Annual Report 2008

Norwegian Air Shuttle ASA

norwegian.com

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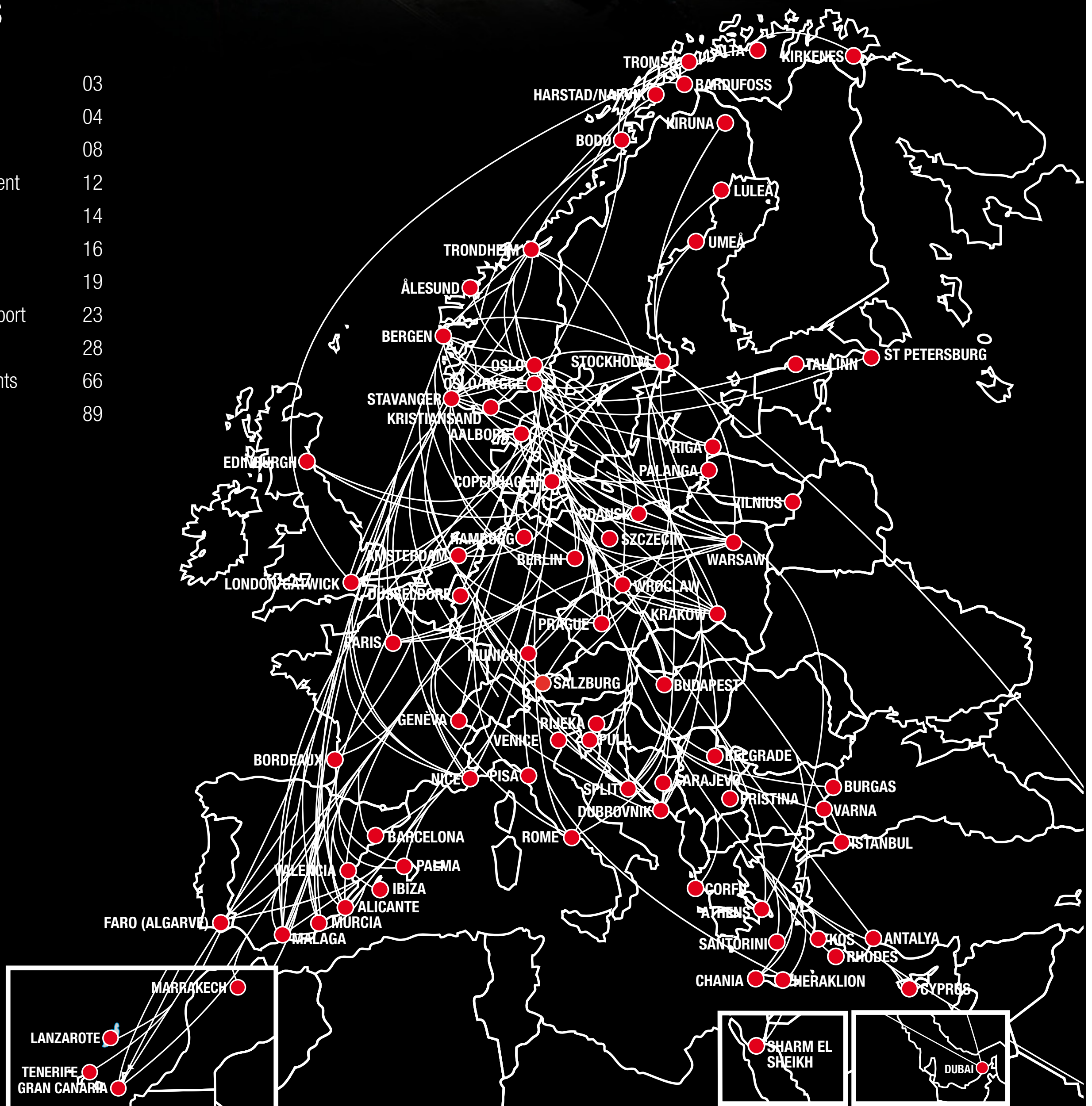

The Year in Brief

Q1

New routes	9
Passengers	1 997 035 (+ 53%)
Boeing 737-800 deliveries	2
Avg. spot fuel price	USD 890 (+ 51 %)
Fuel hedge	none

- Opening of Rygge airport
- Early easter holiday in March

Q2

New routes	32
Passengers	2 344 219 (+ 47%)
Boeing 737-800 deliveries	3
Boeing 737-300 deliveries	2
Avg. spot fuel price	USD 1 176 (+ 83 %)
Fuel hedge	none

- Rebranded FlyNordic to Norwegian.se
- Secured pre-delivery financing with Natixis for 10 first acquired Boeing 737-800 HGW

Q3

New routes	3
Passengers	2 574 382 (+ 27%)
Boeing 737-800 deliveries	1
Boeing 737-300 deliveries	1
Avg. spot fuel price	USD 1 271 (+ 82 %)
Fuel hedge	none

- MNOK 400 rights issue oversubscribed

Q4

New routes	18
Passengers	2 220 917 (+ 11%)
Boeing 737-800 deliveries	1
MD-80 re-delivery	3
Avg. spot fuel price	USD 823 (+ 0 %)
Fuel hedge	15.500 tons at USD 1,142

- Launch of Copenhagen base
- Launch of Call Norwegian

	2008	2007	2006	2005
Operating Revenue (TNOK)	6 226 413	4 226 202	2 941 400	1 972 246
EBITDAR (TNOK)	199 797	504 395	200 897	184 501
EBITDA (TNOK)	-208 243	207 995	20 559	58 594
EBT (TNOK)	5 339	112 982	-31 706	38 935
Basic Earnings per Share (NOK)	0.15	3.77	(1.14)	1.53
Diluted Earnings per Share (NOK)	0.15	3.77	(1.14)	1.53
Equity Ratio	28 %	22 %	25 %	21 %
Cash and Cash Equivalents (TNOK)	607 536	501 410	231 710	261 464
Unit Cost (cost pr ASK)	0.56	0.53	0.54	0.55
ASK	11 530	7 561	5 371	3 464
RPK	9 074	6 059	4 223	2 703
Load Factor	79 %	80 %	79 %	78 %
Passengers	9 136 553	6 934 376	5 104 814	3 289 769
Internet Sales [1]	87 %	86 %	84 %	75 %
Number of Routes [2]	170	114	86	50
Number of Destinations [2]	87	70	57	36
Number of Aircraft [3]	40	33	19	14

1) Norwegian.no only 3) Operated during the year 2) At year-end

Dear Shareholders

2008 was an exciting year for Norwegian. Oil prices hit record levels and the financial markets tumbled, making the year particularly demanding for the aviation industry. Airlines both close to home and across the Atlantic were forced to cut capacity and ground aircraft. Some unfortunately went out of business.

Norwegian's business model with a competitive product and pricing appears to be relatively resistant to the economic slowdown as it seems to attract more new customers from typical business segments than it loses from the more price sensitive segments. In 2008 Norwegian increased capacity by 52 %, opened new bases at Moss Airport Rygge and Copenhagen Airport Kastrup in Denmark, and increased revenues by 47 % to MNOK 6,226.

In 2008 Norwegian increased capacity by 52 %, opened new bases at Moss Airport Rygge and Copenhagen Airport Kastrup in Denmark, and increased revenues by 47 % to MNOK 6,226. Despite an extra fuel bill of MNOK 633 compared to 2007 spot levels, we managed to deliver a net profit of MNOK 4 in 2008.

> ” In 2008 we also took delivery of seven new environmentally friendly Boeing 737-800 aircraft which significantly enhance our environmental profile, reducing carbon emissions and NOx by as much as 20- 25 % per seat compared to the Boeing 737-300 and MD-80 aircraft currently in our fleet.

Cost Focus & Fuel Prices
In the 2007 report we stated that the fuel price broke the "magic" level of 100 dollars per barrel during the year, making the year "particularly demanding". In 2008 the oil price hit USD 146 per barrel, and the Jet Fuel spot price denominated in NOK was higher than 2007 levels in 11 out of 12 months. A strategic response was required to accommodate the new business environment, and already by May we were in the process of adjusting the route portfolio. Longer sectors to typical leisure destinations in Europe were replaced by shorter intra-Scandinavian sectors with stronger demand which can better sustain high fuel prices. The strategic actions were successful. Combined with a fuel surcharge they nearly offset the fuel price increase.

Norwegian had no forward contracts to cover for fuel exposure when the fuel price increased during the first half of the year. The company was thus affected harder than many competitors. Following significant fuel-cost related losses in Q1 and Q2, we entered into a hedging strategy modeled on the so-called "trailing stop" technique; we set a "roof" at a predetermined interval above the current market price, only entering into forward contracts for pre-set fuel volumes if the price fluctuated through the "roof". The strategy reduces the negative fuel exposure from increasing prices while it secures potential gains from decreasing prices. As a result Norwegian was better positioned when the fuel price slumped in the fourth quarter compared to many "over hedged" competitors.

Norwegian did however have forward contracts in place during Q4. These volumes were secured in September and October when the oil price was particularly volatile. Following the sharply declining fuel price in Q4 we incurred an extra hedge related loss of MNOK 162.

2008 was in line with previous years characterized by substantial expansion which is both costly and challenging. However, with the expansion there is greater potential for economies of scale enabling us to allocate our fixed costs to more passengers. Our low cost base is vital for out competitiveness and remains under constant scrunity.

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The introduction of new efficient aircraft and the optimization efforts in the Swedish operation will further improve efficiency. The unit cost excluding fuel decreased by 8 % in 2008.

Economic Slowdown & Demand
The soaring fuel prices of the first half of the year were replaced by turmoil in the financial markets and by what is by most observers identified as a worldwide economic slowdown in the second half. The CEO of IATA rung the alarm bell already in September, stating that "Even the good news that the oil price has fallen to half its July peak is not enough to offset the impact of the drop in demand". In line with the IATA forecast, the number of passengers traveling through Oslo Airport, our largest base, plunged 5 % from September until year-end 2008.

Norwegian on the other hand increased the number of passengers by 15 % over the same period from the same airport which to a large extent proves our business model's ability to better withstand recession.

Ancillary Revenue & Call Norwegian
Ancillary revenue is an increasingly important item on our income statement; during the year ancillary revenue per passenger has increased by 66% compared to 2007.

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Contrary to many LCC competitors, Norwegian adheres to the slogan "freedom to choose". We believe it should be possible to travel for the announced ticket price without any further fees or charges being added, and without the ticket price subsidizing the added cost of choices made by fellow passengers. Passengers who choose to send baggage, drink coffee, or enjoy other services not directly related to the cost of flying the aircraft from A to B, are at the same time paying for these extra services..

The latest initiative for adding services to our customers was the establishment and launch of the fully owned company Call Norwegian. The company provides internet connectivity at major airports served by Norwegian. Internet connectivity will also be provided on board the airline's new Boeing 737-800 aircraft being delivered going forward. In addition to providing more services to our customers the idea is to take advantage of synergies within consumer services that require a large customer base, well known brand name as well as a proven internet platform. The launch of Bank Norwegian in October 2007 and the introduction of Norwegian Reward already provide services to our customers.

New Bases
The base at Rygge Airport Moss commenced operations in February 2008 with one aircraft, which was increased to two from March. Starting operations out of a newly opened airport is challenging, but by year-end the Rygge operation was running smoothly. Initially only leisure routes were operated out of Rygge, but from October 2008 we started to operate five domestic destinations in addition to the 14 international destinations already served.

> Difficult times and a challenging business climate also provide many new opportunities.

The ability to turn around quickly and capture new opportunities is one of the trademarks of Norwegian. Following the failure of Scandinavian competitor in October 2008 we did just that. We announced the opening of a new base at Copenhagen Kastrup Airport just 14 hours after the failure was made publicly known. The first new flight departed Copenhagen that same afternoon. We have negotiated leasing contracts for five additional Boeing 737-800 aircraft to be able to accommodate the planned growth at the Copenhagen base.

Fleet Renewal
Norwegian took delivery of the seven first highly efficient Boeing 737-800 aircraft during the year. In 2014 the total 737-800 fleet will comprise 58 aircraft, whereof 16 are leased and 42 owned. These state-of-the art aircraft provide considerably lower emissions than the existing fleet in Scandinavia.

> Compared to the MD-80, a common sight at Scandinavian airports, our new aircraft will reduce NOx emissions by 43 % and CO_2 by 33 % per seat.

The fuel consumption is reduced equivalently which is imperative at times with high fuel costs. Maintenance costs are also significantly reduced, and the operational reliability is excellent which improves on-time performance and customer satisfaction. We expect a reduction in the unit cost as more of these aircraft are introduced to the fleet.

Aircraft Financing
In 2008 the company secured pre-delivery financing for all purchased 737-800 aircraft deliveries until first quarter 2011. By year end the company had pre-paid MNOK 705 financed by a revolving credit facility secured by Natixis Transport Finance and MNOK 400 in equity raised in a rights issue in third quarter.
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As of march 2009 Norwegian has submitted the information memorandum and application for a final commitment for the 2009 and 2010 deliveries, as well as preliminary commitment for the 2011 and 2012 deliveries. Ex-Im guarantees normally cover up to 85 % of the purchase price. The remaining 15 % is financed by equity or commercial loans already at the pre-delivery financing stage.

Restructuring the Swedish operation
The performance of the Swedish operation has not been in line with financial targets. We have during second half of 2008 undertaken significant restructuring efforts in the Swedish operation to improve performance. Charter traffic has traditionally been a major part of the operation, but has throughout the year been scaled down in order to adjust for changing demand. The route portfolio is at the beginning of 2009 mainly based on ordinary scheduled services focusing on both domestic and international markets.

We have already removed redundant manpower in the Swedish administration equivalent to approximately 50 % of the administrative work force, and the figure is expected to reach approximately 70 % when the entire MD-80 fleet is phased out by the end of 2009. Aircraft and crew utilization is simultaneously expected to improve by around 30 %.

Functions related to revenue management and flight operations have been scaled down, and maintenance related functionsare in the process of being centralized or outsourced without further employments being necessary.
With the restructuring and redelivery of the MD-80 aircraft we expect to fly fewer passengers in Sweden in 2009, but with a scaled down and more cost efficient operation. The substantial changes we have undertaken will significantly reduce the unit cost, and we predict that the Swedish operation will be well positioned following these changes.

Polish Base
The Polish base has been developing as expected since the launch in 2006. We have improved our competitiveness in Poland during the year. As the global economic downturn came into force we decided not to launch the third aircraft at the base last summer as originally planned. There are two aircraft operating out of the Polish base today, mainly to Scandinavian and Mediterranean destinations.

Going Forward
The current macroeconomic development suggests that 2009 will be a particularly challenging year for most industries. Challenging times requires companies and travelers to more actively seek the best-value-for money alternatives. With our competitive cost structure and efficient operation we will do our best to provide our customers with best-value-for money services as the economy slowly recover from the downturn.

Bjørn Kjos
CEO

This is Norwegian

Norwegian Air Shuttle ASA, commercially branded "Norwegian", is a public low cost airline noted on the Oslo Stock Exchange.

By year-end 2008 the Group operated 40 aircraft. During the year 9.1 million passengers travelled with the Group on 170 scheduled routes to 87 destinations in addition to 7 charter destinations. Norwegian is the second largest airline in Scandinavia and the largest low cost airline in the region.

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

Norwegian is in the process of renewing the fleet, and is expecting a uniform fleet of 58 state-of-the-art Boeing 737-800 aircraft by 2014.

Vision and Business Idea – Affordable Air-fares for Everyone
The business idea of Norwegian Air Shuttle ASA is to give everybody the possibility to travel by air. The Group's overall goal is to establish itself as the preferred supplier of air travel in carefully selected markets.
A reduction in the price of air travel is expected to improve people's financial well being and social mobility. This will, in turn, generate a more competitive business community, and stimulate the general development of society.

2008 IN NUMBERS

NO OF AIRCRAFT (YEAR END)
40

NO SCHEDUELD ROUTES
170

NO DESTINATIONS
87

Corporate Values
The day-to-day business, product development, long-term planning and organizational structure of Norwegian Air Shuttle ASA are guided by five universal values;

SAFETY
QUALITY
DIRECTNESS
SIMPLICITY
RELEVANCE

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

- Adhering to the corporate values
- Attracting customers and stimulating markets by offering competitive low fares and a quality travel experience based on low operating costs,operational excellence and helpful friendly service.
- Offering "Freedom to choose" – Our customers will have the choice to select additional products and services, providing a core low cost product to the price sensitive customer and a more comprehensive package for those who require a little extra, ensuring a broad market reach.
- Offering a comprehensive network of high frequency business destinations to main airports within and out of Scandinavia and the Nordic region, and a desirable choice of destinations for leisure travelers.
- Maximizing revenues through state-of-the-art passenger revenue management systems
- Continuing to develop high quality cost efficient products and services through extensive use of industry leading technology, and continuously making it more comfortable and convenient to choose Norwegian as travel partner.
- Utilize the strong brand name and efficient distribution channels to further increase ancillary revenue.
- Continuously monitor and improve the cost base where possible.
- Obtaining a lean and flat organization which makes decision-making processes simple and direct, enabling the company to easily adapt to changes and possibilities in market environment.
- Maintain an innovative "out-of-the-box" approach to the way we do business by having a positive and entrepreneurial organization in which everyone has the possibility to make a difference.

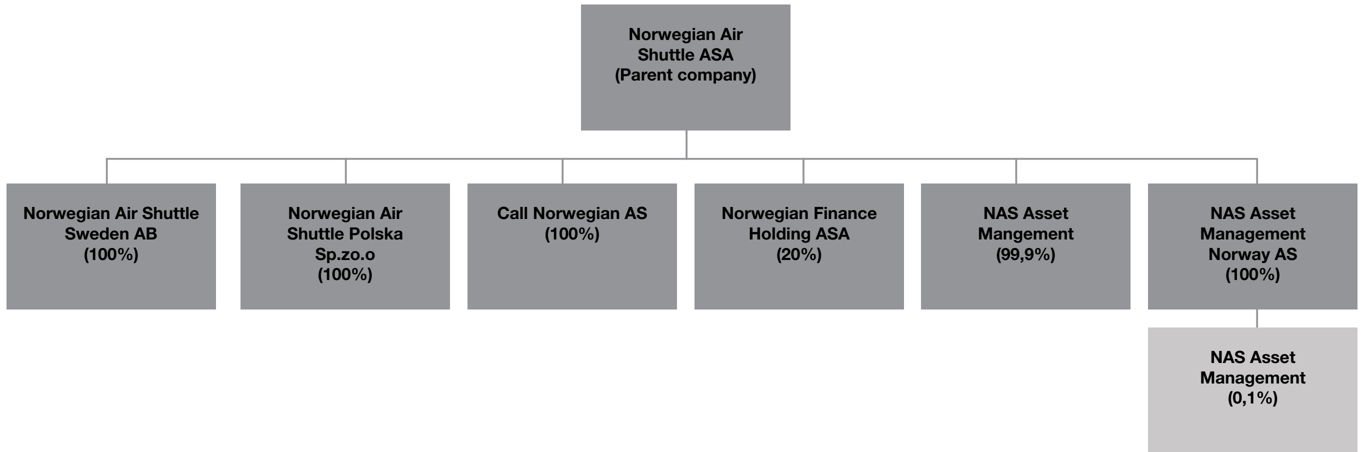
Group Employees
By the end of 2008 the Group employed 1,392 permanent employees. In addition, the Group employed 47 apprentices and 157 temporary staff working in the cabin. In total the Group had 1,596 people on its payroll, which is equivalent to 1,485 full time employees at year-end. The temporary staff has been engaged both to cover for the production growth which continues to be extensive, and for permanent employees on maternity and sick leave. Norwegian Air Shuttle Sweden AB employs a large share of its cabin crew on a temporary basis which is part of the company's business model. Of the permanent employees of the Group, 80 % were operative aircraft and technical personnel such as pilots, cabin crew, fleet operation administration and maintenance.

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

EMPLOYEES PR 31.12.08 / PR 31.12.07

	31.12.08	31.12.07
OPERATIONS - PILOTS	432	376
OPERATIONS - CABIN CREW	493	415
OPERATIONS - ADMIN	48	42
TECHNICAL	152	120
COMMERCIAL	154	141
ADMINISTRATION	113	102
APPRENTICES	47	53
TEMPORARY STAFF IN CABIN	157	168
TOTAL	1596	1417

Corporate Structure



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

Norwegian Air Shuttle ASA (Norway)
Norwegian Air Shuttle ASA is the parent company of the group and operates all flights out of the bases in Norway, Denmark and Poland. The head-office is at Fornebu outside Oslo. At year-end 2008 the company operated 28 Boeing 737-300s and five Boeing 737-800s out of these bases.

Norwegian Air Shuttle Sweden AB (Sweden)
Norwegian Air Shuttle Sweden AB is based at Arlanda airport outside Stockholm. At year-end 2008 the Swedish subsidiary operated five MD-80s and two Boeing 737-800s out of Stockholm Airport Arlanda. The MD80 fleet will be replaced by Boeing 737 aircraft in 2009. The company has its own management and organization operating under a Swedish AOC; however the Group is in the process of uniting all operations under a Norwegian AOC for efficiency purposes.

Norwegian Air Shuttle Polska Sp.zo.o (Poland)
Norwegian Air Shuttle Polska Sp.zo.o is based in Warsaw, Poland. The company manages pilots and crew on the routes out of Poland, and has its own sales and marketing organization. Flights out of Poland are operated by the parent company which had two Boeing 737-300 aircraft based in Poland by year-end.

Call Norwegian AS (Norway)
The fully owned subsidiary Call Norwegian AS was established in January 2008 and was commercialized in the fourth quarter of 2008. The company provides internet connectivity at major airports served by Norwegian. There are plans for offering products such as internet access in the air in partnership with the airline.

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

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

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

Operations and Market Development

Network
The company has a route portfolio which stretches across Europe as well as into North Africa and the Middle East, serving both business and leisure markets. The basic principles behind Norwegian's network development are to grow major point-to-point markets that have been excessively priced or underserved, while simultaneously maximizing aircraft and crew utilization. Optimization of ROI is sought to be achieved by:
- Operating high yield business routes during peak hours, and focus production on low yield leisure routes during mid-day off-peak hours.
- Focusing on leisure destinations with year-round interest in the Nordic market such as the Canary Islands.
- Replacing Mediterranean routes with routes to the Alps and the Middle East during winter.
- Replacing business routes with leisure routes during the mid-summer period.
- Operating flights at night during peak seasons

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

Domestic, intra-Scandinavian and typical European business destinations have the most frequencies, something which attracts business travellers. The routes Oslo- Bergen and Oslo- Trondheim have the most frequencies with respectively 14 and 13 daily rotations. Typical leisure destinations in Southern Europe, Northern Africa and the Middle East are typically served once a day or less.

In 2008 Norwegian expanded its network extensively with 62 new routes. The company operated 170 scheduled routes to 87 destinations. The number of aircraft operated by the Group has in the same period grown by seven aircraft to a total fleet of 40.

Traffic Development
Approximately 9.1 million passengers traveled with the Group in 2008, an increase of 32 %, reflecting the Groups expansion strategy. Intra-year variations in passenger volume are significant as a large share of the route portfolio is allocated to international destinations, increasing the company's exposure to seasonal fluctuations. Despite seasonality, the quarterly year-on-year growth has been considerable throughout the year.
The Group's position in the Norwegian market improved in 2008. At the end of the year the Group had a market share of 43 % on the largest domestic routes, an increase of 2 percentage points from last year.

NUMBER OF PASSENGERS IN 2008

9.1 MILLION

In 2008 Norwegian.no (Norwegian, Danish and Polish networks) increased passenger traffic (RPK) by 31 % while the increase in production (ASK) was 33 %. The load factor was 79 % during 2008, a one percentage point decrease from 2007. The domestic load factor was 77 % for the year, a decrease of two percentage points. The international load factor was 79 %, a two percentage point decrease compared to last year. Norwegian.no opened a total of 49 new routes in 2008, of which 36 to international destinations and 13 domestically. International production constituted 73 % of total production capacity compared to 72 % in 2007.

Norwegian.se (Swedish network) produced 2,257 million ASK (+ 275 %) and achieved passenger traffic of 1,778 million RPK (+ 276 %) in 2008. The load factor was 79 % which is equivalent to last year. Norwegian.se opened a total of 13 new routes in 2008, all of which to international destinations.

The yield for Norwegian.no was unchanged in 2008 despite a slightly longer average flying distance. The development is partially driven by an adjusted route portfolio and a fuel surcharge which was in effect during parts of the year with extraordinary high fuel prices. As a result of the large share of flights to leisure oriented destinations, the yield is affected by seasonal fluctuations and particularly holiday seasons.

Ground Operations and In-flight Services
The Group outsources all ground handling services at all destinations. Outsourcing and monitoring is performed by a small team of dedicated staff. In 2008, the company has put emphasis on improving the quality at the largest base Oslo Gardermoen Airport. These efforts have begun to yield positive results.

