

# Interim report

Norwegian Air Shuttle ASA – second quarter and first half 2016

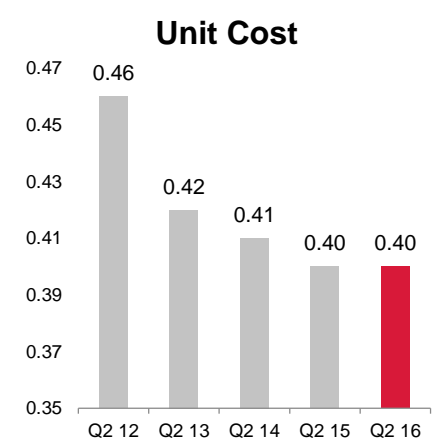
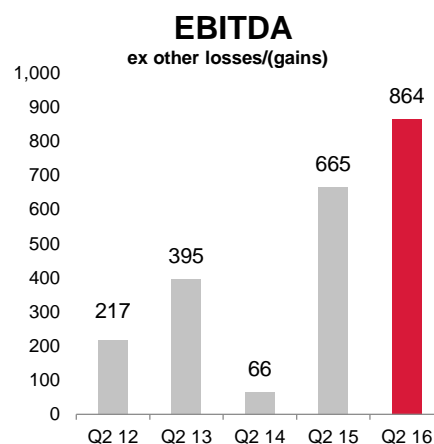
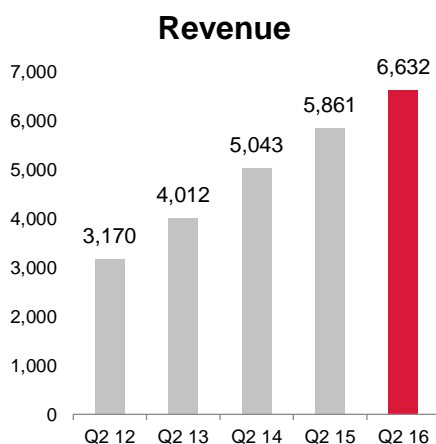


Unit cost:

**-1%**

Unit cost NOK 0.40

- Second quarter EBT of NOK 930 million (456)
- Load factor up 3 p.p (88%) in second quarter
- Delivery of ten new owned 737-800 aircraft and two 787-9 Dreamliners in first half
- Sky Trax Awards for best long haul and short haul operation



## Double profits and record high load

The pre-tax result (EBT) was NOK 930 million; doubling the profit from last year's result of NOK 456 million. The load factor for this period was 88 percent. In two years, the load factor has increased with eight percentage points. The overall performance was positive in all of Norwegian's main markets during the second quarter.

The load factor for the second quarter was 88 percent, up three percentage points from the same quarter last year. Last year, Norwegian also had a considerable rise in load factor, which means fuller aircraft and a significant reduction in CO2 emissions per passenger kilometer (RPK). So far this year, Norwegian has introduced two new Boeing 787 Dreamliner and ten new Boeing 737-800 to its fleet. Norwegian now has a fleet of 10 Dreamliner long-haul aircraft and within a few years, it will have a fleet of at least 42 Dreamliner long-haul aircraft.

### Growth in all of Norwegian's markets

During the second quarter, the airline carried 7.7 million passengers, an increase of 11 percent. Norwegian's strongest growth in terms of passenger numbers was Stockholm Arlanda, London Gatwick and its Spanish bases. During this quarter, Norwegian has established a new base in Palma, and the company now flies a number of domestic routes in Spain. Total revenue was NOK 6.6 billion, up 13 percent from the same quarter last year. Norwegian's production growth (ASK) for this quarter was 12 percent, while the company's traffic growth (RPK) was 16 percent, which reflects that each of Norwegian's passengers on average flies significantly longer than they did before.

Norwegian's growth estimate of 18 percent (ASK) for the whole year remains the same.

### Norwegian named the world's best low cost long haul airline for the second time

This week, Norwegian was named the 'World's Best Low Cost Long Haul Airline' for the second consecutive year. In addition, Norwegian was also voted 'Best Low-Cost Airline in Europe' for the fourth year in a row at the renowned Skytrax World Airline Awards. Skytrax is the industry's most renowned rating system, voted on by the travelling public, who evaluate more than 280 airlines worldwide.

*"I am very pleased with the improved result and record high load factor for this quarter. However, we have had significant additional costs for leasing of aircraft and passenger compensation. Over the summer, we will phase out the wet-leased aircraft,"* said Norwegian's CEO Bjørn Kjos.

*"Bookings and pre-sales for the coming months are looking very good and it has also been a great pleasure to receive fantastic feedback from our customers in the form of two SkyTrax awards. This would never be possible without all the dedicated people working at Norwegian,"* he continued.

