



NORSE

Q3 Report 2023



Strong growth in revenue and first profitable quarter in the Company's history

- Revenue increased by 105% quarter-on-quarter ("QoQ") to USD 204.8 million
- 434,597 passengers carried, up 112% QoQ
- Revenue per passenger increased 4% QoQ to USD 437
- Available Seat Kilometres (ASK) up by 109% QoQ due to planned ramp-up as Norse brought more aircraft into production
- Positive EBITDAR for the quarter of USD 41.1 million, up from USD 2.2 million in the previous quarter
- Net profit for the quarter of USD 1.6 million, being the first net profit on a quarterly basis since inception of the Company
- Load factor increased by 8 percentage points QoQ to 83%
- Total cash held at quarter end of USD 42.6 million
- Generally, a heavy increase in production through Q3 compared to Q2 with all Norse aircraft generating revenue since 1st July 2023
- Demonstrating great ability to handle the heavy growth, with only three cancellations out of 1,550 planned flights in the quarter, resulting in a completion rate of 99.8%

CEO, Founder and major shareholder, Bjørn Tore Larsen:

"Q3 marked another quarter of strong growth for Norse, with capacity and number of passengers more than doubling again compared to the previous quarter. This in turn also enabled Norse to double the revenue of the previous quarter, marking the milestone of more than USD 200 million of revenue in a single quarter.

Q3 is our first financial quarter generating a profit, enabled by having all 15 aircraft generating revenue for the first time. The level of profit is however challenged by high fuel prices, a weak cargo market and some softening of demand towards the end of the quarter.

From an operational perspective it is highly satisfying to see the Norse organisation delivering a robust performance throughout this quarter while integrating substantial growth into the network. 1,547 planned flights were successfully flown in the quarter marking an industry leading completion rate of 99.8%.

By providing affordable air fares on competitive and established routes to key primary airports and destinations, we will allow more people to explore the world and enjoy the experience of long-haul travel whether for leisure or business. Norse will continue its journey towards being the first truly low-cost profitable long-haul airline."



Key Figures

<i>(USD million or as stated)</i>	Q3 2023	Q2 2023	YTD 2023	Full Year 2022
Revenue	204.8	100.1	344.7	104.3
EBITDAR ¹	41.1	2.2	10.3	(60.3)
Operating profit (EBIT)	10.3	(26.2)	(78.4)	(146.1)
Net profit	1.6	(35.0)	(104.3)	(175.0)
Net cash flow from operations	2.1	19.0	0.3	(68.6)
Book equity	(80.4)	(82.2)	(80.4)	10.5
Cash and cash equivalents	42.6	59.1	42.6	69.7
Number of flights	1,547	812	3,014	1,451
Number of operating destinations at period end	12	10	12	7
Average stage length (km)	6,836	6,316	6,310	5,534
ASK ¹ (millions)	3,575	1,710	6,415	2,716
RPK ¹ (millions)	2,966	1,291	4,869	1,693
Number of passengers	434,597	204,564	749,424	295,839
Load factor ¹	83%	75%	76%	62%
Airfare per passenger (USD) ¹	349	335	319	215
Ancillary per passenger (USD) ¹	89	87	83	47
Revenue per passenger (USD) ¹	437	422	402	262
PRASK (US cents) ¹	5.32	5.04	4.69	2.86
TRASK (US Cents) ¹	5.73	5.85	5.37	3.84
CASK cash adjusted (US cents) ¹	3.05	4.67	3.88	4.81
CASK excl. fuel (US cents) ¹	3.63	5.87	4.84	6.94
CASK (US cents) ¹	5.44	7.39	6.59	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	8	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 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.



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. From 1 July 2023 the Company has been operating on a scale that gives efficiencies and significant earning power. 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. The level of profits, however, were challenged by increasing jet fuel prices that remained high throughout the period, there was also some softening of demand towards the end of the quarter. Volumes and price levels in the cargo market have also been below satisfactory levels.

