

# Interim report

Norwegian Air Shuttle ASA – first quarter 2017



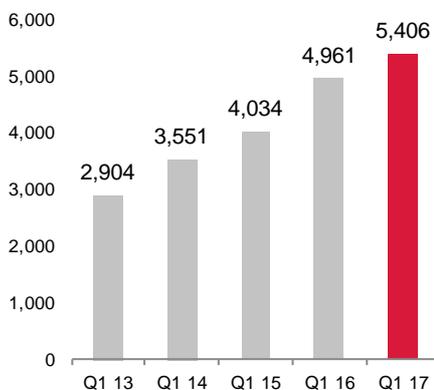
Unit cost ex fuel:

**-4%**

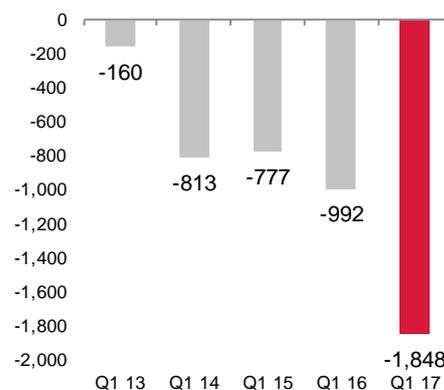
Unit cost ex fuel NOK 0.34

- Production increase of 24 %
- Nine new aircraft delivered in Q1, including one 787-9 Dreamliner
- Cash and cash equivalents of NOK 4,757 million
- EBT impacted by increased fuel cost and yield reductions

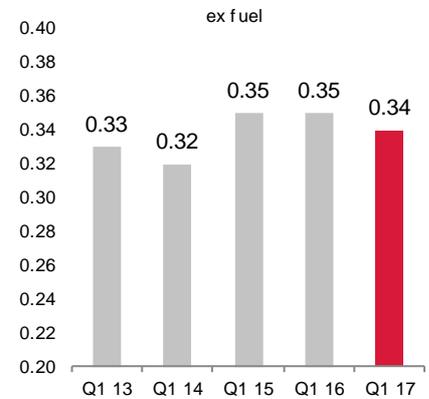
REVENUE



EBT



UNIT COST



## Norwegian reports passenger growth and a negative result in a seasonally weak first quarter

**Norwegian today reported its first quarter results for 2017 with a result of -1.5 billion NOK. Despite strong passenger growth, higher fuel costs, tough competition and a stronger NOK (Norwegian crown) contributed to the negative result. This year's Easter led to a shift of income over to April, as last year's Easter was in March. The company launched 39 new routes this quarter.**

The net result was -1,492 million NOK, compared to -800 million NOK the same quarter previous year. The airline carried 6.7 million passengers in the first quarter, an increase of 14 percent. Norwegian's strongest growth was in the U.S., Spain and France. In the Nordics, the passenger growth was 6 percent. The capacity growth was 24 percent and the load factor was 84 percent – marginally down in a quarter traditionally characterized by less demand and travel.

Norwegian's global growth strategy will provide economies of scale and lower unit costs. During the first quarter, unit costs excluding fuel fell by 4 percent and debt was cut by 1 billion NOK. Cash and cash equivalents at the end of the quarter was 4.8 billion NOK.

*"In this quarter, we particularly see the effects of higher fuel costs combined with a strengthened krone against the British pound, euro and Swedish krone, which accounts for almost*

*half of our sales. In addition, the figures are affected by the fact that Easter was not in the first quarter, like last year. At the same time, we are filling the aircraft and attract more passengers both in new and more established markets. Our long-haul operation is now well established, proving that customers want affordable fares and new aircraft on intercontinental routes,"* said CEO Bjørn Kjos.

Norwegian launched 39 new routes during the first quarter, including routes between the U.S. and Ireland, Northern Ireland, Scotland and Norway. During the first quarter of 2017, Norwegian took delivery of seven brand new Boeing 737-800 aircraft, as well as one Boeing 787-9 Dreamliner. In April the company launched three new intercontinental destinations from London Gatwick to Singapore, Denver and Seattle.

