Annual Report

Norwegian Air Shuttle ASA

2010

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 Braathens airline. The Company has expanded the scope of its business into related areas, leveraging 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 2010.

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

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

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

Organization, Working Conditions and the Environment

At the end of 2010 the Group employed a total of 2,137 FTEs (full-time equivalents) including apprentices and temporary staff. The number of employees is expected to increase in 2011 in accordance with the Group's planned expansion in Norway and abroad. The company is in the process of opening new bases abroad.

The apprentice program in Norway was continued in 2010, and by the end of the year consisted of 110 apprentices. The apprentices have during the training, which also contains a stay in Berlin, had internships working abroad in countries Norwegian operates in. A further intake of apprentices is planned for 2011. All candidates graduating in 2010 successfully completed and passed their exams which were carried out in conjunction with Akershus County Council. The labor unions involved in departmental training programs are actively included in planning the apprentices' syllabus.

Many graduates who passed the examination in 2010 have now secured positions in the Company. Several 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 2010 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. The new personnel and salary management system implemented in 2010 has made HES activities more efficient and has helped the Company better manage its rapid growth. The HES Manager is responsible for HES partners along 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 has acquired corporate health insurance which provides access to professionals in an effort to address sick leave and get employees back to work quickly.

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

Absence due to sick leave in 2010 was 6.4%, a slight decrease compared to 2009. Actively monitoring HES, corporate health insurance and continued cooperation with protective services will ensure absence due to sick leave remains a prioritized area of focus.

In 2010 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 2010 led to an increase in women in different leadership roles compared to 2009.

Norwegian aims to be an attractive employer. Its human resources policy is intended to be equitable, neutral and non-discriminatory, regardless of ethnicity and national background, gender, religion and age.

The company has reviewed and updated its ethical guidelines, which emphasize the Company's personnel policies.

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. The 2010 collective salary review was conducted through negotiations centrally and locally with most unions. Moderate changes in wages and efficiency were achieved with these unions. Resolving the base situation for crew employees in Sweden was a priority for 2010. It was resolved in October 2010 for the pilots. For crew, technical unions and personnel the settlement for 2010 will be finalized at the start of 2011.

External Environment

Flight operations are inherently dependent on fossil fuels and also generate noise. However, the Group's current aircraft fleet operates within the levels and restrictions imposed by national and international regulations. During 2010 the Group consumed approximately 423,683 tons of Jet A-1 fuel which is equivalent to 97 grams of CO_2 per passenger per kilometer or 75 grams of CO_2 per seat per kilometer, a reduction of 7 % from last year.

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

The Boeing 737-800 is among the most environmentally friendly aircraft 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 73 Boeing 737-800s in its fleet. By year-end 2010, 30 of these had already been 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. The Company's emissions per passenger kilometer are well below the industry average and less than many forms of land and – sea-based transportation.

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

Aircraft Maintenance

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

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

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

Airframe maintenance is currently carried out by ATC Lasham in the U.K. and Aeroplex Central Europe Ltd in Hungary. Engine and component workshop maintenance is undertaken by Lufthansa Technik, MTU and 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 carries out initial quality approval and also continuously monitors all maintenance suppliers.

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

Significant Changes in Accounting Principles

There have been no changes in the adopted accounting principles. The IFRS accounting principles, as adopted by the EU, have been followed in preparing the financial statements for 2010.

Comments to the Consolidated Income Statement

The Group had total operating revenue and income of MNOK 8,597.7 (7,309.2) in 2010. Compared to last year, the Group's total growth in revenue was 18%. MNOK 7,210 (6,389) of the revenues is related to ticket revenues, MNOK 1,034 (789) is other passenger-related revenue, while MNOK 162 (131) is related to freight, third-party products and other income. MNOK 191 is related to damage payment from SAS for unlawful use of Norwegian's trade secrets and gains from sales of tangible assets. The increase in sales is mainly related to the 31% growth in production from 2009 to 2010. The load factor is reduced by 2 p.p. compared to the same period last year. The ticket revenue per available seat kilometer (RASK) for 2010 was NOK 0.40, compared to NOK 0.47 last year. Ancillary revenue was NOK 79 per PAX (73) in 2010, an increase of 8% from 2009.

Operating costs (including leasing and excluding depreciation and write-downs) were MNOK 8,201 (6,588) in 2010. The unit cost was NOK 0.46 in 2010 compared to NOK 0.49 last year. The unit cost for fuel increased by 13% while the unit cost excluding fuel was reduced by 10%. The unit cost excluding fuel was NOK 0.34 in 2010 compared to NOK 0.38 last year.

Net profit before depreciation and write-downs (EBITDA) for the Group was MNOK 397 (720) in 2010, resulting in an EBITDA margin of 4.6%.

Financial items in 2010 ended up with a gain of MNOK 27 (48).In relation to accounting for the prepayments on the purchase contract with Boeing, MNOK 73.9 (33,5) in interest costs were capitalized in 2010.

In 2007 the Group started Bank Norwegian, which is 100% owned by Norwegian Finans Holding ASA, in which the Group has a 20% stake. The Group's share of the bank's net profit resulted in a net gain of MNOK 6.3 in the consolidated profit and loss.

Earnings before tax in 2010 were MNOK 243 (623) and earnings after tax were MNOK 171 (446). Earnings per share were NOK 4.97 per share (NOK 13.01).

Comments to the Consolidated Balance Sheet and Cash Flow Statement

The Group's total assets had increased by MNOK 1,599 to MNOK 6,621 at year-end 2010. The book value of the aircraft increased by MNOK 1,117 during the year; while prepayments and capitalized interest on the Boeing purchase contract contributed MNOK 592 to the increase in assets.

At the balance sheet date, the Group had a cash balance of MNOK 1,178 (1,408).

The Group’s cash flow from operations was MNOK 804 (914) in 2010. The net cash flow from operating activities consists of the profit before tax of MNOK 243; add back of depreciation and other expenses without cash effects of MNOK 203. Changes in working capital mainly due to traffic growth amounted to MNOK 410. During 2010 the Group paid MNOK 110 in taxes.

The net cash flow used for investment purposes was MNOK -1,847 (-1,300), of which the prepayments for the Boeing contract constituted MNOK -1,362. Purchases of new Boeing 737-800s and other tangible assets amounted to MNOK -428.The net cash flow from financing activities in 2010 was MNOK 813 (1,188). During 2010 Norwegian issued a MNOK 200 senior unsecured bond issue with an expected maturity date of 17 December 2012. The remaining proceeds from long-term debt are related to financing new aircraft and PDP financing. Included in the payment of long-term debt is a repayment of a bond issue of MNOK 163 in the second quarter 2010.

The Group has a strong focus on liquidity planning and the Board is confident in the Group’s financial position at the beginning of 2011.

Capital structure

The Group’s total equity was MNOK 1,796 (1,602) at 31 December and its equity ratio 27% (32%). Equity increased by MNOK 194 due to profit for the period of MNOK 171 and a share issue of MNOK 20 related to the employees’ option programs. Other changes in equity amounted to MNOK 3.

The Group's net interest-bearing debt aggregated MNOK 1,306 at 31 December 2010, compared to MNOK 174 in 2009. The Group's gross interest-bearing liabilities of MNOK 2,485 (1,583) mainly consisted of financing for our aircraft of MNOK 1,495, a bond loan with a net book value of MNOK 597 and a Pre Delivery Payment syndicated credit facility of MNOK 367. Other long-term interest-bearing liabilities including financial lease liability amounted to MNOK 25.

Risk

Risk management in the Group is based on the principle that risk evaluation is an integral part of all business activities. Policies and procedures have been established to manage risk. The Group's Board of Directors regularly reviews and evaluates the overall risk management systems and environment within the Group.

The Group faces many risks and uncertainties within the global marketplace. We are facing challenging economic and market conditions and we may not succeed in reducing the unit cost sufficiently to compensate for weakening in consumer and business confidence in our key markets. Price volatility may have a significant impact on the Group's reported and operating results. A deterioration in the Group's financial position could increase our borrowing costs and cost of capital. We face an ongoing risk of counterparty default. The Group's reported results and debt denominated in foreign currency are influenced by developments in currency exchange rates and in particular the US dollar and Euro.

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

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

The management monitors rolling forecasts of the Group’s liquidity reserve, cash and cash equivalents 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 monitor balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

Following the acquisition of 63 Boeing 737-800s with deliveries in the period from 2009 to 2016, the Group will have ongoing financing activities. The Group’s strategy is to diversify the financing of the 63 aircraft trough sale and leaseback transactions and term loan financing supported by the Export-Import Bank of the United States (EXIM). EXIM has issued a final commitment to support financing of 12 aircraft in the period Mars 2011 to June 2012.

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

Prospects for 2011

The demand for travelling with Norwegian and advanced bookings has been satisfactory entering the first quarter of 2011. Norwegians capacity increase from introducing larger aircraft (737-800’s), with a lower cost level, brings with it lower fares and even higher passenger volumes.

The new base in Helsinki will be operational at the end of the first quarter. 3 aircraft will be based in Helsinki and 13 routes will be operated at the time of start-up. The demand for tickets in Finland is satisfactory.

For 2011 Norwegian guides for a production growth (ASK) in the area of 20 % - 25 % mainly from increasing the fleet by adding 737-800’s. The increase in aircraft capacity will mainly be deployed in Finland and Sweden, and in Norway for charter operation. Norwegian may decide to adjust capacity deployment depending on the development in the overall economy and in the marketplace.

Assuming a fuel price of USD 850 pr ton and USD/NOK 6.00 for the year 2011 (excluding hedged volumes) and with the current route portfolio, the company is targeting a unit cost (CASK) of NOK 0.46 for 2011.

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

Allocation of the year’s result

The net profit for the Group was MNOK 174. The net profit for the parent company Norwegian Air Shuttle ASA was MNOK 152, which the Board proposes be transferred to retained earnings.

The Board recommends no dividend distribution for the 2010 operating year in accordance with the Company’s corporate governance policies.

As of 31 December 2010, the Company had MNOK 623.2 of free equity.

Fornebu, 30 March 2011

Bjørn H. Kise (Chairman of the Board)

Ola Krohn-Fagervoll (Deputy Chairman)

Liv Berstad

Marianne Wergeland Jenssen

Thor Espen Bråten (Employee Representative)

Kenneth Utsikt (Employee Representative)

Linda Olsen (Employee Representative)

Bjørn Kjos (Chief Executive Officer)

Consolidated financial statements

2010

Norwegian Air Shuttle ASA
Consolidated Income Statement

NOTE	(NOK 1 000)	2010	2009
4	Revenues	8 406 339	7 309 189
4	Other income	191 328	0
	Total operating revenues and income	**8 597 667**	**7 309 189**
5	Operational expenses	6 301 576	4 938 399
6,7,17,18	Payroll	1 531 211	1 303 299
10,11	Depreciation, amortization and impairment	186 707	148 882
5a	Other operating expenses	397 735	396 058
20	Other losses/(gains) - net	-29 732	-49 315
	Total operating expenses	**8 387 498**	**6 737 323**
	Operating profit	**210 169**	**571 866**
8	**Net financial items**	**26 600**	**47 974**
26	Share of profit (loss) from associated company	6 328	3 200
	Profit (loss) before tax	**243 098**	**623 040**
9	Income tax expense (income)	72 214	176 789
	PROFIT (LOSS) FOR THE YEAR	**170 884**	**446 251**
16	Basic earnings per share	4.97	13.01
16	Diluted earnings per share	4.87	12.89
	Profit attributable to;		
	Owners of the company	170 884	446 251

Norwegian Air Shuttle ASA
Statement of comprehensive income

NOTE	(NOK 1 000)	2010	2009
	Profit for the year	**170 884**	**446 251**
20	Available-for-sale financial assets	2 768	1 608
	Exchange rate differences Group	320	-5 007
	Total comprehensive income for the period	**173 972**	**442 852**
	Total comprehensive income attributable to;		
	Owners of the company	173 972	442 852

The notes on pages 13-51 are an integral part of these consolidated financial statements.

Norwegian Air Shuttle ASA
Consolidated Balance Sheet

NOTE	(NOK 1 000)	2010	2009
	ASSETS		
	Non-current assets		
10	Intangible assets	210 293	190 543
9	Deferred tax asset	270	157
11	Aircraft, parts and installations on leased aircraft	2 092 136	974 892
11	Equipment and fixtures	26 175	30 905
11	Buildings	9 525	3 933
11	Financial lease asset	31 203	26 092
3,20	Financial assets available for sale	2 689	7 236
26	Investment in associate	62 272	47 943
11	Prepayment Boeing contract	2 002 600	1 410 992
13	Other receivables	53 242	26 391
	Total non-current assets	**4 490 405**	**2 719 084**
	Current assets		
14	Inventory	66 191	40 825
13	Trade and other receivables	842 143	829 893
3,20	Derivative financial instrument	43 395	23 688
24	Cash and cash equivalents	1 178 416	1 408 475
	Total current assets	**2 130 144**	**2 302 881**
	TOTAL ASSETS	**6 620 549**	**5 021 965**

The notes on pages 13-51 are an integral part of these consolidated financial statements.

Norwegian Air Shuttle ASA
Consolidated Balance Sheet

NOTE	(NOK 1 000)	2010	2009
	EQUITY AND LIABILITIES		
15	**Equity**		
	Share capital	3 457	3 421
	Share premium	1 055 083	1 041 894
	Other paid-in equity	54 521	47 421
	Other reserves	-7 944	-11 032
	Retained earnings	690 785	519 902
	Total equity	**1 795 904**	**1 601 607**
	Non-current liabilities		
18	Pension obligation	121 672	97 558
19	Provision for periodic maintenance	94 961	70 336
9	Deferred tax	89 483	17 806
22	Borrowings	1 943 903	878 878
22	Financial lease liability	20 007	28 829
	Total non-current liabilities	**2 270 026**	**1 093 407**
	Short term liabilities		
22	Short term part of borrowings	520 972	675 303
21	Trade and other payables	1 063 436	746 549
	Air traffic settlement liabilities	954 232	792 713
3,20	Derivative financial instrument	15 003	1 227
9	Tax payable	976	111 158
	Total short term liabilities	**2 554 620**	**2 326 951**
	Total liabilities	**4 824 646**	**3 420 357**
	TOTAL EQUITY AND LIABILITIES	**6 620 549**	**5 021 965**

The notes on pages 13-51 are an integral part of these consolidated financial statements.

Fornebu, 30 March 2011

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Norwegian Air Shuttle ASA
Consolidated statement of changes in Equity

NOK 1 000	Share capital	Share premium	Other paid-in equity	Total paid-in equity	Other Reserves	Retained earnings	Total equity
Equity at 01 January 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**	**1041 894**	**47 421**	**1092 737**	**-11 032**	**519 902**	**1601 607**
Equity at 01 January 2010	**3 421**	**1041 894**	**47 421**	**1092 737**	**-11 032**	**519 902**	**1601 607**
Net profit for the year						170 884	170 884
Available for sale financial assets					2 768		2 768
Exchange rate differences Group					320		320
Comprehensive income 2010					3 088	170 884	173 972
Stock options - share issue	36	13 189		13 225			13 225
Compensation expense for stock options			7 100	7 100			7 100
Transactions with owners	36	13 189	7 100	20 325			20 325
Equity 31 December 2010	**3 457**	**1055 083**	**54 521**	**1113 062**	**-7 944**	**690 786**	**1795 904**

The notes on pages 13-51 are an integral part of these consolidated financial statements.

