

Note 8 – Net Financial Items

(NOK 1,000)	2013	2012
Interest income	149,658	47,543
Interest expense	-256,702	-118,845
Net foreign exchange (loss) or gain	-472,938	273,353
Appreciation cash equivalents	24,593	21,024
Fair value adjustment long term deposits	2,669	2,900
Other financial items	-26,154	-39,087
Net financial items	-578,874	186,888

Foreign exchange derivatives and fuel derivatives are categorized 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 recognized as other gains and losses within operating expenses.

Net foreign exchange loss of NOK 472.9 million is recognized in 2013 (2012: NOK 273.4 million as gain). 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 amortized cost on borrowings. Capitalized interests reduce interest expenses (note 11).