## CONSOLIDATED FINANCIAL KEY FIGURES

### Unaudited

(Amounts in NOK million)

	Q1 2017	Q1 2016	Change	Full Year 2016
Operating revenue	5,406.4	4,960.6	9 %	26,054.5
EBITDAR	-607.2	62.6	-1071 %	5,958.1
EBITDAR excl other losses/(gains)-net	-352.0	590.5	-160 %	5,381.5
EBITDA	-1,337.8	-606.1	121 %	3,116.2
EBITDA excl other losses/(gains)-net	-1,082.5	-78.2	1285 %	2,539.7
EBIT	-1,702.0	-894.5	90 %	1,820.4
EBT	-1,848.2	-991.9	86 %	1,508.3
Net profit/ loss (-)	-1,491.5	-800.1	86 %	1,135.0
EBITDAR margin	-11.2 %	1.3 %		22.9 %
EBITDA margin	-24.7 %	-12.2 %		12.0 %
EBIT margin	-31.5 %	-18.0 %		7.0 %
EBT margin	-34.2 %	-20.0 %		5.8 %
Net profit margin	-27.6 %	-16.1 %		4.4 %
Book equity per share (NOK)	70.9	55.5	28 %	113.2
Equity ratio (%)	6 %	6 %	0 pp	11 %
Net interest bearing debt	20,178.1	15,908.5	27 %	21,151.2

## OPERATIONAL REVIEW

### CONSOLIDATED TRAFFIC FIGURES AND RATIOS

#### Unaudited

<i>(Ratios in NOK)</i>	Q1 2017	Q1 2016	Change	Full Year 2016
Yield	0.33	0.40	-17 %	0.42
Unit Revenue	0.28	0.34	-17 %	0.36
Unit Cost	0.44	0.43	4 %	0.41
Unit Cost ex fuel	0.34	0.35	-4 %	0.32
Ancillary Revenue/PAX	138	138	0 %	134
Internet bookings	76 %	76 %	0 pp	75 %
ASK (million)	14,649	11,803	24 %	57,910
RPK (million)	12,368	10,050	23 %	50,798
Passengers (million)	6.65	5.82	14 %	29.30
Load Factor	84.4 %	85.2 %	-0.8 pp	87.7 %
Average sector length (km)	1,531	1,450	6 %	1,473
Fuel consumption (metric tonnes)	299,201	244,882	22 %	1,190,017
CO2 per RPK	76	77	-1 %	74

#### Traffic Development

6.65 million passengers travelled with Norwegian in the first quarter of 2017, compared to 5.82 million in the first quarter of 2016, an increase of 14 %. Production (ASK) increased by 24 % and passenger traffic (RPK) increased by 23 %. The load factor was 84.4 %, a decline of 0.8 percentage points compared to first quarter last year. The period is influenced by the fact that Easter is in April this year (compared to March last year).

At the end of the quarter, the total fleet including aircraft on maintenance and excluding wetlease comprised 124 aircraft. The Group utilized every operational aircraft on average 10.9 block hours per day in the first quarter compared to 10.7 last year.

#### Operating performance

Punctuality, share of flights departing on schedule, was 75 % in the first quarter, a decrease of 1 percentage point from the same quarter last year.

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

## FINANCIAL REVIEW

### Income statement and financial key figures

First quarter earnings were affected by strong production growth of 24 %, introduction to new markets and increasing jet fuel prices. Unit revenue decreased by 17 % influenced by the fact that Easter is in April this year (compared to March last year) and currency effects. The unit cost increased by 4 % from the same quarter last year, while the unit cost ex fuel decreased by 4 % in the same period.

Operating profit before interest, depreciation, amortization, restructuring, rent/leasing and associated company (EBITDAR) excluding other losses/(gains) for the first quarter was NOK -352 million (591), while profit (loss) before tax (EBT) was NOK -1,848 million (-992). Included in first 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 loss of NOK 255 million, compared to net loss of NOK 528 million last year.

### Revenue

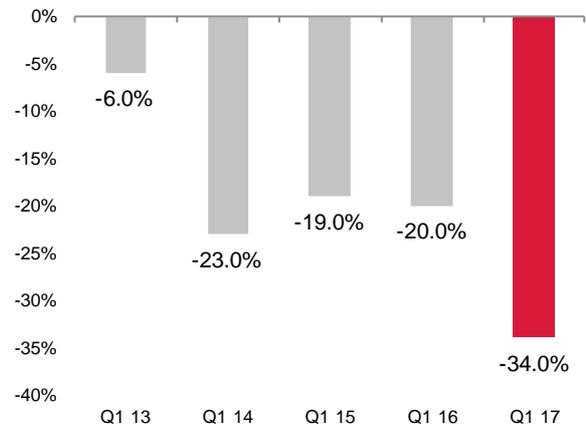
Total revenue in the first quarter was NOK 5,406 million (4,961), an increase of 9 %. NOK 4,074 million (3,971) of the revenue in the first quarter was related to passenger revenue.

Passenger revenue per unit produced (unit revenue) in the first quarter was NOK 0.28, a decrease of 17 % compared to the same quarter last year (NOK 0.34). Timing of Easter, increased sector length, appreciation of NOK against foreign currencies and lower prices have affected the yield and unit revenue in the quarter. Unit revenue in constant currency was 13 % lower than last year.

