NORWEGIAN AIR SHUTTLE ASA

ANNUAL REPORT 2018

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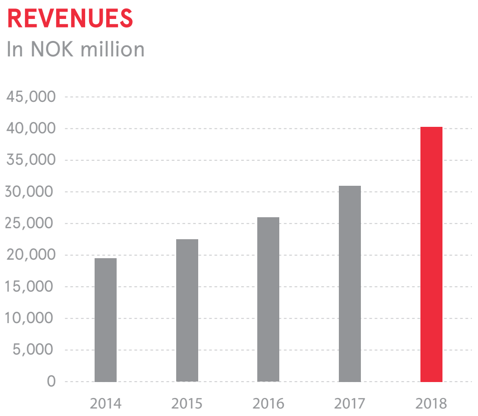
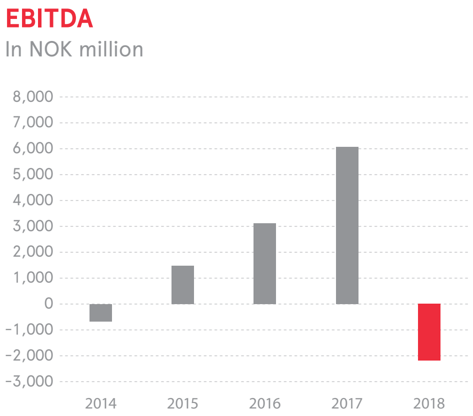
CONTENTS

HIGHLIGHTS 2018

- 25 new aircraft delivered
- Successfully completed private placement of NOK 1,300 million and subsequent offering of NOK 200 million
- Awarded "The World's Best Low-Cost Long-Haul Airline and Europe's Best Low-Cost Airline"
- Continued process to divest aircraft, in line with the strategy
- Entering a phase of moderate growth with a solid business model and sufficient scale





For detailed information, see Board of Directors' report on page 7.

NUMBER OF PASSENGERS +13%

CO_2 PER PASSENGER KILOMETER –1%

NUMBER OF AIRCRAFT +18%

NUMBER OF EMPLOYEES +6%

DEAR SHAREHOLDERS

It has been another eventful year for Norwegian as we continued to deliver on our ambition to reshape the global aviation market. During the past year, we have made major investments that will increase our global competitiveness going forward. We continued to receive several international customer awards. These awards clearly demonstrate that the Norwegian service and product is recognized as one of our core strengths by our customers. Once again, we were named the most fuel-efficient airline on transatlantic routes by The International Council on Clean Transportation.

"The competition in our industry is tough but the underlying trend is promising."

This past year has marked a peak in the company's growth and we are now entering a new phase where there will be a clear return from our investments. The key priority for the entire organization is returning to profitability.

During 2018, we experienced headwinds in our industry such as uncertain and fluctuating fuel prices, congested infrastructure both in the air and on the ground, as well as political uncertainties. These conditions will most likely continue, challenging us to always deliver the best possible service to our customers and value for our shareholders. In addition, 2018 gave us some unwanted and sudden challenges with our 787 Dreamliner operation. Engine issues forced us to both cancel planned flights and wetlease aircraft from other companies to get our passengers to their destinations. We have taken measures to limit the impact in 2019, and we expect the entire Dreamliner fleet to be fully back in service in 2019.

The competition in our industry is tough but the underlying trend is promising, with the GDP and the global middle class expected to grow, consequently boosting travel and tourism.

LETTER FROM CEO

COST FOCUS

After years of substantial global growth, we have reached a size where we now can profit from our benefits of scale. Our continued fleet renewal will ensure that we continue to have one of the most modern fleets of fuel-efficient aircraft in the world, consequently increasing our competitive advantage while reducing emissions.

Norwegian is a company with a cost-conscious mindset, and together with our dedicated colleagues, we will continue to look at new ways to be more efficient without compromising on safety and customer satisfaction. More specifically, our cost reduction program, #Focus2019, will reduce costs by at least two billion NOK by tuning how we run our operation both in the air, on the ground, as well as changing the way we operate across various departments and functions. Our employees are looking at every aspect of the business to find potential areas for further cost efficiencies, and I am certain we will succeed.

GLOBAL CONNECTIVITY

During 2018 we continued to increase our share of the transatlantic market between Europe and the USA. We ended 2018 as the largest foreign airline in New York and the third largest in Los Angeles. The growth in 2018 has secured firm positions in key long-haul markets such as London, Paris, Barcelona, Rome and Madrid.

In addition to the USA expansion, we introduced South America to the Norwegian travel experience. We started to fly between London and Buenos Aires and launched a domestic operation in Argentina. South America has many promising destinations and we will continue to target underserved markets controlled by legacy carriers, such as with our new route between London and Rio de Janeiro taking off in March 2019.

With the leading position at key airports and markets, we will focus on increasing connectivity within our own global network while at the same time offering even more direct routes. The world has never been closer for world travelers with Norwegian's expansion into long-haul and going forward we will enable even more travelers to seamlessly connect at both ends of our route network whether the journey starts in Los Angeles, Bangkok, Oslo, London, Barcelona or Berlin. The option to connect with other low-cost carriers will continue and increase.

FORTIFY POSITION IN THE NORDIC MARKETS

During 2018, most of our narrow-body growth has been in our core Nordic markets. We believe that the low-cost competition in the Nordic market will increase. However, we will continue to provide travelers in the Nordics with excellent connectivity and award-winning service to deliver good value for money.

There continues to be great potential for continued growth in new markets. Our geographic position in Scandinavia is ideal to connect Asia, Europe and North America. We applaud Norway's government's intentions to secure Russian traffic rights that will enable Norwegian to connect Asia with Scandinavia, boosting economic value in Norway through increased tourism and export. Using Scandinavia as a hub for both long-haul and medium-haul into Asia has great potential, but unfortunately it is currently restricted by outdated government agreements.

"Norwegian continues to be in a strong position to weather the storm that the industry faces."

YOUNG AND MODERN FLEET

Our fleet of Boeing 737s and 787s have an average age of 3.8 years, making it one of the world's most modern and environment-friendly. We are considerably more fuel efficient than the next best airline across the transatlantic and 33 per cent more fuel efficient than the industry average. We will continue to invest in fuel reduction technology and renew our fleet by replacing old 737-800 with newer 737-MAX. This is important for us as a company, our customers and the environment.

GOOD CUSTOMER EXPERIENCE MEANS MORE AWARDS

Throughout 2018, we have significantly increased our passenger numbers without compromising the award-winning, high-quality service we offer. This was once again demonstrated at the Skytrax awards, where passengers world-wide named Norwegian the "World's Best Low-Cost Long-Haul Airline" for the fourth year running and "Best Low-Cost Airline in Europe" for the sixth year running. These awards are a recognition of our hard-working colleagues in the air and on the ground and their commitment to our passengers.

Our Reward program for frequent fliers continues to deliver value to our members, and for a second consecutive year we were awarded the "Program of the Year" at the Freddie Awards, the most prestigious member-generated award in the travel loyalty industry.

THE NEXT PHASE

During 2019 Norwegian will enter a new phase in the company's history. The growth rate will be lower, the operations will be even more streamlined, and we will be able to capitalize on previous investments.

We have revised our strategic goals towards 2022 and renewed our ambitions to further improve our cost base to be able to deliver a highly competitive service to our customers. In the coming years our fleet of Boeing 737-800s will gradually be replaced by even more fuel-efficient 737-MAX aircraft and we take our final deliveries of Boeing 787 Dreamliners.

I can promise that both our passengers and all my colleagues here at Norwegian can look forward to another exciting chapter in the Norwegian story in 2019 bringing people and the world closer.

Bjørn Kjos
Chief Executive Officer

BOARD OF DIRECTORS' REPORT

POSITIONING FOR THE FUTURE

"Unit cost including depreciation excluding fuel decreased by 12 per cent."

Norwegian Air Shuttle ASA reported a solid 30 per cent revenue growth in 2018, supported by new aircraft entering the fleet and new routes launched. With a high 37 per cent production growth (ASK) the unit cost including depreciation decreased by four per cent to NOK 0.43, and unit cost including depreciation excluding fuel decreased by 12 per cent. The achieved unit cost was above guidance from last report, driven by an increase in fuel price. The production growth (ASK) is slightly down from the latest guidance, driven by some divestments of the fleet and engine reliability issues on the 787 Dreamliner. Norwegian confirmed its competitive ability and attractiveness with a 13 per cent growth to 37 million passengers.

Through considerable growth and investments, Norwegian is laying the foundation for a sustainable business for years to come. The high growth rate naturally impacts both short-term unit revenue and unit cost, and the results for 2018 reflect that the company has been in a phase of very strong growth.

The results were also considerably affected by an increasing fuel price and operational challenges due to issues with Rolls Royce engines on the Boeing 787 Dreamliner. Norwegian was forced to wet lease aircraft to avoid delays and cancellations on intercontinental flights.

The consolidated operating revenue grew by 30 per cent to NOK 40,266 million. The revenue growth was mainly driven by the 13 per cent passenger growth fueled by new aircraft deliveries in 2018 and a 15 per cent increase in ancillary revenue per passenger. At the end of 2018, the fleet operated by Norwegian comprised of 164 aircraft, including aircraft on maintenance, but excluding short-term leased aircraft (wet lease).

The ticket revenue per available seat kilometer (unit revenue) for 2018 was NOK 0.33, down four per cent from the previous year, and the yield was down by two per cent to 0.38. The lower unit revenue and yield was expected and a result of a 15 per cent increase in sector length due to a massive increase in the wide body fleet and increased utilization. The load factor fell to 85.8 per cent (87.5) due to the strong capacity growth. Ancillary revenue rose by 30 per cent to NOK 6,267 million (4,823), a 15 per cent increase per passenger to NOK 168.

The Group's financial position at the end of 2018 was impacted by the growth in new on-balance aircraft. In Q2 2018 the Group completed an equity issue of NOK 1,456 million. To strengthen the Group's balance sheet further and ensure the ability to deliver on its long-term strategy, the Company secured a stand-by underwriting commitment for a rights issue of up to NOK 3 billion in Q4 2018. The timing of this issue was affected by merger and acquisition dialogues with external parties. Net interest-bear-

BOARD OF DIRECTORS' REPORT

ing debt increased to NOK 31,917 million, up from NOK 22,265 million at the end of 2017, driven by investments in new aircraft. Cash and cash equivalents fell to NOK 1,922 million at 31 December 2018 due to increased hold-back from acquirers and repayment of unsecured bonds. The equity ratio decreased to three per cent from five per cent last year.

The Board of Directors expects 2019 to be a year with reduced growth. The production growth (ASK) is expected to be between 8 and 10 per cent in 2019, driven by five new deliveries of Boeing 787 Dreamliners. New 737 MAX 8 will enable continuous fleet renewal of the narrow body fleet. Norwegian will continue its efforts to improve its cost efficiency and expects to reduce the unit cost from 0.43 in 2018 to between NOK 0.4075 and 0.4125 in 2019. The reduction is expected to be driven by slower growth leading to better utilization of crew and aircraft, and a trimmed route portfolio. The extensive cost reduction program #FOCUS2019 with an expected impact of at least NOK 2 billion will also contribute to lower costs. The cost reduction will be reported per quarter to the market. Initiatives are related to multiple areas in the company, but largest savings are identified in crew, technical and handling.

KEY EVENTS 2018

- 25 new aircraft delivered: 2 new Boeing 737-800, 12 new 737 MAX 8 and 11 787-9 Dreamliners were delivered in 2018. At year-end 2018 Norwegian operated 114 Boeing 737-800 aircraft, 18 Boeing 737 MAX 8 and 32 Boeing 787 Dreamliners.
- Emissions per passenger kilometer reduced by one per cent to 72 grams of CO_2. New fuel-saving technology has been implemented to further reduce CO_2 emissions by 16,000 tons, equivalent to 5000 tons of fuel.
- 2018 marked the 100th and final delivery of the 737-800 from Boeing to Norwegian. Future deliveries of narrow-body aircraft from Boeing will be 737-MAX 8, an upgraded and more fuel- efficient version of the 737-800.
- Recognized as “World’s Best Low-Cost Long-Haul Airline” for the fourth time running and “Best Low-Cost Airline in Europe” for the sixth time running by SkyTrax World Airline Awards.
- First routes to South America launched: London to Buenos Aires and London to Rio de Janeiro.
- Domestic Argentinian operation successfully launched with three aircraft operating at year end 2018.
- Norwegian and UNICEF operated this year’s most important flight to Chad in central Africa. Norway’s Minister of International Development also took part in the mission that supplied thousands of children in Chad with medicines and school supplies.
- Norwegian became the largest non-US airliner on transatlantic routes serving New York.
- International Council on Clean Transportation (ICCT) awarded

BOARD OF DIRECTORS' REPORT

Norwegian the most fuel-efficient airline on transatlantic routes.

- Norwegian Reward reached 8 million members and won «Program of the Year Europe & Africa» for the second consecutive year at the prestigious Freddie Awards.
- Norwegian CEO Bjørn Kjos received "U.S. Ambassador's Award" for strengthening bilateral relations between Norway and the U.S.

GROUP OVERVIEW

Norwegian Air Shuttle ASA ("Norwegian" or "the Company"), the parent company of the Norwegian Group ("the Group"), is headquartered at Fornebu in Norway, just outside Oslo. The Company and its subsidiaries employ 10,215 staff at 29 operational bases in 14 countries across four continents. Norwegian has additional branch registrations according to local requirements in the operating regions. Norwegian has a leading position in the European short-haul point-to-point market, with a particularly strong position in the Nordics. In addition, Norwegian has developed a strong and differentiated position on flying long-haul transatlantic. In 2018, Norwegian operated more than 500 routes to over 150 destinations with both scheduled and charter service.

BUSINESS STRATEGY

Norwegians vision is "to be the leading long-haul low-cost airline in Europe operating as the engine of global low-cost growth and dominating the Nordic short-haul market". The Group's operational priorities are safety, service and simplicity. Norwegian's overall business objectives are to be the preferred airline in selected markets and to generate profitability and return to its shareholders.

The next phase in the company's development will be characterized by substantially lower growth rate, enabling Norwegian to capitalize on previous years' investment. The Group has during a strategic review in 2018 defined four strategic objectives towards 2022:

- Be the preferred airline for customers seeking value for money.
- Return to sustainable profitability.
- Fortify position as the leading short-haul carrier in the Nordics.
- Build a global low-cost alliance with our long-haul operation as the backbone.

Be the preferred airline for customers seeking value for money

Deliver on key aspects of the customer experience – before, during and after flight:

- Offer customers the freedom of choice to select additional products and services. Provide a core, low-cost product to the price sensitive customer and a more comprehensive package to those who may want a little extra, thereby ensuring a broad market reach.
- Prioritize digital touchpoints and personalization.
- Sustainable on-time performance and regularity year-round.

BOARD OF DIRECTORS' REPORT

Return to sustainable profitability
Returning to sustainable profitability by keeping focus on the cost level and revenue generation:

- Recently-opened routes and routes with heavy capacity growth will move from a build-up phase to a mature level with higher expected returns.
- Operational efficiency and tuning of route network.
- Optimize fleet for the Norwegians network. Divest up to 140 aircraft, including both aircraft from existing fleet and aircraft on order.

Fortify position as the leading short-haul carrier in the Nordics
To continue as the leading short-haul carrier in the Nordics and maintain European presence, the Group continuously adjusts the short-haul network:

- Strengthen short-haul connectivity and frequency to attract higher paying segments.
- Dominate key leisure destinations.
- Leverage growth of long-haul operation in/out of Europe to feed short-haul network across Europe.

Build global low-cost alliance with Norwegian's long-haul operation as the backbone
Norwegian is a truly global airline connecting many of the most attractive tier-one cities in the world through its long-haul network. To further expand the global footprint Norwegian will:

- Strengthen the customers' ability to seamlessly connect at both ends of a Norwegian long-haul flight.
- Focus on developing underserved markets between Europe and other continents.
- Continue to explore new market opportunities in the global market place.

CORE VALUES

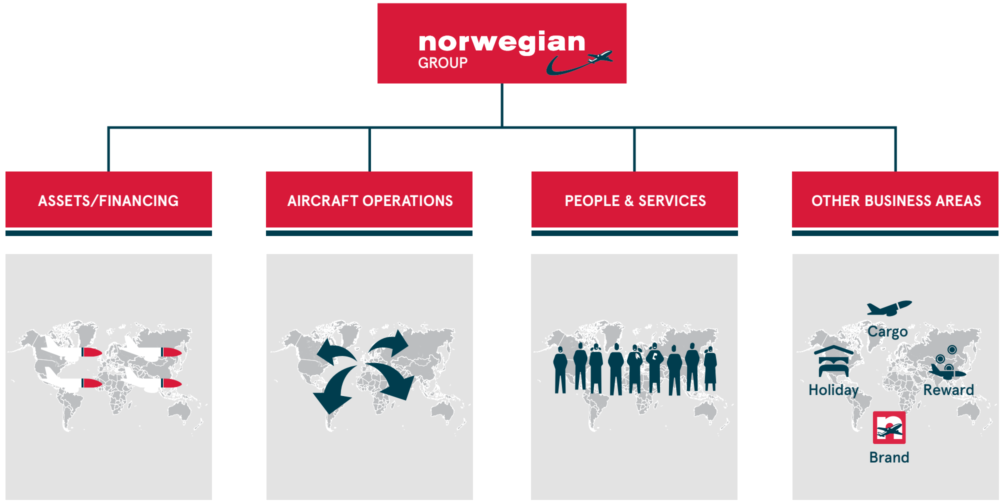
During 2018 Norwegian finalized and rolled out new core values following a process including input from Norwegian colleagues around the world. Our core values are important as they support the vision, shape our culture and reflect what value we bring to the world, our customers and our colleagues.

Norwegian's core values are Innovation – Teamwork – Simplicity: IT'S Norwegian!

- **Innovation means:** We think creatively and always seek to improve.
- **Teamwork means:** We respect and help each other to succeed.
- **Simplicity means:** We work hard to enhance the Norwegian experience.

CORPORATE STRUCTURE

The Norwegian Group consists of the parent company, Norwegian Air Shuttle ASA, and its directly or indirectly owned subsidiaries in Norway, Sweden, Denmark, Finland, Ireland, Spain, United Kingdom and Argentina. The Group has structured its operations and different functions into several entities to ensure international growth and secure necessary traffic rights in line with the strategy. The purpose is to have an organizational structure that maintains Norwegian's flexibility and adaptability when growing and entering into new markets. The respective



companies offer permanent employment, and terms and conditions according to local markets, laws and regulations.

The Group's entities are further organized into four main business areas. Each business area is focused on specializing within its core operation, while maximizing benefits on behalf of the Group. This division seeks to highlight the value-driving activities within the Group and is a result of Norwegian's innovative and entrepreneurial approach in the travel industry and beyond.

Norwegian has four main business areas:

- Assets
- Aircraft Operations
- People and Services
- Other Business Areas

The Group does not report profit per entity, as the Executive Management considers the business as one operating segment, which is low-cost air passenger travel. The Group's operating profit comes from airline-related activities and the aircraft fleet is the Group's main revenue generating asset, which is utilized across the Group's geographical segment.

Assets
The Group´s asset companies are organized in a set of subsidiaries based in Dublin, Ireland. Arctic Aviation Asset DAC is the parent company. The business area handles aircraft financing, leasing and ownership. Arctic leases aircraft to both Norwegian's own operations and external airlines.

Aircraft Operations
At year-end 2018, Norwegian had six airline operators in five different countries, each holding a unique national air operator's certificate (AOC). Each AOC is under the supervision of the civil aviation authorities in their respective country. The co-ex-

BOARD OF DIRECTORS' REPORT

"The Norwegian Group has strengthened the investment in its brand, both as a valuable Intellectual Property asset and a consumer facing asset."

istence of these operators gives the Norwegian Group broader market access than with a single AOC. Multiple AOCs is key to expanding the current route network.

The parent company Norwegian Air Shuttle ASA (NAS), based at Fornebu, outside Oslo, Norway, holds one of the AOCs. The fully owned subsidiaries Norwegian Air International Ltd. (NAI), based in Dublin, Ireland, Norwegian Air UK Ltd. (NUK), based in London, United Kingdom, Norwegian Air Norway AS (NAN), based at Fornebu, Norway, Norwegian Air Argentina S.A.U. (NAA), based at Buenos Aires, Argentina, and Norwegian Air Sweden AB (NSE), based at Stockholm, Sweden, each have an AOC. Norwegian's commercial airline activities are operated through 29 bases globally in the following countries: Norway, Sweden, Denmark, Finland, United Kingdom, Ireland, Spain, Thailand, United States, Italy, Netherlands, France and French Caribbean.

People and services

The Group's people and services functions are organized in a set of subsidiaries across the world. Norwegian Air Resources Ltd. is the parent company headquartered at Fornebu, Norway. The business area handles crew services, airline operative support services and part of the administrative services.

Other business areas

Norwegian Brand Ltd., based at Dublin, Ireland, has the responsibility of developing and maintaining the Norwegian Group's brand across all business areas.

Norwegian Reward, Norwegian's loyalty program, is a separate business unit with its own management. Reward is growing rapidly – it surpassed 8.7 million members in 2018 – and has a presence in the airline's major markets. Members earn CashPoints when booking Norwegian flights and buying products or services from partner companies. Reward members can then use CashPoints as full or partial payment on all Norwegian flights or other products and services without restrictions, such as seat reservations and baggage. Reward has also introduced additional member benefits; which members can now claim after every sixth flight and use an unlimited amount of times within 12 months. The benefits include free seat reservation, free baggage, free Fast Track or a CashPoint boost.

Norwegian Cargo AS (Fornebu, Norway) carries out the Group's commercial cargo activities.

Norwegian Holidays AS (Fornebu, Norway) provides holiday packages to customers in the end market through the Group's web booking portal.

Red Handling carries out ground handling services and is established in the UK and Spain. Red Handling UK Ltd. provides ground handling services at London Gatwick Airport (LGW) to Norwegian's AOCs, and Red Handling Spain S.L provides ground handling services at Barcelona Airport (BCN), Alicante Airport (ALC), Palma de Mallorca Airport (PMI), Málaga Airport (AGP) and Las Palmas Airport (LPA) to Norwegian's AOCs.

Norwegian – Brand value

The Norwegian Group has strengthened the investment in its brand, both as a valuable Intellectual Property asset and a consumer facing asset. The subsidiary Norwegian Brand Ltd. is the owner of all intellectual property assets in the Group and has advanced the development of brand strategy as a commercial tool to support expansion worldwide. As the value of the brand increases, the ability of the Group to efficiently attract new consumers and increase repurchase also grows.

The work of Norwegian Brand Ltd. also focuses on aligning brand efforts across the business to maximize investment and marketing impact while reducing costs. Developing a strong and consistent brand across the business supports Norwegian's aim to deliver positive customer experiences worldwide.

"Norwegian's network development objectives are to identify major point-to-point markets that have been over-priced or underserved."

MARKET CONDITIONS

Norwegian is the third largest low-cost carrier in Europe and eighth largest in the world. It is a truly global airline, with a route network stretching across Europe into North Africa, the Middle East, North America, the Caribbean, South America and South-East Asia. Norwegian's long-haul network has increased by more than 20 per cent during 2018 and reached a total of more than 60 intercontinental routes at year-end 2018. Norwegian also has a vast domestic route network in Norway, Sweden, Denmark, Finland and Spain, as well as a wide range of routes between Scandinavia and the European continent and UK.

Air traffic continues to prove its resilience when compared to slow economic growth by outperforming global GDP which shows a clear global demand and appreciation of the benefits associated with aviation. Revenue passenger kilometers ("RPKs") experienced a global growth of 6.4 per cent in 2018 according to the International Civil Aviation Organization (ICAO) figures. The low-cost carriers continued to increase their market share, with the European market at the top with 36 per cent of total passengers. 2018 has also been a challenging year for the industry with uncertain fuel prices, equipment reliability issues from several original equipment manufacturers (OEMs) and geopolitical uncertainty with increased trade protectionism has significantly impacted the trading environment.

The European airline market is fragmented with Europe's top seven airline groups only controlling 55 per cent of seats to/from/within Europe in summer 2018, compared with an 82 per cent share for North America's top seven. The short-haul market within Europe has continued to experience heavy competition with overcapacity in many areas. The bankruptcy of Air Berlin in 2017 has seen a surge of competitors enter Germany, putting pressure on yields. In addition, more of the legacy carriers have un-bundled their fare structures on short-haul to improve their competitive edge with the low-cost carriers on price. This has continued to weigh heavily on the industry and resulted in further airline bankruptcy or restructures, including Primera Air, Laudamotion and Wow air.

Low cost carrier competition in the Nordic markets continued to increase in 2018 with more routes from Wizzair and the introduction of Easyjet at Oslo Airport.

Competitors have continued to adapt their business models to better compete with Norwegian's long-haul operation as well. As on short-haul, many established long-haul carriers have de-bundled their products, offering seat only prices to compete with our low fares. Actions by airline competitors continue to show that Norwegian's long-haul network is directly impacting on their margins.

Operations and market development

In 2018, Norwegian continued its strong network expansion with the increased fleet of nine narrow body aircraft and eleven wide-body aircraft during the year. The growth in 2018 has helped us secure leading positions in key long-haul markets such as London, Paris, Barcelona, Rome and Madrid. Norwegian became the largest foreign airline on transatlantic routes to New York. Many of these markets are expected to mature in 2019, as growth slows.

Norwegian saw the peak of its long-haul growth in 2018. This growth combined with Rolls Royce engine issues has resulted in disruption across our network. Norwegian has been forced to wet lease in wide-body aircraft to cover grounded 787 aircraft due to engine issues. This has had a negative impact on commercial performance and passenger experience. The position is more positive going into 2019 as the Group has ensured greater operational contingency through grounding aircraft in Q1. It is also expected that Rolls Royce engine reliability to improve significantly from Q2 onwards.

Network

Norwegian continues to deliver on its established network strategy, identifying major point-to-point markets that have been over-priced or underserved, while simultaneously maximizing aircraft and crew utilization.

In 2018, Norwegian still focused most of its narrow body growth on its core Nordic markets and in to Germany from bases in Spain. This enabled the Group to offer attractive schedules and low-cost production for its Scandinavian customer base.

The Nordic bases grew by nine aircraft, increasing domestic production across all markets in addition to city destinations in Europe. Norwegian also reallocated some aircraft to London where they were chartered out to various tour-operators.

In 2018, Norwegian focused its long-haul growth in European capital cities. The UK, France, Spain and Italy accounted for 26 of 32 aircraft. The UK saw the largest growth with an additional five aircraft being allocated to Gatwick. These aircraft contributed to our continued growth across the US market, such as the London to New York route which was increased to three daily services and in Florida where we were able to significantly increase the frequency of flights into Miami, Orlando and Tampa. In addition, a new route to Buenos Aires performed well from launch.

Spain and Italy both saw substantial growth with additional aircraft allocated to start new transatlantic services to Madrid and increased seasonal services to Rome. The Group's routes continued to grow in Paris and a new service from Amsterdam to New York started following the allocation of an aircraft at Schiphol Airport.

During 2018, new route launches included Norwegian's first services to South America with a route from London Gatwick to Buenos Aires and direct services from Madrid and Rome to Boston. In December 2018, it was announced that Norwegian will commence a new service from London to Rio de Janeiro from 31 March 2019.

International operations

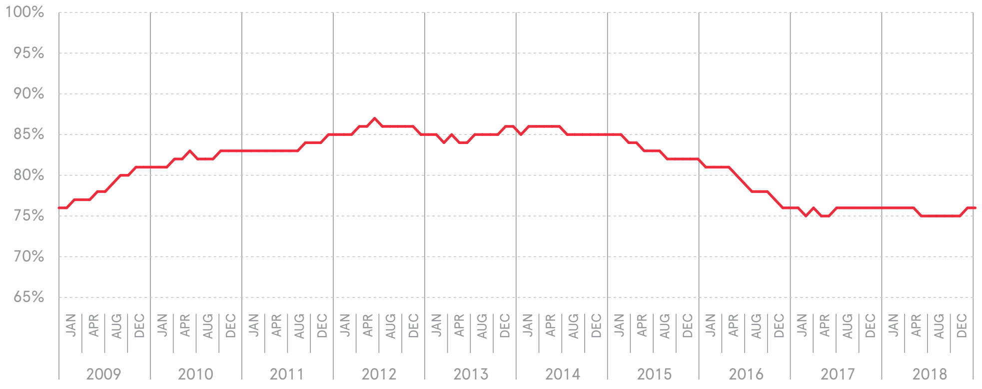
Norwegian Air International

Norwegian Air International Ltd (NAI), is an Irish subsidiary of Norwegian Air Shuttle. Established in 2013, NAI operates routes within Europe. During 2018, Norwegian Air

BOARD OF DIRECTORS' REPORT

PUNCTUALITY

On-time performance (12 months rolling)*



* Norwegian initiated the GearUp project targeting improved on-time performance during 2018, and has since August 2018 experienced six consecutive months of improvements to punctuality.

"Norwegian initiated the GearUp project and has since August 2018 experienced six consecutive months of improvements to punctuality."

International (NAI) went from operating 69 aircraft to operating 67 aircraft; the fleet consists of 737-800 and 737 MAX 8. At the end of the year, NAI operated out of bases in Denmark, Finland, Italy, Ireland, Spain and UK. NAI is based at Dublin Airport, Ireland with approximately 50 employees.

Norwegian Air UK

Norwegian Air UK Ltd. (NUK), is a UK subsidiary of Norwegian Air Shuttle. Established in 2015, NUK operates routes between the UK, USA and South America. During 2018 NUK went from operating one 787 Dreamliner and one 737-800 to operating twelve Boeing 787-9 Dreamliners and one Boeing 737-800 aircraft. At the end of the year, NUK operated all Norwegian long-haul routes from London Gatwick. NUK is a member of Airlines UK, the industry body that represents UK-registered airlines. NUK is based near London Gatwick, UK with 24 employees.

Norwegian Air Argentina

Norwegian Air Argentina (NAA), is an Argentinian subsidiary of Norwegian Air Shuttle. Established in 2018, NAA operates routes within Argentina. NAA started operations with one 737-800 in October 2018 and by December served five domestic destinations from Buenos Aires with three 737-800 aircraft. NAA have captured a 5 per cent market share of the domestic Argentine market. NAA is based in Munro, just outside the City of Buenos Aires and employs 180 employees including flight crew.

Safety and Compliance

Norwegian embraces the safety of customers, personnel and operations as essential guiding principles. To achieve a safe operating environment, each of the airlines; Norwegian Air Shuttle, Norwegian Air Norway, Norwegian Air Sweden, Norwegian Air UK, Norwegian Air International and Norwegian Air Argentina are managed according to the Safety Management System principles and have dedicated Safety Departments and Quality / Compliance Departments. The Directors of both departments report directly to the Accountable Manager of their respective airline.

The continued expansion of Norwegian's network brings new cultures and new challenges to the operation. Norwegian meets these challenges proactively, as part of the Management of Change, conducting Change Impact Assessments, and Safety Risk Assessments to ensure that to the highest degree possible, hazards are identified, and associated risks are adequately managed. Norwegian's Safety Culture is derived from industry best practice and learning.

In order to ensure compliance with the European Union Aviation Safety Agency (EASA) regulations the compliance departments perform audits of both internal functions as well as contracted providers within all operational areas.

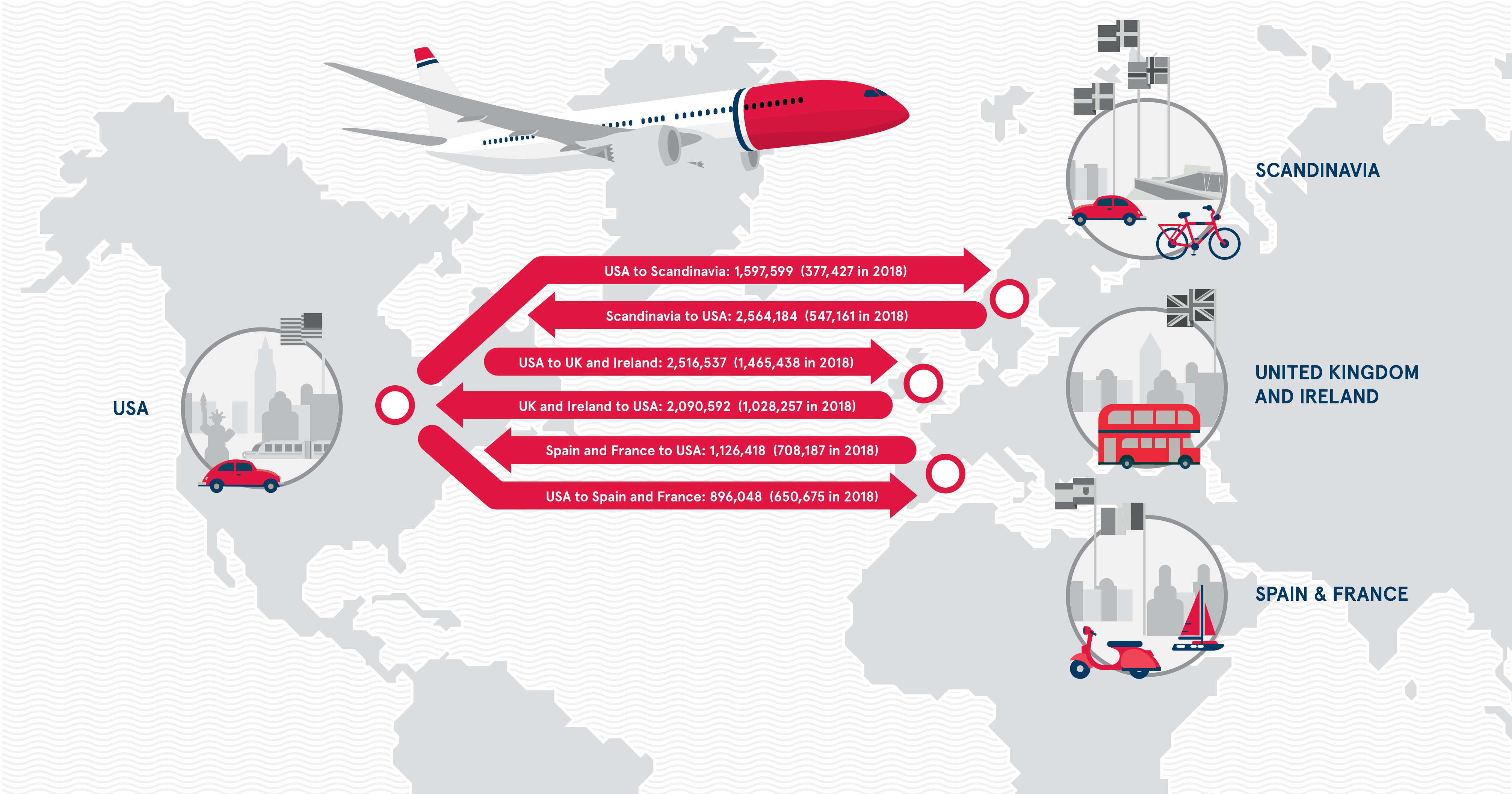
Norwegian places emphasis on its safety culture as a key safety tool, and the Norwegian Safety Management System is underpinned by a strong reporting culture, which is used to provide early identification of hazards, permitting opportunity to prevent escalation to accident or incident. The reporting culture is built on the foundation of "just culture", and a "learning culture". "Just culture" is a culture in which front-line operators and others are not punished for actions, missions or decisions taken by them which match their experience and training, but where gross negligence, willful violations and destructive acts are not tolerated. The knowledge Norwegian gains from its safety reporters is used to ensure continual safety improvement. The Norwegian code of ethics, applicable to all personnel, welcomes and ensures all cultures joining and already amongst the family experience respect and recognition in the workplace.

A collaborative, cohesive and proactive approach to safety across the Norwegian group airlines is recognized and accepted as essential to the business. Accordingly, the Safety Directors drive harmonized systems to deliver risk management and safety assurance, and the Accountable Managers and Nominated Persons ensure safety lessons from one part of the airline is utilized across the group to ensure the group of airlines learns and develops from a common set of data. Safety Management System Training is provided to all personnel, and specialist Safety Personnel receive internal and external training applicable to their role.

