ANNUAL REPORT 2006

norwegian.no

"Affordable air-fares for everyone"

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The year in brief

Total turnover for the year was MNOK 2,941.4 compared with MNOK 1,972.2 in 2005.

The total operating result before depreciation and leasing costs (EBITDAR) was MNOK 200.8 compared to MNOK 184.5 in 2005.

The total operating result before depreciation (EBITDA) was MNOK 20.6 compared to MNOK 58,6 in 2005.

The result before tax (EBT) for the year was MNOK -31.7 compared to MNOK 38,9 in 2005.

Result after tax for 2006 was MNOK –21.9 compared to MNOK 28 the previous year.

In total the company has flown 5,104,814 passengers in 2006 compared to 3,289,769 in 2005, which is an increase of 55 %.

Total passenger traffic (RPK) increased by 56 % compared to 2005.

The cabin factor in 2006 has been 79 % compared to 78 % last year which is an increase of 1 percentage unit.

Total production (ASK) has increased 55 % in 2006 (5,371 million ASK) compared to 2005 (3,464 million ASK).

The company had cash reserves of MNOK 231.7 at the end of the year and an equity ratio of 24%.

Total unit cost (cost per ASK) for the year was NOK 0.54 compared to NOK 0.55 in 2005.

During 2006 Norwegian ASA has developed its network from 54 to 85 routes.

The Year in Brief - Key Figures

Total for the company	2006	2005	2004
Operating revenue	2 941 400	1 972 247	1 210 259
EBITDAR	200 837	184 501	-32 686
EBITDA	20 560	58 594	-140 600
EBT	-31 706	38 935	-152 458
Earnings per Share	-1,14	1,53	-6,03
ASK	5 371	3 464	2 301
RPK	4 223	2 703	1 538
Load Factor	79 %	78 %	67 %
Passengers Carried	5 104 814	3 289 769	2 073 736
Internet Sales	84 %	75 %	63 %
Number of Routes [1]	85	54	44
Aircrafts operated [2]	19	14	12

1) Number of routes for sale by the end of the year.
2) Number of aircraft received by the end of the year.

Dear Shareholders

Last year was characterized by great expansion. We started 30 new routes, and by the end of 2006 Norwegian operated 85 routes, 10 domestic and 75 international. In 2006 we achieved a revenue growth of around 50 %, meaning that our revenue increased with almost 1 billion NOK and the total turnover for the year ended at 3 billion NOK. We landed on a positive EBITDA result, despite the 72 MNOK we invested to establish the subsidiary group in Warsaw, Poland. The operations in Norway gave an EBITDA result of 97 MNOK, up from 55 MNOK in 2005.

Expansion is costly, but we are certain that the expansion is necessary to increase value and profitability on a longer term, by building a stronger market power and a more efficient cost base. During last year Norwegian had a reduction in our the unit cost from 0.55 to 0.54 NOK per ASK, however if we take into consideration the increase in fuel price our unit cost was 0.52 in 2006. Last year we spent 106 MNOK more on fuel compared to 2005.

It is with great satisfaction we see that our market share on the domestic market is growing steadily. On our four key domestic routes we achieved an average growth in market share of 6 %. On the route between Oslo and Bergen we have a 40 % market share, while the route between Oslo and Trondheim landed on a 42 % market share. Norwegian transported 5.1 million passengers in 2006, a passenger number which make us the second largest carrier in Scandinavia.

During the year we continued the focus on building markets in Eastern Europe, and in July we started the first Norwegian flights between Warsaw and other European cities. During the second half of 2006 Norwegian built up new base in Poland, with local management, pilots and cabin crews. We offered 10 routes from Warsaw at the end of 2006.

It takes time to build a brand in new markets. We had expected a slightly easier entrance in the Polish market, especially taking into consideration that we already had three established routes from Norway to Poland. Entering 2007 the sales in Poland has experienced a considerable growth and we expect at the present moment that the base in Poland will turn profitable during the second half of 2007.

During the summer 2006, Norwegian launched a new system for ticket-sale and distribution. The new distribution system was a result of collaboration with the global ticket distributor Amadeus. The system is highly efficient, and it has contributed to a substantial reduction in the distribution costs.

The summer of 2006 was filled with challenges for Norwegian. We experienced delays on delivery of aircraft, meaning we needed to wet lease two aircraft and crew. In addition, one of the rented aircraft had a small incident in Prague, which implied even greater operational challenges and large extra costs.

In June and July the huge passenger traffic on Oslo's main airport Gardermoen created an overstrain on the baggage system leading to a complete stop in baggage delivery on occasions. The airport had clearly not forecasted the huge traffic growth from Norwegian. The luggage handling problem created delays on the total route network. In addition Norwegian had difficulties with shortage of crew staff, mainly because of the mentioned delays.

In January Norwegian started a recruitment program for apprentices in the travel service field. One of the main reasons behind the apprentice program is challenges the cabin crew members meet taking in use the new and advanced check-in systems, which offers the passengers the possibility to both book and change tickets. This booking system requires a more advanced training than the normal six weeks security training the cabin crews must complete.

The package of courses that the apprentices receive during the program consists of training in booking, check-in, marketing, sales and economics. All of this is in addition to the normal cabin crew course. The main goal is that the apprentices shall learn how the total operation of an airline works.

The apprentices work approximately 50 % of the time in the cabin, and are in classes and on training in other departments the remaining time. The program is completed with a three months stay in a foreign city, to enhance the language skills. The apprentices receive a salary which is determined by the Norwegian government.

Central Unions started a media offensive beyond comparison around the apprentice program. Their main goal seemed to be to stop the program, which was very disappointing, especially when the very same unions were the ones that negotiated the terms of the apprentice agreement. Norwegian has not only followed their part of the contract, but we have also given the apprentices more than what is required in the agreement. Norwegian is offering young people a unique education that leads to a certificate of apprenticeship.

The apprenticeship program was approved by the Akershus Accounty Authorities in 2005, in March 2007 it was approved by the Vocation Training Board.

What about the future?

Norwegian will have a continued focus on cost reduction. At the same time we will offer our passengers a better product, still at a low price.

During spring 2007 Norwegian will introduce seat reservation on all flights. The passengers can, for a small fee, reserve the seat they wish already when booking the ticket. In addition Norwegian has developed automatic check-in machines which will be in use at all domestic airports and at the major international airports.

In 2007 the expansion will be focused on already existing routes. On the domestic network we will offer up to 14 departures on key routes such as Oslo to Bergen and Oslo to Trondheim. On the international network Norwegian will increase the departures up to two daily between Oslo and Paris, were Norwegian has changed airport to Orly, which is the most central airport. There will also be two daily flights between Oslo and Warsaw and Oslo and Berlin. In Rome we are changing airport to Fiumicino, where the public transportation to Rome is even better than from Ciampino. In 2007 Norwegian will offer several routes to Turkey, and we are now proud to say that we offer ower 50 % more international destinations than SAS Braathens.

We do not expect that the ticket price will increase in 2007. Therefore Norwegian is aiming to increase turnover from non core operations during the year. This strategy is chosen to ensure low prices on our tickets, and to maintain our goal: "Affordable air-fares for every one".

This is Norwegian

Visions and goals

The business goal of Norwegian Air Shuttle ASA is, through efficient operations and low prices, to give everybody the possibility to travel by air. Lower prices for air travel are expected to improve people's financial well being and social life, give a more competitive business community, as well as to give a positive stimulant to the general development of society. The group's ambition is to establish itself as one of the preferred suppliers of air travel to those who live in Norway and in other parts of Europe were Norwegian Air Shuttle flies.This goal can be achieved through low prices in selected markets and a competitive destination list, in addition to high relevance and quality in delivery.

In order to achieve the company's business goal and ambitions, our organisation is being developed on the lines of: Directness, simplicity and relevance. The company has a flat organisational structure which makes the decision-making processes simple and direct. The company prefers management processes which allow it at any time to react quickly with necessary measures. Working in the organisation should be hallmarked by focus, team playing and achievement of goals, where this is seen as being an open and direct dialogue with emphasis on real improvement.

To achieve a high level of business relevance the company structure and organisation is built from the ground up, with the aim to build the strategic skills which give low costs and high efficiency in the company's use of resources. Activities which are not of sufficient strategic relevance for the business will be actively outsourced instead.

Edinburgh

All tickets are changeable within
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- CEO – Bjørn Kjos
  - Finance – Frode E. Foss
  - Human Resources – Gunnar Martinsen
  - IT & Development – Hans Petter Aanby
  - Information – Anne Grete Ellingsen
  - NAS Polska – Jaroslaw Swiecki
  - Comercial – Bjørn Kjos
  - Operational – Asgeir Nyseth

Group organisation

At the end of the year the group had 669 permanent employees, or the equivalent of 638 full time employees. In addition the group had 64 apprentices and 71 temporary staff, working in the cabin. The temporary staff has been engaged to cover for permanent employees on maternity leave and medical certificate, in addition to normal requirement for staff as the production growth for the year has been extensive. 74 % of the permanent employees were operative aircraft and technical personnel; pilots, cabin crew, fleet operation administration and maintenance.

The table below shows the development of total employees during the year.

Function	31.12.06	31.12.05
Operations – Pilots	196	147
Operations – Cabin staff	197	198
Operations - Administration	28	22
Technical	76	53
Commercial [1]	133	111
Administration	39	29
Apprentices	64	-
Temporary staff in cabin	71	-
Total	**804**	**560**

1) Including Call Centre

The Poland base had 41 employed as cabin crew, 7 pilots and 5 in sales, marketing and administration.

Operations and market developments

Network

The basic principles behind the network-developement of Norwegian has been the following:

- Growing the major point to point markets on domestic Norwegian 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 Norway
- Developing markets out of Poland, on routes that have been excessively priced or underserved
- Maximising aircraft utilization through effective planning and effective use of bases to a target of 12 hours.
- Replacing important business routes with Mediterranean routes in the mid-summer period
- Replacing Mediterranean routes with routes to the Alps in the winter.

In 2006 Norwegian has grown the network to 85 routes to 52 different destinations; 10 domestic- and 75 international routes. The number of aircraft has in the same period grown to 22 Boeing 737-300. Two new bases have been opened in Bergen and Warsaw.

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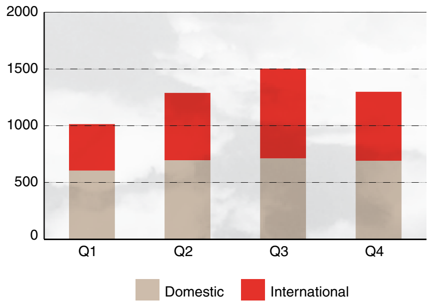
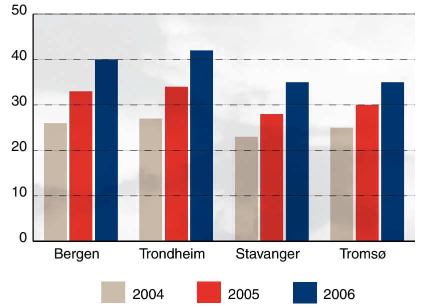
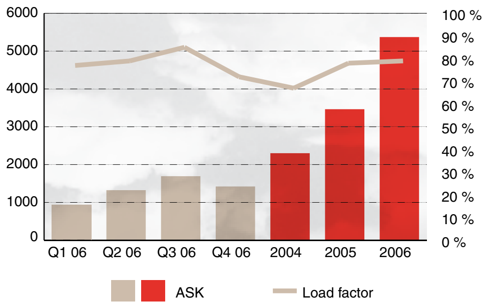
Passenger Development



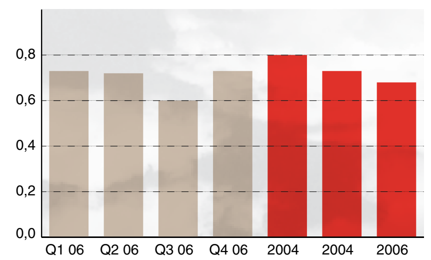
Market share on domestic flights



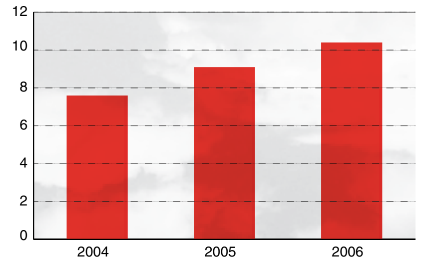
Load factor / ASK



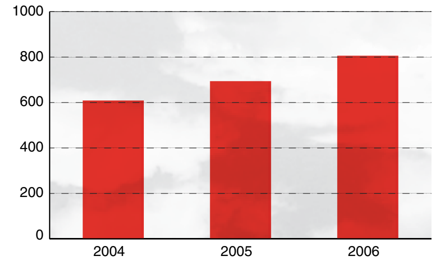
Yield (revenue/RPK)



Block hours/plane/day



Block hours/crew/year



Passenger development in 2006

Approximately 5.1 million passengers have travelled with Norwegian during 2006, an increase of 55 %. Travel volumes have varied throughout the year with the first quarter having the lowest activity, thereafter improving quarter by quarter. In addition to the seasonal changes, the growth in passenger traffic reflects the expansion of the route portfolio Norwegian has on offer.

Throughout its fourth year of low cost operations, Norwegian has strengthened its position in the Norwegian domestic market. At the end of 2006 the group had a market share of approximately 38 % on the largest domestic routes, up 6 % points from 2005 and at the same time absorbing the market growth of 15 % on these routes.

During the year, passenger traffic (RPK) has increased by 56 % and production (ASK) increased by 55 % compared to 2005. The load factor for the year ended at 79 % which is an increase of 1 % point from 2005. The domestic load factor ended at 78 %, an increase of 5 % points. The international load factor was 79 %, which is down 2 % points compared to last year. The load factor decrease on the international route portfolio is due to the group's heavy expansion. Norwegian has opened in total 30 new international routes during 2006. The international production is the fastest growing part of the group's operations, and counted for 67 % of the total production by the end of 2006, compared to 59 % last year.

