



NORSE

Q4 Report 2023



Successful completion of first full year of operations, with continued growth and positive year on year figures

- Revenue increased by 104% to USD 94.8 million in Q4 2023 compared to Q4 2022
- 230,489 passengers carried in Q4 2023, up 70% compared to Q4 2022
- Revenue per passenger increased 42% to USD 340 in Q4 2023 compared to Q4 2022
- ASK up by 81% in Q4 2023 compared to Q4 2022 as Norse brought more aircraft into production
- Load factor increased by 12 percentage points to 70% in Q4 2023 compared to Q4 2022
- Great operational performance as 100% of planned flights were completed during the quarter
- Total cash held at end of quarter at USD 54.8 million
- Generally, a heavy increase in production through second half of the year compared to the first half, with all Norse aircraft generating revenue since 1st July 2023
- Carrying close to one million passengers across 4,000 flights over the full year
- Improved service program allowing for greater fare potential introduced in Premium class
- Strong CASK numbers proving that long-haul low-cost is working – more to prove on revenue side
- New equity capital secured during quarter in a gross amount equalling USD 55 million
- Strategic review identifying interesting strategic options to be pursued into next phase – Seabury Securities appointed to support the company as an investment banker

CEO, Founder and major shareholder, Bjørn Tore Larsen:

“Q4 marked the completion of Norse’s first full year of operations, in which the Company carried almost one million passengers across 4,000 flights. Our robust operational excellence was clearly demonstrated as more than 99.5% of all scheduled flights were completed as scheduled despite growth in both the summer and winter schedules compared to the previous year.

In 2023, Norse achieved strong CASK numbers and demonstrated its ability to drive ancillary sales to become one of the industry’s leading airlines in ancillary revenue. In Q3, Norse delivered its first quarter of net profit demonstrating the validity of long-haul low-cost.

In Q4 the Company introduced an improved service program and amenities for customers travelling in its Norse Premium cabin, allowing for an improved fare potential going forward. Seabury Securities were engaged by the Company to explore its strategic options, and in January Seabury were engaged for phase two allowing for these options to be pursued further.

When planning ahead for the winter and summer seasons in 2024 Norse has capitalized on lessons learnt in 2023. Among our priorities will be careful route selection, capturing unreleased fare potential, increasing load factor and developing further business opportunities within cargo and charter operations. The Company will also gradually develop its seasonal strategies as focus during the winter season will turn more and more towards pursuing opportunities in the charter market as a supplement to own scheduled flights. During the summer season the main focus will remain to serve Norse’s own network.”



Key Figures

<i>(USD million or as stated)</i>	Q4 2023	Q4 2022	Full Year 2023	Full Year 2022
Revenue	94.8	46.4	439.4	104.3
EBITDAR ¹	(28.3)	(26.1)	(18.0)	(60.3)
Operating profit (EBIT)	(56.9)	(58.7)	(135.2)	(146.1)
Net profit	(64.3)	(67.1)	(168.6)	(175.0)
Net cash flow from operations	(20.9)	(13.5)	(20.6)	(68.6)
Book equity	(89.7)	10.5	(89.7)	10.5
Cash and cash equivalents	54.8	69.7	54.8	69.7
Number of flights	988	725	4,002	1,451
Number of operating destinations at period end	13	7	13	7
Average stage length (km)	6,786	5,077	6,426	5,534
ASK ¹ (millions)	2,257	1,244	8,672	2,716
RPK ¹ (millions)	1,579	716	6,448	1,693
Number of passengers	230,489	135,913	979,913	295,839
Load factor ¹	70 %	58 %	74 %	62 %
Airfare per passenger (USD) ¹	255	194	304	215
Ancillary per passenger (USD) ¹	85	45	83	47
Revenue per passenger (USD) ¹	340	239	387	262
PRASK (US cents) ¹	3.47	2.61	4.37	2.86
TRASK (US Cents) ¹	4.20	3.73	5.07	3.84
CASK cash adjusted (US cents) ¹	4.01	4.75	3.91	4.81
CASK excl. fuel (US cents) ¹	4.94	6.28	4.87	6.94
CASK (US cents) ¹	6.72	8.45	6.63	9.22
Total number of aircraft in fleet at period end	15	15	15	15
Total number of aircraft in operation at period end	10	4	10	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 Boeing 787 Dreamliners at historically low pricing and favourable lease terms. Currently, 10 of the aircraft, of which one is used as a spare, are operating for Norse and five subleased to a third party. Two of 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. The remaining three aircraft, being 787-8 aircraft, will be returned during the months March to May 2025 ahead of the peak summer 2025 season.