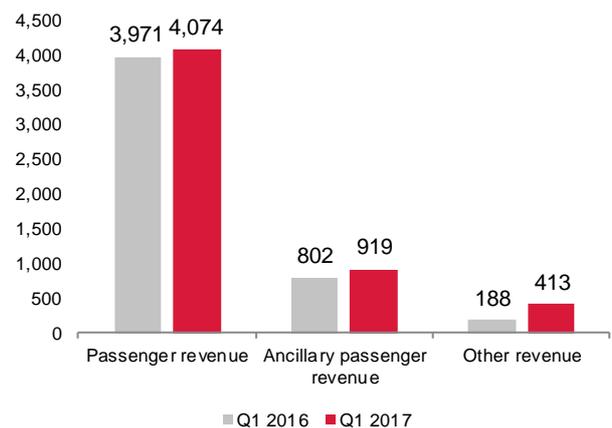
Ancillary revenue was NOK 919 million (802), while the remaining NOK 413 million (188) was related to freight, commissions, third-party products, external aircraft lease and gain from sale-leaseback. Ancillary revenue was NOK 138 per passenger (NOK 138) in the first quarter.

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

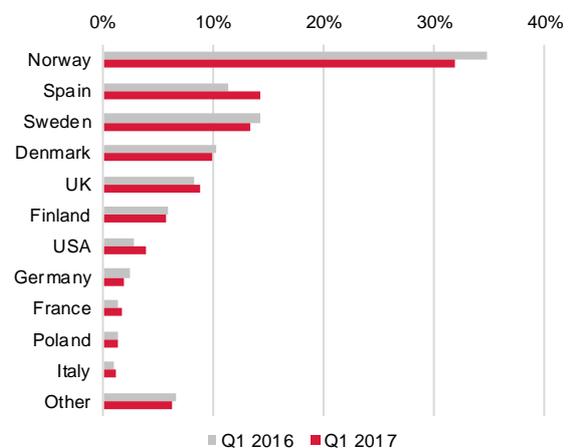
### EBT MARGIN



### REVENUE SPLIT



### PASSENGERS BY ORIGIN



## Operating expenses

## COST BREAKDOWN

## Unaudited

(Amounts in NOK million)	Q1 2017	Q1 2016	Change	Full Year 2016
Personnel expenses	1,166.2	924.3	26 %	3,971.4
Sales/distribution expense	224.0	199.4	12 %	758.7
Aviation fuel	1,526.1	860.8	77 %	5,052.9
Airport and ATC charges	733.2	684.6	7 %	3,303.8
Handling charges	721.8	599.7	20 %	2,995.6
Technical maintenance expenses	549.2	407.6	35 %	1,865.0
Other flight operation expenses	382.3	336.5	14 %	1,206.4
General and adm expenses	455.6	357.3	27 %	1,519.1
Other losses/(gains) - net	255.2	527.9	52 %	-576.6
<b>Total operating expenses</b>	<b>6,013.6</b>	<b>4,898.0</b>	<b>23 %</b>	<b>20,096.5</b>
Leasing	730.6	668.7	9 %	2,841.9
<b>Total operating expenses incl lease</b>	<b>6,744.1</b>	<b>5,566.7</b>	<b>21 %</b>	<b>22,938.3</b>

**Total operating expenses** excluding leasing and depreciation increased by 23 % to NOK 6,014 million (4,898) this quarter. Operating expenses increased mainly due to a production increase of 24 % and increased jet fuel spot prices.

The unit cost was NOK 0.44, an increase of 4 % compared to the first quarter last year. Unit cost excluding fuel was NOK 0.34, a reduction of 4 % compared to the same quarter last year. At constant currency, unit cost excluding fuel reduced by 2 % compared to the same quarter last year.

**Personnel expenses** increased by 26 % to NOK 1,166 million (924) in the first quarter compared to the same quarter last year. Unit cost for personnel expenses increased by 2 % from the same quarter last year. Increased capacity and continued international expansion have affected the unit cost in the first quarter, partially offset by increased average sector length. The average number of full time equivalents (FTE) increased by 32 % compared to same quarter last year.

**Sales and distribution expenses** increased by 12 % to NOK 224 million (199) in the first quarter compared to the same quarter last year. Unit cost for sales and distribution expenses decreased by 9%. 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 and increased average sector length.

**Aviation fuel expenses** increased by 77 % to NOK 1,526 million (861) in the first quarter compared to the same quarter last year. Unit cost has increased by 43 %, due to an increase in jet fuel spot prices in USD of 53 % partially offset by efficiency gains from adding new fuel-efficient aircraft in the fleet and increased sector length, as well as an appreciation

of NOK compared to USD by 3 % compared to the same quarter last year.

The Group has at the end of the first quarter 2017 forward contracts to cover approximately 52 % of fuel exposure in 2017 at an average price of USD 494 per ton, and approximately 12 % of fuel exposure in 2018 at an average price of USD 500 per ton.