The yield has been falling ever since the low-fare operations started. This is to a large extent connected to expansion and longer average flying distances. In addition, the yield is influenced by seasonal changes and holiday seasons. There has been a reduction in the yield throughout the year. The reduction is mainly connected to reduced prices to incorporate the group's route expansion, in particular the routes from the recently started base in Poland. In addition the yield is affected by a high share of routes with a relatively seen lower yield

Operating costs

A relatively large part of the group's costs are driven by fixed and interval fixed production costs, and the main cost drivers are among others leasing, fleet insurance, maintenance, fuel and cabin crews. It is therefore important to have high efficiency of these cost drivers in order to achieve the lowest possible cost per ASK. Frequency based aircraft operating costs, such as take off fees, de-icing and ground handling has achieved a lower cost per ASK due to increased sector length and new contracts with airports and handling agents.

Since the start of the low cost operations, Norwegian has achieved a significant increase in production, by increasing the number of aircraft to 19 in operation by the end of 2006, and also by better utilisation of the aircraft. The continuous cost cutting focus has resulted in a lower annual unit cost. In 2006 the cost per ASK was 0.54 (0.55 in 2005)

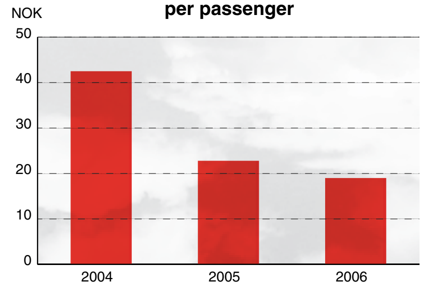
In addition to the utilisation of the fleet, cost per ASK are also dependent on the extent of total operating costs. Factors which are considered to be the most important in relation to the size of the group's costs are commented on below.

Utilisation of the fleet

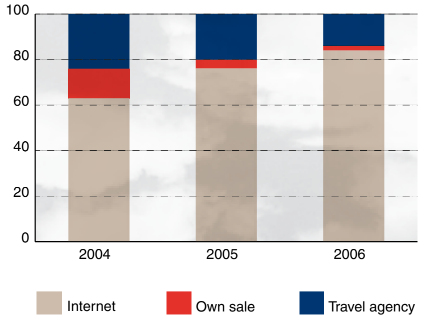
An important element in the group's price strategy is to focus on a uniform fleet of Boeing 737-300 aircraft. At the end of 2006 the group had 22 such aircraft. Focus on a uniform aircraft fleet results in lower costs due to simpler maintenance operations, reduced need for spares, and reduced variation in the type of tools equipment and infrastructure as well as a simpler administration.

Utilisation of the fleet is significantly improved as result of the expansion, and each aircraft has for the year as a whole an average 10.4 hours per day in use (block hours), compared to 9.1 hours in 2005 .

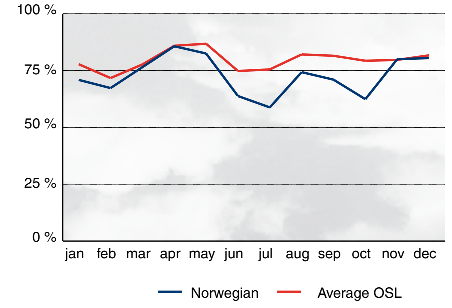
Sales and distribution costs per passenger



Sales per channel



Punctuality OSL



Staff utilisation

The group is focused on an effective staff utilisation. It is particularly important to achieve optimal utilisation of crew members, and the highest possible number of flying hours for these. This is to a large extent dependent on the route and crew planning, and trade union agreements with crew personnel within boundaries that apply for civil aviation. Since the start up of the group, the flying hours per crew member has increased in line with the expansion.

Ticket distribution costs

Norwegian focuses on having low distribution cots, as well as offering the broadest distribution possible. The cost of distribution continues the positive trend from 2005 by further reducing the costs. The reduction is due to both an increase in the share of sales through our internet sales channels and the implementation in the second half of the year of the low cost distribution solution developed in cooperation with Amadeus. A renegotiation of contract terms of other elements of the distribution costs was also carried out at the end of the year, which together with the Amadeus solution will reduce the cost of distribution further in 2007 compared to 2006.

The Internet channel www.norwegian.no is clearly the most cost effective sales channel, aiming at private individuals. Approximately 84 % of all bookings in 2006 were made over the Internet, compared to 75 % in 2005. The relative growth has lead to a reduction for Norwegian's call-centre to about 2 % of the total volume. The share of travel agency sales has had a decrease.

Ground operations and inflight services

To provide the flexibility that active route portfolio development demands, the group purchases services to cover ground operations.

For traditional carriers, provision of meals on board the aircraft is an added cost. Generally, Norwegian does not offer meals on its flights, but where flight time exceeds one hour, both food and drinks can be purchased. Tax-free sales are also offered on international routes.

Administration and other costs

The group's central administration currently runs Norwegian's activities from low cost premises at Fornebu, Norway.

It is an important tool in the group's work to achieve a cost effective operation which at the same time ensures good service to customers. Amongst other things the group has invested in electronic solutions for the handling of ticket-less travel and staff planning which over time will require fewer employees and less administration. Moreover, the group has invested in a new IT system in 2005 and 2006, to increase the efficiency of finance and accounting. The group's work on optimising IT systems and routines to ensure the most cost effective operations will continue in 2007.

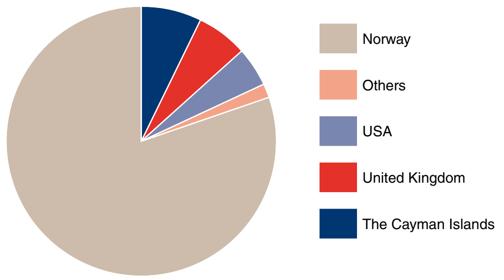
Punctuality

The group's punctuality, measured in delays exceeding 15 minutes, has been poor in 2006. With the tight schedule our low cost operations requires, a delay on one flight will in most cases transmit to other flights and destinations.

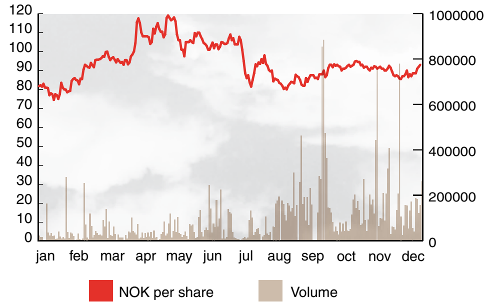
The main reasons for delays have normally been technical related, shortage of crew or weather related. In 2006 the delays has also been caused by the change of handling agent Norwegian made on the main airport Gardermoen, which implies a major operational challenge. At the end of the year the new ground service group was efficiently implemented at Gardermoen.

The group's high utilisation of the aircraft fleet makes it more susceptible to follow-on consequences of one aircraft being late, compared with the traditional carriers which have a greater availability of aircraft and higher frequency in their time. This risk will be reduced through the planned development of the group's fleet and general optimization of operations.

Shareholders per country



Share price development and volume



Share and ownership structure

Norwegian was listed on the Oslo Stock Exchange on 18 December 2003, and the shares have been traded throughout 2004, 2005 and 2006. The group had a share capital of MNOK 1 966 900 at 31 December 2006, consisting of 19,669,196 shares with a par value of NOK 0.1. At the end of the year Norwegian had a total of 1 653 shareholders split between institutional and private investors. Overseas shareholders were approximately 27 % at the year-end compared with approximately 17 % at the beginning of the year. Apart from in Norway the largest shareholdings are in the Cayman Islands, the USA and the United Kingdom with 7 % , 5 %and 5 % respectively. During the year the employees received approximately 12,500 shares in connection with the group's incentive program. The group owned zero of its own shares by the end of the year.

The share price has had a stable development throughout the year, and was at the end of the year priced at NOK 93 (13 % higher than at the end of 2005).
The share is included in the OB-match liquidity group on the Oslo Stock Exchange. On average 91 393 shares are traded each day and in 2006 the group's shares turn over of 1.2 times.

SHARE PRICE	2006	2005	YOY Growth
Price 30. December	93,0	82,0	13 %
Average price	94,1	37,4	152 %
Lowest price	74,5	13,5	452 %
Highest Price	119,0	82	45 %
Average traded shares pr day	1,2	2,0	-44 %

Corporate Governance

In 2006 the group has focused on developing its Corporate Governance systems to secure the shareholders, employees, government, customers, suppliers and lenders and financial institutions interests' in the company.

Norwegian's Corporate Governance principles are designed to ensure that the company is run in a satisfactory manner by:

- ensuring that laws, regulations and ethical standards are in compliance.
- securing independent and well qualified board members
- ensuring relevant and timely reporting to shareholders and other stakeholders
- giving the board the possibility for thorough insight into the operational and financial conditions
- ensuring equal treatment of shareholders
- demonstrating good internal control

The system is made up both of legally required corporate bodies which would look after the interests of the shareholders, internal bodies which ensure that the administration's management complies with the expectations of stakeholders, and a governance structure providing healthy interaction between bodies and efficient implementation of the company's governance control processes.
The composition of the board should be such that it has the competence and experience from the transport sector or other competitive consumer sectors, relevant network , together with experience from business, finance capital markets and marketing.
The board meetings are run by its chairman. The managing director and finance director also participate in board meetings. Other members of management participate when there is a need.
The Board's work and responsibilities are defined in the Norwegian Public Limited Companies Act, the Company's Articles of Association and the directives in place for the board's activities. The board's activities are concentrated on strategy, organisation, Corporate Governance, and approval of budgets, quarterly and annually reports. The board will keep records, follow-up, decide on and debate issues related to the above. The company's decisions related to expansion, introduction of aircraft and other issues which increase operational exposure as well as larger investments are given special attention.
An election committee is responsible for choosing and proposing board members that are to be approved by the annual general meeting, in accordance with the Articles of Association.

It is a goal for Norwegian to manage shareholders values such as the return measured as the sum of dividend and share price improvement is the highest possible over time. This will make the company an interesting investment alternative and will create the basis for the company to have access to risk capital whenever this should be necessary. Dividend payments will be approved by the shareholders at the annual general meeting.
Norwegian wishes to increase the level of knowledge of the company and an understanding of the industry. In this way the company can create trust such that the interest from investors and analysts over time can influence the correct pricing of the company in the share market. Norwegian does this by presenting financial information on a quarterly basis through its quarterly reports and presentations. Additionally the company publishes traffic developments every month. This information is collected and is available on the company's web-site www.norwegian.no.

Jann Ivar Didriksen at the South Pole with Norwegian.no

Norwegian has a total of 85 international and 10 domestic routes

Annual report

The annual report for Norwegian Air Shuttle ASA for 2006 has been prepared by the Board of Directors and the company's CEO.

Norwegian Air Shuttle ASA is a publicly listed group. The group has a total of 10 domestic routes and 85 routes to Europe from different locations in Norway. The group had 19 Boeing 737-300 aircraft in operation by the end of 2006. The total fleet of the group today is 22 aircraft.

From the establishment of the group in 1993 and up to spring 2003, the group operated flights on behalf of Braathens on the west coast of Norway, using Fokker F-50 aircraft. In September 2002, the group started a low-fare operation with six Boeing 737-300 aircraft, flying almost a million passengers in the first 12 months. The expansion has continued since the start-up of the low-fare operation and in 2006, 5.1 million passengers flew with Norwegian.

Today the group is a pure low-fare carrier with a uniform aircraft fleet of Boeing 737-300. The group headquarter is located at Fornebu, and have additional ticket offices at Oslo Airport Gardermoen and Tromsø Airport Langnes.

Organisation, working conditions and environment

At the end of 2006 the group employed 666 permanent staff, which constitutes 638 man-labor years. In addition, by the end of the fiscal year the group had 60 apprentices. The number of employees is expected to increase significantly in 2007 as a result of continuous expansion, increased production and phasing in new aircraft.

The recruitment for 2006 has primarily been pilots, engineers and flight technicians for technical departments and cabin personnel.

In the year 2006 the group has utilized temporary staff to cover authorized birth maternity and sick leave as well as leave of absence. Temporary staff also fills various positions pending the completion of a significant hiring process, a result of increased production. Altogether, the temporary staff constitutes 88 employees.

In November 2005 the group was approved as an educational institution by the travel industry. The group's apprenticeships have been widely covered in the media and have been reviewed by the Vocation Training Board. The group's curriculum and apprenticeship programs have been approved and received full support from Akershus County Authorities.
The group's employee turnover is 4%.

The group has continued their HES-work (Health Environment and Safety) and entered into an agreement with health service provider Hjelp24. Furthermore, an HES-book has been developed in cooperation with the Norwegian Labor Inspection Authority and Hjelp24; this book will be adapted to fit the individual departments.

The group has had work place reviews with several security checks, and these form the foundation for the 2007 Action Plan.
Through this process a solid foundation for routines and reporting systems has been established.
Training of management and safety delegates within the group will be prioritized in order to efficiently utilize the opportunities presented by the current HES investment.

The group, assisted by Hjelp24, has been expanding their follow up activities with regards to sick leave. This effort is put forth in order to decrease absence caused by sick leave This is done through initiating preventative measures and/or adjustments in the workplace. These efforts have yielded results in form of decreased absence due to sick leave; however, this is a process that needs continuous follow up.

In addition to assistance from Hjelp24, the cooperation with IA (Inclusive Employment) has had great importance. Absence due to sick leave was 6.8 % on average in 2006, however, the trends indicate a positive shift in the near future. In 2006 the group was made an IA group , establishing a base for further development and prioritization of this work.

In 2006 the group employed 58.4% males and 45.6% women. This shows a slight increase in males compared to last year; however, the recruitment process initiated towards cabin personnel is likely to even out these differences in 2007.

Among pilots and technical personnel the majority are still male. Among cabin personnel, whom are traditionally and still predominantly females, there is a growing number of males. By the end of the year this will reach approximately 25%. It is important for the group to hire from both sexes where the supply of trained personnel makes this possible. The recruitment policies have put this into focus, which is evident through an increase in female management from 2005 to 2006.

