

**Note 1****Accounting policies**

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

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

**General valuation rules and classification of assets and liabilities**

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

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

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

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

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

**Changes in accounting principles**

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

**Revenues**

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

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

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

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

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

#### Customer loyalty program – Norwegian Reward

Customers earn cash points in the following circumstances;

• Bank Norwegian customer; 1% of the payment is earned on all purchases, except domestic flights in Norway or flights with competitive airlines in Norway. Cash points are also earned on all “low fare” and “full flex” tickets purchased from Norwegian Air Shuttle ASA and which are paid with Bank Norwegian credit cards, with 4% and 19% of the purchase price, respectively.

• My reward customer; 2% on all low fare tickets and 10% on all full flex tickets

• Corporate reward customer; 3% on all low fare tickets and 7% on all full flex tickets

• Call Norwegian customer; 3% of all purchases

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

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

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

Unutilized cash points are derecognized from the balance sheet after three years. The liability is classified as short term available statistics as of 31 December 2010 indicate that customer cash points are utilized within one year.

#### **Assets and liabilities denominated in foreign currency**

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

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

#### **Intangible assets**

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

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

#### **Leasing agreements for tangible assets**

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

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

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

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

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

### **Investment in subsidiaries and associates**

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

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

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

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

### **Financial instruments**

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

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

### **Other receivables classified as fixed assets**

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

## **Inventory**

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

## **Accounts receivable**

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

## **Cash and cash equivalents**

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

## **Pensions**

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

### Defined benefit plan

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

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

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

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

### Defined contribution plans

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

## **Stock Options**

Stock options are accounted in accordance with IFRS 2 and Norwegian Accounting Act Å§ 5 â€“ 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 employerâ€™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

â€¢ the Company has a legal and enforceable right to offset the recognized amounts and

â€¢ the deferred tax assets and tax liabilities relates to income tax from the same tax authority

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

## **Cash Flow Statement**

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

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

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

### **Market risk**

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

#### Foreign Currency Risk

A substantial part of the Company's income and expenses are denominated in foreign currency. The Company's leases, aircraft borrowings, maintenance, jet-fuel and related expenses are mainly denominated in USD, and airplane operation expenses are 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.

#### Cash flow and fair value interest rate risk

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

#### Jet-fuel prices

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

### **Credit risk**

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

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

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

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

### **Liquidity risk**

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

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

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

**Note 3****Revenue**

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

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

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

**Note 4****Operational expenses**

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

**Note 4a****Other operating expenses**

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

**Note 5****Payroll expenses and number of employees**

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

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

Number of man-labour years	1 845	1 494
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**Note 6****Other financial items**

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

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

**Note 7**            **Taxes**

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

**Reconciliation from nominal to effective tax rate:**

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

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

**Specification of temporary differences and tax loss carry forward:**

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

Deferred tax asset/liability	-97 245	-46 608
<b>Net recognized deferred tax asset/liability</b>	<b>-97 245</b>	<b>-46 608</b>

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

**Gross movements on deferred income tax:**

<b>NOK 1 000</b>	<b>2010</b>	<b>2009</b>
At 1 January (-) liability/(+) asset	-46 608	-1 111
Income statement charge	-50 636	-47 607
Tax charged directly in equity	0	2 109
<b>31 December</b>	<b>-97 245</b>	<b>-46 608</b>

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**Note 8 Intangible assets**

NOK 1 000	Software	Goodwill	Other intangible assets	Total
Acquisition cost at 1 January 2009	100 660	0	8 613	109 273
Additions	27 776	94 157	22 406	144 339
<b>Acquisition cost at 31 December 2009</b>	<b>128 436</b>	<b>94 157</b>	<b>31 019</b>	<b>253 612</b>
Acquisition cost at 1 January 2010	128 436	94 157	31 019	253 612
Additions	46 703	0	0	46 703
<b>Acquisition cost at 31 December 2010</b>	<b>175 139</b>	<b>94 157</b>	<b>31 019</b>	<b>300 315</b>
Accumulated amortisation and write-down at January 1 2009	61 712	0	4 591	66 303
Amortisation	20 152	6 277	0	26 429
<b>Accumulated depreciation and write-down at 31 December 2009</b>	<b>81 864</b>	<b>6 277</b>	<b>4 591</b>	<b>92 732</b>
Accumulated amortisation and write-down at January 1 2010	81 864	6 277	4 591	92 732
Amortisation	22 284	6 277	0	28 561
<b>Accumulated depreciation and write-down at 31 December 2010</b>	<b>104 148</b>	<b>12 554</b>	<b>4 591</b>	<b>121 293</b>
<b>Book value at 31 December 2009</b>	<b>46 572</b>	<b>87 880</b>	<b>26 428</b>	<b>160 880</b>
<b>Book value at 31 December 2010</b>	<b>70 991</b>	<b>81 603</b>	<b>26 428</b>	<b>179 021</b>
Economic life	3-5 years	15 years	Indefinite	
Depreciation plan	Linear	Linear	None	

