

NORWEGIAN AIR SHUTTLE ASA

ANNUAL REPORT 2016

norwegian 





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FINANCIAL CALENDAR

2017

Interim report Q1 2017:	April 27
General shareholder meeting:	May 9
Interim report Q2 2017:	July 13
Interim report Q3 2017:	October 26

Norwegian Air Shuttle reserves the right to revise the dates.



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HIGHLIGHTS

Highlights 2016

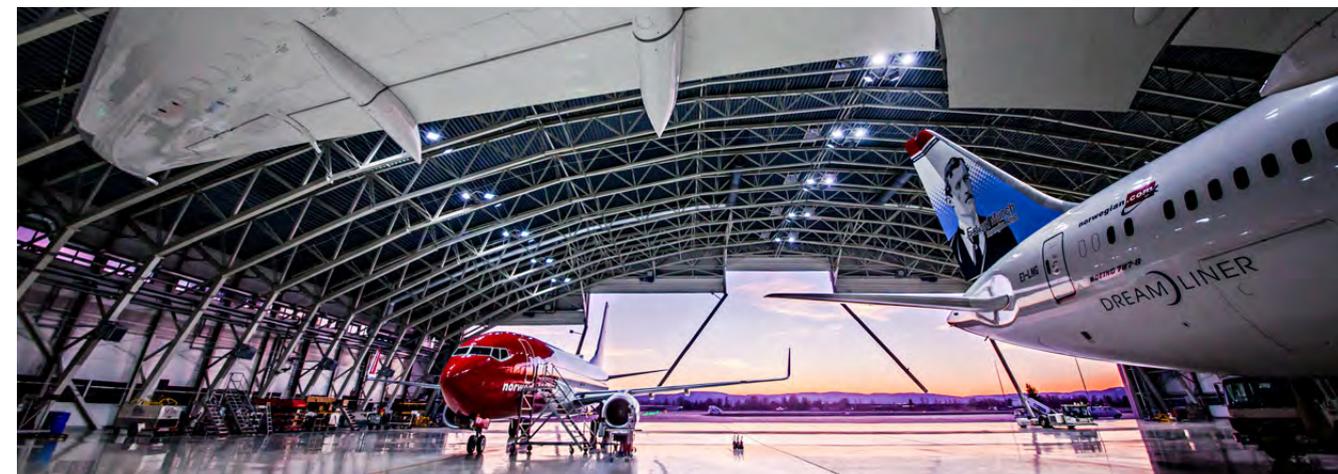
Key figures – financials

Key figures – operation

HIGHLIGHTS 2016

- ➔ Final approval for NAI by the US Department of Transportation (DOT)
- ➔ SkyTrax awards 2016 for World's Best Long Haul Low-Cost Airline (second time) and Europe's Best Low-Cost Airline (fourth year in a row)
- ➔ Startup of low-cost long haul between US and Paris
- ➔ Launched new crew bases in Rome and Palma
- ➔ Norwegian Reward reached five million members
- ➔ Added 17 new 737-800 aircraft and four 787-9 Dreamliners to operations
- ➔ Delivery of the first two Airbus 320neos to be leased out
- ➔ Ordered 30 Airbus 321LR (long range) aircraft for delivery in 2019-2021 by converting orders for 320neos
- ➔ Norwegian Air Resources (NARH) merged with OSM Aviation to form a leading, full-service crew management company

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



Q1

New routes	1	
Passengers (million)	5.8	+17%
Aircraft utilization (BLH)	10.7	0.0
New aircraft	6	
Average spot fuel price USD/NOK	USD 341	(42%)
	8.64	+11%

Q2

New routes	13	
Passengers (million)	7.7	+11%
Aircraft utilization (BLH)	11.6	(0.3)
New aircraft	6	
Average spot fuel price USD/NOK	USD 406	(31%)
	8.25	+6%

Q3

New routes	5	
Passengers (million)	8.6	+12%
Aircraft utilization (BLH)	11.7	(0.7)
New aircraft	5	
Average spot fuel price USD/NOK	USD 444	(18%)
	8.32	+1%

Q4

New routes	15	
Passengers (million)	7.2	+18%
Aircraft utilization (BLH)	11.2	0.0
New aircraft	6	
Average spot fuel price USD/NOK	USD 460	(2%)
	8.39	(2%)



HIGHLIGHTS

[Highlights 2016](#)
[Key figures – financials](#)
[Key figures – operation](#)

KEY FIGURES – FINANCIALS

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Operating revenue (NOK million)	26 055	22 491	19 540	15 580	12 859	10 532	8 598	7 309	6 226	4 226
EBITDAR (NOK million)	5 958	3 694	1 184	2 784	1 822	1 540	1 175	1 341	200	504
EBITDA (NOK million)	3 116	1 481	(662)	1 500	789	710	397	721	(208)	208
EBIT/operating result (NOK million)	1 820	348	(1 411)	970	404	416	210	572	(338)	134
EBT (NOK million)	1 508	75	(1 627)	438	623	167	243	623	5	113
Net profit/loss (-)	1 135	246	(1 070)	319	457	122	189	446	4	85
Basic earnings per share (NOK)	31.75	6.99	(30.42)	9.15	13.08	3.53	4.97	13.01	0.15	3.77
Diluted earnings per share (NOK)	31.47	6.92	(29.89)	9.02	12.99	3.47	4.87	12.89	0.15	3.77
Equity ratio	11%	9%	9%	19%	20%	22%	27%	32%	28%	22%
Cash and cash equivalents (NOK million)	2 324	2 454	2 011	2 166	1 731	1 105	1 178	1 408	608	501
Unit cost (CASK)	0.41	0.42	0.42	0.42	0.45	0.46	0.46	0.49	0.56	0.53
Unit cost (CASK) excluding fuel	0.32	0.31	0.29	0.29	0.31	0.32	0.34	0.38	0.37	0.40
ASK (million)	57 910	49 028	46 479	34 318	25 920	21 958	17 804	13 555	11 530	7 561
RPK (million)	50 798	42 284	37 615	26 881	20 353	17 421	13 774	10 602	9 074	6 059
Load factor	87.7%	86.2%	80.9%	78.3%	78.5%	79.3%	77.4%	78.2%	78.7%	80.1%
Passengers (million)	29.3	25.7	24.0	20.7	17.7	15.7	13.0	10.8	9.1	6.9
Internet sales	75%	77%	82%	80%	78%	82%	87%	88%	87%	86%
Number of routes (operated during the year)	472	447	402	391	308	271	249	206	170	114
Number of destinations (at year end)	130	138	130	125	121	114	97	93	87	70
Number of aircraft (at year end)	118	99	95	85	68	62	57	46	40	32

HIGHLIGHTS

Highlights 2016

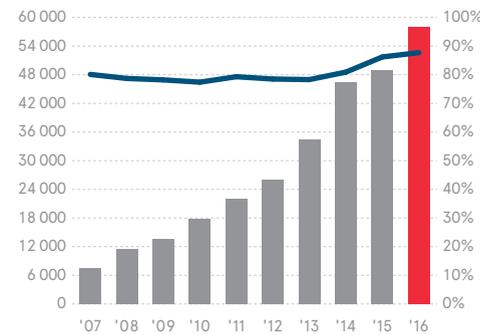
Key figures – financials

Key figures – operation

KEY FIGURES – OPERATION

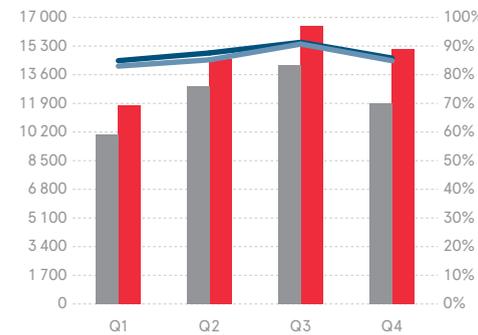
ASK

ASK in million (left axis)
Load factor % (right axis)



ASK PER QUARTER

ASK in million (left axis) 2015 2016
Load factor % (right axis) 2015 2016



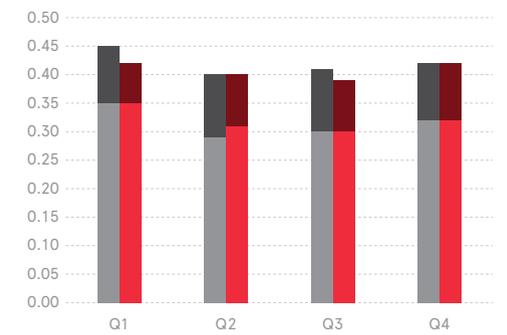
UNIT COST

Unit cost excluding fuel in NOK
Fuel per unit in NOK



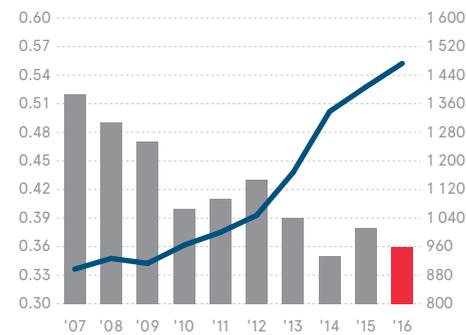
UNIT COST PER QUARTER

Unit cost excluding fuel in NOK 2015 2016
Fuel per unit in NOK 2015 2016



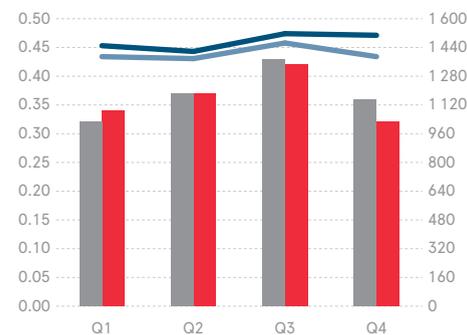
RASK

RASK in NOK (left axis)
Stage length in km (right axis)



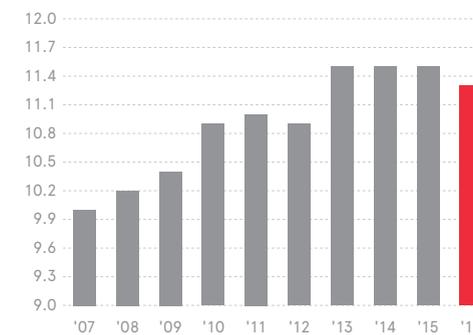
RASK PER QUARTER

RASK in NOK (left axis) 2015 2016
Stage length in km (right axis) 2015 2016



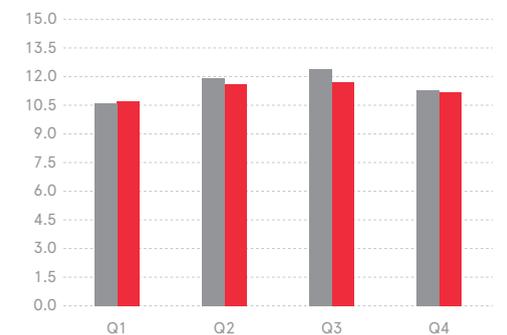
BLOCK HOURS

Hours per day



BLOCK HOURS PER QUARTER

Hours per day 2015 2016





DEAR SHAREHOLDERS

Another eventful year has passed. 2016 has been a year characterized by major international expansion, record-high passenger figures, the establishment of more international bases and several new routes to exciting destinations on both sides of the Atlantic. New passengers have flown with us for the first time as we have continued our global expansion. Hundreds of wonderful and talented colleagues joined Norwegian in 2016 – and many more will join us in the years to come.

KEEPING COSTS DOWN – FOR THE PASSENGERS AND FOR THE ENVIRONMENT

In 2016, we took delivery of 17 brand-new 737-800 aircraft and four 787-9 Dreamliners. A new fleet is necessary to keep our costs down, and in turn enable us to offer inexpensive fares. It gives our passengers a comfortable and enjoyable journey, and not least, it reduces emissions considerably, making Norwegian's fleet one of the most environmentally friendly in the world.

LOYAL PASSENGERS

I cannot talk about the year that has passed without mentioning some of the many awards we have won. It means a lot that we yet again were named the "World's Best Long Haul Low-Cost Airline" and "Best Low-Cost Airline in Europe". The awards we have won prove that our service is appreciated and we promise to keep working hard to meet our customers' expectations. I would like to thank all our first-timers, returning and loyal passengers, and our hard-working colleagues in the air and on the ground; these fantastic recognitions would not have been possible without their support and hard work.

THE POWER OF GLOBAL EXPANSION

Our global expansion will be more important than ever this year. Why? Well, up to a third of our long haul passengers connect to a short haul flight. By connecting our long haul network with our short haul network, we will get a symbiosis that makes Norwegian even stronger. Not least, our growth will also help secure existing jobs and create thousands of new ones in the near future. In addition, global expansion and new routes boost local tourism; create new jobs; drive economic growth and social progress. A growing population and increased globalization will lead to more mobility and create more demand for air travel.

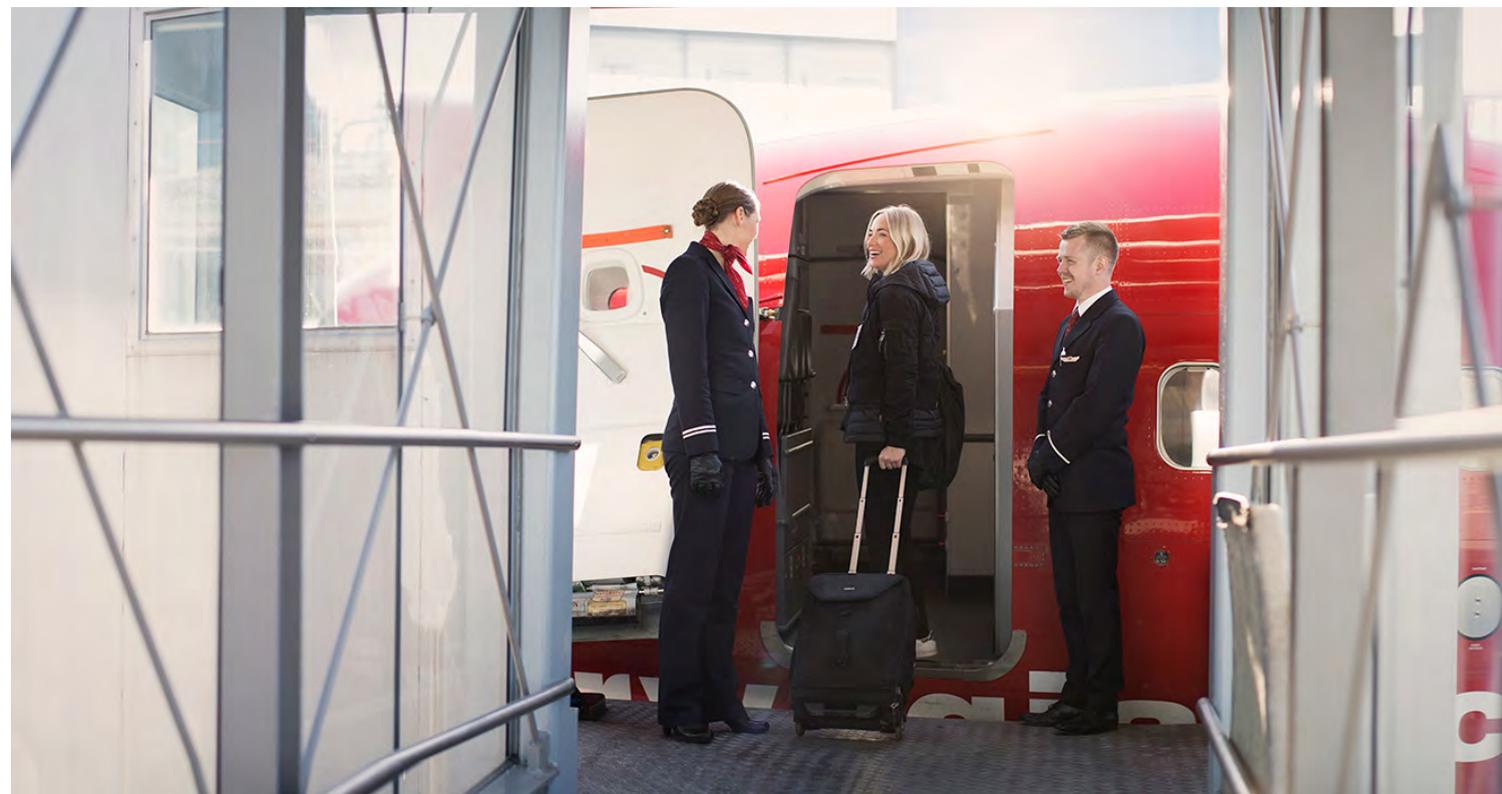
AFFORDABLE FARES FOR ALL

The legacy carriers see us as a threat (and rightly so), but at the same time we are also creating our own market by giving new groups of travelers the ability to fly. There is a large, unserved demand for reasonably priced air travel, especially transatlantic travel. Since 2013, almost four million passengers have travelled across the Atlantic on one of our many flights – a large share of which are Americans. Our vision is "affordable fares for all," and we are well on our way realizing this vision.

"A growing population and increased globalization will lead to more mobility and create more demand for air travel"



LETTER FROM CEO



wants to fly through a large international hub when you can fly directly from their hometown?

EXPLORING NEW MARKETS

In 2016, we launched our first non-stop flights between Paris and the US with great success, and in 2017 we will start flying between Barcelona and the US. In other words, our strategy going forward is clear; we will focus on cost efficiency and scale and continue to expand globally, while exploring new markets where we face less head-to-head competition. For instance, we have long seen a great potential in the South American market, which is one of the most underserved markets in the world and we are now exploring the possibilities of bringing Norwegian to the region. And I am pleased to say that this is just the beginning!

EXCITING PLANS AHEAD

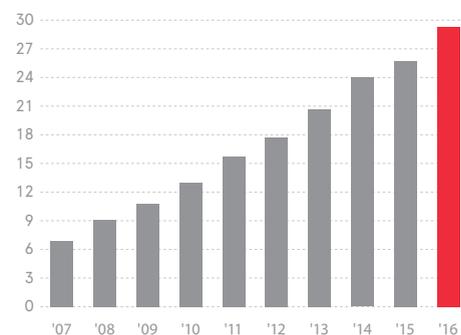
As if 2016 was not eventful enough, I am pleased to say that we have entered a year with even more exciting plans and opportunities in the pipeline. In 2017, 17 brand-new Boeing 737-800 and nine Boeing 787-9 Dreamliners will join our fleet. In addition, we will be the first airline in Europe to take delivery of the new Boeing 737 MAX 8, an upgraded version of the current Boeing 737-800; six of which will enter commercial traffic this year.

2017 will bring great things, and I can promise that our passengers and everybody working for Norwegian can look forward to another exciting year.

Bjørn Kjos
Chief Executive Officer

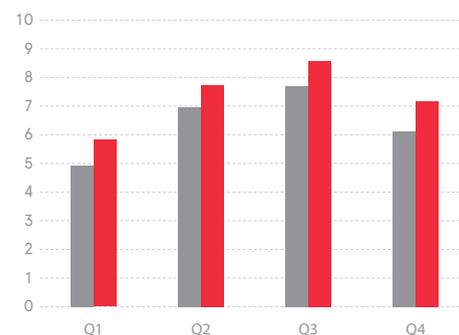
PASSENGERS

In million



PASSENGERS PER QUARTER

In million ■ 2015 ■ 2016



A NEW WORLD OF POSSIBILITIES

Once the Boeing 737 MAX 8 enters Norwegian's fleet this year, in addition to the Airbus 321LR (long range) within the next couple of years, we will once again demonstrate that we are able to create a new market and disrupt the industry. How? The range of these aircraft will open up a new world of possibilities, which will allow us to offer people in smaller cities their first direct connection across continents on a single aisle aircraft at an affordable price. We will be able to offer our product on routes where there is little or no competition. Who



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MAINTAINING THE COMPETITIVE ADVANTAGE

Norwegian Air Shuttle ASA continued its solid revenue growth in 2016 following a continued renewal and expansion program that included an addition of 21 new aircraft to our fleet and the launch of 34 new routes. The production growth (ASK) was 18 per cent, while the load factor increased to 88 per cent, and the unit cost was reduced by three per cent to NOK 0.41. 2016 was another year when Norwegian confirmed its competitiveness and attractiveness with an increase of 3.6 million passengers.

The Group's results for 2016, much like 2015, were affected by strong network expansion, continued revenue growth, efficiency improvements and lower fuel cost. The results were also strongly affected by the weaker Norwegian currency (NOK), offset by unrealized gains on fuel hedges for 2017 and 2018.

The consolidated operating revenue grew by 16 per cent to NOK 26 055 million, with a net profit of NOK 1 135 million, compared to NOK 246 million in 2015. The revenue growth was mainly a result of the 14 per cent passenger growth driven by new aircraft delivered in 2016, increased load factor and strengthening of the international route network.

The long haul operation developed well and in line with the Group's plans. The intercontinental operation's increased success was reflected in the Group's traffic growth (RPK) of 20 per cent. This was driven by continued improvement in load factor by 1.5 p.p. to 88 per cent, as well as a five per cent increase in average distance travelled per passenger. Additionally, at the end of 2016 the fleet comprised 116 aircraft (including aircraft on maintenance), excluding wet-lease aircraft.

The ticket revenue per available seat kilometer (RASK) for 2016 was NOK 0.36,

down three per cent from previous year. This decrease can be explained by five per cent lower yield mainly due to increasing sector length offset by the 1.5 p.p. higher load. Ancillary revenues rose by 20 per cent to NOK 3 929 million (3 275). Per passenger ancillary revenue grew by five per cent to NOK 134 (127), driven by bundling and the passengers' freedom to choose.

The Group's financial position at the end of 2016 was adequate considering the Group's strategy and risk profile, but was impacted by the growth in new on-balance aircraft, lower fuel prices and currency fluctuations. Net interest bearing debt increased to NOK 21 151 million, up from NOK 17 131 million at the end of 2015, driven by investments in new aircraft and currency. Cash and cash equivalent was NOK 2 324 million as of December 31, 2016, a net decrease of NOK 130 million. The equity ratio increased to 11 per cent from nine per cent last year.

The Board of Directors expects 2017 to be a year of continued growth. Production growth is expected to be around 30 per cent in 2017, driven by 60 per cent growth in long haul production. The level of advance bookings at year end was satisfactory. Norwegian will continue its efforts to improve cost efficiency and expects the



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unit cost for 2017 to be further reduced to approximately NOK 0.39–0.40 (0.41). The reduction is driven by new aircraft with lower operating and fuel cost.

KEY EVENTS 2016

- **Approval for NAI by the US Department of Transportation (DOT).** In April, the DOT tentatively approved NAI's application for a foreign carrier permit, and the final approval was granted eight months later in December – almost three years

after the application was originally submitted. The approval enables Norwegian to create thousands of new jobs in the US and Europe.

- **"The World's Best Long Haul Low-Cost Airline and Europe's Best Low-Cost Airline".** SkyTrax recognized Norwegian the prestigious "Best long haul low-cost airline" award for the second time and the "Best low-cost airline in Europe" award for the fourth consecutive year.

- **Launch of low-cost long haul service between the US and Paris.** New long haul routes between Paris and New York, Los Angeles and Fort Lauderdale were launched in July.

- **Norwegian Reward reached five million members.** Norwegian Reward reached a new milestone – five million members. Since April, more than one million members joined the program worldwide, the equivalent of more than 4 000 people daily.

- **23 new aircraft delivered.** 17 new Boeing 737-800 and four 787-9 Dreamliners were delivered throughout 2016. Additionally, two new Airbus 320neo aircraft were delivered in December and were leased to HK Express. Norwegian currently operates 104 Boeing 737-800 aircraft and 12 Boeing 787 Dreamliners.

- **Ordered 30 Airbus 321LR aircraft.** Norwegian ordered 30 Airbus 321LR (long range) aircraft, which are scheduled to be delivered between 2019 and 2021. These aircraft were originally part of the 100 320neo order, which was later converted to 321LRs. The 321LRs will be operated by Norwegian, and will be a part of the Group's long haul strategy.

- **Norwegian Air Resources (NARH) merged with OSM Aviation.** In September, Norwegian Air Resources merged with OSM Aviation, which has 2 700 staff in 14 countries, to form a leading, full-service crew management company.

GROUP OVERVIEW

Norwegian Air Shuttle ASA ("Norwegian" or "the Company"), the parent company of the Norwegian Group ("the Group"), is headquartered in Fornebu, Norway, which is just outside of Oslo. The Company and its subsidiaries employ 6 285 staff at 19 locations in nine countries across three continents. Norwegian is one of Europe's fastest growing and most innovative airlines. At the end of 2016, Norwegian operated 472 routes to 130 destinations with both scheduled and charter service.

Norwegian's vision is "affordable fares for all". The business goal is to attract cus-

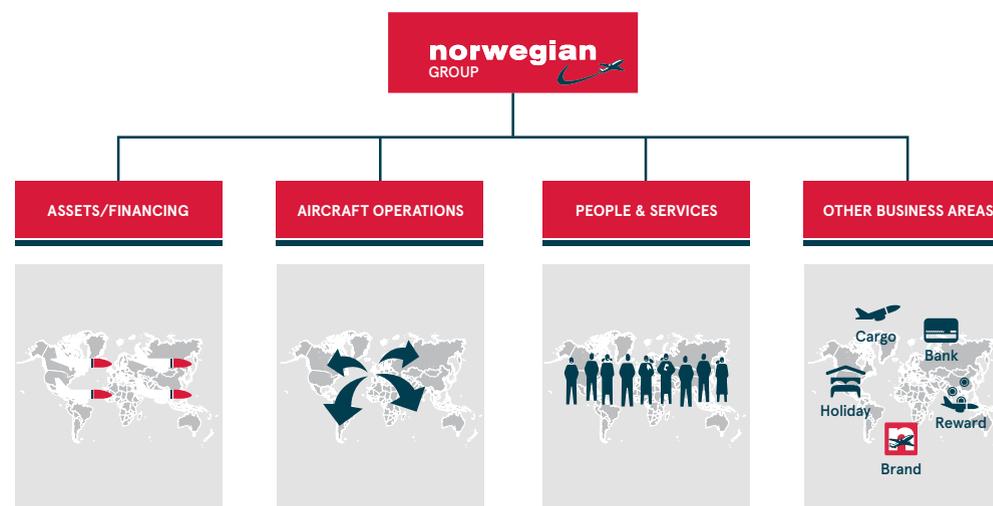
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tomers by offering a high-quality low fare travel experience based on operational excellence and helpful, friendly service. Operationally, safety always comes first. Norwegian's vision is to become the preferred air carrier in each of its markets and to generate return to its shareholders.

Key elements to fulfill Norwegian's strategy:

- Attract customers and stimulate markets by offering competitive fares and a quality travel experience based on low operating costs, operational excellence and helpful friendly service across all markets we operate.
- Offer the freedom to choose. Our customers will have the choice to select additional products and services. Norwegian provides a core, low-cost product to the price sensitive customer and a more comprehensive package for those who may want a little extra to ensure a broad market reach.
- Short-cut the traditional hub and spoke model with focus on point-to-point leisure travelers. Offer new routes and destinations to selected markets utilizing Norwegian's core strengths and create new direct routes to a broader market, focusing on routes not serviced today.
- Utilize the strong brand awareness and efficient distribution channels to further increase the Norwegian Group's revenue and profitability.
- Keep a lean and flat organization, which makes the decision-making processes simple and direct while enabling Norwegian to easily adapt to changes and opportunities in market. Always continue to improve the cost base.
- Maintain an innovative, "out-of-the-box" approach to the way we do business and explore new opportunities across the global market place.
- Have a positive and entrepreneurial organization in which everyone has the possibility to make a difference.



CORPORATE STRUCTURE

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

Norwegian has four main business areas: People and Services, Aircraft Operations, which includes our various Air Operator's Certificates (AOCs), Assets and Financing, and Other activities (including Brand and Norwegian Reward).

PEOPLE AND SERVICES

Norwegian Group's crew, airline and crew support and administrative functions are mainly organized within or through companies in the business area People and Services, and provide services across the Group's business areas.

AIRCRAFT OPERATIONS

The Group's commercial airline activities are today organized in the parent company Norwegian Air Shuttle ASA (NAS) based in Fornebu, Norway. The fully owned subsidiaries, Norwegian Air International Ltd. (NAI) based in Dublin, Ireland, Norwegian UK (NUK) based in London, United Kingdom and Norwegian Air Norway AS (NAN) based in Fornebu, Norway, each hold an

AOC in their respective locations. Norwegian's commercial airline activities are operated through 23 bases globally in the following geographical locations: Norway, Sweden, Denmark, Finland, United Kingdom, Spain, Thailand, United States, Italy and French Caribbean.

ASSETS AND FINANCING

The Group's asset companies are organized in a group of subsidiaries based in Dublin, Ireland. Arctic Aviation Asset Ltd. is the parent company. The business area handles aircraft financing, leases and ownership.

OTHER BUSINESS AREAS

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

Norwegian Reward, Norwegian's loyalty program, is a separate business unit with its own management. Reward is growing rapidly – it surpassed five million members in 2016 – and has a presence in the airline's major markets. Members earn CashPoints when booking Norwegian flights and buying products or services from partner companies. Reward members can then use those CashPoints as full or partial payment on all Norwegian flights or other products and services without restrictions, such as seat reservations. Reward has also introduced additional member benefits, which members can now claim after every sixth flight and use an unlimited amount of times within 12 months. The benefits include free seat reservation, free baggage, free Fast Track or a CashPoint boost.

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

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

Bank Norwegian AS is an online bank for private customers in Norway and is a fully owned subsidiary of Norwegian Finans Holding ASA, an associated company to the Group's parent company Norwegian Air Shuttle ASA. The parent company owns 20 per cent of the shares in Bank Norwegian through the associated company. Norwegian Finans Holding ASA was listed on the Oslo Stock Exchange in June 2016.



BRAND VALUE

As the Norwegian Group grows and establishes its business throughout the world, the need to protect and develop the commercial brand value is becoming increasingly more important. Norwegian Brand Ltd. (Dublin, Ireland) was established in

2013 to undertake the role as a professional asset management company, and it is responsible for developing brand value. The Company has ownership of all intellectual property (IP) assets within the Norwegian Group. Norwegian Brand Ltd. licenses out the relevant IP to all businesses within the Norwegian Group.

Brand Finance ranked Norwegian the 31st most valuable airline brand in the world (up from 44th last year). Brand Finance is one of the world's leading independent brand valuation and consultancy firms.