Norwegian Air Shuttle ASA is a member of NHO-Aviation who is a member of NHO (Confederation of Norwegian Enterprises).
During the course of 2006 all the local spokesmen and organizations within the group will be members of organizations who are a part of NHO-Aviation and NHO.
During the central tariff negotiations of 2006 the group was involved in negotiations with the State Mediator for employees, and associations associated with NFO (Norwegian Flight Technicians Union). Both these disputes were solved in the arbitration.

In addition cabin personnel reached an agreement with the State Mediator after long negotiations. Both sides were content with the results of the arbitration.

External environment

The group's business is inherently dependent on the use of energy and can result in high levels of noise. However, the aircraft fleet is by nature of its shape and standard, able to keep its effects on the environment well within the levels and limitations imposed on aircraft operations.

The Board considers that the group has complied with all requirements which are necessary in order to limit pollution to both the exterior and interior environment.

Aircraft security and safety

No incidents have been registered in 2006, representing a significant risk. Certain incidents have been reported by the group to the Civil Aviation Authorities. These are incidents which are regularly reported in compliance with the regulations in the Civil Aviation Law.

No serious accidents or incidents that have caused injury to passengers or crew have been noted by the group since its establishment in 1992. Neither have injuries nor accidents in the work place on the ground been registered, which have caused any large damage or invalidity. The group considers that a proactive attitude to the avoidance of accidents and incidents is extremely important. Flight security is covered in the training programs, which all crew members must complete on initial employment. In addition, there are annual training programs, followed by examinations and qualification requirements. The Civil Aviation Authority approves all programs, examinations and qualification requirements.

Flight safety is also covered by aircraft being subject to stringent maintenance and inspection programs, in compliance with the manufacturer's recommendations and the Civil Aviation Authorities approvals. All forms of training are directly oriented towards flight safety and the avoidance of incidents and accidents. The reporting system, which crew members use to report non-compliance, is a useful tool. This way the group's management is made aware of such incidents and can take necessary actions, in order to avoid potential incidents.

Aircraft maintenance

The group runs its maintenance operations from the technical administration at Fornebu. Boeing's recommended maintenance programme MPD (Maintenance Planning Document) is followed with few exceptions.

The line maintenance, which has the most effect on regularity and punctuality, is mainly carried out by own employees in Stavanger, Oslo and Bergen. The group has hangars at disposal in Oslo and Stavanger. The technical department also has, the responsibility for the line maintenance at the Warsaw base.

Heavy maintenance (C/D checks), aircraft engine maintenance and component maintenance is put out on tender. In 2006, ATC Lasham in England has performed C/D checks. The contract is valid until November 2007. The engine maintenance is done by Pratt & Whitney Norway Engine Center at Sola in Stavanger. The contract is valid until September 2007. Component maintenance, including spare part stocks, is contracted with SR Technics in England and the contract is valid until august 2007. It is possible to prolong all contracts. Tender for all contracts expire winter/spring 2007.

During summer/spring 2007 the technical administration will move from the head quarter at Fornebu to Gardermoen. Related to this some organisational adjustments will be made, to obtain more cost efficiency use of recourses and to prepare for additional growth in the group.

Significant changes in accounting principles

From December 31 2006 Norwegian Air Shuttle ASA, as a listed group on the Oslo Stock Exchange, implemented International Financial Reporting Standards (IFRS) in its financial reporting, as adopted by the EU for the first time.

The IFRS accounting principles have been followed in preparing the financial statements for 2006, as well as for restatements of 2005 statements and the opening balance as per 1 january 2005.

Comments to the income statement

The group had total operating revenue of MNOK 2,941.4 (1.972.2) in 2006. Compared to last year the group's total growth in revenue was 49 %. MNOK 2,879.4 (1,931.7) of the revenues are related to passenger transport, while the remaining 62.0 (40.6) is related to other freight, fees and third-party products. The increase in sales is related to an increase in production by 55 % from 2005 to 2006. The group has also had an increase in the cabin factor from 78 % in 2005 to 79 % in 2006. The income is negatively influenced by a decrease in the yield from NOK 0.71 in 2005 to 0.68 in 2006. The yield reduction is entirely due to the fact that the increase in production is mainly from the international routes, and has resulted in an increased average sector length.

The accumulated operating costs (including leasing and excluding depreciation and write-down) were MNOK 2 920.8 (1 913.7) in 2006. The cost increase is mainly related to the increase in production (ASK) by 55 % compared to last year. The accumulated average operating cost per ASK (unit cost) was NOK 0.54 (0.55) in 2006. The group has had a relative cost reduction due to better utilization of assets and personnel, more advantageous contracts, more efficient sale- and distribution channels, in addition to other cost reducing measurements.

Net profit before depreciation and write-down (EBITDA) was MNOK 20.6 (58.6) in 2006. The accumulated earnings before tax in 2006 was MNOK -31.7 (38.9) and accumulated earnings after tax was MNOK -22.0 (28.0). The negative result for the year is caused by start up costs for the expansion into Poland.

Comments to the balance sheet

The group's total balance has increased with MNOK 386.1 to MNOK 1 062.0 by the end of 2006. The increase is mainly due to the purchase of two aircraft for a total of MNOK 182. There has also been additional investments related to upgrading of aircraft due to an increase in the number of leased aircraft. Continuous focus on the development of IT systems to support the group's operations has contributed to investments of MNOK 17.2 in intangible assets.

The group had a total equity of MNOK 260.7 (141.6) by December 31, and an equity ratio of 25 % (21 %). The group made a share issue of MNOK 115 in 2006. In addition, the periods cost of the stock option plan is booked to the equity. The group sold its holding of own shares, and the transaction increased equity by MNOK 24.9.

The group does not have any interest bearing debt at the end of 2006. The composition of debt is unchanged.

By December 31 2006, the group had a cash balance of MNOK 231.7. A short term placement in a money market fund is included in the cash balance. The group has during the year invested significant amounts in the operations including the purchase of two aircraft. The total amount invested in assets was MNOK 245.3, but positive cashflow from operations (MNOK 75,6) and the stock issue reduced the total liquidity by only MNOK 29.8 in 2006.

The difference between net profit and cash flow from operating activities is caused by depreciations, and an increase in traffic settlement liability.

Norwegian Air Shuttle Polska Sp.zo.o

The fully owned subsidiary in Poland was started in July 2006, and has since the start up, had a positive development. The group consists of a base in Warsaw and the operations include seven routes in Poland, and supply of crew to the Norwegian parent group. The group's net profit in 2006 was MNOK 0.6.

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 a price war. The group has great focus on keeping the cost as low as possible, partly to make it less attractive for new competitors, and partly to be better suited for future competition.

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

The group has a significant exposure to USD and Euros as well as to jet fuel. The Board has given the group the authority to utilise financial instruments to limit exposure to both jet fuel and currency fluctuations. By the end of the year, the group has a fuel derivative contract to cover approximately 50 % of the expected consumption of jet-fuel through the third quarter of 2007. The group has also entered into term contracts for 50 % of excepted exposure in USD in 2007.

There are limited credit risks to the group's operations, as the main part of the outstanding claims are with credit card companies, which is a minor credit risk. Part of the sales is directly through travel agencies with a moderate credit risk.

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 2007.

Corporate Governance and Composition of the Board

At the end of 2006, the group's Board consists of eight members, of whom three represent the employees. The Board consists of members with long experience, both from business and the airline industry. Three of the Board's eight members are women.

An election committee is responsible for choosing and proposing board members that are to be approved by the annual general meeting.

The board has compared the group's procedures for corporate governance with the Norwegian guidelines for publicly listed companies, and found no substantial deviance.

Internal control in the group is carried out through detailed budgets, stringent and periodical cost control and through routines for attestation and payments.

PriceWaterhouseCoopers is the group's external auditor. Audit fees are detailed in the notes to the financial statements.

Prospects for 2007

The demand for travelling with Norwegian and the advanced bookings has been good entering 2007. The group executed a successful sales campaign in January that generated a high number of advanced bookings. The share of internet sales in January was 88%. The group has reported a load factor of 71% and a yield of 0.66 for January.

Norwegian will in the spring increase the number of departures on the larger routes in Southern Norway, Oslo – Trondheim will have up to 13 daily departures and Oslo – Bergen will have up to 14 daily departures.

Norwegian introduced in January a fee of 25 NOK for all checked baggage for all destinations. At the same time hand baggage allowance was increased from eight kg to 15 kg and the prices for the lowest fare tickets were reduced further. The group will in the first half of 2007 introduce further product improvements, check in kiosks will be implemented at all the major airports in Scandinavia and seating will be intro-

duced. These product enhancements will contribute to improving the travel experience for the customers by speeding up the check in process and through the fact that the customer can choose his own seat.

A sales and marketing organization is now operational in Poland. The demand in travelling and the advanced bookings in the Polish market have shown improvements entering the first quarter of 2007. A sales campaign in January was successfully carried out, achieving competitive prices and strong sales.

The group had at the end of 2006 22 aircraft in total, 19 of these were operational. The group is preparing for a further two aircraft to be delivered in order to handle a capacity increase which is expected to be 30-40%. From May the group will have 24 aircraft, 22 of these will be operational.

The group is expecting lower unit cost in the first quarter of 2007 compared to 2006, and for the year as a whole the group has a goal of a unit cost of 0.53 NOK pr ASK. As a consequence of seasonal variations and start up costs the group is expecting a negative result in the first quarter of 2007.

Allocation of the year's result

Net profit for Norwegian Air Shuttle ASA was -23.4 MNOK, which the board's propose is transferred to other equity.

The group has no free equity reserves, and the board recommends that no dividend should be distributed for the 2006 operating year.

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

Erik G. Braathen
(Chairman of the Board)

Berit Slåtto Neerbye

Bjørn H. Kise

Ola Krohn-Fagervoll

Liv Berstad

Halvor Vatnar
(employee representative)

Kari-Helene Mordt Fjær
(employee representative)

Lasse Holm
(employee representative)

Bjørn Kjos
(Managing Director)

Norwegian Air Shuttle Consolidated Accounts

Italia

Consolidated Income Statement

NOTE	NOK 1 000	IFRS 2006	IFRS 2005	NGAAP 2005	NGAAP 2004
	OPERATING REVENUES AND OPERATING EXPENSES				
2	Revenues	2 941 400	1 972 247	1 972 247	1 210 059
	Total operating revenues	**2 941 400**	**1 972 247**	**1 972 247**	**1 210 059**
3	Operational expenses	2 368 636	1 504 338	1 507 054	1 048 549
4,5,15,16	Payroll	412 940	298 223	299 023	228 887
8,9	Depreciation and impairment losses	51 070	29 316	30 237	19 002
	Other operating expenses	139 264	111 091	111 090	73 221
	Total operating expenses	**2 971 910**	**1 942 968**	**1 947 405**	**1 369 659**
	Operating profit	**-30 510**	**29 278**	**24 842**	**-159 600**
	FINANCIAL INCOME AND FINANCIAL EXPENSES				
6	**Net financial items**	**-1 196**	**9 657**	**12 387**	**7 143**
	Profit (loss) before tax	**-31 706**	**38 935**	**37 229**	**-152 458**
7	Income tax expense (income)	-9 709	10 955	10 478	-42 616
	Profit (loss) after tax	**-21 997**	**27 980**	**26 751**	**-109 842**
	PROFIT FOR THE YEAR	**-21 997**	**27 980**	**26 751**	**-109 842**
14	Basic earnings per share	-1,14	1,53	1,46	-6,03
14	Diluted earnings per share	-1,14	1,53	1,46	-6,03

Consolidated Balance Sheet

NOTE	NOK 1 000	IFRS 2006	IFRS 2005
	ASSETS		
	Non-current assets		
8	Intangible assets	33 243	31 955
7	Deferred tax asset	96 597	86 694
9	Airplanes	160 528	0
9	Installations on leased airplanes	37 430	18 253
9	Spare parts	16 462	4 970
9	Equipment and fixtures	14 025	13 597
11	Other receivables	8 819	19 388
	Total non-current assets	**367 103**	**174 857**
	Current assets		
12	Inventory	19 341	36 764
11	Trade and other receivables	443 492	200 174
18	Derivative financial assets	298	2 563
21	Cash and cash equivalents	231 710	261 464
	Total current assets	**694 841**	**500 965**
	TOTAL ASSETS	**1 061 944**	**675 822**
	Equity		
13	Share capital	1 967	1 837
13	Other paid-in equity	273 643	157 523
13	Owned Shares	0	-28
13	Retained earnings	-14 883	-17 746
	Total equity	**260 727**	**141 585**
	Non-current liabilities		
16	Pension liabilities	30 794	30 487
17	Provision for periodic maintenance	81 734	34 779
	Total non-current liabilities	**112 528**	**65 266**
	Short term liabilities		
19	Trade and other payables	395 850	250 277
	Air traffic settlement liabilities	291 795	218 693
18	Derivative financial liability	1 014	0
7	Tax payable	30	0
	Total short term liabilities	**688 689**	**468 970**
	Total liabilities	**801 217**	**534 236**
	TOTAL EQUITY AND LIABILITIES	**1 061 944**	**675 821**

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(Chairman of the Board)

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(employee representative)

Lasse Holm
(employee representative)

Bjørn Kjos
(Managing Director)

Consolidated statement of changes in Equity

NOK 1 000	Share capital	Other paid-in equity	Total paid-in equity	Retained earnings	Total equity
Equity at 01 January 2005 (IFRS)	**1 833**	**156 441**	**158 274**	**-30 066**	**128 208**
Share issue 2005	4	658	661	0	661
Purchase of own shares	-28	0	-28	-15 660	-15 688
Stock Option programme 2005	0	424	424	0	424
Net profit for the year	0	0	0	27 980	27 980
Equity 31 December 2005	**1 809**	**157 523**	**159 331**	**-17 746**	**141 585**
Equity 01 January 2006	**1 809**	**157 523**	**159 331**	**-17 746**	**141 585**
Share issue 2006	130	119 470	119 600	0	119 600
Expenses for share issue 2006	0	-4 635	-4 635	0	-4 635
Sale of own shares	28	0	28	24 870	24 898
Stock Option programme 2006	0	1 285	1 285	0	1 285
Exchange rate differences Group	0	0	0	-9	-9
Net loss for the year	0	0	0	-21 997	-21 997
Equity 31 December 2006	**1 967**	**273 643**	**275 609**	**-14 882**	**260 727**

