

# Interim report

Norwegian Air Shuttle ASA – fourth quarter and full year 2016



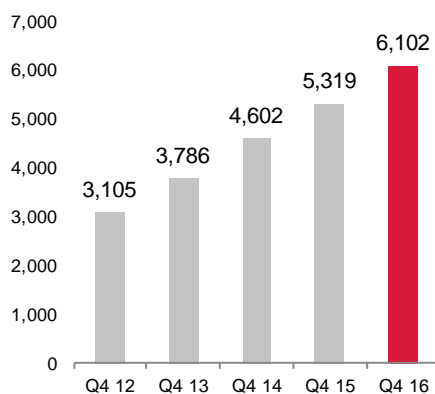
Unit cost 2016:

**-3%**

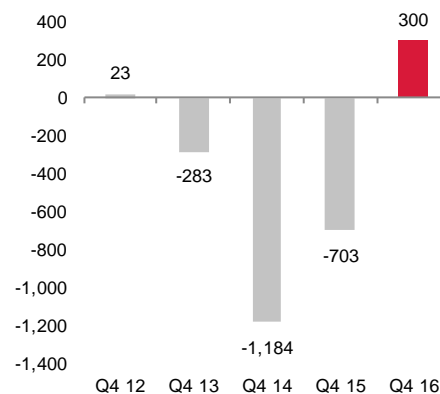
Unit cost NOK 0.41

- Full year EBITDA ex other losses/(gains) of NOK 2,540 million (1,955)
- Load factor up 1.5 p.p. to 87.7% for full year
- 23 new aircraft delivered in 2016, including 4 new 787-9 Dreamliners
- Equity of NOK 4 billion at year end

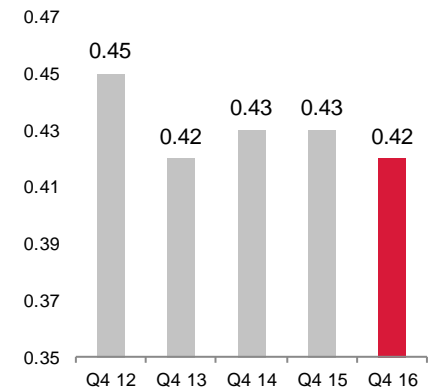
REVENUE



EBT



UNIT COST



## Norwegian reports a net profit of more than NOK 1.1 billion in 2016

**Global expansion driven by new routes, high load factors and continued fleet renewal, contributed to Norwegian's best ever annual result, with a net profit of NOK 1,135 million. The load factor was 88 percent.**

The net profit was NOK 1,135 million in 2016, while the operating profit (EBIT) was NOK 1,820 million. The results are influenced by Norwegian's international growth, particularly on intercontinental routes, as well as increased presence in Spain and the UK.

The company's total revenue was more than NOK 26 billion - an increase of 16 percent. The company took delivery of 21 brand new aircraft in 2016, contributing to a production growth (ASK) of 18 percent. The load factor increased by 1.5 percentage points to 88 percent. A total of 29.3 million passengers chose to travel with Norwegian in 2016, an increase of 14 percent compared to previous year.

For the fourth quarter, the net profit was NOK 197 million. The total revenue was more than NOK 6.1 billion, an increase of 15 percent from the same period last year, primarily driven by international growth as well as an increased traffic in the Nordics. Just over 7 million passengers flew with Norwegian this quarter, a growth of 17 percent. The load factor was 86 percent.

*"We are very pleased to report our best results ever in a year of strong international growth, establishing operations in new markets and tough competition. Through our global strategy, we contribute to local economic boost and increased employment at our destinations, as well as ensuring that more people can afford to fly - not least between the continents. In 2016, we received several major international customer awards, which would never have been possible without our dedicated colleagues at Norwegian. We enter 2017 with the ambition to increase and strengthen our foothold in established markets, while simultaneously developing our route network in new parts of the world. This year, 32 brand new aircraft will enter service, including nine Boeing 787-9 Dreamliners. We will launch more than 50 new routes and recruit over 2,000 new colleagues worldwide",* said CEO of Norwegian Bjorn Kjos.