Outlook

Norse is a young airline, with 2023 becoming Norse's first year with production through all months. The first half of the year was marked by limited activity as Norse ramped-up from the end of May and through June, ahead of the peak summer months and onwards. As expected, the first half of 2023 therefore was a loss-making period. In the second half of 2023 Norse became fully operational with all aircraft generating revenue, 10 aircraft in own operations and five aircraft sub-leased out. Q3 marked an important milestone as Norse delivered on its expectation to its first quarter of profits.

On 4 November, the Company announced it had successfully completed a private placement of new equity capital in the USD equivalent gross amount of USD 55 million. The private placement was followed by a subsequent share offering in January, and closed 24 January, the subsequent share offering secured another gross USD 6.5 million of new equity capital to the Company.

The Norse brand has now become more established across international markets, and the airline has gradually increased the booking period into late 2024. Tickets have also become available on a greater number of platforms, including finn.no, kayak.com, kiwi.com, skyscanner.net, booking.com, and now also expedia.com. Norse now has its full summer 2024 program available for sale.

In Q4, Norse rolled out a new and improved service program in its Norse Premium class, creating potential for increased fares and higher load factors at attractive price points. Norse will also continue its focus on building its position as the industry's number one airline on ancillary revenue. There will be strong focus on strengthening Norse's performance in the cargo market. Norse is also well positioned for increased ACMI and charter opportunities above the past season's levels.

Norse will be continuously challenging costs on its course to deliver the lowest CASK in the Transatlantic market. Norse will continue to benefit from favourable aircraft lease terms, including the first two years' Power by the Hour (PBH) lease rates, then to move into fixed rates for the remainder of the lease terms. Remaining lease terms are at average 10.4 years as at 31 December 2023, with no pricing increases nor inflationary adjustments during the lease term. Such fixed lease terms are highly favourable compared to current market rates for the aircraft type.

Being in its second year of operation, Norse is gradually building its footprint and brand recognition in the market and has developed a strong following on social media while receiving positive reviews in the media across all markets. Our ethos of enabling travellers to explore the world with Norse, thanks to our value fares and excellent on-board product, has resonated with customers throughout Europe and across the Atlantic.

Norse sees positive signs for the summer season as sales year to date are up approximately 80% compared to the same period previous year. Furthermore, charter revenues booked and under negotiation far exceeds charter revenues achieved in 2023, and we now see a clear path to profitability on a year-round basis.

On 23 January 2024, the Company announced that it has formally appointed Seabury Securities as investment banker to support Norse in the execution of some of the strategic options identified under Seabury's assignment as strategic advisor that was announced in November 2023. Several options are being pursued, and in addition to possible investments from strategic investors, also commercial partnership options are of interest. Not all options are mutually exclusive, and therefore, potentially more than one initiative could be led into a final closing.



Financial Performance & Position

The Company in the following refers to the fourth quarter of 2022 (“Q4 2022”) as the period of comparable information.

During the fourth quarter of 2023 (“Q4 2023” or “the Period”) the Company recorded revenue of USD 94.8 million (USD 46.4 million in Q4 2022), consisting of USD 78.3 million (USD 32.5 million in Q4 2022) in revenues from passengers and USD 16.5 million (USD 13.9 million in Q4 2022) in revenue from other sources. Airfare revenue averaged USD 255 per passenger (USD 194 in Q4 2022) and ancillary revenue USD 85 per passenger (USD 45 in Q4 2022), an aggregate of USD 340 per passenger (USD 239 in Q4 2022), generating revenue of USD 58.8 million (USD 26.4 million in Q4 2022) and USD 19.5 million (USD 6.1 million in

Q4 2022), respectively, from a total of 230,489 passengers flown during the Period (135,913 in Q4 2022). Norse carried cargo totalling 4,582 tonnes (4,202 tonnes in Q4 2022) at an average rate net of commission and other direct costs of USD 512 per ton (USD 1,363 per ton in Q4 2022), generating total net cargo revenue of USD 2.3 million during the Period (USD 5.7 million in Q4 2022). Norse had five aircraft on sublease to a third party during the Period, and recorded lease rental income of USD 8.3 million during the Period (USD 6.7 in Q4 2022). The Company recorded charter revenue of USD 2.5 million during the Period (USD 1.2 million in Q4 2022).

