

NORWEGIAN AIR SHUTTLE ASA

QUARTERLY REPORT – THIRD QUARTER 2007

THIRD QUARTER IN BRIEF

- The group had earnings before tax (EBT) of MNOK 105.8 (38.5) in the third quarter.
- The third quarter operating revenue increased by 50.8 %, compared to last year, to MNOK 1,323.9 (877.8).
- The total quarterly earnings before depreciation (EBITDA) were MNOK 168.2 (54.9), and the quarterly earnings after tax were MNOK 76.3 (27.7).
- Norwegian Air Shuttle transported a total of 1,794,332 passengers in the third quarter, passenger traffic (RPK) increased by 23% compared to the same period last year. 239,086 passengers flew with FlyNordic from August 1st to the end of the third quarter.
- The passenger load factor was 87 % (85 %) in the third quarter for Norwegian Air Shuttle, whereas FlyNordic had a load factor of 83%.
- The total production (ASK) increased by 21 % to 2,042 million this quarter for Norwegian Air Shuttle. The equivalent number for FlyNordic from August to the end of the quarter was 291 million.
- The total quarterly unit cost for Norwegian Air Shuttle was NOK 0.50 (0.49).
- The acquisition of 100 % of the shares in Nordic Airlink Holding AB (Fly Nordic) was completed during the quarter, with effect on the consolidated financial accounts from August 1st 2007.
- During third quarter, Norwegian Air Shuttle ASA entered into a purchase for 42 new Boeing 737-800 aircraft. The delivery of aircraft will be from year 2009-2014. 39 % of the future USD payments are hedged.

TRAFFIC STATISTICS						
Norwegian.no	Third Quarter			Accumulated		
	2007	2006	Change	2007	2006	Change
Internet bookings	86 %	87 %	(1) pp	86 %	83 %	3 pp
ASK (mill)	2 042	1 693	21 %	5 147	3 950	30 %
RPK (mill)	1 767	1 434	23 %	4 171	3 199	30 %
Load factor	87 %	85 %	2 pp	81 %	81 %	- pp
Passengers	1 794 332	1 503 141	19 %	4 692 660	3 806 269	23 %
<u>Domestic</u>						
ASK (mill)	501	456	10 %	1 437	1 304	10 %
RPK (mill)	430	382	13 %	1 150	1 042	10 %
Load factor	86 %	84 %	2 pp	80 %	80 %	- pp
Passengers	800 080	711 474	12 %	2 264 542	2 010 913	13 %
<u>International</u>						
ASK (mill)	1 541	1 238	24 %	3 711	2 646	40 %
RPK (mill)	1 337	1 052	27 %	3 021	2 157	40 %
Load factor	87 %	85 %	2 pp	81 %	82 %	1 pp
Passengers	994 252	791 667	26 %	2 428 118	1 795 356	35 %
FlyNordic.com*						
	2007*					
Internet bookings	67 %					
ASK (mill)	291					
RPK (mill)	242					
Load factor	83 %					
Passengers	239 086					
* Only August and September						

TRAFFIC DEVELOPMENT

Comments on the traffic development exclude Fly Nordic traffic statistics.

A total of 1,794,332 passengers travelled with Norwegian Air Shuttle ASA in the third quarter of 2007, compared to 1,503,141 in the third quarter of 2006. This equals an increase of 19 % in the number of passengers. The company had a passenger load factor of 87 % this quarter, compared to 85 % in 2006. The production (ASK) has increased by a total of 21 % since the same period last year, and the passenger traffic (RPK) has increased by 23 %.

The growth is related to the company's expansion throughout the year. At the end of the third quarter of 2007, the company operated 23 aircraft (whereof 2 were wet lease), compared to 19 in the same period last year. The utilization of the aircraft has improved as a consequence of the expansion, and in the third quarter every aircraft were utilized 11.7 block hours pr day, compared to 11.5 block hours in the same period last year.

The share of Internet sales has had a very slight decrease to 86%, compared to 87 % in the same period last year.

The group in total operated 30 aircraft in the period, whereof 7 in FlyNordic.

COMMENTS TO THE ACCOUNTS

PROFIT AND LOSS STATEMENT

The group's total turnover in the third quarter was MNOK 1,323.9 (877.8), an increase of 50.8 %. MNOK 1,270.7 (856.0) of the revenues in the third quarter are related to ticket revenues, while the remaining MNOK 53.1 (21.8) are related to freight, fees and third-party products. The increase in ticket revenues is related to an increase in passenger traffic by 23 % as well as the acquisition of FlyNordic.

