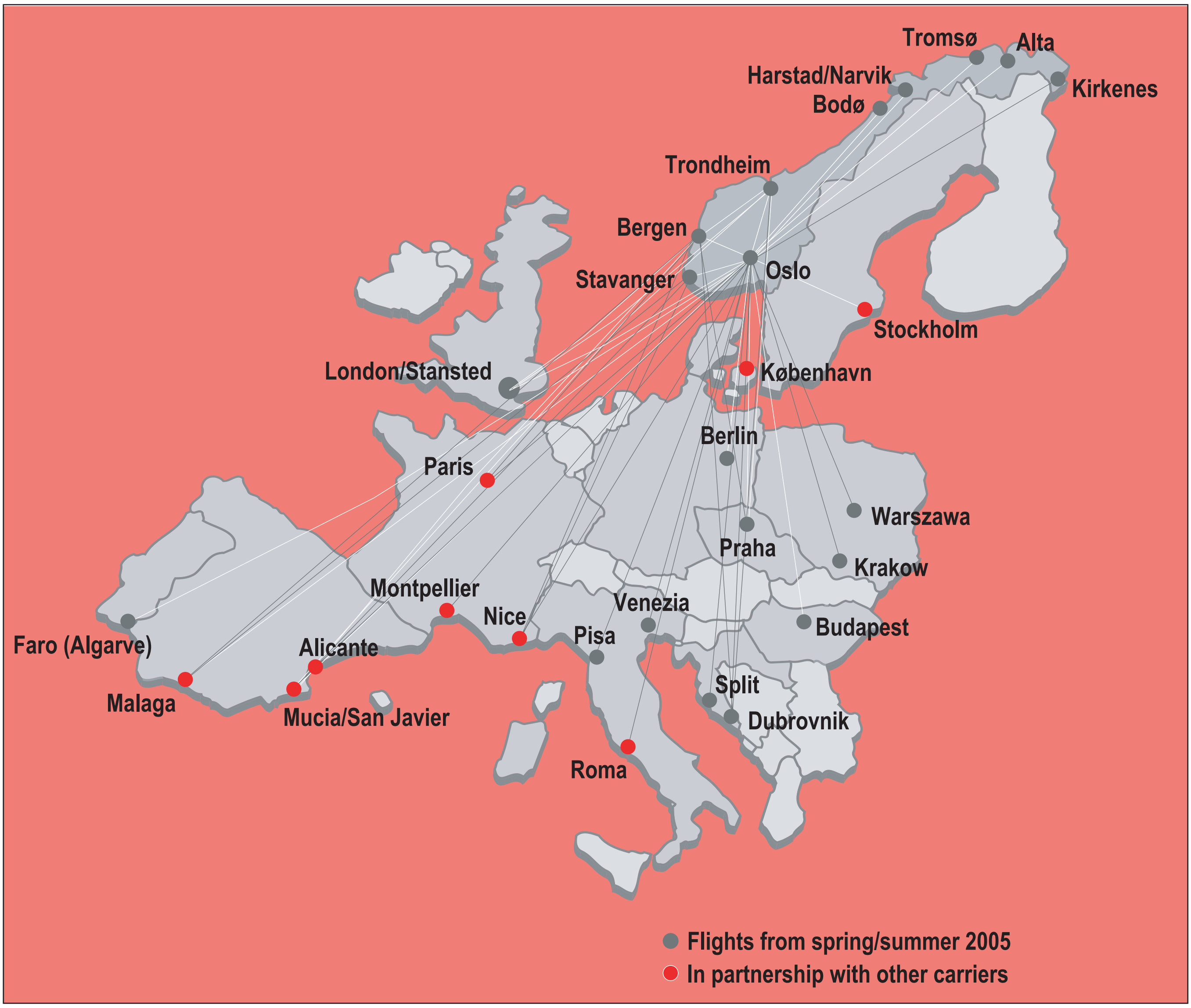
Annual Report 2004

Norwegian Air Shuttle ASA



“Affordable air-fares for everyone”

Table of contents

The year in brief

Total turnover for the year was MNOK 1 210.1 compared with MNOK 818.1 for the low-fare operation in isolation in 2003.

The total operating result before depreciation and leasing costs (EBITDAR) was MNOK -32.7 compared to MNOK 14.1 for the low-fare business in 2003.

The total operating result before depreciation (EBITDA) was MNOK -140.6 compared to MNOK -55.2 in 2003.

The result before tax (EBT) for the year was MNOK -152.5 compared to MNOK -59.0 in 2003.

Result after tax for 2004 was MNOK -109.8 compared to MNOK -42.7 the previous year.

In total the company has flown 2.073.736 passengers in 2004 compared to 1.234.547 in 2003, which is an increase of 68 %.

Total passenger traffic (RPK) increased by 114 % compared to 2003.

The cabin factor in 2004 has been 67 % compared to 62 % last year which is an increase of 5 percentage points.

Total production (ASK) has increased 100 % in 2004 (2 301 million ASK) compared to 2003 (1 149 million ASK).

The company had cash of MNOK 195.2 at the end of the year and an equity ratio of 35%.

Total unit cost (cost per ASK) for the year was NOK 0.59 compared to NOK 0.76 for the low-fare operation in 2003, which is a reduction of 22 %.

Fuel costs were MNOK 218 (121). The average cost of Jet Fuel increased by 33 % during the year, which is the equivalent of MNOK 41.5. The remaining increase relates to increased production.

During the year the low-fare operation developed its network from 18 to 41 routes, of which 31 to overseas destinations.

Key figures (NOK 1 000)			
Total for the Company	2004	2003	2002
Operating revenue	1 210 059	958 613	386 483
EBITDAR	-32 686	55 441	-33 698
EBIT	-159 600	-58 190	-73 786
EBT	-152 458	-59 017	-71 749
Earnings per share	-6,03	-4,05	-7,50
Low-fare operations	2004	2003	2002 1)
Operating revenue	1 210 059	818 109	185 628
EBITDAR	-32 686	14 129	-37 087
EBITDA	-140 598	-55 183	-49 316
ASK (million)	2 301	1 149	248
RPK (million)	1 538	718	130
Load factor	67 %	62 %	52 %
Passengers carried	2 073 736	1 234 547	300 901
Internet sales	63 %	44 %	20 %
Number of routes 2)	41	18	4
Aircrafts operated 2)	12	8	7

1) Commencement of low-fare flights 1 September 2002

2) At year-end

Dear shareholder

Norwegian's strategy is to establish itself as a strong number 2 operator in the Norwegian domestic market, and through swift growth, achieve a cost base which is among the best of the low-fare companies. Our strategy is to focus on domestic flights, with utilisation of excess capacity on the international routes.

A newly started company will never achieve a low cost base without first achieving a certain volume. This is quite simply because there is a need to have a relatively large minimum staff level regardless of how many flights are operated. In 2003 we flew approximately 3 300 passengers per employee, whilst in 2004 we flew approximately 4 900 passengers per employee.

