NORWEGIAN AIR SHUTTLE ASA
ANNUAL REPORT 2012

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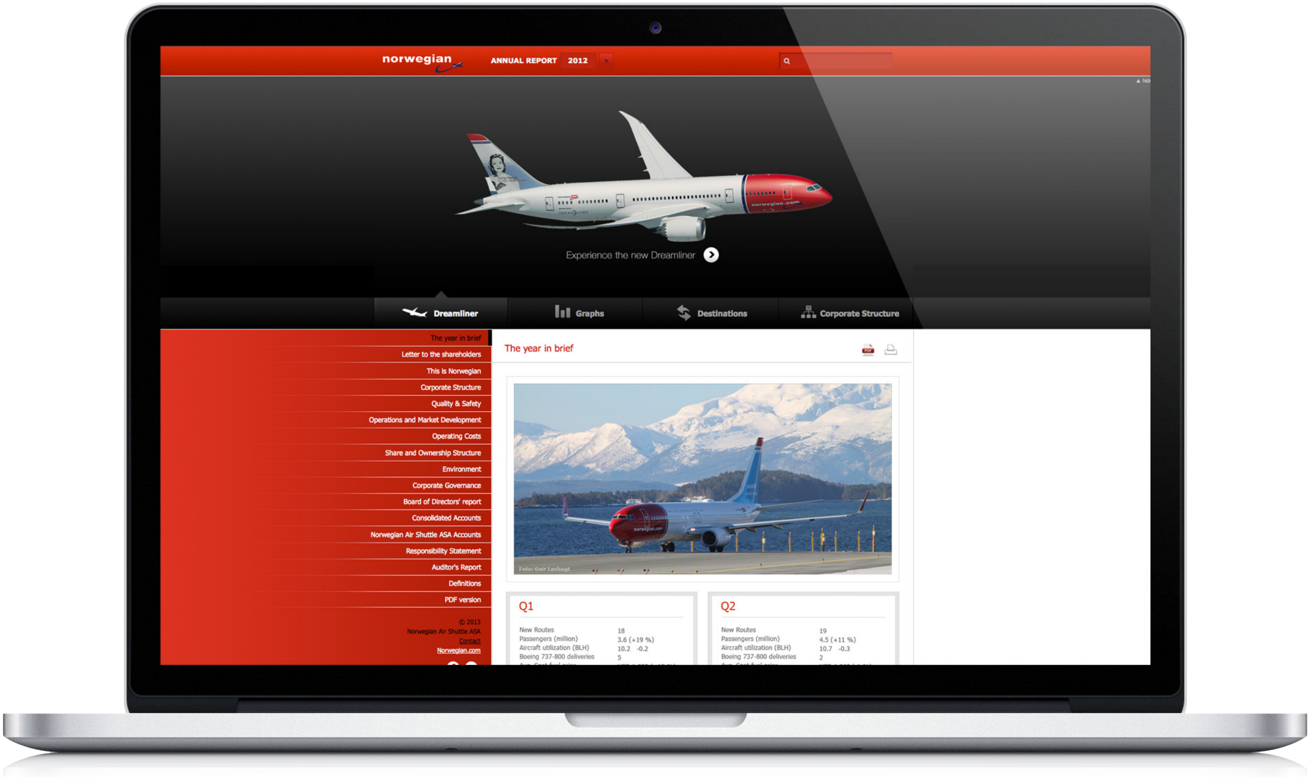

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The Board of Directors' Annual Report

Norwegian Air Shuttle ASA, commercially branded "Norwegian", is a public low-cost airline listed on the Oslo Stock Exchange. The Group operates schedules services with additional charter services. Norwegian is the second largest airline in Scandinavia, the third largest low-cost airline in Europe, and has a route portfolio that stretches across Europe into North Africa and the Middle East. With competitive prices and customer friendly solutions and service, the Group has experienced significant growth in recent years.

Norwegian Air Shuttle ASA controls 100% of the shares in Norwegian Long Haul AS, Norwegian Air Shuttle Sweden AB, Norwegian Air Shuttle Polska Sp.zo.o, AB Norwegian Air Shuttle Finland Ltd, Call Norwegian AS, NAS Asset Management Norway AS and NAS Asset Management Ireland Ltd. The parent company holds 20% of the shares in Norwegian Finans Holding ASA. Norwegian Air Shuttle Polska SP.zo.o is under liquidation at 31 December 2012 and NAS Asset Management Ireland Ltd was liquidated in 2012.

The Group has its headquarters in Fornebu outside Oslo, as well as other offices at Oslo Airport Gardermoen and in Tromsø. Norwegian Air Shuttle Sweden AB has offices at Stockholm Airport Arlanda, AB Norwegian Air Shuttle Finland Ltd has offices at Helsinki Airport in Finland and Norwegian Air Shuttle Polska Sp.zo.o is based at Warsaw Airport Fredric Chopin, Poland. Norwegian Long Haul AS, Call Norwegian AS, NAS Asset Management Norway AS and Norwegian Finans Holding ASA have office addresses at Fornebu.

Norwegian Air Shuttle ASA has established aircraft bases in Norway, Sweden, Denmark, Finland, Spain and the United Kingdom.

Flight Safety
The Group has not registered any serious accidents or incidents to either passengers or crew involving aircraft operations since the Group was founded in 1993.

The Group's flight safety office is integrated in the quality department, which reports directly to the Accountable Manager. The department's main objective is to work proactively to promote flight safety throughout the organization. Flight safety is covered in the crew's training programs, together with training in security related issues. The Civil Aviation Authority approves of all programs, examinations and qualification requirements.

The Group is continuously analyzing information from the Flight Data Recorders installed in Norwegian's aircraft. The analysis is performed to ensure that the aircraft are handled and flown according to existing regulations and limitations.

Crew members, maintenance personnel and handling agents are also required to utilize a web-based reporting system in which irregularities are logged. These reports are a valuable tool for statistical analysis and trend monitoring.

The aircraft are subject to a stringent maintenance program based on the manufacturers' recommendations and existing rules and regulations.

Organization, Working Conditions and the Environment

Norwegian has a long-term focus on creating an attractive workplace. An important success factor for Norwegian is maintaining a workforce of highly motivated and skilled employees and leaders. Our goal is to offer unique opportunities to our employees and a company culture that help us attract and retain the best people of our industry, regardless of who they are and where we do business. Creating fruitful arenas for learning and professional development of all levels of the organization is a priority in Norwegian.

At the end of 2012 the Group employed a total of 2,890 FTEs (full-time equivalents) including apprentices and hired staff. The number of employees is expected to increase in 2013 in accordance with the Group's planned expansion in Norway and abroad. The Group has established bases in Finland, Malaga and Las Palmas (Spain) and at London Gatwick (United Kingdom) and is currently in the process of opening new bases abroad.

The apprentice program in Norway was continued in 2012 and by the end of the year consisted of 150 apprentices. The apprentices have during the training, which also contains a stay in Berlin, London and Las Palmas, had internships while working abroad in countries which Norwegian operates in. A further intake of apprentices is planned for 2013. All the candidates which graduated in 2012, successfully completed and passed their exams which were carried out in conjunction with Akershus County Council. The labor unions are also actively included in planning of the apprentices' syllabus.

Many graduates who passed the examination in 2012 have now attained positions in the Group. Graduates of the program also visit schools and colleges, and promote the program and help recruit new apprentices. This has been a focus area in 2012 and the program now provides a steady stream of candidates to fill permanent positions.

Norwegian's human resources policy is intended to be equitable, neutral and non-discriminatory, regardless of ethnicity and national background, gender, religion, or age.

The Group has reviewed and updated its ethical guidelines, which emphasize the Company's personnel policies. The Group has described its Corporate Governance policies in a separate section of the Annual Report.

The important HES activities (Health, Environment and Safety) continue in compliance with the labor law and the Group's guidelines.

Absence due to sick leaves in 2012 was 7.9%, an increase compared to 2011. Actively monitoring HES, corporate health insurances and continue to cooperate with protective services will insure that absence due to sick leaves remains a prioritized area of focus.

Norwegian Air Shuttle ASA is a member of NHO Aviation, which is a member of NHO (Confederation of Norwegian Enterprise).

The 2012 collective salary review was conducted through centralized collective bargaining with most unions. Moderate changes in wages and efficiency were achieved with these unions.

The Group's defined benefit plan was closed 1 December 2012 and a new defined contribution plan was issued to all employees.

External Environment

Flight operations are inherently dependent on fossil fuels and also generate noise. However, the Group's current aircraft fleet operates within the levels and restrictions imposed by national and international regulations. During 2012 the Group consumed approximately 569,631 tons of Jet A-1 fuel which is equivalent to 88.5 grams of CO_2 per passenger per kilometer or 68.7 grams of CO2 per seat per kilometer, a reduction of 4 % from last year.

The Group is in the process of renewing the aircraft fleet, replacing its Boeing 737-300 aircraft with Boeing 737-800s which will further reduce emissions per passenger per kilometer.

The Boeing 737-800 is among the most environmentally-friendly aircraft in production today; the 737-300s which are being replaced emit approximately 23 percent more CO_2 per seat. Norwegian has a total of 100 direct buy Boeing 737-800s on firm order whereof 35 had been delivered by year-end.

Norwegian has firm orders for an additional 200 single-aisle aircraft, 100 Boeing 737 MAX8 and 100 Airbus A320neo, both of which reduce CO_2 emissions by 30 percent compared to the 737-300. The order will secure Norwegian the most environmentally-friendly aircraft fleet in the World.

Norwegian also has orders for eight Boeing 787-8 Dreamliner long-haul aircraft which will be delivered from 2013. The aircraft type combines revolutionary composite material design with new engines which together reduce consumption and emissions by 20 percent compared to the most efficient comparable aircraft type in operation today.

The Group's business model promotes high load factors and higher capacity per flight, which makes Norwegian's operations more environmentally sustainable as emissions per passenger are lower. The Company's emissions per passenger kilometer are well below the industry average and less than many forms of land and – sea-based transportation.

The Board believes the Group has complied with all requirements and recommendations with regard to its impact on the external environment, and that the Group takes all possible steps to minimize emissions and other negative effects on the environment.

Aircraft Maintenance

The Group manages its maintenance operations from its technical base at Oslo Airport Gardermoen.
Line maintenance is performed at Oslo Airport Gardermoen, Stavanger Airport Sola, Bergen Airport Flesland, Trondheim Airport Værnes, Stockholm Airport Arlanda and Copenhagen Airport Kastrup.

Major airframe as well as workshop maintenance is performed by external sources subject to approval by the European Aviation Safety Agency (EASA) and by the national aviation authorities ("Luftfartstilsynet")

Airframe maintenance is currently carried out by ATC Lasham in the U.K. and Lufthansa Technik in Budapest, Hungary. Engine and component workshop maintenance is undertaken by Lufthansa Technik, MTU and Boeing.

All maintenance, planning and follow-up activities, both internal and external, are performed in accordance with both the manufacturers' requirements and additional internal requirements, and are in full compliance with international authority regulations. The Company carries out initial quality approval and also continuously monitors all maintenance suppliers.
All supplier contracts are subject to approval and monitoring by the national aviation authorities.

Significant Changes in Accounting Principles
There have been no changes in the adopted accounting principles. The IFRS accounting principles, as adopted by the EU, have been followed in preparing the financial statements for 2012.

Comments to the Consolidated Income Statement
The Group had a total operating revenue and income of MNOK 12,859 (10,532.2) in 2012. Compared to last year, the Group's total growth of revenues was 22%. MNOK 11,201 (9,097) of the revenues was related to ticket revenues, MNOK 1,405 (1,225) was other passenger-related revenues, while MNOK 235 (206) was related to freight, third-party products and other income. Other income includes gains from sales of tangible assets. The increase of sales is mainly related to the 18% growth in production from 2011 to 2012. The load factor decreased by 1 p.p. compared to the same period last year. The ticket revenue per available seat kilometer (RASK) for 2012 was NOK 0.43, compared to NOK 0.41 last year, an increase of 4%. Ancillary revenues were NOK 80 per PAX (78) in 2012, an increase of 2% from 2011.

Operating costs (including leasing and excluding depreciation and write-downs) were MNOK 12,070 (9,822) in 2012. The unit cost was NOK 0.47 in 2012 compared to NOK 0.45 last year. The unit cost for fuel increased by 4 % while the unit cost excluding fuel increased by 4%. The unit cost excluding fuel was NOK 0.32 in 2012 compared to NOK 0.31 last year. Net profit before depreciation and write-downs (EBITDA) for the Group was MNOK 789 (710) in 2012, resulting in an EBITDA margin of 6.1%.

Financial items in 2012 ended up with a gain of MNOK 187, compared to a loss of MNOK 269 in 2011. MNOK 292 on net foreign exchange gain is offset by losses on financial instruments included in operating profits. In relation to accounting for the prepayments on purchase contracts with aircraft manufacturers, MNOK 73.5 (78.2) in interest costs were capitalized in 2012.

In 2007 the Group started Bank Norwegian, which is 100% owned by Norwegian Finans Holding ASA, in which the Group has a 20% stake. The Group's share of the bank's net profit resulted in a net gain of MNOK 32.8 (19.5) in the consolidated profit and loss.

Earnings before tax in 2012 were MNOK 623 (167) and earnings after tax were MNOK 457 (122). Earnings per share were NOK 13.08 per share (NOK 3.53).

Comments to the Consolidated Balance Sheet and Cash Flow Statement
The Group's total assets had increased by MNOK 2,915 to MNOK 11,919 at year-end 2012. The book value of the aircraft increased by MNOK 1,711 during the year; while prepayments and capitalized interests on the Boeing purchase contract contributed MNOK 717 to the increase in assets.

At the balance sheet date, the Group had a cash balance of MNOK 1,731 (1,105).

Total borrowings increased by MNOK 1,277to MNOK 5,527, mainly due to purchase of new aircraft.

The Group's cash flow from operations was MNOK 2,022 (674) in 2012. The net cash flow from operating activities consists of the profits before tax of MNOK 623; add back of depreciation and other expenses without cash effects of MNOK 424 and add back of interests on borrowings MNOK 179 included in financial activity. Changes in working capital mainly due to traffic growth amounted to MNOK 795. During 2012 the Group paid MNOK 3 in taxes.

The net cash flow used for investment purposes was MNOK -2,765 (-2,190), of which the prepayments to aircraft manufacturers constituted MNOK -2,134. Purchases of new Boeing 737-800s and other tangible assets amounted to MNOK -631.

The net cash flow from financing activities in 2012 was MNOK 1,369 (1,442). Proceeds from long-term debt MNOK 1,991 are related to financing new aircraft and PDP financing.

The Group has a strong focus on liquidity planning and the Board is confident in the Group's financial position at the beginning of 2013.

Capital structures
The Group's total equity was MNOK 2,421 (1,946) at 31 December and its equity ratio 20% (22%). Equity increased by MNOK 475 due to profits for the period of MNOK 457 and a share issue of MNOK 18 related to the employees' option programs. Other changes in equity amounted to MNOK 0.3.

All issued shares in the parent company are fully paid with a par value of 0.1 NOK per share. There is only one class of shares, and all shares have equal rights. The Group's articles of association have no limitations regarding trading in Norwegian Air Shuttle ASA's shares on the stock exchange.

The Group's net interest-bearing debt aggregated MNOK 3,796 at 31 December 2012, compared to MNOK 3,145 in 2011. The Group's gross interest-bearing liabilities of MNOK 5,527 (4,250) mainly consisted of financing for our aircraft of MNOK 3,992, a bond loan with a net book value of MNOK 589 and a Pre-Delivery Payment syndicated credit facility of MNOK 931. Other long-term interest-bearing liabilities including financial lease liabilities amounted to MNOK 16.

Risks
Risk management in the Group is based on the principle that risk evaluation is an integral part of all business activities. Policies and procedures have been established to manage risks. The Group's Board of Directors regularly reviews and evaluates the overall risk management systems and environment within the Group. The Group faces many risks and uncertainties within the global marketplace. We are facing challenging economic and market conditions and we may not succeed in reducing the unit cost sufficiently to compensate for weakening consumer and business confidence in our key markets. Price volatility may have a significant impact on the Group's reported and operating results. A deterioration in the Group's financial position could increase our borrowing costs and cost of capital. We face an ongoing risk of counterparty default. The Group's reported results and debts denominated in foreign currencies are influenced by developments in currency exchange rates and in particular the US dollar and Euro.

The Group's main strategy for mitigating risks related to volatility in cash flows is to maintain a solid financial position and strong credit rating.

Credit risks are managed on group basis. Credit risks arise from deposits with banks and financial institutions, as well as credit exposures to commercial customers. The Group's policy is to maintain credit sales at a minimum level. Sales to private customers are settled by using credit card companies. The risks arising from receivables on credit card companies or credit card acquirers are monitored closely.

The management monitors rolling forecasts of the Group's liquidity reserves, cash and cash equivalents on the basis of expected cash flows. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to monitor balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

Following the acquisition of aircraft with future deliveries, the Group will have ongoing financing activities. The Group's strategy is to diversify the financing of aircraft trough sale-and-leaseback transactions and term loan financing supported by the export credit agencies in the United States and EU.

In order to protect margins against fuel price fluctuations, our expected fuel consumption is hedged to some extent. The Group also uses derivatives to reduce its overall financial and commercial risk exposures. Forward US dollar currency contracts have been used to hedge USD exposures.

Prospects for 2013

The demand for traveling with Norwegian and advance bookings have been satisfactory entering the first quarter of 2013. Norwegian will continue to take advantage of its increasing competitive power realized through continuous cost efficiency, and from introducing larger aircraft (14 new 737-800Ws will be delivered in 2013), with a lower operating cost. Going forward, the Company expects continued competitive pressure in the European market. By the start of the summer schedule, Norwegian's short-haul operations will have three bases operational in Spain (Malaga, Alicante and Las Palmas) and a base in London.

Norwegian guides for a production growth (ASK) in excess of 25% for 2013 including long-haul production. Growth in short-haul production arises mainly from expanding the fleet by adding 737-800s and through increasing the average sector length. Norwegian may decide to adjust capacity in order to optimize the route portfolio depending on developments in the overall economy and in the market.

Assuming a fuel price of USD 950 per ton and USD/NOK 5.75 for the year 2013 (excluding hedged volumes) and with the current planned route portfolio, the Company is targeting a unit cost (CASK) in the area of NOK 0.42 – 0.43 for 2013.

The establishment of long-haul operations is developing according to plan and the organization is preparing for the first long-haul flight which will take place on 30 May 2013. The demand for tickets on the long-haul network has so far exceeded expectations. However, Boeing has informed Norwegian that the 787 delivery schedule is at risk and the Group is planning for substitute aircraft should the 787 not be delivered in time.

The Board confirms that the going concern assumption is valid and the financial statements have been prepared on a going concern basis.

Allocation of the Year's result

The net profit for the Group was MNOK 457. The net profit for the Parent Company Norwegian Air Shuttle ASA was MNOK 434, which the Board proposes be transferred to retained earnings. The Board recommends no dividend distribution for the 2012 operating year in accordance with the Company's corporate governance policies.

As of 31 December 2012, the Company had MNOK 1,164 of free equity.

Fornebu, 20 March 2013

Bjørn H. Kise (Chairman of the Board)	Ola Krohn-Fagervoll (Deputy Chairman)
Liv Berstad Board member	Marianne Wergeland Jenssen Board member
Thor Espen Bråten (Employee Representative)	Jeanette Vannebo (Employee Representative)
Linda Olsen (Employee Representative)	Bjørn Kjos (Chief Executive Officer)

Corporate Governance

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

How we understand the concept

The Group's core values and corporate Code of Ethics are the fundamentals of Norwegian's corporate governance. Corporate governance deals with issues and principles associated with the distribution of roles between the governing bodies of a company, and the responsibilities and authorities assigned to each body. Good corporate governance is distinguished by responsible interaction between the owners, the Board and the management in a long-term, productive and sustainable perspective. It calls for effective cooperation, which means a defined division of responsibilities and roles between the shareholders, the Board and the management, and also respect for the Group's other stakeholders as well as open and honest communication with the communities in which the Group operates.

Code of Ethics

Everyone has a joint responsibility to create a good working environment and develop a sound corporate culture marked by openness and tolerance. We promote an environment free from any discrimination, be it religion, skin colour, gender, sexual orientation, age, nationality, race or disability. The work environment shall be free from bullying, harassment or similar. We do not tolerate any behaviour that can be perceived as degrading or threatening.

When engaging in businesses with third party suppliers, Norwegian will, whenever possible, ensure that the suppliers adheres to international rules of ethical behaviour and trading standards.

Norwegian is firmly opposed to all forms of corruption. Norwegian is against any type of involvement in illegal influencing of decision makers, either directly or through middlemen.

Norwegian's corporate responsibility strategy is primarily based on how Norwegian as an airline can contribute to less pollution and emissions by flying new and fuel efficient aircraft. Our Codes of Ethics provides the directions for a good working environment and highlights the Group's guidelines for human rights, preventing corruption, employee rights and safety for all – both for our customers and employees. Norwegian has a dedicated corporate cooperation with the humanitarian organization; UNICEF.

Environment

Norwegian is committed to actively engage in and support a sustainable environmental policy, and to continue to reduce emissions from aviation. By renewing the fleet, emissions are reduced and passengers are offered new and more comfortable aircraft. Norwegian has a clear goal of reducing emissions per flown passenger by 30 per cent in the period 2008 – 2015. Norwegian also undertakes a variety of other measures to minimize its environmental impact. All employees should focus on how they can contribute to a better environment in their daily work. Read more about our strategy here.

Human Worth

Everyone at Norwegian has a joint responsibility to create a good working environment and develop a sound corporate culture marked by openness and tolerance. Norwegian supports the international human rights as outlined by the UN declaration and conventions. No one shall in any way cause or contribute to the violation or circumvention of human rights. We place great importance on ensuring compliance with employees' basic human rights as outlined in the International Labor Organization's core conventions. Equality must be guaranteed between men and women in terms of employment, working conditions, career opportunities and remuneration.

Partnership with UNICEF

Norwegian has decided to partner with humanitarian organization UNICEF through a Signature Partnership.

• A Signature Partnership is initiated by a company's top management
• A Signature Partnership is the highest form of partnership UNICEF Norway offers corporate clients
• Norwegian is dedicated to working with UNICEF because of its overall focus on children's rights

UNICEF is mandated by the United Nations General Assembly to advocate for the protection of children's rights, to help meet their basic needs and to expand their opportunities in order to reach their full potential. UNICEF insists that the survival, protection and development of children are universal development imperatives that are integral to human progress. Norwegian's support to UNICEF consists of travel fundings and fundraisers. In addition, all Norwegian employees donate their company Christmas presents to UNICEF.

In line with the Norwegian Code of Practice for Corporate Governance, a review of the major aspects of Norwegian Air Shuttle ASA's governance structure follows below.

Business

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

The Group has clear goals and strategies for its business. These are discussed in the Group´s Quality Manual and are also made available to the public in the Annual Report and on the Group's website www.norwegian.com.

Equity and Dividends

The Group's equity at year-end 2012 was MNOK 2,420.6, equivalent to an equity ratio of 20.3%. The Board deems this to be adequate considering the Group's strategy and risk profile.

The Board of Directors recommend to not distribute dividends as it is considered to be in the best interest of the shareholders to retain funds for investments in expansion and other investment opportunities as stated in the articles of association, thereby enhancing profitability and shareholder value. Dividends should under no circumstance be paid if equity is below what is considered to be an appropriate level. One Financial Covenant to the bond agreement entered into in April 2012; restrict dividend payments until maturity of the bond in April 2015, to 35% of the net profit after taxes (on a consolidated basis) of the Group based on the audited accounts for the previous accounting year.

Due to Norwegian's high growth rate, competitive position and associated need for flexibility, the General Assembly has decided to deviate from the Norwegian code of practice for corporate governance's recommendation with respect to capital increase. Mandate to increase the company's share capital are granted to the Board of Director for a two year period and can be utilized for commercial possibilities and employee incentive program. The mandate granted to the Board is limited to a total of 3,487,823 shares.

The General Assembly has granted the Board of Directors a mandate to acquire treasury shares for a period of 18 months reckoned from the date of the General Meeting's resolution. The mandate granted to the Board is limited to a total of 3,487,823 shares. The Code of Practice recommends that a mandate granted to the Board of Directors to acquire treasury shares should be limited in time to not later than the date of the next General Assembly.

Equal Treatment of Shareholders and Transactions with Close Associates

Norwegian Air Shuttle ASA has only one class of shares.

Transactions are generally carried out through stock exchanges. Buy-backs of own shares are carried out at market prices. Employee share allocations are granted at a discount to market value.

Material transactions between the Group and key stakeholders, in particular the shareholders, the members of the Board and the Executive Management, are subject to the approval of the Board of Directors. Such transactions are duly noted in the minutes from the board meeting and are also explicitly stated in the notes to the consolidated accounts. At present, the Chairman is a partner of the law firm Simonsen Vogt Wiig, which is the legal advisor to Norwegian Air Shuttle ASA. Norwegian has leased its head office from Fornebu Næringsutvikling 1 AS which is controlled by the Chairman and the CEO. In cases where members of the Board of Directors or the Executive Management have other direct or indirect material interests in transactions entered by the Group, this is stated in the notes to the consolidated accounts.

Norwegian's Codes of Ethics includes guidelines for handling possible conflicts of interest. The code applies to all board members and Norwegian employees. In addition the Board has drawn up specific procedures for handling of Conflicts of Interest for Board members and members of Corporate Management Board.

Freely Traded Shares

There are no restrictions on trading of the Company's shares in the articles of association or elsewhere.

General Assembly

The Board of Directors has ensured that the shareholders may exercise their rights at the General Assembly, making the summons and related documentation available on the website. At least three weeks written notice must be given to call the Annul General Assembly. The relevant documents, including the Nominating Committee's justified slate of nominees when new members are up for election or existing ones are up for re-election, are available at the Group's website at least 21 days prior to the date of the General Meeting. The general meeting in May 2012 decided that "An Extraordinary General Meeting may be called with fourteen days' notice if the Board decides that the shareholders may attend the General Meeting with the aid of electronic devices, cf. Section 5-8a of the public Limited Companies Act". The shareholders' deadline for the notice of their intended presence is three days before the General Assembly, and the shareholders may be present and vote by proxy. The Board of Directors, Election Committee and the auditor are required to be present. The management is represented by the Chief Executive Officer and the Chief Financial Officer and other key personnel on specific topics. The minutes of the General Assembly are available on the Group's website.

