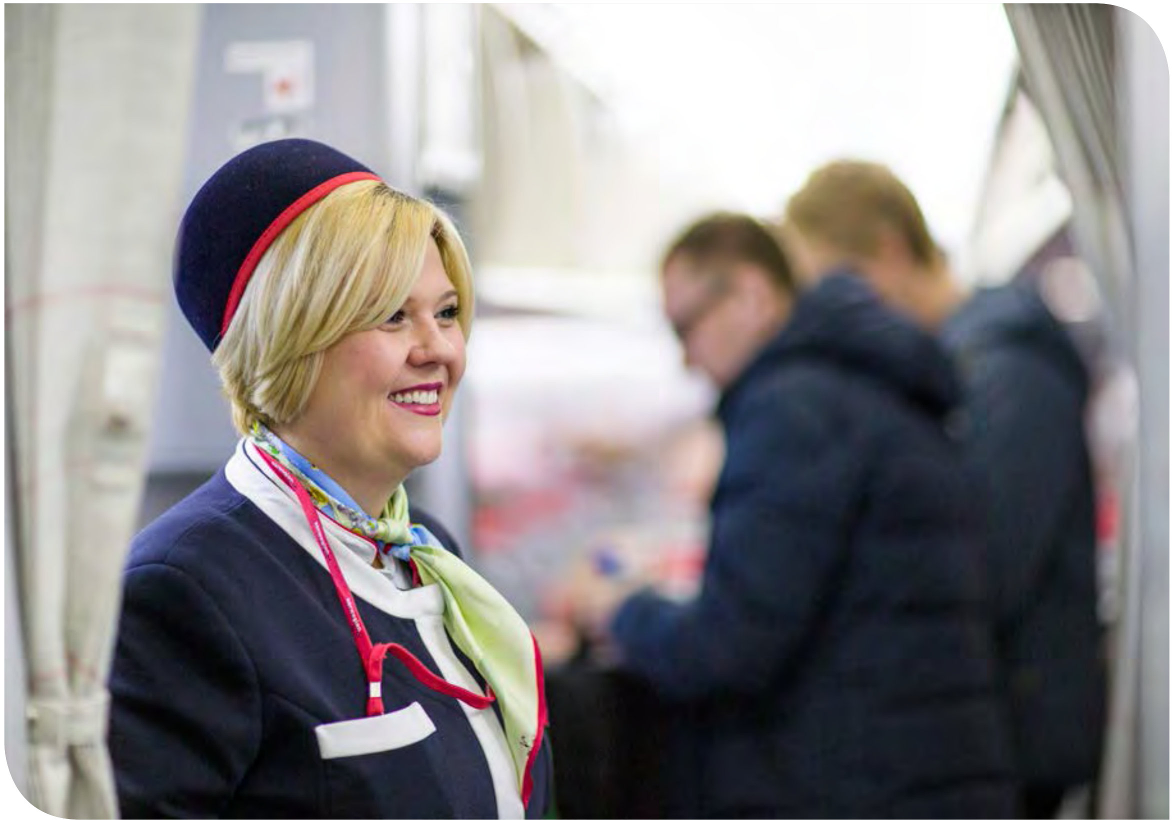
NORWEGIAN AIR SHUTTLE ASA

ANNUAL REPORT 2014



FINANCIAL CALENDAR
2015

Interim report 1Q 2015:	29 April
General shareholder meeting:	12 May
Interim report 2Q 2015:	16 July
Interim report 3Q 2015:	22 October

Norwegian Air Shuttle reserves the right to revise the dates.

CONTENTS

HIGHLIGHTS 2014

- Eighteen new aircraft delivered during 2014
- Awarded the title "Europe's best low-cost carrier"
- Established four new bases in Spain and North America
- Completed transfer of assets to Arctic Aviation Asset (AAA)
- NOK 400 million unsecured bond refinanced in June
- New NOK 225 million secured bond issued in November
- Financing of 17 new aircraft for 2015/2016 secured

For detailed information, see board of directors report on page 10.

Q1

New routes	7	
Passengers (million)	4.9	+24%
Aircraft utilisation (BLH)	10.9	+0.3
New aircraft (737 and 787)	6	
Average spot fuel price	USD 993	(5%)
USD/NOK	6.09	+8%

Q2

New routes	25	
Passengers (million)	6.4	+16%
Aircraft utilisation (BLH)	11.8	+0.2
New aircraft (737 and 787)	6	
Average spot fuel price	USD 962	+1%
USD/NOK	5.99	+3

Q3

New routes	7	
Passengers (million)	7.1	+17%
Aircraft utilisation (BLH)	12.3	+0.1
New aircraft (737 and 787)	2	
Average spot fuel price	USD 960	(1%)
USD/NOK	6.25	+4%

Q4

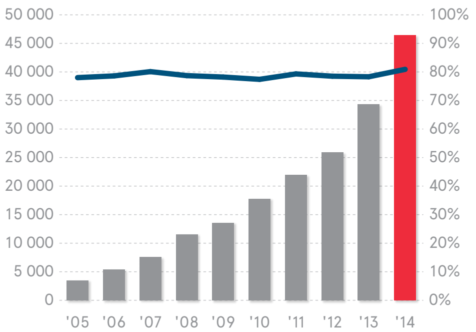
New routes	7	
Passengers (million)	5.6	+8%
Aircraft utilisation (BLH)	11.1	(0.3)
New aircraft (737 and 787)	4	
Average spot fuel price	USD 835	(16%)
USD/NOK	6.89	+14%

KEY FIGURES – FINANCIALS

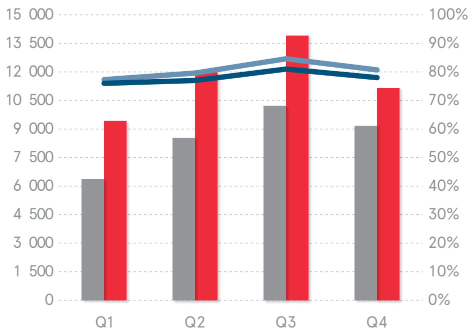
(Amounts in NOK million)	**2014**	2013	2012	2011	2010	2009	2008	2007	2006	2005
Operating revenue (MNOK)	**19 540**	15 580	12 859	10 532	8 598	7 309	6 226	4 226	2 941	1 972
EBITDAR (MNOK)	**1 184**	2 784	1 822	1 540	1 175	1 341	200	504	201	185
EBITDA (MNOK)	**(662)**	1 500	789	710	397	721	(208)	208	21	59
EBIT/ Operating result (MNOK)	**(1 411)**	970	404	416	210	572	(338)	134	(31)	29
EBT (MNOK)	**(1 627)**	438	623	167	243	623	5	113	(32)	39
Net profit / loss (-)	**(1 070)**	319	457	122	189	446	4	85	(22)	28
Basic earnings per share (NOK)	**(30.42)**	9.15	13.08	3.53	4.97	13.01	0.15	3.77	(1.14)	1.53
Diluted earnings per share (NOK)	**(29.45)**	9.02	12.99	3.47	4.87	12.89	0.15	3.77	(1.14)	1.53
Equity ratio	**9%**	19%	20%	22%	27%	32%	28%	22%	25%	21%
Cash and cash equivalents (MNOK)	**2 011**	2 166	1 731	1 105	1 178	1 408	608	501	232	261
Unit cost (CASK)	**0.42**	0.42	0.45	0.46	0.46	0.49	0.56	0.53	0.54	0.55
Unit cost (CASK) excluding fuel	**0.29**	0.29	0.31	0.32	0.34	0.38	0.37	0.40	0.41	0.44
ASK (million)	**46 479**	34 318	25 920	21 958	17 804	13 555	11 530	7 561	5 371	3 464
RPK (million)	**37 615**	26 881	20 353	17 421	13 774	10 602	9 074	6 059	4 223	2 703
Load factor	**80.9%**	78.3%	78.5%	79.3%	77.4%	78.2%	78.7%	80.1%	79.0%	78.0%
Passengers (million)	**24.0**	20.7	17.7	15.7	13.0	10.8	9.1	6.9	5.1	3.3
Internet sales	**82%**	80%	78%	82%	87%	88%	87%	86%	84%	75%
Number of routes (operated during the year)	**402**	391	308	271	249	206	170	114	86	50
Number of destinations (at year end)	**130**	125	121	114	97	93	87	70	57	36
Number of aircraft (at year end)	**95**	85	68	62	57	46	40	32	22	13

KEY FIGURES – OPERATION

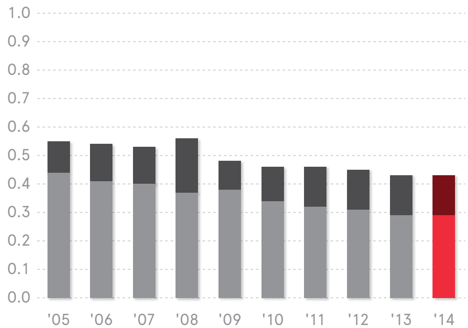
ASK
ASK in million (left axis)
Load factor % (right axis)



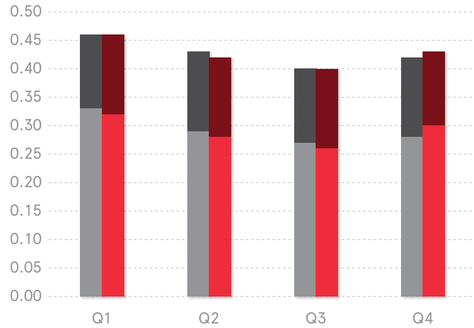
ASK PER QUARTER
Million ASK (left axis) 2013 2014
Load factor % (right axis) 2013 2014



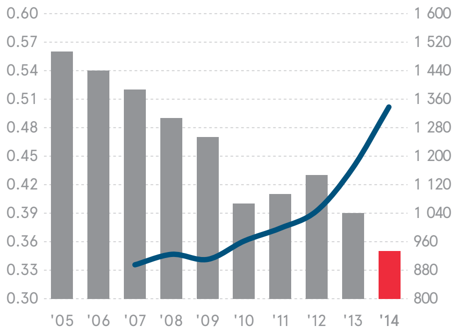
UNIT COSTS
Unit cost excluding fuel
Fuel per unit



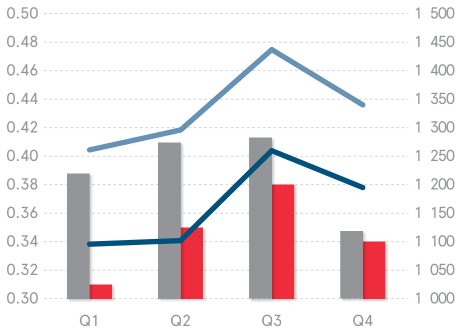
UNIT COSTS PER QUARTER
Unit cost excluding fuel 2013 2014
Fuel per unit 2013 2014



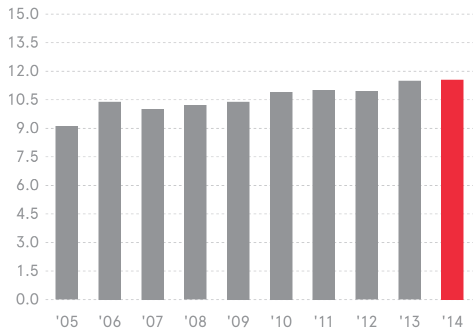
RASK
Rask in NOK (left axis)
Stage length (right axis)



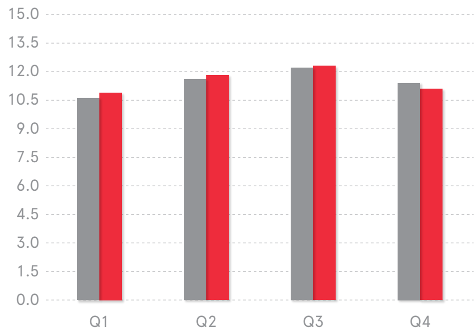
RASK PER QUARTER
Rask in NOK (left axis) 2013 2014
Stage length (right axis) 2013 2014



BLOCK HOURS
In million



BLOCK HOURS PER QUARTER
Hours per day
2013 2014



DEAR SHAREHOLDERS

In 2014 Norwegian took another step towards becoming a global player. Our fleet increased to 95 aircraft at the end of the year – whereof seven 787-8 Dreamliners – and we opened 47 new routes. As the first European carrier, Norwegian continues to pave the way for low-cost long-haul flights to the USA and Asia. Our 2014 results were influenced by heavy investments in building up new operations within Europe, which is crucial to increase the company's competitiveness.

Since our first flight in 2002, Norwegian has carried more than 130 million passengers. Norwegian was ranked the world's most punctual low-cost airline in 2014. In addition, Norwegian received many renowned awards during 2014, including "Best Low-Cost Carrier" and "Best Value for Money".

Norwegian offers 424 routes to 130 destinations. In 2014 our capacity (ASK) increased by 35 per cent compared to 2013. Our strongest growth was on long-haul operations between Europe and the U.S. and Europe and Asia as we took delivery of four new 787-8 Dreamliners. By year-end Norwegian operated flights between Scandinavia/UK and New York, Fort Lauderdale, Orlando, Los Angeles, San Francisco and Bangkok. In the continental European market, growth was attributed to the new UK and Spanish bases.

FINANCIAL PERFORMANCE

For the first time in eight years our net profit fell into the red. Our revenues were NOK 19.5 billion, up 25 per cent, and the unit revenue (RASK) was reduced by 10 per cent due to start-up of new routes in new markets and longer sector lengths, as well as by tough competition in the Scandinavian market through most of the year.

The unit cost (CASK) decreased one per cent. The primary drivers were attributed to continued fleet renewal with the addition of 14 cost-efficient Boeing 737-800s and four 787-8 Dreamliners, larger scale and increased average flying time. Our long-haul operations affected the operating results due to the Dreamliners, teething problems and delayed approval of our EU subsidiary's U.S. Foreign Air Carrier Permit.

PRODUCT BENEFITS AND GROWTH IN NEW MARKETS

Norwegian is one of the world's fastest growing airlines. But big is not necessarily beautiful. At Norwegian we believe growth must be profitable, whether it be less, equal to, or more than the market average. Dumping the ticket price to attract traffic is done at the push of a button – the hard part is lowering the cost level correspondingly.

Our business model is based on high volume and competitive low fares. When adding new capacity, particularly in mar-

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kets with low brand awareness, we actively use low fares to attract new customers. Enabling customers to experience our services yield significantly better results than random billboards or TV commercials.

Norwegian's value proposition is the ability to offer a superior product at a low cost. We operate one of the youngest and most eco-friendly aircraft fleets in the world – with generous legroom, fresh and modern interiors and state-of-the art entertainment systems. About 80 per cent of the aircraft used on our European, Middle Eastern, and North African routes are WiFi equipped. The 787 Dreamliner used on longer routes to Asia and the United States all have individual Android-based in-flight entertainment systems featuring movies, music, moving maps and even an individual in-flight snack bar.

Norwegian not only offers quality flights at low fares to the leisure traveller. We also have plenty to offer the seasoned business traveller. On typical business routes we offer high-frequency schedule, with up to 16 daily departures on the busiest routes. Flexible tickets are available on all Norwegian flights; fast track is available at the largest airports and a Direct-to-Gate option makes check-in redundant across Scandinavia and in Finland. On our Dreamliners we offer the best and most affordable premium cabin in the skies today with generous legroom and comfortable leather seats.

In 2014, Norwegian established new bases in Fort Lauderdale, New York, Barcelona and Madrid. By establishing new bases across the world, we are able to tap into new markets. It also enables Norwegian to compete with the most cost-efficient airlines. Recruitment at new bases takes place locally and all our crews receive competitive wages and conditions.

THE BATTLE OF THE ATLANTIC

Our U.S. operations have attracted significant attention from the legacy carriers. No wonder: Norwegian is the first low-cost airline to break the transatlantic oligopoly (87 per cent controlled by the three major airline alliances), offering affordable non-stop flights to the flying public, not least Americans that have been deprived of affordable international airfare. We offer a high quality low-cost service which bypasses time-consuming and expensive layovers at "alliance" hubs such as Frankfurt, London, Paris, Amsterdam and Copenhagen.

The alliances and their employee unions have for over a year spread slanderous allegations about Norwegian in an attempt to stop Norwegian's EU-based subsidiary from obtaining its lawful U.S. Foreign Air Carrier Permit. The reason is obvious: Fear of competition. Allegations such as "flag of convenience", "race to the bottom" and "social dumping" have frequently been featured in the media. High-level politicians have also been led to believe that our business model is flawed. Needless to say, in order to attract qualified crews, whether in the U.S., Europe or Asia, we need to offer competitive wages and benefits. Safe operations in the air and on the ground are Norwegian's paramount priority. Norwegian has been running a safe operation since 1993 and has not registered any serious accidents or incidents. Our aircraft are governed by the rules and regulations set forth by the European Aviation Safety Agency (EASA), irrespective of whether the crews are based in Asia, Europe or America.

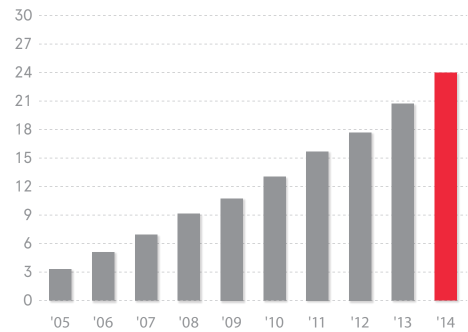
The U.S. Department of Transportation is violating the EU-US Open Skies Agreement by not approving our application for U.S. flights with our Irish Air Operator Certificate (AOC). Our application fully complies with the agreement and EU authorities are even pushing its U.S. counterpart for immediate approval. While we do get full access to the U.S. using the AOC issued by Norway, we do not have access to most Asian, African and South American destinations from countries other than Norway. Since we aspire to fly to those regions from multiple European countries, including the UK, we need an EU AOC which secures traffic rights from all EU countries.

SHAPING THE NEW CORPORATE STRUCTURE

A global operation calls for a different kind of organisational structure and mindset. A key consideration in the restructuring activities of 2013/2014 was building a structure that maintains Norwegian's flexibility and adaptability when growing internationally. This restructuring has included the establishment of new legal entities, the reorganisation and relocation of key personnel together with their decision-making authority, rights

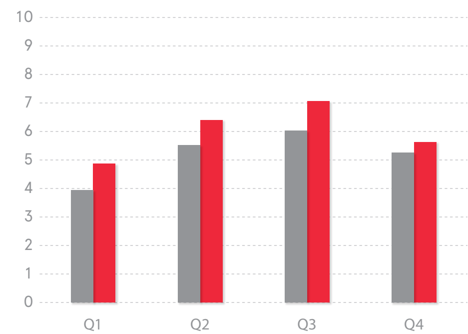
PASSENGERS

In million



PASSENGERS PER QUARTER

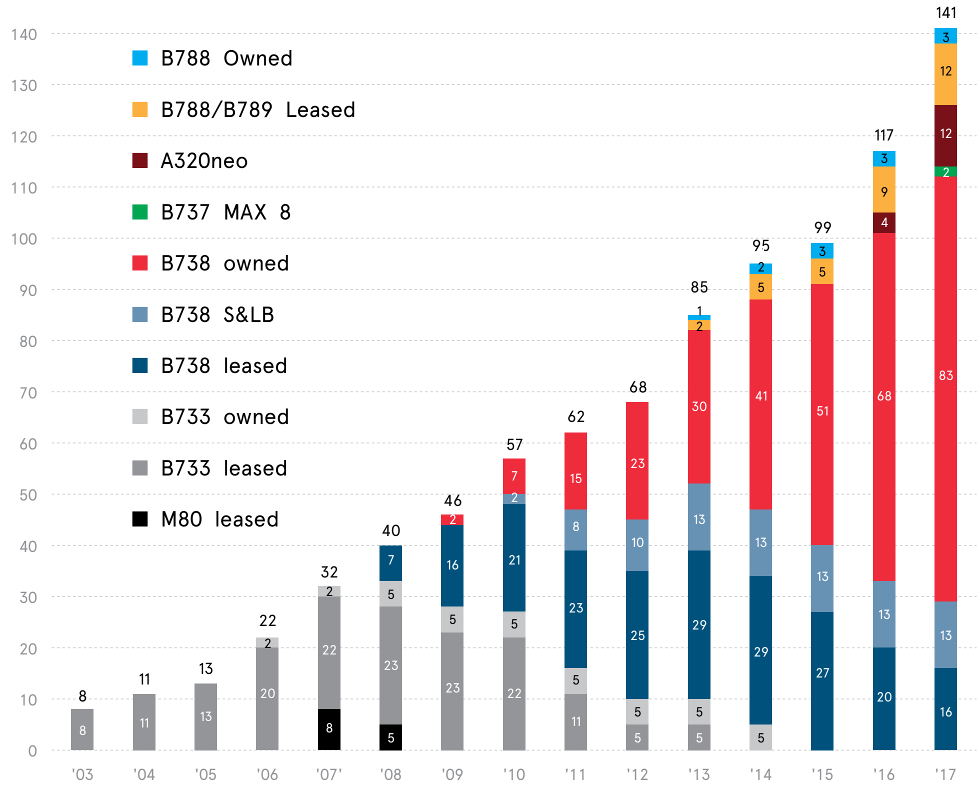
In million 2013 2014



"In 2012 Norwegian placed the largest aircraft order in European history, comprising 222 short-haul aircraft and 150 purchase rights."

CURRENT COMMITTED FLEET PLAN

Number of planes at year-end



and assets to the relevant entities at their respective legal locations.

Our aircraft and leases have now been transferred from the parent company to a fully-owned asset management company, Arctic Aviation Asset Ltd (AAA). We also see a great opportunity to build on our asset company as a lessor of aircraft that we do not utilise in our own operations. Due to our large aircraft orders, we are able to both expand our own business and establish a leasing company.

FLEET RENEWAL

Continuous fleet renewal has become an integral part of our business. In 2012 Norwegian placed the largest aircraft order in European history, comprising 222 short-haul aircraft and 150 purchase rights. By year-end 2014 we had a total of 246 undelivered aircraft on firm order: 43 Boeing 737-800, 100 Boeing 737 MAX8, 100 Airbus A320neo and 10 Boeing 787 Dreamliners.

The performance of our 787-8 Dreamliner has improved considerably since the aircraft first entered service. The aircraft are now performing well, validating Norwegian's confidence in the Dreamliner as a true game changer. Passenger comfort is unparalleled, with low noise levels, high humidity and ambient mood lighting, which reduces jet lag. Fuel consumption is even lower than expected, implying that fuel savings per seat is more than 20 per cent compared to the most modern similar-sized aircraft in operation. During 2015, we will increase our fleet by one 787-8 Dreamliner to a total of eight aircraft.

THE ENVIRONMENT

New aircraft supercharge our cost efficiency and significantly enhance the passenger experience. However, it also considerably benefits for the environment. In 2014, CO_2 emissions per passenger per kilometre were only 83 grams, a five per cent reduction compared to the previous year. Norwegian is one of the most environmentally-friendly airlines in Europe. Since 2008, Norwegian's fuel consumption per seat kilometre has decreased by 20 per cent. Today, emissions per airline passenger are approaching those per train passenger in many countries.

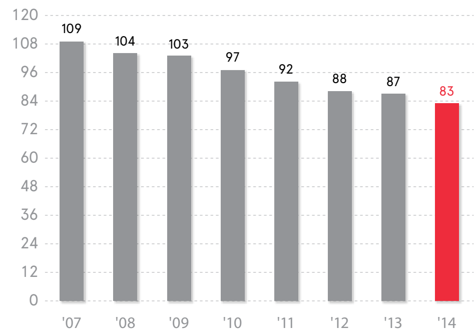
GOING FORWARD

In 2015 Norwegian will continue to position itself globally. The competition will still be tough and only those who adapt to the ever-changing marketplace will survive. Our goal is to still offer quality flights at a low fare to exiting new destinations across the globe – and not least continue to offer job security for our more than 4 570 employees all over the world.

For 2015 we expect capex similar to those of 2014. As our net capacity growth

GRAMS CO_2 PER PASSENGER

Per kilometer



will be significantly slower in 2015 we expect to launch fewer new routes and bases. We will continue to retire the oldest leased 737-800, helping us both to reduce unit costs and reduce capacity growth in the seasonally slower months. As we entered 2015, we have one of the world's most efficient fleets with an average age of 4 years and an effective base structure covering most of the leisure markets in Western Europe.

With so many plans in the pipeline, the future is indeed looking bright for Norwegian.

Bjørn Kjos
President & CEO

BUILDING COMPETITIVE ADVANTAGE

Norwegian Air Shuttle ASA reports strong revenue growth in 2014, enabled by 18 new aircraft delivered and 47 new routes opened during the year. The load factor increased to 81 per cent and unit costs were reduced by 1 per cent. Norwegian confirmed its competitive ability with 3 million new passengers in 2014. Since the start Norwegian has carried more than 130 million passengers.

The group's results for 2014 were characterised by a strong expansion of the network, continued revenue growth and efficiency improvements. However the figures were also strongly affected by additional costs, mainly related to the start-up of long haul operations, the delayed regulatory approval and the impact of a weaker Norwegian currency.

Consolidated operating revenue grew by 25 per cent to NOK 19 540 million, with a net loss of NOK 1 070 million, compared to a profit of NOK 322 million in 2013. The revenue growth is mainly a result of the strong production growth enabled by the new aircraft delivered in 2014 and the strengthening of the international route network. Revenues from international traffic increased by 34 per cent in 2014 and amounted to NOK 14 948 million.

The long haul operation develops well and in line with plans, despite the technical and operating issues related to the start-up phase. This is reflected in the group's traffic growth (RPK) of 40 per cent, which is driven by a 15 per cent increase in average distance per passenger. The regularity has gradually improved for our long-haul operations, and is now performing better every day.

18 new aircraft were delivered in 2014, and at the end of the year the fleet comprised 95 aircraft, including aircraft on maintenance and excluding wet-lease.

Norwegian guided for a total production growth (ASK) in 2014 of 40 per cent. Actual production growth ended at 35 per cent. The average load factor was 81 per cent and higher than previous year. The ticket revenue per available seat kilometre (RASK) for 2014 was NOK 0.35, (NOK 0.39); down 10 per cent from 2013 following increased flying distance and the start-up of new routes. Ancillary revenues rose by 34 per cent to NOK 116 per PAX (NOK 87).

The financial position at 31 December 2014 was solid, although impacted by the asset acquisitions and the increased production. Net interest bearing debt increased to NOK 11 273 million, up from NOK 4 346 million at the end of 2013 driven by investments in new aircraft and currency. Cash and cash equivalents at 31 December 2014 were NOK 2 011 million and net reduction during the year was negative NOK 155 million. The equity ratio was 9 per cent, down from 19 per cent at the end of 2013.

The board of directors expects 2015 to be a year of consolidation with lower growth. Production growth in 2015 is expected to be around 5 per cent, including long haul production. The level of ad-

"The long haul operation develops well and in line with plans."

vance bookings at year-end was good. Norwegian will continue its efforts to improve cost efficiency and the introduction of larger aircraft with lower operating costs, both seen as important elements to further strengthen Norwegian's position.

KEY EVENTS 2014

- **Eighteen new aircraft delivered during 2014.** Fourteen new 737 800s and four Boeing 787-8 Dreamliners have been delivered in 2014. Norwegian currently has seven Boeing 787-8 in operation along with one 787-8 and nine 787-9 on order. By 2018 the group will have 17 Dreamliners in operation.

- **Awarded the title "Europe's best low-cost carrier".** Norwegian was awarded the title for the second year running by the renowned SkyTrax World Airline Awards.

- **Established four new bases** in Spain (Barcelona, Madrid) and North America (Fort Lauderdale, New York).

- **Completed transfer of assets to Arctic Aviation Asset (AAA).** Norwegian's aircraft and aircraft purchase contracts have been moved to our asset company registered in Ireland to balance out currency risk related to debt exposure in foreign currencies.

- **NOK 400 million bond refinanced in June.** A new unsecured bond of NOK 400 million was issued in June 2014 with a tenor of 3 years in the Norwegian bond market. The transaction included a buy-back offer to the bondholders of the NAS03 bond.

- **New NOK 225 million bond issued in November.** A new secured bond of 225 million with maturity date in November 2017 was issued in November 2014. The net proceeds will be used to finance incurred and expected costs for the construction of Norwegian's new hangar, located at Gardermoen. The bond issue is secured in the relevant hangar. The new bond loan was oversubscribed.

- **Financing of 17 new aircraft secured.** A new credit facility for the financing of up to 17 new Boeing 737-800 in the amount of USD 350 million was secured in December. The facility covers pre-delivery payment (PDP) financing and includes back stop sale and lease-back agreements. The facility covers financing for up to 17 aircraft delivering in 2015 and 2016, and is part of Norwegian's continuously ongoing activities for financing direct-buy aircraft delivering in the period 2015 to 2022.

COMPANY OVERVIEW

Norwegian Air Shuttle ASA ("Norwegian" or "the company") is the parent company of the Norwegian group ("the group"). Norwegian is headquartered at Fornebu outside Oslo, Norway.

Norwegian is one of Europe's fastest growing and most innovative airlines. The parent company Norwegian Air Shuttle ASA and its subsidiaries form the Norwegian group with 4 570 employees at 19 bases or locations. The group is present

in eight countries on three continents and operates both scheduled services and additional charter services.

At the end of 2014 Norwegian operated 424 routes to 130 destinations.

Norwegian's vision is "Everyone should afford to fly". The business idea is to attract customers by offering a high-quality travel experience based on operational excellence and helpful, friendly service at a low fare. Operationally, safety always comes first.

CORPORATE STRUCTURE

The Norwegian group consists of the parent company Norwegian Air Shuttle ASA and it's directly or indirectly fully owned subsidiaries in Norway, Sweden, Denmark, Finland, Ireland, Spain and Singapore. In 2014, the group reorganised its operations in several new entities, to ensure international growth and necessary traffic rights. A key consideration has been to build a structure which maintains Norwegian's flexibility and adaptability when growing and entering into new markets. Operations are separated into a commercial airline group with the appropriate AOC's (Air Operator's Certificate), an asset group, a resource group and other activities including brand and marketing.

AIRLINE GROUP

The group's commercial airline activities are organised in the parent company Norwegian Air Shuttle ASA (NAS), the fully owned subsidiaries Norwegian Air International Ltd. (NAI) and Norwegian Air Norway AS (NAN). The former is based in Dublin, Ireland and the latter at Fornebu outside Oslo. Norwegian Air Norway AS operates routes from Scandinavian bases, while Norwegian Air Shuttle ASA operates flights from the following bases: London Gatwick, Helsinki, Madrid, Barcelona, Malaga, Alicante, Las Palmas, Tenerife, Bangkok, New York and Fort Lauderdale.

ASSET GROUP

The group's asset companies are organised in a group of subsidiaries, based in Dublin, Ireland, where Arctic Aviation Asset Ltd (previously September Aviation Assets Ltd) is the parent company. Aircraft leases and ownership have been transferred to the asset group.

RESOURCE GROUP

In line with legal developments in Europe, fully owned country-specific resource companies are in the process of being established, with the intention of offering permanent local employment.

