

## **NORWEGIAN AIR SHUTTLE ASA**

### **QUARTERLY REPORT – FOURTH QUARTER 2004**

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

#### **FOURTH QUARTER IN BRIEF**

- Total operating revenue for the quarter amounted to MNOK 330,9. In comparison, fourth quarter 2003 revenue for the low-fare operation amounted to MNOK 257,2. Total revenue for the year amounted to MNOK 1.210, compared to 818,1 for the low-fare operation in 2003.
- Total earnings before depreciation, write-down and leasing costs for aircraft (EBITDAR) amounted to MNOK -13,8 in fourth quarter. EBITDAR for the low-fare operation for Q4 2003 amounted to MNOK 20,5. Total EBITDAR for 2004 amounted to MNOK -32,7, compared to MNOK 14,1 for the low-fare operation in 2003.
- Total earnings before depreciation and write-down (EBITDA) amounted to MNOK -43,1. EBITDA for the low-fare operation for Q4 2003 amounted to MNOK 0,5. EBITDA for 2004 amounted to -140,6, compared to MNOK -55,2 in 2003.
- Earnings before tax (EBT) was MNOK -43,2, compared to MNOK -16,7 in Q4 2003. Total earnings before tax for the year amounted to MNOK -152,5, compared to MNOK -59,0 in 2003.
- Earnings after tax amounted to MNOK -31,2, compared to MNOK -12,3 in Q4 2003. For the year earnings after tax amounted to MNOK -109,8, compared to MNOK -42,7 in 2003.
- The total number of passengers transported in fourth quarter was 554 223 compared to 427 066 in Q4 2003, an increase of 30 %. In 2004 Norwegian has carried 2 073 736 passengers, compared to 1 234 547 in 2003, an increase of 68%.
- The total passenger traffic (RPK) increased 61% compared to the same period in 2003. The total passenger traffic increased 114% in 2004, compared to 2003.
- The passenger load factor was 65% in fourth quarter 2004, compared to 71% in Q4 2003. In 2004 the total passenger load factor was 67%, compared to 62% in 2003, an increase of 5 p.u.
- The total production (ASK) has increased to 607 million ASK in fourth quarter compared to 349 million in the same period last year, an increase of 74 %. Total production in 2004 was 2.302 million ASK, compared to 1.149 in 2003, an increase of 100%.
- The company has a cash reserve of MNOK 195,2 at the end of the quarter. The equity ratio of the company is 35%.
- Total units cost (cost per ASK) for the quarter was NOK 0,62, compared to NOK 0,74 for the low-fare operation in the same period last year, an reduction of 16%.

#### **TRAFFIC DEVELOPMENT**

In 2004 Norwegian carried 2 073 736 passengers, compared to 1 234 547 in 2003, an increase of 68%. The passenger load factor in 2004 was 67%, compared to 62% in 2003. The total production increased 100% and total passenger traffic increased 114%.

In the fourth quarter, a total of 554 223 passengers flew with Norwegian, compared to 427 066 last year. This is an increase of 30%. The passenger load factor for the fourth quarter was 65% compared to 71% in the same period in 2003. The production has increased by 74% in the quarter to 607 million ASK compared to 349 million in 2003. Passenger traffic (RPK) was 397 million RPK for the quarter, compared to 247 million in the same period in 2003, which is an increase of 61%. 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 fourth quarter, compared to eight planes in the same period in 2003. Aircraft number twelve in leased in during the quarter, and has during the period acted as a replacement for aircraft in technical maintenance. During spring 2005 all twelve aircrafts will be included in the ordinary production. The utilisation of the planes has been substantially improved following the expansion, and every plane has per fourth quarter a utilization of 7,6 block hours per day, compared to 6,3 block hours in the same period in 2003.

The share of sales via the Internet was 61% in the period compared to 52% in the same period in 2003.