NEW AIRCRAFT TYPE

BOEING 737-800
186 SEATS

The company has introduced a new aircraft type during the year. The introduction of the seven new Boeing 737-800 aircraft has been made without difficulties. The aircraft model is a next-generation, slightly larger derivative model of the Boeing 737-300 which makes up the back bone of the existing fleet. The new aircraft have an in-flight entertainment system installed, enabling passengers on the longest flight to enjoy movies and music on board.

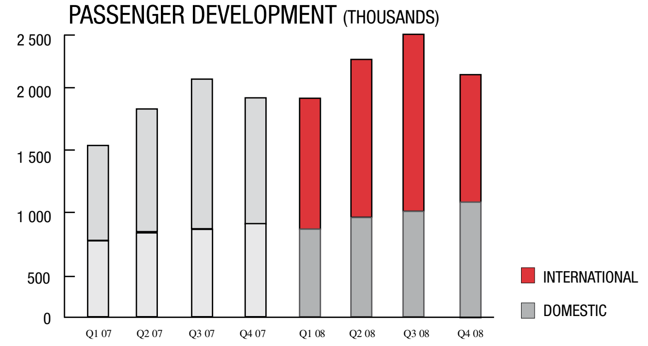
Following a tender process, we renewed our contract with our catering provider Gate Gourmet. The revised contract cover Norwegian's entire network and is expected to enhance ancillary revenue and provide a better "Shop on board" experience for the customers.

Punctuality and Regularity
Punctuality measured in delays exceeding 15 minutes improved 6 % in 2008. However, following a long period of significant improvement, punctuality weakened at midyear 2008. The tight schedule and high aircraft utilization, together with continuous re-adjustment and optimization of our route portfolio, amplifies the effects of delays which can result in further delays to other flights and destinations. The main reasons for delays are usually related to shortage of crew, adverse weather conditions, air traffic congestion or technical issues.

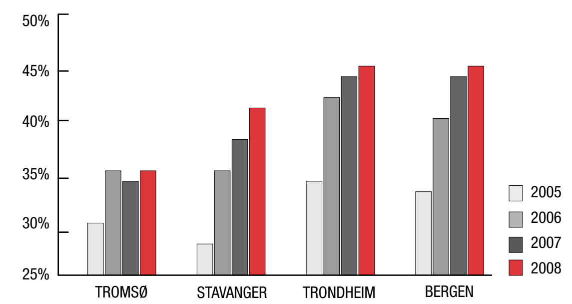
Punctuality is identified as one of the most important attributes for passengers. On-time performance is therefore a key focus area, and the operational processes have thus been thoroughly analyzed. Several areas with potential for improvement have been identified and measures are being implemented. Norwegian aims at achieving an additional 10 % improvement on on-time performance in 2009.

Norwegian's regularity was impaired by industrial actions by air traffic controllers at several domestic airports in May 2008. Despite the strike, Norwegian delivered a market leading regularity of 98.93 % in 2008 (99.44%).

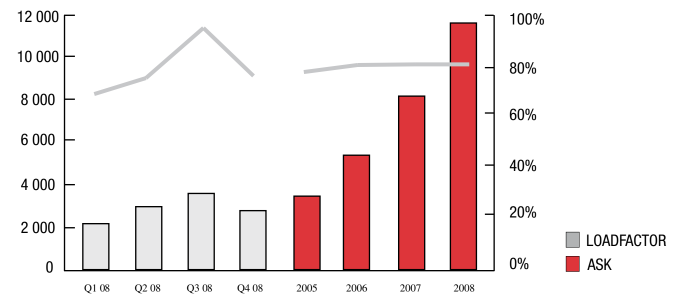
PASSENGER DEVELOPMENT (THOUSANDS)



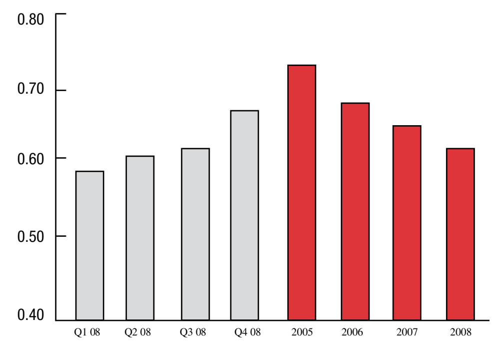
MARKET SHARE ON KEY DOMESTIC ROUTES



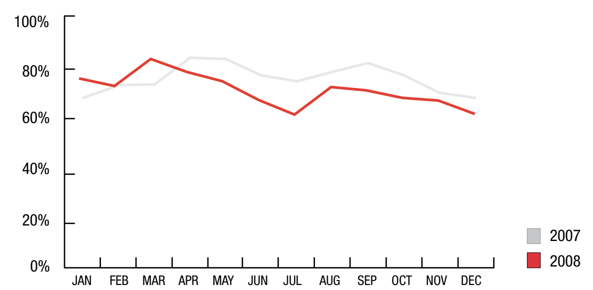
LOAD FACTOR AND ASK



YIELD (TICKET REVENUE/RPK)



PUNCTUALLITY



Operating Costs

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

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

The continuous unit cost focus has resulted in a lower fuel adjusted annual unit cost. In 2008 the cost per ASK ex. fuel for the Group was down 8% to 0.37 (0.40 in 2007). Due to the record high fuel prices in 2008 the unit cost including fuel increased 6 % to NOK 0.56.

Fixed Operating Costs

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

Fleet Utilization

An important element in the Group´s cost strategy is to focus on a uniform fleet of Boeing 737 aircraft. At the end of 2008 the Group had 35 such aircraft. A uniform aircraft fleet results in lower costs due to less complex maintenance operations, reduced need for a spares inventory, reduced variation in the type of tools, equipment and infrastructure needed, and a more streamlined and focused administration. The Group has utilized every aircraft for an average of 10.2 hours per day (block hours) during the year, compared to 10.0 hours in 2007.

BLOCK HOURS - PLANE PR DAY

10.0h 2007

10.2h 2008

Staff Utilization and Efficiency

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

Efficiency is measured as the number of passengers per employee. There is evidence of a positive correlation between staff efficiency and profitability. In 2008 the Group improved the efficiency ratio.

Staff utilization and efficiency levels were hampered by the need to accommodate the introduction of the Boeing 737-800 in 2008. New crew and ground personnel were hired, and parts of the existing staff were inoperative for training purposes.

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

Variable Operating Costs

Frequency Based Variable Operating Costs

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

Time Based Variable Operating Costs

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

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

Overhead Costs

Overheads are to a large extent attributable to the administration.

The Group makes widespread use of information technology in order to increase efficiency through automation and reduce the need for manpower and administration.

*Maintenance costs are in part frequency based and in part time based, depending on the aircraft component in question.

Seasonality

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

External Cost Drivers

The most significant external cost drivers are fuel prices and foreign exchange rates.

In 2008 the average spot price for Jet-A1 fuel increased by 51 % compared to 2007 price levels. The effect of high fuel prices make smaller impact on low cost airlines than legacy carries due to higher passenger capacity on each aircraft and higher load factors. The 58 new Boeing 737-800 aircraft on order will reduce unit fuel consumption with around 20-25 % compared to the current fleet.

The most significant items in terms of foreign exchange exposure are aircraft leasing costs, fuel costs, air navigation fees, landing fees and handling charges.

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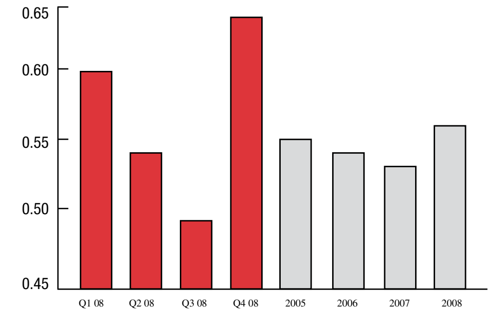
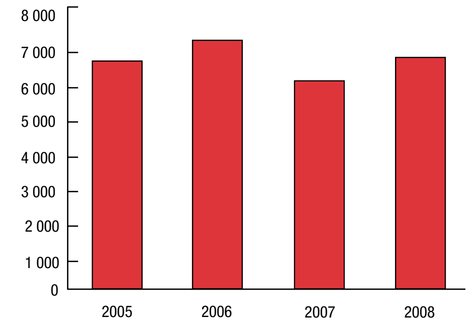
Operating costs

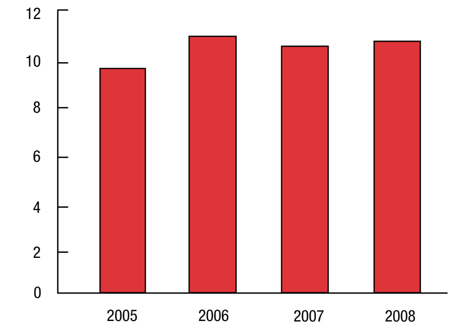
UNIT COSTS (COST PER ASK)



PASSENGERS/TOTAL EMPLOYEES



BLOCK HOURS PR DAY



Share and Ownership Structure

Norwegian Air Shuttle ASA has been listed on the Oslo Stock Exchange (OSE) since December 2003 under the ticker NAS. At the end of 2008 the company had 32,359,778 shares at nominal value NOK 0.10 outstanding. In September 2008 the company undertook a MNOK 400 rights issue for aircraft financing purposes. In relation to the rights issue the company issued 11,494,252 new shares. The market capitalization at the end of 2008 was MNOK 1,194.

Ownership Structure

At the end of the year Norwegian Air Shuttle ASA had a total of 2,858 shareholders split between institutional and private investors. Overseas shareholders controlled 10 % of the shares at year-end, compared to 25 % at the beginning of the year. Apart from Norway the largest shareholdings are in Finland, the United Kingdom, and the United States with a 5 %, 4 % and 1 % share respectively.

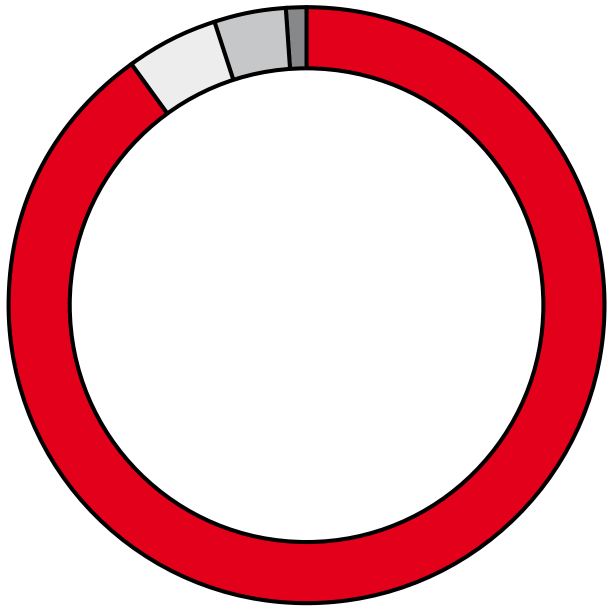
The company's "Employee Share Saving Plan" purchased 120,590 shares to the company's employees. Norwegian also issued 561,301 options to employees who agreed to join a voluntary option program where their salary was reduced in exchange for options. The initiative was as part of the company's cost cutting program initiated by the record high fuel prices last summer.
The company did not own any own shares at year end.

The Share

The share price was at year-end quoted at NOK 36.90 per share which is a decrease of 78 % since the end of 2007. The share is included in the OB Match Liquidity Group on the Oslo Stock Exchange. The average daily traded volume in 2008 was 47,067 shares, equivalent to an annual turnover ratio of 0.5.

NAME / SHAREHOLDING	
HBK HOLDING AS	15.17 %
BSB INVEST AS	14.69 %
DNB NOR NORGE (IV)	5.26 %
VITAL FORSIKRING ASA	5.15 %
FINNAIR PLC	5.10 %
OJADA AS	4.49 %
SKAGEN VEKST	4.44 %
AWILCO INVEST AS	3.73 %
PERESTROIKA AS	3.34 %
SKAGEN KON-TIKI	3.09 %
TOTAL	64.47 %

	2008	2007	YOY Growth
PRICE AT YEAR END	36.9	169.0	-78 %
AVERAGE PRICE	71.7	119.2	-40 %
LOWEST PRICE	23.5	83.5	-72 %
HIGHEST PRICE	167.0	169.0	-1 %
ANNUAL TURNOVER	0.5	0.5	0 %



90% NORWAY

5% FINLAND

4% UNITED KINGDOM

1% UNITED STATES

Corporate Governance

Norwegian's principles for corporate governance are based on accountability, transparency, fairness and simplicity with the ultimate goal of maximizing shareholder value while simultaneously creating added value for all stakeholders. The principles are designed to ensure that laws, regulations and ethical standards are in compliance.

Norwegian's core values are Simplicity, Directness and Relevance, but no business conduct within the Group should under any circumstance jeopardize Safety and Quality.

Detailed ethical guidelines are available for all employees on the company's intranet page.

In line with the Norwegian code of practice for corporate governance, a review on the major aspects of Norwegian Air Shuttle ASA's governance structure follows below.

Business
Norwegian's business is clearly defined in paragraph 3 in the articles of association which states that «The Company's objective is to be engaged in aviation, other transport and travel related business activities as well as activities connected therewith. The Company may also directly or indirectly be engaged 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 company's Quality Manual and are also available to the public through the Annual Report and on the Group's website www.norwegian.com.

Equity and Dividends
The Group's equity was at year end 2008 MNOK 897.4 which is equivalent to an equity ratio of 28.2 %. The Board deems this to be adequate taking into consideration the company's strategy and risk profile.

The Board of Directors recommend not to distribute dividends as it is considered to be in the best interest of shareholders to retain funds for investment in expansion and other investment opportunities as stated in the articles of association, thereby enhancing profitability and shareholder value. Dividends should under no circumstance be paid if equity is below what is considered to be an appropriate level.

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

Due to Norwegian Air Shuttle ASA's rapid expansion, competitive environment and focus on being flexible and quick to adapt to changing market conditions, the General Assembly has decided to deviate from the Norwegian code of practice for corporate governance's recommendations with respect to capital increase. The General Assembly has granted the Board of Directors mandate to increase the company's share capital over a two year period. The capital increase can be utilized for commercial opportunities and employee incentive programs. The mandate granted to the Board is limited to a 20 % capital increase.

Equal Treatment of Shareholders and Transactions with Close Associates
Norwegian Air Shuttle ASA has only one class of shares. In order to maintain flexibility and simplicity, the General Assembly has granted the Board of Directors the authorization to deviate from existing shareholders pre-emptive rights in the case of capital increase, which is limited to 20 % of existing equity in the mandate granted to the Board. Transactions in own shares are performed in line with what is considered to be good business practice for companies noted on the Oslo Stock Exchange.

Material transactions between the company and key stakeholders, in particular shareholders, members of the Board and Executive Management, are subject to approval from the Board of Directors. Such transactions are duly noted in the minutes from the Board meeting and are also explicitly stated in the notes to the consolidated accounts. At present, Deputy Chairman Bjørn H. Kise and CEO Bjørn Kjos are both partners in the law firm Vogt & Wiig which is the legal advisor to Norwegian Air Shuttle ASA. The company does not have any arrangements for third party valuations of named transactions as it is considered that the current method offers a sufficient level of transparency and accountability.
In cases where members of the Board of Directors or the Executive Management have other direct or indirect material interest in transactions entered into by the company, this is remarked in the notes to the consolidated accounts

Freely Traded Shares
There are no restrictions on trading of the company's shares, neither in the articles of association or elsewhere.

General Assembly
The Board of Directors has ensured that as many shareholders as possible may exercise their rights at the General Assembly, making the summons and related documentation available on the website in due time before the deadline warranted by law. The documents are sent to shareholders at the same time. The deadline for shareholders to give notice of their intended presence is three days before the General Assembly, and shareholders may be present and vote by proxy. The Board of Directors, nomination committee and the auditor are required to be present. The chairman of the meeting is democratically elected by the shareholders.

The Board adheres to the requirements of the Norwegian code of practice for corporate governance with respect to the summons to the General Assembly.

Nomination Committee
Norwegian Air Shuttle ASA has a nomination committee as laid down in the company's articles of association. The articles of association states that the committee shall have four members, and the chairman of the committee is the chairman of the Board. The remaining three members are elected by the General Assembly every second year. The next election is due in 2010.

The current nomination committee consists of the chairman of the Board, one employee and two external members representing major shareholders in the company.

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

Corporate Assembly and Board of Directors; Composition and Independence
Norwegian Air Shuttle ASA has, in agreement with the employee unions and as warranted by Norwegian law, no corporate assembly. The company has instead three employee representatives to

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

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

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

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

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

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

Norwegian Air Shuttle ASA does not have an audit committee to assist in matters of financial reporting and compensation to members of the Executive Management. The Board deems the current procedure where a representative of the finance department briefs the Board on matters of financial reporting, to be sufficient. In cases of ambiguity the auditor is consulted.

The Board of Directors evaluates its performance and expertise annually.

Risk Management and Internal Control
The Board of Directors is reviewing the company's current framework for internal control and systems for risk management.

Remuneration of the Board of Directors
Based on the consent from the General Assembly, it is assumed that the remuneration of Board members reflect the respective members' responsibility, expertise, time commitment and the complexity of the Group's activities. No Board members have remuneration based on performance, and no options are granted to Board members. In cases where Board members take on specific assignments for the Group which is not in the power of their commission to the Board, this must be immediately notified to the rest of the Board and if the transaction is of substantial nature this is explicitly stated in the notes to the consolidated accounts.

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

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

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

Information and Communications
The Group does all financial reporting according to Norwegian legislation. The financial statements and annual reports are prepared to ensure accountability, transparency and fairness to all stakeholders in the Group.
A financial calendar is prepared and published on the company website and is also distributed in accordance with the rules of the Public Companies Act and the rules applicable to companies listed on the Oslo Stock Exchange. All information which is distributed to shareholders is also published on the company website. The company has regular investor meetings, public interim results presentations and an investor relations department.

The Board considers that these measures enables and ensures continuous informative interaction between the company and the shareholders.

Takeovers
There are no limitations with respect to the purchase of shares in the company. In the event of a take-over bid the Board of Directors will act in the best interest of the shareholders and in compliance with all rules and regulations applicable in such an event. The Board will in the case of a take-over bid refrain from taking any obstructive action unless agreed upon by the General Assembly. The company's 300 MNOK bond issue has a change of control clause that allows bondholders to call for redemption of the bond at par in the event of a change of control.

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

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

The Auditor at least once a year presents to the Board of Directors a review of the company's internal control procedures, including identified weaknesses and proposals for improvement.

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

The Board receives annual confirmation from the Auditor that the Auditor continues to satisfy the requirements for independence.

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

Norwegian Air Shuttle ASA

The Board of Director´s Annual Report

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

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

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

Aircraft Security and Safety
No incidents that represent significant risk have been registered in 2008.

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 department is an independent department which reports directly to the Accountable Manager. The department's main task is to work proactively to promote flight safety throughout the organization. Flight safety is covered in the crew's training programs, together with training in security related issues.

The Civil Aviation Authority approves all programs, examinations and qualification requirements.

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

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

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

Organization, Working Conditions and the Environment
At the end of 2008 the Group employed a total of 1,484 man labor years including apprentices and temporary staff. The number of employees is expected to increase in 2009 in accordance with the Group's planned expansion.

The apprentice program in Norway will continue in 2009 with a projected increase in the number of participants. All candidates graduating in 2008 successfully completed and passed their exams which were carried out in conjunction with Akershus County Council. The labor unions involved with the departmental training programs are actively included in the planning of the apprentices' syllabus.

NO OF EMPLOYEES AT YEAR-END 2008

1484 INKL APPRENTICES

52.4% MEN / 47.6% WOMEN

Many graduates of the program have now secured positions within the company. Many have chosen to become part of the cabin crew team whilst 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.

The important HES activities (Health, Environment and Safety) continue in accordance with the Labour Law and the Group's guidelines. A new personnel and salary management system makes the HES activities more efficient. In 2007, the Group recruited a new manager responsible for HES who actively participate with middle-managers and HR in training and development of the HES activities.

The company is in the process of selecting a new Human Resources Personnel management system. The system provides a skills database for all employees providing the company with a tool to match jobs to qualifications. The system also allows employees to add information as well as logging attendance and vacations.

Absence due to sick leave was 5.8 % in 2008 which is approximately the same as in 2007. The company will continue to focus on this issue in conjunction with the health service group Hjelp 24 and by hiring a new HES-manager. Various activities have been implemented to help employees get back to work as quickly as possible.

In 2008 the Group employed 52.4 % men and 47.6 % women. The majority of pilots and technical personnel are men. The majority of cabin personnel are still women, but the number of men is increasing. Recruitment in 2008 has led to more women in different leadership roles compared to 2007.

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

All the local labor unions in the Group are members of central unions which negotiate directly with NHO aviation and NHO. As part of the salary review in 2008, negotiations with the central and local unions were successfully concluded and moderate agreements were reached with all parties.

External Environment
The flight operations are inherently dependent on fossil fuels and also generate noise. However, the

Norwegian Air Shuttle ASA
Annual Report 2008

The Board of Director´s Annual Report

Group's current aircraft fleet operate within the levels and limitations imposed by national and international regulations. During 2008 the Group consumed approximately 300,000 tons of Jet A-1 fuel.

The Boeing 737-800 is among the most environmentally friendly aircraft available, reducing CO2 and NOx emissions by 20-25 % compared to the 737-300 and MD-80 in Norwegians fleet. By year end 2014 Norwegian will have a total of 58 Boeing 737-800 aircraft in its fleet. By year-end 2008, 7 of these were already delivered.

The company will phase out the remaining five MD-80 aircraft in the fleet during 2009 which will further improve the emissions profile. The company's business model promotes high load factors and higher capacity per flight, which makes the low cost airline business model competitive.

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

Aircraft Maintenance
The Group runs its maintenance operations from the technical bases at Oslo Airport Gardermoen and Stockholm Airport Arlanda. All maintenance and follow-up activities, both internally and externally, are performed in accordance with the manufacturers' requirements and strict international authority regulations (EASA). The company performs both initial quality approval as well as continuous monitoring of all maintenance suppliers. All supplier contracts are subject to the National Aviation Authorities approval and monitoring.

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

During 2008, a major maintenance contract was signed with Lufthansa Tecknik in Germany for the 737-800 engines. Similar contracts for 737-800 components and 737-300 engines and components were signed in 2007. Additionally, the existing base maintenance contract was extended for two years in 2007. The company is in the process of ensuring additional base maintenance capacity. An agreement is expected to be closed by mid 2009.

The MD-80's line and base maintenance is performed by Priority Aero Maintenance and SAS Technical Services, component exchange (maintenance) is performed by Priority Aero Maintenance, and engine maintenance is performed by Pratt & Whitney and Aerothrust.

Norwegian Air Shuttle Sweden AB (Sweden)
Norwegian Air Shuttle Sweden AB is based at Arlanda airport outside Stockholm. At year-end 2008 the Swedish subsidiary operated five MD-80s and two Boeing 737-800s out of Stockholm Airport Arlanda. The MD80 fleet will be replaced by Boeing 737 aircraft going forward. The company has its own management and organization. The Swedish company currently operates under a Swedish AOC; however the Group is in the process of uniting all operations under a Norwegian AOC for efficiency purposes.

Norwegian Air Shuttle Polska Sp.zo.o (Poland)
Norwegian Air Shuttle Polska Sp.zo.o is based in Warsaw, Poland. The company manages pilots and crew on the routes out of Poland, and also has its own sales organization. Flights out of Poland are operated by the parent company which at year-end 2008 had two Boeing 737-300 aircraft based in Poland.

Call Norwegian AS (Norway)
The fully owned subsidiary Call Norwegian AS was established in January 2008 and was commercialized in the fourth quarter of 2008. The company provides internet connectivity at major airports served by Norwegian. There are plans for offering products such as cell-phone coverage and internet access in the air in partnership with the airline.

Norwegian Finans Holding ASA (Norway)
Norwegian Air Shuttle ASA owns 20% of the shares in the internet bank Bank Norwegian AS through the associated company Norwegian Finans Holding ASA. The airline's loyalty program Norwegian Reward is run in partnership with the bank.

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

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

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 2008.

Comments to the Income Statement
The Group had total operating revenue of MNOK 6,226.4 (4,226.2) in 2008. Compared to last year the Group's total growth in revenue was 47 %. MNOK 5,641.5 (3,956.0) of the revenues are related to ticket revenues, MNOK 463.6 (212.0) is other passenger related revenue, while the remaining MNOK 121.2 (58.0) are related to other freight, fees and third-party products. The increase in sales is mainly related to the growth in production by 52 % from 2007 to 2008. The cabin factor has been stable during 2008. The yield for 2008 was NOK 0.65, the same as in 2007. Ancillary revenue was NOK 56.3 pr PAX (33.3) in 2008, an increase from 2007 of 69%.