The operating costs (including leasing and excluding depreciation and write-downs) were MNOK 1,155.7 (822.9) this quarter. The cost increase is related to the increase in production (ASK) by 21 % compared to last year as well as the acquisition of FlyNordic. The group has utilized in average 30 aircraft this quarter compared to 19 the same quarter last year. The quarterly cost of jet fuel has increased from MNOK 225.8 last year to MNOK 300.4 this year. The group had in the third quarter of 2007 hedged 50 % of the expected fuel consumption through September 2007. At the end of the third quarter, the group has no term contracts for fuel. Term contracts on USD cover approximately 20 % of expected exposure in USD until July 2008. The increase in fuel price more than offset the favorable exchange rates, and the temporary wet leases further impact the unit cost negatively.

The increase in depreciation and amortization is mainly caused by depreciation of fair value adjustments of assets in Fly Nordic.

Financial items include costs of MNOK 31.7, for the inefficiency of the hedge contract connected to the purchase contract for Boeing Aircraft.

Earnings before depreciation and write-down (EBITDA) in the third quarter were MNOK 168.2 (54.9), and the earnings before tax (EBT) were MNOK 105.9 (38.5). Operating margin increased from 4 % in third quarter 2006 to 8 % in the same quarter in 2007. EBITDA year to date 2007 is MNOK 244.3 (39.5), and EBIT is 191.7 (1.9).

BALANCE SHEET

Intangible assets include a deferred tax asset of MNOK 58.9, capitalised expenses related to the development of IT-systems of MNOK 32.2, and goodwill and fair value of identified immaterial assets resulting from the acquisition of Fly Nordic of MNOK 217.1. Purchased aircrafts are valued at MNOK 159.9 in the balance sheet. Total investments in intangibles and fixed assets were MNOK 18.9 this

quarter, mainly related to IT systems and upgrades on aircraft and spare parts. Prepayments on the Boeing purchase contract were MNOK 266.8.

The value of consumable goods were MNOK 28.0 by the end of the quarter, including MNOK 9.9 for parts to be used in engine overhaul in the future. Short term receivables are MNOK 592.3 at the end of the quarter, compared to MNOK 408.4 at the end of the third quarter of 2006. The increase is mainly related to addition of Fly Nordic assets, reimbursement claims in connection with heavy maintenance and to the general increase in activity and sales leading to higher receivables on travel agents and credit card companies. In addition, receivables are affected by reimbursements of VAT.

Accruals for future maintenance liabilities are 119.0 MNOK compared to 47.9 MNOK in the third quarter last year. The increase is due to a reclassification of accrued maintenance costs to accounts receivables, which previously was defined as a reduction of accrued maintenance costs.

The group's pension liabilities are at the end of the quarter MNOK 20.4 compared to MNOK 22.8 in 2006. Other long term liabilities are the publicly issued bond of MNOK 300, issued in April 2007. The hedge instrument connected to the Boeing purchase contract is valued at MNOK 191.5 and deferred tax resulting from the purchase price allocation for the acquisition of Fly Nordic is MNOK 19.9. The traffic settlement debt related to tickets sold, but not used, was MNOK 578.2 (335.6) by September 30th 2007, which is a decrease of MNOK 92.9 in the quarter. This is due to lower sales activity than travel activity during the quarter.

At the end of the third quarter of 2007, the group's cash balance was MNOK 810.1 a decrease of MNOK 238.5 during the quarter and an increase of MNOK 422.6 compared to the third quarter of 2006. Included in cash balance are restricted funds of MNOK 287.4 related to the hedge contract and other deposits and guarantees. Operating activities this quarter has given a negative cash flow of MNOK 68.1 due to seasonal changes in the working capital. Investments in fixed assets and prepayment of the Boeing purchase contract during the period reduced the cash flow during the period with MNOK 285.7, while the net cash received through the FlyNordic acquisition increased the cash by MNOK 126.2, resulting in a net cash flow from financial activities of MNOK 159.4. Cash flow from investment activities consist of downpayment of the revolving credit facility of MNOK 7.4.

The group had book equity of MNOK 516.4 by the end of the quarter, equivalent to an equity ratio of 20.8 %.

ACQUISITION OF FLYNORDIC

On July 30th 2007, Norwegian purchased the Swedish airline company Nordic Airlink Holding AB (FlyNordic) from Finnair Oy. Norwegian received 100 % of the shares in FlyNordic. In consideration of the shares Finnair received 1,063,830 shares in Norwegian, 1,121,633 stock options in Norwegian, a cash consideration for the net asset value of FlyNordic at June 30th 2007, and an agreement on profit sharing for future Charter profits in FlyNordic.

