the investment has not had a significant impact on the consolidated financial statements for the year. The cooperation with CCB through SkyHawk ensures the financing of the upcoming 27 Airbus aircraft deliveries and is expected to contribute a positive profit share to Norwegian in 2020.

Summarized financial information for immaterial joint ventures

NOK million	2019	2018
Profit or loss from continuing operations	(23.3)	103.1
Other comprehensive income	(15.5)	(3.0)
Total comprehensive income	(38.8)	100.2

NOTE 26: RELATED PARTY TRANSACTIONS

HBK Holding AS is controlled by the former Chief Executive Officer, Mr. Bjørn Kjos, and the former Chairman of the Board, Mr. Bjørn Kise. Mr. Bjørn Kise resigned as the Chairman of the Board on 7 May 2019 and Mr. Bjørn Kjos stepped down as the Chief Executive Officer on 11 July 2019. The sales and purchases below includes all transactions between the Group and its related parties for the period where Mr. Bjørn Kjos and Mr. Bjørn Kise were still in leading positions in the Group.

Mr. Bjørn Kise is a partner and Mr. Bjørn Kjos is a former partner of the law firm Simonsen Vogt Wiig, which operates as the legal advisor for Norwegian Air Shuttle ASA. The Norwegian Group purchases IT services from InfoCom Group AS. Kurt Erik Simonsen, Norwegian's former Chief Customer & Digital Officer, has ownership interests below 50 percent in the entity. Neither Simonsen Vogt Wiig, InfoCom Group, Bank Norwegian, NOFI nor Lilienthal qualify as related parties of NAS, but the disclosures are included in order to satisfy assumed interest from NAS' investors.

The Group leases its property at Fornebu from Fornebu Næringseiendom 1 AS, which is a fully owned subsidiary of HBK Holding AS. The leasing agreement entitles the Group to lease Oksenøyveien 3 at Fornebu until 2030, with an option to extend the lease for another five years.

Norwegian Air Shuttle ASA ("NAS") and Norwegian Brand Ltd ("NAB") have on 2 May 2019 entered into an agreement with Lilienthal Finance Limited ("Lilienthal"), which at the time was wholly-owned by HBK Holding AS, under which Lilienthal acquired from NAS and NAB corresponding rights in Europe outside the Nordic countries and on corresponding terms, to the rights acquired by Bank Norwegian from NAS and NAB in the Nordic countries on which Bank Norwegian has based, and bases, its use of, inter alia, Norwegian's name and brand, cooperation related to Norwegian's Reward program, etc. The rights acquired by Lilienthal under the said agreement are exclusive and Lilienthal must commence utilization of the rights within three years. The parties' intention is that Lilienthal shall apply for a banking license in Ireland and start banking business there without delay. The consideration payable by Lilienthal to NAB for the said license is an upfront fee of NOK 150 million for the first five years of the license. After such initial five years, the annual fee for the license shall be NOK 30 million.

Simultaneously, NAS acquired from the sole shareholder of Lilienthal, HBK Holding AS, 40 percent of the shares in Lilienthal for a total consideration of NOK 4 million and sold the 40 percent ownership to Norwegian Finans Holding ASA ("NOFI") for a cash consideration of NOK 28.24 million plus shares in NOFI at a market value at the time of NOK 150 million. On the same date, NOFI acquired the remaining 60 percent of the shares in Lilienthal from HBK, after which Lilienthal became fully owned by NOFI.

The said agreements are exempted from the requirements for approval by the General Meeting since they are entered into in the Company's ordinary course of business and contain pricing and other terms which are normal for such agreements.

The Norwegian Group purchases crew management services from the joint venture OSM Aviation Ltd. and its subsidiaries.

Norwegian Air Shuttle ASA have on 31 May 2019 entered into an agreement to convert outstanding receivable towards Norwegian Block Exchange AS into equity. The Company was awarded 2,446,400 shares at NOK 1.5 per share.

The Company purchases IT services from Infocom Group AS. Kurt Erik Simonsen, Norwegian's former Chief Customer & Digital Officer have a 32% shareholding in the entity. Neither Simonsen Vogt Wiig, InfoCom Group, Bank Norwegian, NOFI nor Lilienthal qualify as related parties of NAS, but the disclosures are included in order to satisfy assumed interest from NAS' investors.

No loans or guarantees have been issued to related parties in 2019 or 2018.

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 million	2019	2018
Sales (-) and purchases (+) of goods and services (NOK million excl. VAT)		
- Simonsen Vogt Wiig (legal services) *	2.7	15.2
- Fornebu Næringseiendom (property rent) **	9.7	18.9
- OSM Aviation Ltd. (incl. subsidiaries; crew management services)	1,741.8	1,876.7
- Infocom Group (IT services)	8.3	13.9
- Purchase of shares Lilienthal Finance Limited from HBK Holding AS	4.0	-

NOK million	2019	2018
Year-end balances arising from sales/purchases of goods/services (NOK million incl VAT)		
Payables to related parties		
- Simonsen Vogt Wiig (legal services) *	-	0.8
- Fornebu Næringseiendom (property rent) **	-	6.1
- OSM Aviation Ltd. (incl. subsidiaries; crew management services)	637.6	197.7
- Infocom Group (IT services)	-	1.5

** Bjørn Kise resigned as Chairman of the board 7 May 2019. Values reflect the period from 1 January until 7 May 2019.*
*** Bjørn Kjos resigned as CEO 11 July 2019. Values reflect the period 1 January until 11 July 2019.*

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

NOTE 27: CONTINGENCIES AND LEGAL CLAIMS

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

In March 2017, Norwegian received a reassessment from the Central Tax Office for Large Enterprises in which the tax office argues that the rules on contingent tax-free transfers within a group does not apply to the transfer of the business in 2013. In June 2018, Norwegian received reassessments from the tax office regarding the other business transfers carried out in 2013 and 2014, in which the tax office upholds its view that the rules on contingent tax-free transfers within a group does not apply. In January 2020, the Tax Appeals Board ruled in line with the tax authorities' assessment. The ruling indicates increased tax payable for the years in question with up to NOK 571 million, a reduction in prepaid taxes of NOK 166 million and interests estimated to a maximum of NOK 119 million up to 31 December 2019. The maximum total potential cost increase would be NOK 856 million, with a corresponding reduction in equity. The Tax Appeal Board ruled that part of the payment should be deferred, and the timing of the tax collection is not finally determined. Further, a negative outcome of the case could lead to a reduction in not recognized deferred tax assets of NOK 376 million with no immediate change to tax cost or equity. The disputed question is if the rules on contingent tax-free group reorganization as they applied in 2013 and 2014 is contrary to EEA law.

Norwegian and its tax advisor are of the opinion that the ruling is without merit and that it is probable that the ruling will be reversed in court. For that reason, Norwegian has decided to challenge the case in court. The opinion of the Company and its advisors is supported by a previous ruling in a similar case made by the tax appeals board and EU jurisprudence. Thus, Norwegian has not made any provisions for the reassessed taxes in its Interim Financial Statements for the fourth quarter and full year 2019.

In December 2019, Irish Revenue made an assessment for the period 2014-2018 to the Company of EUR 18.5 million pertaining to withholding income tax (PAYE) on nonresident crew exercising their employment on an aircraft in international traffic where the enterprise has its place of effective management in Ireland. The crew in scope are non-Irish residents and their employment are not exercised in Ireland. The Company, supported by its tax advisors, are of the opinion that Irish Revenue’s application of the provision is overly broad and is contrary to the EU law and have concluded that it is more likely than not that the assessment will be reversed. Accordingly, the Company has appealed the assessment and not made a provision for the claim in the Interim Financial Statements for the fourth quarter and full year 2019.

NOTE 28: COMMITMENTS

Norwegian has several aircraft purchase commitments from agreements entered into with Boeing and Airbus. An overview of firm orders by expected year of delivery at 31 December 2019 is presented in the table below, along with the expected gross cash payments per year.

Aircraft delivery schedules are, however, subject to changes.

The final cash payments are also subject to changes in delivery and prepayment schedules, certain contingent discounts or other adjustments of the purchase price. Such adjustments include e.g. aircraft equipment which can be added or taken out from the order up until delivery. Therefore, the exact purchase price for each individual aircraft is not known until the time of delivery.

Number of aircraft	2020	2021	2022 until 2027	Total
Boeing 737 MAX 8	16	10	66	92
Boeing 787-9	4	-	1	5
Airbus 320neo	5	4	54	63
Airbus 321LR	-	-	30	30
Total commitments	25	14	151	190

USD million				
Total contractual commitments	1,500	600	7,700	9,800

In accordance with airline industry market practice, the total order is not fully financed, and the financing of new aircraft will be secured on a periodic basis, the size and timing depending on the schedule of aircraft delivery and market conditions.

The Group has financing in place for up to the next four Max deliveries and is currently working to secure long-term financing on all 2020 MAX deliveries once Boeing re-commences these. The Group's next 27 Airbus A320neo deliveries will be financed pursuant to the announced joint venture arrangement with CCB, which will cover all 2020 deliveries until 2023. The remaining A320 will be scheduled to be delivered in 2024-2026 and the financing will be secured according to the Group's financing strategy, subject to market conditions and delivery schedule. Discussions regarding financing of 787 aircraft delivering in 2020 is ongoing and will be secured according to the Group's financing strategy, subject to market conditions and delivery schedule. The A321LR will be scheduled to delivered from 2025-2027, and the financing will be secured according to the Group's financing strategy, subject to market conditions and delivery schedule.

The Group has not committed to other significant investments and has no plans to invest in other significant assets than aircraft.

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

NOTE 29: EVENTS AFTER THE REPORTING PERIOD

On 4 February, Norwegian announced that the Board of Directors in the Company decided not to use the board authorization granted by the Company's extraordinary general meeting to carry out a subsequent repair offering. Since the announcement of the private placement, the Company's shares have traded similar to or below the subscription price in the private placement of NOK 40. Consequently, existing shareholders wishing to avoid or reduce the dilutive effect of the private placement have had the opportunity to purchase shares in the open market during an extended period, at prices below the subscription price of the private placement.

The Company has been severely impacted by the current outbreak of the COVID-19. In a very short time period, the Company lost most of its revenues. This adversely and materially affected the Group's contracts, rights and obligations, including financing arrangements. COVID-19 outbreak effects on travel restrictions and demand for air travel has forced the Company to enter hibernation mode, currently operating only seven aircraft primarily in the domestic market in Norway. With most of its revenue lost, the Company was not capable of complying with its ongoing obligations and forced to restructure its debt and ensure access to the state aid package offered by the Norwegian government.

Starting on 10 March, the Company has regularly updated the market through stock exchange notices on the effects of the COVID-19 outbreak, with cancellations, layoffs and suspension of service until the current hibernation mode was reached. Below is a summary of significant events occurring after the outbreak:

8 April: Norwegian calls for an extraordinary general meeting with the aim to strengthen the balance sheet by converting bond debt and lease obligations to equity to meet the requirements of the Norwegian state guarantee program and create a sustainable platform.

20 April: Norwegian's pilot and cabin crew companies in Sweden and Denmark file for bankruptcy. Norwegian also notified OSM Aviation that it has canceled the crew provision agreements with several of its jointly owned OSM Aviation subsidiaries.

4 May: The extraordinary general meeting voted in favor of all proposed resolutions, including conversion of bonds and lease debt to shares, as well as the public offering of up to NOK 400 million.

6 May – 14 May: Norwegian completed a public offering of NOK 400 million.

18 May: The bondholders' meeting in NAS07 formally passed the proposed conversion and amendments to the bond terms. With this approval, bondholders in all the Company's four bonds had approved the restructuring plan. Further information on the conversion of debt to equity for the bonds is provided in Note 22.

20 May: Norwegian announced the successful completion of refinancing in which the Company converted NOK 12.7 billion of debt to equity, raised NOK 400 million in cash and equity through a public offering and secured access to the NOK 3 billion loan guarantee from the Norwegian government. Following the transaction, the Company has 3,069,624,807 shares outstanding, from previously 163,558,377. The Company also announced that power-by-the-hour arrangements with lessors are expected to further lower aircraft lease payments by approximately USD 250 – 285 million.

A total amount of NOK 9,074 million of lease obligations have been converted into approximately 1,691 million shares and perpetual bonds, which are convertible into approximately 445 million new shares. Commencing 1 July 2020, the corresponding lease payments will be reduced with approximately USD 12 million per month (including USD 0.9 million per month from aircraft which the Company and its subsidiaries have agreed with the lessors to redeliver before the end of this year). The Company and its subsidiaries have also agreed with its individual lessors to redeliver three aircraft prior to the contractual redelivery dates. For the avoidance of doubt, the net present value of cancelled lease payments from July 2020 onwards associated with such redeliveries will not form the basis for further conversion into equity.

A total amount of NOK 3,582 million of bond debt has been converted into approximately 815 million shares and perpetual Bonds, which are convertible into approximately 28 million new shares at the Conversion Price. The conversion amount is based on a net present value calculation of reduced cash flows for the individual bonds following the recapitalization. The principal amount in NAS07, NAS08 and the convertible bond will be reduced with NOK 3,142 million on an aggregate basis and NOK 1,423 million, NOK 500 million and NOK 1,219 million, respectively for the three bond loans. The conversions represent 50 percent of the principal amount for NAS07 and NAS08 and 77 percent of the principal amount for the convertible bond.

20 May: CEO Jacob Schram presented a new organizational structure and management team to be operational from 2 June 2020.

COVID-19 and the following travel restrictions and drop in demand is viewed as a non-adjusting event for the 2019 annual financial statements, since the dramatic effects of the virus spread were unknown to the Company at the end of 2019. With reference to the impairment test as described in Note 10, the effects from the COVID-19 virus will be viewed as an indicator of impairment and lead to renewed impairment evaluations of the Company's assets including goodwill and aircraft valuations in subsequent reporting periods. The Company's ability to utilize carry-forward tax losses might also be affected with the dramatic consequences of the virus outbreak. Such assumptions are contingent on how the COVID-19 pandemic will evolve and the effects it may have and are dependent on the Company's revised strategy and business plans currently being laid out.

There is significant uncertainty surrounding the long-term effects of the COVID-19 pandemic and the Company may be dependent on obtaining additional working capital in order to meet its obligations in the upcoming twelve-month period. Although the Company believes there are reasonable prospects to resolve such defaults there is a significant risk that the Company becomes insolvent and enters into bankruptcy if, inter alia, the Company's is not able to reach an agreement with its creditors, access to working capital and regain normalized operations. If the Group should be unable to continue as a going concern, this could have an impact on the Group's ability to realize assets at their recognized values, in particular goodwill, deferred tax assets and other intangible assets, and to extinguish liabilities in the normal course of business at the amounts stated in the consolidated financial statements.

There have been no other material events subsequent to the reporting period that might have a significant effect on the consolidated financial statements for 2019.

Through the financial restructuring, NOK 9,074 million of leasing liabilities and NOK 3,582 million in bond debt was converted into equity. Further, agreements were reached to redeliver leased aircraft prior to the scheduled redelivery date and the power-by-the-hour agreements with lessors reduces future lease payments. Following the restructuring, there is significant changes to the debt maturity profiles as presented in Notes 1.24.3 and 2.6. The updated maturity profiles considering the debt to equity conversion, the early redelivery of leased aircraft and the power-by-the-hour provision are included below:

Updated borrowings and lease liabilities maturity following financial restructuring

NOK million	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	2H 2021	2022	After 2022
At 31 December 2019									
Borrowings	2,491.6	702.5	823.4	581.6	555.7	555.7	1,361.4	3,075.1	15,186.7
Derivative contracts - payments	-	-	-	-	-	-	-	-	121.8
Trade and other payables *	4,890.9	1,226.2	916.4	916.4	-	-	-	-	-
Calculated interest on borrowings	185.3	153.2	155.6	150.7	133.3	133.3	330.2	593.6	1,792.2
Total financial liabilities	7,567.7	2,081.8	1,895.4	1,648.8	689.0	689.0	1,691.6	3,668.7	17,100.8
Lease liabilities**	246.7	243.2	285.5	279.9	276.8	1,053.1	2,064.4	3,947.9	21,354.4
Total	7,814.5	2,325.0	2,180.9	1,928.7	965.8	1,742.1	3,756.0	7,616.6	38,455.3

* *Public duties and liabilities from the customer loyalty program of NOK 1,179.7 million are not included in trade and other payables. The maturity of trade payables follows the status at 31 December 2019. There is ongoing dialogue with vendors to convert outstanding liabilities into equity and / or agree to payment plans.*

** *The above maturity profile assumes reduced lease payments following the by the power-by-the-hour by NOK 837.1 million in each quarter in the second half of 2020 and by NOK 813.9 million in Q1 2021.*

FINANCIAL STATEMENTS OF THE PARENT COMPANY

INCOME STATEMENT 1.1 - 31.12

NOK million	*Note*	2019	2018
Passenger revenue		19,717.1	17,535.8
Ancillary passenger revenue		3,978.2	3,592.4
Other revenue		2,656.5	3,877.8
Total operating revenue	*3*	26,351.9	25,006.0
Personnel expenses	*5, 6*	2,714.8	2,876.9
Aviation fuel		6,654.4	6,582.9
Airport and ATC charges		2,128.1	2,084.5
Handling charges		3,261.7	3,228.3
Technical maintenance expenses		2,110.5	2,425.4
Other operating expenses	*4, 11*	5,577.9	4,662.5
Other losses/(gains) - net	*19*	(4,155.6)	1,069.7
Total opex excl lease and depreciation		18,291.8	22,930.1
EBITDAR		8,060.0	2,075.9
Aircraft lease, depreciation and amortization	*9, 10*	8,216.5	7,001.8
Operating profit (EBIT)		(156.4)	(4,925.9)
Interest income		661.7	588.8
Interest expense		(675.9)	(655.4)
Other financial income (expense)		878.8	390.6
Net financial items	*7*	864.6	323.9
Profit (loss) before tax (EBT)		708.2	(4,602.0)
Income tax expense (income)	*8*	(205.6)	(1,096.7)
Net profit (loss)		913.7	(3,505.3)
Effective tax rate		-29 %	24 %
Basic earnings per share		7.14	(77.15)
Diluted earnings per share		5.80	(77.15)