The accumulated operating costs (including leasing and excluding depreciation and write-downs) were MNOK 6,434.7 (4,018.2) in 2008. The cost increase is mainly related to the growth in production as well as the effects of the acquisition of Norwegian Air Shuttle Sweden AB (Nordic Airlink Holding AB) in August 2007. The accumulated average operating cost per ASK (unit cost) for Norwegian Air Shuttle ASA isolated was NOK 0.57 (0.53) in 2008. Excluding fuel, the accumulated average operating cost per ASK was NOK 0.38 (0.40) in 2008. The reduction is due to better utilization of assets and personnel, more advantageous contracts, more efficient sale and distribution channels and other cost reducing measures. An increase in the average sector length also contributed to the reduction in unit cost. Included in Total operational expenses are unrealized effects of fuel hedge which as of 31. December amounts to MNOK 104.
Net profit before depreciation and write-down (EBITDA) for the Group was MNOK -208.2 (208.0) in 2008.
In 2007 the Group started Bank Norwegian which is 100 % owned by Norwegian Finans Holding ASA where the Group has 20 % ownership. The Group's share of the bank's net loss resulted in a net a loss of MNOK 8.8 in the consolidated profit and loss.

Financial items include an income of MNOK 358.3 for the hedge contract connected to the purchase contract for new generation Boeing aircraft. During 2008 the hedge instrument in its entirety becomes inefficient as defined by IAS 39.

Earnings before tax in 2008 was MNOK 5.3 (113.0) and earnings after tax was MNOK 3.9 (84.6).

Comments to the Balance Sheet and Cash Flow Statement
The Group's total assets increased with MNOK 847.7 to MNOK 3,178.8 by the end of 2008. Booked value of aircraft has increased by MNOK 298 during the year, while prepayments and capitalized interests on the Boeing purchase contract further contribute to the asset increase with MNOK 388.6. Receivables have increased by MNOK 423 of which MNOK 200 are due to altered settlement procedures credit card transactions.

At the balance sheet date, the Group had a cash balance of MNOK 607.5 (501.4). Net interest bearing assets was MNOK -90.7 (203.7).

Net cash flow used for investment purposes was MNOK 253.5 (532.6), of which the prepayments for the Boeing contract constitute MNOK 349.6. An upgrade of leased aircraft, purchase of aircraft and investments in the Group's IT systems was MNOK 426.8 (70.8). Proceeds form sales of USD hedge contracts amounts to MNOK 324, while proceeds from sales of short term placement amounts to MNOK 219.

The investments were partly financed by the Pre-Delivery-Payment (PDP) financing for the 10 first 737-800 of MNOK 339 and share issue of MNOK 376 (net of transaction costs). The Group had a cash flow from operations of MNOK -385.5 (457.9) in 2008. The difference between net profit and cash flow from operating activities is mainly caused by depreciations and an increase in account receivables.
The Group has a strong focus on liquidity planning and the Board is confident in the Group's financial position at the beginning of 2009.

The Group had total equity of MNOK 897.4 (508.3) by 31 December and an equity ratio of 28 % (22 %). The Group made a share issue in 2008 amounting to MNOK 382.0, after deduction of cost. In addition, the costs of the stock option plans are booked to equity.

Risk
Changes in consumer and business confidence in our key markets can influence demand immediately reducing revenue streams faster than adjustments can be made to production and cost level. The current macro economic outlook is characterized by uncertainty with respect to the level of economic growth and consumer spending both globally and within Norwegian's markets. During the last 9 months the traffic volume has been decreasing in markets in which Norwegian operates. However, Norwegian's low cost basis has allowed for adequate revenue management to meet the reduced purchasing power of business and leisure travelers. Demand and ticket prices are also affected by the overall level of competitive pressure in the industry which' primary drivers are capacity and demand.

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

The group's activities are exposed to several financial risks; market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the group's financial performance. The group uses derivative financial instruments to hedge certain risk exposures.
Risk management is carried out by a central treasury department (group treasury) under policies approved by the Board of Directors. Group treasury identifies evaluates and hedges financial risk in close co-operation with the Group's operating units. The Board provides principles for overall risk management such as foreign currency risk, interest rate risk, credit risk, use of derivative financial instruments and investment of excess liquidity. Hedging activities cannot be undertaken without approval from CEO and CFO.

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

A substantial part of the group's income and expenses are denominated in foreign currency.
The group leases, aircraft purchases, and related expenses are mainly denominated in USD, and a portion of the sales and airplane operation expenses are denominated in EUR. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations. In order to reduce currency risk, the Group has a mandate to hedge up to 100% of its currency exposure next 12 months. The hedging consists of forward currency contracts and flexible forwards.

As the group has net significant interest bearing assets debt, other than cash and cash equivalents, the group's income and operating cash flows are substantially independent of changes in market interest rates. The group's interest rate risk arises from cash and cash equivalents and floating interest rate long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings consist of an unsecured bond issue and a revolving credit facility, both with floating interest rates. The Group's leasing contracts have fixed interest rate.
Expenses for jet-fuel represents a substantial part of the group's operating costs, and fluctuations in the jet-fuel prices influence the projected cash flows. The objective of the jet-fuel price risk management policy is to provide protection against significant and sudden increases in jet-fuel prices whilst retaining access to price reductions. The group manages jet-fuel price risk using fuel derivatives. Management has a mandate to hedge up to 100 % of its expected consumption next 12 month with financial instruments.
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 Groups policy is to maintain credit sales at a minimum level. Sales to personal customers are settled in cash or using major credit cards.

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

Management monitors rolling forecasts of the group's liquidity reserve and cash and cash equivalents (note 24) on the basis of expected cash flow. This is generally carried out at local level in the operating companies of the group in accordance with practice and limits set by the group. In addition, the group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these; monitoring balance sheet liquidity ratios against internal and external regulatory requirements; and maintaining debt financing plans.

Financing activities generally takes more time to accomplish and are more expensive in times with financial turmoil and uncertain economic outlook. The company has pre-delivery financing committed on the 10 first aircraft acquired from Boeing which will be delivered from 2009 throughout first quarter of 2011.

Following the acquisition of 42 Boeing 737-800 aircraft in 2007, the Group has ongoing financing activities, and will have so until the last delivery in 2014. The transaction is supported by the Ex-Im Bank of the United States which at the time of contract signing issued a Letter of Enthusiasm backing the transaction. The company has currently filed for a final commitment on 7 aircraft, 2009 and 2010 deliveries, to be guaranteed for- or subject to direct loans from the Ex-Im Bank of the United States. Further, pre-commitment has been filed for on the next 20 aircraft, 2011 and 2012 deliveries.

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

Corporate Governance
Norwegian Air Shuttle ASA's principles for corporate governance are primarily based on the Norwegian code of practice for corporate governance dated 4 December 2007. The code of practice harmonizes with international recommendations to a large extent. A comprehensive description of the Group's corporate governance principles can be found in the Group annual report.

Prospects for 2009
The demand for traveling with Norwegian and advanced bookings has been satisfactory entering the first quarter of 2 009. Norwegian has carried out several sales and marketing campaigns that have been well received by the market, and continue to attract customers to the continuously growing route portfolio. The current macro economic outlook for 2009 is uncertain. Norwegian will closely monitor the traffic development and will make adjustments to the route portfolio if necessary.

The Swedish operation will continue to focus on the restructuring and optimizing efforts. These plans include adjustments to the route portfolio and aircraft fleet, reducing the number of redundant functions, and generally realizing synergies within the Group. Core functions such as revenue management, network, flight operations and administration have already been centralized.

The Group opened a new base in Copenhagen during fourth quarter last year. The Copenhagen base is currently counting 2 aircraft and will increase to 5 aircraft during spring 2009. The Danish routes have so far been well received in the market.

The Group expects production (ASK) to increase by 10 % in 2009 depending on demand and traffic development. The company is guiding on a unit cost in the area of NOK 0.51 based on the targeted production level, fuel cost of USD 625 per ton and USD/NOK exchange rate of 6.50.

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

Allocation of the year's result
Net profit for Norwegian Air Shuttle ASA was MNOK 180.8, which the Board propose is transferred to retained earnings.

The Board recommends no dividend distribution for the 2008 operating year in accordance with the company corporate governance policies.

As of 31 December 2008, the company had MNOK 301.7 of free equity.

25. March 2009

Erik G. Braathen
(Chairman of the Board)

Bjørn H. Kise
(Deputy Chairman of the Board)

Ola Krohn-Fagervoll

Liv Berstad

Marianne Wergeland Jenssen

Monika Johansen
(employee representative)

Halvor Vatnar
(employee representative)

Sissel Vårum
(employee representative)

Bjørn Kjos
(Managing Director)

Consolidated Income Statement

NOTE	(NOK 1 000)	2008	2007
3	Revenues	6 226 413	4 226 202
	Total operating revenues	**6 226 413**	**4 226 202**
5	Operational expenses	4 892 727	3 112 247
6,7,17,18	Payroll	1 076 068	669 659
10,11	Depreciation, amortization and impairment	129 611	74 044
	Other operating expenses	318 094	221 557
20	Other losses/gains - net	147 768	14 743
	Total operating expenses	6 564 267	4 092 251
	Operating profit	-337 854	133 951
8, 20	**Net financial items**	**351 966**	**-29 949**
26	Share of profit (loss) from associated company	-8 773	-1 821
26	Gain on share issuance of associate	0	10 800
	Profit (loss) before tax	**5 339**	**112 982**
9	Income tax expense (income)	1 394	28 402
	PROFIT (LOSS) FOR THE YEAR	**3 944**	**84 580**
16	Basic earnings per share	0.15	3.77
16	Diluted earnings per share	0.15	3.77

The notes on pages 32-63 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

NOTE	(NOK 1 000)	2008	2007
	ASSETS		
	Non-current assets		
10	Intangible assets	198 074	232 407
9	Deferred tax asset	59 759	61 317
11	Aircraft, parts and installations on leased aircraft	523 676	209 820
11	Equipment and fixtures	31 014	24 313
11	Buildings	3 933	3 933
20	Financial assets available for sale	5 628	10 004
26	Investment in associate	44 743	53 516
20	Hedged item - firm commitment	0	128 031
11	Prepayment Boeing contract	705 165	316 546
13	Other receivables	32 404	28 507
	Total non-current assets	**1 604 395**	**1 068 393**
	Current assets		
14	Inventory	34 214	28 000
13	Trade and other receivables	914 379	491 543
20	Financial assets available for sale	0	215 758
20	Derivative financial instrument	18 360	7 771
20	Hedged item - firm commitment	0	18 222
24	Cash and cash equivalents	607 536	501 410
	Total current assets	**1 574 489**	**1 262 705**
	TOTAL ASSETS	**3 178 884**	**2 331 098**
	EQUITY AND LIABILITIES		
	Equity		
15	Share capital	3 236	2 087
15	Share premium	789 130	408 277
	Other paid-in equity	38 984	32 752
15	Other reserves	-7 633	-4 550
	Retained earnings	73 650	69 706
	Total equity	**897 368**	**508 273**
	Non-current liabilities		
18	Pension obligation	61 815	33 310
19	Provision for periodic maintenance	114 090	101 042
9	Deferred tax	9 695	19 470
20	Derivative financial instrument	0	154 333
22	Borrowings	440 873	297 697
	Total non-current liabilities	**626 474**	**605 853**
	Short term liabilities		
22	Short term part of borrowings	257 456	0
21	Trade and other payables	694 832	644 837
	Air traffic settlement liabilities	598 162	536 548
20	Derivative financial instrument	104 325	34 375
9	Tax payable	267	1 212
	Total short term liabilities	**1 655 042**	**1 216 972**
	Total liabilities	**2 281 515**	**1 822 825**
	TOTAL EQUITY AND LIABILITIES	**3 178 884**	**2 331 098**

The notes on pages 32-63 are an integral part of these consolidated financial statements.

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(employee representative)

Sissel Vårum
(employee representative)

Bjørn Kjos
(Managing Director)

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 2007	**1 967**	**271 934**	**1 709**	**275 610**	**-10**	**-14 873**	**260 727**
Net profit for the year						84 580	84 580
Exchange rate differences Group					-4 540		-4 540
Total recognized income and expense for 2007	0	0	0	0	-4 540	84 580	80 040
Share issue 2007	106	127 021		127 128			127 128
Expenses for share issue 2007, net of tax		-90		-90			-90
Option issue for Flynordic acquisition (non cash)			29 485	29 485			29 485
Stock options - share issue	13	9 412		9 425			9 425
Compensation expense for stock options			1 558	1 558			1 558
Transactions with owners	120	136 343	31 044	167 507	0	0	167 507
Equity 31 December 2007	**2 087**	**408 277**	**32 752**	**443 117**	**-4 550**	**69 706**	**508 273**
Equity at 01 January 2008	**2 087**	**408 277**	**32 752**	**443 117**	**-4 550**	**69 706**	**508 273**
Net profit for the year						3 944	3 944
Available for sale financial assets					-4 376		-4 376
Exchange rate differences Group					1 293		1 293
Total recognized income and expense for 2008	0	0	0	0	-3 083	3 944	861
Share issue 2008	1 149	398 851		400 000			400 000
Expenses for share issue 2008, net of tax		-17 998		-17 998			-17 998
Option issue for Flynordic acquisition (non cash)							0
Stock options - share issue							0
Compensation expense for stock options			6 232	6 232			6 232
Transactions with owners	1 149	380 853	6 232	388 234	0	0	388 234
Equity 31 December 2008	**3 236**	**789 130**	**38 984**	**831 351**	**-7 633**	**73 650**	**897 368**

The notes on pages 32-63 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

NOTE	(NOK 1 000)	2008	2007
	CASH FLOWS FROM OPERATING ACTIVITIES:		
	Operating profit	-337 854	133 951
9	Taxes paid	-787	-738
10,11	Depreciation, amortization and write-down	129 611	74 044
	Pension expense without cash effect	28 505	2 516
	Other non cash items	6 196	1 963
8	Interest income	39 427	40 901
8	Interest expense	-9 880	-70 849
	Change in inventories, accounts receivable and accounts payable	-324 649	32 153
	Change in air traffic settlement liabilities	61 614	156 343
	Change in other current assets and current liabilities	22 266	87 648
	Net cash flow from operating activities	**-385 552**	**457 931**
	CASH FLOWS FROM INVESTING ACTIVITIES:		
11	Prepayments aircraft purchase	-349 436	-316 546
11	Purchase of tangible assets	-393 433	-56 785
10	Purchase of intangible assets	-33 414	-14 030
4	Net cash from aquisitions	-20 604	126 246
20	Proceeds from sales of financial assets	324 347	0
20	Proceeds from sales of investment bonds	219 065	0
20	Investments in shares and bond	0	-271 504
	Net cash flow from investing activities	**-253 475**	**-532 619**
	CASH FLOWS FROM FINANCIAL ACTIVITIES:		
22	Proceeds from long term debt	339 864	297 000
15	Proceeds from issuing new shares	376 000	9 425
	Interest on borrowings	-29 220	0
	Net cash flow from financial activities	**686 643**	**306 425**
	Foreign exchange effect on cash	4 848	-2 025
	Net change in cash and cash equivalents	52 465	229 712
	Cash and cash equivalents at 1 January	403 959	174 248
24	**Cash and cash equivalents at 31 December**	**456 424**	**403 959**
24	Cash and cash equivalents in balance sheet	607 536	501 410
	Restricted funds	-151 113	-97 451
	Cash in cash flow statement	456 424	403 959

The notes on pages 32-63 are an integral part of these consolidated financial statements.

Notes to Consolidated Accounts

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 General information
Norwegian Air Shuttle ASA and its subsidiaries (together 'the Group') is a low cost airline incorporated in Norway and headquartered at Fornebu outside of Oslo. Norwegian Air Shuttle ASA is a public limited company and listed on the Oslo Stock Exchange.

The consolidated financial statements of Norwegian Air Shuttle ASA for the year ended 31 December 2008 were authorized for issue by the board of directors on 25 March 2009.

1.2 Basis of preparation
The consolidated financial statements of Norwegian Air Shuttle ASA have been prepared in accordance with International Financial Reporting Standards, as adopted by EU. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving 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.

Standards, amendment and interpretations effective in 2008
IFRIC 11, 'IFRS 2 – Group and treasury share transactions', provides guidance on whether share-based transactions involving treasury shares or involving Group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand alone accounts of the parent and Group companies. The Group has applied IFRIC 11 from 1 January 2008. The interpretation is not expected to have any material effect on the consolidated financial statements.

IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction', provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognized as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation does not have any impact on the Group's financial statements, as the Group has a pension deficit and is not subject to any minimum funding requirements.

IFRIC 13, 'Customer loyalty programs' (effective from 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. The Group has early adopted this standard.

Standards, amendments and interpretations early adopted by the Group
IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The amendment requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group capitalizes borrowings costs directly attributable to qualifying assets.

Standards, amendments and interpretations effective in 2008 but not relevant
The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2008 but they are not relevant to the Group's operations:

IFRIC 12, 'Service concession arrangements' (effective from 1 January 2008). IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. IFRIC 12 is not relevant to the Group's operations because none of the Group's companies provide for public sector services.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group
The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods, but the Group has not early adopted them:

IAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner' changes in equity to be presented separately from owner changes in equity. All 'non-owner' changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Group will apply IAS 1 (Revised) from 1 January 2009. It is likely that both the income statement and statement of comprehensive income will be as performance statements.

IFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. As such these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group will apply IFRS 2 (Amendment) from 1 January 2009, but is not expected to have a material impact on the Group's financial statements.

IFRS 8, 'Operating segments ' (effective from 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply IFRS 8 from 1 January 2009. The expected impact is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker.

IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009). The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. The Group will apply the IAS 32 and IAS 1 (Amendment) from 1 January 2009, but is not expected to have any impact on the Group's financial statements.

IAS 27 (Revised), 'Consolidated and separate financial statements' (effective from 1 July 2009).The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognized in profit or loss. The Group will apply IAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 January 2010.

IFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.

IFRS 5 (Amendment), 'Non-current assets held for sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption') (effective from 1 July 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control, and relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to IFRS 1 states that these amendments are applied prospectively from the date of transition to IFRSs. The Group will apply the IFRS 5 (Amendment) prospectively to all partial disposals of subsidiaries from 1 January 2010.

IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation' and IFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. An investment in associate is treated as a single asset for the purposes of impairment testing and any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. The Group will apply the IAS 28 (Amendment) to impairment tests related to investment in subsidiaries and any related impairment losses from 1 January 2009.

IAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Group will apply the IAS 28 (Amendment) and provide the required disclosure where applicable for impairment tests from 1 January 2009.

IAS 38 (Amendment), 'Intangible assets'(effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. A prepayment may only be recognized in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. The Group will apply the IAS 38 (Amendment) from 1 January 2009.

IAS 19 (Amendment), 'Employee benefits' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008.
- The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.
- The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.
- The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.
- IAS 37, 'Provisions, contingent liabilities and contingent assets', requires contingent liabilities to be disclosed, not recognized. IAS 19 has been amended to be consistent.

The Group will apply the IAS 19 (Amendment) from 1 January 2009.

IAS 39(Amendment), 'Financial instruments: Recognition and measurement'(effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008.
- This amendment clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge.
- The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is also amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit-taking is included in such a portfolio on initial recognition.
- The current guidance on designating and documenting hedges states that a hedging instrument needs to involve a party external to the reporting entity and cites a segment as an example of a reporting entity. This means that in order for hedge accounting to be applied at segment level, the requirements for hedge accounting are currently required to be met by the applicable segment. The amendment removes this requirement so that IAS 39 is consistent with IFRS 8, 'Operating segments' which requires disclosure for segments to be based on information reported to the chief operating decision maker. Currently for segment reporting purposes, each subsidiary designates and documents (including effectiveness testing) contracts with Group treasury as fair value or cash flow hedges so that the hedges are reflected in the segment to which the hedged items relate. This is consistent with the information viewed by the chief operating decision maker. After the amendment is effective, the hedge will continue to be reflected in the segment to which the hedged items relate (and information provided to the chief operating decisions maker) but the Group will not formally document and test this hedging relationship.
- When remeasuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) are used.

The Group will apply the IAS 39 (Amendment) from 1 January 2009. It is not expected to have an impact on the Group's income statement.

IAS 1 (Amendment), 'Presentation of financial statements' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39, 'Financial instruments: Recognition and measurement' are examples of current assets and liabilities respectively. The Group will apply the IAS 39 (Amendment) from 1 January 2009. It is not expected to have an impact on the Group's financial statements.

There are a number of minor amendments to IFRS 7, 'Financial instruments: Disclosures', IAS 8, 'Accounting policies, changes in accounting estimates and errors', IAS 10, 'Events after the reporting period', IAS 18, 'Revenue' and IAS 34, 'Interim financial reporting', which are part of the IASB's annual improvements project published in May 2008 (not addressed above). These amendments are unlikely to have an impact on the Group's accounts and have therefore not been analyzed in detail.

1.3 Basis of consolidation

The Group's consolidated financial statements comprise Norwegian Air Shuttle ASA, and its fully owned subsidiaries Norwegian Air Shuttle Polska Sp.zo.o , Norwegian Air Shuttle Sweden AB (Nordic Airlink Holding AB/FlyNordic), NAS Asset Management Ireland, NAS Asset management Norway AS and Call Norwegian AS. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

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

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

All intra Group balances, transactions, income and expense and profit and losses resulting from intra Group transactions that are recognized in assets and liabilities, are eliminated in full.

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

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

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

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

1.4 Foreign currency translation

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

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.

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

1.5 Critical accounting estimates and judgments

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

The lease contracts require the aircraft to be returned at the end of the lease term in the same condition as at inception of the lease. To meet this requirement, the Group companies are to carry out maintenance of these aircraft, both regularly and at the expiration of the leasing period. Provisions are made based on the estimated costs of overhaul and maintenance. Estimating these conditions requires management to make assumptions regarding expected future maintenance.

The estimation technique for maintenance reserve contribution (MRC) accruals is based on contractual payments for maintenance and accrual for mandatory maintenance. The estimated costs of overhaul and maintenance are based on the Group's maintenance program and contractual prices. In addition, accruals are set to meet redelivery conditions for leased aircraft. Accruals are highly dependent on redelivery date and redelivery conditions in the different lease terms. In case of lease extension, estimated on maintenance costs will be revised. As the principle of MRC accruals are to progressively build up an accrual for maintenance liabilities in advance of the maintenance event, there will always be a risk of shortfall. An analysis of the sensitivity on the MRC accruals is shown at next page;

(NOK 1000)

Sensitivity MRC accruals 2008	5% increased production	5% decreased production
Change in MRC accruals (%)	4.4 %	-4.4 %
Change in MRC accruals (NOK 1 000)	5 020	-5 020

* Based on MRC accruals 2008 for leased A/C

(NOK 1000)

Sensitivity MRC accruals 2008	1 year lease extension	1.5 years leas e extension	2 years lease extension
Change in MRC accruals (%)	-37.9 %	-52.8 %	-65.7 %
Change in MRC accruals (NOK 1 000)	-43 225	-60 217	-74 975

* Based on MRC accruals 2008 for leased A/C with original redelivery date

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be generated. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The Group has recognized MNOK 59.8 as a deferred tax asset in 2008, whereof MNOK 59.2 relates to tax loss carried forward in the Swedish operations. The tax loss carried forward is expected to be utilized by future taxable profits.

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. A sensitivity analysis is enclosed below, showing how actuarial gains and losses would be affected at the balance sheet date by changes in discount rate and wage adjustments.

Sensitivity analysis pensions (NOK 1 000)	Discount rate		Wage adjustment	
	+1%	-1%	+1%	-1%
Actual actuarial losses at 31 December 2008	115 873	115 873	115 873	115 873
Calculated actuarial losses based on altered assumptions	49 318	204 986	152 487	84 325
Change *)	66 555	-89 113	-36 614	31 548
Change % *)	57.44 %	-76.91 %	-31.60 %	27.23 %

*) Reduction in actuarial losses (+)/increase in actuarial losses (-)

Changes in actuarial assumptions will only affect actuarial gains and losses as the net pension liability and pension expense is unaffected for 2008.

The Group tests annually whether goodwill and other intangible assets with indefinite lives, has 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 (note 10).

Provisions for bad debt for credit card receivables are based on actual historical loss percentage.

Assets available- for- sale are measured at fair value on the balance sheet date. The Group estimates the fair value of such assets based on calculations prepared by financial institutions. Holberg Fondene held investments in Silver shares at 31 December 2008. The fair value calculation of the Group's investment in Silver shares is based on fair value calculations per share performed by Holberg Fondene. Management assesses this to be the best estimate of fair value of the investment.

