ANNUAL REPORT 2007

norwegian.no

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The year in brief

- Total turnover for the year was MNOK 4,226.2 compared to MNOK 2,941.4 in 2006, an increase of 44 %.
- The total operating result before depreciation and leasing costs (EBITDAR) was MNOK 504.4 compared to MNOK 200.9 in 2006, an increase of 151 %.
- The total operating result before depreciation (EBITDA) was MNOK 208.0 compared to 20.6 in 2006, an increase of 910 %.
- The result before tax (EBT) for the year was MNOK 113.0 compared to - MNOK 31.7 in 2006.
- The result after tax for 2007 was MNOK 84.6 compared to -MNOK 22.0 in 2006.
- In total the company, including FlyNordic, has flown 6,934,376 passengers compared to 5,104,814 in 2006, which is an increase of 36 %.
- Total passenger traffic (RPK) less FlyNordic increased by 32 % compared to last year.
- Total production (ASK) less FlyNordic was 9,959 million seat kilometers compared to 5,371 million last year, which is an increase of 30 %.
- The load factor in 2007 has been 80 % for the Norwegian and Polish operations. FlyNordic had a load factor of 79 % under Norwegian's ownership.
- The company had cash and cash equivalents of MNOK 501.4 at the end of the year which is an increase of 116 %. The equity ratio was 21.8 %.
- The unit cost (cost per ASK) for the year for the Norwegian and Polish operations was NOK 0.53 compared to NOK 0.54 in 2006.
- During 2007 Norwegian Air Shuttle ASA has developed its network from 85 to 132 routes.

Key Figures

	2007	2006	2005	2004
Operating revenue (TNOK)	4 226 202	2 941 400	1 972 246	1 210 259
EBITDAR (TNOK)	504 395	200 897	184 501	-32 686
EBITDA (TNOK)	207 995	20 559	58 594	-140 600
EBT (TNOK)	112 982	-31 706	38 935	-152 458
Basic Earnings per Share (NOK)	4,19	-1,14	1,53	-6,03
Diluted Earnings per Share (NOK)	4,06	-1,14	1,53	-6,03
ASK Norwegian.no	6 959	5 371	3 464	2 301
RPK Norwegian.no	5 586	4 223	2 703	1 538
Load Factor Norwegian.no	80 %	79 %	78 %	67 %
ASK FlyNordic 1)	602	-	-	-
RPK FlyNordic 1)	473	-	-	-
Load Factor FlyNordic	79 %	-	-	-
Passengers	6 934 376	5 104 814	3 289 769	2 073 736
Internet Sales 2)	85 %	84 %	75 %	63 %
Number of Routes 3)	132	85	54	44
Aircraft operated 4)	33	19	14	12

1) FlyNordic's figures are from August to December 2007.
2) Norwegian.no only
3) Number of routes for sale by the end of the year
4) Number of aircraft by the end of the year, including wet-lease

Dear Shareholders

2007 was the best year in Norwegian's history. The EBITDA result was MNOK 208 which is four times better than in 2005 and almost 10 times better than in 2006. We managed to obtain a pretax profit of MNOK 113 despite a substantial increase in production of more than 30 % and 26 new routes. Norwegian's market share on the key domestic routes increased by 3 percentage points to 41 %. Our total revenues increased by 44 % in 2007.

Cost focus & fuel prices

The crude oil price broke the "magic" level of 100 dollars per barrel during 2007, making the year particularly demanding. The year was also characterized by substantial expansion which is both costly and challenging. However, with the expansion there is greater potential for economies of scale enabling us to allocate our fixed costs to more passengers. As part of our continued focus on costs, we managed to reduce the unit cost further in 2007 despite the rocketing fuel price. This was and will continue to be vital as the competitive environment in Europe is intensifying. This is evident by the fact that our arch rival was convicted of industrial espionage by the Norwegian Supreme Court. It is sad to see a partially government controlled company resorting to such measures in a bid to gain market share, or maybe even in the hope of becoming a monopolist.

Increasing production by more than 30 % whilst simultaneously having a goal of a significantly improved bottom line is at best demanding for any company in any industry. It calls for strong discipline and commitment from everybody working in the organization. The margins in the aviation industry are generally slim, and there is room for few errors before the bottom line is noticeably affected.

Ancillary revenue & BankNorwegian

Last year's result was also as an outcome of a significant increase in ancillary revenues. We introduced a new slogan in the industry; "Freedom to choose". We believe it is wrong that a passenger only traveling with carry-on luggage is forced to cover the additional cost of sending the checked baggage of fellow passengers. We did the only right thing; we reduced prices for passengers traveling with only carry-on luggage, and at the same time introduced a fee for those who still choose to send checked baggage.

Norwegian flies longer distances than before and passengers have requested the possibility to reserve seats. For a minimal charge, customers now have the option of reserving a seat if they wish to do so. In such a way we manage to allocate the administrative costs to those passengers who choose to reserve seats. "Freedom to choose" has become a very sensible strategy for the company, and has been well received by our passengers.

Our biggest effort to boost ancillary revenue was the establishment of BankNorwegian. The bank offers full-scale internet banking, including the airline loyalty program "Norwegian Reward". Norwegian has 20 % ownership in BankNorwegian. The equity issue raised funds of MNOK 240 and was oversubscribed several times. The launch exceeded expectations almost immediately. The bank is expected to deliver good results in the future, while simultaneously generating a very competitive loyalty program for the airline. Norwegian's contribution is to provide access to a large customer base, a well proven internet platform, and a well known brand name.

The Boeing contract

In August 2007, Norwegian entered into one of the largest aircraft purchase contracts in Europe in 2007, and the largest in Scandinavia ever. The 42 Boeing 737-800 HGWs are state of the art aircraft with considerable lower emissions than the existing aircraft fleet in Scandinavia. Compared to the MD-80, a common sight at Scandinavian airports, our new aircraft will reduce NOx emissions by 43 % and CO_2 by 33 % per seat. The fuel consumption will be reduced equivalently, which we consider to be imperative. Norwegian does not believe it to be economically viable to operate aircraft with the fuel consumption of the MD-80 given the development of the fuel price. Consequently, the eight MD-80s which are currently in our fleet will be phased out and replaced by Boeing 737 aircraft in 2008 and 2009.

Acquisition of Nordic Airlink Holding AB

After lengthy negotiations with Finnair we acquired the Swedish based low cost company Nordic Airlink Holding AB (FlyNordic)

Delivery of the first brand new Boeing 737-800 HGW

on 31 July 2007. FlyNordic was well known to Norwegian due to a history of extensive code share agreements in the past. The acquisition was strategically oriented, providing us valuable access to the Swedish domestic market, and particularly a strong foothold on the key route between Stockholm and Oslo.

The integration process started immediately following the acquisition. The two companies will be integrated and coordinated in order to take advantage of all potential synergies including utilizing unified booking platforms, enterprise management systems and revenue management systems. A seamless operation is the target, which will reduce costs and increase competitiveness. The major steps in the integration process will be finalized by the second quarter of 2008. In 2007, FlyNordic ended the fiscal year slightly better than break even. After we gained control of the company, several new routes have been opened and the network and frequency of flights to northern Sweden have improved. The integration and implementation of new strategies and adapting the way of doing business is a lengthy process, therefore, we expect that FlyNordic will continue to break even in 2008.

The Polish Operation

The Polish operation has developed in a stable and satisfactory manner, resulting in profits during some of the periods of 2007. The development has taken longer than first expected, but we continue to have strong confidence in our commitment to the Polish market. By the end of the year we had 17 routes out of Poland.

The Future

The competitive environment will not soften in 2008, and a continuous focus on costs and adding customer value is therefore of utmost importance. The order of 11 leased Boeing 737-800s and the purchase of 42 Boeing 737-800s will help us significantly in reaching our unit cost goals. We have already received two of the aircraft, and another five is expected during the second and third quarter of 2008. Since the competitive environment in Europe does all but drive up yields, cost efficiency is the only way to improve profits.

The new aircraft will offer the possibility for telecommunications for passengers in-flight. In order to take advantage of this possibility in the best possible manner, and also give passengers the opportunity to stay online at the airports, we have launched the mobile telephone company Call Norwegian. We are confident that the project will provide Norwegian with more ancillary revenue, more satisfied customers and higher customer retention. Call Norwegian will be operative in the fourth quarter of 2008 and will operate as an independent company.

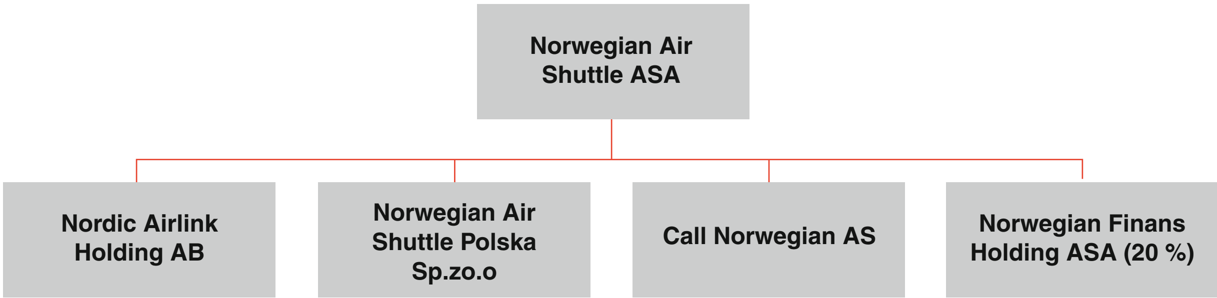
We believe that the ancillary growth that we experienced in 2007 will continue in 2008. However, 2008 will most likely be an even more challenging year than 2007. With the exception of the largest European carriers, only a small number of European airlines were able to report profits in 2007.

By the end of 2006 we had 85 routes and carried 5.1 million passengers. In 2007 we increased our capacity by more than 30 % and opened 26 new routes, carrying 6.9 million passengers. We also acquired Nordic Airlink Holding AB. In 2008 we will be adding 10 more aircraft and increase capacity by 50 %. We expect to carry around nine million passengers.

The Boeing contract for the purchase of 42 aircraft with the related option for another 42 aircraft of the same type make Norwegian particularly well suited for the future. We are in an exceptionally flexible position, which allows us to increase our fleet to as many as 95 Boeing 737-800s if we desire, whilst many of our competitors that have not placed orders must wait six years or more for new aircraft.

Best regards

Bjørn Kjos, Chief Executive Officer



Group Structure

This is Norwegian

The Group consists of the parent company Norwegian Air Shuttle ASA and the fully owned subsidiaries Norwegian Air Shuttle Polska Sp.zo.o and Nordic Airlink Holding AB (FlyNordic). Additionally Norwegian Air Shuttle ASA owns 100 % of the start-up telephone company Call Norwegian AS which was established in January 2008 and 20 % of Norwegian Finans Holding ASA (BankNorwegian AS). FlyNordic will be rebranded to Norwegian.se as of 12 April 2008.

Vision and business idea

Vision: Affordable air-fares for everyone
The business idea of Norwegian Air Shuttle ASA is through efficient operations and low cost to give everybody the possibility to travel by air. The Group's ambition is to establish itself as one of the preferred suppliers of air travel and ancillary services in carefully selected markets. This will be achieved by offering low fares to a competitive list of destinations, high relevance and quality in the delivery of our services.

A reduction in the price of air travel is expected to improve people's financial well being and social mobility. This will, in turn, generate a more competitive Norwegian business community, and stimulate the general development of society.

Values: Directness - Simplicity – Relevance
In order to achieve the company's business target and ambitions, our organization values are directness, simplicity and relevance. The company has a flat organizational structure which makes the decision-making processes simple and direct. The company strives to achieve management processes that are quick and flexible. The organization emphasizes target achievement, team building, continuous improvement in all areas, and maintaining an open and direct communication.

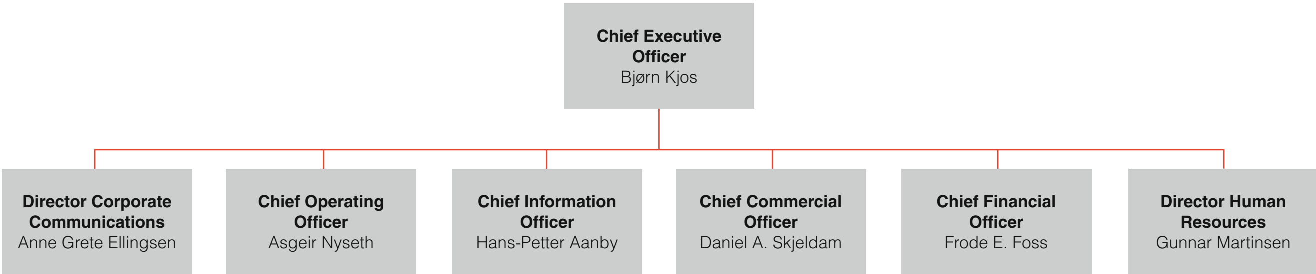
To achieve a high level of business relevance the company's structure and organization is built from scratch, aiming to build the strategic skills necessary to achieve a low cost base and efficient resource utilization. Activities which are not of strategic relevance for the business will actively be outsourced.

The Group

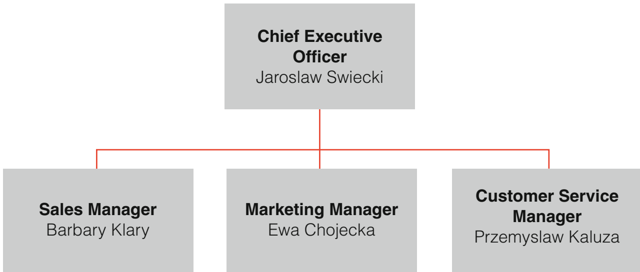
At the end of the year the Group engaged 1,196 permanent employees. In addition, the Group employed 53 apprentices and 168 temporary staff working in the cabin. In total the Group had 1,417 people on its payroll, which is equivalent to 1,143 full time employees. The temporary staff has been engaged both to cover for the production growth which continues to be extensive, and for permanent employees on maternity and sick leave. Nordic Airlink Holding AB employs a large share of its cabin crew on a temporary basis, which is part of the company's business model. Of the permanent employees of the Group, 80 % were operative aircraft and technical personnel such as pilots, cabin crew, fleet operation administration and maintenance.

Function	31.12.07	31.12.06
Operations - Pilots	376	203
Operations - Cabin Crew	415	238
Operations - Admin	42	29
Technical	120	76
Commercial*	141	135
Administration	102	66
Apprenticies	53	64
Temporary staff in cabin	168	71
Total	1 417	882

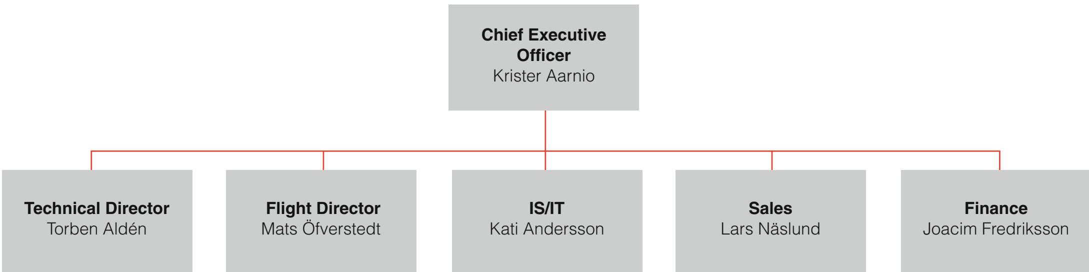
The table shows the development of total employees during the year for The Group. FlyNordic is not included in the 2006 figures.
*Including Call center.



Organizational Structure Norwegian Air Shuttle ASA



Organizational Structure Norwegian Air Shuttle Polska Sp.zo.o



Organizational Structure Nordic Airlink Holding AB

NORWEGIAN AIR SHUTTLE ASA - NORWEGIAN BASES

Norwegian Air Shuttle ASA is the parent company of the Group. The company is based at Oslo, Stavanger, Bergen, Trondheim and also Rygge from February 2008. These bases are controlled directly through the head-office at Fornebu outside Oslo. As of year-end 2007 the company operated 22 Boeing 737-300's and one wet-leased Airbus A320 out of these bases.

Including staff at the head office, the Norwegian bases had a total of 1,013 employees. All operations out of the Norwegian bases are operated under the brand Norwegian.no

NORWEGIAN AIR SHUTTLE POLSKA SP.ZO.O - POLISH BASE

The Group operates two Boeing 737-300 aircraft out of Warsaw, Poland. At year-end 2007, 57 people were permanently employed by Norwegian Air Shuttle Polska Sp.zo.o. A third aircraft will be based at the Polish base during 2008.

NORDIC AIRLINK HOLDING AB- SWEDISH BASE

The fully owned subsidiary Nordic Airlink Holding AB operates eight MD-80 out of Stockholm Airport Arlanda. The airline is currently operating under the brand name FlyNordic, but will be re-branded to Norwegian.se in April 2008. Nordic Airlink Holding AB has its own management and organization. At year end the Swedish operation had 126 employees.

OTHER BUSINESS AREAS

Norwegian Air Shuttle ASA owns 20 % of the shares in the internet based bank BankNorwegian AS through Norwegian Finans Holding ASA. The bank was established to capitalize on the potential for synergies with the airline. The airline's loyalty program Norwegian Reward is run in cooperation with the bank.

Norwegian Air Shuttle ASA also owns 100 % of the shares in the internet based telephone company Call Norwegian, which was established in January 2008. Call Norwegian will be commercialized in the fourth quarter of 2008, offering products such as cell-phone coverage and internet access in the air in cooperation with the airline, further leveraging the Norwegian brand and producing additional ancillary revenue for the airline.

Acquisition of Nordic Airlink Holding AB

Norwegian Air Shuttle ASA acquired the Swedish based, Finnair owned airline Nordic Airlink Holding AB in July 2007. This was a strategic acquisition in order to improve Norwegian's position in the Swedish market, strengthen the route offering between Norway and Sweden and in general obtain a stronger foothold in the European market.

In order to establish a unified and streamlined entity an integration project was started in September 2007. The goal is to coordinate and integrate Norwegian and FlyNordic, leveraging individual strengths and thereby achieving a common operative model with reduced costs and increased competitiveness.

The project is extensive and includes both of the organizations in their entirety, including processes and functions. A common organizational model will be established for all processes and functions where this is deemed profitable or otherwise suitable.

The project was initially planned to be completed in July 2008, but given its strategic importance and key focus, it is now estimated to be concluded by the end of April.


www.norwegian.no
Helge Ingstad
norwegian.no
Sonja Henie
LN-KKJ
norwegian.no

Operations and market development

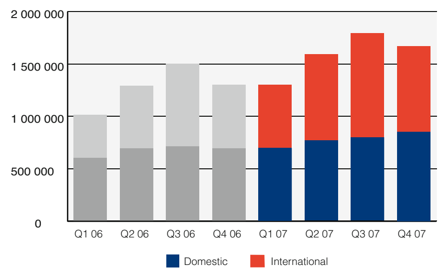
Network

The basic principles behind the network development in Norwegian have been the following:

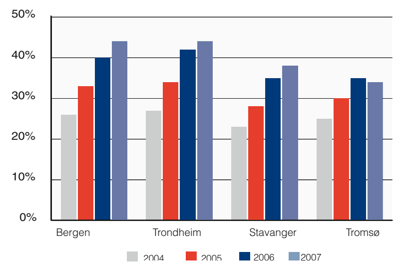
- Growing the major point to point markets on domestic Nordic routes that have been excessively priced or underserved.
- Growing international markets that have been excessively priced or underserved.
- Developing smaller markets through low fares and focus on building tourism to and from the Nordic markets.
- Developing markets out of Poland on routes that have been excessively priced or underserved.
- Maximizing aircraft utilization through effective planning and effective use of bases. The utilization target is 12 block hours per day per aircraft.
- Increase the aircraft utilization by implementing flights at night during peak-periods.
- Replacing important business routes with Mediterranean routes in the mid-summer period.
- Replacing Mediterranean routes with routes to the Alps in the winter.
- Increasing the focus towards destinations with year round interest for the Nordic market – such as the Canary Islands.

