ANNUAL REPORT 2009

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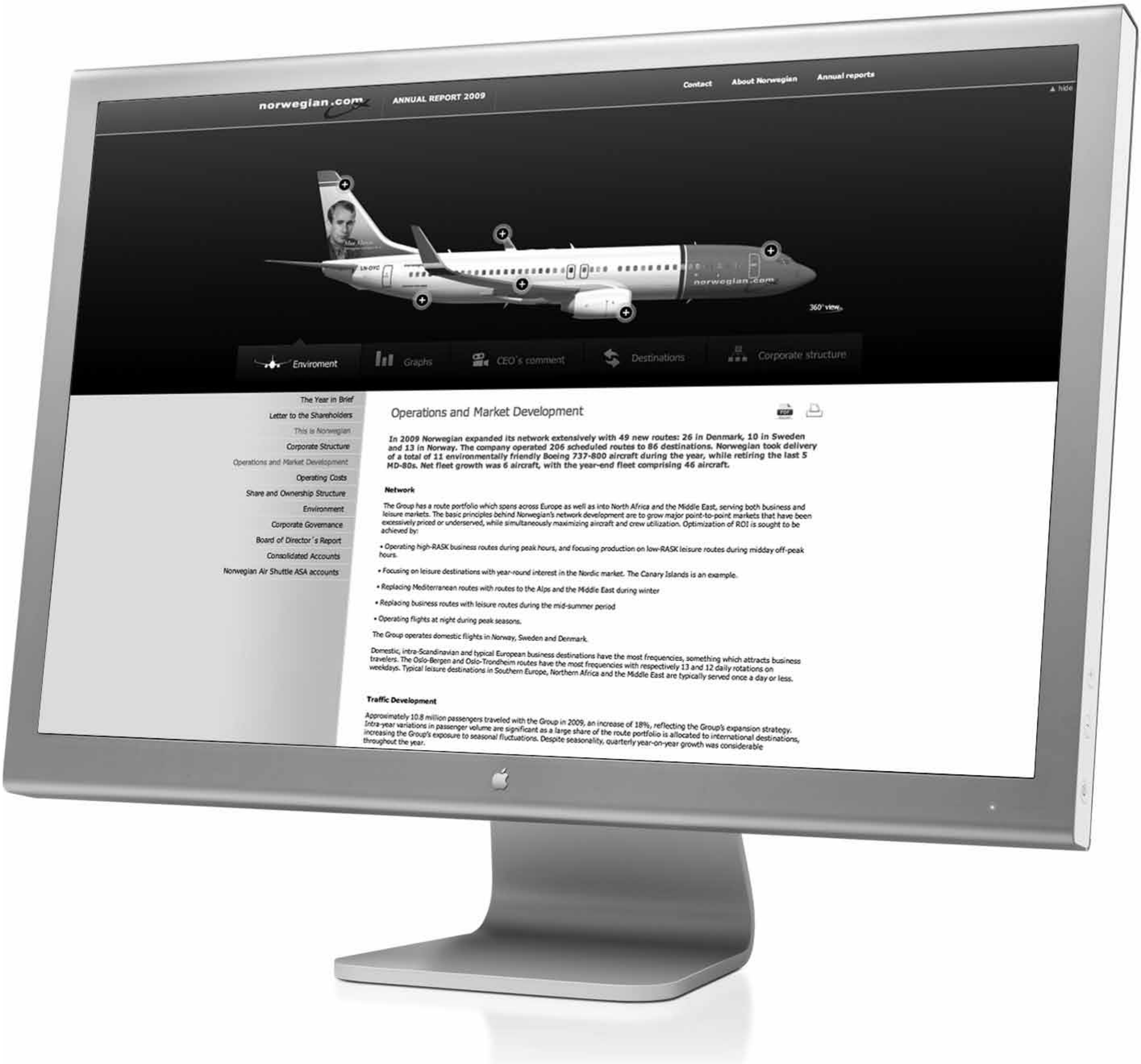

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DEAR SHAREHOLDERS

In 2009 Norwegian passed the 10 million-passenger mark by a substantial margin and posted its best ever financial result. Both records were made in a year in which most airlines' profits went into reverse.

Capacity in terms of available seat kilometers increased by 18%, and we operated 49 new routes in the three Scandinavian countries: 26 in Denmark, 10 in Sweden and 15 in Norway. Revenues rose by 17% to MNOK 7,300 and approximately 10.8 million passengers chose to travel with Norwegian, up 18% from last year. Combined with a 13% reduction of the unit cost, we managed to deliver a pre-tax profit of MNOK 623. Return on equity (ROE) came in at 36%.

COST FOCUS AND COMPETITION

A strong cost focus has enabled the company to persistently reduce its unit cost, from NOK 0.85 in 2003 to NOK 0.49 in 2009, down from 0.56 in 2008. Despite the positive performance, 2009 was a year of substantial expansion, which is both costly and challenging. However, expansion creates greater potential for economies of scale, enabling us to allocate our fixed costs to more passengers.

The attention to the cost base has made Norwegian the cost leader in its primary markets. A streamlined cost structure is imperative for posting positive results given the stiff competition in the industry.

The partially state-owned head-on competitor with close to twice the cost level has proved willing to price their tickets at unsustainable levels to match Norwegian, financed by the largesse of the taxpayer. Surviving such government-funded distortion of competition requires a substantial cost advantage.

There are more efficient players in the European short- to medium-haul market which we eventually will meet head-on, either following our own expansion or their entry into our markets. We must reduce our unit costs even further, and fast. The isolated effect of new aircraft will be a 20% reduction in unit costs from today's level, expectedly making Norwegian Europe's most cost-efficient operator out of primary airports, in the not too distant future.

DEMAND AND REVENUES

Worldwide air traffic slumped in 2009. IATA anticipates accumulated losses in the area of MUSD 11,000 for the industry. Norwegian went in the opposite direction, growing 18% and delivering record profits. Much of this growth was fuelled by our Copenhagen base which started full production in April, but we also increased the number of passengers at Oslo Airport, our largest base, by 15%, compared to a decline of 6% for the airport as a whole.

The revenue per available seat kilometer (RASK), a measure of how much ticket revenue one single seat generates on average per kilometer flown, decreased by 4% in 2009. A large proportion of the decline can be attributed to changes in the route portfolio, larger and more cost efficient aircraft that can sustain lower RASK levels and the removal of a fuel surcharge which covered the record high fuel prices in 2008.

The RASK has been decreasing continuously since we started our low-fare operation. In line with our cost reductions, passengers have been enjoying lower fares. This means higher volume, which brings in more revenue in absolute terms.

Ancillary revenues are becoming an increasingly important item in Norwegian's revenue generation. Ancillary revenues are income from the sale of products and services to passengers other than the ticket itself, such as extra baggage, seating and Internet connectivity. Ancillary revenues per passenger increased by 45% in 2009.

Norwegian's customers benefit from freedom of choice when traveling with us. While there are no compulsory fees or charges in addition to the announced ticket price, the ticket price itself does not subsidize the added cost of individual choices made by fellow passengers. Passengers who choose to send baggage, drink coffee, surf the Internet, or enjoy other services not directly related to flying the aircraft from A to B, are individually charged for these extra services. Simple and fair.

We have re-launched the loyalty program Norwegian Reward. The program is now also available without an integrated credit card solution which makes the program more attractive and accessible to even more customers.

FLEET RENEWAL

One of the major milestones achieved last year was the arrival in August of the first of our 48 direct-buy, fully-owned Boeing 737-800s. Though our passengers are already well accustomed with the -800 since the aircraft type has been leased by Norwegian since January 2008, the delivery of the first owned aircraft was a milestone in terms of product enhancement and operating efficiency. The leased -800s also provide a cost advantage over the -300s, but the owned aircraft will accelerate cost cutting significantly.

In addition to the 48 committed aircraft, Norwegian has uncalled options for 42 aircraft. This gives us flexibility in that we can accelerate growth simply by calling on our options.

THE ENVIRONMENT

The environment will be the largest beneficiary of our fleet renewal efforts. Nothing affects aviation-related emissions more than the choice of aircraft. The environmentally friendly Boeing 737-800 aircraft significantly enhances Norwegian's environmental contribution. The MD-80, a common sight at Scandinavian airports, emits 33% more CO_2 and 42% more NOx per seat compared to our new aircraft.

In this Annual Report we have dedicated an entire section to the environmental effects of what we do and how we are seeking to minimize our environmental footprint.

CAPITAL INCREASE AND STRENGTHENING OF CASH POSITION

It is said that "cash is king"- and never more so than now. The harsh competitive environment combined with the current recession will accelerate the trend of capacity reductions, discontinued routes, closures and consolidations among less efficient competitors. This opens opportunities for well-funded, cost-efficient airlines with a sound business model.

In November we raised MNOK 251 in a private placement, followed by a bond issue of MNOK 400. The two cash-raising initiatives were taken to strengthen Norwegian's financial position and flexibility even further, positioning the Company for future opportunities and endeavors. By year-end we had an equity ratio of 32% and cash and cash equivalents of MNOK 1,400.

AIRCRAFT FINANCING

In August the US lender Private Export Funding Corporation (PEFCO) was mandated to provide long-term loan financing for the first seven direct-buy Boeing 737-800 aircraft delivered in the period 2009-2010 with the Export-Import Bank of the United States (Ex-Im) acting as guarantor. Ex-Im has also made a preliminary commitment for further support of 20 additional aircraft deliveries in the period 2011 to 2012.

Direct term financing from Ex-Im, or financing guaranteed by Ex-Im, covers up to 85% of the purchase price. The remaining 15% is financed by equity already at the pre-delivery financing stage, which means that equity for deliveries scheduled throughout the second quarter of 2011 have been paid already. In 2008 the company secured pre-delivery financing from Natixis Transport Finance for all deliveries until the end of the first quarter of 2011.

HEDGING

While we do hedge both jet fuel and currency to increase predictability and reduce volatility in earnings, we do so modestly and at lower relative volumes compared to our primary competitors. The result is that Norwegian's hedging gains are smaller in times of increasing commodity prices. But it also means that our hedging losses, if any, will be much smaller than those of our more adventurous competitors when commodity prices go down.

In sum, the hedge-related losses can be partially offset against the budget price for unhedged volumes, and vice versa. The underlying rationale is simple: Our core competence is to run a lean airline.

GOING FORWARD

We think that 2010 will turn out somewhat better than 2009 for most industries, but there is still a lot of uncertainty in the market. We do not expect a full recovery to pre-recession market conditions to occur in 2010. Norwegian has a well-proven business model and a constant focus on reducing costs. With new modern aircraft and efficient operations we believe that we have a product with a high value-for-money ratio, which we are confident is a winning formula under any market conditions.

Bjørn Kjos
CEO

THIS IS NORWEGIAN

Norwegian Air Shuttle ASA, commercially branded "Norwegian", is a publicly traded low-cost airline listed on the Oslo Stock Exchange.

By year-end 2009 the Group operated 46 aircraft and had 238 routes to 93 destinations on sale. During the year 10.8 million passengers traveled with the Group on 206 scheduled routes to 86 destinations in addition to 11 charter routes to 8 destinations. Norwegian is the second largest airline in Scandinavia and the largest low-cost airline in the region.

Norwegian has subsidiaries and associated companies involved with commercial banking and telephone services. These investments are believed to enhance ancillary revenue and exploit the potential for synergies with the airline, such as a well-known brand name, large customer base and a well-proven and cost-efficient distribution channel through www.norwegian.com.

Norwegian is in the process of renewing its fleet, and is expecting a uniform fleet of 70 state-of-the-art Boeing 737-800 aircraft by 2014.

VISION AND BUSINESS IDEA – AFFORDABLE AIRFARES FOR EVERYONE

The business idea of Norwegian Air Shuttle ASA is to give everybody the opportunity to travel by air. The Group's overall goal is to establish itself as the preferred supplier of air travel in carefully selected markets. Reducing the price of air travel has the potential to improve people's financial well-being and social mobility. This, in turn, will generate a more competitive business community and stimulate the general development of society.

CORPORATE VALUES

The day-to-day business, product development, long-term planning and organizational structure of Norwegian Air Shuttle ASA are guided by five universal values:
Safety
Quality
Directness
Simplicity
Relevance

BUSINESS STRATEGY

Norwegian intends to become the preferred supplier of air travel in its selected markets and to generate excellent profitability and return to its shareholders. The Group will achieve this by:

- Adhering to its corporate values

- Attracting customers and stimulating markets by offering competitive low fares and a high-quality travel experience based on low operating costs, operational excellence and helpful, friendly service.

- Offering "Freedom of choice" – Our customers will have the option of selecting additional products and services, providing a core low-cost product to price-sensitive customers and a more comprehensive package for those who require a little extra, ensuring a broad market reach.

- Offering a comprehensive network with high frequencies on business destinations, and a desirable choice of destinations for leisure travelers.

- Maximizing revenues through state-of-the-art passenger revenue management systems

- Continuing to develop high-quality cost-efficient products and services through extensive use of industry-leading technology, and continuously making it more comfortable and convenient to choose Norwegian as a travel partner

- Utilizing its strong brand name and efficient distribution channels to further increase ancillary revenues

- Continuously monitoring and improving its cost base where possible

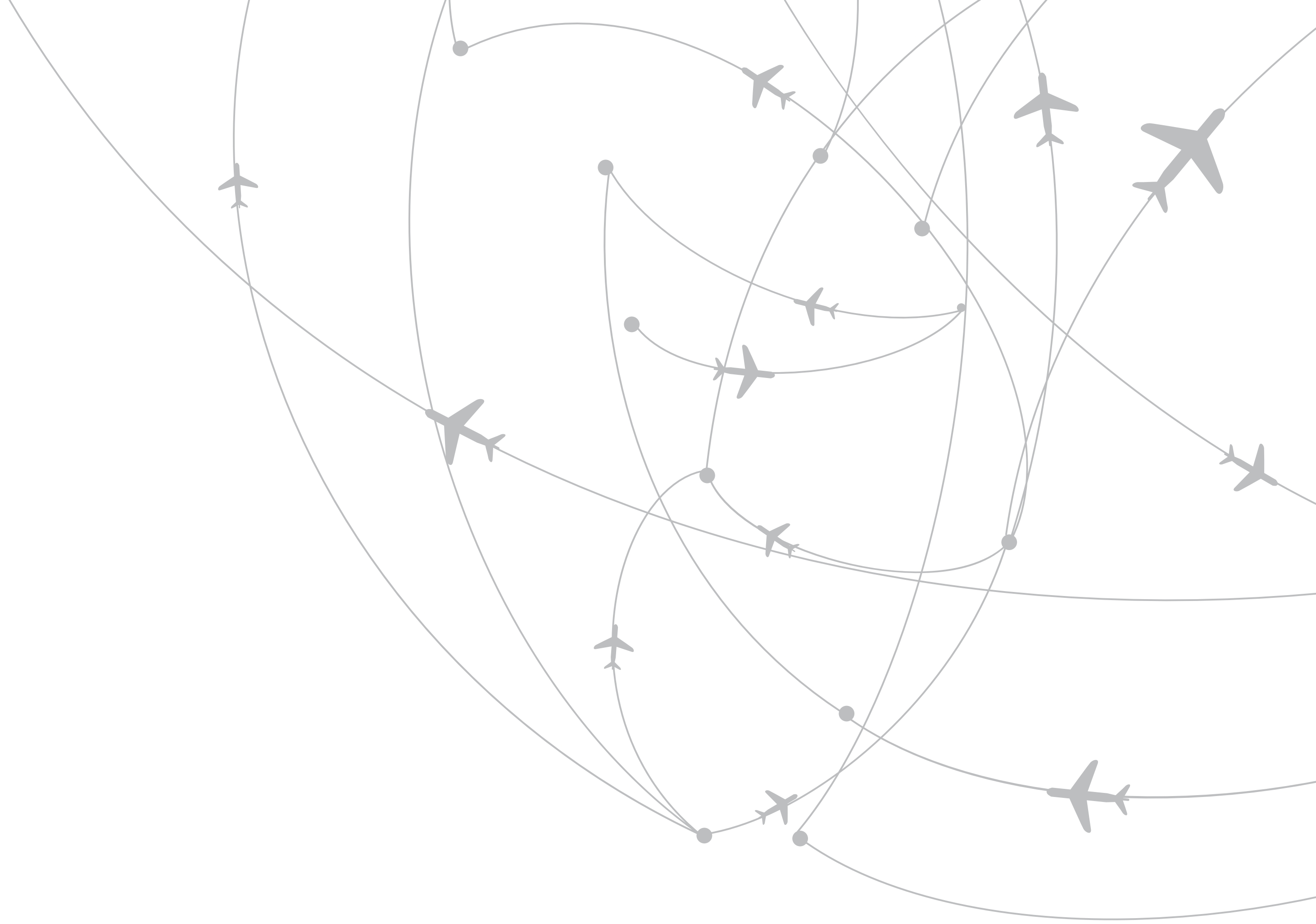
- Obtaining a lean and efficient organization which makes decision-making processes simple and direct, enabling the Group to easily adapt to changes and opportunities in the market environment

- Maintaining an innovative "out-of-the-box" approach to the way we do business by having a positive and entrepreneurial organization in which everyone has the possibility to make a difference.

GROUP EMPLOYEES

By the end of 2009 the Group employed 1,614 permanent employees. In addition, the Group employed 74 apprentices and 164 temporary cabin staff. In total, the Group had 1,852 people on its payroll, equivalent to 1,781 full-time employees at year-end. The temporary staff has been engaged to cover production growth, which continues to be extensive, and fill in for permanent employees on maternity and sick leave. Norwegian Air Shuttle Sweden AB employs a large share of its cabin crew on a temporary basis, which is part of the company's business model. Of the permanent employees of the Group, 80% were operative aircraft and technical personnel such as pilots, cabin crew, fleet operation administration and maintenance.

The Group's management emphasizes the importance of a constructive and positive partnership with all unions and good cooperation within Norwegian in general. Since the start-up of its low-cost operation in 2002, there have been no conflicts in Norwegian that have ended in industrial actions. The Group´s employees maintain a high working standard, continuously focusing on building and securing their workplace for years to come.



CORPORATE STRUCTURE

The Norwegian Group consists of the parent company Norwegian Air Shuttle ASA and the fully-owned subsidiaries Norwegian Air Shuttle Polska Sp.zo.o and Norwegian Air Shuttle Sweden AB. Additionally, Norwegian Air Shuttle ASA owns 100% of the start-up telephone company Call Norwegian AS, 99.9% of NAS Asset Management, 100% of NAS Asset Management Norway AS and 20% of Norwegian Finans Holding ASA (Bank Norwegian AS). NAS Asset Management Norway AS owns the remaining 0.1% in NAS Asset Management.

NORWEGIAN AIR SHUTTLE ASA (NORWAY)
Norwegian Air Shuttle ASA is the parent company of the group and is responsible for all flight operations. The head office is at Fornebu outside Oslo. At year-end 2009 the company operated 28 Boeing 737-300s and 18 Boeing 737-800s. 28 aircraft were based in Norway, five in Denmark, five in Sweden and two in Poland. Six aircraft were at year-end inactive for maintenance purposes.

NORWEGIAN AIR SHUTTLE SWEDEN AB (SWEDEN)
Norwegian Air Shuttle Sweden AB is based at Arlanda airport outside Stockholm. The company manages pilots and crew on the routes out of Sweden, and has its own sales and marketing organization. Flight operations under the Swedish AOC were discontinued in 2009, and all flight operations of the Group are for efficiency purposes undertaken by the parent company under the Norwegian AOC.

NORWEGIAN AIR SHUTTLE POLSKA SP.ZO.O (POLAND)
Norwegian Air Shuttle Polska Sp.zo.o is based in Warsaw, Poland. The company manages pilots and crew on the routes out of Poland, and has its own sales and marketing organization. Flights out of Poland are operated by the parent company.

CALL NORWEGIAN AS (NORWAY)
The fully-owned subsidiary Call Norwegian AS was established in January 2008 and commercialized in the fourth quarter of 2008. The company provides Internet access at major airports served by Norwegian. There are plans to offer products such as Internet access in the air in partnership with the airline.

NORWEGIAN FINANS HOLDING ASA (NORWAY)
Norwegian Air Shuttle ASA owns 20% of the shares in the online bank Bank Norwegian AS through the associated company Norwegian Finans Holding ASA. The airline's loyalty program Norwegian Reward is run in cooperation with the bank.

NAS ASSET MANAGEMENT NORWAY AS (NORWAY)
NAS Asset Management Norway AS is a Special Purpose Vehicle (SPV) registered in Norway. The subsidiary was established for aircraft financing purposes.

NAS ASSET MANAGEMENT (IRELAND)
NAS Asset Management is a Special Purpose Vehicle (SPV) registered in Ireland. The subsidiary was established for aircraft financing purposes.

OPERATIONS AND MARKET DEVELOPMENT

In 2009 Norwegian expanded its network extensively with 49 new routes: 26 in Denmark, 10 in Sweden and 13 in Norway. The Group operated 206 scheduled routes to 86 destinations. Norwegian took delivery of a total of 11 environmentally friendly Boeing 737-800 aircraft during the year, while retiring the last 5 MD-80s. Net fleet growth was 6 aircraft, with the year-end fleet comprising 46 aircraft.

NETWORK

The Group has a route portfolio which spans across Europe as well as into North Africa and the Middle East, serving both business and leisure markets. The basic principles behind Norwegian's network development are to grow major point-to-point markets that have been excessively priced or underserved, while simultaneously maximizing aircraft and crew utilization. Optimization of ROI is sought to be achieved by:

- Operating high-RASK business routes during peak hours, and focusing production on low-RASK leisure routes during midday off-peak hours.

- Focusing on leisure destinations with year-round interest in the Nordic market. The Canary Islands is an example.

- Replacing Mediterranean routes with routes to the Alps and the Middle East during winter

- Replacing business routes with leisure routes during the mid-summer period

- Operating flights at night during peak seasons.

The company operates domestic flights in Norway, Sweden and Denmark.

Domestic, intra-Scandinavian and typical European business destinations have the most frequencies, something which attracts business travelers. The Oslo-Bergen and Oslo-Trondheim routes have the most frequencies with respectively 13 and 12 daily rotations on weekdays. Typical leisure destinations in Southern Europe, Northern Africa and the Middle East are typically served once a day or less.

TRAFFIC DEVELOPMENT

Approximately 10.8 million passengers traveled with the Group in 2009, an increase of 18%, reflecting the Group's expansion strategy. Intra-year variations in passenger volume are significant as a large share of the route portfolio is allocated to international destinations, increasing the Group's exposure to seasonal fluctuations. Despite seasonality, quarterly year-on-year growth was considerable throughout the year.

In 2009 passenger traffic (RPK) increased by 17% while the increase in production (ASK) was 18%. The load factor was 78% during 2009, a 1 percentage point decrease from 2008. Norwegian operated 92,307 commercial flights in 2009 with an average flying distance of 913 kilometers, down 2% from 927 kilometers last year.

The ticket revenue per available seat kilometer (RASK) decreased 4% in 2009. The development is partially driven by an adjusted route portfolio, larger more cost efficient aircraft which can sustain lower RASK levels, and the removal of a fuel surcharge which covered the record high fuel prices in 2008. As a result of the large share of flights to leisure-oriented destinations, the RASK is affected by seasonal fluctuations and particularly holiday seasons.

MARKET SHARES

The Group's position in the Norwegian market improved in 2009. At the end of the year the Group had a market share of 47% on the four largest domestic routes in Norway, an increase of 3 percentage points from last year. The market share on all international flights out of Oslo Airport increased by 3 percentage points to 29%, the domestic market share from the same airport increased by 6 percentage points to 45%.

The Group operates three domestic routes in the Swedish domestic market, with a market share of 35% at the end of the year. Norwegian's market share on all international flights out of Stockholm Airport was 8% by year-end.

The Group operated one domestic route in Denmark in 2009 and achieved a market share of 30% by the end of the first full operating year. Norwegian had an overall market share of 9% on international flights out of Copenhagen Airport by year-end.

GROUND OPERATIONS AND IN-FLIGHT SERVICES

The Group outsources all ground handling services at all destinations. Outsourcing and monitoring is performed by a small team of dedicated staff.

Gate Gourmet provides catering services to the Group. There is close cooperation between the airline and the caterer to provide an attractive "Shop on board" experience tailored for Norwegian's customers.

PUNCTUALITY AND REGULARITY

Punctuality measured in delays exceeding 15 minutes improved by five percentage points in 2009, to 81%. The Group, with the support of all employees, aspires to achieve an average of 90% punctuality.

The main reasons for delays are usually related to ground handling, shortage of crew, adverse weather conditions, air traffic congestion or technical issues.

Norwegian reported a market-leading regularity of 99.73% in 2009 (98.93%).

OPERATING COSTS

As a low-cost airline, the cost base of the Group is under constant scrutiny by the management. The airline sector is capital intensive, but there are innumerable cost drivers that are company-specific and if managed well can provide a competitive advantage. Activities not strategically relevant to the business will be actively outsourced.

A significant unit cost-reducing measure is large-scale operations and high asset utilization. Increasing size not only enables the Group to exploit economies of scale, but also increases bargaining power and the potential for bulk discounts from external parties such as handling agents, maintenance providers and aircraft manufacturers. The low-cost model promotes increased capacity per aircraft and high load factors which reduce both fixed and variable unit costs.

The continuous cost focus has resulted in a lower unit cost. In 2009 the cost per ASK excluding fuel and currency effects for the Group was down 4% to NOK 0.36 (NOK 0.37 in 2008). The unit cost including fuel decreased 13% to NOK 0.49 (NOK 0.56 in 2008).

FIXED OPERATING COSTS

A large share of the Group´s costs is driven by fixed or interval-fixed production costs. Major cost drivers include leasing, fleet insurance, cabin crew and, increasingly, depreciation as the Group owns a constantly larger share of its fleet. The Group emphasizes increased utilization of crew and assets to reduce the share of fixed operating costs as much as possible.

Fleet Utilization

An important element in the Group´s cost strategy is to focus on a uniform fleet of Boeing 737 aircraft. At the end of 2009 the Group had 46 such aircraft; of these 18 were 737-800's. A uniform aircraft fleet results in lower costs due to less complex maintenance operations, lower crew training costs, reduced need for a spares inventory, reduced variation in the type of tools, equipment and infrastructure needed, and a more streamlined and focused administration. The Group utilized every operational aircraft on average 10.6 hours per day (block hours) during the year, compared to 10.2 hours in 2008.

Staff Utilization and Efficiency

One of the largest single cost components of the Group is personnel costs. The Group is therefore focused on effective staff utilization and high efficiency. Optimization is to a large extent dependent on route- and crew-planning efforts as well as employee union agreements. Optimization is done well within the boundaries set forth by legislation applicable to civil aviation both within Norway and in Europe in general.

