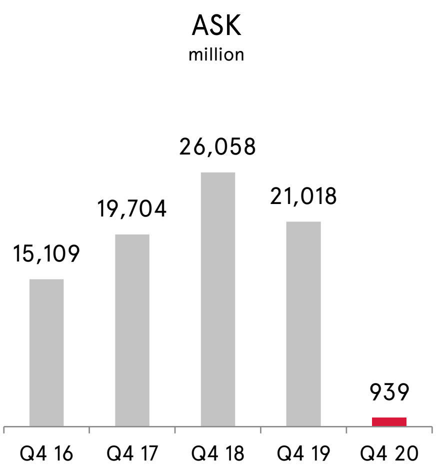
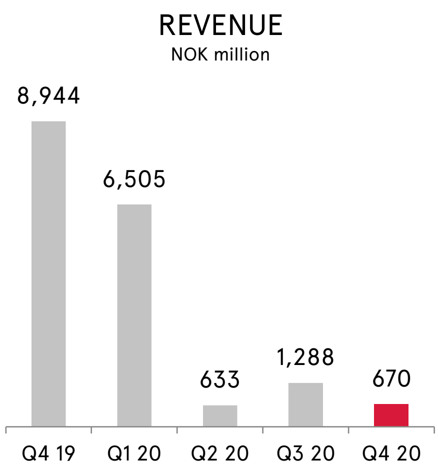
Q42020

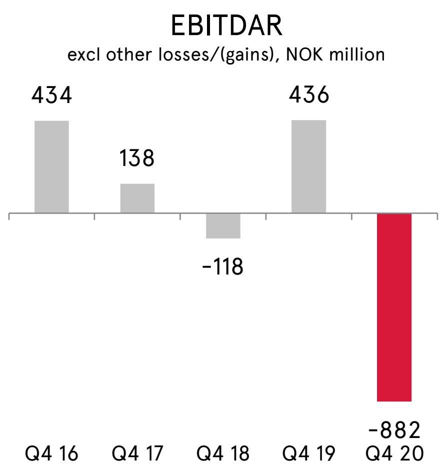
Norwegian Air Shuttle ASA

Fourth quarter 2020 financial report

- Operating expenses excl other losses /(gains), depreciation and lease reduced by 71 % yoy
- EBITDAR excl other losses/(gains) negative by NOK 0.9 billion (vs positive NOK 0.4 billion last year)
- Operated on average 15 aircraft in Q4, mainly in domestic Norway
- 574,000 flown passengers in Q4 2020 (reduced by 92 % yoy) and 52.4 % load factor
- Norwegian has entered an examinership in Ireland and a reconstruction process in Norway







Norwegian's fourth quarter results are heavily impacted by COVID-19 and travel restrictions

Norwegian today reported its fourth quarter results. As expected, the results were heavily impacted by COVID-19 and travel restrictions in all markets. The net loss was NOK 16.6 billion, including impairment of NOK 12.8 billion. The operating expenses before leasing and depreciation were reduced by 82 percent compared to the same quarter a year ago. In 2020, the company reduced net interest-bearing debt by NOK 18 billon. The examinership process in Ireland and the reconstruction process in Norway that were initiated in the fourth quarter are on track.

The pandemic continues to have a negative impact on the aviation industry. Demand was severely affected by changing travel restrictions and the continued spread of COVID-19 across Norwegian's key markets. Out of a current fleet of 131 aircraft, an average of 15 were operational during the fourth quarter, mainly on domestic routes in Norway. Norwegian carried 574,000 customers, a decrease of 92 percent compared to the same period in 2019. Production capacity (ASK) was down 96 percent and passenger traffic (RPK) decreased by 97 percent. The load factor was 52.4 percent, a decrease of 32.5 percentage points compared to the fourth quarter of 2019.

Jacob Schram, CEO of Norwegian, said: "2020 was an exceptionally difficult year for the aviation industry and for Norwegian. Consequently, the fourth quarter results are as expected. Unfortunately, many of our employees are furloughed or have lost their jobs, partly due to the company's decision to cease long-haul operations. Despite the difficulties the pandemic has caused, there is a great fighting spirit and engagement within the company, and together we will build new Norwegian when we exit the reconstruction processes. Now, we are doing everything we can to emerge as a more financially secure and competitive airline with an improved customer offering, and as soon as Europe begins to reopen, we will be ready to welcome more customers on board."

In the fourth quarter of 2020, Norwegian entered an examinership process in Ireland and a reconstruction process in Norway. Both processes are progressing as planned and are on track. The purpose of the processes is to reduce debt, reduce the size of the fleet and make the company financially attractive to secure new capital. Norwegian targets to reduce its debt significantly to around NOK 20 billion and to raise NOK 4 - 5 billion in new capital. In 2020, the company reduced net interest-bearing debt by NOK 18 billon, mainly through conversion to equity. Going forward, Norwegian will focus on a strong and profitable Nordic and European network. The company plans to serve these markets with approximately 50 narrow body aircraft in 2021. However, the ramp-up is dependent on the development of the pandemic, travel restrictions and government advice in key markets.

Norwegian operated 90.1 percent of its scheduled flights in the fourth quarter, whereof 94.1 percent departed on time.

CONSOLIDATED FINANCIAL KEY FIGURES

(unaudited in NOK million)	Q4 2020	Q4 2019	*Change*	Full year 2020	Full year 2019	*Change*
Operating revenue	669.8	8,944.4	*-93 %*	9,095.7	43,521.9	*-79 %*
EBITDAR	-1,878.9	356.7	*NM*	-4,755.2	7,313.5	*NM*
EBITDAR excl other losses/(gains)	-882.1	436.4	*NM*	-1,750.5	6,467.7	*NM*
Operating profit (EBIT)	-15,880.4	-1,278.0	*1143 %*	-23,768.4	856.0	*NM*
EBIT excl other losses/(gains)	-14,883.6	-1,198.3	*1142 %*	-20,763.7	10.2	*NM*
Profit (loss) before tax (EBT)	-16,360.7	-2,024.2	*708 %*	-22,133.0	-1,687.6	*1212 %*
Net profit (loss)	-16,627.5	-1,872.9	*788 %*	-23,039.8	-1,609.1	*1332 %*
EBITDAR margin	-280.5 %	4.0 %		-52.3 %	16.8 %	
EBIT margin	-2370.8 %	-14.3 %		-261.3 %	2.0 %	
EBT margin	-2442.5 %	-22.6 %		-243.3 %	-3.9 %	
Net profit margin	-2482.4 %	-20.9 %		-253.3 %	-3.7 %	
Book equity per share (NOK)				-166.6	2,522.0	*-107 %*
Equity ratio (%)				-13.4 %	4.8 %	*-18.2 pp*
Cash and cash equivalents				2,666.9	3,095.6	*-14 %*
Net interest-bearing debt				40,221.8	58,282.0	*-31 %*

OPERATIONAL REVIEW

CONSOLIDATED TRAFFIC FIGURES AND RATIOS

(unaudited ratios in NOK)	Q4 2020	Q4 2019	*Change*	Full year 2020	Full year 2019	*Change*
Yield	0.83	0.40	*107 %*	0.47	0.41	*16 %*
Unit revenue	0.44	0.34	*28 %*	0.36	0.35	*1 %*
Unit cost	2.92	0.48	*504 %*	0.94	0.44	*116 %*
Unit cost excl fuel	2.92	0.35	*727 %*	0.83	0.31	*168 %*
Ancillary revenue per passenger	151	182	*-17 %*	223	184	*22 %*
Share of sale own channels	88 %	81 %	*7 pp*	83 %	81 %	*2 pp*
ASK (million)	939	21,018	*-96 %*	18,168	100,031	*-82 %*
RPK (million)	492	17,835	*-97 %*	13,680	86,616	*-84 %*
Passengers (million)	0.57	7.57	*-92 %*	6.87	36.20	*-81 %*
Load factor	52.4 %	84.9 %	*-32.5 pp*	75.2 %	86.6 %	*-11.4 pp*
Average sector length (km)	672	1,805	*-63 %*	1,385	1,876	*-26 %*
Fuel consumption (1,000 mt)	20	400	*-95 %*	362	1,918	*-81 %*
CO_2 per RPK	128	71	*82 %*	83	70	*19 %*

* *Year-to-date ASK and load factor are adjusted for blocked mid seats following regulation in the domestic market in Norway in the second quarter of 2020.*

TRAFFIC DEVELOPMENT

Traffic figures are severely affected by the COVID-19 pandemic, with travel restrictions and decreasing demand forcing the company to significantly reduce operations. 574,000 passengers traveled with Norwegian in the fourth quarter of 2020, compared to 7.57 million in the fourth quarter of 2019. Production (ASK) decreased by 96 percent and passenger traffic (RPK) decreased by 97 percent. The load factor was 52.4 percent, a decrease of 32.5 p.p. compared to the fourth quarter of 2019.