In 2007 Norwegian expanded its network extensively, and at year end the Group offered 132 routes to 75 destinations. The number of aircraft operated by the Group has in the same period grown to 33 aircraft.

Passenger Development



Market share on key domestic routes



Passenger development

Approximately 6.9 million passengers travelled with the Group in 2007, of which 0,6 million with FlyNordic (August - December). This is equivalent to an increase of 36 % which reflects the Groups continuous expansion. Intrayear variations in passenger volume are significant as a growing share of the route portfolio is to international destinations, increasing the company's exposure to seasonal fluctuations. Despite seasonality, the quarterly year-on-year growth has been considerable throughout the year.

The Group's position in the Norwegian market improved in 2007. At the end of the year the Group had a market share of 41 % on the largest domestic routes, an increase of 3 percentage points from last year. The Group has plans to expand the domestic route network in 2008.

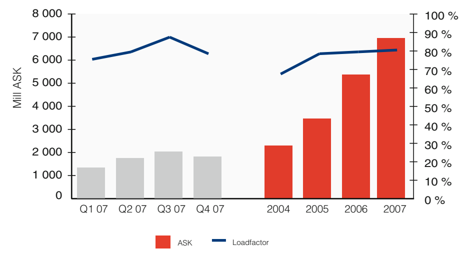
In 2007 Norwegian's passenger traffic (RPK) increased by 38 %, more than absorbing the increase in production (ASK) which rose by 27 %. The load factor was 80 % during 2007, a one percentage point increase from 2006. The domestic load factor was 79 % for the year, an increase of one percentage point. The international load factor was 81 %, a two percentage point increase compared to last year. Norwegian opened a total of 28 new routes in 2007, all of which to international destinations. International production currently constitutes 72 % of total production compared to 67 % in 2006.

Nordic Airlink Holding AB (FlyNordic) produced 602 million ASK and achieved passenger traffic of 473 million RPK during Norwegian Air Shuttle ASA's ownership in 2007. This is equivalent to a load factor of 79 %.

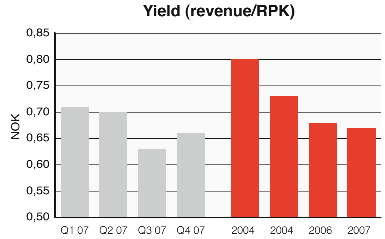
The yield has been constantly declining since the low-cost operations commenced. This is to a large extent due to longer average flying distances, which increased by 4 % in 2007 alone. With an increasing sector length, unit costs are significantly reduced as well. The yield has also been affected by intense competitive pressure on certain routes in the Nordic region from mid-year 2007

As a result of the growing share to international destinations, the yield is increasingly affected by seasonal fluctuations and holiday seasons. The increasing cabin factor partially offsets the decreasing yield.

Load factor and ASK



Yield (revenue/RPK)

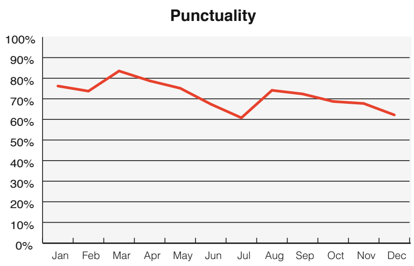


Ground operations and in-flight services

The Group outsources all ground handling services at all destinations. Outsourcing and monitoring is performed by a small team of dedicated staff. In 2007, several ground handling contracts were renegotiated, resulting in more favourable handling contracts for 2008. Investments in automatic loading systems on all Boeing 737-800 aircraft reduce the time and manpower required to load and unload bags, cargo and mail. The result is that the handling cost for the significantly larger Boeing 737-800 remains at approximately the same level as the smaller Boeing 737-300.

At the end of the year a tender process was arranged for the in-flight concept with the aim to make the sales on board even better, further increasing ancillary revenue.

Punctuality

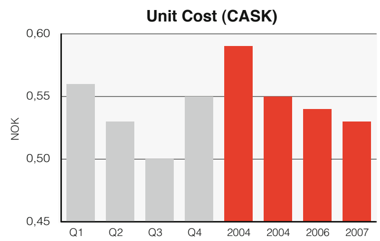


At midyear 2007 the company's punctuality measured in delays exceeding 15 minutes was inadequate. The tight schedule the low cost operation requires amplifies the effects of delays, resulting in further delays to other flights and destinations. The main reasons for delays are usually related to shortage of crew, adverse weather conditions, air traffic congestion or technical issues. However, as Norwegian's punctuality was inferior to the competition, the company identified the handling agent at our main hub at Oslo Airport Gardermoen as the main problem. Immediate action was taken. In November a new handling agent was appointed, and significant improvements were made.

Punctuality is identified as one of the most important attributes for passengers. On-time performance is therefore our main focus. Norwegian aims at being the most punctual airline out of Oslo Airport Gardermoen in 2008.

Operating Costs

As a low cost carrier, the cost base of the Group is under constant analysis by the management. The airline sector is capital intensive, but there are innumerable cost drivers that are company specific and if managed well can provide a competitive advantage.



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

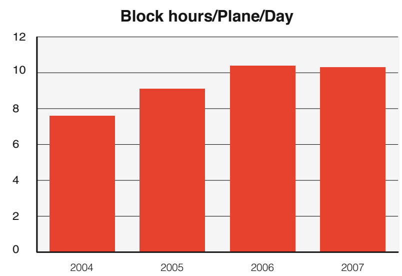
The continuous unit cost focus has resulted in a lower annual unit cost. In 2007 the cost per ASK was 0.53 (0.54 in 2006)

Fixed operating costs

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

FLEET UTILIZATION

An important element in the company's cost strategy is to focus on a uniform fleet of Boeing 737 aircraft. At the end of 2007 the company had 24 such aircraft. A uniform aircraft fleet results in lower costs due to less complex maintenance operations, reduced need for a spares inventory, reduced variation in the type of tools, equipment and infrastructure needed, and a more streamlined and focused administration.

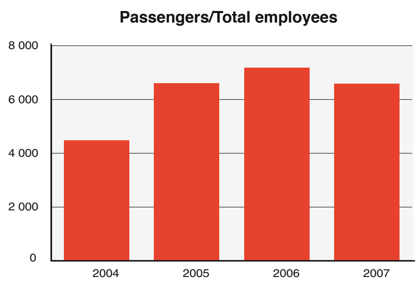


Each aircraft has been utilized for an average of 10.3 hours per day (block hours), compared to 10.4 hours in 2006.

The airline industry is seasonal, with peak-season during summer and off-season during winter. The Group is striving to have as many aircraft as possible operational during the summer season, and perform heavy maintenance during the winter season.

STAFF UTILIZATION AND EFFICIENCY

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



Efficiency is measured as the number of passengers per employee. There is evidence of a positive correlation between staff efficiency and profitability. In 2007 the Group had a relatively stable efficiency ratio.

Staff utilization and efficiency levels were hampered by the need to accommodate the introduction of the Boeing 737-800 in 2007. New crew and ground personnel were hired, and parts of the existing staff were inoperative for training purposes.

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

Variable operating costs

FREQUENCY BASED VARIABLE OPERATING COSTS

Frequency based aircraft operating costs, such as take-off fees, de-icing, maintenance* and ground handling are significantly reduced per ASK when stage length is increased. A longer stage length implies a lower unit cost as the same frequency based cost base is divided over more ASKs. During 2007 the Group has also introduced automated check-in kiosks which reduces administrative costs and makes travel more efficient and desirable for our customers.

TIME BASED VARIABLE OPERATING COSTS

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

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

Fuel is a volatile cost item for the Group. In 2007 the average spot price for Jet-A1 fuel increased by 10 %, increasing costs for Norwegian with only 7 % due to hedging agreements. Entering 2008, the company experiences increased strain on fuel prices. The effect of increasing fuel prices make smaller impact on low cost carriers than legacy carries due to higher passenger capacity on each aircraft and higher load factors. In 2007 the Group entered into purchase and lease agreements for 53 Boeing 737-800s which will reduce unit fuel consumption with around 20-25 % compared to the current fleet. At year end the company had not entered into hedge agreements, but this is being considered on a continuous basis.

Overhead Costs

Overheads are to a large extent attributable to the administration. The Group's headquarter is located at low cost premises at Fornebu outside Oslo, Norway. The fully owned subsidiary Nordic Airlink Holding AB has its administration at Stockholm Airport Arlanda, Sweden.

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

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

Share and Ownership Structure

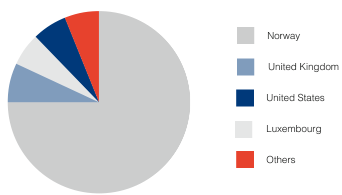
Norwegian Air Shuttle ASA has been listed on the Oslo Stock Exchange (OSE) since December 2003 under the ticker NAS. At the end of 2007 the company had 20,865,526 shares at nominal value NOK 0.1 outstanding. The market capitalization at the end of 2007 was in excess of NOK 3.5 billion.

Ownership Structure

At the end of the year Norwegian Air Shuttle ASA had a total of 1,634 shareholders split between institutional and private investors. Overseas shareholders controlled 25 % of the shares at year-end, compared to 27 % at the beginning of the year. Apart from Norway the largest shareholdings are in the United Kingdom, Luxembourg and the USA with a 7 %, 6 % and 6 % share respectively. During the year the Executive Management and leading employees received 132,500 shares in connection with the company's incentive program. The employee share saving program purchased 7,303 shares to the company's employees. The company did not own any own shares by the end of the year.

Name	Shareholding
HBK Holding AS	15.17 %
BSB Invest AS	14.54 %
Vital Forsikring ASA	6.94 %
Finnair PLC	5.10 %
Ojada AS	4.32 %
DNB Nor Norge	4.04 %
Goldman Sachs Int.	3.76 %
Fidelity Funds-Nordic	3.23 %
Brown Brothers Harri S/A Fidelity Nordic	3.21 %
Ferd AS	2.88 %
Total	63.19 %

Shareholdings per country

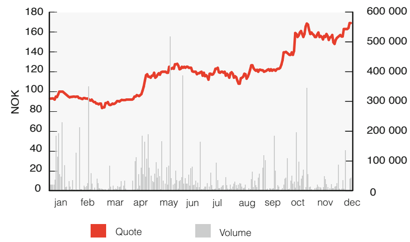


The Share

The share price performed well during 2007 and was at year-end quoted at NOK 169 per share which is an increase of 82 % since the end of 2006. The share is included in the OB-match liquidity Group on the Oslo Stock Exchange. The average daily traded volume in 2007 was 38,399, equivalent to an annual turnover ratio of 0.5.

	2007	2006	YOY Growth
Price 31 December	169.0	93.0	82 %
Average Price	119.2	94.1	27 %
Lowest Price	83.5	74.5	12 %
Highest Price	169.0	119.0	42 %
Annual Turnover	0.5	1.2	-58 %

Share price development and volume



Corporate Governance

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

Norwegian's core values are anchored in simplicity, directness and relevance, but no business conduct within the Group should under any circumstance jeopardize safety, security, punctuality and service.

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

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

BUSINESS

Norwegian's business is clearly defined in paragraph 3 in the articles of association which states that *«The purpose of the company is to conduct commercial flights, other transport and travel related activities. The company can also directly or indirectly engage in other forms of internet based businesses, including activities related to car rental, hotel bookings, payment services, finance, and debit/credit card issuance. Conduct of business as mentioned above may occur through joint ventures, full or partial ownership or in other ways the company finds viable»*.

The Group has within the boundaries laid down in the articles of association clear target and strategies for its business. These are available in this report and from the Group's website www.norwegian.no.

EQUITY AND DIVIDENDS

The Group's equity was as of 31 December 2007 MNOK 508.3 which is equivalent to an equity ratio of 21.8 %. The Board deems this to be adequate taking into consideration the company's strategy and risk profile.

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

The covenants to the bond agreement entered into on 16 April 2007 prohibit dividend payment for the fiscal year 2007, and restrict dividend payment until the Maturity Date of the bond on 19 April 2010.

Due to Norwegian Air Shuttle ASA's high growth rate, competitive position and associated need for flexibility, the General Assembly has decided to deviate from the Norwegian code of practice for corporate governance's recommendations with respect to capital increase. Mandates to increase the company's share capital are granted to the Board of Directors for a two year period, and can be utilized for commercial possibilities and employee incentive programs. The mandate granted to the Board is limited to a 20 % capital increase.

EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

Norwegian Air Shuttle ASA has only one class of shares. In order to maintain flexibility and simplicity, the General Assembly has granted the Board of Directors the authorization to deviate from existing shareholders pre-emptive rights in the case of capital increase, which is limited to 20 % of existing equity in the mandate granted to the Board.

Transactions in own shares are performed in line with what is considered to be good business practice for companies noted on the Oslo Stock Exchange.

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

In cases where members of the Board of Directors or the Executive Management have other direct or indirect material interest in transactions entered into by the company, this is remarked in the notes to the consolidated accounts.

FREELY TRADED SHARES

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

GENERAL ASSEMBLY

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

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

NOMINATION COMMITTEE

Norwegian Air Shuttle ASA has a nomination committee as laid down in the company's articles of association. The articles of association states that the committee shall have four members, and the chairman of the committee is the chairman of the Board. The remaining three members are elected by the General Assembly. The Board recommends that a new nomination committee is elected at the next General Assembly in May 2008. The current composition of the committee currently does not comply with the recommendations from The Norwegian code of practice for corporate governance as CEO Bjørn Kjos is represented in the committee.

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

CORPORATE ASSEMBLY AND BOARD OF DIRECTORS; COMPOSITION AND INDEPENDENCE

Norwegian Air Shuttle ASA has, in agreement with the employee unions and as warranted by Norwegian law, no corporate assembly. The company has instead three employee representatives on the Board of Directors. According to the articles of association the Board must consist of between six and eight members, currently there are eight.

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

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

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

THE WORK OF THE BOARD OF DIRECTORS

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

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

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

The Board of Directors evaluates its performance and expertise annually.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors has started the process of reviewing the company's current framework for internal control and systems for risk management.

REMUNERATION OF THE BOARD OF DIRECTORS

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

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

REMUNERATION OF THE EXECUTIVE MANAGEMENT

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

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

INFORMATION AND COMMUNICATIONS

The Group does all financial reporting according to Norwegian legislation. The financial statements and annual reports are prepared to ensure accountability, transparency and fairness to all stakeholders in the Group.

A financial calendar is prepared and published on the company website and is also distributed in accordance with the rules of the Public Companies Act and the rules applicable to companies listed on the Oslo Stock Exchange.

All information which is distributed to shareholders is also published on the company website. The company has regular investor meetings, public interim results presentations and an investor relations department. The Board considers that these measures enables and ensures continuous informative interaction between the company and the shareholders.

TAKEOVERS

There are no limitations with respect to the purchase of shares in the company. In the event of a take-over bid the Board of Directors will act in the best interest of the shareholders and in compliance with all rules and regulations applicable in such an event. The Board will in the case of a take-over bid refrain from taking any obstructive action unless agreed upon by the General Assembly.

AUDITOR

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

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

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

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

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

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

Annual report

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

Norwegian Air Shuttle ASA owns 100 % of the shares in both the Swedish based low-cost company Nordic Airlink Holding AB (FlyNordic) and Norwegian Air Shuttle Polska Sp.zo.o. The company holds 20 % of the shares in Norwegian Finans Holding ASA.

The Group's headquarters is at Fornebu outside Oslo. In addition, the Group has offices at Oslo Airport Gardermoen and in Tromsø. The technical department is located at Oslo Airport Gardermoen and Stavanger Airport Sola. Nordic Airlink Holding AB has offices at Stockholm Airport Arlanda, and Norwegian Air Shuttle Polska Sp.zo.o is based at Warsaw Airport Fredric Chopin, Poland.

Aircraft security and safety

No incidents that represent significant risks have been registered in 2007. A new EU directive has been issued regarding reportable events, causing an increase in the number of reports the company is required to send to the Civil Aviation Authorities.

The Group has not registered any serious accidents or incidents to either passengers or crew involving aircraft operations since the Group was founded in 1993. In addition, no work place injuries or accidents involving employees or agents representing the airline on the ground have been reported.

It is the opinion of the Board of Directors that a proactive attitude towards prevention of accidents and incidents is of utmost importance. As a consequence an independent flight safety department has been established. Their main task is to work proactively to promote flight safety throughout the organization. Flight safety is covered in the crew's training programs together with training in security related issues. The Civil Aviation Authority approves all programs, examinations and qualification requirements.

In addition to the proactive components of the flight safety program, a Flight Data Monitoring program has been implemented. The flight data recorders are routinely analyzed in order to monitor that aircraft are handled and flown according to existing regulations and limitations. Crew members are also required to utilize a reporting system where irregularities are logged and monitored.

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

Organization, working conditions and environment

At the end of 2007 the Group employed a total of 1,196 permanent staff and 53 apprentices. The number of employees is expected to increase in 2008 in accordance with the Group's planned expansion.

The apprentice program in Norway will continue in 2008. The first apprentices have completed and passed their exams which were carried out in conjunction with Akershus County Council. The labor unions involved with the departmental training programs are actively included in the planning of the apprentices' syllabus.

The important HES activities (Health, Environment and Safety) will continue in accordance with the Labour Law and the Group's guidelines. A new personnel and salary management system has been introduced. The HES activities are included in the new system. The Group has recruited a new employee responsible for HES.

Absence due to sick leave has been reduced in 2007 to an average of 5.7 %. The responsible person for HES and the extended cooperation with the health service Hjelp24 will continue the focus on reducing absence due to sick leave. Various activities will be implemented to help employees get back to work as quickly as possible.

In 2007 the Group employed 58 % men and 42 % women. Among pilots and technical personnel the majority are men. The majority of cabin personnel are still women, but the number of men is increasing. The recruitment in 2007 has led to more women in different leading positions compared to 2006 – an increase of seven women.

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

During 2007 all the local labor unions in the Group are members of central unions. Norwegian is a member of NHO aviation and NHO. As part of the salary review in 2007, negotiations with the central and local unions were successfully concluded and an agreement was reached with all parties.

External environment

The flight operations are inherently dependent on fossil fuels and also generate noise. However, the Group's current aircraft fleet operate within the levels and limitations imposed by national and international regulations. During 2007 the Group consumed approximately 209,000 tons of Jet A-1 fuel.

With regard to environmental issues, it is the Board's opinion that Norwegian must aim to reduce emissions to an absolute minimum. During 2007 Norwegian entered into agreements for the purchase of 42 Boeing 737-800 aircraft and the lease of 11 aircraft of the same type. The Boeing 737-800 is among the most environmentally friendly aircraft available, reducing CO_2 and NOx emissions by 25-30 % compared to the current fleet. The company will also phase out the eight MD-80 aircraft in the fleet during 2009 which will further improve the emissions profile. The company's business model promotes high load factors and higher capacity per flight, which makes the low cost carrier business model the most environmentally viable in the industry.

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

Aircraft maintenance

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

Line maintenance is performed at Oslo Airport Gardermoen, Stavanger Airport Sola, Bergen Airport Flesland, Stockholm Airport Arlanda, and at Warsaw Airport Fredric Chopin.
During 2007 three Boeing 737-300 have entered the fleet. Eight MD-80 aircraft have also entered the fleet through the acquisition of Nordic Airlink Holding AB.