Norwegian Air Shuttle ASA

Consolidated Cash Flow Statement

NOTE	NOK 1 000	2010	2009
	CASH FLOWS FROM OPERATING ACTIVITIES:		
	Profit (loss) before tax	243 098	623 040
9	Taxes paid	-109 572	-1 439
10,11	Depreciation, amortisation and write-down	186 707	148 882
	Pension expense without cash effect	25 639	32 664
26	Profit from associated company	-6 328	3 200
17	Compensation expense for employee options	7 100	8 678
10	Losses/(gains) on disposal of tangible assets	-15 927	0
20	Fair value (gains)/losses on financial assets	-5 931	-108 426
8	Financial items	-26 600	47 974
8	Interest received	39 171	16 066
20	Other non cash items	-2 768	-1 608
	Change in inventories, accounts receivable and accounts payable	171 628	42 111
	Change in air traffic settlement liabilities	161 519	194 552
	Change in other current assets and current liabilities	136 891	-91 876
	Net cash flow from operating activities	**804 628**	**913 818**
	CASH FLOWS FROM INVESTING ACTIVITIES:		
11	Prepayments aircraft purchase	-1 361 758	-683 764
11	Purchase of tangible assets	-427 909	-544 979
10	Purchase of intangible assets	-49 846	-41 151
20	Payment to associated company	-8 000	-30 000
	Net cash flow from investing activities	**-1 847 513**	**-1 299 894**
	CASH FLOWS FROM FINANCIAL ACTIVITIES:		
22	Proceeds from long term debt	1 134 510	968 304
22	Payment of long term debt	-242 564	-4 220
15	Proceeds from issuing new shares	13 225	250 840
	Interest on borrowings	-91 849	-26 865
	Net cash flow from financial activities	**813 322**	**1 188 059**
	Foreign exchange effect on cash	-497	-1 045
	Net change in cash and cash equivalents	-230 059	800 939
	Cash and cash equivalents at 1 January	1 408 475	607 536
24	**Cash and cash equivalents at 31 December**	**1 178 416**	**1 408 475**

The notes on pages 13-51 are an integral part of these consolidated financial statements.

Note 1 Summary of significant accounting policies

1.1 General information

Norwegian Air Shuttle ASA and its subsidiaries (henceforth referred to as 'the Group') are a low-cost airline incorporated in Norway and headquartered at Fornebu outside of Oslo. Norwegian Air Shuttle ASA is a public limited liability company and listed on the Oslo Stock Exchange.

The consolidated financial statements of Norwegian Air Shuttle ASA for the year ended 31 December 2010 were authorized for issue by the Board of Directors on 30 March 2011.

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) and IFRIC interpretations, as adopted by the EU. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

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

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

1.2.1 Changes in accounting policies and disclosures

Standards, amendments and interpretations
The Group has incorporated the following new standards, amendments and interpretations effective from 1 January 2010;

- IFRS 3, 'Business combinations' (revised)
- IAS 27, 'Consolidated and separate financial statements' (revised)
- IAS 36, 'Unit of accounting goodwill impairment test'
- IFRS 8, 'Disclosure of information about segment assets'

IFRS 3 maintains the purchase method to business transactions with all transaction- related costs expensed. The revised standard has no impact on the financial position or the Group's performance. Implementation of IAS 27 and IAS 36 have no impact on the Group's consolidated financial statements. IFRS 8 was promptly adopted in 2009 and has no impact on the Group's consolidated financial statements as similar principles were applied in previous periods.

The following standards and interpretations are mandatory for the financial year beginning 1 January 2010, but are not relevant to the Group;

- IFRIC 17, 'Distribution of non-cash assets to owners'
- IFRIC 18, 'Transfers of assets from Customers'
- IFRIC 9, 'Reassessment of embedded derivatives and IAS 39' (amendment)
- IFRIC 16, 'Hedges of a net investment in a foreign operation'
- IAS 1, 'Current/non current classification of convertible instruments'
- IFRS 2, 'Group cash-settled and share-based payments transactions' (amendment)
- IFRS 5, 'Disclosures required in respect of non current assets'
- IAS 39, 'Treating loan prepayment penalties as closely related derivatives'
- IAS 39, 'Scope exemption for business combinations'
- IAS 39, 'Cash flow hedge accounting'
- IAS 39, 'Hedging using internal contracts'
- IAS 7, 'Classification of expenditures on unrecognized assets'
- IAS 38, 'Measuring the fair value of an intangible asset acquired in a business combination'
- IAS 38, 'Intangible assets' (amendment)
- IAS 38, 'Additional consequential amendments arising from IFRS 3 (revised)'

The following standards, amendments and interpretations were not in effective at 31 December 2010 and have not been promptly adopted by the Group;

	Effective for periods beginning on or after
- IFRS 9, 'Financial instruments'	1 January 2013
- IAS 24, 'Related party disclosures' (revised)	1 January 2011
- IAS 32, 'Classification of right issue' (amendment)	1 February 2010
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments'	1 July 2010
- IFRIC 14, 'Prepayments of a minimum funding requirement' (amendment)	1 January 2011

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 two companies in the United States, DY 1 Leasing LLC and NO 8 LLC. These are special purpose entities (SPE's) established for aircraft financing and ownership of real estate purposes, respectively. The Group does not own the shares in DY 1 Leasing LLC, but accepts all risks and rewards related to the assets, liabilities and operations in the SPE. The Group owns all the units of membership in NO 8 LLC and has control over the company.

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

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

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

The Group considers transactions with non-controlling interests as transactions with equity owners of the Group. Any difference between considerations paid and the relevant share acquired from the carrying value of net assets are recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

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

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

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 which are included in the entities' financial statements are measured in that functional currency. For consolidation purposes, the results and financial position of all the Group's entities which have a functional currency other than NOK, are translated at the closing rate at the balance sheet date. Income and expenses for each income statement are translated at the average exchange rate for the period, this being a reasonable approximation for estimating actual rate. Exchange differences are recognized in comprehensive income and specified separately in equity.

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

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

1.5 Critical accounting estimates and judgments

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

The lease contracts require the aircraft to be returned at the end of the lease in accordance with the specific redelivery conditions stated in the lease contracts. To meet this requirement, the Group conducts maintenance on these aircraft, both regularly and at the expiration of the leasing period. Provisions are made based on the estimated costs of overhaul and maintenance. In order to estimate these conditions, the 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 where it is probable that taxable profit will be generated. Significant management judgment is required to determine the amount of deferred tax assets which can be recognized, based on the anticipated timing and level of future taxable profits together with future tax planning strategies. See note 9 for further details.

The cost of defined benefit pension plans is determined by using actuarial valuations. The actuarial valuation involves making assumptions on 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 a high degree of uncertainty. A sensitivity analysis is enclosed 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. Any gain on the sale is recognized in the income statement as other income and any loss on the sale or disposal is recognized in the income statement as other losses/(gains)-net.

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

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

An aircraft is decomposed into two components for depreciation purposes to consider different useful lives of the aircraft components. The first aircraft component is defined as maintenance components. In accordance with official requirements, the aircraft must be maintained which means significant components must be changed after a specific number of 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 APU. The maintenance and overhaul on these components occur on a defined interval, and the value is depreciated based on number of takeoffs or airborne hours until the next maintenance is conducted. Completed maintenance and overhaul are capitalized and depreciated until the next relevant maintenance and overhaul. The second aircraft component is defined as the remainder of the aircraft and depreciated over the economic useful life.

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 63 Boeing 737 aircraft. The prepayments are classified as tangible assets as presented at the face of the balance sheet. The prepayments include capitalized borrowing costs. At the delivery of the aircraft, prepayments are included in acquisition 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 annually to ensure that they reconcile with the substance of the non-current asset. The residual value is estimated at each year end and changes to the residual value are accounted for prospectively. Additional details on tangible assets are outlined in note 11.

1.7 Intangible assets

<u>Computer software</u>

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 which are directly associated with the development of identifiable software products controlled by the Group, and which are estimated will generate economic benefits, are recognized as intangible assets.

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

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

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

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

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

1.8 Impairment of non financial assets

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

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

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

1.9 Financial assets

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

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

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

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

Regular purchases and sales of financial assets are recognized on the trade-date; the date 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 substantially transferred all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method.

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

1.9.1 Impairment of financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets are impaired. The fair values of quoted investments are based on current mid prices at the balance sheet date. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. The valuation hierarchy for financial assets is detailed in note 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 which occur after initial recognition. Impairment losses are recognized in the consolidated income statement if the losses have had an impact on the estimated future cash flows and that the impact can be reliably estimated.

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

1.10 Derivative financial instruments and hedging activities

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

The Group has not designated any derivatives as hedging instruments for accounting purposes in 2010 or 2009.

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 deliver payments which are more than 30 days overdue, are considered as indications that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the income statement as other operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against other operating expenses in the income statement.

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

1.13 Cash and cash equivalents

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

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

1.14 Equity

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

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

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

1.15 Liabilities

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

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

Trade payables are obligations to pay for goods or services purchased from suppliers in the ordinary course of business. Accounts payables are classified as current liabilities if payment is due within the next 12 months. Payables due after the next 12 months are classified as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

1.16 Provisions

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

1.17 Employee benefits

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

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

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

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

The AFP pension plan was closed in 2010, and replaced with a new AFP pension plan. The new AFP pension plan is a multi-employer defined benefit plan. However, the plan is recognized in the income statement as a defined contribution plan as the plans administrator has not administered actuarial gains/losses to the members of the AFP pension plan as of 31 December 2010.

Defined contribution plans

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

Share-based payments

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

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

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

Employee share purchase savings program

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

1.18 Current and deferred income tax

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

Current income tax

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

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 for the year when the asset is realized or when the liability is settled, based on tax rates (and tax laws) which have been enacted, or substantively enacted, at the balance sheet date.

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

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

Deferred income tax is provided based on temporary differences arising 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 which existence depends on future events, or it is not probable that they will lead to an outflow of resources, or cannot be measured with sufficient reliability.

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

1.20 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the 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 which are 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 of the transport, and such revenue is recognized in the same manner as passenger revenue. Other products and services are earned at the time of purchase and immediately recognized in the income statement.

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

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, Broadband and Wi-Fi 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 consumption. Revenue from product sales is 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. Cash points are also earned on all 'low fare' and 'full flex' tickets purchased from Norwegian Air Shuttle ASA which are 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 2010 indicate that customer cash points are utilized within one year.

1.21 Leasing

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

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

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

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

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

Sale and lease back transactions are treated as financial leases and operational leases depending on the nature of the lease. The Group has completed two sale and lease back transactions during 2010 with regards to selling two aircraft and leasing back the same asset. Both of the sale and lease back transactions are defined as operating leases established at fair value and any profit or loss is recognized immediately in the income statement as other income.

1.22 Segment reporting

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

1.23 Events after the balance sheet date

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

Note 2 Financial Risk

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

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

Market risk

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

<u>Foreign Currency Risk</u>

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 airplane operation expenses are partly denominated in EUR. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations. In order to reduce currency risk, the Group has a mandate to hedge up to 100% of its currency exposure over the next 12 months. The hedging consists of forward currency contracts and flexible forwards.

The Group has included a 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 2010, with all other variables held constant, post-tax profit and post-tax equity effect for the year would have been MNOK 5.5 (2009: MNOK 4.5) lower/higher, mainly as a result of foreign exchange losses/gains on receivables, payables, derivative financial instruments, cash and cash equivalents and long term borrowings in USD at 31 December 2010.

By calculating the sensitivity of the 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, post-tax profit and post-tax equity effect for 2010 would have been MNOK 20.8 (2009:MNOK 20.6) 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, post-tax profit and post-tax equity effect for the year would have been MNOK 0.2 (2009: MNOK 0.4) 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.

<u>Cash flow and fair value interest rate risk</u>

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

If the floating interest rate in 2010 had been 1 % higher/lower with all other variables held constant, post-tax profit and post-tax equity effect for the year would have been MNOK 1.1 (2009: MNOK 1.5) lower/higher, mainly as a result of higher/lower interest income on floating rate cash and cash equivalents and borrowings.

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

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

Jet-fuel prices

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

If the jet-fuel price in 2010 had increased/decreased by 1 % with all other variables held constant, post-tax profit for the year would have been MNOK 15.1 (2009: MNOK 12.2) 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, post-tax profit for the year would have been MNOK 3.2 (2009: MNOK 15.3) 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 a local level at the operating companies of the 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 14 aircraft in 2011 and 40 aircraft between 2012 and 2016. Pre-delivery payments related to the delivery of the first 10 aircraft were secured in 2008. Of the 10 aircraft, 7 aircraft were delivered in 2009 and 2010, and the remaining 3 aircraft have a delivery date in the first quarter 2011. At the delivery of the aircraft, pre-delivery payments are replaced with other long term financing. The Group has secured the financing of 2 aircraft in 2009 and 5 aircraft in 2010 through guarantees from the Ex-Im Bank of the United States and direct loans from the Private Export Funding Corporation. 2 aircraft were delivered and financed as sale and lease back transactions during 2010. The Group is currently in the process of securing a long term financing plan for 12 deliveries in 2011 and 2012.

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 2010 (NOK 1 000)	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	516 006	746 187	487 170	787 197
Financial lease liability	4 966	4 001	12 004	4 001
Derivative contracts - payments	773 768	0	0	0
Trade and other payables	1 063 436	0	0	0
Interest on borrowings *)	116 591	96 020	104 935	90 357
Total financial liabilities	**2 474 766**	**846 209**	**604 109**	**881 555**

At 31 December 2009 (NOK 1 000)	Less than 1 yea
Borrowings	675 3
Financial lease liability	5 1
Derivative contracts - payments	1 2
Trade and other payables	746 5
Interest on borrowings *)	65 0
Total financial liabilities	**1 493 2**

*) Calculated interests on borrowings

Capital risk management

The Group’s capital management policy is to have a capital structure which meets the demands of operations, reduces cost of capital, complies with financial covenants and future investments planned by the Group. The Group will at all times adjust debt and equity to maintain and secure optimal capital structure by continuously monitoring the 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. Net debt and gearing ratio are important factors in financial covenants as detailed in note 22. The management monitors these externally imposed financial covenants closely as a part of the Group’s capital risk management policy.

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

The gearing ratios at 31 December 2010 and 2009 were as follows;

NOK 1 000	2010	2009
Total borrowings (note 22)	2 484 882	1 583 010
Cash and cash equvalents (note 24)	1 178 416	1 408 475
Net debt	**1 306 466**	**174 535**
Total equity	1 795 904	1 601 710
Total capital	**3 102 369**	**1 776 245**
Gearing ratio	**42.1 %**	**9.8 %**

Note 3 Fair value estimation

Fair value estimation

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

Level 1

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

Level 2

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

Level 3

If one or more of the significant inputs are not based on observable market data, specific valuation techniques are applied. Financial instruments included in level 3, relates to investments in unlisted shares in Silver Pensjonsforsikring which is classified as available-for-sale financial assets. See note 20 for additional details on available-for-sale financial assets.

The following table presents financial assets and liabilities measured at fair value at 31 December 2010;

(NOK 1 000)	Level 2	Level 3	Total
Assets			
Financial assets at fair value through profit and loss			
- Derivative financial instruments	43 395	0	43 395
Available-for-sale financial assets	0	2 689	2 689
Total assets	**43 395**	**2 689**	**46 084**
Liabilities			
- Derivative financial liabilities	15 003	0	15 003
Total liabilities	**15 003**	**0**	**15 003**

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 come from airline-related activities and the Group's main revenue generating assets is its aircraft fleet, which is utilized across the Group's geographical segment.