Consolidated Cash Flow Statement

NOK 1 000	IFRS 2006	IFRS 2005
CASH FLOW FROM OPERATING ACTIVITIES:		
Profit before income tax	-30 510	29 278
Taxes paid	-163	0
Depreciation, amortization and write-down	51 070	29 316
Pension expense without cash effect	307	-8 480
Interest income	10 047	10 305
Interest expense	-11 243	-648
Change in inventories, accounts receivable and accounts payable	-1 887	-121 790
Change in air traffic settlement liabilities	73 102	109 660
Change in other current assets and current liabilities	-15 161	47 715
Net cash flow from operating activities	**75 563**	**95 356**
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchases of tangible assets	-229 930	-21 244
Purchases of intangible assets	-15 029	-17 209
Returns on investments in financial fixed assets	-298	85
Net cash flow from investing activities	**-245 257**	**-38 369**
CASH FLOW FROM FINANCIAL ACTIVITIES:		
Proceeds from issuing new shares	114 993	1 057
Acquisition of own shares	0	-15 658
Proceeds from sale of own shares	24 871	0
Net cash flow from financial activities	**139 864**	**-14 600**
Foreign exchange effect on cash	-8	
Net change in cash and cash equivalents	-29 838	42 387
Cash and cash equivalents at 1 January	204 086	161 699
Cash and cash equivalents at 31 December	**174 248**	**204 086**
Cash and cash equivalents in balance sheet	**231 710**	**261 464**
Restricted funds	57 462	57 378
Cash in cash flow statement	174 248	204 086

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 2006 were authorised for issue in accordance with a resolution of the directors on 28 March 2007. 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 preperation
The consolidated financial statements of Norwegian Air Shuttle ASA have been prepared in accordance with the international accounting standards published by the International Accounting Standards Board and mandatory for financial years beginning on or after 1 January 2006. The Group is preparing its financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU for the first time and consequently has applied IFRS 1 "First-time adoption of International Financial Reporting Standards". All accounting standards and interpretations effective at 1 January 2006 have been implemented. An explanation of how the transition to IFRS has affected the reported financial results is provided in note 26. IFRS 1 sets out the requirements for companies preparing financial statements under IFRS for the first time and requires the accounting policies to be applied retrospectively. IFRS 1 contains the option to take advantage of certain exemptions to the retrospective application. NAS ASA has applied the optional exemption for pensions and option plans. The accumulated actuarial gains and losses in relation to employee defined benefit plans have been recognised in full at January 1 2005. No remuneration charge is recorded in respect of options vested before 01. January 2005.

The quarterly financial reports for Norwegian Air Shuttle ASA for 2006 were prepared when published, according to NGAAP. A full restatement of the quarterly financial statements to IFRS will be issued separately.

The consolidated financial statements have been prepared on an historical cost basis, except for: financial instruments at fair value through profit or loss and long term receivables at amortised cost.

1.3 Foreign Currency translation
The Group's presentation currency is NOK. This is also the Group'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.

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 subsidiary Norwegian Air Shuttle Polska Sp.zo.o. The financial statement of the subsidiary is prepared for the same reporting year as the parent company, using consistent accounting policies.

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.

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 aircrafts 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, NAS ASA is to carry out maintenance of these aircraft, both regularly and at the expiration of the leasing period. A provision is 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.

1.6 Trade receivables
Trade receivables are carried at fair value. Should there be objective evidence of a fall in value, the difference between the carrying amount and the present value of future cash flows is recognised as a loss, discounted by the receivable amount's effective interest rate.

1.7 Inventory
Inventory is consumed during maintenance and overhaul of the aircraft, and is expensed when consumed. 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.

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, aircrafts 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.

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.

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 assets 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 instruments
According to IAS 39, Financial instruments: Recognition and measurement, financial instruments 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 and loans and receivables.

Financial instruments that are held with the intention of making a gain on short-term fluctuations in prices are classified as financial assets at fair value through profit or loss. Derivatives that are not designated and effective hedging instruments are classified as financial assets or liabilities at fair value through profit or loss. The Group holds the following derivatives; forward exchange contracts and forward fuel contracts. In addition, the Group holds investment in money market funds. These investments are classified as either cash equivalents or financial assets at fair value through profit or loss depending on the maturity of the investments.

Financial instruments that are classified as at fair value through profit or loss are carried at fair value as observed in the market at the balance sheet date, with no deduction for costs relating to the sale. The fair value of forward exchange contracts and forward fuel contracts are calculated by reference to current forward (exchange) 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.

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset.

Changes in the fair value of financial instruments classified as financial instruments at fair value through profit or loss are recognised in the income statement and included in the net financial income/expenses or in operating profit for derivatives that represent an economic hedge, but without being designated and effective hedging instruments.

1.11 Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is charged against profits in the year which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as a change in estimate

Expenses linked to the purchase of new computer programs are recognised in the balance sheet as an intangible non-current asset provided these expenses do not form part of the hardware acquisition costs. Software is depreciated using the straight-line method. Expenses incurred as a result of maintaining or upholding the future usefulness of software are expenses as incurred unless the changes in the software increase the future economic benefit from the software.

Norwegian Air Shuttle ASA has capitalized developments costs related to Web-based booking system, and related administration and finance systems.

1.12 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 aircrafts, 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.

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

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.

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.

1.14 Revenue recognition
Revenue is recognised when it is probable that transactions will generate future economic benefits that will accure 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 NAS 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.

1.15 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.

1.16 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

Notes to Consolidated Accounts

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.

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 settles 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.

No remuneration charge is recorded in respect of options vested before 01. January 2005.

1.17 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 epected 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.

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.

1.18 Impairment of assets
Financial instruments
Financial instruments are reviewed at each balance sheet date in order to discover any decrease in value.

Financial assets which are valued at amortised cost are written down when it is probable that the Group will not recover all the amounts relating to contractual issues. The amount of the impairment loss is recognised in the income statement. Any reversal of previous impairment losses is recognised when a reduction in the need to write down the asset can be related to an event after the impairment loss has been recognised. Such a reversal is presented as income. However, an increase in the carrying amount is only recognised to the extent that it does not exceed what the amortised cost would have been if the impairment loss had not been recognised.

Other assets
An assessment of impairment losses on other assets is made when there is an indication of a fall in value. If an asset's carrying amount is higher than the asset's recoverable amount, an impairment loss will be recognised in the income statement. The recoverable amount is the higher of the fair value less costs to sell and the discounted cash flow from continuing use. The fair value less costs to sell is the amount that can be obtained from a sale to an independent third party less sales costs. The recoverable amount is determined separately for all assets but, if this is impossible, it is determined together with the entity to which the assets belong.

Impairment losses recognised in the income statements for previous periods are reversed when there is information that the need for the impairment loss no longer exists or is not as great as it was. The reversal is recognised as revenue or an increase in other reserves. However, no reversal takes place if the reversal leads to the carrying amount exceeding what the carrying amount would have been if normal depreciation periods had been used.

Capitalized development costs for assets which are not yet in use and intangible assets with indefinite useful lives are tested for impairment annually. Recognized impairment losses on intangible assets with indefinite useful lives are not reversed.

1.19 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.

1.20 Segment reporting
A segment is defined as an identifiable business unit that either delivers products or services (business segments), or delivers products or 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. There is no basis for separating revenues or assets and no separate segments are utilized in the Groups internal reporting.

1.21 Financial Risk
Foreign Currency Risk
A substantial part of the expenses are denominated in foreign currency. The Groups leases and related expenses are mainly denominated in USD, and a portion of the sales and airplane operation expenses are denominated in EUR. 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. In 2006 Norwegian did some periodical hedges up to 25 % of expected consumption in both USD and EUR. In first quarter 2007 Norwegian has hedged 50 % of its expected USD consumption throughout 2007. The hedging consists of forwards and flexible forwards.

Interest rate risk
The Group does not have interest-bearing debts, which makes for a small degree of direct risk, related to interest rate changes. Leasing contracts have fixed interest rates.

Fluctuations in Oil prices
Norwegian is also exposed to fluctuation in Jet-Fuel prices. The Group has a mandate to hedge up to 100 % of its expected consumption next 12 month with financial instruments. In 2006 the Group hedged up to 25 % of its expected jet-fuel consumption in the two first quarters, and in the last quarter. In 2007 Norwegian has hedged up to 50 % of its expected jet-fuel consumption throughout third quarter 2007.

Credit risk
The Group is somewhat exposed to credit risk due to invoicing of sales and re-invoicing of costs. The main part of the sale is charged on credit cards. The credit card companies are the debtor and the credit risk is minor. Part of the sales is directly through travel agents with a moderate credit risk. 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 NAS is also purchasing blocked seats with the same code share partners. There are re-invoicing of maintenance costs on aircrafts to leasing companies, and Norwegian regularly evaluates and assess the value of these credits.

1.22 Events after the balance sheet date
New information on the Groups 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 Groups position in the future are stated if significant.

NOTE 2 SEGMENT INFORMATION

All revenues derive from the Group's principal activity as an airline and include scheduled services, in flight and related sales.
All the Group's operating profit arises from airline-related activities and the only revenue earning assets of the Group are its aircraft fleet, which is registered in Norway. Since the Group's aircraft fleet is employed flexibly across its route network, there is no suitable basis of allocating such assets and related liabilities to geographical segments.

All of the group's operating profit arises from low fares airline related activities, which is its only business segment.

Details of revenues:

NOK 1 000	2006	2005
By activity:		
Passenger transport	2 879 431	1 931 663
Other airline-related revenues	61 969	40 583
Total	**2 941 400**	**1 972 247**
By geographic market:		
Norway	1 471 852	1 047 992
Other EU/EEA countries	1 469 548	924 255
Total	**2 941 400**	**1 972 247**

NOTE 3 OPERATIONAL EXPENSES

NOK 1.000	2006	2005
Sales and distribution expenses	92 889	75 114
Aviation fuel	703 872	384 394
Aircraft leases	180 277	123 190
Airport charges	417 942	276 184
De-icing expenses	26 661	21 952
Handling charges	306 825	200 296
Technical maintenance expenses	306 333	207 785
Blocked Space	175 803	114 083
Other operating expenses	158 034	101 339
Total	**2 368 636**	**1 504 337**

NOTE 4 PAYROLL EXPENSES AND NUMBER OF EMPLOYEES

Payroll expenses

NOK 1.000	2006	2005
Wages and salaries	315 228	228 266
Social security tax	47 372	34 390
Pension expenses	35 379	23 527
Employee stock options	1 989	466
Other benefits	12 972	11 574
Total	**412 940**	**298 223**

The employees in Norway are members of the companys defined benefit pension plan. See note 16 for details.

Average number of employees

	2006	2005
Norway	693	498
Poland	18	-
Total	**711**	**498**

NOTE 5 REMUNERATION TO THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

Remuneration to the board of Directors
Total remuneration paid to the Board in 2006 was TNOK 680. The Chairman of the Board, Erik G. Braathen, received TNOK 150. There were no bonus or other form of compensation paid to the board members in 2006.

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 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 Groups 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 Groups 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.

Notes to Consolidated Accounts

TNOK	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	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 june 1)		426			21	447	67
Hans-Petter Aanby (CIO)		772	198	446	85	1 501	105
Gunnar Martinsen (HR)		597			15	612	87
Anne Grete Ellingsen (CCO)		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 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

	2006	2005
Audit fee	351	521
Tax advisory	35	65
Other services	129	121

NOTE 6 FINANCIAL ITEMS

NOK 1.000	2006	2005
Interest income	6 797	4 014
Interest expense	-609	-648
Foreign exchange loss or gain	-10 634	6 149
Appreciation cash equivalents	3 834	
Fair value adjustment long term deposits	198	188
Other financial items	-782	-46
Net financial items	**-1 196**	**9 657**

Foreign exchange derivatives are recognized at fair value and changes in value is recognized in profit and loss as leasing costs.
Fuel derivatives are recognized at fair value and changes in fair value is recognized in profit and loss as fuel costs.

See note 18 for details.

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 airplaine 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.

NOTE 7 TAX

This year's tax expense consists of (NOK 1 000):	2006	2005
Tax payable	193	0
Change in deferred tax	-9 902	10 955
Income tax expense	**-9 709**	**10 955**

Reconciliation from nominal to effective tax rate:

NOK 1.000	2006	2005
Profit before tax	-31 706	38 937
This year's profit before tax	-31 706	38 937
Expected tax expense using nominal tax rate (28 %)	-8 878	10 902
Tax effect of the following items:	0	0
Non deductible expenses	-1 172	80
Non taxable revenue	155	0
Other items	299	-27
Tax expense	**-9 906**	**10 955**
Effective tax rate	31,24 %	28,14 %

Deferred tax asset:

NOK 1.000	2006	2005	01.01.05
Tangible assets	1 114	3 224	1 835
Tax effect of deposits at fair value	-2	4	0
Tax effect of expensing trademark development	215	472	729
Receivables	2 902	1 159	429
Gain/loss account	69	86	107
Provisions	22 997	9 738	2 651
Pensions	8 622	8 536	12 046
Tax loss carry forward	60 678	63 475	79 854
Total	**96 596**	**86 694**	**97 650**
Charged/Credited to the income statement	**-9 902**	**10 956**	**0**
Net recognized deferred tax asset	**96 596**	**86 694**	**97 650**

There is no tax increasing temporary differences.

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 carryforwards and temporary differences in assets and liabilities.
The Board of Directors find that with the current prognosis for future profits, it is highly probable that the deferred tax assets will be utilized within the next few years.