Heavy maintenance, aircraft engine maintenance and component maintenance are subject to tender. In 2007, the Technical Department entered into maintenance contracts of approximately MNOK 1,500 for engine and component maintenance. The contracts have been signed with MTU Germany/China for the 737-300 engine maintenance and with Lufthansa Technik in Germany for 737-300 component maintenance. A component maintenance contract for the Boeing 737-800 has been signed with Boeing. The base maintenance contract with ATC Lasham has been extended for two years. The MD-80's line and base maintenance is performed by Priority Aero Maintenance and SAS Technical Services, component exchange (maintenance) is performed by Priority Aero Maintenance, and engine maintenance is performed by Pratt & Whitney and Aerothrust.

Norwegian Air Shuttle Polska Sp.zo.o

The fully owned subsidiary in Poland has developed positively on a continuous basis since the start-up in 2006. The company consists of one base in Warsaw with two aircraft operating 17 routes. There are plans to increase production in Poland with a third aircraft during 2008. The Polish subsidiary has its own local management, pilots and crew. Norwegian Air Shuttle Polska Sp.zo.o had a net profit of MNOK 2.5 in 2007.

Nordic Airlink Holding AB

Norwegian Air Shuttle ASA acquired the Swedish low cost carrier Nordic Airlink Holding AB (commercially known as FlyNordic) from Finnair in August 2007. From April 2008 FlyNordic will be re-branded to Norwegian. The company will continue to run its operations out of the current base at Stockholm Airport Arlanda. There are ongoing projects to integrate and streamline the two organizations to benefit from the full potential for synergies following the acquisition.

The company's business is subject to seasonal fluctuations, and has its most profitable period during the second and third quarter. During Norwegian Air Shuttle ASA's ownership from August to year-end the company therefore produced a net loss of MNOK 15.7, which is in line with the Board of Directors initial expectations. FlyNordic was profitable during 2007 as a whole.

Norwegian Finans Holding ASA (BankNorwegian)

In November 2007 BankNorwegian started commercial operations. Norwegian Air Shuttle ASA has a 20 % strategic investment in the company. The bank and the airline collaborate on the airline loyalty program, Norwegian Reward, which provides the bank with access to a large customer base and a well known brand.

Significant changes in accounting principles

There have been no changes in the adopted accounting principles. The IFRS accounting principles, as adopted by the EU, have been followed in preparing the financial statements for 2007.

Comments to the income statement

The Group had total operating revenue of MNOK 4,226.2 (2,941.4) in 2007. Compared to last year The Group's total growth in revenue was 44 %. MNOK 4,048.9 (2,879.4) of the revenues are related to passenger transport, while the remaining MNOK 177.2 (62.0) are related to other freight, fees and third-party products. The increase in sales is related to the growth in production by 30 % from 2006 to 2007 in Norwegian Air Shuttle ASA, as well as to the acquisition of Nordic Airlink Holding AB. The Polish and Norwegian operations experienced an overall increase in the cabin factor from 79 % in 2006 to 80 % in 2007. The yield decreased from NOK 0.68 in 2006 to 0.67 in 2007. This is largely due to an increased average sector length of 4 %. From mid-year 2007, certain routes in the Nordic region have shown pressure on yield from increased competition. The improved cabin factor partially offsets the decrease in yield.

The accumulated operating costs (including leasing and excluding depreciation and write-downs) were MNOK 4,018.2 (2,920.8) in 2007. The cost increase is mainly related to the growth in production as well as the effects of the acquisition of Nordic Airlink Holding AB. The accumulated average operating cost per ASK (unit cost) for Norwegian Air Shuttle ASA isolated was NOK 0.53 (0.54) in 2007. The Group achieved a relative cost reduction due to better utilization of assets and personnel, more advantageous contracts, more efficient sale and distribution channels, longer average sector length, and other cost reducing measures. The effect of the increased fuel price during the year has been somewhat balanced by the reduction of the exchange rate of NOK/USD, as much of the Group's operating costs are denominated in USD.

Net profit before depreciation and write-down (EBITDA) for the Group was MNOK 208.0 (20.6) in 2007.

In 2007 the Group started Bank Norwegian which is 100 % owned by Norwegian Finans Holding ASA where the Group has a 20 % ownership. The Group's share of the bank's net loss, as well as a gain on the dilution of ownership during the year, resulted in a net a gain of MNOK 9.0 in the consolidated profit and loss.

The accounting principles applied to foreign exchange hedges has led to a cost of MNOK 32.6. This is due to inefficiencies in the hedge of USD in connection to the purchase of 42 new Boeing 737-800. The cost is accounted for in net financial items.

Earnings before tax in 2007 was MNOK 113.0 (-31.7) and earnings after tax was MNOK 84.6 (-22.0).

Comments to the balance sheet and cash flow statement

The Group's total assets increased with MNOK 1,269.2 to MNOK 2,331.1 by the end of 2007, as a result of the substantial production increase, as well as the acquisition of Nordic Airlink Holding AB. Total assets acquired, including fair value adjustments and goodwill, was MNOK 442.9. Prepayments on the Boeing purchase contract further contribute to the asset increase with MNOK 316.5.

The Group issued in April 2007 a three year interest bearing bond to finance the expansion of operations. As of 31 December 2007, the Group is in compliance with the bond covenants.

At the balance sheet date, the Group had a cash balance of MNOK 501.4 (231.7). Short term placements in money market funds are included in the cash balance. Net interest bearing assets was MNOK 203.7 (231.7).

Net cash flow used for investment purposes was MNOK 532.6 (245.3), of which the prepayments for the Boeing contract constitute MNOK 316.5. An upgrade of leased aircraft and investments in the Group's IT systems was MNOK 70.8 (245.0), while the investment in shares, including Norwegian Finans Holding ASA (BankNorwegian) was MNOK 56.5.

The investments were partly financed by the bond issue of MNOK 297 (net of transaction costs), and share issue of MNOK 9.4. The Group had a positive cashflow from operations of MNOK 457.9 (75.6) in 2007. The difference between net profit and cash flow from operating activities is mainly caused by depreciations and an increase in traffic settlement liability.

Net inflow from the acquisition of FlyNordic was MNOK 126.0. The Group also placed MNOK 215.0 of available funds in a bond, placed as security for the Group's foreign exchange hedging liabilities.

The Group has a relatively high variation in liquidity due to seasonal changes in activity and ticket sales. The Group has a strong focus on liquidity planning and the Board is confident in the Group's financial position at the beginning of 2008.

The Group had total equity of MNOK 508.3 (260.7) by 31 December and an equity ratio of 22 % (25 %). The Group made two share issues totalling MNOK 136.0 in 2007. In addition, the periods cost of the stock option plan is booked to the equity. The fair value of options issued as consideration for the FlyNordic acquisition increased equity by MNOK 29.5.

Risk

The Group is exposed to different types of risk factors, including risk of increased competition, operational incidents and accidents, financial risk, credit and liquidity risk. There is a high degree of competition within the aviation industry today. The entrance of new parties in the Group's already established network of routes would amplify the competition, and could possibly lead to price pressure. The Group's focus is on the cost base in order to be prepared for future competition.

The Group's activity is by nature exposed to different incidents that can affect operations, such as technical incidents or serious accidents, which can lead to shutdown, which again can lead to high costs and loss of reputation. Operations are also influenced by external circumstances, such as air traffic controllers going on strike, resulting in higher costs and the Group loosing its reputation.

The Group has a significant exposure to USD and EUR as well as to fluctuations in the price of jet fuel. The Board has granted the management authority to utilize financial instruments to limit exposure to both jet fuel and currency fluctuations. By the end of the year, the Group had no term contracts to cover fuel exposure for 2008. Term contracts on foreign currency cover approximately 70 % of expected exposure in USD and 22 % of expected exposure in EUR in 2008.

There is limited credit risks to the Group's operations, as the main part of the outstanding claims are with credit card companies, which represents a minor credit risk. Travel agencies account for a small share of sales, representing a moderate credit risk.

Management monitors rolling forecasts of the Group's liquidity reserve and cash and cash equivalents on the basis of expected cash flow. The Group's cash management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these; monitoring balance sheet liquidity ratios against internal and external regulatory requirements; and maintaining debt financing plans.

Corporate Governance

Norwegian Air Shuttle ASA's principles for corporate governance are primarily based on the Norwegian code of practice for corporate governance dated 28 November 2006. The code of practice harmonizes with international recommendations to a large extent. A comprehensive description of the Group's corporate governance principles can be found in the Group annual report.

Prospects for 2008

The demand for travel with Norwegian and advanced bookings has been satisfactory entering 2008. Norwegian's growth in traffic has been higher than the capacity increase resulting in higher load factors compared to last year. Norwegian has executed several sales and marketing campaigns that have been well received by the market, and continue to attract customers to the continuously growing route portfolio.

The new routes that were introduced in the fourth quarter have been well received by the market. The routes to Tenerife, Las Palmas and Marrakech have achieved good load factors during the first few months of operation.

The Group has ambitions to increase production by 50 % in 2008. The increasingly larger share of international destinations in the route portfolio is expected to result in increased seasonal fluctuations for the Group's quarterly results in 2008. The first quarter of 2008 is also expected to be negatively influenced by the opening of 16 new routes from Rygge Airport and this year's early Easter holiday.

The Group forecasts a reduction in yield in 2008. The reduction is due to a longer average sector length combined with expectations that the competitive environment will remain aggressive in the Nordic region.

Norwegian's loyalty program, Norwegian Reward, has been well received in the market and is expected to both strengthen demand and contribute positively to the yield on international routes.

The Warsaw base continues to mature and improve, however the base is not expected to be profitable in 2008 as capacity is added and another aircraft introduced to the base later this year.

Norwegian is well under way with the integration process of key functions between Nordic Airlink Holding AB and the parent company. The Group expects to realize synergies and increase efficiency throughout 2008. From April 2008 the companies will operate under the same brand.

Allocation of the year's result

Net profit for Norwegian Air Shuttle ASA was MNOK 96.9, which the Board propose is transferred to retained earnings.

The Board recommends no dividend distribution for the 2007 operating year in accordance with the company corporate governance policies.

As of 31 December 2007, the company had MNOK 54.2 of free equity.

In compliance with the Norwegian Accounting Act § 3-3, these annual accounts are prepared on the basis of continued operations.

Fornebu 31 March 2008

Erik G. Braathen (Chairman of the Board)	Bjørn H. Kise (Deputy Chairman of the Board)
Ola Krohn-Fagervoll	Liv Berstad
Marianne Wergeland Jenssen	Monika Johansen (employee representative)
Halvor Vatnar (employee representative)	Sissel Vårum (employee representative)

Bjørn Kjos
(Managing Director)

Consolidated Income Statement

NOTES	NOK 1 000	2007	2006	2005
3	Revenue	4 226 202	2 941 400	1 972 246
	Total operating revenues	**4 226 202**	**2 941 400**	**1 972 246**
5	Operational expense	3 171 818	2 368 636	1 504 338
6,7,17,18	Payroll and other personnel expenses	622 189	412 940	298 223
10,11	Depreciation and amortization	74 044	51 070	29 316
	Other operating expenses	224 200	139 264	111 091
	Total operating expenses	**4 092 251**	**2 971 910**	**1 942 968**
	Operating profit	**133 951**	**-30 510**	**29 278**
8	**Net financial items**	**-29 949**	**-1 196**	**9 657**
26	**Share of profit (loss) from associated company**	**-1 821**	**0**	**0**
26	**Gain from sale of subsidiary**	**10 800**	**0**	**0**
	Profit (loss) before tax	**112 982**	**-31 706**	**38 935**
9	Income tax expense (income)	28 402	-9 709	10 955
	PROFIT (LOSS) FOR THE YEAR	**84 580**	**-21 997**	**27 980**
16	Basic earnings per share	4.19	-1.14	1.53
16	Diluted earnings per share	4.06	-1.14	1.53

Consolidated Balance Sheet

NOTES	NOK 1 000	2007	2006
	ASSETS		
	Non-current assets		
10	Intangible assets	232 407	33 243
9	Deferred tax assets	61 317	96 597
11	Aircraft, parts and installations on aircraft	209 820	214 419
11	Equipment and fixtures	24 313	14 025
11	Buildings	3 933	0
20	Financial assets available for sale	10 004	0
26	Investment in associate	53 516	0
20	Hedged item - firm commitments	128 031	0
11	Prepayment Boeing contract	316 546	0
13	Other receivables	28 507	8 819
	Total non-current assets	**1 068 393**	**367 103**
	Current assets		
14	Inventory	28 000	19 341
13	Trade and other receivables	491 543	443 492
20	Financial assets available for sale	215 758	0
20	Derivative financial instruments	7 771	298
20	Hedged item - firm commitments	18 222	0
24	Cash and cash equivalents	501 410	231 710
	Total current assets	**1 262 705**	**694 841**
	TOTAL ASSETS	**2 331 098**	**1 061 944**
	EQUITY AND LIABILITIES		
	Equity		
15	Share capital	2 087	1 967
15	Share premium	408 277	271 934
15	Other paid-in equity	32 753	1 709
15	Retained earnings	65 156	-14 883
	Total equity	**508 273**	**260 727**
	Non-current liabilities		
18	Pension liabilities	33 310	30 794
19	Provision for periodic maintenance	101 042	81 734
9	Deferred tax liabilities	19 470	0
20	Derivative financial instruments	154 333	0
22	Borrowings	297 697	0
	Total non-current liabilities	**605 853**	**112 528**
	Short term liabilities		
21	Trade and other payables	644 837	395 850
	Air traffic settlement liabilities	536 548	291 795
20	Derivative financial instruments	34 375	1 014
9	Tax payable	1 212	30
	Total short term liabilities	**1 216 972**	**688 689**
	Total liabilities	**1 822 825**	**801 217**
	TOTAL EQUITY AND LIABILITIES	**2 331 098**	**1 061 944**

Erik G. Braathen (Chairman of the Board) — Bjørn H. Kise (Deputy Chairman of the Board) — Ola Krohn-Fagervoll — Liv Berstad — Marianne Wergeland Jenssen

Monika Johansen (employee representative) — Halvor Vatnar (employee representative) — Sissel Vårum (employee representative) — Bjørn Kjos (Managing Director)

Consolidated statement of changes in Equity

NOK 1 000	Share capital	Share premium	Other paid-in equity	Total paid-in equity	Retained earnings	Total equity
Equity at 1 January 2006	**1 809**	**157 099**	**423**	**159 331**	**-17 746**	**141 585**
Share issue 2006	130	119 470		119 600		119 600
Expenses for share issue 2006, net of tax		-4 635		-4 635		-4 635
Sale of own shares			28	28	24 87024 898	
Stock Option programme 2006			1 286	1 286		1 286
Currency translation differences					-10	-10
Net loss for the year					-21 997	-21 997
Equity 31 December 2006	**1 967**	**271 934**	**1 709**	**275 610**	**-14 883**	**260 727**
Equity at 1 January 2007	**1 967**	**271 934**	**1 709**	**275 610**	**-14 883**	**260 727**
Share issue 2007	106	127 021		127 128		127 128
Expenses for share issue 2007, net of tax		-90		-90		-90
Stock options - share issue	13	9 412		9 425		9 425
Option issue for FlyNordic acquisition			29 485	29 485		29 485
Stock Option programme 2007			1 558	1 558		1 558
Currency translation differences					-4 540	-4 540
Net profit for the year					84 580	84 580
Equity 31 December 2007	**2 087**	**408 277**	**32 752**	**443 117**	**65 156**	**508 273**

Consolidated Cash Flow Statement

NOTES	NOK 1 000	2007	2006
	CASH FLOWS FROM OPERATING ACTIVITIES:		
	Operating profit	133 951	-30 510
9	Taxes paid	-738	-163
10,11	Depreciation, amortization and write-down	74 044	51 070
	Pension expense without cash effect	2 516	307
	Other non cash items	1 963	0
8	Interest income	40 901	10 047
8	Interest expense	-70 849	-11 243
	Change in inventories, accounts receivable and accounts payable	32 153	-1 887
	Change in air traffic settlement liabilities	156 343	73 102
	Change in other current assets and current liabilities	87 648	-15 161
	Net cash flow from operating activities	**457 931**	**75 563**
	CASH FLOWS FROM INVESTING ACTIVITIES:		
11	Prepayments Boeing contract	-316 546	0
11	Purchase of tangible assets	-56 785	-229 930
10	Purchase of intangible assets	-14 030	-15 029
4	Net cash from aquisitions	126 246	0
	Investments in shares and bonds	-271 504	-298
	Net cash flow from investing activities	**-532 619**	**-245 257**
	CASH FLOWS FROM FINANCIAL ACTIVITIES:		
22	Proceeds from long term debt	297 000	0
	Proceeds from issuing new shares	9 425	114 993
	Proceeds from sale of own shares		24 871
	Net cash flow from financial activities	**306 425**	**139 864**
	Foreign exchange effect on cash	-2 025	-8
	Net change in cash and cash equivalents	229 711	-29 838
	Cash and cash equivalents at 1 January	174 248	204 086
24	**Cash and cash equivalents at 31 December**	**403 959**	**174 248**
24	Cash and cash equivalents in balance sheet	501 410	231 710
	Restricted funds	97 451	57 462
	Cash in cash flow statement	403 959	174 248

Notes to Consolidated Accounts

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 General information

The consolidated financial statements of Norwegian Air Shuttle ASA for the year ended 31 December 2007 were authorised for issue in accordance with a resolution of the directors on 31 March 2008. Norwegian Air Shuttle ASA is a public limited company, incorporated in Norway and headquartered in Oslo. The Company stocks are listed on the Oslo Stock Exchange.

1.2 Basis for preparation

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

Standards, amendment and interpretations effective in 2007

IFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements – Capital disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group's financial instruments, or the disclosures relating to taxation and trade payables.

IFRIC 8, 'Scope of IFRS 2', requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2. This standard does not have any impact on the Group's financial statements.

IFRIC 10, 'Interim financial reporting and impairment', prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Group's financial statements.

Standards, amendments and interpretations early adopted by the Group

IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed.

Standards, amendments and interpretations effective in 2007 but not relevant

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the Group's operations:

Revised guidance on implementing IFRS 4, 'Insurance contracts';

IFRIC 7, 'Applying the restatement approach under IAS 29, Financial reporting in hyper-inflationary economies'; and

IFRIC 9, 'Re-assessment of embedded derivatives'.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods, but the Group has not early adopted them:

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

IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group will apply IFRIC 14 from 1 January 2008, but it is not expected to have any impact on The Group's accounts.

IFRIC 13, 'Customer loyalty programmes' (effective from 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. The standard is not expected to have a material impact on the consolidated financial statements.

Interpretations to existing standards that are not yet effective and not relevant for the Group's operations.

The following interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods but are not relevant for the Group's operations:

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

1.3 Foreign Currency translation

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of transaction.

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

1.4 Basis of consolidation

The Group's consolidated financial statements comprise Norwegian Air Shuttle ASA, and its fully owned subsidiaries Norwegian Air Shuttle Polska Sp.zo.o. and Nordic Airlink Holding AB. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

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

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

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

An associate is an entity in which the Group has a significant influence but does not control the management of its finances and operations (normally when The Group owns 20 %-50 % of the company). The consolidated financial statements include the Group's share of the profits/losses from associates, accounted for using the equity method, from the date when a significant influence is achieved and until the date when such influence ceases.

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

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

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

1.5 Critical accounting estimates and judgements

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

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

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

The Group tests annually whether goodwill and other intangible assets with indefinite lives, has suffered any impairment, in accordance with the accounting policy stated in note 1.12. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (note 10).

1.6 Trade receivables

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

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

1.7 Inventory

Inventory of spare parts are carried at the lower of acquisition cost and net realizable value. Inventory is measured using the FIFO principle. Obsolete inventory have been fully recognised as impairment losses. Inventory is consumed during maintenance and overhaul of the aircraft, and is expenses when consumed.

1.8 Tangible assets

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

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

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

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

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

The depreciation period and method are assessed each year to ensure that the method and period used harmonise with the substance of the non-current asset. The residual value is estimated at each year end, and changes to the residual value are accounted for prospectively.

