



NORSE

Q2 Report 2023



Strong growth in revenue and strong momentum going into Q3

- Revenue increased by 152% quarter-on-quarter (“QoQ”) to USD 100.1 million
- 204,564 passengers carried, up 86% QoQ
- Revenue per passenger increased 89% QoQ to USD 422
- Available Seat Kilometres (ASK) up by 51% QoQ due to planned ramp-up as Norse brought more aircraft into production
- Positive EBITDAR of USD 2.2 million, the first positive EBITDAR on a quarterly basis since inception of the Company
- Intra-quarter Norse recorded its first profitable month (June) and continued positive momentum into Q3
- Load factors showed strong development during the quarter, with monthly average load factors of 67%, 72% and 82% in April, May and June respectively. The positive development continued post quarter end with an average load factor of 85% in July
- USD 19.0 million cash generated from operations in the quarter, an increase of USD 39.8 million QoQ
- Total cash held at quarter end of USD 59.1 million
- As communicated in November 2022 in relation to a private placement at the time, Norse made good on its promise to shareholders that it would perform a repair offering, which it completed during the quarter, raising NOK 150 million gross (USD 14.1 million)
- Norse upgraded to Euronext Expand at Oslo Stock Exchange, a regulated market, during the quarter
- Heavy increase in production through Q3 compared to Q2 with all Norse aircraft generating revenue for the first time from 1st July 2023



CEO, Founder and largest shareholder, Bjørn Tore Larsen:

“Q2 marked a significant period of ramping-up as we inaugurated new destinations in the US and Europe. Additionally, more of our fleet of fuel-efficient Boeing 787 Dreamliners were brought into production. By the end of Q2 the airline had more than doubled capacity, with June being our first month of increased production, and notably our first month generating bottom-line profits.

Q3 is expected to be our first financial quarter generating a profit. The move to profitability is driven primarily by having all 15 aircraft generating

revenue for the first time, from 1st July; 10 of which are operating for Norse and five generating revenue through sublease income.

A milestone was passed during Q3 as we surpassed one million booked passengers. By providing affordable air fares on competitive and established routes to key primary airports and destinations, we allow more people to explore the world and enjoy the experience of long-haul travel whether for leisure or business. Norse will be the first truly low-cost profitable long-haul airline”.

Key Figures

<i>(USD million or as stated)</i>	Q2 2023	Q1 2023	H1 2023	Full Year 2022
Revenue	100.1	39.8	139.9	104.3
EBITDAR ¹	2.2	(32.9)	(30.7)	(60.3)
Operating profit (EBIT)	(26.2)	(62.5)	(88.7)	(146.1)
Net profit	(35.0)	(70.9)	(105.9)	(175.0)
Net cash flow from operations	19.0	(20.8)	(1.8)	(68.6)
Book equity	(82.2)	(60.3)	(82.2)	10.5
Cash and cash equivalents	59.1	42.0	59.1	69.7
Number of flights	812	655	1,467	1,451
Number of operating destinations at period end	10	7	10	7
Average stage length (km)	6,316	5,006	5,739	5,534
ASK ¹ (millions)	1,710	1,130	2,840	2,716
RPK ¹ (millions)	1,291	612	1,903	1,693
Number of passengers	204,564	110,263	314,827	295,839
Load factor ¹	75%	54%	67%	62%
Airfare per passenger (USD) ¹	335	171	278	215
Ancillary per passenger (USD) ¹	87	52	74	47
Revenue per passenger (USD) ¹	422	223	352	262
PRASK (US cents) ¹	5.04	2.18	3.90	2.86
TRASK (US Cents) ¹	5.85	3.52	4.92	3.84
CASK cash adjusted (US cents) ¹	4.67	5.30	4.92	4.81
CASK excl. fuel (US cents) ¹	5.87	7.11	6.36	6.94
CASK (US cents) ¹	7.39	9.05	8.05	9.22
Total number of aircraft in fleet at period end	15	15	15	15
Total number of aircraft in operation at period end	8	4	8	4
Total number of aircraft subleased out at period end	5	5	5	5

¹ Non-IFRS alternative measures are explained and/or reconciled in the notes to the financial statements

Norse Atlantic ASA (combined with its subsidiaries commonly referred to as “Norse”, “Norse Atlantic Airways” or the “Company”), has a fleet of 15 modern, fuel-efficient and environmentally friendly Boeing 787 Dreamliners at historically low pricing and favourable lease terms. All aircraft are delivered, with 10 aircraft operating for Norse and five subleased to a third party. From end of May and through to 1st July 2023 Norse increased production by going from four to 10 operational aircraft, of which one is used as a spare. The subleased aircraft are due to be returned to Norse ahead of the peak summer 2024 season, with scheduled redeliveries between end March through to June 2024.

During this year’s second quarter Norse commenced production on the following routes:

- 25 May** London Gatwick to Orlando
- 26 May** London Gatwick to Fort Lauderdale
- 1 June** London Gatwick to Washington DC
- 20 June** New York to Rome
- 30 June** London Gatwick to Los Angeles

On 1 July 2023 Norse commenced flying on London Gatwick to San Francisco.





Outlook

Norse is a young airline and will only be operating on a scale that gives efficiencies and significant earning power from 1 July 2023. Norse continues to enjoy the benefits of flexible aircraft lease terms, including Power by the Hour and low lease rates; the aircraft lease rates are fixed for the remainder of the lease terms, being 10.6 years as at 31 August 2023, with no pricing increases nor inflationary adjustments during the lease term, while the lease rates are less than half of current market rates for the aircraft type.

