NORWEGIAN AIR SHUTTLE ASA
ANNUAL REPORT 2013

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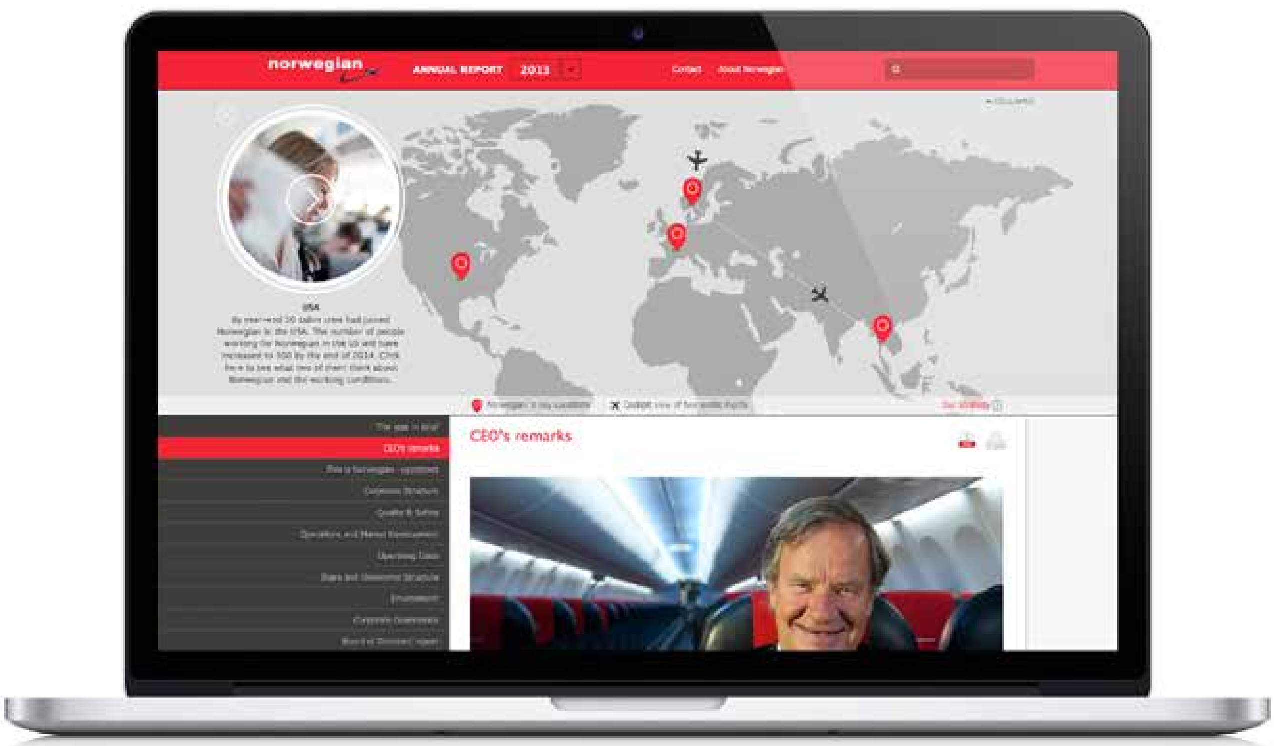
THE FULL ANNUAL REPORT IS AVAILABLE ONLINE AND CONTAINS ADDITIONAL INFORMATION SUCH AS CEO'S REMARKS TO THE YEAR THAT HAS PASSED AND THE STRATEGY AS WELL AS GRAPHICAL PRESENTATIONS, IMAGES AND MULTIMEDIA CONTENT.



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Board of Directors' report

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

The Group has its headquarters in Fornebu outside Oslo, as well as other offices at Oslo Gardemoen Airport and in Tromsø. Norwegian Air Shuttle Sweden AB has offices at Stockholm Arlanda Airport, and Norwegian Long Haul AS, Call Norwegian AS, NAS Asset Management Norway AS and Norwegian Finans Holding ASA have office addresses in Fornebu.

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

In 2013 the Group initiated a restructuring of the organization. The background for the restructuring is to optimize the airline operation, and set a new corporate structure in order to position the company for further international growth. Two fully owned subsidiaries will be established, each with their own air operator's certificate (AOC) - one in Norway and one in the EU. In line with legal developments in Europe, fully owned country-specific resource companies will be established.Additionally, specific activities of the airline's commercial activities are further reorganized and established in separate new entities including, but not limited to, Norwegian Holiday, Norwegian Cargo as well as brand and marketing activities. A key consideration has been to build a structure which maintains Norwegian's flexibility and adaptability despite growing size and entry into new markets in Europe, and across continents. The restructuring has included the establishment of new legal entities, reorganizing and relocation of key personnel and decision making authority, rights and assets to the relevant entities at their respective legal locations.

Flight Safety

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

The Group's flight safety office is integrated within the quality department, which reports directly to the respective accountable manager. The department's primary objective is to work proactively to promote flight safety throughout the organisation. Flight safety is covered in the crew's training programmes, together with training in security related issues.

The Group analyses information from Flight Data Recorders installed in Norwegian's aircraft on an on-going basis. These analyses are carried out in order to ensure that the aircraft are handled and flown according to current regulations and limitations.

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

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

Social Responsibility Report

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, as described in more detail below. The single most important thing an airline can do in order to make aviation more environmentally friendly is investing in new aircraft.

Our Code of Ethics give directions for a sound working environment and highlights the Group's guidelines for human rights, prevention of corruption, employee rights and safety for all – both our customers and employees – social conditions and external environment. Norwegian also has a dedicated corporate cooperation with UNICEF on account of the organisation's overall focus on children's rights.

Norwegian has for several years partnered with the humanitarian organisation UNICEF through a Signature Partnership.

- A Signature Partnership is initiated through the administration of a company's top-level management.
- A Signature Partnership is the highest form of partnership UNICEF Norway offers corporate clients.
- Norwegian is dedicated to working with UNICEF on account 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 to reach their full potential. UNICEF maintains that the survival, protection and development of children are universal development imperatives that are integral to human progress.

This is how Norwegian supports UNICEF

- Norwegian's support to UNICEF consists of travel funding and fundraisers. In addition, all Norwegian employees donate their company Christmas presents to UNICEF.
- Norwegian's CEO Bjørn Kjos receives many requests to speak at events and give lectures. Neither Bjørn Kjos nor Norwegian charge for this, however, through our partnership with UNICEF, we ask organisations and businesses to transfer 20,000 NOK when Bjørn Kjos holds a lecture. We hope businesses see this as an opportunity to help support an international organisation that works for children's rights.
- In 2013, Norwegian donated 1 NOK from each water bottle sold on board to UNICEF's important work. Our passengers bought 1.3 million water bottles throughout the year and therefore contributed 1.3 million NOK to the world's children.
- Norwegian had its tenth anniversary on 1st September 2012 and marked the day with a grand jubilee concert at Fornebu. Concert proceeds of 1 million NOK were donated to UNICEF.
- Norwegian encourages its employees to engage in UNICEF through internal activities on the company's intranet. Norwegian also has two dedicated "Norwegian Inspirators" who take responsibility to spread the UNICEF story throughout the company.

Norwegian has a zero tolerance policy for corruption and every employee is responsible for reporting suspicious behaviour to his or her superior. The company has never had any reported or suspected occurrences of corruption.

Norwegian advocates diversity, something that reflects our growth in Europe, Asia and the United States. Norwegian employs people from several different countries, with a multitude of backgrounds. We believe that diversity creates a better working environment.

Norwegian's main stakeholders include our passengers, employees, owners, authorities and the media.

Organisation, 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 helps us to attract and retain the best people in the industry, regardless of who they are and where we do business. Creating effective arenas for learning and professional development at all levels of the organisation is a priority at Norwegian.

At the end of 2013 the Group employed a total of 3,965 FTEs (full-time equivalents) including apprentices and hired staff. The number of employees is expected to increase in 2014 in accordance with the Group's planned expansion. The Group has established bases in London, Madrid, Barcelona, Tenerife, Alicante, Bangkok, New York, Fort Lauderdale and is currently in the process of opening additional new bases abroad.

The apprentice programme in Norway continued in 2013 and by the end of the year comprised 140 apprentices. During their training – which also included stays in Berlin, London and Las Palmas – the apprentices held internships while working abroad in countries where Norwegian operates. A further intake of apprentices is planned in 2014. All the candidates which graduated in 2013 successfully completed and passed their exams, which were conducted in conjunction with Akershus County Council. The labour unions are also actively included in planning of the apprentices' curriculum.

Many graduates who passed the examination in 2013 have now attained positions in the Group. Graduates of the programme also visit schools and colleges to promote the programme and help recruit new apprentices. This has been a focus area in 2013 and the programme 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 emphasise the company's personnel policies. The Group has described its Corporate Governance policies in a separate section of the Annual Report.

Important HES activities (Health, Environment and Safety) are conducted in compliance with labour laws and the Group's guidelines. Illness absenteeism in 2013 was 7.4 per cent, a decrease compared to 2012. Actively monitoring HES, corporate health insurance policies and continuing cooperation with protective services will insure that illness absenteeism remains a priority.

Norwegian Air Shuttle ASA is a member of NHO Aviation, which is a member of NHO (Confederation of Norwegian Enterprise). The 2013 collective salary review was conducted through local collective bargaining with most unions. Moderate changes in wages and efficiency were achieved with these unions.

External Environment

Flight operations are inherently dependent on fossil fuels and also generate noise. However, the Group's current aircraft fleet operates well within the levels and restrictions imposed by national and international regulations. During 2013 the Group consumed approximately 735,006 tonnes of Jet A-1 fuel which is equivalent to 87 grams of CO2 per passenger per kilometre or 67 grams of CO2 per seat per kilometre, a reduction of 2 per cent from last year.

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

The Boeing 737-800 is among the most environmentally-friendly aircraft in production today; the 737-300s which are being replaced emit approximately 23 per cent more CO2 per seat. The Group had a total of 72 Boeing 737-800 in operation by year-end with another 60 on firm order.

Norwegian has firm orders for an additional 200 single-aisle aircraft, 100 Boeing 737 MAX8 and 100 Airbus A320neo, both of which reduce CO2 emissions by 30 per cent compared to the 737- 300. The order will secure Norwegian the most environmentally-friendly aircraft fleet in the world.

The Group operates the Boeing 787-8 Dreamliner for its long-haul operations, which is the most fuel and noise efficient long-haul equipment available. By year-end the Group had three such aircraft in operation and another 11 on firm order; five 787-8 and six of the stretched 787-9. The aircraft type combines a revolutionary composite material design with new engines, which together reduce consumption and emissions by 20 per cent 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 kilometre 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 minimise emissions and other negative effects on the environment.

Aircraft Maintenance

The Boeing 737 fleet is operated by the parent company (NAS) and its fully-owned subsidiary Norwegian Air Norway (NAN). The Boeing 787 fleet was operated by the fully-owned subsidiary Norwegian Long Haul (NLH) in 2013, whose operations will be transferred to the fully-owned company Norwegian Air International (NAI) during 2014. Each individual operator has its own Air Operator Certificate (AOC), each with individual civil aviation authority oversight and approval. Each AOC must have a civil aviation authority approved maintenance organisation and maintenance programme.

NAS and NAN manage their maintenance operations from their technical bases at Oslo Gardermoen Airport. NLH manages its maintenance operations from its technical base in Fornebu, Norway.

Line maintenance is performed by NAS for both NAN and NAS at Oslo Gardemoen Airport, Stavanger Sola Airport, Bergen Flesland Airport, Trondheim Værnes Airport, Stockholm Arlanda Airport and Copenhagen Kastrup Airport. Line maintenance for NAN and NAS are contracted to other external suppliers outside Scandinavia.

Continuing airworthiness activities for NLH are sub-contracted to Boeing Fleet Technical Management (Boeing FTM). Control and oversight of the activities is performed by Norwegian Long Haul Maintenance operations in addition to the civil aviation authorities.

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 for NAN and NAS is currently carried out by ATC Lasham in the UK and Lufthansa Technik in Budapest, Hungary. Engine and component workshop maintenance is undertaken by Lufthansa Technik, MTU and Boeing. Airframe maintenance for NLH is currently carried out by Nayak, KLM and Mack II.

Engine maintenance is currently carried out by Rolls Royce UK.

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

The IFRS accounting principles, as adopted by the EU, have been followed in preparing the financial statements for 2013. The Group has implemented new or amended/revised IFRS approved by EU and which took effect at the start of the 2013 financial year. The changes have not had any material impact on the Group.

Comments to the Consolidated Income Statement

The Group had a total operating revenue and income of NOK 15,580 million (12,859) in 2013. Compared to last year, the Group's total revenue growth was 21 per cent. NOK 13,381 million (11,201) of the revenues was related to ticket revenues, NOK 1,758 million (1,405) to other passenger-related revenues, while NOK 372 million (235) was relatedto freight, third-party products and other income. Other income includes gains from the sale of tangible assets. The increase of sales is primarily related to the 32 per cent growth in production from 2012 to 2013. The load factor remained stable compared to the same period last year. The ticket revenue per available seat kilometre (RASK) for 2013 was NOK 0.39, compared to NOK 0.43 last year, a decrease of 10 per cent. Ancillary revenues rose by 6 per cent to NOK 87 per PAX (82) in 2013 compared to 2012.

Operating costs (including leasing and excluding depreciation and write-downs) amounted to NOK 14,080 million (12,070) in 2013. The unit cost was NOK 0.42 in 2013 compared to NOK 0.45 last year. The unit cost for fuel decreased by 7 per cent while the unit cost excluding fuel decreased by 7 per cent. The unit cost excluding fuel was NOK 0.29 in 2013 compared to NOK 0.31 last year. Net profit before depreciation and write-downs (EBITDA) for the Group was NOK 1,500 million (789) in 2013, resulting in an EBITDA margin of 9.6 per cent.

Financial items in 2013 resulted in a loss of NOK 578 million, compared to a gain of NOK 187 million in 2012. NOK 473 million in net foreign exchange losses (gain of 273) is offset by gains on financial instruments included in operating profits. With regard to accounting for the prepayments on purchase contracts with aircraft manufacturers, NOK 86.0 million (73.5) in interest costs were capitalised in 2013.

In 2007 the Group started Bank Norwegian, which is 100 per cent owned by Norwegian Finans Holding ASA, in which the Group has a 20 per cent stake. The Group's share of the bank's net profit resulted in a net gain of NOK 46.6 million (32.8) in the consolidated profit and loss.

Earnings before tax in 2013 were NOK 437 million (623) and earnings after tax were NOK 322 million (457). Earnings per share amounted to NOK 9.15 per share (NOK 13.08).

Comments to the Consolidated Balance Sheet and Cash Flow Statement

The Group's total assets had increased by NOK 2,843 million to NOK 14,762 million at year-end 2013. The book value of aircraft increased by NOK 1,947 million during the year; while prepayments and capitalised interests on the Boeing purchase contract was reduced by NOK 329 million compared to 2012. Trade and other receivables increased by NOK 527 million on 2012.

At the balance sheet date, the Group had a cash balance of NOK 2,166 million (1,731).

Total borrowings increased by NOK 985 million to NOK 6,512 million (5,527), mainly related to the purchase of new aircraft.

