

NORWEGIAN AIR SHUTTLE ASA

QUARTERLY REPORT – FIRST QUARTER 2004

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

FIRST QUARTER IN BRIEF

- At the start of 2003, Norwegian has become a pure low-fare airline. The Fokker F-50 operations have been terminated, and during the quarter the company has returned leased Fokker F-50 and sold owned aircraft.
- The total number of passengers transported in first quarter was 398 363 compared to 210 626 in first quarter 2003, an increase of 89 %.
- The total passenger traffic (RPK) increased 161 % compared to the same period in 2003.
- Passenger load factor increased from 44 % in first quarter 2003 to 65 % in 2004, an increase of 21 p.u.
- Total operating revenue for the quarter amounted to MNOK 236 (239). In comparison, first quarter 2003 revenue for the low-fare operation amounted to MNOK 153.
- Total earnings before depreciation, write-down and leasing costs for aircraft (EBITDAR) amounted to MNOK -28 (36). EBITDAR for the low-fare operation for Q1 2003 amounted to MNOK -19.
- Total earnings before depreciation and write-down (EBITDA) amounted to MNOK -49,9 (18,0). EBITDA for the low-fare operation for Q1 2003 amounted to MNOK -34. Total earnings before depreciation include non-recurring expenses of MNOK 6 related to the termination of Fokker operations and the introduction of VAT on passenger transportation.
- Earnings after tax amounted to MNOK -40,0 (9,7), where last year's earnings after tax included restructuring compensation and a substantial contribution from the Fokker operations in the western part of Norway.
- The company has satisfactory liquidity and a cash reserve of MNOK 324,4 at the end of the quarter. The equity ratio of the company is 40%.
- Management's outlook for the year has changed due to changes in the domestic market situation. A continued downward pressure on the yield will cause second quarter earnings to be slightly better than the first quarter. For the third and fourth quarter, we expect increased passenger volumes with a continued pressure on the yield. Total earnings for the year are expected to be negative, however better than 2003 earnings for the low-fare operations.

TRAFFIC DEVELOPMENT

In the first quarter, a total of 398 363 passengers flew with Norwegian, compared to 210 626 last year. This is an increase of 89%. The load factor for the first quarter was 65% compared to 44% in the same period in 2003. The planes have been satisfactory full in a quarter which is traditionally weak due to its season. The production has increased by 78% in the quarter to 370 million ASK compared to 308 for 2003. Passenger traffic (RPK) was 240 million RPK for the quarter, compared to 92 in the same period in 2003, which is an increase of 161 %. The growth is related to the company's expansion during the year and the fact that the planes are increasingly better utilized. The company has had eight planes in operation in the first quarter, compared to seven planes in the same period in 2003. The utilisation of the planes has been substantially improved following the expansion, and every plane flew 497 hours in the quarter compared to 359 in the same period in 2003.

The share of sales via the Internet was 61% in the period compared to 20% in the first quarter of 2003, which is a threefold increase in the course of a year. The website is subject to continuous improvement, and new functionality and services like car-rental, hotel-booking, corporate portal etc has been added.

| TRAFFIC STATISTICS | | FIRST QUARTER | | | |
|---------------------------|---------|---------------|--------|-----------|--|
| Norwegian | Q1 04 | Q1 03 | Change | 2003 | |
| Portion of Internet sales | 61 % | 20 % | 41 pp | 44 % | |
| ASK (million) | 370 | 208 | 78 % | 1 149 | |
| RPK (million) | 240 | 92 | 161 % | 718 | |
| Load factor | 65 % | 44 % | 21 pp | 62 % | |
| No. of passengers | 398 363 | 210 626 | 89 % | 1 234 547 | |
| Segment | | | | | |
| Domestic | | | | | |
| ASK (million) | 271 | 208 | 30 % | 958 | |
| RPK (million) | 178 | 92 | 94 % | 583 | |
| Load factor | 66 % | 44 % | 22 pp | 61 % | |
| No. of passengers | 351 979 | 210 626 | 67 % | 1 145 353 | |
| International | | | | | |
| ASK (million) | 99 | 0 | na | 191 | |
| RPK (million) | 62 | 0 | na | 135 | |
| Load factor | 63 % | 0 % | na | 71 % | |
| No. of passengers | 46 384 | 0 | na | 89 193 | |

(Segment International: The Low-fare operation had no international operations in first quarter 2003)

COMMENTS TO THE ACCOUNTS

In the first quarter, the company's turnover was MNOK 236,3 compared to MNOK 152,5 for the low-fare operation in 2003, which is an increase of 55%. Total revenue last year amounted to MNOK 238,7 of which MNOK 46,7 was related to the Fokker F-50 operation and MNOK 39,5 was restructuring compensation from Braathens for the termination of the west coast operations.

The company had operating expenses of MNOK 286,3 in the quarter (including leasing expenses) compared to MNOK 220,7 last year and MNOK 186,5 for the low-fare operation in the same period in 2003. The increase of expenses is primarily related to the increase of production (ASK) by 78% compared to the same period last year. Earnings before depreciation and write-down (EBITDA) amounted to MNOK -49,9 compared to MNOK -34 for the low-fare operations last year.