STATEMENT OF COMPREHENSIVE INCOME 1.1 - 31.12

NOK million	*Note*	2019	2018
Net profit (loss)		913.7	(3,505.3)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Fair value gain/(loss) on investments in equity instruments designated as FVTOCI	*19*	(7.8)	(765.6)
Actuarial gains (losses)		-	0.2
Net comprehensive income that will not be reclassified		(7.8)	(765.4)
Total comprehensive income for the period		906.0	(4,270.7)
Total comprehensive income attributable to:			
Equity holders of the Company		906.0	(4,270.7)

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER

NOK million	*Note*	2019	2018
ASSETS			
Intangible assets	*9*	1,277.5	1,312.6
Deferred tax asset	*8*	2,062.0	1,827.8
Aircraft, parts and installations on leased aircraft	*10*	119.6	173.9
Right-of-use aircraft, parts and installations	*10*	635.7	-
Equipment and fixtures	*10*	167.5	144.2
Buildings	*10*	263.7	269.4
Right-of-use buildings	*10*	251.4	-
Derivative financial instruments	*2, 19*	-	3.5
Investments in subsidiaries	*23*	12,164.3	12,880.4
Lease receivable	*25*	945.9	2,309.1
Other receivables	*12*	1,414.0	8,488.0
Total non-current assets		19,301.7	27,408.9
Inventory	*13*	174.6	164.9
Trade and other receivables	*12*	21,203.4	12,257.8
Derivative financial instruments	*2, 19*	-	32.6
Investments in financial assets	*19. 24*	-	2,051.8
Cash and cash equivalents	*21*	2,799.0	1,429.3
Total current assets		24,177.0	15,936.5
TOTAL ASSETS		43,478.7	43,345.4

NOK million	*Note*	2019	2018
EQUITY AND LIABILITIES			
Share capital	*14*	16.4	4.5
Share premium		6,664.0	2,686.7
Other paid-in equity		149.2	132.8
Other reserves		1.2	1.2
Retained earnings		4,368.1	3,462.2
Total equity		11,198.8	6,287.4
Provision for periodic maintenance	*17*	1,901.3	1,212.2
Other non-current liabilities		518.1	515.3
Borrowings	*22*	4,561.0	2,238.4
Lease liability	*19*	794.3	-
Derivative financial instruments	*2, 19*	369.2	38.1
Total non-current liabilities		8,144.0	4,004.0
Borrowings	*22*	776.7	4,757.3
Lease liability	*19*	120.6	-
Trade and other payables	*18*	17,133.2	20,038.8
Air traffic settlement liabilities		6,106.3	6,898.4
Derivative financial instruments	*2, 19*	-	1,359.4
Tax payable		(0.8)	-
Total current liabilities		24,136.0	33,054.0
Total liabilities		32,279.9	37,058.0
TOTAL EQUITY AND LIABILITIES		43,478.7	43,345.4

STATEMENT OF CHANGES IN EQUITY 1.1 - 31.12

NOK million	Share Capital	Share Premium	Other paid-in equity	Total paid-in equity	Other reserves	Retained earnings	Total equity
Equity at 1 January 2018	3.6	1,231.6	127.7	1,362.9	1.2	7,732.8	9,096.9
Profit for the year	-	-	-	-	-	(3,505.3)	(3,505.3)
Fair value gain/(loss) on investments in equity instruments designated as FVTOCI	-	-	-	-	-	(765.6)	(765.6)
Actuarial gains and losses	-	-	-	-	-	0.2	0.2
Total comprehensive income 2018	-	-	-	-	-	(4,270.7)	(4,270.7)
Share issue	1.0	1,455.0	-	1,456.0	-	-	1,456.0
Equity change on employee options	-	-	5.1	5.1	-	-	5.1
Transactions with owners	1.0	1,455.0	5.1	1,461.1	-	-	1,461.1
Equity at 31 December 2018	4.5	2,686.7	132.8	2,824.0	1.2	3,462.2	6,287.4
Profit for the year	-	-	-	-	-	913.7	913.7
Fair value gain/(loss) on investments in equity instruments designated as FVTOCI	-	-	-	-	-	(7.8)	(7.8)
Total comprehensive income 2019	-	-	-	-	-	906.0	906.0
Share issue	11.8	3,977.3	-	3,989.1	-	-	3,989.1
Equity change on employee options	-	-	16.4	16.4	-	-	16.4
Transactions with owners	11.8	3,977.3	16.4	4,005.5	-	-	4,005.5
Equity at 31 December 2019	16.4	6,664.0	149.2	6,829.5	1.2	4,368.1	11,198.8

STATEMENT OF CASH FLOWS 1.1 – 31.12

NOK million	*Note*	2019	2018
OPERATING ACTIVITIES			
Profit (loss) before tax (EBT)		708.2	(4,602.0)
Depreciation, amortization and impairment	*9, 10*	278.2	121.2
Compensation expense for employee options	*16*	16.4	5.1
Losses/(gains) on disposal of tangible assets		(3,733.0)	(27.4)
Fair value losses/(gains) on financial assets	*19*	(1,361.4)	1,966.3
Financial items	*7*	606.4	(323.9)
Interest received	*7*	661.7	588.8
Change in inventories, accounts receivable and accounts payable		(6,267.7)	(1,765.9)
Change in air traffic settlement liabilities		(792.2)	1,793.1
Change in other current assets and current liabilities		7,169.5	892.0
Net cash flow from operating activities		(2,713.9)	(1,352.7)
INVESTING ACTIVITIES			
Purchase of tangible assets	*10*	(67.2)	(213.6)
Purchase of intangible assets	*9*	12.2	(41.4)
Proceeds from sales of tangible assets	*10*	-	48.1
Proceeds from sales of financial assets	*10*	2,218.4	-
Proceeds from sale of shares in subsidiaries net of cash disposed		43.8	-
Proceeds from total return swap	*19, 24*	-	233.3
Net investment in subsidiaries	*23*	-	(563.8)
Net investment in associates	*24*	0.6	-
Other investing activities		24.3	-
Net cash flow from investing activities		2,232.0	(537.4)
FINANCING ACTIVITIES			
Proceeds from long-term debt	*22*	1,625.3	1,072.4
Payment of long-term debt	*22*	(2,752.2)	(1,837.9)
Payment of long-term debt lease IFRS 16	*22*	(126.2)	-
Interest on borrowings and financing costs		(689.4)	(615.5)
Transaction cost		(166.8)	-
Proceeds from issuing new shares	*15*	3,961.0	1,456.0
Other financing activities		-	-
Net cash flow from financial activities		1,851.7	75.0
Foreign exchange effect on cash		(0.1)	5.1
Net change in cash and cash equivalents		1,369.6	(1,810.0)
Cash and cash equivalents at 1 January		1,429.3	3,239.3
Cash and cash equivalents at 31 December	*21*	2,799.0	1,429.3

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

NOTE 1: GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

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

The financial statements of Norwegian Air Shuttle ASA for the year ended 31 December 2019 were authorized for issue by the Board of Directors on 9 June 2020. The annual shareholders meeting, to be held 30 June 2020, have the power to amend and reissue the financial statements.

The financial statements of the Company have been prepared in accordance with simplified IFRS pursuant to the Norwegian Accounting Act § 3-9, and regulations regarding simplified application of IFRS issued by the Ministry of Finance on 21 January 2008.

The financial statements have been prepared on the going concern basis. Details on going concern are provided in Note 2.8 of the consolidated financial statements.

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

Additions to note 1 of the Group Financial Statements:

Dividends and group contribution
Dividend and group contributions are recognized as financial income, unless dividends or group contributions are received out of pre-acquisition profits of its subsidiary , in such cases they are deducted from the cost of investment rather than included in profit or loss. Dividends and group contributions are recognized in the period in which they are decided by the relevant decision making body in the subsidiary.

Investments in subsidiaries and associates
Shares in subsidiaries are valued at cost and tested for impairment. Any impairment losses and reversal of impairment losses are classified as net gains (loss and impairment) on investments in subsidiaries in the income statement. Loans provided to subsidiaries are measured at cost in accordance with IFRS 9.

Transition to IFRS 16 `Leases´
All aircraft operated by the Company, are on lease from Group entities. All internal aircraft lease agreements are classified as short-term leases as they include an option both for the internal lessor and the Company to terminate the agreement with a notice period of three months. The agreements do not foresee a termination penalty for either of the parties.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases, including aircraft leases, and leases of low-value assets, including IT equipment. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term. All other accounting policies applied are in accordance with those applied in the Group's consolidated financial statements for 2019.

At 1 January 2019, right-of use assets of NOK 974.8 million and lease liabilities of NOK 974.8 million were recognized in the context of the transition to IFRS 16. Of these lease liabilities, NOK 92.3 million was due within one year.

Transition effects from the adoption of the new standard are presented in the table below.

(in NOK million)	31 DEC 2018	IFRS 16 effects	1 JAN 2019
Total non-current assets	27,408.9	974.8	28,383.7
Total current assets	15,936.5	-	15,936.5
Total assets	43,345.4	974.8	44,320.1
Equity	1,704.4	-	1,704.4
Total non-current liabilities	4,004.0	882.4	4,886.5
Total current liabilities	33,054.0	92.3	33,146.3
Total liabilities	37,058.0	974.8	38,032.8
Total equity and liabilities	43,345.4	974.8	44,320.1

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average rate applied is 5.20 percent. The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

Measurement of lease liability at 1 January 2019
(in NOK million)

Operating lease commitments as at 31 December 2018 as disclosed under IAS 17 in the Group's financial statements	28,100.0
Discounted using the incremental borrowing rate at 1 January 2019	23,508.0
Less:	
Recognition exemption for leases of low-value assets	(4.5)
Recognition exemption for leases with less than 12 months of lease term at transition	(22,528.8)
Lease liabilities recognized as at 1 January 2019	974.8

The table below shows the maturity profile of the Company's lease liabilities based on contractual undiscounted payments:

NOK million	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2019				
Lease liabilities	167.5	164.3	383.7	409.5

Effects on the income statement and the statement of cash flow and are presented in the tables below:

IFRS 16 effects on income statement

(in NOK million)	Excl IFRS 16* 2019	IFRS 16 effects	2019
Total operating revenue	26,351.4	-	26,351.4
Total operating expenses excl lease, depreciation. and amort.	18,470.7	(178.8)	18,291.8
EBITDAR	7,881.2	(178.8)	8,060.0
Aircraft lease	7,938.2	-	7,938.2
Depreciation and amortization	131.0	147.2	278.2
Aircraft lease, depreciation and amortization	8,069.3	147.2	8,216.5
Operating profit (EBIT)	(188.1)	31.6	(156.4)
Net financial items	917.4	(52.8)	864.6
Profit (loss) from associated companies	-	-	-
Profit (loss) before tax (EBT)	729.3	(21.1)	708.2
Income tax expense (income)	(205.6)	-	(205.6)
Net profit (loss)	934.9	(21.1)	913.7

IFRS 16 effects on statement of cash flow

(in NOK million)	Excl IFRS 16* 2019	IFRS 16 effects	2019
Net cash flows from operating activities	(2,892.7)	178.8	(2,713.9)
Net cash flows from investing activities	2,232.0	-	2,232.0
Net cash flows from financing activities	2,030.5	(178.8)	1,851.7
Foreign exchange effect on cash	(0.1)	-	(0.1)
Net change in cash and cash equivalents	1,369.6	-	1,369.6

NOTE 2: FINANCIAL RISKS

The Company's exposure to, and management of, financial risk is primarily the same as disclosed for the Group. For further information, please refer to Note 2 in the consolidated financial statements.

NOTE 3: OPERATING REVENUE

NOK million	2019	2018
By activity:		
Passenger transport	19,717.1	17,535.8
Ancillary revenue	3,978.2	3,592.4
Other revenue	2,656.5	3,877.8
Total operating revenue	26,351.9	25,006.0
Per geographical markets:		
Domestic Norway	6,636.0	6,457.2
Other	19,715.9	18,548.8
Total operating revenue	26,351.9	25,006.0

The Company is a low-cost airline, using its fleet of aircraft. Revenues from this business are specified in the table above. Passenger revenue consists of revenue generated from sales of airline tickets, while ancillary revenue consists of other services directly generated from ticket sales. Other revenue consists of sales that are not directly related to an airline ticket, e.g. cargo and sales of third-party products.

NOTE 4: OTHER OPERATING EXPENSES

NOK million	2019	2018
Sales and distribution expenses	1,059.7	705.0
Other flight operation expenses	2,691.7	2,278.2
General and administrative expenses	1,826.5	1,679.3
Total other operating expenses	5,577.9	4,662.5

Other operating expenses amounts to NOK 5,577.9 million (2018: NOK 4,662.5 million). Other operating expenses are related to sales and distribution, the operating of systems, marketing, back office, consultants and other costs not directly attributable to operation of the aircraft fleet and related airline-specific costs.

NOTE 5: PAYROLL EXPENSES AND NUMBER OF EMPLOYEES

Breakdown of payroll and personnel expenses – employees

NOK million	2019	2018
Wages and salaries	532.4	510.5
Social security tax	71.1	71.4
Pension expenses	(2.0)	33.4
Employee stock options	16.4	5.1
Other benefits	32.1	34.9
Total	650.0	655.3

In 2019, NOK 15,6 million (2018: NOK 16.8 million) was charged as an expense to salaries, according to the stock option program (Note 16). The Company has a pension scheme covering all employees. The scheme compliant with the act on occupational pensions (Note 15).

	2019	2018
Number of man-labor years	741.5	590.8

Breakdown of payroll and personnel expenses – hired

NOK million	2019	2018
Full Scale Crew Services	2,034.4	2,109.5
Hired personnel	14.9	112.0
Total	2,049.3	2,221.6

Breakdown of payroll and personnel expenses – employees and hired

NOK million	2019	2018
Personnel expenses - employees	650.0	655.3
Personnel expenses - hired	2,049.3	2,221.6
Total	2,699.2	2,876.9

NOTE 6: REMUNERATION OF THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

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

NOTE 6A: AUDITOR REMUNERATION

NOK million excluding VAT	2019	2018
Audit fee	3.1	2.2
Other audit related services	0.5	0.5
Tax advisory	-	-
Other services	0.2	-
Total	3.7	2.7

NOTE 7: NET FINANCIAL ITEMS

NOK million	2019	2018
Interest income	661.7	588.8
Interest expense	(675.9)	(655.6)
Net foreign exchange (loss) or gain	151.6	15.3
Appreciation cash equivalents	1.2	6.6
Impairment of investment in subsidiary	(780.0)	(1,220.0)
Other financial items	1,506.0	1,588.8
Net financial items	864.6	323.9

Other financial items amount to NOK 1,506.0 million (2018: NOK 1,588.6 million). Other financial items are related to dividends and group contribution received from subsidiaries.

NOTE 8: TAXES

This year's tax expense consists of:

NOK million	2019	2018
Tax payable	0.0	0.4
Adjustments from previous year	0.6	(58.7)
Change in deferred tax	(206.2)	(1,038.4)
Income tax expense	(205.6)	(1,096.7)

Reconciliation from nominal to effective tax rate:

NOK million	2019	2018
Profit before tax	708.2	(4,602.0)
Expected tax expense (income) using nominal tax rate (22%)	155.8	(1,058.5)
Tax effect of the following items:		
Non-deductible expenses/income	(875.5)	(63.1)
Adjustments from previous year	0.6	(58.7)
Change in tax rate	-	83.2
Deferred tax asset not recognized	513.7	
Other items	(0.3)	0.3
Tax expense	(205.6)	(1,096.7)
Effective tax rate	-29.0 %	23.8 %

Details of deferred tax assets in the balance sheet:

NOK million	2019	2018
Intangible assets	106.6	61.4
Tangible assets	(7.8)	(7.4)
Inventories	(10.2)	(8.9)
Receivables	8.1	(1.0)
Financial instruments	-	(299.5)
Deferred gains/losses	162.4	207.1
Other accruals	(356.6)	(291.9)
Other temporary differences	(323.6)	(323.6)
Net lease liabilities	(6.1)	-
Loss carried forward	(2,148.6)	(1,164.0)
Not recognized deferred tax	513.7	-
Net deferred tax assets	(2,062.0)	(1,827.8)

Reconciliation of deferred tax assets and liabilities:

NOK million	2019	2018
Recognized at 1 January	(1,827.8)	(730.6)
Charged/credited to the income statement	(206.2)	(1,038.4)
Adjustment from previous year	-	(58.8)
Charged directly to equity	(28.0)	-
Recognized at 31 December	(2,062.0)	(1,827.8)

Deferred tax assets are based on unused tax loss carry forwards and temporary differences in assets and liabilities. The tax loss carried forward is expected to be utilized by future taxable profits. The deferred tax assets are partially explained by the historical tax losses of the Company. Unused tax losses are recognized 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. In situations where the Company has experienced recent losses, the Company will evaluate whether there are convincing other evidence supporting taxable profits and the future utilization of its carry-forward losses, such as the Program NEXT, changing strategic focus from growth to profitability, route and base optimization across the Norwegian Group, moving capacity from non-profitable routes and selling aircraft with taxable gains. The Company has also considered effects on non-recurring events on historic tax losses, such as startup-costs for the long-haul operation, technical engine issues and cost of establishment in new markets. If the Company is unable to utilize its deferred tax assets, this will have a significant adverse effect on the Company's financial position.

Not recognized deferred tax of NOK 514 million relates to carry-forward losses not expected to be utilized within the scope of the Company's forecast period considered, taking into account various scenario analyses and uncertainty provisions for future projected earnings.

