



H2 and Preliminary FY 2021 Report



Norse Atlantic ASA

Second Half and Preliminary Full Year 2021 Results

Headlines H2 2021

- o First aircraft delivered in December 2021; six more aircraft delivered post-period end
- o Received Air Operator's Certificate (AOC) in Norway
- o Signed collective agreements with the pilot unions in the UK and Norway
- o Received approval from the US Department of Transport for Transatlantic Flights, post-period end

Headlines FY2021

- o Norse Atlantic Airways established
- o USD 171.5 million equity raised and successful listing on Euronext Growth Oslo Børs stock exchange
- o Secured 15 modern Boeing 787 Dreamliners on long-term leases at favorable pricing and cash flows

About Norse

Norse Atlantic ASA ("Norse", "Norse Atlantic Airways" or the "Company") is a new airline that will offer affordable fares on long-haul flights, primarily between Europe and the United States. The Company was founded by the CEO and major shareholder Bjørn Tore Larsen in February 2021. Norse's headquarters is located at Fløyveien 14, 4838 Arendal, Norway.

Norse has secured a fleet of 15 modern, fuel-efficient and environmentally friendly Boeing 787 Dreamliners ("aircraft") that will serve destinations including New York, Florida, Paris, London and Oslo, among others. The Company took delivery of its first aircraft on 20 December 2021 followed by another six aircraft after the yearend. The remaining nine aircraft are expected to be delivered within H1 2022. The Company has taken a proactive approach to work hand-in-hand with labour unions to foster a unified culture throughout the organization and in support of its business model. Norse has signed agreements with the Association of Flight Attendants-CWA ("AFA") in the USA, the British Airline Pilots Association ("BALPA") in the UK and with the Pilot's Association in Norway. Norse expects to start ticket sales in late March 2022, with the first flight expected to take off in the second quarter of 2022.

Financial Performance & Position

These interim condensed consolidated financial statements cover the periods of six months ("H2 2021") and year ending 31 December 2021 ("FY2021"). The Company was established in February 2021 and, as a result, there are no comparative numbers available for periods ending on 31 December 2021.

The Company expects to start revenue generating activities in Q2 2022 on commencement of its first flight and, therefore, no revenue was recognized during the periods ended 31 December 2021.

Operating costs during H2 2021 totalled USD 6.2 million, consisting of USD 3.6 million in personnel expenses, USD 1.8 million in other general and administrative costs and USD 0.5 million in aircraft operating costs such as insurances, pilot training etc. Norse recognized USD 0.3 million of

depreciation and amortization in H2 2021, including USD 0.2 million of amortization of the right-of-use asset for one aircraft that was delivered to the Company in 2021.

Net financial expense for H2 2021 was USD 1.7 million, mainly consisting of loss on revaluation of foreign currencies held as cash at the period end. Net loss after tax was USD 7.8 million for H2 2021.

Cash Flow

The Company's net decrease in cash and cash equivalents during H2 2021 was USD 16.1 million, mainly due to investing cash flows of USD 9.4 million and operating cash flows of USD 4.9 million. USD 9.4 million investing cash flows consisted of USD 6.0 million paid for aircraft lease deposits, USD 2.4 million invested in aircraft preparation costs (such as livery), USD 0.8 million in intangible assets (such as ERP system) and USD 0.2 million in office equipment. There were no significant cash movements from financing activities during H2 2021. After a currency revaluation loss of USD 1.8 million during H2 2021, the Company's cash and cash equivalents as at 31 December 2021 was USD 134.3 million.

Aircraft Leases

On 29 March 2021 the Company entered into an agreement for the lease of nine Boeing Dreamliner aircraft from AerCap Holdings NV, consisting of six Boeing 787-9s and three Boeing 787-8 aircraft (the "AerCap Leases"). The lease terms are approximately 8 years for the 787-8 aircraft and approximately 12 years for the 787-9 aircraft, measured from the inception date. Under the terms of the AerCap Leases the Company has paid a total lease deposit of USD 8.4 million.

On 2 August 2021 the Company entered into an agreement for the lease of six Boeing Dreamliner aircraft from BOC Aviation Ltd (the "BOCA Leases"). The lease terms are approximately 16 years per aircraft, measured from the aircraft delivery date. Under the terms of the BOCA Leases the Company has paid a total lease deposit of USD 12 million.