During the quarter, the company has returned leased Fokker F-50 planes and sold owned aircraft. In connection to the sale and return of planes, increased expenses of MNOK 2,5 have accrued and been charged to the first quarter earnings.

Value added tax on passenger transportation was introduced as of March 1, 2004. Due to the late clarification related to the timing of VAT charges, no VAT was charged on tickets sold prior to March 1. VAT on these tickets will accrue as a reduction of revenue and amounts to approximately MNOK 3,5 for the first quarter. The company's sales expenses are somewhat higher than expected due to higher than expected sales of future travels.

The company's earnings after tax for the quarter amounted to MNOK -40,0 compared to MNOK 9,7 in the same period in 2003. When adjusted for received restructuring compensation in 2003, the earning for the first quarter in 2003 amounted to MNOK -30.

Intangible assets include deferred tax asset of MNOK 58,9 and capitalised expenses related to the development of IT-systems and brand name of MNOK 19,9. Tangible assets have been reduced by MNOK 22,9 since 31.12.2003, mainly related to the sale of three Fokker F-50 aircraft in the first quarter.

Accounts receivables have increased due to increased sales revenue. A considerable portion of the receivables are towards credit card companies. The receivables are collected 8 days faster compared to the fourth quarter in 2003 due to improved efficiency.

The company has, at the end of the quarter, repaid all long-term debt following the sale of three Fokker F-50 aircraft. Accruals for pension commitments amount to MNOK 6,3 at March 31, 2004. Provisions for future maintenance is MNOK 29,1. Traffic settlement debt related to sold but not travelled tickets have increased substantially in the quarter, from MNOK 69,6 at December 31, 2003 to MNOK 162,7 at March 31, 2004. This is due to high sales of tickets for spring and summer of 2004.

The company has a positive increase in cash at hand in the quarter. In the quarter, the company has sold three Fokker F-50 aircraft and repaid related long-term debt. This has influenced cash flows from investment and financial activities, respectively. Beyond this, there have been no material investments or financing activities. The company has a satisfactory liquidity and a cash reserve of MNOK 324,4 at the end of the quarter. The equity ratio of the company is 40%.

PROSPECTS FOR 2004

Norwegian will by the end of second quarter 2004 completed most of the planned expansion and reach a required marked position, cost efficiency and critical mass with respect to production capacity. During the second quarter the company will launch 12 new routs, mainly to international destinations, and started operation of additional three Boeing 737 aircrafts. With the new program, crew and aircraft fleet will be efficient and well utilized. Norwegians goal to reach a cost level in line with other international low-fare carriers is thereby on track.

Traffic development and growth in the number of passengers carried have been according to plan. However, competition and the current market situation contribute to a lower yield than planned. The situation is expected to continue for a period and thereby somewhat delay the company's forecasted positive earnings. Norwegians goal going forward is to maintain and adjust production capacity and competitive strength, as well as continue to focus on stabilizing price and yield levels within reasonable operational and financial limits.

Management's outlook for the year has changed due to changes in the domestic market situation. A continued downward pressure on the yield will cause second quarter earnings to be slightly better than the first quarter. For the third and fourth quarter, we expect increased passenger volumes with a continued pressure on the yield. Total earnings for the year are expected to be negative, however better than 2003 earnings for the low-fare operation.

Fornebu, May 24 2004

Bjørn Kjos
Managing Director

| PROFIT AND LOSS ACCOUNT (KNOK) | FIRST QUARTER | | |
|---|----------------|----------------|----------------|
| | 2004 | 2003 | 2003 |
| OPERATING REVENUE | | | |
| Total operating revenue | 236 321 | 199 195 | 922 424 |
| Restructuring compensation | | 39 524 | 36 189 |
| TOTAL REVENUE | 236 321 | 238 719 | 958 613 |
| OPERATING EXPENSES | | | |
| Operating expenses | 193 522 | 146 822 | 666 159 |
| Personnel expenses | 55 471 | 43 843 | 180 001 |
| Other operating expenses | 15 501 | 12 063 | 57 012 |
| TOTAL OPERATING EXPENSES | 264 494 | 202 728 | 903 172 |
| OPERATING PROFIT/LOSS BEFORE LEASING & DEPR (EE) | -28 173 | 35 991 | 55 441 |
| Leasing | 21 773 | 18 010 | 79 262 |
| OP.P/LOSS BEFORE DEPR (EBITDA) | -49 946 | 17 981 | -23 822 |
| Depreciation | 3 838 | 2 847 | 10 098 |
| Write-down | | | 24 271 |
| OPER. PROFIT/LOSS (EBIT) | -53 784 | 15 134 | -58 192 |
| NET FINANCIAL ITEMS | -1 831 | -1 630 | -827 |
| EARNINGS BEFORE TAX (EBT) | -55 615 | 13 504 | -59 017 |
| TAX | -15 572 | 3 781 | -16 271 |
| P/L FOR THE PERIOD | -40 043 | 9 723 | -42 746 |
| SALES REVENUE (KNOK) | | | |
| | FRIST QUARTER | | |
| | 2004 | 2003 | 2003 |
| Per activity | | | |
| Contractual flights | | 45 616 | 45 616 |
| Pssngr conveyance | 231 135 | 152 654 | 851 260 |
| Restructuring revenue | | 36 189 | 36 189 |
| Other revenue | 5 186 | 4 260 | 25 548 |
| Total | 236 321 | 238 719 | 958 613 |
| Per geographical market | | | |
| Norway | 212 357 | 238 156 | 892 229 |
| Other EU states | 23 964 | 563 | 66 384 |
| Total | 236 321 | 238 719 | 958 613 |
| CASH FLOW STATEMENT (KNOK) | | | |
| | FIRST QUARTER | | |
| | 2004 | 2003 | 2003 |
| Net cash flows from operation activities | 12 208 | 32 751 | 61 498 |
| Net cash flows from investements | 18 814 | -4 829 | -28 637 |
| Net chas flows from financial activities | -20 652 | -3 143 | 217 938 |
| Net change in cash and cash equivalents | 10 370 | 24 779 | 250 799 |
| Cash and cash equivalents per 1. January | 314 036 | 63 237 | 63 237 |
| Cash and cash equivalents per 31. March | 324 407 | 88 016 | 314 036 |