At the end of 2020, the total fleet including aircraft on maintenance and excluding wet lease comprised 131 aircraft. Included are 18 Boeing 737 MAX aircraft that were grounded throughout the fourth quarter of 2020. Up to 23 aircraft were operational during the fourth quarter due to travel restrictions and lower demand. The company utilized every operational aircraft on average 7.2 block hours per day, compared to 11.7 in the fourth quarter of 2019.

OPERATING PERFORMANCE

Punctuality, share of flights departing on schedule, was 94.1 percent in the fourth quarter of 2020, increased by 11.5 percentage points from 82.6 percent in the fourth quarter of 2019.

Regularity, share of scheduled flights taking place, was 90.1 percent in the fourth quarter of 2020, compared to 99.6 percent in the same period in 2019.

FINANCIAL REVIEW

These interim financial statements for the fourth quarter of 2020 are heavily affected by the COVID-19 outbreak, including the abrupt drop in demand and reduced production and significant effects from the financial restructuring process. Further, the financial results include significant impairment losses as a large part of the aircraft fleet is expected to be discontinued following the examinership in Ireland and the reconstruction process in Norway.

For the fourth quarter of 2020, production (ASK) was reduced by 96 percent compared to the same quarter last year.

EBITDAR excl other losses/(gains) was negative NOK 882 million in the fourth quarter of 2020 (positive 436). Other losses/(gains) amounted to a net loss of NOK 997 million in the fourth quarter of 2020, compared to a net loss of NOK 80 million in the same period in 2019. Other losses /(gains) includes restructuring costs of NOK 1,152 million, currency gains on working capital of NOK 62 million and fuel hedge gains of NOK 93 million.

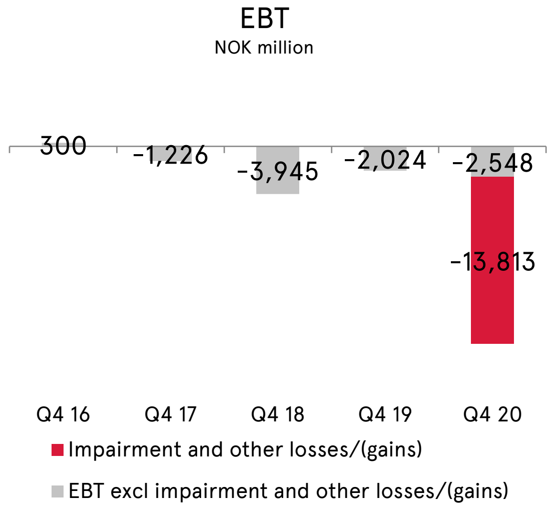
Norwegian recognized an impairment loss amounting to NOK 12,816 million, related to owned and leased aircraft to be discontinued in the revised business plan as well as pre-delivery payments on terminated aircraft orders, and leasehold improvements and deposits on leased aircraft that will be redelivered.

Operating profit (EBIT) for the fourth quarter of 2020 was negative by NOK 15,880 million (negative 1,278). EBIT excluding other losses/(gains) was negative NOK 14,884 million (1,198). Loss before tax (EBT) was negative NOK 16,361 million (loss 2,024) in the fourth quarter of 2020. Excluding other losses/(gains) and impairment, EBT was negative NOK 2,548 million.

FINANCIAL RESTRUCTURING IN 2020

Since the COVID-19 outbreak forced Norwegian into hibernation, a significant financial restructuring process has been ongoing, reaching several milestones during 2020. Year to date, the restructuring improved equity by NOK 18.5 billion, of which NOK 5.2 billion recognized in the income statement.

The total equity increase, including zero-coupon perpetual bonds classified as equity, was NOK 3.8 billion following bond debt conversion, NOK 12.5 billion following conversion of lease liabilities into equity, NOK 0.4 billion from the public offering and NOK 2.0 billion from vendor debt converted into equity. Refer to Note 9 for further information.



EXAMINERSHIP AND RECONSTRUCTION

In the fourth quarter of 2020, the company entered into an examinership and reconstruction process ("reconstruction"), and the basis for continuing as a going concern is contingent upon a successful exit from these processes, with a significant reduction in the company's fleet of aircraft, a significant reduction in the company's debt and obtaining significant new capital as an outcome. The examinership and reconstruction processes are expected to conclude during the second quarter of 2021.

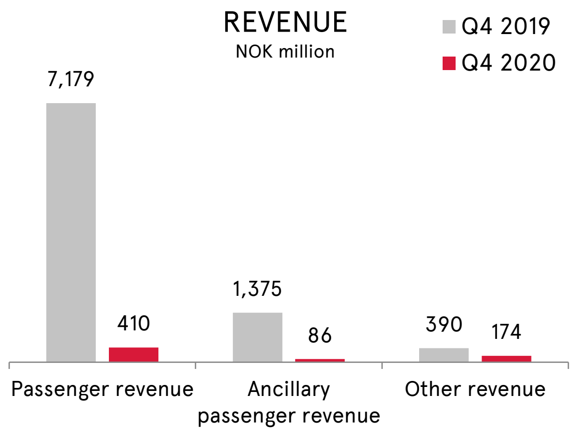
Following the decision to enter the examinership and reconstruction process, the company decided to substantially reduce its short-haul operation and discontinuation of the company's long-haul operation. The company's fleet is planned to be reduced from 131 aircraft at the end of 2020 to 53 aircraft upon exit of the reconstruction. The aircraft planned to be rejected through the examinership have been included in a disposal group classified as held for sale, measured at fair value less cost to sell. Impairment losses of NOK 12.8 billion have been recognized on the discontinued fleet of aircraft and pre-delivery payments on terminated aircraft purchase contracts. As a result, the company reports a substantially negative equity position of NOK 6,624 million at the end of 2020.

Through a successful exit from the examinership and reconstruction process, the company expects to achieve a sufficient level of equity and working capital considering the company's operations and risk.

The necessary additional working capital is aimed to be obtained mainly through share offerings including the Rights Issue and additional private placement(s), aiming to raise gross proceeds of NOK 4 – 5 billion. Such share offerings and conversions are currently expected to take place during the second quarter of 2021.

If the company does not exit the examinership and the reconstruction process in a successful way, it is highly likely that the company will enter into liquidation and/or bankruptcy proceedings during the second quarter of 2021.

It is uncertain whether the company will successfully exit the examinership and reconstruction processes and raise sufficient working capital and equity through aforementioned measures. The company is however optimistic that the examinership and reconstruction processes as well as that the capital raises and debt conversions will be successful, thus securing sufficient working capital for a period beyond 12 months after the date of this Interim Report, but no assurance can be given to this effect.



REVENUE

Total revenue in the fourth quarter of 2020 was NOK 670 million (8,944), a decrease of 93 percent. Unit revenue increased by 28 percent following a yield increase of 107 percent and a decreased load factor by 32.5 percentage points. Average sector length decreased by 63 percent.

Passenger revenue was NOK 410 million (7,179). Ancillary passenger revenue was NOK 86 million (1,375) in the fourth quarter of 2020, and ancillary revenue per passenger decreased by 17 percent to NOK 151 (182). Other revenue of NOK 174 million (390) includes cargo revenue of NOK 5 million (184), governmental funds to uphold certain routes deemed part of critical infrastructure in Norway, commissions and third-party products as well as revenue from the loyalty program Norwegian Reward.

OPERATING EXPENSES

Total operating expenses excluding depreciation, amortization and aircraft lease decreased by 70 percent to NOK 2,549 million (8,588) in the fourth quarter of 2020. Adjusted for other losses/(gains) the decrease was 82 percent from 2019. Operating expenses decreased mainly due to the 96 percent reduction in production compared to the fourth quarter of 2019 and the company's efforts to reduce costs during the COVID-19 pandemic.

Unit costs are negatively affected by the dramatic decrease in production following the COVID-19 outbreak. Unit cost was NOK 2.92, compared to 0.48 in the fourth quarter of 2019.

Other losses/(gains) include effects from foreign currency contracts, forward fuel contracts, losses or gains on translation of working capital in foreign currency and net losses or gains on sale of fixed assets as well as specific restructuring effects. Net other losses/(gains) in the fourth quarter of 2020 amounted to NOK 997 million and include restructuring costs of NOK 1,152 million, currency gains on working capital of NOK 62 million and fuel hedge gains of NOK 93 million.

