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 to 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, AB Norwegian Air Shuttle Finland Ltd, 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, as well as other offices at Oslo Airport Gardermoen and in Tromsø. The technical department is located at Oslo Airport Gardermoen. The technical department has also line maintenance at Stavanger Airport Sola, Bergen Airport Flesland, Trondheim Airport Værnes, Stockholm Airport Arlanda and Copenhagen Airport Kastrup. 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 2011.

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 objective is to work proactively to promote flight safety throughout the organization. Flight safety is covered in the crew's training programs, together with training in security related issues. The Civil Aviation Authority approves of all programs, examinations and qualification requirements.

The 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

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

At the end of 2011 the Group employed a total of 2,435 FTEs (full-time equivalents) including apprentices and temporary staff. The number of employees is expected to increase in 2012 in accordance with the Group's planned expansion in Norway and abroad. The company has established a base in Finland and is currently in the process of opening new bases abroad.

The apprentice program in Norway was continued in 2011, and by the end of the year consisted of 160 apprentices. The apprentices have during the training, which also contains a stay in Berlin and London, had internships while working abroad in countries which Norwegian operates in. A further intake of apprentices is planned for 2012. All the candidates which graduated in 2011, successfully completed and passed their exams which were carried out in conjunction with Akershus County Council. The labor unions involved in the departmental training programs are actively included in planning the apprentices' syllabus.

Many graduates who passed the examination in 2011 have now attained 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 2011 and the program now provides a steady stream of candidates to fill permanent positions.

The Company's new human resources management system simplifies much of the human resources' backoffice work. The system provides a skilled database covering all employees, providing the company with the tool for matching jobs with the internal qualifications. The system also allows employees to add information as well as log attendants and vacations.

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

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

The important HES activities (Health, Environment and Safety) continue in compliance with the labor law and the Group's guidelines. 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 the HES partners as well as the team leaders and the management team in order to make sure that Norwegian's working practices and conditions are fully up to speed in this area.

Absence due to sick leaves in 2011 was 7.44%, an increase compared to 2010. The HR team has implemented significant resources and efforts in solving this problem in 2012. Actively monitoring HES, corporate health insurances and continue to cooperate with protective services will insure that absence due to sick leaves remains a prioritized area of focus.

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

The 2011 collective salary review was conducted through local negotiations with most unions. Moderate changes in wages and efficiency were achieved with these unions.

External Environment

Flight operations are inherently dependent on fossil fuels and also generate noise. However, the Group's current aircraft fleet operates within the levels and restrictions imposed by national and international regulations. During 2011 the Group consumed approximately 497,909 tons of Jet A-1 fuel which is equivalent to 92 grams of CO_2 per passenger per kilometer or 71 grams of CO_2 per seat per kilometer, a reduction of 5 % 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 79 Boeing 737-800s in its fleet. By year-end 2011, 46 of these had already been delivered.

On 25 January 2012 Norwegian placed orders for an additional 222 aircraft, whereof 100 Boeing 737 MAX8 and 100 Airbus A320neo, both reducing CO_2 emissions by 30 % compared to the 737-300. The order will secure Norwegian the most environmentally friendly aircraft fleet in the World.

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 manages its maintenance operations from its technical base at Oslo Airport Gardermoen.

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

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

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

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

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

Significant Changes in Accounting Principles
There have been no changes in the adopted accounting principles. The IFRS accounting principles, as adopted by the EU, have been followed in preparing the financial statements for 2011.

Comments to the Consolidated Income Statement
The Group had a total operating revenue and income of MNOK 10,532.2 (8,597.7) in 2011. Compared to last year, the Group's total growth of revenues was 23%. MNOK 9,097 (7,210) of the revenues is related to ticket revenues, MNOK 1,225 (1,034) is other passenger-related revenues, while MNOK 206 (162) is related to freight, third-party products and other income. Other income in 2010 was mainly related to a damage payment from SAS for unlawful use of Norwegian's trade secrets and gains from sales of tangible assets. The increase of sales is mainly related to the 23% growth in production from 2010 to 2011. The load factor is increased by 2 p.p. compared to the same period last year. The ticket revenue per available seat kilometer (RASK) for 2011 was NOK 0.41, compared to NOK 0.40 last year. Ancillary revenues was NOK 78 per PAX (79) in 2011, a reduction of 2% from 2010.

Operating costs (including leasing and excluding depreciation and write-downs) were MNOK 9,822 (8,201) in 2011. The unit cost was NOK 0.45 in 2011 compared to NOK 0.46 last year. The unit cost for fuel increased by 13% while the unit cost excluding fuel was reduced by 11%. The unit cost excluding fuel was NOK 0.31 in 2011 compared to NOK 0.34 last year. Net profit before depreciation and write-downs (EBITDA) for the Group was MNOK 710 (397) in 2011, resulting in an EBITDA margin of 6.7%.

Financial items in 2011 ended up with a loss of MNOK 269, compared to a gain of MNOK 27 in 2010. A loss of MNOK 228 on net foreign exchange loss is more than offset with gains on financial instruments included in operating profits. In relation to accounting for the prepayments on the purchase contract with Boeing, MNOK 78.2 (73.9) in interest costs were capitalized in 2011.

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 19.5 (6.3) in the consolidated profit and loss.

Earnings before tax in 2011 were MNOK 167 (243) and earnings after tax were MNOK 122 (171). Earnings per share were NOK 3.53 per share (NOK 4.97). Total borrowings increased by MNOK 1,765 to MNOK 4,255, mainly due to purchase of new aircraft.

Comments to the Consolidated Balance Sheet and Cash Flow Statement
The Group's total assets had increased by MNOK 2,383 to MNOK 9,004 at year-end 2011. The book value of the aircraft increased by MNOK 1,777 during the year; while prepayments and capitalized interests on the Boeing purchase contract contributed MNOK 124 to the increase in assets.

At the balance sheet date, the Group had a cash balance of MNOK 1,105 (1,178).

The Group's cash flow from operations was MNOK 674 (804) in 2011. The net cash flow from operating activities consists of the profits before tax of MNOK 167; add back of depreciation and other expenses without cash effects of MNOK 279 and add back of interests on borrowings MNOK 128 included in financial activity Changes in working capital mainly due to traffic growth amounted to MNOK 105. During 2011 the Group paid MNOK 4 in taxes.

The net cash flow used for investment purposes was MNOK -2,190 (-1,847), of which the prepayments for the Boeing contract constituted MNOK -1,410. Purchases of new Boeing 737-800s and other tangible assets amounted to MNOK -779.

The net cash flow from financing activities in 2011 was MNOK 1,442 (813). Proceeds from long-term debt MNOK 1,897 are related to financing new aircraft and PDP financing.

The Group has a strong focus on liquidity planning and the Board is confident in the Group's financial position at the beginning of 2012.

Capital structures
The Group's total equity was MNOK 1,946 (1,796) at 31 December and its equity ratio 22% (27%). Equity increased by MNOK 150 due to profits for the period of MNOK 122 and a share issue of MNOK 29 related to the employees' option programs. Other changes in equity amounted to MNOK 2.

The Group's net interest-bearing debt aggregated MNOK 3,145 at 31 December 2011, compared to MNOK 1,306 in 2010. The Group's gross interest-bearing liabilities of MNOK 4,250 (2,485) mainly consisted of financing for our aircraft of MNOK 2,983, a bond loan with a net book value of MNOK 598 and a Pre Delivery Payment syndicated credit facility of MNOK 648. Other long-term interest-bearing liabilities including financial lease liabilities amounted to MNOK 20.

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

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

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

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

Following the acquisition of aircraft with deliveries in the period from 2009 to 2022, the Group will have ongoing financing activities. The Group's strategy is to diversify the financing of aircraft trough sale and leaseback transactions and term loan financing supported by the ECA's in the United States and EU.
In order to protect margins against fuel price fluctuations, our expected fuel consumption is hedged to some extent. The Group also uses derivatives to reduce its overall financial and commercial risk exposures. Forward US dollar currency contracts have been used to hedge USD exposures.

Prospects for 2012
The demand for travelling with Norwegian and advance bookings have been satisfactory entering the first quarter of 2012. Norwegian will continue to take advantage of its increasing competitive power realized through continuous cost cutting, and from introducing larger aircraft (737-800Ws), with a lower operating cost. Going forward, the Company expects continued competitive pressure. Pricing and production appear to have been adjusted recently to reflect the market situation.

The installation of WI-FI equipment onboard Norwegian's new 737-800Ws is proceeding as planned. A total of 50 aircraft are expected to have WI-FI equipment installed by the end of the second quarter of this year.

For 2012 Norwegian guides for a production growth (ASK) of 15 % mainly from increasing the fleet by adding 737-800Ws. 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 per ton and USD/NOK 6.00 for the year 2012 (excluding hedged volumes) and with the current route portfolios, the Company is targeting a unit cost (CASK) in the area of NOK 0.43 – 0.44 for 2012.
The establishment of the long haul operation has been initiated and the organization is preparing for the first long haul flight which will take place in the first half of 2013. Norwegian will during the second half of 2012 start the sale of tickets on long haul flights. The startup costs related to the long haul operation have started to incur and will increase towards the start of operation.

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 122. The net profit for the Parent Company Norwegian Air Shuttle ASA was MNOK 140, which the Board proposes be transferred to retained earnings. The Board recommends no dividend distribution for the 2011 operating year in accordance with the Company's corporate governance policies.
As of 31 December 2011, the Company had MNOK 749 of free equity.

Fornebu, 27 March 2012

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)

Corporate Governance

Norwegian's objective for corporate governance is based on accountability, transparency, fairness and simplicity with the ultimate goal of maximizing shareholder value while creating added value for all stakeholders.

The principles are designed in compliance with laws, regulations and ethical standards. Norwegian's core values are simplicity, directness and relevance. Business conducted within the Group shall always cohere with the principles of safety and quality.

How we understand the concept

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

Code of Ethics

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

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

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

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

Environment

Norwegian is committed to actively engage in and support a sustainable environmental policy, and to continue to reduce emissions from aviation. By renewing the fleet, emissions are reduced and passengers are offered new and more comfortable aircraft. Norwegian has a clear goal of reducing emissions per flown passenger by 25 per cent in the period 2008 – 2015. Norwegian also undertakes a variety of other measures to minimize its environmental impact. All employees should focus on how they can contribute to a better environment in their daily work. Read more about our strategy here.

Human Worth

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

Partnership with UNICEF

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

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

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

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

Business

Norwegian's business is clearly defined in paragraph 3 of its articles of association, which states that "The Group's objective is to be engaged in aviation, other transport and travel-related business activities as well as activities connected therewith. The Group may also be engaged directly or indirectly in other forms of Internet-based provision of goods and services, including car rental, hotel booking, payment services, financial services and services related to credit cards. Participation in such activities as mentioned may take place through co-operation agreements, ownership interests or by any other means." The Group has clear goals and strategies for its business. These are discussed in the Group´s Quality Manual and are also made available to the public in the Annual Report and on the Group's website www.norwegian.com.

Equity and Dividends

The Group's equity at year-end 2011 was MNOK 1,945.6, equivalent to an equity ratio of 21.6%. The Board deems this to be adequate considering the Group's strategy and risk profile. The Board of Directors recommend to not distribute dividends as it is considered to be in the best interest of the shareholders to retain funds for investments in expansion and other investment opportunities as stated in the articles of association, thereby enhancing profitability and shareholder value. Dividends should under no circumstance be paid if equity is below what is considered to be an appropriate level. The covenants to the bond agreement entered in December 2009 restrict dividend payments until the maturity date of the bond of 17 December 2012. The General Assembly has granted the Board of Directors a mandate to acquire treasury shares for a period of 18 months reckoned from the date of the General Meeting's resolution. The mandate granted to the Board is limited to a total of 3,457,533 shares. The Code of Practice recommends that a mandate granted to the Board of Directors to acquire treasury shares should be limited in time to not later than the date of the next General Assembly.

Equal Treatment of Shareholders and Transactions with Close Associates

Norwegian Air Shuttle ASA has only one class of shares. Transactions are generally carried out through stock exchanges. Buy-backs of own shares are carried out at market prices. Employee share allocations are granted at a discount to market value.

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

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

General Assembly
The Board of Directors has ensured that the shareholders may exercise their rights at the General Assembly, making the summons and related documentation available on the website. A notification is usually sent out three weeks in advance. The relevant documents, including the Nominating Committee's justified slate of nominees when new members are up for election or existing ones are up for re-election, are available at the Group's website at least 21 days prior to the date of the General Meeting. The general meeting in May 2011 decided that "An Extraordinary General Meeting may be called with fourteen days' notice if the Board decides that the shareholders may attend the General Meeting with the aid of electronic devices, cf. Section 5-8a of the public Limited Companies Act". The shareholders' deadline for the notice of their intended presence is three days before the General Assembly, and the shareholders may be present and vote by proxy. The Board of Directors, Election Committee and the auditor are required to be present. The chairman of the meeting is elected by the shareholders. The management is represented by the Chief Executive Officer and the Chief Financial Officer and other key personnel on specific topics. The minutes of the General Assembly are available on the Group's website.

Election Committee
The Election Committee's task is to nominate candidates to the General Assembly for the shareholder-elected directors' seats. The articles of association state that the committee shall have four members, and the chairman of the committee is the Chairman of the Board. The remaining three members are elected by the General Assembly every second year. The next election is due in 2012.
The current Election Committee consists of the Chairman of the Board, one employee and two external members representing major shareholders in the Company.
The guideline for the Election Committee is included in the company's Articles of Association and was last approved by the General Meeting in May 2011.The Board of Directors recommends deviating from the Code of Practice for Corporate Governance as the Chairman of the Board is a permanent member of the committee. This is to ensure that nominees meet the requirements for expertise, capacity and diversity set forth by the board members.
None of the Committee's members represents Norwegian's management. The majority of the members are considered independent of the management and the Board. The composition of the Election Committee is regarded as reflecting the common interests of the community of shareholders.

Corporate Assembly and Board of Directors, Composition and Independence
Norwegian Air Shuttle ASA has, in agreement with the employee unions and as warranted by Norwegian law, no corporate assembly. Instead, the Company has three employee representatives of the Board of Directors.
According to the articles of association the Board must consist of between six and eight members. There are currently seven members.
The shareholder-elected members of the Board of Directors have been nominated by the Election Committee to ensure that the Board of Directors possesses the necessary expertise, capacity and diversity. The Board members have competencies in and experiences from the transport sector and other competitive consumer sectors, relevant

network connections and experiences from businesses, finance, capital markets and marketing. The Chairman and Deputy Chairman are elected by the Board. The Board members are elected for a period of two years.