Efficiency is measured as the number of passengers per employee. There is evidence of a positive correlation between staff efficiency and profitability. Staff utilization and efficiency levels were hampered by the need to accommodate the increased number of Boeing 737-800's in 2009. New crew and ground personnel were hired, and parts of the existing staff were inoperative for training purposes.

Assuming a constant average sector length, the Group expects an increase in staff efficiency along with the introduction of new aircraft and an increasing scale of operation. With increasing stage length, the number of rotations and therefore number of passengers is reduced in relative terms. This negatively influences the efficiency ratio without affecting profitability. Decreasing stage length has the opposite effect.

VARIABLE OPERATING COSTS

Frequency-Based Variable Operating Costs

Frequency-based aircraft operating costs, such as take-off fees, de-icing, maintenance* and ground handling are significantly reduced per ASK when stage length is increased. A longer stage length implies a lower unit cost as the same frequency-based cost base is divided over more ASKs.

Time-Based Variable Operating Costs

Typical time-based operating costs such as fuel and maintenance* also tend to be reduced per ASK with increasing stage length, however, not to the same extent as frequency-based operating costs. The reason for the reduction is particularly because take-offs are fuel intensive, driving up fuel cost per ASK for short flights and increasing fuel efficiency for flights with a longer cruise distance.

Apart from increased stage length, bulk discounts, and bargaining power as identified above, there are few other means to reduce variable costs other than new equipment. New equipment significantly reduces maintenance costs, fees at airports with a differentiated fee model based on emissions, and, most notably, fuel costs.

OVERHEAD COSTS

Overheads are to a large extent attributable to the administration. The Group makes widespread use of information technology in order to increase efficiency through automation and reduce the need for manpower and administration

SEASONALITY

The airline industry is inherently affected by seasonal fluctuations. These variations are driven by demand, but significantly affect the cost base as production is adjusted to demand during the course of the year. During the seasonally weak winter months production typically drops as demand slows. The unit cost is higher during these months as utilization is lower and interval-fixed and overhead costs cannot be scaled down. To reduce these effects, heavy maintenance is planned for the slower months when possible.

EXTERNAL COST DRIVERS

The most significant external cost drivers are fuel prices and foreign exchange rates. In 2009 the average spot price for Jet-A1 fuel decreased by 47% compared to 2008 price levels. High fuel prices have a milder impact on low-cost airlines than legacy carriers due to higher passenger capacity on each aircraft and higher load factors. The 70 new Boeing 737-800 aircraft which will be delivered between 2008 and 2014 will reduce unit fuel consumption by around 20-25% compared to the 737-300 fleet. The most significant items in terms of foreign exchange exposure are aircraft leasing costs, fuel costs, air navigation fees, landing fees and handling charges.

SHARE AND OWNERSHIP STRUCTURE

Norwegian Air Shuttle ASA has been listed on the Oslo Stock Exchange (OSE) since December 2003 under the ticker symbol NAS. At the end of 2009 the company had 34,209,858 shares at a nominal value NOK 0.10 outstanding. In November 2009 the company undertook a MNOK 251 private placement in order to strengthen Norwegian's financial position and flexibility even further, positioning the company for future opportunities and endeavors. In relation to the capital increase the company issued 1,620,000 new shares. Market capitalization at the end of 2009 was MNOK 3,934, up from MNOK 1,194 the year before.

OWNERSHIP STRUCTURE

At the end of the year Norwegian Air Shuttle ASA had a total of 4,297 shareholders split between institutional and private investors. Overseas shareholders controlled 18% of the shares at year-end, compared to 10% at the beginning of the year. Apart from Norway the largest shareholdings are in Finland, the United States, and the United Kingdom with a 5%, 5% and 4% share, respectively.

The company's "Employee Share Saving Plan" purchased 81,811 shares for the company's employees. In 2008 Norwegian issued options to employees who agreed to join a voluntary option program where their salary was reduced in exchange for options. The initiative was part of the Group's cost-cutting program precipitated by the record high fuel prices last summer. A total of 230,080 of the options were called in 2009.

The company did not own any own shares at year end.

THE SHARE

The share price at year-end was NOK 115, an increase of 212% since the end of 2008. The share is included in the OB Match Liquidity Group on the Oslo Stock Exchange. The average daily traded volume in 2009 was 145,289 shares, equivalent to an annual turnover ratio of 1.1.

ENVIRONMENT

THE INDUSTRY AND THE ENVIRONMENT

Approximately 2% of man-made CO_2 emissions stem from aviation. Within the transport sector, road traffic constitutes approximately 75% of emissions whereas 12% are attributable to aviation. Though its share of emissions is small, the entire aviation industry is working hard to reduce its environmental footprint. The aviation industry is one of the sectors which have achieved the most in terms of emissions reductions in recent decades. But more can be done, and airlines, air framers and engine manufacturers are working closely on further improvements.

The single most effective initiative to reduce emissions from aviation is to operate a fleet of efficient aircraft. Since 1945 the aviation industry has reduced noise by 20 dB, equivalent to 75%, and fuel efficiency has improved by approximately 70% per passenger kilometer, thus also reducing CO2 and NOx emissions.

NORWEGIAN AND THE ENVIRONMENT

Norwegian is committed to actively engage in and support sustainable environmental policy, and to continue to reduce emissions from aviation. To that end, the Group is replacing less efficient Boeing 737-300 aircraft with state-of-the-art, efficient Boeing 737-800 aircraft featuring newer technology, better aerodynamics and lower component weights. By renewing the fleet, emissions are reduced, passengers are offered new and more comfortable aircraft, and the Group reduces its cost base. New technology reduces the flying distance between any two given airports, and enables pilots to make more optimal and even safer approaches.

Norwegian has a clear and achievable goal of reducing emissions per flown passenger by 25% in the period 2008 – 2015. The Norwegian Government is aiming at a reduction in greenhouse emissions equivalent to 30% of total emissions in 1990 by 2020. Compared to average emissions per passenger in 1990, the reduction per Norwegian passenger will supersede 30% by substantial margin, and well before 2020.

In 2009, Norwegian's total fleet emitted on average 0.081 kg carbon dioxide (CO_2) per unit produced (seat kilometer). The 737-800s emitted on average 0.070 kg CO_2 per seat and consumed 0.028 liters of fuel per seat kilometer. On shorter distances fuel consumption is higher per kilometer as take-offs are fuel intensive. Yet, on the 324-kilometer Oslo – Bergen trip, one passenger traveling alone will emit approximately 60-70% more by driving compared to flying. On longer distances, the same passenger will emit less by flying on a Boeing 737-800 than traveling with the most efficient hybrid cars available, even without taking into consideration that driving distances are almost always longer.

Norwegian undertakes a variety of measures to minimize its environmental impact;

"Green" approaches and landings
Norwegian is engaged in several projects in both Norway and Sweden to secure a sustainable aviation industry. "Green" approaches, or Continuous Descent Approaches (CDAs), are designed to reduce overall emissions during the final stages of the flight. The descent profile is planned and coordinated between pilots and air traffic controllers to ensure a continuous glide slope towards the runway, enabling the engines to run at idle during most of the descend phase of the flight. All Norwegian pilots are trained in procedures and behaviors to increase environmental focus and reduce fuel consumption.

Upon touchdown, Norwegian has introduced routines in which pilots use engine idle reverse combined with applying more braking power to landing gear brakes - contrary to using thrust reverse and applying less braking power to landing gear brakes. These measures reduce both fuel consumption and engine wear and tear.

Weight reductions
Norwegian is committed to keeping aircraft weights to a minimum, thereby reducing emissions. This can be achieved both by simple measures such as reducing the amount of water on board depending on expected need, and more advanced measures such as investing in weight efficient carbon brakes.

Winglets
All of Norwegian's -800s are fitted with winglets, a tailfin-like extension of each wingtip that reduces drag. The effect is a reduction in fuel consumption as the same lift and speed is created with less engine thrust. Winglets are most effective at cruising speeds, where they reduce fuel consumption by as much as 3-5%.

Electronic manuals in the cockpit
EFB, Electronic Flight Bag, is a new electronic information and calculation system installed in the cockpit of all Norwegian aircraft. The system makes the pilots' tasks significantly more efficient, and safer. The new electronic system replaces virtually the entire hard-copy operating hierarchy. Weight, balance and performance calculations at take-off and landing no longer need to be performed manually.

The new tool will reduce paper consumption by between 80% and 90%, lowering aircraft weight. Work processes will become quicker and engine performance calculations more precise, reducing engine thrust and wear. Calculations indicate a reduction in annual CO_2 emissions of approximately 17,000 tons.

Engine and aircraft wash
Air contains contaminants such as dust, pollen and dirt. With the tremendous amount of air running through an aircraft engine, these particles together with soot from fuel combustion form a coating inside the engine which over time reduces efficiency.
Norwegian runs a special engine wash program on each aircraft 2-3 times per year. Engine wash enhances air flow and reduces internal drag within the engine. Norwegian's aircraft are also regularly cleaned and polished externally, reducing drag. The use of detergents and chemicals is subject to a stringent set of requirements, and residue is sorted and recycled after use.

The combined effect of engine and aircraft washing is a decrease in fuel consumption, reducing CO_2 emissions by approximately 16,000 tons per year.

De-icing
Winter operations in Scandinavia are subject to challenging weather conditions. The removal of ice, frost and snow from the aircraft is a prerequisite for maintaining safe operations. De-icing fluid contains glycol depending on temperature and weather conditions.

Traditionally a standard mix covering all weather conditions is used. This mix is comparable to the standard windshield washer fluid used on cars, not necessarily optimal for the prevailing weather conditions. In order to reduce the emissions of concentrated fluids containing glycol, Norwegian has in cooperation with ground handling companies invested in de-icing trucks which can adjust the ratio of the mixture according to weather-dependent requirements.

The state-of-the-art trucks are also equipped with pneumatic snow removers, reducing the need for de-icing fluid altogether. Compared to conventional de-icing equipment, the reduction in glycol use is in the area of 60-65 %.

Waste sorting and recycling
Norwegian is participating in a variety of projects to increase the rate of waste sorting and recycling. On-board waste is sorted and recycled in cooperation with the airports and subcontractors. Profits from redemption of bottle deposits are transferred to charitable organizations such as Unicef and the Red Cross.

IT equipment is collected by Fair, an organization that deletes and formats discs and re-uses the equipment.

The Group complies with official government strategy on waste by preventing waste from being generated when possible, reducing the amount of waste-containing materials hazardous to the environment to a minimum, promoting waste sorting, enhancing energy consumption, and ensuring that hazardous materials are properly handled.

COOPERATION WITH OTHER STAKEHOLDERS

Norwegian is active in several environmentally oriented projects in the Scandinavian countries. In Norway the Group in participating in a project involving Avinor (government-controlled airport operator), NHO - Confederation of Norwegian Enterprise and the SAS Group to promote a sustainable aviation industry. The primary goal is to identify and implement actions that will reduce the environmental footprint of the industry, making it carbon neutral by 2050.

In Sweden the Group is involved in a project named "Green Flights," involving the Swedish Civil Aviation Authority (Luftfartsverket) and other actors in Swedish aviation.

EMISSIONS TRADING SCHEME

Effective 2012 EU and EEA countries will include aviation in the EU Emissions Trading Scheme (EU ETS). In brief, EU ETS requires all emitters

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to surrender one emissions allowance for every ton CO2 emitted. Allowances must be bought in the open market, and are in limited supply. More emissions equal higher cost for the emitter, in line with the "polluter pays" principle, which is fully endorsed by Norwegian.

The EU ETS is designed so that it favors efficient operators measured in terms of emissions per passenger, and incentivizes the entire industry to focus even more on reducing emissions.
Contrary to national and regional "green taxes," which distort international competition and are often imposed based on a per passenger or aircraft weight basis and not on actual emissions, the EU ETS is designed to be an effective incentive to reduce actual emissions. The scheme includes all carriers operating within or to the EU irrespective of nationality or point of origin.

CORPORATE GOVERNANCE

Highlights of 2009
• Corporate governance is discussed and considered by the corporate Board of Directors each year.
• Focus on internal control, risk management and procedures for compliance and follow up.
• Norwegian Air Shuttle ASA's (NAS) estimated B+ rating reflects its strong domestic market position in the Low Cost Carrier (LCC) industry, diversification into domestic and international routes, competitive cost structure and rapid growth with a 39% revenue CAGR over 2005-09A.

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

Detailed ethical guidelines are available for all employees on the Group intranet.

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

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

EQUITY AND DIVIDENDS

The Group's equity at year-end 2009 was MNOK 1,601.6, equivalent to an equity ratio of 32%. The gearing ratio was 9.8%. The Board deems this to be adequate considering the Group's strategy and risk profile.

The Board of Directors recommends not to distribute dividends as it is considered to be in the best interest of the shareholders to retain funds for investment 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.

The covenants to the bond agreement entered into on 16 April 2007 restrict dividend payment until the maturity date of the bond on 19 April 2010.

Due to Norwegian Air Shuttle ASA's rapid expansion, competitive environment and focus on being flexible and quick to adapt to changing market conditions, the General Assembly has decided to deviate from the Norwegian code of practice for corporate governance's recommendations with respect to capital increases. The General Assembly has granted the Board of Directors a mandate to increase the Company's share capital over a two-year period. The mandate granted to the Board is limited to a 15% capital increase. The General Assembly has granted the Board of Directors a mandate to acquire treasury shares for a period of 18 months. The mandate granted to the Board is limited to a 10% capital increase.

EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

Norwegian Air Shuttle ASA has only one class of shares. Transactions in own shares are performed in line with what is considered to be good business practice for companies listed on the Oslo Stock Exchange.

Material transactions between the Group and key stakeholders, in particular shareholders, members of the Board and Executive Management, are subject to approval from 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 and CEO are both partners in the law firm Vogt & Wiig, which is the legal advisor to Norwegian Air Shuttle ASA. The Group does not have any arrangements for third-party valuations of named transactions as the current method offers a sufficient level of transparency and accountability.

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.

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 shareholders may exercise their rights at the General Assembly, making the summons and related documentation available on the website in due time before the deadline warranted by law. The documents are sent to the shareholders at the same time. The shareholders' deadline for notice of their intended presence is three days before the General Assembly, and shareholders may be present and vote by proxy. The Board of Directors, Nomination Committee and the auditor are required to be present. The chairman of the meeting is democratically elected by the shareholders. The Board adheres to the requirements of the Norwegian code of practice for corporate governance with respect to the summons to the General Assembly.

NOMINATION COMMITTEE

The Nomination Committee's duty is to nominate candidates to the AGM for the shareholder-elected directors' seats. The articles of association states 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 2010.

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

The Board of Directors recommends deviating from the recommendation as the chairman of the Board is a fixed member of the committee. This is to ensure that nominees meet the requirements for expertise, capacity and diversity set forth by the Board members.

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 three employee representatives on the Board of Directors. According to the articles of association the Board must consist of between six and eight members. There are currently eight members.

The shareholder-elected members of the Board of Directors have been nominated by the Nomination Committee to ensure that the Board of Directors hold the necessary expertise, capacity and diversity. Board members have competence and experience from the transport sector and other competitive consumer sectors, relevant network connections and experience from business, finance, capital markets and marketing. The chairman is elected by the Board, and the Board of Directors has a deputy chairman. Board members are elected for a period of two years.

The majority of the Board members are independent from the Executive Management and material business contacts.

A comprehensive biography of the Board of Directors and the Executive Management is available on Norwegian's Investor Relations pages on the web.

THE WORK OF THE BOARD OF DIRECTORS

The Board of Directors works in accordance with the rules laid down by Norwegian law. The Board has annual strategy seminars where issues such as objectives, strategies and implementations are addressed.

The Board of Directors issues instructions for its own work. The instructions for the Executive Management are under review.

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AUDIT COMMITTEE
At the General Assembly on 11 May 2010 the Board proposes that the Board act as the Audit Committee. The Audit Committee has responsibilities related to financial reporting, the independent auditor, internal audits and risk management.

RISK MANAGEMENT AND INTERNAL CONTROL
Management draws up monthly performance reports that are sent to and reviewed by the directors. Moreover, financial reports, risk reports and safety reports are drawn up, all of which are subject to review at the Board meetings.

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' responsibility, expertise, time commitment and the complexity of the Group's activities. None of the Board members have remuneration based on performance, and no options are granted to the Board members. In cases where Board members take on specific assignments for the Group which are not in the power of their commission to the Board, this must be notified immediately to the rest of the Board members and if the transaction is of a substantial nature this is explicitly stated in the notes to the consolidated accounts.

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

REMUNERATION OF THE EXECUTIVE MANAGEMENT
The Board of Directors has established guidelines for the remuneration of the Executive Management. These guidelines are available in the notes to the consolidated accounts. The guidelines are presented to the General Assembly. The remuneration package should encourage a strong and long-term profit oriented culture without damaging the reputation and standing of the Group in the public eye and thereby ensure the convergence of the financial interests of shareholders and Executive Management.

The Executive Management currently has a stock option plan in effect. Comprehensive information on remuneration and incentive programs is available in the notes to the consolidated accounts.

INFORMATION AND COMMUNICATIONS
All Group financial reporting complies with Norwegian legislation. The financial statements and annual reports are prepared to ensure accountability, transparency and fairness to all stakeholders in the Group.

A financial calendar is prepared and published on the Group 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. All the information distributed to the shareholders is also published on the Group website. The Group has regular investor meetings, public interim results presentations and an investor relations department.

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

TAKEOVERS
There are no limitations with respect to the purchase 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 rules and regulations applicable in 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 par in the event of a change of control.

AUDITOR
The Auditor annually submits the main features of the plan for the audit of the Group to the Board of Directors.

The Auditor participates in meetings of the Board of Directors that deal with the annual accounts. At these meetings the Auditor reviews any material changes in the Group's accounting principles, comments on any material estimated accounting figures and reports all material matters on which there has been disagreement between the Auditor and the Executive Management of the Group.
The Auditor presents a review of the Group's internal control procedures at least once a year to the Board of Directors, including identified weaknesses and proposals for improvement.

The CEO and the CFO are present at all meetings between the Board of Directors and the Auditor. If requested by the Board or the Auditor, meetings are to be held without the management present. The management and the Board of Directors evaluate the use of the Auditor for services other than the audit.

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

THE BOARD OF DIRECTORS' ANNUAL REPORT

Norwegian Air Shuttle ASA is a publicly owned airline listed on the Oslo Stock Exchange. The Group operates scheduled services with additional charter services. Low-cost flight operations started in 2002 following nine years as a regional airline flying on behalf of the airline Braathens. The Company has expanded the scope of its business into related areas, leveraging on the Company's Internet platform, Internet sales experience and customer base.

Norwegian Air Shuttle ASA owns 100% of the shares in Norwegian Air Shuttle Sweden AB, Norwegian Air Shuttle Polska Sp.zo.o, Call Norwegian AS and NAS Asset Management Norway AS. The Company holds 20% of the shares in Norwegian Finans Holding ASA and 99.9% of the shares in NAS Asset Management. The remaining shares in NAS Asset Management are owned by the fully owned company NAS Asset Management Norway AS.

The Group is headquartered at Fornebu outside Oslo. In addition, the Group has offices at Oslo Airport Gardermoen and in Tromsø. The technical department is located at Oslo Airport Gardermoen and Stavanger Airport Sola. Norwegian Air Shuttle Sweden AB has offices at Stockholm Airport Arlanda; Norwegian Air Shuttle Polska Sp.zo.o is based at Warsaw Airport Fredric Chopin, Poland. Call Norwegian AS and NAS Asset Management Norway AS have office addresses at Fornebu. Norwegian Finans Holding ASA has its offices in Oslo. NAS Asset Management has its office address in Dublin, Ireland.

FLIGHT SAFETY

No incidents that represent significant risk were registered in 2009.

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

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

The Company continuously analyzes information from the Flight Data Recorders installed in the Company's aircraft. The analyses are performed to ensure that the aircraft are handled and flown according to existing regulations and limitations.

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

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

ORGANIZATION, WORKING CONDITIONS AND THE ENVIRONMENT

At the end of 2009 the Group employed a total of 1,684 FTEs (full-time equivalents) including apprentices and temporary staff. The number of employees is expected to increase in 2010 in accordance with the Group's planned expansion in Norway and abroad. Norwegian is in the process of establishing new bases abroad and is working closely with the Company's unions regarding contracts and work guidelines to insure regulatory compliance.

The apprentice program in Norway will continue in 2010 with a projected increase in the number of participants. All candidates graduating in 2009 successfully completed and passed their exams which were carried out in conjunction with Akershus County Council. The labor unions involved with the departmental training programs are actively included in the planning of the apprentices' syllabus.

Many graduates of the program have now secured positions within the Company. Some have chosen to become a part of the cabin crew team while others now work in areas such as marketing and customer care. Graduates of the program also visit schools and colleges and promote the program and help recruit new apprentices. This has been a focus area in 2009 and the program now provides a steady stream of candidates to fill permanent positions.

The important HES activities (Health, Environment and Safety) continue in compliance with labor law and the Group's guidelines. A new personnel and salary management system has made HES activities more efficient and has helped the Company better manage its rapid growth and actively monitor and ultimately reduce sickness levels. The manager is responsible for HMS partners with the team leaders and management team to make sure that Norwegian's working practices and conditions are fully up to speed in this area.

The Company's new Human Resources Personnel management system simplifies much of the human resources back office work. The system provides a skills database for all employees, providing the Company with a tool to match jobs with qualifications. The system also allows employees to add information as well as logging attendance and vacations.

Absence due to sick leave in 2009 was 6.8%, approximately the same as in 2008. The Company will continue to focus on this issue in conjunction with the health service group Hjelp 24 and by hiring a new HES manager. Various activities have been implemented to help employees get back to work as quickly as possible.

In 2009 the Group employed 51.6% men and 48.4% women. The majority of pilots and technical personnel are men. The majority of cabin personnel are still women, but the number of men is increasing. Recruitment in 2009 led to an increase of women in different leadership roles compared to 2008. Norwegian aims to be an attractive employer. Its human resources policy is intended to be equitable, neutral and non-discriminatory, regardless of ethnicity and/or national background, gender, religion or age.

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

All the local labor unions in the Group are members of central unions which negotiate directly with NHO Aviation and NHO. As part of the salary review in 2009, negotiations with the central and local unions were successfully concluded and moderate agreements were reached with all parties.

EXTERNAL ENVIRONMENT

Flight operations are inherently dependent on fossil fuels and also generate noise. However, the Group's current aircraft fleet operates within the levels and limitations imposed by national and international regulations. During 2009 the Group consumed approximately 345,700 tons of Jet A-1 fuel.

The Company is in the process of renewing the aircraft fleet, replacing Boeing 737-300 aircraft with Boeing 737-800s. The last fuel-intensive MD-80 aircraft left the fleet during the fourth quarter of 2009.

The Boeing 737-800 is among the most environmentally friendly aircraft available; the 737-300s which are being replaced emit approximately 23% more CO_2 per seat. By year-end 2014 Norwegian will have a total of 70 Boeing 737-800s in its fleet. By year-end 2009, 17 of these were already delivered.

The Company'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.

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

AIRCRAFT MAINTENANCE

The Group runs its maintenance operation from the technical base at Oslo Airport Gardermoen.

Line maintenance is performed at Oslo Airport Gardermoen, Stavanger Airport Sola, Bergen Airport Flesland, Trondheim Airport Værnes, Moss Airport Rygge, Stockholm Airport Arlanda, Copenhagen Airport Kastrup and at Warsaw Airport Fredric Chopin.

Major airframe as well as workshop maintenance is performed by external sources subject to approval by the European Aviation Safety Agency (EASA).

Airframe maintenance is currently done by ATC Lasham in the U.K. and Priority Aero Maintenance at Arlanda. These contracts are due for a tender renewal process. Engine and component workshop maintenance is undertaken by Lufthansa Technik, MTU or Boeing.

All maintenance and follow-up activities, both internal and external, are performed in accordance with both manufacturers' and additional internal requirements, and in full compliance with international authority regulations. The Company performs both initial quality approval as well as continuous monitoring of all maintenance suppliers.

All supplier contracts are subject to approval and monitoring by the national aviation authorities.

Significant Changes in Accounting principles

There have been no changes in the adopted accounting principles. The IFRS accounting principles, as adopted by the EU, have been followed in preparing the financial statements for 2009.

COMMENTS TO THE INCOME STATEMENT

The Group had total operating revenue of MNOK 7,309.2 (6,226.4) in 2009. Compared to last year the Group's total growth in revenue was 17%. MNOK 6,389 (5,642) of the revenues is related to ticket revenues, MNOK 789 (463) is other passenger-related revenue, while the remaining MNOK 131 (121) is related to other freight, fees and third-party products. The increase in sales is mainly related to the 18% growth in production from 2008 to 2009. The load factor is reduced by 1 p.p. compared to the same period last year. The ticket revenue per available seat kilometer (RASK) for 2009 was NOK 0.47, compared to NOK 0.49 last year. Ancillary revenue was NOK 73.4 per PAX (50.7) in 2009, an increase of 45% from 2008.

Operating costs (including leasing and excluding depreciation and write-downs) were MNOK 6,588 (6,434) in 2009. Operating expenses for 2009 are in line with last year despite a production increase of 18% (ASK).

The unit cost was NOK 0.49 in 2009 compared to NOK 0.56 last year. The main factor contributing to the decreased cost level was a 45% reduction in fuel costs. The unit cost excluding fuel was NOK 0.38 in 2009 compared to NOK 0.37 last year. During 2009 the Group's operations were challenged by a weakening of NOK (mainly against USD) compared to last year. Costs affected by the weakened NOK are mainly fuel, leasing and maintenance. The increased unit cost excluding fuel is mainly due to the increased unit cost for leasing. In addition to the weakening of NOK against USD the unit cost for leasing was influenced by a larger share of B737-800s in our leasing fleet.

Included in total operating expenses are unrealized fuel hedge gains which as of 31 December amounted to MNOK 24.

Net profit before depreciation and write-down (EBITDA) for the Group was MNOK 720 (-208) in 2009, resulting in an EBITDA margin of 9.9%.

Financial items in 2009 ended up with a gain of MNOK 48 (351).

In relation to accounting for the prepayment on the purchase contract with Boeing, MNOK 33.5 in interest costs were capitalized in 2009.

In 2007 the Group started Bank Norwegian, which is 100% owned by Norwegian Finans Holding ASA in which the Group has a 20% stake. The Group's estimated share of the bank's net profit resulted in a net a gain of MNOK 3.2 in the consolidated profit and loss.

Earnings before tax in 2009 were MNOK 623 (5) and earnings after tax were MNOK 446 (4). Earnings per share were NOK 13.73 per share (NOK 0.15).

Comments to the Balance Sheet and Cash Flow Statement

The Group's total assets increased by MNOK 1,843 to MNOK 5,022 by the end of 2009. Book value of aircraft increased by MNOK 451 during the year, while prepayments and capitalized interests on the Boeing purchase contract contributed MNOK 706 to the asset increase.

At the balance sheet date, the Group had a cash balance of MNOK 1,408 (607).