FINANCIAL ITEMS

Net financial items were negative by NOK 480 million (negative by 661) in the fourth quarter of 2020. Interest expenses include NOK 246 million (455) in interest expense on lease liabilities recognized according to IFRS 16. Interest on prepayments of NOK 47 million (72) was capitalized during the fourth quarter of 2020. Other financial income (expenses) includes net currency losses of NOK 327 million in the fourth quarter of 2020, compared to net currency losses of NOK 9 million in the fourth quarter of 2019. Currency losses are mainly related to the revaluation of borrowings denominated in currencies other than functional currencies of the companies in the group. Revaluation of conversion rights to fair value had a positive effect on Other financial income (expenses) by NOK 415 million during the fourth quarter of 2020.

Financial restructuring carried out had a positive effect on net financial items by NOK 303 million in the fourth quarter of 2020 and NOK 5,208 million year to date. Refer to Note 9 for further information.

FINANCIAL POSITION AND LIQUIDITY

Aircraft assets are accounted for in USD, creating a natural hedge against USD denominated borrowings when translated into NOK. Net assets are affected by a depreciation of USD to NOK of 2.8 percent in 2020.

The company sold ten Boeing 737 aircraft during 2020, five of which financed through sale-leaseback. Three of the aircraft on sale-leaseback were redelivered after short lease periods ended in the first half of 2020. A further twelve 737s and five 787s on operational lease were redelivered during 2020. The company did not take any new deliveries during the period.

Net interest-bearing debt at the end of 2020 was NOK 40,222 million compared to NOK 58,282 million at the end of 2019. Included in current year net interest-bearing debt are lease liabilities of NOK 3,351 million and disposal group liabilities of NOK 30,768 million. At the end of 2020, the equity ratio was negative 13.4 percent, compared to 4.8 percent at the end of 2019. A sufficient level of equity is expected to be restored through the ongoing examinership and reconstruction process.

Norwegian significantly strengthened the company's financial position by a series of debt-to-equity conversions and a public offering completed in 2020. The total effect on equity following the financial restructuring is NOK 18.5 billion, including NOK 5.2 billion recognized as Other financial income in the Income Statement. However, these measures were outweighed by a negative net result of NOK 23.0 billion including impairment effects of NOK 12.8 billion and restructuring costs of NOK 1.2 billion.

Total non-current assets amount to NOK 11,867 million at the end of 2020, compared to NOK 70,734 million at the end of 2019. There were no significant new investments during 2020, while ten Boeing 737-800s were sold, five of which classified as held-for-sale assets at the end of 2019. Twelve leased 737s and five leased 787s were redelivered during the year. NOK 38.9 billion in right-of-use aircraft and owned aircraft were reclassified to a disposal group during the fourth quarter, following the decision to substantially reduce the company's fleet of aircraft. Further, pre-delivery payments to aircraft manufacturers of NOK 4.8 billion were impaired due to termination of aircraft purchase contracts. Intangible assets amounted to NOK 2,167 million at the end of 2020, compared to NOK 2,871 million at the end of 2019, including deferred tax assets of NOK 1,966 million compared to NOK 2,672 million at the end of 2019. Following the COVID-19 outbreak and uncertainties regarding the speed of the market recovery and the company's return to normal operations, the company has not recognized any deferred tax assets related to the current year losses. In addition, an impairment of deferred tax assets related to carry-forward tax losses of NOK 907 million has been recognized in 2020 due to uncertainties regarding the timing and extent of utilization of deferred tax assets following the COVID-19 outbreak.

Total current assets amount to NOK 37,687 million at the end of 2020, compared to NOK 14,609 million at the end of 2019. Current assets include assets held for sale of NOK 30,377 million (1,205) related to 78 aircraft anticipated to be rejected following the examinership and reconstruction process. The assets held for sale are treated as one disposal group and have been impaired by NOK 8.7 billion, to estimated fair value less cost to sell. Receivables have decreased by NOK 5,554 million during 2020, driven by reduced receivables with acquirers following refunds to customers and reduced sales. Cash and cash equivalents have decreased by NOK 429 million during the year, ending at NOK 2,667 million.

Total non-current liabilities were NOK 2,679 million at the end of 2020, compared to NOK 57,192 million at the end of 2019. Non-current debt has decreased by NOK 52,039 million. Aircraft financing and lease liabilities of NOK 30.8 billion have been reclassified to disposal group liabilities classifies as held for sale, related to 78 aircraft anticipated to be rejected following the examinership and reconstruction process. Non-current liabilities were also substantially reduced following the reconstruction carried out in May 2020. Most of the company's lease liabilities and all of the company's bond debt and aircraft financing were in default at 31 December 2020, due to breaches of financial covenants and failure to comply with payment schedules. Consequently, NOK 11,240 million in debt has been reclassified from non-current to current debt. Other non-current liabilities decreased by NOK 2,474 million, due to decreased negative hedge positions and a reduction in non-current maintenance accruals.

Total current liabilities amounted to NOK 53,498 million at the end of 2020, compared to NOK 24,026 million at the end of 2019. Current liabilities include disposal group liabilities classified as held for sale of NOK 30,768. Air traffic settlement liabilities decreased by NOK 5,705 million from end of 2019 due to reduced production and reimbursements to customers on cancelled flights. Current debt increased by NOK 3,151 million, including NOK 11,240 million reclassified from non-current debt due to events of default occurring before 31 December 2020. This effect is partially offset by the reduction in current debt achieved through the May 2020 financial restructuring, including decreased short-term lease liabilities following conversion of debt to equity. Ten 737-800 aircraft were sold, with settlement of the corresponding debt. Other current liabilities increased by NOK 1,258 million from the end of 2019, including an increase in outstanding cash point balances by NOK 1,486 million, increased current portion of maintenance accruals due to planned redeliveries of aircraft by NOK 1,865 million and unrealized negative fuel hedge positions of NOK 49 million, offset by lower operational current liabilities due to reduced production.

Equity at the end of 2020 was negative NOK 6,624 million compared to NOK 4,125 million at the end of 2019. Equity increased by NOK 13,310 million following the financial restructuring including debt conversion and the public offering, offset by exchange rate losses from subsidiaries of NOK 979 million, a year-to-date loss of NOK 23,040 million, including impairment losses of NOK 12.8 billion. Other effects amounted to negative NOK 40 million.

CASH FLOW

Cash and cash equivalents were NOK 2,667 million at the end of 2020 compared to NOK 3,096 million at the end of 2019.

Cash flow from operating activities in the fourth quarter of 2020 amounted to negative NOK 709 million compared to negative NOK 30 million in the fourth quarter of 2019. Air traffic settlement liabilities decreased by NOK 425 million (653) while receivables decreased by NOK 910 million (1,164) during the fourth quarter of 2020. Other adjustments amounted to NOK 963 million (negative 73) during the fourth quarter of 2020. Other adjustments mainly consist of finance items, changes in other assets and other liabilities in addition to non-cash effects included in profit before tax, such as unrealized gains or losses on derivatives.

Cash flow from investing activities in the fourth quarter of 2020 was negative NOK 22 million, compared to positive NOK 1,960 million in the fourth quarter of 2019.

Cash flow from financing activities in the fourth quarter of 2020 was negative by NOK 41 million compared to negative NOK 1,791 million in the fourth quarter of 2019. Principal repayments were NOK 10 million.

RISK AND UNCERTAINTIES

COVID-19 AND GOING CONCERN

The company has been severely impacted by the current outbreak of the coronavirus disease (COVID-19). In a very short time period, the company has lost most of its revenues. This has adversely and materially affected the company's contracts, rights and obligations, including financing arrangements.

The company has mitigated the risks and uncertainties by several measures aiming to minimize cash burn, secure funding and improve its financial position. Among other measures, the company has grounded most of its aircraft and temporarily laid off most of its staff. A significant financial restructuring process including debt-to-equity conversions and a public offering resulted in improvements to the equity position by NOK 18.5 billion during 2020. The financial restructuring encompassed a substantial part of the company's liabilities, including lease liabilities, bond debt, lease redelivery obligations and accounts payables. The financial restructuring also secured access to a state aid package from the government in Norway consisting of loan guarantees of NOK 3 billion.

Further to the financial restructuring, the company has agreed to payment plans with major vendors, renegotiated contracts with suppliers and reached an agreement with the joint venture partner OSM Aviation to transfer certain companies from the joint venture to Norwegian.

While in hibernation mode, the company has undergone a revitalization of its organizational structure, strategy, business plans and top management levels. Management strongly believes that the company will emerge from the COVID-19 pandemic as a more competitive and profitable airline.

In the fourth quarter of 2020, the company entered into an examinership and reconstruction process, and the basis for continuing as a going concern is contingent upon a successful exit from these processes, with a significant reduction in the company's fleet of aircraft, a significant reduction in the company's debt and obtaining significant new capital as an outcome. The examinership and reconstruction processes are expected to conclude during the second quarter of 2021.