Norwegian moves from 2018 into 2019 with no accidents since its inception in 1993. The Group had no critical personnel injuries during 2018. The safety is managed to a degree at and above regulatory requirements utilizing cutting edge safety IT systems fed with data from highly competent and well engaged personnel.

TOTAL NUMBER OF PASSENGERS

Total numbers of passengers from each country/region from 2013 to 2018.



BOARD OF DIRECTORS' REPORT

Aircraft maintenance

During 2018 Norwegian has added two more Air Operator Certificates (AOCs) to the four that existed at the end of 2017.

At the end of 2018 Norwegian had the following AOC's: Norwegian Air Shuttle ASA (NAS), Norwegian Air Norway AS (NAN), Norwegian Air International Ltd. (NAI), Norwegian Air UK Ltd. (NUK) Norwegian Air Argentina (NAA) and Norwegian Air Sweden (NSE). Each individual AOC operator has its own approved certification from its respective national civil aviation authority. Each national civil aviation authority has approved the AOCs' maintenance organization (CAMO) and maintenance program (AMP). The Boeing 737 (800 and MAX) fleet is operated by all six AOCs, while the Boeing 787 fleet is operated by NAS and NUK.

Continuing Airworthiness activities – activities that keep the aircraft suitable for safe flights – for the 787 and 737 MAX fleets are sub-contracted to Boeing Global Fleet Care. The control and oversight of all activities are performed by each AOC.

Maintenance is divided into frequent line maintenance and heavy maintenance. The line maintenance is performed by approved Part-145 organizations. The NAS Part-145 is doing line maintenance for all Norwegian's AOCs operating from Oslo, Trondheim, Bergen, Stavanger, Stockholm, Copenhagen, Barcelona, Guadeloupe and Martinique.

Other destinations where Norwegian AOCs operate and need line maintenance checks are contracted to external approved maintenance organizations.

Major airframe and workshop maintenance are performed by external sources subject to approval by the European Aviation Safety Agency (EASA) and the national aviation authorities. Airframe (base) maintenance for the 737 fleet is currently carried out by Lufthansa Technik in Budapest, Hungary. Lufthansa Technik and Boeing are undertaking engine and component workshop maintenance. Airframe maintenance for the 787 fleet is carried out by NAS Part 145 and Boeing Ireland. Rolls Royce UK carries out engine maintenance.

All maintenance, planning and follow-up activities, both internally and externally, are performed according to both the manufacturers' requirements and additional internal requirements, and are in full compliance with authoritative international regulations. The Group carries out initial quality approval, as well as continuously monitoring all maintenance suppliers.

All supplier contracts are subject to approval and monitored by the national aviation authorities.

FINANCIAL REVIEW

Norwegian reports consolidated financial information compliant to the International Financial Reporting Standards (IFRS) as adopted by the EU. IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers were implemented from 1 January 2018 and did not have significant effects on the 2018 financial statements. The preparation of the accounts and application of the chosen accounting principles involve using assessments and estimates and necessitate the application of assumptions that affect the carrying amount of assets and liabilities, income and expenses. The estimates and the pertaining assumptions are based on experience and other factors. The uncertainty associated with this implies that the actual

BOARD OF DIRECTORS' REPORT

figures may deviate from the estimates. Maintenance reserve obligations, expected useful lives and residual values of aircraft as well as the recognition of deferred tax assets are among the most important estimates applied by Management when preparing the financial statements.

Consolidated income statement

The Group's total operating revenue for 2018 grew by 30 per cent to NOK 40,266 million (NOK 30,948 million), of which ticket revenue accounted for NOK 32,560 million (NOK 24,719 million). Ancillary passenger revenue was NOK 6,267 million (NOK 4,823 million), while NOK 1,439 million (NOK 1,407 million) was related to freight, externally leased aircraft, third-party products and other revenue. The revenue growth is largely attributable to an increased number of passengers, up 13 per cent to surpass 37 million during 2018 and sector length increase of 15 per cent due to a massive growth in the wide body fleet during 2018. The load factor decreased by 1.7 percentage points compared to last year, following the strong production (ASK) growth of 37 per cent. The ticket revenue per available seat kilometer (unit revenue) for 2018 was NOK 0.33 (NOK 0.34), down four per cent from the previous year. The decrease was expected and strongly linked to increased sector length and increased utilization on narrow body aircraft going into the 2018 / 2019 winter season. Ancillary revenue per passenger rose by 15 per cent to NOK 168 (145).

Operating expenses (excluding depreciation and amortization) in 2018 amounted to NOK 42,449 million (NOK 30,889 million), with a unit cost including depreciation of NOK 0.43 (NOK 0.45). The unit cost including depreciation excluding fuel decreased by 12 per cent to NOK 0.31 (NOK 0.35). Unit cost including depreciation excluding fuel in constant currency was 12 per cent lower than 2017. The decrease in unit costs in 2018 shows that the Group is starting to see effects of increased efficiency and benefits of scale, despite engine issues experienced during the year. Earnings before interest, tax, depreciation and amortizations (EBITDA) were negative NOK 2,183 million, compared to NOK 59 million in 2017.

The unit cost reduction in 2018 compared to 2017 reflects that the company has more than doubled its fleet of wide body aircraft, resulting in increased average sector length of 15 per cent. Engine issues for the wide body fleet have had a negative effect on the operating costs, which are only partly covered by the manufacturer. Indirect negative effects such as increased passenger service costs, increased fuel burn and lower crew utilization as consequences of increased wet lease are not covered but resulted in increased costs for the company. The Company estimates total costs related to the engine issues of approximately NOK 2 billion of which approximately NOK 1 billion has been recognized as the net negative impact in the income statement as increased operating expenses.

The first three quarters of 2018 were negatively impacted by increasing fuel costs, whereas the final quarter was negatively impacted by unrealized losses on fuel hedges as a consequence of the significant reduction in fuel prices. Other gains / losses include gains and losses from foreign currency contracts, forward fuel contracts, net loss from total return swaps, translation of working capital in foreign currency and net gain or loss from sale of fixed assets. Net Other gains / losses in 2018 was a loss of NOK 994 million (2017: gain of NOK 432 million), including a net loss of NOK 1,199 million from forward contracts on fuel (NOK 1,912 million unrealized loss and NOK 713 million realized gain) and a gain of NOK 179 million from translation of working capital in foreign currency.

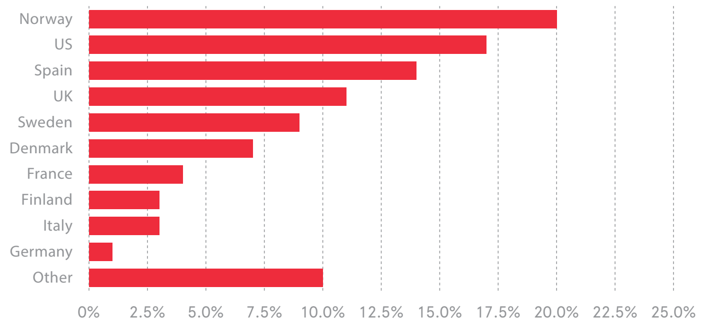
Operating profit before interest and taxes ("EBIT") excluding other losses/(gains) for 2018 was negative NOK 2,857 million (2017: Negative NOK 2,434 million).

Net financial items of NOK 1,232 million (2017: Negative NOK 852 million) includes a net gain of NOK 1,940 million as a consequence of discontinuation of the equity method for the Company's investment in Norwegian Finans Holding ASA ("NOFI") from the first quarter of 2018. Norwegian owns 16.4 per cent of the outstanding shares in NOFI. The investment was presented according to the equity method as an investment in associated companies until March 2018, when the Chair of the Board of Directors resigned from the Board of NOFI and its subsidiary Bank Norwegian. Following the loss of significant influence in NOFI, use of the equity method was discontinued. From March 2018 onwards, the ownership in NOFI is recognized as a financial investment according to IFRS 9 and subsequent changes in fair value are recorded in other comprehensive income.

The Group's share of OSM Aviation for the year and Norwegian Finans Holding's net profit in the first quarter of 2018

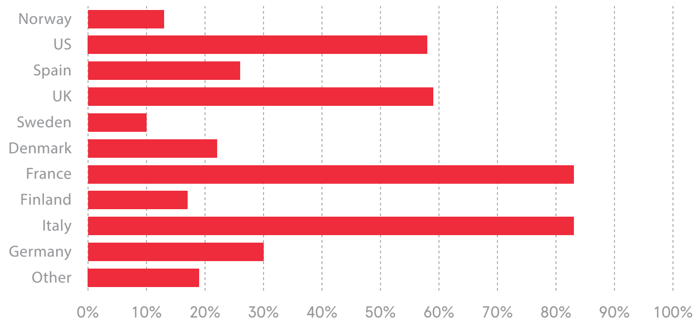
REVENUE SHARE

In per cent



REVENUE GROWTH 2017–2018

In per cent



BOARD OF DIRECTORS' REPORT

resulted in a net gain of NOK 129 million (NOK 292 million) in the consolidated income statement.

Loss before tax amounted to NOK 2,490 million (loss in 2017 of NOK 2,562 million) and net loss after tax was NOK 1,454 million (loss in 2017 of NOK 1,794 million). Earnings per share was negative NOK 34.4 (2017: Negative NOK 50.2).

Consolidated statement of financial position

The Group's assets and debt are impacted by asset acquisitions, appreciation of USD to NOK of 5.9 per cent and the capacity increase during the year. Total assets at 31 December 2018 were NOK 55,985 million (NOK 43,523 million).

Net interest-bearing debt at the end of 2018 was NOK 31,917 million compared to NOK 22,265 million at the end of last year. At the end of 2018, the equity ratio is 3 per cent, compared to 5 per cent at the end of 2017.

Total non-current assets amount to NOK 44,209 million at the end of 2018, compared to NOK 34,328 million at the end of last year. The main investments during the year are deliveries of three new owned 787-9 Dreamliners and eight new owned Boeing 737 MAX 8 in addition to pre-delivery payments. During the year, the Company sold one 737-800 and five Airbus A320neo, of which three were also delivered during 2018. Intangible assets amounted to NOK 2,886 million at the end of 2018, compared to NOK 1,220 million at the end of 2017, including deferred tax assets of NOK 2,674 million compared to NOK 1,019 million at the end of last year. Net deferred tax assets at year-end 2018 amount to NOK 2,059 million.

Total current assets amounted to NOK 11,777 million at the end of 2018, compared to NOK 9,195 million at the end of last year. Assets held for sale of NOK 851 million include two Airbus A320neo. A letter of intent was signed prior to year-end and the final agreement and delivery took place in February 2019 with a positive effect on the Company's equity. Investments amount to NOK 2,084 million and consists mainly of the Group's economic interests in Norwegian Finans Holding ASA of NOK 2,052 million. Trade and other receivables have increased by NOK 2,395 million during the year due to increased production and increased hold-backs from credit card acquirers. Cash and cash equivalents have decreased by NOK 2,118 million during the year, ending at NOK 1,922 million.

Norwegian owns 16.4 per cent of the outstanding shares in Norwegian Finans Holding ASA (NOFI).

Norwegian also held total return swaps corresponding to 3.6 per cent of the outstanding shares in NOFI until they expired in December 2018. Net loss from total return swaps amounted to NOK 140 million during 2018.

Total non-current liabilities were NOK 26,662 million at the end of 2018, compared to NOK 25,026 million at the end of 2017. Long-term borrowings have increased by NOK 470 million during the year due to the financing of three new 787-9 Dreamliners, eight new 737 MAX 8 and appreciation of USD to NOK of 5.9 per cent year to date, offset by euro bond NAS07 and aircraft financing on sold aircraft reclassified to short-term borrowings or repaid, as well as scheduled down-payments on aircraft financing. Other non-current liabilities, provision for maintenance and deferred tax increased by a total of NOK 1,131 million, mainly due to increase in deferred tax liability on temporary differences and increased accruals for periodic maintenance on leased aircraft.

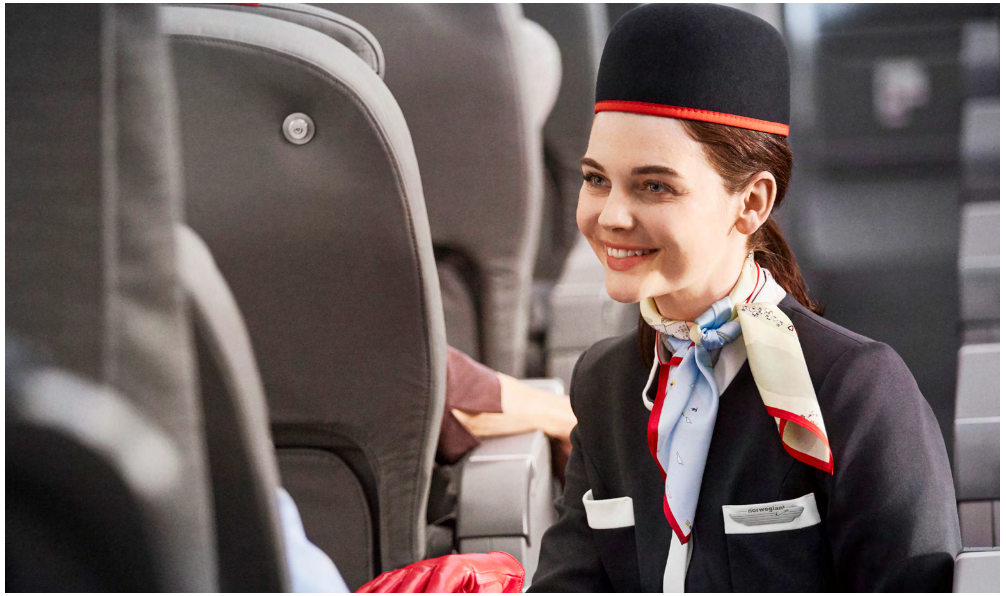
Total short-term liabilities amounted to NOK 27,619 million at the end of 2018, compared to NOK 16,398 million at the end of 2017. Short-term borrowings increased by NOK 7,065 million during the year due to new PDP financing and financing for seven 737-800 aircraft that was re-allocated to short term liabilities due to a decision to sell the aircraft within the next 12 months, as well as euro bond NAS07 being reclassified to short-term. Air traffic settlement liabilities increased by NOK 414 million from end of last year due to increased production. Other current liabilities, consisting of Trade and other payables, Derivative financial instruments and tax payable, increased by NOK 3,743 million in the same period.

Capital structure

Equity at the end of 2018 was NOK 1,704 million compared to NOK 2,098 million at the end of 2017. Equity decreased due to a net loss for the year of NOK 1,454 million and fair value losses of NOK 772 million mainly attributable to changes in fair market value of NOFI shares, partially offset by share capital increase of NOK 1,456 million, exchange rate gains from subsidiaries of NOK 348 million and other effects amounting to NOK 28 million. The equity ratio at the end of 2018 was 3 per cent.

All issued shares in the parent company are fully paid with a par value of NOK 0.1 per share. There is only one class of shares, and all shares have equal rights. The Group's ar-

BOARD OF DIRECTORS' REPORT



ticles of association have no limitations regarding the trading of Norwegian Air Shuttle ASA's shares on the stock exchange.

The Group's aggregated net interest-bearing debt was NOK 31,917 million (NOK 22,265 million) at year-end. The Group's gross interest-bearing liabilities of NOK 33,839 million (NOK 26,305 million) mainly consisted of financing for aircraft amounting to NOK 24,990 million, bond loans with a net book value of NOK 3,583 million, pre-delivery payment financing of NOK 4,141 million and a credit facility of NOK 1,125 million. In 2018, the Group repaid bond NAS06 of NOK 1,250 million. NOK 11,309 million of the interest-bearing loans mature in 2019. NOK 3,861 million is short-term financing of prepayments to aircraft manufacturers and will be replaced by long term financing at the time of delivery of the aircraft.

In 2018, a private placement in two tranches and a subsequent offering was completed in the first half of 2018, with a total number of 9,677,420 new shares issued and a net transaction size of NOK 1,456 million.

On January 29, 2019 Norwegian announced that it is strengthening its balance sheet through a fully underwritten rights issue of NOK 3 billion in order to increase its financial flexibility and create headroom to the covenants of its outstanding bonds compared with the company's business plan. The rights issue was completed in March 2019 and provided the company with an equity increase net of transaction costs of NOK 2.9 billion.

The company is changing its strategic focus from growth to profitability. The company intends to capitalize on the market position and scale built up over the last years. As a consequence of the changed focus, the capital expenditures will be reduced, which is expected to be achieved by a combination of (i) aircraft divestment, including JV, and (ii) postponement of aircraft deliveries. Further, the company is working on several operational improvements, including (i) the extensive cost reduction program, #Focus2019, which will contribute to an estimated cost reduction of minimum NOK 2 billion in 2019, (ii) optimization of the base structure and the route network and (iii) the agreement with Rolls-Royce related to compensation for the operational disruptions on its long-haul operations which was entered into in December 2018. The fully underwritten rights issue in combination with these improvement initiatives will significantly improve the financial position of the company during 2019.

Consolidated statement of cash flow

Cash and cash equivalents were NOK 1,922 million at the end of 2018 compared to NOK 4,040 million at the end of 2017.

Cash flow from operating activities in 2018 amounted to NOK 463 million compared to NOK 2,901 million in 2017. Receivables have increased by NOK 2,395 million during the year due to increased production and increased hold-backs from credit card acquirers. Air traffic settlement liabilities increased by NOK 414 million during 2018 compared to an increase of NOK 1,827 million during 2017. Changes in other assets and liabilities were NOK 2,285 million during 2018 compared to an increase of NOK 1,306 million during 2017. Cash flow from operating activities in 2018 at NOK 463 million differs substantially from operating profit of negative NOK 3,851 million. The main differences are unrealized losses from hedge contracts of NOK 1,966 million and depreciation of NOK 1,668 million, both items being included in operating profit but with no cash effects.

Cash flow from investment activities in 2018 was negative NOK 8,563 million, compared to negative NOK 3,428 million in 2017. Investments in new aircraft in addition to prepayments to aircraft manufacturers are the main investments and amounted to NOK 11,715 million in 2018 compared to NOK 8,382 million in 2017. During the second half of 2018, a total of 6 aircraft were sold, of which one Boeing 737-800 that were operated by the Company and five Airbus A320neo that were leased out. Proceeds from the transactions were used to repay debt and increase the Company's liquidity. Total proceeds from sale of tangible assets including PDP repayments in sale-lease-back transactions for new aircraft in 2018 were NOK 2,933 million, compared to NOK 4,864 million in 2017.

Cash flow from financing activities in 2018 was NOK 5,984 million compared to NOK 2,291 million in 2017. Proceeds from new aircraft financing outweigh down-payments on aircraft financing and pre-delivery payment financing in 2018. Proceeds from issuing new shares amounted to 1,456 in 2018.

The Group has a strong focus on liquidity planning and the Board is confident that the rights issue completed in March 2019 alongside other initiatives such as divestment of aircraft and postponements of aircraft deliveries will significantly improve the financial position and liquidity for the Group in 2019.

BOARD OF DIRECTORS' REPORT

"The Group's Board of Directors reviews and evaluates the overall risk management systems and environment in the Group on a regular basis."

Financial risk and risk management

Risk management in the Norwegian Group is based on the principle that risk evaluation is an integral part of all business activities. Policies and procedures have been established to manage risk. The Group's Board of Directors reviews and evaluates the overall risk management systems and environment in the Group on a regular basis.

The Group faces many risks and uncertainties in a global marketplace that has become increasingly volatile. The variety of economic environments and market conditions can be challenging, with the risk of Norwegian's unit cost not being low enough to shield the airline in case of weaker consumer demand and business confidence in its key markets. Price volatility may have a significant impact on the Group's results. Higher leverage as well as changes in borrowing costs may increase Norwegian's borrowing cost and cost of capital. Norwegian is also continuously exposed to the risk of counterparty default. The Group's reported results and net assets denominated in foreign currencies are influenced by fluctuations in currency exchange rates and in particular the US dollar.

The Group's main strategy for mitigating risks related to volatility in cash flows is to maintain a solid financial position and strong credit rating. At 31 December 2018, the Group had initiated a rights issue providing an equity increase of close to NOK 3 billion in order to restore a satisfactory financial position. Financial risk management is carried out by a central treasury department (Group treasury), under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risk in close cooperation with the Group's operating units. The Board provides principles for overall risk management such as foreign currency risk, jet-fuel risk, interest rate risk, credit risk, use of derivative financial instruments and investment of excess liquidity.

Interest risk

The Group is exposed to changes in the interest rate level, following the substantial amount of interest-bearing debt. The Group's cash flow interest rate risk arises from cash and cash equivalents and floating interest rate. Floating interest rate borrowings consist of unsecured bonds, aircraft and prepayment financing, loan facility and financial lease liabilities. Fixed interest rate borrowings consist of aircraft financing guaranteed by export credits, commercial debt for aircraft and unsecured bonds. Borrowings are denominated in USD, EUR, SEK and NOK. Hence, there is an operational hedge in the composition of the debt.

Foreign currency risk

A substantial part of the Group's revenues and expenses are denominated in foreign currencies. Revenues are increasingly exposed to changes in foreign currencies against NOK as the Group expands globally with more customers travelling from the USA and between European destinations. The Group's leases, aircraft borrowings, maintenance, jet-fuel and related expenses are mainly denominated in USD, and airplane operation expenses are partly denominated in EUR. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations. In order to reduce currency risk, the Group has a mandate to hedge up to 100 per cent of its currency exposure for the following 12 months. At the end of 2018, the Group does not have significant currency forward contracts.

Price risk

Expenses for jet-fuel represent a substantial part of the Group's operating costs, and fluctuations in jet-fuel prices influence the projected cash flows. The objective of the jet-fuel price risk management policy is to safeguard against significant and sudden increases in jet-fuel prices whilst retaining access to price reductions. The Group manages jet-fuel price risk using fuel derivatives. Management has a mandate to hedge up to 100 per cent of its expected consumption over the next 24 months with forward commodity contracts. The Group has forward contracts at the end of 2018 to cover approximately 35 per cent of fuel exposure in 2019 at an average price of USD 681 per ton.

Liquidity risk

The Group monitors rolling forecasts of the liquidity reserves, cash and cash equivalents. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and evaluating the level of liquid assets required. Furthermore, these analyses are used to monitor balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans. Following the acquisition of aircraft with future deliveries, Norwegian will have ongoing financing activities. The Group's strategy is to diversify the financing of aircraft through sale and leaseback transactions and term loan financing supported by the export credit agencies in the United States and EU.

Credit risk

Credit risks are managed on a Group level. Credit risks arise from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposure to commercial customers. The Group's policy is to maintain credit sales at a minimum level and sales to consumers are settled by using credit card companies.

The risks arising from receivables on credit card companies or credit card acquirers are monitored closely. At 31 December 2018, 67 per cent of total trade receivables are with counterparties with an external credit rating of A or better, and 95 per cent of total cash and cash equivalents are placed with A+ or better rated counterparties.

THE SHARE

The Company's shares are listed on Oslo Børs (Oslo Stock Exchange) with the ticker symbol NAS and is included in the benchmark index OBX, which comprises the 25 most frequently traded shares on Oslo

BOARD OF DIRECTORS' REPORT

SHARE PRICE DEVELOPMENT 2018 – NORWEGIAN AIR SHUTTLE ASA

NOK per share

Børs. Norwegian aims to generate competitive returns to its shareholders. The Board has recommended not to distribute dividends but to retain earnings for investment in expansion and other investment opportunities as stated in the articles of association, thereby enhancing profitability and returns to shareholders. The Company has not paid dividends during the last three years. The share had a closing price of NOK 173.5 at 31 December 2018 and yielded a negative return of 1 per cent from the beginning of the year. Norwegian had 16,486 shareholders at 31 December 2018 and the ten largest shareholders accounted for 55 per cent of the share capital. HBK Holding AS is the largest shareholder, holding 24.7 per cent of the shares at 31 December 2018. Its majority owner is Mr Bjørn Kjos, CEO of Norwegian. Mr Bjørn H. Kise, Chair of the Board of Directors, has ownership interests in HBK Holding AS.

CHANGES IN THE BOARD OF DIRECTORS AND GROUP MANAGEMENT

The Board of Directors was expanded on 8 May 2018 when Mr Sondre Gravir was elected by the general meeting. Mr Gravir is an independent board member. New directors were elected by the employees in January 2019. Mr Geir Olav Øien (re-elected), Mr Eric Holm an Ms Katrine Gundersen are elected for the period 2019-2021.

Mr Kurt Simonsen assumed the position as Chief Information Officer in January, and Mr Geir Karlsen was appointed Chief Financial Officer in April. Ms Helga Bollman Leknes was appointed Chief Commercial Officer in November and continues to represent HR in the management team. To further enhance the customer focus in the Group, several customer oriented departments have been combined under a Chief Customer and Digital Officer. Following the reorganization the group management team at 1. March 2019 had the following composition: Ms Anne-Sissel Skånvik (Chief Communications Officer), Mr Asgeir Nyseth (Chief Operating Officer), Mr Bjørn Erik Barman-Jenssen (Managing Director Support Services), Mr Bjørn Kjos (Chief Executive Officer), Mr Frode Berg (Chief Legal Officer), Mr Geir Karlsen (Chief Financial Officer), Ms Helga Bollmann Leknes (Chief Commercial Officer), Mr Kurt Simonsen (Chief Customer and Digital Officer) and Mr Tore Jenssen (Managing Director Arctic Aviation Assets).

EVENTS AFTER 31 DECEMBER

On 29 January 2019, Norwegian announced that it is strengthening its balance sheet through a fully underwritten rights issue of NOK 3 billion in order to increase its financial flexibility and create headroom to the covenants of its outstanding bonds compared with the Company's business plan. On 18 February 2019 the Group announced that the share capital of the Company was proposed to be increased by NOK 9,087,131.80 through the issuance of 90,871,318 new shares (the "Offer Shares"), representing a ratio of two (2) Offer Share per existing share. The subscription price was proposed to be NOK 33.00 per Offer Share. The rights issue was approved by the extraordinary general meeting held by the company on 19 February 2019. The subscription period took place from 22 February 2019 to 8 March 2019 and was finally completed on 14 March 2019, resulting in a net capital increase of NOK 2.9 billion. The rights issue was successfully completed and fully paid in March 2019, and Norwegian further announced on March 15 that the share capital increase was registered in the Norwegian Register of Business Enterprises.

The Company is changing its strategic focus from growth to profitability. The Company intends to capitalize on the market position and scale built up over the last years. As a consequence of the changed focus, the capital expenditures will be reduced, which is expected to be achieved by a combination of (i) aircraft divestment, including JV, and (ii) postponement of aircraft deliveries. Further, the Company is working on several operational improvements, including (i) the extensive cost reduction program, #Focus2019, which will contribute to estimated reduction of minimum NOK 2 billion in 2019, (ii) optimization of the base structure and the route network and (iii) the agreement with Rolls-Royce related to compensation for the operational disruptions on its long-haul operations which was entered into in December 2018. The fully underwritten rights issue in combination with these improvement initiatives will significantly improve the financial position of the Company during 2019.

On 5 February 2019 Norwegian announced that Arctic Aviation Assets, a subsidiary of Norwegian, has signed an agreement for sale of two Airbus 320neo aircraft. The aircraft were leased out and thus not operated by the Company and classified as Assets Held for Sale in the balance sheet at 31 December 2018. Delivery will take place during February 2019. The transaction is expected to increase the Company's liquidity by USD 26 million after repayment of debt and have a positive equity effect. Sale proceeds will be used to repay debt and to increase the Company´s liquidity. The sale is in line with the Company's strategy of capitalizing on the scale built up over the last few years and the changed focus from growth to profitability.

On 6 February 2019 Norwegian announced that Arctic Aviation Assets, a subsidiary of

BOARD OF DIRECTORS' REPORT

"The long-term outlook of the aviation industry is positive, with GDP growth fueling demand for travel, especially intercontinental travel and tourism."

sidiary of Norwegian, has signed an agreement with Boeing Commercial Airplanes for postponement of twelve Boeing 737 MAX 8 aircraft from 2020 to 2023 and 2024. The postponement is expected to reduce the Company's capital expenditure commitments related to pre-delivery payments in 2019. Additionally, capital expenditures for 2020 will be significantly reduced.

Arctic Aviation Assets has further signed an agreement with Airbus S.A.S. for postponement of four Airbus 321LR aircraft from 2019 to 2020. The postponement is expected to reduce the Company's capital expenditure commitments in 2019.

Total liquidity effect in 2019 from postponement of aircraft deliveries is estimated to be approximately NOK 1,700 million.

The Company also expects a net liquidity effect in 2019 from the sale of two Airbus A320neo and eleven Boeing 737-800s of approximately NOK 1 billion. The sales transactions have been concluded and the aircraft are expected to be delivered to their new owners in 2019.

On 12 March 2019 Norwegian announced that the Company will ground its 18 Boeing 737 MAX 8 until further notice, based on recommendation from European aviation authorities. The Company is in continuous dialogue with aviation authorities and with Boeing and are following their recommendations and instructions. Norwegian also has Boeing 737-800 and Boeing 787 Dreamliners in its fleet, but these are not affected. Norwegian has worked, and is still working on, reallocating the aircraft fleet to mitigate the consequences.

On March 18, Bjørn H. Kise notified the election committee that he will resign as Chairman of the Board of Norwegian Air Shuttle ASA following the Annual General Meeting on May 7, 2019.

As per the date of these financial statements, the Company estimates unit cost including depreciation excluding fuel for the year 2019 in the range of NOK 0.295 – 0.300 and unit cost including depreciation and fuel is expected to be in the range of NOK 0.4075 – 0.4125. Production growth (ASK) for 2019 is expected to be approximately 8-10 per cent of which the majority of the growth will come during the first half with delivery of five Dreamliners. The Company targets a positive net profit for 2019, subject to market conditions.

GOING CONCERN ASSUMPTION

Pursuant to the requirements of Norwegian accounting legislation, the Board confirms that the requirements for the going concern assumption have been met and that the annual accounts have been prepared on this basis.

PARENT COMPANY RESULTS AND DISTRIBUTION OF FUNDS

Norwegian Air Shuttle ASA ("NAS") is the parent company in the Norwegian Group. Net loss for the parent company Norwegian Air Shuttle ASA was NOK 3,505 million (NOK 520 million net profit in 2017). Total assets at the end of 2018 amounted to NOK 43,345 million (NOK 37,404 million) and equity amounted to NOK 6,287 million (NOK 9,097 million). In accordance with the Company's corporate governance policy, the Board recommends the following distribution of funds:

(Amounts in NOK million)	
Dividend	0
Transferred from other equity	(3,505)
Total allocated	(3,505)

CORPORATE RESPONSIBILITY

Norwegian strives to be a good corporate citizen in every area of its operation. The Company is committed to operating in accordance with responsible, ethical, sustainable and sound business principles, with respect for people, the environment and the society.

The requirements of the Norwegian Accounting Act § 3-3c for reporting on Corporate Social Responsibility activities, have been covered in the separate report of Corporate Responsibility at Norwegian, presented in a separate section of the annual report and available on the Group's website www.norwegian.com. The Corporate Responsibility Report also includes reporting on health, safety, the environment, equality and non-discrimination, as required by the Accounting Act § 3-3.

CORPORATE GOVERNANCE

Good corporate governance is a priority for the Board of Directors. Norwegian's objective for corporate governance is based on accountability, transparency, fairness and simplicity with the ultimate goal of maximizing shareholder value while creating added value for all stakeholders. The principles are designed in compliance with laws, regulations and ethical standards. Norwegian's core values are innovation, teamwork and simplicity, but no business conduct within the Group should under any circumstances jeopardize safety and quality.

Norwegian is subject to the annual corporate governance reporting requirements under section 3-3b of the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance, cf. section 7 on Oslo Børs' continuing obligations of listed companies. The Accounting Act may be found (in Norwegian) at www.lovdata.no. The Norwegian Code of Practice for Corporate Governance ("the code"), which was last revised on 17 October 2018, may be found at www.nues.no.

The annual corporate governance statement is approved by the Board of Directors and is pursuant to Section 5-6 of the Public Limited Companies Act, subject to approval by the Annual General Meeting. Norwegian has adapted to the code and subsequent amendments in all areas.

The annual statement on how Norwegian complies with the Code of Practice and the Norwegian Accounting Act's requirements for corporate governance is included as a separate document in a separate section of the annual report, which is available on the Group's website www.norwegian.com.

OUTLOOK FOR 2019

The long-term outlook of the aviation industry is positive, with GDP growth fueling demand for travel, especially intercontinental travel and tourism. The demand for travelling with Norwegian has been satisfactory and advance bookings have been acceptable entering the first quarter of 2019. The European market still faces challenges with over capacity, especially in southern Europe, but Norwegian is well positioned to tackle these challenges through changes made in the route program planned for 2019. While long-haul continues to grow and mature in 2019, Norwegian´s short-haul operations will be slightly reduced and four bases in the Mediterranean will be closed, reallocating some of the aircraft to strengthen the core Nordic markets. These are markets where Norwegian has a stronger foothold and that generate higher yields than southern Europe. Norwegian continuously considers the route portfolio in light of market development and Norwegian may decide to adjust capacity further if deemed necessary.

Norwegian will focus on operational improvements across the organization to return to profitability in 2019. A key part of this is to reduce the cost base through the cost reduction program #Focus2019, which is expected to reduce the cost base by a minimum of NOK 2 billion. Further, Norwegian has reduced the exposure to engine issues on the Boeing 787 Dreamliner by grounding five aircraft in Q1 2019, strengthening resilience in the long-haul network. Norwegian also has more visibility and reduced risk on a long-term solution for the issue. Further improving the on-time performance will also be a priority and the positive development in second half of 2018 is to continue into 2019.

Norwegian will receive 5 new Boeing 787-9s and 16 737-MAXs in 2019, all depending on the global 737-MAX situation, with a lower operating cost. The delivery of MAX's enables Norwegian to continue its fleet renewal program. Norwegian will continue to divest 737-800 in 2019. The group is in good progress of finalizing financing for all aircraft deliveries for the first half of 2019 (9 aircraft).

The group guides for a production growth (ASK) of 9 per cent for 2019. Norwegian's long-haul growth rate will significantly drop in 2019 with only 5 new deliveries entering the fleet which will total 37 by year end 2019. The new deliveries will cultivate key markets as well as ensure operational resilience.

External factors such as fuel price and currency is important for the group's performance. The latest guiding assumes a fuel price of USD 613 per ton and USD/NOK 8.18 for the year 2019 (excluding hedged volumes) and with the currently planned route portfolio, the company is targeting a unit cost including depreciation in the range of NOK 0.4075 – 0.4125 and a unit cost including depreciation excluding fuel in the range of NOK 0.295 – 0.300 for 2019.

Norwegian will continue to develop an organizational structure that will secure cost efficient, global presence and necessary traffic rights for the future. The domestic operation in Argentina is expected to be profitable during 2019. A potential exit by the UK from the EU might shape 2019, but with the Norwegian long-haul operation out of Gatwick being performed by our UK carrier and the short-haul operation likely secured by contingency arrangements between the EU and UK to ensure air connectivity, the effects of Brexit will be limited. Further preparations for a worst-case scenario with Brexit have been made across the organization and contingency plans have been put in place, such as updated crew licensing policies and applications for required approvals for our AOCs.

DECLARATION OF THE FINANCIAL STATEMENTS

We confirm that the financial statements for the year 2018, to the best of our knowledge, have been prepared in accordance with International Financial Reporting Standards (IFRS), gives a true and fair view of the Company's and Group's consolidated assets, liabilities, financial position and results of operations, and that the annual report includes a fair review of the development, results and position of the Company and Group, together with a description of the most central risks and uncertainty factors facing the companies.

