

Norwegian Air Shuttle ASA  
(NAS)

A stronger competitive position



Q2 2004

Oslo – London

25 - 26 August 2004

# A stronger competitive position

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- Q2 results in line with expectations
- Strong financial position maintained
- Low-cost model confirmed
- Low-fare position strengthened
- Positive EBITDA outlook for H2



# A stronger competitive position

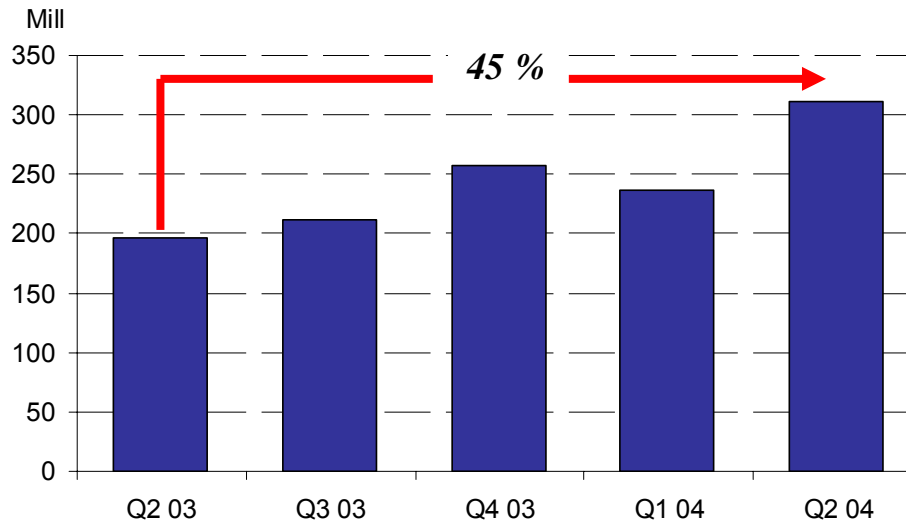
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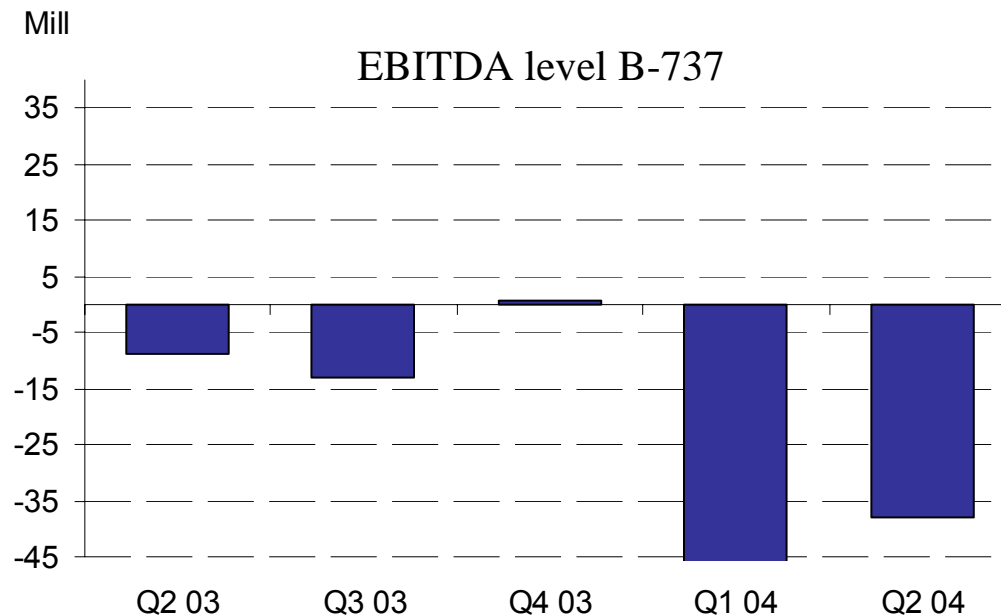
# Turnover up 45% from Q2 2003