MARKET CONDITIONS

Norwegian is the third largest low-cost carrier in Europe and sixth largest in the world. The route network stretches across Europe into North Africa, the Middle East, North America, the Caribbean and South-east Asia. Norwegian has a vast domestic route network in Norway, Sweden, Denmark, Finland and Spain, as well as a wide range of routes between Scandinavia and the European continent, Thailand, the Middle East and the US.

Norwegian continued its global expansion in 2016 by taking delivery of 17 brand new Boeing 737-800s and four 787-9 Dreamliners. These aircraft enabled us to open two new short haul bases, as well as increase frequencies within our existing route network.

In 2016, the strongest passenger growth was in Spain and the US. The US had the strongest growth rate with an increase of 57 per cent followed by Spain with 50 per cent. The growth rate in Scandinavia was a moderate seven per cent.

Norwegian continues to operate in a challenging marketplace. Various exter-

nal factors have put pressure on airlines throughout Europe. Terrorist attacks in leisure destinations, such as Turkey, have dampened demand and political changes in the UK have impacted consumer confidence. However, Norwegian has been well placed to weather these challenges due to its low-cost base and adaptable business model. The Group has been able to react quicker than its competitors by refocusing capacity to traditional leisure markets, such as Spain. In addition, the Group continues to diversify its long haul portfolio throughout Europe, resulting in less risk from currency fluctuations.

Competitors continued to react to Norwegian's expansion into their key markets. British Airways announced new routes from Gatwick to New York, Fort Lauderdale and Oakland – all in direct competition with Norwegian's routes in those markets. SAS launched new routes from Oslo to Miami, as well as Copenhagen and Stockholm to Los Angeles. However, the impact from this development is limited as Norwegian's long haul routes continue to operate

with load factors in excess of 90 per cent. In addition, the Group is confident that competitors cannot match Norwegian's cost base and that Norwegian's low fares will continue to stimulate a new market.

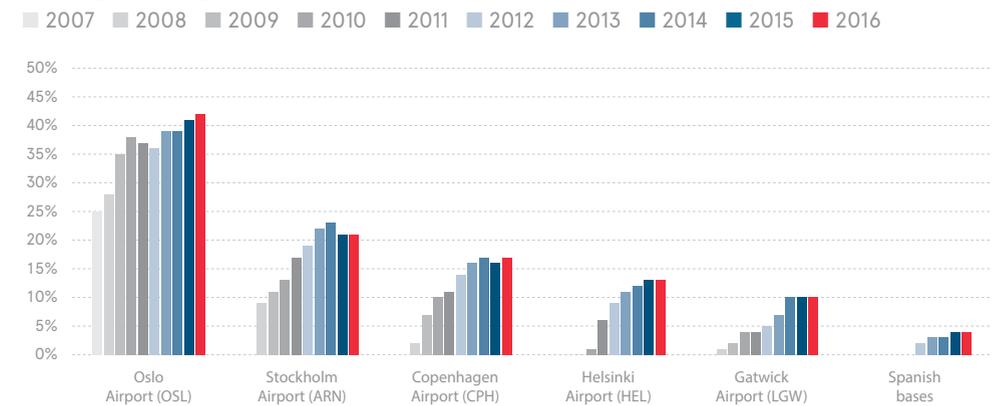
SAFETY AND COMPLIANCE

The safety of customers and staff – both on the ground and in the air – is a priority for Norwegian and one of the Company's guiding principles. The Company has not experienced any serious accidents or incidents involving passengers, crew or aircraft since launching service in 1993.

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

As a result of Norwegian's global expansion, new people from different cultures are continuously joining the team. The Norwegian corporate Safety Culture is the "engine" of the Group's Safety Management Systems. An important goal is to cre-

MARKET SHARE



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

The Norwegian airlines have separate safety departments, but they are all integrated into the airlines’ Safety Management Systems. The Safety and Compliance departments are independent and report directly to the airlines’ Accountable Manager.

Safety and safety-related issues are covered during crew training. The Civil Aviation Authorities approve all programs, examinations and qualification requirements.

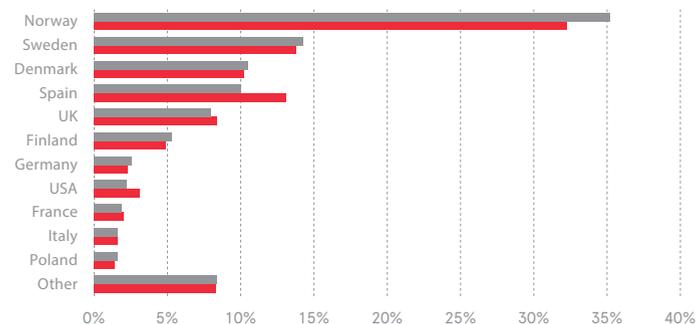
As with all management systems, the Safety Management System provides for goal setting, planning, and performance measuring. The Safety Management System is fully integrated across the organization. As it develops, it becomes a part of the Group culture; nurturing attitudes and beliefs toward safety,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

Norwegian focuses on safety and encourages internal reporting of errors. The Group is actively promoting an atmosphere where all staff can openly discuss errors of commission or omission, process improvements, and/or systems corrections without the fear of reprisal. The safety departments approach safety in a holistic manner



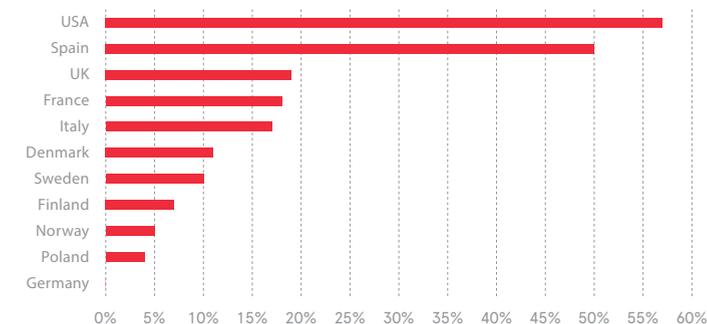
PASSENGERS BY COUNTRY OF ORIGIN

In million ■ 2015 ■ 2016



GROWTH IN PASSENGERS BY COUNTRY 2016

In per cent

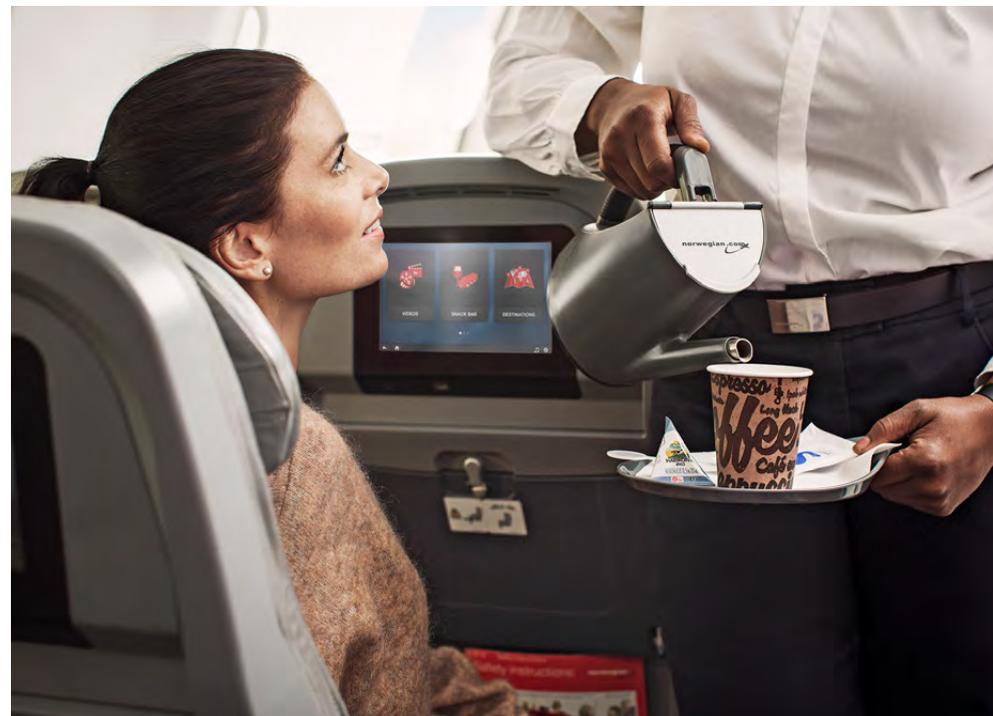
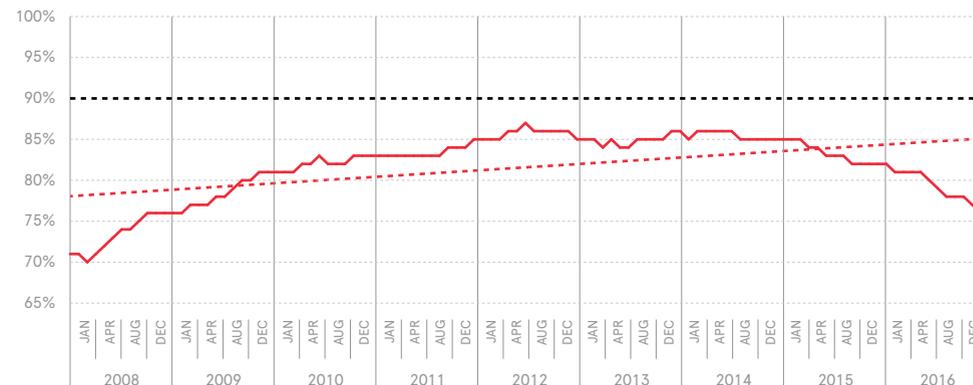


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PUNCTUALITY

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



involving all staff. Such activity is essential to an effective Safety Management System, where each department considers not alone its own risks, but also the risk that its plans and/or activities will have on other departments. In order to achieve Norwegians goal of obtaining best practices, the Group move beyond just authority compliance. The Group actively engages in international safety research projects, exchanges data with the aviation industry and strives to follow industry best practices.

In order to comply with European and International Safety Management System requirements, a number of organizational changes have been implemented. A new safety organization has been introduced, bringing a whole new approach to safety and how it is exercised. As a result, the focus on safety is no longer limited to flight safety alone; it now embraces safety across the entire Group and allows every staff member to be a part of our safety strategy. Everyone – regardless of role or function – has the responsibility of reporting safety hazards, occurrences and issues via the SafetyNet reporting system. By engaging with active reporting, Norwegian’s staff can identify risks and ultimately prevent costly incidents and accidents.

In 2016, Norwegian Safety deployed of a new IT system in order to enable the measurement of its risk exposure in real time and to foresee potential risks. This initiative will work in conjunction with our SafetyNet reporting system and Flight Data Monitoring program to provide cutting edge risk awareness technology. Automatic collection and collation of data from the entire organization, combined with logical processing of current and historical data, provides a view of future risk. By analyzing

key data and trends over time, Norwegian can uncover areas that need additional attention and understand the effects of corrective measures taken. Transitioning from reactive to proactive and predictive identification of risks enable potential deviations to be corrected before they occur.

OPERATIONAL AND MARKET DEVELOPMENT

In 2016, Norwegian continued its network expansion which included 34 new routes; 12 in the UK, 10 in Spain, three in France, five in Norway, two in Denmark, one in Sweden and one in the French Caribbean. Of those 34 routes, 25 were within the short haul network, and the remaining nine were within the long haul network. Norwegian also took delivery of 17 environmentally friendly Boeing 737-800 aircraft and four 787-9 during the year.

NETWORK

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

Norwegian also opened two new European bases in the summer; one in Rome (two aircraft) and one in Palma de Mallorca (two aircraft). These bases enabled Norwegian to retain its presence in key Nordic markets while also introducing new intra-European routes.

The Group saw significant growth in Spain with a net increase of six stationed aircraft. These aircraft were used to launch

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further high volume leisure routes as well as cement our place as a leading domestic airline in Spain with the launch of the Barcelona-Bilbao route.

The growth in aircraft based in Spain and Italy has helped to clear the way for an increased focus on the core Nordic domestic and intra-Scandinavian route network. Routes in these markets tend to have high daily frequencies, and Norwegian has continued to optimize these routes to connect to both short and long haul service throughout Scandinavia.

In total, Norwegian operates 18 short haul bases, seven of which are in Spain, four are in Norway, two are in the French Caribbean and one is in Sweden, Denmark, Finland, Italy, and the UK respectively. All mainland European bases serve a pan-European international route network.

In 2016, Norwegian continued its aggressive long haul growth by taking delivery of four new Boeing 787-9 Dreamliners. These aircraft were used to establish long haul operations from Paris as well as increasing service to the US from London Gatwick. This growth brought Norwegian's long haul service offering to more than 40 routes from Europe.

Norwegian's high growth rate is expected to continue into 2017 when an additional nine new 787-9 Dreamliners enter the fleet and long haul service to Barcelona is launched. In addition, there are 23 new narrow body deliveries that will enable entries into new markets throughout Europe.

INTERNATIONAL OPERATIONS

Norwegian Air International Ltd. (NAI)

During 2016, Norwegian Air International (NAI) went from operating 20 aircraft to operating 47 aircraft; all of which are Boe-

ing 737-800s. Additionally, NAI had a permanent wet lease from Norwegian UK during the year.

At the end of the year, NAI operated out of bases in Finland, Italy, Spain and the UK. Moreover, it was decided that the current Norwegian Air Shuttle ASA 737-800 operation out of Copenhagen should be transferred to NAI. The transfer is planned to take place in the first quarter of 2017.

In February 2014, NAI applied the US Department of Transportation (DOT) for a foreign air carrier permit to operate flights to the USA. NAI was granted the necessary permissions on December 2, 2016.

Norwegian Air UK Ltd. (NUK)

Norwegian Air UK Ltd (NUK) was established in the United Kingdom in January 2015, and NUK received its Operational License and Air Operating Certificate in October 2015. NUK has one Boeing 737-800 registered on the operational specifications and operates wet-lease operations for Norwegian Air International Ltd. New UK headquarters was established at London Gatwick airport in 2016 to accommodate NUK's 30 staff, with more staff expected over the next few years. In December 2015, two years after the NAI application was submitted, the Group submitted NUK's application for a foreign air carrier permit to the DOT. At the date of publishing, the decision from the DOT is still pending.

AIRCRAFT MAINTENANCE

The Boeing 737 fleet is operated by the parent company (NAS) and its fully owned subsidiary Norwegian Air Norway (NAN), Norwegian Air International (NAI) and Norwegian UK (NUK). Norwegian Air Shut-

tle (NAS) operates the Boeing 787-9 fleet.

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

NAS and NAN manage their own maintenance operations from the technical bases at Oslo Gardermoen Airport. NAI manages its maintenance operations from its technical base in Dublin, Ireland. NUK manages its maintenance operations from its technical base in London, UK.

Continuing Airworthiness activities – activities that keep the aircraft suitable for safe flights – for the 787-9 fleet are sub-contracted to Boeing Fleet Technical Management (Boeing FTM). Control and oversight of the activities is performed by Norwegian Air Shuttle Maintenance operations in addition to civil aviation authorities.

Major airframe as well as workshop maintenance is performed by external sources subject to approval by the European Aviation Safety Agency (EASA) and by 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 fleet of 787-9 is currently carried out by British Airways, NAS and Monarch.

"Norwegian's high growth rate is expected to continue into 2017"

Rolls Royce UK currently 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 international authority regulations. The Group carries out initial quality approval, as well as continuously monitoring all maintenance suppliers.

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

FINANCIAL REVIEW

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

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



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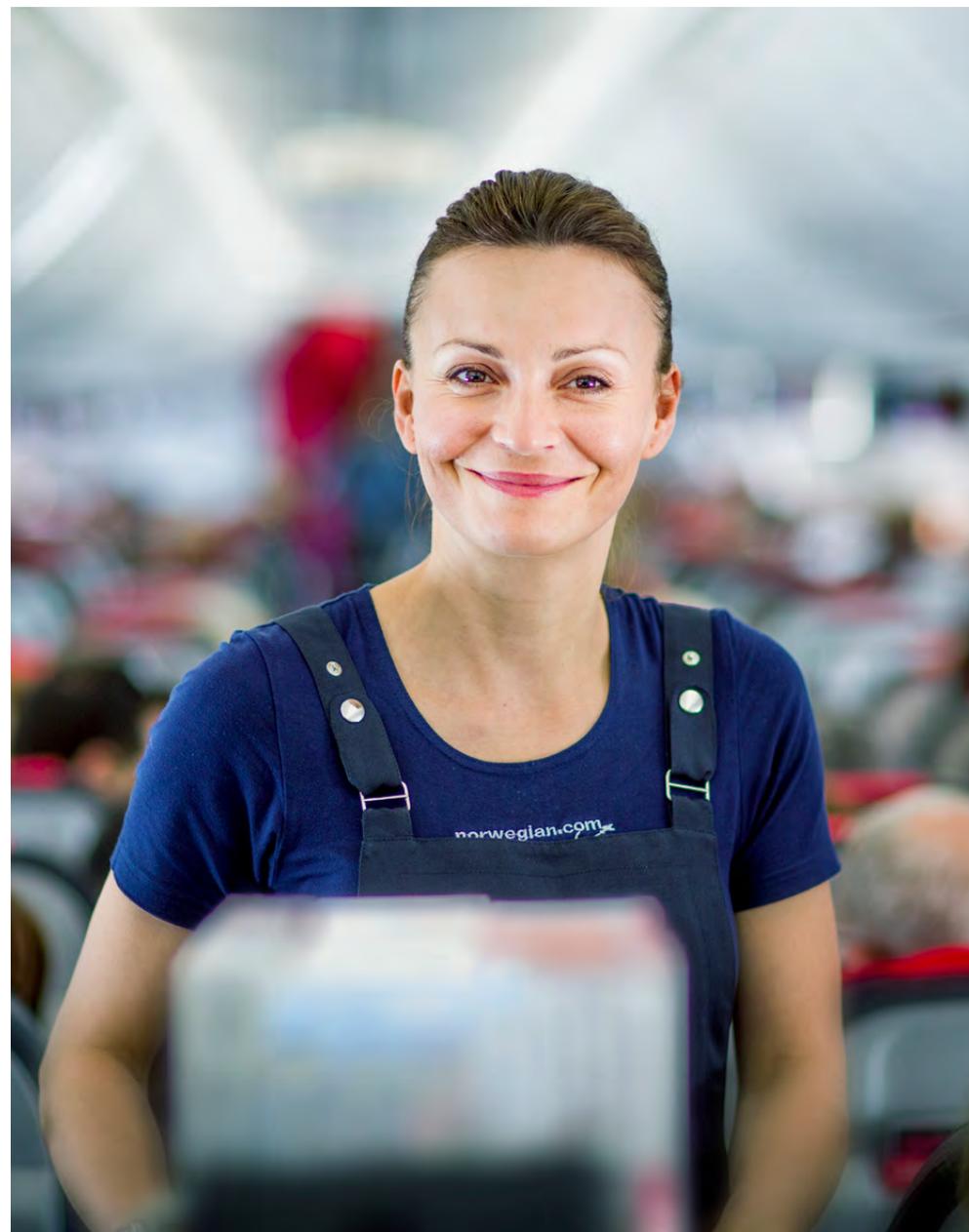
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Consolidated statement of profit and loss

The Group's total operating revenues and income for 2016 grew by 16 per cent and came to NOK 26 055 million (NOK 22 491 million), of which ticket revenues accounted for NOK 21 096 million (NOK 18 506 million). Ancillary passenger revenues were NOK 3 929 million (NOK 3 275 million), while NOK 926 million (NOK 710 million) was related to freight, third-party products and other income. The revenue growth is a result of increased number of passengers, as the yield has decreased. The load factor increased by 1.5 percentage points compared to the same period last year. The ticket revenue per available seat kilometer (RASK) for 2016 was NOK 0.36 (NOK 0.38), down three per cent from previous year. Ancillary revenues rose by five per cent to NOK 134 per PAX (127).

Operating costs (including leasing and excluding depreciation and write-downs) amounted to NOK 22 938 million (NOK 21 010 million), with a unit cost of NOK 0.41 (NOK 0.42). The unit cost excluding fuel was up by two per cent to NOK 0.32 (NOK 0.31). The increase in unit cost was mainly a consequence of currency. CASK excluding fuel in constant currency was one per cent lower than previous year. Earnings before interest, depreciation and amortizations (EBITDA) were NOK 3 116 million, compared to NOK 1 481 million last year.

Financial items in 2016 resulted in a loss of NOK 525 million, compared to a loss of NOK 376 million in 2015. Included in financial items is NOK 116 million in net foreign exchange gains, compared to a gain of NOK 27 million previous year. With regards to accounting for the prepayments on purchase contracts with aircraft manufactur-

ers, NOK 262 million (NOK 269 million) in interest costs were capitalized in 2016. In 2007, the Group established Bank Norwegian, a wholly owned subsidiary of Norwegian Finans Holding ASA, in which the Group has a 20 per cent stake. The Company was listed at the Oslo Stock Exchange main list in June 2016 with the ticker NOFI. The Group's share of OSM Aviation and Bank Norwegian's net profit resulted in a net gain of NOK 213 million (NOK 103 million) in the consolidated profit and loss.

Earnings before tax in 2016 amounted to a gain of NOK 1 508 million (NOK 75 million) and net profit after tax was a gain of NOK 1 135 million (NOK 246 million). Earnings per share was NOK 31.7 per share (NOK 6.99).

Consolidated statement of financial position

The Group's total debt and assets are impacted by the asset acquisitions, depreciation of NOK against USD and the capacity increase that have taken place during the year. Total assets at December 31, 2016 were NOK 37 763 million (NOK 31 634 million). The book value of aircraft increased by NOK 4 090 million to 22 572 during the year. Prepayments to aircraft manufacturers were NOK 7 156 million at the end of 2016, an increase of NOK 1 217 million from December 31, 2015. Trade and other receivables were NOK 3 014 million (NOK 2 551 million).

At the balance sheet date, the Group had a cash balance of NOK 2 324 million (NOK 2 454 million). Total borrowings increased by NOK 3 890 million to NOK 23 475 million (NOK 19 584 million) related to financing of new aircraft.

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"Borrowings are denominated in USD, EUR and NOK. Hence, there is an operational edge in the composition of the debt"

Capital structure

The Group's total equity was NOK 4 049 million (NOK 2 965 million) at December 31, 2016 with an equity ratio of 11 per cent (nine per cent). Total equity increased by NOK 1 084 million following net profit for the period of NOK 1 135 million, exchange rate loss on equity in Group companies of NOK 103 million and actuarial gains on pension plans of NOK 25 million.

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

The Group's aggregated net interest-bearing debt was NOK 21 151 million (NOK 17 131 million) at year-end. The Group's gross interest-bearing liabilities of NOK 23 475 million (NOK 19 584 million) mainly consisted of financing for aircraft amounting to NOK 17 580 million, bond loans with a net book value of NOK 4 154 million, Pre-Delivery Payment syndicated credit facilities of NOK 1 416 million and a credit facility of NOK 325 million. In 2016, the Group successfully tapped existing bonds in NOK and EUR. NOK 4 768 million of the interest-bearing loans mature in 2017. NOK 1 416 million is related to financing of prepayments to aircraft manufacturers and will be replaced by long term financing at the time of delivery of the aircraft.

Consolidated statement of cash flow

The Group's cash flow from operations was NOK 3 047 million (NOK 2 357 million) in 2016. The net cash flow from operating activities consists of the profit before tax of NOK 1 508 million; add back of depreciation and other expenses without cash effects of NOK 1 296 million and interests on borrowings of NOK 801 million included in financial activities. Changes in working capital mainly due to traffic growth amounted to NOK 130 million. During 2016, the Group paid NOK 29 million in taxes. The net cash flow used for investment activities was negative of NOK 6 512 million (negative of NOK 5 189 million), related to the purchases of 17 new Boeing 737-800s, two Airbus 320neos and net of pre-delivery payments. The net cash flow from financial activities in 2016 was NOK 3 303 million (NOK 3 282 million). New loans, including draw downs on facilities for aircraft prepayments and bond issues were NOK 5 806 million, while repayments on long term debt were NOK 1 573 million. The Group has a strong focus on liquidity planning and the Board is confident in the Group's financial position at the beginning of 2017.

R&D

The Group did not carry out any significant R&D activities in 2016, and there is no material impact of such activities in the financial statements.

FINANCIAL RISK AND RISK MANAGEMENT

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

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

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

jet-fuel risk, interest rate risk, and credit risk, use of derivative financial instruments and investment of excess liquidity.

Interest risk

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

Foreign currency risk

A substantial part of the Group's revenues and expenses are denominated in foreign currencies. Revenues are increasingly exposed to changes in foreign currencies against NOK as the Group expands globally with more customers travelling from the 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, the Group has a mandate to hedge up to 100 per cent



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"Norwegian aims to generate competitive returns to its shareholders"

of its currency exposure for the following 12 months. The hedging consists of forward currency contracts and flexible forwards.

Price risk

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

Liquidity risk

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

export credit agencies in the United States and EU.

Credit risk

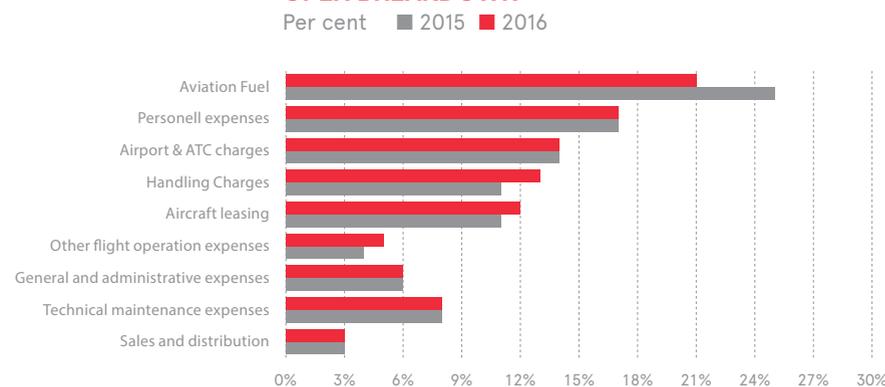
Credit risks are managed on a Group level. Credit risks arise from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposure to commercial customers. The Group's policy is to maintain credit sales at a minimum level and sales to consumers are settled by using credit card companies. The risks arising from receivables on credit card companies or credit card acquirers are monitored closely. At December 31, 2016, 46 per cent of total trade receivables are with counterparties with an external credit rating of A or better, and 86 per cent of total cash and cash equivalents are placed with A+ or better rated counterparties.

THE SHARE

The Company's shares are listed on Oslo Børs (Oslo Stock Exchange) with the ticker symbol NAS and is included in the benchmark index OBX, which comprises the 25 most liquid shares on Oslo Børs.

Norwegian aims to generate competitive returns to its shareholders. The Board has recommended not to distribute dividends but to retain earnings for investment in expansion and other investment opportunities as stated in the articles of association, thereby enhancing profitability and returns to shareholders. The Company has not paid dividends during the last three years.

OPEX BREAKDOWN





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SHARE PRICE DEVELOPMENT 2016 – NORWEGIAN AIR SHUTTLE ASA

NOK per share



The share had a closing price of NOK 287.0 at December 31, 2016 and yielded a negative return of 11 per cent from the beginning of the year.

Norwegian had 13 350 shareholders at 31 December 2016 and the 20 largest shareholders accounted for 71.8 per cent of the share capital.

HBK Invest AS is the largest shareholder, currently holding 24.6 per cent of the shares. Its majority owner is Mr Bjørn Kjos, CEO of Norwegian. HBK Invest AS is represented on the Board of Directors of Norwegian Air Shuttle ASA by Mr Bjørn H. Kise, who was elected as Chair of the Board.

CHANGES IN THE BOARD OF DIRECTORS AND GROUP MANAGEMENT

Mr Geir Olav Øien, Ms Linda Olsen and Mr Marcus Hall were elected by the employees as Directors to the Board of Directors.

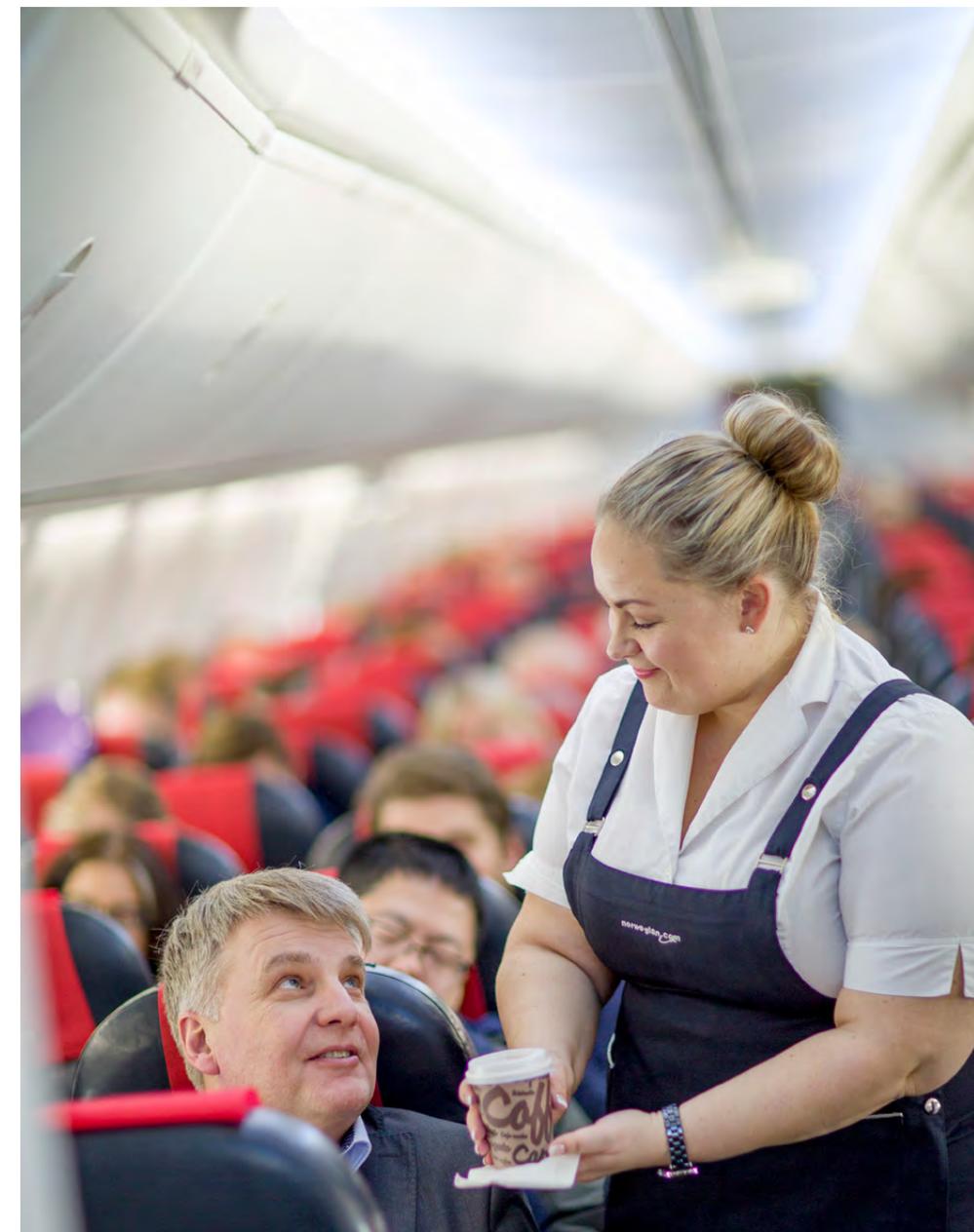
Mr Jan Dahm-Simonsen joined Norwegian in September 2016 as the Group's new Chief Human Resources Officer, succeed-

ing Mr Gunnar Martinsen when he retired. Former CEO of Norwegian UK, Mr Asgeir Nyseth, succeeded Mr Geir Steiro as Chief Operating Officer. In 2016, the Group Management was expanded to include Mr Bjørn Erik Barman-Jenssen (Managing Director Norwegian Air Resources) and Mr Lennart Ceder (Chief Operating Officer Norwegian Air UK Ltd).