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

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

NOK 1 000	2010	2009
By activity:		
Passenger transport	7 210 161	6 389 406
Ancillary revenue	1 034 006	788 655
Other revenues	162 172	131 129
Total revenues	**8 406 339**	**7 309 189**
By geographic market:		
Domestic	3 124 196	2 899 736
International	5 282 143	4 409 454
Total revenues	**8 406 339**	**7 309 189**

Other income amount to MNOK 191.3 (2009: 0) and include compensation from a SAS law suit and gains from sales of tangible assets (note 11).

Note 5 Operational expenses

NOK 1 000	2010	2009
Sales and distribution expenses	167 859	149 415
Aviation fuel	2 092 859	1 423 328
Aircraft leases	778 411	620 114
Airport charges	1 295 913	1 037 716
Handling charges	863 551	722 658
Technical maintenance expenses	697 196	659 796
Other aircraft expenses	405 787	325 371
Total operational expenses	**6 301 576**	**4 938 399**

Note 5a Other operating expenses

Other operating expenses amount to MNOK 397.7 (2009: 396.1). 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	2010	2009
Wages and salaries	988 527	762 772
Social security tax	169 173	138 472
Pension expenses	153 827	138 485
Employee stock options	7 100	8 437
Other benefits	39 533	39 439
Hired crew personnel	173 051	215 695
Total	**1 531 211**	**1 303 299**

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

Number of man-labour years *)

	2010	2009
Norway	1 845	1 494
Sweden	287	113
Poland	5	77
Total	**2 137**	**1 684**

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

Note 7 Remuneration of the Board of Directors and Executive Management

Remuneration of the Board of Directors

Total remuneration paid to the Board in 2010 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 2010.

Directive of remuneration of the CEO and the Executive Management

The principles of leadership remuneration in Norwegian Air Shuttle ASA are to stimulate a strong and lasting profit oriented culture. The total compensation level should be competitive, however, not market leading compared to similar organizations. The Board determines the remuneration of the CEO, and the guidelines for remuneration of the Executive Management. The remuneration of the Board and the Executive Management must not have negative effects on the Group, nor damage the reputation and standing of the Group in the public eye. There have been no changes to the guidelines or principles of management remuneration during the year. The actual remuneration in 2010 was consistent with the guidelines and principles.

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

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

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

Total compensation year 2010

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 11/26/2009)	83				83	
Liv Berstad	100				100	
Ola Krohn-Fagervoll (deputy chairman from 5/11/2010)	100				100	
Marianne Wergeland Jenssen	100				100	
Thor Espen Bråthen*)	35				35	
Kenneth Utsikt*)	35				35	
Linda Olsen*)	35				35	
Total board of directors	**681**	**0**	**0**	**0**	**681**	**0**
Executive Management						
Bjørn Kjos (Chief Executive Officer)		1 296		182	1 478 a)	127
Frode Foss (Chief Financial Officer)		1 362		125	1 487 b)	125
Asgeir Nyseth (Chief Operating Officer)		1 473		219	1 692 c)	143
Hans-Petter Aanby (Chief IT Officer)		1 378		116	1 494 d)	62
Daniel Skjeldam (Chief Commercial Officer)		1 400		126	1 526 e)	165
Gunnar Martinsen (Senior Vice President HR and Organisation)		1 010		210	1 220	389
Anne-Sissel Skånvik (Senior Vice President Corporate Communications)		1 054		121	1 175	143
Total executive management	**0**	**8 973**	**0**	**1 099**	**10 072**	**1 154**

*) 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 2010 that has been reported as additional taxable income with NOK 214,634
b) Frode Foss exercised share options in 2010 that has been reported as additional taxable income with NOK 176,569
c) Asgeir Nyseth exercised share options in 2010 that has been reported as additional taxable income with NOK 177,369
d) Hans-Petter Aanby exercised share options in 2010 that has been reported as additional taxable income with NOK 544,331
e) Daniel Skjeldam exercised share options in 2010 that has been reported as additional taxable income with NOK 80,981

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 11/26/2009)	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.

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	2010	2009
Audit fee	1 221	1 294
Other audit related services	112	2 738
Tax advisory	204	534
Other services	136	221
Total	**1 673**	**4 787**

Note 8 Net financial items

NOK 1 000	2010	2009
Interest income	40 292	23 206
Interest expense	-40 159	-20 933
Net foreign exchange (loss) or gain	24 793	39 311
Appreciation cash equivalents	10 007	6 127
Impairment available-for-sale financial assets	-7 314	0
Fair value adjustment long term deposits	-1 001	152
Other financial items	-17	110
Net financial items	**26 600**	**47 974**

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

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

Impairment of financial assets relate to investment in Silver Pensjonsforsikring, classified as available-for-sale financial assets. An impairment loss is recognized in the income statement in 2010 as fair value of the investment is significantly below initial cost. See note 3 for fair value estimation and note 20 for further information concerning available-for–sale financial assets.

Interest expense includes amortized cost on borrowings.

Note 9 Tax

This year's tax expense consists of (NOK 1 000):	2010	2009
Tax payable	976	111 158
Tax paid in current year on current year income	0	1 241
Change in deferred tax	71 239	64 390
Income tax expense	**72 214**	**176 789**

Reconciliation from nominal to effective tax rate: **NOK 1 000**	**2010**	**2009**
Profit before tax	243 098	623 040
Expected tax expense using nominal tax rate (28 %)	68 067	174 451
Tax effect of the following items:		
Non deductible expenses	4 237	-487
Adjustments from previous year	0	6 874
Tax rate outside Norway other than 28%	-90	-4 051
Tax expense	**72 214**	**176 789**
Effective tax rate	29.71%	28.38%

The following table details deferred tax assets and liabilities;

Deferred tax	Assets 2010	Liabilities 2010	Assets 2009	Liabilities 2009
Intangible assets	0	-6 274	0	-4 533
Tangible assets	13	-88 286	0	-5 965
Long term receivables and borrowings in foreign currency	0	-8 142	0	-16 853
Inventories	0	1 192	0	1 167
Receivables	155	11 659	-13	20 071
Financial instruments	0	-7 950	0	-6 289
Derferred gains/losses	0	-3 108	0	35
Other accruals	0	32 564	0	29 980
Pensions	0	34 068	0	27 316
Other temporary differences	0	-55 207	0	-62 736
Loss carried forward	103	0	170	0
Gross deferred tax assets and liabilities	**270**	**-89 483**	**157**	**-17 806**

Reconciliation of deferred tax assets and liabilities	Assets 2010	Liabilities 2010	Assets 2009	Liabilities 2009
Recognized at 1 January	157	-17 806	59 759	-9 695
Charged/credited to the income statement	103	-71 342	-54 179	-10 211
Charged directly to equity	0	0	0	2 109
Translation differences	10	-336	-5 422	-9
Recognized at 31 December	**270**	**-89 483**	**157**	**-17 806**

The Group has recognized MNOK 0.3 as a deferred tax asset in 2010. 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	Other intangible assets Indefinite life	Definite life	Total
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**
Acquisition costs 1 January 2010	152 164	94 157	22 406	73 203	341 932
Additions	50 171	0	0	0	50 171
Translation differences	0	0	0	0	0
Acquisition costs 31 December 2010	**202 334**	**94 157**	**22 406**	**73 203**	**392 102**
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**
Accumulated amortization 1 January 2010	84 725	0	0	66 661	151 386
Amortization	27 509	0	0	2 782	30 291
Translation differences	0	0	0	131	131
Accumulated amortization 31 December 2010	**112 234**	**0**	**0**	**69 574**	**181 808**
Book value at 31 December 2009	**67 438**	**94 157**	**22 406**	**6 543**	**190 543**
Book value at 31 December 2010	**90 100**	**94 157**	**22 406**	**3 630**	**210 293**
Useful life	3-5 years	Indefinite	Indefinite	See below	
Amortization plan	Linear	None	None	Linear	

Capitalized software is related to external consulting fees for the development of Norwegian's own systems for 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 the 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 and brand name were fully depreciated in 2009. Air operating certificate was initially defined to have an indefinite life at the date of acquisition. However, due to restructuring of the Swedish operations, the air operating certificate was determined to have a definite life of 12 months from 1 March 2009. Air operating certificate was fully depreciated in 2010.

Impairment testing of goodwill and intangible assets

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

The method used to estimate the recoverable amount is value in use, based on discounted cash flow analysis. The analysis reflects the cash flow projections in the financial business plan covering the next year which is approved by the Senior Management. The calculation also includes the 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 which is used is 8.8% and based on Weighted Average Cost of Capital (WACC). The cost of the Group's debt and equity capital, weighted accordingly to reflect its capital structure, gives its weighted average cost of capital. The WACC rates which are 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 calculating 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 calculated based on the budget period and on estimated future development. Committed operations efficiency programs and the planned operating expansion are taken into account. 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 calculating cash flow beyond the 5 year period.

Sensitivity

At 31 December 2010, the Group's value in use was significantly higher than the carrying amount of its goodwill and intangible assets. The impairment calculation is not particularly sensitive to changes in assumptions.

Note 11 Tangible assets

NOK 1 000	Buildings	Aircraft, parts and installations on leased aircraft	Prepayment Boeing contract	Equipment and fixtures	Financial lease	Total
Acquisition cost at 1 January 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**
Acquisition cost at 1 January 2010	3 933	1 203 758	1 410 992	100 093	26 468	2 745 244
Additions	5 592	1 255 482	591 608	12 867	8 139	1 873 688
Disposals	0	-7 844	0	0	0	-7 844
Acquisition cost at 31 December 2010	**9 525**	**2 451 396**	**2 002 600**	**112 960**	**34 607**	**4 611 088**
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**
Accumulated depreciation at 1 January 2010	0	228 866	0	69 188	376	298 430
Depreciation and impairment	0	135 792	0	17 597	3 028	156 417
Reversals	0	-5 399	0	0	0	-5 399
Accumulated depreciation at 31 December 2010	**0**	**359 259**	**0**	**86 785**	**3 404**	**449 448**
Book value at 31 December 2009	**3 933**	**974 892**	**1 410 992**	**30 905**	**26 092**	**2 446 814**
Book value at 31 December 2010	**9 525**	**2 092 136**	**2 002 600**	**26 175**	**31 203**	**4 161 638**
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 2010, the Group operated a total of 57 aircraft; 12 which were owned and 45 which were leased under operational leases. Operational leases are detailed in note 12.

Aircraft

The Group acquired 5 Boeing 737-800 HGW aircraft during 2010 and 2 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 563.6 in total for all owned aircraft and deducted from the depreciable amount of the body of the aircraft. The life expectancy of the body of the aircraft is 25 years for 737 aircraft, and the economic life of the owned aircraft is 25 years less the age of the aircraft at time of purchase.

Installations on leased aircraft

The installations on the leased aircraft include cabin interior modifications and other improvements to the aircraft after lease commencement. The capitalized value is depreciated over the remainder of the aircraft lease, which is between 1-10 years. Linear depreciation is applied and residual value is NOK 0. In 2010 and 2009 several engines on the leased aircraft were in overhaul, and replacement costs for life limited parts were capitalized to the extent that the costs were improvements to the engines and therefore exceeding the requirements which were specified in the leasing contracts. These components are depreciated at a defined rate per engine cycle, limited to the remainder of the aircraft lease.

Spare parts

Spare parts consist of rotable parts for aircraft and are depreciated over their useful life. The useful life of spare parts ranges 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 a temporary basis. In 2010, the Group purchased an apartment in Seattle for the purpose of housing personnel stationed in Seattle concerning the delivery of new 737-800 HGW aircraft. Buildings are carried at acquisition cost. The residual value is estimated to equal the acquisition cost.

Prepayments on Boeing contract

In 2007 the Group entered a purchase contract with Boeing Corporation concerning 42 new 737-800 HGW aircraft, with an option of purchasing 42 additional aircraft. Two aircraft were delivered in 2009, and five aircraft were delivered in 2010. 21 purchase options have been exercised. 54 aircraft will be delivered i between 2011 and 2016. Until delivery 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 which is required to complete the aircraft. Borrowing costs of MNOK 73.9 (2009: MNOK 33.5) have been capitalized during the year. An average capitalization rate of 6.1% (2009: 7.6%) was used.

Financial lease asset

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

Impairment of tangible assets

In 2010 and 2009 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 2010.

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

Note 12 Operating leases

The lease agreements on the Boeing 737 aircraft last between 3 and 10 years from the date of agreement, with some extension options. From 2002 to 2008, 29 aircraft were delivered. In 2009, 8 aircraft were delivered and 8 aircraft were delivered in 2010. Renegotiations have resulted in extensions on some of the shorter leases. Contracts for 13 of the aircraft will expire in 2011, and contracts for 5 of the aircraft expire in 2012. These aircraft will be redelivered according to schedule. The remaining contracts expire in 2013 or later.

Leasing costs expensed on aircraft lease within operational expenses was MNOK 778.5 in 2010 (2009: MNOK 574). Included in leasing costs are operating lease costs on two aircraft from the sale and lease back transaction.

In addition, the Group leases 15 cars, and 11 properties in Oslo, Stavanger, Stockholm and Copenhagen. Leasing costs related to cars and properties expensed in other operating expenses in 2010 was MNOK 50.1 (2009: MNOK 21.2).

Annual minimum rent on non-cancellable operating lease agreements per 31 December 2010 is as follows:

	Nominal value 2010				Nominal value 2009			
NOK 1 000	**Aircraft**	**Cars**	**Property**	**Total**	**Aircraft**	**Cars**	**Property**	**Total**
Within one year	1 163 166	4 343	20 815	1 188 324	887 912	3 910	17 082	908 905
Between 1 and 5 years	3 333 379	15 105	47 957	3 396 442	2 448 487	14 220	36 668	2 499 375
After 5 years	1 287 069	3 555	10 919	1 301 544	724 171	7 110	13 233	744 513

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

Note 13 Trade and other Receivables

Spesification of receivables		
NOK 1 000	**2010**	**2009**
Trade receivables	136 047	87 533
Credit card receivables	382 751	435 773
Deposits	61 554	60 211
Deferred leasing costs	10 893	3 491
Prepaid costs	30 703	20 376
Public duty debt	57 238	88 698
Reimbursements claims maintenance costs	174 697	131 786
Other claims	22 399	9 996
Prepayments to employees	76	1 109
Prepaid rent	19 027	17 311
Total	**895 385**	**856 284**

Due dates		
NOK 1 000	**2010**	**2009**
Within one year	842 143	829 893
After 1 year	53 242	26 391
Total	**895 385**	**856 284**

Currency (NOK 1 000)	**2010**	**2009**
DKK	68 047	30 698
EUR	23 454	62 159
GBP	1 895	14 610
NOK	204 051	457 557
USD	46 736	212 303
SEK	164 470	72 390
PLN	1 554	6 567

Fair value of trade and other receivables		
NOK 1 000	**2010**	**2009**
Due within one year	842 143	829 893
After one year *)	42 287	22 706
Total	**884 430**	**852 600**

For receivables due within one year, fair value is equal to nominal value.
*) Discount rate 4.5 % (2009:5.5 %)

Provision for bad debt NOK 1 000	2010	2009
Balance 1 January	31 655	30 269
Utilized	-15 600	-2 775
Accruals	32 696	23 972
Reversals	-4 200	-19 810
Balance 31 December	**44 552**	**31 655**

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

Overdue accounts receivables NOK 1 000	2010	2009
Overdue less than 1 month	3 100	6 078
Overdue 1-2 months	1 218	5 919
Overdue 2-3 months	3 054	2 071
Overdue over 3 months	15 408	18 457
Total	**22 780**	**32 525**

Provision for bad debt includes trade – and credit card receivables. The majority of the provision relates to fraud from credit card transactions. The remaining provision for bad debt on trade receivables relates to provision for overdue receivables that are not impaired at 31 December.