The Group had a cash flow from operations of MNOK 914 (-234) in 2009. The net cash flow from operating activities consists of the profit before tax of MNOK 623, and the increase in net working capital, taxes paid, add back of depreciation and changes in other accruals of MNOK 291. The reduction in networking capital is due to increased air traffic settlement liabilities due to traffic growth. Despite the traffic growth trade receivables were reduced mainly due to altered settlement procedures for credit card transactions.
Net cash flow used for investment purposes was MNOK -1,300 (-254), of which the prepayments for the Boeing contract constitute MNOK 684. An upgrade of leased aircraft, purchase of aircraft, investments in the Group's IT systems and de-icing equipment amounted to MNOK 586 (427). Net cash flow from financing activities in 2009 was MNOK 1,188 (687). During 2009 Norwegian issued a MNOK 400 senior unsecured bond issue with expected maturity date on 17 December 2012. In connection with the new bond issue, Norwegian bought back NOK 137 million worth of bond issues with maturity date of 19 April 2010. On 5 November, Norwegian issued 1,620,000 new shares through a private placement. The agreed subscription price was NOK 155 per share. Gross proceeds from the new share issue amounted to MNOK 251. During 2009 Norwegian increased its interest-bearing liability relating to financing of two Boeing 737-800HGW and prepayments to Boeing.

The Group has a strong focus on liquidity planning and the Board is confident in the Group's financial position at the beginning of 2010.

CAPITAL STRUCTURE

The Group had total equity of MNOK 1,602 (897) at 31 December and an equity ratio of 32% (28%). Equity increased by MNOK 705 due to profit for the period of MNOK 446 and a share issue of NOK 253. Other changes in equity amounted to MNOK 6.

The Group's net interest-bearing debt aggregated MNOK 174 at 31 December 2009, compared to MNOK 91 a year earlier. The Group's gross interest-bearing liabilities mainly consist of two bond loans with a net book value of MNOK 561 and a PDP syndicated credit facility of MNOK 624. Other long-term interest-bearing liabilities including PEFCO financing for the first two Boeing 737-800s amounted to MNOK 369. Financial lease liability amounted to MNOK 29.

RISK

Changes in consumer and business confidence in our key markets can influence demand and immediately reduce revenue streams faster than adjustments can be made to production and cost levels. The current macroeconomic outlook is characterized by uncertainty with respect to the level of economic growth and consumer spending both globally and within Norwegian's markets. During 2009 traffic volume decreased in markets in which Norwegian operates. However, Norwegian's low-cost basis has allowed for adequate revenue management to meet the reduced purchasing power of business and leisure travelers. Demand and ticket prices are also affected by the overall level of competitive pressure in the industry where the primary drivers are capacity and demand.

Airlines may alter their business strategy and business models in order to adapt to market changes. As a result, the industry may experience major structural changes as airlines may be forced to enter into new markets or engage in merger and acquisition activities. Failure of traditional airlines with a higher cost basis may give way to airlines with a more

efficient and aggressive low-cost business model.
The Group's activities are exposed to several financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain 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 financial risk. 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. Hedging activities cannot be undertaken without approval from the CEO and CFO.
Market risk is the risk that changes in market prices, such as foreign exchange rates, jet-fuel prices and interest rates will affect the Group's income or value of its holdings of financial instruments.

A substantial part of the Group's income and expenses are denominated in foreign currency. The Group's leases, aircraft purchases, and related expenses are mainly denominated in USD, and a portion of the sales and airplane operation expenses are 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 over the next 12 months. The hedging consists of forward currency contracts and flexible forwards.

As the Group has net significant interest-bearing assets debt, other than cash and cash equivalents, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk arises from cash and cash equivalents and floating interest rate long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings consist of unsecured bond issues, financing of two Boeing 737-800s delivered in 2009 and a revolving credit facility. Bonds and the credit facility have floating interest rates while aircraft financing has a fixed interest rate. The Group's leasing contracts have a fixed interest rate.

Expenses for jet fuel represent a substantial part of the Group's operating costs, and fluctuations in jet fuel prices influence projected cash flows. The objective of the jet fuel price risk management policy is to provide protection against significant and sudden increases in jet fuel prices while retaining access to price reductions. The Group manages jet fuel price risk using fuel derivatives. Management has a mandate to hedge up to 100% of its expected consumption over the next 12 months with financial instruments.

Credit risk is managed on a 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 cards.
Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, as well as 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 and cash and cash equivalents (see note 24) on the basis of expected cash flow. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet them, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

Financing activities generally take more time to accomplish and are more expensive in times of financial turmoil and uncertain economic outlook. The Company has pre-delivery financing committed to the 10 first aircraft acquired from Boeing.

Following the acquisition of 42 Boeing 737-800s in 2007 and 6 additional aircraft in October 2009, the Group will have ongoing financing activities until the last delivery in 2014. The transaction is supported by the Ex-Im Bank of the United States, which at the time the contract was signed issued a Letter of Enthusiasm backing the transaction. The Company currently has a final commitment on 7 aircraft (2009 and 2010 deliveries) guaranteed by or subject to direct loans from the Ex-Im Bank of the United States. Furthermore, pre-commitment has been received for the next 20 aircraft (2011 and 2012 deliveries).

The banking industry's ability to offer aircraft financing is influenced by the current state of the economy. Last year's distress in the banking sector and economy resulted in intervention from government and central banks, initiating fiscal and monetary policies to counteract the negative economic development. Changes in monetary policy normally affect the economy with a lag of between three quarters and two years. The lag between a change in fiscal policy and its effect on output tends to be shorter than the lag for monetary policy.

PROSPECTS FOR 2010

The demand for travelling with Norwegian and advanced bookings have been satisfactory at the start of the first quarter of 2010. Norwegian has executed several sales and marketing campaigns that have been well received by the market, and continues to attract customers to the continuously growing route portfolio. The current macroeconomic outlook is uncertain. Norwegian will closely monitor the traffic development and make adjustments to the route portfolio in order to accommodate for changes in demand.

The newly established Danish operation has a total fleet of 6 aircraft at the beginning of Q1. So far, the routes have been well received in the market, and are experiencing pressure on RASK from increased competition.

Norwegian anticipates a production growth (ASK) of up to 30% in 2010, mainly from replacing Boeing 737-300s with 737-800s. Norwegian may decide to adjust capacity deployment depending on the development of the overall economy and in the marketplace.

Assuming a fuel price of USD 850 per ton and USD/NOK 6.00, the Company is targeting a unit cost (CASK) in the area of NOK 0.49 – 0.50 for the full year 2010.

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

Net profit for Norwegian Air Shuttle ASA was MNOK 243, which the Board proposes be transferred to retained earnings.

The Board recommends no dividend distribution for the 2009 operating year in accordance with the Company's corporate governance policies.

As of 31 December 2009, the Company had MNOK 493.9 of free equity.

Fornebu, 24 March 2010

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

CONSOLIDATED INCOME STATEMENT

NOTE	(NOK 1 000)	2009	2008
4	Revenues	7 309 189	6 226 413
	Total operating revenues	**7 309 189**	**6 226 413**
5	Operational expenses	4 938 399	4 892 727
6,7,17,18	Payroll	1 303 299	1 076 068
10,11	Depreciation, amortization and impairment	148 882	129 611
5a	Other operating expenses	396 058	318 094
20	Other losses/(gains) - net	-49 315	147 768
	Total operating expenses	**6 737 323**	**6 564 267**
	Operating profit	**571 866**	**-337 854**
8	**Net financial items**	**47 974**	**351 966**
26	Share of profit (loss) from associated company	3 200	-8 773
	Profit (loss) before tax	**623 040**	**5 339**
9	Income tax expense (income)	176 789	1 394
	PROFIT (LOSS) FOR THE YEAR	**446 251**	**3 944**
16	Basic earnings per share	13.73	0.15
16	Diluted earnings per share	13.34	0.15
	Profit attributable to;		
	Owners of the company	446 251	3 944

STATEMENT OF COMPREHENSIVE INCOME

NOTE	(NOK 1 000)	2009	2008
	Net profit for the period	**446 251**	**3 944**
21	Available-for-sale financial assets	1 608	-4 376
	Exchange rate differences Group	-5 007	1 293
	Total comprehensive income for the period	442 852	861
	Profit attributable to;		
	Owners of the company	442 852	861

The notes on pages 22-57 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

NOTE	(NOK 1 000)	2009	2008
	ASSETS		
	Non-current assets		
10	Intangible assets	190 543	198 074
9	Deferred tax asset	157	59 759
11	Aircraft, parts and installations on leased aircraft	974 892	523 676
11	Equipment and fixtures	30 905	31 014
11	Buildings	3 933	3 933
11	Financial lease asset	26 092	
20	Financial assets available for sale	7 236	5 628
26	Investment in associate	47 943	44 743
11	Prepayment Boeing contract	1 410 992	705 165
13	Other receivables	26 391	32 404
	Total non-current assets	**2 719 084**	**1 604 395**
	Current assets		
14	Inventory	40 825	34 214
13	Trade and other receivables	829 893	914 379
20	Derivative financial instrument	23 688	18 360
24	Cash and cash equivalents	1 408 475	607 536
	Total current assets	**2 302 881**	**1 574 489**
	TOTAL ASSETS	**5 021 965**	**3 178 884**
	EQUITY AND LIABILITIES		
15	**Equity**		
	Share capital	3 421	3 236
	Share premium	1 041 894	789 130
	Other paid-in equity	47 421	38 984
	Other reserves	-11 032	-7 633
	Retained earnings	519 902	73 650
	Total equity	**1 601 607**	**897 368**
	Non-current liabilities		
18	Pension obligation	97 558	61 815
19	Provision for periodic maintenance	70 336	114 090
9	Deferred tax	17 806	9 695
22	Borrowings	878 878	440 873
22	Financial lease liability	28 829	0
	Total non-current liabilities	**1 093 407**	**626 474**
	Short term liabilities		
22	Short term part of borrowings	675 303	257 456
21	Trade and other payables	746 549	694 832
	Air traffic settlement liabilities	792 713	598 162
20	Derivative financial instrument	1 227	104 325
9	Tax payable	111 158	267
	Total short term liabilities	**2 326 951**	**1 655 042**
	Total liabilities	**3 420 357**	**2 281 515**
	TOTAL EQUITY AND LIABILITIES	**5 021 965**	**3 178 884**

The notes on pages 22-57 are an integral part of these consolidated financial statements.

Fornebu, 24 March 2010

Bjørn H. Kise
(Chairman of the Board)

Bjørn Kjos
(Chief Executive Officer)

Ola Krohn-Fagervoll

Marianne Wergeland Jenssen

Liv Berstad

Kenneth Utsikt
(Employee Representative)

Linda Olsen
(Employee Representative)

Thor Espen Bråten
(Employee Representative)

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 equity8
Equity at 01 January 2008	**2 087**	**408 277**	**32 752**	**443 117**	**-4 550**	**69 706**	**508 273**
Net profit for the year						3 944	3 944
Available for sale financial assets					-4 376		-4 376
Exchange rate differences Group					1 293		1 293
Comprehensive income 2008					-3 083	3 944	861
Share issue 2008	1 149	398 851		400 000			400 000
Expenses for share issue 2008, net of tax		-17 998		-17 998			-17 998
Compensation expense for stock options			6 232	6 232			6 232
Transactions with owners	1 149	380 853	6 232	388 234			388 234
Equity 31 December 2008	**3 236**	**789 130**	**38 984**	**831 351**	**-7 633**	**73 650**	**897 368**
Equity at 01 January 2009	**3 236**	**789 130**	**38 984**	**831 351**	**-7 633**	**73 650**	**897 368**
Net profit for the year						446 251	446 251
Available for sale financial assets					1 608		1 608
Exchange rate differences Group					-5 007		-5 007
Comprehensive income 2009					-3 399	446 251	442 852
Share issue 2009	162	250 938		251 100			251 100
Expenses for share issue 2009, net of tax		-5 527		-5 527			-5 527
Stock options - share issue	23	7 353		7 376			7 376
Compensation expense for stock options			8 437	8 437			8 437
Transactions with owners	185	252 764	8 437	261 386			261 386
Equity 31 December 2009	**3 421**	**1 041 894**	**47 421**	**1 092 737**	**-11 032**	**519 902**	**1 601 607**

The notes on pages 22-57 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

NOTE	(NOK 1 000)	2009	2008
	CASH FLOWS FROM OPERATING ACTIVITIES:		
	Profit (loss) before tax	623 040	5 339
9	Taxes paid	-1 439	-787
	Interest received	16 066	39 427
10,11	Depreciation, amortization and write-down	148 882	129 611
	Pension expense without cash effect	32 664	28 505
17	Other non cash items	8 678	6 196
	Change in inventories, accounts receivable and accounts payable	42 111	-324 649
	Change in air traffic settlement liabilities	194 552	61 614
	Change in other current assets and current liabilities	-150 736	-179 695
	Net cash flow from operating activities	**913 818**	**-234 439**
	CASH FLOWS FROM INVESTING ACTIVITIES:		
11	Prepayments aircraft purchase	-683 764	-349 436
11	Purchase of tangible assets	-544 979	-393 433
10	Purchase of intangible assets	-41 151	-33 414
4	Net cash from aquisitions	0	-20 604
20	Proceeds from sales of financial assets	0	324 347
20	Proceeds from sales of investment bonds	0	219 065
20	Investments in subordinated loan	-30 000	0
	Net cash flow from investing activities	**-1 299 894**	**-253 475**
	CASH FLOWS FROM FINANCIAL ACTIVITIES:		
22	Proceeds from long term debt	968 304	339 864
22	Payment of long term debt	-4 220	
15	Proceeds from issuing new shares	250 840	376 000
	Interest on borrowings	-26 865	-29 220
	Net cash flow from financial activities	**1 188 059**	**686 644**
	Foreign exchange effect on cash	-1 045	4 848
	Net change in cash and cash equivalents	800 939	203 577
	Cash and cash equivalents at 1 January	607 536	403 959
24	**Cash and cash equivalents at 31 December**	**1 408 475**	**607 536**

The notes on pages 22-57 are an integral part of these consolidated financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 General information
Norwegian Air Shuttle ASA and its subsidiaries (together 'the Group') is a low-fare 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 2009 were authorized for issue by the Board of Directors on 24 March 2010.

1.2 Basis of preparation
The consolidated financial statements of Norwegian Air Shuttle ASA have been prepared in accordance with International Financial Reporting Standards (IFRS), 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, and 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 use of certain critical accounting estimates. It also requires management to exercise its judgment when applying the Group's accounting policies. The areas which implicate a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed below in paragraph 1.5.

1.2.1 Changes in accounting policy and disclosures
Standards, amendments and interpretations.
The Group has adopted the following new standards, amendments and interpretations effective from 1 January 2009;

- IFRS 2, Share-based payments (amendment)
- IFRS 7, Financial instruments – disclosures (amendment)
- IFRS 8, Operating segment
- IAS 1, Presentation of financial instruments (revised)
- IAS 23, Borrowing costs (revised)

IFRS 7 requires additional disclosures it has no impact on the financial position or the Group's performance. A statement of comprehensive income has been added to the financial statements, as a result of implementing IAS 1. IFRS 8 defines operating segments and resulted in reassessment of segment reporting. Accordingly, the Group is defined as one segment. The implementation of IFRS 2 and IAS 23 have not had any impact on the Group's financial statements as similar principles are applied under previous standards.

The following standards, amendments and interpretations are not effective at 31 December 2009 and have not been early adopted by the Group;

Effective for periods beginning on or after

- IFRS 2, Scope of IFRS 2 and IFRS 3 (revised)	1 July 2009
- IFRS 2, Group cash-settled and share-based payments transactions (amendment)	1 January 2010
- IFRS 3, Business combinations (revised)	1 July 2009
- IFRS 5. Measurement of non current assets classified as held-for-sale (amendment)	1 January 2010
- IFRS 5, Disclosures required in respect of non current assets	1 January 2010
- IFRS 8, Disclosure of information about segment assets'	1 January 2010
- IAS 1, Current/non current classification of convertible instruments	1 January 2010
- IAS 7, Classification of expenditures on unrecognised assets	1 January 2010
- IAS 17, Classification of leases of land and buildings	1 January 2010
- IAS 27, Consolidated and separate financial statements (revised)	1 July 2009
- IAS 38, Intangible assets (amendment)	1 July 2009
- IAS 36, Unit of accounting goodwill impairment test	1 January 2010
- IAS 38, Additional consequential amendments arising from IFRS 3 (revised)	1 January 2010
- IAS 38, Measuring the fair value of an intangible asset acquired in a business combination	1 January 2010
- IAS 39, Treating loan prepayment penalties as closely related derivatives	1 January 2010
- IAS 39, Scope exemption for business combinations	1 January 2010
- IAS 39, Cash flow hedge accounting	1 January 2010
- IAS 39, Hedging using internal contracts	1 January 2010
- IFRIC 9, Reassessment of embedded derivatives and IAS 39 (amendment)	30 June 2009
- IFRIC 17, Distribution of non-cash assets to owners	1 July 2009
- IFRIC 18, Transfers of assets from Customers	1 July 2009
- IFRIC 9 and IFRS 3, Scope of IFRIC 9 and IFRS 3 (revised)	1 July 2009
- IFRIC 16, Hedges of a net investment in a foreign operation	1 July 2009

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

1.3 Basis of consolidation
The Group's consolidated financial statements comprise Norwegian Air Shuttle ASA, and its fully owned subsidiaries Norwegian Air Shuttle Polska Sp.zo.o , Norwegian Air Shuttle Sweden AB, NAS Asset Management Ireland Ltd, NAS Asset Management Norway AS and Call Norwegian AS. Additionally, the Group controls a company in the United States, DY 1 Leasing LLC. This is a special purpose entity (SPE) established for aircraft financing purposes. The Group does not own the shares, but has all risks and rewards related to the assets, liabilities and operations in the SPE.

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

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

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

All intra Group balances, transactions, income and expenses and profits and losses resulting from intra Group transactions that are recognized in assets and liabilities, are completely eliminated.

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

When the Group's share of a loss exceeds the Group's investment in an associate, the amount carried in the Group's balance sheet is reduced to zero and further losses are not recognized unless the Group has an obligation to cover any such loss. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed when necessary to ensure consistency with the policies adopted by the Group.

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

1.4 Foreign currency translation
The Group's presentation currency is NOK. Norwegian Air Shuttle ASA's functional currency is NOK. Each entity in the Group determines its own functional currency, and items included in the financial statements of each entity are measured in that functional currency. For consolidation purposes, the balance sheet figures in subsidiaries with a different functional currency than NOK are translated at the closing rate at the balance sheet date. Income and expenses for each income statement are translated at average exchange rate for the period, this being a reasonable approximation for actual rate. Exchange differences are recognized in comprehensive income and specified separately in equity.

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

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.

1.5 Critical accounting estimates and judgments
In preparing the consolidated financial statements, management has to make 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 respect of future events which can vary 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 specific lease contracts. To meet this requirement, the Group maintains of these aircrafts, both regularly and at the expiration of the leasing period. Provisions are made based on the estimated costs of overhaul and maintenance. To estimate these conditions, management must make assumptions regarding expected future maintenance. For sensitivity analysis, see note 12.

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be generated. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. See note 9 for further details.

The cost of defined benefit pension plans is determined by using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. A sensitivity analysis is outlined in note 18.

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

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

Fair value of financial instruments is determined using fair value estimation techniques. Valuation techniques and details on financial instruments are outlined in note 20.

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

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 repair and maintenance work which can be verified, these costs will be recognized in the balance sheet as additions to non-current assets. Borrowing costs are capitalized on qualifying assets.

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

An aircraft is decomposed into two components for depreciation purposes to reflect different useful lives of the aircraft components. In accordance with official requirements, the aircraft must be maintained and significant components changed after a specific number of takeoffs or airborne hours.

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These components are identified as C check and D check on 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 maintenance and overhaul on these components occurs on a defined interval, and the value is depreciated based on number of takeoffs or airborne hours until the next maintenance occurs. Completed maintenance and overhaul is 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.

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 cost, less accumulated depreciation.

The Group capitalizes prepayments on the purchase contract of 46 Boeing 737 aircraft. The prepayments are classified as tangible assets as presented at the face of the balance sheet. The prepayments include capitalized borrowing costs and gains/losses on qualifying fair value hedges. At the delivery of the aircraft, prepayments are included in acquisition cost of the aircraft and reclassified as aircraft in the balance sheet.

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

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

1.7 Intangible assets

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 life.

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

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

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

1.8 Impairment of non financial assets

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

For the purposes of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The allocation is made to those cash-generating units that are expected to benefit from the assets. Management has assessed the Group as one segment and the total operations in the Group as its cash generating unit. The determination of cash generating units is based on how 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 suffered impairment are reviewed for possible reversal of the impairment at each reporting date. Impairment losses on goodwill are not reversed.

1.9 Financial assets

Financial assets are classified in the following categories; at 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 at 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. Management determines the classification of its financial assets at initial recognition.

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

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

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Regular purchases and sales of financial assets are recognized on the trade-date; the date on 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 transferred substantially 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' in the period in which they arise. Gains or losses arising from changes in the fair value of the 'available-for-sale' category are presented in the statement of comprehensive income in the period which they arise. Interests on available-for-sale securities calculated using the effective interest method is recognized in the income statement as part of other income. Dividend income from financial assets at fair value through profit or loss and available- for- sale financial assets are recognized in the income statement as a part of other income when the Group's right to receive payments is established.

1.9.1 Impairment of financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets are impaired. The fair values of quoted investments are based on current mid prices at the balance sheet date. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. The valuation hierarchy for financial assets is detailed in note 20 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 that occurred 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.

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, in a subsequent period, increase in the fair value of available-for-sale financial assets occur and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the statement of comprehensive income.

1.10 Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the transaction date and subsequently measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. In 2008, the Group designated some of its derivatives as hedges of the fair value of a firm commitment (fair value hedge).

The Group documents at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are designated as hedging instruments are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 20. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Fair value hedge

Changes in fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged assets or liabilities that are attributable to the hedged risk. The Group only applies fair value hedge accounting for hedging foreign currency risk in unrecognized firm commitments. The gain or loss relating to the effective portion of forward foreign currency contracts, hedging foreign currency risk in unrecognized firm commitments, is recognized as capitalized costs on the recognized firm commitment in the balance sheet. The gain or loss relating to the ineffective portion is recognized in the income statement within financial items.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of the hedged item is depreciated over the useful life of the asset.

1.11 Inventory

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

1.12 Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or payments more than 60 days overdue are considered indicators that the trade receivable is impaired. Provision for impairment (bad debt provision) are recognized within other operating expenses.

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

1.13 Cash and cash equivalents

Cash and cash equivalents include cash in hand and in banks, as well as short >>

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

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

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

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

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

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. For details for capitalization of borrowing costs, see note 11.

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

1.17 Employee benefits
Defined benefit plans
The Group operates a defined benefit pension plan which requires contributions to be made to a separately administered fund. In addition, the Group participates in an early retirement plan (AFP) for employments in Norway. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses, at the end of the previous reporting year, exceed 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plans.
The past service cost is recognized as an expense on a straight-line basis over the average period until the benefits are vested. If the benefits are already vested immediately following the introduction of or changes to a pension plan, past service cost is recognized immediately.

The defined benefit obligation is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognized reduced by past service costs not yet recognized and the fair value of plan assets out of which the obligations are to be settled directly.
If such aggregate is negative, the asset is measured at the lower of such aggregate or 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.

Defined contribution plans
In addition to the defined benefit plan described above, the Group's subsidiary in Sweden has made contributions to local pension plans. These contributions have been made to the pension plan for full-time employees and premiums are expensed as they incur.

Share options
The employees and the management of the Group have received options to buy shares in the parent company. The fair value of the options to be settled in equity instruments is estimated at the grant date and recognized as an expense over the vesting period. The fair value of the options to be settled in cash is estimated at each year end and recognized as an expense over the vesting period. The fair value is determined by an external part using a Black and Scholes model. The assumptions underlying the number of options expected to vest are adjusted to reflect conditions prevailing at the balance sheet date. For further details see note 17.

Employee share purchase savings program
Bonus shares and employer's contribution are measured at fair value using Black and Scholes option pricing model. The bonus expenses for the company are included in personnel costs. The distribution of bonus shares is accounted for in accordance with IFRS 2, where the fair value of the share distribution is recognized as an expense over the expected period until settlement. Estimated employer's contribution is recognized as an expense over the expected period until settlement. Changes in estimates affecting employer's contribution are expensed over the remaining expected period. For further details see note 17.

1.18 Current and deferred income tax
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 used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

Deferred income tax
Deferred income tax is determined by using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

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

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

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

- the Group has a legally enforceable right to offset the recognized amounts and
- deferred tax assets and tax liabilities relates to income tax from the same tax authorities and 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 on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

1.19 Contingent assets and liabilities

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

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

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

1.20 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary 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

Passenger revenue

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

Ancillary revenue

Ancillary revenue comprises sales of ticket-related products and services, e.g; excess baggage and fees. Some of the products and services are earned at the time when the transport has been carried out, 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.

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 revenue is recognized when the service has been rendered, fees are reliable measurable, collections are probable, and when other significant obligations have been fulfilled.

Revenue from sales of GSM and Broadband products and services comprises traffic fees and subscription, as well as telephone and PC products. Revenue from subscription fees are recognized over the subscription period while deliveries of other services are recognized as revenue at the time of actual use. Revenue from product sales are recognized when the equipment including related significant risks and rewards are transferred to the buyer and the entity no longer retains effective control over the products sold.

Customer loyalty program – Norwegian Reward

The Group has implemented a customer loyalty program. Customers earn cash points in the following circumstances;

- Bank Norwegian customer; 1% of the payment is earned on all purchases, except domestic flights within Norway or flights with competitive airlines within Norway. Additionally, cash points are earned on all low fare and full flex tickets purchased from Norwegian Air Shuttle ASA and paid with a Bank Norwegian credit card, with 4% and 19% of the purchase price, respectively.
- 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.
- Call Norwegian customer; 3% of all purchases.

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

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

Earned customer cash points on 1% reward from Bank Norwegian are recognized as a liability in the balance sheet and immediately expensed. When the customers utilize earned cash points, the liability is derecognized and cash payment on the Group's services reduced.

Unutilized cash points are derecognized from the balance sheet after three years. The liability is classified as short term, as available statistics as of 31 December 2009 indicate that customer cash points are utilized within one year.

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

1.22 Segment reporting
The Group has one operational segment, which is low cost air passenger travel. The Group has one geographical segment which is the route portfolio in Europe. See note 4 for further details.

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

NOTE 2 FINANCIAL RISK

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

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

Foreign Currency Risk
A substantial part of the Group's expenses are denominated in foreign currency. The Group's leases, aircraft borrowings, maintenance, jet-fuel and related expenses are mainly denominated in USD, and a share of airplane operation expenses are denominated in EUR. Foreign currency risk arises from future commercial transactions, recognised 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 over the next 12 months. The hedging consists of forward currency contracts and flexible forwards.