OTHER BUSINESS AREAS

Norwegian Brand Ltd (Dublin, Ireland) was established in 2013, with the intention of maintaining the group's brand and marketing activities.

Norwegian Cargo AS (Fornebu, Norway) was established in April 2013, and is carrying out the group's commercial cargo activities. Norwegian Air Shuttle ASA has 65 per cent ownership.

Norwegian Holidays AS (Fornebu, Norway) was established in 2013 and provides the new business area of holiday packages to customers in the end market through the group's web booking.

The parent company also owns 20 per cent of the shares in the online bank, Bank Norwegian AS, through the associated company Norwegian Finans Holding ASA. The airline's loyalty program Norwegian Reward is operated in cooperation with the bank, and have over 3 million members.

MARKET CONDITIONS

Norwegian is the third largest low-cost carrier in Europe and seventh largest in the world. The route portfolio stretches across Europe into North Africa, the Middle East, North America and Southeast Asia. Norwegian has a vast domestic route network in Norway, Sweden, Denmark and Finland, as well as a wide range of routes between Scandinavia and the European continent, Thailand, the Middle East and the USA.

The offering was further strengthened in 2014, with the launch of new routes between Spain and Germany and Spain and Poland. Norwegian's fleet of around 100 aircraft is one of Europe's most modern and environmentally friendly. The group also has more than 400 aircraft on firm order or purchase options for delivery in the coming years, which is a strong confirmation of the group's strategy to become a global airline.

During 2014, the airline received several prestigious customer awards, thanks to its free in-flight wi-fi on European routes and the ability to offer quality flights at a low fare – "good value for money".

The global airline industry is characterised by increasingly strong competition. Norwegian intends to be a competitive player in this market and believes that the ability to grow the business internationally is a fundamental criterion to remain profitable in the future.

This is the reason behind the establishment of Norwegian's new crew bases in New York, Fort Lauderdale, Bangkok and London – not in Oslo, Stockholm or Copenhagen for its long-haul operations. With crew placed at these big catchment areas, you can operate flights into smaller and less populated areas and maximise both crew and aircraft utilisation.

"Norwegian intends to be a competitive player in this market and believes that the ability to grow the business internationally is a fundamental criterion to remain profitable in the future."

Establishing new bases in Europe allows Norwegian not only to tap into new markets, such as non-stop routes from Barcelona and Las Palmas to smaller cities in the Nordics or routes from London Gatwick to destinations on the European Continent; it also enables Norwegian to compete with other cost-efficient airlines. Recruitment to new bases takes place locally, at competitive local wages and benefits.

Norwegian continued its global expansion in 2014 by taking delivery of 14 brand new Boeing 737-800s and four 787-8 Dreamliners, establishing new crew bases in New York, Fort Lauderdale, Barcelona and Madrid, as well as launching scores of new routes and welcoming hundreds of new co-workers to the Norwegian family. It also launched new long-haul services between London's Gatwick airport and New York, Fort Lauderdale and Los Angeles. The international expansion strategy will continue in 2015.

Revenue from international flights grew by 34 per cent in 2014 and represented 76 per cent of group revenue, up from 72 per cent in 2013. This trend is expected to continue in 2015 as most of the growth will be in long-haul.

SAFETY AND COMPLIANCE

The safety of our customers and employees is a prerequisite for Norwegian's business.

Safe operations in the air and on the ground are Norwegian's paramount priorities. No serious accidents have been registered to date, to either passengers or crew involving aircraft operations, since Norwegian was founded in 1993.

The group has safety departments, which are an integrated part of the group's safety management system (SMS). The safety and compliance departments are independent and report directly to the accountable manager. Their main tasks are to proactively promote safety throughout the organisation. All manuals, procedures and routines are designed to comply with all applicable safety standards.

Safety is covered in the crew training programs, together with training in security related issues. The civil aviation authorities approves all programs, examinations and qualification requirements.

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

In October 2014 Norwegian was granted regulatory approval of the group's SMS across all its airlines. This achievement confirms that each Norwegian Air Operator Certificate is fully engaged with industry best practice and cutting edge developments in safety management. NAS and NAN share a common SMS with oversight from the Norwegian Civil Aviation Authority, whereas NAI has its own with oversight from the Irish Aviation Authority. A SMS is a business-like approach to safety, providing a systematic, explicit and comprehensive process for managing safety risks.

As with all management systems, the SMS provides for goal setting, planning, and measuring performance and is woven into the fabric of the organisation. As the SMS develops, it becomes part of the company culture, nurturing safety attitudes and beliefs, encouraging a safety culture, influencing how personnel go about their work.

In order to comply with European and international SMS requirements, a number of organisational changes were needed. A new safety organisation has been introduced, and a whole new approach to safety and how it is exercised, has been introduced. As a result, the focus on safety is no longer limited to just flight safety. The safety concept now embraces safety across the entire group, making every staff member part of our safety strategy. Each person, manager and department has the responsibility to report safety hazards, occurrences and issues via the SafetyNet reporting system. By engaging with active reporting, Norwegian's personnel can identify risks that can be managed, thereby preventing expensive incidents and accidents.

Norwegian will continue to focus on safety and encourage a healthy internal reporting of errors in order to actively promote an atmosphere where any employee can openly discuss errors of commission or omission, process improvements and system corrections without the fear of reprisal. The safety department will work to dismantle the silos that can develop between departments and approach safety in a holistic manner involving all employees. Such activities are essential to secure an effective SMS, where each department considers not just their own risk, but also the risk that their plans and activities will have on other departments. Risk assessments will therefore become a standard process. This holistic approach will introduce a cohesive process to our workflow, which will reduce safety risk, and also reduce costs through better planning and communication.

"In October 2014 Norwegian was granted regulatory approval of the group's safety management systems (SMS) across all its airlines."

In 2014 Norwegian started the deployment of a new IT system in order to enable the measurement of its risk exposure in real time and to foresee potential risks. This software is now in the testing/calibration phase and we expect it to greatly enhance risk awareness amongst our management and staff. This initiative will work in conjunction with our SafetyNet reporting system and the Flight Data Monitoring program, to provide cutting edge risk awareness technology. Automatic collection and collation of data from the entire organisation, combined with logical processing of current and historical data, provides a view of future risk. By analysing key data and trends over time, Norwegian can uncover areas that need additional attention and understand the effect of corrective measures taken. Transitioning from reactive to proactive and predictive identification of risks enables potential deviations to be corrected before they occur.

Moving from being reactive to becoming proactive and predictive also means that we identify hazards in our workspaces and proactively manage all associated risks to a level called "as low as reasonably practicably" (ALARP).

In order to achieve Norwegian's goal of becoming an industry leader in safety, we move beyond just authority compliance. We do this by actively engaging in international safety research projects, exchange data with the aviation industry and strive to follow the industry best practices.

All the people across the Norwegian group – from people working in IT, finance and customer relations to technicians, ground crew and flight crew – play a vital role in the continuous efforts to achieve excellence in safety. Our employees' engagement with the SMS enables Norwegian to manage risk and hence achieve cost reductions through efficiencies, whilst reducing financial loss associated with accidents and incidents.

OPERATIONS AND MARKET DEVELOPMENT

In 2014 Norwegian expanded its network extensively with 47 new routes: 8 in Norway, 6 in Sweden, 4 in Denmark, 3 in Finland, 14 in the UK and 12 in Spain. By year-end the group operated 424 scheduled routes to 130 destinations. During the year Norwegian took delivery of a total of 14 environmentally friendly Boeing 737-800 aircraft and four 787-8. The net fleet growth was 10 aircraft, with the year-end fleet comprising 95 aircraft.

NETWORK

The group's route portfolio spans across Europe as well as into North Africa, the Middle East, North America and Southeast Asia, serving both the business and the 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 maximising aircraft and crew utilisation.

In 2014 Norwegian opened two new European bases outside the Nordic region; Barcelona and Madrid. In total Norwegian operates 14 short-haul bases whereof seven in Spain and the UK. The Spanish bases enable Norwegian to serve provincial destinations non-stop from the Mediterranean to the Nordic region. The London Gatwick base serves a combination of Nordic destinations as well as popular Mediterranean destinations.

Norwegian launched its long haul operations at the end of May 2013. In 2014 new long-haul crew bases were established in New York and Fort Lauderdale with London being added in 2015. By year-end 2014 the long-haul network covered routes between four European cities to five destinations in the US and one in Asia. The four crew bases in Europe, North America and Asia fit well with the company's operating pattern.

The optimisation of return on investment is to be achieved by:

- Operating high-RASK business routes during peak hours, and focusing production on low-RASK leisure routes during midday off-peak hours.
- Focusing on leisure destinations with year-round interest in the Nordic market. The Canary Islands is one example.
- Replacing Mediterranean routes with routes to the Alps and the Middle East during the winter season.
- Replacing business routes with leisure routes during the mid-summer period operating flights at night-time during peak seasons.

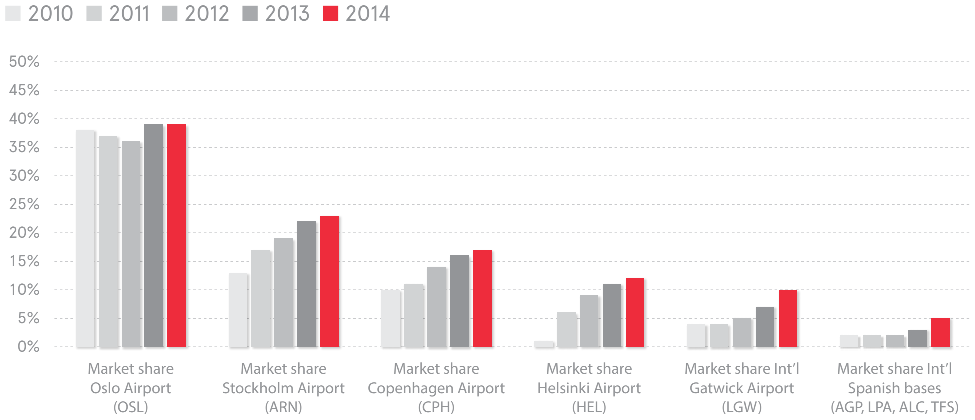
Domestic, intra-Scandinavian and typical European business destinations have the highest frequencies, which attracts business travellers. The Oslo-Bergen and Oslo-Trondheim routes have the highest frequencies with 13 daily rotations on weekdays. Typical leisure destinations in Southern Europe, Northern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

OPERATIONS NAI

Norwegian Air International (NAI) got the Air Operating Certificate (AOC) and Operational License (OL) in February 2014 from the Irish Aviation Authority (IAA).

In February NAI applied the US Department of Transportation (DoT) for the approval to operate to the USA; we are still awaiting this approval.

MARKET SHARE



Since NAI started its operations in February, NAI has been operating one Boeing 787-8 on wet-lease for Norwegian Air Shuttle on route between Scandinavia and Bangkok.

AIRCRAFT MAINTENANCE

The Boeing 737 fleet is operated by the parent company Norwegian Air Shuttle (NAS) and its fully owned subsidiary Norwegian Air Norway (NAN). The Boeing 787 fleet was operated by the fully owned subsidiary Norwegian Air International (NAI) and its parent company NAS. Each individual operator has its own Air Operator Certificate (AOC), each with individual civil aviation authority oversight and approval. Each AOC must have a civil aviation authority approved maintenance organisation and maintenance program.

NAS and NAN manage their maintenance operations from their technical bases at Oslo Airport Gardermoen. NAI manages its maintenance operations from its technical base at Dublin, Ireland.

Line maintenance for the B737 fleet is performed by NAS Part 145 org. at Oslo Airport Gardermoen, Stavanger Airport Sola, Bergen Airport Flesland, Trondheim Airport Værnes, Stockholm Arlanda Airport and Copenhagen Airport Kastrup. Line maintenance for the B737 fleet is contracted to other external suppliers outside Scandinavia.

Continuing airworthiness activities for the B787 fleet are sub-contracted to Boeing Fleet Technical Management (Boeing FTM). Control and oversight of the activities is performed by Norwegian Air International's maintenance operations in addition to civil aviation authorities as well as Norwegian Air Shuttle's maintenance operations in addition to civil aviation authorities.

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

Airframe maintenance for our B737 fleet is currently carried out by ATC Lasham in the UK, and Lufthansa Technik and Aeroplex of Central Europe (ACE) in Budapest, Hungary. Engine and component workshop maintenance is undertaken by Lufthansa Technik, MTU and Boeing.

Airframe maintenance for the B787 fleet is currently carried out by Nayak, KLM, Mack II and Monarch. Engine maintenance is currently carried out by Rolls Royce UK.

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

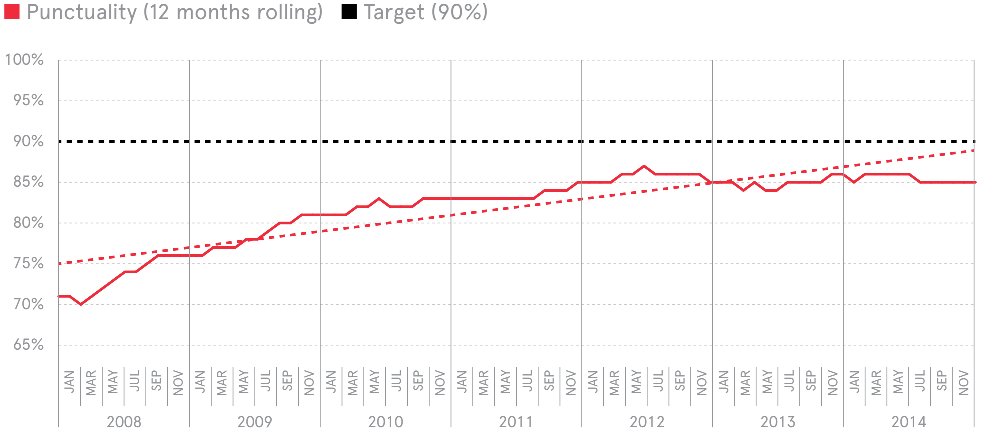
All supplier contracts are subject to approval and monitoring by the national aviation authorities.

FINANCIAL REVIEW

Norwegian reports consolidated financial information pursuant to International Financial Reporting Standards (IFRS).

The preparation of the accounts and application of the chosen accounting principles involve using assessments and estimates and necessitate the application of assumptions that affect the carrying

PUNCTUALITY



amount of assets and liabilities, income and expenses. The estimates and the pertaining assumptions are based on experience and other factors. The uncertainty associated with this means that the actual figures may deviate from the estimates. It is especially the insurance liabilities that are associated with this type of uncertainty.

(All figures in brackets are 2013 figures unless otherwise specified)

Consolidated statement of profit and loss

The group's total operating revenue and income for 2014 grew by 25 per cent and came to NOK 19 540 million (NOK 15 580 million), of which ticket revenues accounted for NOK 16 255 million (NOK 13 381 million). Other passenger related revenues came to NOK 2 727 million (NOK 1 758 million) and NOK 558 million (NOK 372 million) was related to freight, third-party products and other income. The revenue growth is mainly a result of capacity growth and the launch of long-haul operations. The load factor increased by 3 per cent compared to the same period last year. The ticket revenue per available seat kilometre (RASK) for 2014 was NOK 0.35 (NOK 0.39), down 10 per cent from the previous year. Ancillary revenues rose by 34 per cent to NOK 116 per PAX (NOK 87).

Operating costs (including leasing and excluding depreciation and write-downs) amounted to NOK 20 202 million (NOK 14 080 million), with a unit cost of NOK 0.42 (NOK 0.42). The unit cost excluding fuel was down by 1 per cent to NOK 0.29 (NOK 0.29). Earnings before interest, depreciation and amortisations (EBITDA) fell to a loss of NOK 662 million (NOK 1 500 million).

In 2014 financial items resulted in a loss of NOK 274 million, compared to a loss of NOK 579 million in 2013. Financial items include NOK 37 million in net foreign exchange losses (loss of NOK 473 million). With regards to accounting for the prepayments on purchase contracts with aircraft manufacturers, NOK 144.6 million (NOK 86.0 million) in interest costs were capitalised in 2014.

In 2007 the group started Bank Norwegian, which is 100 per cent owned by Norwegian Finans Holding ASA, in which the group has a 20 per cent stake. The group's share of the bank's net profit resulted in a net gain of NOK 57.6 million (NOK 46.6 million) in the consolidated profit and loss.

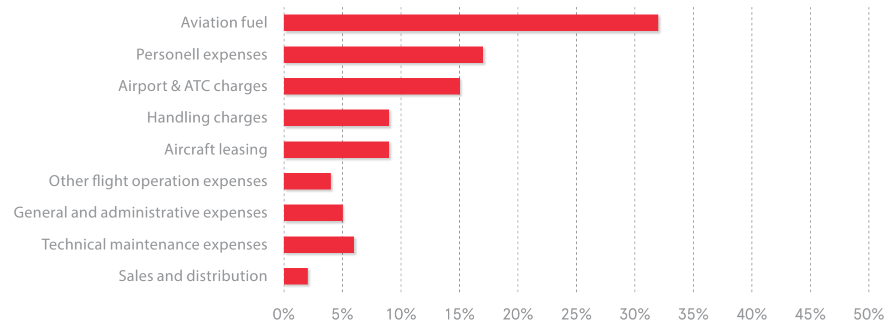
Earnings before tax in 2014 amounted to a loss of NOK 1 627 million (gain of NOK 437 million) and earnings after tax were a loss of NOK 1 070 million (gain of NOK 322 million). Earnings per share was negative –NOK 30.42 per share (positive NOK 9.15).

Consolidated statement of financial position

The group's total debt and assets are impacted by the asset acquisitions and the capacity increase during the year. Total assets at 31 December 2014 were NOK 22 706 million (NOK 14 762 million). The book value of aircraft increased by NOK 5 001 million during the year. Prepayments to aircraft manufacturers were NOK 4 103 million at the end of 2014, an increase of NOK 1 588 million from 31 December 2013. Trade and other receivables were NOK 2 174 million (NOK 1 623 million).

At 31 December, the group had a cash balance of NOK 2 011 million (NOK 2 166 million).

OPEX BREAKDOWN
Percent



Total borrowings increased by NOK 6 772 million to NOK 13 284 million (NOK 6 512 million), mainly related to the purchase of new aircraft and financing of prepayments to aircraft manufacturers.

Capital structure

The group's total equity at 31 December was NOK 2 108 million (NOK 2 750 million kroner) with an equity ratio of 9 per cent (19 per cent). Total equity decreased by NOK 642 million following a net loss for the period of NOK 1 070 million, exchange rate gains on equity in the group companies of NOK 467 million and actuarial losses on pension plans of 52 NOK million. Other changes in equity amounted to NOK 13 million.

All issued shares in the parent company are fully paid with a par value of 0.1 per share. There is only one class of shares, and all shares have equal rights. The group's articles of association have no limitations regarding the trading of Norwegian Air Shuttle ASA's shares on the stock exchange.

The group's aggregated net interest-bearing debt was NOK 11 273 million (NOK 4 346 million) at year-end. The group's gross interest-bearing liabilities of NOK 13 284 million (NOK 6 512 million) mainly consisted of financing for our aircraft amounting to NOK 9 877 million, three bond loans with a net book value of NOK 831 million, and pre-delivery payment syndicated credit facilities of NOK 2 568 million. Other long-term interest-bearing liabilities consist of financial lease liabilities in the amount of NOK 8 million. In 2014 the group successfully issued two new bonds and a buy back offer to bondholders of the existing bond. The new bonds will mature in 2017. NOK 3 320 million of the total of the interest-bearing loans mature in 2016. NOK 2 041 million is related to financing of prepayments to aircraft manufacturers and will be replaced by long term financing at the time of delivery of the aircraft.

Consolidated statement of cash flow

The group's cash flow from operations was NOK 287 million (NOK 2 379 million) in 2014. The net cash flow from operating activities consists of the loss before tax of NOK 1 627 million; add back of depreciation and other expenses without cash effects of NOK 1 255 million with add back of interests on borrowings of NOK 323 million included in financial activities. Changes in working capital mainly due to traffic growth amounted to 538 million. During 2014 the group paid NOK 203 million in taxes.

The net cash flow used for investment activities was negative NOK 4 931 million (negative NOK 2 128 million), of which the prepayments to aircraft manufacturers constituted negative NOK 2 402 million. The purchase of eleven new Boeing 737-800s, a 787-8 Dreamliner and intangible assets amounted to NOK 2 612 million.

The net cash flow from financial activities in 2014 was NOK 4 478 million (NOK 184 million). New loans, including draw downs on facilities for aircraft prepayments were NOK 6 061 million, while repayments on long-term debt were NOK 1 259 million. Interest paid on borrowings was NOK 323 million (NOK 296 million).

The group has a strong focus on liquidity planning and the board is confident in the group's financial position at the beginning of 2015.

"The group's board of directors reviews and evaluates the overall risk management systems and environment in the group on a regular basis."

FINANCIAL RISK AND RISK MANAGEMENT

Risk management in the Norwegian Group is based on the principle that risk evaluation is an integral part of all business activities. Policies and procedures have been established to manage risks. The group's board of directors reviews and evaluates the overall risk management systems and environment in the group on a regular basis.

The group faces many risks and uncertainties in a marketplace that has become increasingly global. The variety of economic environments and market conditions can be challenging, with the risk that Norwegian may not succeed in reducing the unit cost sufficiently to compensate for weakening consumer and business confidence in its key markets. Price volatility may have a significant impact on the group's results. A deterioration in the group's financial position could increase our borrowing costs and the cost of capital. Norwegian is continuously exposed to the risk of counterparty default. The group's reported results and debts denominated in foreign currencies are influenced by developments in currency exchange rates and in particular the US dollar.

The group's main strategy for mitigating risks related to volatility in cash flows is to maintain a solid financial position and a strong credit rating. Financial risk management is carried out by a central treasury department (group treasury), under policies approved by the board of directors. The 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, jet fuel risk, interest rate risk, credit risk, and the use of derivative financial instruments and investment of excess liquidity.

Interest rate risk

The group is exposed to changes in the interest rate level, following the substantial amount of interest bearing debt. The group's cash flow interest rate risk arises from cash and cash equivalents and floating interest rate borrowings. Floating interest rate borrowings consist of unsecured bond issues, aircraft and prepayment financing, loan facilities and financial lease liabilities. Borrowings issued at fixed rates expose the group to fair value interest rate risk. Fixed interest rate borrowings consist of aircraft financing, guaranteed by the Ex-Im Bank of the United States. Borrowings are denominated in USD and NOK.

Foreign currency risk

A substantial part of the group's expenses are denominated in foreign currencies. The group's leases, aircraft borrowings, maintenance, jet-fuel and related expenses are mainly denominated in USD, and airplane operation expenses are partly denominated in EUR. Foreign currency risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. In order to reduce currency risk, the group has a mandate to hedge up to 100 per cent of its currency exposure for the following 12 months. The hedging consists of forward currency contracts and flexible forwards. In 2013 the group transferred several aircraft from its parent company Norwegian Air Shuttle ASA to a newly established asset company in Ireland with USD as the functional currency. Hence, the group's total USD exposure has been reduced.

Price risk

In order to protect margins against fluctuations in the price of fuel, our expected fuel consumption is hedged to some extent. The group also uses derivatives to reduce its overall financial and commercial risk exposures.

Liquidity risk

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

Following the acquisition of aircraft with future deliveries, Norwegian will have ongoing financing activities. The group's strategy is to diversify the financing of aircraft through sale-and-leaseback transactions and term loan financing supported by the export credit agencies in the United States and the EU.

"Following the acquisition of aircraft with future deliveries, Norwegian will have ongoing financing activities.

Credit risk

Credit risks are managed on a group level. Credit risks arise from deposits with banks and financial institutions, as well as credit exposure to commercial customers. The group's policy is to maintain credit sales at a minimum level. Sales to consumers are settled by using credit card companies. The risks arising from receivables on credit card companies or credit card acquirers are monitored closely. At 31 December 2014, 43 per cent of total trade receivables are with counterparties with an external credit rating of A or better, and 89 per cent of total cash and cash equivalents are placed with A+ or better rated counterparties.

THE SHARE

The company's shares are listed on Oslo Børs (Oslo Stock Exchange) with the ticker symbol NAS and is included in the OBX-index, which comprises the 25 most liquid shares on Oslo Børs.

Norwegian aims at generating competitive returns to its shareholders. The board has recommended not to distribute dividends but to retain funds for investment in expansion and other investment opportunities as stated in the articles of association, thereby enhancing profitability and returns to shareholders. The company has not paid dividends during the last three years.

The share had a closing price of NOK 276.20 at 31 December 2014 and yielded a return of 47 per cent from the beginning of the year.

Norwegian had 7 266 shareholders at 31 December 2014 and the 20 largest shareholders accounted for 60.4 per cent of the share capital.

HBK Invest AS is the largest shareholder, currently holding 25.02 per cent of the shares. Its majority owner is Mr Bjørn Kjos, president and CEO of Norwegian. HBK Invest AS is represented on the board of directors of Norwegian Air Shuttle ASA by Mr Bjørn H. Kiese, who is elected chair of the board.

GEOGRAPHICAL SPLIT OF SHARES

Country	Shareholding
Norway	79.3%
United kingdom	10.9%
Luxembourg	2.6%
Belgium	1.8%
Sweden	1.8%
United states	1.5%
Denmark	1.3%
Switzerland	0.4%
Iceland	0.1%
France	0.1%
Other	0.2%

EVENTS AFTER 31 DECEMBER 2014

In March 2015 the negotiations with the Scandinavian trade unions failed and thus the pilots were on strike for 11 days. During the strike 1 891 flights were cancelled and over 200 000 passengers were affected. Most of Norwegian's domestic flights in Norway, Sweden and Denmark were grounded during the strike. In addition several flights were also affected by other sympathy actions.

SHARE PRICE DEVELOPMENT 2014 – NORWEGIAN AIR SHUTTLE ASA

NOK per share

In addition to the direct impact of the strike including start-up costs, Norwegian lost future bookings, which will affect future revenues. The company has not been able to quantify the full impact of the strike due to a lag in time for refunds, and because forward bookings fell during the strike, but picked up sharply again when the strike ended.

GOING CONCERN ASSUMPTION

Pursuant to the requirements of Norwegian accounting legislation, the board confirms that the requirements for the going concern assumption have been met and that the annual accounts have been prepared on this basis.

PARENT COMPANY RESULTS AND DISTRIBUTION OF FUNDS

The parent company Norwegian Air Shuttle ASA had a nett loss of NOK 905.8 million in 2014.

In accordance with the company's corporate governance policy, the board recommends the following distribution of funds:

(Amounts in NOK million)	
Dividend	-
Transferred from other equity	905.8
Total allocated	905.8

CORPORATE RESPONSIBILITY

Norwegian is committed to operating in accordance with responsible, ethical and sound business principles, in order to lay the basis for long-term and sustainable value creation, with respect for people and the environment.

Norwegian's corporate responsibility strategy has its main focus on the environmental side of the group's operations and how Norwegian as an airline can make aviation more environmentally friendly.

Norwegian aims to contribute to less pollution and emissions by flying new and fuel-efficient aircraft, as described in more detail below. The single most important thing an airline can do in order to make aviation more environmentally friendly, is investing in new aircraft.

CODE OF ETHICS

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

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

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

Norwegian's corporate responsibility strategy is primarily based on how Norwegian as an airline can contribute to less pollution and emissions by flying new and fuel-efficient aircraft. Our codes of ethics provides the directions for a good working environment and highlights the

"Everyone has a joint responsibility to create a good working environment and develop a sound corporate culture marked by openness and tolerance."

group's guidelines for human rights, preventing corruption, employee rights and safety for all – both for our customers and our employees. Norwegian has a dedicated corporate cooperation with the humanitarian organisation UNICEF.

THE ENVIRONMENT

Norwegian is committed to actively engage in and support a sustainable environmental policy, and to continue to reduce emissions from aviation.

Flight operations are inherently dependent on fossil fuels and also generate noise. However, the group's current aircraft fleet operates well within the levels and restrictions imposed by national and international regulations. During 2014 the group consumed approximately 981 243 tons of Jet A-1 fuel, which is equivalent to 83 grams of CO_2 per passenger per kilometre or 67 grams of CO_2 per seat per kilometre, a reduction of 1 per cent from last year.

By renewing the fleet, Norwegian contributes to reducing emissions. Norwegian has one of Europe's most modern and environmentally friendly fleets with an average age of 4.2 years. In 2014, Norwegian carried out its first ever flight with biofuel; a flight that emitted over 40 per cent less than an average flight with regular fuel. This biofuel flight was an important milestone in the industry's shared commitment to make sustainable biofuel more easily available for airlines. Through the development of new technologies and frameworks, Norwegian wants to help make aviation carbon neutral by 2050. All employees should also focus on how they can contribute to a better environment in their daily work.

Norwegian also undertakes a variety of other measures to minimise its environmental impact:

- Green approaches, or Continuous Descent Approaches (CDAs), are designed to reduce overall emissions during the final stages of the flight.
- All of Norwegian's Boeing 737-800 aircraft are fitted with winglets, a tailfin-like extension of each wingtip that reduces drag. The effect is a reduction in fuel consumption, as the same lift and speed is created with less engine thrust.
- Norwegian is committed to keeping aircraft weights to a minimum, thereby reducing emissions.
- Norwegian offers more direct flights compared to traditional network carriers, which often route passengers via a hub. Hubbing increases the seat kilometres and the number of fuel-intensive take offs and landings needed to complete a journey, compared to Norwegian's mostly direct flights.
- Norwegian has a special engine wash on each aircraft 2-3 times per year. This, combined with aircraft washing, decreases fuel consumption, and thus reducing carbon emissions by approximately 16 000 tons per year.

The group's business model promotes high load factors and higher capacity per flight, which makes Norwegian's operations more environmentally sustainable as emissions per passenger are lower. The company's emissions per passenger kilometre are well below the industry average and less than many forms of land and sea-based transportation.

"We promote an environment free from any discrimination, be it religion, skin colour, gender, sexual orientation, age, nationality, race or disability."

It is the perception of the board of directors that the group has complied with all requirements and recommendations with regard to its impact on the external environment, and that it takes all possible steps to minimise emissions and other negative effects on the environment.

EMPLOYEES AND ORGANISATION

The airline business is a people business where good relations and respect between people are key success factors. Everyone at Norwegian has a joint responsibility to create a good working environment and develop a sound corporate culture marked by openness and tolerance. Norwegian supports the international human rights as outlined by the UN declaration and conventions. No one shall in any way cause or contribute to the violation or circumvention of human rights. We place great importance in ensuring compliance with employees' basic human rights as outlined in the International Labour Organisation's core conventions. Equality must be guaranteed between men and women in terms of employment, working conditions, career opportunities and remuneration. Norwegian has a long-term focus on creating an attractive workplace for employees. An important success factor is maintaining a workforce of highly motivated and skilled employees and leaders. The goal is to offer unique opportunities to the employees as well as a corporate culture that helps us to attract and retain the best people in the industry, regardless of whom they are and where the business is located. Creating effective arenas for learning and professional development at all levels of the organisation is a priority at Norwegian.

