Norwegian Air Shuttle ASA (NAS)

Q4 2003 and FY 2003

24-26 February 2004
Agenda

- Introduction
- Financials Q4 2003 and FY 2003
- Norwegian low-fare operation
- Going forward 2004
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Management introduction

Bjørn Kjos, CEO, founder
- Founded Norwegian Air Shuttle in 1993.
- Former managing partner of the law firm Vogt & Wiig.
- Aviation experience from RNOAF 334 squadron

Frode E. Foss, CFO
- Ex. Ernst & Young and Arthur Andersen experience
- Masters in Business Administration

Ola Krohn-Fagervoll, Deputy CEO
- Ex. Concordia, A.T. Kearney, Saga Petroleum and British Petroleum
- Masters in Business Administration
Highlights

Financials Q4 2003 and FY 2003
- NAS is becoming a pure low-fare airline
- The low-fare operation is turning profitable
- NAS overall profit margins have improved from FY 2002 to FY 2003
- NAS has established a strong financial position

Norwegian low-fare operation
- Revenue is up, partly offset by pressure on yield
- Growing passenger volume, mainly driven by price campaigns on the internet
- Costs are down from increased production and lower distribution costs

Going forward 2004
- Strong market position going forward
- Strong focus on top line growth and cost efficiency
- Yield and cost in first half 2004 lower from increased average sector length
- Continued high load factor expected for first half 2004
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NAS is becoming a pure low-fare airline

Highlights Q4 2003

- Total revenue increased 40% to MNOK 276 compared to Q4 2002 (MNOK 197).
- Total operating expense increased 21% to MNOK 265 compared to Q4 2002 (MNOK 219).

<table>
<thead>
<tr>
<th>NAS (MNOK)</th>
<th>Q4 2003</th>
<th>Q4 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDAR</td>
<td>11</td>
<td>-22</td>
</tr>
<tr>
<td>EBITDA</td>
<td>-10</td>
<td>-34</td>
</tr>
<tr>
<td>EBT</td>
<td>-18</td>
<td>-36</td>
</tr>
<tr>
<td>Income after tax MNOK</td>
<td>-12</td>
<td>-25</td>
</tr>
</tbody>
</table>

- Norwegian low-fare operation on track with break-even result in Q4 (EBITDA).
- Loss of MNOK 8.5 from discontinued Fokker F-50 commuter operation in Q4 2003.

Special items Q4 2003

- Lower than expected revenues from discontinued Fokker F-50 operation.
- Write down of 3 Fokker F-50 financial leases with MNOK 5 (Sale has taken longer than planned).
- MNOK 1.5 cost allocated to reorg. compensation.
- Higher sales commission for low-fare operation due to higher than expected sales.
The low-fare operation is turning profitable

Revenue development (B-737)

- The low-fare operation is becoming a 1 billion NOK business, with 258 MNOK in turnover for Q4 2003
- High revenue growth throughout the period, 74% increase from Q4 2002 to Q4 2003
- Growth in revenue mainly driven by rapid capacity expansion and increased load factor

EBITDA development

- Low-fare operation was break-even in Q4 (EBITDA)
- Both October and November showed positive EBITDA results, while December was negative
NAS overall profit margins have improved from FY 2002 to FY 2003

Total revenue increased 342% to MNOK 818 compared to 2002
Improved EBITDA on an annualized basis

(1) 2002 = 4 months of B-737 operation

Total revenue increased 139% to MNOK 922 compared to 2002 (adjusted for 36 MNOK in restructuring compensation)
Substantial improvement of EBITDA

Norwegian Air Shuttle ASA (MNOK)

<table>
<thead>
<tr>
<th>B-737</th>
<th>Q1 03</th>
<th>Q2 03</th>
<th>Q3 03</th>
<th>Q4 03</th>
<th>2003</th>
<th>2002 (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>818 109</td>
<td>185 628</td>
</tr>
<tr>
<td>EBITDA</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-55 183</td>
<td>-49 316</td>
</tr>
<tr>
<td>NAS TOTAL</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>958 613</td>
<td>386 483</td>
</tr>
<tr>
<td>Revenues</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-23 822</td>
<td>-67 981</td>
</tr>
<tr>
<td>EBITDA</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-58 190</td>
<td>-73 786</td>
</tr>
<tr>
<td>EBIT</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-59 017</td>
<td>-71 749</td>
</tr>
<tr>
<td>AFTER TAX</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-42 746</td>
<td>-51 860</td>
</tr>
</tbody>
</table>