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

Goodwill consists of purchased goodwill from Norwegian Air Shuttle Sweden AB in 2009. All airline operations were purchased from the subsidiary and the airline operations are run from Norwegian Air Shuttle ASA from 1 July 2009. Payment for the operations exceeding initial goodwill from the purchase of the shares in Norwegian Air Shuttle Sweden AB in 2007 (see note 25) was added to the value of the shares and accounted for under other financial items (see note 6) as impairment of shares in subsidiary in 2009. Goodwill and slots were identified as assets and measured at the value from initial purchase price in 2007.

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

Other intangible assets consist of intellectual property rights which are related to the purchases of internet domains. The Company has developed web portals in Norway, Sweden and Denmark. In 2009, the Company purchased slots from Norwegian Air Shuttle Sweden AB with an acquisition cost of MNOK 22.4. Slots are included in other intangible assets. Other intangible assets are determined to have indefinite economic useful lives and are not amortized.

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

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

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

**Note 9 Tangible assets**

NOK 1 000	Buildings	Aircraft	Prepayment Boeing Contract	Equipment and fixtures	Financial lease	Total
Acquisition cost at 1 January 2009	3 933	674 241	705 165	79 555	0	1 462 894
Additions	0	546 073	705 827	19 587	26 468	1 297 955
Disposals	0	-16 557	0	-238	0	-16 795
<b>Acquisition cost at 31 December 2009</b>	<b>3 933</b>	<b>1 203 757</b>	<b>1 410 992</b>	<b>98 904</b>	<b>26 468</b>	<b>2 744 054</b>
Acquisition cost at 1 January 2010	3 933	1 203 757	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
<b>Acquisition cost at 31 December 2010</b>	<b>9 525</b>	<b>2 451 396</b>	<b>2 002 600</b>	<b>111 983</b>	<b>34 607</b>	<b>4 610 110</b>
Accumulated depreciation at 1 January 2009	0	150 566	0	49 063	0	199 628
Depreciation	0	89 281	0	19 562	376	109 219
Reversals	0	-10 981	0	-121	0	-11 102
<b>Accumulated depreciation at 31 December 2009</b>	<b>0</b>	<b>228 866</b>	<b>0</b>	<b>68 504</b>	<b>376</b>	<b>297 745</b>
Accumulated depreciation at 1 January 2010	0	228 866	0	68 504	376	297 745
Depreciation	0	135 792	0	17 582	3 028	156 402
Reversals	0	-5 399	0	0	0	-5 399
<b>Accumulated depreciation at 31 December 2010</b>	<b>0</b>	<b>359 259</b>	<b>0</b>	<b>86 086</b>	<b>3 404</b>	<b>448 748</b>
<b>Book value at 31 December 2009</b>	<b>3 933</b>	<b>974 891</b>	<b>1 410 992</b>	<b>30 400</b>	<b>26 092</b>	<b>2 446 309</b>
<b>Book value at 31 December 2010</b>	<b>9 525</b>	<b>2 092 137</b>	<b>2 002 600</b>	<b>25 897</b>	<b>31 203</b>	<b>4 161 360</b>
Economic life	See below	See below	See below	See below	4-20 years	
Depreciation plan	See below	See below	None	Linear	Linear	
Residual value	100%	MNOK 563.6	See below	See below	MNOK 0	

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

Aircraft

Aircraft consist of purchased aircraft and the Company owns 12 aircraft at 31 December 2010. The residual value is MNOK 563.6 in total for all aircraft. The residual value is deducted from the depreciable amount of the remainder of the aircraft. The life expectancy of the aircraft is 25 years on all 737 aircraft, and the economic life of the owned aircraft is 25 years less the age of the aircraft at time of purchase.