The Group's cash flow from operations was NOK 2,379 million (2,022) in 2013. The net cash flow from operating activities consists of the profits before tax of NOK 437 million; add back of depreciation and other expenses without cash effects of NOK 604 million with add back of interests on borrowings NOK 296 million included in financial activities. Changes in working capital mainly due to traffic growth amounted to NOK 1,042 million. During 2013 the Group paid NOK 0 million in taxes.

The net cash flow used for investment activities was NOK -2,128 million (-2,765), of which the prepayments to aircraft manufacturers constituted NOK -1,460 million. Purchases of new Boeing 737-800s and a 787-8 Dreamliner and intangible assets amounted to NOK -586 million.

The net cash flow from financial activities in 2013 was NOK 184 million (1,369). Proceeds from long-term debt of NOK 2,310 million are related to the financing of new aircraft and PDP financing.

The Group focusses heavily on liquidity planning and the Board is confident in the Group's financial position at the beginning of 2014.

Capital structures

The Group's total equity was NOK 2,750 million (2,421) at 31 December and its equity ratio was 19 per cent (20 per cent). Equity increased by NOK 326 million due to profits for the period of NOK 322 million and a share issue of NOK 9 million related to the employees' option programmes. Other changes in equity amounted to NOK 1.8 million.

All issued shares in the parent company are fully paid with a par value of NOK 0.1 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 the trading of Norwegian Air Shuttle ASA's shares on the stock exchange.

The Group's aggregated net interest-bearing debt was NOK 4,346 million at 31 December 2013, compared to NOK 3,796 million in 2012. The Group's gross interest-bearing liabilities of NOK 6,512 million (5,527) mainly consisted of financing for our aircraft amounting to NOK 5,761 million, a bond loan with a net book value of NOK 594 million, and a Pre-Delivery Payment syndicated credit facility of NOK 147 million. Other long-term interest-bearing liabilities including financial lease liabilities amounted to NOK 11 million.

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. 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 a Group basis. Credit risks arise from deposits with banks and financial institutions, as well as credit exposure 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 evaluating the level of liquid assets required 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 through 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 fluctuations in the price of fuel, 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 2014
The demand for travelling with Norwegian and advance bookings have been satisfactory entering the first quarter of 2014. Norwegian will continue to take advantage of its increasing competitive power realised through continuous cost efficiency, and from introducing larger aircraft with a lower operating cost. Going forward, the company expects increased competitive pressure in the Nordic market place.

In addition to its bases in the Nordic countries, Norwegian currently operates short-haul sectors from four operational bases in Spain (Malaga, Alicante, Las Palmas and Tenerife) and one base in London. New bases in Madrid and Barcelona are planned to become operational during the spring.

Norwegian is predicting production growth (ASK) of 40 per cent for 2014, including the long haul production. The growth in short haul production is mainly from increasing the fleet by adding 737-800s and through increasing the average sector length. Norwegian may decide to adjust capacity in order to optimise the route portfolio depending on the development in the overall economy and in the marketplace.

Assuming a fuel price of USD 950 per tonne and USD/NOK 6.00 for the year 2014 (excluding hedged volumes) and with the currently planned route portfolio, the company is targeting a unit cost (CASK) in the region of NOK 0.40 for 2014.

Despite technical and operational issues related to the start-up of the long haul operation, the establishment of the long haul operation has developed according to plan. The introduction of routes for the summer season of 2014 has been well received by the market. Long-haul production will grow in accordance with the phasing in of aircraft and the company will have seven Boeing 787 by the end of 2014.

Norwegian has established and prepared for an organisational structure which secures cost- efficient international expansion and necessary traffic rights for the future.

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 NOK 322 million. The net profit for the Parent Company Norwegian Air Shuttle ASA was NOK 635 million, which the Board proposes be transferred to retained earnings. The Board recommends no dividend distribution for the 2013 operating year in accordance with the company's corporate governance policies.

Fornebu, 26 March 2014

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)	Kenneth Utsikt (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.

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• A Signature Partnership is the highest form of partnership UNICEF Norway offers corporate clients
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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 http://www.norwegian.com

Equity and Dividends
The Group's equity at year-end 2013 was MNOK 2,750 equivalent to an equity ratio of 19%. 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 3,516,213 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 3,516,213 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 VogtWiig, 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 2013 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.

Comprehensive information on remuneration and incentive programs is available in the notes of the consolidated accounts.

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 the auditor and management may disagree, and identify weaknesses in and suggest improvements to the company's internal controls.

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 2013

Consolidated Income Statement

NOTE	(NOK 1,000)	2013	2012
4	Revenues	15,511,218	12,841,191
4	Other income	68,326	17,851
	Total operating revenues and income	**15,579,544**	**12,859,042**
5	Operational expenses	11,370,597	9,131,424
6,7,17,18	Payroll	2,478,294	2,068,202
10,11	Depreciation, amortization and impairment	529,825	385,244
5a	Other operating expenses	733,319	534,335
20	Other losses/(gains) - net	-502,148	336,385
	Total operating expenses	**14,609,886**	**12,455,590**
	Operating profit	**969,658**	**403,452**
8	**Net financial items**	**-578,874**	**186,888**
26	Share of profit (loss) from associated company	46,597	32,840
	Profit (loss) before tax	**437,381**	**623,181**
9	Income tax expense (income)	115,817	166,535
	PROFIT (LOSS) FOR THE YEAR	**321,564**	**456,646**
16	Basic earnings per share	9.15	13.08
16	Diluted earnings per share	9.02	12.99
	Profit attributable to;		
	Owners of the company	321,564	456,646

Consolidated Statement of Comprehensive Income

NOTE	(NOK 1,000)	2013	2012
	Profit for the year	**321,564**	**456,646**
20	Available-for-sale financial assets	1,158	0
	Exchange rate differences Group	-2,925	303
	Total comprehensive income for the period	**319,797**	**456,949**
	Total comprehensive income attributable to;		
	Owners of the company	319,797	456,949

The notes on pages 7-44 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

NOTE	(NOK 1,000)	2013	2012
	ASSETS		
	Non-current assets		
10	Intangible assets	225,270	237,774
9	Deferred tax asset	28,517	4,293
11	Aircraft, parts and installations on leased aircraft	7,526,707	5,579,757
11	Equipment and fixtures	72,972	58,476
11	Buildings	14,966	9,525
11	Financial lease asset	21,242	24,562
3,20	Financial assets available for sale	82,689	2,689
26	Investment in associate	164,575	116,050
11	Prepayment to aircraft manufacturers	2,514,882	2,844,359
13	Other receivables	199,036	135,562
	Total non-current assets	**10,850,858**	**9,013,047**
	Current assets		
14	Inventory	74,135	68,385
13	Trade and other receivables	1,623,079	1,096,558
3,20	Derivative financial instruments	37,389	0
3,20	Financial assets available for sale	11,158	10,172
24	Cash and cash equivalents	2,166,126	1,730,895
	Total current assets	**3,911,887**	**2,906,011**
	TOTAL ASSETS	**14,762,744**	**11,919,058**

Consolidated Statement of Financial Position

NOTE	(NOK 1,000)	2013	2012
	EQUITY AND LIABILITIES		
15	**Equity**		
	Share capital	3,516	3,516
	Share premium	1,093,549	1,093,549
	Other paid-in equity	72,744	63,365
	Other reserves	-11,102	-9,335
	Retained earnings	1,591,119	1,269,556
	Total equity	**2,749,827**	**2,420,652**
	Non-current liabilities		
18	Pension obligation	127,821	0
19	Provision for periodic maintenance	412,737	175,306
9	Deferred tax	443,991	301,042
22	Borrowings	5,736,896	4,166,854
22	Financial lease liability	6,860	10,853
	Total non-current liabilities	**6,728,304**	**4,654,055**
	Short term liabilities		
22	Short term part of borrowings	768,401	1,349,359
21	Trade and other payables	1,949,693	1,564,955
	Air traffic settlement liabilities	2,566,519	1,739,681
3,20	Derivative financial instruments	0	190,356
9	Tax payable	2	-
	Total short term liabilities	**5,284,614**	**4,844,352**
	Total liabilities	**12,012,918**	**9,498,407**
	TOTAL EQUITY AND LIABILITIES	**14,762,744**	**11,919,058**

The notes on pages 7-44 are an integral part of these consolidated financial statements.

Fornebu, 26 March 2014

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)

Kenneth Utsikt (Employee Representative)

Linda Olsen (Employee Representative)

Bjørn Kjos (Chief Executive Officer)

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 2012	**3,488**	**1,075,463**	**63,365**	**1,142,317**	**-9,638**	**812,910**	**1,945,588**
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**	**2,420,652**
Equity at 01 January 2013	**3,516**	**1,093,549**	**63,365**	**1,160,431**	**-9,335**	**1,269,556**	**2,420,652**
Net profit for the year						321,564	321,564
Available for sale financial assets					1,158		1,158
Exchange rate differences Group					-2,925		-2,925
Comprehensive income 2013		0	0	0	-1,767	321,564	319,797
Equity change on employee options			9,379	9,379			9,379
Transactions with owners			9,379	9,379			9,379
Equity 31 December 2013	**3,516**	**1,093,550**	**72,744**	**1,169,810**	**-11,102**	**1,591,120**	**2,749,827**

Consolidated Cash Flow Statement

NOTE	(NOK 1,000)	2013	2012
	CASH FLOWS FROM OPERATING ACTIVITIES:		
	Profit (loss) before tax	437,381	623,181
9	Taxes paid	0	-2,545
10,11	Depreciation, amortisation and write-down	529,825	385,244
	Pension expense without cash effect		81,186
26	Profit from associated company	-46,597	-32,840
17	Compensation expense for employee options	9,379	0
10	Losses/(gains) on disposal of tangible assets	-35,359	-16,401
20	Fair value (gains)/losses on financial assets	-226,587	324,137
8	Financial items	578,874	-186,888
8	Interest received	90,884	51,340
	Change in inventories, accounts receivable and accounts payable	107,483	-128,561
	Change in air traffic settlement liabilities	826,754	531,439
	Change in other current assets and current liabilities	106,818	392,392
	Net cash flow from operating activities	**2,378,855**	**2,021,682**
	CASH FLOWS FROM INVESTING ACTIVITIES:		
11	Prepayments aircraft purchase	-1,460,328	-2,134,161
11	Purchase of tangible assets	-543,159	-574,287
10	Purchase of intangible assets	-42,418	-55,901
20	Proceeds from sales of investment bonds	-81,928	0
26	Payment to associated company	0	-1,119
	Net cash flow from investing activities	**-2,127,833**	**-2,765,468**
	CASH FLOWS FROM FINANCIAL ACTIVITIES:		
22	Proceeds from long term debt	2,309,721	1,991,173
22	Payment of long term debt	-1,829,731	-460,692
15	Proceeds from issuing new shares	0	18,114
	Interest on borrowings	-295,816	-179,161
	Net cash flow from financial activities	**184,174**	**1,369,433**
	Foreign exchange effect on cash	35	302
	Net change in cash and cash equivalents	435,231	625,949
	Cash and cash equivalents at 1 January	1,730,895	1,104,946
24	**Cash and cash equivalents at 31 December**	**2,166,126**	**1,730,895**

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 2013 were authorized for issue by the Board of Directors on 26 March 2014.

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 involve a greater degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed below. See paragraph 1.23.

The Group is in a strong financial position and there are no indications that the Group is in breach of 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

The following new or amended/revised IFRS or IFRIC interpretations approved by the EU and effective at the start of the financial year, beginning on or after 1 January 2013, have been implemented, but have not had any material impact on the Group other than minor disclosure changes related to some of the standards.

- 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.

- IAS 19, 'Employee Benefits', was amended in June 2011.

- Amendment to IAS 1 - 'Financial statement presentation' regarding other comprehensive incomes.

- IFRS 7, 'Financial Instruments: Disclosures'. Implementation did not have any material impact on the financial statements.

- Annual Improvements to IFRSs 2009-2011 Cycle.

A number of new standards and amendments to standards and interpretations approved by the EU are effective for annual periods beginning after 1 January 2013, 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
- IFRS 10 'Consolidated Financial Statements';	1 January 2014

IFRS 10 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 11 'Joint Arrangements';	1 January 2014

IFRS 11 replaces IAS 31 'Interests in Joint Ventures' and SIC-13, and removes the option to account for jointly controlled entities using proportionate consolidation, thus all such entities must be accounted for using the equity method. The group is yet to assess IFRS 11's full impact and intends to adopt IFRS 11 no later than the accounting period beginning on or after 1 January 2014.

- IFRS 12, 'Disclosures of interests in Other Entities'	1 January 2014

IFRS 12 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.

- IAS 27 'Separate Financial Statement' (revised as a consequence of the issuance of IFRS 10, 11 and 12)	1 January 2014
- IAS 28 'Investments in Associates and Joint Ventures'	
(Revised as a consequence of the issuance of IFRS 11 and 12)	1 January 2014
- Amendments to IFRS 10, 11 and IFRS 12 – Transition guidance	1 January 2014
- IAS 32 'Financial Instruments: Presentation'	
1 January 2014	
- IAS 36 'Impairment of Assets' (Amendment)	1 January 2014
- IAS 39 'Financial Instruments: Recognition and Measurement (Amendment)	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, presented in note 25. 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 acquired or sold during the year are included in the consolidated financial statements from the date when control was achieved until the date when control ceased.

The consideration that 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 and liabilities and contingent liabilities assumed in a business combination are initially measured at their fair values at the acquisition date. On 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 the non-controlling interest over the fair value of the Group's share of the identifiable net assets acquired are recorded as goodwill. If, in the case of a bargain purchase, the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired, the difference is 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 (i.e. typically 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 until the date when such influence ceases. 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 statement of financial position 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 that 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 that have a functional currency other than NOK are translated to the closing rate at the reporting 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 reporting date. Any differences are recognized in the income statement. Non-monetary items that 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 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 statement of financial position 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. Residual values, where applicable, are reviewed annually against prevailing market rates at the reporting 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.

An aircraft is recognized as 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 estimated 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 aircraft. The prepayments are classified as tangible assets as presented at the face of the statement of financial position. The prepayments include capitalized borrowing costs. On the delivery of the aircraft, the prepayments are included in the acquisition costs of the aircraft and reclassified as aircraft in the statement of financial position.

Financial lease assets are initially recognized at the lower of acquisition cost or 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. Additional details on tangible assets are outlined in note 11.

1.6 Intangible assets

1.6.1 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. The costs of computer software developments recognized as assets are amortized over their estimated useful lives. The depreciation of the software commence as each module is completed.

1.6.2 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 at 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 useful lives, are not amortized, but subject to annual impairment testing. The determination of indefinite useful lives is based on Management's assessment as to whether there is any foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity.

See note 1.7 for details of impairment testing of non-financial assets and note 10 for additional details on intangible assets.

1.7 Impairment of non-financial assets
Intangible assets with indefinite useful lives 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 that have suffered impairment are reviewed for a possible reversal of the impairment at each reporting date. Impairment losses on goodwill are not reversed.

1.8 Financial assets
Financial assets are classified according to 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 that are categorized as fair value through profit or loss are financial assets held for trading. A financial asset is classified as 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 reporting date. These are classified as non-current assets. The Group's loans and receivables comprise trade and other payables/receivables, and cash and cash equivalents in the statement of financial position (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 as being 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 reporting 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 that 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.