NOTE 8 INTANGIBLE ASSETS

NOK 1.000	Software	Total
Acquisition costs 1 January 2005	36 391	36 391
Additions	17 209	17 209
Disposals	-1 403	-1 403
Acquisition costs 31 December 2005	**52 197**	**52 197**
Acquisition costs 1 January 2006	52 197	52 197
Additions	12 885	12 885
Acquisition costs 31 December 2006	**65 082**	**65 082**
Accumulated amortization 1 January 2005	10 723	10 723
Amortization in 2005	10 922	10 922
Disposals	-1 403	-1 403
Accumulated amortization 31 December 2005	**20 242**	**20 242**
Accumulated amortization 1 January 2006	20 242	20 242
Amortization in 2006	11 597	11 597
Accumulated amortization 31 December 2006	**31 839**	**31 839**
Book value at 1 January 2005	**25 668**	**25 668**
Book value at 31 December 2005	**31 955**	**31 955**
Book value at 31 December 2006	**33 243**	**33 243**

Economic life **3-5 years**
Amortization plan **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. 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. In connection with the implementation of a new financial reporting system in the spring of 2005, some of the systems were discarded and are written down.

NOTE 9 TANGIBLE ASSETS

NOK 1.000	Installations on leased airplanes	Spare parts	Equipment and fixtures	Aircrafts	Total
Acquisition cost at 1 January 2005	11 388	6 911	31 400	0	49 699
Additions	15 807	1 129	4 307	0	21 243
Disposals	0	0	-20	0	-20
Acquisition cost at 31 December 2005	**27 195**	**8 040**	**35 687**	**0**	**70 922**
Acquisition cost at 1 January 2006	27 195	8 040	35 687	0	70 922
Additions	25 222	33 308	7 495	182 703	248728
Disposals	0	-17 632	0	0	-17 632
Acquisition cost at 31 December 2006	**52 417**	**23 716**	**43 182**	**182 703**	**302 019**
Accumulated depreciation at 1 January 2005	1 815	924	12 988	0	15 727
Disposals	0	0	-20	0	-20
Depreciation in 2005	7 127	2 145	9 123	0	18 395
Accumulated depreciation at 31 December 2005	**8 942**	**3 069**	**22 091**	**0**	**34 102**
Accumulated depreciation at 1 January 2006	8 942	3 069	22 091	0	34 102
Depreciation in 2006	6 045	4 185	7 067	22 176	39 472
Accumulated depreciation at 31 December 2006	**14 987**	**7 254**	**29 157**	**22 176**	**73 574**
Book value at 1 January 2005	**9 573**	**5 987**	**18 412**	**0**	**33 972**
Book value at 31 December 2005	**18 253**	**4 971**	**13 596**	**0**	**36 820**
Book value at 31 December 2006	**37 430**	**16 462**	**14 025**	**160 528**	**228 445**

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

	Installations on leased airplanes	Spare parts	Equipment and fixtures	Aircrafts
Economic life	See below	4-10 years	3-9 years	See below
Depreciation plan	Linear	Linear	Linear	Linear
Residual value	0 %	25 %	0 %	5 500

As at 31 December 2006, the Group operated a total of 22 aircraft, 2 owned and 20 leased under operational leases. Operational leases are detailed in note 10.

The 2 owned aircrafts are decomposed into two components for depreciation purposes.
In accordance with official requirements, aircrafts 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 planes, as well as maintenance on Landing gears 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 airplanes include cabin interior modifications, and other improvements to the aircrafts after lease commencement. The capitalized value is depreciated over the remainder of the aircraft lease, which is between 1-6 years. In 2006 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 aircrafts, and is depreciated over their useful life.
For information regarding assets pledged as collateral for debt, see note 20.

Notes to Consolidated Accounts

NOTE 10 OPERATING LEASES

The lease agreements on the Boeing 737 aircraft last for 3 to 5 years from the date of agreement, with some extension options. 6 of the aircrafts were delivered in 2002, 2 aircraft in 2003, 4 aircrafts in 2004, 2 aircrafts in 2005, and an additional 6 aircrafts in 2006. Renegotiations have resulted in extensions on some of the shorter leases. The contracts for 2 of the aircrafts expire in 2007, and for 7 of the aircrafts in 2009. The remaining contracts expire in 2010 or later.

In addition, the Group leases 6 cars, and 8 properties in Oslo, Stavanger and Warzaw.
Leasing costs expensed in other operating costs in 2006 was MNOK 193,7 (MNOK 139,4 in 2005)

Annual minimum rent on non-cancleable operating lease agreements per 31 December 2006 is as follows:

	Nominal value				Fair value			
NOK 1.000	Aircrafts	Cars	Property	Total	Aircrafts	Cars	Property	Total
Within one year	344 611	528	12 969	358 108	344 611	528	12 969	358 108
Between 1 and 5 years	787 645	381	41 467	829 493	711 634	356	36 694	748 684
After 5 years	2 858	0	33 895	36 753	2 187	0	23 426	25 613

The fair value is based on 5,5% discount rate.
The aircrafts 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 11 TRADE AND OTHER RECEIVABLES

Spesification of receivables

NOK 1.000	2006	2005
Trade receivables	163 205	105 486
Deposits	8 560	20 777
Deferred leasing costs	411	614
Prepaid costs	58 198	17 318
Public Duty Debt	28 851	26 128
Reimbursement claims maintenance costs	175 557	39 175
Other claims	6 497	6 336
Costs to be reinvoiced	4 947	0
Prepayments to employees	403	23
Prepaid rent	5 681	3 705
Total	**452 311**	**219 562**

Due dates

NOK 1.000	2006	2005
Within one year	443 492	200 174
After 1 year	8 819	19 388
Total	**452 311**	**219 562**

Currency

NOK 1.000	2006	2005
DKK	2 149	2 355
EUR	429	358
GBP	54	11
NOK	231 147	235 450
USD	33 201	-2 069
SEK	9 942	292
PLN	214	0

Fair value of trade and other receivables

NOK 1.000	2006	2005
Due within one year	443 492	200 174
After one year *)	8 559	18 567
Total	**452 051**	**218 741**

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

Provision for bad debt

NOK 1.000	
Balance 31 December 2005	**4 500**
Utilized	-3 255
Accruals	9 806
Reversals	0
Balance 31 December 2006	**11 051**

Changes in provision for bad debt is recognized as other operating expenses
The Group has entered into some agreements to pay deposits as collateral for the Groups liabilities to certain suppliers. This applies to leasing liabilities and aviation duties. Non interest bearing deposits are recognized at fair value. Deposits denominated in foreign currency are converted using the prevailing exchange rates on the balance sheet date.

NOTE 12 INVENTORIES

NOK 1.000	2006	2005
Consumables	12 484	9 466
Modification equipment	2 273	914
Parts for heavy maintenance	4 584	26 383
Total	**19 341**	**36 764**

In the 4th Quarter, the Group bought parts for a heavy maintenance on aircraft engines that will be performed in the spring of 2007.
There has been no charges in the income statement for obsolete products in 2006 or 2005.

NOTE 13 EQUITY AND SHAREHOLDER INFORMATION

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

	2006	2005
Issued shares	19 669 196	18 369 196
Own shares	0	283 500
Net Shares	**19 669 196**	**18 085 696**

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	
01 January 2005	**18 333 398**
Share issue 16 February 2005	35 798
purchase own shares 19 September 2005	-283 500
31 December 2005	**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**

Own shares
Own shares were purchased in 2005 for the intention of use in the Groups stock option plan. The shares were purched for NOK 55,33 average price per share.The shares were sold in the market in 2006 for NOK 88,00 average price per share.

Stock option plan
The Group has a stock option plan where members of the management has been awarded options to purchase the Groups shares at a given price (Note 15)

Description of items booked directly on shareholders equity:
Translation differences
TNOK 9 has been booked directly on shareholders equity as at 31 December 2006. The translation differences arise from consolidating the subsidiary Norwegian Air Shuttle Polska SP.zo.o into Group accounts.

Shareholder structure
The largest shareholders at 31 December 2006 were:

	A-Shares	Owner-ship	Voting-Interest
HBK Holding AS	3 165 747	16,09 %	16,09 %
LT Holding AS	3 034 720	15,43 %	15,43 %
Bank of New York, Brussel	1 424 700	7,24 %	7,24 %
Ojada AS	900 500	4,58 %	4,58 %
JPMorgan Chase Bank	806 982	4,10 %	4,10 %
Vital Forsikring ASA	618 563	3,14 %	3,14 %
Ferd AS	600 000	3,05 %	3,05 %
Ankerløkken Holding	520 000	2,64 %	2,64 %
Fidelity Funds-Nordic	509 800	2,59 %	2,59 %
Holberg Norden	459 500	2,34 %	2,34 %
Skagen Vekst	405 800	2,06 %	2,06 %
Credit Suisse Securities	379 100	1,93 %	1,93 %
Goldman Sachs International	379 000	1,93 %	1,93 %
Rasmussengruppen AS	370 000	1,88 %	1,88 %
Fondsavanse AS	335 000	1,70 %	1,70 %
Holberg Norge	334 800	1,70 %	1,70 %
Brown Brothers Harriet	333 707	1,70 %	1,70 %
DnB Nor Norge (IV)	328 096	1,67 %	1,67 %
Fidelity Funds Europe	308 590	1,57 %	1,57 %
Umoe Invest AS	200 000	1,02 %	1,02 %
Other	4 254 591	21,63 %	21,63 %
Total number of shares	**19 669 196**	**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	0
Bjørn Kise 2)	Board Member	0	0
Ola Krohn Fagervoll	Board Member	8 070	0
Kari Helene Mordt Fjær	Board Member - Staff repr	1 935	0
Halvor Vatnar	Board Member - Staff repr	8 550	0
Bjørn Kjos	CEO	6 720 467	30 000
Frode E Foss	CFO	25 000	30 000
Hans-Petter Aanby	CIO	3 174	15 000
Asgeir Nyseth	COO	0	10 000
Gunnar Martinsen	HR Manager	1 723	1 250

1) Including shares held by related parties
2) Bjørn Kise holds respectively 10 % and 7,69 % of HBK Holding and LT Holding AS

NOTE 14 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.

	2006	2005
Net profit (NOK 1 000)	-21 997	27 980
Average number of shares outstanding	19 312 719	18 284 451
Average number of shares and options outstanding	19 456 607	18 317 257
Basic earnings per share	-1,14	1,53
Diluted earnings per share	-1,14	1,53

	2 006	2 005
Net profit (NOK 1 000)	-21 997	27 980
Reversal of stock option costs	1 990	424
Net profit adjusted for diluted effect (NOK 1 000)	-20 007	28 404

	2 006	2 005
Average number of shares outstanding	19 312 719	18 284 451
Dilutional effects	0	0
Stock options for employees	143 888	32 806
Average number of shares outstanding adjusted for dilutional effects	19 456 607	18 317 257

NOTE 15 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. The stock options are acquired over a 2 year period, whereof 50 % are acquired the first year, and the remaining the second year. Stock options that are not exercised on 19 October 2007 discontinues.

Stock options can be 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.

The 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:

	2006	2005
Dividend (%)	0 %	0 %
Expected volatility (%)	52,45 %	61,43 %
Historic volatility (%)	52,45 %	61,43 %
Risk free interest (%)	3,29 %	2,95 %
Expected lifetime (year)	1,30	2,00
Share price at Allocation	104,50	60,25

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 15 expenced at TNOK 1 990 in 2006 and TNOK 425 in 2005.

Notes to Consolidated Accounts

	2006 Shares	Weighted avg. exercise Price	2005 Shares	Weighted avg. exercise Price
Outstanding at the beginning of the period	140 000	65,0	37 422	0,1
Allocated	22 500	101,1	140 000	65,0
Excercised	23 750	65,0	35 798	0,1
Terminated	2 500	65,0	0	0,0
Rejected	0	0,0	0	0,0
Expired	0	0,0	1 624	0,1
Outstanding at the end of the period	136 250	71,0	140 000	65,0
Vested options	51 250	70,0	0	0,0
Weighted average of fair value of options allocated in the period	22 500	21,6	140 000	19,8

	--------------- Outstanding options ---------------			----------- Vested options --------	
Strike price (NOK)	Outstanding options by 31 December 2006	Weighted average remaining lifetime (yrs)	Weighted average strike price	Vested options by 31 December 2006	Weighted average strike price
65,0-100,0	123 750	0,9	67,4	45 000	65,0
100,0-	12 500	0,8	106,0	6 250	106,0
Total	136 250	0,9	71,0	52 150	70,0

NOTE 16 PENSIONS

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 coveres a life insurance and disability insurance. Per 31 December 2006, a total of 437 employees were active members, and 9 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 an 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 Groups defined benefit plans are calculated by independent actuaries and are based on information as of January 1 2006. 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 2006.

Risk tables for death and disability is based on the most commonly used statistics in Norway (K-63)

Pension Expense	Funded	Unfunded	Total 2006	Total 2005
Net present value of benefits earned	28 905	183	29 088	20 878
Interest cost on pension liability	6 066	25	6 091	4 636
Return on plan assets	-5 935	0	-5 935	-4 631
Administrative expenses	515	0	515	428
Recognized actuarial gains/losses	813	0	813	0
Social security tax	4 281	29	4 310	3 004
Net pension expense	**34 645**	**237**	**34 882**	**24 315**

Defined benefit liability and fund

	2006			2005		
	Funded	Unfunded	Total	Funded	Unfunded	Total
Change in present value of defined benefit liability:						
Gross pension liability 01.01	152 136	616	152 752	102 750	401	103 151
Current service costs	27 945	183	28 128	20 474	145	20 619
Interest cost	6 066	25	6 091	4 618	18	4 636
Actuarial gains/losses	-1 640	-6	-1 646	24 294	52	24 346
Benefits paid						
Gross pension liability 31.12	**184 507**	**818**	**185 325**	**152 136**	**616**	**152 752**
Change in fair value of plan assets:						
Fair value of pension assets 01.01	99 714	0	99 714	65 447	0	65 447
Expected return	5 935	0	5 935	4 631	0	4 631
Actuarial gains/losses	3 039	0	3 039	-1 972	0	-1 972
Administrative expenses	-515	0	-515	-428	0	-428
Contributions paid	30 303	0	30 303	32 295	0	32 295
Benefits paid	-960	0	-960	-260	0	-260
Fair value of plan assets 31.12	**137 516**	**0**	**137 516**	**99 714**		**99 714**
Net pension liability	**46 991**	**818**	**47 809**	**52 422**	**616**	**53 038**
Unrecognized actuarial gains/losses	-20 775	-46	-20 821	-26 267	-52	-26 319
Social security tax	3 697	109	3 806	3 688	80	3 768
Net recognized pension liability 31.12	**29 913**	**881**	**30 794**	**29 843**	**644**	**30 487**

Actual return on pension funds previous year	5,30 %
Expected contribution to be paid next year	37 878
Expected benefits to be paid	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. The duration addition is estimated by evaluating long and semilong US government bonds rates in USD. 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 %.

