

## Note 9 – Tangible Assets

(NOK 1,000)	Buildings	Aircraft	Prepayment Boeing Contract	Equipment and fixtures	Financial lease	Total
Acquisition cost at 1 January 2012	9 525	4 424 627	2 126 954	113 326	34 607	6 709 038
Additions	0	607 445	2 134 161	46 457	0	2 788 063
Transfers	0	1 416 756	-1 416 756	0	0	0
Disposals	0	-124 061	0	0	0	-124 061
<b>Acquisition cost at 31 December 2012</b>	<b>9 525</b>	<b>6 324 768</b>	<b>2 844 359</b>	<b>159 782</b>	<b>34 607</b>	<b>9 373 041</b>
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	0	2 545 166
Transfers	0	1 876 404	-1 876 404	0	0	0
Disposals	0	-8 298 977	0	-19 015	0	-8 317 991
<b>Acquisition cost at 31 December 2013</b>	<b>14 966</b>	<b>858 030</b>	<b>2 514 883</b>	<b>177 730</b>	<b>34 607</b>	<b>3 600 215</b>
Accumulated depreciation at 1 January 2012	0	555 468	0	81 427	6 725	643 619
Depreciation	0	308 895	0	19 878	3 320	332 094
Depreciation on disposals	0	-119 353	0	0	0	-119 353
<b>Accumulated depreciation at 31 December 2012</b>	<b>0</b>	<b>745 011</b>	<b>0</b>	<b>101 305</b>	<b>10 046</b>	<b>856 360</b>
Accumulated depreciation at 1 January 2013	0	745 011	0	101 305	10 046	856 360
Depreciation	0	444 505	0	24 466	3 319	472 290
Depreciation on disposals	0	-707 839	0	-18 784	0	-726 623
<b>Accumulated depreciation at 31 December 2013</b>	<b>0</b>	<b>481 676</b>	<b>0</b>	<b>106 987</b>	<b>13 365</b>	<b>602 027</b>
<b>Book value at 31 December 2012</b>	<b>9 525</b>	<b>5 579 757</b>	<b>2 844 359</b>	<b>58 477</b>	<b>24 561</b>	<b>8 516 680</b>
<b>Book value at 31 December 2013</b>	<b>14 966</b>	<b>376 354</b>	<b>2 514 883</b>	<b>70 743</b>	<b>21 242</b>	<b>2 998 186</b>
Economic life	See below	See below	See below	See below	4-20 years	
Depreciation plan	See below	See below	None	Linear	Linear	
Residual value	100 %	See below	See below	See below	MNOK 0	

Per 31 December 2013, the Company operated a total of 46 aircraft, whereas 29 were leased under operational leases from internal Group Companies and 17 were leased under operational leases from external lessors. For comparison, the Company owned 28 aircraft and leased under operational lease 40 aircraft as of 31 December 2012. During 2013, the Company started the process of transferring owned and leased aircraft to a newly established asset company. New deliveries will be taken and financed by the asset company. See note 10 for details about operational leases.

### Aircraft

Aircraft consist of purchased aircraft. The Company owns 5 aircraft per 31 December 2013 (2012: 28 aircraft) and the total residual value for these aircraft was NOK 79,4million (2012: NOK 1,614.4 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 capitalized 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 2013 and 2012 several engines of the leased aircraft were in overhaul, and replacements costs for life limited parts were capitalized to the extent that the costs are improvements to the engines which exceed the requirements specified in the leasing contracts. These components are depreciated at a defined rate per engine cycle, limited to the remainder of the aircraft lease.

### Spare parts

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

### Buildings

Buildings consist of three apartments in Berlin purchased in 2007, and 1 apartment in Seattle and 1 apartment in Florida purchased in 2013, for the purpose of housing crew and trainees stationed in Berlin on temporary basis. In 2010, the Company purchased an apartment in Seattle for the purpose of housing personnel stationed in Seattle with regards to the delivery of new 737-800 aircraft. Buildings are carried at acquisition cost. The residual value is estimated to equal the acquisition cost.

### 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. See note 29 on Commitments. Note 2 include a table showing the timeline of future deliveries for the Company.

At 31 December 2013, 31 owned and 13 sale and lease backs were delivered (2012: 23 and 10). Until the delivery of the aircraft, the Company will make prepayments to aircraft manufacturers, following a defined prepayment schedule. The Company capitalises borrowing costs incurred for the construction of qualifying assets during the period of time that is required to complete the aircraft. Borrowing costs of NOK 86.0 million (2012: NOK 73.5 million) have been capitalized during the year. Average capitalization rate of 4.8 % (2012: 4.7 %) was used.

**Financial lease assets**

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

**Impairment of tangible assets**

In 2013 and 2012, 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.