Fornebu, 20 March 2019
The board of directors of Norwegian Air Shuttle ASA

Bjørn H. Kise
Chair

Liv Berstad
Deputy Chair

Christian Fredrik Stray
Director

Ada Kjeseth
Director

Sondre Gravir
Director

Eric Holm
Director
(elected by the employees)

Katrine Gundersen
Director
(elected by the employees)

Geir Olav Øien
Director
(elected by the employees)

Bjørn Kjos
Chief Executive Officer

FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

FINANCIAL STATEMENTS OF THE PARENT COMPANY

GROUP FINANCIAL STATEMENT

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT 1.1 – 31.12

NOK million	*Note*	**2018**	2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 1.1 – 31.12

NOK million	*Note*	**2018**	2017
Profit for the year		**(1,454.1)**	(1,793.7)
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange rate differences on translation of foreign operations	*15*	**347.9**	(127.0)
Share of other comprehensive income of associated companies		**22.3**	(1.5)
Share of other comprehensive income of associated companies recycled to profit and loss		**-**	(3.1)
Net comprehensive income that may be reclassified		**370.2**	(131.7)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Fair value gain/(loss) on investments in equity instruments designated as FVTOCI	*20*	**(771.7)**	-
Actuarial gains and losses	*18*	**2.7**	(43.0)
Exchange rate differences attributable to non-controlling interests		**0.6**	0.7
Net comprehensive income that will not be reclassified		**(768.5)**	(42.4)
Total comprehensive income for the period		**(1,852.4)**	(1,967.7)
Total comprehensive income attributable to:			
Equity holders of the company		**(1,859.9)**	(1,969.3)
Non-controlling interests		**7.6**	1.5

GROUP FINANCIAL STATEMENT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER

NOK million	*Note*	**2018**	2017
ASSETS			
Non-current assets			
Intangible assets	*10*	**212.3**	201.4

NOK million	*Note*	**2018**	2017
EQUITY AND LIABILITIES			
Equity			
Share capital	*15*	**4.5**	3.6
Share premium	*15*	**2,686.7**	1,231.6
Other paid-in equity		**132.9**	127.8
Other reserves		**1,011.7**	641.4
Retained earnings		**(2,148.6)**	81.7
Shareholders' equity		**1,687.2**	2,086.1
Non-controlling interest		**17.3**	12.3
Total equity		**1,704.4**	2,098.4
Non-current liabilities			
Pension obligation	*18*	**146.5**	149.7
Provision for periodic maintenance	*19*	**3,187.5**	2,679.4
Other non-current liabilities	*19*	**145.2**	137.1
Deferred tax	*9*	**614.5**	0.0
Borrowings	*22*	**22,530.0**	22,060.3
Derivative financial instruments	*3, 20*	**38.1**	-
Total non-current liabilities		**26,661.8**	25,026.5
Current liabilities			
Borrowings	*22*	**11,309.1**	4,244.5
Trade and other payables	*21*	**8,011.8**	5,568.3
Air traffic settlement liabilities		**6,907.3**	6,493.6
Derivative financial instruments	*3, 20*	**1,359.4**	41.8
Tax payable		**31.4**	49.6
Total current liabilities		**27,619.0**	16,397.8
Total liabilities		**54,280.8**	41,424.3
Total equity and liabilities		**55,985.3**	43,522.7

Fornebu, 20 March 2019
The board of directors of Norwegian Air Shuttle ASA

Bjørn H. Kise
Chair

Liv Berstad
Deputy Chair

Christian Fredrik Stray
Director

Ada Kjeseth
Director

Sondre Gravir
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Eric Holm
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(elected by the employees)

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Geir Olav Øien
Director
(elected by the employees)

Bjørn Kjos
Chief Executive Officer

GROUP FINANCIAL STATEMENT

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 1.1 – 31.12

NOK million	Share capital	Share premium	Other paid-in equity	**Total paid-in equity**	Other Reserves	Retained earnings	**Share-holders' equity**	Non-controlling interest	**Total equity**
Equity at 1 January 2017	3.6	1,231.6	110.6	**1,345.8**	773.1	1,919.3	**4,038.2**	10.8	**4,049.0**
			-	**-**	-	(1,794.6)	**(1,794.6)**	0.8	**(1,793.7)**
			-	**-**	(3.1)	-	**(3.1)**	-	**(3.1)**
			-	**-**	-	(43.0)	**(43.0)**	-	**(43.0)**
			-	**-**	(127.0)	-	**(127.0)**	0.7	**(126.3)**
			-	**-**	(1.5)	-	**(1.5)**	-	**(1.5)**
			-	**-**	(131.7)	(1,837.6)	**(1,969.3)**	1.5	**(1,967.7)**
			-	**-**	-	(0.0)	**(0.0)**	0.0	**0.0**
			17.1	**17.1**	-	0.0	**17.1**	-	**17.1**
			17.1	**17.1**	-	(0.0)	**17.1**	0.0	**17.2**
			127.8	**1,363.0**	641.4	81.7	**2,086.1**	12.3	**2,098.4**
			-	**-**	-	(1,461.1)	**(1,461.1)**	7.0	**(1,454.1)**
			-	**-**	-	(771.7)	**(771.7)**	-	**(771.7)**
			-	**-**	-	2.7	**2.7**	-	**2.7**
			-	**-**	347.9	-	**347.9**	0.6	**348.5**
			-	**-**	22.3	-	**22.3**	-	**22.3**
			-	**-**	370.2	(2,230.2)	**(1,859.9)**	7.6	**(1,852.4)**
			-	**1,456.0**	-	-	**1,456.0**	-	**1,456.0**
			-	**-**	-	(0.1)	**(0.1)**	(2.6)	**(2.7)**
			5.1	**5.1**	-	-	**5.1**	-	**5.1**
			5.1	**1,461.1**	-	(0.1)	**1,461.0**	(2.6)	**1,458.4**
			132.9	**2,824.1**	1,011.7	(2,148.6)	**1,687.2**	17.3	**1,704.4**

CONSOLIDATED STATEMENT OF CASH FLOWS 1.1 - 31.12

NOK million	*Note*	**2018**	2017
Profit (loss) before tax		**(2,490.1)**	(2,562.2)
Taxes paid	*9*	**(22.7)**	35.0
Depreciation, amortization and impairment	*10, 11*	**1,667.6**	1,405.1
Impairment assets held for sale	*10, 11*	**-**	655.9
Profit from associated companies	*25*	**(128.5)**	(291.9)
		5.1	17.1
		(120.9)	(297.8)
		1,966.3	(134.3)
		(1,232.0)	852.0
		117.5	71.3
		(1,998.4)	18.0
		413.7	1,827.4
		2,285.1	1,305.9
		462.7	2,901.3
		(5,543.2)	(2,388.3)
		(6,171.7)	(5,993.5)
		(41.6)	(39.8)
		2,933.1	4,864.1
		26.9	(89.0)
		233.3	545.7
		-	(327.4)
		(8,563.2)	(3,428.1)
		12,546.6	8,209.9
		(6,518.8)	(4,490.9)
		(1,499.8)	(1,427.9)
		1,456.0	-
		5,984.1	2,291.1
		(1.7)	(48.2)
		(2,118.1)	1,716.1
		4,039.8	2,323.6
		1,921.7	4,039.8

GROUP FINANCIAL STATEMENT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 01: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 General information

Norwegian Air Shuttle ASA and its subsidiaries

New standards, amendments and interpretations not yet adopted

relevant maintenance activities are carried out and the obligation hence is settled. The Group has elected to apply the recognition exemption to short-term leases and to leases for which underlying assets are of low value.

IFRS 16 allows various adoption approaches. The company has decided to apply the modified retrospective approach under which all ROU assets are measured at an amount equal to the lease liability at 1 January 2019. The cumulative effect of initially applying the standard to be recognized as an adjustment to the opening balance of retained earnings is hence expected to be zero. Under this transition approach, the 2018 comparable numbers presented in the 2019 reporting will not be restated as if IFRS 16 was applied in 2018. The company will however in the 2019 financial reporting provide information on the details of the transitional effects of IFRS 16, enabling users of the company's financial reporting to compare the 2018 and the 2019 financial numbers.

The company has calculated that ROU assets and lease liabilities of approximately NOK 33 billion will be added to the 2019 opening balance of the Statement of Financial Position. The amount is calculated based on judgements and interpretations at the release of this report. IFRS 16 is a new standard under which interpretations are evolving and the final transitional effect could change correspondingly. The calculated effects in assets and liabilities are somewhat changed compared to the estimates presented in the Annual Report of 2017. The changes are mainly associated with additions to the aircraft lease portfolio in 2018 and changes in foreign exchange rates NOK-USD.

Based on the lease portfolio at the transitional date 1 January 2019 and compared to as if the standard was not implemented, the company expects that in the 2019 Income Statement the lease expenses will be reduced with an amount of NOK 5,200-5,400 million, the profit before tax (EBT) will be reduced with an amount of NOK 650-725 million and the net profit will be reduced with an amount of NOK 520-580 million. Aircraft leases are all denominated in USD and hence estimates of changes to the 2019 Income Statement are sensitive to changes in the exchange rates between USD and NOK. Any change to the portfolio of leased assets after 1 January 2019 will also have an impact on the size of the effects to the 2019 Income Statement.

Further information on leases today classified as operational leases are presented in Note 12. The amounts presented in Note 12 are substantially higher than the amounts expected to be recognize as lease liabilities under IFRS 16 Leases. The main difference is related to amounts under IFRS 16 being discounted, whereas amounts under IAS 17 Leases are undiscounted. In addition, there are some scope differences, such as for the recognition exemption to short-term leases and to leases for which underlying assets are of low value. A full reconciliation between the 2018 lease obligation and the IFRS 16 opening balances will be provided as disclosures to the 2019 Financial Statements.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

1.3 Basis of consolidation and equity accounting

1.3.1. Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the

GROUP FINANCIAL STATEMENT

Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

The Group's consolidated financial statements comprise Norwegian Air Shuttle ASA,

share of the acquiree's identifiable net assets.

The excess of the consideration transferred and the amount of the non-controlling interest over the fair value of the Group's share of the identifiable net assets acquired are recorded as goodwill. If, in the case of a bargain purchase, the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary ac-

and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of a loss exceeds the Group's investment in an investee, the amount carried in the Group's statement of financial position is reduced to zero and further losses are not recognized unless the Group has an obligation to cover any such losses. Unrealized gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

1.3.5 Changes in ownership

The Group considers transactions with non-controlling interests that do not result in loss of control, as transactions with equity owners of the Group. Any difference between considerations paid and the relevant share acquired from the carrying value of net assets are recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to consolidate or equity account for an investment because of loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognized in profit or loss. The fair value becomes the initial carrying amount for purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts of retained interest in the entity is remeasured to its fair value at the date when control ceased, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate. Dilution gains and losses arising from investments in associates are recognized in the income statement.

1.3.6 Other investments

All other investments are recognized in accordance with IFRS 9, Financial Instruments, and additional information are provided in Note 20.

1.4 Foreign currency translation

The Group's presentation currency is Norwegian Krone (NOK). Norwegian Air Shuttle ASA's functional currency is NOK. Each entity of the Group determines its own functional currency and items that are included in the entities' financial statements are measured in that functional currency. For consolidation purposes, the results and financial position of all the Group's entities that have a functional currency other than NOK are translated to the closing rate at the reporting date of each month. Income and expenses for each income statement are translated to the average exchange rate for the period, this being a reasonable approximation for estimating actual rate. Exchange differences are recognized in comprehensive income and specified separately in equity.

Transactions in foreign currencies are initially recorded at the functional currency rate using the exchange rates prevailing on the dates of the transactions or valuation where items are re-estimated. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency exchange rate of the reporting date. Any differences are recognized in the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency

GROUP FINANCIAL STATEMENT

are translated using the exchange rates of the dates of the initial transactions.

Foreign currency gains and losses on operating activities are recognized within operating profit. Foreign currency gains and losses on financing activities are recognized within net financial items.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are

carrying value may not be recoverable.

An aircraft is recognized as two components for depreciation purposes in order to consider different useful lives of the aircraft components. The first aircraft component is defined as maintenance components. In accordance with official requirements, the aircraft must be maintained which means significant components must be changed after a specific number of take-offs or airborne hours. These compo-

position.

Financial lease assets are initially recognized at the lower of acquisition cost or future minimum lease payments. The assets are carried as non-current assets and depreciated on a straight-line basis over their expected useful lives.

The depreciation period and method are assessed annually to ensure that they reconcile with the substance of the non-current asset. Additional details on tangible assets are outlined in Note 11.

1.6 Intangible assets

1.6.1 Computer software

Acquired computer software licenses are capitalized based on the costs incurred to obtain and apply the specific software. These costs are amortized over their estimated useful lives.

Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs which are directly associated with the development of identifiable software products controlled by the Group, and which are estimated to generate economic benefits, are recognized as intangible assets. The costs of computer software developments recognized as assets are amortized over their estimated useful lives. The depreciation of the software commences as each module is completed.

1.6.2 Goodwill and other intangible assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Other intangible assets are related to identifiable assets from business combinations and investments in other intangible assets.

Intangible assets which are determined as having indefinite useful lives, are not amortized, but subject to annual impairment testing. The determination of indefinite useful lives is based on assessment by Management as to whether there is any foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity.

See Note 1.7 for details of impairment testing of non-financial assets and Note 10 for additional details on intangible assets.

1.7 Impairment of non-financial assets

Intangible assets with indefinite useful lives are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purpose of impairment testing, assets are grouped at the lowest levels of separately identifiable cash flows (cash-generating units). The allocation is made to those cash-generating units that are expected to benefit from the assets. The Management has assessed the Group as one segment and the Group's total operations as its cash generating unit. The determination of cash generating units is based on how the Management operates and assesses the Group's performance, profit and cash flow. The aircraft fleet is operated as one unit, and the route portfolio is administered and diversified as one unit generating the Group's profit and cash flow, hence goodwill and other non-current assets are reallocated to the entire Group for the purpose of impairment testing.

Non-current assets other than goodwill that have suffered impairment are reviewed for a possible reversal of the impairment at each reporting date. Impairment losses on goodwill are not reversed.

1.8 Financial assets

Financial assets are classified according to the following categories: as measured at amortized cost, measured at fair value through profit or measured at fair value through other comprehensive income. The Group holds financial instruments within all three categories of financial assets. The classification depends on the characteristics of the financial assets and the purpose for which they were acquired. The Management determines the classification of its financial assets at initial recognition.

Debt instruments that meet the follow-

Regular purchases and sales of financial assets are recognized on the trade date; the date which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss, are initially recognized at fair value and transaction costs are

cial instrument. The Group always recognizes lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

1.9 Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the transaction date and subsequently measured at their fair value. Derivatives are classified within the category `financial assets at fair value through profit or loss' as long as the derivatives are not designated as hedging instruments for accounting purposes.

The Group has not designated any derivatives as hedging instruments for accounting purposes in 2018 or 2017.

1.10 Inventory

Inventory of spare parts are carried at the lower of acquisition cost and net realizable value. Cost is determined using the first in – first out (FIFO) method. Obsolete inventory has been fully recognized as impairment losses. Inventory is consumed during maintenance and overhaul of the aircraft and is expensed when consumed.

1.11 Trade receivables

Trade receivables are amounts due from customers for services performed and goods sold in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

Receivables from credit card companies are classified as trade receivables in the statement of financial position.

1.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand and in the bank, as well as short-term deposits with an original maturity of three months or less. Cash and cash equivalents in the statement of financial position include restricted funds from withheld employee tax, guarantees and deposits pledged as collateral to suppliers.

The Group holds investments in money market funds. These investments are classified as either cash equivalents or financial assets measured at fair value through profit depending on the maturity of the investments.

1.13 Equity

Share capital comprises the number of shares multiplied by their nominal value and are classified as equity.

Transaction costs directly attributable to an equity transaction are recognized directly in equity net of tax.

Acquisitions of own shares are recognized in share capital and retained earnings. The number of shares purchased multiplied by the nominal value is deducted from outstanding share capital. The share premium paid is recognized in other equity. The sale of own shares is booked accordingly, with nominal value as increase of share capital, and share premium in other equity.

1.14 Liabilities

Financial liabilities are classified either as measured at amortized cost or as measured at fair value through profit or loss. The Group will have derivative financial liabilities being measured at fair value through profit or loss, whereas all other financial liabilities are measured at amortized cost.

Borrowings are recognized initially at fair

pre-tax rate that reflects, where appropriate,

the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

1.16 Employee benefits

The Group operates various pension schemes. The schemes are generally funded through payments to insurance companies or trust-

Note 18.

1.16.2 Defined contribution plans

In addition to the defined benefit plan described above, the Group operates a defined contribution plan. A defined contribution plan is a pension plan under which the Group pays fixed contributions to a separate entity. The Group has no legal or constructive obligations to pay further contributions should the fund not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognized as employee benefit expenses when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

1.16.3 Share-based payments

The Group operates a number of equity-settled, share-based compensation plans under which the entity receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grants of the options is recognized as an expense over the vesting period. The total amount to be expensed is determined by referring to the fair value of the options granted.

The fair value of the options to be settled in equity instruments is estimated at the grant date. The fair value is determined by an external part by applying the Black and Scholes option-pricing model. The assumptions underlying the number of options expected to vest are adjusted to reflect conditions prevailing at the reporting date. For further details see Note 17.

The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

1.16.4 Employee share purchase savings program

Bonus shares and employer's contribution are measured at fair value using the Black and Scholes option pricing model. Expenses for bonus shares are included in payroll expenses. The fair value of the bonus shares and the estimated employer's contribution are distributed as expenses over the expected period until settlement. Changes in estimates affecting employer's contribution are expensed over the remaining vested period. For further details see Note 17.

1.17 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent when it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

1.17.1 Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws that are used to compute the amount are those which are enacted or substantively enacted at the reporting date.

1.17.2 Deferred income tax

Deferred income tax is determined by using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected in the year when the assets are realized or when the liabilities are settled, based on tax rates

to the financial statements, with the exception of contingent liabilities where the probability of the liability occurring is remote.

1.19 Revenue recognition

Revenue comprises the amounts that reflect the consideration to which the entity expects to be entitled in exchange for goods and services promised to be transferred to customers in the general course of the Group's activities.

ence when the air transport has been carried out and the performance obligations hence are satisfied. The value of tickets sold and which are still valid but not used by the reporting date (amounts sold in excess of revenue recognized) is reported as air traffic settlement liability. This liability is reduced either when the Group or another airline completes the transportation or when the passenger requests a refund.

1.19.2 Ancillary revenue

Ancillary revenue comprises sales of ticket-related products and services, e.g. revenue from baggage sales, seating and premium upgrades. Most of the products and services do not have separate performance obligations but are associated with the performance obligation of the air transport, and are hence recognized as revenue at the time of the transport. Between time of sale and time of transport such ancillary revenue items are reported as part of the air traffic settlement liability.

Amounts paid by 'no show' customers are recognized as revenue when the booked service is provided, and performance obligations are satisfied. 'No show' customers with low fare tickets are not entitled to change flights or seek refunds for other than taxes once a flight has departed.

1.19.4 Contract costs

Certain incremental distribution costs in relation to the pre-sale of tickets are recognized as contract assets between time of sale and time of the air transport taking place. As such distribution costs are incremental and correlated with ticket sales, experience data is collected on the size of the various elements of contract costs relative to the size of the revenue. Such experience data together with the size of air traffic settlement liabilities give basis for capitalization and amortization of the contract costs.

1.19.4 Other revenue

Other revenue comprises third party revenue, such as lease, cargo and revenue from business activities in subsidiaries which are not airlines.

Other airline revenues are recognized when the performance obligations have been satisfied through the rendering of services.

Revenue from sales of Wi-Fi products and services comprises traffic fees. Revenue traffic fees are recognized as revenue at the time of consumption.

1.19.5 Customer loyalty program – Norwegian Reward

The Group runs a loyalty program: Norwegian Reward. Reward members earn the digital currency "CashPoints" and additional frequent flyer benefits "Rewards" in the following circumstances:

CashPoints:

- Airlines within Norwegian Group; Reward members earn from 2 per cent on LowFare tickets and 10 per cent on all Flex tickets.
- Corporate agreement; 4 per cent on all LowFare tickets and 12 per cent on all Flex tickets.
- Bank Norwegian Customers; 0.5-1 per cent of the payment is earned as cashpoints on all purchases with Bank Norwegian Credit Card. Total of 4 per cent CashPoints earned on all LowFare tickets and 10 per cent on all Flex tickets when the tickets are purchased with the Bank Norwegian Credit Card.
- CashPoints are also earned by members making purchases of goods and services from more than 50 Reward Partners according to the applicable accumulation rates and conditions set by the Reward Partners.
- CashPoints can be used as payment on all Norwegian flight tickets (full or partial), luggage, seat reservation and ticket changes.

Rewards:

- Frequent flyer benefits, called "Rewards"; members receive an additional Reward for every sixth single flight. Members get to choose the following Rewards: CashPoints Boost (can be chosen five times), Free seat reservation, Free luggage and Free Fast

GROUP FINANCIAL STATEMENT

Track. Each Reward can be used by the member on all flights for at least 12 months ahead. Members can collect a total of eight Rewards.

Member CashPoints gained from travelled airline tickets are recognized as a liability in the statement of financial position and recognized as revenue only when it has fulfilled its obliga-

statement on a straight-line basis over the lease

term. Payments for the lease and payments for other elements are recognized separately.

Deposits made at the inception of operating leases are carried at amortized cost. The difference between the nominal value of a deposit paid, carried at less than market interest and its fair value, is considered as additional rent, payable to the lessor and is expensed on a straight-line basis over the lease term.

further details.

1.22 Events after the reporting date

New information regarding the Group’s positions at the reporting date is taken into account in the preparation of the annual financial statements. Events occurring after the reporting date which do not affect the Group’s position at the reporting date, but which will affect the Group’s position in the future, are disclosed if significant.

1.23 Critical accounting estimates and judgments

In preparing the consolidated financial statements, the Management is required to assess judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses. The critical judgments and key sources of estimation uncertainty that have been made in preparing the consolidated financial statements are detailed below. These judgments involve assumptions or estimates in light of future events that can differentiate from what is expected.

The aircraft held under operating lease agreements are subject to specific redelivery conditions stated in the contracts as well as periodic maintenance programs as defined by the aircraft and engines manufacturers. To meet these requirements, the Group must conduct maintenance, both regularly and at the expiration of the leasing period. Provisions are made based on the estimated costs of overhauls and maintenance. In order to estimate these conditions, the Management must make assumptions regarding expected maintenance costs. Description of maintenance cost estimates are described in Note 19.

Non-current assets are depreciated on a straight-line basis or by airborne hours and cycles over the estimated useful lives, taking expected residual value into consideration. An aircraft is decomposed into several components for depreciation purposes in order to consider different useful lives of the aircraft components, in accordance with official requirements. The depreciation period and method are assessed annually to ensure that they reconcile with the substance of the non-current asset, and the residual value is estimated at each year-end. The assessments require Management to make assumptions regarding expected useful lives and residual values.

Deferred tax assets are recognized for all unused tax losses to the extent that taxable profits are probable. Deferred tax liabilities are recognized when an obligation has been incurred. Significant management judgment is required to determine the amounts of deferred tax assets that can be recognized, based on the anticipated timing and level of future taxable profits together with future tax planning strategies. Deferred tax liabilities that have been incurred are based on the best estimate of the likely obligation at each reporting period. These estimates are subject to revision based on the outcome of tax audits and discussions with authorities that can take several years to conclude. See Notes 9 and 27 for further details of tax positions.

The Group tests annually whether goodwill and other intangible assets with indefinite useful lives, have suffered any impairment in accordance with the accounting policy stated in Note 1.7. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (see Note 10). Estimating value in use for owned aircraft and for purchase contracts, require judgement. In 2018 indications of impairment have not been identified for neither aircraft nor purchase contracts.

Bad debt provisions for credit card receivables are based on actual historical loss percentage and actual withdrawal for payments from credit card companies.

Fair value of financial instruments is determined using fair value estimation techniques. Valuation techniques and details on financial instruments are outlined in Note 3.

1.24 Transition to IFRS 15 Revenue from Contracts with Customers

IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the

GROUP FINANCIAL STATEMENT

nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard is effective for annual periods beginning on or after 1 January 2018. The Group decided to implement IFRS 15 using the exempt method whereas the cumulative effect of initially applying the standard is recognized at the date of initial recognition as an adjustment to the opening balance

Following the implementation of IFRS 15, revenue and costs from issuing cash points to external partners in the loyalty program Reward are presented net from 1 January 2018. In 2018, cash point distributions of NOK 482 million are presented net that would be presented gross under IAS 18. The comparable amount in 2017 was NOK 435 million, presented as other revenue and other operat-

NOTE 02: FINANCIAL RISK

The Group's activities expose it to a variety of financial risks; market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall financial risk management program focuses on changes and fluctuations in financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain financial risk exposures.

Financial risk management is carried out by a central treasury department (Group Treasury), under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risk in close co-operation with the Group's operating units. The Board provides principles for overall risk management such as foreign currency risk, interest rate risk, credit risk, use of derivative financial instruments and investment of excess liquidity.

2.1 Market risk

Market risk is the risk of changes in market prices, such as foreign exchange rates, jet fuel prices and interest rates which will affect the Group's income or value of its holdings of financial instruments.

2.2 Foreign exchange risk

A substantial part of the Group's expenses is denominated in foreign currencies. The Group's leases, aircraft borrowings, maintenance, jet fuel and related expenses are mainly denominated in USD, and airplane operation expenses are partly denominated in EUR. The carrying amount of the Group's net investments in foreign entities and proceeds from these investments varies with changes in the foreign exchange rate. In order to reduce currency risk, the Group has a mandate to hedge up to 100 per cent of its currency exposure for the following 12 months. The hedging consists of forward currency contracts and flexible forwards.

Exchange rate risk sensitivity analysis
This analysis does not take into account correlation between currencies. Empirical studies confirm substantial diversification effect across the currencies that the Group is exposed to.

Effects on net currency gains (losses)
The Group is exposed to currency fluctuations on monetary items in the statement of financial position and revenue/costs, denominated in other currencies than the functional currency.

If NOK had weakened by 1 per cent against USD in 2018, with all other variables held constant, post-tax profit effect would have been negative by NOK 149 million (2017: Negative by NOK 145 million), mainly as a result of foreign exchange losses/gains on revenues, costs, receivables, payables, derivative financial instruments and cash and cash equivalents.

If NOK had weakened by 1 per cent against EUR with all other variables held constant, post-tax profit effect for the year would have been positive by NOK 1 million (2017: Negative by NOK -20 million), mainly as a result of foreign exchange losses/gains on revenues, costs, receivables, payables, derivative financial instruments, cash and cash equivalents and non-current borrowings denominated in EUR.

If NOK had weakened by 1 per cent against GBP with all other variables held constant, post-tax profit effect for the year would have been positive by NOK 30 million (2017: Positive by NOK 15 million), mainly as a result of foreign exchange losses/gains on revenues, costs, receivables, payables, derivative financial instruments and cash and cash equivalents.

Effects due to foreign exchange translations on other comprehensive income
The Group has major investments in operations abroad, whose net assets are exposed

to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations can be material, but the variances create a natural hedge against the Group's currency exposure on operating expenses. If NOK had weakened with 1 per cent against USD with all other variables held constant, other comprehensive income would have been NOK 70 million

...terest rate borrowings are detailed in Note 22.

2.4 Jet fuel prices

Expenses for jet fuel represent a substantial part of the Group's operating costs, and fluctuations in jet fuel prices influence the projected cash flows. The objective of the jet fuel price risk management policy is to safeguard against significant and sudden increases in jet fuel prices whilst retaining access to price reductions. The Group man-

...quires are monitored closely.

Credit risk related to bank defaults is closely monitored and partly offset by diversifying the Group's deposit portfolio.

There is re-invoicing of maintenance costs on aircraft to leasing companies, and Norwegian regularly evaluates and assesses the value of these credits. See Note 20 for further disclosure on credit risk.

2.6 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The liquidity is affected by trading risks presented by current economic conditions in the aviation sector, particularly in relation to passenger volumes and yields and the associated profitability of individual routes.

The Board of Directors has imposed an internal liquidity target which is closely monitored by the Management. Management monitors rolling forecasts of the Group's liquidity reserve, cash and cash equivalents (see Note 24) on the basis of expected cash flow. The Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to monitor liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans. The projected cash flows are based on a detailed plan that covers a period for at least 12 months after the date of approval of these financial statements. In developing these forecasts, estimates and judgement are made to project revenue, costs and availability of different financing sources. Assessments are made of potential adverse effects from events outside the company's control.

Norwegian has historically utilized aircraft financing institutions, such as ExIm, ECA and AFIC, as its primary funding source in relation to aircraft acquisitions in addition to the US Capital market by way of Private Placements, EETC and sale-leaseback arrangements. Norwegian is dependent on access to one of these or other financing forms to finance the delivery of aircraft. Deliveries in 2019 will be financed through export guaranteed financing, non-payment insurance product, in the US capital market or through other commercial sources of financing. The Group is currently in the process of securing pre-delivery payment financing and term financing according to the Group's financing policy for deliveries in the finance planning for 2019-2021. The Group's financing policy includes sales-leasebacks transactions on several aircraft to diversify its aircraft fleet. In 2018, eight aircraft were delivered and financed as sale-leaseback transactions (17 in 2017) and six aircraft were sold (none in 2017).

The Goup's aircraft fleet consist of leased aircraft (Note 12) and owned aircraft (Note 11), whereof the Group has 195 owned and leased aircraft on firm order with future delivery. In accordance with airline industry market practice the total order is not fully financed. The financing will be secured on a periodic basis, the size and timing depending on the schedule of aircraft delivery and market conditions. Prepayments to aircraft manufacturers on future aircraft deliveries are financed by internal and external funds.

For future aircraft deliveries and contractual commitments, see note 28.

The Group's liquidity is significantly influenced by seasonal fluctuations. This is driven by changes in working capital in general and ticket sales in particular. Normally, seasonality makes liquidity increase significantly in the first and second quarter each year and decrease in the third and fourth quarter of the year. This means that ticket sales adjusted for growth are higher in the first six months compared to the final six months of a year.

Growth also effect cash levels significantly, but have two opposite effects:

- Growth makes ticket sales increase which in turn increases liquidity;
- However, growth is driven by increase in aircraft fleet and then followed by increased investing activities. If such investing activities are not matched by financing activities, cash levels could decrease.

GROUP FINANCIAL STATEMENT

If financing activities are according to plan, positive effects from ticket sales will normally offset the negative cash effects from investing and financing activities.

The Group's continuous growth has led to significant liquidity needs. The Board and Management has initiated several actions to secure sufficient liquidity and to strengthen the balance sheet, inter alia sale-lease-

a fully underwritten rights issue of approximately NOK 3 billion completed in March 2019, change of strategic focus from growth to profitability and postponement of aircraft deliveries from aircraft manufacturers. See Note 29 for details.

The table below analyses the maturity profile of the Group's financial liabilities at the reporting date. The amounts disclosed are

planned by the Group. The Group will at all times adjust debt and equity to maintain and secure

an optimal capital structure by continuously monitoring the total equity level and the equity ratio of the Group. This ratio is calculated as equity divided by total assets as presented in the consolidated statement of financial position and consolidated statement of changes in equity. The equity level is an important factor in financial covenants as detailed in Note 22. The Management monitors these externally imposed financial covenants closely as a part of the Group's capital risk management policy.

The equity ratios at 31 December were as follows:

NOK million	**2018**	2017
Equity	**1,704.4**	2,098.4
Total assets	**55,985.3**	43,522.7
Equity ratio	**3.0%**	4.8%

NOTE 03: FAIR VALUE ESTIMATION

Financial instruments which are measured in the statement of financial position at fair value, require disclosures of fair value measurements by the following levels of fair value measurement hierarchy:

Level 1
The fair value of financial instruments traded in active markets is based on quoted market prices of the reporting date. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regular occurring market transactions on an arm's length basis. Financial instruments included in Level 1 relate to the investment in 16.4% of the listed shares of Norwegian Finans Holding ASA (NOFI).

Level 2
The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. Financial instruments in level 2 include forward contracts classified as derivatives. The fair values of forward foreign currency contracts and forward commodities contracts are determined using mark to market values from financial institutions. Spot prices in the mark to market calculations are based on mid-prices as set by the financial institutions (Handelsbanken, Mitsui, SEB, DNB, GRM, Goldman and Macquarie) at the reporting date. The forward contracts are classified as current or non-current assets or liabilities according to the net value at 31 December 2018 and maturity profile of individual contracts. Contracts with maturity within one year are classified as current assets and current liabilities.

Level 3
If one or more of the significant inputs are not based on observable market data, specific valuation techniques are applied.

GROUP FINANCIAL STATEMENT

The following table presents financial assets and liabilities measured at fair value at 31 December 2018:

NOK million	Level 1	Level 2	Level 3	**Total**
Assets				
Financial assets at fair value through profit and loss				
- Derivative financial instruments, non-current	-	3.5	-	**3.5**

Performance is measured by the Executive Management based on the operating segment's earnings before interests, tax, depreciation and amortization (EBITDA). Other information is measured in accordance with the financial statements.

The table below shows revenues from low-cost air passenger travel which is split between passenger revenue, ancillary revenue, freight revenue and other revenue. Passenger related revenue per country is based on starting point of passenger journeys. Freight related revenue is based on starting point of freight services.

NOK million	**2018**	2017
By activity:		
Passenger transport	**32,560.1**	24,719.1
Ancillary revenue	**6,266.6**	4,822.5
Freight	**743.3**	429.7
Other revenue	**695.6**	976.9
Total operating revenue	**40,265.5**	30,948.3
Per country:		
Norway	**8,070.7**	7,160.4
US	**6,946.7**	4,398.0
Spain	**5,620.6**	4,470.5
UK	**4,323.4**	2,711.9
Sweden	**3,666.4**	3,345.0
Denmark	**2,837.4**	2,316.9
France	**1,745.3**	955.1
Finland	**1,326.6**	1,133.2
Italy	**1,073.0**	587.7
Germany	**591.1**	454.8
Other	**4,064.2**	3,414.7
Total	**40,265.5**	30,948.3
Total outside of Norway	**32,194.8**	23,787.8

Share of sale through own channels were 79% in 2018, compared to 80% in 2017. 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).

GROUP FINANCIAL STATEMENT

NOTE 05: OPERATIONAL EXPENSES

NOK million	**2018**	2017
Sales and distribution expenses	**878.5**	946.1
Aviation fuel	**12,562.2**	7,339.2
Aircraft leases	**4,354.1**	3,889.7
Airport charges	**4,373.0**	3,760.1

Number of man-labour years*

	2018	2017
Cabin Crew	**5,178**	3,976
Flight Deck Crew	**2,746**	2,109
Non-crew	**2,291**	1,760
Total	**10,215**	7,845

	2018	2017
Norway	**2,405**	1,910
Spain	**2,090**	1,837
United Kingdom	**1,790**	1,637
Sweden	**768**	583
Denmark	**753**	401
United States	**610**	621
Italy	**392**	166
Finland	**373**	269
France	**288**	44
Ireland	**218**	86
Singapore / Bangkok	**205**	212
Argentina	**175**	14
Caribbean	**115**	28
Netherlands	**33**	37
Total	**10,215**	7,845

*) *Including man-labor years related to hired crew personnel.*

NOTE 07: REMUNERATION OF THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

Remuneration of the Board of Directors
Total remuneration paid to the Board in 2018 was NOK 1.65 million (2017: NOK 1.50 million). The Chairman of the Board, Bjørn Kise, received NOK 0.5 million (2017: NOK 0.5 million). There were no bonuses or other forms of compensation paid to the Board members in 2018.

Directive of Remuneration of the CEO and the Executive Management

Under this plan, Norwegian will match 50 per cent of the individuals' investment, limited to NOK 6,000 per annum. Provided that the employee contributes NOK 12,000 annually, Norwegian's contribution is NOK 6,000. The grant has a one-year vesting period. If shares are kept for two calendar years, the participants will be allocated bonus shares proportionate to their purchase. One bonus share will be earned for every tenth share allocated under this scheme.

Share Option Plan
The Board has established share option programmes for leading employees. It is the Company's opinion that share option programmes are positive for long-term value creation in the Group. The intention of this plan is to (i) attract and retain employees whose service is important to the Company's success, (ii) motivate such employees to achieve long-term goals of the Company, (iii) provide incentive compensation opportunities to such employees which are competitive with those of other companies, and (iv) to secure such employees share a common financial interest with the other shareholders of the Company.

The Board can offer share options to leading employees when shareholders have given authority to run options programmes:

The exercise price per share shall be the average price of the NAS share on trading days during the first 10 calendar days after presentation of Norwegian's 2nd quarter financial results plus 15 per cent (rounded to the nearest NOK 1).

Options granted can be exercised at the earliest after 3 years. The exercise period shall typically be 4 years.

