

## **NORWEGIAN AIR SHUTTLE ASA**

### **QUARTERLY REPORT – FIRST QUARTER 2005**

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

#### **FIRST QUARTER IN BRIEF**

- Total operating revenue for the quarter amounted to MNOK 319,7. In comparison, first quarter 2004 total revenue amounted to MNOK 236,3.
- Total earnings before depreciation, write-down and leasing costs for aircraft (EBITDAR) amounted to MNOK -15,1 in first quarter. EBITDAR in first quarter 2004 amounted to MNOK -28,2.
- Total earnings before depreciation and write-down (EBITDA) amounted to MNOK -44,2. EBITDA for first quarter 2004 amounted to MNOK -49,9.
- Earnings before tax (EBT) was MNOK -47,6, compared to MNOK -55,6 in Q1 2004.
- Earnings after tax amounted to MNOK -34,3, compared to MNOK -40,0 in Q1 2004.
- The total number of passengers transported in first quarter was 550 497 compared to 398 363 in Q1 2004, an increase of 38 %.
- Total passenger traffic (RPK) increased 61% compared to the same period in 2004.
- The passenger load factor was 68% in first quarter 2005, compared to 65% in Q1 2004.
- The total production (ASK) has increased to 569 million ASK in first quarter compared to 370 million in the same period last year, an increase of 54 %.
- The company has a cash reserve of MNOK 185,6 at the end of the quarter. The equity ratio of the company is 22%.
- Total units cost (cost per ASK) for the quarter was NOK 0,64, compared to NOK 0,77 in the same period last year, an reduction of 17%.

#### **TRAFFIC DEVELOPMENT**

In the first quarter, a total of 550 497 passengers flew with Norwegian, compared to 398 363 the same period last year. This is an increase of 38%. The passenger load factor for the first quarter was 68% compared to 65% in the same period in 2004. Production (ASK) has increased by 54% in the quarter and passenger traffic (RPK) has increased 61%, compared to the same period last year. The growth is related to the company's expansion during the year. The company has had 12 aircraft in operation in the first quarter, compared to eight planes in the same period in 2004. The utilisation of the planes has been improved following the expansion, and every plane has per first quarter a utilization of 6,8 block hours per day, compared to 6,6 block hours in the same period in 2004.

The share of sales via the Internet was 72% in the period compared to 61% in the same period in 2004.

TRAFFIC STATISTICS				
	1st Quarter			
Norwegian	2005	2004	Change	2004
Internet bookings	72 %	61 %	11 pp	
ASK (mill)	569	370	54 %	2 301
RPK (mill)	387	240	61 %	1 538
Cabin factor	68 %	65 %	3 pp	67 %
Passengers	550 497	398 363	38 %	2 073 736
<b>Domestic</b>				
ASK (mill)	317	271	17 %	1 325
RPK (mill)	214	178	20 %	877
Cabin factor	68 %	66 %	2 pp	66 %
Passengers	409 432	351 979	16 %	1 588 160
<b>International</b>				
ASK (mill)	251	99	154 %	976
RPK (mill)	172	62	177 %	661
Cabin factor	69 %	63 %	6 pp	68 %
Passengers	141 065	46 384	204 %	485 576

## COMMENTS TO THE ACCOUNTS

### PROFIT AND LOSS STATEMENT

In the first quarter, the company's turnover was MNOK 319,7 compared to MNOK 236,3 in 2004, which is an increase of 35%. The increase in revenue is mainly related to the increase (61%) in revenue passengers (RPK), which accordingly is related to the increase in production (54% in ASK) with the result of an improved cabin factor with 3 %-points to 68%. The yield has during the quarter been under pressure and is reduced by 16% 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 363,9 in the quarter (including leasing expenses and excl. depr.) compared to MNOK 286,3 last year, an increase of 27%. The increase in expenses is primarily related to the increase of production (ASK) by 54% compared to the same period last year, and the expansion of the aircraft fleet from 8 last year to 12 in Q1 2005. At the same time the company has reduced its cost per ASK with 17% from NOK 0,77 in first quarter 2004 to NOK 0,64 in 2005. The reduction is related to a better utilisation of material and staff, renegotiation of important agreements as well as an overall focus on cost reductions. Through efficiency improvements of sale and marketing channels, the company has reduced costs related to sale and bookings, despite a substantial growth in number of tickets sold. The appreciation of the Norwegian krone in relation to main currencies like US dollar, Euro and British Pounds has resulted in reduced costs compared to same period last year. The total cost of jet fuel has during the quarter been 56% higher than in the same period last year, of which approximately half is related to increased fuel price and the remainder is related to increased production. Approximately 25% of the jet fuel consumption in Q1 2005 was on a hedging contract entered in December 2004. The company has no fuel hedging contracts at the end of first quarter.