Election Committee

The Election Committee's task is to nominate candidates to the General Assembly for the shareholder-elected directors' seats. The articles of association state that the committee shall have four members, and the chairman of the committee is the Chairman of the Board. The remaining three members are elected by the General Assembly every second year. The next election is due in 2014.

The current Election Committee consists of the Chairman of the Board, one employee and two external members representing major shareholders in the Company.

The guideline for the Election Committee is included in the company's Articles of Association and was last approved by the General Meeting in May 2011.The Board of Directors recommends deviating from the Code of Practice for Corporate Governance as the Chairman of the Board is a permanent member of the committee. This is to ensure that nominees meet the requirements for expertise, capacity and diversity set forth by the board members.

None of the Committee's members represents Norwegian's management. The majority of the members are considered independent of the management and the Board. The composition of the Election Committee is regarded as reflecting the common interests of the community of shareholders.

Corporate Assembly and Board of Directors, Composition and Independence

Norwegian Air Shuttle ASA has, in agreement with the employee unions and as warranted by Norwegian law, no corporate assembly. Instead, the Company has three employee representatives of the Board of Directors. According to the articles of association the Board must consist of between six and eight members. There are currently seven members.

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

The majority of the shareholder-elected members of the Board are considered autonomous and independent of the Company's executive personnel, and material business contacts. At least two of the members of the Board which are elected by shareholders, are considered autonomous and independent of the Company's main shareholder(s). Among the shareholder-elected directors, there are two men and two women which is a 50% gender share.

The CEO is not a member of the Board of Director.

The Work of the Board of Directors

The Board of Directors' work is in accordance with the rules of the Norwegian law. The Board has an annual plan for its work which particularly emphasizes objectives, strategies and implementations. The Board holds annual strategy seminars in which issues such as objectives, strategies and implementations are addressed.

The Board of Directors issues instructions for its own work.

There is a clear division of responsibilities between the Board and the Executive Management. The Chairman is responsible for ensuring the Board's work is conducted in an efficient, correct manner and in accordance with the Board's terms of reference. The CEO is responsible for the Group's operational management. The Board has drawn up special instructions for the CEO.

If the chairperson of the Board of Directors is or has been actively engaged in a given case, another board member will normally led discussions concerning that particular case

The Audit Committee was established by the General Assembly in 2010. The Board of Directors recommends deviating from the Code of Practice for Corporate Governance as the Board of Directors acts as the Company's audit committee. This is to ensure that nominees meet the requirements of expertise, capacity and diversity set forth by the Board members.

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

Risk Management and Internal Control

The management draws up monthly performance reports that are sent to and reviewed by the Board of Directors. Moreover, financial reports, risk reports and safety reports are drawn up, all of which are subject to review at Board meetings.

The Board ensures sound internal controls and systems for risk management through, for example, annual Board reviews of the most important risk factors and internal controls.

Remuneration of the Board of Directors

Based on the consent of the General Assembly, it is assumed that the remuneration of Board members reflects the respective members' responsibilities, expertise, time commitments and the complexities of the Group's activities.

No board members receive remuneration based on performances, and no options are granted to Board members.

In cases where Board members take on specific assignments for the Group which are not taken on as part of their office, the other Board members must be notified immediately and if the transaction is of a substantial nature this is explicitly stated in the notes to the consolidated accounts.

Details of the remuneration of individual Board members are available in the notes to the consolidated accounts.

Information and Communications

Norwegian has established guidelines for the company's reporting of financial and other information based on transparency and with regard to the requirement of equal treatment of all parties in the securities market.

A financial calendar is prepared and published on the Group's website and is also distributed in accordance with the rules of the Public Companies Act and the rules applicable to companies listed on the Oslo Stock Exchange.

Information distributed to the shareholders is also published on the Group's website. The Group holds regular investor meetings and public interim results presentations, and has an investor relations department.

Norwegian has separate instructions for investor relations on communication with investors and how price-sensitive information shall be treated. The Board of Directors has prepared guidelines for the Group's contact with shareholders outside the General Meeting.

The Board considers that these measures enable and ensure continuous informative interactions between the Company and the shareholders.

Takeovers

There are no limitations with respect to the purchases of shares in the Company. In the event of a take-over bid the Board of Directors will act in the best interest of the shareholders and in compliance with all the rules and regulations applicable of such an event. In the case of a take-over bid the Board will refrain from taking any obstructive action unless agreed upon by the General Assembly. The Company's bond issue has a change of control clause that allows bondholders to call for redemption of the bonds at 101% of par in the event of a change of control.

Auditor

The Auditor annually submits the main features of the audit plan for the Group to the Audit Committee.

The Auditor participates in the meetings of the Board of Directors that deal with the annual accounts. At these meetings the Auditor reviews any material changes in the Group's accounting principles, comments on any material estimated accounting figures and reports all material matters on which there has been a disagreement between the Auditor and the Executive Management of the Company.

The Auditor presents a review of the Group's internal control procedures at least once a year to the Audit Committee, including identified weaknesses and proposals for improvements.

The CEO and the CFO are present at all meetings with the Board of Directors and the Auditor. At least one meeting a year will be held between the auditor and the Board without the presence of the CEO or other members of executive management. The management and the Board of Directors evaluate the use of the Auditor for services other than auditing.

The Board receives annual confirmation from the Auditor that the Auditor continues to meet the requirement of independence.

The Board of Directors reports the remuneration paid to the Auditor at the Annual General Assembly, including details of the fee paid for audit work and any fees paid for other specific services.

Norwegian Air Shuttle ASA – Group

Consolidated Financial Statements 2012

Consolidated Income Statement

NOTE	(NOK 1,000)	2012	2011
4	Revenues	12,841,191	10,528,720
4	Other income	17,851	3,471
	Total operating revenues and income	**12,859,042**	**10,532,191**
5	Operational expenses	9,131,424	7,818,926
6,7,17,18	Payroll	2,068,202	1,836,194
10,11	Depreciation, amortization and impairment	385,244	293,950
5a	Other operating expenses	534,336	472,908
20	Other losses/(gains) - net	336,385	-305,720
	Total operating expenses	**12,455,590**	**10,116,258**
	Operating profit	**403,452**	**415,934**
8	**Net financial items**	**186,888**	**-268,911**
26	Share of profit (loss) from associated company	32,840	19,518
	Profit (loss) before tax	**623,181**	**166,540**
9	Income tax expense (income)	166,535	44,416
	PROFIT (LOSS) FOR THE YEAR	**456,646**	**122,125**
16	Basic earnings per share	13.08	3.53
16	Diluted earnings per share	12.99	3.47
	Profit attributable to;		
	Owners of the company	456,646	122,125

Consolidated Statement of Comprehensive Income

NOTE	(NOK 1,000)	2012	2011
	Profit for the year	**456,646**	**122,125**
	Exchange rate differences Group	303	-1,694
	Total comprehensive income for the period	**456,949**	**120,431**
	Total comprehensive income attributable to;		
	Owners of the company	456,949	120,431

The notes are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

NOTE	(NOK 1,000)	2012	2011
	ASSETS		
	Non-current assets		
10	Intangible assets	237,774	236,216
9	Deferred tax asset	4,293	2,069
11	Aircraft, parts and installations on leased aircraft	5,579,757	3,869,159
11	Equipment and fixtures	58,476	31,991
11	Buildings	9,525	9,525
11	Financial lease asset	24,562	27,882
3,20	Financial assets available for sale	2,689	2,689
26	Investment in associate	116,050	82,091
11	Prepayment to aircraft manufacturers	2,844,359	2,126,954
13	Other receivables	135,562	113,061
	Total non-current assets	**9,013,047**	**6,501,638**
	Current assets		
14	Inventory	68,385	81,994
13	Trade and other receivables	1,096,558	1,072,497
3,20	Derivative financial instruments	0	242,790
3,20	Financial assets available for sale	10,172	0
24	Cash and cash equivalents	1,730,895	1,104,946
	Total current assets	**2,906,011**	**2,502,227**
	TOTAL ASSETS	**11,919,058**	**9,003,864**

The notes are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

NOTE	(NOK 1,000)	2012	2011
	EQUITY AND LIABILITIES		
15	**Equity**		
	Share capital	3,516	3,488
	Share premium	1,093,549	1,075,463
	Other paid-in equity	63,365	63,365
	Other reserves	-9,335	-9,638
	Retained earnings	1,269,556	812,910
	Total equity	**2,420,651**	**1,945,589**
	Non-current liabilities		
18	Pension obligation	0	151,187
19	Provision for periodic maintenance	175,306	81,865
9	Deferred tax	301,042	134,646
22	Borrowings	4,166,854	2,682,888
22	Financial lease liability	10,853	15,485
	Total non-current liabilities	**4,654,055**	**3,066,069**
	Short term liabilities		
22	Short term part of borrowings	1,349,359	1,551,918
21	Trade and other payables	1,564,955	1,230,935
	Air traffic settlement liabilities	1,739,681	1,208,326
3,20	Derivative financial instruments	190,356	539
9	Tax payable	0	488
	Total short term liabilities	**4,844,352**	**3,992,205**
	Total liabilities	**9,498,407**	**7,058,275**
	TOTAL EQUITY AND LIABILITIES	**11,919,058**	**9,003,864**

Fornebu, 20 March 2013

Bjørn H. Kise (Chairman of the Board)

Ola Krohn-Fagervoll (Deputy Chairman)

Liv Berstad

Marianne Wergeland Jenssen

Thor Espen Bråten (Employee Representative)

Jeanette Vannebo (Employee Representative)

Linda Olsen (Employee Representative)

Bjørn Kjos (Chief Executive Officer)

The notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

(NOK 1,000)	Share capital	Share premium	Other paid-in equity	Total paid-in equity	Other Reserves	Retained earnings	Total equity
Equity at 01 January 2011	3,457	1,055,083	54,521	1,113,062	-7,944	690,786	1,795,904
Net profit for the year						122,125	122,125
Exchange rate differences Group					-1,694		-1,694
Comprehensive income 2011					-1,694	122,125	120,431
Expenses for share issue 2010, net of tax							
Stock options - share issue	30	20,380	0	20,411			20,411
Compensation expense for stock options	0	0	8,844	8,844			8,844
Transactions with owners	30	20,380	8,844	29,255			29,255
Equity 31 December 2011	**3,488**	**1,075,463**	**63,365**	**1,142,317**	**-9,638**	**812,910**	**1,945,589**
Equity at 01 January 2012	**3,488**	**1,075,463**	**63,365**	**1,142,317**	**-9,638**	**812,910**	**1,945,589**
Net profit for the year						456,646	456,646
Exchange rate differences Group					303		303
Comprehensive income 2012		0	0	0	303	456,646	456,949
Stock options - share issue	28	18,085		18,114			18,114
Transactions with owners	28	18,085		18,114			18,114
Equity 31 December 2012	**3,516**	**1,093,549**	**63,365**	**1,160,431**	**-9,335**	**1,269,556**	**2,420,651**

The notes are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

NOTE	(NOK 1,000)	2012	2011
	CASH FLOWS FROM OPERATING ACTIVITIES:		
	Profit (loss) before tax	623,181	166,540
9	Taxes paid	-2,545	-4,192
10,11	Depreciation, amortisation and write-down	385,244	293,950
	Pension expense without cash effect	81,186	29,515
26	Profit from associated company	-32,840	-19,518
17	Compensation expense for employee options	0	8,844
10	Losses/(gains) on disposal of tangible assets	-16,401	44,468
20	Fair value (gains)/losses on financial assets	324,137	-260,730
8	Financial items	-186,888	268,911
8	Interest received	51,340	41,185
	Change in inventories, accounts receivable and accounts payable	-128,561	-177,434
	Change in air traffic settlement liabilities	531,439	254,093
	Change in other current assets and current liabilities	392,392	28,337
	Net cash flow from operating activities	**2,021,682**	**673,971**
	CASH FLOWS FROM INVESTING ACTIVITIES:		
11	Prepayments aircraft purchase	-2,134,161	-1,410,287
11	Purchase of tangible assets	-574,287	-704,523
10	Purchase of intangible assets	-55,901	-74,687
26	Payment to associated company	-1,119	-301
	Net cash flow from investing activities	**-2,765,468**	**-2,189,797**
	CASH FLOWS FROM FINANCIAL ACTIVITIES:		
22	Proceeds from long term debt	1,991,173	1,897,071
22	Payment of long term debt	-460,692	-347,683
15	Proceeds from issuing new shares	18,114	20,411
	Interest on borrowings	-179,161	-127,578
	Net cash flow from financial activities	**1,369,433**	**1,442,221**
	Foreign exchange effect on cash	302	136
	Net change in cash and cash equivalents	625,949	-73,469
	Cash and cash equivalents at 1 January	1,104,946	1,178,416
24	**Cash and cash equivalents at 31 December**	**1,730,895**	**1,104,946**

The notes are an integral part of these consolidated financial statements.

Note 1 – Summary of Significant Accounting Policies

1.1 General information

Norwegian Air Shuttle ASA and its subsidiaries (henceforth referred to as 'the Group') are a low-cost airline incorporated in

Norway and headquartered at Fornebu outside of Oslo. Norwegian Air Shuttle ASA is a public limited liability company and listed on the Oslo Stock Exchange.

The consolidated financial statements of Norwegian Air Shuttle ASA for the year ended 31 December 2012 were authorized for issue by the Board of Directors on 20 March 2013.

1.2 Basis of preparation

The consolidated financial statements of Norwegian Air Shuttle ASA have been prepared in accordance with the International Financial Reporting Standards (IFRS) and IFRIC interpretations, as adopted by the EU. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

In order to prepare financial statements in conformity with IFRS, it is necessary to apply certain critical accounting estimates. It also requires the management to exercise its judgment when applying the Group's accounting policies. The areas which implicate a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed below. See paragraph 1.5.

The Group has a strong financial position and there are no indications that the Group is in breach with the going concern convention. The Group continues to adopt the going concern convention in preparing its consolidated financial statements.

1.2.1 Changes in accounting policies and disclosures

Standards, amendments and interpretations

There are no IFRS or IFRIC interpretations which are effective at the start of the financial year, beginning on or after 1 January 2012, which would be expected to have any material impact on the Group.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below;

Effective for periods beginning on or after

Amendment to IAS 1 — 1 July 2012

Amendment to IAS 1 - 'Financial statement presentation' regarding other comprehensive incomes. Implementation will not have any material impact on the financial statements.

IAS 19 — 1 January 2013

IAS 19, 'Employee benefits', was amended in June 2011. Implementation will not have any material impact on the financial statements. The defined benefit plan was closed on 1 December 2012.

IFRS 9 — 1 January 2015

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The Group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015. The Group will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

IFRS 10 — 1 January 2014

IFRS 10, 'Consolidated financial statements', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The group is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2014.

IFRS 12 — 1 January 2014

IFRS 12, 'Disclosures of interests in other entities', includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2014.

IFRS 13	1 January 2013

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The Group is yet to assess the full impact of the amendments.

- IAS 27 'Separate Financial Statement' (revised)	1 January 2013
- IAS 28 'Investments in Associates and Joint Ventures' (Revised)	1 January 2013
- IFRS 7 'Financial Instruments: Disclosures on Assets and Liability Offsetting'	1 January 2013
- IFRS 11, 'Joint Arrangements'	1 January 2013
- Amendments to IFRS 10, 11 and IFRS 12 – Transition guidance	1 January 2013
- IAS 32 'Financial Instruments: Presentation-Offsetting Financial Assets and Liabilities'	1 January 2014

These standards, amendments and interpretations are not expected to have material impact on the financial statements.

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

1.3 Basis of consolidation
The Group's consolidated financial statements comprise Norwegian Air Shuttle ASA, and its subsidiaries, Norwegian Air Shuttle Sweden AB, Norwegian Long Haul AS, Norwegian Air Shuttle Polska SP.zo.o, AB Norwegian Air Shuttle Finland Ltd, NAS Asset Management Norway AS, NAS Asset Management Ireland Ltd and Call Norwegian AS. Norwegian Air Shuttle Polska SP.zo.o is under liquidation and NAS Asset Management Ireland Ltd was liquidated in 2012. Additionally, the Group has consolidated Special Purpose Vehicles (SPVs) according to SIC 12. The SPVs are solely established for aircraft financing purposes. The Group does not own the shares in those SPVs nor does it have control over the management of those SPVs, but the Group has accepted all risks and rewards related to the assets, liabilities and operations of the SPVs.

The financial statements of the subsidiaries and SPVs are prepared for the same reporting period as the parent company, using consistent accounting policies.

The acquisition method is applied when accounting for business combinations. Companies which have been acquired or sold during the year are included in the consolidated financial statements from the date when control was achieved till the date when control ceased.

The consideration which is transferred for the acquisition of a subsidiary consists of the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The transferred consideration includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Acquired identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at their fair values at the acquisition date. At an acquisition- by-acquisition basis, the Group recognizes any non-controlling interests of the acquiree either at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The excess of the consideration transferred and the amount of non-controlling interest over the fair value of the Group's share of the identifiable net assets acquired are recorded as goodwill. Should this be less than the fair value of the net assets of the subsidiary acquired, then the difference will be recognized directly in the income statement.

All intra Group balances, transactions and unrealized gains and losses on transactions between Group companies are eliminated.

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

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

An associate is an entity where the Group holds a significant influence but does not control the management of its finances and operations (usually when the Group owns 20 %-50 % of the voting rights of the company). The consolidated financial statements include the Group's share of the profits/losses from associates, accounted for using the equity method, from the date when a significant influence is achieved and till the date when such influence is ceased. The Group's share of its associates' post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dilution gains and losses arising in investments in associates are recognized in the income statement.

When the Group's share of a loss exceeds the Group's investment in an associate, the amount carried in the Group's balance sheet is reduced to zero and further losses are not recognized unless the Group has an obligation to cover any such losses. Unrealized gains on transactions between the Group and its associates are eliminated in proportion to the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Dilution gains and losses arising in investments in associates are recognized in the income statement.

All other investments are recognized in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*, and additional information are provided in note 20.

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

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

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Any differences in exchange are recognized in other comprehensive income.

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

The lease contracts require the aircraft to be returned at the end of the lease in accordance with the specific redelivery conditions stated in the lease contracts. To meet this requirement, the Group must conduct maintenances on these aircraft, both regularly and at the expiration of the leasing period. Provisions are made based on the estimated costs of overhauls and maintenances. In order to estimate these conditions, the management must make assumptions regarding expected future maintenances. For sensitivity analysis, see note 19.

Deferred tax assets are recognized for all unused tax losses to the extent where taxable profits are probable. Significant management judgment is required to determine the amounts of deferred tax assets which can be recognized, based on the anticipated timing and level of future taxable profits together with future tax planning strategies. See note 9 for further details.

The Group tests annually whether goodwill and other intangible assets with indefinite lives, have suffered any impairment in accordance with the accounting policy stated in note 1.8. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (see note 10).

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

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

The Group has closed its defined benefit plan, see note 1.17.1. Provisions for pension cost and conversion cost are recognized at 31 December 2012. Significant management judgment is required to determine the estimates for such provisions (see note 19).

1.6 Tangible assets
Tangible assets are carried at historical cost, less accumulated depreciation and impairment losses. When assets are sold or disposed of, the gross carrying amount and accumulated depreciation and impairment losses are derecognized. Any gain on the sale is recognized in the income statement as other income and any loss on the sale or disposal is recognized in the income statement as other losses/ (gains)-net.

The gross carrying amount of non-current assets is the purchase price, including duties/taxes and direct acquisition costs relating to making the non-current asset ready for its intended use. Subsequent costs, such as repair and maintenance costs, are normally recognized in profit or loss as incurred. When increased future economic benefits are the result of verified repair and maintenance work, these costs will be recognized in the balance sheet as additions to non-current assets. Borrowing costs are capitalized on qualifying assets.

Non-current assets are depreciated on a straight-line basis or by airborne hours and cycles over the estimated useful life of the asset beginning when the asset is ready for its intended use. Expected residual value is assessed when estimating the depreciable amount of the asset and deducted from the depreciable amount.

An aircraft is decomposed into two components for depreciation purposes in order to consider different useful lives of the aircraft components. The first aircraft component is defined as maintenance components. In accordance with official requirements, the aircraft must be maintained which means significant components must be changed after a specific number of take-offs or airborne hours. These components are identified as two heavy maintenance checks of the aircraft body, power restoration and life limited parts for the two engines on each plane, as well as maintenance on landing gears and APU. The maintenances and overhauls of these components occur on a defined interval, and the value is depreciated based on the number of take-offs or airborne hours until the next maintenance is conducted. Completed maintenance and overhaul are capitalized and depreciated until the next relevant maintenances and overhauls. The second aircraft component is defined as the remainder of the aircraft and depreciated over the economic useful life.

Investments in leased aircraft including cabin interior modifications are depreciated over their useful lives, but not exceeding the remaining leasing period.

Rotable spare parts are carried as non-current assets and depreciated over their useful lives.

Buildings are carried at acquisition costs, less accumulated depreciation.

The Group capitalizes prepayments on the purchase contracts of the Boeing 737 aircraft. The prepayments are classified as tangible assets as presented at the face of the balance sheet. The prepayments include capitalized borrowing costs. At the delivery of the aircraft, prepayments are included in acquisition costs of the aircraft and reclassified as aircraft in the balance sheet.

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

The depreciation period and method are assessed annually to ensure that they reconcile with the substance of the non-current asset. The residual value is estimated at each year end and changes to the residual value are accounted for prospectively. Additional details on tangible assets are outlined in note 11.

1.7 Intangible assets

1.7.1 Computer software

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

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

1.7.2 Goodwill and other intangible assets

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

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

Intangible assets which are determined as having indefinite economic lives, are not amortized, but subject for annual impairment testing. The determination of indefinite economic lives is based on the management's assessment concerning there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity.

See note 1.8 for details of impairment testing of non-financial assets and note 10 for additional details on intangible assets.

1.8 Impairment of non-financial assets

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

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

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

1.9 Financial assets
Financial assets are classified in the following categories; as fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale. The Group holds financial instruments that are classified as fair value through profit or loss, available-for-sale and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. The management determines the classification of its financial assets at initial recognition.

Financial assets which are categorized as fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if it was principally acquired for the purpose of selling on a short-term basis. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise trade, other receivables, cash and cash equivalents in the balance sheet (See note 1.12 and 1.13 respectively).

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the management intends to dispose of the investments within 12 months of the balance sheet date.

Regular purchases and sales of financial assets are recognized on the trade-date; the date which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss, are initially recognized at fair value and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has substantially transferred all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'other losses/ (gains) – net' of the period in which they occur. Gains or losses which occur from changes in the fair value of the 'available-for-sale' category are presented in equity within other comprehensive income in the period in which they occur. Interests on available-for-sale securities which are calculated using the effective interest method, is recognized in the income statement as part of other income. Dividend income from financial assets at fair value through profit or loss and available- for- sale financial assets are recognized in the income statement as a part of other income when the Group's right to receive payments is established.

1.9.1 Impairment of financial assets
The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets are impaired. The fair values of quoted investments are based on current mid prices at the balance sheet date. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. The valuation hierarchy for financial assets is detailed in note 3 where the techniques are making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment losses of financial assets measured at amortized cost are incurred only if there is objective evidence of impairment as a result of one or more events which occur after initial recognition. Impairment losses are recognized in the consolidated income statement if the losses have had an impact on the estimated future cash flows and that the impact can be reliably estimated.
For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

Impairment losses of available-for-sale financial assets are incurred if evidence exists of a prolonged or significant decline in the fair value of the security below its initial cost. If any such evidence exists, the cumulative loss (measured as the difference between the initial cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss) is removed from equity and comprehensive income and recognized in the income statement. If an increase in the fair value of available-for–sale financial assets occur in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the statement of comprehensive income.

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

The Group has not designated any derivatives as hedging instruments for accounting purposes in 2012 or 2011.

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

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

Receivables from credit card companies are classified as trade receivables in the balance sheet.

1.13 Cash and cash equivalents
Cash and cash equivalents include cash in hand and in banks, as well as short term deposits with an original maturity of three months or less. Cash and cash equivalents in the balance sheet include restricted funds from withheld employee tax, guarantees and deposits pledged as collateral for suppliers (note 24).

The Group holds investments in money market funds. These investments are classified as either cash equivalents or financial assets available-for-sale depending on the maturity of the investments.

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

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

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

1.15 Liabilities
Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost; difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.
Trade payables are obligations to pay for goods or services purchased from suppliers in accordance with general course of business. Accounts payables are classified as current liabilities if payment is due within the next 12 months. Payables due after the next 12 months are classified as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

1.16 Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

1.17 Employee benefits
The Group operates various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations.

1.17.1 Defined benefit plans
The Group operates defined benefit pension plans which requires contributions to be made to a separately administered fund. In addition, the Group participates in an early retirement plan (AFP) for all employees in Norway. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses, at the end of the previous

reporting year, exceed 10 % of the greater of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plans.

The past service cost is recognized as an expense on a straight-line basis over the average period until the benefits are vested. If the benefits are already vested immediately following the introduction of or changes to a pension plan, past service cost is recognized immediately.

The defined benefit obligation is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognized reduced by past service costs not yet recognized and the fair value of plan assets out of which the obligations are to be settled directly. If such aggregate is negative, the asset is measured at the lower of such aggregate or at the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

The AFP pension plan is a multi-employer defined benefit plan. However, the plan is recognized in the income statement as a defined contribution plan as the plans administrator has not allocated actuarial gains/losses to the members of the AFP pension plan as of 31 December 2012.

The defined benefit plan was closed 1 December 2012 and all employees were transferred to the contribution plan. Provisions for pension costs are detailed in note 19 and note 1.5.

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

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

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

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

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

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

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

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

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

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected in the year when the assets are realized or when the liabilities are settled, based on tax rates (and tax laws) which have been enacted, or substantively enacted, at the balance sheet date.

Deferred income tax assets and deferred income tax liabilities are offset to the extent that:

- the Group has a legal and enforceable right to offset the recognized amounts and
- if deferred tax assets and tax liabilities relates to income tax from the same tax authorities and the same taxable entity in the Group, or if different taxable entities in the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred income tax is provided based on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

1.19 Contingent assets and liabilities

A contingent asset is not recognized in the annual financial statements, but disclosed in the notes where an inflow of economic benefits is probable.