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

#### Installations on leased aircraft

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

#### Spare parts

Spare parts consist of rotatable parts for aircraft, and are depreciated over their useful life. The useful life of spare parts ranges between 4 to 10 years. Linear depreciation is applied and 25% of the acquisition cost is calculated as residual value.

#### Buildings

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

#### Prepayments on Boeing contract

In 2007, the Company entered a purchase contract on 42 new 737-800 HGW aircraft with Boeing Corporation, with an option of purchasing 42 additional aircraft. Two aircraft were delivered in 2009, and five aircraft were delivered in 2010. 21 purchase options have been exercised. 54 aircraft will be delivered between 2011 and 2016. Until the delivery of the aircraft, the Company will make prepayments to Boeing, following a defined prepayment schedule. The Company capitalizes borrowing costs incurred for the construction of qualifying assets during the period of time that is required to complete the aircraft. Borrowing costs of MNOK 73.9 (2009: MNOK 33.5) have been capitalized during the year. Average capitalization rate of 6.1% (2009: 7.6%) was used.

#### Financial lease assets

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

#### Impairment of tangible assets

In 2010 and 2009, management determined that the total operations of the Company were its cash generating unit. Impairment testing of tangible assets are covered by impairment testing on the whole Company, see note 8 for details.

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

**Note 10 Leasing**

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

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

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

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

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

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

**Note 11****Long-term receivables**

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

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

**Note 12****Inventories**

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

In 2010 and 2009, the Company bought parts removed from aircraft engines in relation with heavy maintenance. Such parts are held for sale and sold in secondary markets.

Charges for obsolete product in 2010 were MNOK 4.3 (2009: MNOK 4.6).

**Note 13****Other Receivables**

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

**Note 14 Shareholder's equity and shareholder information**

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

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

**Shareholder structure**

The largest shareholders at 31 December 2010 were:

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

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

Name	Title	Shares 1)	Options
Björn Kise 2)	Chairman	781 537	-

Ola Krohn Fagervoll	Deputy chairman	15 462	-
Liv Berstad	Board Member	-	-
Marianne Wergeland Jenssen	Board Member	800	-
Linda Olsen	Board Member - Employee repr	-	-
Thor Espen Bråten	Board Member - Employee repr	3 634	-
Kenneth Utsikt	Board Member - Employee repr	1 497	578
Bjørn Kjos 3)	Chief Executive Officer	7 999 477	48 184
Frode E Foss	Chief Financial Officer	30 000	44 679
Hans-Petter Aanby	Chief IT Officer	-	24 760
Asgeir Nyseth	Chief Operating Officer	5 200	44 931
Daniel Skjeldam	Chief Commercial Officer	-	42 312
Anne-Sissel Skårnvik	Senior Vice President Corporate Communications	-	20 000
Gunnar Martinsen	Senior Vice President HR and Organisation	8 432	21 736

1) Including shares held by related parties

2) Bjørn Kise holds 8.2 % of HBK invest AS

3) Bjørn Kjos holds 84.1 % of HBK Invest AS

**Note 15 Equity**

	<b>Share</b>	<b>Share</b>	<b>Other</b>	<b>Other</b>	<b>Total</b>
<b>NOK 1</b>		<b>prem.</b>	<b>paid-in</b>		
<b>000</b>	<b>capital</b>	<b>reserve</b>	<b>equity</b>	<b>equity</b>	<b>equity</b>
<b>Equity at 01 January 2009</b>	<b>3 236</b>	<b>789 130</b>	<b>38 950</b>	<b>262 704</b>	<b>1 094 020</b>
Share issue 2009	162	250 938	0	0	251 100
Expenses for share issue 2009, net of tax	0	-5 527	0	0	-5 527
Stock options- share issue 2009	23	7 353	0	0	7 376
Compensation expense for stock options	0	0	8 437	0	8 437
Net profit for the year	0	0	0	243 385	243 385
<b>Equity 31 December 2009</b>	<b>3 421</b>	<b>1 041 894</b>	<b>47 387</b>	<b>506 089</b>	<b>1 598 791</b>
<b>Equity at 01 January 2010</b>	<b>3 421</b>	<b>1 041 894</b>	<b>47 387</b>	<b>506 089</b>	<b>1 598 791</b>
Stock options- share issue	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
<b>Equity 31 December 2010</b>	<b>3 457</b>	<b>1 055 083</b>	<b>54 487</b>	<b>658 105</b>	<b>1 771 132</b>