Earnings before depreciation and write-down (EBITDA) amounted to MNOK -44,2 in, compared to MNOK -49,9 in Q1 last year.

### BALANCE SHEET

Intangible assets include deferred tax asset of MNOK 99,3 and capitalised expenses related to the development of IT-systems and brand name of MNOK 29,1. Investments in intangible and fixed assets amounted to MNOK 11,4 for the quarter, mainly related to upgrading of leased aircrafts and development of own IT systems.

The stock of consumable goods has increased by MNOK 28,5 during the quarter to a total of MNOK 40,3 mainly due to the purchase of parts to be used in engine overhaul this spring.

Short term receivables has a balance of MNOK 157,9 at the end of the quarter, an increase of 76,2 compared to December 31 2004. A substantial part of this increase is related to accounts receivable from customers and credit card companies due to high sales in the period. The remaining increase is related to prepaid expenses, receivable refunds from leasing companies due to heavy maintenance work on aircraft and receivable refunds related to VAT.

Accruals for pension liabilities amount to MNOK 4,8 at March 31 2005. Provisions for future maintenance are MNOK 9,1. Traffic settlement debt related to sold but not travelled tickets has increased by MNOK 142,7 to MNOK 251,7 due to high sales of the summer program 2005.

The company has per March 31 cash at hand of MNOK 185,6 compared to 195,2 at the end of fourth quarter 2004. MNOK 1,8 is related to positive cash flow from operating activities, while investments in the period has had a negative cash flow effect of MNOK 11,4. The paid up equity at the end of the quarter was MNOK 124,7 equivalent to an equity ratio of 22%.

#### *ACCOUNTING PRINCIPLES*

As of the first 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.

The company has entered into a code share agreement with Sterling with effect as of first quarter 2005, and has a similar agreement with Fly Nordic. The basis of the agreements is that Norwegian sell an agreed upon number of seats on flight that Norwegian operates, and correspondingly buy a fixed number of seats on flights the partner operates. In accordance with current GAAP the sold capacity on Norwegian flights is recorded as gross revenue, and bought capacity is recorded at gross cost. Accordingly, all operational key figures (ASK, RPK and load factor) are reported using a gross principle.

#### **PROSPECTS FOR 2005**

Entering the second quarter of 2005 the demand for seats with Norwegian is very good. After the launch of the Low Fare Calendar the sales over the internet ([www.norwegian.no](http://www.norwegian.no)) has exceeded 70% of the total sales.

The company expect a yield of approximately NOK 0,74 for April. The development of the yield is related to changes in the route portfolio, with a larger portion of international flights and hence a longer average sector length. The yield on domestic flights is stable compared to last month.

The company has an operational fleet of 13 aircraft. The utilisation of the fleet is expected to increase, with an estimated production increase of 40 – 45 % (ASK) compared to last year. The increase is mainly on international routes.

Given the production increase following the code share agreement with Sterling and certain assumptions regarding the development of the fuel price and exchange rates, the company expect the cost pr ASK to decline to approximately NOK 0,5. During the first quarter the fuel price has increased, and contributes to a higher future cost. The company maintain an expectation of a combined positive operating profit for the next three quarters.