Whilst it cost us NOK 0.76 to fly one passenger seat one kilometre in 2003 we managed to fly the same seat for NOK 0.59 per kilometre in 2004, which is a reduction in costs of approximately 25 % (we flew 2 300 million seat kilometres). We managed this even though we experienced an increase in the cost of fuel of up to 50 %. At the beginning of 2004 we set ourselves a goal of reducing our costs to that of the best low-fare operator in Europe. We have managed this and we are now down at a cost level which is about half of what our main competitor has.

Through a successful stock exchange float at the beginning of 2004 we raised MNOK 235. In April we encountered a severe price war. With a solid financial base and an extremely low cost level we have come strengthened out of this price war. The price war naturally led to significantly lower turnover than expected. In the last quarter we have seen that prices are on their way back to where they were before the price war started.

At the same time we found it necessary to pull out of two routes. On one of these routes we experienced ridiculous price dumping and we did not find it defendable to continue with the significant losses that we incurred.

In 2004 we opened direct routes to a total of 22 new destinations. This has allowed many thousands of Norwegians the opportunity to travel to new destinations at a very reasonable cost. We transported more than 2 million passengers in 2004, which is approximately half of the population of Norway, and this is only our second full operating year. The beginning of 2005 every third passenger on routes to Bergen and Trondheim travels on a Norwegian plane.

It takes time to build up new routes and we have seen a steady and good improvement. In particular, on the most important business routes 2004 has shown a very positive development. The routes to Trondheim and Bergen increased at the beginning of November from 38 to over 50 departures each week. Passengers were very grateful for this new service. We managed to keep the cabin factor stable, even at the time of year where there are fewer that travel, and even though there was a significant increase in the number of seats made available.

Through our cooperation with Fly Nordic, the Stockholm route has had a significantly improved time table. This cooperation has changed red figures to black on this route. The good experience we had from this cooperation allowed us to enter into a similar but more extensive arrangement with Sterling. Sterling has aircraft with 189 seats, which is somewhat more than ours, but which are too large on the short business routes where frequency is important. These are usually more appropriate than ours on the longer distance holiday destinations. Therefore, we use Sterling's aircraft to Spain whilst our aircraft will fly Oslo to Copenhagen. We exchange seats on each others aircraft at cost per seat. We avoid having to fly wing to wing, at the same time as we get the most efficient aircraft on the correct routes. Overcapacity which we make available through this is used to open new routes together.

We will introduce two new aircraft in 2005 and will increase the utilisation of the remainder by nearly 15 %. With 13 aircraft and a higher utilisation we expect a further reduction in the seat costs. We will increase frequencies on routes that we fly today, particularly overseas. There will also be new routes, not least due to the cooperation with Sterling. In particular, regular departures via Copenhagen will be demanding but will give an even better service to our business travellers.

We have also introduced a new Internet system with an advanced low-fare calendar which makes it easy for travellers to find the lowest cost tickets. We believe it will then be easier to fill our aircraft and simpler for us to run our campaigns. In the beginning of 2005 a new SAP system will be introduced which is expected to give us significant savings and better operating systems.

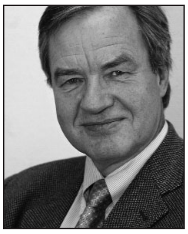
We have also made it possible in 2004 to purchase tickets from all the kiosks run by Narvesen. It is also possible to purchase tickets by SMS.

The extreme increases in fuel prices hit Norwegian hard. They gave us significantly higher costs than expected and together with the price war drove us into the red.

In addition to the Internet developments we have further developed our own IT-systems for ticket handling, which has given us significantly lower ticket costs. The introduction of two new aircraft and an even higher utilisation of the whole fleet will also give us lower costs.

The cooperation with the two other Nordic low-fare operators will give us an improved competitive position against the traditional companies in the market, in that we will have a more efficient utilisation of the aircraft and we avoid direct competition with other low-fare companies.

We therefore have a strong belief that 2005 operations will give us a significantly improved result. We are prepared for fuel prices to be high in 2005, but with the cost reducing initiatives which we are working on, we shall reduce our costs, even though fuel is so expensive. We also believe that we will be able to continue the good improvement in the utilisation of our fleet in the coming year. There are no grounds to believe that yield will be lower in 2005, as it will probably stabilize at the level we see today.



Fornebu, March 16, 2005
Bjørn Kjos

Visions and goals

The business aim of Norwegian Air Shuttle ASA is, through efficient operations and low prices, to give everybody who lives in Norway the possibility to travel by aircraft. Lower prices for aircraft journeys is expected to improve people's financial well being and social life, give a more competitive Norwegian business community, as well as to give a positive stimulant to the general development of our society. The company's ambition is to establish itself as one of the preferred suppliers of air travel to those who live in Norway. This can be achieved through low prices in selected markets and a competitive destination list, and high relevance and quality in delivery.

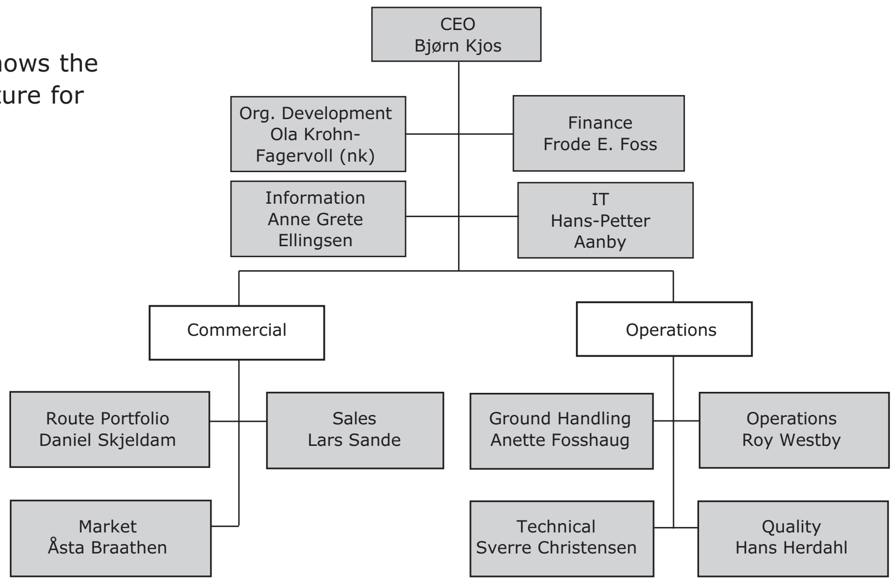
In order to achieve the company's business aim and ambitions our organisation is being developed on the lines of: Directness, simplicity and relevance. The company has a flat organisational structure which makes the decision-making processes simple and direct. The company prefers management processes which allow it at any time to react quickly with necessary measures. Working in the organisation should be hallmarked by focus, team playing and achievement of goals, where this is seen as being an open and direct dialogue with emphasis on real improvement.

