

# Interim report

Norwegian Air Shuttle ASA – third quarter 2017



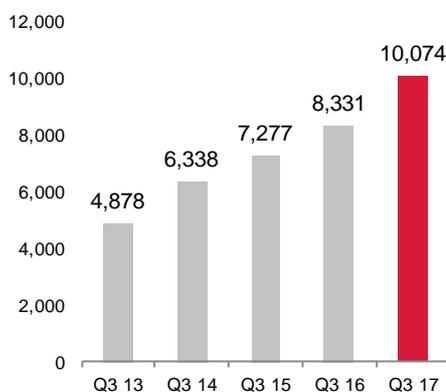
Unit cost ex fuel:

**+6%**

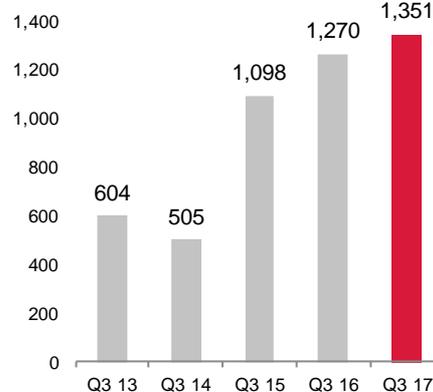
Unit cost ex fuel NOK 0.32

- EBITDA excl other losses/(gains) of NOK 1,505 million (1,904)
- 29 new aircraft to own operations delivered in the first nine months
- Strong cash position of NOK 5,567 million and reduced net debt
- Awarded 'Airline of the Year' at the 2017 CAPA Aviation Awards for Excellence

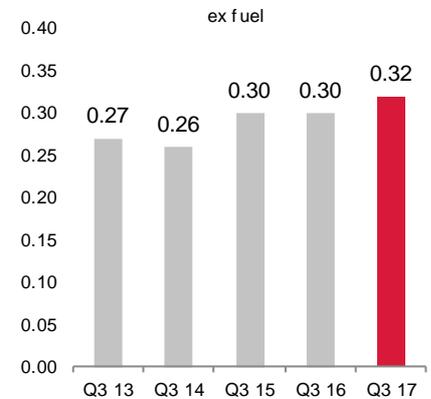
**REVENUE**



**EBT**



**UNIT COST**



## Norwegian reports a result of NOK 1 billion and passenger growth for the third quarter

Norwegian (NAS) today reported its third quarter results for 2017. The net result was NOK 1 billion, an improvement of 4 % compared to the same quarter previous year. The load factor increased to 92 %. The passenger development has been positive in all of Norwegian's key markets, with a significant growth in the US and Spain.

The third quarter was characterized by strong international passenger growth and a high load factor, as well as fleet growth- and renewal. The company carried 9.8 million passengers, an increase of 14 % compared to the same quarter previous year. The US and Spain reported the highest increase in number of passengers, 79 % and 25 % respectively. The load factor increased to 91.7 % and the capacity growth (ASK) was 25 %.

In total, 9 new aircraft entered the fleet, whereof 4 Boeing 737 MAX, 1 Boeing 737-800 and 5 Boeing 787-9 Dreamliners. A new and modern fleet of aircraft combined with a high load factor reduce emissions per passenger kilometre. In the third quarter, the total emissions per passenger kilometre was reduced by 2 %. Norwegian's total revenue this quarter was NOK 10 billion, compared to NOK 8.3 billion the same quarter last year. The company has strong liquidity with NOK 5.6 billion in cash at the end of the third quarter.

*"I am pleased with the passenger growth and high load factor this quarter. During our 15 years in the skies, almost 210*

*million passengers have chosen Norwegian. An increasing number of passengers in the US, Spain and other parts of the world considerably contribute to the growth, which proves that our global strategy is being realized,"* said Norwegian's CEO Bjørn Kjos.

*"However, we have had major additional costs related to wet-leasing and compensation paid to passengers affected by delays, significantly affecting the quarterly result. But looking ahead, the ticket sales are satisfactory both on established and new routes,"* Kjos continued.

During the quarter, Norwegian launched 14 new intercontinental routes, including Singapore, Denver and Seattle as new destinations. Other highlights included the company's British subsidiary, Norwegian Air UK, receiving a US Foreign Air Carrier Permit and the launch of a partnership with easyJet. Together with UNICEF, Norwegian conducted a humanitarian aid flight with a brand-new Dreamliner, carrying aid for 300,000 children in Yemen. This is the fourth humanitarian flight in four years.

## CONSOLIDATED FINANCIAL KEY FIGURES

### Unaudited

(Amounts in NOK million)	Q3	Q3	Change	YTD	YTD	Change	Full Year
	2017	2016		2017	2016		2016
Operating revenue	10,073.7	8,331.2	21 %	23,103.9	19,923.8	16 %	25,950.6
EBITDAR	3,179.7	2,573.0	24 %	3,562.3	4,601.0	-23 %	5,958.1
EBITDAR excl other losses/(gains)-net	2,694.0	2,751.5	-2 %	3,378.4	4,847.1	-30 %	5,280.4
EBITDA	1,991.0	1,725.4	15 %	711.7	2,443.1	-71 %	3,116.2
EBITDA excl other losses/(gains)-net	1,505.3	1,903.8	-21 %	527.8	2,689.0	-80 %	2,438.6
EBIT	1,589.7	1,373.6	16 %	-975.3	1,484.9	NM	1,820.4
EBT	1,351.0	1,270.2	6 %	364.3	1,208.6	-70 %	1,508.3
Net profit/ loss (-)	1,031.7	992.5	4 %	619.9	937.8	-34 %	1,135.0
EBITDAR margin	31.6 %	30.9 %		15.4 %	23.1 %		22.9 %
EBITDA margin	19.8 %	20.7 %		3.1 %	12.3 %		12.0 %
EBIT margin	15.8 %	16.5 %		-4.2 %	7.5 %		7.0 %
EBT margin	13.4 %	15.2 %		1.6 %	6.1 %		5.8 %
Net profit margin	10.2 %	11.9 %		2.7 %	4.7 %		4.4 %
Book equity per share (NOK)				135.0	100.3	35 %	113.2
Equity ratio (%)				11 %	10 %	1 pp	11 %
Net interest bearing debt				18,262.3	18,689.1	-2 %	21,151.2