Occasionally the Group designates certain forward foreign currency contracts as hedging instruments to hedge the fair value of currency risk in unrecognised firm commitments.

The Group has included sensitivity analysis on foreign currency risk based on two different scenarios; sensitivity in USD to NOK on financial assets and liabilities at 31 December, and actual sensitivity in USD exposure interdependent with jet-fuel. The rationale for such sensitivity is that USD exposure in the airline industry is closely related to USD exposure on jet-fuel as jet-fuel actually represents a USD exposure.

If NOK had weakened/strengthened by 1 % against USD in 2009, with all other variables held constant, pre-tax profit and pre-tax equity effect for the year would have been MNOK 6.2 (2008: MNOK 0.3) lower/higher, mainly as a result of foreign exchange losses/gains on receivables, payables, derivative financial instruments and borrowings in USD.

By calculating sensitivity on foreign currency risk in USD using USD and jet-fuel prices as interdependent variables on operating income, a weakening/strengthening in NOK by 1% against USD dollar, pre-tax profit and pre-tax equity effect for 2009 would have been MNOK 28.7 (2008:MNOK 31) lower/higher. This calculation is based on estimated fuel consumption over the next 12 months, estimated net outflow of USD over the next 12 months, estimated average jet-fuel price and estimated average USD/NOK exchange rate.

If NOK had weakened/strengthened by 1 % against EUR with all other variables held constant, pre-tax profit and pre-tax equity effect for the year would have been MNOK 0.6 (2008: MNOK 3.6) higher/lower, mainly as a result of foreign exchange gains/losses on receivables, payables and derivative financial instruments.

The Group has investments in operations in Sweden and Poland, 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.

Interest rate risk

As the Group has net interest bearing debt, the Group's income and operating cash flows are dependent of changes in the market interest rates. The Group's 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 and financial lease. 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 2009 had been 1 % higher/lower with all other variables held constant, pre-tax profit and pre-tax equity effect for the year would have been MNOK 2.0 (2008: MNOK 2.4) lower/higher, mainly as a result of higher/lower interest income and expense on floating rate cash and cash equivalents and borrowings.

The sensitivity analysis of interest rate risk is calculated based on nominal value of borrowings and 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.

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 provide protection 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. Management has a mandate to hedge up to 100 % of its expected consumption over the next 12 months with forward commodity contracts.

If the jet-fuel price in 2009 had increased/decreased by 1 % with all other variables held constant, pre-tax profit for the year would have been MNOK 17.0 (2008: MNOK 17.0) lower/higher.

The sensitivity analysis is calculated based on estimated jet-fuel consumption including estimated hedged consumption over the next 12 months. As opposed to the sensitivity analysis of USD currency risk, the jet-fuel price risk analysis is not based on interdependence between jet-fuel price and USD exchange rates. The sensitivity is calculated using USD/NOK exchange rate at the balance sheet date.

The Group holds forward commodity contracts to hedge jet-fuel price risk. Such derivative contracts affect the financial statements through unrealized gains/losses from jet-fuel prices. If jet-fuel price had increased/decreased by 1% with all other variables held constant, pre-tax profit for the year would have been MNOK 21.3 (2008: MNOK 2) higher/lower, as a result of unrealized gains/losses on price changes on forward commodity contracts held at the balance sheet date.

Credit risk

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

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

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

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

Liquidity risk

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

The management monitors rolling forecasts of the Group's liquidity reserve, cash and cash equivalents (see note 24) on the basis of expected cash flow. This is generally carried out at the local level in the operating companies of the

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NOTE 2 FINANCIAL RISK

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Group in accordance with practice and limits set by the Group. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to monitor balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

The Group will take deliveries of 7 aircraft in 2010, 14 aircraft in 2011 and the remaining 25 aircraft between 2012 and 2014. Pre-delivery payments related to the delivery of the first 10 aircraft were secured in 2007. 2 aircraft included in the pre-delivery payments, were delivered in 2009. Another 7 aircraft with delivery in 2010 were also included in the pre-delivery payments. At the delivery of the aircraft, pre-delivery payments are replaced with other long term financing. The Group has secured the financing of 5 aircraft in 2010 through guarantees and direct loans from the Ex-Im Bank of the United States and is currently in the process of securing long term financing for the last 2 deliveries in 2010. This financing arrangement reduces liquidity risk.

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

At 31 December 2009 (NOK 1 000)	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	675 303	362 991	330 668	214 048
Financial lease liability	5 100	5 100	13 737	10 615
Derivative contracts - payments	1 227	0	0	0
Trade and other payables	746 549	0	0	0
Interest on borrowings *)	65 023	52 666	143 417	113 572
Total financial liabilities	**1 493 202**	**420 756**	**487 823**	**338 234**

*) Calculated interests on borrowings

At 31 December 2008 (NOK 1 000)	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	257 456	440 873	0	0
Derivative contracts - payments	195 577	0	0	0
Trade and other payables	694 832	0	0	0
Subordinated bond loan *)	30 000	0	0	0
Interest on borrowings **)	**37 855**	**7 981**	**0**	**0**
Total financial liabilities	**1 215 720**	**448 854**	0	0
Derivative contracts - receipts	-91 253	0	0	0
Total	**1 124 467**	**0**	**0**	**0**

*) Subordinated bond loan issued to Bank Norwegian
**) Calculated interests on borrowings

Capital risk management

The Group's capital management policy is to maintain a capital structure which meets the demands of operations, reducing cost of capital, risk factors in the industry, company specific risk and future investments planned by the Group. The Group will at all times adjust debt and equity to maintain and secure optimal capital structure by continuously monitoring the gearing ratio of the Group. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings less cash and cash equivalents as shown in the consolidated balance sheet). Total capital is calculated as equity as shown in the consolidated balance sheet plus net debt.

The gearing ratios at 31 December 2009 and 2008 were as follows;

NOK 1 000	2009	2008
Total borrowings (note 22)	1 583 010	698 330
Cash and cash equvalents (note 24)	1 408 475	607 536
Net debt	**174 535**	**90 794**
Total equity	1 601 607	897 368
Total capital	**1 776 142**	**988 162**
Gearing ratio	**9.8 %**	**9.2 %**

NOTE 3 FAIR VALUE ESTIMATION

Fair value estimation
Financial instruments that are measured in the balance sheet at fair value, requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

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 maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates.

Financial instruments in level 2 include forward contracts classified as derivatives. The fair values of forward foreign currency contracts and forward commodities contracts are determined using forward prices and rates at the balance sheet date, with the resulting value discounted back to present value.

Level 3
If one or more of the significant inputs are not based on observable market data, specific valuation techniques are used. Financial instruments included in the level 3 valuation technique relates to investment in unlisted shares in Silver Pensjonsforsikring 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 2009;

(NOK 1 000)	Level 2	Level 3	Total
Assets			
Financial assets at fair value through profit and loss			
- Derivative financial instruments	23 688	0	23 688
Available-for-sale financial assets	0	7 236	7 236
Total assets	**23 688**	**7 236**	**30 924**
Liabilities			
- Derivative financial liabilities	1 227	0	1 227
Total liabilities	**1 227**	**0**	**1 227**

There are no fair value calculations in level 1.

NOTE 4 SEGMENT INFORMATION

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

Performance is measured by executive management based on the operating segment earnings before interest, tax, depreciation and amortization (EBITDA). Other information is measured in a manner consistent with that in the financial statements.

The table below shows revenues from low cost air passenger travel split between passenger revenue, ancillary revenue and other revenue. A split in revenue between domestic and international flights is also included;

NOK 1 000	2009	2008
By activity:		
Passenger transport	6 389 406	5 641 533
Ancillary revenue	788 655	463 609
Other revenues	131 129	121 271
Total	**7 309 189**	**6 226 413**
By geographic market:		
Norway	2 899 736	2 294 940
Other EU/EEA countries	4 409 454	3 931 473
Total	**7 309 189**	**6 226 413**

NOTE 5 OPERATIONAL EXPENSES

NOK 1 000	2009	2008
Sales and distribution expenses	149 415	115 251
Aviation fuel	1 423 328	2 006 248
Aircraft leases	620 114	426 597
Airport charges	1 037 716	841 999
Handling charges	722 658	615 740
Technical maintenance expenses	659 796	574 077
Other aircraft expenses	325 371	312 815
Total operational expenses	**4 938 399**	**4 892 727**

Note 5 a Other operating expenses
Other operating expenses amount to MNOK 396.1 (2008:318.1). Other operating expenses are related to operating the 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

NOK 1 000	2009	2008
Wages and salaries	762 772	682 882
Social security tax	138 472	121 525
Pension expenses	138 485	120 894
Employee stock options	8 437	6 232
Other benefits	39 439	31 448
Hired crew personnel	215 695	113 087
Total	**1 303 299**	**1 076 068**

Payroll expenses include hired crew personnel. The employees in Norway are members of the parent company's defined benefit pension plan, while the employees in Sweden are members of a defined pension contribution plan. See note 18 for details.

Number of man-labour years *)	2009	2008
Norway	1 494	1 146
Sweden	113	159
Poland	77	73
Total	**1 684**	**1 378**

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

Board and Management Remuneration

Remuneration to the Board of Directors
Total remuneration paid to the Board in 2009 was MNOK 0.7. The Chairman of the Board, Bjørn Kise, received MNOK 0.2. There were no bonuses or other forms of compensation paid to the Board members in 2009.

Directive of remuneration to the CEO and the Executive Management
The principles for 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 defines the remuneration to the CEO, and the guidelines for remuneration to the Executive Management. The remuneration to the Board and the Executive Management must not have negative effects for the Group, nor damage the reputation and standing of the Group in the public eye. There have been no changes in the guidelines or principles for management remuneration during the year. The actual remuneration in 2009 was consistent with the guidelines and principles.

Compensation to the Executive Management should primarily consist of fixed yearly salary with additional compensations such as a company car, free telephone, internet and newspapers, and standard pension and insurance plan. 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. The Executive Management can on an individual basis be awarded special compensation for profit enhancing projects.

The Executive Management is part of the Group's collective pension plan for salary up to 12 G, which applies to all employees. Senior Management has no special rights in the event of termination of employment.

Total compensation year 2009

NOK 1 000	Fee	Salary	Bonus	Other benefits **)	Total Compensation	Pension expense ***)
The Board of Directors						
Bjørn Kise (chairman)	193				193	
Erik Gunnar Braathen (deputy chairman until 26.11.2009)	150				150	
Liv Berstad	100				100	
Ola Krohn-Fagervoll	100				100	
Marianne Wergeland Jenssen	100				100	
Halvor Vatnar*)	35				35	
Sissel Gjelstad Vårum*)	35				35	
Monika Johansen*)	35				35	
Total board of directors	**748**	**0**	**0**	**0**	**748**	**0**
Executive Management						
Bjørn Kjos (Chief Executive Officer)		1 256		175	1 431 a)	127
Frode Foss (Chief Financial Officer)		1 110		118	1 228 b)	79
Asgeir Nyseth (Chief Operating Officer)		1 186		10	1 196 c)	121
Hans-Petter Aanby (Chief IT Officer)		1 110		116	1 226 d)	104
Daniel Skjeldam (Chief Commercial Officer)		1 055		99	1 154 e)	44
Gunnar Martinsen (Senior Vice President HR and Organisation)		826		18	844	105
Anne-Sissel Skånvik (Senior Vice President Corporate Communications)		825		111	936 f)	123
Total executive management	**0**	**7 368**	**0**	**647**	**8 015**	**702**

*) 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 2009 that has been reported as additional taxable income with NOK 466,830
b) Frode Foss exercised share options in 2009 that has been reported as additional taxable income with NOK 384,039
c) Asgeir Nyseth exercised share options in 2009 that has been reported as additional taxable income with NOK 385,894
d) Hans-Petter Aanby exercised share options in 2009 that has been reported as additional taxable income with NOK 384,735
e) Daniel Skjeldam exercised share options in 2009 that has been reported as additional taxable income with NOK 176,249
f) Anne-Sissel Skånvik was appointed in 2009, replacing former Senior Vice President Corporate Communications.

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NOTE 7 REMUNERATION TO THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

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Total compensation year 2008

NOK 1 000	Fee	Salary	Bonus	Other benefits **)	Total Compensation	Pension expense ***)
The Board of Directors						
Erik Gunnar Braathen (chairman)	150				150	
Bjørn Kise (deputy chairman)	125				125	
Berit Slåtto Neerbye	100				100	
Liv Berstad	100				100	
Ola Krohn-Fagervoll	100				100	
Halvor Vatnar*)	35				35	
Sissel Gjelstad Vårum*)	35				35	
Monika Johansen*)	35				35	
Total board of directors	**680**	**0**	**0**	**0**	**680**	**0**
Executive Management						
Bjørn Kjos (Chief Executive Officer)		1 291		173	1 464	181
Frode Foss (Chief Financial Officer)		1 144		117	1 261	84
Asgeir Nyseth (Chief Operating Officer)		1 081		10	1 091	113
Hans-Petter Aanby (Chief IT Officer)		1 269		114	1 383	113
Daniel Skjeldam (Chief Commercial Officer)		1 035		13	1 047	76
Gunnar Martinsen		715		24	739	127
(Senior Vice President HR and Organisation)						
Anne Grete Ellingsen		859	15	874		133
(Senior Vice President Corporate Communications)						
Total executive management	**0**	**7 392**	**0**	**467**	**7 859**	**826**

*) 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

Shares and options owned by Senior Managers 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	2009	2008
Audit fee	1 294	1 126
Other audit related services	2 738	422
Tax advisory	534	588
Other services	221	79
Total	**4 787**	**2 215**

NOTE 8 NET FINANCIAL ITEMS

NOK 1 000	2009	2008
Interest income	23 206	39 427
Interest expense	-20 933	-9 880
Net foreign exchange (loss) or gain	39 311	-31 377
Appreciation cash equivalents	6 127	-310
Fair value adjustment long term deposits	152	122
Hedge inefficiency	0	358 264
Other financial items	110	-4 279
Net financial items	**47 974**	**351 966**

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

Non interest bearing deposits for aircraft leases are classified at fair value and a periodic interest income is calculated using the same interest rate as for fair value calculation, according to IAS 39.43.

The hedge inefficiency in 2008 is related to the foreign exchange hedge in USD on the purchase contract on 42 new Boeing 737-800. The arrangement was designated as fair value hedge accounting for a period, according to IAS 39 – Financial instruments. See note 20 for details.

NOTE 9 TAX

This year's tax expense consists of (NOK 1 000)	2009	2008
Tax payable	111 158	267
Tax paid in current year on current year income	1 241	787
Change in deferred tax	64 390	340
Income tax expense	**176 789**	**1 394**

Reconciliation from nominal to effective tax rate:

NOK 1 000	2009	2008
Profit before tax	623 040	5 339
Expected tax expense using nominal tax rate (28 %)	174 451	1 495
Tax effect of the following items:		
Non deductible expenses	-487	-2 694
Adjustments from previous year	6 874	
Tax rate outside Norway other than 28%	-4 051	2 474
Other items	0	118
Tax expense	**176 789**	**1 394**
Effective tax rate	28.38 %	26.10 %

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NOTE 9 TAX

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The following table details deferred tax assets and liabilities;

Deferred tax	**Assets 2009**	**Liabilities 2009**	**Assets 2008**	**Liabilities 2008**
Intangible assets	0	-4 533	0	-8 584
Tangible assets	0	-5 965	0	-15 298
Long term receivables and borrowings in foreign currency	0	-16 853	0	0
Inventories	0	1 167	0	0
Receivables	-13	20 071	653	9 693
Financial instruments	0	-6 289	0	23 974
Derferred gains/losses	0	35	0	44
Other accruals	0	29 980	0	29 715
Pensions	0	27 316	0	17 308
Other temporary differences	0	-62 736	0	-70 934
Loss carried forward	170	0	59 107	4 387
Gross deferred tax assets and liabilities	**157**	**-17 806**	**59 759**	**-9 695**

Reconciliation of deferred tax assets and liabilities	**Assets 2009**	**Liabilities 2009**	**Assets 2008**	**Liabilities 2008**
Recognized at 1 January	59 759	-9 695	61 317	-19 470
Charged/credited to the income statement	-54 179	-10 211	-3 404	3 063
Changes in tax rate in Sweden	0	0	1 920	554
Charged directly to equity	0	2 109	0	6 870
Translation differences	-5 422	-9	-75	-712
Recognized at 31 December	**157**	**-17 806**	**59 759**	**-9 695**

The Group has recognized MNOK 0.2 as a deferred tax asset in 2009. Deferred tax asset is based on unused tax loss carry forwards and temporary differences in assets and liabilities. The tax loss carried forward is expected to be utilized by future taxable profits. Deferred tax liability is based on allocation of purchase price of Norwegian Air Shuttle Sweden AB to fair values, as well as temporary differences in assets and liabilities.

NOTE 10 INTANGIBLE ASSETS

NOK 1 000	**Software**	**Goodwill**	**Indefinite life**	**Definite life**	**Total**
Acquisition costs 1 January 2008	**79 112**	**116 453**	**22 715**	**64 964**	**283 244**
Additions	29 392	0	0	4 022	33 414
Adjusted purchase price (note 25)	0	-21 509	0	0	-21 509
Translation differences	0	6 909	1 383	4 932	13 225
Acquisition costs 31 December 2008	**108 504**	**101 853**	**24 098**	**73 919**	**308 374**
Acquisition costs 1 January 2009	**108 504**	**101 853**	**24 098**	**73 919**	**308 374**
Additions	43 660	0	0	0	43 660
Translation differences	0	-7 695	-1 692	-715	-10 103
Acquisition costs 31 December 2009	**152 164**	**94 157**	**22 406**	**73 203**	**341 932**
Accumulated amortization 1 January 2008	44 419	0	0	6 418	50 837
Amortization	**17 293**	**0**	**0**	**27 345**	**44 638**
Impairment	0	0	0	12 097	12 097
Translation differences	0	0	0	2 728	2 728
Accumulated amortization 31 December 2008	**61 712**	**0**	**0**	**48 588**	**110 300**
Accumulated amortization 1 January 2009	61 712	0	0	48 588	110 300
Amortization	23 013	0	0	16 436	39 449
Translation differences	0	0	0	1 637	1 637
Accumulated amortization 31 December 2009	**84 725**	**0**	**0**	**66 661**	**151 386**
Book value at 31 December 2008	**46 792**	**101 853**	**24 098**	**25 331**	**198 074**
Book value at 31 December 2009	**67 438**	**94 157**	**22 406**	**6 543**	**190 543**
Useful life	3-5 years	Indefinite	Indefinite	See below	
Amortization plan	Linear	None	None	Linear	

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NOTE 10 INTANGIBLE ASSETS

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 new maintenance system (AMOS). These costs are amortized over their estimated useful lives (three to five years).

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

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

Brand name, charter operations and air operating certificate have definite lives and are amortized over their economic useful lives. Charter operations are defined to have an economic life of 15 months from the date of purchase, and the fair value of the asset is amortized linear over 15 months. Brand name was initially defined to have indefinite economic life. However, due to restructuring and rebranding during 1st quarter of 2008, brand name from the acquisition was impaired. An impairment loss of MNOK 12 was recognized in profit or loss at 31 March 2008. At the same time, brand name was defined to have a definite economic life of 12 months from the date of impairment. Remaining fair value of the asset at 31 March 2008 is amortized linear over 12 months. Air Operating Certificate was also defined to have indefinite life at the date of acquisition. However, due to restructuring of the Swedish operations, the Air Operating Certificate was assessed to have a definite life of 12 months starting from 1 March 2009. Charter operations and brand name were fully amortized in 2009.

Impairment testing of goodwill and intangible assets

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

The method used to estimate the recoverable amount is value in use, based on discounted cash flow analysis. The analysis reflects the cash flow projections in the financial business plan covering the next year approved by Senior Management. In addition, the calculation includes estimated cash flows for the next 5 years. Key assumptions used in the calculation are growth rates, operating costs, terminal value and discount rate. Cash flow beyond the 5 year period is extrapolated with a long term growth rate. Estimated cash flow and discount rate is after tax.

Discount rate

The discount rate used is 11.6% and is based on Weighted Average Cost of Capital (WACC). The cost of the Group's debt and equity capital, weighted accordingly to reflect its capital structure, gives its weighted average cost of capital. The WACC rates used to discount the future cash flows are based on market risk free interest rate adjusted for inflation differential and also take into account the debt premium, market risk premium, gearing corporate tax rate and asset beta. An increase of the discount rate by 1% will not result in impairment of goodwill.

Growth rates

The basis for determining future growth rate is next year management approved budget, and an estimated sales growth rate based on planned production increase, expansion of route portfolio and expected increase in market share.

Operating costs

The operating costs are estimated based on the budget period and on estimated future development. Consideration is taken to committed operations efficiency programs, and the planned operating expansion. Changes in the outcome of these initiatives may affect future estimated operating costs. A permanent increase of 1% of total costs, with all other assumptions remaining equal, will not result in impairment of assets.

Terminal value

A growth rate of 2% is used in determining cash flow beyond the 5 year period.

Sensitivity

At 31 December 2009, the value in use of the Group 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 2008	3 933	300 914	316 546	60 619	0	682 013
Additions	0	373 327	388 619	20 106	0	782 052
Disposals	0	0	0	0	0	0
Acquisition cost at 31 December 2008	**3 933**	**674 242**	**705 165**	**80 725**	**0**	**1 464 065**
Acquisition cost at 1 January 2009	3 933	674 242	705 165	80 725	0	1 464 065
Additions	0	546 073	705 827	19 606	26 468	1 297 974
Disposals	0	-16 557	0	-238	0	-16 795
Acquisition cost at 31 December 2009	**3 933**	**1 203 758**	**1 410 992**	**100 093**	**26 468**	**2 745 244**
Accumulated depreciation at 1 January 2008	0	91 095	0	36 306	0	127 401
Depreciation and impairment	0	59 471	0	13 406	0	72 877
Reversals	0	0	0	0	0	0
Accumulated depreciation at 31 December 2008	**0**	**150 566**	**0**	**49 533**	**0**	**200 278**
Accumulated depreciation at 1 January 2009	0	150 566	0	49 533	0	200 099
Depreciation and impairment	0	89 281	0	19 776	376	109 433
Reversals	0	-10 981	0	-121	0	-11 102
Accumulated depreciation at 31 December 2009	**0**	**228 866**	**0**	**69 188**	**376**	**298 430**
Book value at 31 December 2008	**3 933**	**523 676**	**705 165**	**31 014**	**0**	**1 263 787**
Book value at 31 December 2009	**3 933**	**974 892**	**1 410 992**	**30 905**	**26 092**	**2 446 814**

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

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

At 31 December 2009, the Group operated a total of 46 aircraft, 7 owned and 39 leased under operational leases. Operational leases are detailed in note 12.

Aircraft
The group acquired 2 Boeing 737-800 NG aircraft during 2009. Aircraft is decomposed and depreciated over the economic useful life of each component on a straight-line basis. The body of the aircraft is depreciated based on economic useful years, while other components are based on airborne hours and cycles.

The residual value is MNOK 206.1 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 on 737-800 and 30 years on 737-300, and the economic life of the owned aircraft is 25 or 30 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 1-8 years. Linear depreciation is applied and residual value is NOK 0. In 2009 several engines on the leased aircraft were in overhaul, and replacement costs for life limited parts were capitalized in the extent that the costs were improvements to the engines exceeding 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 and repairable parts for aircraft and are depreciated over their useful life. Useful life of spare parts is between 4-10 years. Linear depreciation is applied and 25% of the acquisition cost is calculated as residual value.

Buildings
Buildings consist of 3 apartments in Berlin, purchased in 2007 for the purpose of housing crew and trainees stationed in Berlin on temporary basis. The asset is carried at acquisition cost. The residual value is estimated to equal the acquisition cost.

Prepayments on Boeing contract
In 2007, the Group entered into a purchase contract on 42 new 737-800 aircraft with Boeing Corporation, with an option on 42 additional aircraft. Two aircraft have been delivered in 2009, and 6 purchase options have been exercised. 46 aircraft will be delivered i between 2010 and 2014. Until delivery

NOTE 11 TANGIBLE ASSETS

of the aircraft, the Group will make prepayments to Boeing, following a defined prepayment schedule. The Group capitalizes borrowing costs incurred for the construction of qualifying assets during the period of time that is required to complete the aircraft. Borrowing costs of MNOK 33.5 (2008: MNOK 30.5) have been capitalized during the year. Average capitalization rate of 7.66% (2007: 8.21%) was used. The Group applied fair value hedge accounting of unrecognized firm commitment for the three first quarters of 2008. The hedging relationship was terminated at 16 October 2008. The remaining fair value of the unrecognized firm commitment of MNOK 8.7 at the date of termination was capitalized as a part of the prepayments. Prepayments are not depreciated until the aircraft is delivered and ready to use. The value of prepayments is tested for impairment annually.

Financial lease asset
In 2009, the Group entered into lease agreements 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 Group after the end of the lease agreement. The financial lease assets are depreciated over their economic useful lives. De-ice equipment is depreciated over 20 years, while electronic flight bag equipment is depreciated over 4 years. Residual value of financial lease assets is 0.

Impairment of tangible assets
In 2009 and 2008 the management determined that the total operations of the Group were its cash generating unit, and as such, there is only one operational segment in the Group. Impairment testing of tangible assets are covered by impairment testing on the whole Group, see note 10 for details.

No impairment losses have been recognized in 2009.

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

NOTE 12 OPERATING LEASES

The lease agreements for the Boeing 737 aircraft vary between 3 to 8 years with an option to prolong certain agreements. 6 of the aircraft were delivered in 2002, 2 aircraft in 2003, 4 aircraft in 2004, 2 aircraft in 2005, 6 aircraft in 2006, 2 aircraft in 2007, 8 aircraft in 2008 and 9 aircraft in 2009. Renegotiations have resulted in prolonging some of the short-term leases. The contracts for 5 of the aircraft expire in 2010 and for 8 of the aircraft in 2011. The remaining contracts expire in 2012 or later.

Leasing costs expensed on aircraft lease within operational expenses was MNOK 574.0 in 2009 (2008: MNOK 426.6)

In addition, the Group leases 13 cars, and 9 properties in Oslo, Stavanger, Stockholm, Copenhagen and Warsaw. Leasing costs related to cars and properties expensed in other operating expenses in 2009 was MNOK 21.2 (MNOK 19.1 in 2008)

Annual minimum rent on non-cancellable operating lease agreements;

Nominal value 2009					**Nominal value 2008**			
NOK 1 000	**Aircraft**	**Cars**	**Property**	**Total**	**Aircraft**	**Cars**	**Property**	**Total**
Within one year	887 912	3 910	17 082	908 905	613 824	560	18 466	632 850
Between 1 and 5 years	2 448 487	14 220	36 668	2 499 375	1 509 123	498	63 326	1 572 947
After 5 years	724 171	7 110	13 233	744 513	552 286	0	19 849	572 134

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 agreement.