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

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

Leases for which most of the risk rest with the other contracting party, are classified as operating leases. Operating lease payments are 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.

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

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

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables, cash and cash equivalents and borrowings in the balance sheet (note 13, 24 and 22 respectively).

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

Regular purchases and sales of financial assets are recognised on the trade-date – the date on 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 transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at 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' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), The Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

1.11 Derivative financial instruments
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates its derivatives as hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge).
The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.
The fair values of various derivative instruments used for hedging purposes are disclosed in note 20. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

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

Derivatives at fair value through profit or loss
The Group is exposed to market risks such as currency exchange rates, interest rates and Jet Fuel prices. In order to minimize the effect of these risks (on profit and loss, cash flows and equity), the Group applies derivative financial instruments such as forward exchange contracts and forward fuel contracts.
In 2007, the Group entered into an agreement to purchase three used Boeing 737-300 aircraft, to be delivered in first half of 2008. To minimize the risk in acquisition value, the purchase price is secured with forward foreign exhange contracts.

The fair value of these derivative contracts are calculated by reference to current forward rates for contracts with similar maturity profiles. Thus, the fair value of forward exchange contracts changes in response to changes in interest rates and foreign exchange rates. The fair value of forward fuel contracts changes in response to changes in a price index.
Changes in the fair value of any of these derivative instruments are recognised immediately in the income statement with the operating costs the derivative is designated to hedge, as the derivatives do no qualify for hedge accounting. Changes in the fair value of the forward exchange contracts connected to the aircraft purchase, is recognized as other gains and loss in other operating expenses.

All derivatives are entered into with the intention of minimizing risk.

1.12 Intangible assets
Computer software
Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to five years).
Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include the software development employee costs and an appropriate portion of relevant overheads.
Computer software development costs recognised as assets are amortised over their estimated useful lives (not exceeding five years).

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

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

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Group allocates goodwill to the FlyNordic business unit (note 4).

Other intangible asset
Other intangible assets are related to the acquisition of Nordic Airlink Holding AB on 31 July 2007. Other intangible assets consist of estimated fair value of Brand name, charter operations, slots and the Air Operating Certificate (AOC). All assets, except charter operations are determined to have indefinite economic life, and is therefore not amortized, but are subject for annual impairment testing.

The determination of indefinite economic lives, is based on managements assessment that there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity. The brand name, slots and Air Operating Certificate are all rights or accesses that do not expire over time, as long as management has the intention to continue use.

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

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

1.14 Provisions
General
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 embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. 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.

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

1.15 Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any 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 balance sheet date. For details for capitalization of borrowing costs, see details in note 11.

1.16 Equity
(i) Share capital
The share capital comprises the number of shares multiplied by their nominal value, and are classified as equity.

(ii) Costs of equity transactions
Transaction costs relating to an equity transaction are recognised directly in equity after deducting tax expenses. Only transaction costs directly linked to the equity transaction are recognised directly in equity.

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

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

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

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

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

1.18 Cash and cash equivalents
Cash and cash equivalents include cash in hand and at banks and short term deposits with an original maturity of three months or less. Included in cash and cash equivalents in the balance sheet is restricted funds from withheld employee tax, and deposits pledged as collateral for leasing liabilities and credit from fuel suppliers.

Receivables from credit card companies are classified as trade receivables.

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

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

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

The defined benefit liability 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 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.

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

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

Employee share purchase savings program
Norwegian Air Shuttle ASA has implemented a share purchase savings program for the employees, where the employees, by deductions in salary, purchase shares in the company, and the company will fund up to 50 % of the purchased shares, limited to NOK 3,000/year. In addition the company will distribute bonus shares depended on the total amount of purchased shares per employee.

The cost for the company is included in personnel costs. The distribution of bonus shares is accounted for in accordance with IFRIC 11, where the fair value of the share distribution is recognized as an expense over the expected period until settlement.

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

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

Deferred income tax liabilities are 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 utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet 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 to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax assets and deferred income tax liabilities are offset to the extent that offsetting can be done.

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

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

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

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

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

A contingent asset is not recognised in the annual financial statements, but is stated in the notes if there is a certain level of probability that a benefit will accrue to The Group.

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

1.23 Events after the balance sheet date
New information on the Group's positions at the balance sheet date is taken into account in the annual financial statements. Events after the balance sheet date that do not affect the company's position at the balance sheet date but which will affect the Group's position in the future are stated if significant.

NOTE 2 FINANCIAL RISK

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

In 2007, if NOK had weakened/strengthened by 1 % against the US dollar with all other variables held constant, pre-tax profit for the year would have been MNOK 16.8 (2006: MNOK 11.9) higher/lower, mainly as a result of foreign exchange gains/losses on operating costs.

If NOK had weakened/strengthened by 1 % against EUR with all other variables held constant, pre-tax profit for the year would have been MNOK 5.3 (2006: MNOK 3.7) higher/lower, mainly as a result of foreign exchange gains/losses on operating costs.

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

Interest rate risk
As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. In March 2007 the Group did an unsecured bond issue with a floating interest rate. Leasing contracts have fixed interest rate.

In 2007, if floating interest rate (NIBOR) had been 1.0 % higher/lower with all other variables held constant, pre-tax profit for the year would have been MNOK 5.24 (2006: 3.89) lower/higher, mainly as a result of higher/lower interest income on floating rate cash and cash equivalents and borrowings.

Fluctuations in oil 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 Group manages the risk by periodically purchasing fuel derivatives. The management has a mandate to hedge up to 100 % of its expected consumption next 12 month with financial instruments.

In 2007, if the fuel price had increased/decreased by 1 % with all other variables held constant, pre-tax profit for the year would have been MNOK 8.7 (2006: MNOK 5.4) higher/lower.

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 personal customers are settled in cash or using major credit cards.
The Group is somewhat exposed to credit risk due to invoicing of sales and re-invoicing of costs. Additionally, there are some risks of missing settlements when selling blocked space to our code share partners, but this risk is kept at a minimum since Norwegian Air Shuttle ASA is also purchasing blocked seats with the same code share partners. There are re-invoicing of maintenance costs on aircraft to leasing companies, and Norwegian regularly evaluates and assesses the value of these credits.

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

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

Capital risk management
The Group's policy to capital management is to have a capital structure suitable to the demands on operations, reducing cost of capital, risk factors in the industry, company specific risk and future investments planned by the Group. The Group will at all times adjust debt and equity to maintain/secure optimal capital structure by continously montioring the gearing ratio of the Group. At present, the Group asseses the capital structure to be reasonable, equity ratio per 31 December 2007 was 21.8 %.

NOTE 3 SEGMENT INFORMATION

All revenues derive from the Group's principal activity as an airline and include scheduled services, in-flight and related sales. The operations are based in Norway and Poland, and in august 2007, the Group acquired Nordic Airlink Holding AB (FlyNordic), based in Stockholm, Sweden.
The Group's operating profit arise from airline-related activities and the only revenue earning assets of the Group are its aircraft fleet, which is registered in Norway and in Sweden. The Norwegian aircraft fleet is employed flexibly across the Norwegian and Polish operation. There is no suitable basis of allocating these assets and related liabilities to segments other than Norwegian operations and Swedish operations. The Group's only segment is therefore geographical.

NOK 1 000	2007	2006
Revenue		
Norway (external revenue)		
Passenger transport	3 728 963	2 879 431
Other airline-related revenues	177 280	61 969
Total Norway	**3 906 243**	**2 941 400**
Sweden (external revenue)		
Passenger transport	319 959	
Other airline-related revenues		
Total Sweden	319 959	-
Total Group	**4 226 202**	**2 941 400**
Internal revenue		
Norway	47 604	
Sweden	12 474	

Operating profit	2007	2006
Norway	161 141	-30 510
Sweden	-27 190	
Total Group	**133 951**	**-30 510**
Profit/loss associated company, Norway	-1 821	
Gain from sale of subsidiary, Norway	10 800	

Assets	2007	2006
Norway	2 201 580	1 061 944
Sweden (including fair value adjustments)	353 564	
Group eliminations	-224 047	
Total Group	**2 331 098**	**1 061 944**

Liabilities	2007	2006
Norway	1 670 821	801 217
Sweden (including fair value adjustments)	174 026	
Group eliminations	-22 022	
Total Group	**1 822 825**	**801 217**

Investments in intangible and tangible assets	2007	2006
Norway	70 700	244 959
Sweden	116	
Total Group	**70 815**	**244 959**

Depreciations	2007	2006
Norway	67 426	51 070
Sweden (including depreciation on fair value adjustments)	6 618	
Total Group	**74 044**	**51 070**

Cash flow	2007	2006
Norway		
- Net cash flow from operating activites	510 754	75 563
- Net cash flow from investment activities	-532 504	(245 257)
- Net cash flow from financing activities	306 425	139 864
Net change in cash and cash equivalents	284 676	(29 830)
Sweden		
- Net cash flow from operating activites	-52 823	
- Net cash flow from investment activities	-116	
- Net cash flow from financing activities		
Net change in cash and cash equivalents	-52 939	
Effect of exchange rate on cash	-2 025	(8)
Total Group net change in cash an cash equivalents	**229 711**	**-29 838**

Revenue by geographic market	2007	2006
Norway	1 784 828	1 471 852
Sweden	166 819	-
Other EU/EEA countries	2 274 555	1 469 548
Total Group	**4 226 202**	**2 941 400**

NOTE 4 BUSINESS COMBINATIONS

At 31 July 2007, the Group purchased 100 % of the shares in Nordic Airlink Holding AB (FlyNordic), from Finnair Plc. The shares were purchased for TNOK 199.811 Flynordic is based on Stockholm Airport Arlanda Sweden. The company operates 8 MD-80 aircraft which are operated under a Swedish Air Operating Certificate. All aircraft are leased under operational leases. The main activity of the company is low cost passenger transport by air on fixed routes, transporting approximately 110 000 passengers per month. In addition to operating regular passenger airline routes, the company had an increasing charter operation.
The provisional purchase price allocation determines total fair value adjustments of TNOK 175,310 related to brand name, charter operations, Air Operating Certificate and air traffic slots. Only charter operation fair value adjustment is time limited, and is amortized over economic life, estimated to 15 months.
The amount of purchase price less fair value adjustment is assumed to be the value of workforce, the value of entering the Swedish market and expected profits from synergies with Norwegian Air Shuttle ASA, and is classified as goodwill. Goodwill and the fair value adjustments with indefinite lives are not amortized, but tested annually for impairment.

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

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

Purchase price allocation NOK 1 000	Book value at acquisition date	Fair value adjustment	Book value 2007
Brand name		27 606	27 606
Charter		22 772	22 772
AOC		16 169	16 169
Air traffic slots		23 269	23 269
Goodwill	12 010	-12 010	
Tangible assets	907		907
Financial assets	3 073		3 073
Trade receivables	80 713		80 713
Other receivables and prepaid costs	21 763		21 763
Cash and cash equivalents	127 331		127 331
Total assets	245 795	77 805	323 600
Deferred tax related to fair value adjustments		-21 785	-21 785
Provisions	-1 885		-1 885
Trade liabilities	-86 410		-86 410
Other short term liabilities	-132 999		-132 999
Total equity and liabilities	-221 294	-21 785	-243 079
Net identified assets and liabilities	**24 501**	**56 020**	**80 521**
Goodwill		119 290	
Purchase price			**199 811**

Reconciliation of goodwill	
Implicit goodwill, including value of workforce	97 504
Goodwill related to deferred tax	21 785
Total goodwill as of date of acquisition	119 290
Paid in cash *)	-1 085
Cash in acquired subsidary	127 331
Net cash in	126 246

*) Additional TNOK 42 113 to be paid in Januar 2008 and December 2008 for pro et contra and charter earn out, respectively

If the acquisition had taken place on 1 January 2007, the Group's total revenue would have been MNOK 4,767.7, and total operating profit MNOK 157.2.

NOTE 5 OPERATIONAL EXPENSES

NOK 1 000	2007	2006
Sales and distribution expenses	94 162	92 889
Aviation fuel	990 741	703 872
Aircraft leases	296 400	180 277
Airport charges	601 780	417 942
De-icing expenses	38 080	26 661
Handling charges	404 275	306 825
Technical maintenance expenses	412 837	306 333
Blocked space	109 826	175 803
Other operational expenses	223 717	158 034
Total operational expenses	**3 171 818**	**2 368 636**

NOTE 6 PAYROLL EXPENSES AND NUMBER OF EMPLOYEES

Payroll expenses

NOK 1 000	2007	2006
Wages and salaries	462 575	315 228
Social security tax	78 454	47 372
Pension expenses	55 966	35 379
Employee stock options	1 559	1 989
Other benefits	23 635	12 972
Total	**622 189**	**412 940**

The employees in Norway are members of the companys defined benefit pension plan, while the employees in Sweden are members of a defined pension contribution plan. See note 18 for details.

Number of man-labour years

	2007	2006
Norway	966	693
Sweden	126	-
Poland	51	18
Total	**1 143**	**711**

NOTE 7 REMUNERATION TO THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

Board and Management Remuneration

Remuneration to the Board of Directors

Total remuneration paid to the Board in 2007 was TNOK 680. The Chairman of the Board, Erik Gunnar Braathen, received TNOK 150. There were no bonus or other form of compensation paid to the Board members in 2007.

Directive of remuneration to the CEO and Executive Management team

The principles for leadership remuneration in Norwegian Air Shuttle ASA is to stimulate to a strong and lasting profit oriented culture. The total compensation level should be competitive, however, not market leading compared to similar organizations. The Board defines the remuneration to the CEO, and the guidelines for remuneration to the other Executive Management. The remuneration to the Board and management team must not have negative effects for the Group, nor damage the reputation and standing of the Group in the public eye. There has been no changes in the guidelines or principles for management remuneration during the year. The actual remuneration in 2007 were consistent with the guidelines and principles. In addition, key management personnel has received compensation related to their participation in launching Bank Norwegian. However, the cost to Norwegian has been recovered in full.

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

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

The management team is part of the Group's collective pension plan for salary up to 12 G, which applies to all employees.

The senior management have no special rights in the event of termination of employment.

Total compensation for the year 2007

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

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

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

Total compensation year 2006

NOK 1 000	Fee	Salary	Bonus	Stock option cash comp.	Other benefits **)	Total compensation	Pension expenses
The Board of Directors							
Erik Gunnar Braathen (chairman)	150					150	
Bjørn Kise (deputy chairman)	125					125	
Berit Slåtto Neerbye	100					100	
Liv Berstad	100					100	
Ola Krohn-Fagervoll	100					100	
Halvor Vatnar*)	35					35	
Kari-Helene Mordt Fjær*)	35					35	
Frode Husan*)	35					35	
Total Board of Directors	**680**	**0**	**0**	**0**	**0**	**680**	**0**
Executive Management							
Bjørn Kjos (CEO)		1 179			115	1 294	119
Frode Foss (CFO)		967			197	1 164	87
Asgeir Nyseth (COO, from 1 June)		426			21	447	67
Hans-Petter Aanby (CTO)		772	198	446	85	1 501	105
Gunnar Martinsen (DHR)		597			15	612	87
Anne Grete Ellingsen (DCC)		804			17	821	115
Total Executive Management	**0**	**4 745**	**198**	**446**	**450**	**5 839**	**580**

*) For the employee representatives in the Board of Directors, only their fee for serving on the Board of Directors fee is stated.

**) Other benefits include company car, telephone, internet etc.

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

Auditor remuneration (ex. VAT)

	2007	2006
Audit fee	1 104	351
Other audit related services	1 039	
Tax advisory	67	35
Other services	80	129

NOTE 8 FINANCIAL ITEMS

NOK 1 000	2007	2006
Interest income	21 826	6 797
Interest expense	-19 140	-609
Foreign exchange loss or gain	-16 380	-10 634
Appreciation cash equivalents	18 394	3 834
Fair value adjustment long term deposits	681	198
Hedge inefficiency	-32 647	
Other financial items	-2 683	-782
Net financial items	**-29 949**	**-1 196**

Foreign exchange derivatives that are treated as economic hedges with fair value adjustment over profit and loss, are recognized at fair value and changes in value is recognized as leasing costs.

Foreign exchange derivatives designated to the purchase of three used Boeing 737-300 aircraft are recognized at fair value, and adjustment in fair value is recognized as other gains and losses within other operating expenses.
Fuel derivatives are recognized at fair value and changes in fair value is recognized in profit and loss as fuel costs.

Investments in money marked funds is classified as cash equivalents according to IAS 7.7, and changes in fair value is recognized as financial income or loss.

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

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

NOTE 9 TAX

This year's tax expense consists of:

NOK 1 000	2007	2006
Tax payable	1 212	193
Tax paid in current year on current year income	738	0
Tax payable in aquisition	-8 864	0
Change in deferred tax	35 316	-9 902
Income tax expenses	**28 402**	**-9 709**

Reconciliation from nominal to effective tax rate:

NOK 1 000	2007	2006
Profit before tax	112 982	-31 706
This year's profit before tax	112 982	-31 706
Expected tax expense using nominal tax rate (28 %)	31 635	-8 878
Tax effect of the following items:		
Non deductible expenses	356	-1 172
Non taxable revenue	2 994	155
Tax rate outside Norway other than 28 %	-170	197
Other items	-424	299
Tax expense	28 402	9 709
Effective tax rate	25.14 %	30.62 %

Deferred tax asset:		
NOK 1 000	2007	2006
Tangible assets	4 678	1 114
Financial instruments	9 711	-2
Tax effect of expensing trademark development		215
Receivables	4 834	2 902
Gain/loss account	55	69
Provisions	24 413	22 997
Pensions	9 327	8 623
Tax loss carry forward	8 263	60 678
Other	35	0
Total	61 317	96 597

Reconciliation of deferred tax asset:		
Recognized deferred tax asset 1 January	96 597	86 696
Charged/Credited to the income statement	-35 316	9 902
Charged directly to equity	35	0
Recognized deferred tax asset 31 December	61 317	96 597
– Deferred tax asset to be recovered after more than 12 months	30 315	25 285
– Deferred tax asset to be recovered within 12 months	31 001	71 312

Deferred tax liability:

NOK 1 000	2007	2006
Fair value of assets business combination	19 470	0
Total	**19 470**	**0**
Recognized deferred tax liability 1 January	0	0
Tax liability resulting from business combination	20 827	0
Charged/Credited to the income statement	-1 356	0
Charged directly to equity		
Recognized deferred tax liability 31 December	**19 470**	**0**
– Deferred tax liability to be recovered after more than 12 months	19 470	0
– Deferred tax liability to be recovered within 12 months	0	0

Temporary differences caused by investments in subsidiaries, and deferred tax not recognized amounts to NOK 0.

Deferred tax asset is based on unused tax loss carry forwards and temporary differences in assets and liabilities. Deferred tax liability is based on allocation of purchase price of FlyNordic to fair values.The Board of Directors find that with the current prognosis for future profits, it is possible that the deferred tax assets will be utilized within the next few years.

NOTE 10 INTANGIBLE ASSETS

NOK 1 000	Software	Goodwill	Other intangible assets	Total
Acquisition costs 1 January 2006	52 197	0	0	52 197
Additions	12 885	0	0	12 885
Acquisition costs 31 December 2006	**65 082**	**0**	**0**	**65 082**
Acquisition costs 1 January 2007	65 082	0	0	65 082
Additions	14 030	119 290	89 816	223 135
Translation differences	0	-2 837	-2 136	-4 974
Acquisition costs 31 December 2007	**79 112**	**116 452**	**87 679**	**283 244**
Accumulated amortization 1 January 2006	20 242	0	0	20 242
Amortization in 2006	11 597	0	0	11 597
Accumulated amortization 31 December 2006	**31 839**	**0**	**0**	**31 839**
Accumulated amortization 1 January 2007	31 839	0	0	31 839
Amortization in 2007	12 580	0	6 441	19 021
Translation differences	0	0	-23	-23
Accumulated amortization 31 December 2007	**44 419**	**0**	**6 418**	**50 837**
Book value at 31 December 2006	**33 243**	**0**	**0**	**33 243**
Book value at 31 December 2007	**34 693**	**116 452**	**81 262**	**232 407**
Economic life	**3-5 years**	**See below**	**See below**	
Amortization plan	**Linear**	**-**	**Linear**	

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

Other intangible assets and goodwill is related to the acquisition of Nordic Airlink Holding AB on 31 July 2007. Other intangible assets consist of estimated fair value of Brand name, charter operations, slots and the Air Operating Certificate. All assets, except charter operations are determined to have indefinite economic life, and is therefore not amortized, but are subject for annual impairment testing.