To achieve a high level of business relevance the company structure and organisation is built from the ground up with the aim to build the strategic skills which give low costs and high efficiency in the company's use of resources. Activities which are not of sufficient strategic relevance for the business will be actively outsourced instead.

Company organisation

Management

The figure below shows the management structure for Norwegian



Employees

At the end of the year the company had 445 employees, or the equivalent of 434 full time employees. 71% of the total employees were operative aircraft and technical personnel; pilots, cabin crew, fleet operation administration and maintenance. The table below shows the development of total employees during the year.

Function	31 Dec2004	31 Dec 2003
Operations - Pilots	96	85
Operations – Cabin staff	155	112
Operations - Administration	19	17
Technical	44	36
Commercial 1)	93	95
Administration	38	29
Total	445	374

1) Including Call Centre

As a result of the company's expansion plans, whereby the fleet will increase by another two aircraft to 13 Boeing 737-300 in total, the number of employees in fleet operation will increase in 2005.

Operations and market developments

Destinations

The central factors in the development of Norwegian flight destinations have been:

- to follow the larger point-to-point market in and out of the largest towns in Norway which are either being overpriced or underserved
- to be the first low-fare operation on new routes where only established players have existing flights
- to develop lesser markets through the introduction of the low-fare concept
- to provide the opportunity to both private and business travellers to get an attractive price
- to maximize the total utilisation of the fleet in order to achieve lower operating costs per seat
- to continuously adapt what we are offering to short and long term changes in demand

Norwegian developed its destinations in 2004 to cover 41 routes of which 10 are domestic and 31 international. Total aircraft in the fleet in that period have increased to 12 Boeing 737-300.

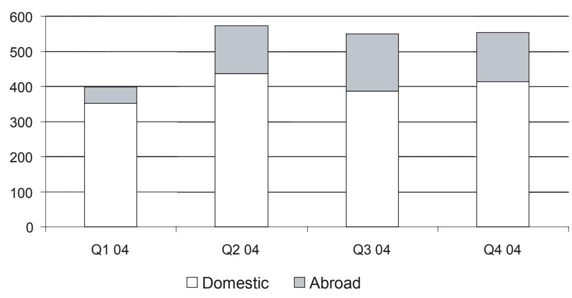
From the starting point of the established position in the Norwegian domestic market, Norwegian has sought growth through the establishment of routes overseas to traditionally popular cities and southern European destinations for the private market. This expansion is also being motivated out of the need to further utilise the fleet.

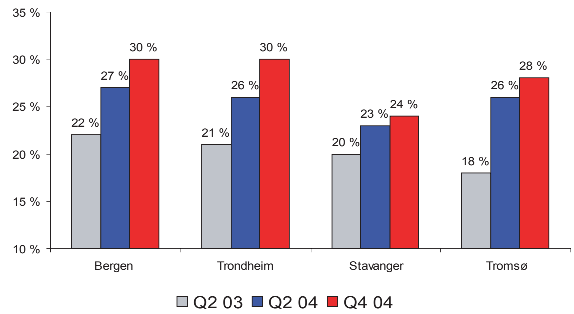
Passenger development

2 073 736 passengers have flown with Norwegian during 2004. Travel volumes have varied throughout the year, the first quarter being the lowest activity, improving thereafter quarter for quarter. In addition to the seasonal changes, development in passenger traffic has reflected the development of the destinations Norwegian has on offer.

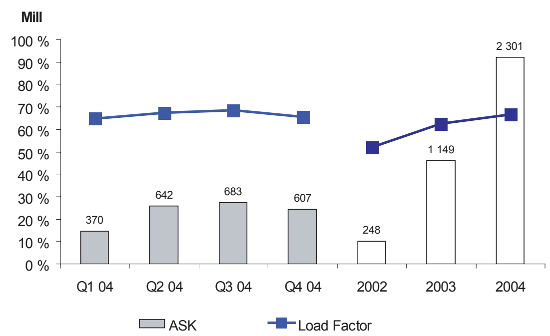
In the short time the company has run its low-fare operations, Norwegian has established its position in the Norwegian domestic market. At the end of 2004 the company had a market share of 25-30 % in the most densely used domestic routes (Oslo to Bergen, Trondheim, Stavanger and Tromsø).

Passenger volume (1 000)



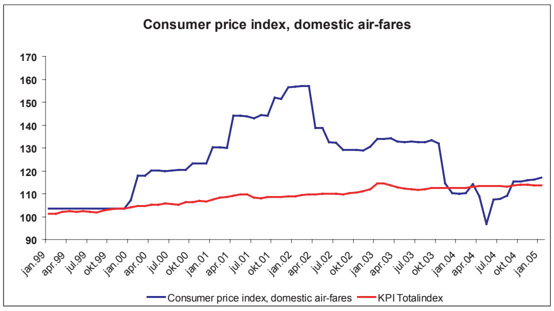


During the year passenger traffic (RPK) has increased by 114 %. Production (ASK) increased by 100 % compared to 2003. The load factor for the year as a whole ended at 67 % which is an increase of 5 % points from 2003. The domestic load factor ended at 66 %, an increase of 5 % points. The international load factor was 68 %, a fall of 3% points. The international portfolio has had a significant expansion which started at the second quarter of 2004 and since then has had a continuous increase in traffic compared to total production.

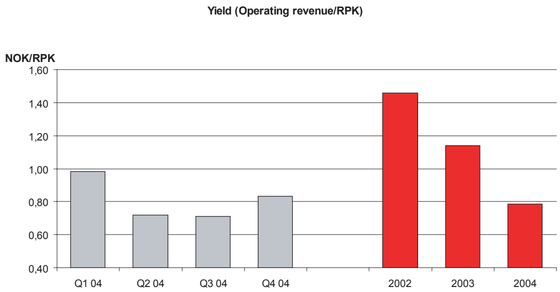


The yield (traffic income/RPK) has been falling ever since low-fare flights started. This is to a large extent connected to expansion and improved average flying distances. Price competition has also increased in the Norwegian domestic market and reached its lowest level in the second quarter 2004.

Additionally, seasonal swings and holiday periods affect the combination of holiday and

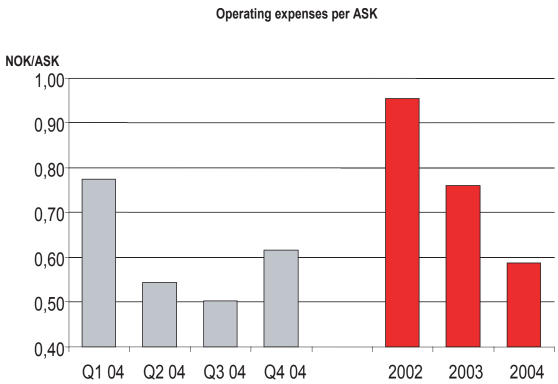


business travellers, particularly in the summer period, just before Christmas, and the first quarter which is generally the industry's weakest. However, during the year it has been possible to see a small increase and an apparent stabilisation in yield.