As at 31 December 2021, Norse has taken delivery of one aircraft under the BOCA Leases. The carrying value of the right-of-use aircraft asset was USD 119.6 million at 31 December 2021. After the period end, Norse took delivery of six additional aircraft, three each under the AerCap Leases and the BOCA Leases.

Organization

As at 31 December 2021 Norse had approximately 75 full-time employees spread between the Company's headquarters in Arendal and a satellite competence centre at Gardermoen Airport, Oslo, Norway, and its offices in Gatwick, UK, and Fort Lauderdale, USA. Pilot and cabin crew positions will join in 2022 as the Company nears its first flight, expected to be in Q2 2022. When all 15 aircraft are operational, Norse expects to have approximately 1,600 employees.

Risks

The Company is exposed to normal risks that are associated with newly established enterprises, as well as to risks related to the airline industry. The commencement of operating activities by the Company is dependent on numerous factors, including a recovery in the demand for air travel following the COVID-19 pandemic and necessary regulatory approvals for air traffic operations. The outbreak of the COVID-19 pandemic has had a dramatic impact on the airline industry and may continue to have negative impacts in the future. Norse has received an AOC from the Civil Aviation Authority in Norway as well as approval from the US Department of Transport for operating Transatlantic flights. The Company is currently seeking certain other regulatory approvals, including an AOC in the UK. Norse has secured landing rights at certain airports and may be reliant on securing additional airport landing rights in future.

Events after the Balance Sheet

Norse has so far taken delivery of six more aircraft under its existing lease agreements during 2022.

On 14 January 2022 the United States Department of Transportation (USDOT) approved Norse Atlantic Airways' application for the operation of flights between Norway/The European Union and the United States.

On 23 February 2022 the Company purchased USD 25 million worth of US Treasury Inflation-Protected Securities in order to reduce the Company's exposure to inflation risk.

Outlook

The Company plans to start selling tickets in late March 2022, with first flight scheduled to take-off in Q2 2022. The Company has already taken delivery of seven aircraft and another eight are expected to be delivered within H1 2022. All aircraft will initially be parked at Oslo Gardemoen Airport. Although some travel restrictions as a result of COVID-19 remain in place, recent announcements by the governments of Norway, USA and UK have indicated that restrictions will be eased further. The Company expects Norway, USA, UK and France to be its key markets.

Interim Condensed Consolidated Statement of Comprehensive Income

<i>(in thousands of USD)</i>	Notes	Six months ended 31-Dec-21	From 1-Feb to 31-Dec-21
Revenue		-	-
<i>Operating expenses</i>			
Aircraft operating expenses		(453)	(554)
Personnel expenses		(3,586)	(4,471)
Other G&A expenses		(1,783)	(2,606)
Depreciation and amortization		(331)	(331)
Operating expenses		(6,153)	(7,962)
Operating profit/(loss)		(6,153)	(7,962)
Interest income		62	62
Other financial income/(expense)		(1,758)	709
Profit/(loss) before tax		(7,849)	(7,190)
Income tax		-	-
Profit/(loss) after tax and total comprehensive income		(7,849)	(7,190)
Earnings per share to equity shareholders (in USD)			
Basic and Diluted	6	(0.10)	(0.11)

Interim Condensed Consolidated Statement of Financial Position

<i>(in thousands of USD)</i>	Notes	31-Dec-21
Non-current assets		
Right-of-use assets	3	119,963
Aircraft preparation investments		2,367
Aircraft lease deposits	3	18,706
Intangible assets		796
Other Property, plant & equipment		159
Total non-current assets		141,991
Current assets		
Trade and other receivables		707
Cash and cash equivalents	4	134,252
Total current assets		134,959
Total assets		276,950
Equity and liabilities		
Equity		
Share capital	5	27,489
Share premium	5	136,091
Retained earnings		(7,190)
Total equity		156,390
Non-current liabilities		
Lease liabilities	3	115,181
Provisions	3	3,015
Total non-current liabilities		118,195
Current liabilities		
Lease liabilities	3	314
Trade and other payables		2,051
Total current liabilities		2,365
Total equity and liabilities		276,950