The effects of the COVID-19 pandemic might impact the Company's ability to utilize carry-forward tax losses and could lead to reductions in the deferred tax assets recognized in the statement of financial position in subsequent reporting periods. Refer to Note 28 for further information.

NOTE 9: INTANGIBLE ASSETS

NOK million	Software	Goodwill	Other intangible assets	Total
Acquisition costs 1 January 2018	444.7	94.2	42.1	580.9
Additions	31.9	1,114.3	9.5	1,155.7
Acquisition costs 31 December 2018	476.6	1,208.5	51.6	1,736.6
Acquisition costs 1 January 2019	476.6	1,208.5	51.6	1,736.6
Additions	12.3	-		12.3
Disposals	-	-	(24.6)	(24.6)
Acquisition costs 31 December 2019	488.9	1,208.5	27.0	1,724.3
Accumulated amortization 1 January 2018	392.3	-	4.6	396.8
Amortization	27.1	-	-	27.1
Accumulated amortization 31 December 2018	419.4	-	4.6	424.0
Accumulated amortization 1 January 2019	419.4	-	4.6	424.0
Amortization	22.9			22.9
Accumulated amortization 31 December 2019	442.3	-	4.6	446.9
Book value at 31 December 2018	57.2	1,208.5	47.0	1,312.6
Book value at 31 December 2019	46.6	1,208.5	22.4	1,277.5

Software
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).

Goodwill and other intangible assets
Goodwill is related to the purchase of FlyNordic in Sweden July 2007, and the transfer of long-haul operations based in Ireland from NAI to NAS in 2018.

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. The Company sold its slots at London Gatwick airport to its subsidiary Norwegian Air Norway AS in 2019.

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

Impairment testing of goodwill and intangible assets
The Company tests goodwill and assets with indefinite useful lives annually at year-end for impairment. Intangible assets with definite lives are tested for impairment if indicators of impairment are identified. No indications of impairment have been identified in 2019 or in 2018.

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

Discount rate
The applied after-tax discount rate is 7.1 percent (2018: 7.9 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 include the debt premium, market risk premium, gearing corporate tax rate and asset beta. An increase of the discount rate of 1 percentage point will not result in impairment of goodwill and intangible assets.

Growth rates
The basis for calculating future growth rate is next year management approved budget. Except for budgeted growth stemming from existing assets, no growth is incorporated in the impairment test for 2019.

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

Terminal value
A growth rate of 0 percent is used in calculating cash flow beyond the eight-year period.

Sensitivity
At 31 December 2019, the Company's value in use was significantly higher than the carrying amount of its goodwill and intangible assets. A sensitivity analysis has been performed in order to determine if a reasonable change in key assumptions would cause the carrying amount to exceed the recoverable amount. A reduction in the estimated revenue per passenger kilometer by 2.2 percent, an increase in the unit cost by 1.9 percent, a reduction in the estimated load factor by 1.9 percentage point or an increase in WACC after tax by 1.9 percentage point would not lead to an impairment loss.

The effects of the COVID-19 pandemic might impact impairment assessments in subsequent reporting periods. Refer to Note 28 for further information.

NOTE 10: TANGIBLE ASSETS

NOK million	Buildings	Right-of-use buildings	Aircraft, spareparts and installations on leased aircraft	Right-of-use aircraft, parts and installations	Equipment and fixtures	Total
Acquisition cost at 1 January 2018	298.7	-	637.2	-	330.4	1,266.3
Additions	-	-	94.5	-	117.7	212.2
Disposals	(3.9)	-	(13.5)	-	-	(17.4)
Acquisition cost at 31 December 2018	294.8	-	718.2	-	448.2	1,461.2
Acquisition cost at 1 January 2019	294.8	-	718.2	-	448.2	1,461.2
Recognition of right of use asset on initial application of IFRS 16	-	255.4	-	719.4	-	974.8
Adjusted balance at 1 January 2019	294.8	255.4	718.2	719.4	448.2	2,435.9
Additions	-	26.3	28.4	33.3	66.8	154.8
Transfers	-	-	(20.4)	-	-	(20.4)
Disposals	-	-	(80.5)	-	(0.5)	(81.0)
Acquisition costs 31 December 2019	294.8	281.7	645.8	752.7	514.5	2,489.4
Accumulated depreciation at 1 January 2018	19.6	-	488.0	-	270.1	777.7
Depreciation	5.8	-	57.3	-	33.8	96.9
Depreciation disposals	-	-	(1.0)	-	-	(1.0)
Accumulated depreciation at 31 December 2018	25.3	-	544.3	-	304.0	873.7
Accumulated amortization 1 January 2019	25.3	-	544.3	-	304.0	873.7
Depreciation	5.8	30.2	25.5	116.9	43.0	221.4
Depreciation disposals	-	-	(43.7)	-	-	(43.7)
Accumulated depreciation 31 December 2019	31.1	30.2	526.1	116.9	346.9	1,051.4
Book value at 31 December 2018	269.4	-	173.9	-	144.2	587.5
Book value at 31 December 2019	263.6	251.4	119.7	635.7	167.5	1,438.0

Installations on leased aircraft
The installations on leased aircraft include cabin interior modifications and other improvements to the aircraft after lease commencement. The capitalized value is depreciated over the remainder of the aircraft leases, which are between 1-10 years. Linear depreciation is applied, and residual value is NOK 0.

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

Right-of-use aircraft, parts and installations
Right-of-use aircraft, parts and installations consists of seven spare engines and five spare APU. The remaining lease term at the end of 2019 is between two and ten years.

Equipment and fixtures
Equipment and fixtures consist of purchased software and technical equipment on leased facilities. Additions in 2019 consists of upgrades to the Company's tickets and distribution program, and improvements on the technical equipment at the Company's leased facilities at Fornebu.

Buildings
Buildings consist of one apartment in Seattle purchased in 2010 by the Group, and one apartment in Florida purchased in 2013 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. Three apartments in Berlin, purchased in 2007 for the purpose of housing crew and trainees stationed in Berlin on a temporary basis were sold in 2018. 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. The residual value is NOK 0.

Right-of-use buildings
Right-of-use buildings consists of sixteen facility leases, including the lease of the Group's main offices in Fornebu, Barcelona, London Gatwick and Dublin. The average remaining lease term at 31 December 2019 is five years.

Impairment of tangible assets
In 2019 and 2018, management determined that the total operations of the Company were its cash generating unit. Impairment testing of tangible assets are covered by impairment testing on the whole Company, see Note 9 for details.

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

NOTE 11: LEASES

The lease agreements on the Boeing 737 aircraft last between five and twelve years from the date of agreement. At the end of 2019 the Company has 50 aircrafts on lease (2018: 41). During 2019 eleven (2018: three) intercompany leased aircraft were novated to the Company and two (2018: three) aircraft were redelivered to the lessor or novated to other Group companies.

Expenses on aircraft leases presented in `Aircraft lease, depreciation and amortization´ was NOK 3,481 million in 2019. Further are wet lease expenses of NOK 4,377 million included in the same line in the income statement. Wet lease contracts do not meet the criteria of a lease as defined by IFRS 16 and outlined in Note 1.24 of the Group financial statements. Total lease expenses from aircraft leases including wet lease expenses were NOK 6,881 million in 2018.

Besides aircraft leases, the Group had in 2019 short-term and/or leases of low-value items for one spare engine, 13 cars and 38 properties in Oslo, Dublin and London, in addition to properties in all the operating bases worldwide. The Company has elected not to recognize right-of-use assets and lease liabilities for these leases. The Company recognized expenses related to lease contracts not in scope of IFRS 16 of NOK 140.1 million in 2019. Leasing costs related to technical equipment, cars and properties expensed in other operating expenses in 2018 was NOK 199.1 million.

The following amounts are recognized in the income statement in 2019:

in NOK million	Technical maintenance expenses	General and administrative expenses	Total
Expenses relating to short-term leases	14.0	26.1	**40.2**
Expenses relating to low-value leases	-	0.5	**0.5**
Variable lease payments	96.7	35.4	**132.1**
Total	110.7	62.1	**172.8**

Annual minimum rent on non-cancellable lease agreements not in scope of IFRS 16 per 31 December is as follows:

	Nominal Value 2019				
NOK million	Aircraft	Cars	Property	Technical equipment	Total
Within one year	103.3	1.3	32.5	0.1	137.2
Between 1 and 5 years	-	2.6	12.0	-	14.6
After 5 years	-	-	-	-	-
Total	103.3	3.9	44.5	0.1	151.8

	Nominal Value 2018				
NOK million	Aircraft	Cars	Property	Technical equipment	Total
Within one year	3,218.5	1.3	61.4	123.1	3,404.3
Between 1 and 5 years	12,561.3	3.8	153.2	492.6	13,210.8
After 5 years	10,722.2	-	168.7	593.9	11,484.8
Total	26,502.0	5.0	383.3	1,209.6	28,100.0

The aircraft's minimum lease payments consist of ordinary lease payments and expensed deferred lease payments resulting from non-interest-bearing deposits paid at inception of lease agreements. Payments for maintenance reserves are not included due to the dependency on future utilization. Only aircraft leases for aircraft operated by the Company are included above. All aircraft are leased from internal Group Companies. For the Company's leasing commitments on behalf of other Group Companies, see Note 25.

NOTE 12: RECEIVABLES

Specifications of receivables

NOK million	2019	2018
Trade receivables	582.0	382.3
Intercompany receivables	14,027.5	14,759.6
Credit card receivables	5,752.7	3,533.1
Deposits	624.2	813.8
Deferred leasing costs	24.4	-
Other claims	1,268.7	606.6
Trade and other receivables	22,279.5	20,095.3
Prepaid costs	225.3	430.8
Public duty debt	79.0	182.6
Prepayments to employees	(0.1)	2.2
Prepaid rent	33.7	34.8
Prepayments	337.9	650.4
Total	22,617.4	20,745.7
Maximum credit risk	20,362.2	18,675.0

Due dates, nominal value of receivables

NOK million	2019	2018
Within one year	21,203.4	12,257.8
After one year	1,414.0	8,488.0
Total	22,617.4	20,745.7

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

NOTE 13: INVENTORIES

NOK million	2019	2018
Consumables	174.6	164.9
Total	174.6	164.9

Charges for obsolete parts in 2019 were NOK 45.2 million (2018: NOK 47.8 million).

NOTE 14: SHAREHOLDER'S EQUITY AND SHAREHOLDER INFORMATION

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

NOTE 15: PENSIONS

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

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

Defined contribution plans comply with Norwegian Pension legislation.

Pension expenses on defined contribution plans were NOK -2 million in 2019 (2018: NOK 33.4 million), due to the utilization of premium funds of NOK 37.8 million.

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

The scheme compliant with the Occupational Pensions Act.

NOTE 16: OPTIONS

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

NOTE 17: PROVISIONS FOR PERIODIC MAINTENANCE

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

On 31 December 2019, the Company had NOK 1,916 million (2018: NOK 1,371 million) in provision for maintenance reserves. Parts of the periodic maintenances will be conducted in 2020, and NOK 14.7 million (2018: NOK 41.6 million) is classified as current liability for periodic maintenances. The current part of periodic maintenance is estimated based on planned maintenance in 2020.

NOTE 18: TRADE AND OTHER PAYABLES

NOK million	2019	2018
Accrued vacation pay	57.3	56.8
Accrued airport and transportation taxes	333.0	401.5
Accrued expenses	1,255.6	1,468.4
Trade payables	1,562.3	1,271.2
Intercompany liabilities	12,807.9	15,733.7
Payables to related party (Note 25)	0.7	6.2
Public duties	34.2	34.9
Current provisions for MRC (Note 17)	-	41.6
Other current provisions	1,082.2	1,024.5
Total	17,133.2	20,038.8

The current payables and provisions are non-interest bearing and are due within the next 12 months. Accrued expenses are related to goods and services delivered and not invoiced to the Company in 2019.

NOTE 19: FINANCIAL INSTRUMENTS

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

	2019			
NOK million	Financial assets at amortized cost	Financial assets at fair value through profit or loss	Financial assets at fair value through OCI	Total
Assets as per balance sheet				
Trade and other receivables *)	22,279.5	-	-	22,279.5
Cash and cash equivalents	2,799.0	-	-	2,799.0
Total	25,078.5	-	-	25,078.5

**) Prepayments not included in trade and other receivables* 337.9

	2018			
NOK million	Financial assets at amortized cost	Financial assets at fair value through profit or loss	Financial assets at fair value through OCI	Total
Assets as per balance sheet				
Investments in financial assets	-	-	2,051.8	2,051.8
Derivative financial instruments	-	36.1	-	36.1
Trade and other receivables *)	20,095.3	-	-	20,095.3
Cash and cash equivalents	1,429.3	-	-	1,429.3
Total	21,524.6	36.1	2,051.8	23,612.5

**) Prepayments not included in trade and other receivables* 650.4

NOK million	2019 Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Total
Liabilities per balance sheet			
Borrowings	-	5,337.7	5,337.7
Lease liability	-	914.9	914.9
Derivative financial instruments	369.2	-	369.2
Trade and other payables *)	-	16,188.1	16,188.1
Total	369.2	22,440.7	22,810.0
**) Public duties and liabilities from customer loyalty program not included in trade and other payables*			945.1

NOK million	2018 Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Total
Liabilities per balance sheet			
Borrowings	-	6,995.7	6,995.7
Derivative financial instruments	1,397.5	-	1,397.5
Trade and other payables *)	-	18,932,1	18,932.1
Total	1,397.5	25,927.8	27,325.3
**) Public duties and liabilities from customer loyalty program not included in trade and other payables*			1,106.7

Credit quality of financial asset

NOK million	2019	2018
Trade receivables		
Counterparties with external credit rating A or better	5,752.7	3,533.1
Counterparties without external credit rating	16,526.8	16,562.2
Total trade receivables	22,279.5	20,095.3
Cash and cash equivalents		
A+ or better	2,778.6	1,362.5
BBB +	20.4	66.8
Total cash and cash equivalents	2,799.0	1,429.3
Derivative financial assets		
A+ or better	-	36.1
Total derivative and financial assets	-	36.1

Investments in financial assets

NOK million	2019	2018
1 January	2,051.8	3,516.5
Sale	(2,044.0)	-
Reclassifications	-	(693.0)
Net gains/(losses) recognized in other comprehensive income	(7.8)	(771.7)
31 December	-	2,051.8
Non-current portion	-	-
Current portion	-	2,051.8

Investments in financial assets included the Company's investment in Norwegian Finans Holding (NOFI). Investments in financial assets was reduced in 2019 due to sale of the investment in 16.4 percent of the listed shares of Norwegian Finans Holding (NOFI). The cumulative gain on the sale is NOK 296.9 million.

Derivative financial instruments

	2019		2018	
NOK million	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts	-	-	1.2	0.3
Forward commodities contracts	-	-	34.9	1,397.2
Conversion rights	-	369.2	-	-
Total	-	369.2	36.1	1,397.5
Non-current portion:	-	369.2	3.5	38.1
Current portion	-	-	32.6	1,359.4

Trading derivatives are classified as current or non-current assets or liabilities depending on the maturity profile and net value of individual forward contracts. At 31 December 2019, the Company had no outstanding derivative contracts and the total unrealized value of derivatives was therefore NOK 0 (2018: loss of NOK 1,361.4 million). See details under the specification of 'Other losses/ (gains) - net' below.

Forward foreign currency contracts
The net fair value of the outstanding forward foreign currency contracts at 31 December 2019 were NOK 0 million (2018: NOK 0.9 million). At 31 December 2019, the Company had no forward foreign currency contracts (2018: USD 20 million and EUR 20 million).

Forward commodities contracts
Forward commodities contracts relate to jet fuel derivatives. The net fair value of the outstanding forward commodities contracts at 31 December 2019, were NOK 0 (2018: NOK -1,362.3 million). At 31 December 2019, the Group had secured 0 tons of jet fuel (2018: 774,500 tons) through forward contracts.

Conversion rights
Conversion rights is related to the USD convertible bond issued 5 November 2019. The conversion rights are financial derivatives linked to changes in the share price of the Company's shares. The strike price is NOK 50 per share.

Other losses/(gains)-net

NOK million	2019	2018
Net losses/(gains) on financial assets at fair value through profit or loss	(828.2)	1,223.6
Foreign exchange losses/(gains) on operating activities	405.6	(126.5)
Losses/(gains) on asset sale	(3,733.0)	(27.4)
Total	(4,155.6)	1,069.7

Net gains of NOK 828.2 million (2018: loss of NOK 1,223.6 million) is related to gains on jet fuel derivatives.

NOTE 20: ASSETS PLEDGED AS COLLATERAL AND GUARANTEES

Liabilities secured by pledge

NOK million	2019	2018
Bond issue	249.6	249.2
Bonds refinanced	3,289.9	-
Convertible bond issue	1,257.3	-
Credit facility	-	1,125.0
Aircraft financing	910.1	2,288.0
Total	5,706.9	3,662.2

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

In 2019 the NAS07 and NAS08 bonds were successfully refinanced following approval by the bondholders. In order to secure approval of the refinancing, via Norwegian Air Shuttle ASA's shareholding in NAS Eire Invest AS, the Company has indirectly pledged the following assets (not shown in the table below as this asset has no book value in the Company).

- Pledge of the shareholding by NAS Eire Invest AS in Norwegian Air Norway AS. The principal amount of the secured obligations is limited to the aggregate amount of EUR 300 million and SEK 1,020 million.
- Pledged Account (including both present and future credit balances, any interest and any commission payable thereon). The principal amount of the secured obligations is limited to the aggregate amount of EUR 300 million and SEK 1,020 million.

Also, in 2019 the Company successfully completed the issue of the convertible bond. In order to secure the bond, the Company has pledged the shares in its subsidiary Arctic Aviation Assets.

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

Norwegian Air Shuttle ASA has provided parent company guarantees for certain subsidiaries.