- Any calendar year, each optionee's aggregated gross profit from exercise of options under all share option programs shall not exceed 3 years' gross base salary.
- If an optionee leaves the Company, the non-vested options will forfeit. Outstanding options exercisable at the date of such termination shall be exercisable no later than the first exercise period thereafter.

Principles for benefits
In addition to fixed and variable salary, other benefits such as insurance, newspaper, Internet and telephone might be provided. The total value of these benefits should be modest and only account for a limited part of the total remuneration package.

Principles for company car and car allowance vary in accordance with local conditions.

Pension:
Executives participate in the same pension plans as other employees within the unit in which they are employed.

Executives in the Norwegian entities participate in a defined contribution pension plan. The annual accrual is 5 per cent of the annual base salary from 1-7.1 G and 8 per cent from 7.1-12 G (G is the base amount of Norwegian Social Security).

No Executives have a retirement agreement.

Severance pay
No executives have any agreement for redundancy payment.
The notice period for the Executive Management is 6 months.

There were made no changes to the guidelines or principles of management remuneration during 2018.
The actual remuneration in 2018 was consistent with the guidelines and principles.

Total compensation year 2018:

	Fee	Salary	Other benefits[2]	**Total compensation**	Pension expense[3]
	500	-	-	**500**	-
	300	-	-	**300**	-
	275	-	-	**275**	-
	275	-	-	**275**	-
	-	-	-	**-**	-
	100	-	-	**100**	-
	88	-	-	**88**	-
	100	-	-	**100**	-
	12	-	-	**12**	-
	1,650	-	-	**1,650**	-
	-	2,795	159	**2,954**	68
	-	1,867	126	**1,993**	-
	-	2,548	164	**2,712**	74
	-	1,949	177	**2,126**	79
	-	2,023	162	**2,185**	69
	-	2,001	155	**2,156**	72
	-	-	-	**-**	-
	-	2,107	156	**2,263**	71
	-	1,822	158	**1,980**	73
	-	3,055	170	**3,225**	76
	-	1,972	159	**2,131**	72
	-	22,139	1,586	**23,725**	654

stated.

es held by Management.

Total compensation year 2017:

NOK 1,000	Fee	Salary	Other benefits[2)]	**Total compensation**	Pension expense[3)]
The Board of Directors					
Bjørn Kise (Chair)	500	-	-	**500**	-
Liv Berstad (Deputy Chair)	300	-	-	**300**	-
Christian Fredrik Stray	275	-	-	**275**	-
[illegible]	275	-	-	**275**	-
[illegible]	38	-	-	**38**	-
[illegible]	38	-	-	**38**	-
[illegible]	50	-	-	**50**	-
[illegible]	12	-	-	**12**	-
[illegible]	9	-	-	**9**	-
[illegible]	3	-	-	**3**	-
[illegible]	1,500	-	-	**1,500**	-
[illegible]					
[illegible]	-	1,997	158	**2,155**	65
[illegible]	-	2,101	2,632	**4,733**	70
[illegible]	-	2,418	182	**2,600**	72
[illegible]	-	1,859	152	**2,011**	78
[illegible]	-	1,912	154	**2,066**	71
[illegible]	-	1,859	158	**2,017**	70
[illegible]	-	1,859	159	**2,018**	70
[illegible]	-	2,005	154	**2,159**	68
[illegible]	-	1,743	154	**1,897**	70
[illegible]	-	1,200	111	**1,311**	94
[illegible]	-	1,792	177	**1,969**	72
[illegible]	-	1,404	10	**1,414**	74
[illegible]	-	1,708	159	**1,867**	70
[illegible]	-	2,705	19	**2,724**	146
[illegible]	-	500	38	**538**	-
[illegible]	-	919	17	**936**	38
[illegible]	-	27,981	4,434	**32,415**	1,128

[illegible] *ted.*

[illegible] es held by Management.

GROUP FINANCIAL STATEMENT

NOTE 07A: AUDIT REMUNERATION

Audit remuneration

NOK million	**2018**	2017
Audit fee	**10.6**	10.0
Other audit related services	**0.5**	1.7
Tax advisory	**0.0**	0.1

NOTE 09: TAX

This year's tax expense consists of:

NOK million	**2018**	2017
Tax payable	**4.6**	24.9
Adjustments from previous year	**18.2**	(24.6)
Change in deferred tax	**(1,058.7)**	(768.8)
Income tax expense	**(1,036.0)**	(768.5)

Tax expense adjustments from previous years recognized in 2018 consists of changes in deferred tax from previous years.

Reconciliation from nominal to effective tax rate:

NOK million	**2018**	2017
Profit before tax	**(2,490.1)**	(2,562.2)
Expected tax expense (income) using nominal tax rate (23% / 24%)	**(572.7)**	(614.9)
Tax effect of the following items:		
Non deductible expenses/income	**(353.1)**	(138.0)
Adjustments from previous year	**6.7**	(23.4)
Tax rate outside Norway other than 23%	**(168.1)**	153.1
Change in tax rate	**83.3**	41.1
Deferred tax asset not recognised previous years	**(32.4)**	(186.7)
Other items	**0.4**	0.4
Tax expense	**(1,036.0)**	(768.5)
Effective tax rate	**41.60%**	29.99%

Non-deductible expenses/income includes non-taxable gains related to financial assets mea- sured at fair value.

The following table details net deferred tax liabilities (assets) at year end:

Deferred tax (assets):

NOK million	**2018**	2017
Intangible assets	**(471.7)**	(210.4)
Tangible assets	**1,065.8**	659.8
Inventories	**(8.9)**	(11.7)
Receivables	**2.1**	(10.5)

UK subsidiary Norwegian Air UK Ltd have recognized deferred tax assets of NOK 1,828 million, NOK 842 million and NOK 109 million, respectively, in a large part related to carry-forward losses at 31 December 2018.

Adjustments from previous years consists of differences in deferred tax positions between the Group reporting last year and each company's tax reporting finalized later in 2018. Deferred tax liabilities and deferred tax assets are presented net to the extent that there is a legal right to settle current tax amounts on a net basis and the deferred tax amounts are levied by the same taxing authority.

Reconciliation of deferred tax liabilities (assets)

NOK million	**2018**	2017
Recognized at 1 January	**(1,018.9)**	(241.5)
Charged/credited to the income statement	**(1,201.4)**	(809.8)
Adjustment from previous year	**(3.8)**	(11.3)
Adjustment due to change in tax rate	**83.3**	41.1
Translation differences	**81.5**	2.7
Recognized at 31 December	**(2,059.4)**	(1,018.9)

NOTE 10: INTANGIBLE ASSETS

			Other intangible assets		
NOK million	Software	Goodwill	Indefinite life	Definite life	**Total**
Acquisition costs 1 January 2017	464.2	94.0	29.2	69.6	**657.0**
Additions	24.7	-	15.1	-	**39.8**
Acquisition costs 31 December 2017	488.9	94.0	44.3	69.6	**696.7**
	488.9	94.0	44.3	69.6	**696.7**
	32.1	-	9.5	-	**41.6**
	521.0	94.0	53.8	69.6	**738.3**
	389.1	-	-	69.6	**458.7**
	36.6	-	-	-	**36.6**
	425.8	-	-	69.6	**495.4**
	425.8	-	-	69.6	**495.4**
	30.7	-	-	-	**30.7**
	456.5	-	-	69.6	**526.0**
	63.1	94.0	44.3	-	**201.4**
	64.5	94.0	53.8	-	**212.3**
	3-5 years	Indefinite	Indefinite	See below	
	Straight-line	None	None	Straight-line	

The method used to estimate the recoverable amount is value in use, based on discounted cash flow analysis. The analysis reflects the cash flow projections in the financial business plan covering the next year which is approved by the Board of Directors. The budget for the next 12 months is applied for cash flows within a planning horizon of eight years, as the aircraft fleet is estimated for re-investment every eight years. Key assumptions used in the calculation are growth rates, operating costs, terminal value and discount rate. Cash flows beyond the eight-year period are extrapolated with a long-term growth rate. Estimated cash flows and discount rate are after tax.

Discount rate

The applied after-tax discount rate is 7.9 per cent (2017: 5.8 per cent) and based on the Weighted Average Cost of Capital (WACC). The cost of the Group's debt and equity capital, weighted accordingly to reflect its capital structure, gives the Group's weighted average cost of capital. The WACC rate which is used to discount future cash flows is based on market risk free interest rates adjusted for inflation differentials and also 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 goodwill and intangible assets.

GROUP FINANCIAL STATEMENT

Growth rates

The basis for calculating future growth rate is next year's budget as approved by the Board of Directors. Except for budgeted growth stemming from existing assets, no growth is incorporated in the impairment test for 2018.

Operating costs

The operating costs are calculated based on the budget period. Committed operations efficiency programs for the next 12 months are taken into account. Changes in the outcome of these initiatives may affect future estimated operating costs. A permanent increase of 2 per cent of total

GROUP FINANCIAL STATEMENT

NOTE 11: TANGIBLE ASSETS

NOK million	Buildings	Aircraft, parts and installations on leased aircraft	Prepayment on aircraft orders	Equipment and fixtures	Financial lease	**Total**
Acquisition cost at 1 January 2017	297.1	27,175.2	7,156.3	306.8	6.3	**34,941.7**
Additions	2.0	10,141.3	2,689.9	66.7	-	**12,899.8**
Transfers	-	4,251.3	(4,251.3)	-	-	**-**
[illegible]	[illegible]	(10,384.4)	-	-	-	**(10,384.4)**
[illegible]	[illegible]	(1,223.1)	(375.5)	-	-	**(1,598.7)**
[illegible]	[illegible]	29,960.2	5,219.4	373.5	6.3	**35,858.4**
[illegible]	[illegible]	29,960.2	5,219.4	373.5	6.3	**35,858.4**
[illegible]	[illegible]	9,860.4	5,243.8	169.2	-	**15,273.5**
[illegible]	[illegible]	2,489.1	(2,489.1)	-	-	**-**
[illegible]	[illegible]	(7,079.9)	-	-	(6.3)	**(7,090.5)**
[illegible]	[illegible]	(853.0)	-	-	-	**(853.0)**
[illegible]	[illegible]	2,353.1	587.2	-	-	**2,940.3**
[illegible]	[illegible]	36,729.8	8,561.3	542.7	-	**46,128.7**
[illegible]	[illegible]	4,603.4	-	218.5	6.3	**4,842.0**
[illegible]	[illegible]	1,298.1	-	64.6	-	**1,368.4**
[illegible]	[illegible]	(2,262.9)	-	-	-	**(2,262.9)**
[illegible]	[illegible]	655.9	-	-	-	**655.9**
[illegible]	[illegible]	(196.2)	-	-	-	**(196.2)**
[illegible]	[illegible]	4,098.4	-	283.0	6.3	**4,407.3**
[illegible]	[illegible]	4,098.4	-	283.0	6.3	**4,407.3**
[illegible]	[illegible]	1,535.1	-	48.3	-	**1,589.2**
[illegible]	[illegible]	(277.3)	-	-	(6.3)	**(283.6)**
[illegible]	[illegible]	(2.4)	-	-	-	**(2.4)**
[illegible]	[illegible]	311.9	-	-	-	**311.9**
[illegible]	[illegible]	5,665.6	-	331.4	-	**6,022.3**
[illegible]	[illegible]	25,861.9	5,219.4	90.5	-	**31,451.2**
[illegible]	[illegible]	31,064.2	8,561.3	211.4	-	**40,106.4**
[illegible]	[illegible]	See below	See below	3-9 years	4-20 years	
[illegible]	[illegible]	Straight-line	See below	Straight-line	Straight-line	
[illegible]	[illegible]	See below	See below	0%	0%	

GROUP FINANCIAL STATEMENT

As at 31 December 2018, the Group operated a total of 164 aircraft (2017: 144), whereas 76 (2017: 70) were owned and 88 (2017: 78) were leased under operational leases. At the end of 2018, the Group owned two Airbus A320neo (2017: four) that were not operated by the Group but leased out. See Note 12 for details about operational leases.

Aircraft
The Group acquired eight Boeing 737 MAX 8 (2017: six), three Boeing 787-9 (2017: four) and three Airbus A320neo (2017: two) during 2018. In addition, the Group acquired two Boeing 737-800 on sale-leaseback (2017: 17), two Boeing 787-9 on sale-leaseback (2017: 0), four Boeing 737 MAX on [illegible] are depreciated at a defined rate per engine cycle, limited to the remainder of the aircraft lease.

Spare parts
Spare parts consist of rotable parts for the aircraft and are depreciated over their useful life. The useful life of spare parts ranges between 5-8 years. Straight-line depreciation is applied and 25 per cent of the acquisition cost is calculated as residual value.

Buildings
Buildings consist of one apartment in Seattle purchased in 2010 by the Group, and one apartment in Florida purchased in 2013 for the purpose of housing personnel stationed in the United States in respect of the delivery of new 737-800 aircraft and opening new destinations. The apartments are carried at acquisition cost. The residual value is estimated to equal the acquisition cost. Three apartments in Berlin, purchased in 2007 for the purpose of housing crew and trainees stationed in Berlin on a temporary basis were sold in 2018. In 2014, a new hangar at Gardermoen airport was constructed. Additions in 2017 consist of improvements and upgrades to the hangar. The hangar is estimated to have a useful life of 50 years and is depreciated linear over useful economic life. Residual value is NOK 0.

Prepayments to aircraft manufacturers
In 2007 the Group entered a purchase contract with Boeing Commercial Airplanes concerning 42 new 737-800 aircraft, with an option of purchasing 42 additional aircraft. The contract was extended in June 2011 for an additional 15 Boeing 737-800. In 2011, the Group entered a purchase contract with Icelandair for the right to acquire 3 Boeing 787-8 Dreamliner aircraft, which Icelandair had on order with Boeing Commercial Airplanes. In January 2012, the Group entered into additional purchase contracts with Boeing Commercial airplanes and Airbus S.A.S. comprising a total of 372 aircraft, of which 222 were firm orders. On 22 October 2015, the subsidiary Arctic Aviation Assets Ltd entered into a purchase contract for 19 new 787-9 Dreamliner aircraft, with an additional purchase option of 10 aircraft. Note 28 includes a table showing the timeline of future deliveries.

Until delivery of the aircraft, the Group will make prepayments to aircraft manufacturers, following a defined prepayment schedule. The Group capitalizes borrowing costs incurred for the construction of qualifying assets during the period of time which is required to complete the aircraft. Borrowing costs of NOK 368.5 million (2017: NOK 322.5 million) have been capitalized during the year. An average capitalization rate of 5.0 per cent (2017: 5.2 per cent) was used.

Equipment and fixtures
Equipment and fixtures consist of IT hardware, purchased software, vehicles and other equipment. Of material additions in 2018, the Group upgraded the HQ offices at Fornebu.

Financial lease assets
In 2009, the Group entered into lease agreements concerning electronic flight bag equipment equipment. The lease agreement is classified as financial lease as all risks and rewards are transferred to the Group after the end of the lease agreement. Electronic flight bag equipment is depreciated over 4 years. The residual value of financial lease assets is 0. The Group disposed the equipment at book value.

Impairment of tangible assets
Tangible assets are tested for impairment and no need for impairment were identified in 2018 or 2017, and as such no impairment losses have been recognized. Refer to note 10 for a description of the impairment test carried out and an overview of the main assumptions applied.

For information regarding assets pledged as collateral for debt, see Note 23.

GROUP FINANCIAL STATEMENT

NOTE 12: OPERATING LEASES

The lease agreements on the Boeing 737 aircraft last between 3 and 12 years from the date of agreement, with some extension options. The lease agreements on the Boeing 787 aircraft last for 12 years with an option for extension. From 2008 to 2018, 99 aircraft were delivered. In 2018, 14 aircraft (2017: 22) were delivered on operating lease agreements to the Group, including sale-leaseback of

		Nominal value 2017				
cal ent	Total	Aircraft	Cars	Property	Technical equipment	Total
.1	**5,244.1**	4,551.3	1.3	70.7	59.0	**4,682.2**
.6	**18,358.4**	16,468.3	5.0	117.6	236.1	**16,827.0**
.9	**17,687.2**	17,239.8	-	48.7	241.2	**17,529.8**

GROUP FINANCIAL STATEMENT

NOTE 13: TRADE AND OTHER RECEIVABLES

Specification of receivables

NOK million	**2018**	2017
Trade receivables	**552.6**	495.3
Credit card receivables	**3,539.7**	1,972.1

Provision for bad debt

NOK million	**2018**	2017
Balance 1 January	**15.6**	22.9
Charged to the income statement	**(23.2)**	(11.8)
Accruals	**28.4**	13.5
Reversals	**(0.6)**	(9.0)
Balance 31 December	**20.3**	15.6

Changes in provision for bad debt is recognized as other operating expenses.

Overdue account receivables

NOK million	**2018**	2017
Overdue less than 1 month	**114.7**	425.1
Overdue 1-2 months	**38.5**	3.1
Overdue 2-3 months	**48.4**	1.0
Overdue over 3 months	**73.5**	12.0
Total	**275.2**	441.1

Provisions for bad debt include trade and credit card receivables. The provisions for bad debts on trade receivables relate to provisions for overdue trade receivables that are not impaired at 31 December. Overdue account receivables include trade receivables.

Non-interest-bearing deposits are measured at amortized cost in the statement of financial position. Deposits denominated in foreign currencies are converted using the prevailing exchange rates on the reporting date.

Prepaid costs as per 31 December 2018 include NOK 125.7 million in contract assets associated with cost of distribution of tickets for future travel dates, i.e. distribution costs for tickets included in the air traffic settlement liabilities. In 2018 such distribution contract assets were amortized with an amount of NOK 832.8 million.

GROUP FINANCIAL STATEMENT

NOTE 14: INVENTORIES

NOK million	**2018**	2017
Consumables	**167.3**	101.9
Total	**167.3**	101.9

Charges for obsolete parts in 2018 were NOK 47.8 million (2017: NOK 23.6 million).

In 2017 a total of 35,000 share options were granted to Management and key personnel. The options have an exercise price 10 per cent above the average price the ten last trading days at 1 October 2017, which equaled NOK 254.00. The options granted may be exercised nine months after the grant. The exercise window is six months. The potential gain on the options has a maximum cap of three times basic salary per year minus employer contribution tax.

In 2018 a total of 455,000 share options were granted to Management and key personnel, of which 380,000 were part of the options program and 75,000 were granted to Chief Financial Officer Mr. Geir Karlsen after he joined the Company on 1 April 2018. The options granted to Mr. Geir Karlsen have an exercise price of NOK 187. The options in the options program have an exercise price 15 per cent above the average price the ten last trading days after the presentation of Norwegian's 2nd quarter 2018 financial results, which equaled NOK 278. The options granted may be exercised three years after the grant. The exercise window is four years. The potential gain on the options has a maximum cap of three times gross base salary per year.

Total share option expense in 2018 amounted to NOK 16.8 million (2017: NOK 15.4 million). See Note 17 for further details.

Shareholder structure
The largest shareholders at 31 December 2018 were:

	Shares	Ownership	Voting rights
HBK Holding AS*	11,204,809	24.7%	24.7%
DNB Asset Management AS	2,675,786	5.9%	5.9%
Folketrygdfondet	2,646,556	5.8%	5.8%
Danske Capital (Norway)	2,124,333	4.7%	4.7%
J.P. Morgan Securities plc	1,830,034	4.0%	4.0%
Ferd AS	1,629,032	3.6%	3.6%
Pareto Nordic Investments AS	973,170	2.1%	2.1%
Sneisungen AS	645,161	1.4%	1.4%
Storebrand Kapitalforvaltning AS	643,332	1.4%	1.4%
KLP Forsikring	608,955	1.3%	1.3%
FIRST Fondene NCP	571,940	1.3%	1.3%
Stenshagen Invest AS	500,395	1.1%	1.1%
Goldman Sachs International	488,245	1.1%	1.1%
Carnegie ASA	471,849	1.0%	1.0%
BlackRock Institutional Trust Company, N.A.	461,909	1.0%	1.0%
Danske Bank (Custodian)	459,239	1.0%	1.0%
Equinor Asset Management ASA	410,419	0.9%	0.9%
Catella Bank S.A.	353,737	0.8%	0.8%
DNB Markets	283,126	0.6%	0.6%
Assenagon Asset Management S.A.	266,512	0.6%	0.6%
Other	16,188,520	35.6%	35.6%
Total number of shares	45,437,059	100.0%	100.0%

*) *The shareholding of HBK Holding AS at 31 December 2018 and 31 December 2017 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 of time to improve the liquidity in the share trading, for example by fulfilling their market maker obligations.*

The largest shareholders at 31 December 2017 were:

	Shares	Ownership	Voting rights
HBK Holding AS*	9,598,873	26.8%	26.8%
Folketrygdfondet	2,169,790	6.1%	6.1%
J.P. Morgan Securities plc	1,809,096	5.1%	5.1%
Danske Capital (Norway)	1,779,467	5.0%	5.0%
Ferd AS	1,500,000	4.2%	4.2%

Shares directly or indirectly held by members of the Board of Directors, Chief Executive Officer and Executive Management at 31 December 2018:

Name	Title	Shares[1]
Bjørn Kise[2]	Chair	1,345,308
Liv Berstad	Deputy Chair	-
Ada Kjeseth	Board Member	-
Christian Fredrik Stray	Board Member	214
Sondre Gravir	Board Member	-
Geir Olav Øien	Board Member - Employee representative	-
Linda Olsen	Board Member - Employee representative	-
Marcus Hall	Board Member - Employee representative	-
Bjørn Kjos[3]	Chief Executive Officer	9,843,638
Geir Karlsen	Chief Financial Officer	-
Asgeir Nyseth	Chief Operating Officer	16,030
Helga Bollmann Leknes	Chief Commercial Officer	26
Kurt Simonsen	Chief Customer and Digital Officer	-
Anne-Sissel Skånvik	Chief Communications Officer	-
Frode Berg	Chief Legal Officer	-
Tore K. Jenssen	Managing Director Arctic Aviation Assets	-
Bjørn Erik Barman-Jenssen	Managing Director Support Services	-

1) Including shares held by related parties.
2) Bjørn Kise held 9.1 per cent of HBK Holding AS at 31 December 2018.
3) Bjørn Kjos held 84.6 per cent of HBK Holding AS at 31 December 2018.

Options directly held by the Chief Executive Officer and members of Executive Management:

Name	Title	Outstanding 2017	Options granted 2018	Outstanding 2018
Bjørn Kjos	Chief Executive Officer	100,000	80,000	180,000
Asgeir Nyseth	Chief Operating Officer	100,000	50,000	150,000
Geir Karlsen	Chief Financial Officer	-	125,000	125,000
Helga Bollmann Leknes	Chief Commercial Officer	35,000	50,000	85,000
[illegible]	[illegible]	[illegible]	20,000	70,000
[illegible]	[illegible]	[illegible]	50,000	50,000
[illegible]	[illegible]	[illegible]	20,000	45,000
[illegible]	[illegible]	[illegible]	20,000	45,000
[illegible]	[illegible]	[illegible]	10,000	25,000

[illegible]	Translation differences	**Total**
[illegible]	771.9	**773.1**
[illegible]	(127.0)	**(127.0)**
[illegible]	-	**(4.6)**
[illegible]	644.8	**641.4**
[illegible]	347.9	**347.9**
[illegible]	-	**22.3**
[illegible]	992.8	**1,011.7**

NOTE 16: EARNINGS PER SHARE

Basic earnings per share calculations are based on the weighted average number of common shares outstanding during the period, while diluted earnings per share calculations are performed using the average number of common shares and dilutive common shares equivalents outstanding during each period.

NOK million	**2018**	2017

The following estimates were used in calculating the fair value for options granted in 2018:

Dividend (%)	0%
Expected volatility (%)	48.44%
Risk-free interest (%)	1.33%
Expected lifetime (years)	4.50
Share price at grant date	273.90

Expected lifetime assumes that stock options are exercised at expiration. Expected volatility is based on the historical volatility over the most recent period that corresponds with the expected life of the option.

Total share option expense in 2018 amounted to NOK 16.8 million (2017: NOK 17.1 million).

Options issued in 2017
In 2017 a total of 35,000 share options were granted to Management and key personnel. The options have an exercise price of NOK 254 corresponding to 10 per cent above the weighted average price the 10 last trading days prior to 1 October 2017. The options granted may be exercised nine months after the grant. The exercise window is six months. The potential gain on the options has a maximum cap of three times basic salary per year minus employer contribution tax.

The stock option program was expensed on a straight-line basis at fair value over the vesting period. The cost was offset in other paid-in capital. Fair value calculations were conducted using the Black & Scholes option-pricing model. There were no market conditions linked to the vesting of the options.

The following estimates were used in calculating the fair value for options granted in 2017:

Dividend (%)	0%
Expected volatility (%)	43.11%
Risk-free interest (%)	0.43%
Expected lifetime (years)	1.28
Share price at grant date	235.80

Expected lifetime assumes that stock options are exercised at expiration. Expected volatility is based on the historical volatility over the most recent period that corresponds with the expected life of the option.

Outstanding options:

	2018 shares	Average exerc. price	2017 shares	Average exerc. price
Outstanding at the beginning of the period	**510,000**	316.40	625,000	321.61
Granted	**455,000**	263.00	35,000	254.00
Terminated	**(5,000)**	231.00	(150,000)	323.53
Outstanding at the end of the period	[illegible]	[illegible]	[illegible]	[illegible]

Pension expenses on defined contribution plans are NOK 298.0 million in 2018 (2017: NOK 227.3 million). The defined benefit plan was closed at the time of transfer for all pilots aged 46 or younger, and a new defined contribution plan was issued.

Defined benefit plan
As per 31 December 2018, 466 employees were active members (2017: 474) and 38 were on pension retirement (2017: 31). The related pension liability is recognized at NOK 146.5 million (2017: 149.7 million).

The pension plans are in compliance with the Occupational Pensions Act and actuarial calculations comply with IAS 19.

The mortality and disability estimates are based on up-to-date mortality tables K2013 BE. This has not had any material effect on the consolidated financial statements in 2018.

Pension expense

	Funded	
NOK million	**2018**	2017
Net present value of benefits earned	**23.7**	25.6
Interest cost on pension liability	**3.9**	2.2
Return on plan assets	**(0.1)**	(0.1)
Administrative expenses	**0.1**	0.1
Social security tax	**3.9**	3.9
Net pension expense defined benefit plans	**31.6**	31.8
Pension expense on defined contribution plans	**258.3**	202.4
Social security tax	**36.4**	24.9
Total pension expense	**326.3**	259.1

	Funded	
NOK million	**2018**	2017
Change in present value of defined benefit liability:		
Gross pension liability 1 January	**267.6**	194.1
Current service costs	**26.4**	30.5
Interest cost	**6.3**	4.0
Actuarial gains/losses	**(1.9)**	44.0
Benefits paid	**(1.6)**	(1.1)
Social security on payments to plan	**(3.7)**	(3.8)
Gross pension liability 31 December	**293.1**	267.6

	Funded	
NOK million	**2018**	2017
Change in fair value of plan assets:		
Fair value of pension assets 1 January	**118.0**	86.7
Expected return	**3.0**	3.7
Actuarial gains/losses	**0.6**	1.0
Contributions paid	**29.7**	31.0

The Group's pension fund was invested in the following instruments:

	2018	2017
Equity	**12.8%**	10.9%
Alternative investments	**0.0%**	0.0%
Bonds	**12.5%**	13.2%
Money market funds	**10.2%**	14.0%
Hold-to maturity bonds	**30.6%**	27.2%
Real estate	**9.1%**	10.0%
Various	**24.8%**	24.7%

The table shows actual distribution of plan assets at 31 December 2018 and 2017.

Historical information

NOK million	**2018**	2017	2016	2015	2014
Present value of defined benefit obligation	**293.1**	267.6	194.1	193.6	243.2
Fair value of plan assets	**146.6**	118.0	86.7	59.1	65.6
Deficit/(surplus) in the plan	**146.5**	149.7	107.4	134.5	177.6
Experience adjustments on plan liabilities	**(1.9)**	44.0	(26.2)	(86.0)	45.7
Experience adjustments on plan assets	**0.6**	1.0	(1.8)	(38.2)	6.8

NOTE 19: PROVISIONS AND OTHER LONG-TERM LIABILITIES

Periodic maintenance on leased aircraft

NOK million	**2018**	2017
Opening balance	**2,765.6**	1,462.6
Provisions charged to the income statement	**2,554.4**	1,870.9
Maintenance services performed and invoices received	**(1,401.7)**	(1,349.7)
Other items	**(572.0)**	781.7
Closing balance	**3,346.3**	2,765.6
Classified as current liabilities	**158.8**	86.2
Classified as non-current provision	**3,187.5**	2,679.4

For aircraft held under operating lease agreements, Norwegian is contractually committed to either return the aircraft in a certain condition or to compensate the lessor based on the actual condition of the airframe, engines, and life-limited parts upon return. In addition, during the lease term the Group is obliged to follow the maintenance program as defined by aircraft manufacturers. In order to fulfil the conditions of the lease and maintenance obligations, in the form of major airframe overhaul, engine maintenance checks, and restitution of major life-limited parts, it is required to perform these obligations during the period of the lease and upon return of the aircraft to the lessor. The estimated maintenance costs are accrued and charged to profit or loss over the lease term for this contractual obligation, based on the estimated current cost of the major airframe overhaul, engine maintenance checks and restitution of major life-limited parts, calculated by either reference to the number of hours flown or cycles operated since last maintenance event or since the aircraft was new, or the age of the aircraft.

The estimated costs of overhauls and maintenance are based on the Group's maintenance program, the Group's and industry experience, and contractual and catalog prices. Changes in estimated maintenance event costs over time are charged to the income statement as incurred with reference to number of hours flown or cycles operated during the period since the last maintenance event or since the aircraft was new. Additional provisions are also set to meet specific redelivery conditions if these are deemed to be other or higher than the estimated maintenance

2017				
NOK million	Loans and receivables	Financial assets at fair value through profit or loss	Available-for-sale	Total
Assets as per balance sheet				
Available-for-sale financial assets	-	-	82.7	**82.7**
Derivative financial instruments	-	646.7	-	**646.7**
Trade and other receivables *)	4,262.2	-	-	**4,262.2**
Cash and cash equivalents	4,039.8	-	-	**4,039.8**
Total	8,302.0	646.7	82.7	**9,031.4**
**) Prepayments not included in trade and other receivables*	885.4			

2018			
NOK million	Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Total
Liabilities per balance sheet			
Borrowings	-	33,839.1	**33,839.1**
Derivative financial instruments	1,397.5	-	**1,397.5**
Trade and other payables *)	-	7,772.0	**7,772.0**
Total	1,397.5	41,611.2	**43,008.7**
**) Public duties not included in trade and other payables*		239.8	

2017			
NOK million	Fair value through profit or loss	Other financial liabilities	Total
Liabilities per balance sheet			
Borrowings	-	26,304.8	**26,304.8**
Derivative financial instruments	41.8	-	**41.8**
Trade and other payables *)	-	5,344.1	**5,344.1**
Total	41.8	31,648.9	**31,690.7**
**) Public duties not included in trade and other payables*		224.2	

See Note 22 for details related to borrowings.

Credit quality of financial assets

NOK million	**2018**	2017
Trade receivables		
Counterparties with external credit rating A or better	**3,539.7**	1,972.1
Counterparties without external credit rating	**2,877.2**	2,290.1
Total trade receivables	**6,416.9**	4,262.2

Trading derivatives are classified as current or non-current assets or liabilities depending on the maturity profile and net value of individual forward contracts. The total unrealized value of derivatives amounts to a loss of NOK 1,361.4 million (2017: gain of NOK 604.9 million). See details under the specification of `Other losses/ (gains) - net' below.

Forward foreign currency contracts
The net fair value of the outstanding forward foreign currency contracts at 31 December 2018, were NOK 0.9 million (2017: NOK - 14.1 million). At 31 December 2018, the Group had forward foreign currency contracts to secure USD 20 million and EUR 20 million (2017: USD 90 million, EUR 45 million, GBP 8 million, SEK 200 million, DKK 100 million and PLN 5 million).

Forward commodities contracts
Forward commodities contracts relate to jet fuel derivatives. The net fair value of the outstanding forward commodities contracts at 31 December 2018, were NOK -1,362.3 million (2017: NOK 549.7 million). At 31 December 2018, the Group had secured 774,500 tons of jet fuel (2017: 481,500 tons) through forward contracts that matures in the period January 2019 – January 2020.

Other losses/gains – net

NOK million	**2018**	2017
Net losses/(gains) on financial assets at fair value through profit or loss	**1,223.6**	(549.9)
Foreign exchange losses/(gains) on operating acitivities	**(108.6)**	407.6
Losses/(gains) on asset sale	**(120.9)**	(297.8)
Total	**994.1**	(432.2)

NOTE 21: TRADE AND OTHER PAYABLES

NOK million	**2018**	2017
Accrued vacation pay	**300.9**	265.1
Accrued airport and transportation taxes	**869.6**	451.8
Accrued expenses	**3,257.4**	1,907.9
Trade payables	**2,265.8**	1,755.0
Payables to related party (Note 26)	**204.6**	0.9
Public duties	**239.8**	224.2
Current provisions for MRC (Note 19)	**158.8**	86.2
Other current provisions	**714.9**	877.3
Total	**8,011.8**	5,568.3

The current payables and provisions are non-interest bearing and are due within the next 12 months. Accrued expenses are related to goods and services delivered and not invoiced to the Group in 2018.

NOTE 22: BORROWINGS

Nominal value at 31 December 2018

NOK million	Nominal value	Unamortized transaction cost	Book value	Effective interest rate
Bond issue	3,585.2	(2.5)	3,582.7	6.5%
Credit facility	1,125.0	-	1,125.0	2.0%

Cash and non-cash changes in total borrowings

Changes in total borrowings over a period consist of both cash effects (disbursements and repayments) and non-cash effects (amortizations and currency translation effects). The following is the changes in the Group's borrowings stemming from cash effects and non-cash effects:

NOK million	**2018**	2017
Opening balance total borrowings	**26,304.8**	23,474.9
Disbursement	**12,546.6**	8,209.9
Repayment	**(6,518.8)**	(4,490.9)
Net amortization effects	**28.4**	(119.2)
Currency translation effects	**1,478.1**	(769.9)
Closing balance total borrowings	**33,839.1**	26,304.8

The carrying amounts of the Group's borrowings are denominated in the following currencies:

NOK million	**2018**	2017
USD	**21,545.3**	17,262.4
NOK	**1,374.2**	2,172.9
SEK	**932.7**	996.2
EUR	**9,986.9**	5,873.2
Total	**33,839.1**	26,304.8

Collateralized borrowings are detailed in Note 23.

Covenants

Bond issues

– Minimum book equity of NOK 1,500 million.
– Dividend payments less than 35 per cent of net profit.
– No dividend unless liquidity is above NOK 1,000 million and equity higher than NOK 3,000 million.
– Minimum liquidity of NOK 500 million.

Credit facility

There are no financial covenants on credit facilities.

Aircraft prepayment financing

There are no financial covenants on aircraft prepayment financing.

Aircraft financing

Aircraft financing does not include covenant requirements. Aircraft in the Group are financed with guarantees by either the parent company and / or by export credit agencies. Owned aircraft are pledged as collateral. For more information on assets pledged as collateral, see Note 23.

The Group has not been in breach of any covenants during 2018.

GROUP FINANCIAL STATEMENT

Fair value calculations

The carrying amounts and fair values of the non-current borrowings are as follows:

	Carrying amount		Fair Value	
NOK million	**2018**	2017	**2018**	2017
Bond issue	**1,182.2**	3,070.0	**1,088.7**	3,072.5
Aircraft prepayment financing	**280.5**	263.2	**284.5**	266.8
Aircraft financing	**21,067.4**	18,727.1	**22,137.5**	19,359.6

Facility agreement

Interest rate of LIBOR 3M and a risk premium equal to the spread at the reporting date. The Group has entered into facility agreements with UTF, DVB and BOC in 2016, 2017 and 2018 respectively to cover pre-delivery financing for aircraft with deliveries in the period 2016 to 2019. The facility agreement with DVB was repaid and settled in 2018.

The borrowings which mature at the delivery of each aircraft in 2019 are classified as current borrowings and are denominated in USD.

Aircraft financing

Fixed and floating interest rate based on LIBOR and EURIBOR market rates and a risk premium equal to the spread at the reporting date. The spread of USD denominated borrowings is not entity specific, as the agreed spread is based on the overall credit risk of the financial markets in the United States. 25 per cent of aircraft financing is exposed to cash flow interest rate risk with quarterly re-pricing dates, while 75 per cent of aircraft financing is exposed to fair value risk on fixed interest rates.