Contingent liabilities are defined as possible obligations arising from past events of which existence depends on future events, or it is not probable that they will lead to an outflow of resources, or cannot be measured with sufficient reliability.

Contingent liabilities are not recognized in the annual financial statements, but significant contingent liabilities are disclosed in the notes to the financial statements, with the exception of contingent liabilities where the probability of the liability occurring is remote.

1.20 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the general course of the Group's activities. Revenue is shown net of value-added tax and discounts. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below.

1.20.1 Passenger revenue

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

1.20.2 Ancillary revenue

Ancillary revenue comprises sales of ticket-related products and services, e.g.; revenue from baggage sales and seating. Some of the products and services are earned at the time of the transport, and such revenue is recognized in the same manner as passenger revenue. Other products and services are earned at the time of purchase and immediately recognized in the income statement.

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

1.20.3 Other revenue

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

Other airline revenues are recognized when the services have been rendered, fees are reliable measurable, collections are probable, and when other significant obligations have been fulfilled.

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

1.20.4 Customer loyalty program – Norwegian Reward

The Group has implemented a customer loyalty program. Customers earn `CashPoints' in the following circumstances;

- Bank Norwegian Customer; 1 % of the payment is earned on all purchases, except domestic flights within Norway or flights with competitive airlines within Norway. CashPoints are also earned on all `low fare' and 'full flex' tickets purchased from Norwegian Air Shuttle ASA and which are paid with the `Bank Norwegian' credit card, with 5 % and 20 % of the purchase price, respectively.
- Norwegian Air Shuttle ASA; My Reward Customer; 2 % on all low fare tickets and 10 % on all full flex tickets.
- Corporate Reward Customer; 3 % on all low fare tickets and 7 % on all full flex tickets.
- Talkmore; 5 % on all mobile usage.
- World Medical Card; 20 % on the membership fee.
- Helly Hansen; 10 % on Helly Hansen Brands Stores in Oslo

Corporate customers gain CashPoints on all airfares. Private customers gain CashPoints on international flights only, as domestic flights in Norway are prohibited from collecting CashPoints earning for private customers.

Customer CashPoints gained from purchased airline tickets and purchases from Call Norwegian are recognized as a liability in the balance sheet and deducted from the value of the purchase at the date of purchase. The customer Cashpoints liability is derecognized from the balance sheet and recognized as income when customers utilize their CashPoints.

All other earned customer CashPoints are recognized as a liability in the balance sheet and immediately expensed. When the customers use their collected CashPoints, the liability is derecognized and cash payment on the Group's services is reduced.

CashPoints are valid throughout the year, in which they were earned, plus two years. Unused CashPoints after this period are derecognized from the balance sheet. The liability is measured at fair value and classified as short term, as available statistics as of 31 December 2012 indicate that customer CashPoints are utilized within one year. Hence, the carrying value of the liability is estimated as the fair value of the liability.

1.21 Leasing
To determine whether an arrangement is, or contains a lease, it is necessary to assess whether the fulfillment of the arrangement is dependent on the use of a specific asset and if the arrangement conveys a right to use the asset.

The lease agreements, in which, most of the risk lies with the contracting party are classified as operating leases. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term. Payments for the lease and payments for other elements are recognized separately.

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

The Group leases tangible assets where the lease agreements transfer all material risks and rewards of the asset to the lessee at the end of the lease term. Such lease agreements are classified as financial leases. Financial leases are recognized at inception to the lowest of acquisition cost and the net present value of minimum lease payments. Financial lease assets are depreciated on a linear basis over the lease period if such is shorter than the economic useful life of the financial lease asset. Financial lease assets are included in the balance sheet as tangible assets.

Each lease payment under financial leases is split between the lease liability and finance cost to amortize the financial costs related to such leases for the duration of the lease period. The lease liability is classified as borrowings, see note 22 for details.

Sale and lease back transactions are treated as financial leases and operational leases depending on the nature of the lease. The Group has entered sales and lease backs transactions with regards to selling two aircraft and leasing back the same assets in 2012 (six in 2011). All sales and lease backs transactions are defined as operating leases established at fair value and any profit or loss is recognized immediately in the income statement as other income or other losses/(gains)-net.

1.22 Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker who is responsible for allocating resources and assessing the performance of the operating segments. The chief operating decision maker has been identified as the Board of Directors and the Executive Management. The Group has one operational segment, which is low cost air passenger travel. The Group has one geographical segment which is the route portfolio. See note 4 for further details.

1.23 Events after the balance sheet date
New information regarding the Group's positions at the balance sheet date is taken into account in the preparation of the annual financial statements. Events which occur after the balance sheet date which do not affect the Group's position at the balance sheet date, but which will affect the Group's position in the future, are stated if significant.

Note 2 – Financial Risk

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

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

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

2.2 Foreign exchange risk
A substantial part of the Group's expenses are denominated in foreign currencies. The Group's leases, aircraft borrowings, maintenance, jet-fuel and related expenses are mainly denominated in USD, and airplane operation expenses are partly denominated in EUR. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations. In order to reduce currency risk, the Group has a mandate to hedge up to 100 % of its currency exposure for the following 12 months. The hedging consists of forward currency contracts and flexible forwards.

If NOK had weakened/strengthened by 1 % against USD in 2012, with all other variables held constant, post-tax profit and post-tax equity effect for the year would have been MNOK 1.7 (2011: MNOK 3.7) lower/higher, mainly as a result of foreign exchange losses/gains on receivables, payables, derivative financial instruments, cash and cash equivalents and long term borrowings denominated in USD at 31 December.

If NOK had weakened/strengthened by 1 % against EUR with all other variables held constant, post-tax profit and post-tax equity effect for the year would have been MNOK 1.7 (2011: MNOK 0.1) lower/higher, mainly as a result of foreign exchange losses/gains on receivables, payables, derivative financial instruments and cash and cash equivalents.

The Group has investments in operations in Sweden, Poland and Finland, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is regarded as immaterial for the Group, and currency variances are not hedged.

2.3 Cash flow and fair value interest rate risk
As the Group has net interest bearing debt, the Group's income and operating cash flows are dependent of changes in the market interest rates. The Group's cash flow interest rate risk arises from cash and cash equivalents and floating interest rate borrowings. Floating interest rate borrowings consist of unsecured bond issue, aircraft financing from TD Bank, revolving credit facility, loan facility and financial lease liabilities. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Fixed interest rate borrowings consist of aircraft financing from PEFCO, guaranteed by the Ex-Im Bank of the United States. Borrowings are denominated in USD and NOK.

If the floating interest rate in 2012 had been 1 % higher/lower with all other variables held constant, post-tax profit and post-tax equity effect for the year would have been MNOK 2.9 (2011: MNOK 7.9) lower/higher, mainly as a result of higher/lower interest income on floating rate cash and cash equivalents and borrowings.

The sensitivity analysis of interest rate risk is calculated based on amortized cost of floating rate borrowings, cash and cash equivalents.

The Group measures borrowings at amortized cost. No changes in fair value of fixed rate interest rate borrowings would be accounted for. Fair value calculations of fixed interest rate borrowings are detailed in note 22.

2.4 Jet-fuel prices
Expenses for jet-fuel represents a substantial part of the Group's operating costs, and fluctuations in the jet-fuel prices influence the projected cash flows. The objective of the jet-fuel price risk management policy is to safeguard against significant and sudden increases in jet-fuel prices whilst retaining access to price reductions. The Group manages jet-fuel price risk using fuel derivatives. The management has a mandate to hedge up to 100% of its expected consumption over the next 12 months with forward commodity contracts.

The Group holds forward commodity contracts to hedge jet-fuel price risk. Such derivative contracts affect the financial statements through unrealized gains/losses from jet-fuel prices. If jet-fuel prices had increased/decreased by 1 % with all other variables held constant, post-tax profit for the year would have been MNOK 0.1 (2011: MNOK 0.4) higher/lower, as a result of unrealized gains/losses on price changes on forward commodity contracts held at the balance sheet date.

2.5 Credit risk
Credit risk is managed on group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to travel agencies and commercial customers, including outstanding receivables and committed transactions. The utilization of credit limits is regularly monitored. The Group's policy is to maintain credit sales at a minimum level. Sales to private customers are settled in cash or using major credit card companies.

For a part of the Group's sales, customers pay at the time of booking and Norwegian receive the actual payments from the credit card companies, or acquires are received at a later point in time. Delayed payments from credit card companies vary between credit card brands. The risk arising from receivables on credit card companies or credit card acquires are monitored closely.

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

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

2.6 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The management monitors rolling forecasts of the Group's liquidity reserve, cash and cash equivalents (see note 24) on the basis of expected cash flow. The Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to monitor balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

The Group's aircraft fleet consist of leased aircraft (note 12) and owned aircraft (note 11), whereof the Group has 270 owned aircraft on firm order with future delivery. The table below shows the expected timeline of future deliveries of aircraft at 31 December 2012. Prepayments to aircraft manufacturers on future aircraft deliveries are partly financed by pre-delivery payment financing. At the delivery of the aircraft, pre-delivery payment financing is replaced with long term financing guaranteed by export credit agencies. The Group has ensured export credit support on all aircraft on order, whereof 50 % of deliveries in 2013 and 2014 have final export credit guarantees. The remaining 50 % of deliveries in 2013 and 2014 will be converted to final export guarantees through annual conversions. The Group is currently in the process of securing pre-delivery payment financing and term financing according to the Group's financing policy for deliveries in the finance planning of 2013-2015.

Aircraft delivery	**2013**	**2014-2015**	**2016-**	**Total**
737-800	10	22	35	67
737 Max 8	0	0	100	100
Airbus 320 neo	0	0	100	100
787-8 Dreamliner	2	1	0	3
Total	**12**	**23**	**235**	**270**

The Group's financing policy includes sales and lease backs transactions on several aircraft to diversify its aircraft fleet. In 2012, two aircraft were delivered and financed as sales and lease backs transactions (six in 2011).

The table below analyses the maturity profile of the Group's financial liabilities at the balance sheet date. The amounts disclosed are the contractual undiscounted cash flows;

At 31 December 2012 (NOK 1,000)	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
Borrowings	1,359,672	457,543	1,759,652	2,185,347
Financial lease liability	4,396	4,396	6,457	0
Derivative contracts - payments	190,356	0	0	0
Trade and other payables	1,564,955	0	0	0
Interest on borrowings *)	157,642	132,129	246,445	150,760
Total financial liabilities	**3,277,021**	**594,068**	**2,012,554**	**2,336,108**

*) Calculated interests on borrowings

At 31 December 2011 (NOK 1,000)	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
Borrowings	1,552,536	300,235	890,268	1,655,730
Financial lease liability	4,396	4,396	8,268	2,297
Derivative contracts - payments	539	0	0	0
Trade and other payables	1,230,935	0	0	0
Interest on borrowings *)	150,039	68,052	153,054	119,231
Total financial liabilities	**2,938,445**	**372,683**	**1,051,590**	**1,777,258**

*) Calculated interests on borrowings

2.7 Capital risk management

The Group's capital management policy is to have a capital structure which meets the demands of operations, reduces cost of capital, complies with financial covenants and future investments planned by the Group. The Group will at all times adjust debt and equity to maintain and secure optimal capital structure by continuously monitoring the equity ratio of the Group. This ratio is calculated as equity divided by total assets as presented in the consolidated balance sheet and consolidated statement of changes in equity. Equity ratio is an important factor in financial covenants as detailed in note 22. The management monitors these externally imposed financial covenants closely as a part of the Group's capital risk management policy.

The Board of Directors has imposed an internal liquidity target which is closely monitored by the management.

The equity ratios at 31 December were as follows;

(NOK 1,000)	2012	2011
Equity (note 15)	2,420,651	1,945,589
Total assets	11,919,058	9,003,864
Equity ratio	**20.3 %**	**21.6 %**

Note 3 – Fair Value Estimation

Financial instruments which are measured in the balance sheet at fair value, requires disclosures of fair value measurements by the following levels of fair value measurement hierarchy:

Level 1
The fair value of financial instruments traded in active markets is based on quoted market prices of the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regular occurring market transactions on an arm's length basis.

Level 2
The fair value of financial instruments which are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. Financial instruments in level 2 include forward contracts classified as derivatives. The fair values of forward foreign currency contracts and forward commodities contracts are determined using forward prices and rates at the balance sheet date, with the resulting value discounted back to present value.

Level 3
If one or more of the significant inputs are not based on observable market data, specific valuation techniques are applied. Financial instruments included in level 3, relate to investments in unlisted shares in Silver Pensjonsforsikring and an equity investment in Forth Moment fund of which Warren Capital AS is the investment manager. Investment in Forth Moment Fund is classified as available-for-sale financial assets. See note 20 for additional details on available-for-sale financial assets.

The following table presents financial assets and liabilities measured at fair value at 31 December 2012;

(NOK 1,000)	Level 2	Level 3	Total
Assets			
Financial assets at fair value through profit and loss			
Available-for-sale financial assets	0	12,862	12,862
Total assets	**0**	**12,862**	**12,862**
Liabilities			
- Derivative financial liabilities	190,356	0	190,356
Total liabilities	**190,356**	**0**	**190,356**

The following table presents financial assets and liabilities measured at fair value at 31 December 2011;

(NOK 1,000)	Level 2	Level 3	Total
Assets			
Financial assets at fair value through profit and loss			
- Derivative financial instruments	242,790	0	242,790
Available-for-sale financial assets	0	2,689	2,689
Total assets	**242,790**	**2,689**	**245,479**
Liabilities			
- Derivative financial liabilities	539	0	539
Total liabilities	**539**	**0**	**539**

Note 4 – Segment Information

Executive management reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segment based on these reports. Executive management considers the business as one operational segment, which is low cost air passenger travel. The Group's operating profit come from airline-related activities and the Group's main revenue generating assets is its aircraft fleet, which is utilized across the Group's geographical segment.

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

The table below shows revenues from low cost air passenger travels which is split between passenger revenues, ancillary revenues and other revenues. A division of revenues from geographical markets categorizes domestic revenues as all domestic routes independent of country thus domestic routes in Norway, Sweden, Denmark and Finland are included.

(NOK 1,000)	**2012**	**2011**
By activity:		
Passenger transport	11,201,072	9,097,288
Ancillary revenue	1,405,495	1,224,744
Other revenues	234,624	206,688
Total revenues	**12,841,191**	**10,528,720**
By geographic market:		
Domestic	4,039,488	3,663,219
International	8,801,703	6,865,501
Total revenues	**12,841,191**	**10,528,720**

Note 5 – Operational Expenses

Other income amounts to MNOK 17.9 (2011: 3.5) and include gains from sales of tangible assets (note 11).

(NOK 1,000)	**2012**	**2011**
Sales and distribution expenses	274,954	198,930
Aviation fuel	3,740,508	3,093,514
Aircraft leases	1,032,915	829,667
Airport charges	1,730,217	1,561,369
Handling charges	1,077,334	982,191
Technical maintenance expenses	792,565	711,597
Other aircraft expenses	482,932	441,657
Total operational expenses	**9,131,424**	**7,818,926**

Note 5a – Other Operating Expenses

Other operating expenses amount to MNOK 534.3 (2011: MNOK 472.9). Other operating expenses are related to the operating of systems, marketing, back office, consultants and other costs not directly attributable to the operation of the aircraft fleet and related airline specific costs.

Note 6 – Payroll Expenses and Number of Employees

Payroll expenses

(NOK 1,000)	2012	2011
Wages and salaries	1,125,536	1,070,267
Social security tax	226,133	198,496
Pension expenses	253,871	210,730
Employee stock options	0	8,844
Other benefits	74,591	65,823
Hired crew personnel	388,071	282,034
Total	**2,068,202**	**1,836,194**

Payroll expenses include hired crew personnel. The employees are participants in defined pension plans. See note 18 for details.

Number of man-labour years *)

	2012	2011
Norway	1,734	1,697
Sweden	421	392
Danmark	252	242
Finland	128	105
Spain	167	0
United Kingdom	4	0
Total	**2,705**	**2,435**

*) including man-labour years related to hired crew personnel

Note 7 – Remuneration of the Board of Directors and Executive Management

Remuneration of the Board of Directors
Total remuneration paid to the Board in 2012 was MNOK 1 (2011: MNOK 1). The Chairman of the Board, Bjørn Kise, received MNOK 0.36 (2011: MNOK 0.35). There were no bonuses or other forms of compensation paid to the Board members in 2012.

Directive of Remuneration of the CEO and the Executive Management
The principles of leadership remuneration in Norwegian Air Shuttle ASA are to stimulate a strong and lasting profit oriented culture. The total compensation level should be competitive, however, not market leading compared to similar organizations. The Board determines the remuneration of the CEO, and the guidelines for remuneration of the Executive Management. The remuneration of the Board and the Executive Management must not have negative effects on the Group, nor damage the reputation and standing of the Group in the public eye. There have been no changes to the guidelines or principles of management remuneration during the year. The actual remuneration in 2012 was consistent with the guidelines and principles.

Compensation made to the Executive Management should primarily consist of a fixed yearly salary with additional compensations such as a company car, free telephone, internet and newspapers, and a standard pension and insurance plan. The Executive Management was also a part of the Group's stock option plan in 2011.

The CEO does not receive compensation in form of performance based salary or bonuses, except for options in the stock option plan in 2011. The Executive Management can on an individual level be awarded with a special compensation for profit enhancing projects.

The Executive Management is a part of the Group's collective pension plan for salaries up to 12 G, which applies to all employees. The Executive Management has not been given any specific rights in case of terminated employment.

Total compensation year 2012						
(NOK 1,000)	**Fee**	**Salary**	**Bonus**	**Other benefits **)**	**Total Compensation**	**Pension expense ***)**
The Board of Directors						
Bjørn Kise (chairman)	360				360	
Ola Krohn-Fagervoll (deputy chairman)	225				225	
Liv Berstad	175				175	
Marianne Wergeland Jenssen	175				175	
Thor Espen Bråthen*)	35				35	
Kenneth Utsikt*)	35				35	
Linda Olsen*)	35				35	
Total board of directors	**1,040**	**0**	**0**	**0**	**1,040**	**0**
Executive Management						
Bjørn Kjos (Chief Executive Officer)		1 328		169	1,497 a)	134
Frode Foss (Chief Financial Officer)		1,762		158	1,920 b)	102
Asgeir Nyseth (Chief Operating Officer)		1,734		155	1,889 c)	140
Hans-Petter Aanby (Chief IT Officer, Quit 31 May 2012)		969		45	1,014 d)	73
Per Ivar Gjørvad (Chief IT Officer, Started on 1 June 2012)		961		89	1,050 e)	75
Daniel Skjeldam (Chief Commercial Officer, Quit 31 August 2012)		1,200		106	1,306 f)	36
Gunnar Martinsen (Senior Vice President HR and Organisation)		1,249		164	1,413 g)	153
Anne-Sissel Skånvik (Senior Vice President Corporate Communications)		1,255		139	1,394	136
Total executive management	**0**	**10,458**	**0**	**1,025**	**11,483**	**848**

*) For the employee representatives in the Board of Directors, only their fee for serving on the Board of Directors fee is stated.
**) Other benefits include company car, telephone, internet etc.
***) Pension expense reflects paid pension premium less employee contribution

a) Bjørn Kjos exercised share options in 2012 that has been reported as additional taxable income with NOK 256,397
b) Frode Foss exercised share options in 2012 that has been reported as additional taxable income with NOK 280,627
c) Asgeir Nyseth exercised share options in 2012 that has been reported as additional taxable income with NOK 295,741
d) Hans-Petter Aanby exercised share options in 2012 that has been reported as additional taxable income with NOK 346,669
e) Per Ivar Gjørvad exercised share options in 2012 that has been reported as additional taxable income with NOK 39,224
f) Daniel Skjeldam exercised share options in 2012 that has been reported as additional taxable income with NOK 138,664
g) Gunnar Martinsen exercised share options in 2012 that has been reported as additional taxable income with NOK 104,118

Total compensation year 2011						
(NOK 1,000)	**Fee**	**Salary**	**Bonus**	**Other benefits **)**	**Total Compensation**	**Pension expense ***)**
The Board of Directors						
Bjørn Kise (chairman)	350				350	
Ola Krohn-Fagervoll (deputy chairman)	225				225	
Liv Berstad	175				175	
Marianne Wergeland Jenssen	175				175	
Thor Espen Bråthen*)	35				35	
Kenneth Utsikt*)	35				35	
Linda Olsen*)	35				35	
Total board of directors	**1,030**	**0**	**0**	**0**	**1,030**	**0**
Executive Management						
Bjørn Kjos (Chief Executive Officer)		1 251		167	1,418 a)	126
Frode Foss (Chief Financial Officer)		1,565		144	1,709 b)	91
Asgeir Nyseth (Chief Operating Officer)		1,640		179	1,819 c)	132
Hans-Petter Aanby (Chief IT Officer)		1,588		105	1,693 d)	119
Daniel Skjeldam (Chief Commercial Officer)		1,605		135	1,740 e)	48
Gunnar Martinsen (Senior Vice President HR and Organisation)		1,247		167	1,414 f)	153
Anne-Sissel Skånvik (Senior Vice President Corporate Communications)		1,286		125	1,411 g)	139
Total executive management	**0**	**10,182**	**0**	**1,022**	**11,204**	**808**

*) For the employee representatives in the Board of Directors, only their fee for serving on the Board of Directors fee is stated.
**) Other benefits include company car, telephone, internet etc.
***) Pension expense reflects paid pension premium less employee contribution

a) Bjørn Kjos exercised share options in 2011 that has been reported as additional taxable income with NOK 241,024
b) Frode Foss exercised share options in 2011 that has been reported as additional taxable income with NOK 235,912
c) Asgeir Nyseth exercised share options in 2011 that has been reported as additional taxable income with NOK 228,244
d) Hans-Petter Aanby exercised share options in 2011 that has been reported as additional taxable income with NOK 113,209
e) Daniel Skjeldam exercised share options in 2011 that has been reported as additional taxable income with NOK 945,409
f) Gunnar Martinsen exercised share options in 2011 that has been reported as additional taxable income with NOK 113,209
g) Anne-Sissel Skånvik exercised share options in 2011 that has been reported as additional taxable income with NOK 113,209

The tables above are presented excluding employers contribution. Shares and options held by the Executive Management are presented in note 15. There are no outstanding loans or guarantees made to the Board of Directors or the Executive Management.

Audit remuneration (excl VAT)

(NOK 1,000)	2012	2011
Audit fee	1,016	871
Other audit related services	264	100
Tax advisory	5	643
Other services	21	50
Total	**1,307**	**1,664**

Note 8 – Net Financial Items

(NOK 1,000)	2012	2011
Interest income	47,543	35,665
Interest expense	-118,845	-70,246
Net foreign exchange (loss) or gain	273,353	-228,470
Appreciation cash equivalents	21,024	12,723
Fair value adjustment long term deposits	2,900	4,550
Other financial items	-39,087	-23,134
Net financial items	**186,888**	**-268,911**

Foreign exchange derivatives and fuel derivatives are categorized as financial assets or financial liabilities at fair value through profit or loss and are measured at fair value at each balance sheet date with changes in fair value recognized as other gains and losses within operating expenses.

Net foreign exchange gain of MNOK 273.4 from revaluation of USD denominated borrowings is recognized in 2012 (2011: MNOK 228.5 as loss). Forward foreign currency contracts are entered to reduce foreign currency risk from USD denominated borrowings (note 2 and 20).

Non-interest bearing deposits for aircraft leases are initially measured at fair value and a periodic interest income is calculated using the same interest rate as for fair value calculation.

See note 3 for fair value estimation and note 20 for further information concerning available-for–sale financial assets.

Interest expenses include amortized cost on borrowings. Capitalized interests reduce interest expenses (note 11).

Note 9 – Tax

This year's tax expense consists of (NOK 1,000):	2012	2011
Tax payable	2,545	488
Adjustments from previous year	-181	81
Change in deferred tax	164,171	43,848
Income tax expense	**166,535**	**44,416**

Reconciliation from nominal to effective tax rate:

(NOK 1,000)	2012	2011
Profit before tax	623,181	166,540
Expected tax expense using nominal tax rate (28 %)	174,491	46,631
Tax effect of the following items:		
Non deductible expenses/income	-7,875	-2,265
Adjustments from previous year	-181	81
Tax rate outside Norway other than 28%	101	-31
Tax expense	**166,535**	**44,416**
Effective tax rate	26.72%	26.67%

The following table details deferred tax assets and liabilities;

Deferred tax	**Assets 2012**	**Liabilities 2012**	**Assets 2011**	**Liabilities 2011**
Intangible assets	0	-6,274	0	-6,274
Tangible assets	0	-324,108	0	-222,097
Long term receivables and borrowings in foreign currency	0	-43,418	0	-50,131
Inventories	0	4,681	0	1,192
Receivables	0	8,859	0	2,806
Financial instruments	0	53,300	0	-67,830
Derferred gains/losses	0	-7,403	0	5,253
Other accruals	0	61,292	0	26,042
Pensions	0	0	0	43,010
Other temporary differences	0	-66,734	0	-86,449
Loss carried forward	4,293	18,764	2,069	219,832
Gross deferred tax assets and liabilities	**4,293**	**-301,042**	**2,069**	**-134,646**

Reconciliation of deferred tax assets and liabilities	**Assets 2012**	**Liabilities 2012**	**Assets 2011**	**Liabilities 2011**
Recognized at 1 January	2,069	-134,646	270	-89,483
Charged/credited to the income statement	2,224	-166,395	1,799	-45,566
Translation differences	0	0	0	402
Recognized at 31 December	**4,293**	**-301,042**	**2,069**	**-134,646**

The Group has recognized MNOK 4.3 as a deferred tax asset in 2012 (2011: MNOK 2.1) Deferred tax asset is based on unused tax loss carry forwards and temporary differences in assets and liabilities. The tax loss carried forward is expected to be utilized by future taxable profits. Deferred tax liability is based on temporary differences in assets and liabilities, as well as allocation of purchase price of Norwegian Air Shuttle Sweden AB to fair values.