## OPERATIONAL REVIEW

### CONSOLIDATED TRAFFIC FIGURES AND RATIOS

#### Unaudited

(Ratios in NOK)	Q3 2017	Q3 2016	Change	YTD 2017	YTD 2016	Change	Full Year 2016
Yield	0.44	0.46	-5 %	0.40	0.43	-7 %	0.42
Unit Revenue	0.40	0.42	-5 %	0.35	0.38	-7 %	0.36
Unit Cost	0.41	0.39	6 %	0.43	0.40	7 %	0.41
Unit Cost ex fuel	0.32	0.30	6 %	0.33	0.32	3 %	0.32
Ancillary Revenue/PAX	153	139	10 %	143	136	5 %	134
Internet bookings	74 %	74 %	0 pp	74 %	74 %	0 pp	75 %
ASK (million)	20,658	16,486	25 %	52,637	42,800	23 %	57,910
RPK (million)	18,950	15,046	26 %	46,513	37,839	23 %	50,798
Passengers (million)	9.80	8.58	14 %	25.08	22.12	13 %	29.30
Load Factor	91.7 %	91.3 %	0.4 pp	88.4 %	88.4 %	0.0 pp	87.7 %
Average sector length (km)	1,669	1,517	10 %	1,574	1,464	8 %	1,473
Fuel consumption (metric tonnes)	420,728	340,299	24 %	1,072,048	881,719	22 %	1,190,017
CO2 per RPK	70	71	-2 %	73	73	-1 %	74

#### Traffic Development

9.80 million passengers travelled with Norwegian in the third quarter of 2017, compared to 8.58 million in the third quarter of 2016, an increase of 14 %. Production (ASK) increased by 25 % and passenger traffic (RPK) increased by 26 %. The load factor was 91.7 %, an improvement of 0.4 p.p. compared to third quarter last year.

At the end of the quarter, the total fleet including aircraft on maintenance and excluding wetlease comprised 142 aircraft, excluding 3 aircrafts on external lease. The Group utilized every operational aircraft on average 11.7 block hours per day, on the same level as in the third quarter last year.

#### Operating performance

Punctuality, share of flights departing on schedule, was 75 % in the third quarter, compared to 74 % in the same quarter last year.

Regularity, share of scheduled flights actually taking place, was 99.5 % in the third quarter, equal to the same quarter last year.

## FINANCIAL REVIEW

### Income statement and financial key figures

Third quarter underlying earnings were affected by increase in the 787 operation and total production growth of 25 %, introduction to new markets and increasing jet fuel prices. Unit revenue decreased by 5 % influenced by increased average sector length and currency effects. The unit cost increased by 6 % from the same quarter last year, and the unit cost ex fuel also increased by 6 % in the same period.

Operating profit before interest, depreciation, amortization, restructuring, rent/leasing and associated company (EBITDAR) excluding other losses/(gains) for the third quarter was NOK 2,694 million (2,752), while profit (loss) before tax (EBT) was NOK 1,351 million (1,270). Included in third quarter EBT are other losses/(gains) amounting to a net gain of NOK 486 million, compared to a net loss of NOK 178 million last year. Other losses/(gains) include effects from foreign currency contracts, forward fuel contracts, losses or gains on translation of working capital in foreign currency and net losses or gains on sale of fixed assets.

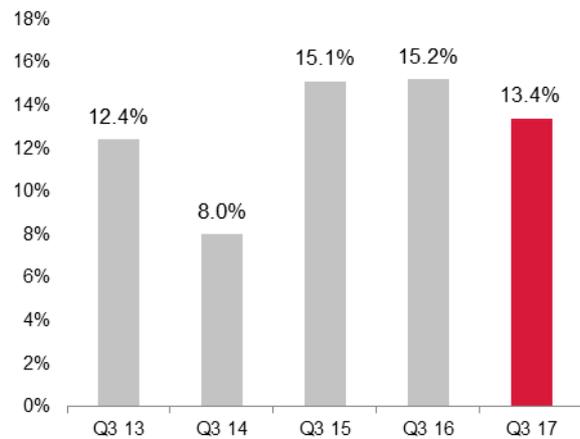
### Revenue

Total revenue in the third quarter was NOK 10,074 million (8,331), an increase of 21 %. NOK 8,263 million (6,916) of the revenue in the third quarter was related to passenger revenue. Passenger revenue per unit produced (unit revenue) in the third quarter was NOK 0.40, a decrease of 5 % compared to the same quarter last year (NOK 0.42). Increased sector length, depreciation of NOK against foreign currencies and lower prices have affected the yield and unit revenue in the quarter. Unit revenue in constant currency was 4 % lower than last year. Ancillary revenue was NOK 1,498 million (1,191) in the third quarter, and ancillary revenue per passenger was NOK 153 per passenger (NOK 139). Other revenue of NOK 313 million (224) consist of freight, commissions, third-party products and external aircraft lease.

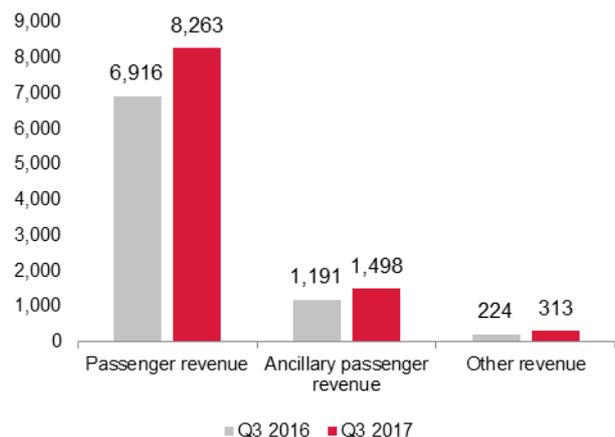
Prior to second quarter 2017, net gains from sale of fixed assets were included in other revenue. From second quarter 2017, Norwegian presents gain or loss from sale of fixed assets as other gains/(losses). Comparative figures have been adjusted accordingly.