The shares issued in Norwegian have nominal value of NOK 0.1 per share, and a share price of NOK 119.5, the market value at the date of control. The options are valued at MNOK 29.5, using the Black & Scholes model of option pricing. The cash consideration for net asset value is provisionally determined at MNOK 20.6. Final closure on this amount will be made within fourth quarter 2007. The Charter revenue profit sharing is provisionally determined at MNOK 39.8, and will be finalized during fourth quarter of 2008. The adjustments will change the total acquisition value, and hence the goodwill recorded as a result of the transaction. MNOK 1.1 is recognized as transaction costs. Total purchase price is provisionally recorded at MNOK 218.1.

Provisional purchase price allocation determines MNOK 75.8 in identifiable immaterial assets in excess of book equity of MNOK 24.5, and a deferred tax asset related to the immaterial assets of MNOK 21.2. Goodwill is recognized as the excess of purchase price over identifiable assets and liabilities, with MNOK 139.0, of which goodwill related to deferred tax is 21.2. Remaining goodwill is related to the workforce and expected synergies in operations and cost efficiency, to be realized when the two companies are synchronized.

The identified immaterial assets are brand name, charter traffic, Air Operating Certificate, and air traffic slots. All assets except charter traffic are determined to have indefinite lives. Charter traffic

asset has an estimated fair value of MNOK 22.8 and has an economic life of 15 months, over which the fair value is amortized.

ACCOUNTING PRINCIPLES

The quarterly report has been compiled according to IFRS accounting principles, which are the same accounting principles that were used in preparing the Annual Report for 2006. The quarterly financial statements for comparable periods are restated to IFRS accounting principles. The quarterly financial report is prepared in accordance with IAS 34 for interim reporting. The quarterly accounts are not audited.

Earlier, the group entered into a code share agreement with Sterling and Fly Nordic, and in 2006 the group entered into a co-operation with Polkovo Airlines on the Oslo-St.Petersburg route. This agreement gives Norwegian the right to sell an agreed upon number of seats on flights that Norwegian operate, and correspondingly buy a fixed number of seats on flights the partner operates. In accordance with current accounting principles the sold capacity on Norwegian flights is recorded as gross revenue, and bought capacity is recorded at gross cost. Accordingly, all operational key figures (ASK, RPK and load factor) are reported using the gross principle. The code share agreement with Sterling ends 28.10.2007.

During third quarter, Norwegian entered into a purchase contract for 42 new Boeing 737-800 aircraft with Boeing Corporation. The aircraft will be delivered during 2009 until 2014. In order to reduce exchange rate risk, the company established a USD hedge directly connected to the delivery and payment on 39 % of the contractual aircraft value. The arrangement is recognized as fair value hedge accounting, according to IAS 39 – Financial instruments. Fair value hedges are hedges of the Groups exposure in fair value of a recognized asset or liability, or an identified portion of such, that is attributable to a particular risk and could affect profit or loss. For fair value hedges, the carrying amount of the hedge item is adjusted for gain and losses attributable to the risk being hedged, the derivative is remeasured at fair value and gains and losses from both are taken to financial items in the profit and loss statement.

The hedges are structured forwards, knock-in forwards. Testing of hedge efficiency on balance sheet date has been performed, which proves efficiency within the defined levels of the accounting standard. The financial instruments include an element of options, which open for a potential downside for Norwegian, when compared to ordinary future contracts. The method of estimating fair value on the option elements of the hedge contracts will give the forwards a certain inefficiency compared to the cash flow on the hedged object, which results in a loss for Norwegian in third quarter 2007 of MNOK 31,7.

FUTURE PROSPECT

The demand for travelling with Norwegian Air Shuttle and advanced bookings has been good entering the fourth quarter of 2007. Norwegian has executed several sales and marketing campaigns that have been well received by the market.

Norwegian Air Shuttle introduced in April seating on most international flights giving our passengers the opportunity to choose their own seat for a small fee or a randomly selected seat free of charge at check-in. Seating will be introduced on the domestic network in November. Several new routes will commence operation at the end of October, among them are routes to Tenerife, Las Palmas and Marrakech. Norwegian Air Shuttle will also add Gatwick as a destination in London.