At the end of 2014 the group employed a total of 4 314 full-time equivalents (FTE's) compared to 2 890 FTEs at the end of 2013. (Apprentices and hired staff included). The increase was planned and has taken place in line with the 2014 expansion of the route network.

The apprentice program in Norway continued in 2014 with apprentices from both Norway and Sweden. At the end of the year it comprised 104 apprentices and a further intake is planned for 2015. The program has year round rolling admissions and runs over a two to three year period with a curriculum that exposes the apprentices to a wide variety of activities within the company. At graduation they have successfully completed modules in sales and marketing, customer support and booking, ground handling and had at least one international assignment over a longer period of time. On top of that they will have spent several months flying as regular crewmembers across Scandinavia and Europe. The standard of our apprentices is at the highest level and we received rave reviews by the Akershus County Council and a high number of 2014 graduates received the highest grade possible; Excellent. The labour unions are also actively included in planning of the apprentices' curriculum.

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

The airline industry has historically been male-dominated. Norwegian has been characterized by equality since its inception in 2002. In 2014, 48.3 per cent of the employees were women and 51.7 per cent were men.

Most of the pilots are men, but the number of female pilots is increasing steadily and is now around 5 per cent. Cabin personnel are mainly women, but men account for approximately 23 per cent. The administration is more or less equally employed by women and men. Among employees in technical positions as technicians and engineers there has historically been a predominance of men, but this has changed in last few years with an increasing share of female employees. The board of directors comprises more than 40 per cent women.

Norwegian gives weight to have staff with expertise related to tip tasks and is committed to recruit both women and men to these positions. Norwegian has

"Norwegian hires crew members where they are based, a win-win for both Norwegian, its employees and the local community."

"Norwegian gives weight to have staff with expertise related to tip tasks and is committed to recruit both women and men to these positions."

no discrimination on grounds of ethnicity, nationality, gender or sexual orientation.

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

Sickness leave in 2014 was 8.1 per cent compared with 7.4 per cent in 2013. Active monitoring of HSE indicators, corporate health insurance policies and continuing cooperation with protective services will insure that reduction of sickness leave remains a priority.

A number of key HSE activities (Health, Safety and the Environment) are conducted in compliance with labour laws and corporate guidelines, such as risk assessments, audits, handling of safety reports, work environment surveys and following up with group processes on base-meetings both for crew and technical staff. Activities also include participation in environmental resources management and in several other HSE-related projects. Information about HSE is also provided in connection with the training of crew, pilots and technical staff.

The group also participates in organisations such as AKAN (workplace advisory centre for issues relating to alcohol, drugs and addictive gambling and gaming) and other work environment committees and safety representative meetings.

Norwegian Air Shuttle ASA is a member of NHO Aviation, which is a member of NHO (Confederation of Norwegian Enterprise). The 2014 collective salary review was conducted through local collective bargaining with most unions. Moderate changes in wages and efficiency were achieved with these unions.

Norwegian hires crewmembers where they are based, a win-win for both for Norwegian, its employees and the local community. It increases efficiency and ensures that crewmembers are protected by the full range of labour and employment laws of their home base country.

To attract and retain a qualified crew, Norwegian offers fully competitive wages in the markets in which we operate. Globally, the majority of Norwegian's crewmembers participate in unions under the collective bargaining laws of their respective countries.

Changes in the board of directors and the group management

Ms. Marianne Wergeland Jenssen was replaced by Ms. Benedicte Schilbred Fasmer in May 2014.

Ms. Benedicte Schilbred Fasmer resigned as member of Norwegian's board as of 1 January 2015 due to impartiality reasons in connection with a new position.

Mr. Thomas Ramdahl was appointed as Norwegian's new chief commercial officer in April 2014, and Mr. Dag Skage was appointed as new chief information officer in October 2014.

HUMANITARIAN WORK

Norwegian has entered into a partnership with the humanitarian organisation UNICEF through a so-called Signature Partnership; a highly successful co-operation that has been running since 2007.

- A Signature Partnership is the highest form of partnership UNICEF Norway offers corporate clients.
- Norwegian is dedicated to working with UNICEF because of its overall focus on children's rights.

UNICEF is mandated by the United Nations General Assembly to advocate for the protection of children's rights, to help meet their basic needs and to expand their opportunities to reach their full potential. UNICEF insists that the survival, protection and development of children are universal development imperatives that are integral to human progress.

Norwegian's support to UNICEF consists of travel funding and fundraisers:

- In 2014, Norwegian filled an aircraft full of emergency aid together with UNICEF Norway and headed to the Central African Republic (CAR). Norwegian's CEO Bjørn Kjos described it as "Norwegian's most important flight during 2014".
- In 2013, Norwegian donated NOK 1 from each water bottle sold on board to UNICEF's important work. Our passengers bought 1.3 million water bottles throughout the year and therefore contributed with NOK 1.3 million to the world's children.
- Norwegian had its tenth anniversary in 2012 and marked the day with a grand jubilee concert at Fornebu. The concert proceeds of NOK 1 million were donated to UNICEF.

CORPORATE GOVERNANCE

Good corporate governance is a priority for the board of directors. The group's corporate governance practice is based on the Norwegian Code of Practice for Corporate Governance dated 30 October 2014. Norwegian has adapted to the code of practice and subsequent amendments in all areas. A more detailed account of how Norwegian complies with the code of practice and the Norwegian Accounting Act's requirements for reporting on corporate governance is included in a separate section of the annual report and in a separate document, which is available on the group's website www.norwegian.no.

OUTLOOK FOR 2015

The board of directors expects 2015 to be a year of consolidation with lower growth. The advance bookings and the demand for travelling with Norwegian have been satisfactory entering the first quarter of 2015.

Norwegian is guiding the market towards an expected production growth (ASK) of 5 per cent for 2015, including the long haul production. The growth in the short haul production will mainly arise from increasing the fleet by adding 737-800s. The long haul production will grow in accordance with the phasing in of new aircraft and the company will have eight Boeing 787 by the end of the first half of 2015. The capacity may be adjusted in order to optimise the route portfolio depending on the development in the overall economy and in the marketplace.

Norwegian will continue its efforts to improve cost efficiency and the introduction of larger aircraft with lower operating costs. These are important elements to strengthen Norwegian's position in a Scandinavian market characterised by a continued strong price pressure.

The Group is continuously working on further cost reductions and are on track to achieve the cost level goal for 2015.

In accordance with the strategic plan, the leasing company in Ireland, Arctic Aviation Assets Ltd, has started its leasing operations. Norwegian has established and prepared for an organisational structure that secures a cost efficient international expansion and the necessary traffic rights for the future.

Oslo, 25 March 2015

Bjørn H. Kise
Chair

Ola Krohn-Fagervoll
Deputy chair

Liv Berstad
Director

Kenneth Utsikt
Director (employee representative)

Linda Olsen
Director (employee representative)

Thor Espen Bråten
Director (employee representative)

Bjørn Kjos
President and CEO

FINANCIAL STATEMENTS

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FINANCIAL STATEMENTS FOR THE PARENT COMPANY

CONSOLIDATED FINANCIAL STATEMENTS 2014

CONSOLIDATED INCOME STATEMENT 1.1 – 31.12

NOK 1 000	*Note*	**2014**	2013
Revenues	*4*	**19 540 039**	15 511 218
Other income	*4*	**-**	68 326
Total operating revenues and income		**19 540 039**	15 579 544
Operational expenses	*5*	**15 360 124**	11 370 597
Payroll	*6, 7, 17, 18*	**3 208 987**	2 478 294
Depreciation, amortisation and impairment	*10, 11*	**748 138**	529 825
Other operating expenses	*5a*	**1 049 577**	733 319
Other losses/(gains) - net	*20*	**583 751**	(502 148)
Total operating expenses		**20 950 577**	14 609 886
Operating profit		**(1 410 538)**	969 658
Net financial items	*8*	**(274 139)**	(578 874)
Share of profit (loss) from associated company	*26*	**57 631**	46 597
Profit (loss) before tax		**(1 627 047)**	437 381
Income tax expense (income)	*9*	**(557 284)**	115 817
Profit (loss) for the year		**(1 069 763)**	321 564
Basic earnings per share	*16*	**(30.42)**	9.15
Diluted earnings per share	*16*	**(29.89)**	9.02
Profit (loss) attributable to;			
Owners of the company		**(1 069 763)**	321 564

The notes on pages 29-61 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 1.1 – 31.12

NOK 1 000	*Note*	**2014**	2013
Profit for the year		**(1 069 763)**	321 564
Reversible income and losses:			
Available-for-sale financial assets	*20*	**(1 158)**	1 158
Actuarial gains and losses	*18*	**(52 493)**	-
Exchange rate differences group		**467 359**	(2 925)
Total comprehensive income for the period		**(656 054)**	319 797
Total comprehensive income attributable to;			
Owners of the company		**(656 054)**	319 797

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31.12

NOK 1 000	*Note*	**2014**	2013
ASSETS			
Non-current assets			
Intangible assets	*10*	**206 826**	225 270
Deferred tax asset	*9*	**518 915**	28 517
Aircraft, parts and installations on leased aircraft	*11*	**12 527 932**	7 526 707
Equipment and fixtures	*11*	**83 687**	72 972
Buildings	*11*	**252 236**	14 966
Financial lease asset	*11*	**19 234**	21 242
Financial assets available for sale	*3, 20*	**82 689**	82 689
Investment in associate	*26*	**223 594**	164 575
Prepayment to aircraft manufacturers	*11*	**4 102 664**	2 514 882
Other receivables	*13*	**421 060**	199 036
Total non-current assets		**18 438 836**	10 850 858
Current assets			
Inventory	*14*	**82 851**	74 135
Trade and other receivables	*13*	**2 173 522**	1 623 079
Derivative financial instruments	*3, 20*	**-**	37 389
Financial assets available for sale	*3, 20*	**-**	11 158
Cash and cash equivalents	*24*	**2 011 139**	2 166 126
Total current assets		**4 267 512**	3 911 887
Total assets		**22 706 348**	14 762 744

NOK 1 000	*Note*	**2014**	2013
EQUITY AND LIABILITIES			
Equity	*15*		
Share capital		**3 516**	3 516
Share premium		**1 093 549**	1 093 549
Other paid-in equity		**87 221**	72 744
Other reserves		**455 099**	(11 102)
Retained earnings		**468 866**	1 591 121
Total equity		**2 108 251**	2 749 829
Non-current liabilities			
Pension obligation	*18*	**201 883**	127 821
Provision for periodic maintenance	*19*	**835 480**	412 737
Deferred tax	*9*	**169 851**	443 991
Borrowings	*22*	**9 950 228**	5 736 896
Financial lease liability	*22*	**3 227**	6 860
Total non-current liabilities		**11 160 669**	6 728 304
Short term liabilities			
Short term part of borrowings	*22*	**3 330 387**	768 401
Trade and other payables	*21*	**2 680 445**	1 949 691
Air traffic settlement liabilities		**2 965 427**	2 566 519
Derivative financial instruments	*3, 20*	**458 958**	-
Tax payable	*9*	**2 211**	-
Total short term liabilities		**9 437 428**	5 284 611
Total liabilities		**20 598 097**	12 012 914
Total equity and liabilities		**22 706 348**	14 762 744

The notes on pages 29-61 are an integral part of these consolidated financial statements.

Fornebu, 25 March 2015

Bjørn H. Kise
Chair

Ola Krohn-Fagervoll
Deputy chair

Liv Berstad
Director

Thor Espen Bråten
Director
(employee representative)

Kenneth Utsikt
Director
(employee representative)

Linda Olsen
Director
(employee representative)

Bjørn Kjos
Chief executive officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 1.1 – 31.12

NOK 1 000	Share capital	Share premium	Other paid-in equity	Total paid-in equity	Other Reserves	Retained earnings	**Total equity**
Equity at 1 January 2013	3 516	1 093 549	63 365	1 160 431	(9 335)	1 269 557	**2 420 653**
Net profit for the year	-	-	-	-	-	321 564	**321 564**
Available for sale financial assets	-	-	-	-	1 158	-	**1 158**
Exchange rate differences Group	-	-	-	-	(2 925)	-	**(2 925)**
Comprehensive income 2013	-	-	-	-	(1 767)	321 564	**319 797**
Equity change on employee options			9 379	9 379			**9 379**
Transactions with owners			9 379	9 379			**9 379**
Equity 31 December 2013	3 516	1 093 549	72 744	1 169 810	(11 102)	1 591 121	**2 749 829**
Net profit for the year	-	-	-	-	-	(1 069 763)	**(1 069 763)**
Available for sale financial assets	-	-	-	-	(1 158)	-	**(1 158)**
Actuarial gains and losses	-	-	-	-	-	(52 493)	**(52 493)**
Exchange rate differences Group	-	-	-	-	467 359		**467 359**
Comprehensive income 2014	-	-	-	-	466 201	(1 122 255)	**(656 054)**
Equity change on employee options	-	-	14 477	14 477	-	-	**14 477**
Transactions with owners	-	-	14 477	14 477	-	-	**14 477**
Equity 31 December 2014	3 516	1 093 549	87 221	1 184 287	455 099	468 865	**2 108 251**

The notes on pages 29-61 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT 1.1 – 31.12

NOK 1 000	*Note*	**2014**	2013
Cash flows from operating activities:			
Profit (loss) before tax		**(1 627 047)**	437 381
Taxes paid	*9*	**(202 796)**	-
Depreciation, amortisation and write-down	*10, 11*	**748 138**	529 825
Pension expense without cash effect		**21 569**	-
Profit from associated company	*26*	**(57 631)**	(46 597)
Compensation expense for employee options	*17*	**14 477**	9 379
Losses/(gains) on disposal of tangible assets	*10*	**-**	(35 359)
Fair value (gains)/losses on financial assets	*20*	**507 505**	(226 587)
Financial items	*8*	**274 139**	578 874
Interest received	*8*	**70 471**	90 884
Change in inventories, accounts receivable and accounts payable		**193 363**	107 483
Change in air traffic settlement liabilities		**398 908**	826 754
Change in other current assets and current liabilities		**(53 994)**	106 818
Net cash flow from operating activities		**287 104**	2 378 855
Cash flows from investing activities:			
Prepayments aircraft purchase	*11*	**(2 402 406)**	(1 460 328)
Purchase of tangible assets	*11*	**(2 580 099)**	(543 159)
Purchase of intangible assets	*10*	**(31 715)**	(42 418)
Proceeds from sales of tangible assets	*11*	**84 222**	-
Proceeds from sales of financial assets	*20*	**-**	-
Proceeds from sales of investment bonds	*20*	**-**	(81 928)
Payment to associated company	*26*	**(1 389)**	-
Net cash flow from investing activities		**(4 931 386)**	(2 127 833)
Cash flows from financial activities:			
Proceeds from long term debt	*22*	**6 060 958**	2 309 721
Payment of long term debt	*22*	**(1 259 335)**	(1 829 731)
Interest on borrowings		**(323 192)**	(295 816)
Net cash flow from financial activities		**4 478 431**	184 174
Foreign exchange effect on cash		**10 864**	35
Net change in cash and cash equivalents		**(154 987)**	435 231
Cash and cash equivalents at 1 January		**2 166 126**	1 730 895
Cash and cash equivalents at 31 December	*24*	**2 011 139**	2 166 126

The notes on pages 29-61 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 01: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 GENERAL INFORMATION

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

The consolidated financial statements of Norwegian Air Shuttle ASA for the year ended 31 December 2014 were authorised for issue by the board of directors on 25 March 2015.

1.2 BASIS OF PREPARATION

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

In order to prepare financial statements in conformity with IFRS, it is necessary to apply certain critical accounting estimates. It also requires the management to exercise its judgment when applying the group's accounting policies. The areas involving a greater degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed below. See paragraph 1.23.

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

1.2.1 Changes in accounting policies and disclosures

Standards, amendments and interpretations that are adopted

The following new or amended/revised IFRS or IFRIC interpretations approved by the EU and effective at the start of the financial year, beginning on or after 1 January 2014, have been implemented, but have not had any material impact on the group other than minor disclosure changes related to some of the standards.

- IFRS 10 'Consolidated Financial Statements'; builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The impact on the group is not material.

- IFRS 11 'Joint Arrangements'; replaces IAS 31 'Interests in Joint Ventures' and SIC-13, and removes the option to account for jointly controlled entities using proportionate consolidation, thus all such entities must be accounted for using the equity method. The impact on the group is not material.

- IFRS 12, 'Disclosures of interests in Other Entities', includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The impact on the group is not material.

- IAS 27 'Separate Financial Statement' (revised as a consequence of the issuance of IFRS 10, 11 and 12). The impact on the group is not material.

- IAS 28 'Investments in Associates and Joint Ventures' (revised as a consequence of the issuance of IFRS 11 and 12). The impact on the group is not material.

- Amendment to IAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the group financial statements.

- Amendments to IAS 36, 'Impairment of assets,' on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13. The amendment did not have a significant effect on the group financial statements.

- Amendment to IAS 39, 'Financial instruments: Recognition and measurement' on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under IAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. The group has applied the amendment and there has been no significant impact on the group financial statements as a result.

- IFRIC 21, 'Levies,' sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 'Provisions.' The impact on the group is not material.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not material to the group.

New standards, amendments and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations approved by the EU are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the group, except the following set out below:

- IFRS 9, 'Financial instruments,' addresses the classification, measurement and recognition of financial assets and financial liabilities, and replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness, and requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The group is yet to assess IFRS 9's full impact.

- IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The group is yet to assess the impact of IFRS 15.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the group.

1.3 BASIS OF CONSOLIDATION

The group's consolidated financial statements comprise Norwegian Air Shuttle ASA, and its subsidiaries, presented in note 25. Additionally, the group has consolidated Special Purpose Vehicles (SPVs) according to IFRS 10. The SPVs are solely established for aircraft financing purposes. The group does not own the shares in those SPVs nor does it have control over the management of those SPVs, but the group has accepted all risks and rewards related to the assets, liabilities and operations of the SPVs.

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

The acquisition method is applied when accounting for business combinations. Companies acquired or sold during the year are included in the consolidated financial statements from the date when control was achieved until the date when control ceased.

The consideration that is transferred for the acquisition of a subsidiary consists of the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The transferred consideration includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Acquired identifiable assets and liabilities and contingent liabilities assumed in a business combination are initially measured at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interests of the acquiree either at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The excess of the consideration transferred and the amount of the non-controlling interest over the fair value of the group's share of the identifiable net assets acquired are recorded as goodwill. If, in the case of a bargain purchase, the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

All intra group balances, transactions and unrealised gains and losses on transactions between group companies are eliminated.

When the group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control ceased, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities.

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

An associate is an entity where the group holds a significant influence but does not control the management of its finances and operations (i.e. generally when the group owns 20%-50 per cent of the voting rights of the company). The consolidated financial statements include the group's share of the profits/losses from associates, accounted for using the equity method, from the date when a significant influence is achieved until the date when such influence ceases. The group's share of its associates' post- acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dilution gains and losses arising in investments in associates are recognised 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 statement of financial position is reduced to zero and further losses are not recognised unless the group has an obligation to cover any such losses. Unrealised gains on transactions between the group and its associates are eliminated in proportion to the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

1.4 FOREIGN CURRENCY TRANSLATION

The group's presentation currency is Norwegian Krone (NOK). Norwegian Air Shuttle ASA's functional currency is NOK. Each entity of the group determines its own functional currency and items that are included in the entities' financial statements are measured in that functional currency. For consolidation purposes, the results and financial position of all the group's entities that have a functional currency other than NOK are translated to the closing rate at the reporting date of each month. Income and expenses for each income statement are translated to the average exchange rate for the period, this being a reasonable approximation for estimating actual rate. Exchange differences are recognised in comprehensive income and specified separately in equity.

Transactions in foreign currencies are initially recorded at the functional currency rate using the exchange rates prevailing of the dates of the transactions or valuation where items are re-estimated. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency exchange rate of the reporting date. Any differences are recognised in the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates of the dates of the initial transactions.

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Any differences in exchange are recognised in other comprehensive income.

1.5 TANGIBLE ASSETS

Tangible assets including buildings 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 derecognised. Any gain on the sale is recognised in the income statement as other income and any loss on the sale or disposal is recognised in the income statement as other losses/(gains)-net.

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

Non-current assets are depreciated on a straight-line basis or by airborne hours and cycles over the estimated useful life of the asset beginning when the asset is ready for its intended use. Residual values, where applicable, are reviewed annually against prevailing market rates at the reporting date for equivalently aged assets and depreciation rates adjusted accordingly on a prospective basis. The carrying value is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

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

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

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

The group capitalises prepayments on the purchase contracts of aircraft. The prepayments are classified as tangible assets as presented at the face of the statement of financial position. The prepayments include capitalised borrowing costs. On the delivery of the aircraft, the prepayments are included in the acquisition costs of the aircraft and reclassified as aircraft in the statement of financial position.

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

The depreciation period and method are assessed annually to ensure that they reconcile with the substance of the non-current asset. Additional details on tangible assets are outlined in note 11.

1.6 INTANGIBLE ASSETS

1.6.1 Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to obtain and apply the specific software. These costs are amortised over their estimated useful lives.

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

1.6.2 Goodwill and other intangible assets

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

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

Intangible assets which are determined as having indefinite useful lives, are not amortised, but subject to annual impairment testing. The determination of indefinite useful lives is based on Management's assessment as to whether there is any foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity.

See note 1.7 for details of impairment testing of non-financial assets and note 10 for additional details on intangible assets.

1.7 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

For the purposes of impairment testing, assets are grouped at the lowest levels of separately identifiable cash flows (cash-generating units). The allocation is made to those cash-generating units that are expected to benefit from the assets. The management has assessed the group as one segment and the group's total operations as its cash generating unit. The determination of cash generating units is based on how the management operates and assesses the group's performance, profit and cash flow. The aircraft fleet is operated as one unit and the route portfolio is administered and diversified as one unit generating the group's profit and cash flow, hence goodwill and other non-current assets are reallocated to the entire Group for the purpose of impairment testing.

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

1.8 FINANCIAL ASSETS

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

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The group's loans and receivables comprise trade and other payables/receivables, and cash and cash equivalents in the statement of financial position (See note 1.11 and 1.12 respectively).

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

Regular purchases and sales of financial assets are recognised on the trade-date; the date which the group commits to purchase or sell the asset. Investments are initially recognised 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 recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has substantially transferred all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

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

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

1.8.1 Impairment of financial assets

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

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

For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

Impairment losses of available-for-sale financial assets are incurred if there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

1.9 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

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

The group has not designated any derivatives as hedging instruments for accounting purposes in 2014 or 2013.

1.10 INVENTORY

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

1.11 TRADE RECEIVABLES

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

Receivables from credit card companies are classified as trade receivables in the statement of financial position.

1.12 CASH AND CASH EQUIVALENTS

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

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

1.13 EQUITY

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

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

Acquisitions of own shares are recognised 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 recognised 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.

1.14 LIABILITIES

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost; difference between the proceeds (net of transaction costs) and the redemption value is recognised 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 reporting date.

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

1.15 PROVISIONS

Provisions are recognised 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 recognised 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 recognised as a finance cost.

1.16 EMPLOYEE BENEFITS

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

1.16.1 Defined benefit plans

The group operated a defined benefit pension plan until 1 December 2012, when the plan was closed and all employees were transferred to a defined contribution plan (see 1.16.2). In November 2013, the group issued a new defined benefit pension plan, according to the Collective Agreement with the Norwegian Pilot Union.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method. The past service cost is recognised 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 recognised immediately.

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

In addition, the group participates in an early retirement plan (AFP) for all employees in Norway. The AFP pension plan is a multi-employer defined benefit plan. However, the plan is recognised in the income statement as a defined contribution plan as the plans administrator has not allocated actuarial gains/losses to the members of the AFP pension plan as of 31 December 2014.

Provisions for pension costs are detailed in note 18.

1.16.2 Defined contribution plans

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

1.16.3 Share-based payments

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

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

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

1.16.4 Employee share purchase savings program

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

1.17 CURRENT AND DEFERRED INCOME TAX

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

1.17.1 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 that are used to compute the amount are those which are enacted or substantively enacted at the reporting date.

1.17.2 Deferred income tax

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

Deferred income tax liabilities are recognised for all taxable temporary differences. Deferred income tax assets are recognised 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 utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting 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 utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised 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 in the year when the assets are realised or when the liabilities are settled, based on tax rates (and tax laws) which have been enacted, or substantively enacted, at the reporting date.

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

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

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

1.18 CONTINGENT ASSETS AND LIABILITIES

A contingent asset is not recognised 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 the existence of which depends on future events, or for which it is improbable that they will lead to an outflow of resources, or which cannot be measured with sufficient reliability

Contingent liabilities are not recognised 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.

1.19 REVENUE RECOGNITION

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

1.19.1 Passenger revenue

Passenger revenue is reported as traffic revenue when the air transport has been carried out. The value of tickets sold and which are still valid but not used by the reporting date (amounts sold in excess of revenue recognised) 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.

1.19.2 Ancillary revenue

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

Amounts paid by 'no show' customers are recognised 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.

1.19.3 Other revenue

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

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

Revenue from sales of wi-fi products and services comprises traffic fees. Revenue traffic fees are recognised as revenue at the time of consumption.

1.19.4 Customer loyalty program – Norwegian Reward

The group has implemented a customer loyalty program. Customers earn 'CashPoints' in the following circumstances;

- Bank Norwegian Customer; 1 per cent of the payment is earned on all purchases. CashPoints are also earned on all 'low fare' and 'full flex' tickets purchased from Norwegian Air Shuttle ASA and which are paid with the 'Bank Norwegian' credit card, with 5 per cent and 20 per cent of the purchase price, respectively, except for tickets for long distance and domestic travel in Norway and Sweden, which earn 2 per cent on low fare tickets and 10 per cent on full flex tickets.
- Norwegian Air Shuttle ASA; My Reward Customer; 2 per cent on all low fare tickets and 10 per cent on all full flex tickets.
- Corporate Reward Customer; 3 per cent on all low fare tickets and 7 per cent on all full flex tickets.
- Customers earn CashPoints with selected merchants that are in cooperation with Norwegian Reward. CashPoints can be earned on purchases in the range of 2-20 per cent.

Customer CashPoints gained from purchased airline tickets are recognised as a liability in the statement of financial position and deducted from the value of the purchase at the date of purchase. The customer CashPoints liability is derecognised from the statement of financial position and recognised as income when customers utilise their CashPoints.

All other earned customer CashPoints are recognised as a liability in the statement of financial position and immediately expensed. The cash points earned with other merchants are invoiced and recognised as income in the corresponding period. When the customers use their collected CashPoints, the liability is derecognised and cash payment on the group's services is reduced.

CashPoints are valid throughout the year, in which they were earned, plus two years. Unused CashPoints after this period are derecognised from the statement of financial position. The liability is measured at fair value and classified as short term, as available statistics as of 31 December 2013 indicate that customer CashPoints are utilised within one year. Hence, the carrying value of the liability is estimated as the fair value of the liability.

1.20 LEASING

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

The lease agreements, in which, most of the risk lies with the contracting party are classified as operating leases. Operating lease payments are recognised 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 recognised separately.

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

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

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

Sale and lease back transactions are treated as financial leases and operating leases depending on the nature of the lease. The group entered into no sale and lease back transactions in 2014 (3 aircraft in 2013). All sales and lease back transactions are defined as operating leases established at fair value and any profit or loss is recognised immediately in the income statement as other income or other losses/(gains)-net.

1.21 SEGMENT REPORTING

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

1.22 EVENTS AFTER THE REPORTING DATE

New information regarding the group's positions at the reporting date is taken into account in the preparation of the annual financial statements. Events occurring after the reporting date which do not affect the group's position at the reporting date, but which will affect the group's position in the future, are disclosed if significant.

1.23 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

In preparing the consolidated financial statements, the management is required to assess 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 light of future events that can differentiate from what is expected.

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

Non-current assets are depreciated on a straight-line basis or by airborne hours and cycles over the estimated useful lives, taking expected residual value into consideration. An aircraft is decomposed into two components for depreciation purposes in order to consider different useful lives of the aircraft components, in accordance with official requirements. The depreciation period and method are assessed annually to ensure that they reconcile with the substance of the non-current asset, and the residual value is estimated at each year-end. The assessments require management to make assumptions regarding expected useful lives and residual values.

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

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

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

Fair value of financial instruments is determined using fair value estimation techniques. Valuation techniques and details on financial instruments are outlined in note 3.

NOTE 02: FINANCIAL RISK

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

Financial risk management is carried out by a central treasury department (group treasury), under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risk in close cooperation 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.

2.1 MARKET RISK

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

2.2 FOREIGN EXCHANGE RISK

A substantial part of the group's expenses are denominated in foreign currencies. The group's leases, aircraft borrowings, maintenance, jet-fuel and related expenses are mainly denominated in USD, and airplane operation expenses are partly denominated in EUR. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. In order to reduce currency risk, the group has a mandate to hedge up to 100 per cent of its currency exposure for the following 12 months. The hedging consists of forward currency contracts and flexible forwards. In 2013, the group transferred several aircraft from parent company Norwegian Air Shuttle ASA to newly established asset company in Ireland with USD functional currency. Hence, the group's total USD exposure has been reduced.

If NOK had weakened/strengthened by 1 per cent against USD in 2014, with all other variables held constant, post-tax profit would have been NOK 7.5 higher/lower and post-tax equity effect for the year would have been NOK 24.8 million lower/higher (2012: NOK 3.1 million higher/lower), mainly as a result of foreign exchange losses/gains on receivables, payables, derivative financial instruments, cash and cash equivalents, long term borrowings and equity in subsidiaries denominated in USD.

If NOK had weakened/strengthened by 1 per cent against EUR with all other variables held constant, post-tax profit and post-tax equity effect for the year would have been NOK 8.6 million (2013: NOK 3.8 million) higher/lower, mainly as a result of foreign exchange losses/gains on receivables, payables, derivative financial instruments and cash and cash equivalents.

If NOK had weakened/strengthened by 1 per cent against GBP with all other variables held constant, post-tax profit and post-tax equity effect for the year would have been NOK 5.6 million (2013: NOK 0.1 million) higher/lower, mainly as a result of foreign exchange losses/gains on receivables, payables, derivative financial instruments and cash and cash equivalents.

The group has major investments in operations in Ireland, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the group's foreign operations can be material, but the variances create a natural hedge against the group's currency exposure on operating expenses.

2.3 CASH FLOW AND FAIR VALUE INTEREST RATE RISK

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

If the floating interest rate in 2014 had been 1 per cent higher/lower with all other variables held constant, post-tax profit and post-tax equity effect for the year would have been NOK 13.1 million (2013: NOK 9.6 million) higher/lower, 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 amortised cost of floating rate borrowings, cash and cash equivalents.