NOTE 13 TRADE AND OTHER RECEIVABLES

NOK 1 000	2009	2008
Spesification of receivables		
Trade receivables	87 533	121 808
Credit card receivables	435 773	424 054
Deposits	60 211	71 493
Deferred leasing costs	3 491	8 539
Prepaid costs	20 376	19 041
Public duty debt	88 698	57 025
Reimbursements claims maintenance costs	131 786	222 524
Other claims	9 985	5 937
Costs to be reinvoiced	11	63
Prepayments to employees	1 109	418
Prepaid rent	17 311	15 880
Total	**856 284**	**946 783**

Due dates

NOK 1 000	2009	2008
Within one year	829 893	914 379
After 1 year	26 391	32 403
Total	**856 284**	**946 783**

Currency (NOK 1 000)	2009	2008
DKK	30 698	8 021
EUR	62 159	10 425
GBP	14 610	2 428
NOK	457 557	561 050
USD	212 303	306 449
SEK	72 390	58 331
PLN	6 567	78

Fair value of trade and other receivables

NOK 1 000	2009	2008
Due within one year	829 893	914 379
After one year *)	22 706	28 631
Total	**852 600**	**943 010**

For receivables due within one year, fair value is equal to nominal value.
*) Discount rate 5.5 %

Provision for bad debt

NOK 1 000	2009	2008
Balance 1 January	30 269	8 723
Utilized	-2 775	-4 487
Accruals	23 972	28 217
Reversals	-19 810	-2 184
Balance 31 December	**31 655**	**30 269**

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

Overdue accounts receivables

NOK 1 000	2009	2008
Overdue less than 3 months	14 068	39 426
Overdue 3-6 months	6 746	431
Overdue over 6 months	11 711	14 134
Total	**32 525**	**53 991**

The majority of accounts receivable overdue is by reason of slow processing of accounts payable with some of our customers, and is not related to any problems with the ability or willingness to pay. Most of the overdue receivables are to handling agents which are also our suppliers.
Maximum exposure to credit risk at 31 December 2009 is MNOK 655.1 (2008: MNOK 768.4).
The Group has deposits as collateral for the Group's liabilities to suppliers. See note 24 for details on restricted cash.
Non interest bearing deposits are measured at amortized cost in the balance sheet. Deposits denominated in foreign currency are converted using the prevailing exchange rates on the balance sheet date.

NOTE 14 INVENTORIES

NOK 1 000	2009	2008
Consumables	26 183	22 149
Modification equipment	5 745	8 483
Parts for heavy maintenance	7 917	3 581
Other inventory	980	0
Total	**40 825**	**34 214**

In 2009 and 2008 the Group bought parts removed from aircraft engines in relation to heavy maintenance. These parts are held for sale, and sold in secondary markets. Charges for obsolete product in 2009 were MNOK 4.6 (2008: MNOK 0).

NOTE 15 EQUITY AND SHAREHOLDER INFORMATION

At 31 December 2009 the share capital consists of the following share classes;

	2009	2008
Issued shares	34 209 858	32 359 778
Net Shares	**34 209 858**	**32 359 778**

There is only one class of shares, and all shares have equal rights. Par value per share is NOK 0.1

	Number of shares (thousands)	Ordinary shares	Share premium	Total
01 January 2008	20 866	2 087	408 277	410 364
Share issue 5 August 2008	11 494	1 149	380 853	382 002
31 December 2008	**32 360**	**3 236**	**789 130**	**792 366**
Share issue 2 November 2009	230	23	7 353	7 376
Share issue 18 November 2009	1 620	162	245 514	245 676
31 December 2009	**34 210**	**3 421**	**1 041 997**	**1 045 418**

All issued shares are fully paid with a par value of 0.1 NOK per share (2008: 0.1 NOK per share). The share issue at 2 November 2009 was related to exercise of employee share options with an exercise price of NOK 32.06. For additional information about the employee share options, see note 17.

Description of items booked directly on shareholders equity:

Translation differences
MNOK -5.0 has been booked as comprehensive income at 31 December 2009 (2008: MNOK 1.3). The translation differences arise from consolidating the subsidiaries Norwegian Air Shuttle Polska SP.zo.o and Norwegian Air Shuttle Sweden AB into Group accounts.

Expenses for share issue
Expenses for share issue, net of tax, in the amount of MNOK 5.4 (2008: MNOK 17.9) have been booked directly in shareholder equity.

Stock option plan
Stock options are granted to management and employees. In 2008 employees were granted stock options in exchange for a voluntary reduction in salary, where the first part of this option plan was exercised in November 2009. Additionally, options were granted to management in 2009, with an expiry in 2010 and 2011. See note 17 for further details. Total stock option expense in 2009 was MNOK 8.4 (2008: MNOK 6.2).

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NOTE 15 EQUITY AND SHAREHOLDER INFORMATION

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Shareholder structure
The largest shareholders at 31 December 2009 were:

	A-shares	Owner-ship	Voting-rights
HBK INVEST AS	9 499 116	27.77 %	27.77 %
AWILCO INVEST AS	2 320 000	6.78 %	6.78 %
FINNAIR PLC	1 649 862	4.82 %	4.82 %
SKAGEN KON-TIKI	1 603 900	4.69 %	4.69 %
SKAGEN VEKST	1 298 700	3.80 %	3.80 %
DNB NOR NORGE (IV) V	820 340	2.40 %	2.40 %
VITAL FORSIKRING ASA	767 187	2.24 %	2.24 %
HOLBERG NORGE	566 760	1.66 %	1.66 %
GOLDMAN SACHS INT. - EQUITY -	538 580	1.57 %	1.57 %
HOLBERG NORDEN	505 956	1.48 %	1.48 %
SEB ENKILDA ASA - EGENKAPITAL -	406 808	1.19 %	1.19 %
PENSJONSKASSEN STATOIL	392 671	1.15 %	1.15 %
STATE STREET BANK AN	368 858	1.08 %	1.08 %
STATE STREET BANK	339 576	0.99 %	0.99 %
KLP LK AKSJER	300 000	0.88 %	0.88 %
WARRENWICKLUND NORGE	247 184	0.72 %	0.72 %
SHB STOCKHOLM CLIENT	222 210	0.65 %	0.65 %
BARCLAYS CAPITAL SEC	200 000	0.58 %	0.58 %
DNB NOR SMB VPF	198 811	0.58 %	0.58 %
KLP AKSJENORGE	197 500	0.58 %	0.58 %
Other	11 765 839	34.39 %	34.39 %
Total number of shares	**34 209 858**	**100 %**	**100 %**

The largest shareholders at 31 December 2008 were:

	A-shares	Owner-ship	Voting-rights
HBK HOLDING AS	4 909 671	15.17 %	15.17 %
BSB INVEST AS	4 752 991	14.69 %	14.69 %
DNB NOR NORGE (IV)	1 700 792	5.26 %	5.26 %
VITAL FORSIKRING ASA	1 667 837	5.15 %	5.15 %
FINNAIR PLC	1 649 862	5.10 %	5.10 %
OJADA AS	1 453 986	4.49 %	4.49 %
SKAGEN VEKST	1 437 678	4.44 %	4.44 %
AWILCO INVEST AS	1 300 000	4.02 %	4.02 %
PERESTROIKA AS	1 080 175	3.34 %	3.34 %
SKAGEN KON-TIKI	1 000 000	3.09 %	3.09 %
ANKERLØKKEN HOLDING AS	806 454	2.49 %	2.49 %
GOLDMAN SACHS INT. - EQUITY -	683 948	2.11 %	2.11 %
HOLBERG NORDEN	666 600	2.06 %	2.06 %
KLP LK AKSJER	640 000	1.98 %	1.98 %
HOLBERG NORGE	552 800	1.71 %	1.71 %
FONDSAVANSE AS	520 459	1.61 %	1.61 %
VERDIPAPIRFONDET KLP AKSJENORGE	321 400	0.99 %	0.99 %
AWECO INVEST AS	321 030	0.99 %	0.99 %
DNB NOR SMB	320 000	0.99 %	0.99 %
Other	6 574 095	20.32 %	20.32 %
Total number of shares	**32 359 778**	**100 %**	**100 %**

NOTE 15 EQUITY AND SHAREHOLDER INFORMATION

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

Name	Title	Shares 1)	Options
Bjørn Kise 2)	Chairman	781 537	0
Ola Krohn Fagervoll	Board Member	15 462	0
Liv Berstad	Board Member	0	0
Marianne Wergeland Jenssen	Board Member	800	0
Linda Olsen	Board Member - Employee repr	0	0
Thor Espen Bråten	Board Member - Employee repr	1 995	2 529
Kenneth Utsikt	Board Member - Employee repr	1336	956
Bjørn Kjos 3)	Chief Executive Officer	7 998 603	48 052
Frode E Foss	Chief Financial Officer	30 000	46 624
Hans-Petter Aanby	Chief IT Officer	0	46 636
Asgeir Nyseth	Chief Operating Officer	5 200	46 655
Daniel Skjeldam	Chief Commercial Officer	0	43 039
Anne-Sissel Skånvik	Senior Vice President Corporate Communications	0	20 000
Gunnar Martinsen	Senior Vice President HR and Organisation	8 165	20 000

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

Specification of other reserves

	Available-for-sale financial assets	Translation differences	Total
01 January 2008	**0**	**-4 550**	**-4 550**
Available for sale financial assets	-4 376	0	-4 376
Translation differences	0	1 293	1 293
01 January 2009	**-4 376**	**-3 257**	**-7 633**
Available for sale financial assets	1 608	0	1 608
Translation differences	0	-5 007	-5 007
31 December 2009	**-2 768**	**-8 264**	**-11 032**

NOTE 16 EARNINGS PER SHARE

Basic earnings per share calculations are based on the weighted average number of common shares outstanding during the period, while diluted earnings per share calculations are performed using the average number of common shares and dilutive common shares equivalents outstanding during each period. When net earning for the year is negative, diluted earnings per share are set equal to basic earnings per share.

NOK 1 000	2009	2008
Profit	446 251	3 944
Average number of shares outstanding	32 499 404	25 526 209
Average number of shares and options outstanding	33 463 429	27 089 077
Basic earnings per share	13.73	0.15
Diluted earnings per share	13.34	0.15

	2 009	2 008
Average number of shares outstanding	32 499 404	25 526 209
Dilutional effects;		
Stock options	964 025	0
Average number of shares outstanding adjusted for dilutional effects	33 463 429	25 526 209

In 2008, underwritten rights issues of 11,494,252 new shares were issued by the parent company at a subscription price of NOK 34.8 per share, with subscription rights for shareholders as of end of 5 August 2008. The subscription price was set at 30% discount to the volume weighted average trading price on Oslo Stock Exchange during the last five trading days prior to the day of the extraordinary general meeting. The bonus in subscription price is reflected in basic earnings per share. An adjustment factor of 1.075 is used in the calculation.

NOTE 17 OPTIONS

On 24 October 2007 the Board issued, in accordance with the authorization from the general meeting on 3 May 2007, 269,000 stock options to the company management team. The stock options had an exercise price of NOK 173.07. All options expired in 2009.

The Board issued 561,301 stock options to employees on 10 September 2008 in accordance with the authorization from the extraordinary general meeting on 5 August 2008. The stock options have an exercise price of NOK 32.06, equal to the 30% discounted volume weighted share price during the period 26-29 August 2008. The stock options vested 1 October 2009, and may be exercised within a period of two years. The first 50% of the stock options can be exercised during determined periods of exercise. The second 50% of the stock options can be exercised only after the third quarter financial report for 2010. Stock options which are not exercised within 31 October 2010 will expire.

On 20 July 2009 the Board issued, in accordance with the authorization from the general meeting, 384,000 stock options to the management and key personnel. The stock options have an exercise price of NOK 67.00, equal to the average share price the last trading days before issue, plus 10%. The stock options may be exercised within a period of two years and 3 months, whereas the first 50% of the stock options may be exercised one year after grant date and vest 20 July 2010, and the second 50% of the stock options may be exercised two years after grant date.

The stock option program is expensed at fair value over the vesting period. Fair value calculations are conducted using Black & Scholes option pricing model.

There are no market conditions linked to the vesting of the options. The fair value of the options is expensed linear over the vesting period. The cost is offset in other paid in capital.

The following estimates are used in calculating fair value;

	2009	2008
Dividend (%)	0 %	0 %
Expected volatility (%)	58.01 %	54.69 %
Historic volatility (%)	58.01 %	54.69 %
Risk free interest (%)	2.13 %	5.86 %
Expected lifetime (year)	2.25	1.12
Share price at grant date	59.50	39.00

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. There is a cap on the options granted in 2009 limiting the proceeds from the options to three times the participants' annual base salary. Furthermore, the participants in the 2008 - program must cover the social security tax incurred for option gains where the share price exceeds NOK 64.12. These limitations are taken into account when calculating the option values.

The option program is expensed with MNOK 8.4 in 2009 and MNOK 6.2 in 2008.

	2009 Shares	Weighted avg. exerc. Price	2008 Shares	Weighted avg. exerc. Price
Outstanding at the beginning of the period	829 690	77.8	269 000	173.1
Allocated	384 000	67.0	561 301	32.1
Exercised	230 080	32.1	0	0
Terminated	4 009	32.1	611	32.1
Forfeited	0	0	0	0
Expired	269 000	173.1	0	0
Vested options	48 290	32.1	134 500	173.1
Weighted average of fair value of options allocated in the period	384 000	15.4	561 301	13.3
Outstanding at the end of the period	710 601	50.9	829 690	77.8

2009		**Outstanding options**		**Vested options**	
Strike price (NOK)	**Outstanding options by by 31 December 2009**	**Weighted average remaining lifetime (yrs)**	**Weighted average strike price**	**Vested options by 31 December 2009**	**Weighted average strike price**
0.00 - 35.00	326 601	0.8	32.1	48 290	32.1
35.00 -	384 000	1.8	67.0	0	0
Total	**710 601**	**1.4**	**50.9**	**48 290**	**32.1**

2008		**Outstanding options**		**Vested options**	
Strike price (NOK)	**Outstanding options by by 31 December 2008**	**Weighted average remaining lifetime (yrs)**	**Weighted average strike price**	**Vested options by 31 December 2008**	**Weighted average strike price**
0.00 - 100.00	560 690	1.8	32.1	0	0
100.00 - 200.00	269 000	0.8	173.1	134 500	173.1
Total	**829 690**	**1.5**	**77.8**	**134 500**	**173.1**

Norwegian Air Shuttle ASA has implemented a share purchase savings program for the employees, where the employees, by deductions in salary, purchase shares in the parent company and the company will fund up to 50% of the purchased shares, limited to NOK 6000 per year. In addition the company will distribute bonus shares depending on the total amount of purchased shares per employee.

Fair value of the bonus shares are measured at the date of grant using Black & Scholes option pricing model. The fair value of the bonus shares and the corresponding estimated social security cost are expensed as personnel costs over the vesting period. Changes in estimated social security cost are expensed over the remaining vesting period. At 31 December 2009, MNOK 0.2 (2008: MNOK 0.2) was expensed related to the bonus share scheme.

NOTE 18 PENSIONS

Defined contribution plan
Norwegian Air Shuttle Sweden AB's post employment benefits consist of both defined contribution plans and defined benefit plans. Under a defined contribution plan, the Company's only obligation is to pay a fixed premium to a separate entity (a fund), and will have no obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits. The related actuarial and investment risks fall on the employee. The expenditures for defined contribution plans are recognized as costs during the period when the employee provides service. Under a defined benefit plan it is the Company's obligation to provide agreed benefits to current and former employees. The related actuarial and investment risks fall on the Company.

The pension plans of certain employees are secured through insurance at Alecta. Alecta has not been able to produce the necessary information that Swedish companies need to account for defined benefit plans according to IAS 19. These pension plans are therefore accounted for as defined contribution plans.

For the defined contribution plans Norwegian Air Shuttle Sweden AB 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 personnel expenses once paid. Pre-paid premiums are accounted for as an asset to the extent that future benefits can be determined as plausible.

A total of 108 employees were included in the pension plan at 31 December 2009 (2008: 140). Total pension costs expensed in profit or loss in 2009 was MNOK 12.2 (2008: MNOK 16.4)

Defined benefit plan
All employees in Norway participate in a defined benefit plan. The benefits are mainly dependent on pension entitlement earned, salary at the time of retirement and the size of payments from the National Insurance. The liabilities are covered through Vital AS. The plan also covers a life insurance and disability insurance. Per 31 December 2009, a total of 1,465 employees were active members (2008: 1,238), and 30 (2008: 24) were on pension retirement. In addition, employees are included in the early retirement scheme (AFP), which is an unfunded plan for retirement right at the age of 62. The AFP is a multi-employer plan, where the Norwegian state pays a contribution of 40% of paid pensions for the retired persons older than 64 years. The Group payments of contribution to the plan are recognized as an expense in the income statement as incurred. The Group also pays 25% of the pension paid to own pensioners. This is an obligation for the Group that is not funded. The AFP obligation for the Group is shown under the heading "unfunded". At 31 December 2009, 495 employees were active in the AFP pension plan (2008:421), and no employees had retired in the AFP pension plan.

The Scheme is in compliance with the act on occupational pensions.

The pension obligation is calculated on linear accumulation. Changes in the obligation due to changes in and deviations from the estimated assumptions, are spread over the estimated average remaining vesting period for the part of deviations that exceeds 10% of the gross pension liability. Pension costs for the year for the Groups defined benefit plans are calculated by independent actuaries and are based on information as of 1 January 2009. Management has made an assessment of changes in estimates and basis of calculation, these changes have no material impact on the pension cost for 2009. However, in 2008, estimated number of employees at 1 January 2008 was significantly lower than the actual number of employees in 2008. The deviation resulted in an additional pension expense in 2008 of MNOK 22.8 (incl employer's contribution).

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 2009	Total 2008
Net present value of benefits earned	102 828	518	103 346	90 271
Interest cost on pension liability	14 598	76	14 674	11 111
Return on plan assets	-15 594	0	-15 594	-11 459
Administrative expenses	2 485	0	2 485	0
Recognized actuarial gains/losses	6 554	27	6 581	1 895
Social security tax	14 709	84	14 793	12 679
Net pension expense defined benefit plans	**125 580**	**705**	**126 285**	**104 497**
Pension expense on defined contribution plans			12 200	16 397
Total pension expense			**138 485**	**120 894**

Defined benefit liability and fund (NOK 1 000)	2009 Funded	2009 Unfunded	2009 Total	2008 Funded	2008 Unfunded	2008 Total
Change in present value of defined benefit liability:						
Gross pension liability 01.01	394 094	2 029	396 123	248 228	1 173	249 401
Current service costs	102 828	518	103 346	89 860	411	90 271
Interest cost	14 598	76	14 674	11 058	53	11 111
Actuarial gains/losses	-25 314	42	-25 272	49 948	392	50 340
Benefits paid	-5 150	0	-5 150	-5 000	0	-5 000
Gross pension liability 31.12	**481 056**	**2 665**	**483 721**	**394 094**	**2 029**	**396 123**
Change in fair value of plan assets:						
Fair value of pension assets 01.01	233 000	0	233 000	175 000	0	175 000
Expected return	15 594	0	15 594	-6 150	0	-6 150
Actuarial gains/losses	-28 148	0	-28 148	2 549	0	2 549
Administrative expenses	-2 485	0	-2 485	0	0	0
Contributions paid	88 801	0	88 801	66 601	0	66 601
Benefits paid	-5 150	0	-5 150	-5 000	0	-5 000
Fair value of plan assets 31.12	**301 612**	**0**	**301 612**	**233 000**	**0**	**233 000**
Net pension liability	**179 444**	**2 665**	**182 109**	**161 094**	**2 029**	**163 123**
Unrecognized actuarial gains/losses	-98 189	-473	-98 662	-123 748	-561	-124 309
Social security tax	13 844	267	14 111	22 714	286	23 000
Net recognised pension liability 31.12	**95 099**	**2 459**	**97 558**	**60 060**	**1 754**	**61 815**

	2009	2008
Actual return on pension funds *)	5.40 %	0.30 %
Expected contribution to be paid next year	83 300	80 000
Expected benefits to be paid next year	5 163	5 150

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

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

	2009	2008
Discount rate	4.40 %	3.80 %
Expected return on pension funds	5.60 %	5.80 %
Wage adjustments	4.00 %	3.75 %
Increase of social security base amount (G)	4.00 %	3.75 %
Future pension increase	1.30 %	1.75 %
Average turnover	2-10 %	0-10 %

The Groups pension fund is invested in the following instruments:	2009	2008
Equity	9.8 %	24.8 %
Bonds	19.0 %	21.5 %
Money market funds	16.3 %	7.5 %
Hold-to maturity bonds	36.4 %	27.7 %
Real estate	16.6 %	15.6 %
Various	1.2 %	2.9 %

The table shows actual distribution of plan assets at 30 September 2009 and at 31 December 2008.

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NOTE 18 PENSIONS

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Historical information

NOK 1 000	2009	2008	2007	2006	2005
Present value of defined benefit obligation	483 721	396 123	249 401	185 325	152 752
Fair value of plan assets	301 612	233 000	175 000	137 516	99 714
Deficit/(surplus) in the plan	**182 109**	**163 123**	**74 401**	**47 809**	**53 038**
Experience adjustments on plan liabilities	-25 272	50 340	19 506	-1 646	24 346
Experience adjustments on plan assets	-28 148	2 549	-2 375	3 039	-1 972

Sensitivity
The sensitivity analysis shows effects on net pension liability and pension expense if the discount rate and wage adjustment used in the actuarial calculations had been 1% higher (+)/lower (-) at 1 January 2009;

Sensitivity analysis pensions 2009

(NOK 1 000)	Discount rate		Wage adjustment	
	+ 1%	- 1%	+ 1%	- 1%
Net pension liability 31 December 2009 (%)	-16 %	21 %	8 %	-9 %
Net pension expense 2009 (%)	-17 %	21 %	16 %	-16 %
Net pension liability 31 December 2009	81 949	118 046	105 363	88 778
Net pension expense 2009	104 817	152 805	146 491	106 079

NOTE 19 PROVISIONS

Periodic maintenance on leased Boeing 737 and MD-80 aircraft

NOK 1 000	2009	2008
Opening balance	**114 090**	**101 042**
Utilized	-858 976	-313 128
Accruals	877 484	326 175
Reversals	0	0
Closing balance	**132 598**	**114 090**
Classified as short term liabilities	62 262	0
Classified as long term provision	70 336	114 090

The lease contracts require the aircraft to be returned at 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. To meet this requirement, the Group carries out maintenance on aircraft, both regularly and at the expiration of the leasing period. The overhaul and maintenance of the aircraft is a contractual obligation under the lease. 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 overhaul and maintenance that must be carried out. In some of the contracts, there is a degree of uncertainty concerning which maintenance is covered by the maintenance funds, and the provision for this increase in expenses for the Group is distributed over the period until the maintenance is conducted.

The estimation technique for maintenance reserve contribution (MRC) accruals is based on contractual payments for maintenance and mandatory maintenance. The estimated costs of overhaul and maintenance are based on the Group's maintenance program and contractual prices. In addition, accruals are set to meet redelivery conditions for leased aircrafts. Accruals are highly dependent on redelivery date and redelivery conditions in the different lease terms. In the case of prolonging the lease agreement, estimates on maintenance costs will be revised.

Parts of the periodic maintenance will be performed in 2010, and MNOK 62.4 is classified as short term liability for periodic maintenance (2008: MNOK 0). The short term part of periodic maintenance is estimated based on planned maintenance in 2010. The amounts for 2008 are not restated.

NOTE 19 PROVISIONS

Sensitivity
An analysis of the sensitivity on the MRC accruals is shown below;

2009 (NOK 1 000)	5% increased production	5% decreased production
MRC accruals*:	4.20 % 5 569	-4.20 % (5 569)

*Based on MRC accruals 2009. Any changes in future maintenance due to increased/decreased production is not included

Sensitivity
An analysis of the sensitivity on the MRC accruals is shown below;

2009 (NOK 1 000)	1 year lease extension	1.5 year lease extension	2 year lease extension
MRC accruals*:	29.1 % 38 586	40.5 % 53 702	50.4 % 66 830

*Based on MRC accruals 2009. Any changes in future maintenance due to lease extension are not included

NOTE 20 FINANCIAL INSTRUMENTS

The accounting policies for financial instruments have been applied to the line items below (NOK 1 000):

	31 December 2009				31 December 2008			
Assets as per balance sheet	**Loans and receivables**	**Fair value through profit or loss**	**Available -for-sale**	**Total**	**Loans and receivables**	**Fair value through profit or loss**	**Available -for-sale**	**Total**
Available-for-sale financial assets	0	0	7 236	7 236	0	0	5 628	5 628
Derivative financial instruments	0	23 688	0	23 688	0	18 360	0	18 360
Trade and other receivables *)	728 779	0	0	728 779	854 355	0	0	854 355
Cash and cash equivalents	1 408 475	0	0	1 408 475	607 536	0	0	607 536
Total	**2 137 253**	**23 688**	**7 236**	**2 168 177**	**1 461 891**	**18 360**	**5 628**	**1 485 878**
*) Prepayments not included in trade and other receivables	127 505				60 024			

The accounting policies for financial instruments have been applied to the line items below (NOK 1 000):

	31 December 2009			31 December 2008		
Assets as per balance sheet	**Fair value through profit or loss**	**Other financial liabilities**	**Total**	**Fair value through profit or loss**	**Other financial liabilities**	**Total**
Borrowings	0	1 583 010	1 583 010	0	698 330	698 330
Derivative financial instruments	1 227	0	1 227	104 325	0	104 325
Trade and other payables	0	656 250	656 250	0	618 014	618 014
Total	**1 227**	**2 239 260**	**2 240 487**	**104 325**	**1 316 344**	**1 420 668**
*) Public duties not included in trade and other payables		90 299			76 818	

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NOTE 20 FINANCIAL INSTRUMENTS

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Credit quality of financial asset

Trade receivables NOK 1 000	2009	2008
Counterparties with external credit rating		
A or better	0	424 054
Counterparties without external credit rating	728 779	121 808
Total trade receivables	**728 779**	**545 861**
Cash and cash equivalents	**2009**	**2008**
AA-	1 021 335	606 611
BBB +	387 140	925
Total cash and cash equivalents	**1 408 475**	**607 536**
Derivative financial assets	**2009**	**2008**
AA-	23 688	18 360
Total derivative and financial assets	**23 688**	**18 360**

Available-for sale financial assets

NOK 1 000	2009	2008
Januar 1st	5 628	225 761
Additions	0	0
Sale	0	-213 945
Net gains/(losses) recognised in comprehensive income	1 608	-4 376
Net gains/(losses) recorded in profit and loss	0	-1 812
December 31st	**7 236**	**5 628**
Non-current portion	7 236	5 628
Current portion	0	0

Available-for-sale financial assets at 31 December 2009 consist of an investment in unlisted equity instrument in Silver Pensjonsforsikring. The fair value of available for sale financial assets is MNOK 7.2 (2008: MNOK 5.6). Fair value of the equity investment is estimated by using calculations of fair value per share from Holberg Fondsforvaltning AS multiplied with the number of shares held in the investment. Holberg Fondsforvaltning AS is a professional investment manager situated in Norway. The fair value of the shares is assessed to be a best estimate for the market value of the investment.