The borrowings mature quarterly after the delivery of aircraft. See Note 2 for further maturity analysis of borrowings. The aircraft financing is denominated in USD and in EUR.

NOTE 23: ASSETS PLEDGED AS COLLATERALS AND GUARANTEES

Liabilities secured by pledge

NOK million	**2018**	2017
Bond issue	**249.2**	248.8
Credit facility	**1,125.0**	675.0
Aircraft financing	**24,990.0**	20,693.9
Aircraft prepayment financing	**4,141.5**	615.9
Total	**30,505.7**	22,233.6

The owned aircraft are pledged as collateral for the aircraft financing. The purchase contracts with aircraft manufacturers are pledged as collateral for the revolving credit facility agreement with DVB and UTF to secure the pre-delivery payments. Shares in Norwegian Finans Holding ASA are pledged as collateral for the credit facility held by the parent company in DNB.

The Group has not issued any guarantees for third parties.

Book value of assets pledged as security and guarantees:

NOK million	**2018**	2017
Prepayment and aircraft	**39,316.8**	30,945.8
Buildings	**258.4**	264.2
Investment in Norwegian Finans Holding ASA	**2,051.8**	2,817.4
Total	**41,627.0**	34,027.4

NOTE 24: BANK DEPOSITS

Cash and cash equivalents

NOK million	**2018**	2017
Cash in bank	**1,854.8**	3,604.6
Cash equivalents	**66.8**	435.2
[illegible]	[illegible]	[illegible]

NOTE 25: INVESTMENTS IN OTHER ENTITIES

Norwegian Air Shuttle ASA has the following investments in financial assets and joint ventures accounted for using the equity method (NOK million):

Entity	Country	Industry	Ownership interest	Type of investment	Share of profit recognized in 2018	Share of OCI recognized in 2018	Investment 2018[1]	Carrying amount 31.12.2018	Fair value 31.12.2018[2]
[illegible]	[illegible]	[illegible]	[illegible]	nture	69.6	22.3	(29.3)	70.3	N/A

[illegible]	[illegible]	[illegible]	[illegible]	pe of ment	Share of profit recognized in 2017	Share of OCI recognized in 2017	Investment 2017[1]	Carrying amount 31.12.2017	Fair value 31.12.2017[2]
[illegible]	[illegible]	[illegible]	[illegible]	iated pany	263.7	0.4	(55.2)	824.8	2,817.4
[illegible]	[illegible]	[illegible]	[illegible]	nture	27.8	(1.6)	(11.6)	7.8	N/A

and sales in June and December 2017
ctively.
d shares as the last recorded trade on Oslo
ailable.

On 1 November 2016, Norwegian Air Resources Ltd. sold 49 per cent of the shares in Norwegian Air Resources Spain S.L and AB Norwegian Air Resources Finland Ltd. The proceeds from the sale of shares is recognized as a reduction in the carrying amount of the investment in the joint venture. Further, 100 per cent of the shares in Norwegian Air Resources Asia PTE Limited and Norwegian Air Resources UK Limited were sold to the joint venture. The total proceeds from sale of shares to the joint venture was NOK 15.2 million. The transactions did not result in any significant effect on the consolidated income statement. On 1 November 2016, Norwegian Air Resources Ltd. acquired 51 per cent of the shares in OSM Aviation UK Ltd. from the joint venture at a purchase price of GBP 1,020.

A shareholder's agreement is in place between OSM Aviation and Norwegian Air Resources Ltd. stating that all dividends from Norwegian Air Resources Spain S.L, Norwegian Air Resources Finland Ltd., and OSM Aviation UK Ltd. are distributed to the joint venture OSM Aviation Ltd. Non-controlling interests are recognized at 50 per cent of the equity of these companies, in total NOK 17.3 million at the end of 2018. The three subsidiaries are not material to the consolidated financial statements neither individually nor aggregated.

Summarized financial information for immaterial joint ventures:

NOK million	**2018**	2017
Profit or loss from continuing operations	**103.1**	60.0
Other comprehensive income	**(3.0)**	(10.1)
Total comprehensive income	**100.2**	49.9

NOK million	**2018**	2017
Year-end balances arising from sales/purchases of goods/services (NOK million incl VAT)		
Payables to related parties		
- Simonsen Vogt Wiig (legal services)	**0.8**	0.9
- Fornebu Næringseiendom (property rent)	**6.1**	-
- OSM Aviation Ltd. (incl. subsidiaries; crew management services)	**197.7**	191.0

Transactions between Group companies have been eliminated in the consolidated financial statements and do not represent related party transactions. See Notes 25 Related Parties and 23 Shares in Subsidiaries in the financial statements of Norwegian Air Shuttle ASA for further details.

NOTE 27: CONTINGENCIES AND LEGAL CLAIMS

Through their respective unions, pilots and cabin crew that have been subject to business transfers from Norwegian Air Shuttle ASA (NAS) to Norwegian Air Norway AS (NAN) and from NAN to local national resourcing entities for pilots and cabin crew in Norway, have raised claims that NAS primarily, NAN alternatively shall be considered employer. The District Court ruling was appealed, and Norwegian won the Court of Appeal in 2017. In 2018, the respective unions appeal to the Supreme Court, and the Supreme Court ruled in favor of the Company.

The Norwegian Group has, since the end of 2013, continuously reorganized its operations, and in 2013 and 2014, Norwegian transferred parts of its business to Irish group companies as a natural part of this international reorganization process. The internal group reorganization was carried out under the tax rules on contingent tax-free transfers within a group and the freedom of establishment under the EEA-agreement.

In March 2017, Norwegian received a reassessment from the Central Tax Office for Large Enterprises in which the tax office argues that the rules on contingent tax-free transfers within a group does not apply to the transfer of the business in 2013. In June 2018, Norwegian received reassessments from the tax office regarding the other business transfers carried out in 2013 and 2014, in which the tax office upholds its view that the rules on contingent tax-free transfers within a group does not apply.

Norwegian and its tax advisor are of the opinion that the reassessment by the tax office is without merit and has thus not made any provision for any potential tax claim in its financial statements for 2018. This view is especially supported by the fact that the superior assessment board at the same tax office in 2013 issued a principle decision in another case to the effect that the rules on contingent tax-free transfers within a group when read in conjunction with the freedom of establishment under the EEA-agreement indeed applies to transfer of a business from a Norwegian group company to a group company within the EU. The Company has concluded that the possibility of any outflow in settlement is remote. The reassessments have been appealed.

NOTE 28: COMMITMENTS

Norwegian has several aircraft purchase commitments from agreements entered into with Boeing and Airbus. An overview of firm orders by expected year of delivery at 31 December 2018 is presented in the table below, along with the expected gross cash payments per year.

Aircraft delivery schedules are, however, subject to changes.

The final cash payments are also subject to changes in delivery and prepayment schedules, cer-

NOTE 29: EVENTS AFTER THE REPORTING PERIOD

On 29 January 2019, Norwegian announced that it is strengthening its balance sheet through a fully underwritten rights issue of NOK 3 billion in order to increase its financial flexibility and create headroom to the covenants of its outstanding bonds compared with the Company's business plan. The rights issue was successfully completed and fully paid in March 2019, and Norwegian further announced on March 15 that the share capital increase was registered in the Norwegian Register of Business Enterprises.

The Company is changing its strategic focus from growth to profitability. The Company intends to capitalize on the market position and scale built up over the last years. As a consequence of the changed focus, the capital expenditures will be reduced, which is expected to be achieved by a combination of (i) aircraft divestment, including JV, and (ii) postponement of aircraft deliveries. Further, the Company is working on several operational improvements, including (i) the extensive cost reduction program, #Focus2019, which will contribute to estimated reduction of minimum NOK 2 billion in 2019, (ii) optimization of the base structure and the route network and (iii) the agreement with Rolls-Royce related to compensation for the operational disruptions on its long-haul operations which was entered into in December 2018. The fully underwritten rights issue in combination with these improvement initiatives will significantly improve the financial position of the Company during 2019.

On 5 February 2019 Norwegian announced that Arctic Aviation Assets, a subsidiary of Norwegian, has signed an agreement for sale of two Airbus A320neo aircraft. The aircraft were leased out and thus not operated by the Company and classified as Assets Held for Sale in the balance sheet at 31 December 2018. Delivery took place in February 2019. The transaction increased the Company's liquidity by USD 26 million after repayment of debt and had a positive equity effect. Sale proceeds were used to repay debt and to increase the Company's liquidity. The sale is in line with the Company's strategy of capitalizing on the scale built up over the last few years and the changed focus from growth to profitability.

On 6 February 2019 Norwegian announced that Arctic Aviation Assets, a subsidiary of Norwegian, has signed an agreement with Boeing Commercial Airplanes for postponement of twelve Boeing 737 MAX 8 aircraft from 2020 to 2023 and 2024. The postponement is expected to reduce the Company's capital expenditure commitments related to pre-delivery payments in 2019. Additionally, capital expenditures for 2020 will be significantly reduced.

Arctic Aviation Assets has further signed an agreement with Airbus S.A.S. for postponement of four Airbus 321LR aircraft from 2019 to 2020. The postponement is expected to reduce the Company's capital expenditure commitments in 2019.

On 12 March 2019 Norwegian announced that the Company will ground its 18 Boeing 737 MAX 8 until further notice, based on recommendation from European aviation authorities. The Company is in continuous dialogue with aviation authorities and with Boeing and are following their recommendations and instructions. Norwegian also has Boeing 737-800 and Boeing 787 Dreamliners in its fleet, but these are not affected. Norwegian has worked, and is still working on, reallocating the aircraft fleet to mitigate the consequences.

GROUP FINANCIAL STATEMENT

On March 18, Bjørn H. Kise notified the election committee that he will resign as Chairman of the Board of Norwegian Air Shuttle ASA following the Annual General Meeting on May 7, 2019.

There have been no other material events subsequent to the reporting period that might have a significant effect on the consolidated financial statements for 2018.

FINANCIAL STATEMENTS OF THE PARENT COMPANY

INCOME STATEMENT 1.1 - 31.12

NOK million	*Note*	**2018**	2017
Revenue	*3*	**25,006.0**	19,930.5
Total operating revenue		**25,006.0**	19,930.5
Operational expenses	*4*	**24,184.9**	16,639.5
Payroll and personnel expenses	*5, 6*	**2,876.9**	3,644.8
Depreciation, amortization and impairment	*9, 10*	**121.2**	151.4
Other operating expenses	*4a*	**1,679.3**	2,125.5
Other losses/(gains) - net	*19*	**1,069.7**	(670.0)
Total operating expenses		**29,931.9**	21,891.1
Operating profit (loss)		**(4,925.9)**	(1,960.6)
Interest income		**588.8**	508.5
Interest expense		**655.4**	689.0
Other financial income (expenses)		**390.6**	2,104.4
Net financial items	*7*	**323.9**	1,923.9
Profit (loss) before tax		**(4,602.0)**	(36.7)
Income tax expense (income)	*8*	**(1,096.7)**	(556.4)
Profit (loss) for the year		**(3,505.3)**	519.6
Basic earnings per share		(77.15)	14.53
Diluted earnings per share		(77.15)	14.30

STATEMENT OF COMPREHENSIVE INCOME 1.1 - 31.12

NOK million	*Note*	**2018**	2017
Profit for the year		**(3,505.3)**	519.6
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Available-for-sale financial assets	*19*	**-**	677.2
Net comprehensive income that may be reclassified		**-**	677.2
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Fair value gain/(loss) on investments in equity instruments designated as FVTOCI		**(765.6)**	-
Actuarial gains and losses		**0.2**	-
Net comprehensive income that will not be reclassified		**(765.4)**	-
Total comprehensive income for the period		**(4,270.7)**	1,196.9

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER

NOK million	*Note*	**2018**	2017
ASSETS			
Non-current assets			
Intangible assets	*9*	**1,312.6**	184.1
Deferred tax asset	*8*	**1,827.8**	730.6
Aircraft, parts and installations on leased aircraft	*10*	**173.9**	149.2
Equipment and fixtures	*10*	**144.2**	60.3
Buildings	*10*	**269.4**	279.2
Derivative financial instruments	*2, 19*	**3.5**	31.0
Financial assets available for sale	*19, 24*	**-**	2.7
Investments in subsidiaries	*23*	**12,880.4**	13,381.0
Financial lease receivable	*25*	**2,309.1**	2,681.3
Other receivables	*12*	**8,488.0**	6,556.5
Total non-current assets		**27,408.9**	24,055.7
Current assets			
Inventory	*13*	**164.9**	73.3
Trade and other receivables	*12*	**12,257.8**	6,057.4
Derivative financial instruments	*2,19*	**32.6**	464.0
Financial assets available for sale	*19, 24*	**-**	3,513.8
Investments in financial assets	*19, 24*	**2,051.8**	-
Cash and cash equivalents	*21*	**1,429.3**	3,239.3
Total current assets		**15,936.5**	13,347.9
Total assets		**43,345.4**	37,403.6

NOK million	*Note*	**2018**	2017
EQUITY AND LIABILTIES			
Equity			
Share capital	*14*	**4.5**	3.6
Share premium		**2,686.7**	1,231.6
Other paid-in equity		**132.8**	127.7
Other reserves		**1.2**	1.2
Retained earnings		**3,462.2**	7,732.8
Total equity		**6,287.4**	9,096.9
Non-current liabilities			
Provision for periodic maintenance	*17*	**1,212.2**	846.4
Other non-current liabilities		**515.3**	36.8
Borrowings	*22*	**2,238.4**	5,316.3
Derivative financial instruments	*2, 19*	**38.1**	-
Total non-current liabilities		**4,004.0**	6,199.4
Current liabilities			
Borrowings	*22*	**4,757.3**	2,322.7
Trade and other payables	*18*	**20,038.8**	14,638.6
Air traffic settlement liabilities		**6,898.4**	5,105.3
Derivative financial instruments	*2, 19*	**1,359.4**	40.6
Total current liabilities		**33,054.0**	22,107.3
Total liabilities		**37,058.0**	28,306.7
Total equity and liabilities		**43,345.4**	37,403.6

Fornebu, 20 March 2019
The board of directors of Norwegian Air Shuttle ASA

Bjørn H. Kise *Chair*	Liv Berstad *Deputy Chair*	Christian Fredrik Stray *Director*	Ada Kjeseth *Director*	Sondre Gravir *Director*
Eric Holm *Director* *(elected by the employees)*	Katrine Gundersen *Director* *(elected by the employees)*	Geir Olav Øien *Director* *(elected by the employees)*	Bjørn Kjos *Chief Executive Officer*	

PARENT COMPANY FINANCIAL STATEMENT

STATEMENT OF CHANGES IN EQUITY 1.1 – 31.12

NOK million	Share capital	Share premium	Other paid-in equity	**Total paid-in equity**	Other Reserves	Retained earnings	**Total equity**
Equity at 1 January 2017	3.6	1,231.6	110.6	**1,345.8**	1.2	6,536.0	**7,882.9**
Profit for the year	-	-	-	**-**	-	519.6	**519.6**
Available for sale financial assets	-	-	-	**-**	-	677.3	**677.3**
Comprehensive income 2017	-	-	-	**-**	-	1,196.9	**1,196.9**
Equity change on employee options	-	-	17.1	**17.1**	-	-	**17.1**
Transactions with owners	-	-	17.1	**17.1**	-	-	**17.1**
Equity at 31 December 2017	3.6	1,231.6	127.7	**1,362.9**	1.2	7,732.8	**9,096.9**
Profit for the year	-	-	-	**-**	-	(3,505.3)	**(3,505.3)**
Fair value gain/(loss) on investments in equity instruments designated as FVTOCI	-	-	-	**-**	-	(765.6)	**(765.6)**
Actuarial gains and losses	-	-	-	**-**	-	0.2	**0.2**
Comprehensive income 2018	-	-	-	**-**	-	(4,270.7)	**(4,270.7)**
Share issue	1.0	1,455.0	-	**1,456.0**	-	-	**1,456.0**
Equity change on employee options	-	-	5.1	**5.1**	-	-	**5.1**
Transactions with owners	1.0	1,455.0	5.1	**1,461.1**	-	-	**1,461.1**
Equity at 31 December 2018	4.5	2,686.7	132.8	**2,824.0**	1.2	3,462.2	**6,287.4**

Investment revaluation reserve is reclassified to Retained earnings in the opening balance of 2017.

STATEMENT OF CASH FLOWS 1.1 - 31.12

NOK million	*Note*	**2018**	2017
Profit (loss) before tax		**(4,602.0)**	(36.7)
Taxes (paid) / received	*8*	**-**	35.0
Depreciation, amortization and write-down	*9, 10*	**121.2**	151.4
Compensation expense for employee options	*16*	**5.1**	17.1
Losses/(gains) on disposal of tangible assets		**(27.4)**	(484.0)
Fair value losses/(gains) on financial assets	*19*	**1,966.3**	(186.0)
Financial items	*7*	**(323.9)**	(1,923.9)
Interest received	*7*	**588.8**	508.5
Change in inventories, accounts receivable and accounts payable		**(1,765.9)**	2,241.6
Change in air traffic settlement liabilities		**1,793.1**	1,921.4
Change in other current assets and current liabilities		**892.0**	6,472.8
Net cash flow from operating activities		**(1,352.7)**	8,717.2
Cash flows from investing activities:			
Purchase of tangible assets	*10*	**(213.6)**	(147.1)
Purchase of intangible assets	*9*	**(41.4)**	(38.5)
Proceeds from sales of tangible assets	*10*	**48.1**	541.4
Proceeds from total return swap	*19, 24*	**233.3**	545.7
Paid deposit total return swap	*19, 24*	**-**	(327.4)
Net investment in subsidiaries	*23*	**(563.8)**	(5,824.2)
Net investment in associates	*24*	**-**	(100.0)
Net cash flow from investing activities		**(537.4)**	(5,350.1)
Cash flows from financial activities:			
Proceeds from non-current debt	*22*	**1,072.4**	1,591.0
Payment of non-current debt	*22*	**(1,837.9)**	(3,195.7)
Interest on borrowings		**(615.5)**	(632.5)
Transaction cost		**-**	(6.2)
Proceeds from issuing new shares	*15*	**1,456.0**	-
Net cash flow from financial activities		**75.0**	(2,243.4)
Foreign exchange effect on cash		**5.1**	(33.6)
Net change in cash and cash equivalents		**(1,810.0)**	1,090.1
Cash and cash equivalents at 1 January		**3,239.3**	2,149.3
Cash and cash equivalents at 31 December	*21*	**1,429.3**	3,239.3

The Company participates in cash pool arrangements, and deposits and overdrafts by subsidiaries within these arrangements are presented as other receivables and other payables in the statement of financial position. The net deposits in cash pool arrangements are included as cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

NOTE 01: GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Norwegian Air Shuttle ASA is the parent in the Norwegian Group. Besides being an operative airline, it also serves the purpose of holding company in the Norwegian Group, and contains the Group Management and Corporate Functions, in addition to serving other Group airlines and other business areas with shared services. The information provided in the consolidated financial statements covers the Company to a significant degree. Please refer to the consolidated financial statement of the Group for a description of the operative activities of Norwegian Air Shuttle ASA.

The financial statements of Norwegian Air Shuttle ASA for the year ended 31 December 2018 were authorized for issue by the Board of Directors on 20 March 2019. The annual shareholders meeting, to be held 7 May 2019, have the power to amend and reissue the financial statements.

The financial statements of the Company have been prepared in accordance with simplified IFRS pursuant to the Norwegian Accounting Act § 3-9, and regulations regarding simplified application of IFRS issued by the Ministry of Finance on 21 January 2008. The first time simplified IFRS was adopted by the parent company was the Company's annual financial statements for 2015. The date of transition was 1 January 2014.

The Company's significant accounting principles are consistent with the accounting principles of the Group, as described in Note 1 of the consolidated financial statement. Where the notes for the parent company are substantially different from the notes for the Group, these are shown below. Otherwise, refer to the notes to the Group's Consolidated Financial Statements (hereinafter referred to as the Group's Consolidated Financial Statements).

The option in the regulation for simplified IFRS which the Company has utilized in recognition, and measurement and which differ from the consolidated financial statements are:

Dividends and group contribution
Dividend and group contributions are recognized in accordance with the Accounting Act and recognized in the reporting period to which they relate.

Investments in subsidiaries and associates
Shares in subsidiaries are valued at cost and tested for impairment. Any impairment losses and reversal of impairment losses are classified as net gains (loss and impairment) on investments in subsidiaries in the income statement. Loans provided to subsidiaries are measured at cost according to IFRS 9.

NOTE 02: FINANCIAL RISK

The Company's exposure to, and management of, financial risk is primarily the same as disclosed for the Group. For further information, please refer to Note 2 in the consolidated financial statements.

NOTE 03: OPERATING REVENUE

NOK million	2018	2017
By activity:		
Passenger transport	**17,535.8**	11,133.5
Ancillary revenue	**3,592.4**	2,215.2
Other revenue	**3,877.8**	6,581.7
Total operating revenue	**25,006.0**	19,930.5
By geographic market:		
Domestic Norway	**6,457.2**	9,421.4
International	**18,548.8**	10,509.0
Total operating revenue	**25,006.0**	19,930.5

The Company is a low-cost airline, using its fleet of aircraft. Revenues from this business are specified in the table above. Passenger revenue consists of revenue generated from sales of airline tickets, while ancillary revenue consists of other services directly generated from ticket sales. Other revenue consists of sales that are not directly related to an airline ticket, e.g. cargo and sales of third-party products.

NOTE 04: OPERATIONAL EXPENSES

NOK million	2018	2017
Sales and distribution expenses	**705.0**	719.2
Aviation fuel	**6,582.9**	2,898.2
Aircraft leases	**6,880.6**	6,851.8
Airport charges	**2,084.5**	1,551.0
Handling charges	**3,228.3**	1,632.8
Technical maintenance expenses	**2,425.4**	2,498.4
Other aircraft expenses	**2,278.2**	488.1
Total operational expenses	**24,184.9**	16,639.5

Aircraft lease expenses includes wetlease costs.

NOTE 04A: OTHER OPERATING EXPENSES

Other operating expenses amount to NOK 1,679.3 million (2017: NOK 2,125.5 million). Other operating expenses are related to the operation of systems, marketing, back office, consultants and other costs not directly attributable to operation of the aircraft fleet and related airline specific costs.

NOTE 05: PAYROLL EXPENSES AND NUMBER OF EMPLOYEES

Breakdown of payroll and personnel expenses - employees

NOK million	**2018**	2017
Wages and salaries	**510.5**	533.2
Social security tax	**71.4**	73.0
Pension expenses	**33.4**	34.8
Employee stock options	**5.1**	17.1
Other benefits	**34.9**	30.5
Total	**655.3**	688.7

In 2018, NOK 16.8 million (2017: NOK 17.1 million) was charged as an expense to salaries, according to the stock option program (Note 16). The Company has a pension scheme covering all employees. The scheme is in compliance with the act on occupational pensions (Note 15).

	2018	2017
Number of man-labor years	**590.8**	719.3

Breakdown of payroll and personnel expenses - hired

NOK million	**2018**	2017
Full Scale Crew Services	**2,109.5**	2,888.4
Hired personnel	**112.0**	67.7
Total	**2,221.6**	2,956.1

Payroll and personnel expenses

NOK million	**2018**	2017
Personnel expenses - employees	**655.3**	688.7
Personnel expenses - hired	**2,221.6**	2,956.1
Total	**2,876.9**	3,644.8

NOTE 06: REMUNERATION OF THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

For information on remuneration of the Board of Directors and Executive management, please refer to Note 7 in the Group's Consolidated Financial Statements.

NOTE 06A: AUDITOR REMUNERATION

Audit remuneration:

NOK million	**2018**	2017
Audit fee	**2.2**	2.4
Other audit related services	**0.5**	1.1
Other services	**-**	2.0
Total	**2.7**	5.5

All amounts stated exclude VAT. Other services in 2017 relates mainly to services from Deloitte Consultancy on operational areas.

NOTE 07: NET FINANCIAL ITEMS

NOK million	**2018**	2017
Interest income	**588.8**	508.5
Interest expense	**(655.4)**	(689.0)
Net foreign exchange (loss) or gain	**15.3**	(267.3)
Appreciation cash equivalents	**6.6**	7.3
Impairment of investment in subsidiary	**(1,220.0)**	0.0
Other financial items	**1,588.6**	2,364.3
Net financial items	**323.9**	1,923.9

The impairment of investment in subsidiary of NOK 1,220.0 million relates to the investment the Company holds in Norwegian Air International Ltd (NAI). The remaining book value of the investment in NAI at 31 December 2018 amounts to NOK 7,327.3 million. Other financial items amount to NOK 1,588.6 million (2017: NOK 2,364.3 million). Other financial items are related to dividends and group contribution received from subsidiaries.

NOTE 08: TAXES

This year's tax expense consists of:

NOK million	**2018**	2017
Tax payable	**0.4**	-
Adjustments from previous year	**(58.7)**	(36.5)
Change in deferred tax	**(1,038.4)**	(519.9)
Income tax expense	**(1,096.7)**	(556.4)

Adjustments from previous years consist of both taxes received in 2018 related to earlier years' tax assessments, and changes in deferred tax from previous years.

Reconciliation from nominal to effective tax rate:

NOK million	**2018**	2017
Profit before tax	**(4,602.0)**	(36.7)
Expected tax expense (income) using nominal tax rate 23 % (24 %)	**(1,058.5)**	(8.8)
Tax effect of the following items:		
Non deductible expenses/income	**(63.1)**	(541.8)
Adjustments from previous year	**(58.7)**	(36.5)
Change in tax rate	**83.2**	31.8
Other items	**0.3**	(1.0)
Tax expense	**(1,096.7)**	(556.4)
Effective tax rate	**23.83%**	1514.04%

Details of deferred tax assets in the balance sheet:

Deferred tax (assets)

NOK million	**2018**	2017
Intangible assets	**61.4**	(6.3)
Tangible assets	**(7.4)**	(22.5)
Inventories	**(8.9)**	(11.7)
Receivables	**(1.0)**	(1.2)
Financial instruments	**(299.5)**	139.1
Deferred gains/losses	**207.1**	357.7
Other accruals	**(291.9)**	(213.5)
Other temporary differences	**(323.6)**	(338.3)
Loss carried forward	**(1,164.0)**	(633.9)
Net deferred tax assets	**(1,827.8)**	(730.6)

Reconciliation of deferred tax assets and liabilities:

Reconciliation of deferred tax (assets)

NOK million	**2018**	2017
Recognized at 1 January	**(730.6)**	(210.7)
Charged/credited to the income statement	**(1,038.4)**	(519.9)
Adjustment from previous year	**(58.8)**	-
Recognized at 31 December	**(1,827.8)**	(730.6)

Adjustments from previous years consists of differences in deferred tax positions between the Financial Statement release last year and the Company's tax reporting finalized later in the year.

Deferred tax assets are based on unused tax loss carry forwards and temporary differences in assets and liabilities. The tax loss carried forward is expected to be utilized by future taxable profits. The deferred tax assets are partially explained by the historical tax losses of the Company. Unused tax losses are recognized to the extent that taxable profits are probable. Significant management judgment is required to determine the amounts of deferred tax assets that can be recognized, based on the anticipated timing and level of future taxable profits together with future tax planning strategies. In situations where the Company has experienced recent losses, the Company will evaluate whether there is convincing other evidence supporting taxable profits and the future utilization of its carryforward losses, such as the #Focus2019 cost reduction program, changing strategic focus from growth to profitability, route and base optimization across the Group, moving capacity from non-profitable routes and selling aircraft with taxable gains. The Company has also considered effects on non-recurring events on historic tax losses, such as startup-costs for the long-haul operation, technical engine issues and cost of establishment in new markets. If the Company is unable to utilize its deferred tax assets, this will have a significant adverse effect on the Company's financial position.

NOTE 09: INTANGIBLE ASSETS

NOK million	Software	Goodwill	Other intangible assets	Total
Acquisition cost at 1 January 2017	421.3	94.2	27.0	**542.4**
Additions	23.4	-	15.1	**38.5**
Acquisition cost at 31 December 2017	444.7	94.2	42.1	**580.9**
Acquisition cost at 1 January 2018	444.7	94.2	42.1	**580.9**
Additions	31.9	1,114.3	9.5	**1,155.7**
Acquisition cost at 31 December 2018	476.6	1,208.5	51.6	**1,736.6**
Accumulated amortization and write-down at 1 January 2017	359.3	-	4.6	**363.9**
Amortization in 2017	32.9	-	-	**32.9**
Accumulated amortization and write-down at 31 December 2017	392.3	-	4.6	**396.8**
Accumulated amortization and write-down at 1 January 2018	392.3	-	4.6	**396.8**
Amortization in 2018	27.1	-	-	**27.1**
Accumulated amortization and write-down at 31 December 2018	419.4	-	4.6	**424.0**
Book value at 31 December 2017	52.4	94.2	37.5	**184.1**
Book value at 31 December 2018	57.2	1,208.5	47.0	**1,312.6**
Useful life	3-5 years	Indefinite	Indefinite	
Amortization plan	Straight-line	None	None	

Software
Capitalized software is related to external consulting fees for the development of Norwegian's own systems for bookings and ticket-less travels, various sales portals, back office, and maintenance system. These costs are amortized over their estimated useful lives (three to five years).

Goodwill and other intangible assets
Goodwill is related to the purchase of FlyNordic in Sweden July 2007, and the transfer of long-haul operations based in Ireland from NAI to NAS in 2018.

Other intangible assets from business combinations consist of estimated fair value of Brand name, charter operations, slots and the Air Operating Certificate. Other intangible assets also consist of intellectual property rights that are related to purchases of internet domains. The Group has developed international web portals in major markets. The Company purchased slots at London Gatwick airport in 2017.

Goodwill, slots and intellectual property rights are determined to have indefinite useful lives and are not amortized. Slots and intellectual property rights do not expire over time, as long as the management has the intention to continue using the assets.

Impairment testing of goodwill and intangible assets
The Company tests goodwill and assets with indefinite useful lives annually at year-end for impairment. Intangible assets with definite lives are tested for impairment if indicators of impairment are identified. No indications of impairment have been identified in 2018 or in 2017.

The method used to estimate the recoverable amount is value in use, based on discounted cash flow analysis. The analysis reflects the cash flow projections in the financial business plan covering the next year which is approved by the Board of Directors. The budget for the next 12 months is applied for cash flows within a planning horizon of 8 years, as the aircraft fleet is estimated for re-investment every eight years. Key assumptions used in the calculation are growth rates, operating costs, terminal value and discount rate. Cash flows beyond the eight-year period are extrapolated with a long-term growth rate. Estimated cash flows and discount rate are after tax.

Discount rate
The applied after-tax discount rate is 7.9 per cent (2017: 5.8 per cent) and based on the Weighted Average Cost of Capital (WACC). 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 rate which is used to discount future cash flows is based on market risk free interest rates adjusted for inflation differentials and also include the debt premium, market risk premium, gear-

ing corporate tax rate and asset beta. An increase of the discount rate of 1 percentage point will not result in impairment of goodwill and intangible assets.

Growth rates
The basis for calculating future growth rate is next year management approved budget. Except for budgeted growth stemming from existing assets, no growth is incorporated in the impairment test for 2018.

Operating costs
The operating costs are calculated based on the budget period. Committed operations efficiency programs for the next 12 months are taken into account. Changes in the outcome of these initiatives may affect future estimated operating costs. A permanent increase of 2 per cent of total costs, with all other assumptions unchanged, will not result in impairment of assets.

Terminal value
A growth rate of 0 per cent is used in calculating cash flow beyond the eight-year period.

Sensitivity
At 31 December 2018, the Company's value in use was significantly higher than the carrying amount of its goodwill and intangible assets. A sensitivity analysis has been performed in order to determine if a reasonable change in key assumptions would cause the carrying amount to exceed the recoverable amount. A reduction in the estimated revenue per passenger kilometre by 2 per cent, an increase in the unit cost by 2 per cent, a reduction in the estimated load factor by 1 percentage point or an increase in WACC after tax by 1 percentage point would not lead to an impairment loss.

NOTE 10: TANGIBLE ASSETS

NOK million	Buildings	Aircraft, sparepart and installations on leased aircraft	Equipment and fixtures	Total
Acquisition cost at 1 January 2017	297.1	994.8	279.3	**1,571.2**
Additions	1.6	211.5	51.1	**264.2**
Disposals	-	(569.1)	-	**(569.1)**
Acquisition cost at 31 December 2017	298.7	637.2	330.4	**1,266.3**
Acquisition cost at 1 January 2018	298.7	637.2	330.4	**1,266.3**
Additions	-	94.5	117.7	**212.2**
Disposals	(3.9)	(13.5)	-	**(17.4)**
Acquisition cost at 31 December 2018	294.8	718.2	448.2	**1,461.2**
Accumulated depreciation at 1 January 2017	13.8	831.8	212.5	**1,058.2**
Depreciation	5.7	50.7	57.7	**114.1**
Depreciation on disposals	-	(394.6)	-	**(394.6)**
Accumulated depreciation at 31 December 2017	19.6	488.0	270.1	**777.7**
Accumulated depreciation at 1 January 2018	19.6	488.0	270.1	**777.7**
Depreciation	5.8	57.3	33.8	**96.9**
Depreciation on disposals	-	(1.0)	-	**(1.0)**
Accumulated depreciation at 31 December 2018	25.3	544.3	304.0	**873.7**
Book value at 31 December 2017	279.2	149.2	60.3	**488.7**
Book value at 31 December 2018	269.4	173.9	144.2	**587.5**
Economic life	See below	See below	See below	
Depreciation plan	See below	See below	Linear	
Residual value	See below	See below	See below	

At 31 December 2018, the Company operated a total of 41 aircraft leased under internal operating leases. For comparison, the Company operated a total of 41 aircraft at 31 December 2017, 2 were leased under operational leases from external lessors, while 39 were leased under internal operating leases. In addition, the Company had 36 wetlease aircraft from subsidiary Norwegian Air Norway AS at year end 2018 (year end 2017: 33).

Aircraft
The Company sold the remaining four 737-300 aircraft in March 2017.

Installations on leased aircraft
The installations on leased aircraft include cabin interior modifications and other improvements to the aircraft after lease commencement. The capitalized value is depreciated over the remainder of the aircraft leases, which are between 1-10 years. Linear depreciation is applied and residual value is NOK 0. In 2016 and 2015 several engines of the leased aircraft were in overhaul, and replacements costs for life limited parts were capitalized to the extent that the costs are improvements to the engines which exceed the requirements specified in the leasing contracts. These components are depreciated at a defined rate per engine cycle, limited to the remainder of the aircraft lease.

Spare parts
Spare parts consist of rotable parts for aircraft and are depreciated over their useful life. The useful life of spare parts ranges between 5 to 8 years. Linear depreciation is applied and 25 per cent of the acquisition cost is calculated as residual value.

Buildings
Buildings consist of one apartment in Seattle purchased in 2010 by the Group, and one apartment in Florida purchased in 2013 for the purpose of housing personnel stationed in the United States in respect of the delivery of new 737-800 aircraft and opening new destinations. The apartments are carried at acquisition cost. The residual value is estimated to equal the acquisition cost. Three apartments in Berlin, purchased in 2007 for the purpose of housing crew and trainees stationed in Berlin on a temporary basis were sold in 2018. In 2014, a new hangar at Gardermoen airport was constructed. Additions in 2017 consist of improvements and upgrades to the hangar. The hangar is estimated to have a useful life of 50 years and is depreciated linear over useful economic life. The residual value is NOK 0.

Impairment of tangible assets
In 2018 and 2017, management determined that the total operations of the Company were its cash generating unit. Impairment testing of tangible assets are covered by impairment testing on the whole Company, see Note 9 for details.

For information regarding assets pledged as collateral, see Note 20.

NOTE 11: LEASING

The lease agreements on the Boeing 737 aircraft last between five and twelve years from the date of agreement, with some extension options. At the end of 2018 the Company has 41 aircrafts on lease (2017: 41). During 2018 3 (2017: 6) intercompany leased aircraft were delivered and 3 (2017: 4) aircraft were redelivered to the lessor or novated to other Group companies.