As expected, Q2 2023 is a loss-making period as the Company was in a start-up phase and only from the latter part of May 2023 started to increase production. The financial year 2023 will be Norse's first year that has production through all months, though the first half will be of limited activity as Norse ramped-up from the end of May and through June, ahead of the peak summer months and onwards; it will be the second half of 2023 that Norse is fully operational with all aircraft generating revenue, with 10 aircraft in own operations and five aircraft subleased out.

As a start-up airline that was still in the process of obtaining all relevant regulatory approvals, as well as airport slot times, performance up until now has been negatively impacted by having short selling windows between launching ticket sales for a route and flights. For example, there were six weeks between Norse's first tickets on sale for its Oslo-New York route, while in comparison, established (ie. non-startup) airlines typically have tickets on sale 330 days in advance. Norse made its first summer 2023 routes available for sale on 9 November 2022, while due to regulatory approvals the final summer 2023 network was only available for sale from 28 February 2023. As Norse is able to increase its booking window it is expected to have a positive impact on ticket sales as customers will have a longer period to make bookings. Norse released its first winter 2023 tickets for sale on 29 March, and added further routes thereafter, and by end May had its full winter program available for sale.

Establishing a new airline takes time and investment and Norse is on-track to becoming a profitable transatlantic low-cost carrier. Building

a reliable and known brand is continuous and takes time. While tickets were initially only available for sale on the Company's website, since mid-2022 Norse fares have gradually become available on more and more platforms, including finn.no, kayak.com, kiwi.com, skyscanner.net, and booking.com. During June, Norse's inventory was added to Expedia.

The Company expects to record its first quarterly profit in Q3 2023.

Financial Performance & Position

As the Company started its commercial flight operations during the second half of 2022, the Company refers to the first quarter of 2023 ("Q1 2023") as the period of comparable information to the extent that comparison with any such prior period is considered as useful information.

During Q2 2023 ("the Period"), the Company recorded revenue of USD 100.1 million (USD 39.8 million in Q1 2023), consisting of USD 86.3 million (USD 24.6 million in Q1 2023) in revenues from passengers and USD 13.8 million (USD 15.1 million in Q1 2023) in revenue from other sources. Airfare revenue averaged USD 335 per passenger (USD 171 in Q1 2023) and ancillary revenue USD 87 per passenger (USD 52 in Q1 2023), an aggregate of USD 422 per passenger (USD 223 in Q1 2023), generating revenue of USD 68.5 million (USD 18.9 million in Q1 2023) and USD 17.7 million (USD 5.7 million in Q1 2023), respectively, from a total of 204,564 passengers flown during the Period (110,263 in Q1 2023). Norse carried cargo totalling 3,893 tonnes (3,813 tonnes in Q1 2023) at an average rate net of commission and other direct costs of USD 1.07 per ton (USD 1.13 per ton in Q1 2023), generating total net cargo revenue of USD 4.2 million during the Period (USD 4.3 million in Q1 2023). Norse had five aircraft on sublease to a third party during the Period, and recorded lease rental income of USD 8.4 million during the Period (USD 8.3 in Q1 2023). The Company recorded charter revenue of USD 0.5 million during the Period (USD 1.9 million in Q1 2023).

Operating expenses excluding depreciation, amortization, and aircraft leases during the Period totalled USD 97.9 million (USD 72.7 million in Q1 2023), consisting of USD 23.6 million (USD 19.4 million in Q1 2023) in personnel expenses, USD 64.1 million (USD 46.0 million in Q1 2023) in aircraft operating costs and USD 10.2 million (USD 7.3 million in Q1 2023) in marketing and administrative costs. Variable aircraft lease expenses were USD 7.8 million (USD 8.7 million in Q1 2023), which is the amount the Company paid in Power by the Hour ("PBH") aircraft lease costs. Norse recognized USD 20.7 million (USD 20.8 million in Q1 2023) of depreciation and amortization during the Period, of which USD 20.5 million (USD 20.4 million in Q1 2023) related to amortization of the aircraft right-to-use assets.

Net financial expense for the Period was USD 8.8 million (USD 8.4 million in Q1 2023), including USD 8.8 million (USD 8.1 million in Q1 2023) in accrued interest on lease liabilities. The Company reported a net loss after tax of USD 35.1 million for the Period (USD 70.9 million in Q1 2023).

Included in the income statement are non-cash lease accounting costs of USD 16.0 million for the quarter (USD 20.0 million in Q1 2023).

As of 30 June, the carrying value of right-of-use assets related to aircraft leases and associated maintenance assets was USD 910.8 million (USD 914.0 million as of 31 March 2023), while the corresponding lease liability for the aircraft was USD 971.0 million (USD 962.3 million as of 31 March 2023). At the Period end two aircraft are still on full Power by the Hour flexible payment terms, whereas five aircraft partially are on PBH terms. The remaining eight aircraft are under fully fixed lease payments, but hereof five aircraft are sub-leased with a locked-in margin.

The Company has current assets of USD 197.5 million at the end of the Period (USD 131.0 million as of 31 March 2023). At the end of the Period the current liabilities were USD 261.0 million (USD 177.6 million as of 31 March 2023). The Company's book equity was negative by USD 82.2 million (USD 60.3 million as of 31 March 2023).