Operating costs

A relatively large part of the company's costs are driven by fixed and interval fixed production costs (leasing costs, fleet insurance, cabin crews etc). It is therefore important to have a high utilisation of the fleet in order to achieve the lowest possible cost per ASK. Additionally, the development of the fleet provides further economies of scale and reduction in costs per ASK. Frequency based aircraft operating costs, such as take off fees, de-icing and ground handling achieve a lower cost per ASK due to increased sector length.



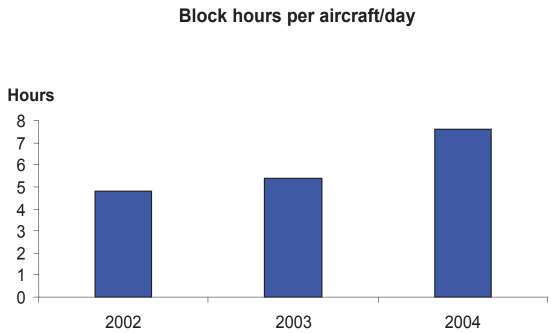
Since it started its low-fare operations and throughout 2004, Norwegian has achieved a significant increase in production. This is partially the result of the number of aircraft increasing to 11 and partly as result of improved utilisation of the fleet. This has resulted in costs per ASK being reduced throughout the period due to the improved utilisation of the fleet and increased sector length. The table below shows the development in costs per ASK for each quarter of the year. Costs per ASK are reduced in total by 22 % from 2003 to 2004.

In addition to the utilisation of the fleet, costs per ASK are also dependent on the extent of total operating costs. Factors which are considered to be the most important in relation to the size of the company's costs are commented on below.

Utilisation of the fleet

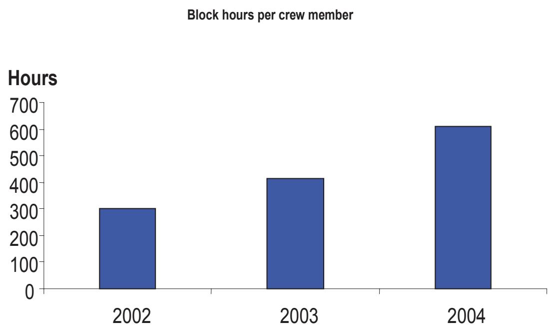
An important element in the company's price strategy is to focus on a uniform fleet of Boeing 737-300 aircraft. At the end of 2004 the company had 12 such aircraft, and additionally one more aircraft will be put into operation in the spring of 2005. Focus on a uniform aircraft fleet result in lower costs due to simpler maintenance, reduced need for spares, reduced variation in the type of tools equipment and infrastructure as well as a simpler administration.

Utilisation of the fleet is significantly improved as result of the expansion and each aircraft has for the year as a whole an average 7.6 hours per day in use (block hours), compared to 5.4 hours in 2003.



Staff utilisation

The company is still focused on an effective staff utilisation. It is particularly important to achieve optimal utilisation of crew members and the highest possible number of flying hours for these. To a large extent this is

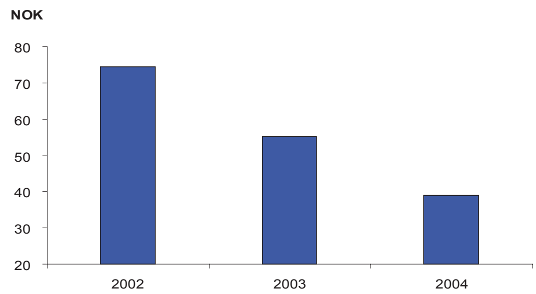


dependent on the route and crew planning and trade union agreements with crew personnel which apply for civil aviation. Since its start the company has increased the flying hours per crew member in line with expansion.

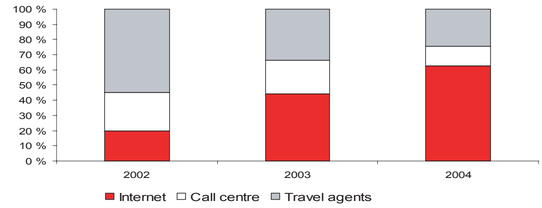
Ticket distribution costs

Costs related to the sale of tickets vary between the different distribution channels. Norwegian now has five different sales channels:

Sales and distribution costs per passenger



Sales precentage per distribution channel



Internet – www.norwegian.no
Call centre (Oslo and Tromsø)
Travel agents
Narvesen
Mobile phone – SMS

Internet and the www.norwegian.no web site are clearly the most cost effective sales channel, and over 60% of all bookings were made over the internet in the beginning of 2005.

Travel agencies sale, which is an important sales channel for business travellers, have been stable at approximately 25 %. The proportion of sales made through Norwegian's call centre has been reduced in line with the rise in the importance of the web site channel.

New distribution channels were established by the company in 2004 in order to improve its availability to the market and reduce distribution cost. Norwegian was the first carrier in the world to introduce the sale of tickets through SMS, in collaboration with Telenor. Further, Norwegian and Narvesen have entered into an agreement for the sale of tickets in all Narvesen shops and kiosks. Additionally, the company has developed an internet portal that includes a special corporate portal providing announced functionality for corporate customers and business travellers. This solution will make it simpler for a person in a company to book tickets for several employees, and gives improved statistics to the company.

Ground operations and in-flight services

To provide the flexibility that active route portfolio development demands, the company purchases services to cover ground operations.

For traditional carriers, provision of meals on board the aircraft is an added cost. Generally, Norwegian does not offer meals on its flights, but where flight time exceeds one hour, both food and drinks can be purchased. Tax-free sales are also offered on international routes.

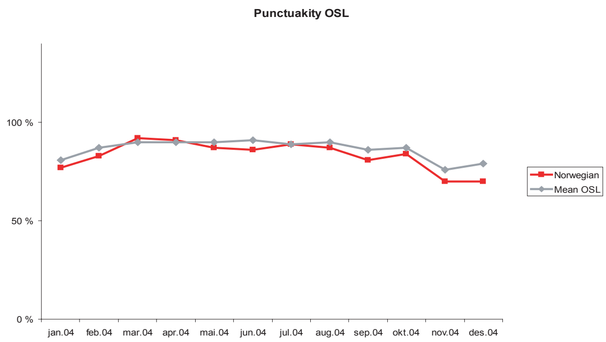
Administration and other costs

The company's central administration currently runs Norwegian's activities from low cost premises at Fornebu.

IT is an important tool in the company's work to achieve a cost effective operation which at the same time ensures good service to customers. Amongst other things the company has invested in electronic solutions for the handling of ticket-less travel and staff planning which over time will require fewer employees and less administration. The company's work on optimising IT systems and routines to ensure the most cost effective operations will continue in 2005.