Overdue accounts receivable includes trade receivables and credit card receivables. The maturity of overdue accounts receivables relates to trade receivables. Accounts more than 3 months overdue mainly consist of receivables from customers who are also suppliers to the Group. The credit risk for such receivables is limited as the risk is offset against slow processing of payables to the same suppliers.

Maximum exposure to credit risk at 31 December 2010 is MNOK 693.5 (2009: MNOK 655.1).

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	2010	2009
Consumables	54 633	31 928
Parts for heavy maintenance	7 928	7 917
Other inventory	3 630	980
Total	**66 191**	**40 825**

In 2010 and 2009 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 2010 were MNOK 4.3 (2009: MNOK 4.6).

Note 15 Equity and shareholder information

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

	2010	2009
Issued shares	34 573 332	34 209 858
Own shares	0	0
Net Shares	**34 573 332**	**34 209 858**

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

(NOK 1 000)	Number of shares	Ordinary shares	Share premium	Total
01 January 2009	32 359 779	3 236	789 130	792 366
Share issue 2 November 2009	230 079	23	7 353	7 376
Share issue 18 November 2009	1 620 000	162	245 411	245 573
31 December 2009	**34 209 858**	**3 421**	**1 041 894**	**1 045 315**
Share issue 29 October 2010	363 474	36	13 189	13 225
31 December 2010	**34 573 332**	**3 457**	**1 055 083**	**1 058 540**

All issued shares are fully paid with a par value of 0.1 NOK per share (2009: 0.1 NOK per share). The share issue at 29 October 2010 was related to exercise of employee share options with an exercise price of NOK 63.8. For additional information about the employee share options, see note 17.

Description of items booked directly on shareholders equity:

Translation differences

MNOK 0.3 has been booked as comprehensive income at 31 December 2010 (2009: MNOK -5). 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 0 (2009: MNOK 5.4) have been booked directly in shareholder equity.

Stock option plan

Stock options are granted to the management and the employees. In 2008, the employees were granted stock options in exchange for a voluntary reduction in salary, first part of this option plan was exercised in November 2009 and second part of the plan was exercised in November 2010. Options were also granted to the management in 2009, with expiry in 2010 and 2011. The Group granted a stock options plan in 2010 similar to the grant in 2008, where employees were granted stock options in exchange for a voluntary reduction in salary. The 2010 employee stock option plan will be exercised after announcing the third quarterly results for 2011 and 2012. See note 17 for further details. Total stock option expense in 2010 was MNOK 7.1 (2009: MNOK 8.4).

Shareholder structure

The largest shareholders at 31 December 2010 were;

	A-shares	**Owner-ship**	**Voting-rights**
HBK INVEST AS	9 499 023	27.48%	27.48%
AWILCO INVEST AS	2 235 857	6.47%	6.47%
SKAGEN KON-TIKI	1 661 249	4.81%	4.81%
FINNAIR PLC	1 649 839	4.77%	4.77%
VITAL FORSIKRING ASA	1 502 197	4.34%	4.34%
SKAGEN VEKST	1 324 950	3.83%	3.83%
JPMORGAN CHASE BANK	933 566	2.70%	2.70%
DNB NOR NORGE (IV)V	832 885	2.41%	2.41%
STATE STREET BANK AN	699 273	2.02%	2.02%
GOLDMAN SACHS INT.	566 000	1.64%	1.64%
HOLBERG NORGE	510 461	1.48%	1.48%
HOLBERG NORDEN	495 954	1.43%	1.43%
SKANDINAVISKE ENSKILDA	461 329	1.33%	1.33%
DANSKE INVEST NORSKE	453 765	1.31%	1.31%
KLP AKSJE NORGE VPF	350 553	1.01%	1.01%
AVANSE NORGE (II) VP	350 425	1.01%	1.01%
DNB NOR SMB VPF	336 018	0.97%	0.97%
STATE STREET BANK AN	328 547	0.95%	0.95%
KOMMUNAL LANDSPENSJONSKASSE	279 999	0.81%	0.81%
STATE STREET BANK &	272 811	0.79%	0.79%
Other	9 828 628	28.43%	28.43%
Total number of shares	**34 573 332**	**100%**	**100%**

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 %**

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

Name	Title	Shares 1)	Options
Bjørn Kise 2)	Chairman	781 537	-
Ola Krohn Fagervoll	Deputy chairman	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	3 634	-
Kenneth Utsikt	Board Member - Employee repr	1 497	578
Bjørn Kjos 3)	Chief Executive Officer	7 999 477	48 184
Frode E Foss	Chief Financial Officer	30 000	44 679
Hans-Petter Aanby	Chief IT Officer	-	24 760
Asgeir Nyseth	Chief Operating Officer	5 200	44 931
Daniel Skjeldam	Chief Commercial Officer	-	42 312
Anne-Sissel Skånvik	Senior Vice President Corporate Communications	-	20 000
Gunnar Martinsen	Senior Vice President HR and Organisation	8 432	21 736

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 2009	-4 376	-3 257	-7 633
Available for sale financial assets	1 608	0	1 608
Translation differences	0	-5 007	-5 007
1 January 2010	**-2 768**	**-8 264**	**-11 032**
Available for sale financial assets	2 768	0	2 768
Translation differences	0	320	320
31 December 2010	0	**-7 944**	**-7 944**

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

Note 16 Earnings per share

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

NOK 1 000	2010	2009
Profit	170 884	446 251
Average number of shares outstanding	34 272 595	32 499 404
Average number of shares and options outstanding	34 991 268	33 463 429
Basic earnings per share	4.97	13.73
Basic earnings per share restated		13.01
Diluted earnings per share	4.87	13.34
Diluted earnings per share restated		12.89

	2010	2009
Average number of shares outstanding	34 272 595	32 499 404
Dilutional effects		
Stock options	718 673	964 025
Average number of shares outstanding adjusted for dilutional effects	34 991 268	33 463 429

In 20010, underwritten rights issues of 363,474 new shares were issued by the parent company at a share price of NOK 67.0 per share. Market share price prior to the day of issue was NOK 91.5 per share. The bonus in share price is reflected in basic earnings per share. An adjustment factor of 1.003 is used in the calculation

Note 17 Options

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 had an exercise price of NOK 32.06, equal to the 30% discounted volume weighted share price during the period 26-29 August 2008. All options were exercised in 2009 and 2010.

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 prior to the date of 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 were vested on 20 July 2010, and the second 50% of the stock options will vest on 20 July 2011.

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

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

The following estimates are used in calculating fair value;

	2010	2009
Dividend (%)	0%	0%
Expected volatility (%)	52.52%	58.01%
Historic volatility (%)	52.52%	58.01%
Risk free interest (%)	2.13%	2.13%
Expected lifetime (year)	2.25	2.25
Share price at grant date	93.00	59.50

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 2010 - program must cover the social security tax incurred for option gains where the share price exceeds NOK 127.6. These limitations are taken into account when calculating the option values.

The option program is expensed with MNOK 7.1 in 2010 and MNOK 8.4 in 2009.

	2010 Shares	Weighted avg. exerc. Price	2009 Shares	Weighted avg. exerc. Price
Outstanding at the beginning of the period	710 601	50.9	829 690	77.8
Allocated	292 021	63.8	384 000	67.0
Exercised	371 601	39.2	230 080	32.1
Terminated	214	63.8	4 009	32.1
Forfeited	1 000	67.0	0	0.0
Expired	0	0.0	269 000	173.1
Outstanding at the end of the period	629 807	65.5	710 601	50.9
Vested options	146 500	67.0	48 290	32.1
Weighted average fair value of options allocated in the period	292 021	38.1	384 000	15.4

2010	Outstanding options			Vested options	
Strike price (NOK)	Outstanding options	Weighted average remaining lifetime (yrs)	Weighted average exercise price	Vested options	Weighted average exercise price
50.00 - 66.00	291 807	1.8	63.8	-	-
66.00 - 70.00	338 000	0.8	67.0	146 500	67.0
Total	**629 807**	**1.4**	**65.5**	**146 500**	**67.0**

2009	Outstanding options			Vested options	
Strike price (NOK)	Outstanding options	Weighted average remaining lifetime (yrs)	Weighted average strike price	Vested options	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**

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

Fair value of the bonus shares are measured at the grant date using Black & Scholes option pricing model. The fair value of the bonus shares and the corresponding estimated social security cost are expensed as personnel costs over the vesting period. Changes in estimated social security cost are expensed over the remaining vesting period. At 31 December 2010, MNOK 1.5 (2009: MNOK 1.5) was expensed and included in the stock options expense of MNOK 7.1.

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 in which the employee provides service. Under a defined benefit plan it is the Company is obliged 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 in order for Swedish companies to account for defined benefit plans according to IAS 19. These pension plans are therefore accounted for as defined contribution plans.

The defined contribution plans require that 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 as soon as they are. Pre-paid premiums are accounted for as an asset to the extent that future benefits can be determined as plausible.

A total of 76 employees were included in the pension plan at 31 December 2010 (2009: 140). Total pension costs expensed in profit or loss in 2010 was MNOK 10.9 (2009: MNOK 12.2)

Employees in Call Norwegian AS participate in a defined contribution plan and a defined benefit plan. The contribution plan complies with Norwegian Pension legislation (OTP). The defined benefit plan is outlined below.

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 2010, a total of 1,857 employees were active members (2009: 1,465), and 32 (2009: 30) 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 government 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 2010, 0 employees were active in the AFP pension plan (2009:495), and no employees had retired in the AFP pension plan. The AFP pension plan was closed during 2010, causing a settlement transaction of MNOK 4 recognized in the income statement as a cost reduction in pension expenses. The former AFP pension plan is replaced by a new multi-employer plan, where the Norwegian government finances 1/3 of the contribution plans. The new AFP pension plan is a defined benefit plan administered by a separate legal entity (Fellesordningen). The plan is temporarily accounted for as a defined contribution plan, as the plans administrators have not been able to calculate the pension obligation for each entity participating in the plan.

The scheme is in compliance with the Occupational Pensions Act.

The pension obligation in the defined benefit plan 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 which 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 2010. The management has assessed the changes in the estimates and basis of calculation and concluded that these changes have no material impact on the pension cost for 2010.

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 2010**	**Total 2009**
Net present value of benefits earned	112 784	786	113 570	103 346
Interest cost on pension liability	20 747	116	20 863	14 674
Return on plan assets	-18 981	0	-18 981	-15 594
Administrative expenses	2 630	0	2 630	2 485
Recognized actuarial gains/losses	4 377	540	4 917	6 581
Recognized net liability - settlement	0	-4 028	-4 028	0
Accrual for settlement liability	0	3 772	3 772	0
Social security tax	16 522	127	16 649	14 793
Net pension expense defined benefit plans	138 079	1 313	139 392	126 285
Pension expense on defined contribution plans			14 436	12 200
Total pension expense			**153 827**	**138 485**

Defined benefit liability and fund (NOK 1 000)

	2010			2009		
	Funded	**Unfunded**	**Total**	**Funded**	**Unfunded**	**Total**
Change in present value of defined benefit liability:						
Gross pension liability 01.01	473 699	2 665	476 364	394 094	2 029	396 123
Current service costs	112 784	786	113 570	102 828	518	103 346
Interest cost	20 747	116	20 863	14 598	76	14 674
Actuarial gains/losses	81 216	0	81 216	-32 671	42	-32 629
Settlement	0	-3 567	-3 567	0	0	0
Accrual for settlement liability	0	3 306	3 306	0	0	0
Benefits paid	-5 163	0	-5 163	-5 150	0	-5 150
Gross pension liability 31.12	**683 283**	**3 306**	**686 588**	**473 699**	**2 665**	**476 364**
Change in fair value of plan assets:						
Fair value of pension assets 01.01	292 164	0	292 164	233 000	0	233 000
Expected return	18 981	0	18 981	15 594	0	15 594
Actuarial gains/losses	-2 822	0	-2 822	-28 148	0	-28 148
Administrative expenses	-2 630	0	-2 630	-2 485	0	-2 485
Contributions paid	101 347	0	101 347	79 353	0	79 353
Benefits paid	-5 163	0	-5 163	-5 150	0	-5 150
Fair value of plan assets 31.12	**401 877**	0	**401 877**	**292 164**	0	**292 164**
Net pension liability	**281 406**	**3 306**	**284 711**	**181 535**	**2 665**	**184 200**
Unrecognized actuarial gains/losses	-178 472	0	-178 472	-98 189	-473	-98 662
Social security tax	14 967	466	15 433	11 753	267	12 020
Net recognised pension liability 31.12	**117 901**	**3 772**	**121 672**	**95 099**	**2 459**	**97 558**

	2010	**2009**
Actual return on pension funds *)	6.20%	5.40%
Expected contribution to be paid next year	104 480	83 300
Expected benefits to be paid next year	5 599	5 163

*) 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 increase in state pensions are based on historical observations for the Group, and an expected long term inflation rate of 2.5 %.

	2010	**2009**
Discount rate	4.00%	4.40%
Expected return on pension funds	5.40%	5.60%
Wage adjustments	3.75%	4.00%
Increase of social security base amount (G)	3.75%	4.00%
Future pension increase	1.30%	1.30%
Average turnover	2-10 %	2-10 %

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

	2010	**2009**
Equity	15.1 %	9.8 %
Bonds	15.4 %	19.0 %
Money market funds	17.4 %	16.3 %
Hold-to maturity bonds	33.7 %	36.4 %
Real estate	16.8 %	16.6 %
Various	1.5 %	1.2 %

The table shows actual distribution of plan assets at 30 September 2010 and at 30 September 2009.

Historical information

NOK 1 000	**2010**	**2009**	**2008**	**2007**	**2006**
Present value of defined benefit obligation	686 588	483 721	396 123	249 401	185 325
Fair value of plan assets	401 877	301 612	233 000	175 000	137 516
Deficit/(surplus) in the plan	**284 711**	**182 109**	**163 123**	**74 401**	**47 809**
Experience adjustments on plan liabilities	81 092	-25 272	50 340	19 506	-1 646
Experience adjustments on plan assets	2 130	-28 148	2 549	-2 375	3 039

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 2010;

Sensitivity analysis pensions 2010

(NOK 1 000)	Discount rate		Wage adjustment	
	+ 1%	- 1%	+ 1%	- 1%
Net pension liability 31 December (%)	-24%	22%	13%	-14%
Net pension expense (%)	-19%	29%	24%	-19%
Net pension liability 31 December	98 554	155 740	139 923	105 855
Net pension expense	127 343	194 251	187 281	127 343

Note 19 Provisions

Periodic maintenance on leased Boeing 737 aircraft;

NOK 1 000	2010	2009
Opening balance	132 598	114 090
Utilized	-1 188 128	-858 976
Accruals	1 173 231	877 484
Reversals	0	0
Closing balance	117 701	132 598
Classified as short term liabilities	22 740	62 262
Classified as long term provision	94 961	70 336

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. In order to meet this requirement, the Group must carry out maintenance of aircraft, both regularly as well as at the expiration of the leasing period. The overhaul and maintenance of the aircraft is a contractual lease obligation.