## CONSOLIDATED FINANCIAL KEY FIGURES

### Unaudited

(Amounts in NOK million)	Q4 2016	Q4 2015	Change	Full year 2016	Full year 2015	Change
Operating revenue	6,101.5	5,318.9	15 %	26,054.5	22,491.1	16 %
EBITDAR	1,357.1	295.3	360 %	5,958.1	3,694.3	61 %
EBITDAR excl other losses/(gains)-net	505.5	810.6	-38 %	5,381.5	4,168.4	29 %
EBITDA	673.1	-266.4	-353 %	3,116.2	1,481.1	110 %
EBITDA excl other losses/(gains)-net	-178.5	248.9	-172 %	2,539.7	1,955.2	30 %
EBIT	335.5	-632.9	-153 %	1,820.4	347.8	423 %
EBT	299.7	-702.9	-143 %	1,508.3	75.0	1910 %
Net profit/ loss (-)	197.2	-373.4	-153 %	1,135.0	246.2	361 %
EBITDAR margin	22.2 %	5.6 %		22.9 %	16.4 %	
EBITDA margin	11.0 %	-5.0 %		12.0 %	6.6 %	
EBIT margin	5.5 %	-11.9 %		7.0 %	1.5 %	
EBT margin	4.9 %	-13.2 %		5.8 %	0.3 %	
Net profit margin	3.2 %	-7.0 %		4.4 %	1.1 %	
Book equity per share (NOK)				113.2	82.9	37 %
Equity ratio (%)				11 %	9 %	2 pp
Net interest bearing debt				21,151.2	17,130.6	23 %

## OPERATIONAL REVIEW

### CONSOLIDATED TRAFFIC FIGURES AND RATIOS

#### Unaudited

<i>(Ratios in NOK)</i>	Q4 2016	Q4 2015	Change	Full year 2016	Full year 2015	Change
Yield	0.37	0.43	-14 %	0.42	0.44	-5 %
Unit Revenue	0.32	0.36	-13 %	0.36	0.38	-3 %
Unit Cost	0.42	0.43	-2 %	0.41	0.42	-3 %
Unit Cost ex fuel	0.32	0.32	-1 %	0.32	0.31	2 %
Ancillary Revenue/PAX	129	126	2 %	134	127	5 %
Internet bookings	77 %	76 %	1 pp	75 %	77 %	-2 pp
ASK (million)	15,109	11,909	27 %	57,910	49,028	18 %
RPK (million)	12,959	10,107	28 %	50,798	42,284	20 %
Passengers (million)	7.18	6.13	17 %	29.30	25.75	14 %
Load Factor	85.8 %	84.9 %	0.9 pp	87.7 %	86.2 %	1.5 pp
Average sector length (km)	1,503	1,389	8 %	1,473	1,407	5 %
Fuel consumption (metric tonnes)	308,298	247,060	25 %	1,190,017	1,015,337	17 %
CO2 per RPK	75	77	-3 %	74	76	-2 %

#### Traffic Development

7.18 million passengers travelled with Norwegian in the fourth quarter of 2016, compared to 6.13 million in the fourth quarter of 2015, an increase of 17%. Production (ASK) increased by 27% and passenger traffic (RPK) increased by 28%. The load factor was 85.8%, an improvement of 0.9 percentage points compared to fourth quarter last year.

At the end of the quarter, the total fleet including aircraft on maintenance and excluding wetlease comprised 116 aircraft. The Group utilized every operational aircraft on average 11.2 block hours per day in the fourth quarter compared to 11.3 last year.

#### Operating performance

Punctuality, the percentage of flights departing on schedule, was 74% in the fourth quarter, a decrease of 9 percentage points from the same quarter last year.

Regularity, the percentage of scheduled flights actually taking place, was 99.5% in the fourth quarter, compared to 99.6% in the same quarter last year.

## FINANCIAL REVIEW

### Income statement and financial key figures

Fourth quarter earnings were affected by strong production growth of 27%, introduction to new markets and increasing high load factor of 86% (+1p.p). Unit revenue decreased by 13% while the unit cost decreased by 2% from same quarter last year. The result before tax changed from a deficit of NOK 703 million in fourth quarter last year to a surplus of NOK 300 million in this quarter.

Operating profit before interest, depreciation, amortization, restructuring, rent/leasing and associated company (EBITDAR) excluding other losses/(gains) for the fourth quarter was NOK 506 million (811), while profit (loss) before tax (EBT) was NOK 300 million (-703). Included in fourth quarter EBT are effects from foreign currency contracts, forward fuel contracts and gains/losses on working capital in foreign currency, presented as other losses/(gains), amounting to a net gain of NOK 852 million, compared to net loss of NOK 515 million last year.

### Revenue

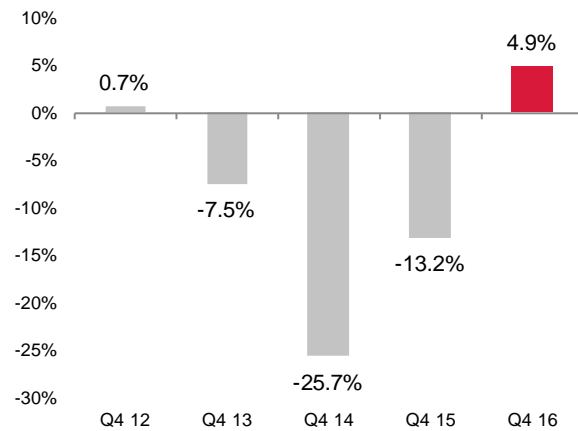
Total revenue in the fourth quarter was NOK 6,102 million (5,319), an increase of 15%. NOK 4,796 million (4,324) of the revenue in the fourth quarter was related to passenger revenue.