Norwegian has grown rapidly, expanding international traffic and adding new bases, destinations and markets to its portfolio. Consequently, the share of passengers outside Scandinavia has increased significantly during the third quarter, with the strongest passenger growth in Spain and the US. The international expansion enables continued cost efficiency and continuously improves competitive power.

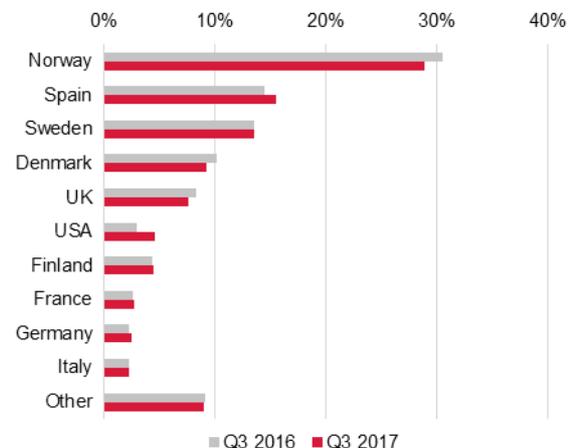
### EBT MARGIN



### REVENUE SPLIT



### PASSENGERS BY ORIGIN



## Operating expenses

### COST BREAKDOWN

#### Unaudited

(Amounts in NOK million)	Q3 2017	Q3 2016	Change	YTD 2017	YTD 2016	Change	Full Year 2016
Personnel expenses	1,399.1	1,014.0	38 %	3,827.2	2,880.0	33 %	3,971.4
Sales/distribution expense	251.4	191.6	31 %	713.5	586.9	22 %	758.7
Aviation fuel	1,994.2	1,492.7	34 %	5,264.4	3,615.8	46 %	5,052.9
Airport and ATC charges	1,091.2	978.6	12 %	2,806.3	2,526.9	11 %	3,303.8
Handling charges	1,016.4	815.6	25 %	2,582.4	2,192.8	18 %	2,995.6
Technical maintenance expenses	729.2	480.5	52 %	1,925.5	1,301.9	48 %	1,865.0
Other flight operation expenses	402.4	244.5	65 %	1,152.0	863.7	33 %	1,206.4
General and adm expenses	495.8	362.1	37 %	1,454.1	1,109.1	31 %	1,516.2
Other losses/(gains) - net	-485.7	178.5	NM	-183.9	246.0	NM	-677.7
<b>Total operating expenses</b>	<b>6,894.0</b>	<b>5,758.2</b>	<b>20 %</b>	<b>19,541.6</b>	<b>15,323.2</b>	<b>28 %</b>	<b>19,992.5</b>
Leasing	1,188.7	847.7	40 %	2,850.6	2,157.8	32 %	2,841.9
<b>Total operating expenses incl lease</b>	<b>8,082.7</b>	<b>6,605.8</b>	<b>22 %</b>	<b>22,392.1</b>	<b>17,481.0</b>	<b>28 %</b>	<b>22,834.3</b>

**Total operating expenses** excluding leasing and depreciation increased by 20 % to NOK 6,894 million (5,758) this quarter. Operating expenses increased mainly due to a production increase of 25 %, increasing jet fuel prices and effects from other losses/(gains).

The unit cost was NOK 0.41, an increase of 6 % compared to the third quarter last year. Unit cost excluding fuel was NOK 0.32, an increase of 6 % compared to the same quarter last year. At constant currency, unit cost excluding fuel increased by 9 % compared to the same quarter last year.

**Personnel expenses** increased by 38 % to NOK 1,399 million (1,014) in the third quarter compared to the same quarter last year. Unit cost for personnel expenses increased by 10 % from the same quarter last year. Increased capacity for future growth and continued international expansion have affected the unit cost in the third quarter. In addition, there was an increase in the number of bought days off this quarter compared to last year. The average number of full time equivalents (FTE) increased by 47 % compared to the same quarter last year.

**Sales and distribution expenses** increased by 31 % to NOK 251 million (192) in the third quarter compared to the same quarter last year. Unit cost for sales and distribution expenses increased by 5 %. The main reason for increased unit cost is a significantly higher cost per transactions outside of Europe. This effect is partially offset by unit cost reductions from increased production and increased average sector length.

**Aviation fuel expenses** increased by 34 % to NOK 1,994 million (1,493) in the third quarter compared to the same quarter last year. Unit cost has increased by 7 %, due to an increase in jet fuel prices in USD of 14 % partially offset by depreciation of USD to NOK, efficiency gains from adding

new fuel-efficient aircraft in the fleet and increased sector length.

The Group has at the end of the third quarter 2017 forward contracts to cover approximately 53 % of fuel exposure for the remainder of 2017 at an average price of USD 486 per ton, and approximately 25 % of fuel exposure in 2018 at an average price of USD 494 per ton.

**Airport and air traffic control (ATC) charges** increased by 12 % to NOK 1,091 million (979) in the third quarter compared to the same quarter last year. Unit cost for airport and ATC charges decreased by 11 %, mainly due to increased average sector length and depreciation of USD and GBP compared to NOK.

**Handling charges** increased by 25 %, to NOK 1,016 million (816) in the third quarter compared to the same quarter last year. Unit cost for handling decreased by 1 %, where efficiency benefits of increased average sector length is partially offset by increased passenger service refund costs.

**Technical maintenance expenses** increased by 52 % to NOK 729 million (481) in the third quarter compared to the same quarter last year. 6 new leased 787 Dreamliners and 19 new leased 737-800s have been added to the fleet in the past twelve months, while 5 leased 737-800s have been redelivered. Unit cost for technical maintenance increased by 21 %, due to changes in the aircraft portfolio and price escalation on engine service costs partially offset by appreciation of NOK against USD. A larger share of leased aircraft in the fleet, a larger share of 787 aircraft and introduction of 737 MAX lead to increased unit costs.

