

NORWEGIAN AIR SHUTTLE ASA

QUARTERLY REPORT – THIRD QUARTER 2004

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

THIRD QUARTER IN BRIEF

- Total operating revenue for the quarter amounted to MNOK 331,7. In comparison, third quarter 2003 revenue for the low-fare operation amounted to MNOK 212,3.
- Total earnings before depreciation, write-down and leasing costs for aircraft (EBITDAR) amounted to MNOK 16,3. EBITDAR for the low-fare operation for Q3 2003 amounted to MNOK 5,8.
- Total earnings before depreciation and write-down (EBITDA) amounted to MNOK -11,2. EBITDA for the low-fare operation for Q3 2003 amounted to MNOK -13,1.
- Earnings before tax (EBT) was MNOK – 16,1, compared to MNOK -41,9 in Q3 2003
- Earnings after tax amounted to MNOK -11,2, compared to MNOK -30,2 in Q3 2003.
- The total number of passengers transported in second quarter was 548 897 compared to 323 932 in third quarter 2003, an increase of 69 %.
- The total passenger traffic (RPK) increased 112 % compared to the same period in 2003.
- Passenger load factor increased from 67 % in third quarter 2003 to 69 % in 2004, an increase of 2 p.u.
- The production have increased to 683 million ASK in third quarter compared to 331 million in the same period last year, an increase of 106 %.
- The company has satisfactory liquidity and a cash reserve of MNOK 235 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 0,50, compared to NOK 0,68 for the low-fare operation in the same period last year.

TRAFFIC DEVELOPMENT

In the third quarter, a total of 548 897 passengers flew with Norwegian, compared to 323 932 last year. This is an increase of 69%. The load factor for the third quarter was 69% compared to 67% in the same period in 2003. The production has increased by 106% in the quarter to 683 million ASK compared to 331 million in 2003. Passenger traffic (RPK) was 468 million RPK for the quarter, compared to 221 million in the same period in 2003, which is an increase of 112 %. The growth is related to the company's expansion during the year and the fact that the aircraft are increasingly better utilized. The company has had eleven aircraft in operation in the third 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 has per third quarter a utilization of 7,1 hours per day, compared to 4,9 in the same period in 2003.

The share of sales via the Internet was 62% in the period compared to 53% in the same period in 2003.

TRAFFIC STATISTICS						
Norwegian	3rd Quarter			Accumulated		2003
	2004	2003	Change	2004	2003	
Internet bookings	62 %	53 %	9 pp			
ASK (mill)	683	331	106 %	1 694	801	1 149
RPK (mill)	468	221	112 %	1 141	471	718
Load factor	69 %	67 %	2 pp	67 %	59 %	62 %
Number of passengers	548 897	323 932	69 %	1 519 513	807 481	1 234 547
Segment						
Domestic						
ASK (mill)	358	257	39 %	979	688	958
RPK (mill)	234	164	43 %	661	387	583
Load factor	65 %	64 %	1 pp	68 %	56 %	61 %
Number of passengers	386 411	288 919	34 %	1 175 322	760 453	1 145 353
International						
ASK (mill)	325	74	339 %	716	113	191
RPK (mill)	234	58	303 %	481	84	135
Load factor	72 %	77 %	(5) pp	67 %	74 %	71 %
Number of passengers	162 486	35 012	364 %	344 191	47 027	89 193

COMMENTS TO THE ACCOUNTS

In the third quarter, the company's turnover was MNOK 331,7 compared to MNOK 212,3 for the low-fare operation in 2003, which is an increase of 56,3%. Total revenue for third quarter last year was MNOK 230,0 of which MNOK 17,7 was connected to the Fokker F-50 operation. Total accumulated revenue per third quarter of 2004 amounted to MNOK 879,1, compared to MNOK 683,6 in the same period last year. In Q3 2003 MNOK 37,7 was restructuring compensation from Braathens for the termination of the west coast operations. The revenue has increased in relation with the increase (112%) in revenue passengers (RPK). The yield has during the quarter been under pressure and reduced with 27% compared to the same period last year.

The company had operating expenses of MNOK 342,9 in the quarter (including leasing expenses) compared to MNOK 249,7 last year (MNOK 225,3, low fare operation). The increase of expenses is primarily related to the increase of production (ASK) by 106% compared to the same period last year. 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 cost of fuel has increased by MNOK 11,5 compared to second quarter, where MNOK 3,5 is related to an increase in production, and MNOK 8,0 is related to increased fuel price.

Earnings before depreciation and write-down (EBITDA) amounted to MNOK -11,2 compared to MNOK -19,6 last year.