The majority of the shareholder-elected members of the Board are considered autonomous and independent of the Company's executive personnel, and material business contacts. At least two of the members of the Board which are elected by shareholders, are considered autonomous and independent of the Company's main shareholder(s). Among the shareholder-elected directors, there are two men and two women which is a 50% gender share. Comprehensive biographies of the Board of Directors and the Executive Management are available at Norwegian's Investor Relations page on its website.

The Work of the Board of Directors

The Board of Directors' work is in accordance with the rules of the Norwegian law. The Board has an annual plan for its work which particularly emphasizes objectives, strategies and implementations. The Board holds annual strategy seminars in which issues such as objectives, strategies and implementations are addressed.
The Board of Directors issues instructions for its own work.
There is a clear division of responsibilities between the Board and the Executive Management. The Chairman is responsible for ensuring the Board's work is conducted in an efficient, correct manner and in accordance with the Board's terms of reference. The CEO is responsible for the Group's operational management. The Board has drawn up special instructions for the CEO.
The Audit Committee was established by the General Assembly in 2010. The Board of Directors recommends deviating from the Code of Practice for Corporate Governance as the Board of Directors acts as the Company's audit committee. This is to ensure that nominees meet the requirements of expertise, capacity and diversity set forth by the Board members.

Risk Management and Internal Control

The management draws up monthly performance reports that are sent to and reviewed by the Board of Directors. Moreover, financial reports, risk reports and safety reports are drawn up, all of which are subject to review at Board meetings.
The Board ensures sound internal controls and systems for risk management through, for example, annual Board reviews of the most important risk factors and internal controls.

Remuneration of the Board of Directors

Based on the consent of the General Assembly, it is assumed that the remuneration of Board members reflects the respective members' responsibilities, expertise, time commitments and the complexities of the Group's activities. No board members receive remuneration based on performances, and no options are granted to Board members. In cases where Board members take on specific assignments for the Group which are not taken on as part of their office, the other Board members must be notified immediately and if the transaction is of a substantial nature this is explicitly stated in the notes to the consolidated accounts. Details of the remuneration of individual Board members are available in the notes to the consolidated accounts.

Remuneration of the Executive Management

The Board of Directors has established guidelines for the remuneration of the Executive Management. These guidelines are available in the notes to the consolidated accounts. The guidelines are presented to the General Assembly. The remuneration package shall encourage a strong and long-term profit-oriented culture without damaging the reputation and standing of the Group in the public eye and thereby ensure the convergence of the financial interests of shareholders and the Executive Management.
Comprehensive information on remuneration and incentive programs is available in the notes of the consolidated accounts.

Information and Communications

A financial calendar is prepared and published on the Group's website and is also distributed in accordance with the rules of the Public Companies Act and the rules applicable to companies listed on the Oslo Stock Exchange. Information distributed to the shareholders is also published on the Group's website. The Group holds regular investor meetings and public interim results presentations, and has an investor relations department.

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

Takeovers

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

Auditor

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

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

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

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

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

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

Norwegian Air Shuttle ASA - Group

Consolidated financial statements

2011

Norwegian Air Shuttle ASA
Consolidated Income Statement

NOTE	(NOK 1 000)	2011	2010
4	Revenues	10,528,720	8,406,339
4	Other income	3,471	191,328
	Total operating revenues and income	**10,532,191**	**8,597,667**
5	Operational expenses	7,818,926	6,301,576
6,7,17,18	Payroll	1,836,194	1,531,211
10,11	Depreciation, amortization and impairment	293,950	186,707
5a	Other operating expenses	472,908	397,735
20	Other losses/(gains) - net	-305,720	-29,732
	Total operating expenses	**10,116,258**	**8,387,498**
	Operating profit	**415,934**	**210,169**
8	**Net financial items**	**-268,911**	**26,600**
26	Share of profit (loss) from associated company	19,518	6,328
	Profit (loss) before tax	**166,540**	**243,098**
9	Income tax expense (income)	44,416	72,214
	PROFIT (LOSS) FOR THE YEAR	**122,125**	**170,884**
16	Basic earnings per share	3.53	4.97
16	Diluted earnings per share	3.47	4.87
	Profit attributable to;		
	Owners of the company	122,125	170,884

Norwegian Air Shuttle ASA
Consolidated statement of comprehensive income

NOTE	(NOK 1 000)	2011	2010
	Profit for the year	**122,125**	**170,884**
20	Available-for-sale financial assets	0	2,768
	Exchange rate differences Group	-1,694	320
	Total comprehensive income for the period	**120,431**	**173,972**
	Total comprehensive income attributable to;		
	Owners of the company	120,431	173,972

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

Norwegian Air Shuttle ASA
Consolidated Balance Sheet

NOTE	(NOK 1 000)	2011	2010
	ASSETS		
	Non-current assets		
10	Intangible assets	236,216	210,293
9	Deferred tax asset	2,069	270
11	Aircraft, parts and installations on leased aircraft	3,869,159	2,092,136
11	Equipment and fixtures	31,991	26,175
11	Buildings	9,525	9,525
11	Financial lease asset	27,882	31,203
3,20	Financial assets available for sale	2,689	2,689
26	Investment in associate	82,091	62,272
11	Prepayment Boeing contract	2,126,954	2,002,600
13	Other receivables	113,061	53,242
	Total non-current assets	**6,501,638**	**4,490,405**
	Current assets		
14	Inventory	81,994	66,191
13	Trade and other receivables	1,072,497	842,143
3,20	Derivative financial instruments	242,790	43,395
24	Cash and cash equivalents	1,104,946	1,178,416
	Total current assets	**2,502,227**	**2,130,144**
	TOTAL ASSETS	**9,003,864**	**6,620,549**

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

Norwegian Air Shuttle ASA
Consolidated Balance Sheet

NOTE	(NOK 1 000)	2011	2010
	EQUITY AND LIABILITIES		
15	**Equity**		
	Share capital	3,488	3,457
	Share premium	1,075,463	1,055,083
	Other paid-in equity	63,365	54,521
	Other reserves	-9,638	-7,944
	Retained earnings	812,910	690,785
	Total equity	**1,945,589**	**1,795,904**
	Non-current liabilities		
18	Pension obligation	151,187	121,672
19	Provision for periodic maintenance	81,865	94,961
9	Deferred tax	134,646	89,483
22	Borrowings	2,682,888	1,943,903
22	Financial lease liability	15,485	20,007
	Total non-current liabilities	**3,066,069**	**2,270,026**
	Short term liabilities		
22	Short term part of borrowings	1,551,918	520,972
21	Trade and other payables	1,230,935	1,063,436
	Air traffic settlement liabilities	1,208,326	954,232
3,20	Derivative financial instruments	539	15,003
9	Tax payable	488	976
	Total short term liabilities	**3,992,205**	**2,554,620**
	Total liabilities	**7,058,275**	**4,824,646**
	TOTAL EQUITY AND LIABILITIES	**9,003,864**	**6,620,549**

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

Fornebu, 27 March 2012

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
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 2010	3,421	1,041,894	47,421	1,092,737	-11,032	519,902	1,601,607
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**	**1,055,083**	**54,521**	**1,113,062**	**-7,944**	**690,786**	**1,795,904**
Equity at 01 January 2011	**3,457**	**1,055,083**	**54,521**	**1,113,062**	**-7,944**	**690,786**	**1,795,904**
Net profit for the year						122,125	122,125
Available for sale financial assets							
Exchange rate differences Group					-1,694		-1,694
Comprehensive income 2011					-1,694	122,125	120,431
Stock options - share issue	30	20,380		20,411			20,411
Compensation expense for stock options			8,844	8,844			8,844
Transactions with owners	30	20,380	8,844	29,255			29,255
Equity 31 December 2011	**3,488**	**1,075,463**	**63,365**	**1,142,317**	**-9,638**	**812,910**	**1,945,589**

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

Norwegian Air Shuttle ASA

Consolidated Cash Flow Statement

NOTE	(NOK 1 000)	2011	2010
	CASH FLOWS FROM OPERATING ACTIVITIES:		
	Profit (loss) before tax	166,540	243,098
9	Taxes paid	-4,192	-109,572
10,11	Depreciation, amortisation and write-down	293,950	186,707
	Pension expense without cash effect	29,515	25,639
26	Profit from associated company	-19,518	-6,328
17	Compensation expense for employee options	8,844	7,100
10	Losses/(gains) on disposal of tangible assets	44,468	-15,927
20	Fair value (gains)/losses on financial assets	-260,730	-5,931
8	Financial items	268,911	-26,600
8	Interest received	41,185	39,171
20	Other non cash items	0	-2,768
	Change in inventories, accounts receivable and accounts payable	-177,434	171,628
	Change in air traffic settlement liabilities	254,093	161,519
	Change in other current assets and current liabilities	28,337	136,891
	Net cash flow from operating activities	**673,971**	**804,628**
	CASH FLOWS FROM INVESTING ACTIVITIES:		
11	Prepayments aircraft purchase	-1,410,287	-1,361,758
11	Purchase of tangible assets	-704,523	-427,909
10	Purchase of intangible assets	-74,687	-49,846
26	Payment to associated company	-301	-8,000
	Net cash flow from investing activities	**-2,189,797**	**-1,847,513**
	CASH FLOWS FROM FINANCIAL ACTIVITIES:		
22	Proceeds from long term debt	1,897,071	1,134,510
22	Payment of long term debt	-347,683	-242,564
15	Proceeds from issuing new shares	20,411	13,225
	Interest on borrowings	-127,578	-91,849
	Net cash flow from financial activities	**1,442,221**	**813,322**
	Foreign exchange effect on cash	136	-497
	Net change in cash and cash equivalents	-73,469	-230,059
	Cash and cash equivalents at 1 January	1,178,416	1,408,475
24	**Cash and cash equivalents at 31 December**	**1,104,946**	**1,178,416**

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

Note 1 Summary of significant accounting policies

1.1 General information

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

The consolidated financial statements of Norwegian Air Shuttle ASA for the year ended 31 December 2011 were authorized for issue by the Board of Directors on 27 March 2012.

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

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

1.2.1 Changes in accounting policies and disclosures

Standards, amendments and interpretations

There are no IFRS or IFRIC interpretations which are effective at the start of the financial year, beginning on or after 1 January 2011, which would be expected to have any material impact on the Group.

The following standards, amendments and interpretations are issued, but were not effective at 31 December 2011 and have not been early adopted by the Group;

	Effective for periods beginning on or after
- IAS 19, 'Employee benefits'	1 January 2013

The impact on the Group will be as follows: to eliminate the corridor approach and recognize all actuarial gains and losses in OCI as they occur, to immediately recognize all past service costs, and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The Group is yet to assess the full impact of the amendments.

- IFRS 9, 'Financial instruments' — 1 January 2013

This standard is the first step of the process to replace IAS 39 Financial instruments: recognition and measurement. IFRS 9 introduces new requirements for classifying and measuring financial assets. The Group is yet to assess IFRS 9's full impact.

- IFRS 12 'Disclosures of interests in other entities' — 1 January 2013

This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess IFRS 12's full impact.

- Amendment to IFRS 7, 'Financial instruments: Disclosures' on derecognition	1 July 2011
- Amendment to IAS 12, 'Income taxes' on deferred tax	1 January 2012
- Amendment to IAS 1, 'Financial statement presentation' regarding OCI	1 July 2012
- IFRS 10, 'Consolidated financial statements'	1 January 2013
- IFRS 13 'Fair value measurement'	1 January 2013
- IAS 28 'Investments in associates and joint ventures' (revised)	1 January 2013
- IFRS 11, 'Joint arrangements'	1 January 2013

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 it's fully owned subsidiaries Norwegian Air Shuttle Polska Sp.zo.o., Norwegian Air Shuttle Sweden AB, AB Norwegian Air Shuttle Finland Ltd, NAS Asset Management Ireland Ltd, NAS Asset Management Norway AS and Call Norwegian AS. Additionally, the Group has consolidated Special Purpose Vehicles (SPVs) according to SIC 12. The SPVs are solely established for aircraft financing purposes. The Group does not own the shares in those SPVs nor does it have control over the management of those SPVs, but the Group has accepted all risks and rewards related to the assets, liabilities and operations of the SPVs.

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

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

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

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

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

When the Group's share of a loss exceeds the Group's investment in an associate, the amount carried in the Group's balance sheet is reduced to zero and further losses are not recognized unless the Group has an obligation to cover any such 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 are provided in note 20.

1.4 Foreign currency translation

The Group's presentation currency is Norwegian Krone (NOK). Norwegian Air Shuttle ASA's functional currency is NOK. Each entity of the Group determines its own functional currency and items which are included in the entities' financial statements are measured in that functional currency. For consolidation purposes, the results and financial position of all the Group's entities which have a functional currency other than NOK, are translated at the closing rate at the balance sheet date each month. 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 re- estimated. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency exchange rate of 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 of the dates of the initial transactions.

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

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

1.5 Critical accounting estimates and judgments

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

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

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

The 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 3.

1.6 Tangible assets

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

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

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

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

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

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

Buildings are carried at acquisition costs, less accumulated depreciation.

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

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

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

1.7 Intangible assets

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

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

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

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

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

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

1.8 Impairment of non-financial assets

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

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

1.9.1 Impairment of financial assets

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

Impairment losses of financial assets measured at amortized cost are incurred only if there is objective evidence of impairment as a result of one or more events which occur after initial recognition. Impairment losses are recognized in the consolidated income statement if the losses have had an impact on the estimated future cash flows and that the impact can be reliably estimated.

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 2011 or 2010.

1.11 Inventory

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

1.12 Trade receivables

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

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

1.13 Cash and cash equivalents

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

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

1.14 Equity

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

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

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

1.15 Liabilities

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

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

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

1.16 Provisions

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

1.17 Employee benefits

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

Defined benefit plans
The Group operates defined benefit pension plans which requires contributions to be made to a separately administered fund. In addition, the Group participates in an early retirement plan (AFP) for all 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 allocated actuarial gains/losses to the members of the AFP pension plan as of 31 December 2011.

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

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 payroll expenses. The fair value of the bonus shares and the estimated employer’s contribution are distributed as expenses over the expected period until settlement. Changes in estimates affecting employer’s contribution are expensed over the remaining expected period. For further details see note 17.

1.18 Current and deferred income tax

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

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 of which existence depends on future events, or it is not probable that they will lead to an outflow of resources, or cannot be measured with sufficient reliability.