## CONSOLIDATED FINANCIAL KEY FIGURES

### Unaudited

(Amounts in NOK million)	Q2 2016	Q2 2015	Change	H1 2016	H1 2015	Change	Full Year 2015
Operating revenue	6,632.4	5,860.6	13%	11,592.9	9,895.4	17%	22,491.1
EBITDAR	1,965.4	1,284.9	53%	2,028.0	1,353.3	50%	3,694.3
EBITDAR excl other losses/(gains)-net	1,505.2	1,184.7	27%	2,095.6	1,250.6	68%	4,168.4
EBITDA	1,323.9	765.2	73%	717.8	263.2	173%	1,481.1
EBITDA excl other losses/(gains)-net	863.7	665.0	30%	785.4	160.5	389%	1,955.2
EBIT	1,005.8	520.5	93%	111.3	-201.9	-155%	347.8
EBT	930.3	456.4	104%	-61.6	-320.1	-81%	75.0
Net profit/ loss (-)	745.4	325.0	129%	-54.7	-213.3	-74%	246.2
EBITDAR margin	29.6 %	21.9 %		17.5 %	13.7 %		16.4 %
EBITDA margin	20.0 %	13.1 %		6.2 %	2.7 %		6.6 %
EBIT margin	15.2 %	8.9 %		1.0 %	-2.0 %		1.5 %
EBT margin	14.0 %	7.8 %		-0.5 %	-3.2 %		0.3 %
Net profit margin	11.2 %	5.5 %		-0.5 %	-2.2 %		1.1 %
Book equity per share (NOK)				76.8	61.1	26%	82.9
Equity ratio (%)				8%	8%	0 pp	9%
Net interest bearing debt				17,150.0	12,629.0	36%	17,130.6

## OPERATIONAL REVIEW

### CONSOLIDATED TRAFFIC FIGURES AND RATIOS

#### Unaudited

<i>(Ratios in NOK)</i>	Q2 2016	Q2 2015	Change	H1 2016	H1 2015	Change	Full Year 2015
Yield	0.42	0.44	-3%	0.41	0.42	-1%	0.44
Unit Revenue	0.37	0.37	0%	0.36	0.35	2%	0.38
Unit Cost	0.40	0.40	-1%	0.41	0.42	-3%	0.42
Unit Cost ex fuel	0.31	0.29	7%	0.33	0.32	4%	0.31
Ancillary Revenue/PAX	131	125	5%	134	130	2%	127
Internet bookings	72%	76%	-4 pp	74%	78%	-4 pp	77%
ASK (million)	14,512	12,919	12%	26,315	22,975	15%	49,028
RPK (million)	12,743	11,008	16%	22,793	19,352	18%	42,284
Passengers (million)	7.72	6.97	11%	13.55	11.94	14%	25.75
Load Factor	88%	85%	3 pp	87%	84%	2 pp	86%
Average sector length (km)	1,418	1,378	3%	1,432	1,383	4%	1,407
Fuel consumption (metric tonnes)	296,538	266,640	11%	541,420	476,024	14%	1,015,337
CO2 per RPK	73	76	-4%	75	77	-3%	76

#### Traffic Development

A total of 7.72 million passengers travelled with Norwegian in the second quarter of 2016, compared to 6.97 million in the second quarter of 2015, an increase of 11%. Production (ASK) increased by 12% and passenger traffic (RPK) increased by 16%. The load factor was 88% in the second quarter, an increase of 3 percentage points compared to the same period last year.

At the end of the second quarter the total fleet including aircraft on maintenance and excluding wetlease comprised 110 aircraft. The Group utilized every operational aircraft on average 11.6 block hours per day in the second quarter compared to 11.9 last year.

The share of Internet sales was 72% which is a decrease of 4 percentage points from last year.

#### Operating performance

Punctuality, the percentage of flights departing on schedule, was 78% in the second quarter 2016, a decrease of 4 percentage points from the same quarter last year.

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

## FINANCIAL REVIEW

### Income statement and financial key figures

Second quarter earnings were affected by strong capacity growth and increased load factor of 3 p.p up to 88%. Production (ASK) increased by 12% driven by increased sector length of 3% and increased capacity. Depreciation of NOK against foreign currencies, international expansion, reduced fuel spot prices and wetlease expenses significantly affected the unit cost in second quarter. Passenger revenue per unit produced was equal to last year and the unit cost decreased by 1% from same quarter last year.

Operating profit before interest, depreciation, amortization, restructuring, rent/leasing and associated company (EBITDAR) excluding other losses/(gains) for the second quarter was NOK 1,505 million (1,185), while profit (loss) before tax (EBT) was NOK 930 million (456), resulting in an EBT margin of 14% compared to 8% in the second quarter last year. EBITDAR excl other losses/(gains) for first half was NOK 2,096 million (1,251) and EBT for the first half was NOK -62 million (-320). Included in second quarter EBT are effects from forward currency contracts and forward jet-fuel contracts, amounting to net gain of NOK 460 million presented as other losses/(gains)-net, compared to net gain of NOK 100 million last year.

### Revenue

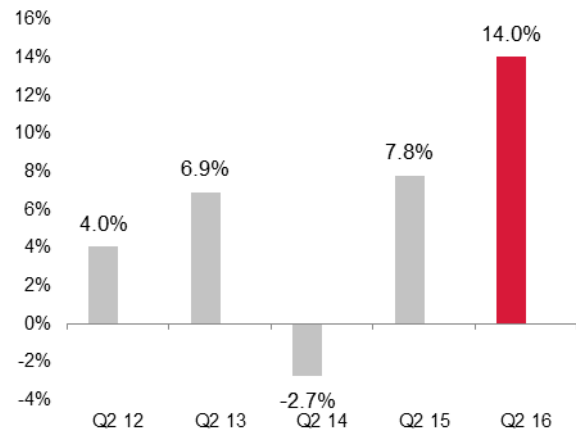
Total revenue in the second quarter was NOK 6,632 million (5,861), an increase of 13%. NOK 5,413 million (4,831) of the revenue in the second quarter was related to passenger revenue.

Passenger revenue per unit produced (unit revenue) in the second quarter was NOK 0.37, equal to unit revenue in the same quarter last year. Continuous production growth and increased load factor are reflected in stable unit revenue, despite increased competition and lower prices which have affected the yield.