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

2.4 JET-FUEL PRICES

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

The group holds forward commodity contracts to hedge jet-fuel price risk. Such derivative contracts affect the financial statements through unrealised gains/losses from jet-fuel prices. At 31 December 2014, the group held forward contracts totaling 299 000 tons of jet fuel, equaling approximately 27 per cent of fuel consumption in 2015 and 2 per cent of fuel consumption in 2016.

2.5 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 utilisation of credit limits is regularly monitored. The group's policy is to maintain credit sales at a minimum level. Sales to private customers are settled in cash or using major credit card companies.

A portion of the group's sales, are paid for by the customers at the time of booking and Norwegian receive the actual payments from the credit card companies, or acquires are received at a later point in time. Delayed payments from credit card companies vary between credit card brands. The risk arising from receivables on credit card companies or credit card acquires are monitored closely.

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

There is 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.

2.6 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, cash and cash equivalents (see note 24) on the basis of expected cash flow. The group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to monitor liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

The group's aircraft fleet consist of leased aircraft (note 12) and owned aircraft (note 11), whereof the group has 256 owned aircraft on firm order with future delivery. The table below shows the expected timeline of future deliveries of aircraft at 31 December 2014. Prepayments to aircraft manufacturers on future aircraft deliveries are financed by internal and external funds. The group has ensured export credit support on all aircraft on order. Deliveries in 2015 will be financed through export guaranteed financing and the private EETC marked in the US or commercial financing. The group is currently in the process of securing pre-delivery payment financing and term financing according to the group's financing policy for deliveries in the finance planning for 2015-2016.

Aircraft delivery	2015	2016-2017	2018-	**Total**
737-800	10	34	2	**46**
737 Max 8	-	5	95	**100**
Airbus 320 neo	-	12	88	**100**
787-8 Dreamliner	1	-	-	**1**
787-9 Dreamliner	-	7	2	**9**
Total	11	58	187	**256**

The group's financing policy includes sales and lease backs transactions on several aircraft to diversify its aircraft fleet. In 2014, no aircraft were delivered and financed as sales and lease backs transactions (three in 2013).

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

NOK 1 000	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2014				
Borrowings	3 315 704	3 076 877	3 077 784	4 135 600
Financial lease liability	4 582	3 227	-	-
Derivative contracts - payments	458 958	-	-	-
Trade and other payables	2 680 445	-	-	-
Interest on borrowings*	403 210	552 269	555 595	334 770
Total financial liabilities	6 862 898	3 632 373	3 633 379	4 470 371

**) Calculated interests on borrowings*

NOK 1 000	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2013				
Borrowings	764 772	1 222 261	1 753 446	3 090 608
Financial lease liability	3 629	2 756	5 053	-
Derivative contracts - payments	-	-	-	-
Trade and other payables	1 949 691	-	-	-
Interest on borrowings *)	194 347	176 391	308 727	228 113
Total financial liabilities	2 912 439	1 401 408	2 067 226	3 318 721

**) Calculated interests on borrowings*

2.7 CAPITAL RISK MANAGEMENT

The group's capital management policy is to have a capital structure which meets the demands of operations, reduces cost of capital and complies with financial covenants and future investments planned by the group. The group will at all times adjust debt and equity to maintain and secure an optimal capital structure by continuously monitoring the total equity level and the equity ratio of the group. This ratio is calculated as equity divided by total assets as presented in the consolidated statement of financial position and consolidated statement of changes in equity. The equity level is an important factor in financial covenants as detailed in note 22. The management monitors these externally imposed financial covenants closely as a part of the group's capital risk management policy.

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

The equity ratios at 31 December were as follows;

NOK 1 000	**2014**	2013
Equity	**2 108 251**	2 749 829
Total assets	**22 706 348**	14 762 744
Equity ratio	**9.3%**	18.6%

NOTE 03: FAIR VALUE ESTIMATION

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

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

Level 2
The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. Financial instruments in level 2 include forward contracts classified as derivatives. The fair values of forward foreign currency contracts and forward commodities contracts are determined using mark to market values from financial institutions. Spot prices in the mark to market calculations are based on mid-prices as set by the financial institutions (Nordea, DNB, Handelsbanken, Danske Bank, Mitsui, SEB, and Pareto) at the reporting date.

Level 3
If one or more of the significant inputs are not based on observable market data, specific valuation techniques are applied. Financial instruments included in level 3, relate to investments in unlisted shares in Silver Pensjonsforsikring, and the investment in Bank Norwegian AS' listed bond due to low market activity.

The following table presents financial assets and liabilities measured at fair value at 31 December 2014;

NOK 1 000	Level 1	Level 2	Level 3	**Total**
Assets				
Financial assets at fair value through profit and loss				
- Derivative financial instruments	-	-	-	**-**
Available-for-sale financial assets	-	-	82 689	**82 689**
Total assets	-	-	82 689	**82 689**
Liabilities				
- Derivative financial liabilities	-	458 958	-	**458 958**
Total liabilities	-	458 958	-	**458 958**

The following table presents financial assets and liabilities measured at fair value at 31 December 2013;

NOK 1 000	Level 1	Level 2	Level 3	**Total**
Assets				
Financial assets at fair value through profit and loss	-	37 849	-	**37 849**
Available-for-sale financial assets	-	-	93 847	**93 847**
Total assets	-	37 849	93 847	**131 696**
Liabilities				
- Derivative financial liabilities	-	-	-	**-**
Total liabilities	-	-	-	**-**

There have not been any changes in the valuation techniques used on the assets and liabilities listed above through the year.

NOTE 04: SEGMENT INFORMATION

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

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

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

NOK 1 000	**2014**	2013
By activity:		
Passenger transport	**16 254 622**	13 381 461
Ancillary revenue	**2 727 439**	1 757 887
Other revenues	**557 978**	371 871
Total revenues	**19 540 039**	15 511 219
By geographic market:		
Domestic	**4 591 938**	4 354 734
International	**14 948 101**	11 156 484
Total revenues	**19 540 039**	15 511 218

Other income amounts to NOK 0 million (2013: NOK 68.3 million) and include gains from sales of tangible assets (note 11).

NOTE 05: OPERATING EXPENSES

NOK 1 000	**2014**	2013
Sales and distribution expenses	**469 111**	339 376
Aviation fuel	**6 321 053**	4 707 203
Aircraft leases	**1 845 940**	1 284 395
Airport charges	**2 723 910**	2 182 645
Handling charges	**1 854 844**	1 339 417
Technical maintenance expenses	**1 290 035**	927 820
Other aircraft expenses	**855 231**	589 742
Total operational expenses	**15 360 124**	11 370 596

NOTE 05A: OTHER OPERATING EXPENSES

Other operating expenses amount to NOK 1 049.6 million (2013: NOK 733.3 million). Other operating expenses are related to the operating of systems, marketing, back office, consultants and other costs not directly attributable to the operation of the aircraft fleet and related airline specific costs.

NOTE 06: PAYROLL EXPENSES AND NUMBER OF EMPLOYEES

NOK 1 000	**2014**	2013
Wages and salaries	**1 480 795**	1 404 665
Social security tax	**261 621**	256 165
Pension expenses	**213 371**	128 612
Employee stock options	**14 477**	9 379
Other benefits	**150 958**	103 784
Hired crew personnel	**1 087 764**	575 690
Total	**3 208 987**	2 478 295

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

Number of man-labour years*

	2014	2013
Norway	**1 845**	1 857
Sweden	**573**	504
Danmark	**331**	347
Finland	**179**	188
Spain	**599**	294
United Kingdom	**280**	121
Irland	**12**	-
Singapore/Bangkok	**369**	186
USA	**185**	9
Total	**4 375**	3 507

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

NOTE 07: REMUNERATION OF THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

Remuneration of the board of directors
Total remuneration paid to the board in 2014 was NOK 1.5 million (2013: NOK 1.5 million). The chair of the board, Bjørn Kise, received NOK 0.5 million. (2013: NOK 0.5 million) There were no bonuses or other forms of compensation paid to the board members in 2014.

Directive of remuneration of the CEO and the executive management
The principles of leadership remuneration in Norwegian Air Shuttle ASA are to stimulate a strong and lasting profit oriented culture. The total compensation level should be competitive, however, not market leading compared to similar organisations. The board determines the remuneration of the CEO, and the guidelines for remuneration of the executive management. The remuneration of the board and the executive management must not have negative effects on the group, nor damage the reputation and standing of the group in the public eye. There have been no changes to the guidelines or principles of management remuneration during the year. The actual remuneration in 2014 was consistent with the guidelines and principles.

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

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

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

Total compensation year 2014:

NOK 1 000	Fee	Salary	Bonus	Other benefits[2]	Total Compensation	Pension expense[3]
The board of directors						
Bjørn Kise (chair)	500	-	-	-	500	-
Ola Krohn-Fagervoll (deputy chair)	300	-	-	-	300	-
Liv Berstad	275	-	-	-	275	-
Marianne Wergeland Jenssen (board member until May 2014)	275	-	-	-	275	-
Thor Espen Bråthen[1]	50	-	-	-	50	-
Kenneth Utsikt[1]	50	-	-	-	50	-
Linda Olsen[1]	50	-	-	-	50	-
Total board of directors	1 500	-	-	-	1 500	-
Executive management						
Bjørn Kjos (chief executive officer)[4]	-	2 918	-	169	3 087	80
Frode Foss (chief financial officer)	-	2 116	-	175	2 291	76
Asgeir Nyseth (chief operating officer, long haul)[5]	-	3 455	-	160	3 615	81
Gunnar Martinsen (senior vice president HR and organisation)	-	1 450	-	171	1 621	67
Anne-Sissel Skånvik (senior vice president corporate communications)	-	1 456	-	155	1 611	96
Per-Ivar Gjørvad (chief it officer, until 13 October)	-	941	-	140	1 081	81
Frode Berg (chief legal officer)	-	1 621	-	160	1 781	78
Geir Steiro (chief operating officer)	-	1 835	-	168	2 003	141
Thomas Ramdahl (chief commercial officer)	-	1 372	-	120	1 492	75
Dag Skage (chief information officer, started on 13 October)	-	309	-	37	346	-
Total executive management	-	17 473	-	1 455	18 928	775

1) For the employee representatives in the board of directors, only their fee for serving on the board of directors fee is stated.
2) Other benefits include company car, telephone, internet etc.
3) Pension expense reflects paid pension premium less employee contribution.
4) Including delayed payment of previous years salary adjustment.
5) Including compensation for expatriation.

No share options were excercised by the management in 2014.

Total compensation year 2013:

NOK 1 000	Fee	Salary	Bonus	Other benefits[2]	Total compensation	Pension expense[3]
The board of directors						
Bjørn Kise (chair)	500	-	-	-	500	-
Ola Krohn-Fagervoll (deputy chair from 5/11/2010)	300	-	-	-	300	-
Liv Berstad	275	-	-	-	275	-
Marianne Wergeland Jenssen	275	-	-	-	275	-
Thor Espen Bråthen[1]	50	-	-	-	50	-
Jeanette Vannebo[1]	50	-	-	-	50	-
Linda Olsen[1]	50	-	-	-	50	-
Total board of directors	1 500	-	-	-	1 500	-
Executive Management						
Bjørn Kjos (chief executive officer)	-	1 448	-	170	1 618	67
Frode Foss (chief financial officer)	-	1 848	-	159	2 007	84
Geir Steiro (chief operating officer, started on 1 November 2013)	-	226	-	26	252	-
Asgeir Nyseth (chief operating officer)	-	1 751	-	154	1 905	91
Gunnar Martinsen (senior vice president HR and organisation)	-	1 268	-	164	1 432	77
Anne-Sissel Skånvik (senior vice president corporate communications)	-	1 270	-	154	1 424	103
Per-Ivar Gjørvad (chief IT officer)	-	1 065	-	161	1 226	84
Frode Berg (chief legal officer, started on 11 February)	-	1 067	-	139	1 206	67
Total executive management	-	9 943	-	1 127	11 070	573

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

No share options were excercised by the management in 2013.

The tables above are presented excluding employers contribution. Shares and options held by the executive management are presented in note 15. There are no outstanding loans or guarantees made to the board of directors or the executive management.

Audit remuneration (excl. VAT)

	2014	2013	
NOK 1 000	Deloitte	Deloitte	PwC
Audit fee	1 519	400	840
Other audit related services	1 131		110
Tax advisory	46		34
Other services	2 520	640	85
Total	5 216	1 040	1 069

All amounts stated exclude VAT. The General Assembly elected Deloitte as new auditor at the General Assembly meeting in 2013, effective June 21 2013.

NOTE 08: NET FINANCIAL ITEMS

NOK 1 000	**2014**	2013
Interest income	**196 269**	149 658
Interest expense	**(447 241)**	(256 702)
Net foreign exchange (loss) or gain	**(36 948)**	(472 938)
Appreciation cash equivalents	**17 589**	24 593
Fair value adjustment long term deposits	**1 219**	2 669
Other financial items	**(5 027)**	(26 154)
Net financial items	**(274 139)**	(578 874)

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

Net foreign exchange loss of NOK 37.0 million is recognised in 2014 (2013: NOK 472.9 million loss). Forward foreign currency contracts are entered to reduce foreign currency risk from USD denominated borrowings (note 2 and 20).

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

See note 3 for fair value estimation and note 20 for further information concerning available-for-sale financial assets.

Interest expenses include amortised cost on borrowings. Capitalised interests reduce interest expenses (note 11).

NOTE 09: TAX

This year's tax expense consists of:

NOK 1 000	**2014**	2013
Tax payable	**208 538**	2
Tax paid in current year on current year income	**-**	-
Adjustments from previous year	**(317 909)**	(500)
Change in deferred tax	**(447 913)**	116 316
Income tax expence	**(557 284)**	115 817

Reconciliation from nominal to effective tax rate:

NOK 1 000	**2014**	2013
Profit before tax	**(1 627 047)**	437 381
Expected tax expense using nominal tax rate (27%)	**(439 303)**	122 467
Tax effect of the following items:		
Non deductible expenses/income	**(218 980)**	(12 227)
Adjustments from previous year	**(118 488)**	(500)
Tax rate outside Norway other than 27%	**94 999**	(584)
Change in tax rate in Norway to 27%	**-**	6 662
Other items	**124 487**	-
Tax expense	**(557 284)**	115 817
Effective tax rate	**34.25%**	26.48%

The following table details deferred tax assets and liabilities;

Deferred tax:

NOK 1 000	**Assets 2014**	**Liabilities 2014**	Assets 2013	Liabilities 2013
Intangible assets	**(10 872)**	**(12 035)**	-	(6 050)
Tangible assets	**28 345**	**(157 816)**	-	(447 790)
Long term receivables and borrowings in foreign currency	**-**	**-**	-	-
Inventories	**12 160**	**-**	-	6 075
Receivables	**3 607**	**-**	-	2 612
Financial instruments	**123 919**	**-**	-	(10 095)
Derferred gains/losses	**(43 093)**	**-**	-	(16 264)
Other accruals	**28 131**	**-**	-	42 626
Pensions	**-**	**-**	-	34 512
Other temporary differences	**(53 022)**	**-**	-	(84 097)
Loss carried forward	**429 740**	**-**	28 517	34 480
Gross deferred tax assets and liabilities	**518 915**	**(169 851)**	28 517	(443 991)
Reconciliation of deferred tax assets and liabilities:				
Recognised at 1 January	**28 517**	**(443 991)**	4 293	(301 042)
Charged/credited to the income statement	**592 836**	**(144 923)**	27 064	(142 879)
Adjustment from previous year	**(130 447)**	**443 991**	-	-
Charged directly to equity	**-**	**-**	(2 839)	(70)
Translation differences	**28 008**	**(24 929)**	-	-
Recognised at 31 December	**518 915**	**(169 851)**	28 517	(443 991)

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

NOTE 10: INTANGIBLE ASSETS

			Other intangible assets		
NOK 1 000	Software	Goodwill	Indefinite life	Definite life	**Total**
Acquisition costs 1 January 2013	316 351	94 157	26 036	69 574	**506 118**
Additions	39 219	-	3 199	-	**42 418**
Disposals	-	-	-	-	**-**
Acquisition costs 31 December 2013	355 570	94 157	29 235	69 574	**548 536**
Acquisition costs 1 January 2014	355 570	94 157	29 235	69 574	**548 536**
Additions	31 715	-	-	-	**31 715**
Disposals	-	-	-	-	**-**
Acquisition costs 31 December 2014	387 285	94 157	29 235	69 574	**580 251**
Accumulated amortisation 1 January 2013	198 771	-	-	69 574	**268 345**
Amortisation	54 921	-	-	-	**54 921**
Impairment	-	-	-	-	**-**
Amortisation disposals	-	-	-	-	**-**
Accumulated amortisation 31 December 2013	253 692	-	-	69 574	**323 266**
Accumulated amortisation 1 January 2014	253 692	-	-	69 574	**323 266**
Amortisation	50 160	-	-	-	**50 160**
Impairment	-	-	-	-	**-**
Amortisation disposals	-	-	-	-	**-**
Accumulated amortisation 31 December 2014	303 852	-	-	69 574	**373 426**
Book value at 31 December 2013	101 878	94 157	29 235	-	**225 270**
Book value at 31 December 2014	83 433	94 157	29 235	-	**206 825**
Useful life	3-5 years	Indefinite	Indefinite	See below	
Amortisation plan	Straight-line	None	None	Straight-line	

Capitalised software is related to external consulting fees for the development of Norwegian's own systems for bookings and ticket-less travels, various sales portals, back office and maintenance system. These costs are amortised over their estimated useful lives (three to five years).

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

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

Impairment testing of goodwill and intangible assets

The group tests goodwill and assets with indefinite useful lives annually at year-end for impairment. Intangible assets with definite lives are tested for impairment if indicators of impairment are identified. No indications of impairment have been identified in 2013, or in 2012.

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

Discount rate

The applied discount rate is 6.2 per cent (2013: 8.7 per cent) and based on the Weighted Average Cost of Capital (WACC). The cost of the group's debt and equity capital, weighted accordingly to reflect its capital structure, gives the group's weighted average cost of capital. The WACC rates which are used to discount future cash flows are based on market risk free interest rates adjusted for inflation differentials and also include the debt premium, market risk premium, gearing corporate tax rate and asset beta. An increase of the discount rate of 5 per cent will not result in impairment of goodwill and intangible assets.

Growth rates
The basis for calculating future growth rate is next year management approved budget. Except for growth assumptions from budgeted production increase, no growth is incorporated in the impairment test for 2013.

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

Terminal value
A growth rate of 2 per cent is used in calculating cash flow beyond the eight year period.

Sensitivity
At 31 December 2014, the group's value in use was significantly higher than the carrying amount of its goodwill and intangible assets. The impairment calculation is not particularly sensitive to changes in assumptions.

NOTE 11: TANGIBLE ASSETS

NOK 1 000	Buildings	Aircraft, parts and installations on leased aircraft	Prepayment Boeing contract	Equipment and fixtures	Financial lease	Total
Acquisition cost at 1 January 2013	9 525	6 323 271	2 844 359	160 719	34 607	**9 372 481**
Additions	5 441	519 444	1 546 334	39 297	-	**2 110 516**
Transfers	-	1 875 810	(1 875 810)	-	-	**-**
Disposals	-	(15 757)	-	(19 009)	-	**(34 766)**
Acquisition cost at 31 December 2013	14 966	8 702 767	2 514 883	181 007	34 607	**11 448 230**
Acquisition cost at 1 January 2014	14 966	8 702 767	2 514 883	181 007	34 607	**11 448 230**
Additions	239 883	2 290 038	2 556 247	40 594	-	**5 126 762**
Transfers	-	1 172 167	(1 172 167)	-	-	**-**
Disposals	-	-	-	-	-	**-**
Foreign currency translation	-	2 460 832	203 701	606		**2 665 140**
Acquisition cost at 31 December 2014	254 849	14 625 805	4 102 664	222 207	34 607	**19 240 132**
Accumulated depreciation at 1 January 2013	-	743 513	-	102 243	10 045	**855 801**
Depreciation	-	447 012	-	24 571	3 321	**474 904**
Depreciation disposals	-	(14 465)	-	(18 779)	-	**(33 244)**
Accumulated depreciation at 31 December 2013	-	1 176 059	-	108 035	13 367	**1 297 461**
Accumulated depreciation at 1 January 2014	-	1 176 059	-	108 035	13 367	**1 297 461**
Depreciation	2 613	662 871	-	30 486	2 006	**697 977**
Depreciation disposals	-	-	-	-	-	**-**
Foreign currency translation	-	258 942	-	-	-	**258 942**
Accumulated depreciation at 31 December 2014	2 613	2 097 872	-	138 521	15 373	**2 254 380**
Book value at 31 December 2013	14 966	7 526 707	2 514 883	72 973	21 239	**10 150 769**
Book value at 31 December 2014	252 236	12 527 932	4 102 664	83 687	19 234	**16 985 752**
Estimated useful life, depreciation plan and residual value is as follows:						
Useful life	See below	See below	See below	3-9 years	4-20 years	
Depreciation plan	See below	Straight-line	See below	Straight-line	Straight-line	
Residual value	See below	See below	See below	0%	0%	

As at 31 December 2014, the group operated a total of 100 (2013: 85) aircraft, whereas 48 (2013: 36) were owned and 52 (2013: 49) were leased under operational leases. See note 12 for details about operational leases.

Aircraft

The group acquired 11 (2013: 7) Boeing 737-800 and 1 (2013: 1) Boeing 787-8 aircraft during 2014.

The residual value is NOK 3 686.6 million (2013: NOK 2 227.7 million) in total for all owned aircraft and deducted from the depreciable amount of the body of the aircraft. The life expectancy of the body of the aircraft is 25 years for the 737 and the 787 aircraft, and the economic life of the owned aircraft is 25 years less the age of the aircraft at time of purchase.

The majority of the aircraft in the group are accounted for in USD by the groups subsidiary in Ireland, after transfers at December 31 2013 and during 2014. Hence, the values in consolidated accounts as per December 31 2014 include effects from currency translation.

Installations on leased aircraft

The installations on the leased aircraft include cabin interior modifications and other improvements to the aircraft after lease commencement. The capitalised value is depreciated over the remainder of the aircraft lease, which is between 1-10 years. Linear depreciation is applied and residual value is NOK 0. In 2014 and 2013 several engines on the leased aircraft were in overhaul, and replacement costs for life limited parts were capitalised to the extent that the costs were improvements to the engines and therefore exceeding the requirements that were specified in the leasing contracts. These components are depreciated at a defined rate per engine cycle, limited to the remainder of the aircraft lease.

Spare parts

Spare parts consist of rotable parts for the aircraft and are depreciated over their useful life. The useful life of spare parts ranges between 5-8 years. Straight-line depreciation is applied and 25 per cent of the acquisition cost is calculated as residual value.

Buildings

Buildings consist of 3 apartments in Berlin, purchased in 2007 for the purpose of housing crew and trainees stationed in Berlin on a temporary basis. In 2010, the group purchased an apartment in Seattle, and in 2013 purchased and apartment in Florida, for the purpose of housing personnel stationed in the United States in respect of the delivery of new 737-800 aircraft and opening new destinations. In 2014, a new hangar at Gardermoen airport was constructed. The apartments are carried at acquisition cost. The residual value is estimated to equal the acquisition cost. The hangar is estimated to have a useful life of 50 years, and is depreciated linear over useful economic life. Residual value is NOK 0.

Prepayments to aircraft manufacturers

In 2007 the group entered into a purchase contract with Boeing Commercial Airplanes concerning 42 new 737-800 aircraft, with an option of purchasing 42 additional aircraft. The contract was extended in June 2011 for an additional 15 Boeing 737-800. In 2011, the group entered a purchase contract with Icelandair for the right to acquire 3 Boeing 787-8 Dreamliner aircraft, which Icelandair had on order with Boeing Commercial Airplanes. In January 2012, the group entered into additional purchase contracts with Boeing Commercial airplanes and Airbus S.A.S comprising a total of 372 aircraft, of which 222 were firm orders. Note 2.6 include a table showing the timeline of future deliveries.

At 31 December 2014, 43 owned and 13 sale and lease backs had been delivered (2013: 31 and 13). Until delivery of the aircraft, the group will make prepayments to aircraft manufacturers, following a defined prepayment schedule. The group capitalises borrowing costs incurred for the construction of qualifying assets during the period of time which is required to complete the aircraft. Borrowing costs of NOK 144.6 million (2013: NOK 86.0 million) have been capitalised during the year. An average capitalisation rate of 4.5 per cent (2013:4.8 per cent) was used.

Financial lease assets

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

Impairment of tangible assets

Tangible assets are tested for impairment if there are indicators that impairment may exist.

No impairment losses have been recognised in 2014 or 2013.

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

NOTE 12: OPERATING LEASES

The lease agreements on the Boeing 737 aircraft last between 3 and 10 years from the date of agreement, with some extension options. The lease agreements on the Boeing 787 aircraft last for 12 years with an option for extension. From 2002 to 2012, 59 aircraft were delivered. In 2013 and 2014, 9 and 3 aircraft were delivered respectively, including sale leaseback. Renegotiations have resulted in the extension of some of the shorter leases. In 2014, 3 (2013: 0) aircraft were redelivered to the lessor. Contracts for 3 of the aircraft will expire in 2015, and contracts for 7 of the aircraft will expire in 2016. The remaining contracts expire in 2017 or later.

Leasing costs expensed on aircraft lease within operational expenses was NOK 1 537.1 million in 2014 (2013: NOK 1 155.7 million). Included in leasing costs are operating lease costs on aircraft from sale-and-leaseback transactions.

In addition, the group leases 11 (2013: 12) cars and 37 (2013: 11) properties in Oslo, Stavanger, Stockholm and Copenhagen, Alicante, Bangkok, Barcelona, Bergen, Dublin, Florida, Helsinki, Las Palmas, London, Madrid, Malaga, Malmø, New York, Sandefjord, Tenerife, Tromsø and Trondheim. Leasing costs related to cars and properties expensed in other operating expenses in 2014 was NOK 59.8 million. (2013: NOK 47.7 million).

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

	Nominal value 2014				Nominal value 2013			
NOK 1 000	**Aircraft**	**Cars**	**Property**	**Total**	Aircraft	Cars	Property	Total
Within one year	**2 548 002**	**3 776**	**51 555**	**2 603 334**	1 973 589	3 943	56 594	2 034 125
Between 1 and 5 years	**8 803 064**	**3 707**	**87 366**	**8 894 137**	6 627 441	7 476	89 323	6 724 240
After 5 years	**7 140 299**	**-**	**26 736**	**7 167 035**	6 150 864	-	16 308	6 167 172

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

NOTE 13: TRADE AND OTHER RECEIVABLES

Spesification of receivables

NOK 1 000	**2014**	2013
Trade receivables	**327 071**	347 343
Credit card receivables	**942 659**	727 854
Deposits	**461 537**	183 755
Deferred leasing costs	**35 962**	29 989
Reimbursements claims maintenance costs	**379 015**	272 908
Other claims	**33 632**	23 900
Trade and other receivables	**2 179 876**	1 585 748
Prepaid costs	**202 278**	103 823
Public duty debt	**134 679**	84 325
Prepayments to employees	**5 663**	1 148
Prepaid rent	**71 994**	47 071
Prepayments	**414 614**	236 367
Total	**2 594 490**	1 822 116
Maximum credit risk	**1 648 745**	1 348 105

Due dates

NOK 1 000	**2014**	2013
Within one year	**2 173 430**	1 623 079
After 1 year	**421 060**	199 036
Total	**2 594 490**	1 822 116

Fair value of trade and other receivables

NOK 1 000	**2014**	2013
Due within one year	**2 173 430**	1 623 079
After one year *)	**384 989**	169 016
Total	**2 558 418**	1 792 095

**) Discount rate 2,5 per cent (2013: 2,8 per cent) For receivables due within one year, fair value is equal to nominal value.*

Provision for bad debt

NOK 1 000	**2014**	2013
Balance 1 January	**12 879**	34 981
Charged to the income statement	**16 963**	12 655
Accruals	**22 693**	10 777
Reversals	**(20 744)**	(45 534)
Balance 31 December	**31 791**	12 879

Overdue accounts receivables

NOK 1 000	**2014**	2013
Overdue less than 1 month	**129 885**	41 844
Overdue 1-2 months	**5 009**	4 657
Overdue 2-3 months	**819**	687
Overdue over 3 months	**11 080**	8 204
Total	**146 793**	55 391

Provisions for bad debt include trade – and credit card receivables. The provisions for bad debts on trade receivables relates to provisions for overdue receivables that are not impaired at 31 December. Overdue accounts receivables include trade receivables and credit card receivables.

Non-interest bearing deposits are measured at amortised cost in the statement of financial position. Deposits denominated in foreign currencies are converted using the prevailing exchange rates on the reporting date.

NOTE 14: INVENTORIES

NOK 1 000	**2014**	2013
Consumables	**69 653**	60 937
Parts for heavy maintenance	**13 198**	13 198
Total	**82 851**	74 135

In 2014 and 2013 the group removed stock parts from aircraft engines in relation to heavy maintenances. These parts are held for sale and sold in secondary markets. Charges for obsolete parts in 2014 were NOK 28.7 million (2013: NOK 27.6 million).

NOTE 15: EQUITY AND SHAREHOLDER INFORMATION

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

NOK 1 000	Number of shares	Ordinary shares	Share premium	**Total**
1 January 2013	35 162 139	3 516	1 093 549	**1 097 065**
31 December 2013	35 162 139	3 516	1 093 549	**1 097 065**
31 December 2014	35 162 139	3 516	1 093 549	**1 097 065**

All issued shares are fully paid with a par value of 0.1 NOK per share (2013: 0.1 NOK per share). There is only one category of shares, and all shares have equal rights. For information about employee share options, see note 17.

DESCRIPTION OF ITEMS BOOKED DIRECTLY ON SHAREHOLDER'S EQUITY:

Translation differences

NOK 467.4 million has been booked as comprehensive income at 31 December 2014 (2013: NOK -2.9 million). The translation differences arise from translating the non-Norwegian subsidiaries from functional currency to presentation currency.

Actuarial gains and losses

At December 31 2014, NOK 52.5 million in actuarial loss arising from the group defined benefit pension plan was booked directly to equity (2013: 0).

Stock option plan

New share options were granted in 2013, under which a total of 625 000 share options have been granted to the management and to key personnel. The options have an exercise price 10 per cent above the weighted average price on 20 March 2013 which is equal to NOK 231.20. The options granted may be exercised two years after the grant, and the exercise window is six months.

See note 17 for further details. Total share option expense in 2013 was NOK 14.5 million (2013: NOK 9.4).