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

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

Impairment testing of goodwill and assets with indefinite lives
The Group tests goodwill and assets with indefinite lives annually for impairment, or more frequently if there are indications that goodwill might be impaired. The test is performed at year end.

The Group has identified FlyNordic's operations as its cash generating unit related to the goodwill and assets with indefinite lives. The method used is value in use, based on discounted cash flow analysis. The analysis reflects the cash flow projections in the financial business plan covering the next year approved by senior management. In addition, the calculation includes estimated cash flows for the next 12 years, as the operation is in a growth phase and will not reach a stable cash flow within the next few years. Key assumptions used in the calculation are growth rates, operating costs, terminal value and discount rate. Cash flow beyond the 12 year period are extrapolated with a long term growth rate. Estimated cash flow and and discount rate is after tax.

Discount rate
Discount rate used is 13.6 %, and is based on Weighted Average Cost of Capital (WACC). The cost of the company's debt and equity capital, weighted accordingly to reflect its capital structure, gives its weighted average cost of capital. The WACC rates used to discount the future cash flows are based on marked risk free interest rate adjusted for inflation differential and also take into account the debt premium, market risk premium, gearing corporate tax rate and asset beta.

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

Operating costs
The operating costs are estimated based on the budget period and on estimated future development. Consideration is taken to committed operations efficiency programs, and the planned operating expansion. Changes in the outcome of these initiatives may affect future estimated operating costs. A permanent increase of 1 % on total costs with all other assumptions equal, could reduce the recoverable amount to the same as the carrying amount.

Terminal value
Growth rate of 2.0 % is used in determining cash flow beyond the 12 year period.

NOTE 11 TANGIBLE ASSETS

NOK 1 000	Buildings	Aircraft	Installations on leased aircraft	Spare parts	Equipment and fixtures	Total
Acquisition cost at 1 January 2006			27 195	8 040	35 687	70 922
Additions		182 703	25 222	33 308	7 495	248 729
Disposals				-17 632		-17 632
Acquisition cost at 31 December 2006	**0**	**182 703**	**52 417**	**23 716**	**43 182**	**302 019**
Acquisition cost at 1 January 2007	0	182 703	52 417	23 716	43 182	302 019
Additions *)	3 933	16 449	22 641	2 988	17 437	63 448
Disposals					0	
Acquisition cost at 31 December 2007	**3 933**	**199 152**	**75 058**	**26 704**	**60 619**	**365 467**
Accumulated depreciation at 1 January 2006			8 942	3 069	22 091	34 102
Depreciation in 2006		22 176	6 045	4 185	7 067	39 472
Accumulated depreciation at 31 December 2006	**0**	**22 176**	**14 987**	**7 254**	**29 157**	**73 574**
Accumulated depreciation at 1 January 2007	0	22 176	14 987	7 254	29 157	73 574
Depreciation in 2007	0	25 544	17 395	3 739	8 345	55 023
Reversals in 2007					-1 196	-1 196
Accumulated depreciation at 31 December 2007	**0**	**47 720**	**32 382**	**10 993**	**36 306**	**127 401**
Book value at 31 December 2006	**0**	**160 528**	**37 430**	**16 462**	**14 025**	**228 445**
Book value at 31 December 2007	**3 933**	**151 433**	**42 676**	**15 711**	**24 313**	**238 066**

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

Economic life		**See below**	**See below**	**4-10 years**	**3-9 years**
Depreciation plan		**Linear**	**Linear**	**Linear**	**Linear**
Residual value	**100 %**	**5 500**	**0 %**	**25 %**	**0 %**

*) Additions on installations on aircraft include MNOK 5.8 in capitalized LLP expenditures

As at 31 December 2007, The Group operated a total of 32 aircraft, two owned and 30 leased under operational leases. Operational leases are detailed in note 12.

The two owned aircraft are decomposed into two components for depreciation purposes.
In accordance with official requirements, aircraft must be maintained and significant components changed after a specific number of cycles or airborne hours. These components are identified a C check and D check on aircraft body, Power restoration and Life Limited Parts for the two engines on each aircraft, as well as maintenance on landing gear and the APU. The maintenance and overhaul on these components occur on defined interval, and the value is depreciated over the period until next maintenance occurs. Completed maintenance and overhaul is capitalized and depreciated over the period until next relevant maintenance and overhaul.
The second aircraft component is defined as the remainder of the aircraft. The residual value is deducted from the depreciable amount of the remainder of the aircraft. The life expectancy of the aircraft is 30 years, and the economic life of the owned aircraft is 30 years less the age of the aircraft at time of purchase.

The installations on the leased aircraft include cabin interior modifications, and other improvements to the aircraft after lease commencement. The capitalized value is depreciated over the remainder of the aircraft lease, which is between 1-6 years. In 2007 several engines on the leased aircraft were in overhaul, and replacements costs for Life Limited Parts were capitalized in the extent that the costs are improvements to the engines above 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 consists of rotable and repairable parts for aircraft, and is depreciated over their useful life.

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

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

Prepayments on Boeing contract
In 2007, The Group entered into a purchase contract on 42 new 737-800 aircraft with Boeing Corporation. The aircraft will be delivered in the period 2009 until 2014. Up until delivery of the aircraft, The Group will make prepayments to Boeing, following a defined prepayment schedule. The Group has applied IFRS 23 - Borrowing Costs, and adopted the alternative of capitalizing borrowing costs. Borrowing costs incurred for the contruction of qualifying assets are capitalized during the period of time that is required to complete the aircraft. Borrowing costs of MNOK 7.2 (2006: MNOK 0) has been capitalized during the year. Average capitalization rate of 6.98 % was used.

NOTE 12 OPERATING LEASES

The lease agreements on the Boeing 737 aircraft last for three to five years from the date of agreement, with some extension options. six of the aircraft were delivered in 2002, two aircraft in 2003, four aircraft in 2004, two aircraft in 2005, six aircraft in 2006, and an additional two aircraft in 2007. Renegotiations have resulted in extensions on some of the shorter leases. The contracts for six of the aircraft expire in 2009, and for eight of the aircraft in 2010. The remaining contracts expire in 2011 or later. FlyNordic has lease agreements on eight MD-80 aircraft. Three lease agreements will expire in 2008, and the remaining contracts will expire in 2009.

In addition, The Group leases nine cars, and nine properties in Oslo, Stavanger and Warsaw.
Leasing costs expensed in other operating costs in 2007 was MNOK 313.0 (MNOK 193.7 in 2006)
Annual minimum rent on non-cancelable operating lease agreements per 31 December 2007 is as follows:

	Nominal value				Fair value			
NOK 1 000	Aircraft	Cars	Property	Total	Aircraft	Cars	Property	Total
Within 1 year	455 047	632	18 341	474 021	443 027	616	17 857	461 500
Between 1 and 5 years	668 059	354	58 720	727 134	592 864	322	49 745	642 932
After 5 years			19 849	19 849			13 297	13 297

The fair value is based on 5.5 % discount rate.
The aircraft minimum lease payments consists of ordinary lease payments, contractual payments for maintenance reserves, mandatory maintenance and expensed deferred lease payments resulting from non interest bearing deposits paid at inception of lease agreement.

NOTE 13 TRADE AND OTHER RECEIVABLES

Spesification of receivables

NOK 1 000	2007	2006
Trade receivables	108 904	79 619
Credit card receivables	104 507	83 586
Deposits	45 893	8 560
Deferred leasing costs	3 485	411
Prepaid costs	65 135	58 198
VAT receivable	44 135	28 851
Reimbursements claims maintenance costs	110 326	175 557
Other claims	28 972	6 497
Costs to be reinvoiced	624	4 947
Prepayments to employees	563	403
Prepaid rent	7 506	5 681
Total	**520 050**	**452 311**

Due dates

NOK 1 000	2007	2006
Within one year	491 543	443 492
After one year	28 507	8 819
Total	**520 050**	**452 311**

Currency 1 000	2007	2006
DKK	2 755	2 149
EUR	797	429
GBP	160	54
NOK	262 713	231 147
USD	35 665	33 201
SEK	70 164	9 942
PLN	538	214

Fair value of trade and other receivables

NOK 1 000	2007	2006
Due within one year	491 543	443 492
After one year *)	25 911	8 559
Total	**517 455**	**452 051**

For receivables due within one year, fair value is equal to nominal value.
*) Discount rate 5,5 %

Provision for bad debt

NOK 1 000	2007
Balance 31 December 2006	11 051
Utilized	-2 226
Accruals	2 425
Reversals	-2 526
Balance 31 December 2007	**8 723**

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

Overdue accounts receivables

NOK 1 000	2007	2006
Overdue less than 3 months	29 185	58 926
Overdue 3-6 months	8 511	3 535
Overdue over 6 months	12 200	30 291
Total	**37 696**	**62 461**

The majority of accounts receivables overdue are due to slow processing of accounts payable with some of our customers and is not related to any problems with ability or willingness to pay. MNOK 8.5 of the unpaid receivables overdue over six months are related to maintenance claims on aircraft, and are unpaid due to slowness in prosessing at leasing companies and are not subject of disputes.
Maximum exposure to credit risk at 31 December 2007 is TNOK 213,511.
The Group has entered into some agreements to pay deposits as collateral for the Group's liabilities to certain suppliers. This applies to leasing liabilities and aviation duties.

Non interest bearing deposits are valued at fair value in balance sheet.
Deposits denominated in foreign currency are converted using the prevailing exchange rates on the balance sheet date.

NOTE 14 INVENTORIES

NOK 1 000	2007	2006
Consumables	14 777	12 484
Modification equipment	5 005	2 273
Parts for heavy maintenance	8 219	4 584
Total	**28 000**	**19 341**

In 2006 and 2007, the Group bought parts for a heavy maintenance on aircraft engines that will be performed in the spring of 2008.
There has been no charges in the income statement for obsolete products in 2007 or 2006.

NOTE 15 EQUITY AND SHAREHOLDER INFORMATION

At 31 December 2007, the share capital consists of the following share classes:

	2007	2006
Issued shares	20 865 526	19 669 196
Own shares	0	0
Net Shares	**20 865 526**	**19 669 196**

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

Ordinary shares, issued and paid in full

1 January 2006	18 085 696
Sale of own shares 15 February 2006	283 500
Share issue 1 April 2006	1 300 000
31 December 2006	19 669 196
Share issue 31 July 2007	1 063 830
Share issue 26 October 2007	132 500
31 December 2007	20 865 526

Stock option plan

The Group has a stock option plan where members of the management has been awarded options to purchase the Group's shares at a given price (Note 17)

Description of items booked directly on shareholders equity:

Translation differences

TNOK 4,540 has been booked directly on shareholders equity as at 31 December 2007. The translation differences arise from consolidating the subsidiaries Norwegian Air Shuttle Polska Sp.zo.o and Nordic Airlink Holding AB into Group accounts.

Expenses for share issue

Expenses for share issue, net of deferred tax, in the amount of TNOK 90 has been booked directly on shareholder equity.

Shareholder structure

The largest shareholders at 31 December 2007 were:

	A-shares	Owner-ship	Voting-rights
HBK Holding AS	3 165 747	15.17 %	15.17 %
BSB Invest AS	3 034 720	14.54 %	14.54 %
Vital Forsikring ASA	1 448 774	6.94 %	6.94 %
Finnair PLC	1 063 830	5.10 %	5.10 %
Ojada AS	900 500	4.32 %	4.32 %
DNB NOR Norge (IV) VPF	842 747	4.04 %	4.04 %
Goldman Sachs INT	784 544	3.76 %	3.76 %
Fidelity Funds-Nordic	673 000	3.23 %	3.23 %
Brown Brothers Harri S/A	668 946	3.21 %	3.21 %
Ferd AS	600 000	2.88 %	2.88 %
Ankerløkken Holding AS	520 000	2.49 %	2.49 %
Skagen Vekst	503 000	2.41 %	2.41 %
Fidelity Funds Europe	417 490	2.00 %	2.00 %
Holberg Norden	393 800	1.89 %	1.89 %
Holberg Norge	344 800	1.65 %	1.65 %
Fondsavanse AS	335 000	1.61 %	1.61 %
Verdipapirfondet KLP	330 000	1.58 %	1.58 %
JPMorgan Chase Bank	278 450	1.33 %	1.33 %
DNB NOR SMB VPF	244 321	1.17 %	1.17 %
Aweco Invest AS	207 000	0.99 %	0.99 %
Other	4 108 857	19.69 %	19.69 %
Total number of shares	**20 865 526**	**100 %**	**100 %**

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

Name	Title	Shares 1)	Options
Erik G. Braathen	Chairman of the Board	900 500	-
Bjørn Kise 2)	Deputy chairman	536 799	-
Ola Krohn Fagervoll	Board Member	8 070	-
Liv Berstad	Board Member	-	-
Marianne W. Jenssen	Board Member	-	-
Monika Johansen	Board Member - Staff repr	-	-
Halvor Vatnar	Board Member - Staff repr	617	-
Sissel Vårum	Board Member - Staff repr	-	-
Bjørn Kjos 3)	Chief Executive Officer	5 695 717	30 000
Frode E Foss	Chief Financial Officer	25 000	30 000
Hans-Petter Aanby	Chief Information Officer	3 174	30 000
Asgeir Nyseth	Chief Operating Officer	0	30 000
Daniel Skjeldam	Chief Commercial Officer	0	30 000
Anne Grete Ellingsen	Director Corporate Communications	0	-
Gunnar Martinsen	Director Human Resources	4 269	5 000

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

NOTE 16 EARNINGS PER SHARE

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

	2007	2006
Net profit NOK 1 000	84 580	-21 997
Average number of shares outstanding	20 196 040	19 312 719
Average number of shares and options outstanding	20 831 005	19 456 607
Basic earnings per share	4.19	-1.14
Diluted earnings per share	4.06	-1.14

	2 007	2 006
Net profit NOK 1 000	84 580	-21 997
Reversal of stock option costs	1 558	1 990
Net profit adjusted for diluted effect NOK 1 000	86 138	-20 007

	2 007	2 006
Average number of shares outstanding	20 196 040	19 312 719
Dilutional effects		
Stock options	634 965	143 888
Average number of shares outstanding adjusted for dilutional effects	20 831 005	19 456 607

NOTE 17 OPTIONS

Employee renumeration

The Board issued 140 000 stock options on 20 October 2005, in accordance with the authorization from the general meeting on 11 May 2005 to the company management team. Stock options that were not exercised on 19 October 2007 were discontinued. Stock options were exercised at a price of NOK 65 to NOK 106.

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

The stock option programme is assessed and expensed at fair value. Calculations are done using Black & Scholes option pricing model.

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

The following estimates are used in calculating fair value:

	2007	2006
Dividend (%)	0 %	0 %
Expected volatility (%)	35.03 %	52.45 %
Historic volatility (%)	35.03 %	52.45 %
Risk free interest (%)	4.98 %	3.29 %
Expected lifetime (year)	2.00	1.30
Share price at grant date	141.00	104.50

Expected lifetime assumes that the stock options are exercised at expiration.
Expected volatility is based on the historical volatility over the most recent period that corresponds with the expected life of the option.
The option program is expensed with TNOK 1,558 in 2007 and TNOK 1,990 in 2006.

	2007 Shares	Weighted avg. exerc. price	2006 Shares	Weighted avg. exerc. price
Outstanding at the beginning of the period	136 250	71.0	140 000	65.0
Allocated	269 000	173.1	22 500	101.1
Exercised	132 500	71.1	23 750	65.0
Terminated	3 750	65.0	2 500	65.0
Rejected	-	0.0	-	0.0
Expired	-	0.0	-	0.0
Outstanding at the end of the period	269 000	173.1	136 250	71.0
Vested options	-	0.0	51 250	70.0
Weighted average of fair value of options allocated in the period	269 000	22.0	22 500	21.6

	------------ Outstanding options -------------			----- Vested options -----	
Strike price (NOK)	Outstanding options by 31 December 2007	Weighted average remain-ing lifetime (yrs)	Weighted average strike price	Vested options by 31 December 2007	Weighted average strike price
0.00-170.00	-	0.0	-	-	-
170.00-	269 000	1.8	173.1	-	-
Total	**269 000**	**1.8**	**173.1**	**-**	**-**

Norwegian Air Shuttle ASA has implemented an employee share saving program. Included in the program are bonus shares, where the company will issue a defined amount of shares dependent on the employees level of share purchase. As per 31 December 2007, 552 bonus shares were potentially acquired. The shares are accounted for according to IFRIC 11, using Hoadleys option pricing model.

Options issued in FlyNordic acquisition
As part of the consideration for FlyNordic acquisition, Norwegian Air Shuttle ASA issued on 31 July 2007, a total of 1,121,633 share options. The shares will expire unless exercised before 31 December 2008. See note 4 for details.

NOTE 18 PENSIONS

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

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

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

A total of 126 employees were included in the pension plan as per 31 December 2007. Total pension cost expensed in profit an loss in 2007 was TNOK 5,510.

Defined benefit plan
All employees in Norway participate in a defined benefit plan. The benefits are mainly dependent on pension entitlement earned, salary at the time of retirement and the size of payments from the National Insurance. The liabilities are covered through Vital AS. The plan also covere a life insurance and disability insurance. Per 31 December 2007, a total of 679 employees were active members, and 21 were on pension retirement. In addition, all employees are included in the early retirement scheme (AFP), which is an unfunded plan for retirement right at the age of 62. The AFP is a multi-employer plan, where the Norwegian state pays a contribution of 40 % of paid pensions for the retired persons older than 64 years. The Group payments of contribution to the plan are recognised as an expense in the income statement as incurred. The Group also pays 25 % of the pension paid to own pensioners. This is a obligation for the Group that is not funded. The AFP obligation for the Group are shown under the heading “unfunded”.

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

The pension obligation is calculated on a linear accumulation. Changes in the obligation due to changes in and deviations from the estimated assumptions, are spread over the estimated average remaining vesting period for the part of deviations that exceeds 10 % of the gross pension liability. Pension costs for the year for the Group's defined benefit plans are calculated by independent actuaries and are based on information as of 1 January 2007. Management has made an assessment of changes in estimates and basis of calculation will have a material effect on the financial statements as per 31 December 2007.

