

NORWEGIAN AIR SHUTTLE ASA

QUARTERLY REPORT – THIRD QUARTER 2005

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

THIRD QUARTER IN BRIEF

- The operating revenue has increased by 78 % to MNOK 589,9 compared to MNOK 331,7 in the same period last year.
- The total quarterly earnings before depreciation and leasing costs (EBITDAR) amounted to MNOK 95,9 compared to MNOK -16,3 in the third quarter last year.
- The total quarterly earnings before depreciation (EBITDA) amounted to MNOK 63,9 compared to MNOK -11,2 in the same period last year.
- Earnings before taxes (EBT) this quarter amounted to MNOK 60,9, compared to MNOK -15,6 in the same period last year.
- Earnings after tax amounted to MNOK 43,8 in the third quarter, compared to MNOK -11,2 last year.
- The total number of passengers transported in the third quarter of 2005 was 947 089, compared to 548 897 in the third quarter of 2004, an increase of 73 %.
- The total passenger traffic (RPK) increased by 91 % compared to the same period in 2004.
- The passenger load factor was 86 % this quarter, compared to 69 % last year, an increase of 17 percentage points.
- The total production this quarter has been 1 033 million ASK, compared to 683 million ASK in the same quarter last year, an increase of 51 %.
- The company's cash reserve amounted to MNOK 249,6 at the end of the quarter. The equity ratio was 25 %.
- The total unit cost (cost per ASK) this quarter was NOK 0,51, compared to NOK 0,50 in the third quarter last year.

TRAFFIC DEVELOPMENT

A total of 947 089 passengers travelled with Norwegian in the third quarter this year, compared to 548 897 passengers in the third quarter of 2004. This is an increase of 73 %. The company had a record high passenger load factor of 86 % this quarter, compared to 72% in 2004. The production has increased by 51 % to 1 033 million ASK this quarter. The increase in production is related to the increase in the number of aircraft; from 11 aircraft last year to 13 this year. In addition, the utilization of the aircrafts has increased from 7,1 block hours to 9,7 block hours this year. The passenger traffic (RPK) has increased by 91% this quarter, compared to the same time period last year. This increase relates to the strong increase in the passenger load factor of 17 percentage points, and the increase in production of 51 %

The domestic production in the summer schedule has been somewhat reduced as a consequence of the high increase in the international production. The share of international production was 66,7 % in the third quarter, compared to 29,6 % in the third quarter of 2004. The share of international passengers was 49,5 % compared to 29,6 % in the third quarter of 2004.

The share of Internet sale is continuously increasing, 77% this period, compared to 62% in the same time period last year.

TRAFFIC STATISTICS						
	Third Quarter			Accumulated		
	2005	2004	Change	2005	2004	Change
Norwegian						
Internet bookings	77 %	62 %	15 pp	74 %	63 %	11 pp
ASK (mill)	1 033	683	51 %	2 541	1 694	50 %
RPK (mill)	892	468	91 %	2 009	1 141	76 %
Cabin factor	86 %	69 %	17 pp	79 %	67 %	7 pp
Passengers	947 089	548 897	73 %	2 365 682	1 519 513	56 %
Domestic						
ASK (mill)	344	385	-4 %	1 013	979	3 %
RPK (mill)	280	234	20 %	752	661	14 %
Cabin factor	81 %	65 %	16 pp	74 %	68 %	1 pp
Passengers	478 379	386 411	24 %	1 371 259	1 175 322	17 %
International		234				
ASK (mill)	689	72	112 %	1 528	716	113 %
RPK (mill)	612	162 486	161 %	1 257	481	161 %
Cabin factor	89 %	69 %	17 pp	82 %	67 %	67 pp
Passengers	468 710	141 385	188 %	994 123	344 191	189 %

COMMENTS TO THE ACCOUNTS

PROFIT AND LOSS STATEMENT

The company's total turnover in the third quarter was MNOK 589,9, compared to MNOK 331,7 last year, which is an increase of 77,8 %. So far this year, the company has had a turnover of MNOK 1440,9 compared to MNOK 879,1 last year. The change is first and foremost related to the 91 % increase in the passenger traffic in the third quarter, measured in flown passenger kilometres (RPK), which then again is related to the increase in production (a 51 % increase measured in ASK), in addition to an improved passenger load factor by 17 percentage points, a total of 86%. Compared to the same time period last year, the yield is unchanged despite an average increase in sector length.