EVENTS AFTER DECEMBER 31

On January 25, 2017, Norwegian Air Shuttle ASA successfully completed a new unsecured bond issue of SEK 800 million with maturity date August 7, 2020 at Stibor +500 bp. The settlement date for the bond was February 7, 2017. The net proceeds from the bonds shall be employed for general corporate purposes in support of the growth of the group. An application will be made for listing of the bonds on Oslo Børs (Oslo Stock Exchange).

On February 13, 2017, Norwegian Air Shuttle subscribed for 1 302 931 new shares in Norwegian Finans Holding ASA (NOFI)





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at a subscription price of 76.75. The investment of NOK 100 million corresponds to 20 per cent of the private placement as publicly announced by NOFI on February 13. After the transaction, Norwegian Air Shuttle AS owns 37 323 739 shares in NOFI equal to 20 per cent of the shares issued.

Norwegian is the launch customer in Europe of the new Boeing 737 MAX and has announced 12 new trans-atlantic routes, which will be served with the new aircraft from the summer 2017.

GOING CONCERN ASSUMPTION

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

PARENT COMPANY RESULTS AND DISTRIBUTION OF FUNDS

Net profit for the parent company Norwegian Air Shuttle ASA was NOK 784.2 million.

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

(Amounts in NOK million)

Dividend	0
Transferred from other equity	784.2
Total allocated	784.2

CORPORATE SOCIAL RESPONSIBILITY

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

The requirements of the Norwegian Ac-

counting Act § 3-3c for reporting on have been covered within the separate report Corporate Social Responsibility at Norwegian, presented in a separate section of the annual report and available on the Group's website www.norwegian.no. Included in this report is reporting on environmental impact as well as working environment, equality and non-discrimination.

CORPORATE GOVERNANCE

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

Norwegian is subject to the annual corporate governance reporting requirements under section 3-3b of the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance, cf. section 7 on Oslo Børs' continuing obligations of listed companies. The Accounting Act may be found (in Norwegian) at www.lovdata.no. The Norwegian Code of Practice for Corporate Governance ("the code"), which was last revised on October 30, 2014, may be found at www.nues.no.

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.

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- Operational and Market development
- Network
- International Operations
- Aircraft Maintenance
- Financial Review
- R&D
- Financial Risk and Risk Management
- The Share
- Changes in the Board of Directors and Group Management
- Events after December 31
- Going Concern Assumption
- Parent Company results and distribution of funds
- Corporate social responsibility
- Corporate Governance
- Outlook 2017
- Declaration on the financial statements

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 as a separate document in a separate section of the annual report, which is available on the Group's website www.norwegian.no.

OUTLOOK 2017

The demand for travelling with Norwegian and advance bookings have been satisfactory entering the first quarter of 2017. Norwegian will continue to take advantage of its increasing competitive power realized

through continuous cost efficiency, and from introducing larger aircraft (seventeen new Boeing 737-800s, nine new Boeing 787-9s and six 737 MAX will be delivered in 2017) with a lower operating cost. In addition, three Airbus 320neo aircraft are scheduled to be delivered in 2017, which will be leased to the airline HK Express.

Norwegian has 23 operational bases globally.

Norwegian guides for a production growth (ASK) of 30 per cent for 2017. The growth in Boeing 737 production is by adding Boeing 737-800s, and introducing Boeing 737 MAX. The Boeing 787 production will grow in accordance with the phasing

in of aircraft and the Company will have 21 Boeing 787s by the end of 2017. Norwegian may decide to adjust capacity in order to optimize the route portfolio depending on the development in the overall economy and in the marketplace.

Assuming a fuel price of USD 500 per ton, USD/NOK 8.25 and EUR/NOK 9.00 for the year 2017 (excluding hedged volumes) and with the currently planned route portfolio, the Company is targeting a unit cost (CASK) in the range of NOK 0.39 to 0.40 for 2017.

Norwegian continues to establish and develop an organizational structure that will secure cost efficient international expansion and necessary traffic rights for the future.

DECLARATION ON THE FINANCIAL STATEMENTS

We confirm that the financial statements for the year 2016, to the best of our knowledge, have been prepared in accordance with International Financial Reporting Standards (IFRS), gives a true and fair view of the Company's and Group's consolidated assets, liabilities, financial position and results of operations, and that the annual report includes a fair review of the development, results and position of the Company and Group, together with a description of the most central risks and uncertainty factors facing the companies.

Fornebu, March 21, 2017

Bjørn H. Kise
Chair

Liv Berstad
Deputy Chair

Christian Fredrik Stray
Director

Ada Kjeseth
Director

Marcus Daniel Hall
Director
(elected by the employees)

Linda Olsen
Director
(elected by the employees)

Geir Olav Øien
Director
(elected by the employees)

Bjørn Kjos
Chief Executive Officer



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NOK 1 000	Note	2016	2015
Revenue	4	25 950 554	22 483 544
Other income	4	103 971	7 603
Total operating revenue and income		26 054 525	22 491 148
Operational expenses	5	18 024 344	15 839 048
Payroll	6, 7, 17, 18	3 971 412	3 433 703
Depreciation, amortization and impairment	10, 11	1 295 825	1 133 287
Other operating expenses	5a	1 519 111	1 263 185
Other losses/(gains) - net	20	(576 553)	474 150
Total operating expenses		24 234 139	22 143 372
Operating profit		1 820 386	347 775
Interest income		43 623	74 181
Interest expense		685 990	463 348
Other financial income (expenses)		117 513	12 988
Net financial items	8	(524 854)	(376 178)
Share of profit from associated companies	25	212 801	103 441
Profit before tax		1 508 333	75 038
Income tax expense (income)	9	373 353	(171 114)
Profit for the year		1 134 981	246 152
Basic earnings per share	16	31.75	6.99
Diluted earnings per share	16	31.47	6.92
Profit attributable to:			
Owners of the Company		1 135 263	246 152
Non-controlling interests		(283)	-

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 1.1 – 31.12

NOK 1 000	Note	2016	2015
Profit for the year		1 134 981	246 152
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange rate differences on translation of foreign operations		(104 313)	421 093
Share of other comprehensive income of associated companies		1 232	-
Net comprehensive income that may be reclassified		(103 080)	421 093
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Actuarial gains and losses	18	24 452	44 533
Exchange rate differences attributable to non-controlling interests		1 189	-
Net comprehensive income that will not be reclassified		25 642	44 533
Total comprehensive income for the period		1 057 542	711 778
Total comprehensive income attributable to:			
Equity holders of the Company		1 056 635	711 778
Non-controlling interests		907	-

The notes on [pages 27–59](#) are an integral part of these consolidated financial statements.



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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT DECEMBER 31

NOK 1 000	Note	2016	2015
ASSETS			
Non-current assets			
Intangible assets	10	198 260	206 675
Deferred tax asset	9	241 499	593 626
Aircraft, parts and installations on leased aircraft	11	22 571 775	18 507 706
Equipment and fixtures	11	88 361	79 508
Buildings	11	283 236	285 674
Derivative financial instruments	3, 20	114 476	-
Financial assets available for sale	3, 20	82 689	82 689
Investment in associate	25	609 110	328 127
Prepayment to aircraft manufacturers	11	7 156 303	5 939 281
Other receivables	13	623 606	501 811
Total non-current assets		31 969 314	26 525 096
Current assets			
Inventory	14	102 465	104 141
Trade and other receivables	13	3 013 978	2 550 716
Derivative financial instruments	3, 20	353 246	-
Cash and cash equivalents	24	2 323 647	2 454 160
Total current assets		5 793 337	5 109 017
Total assets		37 762 651	31 634 113

NOK 1 000	Note	2016	2015
EQUITY AND LIABILITIES			
Equity			
Share capital	15	3 576	3 576
Share premium	15	1 231 631	1 231 631
Other paid-in equity		110 621	94 362
Other reserves		773 112	876 192
Retained earnings		1 919 266	759 550
Shareholders' equity		4 038 205	2 965 312
Non-controlling interest		10 770	-
Total equity		4 048 975	2 965 312
Non-current liabilities			
Pension obligation	18	107 379	134 516
Provision for periodic maintenance	19	1 376 465	1 177 513
Other long term liabilities	19	85 166	80 338
Borrowings	22	18 706 062	16 543 405
Derivative financial instruments	3, 20	27 939	-
Total non-current liabilities		20 303 010	17 935 772
Short term liabilities			
Short term part of borrowings	22	4 768 813	3 041 388
Trade and other payables	21	3 881 684	2 862 566
Air traffic settlement liabilities		4 666 212	4 014 428
Derivative financial instruments	3, 20	86 306	782 523
Tax payable	9	7 650	32 123
Total short term liabilities		13 410 666	10 733 029
Total liabilities		33 713 676	28 668 801
Total equity and liabilities		37 762 651	31 634 113

The notes on [pages 27–59](#) are an integral part of these consolidated financial statements.

Fornebu, March 21, 2017

Bjørn H. Kise
Chair

Liv Berstad
Deputy chair

Christian Fredrik Stray
Director

Ada Kjeseth
Director

Marcus Daniel Hall
Director
(elected by the employees)

Linda Olsen
Director
(elected by the employees)

Geir Olav Øien
Director
(elected by the employees)

Bjørn Kjos
Chief Executive Officer



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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 1.1 – 31.12

<i>NOK 1 000</i>	Share capital	Share premium	Other paid-in equity	Total paid-in equity	Other Reserves	Retained earnings	Share-holders' equity	Non-controlling interest	Total equity
Equity at January 1, 2015	3 516	1 093 549	87 221	1 184 287	455 099	468 865	2 108 251	-	2 108 251
Profit for the year	-	-	-	-	-	246 152	246 152	-	246 152
Actuarial gains and losses	-	-	-	-	-	44 533	44 533	-	44 533
Exchange rate differences on translation of foreign operations	-	-	-	-	421 093	-	421 093	-	421 093
Total comprehensive income 2015	-	-	-	-	421 093	290 685	711 778	-	711 778
Share issue	60	138 082	-	138 142	-	-	138 142	-	138 142
Equity change on employee options	-	-	7 141	7 141	-	-	7 141	-	7 141
Transactions with owners	60	138 082	7 141	145 283	-	-	145 283	-	145 283
Equity at December 31, 2015	3 576	1 231 631	94 362	1 329 569	876 192	759 550	2 965 312	-	2 965 312
Profit for the year	-	-	-	-	-	1 135 263	1 135 263	(283)	1 134 981
Actuarial gains and losses	-	-	-	-	-	24 452	24 452	-	24 452
Exchange rate differences on translation of foreign operations	-	-	-	-	(104 313)	-	(104 313)	1 189	(103 123)
Share of other comprehensive income of associated companies	-	-	-	-	1 232	-	1 232	-	1 232
Total comprehensive income 2016	-	-	-	-	(103 080)	1 159 716	1 056 635	907	1 057 542
Transactions with non-controlling interests	-	-	-	-	-	-	-	9 863	9 863
Equity change on employee options	-	-	16 259	16 259	-	-	16 259	-	16 259
Transactions with owners	-	-	16 259	16 259	-	-	16 259	9 863	26 122
Equity at December 31, 2016	3 576	1 231 631	110 621	1 345 828	773 112	1 919 266	4 038 205	10 770	4 048 975

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CONSOLIDATED CASH FLOW STATEMENT 1.1 – 31.12

NOK 1 000	Note	2016	2015
Cash flows from operating activities:			
Profit before tax		1 508 333	75 038
Taxes paid	9	(28 622)	(44 056)
Depreciation, amortization and impairment	10, 11	1 295 825	1 133 287
Pension expense without cash effect		(27 137)	5 480
Profit from associated companies	26	(212 801)	(103 441)
Compensation expense for employee options	17	16 259	7 141
Losses/(gains) on disposal of tangible assets	10	(101 103)	-
Fair value losses/(gains) on financial assets	20	(576 553)	474 149
Realized effects from currency and derivative contracts		(566 109)	(899 161)
Financial items	8	524 854	376 178
Interest received	8	43 623	74 172
Change in inventories, accounts receivable and accounts payable		(183 056)	(292 082)
Change in air traffic settlement liabilities		651 784	1 049 001
Change in other current assets and current liabilities		701 175	501 000
Net cash flow from operating activities		3 046 473	2 356 707
Cash flows from investing activities:			
Prepayments aircraft purchase	11	(3 474 816)	(3 138 767)
Purchase of tangible assets	11	(4 525 827)	(2 022 951)
Purchase of intangible assets	10	(31 038)	(45 685)
Proceeds from sales of tangible assets	11	1 584 509	18 250
Proceeds from sales of shares in subsidiaries net of cash disposed		1 698	-
Payment to associated companies	25	(66 950)	-
Net cash flow from investing activities		(6 512 425)	(5 189 153)
Cash flows from financial activities:			
Proceeds from long-term debt	22	5 805 813	5 553 592
Payment of long-term debt	22	(1 572 788)	(1 827 543)
Interest on borrowings		(941 890)	(581 903)
Proceeds from issuing new shares		-	138 142
Other financing activities		11 698	-
Net cash flow from financial activities		3 302 834	3 282 288
Foreign exchange effect on cash		32 606	(6 820)
Net change in cash and cash equivalents		(130 513)	443 021
Cash and cash equivalents at January 1		2 454 160	2 011 139
Cash and cash equivalents at December 31	24	2 323 647	2 454 160

The notes on [pages 27–59](#) are an integral part of these consolidated financial statements.



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 01: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 General information

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

The consolidated financial statements of Norwegian Air Shuttle ASA for the year ended December 31, 2016 were authorized for issue by the Board of Directors on March 21, 2017. The annual shareholders meeting, to be held May 9, 2017, have the power to amend and reissue the financial statements.

1.2 Basis of preparation

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

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

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

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

1.2.1 Changes in accounting policies and disclosures

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 January 1, 2016:

- Accounting for acquisitions of interests in joint operations – Amendments to IFRS 11;
- Clarification of acceptable methods of depreciation and amortization – Amendments to IAS 16 and IAS 38;
- Annual improvements to IFRSs 2012 – 2014 cycle, and;
- Disclosure initiative – amendments to IAS 1.

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

New standards, amendments and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for December 31, 2016 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

- *IFRS 9, Financial instruments*
IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, and introduces new

rules for hedge accounting and a new impairment model for financial assets. IFRS 9 establishes three primary measurement categories for financial assets: amortized cost, fair value through OCI and fair value through P&L. While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, we do not, however, expect the new guidance to have a significant impact on the classification and measurements of financial assets.

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

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. Currently, the Group does not use hedge accounting. While the Group is yet to undertake a detailed assessment, the new standard could result in the use of hedge accounting for derivatives.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortized cost, debt instruments measured at FVOCI, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments, and certain financial guarantee contracts. While the Group has not

yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

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

The standard is effective for accounting periods beginning on or after January 1, 2018. The Group does not intend to adopt IFRS 9 before its mandatory date.

- *IFRS 15, Revenue from contracts with customers:*

IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and benefit from the good or service. The standard replaces IAS 18, Revenue and IAS 11, Construction contracts and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted.

The Group is currently evaluating the financial and operational impact of adopting IFRS 15, Revenue from Contracts with Customers. The review of the impact of IFRS 15 will require an assessment of all revenue streams, and the impact of adopting the standard cannot be reliably estimated until this work is substantially complete.



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● IFRS 16, Leases

IFRS 16 replaces the current standards IAS 17, Leases, whereas IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead, all leases are treated in a similar way to finance leases applying IAS 17. Under IFRS 16 leases are capitalized by recognizing the present value of the lease payments and showing them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a company also recognizes a financial liability representing its obligation to make future lease payments. IFRS 16 replaces the straight-line operating lease expense for those leases applying IAS 17 with a depreciation charge for the lease asset (included within operating costs) and an interest expense on the lease liability (included within finance costs). As the Group is lessee in a large number of leases being classified as operational leases under IAS 17, one expects a major increase in balance sheet totals and also material reclassifications between line items of the income statement. The Group is currently evaluating the financial and operational impact of adopting IFRS 16, Leases. The review of the impact of IFRS 16 will require an assessment of all leases, and the impact of adopting the standard cannot be reliably estimated until this work is substantially complete.

The standard is effective for accounting periods beginning on or after January 1, 2019. The standard has not yet been approved by the EU. At this stage, the Group does not intend to adopt IFRS 16 before its mandatory date.

Further information on leases today classified as operational leases are presented in [Note 12](#).

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

1.3 Basis of consolidation and equity accounting

1.3.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has con-

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

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

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

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

The consideration that is transferred for the acquisition of a subsidiary consists of the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree, and the equity interests issued by the Group. The transferred consideration includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Acquired identifiable assets, liabilities and contingent liabilities assumed in a business combination are initially measured at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interests of the acquiree either at fair value, or at the non-controlling interest's proportionate

share of the acquiree's identifiable net assets. The excess of the consideration transferred and the amount of the non-controlling interest over the fair value of the Group's share of the identifiable net assets acquired are recorded as goodwill. If, in the case of a bargain purchase, the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

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

1.3.2 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% 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 extend 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 any retained interest in the entity is remeasured to its fair value at the date when control ceased, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted



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for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

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

1.3.6 Other investments

All other investments are recognized in accordance with IAS 39, Financial Instruments: Recognition and Measurement, and additional information are provided in [Note 20](#).

1.4 Foreign currency translation

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

ferences are recognized in the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates of the dates of the initial transactions.

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

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

1.5 Tangible assets

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

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

Non-current assets are depreciated on a straight-line basis or by airborne hours and cycles over the estimated useful life of the asset beginning when the asset is ready for its intended use. Residual values, where applicable, are reviewed annually against prevailing market rates at the reporting date for equivalently

aged assets and depreciation rates adjusted accordingly on a prospective basis. The carrying value is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

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

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

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

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

Financial lease assets are initially recognized at the lower of acquisition cost or future min-

imum lease payments. The assets are carried as non-current assets and depreciated on a straight-line basis over their expected useful lives.

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

1.6 Intangible assets

1.6.1 Computer software

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

Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs which are directly associated with the development of identifiable software products controlled by the Group, and which are estimated to generate economic benefits, are recognized as intangible assets. The costs of computer software developments recognized as assets are amortized over their estimated useful lives. The depreciation of the software 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



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whether there is any foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity.

See [Note 1.7](#) for details of impairment testing of non-financial assets and [Note 10](#) for additional details on intangible assets.

1.7 Impairment of non-financial assets

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

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

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

1.8 Financial assets

Financial assets are classified according to the following categories: as fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale.

The Group holds financial instruments that are classified as fair value through profit or loss, available-for-sale, and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. The Management determines the classification of its financial assets at initial recognition.

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The Group's loans and receivables comprise trade and other payables/receivables, and cash and cash equivalents in the statement of financial position (See [Note 1.11](#) and [1.12](#) respectively).

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

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

wards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method.

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

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

1.8.1 Impairment of financial assets

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

inputs and relying as little as possible on entity-specific inputs.

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

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

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

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



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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 2016 or 2015.

1.10 Inventory

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

1.11 Trade receivables

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

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

1.12 Cash and cash equivalents

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

The Group holds investments in money market funds. These investments are classified

as either cash equivalents or financial assets available-for-sale depending on the maturity of the investments.

1.13 Equity

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

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

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

1.14 Liabilities

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

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

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

1.15 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as

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

1.16 Employee benefits

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

1.16.1 Defined benefit plans

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

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

The defined benefit obligation is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognized reduced by past service costs not yet recognized and the fair value of plan assets

out of which the obligations are to be settled directly. If such aggregate is negative, the asset is measured at the lower of such aggregate or at the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

In addition, the Group participates in an early retirement plan (AFP) for all employees in Norway. The AFP pension plan is a multi-employer defined benefit plan. However, the plan is recognized in the income statement as a defined contribution plan as the plans administrator has not allocated actuarial gains/losses to the members of the AFP pension plan as of December 31, 2016.

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

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by referring to the fair value of the options granted.

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

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

1.16.4 Employee share purchase savings program

Bonus shares and employer's contribution are measured at fair value using the Black and Scholes option pricing model. Expenses for bonus shares are included in payroll expenses. The fair value of the bonus shares and the estimated employer's contribution are distributed as expenses over the expected period until settlement. Changes in estimates affecting employer's contribution are expensed over the remaining expected period. For further details see [Note 17](#).

1.17 Current and deferred income tax

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

1.17.1 Current income tax

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

1.17.2 Deferred income tax

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

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

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

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

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

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

1.18 Contingent assets and liabilities

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

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

Contingent liabilities are not recognized in the annual financial statements, but significant contingent liabilities are disclosed in the notes to the financial statements, with the exception of contingent liabilities where the probability of the liability occurring is remote.

1.19 Revenue recognition

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

1.19.1 Passenger revenue

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

portation or when the passenger requests a refund.

1.19.2 Ancillary revenue

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

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

1.19.3 Other revenue

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

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

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

1.19.4 Customer loyalty program – Norwegian Reward

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

- Bank Norwegian Customer; 1 per cent of the payment is earned as cashpoints on all purchases. CashPoints are also earned on all LowFare and Flex tickets purchased from Norwegian Air Shuttle ASA, and which are paid with the Bank Norwegian credit card, with 5 and 20 per cent of the purchase

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price, respectively, except for tickets for long distance and domestic travel in Norway and Sweden, which earn 2% on LowFare tickets and 20% on Flex tickets.

- Norwegian Air Shuttle ASA; Reward Members earn 2% on all LowFare tickets and 20% on all Flex tickets.
- Corporate agreement; 4% on all LowFare tickets and 12% on all Flex tickets.
- CashPoints are also earned by members making purchases of goods and services from the Reward Partners according to the applicable accumulation rates and conditions set by the Reward Partners.
- More rewarding Rewards were introduced in 2015, and in addition to earning Cashpoints on all flights, members can receive additional Rewards for every sixth single flight. Additional Rewards are CashPoints Boost, Free Seating, Free luggage and Free Fast Track. Each reward can be used by the member on every flight for at least 12 months.

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

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

CashPoints are valid throughout the year they were earned, plus two years. In this period, Cashpoints are presented as deferred

revenue in the balance sheet, and they are released to the income statement when the points are redeemed or expire.

The deferred income is measured by reference to fair value. It is classified as short term as available statistics as of December 31, 2016 indicate that members CashPoints are utilized within one year. Hence, the carrying value of the liability is estimated as the fair value of the liability.

1.20 Leasing

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

The lease agreements, in which, most of the risk lies with the contracting party are classified as operating leases. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term. Payments for the lease and payments for other elements are recognized separately.

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

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

Each lease payment under financial leases is split between the lease liability and finance

cost to amortize the financial costs related to such leases for the duration of the lease period. The lease liability is classified as borrowings, see [Note 22](#) for details.

Sale and lease back transactions are treated as financial leases and operating leases, depending on the nature of the lease. The Group entered into four sale and lease back transactions in 2016 (none in 2015). All sales and lease back transactions are defined as operating leases established at fair value and any profit or loss is recognized immediately in the income statement as other income or operating expenses.

1.21 Segment reporting

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

1.22 Events after the reporting date

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

1.23 Critical accounting estimates and judgments

In preparing the consolidated financial statements, the Management is required to assess judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses. The critical judgments and key sources of estimation uncertainty that have been made in preparing the consolidated financial statements are detailed

below. These judgments involve assumptions or estimates in light of future events that can differentiate from what is expected.

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

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

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eral 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 1.8](#). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (see [Note 10](#)). Estimating value in use for owned aircraft and for purchase contracts, require

NOTE 02: FINANCIAL RISK

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

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

2.1 Market risk

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

2.2 Foreign exchange risk

A substantial part of the Group's expenses is denominated in foreign currencies. The

judgement. In 2016 indications of impairment have not been identified for neither aircraft nor purchase contracts.

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

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

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% of its currency exposure for the following 12 months. The hedging consists of forward currency contracts and flexible forwards.

Exchange rate risk sensitivity analysis

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

Effects on net currency gains (losses)

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

If NOK had weakened/strengthened by 1% against USD in 2016, with all other variables held constant, post-tax profit would have been NOK 22.4 million (2015: NOK 30.2 million) higher/lower, mainly as a result of foreign exchange losses/gains on receivables,

payables, derivative financial instruments and cash and cash equivalents.

If NOK had weakened/strengthened by 1% against EUR with all other variables held constant, post-tax profit and post-tax equity effect for the year would have been NOK 9.7 million (2015: NOK -5.4 million) lower/higher, mainly as a result of foreign exchange losses/gains on receivables, payables, derivative financial instruments, cash and cash equivalents and long-term borrowings denominated in EUR.

If NOK had weakened/strengthened by 1% against GBP with all other variables held constant, post-tax profit and post-tax equity effect for the year would have been NOK 0.9 million (2015: NOK 7.4 million) higher/lower, mainly as a result of foreign exchange losses/gains on receivables, payables, derivative financial instruments and cash and cash equivalents.

Effects due to foreign exchange translations on other comprehensive income

The Group has major investments in operations 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/strengthened with 1% against USD with all other variables held constant, other comprehensive income would have been NOK 38.7 million (2015: 29.7 million) higher/lower. If NOK had weakened/strengthened with 1% against EUR with all other variables held constant, other comprehensive income would have been NOK 2.5 million (2015: 0.7 million) higher/lower.

2.3 Cash flow and fair value interest rate risk

As the Group has net interest bearing debt, the Group's income and operating cash flows are dependent on changes in the market interest rates. The Group's cash flow interest

rate risk arises from cash and cash equivalents and floating interest rate borrowings. Floating interest rate borrowings consist of unsecured bond issue, aircraft and prepayment financing, loan facility and financial lease liabilities. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Fixed interest rate borrowings consist of aircraft financing, guaranteed by the Ex-Im Bank of the United States. Borrowings are denominated in USD and NOK.

If the floating interest rate in 2016 had been 1% higher/lower with all other variables held constant, post-tax profit and post-tax equity effect for the year would have been NOK 22.4 million (2015: NOK 35.7 million) lower/higher, mainly as a result of higher/lower interest income on floating rate cash and cash equivalents and borrowings.

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

The Group measures borrowings at amortized cost. No changes in fair value of fixed rate interest rate borrowings would be accounted for. Fair value calculations of fixed interest rate borrowings are detailed in [Note 22](#).

2.4 Jet fuel prices

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

The Group holds forward commodity contracts to hedge jet fuel price risk. Such derivative contracts affect the financial statements through unrealized gains/losses from jet fuel prices. At December 31, 2016, the

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Group held forward contracts totaling 831 766 tons of jet fuel, equaling approximately 52% of fuel consumption in 2017 and 14% of fuel consumption in first half of 2018.

2.5 Credit risk

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

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

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

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

2.6 Liquidity risk

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

Management monitors rolling forecasts of the Group's liquidity reserve, cash and cash equivalents (see [Note 24](#)) on the basis of ex-

pected cash flow. The Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to monitor liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

The Group's aircraft fleet consist of leased aircraft ([Note 12](#)) and owned aircraft ([Note 11](#)), whereof the Group has 255 owned and leased aircraft on firm order with future delivery. In accordance with airline industry market practice the total order is not fully financed. The financing will be secured on a periodic basis, the size and timing depending on the schedule of aircraft delivery and market conditions. The table below shows the expected timeline of future deliveries of aircraft at December 31, 2016. Prepayments to aircraft manufacturers on future aircraft deliveries are financed by internal and external funds.

Norwegian has historically utilized aircraft financing institutions, like the Export-Import Bank of the United States Bank (Ex-Im), as its primary funding source in relation to aircraft acquisitions in addition to the US Capital market by way of Private Placements, EETC and sale and leaseback arrangements. Norwegian is dependent on access to one of these or other financing forms to finance the delivery of aircraft. Deliveries in 2017 will be financed through export guaranteed financing, in the US capital market or through other commercial sources of financing. The Group is currently in the process of securing pre-delivery payment financing and term financing according to the Group's financing policy for deliveries in the finance planning for 2017-2019. The Group's financing policy includes sales and lease backs transactions on several aircraft to diversify its aircraft fleet. In 2016, four aircraft were delivered and financed as sales and lease backs transactions (none in 2015).

Aircraft delivery	2017	2018-2019	2020-	Total
Boeing 737-800	17	2	-	19
Boeing 737 Max 8	6	26	76	108
Boeing 787-9 Dreamliner	4	10	5	19
Boeing 787-9 Dreamliner (operational lease)	5	6	-	11
Airbus 320 neo	3	32	33	68
Airbus 321 neo	-	8	22	30
Total	35	84	136	255

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

NOK 1 000	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At December 31, 2016				
Borrowings	4 768 813	6 417 052	8 746 430	4 013 356
Derivative contracts - payments	86 306	27 939	-	-
Trade and other payables	3 881 684	-	-	-
Calculated interest on borrowings	919 351	1 399 801	1 719 880	434 643
Total financial liabilities	9 656 154	7 844 792	10 466 309	4 447 999

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

2.7 Capital risk management

The Group's capital management policy is to have a capital structure which meets the demands of operations, reduces cost of capital and complies with financial covenants and future investments planned by the Group. The

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



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solidated statement of financial position and consolidated statement of changes in equity. The equity level is an important factor in financial covenants as detailed in [Note 22](#). The Management monitors these externally imposed financial covenants closely as a part of

the Group's capital risk management policy.