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. Going into the winter season, Norse has its full winter and summer program available for sale, however, Norse is carefully monitoring the forward sales performance and profitability of various routes, making re-allocations of capacity to the routes and opportunities that are most profitable.

The airline is about to roll 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. The cargo market shows indications of volumes and prices returning to more attractive

levels. Norse is also well positioned for increased ACMI and charter opportunities above the past summer 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 10.5 years as at 30 September 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.

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

Financial Performance & Position

As the Company started its commercial flight operations during the second half of 2022, the Company refers to the second quarter of 2023 ("Q2 2023") as the period of comparable information to the extent that comparison with any such prior period is considered as useful information.



During Q3 2023 ("the Period") the Company recorded revenue of USD 204.8 million (USD 100.1 million in Q2 2023), consisting of USD 190.0 million (USD 86.3 million in Q2 2023) in revenues from passengers and USD 14.8 million (USD 13.8 million in Q2 2023) in revenue from other sources. Airfare revenue averaged USD 349 per passenger (USD 335 in Q2 2023) and ancillary revenue USD 89 per passenger (USD 87 in Q2 2023), an aggregate of USD 437 per passenger (USD 422 in Q2 2023), generating revenue of USD 151.5 million (USD 68.5 million in Q2 2023) and USD 38.5 million (USD 17.7 million in Q2 2023), respectively, from a total of 434,597 passengers flown during the Period (204,564 in Q2 2023). Norse carried cargo totalling 5,168 tonnes (3,893 tonnes in Q2 2023) at an average rate net of commission and other direct costs of USD 674 per ton (USD 1,067 per ton in Q2 2023), generating total net cargo revenue of USD 3.5 million during the Period (USD 4.2 million in Q2 2023). Norse had five aircraft on sublease to a third party during the Period, and recorded lease

rental income of USD 8.1 million during the Period (USD 8.4 in Q2 2023). The Company recorded charter revenue of USD 0.3 million during the Period (USD 0.5 million in Q2 2023).

Operating expenses excluding depreciation, amortization, and aircraft leases during the Period totalled USD 163.7 million (USD 97.9 million in Q2 2023), consisting of USD 27.5 million (USD 23.6 million in Q2 2023) in personnel expenses, USD 125.8 million (USD 64.1 million in Q2 2023) in aircraft operating costs and USD 10.5 million (USD 10.2 million in Q2 2023) in marketing and administrative costs. Variable aircraft lease expenses were USD 9.3 million (USD 7.8 million in Q2 2023), which is the amount the Company paid in Power by the Hour ("PBH") aircraft lease costs. Norse recognized USD 21.5 million (USD 20.7 million in Q2 2023) of depreciation and amortization during the Period, of which USD 20.8 million (USD 20.5 million in Q2 2023) related to amortization of the aircraft right-to-use assets.

Net financial expense for the Period was USD 8.7 million (USD 8.8 million in Q2 2023), including USD 8.8 million (USD 8.8 million in Q2 2023) in accrued interest on lease liabilities. The Company reported a net profit after tax of USD 1.6 million for the Period (a loss of USD 35.1 million in Q2 2023).

Included in the income statement are non-cash lease accounting costs of USD 13.8 million for the quarter (USD 16.0 million in Q2 2023).

As of 30 September 2023, the carrying value of right-of-use assets related to aircraft leases was USD 890.0 million (USD 910.8 million as of 30 June 2023), while the corresponding lease liability for the aircraft was USD 962.2 million (USD 971.3 million as of 30 June 2023).

The Company has current assets of USD 176.8 million at the end of the Period (USD 197.5 million as of 30 June 2023). At the end of the Period the current liabilities were USD 233.4 million (USD

261.0 million as of 30 June 2023). The Company's book equity was negative by USD 80.4 million (USD 82.2 million as of 30 June 2023).