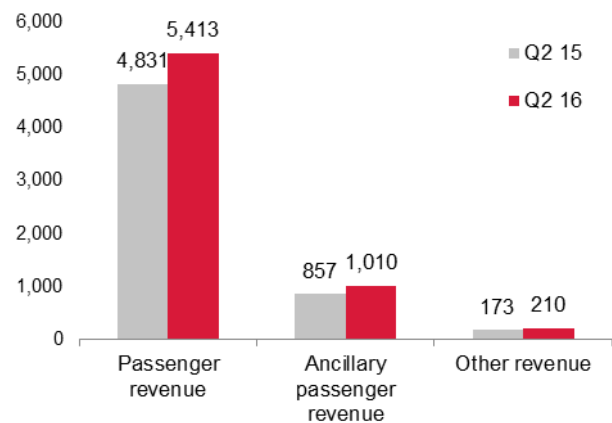
Ancillary revenue was NOK 1,010 million (857), while the remaining NOK 210 million (173) was related to freight, commissions and third-party products. Ancillary passenger revenue was NOK 131 per passenger (NOK 125) in the second quarter, an increase of 5%.

Norwegian has grown rapidly expanding international traffic and adding new bases, destinations and markets to its portfolio. As a consequence, the share of passengers outside Scandinavia has increased significantly during first half 2016, with the strongest passenger growth in the US and Spain. The international expansion enables continued cost efficiency and continuously improves competitive power.

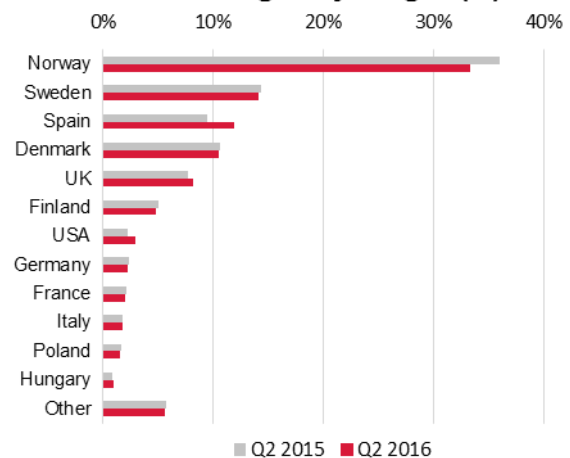
### EBT margin



### Revenue split (MNOK)



### Passenger by origin (%)



## Operating expenses

### COST BREAKDOWN

#### Unaudited

(Amounts in NOK million)	Q2 2016	Q2 2015	Change	H1 2016	H1 2015	Change	Full Year 2015
Personell expenses	941.7	826.1	14%	1,866.0	1,623.1	15%	3,433.7
Sales/distribution expense	195.9	141.7	38%	395.3	277.7	42%	595.2
Aviation fuel	1,262.3	1,451.6	-13%	2,123.1	2,476.1	-14%	5,184.5
Airport and ATC charges	863.7	776.7	11%	1,548.3	1,347.3	15%	2,949.3
Handling charges	777.5	532.6	46%	1,377.2	1,044.1	32%	2,336.8
Technical maintenance expenses	413.7	461.4	-10%	821.3	826.3	-1%	1,716.5
Other flight operation expenses	282.8	161.8	75%	619.2	394.7	57%	849.6
General and administration expenses	389.6	324.1	20%	747.0	655.6	14%	1,257.1
Other losses/(gains) - net	-460.2	-100.2	-360%	67.6	-102.7	166%	474.1
<b>Total operating expenses</b>	<b>4,667.0</b>	<b>4,575.7</b>	<b>2%</b>	<b>9,565.0</b>	<b>8,542.1</b>	<b>12%</b>	<b>18,796.8</b>
Leasing	641.5	519.7	23%	1,310.2	1,090.1	20%	2,213.3
<b>Total operating expenses incl lease</b>	<b>5,308.5</b>	<b>5,095.4</b>	<b>4%</b>	<b>10,875.2</b>	<b>9,632.2</b>	<b>13%</b>	<b>21,010.1</b>

**Total operating expenses** excluding leasing and depreciation increased by 2% to NOK 4,667 million (4,576) this quarter. The increase is mainly due to a production increase (ASK) of 12% and depreciation of NOK against USD and EUR, partially offset by reductions in fuel spot prices and increased average sector length.

The unit cost was NOK 0.40, a decrease of 1% compared to the second quarter last year. Unit cost ex fuel was NOK 0.31, an increase of 7% from last year. At constant currency, unit cost ex fuel increased by 3% this quarter.

**Personnel expenses** increased by 14% to NOK 942 million (826) in the second quarter compared to the same quarter last year. Unit cost for personnel expenses increased by 1% due to increased capacity and depreciation of NOK against EUR, partially offset by increased average sector length and the use of wetlease.

The average number of full time equivalents (FTE) increased by 9% compared to same quarter last year.

**Sales and distribution expenses** increased by 38% to NOK 196 million (142) in the second quarter compared to the same quarter last year. Unit cost for sales and distribution expenses increased by 23%. Increased credit card commissions from sales in international markets and significantly increased sales through travel agents more than offset unit cost reductions from increased production.

**Aviation fuel expenses** decreased by 13% to NOK 1,262 million (1,452) in the second quarter compared to the same quarter last year. Increased production of 12% and depreciation of NOK against USD are more than offset by the reduction in fuel spot prices, compared to the same quarter

last year, resulting in a decrease in unit cost of 23% for the quarter.