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

The equity ratios at December 31 were as follows:

NOK 1 000	2016	2015
Equity	4 048 975	2 965 312
Total assets	37 762 651	31 634 113
Equity ratio	10.7%	9.4%

NOTE 03: FAIR VALUE ESTIMATION

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

Level 1

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

Level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. Financial instruments in level 2 include forward contracts classified as derivatives. The fair values of forward foreign currency contracts and forward commodities contracts are determined using mark to market values from financial institutions. Spot prices in the mark to market calculations are based on mid-prices as set by the financial institutions (Handelsbanken, Mitsui, SEB, Danske Bank, DNB, Investec, GRM and Goldman) at the reporting date. The forward contracts are classified as current or non-current assets or liabilities according to the net value at December 31, 2016 and maturity profile of individual contracts. Contracts with maturity within one year are classified as short term assets and short term liabilities.

Level 3

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

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

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

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

The following table presents financial assets and liabilities measured at fair value at December 31, 2015:

NOK 1 000	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets	-	-	82 689	82 689
Total assets	-	-	82 689	82 689
Liabilities				
- Derivative financial liabilities, short term	-	458 958	-	458 958
Total liabilities	-	458 958	-	458 958

There have not been any changes in the valuation techniques used on the assets and liabilities listed above during 2016.

NOTE 04: SEGMENT INFORMATION

Executive Management reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segment based on these reports. Executive Management considers the business as one operating segment, which is low-cost air passenger travel. The Group's operating profit comes from airline-related activities and the Group's main revenue generating asset is its aircraft fleet, which is utilized across the Group's geographical segment.



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

The table below shows revenues from low-cost air passenger travel which is split between passenger revenues, ancillary revenues and other revenues. A division of revenues from geographical markets categorizes domestic revenues as all domestic routes independent of country of operation.

NOK 1 000	2016	2015
By activity:		
Passenger transport	21 095 595	18 505 762
Ancillary revenue	3 928 978	3 275 289
Other revenue and other income	1 029 952	710 097
Total operating revenue and income	26 054 525	22 491 148
By geographic market:		
Domestic	5 762 572	4 786 890
International	20 291 953	17 704 157
Total operating revenue and income	26 054 525	22 491 148

NOTE 05: OPERATING EXPENSES

NOK 1 000	2016	2015
Sales and distribution expenses	758 698	612 286
Aviation fuel	5 052 906	5 184 475
Aircraft leases	2 841 859	2 213 251
Airport charges	3 303 841	2 949 313
Handling charges	2 995 608	2 336 785
Technical maintenance expenses	1 864 985	1 716 547
Other aircraft expenses	1 206 447	826 391
Total operational expenses	18 024 344	15 839 048

NOTE 05A: OTHER OPERATING EXPENSES

Other operating expenses amount to NOK 1 519.1 million (2015: NOK 1 263.2 million). Other operating expenses are related to the operating of systems, marketing, back office, consultants, and other costs not directly attributable to the operation of the aircraft fleet and related air-line-specific costs.

NOTE 06: PAYROLL EXPENSES AND NUMBER OF EMPLOYEES

NOK 1 000	2016	2015
Wages and salaries	1 910 976	1 598 875
Social security tax	306 170	270 869
Pension expenses	212 416	230 265
Employee stock options	16 259	7 141
Other benefits	160 801	185 744
Hired crew personnel	1 364 790	1 140 810
Total	3 971 412	3 433 703

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

Number of man-labour years*

	2016	2015
Norway	1 835	1 730
Spain	1 209	819
United Kingdom	945	564
Sweden	520	430
Singapore/Bangkok	246	292
Denmark	324	283
USA	391	228
Finland	204	175
Ireland	77	55
Italy	45	-
Total	5 796	4 576

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

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

Remuneration of the Board of Directors

Total remuneration paid to the Board in 2016 was NOK 1.5 million (2015: NOK 1.4 million). The Chair of the Board, Bjørn Kise, received NOK 0.5 million. (2015: NOK 0.5 million) There were no bonuses or other forms of compensation paid to the Board members in 2016.

Directive of Remuneration of the CEO and the Executive Management

The principles of Executive remuneration in Norwegian Air Shuttle ASA are to stimulate a strong and lasting performance oriented culture, enabling Norwegian to deliver on its strategy. The total compensation level should be competitive, however, not market leading compared to similar



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organizations. The Board determines the remuneration of the CEO, and the guidelines for remuneration of the Executive Management. The remuneration of the Board and the Executive Management must not have negative effects on the Group, nor damage the reputation and standing of the Group in the public eye.

There were made no changes to the guidelines or principles of Management remuneration during the 2016. The actual remuneration in 2016 was consistent with the guidelines and principles.

Compensation made to the Executive Management going forward will have its basis in Norwegian's performance oriented culture, and should primarily consist of a fixed yearly salary with additional compensations e.g. a company car, free telephone, internet and newspapers, and a standard

pension and insurance plan. The Executive Management is also a part of the Group's stock option plan. The Board can also award key position holders with stock options.

The CEO does not receive compensation in form of performance-based salary or bonuses, except for options in the stock option plan. The Executive Management can on an individual level be awarded with a special compensation for profit enhancing projects. The Executive Management is a part of the Group's collective pension plan for salaries up to 12 G, which applies to all employees. The Executive Management has not been given any specific rights in case of terminated employment.

Total compensation year 2016:

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

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

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

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

No share options were exercised by the Management in 2016. Refer to [Note 15](#) for an overview of shares held by Management.



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Total compensation year 2015:

NOK 1 000	Fee	Salary	Bonus	Other benefits ²	Total Compensation	Pension expense ³
The Board of Directors						
Bjørn Kise (Chair)	500	-	-	-	500	-
Ola Krohn-Fagervoll (Board member and deputy Chair until May 12, 2015)	300	-	-	-	300	-
Liv Berstad (deputy Chair)	275	-	-	-	275	-
Christian Fredrik Stray (Board member since May 12, 2015)	-	-	-	-	-	-
Ada Kjeseth (Board member since May 12, 2015)	-	-	-	-	-	-
Thor Espen Bråthen ¹	50	-	-	-	50	-
Kenneth Utsikt ¹	50	-	-	-	50	-
Linda Olsen ¹	50	-	-	-	50	-
Benedicte Elisabeth Schillbred Fasmer (Board member until January 1, 2015)	183	-	-	-	183	-
Total board of directors	1 408	-	-	-	1 408	-
Executive management						
Bjørn Kjos (Chief Executive Officer)	-	2 138	-	163	2 301 ^a	65
Frode Foss (Chief Financial Officer)	-	2 169	-	163	2 332 ^b	79
Asgeir Nyseth (Chief Operating Officer, Long Haul) ⁴	-	2 738	-	163	2 901 ^c	83
Gunnar Martinsen (Chief human Resources Officer)	-	1 512	-	180	1 692 ^d	70
Anne-Sissel Skånvik (Chief Communications Officer)	-	1 515	-	152	1 667 ^e	92
Frode Berg (Chief Legal Officer)	-	1 627	-	158	1 785 ^f	79
Geir Steiro (Chief Operating Officer)	-	1 793	-	162	1 955 ^g	83
Thomas Ramdahl (Chief Commercial Officer)	-	1 508	-	163	1 671 ^h	76
Dag Skage (Chief Information Officer)	-	1 400	-	164	1 564	93
Tore Jenssen (CEO Norwegian Air International Ltd, included in Executive management July 1, 2015)	-	768	-	77	845	36
Edward Thorstad (Chief Customer Officer, included in Executive management July 1, 2015)	-	669	-	45	714	39
Total Executive management	-	17 837	-	1 590	19 427	795

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

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

3) Pension expense reflects paid pension premium less employee contribution

4) Including compensation for expatriation

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

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

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

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

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

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

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

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

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



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NOTE 07A: AUDIT REMUNERATION

Audit remuneration (excl. VAT)

NOK 1 000	2016	2015
Audit fee	7 738	5 525
Other audit related services	2 440	474
Tax advisory	99	-
Other services	828	2 072
Total	11 105	8 071

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

NOTE 08: NET FINANCIAL ITEMS

NOK 1 000	2016	2015
Interest income	43 625	74 181
Interest expense	(685 990)	(463 348)
Net foreign exchange (loss) or gain	116 476	26 503
Appreciation cash equivalents	5 418	(2 122)
Other financial items	(4 383)	(11 392)
Net financial items	(524 854)	(376 178)

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 116.5 million is recognized in 2016 (2015: NOK 26.5 million gain). Non-interest bearing deposits for aircraft leases are initially measured at fair value and a periodic interest income is calculated using the same interest rate as for fair value calculation.

See [Note 3](#) for fair value estimation and [Note 20](#) for further information concerning available-for-sale financial assets.

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

NOTE 09: TAX

This year's tax expense consists of:

NOK 1 000	2016	2015
Tax payable	21 035	4 393
Adjustments from previous year	(75 824)	(127 141)
Change in deferred tax	428 142	(48 366)
Income tax expense	373 353	(171 114)

Tax expense adjustments from previous years recognized in 2016 consists of changes in deferred tax from previous years. Tax expense adjustments from previous years recognized in 2015 consists of both taxes paid in 2015 related to earlier year's tax assessments, and changes in deferred tax from previous years. Tax payable of NOK 21 million in 2016 consist of estimated tax payable for current year income, of which NOK 113 million has already been paid in 2016, leaving an estimated tax payable balance of NOK 8 million at 31 December, 2016.

Reconciliation from nominal to effective tax rate:

NOK 1 000	2016	2015
Profit before tax	1 508 333	75 038
Expected tax expense (income) using nominal tax rate (25%)	377 083	20 260
Tax effect of the following items:		
Non deductible expenses/income	3 637	(31 889)
Adjustments from previous year	(62 495)	(127 141)
Tax rate outside Norway other than 25%	40 835	(66 522)
Change in tax rate	13 128	46 336
Other items	1 165	(12 158)
Tax expense	373 353	(171 114)
Effective tax rate	24.75%	(228.04%)



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

Deferred tax:

NOK 1 000	2016	2015
Intangible assets	64 645	25 587
Tangible assets	337 154	322 945
Inventories	(15 660)	(15 979)
Receivables	(8 546)	(4 757)
Financial instruments	84 834	(200 371)
Deferred gains/losses	49 725	33 846
Other accruals	255 398	(27 790)
Pensions	(25 983)	(26 173)
Other temporary differences	(11 162)	14 145
Loss carried forward	(980 283)	(715 079)
Not recognized deferred tax	8 379	-
Net deferred tax liabilities (assets)	(241 499)	(593 626)

Deferred tax assets are based on unused tax loss carry-forwards and temporary differences in assets and liabilities. The tax loss carried forward is expected to be utilized by future taxable profits. Adjustments from previous years consists of differences in deferred tax positions between the Group reporting last year and each company's tax reporting finalized later in 2016. Deferred tax liabilities and deferred tax assets are presented net to the extent that there is a legal right to settle current tax amounts on a net basis and the deferred tax amounts are levied by the same taxing authority.

Reconciliation of deferred tax assets and liabilities:

NOK 1 000	2016	2015
Recognized at January 1	(593 626)	(349 064)
Charged/credited to the income statement	428 142	(48 365)
Adjustment from previous year	(75 824)	(176 868)
Charged directly to equity	-	(6 724)
Translation differences	(191)	(12 604)
Recognized at December 31	(241 499)	(593 626)

NOTE 10: INTANGIBLE ASSETS

NOK 1 000	Software	Goodwill	Other intangible assets		Total
			Indefinite life	Definite life	
Acquisition costs January 1, 2015	387 285	94 157	29 235	69 574	580 251
Additions	45 861	-	-	-	45 861
Acquisition costs December 31, 2015	433 146	94 157	29 235	69 574	626 112
Acquisition costs January 1, 2016	433 146	94 157	29 235	69 574	626 112
Additions	31 038	-	-	-	31 038
Foreign currency translation	-	(176)	-	-	(176)
Acquisition costs December 31, 2016	464 184	93 981	29 235	69 574	656 974
Accumulated amortization January 1, 2015	303 851	-	-	69 574	373 425
Amortization	46 012	-	-	-	46 012
Accumulated amortization December 31, 2015	349 863	-	-	69 574	419 437
Accumulated amortization January 1, 2016	349 863	-	-	69 574	419 437
Amortization	39 277	-	-	-	39 277
Accumulated amortization December 31, 2016	389 140	-	-	69 574	458 714
Book value at December 31, 2015	83 283	94 157	29 235	-	206 675
Book value at December 31, 2016	75 044	93 981	29 235	-	198 260
Useful life	3-5 years	Indefinite	Indefinite	See below	
Amortization plan	Straight-line	None	None	Straight-line	



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

Other intangible assets and goodwill are related to the purchase of Norwegian Air Shuttle Sweden AB on July 31, 2007. Other intangible assets from business combinations consist of estimated fair value of Brand name, charter operations, slots and the Air Operating Certificate. Other intangible assets also consist of intellectual property rights that are related to purchases of internet domains. The Group has developed international web portals in major markets.

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

Impairment testing of goodwill and intangible assets

The Group tests goodwill and assets with indefinite useful lives annually at year-end for impairment. Intangible assets with definite lives are tested for impairment if indicators of impairment are identified. No indications of impairment have been identified in 2016 or in 2015.

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

Discount rate

The applied after tax discount rate is 5.7% (2015: 7.4%) 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 2016.

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

Terminal value

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

Sensitivity

At December 31, 2016, 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%, an increase in the unit cost by 2%, a reduction in the estimated load factor by 1 percentage point or an increase in WACC after tax by 1 percentage point would not lead to an impairment loss.



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NOTE 11: TANGIBLE ASSETS

<i>NOK 1 000</i>	Buildings	Aircraft, parts and installations on leased aircraft	Prepayment on aircraft orders	Equipment and fixtures	Financial lease	Total
Acquisition cost at January 1, 2015	254 849	14 625 805	4 102 664	222 207	34 607	19 240 132
Additions	38 995	1 985 659	3 398 478	33 533	-	5 456 666
Transfers	-	2 461 462	(2 461 462)	-	-	-
Disposals	-	(39 498)	-	-	(28 306)	(67 804)
Foreign currency translation	-	2 910 745	899 600	701	-	3 811 047
Acquisition cost at December 31, 2015	293 845	21 944 173	5 939 281	256 442	6 301	28 440 041
Acquisition cost at January 1, 2016	293 845	21 944 173	5 939 281	256 442	6 301	28 440 041
Additions	3 225	4 462 893	3 784 297	50 380	-	8 300 795
Transfers	-	2 479 075	(2 479 075)	-	-	-
Disposals	-	(1 513 002)	-	-	-	(1 513 002)
Foreign currency translation	-	(197 958)	(88 200)	-	-	(286 159)
Acquisition cost at December 31, 2016	297 069	27 175 180	7 156 302	306 821	6 301	34 941 675
Accumulated depreciation at January 1, 2015	2 613	2 097 872	-	138 521	15 373	2 254 380
Depreciation	5 557	1 042 239	-	38 315	1 162	1 087 274
Depreciation disposals	-	27 965	-	-	(10 235)	(38 199)
Foreign currency translation	-	324 320	-	97	-	324 418
Accumulated depreciation at December 31, 2015	8 171	3 436 467	-	176 934	6 301	3 627 872
Accumulated depreciation at January 1, 2016	8 171	3 436 467	-	176 934	6 301	3 627 872
Depreciation	5 663	1 209 359	-	41 527	-	1 256 549
Depreciation disposals	-	(32 465)	-	-	-	(32 465)
Foreign currency translation	-	(9 955)	-	-	-	(9 955)
Accumulated depreciation at December 31, 2016	13 833	4 603 406	-	218 461	6 301	4 842 001
Book value at December 31, 2015	285 674	18 507 706	5 939 281	79 508	-	24 812 169
Book value at December 31, 2016	283 236	22 571 774	7 156 302	88 361	-	30 099 674

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

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



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As at December 31, 2016, the Group operated a total of 118 aircraft (2015: 101), whereas 69 (2015: 54) were owned and 49 (2015: 47) were leased under operational leases. See [Note 12](#) for details about operational leases.

Aircraft

The Group acquired 17 Boeing 737-800 (2015: 10) and 2 Airbus 320neos (2015: 0) during 2016. In 2015, the Group acquired one Boeing 787-8 aircraft.

The residual value is NOK 7 000 million (2015: NOK 5 770 million) in total for all owned aircraft and deducted from the depreciable amount of the body of the aircraft. The life expectancy of the body of the aircraft is 25 years for the 737, 787 and A320neo aircraft, and the economic life of the owned aircraft is 25 years less the age of the aircraft at time of purchase.

The majority of the aircraft in the Group are accounted for in USD by the Groups subsidiary in Ireland, after transfers at December 31, 2013 and during 2014. Hence, the values in consolidated accounts as per December 31, 2016 include effects from currency translation.

Installations on leased aircraft

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

Spare parts

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

Buildings

Buildings consist of 3 apartments in Berlin, purchased in 2007 for the purpose of housing crew and trainees stationed in Berlin on a temporary basis. In 2010, the Group purchased an apartment in Seattle, and in 2013 purchased an apartment in Florida, for the purpose of housing personnel stationed in the United States in respect of the delivery of new 737-800 aircraft and opening new destinations. The apartments are carried at acquisition cost. The residual value is estimated to equal the acquisition cost. In 2014, a new hangar at Gardermoen airport was constructed. Additions in 2016 consist of improvements and upgrades to the hangar. The hangar is estimated to have a useful life of 50 years, and is depreciated linearly over its useful economic life. 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. com-

prising a total of 372 aircraft, of which 222 were firm orders. On October 22, 2015, the subsidiary Arctic Aviation Assets Ltd entered into a purchase contract for 19 new 787-9 Dreamliner aircraft, with an additional purchase option of 10 aircraft. [Note 2.6](#) includes a table showing the timeline of future deliveries.

At December 31, 2016, 69 owned and 17 sale and lease backs had been delivered (2015: 54 and 13). Until delivery of the aircraft, the Group will make prepayments to aircraft manufacturers, following a defined prepayment schedule. The Group capitalizes borrowing costs incurred for the construction of qualifying assets during the period of time which is required to complete the aircraft. Borrowing costs of NOK 262.1 million (2015: NOK 268.6 million) have been capitalized during the year. An average capitalization rate of 4.7% (2015: 4.1%) was used.

Financial lease assets

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

Impairment of tangible assets

Tangible assets are tested for impairment if there are indicators that impairment may exist. No such indicators were identified in 2016 or 2015, and as such no impairment losses have been recognized.

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

NOTE 12: OPERATING LEASES

The lease agreements on the Boeing 737 aircraft last between 3 and 12 years from the date of agreement, with some extension options. The lease agreements on the Boeing 787 aircraft last for 12 years with an option for extension. From 2002 to 2014, 71 aircraft were delivered. In 2016 8 aircraft (2015: 0) were delivered including 4 787-9 Dreamliners and sale leaseback. During 2016, operational lease contracts for 4 additional 787-9 Dreamliners were signed, bringing the total commitment for new deliveries of 787-9 Dreamliners to 11 at the end of 2016, with expected deliveries in 2017 and 2018.

Renegotiations have resulted in the extension of some of the shorter leases. In 2016, 6 (2015: 4) aircraft were redelivered to the lessor. Contracts for 4 of the aircraft will expire in 2017. The remaining contracts expire in 2018 or later.

Leasing costs expensed on aircraft lease within operational expenses was NOK 2 841.9 million in 2016 (2015: NOK 2 213.3 million). Included in leasing costs are operating lease costs on aircraft from sale-and-leaseback transactions.

In addition, the Group leases 1 (2015: 1) car and 46 (2015: 37) properties in Oslo, Dublin and London in addition to properties in all the operating bases world-wide. Leasing costs related to cars and properties expensed in other operating expenses in 2016 was NOK 73.8 million. (2015: NOK 63.1 million).



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

NOK 1000	Nominal value 2016				Nominal value 2015			
	Aircraft	Cars	Property	Total	Aircraft	Cars	Property	Total
Within one year	3 904 183	168	42 081	3 946 432	3 172 354	168	45 993	3 218 516
Between 1 and 5 years	24 380 167	28	40 908	24 421 103	20 187 542	196	74 113	20 261 852
After 5 years	22 805 259	-	-	22 805 259	19 882 063	-	-	19 882 063

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

NOTE 13: TRADE AND OTHER RECEIVABLES

Specification of receivables

NOK 1000	2016	2015
Trade receivables	318 248	349 994
Credit card receivables	1 304 447	1 107 291
Deposits	906 086	704 063
Deferred leasing costs	-	35 962
Reimbursements claims maintenance costs	14 670	174 162
Other claims	291 891	99 992
Trade and other receivables	2 835 342	2 471 465
Prepaid costs	580 563	348 329
Public duty debt	130 560	153 643
Prepayments to employees	6 933	6 022
Prepaid rent	84 186	73 067
Prepayments	802 242	581 062
Total	3 637 584	3 052 526
Maximum credit risk	1 637 365	1 631 447

Due dates, nominal value of receivables

NOK 1000	2016	2015
Within one year	3 013 978	2 550 716
After 1 year	624 041	514 356
Total	3 638 019	3 052 526

Fair value of trade and other receivables

NOK 1000	2016	2015
Due within one year	3 013 978	2 550 716
After one year*	623 606	501 811
Total	3 637 584	3 014 269

*) Discount rate 2.5% (2015: 2.5%). For receivables due within one year, fair value is equal to nominal value.

Provision for bad debt

NOK 1000	2016	2015
Balance January 1	15 974	31 791
Charged to the income statement	(14 423)	34 382
Accruals	33 972	12 406
Reversals	(12 600)	(62 605)
Balance December 31	22 923	15 974

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

Overdue accounts receivables

NOK 1000	2016	2015
Overdue less than 1 month	62 513	49 107
Overdue 1-2 months	23 747	6 795
Overdue 2-3 months	26 468	1 305
Overdue over 3 months	16 843	12 142
Total	129 571	69 348



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

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

NOTE 14: INVENTORIES

NOK 1 000	2016	2015
Consumables	89 267	90 943
Parts for heavy maintenance	13 198	13 198
Total	102 465	104 141

In 2016 and 2015 the Group removed stock parts from aircraft engines in relation to heavy maintenance. These parts are held for sale and sold in secondary markets. Charges for obsolete parts in 2016 were NOK 39.4 million (2015: NOK 33.9 million).

NOTE 15: EQUITY AND SHAREHOLDER INFORMATION

Shares and share issues in 2015 and 2016:

NOK 1 000	Number of ordinary shares	Share capital	Share premium	Total
January 1, 2015	35 162 139	3 516	1 093 549	1 097 065
Share issue May 7, 2015	252 500	25	58 353	58 378
Share issue July 23, 2015	183 500	18	42 407	42 425
Share issue September 18, 2015	161 500	16	37 323	37 339
December 31, 2015	35 759 639	3 576	1 231 631	1 235 207
There were no shares issued in 2016				
December 31, 2016	35 759 639	3 576	1 231 631	1 235 207

All issued shares are fully paid with a par value of 0.1 NOK per share (2015: 0.1 NOK per share). There is only one category of shares, and all shares have equal rights. For information about employee share options, see [Note 17](#).

DESCRIPTION OF ITEMS BOOKED DIRECTLY ON SHAREHOLDER'S EQUITY:

Other comprehensive income

NOK -103.0 million has been booked as exchange rate differences under comprehensive income in 2016 (2015: NOK 421.1 million). The exchange differences arise from translating the non-Norwegian subsidiaries from functional currency to presentation currency. In addition, the company's share of other comprehensive income in associated companies during 2016 amount to NOK 1.2 million.

Actuarial gains and losses

During 2016, NOK 24.5 million in actuarial loss arising from defined benefit pension plans was booked directly to equity (2015: 44.5).

Stock option plan

Share options were granted in 2013, under which a total of 625 000 share options were granted to the Management and to key personnel. The options had an exercise price 10% above the weighted average price on March 20, 2013 which is equal to NOK 231.20. The options granted were to be exercised two years after the grant, and the exercise window were set to six months. In 2015, the stock options granted in 2013 were either exercised or terminated. No new share options were granted in 2015.

A total of 625 000 share options were granted to Management and key personnel in 2016. The options have an exercise price 10% above the weighted average price the 10 last trading days as of July 13, 2016, which is equal to NOK 321.00. The options granted may be exercised two years after the grant. The exercise window is six months. The potential gain on the options has a maximum cap of three times basic salary per year minus employer contribution tax, (effectively, 5 154 times basic salary).

Total share option expense in 2016 was NOK 12.6 million (2015: NOK 7.1). See [Note 17](#) for further details.



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Shareholder structure

The largest shareholders at December 31, 2016 were:

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

The largest shareholders at December 31, 2015 were:

	A-shares	Ownership	Voting rights
HBK Invest AS*	8 795 873	24.6%	24.6%
Folketrygdfondet	3 020 703	8.4%	8.4%
Verdipapirfondet DNB Norge (IV)	1 121 036	3.1%	3.1%
Skagen Vekst	1 100 000	3.1%	3.1%
Ferd AS	987 500	2.8%	2.8%
Danske Invest Norske instit. II.	885 247	2.5%	2.5%
Skagen Kon-Tiki	800 000	2.2%	2.2%
Clearstream Banking S.A.	645 310	1.8%	1.8%
Verdipapirfondet DNB Norge Selektiv	585 568	1.6%	1.6%
Danske Invest Norske Aksjer inst	510 197	1.4%	1.4%
Verdipapirfondet KLP Aksjenorge	500 575	1.4%	1.4%
Morgan Stanley & Co. International	488 986	1.4%	1.4%
DNB Livsforsikring ASA	416 647	1.2%	1.2%
Verdipapirfondet Handelsbanken	400 000	1.1%	1.1%
Statoil Pensjon	394 724	1.1%	1.1%
Deutsche Bank AG	389 682	1.1%	1.1%
Storebrand Norge I	335 822	0.9%	0.9%
Swedbank Generator	320 989	0.9%	0.9%
Kommunal Landspensjonskasse	304 816	0.9%	0.9%
DNB NOR markets, aksjehandel/analyse	295 309	0.8%	0.8%
Other	13 460 655	37.6%	37.6%
Total number of shares	35 759 639	100.0%	100.0%

*) The shareholding of HBK Invest at December 31, 2016 and December 31, 2015 reflects the actual shareholding and may deviate from the official shareholder register as HBK Invest has signed a securities lending agreement with Nordea and Danske Bank. Under this agreement these institutions may borrow shares from HBK Invest for a limited period of time to improve the liquidity in the share trading, for example by fulfilling their market maker obligations. HBK Invest AS has resolved to transfer all share ownership in NAS to its wholly owned subsidiary HBK Holding AS.



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

Name	Title	Shares ¹
Bjørn Kise ²	Chair	723 901
Liv Berstad	Deputy Chair	-
Ada Kjeseth	Director	-
Christian Fredrik Stray	Director	200
Linda Olsen	Director, elected by the employees	-
Geir Olav Øien	Director, elected by the employees	-
Marcus Daniel Hall	Director, elected by the employees	-
Bjørn Kjos ³	Chief Executive Officer	7 443 315
Frode E Foss	Chief Financial Officer	35 000
Asgeir Nyseth	Chief Operating Officer	12 342
Anne-Sissel Skånvik	Chief Communications Officer	-
Thomas Ramdahl	Chief Commercial Officer	-
Jan Dahm-Simonsen	Chief Human Resources officer	4
Frode Berg	Chief Legal Officer	-
Dag Skage	Chief Information Officer	-
Tore Jenssen	CEO Norwegian Air International Ltd	-
Edward Thorstad	Chief Customer Officer	2 450
Bjørn Erik Barman-Jenssen	Managing Director - Norwegian Air Resources	-
Lennart Ceder	Chief Operating Officer -Norwegian Air UK Ltd	50

1) Including shares held by related parties

2) Bjørn Kise holds 8.2% of HBK invest AS

3) Bjørn Kjos holds 84.1% of HBK Invest AS

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

Name	Title	2015	Options granted 2016	Outstanding 2016
Bjørn Kjos	Chief Executive Officer	-	100 000	100 000
Frode E. Foss	Chief Financial Officer	-	100 000	100 000
Asgeir Nyseth	Chief Operating Officer	-	100 000	100 000
Anne-Sissel Skånvik	Chief Communications Officer	-	50 000	50 000
Thomas Ramdahl	Chief Commercial Officer	-	25 000	25 000
Jan Dahm-Simonsen	Chief Human Resources Offices	-	20 000	20 000
Frode Berg	Chief Legal Officer	-	25 000	25 000
Dag Skage	Chief Information officer	-	15 000	15 000
Tore Jenssen	CEO Norwegian Air International	-	25 000	25 000
Edward Thorstad	Chief Customer Officer	-	20 000	20 000
Bjørn Erik Barman-Jenssen	Managing Director - Norwegian Air Resources	-	15 000	15 000
Lennart Ceder	Chief Operating Officer -Norwegian Air UK Ltd	-	-	-

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Specification of other reserves

	OCI associated companies	Translation differences	Total
January 1, 2015	-	455 099	455 099
Translation differences	-	421 093	421 093
December 31, 2015	-	876 192	876 192
Translation differences	-	(104 313)	(104 313)
Share of other comprehensive income of associated companies	1 232	-	1 232
December 31, 2016	1 232	771 879	773 112

Other paid-in equity

Other paid-in equity amounts to NOK 110.6 million at December 31, 2016 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.

<i>NOK 1 000</i>	2016	2015
Profit attributable to the owners of the company	1 135 263	246 152
Average number of shares outstanding	35 759 639	35 233 540
Average number of shares and options outstanding	36 072 139	35 591 045
Basic earnings per share	31.75	6.99
Diluted earnings per share	31.47	6.92
	2016	2015
Average number of shares outstanding	35 759 639	35 233 540
Dilutional effects		
Stock options	312 500	357 505
Average number of shares outstanding adjusted for dilutional effects	36 072 139	35 591 045

NOTE 17: OPTIONS

Options issued in 2016

A total of 625 000 share options were granted to Management and key personnel in 2016. The options have an exercise price 10% above the weighted average price the 10 last trading days as of July 13, 2016, which is equal to NOK 321.00. The options granted may be exercised two years after the grant. The exercise window is six months. The potential gain on the options has a maximum cap of three times basic salary per year minus employer contribution tax, (5 154 times basic salary effectively).

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

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

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

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

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

Options issued in 2013

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

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

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

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

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

The option program was expensed with NOK 7.1 million in 2015.