Leasing costs expensed on aircraft lease within operational expenses was NOK 6,880.6 million in 2018 (2017: NOK 6,851.8 million). Included in leasing costs are wetlease costs.

In addition, the Group leases 11 (2017: 7) spare engines and auxiliary power units, 14 (2017: 13) cars and 46 (2017: 41) properties in Oslo, Stockholm, Copenhagen and London, in addition to properties in all the operating bases worldwide. Leasing costs related to technical equipment, cars and properties expensed in other operating expenses in 2018 was NOK 199.1 million (2017: NOK 130.1 million).

Annual minimum rent on non-cancellable operating lease agreements per 31 December is as follows:

	Nominal value 2018					Nominal value 2017				
NOK million	Aircraft	Cars	Property	Technical equipment	**Total**	Aircraft	Cars	Property	Technical equipment	**Total**
Within one year	3,218.5	1.3	61.4	123.1	**3,404.3**	3,065.0	1.3	51.4	59.0	**3,176.7**
Between 1 and 5 years	12,561.3	3.8	153.2	492.6	**13,210.8**	12,144.3	5.0	38.5	236.1	**12,423.9**
After 5 years	10,722.2	-	168.7	593.9	**11,484.8**	13,384.4	-	-	241.2	**13,625.6**

The aircrafts' minimum lease payments consist of ordinary lease payments and expensed deferred lease payments resulting from non-interest-bearing deposits paid at inception of lease agreements. Payments for maintenance reserves are not included due to the dependency on future utilization. Only aircraft leases for aircraft operated by the Company are included above. All aircraft are leased from internal Group Companies. For the Company's leasing commitments on behalf of other Group Companies, see Note 25.

NOTE 12: TRADE AND OTHER RECEIVABLES

Specification of receivables:

NOK million	**2018**	2017
Trade receivables	**382.3**	276.1
Intercompany receivables	**14,759.6**	8,963.9
Credit card receivables	**3,533.1**	1,965.1
Deposits	**813.8**	823.4
Other claims	**606.6**	364.3
Trade and other receivables	**20,095.3**	12,392.7
Prepaid costs	**430.8**	55.5
Public duty debt	**182.6**	119.4
Prepayments to employees	**2.2**	5.9
Prepaid rent	**34.8**	40.4
Prepayments	**650.4**	221.2
Total	**20,745.7**	12,613.9

Due dates:

NOK million	**2018**	2017
Within one year	**12,257.8**	6,057.4
After 1 year	**8,488.0**	6,556.5
Total	**20,745.7**	12,613.9

The Company pays deposits on aircraft leases. Non-interest-bearing deposits are measured at amortized cost in the statement of financial position. Receivables denominated in foreign currency are converted using the prevailing exchange rates on the reporting date. Refer to Note 25 for further information on transactions and outstanding balances with other group companies.

NOTE 13: INVENTORIES

NOK million	**2018**	2017
Consumables	**164.9**	73.3
Total	**164.9**	73.3

Charges for obsolete parts in 2018 were NOK 47.8 million (2017: NOK 23.6 million).

NOTE 14: SHAREHOLDER'S EQUITY AND SHAREHOLDER INFORMATION

Refer to Note 15 in the Group's consolidated financial statements.

NOTE 15: PENSIONS

The Company operates defined contribution plans. Pension plans are placed with DNB Liv.

Defined contribution plan
The defined contribution plans require that the Company pays premiums to public or private administrative pension plans on mandatory, contractual or voluntary basis. The Company has no further obligations once these premiums are paid. The premiums are accounted for as payroll expenses as soon as they are incurred. Pre-paid premiums are accounted for as an asset to the extent that future benefits can be determined as plausible.

Defined contribution plans comply with Norwegian Pension legislation.

Pension expenses on defined contribution plans were NOK 33.4 million in 2018 (2017: NOK 34.8 million).

In addition, employees are included in the early retirement scheme (AFP), with the right to retire at the age of 62. The AFP is a multi-employer plan, where the Norwegian government finances 1/3 of the contribution to plans. The AFP pension plan is a defined benefit plan administered by a separate legal entity (Fellesordningen). The plan is temporarily accounted for as a defined contribution plan, as the plan's administrators have not been able to calculate the pension obligation for each entity participating in the plan.

The scheme is in compliance with the Occupational Pensions Act.

NOTE 16: OPTIONS

Refer to Note 17 in the Group's consolidated financial statements.

NOTE 17: PROVISIONS FOR PERIODIC MAINTENANCE

The Company pays a fee to maintenance funds held by the lessor on leased aircraft. The accrued provisions in the accounts are estimated payments for periodic maintenances in excess of payments to the maintenance funds and are provided on the basis of aircraft utilization and estimates of current maintenance costs. For some of the contracts, there is a degree of uncertainty about what kind of maintenance is covered by the maintenance funds, and the provision for this increase in expenses for the Company is distributed over the period until the maintenance is performed.

On 31 December 2018, the Company had NOK 1,371 million (2017: NOK 932.6 million) in provision for maintenance reserves. Parts of the periodic maintenances will be conducted in 2019, and NOK 41.6 million (2017: NOK 86.2 million) is classified as current liability for periodic maintenances. The current part of periodic maintenance is estimated based on planned maintenance in 2019.

NOTE 18: TRADE AND OTHER PAYABLES

NOK million	**2018**	2017
Accrued vacation pay	**56.8**	58.8
Accrued airport and transportation taxes	**401.5**	164.7
Accrued expenses	**1,468.4**	1,093.9
Trade payables	**1,271.2**	933.9
Intercompany liabilities	**15,733.7**	11,488.0
Payables to related party (Note 25)	**6.2**	0.5
Public duties	**34.9**	38.8
Current provisions for MRC (Note 17)	**41.6**	86.2
Other current provisions	**1,024.5**	773.9
Total	**20,038.8**	14,638.6

The current payables and provisions are non-interest bearing and are due within the next 12 months. Accrued expenses are related to goods and services delivered and not invoiced to the Company in 2018.

NOTE 19: FINANCIAL INSTRUMENTS

The accounting policies for financial instruments have been applied to the line items below:

2018: *NOK million*	Financial assets at amortized cost	Financial assets at fair value through profit or loss	Financial assets at fair value through OCI	**Total**
Assets as per balance sheet				
Investments in financial assets	-	-	2,051.8	**2,051.8**
Derivative financial instruments	-	36.1	-	**36.1**
Trade and other receivables *)	20,095.3	-	-	**20,095.3**
Cash and cash equivalents	1,429.3	-	-	**1,429.3**
Total	21,524.6	36.1	2,051.8	**23,612.5**

**) Prepayments not included in trade and other receivables* 650.4

2017: *NOK million*	Loans and receivables	Financial assets at fair value through profit or loss	Available-for-sale	**Total**
Assets as per balance sheet				
Available-for-sale financial assets	-	-	3,516.5	**3,516.5**
Derivative financial instruments	-	495.0	-	**495.0**
Trade and other receivables *)	12,392.7	-	-	**12,392.7**
Cash and cash equivalents	3,239.3	-	-	**3,239.3**
Total	15,632.1	495.0	3,516.5	**19,643.6**

**) Prepayments not included in trade and other receivables* 221.2

2018: *NOK million*	Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost	**Total**
Liabilities per balance sheet			
Borrowings	-	6,995.7	**6,995.7**
Derivative financial instruments	1,397.5	-	**1,397.5**
Trade and other payables *)	-	20,003.9	**20,003.9**
Total	1,397.5	26,999.6	**28,397.1**

**) Public duties not included in trade and other payables* 34.9

2017:

NOK million	Financial liabilities at fair value through profit or loss	Other financial liabilities	**Total**
Liabilities per balance sheet			
Borrowings	-	7,639.0	**7,639.0**
Derivative financial instruments	40.6	-	**40.6**
Trade and other payables *)	-	14,599.8	**14,599.8**
Total	40.6	22,238.9	**22,279.5**

**) Public duties not included in trade and other payables*		38.8

Credit quality of financial asset:

NOK million	**2018**	2017
Trade receivables		
Counterparties with external credit rating A or better	**3,533.1**	1,965.1
Counterparties without external credit rating	**16,562.2**	10,427.7
Total trade receivables	**20,095.3**	12,392.7

NOK million	**2018**	2017
Cash and cash equivalents		
A+ or better	**1,362.5**	2,804.1
BBB +	**66.8**	435.2
Total cash and cash equivalents	**1,429.3**	3,239.3

NOK million	**2018**	2017
Derivative financial assets		
A+ or better	**36.1**	495.0
Total derivative and financial assets	**36.1**	495.0

Investments in financial assets (2017: Available-for-sale financial assets)

NOK million	**2018**	2017
1 January	**3,516.5**	2,739.2
Additions	**-**	100.0
Reclassifications	**(2.7)**	-
Repayments	**(696.4)**	-
Net gains/(losses) recognized in comprehensive income	**-**	677.3
31 December	**2,817.4**	3,516.5
Non-current portion	**-**	2.7
Current portion	**2,051.8**	3,513.8

Investments in financial assets include the Company's investment in Norwegian Finans Holding (NOFI). Prior to the implementation of IFRS 9: Financial Instruments, investments in financial assets were presented as available-for-sale financial assets. In 2017 available-for-sale financial assets included the value of total return swap (TRS) agreements entered into after the sale of 3.6% of the shares in NOFI. The TRS agreements have been included in the fair value of the available-for-sale financial assets as the NOFI shares that were sold were already presented in accordance to IAS 39. In accordance to IAS 39 an asset lent under a repurchase agreement should not be derecognized as the transferor retains substantially all the risks and rewards of ownership. The TRS agreements expired in 2018. The investment in a listed bond issue in Bank Norwegian was repaid at its maturity in 2018. The fair value of the investments in financial assets at 31 December 2018 is NOK 2,051.8 million (2017: NOK 3,516.5 million).

Derivative financial instruments:

	2018		2017	
NOK million	**Assets**	**Liabilities**	Assets	Liabilities
Forward foreign exchange contracts	**1.2**	**0.3**	10.3	24.2
Forward commodities contracts	**34.9**	**1,397.2**	484.8	16.4
Total	**36.1**	**1,397.5**	495.0	40.6
Non-current portion:	**3.5**	**38.1**	31.0	-
Current portion	**32.6**	**1,359.4**	464.0	40.6

Trading derivatives are classified as current or non-current assets or liabilities depending on the maturity profile and net value of individual forward contracts. The total unrealized value of derivatives amounts to a loss of NOK 1,361.4 million (2017: gain of NOK 454.4 million). See details under the specification of 'Other losses/ (gains) - net' below.

Forward foreign currency contracts

The net fair value of the outstanding forward foreign currency contracts at 31 December 2018 were NOK 0.9 million (2017: NOK – 13.9 million). At 31 December 2018, the Group had forward foreign currency contracts to secure USD 20 million and EUR 20 million (2017: USD 90 million, EUR 45 million, GBP 8 million, SEK 200 million, DKK 100 million and PLN 5 million).

Forward commodities contracts
Forward commodities contracts relate to jet fuel derivatives. The net fair value of the outstanding forward commodities contracts at 31 December 2018 were NOK -1,362.3 million (2017: NOK 468.3 million). At December 2018, the Group had secured 774,500 tons of jet fuel (2017: 481,500 tons) through forward contracts that matures in the period January 2019 – January 2020.

Other losses/(gains) – net

NOK million	**2018**	2017
Net losses/(gains) on financial assets at fair value through profit or loss	**1,223.6**	(541.0)
Foreign exchange losses/(gains) on operating acitivities	**(126.5)**	(129.0)
Losses/(gains) on asset sale	**(27.4)**	-
Total	**1,069.7**	(670.0)

NOTE 20: ASSETS PLEDGED AS COLLATERAL AND GUARANTEES

NOK million	**2018**	2017
Liabilities secured by pledge		
Bond issue	**249.2**	248.8
Credit facility	**1,125.0**	675.0
Aircraft financing	**2,288.0**	2,644.0
Total	**3,662.2**	3,567.8

During 2013 and 2014, the Company transferred several of its owned aircraft to its fully owned asset companies. Norwegian Air Shuttle ASA carries the financial obligation towards external financing institutions, with security in the aircraft transferred.

For references to pledged assets, see Note 10 and for borrowings related to those assets, see Note 22.

Norwegian Air Shuttle ASA has provided parent company guarantees for certain subsidiaries.

Book value of assets pledged as security and guarantees:

NOK million	**2018**	2017
Hangar	**258.4**	264.2
Investment in Norwegian Finans Holding ASA	**2,051.8**	2,817.4
Total	**2,310.2**	3,081.6

NOTE 21: BANK DEPOSITS

Cash and cash equivalents

NOK million	**2018**	2017
Cash in bank	**1,362.5**	2,804.1
Cash equivalents	**66.8**	435.2
Total	**1,429.3**	3,239.3

Deposits in money market funds are classified as cash equivalents, as the underlying maturity of the deposits are 3 months or less. At 31 December 2018, the interest terms of the main cash deposits in folio accounts are 1 month NIBOR - 0.25 per cent p.a. The interest terms on restricted cash deposits in folio accounts are 1 month NIBOR +0.55 per cent p.a. Receivables from credit card companies are included in trade receivables. See note 12.

Restricted cash

NOK million	**2018**	2017
Guarantees for leases and credits from suppliers	**662.8**	508.0
Taxes withheld	**68.1**	21.8
Total	**730.9**	529.8

Bank guarantees are granted for leasing liabilities for aircraft, suppliers of fuel and handling services, as well as airport charges from airports and governments. There is also a guarantee/deposit in place to secure a pension program.

NOTE 22: BORROWINGS

Nominal value at 31 December 2018

NOK million	Nominal value	Unamortized transaction cost	Book value	Effective interest rate
Bond issue	3,585.2	(2.5)	3,582.7	6.5%
Credit facility	1,125.0	-	1,125.0	2.0%
Aircraft financing	2,316.0	(28.0)	2,288.0	3.4%
Total	7,026.2	(30.5)	6,995.7	

Nominal value at 31 December 2017

NOK million	Nominal value	Unamortized transaction cost	Book value	Effective interest rate
Bond issue	4,320.1	(0.1)	4,320.0	6.4%
Credit facility	675.0	-	675.0	2.0%
Aircraft financing	2,709.7	(65.6)	2,644.1	3.6%
Total	7,704.7	(65.7)	7,639.0	

Classification of borrowings

NOK million	**2018**	2017
Non-current		
Bond issue	**1,182.2**	3,070.0
Aircraft financing	**1,056.2**	2,246.3
Total	**2,238.4**	5,316.3
Current		
Bond issue	**2,400.5**	1,250.0
Credit facility	**1,125.0**	675.0
Aircraft financing	**1,231.8**	397.7
Total	**4,757.3**	2,322.7
Total borrowings	**6,995.7**	7,639.0

Collateralized borrowings are detailed in Note 20.

Covenants
Bond issues
Minimum book equity of NOK 1,500 million.
Dividend payments less than 35 per cent of net profit.
No dividend unless liquidity is above NOK 1,000 million.
Minimum liquidity of NOK 500 million.

Credit facility
No financial covenants.

Aircraft financing
Aircraft financing does not include covenant requirements. Aircraft in the group are financed with guarantees by either the parent company and / or by the Ex-Im Bank of the United States. Owned aircraft are pledged as collateral. For more information on assets pledged as collateral, see Note 20.

The Company has not been in breach of any covenants during 2018.

Maturity of borrowings

NOK million	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2018				
Borrowings	4,757.3	1,397.6	212.6	658.7
Total liabilities	4,757.3	1,397.6	212.6	658.7

NOK million	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2017				
Borrowings	2,322.7	2,219.9	1,445.7	1,716.4
Total liabilities	2,322.7	2,219.9	1,445.7	1,716.4

NOTE 23: INVESTMENTS IN SUBSIDIARIES

Name	Date of establishment	Office	Number of shares	Ownership
Norwegian Air Sweden AB	17 May 2017	Stockholm, Sweden	50,000	100%
NAS Eire Invest AS	10 October 2018	Fornebu, Norway	30,000	100%
Norwegian Reward AS	14 January 2008	Fornebu, Norway	1,000,000	100%
Norwegian Holiday AS	4 August 2008	Fornebu, Norway	100	100%
Norwegian Ground Handling AS	1 January 2012	Fornebu, Norway	20,000	100%
Red Handling UK Ltd	6 October 2016	Gatwick Airport, UK	500,000	100%
Norwegian Air Norway AS	28 May 2013	Fornebu, Norway	155	100%
Norwegian Cargo AS	16 April 2013	Fornebu, Norway	100,000	100%
Norwegian Brand Limited	9 December 2013	Dublin, Ireland	151,711,820	100%
Arctic Aviation Assets DAC	9 August 2013	Dublin, Ireland	479,603,659	100%
Oslofjorden Limited	22 August 2013	Dublin, Ireland	1	100%
Drammensfjorden Leasing Limited	24 September 2013	Dublin, Ireland	1	100%
Geirangerfjorden Limited	26 November 2013	Dublin, Ireland	1	100%
Boknafjorden Limited	14 March 2014	Dublin, Ireland	1	100%
DY1 Aviation Ireland Limited	26 November 2013	Dublin, Ireland	1	100%
DY2 Aviation Ireland Limited	26 November 2013	Dublin, Ireland	1	100%
DY3 Aviation Ireland Limited	26 November 2013	Dublin, Ireland	1	100%
DY4 Aviation Ireland Limited	26 November 2013	Dublin, Ireland	1	100%
DY5 Aviation Ireland Limited	26 November 2013	Dublin, Ireland	1	100%
DY6 Aviation Ireland Limited	26 November 2013	Dublin, Ireland	1	100%
DY7 Aviation Ireland Limited	2 August 2013	Dublin, Ireland	1	100%
DY9 Aviation Ireland Limited	27 November 2014	Dublin, Ireland	1	100%
Fedjefjorden Limited	23 June 2015	Dublin, Ireland	1	100%
Larviksfjorden Limited	4 September 2015	Dublin, Ireland	1	100%
Torskefjorden Limited	23 April 2015	Dublin, Ireland	1	100%
Torefjorden Limited	12 November 2015	Dublin, Ireland	1	100%
Larviksfjorden II Limited	1 January 2016	Dublin, Ireland	1	100%
Lysakerfjorden Leasing Limited	5 July 2016	Dublin, Ireland	1	100%
Arctic Leasing No.1 Limited	10 September 2015	Dublin, Ireland	1	100%
Arctic Leasing No.2 Limited	2 November 2015	Dublin, Ireland	1	100%
Arctic Leasing No.3 Limited	2 November 2015	Dublin, Ireland	1	100%
Arctic Leasing No.4 Limited	30 November 2016	Dublin, Ireland	1	100%
Arctic Leasing No.5 Limited	12 October 2018	Dublin, Ireland	1	100%
Hardangerfjorden Limited	12 April 2017	Dublin, Ireland	1	100%
Sognefjorden Limited	12 April 2017	Dublin, Ireland	1	100%
Ofotfjorden Limited	5 October 2017	Dublin, Ireland	1	100%
Tysfjorden Limited	16 January 2018	Dublin, Ireland	1	100%
Stogofjorden Limited	6 April 2018	Dublin, Ireland	1	100%

(continued on next page)

Name	Date of establishment	Office	Number of shares	Ownership
Slidrefjorden Limited	6 June 2018	Dublin, Ireland	1	100%
Ullsfjorden Limited	8 June 2018	Dublin, Ireland	1	100%
Fiskefjorden Limited	12 September 2018	Dublin, Ireland	1	100%
Vindafjorden Limited	12 October 2018	Dublin, Ireland	1	100%
Lysefjorden Limited	11 October 2018	Dublin, Ireland	1	100%
Nordfjorden Limited	11 October 2018	Dublin, Ireland	1	100%
Trollfjorden Limited	14 September 2018	Dublin, Ireland	1	100%
Norwegian Air International Limited	3 April 2013	Dublin, Ireland	1,036,449,936	100%
Red Handling Spain S.L.	11 June 2015	Madrid, Spain	3,000	100%
Norwegian Air Resources Limited	20 September 2013	Dublin, Ireland	1	100%
Norwegian Air Resources Sweden AB	28 August 2013	St.holm Arl., Sweden	50,000	100%
Norwegian Air Resources Denmark ApS	5 September 2013	Hellerup, Danmark	80,000	100%
Norwegian Air Resources Spain S.L.	6 October 2014	Madrid, Spain	3,000	51%
AB Norwegian Air Resources Finland Ltd	14 June 2011	Helsinki, Finland	200	51%
Norwegian OSM UK Ltd	1 November 2016	London, UK	2,000	51%
Norwegian OSM Aviation LH Spain S.L.	1 January 2017	Madrid, Spain	3,000	51%
Norwegian Cabin Services Norway AS	27 January 2014	Fornebu, Norway	30	100%
Norwegian Cabin Services DK ApS	20 February 2014	Hellerup, Denmark	50	100%
Norwegian Air Resources Shared Service Center AS	15 November 2012	Fornebu, Norway	30	100%
Pilot Services Sweden AB	30 August 2013	Stockholm, Sweden	50,000	100%
Norwegian Pilot Services Norway AS	11 November 2014	Fornebu, Norway	30	100%
Norwegian Pilot Services Denmark ApS	20 February 2015	Copenhagen, Denmark	497	100%
Norwegian Air Resources Ireland Limited	20 September 2017	Dublin, Ireland	1	100%
Norwegian Training Academy AS	23 October 2017	Fornebu, Norway	30,000	100%
Norwegian Air Resources Shared Service Center US Corp	8 June 2018	New York, USA	1	100%
Norwegian Air Resources DK LH ApS	1 August 2018	Kastrup, Denmark	50,000	100%
Red Maintenance Spain S.L.	27 January 2017	Madrid, Spain	3,000	100%
Norwegian Air UK Limited	18 December 2015	London, UK	205,000,000	100%
Norwegian Air Argentina Holding S.A.	7 April 2017	Buenos Aires, Argentina	2,970,000	100%
Norwegian Air Argentina S.A.U.	20 March 2017	Buenos Aires, Argentina	2,970,000	100%

Transactions during the year
During 2018, the following transactions were carried out:

- Call Norwegian AS was renamed as Norwegian Reward AS.
- Norwegian Air Sweden AB, NAS Eire Invest AS, Arctic Leasing No. 5 Limited, Tysfjorden Limited, Stogofjorden Limited, Slidrefjorden Limited, Fiskefjorden Limited, Vindafjorden Limited, Trollfjorden Limited, Ullsfjorden Limited, Lysefjorden Limited, Nordfjorden Limited, Norwegian Air Resources Shared Service Center US Corp. and Norwegian Air Resources DK LH ApS were established.
- The number of shares in Norwegian Air Argentina Holding S.A. and Norwegian Air Argentina S.A.U. were increased by 1,000,000 shares each. The number of shares in Norwegian Air UK was increased from 55,000,000 to 205,000,000.

NOTE 24: INVESTMENT IN FINANCIAL ASSETS

Norwegian Air Shuttle ASA has the following investments in associates (NOK million):

Entity	Country	Industry	Ownership interest 31 Dec. 2018	Fair value 31 Dec. 2017	Repayment of TRS	Net gain in OCI 2018	Fair value 31 Dec. 2018
Norwegian Finans Holding ASA	Norway	Financial Institution	16.40%	3,433.8	(616.4)	(765.6)	2,051.8

Norwegian Finans Holding's shares are publicly traded at Oslo Stock Exchange. The company is situated in Oslo, Norway. The carrying amount is equivalent to market value based on last trade on December 2018.

Until June 2017, Norwegian held a 20 per cent ownership in Norwegian Finans Holding ASA. During 2017 Norwegian sold 3.6 per cent of the shares in the company followed by total return swaps for a number of shares equal to the amount sold extending Norwegian's financial exposure for further 12 months after signing the agreements. Fair value 31.12.17 corresponded to the financial exposure in Norwegian Finans Holding ASA, including the TRS. The TRS agreements expired in 2018. For more information with regards to the investment in the company and the accounting treatment, reference is made to Note 19.

NOTE 25: RELATED PARTIES

The company's related parties are:
Key management personnel, close members of the family of a person and entities that are controlled or jointly controlled by any of these and owners with significant influence. The Company's subsidiaries, and associates. Please refer to Note 7 to the Group's consolidated financial statements for information on transactions with and remuneration to key management personnel and owners with significant influence.

Transactions with subsidiaries (NOK million):

Intercompany balances 31 December 2018	Current	Non-current
Financial lease receivables	-	2,309.1
Trade & other receivables	6,712.0	8,048.8
Payables	16,559.6	31.7

Intercompany balances 31 December 2017	Current	Non-current
Financial lease receivables	-	2,681.3
Other receivables	1,844.7	5,955.0
Payables	10,587.3	36.8

Intercompany sales (-) and Purchases (+)	**2018**	2017
Sales and financial revenue	3,617.5	6,385.8
Purchases and financial expenses	11,258.1	11,422.3
Dividend	1,601.1	2,339.8

Norwegian Air Shuttle ASA has provided some of the Group's external stakeholders with parent company guarantees for some of the obligations of subsidiaries. The issued guarantees are mainly in relation to purchase contracts, aircraft financing and leasing contracts. To the extent subsidiaries receive an economic benefit from the issued guarantees, the guarantee is priced according to the risk undertaken by the parent company. Guarantee fees are included in the above intercompany transactions.

Transactions with other related parties
The Chief Executive Officer is the principal shareholder in Norwegian Air Shuttle ASA with an ownership share of 24.7 per cent through controlling ownership of HBK Invest AS. This ownership share is the actual shareholding, and may deviate from the official shareholder register, as HBK Invest has entered into a security agreement with Nordea and Danske Bank. Under this agreement, these institutions may borrow shares from HBK Invest for a limited period of time to improve the liquidity in the share trading, for example by fulfilling their market maker obligation. The Chairman of the Board owns a minority of shares in HBK Invest AS. There have been no financial transactions between HBK Invest AS and Norwegian Air Shuttle ASA in 2018 or 2017, except for indirect transactions through Fornebu Næringseiendom AS.

The Chairman of the Board, Bjørn Kise, is a partner, and the CEO is a former partner, of the law firm Simonsen Vogt Wiig which operates as the legal advisor for Norwegian Air Shuttle ASA.

The Company leases its property at Fornebu from Fornebu Næringseiendom AS, which is a wholly owned subsidiary of HBK Invest AS. The leasing agreement entitles the Company to lease Oksenøyveien 3 at Fornebu until 2030, with an option to extend the lease for another five years.

Through its subsidiary Norwegian Air Resources Ltd., the Company holds 50 per cent in OSM Aviation Ltd. Shares, voting rights and board representation is divided equally among the two owning parties, and important decisions require consensus between the owners. The company purchases crew management services from the associated company OSM Aviation Ltd. and its subsidiaries.

No loans or guarantees have been issued to related parties in 2018 or 2017.

See Note 7 in the Consolidated Financial Statements for details on key management compensations and Note 15 in the Consolidated Financial Statements for shares and options held directly or indirectly by members of the Board of Directors, the CEO and the Executive Management.

The following transactions were carried out with related parties:

NOK million	**2018**	2017
Sales (-) and purchases (+) of goods and services (excl VAT):		
- Simonsen Vogt Wiig (legal services)	**14.8**	10.7
- Fornebu Næringseiendom (property rent)	**18.9**	13.5
- OSM Aviation Ltd. (incl. subsidiaries; crew management services)	**6.0**	9.0
Year-end balances arising from sales/purchases of goods/services (incl VAT):		
Payables to related parties (note 18)		
- Simonsen Vogt Wiig (legal services)	**0.1**	0.5
- Fornebu Næringseiendom (property rent)	**6.1**	-
- OSM Aviation Ltd. (incl. subsidiaries; crew management services)	**(0.1)**	0.4

NOTE 26: CONTINGENCIES AND LEGAL CLAIMS

Through their respective unions, pilots and cabin crew that have been subject to business transfers from Norwegian Air Shuttle ASA (NAS) to Norwegian Air Norway AS (NAN) and from NAN to local national resourcing entities for pilots and cabin crew in Norway, have raised claims that NAS primarily, NAN alternatively shall be considered employer. The District Court ruling was appealed, and Norwegian won the Court of Appeal in 2017. In 2018, the respective unions appeal to the Supreme Court, and the Supreme Court ruled in favor of the Company.

The Norwegian Group has, since the end of 2013, continuously reorganized its operations, and in 2013 and 2014, Norwegian transferred parts of its business to Irish group companies as a natural part of this international reorganization process. The internal group reorganization was carried out under the tax rules on contingent tax-free transfers within a group and the freedom of establishment under the EEA-agreement.

In March 2017, Norwegian received a reassessment from the Central Tax Office for Large Enterprises in which the tax office argues that the rules on contingent tax-free transfers within a group does not apply to the transfer of the business in 2013. In June 2018, Norwegian received reassessments from the tax office regarding the other business transfers carried out in 2013 and 2014, in which the tax office upholds its view that the rules on contingent tax-free transfers within a group does not apply.
Norwegian and its tax advisor are of the opinion that the reassessment by the tax office is without merit and has thus not made any provision for any potential tax claim in its financial statements for 2018. This view is especially supported by the fact that the superior assessment board at the same tax office in 2013 issued a principle decision in another case to the effect that the rules on contingent tax-free transfers within a group when read in conjunction with the freedom of establishment under the EEA-agreement indeed applies to transfer of a business from a Norwegian group company to a group company within the EU. The Company has concluded that the possibility of any outflow in settlement is remote. The reassessments have been appealed.

NOTE 27: COMMITMENTS

In 2007 through 2012, the Company entered into purchase contracts with Boeing Commercial Airplanes and Airbus S.A.S on purchase of new commercial aircraft. In 2013 and 2014, the Company sold the aircraft already delivered, to its subsidiary Arctic Aviation Assets DAC in Ireland.

In December 2014, the Company transferred the aircraft purchase contracts to its subsidiary Arctic Aviation Assets DAC, the 100 per cent owned leasing Group established in 2013 for the purpose of leasing aircraft to internal and external operators. All future deliveries of aircraft on order will be received in Arctic Aviation Assets DAC and its subsidiaries, and the company as operator will receive aircraft on operating leases.

For further details regarding aircraft commitments, please see Note 28 in the Consolidated Financial Statements.

For details on commitments for aircraft leases, see Note 11.

NOTE 28: EVENTS AFTER THE REPORTING PERIOD

Refer to Note 29 in the Group's consolidated financial statements.

There have been no other material events subsequent to the reporting period that might have a significant effect on the parent company financial statements for 2018.

INDEPENDENT AUDITOR'S REPORT

Deloitte.

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To the General Meeting of Norwegian Air Shuttle ASA:

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion
We have audited the financial statements of Norwegian Air Shuttle ASA, which comprise:

- The financial statements of the parent company Norwegian Air Shuttle ASA (the Company), which comprise the statement of financial position as at 31 December 2018, the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and

- The consolidated financial statements of Norwegian Air Shuttle ASA and its subsidiaries (the Group), which comprise the statement of financial position as at 31 December 2018, the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:
- The financial statements are prepared in accordance with the law and regulations.

- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.

- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion
We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters identified in our audit are:

- Carrying value of aircraft and value of future committed aircraft purchases

- Tax assets and liabilities

- Liquidity and financing of future committed aircraft purchases

(Continues on the following pages)

Note: This translation from Norwegian has been prepared for information purposes only.

CARRYING VALUE OF AIRCRAFT AND VALUE OF FUTURE COMMITTED AIRCRAFT PURCHASES

Key audit matter	How the matter was addressed in the audit
Refer to note 1.23 and note 11 for description of the Group's impairment assessments. The Group has aircraft and associated spare parts with a carrying value of NOK 31.1 billion as of 31 December 2018. In addition, the Group has entered into several purchase contracts for future delivery of aircraft at fixed prices. As described in note 11 and 28, these contracts consist of upfront prepayments to manufactures with a carrying value of NOK 8.6 billion, and future committed payments up on delivery of NOK 11.3 billion. As described in note 2, macro-economic factors may have a significant impact on the profitability of the existing aircraft assets and the future committed aircraft purchases. The evaluation of residual value and impairment of existing aircraft and assessment of whether onerous contracts exist related to the future committed aircraft purchases requires a significant degree of management judgement, and as such, this has been identified as a key audit matter.	*To assess the carrying value of the existing aircraft and the value of future committed aircraft purchases, we:* • Assessed the design and the implementation of relevant controls management has established related to the impairment process. • Challenged the impairment indicator assessment. • Tested the consistency for a sample of input used in the calculation of the depreciation charge, to input used in the provision for periodic maintenance of the aircraft. • Assessed the allocation of purchase price to the various components of the aircraft. • Compared the Group's estimates of expected useful life and residual value to manufactures' recommendations and to published estimates of other international airlines. • Agreed the fair values of the aircraft types to independent third party valuation reports prepared by aircraft valuation experts to assess the accuracy of the residual value estimate on existing aircraft and the value on future committed aircraft purchases. • Assessed the adequacy of the related disclosures.

TAX ASSETS AND LIABILITIES

Key audit matter	How the matter was addressed in the audit
Refer to notes 1.23 and 9 for a description of the Group's tax position as at 31 December 2018. Net deferred tax assets and liabilities as of 31 December 2018 amounts to NOK 2.1 billion, of which NOK 2.8 billion is related to tax losses carried forward. As described in note 1.23 and 9, management applies judgement to determine to what extent these tax assets qualify for recognition in the balance sheet, in particular tax assets related to historical losses. This involves judgement as to the likelihood that the Group will generate sufficient taxable profits in future periods to utilize the related tax assets. Refer to notes 1.23 and 27 for a description of the Group's uncertain tax positions, which includes correspondence with the Central Tax Office for Large Enterprises in Norway in regard to past reorganizations. There is complexity and judgement involved in determining the probability for any outflow in regard to uncertain tax positions. Due to the level of complexity and judgement in assessing the appropriate accounting for taxes, this has been identified as a key audit matter.	*To assess the tax position as of year-end, we:* • Assessed the design and the implementation of relevant controls the Group has established in the tax accounting process. • Assessed the appropriateness of management's assumptions and estimates in relation to the likelihood of generating future taxable profits to support the recognition of deferred tax assets. • Evaluated the appropriateness of the contingent tax liabilities, including: – Obtained latest correspondence between the Group and the relevant authorities. – Evaluated and challenged the key assumptions and documentation prepared by management related to critical estimates and judgements made by the Group in determining the probability for any outflow. This included evaluation of certain third party tax opinions that the Group has obtained to assess the appropriateness of assumptions used. – Engaged Deloitte tax specialists, as appropriate, to assist with our audit of the Group's tax obligations. • Assessed the adequacy of the related disclosures.

