

Norwegian Air Shuttle ASA

Quarterly report – Third quarter 2003

Third quarter in brief:

- The last month of the quarter was the best so far for low-price operations, showing a profit of NOK 7.0 million (EBITDA).
- Total sales revenue for the company in the third quarter amounted to NOK 231 million compared with NOK 88 million in the same period in 2002, i.e. an increase of 162%. (N.B.: The third quarter last year comprised only one month's activities with low-price operations and three months' contract flying for Braathens.)
- The total operating profit for the company for this quarter before leasing costs, depreciation / writedown (EBITDAR) of owned aircraft (financial leasing) amounted to NOK 2.0 million compared with a loss of NOK 28.1 million in the same period in 2002.
- The total operating result for the quarter before depreciation (EBITDA) was a loss of NOK 19.6 million compared with a loss of NOK 34.4 million in the same period last year.
- Owned aircraft have been written down by NOK 20 million in the third quarter (Fokker F 50 aircraft).
- After this, the pre-tax result including writedown amounted to a loss of NOK 41.4 million compared with a loss of NOK 36.7 million in the same period in 2002.
- The cabin factor for low-price operations was 66.8% in the third quarter of 2003 compared with 50.8% in September 2002 (only September can be used as a point of comparison, as low-price operations started on 1 September 2002).
- Production (ASK) for low-price operations showed an increase of 108%, and passenger traffic an increase of 164% (RPK) from September 2002 to September 2003.
- The proportion of sales via the Internet was 53% compared with 23% in the corresponding period last year.
- The company started five new routes in the third quarter, including one route abroad (to Stockholm).
- Key figures for low-price operations (N.B.: quarterly figures/changes in % are affected by only one month's production in September 2002):

Norwegian	Jul-Sep 03	Jul-Sep 02 ⁽¹⁾	Change	Jan-Sep 03	Jan-Sep 02 ⁽¹⁾	Change
Portion of sales via Internet ⁽²⁾	53%	23%	30 pp	43%	23%	20 pp
ASK (million)	331	57	480 %	922	57	1 514 %
RPK (million)	221	29	662 %	558	29	1 822 %
Cabin factor	66.8%	50.8%	16.0 pp	60.5%	50.8%	9,7 pp
No. of passengers	323 932	65 879	392 %	953 084	65 879	1 347 %

All figures are linked to the low-price concept and flights with Boeing 737s.

(1) Jan-Sep 02 is only one month's operations.

Norwegian	Sept 03	Sept 02	Change	Sep 12 mth ⁽¹⁾	Aug 12 mth ⁽¹⁾	Change
Portion of sales via Internet ⁽²⁾	57%	23%	34 pp	37%	32%	5 pp
ASK (million)	119	57	108 %	992	930	7 %
RPK (million)	77	29	164 %	572	524	9 %
Cabin factor	64.4%	50.8%	13.6 pp	57.7%	56.4%	1,3 pp
No. of passengers	129 298	65 879	96 %	1 042 503	979 084	6 %

All figures are linked to the low-price concept flights with Boeing 737s.

(1) [<<mth>> 12 mth] shows 12 months revolving development.

Comments to the accounts, balance sheet and key figures

In the third quarter the company sold for NOK 231 million compared with NOK 88 million in the same period in 2002. For the entire year, the total sales revenue amounts to NOK 646 million compared with NOK 189 million in the same period the preceding year. The substantial increase compared with last year stems from the fact that in September 2002 the company began to operate flights with Boeing 737 aircraft under the brand name Norwegian.



Operating expenses for the company in the third quarter were NOK 250 million (including leasing costs), compared with NOK 123 million in the same period in 2002. The operating result (EBITDA) for the period showed a loss of NOK 20 million. The operating result includes low-price operations and the flights with Fokker F 50 aircraft in the north of Norway. The result after tax is a loss of NOK 30 million compared with a loss of NOK 27 million last year (2002 includes only one month's activities with low-price operations). The rise in the company's operating expenses is primarily due to the increase in production resulting from flights with Boeing 737 aircraft.

During 2003 the company has concluded the part of its activities connected with contract flights for Braathens (operations in the west of Norway). The termination of these operations and the reorganisation compensation for this that was received from Braathens was recorded as income at the end of the first quarter of 2003. Similarly, calculated reorganisation costs have been charged as an expense on the expiry of the agreement in the first quarter. Any reorganisation costs beyond the estimates are charged to accounts continuously, and at the end of the third quarter the reorganisation compensation amounts to NOK 37.7 million.

