

NORWEGIAN AIR SHUTTLE ASA

QUARTERLY REPORT – SECOND QUARTER 2005

[This document is a translation from the original Norwegian version]

SECOND QUARTER IN BRIEF

- Total operating revenue for the quarter amounted to MNOK 531.3. In comparison, second quarter 2004 total revenue amounted to MNOK 311.1, an increase of 71%.
- Total earnings before depreciation, write-down and leasing costs for aircraft (EBITDAR) amounted to MNOK 61.5 in second quarter, compared to MNOK -7 in second quarter 2004.
- Total earnings before depreciation and write-down (EBITDA) amounted to MNOK 30.8. EBITDA for second quarter 2004 amounted to MNOK -36.3.
- Earnings before tax (EBT) was MNOK 20.6, compared to MNOK -38,1 in Q2 2004.
- Earnings after tax amounted to MNOK 14.6, compared to MNOK -27.4 in Q2 2004.
- The total number of passengers transported in second quarter was 867 796 compared to 572 253 in Q2 2004, an increase of 52 %.
- Total passenger traffic (RPK) increased 69% compared to the same period in 2004.
- The passenger load factor was 78% in second quarter 2005, compared to 67% in Q2 2004, an increase of 11 percentage points.
- The total production (ASK) has increased to 940 million ASK in second quarter compared to 642 million in the same period last year, an increase of 46 %.
- The company has a cash reserve of MNOK 233.4 at the end of the quarter. The equity ratio of the company is 20%.
- Total units cost (cost per ASK) for the quarter was NOK 0,53, compared to NOK 0,54 in the same period last year.

TRAFFIC DEVELOPMENT

In second quarter, a total of 867 796 passengers flew with Norwegian, compared to 572 253 the same period last year. This is an increase of 52%. The passenger load factor for the second quarter was 78% compared to 67% in the same period in 2004. Production (ASK) is increased by 46% and passenger traffic (RPK) has increased 69%, compared to the same period last year. The growth is related to the company's expansion during the year. The company has had 13 aircraft in operation in second quarter, compared to 11 planes in the same period in 2004. The utilisation of the planes has been improved following the expansion, and the average utilization has been 9,6 block hours per day, compared to 7,6 block hours in the same period in 2004.

The share of total production (ASK) on international routes was 63% in second quarter, compared to 45% in the same period last year. 44% of the passengers transported in the quarter was on international routes, compared to 24% in 2004.

The share of sales via the Internet was 75% in the period compared to 64% in the same period in 2004.

TRAFFIC STATISTICS							
Norwegian	Second quarter			Accumulated			2004
	2005	2004	Change	2005	2004	Change	
Internet bookings	75 %	64 %	11 pp	72 %	63 %	9 pp	
ASK (mill)	940	642	46 %	1 508	1 011	49 %	2 301
RPK (mill)	730	433	69 %	1 117	673	66 %	1 538
Cabin factor	78 %	67 %	11 pp	74 %	67 %	7 pp	67 %
Passengers	867 796	572 253	52 %	1 418 293	970 616	46 %	2 073 736
Domestic							
ASK (mill)	351	350	0 %	669	621	8 %	1325
RPK (mill)	257	249	3 %	471	426	11 %	877
Cabin factor	73 %	71 %	2 pp	70 %	69 %	1 pp	66 %
Passengers	483 448	436 932	11	892 889	788 911	13 %	1 588 160
International							
ASK (mill)	588	292	101 %	840	391	115 %	976
RPK (mill)	474	184	158 %	646	247	162 %	661
Cabin factor	81 %	63 %	18 pp	77 %	63 %	14 pp	68 %
Passengers	384 348	135 321	184 %	525 413	181 705	189 %	485 576

COMMENTS TO THE ACCOUNTS

PROFIT AND LOSS STATEMENT

In the second quarter, the company's turnover was MNOK 531.3 compared to MNOK 311.1 in 2004, which is an increase of 71%. The turnover for first half of 2005 was MNOK 851.0, compared to MNOK 547.4 last year. The increase in revenue is mainly related to the increase of 69% in revenue passengers kilometres (RPK), which accordingly is related to the increase in production (46% in ASK) with the result of an improved cabin factor with 11 %-points to 78%. The yield for the period is unchanged compared to same period last year, despite an increased average sector length.