Note 10 – Intangible Assets

			Other intangible assets		
(NOK 1,000)	**Software**	**Goodwill**	**Indefinite life**	**Definite life**	**Total**
Acquisition costs 1 January 2011	202,335	94,157	26,036	69,574	392,102
Additions	74,687	0	0	0	74,687
Disposals	-12,703	0	0	0	-12,703
Acquisition costs 31 December 2011	**264,318**	**94,157**	**26,036**	**69,574**	**454,085**
Acquisition costs 1 January 2012	264,318	94,157	26,036	69,574	454,085
Additions	55,901	0	0	0	55,901
Disposals	-3,867	0	0	0	-3,867
Acquisition costs 31 December 2012	**316,351**	**94,157**	**26,036**	**69,574**	**506,118**
Accumulated amortization 1 January 2011	112,234	0	0	69,574	181,808
Amortization	34,079	0	0	0	34,079
Impairment	14,500	0	0	0	14,500
Amortization disposals	-12,520	0	0	0	-12,520
Accumulated amortization 31 December 2011	**148,294**	**0**	**0**	**69,574**	**217,868**
Accumulated amortization 1 January 2012	148,294	0	0	69,574	217,868
Amortization	53,062	0	0	0	53,062
Impairment	0	0	0	0	0
Amortization disposals	-2,585	0	0	0	-2,585
Accumulated amortization 31 December 2012	**198,771**	**0**	**0**	**69,574**	**268,345**
Book value at 31 December 2011	**116,024**	**94,157**	**26,036**	**0**	**236,216**
Book value at 31 December 2012	**117,581**	**94,157**	**26,036**	**0**	**237,774**
Useful life	3-5 years	Indefinite	Indefinite	See below	
Amortization plan	Linear	None	None	Linear	

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

Other intangible assets and goodwill are related to the purchase of Norwegian Air Shuttle Sweden AB on 31 July 2007. Other intangible assets from business combinations consist of estimated fair value of Brand name, charter operations, slots and the Air Operating Certificate. Other intangible assets also consist of intellectual property rights which are related to purchases of internet domains. The Group has developed international web portals in major markets.

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

Impairment testing of goodwill and intangible assets
The Group tests goodwill and assets with indefinite useful lives annually at year end for impairment. Intangible assets with definite lives are tested for impairment if indicators of impairment are identified.

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

Discount rate
The applied discount rate is 7.9% (2011: 9.1%) and based on Weighted Average Cost of Capital (WACC). The cost of the Group's debt and equity capital, weighted accordingly to reflect its capital structure, gives the Group’s weighted average cost of capital. The WACC rates which are used to discount the future cash flows are based on market risk free interest rates adjusted for inflation differentials and also include the debt premium, market risk premium, gearing corporate tax rate and asset beta. An increase of the discount rate by 5% will not result in impairment of goodwill and intangible assets.

Growth rates
The basis for calculating future growth rate is next year management approved budget. Except for growth assumptions from budgeted production increase, no growth is incorporated in the impairment test for 2012.

Operating costs
The operating costs are calculated based on the budget period. Committed operations efficiency programs for the next 12 months are taken into account. Changes in the outcome of these initiatives may affect future estimated operating costs. A permanent increase of 5% of total costs, with all other assumptions unchanged, will not result in impairment of assets.

Terminal value
A growth rate of 2% is used in calculating cash flow beyond the 8 year period.

Sensitivity
At 31 December 2012, the Group’s value in use was significantly higher than the carrying amount of its goodwill and intangible assets. The impairment calculation is not particularly sensitive to changes in assumptions.

Note 11 – Tangible Assets

(NOK 1,000)	Buildings	Aircraft, parts and installations on leased aircraft	Prepayment Boeing contract	Equipment and fixtures	Financial lease	Total
Acquisition cost at 1 January 2011	9,525	2,451,396	2,002,600	112,960	34,607	4,611,088
Additions	0	716,505	1,410,287	23,363	0	2,150,154
Transfers	0	1,285,933	-1,285,933	0	0	0
Disposals	0	-29,206	0	-22,020	0	-51,226
Acquisition cost at 31 December 2011	**9,525**	**4,424,627**	**2,126,954**	**114,303**	**34,607**	**6,710,017**
Acquisition cost at 1 January 2012	9,525	4,424,627	2,126,954	114,303	34,607	6,710,016
Additions	0	607,445	2,134,161	46,416	0	2,788,023
Transfers	0	1,416,756	-1,416,756	0	0	0
Disposals	0	-125,559	0	0	0	-125,559
Acquisition cost at 31 December 2012	**9,525**	**6,323,271**	**2,844,359**	**160,719**	**34,607**	**9,372,481**
Accumulated depreciation at 1 January 2011	0	359,259	0	86,785	3,404	449,448
Depreciation	0	224,865	0	17,185	3,320	245,370
Depreciation disposals	0	-28,656	0	-21,657	0	-50,313
Accumulated depreciation at 31 December 2011	**0**	**555,468**	**0**	**82,313**	**6,724**	**644,505**
Accumulated depreciation at 1 January 2012	0	555,468	0	82,313	6,724	644,505
Depreciation	0	308,931	0	19,930	3,321	332,183
Depreciation disposals	0	-120,886	0	0	0	-120,886
Accumulated depreciation at 31 December 2012	**0**	**743,513**	**0**	**102,243**	**10,045**	**855,801**
Book value at 31 December 2011	**9,525**	**3,869,159**	**2,126,954**	**31,991**	**27,882**	**6,065,512**
Book value at 31 December 2012	**9,525**	**5,579,757**	**2,844,359**	**58,476**	**24,562**	**8,516,680**

Estimated useful life, depreciation plan and residual value is as follows:

Useful life	See below	See below	See below	3-9 years	4-20 years	
Depreciation plan	See below	Linear	See below	Linear	Linear	
Residual value	100%	See below	See below	0%	0%	

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is calculated to write-off the cost, less estimated residual value of assets, on a straight-line basis over their expected useful lives. Expected useful lives are reviewed annually.

Items held under finance leases are depreciated over the shorter of the lease term and their expected useful lives, as shown above. Residual values, where applicable, are reviewed annually against prevailing market rates at the balance sheet date for equivalently aged assets and depreciation rates adjusted accordingly on a prospective basis. The carrying value is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

As at 31 December 2012, the Group operated a total of 68 aircraft, whereas 28 were owned and 40 were leased under operational leases. See note 12 for details about operational leases.

Aircraft
The Group acquired 8 Boeing 737-800 aircraft during 2012 and 8 aircraft during 2011. Each aircraft is decomposed and depreciated over the economic useful life of each component on a straight-line basis. The body of the aircraft is depreciated based on economic useful years, while other components are based on airborne hours and cycles.

The residual value is MNOK 1,614.4 (2011: MNOK 1,087.2) in total for all owned aircraft and deducted from the depreciable amount of the body of the aircraft. The life expectancy of the body of the aircraft is 25 years for the 737 aircraft, and the economic life of the owned aircraft is 25 years less the age of the aircraft at time of purchase.

Installations on leased aircraft
The installations on the leased aircraft include cabin interior modifications and other improvements to the aircraft after lease commencement. The capitalized value is depreciated over the remainder of the aircraft lease, which is between 1-10 years. Linear depreciation is applied and residual value is NOK 0. In 2012 and 2011 several engines on the leased aircraft were in overhaul, and replacement costs for life limited parts were capitalized to the extent that the costs were improvements to the engines and therefore exceeding the requirements which were specified in the leasing contracts. These components are depreciated at a defined rate per engine cycle, limited to the remainder of the aircraft lease.

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

Buildings
Buildings consist of 3 apartments in Berlin, purchased in 2007 for the purpose of housing crew and trainees stationed in Berlin on a temporary basis. In 2010, the Group purchased an apartment in Seattle for the purpose of housing personnel stationed in Seattle concerning the delivery of new 737-800 aircraft. Buildings are carried at acquisition cost. The residual value is estimated to equal the acquisition cost.

Prepayments to aircraft manufacturers
In 2007 the Group entered a purchase contract with Boeing Commercial Airplanes concerning 42 new 737-800 aircraft, with an option of purchasing 42 additional aircraft. The contract was extended in June 2011 for an additional 15 Boeing 737-800. In 2011, the Group entered a purchase contract with Icelandair for the right to acquire 3 Boeing 787-8 Dreamliner aircraft, which Icelandair had on order with Boeing Commercial Airplanes. In January 2012, the Group entered additional purchase contracts with Boeing Commercial airplanes and Airbus S.A.S comprising a total of 372 aircraft, whereof 222 were firm orders. Note 2.6 include a table showing the timeline of future deliveries.

At 31 December 2012, 23 owned and 10 sale and lease backs were delivered. Until delivery of the aircraft, the Group will make prepayments to aircraft manufacturers, following a defined prepayment schedule. The Group capitalizes borrowing costs incurred for the construction of qualifying assets during the period of time which is required to complete the aircraft. Borrowing costs of MNOK 73.5 (2011: MNOK 78.2) have been capitalized during the year. An average capitalization rate of 4.7 % (2011:5.1 %) was used.

Financial lease assets
In 2009, the Group entered lease agreements concerning de-ice equipment and electronic flight bag equipment. The lease agreements are classified as financial leases as all risks and rewards are transferred to the Group after the end of the lease agreement. The financial lease assets are depreciated over their economic useful lives. De-ice equipment is depreciated over 20 years, while electronic flight bag equipment is depreciated over 4 years. Residual value of financial lease assets is 0.

Impairment of tangible assets
In 2012 and 2011 the management determined that the total operations of the Group were its cash generating unit, and as such, there is only one operational segment in the Group. Impairment testing of tangible assets is covered by impairment testing on the whole Group. See note 10 for details.

No impairment losses have been recognized in 2012 or 2011.

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

Note 12 – Operating Leases

The lease agreements on the Boeing 737 aircraft last between 3 and 10 years from the date of agreement, with some extension options. The lease agreements on the Boeing 787 aircraft last for 12 years with an option for extension. From 2002 to 2010, 46 aircraft were delivered. In 2011, 8 aircraft were delivered and 13 aircraft were delivered in 2012. Renegotiations have resulted in the extension of some of the shorter leases. In 2012, 7 (2011: 10) aircraft were redelivered to the lessor. Contracts for one of the aircraft will expire in 2013, and contracts for 4 of the aircraft expire in 2014. The remaining contracts expire in 2015 or later.

Leasing costs expensed on aircraft lease within operational expenses was MNOK 929.9 in 2012 (2011: MNOK 829.7). Included in leasing costs are operating lease costs on aircraft from sale-and-leaseback transactions.

In addition, the Group leases 16 (2011: 5) cars and 10 (2011: 11) properties in Oslo, Stavanger, Stockholm and Copenhagen. Leasing costs related to cars and properties expensed in other operating expenses in 2012 was MNOK 46.0. (2011: MNOK 27.9).

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

	Nominal value 2012				Nominal value 2011			
(NOK 1,000)	**Aircraft**	**Cars**	**Property**	**Total**	**Aircraft**	**Cars**	**Property**	**Total**
Within one year	1,526,147	4,339	45,367	1,575,852	1,342,217	4,222	43,127	1,389,566
Between 1 and 5 years	6,577,357	11,419	63,572	6,652,348	5,798,435	15,179	65,910	5,879,524
After 5 years	7,017,603	0	29,355	7,046,957	5,659,708	0	42,401	5,702,109

The aircraft's minimum lease payments consists of ordinary lease payments, contractual payments for maintenance reserves and expensed deferred lease payments resulting from non-interest bearing deposits paid at inception of lease agreements. Aircraft leases committed through letter of intent are not included in the table above.

Note 13 – Trade and Other Receivables

Specification of receivables

(NOK 1,000)	2012	2011
Trade receivables	217,381	214,343
Credit card receivables	665,284	527,578
Deposits	127,388	109,717
Deferred leasing costs	20,387	17,961
Reimbursements claims maintenance costs	99,157	174,150
Other claims	20,410	10,648
Trade and other receivables	**1,150,008**	**1,054,397**
Prepaid costs	24,060	62,102
Public duty debt	35,784	48,846
Prepayments to employees	945	645
Prepaid rent	21,323	19,569
Prepayments	**82,112**	**131,162**
Total	**1,232,120**	**1,185,559**
Maximum credit risk	981,823	916,071

Due dates

(NOK 1,000)	2012	2011
Within one year	1,096,558	1,072,497
After 1 year	135,562	113,061
Total	**1,232,120**	**1,185,559**

Currency (NOK 1,000)	2012	2011
DKK	97,083	62,952
EUR	16,940	12,951
GBP	3,207	2,028
NOK	494,558	495,520
USD	51,683	56,690
SEK	231,376	157,789
PLN	1,851	2,161
AED	0	171

Fair value of trade and other receivables

(NOK 1,000)	2012	2011
Due within one year	1,096,558	1,072,498
After one year *)	115,117	95,100
Total	**1,211,674**	**1,167,598**

*) Discount rate 2.5% (2011: 2.8%). For receivables due within one year, fair value is equal to nominal value.

Provision for bad debt

(NOK 1,000)	2012	2011
Balance 1 January	13,795	44,552
Charged to the income statement	12,555	-5,870
Accruals	34,981	11,215
Reversals	-26,350	-36,102
Balance 31 December	**34,981**	**13,795**

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

Overdue accounts receivables

(NOK 1,000)	2012	2011
Overdue less than 1 month	28,550	21,288
Overdue 1-2 months	0	1,938
Overdue 2-3 months	30	1,047
Overdue over 3 months	7,178	8,468
Total	**35,758**	**32,740**

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

Non-interest bearing deposits are measured at amortized cost in the balance sheet. Deposits denominated in foreign currencies are converted using the prevailing exchange rates on the balance sheet date.

Note 14 - Inventories

(NOK 1,000)	2012	2011
Consumables	61,068	69,185
Parts for heavy maintenance	7,317	12,809
Total	**68,385**	**81,994**

In 2012 and 2011 the Group bought parts removed from aircraft engines in relation to heavy maintenances. These parts are held for sale and sold in secondary markets. Charges for obsolete parts in 2012 were MNOK 16.5 (2011: MNOK 4.5).

Note 15 – Equity and Shareholder Information

At 31 December the share capital consists of the following share categories;

(NOK 1,000)	Number of shares	Ordinary shares	Share premium	Total
01 January 2011	34,573,332	3,457	1,055,083	1,058,540
Share issue 26 October 2011	304,894	30	20,380	20,411
31 December 2011	**34,878,226**	**3,488**	**1,075,463**	**1,078,951**
Share issue 1 November 2012	283,913	28	18,085	18,114
31 December 2012	**35,162,139**	**3,516**	**1,093,549**	**1,097,065**

All issued shares are fully paid with a par value of 0.1 NOK per share (2011: 0.1 NOK per share). There is only one category of shares, and all shares have equal rights. The share issue at 1 November was related to exercise of employee share options with an exercise price of NOK 124.40. For additional information about the employee share options, see note 17.

Description of items booked directly on shareholder's equity:

Translation differences
MNOK 0.3 has been booked as comprehensive income at 31 December 2012 (2011: MNOK -1.7). The translation differences arise from translating the subsidiaries Norwegian Air Shuttle Polska SP.zo.o, Norwegian Air Shuttle Sweden AB and AB Norwegian Air Shuttle Finland Ltd from functional currency to presentation currency.

Stock option plan
Stock options are granted to the management and the employees. The Group granted a stock options plan in 2010 where the employees were granted stock options in exchange for a voluntary reduction in salary. The first part of this option plan was exercised in October 2011 and the second part of the plan was exercised after announcing the third quarterly results for 2012. See note 17 for further details. Total stock option expense in 2012 was MNOK 0 (2011: MNOK 8.8) as the shares were fully vested in 2011.

Shareholder structure

The largest shareholders at 31 December 2012 were;

	A-shares	Owner-ship	Voting-rights
HBK INVEST AS	9,489,116	26.99%	26.99%
FINNAIR PLC	1,649,862	4.69%	4.69%
SKAGEN KON-TIKI	1,628,768	4.63%	4.63%
SKAGEN VEKST	1,504,738	4.28%	4.28%
JPMORGAN CHASE BANK	823,567	2.34%	2.34%
DANSKE INVEST NORSKE	732,876	2.08%	2.08%
STATOIL PENSJON	676,060	1.92%	1.92%
DANSKE INVEST NORSKE	617,942	1.76%	1.76%
VERDIPAPIRFONDET DNB	572,443	1.63%	1.63%
KLP AKSJE NORGE VPF	534,416	1.52%	1.52%
DNB LIVSFORSIKRING A	437,293	1.24%	1.24%
KOMMUNAL LANDSPENSJO	334,415	0.95%	0.95%
JPMCB RE SHB SWEDISH	302,931	0.86%	0.86%
BNYBE - TT MID-CAP E	301,310	0.86%	0.86%
STATE STREET BANK &	285,280	0.81%	0.81%
GOLDMAN SACHS INT. -	280,397	0.80%	0.80%
STATE STREET BANK AN	278,877	0.79%	0.79%
VERDIPAPIRFONDET DNB	270,000	0.77%	0.77%
VERDIPAPIRFONDET DNB	258,906	0.74%	0.74%
FOLKETRYGDFONDET	252,700	0.72%	0.72%
Other	13,930,242	39.62%	39.62%
Total number of shares	**35,162,139**	**100%**	**100%**

The largest shareholders at 31 December 2011 were;

	A-shares	Owner-ship	Voting-rights
HBK INVEST AS	9,499,116	27.24%	27.24%
AWILCO INVEST AS	2,225,726	6.38%	6.38%
FINNAIR PLC	1,649,862	4.73%	4.73%
SKAGEN KON-TIKI	1,628,768	4.67%	4.67%
SKAGEN VEKST	1,504,738	4.31%	4.31%
VERDIPAPIRFONDET DNB	951,452	2.73%	2.73%
JPMORGAN CHASE BANK	823,567	2.36%	2.36%
VITAL FORSIKRING ASA	737,082	2.11%	2.11%
STATE STREET BANK AN	685,858	1.97%	1.97%
DANSKE INVEST NORSKE	611,274	1.75%	1.75%
KLP AKSJE NORGE VPF	480,000	1.38%	1.38%
DANSKE INVEST NORSKE	471,876	1.35%	1.35%
GOLDMAN SACHS INT	450,000	1.29%	1.29%
VERDIPAPIRFONDET DNB	430,797	1.24%	1.24%
DNB NOR SMB VPF	411,650	1.18%	1.18%
SHB STOCKHOLM CLIENT	404,021	1.16%	1.16%
HOLBERG NORDEN	351,815	1.01%	1.01%
HOLBERG NORGE	316,903	0.91%	0.91%
KOMMUNAL LANDSPENSJONSKASSE	300,000	0.86%	0.86%
SKANDINAVISKE ENSKILDA	243,358	0.70%	0.70%
Other	10,700,363	30.70%	30.70%
Total number of shares	**34,878,226**	**100%**	**100%**

Shares directly or indirectly held by members of the Boards of Directors, Chief Executive Officer and Executive Management;

Name	Title	Shares 1)
Bjørn Kise 2)	Chairman	780,714
Ola Krohn-Fagervoll	Deputy chairman	15,462
Liv Berstad	Board Member	0
Marianne Wergeland Jenssen	Board Member	0
Linda Olsen	Board Member - Employee repr	0
Thor Espen Bråten	Board Member - Employee repr	2,098
Jeanette Vannebo	Board Member - Employee repr	814
Bjørn Kjos 3)	Chief Executive Officer	8,031,324
Frode E Foss	Chief Financial Officer	35,000
Per-Ivar Gjørvad (Started on 1 June 2012)	Chief IT Officer	300
Hans-Petter Aanby (Quit 31 May 2012)	Chief IT Officer	0
Asgeir Nyseth	Chief Operating Officer	12,342
Daniel Skjeldam (Quit 31 August 2012)	Chief Commercial Officer	0
Anne-Sissel Skånvik	Senior Vice President Corporate Communications	0
Gunnar Martinsen	Senior Vice President HR and Organisation	9,109

1) Including shares held by related parties

2) Bjørn Kise holds 8.2 % of HBK invest AS

3) Bjørn Kjos holds 84.1 % of HBK Invest AS

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

Name	Title	Outstanding 2011	Exercised 2012	Outstanding 2012
Bjørn Kjos	Chief Executive Officer	8,184	8,184	0
Frode E Foss	Chief Financial Officer	4,679	4,679	0
Per-Ivar Gjørvad (Started on 1 June 2012)	Chief IT Officer	654	654	0
Hans-Petter Aanby (Quit 31 May 2012)	Chief IT Officer	4,760	4,760	0
Asgeir Nyseth	Chief Operating Officer	4,931	4,931	0
Daniel Skjeldam (Quit 31 August 2012)	Chief Commercial Officer	2,312	2,312	0
Anne-Sissel Skånvik	Senior Vice President Corporate Communications	0	0	0
Gunnar Martinsen	Senior Vice President HR and Organisation	1,736	1,736	0

Specification of other reserves

	Available-for-sale financial assets	Translation differences	Total
1 January 2011	0	-7,944	-7,944
Translation differences	0	-1,694	-1,694
31 December 2011	0	**-9,638**	**-9,638**
Translation differences	0	303	303
31 December 2012	0	**-9,335**	**-9,335**

Other paid-in capital consists of accumulated stock option expenses.

Note 16 – Earnings per Share

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

(NOK 1,000)	2012	2011
Profit	456,646	122,125
Average number of shares outstanding	34,924,769	34,628,464
Average number of shares and options outstanding	35,162,139	35,182,960
Basic earnings per share	13.08	3.53
Diluted earnings per share	12.99	3.47

	2012	2011
Average number of shares outstanding	34,924,769	34,628,464
Dilutional effects		
Stock options	237,370	554,496
Average number of shares outstanding adjusted for dilutional effects	35,162,139	35,182,960

Note 17 - Options

The Board issued 292,021 stock options to employees on 1 October 2010 in accordance with the authorization from the general meeting. The stock options had an exercise price of NOK 63.8, equal to the 30 % discounted volume weighted share price during the period 20-23 September 2010. The stock options could be exercised within a period of two years, whereas the first 50 % of the stock options were exercised on 1 October 2011 and the second 50 % of the stock options were exercised on 1 October 2012.

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

The following estimates were used in calculating fair value for options granted in 2010;

	2010
Dividend (%)	0%
Expected volatility (%)	52.52%
Historic volatility (%)	52.52%
Risk free interest (%)	2.13%
Expected lifetime (year)	2.25
Share price at grant date	93.00

There were no option grants in 2012 or 2011.

Expected lifetime assumes that stock options are exercised at expiration. Expected volatility is based on the historical volatility over the most recent period that corresponds with the expected life of the option. The participants in the 2010 - program must cover the social security tax incurred for option gains where the share price exceeds NOK 127.6. These limitations are taken into account when calculating the option values.

The option program is expensed with MNOK 0 in 2012 (MNOK 8.8 in 2011).

	2012 Shares	Weighted avg. exerc. Price	2011 Shares	Weighted avg. exerc. Price
Outstanding at the beginning of the period	283,913	63.8	629,807	65.5
Exercised	283,913	67.0	329,394	67.0
Terminated	0	0.0	4,000	67.0
Forfeited	0	0.0	12,500	66.4
Outstanding at the end of the period	0	0.0	283,913	63.8
Vested options	0	0.0	283,913	63.8
Weighted average fair value of options allocated in the period	0	0.0	0	0.0

2011	Outstanding options			Vested options	
Strike price (NOK)	Outstanding options	Weighted average remaining lifetime (yrs)	Weighted average exercise price	Vested options	Weighted average exercise price
50.00 - 66.00	283,913	0.8	63.8	283,913	63.8
Total	**283,913**	**0.8**	**63.8**	**283,913**	**63.8**

Norwegian Air Shuttle ASA has implemented a share purchase savings program for the employees, where the employees, by salary deductions, purchase shares in the parent company and the Company will fund up to 50 % of the purchased shares, limited to NOK 6,000 per year. In addition the Company will also distribute bonus shares depending on the total amount of purchased shares per employee.

Fair value of the bonus shares are measured at the grant date using Black & Scholes option pricing model. The fair value of the bonus shares and the corresponding estimated social security cost are expensed as personnel costs over the vesting period. Changes in estimated social security costs are expensed over the remaining vesting period. At 31 December 2012, MNOK 1.5 (2011: MNOK 1.5) was expensed.

Note 18 - Pensions

The Group operates defined benefit plans and defined contribution plans in Norway and Sweden. The majority of employees participate in a defined benefit plan in Norway. Norwegian Air Shuttle ASA closed its defined benefit plan on 1 December 2012 and all employees were transferred to the defined contribution plan. Pension plans in Norway are placed with DNB Liv and pension plans in Sweden are placed with Alecta and Fora.

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

Defined contribution plans comply with Norwegian and Swedish Pension legislation.

Pension expenses on defined contribution plans are MNOK 72.9 in 2012 (2011: MNOK 37.7). The increase in expenses from contribution plans relates to a larger share of employees participating in contribution plans in Norway in 2012 compared to 2011.

Defined benefit plan
The closed defined benefit plan was a funded plan where the benefits were mainly dependent on earned pension entitlement, salary at the time of retirement and the size of payments from the National Insurance. The plan also covered a life insurance and disability insurance. Per 31 December 2012, no employees were active members (2011: 2,090), and 62 (2011: 38) were on pension retirement. In addition, employees are included in the early retirement scheme (AFP) with the right to retire at the age of 62. The AFP is a multi-employer plan, where the Norwegian government finances 1/3 of the contribution plans. The AFP pension plan is a defined benefit plan administered by a separate legal entity (Fellesordningen). The plan is temporarily accounted for as a defined contribution plan, as the plans administrators have not been able to calculate the pension obligation for each entity participating in the plan.

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

The pension liability in the closed defined benefit plan was calculated by linear accumulation. Changes in the obligation due to changes in and deviations from the estimated assumptions, were spread over the estimated average remaining vesting period for the part of deviations which exceeds 10 % of the gross pension liability. Pension costs for the year of the Group's defined benefit plans were calculated by independent actuaries and were based on information as of 1 January 2012. The related pension liability was derecognized from the balance sheet on 1 December 2012.

Risk tables for death and disability were based on the most commonly used statistics in Norway, (K-2005) and (IR 02) respectively.