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

1.20 Revenue recognition

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

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

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

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

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

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

Revenue from sales of GSM, Broadband and Wi-Fi products and services comprises traffic fees and subscription. 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 measured at fair value and classified as short term, as available statistics as of 31 December 2011 indicate that customer cash points are utilized within one year. Hence, the carrying value of the liability is estimated as the fair value of the liability.

1.21 Leasing

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

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

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

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

Each lease payment under financial leases is split between the lease liability and finance cost to amortize the financial costs related to such leases 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 entered sales and lease backs transactions with regards to selling six aircraft and leasing back the same assets in 2011 (two in 2010). All sales and lease backs transactions are defined as operating leases established at fair value and any profit or loss is recognized immediately in the income statement as other income or other losses/(gains)-net.

1.22 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker who is responsible for allocating resources and assessing the performance of the operating segments. The chief operating decision maker has been identified as the Board of Directors and 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.

If NOK had weakened/strengthened by 1% against USD in 2011, with all other variables held constant, post-tax profit and post-tax equity effect for the year would have been MNOK 3.7 (2010: MNOK 5.5) 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 denominated in USD at 31 December.

If NOK had weakened/strengthened by 1% against EUR with all other variables held constant, post-tax profit and post-tax equity effect for the year would have been MNOK 0.1 (2010: MNOK 0.2) higher/lower, mainly as a result of foreign exchange gains/losses on receivables, payables, derivative financial instruments and cash and cash equivalents.

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

<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, aircraft financing from TD Bank, revolving credit facility, loan facility and financial lease liabilities. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Fixed interest rate borrowings consist of aircraft financing from PEFCO, guaranteed by the Ex-Im Bank of the United States. Borrowings are denominated in USD and NOK.

If the floating interest rate in 2011 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 7.9 (2010: MNOK 1.1) lower/higher, mainly as a result of higher/lower interest income on floating rate cash and cash equivalents and borrowings.

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

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

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

The Group holds forward commodity contracts to hedge jet-fuel price risk. Such derivative contracts affect the financial statements through unrealized gains/losses from jet-fuel prices. If jet-fuel prices had increased/decreased by 1% with all other variables held constant, post-tax profit for the year would have been MNOK 0.4 (2010: MNOK 3.2) higher/lower, as a result of unrealized gains/losses on price changes on forward commodity contracts held at the balance sheet date.

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

For a part of the Group's sales, customers pays 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. The Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to monitor balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

The Group's aircraft fleet consist of leased aircraft (note 12) and owned aircraft, whereof the Group will take deliveries of 58 owned aircraft between 2012 and 2018. The table below shows the expected timeline of future deliveries of aircraft based on orders at 31 December 2011. Prepayments to Boeing on future aircraft deliveries are partly financed by pre-delivery payment financing. At the delivery of the aircraft, pre-delivery payments are replaced with long term financing guaranteed by export credit agencies. The Group has ensured export credit support on all aircraft on order, whereof 50% of deliveries in 2012 and 2013 have final export credit guarantees. The remaining 50% of deliveries in 2012 and 2013 will be converted to final export guarantees through annual conversions. The Group is currently in the process of securing pre-delivery payment financing and term financing according to the Group's financing policy for deliveries within the current 2012-2014 financing planning time horizon.

Aircraft delivery	2012-2013	2014-2015	2016-2018	Total
737-800	20	17	18	55
787-8 Dreamliner	1	2	0	3
Total	**21**	**19**	**18**	**58**

The Group's financing policy includes sales and lease backs transactions on several aircraft to diversify its aircraft fleet. In 2011, 6 aircraft were delivered and financed as sales and lease backs transactions (two in 2010).

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 2011 (NOK 1 000)	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	1,552,536	300,235	890,268	1,655,730
Financial lease liability	4,396	4,396	8,268	2,297
Derivative contracts - payments	52,859	0	0	0
Trade and other payables	1,230,935	0	0	0
Interest on borrowings *)	150,039	68,052	153,054	119,231
Total financial liabilities	**2,990,765**	**372,683**	**1,051,590**	**1,777,258**

*) Calculated interests on 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	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**

*) 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 equity ratio of the Group. This ratio is calculated as equity divided by total assets as presented in the consolidated balance sheet and consolidated statement of changes in equity. Equity ratio is an important factor in financial covenants as detailed in note 22. The management monitors these externally imposed financial covenants closely as a part of the Group's capital risk management policy.

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

The equity ratios at 31 December 2011 and 2010 were as follows;

NOK 1 000	2011	2010
Equity (note 15)	1,945,590	1,795,904
Total assets	9,003,864	6,620,549
Equity ratio	**21.6 %**	**27.1 %**

The Group has changed ratio for monitoring capital management over the last years, as capital risk exposure has changed from increased gearing through long term financing of aircraft, to increased exposure on equity. As such, a table of the equity ratio is included above.

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 of the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regular occurring market transactions on an arm's length basis.

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

Level 3
If one or more of the significant inputs are not based on observable market data, specific valuation techniques are applied. Financial instruments included in level 3, 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 2011;

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

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**

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 interests, tax, depreciation and amortization (EBITDA). Other information is measured in accordance with the financial statements.

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

(NOK 1 000)	2011	2010
By activity:		
Passenger transport	9,097,288	7,210,161
Ancillary revenue	1,224,744	1,034,006
Other revenues	206,688	162,172
Total revenues	**10,528,720**	**8,406,339**
By geographic market:		
Domestic	3,663,219	3,124,196
International	6,865,501	5,282,143
Total revenues	**10,528,720**	**8,406,339**

Other income amounts to MNOK 3.5 (2010: 191.3) and include gains from sales of tangible assets (note 11). Included in 2010 other income is compensation from a SAS law suit of MNOK 175.

Note 5 Operational expenses

(NOK 1 000)	2011	2010
Sales and distribution expenses	198,930	167,859
Aviation fuel	3,093,514	2,092,859
Aircraft leases	829,667	778,411
Airport charges	1,561,369	1,295,913
Handling charges	982,191	863,551
Technical maintenance expenses	711,597	697,196
Other aircraft expenses	441,657	405,787
Total operational expenses	**7,818,926**	**6,301,576**

Note 5a Other operating expenses

Other operating expenses amount to MNOK 472.9 (2010: 397.7). Other operating expenses are related to the operating of systems, marketing, back office, consultants and other costs not directly attributable to the operation of the aircraft fleet and related airline specific costs.

Note 6 Payroll expenses and number of employees

Payroll expenses

(NOK 1 000)	2011	2010
Wages and salaries	1,070,267	988,527
Social security tax	198,496	169,173
Pension expenses	210,730	153,827
Employee stock options	8,844	7,100
Other benefits	65,823	39,533
Hired crew personnel	282,034	173,051
Total	**1,836,194**	**1,531,211**

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 *)

	2011	2010
Norway	1,697	1,671
Sweden	392	287
Danmark	242	174
Finland	105	0
Poland	0	5
Total	**2,435**	**2,137**

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

Note 7 Remuneration of the Board of Directors and Executive Management

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

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 2011 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 level be awarded with a special compensation for profit enhancing projects.

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

Total compensation year 2011

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

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

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

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

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

Audit remuneration (excl VAT)

(NOK 1 000)	2011	2010
Audit fee	871	1,221
Other audit related services	100	112
Tax advisory	643	204
Other services	50	136
Total	**1,664**	**1,673**

Note 8 Net financial items

(NOK 1 000)	2011	2010
Interest income	35,665	40,292
Interest expense	-70,246	-40,159
Net foreign exchange (loss) or gain	-228,470	24,793
Appreciation cash equivalents	12,723	10,007
Impairment available-for-sale financial assets	0	-7,314
Fair value adjustment long term deposits	4,550	-1,001
Other financial items	-23,134	-17
Net financial items	**-268,911**	**26,600**

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

Net foreign exchange loss of MNOK 228.5 from revaluation of USD denominated borrowings is recognized in 2011 (2010: MNOK 24.8 as gain). Forward foreign currency contracts are entered to reduce foreign currency risk from USD denominated borrowings (note 2 and 20).

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

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

Note 9 Tax

This year's tax expense consists of (NOK 1 000):	**2011**	**2010**
Tax payable	488	976
Tax paid in current year on current year income	0	0
Adjustments from previous year	81	
Change in deferred tax	43,848	71,239
Income tax expense	**44,416**	**72,214**

Reconciliation from nominal to effective tax rate:

(NOK 1 000)	**2011**	**2010**
Profit before tax	166,540	243,098
Expected tax expense using nominal tax rate (28 %)	46,631	68,067
Tax effect of the following items:		
Non deductible expenses/income	-2,265	4,237
Adjustments from previous year	81	0
Tax rate outside Norway other than 28%	-31	-90
Tax expense	**44,416**	**72,214**
Effective tax rate	26.67%	29.71%

The following table details deferred tax assets and liabilities;

Deferred tax	**Assets 2011**	**Liabilities 2011**	**Assets 2010**	**Liabilities 2010**
Intangible assets	0	-6,274	0	-6,274
Tangible assets	0	-222,097	13	-88,286
Long term receivables and borrowings in foreign currency	0	-50,131	0	-8,142
Inventories	0	1,192	0	1,192
Receivables	0	2,806	155	11,659
Financial instruments	0	-67,830	0	-7,950
Derferred gains/losses	0	5,253	0	-3,108
Other accruals	0	26,042	0	32,564
Pensions	0	43,010	0	34,068
Other temporary differences	0	-86,449	0	-55,207
Loss carried forward	2,069	219,832	103	0
Gross deferred tax assets and liabilities	**2,069**	**-134,646**	**270**	**-89,483**

Reconciliation of deferred tax assets and liabilities	**Assets 2011**	**Liabilities 2011**	**Assets 2010**	**Liabilities 2010**
Recognized at 1 January	270	-89,483	157	-17,806
Charged/credited to the income statement	1,799	-45,566	103	-71,342
Translation differences	0	402	10	-336
Recognized at 31 December	**2,069**	**-134,646**	**270**	**-89,483**

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

Note 10 Intangible assets

			Other intangible assets		
(NOK 1 000)	**Software**	**Goodwill**	**Indefinite life**	**Definite life**	**Total**
Acquisition costs 1 January 2010	152,164	94,157	26,036	69,574	341,931
Additions	50,171	0	0	0	50,171
Acquisition costs 31 December 2010	**202,335**	**94,157**	**26,036**	**69,574**	**392,102**
Acquisition costs 1 January 2011	202,335	94,157	26,036	69,574	392,102
Additions	74,687	0	0	0	74,687
Disposals	-12,703	0	0	0	-12,703
Acquisition costs 31 December 2011	**264,318**	**94,157**	**26,036**	**69,574**	**454,085**
Accumulated amortization 1 January 2010	84,725	0	0	66,661	151,386
Amortization	27,509	0	0	2,782	30,291
Accumulated amortization 31 December 2010	**112,234**	**0**	**0**	**69,574**	**181,808**
Accumulated amortization 1 January 2011	112,234	0	0	69,574	181,808
Amortization	34,079	0	0	0	34,079
Impairment	14,500	0	0	0	14,500
Amortization disposals	-12,520	0	0	0	-12,520
Accumulated amortization 31 December 2011	**148,294**	**0**	**0**	**69,574**	**217,868**
Book value at 31 December 2010	**90,100**	**94,157**	**26,036**	**0**	**210,293**
Book value at 31 December 2011	**116,024**	**94,157**	**26,036**	**0**	**236,216**
Useful life	3-5 years	Indefinite	Indefinite	See below	
Amortization plan	Linear	None	None	Linear	

Capitalized software is related to external consulting fees for the development of Norwegian's own systems for bookings and ticket-less travels, various sales portals, back office and maintenance system. These costs are amortized over their estimated useful lives (three to five years). An impairment loss on MNOK 14.5 is recognized in 2011 from GSM and broadband systems.

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, Finland 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 assets.

Brand name, charter operations and air operating certificate have definite lives and are amortized over their economic useful lives. All identified intangible assets with definite lives from the purchase of Norwegian Air Shuttle Sweden AB are fully amortized at 31 December 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 Board of Directors. The budget for next 12 months is applied for cash flows within a planning horizon of 8 years, as the aircraft fleet is estimated for re-investment every 8 years. Key assumptions used in the calculation are growth rates, operating costs, terminal value and discount rate. Cash flows beyond the 8 year period are extrapolated with a long term growth rate. Estimated cash flows and discount rate are after tax.

Discount rate

The discount rate which is used is 9.1% and based on Weighted Average Cost of Capital (WACC). The cost of the Group's debt and equity capital, weighted accordingly to reflect its capital structure, gives 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 including the debt premium, market risk premium, gearing corporate tax rate and asset beta. An increase of the discount rate by 5% will not result in impairment of goodwill.

Growth rates
The basis for calculating future growth rate is next year management approved budget. Except for growth assumptions from budgeted production increase, no growth is incorporated in the impairment test for 2011.

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

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

Sensitivity
At 31 December 2011, 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 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**
Acquisition cost at 1 January 2011	9,525	2,451,396	2,002,600	112,960	34,607	4,611,088
Additions	0	716,505	1,410,287	23,363	0	2,150,154
Transfers	0	1,285,933	-1,285,933	0	0	0
Disposals	0	-29,206	0	-22,020	0	-51,226
Acquisition cost at 31 December 2011	**9,525**	**4,424,627**	**2,126,954**	**114,303**	**34,607**	**6,710,016**
Accumulated depreciation at 1 January 2010	0	228,866	0	69,188	376	298,429
Depreciation	0	135,792	0	17,597	3,028	156,417
Depreciation disposals	0	-5,399	0	0	0	-5,399
Accumulated depreciation at 31 December 2010	**0**	**359,259**	**0**	**86,785**	**3,404**	**449,448**
Accumulated depreciation at 1 January 2011	0	359,259	0	86,785	3,404	449,448
Depreciation	0	224,865	0	17,185	3,320	245,370
Depreciation disposals	0	-28,656	0	-21,657	0	-50,313
Accumulated depreciation at 31 December 2011	**0**	**555,468**	**0**	**82,313**	**6,724**	**644,505**
Book value at 31 December 2010	**9,525**	**2,092,136**	**2,002,600**	**26,175**	**31,203**	**4,161,638**
Book value at 31 December 2011	**9,525**	**3,869,159**	**2,126,954**	**31,991**	**27,882**	**6,065,511**
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 2011, the Group operated a total of 63 aircraft; 20 which were owned and 43 which were leased under operational leases. Operational leases are detailed in note 12.