BALANCE SHEET (KNOK)

| | Per 31. 3 | | Per 31.12 |
|--|----------------|----------------|----------------|
| | 2004 | 2003 | 2003 |
| FIXED ASSETS | | | |
| Intangible assets | 78 844 | 30 254 | 62 980 |
| Tangible fixed assets | 26 612 | 57 743 | 49 557 |
| Fixed assets investments | 13 988 | 13 014 | 14 038 |
| TOTAL FIXED ASSETS | 119 445 | 101 011 | 126 575 |
| CURRENT ASSETS | | | |
| Consumables | 3 874 | 8 599 | 2 435 |
| Receivables | 113 037 | 85 724 | 81 439 |
| Cash in bank and in hand etc. | 324 407 | 88 016 | 314 036 |
| TOTAL CURRENT ASSETS | 441 318 | 182 339 | 397 911 |
| TOTAL ASSETS | 560 763 | 283 350 | 524 486 |
| EQUITY | | | |
| Called-up and fully paid equity | 263 532 | 71 157 | 306 278 |
| Retained earnings | -40 043 | 9 723 | -42 746 |
| TOTAL EQUITY | 223 490 | 80 880 | 263 532 |
| LIABILITIES | | | |
| Provisions for liabilities and charges | 35 359 | 14 933 | 42 775 |
| Other long term liabilities | | 29 770 | 20 652 |
| Current liabilities | 301 915 | 157 766 | 197 526 |
| TOTAL LIABILITIES | 337 273 | 202 470 | 260 953 |
| TOTAL EQUITY AND LIABILITIES | 560 763 | 283 350 | 524 486 |
| No. of shares | 18 085 230 | 79 021 | 18 085 230 |
| Face value | 0,1 | 13 | 0,1 |

FINANCIAL KEY FIGURES

| | FIRST QUARTER | | 1.1 - 31.12 |
|--|---------------|------------|-------------|
| | 2004 | 2003 | 2003 |
| Operating margin (%) | -23 % | 6 % | 0 % |
| Earnings per share (NOK) (calculated on average no. of shares) | -2,2 | 0,9 | -4,05 |
| Book equity per share (NOK) | 12,4 | 1 023,5 | 15,0 |
| Book equity per share according to corrected value (NOK) | 12,4 | 7,9 | 15,0 |
| Equity ratio (%) | 40 % | 29 % | 50 % |
| No. of shares at the end of the period | 18 085 230 | 79 021 | 18 085 230 |
| Average no. of shares in the period | 18 085 230 | 10 272 730 | 10 550 983 |

* No. of shares for 2002 and 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 is reporting losses.

COST BREAKDOWN (KNOK)

| | FIRST QUARTER | | 2003 |
|-----------------------------|----------------|----------------|------------------|
| | 2004 | 2003 | |
| Personell costs | 55 471 | 43 843 | 180 001 |
| Sales/distribution costs | 23 943 | 19 923 | 81 418 |
| Aviation fuel | 36 292 | 24 731 | 121 122 |
| Aircraft leases | 21 773 | 18 280 | 79 262 |
| Airport charges | 41 495 | 27 717 | 141 731 |
| De-icing | 6 712 | 6 261 | 17 167 |
| Handling charges | 33 853 | 25 405 | 133 977 |
| Technical maintenance costs | 29 240 | 25 421 | 101 943 |
| Other costs | 41 326 | 32 005 | 160 181 |
| Sum operating costs | 290 105 | 223 585 | 1 016 803 |

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 completely 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.
 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 11 domestic routes and 17 destinations abroad. The company operates 11 Boeing 737-300 aircraft and has approximately 380 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. Almost one million people have flown with Norwegian in its first year of business.

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

The company has in its' first 20 months of operations become an actor in the Norwegian domestic market, with a market share of approximately 13 percent.

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.