The company's earnings after tax for the quarter amounted to MNOK -11,2 compared to MNOK -30,2 in the same period in 2003. Accumulated for the year earnings after tax amounts to MNOK -78,7, compared to MNOK -30,5 last year. Of last year's earnings MNOK 37,7 is related to received restructuring compensation in 2003.

Intangible assets include deferred tax asset of MNOK 73,9 and capitalised expenses related to the development of IT-systems and brand name of MNOK 23,5. Investments in assets amounted to MNOK 6,2 for the quarter.

Accounts receivables are during the quarter reduced with MNOK 43,2 due to season variations in the ticket sale.

Accruals for pension commitments amount to MNOK 6,4 at September 30, 2004. Provisions for future maintenance are MNOK 34,0. Traffic settlement debt related to sold but not travelled tickets is reduced

during the quarter, from MNOK 150 to MNOK 127. This is due to relatively seen more travelling passengers than sold tickets.

The company has per September 30 cash at hand of MNOK 235,0 compared to 320,6 at the end of second quarter. The company has a satisfactory liquidity and a cash reserve. The paid up equity at the end of the quarter was MNOK 188,5, equivalent to an equity ratio of 36%.

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. The company have during the third quarter adjusted the production capacity further by phasing out less profitable routes. Units costs per available seat kilometre (ASK) were NOK 0,50 compared to NOK 0,54 in Q2, and NOK 0,77 in Q1. Units costs per available seat kilometre (ASK) in the same period last year was NOK 0,68. Reduced units costs is related to increase of production and increased sector length.

As of 1st quarter 2005 Norwegian Air Shuttle ASA's financial reporting will be in accordance with IFRS standards. The company has a conversion program running to establish the opening balance as of 1st January 2004. Based on the findings so fare, the material differences between existing standards and IFRS seems to be related to deferred income tax assets and the recognition of actuarial losses in the pension plans that has previously not been recognised through application of a corridor. Any monetary impact from the adoption of IFRS will be charged to equity. Other changes then those mentioned above are estimated to be non-material.

PROSPECTS FOR 2004

Entering fourth quarter good demand for tickets gave record high sales numbers on Norwegian's many destinations. The company estimates a yield around NOK 0.78 for October 2004. The yield is increasing on main routes and still indicates positive yield development. At the same time Norwegian experience pressure on ticket prices on some route areas, which is expected to continue.

Compared to third quarter, unit cost will increase due to shorter sector lengths. Shorter sector lengths come from a higher share of domestic production compared to international. A higher cost level is expected due to higher fuel prices, intensified marketing activities and one more aircraft in the fleet. Due to production increase on some domestic routes, the load factor is expected to temporarily be effected by the higher number of frequencies. Based on the above mentioned factors the company does not have a positive EBITDA outlook for second half of 2004.