Each airborne hour or cycle completed by the aircraft determines the timing and nature of the overhaul and maintenance which must be carried out. For some of the contracts, there is a degree of uncertainty about what kind of maintenance is covered by the maintenance funds, and the provision for this increase 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 aircraft. Accruals are highly dependent on redelivery date and redelivery conditions of the different lease terms. In case of lease extension, estimates on maintenance costs will be revised.

Parts of the periodic maintenance will be conducted in 2011, and MNOK 22.74 is classified as short term liability for periodic maintenance (2009: MNOK 62.3). The short term part of periodic maintenance is estimated based on planned maintenance in 2011.

Sensitivity

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

2010 (NOK 1 000)	5% increased production	5% decreased production
MRC accruals*:	4.12%	-4.12%
	4 853	-4 853

*Based on MRC accruals 2010. Any changes in future maintenance due to increased/decreased production is not included

2010 (NOK 1 000)	1 year lease extension	1.5 year lease extension	2 year lease extension
MRC accruals*:	41.6 %	57.9 %	71.9 %
	48 911	68 091	84 639

*Based on MRC accruals 2010. Any changes in future maintenance due to lease extension are not included

Note 20 Financial instruments

Financial instruments by category

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

	31 December 2010				31 December 2009			
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	2 689	2 689	0	0	7 236	7 236
Derivative financial instruments	0	43 395	0	43 395	0	23 688	0	23 688
Trade and other receivables *)	788 341	0	0	788 341	728 779	0	0	728 779
Cash and cash equivalents	1 178 416	0	0	1 178 416	1 408 475	0	0	1 408 475
Total	**1 966 757**	**43 395**	**2 689**	**2 012 841**	**2 137 254**	**23 688**	**7 236**	**2 168 178**
*) Prepayments not included in trade and other receivables	107 044				127 505			

	31 December 2010			31 December 2009		
Liabilities 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	2 484 882	2 484 882	0	1 583 010	1 583 010
Derivative financial instruments	15 003	0	15 003	1 227	0	1 227
Trade and other payables	0	951 592	951 592	0	656 250	656 250
Total	**15 003**	**3 436 473**	**3 451 476**	**1 227**	**2 239 260**	**2 240 487**
*) Public duties not included in trade and other payables		111 845			90 299	

See note 22 for details related to borrowings

Credit quality of financial asset

(NOK 1 000)		
Trade receivables	**2010**	**2009**
Counterparties with external credit rating A or better *)	382 751	0
Counterparties without external credit rating	405 591	728 779
Total trade receivables	**788 341**	**728 779**

*) no rating in 2009

Cash and cash equivalents	**2010**	**2009**
A+ or better	577 940	1 021 335
BBB +	600 476	387 140
Total cash and cash equivalents	**1 178 416**	**1 408 475**

Derivative financial assets	**2010**	**2009**
A+ or better	43 395	23 688
Total derivative and financial assets	**43 395**	**23 688**

Available-for sale financial assets

(NOK 1 000)	**2010**	**2009**
Januar 1st	7 236	5 628
Additions	0	0
Sale	0	0
Net gains/(losses) recognised in comprehensive income	2 767	1 608
Net gains/(losses) recorded in profit and loss	-7 314	0
December 31st	**2 689**	**7 236**
Non-current portion	2 689	7 236
Current portion	0	0

Available-for-sale financial assets at 31 December 2010 consist of an investment in unlisted equity instrument in Silver Pensjonsforsikring. The fair value of available for sale financial assets is MNOK 2.7 (2009: MNOK 7.2). Fair value of the equity investment is estimated by calculating fair value per share from Holberg Fondsforvaltning AS multiplied with the number of shares held in the investment. Holberg Fondsforvaltning AS is a professional investment manager situated in Norway. The fair value of the shares is considered to be the best estimate for the market value of the investment, see note 3 for fair value calculations.

A reduction in fair value of MNOK 4.6 was recognized in the income statement as an impairment loss on available-for-sale financial assets in 2010. Additionally, a loss from the previous year on fair value adjustments of MNOK 2.8 was recycled through the income statement and derecognized from comprehensive income. In total, MNOK 7.3 was recognized in the income statement as loss on available-for-sale financial assets in 2010 (see note 8). In 2009, an increase in fair value of MNOK 1.6 was recognized in comprehensive income. Available-for-sale financial assets are denominated in NOK.

Derivative financial instruments

(NOK 1 000)	**2010**		**2009**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Forward foreign exchange contracts	0	15 003	0	1 227
Forward commodities contracts	43 395	0	23 688	0
Total	**43 395**	**15 003**	**23 688**	**1 227**
Non-current portion:	0	0	0	0
Current portion:	43 395	15 003	23 688	1 227

Trading derivatives are classified as current assets or liabilities.

The total amount from derivatives which do not qualify for hedge accounting amounts to a gain of MNOK 29.7 (2009: MNOK 49.3). See details under the specification of 'other losses/(gains)- net' below.

Forward foreign currency contracts

The fair value of the outstanding forward foreign currency contracts at 31 December 2010 were MNOK -15 (2009: MNOK -1.2). At 31 December 2010, the Group had forward foreign currency contracts to secure MUSD 129.1 of 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 2010 were MNOK 43.4 (2009: MNOK 23.7). At 31 December 2010, the Group had secured 85,000 tons of jet-fuel through derivative contracts at prices varying from USD 712 to USD 828. These contracts are expected to minimize the jet-fuel price risk related to future jet-fuel purchases. The Group had secured 87,500 tons of jet-fuel through derivatives at 31 December 2009, all of which were realized during 2010.

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 values from financial institutions. Spot price in the marked to market calculations are based on mid-prices as set by the financial institutions (Nordea and DnB Nor) at the balance sheet date, see note 3 for fair value calculations.

Other losses/(gains) – net

(NOK 1 000)	**2010**	**2009**
Financial assets at fair value through profit or loss		
- Fair value losses	420 696	121 400
- Fair value gains	-450 882	-170 714
- Foreign exchange (gains)/losses on operating acitivities	454	0
Total	**-29 732**	**-49 315**

No financial instruments were designated as hedging instruments in 2010 or 2009. Losses and gains on financial assets and financial liabilities at fair value through profit or loss are classified as 'other losses/(gains) – net'. Foreign exchange losses and gains on operating activities are classified as other losses/(gains) – net.

Note 21 Trade and other payables

NOK 1 000	2010	2009
Accrued vacation pay	110 481	97 347
Accrued airport and transportation taxes	327 955	178 395
Accrued expenses	42 105	76 427
Trade payables	390 505	220 007
Payable to related party	4 117	0
Public duties	111 845	90 299
Short term provision for MRC	22 740	62 262
Other short term provisions	53 689	21 811
Total	**1 063 436**	**746 549**

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

Note 22 Borrowings

Nominal value at 31 December 2010

NOK 1 000	Nominal value	Amortization	Book value	Effective interest rate
Bond issue	600 000	-2 632	597 368	8.6%
Facility agreement	368 168	-981	367 187	2.5%
Aircraft financing	1 395 575	-76 066	1 319 509	4.5%
Loan facility	176 429	-584	175 845	4.5%
Financial lease liability	24 973	0	24 973	5.6%
Total	**2 565 144**	**-80 263**	**2 484 882**	

Nominal value at 31 December 2009

NOK 1 000	Nominal value	Amortization	Book value	Effective interest rate
Bond issue	563 000	-2 006	560 994	8.6%
Facility agreement	628 394	-4 784	623 610	7.8%
Aircraft financing	400 682	-31 106	369 577	5.4%
Loan facility	0	0	0	0
Financial lease liability	28 829	0	28 829	7.2%
Total	**1 620 905**	**-37 896**	**1 583 010**	

Classification of borrowings

NOK 1 000	2010	2009
Non-current		
Bond issue	597 368	398 296
Facility agreement	0	144 747
Aircraft financing	1 197 833	335 833
Loan facility	148 702	0
Financial lease liability	20 007	28 829
Total	**1 963 910**	**907 705**
Current		
Bond issue	0	162 698
Facility agreement	367 187	478 863
Aircraft financing	121 676	33 743
Loan facility	27 143	0
Financial lease liability	4 966	0
Total	**520 972**	**675 304**
Total borrowings	**2 484 882**	**1 583 010**

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 that covenants are linked to cash and cash equivalents in a ratio related to operating cost. In addition it is agreed that a covenant is linked to gearing (net debt to total capital). Both covenants must be in breach simultaneously in order to be in violation of 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.

Loan Facility

Equity/Capital Employed higher than 30%
(Capital Employed = equity + interest bearing debt)
Free liquidity higher than 15%
(Free liquidity = Cash/Total funded debt (interest bearing debt))
Cash flow consisting of; Total funded debts + leasing charges * 7- cash/EBITDAR must be higher than 6

There are no covenants related to the financial lease liability.

The Group has not been in breach of any covenants during 2010.

Fair value calculations

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

	Carrying amount		Fair Value	
	2010	**2009**	**2010**	**2009**
Bond issue	597 368	398 296	602 997	400 000
Facility agreement	0	144 747	0	144 747
Aircraft financing	1 197 833	335 833	1 240 418	347 149
Loan facility	148 702	0	148 702	0
Financial lease liability	20 007	28 829	23 180	23 745

Fair value of non-current borrowings on the facility agreement from 2009 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 which are 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

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 of the Boeing contract.

The borrowings mature at the delivery of each aircraft and final delivery matures at 31 March 2011. The facility agreement is classified as short term borrowings and 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 an overall credit risk in the financial markets in the United States.

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

Loan facility

Floating interest of NIBOR 3 m and a risk premium of 1.75%. The loan facility is denominated in NOK and matures quarterly, with the final commitment to pay on 30 June 2014. See note 2 for further maturity analysis of borrowings.

Financial lease liability

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

The discount rates used to calculate the fair value of the financial lease liability equals the risk free interest rate and spread related to the loan facility in 2010 and the unsecured bond issue in 2009 as these borrowings are assessed to be the best estimate for credit spread on financial lease liability. The financial lease liability is denominated in NOK.

Future minimum lease payments under financial lease liability

(NOK 1 000)	**2010**	**2009**
Future minimum lease payments		
-No later than 1 year	5 830	6 129
-Between 1 and 5 years	20 573	19 003
-Later than 5 years	2 907	10 026
Total	**29 310**	**35 158**
Future finance charges on financial lease liability	4 337	6 329
Present value of financial lease liability	**24 973**	**28 829**

Note 23 Assets pledged as collateral and guarantees

Liabilities secured by pledge (NOK 1 000):	**2010**	**2009**
Facility agreement	367 187	623 610
Aircraft financing	1 319 509	369 577
Loan Facility	175 845	0
Financial lease liability	24 973	28 829
Total	**1 887 513**	**1 022 016**

Prepayments of 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) are pledged as collateral for the aircraft financing (see note 22). Five 737-300 fully owned aircraft are pledged as collateral for the loan facility (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 fulfillment of the lease agreement.

Book value of assets pledged as security and guarantees (NOK 1 000):	**2010**	**2009**
Cash depot	335 422	132 476
Prepayment and aircraft	3 994 969	1 874 718
Financial lease asset	31 203	26 092
Total	**4 361 594**	**2 033 286**

Note 24 Bank deposits

Cash and cash equivalents NOK 1 000	**2010**	**2009**
Cash in bank	577 940	1 021 335
Cash equivalents	600 476	387 140
Total	**1 178 416**	**1 408 475**

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 2010, 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	**2010**	**2009**
Guarantees for leases and credits from suppliers	335 422	132 476
Taxes withheld	54 673	46 847
Total	**390 095**	**179 323**

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

Note 25 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 Polish subsidiary has supplied crew and administrative services to the Group.

Norwegian Air Shuttle Sweden AB

The subsidiary was purchased on 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 supplies the crew and provides technical services. Transactions between the parent company and the Swedish subsidiary during 2010 consisted of the supply of personnel. On 1 July 2009, the entire airline operation in Norwegian Air Shuttle Sweden AB was transferred to Norwegian air Shuttle ASA through the purchase of assets.

Call Norwegian AS

On 14 January 2008 the Group established Call Norwegian AS, and owns 100% of the shares. The company provides mobile- and content services, mobile broadband, airport wi-fi and Voip 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 (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 is 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 (SPE), and owns 100% of the shares. NAS Asset Management Norway AS was established for aircraft financing purposes.

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

NOK 1 000

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	7/31/2007	Stockholm, Sweden	20 000	100 %
Call Norwegian AS	1/14/2008	Fornebu, Norway	1 000 000	100 %
NAS Asset Management Ireland Ltd	7/15/2008	Dublin, Ireland	1 000	100 %
NAS Asset Management Norway AS	7/15/2008	Fornebu, Norway	100	100 %

Note 26 Investment in associated company

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

Entity	Country	Industry	Ownership interest	Carrying amount 31.12.2009	Net profit (loss) 2010	Share issue 2010	Carrying amount 31.12.2010
Norwegian Finans Holding ASA	Norway	Financial Institution	20%	47 943	6 328	8 000	62 272

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

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

2010 (NOK 1 000)

Entity	Country	Assets	Liabilities	Revenues	Profit/(Loss)	Interest held %
Norwegian Finans Holding ASA	Norway	581 427	525 091	37 565	6 328	20%

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 27.48 % 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 2010 or 2009, except for indirect transactions through Fornebu Næringseiendom.

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

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

The parent company has received commission from the associated company in 2010 and 2009. The commission relates to sales made by the parent company's customers by using the 'Bank Norwegian' credit cards. The total commission is enclosed in the table below. Receivables and payables to related parties are enclosed below.

No loans or guarantees have been issued to related parties in 2010 or 2009.

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, the CEO and the Executive Management.

Terms and conditions for transactions with related parties

The 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 (NOK 1 000):

Sales (-) and purchases (+) of goods and services (excl VAT)	**2010**	**2009**
- Vogt & Wiig (legal services)	3 160	3 447
- Associate (commission)	-14 810	-9 540
- Fornebu Næringseiendom (property rent)	17 053	0
- Ola Krohn-Fagervold (services as Board Member - note 7)	56	0

Year-end balances arising from sales/purchases of goods/services (incl VAT)	**2010**	**2009**
Receivables from related parties (note 13)		
- Vogt & Wiig (legal services)	0	0
- Associate (commission)	12 148	850
- Fornebu Næringseiendom (property rent)	0	0
- Ola Krohn-Fagervold (services as Board Member - note 7)	0	0
Payables from related parties (note 21)		
- Vogt & Wiig (legal services)	-40	0
- Associate (commission)	0	0
- Fornebu Næringseiendom (property rent)	-4 077	0
- Ola Krohn-Fagervold (services as Board Member - note 7)	0	0

Investment in related parties	**2010**	**2009**
- Associate (subordinated loan)	30 000	30 088

Note 28 Contingencies and legal claims

The Group has no contingencies or legal claims at 31 December 2010.

Note 29 Commitments

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

In October 2009 and July 2010 Norwegian exercised 21 purchase rights, making a total order of 63 aircraft for direct-by for Boeing 737-800 aircraft. Remaining purchase rights as of 31 December 2010 are 27 aircraft.

During 2009 and 2010 Norwegian received 9 aircraft. The remaining 54 aircraft will be delivered over a six-year period from 2011 to 2016. The purchase price will be paid over several USD installments before and on delivery of each aircraft.

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

Note 30 Events after the reporting period

The Group has secured guarantees from the Ex-Im Bank of the United States for 12 aircraft scheduled for delivery in 2011 and 2012. The Private Export Funding Corporation (lender) has committed direct loans for four aircraft under the Ex-Im guarantee, scheduled for delivery March-May 2011.