Book value of assets pledged as security and guarantees:

NOK million	2019	2018
Buildings	252.6	258.4
Investment in Norwegian Finans Holding ASA	-	2,051.8
Investment in Arctic Aviation Assets	3,005.2	-
Total	3,257.8	2,310.2

NOTE 21: BANK DEPOSITS

Cash and cash equivalents

NOK million	2019	2018
Cash in bank	2,778.6	1,362.5
Cash equivalents	20.4	66.8
Total	2,799.0	1,429.3

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 2019, the interest terms of the main 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 +0.55 percent p.a.

Receivables from credit card companies are included in trade receivables. See note 12.

NAS has provided parent company guarantees for certain subsidiaries.

Restricted cash

NOK million	2019	2018
Guarantees for leases and credits from suppliers	519.1	662.8
Safety deposits on defined benefit plan	239.5	-
Taxes withheld	22.3	68.1
Total	780.9	730.9

Bank guarantees are granted for leasing liabilities for aircraft, suppliers of fuel and handling services, as well as airport charges from airports and governments. There is also a guarantee/deposit in place to secure a pension program.

NOTE 22: BORROWINGS

Nominal value at 31 December 2019

NOK million	Nominal Value	Unamortized transaction cost	Book value	Effective interest rate
Bond issue	4,454.9	(27.4)	4,427.6	6.5 %
Aircraft financing	928.5	(18.3)	910.1	3.7 %
Total	5,383.4	(45.7)	5,337.7	

Nominal value at 31 December 2018

NOK million	Nominal Value	Unamortized transaction cost	Book value	Effective interest rate
Bond issue	3,585.2	(2.5)	3,582.7	6.5 %
Credit facility	1,125.0	-	1,125.0	2.0 %
Aircraft financing	2,316.0	(28.0)	2,288.0	3.4 %
Total	7,026.2	(30.5)	6,995.7	

Classification of borrowings

NOK million	2019	2018
Non-current		
Bond issue	4,178.4	1,182.2
Aircraft financing	382.6	1,056.2
Total	4,561.0	2,238.4
Current		
Bond issue	249.2	2,400.5
Aircraft financing	527.5	1,231.8
Total	776.7	4,757.3
Total borrowings	5,337.7	6,995.7

Collateralized borrowings are detailed in Note 20.

Covenants

Bond issue (NAS09)

- Minimum book equity of NOK 1,500 million.
- Dividend payments less than 35 percent of net profit. (same changes to Group)
- No dividend unless liquidity is above NOK 1,000 million.
- Minimum liquidity (unrestricted cash) of NOK 500 million within the Group. Cash and cash equivalents for the Group as at 31st December 2019 are NOK 3,095.6 million, of which 830.4 million is restricted cash. See note 24 for the Group for cash positions

Bond issues (NAS07 & NAS08)

- Minimum book equity of NOK 1,500 million.
- No dividend payment
- Minimum liquidity (unrestricted cash) of NOK 500 million within the Group. Cash and cash equivalents for the Group as at 31st December 2019 are NOK 3,095.6 million, of which 830.4 million is restricted cash. See note 24 for the Group for cash positions
- Following refinancing in 2019, the bonds are secured by pledge of the shareholding by NAS Eire Invest AS in Norwegian Air Norway AS and via a pledged account, see note 23

Convertible bond issue

- The bond is secured by pledge of the shareholding in Arctic Aviation Assets, see note 20
- Minimum book equity of USD 400million within Arctic Aviation Assets
- Maximum debt to book capitalization of 85 percent. The value of total debt within Arctic Aviation Assets cannot exceed 85 percent of the value of the total equity and liabilities within Arctic Aviation Assets

Aircraft financing

Aircraft financing does not include covenant requirements. Aircraft in the group are financed with guarantees by either the parent company and / or by the Ex-Im Bank of the United States. Owned aircraft are pledged as collateral. For more information on assets pledged as collateral, see Note 20. The Company has not been in breach of any covenants during 2019.

The Company has not been in breach of any covenants during 2019

Maturity of borrowings

NOK million	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Over 3 years
At 31 December 2019				
Borrowings	770.5	3,398.7	108.9	1,105.2
Total liabilities	770.5	3,398.7	108.9	1,105.2

NOK million	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Over 3 years
At 31 December 2018				
Borrowings	4,757.3	1,397.6	212.6	658.7
Total liabilities	4,757.3	1,397.6	212.6	658.7

NOTE 23: INVESTMENTS IN SUBSIDIARIES

Name	Date of establishment	Office	Number of shares	Ownership
Norwegian Air Sweden AB	17 May 2017	Stockholm, Sweden	50,000	100 %
NAS Eire Invest AS	10 Oct 2018	Fornebu, Norway	30,000	100 %
Norwegian Reward AS	14 Jan 2008	Fornebu, Norway	1,000,000	100 %
Norwegian Holidays AS	4 Aug 2008	Fornebu, Norway	100	100 %
Norwegian Ground Handling AS	1 Jan 2012	Fornebu, Norway	20,000	100 %
Red Handling UK Ltd	6 Oct 2016	Gatwick Airport, UK	500,000	100 %
Norwegian Air Norway AS	28 May 2013	Fornebu, Norway	155	100 %
Norwegian Cargo AS	16 Apr 2013	Fornebu, Norway	100,000	100 %
Norwegian Air Resources AR S.A.U.	14 Nov 2019	Buenos Aires, Argentina	100,000	100 %
Norwegian Brand Limited	9 Dec 2013	Dublin, Ireland	151,711,820	100 %
Arctic Aviation Assets DAC	9 Aug 2013	Dublin, Ireland	479,603,659	100 %
Oslofjorden Ltd	22 Aug 2013	Dublin, Ireland	1	100 %
Drammensfjorden Leasing Ltd	24 Sep 2013	Dublin, Ireland	1	100 %
Geirangerfjorden Ltd	26 Nov 2013	Dublin, Ireland	1	100 %
Boknafjorden Ltd	14 Mar 2014	Dublin, Ireland	1	100 %
DY1 Aviation Ireland Ltd	26 Nov 2013	Dublin, Ireland	1	100 %
DY2 Aviation Ireland Ltd	26 Nov 2013	Dublin, Ireland	1	100 %
DY3 Aviation Ireland Ltd	26 Nov 2013	Dublin, Ireland	1	100 %
DY4 Aviation Ireland Ltd	26 Nov 2013	Dublin, Ireland	1	100 %
DY5 Aviation Ireland Ltd	26 Nov 2013	Dublin, Ireland	1	100 %
DY6 Aviation Ireland Ltd	26 Nov 2013	Dublin, Ireland	1	100 %
DY7 Aviation Ireland Ltd	2 Aug 2013	Dublin, Ireland	1	100 %
DY9 Aviation Ireland Ltd	27 Nov 2014	Dublin, Ireland	1	100 %
Fedjefjorden Ltd	23 Jun 2015	Dublin, Ireland	1	100 %
Larviksfjorden Ltd	4 Sep 2015	Dublin, Ireland	1	100 %
Torskefjorden Ltd	23 Apr 2015	Dublin, Ireland	1	100 %

Name	Date of establishment	Office	Number of shares	Ownership
Torefjorden DAC	12 Nov 2015	Dublin, Ireland	1	100 %
Larviksfjorden II Ltd	1 Jan 2016	Dublin, Ireland	1	100 %
Lysakerfjorden Leasing Ltd	5 Jul 2016	Dublin, Ireland	1	100 %
Arctic Leasing No.1 Ltd	10 Sep 2015	Dublin, Ireland	1	100 %
Arctic Leasing No.2 Ltd	2 Nov 2015	Dublin, Ireland	1	100 %
Arctic Leasing No.3 Ltd	2 Nov 2015	Dublin, Ireland	1	100 %
Arctic Leasing No.4 Ltd	30 Nov 2016	Dublin, Ireland	1	100 %
Arctic Leasing No.5 Ltd	12 Oct 2018	Dublin, Ireland	1	100 %
Hardangerfjorden Ltd	12 Apr 2017	Dublin, Ireland	1	100 %
Sognefjorden Ltd	12 Apr 2017	Dublin, Ireland	1	100 %
Ofotfjorden Ltd	5 Oct 2017	Dublin, Ireland	1	100 %
Tysfjorden Ltd	16 Jan 2018	Dublin, Ireland	1	100 %
Stogofjorden Ltd	6 Apr 2018	Dublin, Ireland	1	100 %
Slidrefjorden Ltd	6 Jun 2018	Dublin, Ireland	1	100 %
Ullsfjorden Ltd	8 Jun 2018	Dublin, Ireland	1	100 %
Fiskefjorden Ltd	12 Sep 2018	Dublin, Ireland	1	100 %
Vindafjorden Ltd	12 Oct 2018	Dublin, Ireland	1	100 %
Lysefjorden Ltd	11 Oct 2018	Dublin, Ireland	1	100 %
Nordfjorden Ltd	11 Oct 2018	Dublin, Ireland	1	100 %
Trollfjorden Ltd	14 Sep 2018	Dublin, Ireland	1	100 %
Tufjorden Ltd	9 May 2019	Dublin, Ireland	1	100 %
Ifjorden Ltd	25 Jun 2019	Dublin, Ireland	1	100 %
Norwegian Air International Limited	3 Apr 2013	Dublin, Ireland	1,036,449,936	100 %
RED Handling Spain S.L.	11 Jun 2015	Madrid, Spain	3,000	100 %
Norwegian Air Resources Limited	20 Sep 2013	Dublin, Ireland	1	100 %
Norwegian Air Resources Sweden AB	28 Aug 2013	Stockholm, Sweden	50,000	100 %
Norwegian Air Resources Denmark ApS	5 Sep 2013	Hellerup, Denmark	80,000	100 %

Name	Date of establishment	Office	Number of shares	Ownership
Norwegian Air Resources Spain S.L.	6 Oct 2014	Madrid, Spain	3,000	51 %
AB Norwegian Air Resources Finland Ltd	14 Jun 2011	Helsinki, Finland	200	51 %
Norwegian OSM UK LTD	1 Nov 2016	London, UK	2,000	51 %
Norwegian OSM Aviation LH Spain S.L.	1 Jan 2017	Madrid, Spain	3,000	51 %
Norwegian Cabin Services Norway AS	27 Jan 2014	Fornebu, Norway	30	100 %
Norwegian Cabin Services DK ApS	20 Feb 2014	Hellerup, Denmark	50	100 %
Norwegian Air Resources Shared Service Center AS	15 Nov 2012	Fornebu, Norway	30	100 %
Pilot Services Sweden AB	30 Aug 2013	Stockholm, Sweden	50,000	100 %
Norwegian Pilot Services Norway AS	11 Nov 2014	Fornebu, Norway	30	100 %
Norwegian Pilot Services Denmark ApS	20 Feb 2015	Copenhagen, Denmark	497	100 %
Norwegian Air Resources Ireland Ltd	20 Sep 2017	Dublin, Ireland	1	100 %
Norwegian Training Academy AS	23 Oct 2017	Fornebu, Norway	30,000	100 %
Norwegian Air Resources Shared Service Center US Corp.	8 Jun 2018	New York, USA	1	100 %
Norwegian Air Resources DK LH ApS	1 Aug 2018	Kastrup, Denmark	50,000	100 %
RED Maintenance Spain S.L.	27 Jan 2017	Madrid, Spain	3,000	100 %
Norwegian Air UK Limited	18 Dec 2015	London, UK	205,000,000	100 %

Transactions during the year

During 2019, the following transactions were carried out:

- Tufjorden Limited and Ifjorden Limited were established.
- The shares in Norwegian Air Argentina Holding S.A. and Norwegian Air Argentina S.A.U. were sold to JetSmart.

NOTE 24: INVESTMENTS IN FINANCIAL ASSETS

Norwegian Air Shuttle ASA has the following investments in financial assets (NOK million):

Entity	Country	Industry	Ownership interest 31.12.19	Fair value 31.12.19	Repaid TRS	Net gain in OCI 2019	Fair value 31.12.19
Norwegian Finans Holding ASA	Norway	Financial Institution	0.00 %	2,051.8	-	(7.8)	-
Norwegian Block Exchange AS	Norway	Payment solutions	6.20 %	N/A	-	-	N/A

Entity	Country	Industry	Ownership interest 31.12.18	Fair value 31.12.18	Repaid TRS	Net gain in OCI 2018	Fair value 31.12.18
Norwegian Finans Holding ASA	Norway	Financial Institution	16.40 %	3,433.8	(616.4)	(765.6)	2,051.8

On 19 August 2019, the Company announced that it had entered into an agreement to sell its entire shareholding of 16,4 percent of Norwegian Finans Holding ASA. The shares were sold at a price of NOK 68 per share, implying a premium of 15.4 percent to the closing price on 16 August 2019. The Company has recognized a gain of NOK 184 million in OCI related to the sale. On 31 May 2019, the Company entered into an agreement to convert outstanding receivable towards Norwegian Block Exchange AS into equity. The Company was awarded 2,446,400 shares at NOK 1.5 per share.

NOTE 25: RELATED PARTIES

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

Transactions and balances with subsidiaries (NOK million)

Intercompany balances 31 December 2019	Current	Non-current
Lease receivables		945.9
Trade & other receivables	17,390.0	7,781.8
Payables	25,530.5	27.0

Intercompany balances 31 December 2018	Current	Non-current
Lease receivables	-	2,309.1
Trade & other receivables	6,712.0	8,048.8
Payables	16,559.6	31.7

Intercompany sales (-) and purchases (+)	**2019**	2018
Sales and financial revenue	2,232.2	3,617.5
Purchases and financial expenses	13,479.1	11,258.1
Dividend	1,435.0	1,601.1

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

Transactions with other related parties

HBK Holding AS is controlled by the former Chief Executive Officer, Mr. Bjørn Kjos, and the former Chairman of the Board, Mr. Bjørn Kise. Mr. Bjørn Kise resigned as the Chairman of the Board on 7 May 2019 and Mr. Bjørn Kjos stepped down as the Chief Executive Officer on 11 July 2019. The sales and purchases below includes all transactions between the Group and its related parties for the period where Mr. Bjørn Kjos and Mr. Bjørn Kise were still in leading positions in the Group. There have been no financial transactions between HBK Holding AS and Norwegian Air Shuttle ASA in 2019 or 2018, except for indirect transactions through Fornebu Næringseiendom 1 AS and sale of Lilienthal Finance Limited as listed below.

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

The Company leases its property at Fornebu from Fornebu Næringseiendom 1 AS, which is a fully owned subsidiary of HBK Holding AS. The leasing agreement entitles the Group to lease Oksenøyveien 3 at Fornebu until 2030, with an option to extend the lease for another five years.

The Company has on 2 May 2019 entered into an agreement with the sole shareholder of Lilienthal Finance Limited, HBK Holding AS, 40% of the shares in Lilienthal for a total consideration of NOK 4 million and sold the 40% shares to Norwegian Finans Holding ASA ("NOFI") for a cash consideration of NOK 28.24 million plus shares in NOFI at a market value at the time of NOK 150 million.

The Company has on 31 May 2019 entered into an agreement to convert outstanding receivable towards Norwegian Block Exchange AS into equity. The Company was awarded 2,446,400 shares at NOK 1.5 per share.

Through its subsidiary Norwegian Air Resources Ltd., the Company holds 50 percent in OSM Aviation Ltd. Shares, voting rights and board representation is divided equally among the two owning parties, and important decisions require consensus between the owners. The Company purchases crew management services from the associated company OSM Aviation Ltd. and its subsidiaries.

Norwegian Air Shuttle ASA have on 31 May 2019 entered into an agreement to convert outstanding receivable towards Norwegian Block Exchange AS into equity. The Company was awarded 2,446,400 shares at NOK 1.5 per share.

The Company purchases IT services from Infocom Group AS. Kurt Erik Simonsen, Norwegian's former Chief Customer & Digital Officer have a 32% shareholding in the entity. Neither Simonsen Vogt Wiig, InfoCom Group, Bank Norwegian, NOFI nor Lilienthal qualify as related parties of NAS, but the disclosures are included in order to satisfy assumed interest from NAS' investors.

No loans or guarantees have been issued to related parties in 2019 or 2018.

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

Transactions and balances with related parties:

NOK million	2019	2018
Sales (-) and purchases (+) of goods and services		
- Simonsen Vogt Wiig (legal services) *	2.7	14.8
- Fornebu Næringseiendom (property rent) **	9.7	18.9
- OSM Aviation Ltd. (incl. subsidiaries; crew management services)	1.7	6.0
- Purchase of shares Lilienthal Finance Limited from HBK Holding AS	4.0	-
- Infocom Group (IT services)	8.3	13.9

NOK million	2019	2018
Year-end balances arising from sales/purchases of goods/services (incl VAT)		
Payables to related parties (note 18)		
- Simonsen Vogt Wiig (legal services) *	-	0.1
- Fornebu Næringseiendom (property rent) **	-	6.1
- OSM Aviation Ltd. (incl. subsidiaries; crew management services)	0.7	(0.1)
- Infocom Group (IT services)	-	1.5

** Bjørn Kise resigned as Chairman of the board 07.05.2019. Values reflect the period from 01.01.19-07.05.19*
*** Bjørn Kjos resigned as CEO 11.07.2019. Values reflect the period 01.01.19-11.07.19-*

NOTE 26: CONTINGENCIES AND LEGAL CLAIMS

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

In March 2017, Norwegian received a reassessment from the Central Tax Office for Large Enterprises in which the tax office argues that the rules on contingent tax-free transfers within a group does not apply to the transfer of the business in 2013. In June 2018, Norwegian received reassessments from the tax office regarding the other business transfers carried out in 2013 and 2014, in which the tax office upholds its view that the rules on contingent tax-free transfers within a group does not apply. In January 2020, the Tax Appeals Board ruled in line with the tax authorities' assessment. The ruling indicates increased tax payable for the years in question with up to NOK 571 million, a reduction in prepaid taxes of NOK 166 million and interests estimated to a maximum of NOK 119 million up to 31 December 2019. The maximum total potential cost increase would be NOK 856 million, with a corresponding reduction in equity. The Tax Appeal Board ruled that part of the payment should be deferred, and the timing of the tax collection is not finally determined. Further, a negative outcome of the case could lead to a reduction in not recognized deferred tax assets of NOK 376 million with no immediate change to tax cost or equity. The disputed question is if the rules on contingent tax-free group reorganization as they applied in 2013 and 2014 is contrary to EEA law.