Pension expense (NOK 1,000)	Funded	Total 2012	Total 2011
Net present value of benefits earned	173,104	173,104	142,858
Interest cost on pension liability	23,017	23,017	27,235
Return on plan assets	-13,931	-13,931	-24,882
Administrative expenses	2,888	2,888	2,975
Recognized actuarial gains/losses	0	0	6,913
Recognized net liability - settlement	-30,040	-30,040	-3,306
Social security tax	25,946	25,946	21,282
Net pension expense defined benefit plans	180,984	180,984	173,075
Pension expense on defined contribution plans		63,880	33,002
Social security tax		9,007	4,653
Total pension expense		**253,871**	**210,730**

Defined benefit liability and fund (NOK 1,000)

	2012		2011		
	Funded	Total	Funded	Unfunded	Total
Change in present value of defined benefit liability:					
Gross pension liability 01.01	955,334	955,334	683,283	3,306	686,588
Current service costs	172,733	172,733	142,858	0	142,858
Interest cost	22,706	22,706	27,235	0	27,235
Actuarial gains/losses	-241,712	-241,712	108,442	0	108,442
Settlement	-902,492	-902,492	-884	-3,306	-4,190
Benefits paid	-6,569	-6,569	-5,599	0	-5,599
Gross pension liability 31.12	**0**	**0**	**955,334**	**0**	**955,334**
Change in fair value of plan assets:					
Fair value of pension assets 01.01	515,629	515,629	401,877	0	401,877
Expected return	15,247	15,247	24,882	0	24,882
Actuarial gains/losses	-1,510	-1,510	-28,934	0	-28,934
Administrative expenses	-3,184	-3,184	-2,975	0	-2,975
Settlement	-670,958	-670,958	0	0	0
Contributions paid	151,345	151,345	126,378	0	126,378
Benefits paid	-6,569	-6,569	-5,599	0	-5,599
Fair value of plan assets 31.12	**0**	**0**	**515,629**	0	**515,629**
Net pension liability		**0**	**439,705**	**0**	**439,705**
Unrecognized actuarial gains/losses		0	-308,219	0	-308,219
Social security tax		0	19,701	0	19,701
Net recognised pension liability 31.12		**0**	**151,187**	**0**	**151,187**

	2012	2011
Actual return on pension funds *)	5.70%	3.50%
Expected contribution to be paid next year	0	130,073
Expected benefits to be paid next year	0	6,569

*) actual return on pension funds is based on reported amounts per first quarter each year.

The net pension liability was based on several assumptions. The discount rate was based on long term government bonds in Norway, with adjustments for duration. The pension liability's average duration was 25 years. Wage adjustments, pension adjustments and the expected increase in state pensions were based on historical observations for the Group, and an expected long term inflation rate of 2.5 %.

	2011
Discount rate	2.60%
Expected return on pension funds	4.10%
Wage adjustments	3.25%
Increase of social security base amount (G)	3.25%
Future pension increase	0.10%
Average turnover	2-10%

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

	2011
Equity	19.5%
Bonds	14.5%
Money market funds	13.3%
Hold-to maturity bonds	32.6%
Real estate	17.0%
Various	3.0%

The table shows actual distribution of plan assets at 31 December 2011.

Historical information

(NOK 1,000)	2012	2011	2010	2009	2008
Present value of defined benefit obligation	0	955,334	686,588	483,721	396,123
Fair value of plan assets	0	515,629	401,877	301,612	233,000
Deficit/(surplus) in the plan	**0**	**439,705**	**284,711**	**182,109**	**163,123**
Experience adjustments on plan liabilities	0	108,905	81,092	-25,272	50,340
Experience adjustments on plan assets	0	28,702	2,130	-28,148	2,549

Sensitivity 2011

The sensitivity analysis shows effects on net pension liabilities and pension expenses if the discount rate and wage adjustment used in the actuarial calculations had been 1 % higher (+)/lower (-) at 1 January;

	Discount rate		Wage adjustment	
(NOK 1,000)	+ 1%	- 1%	+ 1%	- 1%
Net pension liability 31 December (%)	-21%	29%	15%	-16%
Net pension expense (%)	-20%	27%	24%	-22%
Net pension liability 31 December	119,437	195,031	173,865	126,997
Net pension expense	176,115	257,460	252,268	172,654

No sensitivity calculations are conducted in 2012 as the defined benefit plan was closed on 1 December 2012.

Note 19 - Provisions

Periodic maintenance on leased Boeing 737 aircraft

(NOK 1,000)	2012	2011
Opening balance	91,831	117,701
Charges to the income statement	-477,782	-396,761
Accruals	584,700	370,891
Closing balance	198,749	91,831
Classified as short term liabilities	23,443	9,967
Classified as long term provision	175,306	81,865

The lease contracts require the aircraft to be returned by the end of the lease term in accordance with specific redelivery conditions stated in the contract. In addition, the Group is obliged to follow the maintenance program as defined by Boeing. In order to meet this requirement, the Group must carry out maintenances of aircraft, both regularly as well as at the expiration of the leasing period. The overhauls and maintenances of the aircraft are contractual lease obligations. The specific event that gives rise to the obligation is each airborne hour or cycle completed by the aircraft as these determine the timing and nature of the overhauls and maintenances that must be carried out. For some of the contracts, there is a degree of uncertainty about what kind of maintenance is covered by the maintenance funds, and the provision for this increase of expenses for the Group, is distributed over the period until the maintenance is conducted.

The estimation technique for maintenance reserve contribution (MRC) accruals is based on contractual payments for maintenances and mandatory maintenances. The estimated costs of overhauls and maintenances are based on the Group's maintenance program and contractual prices. In addition, accruals are set to meet redelivery conditions for leased aircraft. Accruals are dependent on redelivery date and redelivery conditions of the different lease terms. In case of lease extension, estimates on maintenance costs will be revised. For the accruals set to meet redelivery conditions, an increased cost upon redelivery of 10 % would increase the MRC accruals with approximately MNOK 2.1 (2011: MNOK 2.3)

Parts of the periodic maintenances will be conducted in 2013, and MNOK 23 is classified as a short term liability for periodic maintenances (2011: MNOK 10.0). The short term part of periodic maintenance is estimated based on the planned maintenances in 2013.

Pension cost

(NOK 1,000)	2012	2011
Opening balance	0	0
Charges to the income statement	0	0
Accruals	187,394	0
Closing balance	187,394	0
Classified as short term liabilities	187,394	0
Classified as long term provision	0	0

The Group's defined benefit plan was closed 1 December 2012 and a new defined contribution plan was issued to all employees (see note 18). Provisions for pension cost at 31 December 2012 consist of estimated conversion costs, non-forfeiture value to employees and potential legal claims (see note 28).

Note 20 – Financial Instruments

Financial instruments by category

	31 December 2012			
Assets as per balance sheet	**Loans and receivables**	**Fair value through profit or loss**	**Available-for-sale**	**Total**
Available-for-sale financial assets	0	0	12,862	12,862
Trade and other receivables *)	1,150,008	0	0	1,150,008
Cash and cash equivalents	1,730,895	0	0	1,730,895
Total	**2,880,903**	0	**12,862**	**2,893,765**

*) Prepayments not included in trade and other receivables 82,112

	31 December 2011			
Assets as per balance sheet	**Loans and receivables**	**Fair value through profit or loss**	**Available-for-sale**	**Total**
Available-for-sale financial assets	0	0	2,689	2,689
Derivative financial instruments	0	242,790	0	242,790
Trade and other receivables *)	1,054,397	0	0	1,054,397
Cash and cash equivalents	1,104,946	0	0	1,104,946
Total	**2,159,343**	**242,790**	**2,689**	**2,404,823**

*) Prepayments not included in trade and other receivables 131,162

	31 December 2012		
Liabilities per balance sheet	**Fair value through profit or loss**	**Other financial liabilities**	**Total**
Borrowings	0	5,527,065	5,527,065
Derivative financial instruments	190,356	0	190,356
Trade and other payables *)	0	1,427,476	1,427,476
Total	**190,356**	**6,954,541**	**7,144,898**

*) Public duties not included in trade and other payables 137,480

	31 December 2011		
Liabilities per balance sheet	**Fair value through profit or loss**	**Other financial liabilities**	**Total**
Borrowings	0	4,250,290	4,250,290
Derivative financial instruments	539	0	539
Trade and other payables *)	0	1,125,973	1,125,973
Total	**539**	**5,376,264**	**5,376,803**

*) Public duties not included in trade and other payables 104,961

See note 22 for details related to borrowings.

Credit quality of financial assets

(NOK 1,000)		
Trade receivables	**2012**	**2011**
Counterparties with external credit rating		
A or better	665,284	527,578
Counterparties without external credit rating	484,723	526,819
Total trade receivables	**1,150,008**	**1,054,397**

Cash and cash equivalents	**2012**	**2011**
A+ or better	880,312	625,387
BBB +	850,583	479,559
Total cash and cash equivalents	**1,730,895**	**1,104,946**

Derivative financial assets	**2012**	**2011**
A+ or better	0	242,790
Total derivative and financial assets	**0**	**242,790**

Available-for-sale financial assets

(NOK 1,000)	**2012**	**2011**
Januar 1st	2,689	2,689
Additions	10,172	0
31 December	**12,861**	**2,689**
Non-current portion	2,689	2,689
Current portion	10,172	0

Available-for-sale financial assets at 31 December 2012 consist of an investment in unlisted equity instrument in Silver Pensjonsforsikring and investment in Forth Moment Fund managed by Warren Capital AS. The fair value of available for sale financial assets is MNOK 12.9 (2011: MNOK 2.7).

The fair value of the equity investment in Silver Pensjonsforsikring is estimated by calculating fair value per share from Holberg Fondsforvaltning AS multiplied by the number of shares held in the investment. Holberg Fondsforvaltning AS is a professional investment manager situated in Norway. The fair value of the shares is considered to be the best estimate of the market value of the investment. The investment is denominated in NOK.

The fair value of the investment in Forth Moment Fund is estimated based on Net Asset Valuation reports from the investment manager. The investment is denominated in EUR and is exposed to a wide range of currency risks as the assets of the Fund may be invested in securities denominated in a wide range of currencies.

See note 3 for fair value calculations.

Derivative financial instruments

(NOK 1,000)	2012		2011	
	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts	0	190,164	242,790	0
Forward commodities contracts	0	192	0	539
Total	0	**190,356**	**242,790**	**539**
Current portion	0	190,356	242,790	539

Trading derivatives are classified as current assets or liabilities.

The total amount from derivatives amounts to a loss of MNOK 336.4 (2011: gain of MNOK 305.7). See details under the specification of 'other losses/(gains)- net' below.

Forward foreign currency contracts
The fair value of the outstanding forward foreign currency contracts at 31 December 2012 were MNOK -190.2 (2011: MNOK 242.8). At 31 December 2012, the Group had forward foreign currency contracts to secure MUSD 761 (2011: MUSD 594.8) of future exposure to revaluation of borrowings denominated in USD and MUSD 10 (2011: MUSD 31) to secure payments denominated in USD from operating activities.

Forward commodities contracts
Forward commodities contracts relates to jet-fuel derivatives. The fair value of the outstanding forward commodities contracts at 31 December 2012 were MNOK -0.2 (2011: MNOK -0.5). At 31 December 2012, the Group had secured 8,090 tons of jet-fuel through derivative contracts at USD 1,013.4. These contracts are expected to minimize the jet-fuel price risk related to future jet-fuel purchases. The Group had secured 9,000 tons of jet-fuel through derivatives at 31 December 2011, all of which were realized during 2012.

Fair value is calculated using mark to market values from financial institutions. Spot price in the mark to market calculations are based on mid-prices as set by the financial institutions (Nordea, DNB and Handelsbanken) at the balance sheet date, see note 3 for fair value calculations.

Other losses/gains – net

(NOK 1,000)	2012	2011
Financial assets at fair value through profit or loss		
- Fair value losses	1,927,902	1,211,858
- Fair value gains	-1,603,765	-1,472,587
Net losses/(gains)	324,137	-260,730
- Foreign exchange (gains)/losses on operating acitivities	12,247	-44,991
Total	**336,385**	**-305,720**

Losses and gains on financial assets and financial liabilities at fair value through profit or loss are classified as 'other losses/(gains) – net'. Foreign exchange losses and gains on operating activities are classified as other losses/(gains) – net.

Note 21 – Trade and Other Payables

(NOK 1,000)	2012	2011
Accrued vacation pay	142,487	129,415
Accrued airport and transportation taxes	120,481	96,924
Accrued expenses	476,110	396,610
Trade payables	406,134	418,458
Payables to related party (note 27)	132	4,001
Public duties	137,480	104,961
Short term provisions for MRC (note 19)	23,443	9,967
Provisions for pension costs (note 19)	187,394	0
Other short term provisions	71,295	70,599
Total	**1,564,955**	**1,230,935**

The short term payables and provisions are non-interest bearing and are due within the next 12 months.

Note 22 - Borrowings

Nominal value at 31 December 2012

(NOK 1,000)	Nominal value	Unamortized transaction cost	Book value	Effective interest rate
Bond issue	600,000.00	-11,051.86	588,948.14	7.5%
Facility agreement	941,007.65	-10,312.85	930,694.80	6.8%
Aircraft financing	4,118,188.71	-224,517.03	3,893,671.68	3.1%
Loan facility	98,134.98	-202.91	97,932.07	3.8%
Financial lease liability	15,818.72	.00	15,818.72	5.9%
Total	**5,773,150**	**-246,085**	**5,527,065**	

Nominal value at 31 December 2011

(NOK 1,000)	Nominal value	Unamortized transaction cost	Book value	Effective interest rate
Bond issue	600,000	-1,292	598,708	8.8%
Facility agreement	652,301	-4,297	648,004	3.1%
Aircraft financing	3,021,190	-162,940	2,858,250	4.0%
Loan facility	125,278	-405	124,873	4.6%
Financial lease liability	20,456	0	20,456	5.6%
Total	**4,419,224**	**-168,933**	**4,250,290**	

Effective interest rate during 2012, recognized as financial items (note 8) and capitalized borrowing costs (note 11), is 4.2 % (2011: 4.7 %)

Classification of borrowings

(NOK 1,000)	2012	2011
Non-current		
Bond issue	588,948	0
Aircraft financing	3,507,117	2,585,158
Loan facility	70,789	97,730
Financial lease liability	10,853	15,485
Total	**4,177,707**	**2,698,373**
Current		
Bond issue	0	598,708
Facility agreement	930,695	648,004
Aircraft financing	386,555	273,092
Loan facility	27,143	27,143
Financial lease liability	4,966	4,971
Total	**1,349,359**	**1,551,918**
Total borrowings	**5,527,065**	**4,250,290**

The carrying amounts of the group's borrowings are denominated in the following currencies;

(NOK 1,000)	2012	2011
USD	4,824,366	3,506,254
NOK	702,699	744,037
Total	**5,527,065**	**4,250,290**

Collateralized borrowings are detailed in note 23.

Covenants

Bond issue
(Capital Employed = equity + borrowings - cash)
Equity/Capital Employed higher than 30%
Dividend payments less than 35 % of net profit
Minimum liquidity of NOK 100 million

Revolving credit facilities
There are no financial covenants on revolving credit facilities, except for the facility with DNB outlined below.

Aircraft financing
No financial covenants. All borrowings related to delivery of new 737-800 aircraft from Boeing are guaranteed by the Ex-Im Bank of the United States. The Ex-Im Bank of the United States has pledged security in the owned aircraft delivered under the Boeing contract.

Loan facility and revolving credit facility with DNB
Adjusted market value; market value higher than 70 % of the loan
Equity/Capital Employed higher than 30 %
(Capital Employed = equity + interest bearing debt - cash)
The minimum unrestricted cash credited to the Borrower's accounts with the Bank shall at no time be less than MNOK 800.
The Cash Flow Cover shall be no less than 1, measured quarterly and where: Cash Flow Cover = (EBITDA – d NWC – taxes paid) / (interest + amortization). d NWC = Change in net working capital
The Gearing Ratio shall be no higher than 6.75 measured quarterly and where Gearing Ratio shall mean (total funded debts + (leasing charges x 7) – Cash) / EBITDAR).

There are no financial covenants related to the financial lease liabilities.

The Group has not been in breach of any covenants during 2012.

Fair value calculations

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

	Carrying amount		Fair Value	
(NOK 1,000)	**2012**	**2011**	**2012**	**2011**
Bond issue	588,948	0	601,226	0
Aircraft financing	3,507,117	2,585,158	3,975,958	2,961,740
Loan facility	70,789	97,730	70,992	97,730
Financial lease liability	10,853	15,485	12,506	17,766
Total fair value	**4,177,707**	**2,698,373**	**4,660,682**	**3,077,237**

The fair value of current borrowings approximates their carrying amount as the impact of discounting is not significant. The fair value of non-current borrowings are based on cash flows which are discounted using a rate based on the following assumptions:

Bond Issue
Interest rate of NIBOR 3M and a risk premium equal to the spread at the balance sheet date. The bond issue is an unsecured bond issue denominated in NOK and matures 13 April 2015. The coupon is NIBOR + 5.5 %.

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Ticker; NAS03
Name: Norwegian Air Shuttle ASA 12/15 FRN

Facility agreement
Interest rate of LIBOR 3M and a risk premium equal to the spread at the balance sheet date. The Group has entered facility agreements with ING Bank N.V, DVB Bank SE and DNB ASA in 2011 and 2012 to cover pre-delivery financing for aircraft with delivery between 2013 and 2014.

The borrowings mature at the delivery of each aircraft, are classified as short term borrowings and are denominated in USD.

Aircraft financing
Fixed and floating interest rate based on LIBOR 7Y and a risk premium equal to the spread at the balance sheet date. The spread is not entity specific, as the agreed spread is based on an overall credit risk of the financial markets in the United States. 18% of aircraft financing is exposed to cash flow interest rate risk with quarterly re-pricing dates, while 82% of aircraft financing is exposed to fair value risk on fixed interest rates.

The borrowings mature quarterly after the delivery of the aircraft from Boeing. See note 2 for further maturity analysis of borrowings. The aircraft financing is denominated in USD.

Loan facility
The floating interest rate is based on NIBOR 3M and a risk premium of 2.25 %. The loan facility is denominated in NOK and matures quarterly, with the final commitment to pay on 30 June 2014. See note 2 for further maturity analysis of borrowings.

Financial lease liability
The liability is de facto secured in the financial lease asset, as the rights and obligations of the leased asset is returned to the lessor if the lease agreement is not fulfilled.

The discount rates used to calculate the fair value of the financial lease liability equals the risk free interest rate and spread related to the loan facility in 2012 and 2011 as this loan facility regarded the best estimate for credit spread on financial lease liability. The financial lease liability is denominated in NOK.

Future minimum lease payments under financial lease liability

(NOK 1,000)	**2012**	**2011**
Future minimum lease payments		
-No later than 1 year	5,325	5,584
-Between 1 and 5 years	12,654	15,058
-Later than 5 years	0	2,921
Total	**17,979**	**23,563**
Future finance charges on financial lease liability	2,160	3,107
Present value of financial lease liability	**15,819**	**20,456**

Note 23 – Assets Pledged as Collaterals and Guarantees

Liabilities secured by pledge (NOK 1,000):	**2012**	**2011**
Aircraft financing	3,893,672	2,858,250
Loan Facility	97,932	124,873
Facility agreement	930,695	648,004
Financial lease liability	15,819	20,456
Total	**4,938,117**	**3,651,583**

The owned aircraft are pledged as collateral for the aircraft financing. The purchase contracts with aircraft manufacturers are pledged as collateral for the revolving credit facility agreement with ING Bank N.V and DVB Bank SE to secure the pre-delivery payments.

Five 737-300 fully owned aircraft are pledged as collateral for the loan facility and the pledged collateral is cross default with the revolving credit facility with DNB ASA. There is no pledged collateral for the financial lease liability, but the financial lease asset is an actual security for the financial lease liability through fulfilment of the lease agreement. For references to pledged asset, see note 11, and for borrowings related to those asset, see note 22.

The Group has not issued any guarantees for third parties.

Book value of assets pledged as security and guarantees (NOK 1,000):	**2012**	**2011**
Cash depot	247,097	218,693
Prepayment and aircraft	8,277,654	5,849,736
Financial lease asset	24,562	27,882
Total	**8,549,313**	**6,096,311**

Note 24 – Bank Deposits

Cash and cash equivalents

(NOK 1,000)	**2012**	**2011**
Cash in bank	880,312	625,387
Cash equivalents	850,583	479,559
Total	**1,730,895**	**1,104,946**

Deposits in money market funds are classified as cash equivalents, as the underlying maturity of the deposits are 3 months or less. At 31 December 2012, the interest terms of the cash deposits in folio accounts are 1 month NIBOR - 0.25 % p.a. Interest terms on restricted cash deposits in folio accounts is 1 month NIBOR +0.85 % p.a.

Receivables on credit card companies are included in trade receivables. See note 13.

Restricted cash

(NOK 1,000)	2012	2011
Guarantees for leases and credits from suppliers	183,095	218,693
Taxes withheld	69,845	52,675
Total	**252,940**	**271,368**

Bank guarantees are granted for leasing liabilities of aircraft, suppliers of fuel and handling services, as well as airport charges from airports and governments.

Note 25 – Investments in Subsidiaries

Norwegian Air Shuttle Polska SP.zo.o
The subsidiary was established in 2006 and is based in Warsaw, Poland. The Group controls 100% of the shares. The company was established for managing the Polish operation and is under liquidation.

Norwegian Air Shuttle Sweden AB
The subsidiary was purchased on 31 July 2007 and the Group controls 100% of the shares in Norwegian Air Shuttle Sweden AB. The total purchase price was MNOK 199.8. The company is based at Arlanda Airport, Stockholm, Sweden. The Swedish subsidiary supplies the crew and provides technical services. Transactions between the parent company and the Swedish subsidiary during 2012 consisted of the supply of personnel. On 1 July 2009, the entire airline operation in Norwegian Air Shuttle Sweden AB was transferred to Norwegian air Shuttle ASA through the purchase of assets.

AB Norwegian Air Shuttle Finland Ltd
The subsidiary was established on 14 June 2011, but had no activity in 2012 or 2011 and the Group controls 100% of the shares in AB Norwegian Air Shuttle Finland Ltd.

Call Norwegian AS
On 14 January 2008 the Group established Call Norwegian AS, and the Group controls 100% of the shares. The company provides communication services such as airport WiFi, with focus on relevance to Norwegian's existing customers.

NAS Asset Management Ireland Ltd
On 15 July 2008 the Group established NAS Asset Management Ltd, a special purpose vehicle (SPV), and controlled 100% of the shares. The company was incorporated in Ireland and was established for aircraft financing purposes. At 31 December 2012, the company was liquidated.

NAS Asset Management Norway AS
On 15 July 2008 the Group established NAS Asset Management Norway AS, a special purpose vehicle (SPV), and controls 100% of the shares. NAS Asset Management Norway AS was established for aircraft financing purposes.

Norwegian Long Haul AS
On 1 January 2012, the Group established Norwegian Long Haul AS, and controls 100% of the shares. The company is incorporated in Norway and is established for the purpose of operating the Group's long haul destinations with Boeing 787-8 Dreamliner aircraft.

Name	Date of establishment	Office	Number of shares	Ownership
Norwegian Air Shuttle Polska SP.zo.o	2006	Warsaw, Poland	50,000	100%
Norwegian Air Shuttle Sweden AB	7/31/2007	Stockholm, Sweden	20,000	100%
Call Norwegian AS	1/14/2008	Fornebu, Norway	1,000,000	100%
NAS Asset Management Norway AS	7/15/2008	Fornebu, Norway	100	100%
AB Norwegian Air Shuttle Finland Ltd	6/14/2011	Helsinki, Finland	200	100%
Norwegian Long Haul AS	1/1/2012	Fornebu, Norway	20,000	100%

Note 26 – Investments in Associated Companies

Norwegian Air Shuttle ASA has the following investments in associates (NOK 1,000);

Entity	Country	Industry	Ownership interest	Carrying amount 31.12.2011	Net profit/(loss) 2012	Share issue 2012	Carrying amount 31.12.2012
Norwegian Finans Holding ASA	Norway	Financial Institution	20%	82,091	32,840	1,119	116,050

Entity	Country	Industry	Ownership interest	Carrying amount 31.12.2010	Net profit/(loss) 2011	Share issue 2011	Carrying amount 31.12.2011
Norwegian Finans Holding ASA	Norway	Financial Institution	20%	62,272	19,518	301	82,091

The associated company, Norwegian Finans Holding ASA, owns 100 % of the shares in Bank Norwegian AS. Norwegian Air Shuttle ASA owns 20 % of the shares in Norwegian Finans Holding ASA. The company is situated in Oslo, Norway. The equity method is applied when accounting for the investment, and the Group's share of the associated company's profit and loss is included in the carrying amount.

The Group's share of the results and its aggregate assets and liabilities in the associated company, are as follows;

2012 (NOK 1,000)

Entity	Country	Assets	Liabilities	Revenues	Profit/(Loss)	Interest held %
Norwegian Finans Holding ASA	Norway	1,313,956	1,205,390	99,553	32,840	20%

2011 (NOK 1,000)

Entity	Country	Assets	Liabilities	Revenues	Profit/(Loss)	Interest held %
Norwegian Finans Holding ASA	Norway	844,121	768,153	67,996	19,518	20%

Note 27 – Related Party Transactions

The Chief Executive Officer is the principal shareholder in Norwegian Air Shuttle ASA with an ownership share of 27.2 % through the controlling ownership of HBK Invest AS. The Chairman of the Board owns a minority of shares in HBK Invest AS. There have been no financial transactions between HBK Invest AS and Norwegian Air Shuttle ASA in 2012 or 2011, except for indirect transactions through Fornebu Næringseiendom.

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

The Group leases its property at Fornebu from Fornebu Næringseiendom AS, which is a wholly owned subsidiary of HBK Invest AS. The leasing agreement entitles the Group to lease Oksenøyveien 3 at Fornebu for ten years till 2020, with an option to extend the lease for another five years.

The parent company has received commissions from the associated company in 2012 and 2011. The commissions relate to sales made by the parent company's customers by using the 'Bank Norwegian' credit cards. The total commission is enclosed in the table below. Receivables and payables to related parties are enclosed below.

No loans or guarantees have been issued to related parties in 2012 or 2011.