Defined benefit plan

All employees in Norway participate in a defined benefit plan. The benefits are mainly dependent on pension entitlement earned, salary at the time of retirement and the size of payments from the National Insurance. The liabilities are covered through Vital AS. The plan also covers a life insurance and disability insurance. Per 31 December 2010, a total of 1,857 employees were active members (2009: 1,465), and 32 (2009: 30) were on pension retirement. In addition, employees are included in the early retirement scheme (AFP), which is an unfunded plan for retirement right at the age of 62. The AFP is a multi-employer plan, where the Norwegian government pays a contribution of 40% of paid pensions for the retired persons older than 64 years. The Company's payments of contribution to the plan are recognized as an expense in the income statement as incurred. The Company also pays 25% of the pension paid to own pensioners. This is an obligation for the Company that is not funded. The AFP obligation for the Company is shown under the heading "unfunded". At 31 December 2010, 0 employees were active in the AFP pension plan (2009:495), and no employees had retired in the AFP pension plan. The AFP pension plan was closed during 2010, causing a settlement transaction of MNOK 4 recognized in the income statement as a cost reduction in pension expenses. The former AFP pension plan is replaced by a new multi-employer plan, where the Norwegian government finances 1/3 of the contribution plan. The new AFP pension plan is a defined benefit plan administered by a separate legal entity (Fellesordningen). The plan is temporarily accounted for as a defined contribution plan, as the plans administrators have not been able to calculate the pension obligation for each entity participating in the plan.

The scheme is in compliance with the Occupational Pensions Act.

The pension obligation in the defined benefit plan is calculated on linear accumulation. Changes in the obligation due to changes in and deviations from the estimated assumptions, are spread over the estimated average remaining vesting period for the part of deviations which exceeds 10% of the gross pension liability. Pension costs for the year for the Company's defined benefit plans are calculated by independent actuaries and are based on information as of 1 January 2010. The management has made an assessment of changes in estimates and basis of calculation, these changes have no material impact on the pension cost for 2010.

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

<b>Pension expense (NOK 1 000)</b>	<b>Funded</b>	<b>Unfunded</b>	<b>Total 2010</b>	<b>Total 2009</b>
Net present value of benefits earned	112 115	786	112 901	103 346
Interest cost on pension liability	20 729	116	20 845	14 674
Return on plan assets	-18 963	0	-18 963	-15 594
Administrative expenses	2 610	0	2 610	2 485
Recognized actuarial gains/losses	4 374	540	4 914	6 581
Recognized net liability - settlement	0	-4 028	-4 028	0
Accrual for settlement liability	0	3 772	3 772	0
Social security tax	16 425	127	16 552	14 793
<b>Net pension expense defined benefit plans</b>	<b>137 290</b>	<b>1 313</b>	<b>138 603</b>	<b>126 285</b>

<b>NOK 1 000</b>	<b>Funded</b>	<b>Unfunded</b>	<b>Total 2010</b>	<b>Total 2009</b>
Liabilities on earned pension rights	473 699	2 665	476 364	396 123
Calculated liability from future salary increases	208 774	641	209 415	80 241
Gross pension liabilities	682 473	3 306	685 779	476 364

Pension assets (at market value)	401 328	0	401 328	292 164
Estimate deviations not recognised	-178 177	0	-178 177	-98 662
Social security tax	14 518	466	14 984	12 020
<b>Net pension liabilities</b>	<b>117 486</b>	<b>3 772</b>	<b>121 259</b>	<b>97 558</b>

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

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

The companys pension fund is invested in the following instruments:

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

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

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

## Note 17 Options

The Board issued 561,301 stock options to employees on 10 September 2008 in accordance with the authorization from the extraordinary general meeting on 5 August 2008. The stock options have an exercise price of NOK 32.06, equal to the 30% discounted volume weighted share price during the period 26-29 August 2008. All options are exercised in 2009 and 2010.

On 20 July 2009 the Board issued, in accordance with the authorization from the general meeting, 384,000 stock options to the management and key personnel. The stock options have an exercise price of NOK 67.00, equal to the average share price the last trading days prior to the date of issue, plus 10%. The stock options may be exercised within a period of two years and 3 months, whereas the first 50% of the stock options were vested on 20 July 2010, and the second 50% of the stock options will vest on 20 July 2011.