1.8.1 Impairment of financial assets
The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. The fair values of quoted investments are based on current mid prices at the reporting 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 the 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.

1.9 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 2013 or 2012.

1.10 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.

1.11 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 statement of financial position.

1.12 Cash and cash equivalents
Cash and cash equivalents include cash in hand and in the bank, as well as short term deposits with an original maturity of three months or less. Cash and cash equivalents in the statement of financial position include restricted funds from withheld employee tax, guarantees and deposits pledged as collateral to 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.

1.13 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.

1.14 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 reporting 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.

1.15 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.

1.16 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.

1.16.1 Defined benefit plans

The Group operated a defined benefit pension plan until 1 December 2012, when the plan was closed and all employees were transferred to a defined contribution plan (see 1.16.2). In November 2013, the Group issued a new defined benefit pension plan, according to the Collective Agreement with the Norwegian Pilot Union

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method. 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.

In addition, the Group participates in an early retirement plan (AFP) for all employees in Norway. 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 2013.

Provisions for pension costs are detailed in note 18 and note 1.5.

1.16.2 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.

1.16.3 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 the Black and Scholes option-pricing model. The assumptions underlying the number of options expected to vest are adjusted to reflect conditions prevailing at the reporting 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.

1.16.4 Employee share purchase savings program
Bonus shares and employer's contribution are measured at fair value using the 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.

1.17 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.

1.17.1 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 that are used to compute the amount are those which are enacted or substantively enacted at the reporting date.

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

Deferred income tax liabilities are recognized for all taxable temporary differences. 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 reporting 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 reporting 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 reporting 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.

1.18 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 the existence of which depends on future events, or for which it is improbable that they will lead to an outflow of resources, or which 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.

1.19 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 recognizes 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.

1.19.1 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 reporting 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.

1.19.2 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.

1.19.3 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.

1.19.4 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. 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, except for tickets for long distance and domestic travel in Norway and Sweden, which earn 2% on low fare tickets and 10% on full flex tickets.
- 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.
- Opplysningen 1881; 2% on calls and SMS to 1881.
- NorgesEnergi; 500 cash points for signing up or 100 cash points if already a member in addition to 200 cash points yearly.
- Euroflorist Europe B.V.; 10% on all purchases.
- Revy & Teaterservice; up to 10 % on selected shows/concerts.
- Flygbusserna Airport Coaches AB; 8% on tickets purchased online.
- Affinion; Cash points, different percentages, on all purchases from the Reward eShop.

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

All other earned customer CashPoints are recognized as a liability in the statement of financial position 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 statement of financial position. The liability is measured at fair value and classified as short term, as available statistics as of 31 December 2013 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.

1.20 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 whether 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 straight-line basis over the lease period if such is shorter than the useful life of the financial lease asset. Financial lease assets are included in the statement of financial position 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 operating leases depending on the nature of the lease. The Group has entered into sales and lease back transactions with regards to selling 3 aircraft and leasing back the same assets in 2013 (two in 2012). All sales and lease back 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.

1.21 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 operating 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.

1.22 Events after the reporting date
New information regarding the Group's positions at the reporting date is taken into account in the preparation of the annual financial statements. Events occuring after the reporting date which do not affect the Group's position at the reporting date, but which will affect the Group's position in the future, are disclosed if significant.

1.23 Critical accounting estimates and judgments
In preparing the consolidated financial statements, the management are required to assess judgments, estimates and assumptions that 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 that 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 maintenance 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.

Non-current assets are depreciated on a straight-line basis or by airborne hours and cycles over the estimated useful lives, taking expected residual value into consideration. An aircraft is decomposed into two components for depreciation purposes in order to consider different useful lives of the aircraft components, in accordance with official requirements. The depreciation period and method are assessed annually to ensure that they reconcile with the substance of the non-current asset, and the residual value is estimated at each year end. The assessments require management to make assumptions regarding expected useful lives and residual values.

Deferred tax assets are recognized for all unused tax losses to the extent that taxable profits are probable. Significant management judgment is required to determine the amounts of deferred tax assets that 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 useful 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 1.16.1. Provisions for pension cost and conversion cost were recognized at 31 December 2012. In November 2013, the Group issued a new defined benefit plan. Significant management judgment was required to determine the estimates for such provisions (see note 19).

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. In 2013, the Group transferred several aircraft from parent company Norwegian Air Shuttle ASA to newly established asset company in Ireland with USD functional currency. Hence, the Groups total USD exposure has been reduced.

If NOK had weakened/strengthened by 1% against USD in 2013, with all other variables held constant, post-tax profit and post-tax equity effect for the year would have been NOK 3.1 million (2012: NOK 1.7 million) 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 NOK 3.8 million (2012: NOK 1.7 million) higher/lower, 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 and Ireland, 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 on 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 2013 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 NOK 9.6 million (2012: NOK 2.9 million) higher/lower, 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. At 31 December 2013, the Group holds no such derivative contracts.

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.

A portion of the Group's sales, are paid for by the customers 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 is closely monitored and partly offset by diversifying the Group's deposit portfolio.

There is 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.

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 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 259 owned aircraft on firm order with future delivery. The table below shows the expected timeline of future deliveries of aircraft at 31 December 2013. Prepayments to aircraft manufacturers on future aircraft deliveries are largely financed by internal funds. The Group has ensured export credit support on all aircraft on order. 55 % of deliveries in 2014 have been financed through the private EETC marked in the US and long term financing guaranteed by export credit agencies. The remaining 2014 deliveries will be financed through commercial financing or export guaranteed financing. 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 for 2014-2015.

Aircraft delivery	**2014**	**2015-2016**	**2017-**	**Total**
737-800	11	27	19	57
737 Max 8	0	0	100	100
Airbus 320 neo	0	4	96	100
787-8 Dreamliner	1	1	0	2
Total	**12**	**32**	**215**	**259**

The Group's financing policy includes sales and lease backs transactions on several aircraft to diversify its aircraft fleet. In 2013, three aircraft were delivered and financed as sales and lease backs transactions (two in 2012).

The table below analyses the maturity profile of the Group's financial liabilities at the reporting 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 2013 (NOK 1,000)	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	764,772	1,222,261	1,753,446	3,090,608
Financial lease liability	3,629	2,756	5,053	
Derivative contracts - payments	0	0	0	0
Trade and other payables	1,949,693	0	0	0
Interest on borrowings *)	194,347	176,391	308,727	228,113
Total financial liabilities	**2,912,441**	**1,401,408**	**2,067,226**	**3,318,721**

*) 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 and 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 an 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 statement of financial position 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)	2013	2012
Equity	2,749,827	2,420,652
Total assets	14,762,744	11,919,058
Equity ratio	**18.6%**	**20.3%**

Note 3 – Fair Value Estimation

Financial instruments which are measured in the statement of financial position 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 reporting 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. Financial instruments included in level 1 are investment in Bank Norwegian AS' listed bond.

Level 2
The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize 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 reporting 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 2013;

(NOK 1,000)	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit and loss				
- Derivative financial instruments	0	37,389	0	37,389
Available-for-sale financial assets	80,000	0	13,847	93,847
Total assets	**80,000**	**37,389**	**13,847**	**131,236**
Liabilities				
- Derivative financial liabilities	0	0	0	0
Total liabilities	**0**	**0**	**0**	**0**

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

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

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 operating segment, which is low cost air passenger travel. The Group's operating profit comes 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)	2013	2012
By activity:		
Passenger transport	13,381,460	11,201,072
Ancillary revenue	1,757,887	1,405,495
Other revenues	371,871	234,624
Total revenues	**15,511,218**	**12,841,191**
By geographic market:		
Domestic	4,354,734	4,039,488
International	11,156,484	8,801,703
Total revenues	**15,511,218**	**12,841,191**

Other income amounts to NOK 68.3 million (2012: NOK 17.9 million) and include gains from sales of tangible assets (note 11).

Note 5 – Operating Expenses

(NOK 1,000)	2013	2012
Sales and distribution expenses	339,376	274,954
Aviation fuel	4,707,203	3,740,508
Aircraft leases	1,284,395	1,032,915
Airport charges	2,182,645	1,730,217
Handling charges	1,339,417	1,077,334
Technical maintenance expenses	927,820	792,565
Other aircraft expenses	589,742	482,932
Total operational expenses	**11,370,596**	**9,131,424**

Note 5a – Other Operating Expenses

Other operating expenses amount to NOK 733.3 million (2012: NOK 534.3 million). 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)	2013	2012
Wages and salaries	1,404,665	1,125,536
Social security tax	256,165	226,133
Pension expenses	128,612	253,871
Employee stock options	9,379	0
Other benefits	103,784	74,591
Hired crew personnel	575,690	388,071
Total	**2,478,295**	**2,068,202**

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

Number of man-labour years *)

	2013	2012
Norway	1,857	1,734
Sweden	504	421
Danmark	347	252
Finland	188	128
Spain	294	167
United Kingdom	121	4
Thailand	141	0
Singapore/Bankok	45	0
USA	9	0
Total	**3,507**	**2,705**

*) 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 2013 was NOK 1.5 million (2012: NOK 1 million). The Chairman of the Board, Bjørn Kise, received NOK 0.5 million. (2012: NOK 0.36 million) There were no bonuses or other forms of compensation paid to the Board members in 2013.

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 2013 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 is also a part of the Group'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 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 2013

(NOK 1,000)	Fee	Salary	Bonus	Other benefits **)	Total Compensation	Pension expense ***)
The Board of Directors						
Bjørn Kise (chairman)	500				500	
Ola Krohn-Fagervoll (deputy chairman f	300				300	
Liv Berstad	275				275	
Marianne Wergeland Jenssen	275				275	
Thor Espen Bråthen*)	50				50	
Jeanette Vannebo*)	50				50	
Linda Olsen*)	50				50	
Total board of directors	**1 500**	**0**	**0**	**0**	**1 500**	**0**
Executive Management						
Bjørn Kjos (Chief Executive Officer)		1 448		170	1 618	67
Frode Foss (Chief Financial Officer)		1 848		159	2 007	84
Geir Steiro (Chief Operating Officer, started on 1 November 2013)		226		26	252	0
Asgeir Nyseth (Chief Operating Officer)		1 751		154	1 905	91
Gunnar Martinsen (Senior Vice President HR and Organisation)		1 268		164	1 432	77
Anne-Sissel Skånvik (Senior Vice President Corporate Communications)		1 270		154	1 424	103
Per-Ivar Gjørvad (Chief IT Officer)		1 065		161	1 226	84
Frode Berg (Chief Legal Officer, started on 11 February)		1 067		139	1 206	67
Total executive management		**9 943**	**0**	**1 127**	**11 070**	**573**

*) 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

No share options were excercised by the management in 2013.

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		**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

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)	2013 Deloitte	PwC	2012 PwC
Audit fee	400	840	1,016
Other audit related services		110	264
Tax advisory		34	5
Other services	640	85	21
Total	**1,040**	**1,069**	**1,307**

All amounts stated exclude VAT. The General Assembly elected Deloitte as new auditor at the General Assembly meeting in 2013, effective June 21 2013.

Note 8 – Net Financial Items

(NOK 1,000)	2013	2012
Interest income	149,658	47,543
Interest expense	-256,702	-118,845
Net foreign exchange (loss) or gain	-472,938	273,353
Appreciation cash equivalents	24,593	21,024
Fair value adjustment long term deposits	2,669	2,900
Other financial items	-26,154	-39,087
Net financial items	**-578,874**	**186,888**

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 reporting date with changes in fair value recognized as other gains and losses within operating expenses.

Net foreign exchange loss of NOK 472.9 million is recognized in 2013 (2012: NOK 273.4 million as gain). 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):	2013	2012
Tax payable	2	2,545
Adjustments from previous year	-500	-181
Change in deferred tax	116,316	164,171
Income tax expense	**115,817**	**166,535**

Reconciliation from nominal to effective tax rate:

(NOK 1,000)	2013	2012
Profit before tax	437,381	623,181
Expected tax expense using nominal tax rate (28 %)	122,467	174,491
Tax effect of the following items:		
Non deductible expenses/income	-12,227	-7,875
Adjustments from previous year	-500	-181
Tax rate outside Norway other than 28%	-584	0
Change in tax rate in Norway to 27%	6,662	0
Tax expense	**115,817**	**166,434**
Effective tax rate	26.48 %	26.71 %

The following table details deferred tax assets and liabilities;

Deferred tax	Assets 2013	Liabilities 2013	Assets 2012	Liabilities 2012
Intangible assets	0	-6,050	0	-6,274
Tangible assets	0	-447,790	0	-324,108
Long term receivables and borrowings in foreign currency	0	0	0	-43,418
Inventories	0	6,075	0	4,681
Receivables	0	2,612	0	8,859
Financial instruments	0	-10,095	0	53,300
Derferred gains/losses	0	-16,264	0	-7,403
Other accruals	0	42,626	0	61,292
Pensions	0	34,512	0	0
Other temporary differences	0	-84,097	0	-66,734
Loss carried forward	28,517	34,480	4,293	18,764
Gross deferred tax assets and liabilities	**28,517**	**-443,991**	**4,293**	**-301,042**

Reconciliation of deferred tax assets and liabilities	Assets 2013	Liabilities 2013	Assets 2012	Liabilities 2012
Recognized at 1 January	4,293	-301,042	2,069	-134,646
Charged/credited to the income statement	27,064	-142,879	2,224	-166,395
Charged directly to equity	-2,839	-70	0	0
Recognized at 31 December	**28,517**	**-443,991**	**4,293**	**-301,042**

The Group has recognized NOK 28.5 million as a deferred tax asset in 2013 (2012: NOK 4.3 million) 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. The deferred tax liability is based on temporary differences in assets and liabilities, as well as the allocation of the purchase price of Norwegian Air Shuttle Sweden AB to fair values.

Note 10 – Intangible Assets

(NOK 1,000)	Software	Goodwill	Other intangible assets Indefinite life	Other intangible assets Definite life	Total
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**
Acquisition costs 1 January 2013	316,351	94,157	26,036	69,574	506,118
Additions	39,219	0	3,199	0	42,418
Disposals	0	0	0	0	0
Acquisition costs 31 December 2013	**355,570**	**94,157**	**29,235**	**69,574**	**548,536**
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**
Accumulated amortization 1 January 2013	198,771	0	0	69,574	268,345
Amortization	54,921	0	0	0	54,921
Impairment	0	0	0	0	0
Amortization disposals	0	0	0	0	0
Accumulated amortization 31 December 2013	**253,692**	**0**	**0**	**69,574**	**323,266**
Book value at 31 December 2012	**117,581**	**94,157**	**26,036**	**0**	**237,773**
Book value at 31 December 2013	**101,878**	**94,157**	**29,235**	**0**	**225,270**
Useful life	3-5 years	Indefinite	Indefinite	See below	
Amortization plan	Straight-line	None	None	Straight-line	

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 that 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 useful 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. No indications of impairment have been identified in 2013, or in 2012.

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 eight years. Key assumptions used in the calculation are growth rates, operating costs, terminal value and discount rate. Cash flows beyond the eight 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 8.7% (2012: 7.9%) and based on the 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 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 of 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 2013.

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 eight year period.