Passenger revenue per unit produced (unit revenue) in the fourth quarter was NOK 0.32, a decrease of 13% compared to the same quarter last year (NOK 0.36). Currency, increased sector length and lower prices have affected the yield and unit revenue in the quarter. Unit revenue in constant currency was 8% lower than last year.

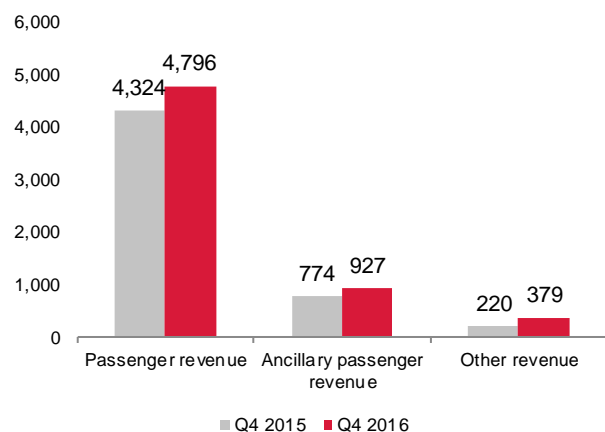
Ancillary revenue was NOK 927 million (774), while the remaining NOK 379 million (220) was related to freight, commissions, third-party products and gain from sale of assets. Ancillary revenue was NOK 129 per passenger (NOK 126) in the fourth quarter, an increase of 2%.

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 2016, with the strongest passenger growth in the US and Spain. The international expansion enables continued cost efficiency and continuously improves competitive power.

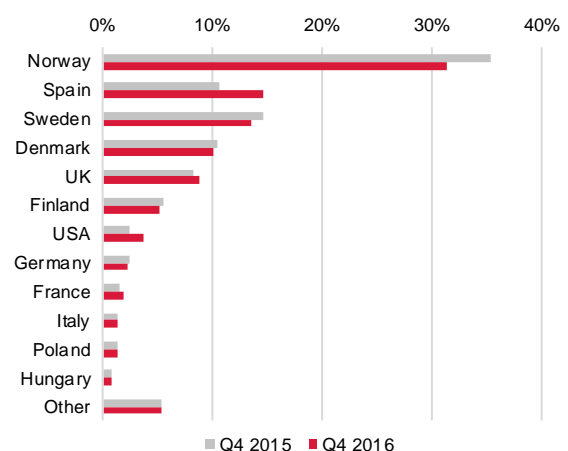
### EBT MARGIN



### REVENUE SPLIT



### PASSENGERS BY ORIGIN



## Operating expenses

## COST BREAKDOWN

## Unaudited

(Amounts in NOK million)	Q4 2016	Q4 2015	Change	Full year 2016	Full year 2015	Change
Personnel expenses	1,091.4	862.7	27 %	3,971.4	3,433.7	16 %
Sales/distribution expense	171.8	151.1	14 %	758.7	595.2	27 %
Aviation fuel	1,437.1	1,199.9	20 %	5,052.9	5,184.5	-3 %
Airport and ATC charges	776.9	711.4	9 %	3,303.8	2,949.3	12 %
Handling charges	802.8	613.5	31 %	2,995.6	2,336.8	28 %
Technical maintenance expenses	563.1	431.1	31 %	1,865.0	1,716.5	9 %
Other flight operation expenses	342.7	233.7	47 %	1,206.4	849.6	42 %
General and adm expenses	410.0	304.9	34 %	1,519.1	1,257.1	21 %
Other losses/(gains) - net	-851.6	515.3	265 %	-576.6	474.1	222 %
Total operating expenses	4,744.4	5,023.6	-6 %	20,096.5	18,796.8	7 %
Leasing	684.0	561.7	22 %	2,841.9	2,213.3	28 %
Total operating expenses incl lease	5,428.4	5,585.3	-3 %	22,938.3	21,010.1	9 %

**Total operating expenses** excluding leasing and depreciation decreased by 6% to NOK 4,744 million (5,024) this quarter. Production (ASK) increased by 27%. Operating expenses decreased mainly due to unrealized gains from forward fuel contracts and currency effects included in other losses /(gains) in addition to efficiency gains from operating a larger fleet with increased average sector length.

The unit cost was NOK 0.42, a decrease of 2% compared to the fourth quarter last year. Unit cost excluding fuel was NOK 0.32, a reduction of 1% compared to the same quarter last year. At constant currency, unit cost was equal to the same quarter last year.

**Personnel expenses** increased by 27% to NOK 1,091 million (863) in the fourth quarter compared to the same quarter last year. Unit cost for personnel expenses was unchanged from the same quarter last year. Increased capacity and continued international expansion have affected the unit cost in the fourth quarter, offset by increased average sector length. The average number of full time equivalents (FTE) increased by 23% compared to same quarter last year.