Fornebu, May 11. 2005  
Bjørn Kjos  
Managing Director

PROFIT AND LOSS ACCOUNT (KNOK)	First quarter		
	2005	2004	2004
<b>OPERATING REVENUE</b>			
Total operating revenue	319 694	236 321	1 210 059
<b>TOTAL REVENUE</b>	<b>319 694</b>	<b>236 321</b>	<b>1 210 059</b>
<b>OPERATING EXPENSES</b>			
Operating expenses	243 735	193 522	940 638
Personell expenses	66 269	55 471	228 887
Other operating expenses	24 809	15 501	73 221
<b>TOTAL OPERATING EXPENSES</b>	<b>334 813</b>	<b>264 494</b>	<b>1 242 745</b>
<b>OPERATING PROFIT / LOSS BEFORE LEASING &amp; DEPR (EBITAR)</b>	<b>-15 119</b>	<b>-28 173</b>	<b>-32 686</b>
Leasing	29 098	21 773	107 912
<b>OP.P / LOSS BEFORE DEPR (EBITDA)</b>	<b>-44 217</b>	<b>-49 946</b>	<b>-140 598</b>
Depreciation	6 815	3 838	17 960
Write-down			1 042
<b>OPER. PROFIT / LOSS (EBIT)</b>	<b>-51 032</b>	<b>-53 784</b>	<b>-159 600</b>
NET FINANCIAL ITEMS	3 431	-1 831	7 143
<b>EARNINGS BEFORE TAX (EBT)</b>	<b>-47 601</b>	<b>-55 615</b>	<b>-152 458</b>
TAX	-13 328	-15 572	-42 616
<b>P / L FOR THE PERIOD</b>	<b>-34 273</b>	<b>-40 043</b>	<b>-109 842</b>
<b>BALANCE SHEET (KNOK)</b>			
	2005	2004	Per. 31.12 2004
<b>FIXED ASSETS</b>			
Intangible assets	128 371	78 844	114 228
Tangible fixed assets	37 763	26 612	33 971
Fixed assets investment	18 985	13 988	19 035
<b>TOTAL FIXED ASSETS</b>	<b>185 118</b>	<b>119 445</b>	<b>167 235</b>
<b>CURRENT ASSETS</b>			
Consumable goods	40 275	3 874	11 791
Receivables	157 903	113 037	81 724
Cash in bank and in hand etc.	185 572	324 407	195 157
<b>TOTAL CURRENT ASSETS</b>	<b>383 750</b>	<b>441 318</b>	<b>288 671</b>
<b>TOTAL ASSETS</b>	<b>568 868</b>	<b>560 763</b>	<b>455 906</b>
<b>EQUITY</b>			
Called-up and fully paid equity	158 935	263 532	158 274
Retained earnings	-34 273	-40 043	
<b>TOTAL EQUITY</b>	<b>124 663</b>	<b>223 490</b>	<b>158 274</b>
<b>LIABILITIES</b>			
Provisions for liabilities and charges	13 999	35 359	12 573
Current liabilities	430 207	301 915	285 059
<b>TOTAL LIABILITIES</b>	<b>444 206</b>	<b>337 273</b>	<b>297 632</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>568 868</b>	<b>560 763</b>	<b>455 906</b>
No. Of shares	18 369 201	18 333 403	18 333 403
Face value	0,1	0,1	0,1

**CASH FLOW STATEMENT (KNOK)**

	First quarter		
	2005	2004	2004
Net cash flows from operation activities	1 832	12 208	-90 847
Net cash flows from investments	-11 417	18 814	-11 964
Net cash flows from financial activities		-20 652	-16 069
Net change in cash and cash equivalents	<b>-9 585</b>	<b>10 370</b>	<b>-118 879</b>
Cash and cash equivalents per 30. Sept.	195 157	314 036	314 036
Cash and cash equivalents per 31. Dec	185 572	324 407	195 157

**SALES REVENUE (KNOK)**

	First quarter		
	2005	2004	2004
<b>Per activity</b>			
Passenger revenue	314 142	231 135	1 183 325
Other revenue	5 552	5 186	26 731
<b>Total</b>	<b>319 694</b>	<b>236 321</b>	<b>1 210 056</b>
<b>Per geographical market</b>			
Norway	246 623	212 357	829 709
Other EU states	73 071	23 964	380 348
<b>Total</b>	<b>319 694</b>	<b>236 321</b>	<b>1 210 056</b>

**Equity (KNOK)**

	First quarter		
	2005	2004	2004
Equity - Beginning of period	158 274	263 532	263 532
Share issue	661		4 584
P/L	-34 273	-40 043	-109 842
Equity - End of period	124 663	223 490	158 274

**COST BREAKDOWN (KNOK)**

	First quarter		
	2005	2004	2004
Personell costs	66 269	55 471	228 887
Sales/ distribution costs	20 744	23 943	88 049
Aviation fuel	56 677	36 292	218 200
Aircraft leases	29 098	21 773	107 912
Aiport charges	55 143	41 495	223 099
De-icing	7 639	6 712	17 636
Handling charges	39 460	33 853	159 616
Technicak maintenance costs	40 157	29 240	152 249
Depr. / write-down	6 815	3 838	19 002
Other costs	48 725	37 488	155 010
Sum operating costs	<b>370 726</b>	<b>290 105</b>	<b>1 369 659</b>

**FINANCIAL KEY FIGURES**

	First quarter		
	2005	2004	2004
Operating margin (%)	-16 %	-23 %	-13 %
Earnings per share (NOK) (calculated on average no. Of shares)	-1,9	-2,2	-6,0
Book equity per share (NOK)	6,8	12,4	8,6
Equity ratio (%)	22 %	40 %	0
No. Of shares at the end of the period	18 369 201	18 085 230	18 333 403
Adjusted no. of shares at the end of the period	18 364 677	18 052 230	18 224 979
Average no. of shares and options in the period	18 370 040	18 370 825	18 370 825

**SENSITIVITY ANALYSIS**

1 % increase in jet fuel price  
 1 % weakening of NOK against USD  
 1 % weakening of NOK against EUR

Effect on P/L  
 MNOK  
 -3,3  
 -3,5  
 -1,7

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.  
 CABIN FACTOR: Relationship between RPK and ASK as a percentage. Describes the rate of utilisation of available seats.  
 EBITDA: Operating profit/loss before financial items, taxes and depreciation  
 EBITDAR: Operating profit/loss before financial items, taxes, depreciation and leasing costs for aircraft