The Company's net decrease in free cash and cash equivalents during the Period was USD 16.4 million (net increase of USD 7.0 in Q2 2023), mainly driven by net cash inflow from operations of USD 2.1 million (inflow of USD 19.0 million in Q2 2023), followed by a net cash outflow to investing activities of USD 2.9 million (outflow of USD 1.4 million in Q2 2023) and USD 15.8 million outflow related to financing activities (outflow of USD 9.7 million in Q2 2023). The Company's free cash and cash equivalents as of 30 September 2023 was USD 27.6 million (USD 44.0 million as of 30 June 2023), while the total cash was USD 42.6 million (59.1 million as of 30 June 2023), including USD 15.0 million in restricted cash (USD 15.1 million as of 30 June 2023).

Organization

As of 30 September 2023, the Company had 1,082 employees (1,127 as of 30 June 2023), of whom 860 (914 as of 30 June 2023) are airborne crew and the remaining 222 (213 as of 30 June 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. 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

(in thousands of USD)	Note	Q3 2023	Q2 2023	Q3 2022	YTD 2023	YTD 2022	Full Year 2022
Revenue							
Revenue	4	204,796	100,101	54,867	344,655	57,840	104,269
Operating expenses							
Personnel expenses		(27,508)	(23,590)	(15,602)	(70,451)	(27,029)	(44,462)
Fuel, oil and emission costs		(64,561)	(25,945)	(32,990)	(112,401)	(34,791)	(61,793)
Airport charges and handling		(29,085)	(15,743)	(7,684)	(53,535)	(8,162)	(19,537)
Technical maintenance		(15,249)	(13,375)	(3,384)	(38,645)	(4,203)	(10,560)
Other operating costs		(16,873)	(9,001)	(6,579)	(31,266)	(7,996)	(12,609)
Marketing and distribution costs		(6,922)	(7,208)	(3,325)	(18,915)	(5,199)	(8,559)
Administrative costs		(3,547)	(3,022)	(2,055)	(9,098)	(4,681)	(7,071)
Total Operating exps excl. leases, dep & amort.		(163,744)	(97,884)	(71,619)	(334,311)	(92,060)	(164,591)
Operating profit before leases, dep & amort. (EBITDAR)		41,052	2,218	(16,752)	10,344	(34,219)	(60,323)
Variable aircraft rentals		(9,290)	(7,755)	(13,241)	(25,769)	(14,084)	(27,263)
Depreciation and amortization	6	(21,453)	(20,665)	(17,633)	(62,931)	(39,115)	(58,517)
Operating profit/(loss)		10,309	(26,202)	(47,626)	(78,357)	(87,419)	(146,104)
Interest expenses	7	(8,826)	(8,970)	(5,993)	(25,894)	(13,487)	(24,416)
Other financial income/(expenses)	8	112	186	(2,339)	(13)	(7,006)	(4,455)
Profit/(loss) before tax		1,595	(34,986)	(55,958)	(104,264)	(107,911)	(174,974)
Income tax		-	(144)	-	(144)	-	-
Profit/(loss) after tax and total comprehensive income		1,595	(35,130)	(55,958)	(104,408)	(107,911)	(174,974)
Basic earnings per share (USD) ¹		0.02	(0.55)	(2.88)	(1.73)	(5.56)	(8.30)
Diluted earnings per share (USD) ¹		0.02	(0.55)	(2.88)	(1.73)	(5.56)	(8.30)