The Company's net increase in free cash and cash equivalents during the Period was USD 7.0 million (net decrease of USD 27.7 in Q1 2023), mainly driven by net cash inflow from operations of USD 19.0 million (outflow of USD 20.8 million in Q1 2023), followed by a net cash outflow to investing activities of USD 1.4 million (inflow of USD 1.3 million in Q1 2023) and USD 9.7 million outflow to financing activities (outflow of USD 8.5 million in Q1 2023). The Company's free cash and cash

equivalents as of 30 June 2023 was USD 44.0 million (USD 37.0 million as of 31 March 2023), while the total cash was USD 59.1 million (42.0 million as of 31 March 2023), including USD 15.1 million in restricted cash (USD 5.0 million as of 31 March 2023). The increase in restricted cash relates to bank guarantees put up to key vendors, mainly airports and fuel suppliers as the Company ramped-up.

Norse completed a private placement equity raise of gross NOK 300 million (approximately USD 30 million) November 2022. In relation to the private placement, Norse committed to carry out a repair offering in order to treat all shareholders equally. The repair offering was completed on 20 April 2023, raising a total gross amount of NOK 150 million (USD 14.1 million equivalent).

Organization

As of 30 June 2023, the Company had 1,127 employees (792 as of 31 March 2023), of whom 914 (605 as of 31 March 2023) are airborne crew and the remaining 213 (187 as of 31 March 2023) are engineers, aircraft maintenance personnel, and office-based employees. The Company has its headquarters in Arendal, Norway, and has offices in Oslo Gardermoen, London Gatwick, Fort Lauderdale, and Paris.

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, which is a highly competitive industry. Routes, network and markets have a maturity period and the airline market is very competitive. As such,

the Company may be subject to aggressive and targeted pricing strategies from competitors on the routes it operates, thereby making it more difficult to establish itself and a customer base. Airlines are vulnerable to small changes in demand or sales prices due to high fixed costs for airline businesses. A significant portion of the operating expenses of an airline are fixed costs that cannot be scaled against other factors, such as number of tickets sold, number of passengers or flights flown. Airlines are exposed to the risk of significant loss from aviation accidents involving operations, including crashes and other disasters. Further, airlines are often affected by factors beyond their control, including technical problems, adverse weather conditions or other natural or man-made events.

The impact of the COVID-19 pandemic on the aviation industry has eased and demand for air travel has returned. However, any adverse development in the pandemic situation may impact the Company's financial performance.

Norse does not currently have any fuel hedging arrangements in place and is thus fully exposed to fluctuations in fuel prices. Further increases in aviation fuel price and any significant and prolonged adverse movements in currency exchange rates could impact the Company's earnings.

The development of the airline industry has historically been correlated to macroeconomic developments, making the industry sensitive to general conditions as well as to slow or moderate growth and private consumption trends. Future demand for air travel is subject to seasonal variations and can also be significantly impacted by macroeconomic factors, such as high inflation, that could have a negative impact on customers' spending behaviour. Airline fares, freight rates and passenger demand have fluctuated significantly

in the past and may fluctuate significantly in the future. A negative development in macroeconomic conditions may have a negative adverse effect on the demand for air travel and air freight services and result in loss of revenue and additional costs for the Company, which may have a material adverse effect on the Company's business, financial conditions, results of operations and future prospects.

The commercial airline industry has historically been subject to seasonal variations where demand is relatively high between May and October and relatively low between November and April. If Norse is not able to predict variations in demand correctly, and plan its operations accordingly, the Company's flights may become subject to over- or under capacity, which in turn may negatively affect its business, financial condition, income or operating result.

Significant risk factors Norse is exposed to include, but are not limited to, factors such as exposure to global macroeconomic and geopolitical factors, airport slot constraints, interruption in IT systems, aviation incidents, changes in taxes, changes in credit card settlement terms, environmental factors, degree of commercial success expressed through achieved load factors and fares, and the future development in jet fuel prices.

Just like any start-up and growth company, Norse is exposed to liquidity risk. Key to the Company's exposure to liquidity risk is the timing of when Norse receives payment from credit card companies for bookings made. Currently, approximately 90% of Norse's passenger ticket revenue is received 60-days after the booking date, irrespective of flight date. Any extension of that period will have a negative impact on the Company's liquidity risk. Going concern is described in more detail in the notes to the interim consolidated financial statements (see Note 2.2).