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

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

The following estimates are used in calculating fair value;

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

Expected lifetime assumes that stock options are exercised at expiration. Expected volatility is based on the historical volatility over the most recent period that corresponds with the expected life of the option. There is a cap on the options granted in 2009 limiting the proceeds from the options to three times the participants' annual base salary. Furthermore, the participants in the 2010 - program must cover the social security tax incurred for option gains where the share price exceeds NOK 127.6. These limitations are taken into account when calculating the option values.

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

	2010 Shares	Weighted avg. exerc. Price	2008 Shares	Weighted avg. exerc. Price
Outstanding at the beginning of the period	710 601	50.9	829 690	77.8
Allocated	292 021	63.8	384 000	67.0
Exercised	371 601	39.2	230 080	32.1

Terminated	214	63.8	4 009	32.1
Forfeited	1 000	67.0	0	0.0
Expired	0	0.0	269 000	173.1
Outstanding at the end of the period	629 807	65.5	710 601	50.9
Vested options	146 500	67.0	48 290	32.1
Weighted average fair value of options allocated in the period	292 021	38.1	384 000	15.4

2010	Outstanding options			Vested options	
	Outstanding options by 31 December 2010	Weighted average remaining lifetime (yrs)	Weighted average strike price	Vested options by 31 December 2010	Weighted average strike price
Strike price (NOK)					
50.00-66.00	291 807	1.8	63.8	0	0
66.00-70.00	338 000	0.8	67.0	146 500	67.0
<b>Total</b>	<b>629 807</b>	<b>1.4</b>	<b>65.5</b>	<b>146 500</b>	<b>67.0</b>

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

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

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

**Note 18****Provisions**

<b>NOK 1 000</b>	<b>2010</b>	<b>2009</b>
Periodic maintenance on leased Boeing 737 airplanes	94 961	70 345
<b>Total provisions</b>	<b>94 961</b>	<b>70 345</b>

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

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

**Note 19****Other short term liabilities**

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

**Note 20**      **Financial instruments**

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

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

**Other losses/(gains) - net**

<b>NOK 1 000</b>	<b>2010</b>	<b>2009</b>
<b>Financial assets at fair value through profit or loss</b>		
- Fair value losses	171 269	121 400
- Fair value gains	-158 061	-170 714
- Foreign exchange (gains)/losses on operating activities	454	0
Net losses/(gains)	13 662	-49 314

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

**Note 21            Assets pledged as collateral and guarantees**

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

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

Five fully owned 737-300 aircraft are pledged as collateral for the loan facility (see note 24).

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

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

**Note 22****Cash and cash equivalents**

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

**Restricted cash items are:**

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

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

## Board and Management Remuneration

### Remuneration of the Board of Directors

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

### Directive of remuneration of the CEO and the Executive Management

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

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

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

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

### **Total compensation year 2010**

NOK 1 000	Fee	Salary	Bonus	Other benefits **)	Total Compensation	Pension expense ***)
<b>The Board of Directors</b>						
Bjørn Kise (chairman)	148				148	
Erik Gunnar Braathen (deputy chairman until 26.11.2009)	83				83	
Liv Berstad	100				100	
Ola Krohn-Fagervoll	100				100	
Marianne Wergeland Jenssen	100				100	
Thor Espen Bråthen*)	35				35	
Kenneth Utsikt*)	35				35	
Linda Olsen*)	35				35	
<b>Total board of directors</b>	<b>636</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>636</b>	<b>0</b>
<b>Executive Management</b>						
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 Skårnvik (Senior Vice President Corporate Communications)	1 054	121	1 175	143		
<b>Total executive management</b>	<b>0</b>	<b>8 973</b>	<b>0</b>	<b>1 099</b>	<b>10 072</b>	<b>1 154</b>

\*) For the employee representatives in the Board of Directors, only their fee for serving on the Board of Directors fee is stated.

\*\*) Other benefits include company car, telephone, internet etc.

\*\*\*) Pension expense reflects paid pension premium less employee contribution

a) Bjørn Kjos exercised share options in 2010 that has been reported as additional taxable income with NOK 214,634

b) Frode Foss exercised share options in 2010 that has been reported as additional taxable income with NOK 176,569

c) Asgeir Nyseth exercised share options in 2010 that has been reported as additional taxable income with NOK 177,369

d) Hans-Petter Aanby exercised share options in 2010 that has been reported as additional taxable income with NOK 544,331

e) Daniel Skjeldam exercised share options in 2010 that has been reported as additional taxable income with NOK 80,981

#### Total compensation year 2009

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

<b>Total executive management</b>	<b>0</b>	<b>7 368</b>	<b>0</b>	<b>647</b>	<b>8 015</b>	<b>702</b>
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\*) For the employee representatives in the Board of Directors, only their fee for serving on the Board of Directors fee is stated.