**Airport and air traffic control (ATC) charges** increased by 7 % to NOK 733 million (685) in the first quarter compared to the same quarter last year. Unit cost for airport and ATC charges decreased by 14 %, mainly due to increased sector length.

**Handling charges** increased by 20 %, to NOK 722 million (600) in the first quarter compared to the same quarter last year. The increase is driven by a 14 % increase in passengers and higher passenger compensation rates. Unit cost for handling charges decreased by 3 %.

**Technical maintenance expenses** increased by 35 % to NOK 549 million (408) in the first quarter compared to the same quarter last year. The increase is due to the addition of four new 787 Dreamliners and a net increase of seven leased 737-800s in the past twelve months. Unit cost for technical maintenance increased by 9 %, due to changes in the aircraft portfolio and scalating engine service costs. A larger share of leased aircraft in the fleet, and a larger share of 787 aircraft lead to increased unit costs.

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

**Other flight operation expenses** increased by 14 % to NOK 382 million (337) in the first 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 decreased by 8 % in the quarter, mainly due efficiency gains of operating a larger fleet and increased average sector length, partially offset by external training for pilots and crew to prepare for further international expansion.

**General and administrative** expenses increased by 27 % to NOK 456 million (357) in the first quarter compared to the same quarter last year, due to the introduction of new markets, products and international bases as well as increased costs from issuing cash points. Unit cost for general and administrative expenses increased by 3 %.

**Other losses/(gains)-net;** includes gains/losses from foreign currency contracts, forward fuel contracts and gains/losses on working capital in foreign currency. Net loss in the first quarter was NOK 255 million (loss of NOK 528 million last year), including a gain of NOK 25 million from translation of working capital in foreign currency and a loss of NOK 280 million from forward contracts on currency and fuel.

**Leasing costs** increased by 9 % to NOK 731 million (669) in the first quarter compared to the same quarter last year. Unit cost for leasing decreased by 12 %. The cost increases from adding new leased Boeing 787 Dreamliners to the fleet is partially offset by reduced use of wetlease in the quarter.

**Depreciation** increased by 26 % to NOK 364 million (288) in the first quarter compared to the same quarter last year. During the fourth quarter the Group operated 64 (56) owned Boeing 737-800s and three (3) owned Boeing 787-8 Dreamliners. Three owned Airbus 320neo were leased to HK Express, none in the same quarter last year.

**Profit/loss from associated companies** in the first quarter was estimated to NOK 61 million (36) which represents the 20 % share of Bank Norwegian's fourth quarter results and 50 % share of estimated net profit in joint venture OSM Aviation Ltd.

**Financial Items** were NOK -207 million (-133) in the first quarter. Interest on prepayments of NOK 102 million (72) was capitalized, reducing interest expenses.

**Income taxes** amounted to a tax benefit of NOK 357 million (192) in the first quarter.

### Financial position and liquidity

Aircraft assets are accounted for in USD, creating a natural hedge against USD denominated borrowings when translated into NOK. Seven 737-800 aircraft were delivered during the first quarter, financed through a sale-leaseback arrangement. In addition, the company received one A320neo aircraft from Airbus. The A320neo is leased to HK Express.

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

February 2017. Further, a tap issue on the same bond of SEK 200 million was completed in March 2017. The bond is expected to be listed on the Oslo Stock Exchange as NAS 08 (ISIN NO 0010783459). The net proceeds from the bonds shall be employed for general corporate purposes in support of the growth of the group.

Net assets at the end of first quarter 2017 is not significantly affected by changes in the NOK/USD exchange rate (a 1 % appreciation of NOK against USD year to date).

Net interest bearing debt at the end of the first quarter was NOK 20,178 million compared to NOK 21,151 million at the end of last year. At the end of the first quarter, the equity ratio is 6 %, compared to 6 % at the same period last year and 11 % at the end of 2016. The financial position is affected by increased production, increased borrowings and air traffic settlement liabilities and year to date net loss of NOK 1,492.

**Total non-current assets** amount to NOK 32,308 million at the end of the first quarter, compared to NOK 31,969 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 one new owned aircraft.

**Total current assets** amount to NOK 8,651 million at the end of the first quarter, compared to NOK 5,793 million at the end of last year. Receivables have increased by NOK 570 million during the year due to increased production and seasonality. Cash and cash equivalents have increased by NOK 2,434 million during the year.

**Total non-current liabilities** at the end of the first quarter were NOK 21,399 million, compared to NOK 20,303 million at the end of last year. Long-term borrowings increased by NOK 1,008 million during the year primarily due to new unsecured bond NAS08 of SEK 1,000 million. Borrowings for one new owned aircraft is offset by down payments on other aircraft financing. Other non-current liabilities increased by NOK 88 million.