- 311 Mill NOK in turnover in Q2 2004, compared to 215 (196 from low-fare) in Q2 2003
- Growth driven by increased production and higher passenger volumes
- Rapid expansion accomplished with continuously higher load-factor (61% in Q2 03 to 67% in Q2 04)



# Aggressive pricing impacted result

- EBITDA result of -36 MNOK in Q2 2004, versus -8.7 MNOK in Q2 2003 (low-fare)
- EBITDA result mainly impacted by aggressive competitive pricing
- EBITDA result not satisfactory, but in line with management expectations



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# Stable cash balance

- Cash-balance marginally down from Q1 2004 to 320.5 MNOK as of July 1. 2004
- Positive cash flow from operations of 0.7 MNOK
- Good sales in Q2

Cash Flow statement	Second Quarter		2003
	2004	2003	
Operating activities	738	-1 870	61 498
Investments	-8 243	-7 481	-28 637
Financial activities	3 682	-3 252	217 938
Net change	-3 824	-12 603	250 799
Cash balance per 31 March	324 407	88 016	63 237
Cash balance per 30 June	320 583	75 413	314 036

# Strong financial position

- Total assets of 556 MNOK
- IPO proceeds of 235 MNOK "still in the bank"
- Equity-share of 36%

Second Quarter					
FIXED ASSETS	2004	2003	EQUITY	2004	2003
Intangible assets	91 336	37 478			
Tangible fixed assets	28 688	62 764	Paid-in equity	267 214	71 157
Financial fixed assets	13 953	14 175	Retained earnings	-67 460	-280
<b>TOTAL FIXED ASSETS</b>	<b>133 977</b>	<b>114 417</b>	<b>TOTAL EQUITY</b>	<b>199 754</b>	<b>70 877</b>
<b>CURRENT ASSETS</b>			<b>LIABILITIES</b>		
Material and consumables	9 736	9 753	Provisions	51 616	23 214
Receivables	91 423	100 889	Other long-term liabilities		26 609
Cash and bank deposits	320 583	75 413	Current liabilities	304 349	179 772
<b>TOTAL CURRENT ASSETS</b>	<b>421 742</b>	<b>186 055</b>	<b>TOTAL LIABILITIES</b>	<b>355 965</b>	<b>229 595</b>
<b>TOTAL ASSETS</b>	<b>555 719</b>	<b>300 472</b>	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>555 719</b>	<b>300 472</b>
			No of shares	18284570	79021
			Nominal share value	0,1	13



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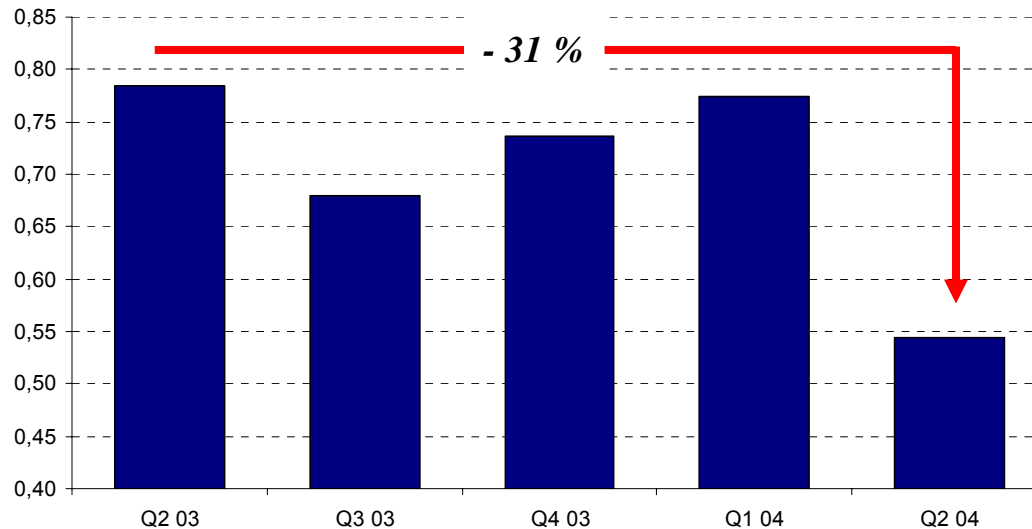
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# Costs are down as planned