Sensitivity
At 31 December 2013, 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 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**
Acquisition cost at 1 January 2013	9 525	6 323 271	2 844 359	160 719	34 607	9 372 481
Additions	5 441	519 444	1 546 334	39 297	0	2 110 516
Transfers	0	1 875 810	-1 875 810	0	0	0
Disposals	0	-15 757	0	-19 009	0	-34 766
Acquisition cost at 31 December 2013	**14 966**	**8 702 767**	**2 514 883**	**181 007**	**34 607**	**11 448 230**
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**
Accumulated depreciation at 1 January 2013	0	743 513	0	102 243	10 045	855 801
Depreciation	0	447 012	0	24 571	3 321	474 904
Depreciation disposals	0	-14 465	0	-18 779	0	-33 244
Accumulated depreciation at 31 December 2013	**0**	**1 176 059**	**0**	**108 035**	**13 367**	**1 297 461**
Book value at 31 December 2012	**9 525**	**5 579 757**	**2 844 359**	**58 477**	**24 561**	**8 516 680**
Book value at 31 December 2013	**14 966**	**7 526 708**	**2 514 883**	**72 972**	**21 240**	**10 150 769**

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	Straight-line	See below	Straight-line	Straight-line
Residual value	100 %	See below	See below	0 %	0 %

As at 31 December 2013, the Group operated a total of 85 aircraft, whereas 36 were owned and 49 were leased under operational leases. See note 12 for details about operational leases.

Aircraft

The Group acquired 7 Boeing 737-800 and 1 Boeing 787-8 aircraft during 2013 and 8 Boeing 737-800 aircraft during 2012.

The residual value is NOK 2,227.7 million (2012: NOK 1,614.4 million) 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 and the 787 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 2013 and 2012 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 that 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. Straight-line 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, and in 2013 purchased and apartment in Florida, for the purpose of housing personnel stationed in the United States in respect of the delivery of new 737-800 aircraft and opening new destinations. 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 into additional purchase contracts with Boeing Commercial airplanes and Airbus S.A.S comprising a total of 372 aircraft, of which 222 were firm orders. Note 2.6 include a table showing the timeline of future deliveries.

At 31 December 2013, 31 owned and 13 sale and lease backs were delivered (2012: 23 and 10). 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 NOK 86.0 million (2012: NOK 73.5 million) have been capitalized during the year. An average capitalization rate of 4.8% (2012:4.7%) was used.

Financial lease assets

In 2009, the Group entered into 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 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

Tangible assets are tested for impairment if there are indicators that impairment may exist.

No impairment losses have been recognized in 2013 or 2012.

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 2011, 54 aircraft were delivered. In 2012 and 2013, 5 and 9 aircraft were delivered respectively, including sale leaseback. Renegotiations have resulted in the extension of some of the shorter leases. In 2013, 0 (2012: 7) aircraft were redelivered to the lessor. Contracts for 3 of the aircraft will expire in 2014, and contracts for 6 of the aircraft will expire in 2015. The remaining contracts expire in 2016 or later.

Leasing costs expensed on aircraft lease within operational expenses was NOK 1,155.7 million in 2013 (2012: NOK 929.9 million). Included in leasing costs are operating lease costs on aircraft from sale-and-leaseback transactions.

In addition, the Group leases 12 (2012: 16) cars and 11 (2012: 10) properties in Oslo, Stavanger, Stockholm and Copenhagen. Leasing costs related to cars and properties expensed in other operating expenses in 2013 was NOK 47.7 million. (2012: NOK 46.0 million).

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

	Nominal value 2013				Nominal value 2012			
(NOK 1,000)	**Aircraft**	**Cars**	**Property**	**Total**	**Aircraft**	**Cars**	**Property**	**Total**
Within one year	1,973,589	3,943	56,594	2,034,125	1,526,147	4,339	45,367	1,575,852
Between 1 and 5 years	6,627,441	7,476	89,323	6,724,240	6,577,357	11,419	63,572	6,652,348
After 5 years	6,150,864	0	16,308	6,167,172	7,017,603	0	29,355	7,046,957

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 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)	2013	2012
Trade receivables	347,343	217,381
Credit card receivables	727,854	665,284
Deposits	183,755	127,388
Deferred leasing costs	29,989	20,387
Reimbursements claims maintenance costs	272,908	99,157
Other claims	23,900	20,410
Trade and other receivables	**1,585,748**	**1,150,008**
Prepaid costs	103,823	24,060
Public duty debt	84,325	35,784
Prepayments to employees	1,148	945
Prepaid rent	47,071	21,323
Prepayments	**236,367**	**82,112**
Total	**1,822,116**	**1,232,120**
Maximum credit risk	1,348,105	981,823

Due dates

(NOK 1,000)	2013	2012
Within one year	1,623,079	1,096,558
After 1 year	199,036	135,562
Total	**1,822,116**	**1,232,120**

Currency (NOK 1,000)	2013	2012
DKK	87,029	97,083
EUR	22,181	16,940
GBP	4,688	3,207
NOK	641,616	494,558
USD	97,679	51,683
SEK	272,672	231,376
PLN	2,041	1,851
THB	6,346	0
CAD	210	0

Fair value of trade and other receivables

(NOK 1,000)	2013	2012
Due within one year	1,623,079	1,096,558
After one year *)	169,016	115,117
Total	**1,792,095**	**1,211,674**

*) Discount rate 2.8% (2012: 2.5%). For receivables due within one year, fair value is equal to nominal value.

Provision for bad debt

(NOK 1,000)	2013	2012
Balance 1 January	34,981	13,795
Charged to the income statement	12,655	12,555
Accruals	10,777	34,981
Reversals	-45,534	-26,350
Balance 31 December	**12,879**	**34,981**

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

Overdue accounts receivables

(NOK 1,000)	2013	2012
Overdue less than 1 month	41,844	21,288
Overdue 1-2 months	4,657	1,938
Overdue 2-3 months	687	1,047
Overdue over 3 months	8,204	8,468
Total	**55,391**	**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 include trade receivables and credit card receivables.

Non-interest bearing deposits are measured at amortized cost in the statement of financial position. Deposits denominated in foreign currencies are converted using the prevailing exchange rates on the reporting date.

Note 14 - Inventories

(NOK 1,000)	2013	2012
Consumables	60,937	61,068
Parts for heavy maintenance	13,198	7,317
Total	**74,135**	**68,385**

In 2013 and 2012 the Group removed stock parts from aircraft engines in relation to heavy maintenances. These parts are held for sale and sold in secondary markets. Charges for obsolete parts in 2013 were NOK 27.6 million (2012: NOK 16.5 million).

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 2012	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**	**1,093,548**	**1,097,065**
31 December 2013	**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 (2012: 0.1 NOK per share). There is only one category of shares, and all shares have equal rights. The share issue at 1 November 2012 was related to exercise of employee share options with an exercise price of NOK 124.40. For additional information about employee share options, see note 17.

Description of items booked directly on shareholder's equity:

Translation differences
NOK 2.9 million has been booked as comprehensive income at 31 December 2013 (2012: NOK 0.3 million). The translation differences arise from translating the non-Norwegian subsidiaries from functional currency to presentation currency.

Stock option plan
New share options have been granted in 2013, under which a total of 625,000 share options have been granted to the management and to key personnel. The options have an exercise price 10% above the weighted average price on 20 March 2013 which is equal to NOK 231.20. The options granted may be exercised two years after the grant, and the exercise window is six months.

See note 17 for further details. Total share option expense in 2013 was NOK 9.4 million (2012: NOK 0).

Shareholder structure

The largest shareholders at 31 December 2013 were;

	A-shares	Owner-ship	Voting-rights
HBK INVEST AS	9,499,116	27.02 %	27.02 %
FOLKETRYGDFONDET	2,441,393	6.94 %	6.94 %
SKAGEN VEKST	1,448,775	4.12 %	4.12 %
SKAGEN KON-TIKI	997,061	2.84 %	2.84 %
CLEARSTREAM BANKING	810,516	2.31 %	2.31 %
J.P. MORGAN CHASE BA	779,012	2.22 %	2.22 %
DANSKE INVEST NORSKE	705,289	2.01 %	2.01 %
VERDIPAPIRFONDET DNB	692,874	1.97 %	1.97 %
DANSKE INVEST NORSKE	491,789	1.40 %	1.40 %
KLP AKSJE NORGE VPF	476,818	1.36 %	1.36 %
VARMA MUTUAL PENSION	448,567	1.28 %	1.28 %
DNB NOR BANK ASA EGE	391,598	1.11 %	1.11 %
STENSHAGEN INVEST AS	341,693	0.97 %	0.97 %
JP MORGAN CHASE BANK	339,396	0.97 %	0.97 %
STATE STREET BANK AN	329,835	0.94 %	0.94 %
DNB LIVSFORSIKRING A	289,487	0.82 %	0.82 %
SKANDINAVISKA ENSKIL	250,768	0.71 %	0.71 %
KOMMUNAL LANDSPENSJO	250,000	0.71 %	0.71 %
STATOIL PENSJON	248,732	0.71 %	0.71 %
KLP AKSJE NORGE INDE	245,676	0.70 %	0.70 %
Other	13,683,744	38.92 %	38.92 %
Total number of shares	**35,162,139**	**100 %**	**100 %**

The shareholding of HBK Invest at 31 December 2013 reflects the actual shareholding and may deviate from the official shareholder register as HBK Invest has signed a securities lending agreement with Nordea and Danske Bank. Under this agreement these institutions may borrow shares from HBK Invest for a limited period of time to improve the liquidity in the share trading, for example by fulfilling their market maker obligations.

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 Boards of Directors, Chief Executive Officer and Executive Management;

Name	Title	Shares 1)
Bjørn Kise 2)	Chairman	781,537
Ola Krohn-Fagervoll	Deputy chairman	3,462
Liv Berstad	Board Member	0
Marianne Wergeland Jenssen	Board Member	800
Linda Olsen	Board Member - Employee repr	0
Thor Espen Bråten	Board Member - Employee repr	497
Kenneth Utsikt	Board Member - Employee repr	260
Bjørn Kjos 3)	Chief Executive Officer	8,035,231
Frode E Foss	Chief Financial Officer	35,000
Per-Ivar Gjørvad	Chief IT Officer	300
Asgeir Nyseth	Chief Operating Officer	12,342
Geir Steiro (from November 1 2013)	Chief Operating Officer	0
Anne-Sissel Skånvik	Senior Vice President Corporate Communications	0
Gunnar Martinsen	Senior Vice President HR and Organisation	9,234
Frode Berg (from February 11 2013)	Chief Legal Officer	0

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 2012	Issued 2013	Outstanding 2013
Bjørn Kjos	Chief Executive Officer	0	100,000	100,000
Frode E Foss	Chief Financial Officer	0	100,000	100,000
Per-Ivar Gjørvad	Chief IT Officer	0	20,000	20,000
Geir Steiro (from November 1 2013)	Chief Operating Officer	0	5,000	5,000
Asgeir Nyseth	Chief Operating Officer	0	100,000	100,000
Frode Berg (from February 11 2013)	Chief Legal Officer	0	20,000	20,000
Anne-Sissel Skånvik	Senior Vice President Corporate	0	50,000	50,000
Gunnar Martinsen	Senior Vice President HR and	0	50,000	50,000

Specification of other reserves

	Available-for-sale financial assets	Translation differences	Total
1 January 2012	0	-9,638	-9,638
Translation differences	0	303	303
31 December 2012	0	**-9,335**	**-9,335**
Available for sale financial assets	0	-2,925	-2,925
Translation differences	1,158	0	1,158
31 December 2013	**1,158**	**-12,260**	**-11,102**

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

Note 16 – Earning 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)	2013	2012
Profit	321,564	456,646
Average number of shares outstanding	35,162,139	34,924,769
Average number of shares and options outstanding	35,651,865	35,162,139
Basic earnings per share	9.15	13.08
Diluted earnings per share	9.02	12.99

	2013	2012
Average number of shares outstanding	35,162,139	34,924,769
Dilutional effects		
Stock options	489,726	237,370
Average number of shares outstanding adjusted for dilutional effects	35,651,865	35,162,139

Note 17 - Options

In 2013, the Board has issued 625,000 share options to employees. The share options have an exercise price of NOK 231.2, equal to 10% above the weighted average share price on 20 March 2013. The share options may be exercised two years after the grant, with an exercise window of six months.

The stock option program was expensed on a straight-line basis 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 the fair value for options granted in 2013;

	2013
Dividend (%)	0 %
Expected volatility (%)	45.00 %
Risk free interest (%)	1.33 %
Expected lifetime (year)	2.50
Share price at grant date	216.40

There were no option grants in 2012.

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 option program is expensed with NOK 9.4 million in 2013 (NOK 0 in 2012).

	2013 Shares	Weighted avg. exerc. Price	2012 Shares	Weighted avg. exerc. Price
Outstanding at the beginning of the period	0	0.0	283,913	63.8
Allocated	625,000	231.2	0	0.0
Exercised	0	0.0	283,913	67.0
Outstanding at the end of the period	625,000	231.2	0	0.0
Vested options	0	0.0	0	0.0
Weighted average fair value of options allocated in the period	0		0	0.0

2013	Outstanding options			Vested options	
Strike price (NOK)	Outstanding options	Weighted average remaining lifetime (yrs)	Weighted average exercise price	Vested options	Weighted average exercise price
231.2	625,000	1.5	231.2	-	-

Norwegian Air Shuttle ASA has implemented a share purchase savings program for the employees, whereby the employees purchase shares in the parent company by way of salary deductions, 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.

The fair value of the bonus shares are measured at the grant date using the 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 2013, NOK 2.2 million (2012: NOK 1.5 million) was expensed.

Note 18 - Pensions

The Group operated defined benefit plans and defined contribution plans in Norway and Sweden. The majority of employees participated 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. In fourth quarter 2013, the Group issued a defined benefit pension plan according to the Collective Agreement with the Norwegian Pilot Union. See note 28 for further details regarding settlement with the Norwegian Pilot Union. 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 NOK 36.7 million in 2013 (2012: NOK 72.9 million). The decrease in expenses relates to a reversal of estimates for provisions related to the pension liability, in addition to transfer of pilot employee contracts to Norwegian Air Norway AS

Defined benefit plan
As per December 31, 2013, 395 employees were active members (2012: 0) and 0 (2012: 0) were on pension retirement. The related pension liability is recognized at NOK 127.8 million (2012:0).

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

The mortality and disability estimates are based on up-to-date mortality tables K2013 and IR 02. This has had no material effect on the consolidated financial statements in 2013.