Shareholder structure

The largest shareholders at 31 December 2014 were;

	A-Shares	Ownership	Voting rights
HBK Invest AS	8 795 873	25.02%	25.02%
Folketrygdfondet	2 441 393	6.94%	6.94%
Skagen Vekst	1 551 707	4.41%	4.41%
VerdipapirfondetDNB Norge (IV)	1 444 419	4.11%	4.11%
Skagen Kon-Tiki	1 048 248	2.98%	2.98%
Danske Invest Norske	888 707	2.53%	2.53%
Clearstream Banking	797 842	2.27%	2.27%
DNB NOR Markets, aksjehandel	795 300	2.26%	2.26%
Morgan Stanley & Co. International	637 850	1.81%	1.81%
Credit Suisse Securities	597 985	1.70%	1.70%
Verdipapirfondet DNB Norge selektiv	582 654	1.66%	1.66%
KLP Aksje Norge VPF	523 395	1.49%	1.49%
Statoil Pensjon	510 198	1.45%	1.45%
Danske Invest Norske Aksjer Inst	509 297	1.45%	1.45%
BNP Paribas S.A	505 000	1.44%	1.44%
JP Morgan Chase Bank N.A London	492 874	1.40%	1.40%
JP Morgan Chase Bank N.A	423 275	1.20%	1.20%
Deutsche Bank AG	352 722	1.00%	1.00%
Odin Norge	321 805	0.92%	0.92%
Kommunal Landspensjonskasse	319 816	0.91%	0.91%
Storebrand Norge I	304 117	0.86%	0.86%
Verdipapirfondet Handelsbanken	300 000	0.85%	0.85%
Protector Forsikring ASA	220 500	0.63%	0.63%
The Bank Of New York Mellom SA/NV	210 767	0.60%	0.60%
Other	13 918 966	39.59%	39.59%
Total number of shares	35 162 139	100%	100%

Shareholder structure

The largest shareholders at 31 December 2013 were:

	A-shares	Ownership	Voting rights
HBK Invest AS	9 499 116	27.02%	27.02%
Folketrygdfondet	2 441 393	6.94%	6.94%
Skagen Vekst	1 448 775	4.12%	4.12%
Skagen Kon-Tiki	997 061	2.84%	2.84%
Clearstream Banking	810 516	2.31%	2.31%
J.P. Morgan Chase BA	779 012	2.22%	2.22%
Danske Invest Norske	705 289	2.01%	2.01%
Verdipapirfondet DNB	692 874	1.97%	1.97%
Danske Invest Norske	491 789	1.40%	1.40%
KLP Aksje Norge VPF	476 818	1.36%	1.36%
Varma Mutual Pension	448 567	1.28%	1.28%
DNB NOR Bank ASA EGE	391 598	1.11%	1.11%
Stenshagen Invest AS	341 693	0.97%	0.97%
J.P. Morgan Chase Bank	339 396	0.97%	0.97%
State Street Bank AN	329 835	0.94%	0.94%
Dnb Livsforsikring A	289 487	0.82%	0.82%
Skandinaviska Enskilda	250 768	0.71%	0.71%
Kommunal Landspensjonskasse	250 000	0.71%	0.71%
Statoil Pensjon	248 732	0.71%	0.71%
Klp Aksje Norge Inde	245 676	0.70%	0.70%
Other	13 683 744	38.92%	38.92%
Total number of shares	35 162 139	100%	100%

The shareholding of HBK Invest at 31 December 2014 and 31 December 2013 reflects the actual shareholding and may deviate from the official shareholder register as HBK Invest has signed a securities lending agreement with Nordea and Danske Bank. Under this agreement these institutions may borrow shares from HBK Invest for a limited period of time to improve the liquidity in the share trading, for example by fulfilling their market maker obligations.

Shares directly or indirectly held by members of the boards of directors, chief executive officer and executive management;

Name	Title	Shares[1]
Bjørn Kise[2]	Chair	721 262
Ola Krohn-Fagervoll	Deputy chair	62
Liv Berstad	Board member	-
Marianne Wergeland Jenssen	Board member	800
Linda Olsen	Board member - Employee repr	-
Thor Espen Bråten	Board member - Employee repr	657
Kenneth Utsikt	Board member - Employee repr	378
Bjørn Kjos[3]	Chief executive officer	7 440 232
Frode E Foss	Chief financial officer	35 000
Asgeir Nyseth	Chief operating officer	12 342
Geir Steiro	Chief operating officer	-
Anne-Sissel Skånvik	Senior vice president corporate communications	-
Gunnar Martinsen	Senior vice president HR and organisation	9 404
Thomas Ramdahl	Chief commercial officer	-
Frode Berg	Chief legal officer	-
Dag Skage (from 1 November 2014)	Chief information officer	-

1) Including shares held by related parties
2) Bjørn Kise holds 8.2 per cent of HBK invest AS
3) Bjørn Kjos holds 84.1 per cent of HBK Invest AS

Options directly or indirectly held by chief executive officer and executive management:

Name	Title	2013	Issued 2014	Outstanding 2014
Bjørn Kjos	Chief executive officer	100 000	-	100 000
Frode E Foss	Chief financial officer	100 000	-	100 000
Geir Steiro	Chief operating officer	10 000	-	10 000
Asgeir Nyseth	Chief operating officer	100 000	-	100 000
Frode Berg	Chief legal officer	20 000	-	20 000
Anne-Sissel Skånvik	Senior vice president corporate communications	50 000	-	50 000
Gunnar Martinsen	Senior vice president HR and organisation	50 000	-	50 000
Thomas Ramdahl	Chief commercial officer	15 000	-	15 000
Dag Skage	Chief IT officer	-	-	-

Specification of other reserves

	Available-for sale financial assets	Translation differences	Actuarial gains and losses	Total
1 January 2013	-	(9 335)	-	**(9 335)**
Available for sale financial assets	1 158	-	-	**1 158**
Translation differences	-	(2 925)	-	**(1 158)**
31 December 2013	1 158	(12 260)	-	**(11 102)**
Available for sale financial assets	-	467 359	-	**467 359**
Translation differences	(1 158)	-	-	**(1 158)**
Actuarial gains and losses			(52 493)	**(52 493)**
31 December 2014	-	455 099	(52 493)	**402 607**

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

NOTE 16: EARNINGS PER SHARE

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

(NOK 1 000)	**2014**	2013
Profit	**(1 069 763)**	321 564
Average number of shares outstanding	**35 162 139**	35 162 139
Average number of shares and options outstanding	**35 787 139**	35 651 865
Basic earnings per share	**(30.42)**	9.15
Diluted earnings per share	**(29.89)**	9.02

	2014	2013
Average number of shares outstanding	**35 162 139**	35 162 139
Dilutional effects		
Stock options	**625 000**	489 726
Average number of shares outstanding adjusted for dilutional effects	**35 787 139**	35 651 865

NOTE 17: OPTIONS

In 2013, the board issued 625 000 share options to employees. The share options have an exercise price of NOK 231.2, equal to 10 per cent above the weighted average share price on 20 March 2013. The share options may be exercised two years after the grant, with an exercise window of six months.

The stock option program was expensed on a straight-line basis at fair value over the vesting period. The cost was offset in other paid-in capital. Fair value calculations were conducted using the Black & Scholes option-pricing model. There was no market conditions linked to the vesting of the options.

The following estimates were used in calculating the fair value for options granted in 2013;

	2014
Dividend (%)	0%
Expected volatility (%)	45.00%
Risk free interest (%)	1.33%
Expected lifetime (year)	2.50
Share price at grant date	216.40

There were no option grants in 2014.

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

The option program is expensed with NOK 14.5 million in 2014 (NOK 9.4 in 2013).

	2014 shares	**Weighted avg. exerc. price**	2013 shares	Weighted avg. exerc. price
Outstanding at the beginning of the period	**625 000**	**231.2**	-	0.0
Allocated	**-**	**-**	625 000	231.2
Exercised	**-**	**-**	-	0.0
Outstanding at the end of the period	**625 000**	**231.2**	625 000	231.2
Vested options	**-**	**0.0**	-	0.0
Weighted average fair value of options allocated in the period	**-**		-	

2014	Outstanding options			Vested options	
Strike price (NOK)	Outstanding options	Weighted average remaining lifetime (years)	Weighted average exercise price	Vested options	Weighted average exercise price
231.2	625 000	0.5	231.2	-	-

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

The fair value of the bonus shares are measured at the grant date using the Black & Scholes option-pricing model. The fair value of the bonus shares and the corresponding estimated social security cost are expensed as personnel costs over the vesting period. Changes in estimated social security costs are expensed over the remaining vesting period. At 31 December 2014, NOK 2.9 million (2013: NOK 2.2 million) was expensed.

NOTE 18: PENSIONS

The group operated defined benefit plans and defined contribution plans in Norway, Denmark and Sweden. The majority of employees participated in a defined benefit plan in Norway. Norwegian Air Shuttle ASA closed its defined benefit plan on 1 December 2012 and all employees were transferred to the defined contribution plan. In fourth quarter 2013, the group issued a defined benefit pension plan according to the Collective Agreement with the Norwegian Pilot Union.
In March 2014, the group renegotiated its pension obligations with the Norwegian Pilots Union, resulting in a change for some members to defined contribution plan. See note 28 for further details regarding settlement with the Norwegian Pilot Union. Pension plans in Norway are placed with DNB Liv and pension plans in Sweden are placed with Alecta and Fora.

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

Defined contribution plans comply with Norwegian, Danish and Swedish pension legislation.

Pension expenses on defined contribution plans are NOK 130.2 million in 2014 (2012: NOK 36.7 million). The decrease in expenses in 2013 relates to a reversal of estimates for provisions related to the pension liability, in addition to transfer of pilot employee contracts to Norwegian Air Norway AS

Defined benefit plan
As per 31 December 2014, 391 employees were active members (2013: 395) and 1 (2013: 0) were on pension retirement. The related pension liability is recognised at NOK 201.8 million (2013: 127.8 million).

The pension plans are in compliance with the Occupational Pensions Act and actuarial calculations comply with IAS 19.

The mortality and disability estimates are based on up-to-date mortality tables K2013 BE. This has had no material effect on the consolidated financial statements in 2014.

Pension expense

	2014		2013	
NOK 1 000	**Funded**	**Total**	Funded	Total
Net present value of benefits earned	**65 633**	**65 633**	80 089	80 089
Interest cost on pension liability	**6 253**	**6 253**	474	474
Return on plan assets	**(831)**	**(831)**	-	-
Administrative expenses	**296**	**296**	-	-
Recognised actuarial gains/losses	**-**	**-**	-	-
Recognised net liability - settlement	**-**	**-**	-	-
Social security tax	**11 796**	**11 796**	11 365	11 365
Net pension expense defined benefit plans	**83 146**	**83 146**	91 928	91 928
Pension expense on defined contribution plans	**-**	**110 282**	-	32 273
Social security tax	**-**	**19 943**	-	4 411
Total pension expense	**-**	**213 371**	-	128 612

Defined benefit liability and fund

	2014		2013	
NOK 1 000	**Funded**	**Total**	Funded	Total
Change in present value of defined benefit liability:				
Gross pension liability 01.01	**124 671**	**124 671**	-	-
Current service costs	**65 633**	**65 633**	11 559	11 559
Interest cost	**7 285**	**7 285**	474	474
Actuarial gains/losses	**45 654**	**45 654**	1 639	1 639
Accruals forcompensation liability	**-**	**-**	111 000	111 000
Gross pension liability 31.12	**243 243**	**243 243**	124 671	124 671
Change in fair value of plan assets:				
Fair value of pension assets 01.01	**14 204**	**14 204**	-	-
Expected return	**1 421**	**1 421**	(36)	(36)
Actuarial gains/losses	**(6 839)**	**(6 839)**	2 106	2 106
Administrative expenses	**(296)**	**(296)**	-	-
Contributions paid	**57 124**	**57 124**	12 134	12 134
Fair value of plan assets 31.12	**65 613**	**65 613**	14 204	14 204
Net pension liability	**177 630**	**177 630**	110 468	110 468
Unrecognised actuarial gains/losses	**-**	**-**	-	-
Social security tax	**24 252**	**24 252**	17 353	17 353
Net recognised pension liability 31.12	**201 883**	**201 883**	127 821	127 821

	2014	2013
Actual return on pension funds*	**4.40%**	5.70%
Expected contribution to be paid next year (NOK 1000)	**80 422**	85 938

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

The net pension liability was based on several assumptions. The discount rate was based on long term government bonds in Norway, with adjustments for duration. The pension liability's average duration was 25 years. Wage adjustments, pension adjustments and the expected increase in state pensions were based on historical observations for the group, and an expected long term inflation rate of 2.5 per cent.

	2014	2013
Discount rate	**2.30%**	4.10%
Expected return on pension funds	**2.30%**	4.10%
Wage adjustments	**2.50%**	3.50%
Increase of social security base amount (G)	**2.50%**	3.50%
Future pension increase	**0.00%**	0.60%
Average turnover	**2-8%**	2-10%

The groups pension fund is invested in the following instruments:

	2014	2013
Equity	**7.2%**	6.8%
Alternative investments	**4.0%**	3.5%
Bonds	**15.3%**	17.0%
Money market funds	**23.5%**	22.0%
Hold-to maturity bonds	**32.6%**	35.2%
Real estate	**14.2%**	14.3%
Various	**3.3%**	1.1%

The table shows actual distribution of plan assets at 31 December 2014 and 2013.

Historical information

(NOK 1 000)	2014	2013	2012	2011	2010
Present value of defined benefit obligation	**243 243**	124 671	-	955 334	686 588
Fair value of plan assets	**65 613**	14 204	-	515 629	401 877
Deficit/(surplus) in the plan	**177 630**	110 468	-	439 705	284 711
Experience adjustments on plan liabilities	**45 654**	-	-	108 905	81 092
Experience adjustments on plan assets	**6 839**	-	-	28 702	2 130

NOTE 19: PROVISIONS

Periodic maintenance on leased Boeing 737 aircraft.

(NOK 1 000)	2014	2013
Opening balance	**467 607**	198 749
Charges to the income statement	**(781 870)**	(528 498)
Accruals	**1 233 499**	797 355
Closing balance	**919 237**	467 607
Classified as short term liabilities	**83 756**	54 869
Classified as long term provision	**835 480**	412 737

The lease contracts require the aircraft to be returned by the end of the lease term in accordance with specific redelivery conditions stated in the contract. In addition, the group is obliged to follow the maintenance program as defined by Boeing. In order to meet this requirement, the group must carry out maintenances of aircraft, both regularly as well as at the expiration of the leasing period. The overhauls and maintenances of the aircraft are contractual lease obligations. The specific event that gives rise to the obligation is each airborne hour or cycle completed by the aircraft as these determine the timing and nature of the overhauls and maintenances that must be carried out. For some of the contracts, there is a degree of uncertainty about what kind of maintenance is covered by the maintenance funds, and the provision for this increase of expenses for the group, is distributed over the period until the maintenance is conducted.

The estimation technique for maintenance reserve contribution (MRC) additional provisions is based on contractual payments for maintenances and mandatory maintenances. The estimated costs of overhauls and maintenances are based on the group's maintenance program and contractual prices. In addition, additional provisions are set to meet redelivery conditions for leased aircraft. Additional provisions are dependent on redelivery date and redelivery conditions of the different lease terms. In case of lease extension, estimates on maintenance costs will be revised. For the additional provisions set to meet redelivery conditions, an increased cost upon redelivery of 10 per cent would increase the MRC additional provisions with approximately NOK 4.7 million (2013: NOK 3.8 million)

Parts of the periodic maintenances will be conducted in 2015, and NOK 83.8 million is classified as a short term liability for periodic maintenances (2013: NOK 54.9 million). The short term part of periodic maintenance is estimated based on the planned maintenances in 2015.

Pension cost

(NOK 1 000)	**2014**	2013
Opening balance	-	187 394
Reversals	-	(187 394)
Accruals	-	-
Closing balance	-	-
Classified as short term liabilities	-	-
Classified as long term provision	-	-

The group's defined benefit plan was closed 1 December 2012 and a new defined contribution plan was issued to all employees, in 2013, according to agreement with labour unions, a new defined benefit plan was issued to certain employees (see note 18). Provisions for pension cost at 31 December 2012 consisted of estimated conversion costs, non-forfeiture value to employees and potential legal claims (see note 28). The provision was reversed in 2013.

NOTE 20: FINANCIAL INSTRUMENTS

	31.12.2014			
(NOK 1 000)	Loans and receivables	Fair value through profit or loss	Available-for-sale	**Total**
Assets as per balance sheet				
Available-for-sale financial assets	-	-	82 689	**82 689**
Derivative financial instruments	-	-	-	**-**
Trade and other receivables*	2 179 876	-	-	**2 179 876**
Cash and cash equivalents	2 011 139	-	-	**2 011 139**
Total	4 191 014	-	82 689	**4 273 703**

*) Prepayments not included in trade and other receivables	414 614

	31.12.2013			
(NOK 1 000)	Loans and receivables	Fair value through profit or loss	Available-for-sale	**Total**
Assets as per balance sheet				
Available-for-sale financial assets	-	-	93 847	**93 847**
Derivative financial instruments	-	37 389	-	**37 389**
Trade and other receivables*	1 585 748	-	-	**1 585 748**
Cash and cash equivalents	2 166 126	-	-	**2 166 126**
Total	3 751 874	37 389	93 847	**3 883 110**

*) Prepayments not included in trade and other receivables	**236 367**

	31.12.2014		
NOK 1 000	Fair value through profit or loss	Other financial liabilities	**Total**
Liabilities per balance sheet			
Borrowings	-	13 283 842	**13 283 842**
Derivative financial instruments	458 958	-	**458 958**
Trade and other payables *)	-	2 680 312	**2 680 312**
Total	458 958	15 964 154	**16 423 112**

*) Public duties not included in trade and other payables	132 753

	31.12.2013		
NOK 1 000	Fair value through profit or loss	Other financial liabilities	**Total**
Liabilities per balance sheet			
Borrowings	-	6 512 156	**6 512 156**
Derivative financial instruments	-	-	**-**
Trade and other payables *)	-	1 816 371	**1 816 371**
Total	-	8 328 527	**8 328 527**

*) Public duties not included in trade and other payables	**133 323**

See note 22 for details related to borrowings.

Credit quality of financial assets

NOK 1 000	**2014**	2013
Trade receivables		
Counterparties with external credit rating	-	-
A or better	**942 659**	727 854
Counterparties without external credit rating	**1 237 217**	857 894
Total trade receivables	**2 179 876**	1 585 748
Cash and cash equivalents		
A+ or better	**1 786 565**	1 330 950
BBB +	**224 574**	835 176
Total cash and cash equivalents	**2 011 139**	2 166 126
Derivative financial assets		
A+ or better	**-**	37 389
Total derivative and financial assets	**-**	37 389
Available-for sale financial assets		
January 1st	**93 846**	12 861
Additions	**-**	80 985
Sale	**(11 158)**	-
31 December	**82 688**	93 846
Non-current portion	**82 688**	82 689
Current portion	**-**	11 158

Available-for-sale financial assets at 31 December 2014 consist of an investment in an unlisted equity instrument in Silver Pensjonsforsikring and an investment in a listed bond issue in Bank Norwegian.

See note 3 for fair value calculations.

Derivative financial instruments

	2014		2013	
NOK 1 000	**Assets**	**Liabilities**	Assets	Liabilities
Forward foreign exchange contracts	-	**354**	37 389	-
Forward commodities contracts	-	**458 604**	-	-
Total	-	**458 958**	37 389	-
Current portion	-	**458 958**	37 389	-

Trading derivatives are classified as current assets or liabilities.

The total amount from derivatives amounts to a loss of NOK 489.5 million (2013: gain of NOK 227.7 million). See details under the specification of 'Other losses/ (gains)- net' below.

Forward foreign currency contracts

The fair value of the outstanding forward foreign currency contracts at 31 December 2014 were NOK – 0.4 million (2013: NOK 37.9 million). At 31 December 2014, the group had forward foreign currency contracts to secure USD 35 million (2013: USD 830 million).

Forward commodities contracts

Forward commodities contracts relates to jet-fuel derivatives. The fair value of the outstanding forward commodities contracts at 31 December 2014 were NOK - 458.6 million (2013: NOK 0). As of 31 December 2014, the group had secured 299 000 tons of jet fuel through forward contracts that matures in the period January 2015 – March 2016.

Other losses/gains – net

NOK 1 000	**2014**	2013
Net losses/(gains) on financial assets at fair value through profit or loss	**489 476**	(227 745)
Foreign exchange losses/(gains) on operating acitivities	**94 275**	(274 403)
Total	**583 751**	(502 148)

NOTE 21: TRADE AND OTHER PAYABLES

NOK 1 000	**2014**	2013
Accrued vacation pay	**171 825**	158 874
Accrued airport and transportation taxes	**134 909**	168 845
Accrued expenses	**1 009 847**	708 643
Trade payables	**888 926**	632 921
Payables to related party (note 27)	**4 258**	5 518
Public duties	**132 753**	133 323
Short term provisions for MRC (note 19)	**83 756**	54 869
Other short term provisions	**254 171**	86 699
Total	**2 680 445**	1 949 691

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

NOTE 22: BORROWINGS

Nominal value at 31 December 2014

NOK 1 000	Nominal value	Unamortised transaction cost	Book value	Effective interest rate
Bond issue	835 500	(4 684)	830 816	6.4%
Facility agreement	2 573 819	(5 888)	2 567 930	4.1%
Aircraft financing	10 198 354	(321 067)	9 877 287	3.5%
Financial lease liability	7 809	-	7 809	4.4%
Total	13 615 482	(331 640)	13 283 842	

Nominal value at 31 December 2013

NOK 1 000	Nominal value	Unamortised transaction cost	Book value	Effective interest rate
Bond issue	600 000	(6 129)	593 871	6.9%
Facility agreement	148 673	(1 587)	147 086	8.6%
Aircraft financing	6 012 987	(323 240)	5 689 747	3.3%
Loan facility	70 978	-	70 978	3.5%
Financial lease liability	10 475	-	10 475	4.9%
Total	6 843 113	(330 956)	6 512 156	

Effective interest rate during 2014, recognised as financial items (note 8) and capitalised borrowing costs (note 11), is 4.5 per cent (2013: 4.8 per cent)

Classification of borrowings

NOK 1 000	**2014**	2013
Non-current		
Bond issue	**543 316**	593 871
Facility agreement	**526 579**	-
Aircraft financing	**8 880 333**	5 143 039
Financial lease liability	**3 227**	6 845
Total	**9 953 455**	5 743 755
Current		
Bond issue	**287 500**	-
Facility agreement	**2 041 351**	147 086
Aircraft financing	**996 954**	546 708
Loan facility	**-**	70 978
Financial lease liability	**4 582**	3 629
Total	**3 330 387**	768 401
Total borrowings	**13 283 842**	6 512 156

The carrying amounts of the group's borrowings are denominated in the following currencies;

NOK 1 000	**2014**	2013
USD	**12 445 217**	5 836 832
NOK	**838 625**	675 324

Collateralised borrowings are detailed in note 23.

Covenants
Bond issues
Minimum Equity of NOK 1500 million
Dividend payments less than 35 per cent of net profit
Minimum liquidity of NOK 500 million

Revolving credit facilities
There are no financial covenants on revolving credit facilities.

Aircraft financing
No financial covenants. All borrowings related to delivery of new 737-800 aircraft from Boeing are guaranteed by the Ex-Im Bank of the United States. The Ex-Im Bank of the United States has pledged security in the owned aircraft delivered under the Boeing contract.

There are no financial covenants related to the financial lease liabilities.
The group has not been in breach of any covenants during 2014.

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

	Carrying amount		Fair Value	
NOK 1 000	**2014**	2013	**2014**	2013
Bond issue	**543 316**	593 871	**534 071**	600 760
Facility agreement	**526 579**	-	**629 544**	-
Aircraft financing	**8 880 333**	5 143 039	**10 522 867**	6 020 579
Financial lease liability	**3 227**	6 845	**4 694**	9 060
Total fair value	**9 953 455**	5 743 755	**11 691 176**	6 630 400

The fair value of current borrowings approximates their carrying amount as the impact of discounting is not significant. The fair value of non-current borrowings are based on cash flows which are discounted using a rate based on the following assumptions:

Bond Issue I
Interest rate of NIBOR 3M and a risk premium equal to the spread at the reporting date. The bond issue is an unsecured bond issue denominated in NOK and matures 13 April 2015. The coupon is NIBOR + 5.5 per cent.

ISIN: NO0010642200
Ticker; NAS03
Name: Norwegian Air Shuttle ASA 12/15 FRN

Bond Issue II
Interest rate of NIBOR 3M and a risk premium equal to the spread at the reporting date. The bond issue is an unsecured bond issue denominated in NOK and matures 3 July 2017. The coupon is NIBOR + 3.75 per cent.

ISIN: NO0010713860
Name: Norwegian Air Shuttle ASA

Bond Issue III
Interest rate of NIBOR 3M and a risk premium equal to the spread at the reporting date. The bond issue is a secured bond issue pledged in the groups newly built hangar at OSL, is denominated in NOK and matures 21 November 2017. The coupon is NIBOR + 4.0 per cent.

ISIN: NO0010724313
Name: FRN Norwegian Air Shuttle ASA Senior Secured Bond Issue 2014 / 2017

Facility agreement
Interest rate of LIBOR 3M and a risk premium equal to the spread at the reporting date. The group has entered into facility agreements with DVB Bank SE and BOC Aviation Limited in 2014 to cover pre-delivery financing for aircraft with delivery in 2015 and 2016.

The borrowings which mature at the delivery of each aircraft in 2015 are classified as short term borrowings and are denominated in USD.

Aircraft financing
Fixed and floating interest rate based on LIBOR 7Y and a risk premium equal to the spread at the reporting date. The spread is not entity specific, as the agreed spread is based on the overall credit risk of the financial markets in the United States. 8 per cent of aircraft financing is exposed to cash flow interest rate risk with quarterly re-pricing dates, while 92 per cent of aircraft financing is exposed to fair value risk on fixed interest rates.

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

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

The discount rates used to calculate the fair value of the financial lease liability equals the risk free interest rate and spread related to the loan facility in 2014 and 2013 as this loan facility regarded the best estimate for credit spread on financial lease liability. The financial lease liability is denominated in NOK.

Future minimum lease payments under financial lease liability

NOK 1 000	**2014**	2013
Future minimum lease payments		
- No later than 1 year	**4 548**	3 406
- Between 1 and 5 years	**4 008**	8 389
- Later than 5 years	**-**	-
Total	**8 556**	11 794
Future finance charges on financial lease liability	**747**	1 320
Present value of financial lease liability	**7 809**	10 475

NOTE 23: ASSETS PLEDGED AS COLLATERALS AND GUARANTEES

Liabilities secured by pledge

NOK 1 000	**2014**	2013
Aircraft financing	**9 877 287**	5 689 747
Loan Facility	**-**	70 978
Facility agreement	**2 567 930**	147 086
Financial lease liability	**7 809**	10 475
Total	**12 453 026**	5 918 285

The owned aircraft are pledged as collateral for the aircraft financing. The purchase contracts with aircraft manufacturers are pledged as collateral for the revolving credit facility agreement with BOC Aviation Limited and DVB Bank SE to secure the pre-delivery payments.

There is no pledged collateral for the financial lease liability, but the financial lease asset is an actual security for the financial lease liability through fulfilment of the lease agreement. For references to pledged asset, see note 11, and for borrowings related to those asset, see note 22.

The group has not issued any guarantees for third parties.

Book value of assets pledged as security and guarantees

NOK 1 000	**2014**	2013
Cash depot	**-**	-
Prepayment and aircraft	**14 756 813**	9 915 393
Financial lease asset	**19 234**	21 242
Total	**14 776 047**	9 936 635

NOTE 24: BANK DEPOSITS

Cash and cash equivalents

NOK 1 000	**2014**	2013
Cash in bank	**1 786 565**	1 330 950
Cash equivalents	**224 574**	835 176
Total	**2 011 139**	2 166 126

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 2014, the interest terms of the cash deposits in folio accounts are 1 month NIBOR - 0.25 per cent p.a. The interest terms on restricted cash deposits in folio accounts are 1 month NIBOR +0.85 per cent p.a.

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

Restricted cash

NOK 1 000	**2014**	2013
Guarantees for leases and credits from suppliers	**411 225**	219 391
Taxes withheld	**64 269**	60 107
Total	**475 494**	279 498

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

NOTE 25: INVESTMENTS IN SUBSIDIARIES

Norwegian Air Shuttle Sweden AB
The subsidiary was purchased on 31 July 2007 and the group controls 100 per cent of the shares in Norwegian Air Shuttle Sweden AB. The total purchase price was NOK 199.8 million. The company is based at Arlanda Airport, Stockholm, Sweden. The Swedish subsidiary supplies the crew and provides technical services. Transactions between the parent company and the Swedish subsidiary during 2014 consisted of the supply of personnel. On 1 July 2009, the entire airline operation in Norwegian Air Shuttle Sweden AB was transferred to Norwegian Air Shuttle ASA through the purchase of assets.

Call Norwegian AS
On 14 January 2008 the group established Call Norwegian AS, and the group controls 100 per cent of the shares. The company had no activity in 2014.

Norwegian Holiday AS
On 15 July 2008 the group established NAS Asset Management Norway AS, a special purpose vehicle (SPV), and in 2013 the company changed name to Norwegian Holidays AS. The company's purpose is to provide holiday packages to end customers. The group controls 100 per cent of the shares.

Norwegian Long Haul AS
On 1 January 2012, the group established Norwegian Long Haul AS, and controls 100 per cent of the shares. The company is incorporated in Norway and was established for the purpose of operating the group's long haul destinations with Boeing 787-8 Dreamliner aircraft. In 2013 and during 2014, the group's long haul business was transferred to the groups subsidiary in Ireland.

Arctic Aviation Assets Ltd
Arctic Aviation Assets Ltd, incorporated in Ireland, was established on 9 August 2013, with the purpose of administering the groups aircraft assets. The group controls 100 per cent of the shares. The company owns 100 per cent of the shares in the owner- and leasing companies designated for the groups aircraft assets.

Norwegian Air International Ltd
On 3 April 2013 Norwegian Air International Ltd, which is incorporated in Ireland, was established with the purpose of operating the groups long haul activities. The group controls 100 per cent of the shares.

Norwegian Assets Ltd
On 16 December 2013 Norwegian Asset Ltd, which is incorporated in Ireland, was established with the purpose of operating the groups long haul activities. The group controls 100 per cent of the shares.

Norwegian Air Norway AS
On 28 May 2013 Norwegian Air Norway AS, which is incorporated in Norway, was established. The company's purpose is to operate parts of the groups flight operations as wet lease provider.

Norwegian Cargo AS
On 16 April 2013 Norwegian Cargo AS, which is incorporated in Norway, was established. The group controls 100 per cent of the shares. The company is established with the purpose of commercially administer the group's Cargo activities.

Norwegian Air Resources Holding Ltd
On 20 September 2013 Norwegian Air Resources Holding Ltd, which is incorporated in Ireland, was established. The company operates as holding company for the group's resource subsidiaries, providing operating personnel to the groups airline activities.

Norwegian Brand Ltd
On 9 December 2013 Norwegian Brand Ltd, which is incorporated in Ireland, was established. The company will maintain the group's overall brand and IP management activities.

AB Norwegian Air Resources Finland Ltd
On 14 June 2011, Ab Norwegian Air Shuttle Finland Ltd, which is incorporated in Finland, was established. In 2013 the company changed name to Norwegian Air Resources Finland AB. The company hires and employs crew in the group's resource structure.