Operating expenses excluding depreciation, amortization, and aircraft leases during the Period totalled USD 123.1 million (USD 72.5 million in Q4 2022), consisting of USD 29.3 million (USD 17.4 million in Q4 2022) in personnel expenses, USD 84.3 million (USD 49.3 million in Q4 2022) in aircraft operating costs and

USD 9.5 million (USD 5.8 million in Q4 2022) in marketing and administrative costs. Variable aircraft lease expenses were USD 7.4 million (USD 13.2 million in Q4 2022), which is the amount the Company paid in Power by the Hour (“PBH”) aircraft lease costs. Norse recognized USD 21.2 million (USD 19.4 million in Q4 2022) of depreciation and amortization during the Period, of which USD 21.0 million (USD 19.0 million in Q4 2022) related to amortization of the aircraft right-to-use assets.

Net financial expense for the Period was USD 7.5 million (USD 8.4 million in Q4 2022), including USD 9.0 million (USD 11.1 million in Q4 2022) in accrued interest on lease liabilities. The Company reported a net loss after tax of USD 64.3 million for the Period (a loss of USD 67.1 million in Q4 2022).

Included in the income statement are non-cash lease accounting costs of USD 9.9 million for the Period (USD 28.9 million in Q4 2022).

As of 31 December 2023, the carrying value of right-of-use assets related to aircraft leases was USD 891.6 million (USD 933.1 million as of 31 December 2022), while the corresponding lease liability for the aircraft was USD 973.7 million (USD 961.4 million as of 31 December 2022).

The Company has current assets of USD 147.6 million at the end of the Period (USD 117.2 million as of 31 December 2022). At the end of the Period the current liabilities were USD 212.8 million (USD 108.4 million as of 31 December 2022). The Company’s book equity was negative by USD 89.7 million (positive by USD 10.5 million as of 31 December 2022).

The Company’s net increase in free cash and cash equivalents during the Period was USD 11.8 million (net increase of USD 24.4 in Q4 2022), mainly driven by net cash outflow to operations of USD 20.9 million (outflow of USD 13.5 million in Q4 2022), followed by a net cash outflow to

investing activities of USD 4.3 million (inflow of USD 1.6 million in Q4 2022) and USD 35.9 million inflow related to financing activities (outflow of USD 27.7 million in Q4 2024). The Company's free cash and cash equivalents as of 31 December 2023 was USD 39.3 million (USD 64.7 million as of 31 December 2022), while the total cash was USD 54.8 million (69.7 million as of 31 December 2022), including USD 15.5 million in restricted cash (USD 5.0 million as of 31 December 2022).

Organization

As of 31 December 2023, the Company had 1,062 employees (700 as of 31 December 2022), of whom 830 (524 as of 31 December 2022) are airborne crew and the remaining 232 (176 as of 31 December 2022) 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. Both the ongoing war between Ukraine and Russia and the situation of increased tension in the Middle East are creating scenarios under which there could be adverse negative effects to the fuel prices.

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. Should sales volumes decrease, fuel prices remain high or increase, or other operational expenses increase, this would impose an increased liquidity risk. Key to the Company's exposure to liquidity risk is also the timing of when Norse receives payment from credit card companies for tickets sold. 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

Interim Consolidated Statement of Comprehensive Income

<i>(in thousands of USD)</i>	Note	Q4 2023	Q4 2022	Full Year 2023	Full Year 2022
Revenue					
Total Revenue	4	94,782	46,428	439,436	104,269
Operating expenses					
Personnel expenses		(29,308)	(17,433)	(99,759)	(44,462)
Fuel, oil and emission costs		(40,125)	(27,002)	(152,527)	(61,793)
Airport charges and handling		(13,619)	(11,375)	(67,153)	(19,537)
Technical maintenance		(20,781)	(8,366)	(66,493)	(15,262)
Other operating costs		(9,800)	(2,604)	(33,999)	(7,907)
Marketing and distribution costs		(4,429)	(3,360)	(23,343)	(8,559)
Administrative costs		(5,044)	(2,391)	(14,143)	(7,071)
Total Operating exps excl. leases, dep & amort.		(123,106)	(72,532)	(457,417)	(164,591)
Operating profit before leases, dep & amort. (EBITDAR)		(28,324)	(26,103)	(17,980)	(60,323)
Variable aircraft rentals		(7,370)	(13,179)	(33,139)	(27,263)
Depreciation and amortization	6	(21,172)	(19,402)	(84,103)	(58,517)
Operating profit/(loss)		(56,866)	(58,685)	(135,223)	(146,104)
Interest expenses	7	(9,088)	(10,930)	(34,982)	(24,416)
Other financial income/(expenses)	8	1,616	2,551	1,603	(4,455)
Profit/(loss) before tax		(64,338)	(67,063)	(168,602)	(174,974)
Income tax		-	-	(144)	-
Profit/(loss) after tax and total comprehensive income		(64,338)	(67,063)	(168,746)	(174,974)
Basic earnings per share (USD) ¹		(0.73)	(0.64)	(2.72)	(8.30)
Diluted earnings per share (USD) ¹		(0.73)	(0.64)	(2.72)	(8.30)