**Sales and distribution expenses** increased by 14% to NOK 172 million (151) in the fourth quarter compared to the same quarter last year. Unit cost for sales and distribution expenses decreased by 10%. Increased credit card commissions from sales in international markets and increased sales through travel agents are more than offset by unit cost reductions from increased production.

**Aviation fuel expenses** increased by 20% to NOK 1,437 million (1,200) in the fourth quarter compared to the same quarter last year. Increased production and increased fuel prices was more than offset by additional new fuel-efficient aircraft in the fleet, resulting in a decrease in unit cost for fuel of 6%.

The Group has at the end of the fourth quarter 2016 forward contracts to cover approximately 52% of fuel exposure in 2017 at an average price of USD 494 per ton, and approximately 14% of fuel exposure in the first half of 2018 at an average price of USD 497 per ton.

**Airport and air traffic control (ATC) charges** increased by 9% to NOK 777 million (711) in the fourth quarter compared to the same quarter last year. Unit cost for airport and ATC charges decreased by 14%, mainly due to increased sector length (8%).

**Handling charges** increased by 31%, to NOK 803 million (614) in the fourth quarter compared to the same quarter last year. Unit cost for handling charges increased by 3% due to increased handling at expensive international airports and passenger service refunds, partially offset by the increased average sector length.

**Technical maintenance expenses** increased by 31%, to NOK 563 million (431) in the fourth quarter compared to the same quarter last year. Unit cost for technical maintenance increased by 3%, mainly due to increased production. Unit cost reductions as a result of an increased share of owned aircraft is offset by new aircraft leases in the fleet. Additionally, changes to the route portfolio and changes in utilization of the individual aircraft in the international expansion affect technical maintenance expenses.

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.

**Other flight operation expenses** increased by 47% to NOK 343 million (234) in the fourth 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 16% in the quarter, mainly due to external training for pilots and crew to prepare for further international expansion.

**General and administrative** expenses increased by 34% to NOK 410 million (305) in the fourth quarter compared to the same quarter last year, due to the introduction of new markets, products and international bases. Unit cost for general and administrative expenses increased by 6%, mainly due to increased marketing activities.

**Other losses/(gains)-net;** includes gains/losses from foreign currency contracts, forward fuel contracts and gains/losses on working capital in foreign currency. Net gain in fourth quarter was NOK 852 million (loss of NOK 515 million last year), whereof NOK 456 million relates to gains from translation of working capital in foreign currency and NOK 415 million relates to gains from forward contracts on currency and fuel.

**Leasing costs** increased by 22% to NOK 684 million (562) in the fourth quarter compared to the same quarter last year. Unit cost for leasing decreased by 4%. The cost increases from adding new leased Boeing 787 Dreamliners to the fleet and from increased use of wetlease in the quarter, partially offset by cost reductions from a lower share of leased Boeing 737-800Ws in the fleet.

**Depreciation** decreased by 8% to NOK 338 million (367) in the fourth quarter compared to the same quarter last year. The effect of an increased number of owned aircraft in the fleet is more than offset by additional depreciation of residual values on old 737-300 aircraft recognized in the fourth quarter last year. During the fourth quarter the Group operated 64 (50) owned Boeing 737-800Ws and 3 (3) owned Boeing 787-8 Dreamliners. 2 Airbus 320neo were delivered in the quarter and leased out to HK Express.

**Profit/loss from associated companies** in the fourth quarter was estimated to NOK 51 million (37) which represents the 20% share of Bank Norwegian's third quarter results and 50% share of estimated net profit in joint venture OSM Aviation Ltd.

On September 1, 2016, Norwegian entered into a joint venture by acquiring 50% of the shares in OSM Aviation Ltd. The shares were acquired by fully owned subsidiary Norwegian Air Resources Holding Ltd with a cash consideration of USD 200,000. The investment is recognized according to the equity method from September 1 onwards.

**Financial Items** were NOK -87 million (-107) in the fourth quarter. Interest on prepayments of NOK 118 million (67) was capitalized, reducing interest expenses.

**Income taxes** amounted to a tax expense of NOK 103 million (-373) in the fourth quarter.

## Financial position and liquidity

Aircraft assets are accounted for in USD, creating a natural hedge against USD denominated borrowings when translated into NOK. Three 737-800W aircraft were delivered during the fourth quarter, financed through a sale-leaseback arrangement. In addition, the company's first delivery of two A320neo aircraft from Airbus took place in the fourth quarter. The A320neos are leased to HK Express.

A tap issue of EUR 60 million was completed for NAS07 (ISIN NO0010753437) with settlement on October 6 and will be used for general corporate purposes. A credit facility of up to NOK 1,000 million was also established, in order to strengthen Norwegian's liquidity buffer. The credit facility is part of the Groups financing strategy to ensure solid and flexible funding.