**Total short-term liabilities** at the end of the first quarter were NOK 17,023 million, compared to NOK 13,411 million at the end of last year. Current liabilities decreased by NOK 728 million during the year. Short-term borrowings increased by NOK 453 million during the year due net drawdowns on a credit facility of NOK 375 million and new pre-delivery payment financing of USD 67 million, partially offset by reduced pre-delivery payment financing due to aircraft deliveries. Air traffic settlement liabilities increased by NOK 3,888 million from end of last year due to increased production, increased ticket sales and seasonal effects.

**Equity** at the end of the first quarter was NOK 2,536 million compared to NOK 4,049 million at the end of last year. Equity decreased mainly due to net losses in the period of NOK 1,492 million and exchange rate losses from subsidiaries of NOK 27 million.

## Cash flow

Cash and cash equivalents were NOK 4,757 million at the end of the first quarter compared to NOK 2,324 million last year.

**Cash flow from operating activities** in the first quarter amounted to NOK 1,399 million compared to NOK 2,007 million in the first quarter last year. Air traffic settlement liability increased by NOK 3,888 million during the first quarter compared to NOK 2,954 million during the same quarter last year. Receivables increased by NOK 570 million compared to NOK 584 million in the same quarter last year. Cash from other adjustments amounted to NOK -437 million during the first quarter compared to NOK 341 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 first quarter was NOK -194 million, compared to NOK -1,666 million in the first quarter last year. Prepayments to aircraft manufacturers and investments in new aircraft are the main investments, offset by proceeds from sale-leaseback. One new owned aircraft was delivered in the first quarter, while five owned aircraft was delivered in the first quarter last year. The Group invested NOK 100 million in associated company Norwegian Finans Holding ASA (NOFI) corresponding to 20 % of the private placement as publicly announced by NOFI on 13 February.

**Cash flow from financing activities** in the first quarter was NOK 1,226 million compared to NOK 375 million in the first quarter last year. Proceeds from new bond issues, financing of new aircraft and pre-delivery payment financing are partially offset by down payments 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 second 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 comes from adding Boeing 737-800s, and introducing Boeing 737-MAX. The Boeing 787 production will grow in accordance with the phasing in of aircraft and the company will have twenty-one Boeing 787s by the end of 2017. Norwegian may decide to adjust capacity in order to optimize the route portfolio depending on the development in the overall economy and in the marketplace.

Assuming a fuel price of USD 500 per ton, USD/NOK 8.25 and EUR/NOK 9.00 for the remaining year 2017 (excluding hedged volumes) and with the currently planned route portfolio, the company is targeting a unit cost (CASK) in the 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, April 26, 2017

CEO  
Bjørn Kjos

## CONDENSED CONSOLIDATED INCOME STATEMENT

## Unaudited

<i>(Amounts in NOK million)</i>	<i>Note</i>	Q1 2017	Q1 2016	Full Year 2016
<b>Operating revenue</b>				
Total operating revenue	3	5,406.4	4,960.6	26,054.5
<b>Total operating revenue</b>		<b>5,406.4</b>	<b>4,960.6</b>	<b>26,054.5</b>
<b>Operating expenses</b>				
Operational expenses		4,136.5	3,088.5	15,182.5
Payroll and other personnel expenses		1,166.2	924.3	3,971.4
Other operating expenses		710.8	885.2	942.6
<b>Total operating expenses</b>		<b>6,013.6</b>	<b>4,898.0</b>	<b>20,096.5</b>
<b>Operating profit before leasing, depreciation and amortization (EBITDAR)</b>				
		-607.2	62.6	5,958.1
Leasing		730.6	668.7	2,841.9
<b>Operating profit before depreciation and amortization (EBITDA)</b>		<b>-1,337.8</b>	<b>-606.1</b>	<b>3,116.2</b>
Depreciation and amortization		364.2	288.4	1,295.8
<b>Operating profit (EBIT)</b>		<b>-1,702.0</b>	<b>-894.5</b>	<b>1,820.4</b>
<b>Financial items</b>				
Interest income		11.3	12.8	43.6
Interest expense		185.3	161.4	686.0
Other financial income (expense)		-32.9	15.5	117.5
<b>Net financial items</b>		<b>-206.9</b>	<b>-133.1</b>	<b>-524.9</b>
Profit/loss from associated companies		60.7	35.8	212.8
<b>Profit (loss) before tax (EBT)</b>		<b>-1,848.2</b>	<b>-991.9</b>	<b>1,508.3</b>
Income tax expense (income)		-356.7	-191.9	373.4
<b>Net profit (loss)</b>		<b>-1,491.5</b>	<b>-800.0</b>	<b>1,135.0</b>
<b>Net profit attributable to:</b>				
Owners of the parent company		-1,483.1	-800.1	1,135.3
Non-controlling interests		-8.4	0.0	-0.3
Earnings per share (NOK) - Basic		-41.5	-22.4	31.7
Earnings per share (NOK) - Diluted		-40.8	-22.4	31.5
No. of shares at the end of the period		35,759,639	35,759,639	35,759,639
Average no. of shares outstanding		35,759,639	35,759,639	35,759,639
Average no. of shares outstanding - diluted		36,384,639	35,759,639	36,072,139