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

The following transactions were carried out with related parties (NOK 1,000):

Sales (-) and purchases (+) of goods and services (excl VAT)	**2012**	**2011**
- Simonsen Vogt Wiig (legal services)	6,175	4,976
- Associate (commission)	-40,049	-34,296
- Associate (interests on subordinated loan)	-2,541	-2,712
- Fornebu Næringseiendom (property rent)	13,168	13,114
- Ola Krohn-Fagervoll (services as Board Member - note 7)	9	14

Year-end balances arising from sales/purchases of goods/services (incl VAT)	**2012**	**2011**
Receivables from related parties (note 13)		
- Simonsen Vogt Wiig (legal services)	0	0
- Associate (commission)	4,000	19,196
- Fornebu Næringseiendom (property rent)	0	0
- Ola Krohn-Fagervoll (services as Board Member - note 7)	0	0
Payables from related parties (note 21)		
- Simonsen Vogt Wiig (legal services)	132	-2
- Associate (commission)	0	0
- Fornebu Næringseiendom (property rent)	0	-3,999
- Ola Krohn-Fagervoll (services as Board Member - note 7)	0	0

Investment in related parties	**2012**	**2011**
- Associate (subordinated loan)	30,000	30,000

Note 28 – Contingencies and Legal Claims

At the end of December 2012, the Norwegian Group was involved in one legal dispute.

As a consequence of the change of the pension scheme for employees in the Norwegian pension system, the Norwegian Pilot Union submitted an application for a summons against Norwegian Air Shuttle ASA at the Norwegian Labor Court. In the application, the claimants state that the change is in breach of the pilot collective agreement. The trial is scheduled in April 2013. Norwegian Air Shuttle ASA is in negotiations with the Norwegian Pilot Union to have the case settled. Provisions have been made (see note 19).

Note 29 - Commitments

In August 2007 Norwegian Air Shuttle ASA entered a purchase agreement of 42 new Boeing 737-800 aircraft with Blended Winglets and purchase rights for additional 42 aircraft of the same model from Boeing. The order of 42 aircraft has a list price of USD 3.1 billion. At 31 December 2012, 36 of the options have been exercised.

In 2011 Norwegian extended its aircraft order with additional 22 Boeing 737-800 aircraft, whereof 7 purchase rights. All purchase rights are exercised. The total order for purchased Boeing 737-800 aircraft stands at a total of 100, whereof 33 have been delivered by year end 2012. Norwegian Air Shuttle ASA has 6 remaining purchase rights for aircraft of this type.

Between 2009 and 2012 Norwegian Air Shuttle ASA received 33 aircraft. The remaining 67 aircraft will be delivered over a six-year period from 2013 to 2018. The purchase price will be paid in several USD installments before and on delivery of each aircraft. The list price of the remaining aircraft to be delivered has a list price of USD 5 billion.

Norwegian Air Shuttle ASA has entered into a purchase agreement of three Boeing 787-8 Dreamliner aircraft in June 2011. The aircraft will be delivered between 2013 and 2015. The aircraft have a (total) list price of USD 580 million. The three aircraft will complement 787-8 Dreamliner leases (note 12). At 31 December 2012, the Group has 8 Boeing 787-8 Dreamliners with expected delivery from 2013.

In January 2012, the Group entered additional purchase contracts with Boeing Commercial airplanes and Airbus S.A.S comprising a total of 372 aircraft, whereof 222 were firm orders. The firm orders are for 22 Boeing 737-800, 100 Boeing 737 MAX8 and 100 Airbus A320neo. The agreements also include purchase rights for an additional 100 Boeing 737 MAX8 and 50 Airbus A320neo. The firm orders have an aggregated value at list price of approximately NOK 127 billion. The delivery of aircraft starts in 2016. The aircraft purchase is supported by the Export-Import Bank of the United States (Ex-Im) and European Export Credit Agencies.

The Group presents list prices on aircraft purchase contracts. Discounts are achieved on the aircraft purchase contracts; hence the actual committed purchase prices are lower than the presented list prices. Actual committed purchase prices are regarded as contractual and business sensitive information.

Norwegian Air Shuttle ASA has selected the Rolls-Royce Trent 1000 engine to power up to 9 new 787-8 Dreamliners. The contract, signed with Rolls-Royce, includes "Total Care" long-term support agreements which include all maintenances, spare parts and other support services. The contract value quoted at list price is USD 450 million when comprising 18 engines.

Norwegian Air Shuttle ASA has entered into a maintenance agreement with Boeing comprising all six long-haul aircraft on order. The agreement secures cost efficient maintenance and has a duration of 12 years.

For details on commitments for aircraft leases, see note 12.

Note 30 – Events after the Reporting Period

Boeing Commercial Airplanes has notified Norwegian that the 787 Dreamliner delivery schedule is at risk due to the ongoing NTSB investigation that will determine the cause of the recent incidents involving 787 batteries. Norwegian Air shuttle ASA's first delivery is scheduled to late April 2013. The possibility of a delay and whether such delay will affect later deliveries is presently uncertain.

Norwegian Air Shuttle ASA is taking precautionary steps by signing a MOU (Memorandum of Understanding) to lease two Airbus A340-300 as substitute long haul aircraft capacity. Both aircraft will be used until Norwegian takes delivery of the 787 Dreamliner.

Norwegian Air Shuttle ASA

Financial statements

2012

Income Statement

NOTE	(NOK 1,000)	2012	2011
	OPERATING REVENUES AND OPERATING EXPENSES		
3	Revenues	12,840,499	10,523,797
3	Other income	17,851	3,471
	Total operating revenues and income	**12,858,350**	**10,527,268**
4	Operational expenses	9,138,531	7,814,268
5,16,17	Salaries and other personnel expenses	2,061,658	1,833,489
8,9	Depreciation and amortization	388,425	284,392
4a	Other operating expenses	546,698	469,570
20	Other losses/(gains) - net	337,584	-349,400
	Total operating expenses	**12,472,896**	**10,052,320**
	Operating profit	**385,454**	**474,949**
	FINANCIAL REVENUES AND FINANCIAL EXPENSES		
	Interest income	60,628	40,825
	Interest expense	-157,847	-93,367
6	Other financial items	277,183	-241,408
	Net financial items	**179,964**	**-293,951**
26	Profit/loss from associated company	32,840	19,518
	Profit before tax	**598,258**	**200,516**
7	Income tax expense	164,538	60,344
	PROFIT FOR THE YEAR	**433,720**	**140,172**
	Allocation of profit for the year		
	Allocated to other equity	**433,720**	**140,172**

Balance Sheet

NOTE	(NOK 1,000)	2012	2011
	ASSETS		
	Non-current assets		
8	**Intangible assets**		
	Intangible assets	212,665	214,380
	Total intangible assets	**212,665**	**214,380**
9	**Tangible assets**		
	Buildings	9,525	9,525
	Aircraft, installations and parts	5,579,757	3,869,159
	Equipment and fixtures	58,476	31,899
	Financial lease asset	24,562	27,882
	Prepayment Boeing contract	2,844,359	2,126,954
	Total tangible assets	**8,516,680**	**6,065,419**
	Financial assets		
25	Investment in subsidiaries	58,315	56,245
26	Investment in associated company	116,050	82,091
27	Investment in shares	2,689	2,689
11	Other long term receivables	135,562	125,156
	Total financial assets	**312,616**	**266,181**
	Total non-current assets	**9,041,962**	**6,545,980**
	Current assets		
12	Inventory	68,385	81,994
	Receivables		
	Accounts receivable	838,755	670,788
13,25	Other receivables	256,560	389,751
	Total receivables	**1,095,315**	**1,060,539**
20	Financial instruments	0	242,790
27	Investment in shares	10,172	0
22	Cash and cash equivalents	1,694,480	1,081,742
	Total current assets	**2,868,353**	**2,467,065**
	TOTAL ASSETS	**11,910,314**	**9,013,044**

Balance Sheet

NOTE	(NOK 1,000)	2012	2011
	EQUITY AND LIABILTIES		
	Equity		
	Paid-in equity		
14,15	Share capital	3,516	3,488
15	Share premium reserve	1,093,549	1,075,463
15	Other paid-in equity	63,331	63,331
	Total paid-in equity	**1,160,396**	**1,142,283**
15	**Retained earnings**	**1,231,996**	**798,276**
	Total equity	**2,392,392**	**1,940,559**
	Liabilities		
	Provisions		
16	Pension liabilities	0	150,713
18	Provision for periodic maintenance	175,306	81,865
7	Deferred tax	323,517	158,978
24	Borrowings	4,166,770	2,682,888
24	Financial lease liability	10,853	15,485
	Total long term liabilities	**4,676,446**	**3,089,929**
	Short term liabilities		
25	Accounts payable	472,441	475,112
	Air traffic settlement liabilities	1,739,765	1,208,326
	Public duties payable	133,123	101,722
20	Financial instruments	190,356	539
24	Short term part of borrowings	1,349,359	1,551,918
19	Other short term liabilities	956,432	644,941
	Total short term liabilities	**4,841,476**	**3,982,557**
	Total liabilities	**9,517,923**	**7,072,486**
	TOTAL EQUITY AND LIABILITIES	**11,910,314**	**9,013,044**

Fornebu, 20 March 2013

Bjørn H. Kise (Chairman of the Board)	Ola Krohn-Fagervoll (Deputy Chairman)
Liv Berstad	Marianne Wergeland Jenssen
Thor Espen Bråten (Employee Representative)	Jeanette Vannebo (Employee Representative)
Linda Olsen (Employee Representative)	Bjørn Kjos (Chief Executive Officer)

Cash Flow Statement

Note	(NOK 1,000)	2012	2011
	CASH FLOWS FROM OPERATING ACTIVITIES:		
	Profit before income tax	598,258	200,516
	Taxes paid	0	-536
8,9	Depreciation, amortization, write-down	388,425	284,392
	Pension expense without cash effect	77,583	29,454
26	(Profit)/loss on investment in associated company	-32,840	-19,518
17	Compensation expense for employee options	0	8,844
9	Losses/(gains) on disposal of tangible assets	-16,401	44,465
25	Impairment of shares in subsidiary	17,930	25,000
20	Fair value (gains)/losses on financial assets	324,137	-304,124
6	Net financial items excluding impairment	-179,964	268,951
	Interests received	51,340	40,825
	Change in inventories, accounts receivable and accounts payable	-157,029	-171,288
	Change in air traffic settlement liabilities	531,439	254,093
	Change in other current assets and current liabilities	416,169	13,419
	Net cash flow from operating activities	**2,019,046**	**674,493**
	CASH FLOWS FROM INVESTING ACTIVITIES:		
9	Prepayments aircraft purchase	-2,134,161	-1,410,287
9	Purchases of tangible assets	-574,287	-704,523
8	Purchases of intangible assets	-55,901	-74,687
25	Payment to subsidiaries	-20,000	-1,552
	Payment to investment in associated company	-1,119	-301
25	Dividend from subsidiary	9,728	0
	Net cash flow from investing activities	**-2,775,740**	**-2,191,350**
	CASH FLOWS FROM FINANCIAL ACTIVITIES:		
24	New long term liabilities	1,991,173	1,897,071
24	Payment long term liabilities	-460,692	-347,683
	Interest on borrowings	-179,161	-127,578
15	Paid-in equity	18,114	20,411
	Net cash flow from financial activities	**1,369,433**	**1,442,221**
	Net change in cash and cash equivalents	612,739	-74,636
	Cash and cash equivalents at 1 January	1,081,742	1,156,379
22	**Cash and cash equivalents at 31 December**	**1,694,480**	**1,081,742**

Note 1 – Accounting Policies

The financial statement of Norwegian Air Shuttle ASA is prepared in accordance with the Norwegian Accounting Act of 1998 and the Generally Accepted Accounting Principles in Norway.

In the preparation of the accounts, estimates and assumptions used are influencing reported numbers. The final result may deviate from applied estimates.

General valuation rules and classification of assets and liabilities
The assets which the Company intends to own or use are classified as non-current assets. All other assets are classified as current assets. Receivables which are due for payment within 12 months are classified as current assets. The equivalent criteria are applied to the classification of short-term liabilities and long-term liabilities.

Fixed assets are recognized at acquisition costs. Borrowing costs are capitalized as a part of the investment and is included in the acquisition costs. Fixed assets are depreciated using the straight-line method over the estimated economic life of the assets. If fair value of fixed assets is lower than their book value, and the decline is expected to be permanent, the asset will be written down to fair value.

Aircraft is decomposed into two components for depreciation purposes. In accordance with official requirements, aircraft must be maintained and significant components must be changed after a specific number of takeoffs or airborne hours. These components are identified as C check and D check on the aircraft body and include power restoration and life limited parts for the two engines on each plane, as well as maintenance on landing gears and the APU. The maintenance and overhaul of these components occur on a defined interval, and the value is depreciated based on the number of takeoffs or airborne hours until the next maintenance occurs. Completed maintenance and overhauls are capitalized and depreciated until the next relevant maintenance and overhaul. The second aircraft component is defined as the remainder of the aircraft and depreciated over the economic useful life.

Current assets are valued at the lower range of the acquisition cost and fair value.

Borrowings are valued at amortized cost using the effective interest method.

Changes in accounting principles
There have been no changes in accounting principles during the year.

Revenues
Revenues from sales of services are recognized in the income statement once rendered services have taken place and most of the risk has been transferred. Sales revenues are presented net of value added tax and discounts.

Passenger revenues
Ticket sales are reported as traffic revenue when the air transport has been conducted. The value of tickets sold which are still valid, but not consumed by the balance sheet date (amounts sold in excess of revenue recognized) is reported as air traffic settlement liability. This liability is reduced either when the Company or another airline completes the transportation or when the passenger requests a refund.

Ancillary revenues
Ancillary revenue comprises sales of ticket-related products and services, e.g; excess baggages and fees. Revenue gained from such products and services at the time of transport is recognized in the same manner as passenger revenue. Revenue from other products and services are registered at the time of purchase and immediately recognized in the income statement.

Amounts paid by 'no show' customers are recognized as revenue when the booked service is provided. No show' customers with low fare tickets are not entitled to change flights or apply for refunds once a flight has departed.

Other revenues
Other revenues comprise third party revenue and is recognized when the service has been rendered, fees are reliably measurable, collections are probable and when other significant obligations have been fulfilled.

Customer loyalty program – Norwegian Reward
Customers earn "CashPoints" of the following circumstances;

- Bank Norwegian Customer; 1 % of the payment is gained from all purchases, except domestic flights within Norway or flights with competitive airlines within Norway. "CashPoints" are also earned from all "low fare' and 'full flex' tickets purchased from Norwegian Air Shuttle ASA which are paid with the "Bank Norwegian" credit card, with 5 % and 20 % of the purchase price, respectively.
- Norwegian Air Shuttle ASA; My Reward Customer; 2 % on all low fare tickets and 10 % on all full flex tickets.
- Corporate Reward Customer; 3 % on all low fare tickets and 7 % on all full flex tickets are gained
- Talkmore; 5 % on all mobile usage.
- World Medical Card; 20 % on the membership fee.
- Helly Hansen; 10 % on Helly Hansen Brands Stores in Oslo

Corporate customers gain "CashPoints" on all airfares. Private customers gain "CashPoints" on international flights only, as domestic flights in Norway are prohibited from collecting "CashPoints" earning for private customers.

Customer "CashPoints" gained from purchased airline tickets and purchases from Call Norwegian are recognized as a liability in the balance sheet and deducted from the value of the purchase at the date of purchase. The customer "CashPoints" liability is derecognized from the balance sheet and recognized as income when customers utilize their "CashPoints".

All other gained customer "CashPoints" are recognized as a liability in the balance sheet and immediately expensed. When the customers use their collected "CashPoints", the liability is derecognized and cash payment on the Company's services is reduced.

"CashPoints" are valid throughout the year, in which they were earned, plus two years. Unused "CashPoints" after this period are derecognized from the balance sheet. The liability is measured at fair value and classified as short term, as available statistics as of 31 December 2012 indicate that customer "CashPoints" are utilized within one year. Hence, the carrying value of the liability is estimated as the fair value of the liability.

Assets and liabilities denominated in foreign currency.
Monetary items denominated in foreign currency are converted using the exchange rates of the balance sheet date. Income statement items are converted by using the exchange rates prevailing at the time of the transactions. Changes in exchange rates are recognized in the income statement as they occur during the accounting period.

Foreign currency gains and losses on operating activities are recognized in operating profits. Foreign currency gains and losses on financing activities are recognized in the net financial items.

Intangible assets
Intangible assets, including development expenses, are capitalized when it is likely that the future financial benefits related to the assets will benefit the Company and the acquisition cost can be measured reliably.

Intangible assets are depreciated using the straight line method. Intangible assets are subject to write-down if the expected financial benefits from the asset are less than book value and remaining development expenses.

Leasing agreements for tangible assets
Assets which are leased on terms where major risk and control is transferred to the Company (financial lease) are capitalized as tangible assets. Future lease obligations are calculated as the net present value of future lease payments and are recognized as other long term liabilities. The tangible assets are depreciated systematically, and the lease obligations are reduced with lease payments reduced for calculated interest expense.

The lease agreements where most of the risk lies with the contracting party are classified as operating leases. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term. Payments for the lease and payments for other elements are recognized separately.

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

Periodic maintenance on tangible assets that are recognized in the balance sheet is reflected through the assets depreciation plan. For assets which are subject to operational lease, the Company's obligation to perform periodic maintenances is recognized as a provision.

Sale-and-lease-back transactions are treated as financial leases and operational leases depending on the nature of the lease. The Company has completed two sales and lease backs transactions during 2012 (six in 2011) with regards to the sales of aircraft and leasing back the same asset. All sales and lease backs transactions are defined as operating leases established at fair value and any profit or loss is recognized immediately in the income statement as other income.

Investments in subsidiaries and associates
Subsidiaries are valued at cost in the Company accounts. The investment is valued as cost of acquiring shares in the subsidiary, providing they are not impaired. Write down to fair value will be carried out if the impairment is not considered temporary, and a write down is deemed necessary according to the Generally Accepted Accounting Principles. Impairments are reversed when the indication no longer exist.

An associate is an entity in which the Company holds a significant influence but does not control the management of its finances and operations (usually when the company owns 20 % - 50 % of the Company). The financial statements include the Company's share of the profits or losses from associates, which is accounted by using the equity method, from the date when a significant influence is achieved and until such influence ceases. Dilution gains and losses from investments in associates are recognized in the income statement.

When the accumulated share of a loss exceeds the Company's investment in an associate, the amount carried in the balance sheet is reduced to zero and further losses are not recognized unless the Company has an obligation to cover any such loss.

Financial instruments
Financial instruments are initially recognized at cost and subsequently measured at the lower range of cost and fair value. Impairment losses arising from fair value lower than initial cost are recognized as loss under 'other losses/(gains)- net' of the income statement.

Forward foreign currency contracts are initially recognized at fair value at the date when the contract was entered, and are subsequently measured at fair value through profit or loss. Any changes in fair value are recognized in the income statement under 'other losses/(gains) –net'.

Other receivables classified as fixed assets
Other receivables are recognized at the acquisition cost. Other receivables are written down to market value if a decline in value is considered to be permanent.

Inventory
Inventory consists of consumables and is valued at the lower of acquisition cost and net realizable value considering obsolescence.

Accounts receivable
Accounts receivable and other receivables are recognized at nominal value less allowances for doubtful debts. Allowances for doubtful debts are calculated on the basis of individual assessments.

Cash and cash equivalents
Cash and cash equivalents includes cash, bank deposits and other liquid assets with maturity dates less than three months from the date of acquisition.

Pensions
The Company operates various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations.

Defined benefit plan
The Company operates defined benefit pension plans which requires contributions to be made to a separately administered fund. In addition, the Company participates in an early retirement plan (AFP). This is also a defined benefit plan. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting year exceed 10 % of the greater of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plans.

The past service cost is recognized as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, a pension plan, past service cost is recognized immediately.

The defined benefit obligation is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognized reduced by past service costs not yet recognized and the fair value of plan assets out of which the obligations are to be settled directly. If such aggregate is negative, the asset is measured at the lower of such aggregate or the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

The AFP pension plan is a multi-employer defined benefit plan. However, the plan is recognized in the income statement as a defined contribution plan as the plans administrator has not allocated the actuarial gains/losses to the members of the AFP pension plan as of 31 December 2012.

The defined benefit plan was closed 1 December 2012 and all employees were transferred to the contribution plan. Provisions for pension costs are detailed in note 16.

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

Stock options
Stock options are accounted for in accordance with IFRS 2 and the Norwegian Accounting Act § 5 – 9a. Stock options are recognized at fair value and expensed over the stock option period; the contra is entered in other paid-in equity. Provisions for employer's contributions are made.

Taxes
Tax expenses consist of the aggregate of tax payable and changes in net deferred tax.

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

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

Deferred income tax asset
Deferred income tax assets and deferred income tax liabilities are offset to the extent that the Company has a legal and enforceable right to offset the recognized amounts and the deferred tax assets and tax liabilities related to income tax from the same tax authority.

Deferred income tax is provided on temporary differences which occur on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Cash flow statement
The cash flow statement is prepared in accordance with the indirect method. Cash and cash equivalencies consist of cash, bank deposits and short term investments in money market funds.

Note 2 – Financial Risks

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

Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates, and hedges financials. The Board provides principles for overall risk management such as foreign currency risk, interest rate risk, credit risk, use of derivative financial instruments and investment of excess liquidity.

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

Foreign currency risks
A substantial part of the Company's income and expenses are denominated in foreign currencies. The Company's leases, aircraft borrowings, maintenances, jet-fuel and related expenses are mainly denominated in USD, and airplane operation expenses are partly denominated in EUR. Foreign exchange risks arise from future commercial transactions, recognized assets and liabilities and net investments in foreign operations. In order to reduce currency risks, the Company has a mandate to hedge up to 100 % of its currency exposure for the following 12 months. The hedging consists of forward currency contracts and flexible forwards.

Cash flow and fair value interest rate risks
As the Company has net interest bearing debt, the Company's income and operating cash flows are dependent of changes in market interest rates. The Company's cash flow interest rate risk arises from cash and cash equivalents and floating interest rate borrowings. Floating interest rate borrowings consist of unsecured bond issue, revolving credit facility, aircraft financing from TD Bank, loan facility and financial lease liabilities. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. Fixed interest rate borrowings consist of term financing from PEFCO, guaranteed by the Ex-Im Bank of the United States. Long-term borrowings are denominated in USD and NOK.

Jet-fuel prices
Expenses for jet-fuel represents a substantial part of the Company's operating costs, and fluctuations in the jet-fuel prices influence the projected cash flows. The objective of the jet-fuel price risk management policy is to provide a safeguard from significant and sudden increases in jet-fuel prices whilst retaining access to price reductions. The Company manages jet-fuel price risk using fuel derivatives. The management has a mandate to hedge up to 100 % of its expected consumption for the following 12 month with forward commodity contracts.

Credit risks
Credit risk is managed on group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to travel agencies and commercial customers, including outstanding receivables and committed transactions. The utilization of credit limits is regularly monitored. The Company's policy is to maintain credit sales at a minimum level. Sales to private customers are settled in cash or using major credit card companies.

For a part of the Company's sales, customers pay at the time of booking while the Company receives actual payments from credit card companies or acquires at a later point in time. Delayed payments from credit card companies vary between credit card brands. The risk arising from receivables on credit card companies or credit card acquires are monitored closely.

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

There are re-invoicing of maintenance costs on aircraft to leasing companies, and the Company regularly evaluates and assesses the value of these credits.

Liquidity risks
Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

Management monitors rolling forecasts of the Company's liquidity reserve and cash and cash equivalents (note 22) on the basis of expected cash flow. In addition, the Company's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these; monitoring balance sheet liquidity ratios against internal and external regulatory requirements; and maintaining debt financing plans.

The Company's aircraft fleet consists of leased aircraft (note 10) and owned aircraft (note 9), whereof the Company has 270 aircraft on firm order with future delivery. The table below shows the expected timeline of future deliveries of aircraft based on orders at 31 December 2012. Prepayments to aircraft manufacturers on future aircraft deliveries are partly financed by pre-delivery payment financing. At the delivery of the aircraft, pre-delivery payment financing is replaced with long term financing guaranteed by export credit agencies. The Company has ensured export credit support on all aircraft on order, whereof 50 % of deliveries in 2013 and 2014 have final export credit guarantees. The remaining 50 % of deliveries in 2013 and 2014 will be converted to final export guarantees through annual conversions. The Company is currently in the process of securing pre-delivery payment financing and term financing according to the Company's financing policy for deliveries within the current 2013-2015 financing planning time horizon.

Aircraft delivery	**2013**	**2014-2015**	**2016-**	**Total**
737-800	10	22	35	67
737 Max 8	0	0	100	100
Airbus 320 neo	0	0	100	100
787-8 Dreamliner	2	1	0	3
Total	**12**	**23**	**235**	**270**

The Company's financing policy includes sales and lease backs transactions on several aircraft to diversify its aircraft fleet. In 2012, two aircraft were delivered and financed as sales and lease backs transactions (six in 2011).

Note 3 - Revenues

(NOK 1,000)	**2012**	**2011**
By activity:		
Passenger transport	11,149,458	9,097,288
Ancillary revenue	1,458,155	1,224,744
Other revenues	232,886	201,765
Total	**12,840,499**	**10,523,797**
By geographic market:		
Domestic	4,039,488	3,661,540
International	8,801,011	6,862,257
Total	**12,840,499**	**10,523,797**

The Company is a low-cost airline, using its fleet of Boeing 737 aircraft. Revenues from this business are specified in the table above. Passenger revenue consists of revenue generated from sales of airline tickets, while ancillary revenue consists of other services directly generated from ticket sales. Other revenue consists of sales that are not directly related to an airline ticket, e.g cargo and sales of third party products.

Other income amounts to MNOK 17.9 (2011: MNOK 3.5) and include gains from sale of assets (note 9).

Note 4 – Operational Expenses

(NOK 1,000)	2012	2011
Sales and distribution expenses	274 386	198 930
Aviation fuel	3 740 508	3 093 514
Aircraft leases	1 081 334	1 561 369
Airport charges	1 729 942	982 273
Handling charges	1 077 115	711 556
Technical maintenance expenses	792 512	436 962
Other operating expenses	442 734	829 664
Total	**9 138 531**	**7 814 268**

Note 4a – Other Operating Expenses

Other operating expenses amount to MNOK 546.7 (2011: MNOK 469.6). Other operating expenses are related to the operation of systems, marketing, back office, consultants and other costs not directly attributable to operation of the aircraft fleet and related airline specific costs.