Norwegian and its tax advisor are of the opinion that the ruling is without merit and that it is probable that the ruling will be reversed in court. For that reason, Norwegian has decided to challenge the case in court. The opinion of the Company and its advisors is supported by a previous ruling in a similar case made by the tax appeals board and EU jurisprudence. Thus, Norwegian has not made any provisions for the reassessed taxes in its Interim Financial Statements for the fourth quarter and full year 2019.

NOTE 27: COMMITMENTS

For details regarding aircraft commitments, please see Note 28 in the Consolidated Financial Statements. The 100 percent owned subsidiary Arctic Aviation Assets DAC was established in 2013 for the purpose of leasing aircraft to internal and external operators. All future deliveries of aircraft on order will be received in Arctic Aviation Assets DAC and its subsidiaries, and the Company as operator will receive aircraft on operating leases.

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

NOTE 28: EVENTS AFTER THE REPORTING PERIOD

Refer to Note 29 in the Group’s consolidated financial statements.

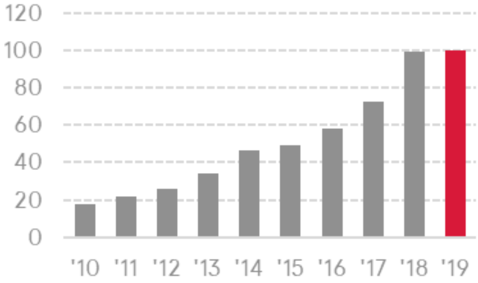
There have been no other material events subsequent to the reporting period that might have a significant effect on the parent company financial statements.

ANALYTICAL INFORMATION

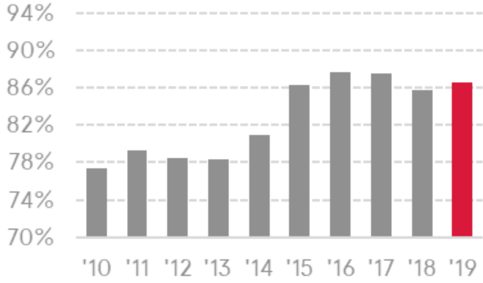
	Incl IFRS 16	Excl IFRS 16									
	2019	**2019**	2018	2017	2016	2015	2014	2013	2012	2011	2010
Operating revenue (NOK million)	**43,522**	**43,522**	40,266	30,948	25,951	22,491	19,534	15,580	12,859	10,532	8,598
EBITDAR* (NOK million)	**7,313**	**7,093**	2,171	3,948	5,958	3,694	1,186	2,784	1,822	1,540	1,175
EBITDAR* excl other losses/(gains) (NOK million)	**6,468**	**6,256**	3,165	3,516	5,278	4,169	1,770	2,295	2,150	1,316	1,179
EBIT (NOK million)	**856**	**-125**	-3,851	-2,002	1,821	348	-1,412	970	404	416	210
EBIT excl other losses/(gains) (NOK million)	**10**	**-962**	-2,857	-2,434	1,140	822	-828	480	732	192	213
Profit (loss) before tax (EBT) (NOK million)	**-1,688**	**-931**	-2,490	-2,562	1,508	75	-1,627	438	623	167	243
Net profit (loss) (NOK million)	**-1,609**	**-947**	-1,454	-1,794	1,135	246	-1,072	319	457	122	189
Earnings per share (NOK) - Basic*	**-12.6**	**-7.5**	-19.5	-28.5	18.0	4.0	-17.3	5.2	7.4	2.0	2.8
Earnings per share (NOK) - Diluted*	**-12.6**	**-7.5**	-19.5	-28.5	17.9	3.9	-17.3	5.1	7.4	2.0	2.8
Equity ratio	**5%**	**9%**	3%	5%	11%	9%	9%	19%	20%	22%	27%
Net interest-bearing debt*	**58,282**	**24,008**	31,917	22,265	21,151	17,131	11,273	4,346	3,797	3,145	1,307
Cash and cash equivalents (NOK million)	**3,096**	**3,096**	1,922	4,040	2,324	2,454	2,011	2,166	1,731	1,105	1,178
Yield	**0.41**	**0.41**	0.38	0.39	0.42	0.44	0.43	0.50	0.55	0.52	0.52
Unit revenue (RASK)	**0.35**	**0.35**	0.33	0.34	0.36	0.38	0.35	0.39	0.43	0.41	0.40
Unit cost (CASK)	**0.44**	**0.44**	0.43	0.45	0.43	0.44	0.44	0.44	0.47	0.47	0.50
Unit cost (CASK) excluding fuel	**0.31**	**0.32**	0.31	0.35	0.34	0.34	0.30	0.30	0.32	0.33	0.36
ASK (million)	**100,031**	**100,031**	99,220	72,341	57,910	49,028	46,479	34,318	25,920	21,958	17,804
RPK (million)	**86,616**	**86,616**	85,124	63,320	50,798	42,284	37,615	26,881	20,353	17,421	13,774
Load factor	**86.6%**	**86.6%**	85.8%	87.5%	87.7%	86.2%	80.9%	78.3%	78.5%	79.3%	77.4%
Passengers (million)	**36.2**	**36.2**	37.3	33.1	29.3	25.8	24.0	20.7	17.7	15.7	13.0
Block hours	**12.4**	**12.4**	12.5	11.4	11.3	11.6	11.6	11.5	10.9	11.0	10.9
Average sector length (km)	**1,876**	**1,876**	1,843	1,607	1,473	1,407	1,338	1,168	1,048	1,000	964
Fuel consumption (1,000 metric tons)	**1,918**	**1,918**	1,956	1,465	1,190	1,015	966	735	569	498	424
Number of aircraft (at year end)	**156**	**156**	164	144	116	99	95	85	68	62	57

KEY OPERATIONAL FIGURES

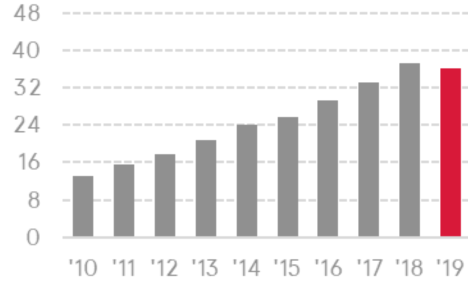
ASK
In billion



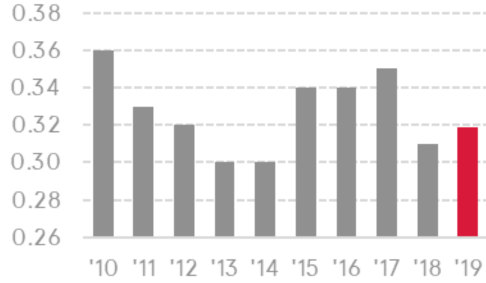
LOAD FACTOR
Percent



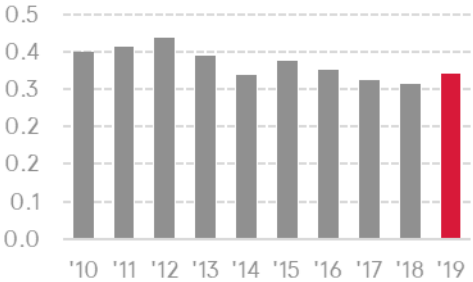
PASSENGERS
In million



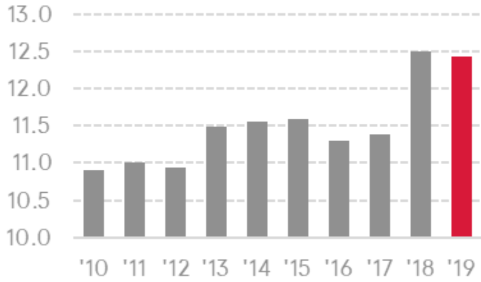
UNIT COST EXCL FUEL
NOK, excl IFRS 16



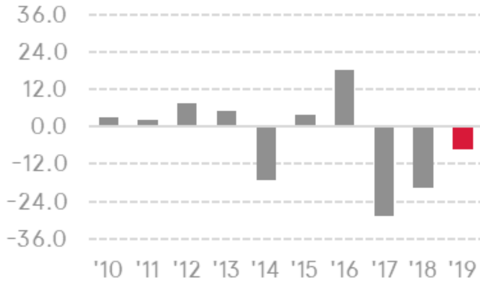
UNIT REVENUE (RASK)
NOK



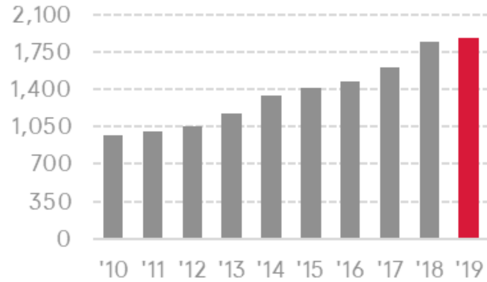
BLOCK HOURS
Hours per day



BASIC EPS
NOK, excl IFRS 16



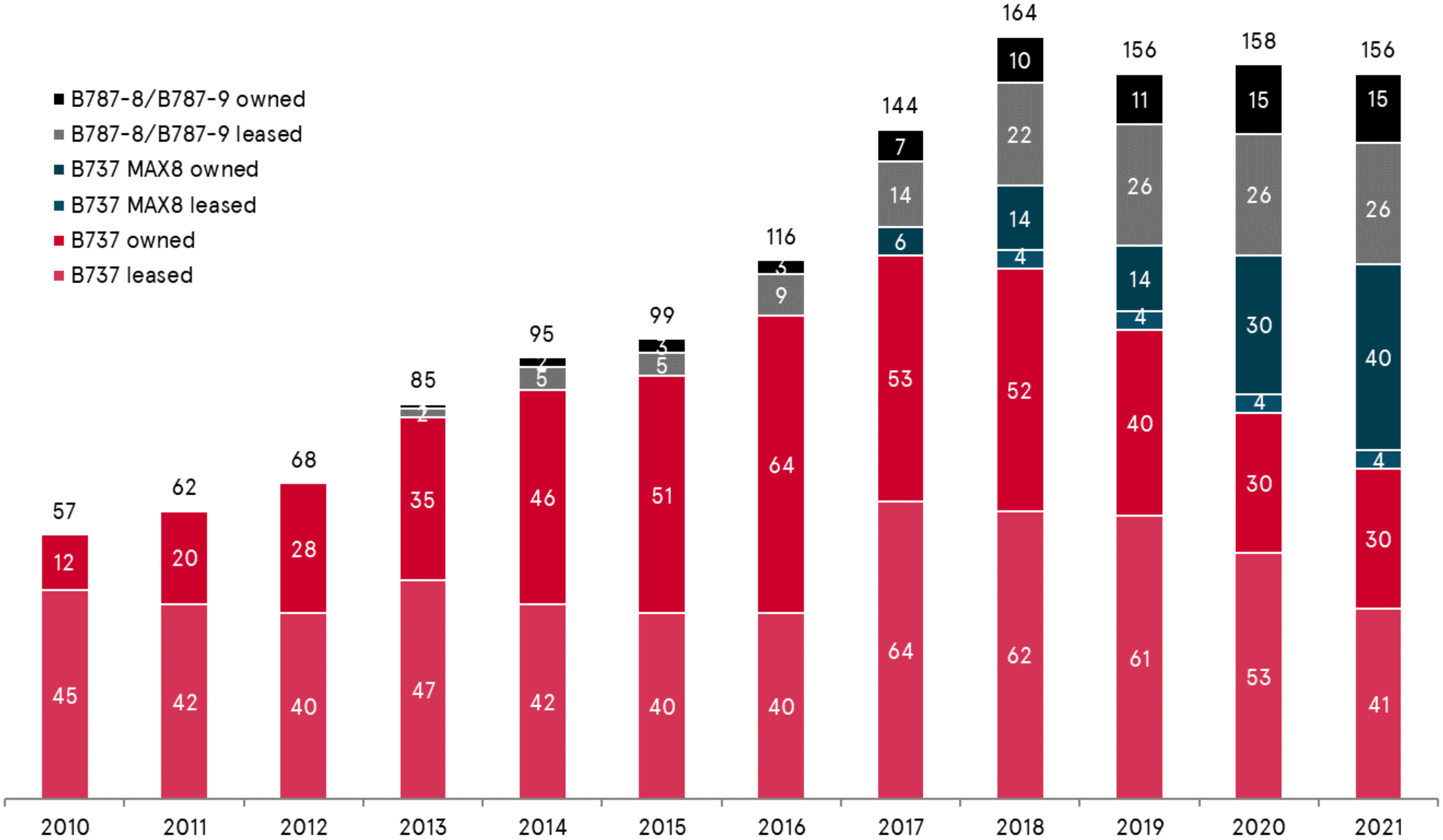
AVG SECTOR LENGTH
Kilometers



FLEET PLAN

HISTORIC, CURRENT AND COMMITTED FLEET PLAN

Number of aircraft operated by Norwegian at year-end



CORPORATE RESPONSIBILITY

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

Safety is the number one priority and at the heart of all our operations. It is essential for customers and staff, and imperative for the sustainability of air travel. Since 2002, Norwegian has safely carried more than 290 million passengers to destinations all over the world.

Norwegian's international business activities brings people, cultures and economies together. Global expansion and new routes boost local tourism, create new jobs, drive economic growth and social progress.

As a global low-cost airline, Norwegian employed 9,389 people in Europe, North and South America and Asia in 2019. Diversity makes the organization richer and better. Regardless of location, our people's rights, equality, non-discrimination, business ethics and anti-corruption are key priorities. We place great importance on ensuring compliance with basic human rights as outlined in the International Labor Organization's (ILOs) core conventions.

A growing population in an increasingly globalized world will lead to increased need for mobility and increased demand for air travel. Air travel, like all modes of transport, comes at an environmental cost. As a significant market player, Norwegian acknowledges our environmental responsibility and takes action to reduce emissions to make aviation more environmentally friendly.

At Norwegian we fly smart, with one of the newest fleets in the industry. From 2009 to 2019 we have reduced our CO_2 emissions by 33 percent per passenger kilometer. Our investments in fleet renewal and fuel efficiency technology continues in 2020.

In sum, our resource efficient low-cost business model is well positioned to tackle the growing environmental concerns among customers, employees, investors and regulators.

THE THREE PILLARS OF CORPORATE RESPONSIBILITY AT NORWEGIAN

To integrate corporate responsibility into the daily operations we focus our policies and actions within three pillars of corporate responsibility:

- **Environment**: Norwegian's carbon efficiency has improved by 33% since 2009. We are committed to further reduce emissions per passenger through continued fleet modernization and smart use of data in our operations. In 2019, Norwegian pledged to become carbon neutral by 2050, officially joining the United Nations Framework Convention on Climate Change's (UNFCCC) Climate Neutral Now-initiative.
- **Local development and humanitarian engagement**: Norwegian's goal is to create economic and social value at our bases and destinations. We remain committed to helping children in need through its Signature Partnership with the humanitarian organization UNICEF.
- **Responsible people culture**: Norwegian's goal is to create a positive working environment and develop a sound corporate culture marked by openness, tolerance and high ethical standards. Norwegian is committed to promote an environment free from any discrimination.

Our policies and actions support the following UN Sustainable Development Goals:

- # 1: End poverty in all its forms everywhere
- # 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
- # 13: Take urgent action to combat climate change and its impacts
- # 17: Strengthen the means of implementation and revitalize the global partnership for sustainable development

The next three sections provide more detail to the polices, actions and results for each pillar in 2019.

THE ENVIRONMENT

Aviation is responsible for about 2 % of global emissions. However, expected future growth in air travel means more emissions. Norwegian has one of the most fuel-efficient fleets in the industry and a long track record for improving our carbon efficiency. We are working on several initiatives to make the fleet and our operations even more carbon efficient. Below is a summary of our policies, actions and results from 2019.

POLICIES

Since 2007, Norwegian has had an ambition to help aviation become carbon neutral by 2050. In 2019, we became the first airline in the world to join the UN Climate Secretariat's (UNFCCC) Climate Neutral Now-initiative, pledging to work systematically to become carbon neutral by 2050. The pledge commits us to measure, reduce and offset our remaining CO_2-emissions by 2050. Everyone working for Norwegian should focus on how they can contribute to a better environment in their daily work.

Our low-cost business model promotes high load factors and higher capacity per flight, which makes Norwegian's operations more environmentally sustainable as emissions per passenger are lower. The Company's emissions per passenger kilometer are well below the industry average and less than many forms of land and sea-based transportation.

In order to cut aviation carbon emissions further, technology producing more carbon efficient fuels must be developed at large scale. Our existing aircraft can fly on up to 50 percent certified bio jet fuel. We support the development of new technology and projects that can deliver large amounts of alternative fuel at competitive commercial terms.

Norwegian's operations follow all international environmental regulations. All of Norwegian's aircraft meet The International Civil Aviation Organization's (ICAO) Chapter 4 and Chapter 14 requirements for local noise pollution.

FLEET MODERNIZATION

The single most important action an airline can take to improve carbon efficiency today is to invest in new aircraft technology. Norwegian's average fleet age was 4.6 years at 31 December 2019, making it one of the newest and most fuel-efficient fleets in the world.

Norwegian uses the technologically advanced Boeing 787 Dreamliner on its intercontinental routes. The Dreamliner consumes over 20 percent less fuel compared to previous generation aircraft. The continued fleet renewal in 2019 contributed to a further reduction in emissions per passenger.

In September 2018, Norwegian was named Most Fuel-Efficient Airline on Transatlantic Routes by the International Council on Clean Transportation (ICCT). Our passengers can travel 44 kilometers per liter of jet fuel (pax-km/L), which is 33 percent better than the industry average.