Outstanding options:

	2016 shares	Weighted avg. exerc. price	2015 shares	Weighted avg. exerc. price
Outstanding at the beginning of the period	-	-	625 000	231.20
Granted	625 000	321.61	-	-
Exercised	-	-	597 500	231.20
Terminated	-	-	27 500	231.20
Outstanding at the end of the period	625 000	321.61	-	-

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

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% 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 December 31, 2016, NOK 5.0 million (2015: NOK 4.5 million) was expensed.

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 194.4 million in 2016 (2015: NOK 227.2 million). The increased expenses in 2015 relates to a transfer of pilot employee contracts from Norwegian Air Norway AS to Pilot Services Norway AS. The defined benefit plan was closed at the time of transfer for all pilots aged 46 or younger, and a new defined contribution plan was issued.

Defined benefit plan

As per December 31, 2016, 99 employees were active members (2015: 106) and 7 (2015: 5) were on pension retirement. The related pension liability is recognized at NOK 107.4 million (2015: 134.5 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 had no material effect on the consolidated financial statements in 2016.

Pension expense

NOK 1 000	Funded	
	2016	2015
Net present value of benefits earned	25 636	31 270
Interest cost on pension liability	3 599	3 372
Return on plan assets	(239)	(160)
Administrative expenses	-	303
Recognized settlement	-	(12 366)
Social security tax	4 122	(4 154)
Net pension expense defined benefit plans	33 119	18 265
Pension expense on defined contribution plans	179 088	199 758
Social security tax	15 280	27 476
Total pension expense	227 486	245 499



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Defined benefit liability and fund

NOK 1 000	Funded	
	2016	2015
Change in present value of defined benefit liability:		
Gross pension liability January 1	193 582	243 243
Current service costs	28 791	36 499
Interest cost	5 032	4 206
Actuarial gains/losses	(26 210)	(86 010)
Effect of new disability plan	(2 575)	-
Settlement	(394)	-
Benefits paid	-	(9)
Social security on payments to plan	(4 173)	(4 348)
Gross pension liability 31.12	194 053	193 582
Change in fair value of plan assets:		
Fair value of pension assets January 1	59 066	65 613
Expected return	1 467	801
Actuarial gains/losses	(1 758)	(38 176)
Effect of new disability plan	(1 300)	-
Contributions paid	33 765	35 185
Benefits paid	(394)	(9)
Social security on payments to plan	(4 173)	(4 348)
Fair value of plan assets December 31	86 675	59 066
Net pension liability	107 379	134 516
Social security tax	-	-
Net recognized pension liability December 31	107 379	134 516
	2016	2015
Actual return on pension funds*	3.60%	4.80%
Expected contribution to be paid next year (NOK 1 000)	37 885	15 535

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

The net pension liability was based on several assumptions. The discount rate was based on long-term government bonds in Norway, with adjustments for duration. The pension liability's average duration was 25 years. Wage adjustments, pension adjustments and the expected increase in state pensions were based on historical observations for the Group, and an expected long-term inflation rate of 2.5%.

	2016	2015
Discount rate	2.10%	2.70%
Expected return on pension funds	2.10%	2.70%
Wage adjustments	2.00%	2.25%
Increase of social security base amount (G)	2.00%	2.25%
Future pension increase	0.00%	0.00%
Average turnover	2-8%	2-8%

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

	2016	2015
Equity	5.1%	6.1%
Alternative investments	0.0%	4.0%
Bonds	12.1%	13.6%
Money market funds	25.3%	25.2%
Hold-to maturity bonds	30.7%	33.9%
Real estate	6.4%	14.7%
Various	20.4%	2.6%

The table shows actual distribution of plan assets at December 31, 2016 and 2015.

Historical information

NOK 1 000	2016	2015	2014	2013	2012
Present value of defined benefit obligation	194 053	193 582	243 243	124 671	-
Fair value of plan assets	86 675	59 066	65 613	14 204	-
Deficit/(surplus) in the plan	107 379	134 516	177 630	110 468	-
Experience adjustments on plan liabilities	(26 210)	(86 010)	45 654	-	-
Experience adjustments on plan assets	(1 758)	(38 176)	6 839	-	-

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NOTE 19: PROVISIONS AND OTHER LONG-TERM LIABILITIES

Periodic maintenance on leased aircraft:

NOK 1 000	2016	2015
Opening balance	1 263 688	919 237
Charges to the income statement	(1 302 396)	(1 148 975)
Accruals	1 501 348	1 493 424
Closing balance	1 462 640	1 263 688
Classified as short term liabilities	86 174	86 174
Classified as long term provision	1 376 465	1 177 513

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

Parts of the periodic maintenance will be conducted in 2017, and NOK 86.2 million is classified as a short-term liability for periodic maintenance (2015: NOK 86.2 million). The short-term part of periodic maintenance is estimated based on the planned maintenance in 2017.

Other long-term liabilities

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

NOTE 20: FINANCIAL INSTRUMENTS

Financial instruments by category:

NOK 1 000	2016			Total
	Loans and receivables	Fair value through profit or loss	Available-for-sale	
Assets as per balance sheet				
Available-for-sale financial assets	-	-	82 689	82 689
Derivative financial instruments	-	467 722	-	467 722
Trade and other receivables *)	2 835 342	-	-	2 835 342
Cash and cash equivalents	2 323 647	-	-	2 323 647
Total	5 158 989	467 722	82 689	5 709 401

*) Prepayments not included in trade and other receivables

802 242

NOK 1 000	2015			Total
	Loans and receivables	Fair value through profit or loss	Available-for-sale	
Assets as per balance sheet				
Available-for-sale financial assets	-	-	82 689	82 689
Trade and other receivables *)	2 471 465	-	-	2 471 465
Cash and cash equivalents	2 454 160	-	-	2 454 160
Total	4 925 625	-	82 689	5 008 314

*) Prepayments not included in trade and other receivables

581 062

NOK 1 000	2016			Total
	Fair value through profit or loss	Other financial liabilities		
Liabilities per balance sheet				
Borrowings	-	23 474 875	-	23 474 875
Derivative financial instruments	114 245	-	-	114 245
Trade and other payables*	-	3 725 276	-	3 725 276
Total	114 245	27 200 151	-	27 314 396

*) Public duties not included in trade and other payables

156 408



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NOK 1 000	2015		Total
	Fair value through profit or loss	Other financial liabilities	
Liabilities per balance sheet			
Borrowings	-	19 584 793	19 584 793
Derivative financial instruments	782 523	-	782 523
Trade and other payables*	-	2 862 446	2 862 446
Total	782 523	22 447 239	23 229 762

*) Public duties not included in trade and other payables

123 068

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

Credit quality of financial assets

NOK 1 000	2016	2015
Trade receivables		
Counterparties with external credit rating		
A or better	1 304 447	1 107 291
Counterparties without external credit rating	1 530 894	1 364 174
Total trade receivables	2 835 342	2 471 465
Cash and cash equivalents		
A+ or better	1 995 777	2 131 708
BBB +	327 870	322 452
Total cash and cash equivalents	2 323 647	2 454 160
Derivative financial assets		
A+ or better	467 722	-
Total derivative and financial assets	467 722	-
Available-for sale financial assets		
January 1	82 688	82 688
December 31	82 688	82 688
Non-current portion	82 688	82 688
Current portion	-	-

Available-for-sale financial assets at December 31, 2016 consist of an investment in an unlisted equity instrument in Silver Pensjonsforsikring and an investment in a listed bond issue in Bank Norwegian.

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

Derivative financial instruments

NOK 1 000	2016		2015	
	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts	4 322	-	-	1 443
Forward commodities contracts	463 400	114 245	-	781 081
Total	467 722	114 245	-	782 523
Non-current portion:	114 476	27 939	-	-
Current portion	353 246	86 306	-	782 523

Trading derivatives are classified as current or non-current assets or liabilities depending on the maturity profile and net value of individual forward contracts. The total unrealized value of derivatives amounts to a gain of NOK 353.5 million (2015: loss of NOK 782.5 million). See details under the specification of 'Other losses/ (gains) - net' below.

Forward foreign currency contracts

The net fair value of the outstanding forward foreign currency contracts at December 31, 2016 were NOK 4.3 million (2015: NOK - 1.4 million). At December 31, 2016, the Group had forward foreign currency contracts to secure USD 60 million, SEK 50 million and PLN 1 million (2015: DKK 140 million, SEK 150 million, PLN 3 million and GBP 5 million).

Forward commodities contracts

Forward commodities contracts relate to jet fuel derivatives. The net fair value of the outstanding forward commodities contracts at December 31, 2016 were NOK 349.2 million (2015: NOK - 781.1 million). As of December 31, 2016, the Group had secured 831 766 tons of jet fuel through forward contracts that matures in the period January 2017 - June 2018.

Other losses/gains - net

NOK 1 000	2016	2015
Net losses/(gains) on financial assets at fair value through profit or loss	(592 397)	1 013 248
Foreign exchange losses/(gains) on operating activities	15 844	(539 098)
Total	(576 553)	474 150



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NOTE 21: TRADE AND OTHER PAYABLES

NOK 1 000	2016	2015
Accrued vacation pay	234 590	182 476
Accrued airport and transportation taxes	301 996	197 375
Accrued expenses	1 601 815	1 168 804
Trade payables	990 859	780 626
Payables to related party (Note 26)	5 023	1 512
Public duties	156 408	123 068
Short-term provisions for MRC (Note 19)	86 174	86 174
Other short-term provisions	504 819	322 530
Total	3 881 684	2 862 566

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

NOTE 22: BORROWINGS

Nominal value at December 31, 2016

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

Nominal value at December 31, 2015

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

Effective interest rate during 2016, recognized as financial items (Note 8) and capitalized borrowing costs (Note 11), is 3.9% (2015: 4.1%).

Classification of borrowings

NOK 1 000	2016	2015
Non-current		
Bond issue	2 936 595	3 221 569
Aircraft prepayment financing	47 171	-
Aircraft financing	15 722 296	13 321 835
Total	18 706 062	16 543 405
Current		
Bond issue	1 217 829	-
Credit facility	325 000	-
Aircraft prepayment financing	1 368 544	1 473 448
Aircraft financing	1 857 440	1 567 940
Total	4 768 813	3 041 388
Total borrowings	23 474 875	19 584 793

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

NOK 1 000	2016	2015
USD	18 995 451	16 363 223
NOK	2 790 157	2 028 024
EUR	1 689 267	1 193 545
Total	23 474 875	19 584 793

Collateralized borrowings are detailed in Note 23.

EETC

Norwegian successfully completed a financing facility of ten new aircraft as an enhanced equipment trust certificate (EETC) during 2016. The total size of the facility is USD 349 million. EETC's has been used in aircraft financing in the US market for 25 years, and is a well-known structure amongst international investors. This is the first time the Norwegian Group have used the EETC structure. The positive response shows the Norwegian Group's ability to attract larger international investors and finance its fleet expansion. The EETC is listed.

Covenants

Bond issues

Minimum Equity of 1 500 million.

Dividend payments less than 35% of net profit.

No dividends unless liquidity is above NOK 1 000 million.

Minimum liquidity of NOK 500 million.

Credit facility

There are no financial covenants on credit facilities.



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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 the Ex-Im Bank of the United States. 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 2016.

Fair value calculations

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

NOK 1 000	Carrying amount		Fair Value	
	2016	2015	2016	2015
Bond issue	2 936 595	3 221 569	3 040 500	3 253 120
Aircraft prepayment financing	47 171	-	58 362	-
Aircraft financing	15 722 296	13 321 835	16 209 985	14 055 338
Total fair value	18 706 062	16 543 405	19 308 847	17 308 458

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

Bond Issue I

Interest rate of NIBOR 3M and a risk premium equal to the spread at the reporting date. The bond issue is an unsecured bond issue denominated in NOK and matured April 13, 2015. The coupon was 3M NIBOR + 5.5%.

ISIN: NO0010642200

Ticker: NAS03

Name: Norwegian Air Shuttle ASA 12/15 FRN

Bond Issue II

Interest rate of NIBOR 3M and a risk premium equal to the spread at the reporting date. The bond issue is an unsecured bond issue denominated in NOK and matures July 3, 2017. The coupon is 3M NIBOR + 3.75%.

ISIN: NO0010713860

Ticker: NAS04

Name: Norwegian Air Shuttle ASA

Bond Issue III

Interest rate of NIBOR 3M and a risk premium equal to the spread at the reporting date. The bond issue is a secured bond issue pledged in the Group's hangar at OSL, is denominated in NOK and matures November 21, 2017. The coupon is 3M NIBOR + 4.0%.

ISIN: NO0010724313

Ticker: NAS05

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

Bond Issue IV

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

ISIN: NO0010736549

Ticker: NAS06

Name: Norwegian Air Shuttle ASA 15/18 FRN

Bond Issue V

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

ISIN: NO0010753437

Ticker: NAS07

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

Credit facility

Interest rate of overnight NIBOR (NOWA) and a risk premium of 1.50%. The parent company has entered into a credit facility agreements DNB of up to NOK 1 000 million. At December 31, 2016 NOK 325 million was drawn, leaving NOK 675 million of available credit facilities.

Facility agreement

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

The borrowings which mature at the delivery of each aircraft in 2017 are classified as short-term borrowings and are denominated in USD.

Aircraft financing

Fixed and floating interest rate based on LIBOR market rates and a risk premium equal to the spread at the reporting date. The spread is not entity specific, as the agreed spread is based on the overall credit risk of the financial markets in the United States. 4% of aircraft financing is exposed to cash flow interest rate risk with quarterly re-pricing dates, while 96% 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.



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NOTE 23: ASSETS PLEDGED AS COLLATERALS AND GUARANTEES

Liabilities secured by pledge

NOK 1 000	2016	2015
Bond issue	224 364	223 462
Credit facility	325 000	-
Aircraft financing	17 579 735	14 889 775
Aircraft prepayment financing	1 415 715	1 473 448
Total	19 544 815	16 586 685

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

The Group has not issued any guarantees for third parties.

Book value of assets pledged as security and guarantees:

NOK 1 000	2016	2015
Prepayment and aircraft	22 982 733	19 800 438
Buildings	268 270	270 708
Investment in Norwegian Finans Holding ASA	615 949	-
Total	23 866 952	20 071 146

NOTE 24: BANK DEPOSITS

Cash and cash equivalents

NOK 1 000	2016	2015
Cash in bank	1 995 777	2 131 708
Cash equivalents	327 870	322 452
Total	2 323 647	2 454 160

Deposits in money market funds are classified as cash equivalents, as the underlying maturity of the deposits are 3 months or less. At December 31, 2016, the interest terms of the main cash deposits in folio accounts are 1 month NIBOR - 0.25% p.a. The interest terms on restricted cash deposits in folio accounts are 1 month NIBOR +0.55% p.a.

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

Restricted cash

NOK 1 000	2016	2015
Guarantees for leases and credits from suppliers	464 111	454 560
Taxes withheld	60 342	57 890
Total	524 453	512 450

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



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NOTE 25: INVESTMENTS IN OTHER ENTITIES

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

Entity	Country	Industry	Ownership interest	Type of investment	Share of profit recognized in 2016	Share of OCI recognized in 2016	Investment 2016 ¹	Carrying amount 31.12.2016	Fair value 31.12.2016 ²
Norwegian Finans Holding ASA	Norway	Financial Institution	20%	Associated company	210 384	3 133	74 306	615 949	2 656 535
OSM Aviation Ltd.	Cyprus	Aviation crew management	50%	Joint venture	2 417	(1 900)	(7 356)	(6 839)	N/A

Entity	Country	Industry	Ownership interest	Type of investment	Share of profit recognized in 2015	Share of OCI recognized in 2015	Investment 2015	Carrying amount 31.12.2015	Fair value 31.12.2015
Norwegian Finans Holding ASA	Norway	Financial Institution	20%	Associated company	103 441	-	1 092	328 127	1 725 019

1) Investments recognized for Norwegian Finans Holding ASA relates to share issues by the associated company. Investments in OSM Aviation Ltd. includes investment in the joint venture net of proceeds from sale of shares in subsidiaries to the joint venture. Norwegian Air Shuttle is not liable for any deficit in the joint venture.

2) The fair value of the investment in Norwegian Finans Holding ASA is based on observed market value of owned shares as the last recorded trade on Oslo Stock Exchange in 2016. In 2015, the shares were publicly traded on the OTC marketplace at Oslo Stock Exchange. OSM Aviation Ltd. is not publicly traded, and no quoted market price for the investment is available.

The associated company, Norwegian Finans Holding ASA, owns 100% of the shares in Bank Norwegian AS. Norwegian Air Shuttle ASA holds 20% of the shares and voting power in Norwegian Finans Holding ASA. The Company is situated in Oslo, Norway. The equity method is applied when accounting for the investment, and the Group's share of the associated company's profit and loss is included in the carrying amount.

On September 1, 2016, Norwegian Air Shuttle entered into a joint venture by acquiring 50% of the shares in OSM Aviation Ltd. from OSM Aviation Group. OSM Aviation Group retains the remaining 50% 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 from September 1 onwards.

On November 1, 2016, Norwegian Air Resources Ltd. sold 49% 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% 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 November 1, 2016, Norwegian Air Resources Ltd. acquired 51% 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% of the equity of these companies, in total NOK 10.8 million at the end of 2016. The three subsidiaries are not material to the consolidated financial statements neither individually nor aggregated.



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Summarized financial information for material associated companies:

NOK 1 000	2016	2015
Norwegian Finans Holding ASA		
Total assets	30 402 252	17 618 198
Total liabilities	27 066 976	15 746 916
Total income	2 702 038	1 520 239
Profit on ordinary activities before tax	1 257 808	740 391
Profit on ordinary activities after tax	959 437	543 722
Other comprehensive income	(35 433)	59 992
Comprehensive income for the period	924 005	603 714

Summarized financial information for immaterial joint ventures:

NOK 1 000	2016
Profit or loss from continuing operations	40 086
Other comprehensive income	(4 689)
Total comprehensive income	35 397

NOTE 26: RELATED PARTY TRANSACTIONS

The Chief Executive Officer is the principal shareholder in Norwegian Air Shuttle ASA with an ownership share of 24.6% through the controlling ownership of HBK Invest AS*. This ownership share is the actual shareholding, and may deviate from the official shareholder register, as HBK Invest has entered into a security agreement with Nordea and Danske Bank. Under this agreement, these institutions may borrow shares from HBK Invest for a limited period of time to improve the liquidity in the share trading, for example by fulfilling their market maker obligation. The Chair of the Board owns a minority of shares in HBK Invest AS. There have been no financial transactions between HBK Invest AS and Norwegian Air Shuttle ASA in 2016 or 2015, except for indirect transactions through Fornebu Næringseiendom.

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

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

The parent company has received commissions from the associated company Norwegian Finans Holding ASA (Bank Norwegian) in 2016 and 2015. The commissions relate to sales made by the parent company's customers by using the 'Bank Norwegian' credit cards. In addition, the subsidiary Norwegian Brand Ltd receives license fees from Norwegian Finans Holding ASA for the use of the Norwegian Brand. The total commission and license fee is enclosed in the table below. Receivables and payables to related parties are included below.

No loans or guarantees have been issued to related parties in 2016 or 2015.

See [Note 7](#) for details on key Management compensations and [Note 15](#) for shares and options held directly or indirectly by members of the Board of Directors, the CEO and the Executive Management.

The following transactions were carried out with related parties:

NOK 1 000	2016	2015
Sales (-) and purchases (+) of goods and services (excl VAT)		
- Simonsen Vogt Wiig (legal services)	11 397	18 681
- Associate (commission and licence fee)	(208 978)	(127 908)
- Associate (interests on subordinated loan)	(3 661)	(3 850)
- Fornebu Næringseiendom (property rent)	15 559	15 295
Year-end balances arising from sales/purchases of goods/ services (incl VAT)		
Receivables from related parties (note 13)		
- Associate (commission)	11 118	9 506
Payables from related parties (note 21)		
- Simonsen Vogt Wiig (legal services)	252	1 512
- Fornebu Næringseiendom (property rent)	4 771	-
Investment in related parties		
- Associate (subordinated loan)	80 000	80 000

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

**) HBK Invest AS has, after close of trading on 16 December 2016, resolved to transfer 8 795 873 shares in Norwegian Air Shuttle ASA, equal to 24.6% of the outstanding shares and voting rights in the Company, to its wholly owned subsidiary, HBK Holding AS.*

NOTE 27: CONTINGENCIES AND LEGAL CLAIMS

Through their respective unions, pilots and cabin crew that have been subject to business transfers from Norwegian Air Shuttle ASA (NAS) to Norwegian Air Norway AS (NAN) and from NAN to local national resourcing entities for pilots and cabin crew in Norway, have raised claims that NAS primarily, NAN alternatively shall be considered employer. The District Court has issued a ruling, which Norwegian will appeal. Financial exposure from the ruling is limited.

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



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of establishment under the EEA-agreement. In March 2017, Norwegian received a reassessment from the Central Tax Office for Large Enterprises in which the tax office argues that the rules on contingent tax free transfers within a group does not apply to the transfer of the business in 2013. The reassessment resulted in increased taxable income in 2013. In addition, the tax office has indicated that the rules on contingent tax-free transfers within a group nor applies to the transfer of business in 2014.

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

NOTE 28: COMMITMENTS

In August 2007, Norwegian Air Shuttle ASA entered into a purchase agreement for 42 new Boeing 737-800 aircraft with Blended Winglets and purchase rights for additional 42 aircraft of the same model from Boeing. The order of 42 aircraft has a list price of USD 3.1 billion. Between 2008 and 2011, the Group extended its aircraft order and exercised purchase rights for an additional 36 aircraft, bringing the total order of Boeing 737-800 to 78 aircraft.

In January 2012, the Group entered into additional purchase contracts with Boeing Commercial airplanes and Airbus S.A.S. comprising a total of 372 aircraft, of which 222 were firm orders. The firm orders were for 22 Boeing 737-800, 100 Boeing 737 MAX8 and 100 Airbus A320neo. The agreements also include purchase rights for an additional 100 Boeing 737 MAX8 and 50 Airbus A320neo. The firm orders have an aggregated value at list price of approximately NOK 127 billion. The aircraft purchase is supported by the Export-Import Bank of the United States (Ex-Im) and European Export Credit Agencies. The delivery of aircraft started in 2016 with 2 Airbus A320Neo. Of the additional purchase rights for Boeing 737 MAX8, 8 were exercised in 2016, bringing the amount of firm commitments up to 108 aircraft.

In August 2015, the Group entered into a letter of intent for operational lease for two Boeing 787-9 Dreamliner with delivery in 2017. The two aircraft will be leased for a 12-year period from delivery. The 787-9 is a stretch version of the 787-8 with longer range, and with 344 seats (+18%) based on Norwegian's configuration. At December 31, 2016, the Group has 7 Boeing 787-9 Dreamliner lease orders with expected delivery in 2017 and 2018.

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

In July 2016, the Group placed an order for 30 A321LRs with Airbus, representing a switch from a commitment to purchase 30 A320neo aircraft originally signed in 2012. Deliveries of A321LRs will start with eight aircraft in 2019, followed by eleven in 2020 and 2021.

The Group presents list prices on aircraft purchase contracts. Discounts are achieved on the aircraft purchase contracts; hence the actual committed purchase prices are lower than the presented list prices. Actual committed purchase prices are regarded as contractual and business sensitive information.

For details on commitments for aircraft leases, see [Note 12](#).

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

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

At December 18, 2015, the Group signed an agreement to lease out 12 Airbus 320neo aircraft to airline HK Express. The first 2 aircraft were delivered in December 2016 and the remaining 10 aircraft are scheduled to be delivered in 2017 and 2018.

NOTE 29: EVENTS AFTER THE REPORTING PERIOD

On January 25, 2017, Norwegian Air Shuttle ASA successfully completed a new unsecured bond issue of SEK 800 million with maturity date August 7, 2020 at Stibor +500 bp. The settlement date for the bond was February 7, 2017. The net proceeds from the bonds shall be employed for general corporate purposes in support of the growth of the Group. An application will be made for listing of the bonds on Oslo Børs (Oslo Stock Exchange).

On February 13, 2017, Norwegian Air Shuttle subscribed for 1 302,931 new shares in Norwegian Finans Holding ASA (NOFI) at a subscription price of NOK 76.75. The investment of NOK 100 million corresponds to 20% of the private placement as publicly announced by NOFI on 13 February. After the transaction, Norwegian Air Shuttle AS owns 37 323,739 shares in NOFI equal to 20% of the shares issued.

On March 15, Norwegian Air Shuttle ASA successfully completed a tap issue of SEK 200 million in the unsecured bond expected to be listed on Oslo Stock Exchange under the ticker 'NAS08' (ISIN NO 0010783459, maturity 7 August 2020). Following the tap issue the total nominal amount outstanding in 'NAS08' will be SEK 1 000 million. The settlement date for the tap issue is expected to be 21 March 2017. Net proceeds from the tap issue will be used for general corporate purposes.

Norwegian is the launch customer in Europe of the new Boeing 737MAX and has announced 12 new trans-Atlantic routes, which will be served with the new aircraft from the summer 2017.

In March 2017, Norwegian received a reassessment of the tax return for Norwegian Air Shuttle ASA 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, see [note 27](#) for further details.



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FINANCIAL STATEMENTS FOR THE PARENT COMPANY

INCOME STATEMENT

NOK 1 000	Note	2016	2015
Revenue	3	14 825 514	17 738 257
Other income	3	14 028	1 110 795
Total operating revenue and income		14 839 542	18 849 052
Operational expenses	4	10 267 364	14 844 337
Payroll	5, 6	2 716 622	2 640 489
Depreciation, amortization and impairment	9, 10	144 459	262 748
Other operating expenses	4a	1 353 225	1 165 532
Other losses/(gains) - net	19	(555 753)	772 281
Total operating expenses		13 925 917	19 685 387
Operating profit (loss)		913 625	(836 335)
Net financial items	7	214 944	(154 488)
Profit (loss) before tax		1 128 569	(990 823)
Income tax expense (income)	8	344 347	(128 634)
Profit (loss) for the year		784 222	(862 189)

STATEMENT OF COMPREHENSIVE INCOME

NOK 1 000	Note	2016	2015
Profit for the year		784 222	(862 189)
Reversible income and losses: Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Available-for-sale financial assets	19	857 209	1 042 307
Total comprehensive income for the period		1 641 432	180 118



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STATEMENT OF FINANCIAL POSITION AT DECEMBER 31

NOK 1 000	Note	2016	2015
ASSETS			
Non-current assets			
Intangible assets	9	178 504	199 630
Deferred tax asset	8	210 674	517 823
Aircraft, parts and installations on leased aircraft	10	162 938	178 448
Equipment and fixtures	10	66 860	73 500
Buildings	10	283 236	285 674
Derivative financial instruments	2, 19	114 476	-
Financial assets available for sale	19, 24	2 739 224	1 807 709
Investments in subsidiaries	23	7 556 800	6 115 829
Financial lease receivable	25	4 912 588	5 737 716
Other receivables	12	6 769 193	4 829 550
Total non-current assets		22 994 493	19 745 878
Current assets			
Inventory	13	83 812	86 009
Trade and other receivables	12	4 027 017	2 895 761
Derivative financial instruments	2, 19	353 246	-
Cash and cash equivalents	21	2 149 251	1 629 711
Total current assets		6 613 326	4 611 480
Total assets		29 607 820	24 357 358

NOK 1 000	Note	2016	2015
EQUITY AND LIABILITIES			
Equity			
Share capital	14	3 576	3 576
Share premium		1 231 631	1 231 631
Other paid-in equity		110 587	94 328
Other reserves		2 415 173	1 557 964
Retained earnings		4 121 935	3 337 713
Total equity		7 882 903	6 225 211
Non-current liabilities			
Provision for periodic maintenance	17	1 051 108	815 639
Other long term liabilities		41 302	-
Borrowings	22	7 048 147	8 113 004
Derivative financial instruments	2, 19	27 939	-
Total non-current liabilities		8 168 496	8 928 643
Current liabilities			
Short term part of borrowings	22	2 248 467	721 106
Trade and other payables	18	8 037 695	4 873 504
Air traffic settlement liabilities		3 183 953	2 807 411
Derivative financial instruments	2, 19	86 306	801 483
Total short term liabilities		13 556 421	9 203 504
Total liabilities		21 724 917	18 132 147
Total equity and liabilities		29 607 820	24 357 358

Fornebu, March 21, 2017

Bjørn H. Kise
Chair

Liv Berstad
Deputy Chair

Christian Fredrik Stray
Director

Ada Kjeseth
Director

Marcus Daniel Hall
Director
(elected by the employees)

Linda Olsen
Director
(elected by the employees)

Geir Olav Øien
Director
(elected by the employees)

Bjørn Kjos
Chief Executive Officer



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STATEMENT OF CHANGES IN EQUITY

<i>NOK 1 000</i>	Share capital	Share premium	Other paid-in equity	Total paid-in equity	Other Reserves	Retained earnings	Total equity
Equity at January 1, 2015	3 516	1 093 548	87 187	1 184 252	515 657	4 199 902	5 899 811
Profit for the year	-	-	-	-	-	(862 189)	(862 189)
Available for sale financial assets	-	-	-	-	1 042 307	-	1 042 307
Comprehensive income 2015	-	-	-	-	1 042 307	(862 189)	180 118
Share issue	60	138 082	-	138 142	-	-	138 142
Equity change on employee options	-	-	7 141	7 141	-	-	7 141
Transactions with owners	60	138 082	7 141	145 283	-	-	145 283
Equity at December 31, 2015	3 576	1 231 631	94 328	1 329 535	1 557 964	3 337 713	6 225 211
Profit for the year	-	-	-	-	-	784 222	784 222
Available for sale financial assets	-	-	-	-	857 209	-	857 209
Comprehensive income 2016	-	-	-	-	857 209	784 222	1 641 432
Equity change on employee options	-	-	16 259	16 259	-	-	16 259
Transactions with owners	-	-	16 259	16 259	-	-	16 259
Equity at December 31, 2016	3 576	1 231 631	110 587	1 345 794	2 415 173	4 121 935	7 882 903



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CASH FLOW STATEMENT

<i>NOK 1 000</i>	<i>Note</i>	2016	2015
Cash flows from operating activities:			
Profit (loss) before tax		1 128 569	(990 823)
Taxes paid	8	(28 622)	(44 055)
Depreciation, amortization and write-down	9, 10	144 459	262 748
Compensation expense for employee options	16	16 259	7 141
Fair value losses/(gains) on financial assets	19	(1 121 863)	348 558
Financial items	7	(214 944)	154 488
Interest received	7	458 178	437 727
Change in inventories, accounts receivable and accounts payable		239 440	502 637
Change in air traffic settlement liabilities		376 539	682 748
Change in other current assets and current liabilities		(386 051)	(2 887 952)
Net cash flow from operating activities		611 964	(1 526 784)
Cash flows from investing activities:			
Purchase of tangible assets	10	(89 937)	(108 510)
Purchase of intangible assets	9	(15 066)	(45 685)
Payment to associates	24	(74 306)	(1 092)
Net cash flow from investing activities		(179 309)	(155 287)
Cash flows from financial activities:			
Proceeds from long-term debt	22	1 313 761	3 021 450
Payment of long-term debt	22	(686 938)	(1 283 074)
Interest on borrowings		(474 871)	(302 063)
Transaction cost		(8 242)	(16 394)
Proceeds from issuing new shares		-	138 142
Net cash flow from financial activities		143 709	1 558 061
Foreign exchange effect on cash		(56 823)	(17 157)
Net change in cash and cash equivalents		519 541	(141 166)
Cash and cash equivalents at January 1		1 629 711	1 770 877
Cash and cash equivalents at December 31	21	2 149 251	1 629 711

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

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NOTES TO FINANCIAL STATEMENTS OF THE PARENT COMPANY

NOTE 01: GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

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

The financial statements of Norwegian Air Shuttle ASA for the year ended December 31, 2016 were authorized for issue by the Board of Directors on March 21, 2017. The annual shareholders meeting, to be held May 9, 2017, have the power to amend and reissue the financial statements.