Estimated maintenance costs on owned aircraft are capitalized and depreciated over the estimated useful life of the maintenance and overhaul components or until next

planned maintenance. Estimated maintenance on leased aircraft are accrued based on aircraft utilization and recognized in the income statement in advance of maintenance checks.

**Other flight operation expenses** increased by 65 % to NOK 402 million (245) in the third quarter compared to the same quarter last year. Other flight operation expenses include costs directly attributable to operation of the aircraft fleet, such as de-icing, insurance and other leases, as well as training, meals and housing for crew. Unit cost increased by 31 % in the quarter, mainly due to increased cost of accommodation for pilots and crew and external training to prepare for further international expansion.

**General and administrative** expenses increased by 37 % to NOK 496 million (362) in the third quarter compared to the same quarter last year, due to the introduction of new markets, products and international bases as well as increased costs from issuing cash points. Unit cost for general and administrative expenses increased by 9 %.

**Other losses/(gains)-net;** includes gains and losses from foreign currency contracts, forward fuel contracts and translation of working capital in foreign currency. Net gain or loss from sale of fixed assets are also included in other losses/(gain)-net from the second quarter 2017. Comparative figures have been adjusted accordingly. Net gain in the third quarter was NOK 486 million (loss of NOK 178 million last year), including a loss of NOK 220 million from translation of working capital in foreign currency, a gain of NOK 703 million from forward contracts on currency and fuel and a net gain of NOK 2 million from sale of fixed assets.

**Leasing costs** increased by 40 % to NOK 1,189 million (848) in the third quarter compared to the same quarter last year. Unit cost for leasing increased by 12 %. The cost increases from adding 6 new leased Boeing 787 Dreamliners and 23 leased 737-800s, net of redeliveries, in the past twelve months and from increased use of wetlease in the quarter. In June, Norwegian signed a Letter of Intent (LOI) for a sale and leaseback transaction totaling 11 used Boeing 737-800 aircraft. 9 of these were sold and leased back during third quarter, and the two last are expected to be sold during fourth quarter.

**Depreciation** decreased by 6 % to NOK 332 million (352) in the third quarter compared to the same quarter last year. During the third quarter the Group operated 55 (61) owned Boeing 737-800s, 5 (3) owned Boeing 787 and 6 (0) owned Boeing MAX8. Three owned Airbus 320neo were leased to HK Express, none in the same quarter last year.

**Profit/loss from associated companies** in the third quarter was estimated to NOK 11 million (52) which represents 50% share of estimated net profit in joint venture OSM Aviation Ltd. From June 2017, following the sale of 4.7 million shares related to Norwegian Finans Holding, the Group's investment in Norwegian Finans Holding is measured at fair market value with realized gain from the sale presented under financial items. A Cash Settled Total Return Swap without buy-back option was entered after the sale of shares to obtain financial

exposure, while reducing voting rights. Adjustments to fair market value in subsequent periods is recognized as part of OCI.

**Financial Items** were NOK -249 million (-156) in the third quarter. Interest on prepayments of NOK 50 million (39) was capitalized, reducing interest expenses.

**Income taxes** amounted to a tax expense of NOK 319 million in the third quarter compared to an expense of NOK 278 million last year.

### Financial position and liquidity

Aircraft assets are accounted for in USD, creating a natural hedge against USD denominated borrowings when translated into NOK. One 737-800 aircraft were delivered during the third quarter, financed through a sale-leaseback arrangement. Following the sale and leaseback transaction totaling 11 used Boeing 737-800 aircraft as reported in the second quarter, 9 of these aircraft were sold in third quarter and 2 are classified as assets held for sale and measured at fair value. In the third quarter the company also received 2 Boeing 787-9 and four new Boeing MAX8.

Net assets at the end of third quarter 2017 is affected by an appreciation of NOK against USD year to date of 8 %.

Net interest bearing debt at the end of the third quarter was NOK 18,262 million compared to NOK 21,151 million at the end of last year. At the end of the third quarter, the equity ratio is 11 %, compared to 10 % at the same period last year and 11 % at the end of 2016.

**Total non-current assets** amount to NOK 29,839 million at the end of the third quarter, compared to NOK 31,969 million at the end of last year. The main investments during the year are delivery of nine new owned aircraft, while the LOI for sale leaseback arrangements on eleven owned used aircraft have reduced tangible fixed assets by approximately NOK 2.5 billion.

**Total current assets** amount to NOK 13,430 million at the end of the third quarter, compared to NOK 5,793 million at the end of last year. Assets held for sale related to the LOI for sale leaseback of eleven aircraft of which two remains at end of third quarter, amount to NOK 273 million. Investments include economic interests in Norwegian Finans Holding as well as unrealized gains on currency and jet fuel hedges and amount to NOK 3,370 million. Receivables have increased by NOK 1,106 million during the year due to increased production and seasonality. Cash and cash equivalents have increased by NOK 3,244 million during the year.

**Total non-current liabilities** at the end of the third quarter were NOK 21,633 million, compared to NOK 20,303 million at the end of last year. Long-term borrowings have increased by NOK 288 million during the year due to financing of nine new aircraft, new unsecured bond NAS 08 of SEK 1,000 million and new PDP financing. These effects are partially offset by repayments related to aircraft financing including sale and leaseback of used aircraft, bond NAS06 falling into short term and currency effects due to an appreciation of

NOK to USD of 8 % YTD. Other non-current liabilities increased by NOK 1,043 million.

**Total short-term liabilities** at the end of the third quarter were NOK 16,809 million, compared to NOK 13,411 million at the end of last year. Current liabilities increased by NOK 1,102 million from end of last year. Short-term borrowings increased by NOK 67 million during the year due to NAS06 falling into short term, net drawdowns on credit facility of NOK 350 million and new pre-delivery payment financing. These increases in short-term borrowings were partially offset by repayment of unsecured bond NAS 04 during the third quarter with NOK 1,000 million, reduced pre-delivery payment financing due to aircraft deliveries and down payments of aircraft financing. Air traffic settlement liabilities increased by NOK 2,229 million from end of last year due to increased production, increased ticket sales and seasonal effects.