\*\*) Other benefits include company car, telephone, internet etc.

\*\*\*) Pension expense reflects paid pension premium less employee contribution

a) Bjørn Kjos exercised share options in 2009 that has been reported as additional taxable income with NOK 466,830.

b) Frode Foss exercised share options in 2009 that has been reported as additional taxable income with NOK 384,039.

c) Asgeir Nyseth exercised share options in 2009 that has been reported as additional taxable income with NOK 385,039.

d) Hans-Petter Aanby exercised share options in 2009 that has been reported as additional taxable income with NOK 384,735.

e) Daniel Skjeldam exercised share options in 2009 that has been reported as additional taxable income with NOK 176,249.

f) Anne-Sissel Skårnvik was appointed in 2009, replacing former Senior Vice President Corporate Communications.

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

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

#### **Audit remuneration**

<b>NOK (1 000)</b>	<b>2010</b>	<b>2009</b>
Audit fee	988	761
Other audit related services	22	2 558
Tax advisory	204	534
Other services	136	221
<b>Total</b>	<b>1 350</b>	<b>4 074</b>

All amounts stated are without VAT.

**Note 24 Borrowings****Nominal value at 31 December 2010**

<b>(NOK 1 000)</b>	<b>Nominal value</b>	<b>Amortization</b>	<b>Book value</b>	<b>Effective interest rate</b>
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%
<b>Total</b>	<b>2 565 144</b>	<b>-80 263</b>	<b>2 484 882</b>	

**Nominal value at 31 December 2009**

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

**Classification of borrowings**

<b>NOK 1 000</b>	<b>2010</b>	<b>2009</b>
<b>Non-current</b>		
Bond issue	597 368	398 296
Facility agreement	0	144 747
Aircraft financing	1 197 833	335 833
Loan facility	148 702	0
Financial lease liability	20 007	28 829
<b>Total</b>	<b>1 963 910</b>	<b>907 705</b>
<b>Current</b>		
Bond issue	0	162 698
Facility agreement	367 187	478 863
Aircraft financing	121 676	33 743
Loan facility	27 143	0
Financial lease liability	4 966	0
<b>Total (note 19)</b>	<b>520 972</b>	<b>675 304</b>

<b>Total borrowings</b>	<b>2 484 882</b>	<b>1 583 010</b>
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Total borrowings include secured liabilities of MNOK 1.863 (2009: MNOK 993.2) (collateralized borrowings). Collateralized borrowings are secured by prepayments on the Boeing Contract (see note 9). Additionally, aircraft financing from PEFKO on new 737-800 aircraft are guaranteed by the Ex-Im Bank of the United States and the Ex-Im Bank of the United States has pledged collateral in the aircraft (see note 9). Loan facility is secured by fully owned 737-300 aircraft (see note 9).

#### Bond issue

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

The bond issue is an unsecured bond issue denominated in NOK and matures on 17 December 2012. The coupon is NIBOR +5.75%.

#### Revolving credit facility

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

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

The borrowings mature at the delivery of each aircraft and final delivery matures at 31 March 2011. The facility agreement is classified as short term borrowings and denominated in USD.

#### Aircraft financing

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

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

#### Loan facility

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

#### Financial lease liability

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

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

#### **Maturity of borrowings**

	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>
<b>At 31 December 2010 (NOK 1 000)</b>				

Borrowings	516 006	732 927	468 153	742 824
Financial lease liability	4 966	4 001	12 004	4 001
<b>Total liabilities</b>	<b>520 972</b>	<b>736 928</b>	<b>480 157</b>	<b>746 825</b>

## Note 25 Investment in subsidiaries and related parties

### Norwegian Air Shuttle Polska SP.zo.o

The subsidiary was established in 2006 and is 100% owned. All of the Group's business generating assets is owned by Norwegian Air Shuttle ASA. The Polish subsidiary supplies crew to the Company.