Norwegian has 190 new aircraft on order with a listed price value of more than USD 23.5 billion, which will further reduce CO_2-emissions between 15-20 percent per seat when phased into production.

SMARTER OPERATIONS

The second most important action an airline can take to improve carbon efficiency today is to improve fuel efficiency in our operations. Direct flights mean less take-off and landing, reducing fuel consumption and net CO2-emissions. Smart utilization of space and weight – with fewer flat beds on long-haul and no flat screens on short haul – cut weight, fuel consumption and reduce both net carbon emissions, emissions per seat and ticket prices.

Norwegian is also an industry leader in developing and implementing smart data-tools that improve our pilot's fuel efficiency performance. In 2019, we tested and implemented SkyBreathe, a new app helping pilots to fly smarter and more fuel efficient. SkyBreathe enables our pilots to save up to 2 percent of our fleet's fuel consumption. A 2 percent reduction in fuel consumption equals 120,000 tons of CO_2-emissions based on 2019 fuel consumption.

Norwegian also further expanded our partnership with AVTECH Sweden AB in 2019. We tested and implemented AVTECH's new Cruise Profile Optimizer, helping our pilots to calculate the most fuel-efficient altitude depending on the prevailing winds and aircraft performance. By utilizing advanced weather data our pilots can reduce up to 30,000 tons CO_2 emissions and per year.

NOISE POLLUTION

Aviation also cause local noise pollution. Norwegian's new fleet of aircraft plays an important part in the efforts to reduce the negative impact on the local environment, as new aircraft are up to 60 percent quieter than older generations.

CARBON OFFSETTING

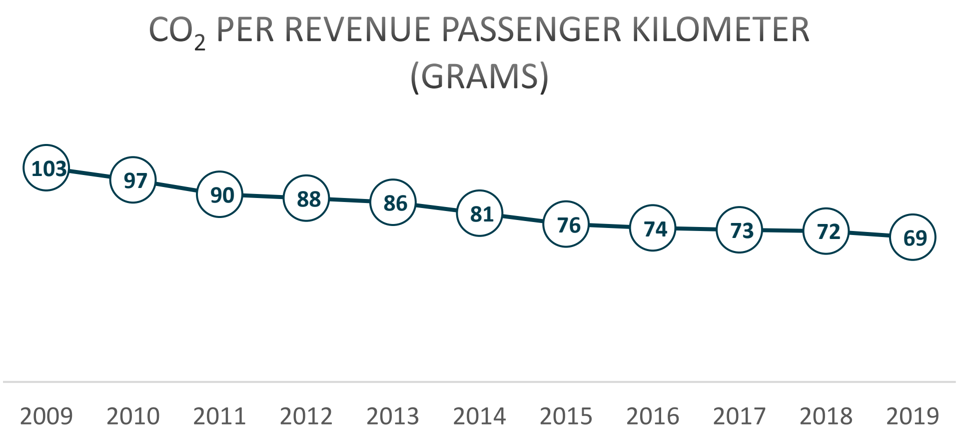
To handle the inevitable residual emissions in a cost-efficient way, aviation will for the foreseeable future be dependent on mechanisms that pay for emissions reductions in other sectors. A carbon offset is a financial security that gives the right to emit 1 ton CO_2 into the atmosphere.

Our flights within the European Economic Area (EEA) have been covered by the European Union Emission Trading System (EU ETS) since 2012. In 2019, over 40 percent of Norwegian's total CO_2-emissions was covered by EU ETS emission allowances.

In December 2019 we launched a partnership with the climate-tech company CHOOOSE, offering our customers an easy way to voluntary offset their emissions seamlessly in the booking process. The initiative was warmly welcomed by the United Nations Framework Convention on Climate Change (UNFCCC).

The CO_2-emissions calculation is based on the official methodology of the United Nations' International Civil Aviation Organisation (ICAO), the International Council of Clean Transportation (ICCT) and Norwegian's own flight emissions data. The initiative means that Norwegian has put a price on actual CO_2-emissions from flying, making it easy for all our customers to take climate action. By year end 2019, 25,000 customers had compensated for 4,500 tons of CO_2-emissions.

The money funds purchasing of carbon offsets issued from three carefully selected projects in Laos, Vietnam and Thailand. The projects are certified by the United Nations and the Gold Standard, which sets the standard for climate and development interventions to quantify, certify and maximize their impact. The Gold Standard certification assess contributions to all UN Sustainable Development Goals. Read more about the projects and our partnership with CHOOOSE at norwegian.com/chooose.



Source: Company accounts

RESULTS

The Group consumed 1,912 million tons of Jet A-1 fuel, equivalent to 6 million metric tons CO_2 and 69 grams of CO_2 per passenger per kilometer. Our carbon efficiency per passenger thus improved four percent in 2019.

LOCAL DEVELOPMENT AND HUMANITARIAN ENGAGEMENT

Creating economic and social value at crew bases and destinations underlines Norwegian's ambition to be a good corporate citizen. This ambition is also realized through the Signature Partnership with the humanitarian organization UNICEF, to help children in need.

POLICIES

Our goal is to involve staff in their local communities, as Norwegian believes that employee involvement creates greater quality of work life for staff.

For Norwegian, it is important to enable employees and customers to make a difference. Through activities, relief flights and other projects, Norwegian is committed to supporting UNICEF and the important work the organization does for children in need all over the world.

Norwegian supports the international human rights as outlined by the UNs Universal Declaration of Human Rights. We are committed to ensure compliance with human rights as outlined in the International Labour Organisation's (ILO) Conventions. No employees or suppliers shall in any way cause or contribute to the violation or circumvention of human rights.

BOOSTING LOCAL ECONOMIES AND CREATING NEW JOBS

Global expansion and new routes boost local tourism, create jobs, drive economic growth and social progress. In 2019, Norwegian continued to create economic and social value at new and existing bases and at all destinations.

Norwegian's contribution to the Scandinavian tourism industry is substantial. According to a 2018 report from the economic analysis company Menon Economics tourists visiting Norway, Sweden and Denmark through Norwegian contribute to sustaining 40,000 jobs in the tourism industry (Norway: 17,000; Sweden: 10,000; Denmark: 13,000).

Menon Economics updated the analysis early 2020. In 2019, Norwegian brought 1.5 million international tourists to Norway, contributing NOK 18 billion to the tourism industry and local businesses. This consumption lay the foundation for about 24,000 jobs all over Norway.

Norwegian's contribution to the US economy is also considerable. Since 2013, Norwegian has carried seven million visitors to the US on more than 50 transatlantic routes, which has significantly boosted the creation of American jobs in the travel and tourism industry, including at Fort Lauderdale and Oakland, where international flights have been scarce.

Norwegian is one of the largest customers of American aircraft manufacturer Boeing. According to calculations from the US Department of Commerce in 2016, Norwegian's aircraft order from Boeing was valued at more than USD 18.5 billion, which helps to create and support up to 100,000 American jobs.

PARTNERSHIP WITH UNICEF

Norwegian and UNICEF have had a Signature Partnership since 2007. Over the past few years, the partnership has become global, resulting in a close cooperation with UNICEF in Norway, Sweden, Denmark and the US. Norwegian's support to UNICEF primarily consists of donations from passengers, fundraisers from Norwegian's employees and travel funding.

During 2019, Norwegian had several new and exciting projects with UNICEF; Still Travelling with Norwegian is a pilot project aiming to help children in need, providing work for immigrant women and reduce the Company's environmental impact. By upcycling the Company's uniforms, thousands of items can get a new life – a crucial move in the fight against textile waste. Norwegian partnered with the social enterprise Sisters in Business, which creates jobs for immigrant women through local textile production in Norway. The project launched with two unique and handmade products made from Norwegian's long-haul uniforms. These have been sold on board selected flights with all the profits going towards UNICEF's work for children.

In November 2019, Norwegian made history transporting the UN Convention on the Rights of the Child stored in synthetic DNA, a world-first, to the Arctic World Archive in Svalbard, Norway. Celebrating the 30th anniversary of this ground-breaking human rights treaty, the document will be kept in permafrost for safekeeping for generations to come. Norwegian's historic flight was staffed with a dedicated crew who have participated in previous UNICEF emergency aid flights to provide life-saving supplies.

RESULTS

Throughout 2019, Norwegian's customers donated NOK 6.5 million to UNICEF's work for children when booking flights on the website. It is also possible for Norwegian's Dreamliner 787 customers to donate directly to UNICEF through the personal in-flight system; almost NOK 500,000 was donated during 2019.

This amount can i.e. contribute to the following:

- Almost two million children can be fully vaccinated against polio
- Installing more than 2,100 wells equipped with water pumps that can supply and entire village or refugee camp with clean water
- Help save 30,000 severely malnourished children with a month`s supply of high-energy peanut paste
- Provide 4,800 School-in-a-box sets, which provide education to children

Norwegian's dedicated employees have also contributed with fundraisers throughout the year. In the US, for instance, Norwegian became a UNICEF partner for the New York Marathon, with five employees running for UNICEF after collectively fundraising almost $25,000 for UNICEF.

RESPONSIBLE PEOPLE CULTURE

The airline business is a service industry where good relations and respect between people are key success factors. Norwegian has a long-term focus on creating an attractive workplace for staff which offers exciting opportunities in a global environment. Norwegian's success rests on the ability to maintain a talented workforce of highly skilled staff and leaders, who are motivated to contribute to Norwegian's growth and to deliver on the vision of affordable fares for all.

At the end of 2019, the total workforce in the Norwegian Group amounted to 9,388 people(headcount), compared to 10,215 at the end of 2018. Figures include apprentices and staff employed in partner companies.

POLICIES

The goal is to offer unique opportunities to the people working for Norwegian as well as a corporate culture that helps the Company attract and retain the most talented people in the industry, regardless of location. Creating effective arenas for organizational learning and professional development at all levels of the organization is a goal, guiding the work with organizational development.

All aspects of the Group's operations are subject to extensive safety controls and certification. Our operations meet the strictest standards and the highest level of regulations in the industry, set by the European Aviation Safety Agency (EASA).

A safe and healthy workplace is a fundamental right for all of us and a business imperative. One of our top priorities is therefore to support health and well-being (psychological and physical), and minimize absence due to ill-health or injury, through advice, awareness programs and proactive initiatives.

Norwegian's corporate vision, values and operational priorities form the basis of the Group's ethical guidelines. Norwegian's Code of Ethics provides guidelines and directions for a good working environment and highlights the Group's guidelines for corporate and individual behavior, sound business principles, rights and duties, and safety for all - including staff, customers and partners.

According to our Group People Policy the culture we strive for in Norwegian is to include conduct that is professional, impartial, positive and contribute to a respectful, open and including working environment. We shall all behave with respect and integrity towards anyone we come into contact with through our work. We shall help create an environment free from any discrimination and free from bullying, harassment or similar. We do not tolerate any behavior that can be perceived as degrading or threatening.

Our remuneration policy strives to be equitable, fair, neutral and non-discriminatory. Norwegian has an equal gender pay policy and encourages diversity in its daily business.

In Norwegian everyone has a joint responsibility to create a healthy working environment and develop a sound organizational culture marked by respect, openness and tolerance and be compliant with the Code of Ethics.

Any violations of the rules and guidelines of the Code of Ethics and other company policies shall be reported to Norwegian's Whistleblowing channel in accordance with the Group procedure for reporting. The procedure is set up to facilitate internal whistleblowing and clarify the process for reporting.

HEALTH, SAFETY AND ENVIRONMENT (HSE)

A well-functioning HSE-organization has been established throughout the organization in compliance with local laws and legislation and global requirements. HSE has handled 2495 occupational and health occurrence reports during 2019. 42 were minor injuries (not requiring treatment by medical personnel) and 27 moderate injuries (required medical treatment/ short term sick absence). The Group had no serious or critical personnel injuries.

Several key HSE-activities are conducted in compliance with labor laws, corporate policies and guidelines. This includes HSE risk assessments, HSE audits, handling of Whistleblowing reports, handling of occurrence reports (trend-analyzes), conflicts and following up of Work Environment Survey in the Nordics.

Activities also include participation in several HSE-related projects and meetings with relevant stakeholders (Fatigue, Facility, AOC, Health & Safety representatives, employer, management). HSE is member of Work Environment Committees, Pilot Peer Support Overview Committee and leads the Global Committee for Abuse Prevention.

Active monitoring of HSE (Health, Safety and Environment) indicators, corporate health insurance policies and continued cooperation with protective services will contribute to a reduction of sickness rates and remains a priority.

REMUNERATION

Norwegian's competitiveness in the market involves consideration of the entire reward package – not just base salary or pay scale, but also benefits such as health benefits, pension and insurance schemes, compensation packages for travel, re-location, etc.

Norwegian Air Shuttle ASA is a member of NHO Aviation, which is a member of NHO, The Confederation of Norwegian Enterprise. General salary levels are usually reviewed annually in accordance with the relevant collective bargaining agreements and based on consideration of the following criteria: (i) the Company's financial performance, (ii) productivity, (iii) competitiveness, (iv) the future market outlook.

Individual salaries are usually reviewed on an annual basis based on the individual's performance and behavior. In 2019, the salary increases carried out in Norwegian were below the average market increase for the year. People working at Norwegian are employed in the country they are based and follow the laws and regulations of their respective country in addition to the global policies and guidelines provided by Norwegian.

DIVERSITY

The airline industry has historically been male dominated, but Norwegian has a strong tradition of practicing equality since its inception in 2002. Norwegian has talented and highly competent staff and is committed to recruiting both women and men to key positions.

TRAVEL & TOURISM APPRENTICE PROGRAM

Norwegian's successful apprentice program in Travel & Tourism continued in 2019, all apprentices living in Norway. The program is approved by the Norwegian Educational Authorities. By the end of 2019 we had 97 apprentices. The program runs over a 2-3.5 years period dependent on the apprentice's educational background and had until July 2019 year-round rolling admission.

At graduation, the apprentices have successfully completed modules in Sales & Marketing, Customer Support Centre and Ground Handling. They have also had two international assignments, working 4 weeks for Red Handling at LGW and 3 weeks at the Customer Support Centre in Torrevieja, which have given them a unique knowledge of working and living abroad. Most importantly, they have spent several months flying as cabin crew members across Scandinavia and Europe.

Norwegian stopped the intake of apprentices in the summer 2019, the number will decrease during 2020 due to this. We receive financial support from Norway for the training of the apprentices. In 2019 we received NOK 6.3 million in total.

ANTI-COMPETITIVE PRACTICES

Everyone working for Norwegian is expected to exercise sound judgment and discretion and observe professional secrecy. We shall never offer or accept illegal or inappropriate monetary gifts – or any other gifts – in order to achieve business or personal advantage. Gifts should not be accepted if they in any way can be seen to influence business decisions. All forms of conflict of interest are to be avoided.

It is not permitted for employees of Norwegian to offer Norwegian's products or services to friends, family or colleagues at a reduced rate or free of charge and it is not permitted for Norwegian's employees to accept any.

RESULTS

The average rate of absence due to sickness across all units in the Norwegian Group in 2019 was 6.7 percent (2018: 5.7 percent).

In 2019, 44 (2018: 44) percent of staff were female and 56 (2018: 56) percent male. Most pilots are male, and women represent around a 5 (2018: 5) percent share of pilots. Most cabin personnel are female, while males account for approximately 32 (2018: 32) percent. Among administrative staff there is roughly an equal ratio of male to female staff. Technicians and engineers have historically been men, but in the past few years, the number of female employees is increasing. The Group's Board of Directors has around 40 (2018: 40) percent female representation.

In 2019 we had 36 apprentices doing their final exam. The standard of our apprentices is at the highest level with a perfect pass rate. The sensors are also impressed by the high level. Most of the apprentices thrive so well in Norwegian that they apply for further job in the Company after the apprenticeship, and those of them who have been given further work have been very stable.

AMBITIONS AND PLANS FOR 2020

Norwegian will continue its commitment to operate in accordance with responsible, ethical, sustainable and sound business principles, with respect for people and the environment. To make sustainability an even more integrated part of our business the following actions will be implemented in 2020:

- Launch a Group Sustainability Strategy
- Implement recommendations from the Task Force on Climate-related Financial Disclosures (TCFD)
- Set a carbon efficiency target and develop a plan for CO_2-emission reductions
- Optimize waste management
- Further develop partnership with UNICEF focusing on shared value creation and UN Sustainable Development Goals, while continuing to raise money that make a positive impact for children in need

CORPORATE GOVERNANCE

Norwegian is subject to Corporate Governance reporting requirements according to the Norwegian Accounting Act, section 3-3b, the Norwegian Code of Practice for Corporate Governance ("the Code") as revised on 17 October 2018 and the Continuing Obligations of Listed Companies as approved by Oslo Børs ASA, available at www.lovdata.no, www.nues.no and www.oslobors.no, respectively. This report follows the system used in the Code and deviations from the Code, if any, is addressed under each section.

IMPLEMENTATION AND REPORTING OF CORPORATE GOVERNANCE

Norwegian's objective for Corporate Governance is accountability, transparency, fairness and simplicity with the goal of maximizing shareholder value while creating added value for all stakeholders. The objectives are designed in compliance with laws, regulations and ethical standards.

Norwegian's Board of Directors promotes and support open and clear communication of the Company's Corporate Governance processes.

The Board believes that good Corporate Governance is distinguished by responsible interaction between the owners, the Board and Management in a long-term, productive and sustainable perspective. It calls for effective cooperation, which means a defined division of responsibilities and roles between the shareholders, the Board and the Management, and respect for the Company's other stakeholders as well as open and honest communication with the communities in which the Company operates.

No deviations from the Code.

BUSINESS

Norwegian's scope of business is defined in its Articles of Association section 3: "The Company's objective is to be engaged in aviation, other transport and travel related business activities as well as activities connected therewith. The Company may also be engaged directly or indirectly in other forms of Internet-based provision of goods and services, including car rental, hotel booking, payment services, financial services and services related to credit cards. Participation in such activities as mentioned may take place through co-operation agreements, ownership interests or by any other means."