¹ Based on average number of outstanding shares in the period

Interim Consolidated Statement of Financial Position

(in thousands of USD)	Notes	30 SEP 2023	30 JUN 2023	30 SEP 2022	31 DEC 2022
Non-current assets					
Tangible assets	9	896,553	917,618	834,519	939,997
Intangible assets		4,303	4,152	-	2,801
Aircraft lease deposits		15,934	15,820	15,671	15,596
Other non-current assets		13,799	11,413	-	14,644
Total non-current assets		930,589	949,004	850,190	973,038
Current assets					
Credit card receivables		100,245	116,675	35,945	31,371
Other receivables	10	18,175	5,403	7,349	4,486
Other current assets		15,848	16,366	40,396	11,636
Cash and cash equivalents	11	42,570	59,070	45,660	69,709
Total current assets		176,838	197,514	129,350	117,202
Total assets		1,107,428	1,146,518	979,540	1,090,240
Equity and liabilities					
Equity					
Share capital	12	36,975	36,975	27,489	29,945
Share premium		169,018	168,841	136,091	162,560
Retained earnings		(286,378)	(287,973)	(114,907)	(181,970)
Total equity		(80,385)	(82,157)	48,673	10,535
Non-current liabilities					
Lease liabilities non-current	13	898,665	915,712	790,935	925,522
Provisions		55,726	51,981	35,490	45,762
Total non-current liabilities		954,391	967,693	826,425	971,284
Current liabilities					
Deferred passenger revenue		59,574	117,256	17,348	17,001
Trade and other payables		110,338	88,164	38,334	55,212
Lease liabilities current	13	63,509	55,561	48,760	36,208
Total current liabilities		233,421	260,981	104,442	108,421
Total equity and liabilities		1,107,428	1,146,518	979,540	1,090,240

Interim Consolidated Statement of Cash Flows

(in thousands of USD)	Notes	Q3 2023	Q2 2023	Q3 2022	YTD 2023	YTD 2022	Full Year 2022
Cash flows from operating activities							
Profit/(loss) for the period		1,595	(35,130)	(55,958)	(104,408)	(107,911)	(174,974)
Adjustments for items not affecting operating cash flows:							
Depreciation and amortization	6	21,453	20,665	17,633	62,931	39,115	58,517
Interest expenses		8,826	8,970	5,993	25,894	13,487	24,416
Interest income		(6)	(536)	-	(547)	-	(867)
Share based employee incentives		177	104	-	281	-	-
Provisions		2,434	1,255	-	6,066	-	2,046
Net Investment/proceeds in financial assets		-	-	-	-	-	-
Net operating cash flows before working capital movements		34,479	(4,672)	(32,334)	(9,783)	(55,310)	(90,862)
Working capital movements		(32,409)	23,667	(24)	10,078	122	22,223
Net cash flows from operating activities		2,070	18,996	(32,357)	295	(55,187)	(68,639)
Cash flows from investing activities							
Aircraft maintenance assets		(2,386)	(1,139)	-	(485)	-	(14,643)
Aircraft preparation investments		-	-	(798)	-	(4,320)	(1,603)
Net (investment in)/proceeds from financial assets		-	-	5,087	-	(19,960)	(893)
Other investments		(539)	(218)	(361)	(2,541)	(2,316)	(7,816)
Net cash flows from investing activities		(2,924)	(1,357)	3,927	(3,025)	(26,597)	(24,956)
Cash flows from financing activities							
Net proceeds from share issue		-	13,207	-	13,207	-	28,925
Lease payments		(15,781)	(13,233)	-	(37,541)	(69)	(1,322)
Movements in restricted cash		56	(10,056)	-	(10,000)	(5,000)	(5,000)
Net interest received/(paid)		(42)	358	(4)	314	(16)	(15)
Net cash flows from financing activities		(15,767)	(9,724)	(4)	(34,020)	(5,086)	22,589
Effect of foreign currency revaluation on cash		177	(932)	(2,045)	(389)	(6,722)	1,463
Net increase in free cash and cash equivalents		(16,444)	6,983	(30,479)	(37,139)	(93,592)	(69,543)
Free cash and cash equivalents at the beginning of the period		44,013	37,030	71,139	64,709	134,252	134,252
Free cash and cash equivalents at the end of the period		27,570	44,013	40,660	27,570	40,660	64,709
Restricted cash at the end of the period	11	15,000	15,056	5,000	15,000	5,000	5,000
Cash and cash equivalents at the end of the period	11	42,570	59,070	45,660	42,570	45,660	69,709