Fornebu, November 10. 2004

Bjørn Kjos
Managing Director

PROFIT AND LOSS ACCOUNT (KNOK)					
	3rd Quarter		Accumulated		2003
	2004	2003	2004	2003	
OPERATING REVENUE					
Total operating revenue	331 704	230 451	879 143	645 893	922 424
Restructuring compensation		-415		37 734	36 189
TOTAL REVENUE	331 704	230 035	879 143	683 627	958 613
OPERATING EXPENSES					
Operating expenses	247 309	170 272	681 391	471 196	666 159
Personell expenses	56 990	44 374	172 889	128 852	180 001
Other operating expenses	11 070	13 401	43 707	39 235	57 012
TOTAL OPERATING EXPENSES	315 369	228 047	897 987	639 283	903 172
OPERATING PROFIT / LOSS BEFORE LEASING & DEPR (EBIT)	16 335	1 989	-18 844	44 344	55 441
Leasing	27 554	21 608	78 626	58 064	79 262
OP.P / LOSS BEFORE DEPR (EBITDA)	-11 219	-19 619	-97 470	-13 720	-23 822
Depreciation	4 861	2 149	13 038	6 973	10 098
Write-down		19 599		19 599	24 271
OPER. PROFIT / LOSS (EBIT)	-16 081	-41 368	-110 507	-40 292	-58 190
NET FINANCIAL ITEMS	505	-558	1 237	-2 023	-827
EARNINGS BEFORE TAX (EBT)	-15 575	-41 926	-109 270	-42 315	-59 017
TAX	-4 361	-11 739	-30 596	-11 848	-16 271
P / L FOR THE PERIOD	-11 214	-30 187	-78 674	-30 467	-42 746
BALANCE SHEET (KNOK)					
			Per. 30.9		2003
			2004	2003	
FIXED ASSETS					
Intangible assets			97 436	52 093	62 980
Tangible fixed assets			28 586	48 503	49 557
Fixed assets investment			18 100	14 166	14 038
TOTAL FIXED ASSETS			144 122	114 761	126 575
CURRENT ASSETS					
Consumables			10 841	1 042	2 435
Receivables			134 658	143 708	81 439
Cash in bank and in hand etc.			234 953	58 389	314 036
TOTAL CURRENT ASSETS			380 451	203 140	397 911
TOTAL ASSETS			524 573	317 901	524 486
EQUITY					
Called-up and fully paid equity			267 214	71 157	306 278
Retained earnings			-78 674	-30 467	-42 746
TOTAL EQUITY			188 540	40 690	263 532
LIABILITIES					
Provisions for liabilities and charges			40 384	33 280	42 775
Other long term liabilities				22 785	20 652
Current liabilities			295 649	221 145	197 526
TOTAL LIABILITIES			336 033	277 211	260 953
TOTAL EQUITY AND LIABILITIES			524 573	317 901	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.					
CASH FLOW STATEMENT (KNOK)					
	3rd Quarter		Accumulated		2003
	2004	2003	2004	2003	
Net cash flows from operation activities	-79 388	-8 632	-68 355	22 249	61 498
Net cash flows from investments	-6 243	-5 064	6 242	-17 374	-28 637
Net cash flows from financial activities		-3 328	-16 971	-9 723	217 938
Net change in cash and cash equivalents	-85 630	-17 023	-79 084	-4 848	250 799
Cash and cash equivalents per 31. March	320 583	88 016	314 036	63 237	63 237
Cash and cash equivalents per 30. June	234 953	70 993	234 953	58 389	314 036

SALES REVENUE (KNOK)	3rd Quarter		Accumulated		2003
	2004	2003	2004	2003	
<u>Per activity</u>					
Contractual flights				45 616	45 616
Pssngr conveyance	323 328	221 326	857 243	582 317	851 260
Restructuring revenue		-415		37 734	36 189
Other revenue	8 376	9 124	21 900	17 961	25 548
Total	331 704	230 035	879 143	683 627	958 613
<u>Per geographical market</u>					
Norway	191 185	203 173	607 196	644 229	892 229
Other EU states	140 518	26 862	271 948	39 398	66 384
Total	331 704	230 035	879 143	683 627	958 613
COST BREAKDOWN (KNOK)					
	3rd Quarter		Accumulated		2003
	2004	2003	2004	2003	
Personell costs	56 990	36 656	172 889	128 852	180 001
Sales/ distribution costs	21 574	18 046	66 944	57 232	81 418
Aviation fuel	62 816	32 074	150 469	84 490	121 122
Aircraft leases	27 554	21 338	78 626	58 064	79 262
Aiport charges	62 026	39 552	163 345	100 353	141 731
De-icing	160	2 524	9 343	8 820	17 167
Handling charges	42 045	35 290	117 136	92 482	133 977
Technicak maintenance costs	39 894	23 692	110 402	75 161	101 943
Other costs	4 861	21 749	13 038	26 572	34 368
Sum operating costs	317 920	230 922	882 191	632 026	890 990
Tap på fordringer					
Equity (KNOK)					
	3rd Quarter		Accumulated		2003
	2004	2003	2004	2003	
Equity - Beginning of period	199 754	70 877	263 532	71 157	71 157
Share issue			3 682		235 121
P/L	-11 214	-30 187	-78 674	-30 467	-42 746
Equity - End of period	188 540	40 690	188 540	40 690	263 532
FINANCIAL KEY FIGURES					
	3rd Quarter		Accumulated		2003
	2004	2003	2004	2003	
Operating margin (%)	-5 %	-18 %	-13 %	-6 %	-6 %
Earnings per share (NOK) (calculated on average no. Of shares)	-0,6	-2,9	-4,3	-3,0	-4
Book equity per share (NOK)			10,3	514,9	15
Book equity per share according to correct value (NOK)			10,3	4,0	15
Equity ratio (%)			36 %	13 %	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	18 284 575	10 272 730	18 191 839	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					

SENSITIVITY ANALYSIS	Effect on P/L MNOK
1 % increase in jet fuel price	-2,1
1 % weakening of NOK against USD	-3,0
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	

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, 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 nine domestic routes and 22 destinations abroad. The company operates 11 Boeing 737-300 aircraft and has approximately 400 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. Approximately 1,2 million passengers flew with Norwegian in 2003.

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

The company has during two years 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.