Punctuality

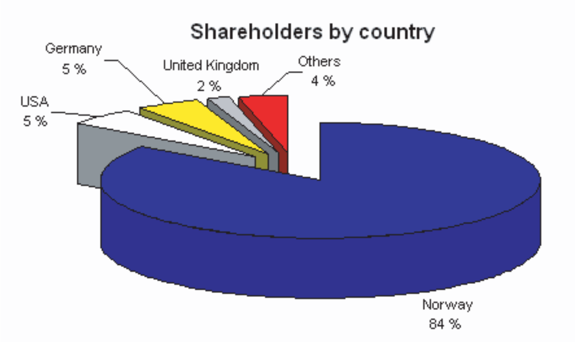
The company's punctuality, measured in delays exceeding 15 minutes, has been lower than the average for other domestic operators in 2004. Many delays were experienced due to bad weather in February. One aircraft was delivered late by the seller and this resulted in many delays in April and May. From August onwards the company had a lower punctuality than average. Many of these delays were the result of the actions of the air traffic controllers at Røyken. There were also unexpected technical delays in November. The company's high utilisation of the aircraft fleet makes it more susceptible to follow-on consequences of one plane being late, compared with the traditional carriers which have a greater availability of aircraft and higher frequency in their time tables. This risk will be reduced through the planned development of the company's fleet and general optimization of operations.



Company punctuality measured in delays exceeding 15 minutes

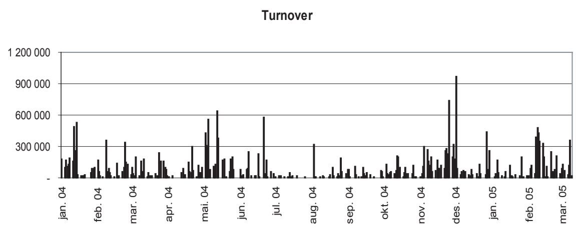
Share and ownership structure

Norwegian was floated on the Oslo Stock Exchange on 18 December 2003, and the shares have been traded throughout 2004. At 31 December 2004 Norwegian had a share capital of MNOK 1 833 339.8, consisting of 18 333 398 shares with a par value of NOK 0.1. At the year-end Norwegian had a total of 1 280 shareholders split between institutional and private investors. Overseas shareholders were approximately 15 % at the year-end compared with approximately 19 % at the beginning of the year. Apart from in Norway the largest shareholdings are in the USA, Germany and United Kingdom with 5, 5 and 2 % respectively. During the year the employees received approximately 250 000 shares in connection with the company's incentive program. The company owns none of its own shares.



The share price had a weak development and at the end of the year stood at NOK 13.50 (-56 %). The development of the share price is related to the fact that the company has not achieved the financial goals set in connection with the flotation. During the second half of 2004 the company has managed to deliver on the underlying drivers of a low-price model, and the share price development in the last quarter has had a positive movement from NOK 10 to NOK 15-16 following the publication of accounting figures for the last quarter.

The share is included in the OB-match liquidity group on the Oslo Stock Exchange. On average 177 033 shares are traded each day and in 2004 the company's total number of shares were traded 2.1 times.



Corporate Governance

In 2004 the company is focused on developing its Corporate Governance systems to secure the shareholders, employees, government, customers, suppliers and lenders and financial institutions interests' in the company.

Norwegian's Corporate Governance principles are designed to ensure that the company is run in a satisfactory manner by:

- ensuring that laws, regulations and ethical standards are complied with
- securing independent and well qualified board members
- ensuring relevant and timely reporting to shareholders and other stakeholders
- giving the board the possibility for thorough insight into the operational and financial conditions
- ensuring equal treatment of shareholders
- demonstrating good internal control

The system is made up both of legally required corporate bodies which would look after the interests of the shareholders, internal bodies which ensure that the administration's management complies with the expectations of stakeholders, and a governance structure providing healthy interaction between bodies and efficient implementation of the company's governance control processes.

The composition of the board should be such that it has the competence and experience from the transport sector or other competitive consumer sectors, significant contacts, together with experience from business, finance capital markets and marketing.

The board meetings are run by its chairman. The managing director and finance director also participate in board meetings. Other members of management participate when there is a need.

The board's work and responsibilities are defined in the Norwegian Public Limited Companies Act, the Company's Articles of Association and the directives in place for the board's activities. The board's activities are concentrated on strategy, organisation, Corporate Governance, and approval of budgets, quarterly and annually reports. The board will keep records, follow-up, decide on and debate issues related to the above. The company's decisions related to expansion, introduction of aircraft and other issues which increase operational exposure as well as larger investments are given special attention.

An election committee is responsible for choosing and proposing board members that are to be approved by the annual general meeting, in accordance with the Articles of Association.

It is a goal for Norwegian to manage shareholders values such as the return measured as the sum of dividend and share price improvement is the highest possible over time. This will make the company an interesting investment alternative and will create the basis for the company to have access to risk capital whenever this should be necessary. Dividend payments will be approved by the shareholders at the annual general meeting.

Norwegian wishes to increase the level of knowledge of the company and an understanding of the industry. In this way the company can create trust such that the interest from investors and analysts over time can influence the correct pricing of the company in the share market. Norwegian does this by presenting financial information on a quarterly basis through its quarterly reports and presentations. Additionally the company publishes traffic developments every month. This information is collected and is available on the company's web-site www.norwegian.no.

Annual report

This annual report for Norwegian Air Shuttle ASA for 2004 has been prepared by the Board and the Managing Director.

This is Norwegian

Norwegian Air Shuttle ASA is a publicly listed airline company. In total the company has nine domestic routes and 36 international routes to Europe from several towns in Norway. The company currently operates 12 Boeing 737-300 aircraft. From the establishment of the company in 1993 and up to the spring of 2003, the company operated flights on behalf of Braathens on the west coast of Norway using Fokker F-50 aircraft. A low-fare operation started in September 2002 with 6 Boeing 737-300 aircraft, and almost a million passengers used these services in the first 12 months. The expansion has continued since the start of the low-fare operation and in 2003 and 2004 1.2 and 2.1 million passengers respectively flew with Norwegian.

The company started regional routes in the north of Norway in April 2003, using Fokker F-50 between Bodø, Andenes, Tromsø and Tromsø-Lakselv based on an agreement with the Ministry of Transport. At the same time the operations being carried out for Braathens were terminated. In line with the strategy to develop low-fare flights with the Boeing 737, the Fokker F-50s were phased out by the end of 2003 and those Fokker F-50 aircraft which were directly owned were sold in the course of the first quarter of 2004. Today the company is a pure low-fare carrier with a uniform aircraft fleet of Boeing 737-300. The headquarters of the company is at Fornebu and there are additional ticket offices at Oslo Airport Gardermoen and Tromsø Airport Langnes.