Financial statements – Parent Company

2010

Norwegian Air Shuttle ASA
Income Statement

NOTE	NOK 1 000	2010	2009
	OPERATING REVENUES AND OPERATING EXPENSES		
3	Revenues	8 399 612	6 930 092
3	Other income	191 328	0
	Total operating revenues and income	**8 590 941**	**6 930 092**
4	Operational expenses	6 299 572	4 643 240
5,16,17	Salaries and other personnel expenses	1 531 695	1 238 035
8,9	Depreciation and amortization	184 963	135 648
4a	Other operating expenses	386 023	357 603
20	Other losses/(gains) - net	13 662	-49 315
	Total operating expenses	**8 415 915**	**6 325 210**
	Operating profit	**175 025**	**604 882**
	FINANCIAL REVENUES AND FINANCIAL EXPENSES		
	Interest income	39 171	25 802
	Interest expense	-39 781	-46 931
6	Other financial items	31 344	-178 827
	Net financial items	**30 733**	**-199 956**
26	**Profit/loss from associated company**	6 328	3 200
	Profit before tax	**212 087**	**408 126**
7	Income tax expense	60 071	164 741
	PROFIT FOR THE YEAR	**152 016**	**243 385**

Allocation of profit for the year		
Allocated to other equity	**152 016**	**243 385**

Norwegian Air Shuttle ASA
Balance Sheet

NOTE	(NOK 1 000)	2010	2009
	ASSETS		
	Non-current assets		
8	**Intangible assets**		
	Intangible assets	179 021	160 880
	Total intangible assets	179 021	160 880
9	**Tangible assets**		
	Buildings	9 525	3 933
	Aircraft, installations and parts	2 092 136	974 892
	Equipment and fixtures	25 897	30 400
	Financial lease asset	31 203	26 092
	Prepayment Boeing contract	2 002 600	1 410 992
	Total tangible assets	4 161 360	2 446 308
	Financial assets		
25	Investment in subsidiaries	79 693	52 224
26	Investment in associated company	62 272	47 943
27	Investment in shares	2 689	7 236
11	Other long term receivables	58 329	29 903
	Total financial assets	202 983	137 306
	Total non-current assets	**4 543 365**	**2 744 494**
	Current assets		
12	**Inventory**	65 615	39 845
	Receivables		
	Accounts receivable	465 264	521 139
13,25	Other receivables	366 053	317 332
	Total receivables	831 317	838 471
20	Financial instruments	0	23 688
22	Cash and cash equivalents	1 156 379	1 375 564
	Total current assets	**2 053 311**	**2 277 568**
	TOTAL ASSETS	**6 596 675**	**5 022 062**

Norwegian Air Shuttle ASA
Balance Sheet

NOTE	(NOK 1 000)	2010	2009
	EQUITY AND LIABILTIES		
	Equity		
	Paid-in equity		
14,15	Share capital	3 457	3 421
15	Share premium reserve	1 055 083	1 041 894
15	Other paid-in equity	54 487	47 387
	Total paid-in equity	**1 113 027**	**1 092 702**
	Retained earnings		
15	Other equity	658 105	506 089
	Total retained earnings	**658 105**	**506 089**
	Total equity	**1 771 132**	**1 598 791**
	Liabilities		
	Provisions		
16	Pension liabilities	121 259	97 558
18	Provision for periodic maintenance	94 961	70 345
7	Deferred tax	97 245	46 608
24	Borrowings	1 943 910	878 878
24	Financial lease liability	20 007	28 829
	Total long term liabilities	**2 277 381**	**1 122 218**
	Short term liabilities		
25	Accounts payable	424 498	210 639
	Air traffic settlement liabilities	954 232	790 747
7	Tax payable	536	111 122
	Public duties payable	108 604	90 358
20	Financial instruments	15 003	1 227
19,24	Other short term liabilities	1 045 289	1 096 960
	Total short term liabilities	**2 548 162**	**2 301 053**
	Total liabilities	**4 825 543**	**3 423 271**
	TOTAL EQUITY AND LIABILITIES	**6 596 675**	**5 022 062**

Fornebu, 30 March 2011

Bjørn H. Kise (Chairman of the Board)

Ola Krohn-Fagervoll (Deputy Chairman)

Liv Berstad

Marianne Wergeland Jenssen

Thor Espen Bråten (Employee Representative)

Kenneth Utsikt (Employee Representative)

Linda Olsen (Employee Representative)

Bjørn Kjos (Chief Executive Officer)

Norwegian Air Shuttle ASA

Cash Flow Statement

Note	NOK 1 000	2010	2009
	CASH FLOWS FROM OPERATING ACTIVITIES:		
	Profit before income tax	212 087	408 126
	Taxes paid	-109 572	0
8,9	Depreciation, amortization, write-down	184 963	135 648
	Pension expense without cash effect	23 701	32 664
26	(Gain)/loss on investment in associated company	-6 328	-3 200
17	Employee option cost	7 100	8 678
9	Losses/(gains) on disposal of tangible assets	-15 927	0
20	Fair value (gains)/losses on financial assets at fair value through P&L	13 662	-49 314
6	Net financial items	-30 733	199 956
	Interests received	39 171	16 066
	Change in inventories, accounts receivable and accounts payable	192 662	-34 800
	Change in air traffic settlement liabilities	163 485	263 931
	Change in other current assets and current liabilities	137 026	24 022
	Net cash flow from operating activities	**811 296**	**1 001 777**
	CASH FLOWS FROM INVESTING ACTIVITIES:		
9	Prepayments aircraft purchase	-1 361 758	-683 764
9	Purchases of tangible assets	-427 908	-539 417
8	Purchases of intangible assets	-46 703	-28 128
	Payment to subsidiaries	0	-116 563
	Payment to investment in associated company	-8 000	-30 000
	Net cash flow from investing activities	**-1 844 369**	**-1 397 872**
	CASH FLOWS FROM FINANCIAL ACTIVITIES:		
24	New long term liabilities	1 134 510	968 304
24	Payment long term liabilities	-242 564	-4 220
	Interest on borrowings	-91 282	-26 865
15	Paid-in equity	13 225	250 840
	Net cash flow from financial activities	**813 889**	**1 188 059**
22	Net change in cash and cash equivalents	-219 184	791 964
	Cash and cash equivalents at 1 January	1 375 564	583 600
	Cash and cash equivalents at 31 December	**1 156 379**	**1 375 564**

Note 1 Accounting policies

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

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

Fixed assets are recognized at acquisition cost. Borrowing costs are capitalized as a part of the investment and is included in the acquisition cost. Fixed assets are depreciated using the straight-line method over the estimated economic life of the assets. If fair value of fixed assets is lower than their book value, and the decline is expected to be permanent, the asset 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 must be changed after a specific number of takeoffs or airborne hours. These components are identified as C check and D check on the aircraft body. 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 occur on a defined interval, and the value is depreciated based on the number of takeoffs or airborne hours until the next maintenance occurs. Completed maintenance and 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.

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

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

Changes in accounting principles

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

Revenues

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

Passenger revenue: Ticket sales are reported as traffic revenue when the air transport has been conducted. The value of tickets sold which are still valid but not 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 Company 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 of transport, and such revenue is recognized in the same manner as passenger revenue. Other products and services are earned at the time of purchase and immediately recognized in the income statement.

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

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

Customer loyalty program – Norwegian Reward

Customers earn 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. Cash points are also earned on all 'low fare' and 'full flex' tickets purchased from Norwegian Air Shuttle ASA and which are 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 only as domestic flights in Norway are prohibited from rewarding cash points to 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 of 1% 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 2010 indicate 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 in exchange rates are recognized in the income statement as they occur during the accounting period.

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

Intangible assets

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

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

Leasing agreements for tangible assets

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

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

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

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

Sale and lease back transactions are treated as financial leases and operational leases depending on the nature of the lease. The Company has completed two sale and lease back transactions during 2010 with regards to the sales of two aircraft and leasing back the same asset. Both of the sale and lease back transactions are defined as operating leases established at fair value and any profit or loss is recognized immediately in the income statement as other income.

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

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

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

Financial instruments

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

Other receivables classified as fixed assets

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

Inventory

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

Accounts receivable

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

Cash and cash equivalents

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

Pensions

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

Defined benefit plan

The Company operates 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 greater of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plans.

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

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

The AFP pension plan was closed in 2010, and replaced with a new AFP pension plan. The new AFP pension plan is a multi-employer defined benefit plan. However, the plan is recognized in the income statement as a defined contribution plan as the plans administrator has not administered the actuarial gains/losses to the members of the AFP pension plan as of 31 December 2010.

Defined contribution plans

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

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 which can be utilized.

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

- the Company has a legal and enforceable right to offset the recognized amounts and
- the deferred tax assets and tax liabilities relates to income tax from the same tax authority

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

Cash Flow Statement

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

Note 2 Financial 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 financial risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain financial risk exposures.

Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates, and hedges 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.

<u>Foreign Currency Risk</u>

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 partly denominated in EUR. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations. In order to reduce currency risk, the 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.

<u>Cash flow and fair value interest rate risk</u>

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

<u>Jet-fuel prices</u>

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

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 card 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 14 aircraft in 2011, and the remaining 40 aircraft in the period 2012-2016. Pre-delivery payments related to the delivery of the first 10 aircraft were secured in 2008. Of the 10 aircraft, 7 aircraft were delivered in 2009 and 2010, and 3 aircraft will be delivered in first quarter 2011. At the delivery of the aircraft, pre-delivery payments are replaced with other long term financing. The Company has secured the financing of 2 aircraft in 2009 and 5 aircraft in 2010 through guarantees from the Ex-Im Bank of the United States and direct loans from the Private Export Funding Corporation. 2 aircraft were delivered and financed as sale and lease back transactions in 2010. The Company is currently in the process of securing long term financing for 12 deliveries in 2011 and 2012.

Note 3 Revenue

NOK 1 000	2010	2009
By activity:		
Passenger transport	7 206 398	6 040 815
Ancillary revenue	1 034 471	735 484
Other revenues	158 742	153 792
Total	**8 399 612**	**6 930 092**
By geographic market:		
Domestic	3 124 196	2 899 736
International	5 275 415	4 030 356
Total	**8 399 612**	**6 930 092**

In 2010 and 2009, the Company has been running low-cost operations exclusively, using its fleet of Boeing 737 aircraft. Revenues from this business are specified in the table above. Passenger revenue consists of revenue generated from sales of airline tickets, while ancillary revenue consists of other services directly generated from ticket sales. Other revenue consists of sales that are not directly related to an airline ticket, e.g cargo and sales of spare parts.

Other income amounts to MNOK 191.3 (2009:0) and include compensation from a SAS law suit and gains from sales of tangible assets (note 9).

Note 4 Operational expenses

NOK 1 000	2010	2009
Sales and distribution expenses	167 859	139 196
Aviation fuel	2 092 859	1 326 855
Aircraft leases	778 100	604 039
Airport charges	1 295 902	967 579
Handling charges	863 566	679 446
Technical maintenance expenses	697 092	611 331
Other operating expenses	404 193	314 793
Total	**6 299 572**	**4 643 240**

Note 4 a Other operating expenses

Other operating expenses amount to MNOK 386.0 (2009: 357.6). Other operating expenses are related to the operation of systems, marketing, back office, consultants and other costs not directly attributable to operation of the aircraft fleet and related airline specific costs.

Note 5 Payroll expenses and number of employees

NOK 1 000	2010	2009
Wages and salaries	1 199 298	951 420
Social security tax	147 981	116 942
Pension expenses	138 603	126 285
Employee stock options	7 100	8 437
Other benefits	38 712	34 951
Total	**1 531 695**	**1 238 035**

In 2010, MNOK 7.1 (2009: MNOK 8.4) was charged as an expense to salaries, according to the stock option program (note 17). The Company has a pension scheme covering all employees. The scheme is in compliance with the act on occupational pensions (note 16).

Number of man-labour years	1 845	1 494

Note 6 Other financial items

NOK 1 000	2010	2009
Forreign exchange income and loss	25 884	47 865
Appreciation financial current assets	10 007	32 319
Appreciation financial non - current assets (note 27)	-4 547	1 608
Other financial expenses	0	108
Impairment of shares in subsidiary	0	-260 727
Total	**31 344**	**-178 827**

Impairment of shares in subsidiaries in 2009 relates to shares in Norwegian Air Shuttle Sweden AB (note 25).

Note 7 Taxes

This year's tax expense consists of (NOK 1 000):	**2010**	**2009**
Tax payable	11 218	117 135
Adjustment from previous year	-1 783	0
Change in deferred tax	50 636	47 607
Income tax expense	**60 071**	**164 741**

Reconciliation from nominal to effective tax rate:

NOK 1 000	**2010**	**2009**
Profit before tax	212 087	408 126
Expected tax expense using nominal tax rate (28 %)	59 384	114 275
Tax effect of the following items:		
Non deductible expenses/non taxable income	2 471	43 592
Adjustment from previous year	-1 783	6 874
Tax expense	**60 071**	**164 741**
Effective tax rate	28.32%	40.37%

Specification of tax payable	**2010**	**2009**
Tax payable in income tax expense	-11 218	-117 135
Group contribution	10 682	6 013
Tax payable in the balance sheet	**-536**	**-111 122**

Specification of temporary differences and tax loss carry forward:

NOK 1 000	**2010**	**2009**
Tangible assets	-408 201	-137 865
Long term receivables and borrowings in foreign currency	-29 079	-60 191
Financial instruments	15 003	-22 461
Inventories	4 258	4 170
Receivables	41 638	71 681
Gain/loss account	-11 100	125
Provisions	116 302	107 073
Pensions	121 259	97 558
Other [1)]	-197 381	-226 549
Tax loss carry forward	0	0
Total	**-347 301**	**-166 459**
Deferred tax asset/liability	-97 245	-46 608
Net recognized deferred tax asset/liability	**-97 245**	**-46 608**

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	**2010**	**2009**
At 1 january (-) liability/(+) asset	-46 608	-1 111
Income statement charge	-50 636	-47 607
Tax charged directly in equity	0	2 109
31 December	**-97 245**	**-46 608**

Note 8 Intangible assets

NOK 1 000	**Software**	**Goodwill**	**Other intangible assets**	**Total**
Acquisition cost at 1 January 2009	100 660	0	8 613	109 273
Additions	27 776	94 157	22 406	144 339
Acquisition cost at 31 December 2009	**128 436**	**94 157**	**31 019**	**253 612**
Acquisition cost at 1 January 2010	128 436	94 157	31 019	253 612
Additions	46 703	0	0	46 703
Acquisition cost at 31 December 2010	**175 139**	**94 157**	**31 019**	**300 315**
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 amortization and write-down at 31 December 2009	**81 864**	**6 277**	**4 591**	**92 732**
Accumulated amortization and write-down at January 1 2010	81 864	6 277	4 591	92 732
Amortization in 2010	22 284	6 277	0	28 561
Accumulated amortization and write-down at 31 December 2010	**104 148**	**12 554**	**4 591**	**121 293**
Book value at 31 December 2009	**46 572**	**87 880**	**26 428**	**160 880**
Book value at 31 December 2010	**70 991**	**81 603**	**26 428**	**179 021**
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 operations exceeding initial goodwill from the purchase of the shares in Norwegian Air Shuttle Sweden AB in 2007 (see note 25) was added to the value of the shares and accounted for under other financial items (see note 6) as impairment of shares in subsidiary in 2009. Goodwill and slots were identified as assets and measured at the value from initial purchase price in 2007.

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

Other intangible assets consist of intellectual property rights which are related to the purchases of internet domains. The Company has developed web portals in Norway, Sweden and Denmark. 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. Other intangible assets are determined to have indefinite economic useful lives and are not amortized.