The financial statement of the company has been prepared in accordance with simplified IFRS pursuant to the Norwegian Accounting Act § 3-9, and regulations regarding simplified application of IFRS issued by the Ministry of Finance on January 21, 2008. The first time simplified IFRS was adopted by the parent company was the company's annual financial statements for 2015. The date of transition was January 1, 2014. The effects of the transition are shown in [Note 28](#) to the annual financial statements of 2015.

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 (herein-after referred to as the Group's Consolidated Financial Statements).

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

- **Dividends and group contribution**
Dividend and group contributions are recognized in accordance with the Accounting Act and recognized in the reporting period to which they relate.
- **Investments in subsidiaries and associates**
Shares in subsidiaries are valued at cost and tested for impairment. Any impairment losses and reversal of impairment losses are classified as net gains (loss and impairment) on investments in subsidiaries in the income statement. Loans provided to subsidiaries are measured at cost according to IAS 39.

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

NOTE 02: FINANCIAL RISK

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

NOTE 03: OPERATING REVENUE AND INCOME

Other income amounts to NOK 14.0 million (2015: NOK 1 110.8 million) and include gains from sale of assets.

NOK 1 000	2016	2015
By activity:		
Passenger transport	10 814 605	14 541 499
Ancillary revenue	2 000 792	2 470 609
Other revenue and other income	2 024 145	1 836 944
Total operating revenue and income	14 839 542	18 849 052
By geographic market:		
Domestic	5 393 964	5 367 079
International	9 445 578	13 481 973
Total operating revenue and income	14 839 542	18 849 052

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



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NOTE 04: OPERATIONAL EXPENSES

<i>NOK 1 000</i>	2016	2015
Sales and distribution expenses	623 411	579 078
Aviation fuel	2 270 340	3 932 293
Aircraft leases	2 618 268	4 121 673
Airport charges	1 663 485	2 542 273
Handling charges	1 361 215	1 686 074
Technical maintenance expenses	1 406 770	1 524 071
Other aircraft expenses	323 876	458 874
Total operational expenses	10 267 364	14 844 337

Aircraft lease expenses includes wet-lease costs.

NOTE 04A: OTHER OPERATING EXPENSES

Other operating expenses amount to NOK 1 353.2 million (2015: NOK 1 165.5 million). Other operating expenses are related to the operation of systems, marketing, back office, consultants and other costs not directly attributable to operation of the aircraft fleet and related airline specific costs.

NOTE 05: PAYROLL EXPENSES AND NUMBER OF EMPLOYEES

<i>NOK 1 000</i>	2016	2015
Wages and salaries	2 541 936	2 373 798
Social security tax	75 414	81 491
Pension expenses	44 977	48 557
Employee stock options	16 259	7 141
Other benefits	38 036	129 502
Total	2 716 622	2 640 489

In 2016, NOK 16.3 million (2015: NOK 7.1 million) was charged as an expense to salaries, according to the stock option program (Note 16). The Company has a pension scheme covering all employees. The scheme is in compliance with the act on occupational pensions (Note 15).

	2016	2015
Number of man-labor years	2 519	2 357

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

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

NOTE 06A: AUDITOR REMUNERATION

Auditor remuneration:

<i>NOK 1 000</i>	2016	2015
Audit fee	2 900	1 680
Other audit related services	2 152	196
Tax advisory	-	-
Other services	786	2 072
Total	5 837	3 948

All amounts stated exclude VAT.

NOTE 07: NET FINANCIAL ITEMS

<i>NOK 1 000</i>	2016	2015
Interest income	458 178	439 849
Interest expense	(527 319)	(388 990)
Net foreign exchange (loss) or gain	282 174	(1 367)
Appreciation cash equivalents	5 418	(2 122)
Impairment of investment in subsidiaries	-	(198 448)
Other financial items	(3 507)	(3 410)
Net financial items	214 944	(154 488)



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NOTE 08: TAXES

This year's tax expense consists of:

<i>NOK 1 000</i>	2016	2015
Adjustments from previous year	53 086	41 778
Change in deferred tax	291 261	(170 411)
Income tax expense	344 347	(128 634)

Adjustments from previous years consist of both taxes paid in 2016 related to earlier years' tax assessments, and changes in deferred tax from previous years.

Reconciliation from nominal to effective tax rate:

<i>NOK 1 000</i>	2016	2015
Profit before tax	1 128 569	(990 823)
Expected tax expense (income) using nominal tax rate (25%)	282 142	(267 522)
Tax effect of the following items:		
Non deductible expenses/income	341	55 781
Adjustments from previous year	53 086	41 778
Change in tax rate	8 778	41 426
Other items	-	(96)
Tax expense	344 347	(128 634)
Effective tax rate	30.51%	12.98%

Details of deferred tax assets in the balance sheet:

Deferred tax (assets)

<i>NOK 1 000</i>	2016	2015
Intangible assets	26 162	-
Tangible assets	(54 382)	6 201
Inventories	(15 660)	(15 979)
Receivables	(7 987)	(4 757)
Financial instruments	84 834	(200 371)
Deferred gains/losses	57 905	33 846
Other accruals	(229 633)	(198 424)
Other temporary differences	-	41 445
Loss carried forward	(71 915)	(179 785)
Net deferred tax assets	(210 674)	(517 823)

Reconciliation of deferred tax assets and liabilities:

Reconciliation of deferred tax (assets)

<i>NOK 1 000</i>	2016	2015
Recognized at January 1	(517 823)	(345 134)
Charged/credited to the income statement	291 261	(170 411)
Adjustment from previous year	15 888	(2 278)
Recognized at December 31	(210 674)	(517 823)

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



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NOTE 09: INTANGIBLE ASSETS

<i>NOK 1 000</i>	Software	Goodwill	Other intangible assets	Total
Acquisition cost at January 1, 2015	360 532	94 157	26 998	481 686
Additions	45 685	-	-	45 685
Acquisition cost at December 31, 2015	406 216	94 157	26 998	527 371
Acquisition cost at January 1, 2016	406 216	94 157	26 998	527 371
Additions	15 066	-	-	15 066
Acquisition cost at December 31, 2016	421 282	94 157	26 998	542 436
Accumulated amortization and write-down at January 1, 2015	277 137	-	4 591	281 729
Amortization in 2015	46 012	-	-	46 012
Accumulated amortization and write-down at December 31, 2015	323 149	-	4 591	327 740
Accumulated amortization and write-down at January 1, 2016	323 149	-	4 591	327 740
Amortization in 2016	36 192	-	-	36 192
Accumulated amortization and write-down at December 31, 2016	359 340	-	4 591	363 932
Book value at December 31, 2015	83 067	94 157	22 406	199 630
Book value at December 31, 2016	61 942	94 157	22 406	178 504
Useful life	3-5 years	Indefinite	Indefinite	
Amortization plan	Straight-line	None	None	

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

Other intangible assets and goodwill are related to the purchase of Norwegian Air Shuttle Sweden AB on July 31, 2007. Other intangible assets from business combinations consist of estimated fair value of Brand name, charter operations, slots and the Air Operating Certificate. Other intangible assets also consist of intellectual property rights that are related to purchases of internet domains. The Group has developed international web portals in major markets.

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

Impairment testing of goodwill and intangible assets

The company tests goodwill and assets with indefinite useful lives annually at year-end for impairment. Intangible assets with definite lives are tested for impairment if indicators of impairment are identified. No indications of impairment have been identified in 2016 or in 2015.

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-in-

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

Discount rate

The applied after tax discount rate is 5.7% (2015: 7.4%) and based on the Weighted Average Cost of Capital (WACC). The cost of the Group's debt and equity capital, weighted accordingly to reflect its capital structure, gives the Group's weighted average cost of capital. The WACC rates which are used to discount future cash flows are based on market risk free interest rates adjusted for inflation differentials and also include the debt premium, market risk premium, gearing corporate tax rate and asset beta. An increase of the discount rate of 1 percentage point will not result in impairment of goodwill and intangible assets.

Growth rates

The basis for calculating future growth rate is next year management approved budget. Except for budgeted growth stemming from existing assets, no growth is incorporated in the impairment test for 2016.

Operating costs

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



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

Terminal value

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

Sensitivity

At December 31, 2016, the Group's value in use was significantly higher than the carrying amount of its goodwill and intangible assets. A sensitivity analysis has been performed in order to determine if a reasonable change in key assumptions would cause the carrying amount to exceed the recoverable amount. A reduction in the estimated revenue per passenger kilometre by 2%, an increase in the unit cost by 2%, a reduction in the estimated load factor by 1 percentage point or an increase in WACC after tax by 1 percentage point would not lead to an impairment loss.

NOTE 10: TANGIBLE ASSETS

NOK 1 000	Buildings	Aircraft	Equipment and fixtures	Financial lease	Total
Acquisition cost at January 1, 2015	254 849	894 126	211 961	34 607	1 395 543
Additions	38 995	54 788	32 797	-	126 580
Disposals	-	-	-	(34 607)	(34 607)
Acquisition cost at December 31, 2015	293 845	948 914	244 758	-	1 487 517
Acquisition cost at January 1, 2016	293 845	948 914	244 758	-	1 487 517
Additions	3 225	45 870	34 586	-	83 680
Acquisition cost at December 31, 2016	297 069	994 784	279 343	-	1 571 197
Accumulated depreciation at January 1, 2015	2 613	596 239	135 470	15 374	749 695
Depreciation	5 557	174 228	35 788	1 163	216 737
Depreciation on disposals	-	-	-	(16 537)	(16 537)
Accumulated depreciation at December 31, 2015	8 171	770 466	171 258	-	949 895
Accumulated depreciation at January 1, 2016	8 171	770 466	171 258	-	949 895
Depreciation	5 663	61 380	41 225	-	108 268
Accumulated depreciation at December 31, 2016	13 833	831 846	212 483	-	1 058 163
Book value at December 31, 2015	285 674	178 448	73 500	-	537 622
Book value at December 31, 2016	283 236	162 938	66 860	-	513 034
Economic life	See below	See below	See below	4-20 years	
Depreciation plan	See below	See below	See below	Linear	Linear
Residual value	See below	See below	See below		NOK million 0

At December 31, 2016, the Company operated a total of 59 aircraft, 10 were leased under operational leases from external lessors and 45 were leased under internal operating leases, and 4 were owned. For comparison, the Company operated a total of 72 aircraft at December 31, 2015, 23 were leased under operational leases from external lessors, while 45 were leased under internal operating leases, and 4 were owned. In addition, the company had one wet lease aircraft from subsidiary Norwegian Air Norway AS at year end 2016 (year end 2015: one).

Aircraft

Aircraft consist of purchased aircraft. The Company owns four aircraft per December 31, 2016 (2015: 4 aircraft) and the total residual value for these aircraft was NOK 4.1 million (2015: NOK 4.1 million). The residual value is deducted from the depreciable amount of the remainder of the aircraft. The life expectancy is 25 years on all the 737 aircraft, and the economic life of the owned aircraft is 25 years less the age of the aircraft at time of purchase.



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Installations on leased aircraft

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

Spare parts

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

Buildings

Buildings consist of 3 apartments in Berlin, purchased in 2007 for the purpose of housing crew and trainees stationed in Berlin on a temporary basis. In 2010, the Group purchased an apartment in Seattle, and in 2013 purchased an apartment in Florida, for the purpose of housing personnel stationed in the United States in respect of the delivery of new 737-800 aircraft and

opening new destinations. The apartments are carried at acquisition cost. The residual value is estimated to equal the acquisition cost. In 2014, a new hangar at Gardermoen airport was constructed. Additions in 2016 consist of improvements and upgrades to the hangar. The hangar is estimated to have a useful life of 50 years, and is depreciated linear over useful economic life. Residual value is NOK 0.

Financial lease assets

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

Impairment of tangible assets

In 2016 and 2015, management determined that the total operations of the Company were its cash generating unit. Impairment testing of tangible assets are covered by impairment testing on the whole Company, see [Note 8](#) for details.

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

NOTE 11: LEASING

The lease agreements on the Boeing 737 aircraft last between 3 and 12 years from the date of agreement, with some extension options. From 2002 to 2014, 79 aircraft were delivered. In 2016 0 (2015: 5) intercompany leased aircraft were delivered. Renegotiations have resulted in the extension of some of the shorter leases. In 2016, 13 (2015: 3) aircraft were redelivered to the lessor or novated to other Group companies.

Leasing costs expensed on aircraft lease within operational expenses was NOK 2 198.0 million in 2016 (2015: NOK 2 654.8 million).

In addition, the Company leases 1 (2015: 11) cars and 27 (2015: 30) properties in Oslo, Stavanger, Stockholm, Copenhagen, Bergen, Helsinki, London, Madrid, Malaga, Malmø, Sandefjord, Tenerife, Tromsø, Trondheim and Guadeloupe/Martinique in the Caribbean. Leasing costs related to cars and properties expensed in other operating expenses in 2016 was NOK 56.5 million (2016: NOK 57.6 million).

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

NOK 1 000	Nominal value 2016				Nominal value 2015			
	Aircraft	Cars	Property	Total	Aircraft	Cars	Property	Total
Within one year	2 685 462	168	35 455	2 721 085	2 789 751	168	42 494	2 832 414
Between 1 and 5 years	12 737 661	28	39 258	12 776 947	12 870 583	196	70 663	12 941 442
After 5 years	4 803 625	-	-	4 803 625	6 994 787	-	-	6 994 787

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

erated by the Company are included above. 45 of the leases are leased from internal Group Companies. For the Company's leasing commitments on behalf of other Group Companies, see [Note 25](#).

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NOTE 12: RECEIVABLES

Specification of receivables:

<i>NOK 1 000</i>	2016	2015
Trade receivables	227 590	587 690
Intercompany receivables	8 240 422	5 065 175
Credit card receivables	1 298 020	1 102 244
Deposits	499 248	450 462
Deferred leasing costs	-	35 962
Reimbursements claims maintenance costs	5 724	67 299
Other claims	218 504	97 712
Trade and other receivables	10 489 508	7 406 544
Prepaid costs	201 912	104 151
Public duty debt	50 440	151 055
Prepayments to employees	5 847	5 141
Prepaid rent	48 504	58 419
Prepayments	306 702	318 766
Total	10 796 211	7 725 310

Due dates:

<i>NOK 1 000</i>	2016	2015
Within one year	4 027 017	2 895 761
After 1 year	6 769 193	4 829 550
Total	10 796 211	7 725 310

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

NOTE 13: INVENTORIES

<i>NOK 1 000</i>	2016	2015
Consumables	70 614	72 811
Parts for heavy maintenance	13 198	13 198
Total	83 812	86 009

In 2016 and 2015 the Company removed stock parts from aircraft engines in relation to heavy maintenance. These parts are held for sale and sold in secondary markets. Charges for obsolete parts in 2016 were NOK 39.4 million (2015: NOK 33.9 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 44.2 million in 2016 (2015: NOK 48.6 million).

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

The scheme is in compliance with the Occupational Pensions Act.

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 December 31, 2016, the company had NOK 1 137.3 million (2015: NOK 899.5 million) in provision for maintenance reserves. Parts of the periodic maintenances will be conducted in 2017, and NOK 86.2 million (2015: NOK 86.2 million) is classified as short term liability for periodic maintenances. The short-term part of periodic maintenance is estimated based on planned maintenance in 2017.



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NOTE 18: TRADE AND OTHER PAYABLES

NOK 1 000	2016	2015
Accrued vacation pay	59 663	56 674
Accrued airport and transportation taxes	125 592	59 571
Accrued expenses	664 339	694 939
Trade payables	631 669	478 330
Intercompany liabilities	5 925 595	3 147 912
Payables to related party (Note 25)	5 023	1 512
Public duties	46 705	48 432
Short-term provisions for MRC (Note 17)	86 174	86 174
Other short-term provisions	492 934	299 960
Total	8 037 695	4 873 504

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

NOTE 19: FINANCIAL INSTRUMENTS

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

2016:	Loans and receivables	Fair value through profit or loss	Available-for-sale	Total
NOK 1 000				
Assets as per balance sheet				
Available-for-sale financial assets	-	-	2 739 224	2 739 224
Derivative financial instruments	-	467 722	-	467 722
Trade and other receivables*	10 489 508	-	-	10 489 508
Cash and cash equivalents	2 149 251	-	-	2 149 251
Total	12 638 759	467 722	2 739 224	15 845 705

*) Prepayments not included in trade and other receivables

306 702

2015:

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

*) Prepayments not included in trade and other receivables

318 766

2016:

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

*) Public duties not included in trade and other payables

46 705

2015:

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

*) Public duties not included in trade and other payables

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Credit quality of financial asset:

NOK 1 000	2016	2015
Trade receivables		
Counterparties with external credit rating A or better	1 298 020	1 102 244
Counterparties without external credit rating	9 191 488	6 304 301
Total trade receivables	10 489 508	7 406 544

NOK 1 000	2016	2015
Cash and cash equivalents		
A+ or better	1 821 381	1 307 259
BBB +	327 870	322 452
Total cash and cash equivalents	2 149 251	1 629 711

NOK 1 000	2016	2015
Derivative financial assets		
A+ or better	467 722	-
Total derivative and financial assets	467 722	-

Available-for sale financial assets:

NOK 1 000	2016	2015
January 1	1 807 709	764 309
Additions	74 306	1 092
Net gains/(losses) recognized in comprehensive income	857 209	1 042 307
December 31	2 739 224	1 807 709
Non-current portion	2 739 224	1 807 709

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

Other investments included in available-for-sale financial assets at December 31, 2016 is an investment in unlisted equity instrument in Silver Pensjonsforsikring and an investment in a listed bond issue in Bank Norwegian. The fair value of available for sale financial assets at December 31, 2016 is NOK 2 739.2 million (2015: NOK 1 807.7 million).

Derivative financial instruments:

NOK 1 000	2016		2015	
	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts	4 322	-	-	1 443
Forward commodities contracts	463 400	114 245	-	800 041
Total	467 722	114 245	-	801 483
Non-current portion	114 476	27 939	-	-
Current portion	353 246	86 306	-	801 483

Trading derivatives are classified as current or non-current assets or liabilities depending on the maturity profile and net value of individual forward contracts. The total net unrealized value of derivatives amounts to a gain of NOK 353.5 million (2015: loss of NOK 782.5 million).

Forward foreign currency contracts

The net fair value of the outstanding forward foreign currency contracts at December 31, 2016 were NOK 4.3 million (2015: NOK - 1.4 million). At December 31, 2016, the Group had forward foreign currency contracts to secure USD 60 million, SEK 50 million and PLN 1 million (2015: DKK 140 million, SEK 150 million, PLN 3 million and GBP 5 million).

Forward commodities contracts

Forward commodities contracts relates to jet fuel derivatives. The fair value of the outstanding forward commodities contracts at December 31, 2016 were NOK 349.2 million (2015: NOK - 781.1 million). As of December 31, 2016, the Group had secured 831 766 tons of jet fuel through forward contracts that matures in the period January 2017 to June 2018.

Other losses/(gains) - net

NOK 1 000	2016	2015
Net losses/(gains) on financial assets at fair value through profit or loss	(578 678)	1 013 248
Foreign exchange losses/(gains) on operating activities	22 925	(240 967)
Total	(555 753)	772 281



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NOTE 20: ASSETS PLEDGED AS COLLATERAL AND GUARANTEES

<i>NOK 1 000</i>	2016	2015
Liabilities secured by pledge		
Bond issue	224 364	225 000
Credit facility	325 000	-
Aircraft financing	4 817 190	5 612 541
Total	5 366 554	5 837 541

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

For references to pledged asset, see [Note 10](#) and for borrowings related to those asset, see [Note 22](#).

Book value of assets pledged as security and guarantees:

<i>NOK 1 000</i>	2016	2015
Hangar	268 270	270 708
Investment in Norwegian Finans Holding ASA	2 656 535	-
Total	2 924 804	270 708

NOTE 21: BANK DEPOSITS

Cash and cash equivalents

<i>NOK 1 000</i>	2016	2015
Cash in bank	1 821 381	1 307 259
Cash equivalents	327 870	322 452
Total	2 149 251	1 629 711

Restricted cash

Guarantees for leases and credits from suppliers	464 111	454 560
Taxes withheld	23 017	25 194
Total	487 128	479 754

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

NOTE 22: BORROWINGS

Nominal value at December 31, 2016

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

Nominal value at December 31, 2015

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

Classification of borrowings

<i>NOK 1 000</i>	2016	2015
Non-current		
Bond issue	2 936 595	3 221 569
Aircraft financing	4 111 552	4 891 435
Total	7 048 147	8 113 004
Current		
Bond issue	1 217 829	-
Credit facility	325 000	-
Aircraft financing	705 638	721 106
Total	2 248 467	721 106
Total borrowings	9 296 614	8 834 110

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



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Covenants

Bond issues

Minimum Equity of NOK 1 500 million.

Dividend payments less than 35% of net profit.

No dividends unless liquidity is above NOK 1 000 million.

Minimum liquidity of NOK 500 million.

Credit facility

No financial covenants.

Aircraft financing

Aircraft financing does not include covenant requirements. Aircraft in the group are financed with guarantees by either the parent company and / or by the Ex-Im Bank of the United States.

Owned aircraft are pledged as collateral. For more information on assets pledged as collateral, see [Note 20](#).

The Company has not been in breach of any covenants during 2016.

Maturity of borrowings

NOK 1 000	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At December 31, 2016				
Borrowings	2 255 482	4 341 929	2 721 364	93 541
Total liabilities	2 255 482	4 341 929	2 721 364	93 541

NOK 1 000	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At December 31, 2015				
Borrowings	720 950	1 770 950	4 365 226	2 155 674
Total liabilities	720 950	1 770 950	4 365 226	2 155 674



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NOTE 23: INVESTMENTS IN SUBSIDIARIES

Name	Date of establishment	Office	Number of shares	Ownership
Norwegian Air Shuttle Sweden AB	August 31, 2007	Stockholm, Sweden	20 000	100%
Call Norwegian AS	January 14, 2008	Fornebu, Norway	1 000 000	100%
Norwegian Holiday AS	August 4, 2008	Fornebu, Norway	100	100%
Norwegian Long Haul AS	January 1, 2012	Fornebu, Norway	20 000	100%
Norwegian Red Handling Spain S.L.	June 11, 2015	Madrid, Spain	3 000	100%
Red Handling UK Ltd	October 6, 2016	Gatwick Airport, UK	500 000	100%
Norwegian Air Norway AS	May 28, 2013	Fornebu, Norway	155	100%
Pilot Services Sweden AB	August 30, 2013	Stockholm, Sweden	50 000	100%
Pilot Services Norway AS	November 11, 2014	Fornebu, Norway	30	100%
Pilot Services Denmark Aps	February 20, 2015	Copenhagen, Denmark	497	100%
Norwegian Cargo AS	April 16, 2013	Fornebu, Norway	100 000	100%
Norwegian Brand Limited	December 9, 2013	Dublin, Ireland	151 711 820	100%
Arctic Aviation Assets DAC	August 9, 2013	Dublin, Ireland	479 603 659	100%
Oslofjorden Limited	August 22, 2013	Dublin, Ireland	1	100%
Drammensfjorden Leasing Limited	September 24, 2013	Dublin, Ireland	1	100%
Geirangerfjorden Limited	November 26, 2013	Dublin, Ireland	1	100%
Boknafjorden Limited	March 14, 2014	Dublin, Ireland	1	100%
DY1 Aviation Ireland Limited	November 26, 2013	Dublin, Ireland	1	100%
DY2 Aviation Ireland Limited	November 26, 2013	Dublin, Ireland	1	100%
DY3 Aviation Ireland Limited	November 26, 2013	Dublin, Ireland	1	100%
DY4 Aviation Ireland Limited	November 26, 2013	Dublin, Ireland	1	100%
DY5 Aviation Ireland Limited	November 26, 2013	Dublin, Ireland	1	100%
DY6 Aviation Ireland Limited	November 26, 2013	Dublin, Ireland	1	100%
DY7 Aviation Ireland Limited	August 2, 2013	Dublin, Ireland	1	100%
DY9 Aviation Ireland Limited	November 27, 2014	Dublin, Ireland	1	100%
Fedjefjorden Limited	June 23, 2015	Dublin, Ireland	1	100%
Larviksfjorden Limited	September 4, 2015	Dublin, Ireland	1	100%
Torskfjorden Limited	April 23, 2015	Dublin, Ireland	1	100%
Torefjorden Limited	November 12, 2015	Dublin, Ireland	1	100%
Larviksfjorden II Limited	January 1, 2016	Dublin, Ireland	1	100%
Lysakerfjorden Leasing Limited	July 5, 2016	Dublin, Ireland	1	100%
Arctic Leasing No.1 Limited	September 10, 2015	Dublin, Ireland	1	100%
Norwegian Air International Limited	April 3, 2013	Dublin, Ireland	171 449 337	100%
Norwegian Air Resources Limited	September 20, 2013	Dublin, Ireland	1	100%
Norwegian Air Resources Sweden AB	August 28, 2013	St.holm Arl., Sweden	50 000	100%
Norwegian Resources Denmark ApS	September 5, 2013	Hellerup, Danmark	80 000	100%
Norwegian Air Resources Technical AB	February 7, 2014	St.holm Arl., Sweden	50 000	100%
Norwegian Air Resources Spain S.L	October 6, 2014	Madrid, Spain	3 000	51%
AB Norwegian Air Resources Finland Ltd	June 14, 2011	Helsinki, Finland	200	51%
OSM Aviation UK Limited	November 1, 2016	London, UK	2 000	51%
Cabin Services Norge AS	January 27, 2014	Fornebu, Norway	30	100%
Cabin Services Denmark Aps	February 20, 2014	Hellerup, Denmark	50	100%
Norwegian Air Resources SSC AS	November 15, 2012	Fornebu, Norway	30	100%
Norwegian Air UK Limited	December 18, 2015	London, UK	8 999 998	100%



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Transactions during the year

During 2016, the following transactions were carried out:

- Norwegian Air Resources Limited sold 49% of the shares in Norwegian Air Resources Spain S.L. and Norwegian Air Resources Finland Ltd on November 1.
- Norwegian Air Resources Limited acquired 51% of the shares in OSM Aviation UK on November 1.
- Larviksfjorden II Limited, Lysakerfjorden Leasing Limited and RED Handling UK Ltd were established during 2016.
- Arctic Leasing No.1 was established in 2015 but dormant until December 1, 2016.

Neither of the transactions listed above had any significant impact on the financial statements of the parent company nor the Group in 2016.

NOTE 24: INVESTMENT IN ASSOCIATES

Norwegian Air Shuttle ASA has the following investments in associates:

NOK 1 000	Country	Industry	Ownership interest	Fair value 31.12.2015	Investment 2016	Net gain in OCI 2016	Fair value 31.12.2016
Entity:							
Norwegian Finans Holding ASA	Norway	Financial Institution	20%	1 725 019	74 306	857 210	2 656 535

The associated company, Norwegian Finans Holding ASA, owns 100% of the shares in Bank Norwegian AS. Norwegian Air Shuttle ASA owns 20% of the shares in Norwegian Finans Holding ASA. Norwegian Finans Holding's shares are publicly at Oslo Stock Exchange. The company is situated in Oslo, Norway. The investment is accounted for as financial instrument according to IAS 39, classified as available-for-sale ([Note 19](#)). The carrying amount is equivalent to market value based on last trade on December 31, 2016.

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.



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Transactions with subsidiaries:

Intercompany balances December 31, 2016	Short term	Long term
Financial lease receivables	-	4 912 588
Other receivables	1 895 769	6 344 653
Payables	5 925 595	41 302

Intercompany balances December 31, 2015	Short term	Long term
Financial lease receivables	-	5 737 716
Other receivables	596 340	4 468 835
Payables	2 473 755	674 156

Intercompany sales (-) and Purchases (+)	2016	2015
Sales and financial revenue	1 804 489	1 425 534
Purchases and financial expenses	4 254 019	5 704 621
Dividend	-	-

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

Transactions with other related parties

The Chief Executive Officer is the principal shareholder in Norwegian Air Shuttle ASA with an ownership share of 24.6% through controlling ownership of HBK Invest AS*. This ownership share is the actual shareholding, and may deviate from the official shareholder register, as HBK Invest has entered into a security agreement with Nordea and Danske Bank. Under this agreement, these institutions may borrow shares from HBK Invest for a limited period of time to improve the liquidity in the share trading, for example by fulfilling their market maker obligation. The Chair of the Board owns a minority of shares in HBK Invest AS. There have been no financial transactions between HBK Invest AS and Norwegian Air Shuttle ASA in 2016 or 2015, except for indirect transactions through Fornebu Næringseiendom AS.

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

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

Norwegian Air Shuttle ASA has received commissions from the associated company Norwegian Finans Holding ASA (Bank Norwegian) in 2016 and 2015. The commissions relate to sales made by the parent company's customers by using the 'Bank Norwegian' credit cards. The total commission is enclosed in the table below. Receivables and payables to related parties are included below.

No loans or guarantees have been issued to related parties in 2016 or 2015.