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

Pension expenses	Funded	Unfunded	Total 2007	Total 2006
Net present value of benefits earned	43 815	266	44 081	29 088
Interest cost on pension liability	7 953	36	7 989	6 091
Return on plan assets	-8 382		-8 382	-5 935
Administrative expenses	0		0	515
Recognized actuarial gains/losses	606		606	813
Social security tax	6 117	42	6 159	4 310
Net pension expense	**50 109**	**344**	**50 453**	**34 882**

Defined benefit liability and fund

	2007			2006		
	Funded	Unfunded	Total	Funded	Unfunded	Total
Change in present value of defined benefit liability:						
Gross pension liability 1 January	184 507	818	185 325	152 136	616	152 752
Current service costs	43 815	266	44 081	27 945	183	28 128
Interest cost	7 953	36	7 989	6 066	25	6 091
Actuarial gains/losses	19 453	53	19 506	-1 640	-6	-1 646
Benefits paid	-7 500		-7 500			0
Gross pension liability 31 December	**248 228**	**1 173**	**249 401**	**184 507**	**818**	**185 325**
Change in fair value of plan assets:						
Fair value of pension assets 1 January	137 516	0	137 516	99 714	0	99 714
Expected return	5 345	0	5 345	5 935	0	5 935
Actuarial gains/losses	-2 375	0	-2 375	3 039	0	3 039
Administrative expenses	0		0	-515		-515
Contributions paid	42 014	0	42 014	30 303	0	30 303
Benefits paid	-7 500		-7 500	-960		-960
Fair value of plan assets 31 December	**175 000**	**0**	**175 000**	**137 516**	**0**	**137 516**
Net pension liability	**73 228**	**1 173**	**74 401**	**46 991**	**818**	**47 809**
Unrecognized actuarial gains/losses	-51 469	-113	-51 582	-20 775	-46	-20 821
Social security tax	10 326	165	10 491	3 697	109	3 806
Net recognized pension liability 31 December	**32 085**	**1 225**	**33 310**	**29 913**	**881**	**30 794**

	2007	2006
Best estimate of return on pension funds previous year	6.20 %	5.30 %
Expected contribution to be paid next year	57 050	37 878
Expected benefits to be paid	7 500	1 344

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

	2007	2006
Discount rate	4.5 %	4.4 %
Expected return on pension funds	5.5 %	5.5 %
Wage adjustments	4.0 %	4.0 %
Pension adjustment	1.8 %	1.5 %
Average turnover	10.0 %	10.0 %

The Group's pension fund is invested in the following instruments:

	2007	2006
Current obligations	21.6 %	20.6 %
Long-term obligations	27.5 %	30.0 %
Money market funds	7.5 %	4.5 %
Stocks	24.8 %	29.7 %
Real estate	15.6 %	12.6 %
Various	3.0 %	2.6 %

NOTE 19 PROVISIONS

Periodic maintenance on leased Boeing 737-300 and MD-80 aircraft

NOK 1 000	
Balance 31 December 2006	81 734
Utilized	-195 486
Accruals	214 795
Reversals	
Balance 31 December 2007	101 042

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

Parts of the periodic maintenance will be performed in 2008, however, the exact provision to be utilized for these spesific maintenance programs is uncertain.

NOTE 20 FINANCIAL INSTRUMENTS

Financial instruments by category

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

31 December 2007 **Assets as per balance sheet**	**Loans and receivables**	**Derivatives**	**Available-for-sale**	**Total**
Available-for-sale financial assets			225 761	225 761
Derivative financial instruments		7 771		7 771
Trade and other receivables	262 789			262 789
Cash and cash equivalents	501 410			501 410
Total	**764 199**	**7 771**	**225 761**	**997 732**

31 December 2007 **Liabilities per balance sheet**	**Derivatives**	**Other financial liabilities**	**Total**
Borrowings		297 697	297 697
Derivative financial instruments	188 708		188 708
Total	**188 708**	**297 697**	**486 405**

31 December 2006 **Assets as per balance sheet**	**Loans and receivables**	**Derivatives**	**Available-for-sale**	**Total**
Available-for-sale financial assets				0
Derivative financial instruments		298		298
Trade and other receivables	172 176			172 176
Cash and cash equivalents	231 710			231 710
Total	**403 886**	**298**	**0**	**404 184**

31 December 2006 **Liabilities per balance sheet**		**Derivatives used for hedging**	**Other financial liabilities**	**Total**
Borrowings				0
Derivative financial instruments		1 014		1 014
Total	**0**	**1 014**	**0**	**1 014**

Credit quality of financial asset

Trade receivables	2007	2006
Counterparties with external credit rating		
A	104 507	83 586
Counterparties without external credit rating	108 904	79 619
Total trade receivables	**213 411**	**163 205**

Cash and cash equivalents	2007	2006
AA	350 932	129 718
BBB	150 477	101 992
Total cash and cash equivalents	**501 410**	**231 710**

Derivative financial assets	2007	2006
AA	7 771	298
Total derivative and financial assets	**7 771**	**298**

Available-for sale financial assets

	2007	2006
1 January		
Additions	225 004	0
Net gains/(losses) recorded in profit and loss	758	0
31 December	**225 761**	**0**
Non-current portion	10 004	
Current portion	215 758	

There were no disposals or impairment provisions on available-for-sale financial assets in 2007 or 2006. Available-for-sale assets consist of an investment in unlisted Equity instrument of MNOK 10.0, and an investment in debt security with floating interest rate of NIBOR -1 %.

Available-for-sale financial assets are denominated in NOK.
The fair value of securities are determined using the effective interest rate method.

The maximum exposure to credit risk at the reporting date is the fair value of the debt securities.

Derivative financial instruments

	2007		2006	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Forward foreign exchange contracts – fair value hedges		178 900		
Forward foreign exchange contracts	7 771	9 808	298	
Forward commodities contracts				1 014
Total	**7 771**	**188 708**	**298**	**1 014**
Non-current portion:		154 333		
Current portion:	7 771	34 375	298	1 014

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

Per 31 December 2007, the Group had foreign exchange contracts to partially secure future payments of aircraft leases, fuel payments and other operating costs denominated in USD and EUR. These contracts are used to minimize the currency risk related to future payments. Included in these cash flows are the groups purchase contracts on three used Boeing 737-300 aircraft. The aircraft will be delivered and paid for in first half of 2008. In order to reduce currency risk, the company established a USD hedge connected to the payments on the aircrafts. The derivatives do not qualify for hedge accounting, and change in fair value is accounted for through profit and loss.

Per 31 December 2007, the group held no fuel derivatives. Per 31 December 2006, the Group had one fuel derivate to partially secure future fuel expenses. These contracts are used to minimize the fuel price risk related to future purchases.

The total amount from derivatives that does not qualify for hedge accounting amounts to a loss of TNOK 7,048 (2006: gain of TNOK 3,354).

Fair value of hedged item - firm commitment

	2007		2006	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Non-current portion	128 031	0	0	0
Current portion	18 222	0	0	0
Total	**146 253**	**0**	**0**	**0**

The Group has hedged a portion of an unrecognized firm commitment for the purchase of 42 Boeing aircraft.
The ineffective portion recognized in the profit or loss that arises from fair value hedges amounts to a loss of TNOK 32,647 (2006: 0).

NOTE 21 TRADE AND OTHER LIABILITIES

NOK 1 000	2007	2006
Accrued vacation pay	53 845	30 613
Accrued airport and transportation taxes	47 999	44 017
Accrued expenses	277 138	186 570
Trade payables	196 925	100 168
Payable to related party	3 160	104
Public duties	58 700	34 103
Other short term debt	7 071	275
Total	**644 837**	**395 850**

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

NOTE 22 BORROWINGS

Per 31 December 2007, the Group had interest bearing debt totaling MNOK 300. The loan is an unsecured bond issue, to finance daily operations. The loan is denominated in NOK, and matures 19 April 2010. The coupon is NIBOR + 2 %

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

As at 31 December 2007, the Group is in compliance with the bond covenants.

NOK 1 000	
Nominal value bond issue	300 000
Amortized transaction costs	-2 303
Bond as at 31 December 2007 at amortized cost	**297 697**

NOTE 23 ASSETS PLEDGED AS COLLATERAL AND GUARANTEES

Liabilities secured by pledge

NOK 1 000	2007	2006
Other long term liabilities	-	-
Total	**-**	**-**

Bank deposits are pledged as collateral for leasing liabilities, credit from fuel suppliers, and foreign currency hedges. A bank guarantee is pledged as collateral for leasing liabilities for aircraft. An investment in bond is pledged as security for the USD hedge on the purchase contract with Boeing.
One owned aircraft are pledged as security for foreign exchange contracts, limited in total to MNOK 60.

Book value of assets pledged as security

NOK 1 000	2007	2006
Cash depot	71 692	39 203
Short term investment bond	215 758	-
Total	**287 450**	**39 203**

NOTE 24 BANK DEPOSITS

Cash and cash equivalents

NOK 1 000	2007	2006
Cash in bank	350 932	129 718
Cash equivalents	150 477	101 992
Total	**501 410**	**231 710**

Deposits in money market funds are classified as cash equivalents, as the underlying maturity of the deposits are three months or less.
As per 31 December 2007, the interest terms on the cash deposits on folio accounts in bank is o/n NIDR bid - 0.40 %.

As at 31 December 2006, the Group had a revolving multicurrency credit facility in the equivalent amount of MNOK 200, of which MNOK 0.2 was drawn. The facility was cancelled in 2007.

Receivables on credit card companies are included in trade receivables with MNOK 104. See note 13.

Restricted cash items are as follows:

NOK 1 000	2007	2006
Amounts pledged as collateral for leases and credits from fuel suppliers	71 692	39 203
Taxes withheld	25 759	18 259
Total	**97 451**	**57 462**

NOTE 25 INVESTMENT IN SUBSIDIARIES

Name	Date of initiation/ aquisition	Office	Number of shares	Ownership	Total Equity 31.12.07	Net profit 2007
Norwegian Air Shuttle Polska Sp.zo.o	2006	Warsaw, Poland	50 000	100 %	TNOK 5 534	TNOK 2 505
Nordic Airlink Holding AB	31.07.07	Stockholm, Sweden	20 000	100 %	TNOK 13 035	TNOK -15 635*)

*) Net loss in period August 1st 2007-December 31st 2007

Norwegian air Shuttle Polska Sp.so.o
The subsidiary was established in 2006 and is 100 % owned. All of the Groups business generating assets are owned by the Norwegian company. The Group's operations are mainly carried out at from the base in Norway, but two of the aircraft in the fleet are designated to the Polish operations and are operating to and from the Warsaw base. The Polish subsidiary is supplying crew and some lighter maintenance on the aircraft. The services rendered is invoiced to the parent company according to intercompany arms-length agreements.

Nordic Airlink Holding AB
At 31 July 2007, the Group purchased 100 % of the shares in Nordic Airlink Holding AB (FlyNordic).
FlyNordic is based on Stockholm Airport Arlanda, Sweden. The main activity of the company is low cost passenger airline operations, in addition to charter operations. The company operates under a Swedish Air Operating Certificate. Transactions between parent company and FlyNordic in 2007 was primarily code share operations on Oslo-Arlanda route. All transactions were handled on marked tems.

NOTE 26 INVESTMENT ASSOCIATED COMPANY

Norwegian Air Shuttle ASA has the following investments in associates:

NOK 1 000

Entity	Country	Industry	Ownership interest	Carrying amount 31.12.2006	Net profit (loss) 2007	Carrying amount 31.12.2007
Norwegian Finans Holding ASA	Norway	Financial Institution	20 %	0	1 821	53 516

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

The equity method is applied in accounting for the investment, and the Group's share of the associated company's profit and loss is included in the carrying amount.

Bank Norwegian started operations in November 2007 and ends its financial year on 31 December. Norwegian Air Shuttle ASA has made an estimate of the periods profit and loss since no official financial statements have been publicly available. The estimates are based on operating projections made available in the Public share offering.

NOTE 27 RELATED PARTY TRANSACTIONS

Transactions with other related parties

The Chief Executive Officer is the principal shareholder in Norwegian Air Shuttle ASA with an ownership share of 27,15 % through the controlling ownership of HBK Holding AS, BSB Invest AS, and the company Ankerløkken AS. The CEO is Chairman of the Board and the principal shareholder in BSB Invest AS through the controlling ownership of HBK Invest AS. BSB Invest AS owns 14.54 % of the shares in Norwegian Air Shuttle ASA.

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

There has been no financial transactions between BSB Invest AS and HBK Holding AS and Norwegian Air Shuttle ASA in 2007 or 2006.

Board member Bjørn Kise is partner, and the CEO is former partner, in the law firm Vogt & Wiig which is the legal advisor of Norwegian Air Shuttle ASA. The fees for legal services in 2007 paid to Vogt & Wiig was TNOK 5,075, ex. vat. Payable fees included in trade payables as at 31 Desember 2007 was TNOK 4.

Terms and conditions for transactions with related parties

Sale to, or purchase from related parties are performed at arms-lengths conditions. The Group has not given any guarantees to related parties. Terms and principles for transactions with related parties are continuously evaluated.

NOTE 28 CONTINGENCIES AND LEGAL CLAIMS

On 17 November 2006, Norwegian Air Shuttle ASA filed a civil law suit against SAS Braathens AS (now SAS Scandinavian Airlines Norge AS) and SAS AS (publ.) for unjustified access to, and use of sensitive business secrets. The illegal access to the information about Norwegian was through the booking system Amadeus in the period of September 2002 until November 2005. SAS gained price sensitive information about routes where SAS and Norwegian Air Shuttle ASA were competitors. Norwegian is suing for damages caused by the illegal actions.

On 1 February 2008, SAS Scandinavian Airlines Norge AS filed a cross action against Norwegian Air Shuttle ASA for alleged use of sensitive business secrets. SAS has not at this time indicated or stated their damages.

Both cases are scheduled for trial in April 2008.

The Norwegian authorities filed criminal suit against SAS Braathens AS for unjust access to business secrets from Norwegian, and the case was tried in September 2006. The ruling was in favour of SAS, but was appealed. The appellate court ruled in October 2007 in favour of the Norwegian authorities. The case was also preceded in the Norwegian Supreme Court in December 2007, without changing the ruling from the Court of Appeal.

The outcome of the civil suit is not dependant on the ruling in the criminal suit.

NOTE 29 COMMITMENTS

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

The 42 aircraft will be delivered over a five-year period from 2009 through 2014, with around 10 aircraft each year. The purchase price will be paid over several installments before delivery of each aircraft. The company has entered into hedging agreements to cover parts of the NOK/USD exposure in connection with the purchases.

NOTE 30 EVENTS AFTER BALANCE SHEET DATE

On 15 January 2008 Norwegian Air Shuttle ASA announced its establishment of a new subsidiary which is to start mobile telephone services in fourth quarter 2008. The new company will be named Call Norwegian AS. The company will be run as an individual and independent company, but in close cooperation with the airline.

On 13 March 2008, Norwegian Air Shuttle ASA announced that their subsidiary Nordic Airlink Holding AB from 12 April this year no longer will be branded as FlyNordic. The operations in Sweden will be branded as Norwegian. Since both companies are working towards the same target groups and the same markets, a single consistent profile will strengthen the brand Norwegian and make the company more visible among our customers. The company will offer a common service concept and booking system. A single brand is furthermore significantly more cost effective than two.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Income Statement

NOTES	NOK 1 000	2007	2006	2005
	OPERATING REVENUES AND OPERATING EXPENSES			
2	Revenue	3 920 569	2 941 400	1 972 247
	Total operating revenues	**3 920 569**	**2 941 400**	**1 972 247**
3	Operational expense	2 916 143	2 370 076	1 507 054
4,16,17	Payroll and other personnel expenses	578 409	413 442	298 223
7,8	Depreciation and amortization	68 194	51 991	30 237
	Other operating expenses	200 662	139 429	111 090
	Total operating expenses	**3 763 407**	**2 974 938**	**1 946 604**
	Operating profit	**157 161**	**-33 538**	**25 643**
	FINANCIAL REVENUES AND FINANCIAL EXPENSES			
	Interest income	20 806	6 797	4 014
	Interest expense	19 027	609	648
5	Other financial items	-35 004	-6 189	9 021
	Net financial items	**-33 225**	**-1**	**12 387**
26	**Profit/loss from associated company**	**-1 821**	**0**	**0**
26	**Gain from sale of subsidiary**	**10 800**	**0**	**0**
	Profit before tax	**132 915**	**-33 540**	**38 029**
6	Income tax expense (income)	35 994	-10 161	10 702
	PROFIT FOR THE YEAR	**96 921**	**-23 379**	**27 328**
15	Basic earnings per share	4,80	-1,21	1,49
15	Diluted earnings per share	4,65	-1,21	1,49

Balance Sheet

NOTES	NOK 1 000	2007	2006	2005
	ASSETS			
	Non-current assets			
	Intangible assets			
7	Intangible assets	34 693	34 009	33 640
6	Deferred tax asset	60 421	96 380	86 218
	Total intangible assets	**95 115**	**130 388**	**119 857**
8	**Tangible assets**			
	Buildings	3 933	0	0
	Aircraft, parts and installations on aircraft	209 820	214 419	23 224
	Equipment and fixtures	23 446	14 011	13 597
	Total tangible assets	**237 199**	**228 430**	**36 820**
	Financial assets			
25	Investment in subsidiaries	202 025	103	0
26	Investment in associated company	53 516	0	0
8	Prepayment Boeing contract	316 546	0	0
27	Investment in shares	10 004	0	0
20	Financial instruments	128 031	0	0
10	Other long term receivables	25 459	8 828	19 404
	Total financial assets	**735 581**	**8 930**	**19 404**
	Total non-current assets	**1 067 894**	**367 749**	**176 081**
	Current assets			
11	Inventory	28 000	19 341	36 764
	Receivables			
	Accounts receivable	173 679	163 205	105 484
12,25	Other receivables	253 901	284 552	94 690
	Total receivables	**427 580**	**447 757**	**200 174**
20	Financial instruments	25 993	298	2 563
27	Bonds	215 758	0	0
22	Cash and cash equivalents	429 110	228 132	261 464
	Total current assets	**1 126 442**	**695 528**	**500 965**
	TOTAL ASSETS	**2 194 336**	**1 063 277**	**677 046**

Balance Sheet

NOTES	EQUITY AND LIABILTIES			
	Equity			
	Paid-in equity			
13,14	Share capital	2 087	1 967	1 837
14	Own Shares	0	0	- 28
14	Share premium reserve	408 277	271 934	157 099
14	Other paid-in equity	32 753	1 709	424
	Total paid-in equity	**443 117**	**275 610**	**159 332**
	Retained earnings			
14	Other equity	81 891	-15 030	-16 523
	Total retained earnings	**81 891**	**-15 030**	**-16 523**
	Total equity	**525 008**	**260 580**	**142 809**
	Liabilities			
	Provisions			
16	Pension liabilities	33 310	30 794	30 487
18	Provision for periodic maintenance	100 834	81 734	34 779
20	Financial instruments	154 333	0	0
24	Borrowings	297 697	0	0
	Total long term liabilities	**586 175**	**112 528**	**65 266**
	Short term liabilities			
25	Accounts payable	141 696	102 162	61 860
	Air traffic settlement liabilities	486 667	291 795	218 693
	Public duties payable	50 847	33 761	26 470
20	Financial instruments	34 375	1 014	0
19	Other short term liabilities	369 569	261 438	161 947
	Total short term liabilities	**1 083 153**	**690 169**	**468 971**
	Total liabilities	**1 669 328**	**802 697**	**534 237**
	TOTAL EQUITY AND LIABILITIES	**2 194 336**	**1 063 277**	**677 046**

Fornebu, 31 March 2007

Erik G. Braathen
(Chairman of the Board)

Bjørn H. Kise
(Deputy Chairman of the Board)

Ola Krohn-Fagervoll

Liv Berstad

Marianne Wergeland Jenssen

Monika Johansen
(employee representative)

Halvor Vatnar
(employee representative)

Sissel Vårum
(employee representative)

Bjørn Kjos
(Managing Director)

Cash Flow Statement

NOK 1 000	2007	2006	2005
CASH FLOW FROM OPERATING ACTIVITIES:			
Profit before tax	132 915	-33 540	38 029
Depreciation, amortization and write-down	68 194	51 991	30 237
Pension expense without cash effect	2 516	307	-8 480
Change in inventories, accounts receivable and accounts payable	20 401	-2 743	-97 870
Change in air traffic settlement liabilities	194 872	73 102	109 660
Change in other current assets and current liabilities	-77 231	-17 267	47 700
Net cash flow from operating activities	**341 666**	**71 851**	**119 277**
CASH FLOW FROM INVESTING ACTIVITIES:			
Paid deposits	-316 546	0	0
Purchases of tangible assets	-56 839	-229 917	-21 244
Purchases of intangible assets	-14 030	-15 029	-17 209
Returns on investments in financial fixed assets	-59 699	-103	85
Net cash flow from investing activities	**-447 114**	**-245 049**	**-38 369**
CASH FLOW FROM FINANCIAL ACTIVITIES:			
New long term liabilities	297 000	0	0
Paid-in equity	9 425	139 864	1 057
Paid-out equity	0	0	-15 658
Net cash flow from financial activities	**306 425**	**139 864**	**-14 600**
Net change in cash and cash equivalents	200 977	-33 334	66 308
Cash and cash equivalents at 1 January	228 132	261 464	195 157
Cash and cash equivalents at 31 December	**429 110**	**228 132**	**261 464**

Notes to the financial accounts

NOTE 1 ACCOUNTING POLICIES

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

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

General valuation rules and classification of assets and liabilities

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

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

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

Financial assets are valued at fair value.

