

NORWEGIAN AIR SHUTTLE ASA

QUARTERLY REPORT – SECOND QUARTER 2004

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

SECOND QUARTER IN BRIEF

- Total operating revenue for the quarter amounted to MNOK 311. In comparison, second quarter 2003 revenue for the low-fare operation amounted to MNOK 196.
- Total earnings before depreciation, write-down and leasing costs for aircraft (EBITDAR) amounted to MNOK -7. EBITDAR for the low-fare operation for Q2 2003 amounted to MNOK 7,2.
- Total earnings before depreciation and write-down (EBITDA) amounted to MNOK -36. EBITDA for the low-fare operation for Q2 2003 amounted to MNOK -9.
- Earnings before tax (EBT) was MNOK – 38, compared to MNOK -14 in Q2 2003
- Earnings after tax amounted to MNOK -27,4, compared to MNOK -10 in Q2 2003.
- The total number of passengers transported in second quarter was 572 253 compared to 272 923 in second quarter 2003, an increase of 110 %.
- The total passenger traffic (RPK) increased 174 % compared to the same period in 2003.
- Passenger load factor increased from 61 % in second quarter 2003 to 67 % in 2004, an increase of 6 p.u.
- Norwegian has during second quarter expanded the fleet from eight to eleven planes, and expanded with 18 new routs. The production have increased to 642 million ASK in second quarter compared to 261 million in the same period last year, an increase of 146 %.
- The company has satisfactory liquidity and a cash reserve of MNOK 321 at the end of the quarter. The equity ratio of the company is 36%.
- Total units cost (cost per ASK) for the quarter was NOK 0,54, compared to NOK 0,78 for the low-fare operation in the same period last year.

TRAFFIC DEVELOPMENT

In the second quarter, a total of 572 253 passengers flew with Norwegian, compared to 272 923 last year. This is an increase of 110%. The load factor for the first quarter was 67% compared to 61% in the same period in 2003. The planes have been satisfactory full in the quarter, taking to consideration the start of 18 new routs in the period. The production has increased by 146% in the quarter to 642 million ASK compared to 261 for 2003. Passenger traffic (RPK) was 433 million RPK for the quarter, compared to 158 million in the same period in 2003, which is an increase of 174 %. The growth is related to the company's expansion during the year and the fact that the planes are increasingly better utilized. The company has had eleven planes in operation in the second quarter, compared to eight planes in the same period in 2003. The utilisation of the planes has been substantially improved following the expansion, and every plane flew 616 hours in the quarter compared to 378 in the same period in 2003.

The share of sales via the Internet was 64% in the period compared to 40% in the same period in 2003. The website is subject to continuous improvement, and new functionality and services like car-rental, hotel-booking, corporate portal etc has been added.

TRAFFIC STATISTICS

Norwegian	2nd Quarter			Accumulated 2004
	2004	2003	Change	
Internet bookings	64 %	40 %	24 pp	
ASK (mill)	642	261	146 %	1 011
RPK (mill)	433	158	174 %	673
Load factor	67 %	61 %	6 pp	67 %
Number of passengers	572 253	272 923	110 %	970 616
Segment				
Domestic				
ASK (mill)	350	223	57 %	621
RPK (mill)	249	131	89 %	426
Load factor	71 %	59 %	12 pp	69 %
Number of passengers	436 932	260 908	67 %	788 911
International				
ASK (mill)	292	39	653 %	391
RPK (mill)	184	27	588 %	247
Load factor	63 %	69 %	(6) pp	63 %
Number of passengers	135 321	12 015	1 026 %	181 705

COMMENTS TO THE ACCOUNTS

In the second quarter, the company's turnover was MNOK 311,1 compared to MNOK 196,2 for the low-fare operation in 2003, which is an increase of 58,6%. Total revenue for the first half of 2004 amounted to MNOK 547,4, compared to 453,6 in the same period last year. In Q2 2003 MNOK 38,1 was restructuring compensation from Braathens for the termination of the west coast operations. The revenue has increased in relation with the increase in revenue passengers (RPK). The yield has during the quarter been under pressure due to strong competition on the companies' main routs.

The company had operating expenses of MNOK 347,4 in the quarter (including leasing expenses) compared to MNOK 226,9 last year. The increase of expenses is primarily related to the increase of production (ASK) by 146% compared to the same period last year. During the quarter the company has leased three new planes and expanded the scheduled traffic with 18 new routs. The synchronizing of the new planes was delayed and led to wet-lease in a short period. The costs of the wet-lease amounted to MNOK 2,3 and are reflected in leasing costs.

Earnings before depreciation and write-down (EBITDA) amounted to MNOK -36,3 compared to MNOK -12,1 last year.

The company's earnings after tax for the quarter amounted to MNOK -27,4 compared to MNOK -10 in the same period in 2003. Accumulated for the year earnings after tax amounts to MNOK -67,5, compared to MNOK -0,3 last year. Of last year's earnings MNOK 38,1 is related to received restructuring compensation in 2003.