¹ Based on average number of outstanding shares in the period

Interim Consolidated Statement of Financial Position

<i>(in thousands of USD)</i>	Notes	31 DEC 2023	31 DEC 2022
Non-current assets			
Tangible assets	9	898,856	939,997
Intangible assets		3,324	2,801
Aircraft lease deposits		16,048	15,596
Other non-current assets		17,277	14,644
Total non-current assets		935,505	973,038
Current assets			
Credit card receivables		60,214	31,371
Other receivables	10	6,351	4,486
Other current assets		26,236	11,636
Cash and cash equivalents	11	54,830	69,709
Total current assets		147,631	117,202
Total assets		1,083,136	1,090,240
Equity and liabilities			
Equity			
Share capital	12	62,954	29,945
Share premium		198,065	162,560
Retained earnings		(350,716)	(181,970)
Total equity		(89,697)	10,535
Non-current liabilities			
Lease liabilities non-current	13	902,147	925,522
Provisions		57,913	45,762
Total non-current liabilities		960,060	971,284
Current liabilities			
Deferred passenger revenue		52,394	17,001
Trade and other payables		88,699	55,212
Lease liabilities current	13	71,680	36,208
Total current liabilities		212,773	108,421
Total equity and liabilities		1,083,136	1,090,240

Interim Consolidated Statement of Cash Flows

<i>(in thousands of USD)</i>	Notes	Q4 2023	Q4 2022	Full Year 2023	Full Year 2022
Cash flows from operating activities					
Profit/(loss) for the period		(64,338)	(67,063)	(168,746)	(174,974)
Adjustments for items not affecting operating cash flows:					
Depreciation and amortization	6	21,172	19,402	84,103	58,517
Interest expenses		9,088	10,930	34,982	24,416
Interest income		(1,581)	(867)	(2,129)	(867)
Share based employee incentives		28	-	309	-
Provisions		804	2,046	6,870	2,046
Net operating cash flows before working capital movements		(34,827)	(35,553)	(44,609)	(90,862)
Working capital movements		13,973	22,101	24,051	22,223
Net cash flows from operating activities		(20,853)	(13,453)	(20,558)	(68,639)
Cash flows from investing activities					
Aircraft maintenance assets		(3,478)	(14,643)	(3,963)	(14,643)
Aircraft preparation investments		-	2,717	-	(1,603)
Net (investment in)/proceeds from financial assets		-	19,067	-	(893)
Other investments		(829)	(5,500)	(3,370)	(7,816)
Net cash flows from investing activities		(4,307)	1,641)	(7,332)	(24,956)
Cash flows from financing activities					
Net proceeds from share issue		54,997	28,925	68,204	28,925
Lease payments		(20,057)	(1,252)	(57,598)	(1,322)
Movements in restricted cash		(500)	-	(10,500)	(5,000)
Net interest received/(paid)		1,505	2	1,819	(15)
Net cash flows from financing activities		35,945)	27,675)	1,925)	22,589)
Effect of foreign currency revaluation on cash		975	8,186	586	1,463
Net increase in free cash and cash equivalents		11,760)	24,049)	(25,379)	(69,543)
Free cash and cash equivalents at the beginning of the period		27,570	40,660	64,709	134,252
Free cash and cash equivalents at the end of the period		39,330)	64,709)	39,330)	64,709)
Restricted cash at the end of the period	11	15,500	5,000	15,500	5,000
Cash and cash equivalents at the end of the period	11	54,830)	69,709)	54,830)	69,709)