Aircraft
The Group acquired 8 Boeing 737-800 HGW aircraft during 2011 and 5 aircraft during 2010. Aircraft is decomposed and depreciated over the economic useful life of each component on a straight-line basis. The body of the aircraft is depreciated based on economic useful years, while other components are based on airborne hours and cycles.

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

Installations on leased aircraft
The installations on the leased aircraft include cabin interior modifications and other improvements to the aircraft after lease commencement. The capitalized value is depreciated over the remainder of the aircraft lease, which is between 1-10 years. Linear depreciation is applied and residual value is NOK 0. In 2011 and 2010 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 5-8 years. Linear depreciation is applied and 25% of the acquisition cost is calculated as residual value.

Buildings
Buildings consist of 3 apartments in Berlin, purchased in 2007 for the purpose of housing crew and trainees stationed in Berlin on a temporary basis. In 2010, the Group purchased an apartment in Seattle for the purpose of housing personnel stationed in Seattle concerning the delivery of new 737-800 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. At 31 December 2010, seven aircraft were delivered and eight aircraft were delivered in 2011. 36 purchase options have been exercised. 55 aircraft will be delivered between 2012 and 2018. 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 78.2 (2010: MNOK 73.9) have been capitalized during the year. An average capitalization rate of 5.1% (2010:6.1%) 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 2011 and 2010 the management determined that the total operations of the Group were its cash generating unit, and as such, there is only one operational segment in the Group. Impairment testing of tangible assets is covered by impairment testing on the whole Group. See note 10 for details.

No impairment losses have been recognized in 2011 or 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. The lease agreements on the Boeing 787 aircraft last for 12 years with an option for extension. From 2002 to 2009, 38 aircraft were delivered. In 2010, 8 aircraft were delivered and 8 aircraft were delivered in 2011. Renegotiations have resulted in the extension of some of the shorter leases. In 2011, 10 aircraft were redelivered to the lessor. Contracts for 8 of the aircraft will expire in 2012, and contracts for 3 of the aircraft expire in 2013. The remaining contracts expire in 2014 or later.

Leasing costs expensed on aircraft lease within operational expenses was MNOK 829.7 in 2011 (2010: MNOK 778.5). Included in leasing costs are operating lease costs on aircraft from sale and lease back transactions.

In addition, the Group leases 5 cars and 11 properties in Oslo, Stavanger, Stockholm and Copenhagen. Leasing costs related to cars and properties expensed in other operating expenses in 2011 was MNOK 27.9 (2010: MNOK 50.1).

Annual minimum rent on non-cancellable operating lease agreements per 31 December 2011 is as follows:

	Nominal value 2011				Nominal value 2010			
(NOK 1 000)	**Aircraft**	**Cars**	**Property**	**Total**	**Aircraft**	**Cars**	**Property**	**Total**
Within one year	1,342,217	4,222	43,127	1,389,566	1,163,166	4,343	20,815	1,188,324
Between 1 and 5 years	5,798,435	15,179	65,910	5,879,524	3,333,379	15,105	47,957	3,396,442
After 5 years	5,659,708	0	42,401	5,702,109	1,287,069	3,555	10,919	1,301,544

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

Note 13 Trade and other Receivables

Spesification of receivables (NOK 1 000)	**2011**	**2010**
Trade receivables	214,343	136,047
Credit card receivables	527,578	382,751
Deposits	109,717	61,554
Deferred leasing costs	17,961	10,893
Prepaid costs	62,102	30,703
Public duty debt	48,846	57,238
Reimbursements claims maintenance costs	174,150	174,697
Other claims	10,648	22,399
Prepayments to employees	645	76
Prepaid rent	19,569	19,027
Total	**1,185,559**	**895,385**

Due dates (NOK 1 000)	**2011**	**2010**
Within one year	1,072,497	842,143
After 1 year	113,061	53,242
Total	**1,185,559**	**895,385**

Currency (NOK 1 000)	**2011**	**2010**
DKK	62,952	68,047
EUR	12,951	23,454
GBP	2,028	1,895
NOK	495,520	204,051
USD	56,690	46,736
SEK	157,789	164,470
PLN	2,161	1,554
AED	171	0

Fair value of trade and other receivables (NOK 1 000)	**2011**	**2010**
Due within one year	1,072,498	842,143
After one year *)	95,100	42,287
Total	**1,167,598**	**884,430**

For receivables due within one year, fair value is equal to nominal value.
*) Discount rate 2.8% (2010: 4.5%)

Provision for bad debt (NOK 1 000)	**2011**	**2010**
Balance 1 January	44,552	31,655
Charged to the income statement	-5,870	-15,600
Accruals	11,215	32,696
Reversals	-36,102	-4,200
Balance 31 December	**13,795**	**44,552**

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

Overdue accounts receivables (NOK 1 000)	**2011**	**2010**
Overdue less than 1 month	21,288	3,100
Overdue 1-2 months	1,938	1,218
Overdue 2-3 months	1,047	3,054
Overdue over 3 months	8,468	15,408
Total	**32,740**	**22,780**

Provision for bad debt includes trade – and credit card receivables. The provision for bad debt on trade receivables relates to provision for overdue receivables that are not impaired at 31 December. Provisions for bad debt on credit card receivables are reduced significantly during 2011 due to the implementation of effective procedures to reduce fraudulent credit card transactions. The majority of the provision in 2010 relates to fraud from credit card transactions.

Overdue accounts receivable includes trade receivables and credit card receivables. The majority of overdue account 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.

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)	2011	2010
Consumables	69,185	54,633
Parts for heavy maintenance	12,809	7,928
Other inventory	0	3,630
Total	**81,994**	**66,191**

In 2011 and 2010 the Group bought parts removed from aircraft engines in relation to heavy maintenances. These parts are held for sale and sold in secondary markets. Charges for obsolete parts in 2011 were MNOK 4.5 (2010: MNOK 4.3).

Note 15 Equity and shareholder information

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

	2011	2010
Issued shares	34,878,226	34,573,332
Net Shares	**34,878,226**	**34,573,332**

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 2010	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**
Share issue 26 October 2011	304,894	30	20,380	20,411
31 December 2011	**34,878,226**	**3,488**	**1,075,463**	**1,078,951**

All issued shares are fully paid with a par value of 0.1 NOK per share (2010: 0.1 NOK per share). The share issue at 26 October 2011 was related to exercise of employee share options with an exercise price of NOK 67.00. For additional information about the employee share options, see note 17.

Description of items booked directly on shareholder's equity:

Translation differences
MNOK -1.7 has been booked as comprehensive income at 31 December 2011 (2010: MNOK 0.3). The translation differences arise from consolidating the subsidiaries Norwegian Air Shuttle Polska SP.zo.o, Norwegian Air Shuttle Sweden AB and AB Norwegian Air Shuttle Finland Ltd into Group accounts.

Stock option plan
Stock options are granted to the management and the employees. In 2009, options were granted to the management with expiry in 2010 and 2011. The Group granted a stock options plan in 2010 where the employees were granted stock options in exchange for a voluntary reduction in salary. First part of this option plan was exercised in October 2011 and second part of the plan will be exercised after announcing the third quarterly results for 2012See note 17 for further details. Total stock option expense in 2011 was MNOK 8.8 (2010: MNOK 7.1).

Shareholder structure

The largest shareholders at 31 December 2011 were;

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

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

Name	Title	Shares 1)
Bjørn Kise 2)	Chairman	781,537
Ola Krohn Fagervoll	Deputy chairman	15,462
Liv Berstad	Board Member	0
Marianne Wergeland Jenssen	Board Member	800
Linda Olsen	Board Member - Employee repr	0
Thor Espen Bråten	Board Member - Employee repr	2,622
Kenneth Utsikt	Board Member - Employee repr	1,750
Bjørn Kjos 3)	Chief Executive Officer	8,040,537
Frode E Foss	Chief Financial Officer	35,000
Hans-Petter Aanby	Chief IT Officer	0
Asgeir Nyseth	Chief Operating Officer	5,200
Daniel Skjeldam	Chief Commercial Officer	0
Anne-Sissel Skånvik	Senior Vice President Corporate Communications	0
Gunnar Martinsen	Senior Vice President HR and Organisation	8,804

1) Including shares held by related parties

2) Bjørn Kise holds 8.2 % of HBK invest AS

3) Bjørn Kjos holds 84.1 % of HBK Invest AS

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

Name	Title	Outstanding 2010	Exercised 2011	Outstanding 2011
Bjørn Kjos	Chief Executive Officer	48,184	40,000	8,184
Frode E Foss	Chief Financial Officer	44,679	40,000	4,679
Hans-Petter Aanby	Chief IT Officer	24,760	20,000	4,760
Asgeir Nyseth	Chief Operating Officer	44,931	40,000	4,931
Daniel Skjeldam	Chief Commercial Officer	42,312	40,000	2,312
Anne-Sissel Skånvik	Senior Vice President Corporate Communications	20,000	20,000	0
Gunnar Martinsen	Senior Vice President HR and Organisation	21,736	20,000	1,736

Specification of other reserves

	Available-for-sale financial assets	Translation differences	Total
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**
Translation differences	0	-1,694	-1,694
31 December 2011	0	**-9,638**	**-9,638**

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)	2011	2010
Profit	122,125	170,884
Average number of shares outstanding	34,628,464	34,272,595
Average number of shares and options outstanding	35,182,960	34,991,268
Basic earnings per share	3.53	4.97
Diluted earnings per share	3.47	4.87

	2011	2010
Average number of shares outstanding	34,628,464	34,272,595
Dilutional effects		
Stock options	554,496	718,673
Average number of shares outstanding adjusted for dilutional effects	35,182,960	34,991,268

Note 17 Options

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

There were no option grants in 2011.

Expected lifetime assumes that stock options are exercised at expiration. Expected volatility is based on the historical volatility over the most recent period that corresponds with the expected life of the option. 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 8.8 in 2011 and MNOK 7.1 in 2010.

	2011 Shares	**Weighted avg. exerc. Price**	**2010 Shares**	**Weighted avg. exerc. Price**
Outstanding at the beginning of the period	629,807	65.5	710,601	50.9
Allocated	0	0.0	292,021	63.8
Exercised	329,394	67.0	371,601	39.2
Terminated	4,000	67.0	214	63.8
Forfeited	12,500	66.4	1,000	67.0
Expired	0	0.0	0	0.0
Outstanding at the end of the period	283,913	63.8	629,807	65.5
Vested options	139,198	63.8	146,500	67.0
Weighted average fair value of options allocated in the period	0	0.0	292,021	38.1

2011	**Outstanding options**			**Vested options**	
Strike price (NOK)	**Outstanding options**	**Weighted average remaining lifetime (yrs)**	**Weighted average exercise price**	**Vested options**	**Weighted average exercise price**
50.00 - 66.00	283,913	0.8	63.8	139,198	63.8
Total	**283,913**	**0.8**	**63.8**	**139,198**	**63.8**

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	0	0.0
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**

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 2011, MNOK 1.5 (2010: MNOK 1.5) was expensed.

Note 18 Pensions

The Group operates defined benefit plans and defined contribution plans in Norway and Sweden. The majority of employees participate in a defined benefit plan in Norway. Pension plans in Norway are placed with DNB Liv and pension plans in Sweden are placed with Alecta and Fora.

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

Defined contribution plans comply with Norwegian and Swedish Pension legislation.

Pension expense on defined contribution plans is MNOK 37.7 in 2011 (2010: MNOK 14.4). The increase in expenses from contribution plans relates to a larger share of employees in contribution plans in Norway in 2011 compared to 2010.

Defined benefit plan
The defined benefit plan is a funded plan where 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 plan also covers a life insurance and disability insurance. Per 31 December 2011, a total of 2,090 employees were active members (2010: 1,857), and 38 (2010: 32) were on pension retirement. In addition, employees are included in the early retirement scheme (AFP), which is an unfunded plan for the right to retire at the age of 62. The AFP is a multi-employer plan, where the Norwegian government finances 1/3 of the contribution plans. The AFP pension plan is a defined benefit plan administered by a separate legal entity (Fellesordningen). The plan is temporarily accounted for as a defined contribution plan, as the plans administrators have not been able to calculate the pension obligation for each entity participating in the plan. In 2010, the former AFP pension plan was closed, causing a settlement transaction of MNOK 4 recognized in the income statement as a cost reduction in pension expenses.

The scheme is in compliance with the Occupational Pensions Act and actuarial calculations comply with IAS 19.

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 Group's defined benefit plans are calculated by independent actuaries and are based on information as of 1 January 2011. 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 2011.

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 2011**	**Total 2010**
Net present value of benefits earned	142,858	0	142,858	113,570
Interest cost on pension liability	27,235	0	27,235	20,863
Return on plan assets	-24,882	0	-24,882	-18,981
Administrative expenses	2,975	0	2,975	2,630
Recognized actuarial gains/losses	6,913	0	6,913	4,917
Recognized net liability - settlement	0	-3,306	-3,306	-4,028
Accrual for settlement liability	0	0	0	3,772
Social security tax	21,748	-466	21,282	16,649
Net pension expense defined benefit plans	176,847	-3,772	173,075	139,392
Pension expense on defined contribution plans			37,655	14,436
Total pension expense			**210,730**	**153,827**

Defined benefit liability and fund (NOK 1 000)

	2011			2010		
	Funded	**Unfunded**	**Total**	**Funded**	**Unfunded**	**Total**
Change in present value of defined benefit liability:						
Gross pension liability 01.01	683,283	3,306	686,588	473,699	2,665	476,364
Current service costs	142,858	0	142,858	112,784	786	113,570
Interest cost	27,235	0	27,235	20,747	116	20,863
Actuarial gains/losses	108,442	0	108,442	81,216	0	81,216
Settlement	-884	-3,306	-4,190	0	-3,567	-3,567
Accrual for settlement liability	0	0	0	0	3,306	3,306
Benefits paid	-5,599	0	-5,599	-5,163	0	-5,163
Gross pension liability 31.12	**955,334**	**0**	**955,334**	**683,283**	**3,306**	**686,588**
Change in fair value of plan assets:						
Fair value of pension assets 01.01	401,877	0	401,877	292,164	0	292,164
Expected return	24,882	0	24,882	18,981	0	18,981
Actuarial gains/losses	-28,934	0	-28,934	-2,822	0	-2,822
Administrative expenses	-2,975	0	-2,975	-2,630	0	-2,630
Contributions paid	126,378	0	126,378	101,347	0	101,347
Benefits paid	-5,599	0	-5,599	-5,163	0	-5,163
Fair value of plan assets 31.12	**515,629**	0	**515,629**	**401,877**	0	**401,877**
Net pension liability	**439,705**		**439,705**	**281,406**	**3,306**	**284,711**
Unrecognized actuarial gains/losses	-308,219	0	-308,219	-178,472	0	-178,472
Social security tax	19,701	0	19,701	14,967	466	15,433
Net recognised pension liability 31.12	**151,187**	**0**	**151,187**	**117,901**	**3,772**	**121,672**

	2011	**2010**
Actual return on pension funds *)	3.50%	6.20%
Expected contribution to be paid next year	130,073	104,480
Expected benefits to be paid next year	6,569	5,599

*) 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 %.