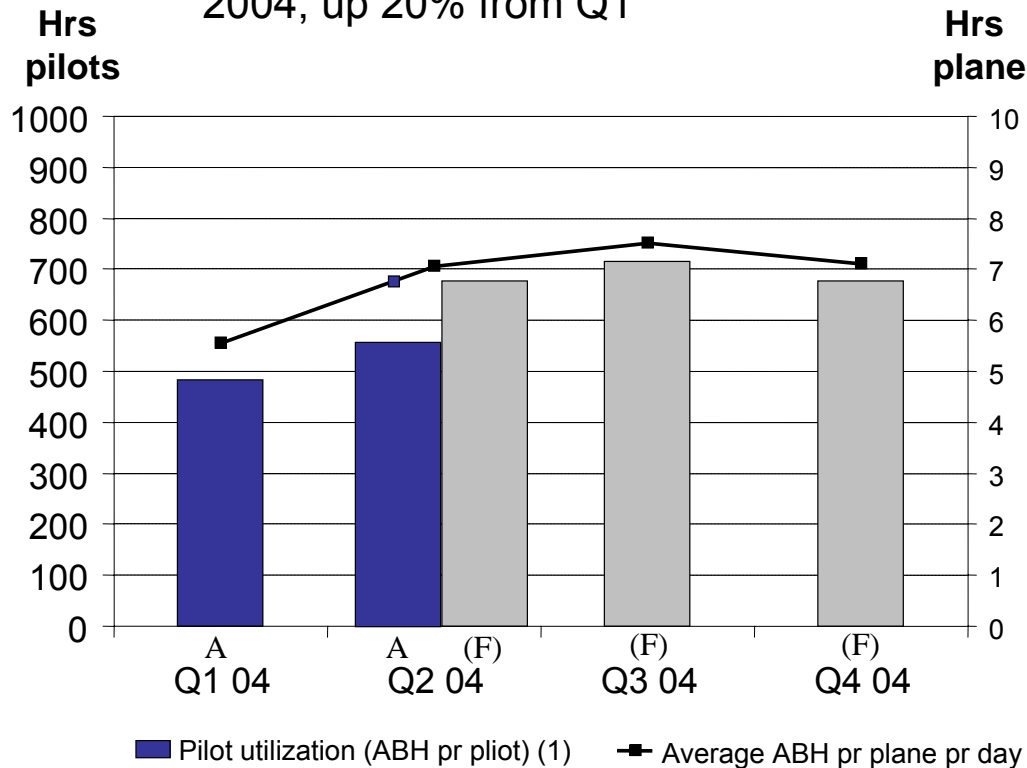
- Average unit costs of 0.54 NOK in Q2 2004, down more than 30 % from Q2 2003 (0.78 NOK)
- Scale benefits from increased production and longer sector lengths, have been main drivers
- Cost effective distribution solutions, renegotiated supplier agreements and internal efficiency improvements, are expected to bring costs even further down