The Group has at the end of the second quarter 2016 forward contracts to cover approximately 50% of fuel exposure for the remaining of 2016 at an average price of USD 548 per ton, and approximately 28% of fuel exposure in 2017 at an average price of USD 518 per ton.

**Airport and air traffic control (ATC) charges** increased by 11% to NOK 864 million (777) in the second quarter compared to the same quarter last year. Unit cost for airport and ATC charges decreased by 1%.

**Handling charges** increased by 46%, to NOK 778 million (533) in the second quarter compared to the same quarter last year. Unit cost for handling charges increased by 30%, due to increased handling at more expensive international airports, depreciation of NOK against USD and EUR and increased passenger refunds from irregularities.

**Technical maintenance costs** decreased by 10%, to NOK 414 million (461) in the second quarter compared to the same quarter last year. Unit cost for technical maintenance decreased by 20%. Adjusted for additional maintenance expenses for engine overhaul in second quarter last year, unit cost decreased by 4%. The decrease in unit cost is mainly due to an increased share of owned aircraft in the fleet, partially offset by depreciation of NOK against USD and renegotiations of maintenance contracts.

An increased share of owned aircraft in the fleet reduces technical maintenance expenses per unit produced, as planned maintenance cost on owned aircraft is capitalized.

**Other flight operation expenses** increased by 75% to NOK 283 million (162) in the second 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 56% in the quarter, mainly due to external training for pilots and international expansion. Included in second quarter last year is a reversal of accruals, resulting in reduced expenses for second quarter 2015.

**General and administrative** expenses increased by 20% to NOK 390 million (324) in the second quarter compared to the same quarter last year, due to the introduction of new markets, products and international bases. Expenses to enhance Norwegian Reward customer loyalty programme increased in second quarter compared to last year. Unit cost for general and administrative expenses increased by 7%.

**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 second quarter was NOK 460 million (gain of NOK 100 million last year), whereof NOK 134 million relates to gains from working capital in foreign currency.

**Leasing costs** increased by 23% to NOK 642 million (520) in the second quarter compared to the same quarter last year. Unit cost for leasing increased by 10%. Increased costs from depreciation of NOK against USD and increased use of wetlease more than offset cost reductions from a lower share of leased aircraft in the fleet.

During the second quarter the Group operated 59 (44) owned Boeing 737-800Ws and 3 (3) owned Boeing 787-8 Dreamliners.

During second quarter, the Group continued the expansion of its aircraft fleet by signing a letter of intent to lease two new Boeing 787-9 Dreamliners with delivery in 2018. Eight options to purchase Boeing 737 MAX8 was exercised, which adds to the existing firm orders for one hundred 737 MAX8.

**Depreciation** increased by 30% to NOK 318 million (245) in the second quarter compared to the same quarter last year due to increased number of owned aircraft in the fleet and depreciation of NOK against USD.

**Profit/Loss from Associated Company** in the second quarter was estimated to NOK 74 million (28) which represents the 20% share of Bank Norwegian's first quarter results.

**Financial Items** were NOK -149 million (-92) in the second quarter. Interest on prepayments of NOK 84 million (50) was capitalized, reducing interest expenses.

**Income taxes** amounted to a tax expense of NOK 185 million (131) in the second quarter.

## Financial position and liquidity

Aircraft assets are accounted for in USD, creating a natural hedge against USD denominated borrowings when translated into NOK. During second quarter, five new Boeing 737-800Ws were delivered and financed through long-term borrowings structured as an enhanced equipment trust certificate (EETC). The total size of the facility is USD 349 million for financing of ten new aircraft. This is the first time the Norwegian Group have used the EETC structure. The positive response shows the Norwegian Group's ability to attract larger international investors and finance its fleet expansion. A tap issue of NOK 175 million in the unsecured bond NAS04 (ISIN NO001071386.0) was completed in second quarter and will be used for general corporate purposes.

Net assets at the end of second quarter 2016 is affected by appreciation of NOK against USD, compared to closing rate at December 31, 2015.

Net interest bearing debt at the end of the first quarter was NOK 17,150 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 second quarter, the financial position continues to be solid with an equity ratio of 8%, at the same level as second quarter last year.

Net change in cash and cash equivalents in second quarter was NOK -179 million. Net cash from investing activities were NOK 1,986 million in the second quarter, with net cash from financing activities of NOK 625 million and cash flow from operations of NOK 1,223 million.

**Total non-current assets** amount to NOK 28,674 million at the end of the second quarter, compared to NOK 26,523 million at the end of last year. The main investments during the year are related to prepayments to aircraft manufacturers for aircraft on order and delivery of ten new owned Boeing 737-800Ws. Appreciation of NOK against USD affects aircraft values compared to last year by partially offsetting aircraft investments.

**Total current assets** amount to NOK 6,327 million at the end of the second quarter, compared to NOK 5,111 million at the end of last year. Receivables have increased by NOK 663 million during the year due to increased production and seasonality. Cash and cash equivalents have increased by NOK 556 million during the year.

**Total non-current liabilities** at the end of the first quarter were NOK 19,518 million, compared to NOK 17,936 million at the end of last year. Long-term borrowings increased by NOK 1,581 million during the year due to increased external borrowings for ten new Boeing 737-800Ws and pre-delivery payment financing for Airbus 320 Neo, partially offset by appreciation of NOK against USD and EUR and down-payments on aircraft financing. Other non-current liabilities increased by NOK 2 million due to increased accruals for heavy maintenance, partially offset by appreciation of NOK against USD and EUR and decreased deferred tax liability.