Changes in accounting principles

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

Revenues

Revenue from sale of services are recognized in the income statement once rendered services has taken place and most of the risk has been transferred. Sales revenues are presented net of value added tax and discounts.

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

Assets and liabilities denominated in foreign currency

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

Intangible assets

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

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

Leasing agreements for tangible assets

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

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

Investment in subsidiaries and associates

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

An associate is an entity in which the company has a significant influence but does not control the management of its finances and operations (normally when the Group owns 20 % - 50 % of the company). The financial statements include the companys share of the profits/losses from associates, accounted for using the equity method, from the date when a significant influence is achieved and until the date when such influence ceases.

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

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

Financial instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The company designates its derivatives as hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge).
The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Fair value hedge

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

Derivatives at fair value through profit or loss

The company is exposed to market risks such as currency exchange rates, interest rates and Jet Fuel prices. In order to minimize the effect of these risks (on profit and loss, cash flows and equity), the company applies derivative financial instruments such as forward exchange contracts and forward fuel contracts.
In 2007, the company entered into an agreement to purchase three used Boeing 737-300 aircraft, to be delivered in first half of 2008. To minimize the risk in acquisition value, the purchase price is secured with forward foreign exhange contracts.

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

Changes in the fair value of any of these derivative instruments are recognised immediately in the income statement with the operating costs the derivative is designated to hedge, as the derivatives do no qualify for hedge accounting. Changes in the fair value of the forward exchange contracts connected to the aircraft purchase, is recognized as other gains and loss in other operating expenses.

All derivatives are purchased with the intention of minimizing risk.

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

Inventory
Inventory consists of consumables and are valued at the lower of acquisition cost and net realizable 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.

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

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

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

The defined benefit liability 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 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.

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

Taxes
Tax expense consists of the aggregate of tax payable and changes in net deferred tax.

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

Deferred income tax liabilities are 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 utilized.

Deferred income tax assets and deferred income tax liabilities are offset to the extent that offsetting can be done.

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

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

NOTE 2 REVENUES

NOK 1 000	2007	2006
By activity:		
Passenger transport	3 740 359	2 879 431
Other revenues	180 210	61 969
Total	**3 920 569**	**2 941 400**
By geographic market:		
Norway	1 788 062	1 471 852
Other EU/EEA countries	2 132 506	1 469 548
Total	**3 920 569**	**2 941 400**

In 2006 and 2007, the company has been running low-fare operations exclusively, using its fleet of Boeing 737 aircraft. The low-fare operation was launched in the autumn of 2002, and revenues from this business are specified as passenger transport in the table above.

NOTE 3 OPERATIONAL EXPENSES

NOK 1 000	2007	2006
Sales and distribution expenses	83 832	92 889
Aviation fuel	897 385	704 886
Aircraft leases	297 311	180 277
Airport charges	552 533	417 942
De-icing expenses	34 320	26 661
Handling charges	368 966	306 825
Technical maintenance expenses	372 057	306 333
Blocked Space	67 426	175 803
Other operating expenses	242 313	158 459
Total	**2 916 143**	**2 370 076**

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

NOK 1 000	2007	2006
Wages and salaries	438 149	316 327
Social security tax	67 862	46 875
Pension expenses	50 457	35 379
Employee stock options	1 559	1 989
Other benefits	20 383	12 872
Total	**578 409**	**413 442**

In 2007, TNOK 1,559 was charged as an expense to salary, according to the stock option program.

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

Number of man-labour years	966	591

NOTE 5 OTHER FINANCIAL ITEMS

NOK 1 000	2007	2006
Forreign exchange income and loss	-18 068	-8 223
Appreciation financial current assets	18 394	2 695
Change in fair value hedge accounting	-32 647	0
Other financial expenses	-2 683	-661
Total	**-35 004**	**-6 189**

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

NOTE 6 TAXES

This year's tax expense consists of:

NOK 1 000	2007	2006
Tax payable		0
Change in deferred tax	35 994	-10 161
Income tax expense	**35 994**	**-10 161**

Reconciliation from nominal to effective tax rate:

NOK 1 000	2007	2006
Profit before tax	132 915	-33 540
This year's profit before tax	132 915	-33 540
Expected tax expense using nominal tax rate (28 %)	37 216	-9 391
Tax effect of the following items:		
Non deductible expenses	1 104	-1 172
Non taxable revenue	3 024	155
Other items	698	557
Tax expense	35 994	-10 161
Effective tax rate	27.08 %	30.30 %

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

NOK 1 000	2007	2006
Tangible assets	16 056	3 976
Financial instruments	34 683	
Receivables	14 844	10 365
Gain/loss account	196	245
Provisions	87 189	82 133
Pensions	33 310	30 794
Tax loss carry forward	29 511	216 702
Total	215 789	344 215
Deferred tax asset/liability	60 421	96 380
Not recognized deferred tax asset		
Net recognized deferred tax asset/liability	**60 421**	**96 380**

Deferred tax asset is recognized with basis in future revenue.

NOTE 7 INTANGIBLE ASSETS

NOK 1 000	Software	Trademark	Total
Acquisition cost at 1 January 2007	65 082	4 591	69 673
Additions	14 030		14 030
Disposals	0	-	-
Acquisition cost at 31 December 2007	79 112	4 591	83 703
Accumulated amortization and write-down at January 1 2007	31 839	3 825	35 664
Amortization in 2007	12 580	766	13 346
Accumulated depreciation and write-down at 31 December 2007	44 419	4 591	49 010
Book value at 31 December 2007	**34 693**	**0**	**34 693**
Economic life	3-5 years	5 years	
Depreciation plan	Linear	Linear	

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

NOTE 8 TANGIBLE ASSETS

NOK 1 000	Buildings	aircraft	Installations on leased aircraft	Spare parts	Equipment and Fixtures	Total
Acquisition cost at 1 January 2006		182 703	52 417	23 716	43 171	302 007
Additions	3 933	16 449	22 641	2 988	16 397	62 408
Disposals						0
Acquisition cost at 31 December 2006	3 933	199 152	75 058	26 704	59 568	364 415
Accumulated depreciation at 1 January 2007		22 176	14 987	7 254	29 160	73 577
Depreciation in 2007		25 543	17 395	3 739	8 170	54 847
Reversals in 2007					-1 208	-1 208
Accumulated depreciation at 31 December 2007	0	47 719	32 382	10 993	36 122	127 216
Book value at 31 December 2007	**3 933**	**151 433**	**42 676**	**15 711**	**23 446**	**237 199**
Economic life		See below	3-7 years	6 years	3-9 years	
Depreciation plan		Linear	Linear	Linear	Linear	
Residual value	100 %	5 MNOK	0 %	25 %	0 %	

As at 31 December 2007, the company operated a total of 24 aircraft, two owned and 22 leased under operational leases.
The two owned aircraft are decomposed into two components for depreciation purposes.
In accordance with official requirements, aircraft must be maintained and significant components changed after a spesific number of takeoffs or airborne hours. These components are identified as C check and D check on aircraft body, Power restoration and Life Limited Parts for the two engines on each aircraft, as well as maintenance on landing gear and the APU. The maintenance and overhaul on these components occurs on a defined interval, and the value is depreciated over the period until next maintenance occurs. Completed maintenance and overhaul is capitalized and depreciated over the period until next relevant mainenance and overhaul.
The second aircraft component is defined as the remainder of the aircraft. The residual value is deducted from the depreciable amount of the remainder of the aircraft. The life expectancy of the aircraft is 30 years, and the economic life of the owned aircraft is 30 years less the age of the aircraft at time of purchase.
The installations on the leased aircraft include cabin interior modifications, and other improvements to the aircraft after lease commencement. The capitalized value is depreciated over the remainder of the aircraft lease, which is between 1-5 years. In 2007 several engines on the leased aircraft were in overhaul, and replacements costs for Life Limited Parts were capitalized in the extent that the costs are improvements to the engines above 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 consists of rotable and repairable parts for aircraft, and is depreciated over their useful life.

Prepayments on Boeing contract

In 2007, the company entered into a purchase contract for 42 new 737-800 aircraft with Boeing Corporation. The aircraft will be delivered in the period 2009 until 2014. Up until delivery of the aircraft, the company will make prepayments to Boeing, following a defined prepayment schedule. The company has capitalized borrowing costs. Borrowing costs incurred for the contruction of qualifying assets are capitalized during the period of time that is required to complete the aircraft. Borrowing costs of TNOK 7,218 (2006: TNOK 0) has been capitalized during the year. Average capitalization rate of 6.98 % was used.

NOTE 9 LEASING

The lease agreements on the Boeing 737 aircraft last for three to five years from the date of agreement, with some extension options. Six of the aircraft were delivered in 2002, two aircraft in 2003, four aircraft in 2004, two aircraft in 2005, six aircraft in 2006, and an additional two aircraft in 2007. Renegotiations have resulted in extensions on some of the shorter leases. The contracts for six of the aircraft expire in 2009, and for eight of the aircraft in 2010. The remaining contracts expire in 2011 or later.

In addition, the company leases nine cars, and nine properties in Oslo, Stavanger and Warsaw.
Leasing costs expensed in other operating costs in 2007 was MNOK 297.3 (MNOK 180.3 in 2006)
Annual minimum rent on non-cancelable operating lease agreements per 31 December 2007 is as follows:

	Nominal value				Fair value			
NOK 1 000	Aircraft	Cars	Property	Total	Aircraft	Cars	Property	Total
Within one year	357 985	632	18 341	376 958	348 528	616	17 857	367 001
Between 1 and 5 years	639 649	354	58 720	698 723	567 338	322	39 674	607 334
After 5 years			13 233	13 233			8 625	8 625

The fair value is based on 5.5 % discount rate.

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

NOTE 10 LONG-TERM RECEIVABLES

NOK 1 000	2007	2006
Deposits	24 709	7 696
Other long-term receivables	750	1 131
Total	**25 459**	**8 828**

The company has entered into some agreements to pay deposits as collateral for the company's liabilities to certain suppliers. Among other things, this applies to leasing liabilities and aviation duties. Deposits denominated in foreign currency are converted using the prevailing exchange rates on the balance sheet date.

NOTE 11 INVENTORIES

NOK 1 000	2007	2006
Consumables	14 777	12 484
Modification equipment	5 005	2 273
Parts for heavy maintenance	8 218	4 584
Total	**28 000**	**19 341**

In 2006 and 2007, the company bought parts for heavy maintenance on aircraft engines that will be done in the spring of 2008.

NOTE 12 OTHER RECEIVABLES

NOK 1 000	2007	2006
Prepaid costs	64 120	63 007
VAT refund	37 675	28 451
Reimbursements claims maintenance costs	95 646	175 557
Intercompany receivable	6 289	4 729
Other receivables	50 171	12 808
Sum	**253 901**	**284 552**

NOTE 13 SHAREHOLDER'S EQUITY AND SHAREHOLDER INFORMATION

At 31 December 2007, the share capital consists of the following share classes:

	Number	Nominal value	Book value
Class A shares	20 865 526	0.1	2 086 553

Shareholder structure
The largest shareholders at 31 December 2007 were:

	A shares	Owner-ship (%)	Voting interest
HBK Holding AS	3 165 747	15.17 %	15.17 %
BSB Invest	3 034 720	14.54 %	14.54 %
Vital Forsikring ASA	1 448 774	6.94 %	6.94 %
Finnair PLC	1 063 830	5.10 %	5.10 %
Ojada AS	900 500	4.32 %	4.32 %
DNB NOR Norge (IV) VPF	842 747	4.04 %	4.04 %
Goldman Sachs INT	784 544	3.76 %	3.76 %
Fidelity Funds-Nordic	673 000	3.23 %	3.23 %
Brown Brothers Harri S/A	668 946	3.21 %	3.21 %
Ferd AS	600 000	2.88 %	2.88 %
Ankerløkken Holding AS	520 000	2.49 %	2.49 %
Skagen Vekst	503 000	2.41 %	2.41 %
Fidelity Funds Europe	417 490	2.00 %	2.00 %
Holberg Norden	393 800	1.89 %	1.89 %
Holberg Norge	344 800	1.65 %	1.65 %
Fondsavanse AS	335 000	1.61 %	1.61 %
Verdipapirfondet KLP	330 000	1.58 %	1.58 %
JPMorgan Chase Bank	278 450	1.33 %	1.33 %
DNB NOR SMB VPF	244 321	1.17 %	1.17 %
Aweco Invest AS	207 000	0.99 %	0.99 %
Other	4 108 857	19.69 %	19.69 %
Total number of share	**20 865 526**	**100 %**	**100 %**

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

Name	Title	Shares 1)	Options
Erik G. Braathen	Chairman of the Board	900 500	-
Bjørn Kise 2)	Deputy chairman	536 799	-
Ola Krohn Fagervoll	Board Member	8 070	-
Liv Berstad	Board Member	-	-
Marianne Wergeland Jenssen	Board Member	-	-
Monika Johansen	Board Member - Staff repr	-	-
Halvor Vatnar	Board Member - Staff repr	617	-
Sissel Vårum	Board Member - Staff repr	-	-
Bjørn Kjos 3)	Chief Executive Officer	5 695 717	30 000
Frode E Foss	Chief Financial Officer	25 000	30 000
Hans-Petter Aanby	Chief Information Officer	3 174	30 000
Asgeir Nyseth	Chief Operating Officer	0	30 000
Daniel Skjeldam	Chief Commercial Officer	0	30 000
Anne Grete Ellingsen	Director Corporate Communication	0	-
Gunnar Martinsen	Director Human Resources	4 269	5 000

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

NOTE 14 EQUITY

NOK 1 000	Share capital	Share prem. reserve	Other paid-in equity	Other equity	Total equity
Equity at 1 January 2006	**1 809**	**157 099**	**424**	**-16 523**	**142 808**
Share issue 2006	130	114 836			114 966
Purchase of own shares	28			24 872	24 900
Stock Option program 2006			1 285		1 285
Net loss for the year				-23 379	-23 379
Equity 31 December 2006	**1 967**	**271 934**	**1 709**	**-15 030**	**260 580**
Equity at 1 January 2007	**1 967**	**271 934**	**1 709**	**-15 030**	**260 580**
Share issue 2007	106	127 021			127 128
Expenses for share issue 2007, net of tax		-90			-90
Stock options - share issue	13	9 412			9 425
Option issue for FlyNordic acquisition			29 485		29 485
Stock Option program 2007			1 558		1 558
Net profit for the year				96 921	96 921
Equity 31 December 2007	**2 087**	**408 277**	**32 753**	**81 891**	**525 008**

NOTE 15 EARNINGS PER SHARE

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

NOK 1 000	2007	2006
Net profit	96 921	-23 379
Average number of shares outstanding	20 196 040	19 312 719
Average number of shares and options outstanding	20 831 005	19 456 607
Basic earnings per share	4.80	-1.21
Diluted earnings per share	4.65	-1.21

NOTE 16 PENSIONS

The company has a pension scheme including 679 people in total. The scheme is a defined benefit plan. The benefits are mainly dependent on pension entitlement earned, salary at the time of retirement and the size of payments from the National Insurance. The liabilities are covered through an insurance company.
The company has agreement-based early retirement plan (AFP), entitling employees to benefits at retirement at the age of 62. As at 31 December 2007, 283 employees were included. The AFP is a multi-employer plan, where the Norwegian state pays a contribution of 40 % of paid pensions for the retired persons older than 64 years. The Group payments of contribution to the plan are recognised as an expense in the income statement as incurred. The Group also pays 25 % of the pension paid to own pensioners. This is an obligation for the Group that is not funded. The AFP obligation for the Group are shown under the heading “unfunded”.

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

NOK 1 000	Funded	Unfunded	Total 2007	Total 2006
Net present value of benefits earned	43 815	266	44 081	29 088
Interest cost on pension liability	7 953	36	7 989	6 091
Expected return on pension funds	-8 382		-8 382	-5 935
Administrative expenses	0		0	515
Recognized actuarial gains/losses	606		606	813
Social security tax	6 117	42	6 159	4 310
Net pension expenses	**50 109**	**344**	**50 453**	**34 882**

NOK 1 000	Funded	Unfunded	Total 2007	Total 2006
Liabilities on earned pension rights	184 508	818	185 326	139 695
Calculated liability from future salary increases	63 721	355	64 076	45 630
Gross pension liabilities	248 229	1 173	249 402	185 325
Pension assets (at market value)	175 000	0	175 000	137 516
Estimate deviations not recognized	-51 469	-113	-51 582	-20 821
Social security tax	10 325	165	10 490	3 806
Net pension liabilities	**32 085**	**1 225**	**33 310**	**30 794**

	2007	2006
Best estimate of actual return on pension funds previous year	6.20 %	5.30 %
Expected contribution to be paid next year	57 050	37 878
Expected benefits to be paid	7 500	1 344

Economic assumptions:	2007	2006
Discount rate	4.50 %	4.40 %
Expected growth in salaries	4.00 %	4.00 %
Expected growth in state pensions	4.25 %	4.25 %
Expected growth in pensions	1.75 %	1.50 %
Expected return on pension assets	5.50 %	5.50 %
Average turnover	10.0 %	10.0 %

The company's pension fund is invested in the following instruments:

	2007	2006
Current obligations	21.6 %	20.6 %
Long-term obligations	27.5 %	30.0 %
Money market funds	7.5 %	4.5 %
Stocks	24.8 %	29.7 %
Real estate	15.6 %	12.6 %
Various	3.0 %	2.6 %

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

NOTE 17 OPTIONS

The Board issued 140,000 stock options on 20 October 2005, in accordance with the authorization from the general meeting on 11 May 2005 to the company management team. Stock options that were not exercised on 19 October 2007 were discontinued.
Stock options were exercised at a price of NOK 65 to NOK 106, if the value on the share exceeds 10 % of strike price after 12 months, and 20 % of strike price after 24 months.

On 24 October 2007 the Board issued, in accordance with the authorization from the General Assembly on 3 May 2007, 269.000 stock options to the company management team. The stock options have an excercise price of NOK 173,07. The stock options are acquired over a two year period, whereof 50 % are acquired the first year, and the remaining the second year. Stock options not exercised before 23 October 2009 are discontinued.

The stock option programme is assessed and expensed at fair value. Calculations are done using Black & Scholes option pricing model.
The assessment model takes into account market conditions for vesting in the assessment of fair value. The cost of fair value is expensed linear over the vesting period. The costs are offset in other paid in capital.