1.6 Tangible assets

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

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

Non-current assets are depreciated on a straight-line basis over the estimated useful life of the asset beginning when the asset is ready for its intended use. For aircraft, two components have been identified for depreciation purposes. In accordance with official requirements, aircraft must be maintained and significant components changed after a specific number of takeoffs, landings and flight hours. This maintenance and overhaul occurs on a defined interval. Completed maintenance and overhaul is capitalized and depreciated over the period until next relevant maintenance and overhaul. The second aircraft component is defined as the remainder of the aircraft. Residual value is deducted from the depreciable amount of the remainder of the aircraft. Costs for routine aircraft maintenance, as well as repair costs, are expensed as incurred.

Investments in leased aircraft including cabin interior modifications are depreciated over their useful lives, but not exceeding the remaining leasing period. Residual value is deducted from depreciable amount.

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

The depreciation period and method are assessed each year to ensure that the method and period used harmonize 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.

Buildings consist of three apartments in Berlin, purchased in 2007 for the purpose of housing crew and trainees stationed in Berlin on temporary basis. The assets are carried at acquisition cost and tested for impairment annually.

The Group capitalizes prepayments on the purchase contract of 42 Boeing 737 aircraft. The prepayments are classified as tangible assets as presented at the face of the balance sheet at 31 December 2008 with MNOK 705.2 (2007:

MNOK 316.5). The prepayments include capitalized borrowing costs and gains/ losses on qualifying fair value hedges (note 11). At the delivery of the aircraft, prepayments are included in acquisition cost of the aircraft and reclassified as aircraft in the balance sheet.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1.8).

1.7 Intangible assets

Computer software
Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (three to five years).

Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognized as assets are amortized over their estimated useful lives (not exceeding five years).

Norwegian Air Shuttle ASA has capitalized development costs related to the Web-based booking system, and related administration and finance systems.

Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. At the acquisition date of Norwegian Air Shuttle Sweden AB (Nordic Airlink Holding AB), goodwill was allocated to this business unit as a separate cash-generating unit (note 4). Management has assessed the Group as one segment; hence, goodwill is reallocated to the entire Group for the purpose of impairment testing of goodwill at 31 December 2008.

Other intangible asset
Other intangible assets are related to the purchase of Norwegian Air Shuttle Sweden AB (Nordic Airlink Holding AB) on 31 July 2007. Other intangible assets consist of estimated fair value of Brand name, charter operations, slots and the Air Operating Certificate. All assets, except charter operations and brand name are determined to have indefinite economic life, and are not amortized, but subject for annual impairment testing. Other intangible assets also include capitalized costs related to intellectual property rights (note 10). Intellectual property rights are assessed to have definite lives and amortized over their useful lives (five years).

The determination of indefinite economic lives is based on management's assessment that there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity. Slots and air operating certificate are all rights or accesses that do not expire over time, as long as management has the intention to continue use.

Charter operations are defined to have an economic life of 15 months from the date of purchase, and the fair value of the asset is amortized linear over 15 months.

Brand name was initially defined to have indefinite economic life. However, due to restructuring and rebranding in 1 st quarter 2008, brand name from the acquisition was impaired. An impairment loss of MNOK 12 was recognized in profit or loss at 31 March 2008. At the same time, brand name was defined to have a definite economic life of 12 months from the date of impairment. Remaining fair value of the asset at 31 March 2008 is amortized linear over 12 months. See note 1.8 for details of impairment testing of non-financial assets.

1.8 Impairment of non-financial assets

Intangible assets that have an indefinite useful life, for example goodwill, slots and AOC 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 assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

1.9 Financial assets

According to IAS 39, Financial instruments: Recognition and measurement, financial assets are classified in the following categories in the scope of IAS 39: at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale. The Group holds financial instruments that are classified at fair value through profit or loss, available-for-sale, and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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

Loans and receivables
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 and other receivables and cash and cash equivalents in the balance sheet (note 1.12 and 1.13 respectively).

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

Regular purchases and sales of financial assets are recognized on the trade-date; the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss, are initially recognized at fair value and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'other (losses)/gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the income statement as part of other income when the Group's right to receive payments is established.

Gains or losses arising from changes in the fair value of the 'available-for-sale' category are presented in equity within 'other reserves' in the period in which they arise. Interests on available-for-sale securities calculated using the effective interest method is recognized in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognized in the income statement as part of other income when the Group's right to receive payments is established.

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. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

1.10 Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates its derivatives as hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge).

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

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

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

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

1.11 Inventory

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

1.12 Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the income statement within other operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against other operating expenses in the income statement.

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

1.13 Cash and cash equivalents

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

The Group holds investment 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
The share capital comprises the number of shares multiplied by their nominal value, and are classified as equity.

Costs of equity transactions
Transaction costs relating to an equity transaction are recognized directly in equity after deducting tax expenses. Only transaction costs directly attributable to the equity transaction are recognized directly in equity.

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

The sale of own shares is booked accordingly, with nominal value as increase of share capital, and share premium in other equity.

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

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

1.16 Provisions
General
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.

Provision for overhaul and maintenance
The lease contracts require the aircraft to be returned at the end of the lease term in the same condition as at inception of the lease. In addition, the Group is obliged to follow the maintenance program as defined by Boeing. To meet this requirement, the Group carries out maintenance of aircraft, both regularly and at the expiration of the leasing period. The overhaul and maintenance of the aircraft is a contractual obligation under the lease. The specific event that gives rise to the obligation is each airborne hour or cycle completed by the aircraft as these determine the timing and nature of the overhaul and maintenance that must be carried out. A provision is made for the costs of overhaul and maintenance as the obligation towards the lessor arises. See note 1.5 and 1.21 for details related to leasing.

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

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

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

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

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

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

Bonus shares and employer's contribution are measured at fair value using Hoadley's option pricing model. The bonus expenses for the company are included in personnel costs. The distribution of bonus shares is accounted for in accordance with IFRIC 11, where the fair value of the share distribution is recognized as an expense over the expected period until settlement. Estimated employer's contribution is recognized as an expense over the expected period until settlement. Changes in estimates affecting employer's contribution are expensed over the remaining expected period. For further details see note 17.

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

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

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

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

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

substantively enacted, at the balance sheet date.

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

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

Value added tax
Revenues, expenses and assets are recognized net of the amount of value added tax except:
- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

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

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

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

1.20 Revenue recognition
Revenue is recognized when it is probable that transactions will generate future economic benefits that will accrue to the Group and the size of the amount can be reliably estimated. Sales revenues are presented net of air passenger duty, value added tax and discounts.

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

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

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.

Customer loyalty program – Norwegian Reward
The Group has implemented a customer loyalty program. Customers earn cash points for every payment performed with a Bank Norwegian credit card. 1% of the payment is earned on all purchases, except domestic flights in Norway or flights with competitive airlines in Norway. Additionally, cash points are earned on all 'low fare' and 'full flex' tickets purchased from Norwegian Air Shuttle ASA and paid with Bank Norwegian credit cards, with 4% and 19% of the purchase price, respectively.

Earned customer cash points on 'low fare' or 'full flex' tickets (4% and 19%) are recognized as a liability in the balance sheet and deducted from the value of the ticket at the purchase date. The liability is derecognized from the balance sheet and recognized as income once the purchased service is provided.

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

Unutilized cash points are derecognized from the balance sheet after three years. The liability is classified as short term, as the Group has no or little statistics available as of 31 December 2008 to estimate long term part of the liability. Management expect that cash points are utilized within one year. As such, the liability is classified as short term.

1.21 Leasing
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset.

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

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

1.22 Segment reporting
A segment is defined as an identifiable business unit that either delivers products or services (business segments), or delivers services within a defined financial area (geographic segment), and has a risk or return different from other segments. The Group's operating profit arise entirely from low-fare airline related activities, and all revenue generating assets are its aircraft fleet. The primary segment reporting is geographical. The Group uses no secondary segment reporting, as there is no other basis for separating revenue generating assets.

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 preparations of the annual financial statements. Events after the balance sheet date that do not affect the Group's position at the balance sheet date, but which will affect the Groups position in the future, are stated if significant.

NOTE 2 FINANCIAL RISK

The Group's activities expose it to a variety of financial risks; market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.
Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies evaluates and hedges financial risk in close co-operation with the Group's operating units. The Board provides principles for overall risk management such as foreign currency risk, interest rate risk, credit risk, use of derivative financial instruments and investment of excess liquidity. Hedging activities cannot be undertaken without approval from Chief Executive Officer and Chief Financial Officer.

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

Foreign Currency Risk
A substantial part of the Group's income and expenses are denominated in foreign currency. The Group leases, aircraft purchases, and related expenses are mainly denominated in USD, and a portion of the sales and airplane operation expenses are denominated in EUR. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations. In order to reduce currency risk, the Group has a mandate to hedge up to 100% of its currency exposure next 12 months. The hedging consists of forward currency contracts and flexible forwards.

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

In 2008, if NOK had weakened/strengthened by 1% against the US dollar with all other variables held constant, pre-tax profit and pre-tax equity effect for the year would have been MNOK 31 (2007: MNOK 16.8) higher/lower, mainly as a result of foreign exchange gains/losses on operating costs.

The sensitivity analysis of foreign currency risk in USD is calculated using USD and jet-fuel price as interdependent variables. Jet-fuel is traded in several currencies, but actually represents a USD exposure. The calculation is based on actual fuel consumption in 2008, actual net outflow of USD adjusted for significant USD accruals, average jet-fuel price and average USD/NOK exchange rate.

If NOK had weakened/strengthened by 1% against EUR with all other variables held constant, pre-tax profit and pre-tax equity effect for the year would have been MNOK 7 (2007: MNOK 5.3) higher/lower, mainly as a result of foreign exchange gains/losses on operating costs.

The sensitivity analysis of foreign currency risk in EUR is calculated based on net outflow of EUR in 2008. EUR exposure in revenue is insignificant for the analysis, as well as accruals and receivables in EUR.

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

Interest rate risk
As the Group has net interest bearing debt, the Group's income and operating cash flows are dependent of changes in market interest rates. The Group's interest rate risk arises from cash and cash equivalents and floating interest rate long-term borrowings. Borrowings consist of an unsecured bond issue and a revolving credit facility, both with floating interest rates. Leasing contracts have fixed interest rate.

In 2008, if floating interest rate (NIBOR) had been 1 % higher/lower with all other variables held constant, pre-tax profit and pre-tax equity effect for the year would have been MNOK 1.3 (2007: 5.2) higher/lower (2008) or lower/higher (2007), mainly as a result of higher/lower interest income on floating rate cash and cash equivalents and borrowings.

In 2008, if floating interest rate (LIBOR) had been 1% higher/lower with all other variables held constant, pre-tax profit for the year would have been MNOK 1.1 lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

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

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

In 2008, if the jet-fuel price had increased/decreased by 1% with all other variables held constant, pre-tax profit for the year would have been MNOK 17 (2007: MNOK 8.7) higher/lower.

The sensitivity analysis is calculated based on actual jet-fuel consumption in 2008. As opposed to the sensitivity analysis of USD currency risk, the jet-fuel price risk analysis is not based on interdependence between jet-fuel price and USD exchange rates. The sensitivity is calculated using USD/NOK exchange rate at the balance sheet date.

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

For a part of Norwegians sales, our customers pay at time of booking while Norwegian 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 our 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.

Management monitors rolling forecasts of the Group's liquidity reserve and cash and cash equivalents (note 24) on the basis of expected cash flow. This is generally carried out at local level in the operating companies of the Group in accordance with practice and limits set by the Group. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these; monitoring balance sheet liquidity ratios against internal and external regulatory requirements; and maintaining debt financing plans.

The Group will take deliveries of two of the 42 purchased aircraft during 2009, 5 aircraft in 2010 and the remaining 35 aircraft in the period 2011-2014. Pre-delivery payments related to the delivery of the first 10 aircraft were secured last year. The Group is currently in process of securing long term financing for the 2 deliveries this year and 5 deliveries in 2010, combined with pre-delivery financing on 7 deliveries in 2011, by using guarantees and direct loans from The Ex-Im Bank of the United States.

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

At 31 December 2008 (NOK 1 000)	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	257 456	440 873		
Derivative contracts - payments	195 577			
Trade and other payables	694 832			
Subordinated bond loan *)	30 000			
Interest on borrowings **)	37 855	7 981		
Total financial liabilities	**1 215 720**	**448 854**	0	0
Derivative contracts - receipts	-91 253			
Total	1 124 468			

*) Subordinated bond loan issued to Bank Norwegian (Note 30)
**) Calculated interests on borrowings

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

The gearing ratios at 31 December 2008 and 2007 were as follows;

NOK 1 000	2008	2007
Total borrowings (note 22)	698 330	297 697
Cash and cash equvalents (note 24)	607 536	501 410
Net debt	**90 793**	**-203 713**
Total equity	897 368	508 273
Total capital	**988 161**	**304 560**
Gearing ratio	**9.2 %**	**0.0 %**

NOTE 3 SEGMENT INFORMATION

All revenues derive from the Group's principal activity as an airline company and include scheduled services, in-flight and related sales. The operations are based in Norway, Poland, Sweden and Denmark.

The Group's operating profit arises from airline-related activities and the only revenue generating assets of the Group are its aircraft fleet, which is registered in Norway and Sweden. The Norwegian aircraft fleet is employed flexibly across the Norwegian, Polish and Danish operation. There is no suitable basis of allocating these assets and related liabilities to segments other than Norwegian operations and Swedish operations. The Group's only segment is therefore geographical.

(NOK 1 000)	2008	2007
Revenue		
Norway (external revenue)		
Passenger transport	4 733 009	3 636 122
Ancillary passenger revenue	423 742	212 049
Other airline-related revenues	88 014	58 072
Total Norway	**5 244 765**	**3 906 243**
Sweden (external revenue)		
Passenger transport	908 524	319 959
Ancillary passenger revenue	39 867	0
Other airlaine-related revenues	33 257	0
Total Sweden	**981 648**	**319 959**
Total Group	**6 226 413**	**4 226 202**
Internal revenue		
Norway	96 371	47 604
Sweden	41 637	12 474

Operating profit	2008	2007
Norway	-86 936	161 141
Sweden	-250 919	-27 190
Total Group	**-337 854**	**133 951**
Profit/loss associated company, Norway	-8 773	-1 821
Gain from sale of subsidiary, Norway	0	10 800

Assets	2008	2007
Norway	3 869 206	2 201 580
Sweden (including fair value adjustments)	383 708	353 564
Group eliminations	-1 074 030	-224 047
Total Group	**3 178 884**	**2 331 098**

Liabilities	2008	2007
Norway	2 769 130	1 670 821
Sweden (including fair value adjustments)	405 355	174 026
Group eliminations	-892 969	-22 022
Total Group	**2 281 515**	**1 822 825**

Investments in intangible and tangible assets	2008	2007
Norway	426 571	70 700
Sweden	275	116
Total Group	**426 847**	**70 815**

Depreciations, amortization and impairment	2008	2007
Norway	89 571	67 426
Sweden (including depreciation on fair value adjustments)	40 040	6 618
Total Group	**129 611**	**74 044**

Cash flow	2008	2007
Norway		
- Net cash flow from operating activites	-345 776	510 754
- Net cash flow from investment activities	-253 199	-532 504
- Net cash flow from financing activities	704 751	306 425
Net change in cash and cash equivalents	105 775	284 676
Sweden		
- Net cash flow from operating activites	-39 776	-52 823
- Net cash flow from investment activities	-275	-116
- Net cash flow from financing activities	-18 107	0
Net change in cash and cash equivalents	-58 158	-52 939
Effect of exchange rate on cash	4 848	-2 025
Total Group net change in cash and cash equivalents	**52 465**	**229 711**

Revenue by geographic market	2008	2007
Norway	2 064 540	1 624 676
Sweden	230 400	166 819
Other EU/EEA countries	3 931 473	2 434 708
Total Group	**6 226 413**	**4 226 202**

Revenue by geographical market shows revenue from domestic flights in Norway and Sweden. Other EU/EEA countries show revenue from international flights.

NOTE 4 BUSINESS COMBINATIONS

At 31 July 2007, the group purchased 100% of the shares in Norwegian Air Shuttle Sweden AB (Flynordic), from Finnair Plc. The total purchase price was TNOK 199,811.

The purchase price allocation resulted in total fair value adjustments of TNOK 77,805 related to brand name, charter operations, Air Operating Certificate and air traffic slots. Charter operation and brand name fair value adjustment has a limited useful life, and is amortized over economic life, estimated to 15 and 12 months, respectively. Goodwill amount is assumed to be the value of workforce, the value of entering the Swedish market and expected profits and cost reductions from synergies with Norwegian Air Shuttle ASA.

At 31 December 2008, the provision for charter earn out, as recognized in the preliminary purchase price allocation 31 July 2007 as a part of total purchase price, is reduced to NOK 0. The purchase agreement with Finnair Plc stated that 50% of net operating profit from charter operations should be shared between the parties. Settlement of charter operations as of October 2008, showed a negative net operating profit from charter operations. See note 28 for details on charter earn out contingencies. Total purchase price and goodwill from the acquisition is decreased with TNOK 21,509 during 2008 as a result of reduced provisions for charter earn out. Adjustments of contingent considerations as part of the total purchase price will be adjusted against goodwill. See note 10 for intangible assets.

Pro et contra payments were settled in 2008.

No share options were exercised during 2008. The share options expired at 31 December 2008.

Purchase price (NOK 1 000)		At 31 July 2008	At 31 December 2008
1,063,087 shares in Norwegian Air Shuttle ASA	a)	127 128	127 128
1,121,633 share options in Norwegian Air Shuttle ASA	b)	29 485	29 485
Pro et contra payment	c)	20 604	20 604
Profit sharing charter operations	d)	21 509	0
Cost of transaction		1 085	1 085
Total purchase price		**199 811**	**178 302**

a) Value date 31 July 2007 at NOK 119.5/share. Total nominal value TNOK 106, additional paid in capital TNOK 127,021
b) 646,692 options at strike NOK 110/share 18 328
474,941 options at strike NOK 120/share 11 158
The options were priced by an external evaluer, using Black & Scholes model of option pricing
The options were issued to Finnair Plc.
c) The value of net assets of FlyNordic as at financial closing date, 30 June 2007, paid in january 2008.
d) Estimated 50% of net operating profits from charter operations in 15 months after financial closing date.

Purchase price allocation (NOK 1 000)	Book value at purchase date	Fair value adjustment	Preliminary purchase price allocation	Final purchase price allocation
Brand name		27 606	27 606	27 606
Charter		22 772	22 772	22 772
AOC		16 169	16 169	16 169
Air traffic slots		23 269	23 269	23 269
Goodwill	12 010	-12 010		
Tangible assets	907		907	907
Financial assets	3 073		3 073	3 073
Trade receivables	80 713		80 713	80 713
Other receivables and prepaid costs	21 763		21 763	21 763
Cash and cash equivalents	127 331		127 331	127 331
Total assets	245 795	77 805	323 600	323 600
Deferred tax related to fair value adjustments		-21 785	-21 785	-21 785
Provisions	-1 885		-1 885	-1 885
Trade liabilities	-86 410		-86 410	-86 410
Other short term liabilities	-132 999		-132 999	-132 999
Total equity and liabilities	-221 294	-21 785	-243 079	-243 079
Net identified assets and liabilities	**24 501**	**56 020**	**80 521**	**80 521**
Goodwill		119 290	97 781	
Purchase price			**199 811**	**178 302**
Reconciliation of goodwill				
Opening balance			0	116 453
Additions			119 290	0
Adjusted purchase price			0	-21 509
Translation differences			-2 837	6 909
Total goodwill			116 453	101 853

Goodwill is not deductible for tax purposes.

Cash from business combinations		
Paid in cash	-1 085	-20 604
Cash received	127 331	0
Net cash in	**126 246**	**-20 604**

NOTE 5 OPERATIONAL EXPENSES

NOK 1 000	2008	2007
Sales and distribution expenses	115 251	94 162
Aviation fuel	2 006 248	980 985
Aircraft leases	426 597	295 241
Airport charges	841 999	601 556
Handling charges	615 740	404 236
Technical maintenance expenses	574 077	411 936
Blocked Space	6 391	109 826
Other aircraft expenses	306 424	214 304
Total operational expenses	**4 892 727**	**3 112 246**

The Group reclassified the change in fair value of currency derivatives and jet fuel derivatives at fair value through profit and loss from operational expenses to other gains and losses in 2008. As such, comparative amounts for 2007 are restated. 'Other (losses)/gains-net' as shown on the face of the income statement amounts to TNOK 147,768 (loss) in 2008 and TNOK 14,743 (loss) in 2007. Hereof, TNOK 118,331 (loss) and TNOK 12,101 (loss) relates to derivatives recognized in operational expenses in 2008 and 2007, respectively.

Hired crew personnel were also reclassified in 2008, see note 6 for details.

The table below shows operational expenses including change in fair value of currency derivatives and jet fuel derivatives;

NOK 1 000	2008	2007
Sales and distribution expenses	114 885	94 162
Aviation fuel	2 162 128	990 741
Aircraft leases	408 040	296 400
Airport charges	838 420	601 780
Handling charges	615 113	404 275
Technical maintenance expenses	559 657	412 837
Blocked Space	6 391	109 826
Other aircraft expenses	306 424	214 327
Reclassification of derivatives	-118 331	-12 101
Total operational expenses	**4 892 727**	**3 112 246**

NOTE 6 PAYROLL EXPENSES AND NUMBER OF EMPLOYEES

Payroll expenses

NOK 1 000	2008	2007
Wages and salaries	682 882	462 575
Social security tax	121 525	78 454
Pension expenses	120 894	55 966
Employee stock options	6 232	1 559
Other benefits	31 448	23 635
Hired crew personnel	113 087	47 470
Total	**1 076 068**	**669 659**

Payroll expenses include hired crew personnel. Hired personnel are reclassified from operational expenses in 2008. 2007 amounts are restated. The employees in Norway are members of the parent company's defined benefit pension plan, while the employees in Sweden are members of a defined pension contribution plan. See note 18 for details.

Number of man-labour years *)

	2008	2007
Norway	1 146	966
Sweden	159	126
Poland	73	51
Total	**1 378**	**1 143**

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

NOTE 7 REMUNERATION TO THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

Remuneration to the Board of Directors
Total remuneration paid to the Board in 2008 was TNOK 680. The Chairman of the Board, Erik Gunnar Braathen, received TNOK 150. There were no bonus or other form of compensation paid to the Board members in 2008.

Directive of remuneration to the CEO and executive management team
The principles for leadership remuneration in Norwegian Air Shuttle ASA are to stimulate to a strong and lasting profit oriented culture. The total compensation level should be competitive, however, not market leading compared to similar organizations. The Board defines the remuneration to the CEO, and the guidelines for remuneration to the other executive management. The remuneration to the Board and management team must not have negative effects for the Group, nor damage the reputation and standing of the Group in the public eye. There have been no changes in the guidelines or principles for management remuneration during the year. The actual remuneration in 2008 was consistent with the guidelines and principles.