Interim Consolidated Statement of Changes in Equity

1 Jan 2023 to 30 Sep 2023

(in USD thousands except for number of shares and value per share)	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
Total comprehensive income for the period		-	-	(104,408)	(104,408)
Share based employee incentives		-	281	-	281
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 Sep 2023	66,521,079	36,975	169,018	(286,378)	(80,385)

1 Jan 2022 to 30 Sep 2022

(in USD thousands except for number of shares and value per share)	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
Total comprehensive income for the period		-	-	(107,911)	(107,911)
Balance at 30 Sep 2022	77,684,314	27,489	136,091	(114,907)	48,673

1 Jan 2022 to 31 Dec 2022

(in USD thousands except for number of shares and value per share)	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
Total comprehensive income for the period		-	-	(174,974)	(174,974)
Movements in share capital					
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 31 October 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, 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.

The Company has decided for this interim period to present the second quarter of 2023 as a period of comparable information in addition to the comparable periods required by IFRS. During the third 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 second 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 second 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 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 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 first quarter 2024 through to end of second quarter 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 continued successful operations and 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 September 2023 is negative by an amount of USD 80.4 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 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 is appropriate for the risk and the size of the business activities. For the cash position, being at USD 42.6 million as of 30 September 2023, the Board has made careful considerations as to whether the company's position is as strong as required. Having explored possible business scenarios, and options of actions, the Board of Directors has concluded to explore the possibility to raise more capital to the Company. Based on knowledge to the status of this process, in the Board of Directors' opinion, the going concern assumption 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. 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 this quarter, 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 Administrative costs to the line item Marketing and distribution costs. 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>	Q3 2023	Q2 2023	Q3 2022	YTD 2023	YTD 2022	Full Year 2022
Airfare passenger revenue	151,549	68,543	35,614	238,975	37,253	63,680
Ancillary passenger revenue	38,473	17,727	7,447	61,927	7,807	13,880
Total passenger revenues	190,023	86,270	43,061	300,902	45,060	77,560
Cargo	3,485	4,152	4,305	11,929	4,582	10,308
Total own flights	193,507	90,422	47,366	312,832	49,642	87,868
Lease rentals	8,100	8,358	7,330	24,793	7,681	14,397
Charter	282	514	0	2,688	0	1,209
Other revenue	2,907	808	171	4,342	517	795
Total Operating Revenue	204,796	100,101	54,867	344,655	57,840	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>	Q3 2023	Q2 2023	Q3 2022	YTD 2023	YTD 2022	Full Year 2022
Depreciation of right-of-use assets	20,797	20,484	17,456	61,715	38,856	57,873
Depreciation of other tangible assets	472	31	26	732	59	294
Amortization of intangible assets	185	150	150	485	200	350
Total	21,453	20,665	17,633	62,931	39,115	58,517

7. Interest expenses

<i>(in thousands of USD)</i>	Q3 2023	Q2 2023	Q3 2022	YTD 2023	YTD 2022	Full Year 2022
Lease accounting interest expense	(8,778)	(8,784)	(5,813)	(25,661)	(13,305)	(24,402)
Other interest expense	(48)	(186)	(180)	(233)	(182)	(15)
Total	(8,826)	(8,970)	(5,992)	(25,894)	(13,487)	(24,416)

8. Other financial income/(expenses)

<i>(in thousands of USD)</i>	Q3 2023	Q2 2023	Q3 2022	YTD 2023	YTD 2022	Full Year 2022
Other financial income/(expense)	6	536	0	547	125	866
Foreign exchange gains	764	538	697	1,552	1,102	8,765
Foreign exchange losses	(658)	(888)	(2,534)	(2,112)	(7,297)	(13,193)
Gains (loss) on financial assets	-	-	(502)	-	(935)	(893)
Total	112	186	(2,339)	(13)	(7,006)	(4,455)