TRAFFIC STATISTICS						
Norwegian	4th Quarter			Accumulated		
	2004	2003	Change	2004	2003	
Internet bookings	61 %	52 %	9 pp			
ASK (mill)	607	349	74 %	2 301	1 149	100 %
RPK (mill)	397	247	61 %	1 538	718	114 %
Load factor	65 %	71 %	(6) pp	67 %	62 %	5 pp
Number of passengers	554 223	427 066	30 %	2 073 736	1 234 547	68 %
<b>Segment</b>						
<b>Domestic</b>						
ASK (mill)	347	270	28 %	1 325	958	38 %
RPK (mill)	216	196	11 %	877	583	51 %
Load factor	62 %	72 %	(10) pp	66 %	61 %	5 pp
Number of passengers	412 838	384 900	7 %	1 588 160	1 145 353	39 %
<b>International</b>						
ASK (mill)	260	78	232 %	976	191	410 %
RPK (mill)	181	51	254 %	661	135	389 %
Load factor	69 %	65 %	4 pp	68 %	71 %	(3) pp
Number of passengers	141 385	42 166	235 %	485 576	89 193	444 %

## COMMENTS TO THE ACCOUNTS

In the fourth quarter, the company's turnover was MNOK 330,9 compared to MNOK 257,2 for the low-fare operation in 2003, which is an increase of 29%. Total revenue for fourth quarter last year was MNOK 275,0 of which MNOK 17,8 was connected to the Fokker F-50 operation. Total revenue for 2004 amounted to MNOK 1 210,1, compared to MNOK 958,6 last year. In 2003 MNOK 36,3 was restructuring compensation from Braathens for the termination of the west coast operations. The increase in revenue is mainly related to the increase (61%) in revenue passengers (RPK). The yield has during the quarter been under pressure and reduced with 20% compared to the same period last year. This is a result of increased price pressure and increased average sector length.

The company had operating expenses of MNOK 374,0 in the quarter (including leasing expenses) compared to MNOK 285,1 last year (MNOK 256,6, low fare operation). The increase in expenses is primarily related to the increase of production (ASK) by 74% compared to the same period last year. The price of jet fuel in NOK has during the quarter been 17% higher than in the third quarter. This has led to higher fuel costs than budgeted for the period. The company had no fuel hedging contracts in the fourth quarter. The cost of fuel has increased by MNOK 8,5 compared to third quarter. In the start of December the company entered a contract of 25% of expected jet fuel consumption for Q1 2005.

Earnings before depreciation and write-down (EBITDA) amounted to MNOK -43,1 in Q4, compared to MNOK -10,1 in Q4 last year. Total EBITDA in 2004 amounted to MNOK-140,6, compared to MNOK -23,8 last year. EBITDA for the low-fare operation in 2003 amounted to MNOK -55,2.

The company's earnings after tax for the quarter amounted to MNOK -31,2 compared to MNOK -12,3 in the same period in 2003. For the full year earnings after tax amounts to MNOK -109,8, compared to MNOK -42,7 last year. Of last year's earnings MNOK 36,2 is related to a restructuring compensation from Braathens in 2003.

Intangible assets include deferred tax asset of MNOK 86,0 and capitalised expenses related to the development of IT-systems and brand name of MNOK 28,3. Investments in fixed assets amounted to MNOK 16,1 for the quarter, mainly related to upgrading of leased aircrafts and acquisition of new economy systems.

Accounts receivables are during the quarter reduced by MNOK 53,2 due to season variations in the ticket sale, reduced prepayments and the collection of receivables related to VAT.

Accruals for pension commitments amount to MNOK 3,9 at December 31. 2004. Provisions for future maintenance are MNOK 8,7 a reduction of MNOK 25,3 during the period. The reduction is connected to payments related to maintenance on aircrafts. Traffic settlement debt related to sold but not travelled tickets is reduced with MNOK 17,9 during the quarter, to MNOK 109. This is due to relatively more travelling passengers than sold tickets.

The company has per December 31 cash at hand of MNOK 195,2 compared to 235,0 at the end of third quarter. MNOK 27,1 is related to negative cash flow from operating activities, while the rest is related to investments in the period. The paid up equity at the end of the quarter was MNOK 158,3, equivalent to an equity ratio of 35%.