Interim Consolidated Statement of Changes in Equity

1 Jan 2023 to 31 Dec 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 1 Jan 2023	206,084,314	29,945	162,561	(181,970)	10,535
Changes in Equity					
25 April 2023, share issue at USD 0.23 (NOK 2.50) per share	60,000,000	7,030	7,030	-	14,060
25 April 2023, transaction costs share issue	-	-	(854)	-	(854)
27 April 2023, reverse share split, four shares into one	(199,563,235)	-	-	-	-
13 November 2023, share issue at USD 0.99 (NOK 11.00) per share	9,978,161	4,492	5,391	-	9,883
29 November 2023, share issue at USD 1.03 (NOK 11.00) per share	45,712,339	21,487	25,784	-	47,271
13 and 29 November, transaction costs share issue	-	-	(2,156)	-	(2,156)
Share based employee incentives	-	-	309	-	309
Total comprehensive income for the period	-	-	-	(168,746)	(168,746)
Balance at 31 Dec 2023	122,211,579)	62,954)	198,065)	(350,716)	(89,697)

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 1 Jan 2022	77,684,314	27,489	136,091	(6,995)	156,585
Changes in Equity					
12 December 2022, share issue at USD 0.13 (NOK 1.25) per share	128,400,000	16,053	16,053	-	32,106
12 December 2022, transaction costs share issue	-	-	(3,180)	-	(3,180)
12 December 2022 reduction of nominal value	-	(13,597)	13,597	-	-
Total comprehensive income for the period	-	-	-	(174,974)	(174,974)
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 27 February 2024.

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 Boeing 787 Dreamliner's. Norse commenced its commercial operations on 14 June 2022 and currently serves destinations including New York, Florida, Berlin, London, Paris, Rome, 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. For this interim period the Company presents the fourth quarter of 2022 as a period of comparable information, and the Company's commentary on the financial development refers to that same quarter.

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 10.4 years on average per aircraft. Current lease rates for the same aircraft type are reported to be at substantially higher levels than 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 a preliminary production peak occurring from mid-2023 as it introduced new lines of flying and new routes as part of the 2023 summer program. During 2022 the Company entered into subleases for five of its aircraft to a 3rd party for an initial lease period of 18 months, providing fixed cash income. The term of subleases was extended subsequently. As per revised lease terms, two of 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. The remaining three aircraft, being 787-8 aircraft, will be returned during the months March to May 2025 ahead of the peak

summer 2025 season.

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 continued successful operations and flying on both its AOCs.

Being a start-up airline established in 2021, the Company has incurred net losses over the first periods of operation. The book equity as at 31 December 2023 is negative by an amount of USD 89.7 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.

Based on the Company's plans and ambitions, Norse has prepared financial forecasts that over time 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 a phase of building its market position 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.

In November 2023, the Company completed a private placement raising new equity capital of USD 55 million. Following the private placement, in January 2024, the Company completed a subsequent offering of shares, raising additional gross USD 6.5 million of equity capital.

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 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. On 23 November Norse announced that another 1,250,000 options had been awarded to Primary Insiders with a strike price of NOK 12.38. 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.

3.3. Improvement of classification

As from the fourth quarter of 2023, the Company has made improvements in its classification of certain items in the Interim Consolidated Statement of Comprehensive Income. Some items have been moved from the line item Other operating costs to the line item Technical maintenance. Comparable information of previous periods is updated correspondingly.

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>	Q4 2023	Q4 2022	Full Year 2023	Full Year 2022
Airfare passenger revenue	58,763	26,427	297,738	63,680
Ancillary passenger revenue	19,521	6,073	81,448	13,880
Total passenger revenues	78,283	32,500	379,186	77,560
Cargo	2,348	5,726	14,277	10,308
Total own flights	80,631	38,226	393,463	87,868
Lease rentals	8,297	6,716	33,090	14,397
Charter	2,452	1,209	5,140	1,209
Other revenue	3,401	278	7,744	795
Total Operating Revenue	94,782	46,428	439,436	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>	Q4 2023	Q4 2022	Full Year 2023	Full Year 2022
Depreciation of right-of-use assets	20,953	19,017	82,667	57,873
Depreciation of other tangible assets	17	235	749	294
Amortization of intangible assets	202	150	687	350
Total	21,172	19,402	84,103	58,517