If the company exits the examinership and the reconstruction process in a successful way, the company currently estimates that it needs approximately NOK 4 billion in new capital for the working capital to be sufficient for the 12-month period following the date of this Interim Report. Furthermore, this estimate anticipates a gradual market recovery towards "new normalized" levels during 2021 and 2022. If a market recovery will be delayed compared to the company's current estimates, the need for additional working capital may increase.

The necessary additional working capital is aimed to be obtained mainly through share offerings including the Rights Issue and additional private placement(s), aiming to raise gross proceeds of NOK 4 – 5 billion. Such share offerings and conversions are currently expected to take place during the second quarter of 2021.

Through a successful exit from the examinership and reconstruction process, the company expects to achieve a sufficient level of equity and cash considering the company's operations and risk.

It is uncertain whether the company will successfully exit the examinership and reconstruction processes and raise sufficient working capital through aforementioned measures. The company is however optimistic that the examinership and reconstruction processes as well as that the capital raises and debt conversions will be successful, thus securing sufficient working capital for a period beyond 12 months after the date of this Interim Report, but no assurance can be given to this effect.

If the company does not obtain this additional required working capital and does not exit the examinership and the reconstruction processes in a successful way, it is highly likely that the company will enter into liquidation and/or bankruptcy proceedings during the second quarter of 2021.

The directors have concluded that, until the conclusion of the examinership and reconstruction process, there is a material uncertainty that casts significant doubt upon the company's ability to continue as a going concern and that, therefore, the company may be unable to realize its assets and discharge its liabilities in the normal course of business.

Nevertheless, considering the uncertainties described above, the directors have concluded that there are realistic alternatives for the company to continue in operational existence. For this reason, they continue to adopt the going concern basis of accounting in preparing these interim financial statements.

OTHER RISK FACTORS

The COVID-19 outbreak followed by government-imposed travel restrictions and drop in demand has led to the grounding of most of the company's fleet and temporary layoffs of a significant share of the company's workforce as the company has entered hibernation mode. The consequences for the company and the airline industry are severe, and dependent on when travel restrictions are lifted and demand starts to pick up, certain significant accounting estimates could be affected. If the situation persists, that could impact the company's impairment evaluations and the ability and timing of utilization of carry forward tax losses.

The UK formally left the EU on 31 January 2020. An EU-UK Trade Deal, concluded on 24 December 2020 and provisionally applied as of 1 January 2021, gives basic air traffic rights to UK and EU airlines to operate freely between the UK and the EU. A separate bilateral air service agreement was also concluded between Norway and the UK which secures the rights for airlines to operate between the two countries. Norwegian's multiple AOC set-up and provisions of both agreements enable the company to continue to operate between the EU and the UK and separately between Norway and the UK without restrictions.

Norwegian has issued a notice to Boeing of termination of the company's purchase agreements of the remaining five Boeing 787 aircraft and 92 Boeing 737 MAX aircraft on order and the GoldCare service agreements (BSG) related to the 787 and MAX aircraft. Norwegian has in addition filed a legal claim seeking the return of pre-delivery payments (PDP) related to the aircraft and compensation for the company's losses related to the grounding of the 737 MAX and engine issues on the 787. The PDP balance has been impaired to zero value in the fourth quarter pending outcome in the ongoing legal process.

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 as well as debt and assets denominated in foreign currency.

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

For additional explanations regarding risks and uncertainties, please refer to the following sections in the company's Annual Report 2019: The Financial Risk and Risk Management section and the Going Concern section of the Board of Director's report, Note 2: Financial Risk and Note 27: Contingencies and Legal Claims. Note 11 in this interim report includes updates to contingencies and legal claims.

OUTLOOK

The long-term impact from COVID-19 on the global airline industry and thus on the company is highly uncertain and depends on various factors, inter alia, duration and magnitude of the outbreak, containment measures, consumer confidence and economic conditions. Due to the uncertain situation, the company has withdrawn its previous financial guiding. The pandemic continues to have a negative impact on the airline industry, and demand remain sluggish. However, a rapid roll-out of vaccines in the company's core markets may create a pent-up demand for the second half of 2021.

Norwegian is currently in an examinership and reconstruction process. Through these processes, Norwegian aims to significantly reduce its short-haul operation and discontinue its long-haul operation. The company is prepared for a careful ramp up from the current level of only 10 operational aircraft up to a potential 53 aircraft during 2021, depending on updated travel advice and restrictions in the company's markets and on customer demand.

Any developments in the future spread of the virus, including additional or prolonged travel restrictions and other changes affecting the speed of recovery to normal services will impact the company's business plans. Such assumptions are uncertain and subject to change as the virus situation is continuously developing worldwide.

Norwegian is dependent on a successful exit from the examinership and reconstruction process in order to continue operating beyond the first quarter of 2021. Refer to the Risk and Uncertainties section for further information.

Fornebu, 25 February 2021

Board of Directors
Norwegian Air Shuttle ASA

CONDENSED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

(unaudited in NOK million)	*Note*	Q4 2020	Q4 2019	Full year 2020	Full year 2019
Passenger revenue		409.9	7,179.4	6,455.3	35,216.3
Ancillary passenger revenue		86.4	1,375.4	1,535.1	6,651.5
Other revenue		173.5	389.6	1,105.3	1,654.1
Total operating revenue		669.8	8,944.4	9,095.7	43,521.9
Personnel expenses		460.8	1,695.0	2,921.2	6,817.5
Aviation fuel		-4.8	2,721.8	2,006.7	12,607.1
Airport and ATC charges		37.0	941.4	772.5	4,140.3
Handling charges		54.0	1,118.3	1,392.2	5,260.2
Technical maintenance expenses		629.5	808.8	1,791.8	3,379.2
Other operating expenses		375.3	1,222.7	1,961.9	4,849.9
Other losses/(gains)		996.8	79.7	3,004.7	-845.8
Total operating expenses excl lease, depr. and amort.		2,548.7	8,587.7	13,850.9	36,208.5
Operating profit excl lease, depr. and amort. (EBITDAR)		-1,878.9	356.7	-4,755.2	7,313.5
Aircraft lease, depreciation and amortization		1,185.8	1,634.7	6,197.5	6,457.5
Impairment assets held for sale		12,815.7	0.0	12,815.7	0.0
Operating profit (EBIT)		-15,880.4	-1,278.0	-23,768.4	856.0
Interest income		-24.4	42.7	68.2	204.5
Interest expense		535.4	778.5	2,690.7	3,074.8
Other financial income (expense)	*9*	79.5	75.3	4,265.7	340.3
Net financial items		-480.3	-660.5	1,643.2	-2,530.0
Profit (loss) from associated companies		0.0	-85.6	-7.8	-13.6
Profit (loss) before tax (EBT)		-16,360.7	-2,024.2	-22,133.0	-1,687.6
Income tax expense (income)		266.8	-151.3	906.8	-78.5
Net profit (loss)		-16,627.5	-1,872.9	-23,039.8	-1,609.1
Net profit (loss) attributable to:					
Owners of the parent company		-16,627.5	-1,875.1	-23,050.9	-1,615.4
Non-controlling interests		0.0	2.2	11.1	6.2
Basic earnings per share (NOK)		-443.7	-1,278.4	-1,022.1	-1,263.0
Diluted earnings per share (NOK)		-443.7	-1,278.4	-1,022.1	-1,263.0
Number of shares at the end of the period		39,749,366	1,635,584	39,749,366	1,635,584
Average number of shares outstanding		37,475,910	1,466,752	22,552,180	1,279,018
Number of diluted shares at the end of the period		42,311,936	1,932,404	42,311,936	1,932,404

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(unaudited in NOK million)	Q4 2020	Q4 2019	Full year 2020	Full year 2019
Net profit (loss) for the period	-16,627.5	-1,872.9	-23,039.8	-1,609.1
Actuarial gains and losses	-42.0	-42.3	-42.0	-42.3
Exchange rate differences	-1,105.4	-266.7	-979.4	94.7
Fair value adjustments through OCI	0.0	-10.5	0.0	-7.8
Other	0.0	1.7	7.5	-20.5
Total comprehensive income for the period	-17,774.9	-2,190.6	-24,053.8	-1,584.9
Total comprehensive income attributable to:				
Owners of the company	-17,774.9	-2,192.8	-24,070.3	-1,591.5
Non-controlling interests	0.0	2.2	16.6	6.5