Condensed Interim Financial Statements

Consolidated Statement of Comprehensive Income

(in thousands of USD)	Note	Q2 2023	Q1 2023	Q2 2022	H1 2023	H1 2022	Full Year 2022
Revenue							
Revenue	4	100,101	39,757	2,973	139,859	2,973	104,269
Operating expenses							
Personnel expenses		(23,590)	(19,353)	(7,489)	(42,943)	(11,427)	(44,462)
Fuel, oil and emission costs		(25,945)	(21,896)	(1,801)	(47,840)	(1,801)	(61,793)
Airport charges and handling		(15,743)	(8,707)	(439)	(24,450)	(478)	(19,537)
Technical maintenance		(13,375)	(10,022)	(715)	(23,397)	(819)	(10,560)
Other operating costs		(9,001)	(5,392)	(645)	(14,393)	(1,417)	(12,609)
Marketing costs		(3,349)	(2,831)	(1,857)	(6,180)	(1,873)	(6,211)
Administrative costs		(6,881)	(4,483)	(1,549)	(11,364)	(2,625)	(9,419)
Total Operating expts excl. leases, dep & amort.		(97,884)	(72,683)	(14,494)	(170,567)	(20,441)	(164,591)
Operating profit before leases, dep & amort. (EBITDAR)		2,218	(32,926)	(11,521)	(30,708)	(17,468)	(60,323)
Variable aircraft rentals		(7,755)	(8,725)	(843)	(16,480)	(843)	(27,263)
Depreciation and amortization	6	(20,665)	(20,813)	(13,846)	(41,478)	(21,482)	(58,517)
Operating profit/(loss)		(26,202)	(62,464)	(26,210)	(88,666)	(39,793)	(146,104)
		-	-	-	-	-	-
Interest expenses	7	(8,970)	(8,098)	(4,947)	(17,068)	(7,494)	(24,416)
Other financial income/(expenses)	8	186	(310)	(4,889)	(125)	(4,667)	(4,455)
Profit/(loss) before tax		(34,986)	(70,873)	(36,047)	(105,859)	(51,953)	(174,974)
Income tax		(144)	-	-	(144)	-	-
Profit/(loss) after tax and total comprehensive income		(35,130)	(70,873)	(36,047)	(106,003)	(51,953)	(174,974)
Basic earnings per share (USD) ¹		(0.55)	(1.38)	(1.86)	(1.85)	(2.68)	(8.30)
Diluted earnings per share (USD) ¹		(0.55)	(1.38)	(1.86)	(1.85)	(2.68)	(8.30)

¹ Based on average number of outstanding shares in the period

Consolidated Statement of Financial Position

(in thousands of USD)	Notes	30 JUN 2023	31 MAR 2023	30 JUN 2022	31 DEC 2022
Non-current assets					
Aircraft	9	944,429	947,941	791,459	969,656
Intangible assets		4,152	3,705	2,476	2,801
Other non-current assets		423	502	1,270	581
Total non-current assets		949,004	952,147	795,206	973,038
Current assets					
Credit card receivables		116,675	66,746	20,432	31,371
Other receivables	10	5,403	6,094	544	4,486
Other current assets		16,366	16,113	36,035	11,636
Cash and cash equivalents	11	59,070	42,030	76,139	69,709
Total current assets		197,514	130,984	133,150	117,202
Total assets		1,146,518	1,083,131	928,356	1,090,240
Equity and liabilities					
Equity					
Share capital	12	36,975	29,945	27,489	29,945
Share premium		168,841	162,560	136,091	162,560
Retained earnings		(287,973)	(252,842)	(58,949)	(181,970)
Total equity		(82,157)	(60,337)	104,631	10,535
Non-current liabilities					
Lease liabilities non-current	13	915,712	916,456	745,347	925,522
Provisions		51,981	49,419	26,231	45,762
Total non-current liabilities		967,693	965,875	771,578	971,284
Current liabilities					
Deferred passenger revenue		117,256	63,889	16,439	17,001
Trade and other payables		88,164	67,628	12,338	55,212
Lease liabilities current	13	55,561	46,076	23,370	36,208
Total current liabilities		260,981	177,594	52,147	108,421
Total equity and liabilities		1,146,518	1,083,131	928,356	1,090,240

Interim Consolidated Statement of Cash Flows

<i>(in thousands of USD)</i>	Notes	Q2 2023	Q1 2023	Q2 2022	H1 2023	H1 2022	Full Year 2022
Cash flows from operating activities							
Profit/(loss) for the period		(35,130)	(70,873)	(36,047)	(106,003)	(51,953)	(174,974)
Adjustments for items not affecting operating cash flows:							
Depreciation and amortization	6	20,665	20,813	13,846	41,478	21,482	58,517
Interest expenses		8,970	8,098	4,947	17,068	7,494	24,416
Interest income		(536)	(6)	-	(541)	-	(867)
Share based employee incentives		104	-	-	104	-	-
Provisions		1,255	2,377	-	3,632	-	2,046
Net operating cash flows before working capital movements		(4,672)	(39,590)	(17,254)	(44,262)	(22,978)	(90,862)
Working capital movements		23,667	18,819	520	42,487	146	22,223
Net cash flows from operating activities		18,996	(20,771)	(16,734)	(1,775)	(22,832)	(68,639)
Cash flows from investing activities							
Aircraft maintenance assets		(1,139)	3,040	-	1,901	-	(14,643)
Aircraft preparation investments		-	-	(3,182)	-	(3,522)	(1,603)
Net investments in financial assets		-	-	-	-	(25,047)	(893)
Other investments		(218)	(1,784)	(960)	(2,002)	(1,955)	(7,816)
Net cash flows from investing activities		(1,357)	1,256	(4,142)	(101)	(30,524)	(24,956)
Cash flows from financing activities							
Net proceeds from share issue		13,207	-	-	13,207	-	28,925
Lease payments		(13,233)	(8,528)	(69)	(21,761)	(69)	(1,322)
Movements in restricted cash		(10,056)	-	(4,185)	(10,056)	(5,000)	(5,000)
Interest paid		358	(2)	(12)	357	(12)	(15)
Net cash flows from financing activities		(9,724)	(8,530)	(4,266)	(18,254)	(5,081)	22,589
Effect of foreign currency revaluation on cash		(932)	366	(4,676)	(566)	(4,676)	1,463
Net increase in free cash and cash equivalents		6,983	(27,679)	(29,819)	(20,696)	(63,113)	(69,543)
Free cash and cash equivalents at the beginning of the period		37,030	64,709	100,958	64,709	134,252	134,252
Free cash and cash equivalents at the end of the period		44,013	37,030	71,139	44,013	71,139	64,709
Restricted cash at the end of the period	11	15,056	5,000	5,000	15,056	5,000	5,000
Cash and cash equivalents at the end of the period	11	59,070	42,030	76,139	59,070	76,139	69,709