The company had operating expenses of MNOK 500.5 in the quarter (including leasing expenses and excl. depr.) compared to MNOK 347.4 last year, an increase of 44%. Operating expenses accumulated for first half of 2005 amounted to MNOK 864.4, compared to MNOK 633.7 last year. The increase in expenses is primarily related to the increase of production (ASK) by 46% compared to the same period last year, and the expansion of the aircraft fleet from 11 last year to 13 in Q2 2005. The total cost of jet fuel has increased from MNOK 51.4 in Q2 2004 to MNOK 95.5 this year. Approximately MNOK 24.4 of this is related to increased fuel price and the remainder is related to increased production. The company has not had fuel hedging contracts for the period and has no future contracts at the ending of the quarter. Despite the increased fuel price, the company has reduced its cost per ASK from NOK 0.54 in second quarter 2004 to NOK 0.53 in 2005. The reduction is related to a better utilisation of material and staff, renegotiation of important agreements as well as an overall focus on cost reductions. Through efficiency improvements of sales and distribution channels, the company has reduced costs related to sale and bookings to approximate half compared to same period last year. The appreciation of the Norwegian krone in relation to main currencies like US dollar, Euro and British Pounds has resulted in reduced costs compared to same period last year.

Earnings before depreciation and write-down (EBITDA) amounted to MNOK 30.8 in second quarter, compared to MNOK -36.3 in Q2 last year. Earnings before depreciation and write-downs for the first half of 2005 amounted to MNOK -13.4, compared to MNOK -86.3 in same period last year. Earnings after tax amounted to MNOK 14.8 in second quarter, compared to -27.4 last year. Accumulated for first half amounted to MNOK -19.4, compared to MNOK -67.5 same period in 2004.

BALANCE SHEET

Intangible assets include deferred tax asset of MNOK 93.5 and capitalised expenses related to the development of IT-systems and brand name of MNOK 32.4. Investments in intangible and fixed assets amounted to MNOK 13.6 for the quarter, mainly related to upgrading of leased aircrafts and development of own IT systems.

The stock of consumable goods has decreased by MNOK 8.8 during the quarter to a total of MNOK 31.5 mainly due to use of parts in engine overhaul this period. The rest of the stock is mainly due to the purchase of a larger stock to use in engine overhaul in the near future.

Short term receivables have a balance of MNOK 238.0 at the end of the quarter, an increase of 80.1 compared to end of last quarter. A substantial part of this increase is related to accounts receivable from customers and credit card companies due to high sales in the period. The remaining increase is related to prepaid expenses and receivable refunds from leasing companies due to heavy maintenance work on aircraft.

Accruals for pension liabilities amount to MNOK 7,8 at the end of the quarter. Provisions for future maintenance are MNOK 25.8. Traffic settlement debt related to sold but not travelled tickets has increased by MNOK 50.7 to MNOK 302.4 due to high sales.

The company has per June 30 cash at hand of MNOK 233.4 compared to 185.6 at the end of first quarter 2005. MNOK 61.4 is related to positive cash flow from operating activities, while investments in the period has had a negative cash flow effect of MNOK 13.6. The paid up equity at the end of the quarter was MNOK 139.5 equivalent to an equity ratio of 20%.