Review of the year

The company has significantly developed its routes from 18 to 41 in 2004, at the same time phasing in four new aircraft. The increase in routes on offer has given a significantly improved utilisation of the aircraft fleet with a corresponding reduction in costs per flying hour. The company has continuously adapted production and the time table in order to achieve more efficient operations and a higher cabin factor. Even with significant increases in capacity on certain routes, the cabin factor has been improved. At the same time the company has closed routes between Oslo and Ålesund, Oslo-Molde, Stavanger-Bergen and London/Stansted and Tromsø-Longyearbyen due to poor profitability. The company entered into a cooperative agreement with FlyNordic on the Oslo-Stockholm route which has led to a better product for customers and improved the company's profitability. Following the good experience the company had with FlyNordic, another cooperative agreement has been entered into with the Danish company Sterling in 2004, covering a number of existing and new routes. The cooperative agreement will start during the first half of 2005.

With a basis in the already established position in the Norwegian domestic market and the traditional South European tourist and city destinations, the company has achieved additional growth through the establishment of routes to destinations in Central and East Europe for holiday travellers. The company started flights to Berlin and Budapest, Pisa and Venice in the spring of 2004. Flights to Split and Dubrovnik in Croatia were started in the summer of 2004. Torino and Salzburg flights were added in the later winter months.

Interest for Norwegian's destinations has been good and during the course of 2004 the company transported 2 073 736 passengers in Norway and overseas and achieved an average cabin factor of 67 %.

Throughout the year the company has further developed internet solutions and own IT-systems for ticket sales. Together with an increased utilization of the aircraft fleet it has resulted in significant cost reductions. However, even with these improvements in the cost base, the company has delivered negative results as result of extreme increases in aircraft fuel costs and reduction in ticket prices.

Organisation, working conditions and environment

At the end of 2004 the company had 445 employees, representing 434 full time employees. The number of employees is expected to increase in 2005 as a result of further expansion and the phasing in of new aircraft. The recruitment of new employees has mainly been concentrated on pilots and crew. New employees were also being recruited to strengthen operations management and commercial activities. Most of the increases in employees will occur in the first half of 2005.

In 2004 the company was still in a significant growth phase, with staff turnover of 3.3 %. A program for HMS-work was introduced in 2003/2004 with the aim of reducing days lost through illness and to improve the working environment. Employee illness in 2004 increased by 0.25 % compared to the previous year to a level of 6.2 %. An aggressive program was introduced in collaboration with the Social Service Department and this contributed to a significant reduction in days lost through illness towards the end of the year. This will continue in 2005.

52.8% of the company's employees are men and 47.2 % women. The majority of pilots are men and the majority of cabin crew are women. Most employees are covered by trade union agreements for their individual staff categories and are remunerated accordingly. A payroll system is to be developed for the back office functions and management which is based on responsibility and qualifications for individual employees. There is no discrimination between men and women. The company has a clear personnel policy relating to the employment of both men and women and differing age groups.

43 % of the Board and 25 % of the company's management are currently women.

The company's business is inherently dependent on the use of energy and can result in high levels of noise. However, the aircraft fleet is by nature of its young age and standard, able to keep its effects on the environment well within the levels and limitations imposed on aircraft operations.

The Board considers that the company has complied with all requirements which are necessary in order to limit pollution to both the exterior and interior environment.

Aircraft security and safety

No incidents have been registered in 2004 which have represented a significant risk. Certain incidents have been reported by the company to the Civil Aviation Authorities. These are incidents which are regularly reported in compliance with the regulations in the Civil Aviation Law. In 2004 the company has strengthened the organisation and routines to assure flight safety at a number of levels. Equipment has been installed in aircraft which allow us to monitor the quality of flights and the aircraft anti-collision and ground warning systems are subject to a material upgrade.

No serious accidents or incidents which have caused injury to passengers or crew have been noted by the company since its establishment in 1992. Neither have there been registered injuries nor accidents in the work place on the ground which have caused any large damage or invalidity. The company considers that a proactive attitude to the avoidance of accidents and incidents is extremely important. Flight security is taken care of through the training programs which all crew members must complete on initial employment and the annual training programs which they also go through with following examinations and qualification requirements. The Civil Aviation Authority approves all programs, examinations and qualification requirements.

Flight safety is in the same way taken care of by aircraft being subject to stringent maintenance and inspection programs in compliance with the manufacturer's recommendations and the Civil Aviation Authorities approvals. All forms of training are directly oriented towards flight safety and the avoidance of incidents and accidents. The reporting system which crew members use to report non-compliance by is a useful tool in this connection. In this way the company's management is made aware of such incidents and can take the actions necessary in order to avoid potential incidents.

The company's pilots and aircraft (Boeing 737-300) are approved for instrument landings in CAT II/IIIA weather conditions (fog) in the same way as other companies. This type of approval requires special training and follow-up programs. The company carries this out as a part of the two annual simulator training sessions pilots are required to complete.

Composition of the Board

The company's Board consists at the end of the year of seven persons of whom three represent the employees. One board member chose to retire at the end of the year due to pressure of work in another employment situation. A previous board member, Erik G. Braathen was appointed chairman. The Board consists of persons with long experience, both from business and the airline industry. Three of the Board's seven members are women.

An election committee is responsible for choosing and proposing board members that are to be approved by the annual general meeting.

Comments to the income statement

Total operating revenues in 2004 were MNOK 1 210 compared to MNOK 959 in 2003. The company has functioned as a pure low-price operation with a fleet of Boeing 737-300 aircraft in 2004. Operating revenues for low-fare operations in 2003 were MNOK 818, the remaining operating revenue being from the Fokker F-50 operations which were terminated that year. The 48 % increase in operating revenues for the low-fare operations are first and foremost due to the increase in production (ASK) of 100 % compared to previous year and an increase in the cabin factor from 62 to 67%. Operating revenues have also been negatively influenced by a lower yield which on average has been NOK 0.77 in 2004 compared to NOK 1.14 for the low-fare operations last year. The reduction in yield is mainly due to longer average sector lengths and strong price competition in the Norwegian market in 2004.

The company had MNOK 1 350.7 in operations related costs for 2004 before depreciation and write downs compared to MNOK 873.2 for the low-price operations in 2003. Increasing cost is the result of the 100% increase in production to 2 301 million ASK in 2004. However, unit costs have been significantly reduced from NOK 0.76 2003 to NOK 0.56 in 2004. This reduction is the result of the significantly improved utilisation of equipment and crews and the continuous optimalization of the company's route plan. The company's costs have also been negatively affected by the high price of jet fuel in the last half of 2004.

The operating result before depreciation (EBITDA) was MNOK -140.6 for 2004 compared with MNOK -55.2 for the low-fare operations last year, and MNOK -28.8 for total operations last year.

The company had an operating deficit of MNOK 159.6 in 2004 compared with a deficit of MNOK 58.2 in 2003. The result before tax was a deficit of MNOK 152.5 compared to a deficit of MNOK 59 for last year. The result for the year was a deficit of MNOK 109.8 for 2004 compared with a deficit of MNOK 42.7 for 2003.