The Group sold an investment in debt security in 2008 amounting to MNOK 213.9 and realizing a net loss of MNOK 2.5 related to the investment. Interest income earned on the debt security in 2008 was MNOK 0.7. Additionally, an increase in fair value of MNOK 1.6 (reduction 2008: MNOK 4.4) was recognized in comprehensive income on investment in the unlisted equity instrument. Available-for-sale financial assets are denominated in NOK.

	2009		2008	
Derivative financial instruments	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Forward foreign exchange contracts	0	1 227	18 360	0
Forward commodities contracts	23 688	0	0	104 325
Total	**23 688**	**1 227**	**18 360**	**104 325**
Non-current portion:	0	0	0	0
Current portion:	23 688	1 227	18 360	104 325

Trading derivatives are classified as current assets or liabilities.

There are no effects from fair value hedges in 2009, as fair value hedge accounting has not been applied in 2009. The ineffective portion recognized in profit or loss in 2008 that arises from fair value hedges amounts to a gain of MNOK 358.3. The total amount from derivatives that do not qualify for hedge accounting amounts to a gain of MNOK 49.3 (2008: loss of MNOK 147.8). See details under the specification of 'other losses/(gains)- net' below.

NOTE 20 FINANCIAL INSTRUMENTS

Forward foreign currency contracts
The fair value of the outstanding forward foreign currency contracts at 31 December 2009 were MNOK -1.2 (2008: MNOK 18.4). At 31 December 2009, the Group had forward foreign currency contracts to partially secure future payments of aircraft leases, fuel payments, heavy maintenance cost and other operating costs denominated in USD. These contracts are used to minimize the currency risk related to future payments.

Forward commodities contracts
Forward commodities contracts relates to jet-fuel derivatives. The fair value of the outstanding forward commodities contracts at 31 December 2009 were MNOK 23.7 (2008: MNOK -104.3). At 31 December 2009, the Group had 21 unrealized jet-fuel derivative contracts. These contracts are expected to minimize the jet-fuel price risk related to future jet-fuel purchases. The Group had 3 jet-fuel derivatives at 31 December 2008, all of which were realized during 2009.

The forward currency contracts and forward commodities contracts mature at various dates during the next 12 months.

Fair value is calculated using marked to market from financial institutions. Spot price in the market to marked calculations are based on mid-prices as set by the financial institutions (Nordea and DnB Nor) at the balance sheet date.

Other losses/(gains) - net	**2009**	**2008**
Financial assets at fair value through profit or loss		
- Fair value losses	121 400	191 945
- Fair value gains	-170 714	-44 177
Total	**-49 315**	**147 768**
Ineffectiveness on fair value hedges	0	-358 264

No financial instruments were designated as hedging instruments in 2009. Losses and gains on financial assets and financial liabilities at fair value through profit or loss are classified as 'other losses/(gains) – net'. Hedge ineffectiveness on fair value hedges are classified as financial items (see note 8). The ineffective portion recognized in the profit or loss in 2008 that arises from fair value hedges amounts to a gain of MNOK 358.3.

NOTE 21 TRADE AND OTHER PAYABLES

NOK 1 000	**2009**	**2008**
Accrued vacation pay	97 347	76 927
Accrued airport and transportation taxes	178 395	76 779
Accrued expenses	138 690	233 274
Trade payables	220 007	221 338
Public duties	90 299	76 818
Other short term provisions	21 811	9 696
Total	**746 549**	**694 832**

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

NOTE 22 BORROWINGS

Nominal value

NOK 1 000	2009	2008
Nominal value bond issue	563 000	300 000
Amortization	-2 006	-1 303
Bond as at 31 December at amortized cost	**560 994**	**298 697**

Effective interest rate for the year ended 31.12.2009 was 8.4% (2008:8.6%).

NOK 1 000	2009	2008
Nominal value facility agreement	628 394	408 219
Amortization	-4 784	-8 586
Facility as at 31 December at amortized cost	**623 610**	**399 632**

Effective interest rate for the year ended 31.12.2009 was 7.8% (2008:5.6%).

NOK 1 000	2009	2008
Nominal value aircraft financing	400 682	0
Amortization	-31 106	0
Aircraft financing as at 31 December at amortized cost	**369 577**	**0**

Effective interest rate for the year ended 31.12.2009 was 5.4%.

NOK 1 000	2009	2008
Nominal value financial lease liability	28 829	0
Amortization	0	0
Financial lease liability as at 31 December at amortized cost	**28 829**	**0**

Effective interest rate for the year ended 31.12.2009 was 0.6%.

Classification of borrowings

NOK 1 000	2009	2008
Non-current		
Bond issue	398 296	298 697
Facility agreement	144 747	142 176
Aircraft financing	335 833	0
Financial lease liability	28 829	0
Total	**907 705**	**440 873**
Current		
Bond issue	162 698	0
Facility agreement	478 863	257 456
Aircraft financing	33 743	
Financial lease liability	0	0
Total	**675 304**	**257 456**
Total borrowings	**1 583 010**	**698 329**

Collateralized borrowings are detailed in note 23.

Covenants

Bond issue
Equity/Capital Employed higher than 30%
(Capital Employed = equity + borrowings)
Dividend payments less than 35% of net profit

Revolving credit facility
For the revolving credit facility it is agreed covenants linked to cash and cash equivalents in a ratio related to operating cost. In addition it is agreed a covenant linked to gearing (net debt to total capital). Both covenants must be in breach simultaneously in order to be in non-compliance with the covenants.

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.

There are no covenants related to the financial lease liability.

The Group has not been in breach of any covenants during 2009.

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

	Carrying amount		Fair Value	
	2009	2008	2009	2008
Bond issue	398 296	298 697	400 000	279 928
Facility agreement	144 747	142 176	144 747	142 176
Aircraft financing	335 833	0	347 149	0
Financial lease liability	28 829	0	23 745	0

Fair value of non-current borrowings on the facility agreement equals the carrying amount as transaction costs deducted from the notional amount are higher than future interest payments. 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 discounted using a rate based on the following assumptions:

Bond Issue
Interest rate of NIBOR 3 m and a risk premium equal to the spread at the balance sheet date. The bond issue is an unsecured bond issue denominated in NOK and matures 17 December 2012. The coupon is NIBOR + 5.75%.

ISIN: NO001 0560915
Name: Norwegian Air Shuttle ASA 09/12 FRN

ISIN: NO 001 0363476, Open bond issue matures 19 April 2010 and is classified as short term.

Facility agreement
Interest rate of LIBOR 1 m and a risk premium equal to the spread at the balance sheet date. The facility agreement was entered into in 2008 with the French financial institution; Natixis. The facility will finance pre-delivery-payments (PDP's) related to the first 10 aircraft in the Boeing contract.

The borrowings mature at the delivery of each aircraft. See note 2 for further maturity analysis of borrowings. The facility agreement is denominated in USD.

Aircraft financing
Fixed interest rate based on LIBOR 7 y and a risk premium equal to the spread at the balance sheet date. The spread is not entity specific, as the agreed spread is based on overall credit risk in the financial markets in the United States.

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

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 unsecured bond issue. The financial lease liability is denominated in NOK.

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NOTE 22 BORROWINGS

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Future minimum lease payments under financial lease liability

NOK 1 000	2009	2008
Future minimum lease payments		
-No later than 1 year	6 129	0
-Between 1 and 5 years	19 003	0
-Later than 5 years	10 026	0
Total	**35 158**	**0**
Future finance charges on financial lease liability	6 329	0
Present value of financial lease liability	**28 829**	**0**

NOTE 23 ASSETS PLEDGED AS COLLATERAL AND GUARANTEES

Future minimum lease payments under financial lease liability

Liabilities secured by pledge (NOK 1 000):	2009	2008
Facility agreement	623 610	399 632
Aircraft financing	369 577	0
Financial lease liability	28 829	0
Total	**1 022 016**	**399 632**

Prepayments on the first 10 aircraft in the purchase contract with Boeing (see note 11) are pledged as collateral for the revolving credit facility (see note 22). The owned aircraft (see note 11) is pledged as collateral for the aircraft financing (see note 22). 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.

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

Book value of assets pledged as security and guarantees (NOK 1 000):	2009	2008
Cash depot	132 476	116 837
Prepayment and aircraft	1 874 718	499 416
Financial lease asset	26 092	0
Total	**2 033 286**	**616 253**

NOTE 24 BANK DEPOSITS

Cash and cash equivalents

NOK 1 000	2009	2008
Cash in bank	1 021 335	606 611
Cash equivalents	387 140	925
Total	**1 408 475**	**607 536**

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 2009, the interest terms on the cash deposits on folio accounts is 1 month NIBOR - 0.15 to - 0.30% p.a. Interest terms on restricted cash deposits on folio accounts is 1 month NIBOR - 0.15% p.a.

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

Restricted cash items are as follows:

NOK 1 000	2009	2008
Guarantees for leases and credits from suppliers	132 476	116 837
Taxes withheld	46 847	34 275
Total	**179 323**	**151 113**

NOTE 25 INVESTMENT IN SUBSIDIARIES

Norwegian Air Shuttle Polska SP.zo.o
The subsidiary was established in 2006 and is 100% owned. All of the Group's revenue generating assets is owned by Norwegian Air Shuttle ASA. The Group's operations are mainly carried out from the base in Norway, but two of the aircraft in the fleet are designated to the Polish operations and are operating to and from the Warsaw base. The Polish subsidiary is supplying the crew and some lighter maintenance on the aircraft.

Norwegian Air Shuttle Sweden AB
The subsidiary was purchased 31 July 2007. The Group owns 100 % of the shares in Norwegian Air Shuttle Sweden AB. The total purchase price was MNOK 199.8. The company is based at Arlanda Airport, Stockholm, Sweden. The Swedish subsidiary is supplying the crew and some lighter maintenance on the aircraft. Transactions between parent company and the Swedish subsidiary during 2009 consisted of the supply of personnel and transfer of airline operations. On 1 July 2009, the entire airline operation in Norwegian Air Shuttle Sweden AB was transferred to Norwegian air Shuttle ASA through purchase of assets. Pro et contra payments from the business combination were settled in 2008.

Call Norwegian AS
On 14 January 2008 the Group established Call Norwegian AS, and owns 100% of the shares. The company provides mobile- and content services, mobile broadband, airport wi-fi and PC packages to external customers in the mass market.

NAS Asset Management Ireland Ltd
On 15 July 2008 the Group established NAS Asset Management Ltd, a special purpose entity (SPV), and owns 99.9% of the shares. NAS Asset Management Norway AS owns the remaining 0.1% of the shares. The company is incorporated in Ireland and established for aircraft financing purposes.

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

Management believes that all inter-company transactions are handled in accordance with the arm's length principle.

Name	Date of initiation/aquisition	Office	Number of shares	Ownership
Norwegian Air Shuttle Polska SP.zo.o	2 006	Warsaw, Poland	50 000	100 %
Norwegian Air Shuttle Sweden AB	31.07.2007	Stockholm, Sweden	20 000	100 %
Call Norwegian AS	14-01-08	Fornebu, Oslo	1 000 000	100 %
NAS Asset Management Ireland Ltd	15-07-08	Dublin, Ireland	1 000	100 %
NAS Asset Management Norway AS	15-07-08	Fornebu, Oslo	100	100 %

NOTE 26 INVESTMENT IN ASSOCIATED COMPANY

Norwegian Air Shuttle ASA has the following investments in associates:

Entity	Country	Industry	Ownership interest	Carrying amount 31.12.2008	Net profit (loss) 2009	Carrying amount 31.12.2009
Norwegian Finans Holding ASA	Norway	Financial Institution	20 %	44 743	3 200	47 943

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 the Group's share of the associated company's profit and loss is included the carrying amount. The Group's share of the results and its aggregate assets and liabilities in the associated company, are as follows;

2009 (NOK 1 000)

Entity	Country	Assets	Liabilities	Revenues	Profit/(Loss)	Interest held %
Norwegian Finans Holding ASA	Norway	411 627	369 957	23 332	3 200	20 %

NOTE 27 RELATED PARTY TRANSACTIONS

Transactions with related parties
The Chief Executive Officer is the principal shareholder in Norwegian Air Shuttle ASA with an ownership share of 27.27 % through the controlling ownership of HBK Invest AS. The Chairman of the Board owns minority shares in HBK Invest AS. There have been no financial transactions between HBK Invest AS and Norwegian Air Shuttle ASA in 2009 or 2008.

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

The parent company has received commission from the associated company in 2009. The commission relates to sales performed by the parent company's customers using 'Bank Norwegian' credit cards. The total commission for 2009 is enclosed in the table below. There are no inter-company receivables or - payables at 31 December 2009.

No loans or guarantees have been issued to related parties in 2009 or 2008.

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

Terms and conditions for transactions with related parties
Management believe that transactions with related parties are performed at arm's-lengths conditions. Terms and principles for transactions with related parties are continuously evaluated.

The following transactions were carried out with related parties:

Sales (-) and purchases (+) of goods and services (excl VAT)	**2009**	**2008**
- Vogt & Wiig (legal services)	3 447	4 481
- Associate (commission)	(9 540)	(5 229)

Year-end balances arising from sales/purchases of goods/services (incl VAT)	**2009**	**2008**
Receivables from related parties (note 13)		
- Vogt & Wiig (legal services)	0	0
- Associate (commission)	850	0

Investment in related parties	**2009**	**2008**
- Associate (subordinated loan)	30 088	0

NOTE 28 CONTINGENCIES AND LEGAL CLAIMS

Lawsuit
On 17 November 2006, Norwegian Air Shuttle ASA ("Norwegian") filed a civil action against SAS Braathens AS (now SAS Scandinavian Airlines Norge AS) and SAS AS (publ.) for unjustified access to and improper use of sensitive trade secrets. The access was gained through the booking system Amadeus in the period from September 2002 to November 2005. SAS obtained price sensitive information about routes flown by both SAS and Norwegian. Norwegian is claiming damages for the illegal actions.

Asker & Bærum tingrett ruled in favour of Norwegian in May 2008. Norwegian received damages of NOK 132 million for the economic loss resulting from SAS's misuse of Norwegian's trade secrets in addition to legal costs of NOK 7 million. Both parties have appealed. The hearings before the Court of Appeals were finalized in November 2009. The Court of Appeals has not yet rendered its judgment.

SAS' payment obligations from Asker & Bærum tingrett have been secured by a bank guarantee of NOK 146 million which includes legal costs and interests.

In 2006 the Norwegian authorities filed charges against SAS for unjust access to Norwegian's trade secrets. SAS was sentenced in Borgarting Court of Appeal after the Norwegian Supreme Court in December 2007 upheld the ruling from Borgarting Court of Appeal.

The outcome of the civil action is not dependent on the ruling in the criminal action. See also note 30.

NOTE 29 COMMITMENTS

In August 2007, Norwegian Air Shuttle ASA entered a purchase agreement of 42 new Boeing 737-800 aircraft with Blended Winglets. The aircraft have a list price of USD 3.1 billion. Parallel to this, Norwegian Air Shuttle ASA has ensured the purchase rights for an additional 42 aircraft of the same model from Boeing.

In October 2009 Norwegian exercised 6 purchase rights, making the total order for direct-by for Boeing 737-800 aircraft 48. Remaining purchase rights as of 31 December 2009 are 42 aircraft.

During 2009 Norwegian received the first two aircraft. The remaining 46 aircraft will be delivered over a five-year period from 2010 through 2014. The purchase price will be paid over several USD instalments before delivery of each aircraft.

For further commitments on the aircraft leases, see note 12.

NOTE 30 EVENTS AFTER THE BALANCE SHEET DATE

In March 2010 the Court of Appeals awarded Norwegian damages of NOK 160 million in addition to legal costs of NOK 14.7 million in the civil action against SAS for economic loss resulting from SAS' abuse of Norwegian's trade secrets. Whether it will be appealed against the judgement was not determined at the time of printing. See also note 28.

SAS' payment obligations stemming from the Court of Appeal ruling has been secured by a bank guarantee which includes legal costs and interest.

In March 2010 Norwegian Air Shuttle ASA signed a 10 years rental contract with related party HBK Invest AS for its new head office at Oksenøyveien 3, Fornebu.

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NOTE	(NOK 1 000)	2009	2008
	OPERATING REVENUES AND OPERATING EXPENSES		
3	Revenues	6 930 092	5 293 637
	Total operating revenues	**6 930 092**	**5 293 637**
4	Operational expenses	4 643 240	4 032 279
5,16,17	Salaries and other personnel expenses	1 238 035	854 354
8,9	Depreciation and amortization	135 648	89 571
4a	Other operating expenses	357 603	254 553
20	Other losses/(gains) - net	-49 315	147 768
	Total operating expenses	**6 325 210**	**5 378 526**
	Operating profit	**604 882**	**-84 888**
	FINANCIAL REVENUES AND FINANCIAL EXPENSES		
	Interest income	25 802	40 237
	Interest expense	-46 931	-40 665
6	Other financial items	-178 827	343 521
	Net financial items	**-199 956**	**343 093**
26	**Profit/loss from associated company**	3 200	**-8 773**
	Profit before tax	**408 126**	**249 432**
7	Income tax expense	164 741	68 619
	PROFIT FOR THE YEAR	**243 385**	**180 813**
	Allocation of profit for the year		
	Allocated to other equity	**243 385**	**180 813**

BALANCE SHEET

NOTE	(NOK 1 000)	2009	2008
	ASSETS		
	Non-current assets		
8	**Intangible assets**		
	Intangible assets	160 880	42 970
	Total intangible assets	**160 880**	**42 970**
9	**Tangible assets**		
	Buildings	3 933	3 933
	Aircraft, installations and parts	974 892	523 676
	Equipment and fixtures	30 400	30 493
	Financial lease asset	26 092	0
	Prepayment Boeing contract	1 410 992	705 165
	Total tangible assets	2 446 308	1 263 266
	Financial assets		
25	Investment in subsidiaries	52 224	181 617
26	Investment in associated company	47 943	44 743
27	Investment in shares	7 236	5 628
11	Other long term receivables	29 903	152 505
	Total financial assets	**137 306**	**384 493**
	Total non-current assets	**2 744 494**	**1 690 746**
	Current assets		
12	**Inventory**	**39 845**	**34 214**
	Receivables		
	Accounts receivable	521 139	485 120
13,25	Other receivables	317 332	354 854
	Total receivables	**838 471**	**839 974**
20	Financial instruments	23 688	18 360
22	Cash and cash equivalents	1 375 564	583 600
	Total current assets	**2 277 568**	**1 476 130**
	TOTAL ASSETS	**5 022 062**	**3 166 876**

NOTE	(NOK 1 000)	2009	2008
	EQUITY AND LIABILTIES		
	Equity		
	Paid-in equity		
14,15	Share capital	3 421	3 236
15	Share premium reserve	1 041 894	789 130
15	Other paid-in equity	47 387	38 950
	Total paid-in equity	**1 092 702**	**831 316**
	Retained earnings		
15	Other equity	506 089	262 704
	Total retained earnings	**506 089**	**262 704**
	Total equity	**1 598 791**	**1 094 020**
	Liabilities		
	Provisions		
16	Pension liabilities	97 558	61 815
18	Provision for periodic maintenance	70 345	129 080
7	Deferred tax	46 608	1 111
24	Borrowings	878 878	440 873
24	Financial lease liability	28 829	0
	Total long term liabilities	**1 122 218**	**632 879**
	Short term liabilities		
25	Accounts payable	210 639	188 292
	Air traffic settlement liabilities	790 747	526 817
7	Tax payable	111 122	0
	Public duties payable	90 358	66 404
20	Financial instruments	1 227	104 325
19,24	Other short term liabilities	1 096 960	554 139
	Total short term liabilities	**2 301 053**	**1 439 977**
	Total liabilities	**3 423 271**	**2 072 856**
	TOTAL EQUITY AND LIABILITIES	**5 022 062**	**3 166 876**

Fornebu, 24 March 2010

Bjørn H. Kise
(Chairman of the Board)

Bjørn Kjos
(Chief Executive Officer)

Ola Krohn-Fagervoll

Marianne Wergeland Jenssen

Liv Berstad

Kenneth Utsikt
(Employee Representative)

Linda Olsen
(Employee Representative)

Thor Espen Bråten
(Employee Representative)

CASH FLOW STATEMENT

NOTE	(NOK 1 000)	2009	2008
	CASH FLOWS FROM OPERATING ACTIVITIES:		
	Profit before income tax	408 126	249 432
8,9	Depreciation, amortization	135 648	89 571
25	Impairment of shares in subsidiaries	260 727	0
27	Valueadjustment financial assets	-1 608	4 376
	Pension expense without cash effect	32 664	28 505
26	(Gain)/loss on investment in associated company	-3 200	8 773
17	Employee option cost	8 678	6 197
	Change in inventories, accounts receivable and accounts payable	-34 800	-271 058
	Change in air traffic settlement liabilities	263 931	40 150
	Change in other current assets and current liabilities	-68 388	-315 299
	Net cash flow from operating activities	**1 001 777**	**-159 352**
	CASH FLOWS FROM INVESTING ACTIVITIES:		
9	Prepayments aircraft purchase	-683 764	-349 436
9	Purchases of tangible assets	-539 417	-393 314
8	Purchases of intangible assets	-28 128	-25 570
	Net cash from acquisition	0	-20 604
	Payment to subsidiaries	-116 563	-127 290
	Payment to investment in financial fixed assets	-30 000	0
	Returns on investments in financial fixed assets	0	543 412
	Net cash flow from investing activities	**-1 397 872**	**-372 801**
	CASH FLOWS FROM FINANCIAL ACTIVITIES:		
24	New long term liabilities	968 304	339 864
24	Payment long term liabilities	-4 220	0
24	Interest on borrowings	-26 865	-29 220
15	Paid-in equity	250 840	376 000
	Paid-out equity	0	0
	Net cash flow from financial activities	**1 188 059**	**686 643**
	Net change in cash and cash equivalents	791 964	154 489
	Cash and cash equivalents at 1 January	583 600	429 110
22	**Cash and cash equivalents at 31 December**	**1 375 564**	**583 600**

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

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

General valuation rules and classification of assets and liabilities
Assets the Company intends to own or use permanently are classified as non-current assets. All other assets are classified as current assets. Receivables 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 cost. Fixed assets are depreciated using the straight-line method over 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 is 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 changed after a specific number of takeoffs or airborne hours. These components are identified as C check and D check on aircraft body. 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 on these components occurs on a defined interval, and the value is depreciated based on number of takeoffs or airborne hours until the next maintenance occurs. Completed maintenance and overhaul is capitalized and depreciated until 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 of acquisition cost and fair value, except for derivatives designated as hedging instruments. Foreign currency contracts are measured at fair value.

Financial assets are valued at fair value.

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

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

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

Ancillary revenue; Ancillary revenue comprises sales of ticket-related products and services, e.g; excess baggage and fees. Some of the products and services are earned at the time when the transport has been carried out, 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.
Other revenue; Other revenue comprises third party revenue and is recognized when the service has been rendered, fees are reliable measurable, collections are probable, and when other significant obligations have been fulfilled.

Customer loyalty program – Norwegian Reward

Customers earn cash points in the following circumstances;

- Bank Norwegian customer; 1% of the payment is earned on all purchases, except domestic flights in Norway or flights with competitive airlines in Norway. Additionally, cash points are earned on all 'low fare' and 'full flex' tickets purchased from Norwegian Air Shuttle ASA and paid with Bank Norwegian credit cards, with 4% and 19% of the purchase price, respectively.
- 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
- Call Norwegian customer; 3% of all purchases

Corporate customers earn cash points on all airfares. Private customers earn cash points on international flights as domestic flights in Norway are prohibited from cash points earning for private customers.

Earned customer cash points on airline tickets and purchases from Call Norwegian are recognized as a liability in the balance sheet and deducted from the value of the purchase at the purchase date. The customer cash point liability is derecognized from the balance sheet and recognized as income when customers utilize their cash points.

Earned customer cash points on 1% reward from Bank Norwegian are recognized as a liability in the balance sheet and immediately expensed. When the customers utilize earned cash points, the liability is derecognized and cash payment on the Company's services reduced.

Unutilized cash points are derecognized from the balance sheet after three years. The liability is classified as short term available statistics as of 31 December 2009 indicates that customer cash points are utilized within one year.

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

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 that are leased on terms where the major part of risk and control

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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.

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

Investment 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 generally accepted accounting principles. Impairments are reversed when the indication no longer exist.

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

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

Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the Company's policies.

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

Forward foreign currency contracts are initially recognized at fair value on the date a contract is entered into, 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'.

Derivative forward commodity contracts are designated as hedging instruments and carried at fair value through profit or loss. The method of recognizing the resulting gain or loss depends on the nature of the item being hedged. The Company designates its derivatives as hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge) or cash flow hedge.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Fair value hedge
Fair value hedges are hedges of the Company's exposure to changes in the fair value of a recognized asset, liability, an unrecognized firm commitment or an identified portion of such that is attributable to a particular risk and could affect profit or loss. For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is measured at fair value and gains and losses from both are taken to profit and loss.

Cash flow hedge
The Company is exposed to market risks such as currency exchange rates, interest rates and jet- fuel prices. In order to minimize the effect of these risks (on profit or loss, cash flows and equity), the Company applies forward currency contracts and forward commodity (jet-fuel) contracts.

Forward commodity contracts designated as hedging instruments are recognized according to cash flow hedge accounting. Changes in fair value on hedging instruments are temporarily recognized in equity, net after tax. The fair value effects are derecognized from equity to the income statement at the time when the underlying hedged items are recognized in the income statement.

The fair value of derivative currency contracts are calculated by reference to current forward rates for contracts with similar maturity profiles. Thus the fair value of forward currency contracts changes in response to changes in foreign exchange rates. The fair value of forward commodity contracts changes in response to changes in a price index.

Other receivables classified as fixed assets
Other receivables are recognized at the acquisition value. 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.

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

Pensions
The Company operates a defined benefit pension plan 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 higher 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.

Stock Options

Stock options are accounted in accordance with IFRS 2 and 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 expense consists of the aggregate of tax payable and changes in net deferred tax. Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities 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.

Deferred income tax assets and deferred income tax liabilities are offset to the extent that
- the Company has a legally enforceable right to offset the recognized amounts and
- deferred tax assets and tax liabilities relates to income tax from the same tax authority

Deferred income tax is provided on temporary differences arising 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 RISK

The Company'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 Company's overall 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 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 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.