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

Unaudited

<i>(Amounts in NOK million)</i>	<i>Note</i>	<b>31 Mar 2017</b>	31 Mar 2016	31 Dec 2016
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets		749.2	982.2	439.8
Tangible fixed assets		29,952.6	24,694.2	30,099.7
Fixed asset investments		1,605.8	937.2	1,429.9
<b>Total non-current assets</b>		<b>32,307.7</b>	26,613.6	31,969.3
<b>Current assets</b>				
Inventory		88.3	100.0	102.5
Investments		221.0	0.0	353.2
Receivables		3,583.9	3,080.1	3,014.0
Cash and cash equivalents		4,757.4	3,189.8	2,323.6
<b>Total current assets</b>		<b>8,650.6</b>	6,369.8	5,793.3
<b>TOTAL ASSETS</b>		<b>40,958.3</b>	32,983.4	37,762.7
<b>EQUITY AND LIABILITIES</b>				
<b>Shareholders equity</b>				
Shareholder's equity	7	2,520.2	1,985.5	4,038.2
Non-controlling interests		15.8	0.0	10.8
<b>Total equity</b>		<b>2,536.1</b>	1,985.5	4,049.0
<b>Non-current liabilities</b>				
Other non-current liabilities		1,685.2	1,379.6	1,596.9
Long term borrowings	6	19,714.0	16,198.4	18,706.1
<b>Total non-current liabilities</b>		<b>21,399.2</b>	17,577.9	20,303.0
<b>Short term liabilities</b>				
Current liabilities		3,247.2	3,551.6	3,975.6
Short term borrowings	6	5,221.5	2,900.0	4,768.8
Air traffic settlement liabilities		8,554.3	6,968.5	4,666.2
<b>Total short term liabilities</b>		<b>17,023.0</b>	13,420.0	13,410.7
<b>Total liabilities</b>		<b>38,422.2</b>	30,998.0	33,713.7
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>40,958.3</b>	32,983.4	37,762.7

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

Unaudited	Q1	Q1	Full Year
(Amounts in NOK million)	2017	2016	2016
<b>OPERATING ACTIVITIES</b>			
Profit before tax	-1,848.2	-991.9	1,508.3
Paid taxes	40.2	0.0	-28.6
Depreciation, amortization and impairment	364.2	288.4	1,295.8
Changes in air traffic settlement liabilities	3,888.1	2,954.1	651.8
Changes in accounts receivable	-569.9	-584.2	-549.4
Other adjustments	-475.4	341.0	168.6
<b>Net cash flows from operating activities</b>	<b>1,399.0</b>	<b>2,007.3</b>	<b>3,046.5</b>
<b>INVESTMENT ACTIVITIES</b>			
Purchases, proceeds and prepayment of tangible assets	-94.6	-1,666.3	-6,447.2
Other investing activities	-99.5	0.0	-65.3
<b>Net cash flows from investing activities</b>	<b>-194.1</b>	<b>-1,666.3</b>	<b>-6,512.4</b>
<b>FINANCING ACTIVITIES</b>			
Loan proceeds	1,961.3	994.5	5,805.8
Principal repayments	-444.1	-444.4	-1,572.8
Financing costs paid	-291.5	-175.2	-941.9
Proceeds from issuing new shares	0.0	0.0	0.0
<b>Net cash flows from financial activities</b>	<b>1,225.8</b>	<b>375.0</b>	<b>3,302.8</b>
<b>Foreign exchange effect on cash</b>	<b>3.1</b>	<b>19.7</b>	<b>32.6</b>
<b>Net change in cash and cash equivalents</b>	<b>2,433.7</b>	<b>735.6</b>	<b>-130.5</b>
Cash and cash equivalents in beginning of period	2,323.6	2,454.2	2,454.2
Cash and cash equivalents in end of period	4,757.4	3,189.8	2,323.6

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Unaudited	Q1	Q1	Full Year
(Amounts in NOK million)	2017	2016	2016
<b>Net profit (loss) for the period</b>	<b>-1,491.5</b>	<b>-800.0</b>	<b>1,135.0</b>
Actuarial gains and losses	0.0	0.0	24.5
Exchange rate differences Group	-27.0	-179.8	-104.3
Exchange rate differences non-controlling interests	0.0	0.0	1.2
Share of OCI associated companies	0.280	0.0	1.2
<b>Total comprehensive income for the period</b>	<b>-1,518.2</b>	<b>-979.8</b>	<b>1,057.5</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the company	-1,509.8	-979.8	1,056.6
Non-controlling interests	-8.4	0.0	0.9