ACCOUNTING PRINCIPLES

As of the first quarter 2005 public listed companies are as a main rule, required to follow the IFRS standards in the financial reporting. The requirements are however directed towards group accounting, and Oslo Stock Exchange has announced an exception from the rule for companies without consolidated accounts. Norwegian Air Shuttle ASA is not a group and has no group accounting. Due to changed regulations and the company's implementation of new financial and accounting systems, the company has decided to adopt IFRS accounting as of Q1 2006. The IFRS adoption process so far has revealed the main differences from the current GAAP to be related to the recognition of deferred tax asset, accounting for pension liabilities, and provisions for future maintenance of aircraft.

The company has entered into a code share agreement with Sterling with effect as of first quarter 2005, and has a similar agreement with Fly Nordic. The basis of the agreements is that Norwegian sell an agreed upon number of seats on flight that Norwegian operates, and correspondingly buy a fixed number of seats on flights the partner operates. In accordance with current GAAP 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 a gross principle.

PROSPECTS FOR 2005

Demand for travelling with Norwegian at the beginning of second half 2005 has been good. The company reported record high traffic figures for July, with a cabin factor of 91% (79%) and a yield estimate of NOK 0.63 (NOK 0.59). The price for travelling has stabilized at higher levels and we expect current levels to continue in second half 2005.

Aircraft number 14 is expected to enter the operation at the end of the year. The aircraft will be put into production and replace aircrafts undergoing heavy maintenance during the winter months. Continued expansion with a better utilization of aircrafts and crew combined with lower distribution costs are expected to bring the company to the cost level target for second half of 2005. The future development in jet fuel prices and exchange rates may have a substantial effect on the cost level target for second half of 2005.

The company expects a positive operating result (EBITDA) for 2005.

Fornebu, August 17. 2005

Bjørn Kjos
Managing Director

PROFIT AND LOSS ACCOUNT (KNOK)	Second quarter		Accumulated		2004
	2005	2004	2005	2004	
OPERATING REVENUE					
Total operating revenue	531 281	311 119	850 976	547 440	1 210 059
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OPERATING EXPENSES					
Operating expenses	357 101	240 560	600 836	434 083	940 638
Personell expenses	80 109	60 429	146 379	115 899	228 887
Other operating expenses	32 535	17 135	57 345	32 636	73 221
TOTAL OPERATING EXPENSES	469 746	318 124	804 559	582 618	1 242 745
OPERATING PROFIT / LOSS BEFORE LEASING & DEPR (EBITAR)	61 535	-7 005	46 417	-35 179	-32 686
Leasing	30 719	29 299	59 817	51 071	107 912
OP.P / LOSS BEFORE DEPR (EBITDA)	30 816	-36 304	-13 400	-86 250	-140 598
Depreciation	7 358	4 338	14 173	8 176	17 960
Write-down					1 042
OPER. PROFIT / LOSS (EBIT)	23 458	-40 642	-27 573	-94 426	-159 600
NET FINANCIAL ITEMS	-2 849	2 563	582	732	7 143
EARNINGS BEFORE TAX (EBT)	20 609	-38 079	-26 991	-93 694	-152 458
TAX	5 771	-10 662	-7 558	-26 234	-42 616
P / L FOR THE PERIOD	14 839	-27 417	-19 434	-67 460	-109 842

BALANCE SHEET (KNOK)	Accumulated		Per. 31.12 2004
	2005	2004	
FIXED ASSETS			
Intangible assets	125 887	91 336	114 228
Tangible fixed assets	40 697	28 688	33 971
Fixed assets investment	19 179	13 953	19 035
TOTAL FIXED ASSETS	185 763	133 977	167 235
CURRENT ASSETS			
Consumable goods	31 440	9 736	11 791
Receivables	237 977	91 423	81 724
Cash in bank and in hand etc.	233 431	320 583	195 157
TOTAL CURRENT ASSETS	502 848	421 742	288 671
TOTAL ASSETS	688 611	555 719	455 906
EQUITY			
Called-up and fully paid equity	158 935	267 214	158 274
Retained earnings	-19 434	-67 460	
TOTAL EQUITY	139 502	199 754	158 274
LIABILITIES			
Provisions for liabilities and charges	33 640	51 616	12 573
Current liabilities	515 469	304 349	285 059
TOTAL LIABILITIES	549 109	355 965	297 632
TOTAL EQUITY AND LIABILITIES	688 611	555 719	455 906
No. Of shares	18 369 201	18 333 403	18 333 403
Face value	0,1	0,1	0,1