Pension expense (NOK 1,000)	**Funded**	**2013**	**Total 2012**
Net present value of benefits earned	80,089	80,089	173,104
Interest cost on pension liability	474	474	23,017
Return on plan assets	0	0	-13,931
Administrative expenses	0	0	2,888
Recognized actuarial gains/losses	0	0	
Recognized net liability - settlement	0	0	-30,040
Social security tax	11,365	11,365	25,946
Net pension expense defined benefit plans	91,928	91,928	180,984
Pension expense on defined contribution plans		32,273	63,880
Social security tax		4,411	9,007
Total pension expense		**128,612**	**253,871**

Defined benefit liability and fund (NOK 1,000)

	2013		2012	
	Funded	**Total**	**Funded**	**Total**
Change in present value of defined benefit liability:				
Gross pension liability 01.01	0	0	955,334	955,334
Current service costs	11,559	11,559	172,733	172,733
Interest cost	474	474	22,706	22,706
Actuarial gains/losses	1,639	1,639	-241,712	-241,712
Settlement	0	0	-902,492	-902,492
Accruals forcompensation liability	111,000	111,000		
Benefits paid	0	0	-6,569	-6,569
Gross pension liability 31.12	**124,671**	**124,671**	**0**	**0**
Change in fair value of plan assets:				
Fair value of pension assets 01.01	0	0	515,629	515,629
Expected return	-36	-36	15,247	15,247
Actuarial gains/losses	2,106	2,106	-1,510	-1,510
Administrative expenses	0	0	-3,184	-3,184
Settlement	0	0	-670,958	-670,958
Contributions paid	12,134	12,134	151,345	151,345
Benefits paid	0	0	-6,569	-6,569
Fair value of plan assets 31.12	**14,204**	**14,204**	**0**	**0**
Net pension liability	**110,468**	**110,468**		**0**
Unrecognized actuarial gains/losses		0		0
Social security tax	17,353	17,353		0
Net recognised pension liability 31.12	**127,821**	**127,821**		**0**

	2013	**2012**
Actual return on pension funds *)	5.70 %	5.70 %
Expected contribution to be paid next year	85,938	0

*) 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%.

	2013
Discount rate	4.10 %
Expected return on pension funds	4.10 %
Wage adjustments	3.50 %
Increase of social security base amount (G)	3.50 %
Future pension increase	0.60 %
Average turnover	2-10%

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

	2013
Equity	6.8%
Alternative investments	3.5%
Bonds	17.0%
Money market funds	22.0%
Hold-to maturity bonds	35.2%
Real estate	14.3%
Various	1.1%

The table shows actual distribution of plan assets at 31 December 2013.

Historical information

(NOK 1,000)	2013	2012	2011	2010	2009
Present value of defined benefit obligation	124,671	0	955,334	686,588	483,721
Fair value of plan assets	14,204	0	515,629	401,877	301,612
Deficit/(surplus) in the plan	**110,468**	**0**	**439,705**	**284,711**	**182,109**
Experience adjustments on plan liabilities	0	0	108,905	81,092	-25,272
Experience adjustments on plan assets	0	0	28,702	2,130	-28,148

Note 19 - Provisions

Periodic maintenance on leased Boeing 737 aircraft

(NOK 1,000)	2013	2012
Opening balance	198,749	91,831
Charges to the income statement	-528,498	-477,782
Accruals	797,355	584,700
Closing balance	467,607	198,749
Classified as short term liabilities	54,869	23,443
Classified as long term provision	412,737	175,306

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) additional provisions 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, additional provisions are set to meet redelivery conditions for leased aircraft. Additional provisions 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 additional provisions set to meet redelivery conditions, an increased cost upon redelivery of 10% would increase the MRC additional provisions with approximately NOK 3,8 million (2012: NOK 2.1 million)

Parts of the periodic maintenances will be conducted in 2014, and NOK 54.9 million is classified as a short term liability for periodic maintenances (2012: NOK 23.0 million). The short term part of periodic maintenance is estimated based on the planned maintenances in 2014.

Pension cost

(NOK 1,000)	2013	2012
Opening balance	187,394	0
Reversals	-187,394	0
Accruals		187,394
Closing balance	0	187,394
Classified as short term liabilities	0	187,394
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, in 2013, according to agreement with labour unions, a new defined benefit plan was issued to certain employees (see note 18). Provisions for pension cost at 31 December 2012 consisted of estimated conversion costs, non-forfeiture value to employees and potential legal claims (see note 28). The provision was reversed in 2013.

Note 20 – Financial Instruments

Financial instruments by category

	31 December 2013			
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	93,847	93,847
Derivative financial instruments	0	37,389	0	37,389
Trade and other receivables *)	1,585,748	0	0	1,585,748
Cash and cash equivalents	2,166,126	0	0	2,166,126
Total	**3,751,874**	**37,389**	**93,847**	**3,883,110**
*) Prepayments not included in trade and other receivables	236,367			

	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
Derivative financial instruments	0	0	0	0
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 2013		
Liabilities per balance sheet	**Fair value through profit or loss**	**Other financial liabilities**	**Total**
Borrowings	0	6,512,156	6,512,156
Derivative financial instruments	0	0	0
Trade and other payables *)	0	1,816,371	1,816,371
Total		**8,328,527**	**8,328,527**
*) Public duties not included in trade and other payables		133,323	

	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	

See note 22 for details related to borrowings.

Credit quality of financial assets

(NOK 1,000)		
Trade receivables	**2013**	**2012**
Counterparties with external credit rating		
A or better	727,854	665,284
Counterparties without external credit rating	857,894	484,723
Total trade receivables	**1,585,748**	**1,150,008**

Cash and cash equivalents	**2013**	**2012**
A+ or better	1,330,950	880,312
BBB +	835,176	850,583
Total cash and cash equivalents	**2,166,126**	**1,730,895**

Derivative financial assets	**2013**	**2012**
A+ or better	37,389	0
Total derivative and financial assets	**37,389**	**0**

Available-for-sale financial assets

(NOK 1,000)	2013	2012
January 1st	12,861	2,689
Additions	80,985	10,172
31 December	**93,846**	**12,861**
Non-current portion	82,689	2,689
Current portion	11,158	10,172

Available-for-sale financial assets at 31 December 2013 consist of an investment in an unlisted equity instrument in Silver Pensjonsforsikring an investment in Forth Moment Fund managed by Warren Capital AS, and an investment in a listed bond issue in Bank Norwegian. The fair value of available for sale financial assets is NOK 93.8 million (2012: NOK 12.9 million).

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)	2013		2012	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Forward foreign exchange contracts	37,389	0	0	190,164
Forward commodities contracts		0	0	192
Total	37,389	0	0	**190,356**
Current portion	37,389	0	0	190,356

Trading derivatives are classified as current assets or liabilities.

The total amount from derivatives amounts to a gain of NOK 525.1 million (2012: loss of NOK 336.4 million). 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 2013 were NOK 37.9 million (2012: NOK -190.2 million). At 31 December 2013, the Group had forward foreign currency contracts to secure MUSD 830(2012: MUSD 761).

Forward commodities contracts
Forward commodities contracts relates to jet-fuel derivatives. The fair value of the outstanding forward commodities contracts at 31 December 2013 were NOK 0 (2012: NOK -0.2 million). The Group had secured 8,090 tons of jet-fuel through derivatives at 31 December 2012, all of which were realized during 2013.

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 reporting date, see note 3 for fair value calculations.

Other losses/gains – net

(NOK 1,000)	2013	2012
Financial assets at fair value through profit or loss		
- Fair value losses	2,127,819	1,927,902
- Fair value gains	-2,355,564	-1,603,765
Net losses/(gains)	-227,745	324,137
- Foreign exchange (gains)/losses on operating acitivities	-274,403	12,247
Total	**-502,148**	**336,385**

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)	2013	2012
Accrued vacation pay	158,874	142,487
Accrued airport and transportation taxes	168,845	120,481
Accrued expenses	708,643	476,110
Trade payables	632,921	406,134
Payables to related party (note 27)	1,436	132
Public duties	133,323	137,480
Short term provisions for MRC (note 19)	54,869	23,443
Provisions for pension costs (note 19)	0	187,394
Other short term provisions	90,783	71,295
Total	**1,949,693**	**1,564,955**

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 2013

(NOK 1,000)	Nominal value	Unamortized transaction cost	Book value	Effective interest rate
Bond issue	600,000	-6,129	593,871	6.9%
Facility agreement	148,673	-1,587	147,086	8.6%
Aircraft financing	6,012,987	-323,240	5,689,747	3.3%
Loan facility	70,978		70,978	3.5%
Financial lease liability	10,475		10,475	4.9%
Total	**6,843,113**	**-330,956**	**6,512,156**	

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		15,819	5.9%
Total	**5,773,150**	**-246,085**	**5,527,065**	

Effective interest rate during 2013, recognized as financial items (note 8) and capitalized borrowing costs (note 11), is 4.8% (2012: 4.2%)

Classification of borrowings

(NOK 1,000)	2013	2012
Non-current		
Bond issue	593,871	588,948
Aircraft financing	5,143,039	3,507,117
Loan facility		70,789
Financial lease liability	6,845	10,853
Total	**5,743,755**	**4,177,707**
Current		
Bond issue	0	0
Facility agreement	147,086	930,695
Aircraft financing	546,708	386,555
Loan facility	70,978	27,143
Financial lease liability	3,629	4,966
Total	**768,401**	**1,349,359**
Total borrowings	**6,512,156**	**5,527,065**

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

(NOK 1,000)	2013	2012
USD	5,836,832	4,824,366
NOK	675,324	702,699
Total	**6,512,156**	**5,527,065**

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 NOK 800 million.
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 2013.

Fair value calculations

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

	Carrying amount		Fair Value	
(NOK 1,000)	**2013**	**2012**	**2013**	**2012**
Bond issue	593,871	588,948	600,760	601,226
Aircraft financing	5,143,039	3,507,117	4,871,329	3,975,958
Loan facility	0	70,789	0	70,992
Financial lease liability	6,845	10,853	9,060	12,506
Total fair value	**5,743,755**	**4,177,707**	**5,481,150**	**4,660,682**

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 reporting 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 reporting 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 which 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 reporting date. The spread is not entity specific, as the agreed spread is based on the 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 2013 and 2012 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)	**2013**	**2012**
Future minimum lease payments		
-No later than 1 year	3,406	5,325
-Between 1 and 5 years	8,389	12,654
-Later than 5 years		0
Total	**11,794**	**17,979**
Future finance charges on financial lease liability	1,320	2,160
Present value of financial lease liability	**10,475**	**15,819**

Note 23 – Assets Pledged as Collaterals and Guarantees

Liabilities secured by pledge (NOK 1,000):	2013	2012
Aircraft financing	5,689,747	3,893,672
Loan Facility	70,978	97,932
Facility agreement	147,086	930,695
Financial lease liability	10,475	15,819
Total	**5,918,285**	**4,938,117**

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):	2013	2012
Cash depot	0	247,097
Prepayment and aircraft	9,915,393	8,277,654
Financial lease asset	21,242	24,562
Total	**9,936,635**	**8,549,313**

Note 24 – Bank Deposits

Cash and cash equivalents

(NOK 1,000)	2013	2012
Cash in bank	1,330,950	880,312
Cash equivalents	835,176	850,583
Total	**2,166,126**	**1,730,895**

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 2013, the interest terms of the cash deposits in folio accounts are 1 month NIBOR - 0.25% p.a. The interest terms on restricted cash deposits in folio accounts are 1 month NIBOR +0.85% p.a.

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

Restricted cash

(NOK 1,000)	2013	2012
Guarantees for leases and credits from suppliers	219,391	183,095
Taxes withheld	60,107	69,845
Total	**279,498**	**252,940**

Bank guarantees are granted for the 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 has been based in Warsaw, Poland. The Group controlled 100% of the shares. The company was liquidated in 2013.

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 NOK 199.8 million. 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 2013 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.

Call Norwegian AS
On 14 January 2008 the Group established Call Norwegian AS, and the Group controls 100% of the shares. The Company had no activity in 2013.

Norwegian Holiday AS
On 15 July 2008 the Group established NAS Asset Management Norway AS, a special purpose vehicle (SPV), and in 2013 the company changed name to Norwegian Holidays AS. The Group controls 100% of the shares.

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.

September Aviation Assets Ltd
September Aviation Assets Ltd, incorporated in Ireland, was established on 9 August 2013, with the purpose of administering the Groups aircraft assets. The Group controls 100% of the shares.

Norwegian Air International Ltd
On 3 April 2013 Norwegian Air International Ltd, which is incorporated in Ireland, was established with the purpose of operating the Groups long haul activities. The Group controls 100% of the shares.

Norwegian Assets Ltd
On 16 Decemberl 2013 Norwegian Asset Ltd, which is incorporated in Ireland, was established with the purpose of operating the Groups long haul activities. The Group controls 100% of the shares.

Norwegian Air Norway AS
On 28 May 2013 Norwegian Air Norway AS, which is incorporated in Norway, was established. The company's purpose is to operate parts of the Groups flight operations.

Norwegian Cargo AS
On 16 April 2013 Norwegian Cargo AS, which is incorporated in Norway, was established. The Group controls 65% of the shares. The company is established with the purpose of commercially administer the Groups Cargo activities.

Norwegian Air Resources Holding Ltd
On 20 September 2013 Norwegian Air Resources Holding Ltd, which is incorporated in Ireland, was established. The company has had no activity in 2013.

Norwegian Brand Ltd
On 9 December 2013 Norwegian Brand Ltd, which is incorporated in Ireland, was established. The company will maintain the Groups overall brand and marketing activities.

AB Norwegian Air Resources Finland Ltd
On 14 June 2011, Ab Norwegian Air Shuttle Finland Ltd, which is incorporated in Finland, was established. In 2013 the company changed name to Norwegian Air Resources Finland AB and had no activity in 2013.

Norwegian Air Resources International AB
On 7 February 2013, Norwegian Air Resources International AB which is incorporated in Sweden was established. The company has had no activity in 2013.

Norwegian Air Resources Sweden AB
On 28 August 2013, Norwegian Air Resources Sweden AB which is incorporated in Sweden, was established. The company has had no activity in 2013.

Norwegian Resources Denmark ApS

On 5 September 2013, Norwegian Resources Denmark ApS, which is incorporated in Denmark, was established. The company has had no activity in 2013.

Name	Date of establishment	Office	Number of shares	Ownership
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 %
Norwegian Holiday AS	08/04/2008	Fornebu, Norway	100	100 %
AB Norwegian Air Resources Finland Ltd	06/14/2011	Helsinki, Finland	200	100 %
Norwegian Long Haul AS	01/01/2012	Fornebu, Norway	20,000	100 %
Norwegian Long Haul Singapore Ltd	11/29/2012	Singapore	10,000	100 %
Norwegian Air Norway AS	05/28/2013	Fornebu, Norway	30	100 %
Norwegian Cargo AS	04/16/2013	Fornebu, Norway	100,000	65 %
Norwegian Brand Limited	12/09/2013	Dublin, Ireland	151,711,820	100 %
September Aviation Assets Limited	08/09/2013	Dublin, Ireland	349,103,667	100 %
Oslofjorden Limited	08/22/2013	Dublin, Ireland	1	100 %
Drammensfjorden Leasing Limited	09/24/2013	Dublin, Ireland	1	100 %
Geirangerfjorden Limited	11/26/2013	Dublin, Ireland	1	100 %
DY1 Aviation Ireland Limited	11/26/2013	Dublin, Ireland	1	100 %
DY2 Aviation Ireland Limited	11/26/2013	Dublin, Ireland	1	100 %
DY3 Aviation Ireland Limited	11/26/2013	Dublin, Ireland	1	100 %
DY4 Aviation Ireland Limited	11/26/2013	Dublin, Ireland	1	100 %
DY5 Aviation Ireland Limited	11/26/2013	Dublin, Ireland	1	100 %
DY6 Aviation Ireland Limited	11/26/2013	Dublin, Ireland	1	100 %
DY7 Aviation Ireland Limited	08/02/2013	Dublin, Ireland	1	100 %
Norwegian Air International Limited	04/03/2013	Dublin, Ireland	116,449,937	100 %
Norwegian Assets Limited	12/16/2013	Dublin, Ireland	53,361,269	100 %
Norwegian Air Resources Holding Limited	09/20/2013	Dublin, Ireland	1	100 %
Norwegian Air Resources International AB	02/07/2014	Stockholm, Arlanda	50,000	100 %
Norwegian Air Resources Sweden AB	08/28/2013	Stockholm, Arlanda	50,000	100 %
Norwegian Resources Denmark ApS	09/05/2013	Hellerup, Danmark	80,000	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 31.12.2012	Net profit/(loss) 2013	Share issue 2013	Carrying amount 31.12.2013
Norwegian Finans Holding ASA	Norway	Financial Institution	20 %	116,050	46,597	1,926	164,575

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

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;

2013 (NOK 1,000)

Entity	Country	Assets	Liabilities	Revenues	Profit/(Loss)	Interest held %
Norwegian Finans Holding ASA	Norway	1,667,696	1,511,345	139,748	46,597	20 %

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 %

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 2013 or 2012, 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 until 2020, with an option to extend the lease for another five years.