**Total short-term liabilities** at the end of the second quarter were NOK 12,737 million, compared to NOK 10,733 million at the end of last year. Current liabilities decreased by NOK 228 million during the year mainly due to reduced marked-to-market value of derivative financial instruments. Short-term borrowings decreased by NOK 1,005 million during the year due to reduced pre-delivery payment financing from delivery of aircraft and appreciation of NOK against USD, partially offset by new pre-delivery payment financing of Airbus 320 Neo. Air traffic liability increased by NOK 3,237 million from end of last year due to increased production and seasonality.

**Equity** at the end of the second quarter was NOK 2,746 million compared to NOK 2,965 million at the end of last year. Equity decreased due to net loss in the period of NOK 55 million and exchange rate loss from Group holdings in subsidiaries of NOK 164 million.

### Cash flow

Cash and cash equivalents were NOK 3,010 million at the end of the second quarter compared to NOK 2,454 million at the end of last year.

**Cash flow from operating activities** in the second quarter amounted to NOK 1,223 million compared to NOK 1,315 million in the second quarter last year. Air traffic settlement liability increased by NOK 282 million during the second quarter compared to NOK 142 million during the same quarter last year. Receivables increased by NOK 55 million compared to NOK 58 million in the same quarter last year. Cash from other adjustments amounted to NOK -253 million during second quarter compared to NOK 526 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 second quarter was NOK -1,986 million, compared to NOK -1,092 million in the second quarter last year. Prepayments to aircraft manufacturers and investments in new aircraft are the main investments. Five new aircraft was delivered in second quarter, while three aircraft were delivered in second quarter last year.

**Cash flow from financing activities** in the second quarter was NOK 625 million compared to NOK 1,224 million in the second 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 the financial crisis and global downturn. 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 impacting financial performance.

Fuel price and currency fluctuations, as well as hedging of such, are risks which 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 impact 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 third quarter of 2016. Norwegian will continue to take advantage of its increasing competitive power realized through continuous cost efficiency, and from introducing larger aircraft (seventeen new 737-800 and four new 787-9 will be delivered in 2016) with a lower operating cost. In addition four Airbus 320neo aircraft are scheduled to be delivered in 2016, which will be leased to airline HK Express.

Norwegian has twenty-one operational bases globally.

Norwegian guides for a production growth (ASK) of 18% for 2016, including the long haul production. The growth in short haul production is mainly from increasing the fleet by adding 737-800s. The long haul production will grow in accordance with the phasing in of aircraft and the company will have twelve Boeing 787 by the end of 2016. 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 350 per ton, USD/NOK 8.25 and EUR/NOK 9.00 for the year 2016 (excluding hedged volumes) and with the currently planned route portfolio, the Company is targeting a unit cost (CASK) in the area of NOK 0.38 for 2016. The unit cost guidance for 2016 is raised from NOK 0.37 in the previous guiding mainly due to cost from use of wetlease.

Norwegian is establishing and preparing for an organizational structure that will secure cost efficient international expansion and necessary traffic rights for the future.

Fornebu, July 13, 2016

The Board of Directors  
Norwegian Air Shuttle ASA

## CONDENSED CONSOLIDATED INCOME STATEMENT

<b>Unaudited</b>						
(Amounts in NOK million)	Note	Q2 2016	Q2 2015	H1 2016	H1 2015	Full Year 2015
<b>Operating revenue</b>						
Total operating revenue	3	6,632.4	5,860.6	11,592.9	9,895.4	22,491.1
<b>Total operating revenue</b>		<b>6,632.4</b>	<b>5,860.6</b>	<b>11,592.9</b>	<b>9,895.4</b>	<b>22,491.1</b>
<b>Operating expenses</b>						
Operational expenses		3,795.9	3,520.9	6,884.4	6,352.5	13,593.0
Payroll and other personnel expenses		941.7	826.1	1,866.0	1,623.1	3,433.7
Other operating expenses		-70.6	228.7	814.6	566.4	1,770.1
<b>Total operating expenses</b>		<b>4,667.0</b>	<b>4,575.7</b>	<b>9,565.0</b>	<b>8,542.1</b>	<b>18,796.8</b>
<b>Operating profit before leasing, depreciation and amortization (EBITDAR)</b>						
		1,965.4	1,284.9	2,028.0	1,353.3	3,694.3
Leasing		641.5	519.7	1,310.2	1,090.1	2,213.3
<b>Operating profit before depreciation and amortization (EBITDA)</b>						
		1,323.9	765.2	717.8	263.2	1,481.1
Depreciation and amortization		318.1	244.7	606.5	465.1	1,133.3
<b>Operating profit (EBIT)</b>						
		1,005.8	520.5	111.3	-201.9	347.8
<b>Financial items</b>						
Interest income		8.8	14.3	21.6	28.2	76.3
Interest expense		123.7	81.0	255.8	159.2	349.7
Other financial income (expense)		-34.5	-25.4	-48.3	-37.3	-102.7
<b>Net financial items</b>		<b>-149.4</b>	<b>-92.2</b>	<b>-282.5</b>	<b>-168.3</b>	<b>-376.2</b>
Profit/Loss from associated company		73.8	28.0	109.6	50.1	103.4
<b>Profit (loss) before tax (EBT)</b>						
		930.3	456.4	-61.6	-320.1	75.0
Income tax expense (income)		184.9	131.4	-6.9	-106.8	-171.1
<b>Net profit (loss)</b>						
		745.4	325.0	-54.7	-213.3	246.2
<b>Net profit attributable to:</b>						
Owners of the parent company		745.4	325.0	-54.7	-213.3	246.2
Non-controlling interests						
Earnings per share (NOK) - Basic		20.8	9.2	-1.5	-6.0	7.0
Earnings per share (NOK) - Diluted		20.8	9.1	-1.5	-6.0	7.0
No. of shares at the end of the period		35,759,639	35,414,639	35,759,639	35,414,639	35,759,639
Average no. of shares outstanding		35,759,639	35,288,389	35,759,639	35,224,915	35,233,540
Average no. of shares outstanding - diluted		35,759,639	35,787,139	35,759,639	35,787,139	35,591,045