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

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

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

Total compensation year 2008

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

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

Total compensation year 2007

NOK 1 000	Fee	Salary	Bonus	Other benefits **)	Total Compensation	Pension expense ***)
The board of Directors						
Erik Gunnar Braathen (chairman)	150				150	
Bjørn Kise (deputy chairman)	125				125	
Berit Slåtto Neerbye	100				100	
Liv Berstad	100				100	
Ola Krohn-Fagervoll	100				100	
Halvor Vatnar*)	35				35	
Kari-Helene Mordt Fjær*)	35				35	
Frode Husan*)	18				18	
Lasse Holm *)	18				18	
Total board of directors	**680**	**0**	**0**	**0**	**680**	**0**
Executive Management						
Bjørn Kjos (CEO)		1 284		115	1 399 a)	119
Frode Foss (CFO)		1 050	750	116	1 917 b)	91
Asgeir Nyseth (COO)		992		10	1 003 c)	122
Hans-Petter Aanby (CTO)		1 156	1 759	55	2 970 d)	134
Daniel Skjeldam (CCO)		892		13	905 e)	69
Gunnar Martinsen (HR)		672		20	691 f)	136
Anne Grete Ellingsen (CIO)		832		23	855	143
Total executive management	**0**	**6 878**	**2 509**	**354**	**9 740**	**814**

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

a) Bjørn Kjos excercised share options in 2007 that has been reported as additional taxable income with NOK 2,610,000
b) Frode Foss excercised share options in 2007 that has been reported as additional taxable income with NOK 2,600,880
c) Asgeir Nyseth excercised share options in 2007 that has been reported as additional taxable income with NOK 456,960
d) Hans-Petter Aanby excercised share options in 2007 that has been reported as additional taxable income with NOK 1,300,440
e) Daniel Skjeldam excercised share options in 2007 that has been reported as additional taxable income with NOK 1,300,440
f) Gunnar Martinsen excercised share options in 2007 that has been reported as additional taxable income with NOK 217,500

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

Auditor remuneration (ex. VAT)

NOK 1 000	2008	2007
Audit fee	1126	1 104
Other audit related services	422	1 039
Tax advisory	588	67
Other services	79	80
Total	**2 215**	**2 290**

NOTE 8 NET FINANCIAL ITEMS

NOK 1 000	2008	2007
Interest income	39 427	21 826
Interest expense	-9 880	-19 140
Net foreign exchange (loss) or gain	-31 377	-16 380
Appreciation cash equivalents	-310	18 394
Fair value adjustment long term deposits	122	681
Hedge inefficiency (note 20)	358 264	-32 647
Other financial items	-4 279	-2 683
Net financial items	**351 966**	**-29 949**

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

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

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

NOTE 9 TAX

This year's tax expense consists of (NOK 1 000):	2008	2007
Tax payable	267	1 212
Tax paid in current year on current year income	787	738
Tax payable in aquisition	0	-8 864
Change in deferred tax	340	35 316
Income tax expense	**1 394**	**28 402**

Reconciliation from nominal to effective tax rate:

NOK 1 000	2008	2007
Profit before tax	5 339	112 982
Expected tax expense using nominal tax rate (28 %)	1 495	31 635
Tax effect of the following items:		
Non deductible expenses	4 261	356
Non taxable revenue	-6 955	-2 994
Tax rate outside Norway other than 28%	2 474	-170
Other items	118	-424
Tax expense	**1 394**	**28 402**
Effective tax rate	26.10 %	25.14 %

Deferred tax	Assets 2008	Liabilities 2008	Assets 2007	Liabilities 2007
Intangible assets	0	-8 584	0	-19 470
Tangible assets	0	-15 298	4 678	0
Receivables	653	9 693	4 834	0
Financial instruments	0	23 974	9 711	0
Derferred gains/losses	0	44	55	0
Other accruals	0	29 715	24 413	0
Pensions	0	17 308	9 327	0
Other temporary differences	0	-70 934	35	0
Loss carried forward	59 107	4 387	8 263	0
Gross deferred tax assets and liabilities	**59 759**	**-9 695**	**61 317**	**-19 470**

Reconciliation of deferred tax assets and liabilities	Assets 2008	Liabilities 2008	Assets 2007	Liabilities 2007
Recognized at 1 January	61 317	-19 470	96 597	0
Charged/credited to the income statement	-3 404	3 063	-35 316	1 356
Changes in tax rate in Sweden	1 920	554	0	0
Charged directly to equity	0	6 870	35	-20 827
Translation differences	-75	-712	0	0
Recognized at 31 December	**59 759**	**-9 695**	**61 317**	**-19 470**

Temporary differences caused by investments in subsidiaries, and deferred tax not recognized in the balance sheet amounts to NOK 0. Deferred tax asset is based on unused tax loss carry forwards in Sweden and temporary differences in assets and liabilities. Deferred tax liability is based on allocation of purchase price of Norwegian Air Shuttle Sweden AB to fair values, as well as temporary differences in assets and liabilities.

The Group has reduced costs in the Swedish operations significantly during 2008, and will continue to improve efficiency and profit from synergies coming years. The Board of Directors find that with the current prognosis and approved budgets for future profits, it is highly probable that the deferred tax assets will be utilized within the next few years.

Swedish tax authorities changed the tax rate in December 2008 from 28% to 26.3%. This reduction results in decreased tax liability related to fair value adjustments from the acquisition of Norwegian Air Shuttle Sweden AB. Additionally, deferred tax assets and liabilities from temporary differences on assets and liabilities in Sweden are reduced.

NOTE 10 INTANGIBLE ASSETS

NOK 1 000	Software	Goodwill	Other intangible assets	Total
Acquisition costs 1 January 2007	65 082	0	0	65 082
Additions	14 030	119 290	89 816	223 135
Translation differences	0	-2 837	-2 136	-4 973
Acquisition costs 31 December 2007	**79 112**	**116 453**	**87 680**	**283 244**
Acquisition costs 1 January 2008	79 112	116 453	87 680	283 244
Additions	29 392	0	4 022	33 414
Adjusted purchase price (note 4)	0	-21 509	0	-21 509
Translation differences	0	6909	6 315	13 225
Acquisition costs 31 December 2008	**108 504**	**101 853**	**98 017**	**308 374**
Accumulated amortization 1 January 2007	31 839	0	6 441	38 280
Amortization in 2007	12 580	0	-23	12 557
Accumulated amortization 31 December 2007	**44 419**	**0**	**6 418**	**50 837**
Accumulated amortization 1 January 2008	44 419	0	6 418	50 837
Amortization in 2008	17 293	0	0	17 293
Impairment	0	0	0	0
Translation differences	0	0	42 170	42 170
Accumulated amortization 31 December 2008	**61 712**	**0**	**48 588**	**110 300**
Book value at 31 December 2007	**34 693**	**116 453**	**81 262**	**232 407**
Book value at 31 December 2008	**46 792**	**101 853**	**49 429**	**198 074**
Useful life	3-5 years	See below	See below	
Amortization plan	Linear	-	Linear	

Capitalized software is related to external consulting fees for the development of Norwegian's own systems for booking and ticket-less travel, various sales portals, back office and financial reporting systems. In addition to that, direct costs for the involvement of internal employees in these projects are also capitalized. The depreciation of the software commence as each module is completed.

Other intangible assets and goodwill are related to the purchase of Norwegian Air Shuttle Sweden AB (Nordic Airlink Holding AB) on 31 July 2007. Other intangible assets consist of estimated fair value of Brand name, charter operations, slots and the Air Operating Certificate. All assets, except charter operations and brand name are determined to have indefinite useful life, and are not amortized, but subject for annual impairment testing. Other intangible assets also consist of intellectual property rights which are related to purchases of internet domains. The Group has developed web portals in Norway, Sweden and Denmark. The intellectual property right is recognized as an addition of MNOK 4 in 2008.

The determination of indefinite useful lives is based on management's assessment that there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity. The slots and air operating certificate are all rights or accesses that do not expire over time, as long as management has the intention to continue use.

Charter operations are defined to have a useful life of 15 months from date of purchase, and the fair value of the asset is amortized linear over 15 months. Brand name was impaired at 31 March 2008 due to re-branding in Sweden, and the Group recognized an impairment loss of MNOK 12.1. The assumptions for the impairment loss are based upon the "Relief from royalty method" using i.e. a hypothetic royalty rate and estimated cash flows. Brand name is assessed as an asset with defined useful life of 12 months. The remaining fair value after impairment loss is amortized over 12 months from 31 March 2008.

Impairment testing of Goodwill and assets with indefinite useful lives
The Group test goodwill and assets with indefinite useful lives annually for impairment or more frequently if there are indications of impairment. The test is performed at year end.

The Group has identified the total operations in the Group as its cash generating unit related to goodwill and asset with indefinite useful lives from the purchase of the Swedish operations (note 4). The determination of cash generating units is based on how Management operates and assesses Group 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. The method used is value in use, based on discounted cash flow analysis. The analysis reflects the cash flow projections in the financial business plan covering the next year approved by senior management. In addition, the calculation includes estimated cash flows for the next 5 years. Key assumptions used in the calculation are growth rates, operating costs, terminal value and discount rate. Cash flow beyond the 5 year period are extrapolated with a long term growth rate. Estimated cash flow and discount rate is after tax.

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

Growth rates
The basis for determining future growth rate is next year management approved budget, and an estimated sales growth rate based on planned production increase, expansion of route portfolio and expected increase in market share. A decrease of sales growth of 5% will not result in impairment of goodwill.

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

Terminal value
Growth rate of 2% is used in determining cash flow beyond the 5 year period.

NOTE 11 TANGIBLE ASSETS

NOK 1 000	Buildings	Aircraft, parts and installations on leased aircraft	Prepayment Boeing contract	Equipment and fixtures	Total
Acquisition cost at 1 January 2007		258 836	302 019	43 182	302 019
Additions	3 933	42 078	316 546	17 437	379 994
Disposals	0	0	0	0	0
Acquisition cost at 31 December 2007	**3 933**	**300 914**	**316 546**	**60 619**	**682 013**
Acquisition cost at 1 January 2008	3 933	300 914	316 546	60 619	682 013
Additions	0	373 327	388 619	20 106	782 052
Disposals	0	0	0	0	0
Acquisition cost at 31 December 2008	**3 933**	**674 242**	**705 165**	**80 490**	**1 464 065**
Accumulated depreciation at 1 January 2007	0	44 417	0	29 157	73 574
Depreciation in 2007	0	46 678	0	8 345	55 023
Reversals in 2007		0	0	-1 196	-1 196
Accumulated depreciation at 31 December 2007	**0**	**91 095**	**0**	**36 306**	**127 401**
Accumulated depreciation at 1 January 2008	0	91 095	0	36 306	127 401
Depreciation in 2008	0	59 471	0	13 227	72 698
Reversals in 2008	0	0	0	0	0
Accumulated depreciation at 31 December 2008	**0**	**150 566**	**0**	**49 533**	**200 099**
Book value at 31 December 2007	**3 933**	**209 820**	**316 546**	**24 313**	**554 612**
Book value at 31 December 2008	**3 933**	**523 676**	**705 165**	**31 014**	**1 263 787**

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

	Buildings	Aircraft, parts and installations on leased aircraft	Prepayment Boeing contract	Equipment and fixtures
Useful life	See below	See below	See below	3-9 years
Depreciation plan	See below	Linear	See below	Linear
Residual value	100 %	See below	See below	0 %

As at 31 December 2008, the Group operated a total of 40 aircraft, 5 owned and 35 leased under operational leases. Operational leases are detailed in note 12.

The group acquired 3 Boeing 737-300 aircraft during 2008 and capitalized MNOK 336.2 on aircraft. These 3 aircraft have been decomposed according to Group guidelines as outlined below.

Aircraft
Aircraft consist of purchased aircraft and the group owns 5 aircraft at 31 December 2008. The residual value is MNOK 68.1 in total for all aircraft and linear depreciation is applied. Aircraft is decomposed into two components for depreciation purposes. In accordance with official requirements, aircraft must be maintained and significant components changed after a specific number of takeoffs or airborne hours. These components are identified as C check and D check on aircraft body, power restoration and life limited parts for the two engines on each plane, as well as maintenance on landing gears and the APU. The maintenance and overhaul on these components occurs on a defined interval, and the value is depreciated over the period until next maintenance occurs. Completed maintenance and overhaul is capitalized and depreciated over the period until next relevant maintenance and overhaul. The second aircraft component is defined as the remainder of the aircraft. The residual value is deducted from the depreciable amount of the remainder of the aircraft. The life expectancy of the aircraft is 30 years, and the economic life of the owned aircraft is 30 years less the age of the aircraft at time of purchase.

Installations on leased aircraft
The installations on the leased aircraft include cabin interior modifications, and other improvements to the aircraft after lease commencement. The capitalized value is depreciated over the remainder of the aircraft lease, which is between 1-8 years. Linear depreciation is applied and residual value is NOK 0. In 2008 several engines on the leased aircraft were in overhaul, and replacement costs for life limited parts were capitalized in the extent that the costs are improvements to the engines exceeding the requirements specified in the leasing contracts. These components are depreciated at a defined rate per engine cycle, limited to the remainder of the aircraft lease.

Spare parts
Spare parts consist of rotable and repairable parts for aircraft and are depreciated over their useful life. Useful life of spare parts is between 4-10 years. Linear depreciation is applied and 25% of the acquisition cost is calculated as residual value.

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

Prepayments on Boeing contract
In 2007, the Group entered into a purchase contract on 42 new 737-800 aircraft with Boeing Corporation. The aircraft will be delivered in the period 2009 until 2014. Up until delivery of the aircraft, the Group will make prepayments to Boeing, following a defined prepayment schedule. The Group has chosen to early adopt IFRS 23 (R) - Borrowing Costs which determines that borrowing costs shall be capitalized. Borrowing costs incurred for the construction of qualifying assets are capitalized during the period of time that is required to complete the aircraft. Borrowing costs of MNOK 30.5 (2007: MNOK 7.2) have been capitalized during the year. Average capitalization rate of 8.21% (2007: 6.98%) was used. The Group applied fair value hedge accounting of unrecognized firm commitment for the three first quarters of 2008. The hedging relationship was terminated at 16 October 2008. The remaining fair value of the unrecognized firm commitment of MNOK 8.7 at the date of termination was capitalized as part of prepayments. Prepayments are not depreciated until the aircraft is delivered and ready for use. The value of prepayments is tested for impairment annually.

Impairment of tangible assets
No impairment losses have been recognized in 2008.

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 for 3 to 8 years from the date of agreement, with options for extension on certain agreements. 6 of the aircraft were delivered in 2002, 2 aircraft in 2003, 4 aircraft in 2004, 2 aircraft in 2005, 6 aircraft in 2006, 2 aircraft in 2007 and 8 aircraft in 2008. Renegotiations have resulted in extensions on some of the shorter leases. The contracts for 8 of the aircraft expire in 2010 and for 6 of the aircraft in 2011. The remaining contracts expire in 2012 or later. Norwegian Air Shuttle Sweden AB has lease agreements on 5 MD-80 aircraft. All contracts will expire in 2009.

Leasing costs expensed on aircraft lease within operational expenses was MNOK 426.6 in 2008 (2007: MNOK 295.2)

In addition, the Group leases 9 cars, and 9 properties in Oslo, Stavanger and Warsaw. Leasing costs related to cars and properties expensed in other operating expenses in 2008 was MNOK 19.1 (MNOK 17.8 in 2007)

Annual minimum rent on non-cancelable operating lease agreements per 31 December 2008 is as follows:

	Nominal value 2008				Nominal value 2007			
NOK 1 000	Aircraft	Cars	Property	Total	Aircraft	Cars	Property	Total
Within one year	613 824	560	18 466	632 850	455 047	632	18 341	474 020
Between 1 and 5 years	1 509 123	498	63 326	1 572 947	668 059	354	58 720	727 133
After 5 years	552 286		19 849	572 134			19 849	19 849

The aircraft's minimum lease payments consist of ordinary lease payments, contractual payments for maintenance reserves, mandatory maintenance and expensed deferred lease payments resulting from non interest bearing deposits paid at inception of lease agreement.

NOTE 13 TRADE AND OTHER RECEIVABLES

Spesification of receivables

NOK 1 000	2008	2007
Trade receivables	121 808	108 904
Credit card receivables	424 054	104 507
Deposits	71 493	45 893
Deferred leasing costs	8 539	3 485
Prepaid costs	19 041	65 135
Public duty debt	57 025	44 135
Reimbursements claims maintenance costs	222 524	110 326
Other claims	5 937	28 972
Costs to be reinvoiced	63	624
Prepayments to employees	418	563
Prepaid rent	15 880	7 506
Total	**946 783**	**520 050**

Due dates

NOK 1 000	2008	2007
Within one year	914 379	491 543
After 1 year	32 403	28 507
Total	**946 783**	**520 050**

Currency

NOK 1 000	2008	2007
DKK	6 059	2 755
EUR	1 057	797
GBP	240	160
NOK	561 050	262 713
USD	43 785	35 665
SEK	78 715	70 164
PLN	33	538

Fair value of trade and other receivables

NOK 1 000	2008	2007
Due within one year	914 379	491 543
After one year *)	28 631	25 911
Total	**943 010**	**517 453**

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

Provision for bad debt

NOK 1 000	2008	2007
Balance 1 January	8 723	11 051
Utilized	-4 487	-2 226
Accruals	28 217	2 425
Reversals	-2 184	-2 526
Balance 31 December	**30 269**	**8 723**

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

Overdue accounts receivables

NOK 1 000	2008	2007
Overdue less than 3 months	39 426	29 185
Overdue 3-6 months	431	8 511
Overdue over 6 months	14 134	12 200
Total	**53 991**	**49 896**

The majority of accounts receivable overdue is due to slow processing of accounts payable with some of our customers, and is not related to any problems with ability or willingness to pay. Most of the overdue receivables are to handling agents which are also our suppliers.

Maximum exposure to credit risk at 31 December 2008 is TNOK 768,385 (2007: TNOK 323,737)

The Group has deposits as collateral for the Group's liabilities to suppliers. See note 24 for details on restricted cash.

Non interest bearing deposits are valued at fair value 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	2008	2007
Consumables	22 149	14 777
Modification equipment	8 483	5 005
Parts for heavy maintenance	3 581	8 219
Total	**34 214**	**28 000**

In 2008 and 2007, the Group bought parts for a heavy maintenance on aircraft engines that have been performed during the spring of 2008. Those parts for heavy maintenance on aircraft engines in stock as of 31 December 2008 that have not been utilized will be sold during spring 2009.

There have been no charges in the income statement for obsolete products in 2008 or 2007.

NOTE 15 EQUITY AND SHAREHOLDER INFORMATION

At 31 December 2008, the share capital consists of the following share classes:

	2008	2007
Issued shares	32 359 778	20 865 526
Own shares	0	0
Net Shares	**32 359 778**	**20 865 526**

There is only one class of shares, and all shares have equal rights. Par value per share is NOK 0.10

	Number of shares (thousands)	Ordinary shares	Share premium	Total
01 January 2007	**19 669**	**1 967**	**271 934**	**273 901**
Share issue 31 July 2007	1 064	106	126 931	127 038
Share issue 26 October 2007	133	13	9 412	9 425
31 December 2007	**20 866**	**2 087**	**408 277**	**410 364**
Share issue 5 August 2008	11 494	1 149	380 853	382 002
31 December 2008	**32 360**	**3 236**	**789 130**	**792 366**

All issued shares are fully paid with a par value of 0.1 NOK per share (2007: 0.1 NOK per share).

Description of items booked directly on shareholders equity:

Translation differences
TNOK 1,293 has been booked directly in shareholders equity as at 31 December 2008 (2007: TNOK -4,540). The translation differences arise from consolidating the subsidiaries Norwegian Air Shuttle Polska SP.zo.o and Norwegian Air Shuttle Sweden AB into Group accounts.

Expenses for share issue
Expenses for share issue, net of tax, in the amount of TNOK 17,998 (2007: TNOK 90) have been booked directly in shareholder equity.

Stock option plan
Stock options are granted to management and employees. Management stock option plan was granted in 2007. In 2008, employees were granted stock options in exchange for a voluntary reduction in salary. See note 17 for further details.

Shareholder structure
The largest shareholders at 31 December 2008 were:

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

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

Name	Title	Shares 1)	Options
Erik G. Braathen	Chairman of the Board	1 453 986	-
Bjørn Kise 2)	Deputy chairman	861 343	-
Ola Krohn Fagervoll	Board Member	15 462	-
Liv Berstad	Board Member	-	-
Marianne Wergeland Jenssen	Board Member	800	-
Monika Johansen	Board Member - Employee repr	-	-
Halvor Vatnar	Board Member - Employee repr	1 917	-
Sissel Vårum	Board Member - Employee repr	-	-
Bjørn Kjos 3)	CEO	8 009 153	38 052
Frode E Foss	CFO	38 771	36 624
Hans-Petter Aaneby	CIO	3 174	36 636
Asgeir Nyseth	COO	5 200	36 655
Daniel Skjeldam	CCO	-	33 039
Anne Grethe Ellingsen	Information Manager	-	-
Gunnar Martinsen	HR Manager	7 809	5 000

1) Including shares held by related parties
2) Bjørn Kise holds 9 % of HBK Holding AS and 10 % of HBK Invest AS, which holds 83% of BSB Invest
3) Bjørn Kjos holds 91 % of HBK Holding AS and 90 % of HBK Invest AS, which holds 83% of BSB Invest. Bjørn Kjos also holds 50% of Ankerløkken AS, which holds 17% of BSB Invest AS.

Specification of other reserves

	Available-for-sale financial assets	Translation differences	Total
01 January 2007	**0**	**-10**	**-10**
Translation differences	0	-4 540	-4 540
01 January 2008	**0**	**-4 550**	**-4 550**
Available for sale financial assets	4 376	0	-4 376
Translation differences	0	1 293	1 293
31 December 2008	**-4 376**	**-3 257**	**-7 633**

NOTE 16 EARNINGS PER SHARE

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

NOK 1 000	2008	2007
Profit	3 944	84 580
Average number of shares outstanding	25 526 209	20 196 040
Average number of shares and options outstanding	27 089 077	20 831 005
Basic earnings per share	0.15	4.19
Basic earnings per share restated	-	3.77
Diluted earnings per share	0.15	3.77

	2 008	2 007
Average number of shares outstanding	25 526 209	20 196 040
Dilutional effects		
Stock options	-	-
Average number of shares outstanding adjusted for dilutional effects	25 526 209	20 196 040

Underwritten rights issues of 11,494,252 new shares were issued by the parent company at a subscription price of NOK 34.8 per share, with subscription rights for shareholders as of end of 5 August 2008. The subscription price was set at 30% discount to the volume weighted average trading price on Oslo Stock Exchange during the last five trading days prior to the day of the extraordinary general meeting. The bonus in subscription price is reflected in basic earnings per share. An adjustment factor of 1.075 is used in the calculation to restate basic earnings per share for 2007.

Stock option program to employees (note 17) was issued with a discount in strike price of approximately 30% below fair market value of the share at grant date, though not higher than NOK 34.8 per share. The stock option program has a dilutive effect by increasing weighted average number of shares and options outstanding. However, adjusted exercise price at 31 December 2008 (exercise price + services not yet rendered per employee) is higher than average market price for the relevant period. Accordingly, no dilutive effects on share options are presented in the table above.

NOTE 17 OPTIONS

On 24 October 2007 the Board issued, in accordance with the authorization from the general meeting on 3 May 2007, 269,000 stock options to the company management team. The stock options have an exercise price of NOK 173.07. The stock options vest over a two year period, whereof 50% vest after the first year. Stock options not exercised before 23 October 2009 are discontinued.

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

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

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

The following estimates are used in calculating fair value:

	2008	2007
Dividend (%)	0 %	0 %
Expected volatility (%)	54.69 %	35.03 %
Historic volatility (%)	54.69 %	35.03 %
Risk free interest (%)	5.86 %	4.98 %
Expected lifetime (year)	1.12	2.00
Share price at grant date	39.00	141.00

"Expected lifetime assumes that the stock options are exercised at expiration. Expected volatility is based on the historical volatility over the most recent period that corresponds with the expected life of the option."

The option program is expensed with TNOK 6.232 in 2008 and TNOK 1.558 in 2007.

	2008 Shares	Weighted avg. exerc. Price	2007 Shares	Weighted avg. exerc. Price
Outstanding at the beginning of the period	269 000	173.1	136 250	71.0
Allocated	561 301	32.1	269 000	173.1
Exercised	0	0	132 500	71.1
Terminated	611	32.1	3 750	65.0
Forfeited	0	0	0	0
Expired	0	0	0	0
Vested options	134 500	173.1	0	0
Weighted average of fair value of options allocated in the period	561 301	13.3	269 000	22.0
Outstanding at the end of the period	829 690	77.8	269 000	173.1

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

In 2007 Norwegian Air Shuttle ASA implemented a "Share Saving Plan" whereby the employees, through monthly deductions in salary, purchase shares in the company. The company will match up to 50% of the employee savings amount, limited to NOK 6,000 per annum. In addition, there is a bonus share scheme, entitling employees to receive bonus shares 2 years after the initial share purchase at a one-for-ten ratio to initial shares purchased. As per 31 December 2008 a total of 11,260 (2007: 576) bonus shares were potentially acquired.

Fair value of the bonus shares are measured at the date of grant using Hoadley's 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.

Options issued in the purchase of Norwegian Air Shuttle Sweden AB
As part of the consideration for purchase of Norwegian Air Shuttle Sweden AB, Norwegian Air Shuttle ASA issued on 31 July 2007, a total of 1,121,633 share options. The share options expired 31 December 2008 and no share options were exercised in 2008. See note 4 for details on business combinations.

NOTE 18 PENSIONS

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

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

For the defined contribution plans Norwegian Air Shuttle Sweden AB pays premiums to publicly or privately administrative pension plans on mandatory, contractual or voluntary basis. The Company has no further obligations once these premiums are paid. The premiums are accounted for as personnel expenses once paid. Pre-paid premiums are accounted for as an asset to the extend that future benefits can be determined as plausible.

A total of 140 employees were included in the pension plan as per 31 December 2008 (2007: 126). Total pension cost expensed in profit or loss in 2008 was TNOK 16,397 (2007: TNOK 5,513.)

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 2008, a total of 1,238 employees were active members (2007: 679), and 24 (2007: 21) were on pension retirement. In addition, all employees are included in the early retirement scheme (AFP), which is an unfunded plan for retirement right at the age of 62. The AFP is a multi-employer plan, where the Norwegian state pays a contribution of 40% of paid pensions for the retired persons older than 64 years. The Group payments of contribution to the plan are recognized as an expense in the income statement as incurred. The Group also pays 25% of the pension paid to own pensioners. This is an obligation for the Group that is not funded. The AFP obligation for the Group is shown under the heading "unfunded".