The operating costs this quarter amount to MNOK 526,0 (including leasing and excluding depreciation and write-down) compared to MNOK 342,9 last year. The accumulated operating costs this year are MNOK 1390,4 compared to 976,6 last year. The cost increase is mainly related to the increase in production (ASK) by 51% compared to the same time frame last year. In addition, the company has utilized 13 aircraft this quarter compared to 11 in the same quarter last year. The average operating cost per ASK (unit cost) was 0,51 this quarter, compared to 0,50 last year. The unit cost increase is mainly related to the jet fuel price increase. The cost of jet fuel has increased from MNOK 62,8 last year to MNOK 116,6 this year. The increase is partly related to the increased production; however, approximately MNOK 21,5 is related to the jet fuel price increase. The company has had no fuel hedging contracts effective this time period, and has no contract on future deliveries on period closing date. Despite the increased fuel price, the company has reduced costs due to better utilization of material and personnel, more advantageous agreements, more efficient sale- and distribution channels, in addition to other cost reducing measurements. The appreciation of the Norwegian krone in relation to main currencies as the US dollar, the Euro, and the British pound has also resulted in reduced operating costs compared to the same time frame last year. In June a term contract of 20% of expected exposure in Euro from August to the end of the year was signed. An equivalent share of expected exposure in US dollars was secured in September, effective for December of 2005 to the end of June 2006.

Earnings before depreciation and write-down (EBITDA) in the third quarter amounted to MNOK 63,9 compared to MNOK -11,2 last year. Accumulated EBITDA this year is MNOK 50,5 compared to MNOK -97,5 last year. Earnings after tax in the third quarter amounted to MNOK 43,8, compared to MNOK -11,2 last year, and accumulated MNOK 24,4 compared to MNOK -78,7 last year.

BALANCE SHEET

Intangible assets include a deferred tax asset of MNOK 76,5 and capitalised expenses related to the development of IT-systems and brand name of MNOK 31,8. The total investments in intangibles and fixed assets amounted to MNOK 5,6 this quarter, mainly consisting of leased aircraft upgrades and IT system developments.

The stock of consumable goods is decreased by MNOK 19,4 during this quarter, to a total of MNOK 12,1. The usage of parts in engine overhaul this period is the main cause of this reduction. Short term receivables amounts to MNOK 250,4 at the end of the quarter. This is an increase by MNOK 12,4 compared to the second quarter this year, mainly due to increased sale and production.

Accruals for pension liabilities amount to MNOK 12,0 at the end of the quarter. Provisions for future maintenance are MNOK 20,8. The traffic settlement debt is related to tickets that are sold, but not been used, and are reduced by MNOK 78,9 to MNOK 223,5 due to high pre- sales to the summer schedule.

By September 30th, the company's cash reserve amounted to MNOK 249,6 compared to MNOK 233,4 at the end of the second quarter of 2005. Operating activities this quarter has given a positive cash flow of MNOK 37,5, while investments in the period has reduced the cash flow by MNOK 5,6. During the third quarter, the company has bought 300 000 of its own shares, in which the cost price and the transaction has been recorded as an equity reduction. The transaction has reduced the cash flow by MNOK 15,7. At the end of the quarter, the company had a book equity of MNOK 167,7, equivalent to an equity ratio of 25%.

