

NORWEGIAN AIR SHUTTLE ASA

QUARTERLY REPORT – SECOND QUARTER 2006

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

SECOND QUARTER IN BRIEF

- Norwegian Air Shuttle ASA had earnings before tax of MNOK 24.8 (20.6) in the second quarter.
- The operating revenue increased by 44 % this quarter, compared to last year, to MNOK 764.6 (531.3).
- The total quarterly earnings before depreciation and leasing costs (EBITDAR) was MNOK 78.0 (61.5).
- The total quarterly earnings before depreciation (EBITDA) was MNOK 34.6 (30.8).
- The quarterly earnings after tax was MNOK 17.8 (14.8).
- The total number of passengers transported in the second quarter was 1,289,047, which is an increase in passenger traffic (RPK) by 43%.
- The passenger load factor was 79 % (78 %) this quarter.
- The total production (ASK) increased by 41 % to 1,324 million this quarter.
- The company had a cash reserve of MNOK 535.5 at the end of the second quarter, and an equity ratio of 24.1%.
- The total quarterly unit cost was NOK 0.55 (0.53).

TRAFFIC DEVELOPMENT

A total of 1,289,047 passengers travelled with Norwegian Air Shuttle in the second quarter of 2006, compared to 867,796 in the second quarter of 2005. This equals an increase of 49 % in the number of passengers. The company had a passenger load factor of 79 % this quarter, compared to 78 % in 2005. The production (ASK) has increased by a total of 41 % since the same period last year, and the passenger traffic (RPK) has increased by 43 %.

The growth is related to the company's expansion throughout the year. In the second quarter of 2006, the company operated 16 aircraft, compared to 13 in the same period last year. The utilization of the aircraft has improved as a consequence of expansion, and in the second quarter every aircraft were utilized 10.5 block hours a day, compared to 9.6 block hours in the same period last year.

The share of Internet sale has further increased to 84 %, compared to 73 % in the same period last year.

TRAFFIC STATISTICS

	Second Quarter			Accumulated
	2006	2005	Change	2006
Norwegian				
Internet bookings	84 %	73 %	11 pp	83 %
ASK (mill)	1 324	940	41 %	2 256
RPK (mill)	1 047	730	43 %	1 765
Cabin factor	79 %	78 %	1 pp	78 %
Passengers	1 289 047	867 796	49 %	2 303 128
Domestic				
ASK (mill)	438	351	25 %	848
RPK (mill)	351	257	37 %	660
Cabin factor	80 %	73 %	7 pp	78 %
Passengers	695 333	483 448	44 %	1 299 439
International				
ASK (mill)	886	588	51 %	1 408
RPK (mill)	696	474	47 %	1 105
Cabin factor	79 %	81 %	-2 pp	78 %
Passengers	593 714	384 348	54 %	1 003 689

COMMENTS TO THE ACCOUNTS
PROFIT AND LOSS STATEMENT

The company's total turnover in the second quarter was MNOK 764.6 (531.3), an increase of 44 %. The company had an accumulated turnover of MNOK 1303.7 (851.0) in 2006. MNOK 752.4 (520.1) of the revenues is related to ticket revenues, while the remaining 12.2 (11.2) are related to other freight, fees, and third-party products. The increase in ticket revenues is related to an increase in passenger traffic by 43 %.

The operating costs (including leasing and excluding depreciation and write-down) were MNOK 730.0 (500.5) this quarter, and the accumulated operating costs were 1321.4 (864.4). The cost increase is mainly related to the increase in production (ASK) by 41 % compared to last year. In addition, the company has utilized 16 aircraft this quarter compared to 13 the same quarter last year. The average operating cost per ASK (unit cost) was NOK 0.55 (0.53) this quarter. The quarterly cost of jet fuel has increased from MNOK 95.5 last year to MNOK 174.8 this year. The increase is partly related to the increased production; however, approximately MNOK 40.2 is related to the jet fuel price increase. The company has hedged 25% of the fuel consumption in the second quarter. Incidentally, there is a relative reduction in 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 company has term contracts on 20-25% of expected exposure in USD from august through February 2007.

The increase in depreciation is caused by the purchase of own airplanes in 2006.

Earnings before depreciation and write-down (EBITDA) in the second quarter were MNOK 34.6 (30.9), and -17.7 (-13.4) accumulated. The earnings before tax was MNOK 24.8 (20.6) in the second quarter, and -35.1 (-27.0) accumulated.

BALANCE SHEET

Intangible assets include a deferred tax asset of MNOK 85.3 and capitalised expenses related to the development of IT-systems and brand name of MNOK 33.8. An aircraft was purchased in the second quarter, with a purchase price of MNOK 119.3 in the balance sheet. In addition, the total investments

in intangibles and fixed assets were MNOK 9.2 this quarter, mainly related to IT systems, upgrades on aircraft and spare parts.