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(unaudited in NOK million)	*Note*	31 DEC 2020	31 DEC 2019
ASSETS			
Intangible assets		2,167.1	2,870.6
Tangible fixed assets	*1,6*	9,553.3	66,378.5
Fixed asset investments		146.7	1,485.0
Total non-current assets		11,867.1	70,734.2
Assets included in disposal group classified as held for sale	*1*	30,377.1	1,204.5
Inventory		64.1	175.7
Receivables		4,578.8	10,132.9
Cash and cash equivalents		2,666.9	3,095.6
Total current assets		37,686.9	14,608.7
TOTAL ASSETS		49,554.0	85,342.9
EQUITY AND LIABILITIES			
Shareholder's equity	*8,9*	-6,623.9	4,101.1
Non-controlling interests		0.0	23.8
Total equity		-6,623.9	4,124.9
Non-current debt	*7*	185.7	52,224.2
Other non-current liabilities		2,493.8	4,967.5
Total non-current liabilities		2,679.4	57,191.7
Air traffic settlement liabilities		401.5	6,106.5
Current debt	*7*	11,935.3	8,784.1
Liabilities included in disposal group classified as held for sale	*1,7*	30,767.8	0.0
Other current liabilities		10,393.8	9,135.6
Total current liabilities		53,498.4	24,026.2
Total liabilities		56,177.9	81,217.9
TOTAL EQUITY AND LIABILITIES		49,554.0	85,342.9

CONSOLIDATED STATEMENT OF CASH FLOW

(unaudited in NOK million)	Q4 2020	Q4 2019	Full year 2020	Full year 2019
Profit before tax	-16,360.7	-2,024.2	-22,133.0	-1,687.6
Paid taxes	-0.5	-17.8	-6.6	-38.3
Depreciation, amortization and impairment	14,203.7	1,674.9	19,030.9	6,457.5
Changes in air traffic settlement liabilities	-424.6	-652.7	-5,705.0	-800.8
Changes in receivables	910.1	1,163.7	5,498.7	-3,380.3
Other adjustments	963.3	-73.0	1,924.1	2,487.3
Net cash flows from operating activities	-708.7	-29.5	-1,390.9	3,037.8
Purchases, proceeds and prepayment of tangible assets	0.0	1,458.7	2,760.2	6,039.1
Other investing activities	-21.6	501.1	-98.1	2,293.3
Net cash flows from investing activities	-21.6	1,959.7	2,662.1	8,332.4
Loan proceeds	0.0	1,876.2	3,290.5	2,408.2
Principal repayments	-9.7	-3,814.8	-4,831.4	-13,217.7
Financing costs paid	-31.3	-906.5	-415.0	-3,344.6
Proceeds from issuing new shares	0.0	1,053.9	328.4	3,961.0
Net cash flows from financing activities	-41.0	-1,791.2	-1,627.5	-10,193.0
Foreign exchange effect on cash	35.9	22.7	-72.3	-3.3
Net change in cash and cash equivalents	-735.4	161.7	-428.7	1,173.9
Cash and cash equivalents at beginning of period	3,402.3	2,933.9	3,095.6	1,921.7
Cash and cash equivalents at end of period	2,666.9	3,095.6	2,666.9	3,095.6

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(unaudited in NOK million)	Full year 2020	Full year 2019
Equity - Beginning of period	4,124.9	1,704.4
Total comprehensive income for the period	-24,053.8	-1,584.9
Share issue	12,522.3	3,989.1
Transactions with non-controlling interests	-11.5	0.0
Perpetual bonds issue	787.7	0.0
Equity change on employee options	6.6	16.4
Equity - End of period	-6,623.9	4,125.0

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

NOTE 1 ACCOUNTING PRINCIPLES

The condensed consolidated interim financial statements comprise Norwegian Air Shuttle ASA and its subsidiaries (the company). Norwegian Air Shuttle ASA is a limited liability company incorporated in Norway. The consolidated financial statements of the company for the year ended 31 December 2019 are available at www.norwegian.com.

These unaudited condensed consolidated interim financial statements have been prepared in accordance with the rules and regulations of Oslo Stock Exchange and International Accounting Standard (IAS) 34 Interim Financial Reporting. They do not include all the information required for full annual consolidated financial statements and should be read in conjunction with the consolidated financial statements for the company for the year ended 31 December 2019.

The accounting policies applied by the company in these condensed consolidated financial statements are the same as those applied by the company in its consolidated financial statements for the year ended 31 December 2019.

JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of condensed consolidated interim financial statements in accordance with IFRS and applying the chosen accounting policies require management to make judgments, estimates and assumptions which affect the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical figures and various other factors which 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 company'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 31 December 2019.

The going concern basis of accounting is adopted in preparing these interim financial statements. The company is currently in an examinership and reconstruction process, and there is significant doubt on the ability to continue as a going concern if the company is unable to exit these processes successfully. Refer to the Risks and Uncertainties section of this Interim Report for further information.

IMPAIRMENT TEST

The company reviews assets for impairment testing at each reporting date or whenever there are indications of impairment. The effects on the airline industry and the company's level of operation is considered a triggering event, and an impairment testing has been performed for the company's non-current assets. Since entering an examinership and reconstruction process, the company is aiming to discontinue its long-haul operations and substantially reduce its fleet of short-haul aircraft. Out of a fleet of 140 aircraft at the end of the third quarter of 2020, the company aims to reject 87 aircraft and retain 53 aircraft in the fleet. Out of the 87 rejected aircraft, 9 were redelivered during 2020 and the remaining 78 aircraft have been included in a separate CGU as a disposal group classified as assets held for sale. The remaining operation including 53 aircraft is regarded as one CGU, with highly integrated fleet operations across the group.

The CGU for the remaining operation is tested for recoverable amount of the CGU's assets based on value in use, with expected future cash flows in accordance with the company's current management approved business plans for the upcoming four years. Cash flows beyond the forecast period have been projected in accordance with management's long-term growth assumptions. The impairment test is consistent with the one used at year-end 2019 and as described in the annual financial statements for 2019, but with business plans adjusted and adapted to the current market situation following the COVID-19 virus outbreak and the significantly reduced asset base and expected level of operations once exiting the examinership and reconstruction process. The impairment test carried out does not result in any impairment of the CGU's intangible or tangible assets.

The business plan applied is based on management's estimates for recovery to normalized market conditions. The business plan assumes a gradual return to normal utilization of the CGU's aircraft during 2021. Two alternative scenarios are also considered, with delayed recovery from the effects of the pandemic. Any development in the future spread of the virus, including additional or prolonged travel restrictions and other changes affecting the speed of recovery to normal services will impact the company's business plans and future projections. Such assumptions are uncertain and subject to change as the virus situation is continuously developing worldwide. Any unfavorable development could affect estimates and the company's impairment testing in future periods.

The cash flows are discounted using the expected long-term weighted average cost of capital (WACC). The applied after-tax discount rate is 7.3 percent. The cost of the company's debt and equity capital, weighted accordingly to reflect its capital structure, gives the company's weighted average cost of capital. The WACC rates which are used to discount future cash flows are based on market risk free interest rates adjusted for inflation differentials and include the debt premium, market risk premium, gearing corporate tax rate and asset beta. An increase of the discount rate of 1 percentage point will not result in impairment of the CGU's intangible or tangible assets.

The value of the net assets in the disposal group has been estimated to fair value less cost to sell, resulting in an impairment of NOK 8,697 million. A further impairment of NOK 4,121 million has been recognized in the fourth quarter related to pre-delivery payments on terminated aircraft purchase agreements.

NOTE 2 RISK

SENSITIVITY ANALYSIS

(unaudited in NOK million)	*Effect on income*
1% decrease in jet fuel price	8
1% depreciation of NOK against USD	-9
1% depreciation of NOK against EURO	-1

The sensitivity analysis reflects the effect on operating costs in 2020 by changes in market prices and exchange rates. The effect on operating costs is annualized based on the 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 comprises only ticket revenue, while ancillary passenger revenue is other passenger related revenue such as optional extras. Other revenue consists of revenue not directly related to passengers such as cargo, third-party products, externally leased aircraft and other income. Passenger related revenue per country is based on the starting point of customer journeys. Freight related revenue is based on the starting point of freight services.