Note 5 – Payroll Expenses and Number of Employees

(NOK 1,000)	2012	2011
Wages and salaries	1,215,796	1,320,835
Social security tax	214,382	188,799
Pension expenses	250,268	205,599
Employee stock options	0	8,844
Other benefits	381,212	109,411
Total	**2,061,658**	**1,833,489**

In 2012, MNOK 0 (2011: MNOK 8.8) was charged as an expense to salaries, according to the stock option program (note 17). The Company has a pension scheme covering all employees. The scheme is in compliance with the act on occupational pensions (note 16).

	2012	2011
Number of man-labour years	2,158	2,059

Note 6 – Other Financial Items

(NOK 1,000)	2012	2011
Forreign exchange income and loss	274,088	-229,130
Appreciation financial current assets	21,024	12,722
Impairment of shares in subsidiary	-17,930	-25,000
Total	**277,183**	**-241,408**

Impairment of shares in subsidiary is detailed in note 25.

Note 7 - Taxes

This year's tax expense consists of (NOK 1,000):	**2012**	**2011**
Adjustment from previous year	0	-1,390
Change in deferred tax	164,538	61,734
Income tax expense	**164,538**	**60,344**

Reconciliation from nominal to effective tax rate:

(NOK 1,000)	**2012**	**2011**
Profit before tax	598,258	200,516
Expected tax expense using nominal tax rate (28 %)	167,512	56,144
Tax effect of the following items:		
Non deductible expenses/non taxable income	-2,974	4,199
Tax expense	**164,538**	**60,344**
Effective tax rate	27.50%	30.09%

Specification of temporary differences and tax loss carry forward:

(NOK 1,000)	**2012**	**2011**
Tangible assets	-1 194 710	-850 145
Long term receivables and borrowings in foreign currency	-155 065	-179 040
Financial instruments	190 356	-242 251
Inventories	16 719	4 258
Receivables	31 638	10 021
Gain/loss account	-26 441	18 760
Provisions	194 431	93 008
Pensions	0	150 713
Other	-242 267	-308 997
Tax loss carry forward	29 922	740 871
Total	**-1 155 416**	**-562 802**
Deferred tax asset/liability	-323 517	-157 585
Adjustments in respect of prior years	0	-1 394
Net recognized deferred tax asset/liability	**-323 517**	**-158 978**

Gross movements on deferred income tax:

(NOK 1,000)	**2012**	**2011**
At 1 january (-) liability/(+) asset	-158,978	-97,245
Income statement charge	-164,538	-61,734
31 December	**-323,517**	**-158,978**

Note 8 – Intangible Assets

(NOK 1,000)	Software	Goodwill	Other Intangible Assets	Total
Acquisition cost at 1 January 2011	175,139	94,157	31,019	300,315
Additions	74,687	0	0	74,687
Disposals	-12,614	0	0	-12,614
Acquisition cost at 31 December 2011	**237,211**	**94,157**	**31,019**	**362,388**
Acquisition cost at 1 January 2012	237,211	94,157	31,019	362,388
Additions	55,901	0	0	55,901
Disposals	-3,867	0	0	-3,867
Acquisition cost at 31 December 2012	**289,245**	**94,157**	**31,019**	**414,421**
Accumulated amortization and write-down at January 1 2011	104,148	12,554	4,591	121,294
Amortization in 2011	32,956	6,277	0	39,233
Amortization disposals in 2011	-12,520	0	0	-12,520
Accumulated amortization and write-down at 31 December 2011	**124,585**	**18,831**	**4,591**	**148,008**
Accumulated amortization and write-down at January 1 2012	124,585	18,831	4,591	148,008
Amortization in 2012	50,053	6,277	0	56,330
Amortization disposals in 2012	-2,582	0	0	-2,582
Accumulated amortization and write-down at 31 December 2012	**172,056**	**25,109**	**4,591**	**201,756**
Book value at 31 December 2011	**112,627**	**75,325**	**26,428**	**214,380**
Book value at 31 December 2012	**117,189**	**69,048**	**26,428**	**212,665**
Economic life	3-5 years	15 years	Indefinite	
Amoritzation plan	Linear	Linear	None	

Capitalized software is related to external consulting fees for the development of Norwegian's own systems for booking and ticket-less travel, various sales portals, back office and maintenance system (AMOS). The depreciation of the software commence as each module is completed.

Goodwill consists of purchased goodwill from Norwegian Air Shuttle Sweden AB in 2009. All airline operations were purchased from the subsidiary and the airline operations were run by Norwegian Air Shuttle ASA from 1 July 2009. Payment for the operations exceeding initial goodwill from the purchase of the shares in Norwegian Air Shuttle Sweden AB in 2007 (see note 25) was added to the value of the shares. Goodwill and slots were identified as assets and measured at the value from initial purchase price in 2007.

The management has determined that goodwill related to the Swedish airline operation has a definite economic useful life of 15 years. The assessment is based on an assumption that the Company will earn future benefits from the Swedish operation for all foreseeable future. The depreciation plan of 15 years is based on an average depreciation plan for the Company's total tangible and intangible assets.

Other intangible assets consist of intellectual property rights which are related to the purchases of internet domains. The Company has developed web portals in Norway, Sweden and Denmark. Slots from the purchase of Norwegian Air Shuttle Sweden AB with an acquisition cost of MNOK 22.4 are included in other intangible assets. Other intangible assets are determined to have indefinite economic useful lives and are not amortized.

Intangible assets with indefinite economic useful lives are tested for impairment annually. No impairment losses are identified for intangible assets in 2012.

Intangible assets with definite economic useful lives are tested for impairment if there are identified indicators of impairment.

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

Note 9 – Tangible Assets

(NOK 1,000)	Buildings	Aircraft	Prepayment aircraft manufacturers	Equipment and fixtures	Financial lease	Total
Acquisition cost at 1 January 2011	9,525	2,451,396	2,002,600	111,983	34,607	4,610,110
Additions	0	716,505	1,410,287	23,363	0	2,150,154
Transfers	0	1,285,933	-1,285,933	0	0	0
Disposals	0	-29,206	0	-22,020	0	-51,226
Acquisition cost at 31 December 2011	**9,525**	**4,424,627**	**2,126,954**	**113,326**	**34,607**	**6,709,038**
Acquisition cost at 1 January 2012	9,525	4,424,627	2,126,954	113,326	34,607	6,709,038
Additions	0	607,445	2,134,161	46,457	0	2,788,063
Transfers	0	1,416,756	-1,416,756	0	0	0
Disposals	0	-124,061	0	0	0	-124,061
Acquisition cost at 31 December 2012	**9,525**	**6,324,768**	**2,844,359**	**159,782**	**34,607**	**9,373,041**
Accumulated depreciation at 1 January 2011	0	359,259	0	86,086	3,405	448,748
Depreciation	0	224,865	0	16,998	3,320	245,184
Depreciation on disposals	0	-28,656	0	-21,657	0	-50,313
Accumulated depreciation at 31 December 2011	**0**	**555,468**	**0**	**81,427**	**6,725**	**643,619**
Accumulated depreciation at 1 January 2012	0	555,468	0	81,427	6,725	643,619
Depreciation	0	308,895	0	19,878	3,320	332,094
Depreciation on disposals	0	-119,353	0	0	0	-119,353
Accumulated depreciation at 31 December 2012	**0**	**745,011**	**0**	**101,305**	**10,046**	**856,360**
Book value at 31 December 2011	**9,525**	**3,869,159**	**2,126,954**	**31,899**	**27,882**	**6,065,419**
Book value at 31 December 2012	**9,525**	**5,579,757**	**2,844,359**	**58,476**	**24,562**	**8,516,680**
Economic life	See below	See below	See below	See below	4-20 years	
Depreciation plan	See below	See below	None	Linear	Linear	
Residual value	100 %	See below	See below	See below	MNOK 0	

Per 31 December 2012, the Company operated a total of 68 aircraft, whereas 28 were owned and 40 were leased under operational leases. For comparison, the Company owned 20 aircraft and leased under operational lease 43 aircraft in 2011. See note 10 for details about operational leases.

Aircraft
Aircraft consist of purchased aircraft. The Company owns 28 aircraft per 31 December 2012 (2011: 20 aircraft) and the total residual value for these aircraft was MNOK 1,614.4 (2011: MNOK 1,087.2). The residual value is deducted from the depreciable amount of the remainder of the aircraft. The life expectancy is 25 years on all the 737 aircraft, and the economic life of the owned aircraft is 25 years less the age of the aircraft at time of purchase.

Installations on leased aircraft
The installations on the leased aircraft include cabin interior modifications and other improvements to the aircraft after lease commencement. The capitalized value is depreciated over the remainder of the aircraft leases, which is between 1-10 years. Linear depreciation is applied and residual value is NOK 0. In 2012 and 2011 several engines of the leased aircraft were in overhaul, and replacements costs for life limited parts were capitalized to the extent that the costs are improvements to the engines which exceed the requirements specified in the leasing contracts. These components are depreciated at a defined rate per engine cycle, limited to the remainder of the aircraft lease.

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

Buildings
Buildings consist of 3 apartments in Berlin, purchased in 2007 for the purpose of housing crew and trainees stationed in Berlin on temporary basis. In 2010, the Company purchased an apartment in Seattle for the purpose of housing personnel stationed in Seattle with regards to the delivery of new 737-800 aircraft. Buildings are carried at acquisition cost. The residual value is estimated to equal the acquisition cost.

Prepayments to aircraft manufacturers
In 2007, the Company entered a purchase contract of 42 new 737-800 aircraft with Boeing Commercial Airplanes, with an option of purchasing 42 additional aircraft. The contract was extended in June 2011 for an additional 15 Boeing 737-800. In 2011, the Company entered a purchase contract with Icelandair for the right to acquire 3 Boeing 787-8 Dreamliner aircraft, which Icelandair had on order with Boeing Commercial Airplanes. In January 2012, the Company entered additional purchase contracts with Boeing Commercial airplanes and Airbus S.A.S comprising a total of 372 aircraft, whereof 222 were firm orders. Note 2 include a table showing the timeline of future deliveries.

Per 31 December 2012, 23 owned aircraft and 10 sale-and-lease-backs aircraft were delivered. Until the delivery of the aircraft, the Company will make prepayments to aircraft manufacturers, following a defined prepayment schedule. The Company capitalizes borrowing costs incurred for the construction of qualifying assets during the period of time that is required to complete the aircraft. Borrowing costs of MNOK 73.5 (2011: MNOK 78.2) have been capitalized during the year. Average capitalization rate of 4.7 % (2011: 5.1 %) was used.

Financial lease assets
The Company entered lease agreements in 2009 related to de-ice equipment and electronic flight bag equipment. The lease agreements are classified as financial leases as all risks and rewards are transferred to the Company after the end of the lease agreement. The financial lease assets are depreciated over their economic useful lives. De-ice equipment is depreciated over 20 years, while electronic flight bag equipment is depreciated over 4 years. Residual value of financial lease assets is 0.

Impairment of tangible assets
In 2012 and 2011, management determined that the total operations of the Company were its cash generating unit. Impairment testing of tangible assets are covered by impairment testing on the whole Company, see note 8 for details.

For information regarding assets pledged as collateral, see note 21.

Note 10 - Leasing

The lease agreements on the Boeing 737 aircraft last between 3 and 10 years from the date of agreement, with some extension options. The lease agreements on the Boeing 787 aircraft last for 12 years with an option of extension. From 2002 to 2010, 46 aircraft were delivered. In 2011, 8 aircraft were delivered and 3 aircraft were delivered in 2012. Renegotiations have resulted in the extension of some of the shorter leases. In 2012, 7 (2011: 10) aircraft were redelivered to the lessor. Contracts for one of the aircraft will expire in 2013, and contracts for 4 of the aircraft expire in 2014. The remaining contracts expire in 2015 or later.

Leasing costs expensed on aircraft lease within operational expenses was MNOK 929.9 in 2012 (2011: MNOK 828.4). Included in leasing costs are operating lease costs on aircraft from sale-and-lease-back transactions.

In addition, the Company leases 16 (2011: 5) cars and 10 (2011: 10) properties in Oslo, Stavanger, Stockholm and Copenhagen. Leasing costs related to cars and properties expensed in other operating expenses in 2012 was MNOK 46 (2011: MNOK 26.6).

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

	Nominal value 2012				Nominal value 2011			
(NOK 1,000)	**Aircraft**	**Cars**	**Property**	**Total**	**Aircraft**	**Cars**	**Property**	**Total**
Within one year	1,526,147	4,339	45,367	1,575,852	1,342,217	4,222	41,827	1,388,266
Between 1 and 5 years	6,577,357	11,419	63,572	6,652,348	5,798,435	15,179	60,710	5,874,324
After 5 years	7,017,603	0	29,355	7,046,957	5,659,708	0	41,101	5,700,809

The aircraft's minimum lease payments consist of ordinary lease payments, contractual payments for maintenance reserves and expensed deferred lease payments resulting from non- interest bearing deposits paid at inception of the lease agreement. Aircraft leases committed through letter of intent are not included in the table above.

Note 11 – Long-term Receivables

(NOK 1,000)	2012	2011
Deposits	115,117	95,066
Intercompany receivable	1	12,129
Other long-term receivables	20,445	17,961
Total	**135,562**	**125,156**

The Company pays deposits on aircraft leases. In 2011, inter-company receivables were related to a long- term loan to Call Norwegian AS. Inter-company receivables are presented net against inter-company payables in the financial statements for each subsidiary. Receivables denominated in foreign currency are converted using the prevailing exchange rates on the balance sheet date.

Note 12 - Inventories

(NOK 1,000)	2012	2011
Consumables	61,068	69,185
Parts for heavy maintenance	7,317	12,809
Total	**68,385**	**81,994**

In 2012 and 2011, the Company purchased parts removed from aircraft engines in relation with heavy maintenance. Such parts are held for sale and sold in secondary markets.
Charges for obsolete product in 2012 were MNOK 12.5 (2011: MNOK 4.5).

Note 13 – Other Receivables

(NOK 1,000)	2012	2011
Prepaid costs	46,051	74,517
VAT refund	33,909	45,759
Reimbursements claims maintenance costs	99,157	174,150
Other receivables	77,443	95,325
Total	**256,560**	**389,751**

Note 14 – Shareholder's Equity and Shareholder Information

At 31 December 2012, the share capital consists of the following share classes;

	Number of Shares	Nominal Value	Book Value
Class A shares	35,162,139	0.1	3,516,214

Shareholder structure
The largest shareholders at 31 December 2012 were:

	A-shares	Owner-ship	Voting-rights
HBK INVEST AS	9,489,116	26.99%	26.99%
FINNAIR PLC	1,649,862	4.69%	4.69%
SKAGEN KON-TIKI	1,628,768	4.63%	4.63%
SKAGEN VEKST	1,504,738	4.28%	4.28%
JPMORGAN CHASE BANK	823,567	2.34%	2.34%
DANSKE INVEST NORSKE	732,876	2.08%	2.08%
STATOIL PENSJON	676,060	1.92%	1.92%
DANSKE INVEST NORSKE	617,942	1.76%	1.76%
VERDIPAPIRFONDET DNB	572,443	1.63%	1.63%
KLP AKSJE NORGE VPF	534,416	1.52%	1.52%
DNB LIVSFORSIKRING A	437,293	1.24%	1.24%
KOMMUNAL LANDSPENSJO	334,415	0.95%	0.95%
JPMCB RE SHB SWEDISH	302,931	0.86%	0.86%
BNYBE - TT MID-CAP E	301,310	0.86%	0.86%
STATE STREET BANK &	285,280	0.81%	0.81%
GOLDMAN SACHS INT. -	280,397	0.80%	0.80%
STATE STREET BANK AN	278,877	0.79%	0.79%
VERDIPAPIRFONDET DNB	270,000	0.77%	0.77%
VERDIPAPIRFONDET DNB	258,906	0.74%	0.74%
FOLKETRYGDFONDET	252,700	0.72%	0.72%
Other	13,930,242	39.62%	39.62%
Total number of shares	**35,162,139**	**100%**	**100%**

Shares directly or indirectly held by members of the Board of Directors, Chief Executive Officer and Executive Management

Name	Title	Shares 1)
Bjørn Kise 2)	Chairman	780,714
Ola Krohn-Fagervoll	Deputy chairman	15,462
Liv Berstad	Board Member	0
Marianne Wergeland Jenssen	Board Member	0
Linda Olsen	Board Member - Employee repr	0
Thor Espen Bråten	Board Member - Employee repr	2,098
Jeanette Vannebo	Board Member - Employee repr	814
Bjørn Kjos 3)	Chief Executive Officer	8,031,324
Frode E Foss	Chief Financial Officer	35,000
Per-Ivar Gjørvad (Started on 1 June 2012)	Chief IT Officer	300
Hans-Petter Aanby (Quit 31 May 2012)	Chief IT Officer	0
Asgeir Nyseth	Chief Operating Officer	12,342
Daniel Skjeldam (Quit 31 August 2012)	Chief Commercial Officer	0
Anne-Sissel Skånvik	Senior Vice President Corporate Communications	0
Gunnar Martinsen	Senior Vice President HR and Organisation	9,109

1) Including shares held by related parties

2) Bjørn Kise holds 8.2 % of HBK invest AS

3) Bjørn Kjos holds 84.1 % of HBK Invest AS

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

Name	Title	Outstanding 2011	Exercised 2012	Outstanding 2012
Bjørn Kjos	Chief Executive Officer	8,184	8,184	0
Frode E Foss	Chief Financial Officer	4,679	4,679	0
Per-Ivar Gjørvad (Started on 1 June 2012)	Chief IT Officer	654	654	0
Hans-Petter Aanby (Quit 31 May 2012)	Chief IT Officer	4,760	4,760	0
Asgeir Nyseth	Chief Operating Officer	4,931	4,931	0
Daniel Skjeldam (Quit 31 August 2012)	Chief Commercial Officer	2,312	2,312	0
Anne-Sissel Skånvik	Senior Vice President	0	0	0
Gunnar Martinsen	Organisation	1,736	1,736	0

Note 15 - Equity

(NOK 1,000)	Share Capital	Share prem. Reserve	Other Paid-in Equity	Other Equity	Total Equity
Equity at 01 January 2011	**3,457**	**1,055,083**	**54,487**	**658,104**	**1,771,132**
Stock options- share issue 2011	30	20,380	0	0	20,410
Compensation expense for stock options	0	0	8,844	0	8,844
Net profit for the year	0	0	0	140,172	140,172
Equity 31 December 2011	**3,488**	**1,075,463**	**63,331**	**798,276**	**1,940,559**
Equity at 01 January 2012	**3,488**	**1,075,463**	**63,331**	**798,276**	**1,940,559**
Stock options- share issue 2012	28	18,085	0	0	18,114
Net profit for the year	0	0	0	433,720	433,720
Equity 31 December 2012	**3,516**	**1,093,549**	**63,331**	**1,231,996**	**2,392,392**

Note 16 - Pensions

The Company operates defined benefit plans and defined contribution plans. The majority of the employees participate in a defined benefit plan. The Norwegian defined benefit plan was closed 1 December 2012 and all employees were transferred to the defined contribution plan. Pension plans are placed with DNB Liv.

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

Defined contribution plans comply with Norwegian Pension legislation.

Pension expenses on defined contribution plans are MNOK 69.1 in 2012 (2011: MNOK 33.5). The increase in expenses from contribution plans relates to a larger share of employees in contribution plans in 2012 compared to 2011.

Defined benefit plan
The closed defined benefit plan was a funded plan where the benefits were mainly dependent on pension entitlement earned, salary at the time of retirement and the size of payments from the National Insurance. The plan also covered a life insurance and disability insurance. Per 31 December 2012, no employees were active members (2011: 2,090), and 62 (2011: 38) were on pension retirement. In addition, employees are included in the early retirement scheme (AFP), whit the right to retire at the age of 62. The AFP is a multi-employer plan, where the Norwegian government finances 1/3 of the contribution plans. The AFP pension plan is a defined benefit plan administered by a separate legal entity (Fellesordningen). The plan is temporarily accounted for as a defined contribution plan, as the plans administrators have not been able to calculate the pension obligation for each entity participating in the plan.

The scheme is in compliance with the Occupational Pensions Act.

The pension liability in the closed benefit plan was calculated on linear accumulation. Changes in the obligation due to changes in, and deviations from, the estimated assumptions were spread over the estimated average remaining vesting period, for the part of deviations which exceeds 10% of the gross pension liability. Pension costs for the year for the Company's defined benefit plans were calculated by independent actuaries and were based on information as of 1 January 2012. The related pension liability was derecognized from the balance sheet on 1 December 2012.

Risk tables for death and disability are based on the most commonly used statistics in Norway, (K-2005) and (IR 02) respectively.

Pension expense (NOK 1,000)	Funded	Total 2012	Total 2011
Net present value of benefits earned	172,399	172,399	142,059
Interest cost on pension liability	22,683	22,683	27,187
Return on plan assets	-13,955	-13,955	-24,843
Administrative expenses	2,888	2,888	2,938
Recognized actuarial gains/losses	0	0	6,906
Recognized net liability - settlement	-28,745	-28,745	-3,306
Social security tax	25,946	25,946	21,163
Net pension expense defined benefit plans	**181,215**	**181,215**	**172,104**
Pension expense on defined contribution plans		60,520	29,356
Social security tax		8,533	4,139
Total pension expense		**250,268**	**205,599**

(NOK 1,000)	Total 2011
Liabilities on earned pension rights	685,779
Calculated liability from future salary increases	269,246
Gross pension liabilities	955,025
Pension assets (at market value)	514,910
Estimate deviations not recognised	-308,000
Social security tax	18,598
Net pension liabilities	**150,713**

	2012	2011
Best estimate of actual return on pension funds previous year	5.70%	3.50%
Expected contribution to be paid next year		130,073
Expected benefits to be paid		6,569

Economic assumptions:	**2011**
Discount rate	2.60%
Expected growth in salaries	3.25%
Expected growth in state pensions	3.25%
Expected growth in pensions	0.10%
Expected return on pension assets	2.60%
Average turnover	2-10 %

The companys pension fund is invested in the following instruments:

	2011
Equity	19.5 %
Bonds	14.5 %
Money market funds	13.3 %
Hold-to-maturity bonds	32.6 %
Real estate	17.0 %
Various	3.0 %

Actuarial assumptions related to demographic factors and retirements are based on assumptions commonly used in insurance. The estimated utilization rate for the AFP scheme is 20%.

Historical information

(NOK 1,000)	2012	2011	2010	2009	2008
Present value of defined benefit obligation	0	955,025	685,779	483,721	388,730
Fair value of plan assets	0	514,910	401,328	301,612	233,000
Deficit/(surplus) in the plan	**0**	**440,115**	**284,451**	**182,109**	**155,730**
Experience adjustments on plan liabilities	0	108,905	81,092	-25,272	50,340
Experience adjustments on plan assets	0	28,702	2,130	-28,148	2,549

Note 17 - Options

The Board issued 292,021 stock options to employees on 1 October 2010 in accordance with the authorization from the general meeting. The stock options had an exercise price of NOK 63.8, equal to the 30% discounted volume weighted share price during the period 20 -23 September 2010. The stock options could be exercised within a period of two years, whereas the first 50% of the stock options were vested on 1 October 2011 and the second 50% of the stock options were excised on 1 October 2012. Stock options which are not exercised within 31 October 2012 will expire.

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

The following estimates were used in calculating fair value;

	2010
Dividend (%)	0%
Expected volatility (%)	52.52%
Historic volatility (%)	52.52%
Risk free interest (%)	2.13%
Expected lifetime (year)	2.25
Share price at grant date	93.00

There were no option grants in 2012 or 2011.

Expected lifetime assumes that stock options are exercised at expiration. Expected volatility is based on the historical volatility over the most recent period that corresponds with the expected life of the option. The participants in the 2010 - program must cover the social security tax incurred for option gains where the share price exceeds NOK 127.6. These limitations are taken into account when calculating the option values.

The option program is expensed with MNOK 0 in 2012 and MNOK 8.8 in 2011.

	2012 Shares	Weighted avg. exerc. Price	2011 Shares	Weighted avg. exerc. Price
Outstanding at the beginning of the period	283,913	63.8	629,807	65.5
Exercised	283,913	67.0	329,394	67.0
Terminated	0	0.0	4,000	67.0
Forfeited	0	0.0	12,500	66.4
Outstanding at the end of the period	0	0.0	283,913	63.8
Vested options	0	0.0	283,913	63.8
Weighted average fair value of options alloca	0	0.0	0	0.0

2011	Outstanding options			Vested options	
Strike price (NOK)	Outstanding options	Weighted average remaining lifetime (yrs)	Weighted average exercise price	Vested options	Weighted average exercise price
50.00 - 66.00	283,913	0.8	63.8	283,913	63.8
Total	**283,913**	**0.8**	**63.8**	**283,913**	**63.8**

Norwegian Air Shuttle ASA has implemented a share purchase savings program for the employees, where the employees, by salary deductions, purchase shares in the parent company and the company will fund up to 50% of the purchased shares, limited to NOK 6,000 per year. The Company will also distribute bonus shares depending on the total amount of purchased shares per employee.

Fair value of the bonus shares are measured at the date of grant using Black & Scholes option pricing model. The fair value of the bonus shares and the corresponding estimated social security cost are expensed as personnel costs over the vesting period. Changes in estimated social security cost are expensed over the remaining vesting period. Per 31 December 2012, MNOK 1.5 (2011: MNOK 1.5) was expensed.

Note 18 - Provisions

(NOK 1,000)	2012	2011
Periodic maintenance on leased Boeing 737 airplanes	175,306	81,865
Provisions for pension costs	187,394	0
Total provisions	**362,700**	**81,865**

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

Parts of the periodic maintenances will be conducted in 2013, and MNOK 23 is classified as short term liability for periodic maintenances (2011: MNOK 10.0). The short term part of periodic maintenance is estimated based on planned maintenances in 2013.

The Company's defined benefit plan was closed 1 December 2012 and a new defined contribution plan was issued to all employees (see note 16). Provisions for pension cost at 31 December 2012 consist of estimated conversion costs, non-forfeiture value to employees and potential legal claims (see note 28).