7. Interest expenses

<i>(in thousands of USD)</i>	Q4 2023	Q4 2022	Full Year 2023	Full Year 2022
Lease accounting interest expense	(9,012)	(11,097)	(34,673)	(24,402)
Other interest expense	(77)	167	(310)	(15)
Total	(9,088)	(10,930)	(34,982)	(24,416)

8. Other financial income/(expenses)

<i>(in thousands of USD)</i>	Q4 2023	Q4 2022	Full Year 2023	Full Year 2022
Other financial income/(expense)	1,581	741	2,129	866
Foreign exchange gains	(442)	7,663	1,110	8,765
Foreign exchange losses	477	(5,896)	(1,635)	(13,193)
Gains (loss) on financial assets	-	43	-	(893)
Total	1,616	2,551	1,603	(4,455)

9. Tangible assets

<i>(in thousands of USD)</i>	31 DEC 2023	31 DEC 2022
Aircraft Right-of-Use assets	891,573	933,146
Aircraft rotatable inventory	6,436	6,269
Other Right-of-Use assets	46	236
Other tangible assets	802	345
Total	898,856	939,997

10. Trade and other receivables

<i>(in thousands of USD)</i>	31 DEC 2023	31 DEC 2022
Trade receivables	4,103	3,377
Other receivables	2,248	1,109
Total	6,351	4,486

11. Cash and cash equivalents

<i>(in thousands of USD)</i>	31 DEC 2023	31 DEC 2022
USD	37,453	47,734
NOK	12,423	13,998
GBP	2,041	6,781
EUR	2,901	1,196
THB	13	-
Total cash and cash equivalents	54,830	69,709
<i>Hereof restricted cash:</i>		
USD	15,500	5,000

12. Shareholder information

Shareholders of the Company as of 31 December 2023.

Name	Number of shares	Ownership	Voting rights
Scorpio Holdings Limited	27,272,419	22.3%	22.3%
B T Larsen & Co Limited	24,271,225	19.9%	19.9%
UBS Switzerland AG	6,192,133	5.1%	5.1%
UBS AG	4,129,653	3.4%	3.4%
Songa Capital AS	4,061,330	3.3%	3.3%
The Bank of New York Mellon	3,115,842	2.5%	2.5%
J.P. Morgan Securities	2,851,290	2.3%	2.3%
The Bank of New York Mellon SA/NV	2,766,467	2.3%	2.3%
Skagen Vekst Verdipapirfond	2,606,883	2.1%	2.1%
Vicama Capital AS	1,898,202	1.6%	1.6%
MH Capital AS	1,683,144	1.4%	1.4%
Alto Holding AS	1,414,224	1.2%	1.2%
J.P. Morgan SE	1,316,891	1.1%	1.1%
Vicama AS	1,101,215	0.9%	0.9%
Pure AS	997,302	0.8%	0.8%
Goldman Sachs International	923,424	0.8%	0.8%
Pegasi AS	917,679	0.8%	0.8%
Gården	899,577	0.7%	0.7%
Verdipapirfondet Delphi Nordic	802,846	0.7%	0.7%
Swedbank AS	802,242	0.7%	0.7%
Top 20 shareholders	90,023,988	73.7%	73.7%
Other shareholders	32,187,591	26.3%	26.3%
Total number of shares	122,211,579	100.0 %	100.0 %

13. Lease liabilities

(in thousands of USD)

	Full year 2023	Full Year 2022
Opening balance	961,730	93,673
Additions during the period	40,304	847,658
Interest accrued	29,844	21,327
Fixed lease payments during the period	(58,050)	(928)
Closing balance	973,827	961,730
Of which:		
Due within 12 months	71,680	36,208
Due after 12 months	902,147	925,522

Norse has a fleet of 15 leased Boeing 787 Dreamliners. All aircraft are on full or partial variable Power by the Hour (PBH) payment terms for a period of 12-24 months after respective aircraft deliveries, followed by fully fixed lease payments for the remainder of the lease period. At the Period end, one aircraft is still on full PBH flexible payment terms, whereas three aircraft are partially on PBH terms. The remaining 11 aircraft are under fully fixed lease payments, of which 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.

14. Subsequent events

On 11 January 2024, the Company announced that following the completion of a private placement of new shares in the Company in November 2023, and a contemplated subsequent offering, the Company has received approval for a prospectus for the offering and listing of the shares under the subsequent offering, and that the subsequent offering would be launched on 12 January 2024. The approved prospectus also allowed for the tranche of unlisted shares under the November 2023 private placement to become listed and tradeable.