Interim Consolidated Statement of Changes in Equity

1 Jan 2023 to 30 Jun 2023

<i>(in USD thousands except for number of shares and value per share)</i>	Number of shares	Issued share capital	Share premium	Retained earnings	Total equity
Balance as at 01 Jan 2023	206,084,314	29,945	162,561	(181,970)	10,535
Total comprehensive income for the period		-	-	(106,003)	(106,003)
Share based employee incentives		-	104	-	104
Movements in share capital					
Issue of new shares					
28 April 2023, at USD 0.23 (NOK 2.50) per share	60,000,000	7,030	7,030	-	14,060
Transaction costs equity issue	-	-	(854)	-	(854)
Reverse split of shares					
27 April 2023, four old shares into one new share	(199,563,236)	-	-	-	-
Balance at 30 Jun 2023	66,521,079	36,975	168,841	(287,973)	(82,157)

1 Jan 2022 to 30 Jun 2022

<i>(in USD thousands except for number of shares and value per share)</i>	Number of shares	Issued share capital	Share premium	Retained earnings	Total equity
Balance as at 01 Jan 2022	77,684,314	27,489	136,091	(6,995)	156,585
Total comprehensive income for the period		-	-	(51,953)	(51,953)
Balance at 30 Jun 2022	77,684,314	27,489	136,091	(58,949)	104,631

1 Jan 2022 to 31 Dec 2022

<i>(in USD thousands except for number of shares and value per share)</i>	Number of shares	Issued share capital	Share premium	Retained earnings	Total equity
Balance as at 01 Jan 2022	77,684,314	27,489	136,091	(6,995)	156,585
Total comprehensive income for the period		-	-	(174,974)	(174,974)
Movements in share capital					
Changes in equity					
Issue of new shares					
12 December 2022 at USD 0.13 (NOK 1.25) per share	128,400,000	16,053	16,053	-	32,106
Transaction costs equity issue	-	-	(3,180)	-	(3,180)
Reduction in nominal value					
12 December 2022 reduction of nominal value	-	(13,597)	13,597	-	-
Balance at 31 Dec 2022	206,084,314	29,945	162,561	(181,970)	10,535

Notes to the Condensed Interim 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 30 August 2023.

Norse Atlantic Airways is a public limited company listed on the Euronext Expand at Oslo Stock Exchange. The Company was incorporated on 1 February 2021 under the laws of Norway and its registered office is at 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 that serves the transatlantic market with modern, fuel-efficient, and more environmentally friendly Boeing 787 Dreamliner's. Norse commenced its commercial operations on 14 June 2022 and currently serves destinations including New York, Florida, Berlin, London, Paris, and Oslo, among others.

2. Basis of preparation

2.1. General

These interim 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. They do not include all the information required for full annual financial statements and should be read in conjunction with the audited consolidated financial statements of

the Company for the year ended 31 December 2022 as published and available at the Company's website www.flynorse.com.

The Company has decided for this interim period to present the first quarter of 2023 as a period of comparable information in addition to the comparable periods required by IFRS. During the second quarter of 2022 the Company was in a very early stage of ramping up the business activities, and now being in a period of heavy growth, the financial information of first quarter 2023 is considered as a highly useful reference to the users of the financial statements. The Company's commentary on the financial development therefore also refers to the first quarter of 2023.

2.2. Going concern

Management and the Board of Directors take account of and considers all available information when evaluating the application of the going concern assumption. Norse is a start-up airline established in 2021, having secured 15 modern Boeing Dreamliners on flexible and favourable long-term leases. The aircraft leases are priced at historically low prices as they were secured in 2021 at the peak of the Covid pandemic when pricing was low, while the lease rates are fixed and not subject to inflation or pricing adjustments over the remaining lifetime of approximately 10.5 years on average per aircraft. Current lease rates for the same aircraft type are reported to be at least double as high versus the low rates Norse has secured.

The Company had its first flight in June 2022 and has taken a cautious approach to ramping-up, with the main planned production only occurring from mid-2023 as it introduced new lines of flying

and new routes. During 2022 the Company entered subleases for five of its aircraft to a 3rd party for 18 months during Norse's start-up phase while Norse was not intending to use the aircraft, providing fixed cash income. The subleased aircraft will be redelivered to Norse on a staggered basis from end of Q1 2024 through to end of Q2 2024.

The aviation industry remains competitive and subject to the global economy, while as a new entrant it takes time to achieve approvals, have tickets available for sale on multiple channels, become known in new markets, and build a brand. Norse now has all approvals, flying rights, slots, aircraft, among other things, in place for a successful first summer season flying on both its AOCs.

Being a start-up airline established in 2021, the Company has incurred losses over the first periods of operation. The book equity as at 30 June 2023 is negative by an amount of USD 78.6 million and the Company has incurred losses amounting to more than its full share capital. However, the existence of off-balance sheet values of assets, particularly related to the significant current value of the aircraft lease contracts, as well as valuable airport landing slots, among other things, indicate that the real value of equity is materially higher than the book equity, and, hence that the company still has sufficient underlying equity value.

The Company's cash position as at 30 June 2022 is USD 59.1 million, an amount considered satisfactory, and which is above the amount forecast by the Company in the business plan it put together for the equity raise conducted in November 2022. The Company remains able to continue to pay its liabilities as they fall due during the course of normal operations.