The stock of consumable goods was reduced by 10.1 in the second quarter. The stock of consumable goods was MNOK 28.6 by the end of the quarter, including MNOK 16.4 related to the purchase of parts to be used in engine overhaul in the time to come. Short term receivables are MNOK 297.7 at the end of the quarter, compared to MNOK 238.0 at the end of the second quarter of 2005. The increase is mainly related 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 open accounts of code share partners, reimbursements of heavy maintenance and reimbursements of VAT.

Accruals for future maintenance liabilities were reduced with 17.9 MNOK to 10.7 MNOK due to maintenance carried out.

The traffic settlement debt related to tickets sold, but not used, was MNOK 483.8 by June 30th 2006, which is an increase of MNOK 17.6 for the quarter.

By June 30th 2006, the company's cash reserve was MNOK 535.5, strengthening the liquidity by MNOK 10.9 during the quarter. Operating activities this year has given a positive cash flow of MNOK 141.5, while investments in the period have reduced the cash flow by MNOK 128.5. The company had book equity of MNOK 286.0, by the end of the quarter, equivalent to an equity ratio of 24.1%.

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 requirement addresses consolidated accounts. Oslo Stock Exchange has announced an exception from the rule for companies without consolidated accounts. Norwegian established a subsidiary company in Poland during the second quarter of 2006 and is from this point registered as a corporation. As a consequence Norwegian Air Shuttle will report the annual accounting for 2006 according to the accounting principles in the IFRS standard. 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.

Earlier, the company entered into a code share agreement with Sterling and Fly Nordic, and in 2006 the company has 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 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.

Incidentally, 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.

FUTURE PROSPECT

The market demand for travelling with Norwegian and the advanced bookings has been good entering the third quarter of 2006. Previous experience shows that it takes time to incorporate new routes in markets with strong competition, especially in markets with a high percentage of business travellers. It is expected that many of the routes launched in the second quarter will need further building in the third quarter with respect to both load factors and achieved pricing.

In the beginning of the 3rd quarter Norwegian will start up several new routes out of Poland with flights from Warsaw to other European cities. The first flights will commence on July 13th with further expansion planned from the middle of September. There will be in total 12 destinations out of Warsaw with this expansion.

The advanced bookings for the routes out of Warsaw have been strong. Previous experience shows that it takes time to incorporate new routes and with the expansion in Poland the company is entering into a new market that will present the company with new challenges. The company is planning a considerable strengthening and increase in the marketing activities in Poland. The base in Warsaw is not expected to be profitable in the first year of operation.

Ongoing initiatives to reduce costs are on track. The company has entered into a contract with a new handling agent, and some additional cost may incur as the transfer is carried out at Oslo Airport in the third quarter. The current high price of jet fuel will increase the company's operating costs. As a result it is expected that the unit cost for the summer period (Q2-Q3 2006) on average will be between NOK 0.005 and 0.01 higher than expected then at the beginning of the last quarter.

With the expansion in Poland the fleet will increase to 20 aircrafts, with 19 in operation.

Fornebu, July 12th 2006

Bjørn Kjos
CEO

PROFIT AND LOSS ACCOUNT (KNOK)	Second Quarter		Accumulated		31. December 2005
	2006	2005	2006	2005	
OPERATING REVENUE					
Total operating revenue	764 594	531 281	1 303 705	850 976	1 972 247
TOTAL REVENUE	764 594	531 281	1 303 705	850 976	1 972 247
OPERATING EXPENSES					
Operating expenses	554 509	357 101	980 512	600 836	1 381 147
Personell expenses	99 158	80 109	190 232	146 379	299 023
Other operating expenses	32 953	32 535	67 748	57 345	111 090
TOTAL OPERATING EXPENSES	686 621	469 746	1 238 492	804 559	1 791 261
OPERATING PROFIT / LOSS BEFORE LEASING & DEPR (EBITAR)	77 973	61 535	65 213	46 417	180 986
Leasing	43 379	30 719	82 948	59 817	125 907
OPERATING PROFIT / LOSS BEFORE DEPR (EBITDA)	34 594	30 816	-17 735	-13 400	55 079
Depreciation	14 554	7 358	22 939	14 173	30 237
Write-down					
OPERATING PROFIT / LOSS (EBIT)	20 040	23 458	-40 674	-27 573	24 842
NET FINANCIAL ITEMS	4 740	-2 849	5 591	582	12 387
PROFIT / LOSS BEFORE TAX (EBT)	24 780	20 609	-35 083	-26 991	37 229
TAX	6 938	5 771	-9 823	-7 558	10 478
PROFIT / LOSS FOR THE PERIOD	17 842	14 839	-25 260	-19 434	26 751