(1) 2002 = 4 months of B-737 operation
NAS has gained a strong financial position

**Total Assets MNOK 524**
- IPO MNOK 250 (MNOK 235)
- Equity ratio of 50%

**Cash 31.12.03 MNOK 314**

**Positive working capital**
- Receivables reduced MNOK 60
- Prepaid tickets reduced MNOK 26

**Fokker F-50 valued at MNOK 25**
- Long term debt of MNOK 21

**Provisions MNOK 43**
- Maintenance
- Pensions

### Balance Sheet FY 2003

<table>
<thead>
<tr>
<th></th>
<th>Q3</th>
<th>Pr 31.12</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance Sheet</strong></td>
<td>2003</td>
<td>2003</td>
</tr>
<tr>
<td><strong>Fixed Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intangible assets</td>
<td>52 093</td>
<td>62 861</td>
</tr>
<tr>
<td>Tangible fixed assets</td>
<td>48 503</td>
<td>49 557</td>
</tr>
<tr>
<td>Financial fixed assets</td>
<td>14 166</td>
<td>14 038</td>
</tr>
<tr>
<td><strong>Total Fixed Assets</strong></td>
<td><strong>114 761</strong></td>
<td><strong>126 457</strong></td>
</tr>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Material and consumables</td>
<td>1 042</td>
<td>2 435</td>
</tr>
<tr>
<td>Receivables</td>
<td>143 708</td>
<td>81 439</td>
</tr>
<tr>
<td>Cash at bank deposits</td>
<td>58 389</td>
<td>314 036</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td><strong>203 140</strong></td>
<td><strong>397 911</strong></td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>317 901</td>
<td>524 367</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paid-in equity</td>
<td>71 157</td>
<td>306 583</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>-30 467</td>
<td>-42 746</td>
</tr>
<tr>
<td><strong>Total Equity</strong></td>
<td><strong>40 690</strong></td>
<td><strong>263 837</strong></td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provisions</td>
<td>33 280</td>
<td>42 775</td>
</tr>
<tr>
<td>Other long-term liabilities</td>
<td>22 785</td>
<td>20 652</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>221 145</td>
<td>197 104</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>277 211</strong></td>
<td><strong>260 531</strong></td>
</tr>
<tr>
<td><strong>Total Equity and Liabilities</strong></td>
<td><strong>317 901</strong></td>
<td><strong>524 367</strong></td>
</tr>
<tr>
<td>No of shares</td>
<td>79 021</td>
<td>18 085 230</td>
</tr>
<tr>
<td>Nominal share value</td>
<td>10</td>
<td>0.1</td>
</tr>
</tbody>
</table>
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Load factor is up, revenue growth dampened by pressure on Yield

Load factor development
- 2 more planes, 14 new routes and adjustments on established routes, brought total production (ASK) up 82% in Q4 2003, compared with Q4/02
- Passenger traffic (RPK) increased by 145 %, resulting in a load factor increase by 18 percentage points up to 71% in Q4 2003, compared with Q4/02
- Load factor seemingly “unaffected” by seasonality and approaching “low-fare carrier range”

Yield development
- The average yield has gradually been falling since the start-up, mainly due to new and longer routes and domestic price competition
- A lower yield in Q3 is “normal” due to summer vacation with longer flights and a substantially lower business volume
- Yield improved in Q4 2003
Growing passenger volume, mainly driven by price campaigns on the internet

Passenger (PAX) development

- In order to increase market penetration, pricing campaigns has been executed for "low season" and off peak periods in November / December and on specific routes

- PAX volume has been steadily increasing during Q4 with a "natural" fall in December where business slows down before and during the Christmas holidays

Distribution Channels

- The distribution volume through www.norwegian.no reached an all time high with a 60 % share in January 2004