Market risk

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 Risk

A substantial part of the Company's income and expenses are denominated in foreign currency. The Company's leases, aircraft borrowings, maintenance, jet-fuel and related expenses are mainly denominated in USD, and airplane operation expenses are 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 Company has a mandate to hedge up to 100% of its currency exposure the next 12 months. The hedging consists of forward currency contracts and flexible forwards.

Occasionally the Company designates certain forward foreign currency contracts as hedging instruments to hedge the fair value of currency risk in unrecognized firm commitments.

The Company has included sensitivity analysis on foreign currency risk based on two different scenarios; sensitivity in USD to NOK on financial assets and liabilities at 31 December and actual sensitivity in USD exposure interdependent with jet-fuel. The rationale for such sensitivity is that USD exposure in the airline industry is closely related to USD exposure on jet-fuel as jet-fuel actually represents a USD exposure.

In 2009, if NOK had weakened/strengthened by 1% against USD with all other variables held constant, pre-tax profit and pre-tax equity effect for the year would have been MNOK 6.2 (2008: MNOK 0.3) lower/higher, mainly as a result of foreign exchange losses/gains on receivables, payables, derivative financial instruments and long term borrowings in USD.

By calculating sensitivity on foreign currency risk in USD using USD and jet-fuel prices as interdependent variables on operating income, a weakening/strengthening in NOK by 1% against USD dollar, pre-tax profit and

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pre-tax equity effect for 2009 would have been MNOK 28.7 (2008: MNOK 31) lower/higher. This calculation is based on estimated fuel consumption next 12 months, estimated net outflow of USD next 12 months, estimated average jet-fuel price and estimated average USD/NOK exchange rate.

If NOK had weakened/strengthened by 1 % against EUR with all other variables held constant, pre-tax profit and pre-tax equity effect for the year would have been MNOK 0.6 (2008: MNOK 3.6) higher/lower, mainly as a result of foreign exchange gains/losses on receivables, payables and derivative financial instruments.

Interest rate risk
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 interest rate risk arises from cash and cash equivalents and floating interest rate long borrowings. Floating interest rate borrowings consist of unsecured bond issue and revolving credit facility. 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. Leasing contracts have fixed interest rate.

In 2009, if floating interest rate had been 1% higher/lower with all other variables held constant, pre-tax profit and pre-tax equity effect for the year would have been MNOK 2.2 (2008: MNOK 2.4) lower/higher, mainly as a result of higher/lower net interest expense on floating rate cash and cash equivalents and borrowings.

The sensitivity analysis of interest rate risk is calculated based on nominal value of borrowings and cash and cash equivalents.

The Company measures borrowings at amortized cost. No changes in fair value of fixed interest rate borrowings would be accounted for. Fair value calculations of fixed interest rate borrowings are detailed in note 24.

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 protection against significant and sudden increases in jet-fuel prices whilst retaining access to price reductions. The Company manages jet-fuel price risk using fuel derivatives. Management has a mandate to hedge up to 100 % of its expected consumption next 12 month with forward commodity contracts.

In 2009, if the jet-fuel price had increased/decreased by 1 % with all other variables held constant, pre-tax profit for the year would have been MNOK 17.0 (2008: MNOK 17.0) lower/higher.

The sensitivity analysis is calculated based on estimated jet-fuel consumption including estimated hedged consumption for the next 12 months. As opposed to the sensitivity analysis of USD currency risk, the jet-fuel price risk analysis is not based on interdependence between jet-fuel price and USD exchange rates. The sensitivity is calculated using USD/NOK exchange rate at the balance sheet date.

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 Company's policy is to maintain credit sales at a minimum level. Sales to personal customers are settled in cash or using major credit cards companies.

For a part of the Company's sales, customers pay at the time of booking while the Company receive 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 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 Company's liquidity reserve and cash and cash equivalents (note 22) on the basis of expected cash flow. In addition, the Company's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these; monitoring balance sheet liquidity ratios against internal and external regulatory requirements; and maintaining debt financing plans.

The Company will take deliveries of 7 aircraft in 2010, 14 aircraft in 2011 and the remaining 25 aircraft in the period 2012-2014. Pre-delivery payments related to the delivery of the first 10 aircraft were secured in 2007. The Company is currently in process of securing long term financing for the 2 deliveries in 2010, while 5 of the deliveries in 2010 is already secured using guarantees and direct loans from The Ex-Im Bank of the United States. This financing arrangement is reducing liquidity risk.

Capital risk management
The Company's capital management policy is to have a capital structure suitable to the demands on operations, reducing cost of capital, risk factors in the industry, company specific risk and future investments planned by the Company.

NOTE 3 REVENUE

NOK 1 000	2009	2008
By activity:		
Passenger transport	6 040 815	4 733 009
Ancillary revenue	735 484	411 424
Other revenues	153 792	149 205
Total	**6 930 092**	**5 293 637**
By geographic market:		
Norway	2 899 736	2 297 138
Other EU/EEA countries	4 030 356	2 996 499
Total	**6 930 092**	**5 293 637**

In 2009 and 2008, the Company has been running low-fare operations exclusively, using its fleet of Boeing 737 aircraft. The low-fare operation was launched in the autumn of 2002, and revenues from this business are specified the table above. Passenger revenue consists of revenue generated from sale 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 spare parts

NOTE 4 OPERATIONAL EXPENSES

NOK 1 000	2009	2008
Sales and distribution expenses	139 196	101 153
Aviation fuel	1 326 855	1 578 991
Aircraft leases	604 039	422 384
Airport charges	967 579	719 982
Handling charges	679 446	484 073
Technical maintenance expenses	611 331	446 313
Other operating expenses	314 793	279 383
Total	**4 643 240**	**4 032 279**

Note 4a

Other operating expenses amount to MNOK 357.6 (2008: 254.6). Other operating expenses are related to 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, NUMBER OF EMPLOYEES AND REMUNERATION

NOK 1 000	2009	2008
Wages and salaries	951 420	620 178
Social security tax	116 942	93 199
Pension expenses	126 285	104 497
Employee stock options	8 437	6 196
Other benefits	34 951	30 284
Total	**1 238 035**	**854 354**

In 2009, MNOK 8.4 (2008: MNOK 6.2) was charged as an expense to salary, according to the stock option program. The Company has a pension scheme covering all employees. The scheme is in compliance with the act on occupational pensions.

Number of man-labour years	1 494	1 146

NOTE 6 OTHER FINANCIAL ITEMS

NOK 1 000	2009	2008
Forreign exchange income and loss	47 865	-35 204
Appreciation financial current assets	32 319	28 686
Appreciation financial non - current assets (note 27)	1 608	-4 376
Change in fair value hedge accounting	0	358 264
Other financial expenses	108	-3 849
Impairment of shares in subsidiary	-260 727	0
Total	**-178 827**	**343 521**

See note 20 for details on change in fair value adjustments from hedge accounting. Impairment of shares in subsidiaries relates to shares in Norwegian Air Shuttle Sweden AB (note 25).

This year's tax expense consists of (NOK 1 000):	2009	2008
Tax payable	117 135	0
Change in deferred tax	47 607	68 619
Income tax expense	**164 741**	**68 619**

Reconciliation from nominal to effective tax rate:

NOK 1 000	2009	2008
Profit before tax	408 126	249 432
Expected tax expense using nominal tax rate (28 %)	114 275	69 841
Tax effect of the following items:		
Non deductible expenses/non taxable income	43 592	-2 660
Adjustment from previous year	6 874	0
Other items	0	1 438
Tax expense	**164 741**	**68 619**
Effective tax rate	40.37 %	27.51 %

Specification of tax payable	2009	2008
Tax payable in income tax expense	-117 135	0
Group contribution	6 013	0
Tax payable in the balance sheet	**-111 122**	**0**

Specification of temporary differences and tax loss carry forward:

NOK 1 000	2009	2008
Tangible assets	-137 865	-54 635
Long term receivables and borrowings in foreign currency	-60 191	0
Financial instruments	-22 461	85 620
Inventories	4 170	0
Receivables	71 681	34 620
Gain/loss account	125	157
Provisions	107 073	106 126
Pensions	97 558	61 815
Other 1)	-226 549	-277 873
Tax loss carry forward	0	15 669
Total	**-166 459**	**-28 501**
Deferred tax asset/liability	-46 608	-7 980
Adjustments in respect of prior years	0	6 870
Net recognized deferred tax asset/liability	**-46 608**	**-1 111**

1) Other temporary differences consist of book value of firm commitment recognised according to hedge accounting.

Gross movements on deferred income tax:

NOK 1 000	2009	2008
At 1 january (-) liability/(+) asset	-1 111	60 421
Income statement charge	-47 607	-68 619
Tax charged directly in equity	2 109	6 870
Adjustment in respect of prior years	0	218
31 December	**-46 608**	**-1 111**

NOTE 8 INTANGIBLE ASSETS

NOK 1 000	Software	Goodwill	Other intangible assets	Total
Acquisition cost at 1 January 2008	79 112	0	4 591	83 703
Additions	21 548	0	4 022	25 570
Disposals	0	0	0	0
Acquisition cost at 31 December 2008	100 660	0	8 613	109 273
Acquisition cost at 1 January 2009	100 660	0	8 613	109 273
Additions	27 776	94 157	22 406	144 339
Disposals	0	0	0	0
Acquisition cost at 31 December 2009	**128 436**	**94 157**	**31 019**	**253 612**
Accumulated amortization and write-down at January 1 2008	44 419	0	4 591	49 010
Amortization in 2008	17 293	0	0	17 293
Accumulated depreciation and write-down at 31 December 2008	61 712	0	4 591	66 303
Accumulated amortization and write-down at January 1 2009	61 712	0	4 591	66 303
Amortization in 2009	20 152	6 277	0	26 429
Accumulated depreciation and write-down at 31 December 2009	**81 864**	**6 277**	**4 591**	**92 732**
Book value at 31 December 2008	**38 948**	**0**	**4 022**	**42 970**
Book value at 31 December 2009	**46 572**	**87 880**	**26 428**	**160 880**
Economic life	3-5 years	15 years	Indefinite	
Depreciation 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 new 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 are run from Norwegian Air Shuttle ASA from 1 July 2009. Payment for the operation exceeding initial goodwill from the purchase of the shares in Norwegian Air Shuttle Sweden AB in 2007 (note 25) was added to the value of the shares and accounted for under other financial items (note 6) as impairment of shares in subsidiary. Goodwill and slots were identified as assets and measured at the value from initial purchase price in 2007.

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 purchases of internet domains. The Company has developed web portals in Norway, Sweden and Denmark. The intellectual property right is recognized as an addition of MNOK 4 in 2008. In 2009, the Company purchased slots from Norwegian Air Shuttle Sweden AB with an acquisition cost of MNOK 22.4. Slots are included in other intangible assets.

Intangible assets with indefinite economic useful lives are tested for impairment annually. No impairment losses are identified for intangible assets in 2009.

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

The method used to estimate the recoverable amount is value in use, based on discounted cash flow analysis. The analysis reflects the cash flow projections in the financial business plan covering the next year approved by senior management. In addition, the calculation includes estimated cash flows for the next 5 years. Key assumptions used in the calculation are growth rates, operating costs, terminal value and discount rate. Cash flows beyond the 5 year period are extrapolated with a long term growth rate. Estimated cash flow and discount rate is after tax.

NOK 1 000	Buildings	Aircraft	Prepayment Boeing Contract	Equipment and fixtures	Financial lease	Total
Acquisition cost at 1 January 2008	3 933	300 914	316 546	59 568	0	680 961
Additions	0	373 327	388 619	19 987	0	781 933
Disposals	0	0	0	0	0	0
Acquisition cost at 31 December 2008	**3 933**	**674 241**	**705 165**	**79 555**	**0**	**1 462 894**
Acquisition cost at 1 January 2009	3 933	674 241	705 165	79 555	0	1 462 894
Additions	0	546 073	705 827	19 587	26 468	1 297 955
Disposals	0	-16 557	0	-238		-16 795
Acquisition cost at 31 December 2009	**3 933**	**1 203 757**	**1 410 992**	**98 904**	**26 468**	**2 744 054**
Accumulated depreciation at 1 January 2008	0	91 094	0	36 122	0	127 216
Depreciation in 2008	0	59 471	0	12 941	0	72 412
Reversals in 2008	0	0	0	0	0	0
Accumulated depreciation at 31 December 2008	**0**	**150 565**	**0**	**49 063**	**0**	**199 628**
Accumulated depreciation at 1 January 2009	0	150 565	0	49 063	0	199 628
Depreciation in 2009	0	89 281	0	19 562	376	109 219
Reversals in 2009	0	-10 981	0	-121	0	-11 102
Impairment 2009	0	0	0	0	0	0
Accumulated depreciation at 31 December 2009	**0**	**228 865**	**0**	**68 504**	**376**	**297 745**
Book value at 31 December 2008	**3 933**	**523 676**	**705 165**	**30 492**	**0**	**1 263 266**
Book value at 31 December 2009	**3 933**	**974 892**	**1 410 992**	**30 400**	**26 092**	**2 446 308**
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 %	MNOK 206.1	See below	See below	0 %	

At 31 December 2009, the Company operated a total of 46 aircraft, 7 owned and 39 leased under operational leases. Leases are detailed in note 10.

Aircraft
Aircraft consist of purchased aircraft and the Company owns 7 aircraft at 31 December 2009. The residual value is MNOK 206.1 in total for all aircraft. The residual value is deducted from the depreciable amount of the remainder of the aircraft. The life expectancy of the aircraft is 25 years on 737-800 and 30 years on 737-300, and the economic life of the owned aircraft is 25 or 30 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 1-8 years. Linear depreciation is applied and residual value is NOK 0. In 2009 several engines on the leased aircraft were in overhaul, and replacements costs for life limited parts were capitalized in the extent that the costs are improvements to the engines exceeding 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 and repairable parts for aircraft, and are depreciated over their useful life. Useful life of spare parts is between 4-10 years. Linear depreciation is applied and 25% of the acquisition cost is calculated as residual value.

Buildings
Buildings consist of 3 apartments in Berlin, purchased in 2007 for the purpose of housing crew and trainees stationed in Berlin on temporary basis. The asset is carried at acquisition cost. The residual value is estimated to equal the acquisition cost.

Prepayments on Boeing contract
In 2007, the Company entered into a purchase contract on 42 new 737-800 aircraft with Boeing Corporation, with an option on 42 additional aircraft.
Two aircraft have been delivered in 2009, and 6 purchase options have been exercised. 46 aircraft will be delivered in the period 2010 until 2014. Up until delivery of the aircraft, the Company will make prepayments to Boeing, following a defined prepayment schedule. The Company capitalizes borrowing costs incurred for the construction of qualifying assets during the period of time that is required to complete the aircraft. Borrowing costs of MNOK 33.5 (2008: MNOK 30.5) have been capitalized during the year. Average capitalization rate of 7.66% (2008: 8.21%) was used. The Company applied fair value hedge accounting of unrecognized firm commitment for the three first quarters of 2008. The hedging relationship was terminated at 16 October 2008.
The remaining fair value of the unrecognized firm commitment of MNOK 8.7 at the date of termination was capitalized as part of prepayments. Prepayments are not depreciated until the aircraft is delivered and ready for use. The value of prepayments is tested for impairment annually.

Financial lease assets
In 2009, the Company entered into lease agreements 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

Impairment of tangible assets
In 2009 and 2008, 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 for 3 to 8 years from the date of the agreement, with options for extension on certain agreements. 6 of the aircraft were delivered in 2002, 2 aircraft in 2003, 4 aircraft in 2004, 2 aircraft in 2005, 6 aircraft in 2006, 2 aircraft in 2007, 8 aircraft in 2008, and 9 aircraft in 2009. Renegotiations have resulted in extensions on some of the shorter leases. The contracts for 5 of the aircraft expire in 2010 and for 8 of the aircraft in 2011. The remaining contracts expire in 2012 or later.

Leasing costs expensed on aircraft lease within operational expenses was MNOK 604.0 in 2009 (2008: MNOK 422.4).

In addition, the Company leases 13 cars, and 9 properties in Oslo, Stavanger, Stockholm, Copenhagen, and Warsaw. Leasing costs related to cars and properties expensed in other operating expenses in 2009 was MNOK 21.2 (MNOK 19.1 in 2008)

Annual minimum rent on non-cancelable operating lease agreements per 31 December 2009 is as follows:

	Nominal value 2009				Nominal value 2008			
NOK 1.000	**Aircrafts**	**Cars**	**Property**	**Total**	**Aircrafts**	**Cars**	**Property**	**Total**
Within one year	887 912	3 910	17 082	908 904	581 066	560	18 466	600 092
Between 1 and 5 years	2 448 487	14 220	36 668	2 499 375	1 509 123	498	63 326	1 572 947
After 5 years	724 171	7 110	13 233	744 514	552 286	0	19 849	572 134

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.

NOTE 11 LONG TERM RECEIVABLES

NOK 1 000	2009	2008
Deposits	20 398	24 183
Intercompany receivable	5 688	127 290
Other long-term receivables	3 817	1 032
Total	**29 903**	**152 505**

The Company pays deposits on aircraft leases. In 2009, inter-company receivables relates to a long- term loan to Call Norwegian AS. Inter-company receivables in 2008 relates to loan to Norwegian Air Shuttle Sweden AB. Inter-company receivables are presented net against inter-company payables in the financial statements for each subsidiary. Receivables denominated in foreign currency are converted using the prevailing exchange rates on the balance sheet date.

NOTE 12 INVENTORIES

NOK 1 000	2009	2008
Consumables	26 183	22 149
Modification equipment	5 745	8 483
Parts for heavy maintenance	7 917	3 581
Total	**39 845**	**34 214**

In 2009 and 2008, the Company bought parts removed from aircraft engines in relation with heavy maintenance. Such parts are held for sale and sold in secondary markets.

Charges for obsolete product in 2009 were MNOK 4.6 (2008: MNOK 0).

NOTE 13 OTHER RECEIVABLES

NOK 1 000	2009	2008
Prepaid costs	19 121	32 080
VAT refund	87 538	50 227
Reimbursements claims maintenance costs	131 786	179 158
Intercompany receivable	20 975	20 442
Other receivables	57 912	72 946
Total	**317 332**	**354 854**

Due dates

NOK 1 000	2008	2008
Within one year	317 332	354 854
After 1 year (note 11)	29 903	152 505
Total	**347 235**	**507 359**

NOTE 14 SHAREHOLDER'S EQUITY AND SHAREHOLDER INFORMATION

At 31 December 2009, the share capital consists of the following share classes:

	Number	Nominal value	Book value
Class A shares	34 209 858	0.1	3 420 986

Shareholder structure

The largest shareholders at 31 December 2009 were:

	A-shares	Owner-ship	Voting-rights
HBK INVEST AS	9 499 116	27.77 %	27.77 %
AWILCO INVEST AS	2 320 000	6.78 %	6.78 %
FINNAIR PLC	1 649 862	4.82 %	4.82 %
SKAGEN KON-TIKI	1 603 900	4.69 %	4.69 %
SKAGEN VEKST	1 298 700	3.80 %	3.80 %
DNB NOR NORGE (IV) V	820 340	2.40 %	2.40 %
VITAL FORSIKRING ASA	767 187	2.24 %	2.24 %
HOLBERG NORGE	566 760	1.66 %	1.66 %
GOLDMAN SACHS INT. - EQUITY -	538 580	1.57 %	1.57 %
HOLBERG NORDEN	505 956	1.48 %	1.48 %
SEB ENKILDA ASA - EGENKAPITAL -	406 808	1.19 %	1.19 %
PENSJONSKASSEN STATOIL	392 671	1.15 %	1.15 %
STATE STREET BANK AN	368 858	1.08 %	1.08 %
STATE STREET BANK	339 576	0.99 %	0.99 %
KLP LK AKSJER	300 000	0.88 %	0.88 %
WARRENWICKLUND NORGE	247 184	0.72 %	0.72 %
SHB STOCKHOLM CLIENT	222 210	0.65 %	0.65 %
BARCLAYS CAPITAL SEC	200 000	0.58 %	0.58 %
DNB NOR SMB VPF	198 811	0.58 %	0.58 %
KLP AKSJENORGE	197 500	0.58 %	0.58 %
Other	11 765 839	34.39 %	34.39 %
Total number of shares	**34 209 858**	**100 %**	**100 %**

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NOTE 14 SHAREHOLDER'S EQUITY AND SHAREHOLDER INFORMATION

Shares and options directly or indirectly held by members of the Board of Directors, Chief Executive Officer and executive management:

Name	Title	Shares 1)	Options
Bjørn Kise 1)	Chairman	781 537	-
Ola Krohn Fagervoll	Board Member	15 462	-
Liv Berstad	Board Member	-	-
Marianne Wergeland Jenssen	Board Member	800	-
Linda Olsen	Board Member - Employee repr	-	-
Thor Espen Bråten	Board Member - Employee repr	1 995	2 529
Kenneth Utsikt	Board Member - Employee repr	1 336	956
Bjørn Kjos 2)	Chief Executive Officer	7 998 603	48 052
Frode E Foss	Chief Financial Officer	30 000	46 624
Hans-Petter Aanby	Chief IT Officer	-	46 636
Asgeir Nyseth	Chief Operating Officer	5 200	46 655
Daniel Skjeldam	Chief Commercial Officer	-	43 039
Anne-Sissel Skånvik	Senior Vice President HR and Organisation	-	20 000
Gunnar Martinsen	Senior Vice President Corporate Communications	8 165	20 000

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

NOTE 15 EQUITY

NOK 1 000	Share capital	Share prem. reserve	Other paid-in equity	Other equity	Total equity
Equity at 01 January 2008	**2 087**	**408 277**	**32 753**	**81 891**	**525 008**
Share issue 2008	1 149	398 851	0	0	400 000
Expenses for share issue 2008, net of tax	0	-17 998	0	0	-17 998
Compensation expense for stock options	0	0	6 197	0	6 197
Net profit for the year	0	0	0	180 813	180 813
Equity 31 December 2008	**3 236**	**789 130**	**38 950**	**262 704**	**1 094 020**
Equity at 01 January 2009	**3 236**	**789 130**	**38 950**	**262 704**	**1 094 020**
Share issue 2009	162	250 938	0	0	251 100
Expenses for share issue 2009, net of tax	0	-5 527	0	0	-5 527
Stock options- share issue 2009	23	7 353	0	0	7 376
Compensation expense for stock options	0	0	8 437	0	8 437
Net profit for the year	0	0	0	243 385	243 385
Equity 31 December 2009	**3 421**	**1 041 894**	**47 387**	**506 089**	**1 598 791**

NOTE 16 PENSIONS

Defined benefit plan
All employees in Norway participate in a defined benefit plan. The benefits are mainly dependent on pension entitlement earned, salary at the time of retirement and the size of payments from the National Insurance. The liabilities are covered through Vital AS. The plan also covers a life insurance and disability insurance. Per 31 December 2009, a total of 1,465 employees were active members (2008: 1,238), and 30 (2008: 24) were on pension retirement. In addition, employees are included in the early retirement scheme (AFP), which is an unfunded plan for retirement right at the age of 62. The AFP is a multi-employer plan, where the Norwegian state pays a contribution of 40% of paid pensions for the retired persons older than 64 years. The Company's payments of contribution to the plan are recognized as an expense in the income statement as incurred. The Company also pays 25% of the pension paid to own pensioners. This is an obligation for the Company that is not funded. The AFP obligation for the Company is shown under the heading "unfunded". At 31 December 2009, 495 employees were active in the AFP pension plan (2008:421), and no employees had retired in the AFP pension plan.

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The Scheme is in compliance with the act on occupational pensions.

The pension obligation is calculated on linear accumulation. Changes in the obligation due to changes in and deviations from the estimated assumptions, are spread over the estimated average remaining vesting period for the part of deviations that exceeds 10% of the gross pension liability. Pension costs for the year for the Company's defined benefit plans are calculated by independent actuaries and are based on information as of 1 January 2009. Management has made an assessment of changes in estimates and basis of calculation, these changes have no material impact on the pension cost for 2009.

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 2009**	**Total 2008**
Net present value of benefits earned	102 828	518	103 346	90 271
Interest cost on pension liability	14 598	76	14 674	11 111
Return on plan assets	-15 594	0	-15 594	-11 459
Administrative expenses	2 485	0	2 485	0
Recognized actuarial gains/losses	6 554	27	6 581	1 895
Social security tax	14 709	84	14 793	12 679
Net pension expense defined benefit plans	**125 580**	**705**	**126 285**	**104 497**

NOK 1 000	**Funded**	**Unfunded**	**Total 2009**	**Total 2008**
Liabilities on earned pension rights	394 094	2 029	396 123	249 402
Calculated liability from future salary increases	86 962	636	87 598	139 328
Gross pension liabilities	481 056	2 665	483 721	388 730
Pension assets (at market value)	301 612	0	301 612	233 000
Estimate deviations not recognised	-98 189	-473	-98 662	-115 873
Social security tax	13 844	267	14 111	21 958
Net pension liabilities	**95 099**	**2 459**	**97 558**	**61 815**

	2009	**2008**
Best estimate of actual return on pension funds previous year	5.40 %	0.30 %
Expected contribution to be paid next year	83 300	80 000
Expected benefits to be paid	(5 163)	(5 000)

Economic assumptions:	**2009**	**2008**
Discount rate	4.40 %	3.80 %
Expected growth in salaries	4.00 %	3.75 %
Expected growth in state pensions	4.00 %	3.75 %
Expected growth in pensions	1.30 %	1.75 %
Expected return on pension assets	5.60 %	5.80 %
Average turnover	2-10 %	0-10 %

The companys pension fund is invested in the following instruments:

	2009	**2008**
Equity	9.8 %	24.8 %
Bonds	19.0 %	21.5 %
Money market funds	16.3 %	7.5 %
Hold-to-maturity bonds	36.4 %	27.7 %
Real estate	16.6 %	15.6 %
Various	1.2 %	2.9 %

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

	2009	**2008**	**2007**	**2006**	**2005**
Present value of defined benefit obligation	483 721	388 730	249 401	185 325	152 752
Fair value of plan assets	301 612	233 000	175 000	137 516	99 714
Deficit/(surplus) in the plan	182 109	155 730	74 401	47 809	53 038
Experience adjustments on plan liabilities	-25 272	50 340	19 506	-1 646	24 346
Experience adjustments on plan assets	-28 148	2 549	-2 375	3 039	-1 972

NOTE 17 OPTIONS

On 24 October 2007 the Board issued, in accordance with the authorization from the general meeting on 3 May 2007, 269,000 stock options to the Company's management team. The stock options had an exercise price of NOK 173.07. All options expired in 2009.

The Board issued 561,301 stock options to employees on 10 September 2008, in accordance with the authorization from the extraordinary general meeting on 5 August 2008. The stock options have an exercise price of NOK 32.06, equal to the 30% discounted volume weighted share price during the period 26-29 August 2008. The stock options vest 1 October 2009, and may be exercised within a period of two years. The first 50% of the stock options can be exercised during determined periods of exercise. The second 50% of the stock options can be exercised only after the third quarter financial report for 2010. Stock options not exercised before 31 October 2010 is forfeited.