The Articles of Association is published in full on the Company's website.

Policies and procedures have been established to manage risks and the Board of Directors evaluate the overall risk management systems on a regular basis.

The Board of Directors evaluates the Company's objectives, strategies and risk profile every year.

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

The Company's core values are clearly defined and are reflected in the Company's Code of Ethics. The Code of Ethics includes ethical guidelines and guidelines for corporate social responsibility, hereunder bribery and anti-corruption, unlawful discrimination and human rights, health, safety and environmental issues.

More information on how Norwegian integrates Corporate Social Responsibility in its operations can be found in the separate report of Corporate Responsibility at Norwegian, presented in a separate section of the annual report and available on the Company's website www.norwegian.com.

No deviations from the Code.

EQUITY AND DIVIDENDS

CAPITAL STRUCTURE

The Company shall have an equity capital which, over a period of time, is at an appropriate level for its objective, strategy and risk profile.

The Company's equity was strengthened during 2019. Total equity at year end 2019 was NOK 4,125 million, equivalent to an equity ratio of 4.8 percent. A rights issue of was completed in March 2019 and an additional private placement was completed in November 2019. The share issues raised a combined NOK 4 billion in new equity for the Company.

The effects of the COVID-19 pandemic including government-imposed travel restrictions and drop in demand forced the Company to carry out a financial restructuring. On 20 May, it was announced that the Company had successfully converted NOK 12.7 billion debt to equity and raised a further NOK 400 million in cash and equity through an offering, thus securing access to the state aid of NOK 3 billion.

The Board of Directors deems the capital structure to be adequate considering the Company's objectives, strategy and risk profile. Because of the COVID-19 pandemic and the Company's current hibernation mode, the Company may need further capitalization before the aviation industry and the Company returns to normalcy. The Board of Directors are monitoring the situation closely and will enforce measures as necessary in order to preserve an adequate capital structure.

DIVIDEND POLICY

The Board of Directors recommends not to distribute dividends in order to retain funds in line with the Company's objective to reduce growth and restore profitability. Dividends should under no circumstances be paid if equity is below what is an appropriate level. Financial covenants to the Company's bond agreements restricts dividend payments, repurchase of shares or other contributions or loans to shareholders (except repurchase of shares in connection with any option or similar incentive program made for the benefit of the employees and/or management and/or directors) until maturity of the last bond in February 2023. The Company shall maintain a book equity of minimum NOK 1,500 million and a minimum liquidity level of NOK 500 million.

BOARD AUTHORIZATIONS

The General Meeting has granted the Board of Directors an authorization to acquire treasury shares at a maximum price of NOK 1,000 and a minimum price of NOK 0.10. The authorization is valid for a period up until next Annual General Meeting, however not beyond 30 June 2020. The Company may at no time hold/own treasury shares with a nominal value in excess of 10 percent of the Company's registered share capital. The Board is free with regards to the manner of acquisition and any subsequent disposal of the share.

The General Meeting has granted the Board an authorization to increase the Company's share capital by up to NOK 1,124,544.10 by issuing up to 11,245,441 shares, each with a nominal value of NOK 0.10 in order to strengthen the Company's equity and as consideration for the acquisition of businesses falling within the Company's business purpose. The authorization is valid for a period up until next Annual General Meeting, however not beyond 30 June 2020.

The General Meeting has granted the Board an authorization to increase the Company's share capital by up to NOK 238,539.70 by issuing up to 2,385,397 shares as payment related to incentive schemes. The authorization is valid for a period up until next Annual General Meeting, however not beyond 30 June 2020.

The authorization granted to the Board is limited to a total of 13,630,838 shares.

The Extraordinary General Meeting on 28 November 2019 granted the Board of Directors with authority to consider and decide whether the Subsequent Offering of 7,000,000 new shares at a subscription price of NOK 40 per share should be completed, including to cancel the Subsequent Offering should the prevailing market conditions and considerations of the Company and the joint shareholder interest indicate such cancelling. The Board of Directors in the Company decided on 4 February 2020 not to use the board authorization granted by the Company's extraordinary general meeting to carry out a subsequent repair offering.

The extraordinary general meeting of the Company on 4 May 2020 granted the following authorizations the Board of Directors related to a substantial financial restructuring that was approved in the same meeting:

The Board of Directors was granted an authorization to increase the Company's share capital by up to NOK 105,000,000.00 comprising capital increases against non-cash contributions and the right to incur special obligations, including mergers and demergers. The authorization replaces all previous authorizations to increase the share capital. The authorization is valid for a period up until next Annual General Meeting, however not beyond 30 June 2021.

The Board of Directors was granted an authorization to adopt resolutions regarding borrowings as mentioned in the Public Limited Companies act § 11-1 to an aggregate amount of loans to be borrowed of NOK 10 billion, with a share capital increase by up to NOK 105,000,000.00. The authorization is valid for a period up until next Annual General Meeting, however not beyond 30 June 2021.

No deviations from the code.

EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

CLASS OF SHARES

Norwegian Air Shuttle ASA has only one class of shares and all shares have equal rights in the Company. The articles of association impose no voting restrictions.

RESTRICTIONS ON SHAREHOLDERS THAT ARE NOT BEING DOMICILED WITHIN EEA

The Norwegian Civil Aviation Act ("Luftfartsloven") with accompanying regulations pertaining to adoption of the EC Regulation NO. 1008/2008 set forth a requirement that non-EEA nationals may not own more than 50 percent of the shares in companies that are subject to said regulation. In the general meeting in May 2016, the Articles of association was amended in order to ensure that the Company in an efficient manner could intervene if it is a risk that the license(s) of the Company may be revoked.

TRADING IN TREASURY SHARES

Share buy-back transactions are generally carried out via stock exchanges. Buy-backs of treasury shares are carried out at market prices. Employee share allocations are granted at a discount to market value. Norwegian did not purchase or sell any of its own shares in 2019.

TRANSACTIONS WITH RELATED PARTIES

Material transactions between the Group and key stakeholders, in particular the shareholders, the members of the Board and the Executive Management, are subject to the approval of the Board of Directors. Such transactions are duly noted in the minutes from the Board meeting and are also explicitly stated in the notes to the consolidated accounts. The former Chair of the Board is partner of the law firm Simonsen Vogt Wiig, which is the legal advisor to Norwegian Air Shuttle ASA. Norwegian has leased its head office from Fornebu Næringseiendom 1 AS, which is controlled by the former Chair and the former CEO. The Company has in 2019 acquired shares in Lilienthal Invest Ltd. From HBK Holding AS, a company controlled by the former Chair and former CEO. The Company utilizes crew management services from the joint venture OSM Aviation Ltd.

In cases where members of the Board of Directors or the Executive Management have other direct or indirect material interests in transactions entered into by the Group, this is stated in the notes to the consolidated accounts. Note 26 to the consolidated financial statements describes transactions with close associates (related parties). Financial relationships related to the Directors and Executive personnel are described in note 7 and 15.

GUIDELINES FOR DIRECTORS AND EXECUTIVES

Norwegian's code of ethics includes guidelines for handling possible conflicts of interest. The code applies to all Board members and Norwegian staff. In addition, the Board has drawn up specific procedures for handling of conflicts of interest for Board members and members of the corporate Management Board.

No deviations from the Code.

FREELY NEGOTIATED SHARES

There are no restrictions on owning, trading or voting for shares in the Company.

No deviations from the Code.

GENERAL MEETINGS

The notice of calling the Annual General Meeting is given in writing no later than 21 days prior to the meeting. Relevant documents, including proposals for resolutions to be considered by the General Meeting and recommendations by the Nomination Committee, are available at the Company's website from the same date.

Shareholders wishing to attend the General Meeting must give notice of this to the Company no later than three days before the date of the meeting.

The Board of Directors has ensured that the shareholders may exercise their rights at the General Meeting by facilitating proxy attendance. Forms for the granting of proxies are enclosed in the summons to the General Meetings and allows for voting on each individual matter. The shareholder can nominate the Chair of the Board or appoint a person to vote on their behalf as proxy.

The Board of Directors, Nomination Committee and the Auditor are required to be present. To the extent possible, the Executive Management is represented by the Chief Executive Officer and the Chief Financial Officer and other key personnel on specific topics.

The agenda is set by the Board of Directors, and the main items are specified in Article 7 of the Article of Association. The minutes of the General Meeting are available on the Company's website.

The General Meeting elects the chair of the Annual General Meeting.

No deviations from the Code.

NOMINATION COMMITTEE

The duties of the Nomination Committee are to make recommendations to the General Meeting for the election of shareholder elected board members and members of the Nomination Committee, and the remuneration to the members of the Board of Directors and Nomination Committee. The Nomination Committee will justify its proposal on each candidate separately and present relevant information about the candidates together with an evaluation of their independence. In connection with the Committee's work with proposing candidates, the Committee stays in contact with major shareholders, the Board of Directors and the Executive Management.

It follows from Article 8 of the Articles of Associations that the Committee consists of four members, who shall be shareholders or representatives of shareholders. Committee members are elected for two years at a time. The articles of Association were amended in May 2019 so that the Chair of the Board is no longer a permanent member of the Nomination Committee.

The Nomination Committee consists of one employee and three external members representing major shareholders in the Company. The current composition of the committee consists of;

- Bjørn H. Kise
- Sven Fermann Hermansen (employee)
- Nils Bastiansen
- Finn Øystein Berg

None of the members of the Nomination Committee represent Norwegian's Management. The members are considered as independent of Management and the Board.

No deviations from the Code.

BOARD OF DIRECTORS, COMPOSITION AND INDEPENDENCE

According to the Articles of Association, the Board must consist of between six and eight members. At year end 2019 the Board of Directors had eight members. The Company has three Directors elected by the employees on the Board of Directors.

The shareholder-elected members of the Board of Directors have been nominated by the Nomination Committee to ensure that the Board of Directors possesses the necessary expertise, capacity and diversity. The Board members have competencies in and experiences from the transport sector and other competitive consumer sectors, relevant network connections and experiences from businesses, finance, capital markets and marketing. The Board members are elected for a period of two years.

The majority of the shareholder-elected members of the Board are considered to be autonomous and independent of the Company's executive personnel and material business contacts. The five members of the Board who are elected by shareholders are considered autonomous and independent of the Company's main shareholder(s). Among the shareholder-elected Directors, there are three men and two women. Detailed information on the individual director can be found on the website at www.norwegian.com. None of the directors are members of the executive management team.

Directors of the Board are encouraged to own shares in Norwegian.

Participation in Board meetings in 2019 has been:

Name	Number of meetings
Niels Smedegaard	19
Liv Berstad	27
Christian Fredrik Stray	29
Ingrid Elvira Leisner	19
Sondre Gravir	28
Geir Olav Øien	28
Eric Holm	27
Katrine Gundersen	25
Jessica Hägqvist (deputy)	1
Bjørn H. Kise (resigned)	10
Ada Kjeseth (resigned)	10
Linda Olsen (resigned)	2
Marcus Daniel Hall (resigned)	2

The overview includes physical meetings and non-physical meetings.

No deviations from the Code.

THE WORK OF THE BOARD OF DIRECTORS

The Board of Directors' perform their work in accordance with the rules and requirements as set out in Norwegian law.

The Board of Directors issues instructions for its own work. If the Chair of the Board of Directors is or has been actively engaged in a given case, another Board member will normally lead discussions concerning that particular case. There is a clear division of responsibilities between the Board and the Executive Management. The Chair is responsible for ensuring that the Board's work is conducted in an efficient, correct manner and in accordance with the Board's terms of reference. The Chief Executive Officer is responsible for the Company's operational management. The Board has drawn up special instructions for the Chief Executive Officer.

The Board of Directors conducts an annual self-assessment of its work competence and cooperation with the Management and a separate assessment of the Chair.

The Board of Directors has established an Audit Committee, consisting of three shareholder-elected members of the Board. The Board ensures that nominees meet requirements of expertise, capacity and diversity.

No deviations from the Code.

RISK MANAGEMENT AND INTERNAL CONTROL

The Management issues monthly performance reports to the Board of Directors for review. Quarterly financial reports are prepared and made available to the capital market in accordance with the reporting requirements applicable to listed companies on Oslo Børs. The quarterly financial reports are reviewed by the Audit Committee prior to Board approval and disclosure. Moreover, financial reports, risk reports and safety reports are drawn up, all of which are subject to review at Board meetings.

The auditor meets with the entire Board in connection with the presentation of the interim annual financial statements, and when otherwise required. The auditor also participates in Audit Committee meetings.

Policies and procedures have been established to manage risks. The Company's Board of Directors reviews and evaluates the overall risk management systems and environment in the Company on a regular basis. The Board ensures sound internal controls and systems for risk management through, for example, annual Board reviews of the most important risk factors and internal controls. Risk assessment and the status of the Company's compliance and corporate social responsibility are reported to the Board annually. The Company's financial position and risks are thoroughly described in the Board of Directors' Report.

No deviations from the Code.

REMUNERATION OF THE BOARD OF DIRECTORS

Based on the consent of the General Meeting, it is assumed that the remuneration of Board members reflects the respective members' responsibilities, expertise, time commitments and the complexities of the Company's activities. In cases where Board members take on specific assignments for the Company, which are not taken on as part of their office, the other Board members must be notified immediately and, if the transaction is of a substantial nature, this will be explicitly stated in the notes to the consolidated accounts. Details of the remuneration of individual Board members are available in the notes to the consolidated accounts.

The Board of Directors are not entitled to performance related compensation. The Board members are not granted share options.

No deviations from the Code.

REMUNERATION OF EXECUTIVE PERSONNEL

The Board's statement on Management compensation policy is prepared in accordance with the Public Companies Act 6-16a and includes the Company's share option program, if any. The statement is presented at the Annual General Meeting. The principles of leadership remuneration in Norwegian Air Shuttle ASA are to stimulate a strong and lasting profit-oriented culture. The total compensation level should be competitive, however, not market leading compared to similar organizations.

The Board determines the remuneration of the Chief Executive Officer, and the guidelines for remuneration of the Executive Management. The Executive Management has not been given any specific rights in case of terminated employment. Details of the remuneration of individual members of the Executive Management are available in the notes to the consolidated accounts.

No deviations from the Code.

INFORMATION AND COMMUNICATIONS

Norwegian has established guidelines for the Company's reporting of financial information based on transparency and the requirement of equal treatment of all parties in the market. The Board of Directors annually reviews these guidelines.

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

The Company holds regular investor meetings and public interim result presentations and has an investor relations Norwegian has separate instructions for investor relations regarding communication with investors and how insider information shall be treated.

The Board of Directors has prepared guidelines for the Company's contact with shareholders outside the General Meeting. The Board considers that these measures enable and ensure continuous informative interactions between the Company and the shareholders.

No deviations from the Code.

TAKEOVERS

There are no limitations with respect to the purchases of shares in the Company. The Board has established guidelines for how it will act in a take-over situation. In the event of a take-over bid the Board of Directors will act in the best interest of the shareholders and in compliance with all the rules and regulations applicable for such an event as well as practices recommended in the Code.

In the case of a take-over bid, the Board will refrain from taking any obstructive action unless agreed upon by the General Meeting.

No deviations from the Code.

AUDITOR

The auditor annually presents the main features of the audit plan for the Company to the Audit Committee. The auditor participates in the meetings of the Board of Directors that deal with the annual accounts. At these meetings the auditor reviews any material changes in the Company's accounting principles, comments on any material estimated accounting figures and reports all material matters on which there has been a disagreement between the auditor and the Executive Management of the Company.

The auditor presents a review of the Company's internal control procedures at least once a year to the Audit Committee, including identified weaknesses and proposals for improvements. The auditor participates in meetings with the Audit Committee and present the report from the auditor that addresses the Company's accounting policy, risk areas and internal control routines.

The Chief Executive Officer and the Chief Financial Officer are present at all meetings with the Board of Directors and the auditor, except for one meeting a year, in which only the auditor, the Board and the Audit Committee are present.

The Management, the Audit Committee and the Board of Directors evaluate the use of the auditor for services other than auditing. The Audit Committee and the Board receives annual confirmation that the auditor continues to meet the requirement of independence.

The Board of Directors reports the remuneration paid to the auditor at the annual General Meeting, including details of the fee paid for audit work and any fees paid for other specific services.

No deviations from the Code.

DECLARATION FROM THE BOARD OF DIRECTORS AND CEO

We confirm to the best of our knowledge that:

- the consolidated financial statements for 2019 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as additional information requirements in accordance with the Norwegian Accounting Act,
- the financial statements for the parent company for 2019 have been prepared in accordance with simplified IFRS pursuant to the Norwegian Accounting Act § 3-9, and regulations regarding simplified application of IFRS issued by the Ministry of Finance on 21 January 2008,
- the information presented in the financial statements gives a true and fair view of the Company's and Group's assets, liabilities, financial position and results for the period viewed in their entirety,
- the board of directors' report, including the chapters on corporate governance and corporate responsibility, gives a true and fair view of the development, performance and financial position of the company and group, and includes a description of the key risks and uncertainties the companies are faced with.