**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

Unaudited

<i>(Amounts in NOK million)</i>	<i>Note</i>	<b>At 30 June 2016</b>	At 30 June 2015	At 31 Dec 2015
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets		795.9	824.3	800.3
Tangible fixed assets		26,722.7	20,295.0	24,812.2
Fixed asset investments		1,155.8	803.8	910.3
<b>Total non-current assets</b>		<b>28,674.4</b>	21,923.1	26,522.7
<b>Current assets</b>				
Inventory		100.4	95.1	104.1
Receivables		3,215.8	2,706.0	2,553.1
Cash and cash equivalents		3,010.4	3,045.4	2,454.2
<b>Total current assets</b>		<b>6,326.6</b>	5,846.5	5,111.4
<b>TOTAL ASSETS</b>		<b>35,001.0</b>	27,769.6	31,634.1
<b>EQUITY AND LIABILITIES</b>				
<b>Shareholders equity</b>				
Paid-in capital	7	1,330.0	1,246.5	1,330.0
Other equity		1,416.1	916.0	1,634.7
<b>Total equity</b>		<b>2,746.1</b>	2,162.5	2,965.3
<b>Non-current liabilities</b>				
Other non-current liabilities		1,394.2	1,355.1	1,392.4
Long term borrowings	6	18,124.3	12,204.7	16,543.4
<b>Total non-current liabilities</b>		<b>19,518.4</b>	13,559.7	17,935.8
<b>Short term liabilities</b>				
Current liabilities		3,449.3	2,973.2	3,677.6
Short term borrowings	6	2,036.2	3,469.7	3,041.4
Air traffic settlement liabilities		7,251.0	5,604.5	4,014.4
<b>Total short term liabilities</b>		<b>12,736.5</b>	12,047.4	10,733.4
<b>Total liabilities</b>		<b>32,255.0</b>	25,607.2	28,669.1
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>35,001.0</b>	27,769.6	31,634.1

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

### Unaudited

(Amounts in NOK million)	Q2 2016	Q2 2015	H1 2016	H1 2015	Full Year 2015
<b>OPERATING ACTIVITIES</b>					
Profit before tax	930.3	456.4	-61.6	-320.1	75.0
Paid taxes	0.0	3.6	0.0	3.6	-44.1
Depreciation, amortization and impairment	318.1	244.7	606.5	465.1	1,133.3
Changes in air traffic settlement liabilities	282.4	142.1	3,236.5	2,639.0	1,049.0
Changes in accounts receivable	-54.6	-58.4	-638.8	-656.4	-175.3
Other adjustments	-253.1	526.2	87.9	178.8	318.7
<b>Net cash flows from operating activities</b>	<b>1,223.1</b>	<b>1,314.5</b>	<b>3,230.5</b>	<b>2,310.0</b>	<b>2,356.7</b>
<b>INVESTMENT ACTIVITIES</b>					
Purchases, proceeds and prepayment of tangible assets	-1,925.7	-1,091.5	-3,592.0	-2,688.5	-5,189.2
Purchases of other long-term investments	-60.0	0.0	-60.0	0.0	0.0
<b>Net cash flows from investing activities</b>	<b>-1,985.7</b>	<b>-1,091.5</b>	<b>-3,652.0</b>	<b>-2,688.5</b>	<b>-5,189.2</b>
<b>FINANCING ACTIVITIES</b>					
Loan proceeds	1,211.2	2,049.3	2,205.7	2,626.2	5,771.4
Principal repayments	-348.5	-576.6	-792.9	-835.7	-1,827.5
Financing costs paid	-238.2	-307.5	-413.3	-429.2	-799.7
Proceeds from issuing new shares	0.0	58.4	0.0	58.4	138.1
<b>Net cash flows from financial activities</b>	<b>624.5</b>	<b>1,223.6</b>	<b>999.4</b>	<b>1,419.7</b>	<b>3,282.3</b>
<b>Foreign exchange effect on cash</b>	<b>-41.3</b>	<b>-16.6</b>	<b>-21.6</b>	<b>-6.9</b>	<b>-6.8</b>
<b>Net change in cash and cash equivalents</b>	<b>-179.3</b>	<b>1,430.0</b>	<b>556.3</b>	<b>1,034.2</b>	<b>443.0</b>
Cash and cash equivalents in beginning of period	3,189.8	1,615.4	2,454.2	2,011.1	2,011.1
Cash and cash equivalents in end of period	3,010.4	3,045.4	3,010.4	3,045.4	2,454.2