LIQUIDITY AND FINANCING OF FUTURE COMMITTED AIRCRAFT PURCHASES

Key audit matter	How the matter was addressed in the audit
Due to significant losses in 2018, the net equity position decreased to NOK 1.7 billion as at 31 December 2018, which is 0.2bn above the equity covenants related to issued bonds (reference made to note 22). As described in note 2.6 the Group obtained NOK 2.9 billion in equity from a rights issue in March 2019 to strengthen the Group's liquidity and equity position. The Group has entered into several purchase agreements for future deliveries of aircraft (reference made to notes 2.6 and 28). To meet the future committed aircraft purchases, and comply with the bond covenants, the Group is dependent upon its ability to generate sufficient cash flows, and/or to raise other means of funding to meet scheduled cash outflows. Due to the history of significant losses and the significant value of the purchase agreements for future deliveries of aircraft, liquidity and financing of future committed aircraft purchases has been identified as a key audit matter.	*To assess the liquidity forecast to meet future obligations, we:* • Assessed the design and the implementation of relevant controls the Group has established related to the liquidity forecast. • Evaluated the accuracy of management forecasting by comparing cash flows forecasts for prior periods to actual outcomes. • Reviewed the cash flow requirements over the next 12 months based on committed aircraft purchases, loan repayment schedules and other operational matters. • Tested the arithmetic integrity for a sample of calculations. • Assessed the description of available financing sources. • Engaged Deloitte restructuring and valuation specialists, as appropriate, to assist with our audit of the Group's liquidity and financing of future committed aircraft purchases. • Assessed the adequacy of the related disclosures.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the Company in accordance with simplified application of international accounting standards according to the Norwegian Accounting Act section 3-9, and for the preparation and fair presentation of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements
Opinion on the Board of Directors' report and the statements on Corporate Governance and Corporate Social Responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation
Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 2 April 2019
Deloitte AS

Jørn Borchgrevink
State Authorised Public Accountant (Norway)

ANALYTICAL INFORMATION

KEY FIGURES

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Operating revenue (NOK million)	**40,266**	30,948	25,951	22,491	19,534	15,580	12,859	10,532	8,598	7,309
EBITDAR* (NOK million)	**2,171**	3,948	5,958	3,694	1,186	2,784	1,822	1,540	1,175	1,341
EBITDA* (NOK million)	**(2,183)**	59	3,116	1,481	(664)	1,500	789	710	397	721
EBIT/Operating result (NOK million)	**(3,851)**	(2,002)	1,821	348	(1,412)	970	404	416	210	572
EBT/Profit (loss) before tax (NOK million)	**(2,490)**	(2,562)	1,508	75	(1,627)	438	623	167	243	623
Net profit/loss (NOK million)	**(1,454)**	(1,794)	1,135	246	(1,072)	319	457	122	189	446
Basic earnings per share (NOK)	**(34.39)**	(50.18)	31.75	6.99	(30.42)	9.15	13.08	3.53	4.97	13.01
Diluted earnings per share (NOK)	**(34.39)**	(50.18)	31.47	6.92	(30.42)	9.02	12.99	3.47	4.87	12.89
Equity ratio	**3%**	5%	11%	9%	9%	19%	20%	22%	27%	32%
Net interest bearing debt*	**31,917**	22,265	21,151	17,131	11,273	4,346	3,797	3,145	1,307	176
Cash and cash equivalents (NOK million)	**1,922**	4,040	2,324	2,454	2,011	2,166	1,731	1,105	1,178	1,408
Yield	**0.38**	0.39	0.42	0.44	0.43	0.5	0.55	0.52	0.52	0.6
Unit revenue (RASK)	**0.33**	0.34	0.36	0.38	0.35	0.39	0.43	0.41	0.4	0.47
Unit cost including depreciation	**0.43**	0.45	0.43	0.44	0.44	0.44	0.47	0.47	0.47	0.50
Unit cost including depreciation excluding fuel	**0.31**	0.35	0.34	0.34	0.30	0.30	0.32	0.33	0.36	0.40
ASK (million)	**99,220**	72,341	57,910	49,028	46,479	34,318	25,920	21,958	17,804	13,555
RPK (million)	**85,124**	63,320	50,798	42,284	37,615	26,881	20,353	17,421	13,774	10,602
Load factor	**85.80%**	87.50%	87.70%	86.20%	80.90%	78.30%	78.50%	79.30%	77.40%	78.20%
Passengers (million)	**37.3**	33.1	29.3	25.8	24	20.7	17.7	15.7	13	10.8
Block hours	**12.5**	11.4	11.3	11.6	11.6	11.5	10.9	11	10.9	10.4
Average sector length (km)	**1,843**	1,607	1,473	1,407	1,338	1,168	1,048	1,000	964	913
Fuel consumption (metric tonnes)	**1,956,174**	1,465,100	1,190,017	1,015,337	965,575	735,154	569,197	497,909	423,682	345,692
Number of aircraft (operated at year end)	**165**	144	116	99	95	85	68	62	57	46

*) See "defenitions" on page 92.

FINANCIAL CALENDAR 2019

Interim report Q1 2019:
25 April

General shareholder meeting:
7 May

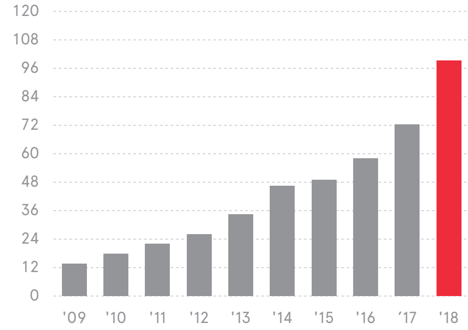
Interim report Q2 2019:
11 July

Interim report Q3 2019:
24 October

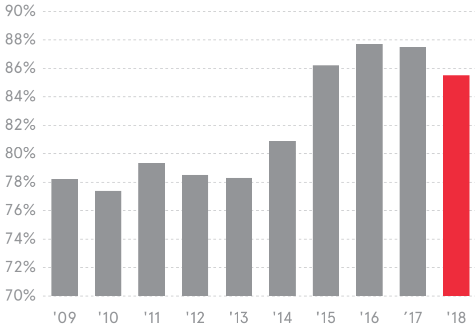
Norwegian Air Shuttle reserves the right to revise the dates.

KEY OPERATIONAL FIGURES

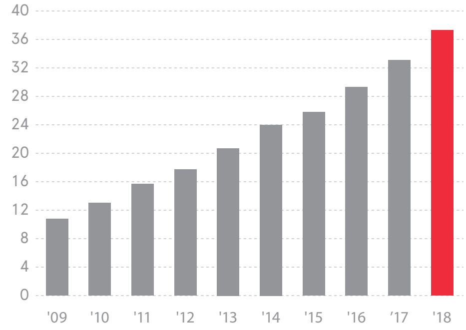
ASK
in billion



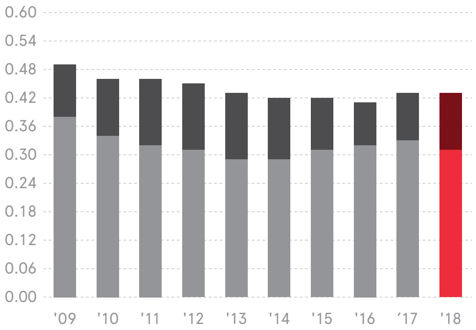
LOAD FACTOR
Per cent



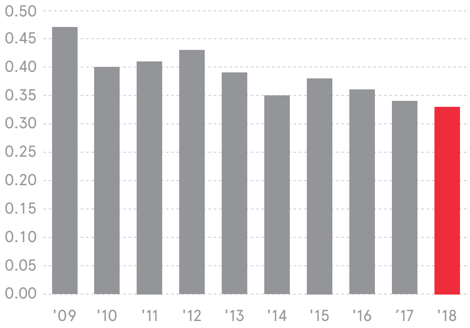
PASSENGERS
In million



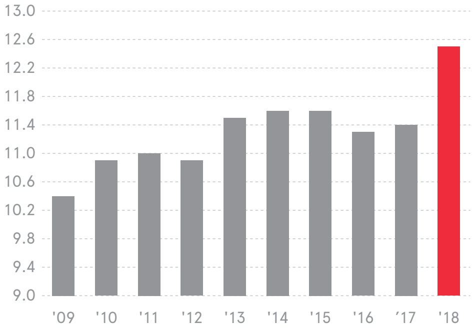
UNIT COST INCL. DEPRECIATION (CASK)
Unit cost (NOK)
Fuel part of CASK (NOK)



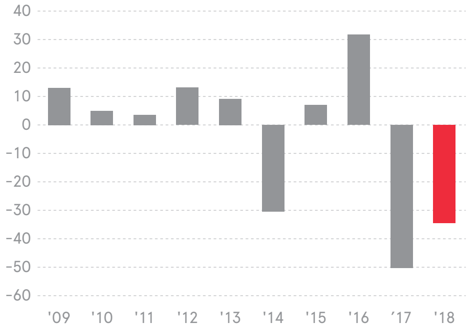
UNIT REVENUE (RASK)
RASK in NOK



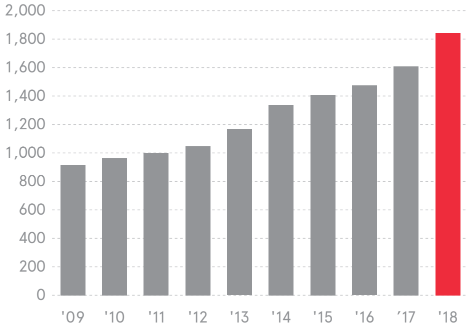
BLOCK HOURS
Hours per day



BASIC EARNINGS PER SHARE
NOK



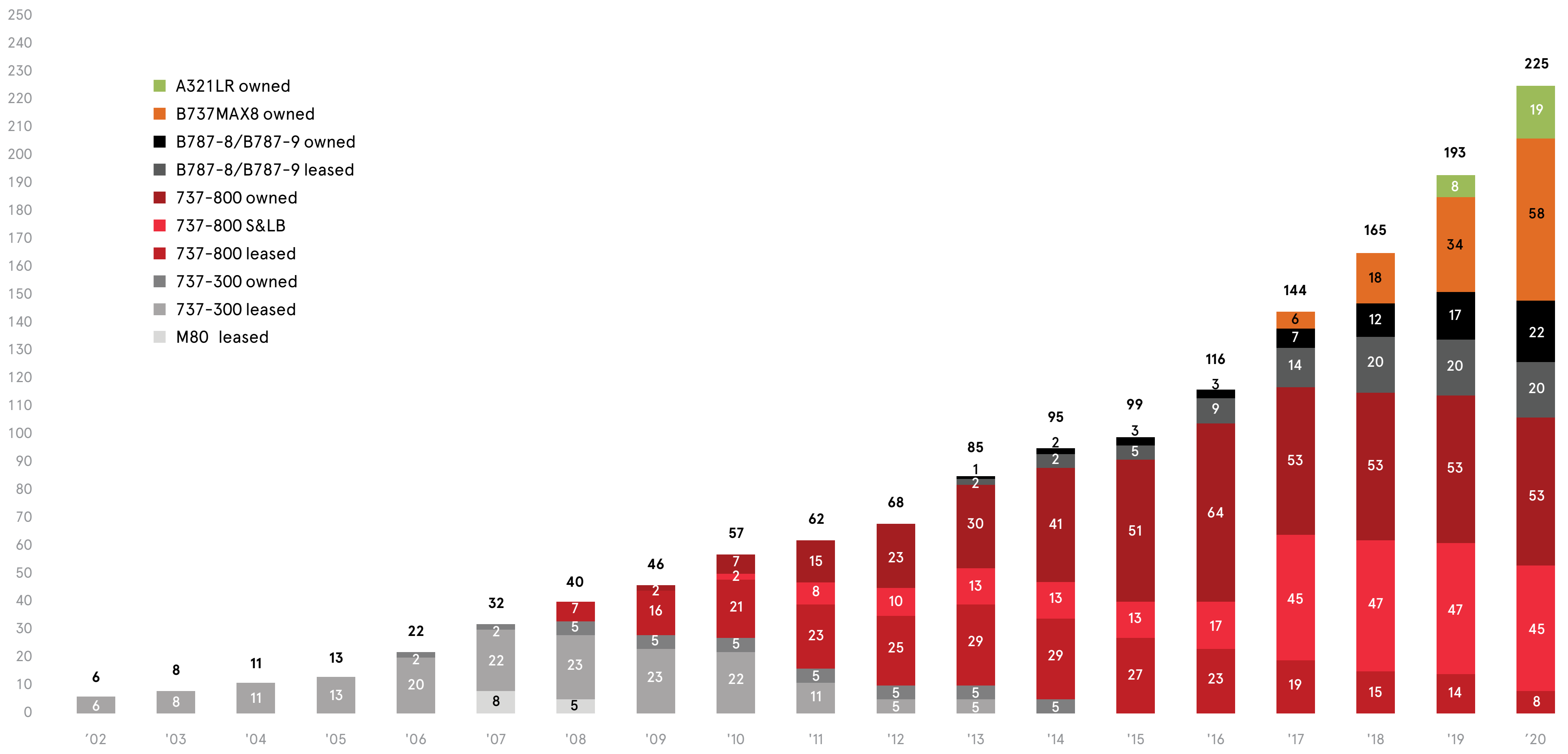
AVERAGE SECTOR LENGTH
Kilometres



FLEET PLAN

HISTORIC, CURRENT AND COMMITTED FLEET PLAN

Number of aircraft operated by Norwegian at year-end



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.

Measure	Description	Reason for including
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
EBITDA	Earnings before net financial items, income tax expense (income), depreciation, amortization, impairment, and share of profit (loss) from associated companies	Shows the operations' earning power regardless of capital structure and tax situation with the purpose of simplifying comparisons with other companies in the same industry
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	A measure of operating performance that enables comparison between airlines as it is not affected by the method used to finance aircraft
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
Net interest-bearing debt	Long-term borrowings plus short-term borrowings 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)-net	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 and net gain or loss from sale of fixed assets	Included as a specification to operating expenses to separate certain volatile effects from other operating expenses
Total operating expenses excl depreciation and amortization	Total operating expenses not including depreciation, amortization and impairment	A measure of operating expenses that includes leasing but is not affected by depreciation and amortization

OTHER DEFINITIONS

Item	Description
Aircraft lease expense	Lease and rental expenses on aircraft including both dry leases and wetleases
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
Block hours	Time of block off to block on – industry standard measure of aircraft utilization
CO_2 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
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
Passengers	Number of passengers flown
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 incl depreciation / Unit cost	Total operating expenses, excluding impairment and other losses/(gains)-net, divided by ASK
Unit cost incl depreciation excl fuel / Unit cost excl fuel	Total operating expenses, excluding impairment, 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

ALTERNATIVE PERFORMANCE MEASURES – RECONCILIATION

(Amounts in NOK million)	2018	2017
EBITDA		
Operating profit (loss)	**(3,851)**	(2,002)
Depreciation and amortization	**1,668**	1,405
Impairment	**-**	656
EBITDA	**(2,183)**	59
EBITDAR		
EBITDA	**(2,183)**	59
Leasing	**4,354**	3,890
EBITDAR	**2,171**	3,949
Net interest bearing debt		
Long term borrowings	**22,530**	22,060
Short term borrowings	**11,309**	4,245
– Cash and cash equivalents	**(1,922)**	(4,040)
Net interest bearing debt	**31,917**	22,265

CSR AT NORWEGIAN

CORPORATE RESPONSIBILITY AT NORWEGIAN

Norwegian strives to be a good corporate citizen in all areas of its operation. The Company is committed to operate in accordance with responsible, ethical, sustainable and sound business principles, with respect for people, the environment and the society.

Norwegian's international business activities, powered by the vision "to be the leading long-haul low-cost airline in Europe operating as the engine of global low-cost growth and dominating the Nordic short-haul market", brings people, cultures and economies together.

Global expansion and new routes boost local tourism, create new jobs, drive economic growth and social progress.

A growing population in an increasingly globalized world will lead to more mobility and increased need for air travel. Norwegian acknowledges its responsibilities as a significant market player and takes action to reduce emissions per passenger to make aviation more environmentally friendly.

The Company operates one of the world's newest and most modern aircraft fleets and in 2018, Norwegian was once again named Most Fuel-Efficient Airline on Transatlantic Routes by the independent organization International Council on Clean Transportation (ICCT).

As a global low-cost airline, Norwegian employs over 10,000 people in Europe, North and South America and Asia. Diversity makes the organization richer and better. Regardless of location, workers' rights, equality, non-discrimination, business ethics and anti-corruption are key priorities.

Since 2002, Norwegian has safely carried more than 255 million passengers. Safety is the number one priority and at the heart of the airline's operation. It is essential for customers and staff, and imperative for the sustainability of air travel. All aspects of the Group's operations are subject to extensive safety controls and certification. They meet the strictest standards and the highest level of regulations in the industry (The European Aviation Safety Agency, EASA). Norwegian's work with safety in mind – both in terms of systems and culture – are used as examples in the healthcare industry.

THE THREE PILLARS OF CORPORATE RESPONSIBILITY AT NORWEGIAN

To integrate Corporate Responsibility (CR) efforts into the daily operations, Norwegian's CR approach is concentrated around three distinct pillars. All corporate responsibility activities should be relevant, simple and direct. Within the three pillars, Norwegian has distinct ambitions that are fundamental to the Group's CR efforts:

- **Environment:** Norwegian has an ambition to continue reducing emissions per passenger and help making aviation carbon neutral by 2050. The environmental footprint is reduced by flying the most modern and fuel- efficient aircraft in the skies. Norwegian also actively engages in various tree planting projects around the world that help reduce emissions.

- **Local development and humanitarian engagement:** Norwegian's goal is to create economic and social value at its bases and destinations. The Company wants to help children in need through its Signature Partnership with the humanitarian organization UNICEF. Locally, the goal is to involve staff in their local communities, as Norwegian believes that employee involvement creates greater quality of work life for staff.

- **Responsible people culture:** Norwegian's goal is to create a positive working environment and develop a sound corporate culture marked by openness, tolerance and high ethical standards. Norwegian wants to promote an environment free from any discrimination.

As such, these initiatives are in line with the UN's official Sustainability Goal #1: "End poverty in all its forms everywhere"; Goal # 8: Decent work and economic growth and Goal #17: Partnerships for the goals.

2018 ACTIVITIES AND RESULTS

Norwegian is committed to delivering results within the Company's Corporate Responsibility framework. The following is a representation of the key activities performed during 2018.

THE ENVIRONMENT

Norwegian is committed to actively supporting and engaging in sustainable environmental policy to continue reducing aviation emissions. The single most important action an airline can take to reduce its environmental footprint is to invest in new aircraft technology, which consequently reduces emissions considerably.

Norwegian operates one of the greenest fleets in the world. In 2018, Norwegian took delivery of 25 aircraft, comprising 2 Boeing 737 MAX 8s, 11 Boeing 787-9s and the final two Boeing 737-800s. Five 737-800s were phased out. The continued fleet renewal in 2018 contributed to a further reduction in emissions per passenger. The Group as a whole consumed 1,956 million tons of Jet A-1 fuel, equivalent to 72 grams of CO_2 per passenger per kilometer, a reduction of one per cent from the previous year. The average fleet age for the 164 aircraft was 3.8 years at 31 December 2018, making it one of the greenest and most fuel-efficient fleets in the world.

In September 2018, Norwegian was once again named Most Fuel-Efficient Airline on Transatlantic Routes as the independent International Council on Clean Transportation (ICCT) released its second study. Their white paper analyzed the fuel efficiency of the 20 leading airlines on routes between the U.S. to Europe in 2017. Findings showed Norwegian, on average, achieved 44 passenger kilometers per liter (pax-km/L), which is 33 per cent higher than the industry average. In both the two last reports, issued in 2018 and 2015, Norwegian was significantly ahead of the second highest ranked airline.

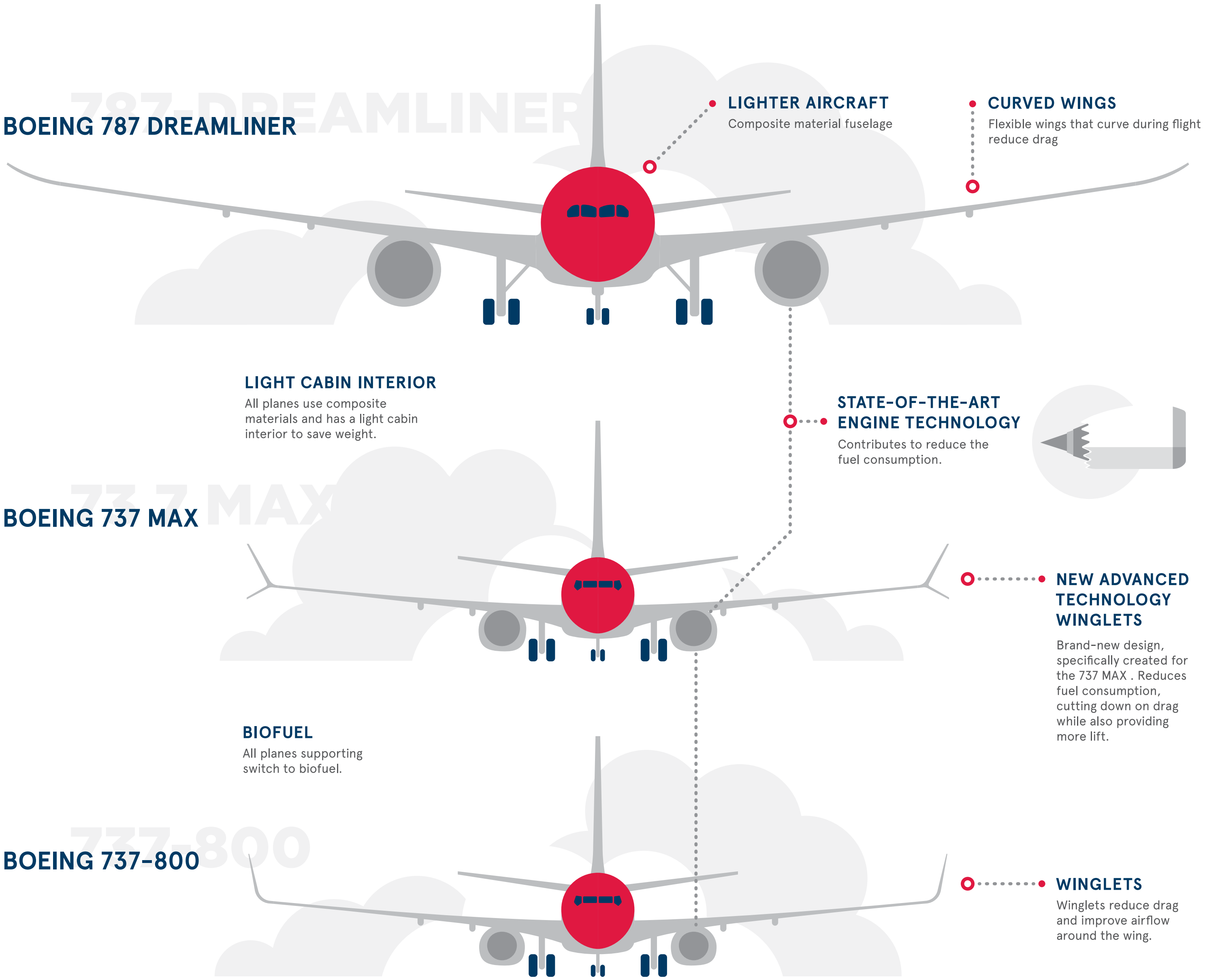
Norwegian uses the technologically advanced Boeing 787 Dreamliner and the Boeing 737 MAX 8 on its intercontinental routes. The Dreamliner consumes more than 20 percent less fuel compared to its counter-parts and the MAX consumes up to 20 per cent less than the 737-800. With a pending order of 10 Dreamliners and 92 MAXs to be delivered in the coming years, Norwegian will continue to be one of the most environmentally friendly airlines in the world.

To reduce emissions even further, Norwegian is working on several initiatives to make the fleet even greener. In 2018, Norwegian's key emission reducing activities were:

- **Fewer take offs and landing** as opposed to traditional network carriers, Norwegian bypasses the big "hubs" and offers more direct flights. The result is a significant reduction of fuel-intensive take-offs and landings. Continuous Descent Approaches, or so-called "green approaches", are designed to reduce overall emissions during the final stages of the flight.

- **Norwegian's partnership with AVTECH Sweden AB** was expanded in 2018 in order to further reduce fuel consumption. A report by the Swedish Energy Agency, which partly financed the project, showed that fuel consumption was reduced by 22 kilos per flight during the test project, which included data from a total of 29,000

FLEET



CSR AT NORWEGIAN

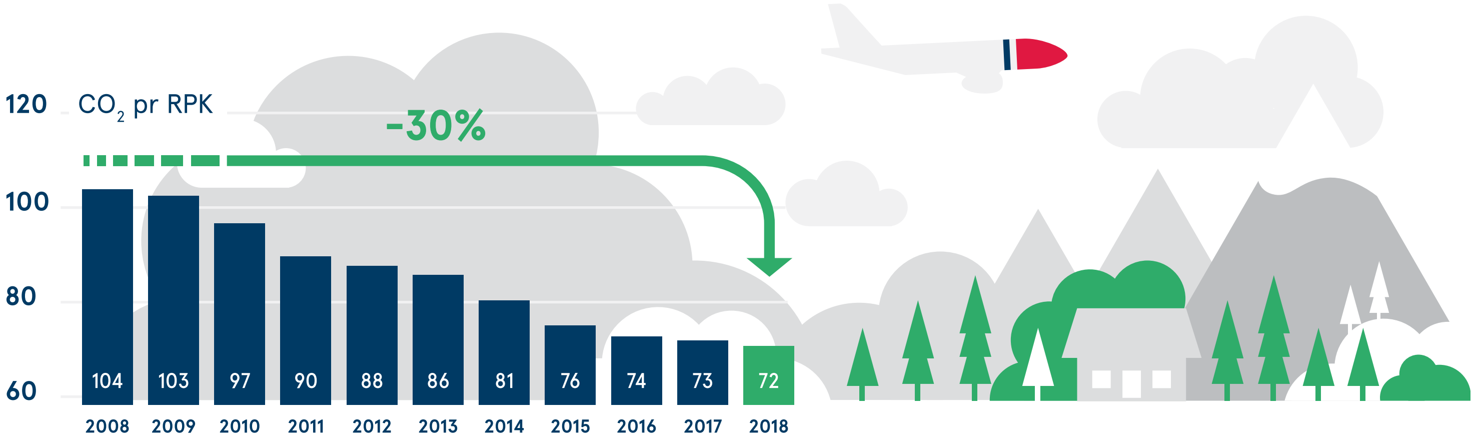
flights completed in November and December 2017. That equals an annual CO_2 reduction of 16,000 tons - or a reduction of 5,000 tons of fuel per year.

- **The new technology, Aventus Air™ weather service,** provides Norwegian's pilots with highly accurate wind and temperature information in accordance with their flight plan. Data is transferred to the aircraft's Flight Management Computer, which makes it possible to optimize the flight path for improved fuel efficiency and reduced emissions. The goal is to deliver better fuel and time estimates as well as fuel efficient descents with less speed deviations.

- **Noise reduction Aviation is associated with noise challenges.** Norwegian's new fleet of aircraft plays an important part in the efforts to reduce the negative impact on the local environment, as new aircraft are considerably quieter than older generations. All of Norwegian's aircraft meet The International Civil Aviation Organization's (ICAO) Chapter 4 and Chapter 14 requirements.

- **Lighter materials.** Norwegian's aircraft feature the most modern interiors. Several factors, such as slim and light seats, reduce weight and emissions. In 2018, Norwegian introduced a new slimline seat for its 737 MAX 8s. The new generation seats save 203,08kg in weight per each aircraft. The first six 737 MAX 8s that were delivered prior to the seat introduction, have been reconfigured with the new slimline seat.

EMISSIONS



- **Winglets reduce drag.** All of Norwegian's 737-800s have winglets, a tailfin-like extension of each wingtip. Winglets reduce drag, which results in less fuel consumption by approximately two per cent per aircraft.

- **A special wash that reduces fuel consumption.** Norwegian has a special engine and aircraft wash that reduces fuel consumption and carbon emissions by approximately xx tons per year.

LOCAL DEVELOPMENT AND HUMANITARIAN ENGAGEMENT

Creating economic and social value at crew bases and destinations underlines Norwegian's ambition to be a good corporate citizen. This ambition is also realized through the Signature Partnership with the humanitarian organization UNICEF, to help children in need.

Boosting local economies and creating new jobs

Global expansion and new routes boost local tourism, create jobs, drive economic growth and social progress. In 2018, Norwegian continued to create economic and social value at new and existing bases and at all destinations. Norwegian's contribution to the Scandinavian tourism industry is substantial, according to a report from the economic analysis company Menon. Tourists visiting Norway, Sweden and Denmark through Norwegian contribute to sustaining 40,000 00 jobs in the tourism industry (Norway: 17,000; Sweden: 10,000; Denmark: 13,000).

Norwegian's contribution to the US economy is also considerable. Since 2013, Norwegian has carried almost five million visitors to the US on more than 50 transatlantic routes, which has significantly boosted the creation of American jobs in the travel and tourism industry, including at Fort Lauderdale and Oakland, where international flights have been scarce. Norwegian is one of the largest customers of American aircraft manufacturer, Boeing. According to calculations from the US Department of Commerce in 2016, Norwegian's firm aircraft order from Boeing was valued at more than USD 18.5 billion, which is consequently helps to create and support up to 100,000 American jobs.

Partnership with UNICEF

"The children are the future and we should do everything we can to make the world a better place for the ones who need it the most," says Norwegian's CEO Bjørn Kjos. That is why Norwegian has a collaboration with UNICEF, the United Nation's Children Fund.

CSR AT NORWEGIAN

Norwegian also believes that it is important to enable the staff and customers to make a difference. Through fundraisers, internal activities, relief flights and other activities the Company is commit ted to supporting UNICEF and the import- ant work the organization does for children in need all over the world. Norwegian and UNICEF have had a Signature Partnership since 2007 and in 2017 a global partnership introduced to reflect Norwegian's increasingly international footprint.

The partnership is enabling Norwegian and its passengers to contribute to UNICEF's work through several initiatives. UNICEF Norway's employees fly for free with Norwegian.

In 2018, Norwegian performed its annual humanitarian aid flights with UNICEF to help the children of Chad. This mission contributed to supporting thousands of children and created huge internal engagement at Norwegian, which enhanced the company culture and sense of pride.

Throughout 2018, Norwegian's customers donated more than NOK 6.2 million to UNICEF's work for children when booking flights on the website. Last year, Norwegian was also the world's first airline to introduce onboard digital donations as the airline made it possible for its Dreamliner 787 passengers to donate directly to UNICEF through the personal in-flight system, an initiative launched in June of 2018.

In the US, Norwegian became a UNICEF partner for the New York Marathon, with nine employees running for UNICEF after collectively fundraising more than USD 50,000 for UNICEF.

RESPONSIBLE PEOPLE CULTURE

The airline business is a service industry where good relations and respect between people are key success factors. Norwegian has a long-term focus on creating an attractive workplace for staff which offers exciting opportunities in a global environment. Norwegian's success rests on the ability to maintain a talented workforce of highly skilled staff and leaders, who are motivated to contribute to Norwegian's growth and to deliver on the vision of affordable fares for all. The goal is to offer unique opportunities to the people working for Norwegian as well as a corporate culture that helps the Company attract and retain the most talented people in the industry, regardless of location. Creating effective arenas for organizational learning and professional development at all levels of the organization is a goal, guiding the work with organizational development.

Code of Ethics

Norwegian's corporate vision, values and operational priorities form the basis of the Group's ethical guidelines. Norwegian's Code of Ethics provides guidelines and directions for a good working environment and highlights the Group's guidelines for corporate and individual behavior, sound business principles, rights and duties, and safety for all – including staff, customers and partners.

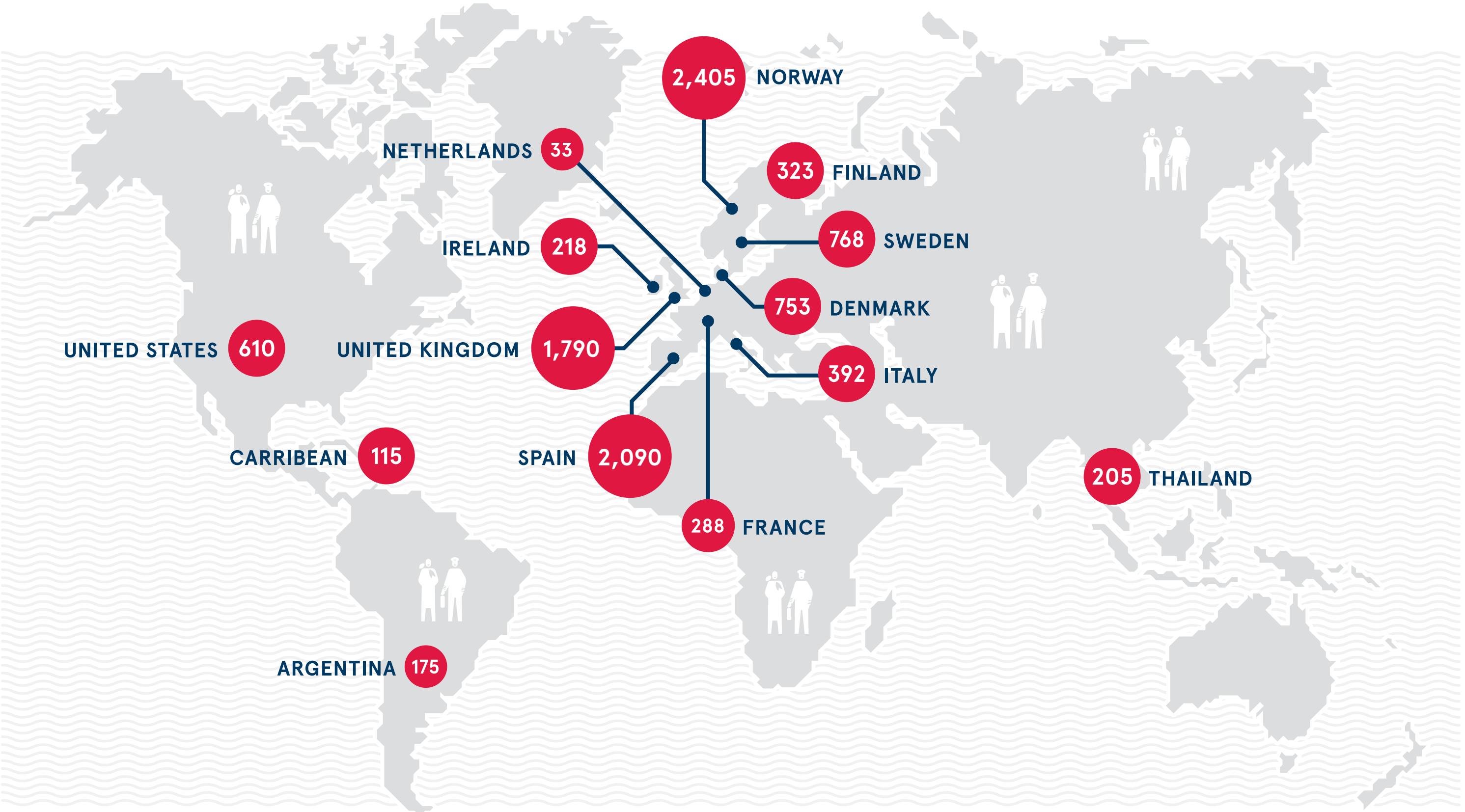
Norwegian supports the international human rights as outlined by the UN declaration and conventions. No one shall

8.9 MILLION

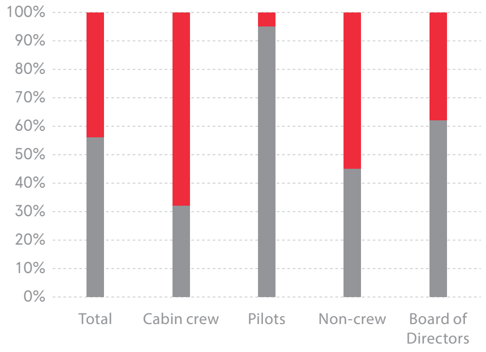
In 2018, Norwegian's passengers donated 8.9 million NOK to UNICEF's work for children when booking flights on the website. This amount will contribute to the following:

- Over two million children can be fully vaccinated against polio.
- Installing more than 2,600 wells equipped with water pumps that can supply an entire village or refugee camp with clean water. Often it is the girls' job to get water, which may mean that they do not have time to go to school. If the water pump is located near the school, it increases the girls' chance to receive an education.
- Help save 35,000 severely malnourished children with a month's supply of high-energy peanut paste.
- Provide 5,200 School-in-a-box sets, which provide education to children in emergencies.

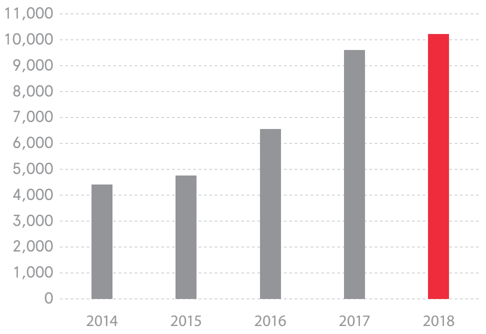
NUMBER OF EMPLOYEES



GENDER DISTRIBUTION 2018



STAFF



in any way cause or contribute to the violation or circumvention of human rights. Norwegian will strive to offer a professional and positive workplace with a respectful, open and inclusive working environment. All people working for Norwegian shall behave with respect and integrity towards everyone they encounter through their work. Everyone should also contribute to creating an environment free of any discrimination - based on religion, race, gender, sexual orientation, age, nationality or disability – and free from bullying and harassment.