The company has during the first half of 2004 completed most of the planned expansion to reach the essential marked and cost level, and critical mass. The company has during the second half of 2004 adjusted the production capacity further by phasing out less profitable routes and increased capacity on other routes. Units costs per available seat kilometre (ASK) were NOK 0,59 in 2004 compared to NOK 0,76 in 2003. Reduced units costs is related to the increase in production and increased sector length, as well as real cost reductions related to the company's continuous work with reducing operating costs.

As of 1<sup>st</sup> 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.

## **PROSPECTS FOR 2005**

Entering 2005 the demand for travel with Norwegian has been high. The launch of the low-fare calendar gave record high sales as well as share of sales through the website [www.norwegian.no](http://www.norwegian.no) (72%).

The company estimates a yield of approximately NOK 0.78 for January 2005, down NOK 0,03 from the December traffic figures. The reduction in yield is due to seasonal variations in demand and a period of historically lower traffic volumes as well as continued pressure on prices. Norwegian expects the competitive situation to continue and that pressure on ticket prices will proceed.

During the first half of 2005 Norwegian will add a 12<sup>th</sup> and 13<sup>th</sup> aircraft into production. As the code-share agreement with Sterling commences. The company will increase the fleet utilisation and expect an increase in production of 30-35%.

The growth will for the most be on international routs. From the cooperation with Sterling and the following improved utilization, the unit cost is expected to come down towards NOK 0,50 per ASK, assuming current levels of fuel price and currency exchange rates. The company expects a loss in Q1, and a positive operating result for the rest of the year.

Fornebu, February 16. 2005

Bjørn Kjos  
Managing Director

PROFIT AND LOSS ACCOUNT (KNOK)	4th Quarter		Accumulated	
	2004	2003	2004	2003
<b>OPERATING REVENUE</b>				
Total operating revenue	330 916	276 531	1 210 059	922 424
Restructuring compensation		-1 545		36 189
<b>TOTAL REVENUE</b>	<b>330 916</b>	<b>274 986</b>	<b>1 210 059</b>	<b>958 613</b>
<b>OPERATING EXPENSES</b>				
Operating expenses	259 246	194 963	940 638	666 159
Personell expenses	55 997	51 150	228 887	180 001
Other operating expenses	29 514	17 777	73 221	57 012
<b>TOTAL OPERATING EXPENSES</b>	<b>344 758</b>	<b>263 890</b>	<b>1 242 745</b>	<b>903 172</b>
<b>OPERATING PROFIT / LOSS BEFORE LEASING &amp; DEPR (EBITAR)</b>	<b>-13 843</b>	<b>11 096</b>	<b>-32 686</b>	<b>55 441</b>
Leasing	29 286	21 198	107 912	79 262
<b>OP.P / LOSS BEFORE DEPR (EBITDA)</b>	<b>-43 129</b>	<b>-10 102</b>	<b>-140 598</b>	<b>-23 822</b>
Depreciation	4 923	3 125	17 960	10 098
Write-down	1 042	4 671	1 042	24 271
<b>OPER. PROFIT / LOSS (EBIT)</b>	<b>-49 093</b>	<b>-17 898</b>	<b>-159 600</b>	<b>-58 190</b>
NET FINANCIAL ITEMS	5 905	1 196	7 143	-827
<b>EARNINGS BEFORE TAX (EBT)</b>	<b>-43 188</b>	<b>-16 702</b>	<b>-152 458</b>	<b>-59 017</b>
TAX	-12 020	-4 423	-42 616	-16 271
<b>P / L FOR THE PERIOD</b>	<b>-31 167</b>	<b>-12 279</b>	<b>-109 842</b>	<b>-42 746</b>

BALANCE SHEET (KNOK)	Per. 31.12	
	2004	2003
<b>FIXED ASSETS</b>		
Intangible assets	114 228	62 980
Tangible fixed assets	33 971	49 557
Fixed assets investment	19 035	14 038
<b>TOTAL FIXED ASSETS</b>	<b>167 235</b>	<b>126 575</b>
<b>CURRENT ASSETS</b>		
Consumables	11 791	2 435
Receivables	81 724	81 439
Cash in bank and in hand etc.	195 157	314 036
<b>TOTAL CURRENT ASSETS</b>	<b>288 671</b>	<b>397 911</b>
<b>TOTAL ASSETS</b>	<b>455 906</b>	<b>524 486</b>
<b>EQUITY</b>		
Called-up and fully paid equity	268 116	306 278
Retained earnings	-109 842	-42 746
<b>TOTAL EQUITY</b>	<b>158 274</b>	<b>263 532</b>
<b>LIABILITIES</b>		
Provisions for liabilities and charges	12 573	42 775
Other long term liabilities		20 652
Current liabilities	285 059	197 526
<b>TOTAL LIABILITIES</b>	<b>297 632</b>	<b>260 953</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>455 906</b>	<b>524 486</b>
No. Of shares	18333403	18085230
Face value	0,1	0,1