9. Tangible assets

<i>(in thousands of USD)</i>	30 SEP 2023	30 JUN 2023	30 SEP 2022	31 DEC 2022
Aircraft Right-of-Use assets	890,023	910,772	831,023	933,146
Aircraft rotatable inventory	5,906	6,423	-	6,269
Other Right-of-Use assets	93	141	-	236
Other tangible assets	531	282	3,496	345
Total	896,553	917,618	834,519	939,997

10. Other receivables

<i>(in thousands of USD)</i>	30 SEP 2023	30 JUN 2023	30 SEP 2022	31 DEC 2022
Trade receivables	13,367	2,337	6,736	3,377
Other receivables	4,809	3,066	614	1,109
Total	18,175	5,403	7,349	4,486

11. Cash and cash equivalents

<i>(in thousands of USD)</i>	30 SEP 2023	30 JUN 2023	30 SEP 2022	31 DEC 2022
USD	28,362	45,010	23,025	47,734
NOK	11,395	12,991	12,293	13,998
GBP	632	50	9,877	6,781
EUR	2,181	1,018	465	1,196
Total cash and cash equivalents	42,570	59,070	45,660	69,709
<i>Hereof restricted cash:</i>				
USD	15,000	15,056	5,000	5,000

12. Shareholder information

Shareholders of the Company as of 30 September 2023.

Name	Number of shares	Ownership	Voting rights
B T Larsen & Co Limited	13,211,089	19.9%	19.9%
Scorpio Holdings Limited	12,568,624	18.9%	18.9%
Goldman Sachs International	2,923,661	4.4%	4.4%
The Bank of New York Mellon	2,027,712	3.0%	3.0%
Vicama Capital AS	1,379,587	2.1%	2.1%
Songa Capital AS	1,300,000	2.0%	2.0%
UBS AG	1,272,006	1.9%	1.9%
Skagen Vekst Verdipapirfond	1,214,620	1.8%	1.8%
The Bank of New York Mellon SA/NV	1,119,494	1.7%	1.7%
Fender Eiendom AS	1,114,377	1.7%	1.7%
Verdipapirfondet Delphi Nordic	1,032,482	1.6%	1.6%
Observatoriet Invest AS	785,000	1.2%	1.2%
Alto Holding AS	625,000	0.9%	0.9%
Vicama AS	600,000	0.9%	0.9%
Pure AS	597,302	0.9%	0.9%
Tigerstaden AS	550,000	0.8%	0.8%
Clearstream Banking S.A.	508,355	0.8%	0.8%
Pegasi AS	500,000	0.8%	0.8%
Merrill Lynch	484,237	0.7%	0.7%
Kvantia AS	473,359	0.7%	0.7%
Top 20 shareholders	44,286,905	66.6%	66.6%
Other shareholders	22,234,174	33.4%	33.4%
Total number of shares	66,521,079	100.0 %	100.0 %

13. Lease liabilities

<i>(in thousands of USD)</i>	YTD 2023	YTD 2022	Full Year 2022
Opening balance	961,730	93,673	93,673
Additions during the period	17,849	674,554	847,658
Interest accrued	21,882	71,839	21,327
Fixed lease payments during the period	(39,287)	(370)	(928)
Closing balance	962,174	839,695	961,730
Of which:			
Due within 12 months	63,509	48,760	36,208
Due after 12 months	898,665	790,935	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 four aircraft partially are on PBH terms. The remaining 10 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. The first repayment towards aircraft lease liability was made in December 2022.

14. Subsequent events

On 31 October, the Company announced that it is exploring the possibility to raise new capital to the Company. For further information, please also see note 2.2 Going Concern.