Interim Condensed Consolidated Statement of Cashflows

<i>(in thousands of USD)</i>	Notes	Six months ended 31-Dec-21	From 1-Feb to 31-Dec-21
Cash flows from operating activities			
Profit/(loss) for the period		(7,849)	(7,190)
<i>Adjustments for items not affecting operating cash flows:</i>			
Depreciation and amortisation		331	331
Net financial items		1,770	(697)
Net operating cash flows before working capital movements		(5,748)	(7,556)
Working capital movements		908	1,344
Net cash flows from operating activities		(4,840)	(6,212)
Cash flows from investing activities			
Aircraft deposits paid	3	(6,000)	(20,400)
Aircraft preparation expenses		(2,416)	(2,416)
Other investments		(962)	(962)
Net cash flows from investing activities		(9,378)	(23,778)
Cash flows from financing activities			
Net proceeds from share issue		-	163,580
Lease payments	3	(66)	(66)
Interest paid	3	(12)	(12)
Net cash flows from financing activities		(78)	163,502
Effect of foreign currency revaluation on cash		(1,786)	740
Net increase in cash and cash equivalents		(16,082)	134,252
Cash and cash equivalents at the beginning of the period		150,334	-
Cash and cash equivalents at the end of the period		134,252	134,252

Interim Condensed Consolidated Statement of Changes in Equity

(in USD thousands except for number of shares)

	Number of shares	Issued share capital	Share premium	Retained earnings	Total equity
Shares issued on the date of incorporation					
1 February 2021 at \$ 11.63 (NOK 100) per share	300,000	3,489	-	-	3,489
Changes in share capital					
14 March 2021 share split	2,700,000	-	-	-	-
14 March 2021 reduction of nominal value		(2,443)	2,443	-	-
14 March 2021 equity issue \$ 1.18 (NOK 10) per share	7,000,000	2,485	5,797	-	8,282
8 April 2021 equity issue \$ 2.36 (NOK 20) per share	63,750,000	22,531	127,677	-	150,209
Transaction costs		-	(7,894)	-	(7,894)
12 May 2021 equity issue \$ 2.42 (NOK 20) per share	3,934,314	1,427	8,084	-	9,510
Transaction costs		-	(16)	-	(16)
Total comprehensive income for the period		-	-	(7,190)	(7,190)
Balance at 31-Dec-21	77,684,314	27,489	136,091	(7,190)	156,390

Notes to the Interim Condensed Consolidated Financial Statements

1. General information

These interim condensed consolidated financial statements of Norse Atlantic ASA (“Norse”, “Norse Atlantic Airways” or the “Company”) were authorized for issue in accordance with a resolution of the Board of Directors passed on 01 March 2022.

Norse Atlantic Airways is a public limited company listed on the Euronext Growth Oslo Stock Exchange. The Company was incorporated on 1 February 2021 under the laws of Norway and its registered office is Fløyveien 14, 4838 Arendal, Norway. The Company has wholly owned subsidiaries in Norway, the UK and the US.

Norse is a new affordable long-haul airline established in 2021 and will serve the transatlantic market with modern, fuel-efficient and more environmentally friendly Boeing 787 Dreamliners. The first flights are expected to take off in Q2 2022.

2. Basis of preparation and selected accounting policies

These condensed consolidated financial statements are prepared in accordance with IAS 34 *Interim financial reporting* of International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as adopted by the EU.

These financial statements have been prepared based on the assumption of going concern. The Company was incorporated on 01 February 2021 and therefore, no comparative information is available for the six months and year ended 31 December 2021.

The Company’s key accounting principles are described below.

2.1. Consolidation

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are consolidated from the date on which control is transferred to the Company. Inter-company transactions, balances and unrealized gains on transactions between companies are eliminated on consolidation.

2.2. Leases

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use (“ROU”) asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The lease liability is presented as a separate line in the consolidated statement of financial position. All variable lease payments, that are payable based on actual utilization of the underlying asset, are

excluded from the calculation of lease liability. All variable lease payments are expensed to the statement of comprehensive income during the period to which such variable payments relate to.

The ROU assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day *less* any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the Company incurs an obligation for costs to return the underlying assets to the lessee at specific condition required by the terms of the lease, a provision is recognised and measured under IAS 37. To the extent such costs relate to a ROU asset, the costs are included in the related ROU asset, unless those costs are incurred to produce inventories.

ROU assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the ROU asset reflects that the Company expects to exercise a purchase option, the related ROU asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The Company applies IAS 36 to determine whether a ROU is impaired and accounts for any identified impairment loss in its consolidated statement of comprehensive income.