On 20 July 2009 the Board issued, in accordance with the authorization from the general meeting, 384,000 stock options to the management and key personnel. The stock options have an exercise price of NOK 67.00, equal to the average share price the last trading days before issue, plus 10%. The stock options may be exercised within a period of two years, whereas the first 50% of the stock options may be exercised on year after grant date and vest 20 July 2010.

The stock option program is expensed at fair value over the vesting period. Fair value calculations are conducted using Black & Scholes option pricing model.

The model takes into account market conditions for vesting in the assessment of fair value. The cost of fair value is expensed linear over the vesting period. The costs are offset in other paid in capital.

The following estimates are used in calculating fair value;

	2009	2008
Dividend (%)	0 %	0 %
Expected volatility (%)	58.01 %	54.69 %
Historic volatility (%)	58.01 %	54.69 %
Risk free interest (%)	2.13 %	5.86 %
Expected lifetime (year)	2.25	1.12
Share price at grant date	59.50	39.00

Expected lifetime assumes that stock options are exercised at expiration. Expected volatility is based on the historical volatility over the most recent period that corersponds with the expected life of the option. There is a cap on the options granted in 2009 limiting the proceeds from the options to three times the participants' annual base salary. Furthermore, the participants in the 2008 - program must cover the social security tax incurred for option gains where the share price exceeds NOK 64.12. These limitations are taken into account when calculating the option values.

The option program is expensed with MNOK 8.4 in 2009 and MNOK 6.2 in 2008.

	2009 Shares	Weighted avg. exerc. Price	2008 Shares	Weighted avg. exerc. Price
Outstanding at the beginning of the period	829 690	77.8	269 000	173.1
Allocated	384 000	67.0	561 301	32.1
Exercised	230 080	32.1	-	-
Terminated	4 009	32.1	611	32.1
Forfeited	-	-	-	-
Expired	269 000	173.1	-	-
Vested options	48 290	32.1	134 500	173.1
Weighted average of fair value of options allocated in the period	384 000	15.4	561 301	13.3
Outstanding at the end of the period	710 601	50.9	829 690	77.8

NOTE 17 OPTIONS

2 009	Outstanding options			Vested options	
Strike price (NOK)	Outstanding options by by 31 December 2009	Weighted average remaining lifetime (yrs)	Weighted average strike price	Vested options by 31 December 2009	Weighted average strike price
0.00 - 35.00	326 601	0.8	32.1	48 290	32.1
35.00 -	384 000	1.8	67.0	-	-
Total	**710 601**	**1.4**	**50.9**	**48 290**	**32.1**

2 008	Outstanding options			Vested options	
Strike price (NOK)	Outstanding options by by 31 December 2008	Weighted average remaining lifetime (yrs)	Weighted average strike price	Vested options by 31 December 2008	Weighted average strike price
0,00 - 100,00	560 690	1.8	32.1	0	0
100,00 - 200,00	269 000	0.8	173.1	134 500	173.1
Total	**829 690**	**1.5**	**77.8**	**134 500**	**173.1**

In 2007 Norwegian Air Shuttle ASA implemented a "Share Savings Plan" whereby the employees, through monthly deductions in salary, purchased shares in the company. The company will match up to 50% of the employee's savings amount, limited to NOK 6,000 per annum. In addition, there is a bonus share scheme, entitling employees to receive bonus shares 2 years after the initial share purchase at a one-for-ten ratio to initial shares purchased.

Fair value of the bonus shares are measured at the date of grant using Black & Scholes option pricing model. The fair value of the bonus shares and the corresponding estimated social security cost are expensed as personnel costs over the vesting period. Changes in estimated social security cost are expensed over the remaining vesting period. At 31 December 2009, MNOK 0.2 (2008: MNOK 0.20) was expensed related to the bonus share scheme.

NOTE 18 PROVISIONS

NOK 1 000	2009	2008
Periodic maintenance on leased Boeing 737 airplanes	70 345	129 080
Total provisions	**70 345**	**129 080**

For leased airplanes, payments to maintenance funds held by the lessor are made. The accrued provisions in the accounts are estimated payments for periodic maintenance 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 works are 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 maintenance will be performed in 2010, and MNOK 62.4 is classified as short term liability for periodic maintenance (2008: MNOK 0). The short term part of periodic maintenance is estimated based on planned maintenance in 2010. Amounts for 2008 are not restated.

NOTE 19 OTHER SHORT-TERM LIABILITIES

NOK 1 000	2009	2008
Accrued holiday allowances	75 041	62 214
Accrued expenses	251 407	222 325
Short term part of long term borrowings (note 24)	675 303	257 456
Short term part of periodic maintenance	62 382	0
Inter-company liabilities	13 428	0
Other short term liabilities	19 398	12 144
Total	**1 096 960**	**554 139**

NOTE 20 FINANCIAL INSTRUMENTS

December 31 2009 (NOK 1 000)	Assets Short term	Long term	Liabilities Short term	Long term
Foreign exchange hedges fair value	0	0	1 227	0
Jet-fuel contracts	23 688	0	0	0
Total financial instruments	**23 688**	**0**	**1 227**	**0**

December 31 2008 (NOK 1 000)	Assets Short term	Long term	Liabilities Short term	Long term
Foreign exchange hedges fair value	18 360	0	0	0
Jet-fuel contracts	0	0	104 325	0
Total financial instruments	**18 360**	**0**	**104 325**	**0**

Other losses/(gains) - net

NOK 1 000	2009	2008
- Fair value losses	121 400	191 945
- Fair value gains	-170 714	-44 177
Net losses/(gains)	-49 314	147 768
Ineffectiveness on fair value hedges	0	-358 264

Losses and gains on financial asset and financial liabilities at fair value through profit or loss are classified as 'other losses/(gains) – net'. Hedge ineffectiveness on fair value hedges are classified as financial items (note 6).

In 2009, forward commodity contracts are designated as hedging instruments according to cash flow hedge accounting. Unrealized changes in fair value on the hedging instruments are temporarily recognized in equity, net after tax, amounting to MNOK 23.7. The ineffective portion from fair value hedge accounting in 2008 is recognized as a gain of MNOK 358.3 within financial items.

NOTE 21 ASSETS PLEDGED AS COLLATERAL AND GUARANTEES

Prepayments on the first 10 aircraft in the purchase contract with Boeing (note 9) are pledged as collateral for the revolving credit facility (note 23).

The owned aircraft (note 9) is pledged as collateral for the aircraft financing (note 24).

There are no pledged collateral for the financial lease liability, but the financial lease asset is an actual security for the financial lease liability through fulfillment of the lease agreement.

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

Book value of assets pledged as security (NOK 1 000):	2009	2008
Cash depot	132 476	116 837
Prepayment and aircraft	1 874 718	499 416
Financial lease asset	26 092	0
Total	**2 033 286**	**616 253**

NOTE 22 CASH AND CASH EQUIVALENTS

NOK 1 000	2009	2008
Cash in bank	988 424	582 674
Cash equivalents	387 140	925
Total	**1 375 564**	**583 600**

Restricted cash items are: NOK 1 000	**2009**	**2008**
Guarantees for leases and credits from suppliers	132 476	116 837
Taxes withheld	46 131	34 275
Total restricted cash	**178 607**	**151 113**

NOTE 23 REMUNERATION TO THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

Remuneration to the board of Directors
Total remuneration paid to the Board in 2009 was MNOK 0.7. The Chairman of the Board, Bjørn Kise, received MNOK 0.1. There were no bonus or other form of compensation paid to the Board members in 2009.

Directive of remuneration to the CEO and Executive Management
The principles for leadership remuneration in Norwegian Air Shuttle ASA are to stimulate to a strong and lasting profit oriented culture. The total compensation level should be competitive, however, not market leading compared to similar organizations. The Board defines the remuneration to the CEO, and the guidelines for remuneration to the other Executive Management. The remuneration to the Board and Executive Management must not have negative effects for the Company, nor damage the reputation and standing of the Company in the public eye. There have been no changes in the guidelines or principles for management remuneration during the year. The actual remuneration in 2009 was consistent with the guidelines and principles.

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

The CEO does not receive other compensation in form of performance based salary or bonus. Executive Management can on an individual basis be awarded special compensation for profit enhancing projects, where compensation is set at a specific level of actual profit generated.

Executive Management is part of the Company's collective pension plan for salary up to 12 G, which applies to all employees. Senior management has no special rights in the event of termination of employment.

Total compensation year 2009

NOK 1 000	Fee	Salary	Bonus	Other benefits **)	Total Compensation	Pension expense ***)
The Board of Directors						
Bjørn Kise (chairman)	125				125	
Erik Gunnar Braathen (deputy chairman until 26.11.2009)	150				150	
Liv Berstad	100				100	
Ola Krohn-Fagervoll	100				100	
Marianne Wergeland Jenssen	100				100	
Halvor Vatnar*)	35				35	
Sissel Gjelstad Vårum*)	35				35	
Monika Johansen*)	35				35	
Total Board of directors	**680**	**0**	**0**	**0**	**680**	**0**
Executive Management						
Bjørn Kjos (Chief Executive Officer)		1 256		175	1 431 a)	127
Frode Foss (Chief Financial Officer)		1 110		118	1 228 b)	78
Asgeir Nyseth (Chief Operating Officer)		1 186		10	1 196 c)	121
Hans-Petter Aanby (Chief IT Officer)		1 110		116	1 226 d)	104
Daniel Skjeldam (Chief Commercial Officer)		1 055		99	1 154 e)	44
Gunnar Martinsen (Senior Vice President HR and Organisation)		826		18	844	105
Anne-Sissel Skånvik (Senior Vice President Corporate Communications)		825		111	936 f)	123
Total executive management	**0**	**7 368**	**0**	**647**	**8 015**	**702**

*) 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 excercised share options in 2009 that has been reported as additional taxable income with NOK 466,830
b) Frode Foss excercised share options in 2009 that has been reported as additional taxable income with NOK 384,039
c) Asgeir Nyseth excercised share options in 2009 that has been reported as additional taxable income with NOK 385,039
d) Hans-Petter Aanby excercised share options in 2009 that has been reported as additional taxable income with NOK 384,735
e) Daniel Skjeldam excercised share options in 2009 that has been reported as additional taxable income with NOK 176,249
f) Anne-Sissel Skånvik was appointed in 2009, replacing former Senior Vice President Corporate Communications.

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NOTE 23 REMUNERATION TO THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

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Total compensation year 2008

NOK 1 000	Fee	Salary	Bonus	Other benefits **)	Total Compensation	Pension expense ***)
The Board of Directors						
Erik Gunnar Braathen (chairman)	150				150	
Bjørn Kise (deputy chairman)	125				125	
Berit Slåtto Neerbye	100				100	
Liv Berstad	100				100	
Ola Krohn-Fagervoll	100				100	
Halvor Vatnar*)	35				35	
Sissel Gjelstad Vårum*)	35				35	
Monika Johansen*)	35				35	
Total Board of directors	**680**	**0**	**0**	**0**	**680**	**0**
Executive Management						
Bjørn Kjos (Chief Executive Officer)		1 291		173	1 464	181
Frode Foss (Chief Financial Officer)		1 144		117	1 261	84
Asgeir Nyseth (Chief Operating Officer)		1 081		10	1 091	113
Hans-Petter Aanby (Chief IT Officer)		1 269		114	1 383	113
Daniel Skjeldam (Chief Commercial Officer)		1 035		13	1 047	76
Gunnar Martinsen (Senior Vice President HR and Organisation)		715		24	739	127
Anne Grete Ellingsen (Senior Vice President Corporate Communications)		859		15	874	133
Total executive management	0	7 392	0	467	7 859	826

*) 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

Shares and options owned by senior managers are presented in note 14.

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

Auditor remuneration

NOK 1 000	2009	2008
Audit fee	761	870
Other audit related services	2 558	412
Tax advisory	534	514
Other services	221	79
Total	**4 074**	**1 875**

All amounts stated are without VAT

NOTE 24 BORROWINGS

Nominal value (NOK 1 000)	2009	2008
Nominal value bond issue	563 000	300 000
Amortization	-2 006	-1 303
Bond at 31 December at amortized cost	**560 994**	**298 697**

Effective interest rate for the year ended 31.12.2009 was 8.4% (2008:8.6%).

	2009	2008
Nominal value facility agreement	628 394	408 219
Amortization	-4 784	-8 586
Facility at 31 December at amortized cost	**623 610**	**399 632**

Effective interest rate for the year ended 31.12.2009 was 9.5% (2008:5.6%).

	2009	2008
Nominal value aircraft financing	400 682	0
Amortization	-31 106	0
Aircraft financing at 31 December at amortized cost	**369 576**	**0**

Effective interest rate for the year ended 31.12.2009 was 5.4%.

	2009	2008
Nominal value financial lease liability	28 829	0
Amortization	0	0
Financial lease liability at 31 December at amortized cost	**28 829**	**0**

Effective interest rate for the year ended 31.12.2009 was 0.6%.

Classification of borrowings

NOK 1 000	**2009**	**2008**
Non-current		Bond issue
398 298	298 697	
Facility agreement	144 747	142 176
Aircraft financing	335 833	0
Financial lease liability	28 829	0
Total	**907 707**	**440 873**
Current		
Bond issue	162 697	0
Facility agreement	478 863	257 456
Aircraft financing	33 743	
Financial lease liability	0	
Total (note 19)	**675 303**	**257 456**
Total borrowings	**1 583 010**	**698 330**

Total borrowings include secured liabilities of MNOK 993.2 (2008: MNOK 399.6) (collateralized borrowings). Collateralized borrowings are secured by prepayments on the Boeing Contract (note 9). Additionally, aircraft financing from PEFCO on new 737-800 aircraft are guaranteed by the Ex-Im Bank of the United States and the Ex-Im Bank of the United States has pledged collateral in the aircraft (note 9).

Bond issue
Interest rate of NIBOR 3 m and a risk premium equal to the spread at the balance sheet date.

The bond issue is an unsecured bond issue denominated in NOK and matures on 19 April 2010 for the current borrowings and on 17 December 2012 for the non-current borrowings. The coupon is NIBOR + 2% for the current borrowings and NIBOR +5.75% for the non-current borrowings.

Revolving credit facility
Interest rate of LIBOR 1 m and a risk premium equal to the spread at the balance sheet date.

The facility agreement was entered into as of 28 September 2008 with the French financing institution Natixis and is denominated in USD. The facility will finance pre-delivery-payments (PDP's) related to the first 10 aircraft in the Boeing contract. The coupon is LIBOR +1.30%. The borrowings mature at the delivery of each aircraft.

Aircraft financing
Fixed interest rate based on LIBOR 7 y and a risk premium equal to the spread at the balance sheet date. The spread is not entity specific, as the agreed spread is based on overall credit risk in the financial markets in the United States.

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

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

The discount rates used to calculate the fair value of the financial lease liability equals the risk free interest rate and spread related to unsecured bond issue. The financial lease liability is denominated in NOK.

Maturity of borrowings

At 31 December 2009 (NOK 1 000)	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 yearsLong term**
Borrowings	675 303	334 162	330 668	214 048
Total liabilities	675 303	334 162	330 668	214 048

NOTE 25 INVESTMENT IN SUBSIDIARIES AND RELATED PARTIES

Norwegian Air Shuttle Polska SP.zo.o
The subsidiary was established in 2006 and is 100% owned. All of the Group's business generating assets is owned by Norwegian Air Shuttle ASA. The Group's operations are mainly carried out at from the base in Norway, but one aircraft is designated to the Polish operations and are operating to and from the Warsaw base. The Polish subsidiary is supplying crew and minor line maintenance on the aircraft.

Norwegian Air Shuttle Sweden AB
The subsidiary was purchased on 31 July 2007. The Company owns 100 % of the shares in Norwegian Air Shuttle Sweden AB. The total purchase price was MNOK 199.8. Pro et contra payments from the business combination were settled in 2008.The company is based at Arlanda Airport, Stockholm, Sweden. The Swedish subsidiary is supplying crew and some lighter maintenance on the aircraft. Transactions between parent company and the Swedish subsidiary during 2009 were supply of personnel and transfer of airline operations. At 1 July 2009, the entire airline operation in Norwegian Air Shuttle Sweden AB was transferred to Norwegian Air Shuttle ASA through purchase of assets. Investment in shares in subsidiary was impaired in 2009, resulting in a recognized loss within other financial items of MNOK 260.7 (note 6).

Call Norwegian AS
At 14 January 2008 the Group established Call Norwegian AS, and owns 100% of the shares. The company provides regular land-based telephone services and internet connectivity at major airports served by Norwegian. There are plans for offering products such as cell-phone coverage and internet access in the air in partnership with the airline. Transactions between parent company and Call Norwegian AS in 2009 were primarily a loan to Call Norwegian AS of MNOK 26.6.

NAS Asset Management Ireland Ltd
At 15 July 2008 the Group established NAS Asset Management Ltd, a special purpose entity (SPE), and owns 99,9% of the shares. NAS Asset Management Norway AS owns the remaining 0,1% of the shares. The company is incorporated in Ireland and established for aircraft financing purposes. The risk and reward on the Boeing contract is not transferred to NAS Asset Management Ireland Ltd, and the "substance over form" convention is applied in the accounting for the subsidiary. All inter-company transactions with NAS Asset Management Ireland are eliminated in the parent company accounts.

NAS Asset Management Norway AS
At 15 July 2008 the Group established NAS Asset Management Norway AS, a special purpose entity (SPE), and owns 100% of the shares. NAS Asset Management Norway AS was established for aircraft financing purposes. The subsidiary has not had any transactions with related parties in 2009.

Management believes that all inter-company transactions are handled at arms-length conditions.

Name (NOK 1 000)	**Date of initiation/aquisition**	**Office**	**Number of shares**	**Ownership**	**Book value 31.12.2009**	**Book value 31.12.2008**
Norwegian Air Shuttle Polska SP.zo.o	2 006	Warsaw, Poland	50 000	100 %	2 214	2 214
Norwegian Air Shuttle Sweden AB	31.07.2007	Stockholm, Sweden	20 000	100 %	33 448	178 302
Call Norwegian AS	14-01-08	Fornebu, Oslo	1 000 000	100 %	16 461	1 000
NAS Asset Management Ireland Ltd	15-07-08	Dublin, Ireland	999	99.9 %	1	1
NAS Asset Management Norway AS	15-07-08	Fornebu, Oslo	100	100 %	100	100

Intercompany balances 31 december 2009	**Short term**	**Long term**
Receivables	20 975	5 688
Payables	13 428	0
Intercompany balances 31 december 2008	**Short term**	**Long term**
Receivables	15 596	143 574
Payables	0	16 284

NOTE 25 INVESTMENT IN SUBSIDIARIES AND RELATED PARTIES

Transactions with related parties
The CEO is the principal shareholder in Norwegian Air Shuttle ASA with an ownership share of 27.27% through the controlling ownership of HBK Invest AS. The Chairman of the Board owns minority shares in HBK Invest AS. There have been no financial transactions between HBK Invest AS and Norwegian Air Shuttle ASA in 2009 or 2008.

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

The parent company has received commission from the associated company in 2009. The commission relates to sales performed by the parent company's customers using 'Bank Norwegian' credit cards. The total commission for 2009 is enclosed in the table below. There are no inter-company receivables or - payables at 31 December 2009.

No loans or guarantees have been issued to related parties in 2009 or 2008.

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

Terms and conditions for transactions with related parties
Management believes that transactions with related parties are performed at arms-lengths conditions. Terms and principles for transactions with related parties are continuously evaluated.

The following transactions were carried out with related parties:

Sales (-) and purchases (+) of goods and services (excl VAT)	**2009**	**2008**
- Vogt & Wiig (legal services)	3 447	4 481
- Associate (commission)	(9 540)	(5 229)
Year-end balances arising from sales/purchases of goods/services (incl VAT)	**2009**	**2008**
Receivables from related parties (note 13)		
- Vogt & Wiig (legal services)	0	0
- Associate (commission)	850	0
Investment in related parties	**2 009**	**2 008**
- Associate (subordinated loan)	30 088	0

NOTE 26 INVESTMENT IN ASSOCIATED COMPANY

Norwegian Air Shuttle ASA has the following investments in associates:

Entity	Country	Industry	Ownership interest	Carrying amount 31.12.2008	Net profit (loss) 2009	Carrying 31.12.2009
Norwegian Finans Holding ASA	Norway	Financial Institution	20 %	44 743	3 200	47 943

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.

Bank Norwegian started operations in November 2007 and ends its financial year on December 31. Norwegian Air Shuttle ASA has made an estimate of the period's profit and loss since no official financial statements have been publicly available. The estimates are based on operating projections made available in the Public share offering.

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

Entity	Country	Assets	Liabilities	Revenues	Profit/(Loss)	Interest held %
Norwegian Finans Holding ASA	Norway	411 627	369 957	23 332	3 200	20 %

NOTE 27 INVESTMENT IN SHARES

Company	Ownership	Market value 2009	Book value 2009	Market value 2008	Book value 2008
Silver pensjonsforsikring AS	1.4 %	7 236	7 236	5 628	5 628

A reversal of loss on shares from previous periods was recognized in the income statement in 2009, due to an increase in the market value of the investment in Silver. The recognized gain was MNOK 1.6 (2008: MNOK - 4.4 (loss).

NOTE 28 CONTINGENCIES AND LEGAL CLAIMS

Law suit
On 17 November 2006, Norwegian Air Shuttle ASA ("Norwegian") filed a civil action against SAS Braathens AS (now SAS Scandinavian Airlines Norge AS) and SAS AS (publ.) for unjustified access to and improper use of sensitive trade secrets. The access was gained through the booking system Amadeus in the period from September 2002 to November 2005. SAS obtained price sensitive information about routes flown by both SAS and Norwegian. Norwegian is claiming damages for the illegal actions.

Asker & Bærum tingrett ruled in favor of Norwegian in May 2008. Norwegian received damages of MNOK 132 for the economic loss resulting from SAS's misuse of Norwegian's trade secrets in addition to legal costs of MNOK 7. Both parties have appealed. The hearings before the Court of Appeals were finalized in November 2009. The Court of Appeals has not yet rendered its judgment.

SAS' payment obligations have been secured by a bank guarantee of MNOK 146 which includes legal costs and interest.

In 2006, the Norwegian authorities filed charges against SAS for unjust access to Norwegian's trade secrets. SAS was sentenced in Borgarting Court of Appeal after the Norwegian Supreme Court in December 2007 upheld the ruling from Borgarting Court of Appeal.

The outcome of the civil action is not dependent on the ruling in the criminal action. See also note 30.

NOTE 29 COMMITMENTS

In August 2007, Norwegian Air Shuttle ASA entered into a purchase agreement on 42 new Boeing 737-800 aircraft with Blended Winglets. The aircraft have a list price of USD 3.1 billion. Parallel to this, Norwegian Air Shuttle ASA has ensured purchase rights for an additional 42 aircraft of the same model from Boeing.

In October 2009 Norwegian exercised 6 purchase rights, making the total order for direct-by for Boeing 737-800 aircraft 48. Remaining purchase rights as of 31.12.09 are 42 aircraft.

During 2009 Norwegian received the first two aircraft. The remaining 46 aircraft will be delivered over a five-year period from 2010 through 2014. The purchase price will be paid over several USD installments before delivery of each aircraft.

Commitments for aircraft leases refer to note 9.

NOTE 30 EVENTS AFTER THE BALANCE SHEET DATE

In March 2010 the Court of Appeals awarded Norwegian damages of NOK 160 million in addition to legal costs of NOK 14.7 million in the civil action against SAS for economic loss resulting from SAS' abuse of Norwegian's trade secrets. Whether it will be appealed against the judgment was not determined at the time of printing. See also note 28.

SAS' payment obligations stemming from the Court of Appeal ruling has been secured by a bank guarantee which includes legal costs and interest.

In March 2010 Norwegian Air Shuttle ASA signed a 10 years rental contract with related party HBK Invest AS for its new head office at Oksenøyveien 3, Fornebu.

RESPONSIBILITY STATEMENT

We confirm, to the best of our knowledge, that the financial statements for the period 1 January to 31 December 2009 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, 24 March 2010

Bjørn H. Kise
(Chairman of the Board)

Bjørn Kjos
(Chief Executive Officer)

Ola Krohn-Fagervoll

Marianne Wergeland Jenssen

Liv Berstad

Kenneth Utsikt
(Employee Representative)

Linda Olsen
(Employee Representative)

Thor Espen Bråten
(Employee Representative)

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To the Annual Shareholders' Meeting of Norwegian Air Shuttle ASA

Auditor's report for 2009

We have audited the annual financial statements of Norwegian Air Shuttle ASA as of 31 December 2009, showing a profit of KNOK 243 385 for the parent company and a profit of KNOK 446 251 for the group. We have also audited the information in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit. The annual financial statements comprise the financial statements of the parent company and the group. The financial statements of the parent company comprise the balance sheet, the statements of income and cash flows and the accompanying notes. The financial statements of the group comprise the balance sheet, the statements of income, comprehensive income, cash flows, changes in equity and the accompanying notes. The regulations of the Norwegian accounting act and accounting standards, principles and practices generally accepted in Norway have been applied in the preparation of the financial statements of the parent company. International Financial Reporting Standards as adopted by the EU have been applied in the preparation of the financial statements of the group. These financial statements are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with laws, regulations and auditing standards and practices generally accepted in Norway, including standards on auditing adopted by The Norwegian Institute of Public Accountants. These auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the financial statements of the parent company have been prepared in accordance with the law and regulations and give a true and fair view of the financial position of the company as of 31 December 2009 and the results of its operations and its cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the financial statements of the group have been prepared in accordance with the law and regulations and give a true and fair view of the financial position of the group as of 31 December 2009, and the results of its operations and its cash flows and the changes in equity for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU
- the company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of accounting information in accordance with the law and good bookkeeping practice in Norway
- the information in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit are consistent with the financial statements and comply with the law and regulations.

Oslo, 15 April 2010
PricewaterhouseCoopers AS

Håvard S. Abrahamsen
State Authorised Public Accountant (Norway)

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

DEFINITIONS

ASK
Available Seat Kilometers
Number of available seats multiplied by the distance flown

RPK
Revenue Passenger Kilometers
Number ofr occupied seats multiplied by the distance flown

Load factor
RPK divided by ASK. Describes the utilization of the available seats

RASK
Average ticket revenue per ASK. A measure of how much ticket revenue one single seat generates on average per kilometer flown. The RASK reflects load factor contrary to the commonly used yield which is a measure of ticket revenue per RPK.

BLH
Block hours is the elapsed time from the parking brakes are released at the gate of the origin until they are set at the gate at the destination.

SECTOR LENGTH
Distance from one destination to another (one way)

EBT
Earnings Before Taxes

EBIT
Earnings Before Interest and Taxes

EBITDA
Earnings Before Interest, Taxes, Depreciation and Amortization

EBITDAR
Earnings Before Intersest, Taxes, Depreciation, Amortization and Rent.