Based on the Company's plans and ambitions, Norse has prepared financial forecasts that show a positive development both in the group's financial results, financial position in terms of equity and in cash position. Forecasts are subject to risks and uncertainties. Some significant risk factors include, but are not limited to, factors such as degree of commercial success expressed through achieved load factors and fares, and the future development in jet fuel prices. The demand for air travel is subject to seasonal variations and can also be significantly impacted by macroeconomic factors, such as high inflation, that could have a negative impact on customers' spending behaviour. Airline fares, freight rates and passenger demand have fluctuated significantly in the past and may fluctuate significantly in the future. The Board of Directors believes that the assumptions behind the Company's forecasts are ambitious yet balanced in terms of possible outcomes. For as long as the Company is in start-up phase there will be risks related to its longer-term success. Should the Company's forward bookings be lower than expected, or its costs be significantly higher than expected, such as due to material and unexpected increases in jet fuel prices, then the Company may be reliant on securing more financing in the future through debt or equity, or a combination.

Based on the above, in the Board of Directors' opinion, the Company's equity and cash position is appropriate for the risk and the size of the business activities. In the Board of Directors' opinion, the going concern assumption therefore is proper to apply as basis for the Company's financial statements. These financial statements therefore are prepared on a going concern basis.

3. Accounting policies

3.1. General

The accounting policies applied by the Company in these condensed interim consolidated financial statements are consistent with those applied in the audited consolidated financial statements for the year ended 31 December 2022. Refer to Note 2 Basis of preparation and significant accounting policies in the Annual Report for information on the Company's accounting policies. In addition, the Company in these interim consolidated financial statements has applied accounting policies such as described in paragraph 3.2 below.

3.2. Share-based payment transactions

On 8 May 2023 Norse announced that it had implemented a long-term incentive program (LTIP) for senior employees and that options were awarded to certain Primary Insiders. Options were awarded for a total number of approximately 2,900,000 options, and with a strike price of NOK 12.75. The scheme has a vesting period of 5 years, with 20% of awarded options vesting annually.

The LTIP is an equity-settled, share-based incentive program under which the Company receives services from the employees as consideration for equity-instruments of the Company. The fair value of the employee services received in exchange for the grants of the options is recognised as an expense over the vesting period, whereas the fair value is determined with reference to the fair value of the options granted. The fair value of the options is estimated by an external party at the grant date, based on the Black-Scholes-Merton option pricing model, and with reference to relevant market data such as applicable. Employee retention rates are taken into consideration when estimating the number of options granted. Provisions are made for social security contributions expected to fall due on exercise of share options. The provision is calculated on a nominal basis, according to the current intrinsic value of the options, considering the degree of vesting and expected employee turnover rates.

4. Segment reporting and revenues

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

4.1. Revenues

<i>(in thousands of USD)</i>	Q2 2023	Q1 2023	Q2 2022	H1 2023	H1 2022	Full Year 2022
Airfare passenger revenue	68,543	18,883	1,639	87,426	1,639	63,680
Ancillary passenger revenue	17,727	5,727	360	23,454	360	13,880
Total passenger revenues	86,270	24,610	1,999	110,880	1,999	77,560
Cargo	4,152	4,292	277	8,445	277	10,308
Total own flights	90,422	28,902	2,276	119,324	2,276	87,868
Lease rentals	8,358	8,335	351	16,693	351	14,397
Charter	514	1,892	0	2,406	-	1,209
Other revenue	808	628	346	1,435	346	795
Total Operating Revenue	100,101	39,757	2,973	139,859	2,973	104,269

Airfare passenger revenue comprises only ticket revenue, while ancillary passenger revenue consists of other passenger related revenue than the ticket revenue. Lease rentals are revenue from subleasing of aircrafts. Other revenue consists of revenue from maintenance services provided the Company's technical personnel to third parties.

5. Critical accounting estimates and judgements

These interim financial statements are prepared using going concern assumption.

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

The key estimates, judgements and assumptions used by the management in preparation of these interim condensed consolidated financial statements were the same as those applied in preparation of the audited consolidated financial statements for the year ended 31 December 2022.

6. Depreciation and amortization

<i>(in thousands of USD)</i>	Q2 2023	Q1 2023	Q2 2022	H1 2023	H1 2022	Full Year 2022
Depreciation of right-of-use assets	20,484	20,434	13,771	40,918	21,400	57,873
Depreciation of other tangible assets	31	229	25	260	32	294
Amortization of intangible assets	150	150	50	300	50	350
Total	20,665	20,813	13,846	41,478	21,482	58,517

7. Interest expenses

<i>(in thousands of USD)</i>	Q2 2023	Q1 2023	Q2 2022	H1 2023	H1 2022	Full Year 2022
Lease accounting interest expense	(8,784)	(8,099)	(4,945)	(16,883)	(7,492)	(24,402)
Other interest expense	(186)	1	(3)	(185)	(3)	(15)
Total	(8,970)	(8,098)	(4,948)	(17,068)	(7,494)	(24,416)

8. Other financial income/(expenses)

<i>(in thousands of USD)</i>	Q2 2023	Q1 2023	Q2 2022	H1 2023	H1 2022	Full Year 2022
Other financial income/(expense)	536	6	125	541	125	866
Foreign exchange gains	538	250	137	788	405	8,765
Foreign exchange losses	(888)	(566)	(4,718)	(1,454)	(4,763)	(13,193)
Gains (loss) on financial assets	-	-	(433)	-	(433)	(893)
Total	186	(310)	(4,889)	(125)	(4,667)	(4,455)