	2006	2005
Discount rate	4,4 %	4,0 %
Expected return on pension funds	5,5 %	5,2 %
Wage adjustments	4,0 %	4,0 %
Pension adjustment	1,5 %	1,5 %
Average turnover	10-0 %	10-0 %

The Groups pension fund is invested in the following instruments:

	2006	2005
Current obligations	20,6 %	17,9 %
Long-term obligations	30,0 %	27,3 %
Money market funds	4,5 %	16,8 %
Stocks	29,7 %	23,3 %
Real estate	12,6 %	12,2 %
Various	2,6 %	2,5 %

NOTE 17 PROVISIONS

Periodic maintenance on leased Boeing 737 aircraft

NOK 1.000	
Balance 31 December 2005	**34 779**
Utilized	-68 341
Accruals	115 296
Reversals	0
Balance 31 December 2006	**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 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 2007, however, the exact provision to be utilized for these spesific maintenance programs is uncertain.

NOTE 18 FINANCIAL INSTRUMENTS

Per December 31 2006, the Group had 2 foreign exchange derivates to partially secure future payments of aircraft leases. These contracts are used to minimize the currency risk related to future payments. The terms of the contracts are as follows:

Currency Amount	Expiry date	Rate	Fair value
MUSD 1	10-01-07	6,11	145
MUSD 1	08-02-07	6,10	153

Per December 31 2006, the Group had 1 fuel derivate to partially secure future fuel expenses. These contracts are used to minimize the fuel price risk related to future purchases. The terms of the contracts are as follows:

Fuel amount	Expiry date	Asset	Fair value
13200 T	06-04-07	Jetfuel, CIF Cargo NW	-1 014

Changes in the fair value of financial instruments classified as financial instruments at fair value through profit or loss are recognised in the income statement and included in the operating profit for derivatives that represent an economic hedge, but without being designated an effective hedging instruments. The derivates held by the Group are regarded as such an instrument.
Changes in fair value in 2006 recognized in operating cost is MNOK -3,5

NOTE 19 TRADE AND OTHER LIABILITIES

NOK 1.000	2006	2005
Accrued vacation pay	30 613	22 733
Accrued airport and transportation taxes	44 017	27 025
Accrued expenses	186 570	112 189
Trade payables	100 168	61 860
Payable to related party	104	0
Public duties	34 103	26 470
Other short term debt	275	0
Total	**395 850**	**250 277**

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

NOTE 20 ASSETS PLEDGED AS COLLATERAL AND GUARANTEES

Liabilities secured by pledge (NOK 1 000):	2006	2005
Other long term liabilities	0	0
Total	**0**	**0**

Bank deposits are pledged as collateral for leasing liabilities and credit from fuel suppliers. A bank guarantee is pledged as collateral for leasing liabilities for airplanes.

Book value of assets pledged as security (NOK 1 000):	2006	2005
Cash depot	39 203	44 030
Total	**39 203**	**44 030**

The Group has established a multicurrency facility agreement, in the amount of MNOK 200.The owned aircrafts will be pledged as collateral for the outstanding loans. As per 31. december 2006, the company had not drawn on the facility.

NOTE 21 BANK DEPOSITS

Cash and cash equivalents

NOK 1.000	2006	2005
Cash in bank	129 718	261 464
Cash equivalents	101 992	0
Total	**231 710**	**261 464**

Deposits in money market funds are classified as cash equivalents, as the underlying maturity of the deposits are 3 months or less.

As per December 31 2006, the interest terms on the cash deposits on folio accounts in bank is NIBOR, and 3,75 % on the savings account.
In 2006 the Group signed a multicurrency revolving facility in the equivalent amount of mnok 200. As per December 31, MNOK 0,2 of the facility was drawn.

Restricted cash items are as follows:

NOK 1.000	2006	2005
Amounts pledged as collateral for leases and credits from fuel suppliers	39 203	44 030
Taxes withheld	18 259	13 347
Total	**57 462**	**57 378**

Notes to Norwegian Air Shuttle Consolidated Accounts

NOTE 22 INVESTMENTS IN SUBSIDIARY

The consolidated statements of Norwegian Air Shuttle ASA includes the parent company Norwegian Air Shuttle ASA and the subsidiary Norwegian Air Shuttle Polska Sp.zo. 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 groups operations are mainly carried out at from the base in Norway, but two of the aircrafts in the fleet are designated to the Polish operations and are operating to and from the Warzaw base. The Polish subsidiary is supplying crew and some lighter maintenance on the aircrafts. The services rendered is invoiced to the parent company according to intercompany arms-length agreements.

Name	Date of initiation	Office	Number of shares	Ownership	Total Equity 31.12.06	Net profit 2006
Norwegian Air Shuttle Polska SP.zo.o	2006	Warzaw, Poland	50 000	100 %	TNOK 703	TNOK 609

NOTE 23 RELATED PARTY TRANSACTIONS

Transactions with other related parties

The Chief Executive Officer is the principal shareholder in Norwegian Air Shuttle ASA with a 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 (name change from Lufttransport Holding AS), which owns 16.52 % of the shares in Norwegian Air Shuttle ASA.

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

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 2006 paid to Vogt & Wiik was TNOK 2.945. Payable fees included in trade payables as 31 Desember 2006 was TNOK 104.

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

NOTE 24 FINANCIAL RISK

A substantial part of the expenses is denominated in foreign currency. The Groups leases and related expenses are mainly denominated in USD, and a portion of the sales and airplane operation expenses are denominated in EUR. The Group has periodically used financial instruments to hedge the USD and EUR risk in 2006. In February 2007, termcontracts for 40 % of planned USD needs were made from March to December 2007.

The Group does not have interest-bearing debts, and airplane lease contracts include a fixed interest rate, which makes for a small degree of direct risk, related to interest changes.

In January 2007 the Group hedged 50 % of the planned fuel consumtion for the three first quarders of 2007.

Sensitivity analysis	Effect on earnings MNOK
1 % increase in jet fuel prices	-8,5
1 % weakening of NOK against USD	-13,8
1 % weakening of NOK against EUR	-2,7

The sensitivity in the Groups expenses reflects changes in vital market prices and exchange rates. The effect on earnings is annualized based on production, jet fuel prices and exchange rates at year-end. Potential hedging is not considered.

The Group is somewhat exposed to credit risk due to invoicing of sales and re-invoicing of cots. The main part of the sale is charged on credit cards. The credit card companies are the debtor and the credit risk minor. Part of the sales is directly through travel agents with a moderate credit risk. Additionally, there are some risks of missing settlements when selling blocked space to our code share partners and when re-invoicing maintenance costs on aircraft to the leasing companies.

NOTE 25 CONTINGENCIES AND LEGAL CLAIMS

In 2003, the county revenue office agreed with the Group in that its operations connected to contractual flights for Braathens were to be considered as letting planes out on hire, and not as passenger transport. This means that input VAT for this business from 1995 onwards are deductible. For 2002 and 2003, a proportional distribution between passenger transport and contractual flights are made, and there is some uncertainty associated with the deductible amount in this period. The reimbursement claim has not yet been dealt with by the tax authorities, and a cautious estimate of the cost reducing effect was taken into account in 2003.

On 17 November 2006, Norwegian Air Shuttle ASA filed a civil law suit against SAS AB and SAS Braathens AB for unjustified access to, and use of sensitive business secrets. The illegal access to the information about NAS was through the booking systen Amadeus in the period of september 2002 until november 2005. SAS gained price sensitive NAS information about routes where SAS and NAS were competitors. NAS is suing for loss of income, but at this point the amount is not clearly identified. However, it is clear that it will be substantial.

The Norwegian authorities filed criminal suit against SAS AB and SAS Braathens for unjust access to business secrets from Norwegian ASA, and the case was tried in september 2006. The ruling was in favour of SAS, but was appealed and is scheduled for retrial. The outcome of the civil suit trial is not dependant on a favourable ruling in the criminal suit.

On 28 March 2007, the management of Norwegian Air Shuttle ASA, by empowerment of the Board of Directors, issued NOK 300 million, 3 year bond loan. The bonds are issued to partly finance acquistion of aircrafts and to cover increased working capital due to ongoing expansion.

NOTE 26 IFRS TRANSITION

This is the Groups first year of financial statements according to IFRS. As a main rule, companies quoted on the stock exchange were required to report according to IFRS regulations as from the first quarter of 2005. In principle, the rules applied to consolidated accounts, and Oslo Stock Exchange announced that companies that did not organize into a group structure were excepted from the requirement. In 2006, the Group started a subsidiary in Poland, and are reporting as a consolidated Group in second half of 2006.

The accounting pinciples described in note 1 has been applied in the development of the Groups Consolidated statements for 2006, for the 2005 comparisons and for the IFRS opening balanse as per 1 January 2005, which is the Groups IFRS transition date from Norwegian accounting principles (NGAAP) to IFRS.

When transferring to IFRS accounting principles, the Group has made some adjustments in previously reported financial statements, which were according to NGAAP. The transitional effects from NGAAP til IFRS on the Groups financial statements is explained below. For details see the published transition document.

Pensions

The Group will account for pensions under IAS 19 "Employee Benefits". Cumulative actuarial gains and losses existing on transition date to IFRS are recognised. However, NAS ASA will use the corridor approach going forward. In the calculation of employee benefits on transition to IFRS, estimates and assumptions used in the calculation have been changed. Thus, pension cost for 2005 and the net pension assets as at 31. December 2005 have been changed accordingly. In addition, more volatility is to be expected in measuring pension obligations contributed by changes in discount rates and other actuarial assumptions.

Norwegian Air Shuttle ASA (parent) implemented IAS 19 "Employee Benefits" in its financial statements according to NGAAP as at December 31 2006.

Leasing (IAS 39)

The Group is leasing most of its aircraft fleet, and the leases are accounted for as operating leases, based on their nature and substance. Some of the lease agreements include a a long term deposit, and according to NGAAP these leases have previously been carried at nominal value.

According to IAS 39, 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 additional rent payable to the lessor and is expensed on a straight-line basis over the lease term. An interest income is calculated based on the fair value of the deposit.

Fuel and foreign exchange derivatives (IAS 39)

Financial instruments that are held with the intention of making a gain on short-term fluctuations in prices are classified as financial assets at fair value through profit or loss. The Group holds the following derivatives; forward exchange contracts and forward fuel contracts.

Financial instruments that are classified as at fair value through profit or loss are carried at fair value as observed in the market at the balance sheet date, with no deduction for costs relating to the sale. The fair value of forward exchange contracts and forward fuel contracts are calculated by reference to current forward (exchange) 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.

The Group has under NGAAP recognized changes in fair value in net financial items. According to IAS 39.9 , changes in the fair value of financial instruments classified as financial instruments at fair value through profit or loss are recognised in the income statement and included in the operating profit for derivates that represent an economic hedge, but without being designated an effective hedging instruments. The derivates held by the Group are regarded as such an instrument. Changes in fair value of the fuel hedges are included in fuel costs, and changes in fair value of the foreign exchange hedges are included in the leasing costs.

Intangible assets - trademarks (IAS 38)

Accounting for research and development costs are described in IAS 38, and according to IAS 38.63, internal generated trademarks, titles and other similar assets, can not be capitalized, but must be expensed as incurred.

The Group has under NGAAP capitalized expenses for developing the brand name "Norwegian.no" in Norway in 2002. In the IFRS financial statements, the costs are expensed when incurred.

Other

There has been no substantial transitional effects on cash flow statements from implementing IFRS.

Transitional effects on the financial accounts:

Equity reconciliation	01.01.2005
Equity 31.12.2004 NGAAP	158 274
Effect of pension restatement	-39 155
Effect of restating brand name development	-2 603
Deferred tax asset	11 692
Equity 01.01.2005	**128 208**

Equity reconciliation	31.12.2005
Equity 31.12.2005 NGAAP	170 425
Effect of pension restatement	-38 355
Effect of restating brand name development	-1 684
Deferred tax asset	11 215
Deposits at fair value	-16
Equity 31.12.2005	**141 585**

Effects of IFRS implementation on results:

	2005
Net Income under NGAAP	26 752
Effect of pension restatement	801
Deposits at fair value	-16
Effect of restating brand name development	920
Effect on changes in deferred tax	-477
Net Income under IFRS	27 980

Profit and loss 2005

NOK 1.000	NGAAP	Adj	IFRS
OPERATING REVENUE			
Operating revenue	1 972 247		1 972 247
TOTAL REVENUE	1 972 247		1 972 247
OPERATING EXPENSES			
Operating expenses	1 507 054	-2 700	1 504 353
Payroll	299 023	-800	298 223
Depreciation and amortization	30 237	-920	29 317
Other operating expenses	111 090		111 090
TOTAL OPERATING EXPENSES	1 947 404	-4 420	1 942 983
OPERATING PROFIT / LOSS BEFORE DEPR (EBITDA)	**24 843**	**4 420**	**29 264**
NET FINANCIAL ITEMS	12 387	-2 716	9 671
PROFIT / LOSS BEFORE TAX (EBT)	**37 230**	**1 704**	**38 935**
TAX	10 478	477	10 955
PROFIT / LOSS FOR THE PERIOD	**26 752**	**1 227**	**27 980**