The parent company has received commissions from the associated company Norwegian Finans Holding ASA (Bank Norwegian) in 2013 and 2012. 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 included below.

No loans or guarantees have been issued to related parties in 2013 or 2012.

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)	**2013**	**2012**
- Simonsen Vogt Wiig (legal services)	8,436	6,175
- Associate (commission)	-67,202	-40,049
- Associate (interests on subordinated loan)	-3,491	-2,541
- Fornebu Næringseiendom (property rent)	13,319	13,168

Year-end balances arising from sales/purchases of goods/services (incl VAT)	**2013**	**2012**
Receivables from related parties (note 13)		
- Simonsen Vogt Wiig (legal services)	0	0
- Associate (commission)	10,000	4,000
- 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)	1,436	132
- Associate (commission)	0	0
- Fornebu Næringseiendom (property rent)	-4,082	0

Investment in related parties	**2013**	**2012**
- Associate (subordinated loan)	80,000	30,000

Note 28 – Contingencies and Legal Claims

As described in note 28 in the Annual Report for 2012, Norwegian was in a legal dispute with the Norwegian Pilot Union at 31 December 2012. This dispute was settled during the fourth quarter 2013, resulting in a liability for the Company to issue a defined benefit pension plan according to the Collective Agreement with the Norwegian Pilot Union. See note 18 for details on pensions.

Note 29 - Commitments

In August 2007 Norwegian Air Shuttle ASA entered into a purchase agreement for 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.

Between 2008 and 2011 the Group extended its aircraft order and exercised purchase rights for an additional 36 aircraft, bringing the total order of Boeing 737-800 to 78 aircraft.

Norwegian Air Shuttle ASA entered into a purchase agreement for three Boeing 787-8 Dreamliner aircraft in June 2011. One aircraft was delivered in 2013, and the remaining two aircraft will be delivered in 2014 and 2015. The aircraft have a (total) list price of USD 580 million. The three aircraft will complement the 787-8 Dreamliner leases (note 12). At 31 December 2013, the Group has 7 Boeing 787-8 Dreamliner lease orders with expected delivery from 2014 to 2016.

In January 2012, the Group entered into additional purchase contracts with Boeing Commercial airplanes and Airbus S.A.S comprising a total of 372 aircraft, of which 222 were firm orders. The firm orders were 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 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

On 12 February, Irish authorities issued an air operator's certificate (AOC) and operating license to Norwegian Air International Ltd.

On 12 February, the Group signed a letter of intent for four additional leased Boeing 787-9 aircraft.

NORWEGIAN AIR SHUTTLE ASA

Financial statements 2013

Income Statement

NOTE	(NOK 1,000)	2013	2012
	OPERATING REVENUES AND OPERATING EXPENSES		
3	Revenues	14,966,403	12,840,499
3	Other income	90,796	17,851
	Total operating revenues and income	**15,057,199**	**12,858,350**
4	Operational expenses	10,768,632	9,138,531
5,16,17	Salaries and other personnel expenses	2,248,769	2,061,658
8,9	Depreciation and amortization	533,484	388,425
4a	Other operating expenses	662,160	546,698
20	Other losses/(gains) - net	-515,694	337,584
	Total operating expenses	**13,697,351**	**12,472,896**
	Operating profit	**1,359,848**	**385,454**
	FINANCIAL REVENUES AND FINANCIAL EXPENSES		
	Interest income	75,616	60,628
	Interest expense	-196,511	-157,847
6	Other financial items	-448,420	277,183
	Net financial items	**-569,314**	**179,964**
26	Profit/loss from associated company	46,597	32,840
	Profit before tax	**837,130**	**598,258**
7	Income tax expense	202,027	164,538
	PROFIT FOR THE YEAR	**635,103**	**433,720**

	Allocation of profit for the year		
	Allocated to other equity	**635,103**	**433,720**

Statement of Financial Position

NOTE	(NOK 1,000)	2013	2012
	ASSETS		
	Non-current assets		
8	**Intangible assets**		
	Intangible assets	193,885	212,665
	Total intangible assets	**193,885**	**212,665**
9	**Tangible assets**		
	Buildings	14,966	9,525
	Aircraft, installations and parts	376,353	5,579,757
	Equipment and fixtures	70,743	58,476
	Financial lease asset	21,242	24,562
	Prepayment Boeing contract	2,514,882	2,844,359
	Total tangible assets	**2,998,186**	**8,516,680**
	Financial assets		
25	Investment in subsidiaries	1,427,276	58,315
26	Investment in associated company	164,575	116,050
27	Investment in shares	82,689	2,689
25	Financial lease receivable	5,990,471	0
11	Other long term receivables	199,036	135,562
	Total financial assets	**7,864,047**	**312,616**
	Total non-current assets	**11,056,118**	**9,041,962**
	Current assets		
12	Inventory	67,982	68,385
	Receivables		
	Accounts receivable	1,680,180	838,755
13,25	Other receivables	689,389	256,560
	Total receivables	**2,369,569**	**1,095,315**
20	Financial instruments	37,389	0
27	Investment in shares	11,158	10,172
22	Cash and cash equivalents	1,946,668	1,694,480
	Total current assets	**4,432,765**	**2,868,353**
	TOTAL ASSETS	**15,488,884**	**11,910,314**

Statement of Financial Position

NOTE	(NOK 1,000)	2013	2012
	EQUITY AND LIABILTIES		
	Equity		
	Paid-in equity		
14,15	Share capital	3,516	3,516
15	Share premium reserve	1,093,549	1,093,549
15	Other paid-in equity	72,711	63,331
	Total paid-in equity	**1,169,775**	**1,160,396**
15	**Retained earnings**	**1,868,546**	**1,231,996**
	Total equity	**3,038,322**	**2,392,392**
	Liabilities		
	Provisions		
18	Provision for periodic maintenance	412,737	175,306
7	Deferred tax	518,638	323,517
24	Borrowings	5,736,896	4,166,770
24	Financial lease liability	6,860	10,853
	Total long term liabilities	**6,675,130**	**4,676,446**
	Short term liabilities		
25	Accounts payable	1,973,078	472,441
	Air traffic settlement liabilities	2,028,631	1,739,765
	Public duties payable	81,260	133,123
20	Financial instruments	0	190,356
24	Short term part of borrowings	768,401	1,349,359
19	Other short term liabilities	924,063	956,432
	Total short term liabilities	**5,775,433**	**4,841,476**
	Total liabilities	**12,450,563**	**9,517,923**
	TOTAL EQUITY AND LIABILITIES	**15,488,884**	**11,910,314**

Fornebu, 26 March 2014

Bjørn H. Kise (Chairman of the Board)

Ola Krohn-Fagervoll (Deputy Chairman)

Liv Berstad (Member of the Board)

Marianne Wergeland Jenssen (Member of the Board)

Thor Espen Bråten (Employee Representative)

Kenneth Utsikt (Employee Representative)

Linda Olsen (Employee Representative)

Bjørn Kjos (Chief Executive Officer)

Cashflow Statement

Note	(NOK 1,000)	2013	2012
	CASH FLOWS FROM OPERATING ACTIVITIES:		
	Profit before income tax	837,130	598,258
	Taxes paid	0	0
8,9	Depreciation, amortization, write-down	533,484	388,425
	Pension expense without cash effect	0	77,583
26	(Profit)/loss on investment in associated company	-46,597	-32,840
17	Compensation expense for employee options	0	0
9	Losses/(gains) on disposal of tangible assets	-35,359	-16,401
25	Impairment of shares in subsidiary	0	17,930
20	Fair value (gains)/losses on financial assets	-442,362	324,137
6	Net financial items excluding impairment	569,314	-179,964
	Interests received	90,884	51,340
	Change in inventories, accounts receivable and accounts payable	659,615	-157,029
	Change in air traffic settlement liabilities	288,866	531,439
	Change in other current assets and current liabilities	-257,205	416,169
	Net cash flow from operating activities	**2,197,772**	**2,019,046**
	CASH FLOWS FROM INVESTING ACTIVITIES:		
9	Prepayments aircraft purchase	-1,460,328	-2,134,161
9	Purchases of tangible assets	-286,012	-574,287
8	Purchases of intangible assets	-42,418	-55,901
25	Payment to subsidiaries	-260,000	-20,000
	Payment to investment in associated company	-80,000	-1,119
25	Dividend from subsidiary	0	9,728
	Net cash flow from investing activities	**-2,128,758**	**-2,775,740**
	CASH FLOWS FROM FINANCIAL ACTIVITIES:		
24	New long term liabilities	2,309,721	1,991,173
24	Payment long term liabilities	-1,829,731	-460,692
	Interest on borrowings	-295,816	-179,161
15	Paid-in equity	0	18,114
	Net cash flow from financial activities	**184,174**	**136,943**
	Net change in cash and cash equivalents	253,188	612,739
	Cash and cash equivalents at 1 January	1,694,480	1,081,742
22	**Cash and cash equivalents at 31 December**	**1,946,668**	**1,694,480**

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 reporting 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 earned on all purchases. 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, except for tickets for long distance and domestic travel in Norway and Sweden, which earn 2% on low fare tickets and 10% on full flex tickets.
- 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.
- Opplysningen 1881; 2% on calls and SMS to 1881.
- NorgesEnergi; 500 cash points for signing up or 100 cash points if already a member in addition to 200 cash points yearly.
- Euroflorist Europe B.V.; 10% on all purchases.

- Revy & Teaterservice; up to 10 % on selected shows/concerts.
- Flygbusserna Airport Coaches AB; 8% on tickets purchased online.
- Affinion; Cash points, different percentages, on all purchases from the Reward eShop.

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

All other earned customer CashPoints are recognized as a liability in the statement of financial position 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 statement of financial position. The liability is measured at fair value and classified as short term, as available statistics as of 31 December 2013 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 reporting 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 statement of financial position 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 three sales and lease backs transactions during 2013 (two in 2012) 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 statement of financial position 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 reporting 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. In 2013, the company transferred several aircraft to its subsidiaries, for consideration of lease receivables. The receivable is denominated in USD, and hence the Company's USD exposure has been reduced.

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 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 257 aircraft on firm order with future delivery. The table below shows the expected timeline of future deliveries of aircraft at 31 December 2013. Prepayments to aircraft manufacturers on future aircraft deliveries are largely financed by internal funds. The Company has ensured export credit support on all aircraft on order. 55 % of deliveries in 2014 has been financed through the private EETC marked in the US and long term financing guaranteed by export credit agencies. The remaining 2014 deliveries will be financed through commercial financing or export guaranteed financing. 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 in the finance planning of 2014-2015.

Aircraft delivery	**2014**	**2015-2016**	**2017-**	**Total**
737-800	11	27	19	57
737 Max 8	0	0	100	100
Airbus 320 neo	0	4	96	100
Total	**11**	**31**	**215**	**257**

The Company's financing policy includes sales and lease backs transactions on several aircraft to diversify its aircraft fleet. In 2013, three aircraft were delivered and financed as sales and lease backs transactions (two in 2012).

Note 3 - Revenues

(NOK 1,000)	2013	2012
By activity:		
Passenger transport	12,921,647	11,149,458
Ancillary revenue	1,674,408	1,458,155
Other revenues	461,143	232,886
Total	**15,057,198**	**12,840,499**
By geographic market:		
Domestic	4,423,060	4,039,488
International	10,634,138	8,801,011
Total	**15,057,198**	**12,840,499**

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 NOK 90.8 million (2012: NOK 17.9 million) and include gains from sale of assets (note 9).

Note 4 – Operational Expenses

(NOK 1,000)	2013	2012
Sales and distribution expenses	339,915	274,386
Aviation fuel	4,450,358	3,740,508
Aircraft leases	1,221,881	1,081,334
Airport charges	2,129,383	1,729,942
Handling charges	1,261,294	1,077,115
Technical maintenance expenses	840,904	792,512
Other operating expenses	524,898	442,734
Total	**10,768,632**	**9,138,531**

Note 4a – Other Operating Expenses

Other operating expenses amount to NOK 662.2 million (2012: NOK 546.7 million). 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)	2013	2012
Wages and salaries	1,261,031	1,215,796
Social security tax	277,104	214,382
Pension expenses	24,243	250,268
Employee stock options	9,379	-
Other benefits	677,013	381,212
Total	**2,248,769**	**2,061,658**

In 2013, NOK 9,4 million (2012: NOK 0) 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).

	2013	2012
Number of man-labour years	3,278	2,158

Note 6 – Other Financial Items

(NOK 1,000)	2013	2012
Other financial income		
Forreign exchange income and loss	-473,013	274,088
Appreciation financial current assets	24,593	21,024
Impairment of shares in subsidiary	0	17,930
Total Other financial items	**-448,420**	**277,183**

Impairment of shares in subsidiary is detailed in note 25.

Note 7 - Taxes

This year's tax expense consists of (NOK 1,000):	2013	2012
Tax payable	6,906	0
Adjustment from previous year	-1,054	0
Change in deferred tax	196,175	164,538
Income tax expense	**202,027**	**164,538**

Reconciliation from nominal to effective tax rate:

(NOK 1,000)	2013	2012
Profit before tax	837,130	598,258
Expected tax expense using nominal tax rate (28 %)	234,396	167,512
Tax effect of the following items:		
Non deductible expenses/non taxable income	-12,253	-2,974
Reduced tax rate in Norway to 27%	-19,062	0
Adjustment from previous year	-1,054	0
Tax expense	**202,027**	**164,538**
Effective tax rate	24.13 %	27.50 %

Specification of tax payable	2013	2012
Tax payable in income tax expense	-6,906	0
Group contribution	6,906	0
Tax payable in the balance sheet	**0**	**0**

(NOK 1,000)	2013	2012
Tangible assets	-1,701,833	-1,194,710
Long term receivables and borrowings in foreign currency	0	-155,065
Financial instruments	-37,389	190,356
Inventories	22,500	16,719
Receivables	9,675	31,638
Gain/loss account	-60,236	-26,441
Provisions	157,873	194,431
Pensions	0	0
Other	-311,471	-242,267
Tax loss carry forward	0	29,922
Total	**-1,920,881**	**-1,155,416**

Deferred tax asset/liability	-518,638	-323,517
Net recognized deferred tax asset/liability	**-518,638**	**-323,517**

(NOK 1,000)	2013	2012
At 1 january (-) liability/(+) asset	-323,517	-158,978
Income statement charge	-195,121	-164,538
31 December	**-518,638**	**-323,517**

Note 8 – Intangible Assets

(NOK 1,000)	Software	Goodwill	Other Intangible Assets	Total
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**
Acquisition cost at 1 January 2013	289,245	94,157	31,019	414,421
Additions	39,571	0	2,847	42,418
Acquisition cost at 31 December 2013	**328,816**	**94,157**	**33,867**	**456,839**
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**
Accumulated amortization and write-down at January 1 2013	172,056	25,109	4,591	201,756
Amortization in 2013	54,921	6,277	0	61,198
Accumulated amortization and write-down at 31 December 2013	**226,977**	**31,386**	**4,591**	**262,955**
Book value at 31 December 2012	**117,189**	**69,048**	**26,428**	**212,665**
Book value at 31 December 2013	**101,839**	**62,771**	**29,275**	**193,884**
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 NOK 22.4 million 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 2013.