Norwegian Air Resources Technical AB
On 7 February 2013, Norwegian Air Resources International AB which is incorporated in Sweden was established. The company changed name in 2014 to Norwegian Air Resources Technical AB. The company had no activity in 2014.

Norwegian Air Resources Sweden AB
On 28 August 2013, Norwegian Air Resources Sweden AB which is incorporated in Sweden, was established. The company has had no activity in 2014.

Norwegian Air Resources Spain S.L
On 6 October 2014, Norwegian Air Resources Spain S.L, which is incorporated in Spain, was established with the intention of hiring and employing crew for the airline activities in the group.

Norwegian Resources Denmark Aps
On 5 September 2013, Norwegian Resources Denmark Aps, which is incorporated in Denmark, was established. The company has had no activity in 2014.

Cabin Services Norge AS
On 27 January 2014, Cabin Services Norge AS, incorporated in Norway, was established, and in March 2014, crew based in Norway and employed in Norwegian Air Shuttle ASA was transferred to the company.

Cabin Services Denmark Aps
On 20 February 2014, Cabin Services Denmark Aps, incorporated in Denmark, was established, and in March 2014, crew based in Denmark and employed in Norwegian Air Shuttle ASA was transferred to the company.

Name	Date of establishment	Office	Number of shares	Ownership
Norwegian Air Shuttle Sweden AB	07/31/2007	Stockholm, Sweden	20 000	100%
Call Norwegian AS	01/14/2008	Fornebu, Norway	1 000 000	100%
Norwegian Holiday AS	08/04/2008	Fornebu, Norway	100	100%
Norwegian Long Haul AS	01/01/2012	Fornebu, Norway	20 000	100%
Norwegian Long Haul Singapore Ltd	11/29/2012	Singapore	10 000	100%
Norwegian Air Norway AS	05/28/2013	Fornebu, Norway	155	100%
Norwegian Cargo AS	04/16/2013	Fornebu, Norway	100 000	100%
Norwegian Brand Limited	12/09/2013	Dublin, Ireland	151 711 820	100%
Arctic Aviation Assets Limited	08/09/2013	Dublin, Ireland	479 603 659	100%
Oslofjorden Limited	08/22/2013	Dublin, Ireland	1	100%
Drammensfjorden Leasing Limited	09/24/2013	Dublin, Ireland	1	100%
Geirangerfjorden Limited	11/26/2013	Dublin, Ireland	1	100%
Boknafjorden Limited	03/14/2014	Dublin, Ireland	1	100%
DY1 Aviation Ireland Limited	11/26/2013	Dublin, Ireland	1	100%
DY2 Aviation Ireland Limited	11/26/2013	Dublin, Ireland	1	100%
DY3 Aviation Ireland Limited	11/26/2013	Dublin, Ireland	1	100%
DY4 Aviation Ireland Limited	11/26/2013	Dublin, Ireland	1	100%
DY5 Aviation Ireland Limited	11/26/2013	Dublin, Ireland	1	100%
DY6 Aviation Ireland Limited	11/26/2013	Dublin, Ireland	1	100%
DY7 Aviation Ireland Limited	08/02/2013	Dublin, Ireland	1	100%
DY9 Aviation Ireland Limited	11/27/2014	Dublin, Ireland	1	100%
Norwegian Air International Limited	04/03/2013	Dublin, Ireland	131 449 937	100%
Norwegian Assets Limited	12/16/2013	Dublin, Ireland	88 979 177	100%
Norwegian Air Resources Holding Limited	09/20/2013	Dublin, Ireland	1	100%
Norwegian Air Resources Sweden AB	08/28/2013	Stockholm, Arlanda	50 000	100%
Norwegian Resources Denmark Aps	09/05/2013	Hellerup, Danmark	80 000	100%
Norwegian Air Resources Technical AB	02/07/2014	Stockholm, Arlanda	50 000	100%
Norwegian Air Resources Spain S.L	10/06/2014	Madrid, Spain	1	100%
AB Norwegian Air Resources Finland Ltd	06/14/2011	Helsinki, Finland	200	100%
Cabin Services Norge AS	01/27/2014	Fornebu, Norway	30	100%
Cabin Services Denmark Aps	02/20/2014	Hellerup, Danmark	50	100%

NOTE 26: INVESTMENTS IN ASSOCIATED COMPANIES

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

Entity	Country	Industry	Ownership interest	Carrying amount 31.12.2013	Net profit/(loss) 2014	Share issue 2014	Carrying amount 31.12.2014
Norwegian Finans Holding ASA	Norway	Financial institution	20%	164 575	57 631	1 389	223 594

Entity	Country	Industry	Ownership interest	Carrying amount 31.12.2012	Net profit/(loss) 2013	Share issue 2013	Carrying amount 31.12.2013
Norwegian Finans Holding ASA	Norway	Financial institution	20%	116 050	46 597	1 926	164 575

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

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

2014 *NOK 1 000*

Entity	Country	Assets	Liabilities	Revenues	Profit/(Loss)	Interest held
Norwegian Finans Holding ASA	Norway	2 684 996	2 456 625	207 764	57 631	20%

2013 *NOK 1 000*

Entity	Country	Assets	Liabilities	Revenues	Profit/(Loss)	Interest held
Norwegian Finans Holding ASA	Norway	1 667 696	1 511 345	139 748	46 597	20%

NOTE 27: RELATED PARTY TRANSACTIONS

The chief executive officer is the principal shareholder in Norwegian Air Shuttle ASA with an ownership share of 25.02 per cent through the controlling ownership of HBK Invest AS. The chair of the board owns a minority of shares in HBK Invest AS. There have been no financial transactions between HBK Invest AS and Norwegian Air Shuttle ASA in 2014 or 2013, except for indirect transactions through Fornebu Næringseiendom.

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

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

The parent company has received commissions from the associated company Norwegian Finans Holding ASA (Bank Norwegian) in 2014 and 2013. The commissions relate to sales made by the parent company's customers by using the 'Bank Norwegian' credit cards. In addition, the subsidiary Norwegian Brand Ltd receives licence fees from Norwegian Finans Holding ASA for the use of the Norwegian Brand. The total commission and licence fee is enclosed in the table below. Receivables and payables to related parties are included below.

No loans or guarantees have been issued to related parties in 2014 or 2013.

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

The following transactions were carried out with related parties:

NOK 1 000	**2014**	2013
Sales (–) and purchases (+) of goods and services (excl VAT)		
- Simonsen Vogt Wiig (legal services)	**11 920**	8 436
- Associate (commission and licence fee)	**(101 720)**	(67 202)
- Associate (interests on subordinated loan)	**(4 137)**	(3 491)
- Fornebu Næringseiendom (property rent)	**13 454**	13 319
Year-end balances arising from sales/purchases of goods/ services (incl VAT)		
Receivables from related parties (note 13)		
- Associate (commission)	**10 000**	10 000
Payables from related parties (note 21)		
- Simonsen Vogt Wiig (legal services)	**74**	1 436
- Fornebu Næringseiendom (property rent)	**4 184**	4 082
Investment in related parties		
- Associate (subordinated loan)	**80 000**	80 000

NOTE 28: CONTINGENCIES AND LEGAL CLAIMS

As described in note 28 in the annual report for 2012, Norwegian was in a legal dispute with the Norwegian Pilot Union at 31 December 2012. This dispute was settled during the fourth quarter 2013, resulting in a liability for the company to issue a defined benefit pension plan according to the Collective Agreement with the Norwegian Pilot Union. See note 18 for details on pensions.

NOTE 29: COMMITMENTS

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

Between 2008 and 2011 the group extended its aircraft order and exercised purchase rights for an additional 36 aircraft, bringing the total order of Boeing 737-800 to 78 aircraft.

Norwegian Air Shuttle ASA entered into a purchase agreement for three Boeing 787-8 Dreamliner aircraft in June 2011. One aircraft was delivered in 2013, one in 2014 and the remaining aircraft will be delivered in 2015. The aircraft have a (total) list price of USD 580 million. The three aircraft will complement the 787-8 Dreamliner leases (note 12). At 31 December 2014, the group has 6 Boeing 787-8 Dreamliner lease orders with expected delivery from 2015 to 2016.

In January 2012, the group entered into additional purchase contracts with Boeing Commercial airplanes and Airbus S.A.S comprising a total of 372 aircraft, of which 222 were firm orders. The firm orders were for 22 Boeing 737-800, 100 Boeing 737 MAX8 and 100 Airbus A320neo. The agreements also include purchase rights for an additional 100 Boeing 737 MAX8 and 50 Airbus A320neo. The firm orders have an aggregated value at list price of approximately NOK 127 billion. The delivery of aircraft starts in 2016. The aircraft purchase is supported by the Export-Import Bank of the United States (Ex-Im) and European Export Credit Agencies.

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

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

Norwegian Air Shuttle ASA has entered into a maintenance agreement with Boeing comprising all long-haul aircraft on order. The agreement secures cost efficient maintenance and has a duration of 12 years.

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

NOTE 30: EVENTS AFTER THE REPORTING DATE

On 28 February 2015, several pilots employed in the subsidiary Norwegian Air Norway AS, commenced a strike, organised by Norwegian Pilot Union (NPU). The strike was escalated and seriously affected the airline Norwegian Air Shuttle ASA's production for the 11 days until it was solved. During the strike, most of the Scandinavian production was stopped and approximately 1 000 employees were temporarily laid off. On reaching agreement with NPU, the Scandinavian pilots have received a guarantee of employment for three years and a master seniority list for pilots based in Europe. The agreement additionally specifies cost reductions for the group in the form of reduced pension liabilities and insurance schemes.

In addition to the direct impact of the strike including startup costs, Norwegian lost future bookings which will affect future revenues. Sales picked up again immediately after the strike was ended, but the load factor on domestic routes will be lower than normal for a period of time. The company has not quantified the full impact of the strike.

On 5 March 2015, Norwegian Air Norway AS established three new subsidiaries for its pilots in Norway, Sweden and Denmark respectively, and all employees were transferred to the companies in his/her respective country with the existing tariff agreements, working conditions and benefits.

FINANCIAL STATEMENTS FOR THE PARENT COMPANY

INCOME STATEMENT 1.1 – 31.12

NOK 1 000	*Note*	**2014**	2013
Operating revenues and operating expenses			
Revenues	*3*	**17 038 761**	14 966 403
Other income	*3*	**188 702**	90 796
Total operating revenues and income		**17 227 463**	15 057 199
Operational expenses	*4*	**15 263 929**	10 768 632
Salaries and other personnel expenses	*5, 16, 17*	**1 957 096**	2 248 769
Depreciation and amortisation	*8, 9*	**222 540**	533 484
Other operating expenses	*4a*	**847 442**	662 160
Other losses/(gains) - net	*20*	**558 964**	(515 694)
Total operating expenses		**18 849 971**	13 697 351
Operating profit		**(1 622 508)**	1 359 848
Financial revenues and financial expenses			
Interest income		**247 122**	75 616
Interest expense		**(234 002)**	(196 511)
Other financial items	*6*	**(18 400)**	(448 420)
Net financial items		**(5 279)**	(569 314)
Profit/loss from associated company	*26*	**57 631**	46 597
Profit before tax		**(1 570 156)**	837 130
Income tax expense	*7*	**(664 351)**	202 027
Profit for the year		**(905 805)**	635 103
Allocation of profit for the year			
Allocated to other equity		**(905 805)**	635 103

STATEMENT OF FINANCIAL POSITION AT 31.12

NOK 1 000	*Note*	**2014**	2013
ASSETS			
Non-current assets			
Intangible assets			
Intangible assets	*8*	**162 294**	193 885
Deferred income tax assets	*7*	**345 134**	-
Total intangible assets		**507 428**	193 885
Tangible assets	*9*		
Buildings		**252 236**	14 966
Aircraft, installations and parts		**297 887**	376 353
Equipment and fixtures		**76 491**	70 743
Financial lease asset		**19 234**	21 242
Prepayment Boeing contract		**-**	2 514 882
Total tangible assets		**645 848**	2 998 186
Financial assets			
Investment in subsidiaries	*25*	**2 745 290**	1 427 276
Investment in associated company	*26*	**223 594**	164 575
Investment in shares	*27*	**82 689**	82 689
Financial lease receivable	*25*	**5 475 375**	5 990 471
Other long term receivables	*11*	**321 833**	199 036
Total financial assets		**8 848 781**	7 864 047
Total non-current assets		**10 002 057**	11 056 118
Current assets			
Inventory	*12*	**70 383**	67 982
Receivables			
Accounts receivable		**3 162 315**	1 680 180
Other receivables	*13, 25*	**2 242 857**	689 389
Total receivables		**5 405 173**	2 369 569
Financial instruments	*20*	**-**	37 389
Investment in shares	*27*	**-**	11 158
Cash and cash equivalents	*22*	**1 770 877**	1 946 668
Total current assets		**7 246 432**	4 432 765
TOTAL ASSETS		**17 248 489**	15 488 884

NOK 1 000	*Note*	**2014**	2013
EQUITY AND LIABILTIES			
Equity			
Paid-in equity			
Share capital	*14, 15*	**3 516**	3 516
Share premium reserve	*15*	**1 093 549**	1 093 549
Other paid-in equity	*15*	**87 187**	72 711
Total paid-in equity		**1 184 252**	1 169 775
Retained earnings	*15*	**961 563**	1 868 546
Total equity		**2 145 815**	3 038 322
Liabilities			
Provisions			
Provision for periodic maintenance	*18*	**563 940**	412 737
Deferred tax	*7*	**-**	518 638
Borrowings	*24*	**5 205 593**	5 736 896
Financial lease liability	*24*	**3 227**	6 860
Total long term liabilities		**5 772 760**	6 675 130
Short term liabilities			
Accounts payable	*25*	**4 740 206**	1 973 078
Air traffic settlement liabilities		**2 124 663**	2 028 631
Public duties payable		**31 557**	81 260
Financial instruments	*20*	**458 958**	-
Short term part of borrowings	*24*	**899 473**	768 401
Other short term liabilities	*19*	**1 075 057**	924 063
Total short term liabilities		**9 329 913**	5 775 433
Total liabilities		**15 102 674**	12 450 563
TOTAL EQUITY AND LIABILITIES		**17 248 489**	15 488 884

Fornebu, 25 March 2015

Bjørn H. Kise
(Chair of the board)

Ola Krohn-Fagervoll
(Deputy chair)

Liv Berstad
(Member of the board)

Thor Espen Bråten
(Employee representative)

Kenneth Utsikt
(Employee representative)

Linda Olsen
(Employee representative)

Bjørn Kjos
(Chief executive officer)

CONSOLIDATED CASH FLOW STATEMENT 1.1 – 31.12

NOK 1 000	*Note*	**2014**	2013
Cash flows from operating activities:			
Profit before income tax		**(1 570 156)**	837 130
Taxes paid		**(201 395)**	-
Depreciation, amortisation, write-down	*8, 9*	**222 540**	533 484
(Profit)/loss on investment in associated company	*26*	**(59 019)**	(46 597)
Compensation expense for employee options	*17*	**14 477**	-
Losses/(gains) on disposal of tangible assets	*9*	**-**	(35 359)
Fair value (gains)/losses on financial assets	*20*	**489 476**	(442 362)
Net financial items excluding impairment	*6*	**(5 279)**	569 314
Interests received		**264 712**	90 884
Change in inventories, accounts receivable and accounts payable		**1 282 591**	659 615
Change in air traffic settlement liabilities		**96 032**	288 866
Change in other current assets and current liabilities		**1 321 449**	(257 205)
Net cash flow from operating activities		**1 855 428**	2 197 772
Cash flows from investing activities:			
Prepayments aircraft purchase	*9*	**(1 236 650)**	(1 460 328)
Purchases of tangible assets	*9*	**(328 648)**	(286 012)
Purchases of intangible assets	*8*	**(24 847)**	(42 418)
Payment to subsidiaries	*25*	**(133 158)**	(260 000)
Payment to investment in associated company		**-**	(80 000)
Net cash flow from investing activities		**(1 723 303)**	(2 128 758)
Cash flows from financial activities:			
New long term liabilities	*24*	**1 132 063**	2 309 721
Payment long term liabilities	*24*	**(1 206 379)**	(1 829 731)
Interest on borrowings		**(232 600)**	(295 816)
Net cash flow from financial activities		**(306 915)**	184 174
Net change in cash and cash equivalents		**(174 791)**	253 188
Cash and cash equivalents at 1 January		**1 946 668**	1 694 480
Cash and cash equivalents at 31 December	*22*	**1 770 877**	1 946 668

NOTES TO FINANCIAL STATEMENTS OF THE PARENT COMPANY

NOTE 01: ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

Passenger revenues
Ticket sales are reported as traffic revenue when the air transport has been conducted. The value of tickets sold which are still valid, but not consumed by the reporting date (amounts sold in excess of revenue recognised) is reported as air traffic settlement liability. This liability is reduced either when the company or another airline completes the transportation or when the passenger requests a refund.

Ancillary revenues
Ancillary revenue comprises sales of ticket-related products and services, e.g; excess baggages and fees. Revenue gained from such products and services at the time of transport is recognised in the same manner as passenger revenue. Revenue from other products and services are registered at the time of purchase and immediately recognised in the income statement.

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

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

Customer loyalty program – Norwegian Reward
Customers earn "CashPoints" of the following circumstances;

- Bank Norwegian Customer; 1 per cent of the payment is earned on all purchases. CashPoints are also earned on all 'low fare' and 'full flex' tickets purchased from Norwegian Air Shuttle ASA and which are paid with the 'Bank Norwegian' credit card, with 5 per cent and 20 per cent of the purchase price, respectively, except for tickets for long distance and domestic travel in Norway and Sweden, which earn 2 per cent on low fare tickets and 10 per cent on full flex tickets.
- Norwegian Air Shuttle ASA; My Reward Customer; 2 per cent on all low fare tickets and 10 per cent on all full flex tickets.
- Corporate Reward Customer; 3 per cent on all low fare tickets and 7 per cent on all full flex tickets.
- Customers earn Cashpoints with selected merchants that are in cooperation with Norwegian Reward. Cash points can be earned on purchases in the range of 2-20 per cent.

Customer CashPoints gained from purchased airline tickets are recognised as a liability in the statement of financial position and deducted from the value of the purchase at the date of purchase. The customer Cashpoints liability is derecognised from the statement of financial position and recognised as income when customers utilise their CashPoints.

All other earned customer CashPoints are recognised as a liability in the statement of financial position and immediately expensed. The cash points earned with other merchants are invoiced and recognised as income in the corresponding period. When the customers use their collected CashPoints, the liability is derecognised and cash payment on the group's services is reduced.

CashPoints are valid throughout the year, in which they were earned, plus two years. Unused CashPoints after this period are derecognised from the statement of financial position. The liability is measured at fair value and classified as short term, as available statistics as of 31 December 2013 indicate that customer CashPoints are utilised within one year. Hence, the carrying value of the liability is estimated as the fair value of the liability.

Assets and liabilities denominated in foreign currency
Monetary items denominated in foreign currency are converted using the exchange rates of the reporting date. Income statement items are converted by using the exchange rates prevailing at the time of the transactions. Changes

in exchange rates are recognised in the income statement as they occur during the accounting period.

Foreign currency gains and losses on operating activities are recognised in operating profits. Foreign currency gains and losses on financing activities are recognised in the net financial items.

Intangible assets

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

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

Leasing agreements for tangible assets

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

The lease agreements where most of the risk lies with the contracting party are classified as operating leases. Operating lease payments are recognised 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 recognised separately.

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

Periodic maintenance on tangible assets that are recognised in the statement of financial position is reflected through the assets depreciation plan. For assets which are subject to operational lease, the company's obligation to perform periodic maintenances is recognised as a provision.

Sale-and-lease-back transactions are treated as financial leases and operational leases depending on the nature of the lease. The company has completed no sales and lease backs transactions during 2014 (three in 2013) with regards to the sales of aircraft and leasing back the same asset. All sales and lease backs transactions are defined as operating leases established at fair value and any profit or loss is recognised immediately in the income statement as other income.

Investments 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 the Generally Accepted Accounting Principles. Impairments are reversed when the indication no longer exist.

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

When the accumulated share of a loss exceeds the company’s investment in an associate, the amount carried in the statement of financial position is reduced to zero and further losses are not recognised unless the company has an obligation to cover any such loss.

Financial instruments

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

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

Other receivables classified as fixed assets

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

Inventory

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

Accounts receivable

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

Cash and cash equivalents

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

Pensions

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

Defined benefit plan

The company’s defined benefit pension plans was closed 1 December 2012 and all employees were transferred to the contribution plan. In addition, the company participates in an early retirement plan (AFP), defined as a benefit plan.

The AFP pension plan is a multi-employer defined benefit plan. However, the plan is recognised in the income statement as a defined contribution plan as the plans administrator has not allocated the actuarial gains/losses to the members of the AFP pension plan as of 31 December 2012.

Defined contribution plans

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

Stock options

Stock options are accounted for in accordance with IFRS 2 and the Norwegian Accounting Act § 5 – 9a. Stock options are recognised 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 expenses consist 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 reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities
Deferred income tax liabilities are recognised for all taxable temporary differences. Deferred income tax assets are recognised 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 the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses which can be utilised.

Deferred income tax asset
Deferred income tax assets and deferred income tax liabilities are offset to the extent that the company has a legal and enforceable right to offset the recognised amounts and the deferred tax assets and tax liabilities related to income tax from the same tax authority.

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

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

NOTE 02: FINANCIAL RISK

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

Risk management is carried out by a central treasury department (group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates, and hedges financials. 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 risks
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 risks
A substantial part of the company's income and expenses are denominated in foreign currencies. The company's leases, aircraft borrowings, maintenances, jet-fuel and related expenses are mainly denominated in USD, and airplane operation expenses are partly denominated in EUR. Foreign exchange risks arise from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. In order to reduce currency risks, the company has a mandate to hedge up to 100 per cent of its currency exposure for the following 12 months. The hedging consists of forward currency contracts and flexible forwards. In 2013, the company transferred several aircraft to its subsidiaries, for consideration of lease receivables. The receivable is denominated in USD, and hence the company's USD exposure has been reduced.

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

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

Credit risks
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 utilisation of credit limits is regularly monitored. The company's policy is to maintain credit sales at a minimum level. Sales to private customers are settled in cash or using major credit card companies.

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

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

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

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

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

The company's aircraft fleet consists of leased aircraft (note 10) and owned aircraft (note 9).

NOTE 03: REVENUES

The company is a low-cost airline, using its fleet of Boeing 737 aircraft. Revenues from this business are specified in the table below. Passenger revenue consists of revenue generated from sales of airline tickets, while ancillary revenue consists of other services directly generated from ticket sales. Other revenue consists of sales that are not directly related to an airline ticket, e.g cargo and sales of third party products.

Other income amounts to NOK 188.7 million (2012: NOK 90.8 million) and include gains from sale of assets (note 9).

NOK 1 000	**2014**	2013
By activity:		
Passenger transport	**14 132 196**	12 921 647
Ancillary revenue	**2 266 039**	1 674 408
Other revenues	**829 227**	461 143
Total revenues	**17 227 463**	15 057 198
By geographic market:		
Domestic	**3 812 285**	4 423 060
International	**13 415 177**	10 634 138
Total revenues	**17 227 463**	15 057 198

NOTE 04: OPERATIONAL EXPENSES

NOK 1 000	**2014**	2013
Sales and distribution expenses	**473 261**	339 915
Aviation fuel	**5 239 961**	4 450 358
Aircraft leases	**4 309 944**	1 221 881
Airport charges	**2 546 410**	2 129 383
Handling charges	**1 503 521**	1 261 294
Technical maintenance expenses	**787 976**	840 904
Other operating expenses	**402 856**	524 898
Total	**15 263 929**	10 768 632

Income under other operating expenses in 2014 is related to recharging of costs to other group companies.

Aircraft lease expenses includes wetlease costs.

NOTE 04A: OTHER OPERATING EXPENSES

Other operating expenses amount to NOK 847.4 million (2013: NOK 662.2 million). Other operating expenses are related to the operation of systems, marketing, back office, consultants and other costs not directly attributable to operation of the aircraft fleet and related airline specific costs.

NOTE 05: PAYROLL EXPENSES AND NUMBER OF EMPLOYEES

NOK 1 000	**2014**	2013
Wages and salaries	**1 274 871**	1 261 031
Social security tax	**134 820**	277 104
Pension expenses	**60 002**	24 243
Employee stock options	**14 477**	9 379
Other benefits	**472 927**	677 013
Total	**1 957 096**	2 248 769

In 2014, NOK 14.5 million (2013: NOK 9.4) was charged as an expense to salaries, according to the stock option program (note 17). The company has a pension scheme covering all employees. The scheme is in compliance with the act on occupational pensions (note 16).

	2014	2013
Number of man-labor years	**2 820**	3 278

NOTE 06: OTHER FINANCIAL ITEMS

NOK 1 000	**2014**	2013
Other financial income		
Forreign exchange income and loss	**(37 096)**	(473 013)
Appreciation financial current assets	**17 589**	24 593
Other financial income	**(1 107)**	-
Total Other financial items	**(18 400)**	(448 420)

NOTE 07: TAXES

This year's tax expense consists of:

NOK 1 000	**2014**	2013
Tax payable	**199 421**	6 906
Adjustment from previous year	**(423 943)**	(1 054)
Change in deferred tax	**(439 828)**	196 175
Income tax expense	**(664 351)**	202 027

Reconciliation from nominal to effective tax rate:

NOK 1 000	**2014**	2013
Profit before tax	**(1 570 156)**	837 130
Expected tax expense using nominal tax rate (27% / 28%)	**(423 942)**	234 396
Tax effect of the following items:		
Non deductible expenses/non taxable income	**(12 158)**	(12 253)
Reduced tax rate in Norway to 27%	**-**	(19 062)
Adjustment from previous year	**(224 522)**	(1 054)
Other items	**(3 728)**	-
Tax expense	**(664 351)**	202 027
Effective tax rate	**42.31%**	24.13%

Specification of tax payable

NOK 1 000	**2014**	2013
Tax payable in income tax expense	**-**	(6 906)
Group contribution	**-**	6 906
Tax payable in the balance sheet	**-**	-

Specification of temporary differences and tax loss carry forward:

NOK 1 000	**2014**	2013
Intangible assets		
Tangible assets	**104 973**	(1 701 833)
Long term receivables and borrowings in foreign currency	**-**	-
Financial instruments	**458 958**	(37 389)
Inventories	**45 036**	22 500
Receivables	**13 361**	9 675
Gain/loss account	**(159 604)**	(60 236)
Provisions	**104 188**	157 873
Pensions	**-**	-
Other	**(196 378)**	(311 471)
Tax loss carry forward	**907 740**	-
Total	**1 278 274**	(1 920 881)
Deferred tax asset/liability	**345 134**	(518 638)
Adjustments in respect of prior years	**-**	-
Net recognised deferred tax asset/liability	**345 134**	(518 638)

Gross movements on deferred income tax:

NOK 1 000	**2014**	2013
At 1 january (-) liability/(+) asset	**(518 638)**	(323 517)
Income statement charge	**439 828**	(195 121)
Tax charged directly in equity	**-**	-
Adjustment in respect of prior years	**423 943**	-
31 December	**345 134**	(518 638)

NOTE 08: INTANGIBLE ASSETS

NOK 1 000	Software	Goodwill	Other Intangible Assets	**Total**
Acquisition cost at 1 January 2013	289 245	94 157	31 019	**414 421**
Additions	39 571	-	2 847	**42 418**
Acquisition cost at 31 December 2013	328 816	94 157	33 867	**456 839**
Acquisition cost at 1 January 2014	328 816	94 157	33 867	**456 839**
Additions	31 716	-	-	**31 716**
Disposals	-	-	(6 869)	**(6 869)**
Acquisition cost at 31 December 2014	360 532	94 157	26 998	**481 686**
Accumulated amortisation and write-down at January 1 2013	172 056	25 109	4 591	**201 756**
Amortisation in 2013	54 921	6 277	-	**61 198**
Accumulated amortisation and write-down at 31 December 2013	226 977	31 386	4 591	**262 955**
Accumulated amortisation and write-down at January 1 2014	226 977	31 386	4 591	**262 955**
Amortisation in 2014	50 160	6 277	-	**56 437**
Accumulated amortisation and write-down at 31 December 2014	277 137	37 663	4 591	**319 391**
Book value at 31 December 2013	101 839	62 771	29 275	**193 885**
Book value at 31 December 2014	83 394	56 494	22 406	**162 295**
Economic life	3-5 years	15 years	Indefinite	
Amoritsation plan	Linear	Linear	None	

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

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

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

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

Intangible assets with indefinite economic useful lives are tested for impairment annually. No impairment losses are identified for intangible assets in 2014.

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

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

NOTE 09: TANGIBLE ASSETS

NOK 1 000	Buildings	Aircraft	Prepayment Boeing Contract	Equipment and fixtures	Financial lease	**Total**
Acquisition cost at 1 January 2013	9 525	6 324 768	2 844 359	159 782	34 607	**9 373 041**
Additions	5 441	955 835	1 546 928	36 963	-	**2 545 166**
Transfers	-	1 876 404	(1 876 404)	-	-	**-**
Disposals	-	(8 298 977)	-	(19 015)	-	**(8 317 991)**
Acquisition cost at 31 December 2013	14 966	858 030	2 514 882	177 730	34 607	**3 600 215**
Acquisition cost at 1 January 2014	14 966	858 030	2 514 882	177 730	34 607	**3 600 215**
Additions	239 883	656 070	-	34 231	-	**930 184**
Transfers	-	-	-	-	-	**-**
Disposals	-	(619 975)	(2 514 882)	-	-	**(3 134 857)**
Acquisition cost at 31 December 2014	254 849	894 125	-	211 961	34 607	**1 395 542**
Accumulated depreciation at 1 January 2013	-	745 011	-	101 305	10 046	**856 360**
Depreciation	-	444 505	-	24 466	3 319	**472 290**
Depreciation on disposals	-	(707 839)	-	(18 784)	-	**(726 623)**
Accumulated depreciation at 31 December 2013	-	481 676	-	106 987	13 365	**602 027**
Accumulated depreciation at 1 January 2014	-	481 676	-	106 987	13 365	**602 027**
Depreciation	2 613	133 000	-	28 482	2 008	**166 104**
Depreciation on disposals	-	(18 437)	-	-	-	**(18 437)**
Accumulated depreciation at 31 December 2014	2 613	596 239	-	135 470	15 374	**749 694**
Book value at 31 December 2013	14 966	376 353	2 514 882	70 743	21 242	**2 998 186**
Book value at 31 December 2014	252 236	297 887	-	76 491	19 234	**645 848**

Per 31 December 2014, the company operated a total of 60 aircraft, 20 were leased under operational leases from external lessors, while 40 were leased under internal operating leases. For comparison, the company operated 46 aircraft at 31 December 2013, 29 were leased under operational leases from internal group companies and 17 were leased under operational leases from external lessors.