Net assets at the end of fourth quarter 2016 is affected by a 2% appreciation of NOK against USD, compared to closing rate at December 31, 2015. Net interest bearing debt at the end of the fourth quarter was NOK 21,151 million compared to NOK 17,131 million at the end of last year. The financial position is affected by increased production, appreciation of NOK against USD and asset acquisitions. At the end of fourth quarter, the financial position continues to be solid with an equity ratio of 11%, increased from 9% at the end of 2015.

**Total non-current assets** amount to NOK 31,969 million at the end of the fourth quarter, compared to NOK 26,523 million at the end of last year. The main investments during the year are prepayments to aircraft manufacturers for aircraft on order and delivery of 15 new owned aircraft. Appreciation of NOK against USD affects aircraft values compared to last year by partially offsetting aircraft investments.

**Total current assets** amount to NOK 5,793 million at the end of 2016, compared to NOK 5,111 million at the end of last year. Receivables have increased by NOK 461 million during the year due to increased production and sales. Cash and cash equivalents have decreased by NOK 131 million during the year.

**Total non-current liabilities** at the end of the fourth quarter were NOK 20,303 million, compared to NOK 17,936 million at the end of last year. Long-term borrowings increased by NOK 2,163 million during the year due to increased external borrowings for 13 new owned Boeing 737-800Ws and 2 Airbus 320neos, pre-delivery payment financing and tap issues of long-term bonds. The increase was partially offset by appreciation of NOK against USD and EUR and down-payments on aircraft financing as well as unsecured bonds NAS04 and NAS05 falling into short term borrowings. Other non-current liabilities increased by NOK 205 million.

**Total short-term liabilities** at the end of the year were NOK 13,411 million, compared to NOK 10,733 million at the end of last year. Current liabilities increased by NOK 298 million during the year. Short-term borrowings increased by NOK 1,727 million during the year due to bonds NAS04 and NAS05 falling into short term borrowings and new pre-delivery payment financing of Airbus 320neo, partially offset

by reduced pre-delivery payment financing due to aircraft deliveries and appreciation of NOK against USD. Credit facilities increased by NOK 325 million during the quarter. Air traffic settlement liabilities increased by NOK 652 million from end of last year due to increased production and ticket sales.

**Equity** at the end of 2016 was NOK 4,049 million compared to NOK 2,965 million at the end of last year. Equity increased mainly due to net profit in the period of NOK 1,135 million offset by exchange rate loss from subsidiaries of NOK 103 million.

### Cash flow

Cash and cash equivalents were NOK 2,324 million at the end of 2016 compared to NOK 2,454 million last year.

**Cash flow from operating activities** in the fourth quarter amounted to NOK 206 million compared to NOK -278 million in the fourth quarter last year. Air traffic settlement liability decreased by NOK 445 million during the fourth quarter compared to a decrease of NOK 186 million during the same quarter last year. Receivables decreased by NOK 283 million compared to NOK 497 million in the same quarter last year. Cash from other adjustments amounted to NOK -270 million during fourth quarter compared to NOK -253 million in the same quarter last year. Other adjustments mainly consist of changes in current liabilities and currency gain/loss with no cash effects.

**Cash flow from investment activities** in the fourth quarter was NOK -1,112 million, compared to NOK -657 million in the fourth quarter last year. Prepayments to aircraft manufacturers and investments in new aircraft are the main investments. Two new owned aircraft were delivered in the fourth quarter, while one aircraft was delivered in fourth quarter last year.

**Cash flow from financing activities** in the fourth quarter was NOK 981 million compared to NOK 1,081 million in the fourth quarter last year. Proceeds from financing of aircraft and pre-delivery payment financing are partially offset by down payment on borrowings and financing costs 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 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 737-800Ws, 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 30 % 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 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 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 – 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.