Notes to Consolidated Accounts

Balance Sheet		01.01.2005			31.12.2005	
	NGAAP	Adj	IFRS	NGAAP	Adj	IFRS
Non-current assets						
Other intangible assets	28 272	-2 603	25 669	33 640	-1 685	31 955
Deferred tax asset	85 956	11 692	97 648	75 479	11 215	86 694
Airplanes	0	0		0	0	0
Installations on leased airplanes	9 574	0	9 574	18 253	0	18 253
Spare parts	5 986	0	5 986	4 970	0	4 970
Equipment and fixtures	18 412	0	18 412	13 597	0	13 597
Pension fund, net	0	0	0	7 868	-7 868	0
Other receivables	19 035	0	19 035	19 404	-16	19 388
Total non-current assets	**167 235**	**9 089**	**176 324**	**173 211**	**1 646**	**174 857**
Current assets						
Inventory	11 791	0	11 791	36 764	0	36 764
Trade and other receivables	81 724	0	81 724	200 174	0	200 174
Derivative financial assets	0	0	0	2 563	0	2 563
Cash and cash equivalents	195 157	0	195 157	261 464	0	261 464
Total current assets	**288 672**	**0**	**288 672**	**500 965**	**0**	**500 965**
TOTAL ASSETS	**455 907**	**9 089**	**464 996**	**674 176**	**1 646**	**675 822**
EQUITY AND LIABILITIES						
Equity						
Share capital	1 833	0	1 833	1 837	0	1 837
Share premium reserve	156 441	0	156 441	157 523	0	157 523
Owned Shares	0	0	0	-28	0	-28
Retained earnings	0	-30 066	-30 066	11 093	-28 841	-17 748
Total equity	**158 274**	**-30 066**	**128 208**	**170 425**	**-28 841**	**141 584**
Non-current liabilities						
Pension liabilities	3 865	39 155	43 020	0	30 487	30 487
Provision for periodic maintenance	8 708	0	8 708	34 779	0	34 779
Total non-current liabilities	**12 573**	**39 155**	**51 728**	**34 779**	**30 487**	**65 266**
Current liabilities						
Trade and other payables	155 526	0	155 526	223 809	0	223 809
Air traffic settlement liabilities	109 033	0	109 033	218 693	0	218 693
Tax payable	20 501	0	20 501	26 470	0	26 470
Total current liabilities	**285 060**	**0**	**285 060**	**468 972**	**0**	**468 972**
Total liabilities	**297 633**	**39 155**	**336 788**	**503 751**	**30 487**	**534 238**
TOTAL EQUITY AND LIABILITIES	**455 907**	**9 089**	**464 996**	**674 176**	**1 646**	**675 822**

NOTE 27 EVENTS AFTER BALANCE SHEET DATE

The Group issued on March 27 2007, a MNOK 300, 3-year bond loan. The bonds are issued to partly finance acquistion of aircrafts and to cover increased working capital due to ongoing expansion.

Norwegian Air Shuttle ASA Accounts

St.Petersburg

Income Statement

NOK 1 000		2006	2005	2004
NOTE	**OPERATING REVENUES AND OPERATING EXPENSES**			
2	Revenues	2 941 400	1 972 247	1 210 059
	Total operating revenues	**2 941 400**	**1 972 247**	**1 210 059**
3	Operational expenses	2 370 076	1 507 054	1 048 549
4,15,16	Salaries and other personnel expenses	413 442	298 223	228 887
7,8	Depreciation and amortization	51 991	30 237	17 960
7,8	Asset impairment write-down			1 042
	Other operating expenses	139 429	111 090	73 221
	Total operating expenses	**2 974 938**	**1 946 604**	**1 369 659**
	Operating profit	**-33 538**	**25 643**	**-159 600**
	FINANCIAL REVENUES AND FINANCIAL EXPENSES			
	Interest income	6 797	4 014	4 325
	Interest expense	609	648	843
5	Other financial items	-6 189	9 021	3 661
5	**Net financial items**	**-1**	**12 387**	**7 143**
	Profit before tax	**-33 540**	**38 029**	**-152 458**
6	Income tax expense	-10 161	10 702	-42 616
	Profit after tax	**-23 379**	**27 328**	**-109 842**
	PROFIT FOR THE YEAR	**-23 379**	**27 328**	**-109 842**
14	Basic earnings per share	-1,21	1,49	-6,03
14	Diluted earnings per share	-1,21	1,49	-6,03

Balance Sheet

NOK 1 000		2006	2005	2004
NOTE	**ASSETS**			
	Non-current assets			
	Intangible assets			
7	Intangible assets	34 009	33 640	28 272
6	Deferred tax asset	96 380	86 218	85 956
	Total intangible assets	**130 388**	**119 857**	**114 228**
8	**Tangible assets**			
	Airplanes	160 528	0	0
	Installations on leased airplanes	37 430	18 253	9 574
	Spare parts	16 462	4 970	5 986
	Equipment and fixtures	14 011	13 597	18 412
	Total tangible assets	**228 430**	**36 820**	**33 971**
	Financial assets			
21	Investment in shares	103	0	85
9	Other long term receivables	8 827	19 404	18 950
	Total financial assets	**8 930**	**19 404**	**19 035**
	Total non-current assets	**367 749**	**176 081**	**167 235**
	Current assets			
10	Inventory	19 341	36 764	11 791
	Receivables			
	Accounts receivable	163 205	105 484	41 204
11,21	Other receivables	284 552	94 690	40 520
	Total receivables	**447 757**	**200 174**	**81 724**
	Derivative financial assets	298	2 563	0
20	**Cash and cash equivalents**	**228 132**	**261 464**	**195 157**
	Total current assets	**695 528**	**500 965**	**288 671**
	TOTAL ASSETS	**1 063 277**	**677 046**	**455 906**

Balance Sheet

NOK 1 000		2006	2005	2004
NOTE	**EQUITY AND LIABILITIES**			
	Equity			
	Paid-in equity			
12,13	Share capital	1 967	1 837	1 833
13	Own Shares	0	- 28	0
13	Share premium reserve	271 934	157 099	156 441
13	Other paid-in equity	1 709	424	0
	Total paid-in equity	**275 610**	**159 332**	**158 274**
	Retained earnings			
13	Other equity	-15 030	-16 523	0
	Total retained earnings	**-15 030**	**-16 523**	**0**
	Total equity	**260 580**	**142 809**	**158 274**
	Liabilities			
	Provisions			
15	Pension liabilities	30 794	30 487	3 865
17	Provision for periodic maintenance	81 734	34 779	8 708
	Total long term liabilities	**112 528**	**65 266**	**12 573**
	Short term liabilities			
21	Accounts payable	102 162	61 860	70 476
	Air traffic settlement liabilities	291 795	218 693	109 033
	Public duties payable	33 761	26 470	20 501
	Derivative financial liability	1 014	0	0
18	Other short term liabilities	261 438	161 947	85 048
	Total short term liabilities	**690 169**	**468 971**	**285 059**
	Total liabilities	**802 697**	**534 237**	**297 632**
	TOTAL EQUITY AND LIABILITIES	**1 063 277**	**677 046**	**455 906**

Erik G. Braathen
(Chairman of the Board)

Bjørn H. Kise

Ola Krohn-Fagervoll

Liv Berstad

Berit Slåtto Neerbye

Kari-Helene Mordt Fjær
(employee representative)

Halvor Vatnar
(employee representative)

Lasse Holm
(employee representative)

Bjørn Kjos
(Managing Director)

Cash Flow Statement

NOK 1 000	2006	2005	2004
CASH FLOW FROM OPERATING ACTIVITIES:			
Profit before income tax	-33 540	38 029	-152 458
Depreciation, amortization and write-down	51 991	30 237	19 002
Pension expense without cash effect	307	-8 480	-12 843
Change in inventories, accounts receivable and accounts payable	-2 743	-97 870	19 091
Change in air traffic settlement liabilities	73 102	109 660	39 429
Change in other current assets and current liabilities	-17 267	47 700	-3 068
Net cash flow from operating activities	**71 851**	**119 277**	**-90 847**
CASH FLOW FROM INVESTING ACTIVITIES:			
Purchases of tangible assets	-229 917	-21 244	-18 217
Purchases of intangible assets	-15 029	-17 209	-18 499
Returns on investments in financial fixed assets	-103	85	24 752
Net cash flow from investing activities	**-245 049**	**-38 369**	**-11 964**
CASH FLOW FROM FINANCIAL ACTIVITIES:			
Repayments of long term liabilities	0	0	-20 652
Paid-in equity	139 864	1 057	4 584
Paid-out equity		-15 658	0
Net cash flow from financial activities	**139 864**	**-14 600**	**-16 069**
Net change in cash and cash equivalents	-33 334	66 308	-118 879
Cash and cash equivalents at 1 January	261 464	195 157	314 036
Cash and cash equivalents at 31 December	**228 132**	**261 464**	**195 157**

Notes to Norwegian Air Shuttle ASA 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 reasult may deviate from used estimates.

General valuationrules 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. 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. Fixed assets are depreciated using the straight line method over estimated economic life of the assets.

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

Changes in accounting principles

In 2006, the Company changed accounting principle for pension, from NRS 6: accounting for pensions, to IAS 19: Employee benefits. The change is implemented as per 1 January 2005, and comparative figures are restated, reflecting the change. The effect of the change in accounting principle is detailed in note 13, Equity.

Revenues

Revenue from passenger traffic is recognised on the basis of passengers actually carried. The value of prepaid tickets are recognised on the balance sheet date as air traffic settlement liability.

Other income is recognised in the period in which the goods are delivered or the services are rendered.

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.

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

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.

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 tax and deferred tax asset is presented on a net basis in the balance sheet.

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	2006	2005
By activity:		
Passenger transport	2 879 431	1 931 663
Other revenues	61 969	40 583
Total	**2 941 400**	**1 972 247**
By geographic market:		
Norway	1 471 852	1 047 992
Other EU/EEA countries	1 469 548	924 255
Total	**2 941 400**	**1 972 247**

In 2005 and 2006, 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 OPERATING EXPENSES

NOK 1 000	2006	2005
Sales and distribution expenses	92 889	75 114
Aviation fuel	704 886	384 394
Aircraft leases	180 277	125 907
Airport charges	417 942	276 184
De-icing expenses	26 661	21 952
Handling charges	306 825	200 296
Technical maintenance expenses	306 333	207 785
Blocked Space	175 803	114 083
Other operating expenses	158 459	101 339
Total	**2 370 076**	**1 507 054**

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

NOK 1 000	2006	2005
Wages and salaries	316 327	228 266
Social security tax	46 875	34 390
Pension expenses	35 379	23 527
Employee stock options	1 989	466
Other benefits	12 872	11 574
Total	**413 442**	**298 223**

In 2006, TNOK 1.989 was charged as an expense to salary, according to the stock option programme.

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

	2006	2005
Average number of employees	693	498

NOTE 5 NET FINANCIAL ITEMS

NOK 1 000	2006	2005
Foreign exchange income and loss	-8 223	6 504
Appreciation financial current assets	2 695	2 563
Other financial expenses	-661	-46
Total	**-6 189**	**9 021**

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):	2006	2005
Tax payable	0	0
Change in deferred tax	-10 161	10 702
Income tax expense	**-10 161**	**10 702**

Reconciliation from nominal to effective tax rate:

NOK 1 000	2006	2005
Profit before tax	-33 540	38 029
This year's profit before tax	-33 540	38 029
Expected tax expense using nominal tax rate (28 %)	-9 391	10 648
Tax effect of the following items:		
Non deductible expenses	-1 172	80
Non taxable revenue	155	0
Other items	557	- 26
Tax expense	-10 161	10 702
Effective tax rate	30,30 %	28,14 %

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

NOK 1 000	2006	2005
Tangible assets	3 976	11 515
Long term liabilities	0	0
Receivables	10 365	4 138
Gain/loss account	245	306
Provisions	82 133	34 779
Pensions	30 794	30 487
Tax loss carry forward	216 702	226 696
Total	344 215	307 921
Deferred tax asset/liability	96 380	86 218
Not recognized deferred tax asset		
Net recognized deferred tax asset/liability	**96 380**	**86 218**

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 2006	52 197	4 591	56 788
Additions	12 885	0	12 885
Disposals	0	0	0
Acquisition cost at 31 December 2006	65 082	4 591	69 673
Accumulated amortization and write-down at January 1 2006	20 242	2 907	23 149
Amortization in 2006	11 597	918	12 515
Accumulated depreciation and write-down at 31 December 2006	31 840	3 825	35 665
Book value at 31 December 2006	**33 243**	**766**	**34 009**
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.

Notes to Norwegian Air Shuttle ASA accounts

NOTE 8 TANGIBLE ASSETS

NOK 1 000	Air-crafts	Installations on leased Aircraft	Spare parts	Equipment and fixtures	Total
Acquisition cost at 1 January 2006	0	27 195	8 040	35 687	70 922
Additions	182 703	25 222	15 676	7 484	231 085
Disposals	0	0	0	0	0
Acquisition cost at 31 December 2006	**182 703**	**52 417**	**23 716**	**43 171**	**302 008**
Accumulated depreciation at 1 January 2006		8 942	3 069	22 091	34 102
Depreciation in 2006	22 176	6 045	4 185	7 070	39 475
Accumulated depreciation at 31 December 2006	22 176	14 987	7 254	29 160	73 577
Book value at 31 December 2006	**160 528**	**37 430**	**16 461**	**14 011**	**228 430**
Economic life	See below	3-7 years	6 years	3-9 years	
Depreciation plan	Linear	Linear	Linear	Linear	
Remaining value	5 MNOK	0 %	25 %	0 %	

	Aircrafts	Cars	TOTAL
Annual rent for operational leases	344 612	528	345 140

As at 31 December 2006, the Group operated a total of 22 aircrafts, 2 owned and 20 leased under operational leases.

The 2 owned aircrafts are decomposed into two components for depreciation purposes. In accordance with official requirements, aircrafts 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 planes, as well as maintenance on Landing gears 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 aircrafts 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 airplanes include cabin interior modifications, and other improvements to the aircrafts after lease commencement. The capitalized value is depreciated over the remainder of the aircraft lease, which is between 1-6 years. In 2006 several engines on the leased aircrafts 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.

The lease agreements on the Boeing 737 aircraft last for 3 to 5 years from the date of agreement, with some extension options. 6 of the aircraft were delivered in 2002, 2 aircraft in 2003, 4 aircraft in 2004, 2 aircraft in 2005, and another 6 aircraft in 2006. Renegotiations have resulted in extensions on some of the shorter leases. The contracts for 2 of the aircraft expire in 2007, and for 2 of the aircraft in 2009. The remaining contracts expire in 2010 or later.