ACCOUNTING PRINCIPLES

From the first quarter in 2005 public listed companies are required to follow the IFRS standards in the financial reporting as the main rule. However, the requirements address consolidated accounts. Oslo Stock Exchange has announced an exception from the rule for companies without consolidated accounts. Norwegian Air Shuttle ASA is a single company and does not have consolidated accounts. Due to changed regulations and the company's implementation of new financial and accounting systems, the company has decided to postpone the adoption of IFRS. The IFRS adoption process so far has revealed that the main differences from the current GAAP are related to the recognition of deferred tax asset, accounting for pension liabilities, and provisions for future maintenance of aircraft.

The company entered into a code share agreement with Sterling in the first quarter of 2005, and has a previous similar agreement with Fly Nordic. 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 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 the gross principle.

PROSPECTS FOR 2005

The demand for travel with Norwegian at the beginning of the fourth quarter 2005 has been good. The company recently launched three new destinations from Oslo to Riga, Gdansk and Madrid. The response has been very good. Additionally the company launched three new routes the 9th of November; Oslo-Rijeka, Stavanger-Dubrownik and Trondheim-Nice, where sales just started.

In October, the company reported a cabin factor of 80 %, and a yield estimate of NOK 0,73 as expected. The future development in jet fuel prices and exchange rates may have a substantial effect on the cost level. However, we maintain our estimate for a positive operating result (EBITDA) for 2005.

The company is expecting delivery of two new aircraft in 2006, bringing the fleet to a total of 16. With two new aircraft and improved utilisation of the fleet, the capacity (ASK) is estimated to increase by 50% next year. Based on the current fuel price and exchange rates, and ongoing cost reducing initiatives, the company expect to reach a targeted unit cost of 0,48 NOK during the summer half of 2006.

Fornebu, November 9th 2005
 Bjørn Kjos
 CEO

PROFIT AND LOSS ACCOUNT (KNOK)	Third quarter		Accumulated		2004
	2005	2004	2005	2004	
OPERATING REVENUE					
Total operating revenue	589 904	331 704	1 440 880	879 143	1 210 059
TOTAL REVENUE	589 904	331 704	1 440 880	879 143	1 210 059
OPERATING EXPENSES					
Operating expenses	393 760	247 309	994 596	681 391	940 638
Personell expenses	75 442	56 990	221 820	172 889	228 887
Other operating expenses	24 775	11 070	82 120	43 707	73 221
TOTAL OPERATING EXPENSES	493 977	315 369	1 298 536	897 987	1 242 745
OPERATING PROFIT / LOSS BEFORE LEASING & DEPR (EBITAR)	95 927	16 335	142 344	-18 844	-32 686
Leasing	32 034	27 554	91 851	78 626	107 912
OP.P / LOSS BEFORE DEPR (EBITDA)	63 894	-11 219	50 493	-97 470	-140 598
Depreciation	7 640	4 861	21 813	13 038	17 960
Write-down					1 042
OPER. PROFIT / LOSS (EBIT)	56 253	-16 081	28 680	-110 507	-159 600
NET FINANCIAL ITEMS	4 634	505	5 216	1 237	7 143
EARNINGS BEFORE TAX (EBT)	60 887	-15 575	33 896	-109 270	-152 458
TAX	17 048	-4 361	9 491	-30 596	-42 616
P / L FOR THE PERIOD	43 839	-11 214	24 405	-78 674	-109 842

BALANCE SHEET (KNOK)	September 30th		Per. 31.12 2004
	2005	2004	
FIXED ASSETS			
Intangible assets	108 229	97 436	114 228
Tangible fixed assets	39 302	28 586	33 971
Fixed assets investment	19 578	18 100	19 035
TOTAL FIXED ASSETS	167 109	144 122	167 235
CURRENT ASSETS			
Consumable goods	12 085	10 841	11 791
Receivables	250 405	134 658	81 724
Cash in bank and in hand etc.	249 633	234 953	195 157
TOTAL CURRENT ASSETS	512 123	380 451	288 671
TOTAL ASSETS	679 232	524 573	455 906
EQUITY			
Called-up and fully paid equity	143 249	267 214	158 274
Retained earnings	24 405	-78 674	
TOTAL EQUITY	167 654	188 540	158 274
LIABILITIES			
Provisions for liabilities and charges	32 765	40 384	12 573
Current liabilities	478 812	295 649	285 059
TOTAL LIABILITIES	511 578	336 033	297 632
TOTAL EQUITY AND LIABILITIES	679 232	524 573	455 906
No. Of shares	18 069 196	18 284 575	18 333 403
Face value	0,1	0,1	0,1