**Equity** at the end of the third quarter was NOK 4,826 million compared to NOK 4,049 million at the end of last year. Equity increased mainly due to net profit in the period of NOK 620 million, exchange rate losses from subsidiaries of NOK 306 million and fair value adjustments of NOK 449 million, mainly attributable to changes in fair market value of NOFI shares.

#### Cash flow

Cash and cash equivalents were NOK 5,567 million at the end of the third quarter compared to NOK 2,324 million at the end of last year.

**Cash flow from operating activities** in the third quarter amounted to NOK 958 million compared to NOK -390 million in the third quarter last year. Air traffic settlement liability decreased by NOK 2,143 million (2,140) and receivables decreased by NOK 782 million (increased by 194) during the third quarter, mainly due to increased production. Cash from other adjustments amounted to NOK 575 million (351) during the third quarter. Other adjustments mainly consist of changes in other current assets and other current liabilities.

**Cash flow from investment activities** in the third quarter was NOK -700 million, compared to NOK -1,748 million in the third quarter last year. Prepayments to aircraft manufacturers and investments in new aircraft are the main investments, offset by proceeds from sale-leaseback. Six new owned aircraft were delivered in the third quarter, including two new Boeing 787-9 Dreamliners. Three owned aircraft were delivered in the third quarter last year.

**Cash flow from financing activities** in the third quarter was NOK -457 million compared to NOK 1,323 million in the third quarter last year. Down payments on unsecured bond NAS04 and down payment of loans related to sale-leaseback of used 737-800s and pre-delivery payment financing outweigh proceeds from new aircraft financing in the quarter.

## RISK AND UNCERTAINTIES

The airline industry is undergoing a challenging time as a consequence of Brexit and strong competition. Future demand is dependent on sustained consumer and business confidence in the Company's key markets.

A market place where capacity growth exceeds market growth will increase the risk of yield pressure. However, low yield stimulates new demand, thus growing the market further. This necessitates a similar reduction in the cost level in order to maintain profitability.

In the event of industrial actions, operations may be disrupted, causing inconvenience for passengers and affect financial performance.

Fuel price and currency fluctuations, as well as hedging of such, are risks that can have a significant impact on Norwegian's business and financial results. Sudden and significant changes in fuel price and foreign exchange rates could significantly affect fuel and other costs, and debt and assets denominated in foreign currency.

## OUTLOOK

The demand for travelling with Norwegian and advance bookings have been satisfactory entering the fourth 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 737-800Ws, 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 airline HK Express.

Norwegian has twenty-three operational bases globally.

Norwegian guides for a production growth (ASK) of 25 % for 2017. The growth in Boeing 737 production comes from 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 twenty-one 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 remaining year 2017 (excluding hedged volumes) and with the currently planned route portfolio, the company is targeting a unit cost (CASK) in the area of NOK 0.42 for 2017.

Norwegian guides for a production growth (ASK) of 35 % for 2018. The growth in Boeing 737 production comes from adding Boeing 737-MAX. The Boeing 787 production will grow in accordance with the phasing in of aircraft and the company will have thirty-two Boeing 787s by the end of 2018. 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 525 per ton, USD/NOK 7.75 and EUR/NOK 9.00 for the year 2018 (excluding hedged volumes) and with the currently planned route portfolio, the company is targeting a unit cost in the range of NOK 0.38 – 0.39 (and a unit cost including depreciation in the range of NOK 0.40 – 0.41) for 2018.

Expected CAPEX for 2017 (all aircraft including PDP) is USD 0.7 bn, unchanged from previous guiding. Expected CAPEX for 2018 (all aircraft including PDP) is USD 2.1 bn, unchanged from previous guiding.

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

Fornebu, October 25, 2017

CEO  
Bjørn Kjos

## CONDENSED CONSOLIDATED INCOME STATEMENT

<b>Unaudited</b>						
<i>(Amounts in NOK million)</i>	<i>Note</i>	<b>Q3 2017</b>	<b>Q3 2016</b>	<b>YTD 2017</b>	<b>YTD 2016</b>	<b>Full Year 2016</b>
<b>Operating revenue</b>						
Total operating revenue	3	10,073.7	8,331.2	23,103.9	19,923.8	25,950.6
<b>Total operating revenue</b>		<b>10,073.7</b>	<b>8,331.2</b>	<b>23,103.9</b>	<b>19,923.8</b>	<b>25,950.6</b>
<b>Operating expenses</b>						
Operational expenses		5,484.7	4,203.6	14,444.1	11,087.9	15,182.5
Payroll and other personnel expenses		1,399.1	1,014.0	3,827.2	2,880.0	3,971.4
Other operating expenses		10.2	540.6	1,270.3	1,355.5	838.6
<b>Total operating expenses</b>		<b>6,894.0</b>	<b>5,758.2</b>	<b>19,541.6</b>	<b>15,323.2</b>	<b>19,992.5</b>
<b>Operating profit before leasing, depreciation and amortization (EBITDAR)</b>						
		3,179.7	2,573.0	3,562.3	4,601.0	5,958.1
Leasing		1,188.7	847.7	2,850.6	2,157.8	2,841.9
<b>Operating profit before depreciation and amortization (EBITDA)</b>						
		1,991.0	1,725.4	711.7	2,443.1	3,116.2
Depreciation and amortization		331.7	351.7	1,041.2	958.2	1,295.8
Impairment assets held for sale		69.6	0.0	645.7	0.0	0.0
<b>Operating profit (EBIT)</b>						
		1,589.7	1,373.6	-975.3	1,484.9	1,820.4
<b>Financial items</b>						
Interest income		16.0	9.6	60.0	31.2	43.6
Interest expense		234.1	181.8	690.2	466.7	686.0
Other financial income (expense)		-31.2	16.5	1,848.3	-2.7	117.5
<b>Net financial items</b>		<b>-249.2</b>	<b>-155.8</b>	<b>1,218.1</b>	<b>-438.3</b>	<b>-524.9</b>
Profit/loss from associated companies		10.5	52.4	121.5	162.0	212.8
<b>Profit (loss) before tax (EBT)</b>						
		1,351.0	1,270.2	364.3	1,208.6	1,508.3
Income tax expense (income)		319.3	277.8	-255.568	270.8	373.4
<b>Net profit (loss)</b>						
		1,031.7	992.5	619.9	937.8	1,135.0
<b>Net profit attributable to:</b>						
Owners of the parent company		1,038.3	992.5	627.9	937.8	1,135.3
Non-controlling interests		-6.6	0.0	-8.0	0.0	-0.3
<b>Earnings per share (NOK) - Basic</b>						
		29.0	27.8	17.6	26.2	31.7
<b>Earnings per share (NOK) - Diluted</b>						
		28.6	27.3	17.3	26.1	31.5
No. of shares at the end of the period		35,759,639	35,759,639	35,759,639	35,759,639	35,759,639
Average no. of shares outstanding		35,759,639	35,759,639	35,759,639	35,759,639	35,759,639
Average no. of shares outstanding - diluted		36,289,639	36,384,639	36,356,139	35,967,972	36,072,139