### Norwegian Air Shuttle Sweden AB

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

### Call Norwegian AS

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

### NAS Asset Management Ireland Ltd

At 15 July 2008 the Group established NAS Asset Management Ltd, a special purpose entity (SPE), and owns 99.9% of the shares. NAS Asset Management Norway AS owns the remaining 0.1% of the shares. The company is incorporated in Ireland and established for aircraft financing purposes. The risk and reward of the Boeing contract is not transferred to NAS Asset Management Ireland Ltd, and the "substance over form" convention is applied in the accounting of the subsidiary. All inter-company transactions with NAS Asset Management Ireland are eliminated in the parent company accounts.

### NAS Asset Management Norway AS

At 15 July 2008 the Group established NAS Asset Management Norway AS, a special purpose entity (SPE), and owns 100% of the shares. NAS Asset Management Norway AS was established for aircraft financing purposes. The subsidiary has not had any transactions with related parties in 2010.

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

Name (NOK 1 000)	Date of initiation/aquisition	Office	Number of		Book	Book
			shares	Ownership	value	value
					31.12.2010	31.12.2009
Norwegian Air Shuttle Polska SP.zo.o	2006	Warsaw, Poland	50 000	100.00%	2 214	2 214
Norwegian Air Shuttle Sweden AB	31.07.2007	Stockholm, Sweden	20 000	100.00%	33 448	33 448
Call Norwegian AS	14.01.2008	Fornebu, Oslo	1 000 000	100.00%	43 930	16 461
NAS Asset Management Ireland Ltd	15.07.2008	Dublin, Ireland	999	99.90%	1	1
NAS Asset Management Norway AS	15.07.2008	Fornebu, Oslo	100	100.00%	100	100

<b>Intercompany balances 31 december 2010</b>	<b>Short term</b>	<b>Long term</b>
Receivables	0	5 311
Payables	16 679	0

  

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

### Transactions with related parties

The CEO is the principal shareholder in Norwegian Air Shuttle ASA with an ownership share of 27.48% through the controlling ownership of HBK Invest AS. The Chairman of the Board owns minority shares in HBK Invest AS. There have been no financial transactions between HBK Invest AS and Norwegian Air Shuttle ASA in 2010 or 2009 except for indirect transactions through Fornebu N ringseiendom.

The Chairman of the Board, Bj rn 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 N ringseiendom AS, which is a fully owned subsidiary of HBK Invest AS. The lease agreement entitles the Company to lease Oksen yveien 3 at Fornebu for ten years until 2020, with an option to extend the lease for another five years.

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

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

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

### Terms and conditions for transactions with related parties

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

The following transactions were carried out with related parties:

<b>Sales (-) and purchases (+) of goods and services (excl VAT)</b>	<b>2010</b>	<b>2009</b>
- Vogt & Wiig (legal services)	2 891	3 447
- Associate (commission)	-14 810	-9 540
- Fornebu N�ringseiendom (property rent)	17 053	0
- Ola Krohn-Fagervold (services as Board Member)	56	0
<b>Year-end balances arising from sales/purchases of goods/services (incl VAT)</b>	<b>2010</b>	<b>2009</b>

<b>Receivables from related parties</b>		
- Vogt & Wiig (legal services)	0	0
- Associate (commission)	12 148	850
- Fornebu NÅiringseiendom (property rent)	0	0
- Ola Krohn-Fagervold (services as Board Member)	0	0
<b>Payables from related parties</b>		
- Vogt & Wiig (legal services)	-40	0
- Associate (commission)	0	0
- Fornebu NÅiringseiendom (property rent)	-4 077	0
- Ola Krohn-Fagervold (services as Board Member)	0	0
<hr/>		
<b>Investment in related parties</b>	<b>2010</b>	<b>2009</b>
- Associate (subordinated loan)	30 000	30 088

**Note****26 Investment associated company**

Norwegian Air Shuttle ASA has the following investments in associates;

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

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

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

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

**2010 (NOK 1 000)**

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

**2009 (NOK 1 000)**

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

**Note 27 Investment in shares**

<b>Company</b>	<b>Ownership</b>	<b>Market value 2010</b>	<b>Book value 2010</b>	<b>Market value 2009</b>	<b>Book value 2009</b>
Silver Pensjonsforsikring AS	1.40%	2 689	2 689	7 236	7 236

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

**Note 28****Contingencies and legal claims**

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

**Note 29****Commitments**

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

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

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

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

**Note 30****Events after the balance sheet date**

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