CASH FLOW STATEMENT (KNOK)

	Third quarter		Accumulated		2004
	2005	2004	2005	2004	
Net cash flows from operation activities	37 524	-79 388	100 774	-68 355	-90 847
Net cash flows from investments	-5 636	-6 243	-30 616	6 242	-11 964
Net cash flows from financial activities	-15 686		-15 682	-16 971	-16 069
Net change in cash and cash equivalents	16 202	-85 630	54 476	-79 084	-118 879
Cash and cash equivalents in beginning of period	233 431	320 583	195 157	314 036	314 036
Cash and cash equivalents in end of period	249 633	234 953	249 633	234 953	195 157

SALES REVENUE (KNOK)

	Third quarter		Accumulated		2004
	2005	2004	2005	2004	
<u>Per activity</u>					
Passenger revenue	576 889	323 328	1 411 127	857 243	1 183 325
Other revenue	13 015	8 376	29 753	21 900	26 734
Total	589 904	331 704	1 440 880	879 143	1 210 059
<u>Per geographical market</u>					
Norway	222 591	191 185	748 933	607 196	829 711
Other EU states	367 313	140 518	691 947	271 948	380 348
Total	589 904	331 704	1 440 880	879 143	1 210 059

Equity (KNOK)

	Third quarter		Accumulated		2004
	2005	2004	2005	2004	
Equity - Beginning of period	139 502	199 754	158 274	263 532	263 532
Share issue			661	3 682	4 584
Purchase own shares	-15 686		-15 686		
P/L	43 839	-11 214	24 405	-78 674	-109 842
Equity - End of period	167 654	188 540	167 654	188 540	158 274

COST BREAKDOWN (KNOK)

	Third quarter		Accumulated		2004
	2005	2004	2005	2004	
Personell costs	75 442	56 990	221 820	172 889	228 887
Sales/ distribution costs	18 685	21 574	57 164	66 944	88 049
Aviation fuel	116 548	62 816	268 730	150 469	218 200
Aircraft leases	32 034	27 554	91 851	78 626	107 912
Aiport charges	75 074	62 026	206 668	163 345	223 099
De-icing	253	160	11 238	9 343	17 636
Handling charges	53 234	42 045	144 070	117 136	159 616
Technicak maintenance costs	60 331	39 894	152 829	110 402	152 249
Depr. / write-down	7 640	4 861	21 813	13 038	19 002
Other costs	94 411	29 865	236 017	107 460	155 010
Sum operating costs	533 651	347 785	1 412 200	989 650	1 369 659

FINANCIAL KEY FIGURES

	Third quarter		Accumulated		2004
	2005	2004	2005	2004	
Operating margin (%)	10 %	-5 %	2 %	-13 %	-13 %
Earnings per share (NOK) (calculated on average no. Of shares)	2,4	-0,6	1,3	-4,3	-6,0
Book equity per share (NOK)			9,3	10,3	8,6
Equity ratio (%)			25 %	36 %	35 %
No. Of shares at the end of the period	18 069 196	18 284 575	18 069 196	18 284 575	18 333 403
Adjusted no. of shares at the end of the period	18 332 932	18 284 575	18 351 010	18 284 575	18 224 979
Average no. of shares and options in the period	18 332 932	18 284 575	18 357 338	18 191 839	18 370 825

SENSITIVITY ANALYSIS

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