	2011	**2010**
Discount rate	2.60%	4.00%
Expected return on pension funds	4.10%	5.40%
Wage adjustments	3.25%	3.75%
Increase of social security base amount (G)	3.25%	3.75%
Future pension increase	0.10%	1.30%
Average turnover	2-10 %	2-10 %

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

	2011	**2010**
Equity	19.5 %	18.7 %
Bonds	14.5 %	15.4 %
Money market funds	13.3 %	13.6 %
Hold-to maturity bonds	32.6 %	33.2 %
Real estate	17.0 %	17.6 %
Various	3.0 %	1.5 %

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

Historical information

(NOK 1 000)	**2011**	**2010**	**2009**	**2008**	**2007**
Present value of defined benefit obligation	955,334	686,588	483,721	396,123	249,401
Fair value of plan assets	515,629	401,877	301,612	233,000	175,000
Deficit/(surplus) in the plan	**439,705**	**284,711**	**182,109**	**163,123**	**74,401**
Experience adjustments on plan liabilities	108,905	81,092	-25,272	50,340	19,506
Experience adjustments on plan assets	28,702	2,130	-28,148	2,549	-2,375

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;

Sensitivity analysis pensions 2011

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

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)	2011	2010
Opening balance	117,701	132,598
Charges to the income statement	-396,761	-405,394
Accruals	370,891	390,497
Closing balance	91,831	117,701
Classified as short term liabilities	9,967	22,740
Classified as long term provision	81,865	94,961

The lease contracts require the aircraft to be returned by the end of the lease term in accordance with specific redelivery conditions stated in the contract. In addition, the Group is obliged to follow the maintenance program as defined by Boeing. In order to meet this requirement, the Group must carry out maintenances of aircraft, both regularly as well as at the expiration of the leasing period. The overhauls and maintenances of the aircraft are contractual lease obligations. The specific event that gives rise to the obligation is each airborne hour or cycle completed by the aircraft as these determine the timing and nature of the overhauls and maintenances that must be carried out. For some of the contracts, there is a degree of uncertainty about what kind of maintenance is covered by the maintenance funds, and the provision for this increase 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 maintenances and mandatory maintenances. The estimated costs of overhauls and maintenances are based on the Group's maintenance program and contractual prices. In addition, accruals are set to meet redelivery conditions for leased aircraft. Accruals are dependent on redelivery date and redelivery conditions of the different lease terms. In case of lease extension, estimates on maintenance costs will be revised. For the accruals set to meet redelivery conditions, an increased cost upon redelivery of 10% would increase the MRC accruals with approximately MNOK 2.3.

Parts of the periodic maintenances will be conducted in 2012, and MNOK 10 is classified as short term liability for periodic maintenances (2010: MNOK 22.7). The short term part of periodic maintenance is estimated based on planned maintenances in 2012.

Note 20 Financial instruments

Financial instruments by category

Financial instruments by category (NOK 1 000)

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

	31 December 2011				31 December 2010			
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	2,689	2,689
Derivative financial instruments	0	242,790	0	242,790	0	43,395	0	43,395
Trade and other receivables *)	1,054,397	0	0	1,054,397	788,341	0	0	788,341
Cash and cash equivalents	1,104,946	0	0	1,104,946	1,178,416	0	0	1,178,416
Total	**2,159,343**	**242,790**	**2,689**	**2,404,823**	**1,966,757**	**43,395**	**2,689**	**2,012,841**
*) Prepayments not included in trade and other receivables	131,162				107,044			

	31 December 2011			31 December 2010		
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	4,250,290	4,250,290	0	2,484,882	2,484,882
Derivative financial instruments	539	0	539	15,003	0	15,003
Trade and other payables	0	1,125,973	1,125,973	0	951,592	951,592
Total	**539**	**5,376,264**	**5,376,803**	**15,003**	**3,436,474**	**3,451,476**
*) Public duties not included in trade and other payables		104,961			111,845	

See note 22 for details related to borrowings.

Credit quality of financial asset

(NOK 1 000)		
Trade receivables	**2011**	**2010**
Counterparties with external credit rating		
A or better *)	527,578	382,751
Counterparties without external credit rating	526,819	405,591
Total trade receivables	**1,054,397**	**788,341**

Cash and cash equivalents	**2011**	**2010**
A+ or better	625,387	577,940
BBB +	479,559	600,476
Total cash and cash equivalents	**1,104,946**	**1,178,416**

Derivative financial assets	**2011**	**2010**
A+ or better	242,790	43,395
Total derivative and financial assets	**242,790**	**43,395**

Available-for sale financial assets

(NOK 1 000)	**2011**	**2010**
Januar 1st	2,689	7,236
Additions	0	0
Sale	0	0
Net gains/(losses) recognized in comprehensive income	0	2,767
Net gains/(losses) recognized in profit and loss	0	-7,314
December 31st	**2,689**	**2,689**
Non-current portion	2,689	2,689
Current portion	0	0

Available-for-sale financial assets at 31 December 2011 consist of an investment in unlisted equity instrument in Silver Pensjonsforsikring. The fair value of available for sale financial assets is MNOK 2.7 (2010: MNOK 2.7). 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.

In 2010, 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. Additionally, a loss from 2009 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). Available-for-sale financial assets are denominated in NOK.

Derivative financial instruments

(NOK 1 000)	2011		2010	
	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts	242,790	0	0	15,003
Forward commodities contracts	0	539	43,395	0
Total	**242,790**	**539**	**43,395**	**15,003**
Non-current portion:	0	0	0	0
Current portion:	242,790	539	43,395	15,003

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 305.7 (2010: MNOK 29.7). See details under the specification of 'other losses/(gains)- net' below.

Forward foreign currency contracts
The fair value of the outstanding forward foreign currency contracts at 31 December 2011 were MNOK 242,790 (2010: MNOK -15). At 31 December 2011, the Group had forward foreign currency contracts to secure MUSD 594.8 of future exposure to revaluation of borrowings denominated in USD and MUSD 31 to secure payments denominated in USD from operating activities.

Forward commodities contracts
Forward commodities contracts relates to jet-fuel derivatives. The fair value of the outstanding forward commodities contracts at 31 December 2011 were MNOK -0.5 (2010: MNOK 43.4). At 31 December 2011, the Group had secured 9,000 tons of jet-fuel through derivative contracts at USD 1,000. These contracts are expected to minimize the jet-fuel price risk related to future jet-fuel purchases. The Group had secured 85,000 tons of jet-fuel through derivatives at 31 December 2010, all of which were realized during 2011.

The forward currency contracts mature with MUSD 237.4 in first quarter 2012 and MUSD 388.4 in second quarter 2012. Forward commodities contracts mature in first quarter 2012.

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

Other losses/(gains) – net

(NOK 1 000)	2011	2010
Financial assets at fair value through profit or loss		
- Fair value losses	1,211,858	420,696
- Fair value gains	-1,472,587	-450,882
- Foreign exchange (gains)/losses on operating acitivities	-44,991	454
Total	**-305,720**	**-29,732**

No financial instruments were designated as hedging instruments in 2011 or 2010. 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)	2011	2010
Accrued vacation pay	129,415	110,481
Accrued airport and transportation taxes	96,924	49,400
Accrued expenses	396,610	320,660
Trade payables	418,458	390,505
Payables to related party (note 27)	4,001	4,117
Public duties	104,961	111,845
Short term provisions for MRC	9,967	22,740
Other short term provisions	70,599	53,689
Total	**1,230,935**	**1,063,436**

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 2011

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

Nominal value at 31 December 2010

(NOK 1 000)	Nominal value	Unamortized transaction cost	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**	

Effective interest rate during 2011 recognized as financial items (note 8) and capitalized borrowing costs (note 11) are 4.7%.

Classification of borrowings

(NOK 1 000)	2011	2010
Non-current		
Bond issue	0	597,368
Facility agreement	0	0
Aircraft financing	2,585,158	1,197,833
Loan facility	97,730	148,702
Financial lease liability	15,485	20,007
Total	**2,698,373**	**1,963,910**
Current		
Bond issue	598,708	0
Facility agreement	648,004	367,187
Aircraft financing	273,092	121,676
Loan facility	27,143	27,143
Financial lease liability	4,971	4,966
Total	**1,551,918**	**520,972**
Total borrowings	**4,250,290**	**2,484,882**

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 facilities
There are no financial covenants on revolving credit facilities.

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
Adjusted market value; market value higher than 70% of the loan
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 less than 7

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

The Group has not been in breach of any covenants during 2011.

Fair value calculations

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

	Carrying amount		Fair Value	
	2011	**2010**	**2011**	**2010**
Bond issue	0	597,368	0	602,997
Facility agreement	0	0	0	0
Aircraft financing	2,585,158	1,197,833	2,961,740	1,240,418
Loan facility	97,730	148,702	97,730	148,702
Financial lease liability	15,485	20,007	17,766	23,180

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%. The bond issue is classified as short term borrowings at 31 December 2011.

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Facility agreement
Interest rate of LIBOR 3 m and a risk premium equal to the spread at the balance sheet date. The facility agreement from 2008 with French financial institution Natixis were closed in March 2011 at the delivery of the last aircraft in the Natixis arrangement. The Group entered two additional facility agreements in 2011 with ING Bank N.V and DVB Bank SE to cover pre-delivery financing for aircraft with delivery from 2012 through 2014.

The borrowings mature at the delivery of each aircraft and final delivery matures at 1 November 2012. The facility agreements are classified as short term borrowings and denominated in USD.

Aircraft financing
Fixed and floating 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 2.25%. The loan facility is denominated in NOK and matures quarterly, with the final commitment to pay on 30 June 2014. See note 2 for further maturity analysis of borrowings.

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

The discount rates used to calculate the fair value of the financial lease liability equals the risk free interest rate and spread related to the loan facility in 2011 and2010 as this loan facility is 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)	2011	2010
Future minimum lease payments		
-No later than 1 year	5,584	5,830
-Between 1 and 5 years	15,058	20,573
-Later than 5 years	2,921	2,907
Total	**23,563**	**29,310**
Future finance charges on financial lease liability	3,107	4,337
Present value of financial lease liability	**20,456**	**24,973**

Note 23 Assets pledged as collateral and guarantees

Liabilities secured by pledge (NOK 1 000):	2011	2010
Facility agreement	0	367,187
Aircraft financing	2,858,250	1,319,509
Loan Facility	124,873	175,845
Financial lease liability	20,456	24,973
Total	**3,003,578**	**1,887,513**

In 2010, prepayments of the first 10 aircraft in the purchase contract with Boeing were pledged as collateral for the revolving credit facility. At 31 December 2011 pledged collateral for the revolving credit facility is released and the facility is closed. Pre-delivery financing facilities entered into in 2011 are not secured through pledged collateral. Own aircraft are pledged as collateral for the aircraft financing. Five 737-300 fully owned aircraft are pledged as collateral for the loan facility. There is no pledged collateral for the financial lease liability, but the financial lease asset is an actual security for the financial lease liability through fulfilment of the lease agreement. For references to pledged asset, see note 11 and for borrowings related to those asset, see note 22.

The Group has not issued any guarantees for third parties.

Book value of assets pledged as security and guarantees (NOK 1 000):	2011	2010
Cash depot	218,693	214,160
Prepayment and aircraft	5,849,736	3,994,969
Financial lease asset	27,882	31,203
Total	**6,096,311**	**4,240,332**

Note 24 Bank deposits

Cash and cash equivalents (NOK 1 000)	2011	2010
Cash in bank	625,387	577,940
Cash equivalents	479,559	600,476
Total	**1,104,946**	**1,178,416**

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 2011, the interest terms on the cash deposits on folio accounts are 1 month NIBOR - 0.25% p.a. Interest terms on restricted cash deposits on folio accounts is 1 month NIBOR +0.85% p.a.

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

Restricted cash (NOK 1 000)	2011	2010
Guarantees for leases and credits from suppliers	218,693	214,160
Taxes withheld	52,675	54,673
Total	**271,368**	**268,833**

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 based in Warsaw, Poland. The Group has control over 100% of the shares. The company was established for managing the Polish operation and is under liquidation.

Norwegian Air Shuttle Sweden AB
The subsidiary was purchased on 31 July 2007 and the Group has control over 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 2011 consisted of the supply of personnel. On 1 July 2009, the entire airline operation in Norwegian Air Shuttle Sweden AB was transferred to Norwegian air Shuttle ASA through the purchase of assets.

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

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

NAS Asset Management Ireland Ltd
On 15 July 2008 the Group established NAS Asset Management Ltd, a special purpose vehicle (SPV), and has control over 100% of the shares. The company is incorporated in Ireland and is established for aircraft financing purposes. At 31 December 2011, the company is under liquidation as the pledges have been released and the pre-delivery financing with Natixis is closed.

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

(NOK 1 000)

Name	Date of initiation/aquisition	Office	Number of shares	Ownership
Norwegian Air Shuttle Polska SP.zo.o	2006	Warsaw, Poland	50,000	100%
Norwegian Air Shuttle Sweden AB	7/31/2007	Stockholm, Sweden	20,000	100%
AB Norwegian Air Shuttle Finland Ltd	6/14/2011	Helsinki, Finland	200	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 31.12.2010	Net profit (loss) 2011	Share issue 2011	Carrying amount 31.12.2011
Norwegian Finans Holding ASA	Norway	Financial Institution	20%	62,272	19,518	301	82,091

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;

2011 (NOK 1 000)

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

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%

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 27.2 % 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 2011 or 2010, 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 2011 and 2010. 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 2011 or 2010.

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.

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

Sales (-) and purchases (+) of goods and services (excl VAT)	**2011**	**2010**
- Vogt & Wiig (legal services)	4,976	3,160
- Associate (commission)	-34,296	-14,810
- Fornebu Næringseiendom (property rent)	13,114	17,053
- Ola Krohn-Fagervold (services as Board Member - note 7)	14	56

Year-end balances arising from sales/purchases of goods/services (incl VAT)	**2011**	**2010**
Receivables from related parties (note 13)		
- Vogt & Wiig (legal services)	0	0
- Associate (commission)	19,196	12,148
- 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)	-2	-40
- Associate (commission)	0	0
- Fornebu Næringseiendom (property rent)	-3,999	-4,077
- Ola Krohn-Fagervold (services as Board Member - note 7)	0	0

Investment in related parties	**2011**	**2010**
- Associate (subordinated loan)	30,000	30,000

Note 28 Contingencies and legal claims

The Group has no contingencies or legal claims at 31 December 2011.