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

The following transactions were carried out with related parties:

NOK 1 000	2016	2015
Sales (-) and purchases (+) of goods and services (excl VAT)		
- Simonsen Vogt Wiig (legal services)	10 964	17 471
- Associate (commission and licence fee)	(199 325)	(118 402)
- Associate (interests on subordinated loan)	(3 661)	(3 850)
- Fornebu Næringseiendom (property rent)	15 559	15 295
Year-end balances arising from sales/purchases of goods/ services (incl VAT):		
Receivables from related parties (note 13)		
- Associate (commission)	11 118	-
Payables to related parties (note 21)		
- Simonsen Vogt Wiig (legal services)	252	1 512
- Fornebu Næringseiendom (property rent)	4 771	-
Investment in related parties		
- Associate (subordinated loan)	80 000	80 000

**) HBK Invest AS has, after close of trading on 16 December 2016, resolved to transfer 8 795 873 shares in Norwegian Air Shuttle ASA, equal to 24.6% of the outstanding shares and voting rights in the company, to its wholly owned subsidiary, HBK Holding AS.*

NOTE 26: CONTINGENCIES AND LEGAL CLAIMS

Through their respective unions, pilots and cabin crew that have been subject to business transfers from Norwegian Air Shuttle ASA (NAS) to Norwegian Air Norway AS (NAN) and from NAN to local national resourcing entities for pilots and cabin crew in Norway, have raised claims that NAS primarily, NAN alternatively shall be considered employer. The District Court has issued a ruling, which Norwegian will appeal. Financial exposure from the ruling is limited.

The Norwegian Group has, since the end of 2013, continuously reorganized its operations, and in 2013 and 2014, Norwegian transferred parts of its business to Irish group companies as a natural part of this international reorganization process. The internal group reorganization was carried out under the tax rules on contingent tax-free transfers within a group and the freedom of establishment under the EEA-agreement. In March 2017, Norwegian received a reassessment



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from the Central Tax Office for Large Enterprises in which the tax office argues that the rules on contingent tax free transfers within a group does not apply to the transfer of the business in 2013. The reassessment resulted in increased taxable income in 2013. In addition, the tax office has indicated that the rules on contingent tax-free transfers within a group nor applies to the transfer of business in 2014.

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

NOTE 27: COMMITMENTS

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

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

For further details regarding aircraft commitments, please see [Note 28](#) in the Consolidated Financial Statements.

For details on commitments for aircraft leases, see [Note 11](#).

NOTE 28: EVENTS AFTER THE REPORTING PERIOD

On January 25, 2017, Norwegian Air Shuttle ASA successfully completed a new unsecured bond issue of SEK 800 million with maturity date August 7, 2020 at Stibor +500 bp. The settlement date for the bond was February 7, 2017. The net proceeds from the bonds shall be employed for general corporate purposes in support of the growth of the Group. An application will be made for listing of the bonds on Oslo Børs (Oslo Stock Exchange).

On February 13, 2017, Norwegian Air Shuttle subscribed for 1 302,931 new shares in Norwegian Finans Holding ASA (NOFI) at a subscription price of 76.75. The investment of NOK 100 million corresponds to 20% of the private placement as publicly announced by NOFI on 13 February. After the transaction, Norwegian Air Shuttle AS owns 37 323,739 shares in NOFI equal to 20% of the shares issued.

On March 15, Norwegian Air Shuttle ASA successfully completed a tap issue of SEK 200 million in the unsecured bond expected to be listed on Oslo Stock Exchange under the ticker 'NAS08' (ISIN NO 0010783459, maturity 7 August 2020). Following the tap issue the total nominal amount outstanding in 'NAS08' will be SEK 1 000 million. The settlement date for the tap issue is expected to be 21 March 2017. Net proceeds from the tap issue will be used for general corporate purposes.

In March 2017, Norwegian Air Shuttle ASA received a reassessment of the tax return for 2013 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, see [note 26](#) for further details.



INDEPENDENT AUDITOR'S REPORT

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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. The financial statements comprise:

- The financial statements of the parent company, which comprise the statement of financial position as at 31 December 2016, and income statement, statement of comprehensive income, statement of changes in equity, cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the statement of financial position as at 31 December 2016, and income statement, statement of comprehensive income, statement of changes in equity, cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the

parent company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to § 3-9 of the Norwegian Accounting Act.

- The accompanying financial statements give a true and fair view of the financial position of the group as at 31 December 2016, 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, included 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 as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

The key audit matters identified in our audit are:

- Carrying value of aircraft and value of future committed aircraft purchases
- Provision for periodic maintenance of aircraft
- Uncertain tax positions
- Financing of future committed aircraft purchases

(Continues on the following pages)

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CARRYING VALUE OF AIRCRAFT AND VALUE OF FUTURE COMMITTED AIRCRAFT PURCHASES

Key audit matter	How the matter was addressed in the audit
<p>Refer to note 1.23 and note 11 for description of the Group's impairment assessments.</p> <p>The Group has aircraft and associated spare parts with a carrying value of NOK 22, 6 billion as of 31 December 2016.</p> <p>In addition, the Group has entered into several purchase contracts for future delivery of aircraft at fixed prices. As described in note 28, these contracts consist of upfront prepayments to manufactures with a carrying value of NOK 7, 2 billion, and future committed payments.</p> <p>As described in note 2, macro-economic factors can have a significant impact on the profitability of the existing aircraft assets and the future committed aircraft purchases.</p> <p>The evaluation of residual value and impairment of existing aircraft and assessment of whether onerous contracts exist related to the future committed aircraft purchases requires a significant degree of management judgement, and as such, this has been identified as a key audit matter.</p>	<p><i>To assess the carrying value of the existing aircraft and the value of future committed aircraft purchases, we:</i></p> <ul style="list-style-type: none"> ● Assessed the design and the implementation of controls management has established related to the impairment process for aircraft. ● Challenged the impairment indicator assessment. ● Challenged the identified cash generating units. ● Tested the consistency 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.

PROVISION FOR PERIODIC MAINTENANCE OF AIRCRAFT

Key audit matter	How the matter was addressed in the audit
<p>Refer to note 1.23 and 19 for description of Norwegian's maintenance provision process and key assessments.</p> <p>The Group has maintenance provision with a carrying value of NOK 1, 5 billion as of 31 December 2016.</p> <p>The Group operates aircraft that are owned or held under operating lease arrangements. Under the terms of operating lease agreements, the Group is contractually committed either to return the aircraft in a certain condition or to compensate the lessor based on the actual condition of the aircraft.</p> <p>The maintenance provision is calculated by using a model that incorporates a number of assumptions, including the lifespan of life-limited parts, utilisation of the aircraft by references to the number of hours flown or cycles operated and the expected cost of the heavy maintenance at the time the overhaul is expected to occur.</p> <p>We focused on this area because of the complexity and the inherent level of management judgement required in calculating the provision.</p>	<p><i>To assess the aircraft maintenance provisions, we:</i></p> <ul style="list-style-type: none"> ● Assessed the design and implementation of controls management has established related to the maintenance provision process. ● Assessed the appropriateness of the methodology applied in calculating the maintenance provision. ● Tested the mathematical accuracy of the model used to calculate the provisions. ● Assessed the key assumptions made by management in estimating maintenance provisions, including anticipated maintenance intervals of the aircraft components and the expected cost of maintenance. This included: <ul style="list-style-type: none"> - Agreed and re-calculated the rates for maintenance costs to available internal and external information and lease contracts. - Agreed maintenance intervals to available internal and external information and lease contracts. - Agreed the accuracy of historical use of aircrafts in calculations of maintenance provisions. - Assessed the adequacy of the related disclosures.

UNCERTAIN TAX POSITIONS

Key audit matter	How the matter was addressed in the audit
<p>Refer to notes 1.23, 9, 27 and 29 for description of the Group's tax position as at 31 December 2016.</p> <p>The Group's worldwide operations are highly integrated and involve cross border transactions. As a result, there is complexity and judgement regarding the valuation of tax liabilities, including transfer pricing considerations.</p> <p>Due to the level of complexity in assessing the appropriate accounting for taxes, this has been identified as a key audit matter.</p>	<p><i>To assess the tax position as of year-end, we:</i></p> <ul style="list-style-type: none"> ● Assessed the design and the implementation of controls the Group has established to identify and assess the tax position. ● Communicated with external legal counsels. ● Evaluated the appropriateness of the provision for uncertain tax positions, including: <ul style="list-style-type: none"> - 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 its tax liabilities. 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 tax obligations. ● Assessed the adequacy of the related disclosures.

FINANCING OF FUTURE COMMITTED AIRCRAFT PURCHASES

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

Other information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our

knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement



of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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, individu-

ally 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, included International Standards on Auditing (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 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'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 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.

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 re-

port unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

Opinion on Registration and Documentation

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

Oslo, March 24, 2017
Deloitte AS

Jørn Borchgrevink
State Authorized Public Accountant (Norway)

CSR AT NORWEGIAN

The three pillars of Corporate Responsibility at Norwegian

2016 Activities and Results

Local development and humanitarian engagement

Responsible people culture

Ambitions and plans for 2017

CORPORATE SOCIAL RESPONSIBILITY AT NORWEGIAN

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

Norwegian's international business activities, powered by the vision of "affordable fares for all", brings people, cultures and economies together.

Global expansion and new routes boost local tourism, create new jobs, drive economic growth and social progress.

A growing population in an increasingly globalized world will lead to more mobility and increased need for air transportation. Norwegian acknowledges its responsibilities as a significant market player and takes action to reduce emissions per passenger and make aviation more environmentally friendly. The Company operates one of the world's newest and most modern aircraft fleets.

As a global low-cost airline, Norwegian employs 6 285 people in Europe, North and South America and Asia. Diversity makes the organization richer and better. Regardless of location, workers' rights, equality, non-discrimination, business ethics and anticorruption are key priorities.

Since 2002, Norwegian has safely carried about 185 million passengers. Safety is the number one priority and at the heart of the operation. It is essential for customers and staff, as well as imperative for the sustainability of air transport. All of the Group's operations are subject to extensive safety controls and certification. They meet the strictest standards and the highest level of regulations in the industry (The European Aviation Safety Agency, EASA).

The way we work with safety at Norwegian – both in terms of systems and culture – are used as examples in the healthcare industry.

THE THREE PILLARS OF CORPORATE RESPONSIBILITY AT NORWEGIAN

To integrate Corporate Responsibility (CR) efforts into the daily operations, Norwegian's CR approach is concentrated around three distinct pillars. All corporate responsibility activities should be relevant, simple and direct. Within the three pillars, Norwegian has certain overall ambitions that are the fundament of the group's CR efforts:

- **Environment:** Norwegian has an ambition to continue reducing emissions per passenger and help make aviation carbon neutral by 2050. We want to reduce the environmental footprint by flying the most modern and fuel-efficient aircraft in the skies. Norwegian also encourages the development and production of sustainable bio fuels.
- **Local development and humanitarian engagement:** Norwegian's goal is to create economic and social value at our bases and destinations. We want to help children in need through our Signature



Partnership with the humanitarian organization UNICEF. Locally, our goal is to involve our staff in their local communities, as we believe that involvement creates greater quality of work life for staff.

- **Responsible people culture:** Norwegian's goal is to create a good working environment and develop a sound corporate culture marked by openness, tolerance and high ethical standards. At Norwegian, we want to promote an environment free from any discrimination.

2016 ACTIVITIES AND RESULTS

Norwegian is committed to deliver results within the company's Corporate Respon-

sibility framework. The following is a representation of the key CR activities performed during 2016 within Norwegian's three pillars of CR.

The Environment

Norwegian is committed to actively engage in and support a sustainable environmental policy, and to continue reducing emissions from aviation. The single most important action an airline can take to reduce its environmental footprint is to invest in new aircraft, consequently reducing emissions considerably.

One of the greenest fleets in the world

In 2016, Norwegian took delivery of 17 Boeing 737-800s and four Boeing 787-9s. It also phased out seven Boeing 737-800s.

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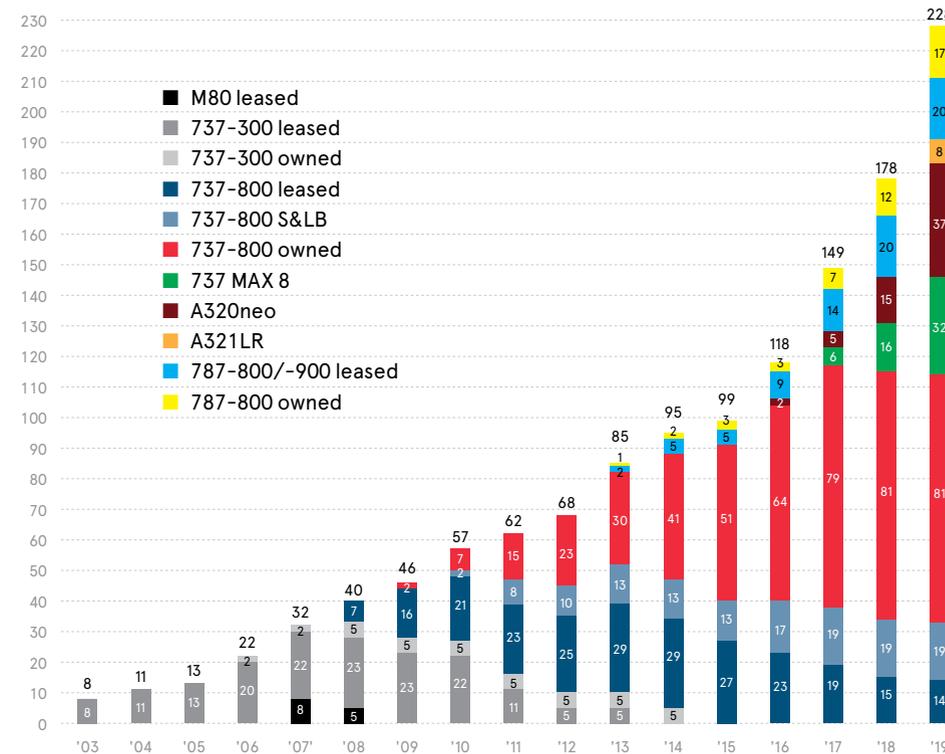
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CURRENT COMMITTED FLEET PLAN

Number of planes at year-end



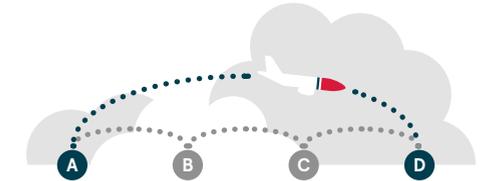
The continued fleet renewal in 2016 contributed to further reduction in emissions per passenger. The Group as a whole consumed 1.2 million tons of Jet A-1 fuel, equivalent to 73.8 grams of CO₂ per passenger per kilometer, a reduction of 2.4 per cent from the previous year. The 116 aircraft in Norwegian's fleet have an average age of 3.6 years (as of January 1, 2017), making it one of the greenest and most fuel-efficient fleets in the world.

Norwegian uses the technologically advanced 787 Dreamliner on its intercontinental routes. The aircraft uses less than 80 per cent fuel compared to its counterparts. With a pending order of 30 Dreamliners to be delivered in the coming years, Norwegian will continue to be one of the most environmentally friendly airlines in the world.

To be able to reduce emissions and make our fleet even greener, we are working on a number of initiatives. In 2016 our key emission reducing activities were:

- Fewer take offs and landings**
 As opposed to traditional network carriers, Norwegian bypasses the big "hubs" and offers more direct flights. The result is a significant reduction of fuel-inten-

DIRECT FLIGHTS BYPASSING HUBS



sive take offs and landings. "Green" approaches for the descent Continuous Descent Approaches designed to reduce overall emissions during the final stages of the flight.

- Supporting the switch to biofuel** Norwegian encourages the development of biofuel and is fully committed to replacing traditional jet-fuel with a greener alternative when it becomes commercially available and sustainable. In 2016, Norwegian used the available amounts of biofuel on all of its flights departing from Oslo Airport. The Group used a total of 1.5 million liters of Air BP in 2016.

GREEN APPROACHES FOR DESCENT



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- **Noise reduction**

Aviation is associated with noise challenges. Norwegian's new fleet of aircraft plays an important part in the efforts to reduce negative impact on the local environment, as the new aircraft are considerably quieter than their older counterparts. All of Norwegian's aircraft meet The International Civil Aviation Organization's (ICAO) Chapter 4 requirements and 100 per cent meet Chapter 14 requirements.

- **Lighter materials**

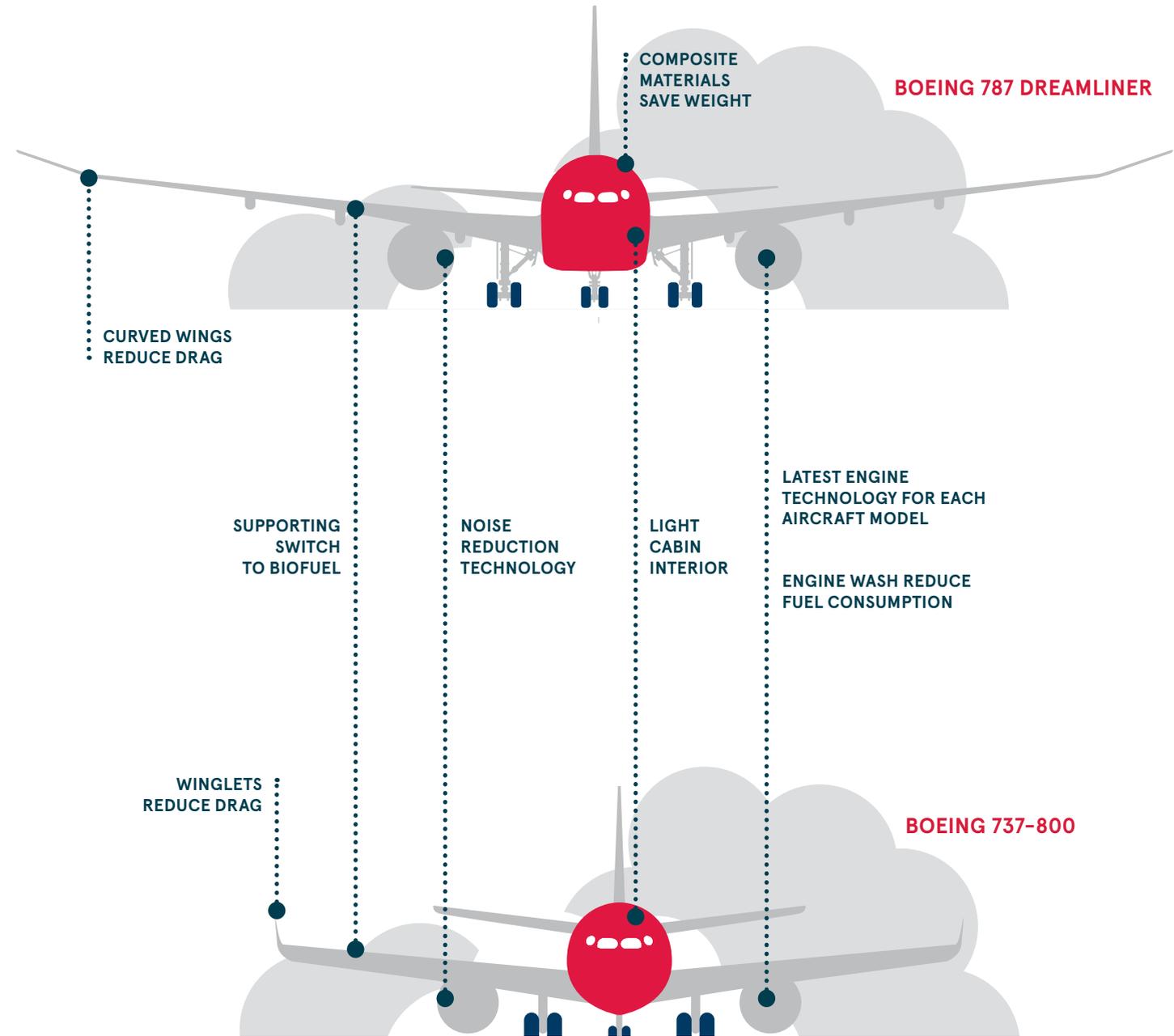
Norwegian's aircraft feature the most modern interiors. Several factors, such as slim and light seats, reduce weight and emissions.

- **Winglets reduce drag**

All of Norwegian's 737-800s have winglets, a tailfin-like extension of each wingtip. Winglets reduce drag, which in turn reduces fuel consumption by approximately two per cent per aircraft.

- **A special wash that reduces fuel consumption**

At Norwegian, we have a special engine and aircraft wash that decreases fuel consumption, reducing carbon emissions by approximately 16 000 tons per year.



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LOCAL DEVELOPMENT AND HUMANITARIAN ENGAGEMENT

Creating economic and social value at our bases and destinations are important objectives that underlines Norwegian's ambition to be a good corporate citizen. Another side of this ambition is expressed through the Signature Partnership with the humanitarian organization UNICEF, with the objective of helping children in need.

Boosting local economies and creating new jobs

Global expansion and new routes boost local tourism, create new jobs, drive economic growth and social progress. In 2016, we continued to create economic and social value at our existing and new bases as well as at current and new destinations.

Norwegian's contribution to the Scandinavian tourism industry is substantial, according to a recent report from the economic analysis company Menon. Foreign tourists visiting Norway, Sweden and Denmark through Norwegian contribute to sustaining 41 500 jobs in the tourism industry (Norway: 16 000; Sweden: 13 000; Denmark: 12 500).

Norwegian's contribution to the US economy is also considerable. Since 2013, Norwegian has carried more than 2.5 million foreign visitors to the USA on its 34 transatlantic routes, significantly boosting the creation of American jobs in the travel and tourism industry, not least in Fort Lauderdale and Oakland/San Francisco, where international flights have been scarce. Norwegian is one of the largest customers of Boeing, an American aircraft manufacturer. With a firm order of 149 Boeing 737s and 787s valued at more than USD 18.5 billion at cur-



rent list prices, Norwegian is consequently helping to create and support up to 100 000 American jobs, according to calculations from the US Commerce Department.

In addition, Norwegian's own work force increased by 23 per cent in 2016, with the highest growth in Spain and the UK.

Partnership with UNICEF

"The children are the future and we should do everything we can to make the world a better place for the ones who need it the most," says Norwegian's CEO Bjørn Kjos. That is why Norwegian has a collaboration with UNICEF, the United Nation's Children Fund. We also believe that it is important to enable our staff and customers to make a difference. Through fundraisers, internal

activities, relief flights and other activities we are committed to supporting UNICEF and the important work the organization does for children in need all over the world. Norwegian and UNICEF have had a Signature Partnership since 2007.

The partnership is enabling Norwegian and our passengers to contribute to UNICEF's work through several initiatives. UNICEF Norway's employees fly for free with Norwegian.

Throughout 2016, our customers donated more than NOK 5.2 million to UNICEF's work for children when booking their next flight on our website. In addition, Norwegian decided to donate money to UNICEF instead of giving its staff a Christmas present.

5.2 MILLION

In 2016, Norwegian's passengers donated more than NOK 5.2 million to UNICEF's work for children when booking their next flight on our website. This amount may contribute to the following:

- Fully finance about five schools: Construction, furniture, training of teachers, etc.
- Installing approximately 1 500 wells equipped with water pumps that can supply an entire village or refugee camp with clean water. Often it is the girls' job to fetch water, which may mean that they do not have time to go to school. If the water pump is located near the school, it increases the girls' chance to get an education.
- 1.5 million emergency food kits, providing approximately 34 000 malnourished children food for two weeks.
- Provide approximately 1 million children with polio vaccinations.



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RESPONSIBLE PEOPLE CULTURE

The airline business is a service business where good relations and respect between people are key success factors. Norwegian has a long-term focus on creating an attractive workplace for staff, offering exiting opportunities in a global expansion.

Norwegian's success rests on the ability to maintain a workforce of highly skilled staff and leaders, who are motivated to contribute to Norwegian's journey and to deliver on our vision. The goal is to offer unique opportunities to the people working for Norwegian as well as a corporate culture that helps us attracting and retaining the best people in the industry, regardless of where the business is located. Creating effective arenas for organizational learning and professional de-

velopment at all levels of the organization is a goal, and guides us in our work with organizational development.

Code of ethics

Norwegian's corporate vision, values and operational priorities form the basis for 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, as well as safety for all, be it staff, customers or partners.

Norwegian supports the international human rights as outlined by the UN declaration and conventions. No one shall in any

way cause or contribute to the violation or circumvention of human rights. Norwegian shall strive to be a professional and positive workplace with a respectful, open and including working environment. All people working for Norwegian shall behave with respect and integrity towards anyone they come into contact with through their work, contributing to create an environment free from any discrimination, be it due to religion, skin color, gender, sexual orientation, age, nationality, race or disability, and free from bullying, harassment or similar.

Everyone working for Norwegian have a joint responsibility to develop and maintain a good working environment and be aware of, updated on and compliant with the ethical guidelines. Any violations of

the Codes of Ethics shall be reported to Norwegian's Ethical Helpline.

Staff and organization

At the end of 2016, the Norwegian Group facilitated employment for a total of 5 796 full-time equivalents (FTE's) compared to 4 576 FTEs at the end of 2015, apprentices and staff employed in partner agencies included. The equivalent in headcounts was 6 285, compared to 5 070 at the end of 2015. This was a planned increase, which has taken place in line with the 2016 expansion of the route network.

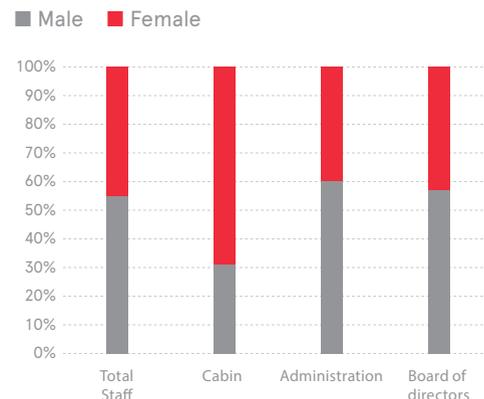
Norwegian's successful apprentice program in Travel & Tourism continued in 2016 with apprentices from both Norway and Sweden. The program is approved by the Norwegian Educational Authorities, and comprised approximately 100 apprentices at the end of 2016. The program runs over a two to three year period dependent on the apprentice's educational background, and has year round rolling admission. A further intake is due in 2017, and the program is continuously developed. At graduation, the apprentices have successfully completed modules in Sales & Marketing, Customer Support & Booking and Ground Handling and had at least one international assignment over a longer period. On top of that, they have spent several months flying as cabin crew members across Scandinavia and Europe. The standard of our apprentices is at the highest level with a perfect pass rate in 2016. The labor unions are actively included in planning of the apprentices' curriculum.

Norwegian's human resources policy strives to be equitable, neutral and non-discriminatory. The airline industry has historically been male-dominated, but Norwegian has a strong tradition of

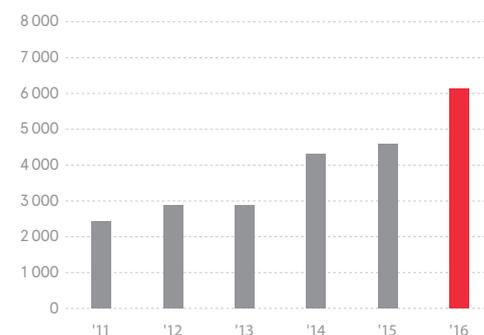
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GENDER DISTRIBUTION 2016



NUMBER OF STAFF



practicing equality since its inception in 2002. Norwegian gives weight to having staff with expertise related to tip tasks and is committed to recruit both women and men to these positions. In 2016, 45 (47) per cent of the staff were women and 55 (53) per cent were men. Most of the pilots are men. The share of female pilots is around 4 (4) per cent. The majority of the cabin personnel are women, while men account for

approximately 31 (23) per cent. Among administrative staff, there is more or less an equal spread between women and men. Among staff in technical positions as technicians and engineers there has historically been a predominance of men, but this has changed in last few years with an increasing share of female staff. The Group's Board of Directors has above 40 (40) per cent female representation.

Active monitoring of HSE (Health, Safety and Environment) indicators, corporate health insurance policies and continuing cooperation with protective services will contribute to ensure that reduction of sickness leave remains a priority. A number of key HSE activities are conducted in compliance with labor laws and corporate guidelines, such as risk assessments, audits, handling of occurrence reports, work environment surveys and following up with group processes on base meetings for crew and technical staff. Activities also include participation in ERM-organization, FRSAG (Fatigue Risk Safety Action Group), SAG (Safety Action Group), Non-SAG and in several HSE-related projects. HSE information is also provided in connection with training of crew, pilots and technical staff. The Group HSE function also ensures HSE supervision, leading the work with preventing addiction and abuse problems, Work Environment committees (WEC) and safety representative meetings. There is ongoing work establishing WEC throughout the organization, as part of implementing HSE aligned with global requirements.

Norwegian Air Shuttle ASA is a member of NHO Aviation, which is a member of NHO, The Confederation of Norwegian Enterprise. Salary reviews are conducted through local union negotiations or according to local laws, regulations and CBA (col-

lective bargaining agreements). The salary development reflects the social situation and market requirements, and was in 2016 moderate according to the consumer price index. People working in Norwegian are employed in the country where they are based, and follow the laws and regulations for the respective country. However, Norwegian's policies and guidelines are based upon a Scandinavian approach according to our legacy and organizational culture.

Sickness leave for the Norwegian Group across all units for our employees (not including agency staff) was 6.5 per cent for 2016.

AMBITIONS AND PLANS FOR 2017

Norwegian will continue its commitment to operate in accordance with responsible, ethical, sustainable and sound business principles, with respect for people and the environment. The Group's global expansion will continue to boost local tourism, create new jobs, drive economic growth and social progress, and it will be a driver for continued development of efforts that safeguard the sustainability and responsibility aspects of our growth.

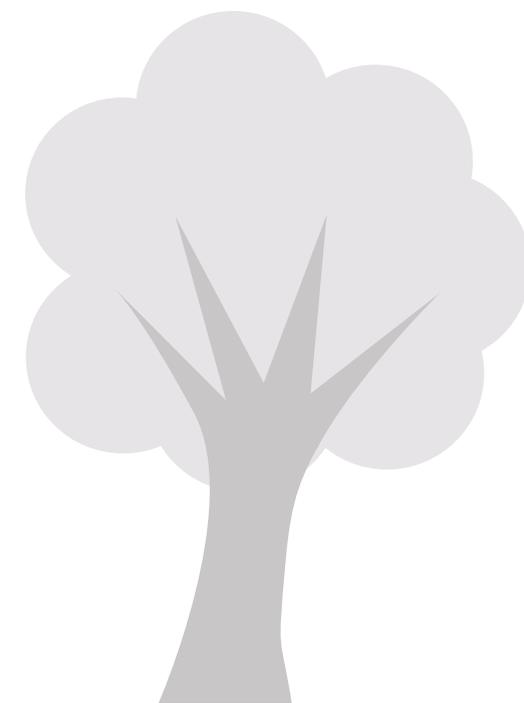
The environment will be high on the agenda also in 2017. Our fleet renewal program with the introduction of nine 787-9 Dreamliners, six 737 MAX 8, 17 new Boeing 737-800s and the use of biofuel, will contribute to reduce the emission per passenger.