Fornebu, February 15, 2017

CEO

Bjørn Kjos

## CONDENSED CONSOLIDATED INCOME STATEMENT

## Unaudited

<i>(Amounts in NOK million)</i>	<i>Note</i>	<b>Q4 2016</b>	Q4 2015	<b>Full year 2016</b>	Full Year 2015
<b>Operating revenue</b>					
Total operating revenue	3	6,101.5	5,318.9	26,054.5	22,491.1
<b>Total operating revenue</b>		<b>6,101.5</b>	5,318.9	<b>26,054.5</b>	22,491.1
<b>Operating expenses</b>					
Operational expenses		4,094.6	3,338.5	15,182.5	13,593.0
Payroll and other personnel expenses		1,091.4	862.7	3,971.4	3,433.7
Other operating expenses		-441.5	822.5	942.6	1,770.1
<b>Total operating expenses</b>		<b>4,744.4</b>	5,023.6	<b>20,096.5</b>	18,796.8
<b>Operating profit before leasing, depreciation and amortization (EBITDAR)</b>					
		1,357.1	295.3	5,958.1	3,694.3
Leasing		684.0	561.7	2,841.9	2,213.3
<b>Operating profit before depreciation and amortization (EBITDA)</b>					
		673.1	-266.4	3,116.2	1,481.1
Depreciation and amortization		337.6	366.5	1,295.8	1,133.3
<b>Operating profit (EBIT)</b>					
		335.5	-632.9	1,820.4	347.8
<b>Financial items</b>					
Interest income		12.4	31.2	43.6	76.3
Interest expense		131.8	113.1	573.6	349.7
Other financial income (expense)		32.8	-25.5	5.1	-102.7
<b>Net financial items</b>		<b>-86.6</b>	-107.4	<b>-524.9</b>	-376.2
Profit/loss from associated companies		50.8	37.4	212.8	103.4
<b>Profit (loss) before tax (EBT)</b>					
		299.7	-702.9	1,508.3	75.0
Income tax expense (income)		102.5	-329.5	373.4	-171.1
<b>Net profit (loss)</b>					
		197.2	-373.4	1,135.0	246.2
<b>Net profit attributable to:</b>					
Owners of the parent company		197.5	-373.4	1,135.3	246.2
Non-controlling interests		-0.3	0.0	-0.3	0.0
<b>Earnings per share (NOK) - Basic</b>					
		5.5	-10.4	31.7	7.0
<b>Earnings per share (NOK) - Diluted</b>					
		5.4	-10.4	31.5	7.0
<b>No. of shares at the end of the period</b>					
		35,759,639	35,759,639	35,759,639	35,759,639
<b>Average no. of shares outstanding</b>					
		35,759,639	35,738,342	35,759,639	35,233,540
<b>Average no. of shares outstanding - diluted</b>					
		36,384,639	35,787,139	36,072,139	35,591,045



**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

Unaudited

<i>(Amounts in NOK million)</i>	<i>Note</i>	<b>31 Dec 2016</b>	31 Dec 2015
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets		439.8	800.3
Tangible fixed assets		30,099.7	24,812.2
Fixed asset investments		1,429.9	910.3
<b>Total non-current assets</b>		<b>31,969.3</b>	<b>26,522.7</b>
<b>Current assets</b>			
Inventory		102.5	104.1
Investments		353.2	0.0
Receivables		3,014.0	2,553.1
Cash and cash equivalents		2,323.6	2,454.2
<b>Total current assets</b>		<b>5,793.3</b>	<b>5,111.4</b>
<b>TOTAL ASSETS</b>		<b>37,762.7</b>	<b>31,634.1</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders equity</b>			
Shareholder's equity	7	4,038.2	2,965.3
Non-controlling interests		10.8	0.0
<b>Total equity</b>		<b>4,049.0</b>	<b>2,965.3</b>
<b>Non-current liabilities</b>			
Other non-current liabilities		1,596.9	1,392.4
Long term borrow ings	6	18,706.1	16,543.4
<b>Total non-current liabilities</b>		<b>20,303.0</b>	<b>17,935.8</b>
<b>Short term liabilities</b>			
Current liabilities		3,975.6	3,677.6
Short term borrow ings	6	4,768.8	3,041.4
Air traffic settlement liabilities		4,666.2	4,014.4
<b>Total short term liabilities</b>		<b>13,410.7</b>	<b>10,733.4</b>
<b>Total liabilities</b>		<b>33,713.7</b>	<b>28,669.1</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>37,762.7</b>	<b>31,634.1</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

Unaudited	Q4	Q4	Full year	Full Year
(Amounts in NOK million)	2016	2015	2016	2015
<b>OPERATING ACTIVITIES</b>				
Profit before tax	299.7	-702.9	1,508.3	75.0
Paid taxes	0.0	0.0	-28.6	-44.1
Depreciation, amortization and impairment	337.6	366.5	1,295.8	1,133.3
Changes in air traffic settlement liabilities	-444.7	-185.8	651.8	1,049.0
Changes in accounts receivable	283.4	497.2	-549.4	-175.3
Other adjustments	-270.3	-252.7	168.6	318.7
<b>Net cash flows from operating activities</b>	<b>205.7</b>	<b>-277.6</b>	<b>3,046.5</b>	<b>2,356.7</b>
<b>INVESTMENT ACTIVITIES</b>				
Purchases, proceeds and prepayment of tangible assets	-1,122.6	-657.1	-6,447.2	-5,189.2
Other investing activities	10.6	0.0	-65.3	0.0
<b>Net cash flows from investing activities</b>	<b>-1,112.0</b>	<b>-657.1</b>	<b>-6,512.4</b>	<b>-5,189.2</b>
<b>FINANCING ACTIVITIES</b>				
Loan proceeds	1,657.9	1,921.5	5,805.8	5,771.4
Principal repayments	-352.1	-668.9	-1,572.8	-1,827.5
Financing costs paid	-336.5	-208.8	-941.9	-799.7
Proceeds from issuing new shares	0.0	37.3	0.0	138.1
Other financing activities	11.7	0.0	11.7	0.0
<b>Net cash flows from financial activities</b>	<b>980.9</b>	<b>1,081.2</b>	<b>3,302.8</b>	<b>3,282.3</b>
<b>Foreign exchange effect on cash</b>	<b>15.7</b>	<b>11.1</b>	<b>32.6</b>	<b>-6.8</b>
<b>Net change in cash and cash equivalents</b>	<b>90.4</b>	<b>157.6</b>	<b>-130.5</b>	<b>443.0</b>
Cash and cash equivalents in beginning of period	2,233.2	2,296.5	2,454.2	2,011.1
Cash and cash equivalents in end of period	2,323.6	2,454.2	2,323.6	2,454.2