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 Boeing Contract	Equipment and fixtures	Financial lease	Total
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**
Acquisition cost at 1 January 2013	9 525	6 324 768	2 844 359	159 782	34 607	9 373 041
Additions	5 441	955 835	1 546 928	36 963	0	2 545 166
Transfers	0	1 876 404	-1 876 404	0	0	0
Disposals	0	-8 298 977	0	-19 015	0	-8 317 991
Acquisition cost at 31 December 2013	**14 966**	**858 030**	**2 514 883**	**177 730**	**34 607**	**3 600 215**
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**
Accumulated depreciation at 1 January 2013	0	745 011	0	101 305	10 046	856 360
Depreciation	0	444 505	0	24 466	3 319	472 290
Depreciation on disposals	0	-707 839	0	-18 784	0	-726 623
Accumulated depreciation at 31 December 2013	**0**	**481 676**	**0**	**106 987**	**13 365**	**602 027**
Book value at 31 December 2012	**9 525**	**5 579 757**	**2 844 359**	**58 477**	**24 561**	**8 516 680**
Book value at 31 December 2013	**14 966**	**376 354**	**2 514 883**	**70 743**	**21 242**	**2 998 186**
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 2013, the Company operated a total of 46 aircraft, whereas 29 were leased under operational leases from internal Group Companies and 17 were leased under operational leases from external lessors. For comparison, the Company owned 28 aircraft and leased under operational lease 40 aircraft as of 31 December 2012. During 2013, the Company started the process of transferring owned and leased aircraft to a newly established asset company. New deliveries will be taken and financed by the asset company. See note 10 for details about operational leases.

Aircraft
Aircraft consist of purchased aircraft. The Company owns 5 aircraft per 31 December 2013 (2012: 28 aircraft) and the total residual value for these aircraft was NOK 79,4million (2012: NOK 1,614.4 million). 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 2013 and 2012 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 three apartments in Berlin purchased in 2007, and 1 apartment in Seattle and 1 apartment in Florida purchased in 2013, 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. See note 29 on Commitments. Note 2 include a table showing the timeline of future deliveries for the Company.

At 31 December 2013, 31 owned and 13 sale and lease backs were delivered (2012: 23 and 10). Until the delivery of the aircraft, the Company will make prepayments to aircraft manufacturers, following a defined prepayment schedule. The Company capitalises borrowing costs incurred for the construction of qualifying assets during the period of time that is required to complete the aircraft. Borrowing costs of NOK 86.0 million (2012: NOK 73.5 million) have been capitalized during the year. Average capitalization rate of 4.8 % (2012: 4.7 %) 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 2013 and 2012, 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 2011, 54 aircraft were delivered. In 2012, 5 aircraft were delivered and 7 aircraft were delivered in 2013, including sale leaseback. Renegotiations have resulted in the extension of some of the shorter leases. In 2013, 0 (2012: 7) aircraft were redelivered to the lessor. Contracts for one of the aircraft will expire in 2015, and the remaining contracts expire in 2016 or later.

Leasing costs expensed on aircraft lease within operational expenses was NOK 1,064.6 million in 2013 (2012: NOK 929.9 million). Included in leasing costs are operating lease costs on aircraft from sale-and-lease-back transactions.

In addition, the Company leases 12 (2012: 16) cars and 11 (2011: 10) properties in Oslo, Stavanger, Stockholm and Copenhagen. Leasing costs related to cars and properties expensed in other operating expenses in 2013 was NOK 47.7 million (2012: NOK 46 million).

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

	Nominal value 2013				Nominal value 2012			
(NOK 1,000)	**Aircraft**	**Cars**	**Property**	**Total**	**Aircraft**	**Cars**	**Property**	**Total**
Within one year	1,657,144	3,943	56,594	1,717,680	1,526,147	4,339	45,367	1,575,852
Between 1 and 5 years	5,741,353	7,476	89,323	5,838,152	6,577,357	11,419	63,572	6,652,348
After 5 years	5,821,380	0	16,308	5,837,688	7,017,603	0	29,355	7,046,957

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. Only aircraft leases for aircraft operated by the Company is included above. 29 of the leases are leased from internal Group Companies. For the Company's leasing commitments on behalf of other Group Companies, see note 29.

Note 11 – Long-term Receivables

(NOK 1,000)	2013	2012
Deposits	169,016	115,117
Intercompany longterm receivables	-	1
Other long-term receivables	30,021	20,445
Total	**199,036**	**135,562**

The Company pays deposits on aircraft leases. 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 reporting date.

Note 12 - Inventories

(NOK 1,000)	2013	2012
Consumables	54,784	61,068
Parts for heavy maintenance	13,198	7,317
Total	**67,982**	**68,385**

In 2013 and 2012, 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 products in 2013 were NOK 27.6 million (2012: NOK 12.5 million).

Note 13 – Other Receivables

(NOK 1,000)	2013	2012
Prepaid costs	142,386	46,051
VAT refund	66,557	33,909
Reimbursements claims maintenance costs	272,908	99,157
Intercompany receivable	104,122	-
Other receivables	103,417	77,443
Total	**689,389**	**256,560**

Note 14 – Shareholder's Equity and Shareholder Information

At 31 December 2013, the share capital consists of the following share classes;

(NOK 1,000)	Number of Shares	Nominal Value	Book Value
Class A shares	35,162,139	0.1	3,516

Shareholder structure
The largest shareholders at 31 December 2013 were:

	A-shares	Owner-ship	Voting-rights
HBK INVEST AS	9 499 116	27,02 %	27,02 %
FOLKETRYGDFONDET	2 441 393	6,94 %	6,94 %
SKAGEN VEKST	1 448 775	4,12 %	4,12 %
SKAGEN KON-TIKI	997 061	2,84 %	2,84 %
CLEARSTREAM BANKING	810 516	2,31 %	2,31 %
J.P. MORGAN CHASE BA	779 012	2,22 %	2,22 %
DANSKE INVEST NORSKE	705 289	2,01 %	2,01 %
VERDIPAPIRFONDET DNB	692 874	1,97 %	1,97 %
DANSKE INVEST NORSKE	491 789	1,40 %	1,40 %
KLP AKSJE NORGE VPF	476 818	1,36 %	1,36 %
VARMA MUTUAL PENSION	448 567	1,28 %	1,28 %
DNB NOR BANK ASA EGE	391 598	1,11 %	1,11 %
STENSHAGEN INVEST AS	341 693	0,97 %	0,97 %
JP MORGAN CHASE BANK	339 396	0,97 %	0,97 %
STATE STREET BANK AN	329 835	0,94 %	0,94 %
DNB LIVSFORSIKRING A	289 487	0,82 %	0,82 %
SKANDINAVISKA ENSKIL	250 768	0,71 %	0,71 %
KOMMUNAL LANDSPENSJO	250 000	0,71 %	0,71 %
STATOIL PENSJON	248 732	0,71 %	0,71 %
KLP AKSJE NORGE INDE	245 676	0,70 %	0,70 %
Other	13 683 744	38,92 %	38,92 %
Total number of shares	**35 162 139**	**100 %**	**100 %**

The shareholding of HBK Invest at 31 December 2013 reflects the actual shareholding and may deviate from the official shareholder register as HBK Invest has signed a securities lending agreement with Nordea and Danske Bank. Under this agreement these institutions may borrow shares from HBK Invest for a limited period of time to improve the liquidity in the share trading, for example by fulfilling their market maker obligations.

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	781 537
Ola Krohn-Fagervoll	Deputy chairman	3 462
Liv Berstad	Board Member	0
Marianne Wergeland Jenssen	Board Member	800
Linda Olsen	Board Member - Employee repr	0
Thor Espen Bråten	Board Member - Employee repr	497
Kenneth Utsikt	Board Member - Employee repr	260
Bjørn Kjos 3)	Chief Executive Officer	8 035 231
Frode E Foss	Chief Financial Officer	35 000
Per-Ivar Gjørvad	Chief IT Officer	300
Asgeir Nyseth	Chief Operating Officer	12 342
Geir Steiro (from November 1 2013)	Chief Operating Officer	0
Anne-Sissel Skånvik	Senior Vice President Corporate Communications	0
Gunnar Martinsen	Senior Vice President HR and Organisation	9 234
Frode Berg (from February 11 2013)	Chief Legal Officer	0

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 2012	Issued 2013	Outstanding 2013
Bjørn Kjos	Chief Executive Officer	0	100 000	100 000
Frode E Foss	Chief Financial Officer	0	100 000	100 000
Per-Ivar Gjørvad	Chief IT Officer	0	20 000	20 000
Geir Steiro (from November 1 2013)	Chief Operating Officer	0	5 000	5 000
Asgeir Nyseth	Chief Operating Officer	0	100 000	100 000
Frode Berg (from February 11 2013)	Chief Legal Officer	0	20 000	20 000
Anne-Sissel Skånvik	Senior Vice President Corporate Communications	0	50 000	50 000
Gunnar Martinsen	Senior Vice President HR and Organisation	0	50 000	50 000

Note 15 - Equity

(NOK 1,000)	Share Capital	Share prem. Reserve	Other Paid-in Equity	Other Equity	Total Equity
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	-	-	18,114
Net profit for the year	-	-	-	433,720	433,720
Equity 31 December 2012	**3,516**	**1,093,549**	**63,331**	**1,231,996**	**2,392,392**
Equity at 01 January 2013	**3,516**	**1,093,549**	**63,331**	**1,231,996**	**2,392,392**
Equity change on employee options	-	-	9,379	-	9,379
Net profit for the year	-	-	-	635,103	635,103
Other changes	-	-	-	1,447	1,447
Equity 31 December 2013	**3,516**	**1,093,549**	**72,710**	**1,868,546**	**3,038,321**

Note 16 - Pensions

The Company operated defined benefit plans and defined contribution plans. The majority of the employees participated 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 were NOK 24.2 million in 2013 (2012: NOK 69.1 million). The decrease in expenses relates to a reversal of estimates for provisions related to the pension liability, in addition to transfer of pilot employee contracts to Norwegian Air Norway AS

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, and 62 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 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 statement of financial position 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**	**Unfunded**	**Total 2013**	**Total 2012**
Net present value of benefits earned	0	0	0	172,399
Interest cost on pension liability	0	0	0	22,683
Return on plan assets	0	0	0	-13,955
Administrative expenses	0	0	0	2,888
Recognized actuarial gains/losses	0	0	0	0
Recognized net liability - settlement	0	0	0	-28,745
Social security tax	0	0	0	25,946
Net pension expense defined benefit plans	**-**	**0**	**-**	**181,215**
Pension expense on defined contribution plans			0	60,520
Social security tax			0	8,533
Total pension expense			**-**	**250,268**

	2013	**2012**
Best estimate of actual return on pension funds previous year	0	5.70 %
Expected contribution to be paid next year	0	0
Expected benefits to be paid	0	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)	2013	2012	2011	2010	2009	2008
Present value of defined benefit obligation	0	0	955,025	685,779	483,721	388,730
Fair value of plan assets	0	0	514,910	401,328	301,612	233,000
Deficit/(surplus) in the plan	**0**	**0**	**440,115**	**284,451**	**182,109**	**155,730**
Experience adjustments on plan liabilities	0	0	108,905	81,092	-25,272	50,340
Experience adjustments on plan assets	0	0	28,702	2,130	-28,148	2,549

Note 17 - Options

In 2013, the Board have issued 625,000 share options to employees. The share options have an exercise price of NOK 231.2, equal to 10% above weighted average share price on 20 March 2013. The share options may be exercised two years after the grant, with an exercise window of six months.

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 for options granted in 2013;

	2013
Dividend (%)	0 %
Expected volatility (%)	45.00 %
Risk free interest (%)	1.33 %
Expected lifetime (year)	2.50
Share price at grant date	216.40

There were no option grants in 2012.

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 option program is expensed with NOK 9.4 million in 2013 (NOK 0 in 2012).

	2013 Shares	**Weighted avg. exerc. Price**	**2012 Shares**	**Weighted avg. exerc. Price**
Outstanding at the beginning of the period	0	0.0	283,913	63.8
Allocated	625,000	231.2	0	0.0
Exercised	0	0.0	283,913	67.0
Outstanding at the end of the period	625,000	231.2	0	0.0
Vested options	0	0.0	0	0.0
Weighted average fair value of options allocated in the period	0		0	0.0

2013	**Outstanding options**			**Vested options**	
Strike price (NOK)	**Outstanding options**	**Weighted average remaining lifetime (yrs)**	**Weighted average exercise price**	**Vested options**	**Weighted average exercise price**
231.2	625,000	1.5	231.2	-	-

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 the 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 2013, NOK 2.2 million (2012: NOK 1.5 million) was expensed.

Note 18 - Provisions

(NOK 1,000)	2013	2012
Periodic maintenance on leased Boeing 737 airplanes	412,737	175,306
Provisions for pension costs	-	187,394
Total provisions	**412,737**	**362,700**

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 2014, and NOK 54.9 million is classified as short term liability for periodic maintenances (2012: NOK 23 million). The short term part of periodic maintenance is estimated based on planned maintenances in 2014.

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)	2013	2012
Accrued holiday allowances	123,086	136,514
Accrued expenses	651,409	579,146
Short term part of periodic maintenance (note 18)	54,869	23,443
Provisions for pension costs (note 18)	-	187,394
Inter-company liabilities	21,297	29,935
Other short term liabilities	73,401	-
Total	**924,063**	**956,432**

Note 20 – Financial Instruments

	Assets		Liabilities	
31 December 2013 (NOK 1,000)	**Short term**	**Long term**	**Short term**	**Long term**
Foreign exchange hedges fair value	37,389	0	0	0
Total financial instruments	**37,389**	0	0	0

	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

Other losses/(gains)-net

(NOK 1,000)	**2013**	**2012**
Financial assets at fair value through profit or loss		
- Fair value losses	2,254,879	1,927,902
- Fair value gains	-2,697,241	-1,603,765
Net losses/(gains)	-442,362	324,137
- Foreign exchange (gains)/losses on operating activities	-73,332	13,447
Net losses/(gains)	**-515,694**	**337,584**

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):	2013	2012
Aircraft financing	5,689,747	3,893,672
Loan Facility	70,978	97,932
Facility agreement	147,086	930,695
Financial lease liability	10,475	15,819
Total	**5,918,285**	**4,938,117**

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 9 and for borrowings related to those asset, see note 24.