Aircraft
Aircraft consist of purchased aircraft. The company owns 5 aircraft per 31 December 2014 (2013: 5 aircraft) and the total residual value for these aircraft was NOK 79.4 million (2013: NOK 79.4 million). The residual value is deducted from the depreciable amount of the remainder of the aircraft. The life expectancy is 25 years on all the 737 aircraft, and the economic life of the owned aircraft is 25 years less the age of the aircraft at time of purchase.

Installations on leased aircraft
The installations on the leased aircraft include cabin interior modifications and other improvements to the aircraft after lease commencement. The capitalised value is depreciated over the remainder of the aircraft leases, which is between 1-10 years. Linear depreciation is applied and residual value is NOK 0. In 2014 and 2013 several engines of the leased aircraft were in overhaul, and replacements costs for life limited parts were capitalised to the extent that the costs are improvements to the engines which exceed the requirements specified in the leasing contracts. These components are depreciated at a defined rate per engine cycle, limited to the remainder of the aircraft lease.

Spare parts
Spare parts consist of rotable parts for aircraft, and are depreciated over their useful life. The useful life of spare parts ranges between 5 to 8 years. Linear depreciation is applied and 25 per cent of the acquisition cost is calculated as residual value.

Buildings
Buildings consist of 3 apartments in Berlin, purchased in 2007 for the purpose of housing crew and trainees stationed in Berlin on a temporary basis. In 2010, the group purchased an apartment in Seattle, and in 2013 purchased and apartment in Florida, for the purpose of housing personnel stationed in the United States in respect of the delivery of new 737-800 aircraft and opening new destinations. In 2014, a new hangar at Gardemoen airport was constructed. The apartments are carried at acquisition cost. The residual value is estimated to equal the acquisition cost. The hangar is estimated to have a useful life of 50 years, and is depreciated linear over useful economic life. Residual value is NOK 0.

Prepayments to aircraft manufacturers
In 2007, the company entered a purchase contract of 42 new 737-800 aircraft with Boeing Commercial Airplanes, with an option of purchasing 42 additional aircraft. The contract was extended in June 2011 for an additional 15 Boeing 737-800. In 2011, the company entered a purchase contract with Icelandair for the right to acquire 3 Boeing 787-8 Dreamliner aircraft, which Icelandair had on order with Boeing Commercial Airplanes. In January 2012, the company entered additional purchase contracts with Boeing Commercial airplanes and Airbus S.A.S comprising a total of 372 aircraft, whereof 222 were firm orders.

At 1 December 2014, the company transferred the purchase rights, including the prepayments to aircraft manufacturers to its subsidiary Arctic Aviation Assets Ltd in Ireland. The prepayments are transferred at book value, as the contracts and prepayments do not have stand alone market value.

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

Impairment of tangible assets
In 2014 and 2013, management determined that the total operations of the company were its cash generating unit. Impairment testing of tangible assets are covered by impairment testing on the whole company, see note 8 for details.

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

NOTE 10: LEASING

The lease agreements on the Boeing 737 aircraft last between 3 and 10 years from the date of agreement, with some extension options. The lease agreements on the Boeing 787 aircraft last for 12 years with an option of extension. From 2002 to 2012, 59 aircraft were delivered. In 2013, 7 aircraft were delivered and 3 aircraft were delivered in 2014, including sale leaseback. Renegotiations have resulted in the extension of some of the shorter leases. In 2014 three (2013: 0) aircraft were redelivered to the lessor. Contracts for one of the aircraft will expire in 2015, and the remaining contracts expire in 2016 or later.

Leasing costs expensed on aircraft lease within operational expenses was NOK 1 676.2 million in 2014 (2013: NOK 1 064.6 million). Included in leasing costs are operating lease costs on aircraft from sale-and-lease-back transactions.

In addition, the company leases 11 (2013: 12) cars and 35 (2013: 11) properties in Oslo, Stavanger, Stockholm, Copenhagen Alicante, Barcelona, Bergen, Helsinki, Las Palmas, London, Madrid, Malaga, Malmø, Sandefjord, Tenerife, Tromsø and Trondheim. Leasing costs related to cars and properties expensed in other operating expenses in 2014 was NOK 56.2 million (2013: NOK 47.7 million).

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

	Nominal value 2014				Nominal value 2013			
NOK 1 000	Aircraft	Cars	Property	**Total**	Aircraft	Cars	Property	**Total**
Within one year	1 346 953	3 776	49 061	**1 399 790**	1 657 144	3 943	56 594	**1 717 680**
Between 1 and 5 years	7 644 752	3 707	86 187	**7 734 646**	5 741 353	7 476	89 323	**5 838 152**
After 5 years	7 701 146	-	26 736	**7 727 882**	5 821 380	-	16 308	**5 837 688**

The aircraft's minimum lease payments consist of ordinary lease payments, contractual payments for maintenance reserves and expensed deferred lease payments resulting from non- interest bearing deposits paid at inception of the lease agreement. Aircraft leases committed through letter of intent are not included in the table above. Only aircraft leases for aircraft operated by the company is included above. 29 of the leases are leased from internal group companies. For the company's leasing commitments on behalf of other group companies, see note 29.

NOTE 11: LONG-TERM RECEIVABLES

NOK 1 000	**2014**	2013
Deposits	**285 847**	169 016
Intercompany longterm receivables	**-**	-
Other long-term receivables	**35 985**	30 021
Total	**321 833**	199 036

The company pays deposits on aircraft leases. Inter-company receivables are presented net against inter-company payables in the financial statements for each subsidiary. Receivables denominated in foreign currency are converted using the prevailing exchange rates on the reporting date.

NOTE 12: INVENTORIES

NOK 1 000	**2014**	2013
Consumables	**57 185**	54 784
Parts for heavy maintenance	**13 198**	13 198
Total	**70 383**	67 982

In 2014 and 2013 the group removed stock parts from aircraft engines in relation to heavy maintenances. These parts are held for sale and sold in secondary markets. Charges for obsolete parts in 2014 were NOK 28.7 million (2013: NOK 27.6 million).

NOTE 13: OTHER RECEIVABLES

NOK 1 000	**2014**	2013
Prepaid costs	**259 810**	142 386
VAT refund	**92 895**	66 557
Reimbursements claims maintenance costs	**265 175**	272 908
Intercompany receivable	**1 455 909**	104 122
Other receivables	**169 068**	103 417
Total	**2 242 857**	689 389

NOTE 14: SHAREHOLDER'S EQUITY AND SHAREHOLDER INFORMATION

At 31 December 2014, the share capital consists of the following share classes;

NOK 1 000	Number of Shares	Nominal Value	Book Value
Class A shares	35 162 139	0.1	3 516

Shareholder structure

The largest shareholders at 31 December 2014 were;

	A-Shares	Ownership	Voting rights
HBK Invest AS	8 795 873	25.02%	25.02%
Folketrygdfondet	2 441 393	6.94%	6.94%
Skagen Vekst	1 551 707	4.41%	4.41%
VerdipapirfondetDNB Norge (IV)	1 444 419	4.11%	4.11%
Skagen Kon-Tiki	1 048 248	2.98%	2.98%
Danske Invest Norske	888 707	2.53%	2.53%
Clearstream Banking	797 842	2.27%	2.27%
DNB NOR Markets, aksjehandel	795 300	2.26%	2.26%
Morgan Stanley & Co. International	637 850	1.81%	1.81%
Credit Suisse Securities	597 985	1.70%	1.70%
Verdipapirfondet DNB Norge selektiv	582 654	1.66%	1.66%
KLP Aksje Norge VPF	523 395	1.49%	1.49%
Statoil Pensjon	510 198	1.45%	1.45%
Danske Invest Norske Aksjer Inst	509 297	1.45%	1.45%
BNP Paribas S.A	505 000	1.44%	1.44%
JP Morgan Chase Bank N.A London	492 874	1.40%	1.40%
JP Morgan Chase Bank N.A	423 275	1.20%	1.20%
Deutsche Bank AG	352 722	1.00%	1.00%
Odin Norge	321 805	0.92%	0.92%
Kommunal Landspensjonskasse	319 816	0.91%	0.91%
Storebrand Norge I	304 117	0.86%	0.86%
Verdipapirfondet Handelsbanken	300 000	0.85%	0.85%
Protector Forsikring ASA	220 500	0.63%	0.63%
The Bank Of New York Mellom SA/NV	210 767	0.60%	0.60%
Other	13 918 966	39.59%	39.59%
Total number of shares	35 162 139	100%	100%

The shareholding of HBK Invest at 31 December 2014 reflects the actual shareholding and may deviate from the official shareholder register as HBK Invest has signed a securities lending agreement with Nordea and Danske Bank. Under this agreement these institutions may borrow shares from HBK Invest for a limited period of time to improve the liquidity in the share trading, for example by fulfilling their market maker obligations.

Shares directly or indirectly held by members of the boards of directors, chief executive officer and executive management;

Name	Title	Shares[1]
Bjørn Kise[2]	Chair	721 262
Ola Krohn-Fagervoll	Deputy chair	62
Liv Berstad	Board member	-
Marianne Wergeland Jenssen	Board member	800
Linda Olsen	Board member - employee representative	-
Thor Espen Bråten	Board member - employee representative	657
Kenneth Utsikt	Board member - employee representative	378
Bjørn Kjos[3]	Chief executive officer	7 440 232
Frode E Foss	Chief financial officer	35 000
Asgeir Nyseth	Chief operating officer	12 342
Geir Steiro	Chief operating officer	-
Anne-Sissel Skånvik	Senior vice president corporate communications	-
Gunnar Martinsen	Senior vice president HR and organisation	9 404
Thomas Ramdahl	Chief commercial officer	-
Frode Berg	Chief legal officer	-
Dag Skage (from 1 November 2014)	Chief information officer	-

1) Including shares held by related parties
2) Bjørn Kise holds 8.2 per cent of HBK invest AS
3) Bjørn Kjos holds 84.1 per cent of HBK Invest AS

Options directly or indirectly held by chief executive officer and executive management:

Name	Title	2013	Issued 2014	Outstanding 2014
Bjørn Kjos	Chief executive officer	100 000	-	100 000
Frode E Foss	Chief financial officer	100 000	-	100 000
Geir Steiro	Chief operating officer	10 000	-	10 000
Asgeir Nyseth	Chief operating officer	100 000	-	100 000
Frode Berg	Chief legal officer	20 000	-	20 000
Anne-Sissel Skånvik	Senior vice president corporate communications	50 000	-	50 000
Gunnar Martinsen	Senior vice president HR and organisation	50 000	-	50 000
Thomas Ramdahl	Chief commercial officer	15 000	-	15 000
Dag Skage	Chief IT officer	-	-	-

NOTE 15: EQUITY

NOK 1 000	Share capital	Share premium reserve	Other paid-in equity	Other equity	Total equity
Equity at 1 January 2013	3 516	1 093 549	63 331	1 231 996	2 392 392
Equity change on employee options	-	-	9 379	-	9 379
Net profit for the year	-	-	-	635 103	635 103
Other changes	-	-	-	1 447	1 447
Equity 31 December 2013	3 516	1 093 549	72 711	1 868 546	3 038 322
Equity at 1 January 2014	3 516	1 093 549	72 711	1 868 546	3 038 322
Equity change on employee options	-	-	14 477	-	14 477
Group contribution	-	-	-	-	-
Net profit for the year	-	-	-	(905 805)	(905 805)
Other changes	-	-	-	(1 178)	(1 178)
Equity 31 December 2014	3 516	1 093 549	87 187	961 563	2 145 815

NOTE 16: PENSIONS

The company operates defined contribution plans. The majority of the employees participated in a defined benefit plan that was closed 1 December 2012. All employees were transferred to the defined contribution plan. Pension plans are placed with DNB Liv.

Defined contribution plan

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

Defined contribution plans comply with Norwegian Pension legislation.

Pension expenses on defined contribution plans were NOK 60.0 million in 2014 (2013: NOK 24.2 million). The decrease in expenses in 2013 relates to a reversal of estimates for provisions related to the pension liability, in addition to transfer of pilot employee contracts to Norwegian Air Norway AS

In addition, employees are included in the early retirement scheme (AFP), with the right to retire at the age of 62. The AFP is a multi-employer plan, where the Norwegian government finances 1/3 of the contribution plans. The AFP pension plan is a defined benefit plan administered by a separate legal entity (Fellesordningen). The plan is temporarily accounted for as a defined contribution plan, as the plans administrators have not been able to calculate the pension obligation for each entity participating in the plan.

The scheme is in compliance with the Occupational Pensions Act.

NOTE 17: OPTIONS

In 2013, the board issued 625 000 share options to employees. The share options have an exercise price of NOK 231.2, equal to 10 per cent above weighted average share price on 20 March 2013. The share options may be exercised two years after the grant, with an exercise window of six months.

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

The following estimates were used in calculating fair value for options granted in 2013;

	2014
Dividend (%)	0%
Expected volatility (%)	45.00%
Risk free interest (%)	1.33%
Expected lifetime (year)	2.50
Share price at grant date	216.40

There were no option grants in 2014.

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

The option program is expensed with NOK 14.5 million in 2014 (NOK 9.4 in 2013).

	2014 shares	Weighted avg. exerc. price	2013 shares	Weighted avg. exerc. price
Outstanding at the beginning of the period	**625 000**	**231.2**	-	0.0
Allocated	-	-	625 000	231.2
Exercised	-	-	-	0.0
Outstanding at the end of the period	**625 000**	**231.2**	625 000	231.2
Vested options	-	**0.0**	-	0.0
Weighted average fair value of options allocated in the period	-		-	

2014	Outstanding options			Vested options	
Strike price (NOK)	Out-standing options	Weighted average remain-ing lifetime (years)	Weighted average exercise price	Vested options	Weighted average ex-ercise price
231.2	625 000	0.5	231.2	-	-

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

The fair value of the bonus shares are measured at the grant date using the Black & Scholes option-pricing model. The fair value of the bonus shares and the corresponding estimated social security cost are expensed as personnel costs over the vesting period. Changes in estimated social security costs are expensed over the remaining vesting period. At 31 December 2014, NOK 2.9 million (2013: NOK 2.2 million) was expensed.

NOTE 18: PROVISIONS

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

At 31 December 2014 the company had NOK 647.7 million (2013: NOK 412.7 million) in provision for maintenance reserves. Parts of the periodic maintenances will be conducted in 2015, and NOK 83.8 million (2013: NOK 54.9 million) is classified as short term liability for periodic maintenances. The short term part of periodic maintenance is estimated based on planned maintenances in 2015.

NOTE 19: OTHER SHORT-TERM LIABILITIES

NOK 1 000	2014	2013
Accrued holiday allowances	**63 448**	123 086
Accrued expenses	**544 003**	651 409
Short term part of periodic maintenance (note 18)	**83 756**	54 869
Inter-company liabilities	**87 860**	21 297
Other short term liabilities	**295 990**	73 401
Total	**1 075 057**	924 063

NOTE 20: FINANCIAL INSTRUMENTS

	Assets		Liabilities	
NOK 1 000	Short term	Long term	Short term	Long term
31 December 2014				
Foreign exchange hedges fair value	-	-	354	-
Jet-fuel contracts	-	-	458 604	-
Total financial instruments	-	-	458 958	-

	Assets		Liabilities	
NOK 1 000	Short term	Long term	Short term	Long term
31 December 2013				
Foreign exchange hedges fair value	37 389	-	-	-
Total financial instruments	37 389	-	-	-

Other losses/(gains) – net

NOK 1 000	2014	2013
Net losses/(gains) on financial assets at fair value through profit or loss	**489 476**	(442 362)
- Foreign exchange (gains)/losses on operating activities	**69 488**	(73 332)
Net losses/(gains)	**558 964**	(515 694)

NOTE 21: ASSETS PLEDGED AS COLLATERAL AND GUARANTEES

NOK 1 000	**2014**	2013
Liabilities secured by pledge		
Aircraft financing	**5 491 441**	5 689 747
Loan Facility	**-**	70 978
Facility agreement	**-**	147 086
Financial lease liability	**7 809**	10 475
Total	**5 499 249**	5 918 285

During 2013, the company transferred several of its owned aircraft to its fully owned asset company. Norwegian Air Shuttle ASA carries the financial obligation towards external financing institutions, with security in the aircraft transferred. For information regarding the intercompany transfer of aircraft, see note 29.

There is no pledged collateral for the financial lease liability, but the financial lease asset is an actual security for the financial lease liability through fulfilment of the lease agreement. For references to pledged asset, see note 9 and for borrowings related to those asset, see note 24.

Book value of assets pledged as security and guarantee:

NOK 1 000	**2014**	2013
Prepayment and aircraft*	**-**	2 891 236
Financial lease asset	**19 234**	21 242
Total	**19 234**	2 912 477

**) In 2014, Aircraft owned by subsidiary Group Arctic Aviation Assets Ltd are pledged as collateral for aircraft financing.*

NOTE 22: BANK DEPOSITS

NOK 1 000	**2014**	2013
Cash in bank	**1 546 303**	1 111 492
Cash equivalents	**224 574**	835 176
Total	**1 770 877**	1 946 668
Restricted cash items are:		
Guarantees for leases and credits from suppliers	**220 423**	220 423
Taxes withheld	**24 414**	39 974
Total restricted cash	**244 837**	260 397

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

NOTE 23: REMUNERATION OF THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

Remuneration of the board of directors
Total remuneration paid to the board in 2014 was NOK 1.5 million (2013: NOK 1.5 million). The chair of the board, Bjørn Kise, received NOK 0.5 million. (2013: NOK 0.5 million) There were no bonuses or other forms of compensation paid to the board members in 2014.

Directive of remuneration of the CEO and the executive management
The principles of leadership remuneration in Norwegian Air Shuttle ASA are to stimulate a strong and lasting profit oriented culture. The total compensation level should be competitive, however, not market leading compared to similar organisations. The board determines the remuneration of the CEO, and the guidelines for remuneration of the executive management. The remuneration of the board and the executive management must not have negative effects on the group, nor damage the reputation and standing of the group in the public eye. There have been no changes to the guidelines or principles of management remuneration during the year. The actual remuneration in 2014 was consistent with the guidelines and principles.

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

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

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

Total compensation 2014:

NOK 1 000	Fee	Salary	Bonus	Other benefits[2]	Total Compensation	Pension expense[3]
The board of directors						
Bjørn Kise (chair)	500	-	-	-	500	-
Ola Krohn-Fagervoll (deputy chair)	300	-	-	-	300	-
Liv Berstad	275	-	-	-	275	-
Marianne Wergeland Jenssen (board member until May 2014)	275	-	-	-	275	-
Thor Espen Bråthen[1]	50	-	-	-	50	-
Kenneth Utsikt[1]	50	-	-	-	50	-
Linda Olsen[1]	50	-	-	-	50	-
Benedicte Elisabeth Schillbred Fasmer (board member from May 2014)	-	-	-	-	-	-
Total board of directors	1 500	-	-	-	1 500	-
Executive management						
Bjørn Kjos (chief executive officer)[4]	-	2 918	-	169	3 087	80
Frode Foss (chief financial officer)	-	2 116	-	175	2 291	76
Asgeir Nyseth (chief operating officer, Long Haul)[5]	-	3 455	-	160	3 615	81
Gunnar Martinsen (senior vice president HR and organisation)	-	1 450	-	171	1 621	67
Anne-Sissel Skånvik (senior vice president corporate communications)	-	1 456	-	155	1 611	96
Per-Ivar Gjørvad (chief IT officer, until 13 October)	-	941	-	140	1 081	81
Frode Berg (chief legal officer)	-	1 621	-	160	1 781	78
Geir Steiro (chief operating officer)	-	1 835	-	168	2 003	141
Thomas Ramdahl (chief commercial officer)	-	1 372	-	120	1 492	75
Dag Skage (chief information officer, started on 13 October)	-	309	-	37	346	-
Total executive management	-	17 473	-	1 455	18 928	775

1) For the employee representatives in the board of directors, only their fee for serving on the board of directors fee is stated.
2) Other benefits include company car, telephone, internet etc.
3) Pension expense reflects paid pension premium less employee contribution.
4) Including delayed payment of previous years salary adjustment.
5) Including compensation for expatriation.

No share options were excercised by the management in 2014.

Total compensation 2013:

NOK 1 000	Fee	Salary	Bonus	Other benefits[2]	Total compensation	Pension expense[3]
The board of directors						
Bjørn Kise (chair)	500	-	-	-	500	-
Ola Krohn-Fagervoll (deputy chair from 5/11/2010)	300	-	-	-	300	-
Liv Berstad	275	-	-	-	275	-
Marianne Wergeland Jenssen	275	-	-	-	275	-
Thor Espen Bråthen[1]	50	-	-	-	50	-
Jeanette Vannebo[1]	50	-	-	-	50	-
Linda Olsen[1]	50	-	-	-	50	-
Total board of directors	1 500	-	-	-	1 500	-
Executive management						
Bjørn Kjos (Chief executive officer)	-	1 448	-	170	1 618	67
Frode Foss (Chief financial officer)	-	1 848	-	159	2 007	84
Geir Steiro (Chief operating officer, started on 1 November 2013)	-	226	-	26	252	-
Asgeir Nyseth (Chief operating officer)	-	1 751	-	154	1 905	91
Gunnar Martinsen (Senior vice president HR and organisation)	-	1 268	-	164	1 432	77
Anne-Sissel Skånvik (Senior vice president corporate communications)	-	1 270	-	154	1 424	103
Per-Ivar Gjørvad (Chief IT officer)	-	1 065	-	161	1 226	84
Frode Berg (Chief legal officer, started on 11 February)	-	1 067	-	139	1 206	67
Total executive management	-	9 943	-	1 127	11 070	573

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

No share options were excercised by the management in 2013.

The tables above are presented excluding employers contribution. Shares and options held by the executive management are presented in note 15. There are no outstanding loans or guarantees made to the board of directors or the executive management.

Auditor's remuneration

	2014	2013	
NOK 1 000	**Deloitte**	Deloitte	PwC
Audit fee	**890**	400	660
Other audit related services	**226**		78
Tax advisory	**46**		34
Other services	**2 520**	640	85
Total	**3 683**	1 040	857

All amounts stated exclude VAT. The General Assembly elected Deloitte as new auditor at the General Assembly meeting in 2013, effective June 21 2013.

NOTE 24: BORROWINGS

Nominal value at 31 December 2014

NOK 1 000	Nominal value	Unamortised transaction cost	Book value	Effective interest rate
Bond issue	835 500	(4 684)	830 816	6.4%
Aircraft financing	5 465 745	(199 304)	5 266 441	2.9%
Financial lease liability	7 809	-	7 809	4.4%
Total	6 309 054	(203 988)	6 105 066	

Nominal value at 31 December 2013

NOK 1 000	Nominal value	Unamortised transaction cost	Book value	Effective interest rate
Bond issue	600 000	(6 129)	593 871	6.9%
Facility agreement	148 673	(1 587)	147 086	8.6%
Aircraft financing	6 012 987	(323 240)	5 689 747	3.3%
Loan facility	70 978	-	70 978	3.5%
Financial lease liability	10 475	-	10 475	4.9%
Total	6 843 113	(330 956)	6 512 156	

Classification of borrowings

NOK 1 000	**2014**	2013
Non-current		
Bond issue	**543 316**	593 871
Aircraft financing	**4 658 084**	5 143 039
Financial lease liability	**3 227**	6 845
Total	**5 204 627**	5 743 755
Current		
Bond issue	**287 500**	-
Facility agreement	**-**	147 086
Aircraft financing	**608 357**	546 708
Loan facility	**-**	70 978
Financial lease liability	**4 582**	3 629
Total	**900 439**	768 401
Total borrowings	**6 105 066**	6 512 156

Collateralised borrowings are detailed in note 21.

Bond issues
Minimum Equity of 1 500 million
Dividend payments less than 35 per cent of net profit
Minimum liquidity of NOK 500 million

Revolving credit facilities
There are no financial covenants on revolving credit facilities.

Aircraft financing
No financial covenants. All borrowings related to delivery of new 737-800 aircraft from Boeing are guaranteed by the Ex-Im Bank of the United States. The Ex-Im Bank of the United States has pledged security in the owned aircraft delivered under the Boeing contract.
There are no financial covenants related to the financial lease liabilities.
The group has not been in breach of any covenants during 2014.

Maturity of borrowings

NOK 1 000	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2014				
Borrowings	895 851	1 764 703	1 825 054	1 815 637
Financial lease liability	2 756	5 053	-	-
Total liabilities	898 607	1 769 755	1 825 054	1 815 637

NOK 1 000	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2013				
Borrowings	764 722	1 222 261	1 753 446	3 090 608
Financial lease liability	3 629	2 756	5 053	-
Total liabilities	768 351	1 225 017	1 758 499	3 090 608

NOTE 25: SUBSIDIARIES AND RELATED PARTIES

Norwegian Air Shuttle Sweden AB
The subsidiary was purchased on 31 July 2007 and the group controls 100 per cent of the shares in Norwegian Air Shuttle Sweden AB. The total purchase price was NOK 199.8 million. The company is based at Arlanda Airport, Stockholm, Sweden. The Swedish subsidiary supplies the crew and provides technical services. Transactions between the parent company and the Swedish subsidiary during 2014 consisted of the supply of personnel. On 1 July 2009, the entire airline operation in Norwegian Air Shuttle Sweden AB was transferred to Norwegian Air Shuttle ASA through the purchase of assets.

Call Norwegian AS
On 14 January 2008 the group established Call Norwegian AS, and the group controls 100 per cent of the shares. The company had no activity in 2014.

Norwegian Holiday AS
On 15 July 2008 the group established NAS Asset Management Norway AS, a special purpose vehicle (SPV), and in 2013 the company changed name to Norwegian Holidays AS. The company's purpose is to provide holiday packages to end customers. The group controls 100 per cent of the shares.

Norwegian Long Haul AS
On 1 January 2012, the group established Norwegian Long Haul AS, and controls 100 per cent of the shares. The company is incorporated in Norway and was established for the purpose of operating the group's long haul destinations with Boeing 787-8 Dreamliner aircraft. In 2013 and during 2014, the group's long haul business was transferred to the group's subsidiary in Ireland.

Arctic Aviation Assets Ltd
Arctic Aviation Assets Ltd, incorporated in Ireland, was established on 9 August 2013, with the purpose of administering the group's aircraft assets. The group controls 100 per cent of the shares. The company owns 100 per cent of the shares in the owner- and leasing companies designated for the group's aircraft assets.

Norwegian Air International Ltd
On 3 April 2013 Norwegian Air International Ltd, which is incorporated in Ireland, was established with the purpose of operating the group's long haul activities. The group controls 100 per cent of the shares.

Norwegian Assets Ltd
On 16 December 2013 Norwegian Asset Ltd, which is incorporated in Ireland, was established with the purpose of operating the group's long haul activities. The group controls 100 per cent of the shares.

Norwegian Air Norway AS
On 28 May 2013 Norwegian Air Norway AS, which is incorporated in Norway, was established. The company's purpose is to operate parts of the group's flight operations as wet lease provider.

Norwegian Cargo AS
On 16 April 2013 Norwegian Cargo AS, which is incorporated in Norway, was established. The group controls 100 per cent of the shares. The company is established with the purpose of commercially administer the group's Cargo activities.

Norwegian Air Resources Holding Ltd
On 20 September 2013 Norwegian Air Resources Holding Ltd, which is incorporated in Ireland, was established. The company operates as holding company for the group's resource subsidiaries, providing operating personnel to the group's airline activities.

Norwegian Brand Ltd
On 9 December 2013 Norwegian Brand Ltd, which is incorporated in Ireland, was established. The company will maintain the group's overall brand and IP management activities.

AB Norwegian Air Resources Finland Ltd
On 14 June 2011, Ab Norwegian Air Shuttle Finland Ltd, which is incorporated in Finland, was established. In 2013 the company changed name to Norwegian Air Resources Finland AB. The company hires and employs crew in the group's resource structure.

Norwegian Air Resources Technical AB
On 7 February 2013, Norwegian Air Resources International AB which is incorporated in Sweden was established. The company changed name in 2014 to Norwegian Air Resources Technical AB. The company had no activity in 2014.

Norwegian Air Resources Sweden AB
On 28 August 2013, Norwegian Air Resources Sweden AB which is incorporated in Sweden, was established. The company has had no activity in 2014.

Norwegian Air Resources Spain S.L
On 6 October 2014, Norwegian Air Resources Spain S.L, which is incorporated in Spain, was established with the intention of hiring and employing crew for the airline activities in the group.

Norwegian Resources Denmark Aps
On 5 September 2013, Norwegian Resources Denmark Aps, which is incorporated in Denmark, was established. The company has had no activity in 2014.

Cabin Services Norge AS
On 27 January 2014, Cabin Services Norge AS, incorporated in Norway, was established, and in March 2014, crew based in Norway and employed in Norwegian Air Shuttle ASA was transferred to the company.

Cabin Services Denmark Aps
On 20 February 2014, Cabin Services Denmark Aps, incorporated in Denmark, was established, and in March 2014, crew based in Denmark and employed in Norwegian Air Shuttle ASA was transferred to the company.

Name	Date of establishment	Office	Number of shares	Ownership
Norwegian Air Shuttle Sweden AB	07/31/2007	Stockholm, Sweden	20 000	100%
Call Norwegian AS	01/14/2008	Fornebu, Norway	1 000 000	100%
Norwegian Holiday AS	08/04/2008	Fornebu, Norway	100	100%
Norwegian Long Haul AS	01/01/2012	Fornebu, Norway	20 000	100%
Norwegian Long Haul Singapore Ltd	11/29/2012	Singapore	10 000	100%
Norwegian Air Norway AS	05/28/2013	Fornebu, Norway	155	100%
Norwegian Cargo AS	04/16/2013	Fornebu, Norway	100 000	100%
Norwegian Brand Limited	12/09/2013	Dublin, Ireland	151 711 820	100%
Arctic Aviation Assets Limited	08/09/2013	Dublin, Ireland	479 603 659	100%
Oslofjorden Limited	08/22/2013	Dublin, Ireland	1	100%
Drammensfjorden Leasing Limited	09/24/2013	Dublin, Ireland	1	100%
Geirangerfjorden Limited	11/26/2013	Dublin, Ireland	1	100%
Boknafjorden Limited	03/14/2014	Dublin, Ireland	1	100%
DY1 Aviation Ireland Limited	11/26/2013	Dublin, Ireland	1	100%
DY2 Aviation Ireland Limited	11/26/2013	Dublin, Ireland	1	100%
DY3 Aviation Ireland Limited	11/26/2013	Dublin, Ireland	1	100%
DY4 Aviation Ireland Limited	11/26/2013	Dublin, Ireland	1	100%
DY5 Aviation Ireland Limited	11/26/2013	Dublin, Ireland	1	100%
DY6 Aviation Ireland Limited	11/26/2013	Dublin, Ireland	1	100%
DY7 Aviation Ireland Limited	08/02/2013	Dublin, Ireland	1	100%
DY9 Aviation Ireland Limited	11/27/2014	Dublin, Ireland	1	100%
Norwegian Air International Limited	04/03/2013	Dublin, Ireland	131 449 937	100%
Norwegian Assets Limited	12/16/2013	Dublin, Ireland	88 979 177	100%
Norwegian Air Resources Holding Limited	09/20/2013	Dublin, Ireland	1	100%
Norwegian Air Resources Sweden AB	08/28/2013	Stockholm, Arlanda	50 000	100%
Norwegian Resources Denmark Aps	09/05/2013	Hellerup, Danmark	80 000	100%
Norwegian Air Resources Technical AB	02/07/2014	Stockholm, Arlanda	50 000	100%
Norwegian Air Resources Spain S.L	10/06/2014	Madrid, Spain	1	100%
AB Norwegian Air Resources Finland Ltd	06/14/2011	Helsinki, Finland	200	100%
Cabin Services Norge AS	01/27/2014	Fornebu, Norway	30	100%
Cabin Services Denmark Aps	02/20/2014	Hellerup, Danmark	50	100%

Transactions with subsidiaries

Intercompany balances 31 december 2014	Short term	Long term
Receivables	2 033 954	5 579 450
Payables	(3 338 474)	(87 860)

Intercompany balances 31 december 2013	Short term	Long term
Receivables	807 986	5 990 471
Payables	(1 276 944)	-

Transactions with related parties

The chief executive officer is the principal shareholder in Norwegian Air Shuttle ASA with an ownership share of 25.02 per cent through the controlling ownership of HBK Invest AS. The chair of the board owns a minority of shares in HBK Invest AS. There have been no financial transactions between HBK Invest AS and Norwegian Air Shuttle ASA in 2014 or 2013, except for indirect transactions through Fornebu Næringseiendom.