In addition, we will launch a new environmental program in 2017: "Plant a Tree". Norwegian will plant tens of thousands of trees that will contribute to absorb large amounts of CO₂. The new initiative will also play an important part in staff engagement locally, an overall key priority in 2017 both through "Plant a Tree" and UNICEF. We believe that involving our staff in their

local communities, creates greater quality of work life.

The UNICEF partnership will see enhanced activity in 2017, as it will include Sweden, Denmark and the USA in addition to Norway. This creates new opportunities to launch fundraising campaigns and staff engagement both globally and locally.

Norwegian aims to join the U.N. Global Compact, which is the United Nation's corporate sustainability initiative. This step will help enable us further to improve our approach to Corporate Responsibility, through access to best practice, standards and other initiatives.





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12. Remuneration of Executive personnel
13. Information and Communications
14. Takeovers
15. Auditor

ANNUAL CORPORATE GOVERNANCE STATEMENT

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

1. HOW WE UNDERSTAND THE CONCEPT

The description of the main features is generally structured like the Code of Practice. As recommended, more details are provided on the individual points.

The topic of corporate governance is subject to annual evaluation and discussion by the Board. The annual evaluation was carried at the Board meeting on 16 March 2017.

The Group's core values and corporate code of ethics are the fundamentals of Norwegian's corporate governance. Corporate governance deals with issues and principles associated with the distribution of roles between the governing bodies of a company, and the responsibilities and authorities assigned to each body. Good corporate governance is distinguished by responsible interaction between the owners, the Board and the Management in a long-term, productive and sustainable perspective. It calls for effective cooperation, which means a defined division of responsibilities and roles between the shareholders, the Board and the Management, and also respect for the Group's other stakeholders as well as open and honest commu-

nication with the communities in which the Group operates.

In line with the Norwegian Code of Practice for Corporate Governance, a review of the major aspects of Norwegian Air Shuttle ASA's governance structure follows below.

2. BUSINESS

Norwegian's business is clearly defined in paragraph 3 of its articles of association:

"The Group's objective is to be engaged in aviation, other transport and travel related business activities as well as activities connected therewith. The Group may also be engaged directly or indirectly in other forms of Internet-based provision of goods and services, including car rental, hotel booking, payment services, financial services and services related to credit cards. Participation in such activities as mentioned may take place through co-operation agreements, ownership interests or by any other means."

The Group has clear goals and strategies for its business. These are presented in the Groups quality manual and are also made available to the public in the annual report and on the website www.norwegian.com.

3. EQUITY AND DIVIDENDS

The Group's equity at year-end 2016 was NOK 4 049 million equivalent to an equity ratio of 11 per cent. The Board deems this to be adequate considering the Group's strategy and risk profile.

Dividend policy

Norwegian is a growth company with continuous investment plans. The Board of Directors recommends not to distribute dividends as it is considered to be in the best interest of the shareholders to retain funds for investments in expansion and for other investment opportunities as stated in the articles of association, thereby enhancing profitability and shareholder value. Dividends should under no circumstances be paid if equity is below what is considered to be an appropriate level. A financial covenant to the bond agreements entered into in July 2014, November 2014, May 2015 and December 2015 restricts dividend payments, and repurchase of shares (except for the benefit of the employees and/or Management and/or Directors for any Group Company) until maturity of the last bond in December 2019.

Board authorizations

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

employee incentive program. The mandate granted to the Board is limited to a total of 3 516 213 shares and is valid until May 2018.

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

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

Class of shares

Norwegian Air Shuttle ASA has only one class of shares and all shares have equal rights in the Company. The articles of association impose no voting restrictions.

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 per cent of the shares in companies that are subject to said regulation. In the general meeting in May 2016, the Articles of association was amended in order to ensure that the Company in an efficient manner could intervene if it is a risk that the license(s) of the Company may be revoked.



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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 2016.

Transactions with related parties

Material transactions between the Group and key stakeholders, in particular the shareholders, the members of the Board and the Executive Management, are subject to

the approval of the Board of Directors. Such transactions are duly noted in the minutes from the Board meeting and are also explicitly stated in the notes to the consolidated accounts. At present, the Chair of the Board is partner of the law firm Simonsen Vogt Wiig, which is the legal advisor to Norwegian Air Shuttle ASA. Norwegian has leased its head office from Fornebu Næringseierdom 1 AS, which is controlled by the Chair and the CEO. In cases where members of the Board of Directors or the Executive Management have other direct or indirect material interests in transactions entered into by the

Group, this is stated in the notes to the consolidated accounts. [Note 26](#) to the consolidated financial statements describes transactions with close associates (related parties). Financial relationships related to the Directors and Executive personnel are described in [note 7 and 15](#).

Guidelines for Directors and Executives

Norwegian's code of ethics includes guidelines for handling possible conflicts of interest. The code applies to all Board members and Norwegian staff. In addition the Board has drawn up specific procedures for

handling of conflicts of interest for Board members and members of the corporate Management Board.

5. FREELY NEGOTIATED SHARES

There are no restrictions on trading of the Company's shares in the articles of association or elsewhere.

6. GENERAL MEETINGS

The Board of Directors has ensured that the shareholders may exercise their rights at the general assembly, making the summons and related documentation available on the website.

Notification

At least three weeks written notice must be given to call the annual general meeting. The relevant documents, including the election committee's justified slate of nominees when new members are up for election or existing ones are up for re-election, are available at the Group's website at least 21 days prior to the date of the general meeting. The general meeting in May 2016 decided that "An extraordinary general meeting may be called with fourteen days' notice if the Board decides that the shareholders may attend the general meeting with the aid of electronic devices, cf. Section 5-8a of the public Limited Companies Act". The Board of Directors, election committee and the auditor are required to be present. The Management is represented by the Chief Executive Officer and the Chief Financial Officer and other key personnel on specific topics.

Agenda and execution

The agenda is set by the Board, and the main items are specified in Article 7 of the Article of Association.

According to the Company's Articles of



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Association the General Meeting shall be chaired by the Chair of the Board. The minutes of the general meeting are available on the Group's website.

7. ELECTION COMMITTEE

The election committee's task is to nominate candidates to the general meeting for the shareholder-elected Directors' seats. The articles of association state that the committee shall have four members, and the Chair of the committee is the Chair of the Board. The remaining three members are elected by the general meeting every second year. The next election is due in 2018.

The guidelines for the election committee are included in the Company's articles of association and were last approved by the general meeting in May 2011. To ensure that nominees meet the requirements for expertise, capacity and diversity set forth by the Board members, the Chair of the Board is a permanent member of the committee.

As described in the guidelines, the election committee should have contact with shareholders, the Board of Directors and the Company's Executive personnel as part of its work on proposing candidates for election to the Board.

Composition

The election committee currently consists of the Chair of the Board, one employee and two external members representing major shareholders in the Company. The current composition of the committee was elected by the Annual General Meeting on 10 May 2016 and consist of;

- Geir Tjetland, portfolio manager Skagen Fondene.
- Mr Jørgen Stenshagen, CEO Stenshagen

Invest AS.

- Sven Fermann Hermansen, pilot and shareholder in the Company.

None of the members of the election committee represent Norwegian's Management. The majority of the members are considered as independent of the Management and the Board. The composition of the election committee is regarded as reflecting the common interests of the community of shareholders.

8. CORPORATE ASSEMBLY AND BOARD OF DIRECTORS, COMPOSITION AND INDEPENDENCE

Norwegian Air Shuttle ASA has, in agreement with the employee unions and as warranted by Norwegian law, no corporate assembly. Instead, the Company has three Directors elected by the employees on the Board of Directors. According to the articles of association, the Board must consist of between six and eight members. At year end there were seven members.

Election of the Board of Directors

The shareholder-elected members of the Board of Directors have been nominated by the election committee to ensure that the Board of Directors possesses the necessary expertise, capacity and diversity. The Board members have competencies in and experiences from the transport sector and other competitive consumer sectors, relevant network connections and experiences from businesses, finance, capital markets and marketing. The Chair and deputy Chair are elected by the Board. The Board members are elected for a period of two years.

The Board's independence

The majority of the shareholder elected members of the Board are considered to be autonomous and independent of the Company's Executive personnel and material business contacts. At least two of the members of the Board, who are elected by shareholders, are considered autonomous and independent of the Company's main shareholder(s). Among the shareholder-elected Directors, there are one men and two women. Detailed information on the individual director can be found on the website at www.norwegian.com.

The CEO is not a member of the Board of Directors.

9. THE WORK OF THE BOARD OF DIRECTORS

The Board of Directors' work is in accordance with the rules of Norwegian law. The Board has an annual plan for its work, which particularly emphasizes objectives, strategies and implementations. The Board holds annual strategy seminars, in which objectives, strategies and implementations are being addressed.

Instructions for the Board of Directors

The Board of Directors issues instructions for its own work.

If the Chair of the Board of Directors is or has been actively engaged in a given case, another Board member will normally lead discussions concerning that particular case.

Instructions for the CEO

There is a clear division of responsibilities between the Board and the Executive Management. The Chair is responsible for ensuring that the Board's work is

conducted in an efficient, correct manner and in accordance with the Board's terms of reference. The CEO is responsible for the Group's operational Management. The Board has drawn up special instructions for the CEO.

The Board's Audit Committee

The audit committee was established by the general meeting in 2010. To ensure that nominees meet the requirements of expertise, capacity and diversity set forth by the Board members, the Board of Directors acts as the Company's audit committee.

The Board of Directors conducts an annual self-assessment of its work competence and cooperation with the Management and a separate assessment of the Chair.

10. RISK MANAGEMENT AND INTERNAL CONTROL

The Management issues monthly performance reports to the Board of Directors for review. Quarterly financial reports are prepared and made available to the capital market in accordance with the reporting requirements applicable to listed companies on Oslo Børs. The quarterly financial reports are reviewed by the audit committee prior to Board approval and disclosure. Moreover, financial reports, risk reports and safety reports are drawn up, all of which are subject to review at Board meetings. The auditor meets with the entire Board in connection with the presentation of the interim annual financial statements, and when otherwise required.

Policies and procedures have been established to manage risks. The Group's Board of Directors reviews and evaluates the overall risk Management systems and environment in the Group on a reg-



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6. General Meetings
7. Election Committee
8. Corporate Assembly and Board of Directors, Composition and Independence
9. The Work of the Board of Directors
10. Risk Management and Internal Control
11. Remuneration of the Board of Directors
12. Remuneration of Executive personnel
13. Information and Communications
14. Takeovers
15. Auditor

ular basis. The Board ensures sound internal controls and systems for risk Management through, for example, annual Board reviews of the most important risk factors and internal controls. Risk assessment and the status of the Group's compliance and corporate social responsibility are reported to the Board annually. The Group's financial position and risks are thoroughly described in the Board of Directors' Report.

11. REMUNERATION OF THE BOARD OF DIRECTORS

Based on the consent of the general meeting, it is assumed that the remuneration of Board members reflects the respective members' responsibilities, expertise, time commitments and the complexities of the Group's activities.

In cases where Board members take on specific assignments for the Group, which are not taken on as part of their office, the other Board members must be notified immediately and if the transaction is of a substantial nature this will be explicitly stated in the notes to the consolidated accounts.

Details of the remuneration of individual Board members are available in the notes to the consolidated accounts.

12. REMUNERATION OF EXECUTIVE PERSONNEL

The Board's statement on Management compensation policy is prepared in accordance with the public limited companies act 6-16a and includes the Company's share option program, if any. The statement is presented at the Annual General Meeting.

The principles of leadership remuneration in Norwegian Air Shuttle ASA are to stimulate a strong and lasting profit ori-

ented culture. The total compensation level should be competitive, however, not market leading compared to similar organizations. The Board determines the remuneration of the CEO, and the guidelines for remuneration of the Executive Management. The remuneration of the Board and the Executive Management must not have negative effects on the Group, nor damage the reputation and standing of the Group in the public eye

The Executive Management has not been given any specific rights in case of terminated employment.

Details of the remuneration of individual members of the Executive Management are available in the notes to the consolidated accounts.

13. INFORMATION AND COMMUNICATIONS

Norwegian has established guidelines for the Company's reporting of financial and other information based on transparency and with regard to the requirement of equal treatment of all parties in the securities market. The Board of Directors annually reviews these guidelines.

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

Information distributed to the shareholders is also published on the Group's website. The Group holds regular investor meetings and public interim results presentations, and has an investor relations department.

Norwegian has separate instructions for investor relations regarding communi-

cation with investors and how insider information shall be treated. The Board of Directors has prepared guidelines for the Group's contact with shareholders outside the general meeting.

The Board considers that these measures enable and ensure continuous informative interactions between the Company and the shareholders.

14. TAKEOVERS

There are no limitations with respect to the purchases of shares in the Company. In the event of a take-over bid the Board of Directors will act in the best interest of the shareholders and in compliance with all the rules and regulations applicable for such an event. In the case of a take-over bid, the Board will refrain from taking any obstructive action unless agreed upon by the general meeting. The Company's bond issue has a change of control clause that allows bondholders to call for redemption of the bonds at 101 per cent of par in the event of a change of control.

15. AUDITOR

The auditor annually presents the main features of the audit plan for the Group to the audit committee.

The auditor participates in the meetings of the Board of Directors that deal with the annual accounts. At these meetings the auditor reviews any material changes in the Group's accounting principles, comments on any material estimated accounting figures and reports all material matters on which there has been a disagreement between the auditor and the Executive Management of the Company.

The auditor presents a review of the Group's internal control procedures at least

once a year to the audit committee, including identified weaknesses and proposals for improvements.

The auditor participates in meetings with the audit committee and present the report from the auditor that addresses the Group's accounting policy, risk areas and internal control routines.

The CEO and the CFO are present at all meetings with the Board of Directors and the auditor, except for one meeting a year, in which only the auditor, the Board and the audit committee are present. The Management and the Board of Directors evaluate the use of the auditor for services other than auditing.

The Board receives annual confirmation that the auditor continues to meet the requirement of independence.

The Board of Directors reports the remuneration paid to the auditor at the annual general meeting, including details of the fee paid for audit work and any fees paid for other specific services.

BOARD AND MANAGEMENT

The Board of Directors

- Bjørn H Kise
- Liv Berstad
- Ada Kjeseth
- Christian Fredrik Stray
- Geir Olav Øien
- Linda Olsen
- Marcus Hall

The Management team

- Bjørn Kjos
- Frode E. Foss
- Asgeir Nyseth
- Anne-Sissel Skånvik
- Thomas Ramdahl
- Jan Dahm-Simonsen
- Frode Berg
- Dag Skage
- Tore Jenssen
- Edward Thorstad
- Bjørn Erik Barman-Jenssen
- Lennart Ceder

THE BOARD OF DIRECTORS



Bjørn H Kise
Chair

Mr Bjørn H. Kise (born 1950) has more than 25 years of experience of legal practice with the law firm Simonsen Vogt Wiig AS where he is also a partner. He holds a Law Degree from the University of Oslo and was admitted to the Supreme Court in 1997. Mr Kise is one of the founding partners of Norwegian Air Shuttle and has been a Board member since 1993. He was Chair of the Board for the 1996-2002 period. Mr Kise also holds a number of Board appointments at large and medium-sized companies in Norway and abroad. As of December 31, 2016, Mr Kise held 723 901 shares in the Company and has no stock options. He is a Norwegian citizen. Mr Kise has been elected for the 2016-2018 period, and represents Norwegian's principal shareholder HBK Invest AS.



Liv Berstad
Deputy Chair

Ms Liv Berstad (born 1961) is the Managing Director for the clothing company KappAhl in Norway. Ms Berstad has extensive experience from retail trade in the Nordic region, mainly in construction material, fashion and cosmetics. She joined KappAhl as their financing manager in 1990, and in 1996 Ms Berstad assumed the Managing Director position. She is a business economist from the BI Norwegian School of Management and has been a Board member since 2005. Ms Berstad has extensive experience from Board positions at companies in Norway and Scandinavia. As of December 31, 2016, Ms Berstad did not hold any shares in the Company and she does not have any stock options. She is a Norwegian citizen. Ms Berstad was elected for the 2015-2017 period and is an independent Board member.



Ada Kjeseth
Director

Ms Ada Kjeseth (born 1949) is the CEO of Tekas Shipping AS and has been since 2006. She has also the Executive Chair of Tekas AS, a family investment company, and has held various leading roles as Managing Director, CEO and CFO in companies like Visma Services ASA, Visma Services Norway AS, ØkonomiPartner AS and AS Nevi. Ms Kjeseth was educated at The Norwegian School of Economics. She has extensive experience from several Boards. She is Chair of the Board of TEKAS AS and member of the Board of Bertel O. Steen Holding AS and Parkveien 27-31 ANS. As of December 31, 2016, Ms Kjeseth did not hold any shares in the Company or has any stock options. She is a Norwegian citizen. Ms Kjeseth has been elected for the 2015-2017 period and is an independent Board member.



Christian Fredrik Stray
Director

Mr Christian Fredrik Stray (born 1978) is CEO of Hy5Pro AS (Hy5) since 2015, and has several years of experience from the global medical device company Biomet. From 2008-2011 he was the CEO of Biomet Norge, and from 2011-2014 he was the CEO of Biomet Nordic. Mr Stray holds a Bachelors of Science degree in Biomedical Engineering and an executive MBA from ESCP-EAP (Paris) as well as the BI Norwegian Business School. Mr Stray holds several Board appointments for companies in Norway and Scandinavia, primarily within the medical and digital industry. As of December 31, 2016, Mr Stray held 200 shares in the Company, but does not have any stock options. He is a Norwegian citizen. Mr Stray was elected for the 2015-2017 period and is an independent Board member.



Geir Olav Øien
Director
(elected by the employees)

Mr Geir Olav Øien (born 1972) joined Norwegian's Technical Department in 1998. He has 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, and has been a Director since 2016. As of December 31, 2016, Mr Øien did not hold any shares in the Company or have any stock options. He is a Norwegian citizen. Mr Øien was elected for the 2016-2018 period and is an independent Board member.



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Asgeir Nyseth

Anne-Sissel Skånvik

Thomas Ramdahl

Jan Dahm-Simonsen

Frode Berg

Dag Skage

Tore Jenssen

Edward Thorstad

Bjørn Erik Barman-Jenssen

Lennart Ceder



Linda Olsen

Director

(elected by the employees)

Ms Linda Olsen (born 1985) joined Norwegian in February 2006, and is currently working as a Manager in Customer Relations. Ms Olsen is a Legal Office Assistant and has studied tourism management in Australia. She has been a Director since 2009. As of December 31, 2016, Ms Olsen did not hold any shares in the Company, and she does not have stock options. She is a Norwegian citizen. Ms Olsen was elected for the 2016-2018 period and is an independent Board member.



Marcus Hall

Director

(elected by the employees)

Mr Marcus Hall (born 1970) is a Cabin Check Supervisor for Norwegian's cabin crew. He started in the airline industry in the late 1990s and has been with Norwegian since 2004. He has extensive experience in both continental and intercontinental productions in the aviation industry. Mr Hall started his career in the hospitality business in the 1980s where he gained substantial national and international crossover experience from various high end fields. Mr Hall was a Board member of the Cabin Union from 2010-2014. He is educated within HRM, Coaching, Project Management, Change Management and Influencing from Buskerud and Vestfold University College. Mr Hall has been a Director since 2016. As of December 31, 2016, Mr Hall did not hold any Company shares and he does not have any stock options. He is a Swedish citizen. Mr Hall was elected for the 2016-2018 period and is an independent Board member.



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- Lennart Ceder

THE MANAGEMENT TEAM



The Executive Management team of the Group consists of representatives from the Company's Scandinavian and international operations.

Bjørn Kjos

Chief Executive Officer

Mr Bjørn Kjos (born 1946) has been Norwegian's Chief Executive Officer since October 2002. He is one of the founding partners of Norwegian Air Shuttle and was the Chair of the Board between 1993 and 1996, and was also Chair during the start-up period of the Boeing 737 operation from June-September 2002. Mr Kjos, a law graduate of the University of Oslo, was granted the right of audience in the Supreme Court in 1993. He was also a fighter pilot in the 334 squadron for six years. As of December 31, 2016, he held 7 443 315 shares in the Company and has 100 000 stock-options. Mr Kjos is a Norwegian citizen.

Frode E. Foss

Chief Financial Officer

Mr Frode E. Foss (born 1968) has been the Chief Financial Officer of Norwegian since he joined the Company in its start-up year 2002 and is a member of the Board of Directors of Norwegian Finance Holding ASA (Bank Norwegian). Mr Foss has eight years of experience in auditing and management consulting services with Arthur Andersen and Ernst & Young. He holds a Master of Business Administration and a Master of Science Degree in Finance from the University of Wyoming in the United States. He received his Financial Analyst charter in 2002 (CFA). As of December 31, 2016, he held 35 000 shares in the Company and has 100 000 stock-options. Mr Foss is a Norwegian citizen.

Asgeir Nyseth

Chief Operating Officer

Mr Asgeir Nyseth (born 1957) was appointed Chief Operating Officer for Norwegian Group in 2016. He started as Norwegian's Chief Operational Officer in 2006 and CEO of Norwegian's long haul operation in 2013. Mr Nyseth has extensive experience as an aeronautics engineer from both Lufttransport and Scandinavian Airlines. He was the technical director of Lufttransport for a period of three years and became the CEO of Lufttransport in 2000. Mr Nyseth completed officer training school and technical education at the Norwegian Air Force. As of December 31, 2016, he held 12 342 shares in the Company and has 100 000 stock-options. Mr Nyseth is a Norwegian citizen.

Anne-Sissel Skånvik

Chief Communications Officer

Ms Anne-Sissel Skånvik (born 1959) has more than 30 years of experience working with corporate communications and journalism. Ms Skånvik was the Deputy Director General in The Ministry of Finance between 1996 and 2004. She has several years of experience in Statistics Norway (SSB) and as a journalist for various news outlets. She joined Norwegian in 2009 from a position as Senior Vice President at Telenor ASA where she was responsible for corporate communications and governmental relations. She has a Masters Degree in Political Science ("Cand. Polit") from the University of Oslo and a degree in journalism. As of December 31, 2016, she did not hold any shares in the Company, but she has 50 000 stock-options. Ms Skånvik is a Norwegian citizen.

Thomas Ramdahl

Chief Commercial Officer

Mr Thomas Ramdahl (born 1971) was appointed Norwegian's Chief Commercial Officer in 2014. Prior to that, he was Norwegian's Director of Network Development and part of the Company's commercial management team since 2008. He has a long and varied experience in the aviation industry and has previously worked for SAS and Braathens where he has held positions in Revenue Management, Route Management and Charter. Mr Ramdahl has a Bachelors Degree from the BI Norwegian Business School. As of December 31, 2016, he did not hold any shares in the Company, but he has 25 000 stock-options. Mr Ramdahl is a Norwegian citizen.



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Lennart Ceder



Jan Dahm-Simonsen
Chief Human Resources Officer

Mr Jan Dahm-Simonsen (born 1969) was appointed as the Chief Human Resources Officer at Norwegian in September 2016. Before joining Norwegian, he was employed as Vice President in Statoil's HR division where he held various roles within the line as well as in the corporate organization. Mr Dahm-Simonsen has a broad background within human resources and experience from several international companies. He has held the position as Executive Vice President HR & Staffs at Statoil Fuel & Retail ASA, in addition to broad human resources roles at both General Electric and Aker Solutions. Mr Dahm-Simonsen holds a Master Degree in Organizational Behavior and Human Resources from the University of Wales. As of December 31, 2016 he held four shares in the Company and has 20 000 stock-options. Mr Dahm-Simonsen is a Norwegian citizen.



Frode Berg
Chief Legal Officer

Mr Frode Berg (born 1968) has been Norwegian's Chief Legal Officer since February 2013. A law practitioner since 1997, he was as a partner at the law firm Simonsen Vogt Wiig from 2007. As a lawyer Mr Berg's main fields have been corporate law, transactions and international contracts. He was legal advisor to Norwegian during the start-up phase as well as during the establishment of Bank Norwegian. Mr Berg holds a Law Degree and a Bachelor Degree in Economics from the University of Tromsø, Norway, and a Master's Degree (LL.M) from the University of Cambridge, England. As of December 31, 2016, he did not hold any shares in the Company, but he has 25 000 stock-options. Mr Berg is a Norwegian citizen.



Dag Skage
Chief Information Officer

Mr Dag Skage (born 1972) has been Norwegian's Chief Information Officer since October 2014. Prior to that, he was an Executive Director within Ernst Young's IT advisory unit. He also has consulting- and management experience from roles at BearingPoint and Andersen Business Consulting. Mr Skage has extensive experience in IT management, portfolio management, sourcing- and change management. He holds a Master of Science in Business from the BI Norwegian Business School with additional education in IT Management and Project Management. As of December 31, 2016, he did not hold any shares in the Company, but he did have 15 000 stock-options. Mr Skage is a Norwegian citizen.



Tore Jenssen
CEO Norwegian Air International Ltd

Mr Tore Jenssen (born 1978) is the Chief Executive Officer of Norwegian Air International and Chief Executive Officer of the wholly-owned asset company, Arctic Aviation Assets (AAA). He was initially hired in 2007 as Norwegian's cost controller in the technical department. Since 2010, Mr Jenssen worked as an asset manager, and in 2013 he moved to Ireland when he was appointed CEO for AAA. Before starting his career at Norwegian, he worked for Grilstad. Mr Jenssen has a Business Degree from Bodø Graduate School of Business. As of December 31, 2016, he did not hold any shares in the Company, but he has 25 000 stock-options. Mr Jenssen is a Norwegian citizen.



Edward Thorstad
Chief Customer Officer

Mr Edward Thorstad (born 1969) is Norwegian's Chief Customer Officer and has been part of the commercial management and led the Norwegian's customer service department since 2005. Mr Thorstad has worked in aviation since 1996, and he previously worked for Delta Air Lines where he helped to build their European contact center in London. He has a Bachelors Degree from University College in London. As of December 31, 2016, he held 2 450 shares in the Company and has 20 000 stock-options. Mr Thorstad is a British citizen.



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Edward Thorstad

Bjørn Erik Barman-Jenssen

Lennart Ceder



Bjørn Erik Barman-Jenssen
Managing Director Norwegian Air Resources

Mr Bjørn Erik Barman-Jenssen (born 1963) was appointed as the Managing Director of Norwegian Air Resources (NAR) in September 2016. A member of the Company's operational management team since 2007, he was previously Norwegian's Director of Ground Operations and In-Flight Services. In 2013, Mr Barman-Jenssen founded Norwegian Cargo, and is currently the Managing Director. Additionally, Mr Barman-Jenssen has almost 30 years of operational and commercial positions from roles held at Braathens and SAS. As of December 31, 2016, he does not hold any shares in the Company, but he has 15 000 stock-options. Mr Barman-Jenssen is a Norwegian citizen.



Lennart Ceder
Chief Operating Officer Norwegian Air UK Ltd

Mr Lennart Ceder (born 1955) is currently the Chief Operating Officer for Norwegian Air UK, a position he's held since 2016. He joined the the Company in 2006 as a Base Maintenance Manager with a wealth experience from airlines in Sweden. Over the next 10 years, Mr Ceder gained extensive experience within the Norwegian Group as a Technical Director for Norwegian's long-haul operation, Norwegian Air UK and Norwegian Air International Ireland. Additionally, he is well versed in establishing and managing Air Operator Certificates in Norway, England, Ireland and Sweden. Mr Ceder studied Aircraft technical education at the Mälardalen University Sweden. As of December 31, 2016, he held 50 shares in the Company, but he does not have any stock-options. Mr Ceder is a Swedish citizen.



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.

- **Aircraft lease expense** Lease and rental expenses on aircraft including both dry leases and wet leases.
- **Ancillary revenue / PAX** Ancillary passenger revenue divided by 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.
- **CO₂ per RPK** Amount of CO₂ 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.
- **EBIT** 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.
- **EBIT margin** EBIT divided by total operating revenue.
- **EBITDA** Earnings before net financial items, income tax expense (income), depreciation, amortization and impairment and share of profit (loss) from associated companies.
- **EBITDAR** Earnings before net financial items, income tax expense (income), depreciation, amortization and impairment, restructuring, aircraft leasing expense and share of profit (loss) from associated companies.
- **EBITDAR ex other losses/(gains)** Earnings before net financial items, income tax expense (income), depreciation, amortization, restructuring, rent/leasing, and share of profit (loss) from associated companies, adjusted for other losses/(gains)-net.

- **EBITDAR margin** EBITDAR divided by total operating revenue.
- **EBT** Earnings before income tax expense (income). Equivalent to profit (loss) before income tax expense (income) in the Consolidated Income Statement in the annual report.
- **Equity ratio** Book equity divided by total assets.
- **Fixed asset investment** Consists of the following items presented in the statement of financial position in the annual report: Financial assets available for sale, investment in associate and other receivables.
- **Fuel consumption** Aviation fuel consumed, presented in metric tonnes.
- **Load factor** RPK divided by ASK. Describes the utilization of available seats.
- **Net interest bearing debt** Long term borrowings plus short term borrowings less cash and cash equivalents.
- **Other losses/(gains)-net** Consist of fair value losses/(gains) on financial assets at fair value through profit or loss and foreign exchange losses/(gains) on operating activities.

- **Passengers** Number of passengers flown.
- **RPK** Revenue passenger kilometers. Number of sold seats multiplied by flight distance.
- **Total operating expenses** Total operating expenses not including aircraft lease expenses, depreciation, amortization and impairment.
- **Total operating expenses incl lease** Total operating expenses not including depreciation, amortization and impairment.
- **Unit cost** Total operating expenses plus leasing, excluding other losses/(gains)-net, divided by ASK.
- **Unit cost ex fuel** Total operating expenses plus leasing, excluding other losses/(gains)-net and aviation fuel expense, divided by ASK.
- **Unit revenue** Passenger revenue divided by ASK.
- **Yield** Passenger revenue divided by RPK. A measure of average fare per kilometer.



Norwegian Air Shuttle ASA

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