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Unaudited	Q4	Q4	Full year	Full Year
(Amounts in NOK million)	2016	2015	2016	2015
<b>Net profit (loss) for the period</b>	<b>197.2</b>	<b>-373.4</b>	<b>1,135.0</b>	<b>246.2</b>
Actuarial gains and losses	24.5	23.6	24.5	44.5
Exchange rate differences Group	195.7	88.4	-103.0	421.1
Share of OCI associated companies	-2.0	0.0	1.2	0.0
<b>Total comprehensive income for the period</b>	<b>415.4</b>	<b>-261.4</b>	<b>1,057.7</b>	<b>711.8</b>
<b>Total comprehensive income attributable to:</b>				
Owners of the company	404.6	-261.4	1,046.9	711.8
Non-controlling interests	10.8	0.0	10.8	0.0

## CONDENSED CONSOLIDATED CHANGES IN EQUITY

Unaudited	Full year	Full Year
(Amounts in NOK million)	2016	2015
<b>Equity - Beginning of period</b>	<b>2,965.3</b>	<b>2,108.3</b>
Total comprehensive income for the period	1,057.7	711.8
Share issue	0.0	138.1
Transactions with non-controlling interests	9.9	0.0
Equity change on employee options	16.3	7.1
<b>Equity - End of period</b>	<b>4,049.1</b>	<b>2,965.3</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, 2015 is available upon request from the company's registered office at Oksenøyveien 3, 1330 Fornebu, Norway, or 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, 2015. These condensed interim financial statements are unaudited.

The accounting policies applied by the Group in these condensed consolidated financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended December 31, 2015.

### Judgments, estimates and assumptions

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

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

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the period ended December 31, 2015.

### Note 2 Risk

#### SENSITIVITY ANALYSIS

	Effect on income MNOK
1% decrease in jet fuel price	53
1% depreciation of NOK against USD	-123
1% depreciation of NOK against EURO	-7

The sensitivity analysis reflects the effect on operating costs in 2016 by changes in market prices and exchange rates. The effect on operating costs is annualized based on current level of production, fuel prices and exchange rates. Operational hedges are not included in the calculation of the sensitivity.

**Note 3 Revenue**

Passenger revenue comprise only ticket revenue, while ancillary passenger revenue is other passenger related revenue such as optional extras. Other revenue consist of revenue not directly related to passengers such as cargo, third-party products, gain from sale of assets and other income.

**OPERATING REVENUE BREAKDOWN**

Unaudited (Amounts in NOK millions)	Q4 2016	Q4 2015	Change	Full year 2016	Full year 2015	Change
<b>Per activity</b>						
Passenger revenue	4,795.7	4,324.2	11 %	21,095.6	18,505.8	14 %
Ancillary passenger revenue	927.1	774.4	20 %	3,929.0	3,275.3	20 %
Other revenue	378.7	220.4	72 %	1,030.0	710.1	45 %
<b>Total</b>	<b>6,101.5</b>	<b>5,318.9</b>	<b>15 %</b>	<b>26,054.5</b>	<b>22,491.1</b>	<b>16 %</b>
<b>Per geographical market</b>						
Domestic	1,541.0	1,256.1	23 %	5,762.6	4,786.9	20 %
International	4,560.5	4,062.8	12 %	20,292.0	17,704.2	15 %
<b>Total</b>	<b>6,101.5</b>	<b>5,318.9</b>	<b>15 %</b>	<b>26,054.5</b>	<b>22,491.1</b>	<b>16 %</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 fourth quarter 2016 there are no changes in related parties compared to the description in Note 26 in the Annual Report for 2015. There have been no significant transactions with related parties during the fourth quarter or full year 2016.