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## Unaudited

<i>(Amounts in NOK million)</i>	<i>Note</i>	<b>30 Sep 2017</b>	30 Sep 2016	31 Dec 2016
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets		643.7	542.4	439.8
Tangible fixed assets		28,323.5	27,514.1	30,099.7
Fixed asset investments		871.5	1,209.3	1,429.9
<b>Total non-current assets</b>		<b>29,838.6</b>	<b>29,265.8</b>	<b>31,969.3</b>
<b>Current assets</b>				
Assets held for sale		272.7	0.0	0.0
Inventory		100.1	107.5	102.5
Investments		3,369.9	0.0	353.2
Receivables		4,119.7	3,297.3	3,014.0
Cash and cash equivalents		5,567.2	2,233.2	2,323.6
<b>Total current assets</b>		<b>13,429.5</b>	<b>5,638.1</b>	<b>5,793.3</b>
<b>TOTAL ASSETS</b>		<b>43,268.2</b>	<b>34,903.8</b>	<b>37,762.7</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Shareholders equity</b>				
Shareholder's equity	7	4,809.8	3,586.7	4,038.2
Non-controlling interests		16.5	0.0	10.8
<b>Total equity</b>		<b>4,826.3</b>	<b>3,586.7</b>	<b>4,049.0</b>
<b>Non-current liabilities</b>				
Other non-current liabilities		2,639.7	1,364.2	1,596.9
Long term borrowings	6	18,993.8	17,277.2	18,706.1
<b>Total non-current liabilities</b>		<b>21,633.4</b>	<b>18,641.4</b>	<b>20,303.0</b>
<b>Short term liabilities</b>				
Current liabilities		5,077.4	3,919.8	3,975.6
Short term borrowings	6	4,835.7	3,645.0	4,768.8
Air traffic settlement liabilities		6,895.4	5,110.9	4,666.2
<b>Total short term liabilities</b>		<b>16,808.5</b>	<b>12,675.7</b>	<b>13,410.7</b>
<b>Total liabilities</b>		<b>38,441.9</b>	<b>31,317.4</b>	<b>33,713.7</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>43,268.2</b>	<b>34,903.8</b>	<b>37,762.7</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

Unaudited	Q3	Q3	YTD	YTD	Full Year
(Amounts in NOK million)	2017	2016	2017	2016	2016
<b>OPERATING ACTIVITIES</b>					
Profit before tax	1,351.0	1,270.2	364.3	1,208.6	1,508.3
Paid taxes	-8.7	-28.6	31.5	-28.6	-28.6
Depreciation, amortization and impairment	401.3	351.7	1,687.0	958.2	1,295.8
Changes in air traffic settlement liabilities	-2,142.7	-2,140.1	2,229.2	1,096.5	651.8
Changes in accounts receivable	782.2	-194.0	-889.3	-832.8	-549.4
Other adjustments	574.9	351.0	331.1	438.9	168.6
<b>Net cash flows from operating activities</b>	<b>958.1</b>	<b>-389.7</b>	<b>3,753.8</b>	<b>2,840.7</b>	<b>3,046.5</b>
<b>INVESTING ACTIVITIES</b>					
Purchases, proceeds and prepayment of tangible assets	-700.6	-1,732.5	-1,115.8	-5,324.6	-6,447.2
Other investing activities	0.7	-15.9	-98.8	-75.9	-65.3
<b>Net cash flows from investing activities</b>	<b>-699.9</b>	<b>-1,748.4</b>	<b>-1,214.6</b>	<b>-5,400.5</b>	<b>-6,512.4</b>
<b>FINANCING ACTIVITIES</b>					
Loan proceeds	2,945.7	1,942.2	5,861.3	4,147.9	5,805.8
Principal repayments	-2,948.9	-427.8	-3,895.3	-1,220.6	-1,572.8
Financing costs paid	-598.5	-192.0	-1,342.1	-605.4	-941.9
Other financing activities	144.3	0.0	144.3	0.0	11.7
<b>Net cash flows from financing activities</b>	<b>-457.4</b>	<b>1,322.5</b>	<b>768.1</b>	<b>2,321.9</b>	<b>3,302.8</b>
<b>Foreign exchange effect on cash</b>	<b>-65.3</b>	<b>38.5</b>	<b>-63.8</b>	<b>16.9</b>	<b>32.6</b>
<b>Net change in cash and cash equivalents</b>	<b>-264.5</b>	<b>-777.2</b>	<b>3,243.5</b>	<b>-220.9</b>	<b>-130.5</b>
Cash and cash equivalents in beginning of period	5,831.7	3,010.4	2,323.6	2,454.2	2,454.2
Cash and cash equivalents in end of period	5,567.2	2,233.2	5,567.2	2,233.2	2,323.6