Note 29 Commitments

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

In 2009 Norwegian extended its aircraft order with additional 6 Boeing 737-800 aircraft and during 2011 the Group exercised 30 of the purchase rights. The total order for purchased aircraft stands at a total of 78, whereof 23 have been delivered by year end 2011. Norwegian has 12 remaining purchase rights for aircraft of the type.

During 2009 to 2011 Norwegian received 23 aircraft. The remaining 55 aircraft will be delivered over a seven-year period from 2011 to 2018. The purchase price will be paid over several USD installments before and on delivery of each aircraft. The list price of the remaining aircraft to be delivered has a list price of USD 4.1 billion.

Norwegian Air Shuttle ASA has entered into a purchase agreement of three Boeing 787-8 Dreamliner aircraft in June 2011. The aircraft will be delivered over the period from 2013 to 2015. The aircraft have a list price of USD 580 million. The three aircraft will complement 787-8 Dreamliner leases (note 12). At 31 December 2011, the Group has 6 Boeing 787-8 Dreamliners with expected delivery from 2013.

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

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

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

Note 30 Events after the reporting period

At 25 January 2012, Norwegian Air Shuttle ASA placed orders with Boeing Commercial Airplanes and Airbus S.A.S. comprising a total of 372 aircraft whereof 222 are on firm order. The firm orders are for 22 Boeing 737-800, 100 Boeing 737 MAX8 and 100 Airbus A320neo. The agreements also include purchase rights for an additional 100 Boeing 737 MAX8 and 50 Airbus A320neo. The firm orders have an aggregated value at list price of approximately NOK 127 billion. Norwegian will be the European launch customer for the new Boeing 737 MAX8. The aircraft is the successor of the 737-800 featuring an all-new engine configuration which combined with airframe improvements will give a 10 - 12 % reduction in fuel burn over its predecessor. The existing 737-800 is currently the most efficient single-aisle aircraft and is the backbone of Norwegian's operation. Norwegian will take delivery of the new Airbus A320neo for future business and growth opportunities. The aircraft is the successor of the existing Airbus A320 featuring an all-new engine configuration which combined with airframe improvements will reduce fuel burn by 15 - 17 % compared to the existing A320. The order will consolidate Norwegian's position as one of the most competitive and cost efficient airlines in Europe. The order is designed to replace the existing fleet and to secure the best available capacity for growth. The order is in line with Norwegian's established strategy of continuously striving for the lowest cost in the Group's markets which includes operating the most fuel and cost efficient aircraft. The delivery of aircraft starts in 2016. The aircraft purchase is supported by the Export-Import Bank of the United States (Ex-Im) and European Export Credit Agencies.

Norwegian Air Shuttle ASA has summoned a bondholder meeting in NAS02 (ISIN NO 001 0560915) to be held 30 March 2012. The bondholder meeting is requested to approve an early redemption of NAS02 in combination with a new bond issue in the amount of up to NOK 600,000,000 with maturity in April 2015.

Norwegian Air Shuttle ASA

Financial statements

2011

Norwegian Air Shuttle ASA
Income Statement

NOTE	(NOK 1 000)	2011	2010
	OPERATING REVENUES AND OPERATING EXPENSES		
3	Revenues	10,523,797	8,399,612
3	Other income	3,471	191,328
	Total operating revenues and income	**10,527,268**	**8,590,941**
4	Operational expenses	7,814,268	6,299,572
5,16,17	Salaries and other personnel expenses	1,833,489	1,531,695
8,9	Depreciation and amortization	284,392	184,963
4a	Other operating expenses	469,570	386,023
20	Other losses/(gains) - net	-349,400	13,662
	Total operating expenses	**10,052,320**	**8,415,915**
	Operating profit	**474,949**	**175,025**
	FINANCIAL REVENUES AND FINANCIAL EXPENSES		
	Interest income	40,825	39,171
	Interest expense	-93,367	-39,781
6	Other financial items	-241,408	31,344
	Net financial items	**-293,951**	**30,733**
26	Profit/loss from associated company	19,518	6,328
	Profit before tax	**200,516**	**212,087**
7	Income tax expense	60,344	60,071
	PROFIT FOR THE YEAR	**140,172**	**152,016**

Allocation of profit for the year		
Allocated to other equity	**140,172**	**152,016**

Norwegian Air Shuttle ASA
Balance Sheet

NOTE	(NOK 1 000)	2011	2010
	ASSETS		
	Non-current assets		
8	**Intangible assets**		
	Intangible assets	214,380	179,021
	Total intangible assets	**214,380**	**179,021**
9	**Tangible assets**		
	Buildings	9,525	9,525
	Aircraft, installations and parts	3,869,159	2,092,136
	Equipment and fixtures	31,899	25,897
	Financial lease asset	27,882	31,203
	Prepayment Boeing contract	2,126,954	2,002,600
	Total tangible assets	**6,065,419**	**4,161,360**
	Financial assets		
25	Investment in subsidiaries	56,245	79,693
26	Investment in associated company	82,091	62,272
27	Investment in shares	2,689	2,689
11	Other long term receivables	125,156	58,329
	Total financial assets	**266,181**	**202,983**
	Total non-current assets	**6,545,980**	**4,543,365**
	Current assets		
12	**Inventory**	81,994	65,615
	Receivables		
	Accounts receivable	670,788	465,264
13,25	Other receivables	389,751	366,053
	Total receivables	**1,060,539**	**831,317**
20	Financial instruments	242,790	0
22	Cash and cash equivalents	1,081,742	1,156,379
	Total current assets	**2,467,065**	**2,053,311**
	TOTAL ASSETS	**9,013,044**	**6,596,675**

Norwegian Air Shuttle ASA
Balance Sheet

NOTE	(NOK 1 000)	2011	2010
	EQUITY AND LIABILTIES		
	Equity		
	Paid-in equity		
14,15	Share capital	3,488	3,457
15	Share premium reserve	1,075,463	1,055,083
15	Other paid-in equity	63,331	54,487
	Total paid-in equity	**1,142,283**	**1,113,027**
15	**Retained earnings**	**798,276**	**658,105**
	Total equity	**1,940,559**	**1,771,132**
	Liabilities		
	Provisions		
16	Pension liabilities	150,713	121,259
18	Provision for periodic maintenance	81,865	94,961
7	Deferred tax	158,978	97,245
24	Borrowings	2,682,888	1,943,910
24	Financial lease liability	15,485	20,007
	Total long term liabilities	**3,089,929**	**2,277,381**
	Short term liabilities		
25	Accounts payable	475,112	424,498
	Air traffic settlement liabilities	1,208,326	954,232
7	Tax payable	0	536
	Public duties payable	101,722	108,604
20	Financial instruments	539	15,003
24	Short term part of borrowings	1,551,918	520,972
19	Other short term liabilities	644,941	524,317
	Total short term liabilities	**3,982,557**	**2,548,162**
	Total liabilities	**7,072,486**	**4,825,543**
	TOTAL EQUITY AND LIABILITIES	**9,013,044**	**6,596,675**

Fornebu, 27 March 2012

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)	2011	2010
	CASH FLOWS FROM OPERATING ACTIVITIES:		
	Profit before income tax	200,516	212,087
	Taxes paid	-536	-109,572
8,9	Depreciation, amortization, write-down	284,392	184,963
	Pension expense without cash effect	29,454	23,701
26	(Gain)/loss on investment in associated company	-19,518	-6,328
17	Compensation expense for employee options	8,844	7,100
9	Losses/(gains) on disposal of tangible assets	44,465	-15,927
25	Impairment of shares in subsidiary	25,000	0
20	Fair value (gains)/losses on financial assets	-304,124	13,662
6	Net financial items excluding impairment	268,951	-30,733
	Interests received	40,825	39,171
	Change in inventories, accounts receivable and accounts payable	-171,288	192,662
	Change in air traffic settlement liabilities	254,093	163,485
	Change in other current assets and current liabilities	13,419	137,026
	Net cash flow from operating activities	**674,493**	**811,296**
	CASH FLOWS FROM INVESTING ACTIVITIES:		
9	Prepayments aircraft purchase	-1,410,287	-1,361,758
9	Purchases of tangible assets	-704,523	-427,908
8	Purchases of intangible assets	-74,687	-46,703
25	Payment to subsidiaries	-1,552	0
	Payment to investment in associated company	-301	-8,000
	Net cash flow from investing activities	**-2,191,350**	**-1,844,369**
	CASH FLOWS FROM FINANCIAL ACTIVITIES:		
24	New long term liabilities	1,897,071	1,134,510
24	Payment long term liabilities	-347,683	-242,564
	Interest on borrowings	-127,578	-91,282
15	Paid-in equity	20,411	13,225
	Net cash flow from financial activities	**1,442,221**	**813,889**
	Net change in cash and cash equivalents	-74,636	-219,184
	Cash and cash equivalents at 1 January	1,156,379	1,375,564
22	**Cash and cash equivalents at 31 December**	**1,081,742**	**1,156,379**

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 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.

<u>Passenger revenue:</u> 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.

<u>Ancillary revenue;</u> 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.

<u>Other revenue</u>; 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.

<u>Customer loyalty program – Norwegian Reward</u>
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 2011 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 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 six sales and lease backs transactions during 2011 with regards to the sales of aircraft and leasing back the same asset. All sales and lease backs transactions are defined as operating leases established at fair value and any profit or loss is recognized immediately in the income statement as other income.

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.

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

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

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

The AFP pension plan 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 allocated the actuarial gains/losses to the members of the AFP pension plan as of 31 December 2011.

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 relate 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. 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, aircraft financing from TD Bank, loan facility and financial lease liabilities. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. Fixed interest rate borrowings consist of term financing from PEFCO, guaranteed by the Ex-Im Bank of the United States. Long-term borrowings are denominated in USD and NOK.

<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's aircraft fleet consist of leased aircraft (note 10) and owned aircraft, whereof the Company will take deliveries of 58 owned aircraft between 2012 and 2018. The table below shows the expected timeline of future deliveries of aircraft based on orders at 31 December 2011. Prepayments to Boeing on future aircraft deliveries are partly financed by pre-delivery payment financing. At the delivery of the aircraft, pre-delivery payments are replaced with long term financing guaranteed by export credit agencies. The Company has ensured export credit support on all aircraft on order, whereof 50% of deliveries in 2012 and 2013 have final export credit guarantees. The remaining 50% of deliveries in 2012 and 2013 will be converted through annual conversions. The Company is currently in the process of securing pre-delivery payment financing and term financing according to the Company's financing policy for deliveries within the current 2012-2014 financing planning time horizon.

Aircraft delivery	**2012-2013**	**2014-2015**	**2016-2018**	**Total**
737-800	20	17	18	55
787-8 Dreamliner	1	2	0	3
Total	**21**	**19**	**18**	**58**

The Company's financing policy includes sales and lease backs transactions on several aircraft to diversify its aircraft fleet. In 2011, 6 aircraft were delivered and financed as sales and lease backs transactions (two in 2010).

Note 3 Revenue

(NOK 1 000)	**2011**	**2010**
By activity:		
Passenger transport	9,097,288	7,206,398
Ancillary revenue	1,224,744	1,034,471
Other revenues	201,765	158,742
Total	**10,523,797**	**8,399,612**
By geographic market:		
Domestic	3,661,540	3,124,196
International	6,862,257	5,275,415
Total	**10,523,797**	**8,399,612**

In 2011 and 2010, 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 3.5 (2010: MNOK 191.3) and include gains from sale of assets (note 9). Included in 2010 other income is compensation from a SAS law suit of MNOK 175.

Note 4 Operational expenses

(NOK 1 000)	2011	2010
Sales and distribution expenses	198,930	167,859
Aviation fuel	3,093,514	2,092,859
Aircraft leases	1,561,369	778,100
Airport charges	982,273	1,295,902
Handling charges	711,556	863,566
Technical maintenance expenses	436,962	697,092
Other operating expenses	829,664	404,193
Total	**7,814,268**	**6,299,572**

Note 4 a Other operating expenses

Other operating expenses amount to MNOK 469.6 (2010: MNOK 386.0). 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)	2011	2010
Wages and salaries	1,320,835	1,199,298
Social security tax	188,799	147,981
Pension expenses	205,599	138,603
Employee stock options	8,844	7,100
Other benefits	109,411	38,712
Total	**1,833,489**	**1,531,695**

In 2011, MNOK 8.8 (2010: MNOK 7.1) 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	2,059	1,845

Note 6 Other financial items

(NOK 1 000)	2011	2010
Forreign exchange income and loss	-229,130	25,884
Appreciation financial current assets	12,722	10,007
Impairment of shares in subsidiary	-25,000	0
Appreciation financial non - current assets (note 27)	0	-4,547
Total	**-241,408**	**31,344**

Impairment of shares in subsidiary is detailed in note 25.

Note 7 Taxes

This year's tax expense consists of (NOK 1 000):	2011	2010
Tax payable	0	11,218
Adjustment from previous year	-1,390	-1,783
Change in deferred tax	61,734	50,636
Income tax expense	**60,344**	**60,071**

Reconciliation from nominal to effective tax rate:

(NOK 1 000)	2011	2010
Profit before tax	200,516	212,087
Expected tax expense using nominal tax rate (28 %)	56,144	59,384
Tax effect of the following items:		
Non deductible expenses/non taxable income	4,199	2,471
Adjustment from previous year	0	-1,783
Tax expense	**60,344**	**60,071**
Effective tax rate	30.09%	28.32%

Specification of tax payable	2011	2010
Tax payable in income tax expense	0	-11,218
Group contribution	0	10,682
Tax payable in the balance sheet	**0**	**-536**

Specification of temporary differences and tax loss carry forward:

(NOK 1 000)	2011	2010
Tangible assets	-850,145	-408,201
Long term receivables and borrowings in foreign currency	-179,040	-29,079
Financial instruments	-242,251	15,003
Inventories	4,258	4,258
Receivables	10,021	41,638
Gain/loss account	18,760	-11,100
Provisions	93,008	116,302
Pensions	150,713	121,259
Other [1)]	-308,997	-197,381
Tax loss carry forward	740,871	0
Total	**-562,802**	**-347,301**
Deferred tax asset/liability	-157,585	-97,245
Adjustments in respect of prior years	-1,394	0
Net recognized deferred tax asset/liability	**-158,978**	**-97,245**

[1)] Other temporary differences consist of book value of previously booked value of firm commitment recognized according to hedge accounting. Hedge accounting was not applied for tax purposes.