Norwegian Air Shuttle introduced in October a credit card in cooperation with Bank Norwegian. The use of this credit card is linked with a loyalty program in Norwegian Air Shuttle. The response from the customers has been positive and the subscription rate has so far exceeded expectations. Bank Norwegian is now ready for operation, the only outstanding item is an equity issue which is under way and expected to be completed within the beginning of November. Bank Norwegian will be fully operational by the middle of November.

Norwegian Air Shuttle is not hedged for fuel costs in the fourth quarter. This will affect the company's fuel costs in the fourth quarter if the fuel prices remain at the current high levels. But the current weak US dollar is offsetting a large part of the increased fuel cost. The unit cost for 2007 is expected to be approximately 0.53, but may be negatively influenced if the fuel price remains at the current high levels or the US dollar strengthens.

The introduction program of the new Boeing 737-800 in Norwegian Air Shuttle is going ahead according to schedule. The first plane will be operational in the first quarter of 2008.

The Warsaw base continues to improve. We expect negative results for the Warsaw base in Q4 2007 and Q1 2008 due to seasonality.

On June 30th Finnair and Norwegian Air Shuttle signed and entered into an agreement on Norwegian's acquisition of 100% of the shares in FlyNordic. The Transaction has received approval from the Norwegian Competition Authority, and is now finalized. Norwegian Air Shuttle has started the integration process, and expects to realize synergy effects and increase efficiency throughout 2008.

Fornebu, 24. October 2007

Bjørn Kjos
CEO



PROFIT AND LOSS ACCOUNT (KNOK)	3. Quarter		YTD		31. December 2006
	2007	2006	2007	2006	
OPERATING REVENUE					
Total operating revenue	1 323 902	877 783	3 080 813	2 181 488	2 941 400
TOTAL REVENUE	1 323 902	877 783	3 080 813	2 181 488	2 941 400
OPERATING EXPENSES					
Operating expenses	829 061	639 713	2 023 962	1 617 722	2 188 359
Personell expenses	171 209	105 780	428 298	296 012	412 940
Other operating expenses	58 316	31 124	153 777	98 872	139 264
TOTAL OPERATING EXPENSES	1 058 586	776 617	2 606 037	2 012 606	2 740 563
OPERATING PROFIT / LOSS BEFORE LEASING & DEPR (EBITAR)	265 316	101 166	474 776	168 882	200 837
Leasing	97 105	46 310	230 477	129 359	180 277
OPERATING PROFIT / LOSS BEFORE DEPR (EBITDA)	168 210	54 856	244 299	39 523	20 560
Depreciation and amortization	19 017	15 188	52 630	37 667	51 070
Write-down					
OPERATING PROFIT / LOSS (EBIT)	149 194	39 668	191 670	1 856	-30 510
NET FINANCIAL ITEMS	-43 390	-1 165	-44 676	2 021	-1 196
PROFIT / LOSS BEFORE TAX (EBT)	105 804	38 503	146 993	3 877	-31 706
TAX	29 515	10 809	40 945	1 115	-9 709
PROFIT / LOSS FOR THE PERIOD	76 289	27 694	106 048	2 762	-21 997

BALANCE SHEET (KNOK)	3. Quarter		31. December 2006
	2007	2006	
FIXED ASSETS			
Intangible assets	308 234	121 689	129 840
Tangible fixed assets	676 219	206 354	228 444
Fixed assets investment	53 369	9 094	8 819
TOTAL FIXED ASSETS	1 037 822	337 136	367 103
CURRENT ASSETS			
Consumable goods	28 030	36 688	19 341
Investments	10 027	1 462	298
Receivables	592 276	408 373	443 492
Cash in bank and in hand etc.	810 082	387 456	231 710
TOTAL CURRENT ASSETS	1 440 415	833 980	694 841
TOTAL ASSETS	2 478 237	1 171 116	1 061 944
EQUITY			
Called-up and fully paid equity	432 783	276 021	275 610
Retained earnings	83 609	9 958	-14 883
TOTAL EQUITY	516 392	285 980	260 727
LIABILITIES			
Provisions for liabilities and charges	139 336	70 643	112 528
Other long term liabilities	511 383		
Current liabilities	1 311 127	814 493	688 689
TOTAL LIABILITIES	1 961 845	885 136	801 217
TOTAL EQUITY AND LIABILITIES	2 478 237	1 171 116	1 061 944
No. Of shares	20 733 026	19 669 196	19 669 196
Face value	0,1	0,1	0,1