Cost / ASK



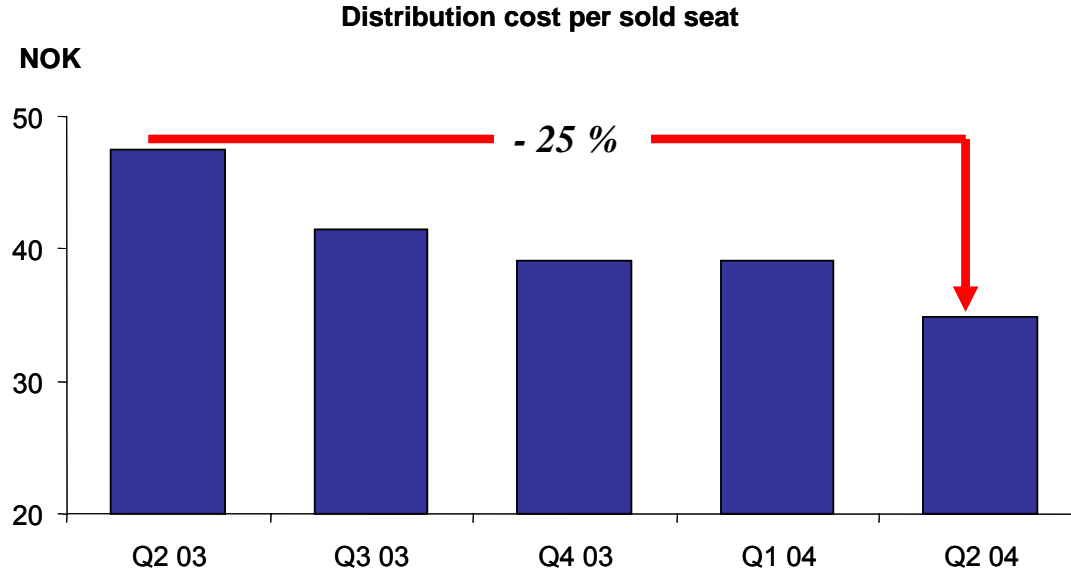
# Scale benefits realized

- Annualized ABH per pilot was 573 in Q2 2004, up 19% from Q1
- ABH per plane per day was 6,8 in Q2 2004, up 20% from Q1



# More effective distribution

- Distribution costs per sold seat is down with 25 % since Q2 2003
- Higher internet penetration, currently 60% of sold volume, is a major driver
- New internet portals for business clients and travel agents combined with new distribution channels (SMS and Narvesen), should bring costs even further down



# A stronger competitive position

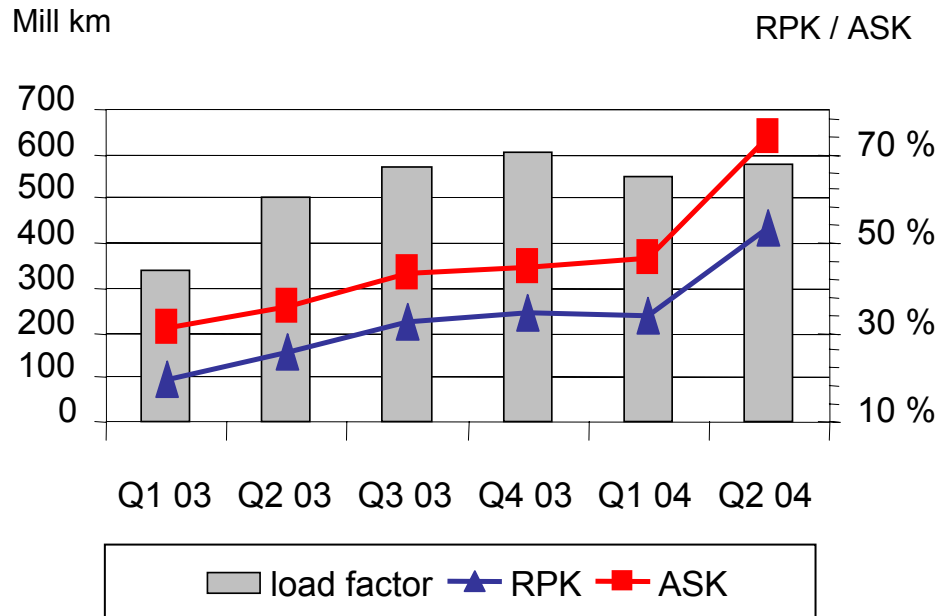
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# A demonstration of strength