OPERATING REVENUE BY COUNTRY

(unaudited in NOK million)	Q4 2020	Q4 2019	*Change*	Full year 2020	Full year 2019	*Change*
Norway	426.3	1,921.5	*-78 %*	3,316.3	8,643.8	*-62 %*
Spain	48.5	1,257.4	*-96 %*	1,218.2	6,005.0	*-80 %*
US	0.0	1,521.1	*-100 %*	870.3	8,313.4	*-90 %*
UK	11.5	1,052.0	*-99 %*	720.4	4,458.1	*-84 %*
Sweden	43.7	772.4	*-94 %*	603.3	3,430.4	*-82 %*
Denmark	41.5	629.4	*-93 %*	546.6	2,976.6	*-82 %*
France	5.8	346.6	*-98 %*	256.8	1,949.3	*-87 %*
Thailand	6.9	104.4	*-93 %*	264.4	422.8	*-37 %*
Finland	2.1	309.1	*-99 %*	221.8	1,206.0	*-82 %*
Germany	1.5	106.3	*-99 %*	86.8	519.2	*-83 %*
Other	81.9	924.2	*-91 %*	990.8	5,597.3	*-82 %*
Total operating revenue	669.8	8,944.4	*-93 %*	9,095.7	43,521.9	*-79 %*
Total outside of Norway	243.5	7,023.0	*-97 %*	5,779.4	34,878.1	*-83 %*

NOTE 4 SEGMENT INFORMATION

The Executive Management team reviews the company's internal reporting to assess performance and allocate resources. Executive 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 company's operating profit arises from airline-related activities and the only revenue generating asset of the company is 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's earnings before interest, tax, aircraft lease, depreciation and amortization (EBITDAR). Other information is measured in a manner consistent with that in the financial statements.

NOTE 5 INFORMATION ON RELATED PARTIES

For detailed information on related party transactions, please refer to Note 26 in the Annual Report for 2019. There have been no significant transactions with related parties during 2020 apart from recurring agreements such as described in the 2019 Annual Report. All transactions with related parties are considered priced on an arm's-length basis.

NOTE 6 TANGIBLE FIXED ASSETS

(unaudited in NOK million)	31 DEC 2020	31 DEC 2019
Prepayment on aircraft	0.0	4,946.6
Owned aircraft, parts and installations on leased aircraft	6,129.6	27,392.0
Right of use assets aircraft and parts	2,791.4	33,245.4
Aircraft, parts and installations	8,921.0	60,637.4
Other fixed assets owned	415.7	461.6
Right of use assets other	216.6	333.0
Other fixed assets	632.3	794.5
Total tangible fixed assets	9,553.3	66,378.5
Total right of use assets	3,008.0	33,578.4

At the end of 2020, NOK 15,483 million in owned aircraft and NOK 14,894 million in right-of use assets are presented as a disposal group classified as held for sale.

NOTE 7 BORROWINGS

(unaudited in NOK million)	31 DEC 2020	31 DEC 2019
Bond issue	0.0	4,178.4
Aircraft prepayment financing	0.0	281.9
Aircraft financing	0.0	17,684.1
Lease liabilities	185.7	30,079.8
Non-current debt	185.7	52,224.2
Bond issue	1,531.6	249.2
Loan with state guarantee	2,989.0	0.0
Aircraft prepayment financing	0.0	578.6
Aircraft financing	3,812.0	3,761.8
Lease liabilities	3,165.4	4,194.5
Disposal group aircraft financing	15,661.2	0.0
Disposal group lease liabilities	15,106.6	0.0
Other current debt	437.2	0.0
Current debt	42,703.1	8,784.1
Total borrowings	42,888.8	61,008.3

Disposal group liabilities relates to 78 aircraft that are expected to be rejected following the examinership and reconstruction process.

Most of the company's lease liabilities and all of the company's bond debt and aircraft financing were in default at 31 December 2020, due to breaches of financial covenants and failure to comply with payment schedules. Consequently, NOK 11.2 billion in debt has been reclassified from con-current to current liabilities.

NOTE 8 SHAREHOLDER INFORMATION

20 largest shareholders at 31 December 2020:

	Shareholder	Country	Number of shares	Per cent
1	Avanza Bank AB	Sweden	5,791,956	14.6 %
2	Nordnet Bank AB	Norway	3,340,991	8.4 %
3	MG Aviation Limited	United Kingdom	3,257,450	8.2 %
4	BOC Aviation Limited	Singapore	1,821,223	4.6 %
5	AerCap Holdings N.V.	Ireland	1,778,931	4.5 %
6	Swedbank AB	Sweden	1,593,824	4.0 %
7	DP Aircraft Ireland Limited	Ireland	1,541,897	3.9 %
8	OSM Aviation Group	Cyprus	1,430,958	3.6 %
9	DNB Markets	Norway	1,258,167	3.2 %
10	Svenska Handelsbanken AB	Sweden	737,115	1.9 %
11	Interactive Brokers, L.L.C.	United States	736,454	1.9 %
12	Instinet Europe Limited, meglerkonto innland	Norway	659,003	1.7 %
13	Chatsworth Aviation Ltd.	Ireland	562,625	1.4 %
14	PFA Pension Forsikringsaktieselskab	Denmark	541,018	1.4 %
15	BofA Global Research (UK)	United Kingdom	513,684	1.3 %
16	Saxo Bank A/S	Denmark	481,564	1.2 %
17	Nordea Bank AB (publ)	Sweden	353,864	0.9 %
18	Nykredit Bank AS	Denmark	278,047	0.7 %
19	Handelsbanken Asset Management	Sweden	257,528	0.6 %
20	LGT Bank Ltd.	Liechtenstein	237,944	0.6 %
	Top 20 shareholders		27,174,243	68.4 %
	Other shareholders		12,575,123	31.6 %
	Total number of shares		39,749,366	100.0 %

The company issued 39,391,770 new shares during 2020. The number of shares has been adjusted for a reverse split carried out in December 2020, in which one hundred old shares gave one new share. A further 16,079 shares were issued after completion of the reverse split.

In the larger restructuring completed in May 2020, 29,060,664 shares were issued in connection with the conversion of NOK 12.7 billion in debt to equity and a public offering of NOK 400 million.

During June 2020, a further 1,969,223 shares were issued for the conversion of further debt amounting to NOK 0.8 billion in USD convertible bonds, vendor debt and lease liabilities into equity.

During the third quarter, an additional 3,731,620 shares were issued by conversion of NOK 1,554 million in liabilities and NOK 23 million in perpetual bonds classified as equity.

During the fourth quarter, an additional 3,352,275 shares were issued for the conversion of NOK 319 million in liabilities and NOK 983 million in perpetual bonds classified as equity.

Further information on the financial restructuring is provided in Note 9.

Norwegian Air Shuttle ASA had a total of 39,749,366 shares outstanding at 31 December 2020. There were 67,438 shareholders at the end of 2020.

NOTE 9 FINANCIAL RESTRUCTURING

Since the COVID-19 outbreak forced Norwegian into hibernation, a significant financial restructuring process has been ongoing, reaching several milestones during 2020. The restructuring includes conversion of bond debt, lease liabilities and accounts payable to equity as well as a public offering. In total, the restructuring improved equity by NOK 18.5 billion, of which NOK 5.2 billion are recognized in the income statement.

Liabilities were converted to ordinary shares in the company or zero-coupon perpetual bonds. The zero-coupon perpetual bonds have no interest nor scheduled repayments and can be converted to shares at a fixed conversion rate with fixed exchange rates. The zero-coupon perpetual bonds are classified as equity in accordance with IAS32.

The impact to share and paid-in capital and the income (loss) following the financial restructuring that was agreed during 2020 are presented in the table below:

(unaudited in NOK million)	Footnotes	Share and paid in capital	Income (loss)
Bonds (NAS07,NAS08,NAS09)	1	1,987.4	831.5
USD convertible	2	1,465.9	-538.8
Lease liabilities	3	8,309.5	1,795.6
Power by the hour (PBH)	4	0.0	2,431.4
Offering	5	400.0	0.0
Vendor conversion	6	1,189.6	803.1
Transaction costs	7	-42.6	-115.3
TOTAL		13,309.9	5,207.5

1) Approximately 50 percent of bonds NAS07 and NAS08 were converted to equity. Maturity was extended by one year for each of the bonds, and an interest-free period was agreed until 1 July 2021. Additionally, there were adjustments to financial covenants. Bondholders were further given the right to receive additional bonds if the value of the London Gatwick slots pledged as security for the bonds increase above the principal value of the outstanding bonds at certain valuation dates in the future. The conversion of the bonds to equity is accounted for as an increase of equity at fair value. The amendment of the bonds is accounted for as an extinguishment of the outstanding bonds and recognition of new bonds at their fair value. The net effect is a gain presented as Other financial income in the Income Statement. There were no significant effects from the amendments to bond NAS09, which have been accounted for as a modification.

2) 77 percent of the USD convertible bond was converted to equity. An interest-free period was agreed until 1 July 2021. The conversion subscription price was reset to USD 0.40265 (previous USD 5.4443). Additionally, there were adjustments to financial covenants. The conversion of the USD convertible bond is accounted for first as a loss due to changes in conversion prices, and then as an increase in equity at fair value. The amended terms of the USD convertible bond are accounted for as a modification, with the modification gain immediately recognized in profit or loss at the restructuring date, adjusting the book value of the debt and applying the original effective interest rate. Following the larger restructuring completed on 20 May 2020, the remaining principal amount of USD convertible bonds was USD 34.5 million. Subsequent to 20 May, further principal amounts of USD 28.2 million were converted to equity before the end of 2020, with a principal amount of USD 6.3 million remaining at the end of the year.