Fornebu, 9 June 2020
The board of directors of Norwegian Air Shuttle ASA

/s/ Niels Smedegaard
Chair

/s/ Liv Berstad
Deputy Chair

/s/ Christian Fredrik Stray
Director

/s/ Ingrid Elvira Leisner
Director

/s/ Sondre Gravir
Director

/s/ Eric Holm
Director
(elected by the employees)

/s/ Katrine Gundersen
Director
(elected by the employees)

/s/ Geir Olav Øien
Director
(elected by the employees)

/s/ Jacob Schram
Chief Executive Officer

AUDITOR'S REPORT

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Norway

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To the General Meeting of Norwegian Air Shuttle ASA

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Norwegian Air Shuttle ASA, which comprise:

- The financial statements of the parent company Norwegian Air Shuttle ASA (the Company), which comprise the statement of financial position as at 31 December 2019, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Norwegian Air Shuttle ASA and its subsidiaries (the Group), which comprise the statement of financial position as at 31 December 2019, the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2.8 in the financial statements of the Group and Note 1 in the financial statements of the Company and the Board of Directors' report. As stated in the Notes and Board of Directors' report, the Group and the Company are significantly impacted by the current outbreak of the COVID-19. The long-term effects of the pandemic are still highly uncertain, and the Group and the Company will require additional working capital to resume the operation from its current hibernation mode as well as if the hibernation mode continues into Q1 2021. Further the Group and the Company

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are dependent on completing the ongoing restructuring process of the aircraft financing and other creditors. These uncertainties, along with other matters as set forth in the notes and the Board of Directors' report, indicate that a material uncertainty exists that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Carrying value of aircraft and value of future committed aircraft purchases

Key audit matter	How the matter was addressed in the audit
Refer to note 1.23 and note 11 for description of the Group's impairment assessments. The Group has aircraft, right-of-use aircraft and associated spare parts with a carrying value of NOK 60.6 billion as of 31 December 2019. In addition, the Group has entered into several purchase contracts for future delivery of aircraft at fixed prices. As described in note 11 and 28, these contracts consist of upfront prepayments to manufactures with a carrying value of NOK 4.9 billion, and future committed payments up on delivery of USD 9.8 billion. As described in note 2, macro-economic factors may have a significant impact on the profitability of the existing aircraft assets and the future committed aircraft purchases. The evaluation of residual value and impairment of existing aircraft and assessment of whether onerous contracts exist related to the future committed aircraft purchases requires a significant degree of management judgement, and as such, this has been identified as a key audit matter.	To assess the carrying value of the existing aircraft and the value of future committed aircraft purchases, we: • Assessed the design and the implementation of relevant controls management has established related to the impairment process. • Challenged the impairment indicator assessment. • Tested the consistency for a sample of input used in the calculation of the depreciation charge, to input used in the provision for periodic maintenance of the aircraft. • Assessed the allocation of purchase price to the various components of the aircraft. • Compared the Group's estimates of expected useful life and residual value to manufactures' recommendations and to published estimates of other international airlines. • Agreed the fair values of the aircraft types to independent third party valuation reports prepared by aircraft valuation experts to assess the accuracy of the residual value estimate on existing aircraft and the value on future committed aircraft purchases. • Assessed the adequacy of the related disclosures.

Tax assets and liabilities

Key audit matter	How the matter was addressed in the audit
Refer to notes 1.23 and 9 for a description of the Group's tax position as at 31 December 2019. Net deferred tax assets and liabilities as of 31 December 2019 amounts to NOK 2.1 billion, of which NOK 3.1 billion is related to recognized tax losses carried forward.	To assess the tax position as of year-end, we: • Assessed the design and the implementation of relevant controls the Group has established in the tax accounting process. • Assessed the appropriateness of management's assumptions and estimates in relation to the likelihood of generating future

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Tax assets and liabilities

Key audit matter	How the matter was addressed in the audit

As described in note 1.23 and 9, management applies judgement to determine to what extent these tax assets qualify for recognition in the balance sheet, in particular tax assets related to historical losses. This involves judgement as to the likelihood that the Group will generate sufficient taxable profits in future periods to utilize the related tax assets.
 	
Refer to notes 1.23 and 27 for a description of the Group's uncertain tax positions, which includes a ruling from the Central Tax Office for Large Enterprises in Norway in regard to past reorganizations. There is complexity and judgement involved in determining the probability for any outflow in regard to uncertain tax positions.
 	
Due to the level of complexity and judgement in assessing the appropriate accounting for taxes, this has been identified as a key audit matter.
	taxable profits to support the recognition of deferred tax assets.
	• Evaluated the appropriateness of the uncertain tax liabilities, including:
	  • Obtained latest correspondence between the Group and the relevant authorities.
	  • Evaluated and challenged the key assumptions and documentation prepared by management related to critical estimates and judgements made by the Group in determining the probability for any outflow. This included evaluation of certain third party tax opinions that the Group has obtained to assess the appropriateness of assumptions used.
	  • Engaged Deloitte tax specialists, as appropriate, to assist with our audit of the Group's uncertain tax positions.
	• Assessed the adequacy of the related disclosures.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

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

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

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

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

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements and the going concern assumption 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, 9 June 2020
Deloitte AS

Jørn Borchgrevink
State Authorised Public Accountant (Norway)

BOARD OF DIRECTORS

NIELS SMEDEGAARD
Chair

Mr. Niels Smedegaard (born 1962) was the President and CEO of DFDS Seaways from 2007 to 2019. He has previously held leading positions in companies such as Gate Gourmet Group, Swissair and SAS. Mr. Smedegaard is a Danish citizen and holds a Master and Bachelor's degree from Copenhagen Business School. Mr. Smedegaard also holds several board appointments in various European companies. Mr. Smedegaard has been elected for the period 2019-2021.

LIV BERSTAD
Deputy Chair

Ms. Liv Berstad (born 1961) is today the Managing Director for the clothing company KappAhl in Norway. Ms. Berstad has extensive experience from retail trade in the Nordic region, mainly from construction material, fashion and cosmetics. She joined KappAhl as their financing manager in 1990 and in 1996 she was made the Managing Director. She is a Business economist from BI Norwegian School of Management. Ms. Berstad has had several board appointments for companies both in Norway and Scandinavia. She has been a board member since 2005. Ms. Berstad has been elected for the period 2019-2021 and is an independent board member.

CHRISTIAN FREDRIK STRAY
Director

Mr. Christian Fredrik Stray (born 1978) has been CEO of Hy5Pro AS (Hy5) since 2015. Prior to this he has several years of experience from the global medical device company, Biomet. From 2008-2011 he held the position as CEO of Biomet Norge, and from 2011-2014 as CEO of Biomet Nordic. Mr. Stray holds a Bachelor of Science in Biomedical Engineering and an executive MBA from ESCP-EAP (Paris) and the Norwegian School of Management (BI). Mr. Stray holds several board appointments for companies both in Norway and Scandinavia, primarily within the medical and digital industry. Mr. Stray has been elected for the period 2019-2021 and is an independent board member.

INGRID ELVIRA LEISNER
Director

Ms. Ingrid Elvira Leisner (born 1968) has long experience as head of audit committees and member of several boards, including Self Storage Group, Techstep, Maritime & Merchant and Spectrum Geo. Over several years, she has held several positions with Statoil, including Head of Portfolio Management Electric Power, Portfolio Manager and Trader. Ms. Leisner has a Bachelor's in Business Administration from University of Texas in Austin, USA.Ms. Leisner has been elected for the period 2019-2021 and is an independent board member.

SONDRE GRAVIR
Director

Mr. Sondre Gravir (born 1977) is CEO of SATS, a position he has held since 2018. Prior to this, he was CEO of Schibsted Marketplaces, Executive Vice President of Schibsted Established Markets, as well as CEO of Finn.no, Aftenposten and Bergens Tidende. He has also worked as a management consultant in McKinsey. Gravir holds a Master of Science in Economics and Business Administration from the Norwegian School of Economics (NHH) and selected MBA courses in international finance and business from the National University of Singapore. Gravir has experience from several Schibsted boards internationally both as chairman and board member, and has also had board appointments in Frende Forsikring, Fædrelandsvennen and Finn.no. Mr Gravir has been elected for the period 2018-2020 and is an independent board member.

GEIR OLAV ØIEN
Director, employee representative

Mr. Geir Olav Øien (born 1972) joined Norwegian's Technical Department in 1998. He has been working in the aviation industry since 1991 and has extensive experience within technical operations. Mr Øien has previously worked for SAS Heavy Maintenance Oslo and as a civil employee for the Norwegian Air Force in Bodø and Kjeller. From 2014-2015 he was the leader of Norwegian's Technical Union.

Mr. Øien has been a Director since 2016 and has been elected for the period 2019-2021. He is an independent board member.

ERIC HOLM
Director, employee representative

Mr. Eric Holm (born 1967) joined Norwegian in March 2010 and is currently employed in Norwegian Cabin Services Norway AS. Mr. Holm holds a MA degree in International Security Studies from the University of Leicester. Mr. Holm has been Deputy Board Member at Norwegian Cabin Services Norway, Chairman at Parat Luftfart and Board Member (employee representative) at Lufthansa Service Group Norway. He has been elected for the period 2019-2021.

KATRINE GUNDERSEN
Director, employee representative

Ms. Katrine Gundersen (born 1974) holds the position as Crew Tracker at Norwegian's Integrated Operational Control Centre (IOCC). She started working in the airline industry in the late 1990s and has been with Norwegian since August 2002. She holds a bachelor's degree in economics from the University of BI.

Ms. Gundersen was Deputy Director of Norwegian's Board from 2016-2018. She is elected for the period 2019-2021.

MANAGEMENT

JACOB SCHRAM
Chief Executive Officer

Mr. Jacob Schram (born 1962) joined Norwegian as Chief Executive Officer in January 2020. He has several years of experience from large international companies, including 22 years at Circle K (previously Statoil Fuel & Retail (SFR)), where he was Group President for Europe for 14 years until he stepped down in 2018. As CEO, he led the process of publicly listing SFR on the Norwegian Stock Exchange in 2010 and the global rebranding of 10,000 fuel and convenience stores to Circle K. Previously, he has also held managing roles at McDonald’s and McKinsey. During 2019 worked with private investments, start-ups and presentations related to his book “The Essence of Business”, in addition to holding the position as Senior Advisor at McKinsey. Mr. Schram holds a Master of Science in Economics from Copenhagen Business School.

GEIR KARLSEN
Chief Financial Officer

Mr. Geir Karlsen (born 1965) has held the position of Chief Financial Officer (CFO) since April 2018. From July 2019 to December 2019, he was Acting Chief Executive Officer (CEO) of Norwegian. He has extensive experience from listed companies within shipping and offshore. Mr. Karlsen has over the last 12 years held various CFO positions at international companies such as Golden Ocean Group and Songa Offshore. Before Norwegian, he held the position Group CFO at London-based Navig8 Group, the world's largest independent pool and management company. Geir Karlsen has a degree in Business Administration from BI Norwegian Business School.

ANDREW HODGES
Executive Vice President Airline

Mr. Andrew Hodges (born 1971) was appointed Executive President (EVP) Airline in June 2020. He joined Norwegian in June 2019 as Senior Vice President for Network Strategy & Planning before being appointed EVP Airline in June 2020. Andrew has over 20 years of aviation experience including 12 years with easyJet plc, where he held several senior commercial and finance roles. He has also worked for British Airways for 5 years in a Corporate Development role, and for Deloitte for 7 years where he qualified as a Chartered Accountant and helped develop a successful aviation consulting practice. Andrew graduated with a First Class BEng from Southampton University in Aeronautics & Astronautics.

GURO H. POULSEN
Executive Vice President People

Ms. Guro H. Poulsen (born 1975) was appointed Executive Vice President People in June 2020. She has been with Norwegian since 2010, starting as a Financial Controller and later working as the Finance Manager for Norwegian Air Resources and SVP Crew Management. She has several years of experience from large international companies, including Goodyear Dunlop and Wrigley as Business Controller. Ms. Poulsen holds a Master of Business Administration within Marketing from Griffith University in Australia and a Bachelor of Business Administration within Travel and Tourism Management from BI Norwegian Business School.

ANNE-SISSEL SKÅNVIK

Executive Vice President Communications and Public Affairs

Ms. Anne-Sissel Skånvik (born 1959) joined Norwegian in 2009 from a position as Senior Vice President at Telenor ASA, where she was responsible for corporate communications and governmental relations. Ms. Skånvik was the Deputy Director General in The Norwegian Ministry of Finance between 1996 and 2004. She has also years of experience from Statistics Norway (SSB) and various media. Ms. Skånvik has a Master's degree in political science ("Cand. Polit") from the University of Oslo, a degree in journalism from Norwegian College of Journalism and the Executive Management Course at Norwegian Defence University College.

KNUT OLAV IRGENS HØEG

Executive Vice President IT, Supply chain & Process Improvement

Mr. Knut Olav Irgens Høeg (born 1973) was appointed Executive Vice President (EVP) IT, Supply Chain & Process improvement in June 2020. He jointed Norwegian in August 2019 as SVP Procurement and has been acting in the role as SVP IT and Customer Care from February 2020. Mr. Høeg has extensive experience in procurement and IT from several large operations, like Circle K, TINE, Storebrand and Skandia. He has also been a Management Consultant at Deloitte. Mr. Høeg has been driving several different Change and Cost-Out Projects and in addition building up organizations both locally and Near-Shore. He has a Master of Science Degree in Economics from Norwegian School of Management (BI) and an MBA from the Norwegian School of Economics (NHH).

BREDE HUSER

Interim Executive Vice President Airline Ecosystem

Mr. Brede G. Huser (born 1971) was appointed interim Executive Vice President (EVP) Airline Ecosystem in June 2020. He was previously Managing Director of Norwegian Reward, the Norwegian Group's loyalty program. He joined Norwegian in its start-up year in 2002, first as a consultant and as an employee since 2006. He was part of the Company's financial management team from 2006 until 2015. Prior to joining Norwegian, Mr. Huser has 10 years of experience from finance and management consulting with Orkla, Arthur Andersen and Ernst & Young. He holds a Master of Science Degree in Financial Economics from Norwegian School of Business (BI).

KEI GRIEG TOYOMASU

Interim Executive Vice President Customer

Mr. Kei Grieg Toyomasu (born 1970) was appointed interim Executive Vice President (EVP) Customer in June 2020. He joined Norwegian in May 2019 from the Nordic advertising agency Schjærven Reklamebyrå, where he was CEO. Mr. Toyomasu started his career founding a digital agency that was acquired by the international advertising agency BBDO. Following a few years at BBDO Oslo, he moved to Tokyo to manage global marketing for several Japanese brands. He was also head of Opera Software's global B2C marketing department for almost three years. Mr. Toyomasu has a bachelor's degree in Economics from The University of Oslo. Christoffer Sundby will take on the role as EVP Customer from September 1.

JOHAN GAUERMANN

Executive Vice President (EVP) Operations

Mr. Johan Gauermann (born 1962) was appointed interim Chief Operating Officer (COO) in June 2020. He has more than 30 years of airline experience from various senior management roles. Mr. Gauermann joined Norwegian in October 2017 from global leisure travel group TUI where he, beside airline operations, was involved in change management and digital transformation programs. Johan was appointed Group Director Flight Operation in 2019. He holds an airline pilot certificate and a degree from City University of London. Johan has also studied Executive Management at Stockholm School of Economics.

DEFINITIONS

ALTERNATIVE PERFORMANCE MEASURES

Norwegian Air Shuttle's financial information is prepared in accordance with International Financial Reporting Standards (IFRS). In addition, the Company presents alternative performance measures (APM). The APMs are regularly reviewed by management and their aim is to enhance stakeholders' understanding of the Company's performance. APMs are calculated consistently over time and are based on financial data presented in accordance with IFRS and other operational data as described in the table below.

The Company has updated its definitions considering the adoption of IFRS 16. EBITDA (Earnings before net financial items, income tax expense (income), depreciation, amortization and impairment, restructuring, and share of profit (loss) from associated companies) is no longer presented as it is not comparable to previous periods and in essence very similar to EBITDAR (see definition below). EBITDAR excludes both depreciation and aircraft lease expenses and is hence a more consistent measure for operational performance over time, excluding ownership costs and the most significant changes arising from the adoption of IFRS 16.

Prior to 2018, the Company presented unit cost primarily excluding depreciation. Since 2018, the Company has included depreciation in unit cost.

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

ALTERNATIVE PERFORMANCE MEASURES – RECONCILIATIONS

**Other losses /(gains) is defined in table above and is a part of operating expenses, see consolidated income statement.*

(NOK million)	**2019**	2018
EBITDAR excl other losses/(gains)		
EBITDAR	**7,313.5**	2,171.1
- Other losses/(gains)	**(845.8)**	994.1
EBITDAR excl other losses/(gains)	**6,467.7**	3,165.2
EBIT excl other losses/(gains)		
EBIT	**856.0**	-3,850.6
- Other losses/(gains)	**-845.8**	994.1
EBIT excl other losses/(gains)	**10.2**	-2,856.5

OTHER DEFINITIONS

Item	Description
Aircraft lease expenses	Lease and rental expenses on aircraft including both dry leases and wet leases
Ancillary revenue / PAX	Ancillary passenger revenue divided by number of passengers
ASK	Available seat kilometers. Number of available passenger seats multiplied by flight distance
Average sector length	Total flown distance divided by number of flights
Book equity per share	Total equity divided by number of shares outstanding
Block hours	Time of block off to block on – industry standard measure of aircraft utilization
CO_2 per RPK	Amount of CO_2 emissions divided by RPK
Constant currency	A currency exchange rate that excludes the impact of exchange rate fluctuations from comparable period, e.g. last year as comparable period
Equity ratio	Book equity divided by total assets
Fixed asset investment	Consists of the following non-current assets presented in the statement of financial position in the annual report: Investments in financial assets, investment in associate and other receivables
Fuel consumption	Aviation fuel consumed, presented in metric tons
Load factor	RPK divided by ASK. Describes the utilization of available seats
Passengers	Number of passengers flown
RPK	Revenue passenger kilometers. Number of sold seats multiplied by flight distance
Sold seats own channels	Sold seats own channels include bookings through internet, apps, direct API, agent portal, corporate portal, allotment and group travels. It does not include bookings through GDS (Global Distribution Channels)
Unit cost	Total operating expenses, excluding impairment and other losses/(gains)-net, divided by ASK
Unit cost excl fuel	Total operating expenses, excluding impairment, other losses/(gains)-net and aviation fuel expenses, divided by ASK
Unit revenue	Passenger revenue divided by ASK
Yield	Passenger revenue divided by RPK. A measure of average fare per kilometer

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