Comments to the balance sheet

Assets
The deferred tax asset has increased by MNOK 42.6 as a result of the tax loss for the year which can be carried forward. Other intangible assets are related to the capitalisation of expenses incurred in connection with the establishment of the brand name Norwegian during the start of the low-fare operations and investments in IT-systems developed to support the company's operations. MNOK 18.5 has been invested in total in IT-systems during the year mainly related to development of the company's distribution channels and new back-office systems.

Tangible assets have been reduced compared to last year as a result of the sale of the three Fokker F-50 aircraft in the first quarter of 2004. Additionally, the company has invested MNOK 18.2, mainly related to spares and equipment for aircraft.

Long term receivables are for the most part related to deposits to a number of suppliers and the increase during the year of new leasing contracts on aircraft.

Inventory has increased compared to last year as a result of maintenance activities and increase in the aircraft fleet.

Accounts receivables are reduced compared to last year as a result of more effective routines for the collection of outstanding debtors, particularly relating to credit card company debts. Increase in other short term receivables is mainly related to claims for refunds from the VAT authorities as a result of the fact that ordinary operations related to passenger transport became liable to VAT from 1 March 2004.

Shareholders' equity
The company had a total equity of MNOK 158.3 at the close of the year, after charging the deficit for the year of MNOK 109.8. The company has made two new issues of shares in 2004 as a part of the employee incentive program which has resulted in MNOK 4.6 in additional equity. The company's equity ratio at 31 December 2004 was 35 % compared to

50 % last year. The company's unrestricted reserves are MNOK 156, reduced by MNOK 105 since 2003.

Liabilities
Pension commitments are reduced compared to the previous year as a result of larger payment of premiums during the year. Provisions for future maintenance costs are booked with MNOK 8.7 which is a reduction of MNOK 17.4 during the year. The reduction is related to payments made in connection with maintenance carried out on the fleet. All long

term liabilities were disposed of as a result of the sale of the company's Fokker F-50 aircraft in the first quarter of 2004.

Air traffic settlement liabilities related to sold but not utilised tickets, varies during the year in line with the seasonal variations and the level of pre-bookings. The increase in the company's short term liabilities compared to last year is generally related to the increase in the company's production and activities.

Comments to the cash flow statement

In 2004 the company had a negative cash flow of MNOK 90.8 from operations compared to a positive cash flow in 2003 of MNOK 61.5. Net investments were MNOK 11.7 after taking into account income from the sale of the three Fokker F-50 aircraft totalling MNOK 24.8. However, the company has paid MNOK 20.6 in connection with the repayment of loans on those aircraft.

In total, cash and cash equivalents have been reduced by MNOK 118.9 in 2004, to MNOK 195.2 at year-end. The company has had an increase in short term liabilities, mainly related to air traffic settlement liabilities and the maintenance of aircraft.

Financial risk

The company has a significant exposure to USD and Euros as well as to jet fuel. The Board has given the company the authority to utilise financial instruments to limit exposure to both jet fuel and currencies.

Dividend

The company had a negative result in 2004 and the board recommends that no dividend should be distributed for the 2004 operating year.

Prospects for 2005

At the start of the new year there was a good interest and demand for travelling with Norwegian. The introduction of the low-fare calendar on the company's web-site www.norwegian.no exceeded all expectations and resulted in record high sales and sales through the internet (72 %) in the first month of the year.

The company reported a yield in January of NOK 0.78 which increased to NOK 0.80 in February. Traffic growth in February showed that the market has, to a large extent, accepted the increase in production which was introduced on the main routes last autumn. This development can also be related to the measures that the company has introduced to increase market activities and improve revenue management.

The international portfolio has had a highly positive development and has maintained a high seat factor in a time of year when international traffic is generally low as a result of seasonal variations.

The company will phase in and put into production the 12th and 13th aircraft in the course of the first half year 2005. This will be done in collaboration with our partnership with Sterling. The result of this collaboration includes, amongst other things, improved utilisation of the fleet and an increase in production which is expected to be approximately 30-35 %. This additional growth will for the most part be related to the international routes.

Following the increase in production as a result of the Sterling collaboration, unit costs are expected to come down to NOK 0.50, dependent on certain expectations relating to jet fuel and currency movements. The first quarter of 2005 will give a deficit, and in the remainder of the year the company expects a positive operating result.

Continued operations

In compliance with the Norwegian Accounting Act § 3-3, these annual accounts are prepared on the basis of continued operations. The justification for this assumption lies in the company's budget and plans and strategies for 2005.

Allocation of the year's result

The deficit for 2004 of MNOK 109.8 is recommended covered by share premium.

Fornebu, 16 March 2005

Erik G. Braathen (Chairman of the Board) Berit Slåtto Neerbye Bjørn H. Kise Barbara R. M. Thoralfsson Halvor Vatnar (Representative for employees)	Kari-Helene Mordt Fjær (Representative for employees) Frode Husan (Representative for employees) Bjørn Kjos (Managing Director)

Norwegian Air Shuttle ASA
Income Statement

NOK 1 000		2004	2003	2002
NOTE	**OPERATING REVENUES AND OPERATING EXPENSES**			
2	Revenues	1 210 059	922 424	386 483
22	Restructuring compensation		36 189	
	Total operating revenues	**1 210 059**	**958 613**	**386 483**
3	Operational expenses	1 048 549	745 421	298 736
4,13	Salaries and other personnel expenses	228 887	180 001	107 853
6,7	Depreciation and amortization	17 960	10 098	5 805
6,7	Asset impairment write-down	1 042	24 270	
	Other operating expenses	73 221	57 012	47 874
	Total operating expenses	**1 369 659**	**1 016 803**	**460 269**
	Operating profit	**-159 600**	**-58 190**	**-73 786**
	FINANCIAL REVENUES AND FINANCIAL EXPENSES			
	Interest income	4 325	2 966	1 408
	Interest expense	- 843	- 782	-1 034
5	Other financial items	3 661	-3 011	1 663
	Net financial items	**7 143**	**- 827**	**2 037**
	Profit before tax	**-152 458**	**-59 017**	**-71 749**
15	Income tax expense	-42 616	-16 271	-19 889
	Profit after tax	**-109 842**	**-42 746**	**-51 860**
	PROFIT FOR THE YEAR	**-109 842**	**-42 746**	**-51 860**
12	Basic earnings per share	(6,03)	(4,05)	(7,50)
12	Diluted earnings per share	(6,03)	(4,05)	(7,50)