3) Norwegian agreed with its aircraft lessors to convert a total of approximately USD 886 million of lease liabilities to equity. The liabilities that have been converted consist of overdue payments at the conversion date, contractual rent forgiven for the period until the end of June 2020 and the effect of a reduction of the lease rates from July 2020. The value of the reduction of rates after July 2020 has been determined in the contracts as the reduction of the net present value of lease obligations using the discount rate applied at initial recognition of the lease liability. The conversion of lease liabilities to equity is accounted for as an increase of equity at fair value. The amendment of aircraft leases is accounted for as an extinguishment of the outstanding lease liabilities and recognition of new lease liabilities at their fair value. The net effect is a gain presented as Other financial income in the Income Statement.

4) The company has agreed to a "power by the hour" ("PBH") arrangement for the period 1 July 2020 until 31 March 2021. Under this arrangement, the company settles the rent for operated aircraft in cash based on operated block hours and the agreed price per hour. The difference between the cash settlement and the contractually agreed revised monthly lease rate will be settled in shares in a share issue after the PBH period, in April 2021. The conversion price is fixed at NOK 4.24919 and with a fixed exchange rate of USD to NOK. The agreement to settle the PBH amounts in shares is a derivate forward contract which is recorded at zero value at initial recognition and subsequently to fair value with changes in fair value taken through the profit and loss. Subsequent changes to the fair value of the derivative are included as restructuring effects in the table above.

5) A public offering was completed in May 2020, with NOK 400 million in gross proceeds.

6) The company agreed with vendors conversion of debt to equity whereby a total of NOK 1,993 million in outstanding payables was converted into new shares. The conversion of the outstanding payables to equity is accounted for as an increase of equity at fair value, with the difference to the carrying value of the outstanding payables as a net gain presented as Other financial income in the Income Statement.

7) Transaction costs are allocated based on the fair value of equity raised and the fair value of remaining debt. Transaction costs related to extinguishments will be charged to profit and loss and cost related to modifications will be amortized over the remaining term. Costs and fees related to equity conversions will be considered issue costs and netted against equity.

The company entered into an examinership and reconstruction process in November 2020 and expects a substantial reduction in the fleet of aircraft, significant further reduction in liabilities as well as injection of new capital as a result. Refer to the Risk and Uncertainties section of this Interim Report for further information.

NOTE 10 QUARTERLY DATA

(unaudited in NOK million)	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Full year 2020
Passenger revenue	4,979.1	161.6	904.7	409.9	6,455.3
Ancillary passenger revenue	1,161.6	83.0	204.3	86.4	1,535.1
Other revenue	364.6	388.0	179.1	173.5	1,105.3
Total operating revenue	6,505.3	632.5	1,288.1	669.8	9,095.7
Personnel expenses	1,518.2	567.7	374.5	460.8	2,921.2
Aviation fuel	1,852.1	-2.5	162.0	-4.8	2,006.7
Airport and ATC charges	611.3	16.2	107.9	37.0	772.5
Handling charges	814.7	196.4	327.1	54.0	1,392.2
Technical maintenance expenses	621.5	43.1	497.7	629.5	1,791.8
Other operating expenses	1,005.3	360.9	220.4	375.3	1,961.9
Other losses/(gains)	495.1	651.1	861.7	996.8	3,004.7
Total operating expenses excl lease, depr. and amort.	6,918.1	1,832.9	2,551.2	2,548.7	13,850.9
Operating profit excl lease, depr. and amort. (EBITDAR)	-412.8	-1,200.3	-1,263.1	-1,878.9	-4,755.2
Aircraft lease, depreciation and amortization	1,671.3	1,791.0	1,549.4	1,185.8	6,197.5
Impairment assets held for sale	0.0	0.0	0.0	12,815.7	12,815.7
Operating profit (EBIT)	-2,084.1	-2,991.3	-2,812.6	-15,880.4	-23,768.4
Financial items					
Interest income	65.7	7.1	19.8	-24.4	68.2
Interest expense	858.6	644.1	652.6	535.4	2,690.7
Other financial income (expense)	-396.9	2,118.2	2,464.9	79.5	4,265.7
Net financial items	-1,189.8	1,481.2	1,832.1	-480.3	1,643.2
Profit (loss) from associated companies	-7.8	0.0	0.0	0.0	-7.8
Profit (loss) before tax (EBT)	-3,281.7	-1,510.1	-980.5	-16,360.7	-22,133.0
Income tax expense (income)	-7.4	648.3	-0.9	266.8	906.8
Net profit (loss)	-3,274.3	-2,158.3	-979.6	-16,627.5	-23,039.8

NOTE 11 CONTINGENCIES AND LEGAL CLAIMS

Norwegian disclosed comments in Note 27 to the Annual Financial Statements for 2019 concerning a reassessment from the Norwegian Tax Authorities pertaining to an EEC cross-border restructuring that took place in 2013 and 2014. The ruling indicates increased tax payable for the years in question with up to NOK 571 million, a reduction in prepaid taxes of NOK 166 million and interests estimated to a maximum of NOK 181 million up to 31 December 2020. The maximum potential cost increase would be NOK 918 million, with a corresponding reduction in equity. Further, a negative outcome of the case could lead to a reduction in not recognized deferred tax assets of NOK 376 million with no immediate change to tax cost or equity. The disputed question is if the rules on contingent tax-free group reorganization as they applied in 2013 and 2014 is contrary to EU law.

Norwegian and its tax advisor are of the opinion that the ruling is without merit and that it is probable that the ruling will be reversed in court. Accordingly, Norwegian filed a lawsuit against the tax administration in June. The proceedings are scheduled for April 2021. The opinion of the company and its advisors is supported by a previous ruling in a similar case made by the tax appeals board and EU jurisprudence. Thus, Norwegian has not made any provisions for the reassessed taxes in this fourth quarter 2020 financial report.

In December 2019 and April 2020, Irish Revenue made an assessment for the period 2014 – 2018 and 2019, respectively of EUR 18.5 million and EUR 5.5 million, pertaining to withholding income tax (PAYE) on non-resident crew exercising their employment on an aircraft in international traffic where the enterprise has its place of effective management in Ireland. The crew in scope are non-Irish residents and their employment are not exercised in Ireland. The company, supported by its tax advisors, are of the opinion that Irish Revenue's application of the provision is overly broad and is contrary to the EU law and have concluded that it is more likely than not that the assessment will be reversed. Accordingly, the company has appealed the assessment and not made a provision for the claim in the Interim Financial Statements for the fourth quarter of 2020.

In June 2020, Norwegian issued a notice to Boeing of termination of the company's purchase agreements of the remaining five Boeing 787 aircraft and 92 Boeing 737 MAX aircraft on order and the GoldCare service agreements (BSG) related to the 787 and MAX aircraft. Norwegian has in addition filed a legal claim seeking the return of pre-delivery payments (PDP) related to the aircraft and compensation for the company's losses related to the grounding of the 737 MAX and engine issues on the 787.

There are no other significant additions or changes to the information regarding contingencies or legal claims presented in Note 27 to the Annual Financial Statements for 2019.

NOTE 12 EVENTS AFTER THE REPORTING DATE

On 14 January 2021, the company presented an indicative plan for reconstruction, exit of the examinership and reconstruction processes and post-reconstruction company. Core to the plan is that Norwegian will focus on its core Nordics business, operating a European short haul network with narrow body aircraft. As part of the plan, it was announced that the long-haul operation will be discontinued. The company announced a target to reduce its total debt to around NOK 20 billion, and also to raise NOK 4-5 billion in new capital through a combination of (i) a rights issue to current shareholders, (ii) a private placement and (iii) a hybrid instrument.

On 14 January 2021, Norwegian also published a listing prospectus. The listing prospectus was prepared for the purpose of listing of perpetual bonds and shares only, and no securities are being offered pursuant to the listing prospectus.

On 21 January 2021, Norwegian announced that the government of Norway had decided to support and contribute to the airline's funding of new capital, pending certain conditions. This move significantly increases Norwegian's chances of working through the crisis caused by the pandemic and to position itself as a key player within Norwegian and European aviation.

On 27 January 2021, Norwegian published an updated investor presentation, available on the company's website.

On 19 February 2021, Norwegian presented an update of the indicative plan for exit from Irish examinership and Norwegian reconstruction processes.