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

### Unaudited

(Amounts in NOK million)	Q2 2016	Q2 2015	H1 2016	H1 2015	Full Year 2015
<b>Net profit (loss) for the period</b>	<b>745.4</b>	<b>325.0</b>	<b>-54.7</b>	<b>-213.3</b>	<b>246.2</b>
Actuarial gains and losses	0.0	0.0	0.0	21.0	44.5
Exchange rate differences Group	15.3	-97.9	-164.5	185.2	421.1
<b>Total comprehensive income for the period</b>	<b>760.7</b>	<b>227.1</b>	<b>-219.2</b>	<b>-7.1</b>	<b>711.8</b>
<b>Profit attributable to:</b>					
Owners of the company	760.7	227.1	-219.2	-7.1	711.8

## CONDENSED CONSOLIDATED CHANGES IN EQUITY

### Unaudited

(Amounts in NOK million)	H1 2016	H1 2015	Full Year 2015
<b>Equity - Beginning of period</b>	<b>2,965.3</b>	<b>2,108.3</b>	<b>2,108.3</b>
Total comprehensive income for the period	-219.2	-7.1	711.8
Share issue	0.0	58.4	138.1
Equity change on employee options	0.0	3.0	7.1
<b>Equity - End of period</b>	<b>2,746.1</b>	<b>2,162.5</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 Standard (IAS) 34 Interim Financial Reporting. They do not include all of the information required for full annual consolidated financial statements, and should be read in conjunction with consolidated financial statements for the Group at December 31, 2015. These condensed interim financial statements are unaudited.

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

### Judgments, estimates and assumptions

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

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

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

### Note 2 Risk

#### SENSITIVITY ANALYSIS

##### Unaudited

	Effect on income MNOK
1% decrease in jet fuel price	45
1% depreciation of NOK against USD	-119
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)	Q2 2016	Q2 2015	Change	H1 2016	H1 2015	Change	Full Year 2015
<b>Per activity</b>							
Passenger revenue	5,412.9	4,830.5	12%	9,383.8	8,051.2	17%	18,505.8
Ancillary passenger revenue	1,009.6	857.0	18%	1,811.2	1,533.5	18%	3,275.3
Other revenue	209.9	173.0	21%	274.0	310.7	-12%	710.1
<b>Total</b>	<b>6,632.4</b>	<b>5,860.6</b>	<b>13%</b>	<b>11,592.9</b>	<b>9,895.4</b>	<b>17%</b>	<b>22,491.1</b>
<b>Per geographical market</b>							
Domestic	1,490.3	1,362.2	9%	2,789.1	2,343.6	19%	4,786.9
International	5,142.0	4,498.4	14%	8,803.9	7,551.8	17%	17,704.2
<b>Total</b>	<b>6,632.4</b>	<b>5,860.6</b>	<b>13%</b>	<b>11,592.9</b>	<b>9,895.4</b>	<b>17%</b>	<b>22,491.1</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 second 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 second quarter or first half of 2016.

**Note 6 Borrowings**

Unaudited (Amounts in NOK million)	At 30 June 2016		At 30 June 2015		At 31 Dec 2015	
	Long term	Short term	Long term	Short term	Long term	Short term
Bond issue	3,373.4	0.0	1,610.9	0.0	3,221.6	0.0
Revolving credit facility	57.8	386.5	0.1	1,971.3	0.0	1,473.5
Aircraft financing	14,693.2	1,649.8	10,593.6	1,498.5	13,321.8	1,567.9
<b>Total</b>	<b>18,124.4</b>	<b>2,036.2</b>	<b>12,204.6</b>	<b>3,469.8</b>	<b>16,543.4</b>	<b>3,041.4</b>
<b>Total Borrowings</b>	<b>20,160.6</b>		<b>15,674.4</b>		<b>19,584.8</b>	

**Note 7 Shareholder information**

20 Largest shareholders at June 30, 2016

Shareholder	Country	Number of shares	Percent
1 HBK INVEST AS	NOR	8,795,873	24.6 %
2 FOLKETRY GDFONDET	NOR	2,922,203	8.2 %
3 SKAGEN VEKST	NOR	1,068,915	3.0 %
4 VERDIPA PIRFONDET DNB NORGE (IV)	NOR	1,049,080	2.9 %
5 SKAGEN KON-TIKI	NOR	1,017,040	2.8 %
6 DANSKE INVEST NORSKE INSTIT. II.	NOR	887,266	2.5 %
7 CLEARSTREAM BANKING S.A.	LUX	700,000	2.0 %
8 VERDIPA PIRFONDET DNB NORGE SELEKTI	NOR	668,772	1.9 %
9 FERD AS	NOR	598,559	1.7 %
10 KLP AKSJE NORGE VPF	NOR	598,330	1.7 %
11 DANSKE INVEST NORSKE AKSJER INST	NOR	529,830	1.5 %
12 VERDIPA PIRFONDET DELPHI NORDEN	GBR	516,274	1.4 %
13 STATOIL PENSJON	NOR	470,516	1.3 %
14 DNB NOR MARKETS, AKSJEHAND/ANALYSE	NOR	444,297	1.2 %
15 JP MORGAN CHASE BANK, NA	NOR	375,000	1.0 %
16 DNB LIV/SFORSIKRING ASA	NOR	329,029	0.9 %
17 VERDIPA PIRFONDET HANDELSBANKEN	NOR	313,000	0.9 %
18 DATUM AS	NOR	304,816	0.9 %
19 KOMMUNAL LANDSPENSJONSKASSE	NOR	300,000	0.8 %
20 SKANDINAVISKA ENSKILDA BANKEN AB	SVE	280,811	0.8 %
<b>Top 20 shareholders</b>		<b>22,169,611</b>	<b>62.0%</b>
Other shareholders		13,590,028	38.0 %
<b>Total number of shares</b>		<b>35,759,639</b>	<b>100.0%</b>

The parent company Norwegian Air Shuttle ASA had a total of 35,759,639 shares outstanding at June 30, 2016, equal to December 31, 2015. There were a total of 11,326 shareholders at the end of the quarter.