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)	Q3 2023	Q2 2023	Q3 2022	YTD 2023	YTD 2022	Full Year 2022
Airfare passenger revenue - USD thousands	151,549	68,543	35,614	238,975	37,253	63,680
Number of passengers	434,597	204,564	153,293	749,424	159,926	295,839
Airfare per passenger - USD	349	335	232	319	233	215
Ancillary passenger revenue - USD thousands	38,473	17,727	7,447	61,927	7,807	13,880
Number of passengers	434,597	204,564	153,293	749,424	159,926	295,839
Ancillary per passenger - USD	89	87	49	83	49	47
Revenue per passenger - USD	437	422	281	402	282	262

15.2. PRASK

(in thousands of USD)	Q3 2023	Q2 2023	Q3 2022	YTD 2023	YTD 2022	Full Year 2022
Total passenger revenue	190,023	86,270	43,061	300,902	45,060	77,560
Available seat kilometres (millions)	3,575	1,710	1,417	6,415	1,470	2,716
PRASK - US Cents	5.32	5.04	3.04	4.69	3.07	2.86

15.3. TRASK

(in thousands of USD)	Q3 2023	Q2 2023	Q3 2022	YTD 2023	YTD 2022	Full Year 2022
Total operating revenue	204,796	100,101	54,867	344,655	57,840	104,269
Available seat kilometres (millions)	3,575	1,710	1,417	6,415	1,470	2,716
TRASK - US Cents	5.73	5.85	3.87	5.37	3.93	3.84

15.4. CASK (cash adjusted)

<i>(in thousands of USD)</i>	Q3 2023	Q2 2023	Q3 2022	YTD 2023	YTD 2022	Full Year 2022
Operating profit/(loss)	10,309	(26,202)	(47,626)	(78,357)	(87,419)	(146,104)
Add-back:						
Revenue	(204,796)	(100,101)	(54,867)	(344,655)	(57,840)	(104,269)
Fuel, oil and emissions costs	64,561	25,945	32,990	112,401	34,791	61,793
Depreciation of right-of-use assets	20,797	20,484	17,456	61,715	38,856	57,873
Cost (adj.) sub-total	109,129	79,875	52,047	248,896	71,612	130,706
Available seat kilometres (millions)	3,575	1,710	1,417	6,415	1,470	2,716
CASK (cash adjusted) - US cents	3.05	4.67	3.67	3.88	4.87	4.81

15.5. CASK (excluding fuel)

<i>(in thousands of USD)</i>	Q3 2023	Q2 2023	Q3 2022	YTD 2023	YTD 2022	Full Year 2022
Operating profit/(loss)	10,309	(26,202)	(47,626)	(78,357)	(87,419)	(146,104)
Add-back:						
Revenue	(204,796)	(100,101)	(54,867)	(344,655)	(57,840)	(104,269)
Fuel, oil and emissions costs	64,561	25,945	32,990	112,401	34,791	61,793
Cost (adj.) sub-total	129,926	100,359	69,503	310,610	110,468	188,579
Available seat kilometres (millions)	3,575	1,710	1,417	6,415	1,470	2,716
CASK (excl. fuel) - US cents	3.63	5.87	4.90	4.84	7.51	6.94

15.6. CASK

<i>(in thousands of USD)</i>	Q3 2023	Q2 2023	Q3 2022	YTD 2023	YTD 2022	Full Year 2022
Operating profit/(loss)	10,309	(26,202)	(47,626)	(78,357)	(87,419)	(146,104)
Add-back:						
Revenue	(204,796)	(100,101)	(54,867)	(344,655)	(57,840)	(104,269)
Cost sub-total	194,487	126,304	102,493	423,012	145,259	250,372
Available seat kilometres (millions)	3,575	1,710	1,417	6,415	1,470	2,716
CASK - US cents	5.44	7.39	7.23	6.59	9.88	9.22



Norse Atlantic ASA
Fløyveien 14,
4838 Arendal, Norway
flynorse.com