As previously announced, the proposed restructuring will potentially involve each creditor with an unsecured claim receiving a debt claim ("Dividend Claims") that, based on current calculations, would have a nominal value equal to 4 percent of such creditor's unsecured claim. The company is also exploring the possibility with the examiner and the reconstructor of offering a cash component alongside the Dividend Claims, however notes that the amount of cash that could be utilized for such a dividend will be reduced depending on the duration of the Restructuring, including any appeal process. The Dividend Claims in aggregate would on certain terms and conditions be convertible into shares representing approximately 25 percent of the company's share capital following the Restructuring and the proposed capital raise (the "Capital Raise"). New investors in the Capital Raise, by investing in equity and a perpetual hybrid instrument (the "New Capital Perpetual Bonds"), would receive approximately 70 percent of the post-Restructuring share capital, and current shareholders approximately 5 percent.

With respect to timing, the company is working with the Examiner and the Reconstructor with a view to commencing the legal steps required to implement the proposed Restructuring, including the issuance of a scheme of arrangement by the Examiner as soon as possible, with a view to the Capital Raise commencing in late March/early April, with the subscription period in mid-April and target closing end of end April / mid May.

On 22 February 2021, Norwegian announced the conversion of USD 1.9 million in perpetual bonds and USD 17.7 million in future maintenance bonds into 485,054 new shares in the company.

Following the conversion, NAS has perpetual bonds in issue in the nominal amount of approximately NOK 876 million which may in the option of the holder be converted into approximately 2,061,715 shares in the company at NOK 424.919, subject to anti-dilution provisions. No further Future Maintenance Bonds remain outstanding.

There have been no other material events subsequent to the reporting period that might have a significant effect on the fourth quarter 2020 financial report.

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.

The definitions are consistent with those used in previous financial reports., except for the addition of *EBT excl other losses/(gains) and impairment*. This APM has been added this quarter to allow for a comparable earnings figure between periods regardless of large impairment losses incurred following restructuring and COVID-19 and certain volatile operating expenses.

MEASURE	DESCRIPTION	REASON FOR INCLUDING
Operating profit (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	Enables comparability of profitability regardless of capital structure or tax situation
EBIT excl other losses/(gains)	Earnings before net financial items, income tax expense (income) and share of profit (loss) from associated companies, adjusted for other losses/(gains)-net	Enables comparability of profitability regardless of capital structure or tax situation, excluding effects for certain volatile operating expenses
EBIT margin	EBIT divided by total operating revenue	Enables comparability of profitability relative to operating revenue
EBITDAR	Earnings before net financial items, income tax expense (income), depreciation, amortization and impairment, restructuring, aircraft leasing expenses and share of profit (loss) from associated companies	A measure of operating performance that enables comparison between airlines as it is not affected by the method used to finance aircraft
EBITDAR excl other losses/(gains) / Underlying operating result before ownership costs	Earnings before net financial items, income tax expense (income), depreciation, amortization and impairment, restructuring, aircraft leasing expenses and share of profit (loss) from associated companies, adjusted for other losses/(gains)-net	A measure of operating performance that enables comparison between airlines as it is not affected by the method used to finance aircraft, excluding effects for certain volatile operating expenses
EBITDAR margin	EBITDAR divided by total operating revenue	Enables comparability of profitability relative to operating revenue
Profit (loss) before tax (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	Enables comparability of profitability regardless of capital structure or tax situation
EBT excl other losses/(gains) and impairment	Earnings before income tax expense (income), adjusted for other gains/(losses) and impairment costs.	Enables comparability of profitability regardless of one-off impairment losses, excluding effects for certain volatile operating expenses
EBT margin	EBT divided by total operating revenue	Enables comparability of profitability relative to operating revenue
Net interest-bearing debt	Non-current debt plus current debt less cash and cash equivalents	Measurement of the ability to pay all debt with available cash and cash equivalents, if all debt matured on the day of the calculation. It is therefore a measure of the risk related to the company's capital structure
Other losses/(gains)	Gains and losses from foreign currency contracts, forward fuel contracts, adjustment of market value for total return swaps, translation of working capital in foreign currency, net gain or loss from sale of fixed assets and significant restructuring costs	Included as a specification to operating expenses to separate certain volatile effects from other operating expenses
Operating expenses excl leasing, depreciation and amortization	Total operating expenses not including aircraft lease expense, depreciation, amortization and impairment	A measure of operating expenses that enables comparison between airlines as it is not affected by the method used to finance aircraft
Operating expenses excl other losses /(gains), depreciation and lease	Total operating expenses not including other losses /(gains) depreciation, amortization, impairment and lease expenses	A measure of operating expenses that includes leasing but is not affected by other losses /(gains) depreciation, amortization, impairment and lease expenses, relevant to monitor the company's ability to reduce operating expenses during the COVID-19 pandemic and disregarding certain highly volatile and certain fixed costs

ALTERNATIVE PERFORMANCE MEASURES – RECONCILIATIONS

(unaudited in NOK million)	Q4 2020	Q4 2019	Full year 2020	Full year 2019
Operating profit (EBIT) to EBIT excl other losses/(gains)				
Operating profit (EBIT)	-15,880.4	-1,278.0	-23,768.4	856.0
- Other losses/(gains)*	996.8	79.7	3,004.7	-845.8
EBIT excl other losses/(gains)	-14,883.6	-1,198.3	-20,763.7	10.2
EBITDAR to EBITDAR excl other losses/(gains)				
EBITDAR	-1,878.9	356.7	-4,755.2	7,313.5
- Other losses/(gains)*	996.8	79.7	3,004.7	-845.8
EBITDAR excl other losses/(gains)	-882.1	436.4	-1,750.5	6,467.7
Net profit (EBT) to EBT excl other losses/(gains) and impairment				
Profit (loss) before tax (EBT)	-16,360.7	-2,024.2	-22,133.0	-1,687.6
- Impairment assets held for sale	12,815.7	0.0	12,815.7	0.0
- Other losses/(gains)*	996.8	79.7	3,004.7	-845.8
EBT excl other losses/(gains) and impairment	-2,548.2	-1,944.5	-6,312.6	-2,533.4

**Other losses /(gains) is defined in table above and is a part of operating expenses, see consolidated income statement.*

OTHER DEFINITIONS

ITEM	DESCRIPTION
Aircraft lease expenses	Lease and rental expenses on aircraft including both dry leases and wet leases
Ancillary revenue per passenger	Ancillary passenger revenue divided by number of passengers
ASK / Production	Available seat kilometers. Number of available passenger seats multiplied by flight distance *Note that blocked mid-seats on domestic routes in Norway following virus containment measures do not count as available seats.*
Average sector length	Total flown distance divided by number of flights
Book equity per share	Total equity divided by number of shares outstanding
CO_2 per RPK	Amount of CO_2 emissions divided by RPK
Constant currency	A currency exchange rate that excludes the impact of exchange rate fluctuations from comparable period, e.g. 2019 as comparable period
Equity ratio	Book equity divided by total assets
Fixed asset investment	Consists of the following non-current assets presented in the statement of financial position in the annual report: Investments in financial assets, 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
Passengers	Number of passengers, including no-show*. ** Note that during the COVID-19 outbreak, no-show passengers are not included.*
RPK	Revenue passenger kilometers. Number of sold seats multiplied by flight distance
Sold seats own channels	Sold seats own channels include bookings through internet, apps, direct API, agent portal, corporate portal, allotment, and group travels. It does not include bookings through GDS (Global Distribution Channels)
Unit cost	Total operating expenses, excluding impairment and other losses/(gains)-net, divided by ASK
Unit cost excl fuel	Total operating expenses, excluding impairment, other losses/(gains)-net and aviation fuel expenses, divided by ASK
Unit revenue	Passenger revenue divided by ASK
Yield	Passenger revenue divided by RPK. A measure of average fare per kilometer

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BOARD OF DIRECTORS

Niels Smedegaard	Chair
Jaan Albrecht Binderberger	Director
Vibeke Hammer Madsen	Director
Ingrid Elvira Leisner	Director
Chris Browne	Director
Sondre Gravir	Director
Geir Olav Øien	Director, employee representative
Eric Holm	Director, employee representative
Katrine Gundersen	Director, employee representative

GROUP MANAGEMENT

Jacob Schram	Chief Executive Officer
Geir Karlsen	Chief Financial Officer
Andrew Hodges	EVP Airline
Christoffer Sundby	EVP Customer
Guro H. Poulsen	EVP People
Anne-Sissel Skånvik	EVP Communications and Public Affairs
Knut Olav Irgens Høeg	EVP IT, Supply Chain & Process Improvement
Tor-Arne Fosser	EVP Airline Ecosystem
Johan Gauermann	Interim EVP Operations

INVESTOR RELATIONS

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FINANCIAL CALENDAR 2021

22 April	Q1 results
11 May	Annual General Meeting
15 July	H1 financial report
28 October	Q3 results