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

The pension obligation is calculated on linear accumulation. Changes in the obligation due to changes in and deviations from the estimated assumptions, are spread over the estimated average remaining vesting period for the part of deviations that exceeds 10% of the gross pension liability. Pension costs for the year for the Groups defined benefit plans are calculated by independent actuaries and are based on information as of January 1 2008. Management has made an assessment of changes in estimates and basis of calculation will have a material effect on the financial statements as per 31 December 2008. Estimated number of employees at 1 January 2008 included an increase of employees in the pension plan due to regulatory changes. However, the estimate was significantly lower than the actual number of employees in 2008. The resulted in an additional pension expense in 2008 of MNOK 22.8 (incl employer's contribution).

Risk tables for death and disability is based on the most commonly used statistics in Norway, (K-2005) and (K 63 adjusted) respectively.

Pension expense (NOK 1 000)	Funded	Unfunded	Total 2008	Total 2007
Net present value of benefits earned	89 860	411	90 271	44 081
Interest cost on pension liability	11 058	53	11 111	7 989
Return on plan assets	-11 459	0	-11 459	-8 382
Administrative expenses	0	0	0	0
Recognized actuarial gains/losses	1 895	0	1 895	606
Social security tax	12 614	65	12 679	6 159
Net pension expense defined benefit plans	**103 968**	**529**	**104 497**	**50 453**
Pension expense on defined contribution plans			16 397	5 513
Total pension expense			**120 894**	**55 966**

Defined benefit liability and fund (NOK 1 000)

	2008			2007		
	Funded	Unfunded	Total	Funded	Unfunded	Total
Change in present value of defined benefit liability:						
Gross pension liability 01.01	248 228	1 173	249 401	184 507	818	185 325
Current service costs	89 860	411	90 271	43 815	266	44 081
Interest cost	11 058	53	11 111	7 953	36	7 989
Actuarial gains/losses	49 948	392	50 340	19 453	53	19 506
Benefits paid	-5 000		-5 000	-7 500		-7 500
Gross pension liability 31.12	**394 094**	**2 029**	**396 123**	**248 228**	**1 173**	**249 401**
Change in fair value of plan assets:						
Fair value of pension assets 01.01	175 000	0	175 000	137 516	0	137 516
Expected return	-6 150	0	-6 150	5 345	0	5 345
Actuarial gains/losses	2 549	0	2 549	-2 375	0	-2 375
Administrative expenses	0	0	0	0	0	0
Contributions paid	66 601	0	66 601	42 014	0	42 014
Benefits paid	-5 000	0	-5 000	-7 500	0	-7 500
Fair value of plan assets 31.12	**233 000**	**0**	**233 000**	**175 000**	**0**	**175 000**
Net pension liability	**161 094**	**2 029**	**163 123**	**73 228**	**1 173**	**74 401**
Unrecognized actuarial gains/losses	-123 748	-561	-124 309	-51 469	-113	-51 582
Social security tax	22 714	286	23 000	10 326	165	10 491
Net recognized pension liability 31.12	**60 060**	**1 754**	**61 815**	**32 085**	**1 225**	**33 310**

	2008	2007
Actual return on pension funds	0.30 %	6.20 %
Expected contribution to be paid next year	80 000	57 050
Expected benefits to be paid next year	5 150	7 500

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

	2008	2007
Discount rate	3.8 %	4.5 %
Expected return on pension funds	5.8 %	5.5 %
Wage adjustments	3.8 %	4.0 %
Future pension increase	1.8 %	1.8 %
Average turnover	10-0 %	10-0 %

The Groups pension fund is invested in the following instruments:

	2008	2007
Current bonds	29.9 %	21.6 %
Long-term bonds	28.8 %	27.5 %
Money market funds	14.0 %	7.5 %
Stocks	3.8 %	24.8 %
Real estate	16.8 %	15.6 %
Various	6.7 %	3.0 %

NOTE 19 PROVISIONS

Periodic maintenance on leased Boeing 737 and MD-80 aircraft

Balance 31 December 2006	**81 734**
Utilized	-195 486
Accruals	214 795
Reversals	0
Balance 31 December 2007	**101 042**
Balance 31 December 2007	**101 042**
Utilized	-313 128
Accruals	326 175
Reversals	0
Balance 31 December 2008	**114 090**

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

Parts of the periodic maintenance will be performed in 2009, however, the exact provision to be utilized for these specific maintenance programs is uncertain. As a result of the uncertainty, all amounts have been classified as non-current liabilities.

NOTE 20 FINANCIAL INSTRUMENTS

Financial instruments by category (NOK 1 000)

The accounting policies for financial instruments have been applied to the line items below:

31 December 2008 Assets as per balance sheet	Loans and receivables	Fair value through profit or loss	Available-for-sale	Total
Available-for-sale financial assets	0	0	5 628	5 628
Derivative financial instruments	0	18 360	0	18 360
Trade and other receivables *)	854 355	0	0	854 355
Cash and cash equivalents	607 536	0	0	607 536
Total	**1 461 891**	**18 360**	**5 628**	**1 485 878**
*) Prepayments not included in trade and other receivables	60 024			

31 December 2008 Liabilities per balance sheet	Faiir value through profit or loss	Other financial liabilities	Total
Borrowings	0	698 330	698 330
Derivative financial instruments	104 325	0	104 325
Trade and other payables	0	694 832	694 832
Total	**104 325**	**1 393 162**	**1 497 486**

31 December 2007 Assets as per balance sheet	Loans and receivables	Fair value through profit or loss	Available-for-sale	Total
Available-for-sale financial assets	0	0	225 761	225 761
Derivative financial instruments	0	7 771	0	7 771
Trade and other receivables *)	402 087	0	0	402 087
Cash and cash equivalents	501 410	0	0	501 410
Total	**903 497**	**7 771**	**225 761**	**1 137 030**
*) Prepayments not included in trade and other receivables	89 456			

31 December 2007 Liabilities per balance sheet	Fair value through profit or loss	Other financial liabilities	Total
Borrowings	0	297 697	297 697
Derivative financial instruments	188 708	0	188 708
Trade and other payables	0	644 837	644 837
Total	**188 708**	**942 534**	**1 131 242**

See note 22 for details related to borrowings

Credit quality of financial asset

(NOK 1 000)		
Trade receivables	2008	2007
Counterparties with external credit rating		
A or better	424 054	104 507
Counterparties without external credit rating	121 808	108 904
Total trade receivables	**545 861**	**213 411**

Cash and cash equivalents	2008	2007
AA-	606 611	350 932
BBB	925	150 477
Total cash and cash equivalents	**607 536**	**501 410**

Derivative financial assets	2008	2007
AA-	18 360	7 771
Total derivative and financial assets	**18 360**	**7 771**

Available-for-sale financial assets as of 31 December 2008 consist of an investment in unlisted equity instrument in Silver. The fair value of available for sale financial assets is TNOK 5,628 (2007: TNOK 225,761). Fair value of the equity investment is calculated using calculations of fair value per share from Holberg Fondene, multiplied with number of shares held in the investment. The fair value of the shares is assessed to be a best estimate for the market value of the investment.

The Group sold an investment in debt security in 2008 amounting to TNOK 213,945 and realizing a net loss of TNOK 2,470 related to the investment. Interest income earned on the debt security in 2008 was TNOK 657 (2007: TNOK 758).

Additionally, a reduction in fair value of TNOK 4,376 was recognized in equity on investment in the unlisted equity instrument.

Available-for-sale financial assets are denominated in NOK.

Available-for-sale financial assets

(NOK 1 000)	2008	2007
Januar 1st	225 761	0
Additions	0	225 004
Sale	-213 945	0
Net gains/(losses) recognised in equity	-4 376	0
Net gains/(losses) recorded in profit and loss	-1 812	758
December 31st	**5 628**	**225 761**
Non-current portion	5 628	10 004
Current portion	0	215 758

Derivative financial instruments

(NOK 1 000)	2008 Assets	2008 Liabilities	2007 Assets	2007 Liabilities
Forward foreign exchange contracts – fair value hedges	0	0	0	178 900
Forward foreign exchange contracts	18 360	0	7 771	9 808
Forward commodities contracts	0	104 325	0	0
Total	**18 360**	**104 325**	**7 771**	**188 708**
Non-current portion:	0	0	0	154 333
Current portion:	18 360	104 325	7 771	34 375

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

The ineffective portion recognized in profit or loss that arises from fair value hedges amounts to a gain of TNOK 358,264 (2007: loss of 32,647). The total amount from derivatives that do not qualify for hedge accounting amounts to a loss of TNOK 147,768 (2007: loss of TNOK 14,743). See details in 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 2008 were TNOK 18,360 (2007: TNOK -2,037).

At 31 December 2008, the Group had forward foreign currency contracts to partially secure future payments of aircraft leases, fuel payments, heavy maintenance cost and other operating costs denominated in USD and EUR. These contracts are used to minimize the currency risk related to future payments.

The forward foreign currency contracts mature at various dates during the next 12 months. See note 2 for maturity analysis of derivative contracts.

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

Forward commodities contracts

Forward commodities contracts relates to jet-fuel derivatives.

The fair value of the outstanding forward commodities contracts at 31 December 2008 were TNOK -104,325 (2007: 0).

At 31 December 2008, the Group had 3 jet-fuel derivative contracts. These contracts are expected to minimize the jet-fuel price risk related to future jet-fuel purchases. The Group had fuel derivatives during 2007, but all were realized before 31 December 2007.

The forward commodities contracts mature at various dates during the next 12 months. See note 2 for maturity analysis of derivative contracts.

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

Fair value of hedged item - firm commitment

	2008 Assets	2008 Liabilities	2007 Assets	2007 Liabilities
Non-current portion	0	0	128 031	0
Current portion	0	0	18 222	0
Total	**0**	**0**	**146 253**	**0**

A portion of the Group's forward foreign currency contracts were designated as a fair value hedge in 2007 to hedge an unrecognized firm commitment to purchase 42 Boeing aircraft. The forward foreign currency contracts were restructured and sold during 2008, and no fair value related to the hedging relationship is recognized at 31 December 2008. Fair value at 31 December 2007 was TNOK 146,253.

The forward foreign currency contracts designated as a fair value hedge was restructured during Q3 2008 resulting in clean forwards and separate flexible terms. The flexible terms were not sold during 2008, and the fair value of the remaining flexible contracts at 31 December 2008 is TNOK 345. The clean forwards were sold during 2008 and the hedging relationship ceased. The Group recognized a gain of TNOK 324,347 from the sale of the forward contracts. The ineffective portion recognized in the profit or loss that arises from fair value hedges amounts to a gain of TNOK 358,264 (2007: loss TNOK 32,647). See details in the specification of 'other (losses)/gains- net' below.

Other (losses)/gains - net

	2 008	2 007
Financial assets at fair value through profit or loss		
- Fair value losses	-191 945	-14 743
- Fair value gains	44 177	0
Total	**-147 768**	**-14 743**
Ineffectiveness on fair value hedges	358 264	-32 647

Losses and gains on financial asset and financial liabilities at fair value through profit or loss are classified as 'other (losses)/gains – net'. Hedge ineffectiveness on fair value hedges are classified as financial items (note 8).

NOTE 21 TRADE AND OTHER PAYABLES

NOK 1 000	2008	2007
Accrued vacation pay	76 927	53 845
Accrued airport and transportation taxes	76 779	47 999
Accrued expenses	233 274	277 138
Trade payables	221 338	196 925
Payable to related party	0	3 160
Public duties	76 818	58 700
Other short term provisions	9 696	7 071
Total	**694 832**	**644 837**

The short term payables and provision are non interest bearing and are due within the next year.

NOTE 22 BORROWINGS

Nominal value

NOK 1 000	2008
Nominal value bond issue	300 000
Amortization	-1 303
Bond as at 31 December 2008 at amortized cost	**298 697**

Effective interest rate for the year ended 31.12.2008 was 8.60% (2007:8.52%).

NOK 1 000	
Nominal value facility agreement	408 219
Amortization	-8 586
Facility as at 31 December 2008 at amortized cost	**399 632**

Effective interest rate for the year ended 31.12.2008 was 5.56%.

Classification of borrowings

NOK 1 000	2008	2007
Non-current		
Bond issue	298 697	297 697
Facility agreement	142 176	0
Total	**440 873**	**297 697**
Current		
Bond issue	0	0
Facility agreement	257 456	0
Total	**257 456**	**0**
Total borrowings	**698 330**	**297 697**

Total borrowings include secured liabilities of TNOK 399,632 (collateralized borrowings). Collateralizes borrowings are secured by prepayments on the Boeing contract (note 11).

Covenants

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

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

The Group has not been in breach of any covenants during 2008.

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

	Carrying amount		Fair Value	
	2008	**2007**	**2008**	**2007**
Bond issue	298 697	297 697	279 928	277 461
Facility agreement	142 176	0	142 176	0

Fair value of non-current borrowings on the facility agreement equals the carrying amount as transaction costs deducted from the notional amount are higher than future interest payments. The fair value of current borrowings approximates their carrying amount as the impact of discounting is not significant. The fair value of non-current borrowings are based on cash flows discounted using a rate based on the following assumptions:

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

The bond issue is an unsecured bond issue denominated in NOK and matures 19 April 2010. The coupon is NIBOR + 2%.

ISIN: NO 001 0363476
Name: FRN Norwegian Air Shuttle ASA Open Bond Issues 2007/2010

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

The facility agreement was entered into in 2008 with French financial institution, Natixis. The facility will finance pre-delivery-payments (PDP's) related to the first 10 aircraft in the Boeing contract.

The borrowings mature at the delivery of each aircraft, with the first maturity in June 2009. See note 2 for further maturity analysis of borrowings.

NOTE 23 ASSETS PLEDGED AS COLLATERAL AND GUARANTEES

Liabilities secured by pledge (NOK 1 000):	2008	2007
Borrowings	399 632	0
Total	**399 632**	**0**

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

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

An investment in bond was pledged as security for the USD hedge on the purchase contract with Boeing in 2007. The investment bond and USD hedge are sold in 2008.

One owned aircraft was pledged as security for forward currency contracts in 2007, limited in total to MNOK 60. There are no pledges for security related to the forward currency contracts in 2008.

Book value of assets pledged as security and guarantees (NOK 1 000):	2008	2007
Cash depot	116 837	71 692
Short term investment bond	0	215 758
Prepayment Boeing Contract	499 416	0
Total	**616 253**	**287 450**

NOTE 24 BANK DEPOSITS

Cash and cash equivalents

NOK 1 000	2008	2007
Cash in bank	606 611	350 932
Cash equivalents	925	150 477
Total	**607 536**	**501 410**

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 2008, the interest terms on the cash deposits on folio accounts is 1 month NIBOR - 0.30% p.a. Interest terms on restricted cash deposits on folio accounts is 1month NIBOR - 0.15% p.a.

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

Restricted cash items are as follows:

NOK 1 000	2008	2007
Guarantees for leases and credits from suppliers	116 837	71 692
Taxes withheld	34 275	25 759
Total	**151 113**	**97 451**

NOTE 25 INVESTMENT IN SUBSIDIARIES

NOK 1 000

Name	Date of initiation /aquisition	Office	Number of shares	Ownership	Total Equity 31.12.08	Net profit 2008
Norwegian Air Shuttle Polska SP.zo.o	2 006	Warsaw, Poland	50 000	100 %	10 285	4 323
Norwegian Air Shuttle Sweden AB	2007.07.31	Stockholm, Sweden	20 000	100 %	-21 647	-180 749
Call Norwegian AS	2008.01.14	Fornebu, Oslo	1 000 000	100 %	-4 506	-5 506
NAS Asset Management Ltd	2008.07.15	Dublin, Ireland	1000	100 %	0	0
NAS Asset Management Norway AS	2008.07.15	Fornebu, Oslo	100	100 %	101	1

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

Norwegian Air Shuttle Sweden AB
The subsidiary was purchased on 31 July 2007. The Group owns 100 % of the shares in Norwegian Air Shuttle Sweden AB (Nordic Airlink Holding AB/FlyNordic). The company is based on Arlanda Airport, Stockholm, Sweden. The main activity of the company is low cost passenger airline operations, in addition to charter operations. The company operates under a Swedish Air Operating Certificate. Transactions between parent company and Norwegian Air Shuttle Sweden AB in 2008 were primarily wetlease operations.

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

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

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

Management believes that all inter-company transactions are handled according to the arm length principle.

NOTE 26 INVESTMENT IN ASSOCIATED COMPANY

Norwegian Air Shuttle ASA has the following investments in associates:

Entity	Country	Industry	Ownership interest	Carrying amount 31.12.2007	Net profit (loss) 2008	Carrying amount 31.12.2008
Norwegian Finans Holding ASA	Norway	Financial Institution	20 %	53 516	-8 773	44 743

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

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

Entity	Country	Assets	Liabilities	Revenues	Profit/(Loss)	Interest held %
Norwegian Finans Holding ASA	Norway	398 468	359 618	8 463	-8 773	20 %
Total		**398 468**	**359 618**	**8 463**	**-8 773**	

NOTE 27 RELATED PARTY TRANSACTIONS

Transactions with related parties
The Chief Executive Officer is the principal shareholder in Norwegian Air Shuttle ASA with an ownership share of 27.27 % through the controlling ownership of HBK Holding AS, BSB Invest AS and the company Ankerløkken Holding AS. The CEO is the principal shareholder in BSB Invest AS through the controlling ownership of HBK Invest AS. BSB Invest AS owns 14.69 % of the shares in Norwegian Air Shuttle ASA. The Chairman of the Board is the principal shareholder in Ojada AS which owns 4.49% of the shares in Norwegian Air Shuttle ASA.

Board member Kise also owns minority shares i HBK Holding and BSB Invest AS through minority shares in HBK Invest AS.

Ojada AS and the CEO participated in a guarantee consortium related to the share issue 5 August 2008 with MNOK 30 each. Each participant in the consortium was paid a commission of 2 % of the committed capital. All shareholders were offered to participate in the consortium on equal terms.

There have been no financial transactions between BSB Invest AS and HBK Holding AS and Norwegian Air Shuttle ASA in 2008 or 2007.

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

The parent company has received commission from the associated company in 2008. The commission relates to sales performed by the parent company's customers using 'Bank Norwegian' credit cards. The total commission for 2008 is enclosed in the table below. There are no inter-company receivables or - payables at 31 December 2008.

No loans or guarantees have been issued to related parties in 2008 or 2007. See note 30 for details on other guarantees.

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

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

The following transactions were carried out with related parties:

Sales (-) and purchases (+) of goods and services (excl VAT)	2008	2007
- Vogt & Wiig (legal services)	4 481	5 075
- Associate (commission)	(5 229)	0
- Underwriter's commission	1 200	0

Year-end balances arising from sales/purchases of goods/services (incl VAT)	2008	2007
Payables to related parties (note 21)		
- Vogt & Wiig (legal services)	0	4
- Associate (commission)	0	0

NOTE 28 CONTINGENCIES AND LEGAL CLAIMS

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

Asker & Bærum tingrett ruled in favor of Norwegian in May 2008. Norwegian received damages of MNOK 132 for the economic loss resulting from SAS's abuse of Norwegian's trade secrets in addition to legal costs of MNOK 7. Both parties have appealed.

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

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

The outcome of the civil action is not dependent on the ruling in the criminal action.

Charter earn out
Charter earn out from charter operations were agreed as a part of the purchase price from the acquisition of Norwegian Air Shuttle Sweden AB (Nordic Airlink Holding AB). Refer to to note 4 for details on the purchase price. Norwegian Air Shuttle ASA agreed with Finnair Plc to share 50/50 net operating profit from charter operations in Norwegian Air Shuttle Sweden AB from the purchase date until October 2008. The group's statements of net operating profit from charter operations, as agreed in the purchase price agreement with Finnair Plc, calculates a negative net operating profit in the period. However, Finnair Plc has disputed the calculation of net operating profit.

Charter earn out as reflected in the purchase price is reduced with MNOK 21.5 to NOK 0, reducing the purchase price from MNOK 199.8 to MNOK 178.3.

NOTE 29 COMMITMENTS

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

The 42 airplanes will be delivered over a five-year period from 2009 through 2014, with around 10
aircraft each year. The purchase price will be paid over several USD installments before delivery of each aircraft. The Group will structure its business units and financing to reduce the foreign currency risk related to USD/NOK exchange rate.

Commitments for aircraft leases refer to note 12.

NOTE 30 EVENTS AFTER THE BALANCE SHEET DATE

The Group has issued an unlisted subordinated bond loan of MNOK 30 to the associated company Norwegian Finans Holding ASA (note 26) at 5 March 2009. The borrower has redemption rights to the bond loan.

The purpose of the subordinated bond loan is to increase the borrowers subordinated loan capital.

The Group will receive a floating rate interest of 3 month NIBOR + 6% per annum on the loan.


105
19000

Income Statement

NOTE	NOK 1 000	2008	2007
	OPERATING REVENUES AND OPERATING EXPENSES		
2	Revenues	5 293 637	3 920 569
	Total operating revenues	**5 293 637**	**3 920 569**
3	Operational expenses	4 032 279	2 904 042
4,15,16	Salaries and other personnel expenses	854 354	578 409
7,8	Depreciation and amortization	89 571	68 194
	Other operating expenses	254 553	198 019
19	Other losses (gains) - net	147 768	14 743
	Total operating expenses	**5 378 526**	**3 763 407**
	Operating profit	**-84 888**	**157 161**
	FINANCIAL REVENUES AND FINANCIAL EXPENSES		
	Interest income	40 237	20 806
	Interest expense	-40 665	19 027
5	Other financial items	343 521	-35 004
	Net financial items	**343 093**	**-33 225**
25	**Profit/loss from associated company**	**-8 773**	**-1 821**
25	**Gain on share insurance of associate**		**10 800**
	Profit before tax	**249 432**	**132 915**
6	Income tax expense	68 619	35 994
	PROFIT FOR THE YEAR	**180 813**	**96 921**

Allocation of profilt for the year		
Allocated to other equity	**180 813**	**96 921**

Balance Sheet

NOTE	NOK 1 000	2008	2007
	ASSETS		
	Non-current assets		
	Intangible assets		
7	Intangible assets	42 970	34 693
6	Deferred tax asset	0	60 421
	Total intangible assets	**42 970**	**95 115**
8	**Tangible assets**		
	Buildings	3 933	3 933
	Aircraft, installations and parts	523 676	209 820
	Equipment and fixtures	30 493	23 446
8	Prepayment Boeing contract	705 165	316 546
	Total tangible assets	**1 263 266**	**553 745**
	Financial assets		
24	Investment in subsidiaries	181 617	202 025
25	Investment in associated company	44 743	53 516
26	Investment in shares	5 628	10 004
19	Financial instruments	0	128 031
10	Other long term receivables	152 505	25 459
	Total financial assets	**384 493**	**419 035**
	Total non-current assets	**1 690 729**	**1 067 894**
	Current assets		
11	**Inventory**	**34 214**	**28 000**
	Receivables		
	Accounts receivable	485 120	173 679
12	Other receivables	354 854	253 901
	Total receivables	**839 974**	**427 580**
19	Financial instruments	18 360	25 993
26	Bonds	0	215 758
21	Cash and cash equivalents	583 600	429 110
	Total current assets	**1 476 147**	**1 126 442**
	TOTAL ASSETS	**3 166 876**	**2 194 336**

Balance Sheet

NOTE	NOK 1 000 EQUITY AND LIABILTIES	2008	2007
	Equity		
	Paid-in equity		
13,14	Share capital	3 236	2 087
14	Share premium reserve	789 130	408 277
14	Other paid-in equity	38 950	32 753
	Total paid-in equity	**831 316**	**443 117**
	Retained earnings		
14	Other equity	262 704	81 891
	Total retained earnings	**262 704**	**81 891**
	Total equity	**1 094 020**	**525 008**
	Liabilities		
	Long term liability		
15	Pension liabilities	61 815	33 310
17	Provision for periodic maintenance	129 080	100 834
19	Financial instruments	0	154 333
6	Deferred tax	1 111	0
23	Borrowings	440 873	297 697
	Total long term liabilities	**632 879**	**586 175**
	Short term liabilities		
24	Accounts payable	188 292	141 696
	Air traffic settlement liabilities	526 817	486 667
	Public duties payable	66 404	50 847
19	Financial instruments	104 325	34 375
18	Other short term liabilities	554 139	369 569
	Total short term liabilities	**1 439 977**	**1 083 153**
	Total liabilities	**2 072 856**	**1 669 328**
	TOTAL EQUITY AND LIABILITIES	**3 166 876**	**2 194 336**

Fornebu, 25 March 2009

Erik G. Braathen
(Chairman of the Board)

Bjørn H. Kise
(Deputy Chairman of the Board)

Marianne Wergeland Jenssen

Monika Johansen
(employee representative)

Ola Krohn-Fagervoll

Liv Berstad

Halvor Vatnar
(employee representative)

Sissel Vårum
(employee representative)

Bjørn Kjos
(Managing Director)

Cash Flow Statement

NOK 1 000 CASH FLOWS FROM OPERATING ACTIVETIES:	2008	2007
Profit before income tax	249 432	132 915
Depreciation, amortization	89 571	68 194
Valueadjustment financial assets	4 376	0
Pension expense without cash effect	28 505	2 516
Loss on investment in associated company	8 773	0
Change in inventories, accounts receivable and accounts payable	-271 058	20 401
Change in air traffic settlement liabilities	40 150	194 872
Change in other current assets and current liabilities	-309 102	-77 231
Net cash flow from operating activities	**-159 353**	**341 667**
CASH FLOWS FROM INVESTING ACTIVETIES:		
Prepayments aircraft purchase	-349 436	-316 546
Purchases of tangible assets	-393 314	-56 839
Purchases of intangible assets	-25 570	-14 030
Net cash from acquisition	-20 604	0
Payment to subsidiaries	-127 290	0
Returns on investments in financial fixed assets	543 412	-59 699
Net cash flow from investing activities	**-372 801**	**-447 114**
CASH FLOWS FROM FINANCIAL ACTIVETIES:		
New long term liabilities	339 864	297 000
Interest on borrowings	-29 220	0
Paid-in equity	376 000	9 425
Net cash flow from financial activities	**686 643**	**306 425**
Net change in cash and cash equivalents	154 489	200 977
Cash and cash equivalents at 1 January	429 110	228 132
Cash and cash equivalents at 31 December	**583 600**	**429 110**

Notes to the Financial Statements 2008

NOTES TO THE FINANCIAL STATEMENTS 2008

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 are used, influencing reported numbers. The final result may deviate from used estimates.