The company has three leasing contracts with Elcon for Fokker F 50 aircraft. These have been included in the accounts as financial leasing. The leasing agreements have been extended for two more years, and the agreements that were previously in US dollars have been converted into Norwegian kroner. The aircraft were taken out of commercial use when the operations in the west of Norway were concluded in the first quarter. No depreciation of the aircraft has taken place since they were removed from operations. In the third quarter the company has written down the value of these aircraft and has included the writedown in the operating result to an amount of NOK 20 million. During the third quarter the company has been in contact with several parties who may take over the aircraft, and the company expects to sell the aircraft by the end of the year. The aircraft have been written down to estimated market value. A possible sale at the written-down value is more than the buy-out obligation and will give the company a positive cash supply. The previous values have been stated according to acquired value assessments.

As of 30 September provisions for future maintenance have been recorded as NOK 22.5 million. Provisions cover future maintenance for both the Boeing 737s (NOK 20.4 million) and the two remaining Fokker F 50 aircraft in operation in the north of Norway (operational leases).

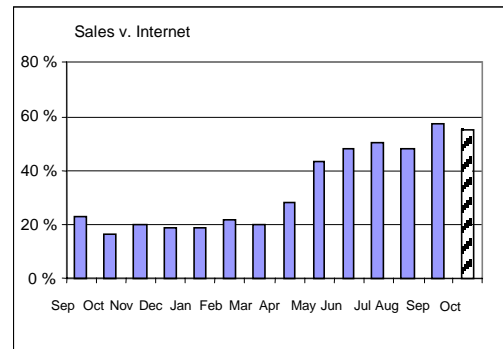
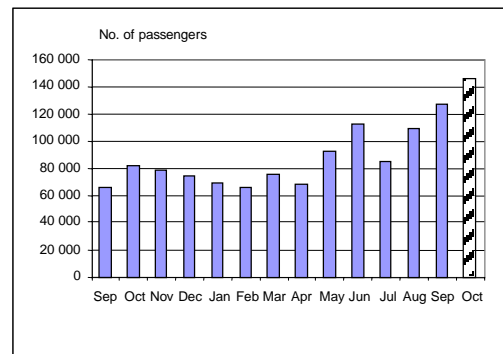
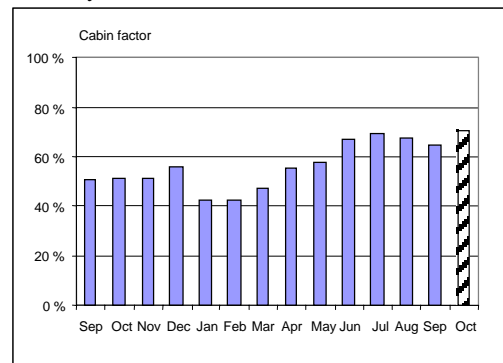
The company has obtained actuary estimates of the company's pension commitments (the collective scheme, the Norwegian AFP scheme for early retirement, and supplementary pensions for top managers). As of 30 September, the accrued commitment amounts to NOK 10.8 million and has been recorded in the accounts. Downward adjustment of the discount interest has resulted in an increase in the commitment to NOK 20.3 million (NOK 6.8 million as of 31 December 2002 – equalised over time in accordance with accounting rules). This increase has not been recognised in the balance sheet.

In May the company introduced an options/share programme for its employees. The final subscription date for employees was the middle of September, after which the accounting cost for the company could be calculated. The programme has been entered into accounts using the so-called intrinsic value model. This means that the value of the options is measured as the difference between the market value and the exercising price at allocation date. Wages and salaries are estimated at NOK 6.6 million and are recorded as debt on the balance sheet. The debt is converted to equity on the date of exercising the options. The options programme is contingent on approval from the General Meeting and will be addressed at the Extraordinary General Meeting on 24 November.

Traffic development

In the third quarter 323 932 passengers flew with low-price operations Norwegian, and the average cabin factor was 67%. This quarter was stronger than the year's two first quarters, where the cabin factor was 44% and 61% respectively.

In addition to a rise in the number of passengers on our flights, the increase in the cabin factor is also connected to a somewhat larger proportion of travellers to our more distant destinations, particularly in the holiday period.



The tables show development since the start of low-price operations (striped=October).