## CONDENSED CONSOLIDATED CHANGES IN EQUITY

Unaudited	Q1	Q1	Full Year
(Amounts in NOK million)	2017	2016	2016
<b>Equity - Beginning of period</b>	<b>4,049.0</b>	<b>2,965.3</b>	<b>2,965.3</b>
Total comprehensive income for the period	-1,518.2	-979.8	1,057.5
Share issue	0.0	0.0	0.0
Transactions with non-controlling interests	0.0	0.0	9.9
Equity change on employee options	6.0	0.0	16.3
<b>Equity - End of period</b>	<b>2,536.8</b>	<b>1,985.5</b>	<b>4,049.0</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### Note 1 General and accounting principles

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

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

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

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

### Judgments, estimates and assumptions

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

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

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

### Note 2 Risk

#### SENSITIVITY ANALYSIS

Unaudited

	Effect on income MNOK
1% decrease in jet fuel price	71
1% depreciation of NOK against USD	-153
1% depreciation of NOK against EURO	-5

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

**Note 3 Revenue**

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

**OPERATING REVENUE BREAKDOWN**

Unaudited (Amounts in NOK millions)	Q1 2017	Q1 2016	Change	Full Year 2016
<b>Per activity</b>				
Passenger revenue	4,073.9	3,970.9	3 %	21,095.6
Ancillary passenger revenue	919.0	801.6	15 %	3,929.0
Other revenue	413.4	188.1	120 %	1,030.0
<b>Total</b>	<b>5,406.4</b>	<b>4,960.6</b>	<b>9 %</b>	<b>26,054.5</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 first quarter 2017 there are no changes in related parties compared to the description in Note 26 in the Annual Report for 2016. There have been no significant transactions with related parties during the first quarter.

**Note 6 Borrowings**

Unaudited

(Amounts in NOK million)	31 Mar 2017	31 Mar 2016	31 Dec 2016
<b>Long term</b>			
Bond issue	3,909.0	3,199.0	2,936.6
Aircraft prepayment financing	290.5	57.0	47.2
Aircraft financing	15,514.4	12,942.3	15,722.3
<b>Total long term borrowings</b>	<b>19,714.0</b>	<b>16,198.4</b>	<b>18,706.1</b>
<b>Short term</b>			
Bond issue	1,221.1	0.0	1,217.8
Credit facility	700.0	0.0	325.0
Aircraft prepayment financing	1,426.4	834.7	1,368.5
Aircraft financing	1,874.1	2,065.3	1,857.4
<b>Total short term borrowings</b>	<b>5,221.5</b>	<b>2,900.0</b>	<b>4,768.8</b>
<b>Total borrowings</b>	<b>24,935.5</b>	<b>19,098.3</b>	<b>23,474.9</b>

**Note 7 Shareholder information**

## 20 Largest shareholders at March 31, 2017

Shareholder	Country	Number of shares	Percent
1 HBK Holding AS*	Norway	8,795,873	24.6 %
2 Folketrygdfondet	Norway	3,207,303	9.0 %
3 Skagen AS	Norway	2,200,000	6.2 %
4 Danske Capital (Norway)	Norway	1,863,517	5.2 %
5 Ferd AS	Norway	1,450,000	4.1 %
6 DNB Asset Management AS	Norway	1,067,804	3.0 %
7 KLP Forsikring	Norway	870,361	2.4 %
8 Pareto Nordic Investments AS	Norway	651,000	1.8 %
9 DNB Markets	Norway	527,774	1.5 %
10 Alfred Berg Kapitalforvaltning AS	Norway	374,899	1.0 %
11 Swedbank Asset Management AS	Norway	339,031	0.9 %
12 Storebrand Kapitalforvaltning AS	Norway	336,122	0.9 %
13 Handelsbanken Kapitalforvaltning AS	Norway	301,300	0.8 %
14 Altair Investment Management Limited	Bermuda	291,299	0.8 %
15 SAFE Investment Company Limited	Hong Kong	274,510	0.8 %
16 JPMorgan Chase Bank GTS	United Kingdom	253,100	0.7 %
17 Saxo Bank A/S	Denmark	240,379	0.7 %
18 Svenska Handelsbanken AB	Sweden	238,510	0.7 %
19 Nordea Funds Oy	Denmark	233,856	0.7 %
20 Credit Suisse Securities (Europe) Limited	United Kingdom	233,199	0.7 %
<b>Top 20 shareholders</b>		<b>23,749,837</b>	<b>66.4 %</b>
Other shareholders		12,009,802	33.6 %
<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 March 31, 2017, equal to December 31, 2016. There were a total of 14,725 shareholders at the end of the first quarter.