Intangible assets include deferred tax asset of MNOK 69,6 and capitalised expenses related to the development of IT-systems and brand name of MNOK 21,8. Investments in assets amounted to MNOK 6,4 for the quarter.

Accounts receivables are during the quarter reduced with MNOK 18,1 due to season variations in the ticket sale.

Accruals for pension commitments amount to MNOK 11,2 at June 30, 2004. Provisions for future maintenance are MNOK 34,9. Traffic settlement debt related to sold but not travelled tickets is reduced

during the quarter, from MNOK 163 to MNOK 150. This is due to relatively seen more travelling passengers than sold tickets.

The company has per June 30 cash at hand of MNOK 320,6, compared to 324,4 at the end of first quarter. The company has a satisfactory liquidity and a cash reserve. There has been a small capital increase during the quarter related to share issue for employees. The paid up equity at the end of the quarter was MNOK 199,8, equivalent to an equity ratio of 36%.

The price of jet fuel has during the quarter increased heavily. This has led to higher fuel costs than budgeted. The company has hedged for some of the fuel price increase through financial instruments. A part of the expected fuel consumption in July and August was secured in the end of May. The company has no contracts on fuel hedging after August.

The company has during the first half of 2004 completed the most of the planned expansion to reach the essential marked and cost level as well as critical mass. Units costs per available seat kilometre (ASK) were NOK 0,54 compared to NOK 0,78 in the same period last year, and NOK 0,77 in Q1 04. Reduced units costs is related to increase of production and increased sector length.

After the second quarter the company has adjusted the production and the scheduled traffic with the closure of Stavanger – Stansted (16.08) and Tromsø – Longyerbyen (23.08).

PROSPECTS FOR 2004

The start of the third quarter showed a good demand for tickets at Norwegian. The traffic numbers for July showed a new record in passenger load factor and was 79 % for the company as a whole and 76 % on domestic flights. International passenger load factor was 82 %, where 16 of a total of 21 international routes were started in second quarter.

The pressure on the yield seems to ease off, but is still expected to last for some time. Announced increase in ticket price, both by competitors and Norwegian provide room for an increase in yield for last half of 2004.

Norwegians aim for second half of 2004 is to continue to adjust the production capacity and strengthen the competitive power. As well as focus on stabilizing price and revenue within reasonable operational and profitable frames. The company has a positive EBITDA outlook for second half of 2004.

Fornebu, August 24. 2004

Bjørn Kjos
Managing Director

PROFIT AND LOSS ACCOUNT (KNOK)	2nd Quarter		Accumulated		2003
	2004	2003	2004	2003	
OPERATING REVENUE					
Total operating revenue	311 119	216 247	547 440	415 443	922 424
Restructuring compensation		-1 375		38 149	36 189
TOTAL REVENUE	311 119	214 873	547 440	453 592	958 613
OPERATING EXPENSES					
Operating expenses	240 560	154 102	434 083	300 924	666 159
Personell expenses	60 429	40 635	115 899	84 478	180 001
Other operating expenses	17 135	13 772	32 636	25 835	57 012
TOTAL OPERATING EXPENSES	318 124	208 508	582 618	411 236	903 172
OPERATING PROFIT / LOSS BEFORE LEASING & DEPR (EBITAR)	-7 005	6 365	-35 179	42 355	55 441
Leasing	29 299	18 445	51 071	36 456	79 262
OP.P / LOSS BEFORE DEPR (EBITDA)	-36 304	-12 081	-86 250	5 900	-23 822
Depreciation	4 338	1 977	8 176	4 824	10 098
Write-down					24 271
OPER. PROFIT / LOSS (EBIT)	-40 642	-14 057	-94 426	1 076	-58 190
NET FINANCIAL ITEMS	2 563	164	732	-1 465	-827
EARNINGS BEFORE TAX (EBT)	-38 079	-13 893	-93 694	-389	-59 017
TAX	-10 662	-3 890	-26 234	-109	-16 271
P / L FOR THE PERIOD	-27 417	-10 003	-67 460	-280	-42 746

SALES REVENUE (KNOK)	2nd Quarter		Accumulated		2003
	2004	2003	2004	2003	
Per activity					
Contractual flights				45 616	45 616
Pssngr conveyance	304 429	208 462	533 915	360 990	851 260
Restructuring revenue		-1 375		38 149	36 189
Other revenue	6 689	7 785	13 525	8 836	25 548
Total	311 119	214 873	547 440	453 592	958 613
Per geographical market					
Norway	203 653	204 398	416 010	402 907	892 229
Other EU states	107 465	11 849	131 429	12 536	66 384
Total	311 119	216 247	547 440	415 443	958 613