In July the company reduced operations in the south of Norway to take into account an anticipated lower number of business travellers. During this month the company discovered that operations could have been reduced further in the south of Norway and routes increased to the north of Norway and south to Spain and Portugal. Low-price operations have a full business year behind them in the third quarter, and have gained good experience during this time in adapting activities to holiday periods.

Sales via the Internet in the third quarter have been on average 53%. These sales have shown a development over and above the expectations of the company since the beginning of the second quarter.

Low-price operations expanded to include several new routes, both domestic and abroad, during the third quarter. Five new routes were established, including one abroad:

Bergen – Stavanger, Bergen Trondheim, Oslo – Alta, Oslo – Ålesund and Oslo – Stockholm.

The new routes have been well-received, and they have contributed to the increase in the number of passengers and cabin factor the company is experiencing. At the end of the third quarter production has consequently increased, and compared with start-up 13 months earlier the company has doubled its production capacity measured in ASK.

Prospects for the fourth quarter

The company has shown excellent growth throughout the year and at the start of the fourth quarter the development is still positive. Around 145 500 passengers travelled with the company in October on low-price operations, and the cabin factor has been approximately 71%. Sales via the Internet are 55% for October.

The company anticipates that the number of passengers will be reduced during November in keeping with seasonal variations, and a lower travel volume is expected in the fourth quarter. Operations have been adjusted to meet the anticipated lower travel volume in the fourth quarter.

During the first month of the fourth quarter the company has announced further expansion and the start of a total of eight new routes:

- Oslo – Grenoble – one departure per week, starting 27 December
- Oslo – Nice – two departures per week, starting 3 March
- Bergen – Stansted – daily except Saturday, starting 1 April
- Oslo – Berlin – daily except Saturday, starting 1 April
- Oslo – Pisa – two departures per week, starting 2 April
- Oslo – Budapest – two departures per week, starting 2 April
- Bergen – Nice – one departure per week, starting 3 April
- Oslo – Dubrovnik – one departure per week, starting 19 June

The new routes are expected to give a production growth of around 340 million seat kilometres (ASK) in 2004. This corresponds to an increase in production of about 34% measured against operations during the last 12 months. The operations will mostly be phased in from the second quarter of 2004.

Fornebu, 12 November 2003

Bjørn Kjos
Managing Director

<p>Definitions</p> <p>ASK: Available Seat Kilometres. Number of available passenger seats multiplied by the flight distance</p> <p>RPK: Revenue Passenger Kilometres. Number of paying passengers multiplied by the flight distance</p> <p>EBITDA: Operating profit/loss before financial items, taxes and depreciation</p> <p>EBITDAR: Operating profit/loss before financial items, taxes, depreciation and leasing costs for aircraft</p> <p>CABIN FACTOR: Relationship between RPK and ASK as a percentage. Describes the rate of utilisation of available seats</p>
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<p>General information on Norwegian</p> <p>Norwegian is a Norwegian-based airline that currently offers low-price flights for 12 domestic routes and five destinations abroad. The company operates eight Boeing 737-300 aircraft and has approximately 350 employees.</p> <p>From its start in 1993 and up to 2002 the company operated as a subcontractor to Braathens domestic activities. In September 2002 the company started its low-price 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.</p> <p>The company will also use two Fokker F 50 aircraft in the north of Norway until the end of the year on tender from the Norwegian Ministry of Transport and Communications.</p>

Ruth Johnson, Government Authorised Translator
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PROFIT AND LOSS ACCOUNT AND BALANCE SHEET – THIRD QUARTER 2003