2.3. Revenue recognition

Revenue is recognized when a contractual performance obligation is satisfied by transferring a promised good or service to a customer. The Company is in a start-up phase and has not yet commenced revenue generating operations. The Company expects to start generating revenue in 2022, when it starts its first flight.

2.4. Foreign currency translation

The functional and presentational currency of the Company is United States dollars (USD).

Income and expenses denominated in foreign currencies are translated into USD at the exchange rates prevailing at the dates of the transactions. Exchange gains and losses resulting from settlement of such transactions as well as from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement as *Other financials income/(expense)*.

2.5. Financial assets and liabilities

Financial assets and liabilities are recognized when the Company becomes party to the contractual obligations of the instrument and are initially recognized at fair value, except trade receivables that are measured at transaction price if the trade receivables do not contain a significant financing component. Subsequent to initial measurement, financial assets and liabilities are classified as per below.

Financial assets and liabilities measured at fair value through profit or loss

This includes the financial assets and liabilities measured at fair value upon initial recognition with change in fair value recognized through the consolidated income statement. Subsequent to initial recognition, financial assets and liabilities in this category are measured at fair value at the end of each reporting period with unrealized gains and losses being recognized through profit or loss.

As at 31 December 2021 the Company does not have any financial liabilities that are measured at fair value through profit or loss.

Financial assets and liabilities measured at amortized cost

This category is the most relevant for the Company and includes lease liabilities, trade payables and other financial assets and liabilities with fixed or determinable payments that are not quoted in an active market. Financial assets and liabilities in this category are initially recognized at fair value, net

of directly attributable transaction costs. After initial measurement financial assets and liabilities in this category are subsequently carried at amortized cost using the effective interest rate (EIR) method, less any allowance for impairment. The EIR amortization is included in finance income for receivables and finance cost for borrowings. Losses arising from impairment of accounts receivable are recognized in operating expenses.

<i>(in thousands of USD)</i>	31-Dec-21
Aircraft lease deposits	18,706
Trade and other receivables	707
Cash and cash equivalents	134,252
Total financials assets at amortized cost	153,665

<i>(in thousands of USD)</i>	31-Dec-21
Trade and other payables	2,051
Total financials liabilities at amortized cost	2,051

2.6. Income tax

The income 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.

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 amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. 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.

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. No deferred tax assets relating to tax losses are recognized if the timing or amount of tax losses that will be utilized in the future is uncertain and not probable.

2.7. Segment reporting

The Company is in a start-up phase and its chief operating decision maker currently reviews the Company's activities on a consolidated basis as one operating segment.

2.8. Critical accounting estimates and judgments

Preparation of the Company's consolidated financial statements requires management and the board to make estimates, judgments and assumptions that affect the reported amount of revenue, expenses, assets and liabilities, as well as the accompanying disclosures. Uncertainty about these estimates, judgments and assumptions could result in outcomes that require a material adjustment to the carrying amounts of assets or liabilities in future periods.

Judgments

As at 31 December 2021 the Company had entered into agreements for the lease of fifteen aircraft. The inception date of the leases for all aircraft has occurred as this was the date of entering into the lease agreements. However, it is the Company's judgment that the leases do not commence until the underlying aircraft in the lease is under the control of the Company. As at 31 December 2021, only one

aircraft has been delivered to the Company for which lease has commenced. The remaining fourteen aircraft are scheduled to be delivered to the Company by end of Q2 2022.

Estimates

As per the terms of aircraft lease agreements, the Company is obliged to redeliver the aircraft to the lessors at the expiry of the lease term in certain redelivery condition as prescribed in the lease agreements. For the purpose of initial measurement of the Right-of-use asset, the Company has used an estimate of such restoration and handback costs.

Restoration and handback provisions arising on the commencement of a lease are recognised as a provision with a corresponding amount recognised as part of the ROU asset. Any change in estimation relating to such costs are reflected in the ROU asset. Maintenance and handback provisions that occur through usage or through the passage of time are recognised with a corresponding amount recorded over time in the Income statement.