NOTE 9 LONG-TERM RECEIVABLES

NOK 1 000	2006	2005
Deposits	7 696	18 329
Other long-term receivables	1 131	1 075
Total	**8 827**	**19 404**

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 10 INVENTORIES

NOK 1 000	2006	2005
Consumables	12 484	9 466
Modification equipment	2 273	914
Parts for heavy maintenance	4 584	26 383
Total	**19 341**	**36 764**

In the 4th Quarter, the company bought parts for a heavy maintenance on aircraft engines that will be done in the spring of 2007.

NOTE 11 OTHER RECEIVABLES

NOK 1.000	2006	2005
Prepaid costs	63 007	19 948
Public Duty Debt	28 451	26 128
Reimbursements claims maintenance costs	175 557	41 077
Intercompany receivable	4 729	0
Other receivables	12 808	7 537
Total	**284 552**	**94 690**

NOTE 12 SHAREHOLDER'S EQUITY AND SHAREHOLDER INFORMATION

At 31 December 2006, the share capital consists of the following share classes:

	Number	Nominal value	Book value
Class A shares	19 669 196	0,1	1 966 920

Shareholder structure

The largest shareholders at 31 December 2006 were:

	A shares	Owner-ship (%)	Voting interest
HBK Holding AS	3 165 747	16,09 %	16,09 %
LT Holding AS	3 034 720	15,43 %	15,43 %
Bank of New York, Brussel	1 424 700	7,24 %	7,24 %
Ojada AS	900 500	4,58 %	4,58 %
JPMorgan Chase Bank	806 982	4,10 %	4,10 %
Vital Forsikring ASA	618 563	3,14 %	3,14 %
Ferd AS	600 000	3,05 %	3,05 %
Ankerløkken Holding	520 000	2,64 %	2,64 %
Fidelity Funds-Nordic	509 800	2,59 %	2,59 %
Holberg Norden	459 500	2,34 %	2,34 %
Skagen Vekst	405 800	2,06 %	2,06 %
Credit Suisse Securities	379 100	1,93 %	1,93 %
Goldman Sachs International	379 000	1,93 %	1,93 %
Rasmussengruppen AS	370 000	1,88 %	1,88 %
Fondsavanse AS	335 000	1,70 %	1,70 %
Holberg Norge	334 800	1,70 %	1,70 %
Brown Brothers Harriet	333 707	1,70 %	1,70 %
DnB Nor Norge (IV)	328 096	1,67 %	1,67 %
Fidelity Funds Europe	308 590	1,57 %	1,57 %
Umoe Invest AS	200 000	1,02 %	1,02 %
Other	4 254 591	21,63 %	21,63 %
Total number of shares	**19 669 196**	**100 %**	**100 %**

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

Navn	Title	Shares [1])	Options
Erik G. Braathen	Chairman of the Board	900 500	-
Bjørn Kise [2])	Board Member	-	-
Ola Krohn Fagervoll	Board Member	8 070	-
Kari Helene Mordt Fjær	Board Member - Staff repr	1 935	-
Halvor Vatnar	Board Member - Staff repr	8 550	-
Bjørn Kjos	CEO	6 720 467	30 000
Frode E Foss	CFO	25 000	30 000
Hans-Petter Aanby	CIO	3 174	15 000
Asgeir Nyseth	COO	-	10 000
Gunnar Martinsen	HR Manager	1 723	1 250

[1]) Including shares held by related parties

[2]) Bjørn Kise holds respectively 10 % and 7,69 % of HBK Holding and LT Holding AS

NOTE 13 EQUITY

NOK 1 000	Share capital	Share prem. reserve	Other paid-in equity	Other equity	Total equity
Equity at 31 December 2004	**1 833**	**156 441**	**0**	**0**	**158 274**
Effect of IAS 19 - pensions	0	0	0	-28 192	-28 192
Equity at 01 January 2005	**1 833**	**156 441**	**0**	**-28 192**	**130 082**
Share issue 2005	4	658	0	0	661
Purchase of own shares	-28	0	0	-15 659	-15 687
Stock Option programme 2005	0	0	424	0	424
Net profit for the year	0	0	0	27 328	27 328
Equity 31 December 2005	**1 809**	**157 099**	**424**	**-16 523**	**142 809**
Equity at 01 January 2006	**1 809**	**157 099**	**424**	**-16 523**	**142 809**
Share issue 2006	130	114 836	0	0	114 966
Purchase of own shares	28	0	0	24 872	24 900
Stock Option programme 2006	0	0	1 285	0	1 285
Net profit for the year	0	0	0	-23 379	-23 379
Equity 31 December 2006	**1 967**	**271 934**	**1 709**	**-15 030**	**260 580**

NOTE 14 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.

	2005	2006
Net profit (NOK 1 000)	-23 379	27 328
Average number of shares outstanding	19 312 719	18 284 451
Average number of shares and options outstanding	19 456 607	18 317 257
Basic earnings per share	-1,21	1,49
Diluted earnings per share	-1,21	1,49

NOTE 15 PENSIONS

The Company has a pension scheme including 487 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 2006, 197 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 a obligation for the group that is not funded. The AFP obligation for the group are shown under the heading "unfunded"

NOK 1 000	Funded	Unfunded	Total 2006	2005
Net present value of benefits earned	28 905	183	29 088	20 878
Interest cost on pension liability	6 066	25	6 091	4 636
Expected return on pension funds	-5 935	0	-5 935	-4 631
Administrative expenses	515	0	515	428
Recognized actuarial gains/losses	813	0	813	0
Social security tax	4 281	29	4 310	3 004
Net pension expense	**34 645**	**237**	**34 882**	**24 315**

NOK 1 000	Funded	Unfunded	Total 2006	Total 2005
Liabilities on earned pension rights	139 133	562	139 695	95 044
Calculated liability from future salary increases	45 374	256	45 630	57 708
Gross pension liabilities	**184 507**	**818**	**185 325**	**152 752**
Pension assets (at market value)	137 516	0	137 516	99 714
Estimate deviations not recognized	-20 775	-46	-20 821	-26 319
Social security tax	3 697	109	3 806	3 768
Net pension liabilities	**29 913**	**881**	**30 794**	**30 487**

Economic assumptions:	**2006**	**2005**
Discount rate	4,40 %	4,00 %
Expected growth in salaries	4,00 %	4,00 %
Expected growth in state pensions	4,25 %	4,25 %
Expected growth in pensions	1,50 %	1,50 %
Expected return on pension assets	5,50 %	5,20 %

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 %.

Notes to Norwegian Air Shuttle ASA accounts

NOTE 16 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. The stock options are acquired over a 2 year period, whereof 50 % are acquired the first year, and the remaining the second year. Stock options that are not exercised on 19 October 2007 discontinues.

Stock options can be 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.

The program 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.

	2006 Shares	Weighted avg. exerc. Price	2005 Shares	Weighted avg. exerc. Price
Outstanding at the beginning of the period	140 000	65,0	37 422	0,1
Allocated	22 500	101,1	140 000	65,0
Excercised	23 750	65,0	35 798	0,1
Terminated	2 500	65,0	0	0,0
Rejected	-	0,0	0	0,0
Expired	-	0,0	1 624	0,1
Outstanding at the end of the period	136 250	71,0	140 000	65,0
Vested options	51 250	70,0	0	0,0
Weighted average of fair value of options allocated in the period	22 500	21,6	140 000	19,8

	------------- Outstanding options -------------			----- Vested options -----	
Strike price (NOK)	**Outstanding options by 31 December 2006**	**Weighted average remaining lifetime (yrs)**	**Weighted average strike price**	**Vested options by 31 December 2006**	**Weighted average strike price**
65,0-100,0	123 750	0,9	67,4	45 000	65,0
100,0-	12 500	0,8	106,0	6 250	106,0
Total	**136 250**	**0,9**	**71,0**	**52 150**	**70,0**

NOTE 17 PROVISIONS

NOK 1.000	2006	2005
Periodic maintenance on leased Boeing 737 airplanes	81 734	34 779
Total provisions	**81 734**	**34 779**

For leased airplanes, 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 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 the Company's interpretation will not be accepted. The provision for this increase in liabilities is distributed over the duration of the contracts.

NOTE 18 OTHER SHORT TERM LIABILITIES

NOK 1.000	2006	2005
Accrued holiday allowances	30 613	22 733
Accrued expenses	230 550	139 214
Other short term liabilities	275	
Total	**261 438**	**161 947**

NOTE 19 ASSETS PLEDGED AS COLLATERAL AND GUARANTEES

The company has no liability where assets are used as pledge or collateral. But bank deposits are pledged as collateral for leasing liabilities and credit from fuel suppliers. A bank guarantee is pledged as collateral for leasing liabilities for airplanes.

Book value of assets pledged as security (NOK 1 000):	2006	2005
Cash depot	39 203	44 030
Total	**39 203**	**44 030**

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

NOTE 20 CASH AND CASH EQUIVALENTS

NOK 1.000	2006	2005
Cash in bank	126 140	261 464
Cash equivalents	101 992	-
Total	**228 132**	**261 464**

Restricted cash items are:

NOK 1.000	2006	2005
Amounts pledged as collateral for leases and credits from fuel suppliers	39 203	44 030
Taxes withheld	18 259	13 347
Total restricted cash	**57 462**	**57 378**

NOTE 21 REMUNERATION TO THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

Remuneration to the board of Directors

Total remuneration paid to the Board in 2006 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 2006.

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 company, nor damage the reputation and standing of the company in the public eye. There has been no changes in the guidelines or principles for management remuneration during the year.

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 company'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 company'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.

'000 NOK	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	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 june 1)		426			21	447	67
Hans-Petter Aanby (CIO)		772	198	446	85	1 501	105
Gunnar Martinsen (HR)		597			15	612	87
Anne Grete Ellingsen (CCO)		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 is stated.
**) Other benefits include company car, telephone, internet etc.

Shares and options owned by senior managers are presented in note 12
There are no loans outstanding, or guarantees made, to the board of directors or the executive management.

Auditor remuneration

	2006	2005
Audit fee	351	521
Tax advisory	35	65
Other service	129	121

All amounts stated are without VAT.

NOTE 22 RELATED PARTIES

Subsidiary

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

Name	Office	Number of shares	Cost price	Total Equity 31.12.06	Net profit 2006
Norwegian Air Shuttle Polska SP.zo.o	Warzaw, Poland	50 000	NOK 2,059	TNOK 703	TNOK 609

Intercompany balances 31 december 2006	Short term	Long term
Receivables	4 782	0
Payables	2 746	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 (name change from Lufttransport Holding AS), which owns 16.52 % of the shares in Norwegian Air Shuttle ASA.
Board member Kise also owns minority shares i HBK Holding and LT Holding.

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 2006 paid to Vogt & Wiik was TNOK 2.945.

Terms and conditions for transactions with related parties

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

Notes to Norwegian Air Shuttle ASA accounts

NOTE 23 FINANCIAL RISK

Norwegian is exposed for currency risk through costs in USD and EUR. 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. In 2006 Norwegian did some periodical hedges up to 25 % of expected consumption in both USD and EUR. In first quarter 2007 Norwegian has hedged 50 % of its expected USD consumption throughout 2007. The hedging consists of forwards and flexible forwards.

Norwegian is also exposed to fluctuation in Jet-Fuel prices. The company has a mandate to hedge up to 100 % of its expected consumption next 12 month with financial instruments. In 2006 Norwegian hedged up to 25 % of its expected jet-fuel consumption in the two first quarters, and in the last quarter. In 2007 Norwegian has hedged up to 50 % of its expected jet-fuel consumption throughout third quarter 2007.

The company does not have interest-bearing debts, which makes for a small degree of direct risk, related to interest changes.

The company is somewhat exposed to credit risk due to invoicing of sales and re-invoicing of cots. The main part of the sale is charged on credit cards. The credit card companies are the debtor and the credit risk minor. Part of the sales is directly through travel agents with a moderate credit risk. Additionally, there are some risks of missing settlements when selling blocked space to our code share partners and when re-invoicing maintenance costs on aircraft to the leasing companies.

Sensitivity analysis	Effect on earnings MNOK
1 % increase in jet fuel pries	-8,5
1 % weakening of NOK against USD	-13,8
1 % weakening of NOK against EUR	-2,7

The sensitivity in the Company's expenses reflects changes in vital market prices and exchange rates. The effect on earnings is annualized based on production, jet fuel prices and exchange rates at year-end. Potential hedging is not considered.

NOTE 24 CONTINGENCIES AND LEGAL CLAIMS

On 17 November 2006, Norwegian ASA filed a civil law suit against SAS AB and SAS Braathens AB for unjustified access to, and use of sensitive business secrets. The illegal access to the information about NAS was through the booking systen Amadeus in the period of september 2002 until november 2005. SAS gained price sensitive NAS information about routes where SAS and NAS were competitors. NAS is suing for loss of income, but at this point the amount is not clearly identified. However, it is clear that it will be substantial.

The Norwegian authorities filed criminal suit against SAS AB and SAS Braathens for unjust access to business secrets from Norwegian ASA, and the case was tried in september 2006. The ruling was in favour of SAS, but was appealed and is scheduled for retrial. NAS civil suit is not dependant on a favourable ruling in the criminal suit.

NOTE 25 EVENTS AFTER BALANCE SHEET DATE

The Group issued on March 27 2007, a MNOK 300, 3-year bond loan. The bonds are issued to partly finance acquistion of aircrafts and to cover increased working capital due to ongoing expansion.

Auditors Report for 2006

PRICEWATERHOUSECOOPERS

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To the Annual Shareholders' Meeting of Norwegian Air Shuttle ASA

Auditor's report for 2006

We have audited the annual financial statements of Norwegian Air Shuttle ASA as of December 31, 2006, showing a loss of tNOK 23 379 for the parent company and a loss of tNOK 21 997 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 coverage of the loss. 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 31,2006 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, 2006, 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 coverage of the loss are consistent with the financial statements and comply with the law and regulations.

Oslo, March 28, 2007
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.

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