Intangible assets with indefinite economic useful lives are tested for impairment annually. No impairment losses are identified for intangible assets in 2010.

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

The method used to estimate the recoverable amount is value in use, based on discounted cash flow analysis. The analysis reflects the cash flow projections in the financial business plan covering the next year approved by the Senior Management. In addition, the calculation includes estimated cash flows for the next 5 years. Key assumptions included 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.

Note 9 Tangible assets

NOK 1 000	Buildings	Aircraft	Prepayment Boeing Contract	Equipment and fixtures	Financial lease	Total
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**
Acquisition cost at 1 January 2010	3 933	1 203 758	1 410 992	98 904	26 468	2 744 054
Additions	5 592	1 255 482	591 608	13 079	8 139	1 873 900
Disposals	0	-7 844	0	0	0	-7 844
Acquisition cost at 31 December 2010	**9 525**	**2 451 396**	**2 002 600**	**111 983**	**34 607**	**4 610 110**
Accumulated depreciation at 1 January 2009	0	150 566	0	49 063	0	199 628
Depreciation	0	89 281	0	19 562	376	109 219
Reversals	0	-10 981	0	-121	0	-11 102
Accumulated depreciation at 31 December 2009	**0**	**228 866**	**0**	**68 504**	**376**	**297 745**
Accumulated depreciation at 1 January 2010	0	228 866	0	68 504	376	297 745
Depreciation	0	135 792	0	17 582	3 028	156 402
Reversals	0	-5 399	0	0	0	-5 399
Accumulated depreciation at 31 December 2010	**0**	**359 259**	**0**	**86 086**	**3 404**	**448 748**
Book value at 31 December 2009	**3 933**	**974 891**	**1 410 992**	**30 400**	**26 092**	**2 446 309**
Book value at 31 December 2010	**9 525**	**2 092 137**	**2 002 600**	**25 897**	**31 203**	**4 161 360**
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 563.6	See below	See below	MNOK 0	

At 31 December 2010, the Company operated a total of 57 aircraft, whereas 12 were owned and 45 were leased under operational leases. Leases are detailed in note 10.

<u>Aircraft</u>

Aircraft consist of purchased aircraft and the Company owns 12 aircraft at 31 December 2010. The residual value is MNOK 563.6 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 all 737 aricraft, and the economic life of the owned aircraft is 25 years less the age of the aircraft at time of purchase.

The Company sold two aircraft during 2010 as part of sale and lease back transactions. Total gains of MNOK 16 from the sales were recognized in the income statement as other income in 2010 (see note 3).

Installations on leased aircraft

The installations on the leased aircraft include cabin interior modifications and other improvements to the aircraft after lease commencement. The capitalized value is depreciated over the remainder of the aircraft lease, which is between 1-10 years. Linear depreciation is applied and residual value is NOK 0. In 2010 and 2009 several engines on the leased aircraft were in overhaul, and replacements costs for life limited parts were capitalized to the extent that the costs are improvements to the engines which exceed the requirements specified in the leasing contracts. These components are depreciated at a defined rate per engine cycle, limited to the remainder of the aircraft lease.

Spare parts

Spare parts consist of rotable parts for aircraft, and are depreciated over their useful life. The useful life of spare parts ranges between 4 to 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. In 2010, the Group purchased an apartment in Seattle for the purpose of housing personnel stationed in Seattle with regards to the delivery of new 737-800 HGW aircraft. Buildings are carried at acquisition cost. The residual value is estimated to equal the acquisition cost.

Prepayments on Boeing contract

In 2007, the Company entered a purchase contract on 42 new 737-800 HGW aircraft with Boeing Corporation, with an option of purchasing 42 additional aircraft. Two aircraft were delivered in 2009, and five aircraft were delivered in 2010. 21 purchase options have been exercised. 54 aircraft will be delivered between 2011 and 2016. Until the 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 73.9 (2009: MNOK 33.5) have been capitalized during the year. Average capitalization rate of 6.1% (2009: 7.6%) was used.

Financial lease assets

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

Impairment of tangible assets

In 2010 and 2009, 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 for the Boeing 737 aircraft last between 3 to 10 years from the date of agreement, with some extension options. 29 aircraft were delivered from 2002 to 2008. 8 aircraft were delivered in 2009 and 8 aircraft were delivered in 2010. Renegotiations have resulted in extensions on some of the shorter leases. The contracts for 13 of the aircraft will expire in 2011 and for 5 of the aircraft in 2012. These aircraft will be redelivered according to schedule. The remaining contracts expire in 2013 or later.

Leasing costs expensed on aircraft lease within operational expenses was MNOK 778.5 in 2010 (2009: MNOK 604.0). Included in leasing costs are operating lease costs on two aircraft from the sale and lease back transaction.

In addition, the Company leases 15 cars and 11 properties in Oslo, Stavanger, Stockholm and Copenhagen. Leasing costs related to cars and properties expensed in operational expenses in 2010 was MNOK 50.1 (2009: MNOK 19.1)

Annual minimum rent on non-cancellable operating lease agreements per 31 December 2010 is as follows:

	Nominal value 2010				Nominal value 2009			
NOK 1 000	**Aircraft**	**Cars**	**Property**	**Total**	**Aircraft**	**Cars**	**Property**	**Total**
Within one year	1 163 166	4 343	20 815	1 188 324	887 912	3 910	17 082	908 905
Between 1 and 5 years	3 333 379	15 105	47 957	3 396 442	2 448 487	14 220	36 668	2 499 375
After 5 years	1 287 069	3 555	10 919	1 301 544	724 171	7 110	13 233	744 513

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

Note 11 Long term receivables

NOK 1 000	**2010**	**2009**
Deposits	42 063	20 398
Intercompany receivable	5 311	5 688
Other long-term receivables	10 955	3 817
Total	**58 329**	**29 903**

The Company pays deposits on aircraft leases. In 2010 and 2009, inter-company receivables relates to a long- term loan to Call Norwegian AS. Inter-company receivables are presented net against inter-company payables in the financial statements for each subsidiary. Receivables denominated in foreign currency are converted using the prevailing exchange rates on the balance sheet date.

Note 12 Inventories

NOK 1 000	**2010**	**2009**
Consumables	54 633	26 183
Parts for heavy maintenance	7 928	7 917
Other inventory	3 054	5 745
Total	**65 615**	**39 845**

In 2010 and 2009, 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 2010 were MNOK 4.3 (2009: MNOK 4.6).

Note 13 Other receivables

NOK 1 000	**2010**	**2009**
Prepaid costs	46 293	19 121
VAT refund	55 351	87 538
Reimbursements claims maintenance costs	174 697	131 786
Intercompany receivable	0	20 975
Other receivables	89 712	57 912
Sum	**366 053**	**317 332**

Note 14 Shareholder's equity and shareholder information

At 31 December 2010, the share capital consists of the following share classes:

	Number	Nominal value	Book value
Class A shares	34 573 332	0.1	3 457 333

The largest shareholders at 31 December 2010 were;

	A-shares	Owner-ship	Voting-rights
HBK INVEST AS	9 499 023	27.48%	27.48%
AWILCO INVEST AS	2 235 857	6.47%	6.47%
SKAGEN KON-TIKI	1 661 249	4.81%	4.81%
FINNAIR PLC	1 649 839	4.77%	4.77%
VITAL FORSIKRING ASA	1 502 197	4.34%	4.34%
SKAGEN VEKST	1 324 950	3.83%	3.83%
JPMORGAN CHASE BANK	933 566	2.70%	2.70%
DNB NOR NORGE (IV)V	832 885	2.41%	2.41%
STATE STREET BANK AN	699 273	2.02%	2.02%
GOLDMAN SACHS INT.	566 000	1.64%	1.64%
HOLBERG NORGE	510 461	1.48%	1.48%
HOLBERG NORDEN	495 954	1.43%	1.43%
SKANDINAVISKE ENSKILDA	461 329	1.33%	1.33%
DANSKE INVEST NORSKE	453 765	1.31%	1.31%
KLP AKSJE NORGE VPF	350 553	1.01%	1.01%
AVANSE NORGE (II) VP	350 425	1.01%	1.01%
DNB NOR SMB VPF	336 018	0.97%	0.97%
STATE STREET BANK AN	328 547	0.95%	0.95%
KOMMUNAL LANDSPENSJONSKASSE	279 999	0.81%	0.81%
STATE STREET BANK &	272 811	0.79%	0.79%
Other	9 828 628	28.43%	28.43%
Total number of shares	**34 573 332**	**100%**	**100%**

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	-
Ola Krohn Fagervoll	Deputy chairman	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	3 634	-
Kenneth Utsikt	Board Member - Employee repr	1 497	578
Bjørn Kjos 3)	Chief Executive Officer	7 999 477	48 184
Frode E Foss	Chief Financial Officer	30 000	44 679
Hans-Petter Aanby	Chief IT Officer	-	24 760
Asgeir Nyseth	Chief Operating Officer	5 200	44 931
Daniel Skjeldam	Chief Commercial Officer	-	42 312
Anne-Sissel Skånvik	Senior Vice President Corporate Communications	-	20 000
Gunnar Martinsen	Senior Vice President HR and Organisation	8 432	21 736

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 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**
Equity at 01 January 2010	**3 421**	**1 041 894**	**47 387**	**506 089**	**1 598 791**
Stock options- share issue 2010	36	13 189	0	0	13 225
Compensation expense for stock options	0	0	7 100	0	7 100
Net profit for the year	0	0	0	152 016	152 016
Equity 31 December 2010	**3 457**	**1 055 083**	**54 487**	**658 105**	**1 771 132**

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 2010, a total of 1,857 employees were active members (2009: 1,465), and 32 (2009: 30) 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 government 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 2010, 0 employees were active in the AFP pension plan (2009:495), and no employees had retired in the AFP pension plan. The AFP pension plan was closed during 2010, causing a settlement transaction of MNOK 4 recognized in the income statement as a cost reduction in pension expenses. The former AFP pension plan is replaced by a new multi-employer plan, where the Norwegian government finances 1/3 of the contribution plan. The new AFP pension plan is a defined benefit plan administered by a separate legal entity (Fellesordningen). The plan is temporarily accounted for as a defined contribution plan, as the plans administrators have not been able to calculate the pension obligation for each entity participating in the plan.

The scheme is in compliance with the Occupational Pensions Act.

The pension obligation in the defined benefit plan 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 which 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 2010. The management has made an assessment of changes in estimates and basis of calculation, these changes have no material impact on the pension cost for 2010.

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 2010	Total 2009
Net present value of benefits earned	112 115	786	112 901	103 346
Interest cost on pension liability	20 729	116	20 845	14 674
Return on plan assets	-18 963	0	-18 963	-15 594
Administrative expenses	2 610	0	2 610	2 485
Recognized actuarial gains/losses	4 374	540	4 914	6 581
Recognized net liability - settlement	0	-4 028	-4 028	0
Accrual for settlement liability	0	3 772	3 772	0
Social security tax	16 425	127	16 552	14 793
Net pension expense defined benefit plans	**137 290**	**1 313**	**138 603**	**126 285**

NOK 1 000	Funded	Unfunded	Total 2010	Total 2009
Liabilities on earned pension rights	473 699	2 665	476 364	396 123
Calculated liability from future salary increases	208 774	641	209 415	80 241
Gross pension liabilities	682 473	3 306	685 779	476 364
Pension assets (at market value)	401 328	0	401 328	292 164
Estimate deviations not recognised	-178 177	0	-178 177	-98 662
Social security tax	14 518	466	14 984	12 020
Net pension liabilities	**117 486**	**3 772**	**121 259**	**97 558**

	2010	2009
Best estimate of actual return on pension funds previous year	6.20%	5.40%
Expected contribution to be paid next year	104 480	83 300
Expected benefits to be paid	(5 599)	(5 163)

Economic assumptions:	2010	2009
Discount rate	4.00%	4.40%
Expected growth in salaries	3.75%	4.00%
Expected growth in state pensions	3.75%	4.00%
Expected growth in pensions	1.30%	1.30%
Expected return on pension assets	5.40%	5.60%
Average turnover	2-10 %	2-10 %

The companys pension fund is invested in the following instruments:

	2010	2009
Equity	15.1 %	9.8 %
Bonds	15.4 %	19.0 %
Money market funds	17.4 %	16.3 %
Hold-to-maturity bonds	33.7 %	36.4 %
Real estate	16.8 %	16.6 %
Various	1.5 %	1.2 %

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

Historical information

NOK 1 000	2010	2009	2008	2007	2006
Present value of defined benefit obligation	685 779	483 721	388 730	249 401	185 325
Fair value of plan assets	401 328	301 612	233 000	175 000	137 516
Deficit/(surplus) in the plan	284 450	182 109	155 730	74 401	47 809
Experience adjustments on plan liabilities	81 092	-25 272	50 340	19 506	-1 646
Experience adjustments on plan assets	2 130	-28 148	2 549	-2 375	3 039

Note 17 Options

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. All options are exercised in 2009 and 2010.

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 prior to the date of 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 were vested on 20 July 2010, and the second 50% of the stock options will vest on 20 July 2011.

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

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

The following estimates are used in calculating fair value;

	2010	**2009**
Dividend (%)	0%	0%
Expected volatility (%)	52.52%	58.01%
Historic volatility (%)	52.52%	58.01%
Risk free interest (%)	2.13%	2.13%
Expected lifetime (year)	2.25	2.25
Share price at grant date	93.00	59.50

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 2010 - program must cover the social security tax incurred for option gains where the share price exceeds NOK 127.6. These limitations are taken into account when calculating the option values.

The option program is expensed with MNOK 7.1 in 2010 and MNOK 8.4 in 2009.

	2010 Shares	**Weighted avg. exerc. Price**	**2009 Shares**	**Weighted avg. exerc. Price**
Outstanding at the beginning of the period	710 601	50.9	829 690	77.8
Allocated	292 021	63.8	384 000	67.0
Exercised	371 601	39.2	230 080	32.1
Terminated	214	63.8	4 009	32.1
Forfeited	1 000	67.0	0	0.0
Expired	0	0.0	269 000	173.1
Outstanding at the end of the period	629 807	65.5	710 601	50.9
Vested options	146 500	67.0	48 290	32.1
Weighted average fair value of options allocated in the period	292 021	38.1	384 000	15.4

2010	**Outstanding options**			**Vested options**	
Strike price (NOK)	**Outstanding options**	**Weighted average remaining lifetime (yrs)**	**Weighted average exercise price**	**Vested options**	**Weighted average exercise price**
50.00 - 66.00	291 807	1.8	63.8	-	-
66.00 - 70.00	338 000	0.8	67.0	146 500	67.0
Total	**629 807**	**1.4**	**65.5**	**146 500**	**67.0**

2009	**Outstanding options**			**Vested options**	
Strike price (NOK)	**Outstanding options**	**Weighted average remaining lifetime (yrs)**	**Weighted average strike price**	**Vested options**	**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**

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

Fair value of the bonus shares are measured at the date of grant using Black & Scholes option pricing model. The fair value of the bonus shares and the corresponding estimated social security cost are expensed as personnel costs over the vesting period. Changes in estimated social security cost are expensed over the remaining vesting period. At 31 December 2010, MNOK 1.5 (2009: MNOK 1.5) was expensed and included in the stock option expense of MNOK 7.1.

