

## Note 22 - Borrowings

### Nominal value at 31 December 2013

(NOK 1,000)	Nominal value	Unamortized 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%
<b>Total</b>	<b>6,843,113</b>	<b>-330,956</b>	<b>6,512,156</b>	

### Nominal value at 31 December 2012

(NOK 1,000)	Nominal value	Unamortized transaction cost	Book value	Effective interest rate
Bond issue	600,000	-11,052	588,948	7.5%
Facility agreement	941,008	-10,313	930,695	6.8%
Aircraft financing	4,118,189	-224,517	3,893,672	3.1%
Loan facility	98,135	-203	97,932	3.8%
Financial lease liability	15,819		15,819	5.9%
<b>Total</b>	<b>5,773,150</b>	<b>-246,085</b>	<b>5,527,065</b>	

Effective interest rate during 2013, recognized as financial items (note 8) and capitalized borrowing costs (note 11), is 4.8% (2012: 4.2%)

### Classification of borrowings

(NOK 1,000)	2013	2012
<b>Non-current</b>		
Bond issue	593,871	588,948
Aircraft financing	5,143,039	3,507,117
Loan facility		70,789
Financial lease liability	6,845	10,853
<b>Total</b>	<b>5,743,755</b>	<b>4,177,707</b>
<b>Current</b>		
Bond issue	0	0
Facility agreement	147,086	930,695
Aircraft financing	546,708	386,555
Loan facility	70,978	27,143
Financial lease liability	3,629	4,966
<b>Total</b>	<b>768,401</b>	<b>1,349,359</b>
<b>Total borrowings</b>	<b>6,512,156</b>	<b>5,527,065</b>

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

(NOK 1,000)	2013	2012
USD	5,836,832	4,824,366
NOK	675,324	702,699
<b>Total</b>	<b>6,512,156</b>	<b>5,527,065</b>

Collateralized borrowings are detailed in note 23.

### Covenants

#### Bond issue

(Capital Employed = equity + borrowings - cash)

Equity/Capital Employed higher than 30%

Dividend payments less than 35% of net profit

Minimum liquidity of NOK 100 million

#### Revolving credit facilities

There are no financial covenants on revolving credit facilities, except for the facility with DNB outlined below.

#### Aircraft financing

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

#### Loan facility and revolving credit facility with DNB

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

Equity/Capital Employed higher than 30%

(Capital Employed = equity + interest bearing debt - cash)

The minimum unrestricted cash credited to the Borrower's accounts with the Bank shall at no time be less than NOK 800 million.

The Cash Flow Cover shall be no less than 1, measured quarterly and where: Cash Flow Cover = (EBITDA – d NWC – taxes paid) / (interest + amortization). d NWC = Change in net working capital

The Gearing Ratio shall be no higher than 6.75 measured quarterly and where Gearing Ratio shall mean (total funded debts + (leasing charges x 7) – Cash) / EBITDAR).

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

The Group has not been in breach of any covenants during 2013.

#### **Fair value calculations**

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

<b>(NOK 1,000)</b>	<b>Carrying amount</b>		<b>Fair Value</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Bond issue	593,871	588,948	600,760	601,226
Aircraft financing	5,143,039	3,507,117	4,871,329	3,975,958
Loan facility	0	70,789	0	70,992
Financial lease liability	6,845	10,853	9,060	12,506
<b>Total fair value</b>	<b>5,743,755</b>	<b>4,177,707</b>	<b>5,481,150</b>	<b>4,660,682</b>

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

#### Bond Issue

Interest rate of NIBOR 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%.

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#### Facility agreement

Interest rate of LIBOR 3M and a risk premium equal to the spread at the reporting date. The Group has entered facility agreements with ING Bank N.V, DVB Bank SE and DNB ASA in 2011 and 2012 to cover pre-delivery financing for aircraft with delivery between 2013 and 2014.

The borrowings which mature at the delivery of each aircraft, 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. 18% of aircraft financing is exposed to cash flow interest rate risk with quarterly re-pricing dates, while 82% 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.

#### Loan facility

The floating interest rate is based on NIBOR 3M and a risk premium of 2.25%. The loan facility is denominated in NOK and matures quarterly, with the final commitment to pay on 30 June 2014. See note 2 for further maturity analysis of borrowings.

#### Financial lease liability

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

The discount rates used to calculate the fair value of the financial lease liability equals the risk free interest rate and spread related to the loan facility in 2013 and 2012 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**

<b>(NOK 1,000)</b>	<b>2013</b>	<b>2012</b>
Future minimum lease payments		
-No later than 1 year	3,406	5,325
-Between 1 and 5 years	8,389	12,654
-Later than 5 years		0
<b>Total</b>	<b>11,794</b>	<b>17,979</b>
Future finance charges on financial lease liability	1,320	2,160
<b>Present value of financial lease liability</b>	<b>10,475</b>	<b>15,819</b>