3. Leases

3.1. Right-of-use assets

(In thousands of USD)

	Aircraft	Office premises	Total
<i>Initial measurement</i>			
Lease liabilities	115,085	440	115,525
Provision for redelivery costs	3,014	-	3,014
Initial direct costs	49	-	49
Prepaid leases (refer to Note 3.3 below)	1,698	-	1,698
Right-of-use asset at lease commencement	119,846	440	120,286
Additions	-	-	-
Depreciation	(246)	(77)	(323)
Balance as at 31-Dec-2021	119,600	363	119,963

On 20 December 2021, the Company took delivery of its first aircraft, under the BOCA Lease agreement. There is no minimum lease payable under BOCA Leases during the first year following the lease commencement date. Leases under BOCA lease agreements expire on the 16th anniversary of the delivery date of each aircraft.

3.2. Lease liabilities

(In thousands of USD)

	31-Dec-21
Initial measurement	115,525
Lease payments during the period	(66)
Interest accrued	48
Interest paid	(12)
Balance as at 31-Dec-2021	115,495
<i>Of which:</i>	
Current liability portion	314
Non-current liability	115,181

3.3. Aircraft lease deposits

The Company has paid security deposit for each aircraft that is refundable after redelivery of the aircraft once the leases expire or in the event of the lessor failing to deliver the aircraft to the Company. The nominal value of total deposits paid as at 31-Dec-21 is USD 20.4 million. Up until the date of delivery of each aircraft by the lessors to Norse, the security deposits are refundable in full. Once each aircraft is delivered, the security deposit becomes refundable at the expiration of the respective lease. The Company has recorded the deposits originally at their nominal value. Upon

delivery of each aircraft, the Company restates the relevant deposits to its fair value on the date of delivery and the difference between the fair value and the nominal value of the deposit is added to the right-of-use asset as 'prepaid lease' (refer to Note 3.1 above). Subsequent to such measurement at fair value, the deposits are carried at amortized cost.

4. Cash and cash equivalents

Cash and cash equivalents consist of cash deposits held at call with banks. The Company has no restricted cash.

<i>(In thousands of equivalent USD)</i>	31-Dec-21
USD	84,224
NOK	43,002
GBP	6,443
EUR	583
Total cash and cash equivalents	134,252

5. Share capital

The Company has one class of ordinary shares and accounts for these shares as equity. Incremental costs directly attributable to the issue of new shares are recorded in equity as a reduction from the gross proceeds from the issue of shares.

At 31 December 2021 the Company's authorized and issued number of shares are 77,684,314 shares, all with par value NOK 3 per share.

A list of Norse's top shareholders can be found on the Company's website at www.flynorse.com.

(in USD thousands except for number of shares)

	Number of shares	Issued share capital	Share premium	Total
Balance at incorporation on 1-Feb-21	-	-	-	-
Issue of share capital				
1 February 2021 at \$ 11.63 (NOK 100) per share	300,000	3,489	-	3,489
14 March 2021 share split	2,700,000	-	-	-
14 March 2021 reduction of nominal value		(2,443)	2,443	-
14 March 2021 equity issue \$ 1.18 (NOK 10) per share	7,000,000	2,485	5,797	8,282
8 April 2021 equity issue \$ 2.36 (NOK 20) per share	63,750,000	22,531	127,677	150,209
Transaction costs		-	(7,894)	(7,894)
12 May 2021 equity issue \$ 2.42 (NOK 20) per share	3,934,314	1,427	8,084	9,510
Transaction costs		-	(16)	(16)
Balance at 31-Dec-21	77,684,314	27,489	136,091	163,580

6. Earnings per share

Basic earnings per share is calculated based on the net profit attributable to ordinary shareholders for the period divided by the weighted average number of shares in issue during the same period. The Company has no potentially dilutive equity instruments in issue as at 31 December 2021.

<i>(in USD thousands except for number of shares)</i>	Six months ended 31-Dec-21	From 1-Feb-21 to 31-Dec-21
Profit/(loss) for the period	(7,837)	(7,179)
Weighted average number of shares outstanding	77,684,314	62,673,409
Basic and diluted EPS (in USD per share)	(0.10)	(0.11)

7. Events after balance sheet date

7.1. Delivery of aircraft

During 2022 Norse has taken delivery of six additional aircraft, three each under the AerCap Leases and the BOCA Leases.

7.2. Approval from the USA Department of Transportation

On 14 January 2022 the United States Department of Transportation (USDOT) approved Norse Atlantic Airways' application for the operation of flights between Norway/The European Union and the United States.

7.3. Purchase of Treasury Inflation-Protected Securities

On 23 February 2022 the Company purchased USD 25 million worth of US Treasury Inflation-Protected Securities in order to reduce the Company's exposure to inflation risk.



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