9. Aircraft

<i>(in thousands of USD)</i>	30 JUN 2023	31 MAR 2023	30 JUN 2022	31 DEC 2022
Aircraft Right-of-Use assets	910,772	914,010	772,121	933,146
Aircraft lease deposits	15,820	15,708	16,919	15,596
Aircraft maintenance assets	11,413	11,603	2,419	14,644
Aircraft rotatable inventory	6,423	6,621	-	6,269
Total	944,429	947,941	791,459	969,656

10. Trade and other receivables

<i>(in thousands of USD)</i>	30 JUN 2023	31 MAR 2023	30 JUN 2022	31 DEC 2022
Trade receivables	2,337	3,969	28	3,377
Other receivables	3,066	2,125	517	1,109
Total	5,403	6,094	545	4,486

11. Total cash

<i>(in thousands of USD)</i>	30 JUN 2023	31 MAR 2023	30 JUN 2022	31 DEC 2022
USD	45,010	37,004	43,534	47,734
NOK	12,991	3,028	29,447	13,998
GBP	50	1,280	2,764	6,781
EUR	1,018	718	394	1,196
Total cash and cash equivalents	59,070	42,030	76,139	69,709
<i>Hereof restricted cash:</i>				
USD	15,056	5,000	5,000	5,000

12. Shareholder information

Shareholders of the Company as of 30 June 2023.

Name	Number of shares	Ownership	Voting rights
B T Larsen & Co Limited	13,211,089	19.9%	19.9%
Scorpio Holdings Limited	4,352,799	6.5%	6.5%
Goldman Sachs International	2,680,059	4.0%	4.0%
MH Capital AS	1,712,500	2.6%	2.6%
UBS Switzerland AG	1,689,955	2.5%	2.5%
Vicama Capital AS	1,479,587	2.2%	2.2%
The Bank of New York Mellon	1,427,712	2.1%	2.1%
Skagen Vekst Verdipapirfond	1,214,620	1.8%	1.8%
Verdipapirfondet Delphi Nordic	1,037,892	1.6%	1.6%
Songa Capital AS	1,000,000	1.5%	1.5%
Alto Holding AS	1,000,000	1.5%	1.5%
Fender Eiendom AS	993,837	1.5%	1.5%
Observatoriet Invest AS	785,000	1.2%	1.2%
Verdipapirfondet Pareto Investment	720,000	1.1%	1.1%
Tigerstaden AS	704,184	1.1%	1.1%
Blueberry Capital AS	700,000	1.1%	1.1%
Alden AS	618,783	0.9%	0.9%
Pure AS	575,000	0.9%	0.9%
SPC Invest AS	500,668	0.8%	0.8%
Pegasi AS	500,000	0.8%	0.8%
Top 20 shareholders	36,903,685	55.5%	55.5%
Other shareholders	29,617,394	44.5%	44.5%
Total number of shares	66,521,079	100.0 %	100.0 %

13. Lease liabilities

<i>(in thousands of USD)</i>	H1 2023	H1 2022	Full Year 2022
Opening balance	961,730	93,673	93,673
Additions during the period	17,849	667,431	847,658
Interest accrued	14,301	7,669	21,327
Fixed lease payments during the period	(22,606)	(55)	(928)
Closing balance	971,273	768,718	961,730
Of which:			
Due within 12 months	55,561	23,370	36,208
Due after 12 months	915,712	745,347	925,522

Norse has a fleet of 15 leased Boeing 787 Dreamliners. All aircraft are on Power by the Hour (PBH) payment terms for a minimum period of the first 12 months after respective aircraft deliveries, before entering into fixed lease payments. At the Period end two aircraft are still on full PBH flexible payment terms, whereas five aircraft partially are on PBH terms. The remaining eight aircraft are under fully fixed lease payments, but hereof five aircraft are sub-leased with a locked-in margin. Payments under lease liabilities related to the aircraft commence only after expiry of one year from the delivery date of each aircraft. The first repayment towards any aircraft liability fell due in December 2022.

14. Subsequent events

On 11 July the Company announced the launch of new flights connecting Paris to Miami from 11 December 2023 and Berlin to Miami from 15 December 2023 as part of its upcoming winter schedule. Norse then from December will serve four destinations in Europe from Miami, with Berlin and Paris joining London and Oslo.

On 10 August the Company announced an operational update stating that Norse achieved an 85 per cent average load factor in July, marking the fifth consecutive month on month increase. Norse also stated that summer demand continues to be strong, and operational performance is being robust.

15. Alternative Performance Measures

An Alternative Performance Measure (“APM”) is a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. Norse prepares its financial statements in accordance with IFRS, and in addition uses APMs to enhance the financial statement readers’ understanding of the Company’s performance. Definition of APMs used by the Company in these financial statements are provided below.