Note 19 – Other Short-term Liabilities

(NOK 1,000)	2012	2011
Accrued holiday allowances	136,514	121,843
Accrued expenses	579,146	476,544
Short term part of periodic maintenance (note 18)	23,443	9,967
Provisions for pension costs (note 18)	187,394	0
Inter-company liabilities	29,935	18,761
Other short term liabilities	0	17,825
Total	**956,432**	**644,941**

Note 20 – Financial Instruments

	Assets		Liabilities	
31 December 2012 (NOK 1,000)	**Short term**	**Long term**	**Short term**	**Long term**
Jet-fuel contracts	0	0	190,356	0
Total financial instruments	**0**	**0**	**190,356**	**0**

	Assets		Liabilities	
31 December 2011 (NOK 1,000)	**Short term**	**Long term**	**Short term**	**Long term**
Foreign exchange hedges fair value	242,790	0	0	0
Jet-fuel contracts	0	0	539	0
Total financial instruments	**0**	**0**	**539**	**0**

Other losses/(gains)-net

(NOK 1,000)	2012	2011
Financial assets at fair value through profit or loss		
- Fair value losses	1,927,902	1,461,285
- Fair value gains	-1,603,765	-1,765,409
- Foreign exchange (gains)/losses on operating activities	13,447	-45,276
Net losses/(gains)	**337,584**	**-349,400**

Losses and gains on financial asset and financial liabilities at fair value through profit or loss are classified as 'other losses/(gains) – net'. Foreign exchange losses and gains on operating activities are classified as other losses/(gains) – net.

Note 21 – Assets Pledged as Collateral and Guarantees

Liabilities secured by pledge (NOK 1,000):	2012	2011
Aircraft financing	3,893,672	2,858,250
Loan Facility	97,932	124,873
Facility agreement	930,695	648,004
Financial lease liability	15,819	20,456
Total	**4,938,117**	**3,651,583**

Owned aircraft are pledged as collateral for the aircraft financing. The purchase contracts with aircraft manufacturers are pledged as collateral for the revolving credit facility agreement with ING Bank N.V and DVB Bank SE to secure the pre-delivery payments.

Five 737-300 fully owned aircraft are pledged as collateral for the loan facility and the pledged collateral is cross default with the revolving credit facility with DNB ASA. There is no pledged collateral for the financial lease liability, but the financial lease asset is an actual security for the financial lease liability through fulfilment of the lease agreement. For references to pledged asset, see note 9 and for borrowings related to those asset, see note 24.

Book value of assets pledged as security (NOK 1,000):	2012	2011
Cash depot	247,097	218,693
Prepayment and aircraft	8,277,654	5,849,736
Financial lease asset	24,562	27,882
Total	**8,549,313**	**6,096,311**

Note 22 – Bank Deposits

(NOK 1,000)	2012	2011
Cash in bank	843,897	602,183
Cash equivalents	850,583	479,559
Total	**1,694,480**	**1,081,742**

Restricted cash items are:

(NOK 1,000)	2012	2011
Guarantees for leases and credits from suppliers	183,095	218,693
Taxes withheld	64,002	52,564
Total restricted cash	**247,097**	**271,257**

Bank guarantees are granted for leasing liabilities for aircraft, suppliers of fuel and handling services, as well as airport charges from airports and governments.

Note 23 – Remuneration of the Board of Directors and Executive Management

Remuneration of the Board of Directors
Total remuneration paid to the Board in 2012 was MNOK 1 (2011: MNOK 1). The Chairman of the Board, Bjørn Kise, received MNOK 0.36 (2011: MNOK 0.35). There were no bonuses or other forms of compensation paid to the Board members in 2012.

Directive of Remuneration of the CEO and the Executive Management
The principles of leadership remuneration in Norwegian Air Shuttle ASA are to stimulate a strong and lasting profit oriented culture. The total compensation level should be competitive, however, not market leading compared to similar organizations. The Board determines the remuneration of the CEO, and the guidelines for remuneration of the Executive Management. The remuneration of the Board and the Executive Management must not have negative effects on the Company, nor damage the reputation and standing of the Company in the public eye. There have been no changes to the guidelines or principles for management remuneration during the year. The actual remuneration in 2012 was consistent with the guidelines and principles.

The Executive Management compensation should primarily consist of a fixed yearly salary with additional compensations such as a company car, free telephone, internet and newspapers, and a standard pension and insurance plan. Executive management is also a part of the Company's stock option plan.

The CEO does not receive compensation in form of performance based salary or bonuses, except for options in the stock option plan. The Executive Management can on an individual basis be awarded with a special compensation for profit enhancing projects.

The Executive Management is part of the Company's collective pension plan for salaries up to 12 G, which applies to all employees. The Senior Management has not been given any specific rights to terminate employment.

Total compensation year 2012						
(NOK 1,000)	**Fee**	**Salary**	**Bonus**	**Other benefits **)**	**Total Compensation**	**Pension expense ***)**
The Board of Directors						
Bjørn Kise (chairman)	360				360	
Ola Krohn-Fagervoll (deputy chairman)	225				225	
Liv Berstad	175				175	
Marianne Wergeland Jenssen	175				175	
Thor Espen Bråthen*)	35				35	
Kenneth Utsikt*)	35				35	
Linda Olsen*)	35				35	
Total board of directors	**1,040**	**0**	**0**	**0**	**1,040**	**0**
Executive Management						
Bjørn Kjos (Chief Executive Officer)		1 328		169	1,497 a)	134
Frode Foss (Chief Financial Officer)		1,762		158	1,920 b)	102
Asgeir Nyseth (Chief Operating Officer)		1,734		155	1,889 c)	140
Hans-Petter Aanby (Chief IT Officer, Quit 31 May 2012)		969		45	1,014 d)	73
Per Ivar Gjørvad (Chief IT Officer, Started on 1 June 2012)		961		89	1,050 e)	75
Daniel Skjeldam (Chief Commercial Officer, Quit 31 August 2012)		1,200		106	1,306 f)	36
Gunnar Martinsen (Senior Vice President HR and Organisation)		1,249		164	1,413 g)	153
Anne-Sissel Skånvik (Senior Vice President Corporate Communications)		1,255		139	1,394	136
Total executive management	**0**	**10,458**	**0**	**1,025**	**11,483**	**848**

*) For the employee representatives in the Board of Directors, only their fee for serving on the Board of Directors fee is stated.
**) Other benefits include company car, telephone, internet etc.
***) Pension expense reflects paid pension premium less employee contribution

a) Bjørn Kjos exercised share options in 2012 that has been reported as additional taxable income with NOK 256,397
b) Frode Foss exercised share options in 2012 that has been reported as additional taxable income with NOK 280,627
c) Asgeir Nyseth exercised share options in 2012 that has been reported as additional taxable income with NOK 295,741
d) Hans-Petter Aanby exercised share options in 2012 that has been reported as additional taxable income with NOK 346,669
e) Per Ivar Gjørvad exercised share options in 2012 that has been reported as additional taxable income with NOK 39,224
f) Daniel Skjeldam exercised share options in 2012 that has been reported as additional taxable income with NOK 138,664
g) Gunnar Martinsen exercised share options in 2012 that has been reported as additional taxable income with NOK 104,118

Total compensation year 2011						
(NOK 1 000)	**Fee**	**Salary**	**Bonus**	**Other benefits **)**	**Total Compensation**	**Pension expense ***)**
The Board of Directors						
Bjørn Kise (chairman)	350				350	
Ola Krohn-Fagervoll (deputy chairman from 5/11/2010)	225				225	
Liv Berstad	175				175	
Marianne Wergeland Jenssen	175				175	
Thor Espen Bråthen*)	35				35	
Kenneth Utsikt*)	35				35	
Linda Olsen*)	35				35	
Total board of directors	**1,030**	**0**	**0**	**0**	**1,030**	**0**
Executive Management						
Bjørn Kjos (Chief Executive Officer)		1 251		167	1,418 a)	126
Frode Foss (Chief Financial Officer)		1,565		144	1,709 b)	91
Asgeir Nyseth (Chief Operating Officer)		1,640		179	1,819 c)	132
Hans-Petter Aanby (Chief IT Officer)		1,588		105	1,693 d)	119
Daniel Skjeldam (Chief Commercial Officer)		1,605		135	1,740 e)	48
Gunnar Martinsen (Senior Vice President HR and Organisation)		1,247		167	1,414 f)	153
Anne-Sissel Skånvik (Senior Vice President Corporate Communications)		1,286		125	1,411 g)	139
Total executive management	**0**	**10,182**	**0**	**1,022**	**11,204**	**808**

*) For the employee representatives in the Board of Directors, only their fee for serving on the Board of Directors fee is stated.
**) Other benefits include company car, telephone, internet etc.
***) Pension expense reflects paid pension premium less employee contribution

a) Bjørn Kjos exercised share options in 2011 that has been reported as additional taxable income with NOK 241,024
b) Frode Foss exercised share options in 2011 that has been reported as additional taxable income with NOK 235,912
c) Asgeir Nyseth exercised share options in 2011 that has been reported as additional taxable income with NOK 228,244
d) Hans-Petter Aanby exercised share options in 2011 that has been reported as additional taxable income with NOK 113,209
e) Daniel Skjeldam exercised share options in 2011 that has been reported as additional taxable income with NOK 945,409
f) Gunnar Martinsen exercised share options in 2011 that has been reported as additional taxable income with NOK 113,209
g) Anne-Sissel Skånvik exercised share options in 2011 that has been reported as additional taxable income with NOK 113,209

Shares and options owned by Executive Managers are presented in note 14.

There are no loans outstanding, or guarantees made to the Board of Directors or the Executive Management.

Auditor remuneration

(NOK 1,000)	2012	2011
Audit fee	850	611
Other audit related services	256	55
Tax advisory	5	568
Other services	13	46
Total	**1,124**	**1,280**

All amounts stated exclude VAT.

Note 24 - Borrowings

Nominal value at 31 December 2012

(NOK 1,000)	Nominal value	Unamortized transaction cost	Book value	Effective interest rate
Bond issue	600,000	-11,052	588,948	7.5%
Facility agreement	941,008	-10,313	930,695	6.8%
Aircraft financing	4,118,189	-224,517	3,893,672	3.1%
Loan facility	98,135	-203	97,932	3.8%
Financial lease liability	15,819	0	15,819	5.9%
Total	**5,773,150**	**-246,085**	**5,527,065**	

Nominal value at 31 December 2011

(NOK 1,000)	Nominal value	Unamortized transaction cost	Book value	Effective interest rate
Bond issue	600,000	-1,292	598,708	8.8%
Facility agreement	652,301	-4,297	648,004	3.1%
Aircraft financing	3,021,190	-162,940	2,858,250	4.0%
Loan facility	125,278	-405	124,873	4.6%
Financial lease liability	20,456	0	20,456	5.6%
Total	**4,419,224**	**-168,933**	**4,250,290**	

Classification of Borrowings

(NOK 1,000)	2012	2011
Non-current		
Bond issue	588,948	0
Aircraft financing	3,507,117	2,585,158
Loan facility	70,789	97,730
Financial lease liability	10,853	15,485
Total	**4,177,707**	**2,698,373**
Current		
Bond issue		598,708
Facility agreement	930,695	648,004
Aircraft financing	386,555	273,092
Loan facility	27,143	27,143
Financial lease liability	4,966	4,971
Total	**1,349,359**	**1,551,918**
Total borrowings	**5,527,065**	**4,250,290**

Collateralized borrowings are detailed in note 21.

Bond issue
Interest rate of NIBOR 3M and a risk premium equal to the spread at the balance sheet date. The bond issue is an unsecured bond issue denominated in NOK and matures 13 April 2015. The coupon is NIBOR + 5.5 %.

Facility agreement
Interest rate of LIBOR 3M and a risk premium equal to the spread at the balance sheet date. The Company has entered facility agreements with ING Bank N.V, DVB Bank SE and DNB ASA in 2011 and 2012 to cover pre-delivery financing for aircraft with delivery from 2013 to 2014.

The borrowings mature at the delivery of each aircraft are classified as short term borrowings and denominated in USD.

Aircraft financing
The fixed and floating interest rates are both based on LIBOR 7Y and a risk premium equal to the spread at the balance sheet date. The spread is not entity specific, as the agreed spread is based on overall credit risk in the financial markets in the United States.

The borrowings mature quarterly for 12 years after delivery of the aircraft from Boeing. The aircraft financing is denominated in USD.

Loan facility
The floating interest rate is based on NIBOR 3M and a risk premium of 2.25 %. The loan facility is denominated in NOK and matures quarterly, with the final commitment to pay on 30 June 2014.

Financial lease liability
The liability is de facto secured in the financial lease assets, as the rights and obligations of the leased assets are returned to the lessor if the lease agreement is not fulfilled. The financial lease liability is denominated in NOK.

Maturity of borrowings

At 31 December 2012 (NOK 1,000)	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	1,359,672	457,543	1,759,652	2,185,347
Financial lease liability	4,396	4,396	6,457	0
Total liabilities	**1,364,068**	**461,939**	**1,766,109**	**2,185,347**

At 31 December 2011 (NOK 1,000)	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	1,552,536	300,235	890,268	1,655,730
Financial lease liability	4,396	4,396	8,668	2,297
Total liabilities	**1,556,932**	**304,631**	**898,936**	**1,658,027**

Note 25 – Investments in Subsidiaries and Related Parties

Norwegian Air Shuttle Polska SP.zo.o
The subsidiary was established in 2006 and is based in Warsaw, Poland. The Company owns 100% of the shares. The company was established for managing the Polish operation and is under liquidation.

Norwegian Air Shuttle Sweden AB
The subsidiary was purchased on 31 July 2007. The Company owns 100 % of the shares in Norwegian Air Shuttle Sweden AB. The total purchase price was MNOK 199.8. The company is based at Arlanda Airport, Stockholm, Sweden. The Swedish subsidiary supplies crew and provides some lighter maintenance on the aircraft. Transactions between the parent company and the Swedish subsidiary during 2012 consisted of the supply of personnel. At 1 July 2009, the entire airline operation in Norwegian Air Shuttle Sweden AB was transferred to Norwegian Air Shuttle ASA through the purchase of assets.

AB Norwegian Air Shuttle Finland Ltd
The subsidiary was established on 14 June 2011, but had no activity in 2011 and the Company has control over 100% of the shares in AB Norwegian Air Shuttle Finland Ltd.

Call Norwegian AS
On 14 January 2008 the Company established Call Norwegian AS, and owns 100% of the shares. The company provides communication services such as airport WiFi,with focus on relevance to Norwegian's existing customers.

NAS Asset Management Ireland Ltd
On 15 July 2008 the Company established NAS Asset Management Ltd, a special purpose vehicle (SPV), and owned 99.9% of the shares. NAS Asset Management Norway AS owned the remaining 0.1% of the shares. The company was incorporated in Ireland and established for aircraft financing purposes. At 31 December 2012, the company was liquidated.

NAS Asset Management Norway AS
On 15 July 2008 the Company established NAS Asset Management Norway AS, a special purpose vehicle (SPV), and owns 100% of the shares. NAS Asset Management Norway AS was established for aircraft financing purposes. The subsidiary has not had any transactions with related parties in 2012.

Norwegian Long Haul AS
On 1 January 2012, the Company established Norwegian Long Haul AS, and controls 100% of the shares. The company is incorporated in Norway and is established for the purpose of operating the long haul destinations with Boeing 787-8 Dreamliner aircraft.

Name	Date of establishment	Office	Number of shares	Ownership
Norwegian Air Shuttle Polska SP.zo.o	2006	Warsaw, Poland	50,000	100 %
Norwegian Air Shuttle Sweden AB	31/07/2007	Stockholm, Sweden	20,000	100 %
Call Norwegian AS	14/01/2008	Fornebu, Norway	1,000,000	100 %
NAS Asset Management Norway AS	15/07/2008	Fornebu, Norway	100	100 %
AB Norwegian Air Shuttle Finland Ltd	14/06/2011	Helsinki, Finland	200	100 %
Norwegian Long Haul AS	01/01/2012	Fornebu, Norway	20,000	100 %

Transactions with related parties
The CEO is the principal shareholder in Norwegian Air Shuttle ASA with an ownership share of 27.2% through the controlling ownership of HBK Invest AS. The Chairman of the Board owns a minority of shares in HBK Invest AS. There have been no financial transactions between HBK Invest AS and Norwegian Air Shuttle ASA in 2012 or 2011 except for indirect transactions through Fornebu Næringseiendom.

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

The Company leases its property at Fornebu from Fornebu Næringseiendom AS, which is a fully owned subsidiary of HBK Invest AS. The lease agreement entitles the Company to lease Oksenøyveien 3 at Fornebu for ten years to until 2020, with an option to extend the lease for another five years.

The Company has received commission from the associated company in 2012 and 2011 (note 26). The commission relates to sales made by the parent company's customers by using the 'Bank Norwegian' credit card. The total commissions, receivables and payables to related parties are enclosed below.

The Company has not issued any loans in 2012 (2011: MNOK 12.1 in loans to Call Norwegian). No other loans or guarantees have been issued to related parties in 2012 or 2011.

See note 23 for details on key management compensation and note 14 for shares and options held directly or indirectly by members of the Board of Directors, the CEO and the Executive Management.

The following transactions were carried out with related parties (NOK 1,000):

Sales (-) and purchases (+) of goods and services (excl VAT)	2012	2011
- Call Norwegian (mobile-and WiFi services)	3,981	10,090
- Norwegian Air Shuttle Sweden AB (supply of crew personnel)	289,330	226,486
- Simonsen Vogt Wiig (legal services)	6,175	4,976
- Associate (commission)	-40,049	-34,296
- Associate (interests on subordinated loan)	-2,541	-2,712
- Fornebu Næringseiendom (property rent)	13,168	13,114
- Ola Krohn-Fagervoll (services as Board Member - note 14)	9	14

Year-end balances arising from sales/purchases of goods/services (incl VAT)	2012	2011
Receivables from related parties (note 11)		
- Call Norwegian	0	12,129
- Simonsen Vogt Wiig (legal services)	0	0
- Associate (commission)	4,000	19,196
- Fornebu Næringseiendom (property rent)	0	0
- Ola Krohn-Fagervoll (services as Board Member - note 14)	0	0
Payables from related parties (note 19)		
- Norwegian Air Shuttle Sweden AB	0	18,761
- Simonsen Vogt Wiig (legal services)	132	-2
- Associate (commission)	0	0
- Fornebu Næringseiendom (property rent)	0	-3,999
- Ola Krohn-Fagervoll (services as Board Member - note 14)	0	0

Investment in related parties	2012	2011
- Associate (subordinated loan)	30,000	30,000

Dividend from related parties		
- Subsidiary	-9,728	0

Note 26 – Investment in Associated Companies

Norwegian Air Shuttle ASA has the following investments in associates:

Entity	Country	Industry	Ownership interest	Carrying amount	Net profit/(loss) 2012	Share issue 2012	Carrying amount
Norwegian Finans Holding ASA	Norway	Financial Institution	20%	82,091	32,840	1,119	116,050

Entity	Country	Industry	Ownership	Carrying	Net profit/(loss)	Share issue	Carrying
Norwegian Finans Holding ASA	Norway	Financial Institution	20%	62,272	19,518	301	82,091

The associated company, Norwegian Finans Holding ASA, owns 100 % of the shares in Bank Norwegian AS. Norwegian Air Shuttle ASA owns 20% of the shares in Norwegian Finans Holding ASA. The company is situated in Oslo, Norway.

The equity method is applied in accounting for the investment, and Company's share of the associated company's profit and loss is included in the carrying amount.

The Company's share of the results and its aggregate assets and liabilities in the associated company, are as follows;

2012 (NOK 1,000)

Entity	Country	Assets	Liabilities	Revenues	Profit/(Loss)	Interest held %
Norwegian Finans Holding ASA	Norway	1,313,956	1,205,390	99,553	32,840	20%

2011 (NOK 1,000)

Entity	Country	Assets	Liabilities	Revenues	Profit/(Loss)	Interest held %
Norwegian Finans Holding ASA	Norway	844,121	768,153	67,996	19,518	20%

Note 27 – Investments in Shares

	2012		2011	
Company	**Market value**	**Book value**	**Market value**	**Book value**
Silver Pensjonsforsikring AS	2,689	2,689	2,689	2,689
Forth Moment Fund	10,172	10,172	0	0

Available-for-sale financial assets at 31 December 2012 consist of an investment in unlisted equity instrument in Silver Pensjonsforsikring and investment in Warren Funds. The fair value of available for sale financial assets is MNOK 12.9 (2011: MNOK 2.7). Fair value of the equity investment in Silver Pensjonsforsikring is estimated by calculating fair value per share from Holberg Fondsforvaltning AS multiplied with the number of shares held in the investment. Holberg Fondsforvaltning AS is a professional investment manager situated in Norway. The fair value of the shares is considered to be the best estimate for the market value of the investment. The investment is denominated in NOK.

The fair value of the investment in Forth Moment Fund is estimated based on Net Asset Valuation reports from the investment manager. The investment is denominated in EUR and is exposed to a wide range of currency risk as the assets of the Fund may be invested in securities denominated in a wide range of currencies.

Note 28 - Contingencies and Legal Claims

By the end of December 2012, the Norwegian Air Shuttle ASA was involved in one legal dispute.

As a consequence of the change of the pension scheme for employees in the Norwegian pension system, the Norwegian Pilot Union submitted an application for a summons against Norwegian at the Norwegian Labor Court. In the application, the claimants state that the change is in breach of the pilot collective agreement. The trial is scheduled in April 2013. Norwegian is in negotiations with the Norwegian Pilot Union to have the case settled. Provisions have been made (see note 18).

Note 29 - Commitments

In August 2007 Norwegian Air Shuttle ASA entered a purchase agreement of 42 new Boeing 737-800 aircraft with Blended Winglets and purchase rights for additional 42 aircraft of the same model from Boeing. The order of 42 aircraft has a list price of USD 3.1 billion. Per 31 December 2012, 36 of the options have been exercised.

In 2011 Norwegian extended its aircraft order with additional 22 Boeing 737-800 aircraft, whereof 7 purchase rights. All purchase rights are exercised. The total order for purchased Boeing 737-800 aircraft stands at a total of 100, whereof 33 have been delivered by year end 2012. Norwegian has 6 remaining purchase rights for aircraft of the type.

Between 2009 to 2012 Norwegian received 33 aircraft. The remaining 67 aircraft will be delivered over a course of six years from 2013 to 2018. The purchase price will be paid over several USD installments before and on delivery of each aircraft. The list price of the remaining aircraft to be delivered has a list price of USD 5 billion.

Norwegian Air Shuttle ASA entered a purchase agreement of three Boeing 787-8 Dreamliner aircraft in June 2011. The aircraft will be delivered over a period from 2013 to 2015. The aircraft have a (total) list price of USD 580 million. The three aircraft will complement 787-8 Dreamliner leases (note 12). Per 31 December 2012, the Company has 8 Boeing 787-8 Dreamliners with an expected delivery from 2013.

In January 2012, the Company entered additional purchase contracts with Boeing Commercial airplanes and Airbus S.A.S comprising a total of 372 aircraft, whereof 222 were firm orders. The firm orders are for 22 Boeing 737-800, 100 Boeing 737 MAX8 and 100 Airbus A320neo. The agreements also include purchase rights for an additional 100 Boeing 737 MAX8 and 50 Airbus A320neo. The firm orders have an aggregated value at list price of approximately NOK 127 billion. The delivery of aircraft starts in 2016. The aircraft purchase is supported by the Export-Import Bank of the United States (Ex-Im) and European Export Credit Agencies.

The Company presents list prices on aircraft purchase contracts. Discounts are achieved on the aircraft purchase contracts; hence the actual committed purchase prices are lower than the presented list prices. Actual committed purchase prices are regarded as contractual and business sensitive information.

Norwegian Air Shuttle ASA has selected the Rolls-Royce Trent 1000 engine to power up to 9 new 787-8 Dreamliners. The contract, signed with Rolls-Royce, includes "Total Care" long-term support agreements which include all maintenances, spare parts and other support services. The contract value quoted at list price is USD 450 million when comprising 18 engines.

Norwegian Air Shuttle ASA has entered a maintenance agreement with Boeing comprising all six long-haul aircraft on order. The agreement secures cost efficient maintenance and has a duration of 12 years.

For details on commitments for aircraft leases, see note 10.

Note 30 – Events after the Reporting Period

Boeing Commercial Airplanes has notified Norwegian Air Shuttle ASA that the 787 Dreamliner delivery schedule is at risk due to the ongoing NTSB investigation that will determine the cause of the recent incidents involving 787 batteries. Norwegian's first delivery is scheduled to late April 2013. The extent of a possible delay and whether such delay will affect later deliveries is presently uncertain.

Norwegian Air Shuttle ASA is taking precautionary steps by signing a MOU (Memorandum of Understanding) to lease two Airbus A340-300 as substitute long haul aircraft capacity. Both aircraft will be used until Norwegian Air Shuttle ASA takes delivery of the 787 Dreamliner.

Responsibility statement

We confirm, to the best of our knowledge, that the financial statements for the period 1 January to 31 December 2012 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the entity and the group taken as a whole, as well that the Board of Directors' Report includes a true and fair review of the development and performance of the business and the position of the entity and the group, together with a description of the principal risks and uncertainties facing the entity and the group.

Fornebu, 20 March 2013

Bjørn H. Kise (Chairman of the Board)	Ola Krohn-Fagervoll (Deputy Chairman)
Liv Berstad Board member	Marianne Wergeland Jenssen Board member
Thor Espen Bråten (Employee Representative)	Jeanette Vannebo (Employee Representative)
Linda Olsen (Employee Representative)	Bjørn Kjos (Chief Executive Officer)

To the Annual Shareholders' Meeting of Norwegian Air Shuttle ASA

Independent auditor's report

Report on the Financial Statements

We have audited the accompanying financial statements of Norwegian Air Shuttle ASA, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements of the parent company comprise the balance sheet as at 31 December 2012, and the income statement and cash flow statement, for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements of the group comprise the balance sheet at 31 December 2012, income statement, statement of comprehensive income, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of the financial statements of the parent company in accordance with Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the financial statements of the group in accordance with International Financial Reporting Standards as adopted by EU and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

Opinion on the financial statements of the parent company

In our opinion, the financial statements of the parent company are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position for Norwegian Air Shuttle ASA as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Opinion on the financial statements of the group

In our opinion, the financial statements of the group present fairly, in all material respects, the financial position of the group Norwegian Air Shuttle ASA as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and statement of corporate governance principles and practices

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report and statement of corporate governance principles and practices concerning the financial statements and the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

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

Oslo, 20 March 2013
PricewaterhouseCoopers AS

Herman Skibrek
State Authorised Public Accountant (Norway)

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