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Unaudited	Q3	Q3	YTD	YTD	Full Year
(Amounts in NOK million)	2017	2016	2017	2016	2016
<b>Net profit (loss) for the period</b>	<b>1,031.7</b>	<b>992.5</b>	<b>619.9</b>	<b>937.8</b>	<b>1,135.0</b>
Actuarial gains and losses	0.0	0.0	0.0	0.0	24.5
Exchange rate differences Group	-200.5	-155.9	-306.1	-319.6	-104.3
Fair value adjustments through OCI	448.6	0.0	448.6	0.0	0.0
Other OCI items	-2.8	3.2	-3.1	3.2	2.4
<b>Total comprehensive income for the period</b>	<b>1,277.1</b>	<b>839.8</b>	<b>759.2</b>	<b>621.5</b>	<b>1,057.5</b>
<b>Total comprehensive income attributable to:</b>					
Owners of the company	1,283.7	839.8	767.3	621.5	1,056.6
Non-controlling interests	-6.6	0.0	-8.0	0.0	0.9

## CONDENSED CONSOLIDATED CHANGES IN EQUITY

Unaudited	YTD	YTD	Full Year
(Amounts in NOK million)	2017	2016	2016
<b>Equity - Beginning of period</b>	<b>4,049.0</b>	<b>2,965.3</b>	<b>2,965.3</b>
Total comprehensive income for the period	759.2	621.5	1,057.5
Transactions with non-controlling interests	0.0	0.0	9.9
Equity change on employee options	18.0	0.0	16.3
<b>Equity - End of period</b>	<b>4,826.3</b>	<b>3,586.7</b>	<b>4,049.0</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### Note 1 General and accounting principles

The condensed consolidated interim financial statements comprise Norwegian Air Shuttle ASA and its subsidiaries (the Group). The Company is a limited liability company incorporated in Norway.

The consolidated financial statements of the Group for the year ended December 31, 2016 is available at [www.norwegian.com](http://www.norwegian.com).

These condensed consolidated interim financial statements have been prepared in accordance with rules and regulations of Oslo Stock Exchange and International Financial Reporting Standards (IAS) 34 Interim Financial Reporting. They do not include all of the information required for full annual consolidated financial statements, and should be read in conjunction with consolidated financial statements for the Group at December 31, 2016. These condensed interim financial statements are unaudited.

The accounting policies applied by the Group in these condensed consolidated financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended December 31, 2016.

### Judgments, estimates and assumptions

The preparation of condensed consolidated interim financial statements in accordance with IFRS and applying the chosen accounting policies requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the period ended December 31, 2016.

### Note 2 Risk

#### SENSITIVITY ANALYSIS

	Effect on income MNOK
1% decrease in jet fuel price	74
1% depreciation of NOK against USD	-142
1% depreciation of NOK against EURO	-5

The sensitivity analysis reflects the effect on operating costs in 2017 by changes in market prices and exchange rates. The effect on operating costs is annualized based on current level of production, fuel prices and exchange rates. Operational hedges are not included in the calculation of the sensitivity.

**Note 3 Revenue**

Passenger revenue comprise only ticket revenue, while ancillary passenger revenue is other passenger related revenue such as optional extras. Other revenue consist of revenue not directly related to passengers such as cargo, third-party products, externally leased aircraft and other income. From second quarter 2017, net gain or loss from sale of assets is presented as other gains/(losses). Comparative figures are adjusted accordingly.

**OPERATING REVENUE BREAKDOWN**

Unaudited (Amounts in NOK millions)	Q3 2017	Q3 2016	Change	YTD 2017	YTD 2016	Change	Full Year 2016
<b>Per activity</b>							
Passenger revenue	8,263.0	6,916.1	19 %	18,604.9	16,299.8	14 %	21,095.6
Ancillary passenger revenue	1,498.1	1,190.7	26 %	3,589.7	3,001.9	20 %	3,929.0
Other revenue	312.7	224.4	39 %	909.3	622.1	46 %	926.0
<b>Total</b>	<b>10,073.7</b>	<b>8,331.2</b>	<b>21 %</b>	<b>23,103.9</b>	<b>19,923.8</b>	<b>16 %</b>	<b>25,950.6</b>

**Note 4 Segment information**

The Executive Management team reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segment on these reports.

Executive Management considers the business as one operational segment, which is low cost air passenger travel. The Group's operating profit arises from airline-related activities and the only revenue generating assets of the Group are its aircraft fleet, which is employed flexibly across the entire operation and irrespective of geographic location.

Performance is measured by Executive management based on the operating segment earnings before interest, tax, depreciation and amortization (EBITDA). Other information is measured in a manner consistent with that in the financial statements.

**Note 5 Information on related parties**

During the third quarter 2017 there are no changes in related parties compared to the description in Note 26 in the Annual Report for 2016. There have been no significant transactions with related parties during the third quarter or first nine months of 2017.

**Note 6 Borrowings****Unaudited**

(Amounts in NOK million)	30 Sep 2017	30 Sep 2016	31 Dec 2016
<b>Long term</b>			
Bond issue	2,719.2	2,585.7	2,936.6
Aircraft prepayment financing	271.2	163.8	47.2
Aircraft financing	16,003.4	14,527.8	15,722.3
<b>Total long term borrowings</b>	<b>18,993.8</b>	<b>17,277.2</b>	<b>18,706.1</b>
<b>Short term</b>			
Bond issue	1,473.6	990.3	1,217.8
Credit facility	675.0	0.0	325.0
Aircraft prepayment financing	915.3	1,037.1	1,368.5
Aircraft financing	1,771.8	1,617.6	1,857.4
<b>Total short term borrowings</b>	<b>4,835.7</b>	<b>3,645.0</b>	<b>4,768.8</b>
<b>Total borrowings</b>	<b>23,829.4</b>	<b>20,922.3</b>	<b>23,474.9</b>