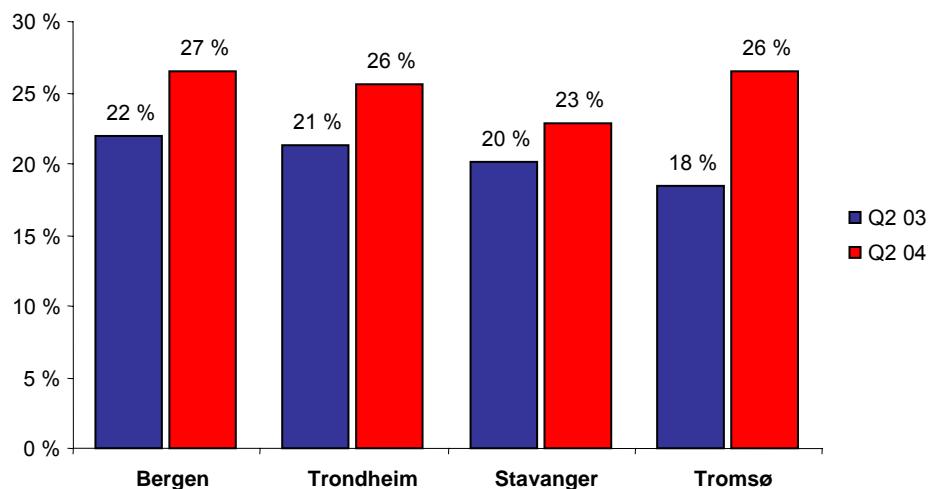
- Increased fleet from 8 to 11 planes and started 18 new routes in Q2 2004
- Production increased to 642 Mill km in Q204, an increase of 147% from Q203 (261 Mill km)
- Load factor increased to 67% in Q204, an increase of 6 %-points from Q203 (61%)
- Load factor in July was 79%, up 10 %-points from a year ago



# Stronger domestic position

- Market share of 25 % and increasing on key domestic routes
- Market share maintained and somewhat increased from Q1 to Q2, in a period with aggressive competitive pricing
- Large business clients are showing renewed interest in our services. Recently closed deal with Telenor