	2007 Shares	**Weighted avg. exerc. price**	**2006 Shares**	**Weighted avg. exerc. price**
Outstanding at the beginning of the period	136 250	71.0	140 000	65.0
Allocated	269 000	173.1	22 500	101.1
Excercised	132 500	71.1	23 750	65.0
Terminated	3 750	65.0	2 500	65.0
Rejected	-	0.0	-	0.0
Expired	-	0.0	-	0.0
Outstanding at the end of the period	269 000	173.1	136 250	71.0
Vested options	-	0.0	51 250	70.0
Weighted average of fair value of options allocated in the period	269 000	22.0	22 500	21.6

	------------ Outstanding options	**--------------**		**----- Vested options -----**	
Strike price (NOK)	**Outstanding options by 31 December 2007**	**Weighted average remaining lifetime (yrs)**	**Weighted average strike price**	**Vested options by 31 December 2007**	**Weighted average strike price**
0.00-170.00	-	0.0	-	-	-
170.00-	269 000	1.8	173.1	-	-
Total	**269 000**	**1.8**	**173.1**	**-**	**-**

The company has implemented an employee share saving program. Included in the program are bonus shares, where the company will issue a defined amount of shares dependent on the employees level of share purchase. As per 31 December 2007, 552 bonus shares were potentially acquired. The shares are accounted for according to IFRIC 11, using Hoadleys option pricing model.

Options issued in FlyNordic acquisition

As part of the consideration for FlyNordic acquisition, Norwegian Air Shuttle ASA issued on 31July 2007, a total of 1,121,633 share options. The shares will expire unless exercised before 31 December 2008.

NOTE 18 PROVISIONS

NOK 1 000	2007	2006
Periodic maintenance on leased Boeing 737 aircraft	100 834	81 734
Total provisions	**100 834**	**81 734**

For leased aircraft, payments to maintenance funds held by the lessor are made. The accrued provisions in the accounts are estimated payments for periodic maintenance in excess of payments to the maintenance funds, and are provided on the basis of aircraft utilization. For some of the contracts, there is a degree of uncertainty about what kind of maintenance works are covered by the maintenance funds. The provisions for these contracts are based on the assumption that thec ompany's interpretation will not be accepted. The provision for this increase in liabilities is distributed over the duration of the contracts.

NOTE 19 OTHER SHORT TERM LIABILITIES

NOK 1 000	2007	2006
Accrued holiday allowances	45 284	30 613
Accrued expenses	303 892	230 550
Liability to Group companies	15 774	0
Other short term liabilities	4 619	275
Total	**369 569**	**261 438**

NOTE 20 FINANCIAL INSTRUMENTS

	Assets		**Liabilities**	
NOK 1 000	Short term	Long term	Short term	Long term
31 December 2007				
Hedge item Boeing contract	18 222	128 031	24 567	154 333
Foreign exchange hedges fair value	7 771	0	9 808	0
Total financial instruments	**25 993**	**128 031**	**34 375**	**154 333**

	Assets		**Liabilities**	
NOK 1 000	Short term	Long term	Short term	Long term
31 December 2006				
Foreign exchange hedges fair value	298	0	1 014	0
Total financial instruments	**298**	**0**	**1 014**	**0**

NOTE 21 ASSETS PLEDGED AS COLLATERAL AND GUARANTEES

Bank deposits are pledged as collateral for leasing liabilities, credit from fuel suppliers, and foreign currency hedges. A bank guarantee is pledged as collateral for leasing liabilities for aircraft. An investment in bond is pledged as security for the USD hedge on the purchase contract with Boeing.
One owned aircraft are pledged as security for foreign exchange contracts, limited in total to MNOK 60.

Book value of assets pledged as security NOK 1 000	2007	2006
Cash depot	71 692	39 203
Short term investment bond	215 758	-
Total	**287 450**	**39 203**

The company has in 2006 established a multicurrency facility agreement, in the amount of MNOK 200. The owned aircraft will be pledged as collateral for the outstanding loans. As per 31 December 2006, the company had not drawn on the facility. In 2007 the facility was cancelled.

Guarantees for subsidiaries

Norwegian Air Shuttle ASA has given an annual equity guarantee for its 100 % owned Swedish subsidiary Nordic Airlink Holding AB. The guarantee ensure that the subsidiary's equity, during and until the end of the financial year of 2008, amounts to at least the registered share capital of the subsidiary, and is limited to MEUR 10.

NOTE 22 CASH AND CASH EQUIVALENTS

NOK 1 000	2007	2006
Cash in bank	278 633	126 140
Cash equivalents	150 477	101 992
Total	**429 110**	**228 132**

Restricted cash items are:

NOK 1 000	2007	2006
Amounts pledged as collateral for leases and credits from fuel suppliers	71 692	39 203
Taxes withheld	25 759	18 259
Total restricted cash	**97 451**	**57 462**

NOTE 23 REMUNERATION TO THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

Board and Management Remuneration

Remuneration to the Board of Directors

Total remuneration paid to the Board in 2007 was TNOK 680. The Chairman of the Board, Erik Gunnar Braathen, received TNOK 150. There were no bonus or other form of compensation paid to the Board members in 2007.

Directive of remuneration to the CEO and Executive Management team

The principles for leadership remuneration in Norwegian Air Shuttle ASA is to stimulate to a strong and lasting profit oriented culture. The total compensation level should be competitive, however, not market leading compared to similar organizations. The Board defines the remuneration to the CEO, and the guidelines for remuneration to the other Executive Management. The remuneration to the Board and management team must not have negative effects for the Group, nor damage the reputation and standing of the Group in the public eye. There has been no changes in the guidelines or principles for management remuneration during the year. The actual remuneration in 2007 were consistent with the guidelines and principles. In addition, key managment personnel has received compensation related to their participation in lauching BankNorwegian. However, the cost for Norwegian has been recovered in full.

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

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

The management team is part of the Group's collective pension plan for salary up to 12 G, which applies to all employees.

The senior management have no special rights in the event of termination of employment.

Total compensation year 2007

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

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

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

Total compensation year 2006

NOK 1 000	Fee	Salary	Bonus	Stock option cash comp.	Other benefits **)	Total Compensation	Pension expense
The Board of Directors							
Erik Gunnar Braathen (chairman)	150					150	
Bjørn Kise (deputy chairman)	125					125	
Berit Slåtto Neerbye	100					100	
Liv Berstad	100					100	
Ola Krohn-Fagervoll	100					100	
Halvor Vatnar*)	35					35	
Kari-Helene Mordt Fjær*)	35					35	
Frode Husan*)	35					35	
Total Board of Directors	**680**	**0**	**0**	**0**	**0**	**680**	**0**
Executive Management							
Bjørn Kjos (CEO)		1 179			115	1 294	119
Frode Foss (CFO)		967			197	1 164	87
Asgeir Nyseth (COO, from 1 June)		426			21	447	67
Hans-Petter Aanby (CIO)		772	198	446	85	1 501	105
Gunnar Martinsen (DHR)		597			15	612	87
Anne Grete Ellingsen (DCC)		804			17	821	115
Total Executive Management	**0**	**4 745**	**198**	**446**	**450**	**5 839**	**580**

*) For the employee representatives in the Board of Directors, only their fee for serving on the Board of Directors fee is stated.
**) Other benefits include company car, telephone, internet etc.

Shares and options owned by senior managers are presented in note 13.

There are no loans outstanding, or guarantees made, to the Board of Directors or the Executive Management.

Auditor remuneration

NOK 1 000	2007	2006
Audit fee	673	351
Other audit related services	912	
Tax advisory	67	35
Other services	**66**	**129**

All amounts stated are without VAT

NOTE 24 BORROWINGS

Per 31 December 2007, the Group had interest bearing debt totaling MNOK 300.
The loan is an unsecured bond issue, to finance daily operations. The loan is denominated in NOK, and matures 19 April 2010. The coupon is NIBOR + 2 %.

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

As at 31 December 2007, the company is in compliance with the bond covenants.

NOK 1 000	
Nominal value bond issue	300 000
Amortized transaction costs	-2 303
Bond as at 31 December 2007 at amortized cost	**297 697**

NOTE 25 INVESTMENT IN SUBSIDIARIES AND RELATED PARTIES

Norwegian air Shuttle Polska SP.so.o

The subsidiary Norwegian Air Shuttle Polska Sp.zo.o. was established in 2006 and is 100 % owned. All of the Group's business generating assets are owned by the Norwegian company. The Group's operations are mainly carried out at from the base in Norway, but two of the aircraft in the fleet are designated to the Polish operations and are operating to and from the Warsaw base. The Polish subsidiary is supplying crew and some lighter maintenance on the aircraft. The services rendered is invoiced to the parent company according to intercompany arms-length agreements.

Nordic Airlink Holding AB

At 31July 2007, the Group purchased 100 % of the shares in Nordic Airlink Holding AB (FlyNordic).
FlyNordic is based on Stockholm Airport Arlanda, Sweden. The main activity of the company is low cost passenger airline operations, in addition to charter operations. The company operates under a Swedish Air Operating Certificate. Transactions between parent company and FlyNordic in 2007 was primarily code share operations on Oslo-Arlanda route. All transactions were handled on marked tems.

Name	Date of initiation/a quisition	Office	Number of shares	Ownership	Book value 31.12.2007	Total Equity 31.12.07	Net profit 2007
Norwegian Air Shuttle Polska Sp.zo.o	2 006	Warsaw, Poland	50 000	100 %	TNOK 2,214	TNOK 5,534	TNOK 2,505
Nordic Airlink Holding AB	31.07.2007	Stockholm, Sweden	20 000	100 %	TNOK 199,811	TNOK 13,035	TNOK -10,997*)

*) Net loss in period 1 August 2007- 31 December 2007

Intercompany balances 31 December 2007	Short term	Long term
Receivables	6 289	0
Payables	15 774	0

Transactions with other related parties

The Chief Executive Officer is the principal shareholder in the company with an controlling ownership share of 34.17 % through the controlling ownership of LT Holding AS, HBK Holding AS, and the company Ankerløkken Holding AS. The CEO is Chairman of the Board and the principal shareholder in LT Holding AS , which owns 16.52 % of the shares in Norwegian Air Shuttle ASA.

Board member Bjørn H. Kise also owns minority shares i HBK Holding and LT Holding.

Board member Bjørn H. Kise is partner, and the CEO is former partner in the law firm Vogt & Wiig which is the legal advisor of Norwegian Air Shuttle ASA. The fees for legal services in 2007 paid to Vogt & Wiik was TNOK 5,075, ex. vat. Payable fees included in trade payables as at 31 Desember 2007 was TNOK 4.

Terms and conditions for transactions with related parties

Sale to, or purchase from related parties are performed at arms-lengths conditions. The company has not given any guarantees to related parties, other than a capital guarantee for the subsidiary Nordic Airlink Holding AB.

Terms and principles for transactions with related parties are continuously evaluated.

NOTE 26 INVESTMENT ASSOCIATED COMPANY

Norwegian Air Shuttle ASA has the following investments in associates:

		Industry	Ownership interest	Carrying amount 31.12.2007	Net profit (loss) 2007	Carrying amount 31.12.2006
Norwegian Finans Holding ASA	Norway	Financial Institution	20 %	0	1 821	53 516

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

The equity method is applied in accounting for the investment, and Norwegians share of the associated company's profit and loss is included in the carrying amount.

Bank Norwegian started operations in November 2007 and ends its financial year on 31 December. Norwegian Air Shuttle ASA has made an estimate of the periods profit and loss since no official financial statements have been publicly available. The estimates are based on operating projections made available in the Public share offering.

NOTE 27 INVESTMENT IN BONDS AND SHARES

Investments in shares

Company	Ownership	Market value	Book value
Silver pensjonsforsikring AS	1.4 %	TNOK 10 004	TNOK 10 004

Investments in bonds

Company	Currency	Market value	Book value
DnB NOR Bank ASA	NOK	TNOK 215 758	TNOK 215 758

The bond is an unsecured bond with coupon of NIBOR + 0.1 %. The loan is denominated in NOK, and matures 10 September 2010.
Coupons are paid quarterly.

NOTE 28 FINANCIAL RISK

Foreign Currency Risk

A substantial part of the company's expenses are denominated in foreign currency. The company leases, aircraft purchases, and related expenses are mainly denominated in USD, and a portion of the sales and aircraft operation expenses are denominated in EUR. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. In order to cope with the currency risk, the company has a mandate to hedge up to 100 % of its expected consumption next 12 month. The hedging consists of forwards and flexible forwards.

In 2007, if NOK had weakened/strengthened by 1 % against the US dollar with all other variables held constant, pre-tax profit for the year would have been MNOK 15.0 (2006: MNOK 11.9) higher/lower, mainly as a result of foreign exchange gains/losses on operating costs.

If NOK had weakened/strengthened by 1 % against EUR with all other variables held constant, pre-tax profit for the year would have been MNOK 5.0 (2006: MNOK 3,7) higher/lower, mainly as a result of foreign exchange gains/losses on operating costs.

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

Interest rate risk

As the company has no significant interest-bearing assets, the companys income and operating cash flows are substantially independent of changes in market interest rates. The company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest rate risk. In March 2007 the company did an unsecured bond issue with a floating interest rate. Leasing contracts have fixed interest rate.

During 2007, if floating interest rate (NIBOR) had been 1.0 % higher/lower with all other variables held constant, pre-tax profit for the year would have been MNOK 4.25 (2006: 3.89) lower/higher, mainly as a result of higher/lower interest income on floating rate cash and cash equivalents and borrowings.

Fluctuations in Oil prices

Expenses for Jet-Fuel represents a substantial part of the companys operating costs, and fluctuations in the Jet-Fuel prices influence the projected cash flows. The company manages the risk by periodically purchasing fuel derivatives. The management has a mandate to hedge up to 100 % of its expected consumption next 12 month with financial instruments.

In 2007, if the fuel price had increased/decreased by 1 % with all other variables held constant, pre-tax profit for the year would have been MNOK 7.9 (2006: MNOK 5.4) higher/lower.

Credit risk

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 policy is to maintain credit sales at a minimum level. Sales to personal customers are settled in cash or using major credit cards.
The company is somewhat exposed to credit risk due to invoicing of sales and re-invoicing of costs. Additionally, there are some risks of missing settlements when selling blocked space to our code share partners, but this risk is kept at a minimum since Norwegian is also purchasing blocked seats with the same code share partners. There are re-invoicing of maintenance costs on aircraft to leasing companies, and Norwegian regularly evaluates and assesses the value of these credits.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.
Management monitors rolling forecasts of the companys liquidity reserve and cash and cash equivalents (note 20) on the basis of expected cash flow. In addition, the liquidity management policy involves projecting cashflows in major currencies and considering the level of liquid assets necessary to meet these; monitoring balance sheet liquidity ratios against internal and external regulatory requirements; and maintaining debt financing plans.

Capital risk management

The company's policy to capital management is to have a capital structure suitable to the demands on operations, reducing cost of capital, risk factors in the industry, company specific risk and future planned investments. The company will at all times adjust debt and equity to maintain/secure optimal capital structure by continously montioring the gearing ratio. At present, management assesses the capital structure to be reasonable, equity ratio per 31 December 2007 was 23.9 %.

NOTE 29 CONTINGENCIES AND LEGAL CLAIMS

On 17 November 2006, Norwegian Air Shuttle ASA filed a civil law suit against SAS Braathens AS (now SAS Scandinavian Airlines Norge AS) and SAS AS (publ.) for unjustified access to, and use of sensitive business secrets. The illegal access to the information about Norwegian was through the booking system Amadeus in the period of September 2002 until November 2005. SAS gained price sensitive information about routes where SAS and Norwegian Air Shuttle ASA were competitors. Norwegian is suing for damages caused by the illegal actions.

On 1 February 2008, SAS Scandinavian Airlines Norge AS filed a cross action against Norwegian Air Shuttle ASA for alleged use of sensitive business secrets. SAS has not at this time indicated or stated their damages.

Both cases are scheduled for trial in April 2008.

The Norwegian authorities filed criminal suit against SAS Braathens AS for unjust access to business secrets from Norwegian, and the case was tried in September 2006. The ruling was in favour of SAS, but was appealed. The appellate court ruled in October 2007 in favour of the Norwegian authorities. The case was also preceded in the Norwegian Supreme Court in December 2007, without changing the ruling from the Court of Appeal.

The outcome of the civil suit is not dependant on the ruling in the criminal suit.

NOTE 30 COMMITMENTS

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

The 42 aircraft will be delivered over a five-year period from 2009 through 2014, with around ten aircraft each year. The purchase price will be paid over several installments before delivery of each aircraft. The company has entered into hedging agreements to cover parts of the NOK/USD exposure in connection with the purchases.

NOTE 31 EVENTS AFTER BALANCE SHEET DATE

On 15 January 2008 Norwegian Air Shuttle ASA announced its establishment of a new subsidiary which is to start mobile telephone services in fourth quarter 2008. The new company will be named Call Norwegian AS. The company will be run as an individual and independent company, but in close cooperation with the airline.

Auditor's Report for 2007

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers AS
Postboks 748
NO-0106 Oslo
Telephone +47 02316
Telefax +47 23 16 10 00

To the Annual Shareholders' Meeting of Norwegian Air Shuttle ASA

Auditor's report for 2007

We have audited the annual financial statements of Norwegian Air Shuttle ASA as of December 31, 2007, showing a profit of tnok 96 921 for the parent company and a profit of tnok 84 580 for the group. We have also audited the information in the directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit. The annual financial statements comprise the financial statements of the parent company and the group. The financial statements of the parent company comprise the balance sheet, the statements of income and cash flows, and the accompanying notes. The financial statements of the group comprise the balance sheet, the statement of income and cash flows, the statement of changes in equity and the accompanying notes. The regulations of the Norwegian accounting act and accounting standards, principles and practices generally accepted in Norway have been applied in the preparation of the financial statements of the parent company. International Financial Reporting Standards as adopted by the EU have been applied in the preparation of the financial statements of the group. These financial statements are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

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

In our opinion,

- the financial statements of the parent company have been prepared in accordance with the law and regulations and give a true and fair view of the financial position of the company as of December 31,2007 and the results of its operations and its cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the financial statements of the group have been prepared in accordance with the law and regulations and give a true and fair view of the financial position of the group as of December 31, 2007, and the results of its operations and its cash flows and the changes in equity for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU
- the company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of accounting information in accordance with the law and good bookkeeping practice in Norway
- the information in the directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit are consistent with the financial statements and comply with the law and regulations.

Oslo, March 31, 2008
PricewaterhouseCoopers AS

Håvard S. Abrahamsen
State Authorised Public Accountant (Norway)

Note: This translation from Norwegian has been prepared for information purposes only.

Definitions

ASK
Available Seat Kilometres.
Number of available seats multiplied by the distance flown.

RPK
Revenue Passenger Kilometres.
Number of occupied seats multiplied by the distance flown.

LOAD FACTOR
RPK divided by ASK. Describes the utilisation of the of available seats.

YIELD
Average income per RPK.

SECTOR LENGTH
Distance from one destination to another (one way).

EBT
Earnings Before Tax.

EBIT
Earnings Before Interest and Tax.

EBITDA
Earnings Before Interest, Tax, Depreciations and Amortizations.

EBITDAR
Earnings Before Interest, Tax, Depreciations, Amortizations and Rent.

Photo cover: Oddvar Riksheim
Photo page 5: The Boeing Company
Photo page 8: Bjørn Ivar Aarseth
Photo page 9, 11, 17: Olav Stendal
Photo page 44-45: Mateusz Gaciarz
Photo page 63: Ortuso Léonard
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Unicef

Norwegian started the first stage of an active donor partnership with UNICEF during the autumn 2007. The first visible sign of this partnership was the aircraft livery displaying children who play and the UNICEF logo on the tale. Children across Norway were invited to participate in a drawing competition to design a UNICEF aircraft. 4,000 children attended this competition. The winner's design can be seen on the aircraft. In addition Norwegian will contribute over a three years period with NOK 3,000,000. Many of the employees in Norwegian have registered as Global Parent to UNICEF's children and different activities will be implemented in 2008 both internally and towards our passengers to promote UNICEF's work and importance to all children affected by HIV/Aids.

Norwegian Air Shuttle ASA
Oksenøyveien 10A PO Box 115, 1330 Fornebu
Phone +47 67 59 30 00 Fax +47 67 59 30 01
Call center 815 21 815
Reg.no 965 920 358 MVA
post@norwegian.no