**Note 7 Shareholder information**

20 Largest shareholders at September 30, 2017

Shareholder	Country	Number of shares	Percent
1 HBK Invest AS*	Norway	9,598,873	26.8 %
2 Folketrygdfondet	Norway	2,182,203	6.1 %
3 J.P. Morgan Securities plc	United Kingdom	1,809,769	5.1 %
4 Danske Capital (Norway)	Norway	1,800,217	5.0 %
5 Ferd AS	Norway	1,500,000	4.2 %
6 DNB Asset Management AS	Norway	1,158,998	3.2 %
7 KLP Forsikring	Norway	919,143	2.6 %
8 Pareto Nordic Investments AS	Norway	705,000	2.0 %
9 Skagen AS	Norway	600,000	1.7 %
10 Watrium AS	Norway	439,000	1.2 %
11 UBS AG London	United Kingdom	368,863	1.0 %
12 Catella Bank S.A.	Luxembourg	356,120	1.0 %
13 DNB Markets	Norway	351,300	1.0 %
14 Ålandsbanken Sverige AB	Sweden	300,351	0.8 %
15 Svenska Handelsbanken AB	Sweden	291,531	0.8 %
16 SAFE Investment Company Limited	Hong Kong	281,896	0.8 %
17 Statoil Kapitalforvaltning ASA	Norway	263,673	0.7 %
18 Saxo Bank A/S	Denmark	249,771	0.7 %
19 Nordnet Bank AB	Norway	245,161	0.7 %
20 Nordnet Livsforsikring AS	Norway	230,267	0.6 %
<b>Top 20 shareholders</b>		<b>23,652,136</b>	<b>66.1 %</b>
Other shareholders		12,107,503	33.9 %
<b>Total number of shares</b>		<b>35,759,639</b>	<b>100.0 %</b>

Norwegian Air Shuttle ASA had a total of 35,759,639 shares outstanding at September 30, 2017, equal to December 31, 2016. There were a total of 16,456 shareholders at the end of the second quarter.

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

**Note 8 Contingencies and legal claims**

The Norwegian Group disclosed comments in note 27 to the Annual Financial Statements for 2016 relating to indications from the Central Tax Office for Large Enterprises, that the rules on contingent tax-free transfers within a group nor applies to the transfer of business in 2014. In July 2017, Norwegian received a draft reassessment proposal from the tax office in which it argues that tax-free transfers within a group does not apply to the transfer of the business in 2014.

Norwegian and its tax advisor are still of the opinion that the reassessments for 2013 and the proposed reassessment for 2014 by the tax office are without merit and has thus not made any provisions for any potential tax claim in its interim financial statements for the third quarter and the first nine months of 2017. The 2013 reassessments have been appealed.

There are no other additions or changes to the information regarding contingencies or legal claims presented in note 27 to the Annual Financial Statements for 2016.

**Note 9 Events after the reporting date**

There have been no other material events subsequent to the reporting period that might have a significant effect on the consolidated interim financial statements for the third quarter or the first nine months of 2017.

## 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.
Clean EBITDA	EBITDA adjusted for certain non-recurring items. Clean EBITDA is shown in the presentation accompanying this quarterly report, including a reconciliation to EBITDA as presented in the quarterly report and a detailed specification of any non-recurring items. Clean EBITDA is useful to users of the quarterly presentation in order to evaluate the company's operating performance over time and compared to competitors.
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, impairment, and share of profit (loss) from associated companies.
EBITDA ex other losses/(gains)	Earnings before net financial items, income tax expense (income), depreciation, amortization and share of profit (loss) from associated companies, adjusted for other losses/(gains)-net.
EBITDA margin	EBITDA divided by total operating revenue.
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.
EBT margin	EBT divided by total operating revenue.
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 tons.
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.

## Information about the Norwegian Group

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### Board of Directors Norwegian Air Shuttle ASA

Bjørn H. Kise	Chair
Liv Berstad	Deputy Chair
Ada Kjeseth	Director
Christian Fredrik Stray	Director
Geir Olav Øien	Director (employee representative)
Linda Olsen	Director (employee representative)
Marcus Hall	Director (employee representative)

### Group Management

Bjørn Kjos	Chief Executive Officer
Tore Østby	Chief Financial Officer (acting)
Asgeir Nyseth	Chief Operating Officer
Anne-Sissel Skånvik	Chief Communications Officer
Thomas A. Ramdahl	Chief Commercial Officer
Helga Bollman Leknes	Chief Human Resources Officer
Frode Berg	Chief Legal Officer
Dag Skage	Chief Information Officer
Tore K. Jenssen	CEO, Arctic Aviation Assets and CEO, Norwegian Air International
Ole Christian Melhus	CEO, Norwegian Air Argentina
Edward Thorstad	Chief Customer Officer
Bjørn Erik Barman-Jensen	CEO, Norwegian Air Resources
Lennart Ceder	CEO, Norwegian Air UK
Brede Huser	Managing Director of Norwegian Reward

### Investor Relations

Stine Klund [investor.relations@norwegian.com](mailto:investor.relations@norwegian.com)

### Other sources of Information

Annual reports [www.norwegian.no/om-oss/selskapet/investor-relations/reports-and-presentations/annual-reports/](http://www.norwegian.no/om-oss/selskapet/investor-relations/reports-and-presentations/annual-reports/)

Quarterly publications [www.norwegian.no/om-oss/selskapet/investor-relations/reports-and-presentations/interim-reports-and-presentations/](http://www.norwegian.no/om-oss/selskapet/investor-relations/reports-and-presentations/interim-reports-and-presentations/)

### Financial Calendar 2017 / 2018

<b>2017</b>		
6	November	Monthly traffic data October
6	December	Monthly traffic data November
<b>2018</b>		
15	February	Quarterly report - Q4 2017
26	April	Quarterly report - Q1 2018
8	May	Annual General Meeting
12	July	Half-yearly report
25	October	Quarterly report - Q3 2018