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

**Note 8 Contingencies and legal claims**

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

**Note 9 Events after the reporting date**

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

## DEFINITIONS

### Alternative performance measures

Norwegian Air Shuttle's financial information is prepared in accordance with International Financial Reporting Standards (IFRS). In addition, the company presents alternative performance measures (APM). The APMs are regularly reviewed by management and their aim is to enhance stakeholders' understanding of the company's performance. APMs are calculated consistently over time and are based on financial data presented in accordance with IFRS and other operational data as described in the table below.

Aircraft lease expense	Lease and rental expenses on aircraft including both dry leases and wet leases.
Ancillary revenue / PAX	Ancillary passenger revenue divided by passengers.
ASK	Available seat kilometers. Number of available passenger seats multiplied by flight distance.
Average sector length	Total flown distance divided by number of flights.
Book equity per share	Total equity divided by number of shares outstanding.
Clean EBITDA	EBITDA adjusted for certain non-recurring items. Clean EBITDA is shown in the presentation accompanying this quarterly report, including a reconciliation to EBITDA as presented in the quarterly report and a detailed specification of any non-recurring items. Clean EBITDA is useful to users of the quarterly presentation in order to evaluate the company's operating performance over time and compared to competitors.
CO2 per RPK	Amount of CO2 emissions divided by RPK.
Constant currency	A currency exchange rate that excludes the impact of exchange rate fluctuations from comparable period, e.g. last year as comparable period.
EBIT	Earnings before net financial items, income tax expense (income) and share of profit (loss) from associated companies. Equivalent to operating profit in the consolidated income statement in the annual report.
EBIT margin	EBIT divided by total operating revenue.
EBITDA	Earnings before net financial items, income tax expense (income), depreciation, amortization, impairment, and share of profit (loss) from associated companies.
EBITDA ex other losses/(gains)	Earnings before net financial items, income tax expense (income), depreciation, amortization and share of profit (loss) from associated companies, adjusted for other losses/(gains)-net.
EBITDA margin	EBITDA divided by total operating revenue.
EBITDAR	Earnings before net financial items, income tax expense (income), depreciation, amortization and impairment, restructuring, aircraft leasing expense and share of profit (loss) from associated companies.
EBITDAR ex other losses/(gains)	Earnings before net financial items, income tax expense (income), depreciation, amortization, restructuring, rent/leasing, and share of profit (loss) from associated companies, adjusted for other losses/(gains)-net.
EBITDAR margin	EBITDAR divided by total operating revenue.
EBT	Earnings before income tax expense (income). Equivalent to profit (loss) before income tax expense (income) in the Consolidated Income Statement in the annual report.
EBT margin	EBT divided by total operating revenue.
Equity ratio	Book equity divided by total assets.
Fixed asset investment	Consists of the following items presented in the statement of financial position in the annual report: Financial assets available for sale, investment in associate and other receivables.
Fuel consumption	Aviation fuel consumed, presented in metric tons.
Load factor	RPK divided by ASK. Describes the utilization of available seats.
Net interest bearing debt	Long term borrowings plus short term borrowings less cash and cash equivalents.
Other losses/(gains)-net	Consist of fair value losses/(gains) on financial assets at fair value through profit or loss and foreign exchange losses/(gains) on operating activities.
Passengers	Number of passengers flown.
RPK	Revenue passenger kilometers. Number of sold seats multiplied by flight distance.
Total operating expenses	Total operating expenses not including aircraft lease expenses, depreciation, amortization and impairment.
Total operating expenses incl lease	Total operating expenses not including depreciation, amortization and impairment.
Unit cost	Total operating expenses plus leasing, excluding other losses/(gains)-net, divided by ASK.
Unit cost ex fuel	Total operating expenses plus leasing, excluding other losses/(gains)-net and aviation fuel expense, divided by ASK.
Unit revenue	Passenger revenue divided by ASK.
Yield	Passenger revenue divided by RPK. A measure of average fare per kilometer.

## Information about the Norwegian Group

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### Board of Directors Norwegian Air Shuttle ASA

Bjørn H. Kise	Chair
Liv Berstad	Deputy Chair
Ada Kjeseth	Director
Christian Fredrik Stray	Director
Geir Olav Øien	Director (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
Anne-Sissel Skånvik	Chief Communications Officer
Thomas A. Ramdahl	Chief Commercial Officer
Jan Dahm-Simonsen	Chief Human Resources Officer
Frode Berg	Chief Legal Officer
Dag Skage	Chief Information Officer
Tore K. Jenssen	CEO, Arctic Aviation Assets Ltd and CEO, Norwegian Air International Ltd
Edward Thorstad	Chief Customer Officer
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

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