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

**CASH FLOW STATEMENT (KNOK)**

	4th Quarter		Accumulated	
	2004	2003	2004	2003
Net cash flows from operation activities	-24 660	27 223	-90 847	61 498
Net cash flows from investments	-16 037	-1 510	-11 964	-28 637
Net cash flows from financial activities	902	229 933	-16 069	217 938
<b>Net change in cash and cash equivalents</b>	<b>-39 796</b>	<b>255 647</b>	<b>-118 879</b>	<b>250 799</b>
Cash and cash equivalents per 30. Sept.	234 953	58 389	314 036	63 237
Cash and cash equivalents per 31. Dec	195 157	314 036	195 157	314 036

**SALES REVENUE (KNOK)**

	4th Quarter		Accumulated	
	2004	2003	2004	2003
<b>Per activity</b>				
Contractual flights				45 616
Pssngr conveyance	326 082	264 918	1 183 325	851 260
Restructuring revenue		-1 545		36 189
Other revenue	4 831	11 613	26 731	25 548
<b>Total</b>	<b>330 913</b>	<b>274 986</b>	<b>1 210 056</b>	<b>958 613</b>
<b>Per geographical market</b>				
Norway	222 513	247 932	829 709	892 229
Other EU states	108 400	27 054	380 348	66 384
<b>Total</b>	<b>330 913</b>	<b>274 986</b>	<b>1 210 056</b>	<b>958 613</b>

**Equity (KNOK)**

	4th Quarter		Accumulated	
	2004	2003	2004	2003
Equity - Beginning of period	188 540	40 690	263 532	71 157
Share issue	902	235 121	4 584	235 121
P/L	-31 167	-12 279	-109 842	-42 746
Equity - End of period	158 274	263 532	158 274	263 532

**COST BREAKDOWN (KNOK)**

	4th Quarter		Accumulated	
	2004	2003	2004	2003
Personell costs	55 997	51 149	228 887	180 001
Sales/ distribution costs	21 105	24 186	88 049	81 418
Aviation fuel	67 730	36 632	218 200	121 122
Aircraft leases	29 286	21 198	107 912	79 262
Aiport charges	59 754	41 378	223 099	141 731
De-icing	8 293	8 347	17 636	17 167
Handling charges	42 480	41 495	159 616	133 977
Technicak maintenance costs	41 847	26 257	152 249	101 418
Depr. / write-down	5 965	7 796	19 002	34 368
Other costs	47 550	34 445	155 010	126 338
<b>Sum operating costs</b>	<b>380 009</b>	<b>292 884</b>	<b>1 369 659</b>	<b>1 016 803</b>

**FINANCIAL KEY FIGURES**

	4th Quarter		Accumulated	
	2004	2003	2004	2003
Operating margin (%)	-15 %	-7 %	-13 %	-6 %
Earnings per share (NOK) (calculated on average no. Of shares)	-1,7	-1,1	-6,0	-4,1
Book equity per share (NOK)			8,6	14,6
Equity ratio (%)			35 %	50 %
No. Of shares at the end of the period	18 333 403	18 085 230	18 333 403	18 085 230
Adjusted no. of shares at the end of the period	18 323 745	11 376 670	18 224 979	10 550 983
Average no. of shares in the period	18 370 825	11 438 306	18 370 825	10 585 504

\* 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

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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.

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#### **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 12 Boeing 737-300 aircraft and has approximately 450 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 2,1 million passengers flew with Norwegian in 2004.

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

The company has during two years of operations become an established player in the Norwegian domestic market.

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.