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

**Note 8 Contingencies and legal claims**

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. 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**

On July 13, 2016, Norwegian signed charter agreements with Apple Vacations and Funjet Vacations for the winter season 2017. Three 737-800 aircraft will be stationed in Milwaukee and Chicago Rockford and operate routes to multiple destinations in Mexico, Jamaica and the Dominican Republic from December 2016 to April 2017. The total value of the contracts is approximately NOK 120 million and include more than 600 flights. For Norwegian, this is a milestone entering the US market for charter tours and utilizing capacity in the European low season.

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 second quarter or first half of 2016.

## Responsibility statement

We confirm, to the best of our knowledge, that the condensed set of financial statements for the period 1 January to 30 June 2016 has been prepared in accordance with IAS 34 – Interim Financial Reporting, and gives a true and fair view of the Group's assets, liabilities, financial position and profit or loss as a whole. We also confirm, to the best of our knowledge, that the interim management report includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, a description of the principal risks and uncertainties for the remaining six months of the financial year, and major related parties transactions.

Fornebu, July 13, 2016

The Board of Directors of Norwegian Air Shuttle ASA

Bjørn H. Kise  
(Chairman of the Board)

Liv Berstad  
(Deputy Chairman)

Ada Kjeseth  
(Board Member)

Christian Fredrik Stray  
(Board Member)

Thor Espen Bråten  
(Employee Representative)

Kenneth Utsikt  
(Employee Representative)

Linda Olsen  
(Employee Representative)

## Definitions

ASK:	Available Seat Kilometers. Number of available passenger seats multiplied by flight distance.
RPK:	Revenue Passenger Kilometers. Number of sold seats multiplied by flight distance.
Unit revenue:	Passenger Revenue divided by Available Seat Kilometers.
Unit cost:	Total operating expenses plus leasing, excluding other losses/(gains)-net, divided by Available Seat Kilometers.
Load factor:	Relationship between RPK and ASK (percentage). Describes the rate of utilization of available seats.
EBITDAR:	Earnings before interest, tax, depreciation, amortization, restructuring, rent/leasing and associated company.
EBITDA:	Earnings before interest, tax, depreciation, amortization and associated company.
EBIT:	Earnings before interest, tax and associated company. Equivalent to Operating profit in the Consolidated Income Statement in the annual report.
EBT:	Earnings before tax. Equivalent to Profit (loss) before tax in the Consolidated Income Statement in the annual report.
EBITDAR ex other losses/(gains)	Earnings before interest, tax, depreciation, amortization, restructuring, rent/leasing, and associated company, adjusted for other losses/(gains)-net.
EBITDA ex other losses/(gains)	Earnings before interest, tax, depreciation, amortization and associated company, adjusted for other losses/(gains)-net.
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.
Equity ratio	Book equity divided by Total Assets.
Net interest bearing debt	Long term borrowings plus Short term borrowings less Cash and cash equivalents.
Constant currency	A currency exchange rate that excludes the impact of exchange rate fluctuations from comparable period, e.g last year as comparable period.
Fixed asset investment	Consist 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.

## Information about the Norwegian Group

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Organization Number NO 965 920 358 MVA

### Board of Directors Norwegian Air Shuttle ASA

Bjørn H. Kise, Chairman  
Liv Berstad, Deputy Chairman  
Ada Kjeseth  
Christian Fredrik Stray  
Thor Espen Bråten  
Linda Olsen  
Kenneth Utsikt

### Group Management

Bjørn Kjos	Chief Executive Officer
Frode E. Foss	Chief Financial Officer
Geir Steiro	Chief Operating Officer
Dag Skage	Chief Information Officer
Frode Berg	Chief Legal Officer
Thomas A. Ramdahl	Chief Commercial Officer
Gunnar Martinsen	Chief Human Resources Officer
Anne-Sissel Skånvik	Chief Communications Officer
Edward Thorstad	Chief Customer Officer
Asgeir Nyseth	CEO, Norwegian Air UK Ltd
Tore K. Jenssen	COO, Arctic Aviation Assets Ltd and CEO, Norwegian Air International Ltd

### Investor Relations

Tore Østby  
[investor.relations@norwegian.com](mailto:investor.relations@norwegian.com)

### Other sources of Information

#### Annual reports

Annual reports for Norwegian Group are available on [www.norwegian.com](http://www.norwegian.com)

#### Quarterly publications

Quarterly reports and presentations are available on <http://www.norwegian.no/om-norwegian/investor-relations/>

### Financial calendar 2016

4	March	Monthly traffic data February
6	April	Monthly traffic data March
21	April	First Quarter results (Q1)
9	May	Monthly traffic data April
10	May	General Shareholder Meeting
6	June	Monthly traffic data May
6	July	Monthly traffic data June
14	July	Second Quarter Results (Q2)
4	Aug	Monthly traffic data July
6	Sept	Monthly traffic data August
6	Oct	Monthly traffic data September
20	Oct	Third Quarter Results (Q3)
4	Nov	Monthly traffic data October
6	Dec	Monthly traffic data November