General valuation rules and classification of assets and liabilities

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

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

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

Financial assets are valued at fair value.

Changes in accounting principles

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

Revenues

Revenue from sale of services is 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 passenger duty, value added tax and discounts.

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

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

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.

Assets and liabilities denominated in foreign currency

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

Intangible assets

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

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

Leasing agreements for tangible assets

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

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

Investment in subsidiaries and associates

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

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

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

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

Financial instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates its derivatives as hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge).

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

FAir value hedge

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

Derivatives at fair value through profit or loss

The Company is exposed to market risks such as currency exchange rates, interest rates and Jet Fuel prices. In order to minimize the effect of these risks (on profit and loss, cash flows and equity), the Company applies derivative financial instruments such as forward currency contracts and forward fuel contracts.

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

Changes in the fair value of any of derivative financial instruments are recognised immediately in the income statement within other gains and losses, as the derivatives do not qualify for hedge accounting.
All derivatives are purchased with the intention of minimizing risk.

Other receivables classified as fixed assets

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

Inventory

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

Accounts receivable

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

Bank deposits, cash etc.

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

Pensions

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

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

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

Stock Options

Stock options are accounted in accordance with IFRS 2 and Norwegian Accounting Act § 5 – 9a. Stock options are recognized at fair value and expensed over the stock option period; the contra is entered in other paid-in equity. Provisions for employer's contributions are made.

Taxes

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

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

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

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

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

Cash Flow Statement

The cash flow statement is prepared in accordance with the indirect method. Cash and cash equivalencies consist of cash, bank deposits and short term investments in money market fundexpected to have an impact on the Group's income statement.

NOTE 2 REVENUES

(NOK 1 000)	2008	2007
By activity:		
Passenger transport	4 733 009	3 636 122
Ancillary passenger revenue	423 742	212 049
Other revenues	136 886	72 398
Total	**5 293 637**	**3 920 569**
By geographic market:		
Norway	2 064 540	1 624 676
Other EU/EEA countries	3 229 097	2 295 893
Total	**5 293 637**	**3 920 569**

In 2007 and 2008, the Company has been running low-fare operations exclusively, using its fleet of Boeing 737 aircraft. The low-fare operation was launched in the autumn of 2002, and revenues from this business are specified as passenger transport in the table above.

NOTE 3 OPERATIONAL EXPENSES

(NOK 1 000)	2008	2007
Sales and distribution expenses	101 153	83 809
Aviation fuel	1 578 991	887 630
Aircraft leases	422 384	296 152
Airport charges	719 982	552 309
Handling charges	484 073	368 926
Technical maintenance expenses	446 313	371 156
Blocked Space	19 136	67 426
Other operating expenses	260 248	276 634
Total	**4 032 279**	**2 904 042**

The Company reclassified the change in fair value of currency derivatives and jet fuel derivatives at fair value through profit and loss from operational expenses to other gains and losses in 2008. As such, comparative amounts for 2007 are restated. 'Other (losses)/gains-net' as shown on the face of the income statement amounts to TNOK 147,768 (loss) in 2008 and TNOK 14,743 (loss) in 2007. Hereof, TNOK 118,331 (loss) and TNOK 12,101 (loss) relates to derivatives recognized in operational expenses in 2008 and 2007, respectively.

Hired crewpersonnel were also reclassified in 2008, se note 6 for details.

The table below shows operational expenses including change in fair value of currency derivatives and jet fuel derivatives;

(NOK 1 000)	2008	2007
Sales and distribution expenses	100 787	83 832
Aviation fuel	1 734 871	897 385
Aircraft leases	403 827	297 311
Airport charges	716 403	552 533
Handling charges	483 446	368 966
Technical maintenance expenses	431 892	372 057
Blocked Space	19 136	67 426
Other operating expenses	260 248	276 634
Reclassification of derivatives	-118 331	-12 101
Total	**4 032 279**	**2 904 042**

NOTE 4 PAYROLL EXPENSES, NUMBER OF EMPLOYEES, REMUNERATION, LOAN TO EMPLOYEES ETC.

(NOK 1 000)	2008	2007
Wages and salaries	620 178	438 149
Social security tax	93 199	67 862
Pension expenses	104 497	50 457
Employee stock options	6 196	1 559
Other benefits	30 284	20 383
Total	**854 354**	**578 409**

In 2008, TNOK 6.196 (2007: TNOK 1.559) was charged as an expense to salary, according to the stock option program.

The Company has a pension scheme covering all employees. The scheme is in compliance with the act on occupational pensions.

	2008	2007
Number of man-labour years	1 146	966

NOTE 5 OTHER FINANCIAL ITEMS

(NOK 1 000)	2008	2007
Foreign exchange income and loss	35 204	-18 068
Appreciation financial current assets	-28 686	18 394
Appreciation financial non - current assets (note 26)	4 376	0
Change in fair value hedge accounting	-358 264	-32 647
Other financial expenses	3 849	-2 683
Total	**-343 521**	**-35 004**

Financial current and non-current assets are recognized at fair value and changes in fair value is recognized in the profit or loss the present year.

NOTE 6 TAXES

This year's tax expense consists of:

(NOK 1 000)	2008	2007
Tax payable	0	0
Change in deferred tax	68 619	35 994
Income tax expense	**68 619**	**35 994**

Reconciliation from nominal to effective tax rate:

(NOK 1 000)	2008	2007
Profit before tax	249 432	132 915
Expected tax expense using nominal tax rate (28 %)	69 841	37 216
Tax effect of the following items:		
Non deductible expenses	4 261	1 104
Non taxable revenue	-6 921	-3 024
Other items	1 438	698
Tax expense	68 619	35 994
Effective tax rate	27.51 %	27.08 %

Specification of temporary differences and tax loss carry forward, and net tax effect of such:

(NOK 1 000)	2008	2007
Tangible assets	-54 635	16 056
Financial instruments	85 620	34 683
Receivables	34 620	14 844
Gain/loss account	157	196
Provisions	106 126	87 189
Pensions	61 815	33 310
Other [1]	-277 873	0
Tax loss carry forward	15 669	29 511
Total	**-28 501**	**215 789**
Deferred tax asset/liability	-7 980	60 421
Deferred tax charged directly to equity	6 870	0
Net recognized deferred tax asset/liability	**-1 111**	**60 421**

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

Deferred tax asset is recognized with basis in future revenue.

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NOTE 7 INTANGIBLE ASSETS

NOK 1 000	Software	Other intangible assets	Total
Acquisition cost at 1 January 2007	65 082	4 591	69 673
Additions	14 030	0	14 030
Disposals	0	0	0
Acquisition cost at 31 December 2007	79 112	4 591	83 703
Acquisition cost at 1 January 2008	79 112	4 591	83 703
Additions	21 548	4 022	25 570
Disposals	0	0	0
Acquisition cost at 31 December 2008	100 660	8 613	109 273
Accumulated amortization and write-down at January 1 2007	31 839	3 825	35 664
Amortization in 2007	12 580	766	13 346
Accumulated amortization and write-down at 31 December 2007	44 419	4 591	49 010
Accumulated amortization and write-down at January 1 2008	44 419	4 591	49 010
Amortization in 2008	17 293	0	17 293
Accumulated amortization and write-down at 31 December 2008	61 712	4 591	66 303
Book value at 31 December 2007	**34 693**	**0**	**34 693**
Book value at 31 December 2008	**38 948**	**4 022**	**42 970**
Economic life	3-5 years	5 years	
Amortization plan	Linear	Linear	

Capitalized software is related to external consulting fees for the development of Norwegian's own systems for booking and ticket-less travel, various sales portals, back office and financial reporting systems. In addition to that, direct costs for the involvement of internal employees in these projects are also capitalized. The depreciation of the software commence as each module is completed.

Other intangible assets consist of intellectual property rights which are related to purchases of internet domains. The Company has developed web portals in Norway, Sweden and Denmark. The intellectual property right is recognized as an addition of MNOK 4 in 2008. Expenses for the development and launch of the Company's trademark were capitalized and fully depreciated in 2007.

In addition to that, direct costs for the involvement of internal employees in these projects are also capitalized.

NOTE 8 TANGIBLE ASSETS

NOK 1 000		Buildings	Aircraft	Prepayment Boeing Contract	Equipment and fixtures	Total
Acquisition cost at 1 January 2007		0	258 836	0	43 171	302 007
Additions		3 933	42 078	316 546	16 397	378 954
Disposals		0	0	0	0	0
Acquisition cost at 31 December 2007		3 933	300 914	316 546	59 568	680 961
Acquisition cost at 1 January 2008		3 933	300 914	316 546	59 568	680 961
Additions		0	373 327	388 619	19 987	781 933
Disposals		0	0	0	0	0
Acquisition cost at 31 December 2008		3 933	674 241	705 165	79 555	1 462 894
Accumulated depreciation at 1 January 2007		0	44 417	0	29 160	73 577
Depreciation in 2007		0	46 677	0	8 170	54 847
Reversals in 2007		0	0	0	-1 208	-1 208
Accumulated depreciation at 31 December 2007		0	91 094	0	36 122	127 216
Accumulated depreciation at 1 January 2008		0	91 094	0	36 122	127 216
Depreciation in 2008		0	59 471	0	12 941	72 412
Reversals in 2008		0	0	0	0	0
Accumulated depreciation at 31 December 2008		0	150 565	0	49 063	199 628
Book value at 31 December 2007		**3 933**	**209 820**	**316 546**	**23 446**	**553 745**
Book value at 31 December 2008		**3 933**	**523 676**	**705 165**	**30 492**	**1 263 266**
Economic life	See below	See below	See below	See below	3-9 years	
Depreciation plan	See below	Linear	Linear	Linear	Linear	
Residual value	100 %	5 MNOK	See below	See below	0 %	

As at 31 December 2008, the Company operated a total of 35 aircraft, 5 owned and 30 leased under operational leases. Leases are detailed in note 9.

The Company acquired 3 Boeing 737-300 aircraft during 2008 and capitalized MNOK 336.2 on aircraft. These 3 aircraft have been decomposed according to Group guidelines as outlined below.

Aircraft
Aircraft consist of purchased aircraft and the Company owns 5 aircraft at 31 December 2008. The residual value is MNOK 68.1 in total for all aircraft and linear depreciation is applied. Aircraft is decomposed into two components for depreciation purposes. In accordance with official requirements, aircraft must be maintained and significant components changed after a specific number of takeoffs or airborne hours. These components are identified as C check and D check on aircraft body, power restoration and life limited parts for the two engines on each plane, as well as maintenance on landing gears and the APU. The maintenance and overhaul on these components occurs on a defined interval, and the value is depreciated over the period until next maintenance occurs. Completed maintenance and overhaul is capitalized and depreciated over the period until next relevant maintenance and overhaul. The second aircraft component is defined as the remainder of the aircraft. The residual value is deducted from the depreciable amount of the remainder of the aircraft. The life expectancy of the aircraft is 30 years, and the economic life of the owned aircraft is 30 years less the age of the aircraft at time of purchase.

Installations on leased aircraft
The installations on the leased aircraft include cabin interior modifications and other improvements to the aircraft after lease commencement. The capitalized value is depreciated over the remainder of the aircraft lease, which is between 1-6 years. Linear depreciation is applied and residual value is NOK 0. In 2008 several engines on the leased aircraft were in overhaul, and replacements costs for life limited parts were capitalized in the extent that the costs are improvements to the engines exceeding the requirements specified in the leasing contracts. These components are depreciated at a defined rate per engine cycle, limited to the remainder of the aircraft lease.

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

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

Prepayments on Boeing contract
In 2007, the Company entered into a purchase contract on 42 new 737-800 aircraft with Boeing Corporation. The aircraft will be delivered in the period 2009 until 2014. Up until delivery of the aircraft, the Company will make prepayments to Boeing, following a defined prepayment schedule. The Company capitalizes borrowing costs. Borrowing costs incurred for the construction of qualifying assets are capitalized during the period of time that is required to complete the aircraft. Borrowing costs of MNOK 30.5 (2007: MNOK 7.2) have been capitalized during the year. Average capitalization rate of 8.21% (2007: 6.98%) was used. The Company applied fair value hedge accounting of unrecognized firm commitment for the three first quarters of 2008. The hedging relationship was terminated at 16 October 2008. The remaining fair value of the unrecognized firm commitment of MNOK 8.7 at the date of termination was capitalized as part of prepayments. Prepayments are not depreciated until the aircraft is delivered and ready for use. The value of prepayments is tested for impairment annually.

Impairment of tangible assets
No impairment losses have been recognized in 2008.

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

NOTE 9 LEASING

The lease agreements on the Boeing 737 aircraft last for 3 to 8 years from the date of agreement, with extension options on certain agreements. 6 of the aircraft were delivered in 2002, 2 aircraft in 2003, 4 aircraft in 2004, 2 aircraft in 2005, 6 aircraft in 2006, 2 aircraft in 2007 and an additional 8 aircraft in 2008. Renegotiations have resulted in extensions on some of the shorter leases. The contracts for 6 of the aircraft expire in 2009, for 8 of the aircraft in 2010 and 6 aircraft in 2011. The remaining contracts expire in 2012 or later. Leasing costs expensed on aircraft lease within operational expenses was MNOK 422.4 in 2008 (2007: MNOK 297.3).

In addition, the Company leases 9 cars, and 9 properties in Oslo, Stavanger and Warsaw. Leasing costs related to cars and properties expensed in other operating expenses in 2008 was MNOK 18.9 (MNOK 17.8 in 2007)

In addition, the company leases 9 cars, and 9 properties in Oslo, Stavanger and Warsaw.

Annual minimum rent on non-cancelable operating lease agreements per 31 December:

	Nominal value 2008				Nominal value 2007			
NOK 1 000	**Aircraft**	**Cars**	**Property**	**Total**	**Aircraft**	**Cars**	**Property**	**Total**
Within one year	581 066	560	18 466	600 092	357 985	632	18 341	376 958
Between 1 and 5 years	1 509 123	498	63 326	1 572 947	639 649	354	58 720	698 723
After 5 years	552 286	0	19 849	572 134	0	0	13 233	13 233

The aircraft's minimum lease payments consists of ordinary lease payments, contractual payments for maintenance reserves, mandatory maintenance and expensed deferred lease payments resulting from non interest bearing deposits paid at inception of lease agreement.

NOTE 10 LONG-TERM RECEIVABLES

(NOK 1 000)	2008	2007
Deposits	24 183	24 709
Intercompany receivable	127 290	0
Other long-term receivables	1 032	750
Total	**152 505**	**25 459**

The Company pays deposits on aircraft leases. Inter-company receivable relates to loan to Norwegian Air Shuttle Sweden AB. Receivables denominated in foreign currency are converted using the prevailing exchange rates on the balance sheet date.

NOTE 11 INVENTORIES

(NOK 1 000)	2008	2007
Consumables	22 149	14 777
Modification equipment	8 483	5 005
Parts for heavy maintenance	3 581	8 218
Total	**34 214**	**28 000**

In 2007 and 2008, the Company bought parts for heavy maintenance on aircraft engines that will be performed during spring 2008. Those parts for heavy maintenance on aircraft engines in stock as of 31 December 2008 that have not been utilized will be sold during spring 2009.

Inventories are carried at lower of cost and fair value.

NOTE 12 OTHER RECEIVABLES

(NOK 1 000)	2008	2007
Prepaid costs	32 080	64 120
VAT refund	50 227	37 675
Reimbursements claims maintenance costs	179 158	95 646
Intercompany receivable	20 442	6 289
Other receivables	72 946	50 171
Sum	**354 854**	**253 901**

Due dates

(NOK 1 000)	2008	2007
Within one year	354 854	253 901
After 1 year (note 10)	152 505	25 459
Total	**507 359**	**279 360**

NOTE 13 SHAREHOLDER'S EQUITY AND SHAREHOLDER INFORMATION

At 31 December 2008, the share capital consists of the following share classes:

	Number	Nominal value	Book value
Class A shares	32 359 778	0.1	3 235 978

Shareholder structure
The largest shareholders at 31 December 2008 were:

	A-shares	Owner-ship	Voting-rights
HBK HOLDING AS	4 909 671	15.17 %	15.17 %
BSB INVEST AS	4 752 991	14.69 %	14.69 %
DNB NOR NORGE (IV)	1 700 792	5.26 %	5.26 %
VITAL FORSIKRING ASA	1 667 837	5.15 %	5.15 %
FINNAIR PLC	1 649 862	5.10 %	5.10 %
OJADA AS	1 453 986	4.49 %	4.49 %
SKAGEN VEKST	1 437 678	4.44 %	4.44 %
AWILCO INVEST AS	1 300 000	402 %	4.02 %
PERESTROIKA AS	1 080 175	3.34 %	3.34 %
SKAGEN KON-TIKI	1 000 000	3.09 %	3.09 %
ANKERLØKKEN HOLDING AS	806 454	2.49 %	2.49 %
GOLDMAN SACHS INT. - EQUITY -	683 948	2.11 %	2.11 %
HOLBERG NORDEN	666 600	2.06 %	2.06 %
KLP LK AKSJER	640 000	1.98 %	1.98 %
HOLBERG NORGE	552 800	1.71 %	1.71 %
FONDSAVANSE AS	520 459	1.61 %	1.61 %
VERDIPAPIRFONDET KLP AKSJENORGE	321 400	0.99 %	0.99 %
AWECO INVEST AS	321 030	0.99 %	0.99 %
DNB NOR SMB	320 000	0.99 %	0.99 %
Other	6 574 095	20.32 %	20.32 %
Total number of shares	**32 359 778**	**100 %**	**100 %**

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

Name	Title	Shares 1)	Options
Erik G. Braathen	Chairman of the Board	1 453 986	-
Bjørn Kise 2)	Deputy chairman	861 343	-
Ola Krohn Fagervoll	Board Member	15 462	-
Liv Berstad	Board Member	-	-
Marianne Wergeland Jenssen	Board Member	800	-
Monika Johansen	Board Member - Employee repr	-	-
Halvor Vatnar	Board Member - Employee repr	1 917	-
Sissel Vårum	Board Member - Employee repr	-	-
Bjørn Kjos 3)	CEO	8 009 153	38 052
Frode E Foss	CFO	38 771	36 624
Hans-Petter Aaneby	CIO	3 174	36 636
Asgeir Nyseth	COO	5 200	36 655
Daniel Skjeldam	CCO	-	33 039
Anne Grethe Ellingsen	Information Manager	-	-
Gunnar Martinsen	HR Manager	7 809	5 000

1) Including shares held by related parties.
2) Bjørn Kise holds 9 % of HBK Holding AS and 10 % of HBK Invest AS, which holds 83% of BSB Invest.
3) Bjørn Kjos holds 91 % of HBK Holding AS and 90 % of HBK Invest AS, which holds 83% of BSB Invest. Bjørn Kjos also holds 50% of Ankerløkken AS, which holds 17% of BSB Invest AS.

NOTE 14 EQUITY

NOK 1 000	Share capital	Share prem. reserve	Other paid-in equity	Other equity	Total equity
Equity at 01 January 2007	**1 967**	**271 934**	**1 709**	**-15 030**	**260 580**
Share issue 2007	106	127 021			127 128
Expenses for share issue 2007, net of tax		-90			-90
Stock options - share issue	13	9 412			9 425
Option issue for Flynordic aqcuisition (non cash)			29 485		29 485
Compensation expense for stock options			1 558		1 558
Net profit for the year				96 921	96 921
Equity 31 December 2007	**2 087**	**408 277**	**32 753**	**81 891**	**525 008**
Equity at 01 January 2008	**2 087**	**408 277**	**32 753**	**81 891**	**525 008**
Share issue 2008	1 149	398 851			400 000
Expenses for share issue 2008, net of tax		-17 998			-17 998
Compensation expense for stock options			6 197		6 197
Net profit for the year				180 813	180 813
Equity 31 December 2008	**3 236**	**789 130**	**38 950**	**262 704**	**1 094 020**

NOTE 15 PENSIONS

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 obligations are covered through Vital AS. The plan also covers a life insurance and disability insurance. Per 31 December 2008, a total of 1,238 employees were active members (2007: 679), and 24 (2007: 21) were on pension retirement. In addition, all employees are included in the early retirement scheme (AFP), which is an unfunded plan for retirement right at the age of 62. The AFP is a multi-employer plan, where the Norwegian state pays a contribution of 40% of paid pensions for the retired persons older than 64 years. The Company 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".

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

The pension obligation is calculated on a linear accumulation. Changes in the obligation due to changes in and deviations from the estimated assumptions, are spread over the estimated average remaining vesting period for the part of deviations that exceeds 10% of the gross pension liability. Pension costs for the year for the Company's defined benefit plans are calculated by independent actuaries and are based on information as of January 1 2008. Management has made an assessment of changes in estimates and basis of calculation will have a material effect on the financial statements as per 31 December 2008. Estimated number of employees at 1 January 2008 included an increase of employees in the pension plan due to regulatory changes. However, the estimate was significantly lower than the actual number of employees in 2008. The resulted in an additional pension expense in 2008 of MNOK 22.8 (incl employer's contribution).

Risk tables for death and disability is based on the most commonly used statistics in Norway, (K-2005) and (K 63 adjusted) respectively.

NOK 1 000	Funded	Unfunded	Total 2008	Total 2007
Net present value of benefits earned	89 860	411	90 271	44 081
Interest cost on pension liability	11 058	53	11 111	7 989
Expected return on pension funds	-11 459	0	-11 459	-8 382
Administrative expenses	0	0	0	0
Recognised actuarial gains/losses	1 895	0	1 895	606
Social security tax	12 614	65	12 679	6 159
Net pension expense	**103 968**	**529**	**104 497**	**50 453**

NOK 1 000	Funded	Unfunded	Total 2008	Total 2007
Liabilities on earned pension rights	248 229	1 173	249 402	185 326
Calculated liability from future salary increases	138 508	820	139 328	64 076
Gross pension liabilities	386 737	1 993	388 730	249 402
Pension assets (at market value)	233 000	0	233 000	175 000
Estimate deviations not recognised	-115 353	-520	-115 873	-51 582
Social security tax	21 677	281	21 958	10 490
Net pension liabilities	60 061	1 754	61 815	33 310

	2008	2007
Best estimate of actual return on pension funds previous year	0.30 %	6.20 %
Expected contribution to be paid next year	80 000	57 050
Expected benefits to be paid	(5 000)	7 500

Economic assumptions:	2008	2007
Discount rate	3.80 %	4.50 %
Expected growth in salaries	3.75 %	4.00 %
Expected growth in state pensions	3.75 %	4.25 %
Expected growth in pensions	1.75 %	1.75 %
Expected return on pension assets	5.80 %	5.50 %
Average turnover	10-0 %	10-0 %

The companys pension fund is invested in the following instruments:

The companys pension fund is invested in the following instruments:	2008	2007
Current bonds	29.9 %	21.6 %
Long-term bonds	28.8 %	27.5 %
Money market funds	14.0 %	7.5 %
Stocks	3.8 %	24.8 %
Real estate	16.8 %	15.6 %
Various	6.7 %	3.0 %

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

NOTE 16 OPTIONS

On 24 October 2007 the Board issued, in accordance with the authorization from the general meeting on 3 May 2007, 269,000 stock options to the Company management team. The stock options have an exercise price of NOK 173.07. The stock options vest over a two year period, whereof 50% vest after the first year. Stock options not exercised before 23 October 2009 is discontinued.