- Internet’s share of "traffic" is three times higher than start-up Q4 2002

- 75% of total sales were direct sales in Q4 2003 (call-center constituted 15%)
Costs are down from increased production and lower distribution costs

**Operational costs per ASK**

- Unit cost down 23% compared to Q4 2002
- Q4 compared to Q3 2003 - slightly higher due to:
  - decreased production in December
  - Increased maintenance costs due to shorter sector lengths
  - Deicing costs during winter season

**Distribution costs per PAX**

- Distribution costs per passenger has gone down with 47% since Q4 2002
- Distribution costs per passenger has mainly been reduced due to higher internet penetration
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Strong market position going forward

**Market penetration**

- Market share of 20 % on largest routes domestically, and increasing
- 60 % internet sales
- Added new distribution channels: "Bedriftsportal", Narvesen and SMS
- Established 3rd party services on [www.norwegian.no](http://www.norwegian.no) (hotels and rental cars)

<table>
<thead>
<tr>
<th>Route</th>
<th>Market share 2003</th>
<th>Δ Q3-Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bergen</td>
<td>21,7 %</td>
<td>↑</td>
</tr>
<tr>
<td>Trondheim</td>
<td>22,2 %</td>
<td>↑</td>
</tr>
<tr>
<td>Stavanger</td>
<td>19,7 %</td>
<td>↑</td>
</tr>
<tr>
<td>Tromsø</td>
<td>21,0 %</td>
<td>↑</td>
</tr>
<tr>
<td>Harstad/Narvik</td>
<td>18,5 %</td>
<td>↑</td>
</tr>
</tbody>
</table>

**Timetable improvements**

- 3 new planes and crew on schedule for production increase from March onward
- Focus is on improving the domestic timetable
- Start-up of new International routes are "opportunistic" utilization of excess capacity
Strong focus on top line growth and cost efficiency

Production Programme

Mill ASK

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Domestic</th>
<th>International</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Quarter F</td>
<td>100</td>
<td>50</td>
</tr>
<tr>
<td>2nd Quarter F</td>
<td>200</td>
<td>100</td>
</tr>
<tr>
<td>3rd Quarter F</td>
<td>300</td>
<td>200</td>
</tr>
<tr>
<td>4th Quarter F</td>
<td>400</td>
<td>300</td>
</tr>
</tbody>
</table>

- Route expansion and plane additions in 2004 will increase revenue substantially
- Positive sales development, particularly for new international leisure routes
- 3rd party sales and "add-ons" are expected to increase revenues

Operational costs per ASK

(NOK / ASK)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>2002 (A)</th>
<th>2003 (A)</th>
<th>2004 (F)</th>
<th>2004 (F)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q4</td>
<td>1.0</td>
<td>0.9</td>
<td>0.7</td>
<td>0.5</td>
</tr>
<tr>
<td>Q3</td>
<td>1.0</td>
<td>0.9</td>
<td>0.7</td>
<td>0.5</td>
</tr>
<tr>
<td>Apr</td>
<td>1.0</td>
<td>0.9</td>
<td>0.7</td>
<td>0.5</td>
</tr>
<tr>
<td>Q3</td>
<td>1.0</td>
<td>0.9</td>
<td>0.7</td>
<td>0.5</td>
</tr>
</tbody>
</table>

- Nearly double production capacity compared to current level will decrease costs / ASK substantially during 2004
- Longer sector lengths and scale benefits will also contribute in reducing cost per ASK
- Implementation of new distribution channels with lower distribution costs
- Except for crew and cabin personnel, limited need for new manpower.
- Favorable leases on 3 new planes
Continued high load factor expected for first half 2004

- Domestic load factor of 69% for January 2004
- Domestic passenger volume expected to increase in first half 2004
- International load factor of 56% for January 2004
- Average international load factor last twelve months of 71%
- Expected increase in domestic and international load factor due to seasonal variations
Lower yield and cost in first half 2004, due to increased flight sector length

- Expected average sector length to increase from 60 minutes in January to an average of 75 minutes for 2004
- Increased sector length mainly coming from longer flights to leisure destinations
- Yield expected to decrease with increased sector length
- Domestic yield expected to remain fairly stable