APM	Description
EBITDAR	Earnings before net financial items, income tax expense/(income), depreciation, amortization and impairment, restructuring items, aircraft leasing expenses and share of profit/(loss) from associated companies. EBITDAR enables comparison between the financial performance of different airlines as it is not affected by the method used to finance the aircraft
Equity ratio	Book equity divided by total assets
Airfare per passenger	Total airfare revenue divided by the number of passengers
Ancillary per passenger	Total ancillary revenue, meaning all passenger revenue that is not the airfare, divided by the number of passengers
Revenue per passenger	Total revenue that the Company earned from passengers, which consists of airfare and ancillary revenue, divided by the number of passengers
PRASK	Passenger revenue per available seat kilometre. Passenger revenue defined as total revenue across airfare and ancillary
TRASK	Total operating revenue per available seat kilometre
CASK	Cost per available seat kilometre. Used to measure the unit cost to operate each seat for every kilometre
CASK (excluding fuel)	Cost per available seat kilometre, excluding the cost of fuel. Used to measure the unit cost to operate each seat for every kilometre, while fuel is excluded due to the nature of its pricing as a commodity due to market conditions being outside the control of the airline
CASK (cash adjusted)	Cost per available seat kilometre, excluding the cost of fuel and the IFRS accounting cost of right-to-use asset. The right-to-use accounting amortization is excluded as it is significantly different from the lease accounting cost. CASK (cash adjusted) gives a more accurate indication of the cash cost of CASK excluding fuel
Operational measures	
	Description
ASK	Available seat kilometres. Number of available passenger seats multiplied by flight distance
RPK	Revenue passenger kilometres. Number of sold seats multiplied by flight distance
Load factor	RPK divided by ASK. Indicates the utilization of available seats

15.1. Revenue per passenger

(in thousands of USD)	Q2 2023	Q1 2023	Q2 2022	H1 2023	H1 2022	Full Year 2022
Airfare passenger revenue - USD thousands	68,543	18,883	1,639	87,426	1,639	63,680
Number of passengers	204,564	110,263	6,633	314,827	6,633	295,839
Airfare per passenger - USD	335	171	247	278	247	215
Ancillary passenger revenue - USD thousands	17,727	5,727	360	23,454	360	13,880
Number of passengers	204,564	110,263	6,633	314,827	6,633	295,839
Ancillary per passenger - USD	87	52	54	74	54	47
Revenue per passenger - USD	422	223	301	352	301	262

15.2. PRASK

(in thousands of USD)	Q2 2023	Q1 2023	Q2 2022	H1 2023	H1 2022	Full Year 2022
Total passenger revenue	86,270	24,610	1,999	110,880	1,999	77,560
Available seat kilometres (millions)	1,710	1,130	54	2,840	54	2,716
PRASK - US Cents	5.04	2.18	3.73	3.90	3.73	2.86

15.3. TRASK

(in thousands of USD)	Q2 2023	Q1 2023	Q2 2022	H1 2023	H1 2022	Full Year 2022
Total operating revenue	100,101	39,757	2,973	139,859	2,973	104,269
Available seat kilometres (millions)	1,710	1,130	54	2,840	54	2,716
TRASK - US Cents	5.85	3.52	5.55	4.92	5.55	3.84

15.4. CASK (cash adjusted)

<i>(in thousands of USD)</i>	Q2 2023	Q1 2023	Q2 2022	H1 2023	H1 2022	Full Year 2022
Operating profit/(loss)	(26,202)	(62,464)	(26,210)	(88,666)	(39,793)	(146,104)
Add-back:						
Revenue	(100,101)	(39,757)	(2,973)	(139,859)	(2,973)	(104,269)
Fuel, oil and emissions costs	25,945	21,896	1,801	47,840	1,801	61,793
Depreciation of right-of-use assets	20,484	20,434	13,771	40,918	21,400	57,873
Cost (adj.) sub-total	79,875	59,892	13,612	139,766	19,565	130,706
Available seat kilometres (millions)	1,710	1,130	54	2,840	54	2,716
CASK (cash adjusted) - US cents	4.67	5.30	25.39	4.92	36.49	4.81

15.5. CASK (excluding fuel)

<i>(in thousands of USD)</i>	Q2 2023	Q1 2023	Q2 2022	H1 2023	H1 2022	Full Year 2022
Operating profit/(loss)	(26,202)	(62,464)	(26,210)	(88,666)	(39,793)	(146,104)
Add-back:						
Revenue	(100,101)	(39,757)	(2,973)	(139,859)	(2,973)	(104,269)
Fuel, oil and emissions costs	25,945	21,896	1,801	47,840	1,801	61,793
Cost (adj.) sub-total	100,359	80,325	27,382	180,685	40,965	188,579
Available seat kilometres (millions)	1,710	1,130	54	2,840	54	2,716
CASK (excl. fuel) - US cents	5.87	7.11	51.09	6.36	76.41	6.94

15.6. CASK

<i>(in thousands of USD)</i>	Q2 2023	Q1 2023	Q2 2022	H1 2023	H1 2022	Full Year 2022
Operating profit/(loss)	(26,202)	(62,464)	(26,210)	(88,666)	(39,793)	(146,104)
Add-back:						
Revenue	(100,101)	(39,757)	(2,973)	(139,859)	(2,973)	(104,269)
Cost sub-total	126,304	102,221	29,183	228,525	42,766	250,372
Available seat kilometres (millions)	1,710	1,130	54	2,840	54	2,716
CASK - US cents	7.39	9.05	54.45	8.05	79.77	9.22

Responsibility Statement

We confirm that, to the best of our knowledge, these interim condensed consolidated financial statements for the period ended 30 June 2023, which have been prepared in accordance with IAS 34 - Interim Financial Reporting, give a true and fair view of the Company's consolidated assets, liabilities, financial position and results of operations, and that the interim report includes a fair review of the information under the Norwegian Securities Trading.

Arendal, 30 August 2023

The Board of Directors and CEO of Norse Atlantic ASA



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Designed by: [molte](#)