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

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

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

The following estimates are used in calculating fair value:

	2008	2007
Dividend (%)	0 %	0 %
Expected volatility (%)	54.69 %	35.03 %
Historic volatility (%)	54.69 %	35.03 %
Risk free interest (%)	5.86 %	4.98 %
Expected lifetime (year)	1.12	2.00
Share price at grant date	39.00	141.00

Expected volatility is based on the historical volatility over the most recent period that corresponds with the expected life of the option.

The option program is expensed with TNOK 6.191 in 2008 and TNOK 1.558 in 2007.

	2008 Shares	Weighted avg. exerc. Price	2007 Shares	Weighted avg. exerc. Price
Outstanding at the beginning of the period	269 000	173.1	136 250	71.0
Allocated	561 301	32.1	269 000	173.1
Exercised	0	0	132 500	71.1
Terminated	611	32.1	3 750	65.0
Forfeited	0	0	0	0
Expired	0	0	0	0
Vested options	134 500	173.1	269 000	173.1
Weighted average of fair value of options allocated in the period	561 301	77.8	0	0.0
Outstanding at the end of the period	829 690	13.3	269 000	22.0

	Outstanding options			Vested options	
	Outstanding options by 31 December 2008	Weighted average remaining lifetime (yrs)	Weighted average strike price	Vested options by 31 December 2008	Weighted average strike price
0,00 - 100,00	560 690	1,8	32.1	0	0
100,00 - 200,00	269 000	0,8	173.1	134 500	173.1
Total	**829 690**	**1,5**	**77.8**	**134 500**	**173.1**

In 2007 Norwegian Air Shuttle ASA implemented a "Share Saving Plan" whereby the employees, through monthly deductions in salary, purchase shares in the company. The company will match up to 50% of the employee savings amount, limited to NOK 6,000 per annum. In addition, there is a bonus share scheme, entitling employees to receive bonus shares 2 years after the initial share purchase at a one-for-ten ratio to initial shares purchased. As per 31 December 2008 a total of 11,260 (2007: 576) bonus shares were potentially acquired.

Fair value of the bonus shares are measured at the date of grant using Hoadley's 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.

Options issued in the purchase of Norwegian Air Shuttle Sweden AB
As part of the consideration for purchase of Norwegian Air Shuttle Sweden AB, Norwegian Air Shuttle ASA issued on 31 July 2007, a total of 1,121,633 share options. The shares expired 31 December 2008 and no share options were exercised in 2008. See note 4 for details on business combinations.

NOTE 17 PROVISIONS

NOK 1 000	2008	2007
Periodic maintenance on leased Boeing 737 airplanes	129 080	100 834
Total provisions	**129 080**	**100 834**

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

Parts of the periodic maintenance will be performed in 2009, however, the exact provision to be utilized for these specific maintenance programs is uncertain. As a result of the uncertainty, all amounts have been classified as non-current liabilities.

NOTE 18 OTHER SHORT TERM LIABILITIES

NOK 1 000	2008	2007
Accrued holiday allowances	62 214	45 284
Accrued expenses	222 325	303 892
Short term part of revolving credit facility	257 456	15 774
Other short term liabilities	12 144	4 619
Total	**554 139**	**369 569**

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

Parts of the periodic maintenance will be performed in 2009, however, the exact provision to be utilized for these specific maintenance programs is uncertain. As a result of the uncertainty, all amounts have been classified as non-current liabilities.

NOTE 19 FINANCIAL INSTRUMENTS

	Assets		Liabilities	
December 31 2008 (NOK 1000)	**Short term**	**Long term**	**Short term**	**Long term**
Hedge item Boeing contract	0	0	0	0
Foreign exchange hedges fair value	18 360	0	0	0
Jet-fuel contracts	0	0	104 325	0
Total financial instruments	**18 360**	**0**	**104 325**	**0**

	Assets		Liabilities	
December 31 2008 (NOK 1000)	**Short term**	**Long term**	**Short term**	**Long term**
Hedge item Boeing contract	18 222	128 031	24 567	154 333
Foreign exchange hedges fair value	7 771	0	9 808	0
Total financial instruments	**25 993**	**128 031**	**34 375**	**154 333**

OTHER (LOSSES)/GAINS - NET

NOK 1 000	2008	2007
Financial assets at fair value through profit or loss		
- Fair value losses	-191 945	-14 743
- Fair value gains	44 177	0
Net (losses)/gains	-147 768	-14 743
Ineffectiveness on fair value hedges	**358 264**	**-32 647**

Losses and gains on financial asset and financial liabilities at fair value through profit or loss are classified as other (losses)/gains - net. Hedge ineffectiveness on fair value hedges are classified as financial items (note 5).

A portion of the Company's forward foreign currency contracts were designated as a fair value hedge in 2007 to hedge an unrecognized firm commitment to purchase 42 Boeing aircraft. The forward foreign currency contracts were restructured and sold during 2008, and no fair value related to the hedging relationship is recognized at 31 December 2008. Fair value at 31 December 2007 was TNOK 146,253.

The forward foreign currency contracts designated as a fair value hedge was restructured during Q3 2008 resulting in clean forwards and separate flexible terms. The flexible terms were not sold during 2008, and the fair value of the remaining flexible contracts at 31 December 2008 is TNOK 345. The clean forwards were sold during 2008 and the hedging relationship ceased. The Company recognized a gain of TNOK 324,347 in 2008 from the sale of the forward contracts. The ineffective portion recognized in the profit or loss that arises from fair value hedges amounts to a gain of TNOK 358,264 (2007: loss TNOK 32,647) See details in the specification of other (losses)/gains- net above.

NOTE 20 ASSETS PLEDGED AS COLLATERAL AND GUARANTEES

Prepayments on the first ten aircraft in the purchase contract with Boeing (note 8) are pledged as collateral for the revolving credit facility (note 23).

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

An investment in bond was pledged as security for the USD hedge on the purchase contract with Boeing in 2007. The investment bond and USD hedge are sold in 2008.

One owned aircraft was pledged as security for forward currency contracts in 2007, limited in total to MNOK 60. There are no pledges for security related to the forward currency contracts in 2008.

Book value of assets pledged as security

NOK 1 000	2008	2007
Cash depot	116 837	71 692
Short term investment bond	0	215 758
Prepayment Boeing contract	499 416	0
Total	**616 253**	**287 450**

Guarantees for subsidiaries
Norwegian Air Shuttle ASA has issued an annual equity guarantee for its 100 % owned Swedish subsidiary Norwegian Air Shuttle Sweden AB. The guarantee ensure that the subsidiary's equity, during and until the end of the financial year of 2008, amounts to at least the registered share capital, but limited to MEUR 23. After the balance sheet date 31 December 2008, the Company issued an additional guarantee to its subsidiary, see note 30 for further details.

NOTE 21 CASH AND CASH EQUIVALENTS

NOK 1 000	2008	2007
Cash in bank	582 674	278 633
Cash equivalents	925	150 477
Total	**583 600**	**429 110**

Restricted cash items are:

NOK 1 000	2008	2007
Guarantees for leases and credits from suppliers	116 837	71 692
Taxes withheld	34 275	25 759
Total restricted cash	**151 113**	**97 451**

NOTE 21 REMUNERATION TO THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

Remuneration to the board of Directors
Total remuneration paid to the Board in 2008 was TNOK 680. The Chairman of the Board, Erik Gunnar Braathen, received TNOK 150. There were no bonus or other form of compensation paid to the Board members in 2008.

Directive of remuneration to the CEO and executive management team
The principles for leadership remuneration in Norwegian Air Shuttle ASA are to stimulate to a strong and lasting profit oriented culture. The total compensation level should be competitive, however, not market leading compared to similar organizations. The Board defines the remuneration to the CEO, and the guidelines for remuneration to the other executive management. The remuneration to the Board and management team must not have negative effects for the Company, nor damage the reputation and standing of the Company in the public eye. There have been no changes in the guidelines or principles for management remuneration during the year. The actual remuneration in 2008 was consistent with the guidelines and principles.

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

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

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

Total compensation year 2008

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

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

Total compensation year 2007

NOK 1 000	Fee	Salary	Bonus	Other benefits **)	Total Compensation	Pension expense ***)
The board of Directors						
Erik Gunnar Braathen (chairman)	150				150	
Bjørn Kise (deputy chairman)	125				125	
Berit Slåtto Neerbye	100				100	
Liv Berstad	100				100	
Ola Krohn-Fagervoll	100				100	
Halvor Vatnar*)	35				35	
Kari-Helene Mordt Fjær*)	35				35	
Frode Husan*)	18				18	
Lasse Holm *)	18				18	
Total board of directors	**680**	**0**	**0**	**0**	**680**	**0**
Executive Management						
Bjørn Kjos (CEO)		1 284		115	1 399 a)	119
Frode Foss (CFO)		1 050	750	116	1 917 b)	91
Asgeir Nyseth (COO)		992		10	1 003 c)	122
Hans-Petter Aanby (CTO)		1 156	1 759	55	2 970 d)	134
Daniel Skjeldam (CCO)		892		13	905 e)	69
Gunnar Martinsen (HR)		672		20	691 f)	136
Anne Grete Ellingsen (CIO)		832		23	855	143
Total executive management	**0**	**6 878**	**2 509**	**354**	**9 740**	**814**

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

a) Bjørn Kjos excercised share options in 2007 that has been reported as additional taxable income with NOK 2,610,000
b) Frode Foss excercised share options in 2007 that has been reported as additional taxable income with NOK 2,600,880
c) Asgeir Nyseth excercised share options in 2007 that has been reported as additional taxable income with NOK 456,960
d) Hans-Petter Aanby excercised share options in 2007 that has been reported as additional taxable income with NOK 1,300,440
e) Daniel Skjeldam excercised share options in 2007 that has been reported as additional taxable income with NOK 1,300,440
f) Gunnar Martinsen excercised share options in 2007 that has been reported as additional taxable income with NOK 217,500

Shares and options owned by senior managers are presented in note 13. There are no loans, or guarantees, outstanding to the Board of Directors or the Executive Management.

Auditor remuneration

NOK 1 000	2008	2007
Audit fee	**870**	**673**
Other audit related services	**412**	**912**
Tax advisory	**514**	**67**
Other services	**79**	**66**
Total	**1 875**	**1 718**

Al amounts stated are without VAT

NOTE 23 BORROWINGS

Nominal value

NOK 1 000	2008
Nominal value bond issue	300 000
Amortisation	-1 303
Bond as at 31 December 2008 at amortised cost	**298 697**

Effective interest rate for the year ended 31.12.2008 was 8.60% (2007:8.52%).

NOK 1 000	2008
Nominal value facility agreement	408 219
Amortisation	-8 586
Facility as at 31 December 2008 at amortised cost	**399 632**

Effective interest rate for the year ended 31.12.2008 was 5.56%.

Classification of borrowings

NOK 1 000	2008	2007
Non-currentB		
Vond issue	298 697	297 697
Facility agreemen	142 176	0
Total	**440 873**	**297 697**
Current		
Bond issue	0	0
Facility agreement (note 19)	257 456	0
Total	**257 456**	**0**
Total borrowings	**698 330**	**297 697**

Total borrowings include secured liabilities of TNOK 399.632 (collateralized borrowings). Collateralized borrowings are secured by prepayments on the Boeing Contract (note 11).

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 19 April 2010. The coupon is NIBOR + 2%.

Revolving credit facility
The facility agreement was entered into as of 28 September 2008 with French financing institution Natixis. The facility will finance pre-delivery-payments (PDP's) related to the first 10 aircraft in the Boeing contract.

Maturity of borrowings

At 31 December 2008 (NOK 1 000)	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	257 456	440 873		
Total liabilities	**257 456**	**440 873**		

NOTE 24 INVESTMENT IN SUBSIDIARIES AND RELATED PARTIES

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

Norwegian Air Shuttle Sweden AB
The subsidiary was purchased on 31 July 2007. The Group owns 100 % of the shares in Norwegian Air Shuttle Sweden AB (Nordic Airlink Holding AB/FlyNordic). The company is based on Arlanda Airport, Stockholm, Sweden. The main activity of the company is low cost passenger airline operations, in addition to charter operations. The Company operates under a Swedish Air Operating Certificate. Transactions between parent company and Norwegian Air Shuttle Sweden AB in 2008 were primarily wetlease operations.

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

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

NAS Asset Management Norway AS
At 15 July 2008 the Group established NAS Asset Management Norway AS, a special purpose entity (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 2008.

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

NOK 1 000

Name	Date of initiation /aquisition	Office	Number of shares	Ownership	Book value 31.12.2008	Total Equity 31.12.08	Net profit 2008
Norwegian Air Shuttle Polska SP.zo.o	2 006	Warzaw, Poland	50 000	100 %	2 214.0	10 285.0	4 323.0
Norwegian Air Shuttle Sweden AB	2007.07.31	Stockholm, Sweden	20 000	100 %	178 302.0	-21 647.0	-180 749.0
Call Norwegian AS	2008.01.04	Fornebu, Oslo	1 000 000	100 %	1 000.0	-4 506.0	-5 506.0
NAS Asset Management Ltd	2008.07.15	Dublin, Ireland	999	99.9 %	1.0	0.0	0.0
NAS Asset Management Norway AS	2008.07.15	Fornebu, Oslo	100	100 %	100.0	100.6	0.6

Intercompany balances 31 december 2008	Short term	Long term
Receivables	15 596	143 574
Payables	0	16 284

Transactions with other related parties
The Chief Executive Officer is the principal shareholder in Norwegian Air Shuttle ASA with an ownership share of 27.27 % through the controlling ownership of HBK Holding AS, BSB Invest AS and the company Ankerløkken Holding AS. The CEO is the principal shareholder in BSB Invest AS through the controlling ownership of HBK Invest AS. BSB Invest AS owns 14.69 % of the shares in Norwegian Air Shuttle ASA. The Chairman of the Board is the principal shareholder in Ojada AS which owns 4.49% of the shares in Norwegian Air Shuttle ASA.

Board member Kise also owns minority shares i HBK Holding and BSB Invest AS through minority shares in HBK Invest AS.

Ojada AS and the CEO participated in a guarantee consortium related to the share issue 5 August 2008 with MNOK 30 each. Each participant in the consortium was paid a commission of 2 % of the committed capital.

There have been no financial transactions between BSB Invest AS and HBK Holding AS and Norwegian Air Shuttle ASA in 2008 or 2007.

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

The parent company has received commission from the associated company in 2008. The commission relates to sales performed by the parent company's customers using 'Bank Norwegian' credit cards. The total commission for 2008 is enclosed in the table below. There are no inter-company receivables or - payables at 31 December 2008.

No loans or guarantees have been issued to related parties in 2008 or 2007. See note 30 for details on guarantees after the balance sheet date.

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

Terms and conditions for transactions with related parties
Management 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 (NOK 1 000):

Sales (-) and purchases (+) of goods and services (excl VAT)	2008	2007
- Vogt & Wiig (legal services)	4 481	5 075
- Associate (commission)	(5 229)	0
- Underwriter's commission	1 200	0

Year-end balances arising from sales/purchases of goods/services (incl VAT)	2008	2007
Payables to related parties (note 21)		
- Vogt & Wiig (legal services)	0	4
- Associate (commission)	0	0

NOTE 25 INVESTMENT ASSOCIATED COMPANY

Norwegian Air Shuttle ASA has the following investments in associates:

Entity (NOK 1 000)	Country	Industry	Ownership interest	Carrying amount 31.12.2007	Net profit (loss) 2008	Carrying amount 31.12.2008
Norwegian Finans Holding ASA	Norway	Financial Institution	20 %	53 516	-8 773	44 743

The associated company Norwegian Finans Holding AS was started in May 2007 by Norwegian Air Shuttle ASA, in cooperation with Ojada AS and LT Holding AS, with the purpose to start Bank Norwegian in October 2007. 45% of the shares were owned by Norwegian Air Shuttle ASA. In accordance with Norwegian Financial regulations, at the time the bank was started, Norwegian Finans Holding AS performed a public share issue whereas Norwegian Air Shuttle ASA reduced its ownership to 20 %, and recorded a gain on derecognizing of subsidiary in the amount of MNOK 10.8, as a result of dilution of ownership.

The equity method is applied in accounting for the investment, and Norwegian'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;

Entity (NOK 1 000)	Country	Assets	Liabilities	Revenues	Profit/(Loss)	Interest held
Norwegian Finans Holding ASA	Norway	398 468	359 618	8 463	-8 773	20 %
Total		**398 468**	**359 618**	**8 463**	**-8 773**	

NOTE 26 INVESTMENT IN SHARES

Investments in shares	Ownership	Market value	Book value
Silver pensjonsforsikring AS	1.4 %	TNOK 5,628	TNOK 5,628

A fair value adjustment has been recognized in the income statement in 2008, due to a reduction in the market value of the investment in Silver. The recognized loss was TNOK 4,376.

NOTE 27 FINANCIAL RISK

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

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

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

Foreign Currency Risk
A substantial part of the Company's income and expenses are denominated in foreign currency. The Company's leases, aircraft purchases, and related expenses are mainly denominated in USD, and a portion of the sales and airplane operation expenses are denominated in EUR. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations. In order to reduce currency risk, the Company has a mandate to hedge up to 100% of its currency exposure nest 12 months. The hedging consists of forward currency contracts and flexible forwards.

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

In 2008, if NOK had weakened/strengthened by 1 % against the US dollar with all other variables held constant, pre-tax profit for the year would have been MNOK 25 (2007: MNOK 15) higher/lower, mainly as a result of foreign exchange gains/losses on operating costs.

The sensitivity analysis of foreign currency risk in USD is calculated using USD and jet-fuel price as interdependent variables. Jet-fuel is traded in several currencies, but actually represents a USD exposure. The calculation is based on actual fuel consumption in 2008, actual net outflow of USD adjusted for significant USD accruals, average jet-fuel price and average USD/NOK exchange rate.

If NOK had weakened/strengthened by 1 % against EUR with all other variables held constant, pre-tax profit for the year would have been MNOK 6 (2007: MNOK 5) higher/lower, mainly as a result of foreign exchange gains/losses on operating costs.

The sensitivity analysis of foreign currency risk in EUR is calculated based on net outflow of EUR in 2008. EUR exposure in revenue is insignificant for the analysis, as well as accruals and receivables in EUR.

Interest rate risk
As the Company has net interest bearing debt, the Company's income and operating cash flows are dependent of changes in market interest rates. The Company's interest rate risk arises from cash and cash equivalents and floating interest rate long-term borrowings. Borrowings consist of an unsecured bond issue and a revolving credit facility, both with floating interest rates. Leasing contracts have fixed interest rate.

In 2008, if floating interest rate (NIBOR) had been 1 % higher/lower with all other variables held constant, pre-tax profit for the year would have been MNOK 1.1 (2007: 4.3) higher/lower (2008) or lower/higher (2007), mainly as a result of higher/lower interest income on floating rate cash and cash equivalents and borrowings.

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

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

In 2008, if the jet-fuel price had increased/decreased by 1 % with all other variables held constant, pre-tax profit for the year would have been MNOK 14 (2007: MNOK 7) higher/lower.

The sensitivity analysis is calculated based on actual jet-fuel consumption in 2008. As opposed to the sensitivity analysis of USD currency risk, the jet-fuel price risk analysis is not based on interdependence between jet-fuel price and USD exchange rates. The sensitivity is calculated using USD/NOK exchange rate at the balance sheet date.

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

For a part of Norwegians sales, our customers pay at time of booking while Norwegian receive actual payments from credit card companies or acquires at a later point in time. Delayed payments form 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 our 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.

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 24) 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 two of the 42 purchased aircraft during 2009, 5 aircraft in 2010 and the remaining 35 aircraft in the period 2011-2014. Pre-delivery payments related to the delivery of the first 10 aircraft were secured last year. The Company is currently in process of securing long term financing for the 2 deliveries this year and 5 deliveries in 2010, combined with pre-delivery financing on 7 deliveries in 2011, by using guarantees and direct loans from The Ex-Im Bank of the United States.

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

NOK 1 000	2008	2007
Total borrowings (note 23)	698 330	297 697
Cash and cash equvalents (note 21)	583 600	429 110
Net debt	114 730	-131 413
Total equity	1 094 020	525 008
Total capital	1 208 750	393 595
Gearing ratio	9.5 %	0.0 %

NOTE 28 CONTINGENCIES AND LEGAL CLAIMS

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

Asker & Bærum tingrett ruled in favor of Norwegian in May 2008. Norwegian received damages of MNOK 132 for the economic loss resulting from SAS's abuse of Norwegian's trade secrets in addition to legal costs of MNOK 7. Both parties have appealed.

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

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

The outcome of the civil action is not dependent on the ruling in the criminal action.

NOTE 29 COMMITMENTS

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

The 42 airplanes will be delivered over a five-year period from 2009 through 2014, with around 10
aircraft each year. The purchase price will be paid over several USD installments before delivery of each aircraft. The Group will structure its business units and financing to reduce the foreign currency risk related to USD/NOK exchange rate.

Commitments for aircraft leases refer to note 9.

NOTE 30 EVENTS AFTER BALANCE SHEET DATE

The Company has issued an unlisted subordinated bond loan of MNOK 30 to the associated company Norwegian Finans Holding ASA (note 25) at 5 March 2009. The borrower has redemption rights to the bond loan.

The purpose of the subordinated bond loan is to increase the borrowers subordinated loan capital

The Company will receive a floating rate interest of 3 month NIBOR + 6% per annum on the loan.

In March 2009, Norwegian Air Shuttle ASA issued a guarantee of MEUR 21 to its wholly owned subsidiary, Norwegian Air Shuttle Sweden AB, to cover negative equity in the subsidiary's financial statements. The purpose is to ensure the going concern assumption in Norwegian Air Shuttle Sweden AB, as Norwegian Air Shuttle ASA has a purpose of obtaining operations in Sweden.

Responsibility Statement
We confirm, to the best of our knowledge, that the financial statements for the period 1 January to 31 December 2008 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.

Erik G. Braathen
(Chairman of the Board)

Bjørn H. Kise
(Deputy Chairman of the Board)

Marianne Wergeland Jenssen

Monika Johansen
(employee representative)

Ola Krohn-Fagervoll

Liv Berstad

Halvor Vatnar
(employee representative)

Sissel Vårum
(employee representative)

Auditor's Report

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To the Annual Shareholders' Meeting of Norwegian Air Shuttle ASA

Auditor's report for 2008

We have audited the annual financial statements of Norwegian Air Shuttle ASA as of December 31, 2008, showing a profit of TNOK 180 813 for the parent company and a profit of TNOK 3 944 for the group. We have also audited the information in the directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit. The annual financial statements comprise the financial statements of the parent company and the group. The financial statements of the parent company comprise the balance sheet, the statements of income and cash flows and the accompanying notes. The financial statements of the group comprise the balance sheet, the statements of income and cash flows, the statement of changes in equity and the accompanying notes. The regulations of the Norwegian accounting act and accounting standards, principles and practices generally accepted in Norway have been applied in the preparation of the financial statements of the parent company. International Financial Reporting Standards as adopted by the EU have been applied in the preparation of the financial statements of the group. These financial statements are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

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

In our opinion,

- the financial statements of the parent company have been prepared in accordance with the law and regulations and give a true and fair view of the financial position of the company as of December 31,2008 and the results of its operations and its cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the financial statements of the group have been prepared in accordance with the law and regulations and give a true and fair view of the financial position of the group as of December 31, 2008, and the results of its operations and its cash flows and the changes in equity for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU
- the company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of accounting information in accordance with the law and good bookkeeping practice in Norway
- the information in the directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit are consistent with the financial statements and comply with the law and regulations.

Oslo, April 20, 2009
PricewaterhouseCoopers AS

Håvard S. Abrahamsen
State Authorised Public Accountant (Norway)

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

Definitions

ASK
Available seat kilometres.
Number of available seats multiplied by the distance flown.

RPK
Revenue passenger kilometres.
Number of occupied seats multiplied by the distance flown.

LOAD FACTOR
RPK divided by ASK. Describes the utilisation of the of available seats.

YIELD
Average income per RPK.

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

EBT
Earnings Before Tax.

EBIT
Earnings Before Interest and Tax.

EBITDA
Earnings Before Interest, Tax, Depreciations and Amortizations.

EBITDAR
Earnings Before Interest, Tax, Depreciations, Amortizations and Rent.

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