Norwegian Air Shuttle ASA					
CASH FLOW STATEMENT (KNOK)	2nd Quarter		Accumulated		2003
	2004	2003	2004	2003	
Net cash flows from operation activities	738	-1 870	12 946	19 032	61 498
Net cash flows from investments	-8 243	-7 481	10 571	-1 417	-28 637
Net cash flows from financial activities	3 682	-3 252	-16 971	-5 441	217 938
Net change in cash and cash equivalents	-3 824	-12 603	6 547	12 175	250 799
Cash and cash equivalents per 31. March	324 407	88 016	314 036	63 237	63 237
Cash and cash equivalents per 30. June	320 583	75 413	320 583	75 413	314 036

Norwegian Air Shuttle ASA			
BALANCE SHEET (KNOK)	Per. 30.6		2003
	2004	2003	
FIXED ASSETS			
Intangible assets	91 336	37 478	62 980
Tangible fixed assets	28 688	62 764	49 557
Fixed assets investment	13 953	14 175	14 038
TOTAL FIXED ASSETS	133 977	114 417	126 575
CURRENT ASSETS			
Consumables	9 736	9 753	2 435
Receivables	91 423	100 889	81 439
Cash in bank and in hand etc.	320 583	75 413	314 036
TOTAL CURRENT ASSETS	421 742	186 055	397 911
TOTAL ASSETS	555 719	300 472	524 486
EQUITY			
Called-up and fully paid equity	267 214	71 157	306 278
Retained earnings	-67 460	-280	-42 746
TOTAL EQUITY	199 754	70 877	263 532
LIABILITIES			
Provisions for liabilities and charges	51 616	23 214	42 775
Other long term liabilities		26 609	20 652
Current liabilities	304 349	179 772	197 526
TOTAL LIABILITIES	355 965	229 595	260 953
TOTAL EQUITY AND LIABILITIES	555 719	300 472	524 486
No. Of shares	18284575	79021	18284575
Face value	0,1	13	0,1

* Equity split 28/11/03 from face value NOK 13 to NOK 0,1.

FINANCIAL KEY FIGURES	2nd Quarter		Accumulated		2003
	2004	2003	2004	2003	
Operating margin (%)	-13 %	-7 %	-17 %	0 %	-6 %
Earnings per share (NOK) (calculated on average no. Of shares)	-1,5	-1,0	-3,7	0,0	-4
Book equity per share (NOK)			10,9	896,9	15
Book equity per share according to correct value (NOK)			10,9	6,9	15
Equity ratio (%)			36 %	24 %	50 %
No. Of shares at the end of the period	18 284 575	79 021	18 284 575	79 021	18 085 230
Adjusted no. of shares at the end of the period	18 284 575	10 272 730	18 284 575	10 272 730	18 085 230
Average no. of shares in the period	18 204 837	10 272 730	18 144 703	10 272 730	10 550 983

* No. of shares 2003 have been adjusted for split on 18.11.03 to obtain comparable figures

* Calculations per diluted share is equal to calculations per share as the company id reporting loss

COST BREAKDOWN (KNOK)	2nd Quarter		Accumulated		2003
	2004	2003	2004	2003	
Personell costs	60 429	48 352	115 899	92 196	180 001
Sales/ distribution costs	21 427	19 263	45 370	39 186	81 418
Aviation fuel	51 361	27 684	87 653	52 416	121 122
Aircraft leases	29 299	18 445	51 071	36 726	79 262
Aiport charges	59 824	33 084	101 319	60 801	141 731
De-icing	2 471	36	9 183	6 296	17 167
Handling charges	41 238	31 787	75 091	57 192	133 977
Technicak maintenance costs	41 268	26 048	70 508	51 469	101 943
Other costs	40 107	22 253	77 595	51 410	160 181
Sum operating costs	347 423	226 953	633 690	447 691	1 016 803
Tap på fordringer					3 708

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 completely audited, and the figures given are preliminary.

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.
EBITDA: Operating profit/loss before financial items, taxes and depreciation
EBITDAR: Operating profit/loss before financial items, taxes, depreciation and leasing costs for aircraft
CABIN FACTOR: Relationship between RPK and ASK as a percentage. Describes the rate of utilisation of available seats.

About Norwegian

Norwegian is a Norwegian-based airline that currently offers low-fare flights on 11 domestic routes and 17 destinations abroad. The company operates 11 Boeing 737-300 aircraft and has approximately 380 employees.

From its start in 1993 and up to 2002, the company operated as a subcontractor of air services to Braathen's domestic activities which was operated by Fokker F-50 aircraft. In September 2002, the company started its low-fare operations under the brand name Norwegian with six Boeing 737-300 aircraft. Almost one million people have flown with Norwegian in its first year of business.

Norwegian was listed on the Oslo Stock Exchange on December 18, 2003.

The company has in its' first 20 months of operations become an actor in the Norwegian domestic market, with a market share of approximately 13 percent.

More than 60 percent of ticket sales are through the internet. Norwegian has established a Corporate Website on the internet where companies easily can make all ticket reservations for their employees at low cost. During 2004, a website for agents will also be established for smaller travel agents and tour operators.

During 2004, the company will increase availability for the purchase of tickets through the use of SMS and sales via 440 Narvesen kiosks all over the country.