**Market share domestic main routes  
Q203 vs. Q204**



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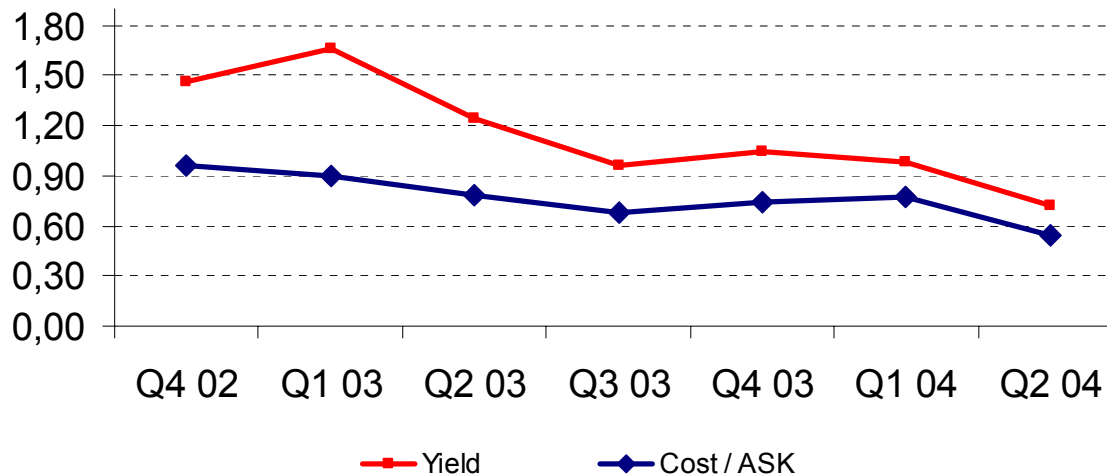
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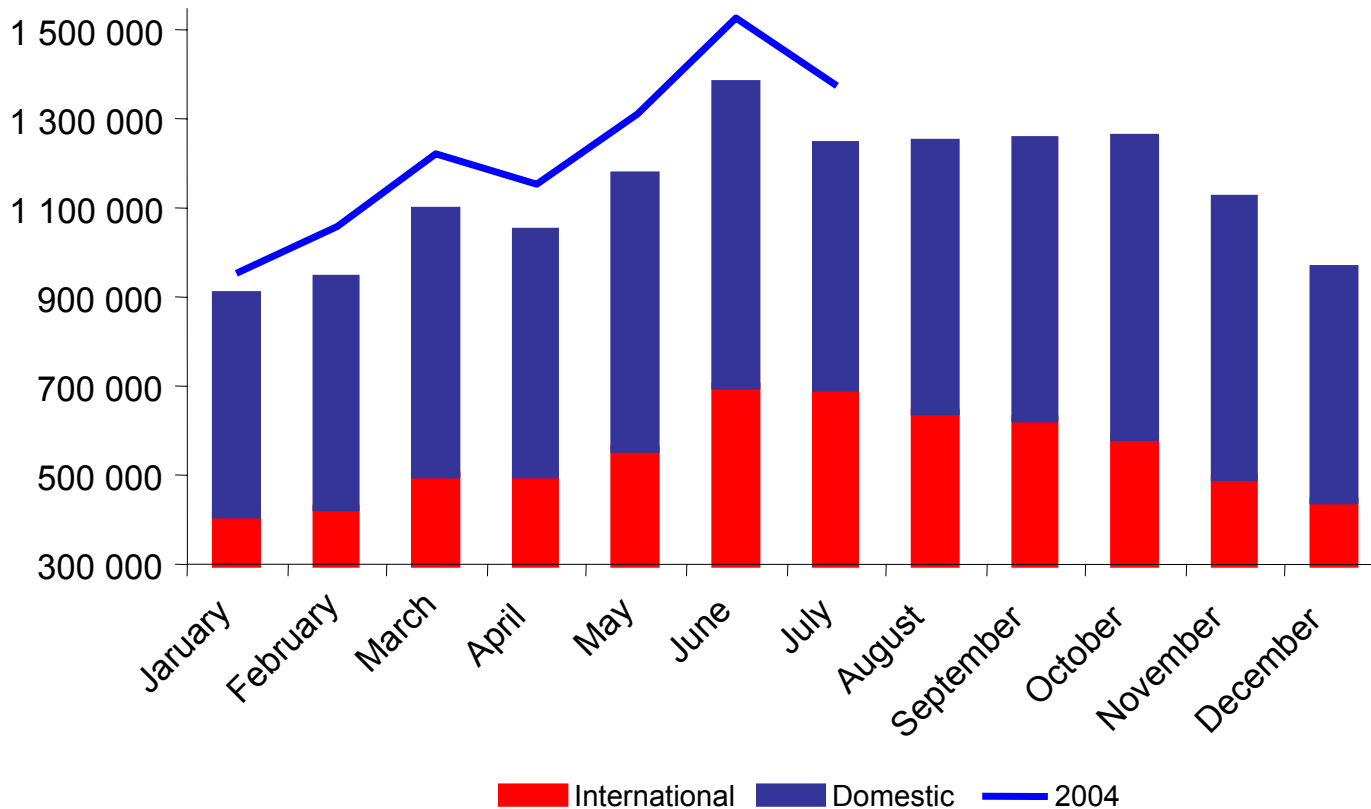
# Yield hit by aggressive pricing

- An increase of 33% in average sector length from Q1 2004 to Q2 2004, impacted yield levels negatively in Q2
- Aggressive price competition had a strong adverse affect on yield levels in Q2
- The intensity of price rivalry has recently eased off, providing room for a positive yield development in H2



# The overall market is growing

Total PAX volume OSL 2003/2004



# Positive EBITDA outlook for H2

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- Higher passenger volumes and continued yield pressure expected for Q3 and Q4
- A materialized "softening" of domestic price rivalry, may affect yield levels positively in the latter part of H2
- Positive EBITDA outlook for H2
- An overall negative result for 2004 is expected

## Summary:

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