CASH FLOW STATEMENT (KNOK)	3. Quarter		YTD		31. December 2006
	2007	2006	2007	2006	
Net cash flows from operation activities	-68 136	-136 733	506 928	197 486	75 647
Net cash flows from investments	-159 447	-11 311	-221 838	-211 359	-245 257
Net cash flows from financial activities	-7 374		297 000	139 864	139 864
Exchange rate effect on cash	-3 580		-3 718		-8
Net change in cash and cash equivalents	-238 536	-148 043	578 372	125 991	-29 754
Cash and cash equivalents in beginning of period	1 048 618	535 501	231 710	261 464	261 464
Cash and cash equivalents in end of period	810 082	387 456	810 082	387 456	231 710

FINANCIAL KEY FIGURES	3. Quarter		YTD		31. December 2006
	2007	2006	2007	2006	
Operating margin (%)	11 %	5 %	6 %	0 %	-1 %
Earnings per share (NOK) (calculated on average no. Of shares)	3,7	1,4	5,3	0,1	-1,1
Book equity per share (NOK)	24,9	14,5	24,9	14,5	13,3
Equity ratio (%)	21 %	24 %	21 %	24 %	25 %
No. Of shares at the end of the period	20 733 026	19 669 196	20 733 026	19 669 196	19 669 196
Average no. of shares in the period	20 386 125	19 669 196	19 910 798	19 188 093	19 312 719
Average no. of shares and options in the period	21 270 758	19 809 196	20 294 278	19 328 093	19 454 958

Equity (KNOK)	3. Quarter		YTD		31. December 2006
	2007	2006	2007	2006	
Equity - Beginning of period	290 798	257 521	260 727	141 585	141 585
Share issue	127 002		127 002	114 966	114 965
Equity change on employee options	236	684	686	1 696	1 285
Stock options issued for FlyNordic acquisition	29 485		29 485		
Sale of own shares				24 898	24 898
Profit/loss	76 289	27 694	106 048	2 762	-21 997
Exchange rate difference group	-7 418	82	-7 556	73	-9
Equity - End of period	516 392	285 980	516 392	285 980	260 727

SALES REVENUE (KNOK)	3. Quarter		YTD		31. December 2006
	2007	2006	2007	2006	
Per activity					
Passenger revenue	1 270 731	856 022	2 962 796	2 134 445	2 879 431
Other revenue	53 170	21 761	118 017	47 043	61 969
Total	1 323 902	877 783	3 080 813	2 181 488	2 941 400
Per geographical market					
Domestic	438 644	352 958	1 298 587	1 068 143	1 471 852
International	885 258	524 825	1 782 226	1 113 345	1 469 548
Total	1 323 902	877 783	3 080 813	2 181 488	2 941 400

COST BREAKDOWN (KNOK)	3. Quarter		YTD		31. December 2006
	2007	2006	2007	2006	
Personell costs	170 581	105 780	428 298	296 012	412 940
Sales/ distribution costs	21 614	18 712	67 349	75 221	92 889
Aviation fuel	300 431	225 868	670 655	521 430	703 872
Aircraft leases	97 105	46 310	230 477	129 359	180 277
Airport charges	172 191	119 475	424 245	303 936	417 942
De-icing	1 371	-2 749	19 602	13 342	26 661
Handling charges	101 006	96 991	284 857	230 930	306 825
Technical maintenance costs	120 124	83 189	301 201 *	233 088	306 333
Depr. / write-down	19 017	15 188	52 630	37 667	51 991
Other costs	171 270	129 350	409 831	338 648	472 179
Total operating costs	1 174 708	838 115	2 889 143	2 179 632	2 971 910

* Includes reclassification from other costs in previous quarters

SENSITIVITY ANALYSIS	Effect on profit and loss
1 % increase in jet fuel price	-8,8
1 % weakening of NOK against USD	-15,8
1 % weakening of NOK against EUR	-6,8

The sensitivity analysis reflects the effect on P/L by substantial changes in market prices and exchange rates. The effect on P/L is annualized based on today's level of production, fuelprices and exchange rates

Definitions

ASK: Available Seat Kilometres. Number of available passenger seats multiplied by the flight distance.
 RPK: Revenue Passenger Kilometres. Number of paying passengers multiplied by the flight distance.
 CABIN FACTOR: Relationship between RPK and ASK as a percentage. Describes the rate of utilisation of available seats.
 EBITDA: Operating profit/loss before financial items, taxes and depreciation
 EBITDAR: Operating profit/loss before financial items, taxes, depreciation and leasing costs for aircraft