BALANCE SHEET (KNOK)	Second Quarter		Per. 31.12 2005
	2006	2005	
FIXED ASSETS			
Intangible assets	119 056	125 887	109 118
Tangible fixed assets	213 814	40 697	36 820
Fixed assets investment	23 344	19 179	27 271
TOTAL FIXED ASSETS	356 213	185 763	173 210
CURRENT ASSETS			
Consumable goods	28 613	31 440	36 764
Investments	694		
Receivables	267 651	237 977	200 174
Cash in bank and in hand etc.	535 501	233 431	261 464
TOTAL CURRENT ASSETS	832 459	502 848	500 965
TOTAL ASSETS	1 188 672	688 611	674 175
EQUITY			
Called-up and fully paid equity	284 549	158 935	159 332
Retained earnings	1 487	-19 434	11 093
TOTAL EQUITY	286 036	139 502	170 425
LIABILITIES			
Provisions for liabilities and charges	10 749	33 640	34 779
Other long term liabilities			
Current liabilities	891 887	515 469	468 971
TOTAL LIABILITIES	902 636	549 109	503 750
TOTAL EQUITY AND LIABILITIES	1 188 672	688 611	674 175
No. Of shares	19 669 196	18 369 201	18 085 696
Face value	0,1	0,1	0,1

CASH FLOW STATEMENT (KNOK)

	Second Quarter		Accumulated		31. December 2005
	2006	2005	2006	2005	
Net cash flows from operation activities	141 493	61 418	334 225	63 250	120 359
Net cash flows from investments	-128 525	-13 559	-200 048	-24 980	-38 369
Net cash flows from financial activities	-4		139 859	4	-15 682
Net change in cash and cash equivalents	12 963	47 859	274 036	38 274	-9 585
Cash and cash equivalents in beginning of period	522 538	185 572	261 464	195 157	195 157
Cash and cash equivalents in end of period	535 501	233 431	535 501	233 431	185 572

SALES REVENUE (KNOK)

	Second Quarter		Accumulated		31. December 2005
	2006	2005	2006	2005	
<u>Per activity</u>					
Passenger revenue	752 355	520 095	1 278 423	834 238	1 931 663
Other revenue	12 239	11 186	12 239	16 738	40 583
Total	764 594	531 281	764 594	850 976	1 972 247
<u>Per geographical market</u>					
Norway	380 524	279 718	715 185	526 341	1 047 992
Other EU states	384 071	251 564	588 521	324 635	924 255
Total	764 594	531 281	1 303 705	850 976	1 972 247

Equity (KNOK)

	Second Quarter		Accumulated		31. December 2005
	2006	2005	2006	2005	
Equity - Beginning of period	267 703	124 663	170 425	158 274	158 274
Share issue	-4		114 966	661	661
Equity change on employee options	496		1 012		424
Purchase own shares			24 898		
Profit/loss	17 842	14 839	-25 260	-19 434	26 751
Equity - End of period	286 036	139 502	286 036	139 502	170 425

COST BREAKDOWN (KNOK)

	Second Quarter		Accumulated		31. December 2005
	2006	2005	2006	2005	
Personell costs	99 158	80 109	190 232	146 379	299 023
Sales/ distribution costs	26 313	17 736	56 509	38 479	75 114
Aviation fuel	174 770	95 505	298 065	152 182	384 394
Aircraft leases	43 379	30 719	82 948	59 817	125 907
Aiport charges	103 235	76 452	184 461	131 595	281 252
De-icing	2 414	3 345	16 091	10 984	21 952
Handling charges	74 711	51 376	133 939	90 836	200 296
Technical maintenance costs	85 330	52 341	149 899	92 499	207 785
Depr. / write-down	14 554	7 358	22 939	14 173	30 237
Other costs	120 690	92 881	209 298	141 606	321 444
Sum operating costs	744 554	507 823	1 344 379	878 549	1 947 405

FINANCIAL KEY FIGURES

	Second Quarter		Accumulated		31. December 2005
	2006	2005	2006	2005	
Operating margin (%)	3 %	4 %	-3 %	-3 %	1 %
Earnings per share (NOK) (calculated on average no. Of shares)	0,9	0,8	-1,3	-1,9	1,5
Book equity per share (NOK)			14,5	7,6	6,9
Equity ratio (%)			24 %	20 %	22 %
No. Of shares at the end of the period	19 669 196	18 369 196	19 669 196	18 369 196	18 085 696
Adjusted no. of shares at the end of the period	19 654 910	18 369 196	18 943 555	10 360 048	18 284 451
Average no. of shares and options in the period	19 794 910	18 369 196	19 083 555	18 369 611	18 317 257

SENSITIVITY ANALYSIS

	Effect on P/L MNOK
1 % increase in jet fuel price	-7,0
1 % weakening of NOK against USD	-5,7
1 % weakening of NOK against EUR	-1,8

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