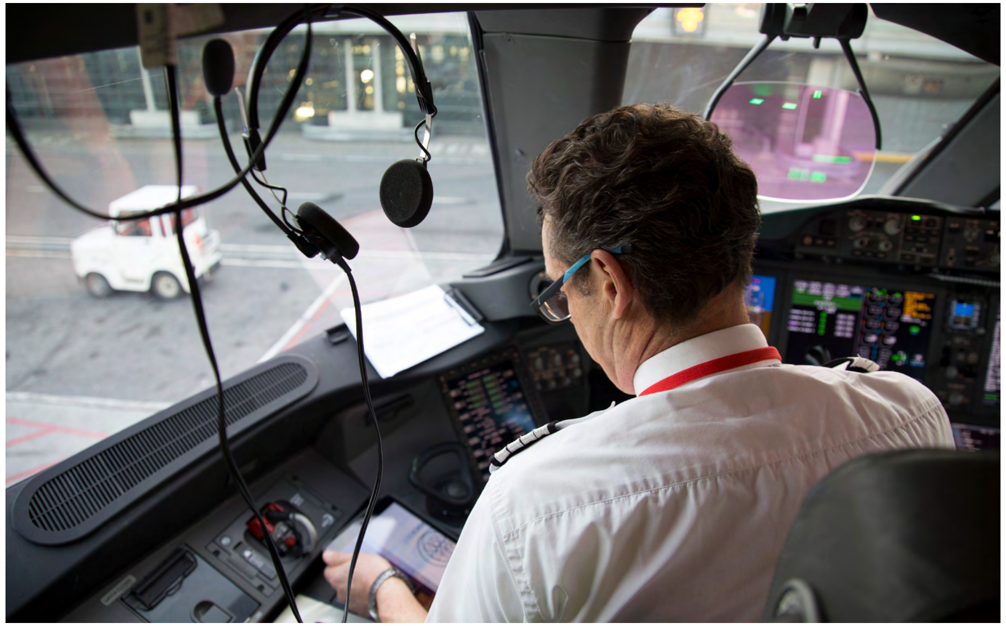
Everyone working for Norwegian has a joint responsibility to develop and maintain a good working environment and be compliant with the ethical guidelines. Any violations of the Code of Ethics shall be reported to Norwegian's Whistleblowing channel.

Staff and Organization

At the end of 2018, the Norwegian Group facilitated employment for a total 10,215 people, compared to 9,593 at the end of 2017, apprentices and staff employed in partner companies included. This was a planned increase, which has taken place in line with the 2018 expansion of the route network.

Norwegian's successful apprentice program in Travel & Tourism continued in 2018 with apprentices from Norway. The program is approved by the Norwegian Educational Authorities and comprised of approximately 100 apprentices at the end of 2018. The program runs over a two to three-year period dependent on the apprentice's educational background and has year-round rolling admission. A further intake is due in 2019, and the program is continuously developed. At graduation, the apprentices had

CSR AT NORWEGIAN



successfully completed modules in Sales & Marketing, Customer Support & Booking and Ground Handling. They also had two international assignments over a longer period and had spent several months flying as cabin crew members across Scandinavia and Europe. The standard of Norwegian apprentices is at the highest level with a perfect pass rate in 2018.

Norwegian's human resources policy strives to be equitable, neutral and non-discriminatory. Norwegian has an equal gender pay policy and practice diversity in its daily business. The airline industry has historically been male-dominated, but Norwegian has a strong tradition of practicing equality since its inception in 2002. Norwegian has talented and highly competent staff and is committed to recruiting both women and men to key positions. In 2018, 44 (2017: 45) per cent of staff were female and 56 (2017: 55) per cent male. Most pilots are male, and women represent around a 5 (2017: 4) per cent share of pilots. Most cabin personnel are female, while males account for approximately 32 (2017: 32) per cent. Among administrative staff there is roughly an equal ratio of male to female staff. Technicians and engineers have historically been men, but in the past few years, the number of female employees is rising. The Group's Board of Directors has around 40 (2017: 40) per cent female representation. Active monitoring of HSE (Health, Safety and Environment) indicators, corporate health insurance policies and continued cooperation with protective services will help ensure that a reduction of sickness leave remains a priority. A number of key HSE activities are conducted in compliance with labor laws, corporate policies and guidelines.

This includes risk assessments, audits, handling of Whistleblowing & occurrence reports (trend-analyzes), handling of conflicts, conducting work environment surveys and following up with group processes on crew/ technical base meetings for crew in the Nordics. Activities also include participation in BCP group (Business Continue Process) related to ERM-organization, regular meetings with Fatigue Risk Manager, SAG and in several HSE-related projects. HSE information is also provided in connection with the training of crew, pilots, and technical staff and as a part of onboarding. HSE provides leader training and seminars focusing on positive work engagement. The Group HSE function ensures HSE supervision, leads the work on preventing addiction and abuse problems, Work Environment Committees (WEC) and Health & Safety Representative meetings. A well-functioning Health & Safety organization has been established throughout the organization in compliance with local laws and legislation as part of implementing HSE aligned with global requirements. The Group had no critical personnel injuries during 2018. In total 31 injuries has been reported through the occurrence reporting system.

Norwegian Air Shuttle ASA is a member of NHO Aviation, which is a member of NHO, The Confederation of Norwegian Enterprise. Salary reviews are conducted through local union negotiations or according to local laws, regulations and CBA (collective bargaining agreements). The salary development reflects the social situation and market requirements and was below market across the group in 2018. People working at Norwegian are employed in the country they are based and follow the laws and regulations of their respective country. However, Norwegian's policies and guidelines are based upon a Scandinavian approach according to its legacy and organizational culture. Sickness leave for the Norwegian Group across all units (not including agency staff) was 5.7 per cent for 2018.

AMBITIONS AND PLANS FOR 2019

Norwegian will continue its commitment to operate in accordance with responsible, ethical, sustainable and sound business principles, with respect for people and the environment. The Group's global expansion will continue to increase local tourism, create jobs, drive economic growth and social progress, and it will continuously drive efforts that safeguard the sustainability and responsibility aspects of the growth. This is in line with UN's Sustainability Goal #8: Decent work and economic growth.

The continued partnership with UNICEF will contribute to helping more children in line with the UN's official Sustainability Goal #1: "End poverty in all its forms everywhere" and Goal #17: "Partnerships for the Goals".

The environment will also be a priority in 2019. The fleet renewal program with the introduction of 16,737 MAX 8s and five 787-9 Dreamliners, will contribute to continued reduced emissions per passenger.

In addition, Norwegian will plant tens of thousands of trees that will contribute to the absorption of large amounts of CO_2, through its Plant a Tree Program launched in 2017. This initiative and the UNICEF partnership encourages local staff engagement which is an overall key priority in 2019. Norwegian believes that encouraging its staff to support their local communities, creates a better-quality work life.

ANNUAL CORPORATE GOVERNANCE STATEMENT

Norwegian is subject to Corporate Governance reporting requirements according to the Norwegian Accounting Act, section 3-3b, the Norwegian Code of Practice for Corporate Governance ("the Code") as revised on 17 October 2018 and the Continuing Obligations of Listed Companies as approved by Oslo Børs ASA, available at www.lovdata.no, www.nues.no and www.oslobors.no, respectively. This report follows the system used in the Code and deviations from the Code, if any, is addressed under each section.

1. IMPLEMENTATION AND REPORTING OF CORPORATE GOVERNANCE

Norwegian's objective for Corporate Governance is accountability, transparency, fairness and simplicity with the goal of maximizing shareholder value while creating added value for all stakeholders. The objectives are designed in compliance with laws, regulations and ethical standards.

Norwegian's Board of Directors promotes and support open and clear communication of the Company's Corporate Governance processes.

The Board believes that good Corporate Governance is distinguished by responsible interaction between the owners, the Board and Management in a long-term, productive and sustainable perspective. It calls for effective cooperation, which means a defined division of responsibilities and roles between the shareholders, the Board and the Management, and respect for the Company's other stakeholders as well as open and honest communication with the communities in which the Company operates.

No deviations from the Code.

2. BUSINESS

Norwegian's scope of business is defined in its Articles of Association section 3: "The Company's objective is to be engaged in aviation, other transport and travel related business activities as well as activities connected therewith. The Company may also be engaged directly or indirectly in other forms of Internet-based provision of goods and services, including car rental, hotel booking, payment services, financial services and services related to credit cards. Participation in such activities as mentioned may take place through co-operation agreements, ownership interests or by any other means."

The Articles of Association is published in full on the Company's website.

Policies and procedures have been established to manage risks and the Board of Directors evaluate the overall risk management systems on a regular basis.

The Board of Directors evaluates the Company's objectives, strategies and risk profile every year.

Norwegian strives to be a good corporate citizen in every area of its operation. The Company is committed to operating in accordance with responsible, ethical, sustainable and sound business principles, with respect for people, the environment and the society.

The Company's core values are clearly defined and are reflected in the Company's Code of Ethics. The Code of Ethics includes ethical guidelines and guidelines for corporate social responsibility, hereunder bribery and anti-corruption, unlawful discrimination and human rights, health, safety and environmental issues.

More information on how Norwegian integrates Corporate Social Responsibility in its operations can be found in the separate report of Corporate Responsibility at Norwegian, presented in a separate section of the annual report and available on the Company's website www.norwegian.com.

No deviations from the Code.

3. EQUITY AND DIVIDENDS

Capital structure

The Company shall have an equity capital which over a period of time is at an appropriate level for its objective, strategy and risk profile.

The Company's equity was weakened during 2018 due to operational losses. Total equity at year end 2018 was NOK 1,704 million, equivalent to an equity ratio of 3 per cent. A rights issue of close to NOK 3 billion was therefore announced on 29 January 2019 and completed on 14 March 2019. The Board of Directors deems the capital structure following the rights issue to be adequate considering the Company's objectives, strategy and risk profile.

Dividend policy

The Board of Directors recommends not to distribute dividends in order to retain funds in line with the Company's objective to reduce growth and restore profitability. Dividends should under no circumstances be paid if equity is below what is considered to be an appropriate level. A financial covenant to the bond agreements entered into in December 2015, February 2017 and November 2017 restricts dividend payments, repurchase of shares or other contributions or loans to shareholders (except repurchase of shares in connection with any option or similar incentive program made for the benefit of the employees and/or management and/or directors) until maturity of the last bond in November 2020. The Company shall maintain a book equity of minimum NOK 1,500 million and a minimum liquidity level of NOK 500 million.

Board authorizations

The general meeting has granted the Board an authorization to increase the Company's share capital by 1.70 per cent of the existing share capital through issuance of new shares under the incentive schemes. The authorization granted to the Board is limited to a total of 772,568 shares and is valid until next Annual General Meeting. The general meeting has granted the Board an authorization to increase the Company's share capital by 8.02 per cent of existing share capital through issuance of new shares as consideration for the acquisition of businesses falling within the Company's business purposes, or for necessary strengthening of the Company's equity.

The authorization granted to the Board is limited to a total of 3,642,105 shares and is valid until next Annual General Meeting.

The general meeting has granted the Board of Directors an authorization to acquire treasury shares at a maximum price of NOK 1.00 and a minimum price of NOK 0.10. The authorization is valid for a period up until next Annual General Meeting, however not beyond 30 June 2019. There are no restrictions with regards to the manner of acquisition and any subsequent disposal of the shares.

No deviations from the code.

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

Class of shares

Norwegian Air Shuttle ASA has only one class of shares and all shares have equal rights in the Company. The articles of association impose no voting restrictions.

Restrictions on shareholders that are not being domiciled within EEA

The Norwegian Civil Aviation Act ("Luftfartsloven") with accompanying regulations pertaining to adoption of the EC Regulation NO. 1008/2008 set forth a requirement that non-EEA nationals may not own more than 50 per cent of the shares in companies that are subject to said regulation. In the general meeting in May 2016, the Articles of association was amended in order to ensure that the Company in an efficient manner could intervene if it is a risk that the license(s) of the Company may be revoked.

Trading in treasury shares

Share buy-back transactions are generally carried out via stock exchanges. Buy-backs of treasury shares are carried out at market prices. Employee share allocations are granted at a discount to market value. Norwegian did not purchase or sell any of its own shares in 2018.

Transactions with related parties

Material transactions between the Group and key stakeholders, in particular the shareholders, the members of the Board and the Executive Management, are subject to the approval of the Board of Directors. Such transactions are duly noted in the minutes from the Board meeting and are also explicitly stated in the notes to the consolidated accounts. At present, the Chair of the Board is partner of the law firm Simonsen Vogt Wiig, which is the legal advisor to Norwegian Air Shuttle ASA. Norwegian has leased its head office from Fornebu Næringseiendom 1 AS, which is controlled by the Chair and the CEO. In cases where members of the Board of Directors or the Executive Management have other direct or indirect material interests in transactions entered into by the Group, this is stated in the notes to the consolidated accounts. Note 26 to the consolidated financial statements describes transactions with close associates (related parties). Financial relationships related to the Directors and Executive personnel are de scribed in note 7 and 15.

Guidelines for Directors and Executives

Norwegian's code of ethics includes guidelines for handling possible conflicts of interest. The code applies to all Board members and Norwegian staff. In addition, the Board has drawn up specific procedures for handling of conflicts of interest for Board members and members of the corporate Management Board.

No deviations from the Code.

5. FREELY NEGOTIATED SHARES

There are no restrictions on owning, trading or voting for shares in the Company.

No deviations from the Code.

6. GENERAL MEETINGS

The notice of calling the Annual General Meeting is given in writing no later than 21 days prior to the meeting. Relevant documents, including proposals for resolutions to be considered by the General Meeting and recommendations by the Nomination Committee, are available at the Company's website from the same date.

Shareholders wishing to attend the General Meeting must give notice of this to the Company no later than three days before the date of the meeting.

The Board of Directors has ensured that the shareholders may exercise their rights at the General Meeting by facilitating proxy attendance. Forms for the granting of proxies are enclosed in the summons to the General Meetings and allows for voting on each individual matter. The shareholder can nominate the Chair of the Board or appoint a person to vote on their behalf as proxy.

The Board of Directors, Nomination Committee and the Auditor are required to be present. To the extent possible management is represented by the Chief Executive Officer and the Chief Financial Officer and other key personnel on specific topics.

The agenda is set by the Board of Directors, and the main items are specified in Article 7 of the Article of Association. The minutes of the General Meeting are available on the Company's website.

The Chair of the Board of Directors is automatically elected to chair the Annual General Meeting, and this is a deviation from the Code. With effect from 2019 the Company will change its Articles of Association to allow the General Meeting to elect the chair of the Annual General Meeting.

7. NOMINATION COMMITTEE

The duties of the Nomination Committee are to make recommendations to the General Meeting for the election of shareholder elected board members and members of the Nomination Committee, and the remuneration to the members of the Board of Directors and Nomination Committee. The Nomination Committee will justify its proposal on each candidate separately and present relevant information about the candidates together with an evaluation of their independence. In connections with the Committee's work with proposing candidates the Committee stays in contact with major shareholders, Board of Directors and management.

It follows from article 8 of the Articles of Associations that the Committee consists of four members, who shall be shareholders or representatives of shareholders. Committee members are elected for two years at a time.

The Nomination Committee consists of the Chair of the Board, one employee and two external members representing major shareholders in the Company. The current composition of the committee consists of;

- Bjørn H Kise, Chairman of the Board of Directors
- Alexander Stensrud, Portfolio Manager Skagen Fondene
- Jørgen Stenshagen, CEO Stenshagen Invest AS
- Sven Fermann Hermansen, pilot and shareholder in the Company

None of the members of the Nomination Committee represent Norwegian's Management. The majority of the members are considered as independent of Management and the Board.

The Chair of the Board has been a permanent member of the Nomination Committee and this is a deviation from the Code. With effect from 2019 all four members will be elected by the General Meeting, subject to approval in the Annual General Meeting.

8. BOARD OF DIRECTORS, COMPOSITION AND INDEPENDENCE

According to the Articles of Association, the Board must consist of between six and eight members. At year end 2018 the Board of Directors had eight members. The Company has three Directors elected by the employees on the Board of Directors.

The shareholder-elected members of the Board of Directors have been nominated by the Nomination Committee to ensure that the Board of Directors possesses the necessary expertise, capacity and diversity. The Board members have competencies in and experiences from the transport sector and other competitive consumer sectors, relevant network connections and experiences from businesses, finance, capital markets and marketing. The Board members are elected for a period of two years.

The majority of the shareholder-elected members of the Board are considered to be autonomous and independent of the Company's executive personnel and material business contacts. At least two of the members of the Board, who are elected by shareholders, are considered autonomous and independent of the Company's main shareholder(s). Among the shareholder-elected Directors, there are three men and two women. Detailed information on the individual director can be found on the website at www.norwegian.com. None of the directors are members of the executive management team.

Directors of the Board are encouraged to own shares in Norwegian.

Participation in Board meetings and Board committees in 2018 has been:

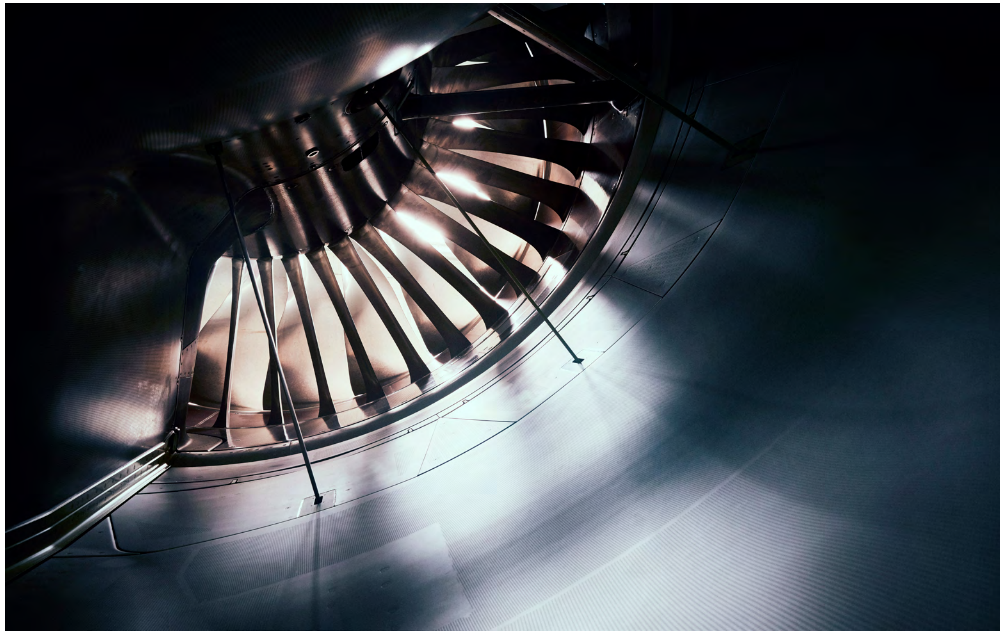
Name	Number of meetings
Bjørn H. Kise	12
Liv Berstad	10
Ada Kjeseth	9
Christian Fredrik Stray	12
Sondre Gravir	6
Geir Olav Øien	12
Linda Olsen	10
Marcus Daniel Hall	12

No deviations from the Code.

9. THE WORK OF THE BOARD OF DIRECTORS

The Board of Directors' perform their work is in accordance with the rules and requirements as set out in Norwegian law.

The Board of Directors issues instructions for its own work. If the Chair of the Board of Directors is or has been actively engaged in a given case, another Board member will normally lead discussions concerning that particular case. There is a clear division of responsibilities between the Board and the Executive Management. The Chair is responsible for ensuring that the Board's work is conducted in an efficient, correct manner and in accordance with the Board's terms of reference. The Chief Executive Officer is responsible for the Company's operational management. The Board has drawn up special instructions for the Chief Executive Officer.



The Board of Directors conducts an annual self-assessment of its work competence and cooperation with the Management and a separate assessment of the Chair.

The Board of Directors has established an Audit Committee. To ensure that nominees meet the requirements of expertise, capacity and diversity set forth by the Board members, the Board of Directors acts as the Company's Audit Committee.

The Company's Board of Directors act as the Audit Committee and this is a deviation from the Code.

10. RISK MANAGEMENT AND INTERNAL CONTROL

The Management issues monthly performance reports to the Board of Directors for review. Quarterly financial reports are prepared and made available to the capital market in accordance with the reporting requirements applicable to listed companies on Oslo Børs. The quarterly financial reports are reviewed by the Audit Committee prior to Board approval and disclosure.

Moreover, financial reports, risk reports and safety reports are drawn up, all of which are subject to review at Board meetings. The auditor meets with the entire Board in connection with the presentation of the annual financial statements, and when otherwise required. Policies and procedures have been established to manage risks. The Company's Board of Directors reviews and evaluates the overall risk management systems and environment in the Company on a regular basis. The Board ensures sound internal controls and systems for risk management through, for example, annual Board reviews of the most important risk factors and internal controls. Risk assessment and the status of the Company's compliance and corporate social responsibility are reported to the Board annually. The Company's financial position and risks are thoroughly described in the Board of Directors' Report.

No deviations from the Code.

11. REMUNERATION OF THE BOARD OF DIRECTORS

Based on the consent of the General Meeting, it is assumed that the remuneration of Board members reflects the respective members' responsibilities, expertise, time commitments and the complexities of the Company's activities. In cases where Board members take on specific assignments for the Company, which are not taken on as part of their office, the other Board members must be notified immediately and if the transaction is of a substantial nature this will be explicitly stated in the notes to the consolidated accounts. Details of the remuneration of individual Board members are available in the notes to the consolidated accounts.

The Board of Directors are not entitled to performance related compensation. The Board members are not granted share options.

No deviations from the Code.

12. REMUNERATION OF EXECUTIVE PERSONNEL

The Board's statement on Management compensation policy is prepared in accordance with the Public Companies Act 6-16a and includes the Company's share option program, if any. The statement is presented at the Annual General Meeting. The principles of leadership remuneration in Norwegian Air Shuttle ASA are to stimulate a strong and lasting profit-oriented culture. The total compensation level should be competitive, however, not market leading compared to similar organizations. The Board determines the remuneration of the Chief Executive Officer, and the guidelines for remuneration of the Executive Management. The Executive Management has not been given any specific rights in case of terminated employment. Details of the remuneration of individual members of the Executive Management are available in the notes to the consolidated accounts.

No deviations from the Code.

13. INFORMATION AND COMMUNICATIONS

Norwegian has established guidelines for the Company's reporting of financial information based on transparency and with regard to the requirement of equal treatment of all parties in the market. The Board of Directors annually reviews these guidelines. A financial calendar is prepared and published on the Company's website and is also distributed in accordance with the rules of the Public Companies Act and the rules applicable to companies listed on the Oslo Stock Exchange. Information distributed to the shareholders is also published on the Company's website. The Company holds regular investor meetings and public interim result presentations and has an investor relations department. Norwegian has separate instructions for investor relations regarding communication with investors and how insider information shall be treated. The Board of Directors has prepared guidelines for the Company's contact with shareholders outside the General Meeting. The Board considers that these measures enable and ensure continuous informative interactions between the Company and the shareholders.

No deviations from the Code.

14. TAKEOVERS

There are no limitations with respect to the purchases of shares in the Company. The Board has established guidelines for how it will act in a take-over situation. In the event of a take-over bid the Board of Directors will act in the best interest of the shareholders and in compliance with all the rules and regulations applicable for such an event as well as practices recommended in the Code. In the case of a takeover bid, the Board will refrain from taking any obstructive action unless agreed upon by the General Meeting. The Company's bond issue has a change of control clause that allows bondholders to call for redemption of the bonds at 101 per cent of par in the event of a change of control.

No deviations from the Code.

15. AUDITOR

The auditor annually presents the main features of the audit plan for the Company to the Audit Committee. The auditor participates in the meetings of the Board of Directors that deal with the annual accounts. At these meetings the auditor reviews any material changes in the Company's accounting principles, comments on any material estimated accounting figures and reports all material matters on which there has been a disagreement between the auditor and the Executive Management of the Company. The auditor presents a review of the Company's internal control procedures at least once a year to the Audit Committee, including identified weaknesses and proposals for improvements. The auditor participates in meetings with the Audit Committee and present the report from the auditor that addresses the Company's accounting policy, risk areas and internal control routines. The Chief Executive Officer and the Chief Financial Officer are present at all meetings with the Board of Directors and the auditor, except for one meeting a year, in which only the auditor, the Board and the Audit Committee are present. The Management and the Board of Directors evaluate the use of the auditor for services other than auditing. The Board receives annual confirmation that the auditor continues to meet the requirement of independence. The Board of Directors reports the remuneration paid to the auditor at the annual General Meeting, including details of the fee paid for audit work and any fees paid for other specific services.

No deviations from the Code.

THE BOARD OF DIRECTORS

Bjørn H Kise

Chair

Mr Bjørn H. Kise (born 1950) has more than 25 years of legal expertise with the law firm, Simonsen Vogt Wiig AS, where he is also a partner. He holds a Law Degree from the University of Oslo and was admitted to the Supreme Court in 1997. Mr Kise is one of the founding partners of Norwegian Air Shuttle and has been a Board member since 1993. He was Chair of the Board from 1996-2002. Mr Kise also holds a number of Board appointments at large and medium-sized companies in Norway and abroad. At 31 December 2018, Mr Kise held 1,345,308 shares in the Company and had no stock options. He is a Norwegian citizen. Mr Kise has been elected for the 2018-2020 period, and represents Norwegian's principal shareholder HBK Holding AS.

Liv Berstad

Deputy Chair

Ms Liv Berstad (born 1961) is the Managing Director for the clothing company KappAhl in Norway. Ms Berstad has extensive retail experience in the Nordic region, mainly in construction material, fashion and cosmetics. She joined KappAhl as their financing manager in 1990, and in 1996, Ms Berstad assumed the Managing Director position. She is a business economist from the BI Norwegian School of Management and has been a Board member since 2005. Ms Berstad has extensive experience from Board positions at companies in Norway and Scandinavia. At 31 December 2018, Ms Berstad did not hold any shares or stock options in the Company. She is a Norwegian citizen. Ms Berstad was elected for the 2017-2019 period and is an independent Board member.

Ada Kjeseth

Director

Ms Ada Kjeseth (born 1949) is the Executive Chair of Tekas AS, a family investment company, and has held various leading roles as Managing Director, CEO and CFO in companies such as Visma Services ASA, Visma Services Norway AS, ØkonomiPartner AS and AS Nevi. Ms Kjeseth was educated at The Norwegian School of Economics. She has extensive experience from several Boards. She is Chair of the Board of Tekas AS and member of the Board of Bertel O. Steen Holding AS and Parkveien 27-31 ANS. At 31 December 2018, Ms Kjeseth did not hold any shares or stock options in the Company. She is a Norwegian citizen. Ms Kjeseth has been elected for the 2017- 2019 period and is an independent Board member.

Christian Fredrik Stray

Director

Mr Christian Fredrik Stray (born 1978) is CEO of Hy5Pro AS (Hy5) and has held this position since 2015, with several years of experience from the global medical device company Biomet. From 2008-2011 he was CEO of Biomet Norge, and from 2011-2014 he was CEO of Biomet Nordic. Mr Stray holds a Bachelor of Science degree in Biomedical Engineering and an executive MBA from ESCP-EAP (Paris) in addition to the BI Norwegian Business School. Mr Stray holds several Board appointments at companies in Norway and Scandinavia, primarily within the medical and digital industry. At 31 December 2018, Mr Stray held 214 shares and had no stock options in the Company. He is a Norwegian citizen. Mr Stray was elected for the 2017–2019 period and is an independent Board member.

Sondre Gravir

Director

Mr Sondre Gravir (born 1977) is CEO of SATS, a position he has held since 2018. Prior to this, he was CEO of Schibsted Marketplaces, Executive Vice President of Schibsted Established Markets, as well as CEO of Finn.no, Aftenposten and Bergens Tidende. He has also worked as a management consultant in McKinsey. Gravir holds a Master of Science in Economics and Business Administration from the Norwegian School of Economics (NHH) and selected MBA courses in international finance and business from the National University of Singapore. Gravir has experience from several board appointments in Norway and abroad. At 31 December 2018, Mr Gravir did not hold any shares or stock options in the Company. He is a Norwegian citizen. Mr. Gravir has been elected for the period 2018-2020, and is an independent board member.

Geir Olav Øien

Director

(elected by the employees)

Mr Geir Olav Øien (born 1972) joined Norwegian's Technical Department in 1998. He has worked in the aviation industry since 1991 and has extensive experience within technical operations. Mr Øien has previously worked for SAS Heavy Maintenance Oslo and as a civil employee for the Norwegian Air Force in Bodø and Kjeller. From 2014-2015, he was the leader of Norwegian's Technical Union and has been a Director since 2016. At 31 December 2018, Mr Øien did not hold any shares or stock options in the Company. He is a Norwegian citizen. Mr Øien is elected for the 2019-2021 period and is an independent Board member.

Eric Holm

Director
(elected by the employees)

Mr. Eric Holm (born 1967) joined Norwegian in March 2010 and is currently employed in Norwegian Cabin Services Norway AS. Mr. Holm holds a MA degree in International Security Studies from the University of Leicester.
Mr. Holm has been Deputy Board Member at Norwegian Cabin Services Norway, Chairman at Parat Luftfart and Board Member (employee representative) at Lufthansa Service Group Norway. At 31 December 2018, Mr Holm held 131 shares in the Company and had no stock options. He is a Norwegian citizen. He has been elected for the period 2019-2021 and is an independent Board member.

Katrine Gundersen

Director
(elected by the employees)

Ms. Katrine Gundersen (born 1974) holds the position as Crew Tracker at Norwegian's Integrated Operational Control Centre (IOCC). She started working in the airline industry in the late 1990s and has been with Norwegian since August 2002. She holds a bachelor's degree in economics from the University of BI. Ms. Gundersen was Deputy Director of Norwegian's Board from 2016-2018. At 31 December 2018, Ms Gundersen did not hold any shares or stock options in the Company. She is a Norwegian citizen. She is elected for the period 2019-2021 and is an independent Board member.

THE MANAGEMENT TEAM

The Executive Management team of the Group consists of representatives from the Company's Scandinavian and international operations.

Bjørn Kjos

Chief Executive Officer

Mr Bjørn Kjos (born 1946) has been Norwegian's Chief Executive Officer since October 2002. He is one of the founding partners of Norwegian Air Shuttle and was the Chair of the Board between 1993 and 1996. Mr Kjos was also Chair during the start-up period of the Boeing 737 operation from June-September 2002. Mr Kjos, a law graduate of the University of Oslo, was granted the right of audience in the Supreme Court in 1993. He was also a fighter pilot in the 334 squadron for six years. At 31 December 2018, he held 9,843,638 shares in the Company and had 180,000 stock-options. Mr Kjos is a Norwegian citizen.

Geir Karlsen

Chief Financial Officer

Mr. Geir Karlsen (born 1965) was appointed Chief Financial Officer (CFO) in April 2018. He has extensive experience from listed companies within shipping and offshore. Mr. Karlsen has over the last 12 years held various CFO positions with international companies such as Golden Ocean Group and Songa Offshore. Before Norwegian, he held the position Group CFO at London-based Navig8 Group, the world's largest independent pool and management company. Geir Karlsen has a degree in Business Administration from BI Norwegian Business School. At 31 December 2018, he held no shares in the company, but had 125,000 stock options. Mr Karlsen is a Norwegian citizen.

Asgeir Nyseth

Chief Operating Officer

Mr Asgeir Nyseth (born 1957) was appointed Chief Operating Officer for Norwegian Group in 2016. He started as Norwegian's Chief Operational Officer in 2006 and CEO of Norwegian's long-haul operation in 2013. Mr Nyseth has extensive experience as an aeronautical engineer from Lufttransport and Scandinavian Airlines. He was the technical director of Lufttransport for three years and became the CEO of Lufttransport in 2000. Mr Nyseth completed officer training school and technical education at the Norwegian Air Force. At 31 December 2018, he held 16,030 shares in the Company and had 150,000 stock-options. Mr Nyseth is a Norwegian citizen.

Anne-Sissel Skånvik

Chief Communications Officer

Ms. Anne-Sissel Skånvik (born 1959) joined Norwegian in 2009 from a position as Senior Vice President at Telenor ASA, where she was responsible for corporate communications and governmental relations. Ms. Skånvik was the Deputy Director General in The Norwegian Ministry of Finance between 1996 and 2004. She has also years of experience from Statistics Norway (SSB) and various media. Ms. Skånvik has a Masters degree in political science ("Cand. Polit") from the University of Oslo, a degree in journalism from Norwegian College of Journalism and the Executive Management Course at Norwegian Defence University College. At 31 December 2018, she did not hold any shares in the Company, but had 70,000 stock-options. Ms Skånvik is a Norwegian citizen.

Helga Bollmann Leknes

Chief Commercial Officer

Ms. Helga Bollmann Leknes (born 1972) was appointed Chief Commercial Officer at Norwegian in November 2018. She joined Norwegian in October 2017 as Chief Human Resources Officer and continues to represent HR in the management team. She is also Managing Director of Norwegian Air Resources, a position she has had since March 2018. Ms. Bollmann Leknes previously held the global position of Executive Vice President HR Communications at Kongsberg Automotive ASA, where she was part of the Executive Management Team. Prior to that she has had senior leading positions in both Aker Solutions and SAS. Ms. Bollmann Leknes has a Bachelor of Management from Norwegian Business School (BI) and a Master of Management from Norwegian University of Science and Technology (NTNU). At 31 December 2018, she held 26 shares in the company and had 85,000 stock options. Ms Bollmann Leknes is a Norwegian citizen.

CORPORATE GOVERNANCE

Frode Berg

Chief Legal Officer

Mr Frode Berg (born 1968) has been Norwegian's Chief Legal Officer since February 2013. A law practitioner since 1997, he was as a partner at the law firm Simonsen Vogt Wiig from 2007. As a lawyer, Mr Berg's specialized in corporate law, transactions and international contracts. He was legal advisor to Norwegian during the start-up phase as well as during the establishment of Bank Norwegian. Mr Berg holds a Law Degree and a Bachelor's Degree in Economics from the University of Tromsø, Norway, and a Master's Degree (LL.M) from the University of Cambridge, England. At 31 December 2018, he did not hold any shares in the Company, but he had 45,000 stock-options. Mr Berg is a Norwegian citizen.

Tore Jenssen

Managing Director Arctic Aviation Assets (AAA)

Mr Tore Jenssen (born 1978) is Managing Director of Norwegian's fully owned asset company, Arctic Aviation Assets (AAA). He is also Managing Director of Norwegian Air Ireland (NAI). He was initially hired in 2007 as Norwegian's cost controller in the technical department. Since 2010, Mr Jenssen worked as an asset manager, and in 2013 he moved to Ireland when he was appointed COO for AAA. Before starting his career at Norwegian, he worked for Grilstad. Mr Jenssen has a Business Degree from Bodø Graduate School of Business. At 31 December 2018, he did not hold any shares in the Company, but had 25,000 stock-options. Mr Jenssen is a Norwegian citizen.

Bjørn Erik Barman-Jenssen

Managing Director Support Services

Mr. Bjørn Erik Barman-Jenssen (born 1963) is the Managing Director of Support Services, and responsible for several operational functions, including ground operations and in-flight services. He also holds the position as Managing Director of Norwegian Cargo. Mr. Barman-Jenssen has been a part of Norwegian's operational management team since 2007. He has 30 years of experience within the aviation industry and has held both operational and commercial positions in Braathens and SAS. At 31 December 2018, he did not hold any shares in the Company, but had 25,000 stock-options. Mr Barman-Jenssen is a Norwegian citizen.

Kurt Simonsen

Chief Customer and Digital Officer

Mr Kurt Simonsen (born 1958) joined Norwegian as Chief Information Officer (CIO) in January 2018. In February 2019, he took on the role as Chief Customer and Digital Officer. Mr. Simonsen has a vast background in the IT industry and has held various positions at Hewlett-Packard Norge AS, has served as Vice President of Telenor FOU and Vice President of Telenor 4Tel (later acquired by Evry). For the past 17 years, he has been a partner and co-owner of the consulting company Infocom Group AS, a leading consulting company with expertise in IT Sourcing and restructuring processes. During his time at Infocom, Mr. Simonsen has implemented some of the largest IT Sourcing and restructuring projects in Norway in sectors such as telecom, banking/finance and oil/energy. Mr. Simonsen is a graduate engineer in electronics. At 31 December 2018, he did not hold any shares in the Company, but had 50,000 stock-options. Mr Simonsen is a Norwegian citizen.

Norwegian Air Shuttle ASA

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