CASH FLOW STATEMENT (KNOK)

	Second quarter		Accumulated		2004
	2005	2004	2005	2004	
Net cash flows from operation activities	61 418	738	63 250	12 946	-90 847
Net cash flows from investments	-13 559	-8 243	-24 980	10 571	-11 964
Net cash flows from financial activities		3 682	4	-16 971	-16 069
Net change in cash and cash equivalents	47 859	-3 824	38 274	6 547	-118 879
Cash and cash equivalents in beginning of period	185 572	324 407	195 157	314 036	314 036
Cash and cash equivalents in end of period	233 431	320 583	233 431	320 583	195 157

SALES REVENUE (KNOK)

	Second quarter		Accumulated		2004
	2005	2004	2005	2004	
Per activity					
Passenger revenue	520 095	304 429	834 238	533 915	1 183 325
Other revenue	11 186	6 689	16 738	13 525	26 731
Total	531 281	311 119	850 976	547 440	1 210 056
Per geographical market					
Norway	279 718	203 653	526 341	416 010	829 709
Other EU states	251 564	107 465	324 635	131 429	380 348
Total	531 281	311 119	850 976	547 440	1 210 056

Equity (KNOK)

	Second quarter		Accumulated		2004
	2005	2004	2005	2004	
Equity - Beginning of period	124 663	223 490	158 274	263 532	263 532
Share issue		3 682	661	3 682	4 584
P/L	14 839	-27 417	-19 434	-67 460	-109 842
Equity - End of period	139 502	199 754	139 502	199 754	158 274

COST BREAKDOWN (KNOK)

	Second quarter		Accumulated		2004
	2005	2004	2005	2004	
Personell costs	80 109	60 429	146 379	115 899	228 887
Sales/ distribution costs	17 736	21 427	38 479	45 370	88 049
Aviation fuel	95 505	51 361	152 182	87 653	218 200
Aircraft leases	30 719	29 299	59 817	51 071	107 912
Airport charges	76 452	59 824	131 595	101 319	223 099
De-icing	3 345	2 471	10 984	9 183	17 636
Handling charges	51 376	41 238	90 836	75 091	159 616
Technical maintenance costs	52 341	41 268	92 499	70 508	152 249
Depr. / write-down	7 358	4 338	14 173	8 176	19 002
Other costs	92 881	40 107	141 606	77 595	155 010
Sum operating costs	507 823	351 761	878 549	641 866	1 369 659

FINANCIAL KEY FIGURES

	Second quarter		Accumulated		2004
	2005	2004	2005	2004	
Operating margin (%)	4 %	-13 %	-3 %	-17 %	-13 %
Earnings per share (NOK) (calculated on average no. Of shares)	0,8	-1,5	-1,1	-3,7	-6,0
Book equity per share (NOK)			7,6	10,9	8,6
Equity ratio (%)			20 %	36 %	35 %
No. Of shares at the end of the period	18 369 201	18 284 575	18 369 201	18 284 575	18 333 403
Adjusted no. of shares at the end of the period	18 369 201	18 284 575	18 360 053	18 284 575	18 224 979
Average no. of shares and options in the period	18 369 201	18 204 837	18 369 616	18 144 703	18 370 825

SENSITIVITY ANALYSIS

	Effect on P/L MNOK
1 % increase in jet fuel price	-3,5
1 % weakening of NOK against USD	-3,7
1 % weakening of NOK against EUR	-1,6

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

The quarterly report has been compiled according to the same accounting principles that have been used in the Annual Report, and are in accordance with the Norwegian Accounting Standard no. 11.
The accounts are not audited.

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