Note 18 Provisions

NOK 1 000	2010	2009
Periodic maintenance on leased Boeing 737 airplanes	94 961	70 345
Total provisions	**94 961**	**70 345**

The Company pays fee to maintenance funds held by the lessor on leased aircraft. The accrued provisions in the accounts are estimated payments for periodic 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 is covered by the maintenance funds, and the provision for this increase in expenses for the Company is distributed over the period until the maintenance is performed.

Parts of the periodic maintenance will be performed in 2011, and MNOK 22.7 is classified as short term liability for periodic maintenance (2009: MNOK 62.3). The short term part of periodic maintenance is estimated based on planned maintenance in 2011.

Note 19 Other short-term liabilities

NOK 1 000	2010	2009
Accrued holiday allowances	104 185	75 041
Accrued expenses	364 763	251 407
Short term part of long term borrowings (note 24)	520 972	675 303
Short term part of periodic maintenance	22 740	62 382
Inter-company liabilities	16 679	13 428
Other short term liabilities	15 950	19 398
Total	**1 045 289**	**1 096 960**

Note 20 Financial instruments

	Assets		Liabilities	
31 December 2010 (NOK 1 000)	**Short term**	**Long term**	**Short term**	**Long term**
Foreign exchange hedges fair value	0	0	15 003	0
Jet-fuel contracts	0	0	0	0
Total financial instruments	**0**	**0**	**15 003**	**0**

	Assets		Liabilities	
31 December 2009 (NOK 1 000)	**Short term**	**Long term**	**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**

Other losses/(gains) - net

NOK 1 000	2010	2009
Financial assets at fair value through profit or loss		
- Fair value losses	171 269	121 400
- Fair value gains	-158 061	-170 714
- Foreign exchange (gains)/losses on operating activities	454	
Net losses/(gains)	13 662	-49 314

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

Note 21 Assets pledged as collateral and guarantees

Prepayments on the first 10 aircraft of the purchase contract with Boeing (see note 9) are pledged as collateral for the revolving credit facility (see note 24).

New fully owned 737-800 HGW aircraft (see note 9) are pledged as collateral for the aircraft financing (see note 24).

Five fully owned 737-300 aircraft are pledged as collateral for the loan facility (see 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.

Book value of assets pledged as security (NOK 1 000):	**2010**	**2009**
Cash depot	335 422	132 476
Prepayment and aircraft	3 994 969	1 874 718
Financial lease asset	31 203	26 092
Total	**4 361 594**	**2 033 286**

Note 22 Cash and cash equivalents

NOK 1 000	**2010**	**2009**
Cash in bank	555 902	988 424
Cash equivalents	600 476	387 140
Total	**1 156 379**	**1 375 564**

Restricted cash items are:

NOK 1 000	**2010**	**2009**
Guarantees for leases and credits from suppliers	335 422	132 476
Taxes withheld	50 050	46 131
Total restricted cash	**385 472**	**178 607**

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

Note 23 Remuneration of the Board of Directors and Executive Management

Remuneration of the Board of Directors

Total remuneration paid to the Board in 2010 was MNOK 0.7. The Chairman of the Board, Bjørn Kise, received MNOK 0.1. There were no bonuses or other forms of compensation paid to the Board members in 2010.

Directive of remuneration of the CEO and the Executive Management

The principles of leadership remuneration in Norwegian Air Shuttle ASA are to stimulate a strong and lasting profit oriented culture. The total compensation level should be competitive, however, not market leading compared to similar organizations. The Board determine the remuneration of the CEO, and the guidelines for remuneration of the Executive Management. The remuneration of the Board and the Executive Management must not have negative effects on the Group, nor damage the reputation and standing of the Group in the public eye. There have been no changes to the guidelines or principles for management remuneration during the year. The actual remuneration in 2010 was consistent with the guidelines and principles.

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

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

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

Total compensation year 2010

NOK 1 000	Fee	Salary	Bonus	Other benefits **)	Total Compensation	Pension expense ***)
The Board of Directors						
Bjørn Kise (chairman)	148				148	
Erik Gunnar Braathen (deputy chairman until 11/26/2009)	83				83	
Liv Berstad	100				100	
Ola Krohn-Fagervoll (deputy chairman from 5/11/2010)	100				100	
Marianne Wergeland Jenssen	100				100	
Thor Espen Bråthen *)	35				35	
Kenneth Utsikt *)	35				35	
Linda Olsen *)	35				35	
Total Board of directors	**636**	**0**	**0**	**0**	**636**	**0**
Executive Management						
Bjørn Kjos (Chief Executive Officer)		1 296		182	1 478 a)	127
Frode Foss (Chief Financial Officer)		1 362		125	1 487 b)	125
Asgeir Nyseth (Chief Operating Officer)		1 473		219	1 692 c)	143
Hans-Petter Aanby (Chief IT Officer)		1 378		116	1 494 d)	62
Daniel Skjeldam (Chief Commercial Officer)		1 400		126	1 526 e)	165
Gunnar Martinsen (Senior Vice President HR and Organisation)		1 010		210	1 220	389
Anne-Sissel Skånvik (Senior Vice President Corporate Communications)		1 054		121	1 175	143
Total executive management	**0**	**8 973**	**0**	**1 099**	**10 072**	**1 154**

*) 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 2010 that has been reported as additional taxable income with NOK 214,634
b) Frode Foss exercised share options in 2010 that has been reported as additional taxable income with NOK 176,569
c) Asgeir Nyseth exercised share options in 2010 that has been reported as additional taxable income with NOK 177,369
d) Hans-Petter Aanby exercised share options in 2010 that has been reported as additional taxable income with NOK 544,331
e) Daniel Skjeldam exercised share options in 2010 that has been reported as additional taxable income with NOK 80,981

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 11/26/2009)	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.

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	2010	2009
Audit fee	988	761
Other audit related services	22	2 558
Tax advisory	204	534
Other services	136	221
Total	**1 350**	**4 074**

All amounts stated are without VAT

Note 24 Borrowings

Nominal value at 31 December 2010

NOK 1 000	Nominal value	Amortization	Book value	Effective interest rate
Bond issue	600 000	-2 632	597 368	8.6%
Facility agreement	368 168	-981	367 187	2.5%
Aircraft financing	1 395 575	-76 066	1 319 509	4.5%
Loan facility	176 429	-584	175 845	4.5%
Financial lease liability	24 973	0	24 973	5.6%
Total	**2 565 144**	**-80 263**	**2 484 882**	

Nominal value at 31 December 2009

NOK 1 000	Nominal value	Amortization	Book value	Effective interest rate
Bond issue	563 000	-2 006	560 994	8.6%
Facility agreement	628 394	-4 784	623 610	7.8%
Aircraft financing	400 682	-31 106	369 577	5.4%
Loan facility	0	0	0	0
Financial lease liability	28 829	0	28 829	7.2%
Total	**1 620 905**	**-37 896**	**1 583 010**	

Classification of borrowings

NOK 1 000	2010	2009
Non-current		
Bond issue	597 368	398 296
Facility agreement	0	144 747
Aircraft financing	1 197 833	335 833
Loan facility	148 702	0
Financial lease liability	20 007	28 829
Total	**1 963 910**	**907 705**
Current		
Bond issue	0	162 698
Facility agreement	367 187	478 863
Aircraft financing	121 676	33 743
Loan facility	27 143	0
Financial lease liability	4 966	0
Total	**520 972**	**675 304**
Total borrowings	**2 484 882**	**1 583 010**

Total borrowings include secured liabilities of MNOK 1.863 (2009: MNOK 993.2) (collateralized borrowings). Collateralized borrowings are secured by prepayments on the Boeing Contract (see 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 (see note 9). Loan facility is secured by fully owned 737-300 aircraft (see 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 17 December 2012. The coupon is NIBOR +5.75%.

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 at 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 of the Boeing contract. The coupon is LIBOR +1.30%.

The borrowings mature at the delivery of each aircraft and final delivery matures at 31 March 2011. The facility agreement is classified as short term borrowings and 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 for 12 years after delivery of the aircraft from Boeing. The aircraft financing is denominated in USD.

Loan facility

Floating interest of NIBOR 3 m and a risk premium of 1.75%. The loan facility is denominated in NOK and matures quarterly, with a final commitment to pay on 30 June 2014. See note 2 for further maturity analysis of borrowings.

Financial lease liability

The liability is de facto secured in the financial lease 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 2010 (NOK 1 000)	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	516 006	732 927	468 153	742 824
Financial lease liability	4 966	4 001	12 004	4 001
Total liabilities	**520 972**	**736 928**	**480 157**	**746 825**

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 Polish subsidiary supplies crew to the Company.

Norwegian Air Shuttle Sweden AB

The subsidiary was purchased on 31 July 2007. The Company owns 100 % of the shares in Norwegian Air Shuttle Sweden AB. The total purchase price was MNOK 199.8. The company is based at Arlanda Airport, Stockholm, Sweden. The Swedish subsidiary supplies crew and provides some lighter maintenance on the aircraft. Transactions between the parent company and the Swedish subsidiary during 2010 consisted of the supply of personnel. At 1 July 2009, the entire airline operation in Norwegian Air Shuttle Sweden AB was transferred to Norwegian Air Shuttle ASA through the purchase of assets. Investment in shares in subsidiary was impaired in 2009, resulting in a recognized loss within other financial items of MNOK 260.7 (see note 6).

Call Norwegian AS

On 14 January 2008 the Company established Call Norwegian AS, and owns 100% of the shares. The company provides GSM and Wi-Fi services to the parent company. Transactions between parent company and Call Norwegian AS in 2010 were primarily a loan to Call Norwegian AS of MNOK 44. The Company decided to transfer a group contribution to Call Norwegian AS in 2010 of MNOK 38.1, resulting in a net effect on shares of MNOK 27.5.

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 of the Boeing contract is not transferred to NAS Asset Management Ireland Ltd, and the "substance over form" convention is applied in the accounting of 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 2010.

The 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 31.12.2010	Book value 31.12.2009
Norwegian Air Shuttle Polska SP.zo.o	2006	Warsaw, Poland	50 000	100 %	2 214	2 214
Norwegian Air Shuttle Sweden AB	31.07.2007	Stockholm, Sweden	20 000	100 %	33 448	33 448
Call Norwegian AS	14.01.2008	Fornebu, Oslo	1 000 000	100 %	43 930	16 461
NAS Asset Management Ireland Ltd	15.07.2008	Dublin, Ireland	999	99.9 %	1	1
NAS Asset Management Norway AS	15.07.2008	Fornebu, Oslo	100	100 %	100	100

Intercompany balances 31 december 2010	Short term	Long term
Receivables	0	5 311
Payables	16 679	0

Intercompany balances 31 december 2009	Short term	Long term
Receivables	20 975	5 688
Payables	13 428	0

Transactions with related parties

The CEO is the principal shareholder in Norwegian Air Shuttle ASA with an ownership share of 27.48% 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 2010 or 2009 except for indirect transactions through Fornebu Næringseiendom.

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

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

The Company has received commission from the associated company in 2010 and 2009. The commission relates to sales made by the parent company's customers by using the 'Bank Norwegian' credit cards. The total commission, receivables and payables to related parties are enclosed below.

No loans or guarantees have been issued to related parties in 2010 or 2009.

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

Terms and conditions for transactions with related parties

The 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)	2010	2009
- Vogt & Wiig (legal services)	2 891	3 447
- Associate (commission)	-14 810	-9 540
- Fornebu Næringseiendom (property rent)	17 053	0
- Ola Krohn-Fagervold (services as Board Member - note 7)	56	0

Year-end balances arising from sales/purchases of goods/services (incl VAT)	2010	2009
Receivables from related parties (note 13)		
- Vogt & Wiig (legal services)	0	0
- Associate (commission)	12 148	850
- Fornebu Næringseiendom (property rent)	0	0
- Ola Krohn-Fagervold (services as Board Member - note 7)	0	0
Payables from related parties (note 21)		
- Vogt & Wiig (legal services)	-40	0
- Associate (commission)	0	0
- Fornebu Næringseiendom (property rent)	-4 077	0
- Ola Krohn-Fagervold (services as Board Member - note 7)	0	0

Investment in related parties	2010	2009
- Associate (subordinated loan)	30 000	30 088

Note 26 Investment in associated company

Norwegian Air Shuttle ASA has the following investments in associates:

Entity	Country	Industry	Ownership interest	Carrying amount 31.12.2009	Net profit (loss) 2010	Share issue 2010	Carrying amount 31.12.2010
Norwegian Finans Holding ASA	Norway	Financial Institution	20%	47 943	6 328	8 000	62 272

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

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

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

2010 (NOK 1 000)

Entity	Country	Assets	Liabilities	Revenues	Profit/(Loss)	Interest held %
Norwegian Finans Holding ASA	Norway	581 427	525 091	37 565	6 328	20%

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 Investment in shares

Company	Ownership	Market value 2010	Book value 2010	Market value 2009	Book value 2009
Silver pensjonsforsikring AS	1.4 %	2 689	2 689	7 236	7 236

An impairment loss of MNOK 4.6 was recognized in the income statement of 2010, due to reduced market value of the investment in Silver Pensjonsforsikring. In 2009, a reversal of previous losses on shares was recognized in the income statement, due to an increase in the market value. The recognized gain was MNOK 1.6, net, in 2009.

Note 28 Contingencies and legal claims

The Company has no contingencies or legal claims at 31 December 2010.

Note 29 Commitments

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

In October 2009 and July 2010 Norwegian exercised 21 purchase rights, making a total order of 63 aircraft for direct-by for Boeing 737-800 aircraft. Remaining purchase rights as of 31 December 2010 are 27 aircraft.

During 2009 and 2010 Norwegian received 9 aircraft. The remaining 54 aircraft will be delivered over a six-year period from 2011 to 2016. The purchase price will be paid over several USD installments before and on delivery of each aircraft.

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

Note 30 Events after the reporting period

The Company has secured guarantees from the Ex-Im Bank of the United States for 12 aircraft scheduled for delivery in 2011 and 2012. The Private Export Funding Corporation (lender) has committed direct loans for four aircraft under the Ex-Im guarantee, scheduled for delivery March-May 2011.

Responsibility statement

We confirm, to the best of our knowledge, that the financial statements for the period 1 January to 31 December 2010 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, 30 March 2011

Bjørn H. Kise (Chairman of the Board)

Ola Krohn-Fagervoll (Deputy Chairman)

Liv Berstad

Marianne Wergeland Jenssen

Thor Espen Bråten (Employee Representative)

Kenneth Utsikt (Employee Representative)

Linda Olsen (Employee Representative)

Bjørn Kjos (Chief Executive Officer)

PricewaterhouseCoopers AS
Postboks 748 Sentrum
NO-0106 Oslo
Telefon 02316

To the Annual Shareholders' Meeting of Norwegian Air Shuttle ASA

Independent auditor's report

Report on the Financial Statements

We have audited the accompanying financial statements of Norwegian Air Shuttle ASA, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements of the parent company comprise the balance sheet as at 31 December 2010, and the income statement and cash flow statement, for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements of the group comprise the balance sheet at 31 December 2010, income statement, statement of comprehensive income, changes in equity, cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

Auditor's Responsibility

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

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

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

Opinion on the financial statements of the parent company

In our opinion, the financial statements of the parent company give a true and fair view of the financial position for Norwegian Air Shuttle ASA as at 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Opinion on the financial statements of the group

In our opinion, the financial statements of the group give a true and fair view of the financial position of the group Norwegian Air Shuttle ASA as at 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

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

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

Opinion on Registration and documentation

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

Oslo, 30 March 2011
PricewaterhouseCoopers AS

Håvard S. Abrahamsen
State Authorised Public Accountant (Norway)

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