Gross movements on deferred income tax:

(NOK 1 000)	2011	2010
At 1 january (-) liability/(+) asset	-97,245	-46,608
Income statement charge	-61,734	-50,636
31 December	**-158,978**	**-97,245**

Note 8 Intangible assets

(NOK 1 000)	Software	Goodwill	Other intangible assets	Total
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**
Acquisition cost at 1 January 2011	175,139	94,157	31,019	300,315
Additions	74,687	0	0	74,687
Disposals	-12,614	0	0	-12,614
Acquisition cost at 31 December 2011	**237,211**	**94,157**	**31,019**	**362,388**
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**	**121,294**
Accumulated amortization and write-down at January 1 2011	104,148	12,554	4,591	121,294
Amortization in 2011	32,956	6,277	0	39,233
Amortization disposals in 2011	-12,520	0	0	-12,520
Accumulated amortization and write-down at 31 December 2011	**124,585**	**18,831**	**4,591**	**148,008**
Book value at 31 December 2010	**70,991**	**81,603**	**26,428**	**179,021**
Book value at 31 December 2011	**112,627**	**75,325**	**26,428**	**214,380**
Economic life	3-5 years	15 years	Indefinite	
Amoritzation plan	Linear	Linear	None	

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

Goodwill consists of purchased goodwill from Norwegian Air Shuttle Sweden AB in 2009. All airline operations were purchased from the subsidiary and the airline operations 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. Goodwill and slots were identified as assets and measured at the value from initial purchase price in 2007.

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

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

Intangible assets with indefinite economic useful lives are tested for impairment annually. No impairment losses are identified for intangible assets in 2011.

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

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

Note 9 Tangible assets

(NOK 1 000)	Buildings	Aircraft	Prepayment Boeing Contract	Equipment and fixtures	Financial lease	Total
Acquisition cost at 1 January 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**
Acquisition cost at 1 January 2011	9,525	2,451,396	2,002,600	111,983	34,607	4,610,110
Additions	0	716,505	1,410,287	23,363	0	2,150,154
Transfers	0	1,285,933	-1,285,933	0	0	0
Disposals	0	-29,206	0	-22,020	0	-51,226
Acquisition cost at 31 December 2011	**9,525**	**4,424,627**	**2,126,954**	**113,326**	**34,607**	**6,709,038**
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
Depreciation on disposals	0	-5,399	0	0	0	-5,399
Accumulated depreciation at 31 December 2010	**0**	**359,259**	**0**	**86,086**	**3,404**	**448,748**
Accumulated depreciation at 1 January 2011	0	359,259	0	86,086	3,405	448,748
Depreciation	0	224,865	0	16,998	3,320	245,184
Depreciation on disposals	0	-28,656	0	-21,657	0	-50,313
Accumulated depreciation at 31 December 2011	**0**	**555,468**	**0**	**81,427**	**6,725**	**643,619**
Book value at 31 December 2010	**9,525**	**2,092,137**	**2,002,600**	**25,897**	**31,203**	**4,161,360**
Book value at 31 December 2011	**9,525**	**3,869,159**	**2,126,954**	**31,899**	**27,882**	**6,065,419**
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 1,087.2	See below	See below	MNOK 0	

At 31 December 2011, the Company operated a total of 63 aircraft, whereas 20 were owned and 43 were leased under operational leases. Leases are detailed in note 10.

Aircraft

Aircraft consist of purchased aircraft and the Company owns 20 aircraft at 31 December 2011. The residual value is MNOK 1,087.2 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 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 2011 and 2010 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 5 to 8 years. Linear depreciation is applied and 25% of the acquisition cost is calculated as residual value.

Buildings

Buildings consist of 3 apartments in Berlin, purchased in 2007 for the purpose of housing crew and trainees stationed in Berlin on temporary basis. In 2010, the 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. At 31 December 2010, seven aircraft were delivered, and eight aircraft were delivered in 2011. 36 purchase options have been exercised. 55 aircraft will be delivered between 2012 and 2018. 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 78.2 (2010: MNOK 73.9) have been capitalized during the year. Average capitalization rate of 5.1% (2010: 6.1%) was used.

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

Impairment of tangible assets
In 2011 and 2010, management determined that the total operations of the Company were its cash generating unit. Impairment testing of tangible assets are covered by impairment testing on the whole Company, see note 8 for details.

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

Note 10 Leasing

The lease agreements on the Boeing 737 aircraft last between 3 and 10 years from the date of agreement, with some extension options. The lease agreements on the Boeing 787 aircraft last for 12 years with option for extension. From 2002 to 2009, 38 aircraft were delivered. In 2010, 8 aircraft were delivered and 8 aircraft were delivered in 2011. Renegotiations have resulted in extensions on some of the shorter leases. In 2011, 10 aircraft were redelivered to lessor. Contracts for 8 of the aircraft will expire in 2012, and contracts for 3 of the aircraft expire in 2013. The remaining contracts expire in 2014 or later.

Leasing costs expensed on aircraft lease within operational expenses was MNOK 828.4 in 2011 (2010: MNOK 778.5). Included in leasing costs are operating lease costs on aircraft from sale and lease back transactions.

In addition, the Company leases 5 cars and 10 properties in Oslo, Stavanger, Stockholm and Copenhagen. Leasing costs related to cars and properties expensed in other operating expenses in 2011 was MNOK 26.6 (2010: MNOK 50.1).

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

(NOK 1 000)	Aircrafts	Cars	Property	Total	Aircrafts	Cars	Property	Total
Within one year	1,342,217	4,222	41,827	1,388,266	1,163,166	4,343	20,815	1,188,324
Between 1 and 5 years	5,798,435	15,179	60,710	5,874,324	3,333,379	15,105	47,957	3,396,442
After 5 years	5,659,708	0	41,101	5,700,809	1,287,069	3,555	10,919	1,301,544

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)	2011	2010
Deposits	95,066	42,063
Intercompany receivable	12,129	5,311
Other long-term receivables	17,961	10,955
Total	**125,156**	**58,329**

The Company pays deposits on aircraft leases. In 2011 and 2010, 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)	2011	2010
Consumables	69,185	54,633
Parts for heavy maintenance	12,809	7,928
Other inventory	0	3,054
Total	**81,994**	**65,615**

In 2011 and 2010, the Company purchased parts removed from aircraft engines in relation with heavy maintenance. Such parts are held for sale and sold in secondary markets.

Charges for obsolete product in 2011 were MNOK 4.5 (2010: MNOK 4.3).

Note 13 Other receivables

(NOK 1 000)	2011	2010
Prepaid costs	74,517	46,293
VAT refund	45,759	55,351
Reimbursements claims maintenance costs	174,150	174,697
Other receivables	95,325	89,712
Total	**389,751**	**366,053**

Note 14 Shareholder's equity and shareholder information

At 31 December 2011, the share capital consists of the following share classes;

	Number	Nominal value	Book value
Class A shares	34,878,226	0.1	3 487 823

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

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

Name	Title	Shares 1)
Bjørn Kise 2)	Chairman	781,537
Ola Krohn Fagervoll	Deputy chairman	15,462
Liv Berstad	Board Member	0
Marianne Wergeland Jenssen	Board Member	800
Linda Olsen	Board Member - Employee repr	0
Thor Espen Bråten	Board Member - Employee repr	2,622
Kenneth Utsikt	Board Member - Employee repr	1,750
Bjørn Kjos 3)	Chief Executive Officer	8,040,537
Frode E Foss	Chief Financial Officer	35,000
Hans-Petter Aanby	Chief IT Officer	0
Asgeir Nyseth	Chief Operating Officer	5,200
Daniel Skjeldam	Chief Commercial Officer	0
Anne-Sissel Skånvik	Senior Vice President Corporate Communications	0
Gunnar Martinsen	Senior Vice President HR and Organisation	8,804

1) Including shares held by related parties

2) Bjørn Kise holds 8.2 % of HBK invest AS

3) Bjørn Kjos holds 84.1 % of HBK Invest AS

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

Name	Title	Outstanding 2010	Exercised 2011	Outstanding 2011
Bjørn Kjos	Chief Executive Officer	48,184	40,000	8,184
Frode E Foss	Chief Financial Officer	44,679	40,000	4,679
Hans-Petter Aanby	Chief IT Officer	24,760	20,000	4,760
Asgeir Nyseth	Chief Operating Officer	44,931	40,000	4,931
Daniel Skjeldam	Chief Commercial Officer	42,312	40,000	2,312
Anne-Sissel Skånvik	Senior Vice President Corporate Communications	20,000	20,000	0
Gunnar Martinsen	Senior Vice President HR and Organisation	21,736	20,000	1,736

Note 15 Equity

(NOK 1 000)	Share capital	Share prem. reserve	Other paid-in equity	Other equity	Total equity
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**	**658,104**	**1,771,132**
Equity at 01 January 2011	**3,457**	**1,055,083**	**54,487**	**658,104**	**1,771,132**
Stock options- share issue 2011	30	20,380	0	0	20,410
Compensation expense for stock options	0	0	8,844	0	8,844
Net profit for the year	0	0	0	140,172	140,172
Equity 31 December 2011	**3,488**	**1,075,463**	**63,331**	**798,276**	**1,940,559**

Note 16 Pensions

The Company operates defined benefit plans and defined contribution plans. The majority of employees participate in a defined benefit plan. Pension plans are placed with DNB Liv.

Defined contribution plan

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

Defined contribution plans comply with Norwegian Pension legislation.

Pension expense on defined contribution plans is MNOK 33.5 in 2011 (2010: MNOK 0). The increase in expenses from contribution plans relates to introduction of contribution plans in Norway in 2011.

Defined benefit plan.
The defined benefit plan is a funded plan where 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 plan also covers a life insurance and disability insurance. Per 31 December 2011, a total of 2,090 employees were active members (2010: 1, 857), and 38 (2010: 32) 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 finances 1/3 of the contribution plans. The AFP pension plan is a defined benefit plan administered by a separate legal entity (Fellesordningen). The plan is temporarily accounted for as a defined contribution plan, as the plans administrators have not been able to calculate the pension obligation for each entity participating in the plan. In 2010, the former AFP pension plan was closed, causing a settlement transaction of MNOK 4 recognized in the income statement as a cost reduction in pension expenses.

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 2011. 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 2011.

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 2011**	**Total 2010**
Net present value of benefits earned	142,059	0	142,059	112,901
Interest cost on pension liability	27,187	0	27,187	20,845
Return on plan assets	-24,843	0	-24,843	-18,963
Administrative expenses	2,938	0	2,938	2,610
Recognized actuarial gains/losses	6,906	0	6,906	4,914
Recognized net liability - settlement	0	-3,306	-3,306	-4,028
Accrual for settlement liability	0	0	0	3,772
Social security tax	21,629	-466	21,163	16,552
Net pension expense defined benefit plans	**175,876**	**-3,772**	**172,104**	**138,603**
Pension expense on defined contribution plans	31,299	2,196	33,495	0
Total pension expense			**205,599**	**138,603**

(NOK 1 000)	**Funded**	**Unfunded**	**Total 2011**	**Total 2010**
Liabilities on earned pension rights	682,473	3,306	685,779	476,364
Calculated liability from future salary increases	272,552	-3,306	269,246	209,415
Gross pension liabilities	955,025	0	955,025	685,779
Pension assets (at market value)	514,910	0	514,910	401,328
Estimate deviations not recognised	-308,000	0	-308,000	-178,177
Social security tax	18,598	0	18,598	14,984
Net pension liabilities	**150,713**	**0**	**150,713**	**121,259**

	2011	**2010**
Best estimate of actual return on pension funds previous year	3.50%	6.20%
Expected contribution to be paid next year	130,073	104,480
Expected benefits to be paid	6,569	5,599

Economic assumptions:	**2011**	**2010**
Discount rate	2.60%	4.00%
Expected growth in salaries	3.25%	3.75%
Expected growth in state pensions	3.25%	3.75%
Expected growth in pensions	0.10%	1.30%
Expected return on pension assets	4.10%	5.40%
Average turnover	2-10 %	2-10 %

The companys pension fund is invested in the following instruments:

	2011	**2010**
Equity	19.5 %	18.7 %
Bonds	14.5 %	15.4 %
Money market funds	13.3 %	13.6 %
Hold-to-maturity bonds	32.6 %	33.2 %
Real estate	17.0 %	17.6 %
Various	3.0 %	1.5 %

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)	2011	2010	2009	2008	2007
Present value of defined benefit obligation	955,025	685,779	483,721	388,730	249,401
Fair value of plan assets	514,910	401,328	301,612	233,000	175,000
Deficit/(surplus) in the plan	**440,115**	**284,451**	**182,109**	**155,730**	**74,401**
Experience adjustments on plan liabilities	108,905	81,092	-25,272	50,340	19,506
Experience adjustments on plan assets	28,702	2,130	-28,148	2,549	-2,375

Note 17 Options

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

There were no option grants in 2011.

Expected lifetime assumes that stock options are exercised at expiration. Expected volatility is based on the historical volatility over the most recent period that corresponds with the expected life of the option. 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 8.8 in 2011 and MNOK 7.1 in 2010.

	2011 Shares	Weighted avg. exerc. Price	2010 Shares	Weighted avg. exerc. Price
Outstanding at the beginning of the period	629,807	65.5	710,601	50.9
Allocated	0	0.0	292,021	63.8
Exercised	329,394	67.0	371,601	39.2
Terminated	4,000	67.0	214	63.8
Forfeited	12,500	66.4	1,000	67.0
Expired	0	0.0	0	0.0
Outstanding at the end of the period	283,913	63.8	629,807	65.5
Vested options	139,198	63.8	146,500	67.0
Weighted average fair value of options allocated in the period	0	0.0	292,021	38.1

2011	Outstanding options			Vested options	
Strike price (NOK)	Outstanding options	Weighted average remaining lifetime (yrs)	Weighted average exercise price	Vested options	Weighted average exercise price
50.00 - 66.00	283,913	0.8	63.8	139,198	63.8
Total	**283,913**	**0.8**	**63.8**	**139,198**	**63.8**

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	0	0.0
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**

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 2011, MNOK 1.5 (2010: MNOK 1.5) was expensed.