Norwegian Air Shuttle ASA	PROFIT & LOSS ACCOUNT K NOK				
	3 rd Quarter		At 30.09.03		2002
	2003	2002	2003	2002	
OPERATING REVENUE					
Total sales revenue	230 451	88 458	645 893	189 141	386 483
Reorganisation compensation	-415		37 734		
TOTAL REVENUES	230 035	88 458	683 627	189 141	386 483
OPERATING EXPENSES					
Operating expenses	170 272	67 995	471 196	106 591	264 454
Personnel expenses	44 374	30 985	128 852	65 960	107 853
Other operating expenses	13 401	17 584	39 235	28 760	47 874
TOTAL OPERATING EXPENSES	228 047	116 564	639 283	201 311	420 181
OPERATING PROFIT/LOSS BEFORE LEASING & DEPR. (EBITDAR)	1 989	-28 106	44 344	-12 171	-33 698
Leasing	21 608	6 323	58 064	21 495	34 283
OP. PROF./LOSS BEF. DEPR. (EBITDA)	-19 619	-34 429	-13 720	-33 665	-67 981
Ordinary depreciation	2 149	2 319	6 973	4 304	5 805
Writedowns	19 599		19 599		
OPER. PROFIT/LOSS (EBIT)	-41 368	-36 748	-40 292	-37 969	-73 786
NET FINANCIAL ITEMS	-558	-589	-2 023	-16	2 037
P/L ON ORD'Y ACTIVITIES BEFORE TAX (EBT)	-41 926	-37 337	-42 315	-37 985	-71 749
TAX	-11 739	-10 454	-11 848	-10 636	-19 889
P/L FOR YEAR	-30 187	-26 882	-30 467	-27 349	-51 860

Sales revenue	3 rd Quarter		At 30.09.02		2002
	2003	2002	2003	2002	
Per activity					
Contractual flights			45 616	133 155	176 179
Passenger conveyance	224 010		586 342	55 201	208 236
Reorganisation income	-415		37 734		
Other income	6 441		13 935	785	2 068
Total	230 035		683 627	189 141	386 483
Per geographical market:					
Norway	200 859		644 296	170 440	363 081
Other EU states	29 176		39 330	18 700	23 402
Total	230 035		683 627	189 141	386 483

Norwegian Air Shuttle ASA	CASH FLOW ANALYSIS K NOK				
	3 rd Quarter		At 30.09		31.12.2002
	2003	2002	2003	2002	
Cash flow from operational activity	-8 632	18 002	22 249	4 481	-4 544
Cash flow from investment activities	-5 064	-16 617	-17 374	-23 170	-36 826
Cash flow from financing activities	-3 328	93 713	-9 723	99 481	96 737
Net change in cash and equivalents	-17 023	95 098	-4 848	80 792	55 366
Cash and equivalents holdings at beginning of period	75 413	-6 434	63 237	7 871	7 871
Cash and equivalents holdings at end of period	58 389	88 664	58 389	88 664	63 237

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Norwegian Air Shuttle ASA		BALANCE SHEET		
		At 30.09		31.12.2002
		2003	2002	
FIXED ASSETS				
Intangible fixed assets		52 093	21 189	32 418
Tangible fixed assets		48 503	56 428	56 383
Fixed asset investments		14 166	5 897	14 354
TOTAL FIXED ASSETS		114 761	83 514	103 155
CURRENT ASSETS				
Consumables		1 042	7 442	8 823
Receivables		143 708	86 488	45 159
Cash at bank and in hand etc.		58 389	88 664	63 237
TOTAL CURRENT ASSETS		203 140	182 594	117 219
TOTAL ASSETS		317 901	266 108	220 374
EQUITY				
Called-up & fully paid eq		71 157	116 299	71 157
Retained earnings		-30 467	-20 631	
TOTAL EQUITY		40 690	95 668	71 157
LIABS.				
Provs. for liabilities & charges		33 280	5 363	9 729
Other long-term liabilities		22 785	37 033	32 050
Current liabilities		221 145	128 044	107 438
TOTAL LIABS.		277 211	170 440	149 216
TOTAL EQUITY AND LIABILITIES		317 901	266 108	220 374
No.		79021	79021	79021
Face value		13	10	10

Financial key figures	3 rd Quarter		At 30.09		2002
	2003	2002	2003	2002	
Operating margin %	-18 %	-42 %	-6 %	-20 %	-19 %
Earnings per share (NOK)	-382	-451	-386	-588	-947
Book equity per share (NOK)			515	1 211	900
Equity ratio (%)			13 %	36 %	32 %
No. of shares at end of period	79 021	79 021	79 021	79 021	79 021
Average no. of shares in the period (unweighted)	79 021	59 652	79 021	46 527	54 735

* Dividends per diluted share have not been estimated

Equity	At 30.09		2002
	2003	2002	
Opening balance	71 157	7 118	7 118
Capital increase		115 899	115 899
Prot./loss f. year	-30 467	-27 349	-51 860
Closing balance	40 690	95 668	71 157

The stated figures as at 30 September 2003 have been the object of a limited audit.
The accounts have been compiled in accordance with Norwegian Accounting Standards