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

(Amounts in NOK million)	31 Dec 2016	31 Dec 2015
<b>Long term</b>		
Bond issue	2,936.6	3,221.6
Aircraft prepayment financing	47.2	0.0
Aircraft financing	15,722.3	13,321.8
<b>Total long term borrowings</b>	<b>18,706.1</b>	<b>16,543.4</b>
<b>Short term</b>		
Bond issue	1,217.8	0.0
Credit facility	325.0	0.0
Aircraft prepayment financing	1,368.5	1,473.5
Aircraft financing	1,857.4	1,567.9
<b>Total short term borrowings</b>	<b>4,768.8</b>	<b>3,041.4</b>
<b>Total borrowings</b>	<b>23,474.9</b>	<b>19,584.8</b>

**Note 7 Shareholder information**

20 Largest shareholders at December 31, 2016

Shareholder	Country	Number of shares	Percent
1 HBK Invest AS*	Norw ay	8,795,873	24.6 %
2 Folketrygdfondet	Norw ay	3,259,303	9.1 %
3 Skagen AS	Norw ay	2,000,000	5.6 %
4 DNB Asset Management AS	Norw ay	1,914,828	5.4 %
5 Danske Capital (Norw ay)	Norw ay	1,864,617	5.2 %
6 Ferd AS	Norw ay	1,300,000	3.6 %
7 KLP Forsikring	Norw ay	879,712	2.5 %
8 Alfred Berg Kapitalforvaltning AS	Norw ay	663,110	1.9 %
9 Keskinäinen eläkevakuutusyhtiö Varma	Finland	650,000	1.8 %
10 Pareto Nordic Investments AS	Norw ay	566,000	1.6 %
11 Storebrand Kapitalforvaltning AS	Norw ay	502,069	1.4 %
12 Datum AS	Norw ay	500,000	1.4 %
13 DNB Markets	Norw ay	497,148	1.4 %
14 DNB Livsforsikring ASA	Norw ay	489,064	1.4 %
15 Handelsbanken Kapitalforvaltning AS	Norw ay	447,100	1.3 %
16 Norron Asset Management AB	Sw eden	364,895	1.0 %
17 Nordea Funds Oy	Denmark	327,929	0.9 %
18 SAFE Investment Company Limited	Hong Kong	270,297	0.8 %
19 Stenshagen Invest AS	Norw ay	189,492	0.5 %
20 Handelsbanken Asset Management	Sw eden	178,422	0.5 %
<b>Top 20 shareholders</b>		<b>25,659,859</b>	<b>71.8 %</b>
Other shareholders		10,099,780	28.2 %
<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 December 31, 2016, equal to December 31, 2015. There were a total of 13,350 shareholders at the end of 2016.

\*The shareholding of HBK Invest AS reflects the actual shareholding and may deviate from the official shareholder register as HBK Invest AS 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.

**Note 8 Contingencies and legal claims**

Note 27 to the Annual Financial Statement for 2015 disclosed information about a claim from the unions organizing pilots and cabin crew. 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 December 2016, Norwegian received a draft reassessment proposal 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. According to the draft reassessment, a reassessment will result 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 proposal for a draft 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.

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 2015.

## **Note 9 Events after the reporting date**

Norwegian Air Shuttle ASA has successfully completed a new unsecured bond issue of SEK 800 million with maturity date 7 August 2020 at Stibor +500 bp. The settlement date for the bond was 7 February 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 13 February 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.

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 fourth quarter or full year 2016.

## 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 and 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 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.

## Information about the Norwegian Group

### Head office Norwegian Air Shuttle ASA

Mailing address P.O. Box 113  
NO-1366 Lysaker

Visiting address Oksenøyveien 3, Fornebu

Telephone +47 67 59 30 00  
Telefax +47 67 59 30 01  
Internet [www.norwegian.com](http://www.norwegian.com)

Organization Number NO 965 920 358 MVA

### Board of Directors Norwegian Air Shuttle ASA

Bjørn H. Kise	Chairman
Liv Berstad	Deputy Chairman
Ada Kjeseth	Director
Christian Fredrik Stray	Director
Geir Olav Øien	Director (elected by the employees)
Linda Olsen	Director (elected by the employees)
Marcus Hall	Director (elected by the employees)

### Group Management

Bjørn Kjos	Chief Executive Officer
Frode E. Foss	Chief Financial Officer
Asgeir Nyseth	Chief Operating Officer
Dag Skage	Chief Information Officer
Frode Berg	Chief Legal Officer
Thomas A. Ramdahl	Chief Commercial Officer
Jan Dahm-Simonsen	Chief Human Resources Officer
Anne-Sissel Skånvik	Chief Communications Officer
Edward Thorstad	Chief Customer Officer
Tore K. Jenssen	CEO, Arctic Aviation Assets Ltd and CEO, Norwegian Air International Ltd
Bjørn Erik Barman-Jensen	Managing Director, Norwegian Air Resources Ltd
Lennart Ceder	Accountable Manager, Norwegian Air UK Ltd

### Investor Relations

Tore Østby [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

6	March	Monthly traffic data February
6	April	Monthly traffic data March
27	April	First Quarter results
5	May	Monthly traffic data April
9	May	General Shareholder Meeting
6	June	Monthly traffic data May
6	July	Monthly traffic data June
13	July	Second Quarter Results
4	August	Monthly traffic data July
6	September	Monthly traffic data August
5	October	Monthly traffic data September
26	October	Third Quarter Results
6	November	Monthly traffic data October
6	December	Monthly traffic data November