Note 18 Provisions

(NOK 1 000)	2011	2010
Periodic maintenance on leased Boeing 737 airplanes	81,865	94,961
Total provisions	**81,865**	**94,961**

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 2012, and MNOK 10 is classified as short term liability for periodic maintenance (2010: MNOK 22.7). The short term part of periodic maintenance is estimated based on planned maintenance in 2012.

Note 19 Other short-term liabilities

(NOK 1 000)	2011	2010
Accrued holiday allowances	121,843	104,185
Accrued expenses	476,544	364,763
Short term part of periodic maintenance	9,967	22,740
Inter-company liabilities	18,761	16,679
Other short term liabilities	17,825	15,950
Total	**644,941**	**524,317**

Note 20 Financial instruments

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

	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**

Other losses/(gains)-net

(NOK 1 000)	**2011**	**2010**
Financial assets at fair value through profit or loss		
- Fair value losses	1,461,285	171,269
- Fair value gains	-1,765,409	-158,061
- Foreign exchange (gains)/losses on operating activities	-45,276	454
Net losses/(gains)	-349,400	13,662

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

In 2010, prepayments of the first 10 aircraft in the purchase contract with Boeing were pledged as collateral for the revolving credit facility. At 31 December 2011 pledged collateral for the revolving credit facility is released and the facility is closed. Pre-delivery financing facilities entered into in 2011 are not secured through pledged collateral. Own aircraft are pledged as collateral for the aircraft financing. Five 737-300 fully owned aircraft are pledged as collateral for the loan facility. There is no pledged collateral for the financial lease liability, but the financial lease asset is an actual security for the financial lease liability through fulfilment of the lease agreement. For references to pledged asset, see note 11 and for borrowings related to those asset, see note 24.

Book value of assets pledged as security (NOK 1 000):	**2011**	**2010**
Cash depot	218,693	214,160
Prepayment and aircraft	5,849,736	3,994,969
Financial lease asset	27,882	31,203
Total	**6,096,311**	**4,240,332**

Note 22 Cash and cash equivalents

(NOK 1 000)	**2011**	**2010**
Cash in bank	602,183	555,902
Cash equivalents	479,559	600,476
Total	**1,081,742**	**1,156,379**

Restricted cash items are:

(NOK 1 000)	**2011**	**2010**
Guarantees for leases and credits from suppliers	218,693	214,160
Taxes withheld	52,564	54,673
Total restricted cash	**271,257**	**268,833**

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 2011 was MNOK 1. The Chairman of the Board, Bjørn Kise, received MNOK 0.35. There were no bonuses or other forms of compensation paid to the Board members in 2011.

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 Company, nor damage the reputation and standing of the Company in the public eye. There have been no changes to the guidelines or principles for management remuneration during the year. The actual remuneration in 2011 was consistent with the guidelines and principles.

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

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

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

Total compensation year 2011

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

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

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

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

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

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

Auditor remuneration

(NOK 1 000)	2011	2010
Audit fee	611	988
Other audit related services	55	22
Tax advisory	568	204
Other services	46	136
Total	**1,280**	**1,350**

All amounts stated are without VAT.

Note 24 Borrowings

Nominal value at 31 December 2011

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

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**	

Classification of borrowings

(NOK 1 000)	2011	2010
Non-current		
Bond issue	0	597,368
Facility agreement	0	0
Aircraft financing	2,585,158	1,197,833
Loan facility	97,730	148,702
Financial lease liability	15,485	20,007
Total	**2,698,373**	**1,963,910**
Current		
Bond issue	598,708	0
Facility agreement	648,004	367,187
Aircraft financing	273,092	121,676
Loan facility	27,143	27,143
Financial lease liability	4,971	4,966
Total	**1,551,918**	**520,972**
Total borrowings	**4,250,290**	**2,484,882**

Collateralized borrowings are detailed in note 21.

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%. The bond issue is classified as short term borrowings at 31 December 2011.

Facility agreement
Interest rate of LIBOR 3 m and a risk premium equal to the spread at the balance sheet date. The facility agreement from 2008 with French financial institution Natixis were closed in March 2011 at the delivery of the last aircraft in the Natixis arrangement. The Group entered into two additional facility agreements in 2011 with ING Bank N.V and DVB Bank SE to cover pre-delivery financing for aircraft with delivery from 2012 through 2014.

The borrowings mature at the delivery of each aircraft and final delivery matures at 1 November 2012. The facility agreement is classified as short term borrowings and denominated in USD.

Aircraft financing
Fixed and floating 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 2.25%. The loan facility is denominated in NOK and matures quarterly, with a final commitment to pay on 30 June 2014.

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

Maturity of borrowings

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

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 based in Warsaw, Poland. The Company owns 100% of the shares. The company was established for managing the Polish operation and is under liquidation.

Norwegian Air Shuttle Sweden AB
The subsidiary was purchased on 31 July 2007. The Company owns 100 % of the shares in Norwegian Air Shuttle Sweden AB. The total purchase price was MNOK 199.8. The company is based at Arlanda Airport, Stockholm, Sweden. The Swedish subsidiary supplies crew and provides some lighter maintenance on the aircraft. Transactions between the parent company and the Swedish subsidiary during 2011 consisted of the supply of personnel. At 1 July 2009, the entire airline operation in Norwegian Air Shuttle Sweden AB was transferred to Norwegian Air Shuttle ASA through the purchase of assets.

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

Call Norwegian AS
On 14 January 2008 the Company established Call Norwegian AS, and owns 100% of the shares. The company provides communication services such as airport WiFi, VOIP, SMS and mobile subscriptions, with focus on relevance to Norwegian's existing customers. Transactions between parent company and Call Norwegian AS in 2011 were primarily a loan to Call Norwegian AS of MNOK 12. The Company decided to transfer a Company contribution to Call Norwegian AS in 2010 of MNOK 38.1, resulting in a net effect on shares of MNOK 27.5. An impairment loss of MNOK 25 is recognized in other financial items in 2011 related to the Parent Company's investment in shares in Call Norwegian AS. The impairment test of the investment in Call Norwegian AS is performed using the discounted cash flow method. The impairment test is based on the following assumptions; budgeted future cash flows, discount rate of 11.5% and terminal value of 2%.

NAS Asset Management Ireland Ltd
At 15 July 2008 the Company established NAS Asset Management Ltd, a special purpose vehicle (SPV), and owns 99.9% of the shares. NAS Asset Management Norway AS owns the remaining 0.1% of the shares. The company is incorporated in Ireland and established for aircraft financing purposes. 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. At 31 December 2011, the company is under liquidation as the pledges have been released and the pre-delivery financing with Natixis is closed.

NAS Asset Management Norway AS
At 15 July 2008 the Company established NAS Asset Management Norway AS, a special purpose vehicle (SPV), and owns 100% of the shares. NAS Asset Management Norway AS was established for aircraft financing purposes. The subsidiary has not had any transactions with related parties in 2011.

Name	Date of initiation/ aquisition	Office	Number of shares	Ownership	Book value 31.12.2011	Book value 31.12.2010
Norwegian Air Shuttle Polska SP.zo.o	2006	Warsaw, Poland	50,000	100 %	2,214	2,214
Norwegian Air Shuttle Sweden AB	7/31/2007	Stockholm, Sweden	20,000	100 %	33,448	33,448
Call Norwegian AS	1/14/2008	Fornebu, Norway	1,000,000	100 %	18,930	43,930
NAS Asset Management Ireland Ltd	7/15/2008	Dublin, Ireland	999	99.9 %	1	1
NAS Asset Management Norway AS	7/15/2008	Fornebu, Norway	100	100 %	100	100
AB Norwegian Air Shuttle Finland Ltd	6/14/2011	Helsinki, Finland	200	100 %	1,552	0

Transactions with related parties
The CEO is the principal shareholder in Norwegian Air Shuttle ASA with an ownership share of 27.2% through the controlling ownership of HBK Invest AS. The Chairman of the Board owns minority shares in HBK Invest AS. There have been no financial transactions between HBK Invest AS and Norwegian Air Shuttle ASA in 2011 or 2010 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 2011 and 2010 (note 26). 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.

The Company issued a loan to Call Norwegian AS of MNOK 12.1 in 2011 (2010: MNOK 5.3). No other loans or guarantees have been issued to related parties in 2011 or 2010.

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

The following transactions were carried out with related parties:

Sales (-) and purchases (+) of goods and services (excl VAT)	**2011**	**2010**
- Call Norwegian (mobile-and WiFi services)	10,090	7,787
- Norwegian Air Shuttle Sweden AB (supply of crew personnel)	226,486	164,430
- Vogt & Wiig (legal services)	4,976	3,160
- Associate (commission)	-34,296	-14,810
- Fornebu Næringseiendom (property rent)	13,114	17,053
- Ola Krohn-Fagervold (services as Board Member - note 14)	14	56

Year-end balances arising from sales/purchases of goods/services (incl VAT)	**2011**	**2010**
Receivables from related parties (note 11)		
- Call Norwegian	12,129	5,311
- Vogt & Wiig (legal services)	0	0
- Associate (commission)	19,196	12,148
- Fornebu Næringseiendom (property rent)	0	0
- Ola Krohn-Fagervold (services as Board Member - note 14)	0	0
Payables from related parties (note 19)		
- Norwegian Air Shuttle Sweden AB	18,761	16,679
- Vogt & Wiig (legal services)	-2	-40
- Associate (commission)	0	0
- Fornebu Næringseiendom (property rent)	-3,999	-4,077
- Ola Krohn-Fagervold (services as Board Member - note 14)	0	0

Investment in related parties	**2011**	**2010**
- Associate (subordinated loan)	30,000	30,000

Note 26 Investment in associated company

Norwegian Air Shuttle ASA has the following investments in associates:

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

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;

2011 (NOK 1 000)						
Entity	Country	Assets	Liabilities	Revenues	Profit/(Loss)	Interest held %
Norwegian Finans Holding ASA	Norway	844,121	768,153	67,996	19,518	20%

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%

Note 27 Investment in shares

Company	Ownership	Market value 2011	Book value 2011	Market value 2010	Book value 2010
Silver pensjonsforsikring AS	1.4 %	2,689	2,689	2,689	2,689

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.

Note 28 Contingencies and legal claims

The Company has no contingencies or legal claims at 31 December 2011.

Note 29 Commitments

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

In 2009 Norwegian extended its aircraft order with additional 6 Boeing 737-800 aircraft and during 2011 the Group exercised 30 of the purchase rights. The total order for purchased aircraft stands at a total of 78, whereof 23 have been delivered by year end 2011. Norwegian has 12 remaining purchase rights for aircraft of the type.

During 2009 to 2011 Norwegian received 23 aircraft. The remaining 55 aircraft will be delivered over a seven-year period from 2011 to 2018. The purchase price will be paid over several USD installments before and on delivery of each aircraft. The list price of the remaining aircraft to be delivered has a list price of USD 4.1 billion.

Norwegian Air Shuttle ASA has entered into a purchase agreement of three Boeing 787-8 Dreamliner aircraft in June 2011. The aircraft will be delivered over the period from 2013 to 2015. The aircraft have a list price of USD 580 million. The three aircraft will complement 787-8 Dreamliner leases (note 10). At 31 December 2011, the Group has 6 Boeing 787-8 Dreamliners with expected delivery from 2013.
The Company presents list prices on aircraft purchase contracts. Discounts are achieved on the aircraft purchase contracts; hence actual committed purchase price is lower than the presented list prices. Actual committed purchase prices are regarded as contractual and business sensitive information.

Norwegian Air Shuttle ASA has selected the Rolls-Royce Trent 1000 engine to power up to 9 new 787-8 Dreamliner aircraft. The Letter of Intent entered into with Rolls-Royce includes "TotalCare" long-term support agreements which includes all maintenance, spare parts and other support services. The contract value quoted at list price is USD 450 million when comprising 18 engines.

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

Note 30 Events after the reporting period

At 25 January 2012, Norwegian Air Shuttle ASA placed orders with Boeing Commercial Airplanes and Airbus S.A.S. comprising a total of 372 aircraft whereof 222 are on firm order. The firm orders are for 22 Boeing 737-800, 100 Boeing 737 MAX8 and 100 Airbus A320neo. The agreements also include purchase rights for an additional 100 Boeing 737 MAX8 and 50 Airbus A320neo. The firm orders have an aggregated value at list price of approximately NOK 127 billion. Norwegian will be the European launch customer for the new Boeing 737 MAX8. The aircraft is the successor of the 737-800 featuring an all-new engine configuration which combined with airframe improvements will give a 10 - 12 % reduction in fuel burn over its predecessor. The existing 737-800 is currently the most efficient single-aisle aircraft and is the backbone of Norwegian's operation. Norwegian will take delivery of the new Airbus A320neo for future business and growth opportunities. The aircraft is the successor of the existing Airbus A320 featuring an all-new engine configuration which combined with airframe improvements will reduce fuel burn by 15 - 17 % compared to the existing A320. The order will consolidate Norwegian's position as one of the most competitive and cost efficient airlines in Europe. The order is designed to replace the existing fleet and to secure the best available capacity for growth. The order is in line with Norwegian's established strategy of continuously striving for the lowest cost in the Company's markets which include operating the most fuel and cost efficient aircraft. The delivery of aircraft starts in 2016. The aircraft purchase is supported by the Export-Import Bank of the United States (Ex-Im) and European Export Credit Agencies.

Norwegian Air Shuttle ASA has summoned a bondholder meeting in NAS02 (ISIN NO 001 0560915) to be held 30 March 2012. The bondholder meeting is requested to approve an early redemption of NAS02 in combination with a new bond issue in the amount of up to NOK 600,000,000 with maturity in April 2015.

Responsibility statement

We confirm, to the best of our knowledge, that the financial statements for the period 1 January to 31 December 2011 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, 27 March 2012

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)

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 2011, and the income statement, statement of changes in equity 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 2011, income statement, statement of comprehensive income, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

Auditor's Responsibility

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

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

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

PricewaterhouseCoopers AS, Postboks 748 Sentrum, NO-0106 Oslo
T: 02316, www.pwc.no
Org.no.: 987 009 713 MVA, Medlem av Den norske Revisorforening

Opinion on the financial statements of the parent company

In our opinion, the financial statements of the parent company are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position for Norwegian Air Shuttle ASA as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Opinion on the financial statements of the group

In our opinion, the financial statements of the group present fairly, in all material respects, the financial position of the group Norwegian Air Shuttle ASA as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements

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

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

Opinion on Registration and Documentation

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

Oslo, 27 March 2012
PricewaterhouseCoopers AS

Herman Skibrek
State Authorised Public Accountant (Norway)

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