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

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

Norwegian Air Shuttle ASA has received commissions from the associated company Norwegian Finans Holding ASA (Bank Norwegian) in 2014 and 2013. The commissions relate to sales made by the parent company's customers by using the 'Bank Norwegian' credit cards. The total commission is enclosed in the table below. Receivables and payables to related parties are included below.

No loans or guarantees have been issued to related parties in 2014 or 2013.

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

The following transactions were carried out with related parties:

NOK 1 000	2014	2013
Sales (-) and purchases (+) of goods and services (excl VAT)		
- Simonsen Vogt Wiig (legal services)	11 920	8 436
- Associate (commission and licence fee)	90 904	(67 202)
- Associate (interests on subordinated loan)	(4 137)	(3 491)
- Fornebu Næringseiendom (property rent)	13 454	13 319
Year-end balances arising from sales/purchases of goods/ services (incl VAT)		
Receivables from related parties (note 13)		
- Associate (commission)	10 000	10 000
Payables from related parties (note 21)		
- Simonsen Vogt Wiig (legal services)	74	1 436
- Fornebu Næringseiendom (property rent)	4 184	4 082
Investment in related parties		
- Associate (subordinated loan)	80 000	80 000

NOTE 26: INVESTMENT IN ASSOCIATED COMPANIES

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

Entity	Country	Industry	Ownership interest	Carrying amount 31.12.2013	Net profit/(loss) 2014	Share issue 2014	Carrying amount 31.12.2014
Norwegian Finans Holding ASA	Norway	Financial institution	20%	164 575	57 631	1 389	223 594

Entity	Country	Industry	Ownership interest	Carrying amount 31.12.2012	Net profit/(loss) 2013	Share issue 2013	Carrying amount 31.12.2013
Norwegian Finans Holding ASA	Norway	Financial institution	20%	116 050	46 597	1 926	164 575

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

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

2014 *NOK 1 000*

Entity	Country	Assets	Liabilities	Revenues	Profit/(Loss)	Interest held
Norwegian Finans Holding ASA	Norway	2 684 996	2 456 625	207 764	57 631	20%

2013 *NOK 1 000*

Entity	Country	Assets	Liabilities	Revenues	Profit/(Loss)	Interest held
Norwegian Finans Holding ASA	Norway	1 667 696	1 511 345	139 748	46 597	20%

NOTE 27: INVESTMENTS IN SHARES

	2014		2013	
NOK 1 000	**Market value**	**Book value**	Market value	Book value
Company				
Bank Norwegian (bonds registered at Oslo Stock exchange)	**80 000**	**80 000**	80 000	80 000
Silver Pensjonsforsikring AS	**2 689**	**2 689**	2 689	2 689
Forth Moment Fund	**-**	**-**	11 158	11 158

Available-for-sale financial assets at 31 December 2014 consist of an investment in unlisted equity instrument in Silver Pensjonsforsikring and an investment in a listed bond issue in Bank Norwegian. The investment in Forth Moment Fund managed by Warren Capital AS, was sold in 2014. The fair value of available for sale financial assets is NOK 82.7 million (2013: NOK 93.8 million).

The fair value of the equity investment in Silver Pensjonsforsikring is estimated by calculating fair value per share from Holberg Fondsforvaltning AS multiplied by the number of shares held in the investment. Holberg Fondsforvaltning AS is a professional investment manager situated in Norway. The fair value of the shares is considered to be the best estimate of the market value of the investment. The investment is denominated in NOK.

NOTE 28: CONTINGENCIES AND LEGAL CLAIMS

As described in note 28 in the annual report for 2012, Norwegian was in a legal dispute with the Norwegian Pilot Union at 31 December 2012. This dispute was settled during the fourth quarter 2013, resulting in a liability for the company to issue a defined benefit pension plan according to the Collective Agreement with the Norwegian Pilot Union. See note 18 for details on pensions.

NOTE 29: COMMITMENTS

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

Between 2008 and 2011 the company extended its aircraft order and exercised purchase rights with additional 36 aircraft, to the total order of Boeing 737-800 to 78 aircraft.

Norwegian Air Shuttle ASA entered into a purchase agreement of three Boeing 787-8 Dreamliner aircraft in June 2011. One aircraft was delivered in 2013, and the remaining two aircraft will be delivered in 2014 and 2015. The aircraft have a (total) list price of USD 580 million. The three aircraft will complement 787-8 Dreamliner leases (note 12). At 31 December 2013, the company has 7 Boeing 787-8 Dreamliner lease orders with expected delivery from 2014 to 2016.

In January 2012, the company entered into additional purchase contracts with Boeing Commercial airplanes and Airbus S.A.S comprising a total of 372 aircraft, whereof 222 were firm orders. The firm orders were for 22 Boeing 737-800, 100 Boeing 737 MAX8 and 100 Airbus A320neo. The agreements also include purchase rights for an additional 100 Boeing 737 MAX8 and 50 Airbus A320neo. The firm orders have an aggregated value at list price of approximately NOK 127 billion. The delivery of aircraft starts in 2016. The aircraft purchase is supported by the Export-Import Bank of the United States (Ex-Im) and European Export Credit Agencies.

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

In December 2014, the company transferred the aircraft purchase contracts to its subsidiary Arctic Aviation Assets Ltd, the 100 per cent owned leasing group established in 2013 for the purpose of leasing aircraft to internal and external operators. All future deliveries of aircraft on order will be received in this group, and the Norwegian Air Shuttle ASA as operator will receive aircraft on operating leases from its subsidiary group.

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

In fourth quarter 2013, Norwegian Air Shuttle ASA transferred 35 aircraft, including leased and owned aircraft, to 100 per cent owned single purpose entities established in Dublin, Ireland. The entities will operate as lessors for the airline companies in the Norwegian group.

In substance, the transfer of aircraft has not had any impact on the group's financial position, besides impact on USD/NOK exposure. The aircraft was previously was accounted for in NOK in parent company, and is now accounted for in USD in subsidiary. The parent company holds the financial responsibility towards external lessors. Transfer of owned aircraft are partially secured through financial sub-leases with assets transferred as pledged security, and financial sub-leases are secured on a back-to back basis.

NOTE 30: EVENTS AFTER THE REPORTING DATE

On 28 February 2015, several pilots employed in the 100 per cent owned subsidiary Norwegian Air Norway AS, commenced a strike, organised by Norwegian Pilot Union (NPU). The strike was escalated and seriously affected the airline Norwegian Air Shuttle ASA's production for the 11 days until it was solved. During the strike, most of the Scandinavian production was stopped and approximately 1 000 employees were temporarily laid off. On reaching agreement with NPU, the Scandinavian pilots have received a guarantee of employment for three years and a master seniority list for pilots based in Europe. The agreement additionally specifies cost reductions for the group in the form of reduced pension liabilities and insurance schemes.

In addition to the direct impact of the strike including startup costs, Norwegian lost future bookings which will affect future revenues. Sales picked up again immediately after the strike was ended, but the load factor on domestic routes will be lower than normal for a period of time. The company has not quantified the full impact of the strike.

On 5 March 2014, Norwegian Air Norway AS established three new subsidiaries for its pilots in Norway, Sweden and Denmark respectively, and all employees were transferred to the companies in his/her respective country with the existing tariff agreements, working conditions and benefits.

AUDITOR'S REPORT

Deloitte.

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To the Annual Shareholders' Meeting of Norwegian Air Shuttle ASA:

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements
We have audited the accompanying financial statements of Norwegian Air Shuttle ASA, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements of the parent company comprise the statement of financial position as at 31 December 2014, and the income statement and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements of the group comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Chief Executive Officer's Responsibility for the Financial Statements
The Board of Directors and the Chief Executive Officer are responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian accounting act and accounting standards and practices generally accepted in Norway for the company accounts and in accordance with International Financial Reporting Standards as adopted by EU for the group accounts, and for such internal control as the Board of Directors and the Chief Executive Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Opinion on the financial statements for the parent company
In our opinion, the financial statements of the parent company are prepared in accordance with the law and regulations and give a true and fair view of the financial position of Norwegian Air Shuttle ASA as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian accounting act and accounting standards and practices generally accepted in Norway.

Opinion on the financial statements for the group
In our opinion, the financial statements of the group are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the group Norwegian Air Shuttle ASA as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements
Opinion on the Board of Directors' report and the statements on Corporate Governance and Corporate Social Responsibility
Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report concerning the financial statements and in the statements on Corporate Governance and Corporate Social Responsibility, the going concern assumption and the proposal for the coverage of the loss is consistent with the financial statements and complies with the law and regulations.

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

Oslo, 25 March 2015
Deloitte AS

Jørn Borchgrevink
State Authorised Public Accountant (Norway)

Translation from the original Norwegian version has been made for information purposes only

CORPORATE GOVERNANCE

Norwegian's objective for corporate governance is based on accountability, transparency, fairness and simplicity with the ultimate goal of maximising shareholder value while creating added value for all stakeholders. The principles are designed in compliance with laws, regulations and ethical standards. Norwegian's core values are simplicity, directness and relevance, but no business conduct within the group should under any circumstances jeopardise safety and quality.

HOW WE UNDERSTAND THE CONCEPT

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

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

BUSINESS

Norwegian's business is clearly defined in paragraph 3 of its articles of association:

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

The group has clear goals and strategies for its business. These are presented in the group's quality manual and are also made available to the public in the annual report and on the website http://www.norwegian.com.

EQUITY AND DIVIDENDS

The group's equity at year-end 2014 was NOK 2 108 million equivalent to an equity ratio of 9 per cent. The board deems this to be adequate considering the group's strategy and risk profile.

The board of directors recommends to not distributing dividends as it is considered to be in the best interest of the shareholders to retain funds for investments in expansion and other investment opportunities as stated in the articles of association, thereby enhancing profitability and shareholder value. Dividends should under no circumstances be paid if equity is below what is considered to be an appropriate level. A financial covenant to the bond agreements entered into in April 2012, July 2014 and November 2014 restricts dividend payments until maturity of the last bond in November 2017. Until this date, the maximum dividend is limited to 35 per cent of the consolidated net profit based on the audited accounts for the previous accounting year.

Due to Norwegian's high growth rate, competitive position and associated need for flexibility, the general meeting has granted the board a two year authorisation to increase the company's share capital by 10 per cent. This mandate can be used for utilisation of commercial opportunities and as an instrument to execute the employee incentive program. The mandate granted to the board is limited to a total of 3 516 213 shares and is valid until May 2016.

The general meeting has granted the board of directors a mandate to acquire treasury shares for a period of 18 months reckoned from the date of the general meeting's resolution. Further, it is in keeping with applicable corporate governance policies that such authorisations are valuated by the general meeting on an annual basis. The mandate granted to the board is limited to a total of 3 516 213 shares.

EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

Norwegian Air Shuttle ASA has only one class of shares and all shares have equal rights in the company. The articles of association impose no voting restrictions.

Transactions are generally carried out through stock exchanges. Buy-backs of own shares are carried out at market prices. Employee share allocations are granted at a discount to market value. Norwegian did not purchase or sell any of its own shares in 2014.

Material transactions between the group and key stakeholders, in particular the shareholders, the members of the board and the executive management, are subject to the approval of the board of directors. Such transactions are duly noted in the minutes from the board meeting and are also explicitly stated in the notes to the consolidated accounts. At present, the chair of the board is partner in the law firm Simonsen VogtWiig, which is the legal advisor to Norwegian Air Shuttle ASA. Norwegian has leased its head office from Fornebu Næringsutvikling 1 AS, which is controlled by the chair and the CEO. In cases where members of the board of directors or the executive management have other direct or indirect material interests in transactions entered into by the group, this is stated in the notes to the consolidated accounts. Note 27 to the consolidated financial statements describes transactions with close associates (related parties). Financial relationships related to the directors and executive personnel are described in note 7, 15 and 17. Norwegian's code of ethics includes guidelines for handling possible conflicts of interest. The code applies to all board members and Norwegian employees. In addition the board has drawn up specific procedures for handling of conflicts of interest for board members and members of the corporate management board.

FREELY NEGOTIATED SHARES

There are no restrictions on trading of the company's shares in the articles of association or elsewhere.

GENERAL MEETINGS

The board of directors has ensured that the shareholders may exercise their rights at the general assembly, making the summons and related documentation available on the website. At least three weeks written notice must be given to call the annual general meeting. The relevant documents, including the election committee's justified slate of nominees when new members are up for election or existing ones are up for re-election, are available at the group's website at least 21 days prior to the date of the general meeting. The general meeting in May 2014 decided that "An extraordinary general meeting may be called with fourteen days notice if the board decides that the shareholders may attend the general meeting with the aid of electronic devices, cf. Section 5-8a of the public "Limited Companies Act". The shareholders' deadline for the notice of their intended presence is three days before the general meeting, and the shareholders may be present and vote by proxy. The board of directors, election committee and the auditor are required to be present. The management is represented by the chief executive officer and the chief financial officer and other key personnel on specific topics. The minutes of the general meeting are available on the group's website.

ELECTION COMMITTEE

The election committee's task is to nominate candidates to the general meeting for the shareholder-elected directors' seats. The articles of association state that the committee shall have four members, and the chair of the committee is the chair of the board. The remaining three members are elected by the general meeting every second year. The next election is due in 2016.

The election committee currently consists of the chair of the board, one employee and two external members representing major shareholders in the company.

The guidelines for the election committee are included in the company's articles of association and were last approved by the general meeting in May 2011. To ensure that nominees meet the requirements for expertise, capacity and diversity set forth by the board members, the chair of the board is a permanent member of the committee.

As described in the guidelines, the election committee should have contact with shareholders, the board of directors and the company's executive personnel as part of its work on proposing candidates for election to the board.

None of the members of the election committee represents Norwegian's management. The majority of the members are considered independent of the management and the board. The composition of the election committee is regarded as reflecting the common interests of the community of shareholders.

CORPORATE ASSEMBLY AND BOARD OF DIRECTORS, COMPOSITION AND INDEPENDENCE

Norwegian Air Shuttle ASA has, in agreement with the employee unions and as warranted by Norwegian law, no corporate assembly. Instead, the company has three employee representatives on the board of directors. According to the articles of association the board must consist of between six and eight members. At year end there was seven members.

The shareholder-elected members of the board of directors have been nominated by the election committee to ensure that the board of directors possesses the necessary expertise, capacity and diversity. The board members have competencies in and experiences from the transport sector and other competitive consumer sectors, relevant network connections and experiences from businesses, finance, capital markets and marketing. The chair and deputy chair are elected by the board. The board members are elected for a period of two years.

The majority of the shareholder-elected members of the board are considered autonomous and independent of the company's executive personnel and material business contacts. At least two of the members of the board that are elected by shareholders, are considered autonomous and independent of the company's main shareholder(s). Among the shareholder-elected directors, there are two men and two women, which is a 50 per cent gender share.

The CEO is not a member of the board of directors.

THE WORK OF THE BOARD OF DIRECTORS

The board of directors' work is in accordance with the rules of Norwegian law. The board has an annual plan for its work which particularly emphasises objectives, strategies and implementations. The board holds annual strategy seminars in which objectives, strategies and implementations are addressed.

The board of directors issues instructions for its own work.

There is a clear division of responsibilities between the board and the executive management. The chair is responsible for ensuring that the board's work is conducted in an efficient, correct manner and in accordance with the board's terms of reference. The CEO is responsible for the group's operational management. The board has drawn up special instructions for the CEO.

If the chair of the board of directors is or has been actively engaged in a given case, another board member will normally lead discussions concerning that particular case.

The audit committee was established by the general meeting in 2010. To ensure that nominees meet the requirements of expertise, capacity and diversity set forth by the board members, the board of directors acts as the company's audit committee.

The board of directors conducts an annual self-assessment of its work competence and cooperation with the management and a separate assessment of the chair.

RISK MANAGEMENT AND INTERNAL CONTROL

The management draws up monthly performance reports that are sent to and reviewed by the board of directors. Moreover, financial reports, risk reports and safety reports are drawn up, all of which are subject to review at board meetings.

In addition, quarterly financial reports are prepared. When the group's quarterly financial reports are to be presented, the audit committee reviews the reports. The auditor meets with the entire board in connection with the presentation of the interim annual financial statements, and when otherwise required.

The board ensures sound internal controls and systems for risk management through, for example, annual board reviews of the most important risk factors and internal controls.

REMUNERATION OF THE BOARD OF DIRECTORS

Based on the consent of the general meeting, it is assumed that the remuneration of board members reflects the respective members' responsibilities, expertise, time commitments and the complexities of the group's activities.

Comprehensive information on remuneration and incentive programs are available in the notes to the consolidated accounts.

In cases where board members take on specific assignments for the group, which are not taken on as part of their office, the other board members must be notified immediately and if the transaction is of a substantial nature this will be explicitly stated in the notes to the consolidated accounts.

Details of the remuneration of individual board members are available in the notes to the consolidated accounts.

INFORMATION AND COMMUNICATIONS

Norwegian has established guidelines for the company's reporting of financial and other information based on transparency and with regard to the requirement of equal treatment of all parties in the securities market.

A financial calendar is prepared and published on the group's website and is also distributed in accordance with the rules of the Public Companies Act and the rules applicable to companies listed on the Oslo Stock Exchange.

Information distributed to the shareholders is also published on the group's website. The group holds regular investor meetings and public interim results presentations, and has an investor relations department.

Norwegian has separate instructions for investor relations regarding communication with investors and how price-sensitive information shall be treated. The board of directors has prepared guidelines for the group's contact with shareholders outside the general meeting.

The board considers that these measures enable and ensure continuous informative interactions between the company and the shareholders.

TAKEOVERS

There are no limitations with respect to the purchases of shares in the company. In the event of a take-over bid the board of directors will act in the best interest of the shareholders and in compliance with all the rules and regulations applicable for such an event. In the case of a take-over bid, the board will refrain from taking any obstructive action unless agreed upon by the general meeting. The company's bond issue has a change of control clause that allows bondholders to call for redemption of the bonds at 101 per cent of par in the event of a change of control.

AUDITOR

The auditor annually submits the main features of the audit plan for the group to the audit committee.

The auditor participates in the meetings of the board of directors that deal with the annual accounts. At these meetings the auditor reviews any material changes in the group's accounting principles, comments on any material estimated accounting figures and reports all material matters on which there has been a disagreement between the auditor and the executive management of the company.

The auditor presents a review of the group's internal control procedures at least once a year to the audit committee, including identified weaknesses and proposals for improvements.

The CEO and the CFO are present at all meetings with the board of directors and the auditor. At least one meeting a year are held between the auditor and the board without the presence of the CEO or other members of executive management. The management and the board of directors evaluate the use of the auditor for services other than auditing.

The board receives annual confirmation from the auditor that the auditor continues to meet the requirement of independence.

The board of directors reports the remuneration paid to the auditor at the annual general meeting, including details of the fee paid for audit work and any fees paid for other specific services.

THE BOARD OF DIRECTORS

Bjørn H. Kise

Chair

Bjørn H. Kise (born 1950) has over 25 years of experience of legal practice with the law firm Vogt & Wiig AS, where he is also a partner. He is admitted to the Supreme Court since 1998. Kise has been a board member of Norwegian since 1993, and he was chair of the board in the period 1996–2002. Kise also holds a number of board appointments in large and medium-sized companies in Norway and abroad. Kise holds a Law Degree from the University of Oslo. As of 31 December 2014 Mr. Kise holds 721 262 shares in the company, and has no stock options. Mr. Kise is a Norwegian citizen. He has been elected for the period 2014–2016, and he represents Norwegian's principal shareholder HK Invest AS.

Ola Krohn-Fagervoll

Deputy chair

Ola Krohn-Fagervoll (born 1962) is currently working as an independent advisor. Krohn-Fagervoll was Deputy CEO of Norwegian Air Shuttle from 2003–2005, and he has more than 20 years of experience from management consulting and corporate development, including A.T. Kearney. Prior experience includes five years in Saga Petroleum's strategy department and an Export Council Scholarship in London. He has been a director of the board of Norwegian since 2005. He is a Business economics graduate from the Norwegian School of Management (BI) and he holds an MBA degree in Finance from the University of Wisconsin, and has also been a Visiting Scholar at Stanford University. As of 31 December 2014 Mr. Krohn-Fagervoll holds 62 shares in the company, and has no stock options. Mr. Krohn-Fagervoll is a Norwegian citizen. He has been elected for the period 2013–2015, and he is an independent board member.

Liv Berstad

Director

Liv Berstad (born 1961) has been managing director for the clothing company KappAhl in Norway since 1996, and prior to this she was financial manager for the same company. Berstad has extensive experience from retail trade in the Nordic region, mainly from construction material, fashion and cosmetics. Ms. Berstad has been a board member of Norwegian since 2005 and she also holds directorships in Expert. Berstad holds a degree in Business Administration from the Norwegian School of Management (BI). As of 31 December 2014 Ms. Berstad holds no shares in the company, and has no stock options. Ms. Berstad is a Norwegian citizen. She has been elected for the period 2013–2015, and she is an independent board member.

Benedicte Schilbred Fasmer

Director

Benedicte Schilbred Fasmer resigned as member of Norwegian's board as of 1 January 2015 due to impartiality reasons in connection with a new position.

Thor Espen Bråten

Director, employee representative

Thor Espen Bråten (born 1959) joined Norwegian in 2005 and works as a captain. Bråten has held management positions ranging from base manager to managing director for a number of regional and international airlines. He also has extensive experience from aircraft acquisitions, lease and aircraft remarketing. He has been an employee representative since 2009. He received his airline pilot training in Norway and Sweden. As of 31 December 2014 Mr. Bråten holds 657 shares in the company, and has no stock options. Mr. Bråten is a Norwegian citizen. He has been elected for the period 2012–2014, and he is an independent board member.

The board of Directors 2014, from left: Kenneth Utsikt, Liv Berstad, Thor Espen Bråten, Ola Krohn-Fagervoll, Bjørn H. Kise, Linda Olsen and Benedicte Schilbred Fasmer.

Linda Olsen

Director, employee representative

Linda Olsen (born 1985) joined Norwegian in February 2006, and currently she is senior advisor and team leader for escalated cases in customer relations. Ms. Olsen is also on the board of HK, a union started in cooperation with the Norwegian Union for Commerce and Office Employees, and she has been an employee representative since 2009. Olsen is a legal office assistant and has studied tourism management in Australia. As of 31 December 2014 Ms. Olsen holds no shares in the company, and has no stock options. Ms. Olsen is a Norwegian citizen. She has been elected for the period 2012–2014, and she is an independent board member.

Kenneth Utsikt

Director, employee representative

Kenneth Utsikt (born 1976) is cabin crew administrator in Norwegian. He has worked for Norwegian since 2004 and was the leader for Norwegian Cabin Union from 2009–2012. He has been elected in Enebakk municipality since 1999 and has held numerous local positions as a politician. Prior to joining Norwegian, Mr. Utsikt worked in the service industry. He has been an employee representative since 2009. As of 31 December 2014 he holds 378 shares in the company, and has no stock options. Mr. Utsikt is a Norwegian citizen. He has been elected for the period 2012–2014 and is an independent board member.

THE MANAGEMENT TEAM

Bjørn Kjos
Chief executive officer

Bjørn Kjos (born 1946) has been chief executive officer in Norwegian since October 2002. Before this Kjos was chair during the start-up period of the Boeing 737 operation from June-September 2002. He is one of the founding partners of Norwegian Air Shuttle and was chair of the board between 1993–1996. He also has 20 years experience from legal practice, and was granted the right of audience in the Supreme Court in 1993. In addition he was a fighter pilot in the 334 squadron for six years. Kjos is a law graduate from the University of Oslo. As of 31 December 2014 he holds 7 440 232 shares in the company and has 100 000 stock-options. Mr. Kjos is a Norwegian citizen.

Frode E. Foss
Chief financial officer

Frode E. Foss (born 1968) has been chief financial officer of Norwegian since he joined the company in its start up year in 2002. Mr. Foss is a member of the board of directors of Norwegian Finance Holding ASA (Bank Norwegian). He also has eight years experience from auditing and management consulting services with Arthur Andersen and Ernst & Young. He received his Financial Analyst charter (CFA) in 2002. Foss holds an MBA and a MSc in Finance from the UW, USA. As of 31 December 2014 he holds 35 000 shares in the company and has 100 000 stock-options. Mr. Foss is a Norwegian citizen.

Asgeir Nyseth
CEO Norwegian Air International

Asgeir Nyseth (born 1957) has been CEO of Norwegian's long-haul operation since 2013. He started as Norwegian's chief operational officer in 2006. Mr. Nyseth has extensive experience as an aeronautics engineer from both Lufttransport and Scandinavian Airlines. In 2000 he became CEO of Lufttransport and prior to this he was the technical director of Lufttransport for three years. Nyseth has conducted officer training school and technical education at the Norwegian Air Force. As of 31 December 2014 he holds 12 342 shares in the company and has 100 000 stock-options. Mr. Nyseth is a Norwegian citizen.

Geir Steiro
COO Norwegian Air Shuttle ASA

Geir Steiro (born 1957) was appointed COO and taking over the responsibility for the company's 737 operation shortly after he started working for Norwegian as technical director in 2013. Before he came to Norwegian, Geir Steiro worked at Aker Solutions Subsea AS, and has previous experience from NSB and SAS. He has also worked in the technical department of several airlines, and has held several managerial positions. Steiro holds a degree in mechanical engineering, he is a certified aircraft mechanic and has completed several management courses. As of 31 December 2014 he holds no shares in the company and has 10 000 stock-options. Mr. Steiro is a Norwegian citizen.

Anne-Sissel Skånvik
Chief communications officer

Anne-Sissel Skånvik (born 1959) has been chief communications director in Norwegian since 2009. She came to Norwegian from a position as Senior vice president in Telenor ASA, where she was responsible for corporate communications and governmental relations. Skånvik was the deputy director general in The Ministry of Finance between 1996-2004 and has worked as a journalist for many years for various Norwegian newspapers. She has more than 30 years of experience working with corporate communications and journalism. Skånvik holds a Masters degree in political science ("Cand. Polit") from the University of Oslo she also has a degree in journalism. As of 31 December 2014 she holds no shares in the company and has 50 000 stock-options. Mrs Skånvik is a Norwegian citizen.

Thomas Ramdahl
Chief commercial officer

Thomas Ramdahl (born 1971) has been chief commercial officer since 2014 and he has been Norwegian's director of network development and part of the company's commercial management team since 2008. Mr. Ramdahl has extensive experience in the aviation industry and he has previously worked for SAS and Braathens, where he has held positions in revenue management, route management and charter. He holds a bachelor's degree from the Norwegian School of Business (BI). As of 31 December 2014 he holds no shares in the company and has 15 000 stock-options. Mr. Ramdahl is a Norwegian citizen.

Gunnar Martinsen
Chief human resources Officer

Gunnar Martinsen (born 1949) joined Norwegian Air Shuttle ASA in 2002 as senior vice president, human resources and organisational development. He is also a member of the Supervisory Council in Bank Norwegian and he was a part of the start up team of Norwegian in 1993. Prior to his position in Norwegian, he has held HR leadership roles in different companies, such as Busy Bee of Norway and Radisson SAS. Martinsen has extensive experience from organisational development and human resources from several industries, among others as a management consultant. He holds a degree from the Norwegian School of Management (BI). As of 31 December 2014 he holds 9 404 shares in the company and has 50 000 stock-options. Mr. Martinsen is a Norwegian citizen.

Frode Berg
Chief legal officer

Frode Berg (born 1968) has been chief legal officer of Norwegian since February 2013. He was as a partner of the law firm Simonsen Vogt Wiig from 2007, and he has practiced as a lawyer since 1997. As a lawyer, Mr. Berg's main fields have been corporate law, transactions and international contracts, and he was legal advisor to Norwegian during the start-up phase, as well as during the establishment of Bank Norwegian. He holds a Law degree and a Bachelors Degree in Economics from the University of Tromsø, and a Master's Degree (LL.M) from the University of Cambridge. As of 31 December 2014 he holds no shares in the company and has 20 000 stock-options. Mr. Berg is a Norwegian citizen.

Dag Skage
Chief information officer

Dag Skage (born 1972) has been chief information officer since October 2014. Prior to this he held the position as executive director in Ernst & Young's IT Advisory unit. He has extensive experience with management consulting, including BearingPoint and Andersen Business Consulting. Skage holds an MBA from the Norwegian School of Management (BI) with additional education in IT management and project management (Master of Management from BI). As of 31 December 2014 he holds no shares in the company and has no stock-options. Mr. Skage is a Norwegian citizen.

DEFINITIONS

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

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

LOAD FACTOR
RPK divided by ASK. Describes the utilisation of the available seats.

CASK
Cost per available seat kilometer is an industry-wide cost level indicator often referred to as "CASK". CASK is usually represented as operating expenses before depreciation and amortisation (EBITDA level) over produced seat kilometers (ASK), also known as cash operating cost. Norwegian hedges USD/NOK to counter foreign currency risk exposure on USD denominated borrowings translated to the prevailing currency rate at each balance sheet date. Hedge gains and losses are according to IFRS recognised under operating expenses ("other losses/ (gains)) while foreign currency gains and losses from translation of USD denominated borrowings are recognised under financial items (Net foreign exchange (loss) or gain).For the above reason CASK excludes losses and gains from "other losses/ (gains)" to better reflect the actual cost development.

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

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

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

EBITDAR
Earnings Before Intersest, Tax, Depreciation, Amortisation and Rent.

EBITDA
Earnings Before Interest, Taxes, Depreciation and Amortisation.

EBIT
Earnings Before Interest and Taxes. Commolny referred to as operating result.

EBT
Earnings Before Taxes.

Norwegian Air Shuttle ASA

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