On 23 January 2024, the Company announced that it has formally appointed Seabury Securities as investment banker to support Norse in the execution of some of the strategic options identified under Seabury's assignment as strategic advisor as announced in November 2023.

On 25 January 2024, the Company announced the final results of the subsequent offering of new shares in the Company, resulting in 6,312,261 shares being allocated and issued, raising gross proceeds of approximately NOK 69.4 million. The gross proceeds were equalling approximately USD 6.5 million.

On 2 February 2024, the Company announced that the share capital increase following from the issuance of the shares in the subsequent offering has been registered with the Norwegian Register of Business Enterprises. The new share capital of the Company is NOK 642,619,200 across 128,523,840 shares at a nominal value of NOK 5 per share.

On 12 February 2024, the Company announced that it has agreed to extend the term of three subleased 787-8 Dreamliners up to one year, for them to be redelivered between March and May 2025. Additionally, the sublease of one 787-9 Dreamliner is extended by two months and is to be returned in May 2024.

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)	Q4 2023	Q4 2022	Full Year 2023	Full Year 2022
Airfare passenger revenue - USD thousands	58,763	26,427	297,738	63,680
Number of passengers	230,489	135,913	979,913	295,839
Airfare per passenger - USD	255	194	304	215
Ancillary passenger revenue - USD thousands	19,521	6,073	81,448	13,880
Number of passengers	230,489	135,913	979,913	295,839
Ancillary per passenger - USD	85	45	83	47
Revenue per passenger - USD	340	239	387	262

15.2. PRASK

(in thousands of USD)	Q4 2023	Q4 2022	Full Year 2023	Full Year 2022
Total passenger revenue	78,283	32,500	379,186	77,560
Available seat kilometres (millions)	2,257	1,244	8,672	2,716
PRASK - US Cents	3.47	2.61	4.37	2.86

15.3. TRASK

(in thousands of USD)	Q4 2023	Q4 2022	Full Year 2023	Full Year 2022
Total operating revenue	94,782	46,428	439,436	104,269
Available seat kilometres (millions)	2,257	1,244	8,672	2,716
TRASK - US Cents	4.20	3.73	5.07	3.84

15.4. CASK (cash adjusted)

<i>(in thousands of USD)</i>	Q4 2023	Q4 2022	Full Year 2023	Full Year 2022
Operating profit/(loss)	(56,866)	(58,685)	(135,223)	(146,104)
Add-back:				
Revenue	(94,782)	(46,428)	(439,436)	(104,269)
Fuel, oil and emissions costs	40,125	27,002	152,527	61,793
Depreciation of right-of-use assets	20,953	19,017	82,667	57,873
Cost (adj.) sub-total	90,569	59,094	339,465	130,706
Available seat kilometres (millions)	2,257	1,244	8,672	2 716
CASK (cash adjusted) - US cents	4.01	4.75	3.91	4.81

15.5. CASK (excluding fuel)

<i>(in thousands of USD)</i>	Q4 2023	Q4 2022	Full Year 2023	Full Year 2022
Operating profit/(loss)	(56,866)	(58,685)	(135,223)	(146,104)
Add-back:				
Revenue	(94,782)	(46,428)	(439,436)	(104,269)
Fuel, oil and emissions costs	40,125	27,002	152,527	61,793
Cost (adj.) sub-total	111,522	78,111	422,132	188,579
Available seat kilometres (millions)	2,257	1,244	8,672	2,716
CASK (excl. fuel) - US cents	4.94	6.28	4.87	6.94

15.6. CASK

<i>(in thousands of USD)</i>	Q4 2023	Q4 2022	Full Year 2023	Full Year 2022
Operating profit/(loss)	(56,866)	(58,685)	(135,223)	(146,104)
Add-back:				
Revenue	(94,782)	(46,428)	(439,436)	(104,269)
Cost sub-total	151,647	105,113	574,659	250,372
Available seat kilometres (millions)	2,257	1,244	8,672	2,716
CASK - US cents	6.72	8.45	6.63	9.22

Responsibility Statement

We confirm that, to the best of our knowledge, these interim condensed consolidated financial statements for the period ended 31 December 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, 27 February 2024

The Board of Directors and CEO of Norse Atlantic ASA



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