Book value of assets pledged as security (NOK 1,000):	2013	2012
Cash depot	0	247,097
Prepayment and aircraft	2,891,236	8,277,654
Financial lease asset	21,242	24,562
Total	**2,912,477**	**8,549,313**

During 2013, the Company transferred several of its owned aircraft to its fully owned asset company. Norwegian Air Shuttle ASA carries the financial obligation towards external financing institutions, with security in the aircraft transferred. For information regarding the intercompany transfer of aircraft, see note 29.

Note 22 – Bank Deposits

(NOK 1,000)	2013	2012
Cash in bank	1,111,492	843,897
Cash equivalents	835,176	850,583
Total	**1,946,668**	**1,694,480**

Restricted cash items are:

(NOK 1,000)	2013	2012
Guarantees for leases and credits from suppliers	220,423	183,095
Taxes withheld	39,974	64,002
Total restricted cash	**260,397**	**247,097**

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 2013 was NOK 1.5 million (2012: NOK 1 million). The Chairman of the Board, Bjørn Kise, received NOK 0.5 million (2012: NOK 0.36 million) There were no bonuses or other forms of compensation paid to the Board members in 2013.

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 of management remuneration during the year. The actual remuneration in 2013 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 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 level be awarded with a special compensation for profit enhancing projects.

The Executive Management is a part of the Company'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 2013

(NOK 1,000)	Fee	Salary	Bonus	Other benefits **)	Total Compensation	Pension expense ***)
The Board of Directors						
Bjørn Kise (chairman)	500				500	
Ola Krohn-Fagervoll (deputy chairman f	300				300	
Liv Berstad	275				275	
Marianne Wergeland Jenssen	275				275	
Thor Espen Bråthen*)	50				50	
Jeanette Vannebo*)	50				50	
Linda Olsen*)	50				50	
Total board of directors	**1,500**	**0**	**0**	**0**	**1,500**	**0**
Executive Management						
Bjørn Kjos (Chief Executive Officer)		1 448		170	1,618	67
Frode Foss (Chief Financial Officer)		1,848		159	2,007	84
Geir Steiro (Chief Operating Officer, started on 1 November 2013)		226		26	252	0
Asgeir Nyseth (Chief Operating Officer)		1,751		154	1,905	91
Gunnar Martinsen (Senior Vice President HR and Organisation)		1,268		164	1,432	77
Anne-Sissel Skånvik (Senior Vice President Corporate Communications)		1,270		154	1,424	103
Per-Ivar Gjørvad (Chief IT Officer)		1,065		161	1,226	84
Frode Berg (Chief Legal Officer, started on 11 February)		1,067		139	1,206	67
Total executive management		**9,943**	**0**	**1,127**	**11,070**	**573**

*) 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

No share options were excercised by the management in 2013.

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		**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

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

Auditor remuneration

	2013		
(NOK 1,000)	**Deloitte**	**PWC**	**2012**
Audit fee	400	660	850
Other audit related services		78	256
Tax advisory		34	5
Other services	640	85	13
Total	**1,040**	**857**	**1,124**

All amounts stated exclude VAT.

The General Assembly elected Deloitte as new auditor at the General Assembly meeting in 2013, effective June 21 2013.

Note 24 - Borrowings

Nominal value at 31 December 2013

(NOK 1,000)	Nominal value	Unamortized transaction cost	Book value	Effective interest rate
Bond issue	600,000	-6,129	593,871	6.9%
Facility agreement	148,673	-1,587	147,086	8.6%
Aircraft financing	6,012,987	-323,240	5,689,747	3.3%
Loan facility	70,978		70,978	3.5%
Financial lease liability	10,475		10,475	4.9%
Total	**6,843,113**	**-330,956**	**6,512,156**	

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		15,819	5.9%
Total	**5,773,150**	**-246,085**	**5,527,065**	

Classification of Borrowings

(NOK 1,000)	2013	2012
Non-current		
Bond issue	593,871	588,948
Aircraft financing	5,143,039	3,507,117
Loan facility		70,789
Financial lease liability	6,845	10,853
Total	**5,743,755**	**4,177,707**
Current		
Bond issue	0	0
Facility agreement	147,086	930,695
Aircraft financing	546,708	386,555
Loan facility	70,978	27,143
Financial lease liability	3,629	4,966
Total	**768,401**	**1,349,359**
Total borrowings	**6,512,156**	**5,527,065**

Collateralized borrowings are detailed in note 21.

Bond issue
Interest rate of NIBOR 3M and a risk premium equal to the spread at the reporting 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 reporting 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 reporting 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 2013 and 2012 as this loan facility regarded the best estimate for credit spread on financial lease liability. The financial lease liability is denominated in NOK.

Maturity of borrowings

At 31 December 2013 (NOK 1,000)	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	764,772	1,222,261	1,753,446	3,090,608
Financial lease liability	3,629	2,756	5,053	0
Total liabilities	**768,401**	**1,225,017**	**1,758,499**	**3,090,608**

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**

Note 25 – Investments in Subsidiaries and Related Parties

Norwegian Air Shuttle Polska SP.zo.o
The subsidiary was established in 2006 and has been based in Warsaw, Poland. The Group controlled 100% of the shares. The company has been liquidated in 2013.

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 NOK 199.8 million. 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 2013 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.

Call Norwegian AS
On 14 January 2008 the Group established Call Norwegian AS, and the Group controls 100% of the shares. The Company had no activity in 2013.

Norwegian Holiday AS
On 15 July 2008 the Group established NAS Asset Management Norway AS, a special purpose vehicle (SPV), and in 2013 the company changed name to Norwegian Holidays AS. The Group controls 100% of the shares.

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. In December 2013, the Groups long haul activity was transferred to the Irish entities.

September Aviation Assets Limited
September Aviation Assets Limited, incorporated in Ireland, was established on 9 August 2013, with the purpose of administering the Groups aircraft assets The Group controls 100% of the shares.

Norwegian Air International Limited
On 3 April 2013 Norwegian Air International Limited, which is incorporated in Ireland, was established with the purpose of operating the Groups long haul activities. The Group controls 100% of the shares.

Norwegian Air Norway AS
On 28 May 2013 Norwegian Air Norway AS, which is incorporated in Norway, was established. The company's purpose is to operate parts of the Groups flight operations.

Norwegian Cargo AS
On 16 April 2013 Norwegian Cargo AS, which is incorporated in Norway, was established. The Group controls 65% of the shares. The company is established with the purpose of commercially administer the Groups Cargo activities.

Norwegian Air Resources Holding Limited
On 20 September 2013 Norwegian Air Resources Holding Limited, which is incorporated in Ireland, was established. The company has had no activity in 2013.

Norwegian Brand Limited
On 9 December 2013 Norwegian Brand Limited, which is incorporated in Ireland, was established. The company will maintain the Groups overall brand and marketing activities.

AB Norwegian Air Resources Finland Ltd
On 14 June 2011, Ab Norwegian Air Shuttle Finland Ltd, which is incorporated in Finland, was established. In 2013 the company changed name to Norwegian Air Resources Finland AB and had no activity in 2013.

Norwegian Air Resources International AB
On 7 February 2013, Norwegian Air Resources International AB which is incorporated in Sweden was established. The company has had no activity in 2013.

Norwegian Air Resources Sweden AB
On 28 August 2013, Norwegian Air Resources Sweden AB which is incorporated in Sweden, was established. The company has had no activity in 2013.

Norwegian Resources Denmark AS
On 5 September 2013, Norwegian Resources Denmark AS, which is incorporated in Denmark, was established. The company has had no activity in 2013.

Name	Date of establishment	Office	Number of shares	Ownership
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 %
Norwegian Holiday AS	15.07.2008	Fornebu, Norway	100	100 %
AB Norwegian Air Resources Finland Ltd	14.06.2011	Helsinki, Finland	200	100 %
Norwegian Long Haul AS	01.01.2012	Fornebu, Norway	20 000	100 %
Norwegian Cargo AS	16.04.2013	Fornebu, Norway	100 000	65,0 %
September Aviation Assets Ltd	09.08.2013	Dublin, Ireland	349 103 667	100 %
Norwegian Air Norway AS	28.05.2013	Fornebu, Norway	30	100 %
Norwegian Brand Ltd	09.12.2013	Dublin, Ireland	151 711 820	100 %
Norwegian Air International Limited	03.04.2013	Dublin, Ireland	116 449 937	100 %
Norwegian Air Resources Holding Limited	20.09.2013	Dublin, Ireland	1	100 %
Norwegian Air Resources International AB	07.02.2013	Stockholm, Arlanda	50 000	100 %
Norwegian Air Resources Sweden AB	28.08.2013	Stockholm, Arlanda	50 000	100 %
Norwegian Resources Denmark ApS	05.09.2013	Hellerup, Danmark	80 000	100 %

Transactions with subsidiaries

Intercompany balances 31 december 2013	Short term	Long term
Receivables	807,986	5,990,471
Payables	-1,276,944	0

Intercompany balances 31 december 2012	Short term	Long term
Receivables	0	0
Payables	0	0

Transactions with related parties

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 2013 or 2012, 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 Company leases its property at Fornebu from Fornebu Næringseiendom AS, which is a wholly owned subsidiary of HBK Invest AS. The leasing agreement entitles the Company to lease Oksenøyveien 3 at Fornebu for ten years till 2020, with an option to extend the lease for another five years.

Norwegian Air Shuttle ASA has received commissions from the associated company Norwegian Finans Holding ASA (Bank Norwegian) in 2013 and 2012. 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 2013 or 2012.

See note 23 for details on key management compensations 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):

(NOK 1,000) Sales (-) and purchases (+) of goods and services (excl VAT)	2013	2012
- Simonsen Vogt Wiig (legal services)	8,436	6,175
- Associate (commission)	-67,202	-40,049
- Associate (interests on subordinated loan)	-3,491	0
- Fornebu Næringseiendom (property rent)	13,319	13,168

Year-end balances arising from sales/purchases of goods/services (incl VAT)	2013	2012
Receivables from related parties		
- Simonsen Vogt Wiig (legal services)	0	0
- Associate (commission)	0	4,000
- Fornebu Næringseiendom (property rent)	0	0
- Ola Krohn-Fagervoll (services as Board Member - note 14)	0	0
Payables from related parties		
- Simonsen Vogt Wiig (legal services)	1,436	132
- Associate (commission)	0	0
- Fornebu Næringseiendom (property rent)	-4,082	0

Investment in related parties	2013	2012
- Associate (subordinated loan)	80,000	30,000

Note 26 – Investment in Associated Companies

Norwegian Air Shuttle ASA has the following investments in associates:

Entity	Country	Industry	Ownership interest	Carrying amount 31.12.2012	Net profit/(loss) 2013	Share issue 2013	Carrying amount 31.12.2013
Norwegian Finans Holding ASA	Norway	Financial Institution	20 %	116,050	46,597	1,926	164,575

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

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;

2013 (NOK 1,000)

Entity	Country	Assets	Liabilities	Revenues	Profit/(Loss)	Interest held %
Norwegian Finans Holding ASA	Norway	1,667,696	1,511,345	139,748	46,597	20 %

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 %

Note 27 – Investments in Shares

	2013		2012	
Company	**Market value**	**Book value**	**Market value**	**Book value**
Bank Norwegian (bonds registered at Oslo Stock exchange)	80,000	80,000	-	-
Silver Pensjonsforsikring AS	2,689	2,689	2,689	2,689
Forth Moment Fund	11,158	11,158	10,172	10,172

Available-for-sale financial assets at 31 December 2013 consist of an investment in unlisted equity instrument in Silver Pensjonsforsikring an investment in Forth Moment Fund managed by Warren Capital AS, and an investment in a listed bond issue in Bank Norwegian. The fair value of available for sale financial assets is NOK 93.8 million (2012: NOK 12.9 million).

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.

Note 28 - Contingencies and Legal Claims

As described in note 28 in the Annual Report for 2012, Norwegian was in a legal dispute with the Norwegian Pilot Union at 31 December 2012. This dispute was settled during the fourth quarter 2013, resulting in a liability for the Company to issue a defined benefit pension plan according to the Collective Agreement with the Norwegian Pilot Union. See note 16 for details on pensions.

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.

Between 2008 and 2011 the Company extended its aircraft order and exercised purchase rights with additional 36 aircraft, to the total order of Boeing 737-800 to 78 aircraft.

Norwegian Air Shuttle ASA entered into a purchase agreement of three Boeing 787-8 Dreamliner aircraft in June 2011. One aircraft was delivered in 2013, and the remaining two aircraft will be delivered in 2014 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 2013, the Company has 7 Boeing 787-8 Dreamliner lease orders with expected delivery from 2014 to 2016.

In January 2012, the Company entered into 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 were 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 into a maintenance agreement with Boeing comprising all 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.

In fourth quarter 2013, Norwegian Air Shuttle ASA transferred 35 aircraft, including leased and owned aircraft, to 100% owned single purpose entities established in Dublin, Ireland. The entities will operate as lessors for the airline companies in the Norwegian Group.
In substance, the transfer of aircraft has not had any impact on the Groups financial position, besides impact on USD/NOK exposure. The aircraft was previously was accounted for in NOK in parent company, and is now accounted for in USD in subsidiary. The parent company holds the financial responsibility towards external lessors. Transfer of owned aircraft are secured through financial sub-leases with assets transferred as pledged security, and financial sub-leases are secured on a back-to back basis.

Note 30 – Events after the Reporting Period

On 12 February, Irish authorities issued an air operator’s certificate (AOC) and operating license to the subsidiary Norwegian Air International Limited.

On 12 February, the Company signed a letter of intent for four additional leased Boeing 787-9 aircraft.

Responsibility Statement

We confirm, to the best of our knowledge, that the financial statements for the period 1 January to 31 December 2013 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, 26 March 2014

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)	Kenneth Utsikt (Employee Representative)
Linda Olsen (Employee Representative)	Bjørn Kjos (Chief Executive Officer)

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Translation from the original Norwegian version

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 statement of financial position as at 31 December 2013, 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 consolidated statement of financial position as at 31 December 2013, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Chief Executive Officer's Responsibility for the Financial Statements

The Board of Directors and the Chief Executive Officer are responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian accounting act and accounting standards and practices generally accepted in Norway for the company accounts and in accordance with International Financial Reporting Standards as adopted by EU for the group accounts, and for such internal control as the Board of Directors and the Chief Executive Officer 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.

Opinion on the financial statements for the parent company

In our opinion, the financial statements of the parent company are prepared in accordance with the law and regulations and give a true and fair view of the financial position of Norwegian Air Shuttle ASA as at 31 December 2013, and of 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 for the group

In our opinion, the financial statements of the group are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the group Norwegian Air Shuttle ASA as at 31 December 2013, and of 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 the statements on Corporate Governance and Corporate Social Responsibility

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 concerning the financial statements and in the statements on Corporate Governance and Corporate Social Responsibility, 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, 26 March 2014
Deloitte AS

Jørn Borchgrevink (signed)
State Authorised Public Accountant (Norway)

Translation has been made for information purposes only