Norwegian Air Shuttle ASA
Balance Sheet as at 31 December

NOK 1 000 NOTE	ASSETS	2004	2003	2002
	Non-current assets			
	Intangible assets			
6	Other intangible assets	28 272	19 639	11 135
15	Deferred tax asset	85 956	43 340	21 283
	Total intangible assets	114 228	62 980	32 418
7	**Tangible assets**			
	Buildings			424
	Airplanes		24 667	35 364
	Installations on leased airplanes	9 574	2 761	1 315
	Spare parts	5 986	4 248	9 383
	Equipment and fixtures	18 412	17 881	9 897
	Total tangible assets	33 971	49 557	56 383
	Financial assets			
	Investment in shares	85	170	
9	Other long term receivables	18 950	13 868	14 354
	Total financial assets	19 035	14 038	14 354
	Total non-current assets	**167 235**	**126 575**	**103 155**
	Current assets			
8	**Inventory**	11 791	2 435	8 823
	Receivables			
	Accounts receivable	41 204	56 850	19 669
20	Other receivables	40 520	24 590	25 490
	Total receivables	81 724	81 439	45 159
19	**Cash and cash equivalents**	195 157	314 036	63 237
	Total current assets	**288 671**	**397 911**	**117 219**
	TOTAL ASSETS	**455 906**	**524 486**	**220 374**

Norwegian Air Shuttle ASA
Balance Sheet as at 31 December

NOK 1 000		2004	2003	2002
NOTE	**EQUITY AND LIABILITIES**			
	Equity			
	Paid-in equity			
10,11	Share capital	1 833	1 809	790
11	Share premium reserve	156 441	261 724	70 367
	Total paid-in equity	**158 274**	**263 532**	**71 157**
	Liabilities			
	Provisions			
13	Pension liabilities	3 865	16 708	2 365
16	Provision for periodic maintenance	8 708	26 067	7 363
	Total provisions	12 573	42 775	9 729
	Other long term liabilities			
14,18	Other long term liabilities		20 652	32 050
	Total long term liabilities		20 652	32 050
	Short term liabilities			
	Accounts payable	70 476	57 676	44 625
	Air traffic settlement liabilities	109 033	69 604	24 470
	Public duties payable	20 501	13 738	11 529
17	Other short term liabilities	85 048	56 509	26 815
	Total short term liabilities	285 059	197 526	107 438
	Total liabilities	**297 632**	**260 953**	**149 216**
	TOTAL EQUITY AND LIABILITIES	**455 906**	**524 486**	**220 374**

Fornebu, 16 March 2005

Erik G. Braathen
(Chairman of the Board)

Halvor Vatnar
(Representative for employees)

Berit Slåtto Neerbye

Kari-Helene Mordt Fjær
(Representative for employees)

Bjørn H. Kise

Frode Husan
(Representative for employees)

Barbara R. M. Thoralfsson

Bjørn Kjos
(Managing Director)

Norwegian Air Shuttle ASA

Cash Flow Statement

NOK 1 000	2004	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax	-152 458	-59 017	-71 749
Taxes paid			-3 064
Depreciation, amortization and write-down	19 002	34 368	5 805
Pension expense without cash effect	-12 843	14 343	1 757
Effect of currency translations			-1 942
Gain/loss on sales of fixed assets		361	
Change in inventories, accounts receivable and accounts payable	19 091	-25 812	26 583
Change in air traffic settlement liabilities	39 429	45 134	24 470
Change in other current assets and current liabilities	-3 068	52 121	13 596
Net cash flow from operating activities	**-90 847**	**61 498**	**-4 544**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Paid deposits		964	-14 350
Purchases of tangible assets	-18 217	-18 232	-11 209
Purchases of intangible assets	-18 499	-11 199	-11 285
Returns on investments in financial fixed assets	24 752		18
Purchases of financial fixed assets		- 170	
Net cash flow from investing activities	**-11 964**	**-28 637**	**-36 826**
CASH FLOWS FROM FINANCIAL ACTIVITIES:			
Repayments of long term liabilities	-20 652	-11 397	-6 263
Proceeds from new short term liabilities			
Net change in bank overdraft			
Paid-in equity	4 584	229 335	102 999
Net cash flow from financial activities	**-16 069**	**217 938**	**96 737**
Impact of exchange rate changes on cash and cash equivalents	**-**	**-**	**-**
Net change in cash and cash equivalents	-118 879	250 799	55 366
Cash and cash equivalents at 1 January	314 036	63 237	7 871
Cash and cash equivalents at 31 December	**195 157**	**314 036**	**63 237**

Norwegian Air Shuttle ASA

Notes to the financial statements 2004

Note 1 Accounting policies

The annual accounts have been prepared in accordance with the Norwegian Accounting Act and Generally Accepted Accounting Principles in Norway.

Principles for the classification of assets and liabilities
Assets that the Company intends to own or use permanently are classified as non-current assets. All other assets are classified as current assets. Receivables due for payment within 12 months are classified as current assets. The equivalent criteria are applied to the classification of short-term liabilities and long-term liabilities.

Fixed assets are valued at acquisition cost. If the fair value of fixed assets is lower than their book value, and the decline is expected to be permanent, the asset is written down to the fair value. Fixed assets with a finite economic life are depreciated on a linear basis over their expected economic life.

Current assets are valued at the lower of acquisition cost and fair value.

Other long-term and short-term liabilities are valued at their nominal value.

Revenues
Revenue from passenger traffic is recognised on the basis of passengers actually carried. The value of prepaid tickets are recognised on the balance sheet date as air traffic settlement liability.

Other income is recognised in the period in which the goods are delivered or the services are rendered.

Assets and liabilities denominated in foreign currency
Monetary items denominated in foreign currency are converted using the exchange rates on the balance sheet date. Income statement items are converted using the exchange rates prevailing at the time of the transactions.

Intangible assets
Intangible assets, including development expenses, are capitalized when it is likely that the future financial benefits related to the assets will accrue to the company and the acquisition cost can be measured reliably.

Intangible assets with a limited economic life are depreciated according to plan. Intangible assets are subject to write-down to market value if the expected financial benefits from the asset is less than book value and any remaining development expense.

Leasing agreements for tangible assets
Assets that are leased on terms where the major part of risk and control is transferred to the company (financial lease) are capitalized as tangible assets. Future lease obligations are calculated as the net present value of future lease payments and are recognized as other long term liabilities. The tangible assets are depreciated systematically, and the lease obligations are reduced with lease payments reduced for calculated interest expense.

Periodic maintenance on tangible assets that are recognized in the balance sheet is reflected through the assets depreciation plan. For assets that are subject to operational lease, the company's obligation to perform periodic maintenance in excess of the contractual level is recognized as a provision.

Other receivables classified as fixed assets
Other receivables are recognized at acquisition value. Other receivables are written down to market value if a decline in value is considered to be permanent.

Inventory
Inventory consists of consumables and is valued at the lower of acquisition cost and net realizable value considering obsolescence. Acquisition cost is allocated using the FIFO method.

Accounts receivable
Accounts receivable and other receivables are recognised in the accounts at nominal value less allowances for doubtful debts. Allowances for doubtful debts are calculated on the basis of individual assessments.

Bank deposits, cash etc.
Bank deposits, cash etc. includes cash, bank deposits and other liquid assets with maturity dates less than three months from the date of acquisition.

Pensions
The accounting for pensions is based on linear application of pension entitlement earned and expected salary at the time of retirement. Estimate deviations and deviations due to changes in calculation assumptions in excess of 10% of the higher of pension liabilities or pension assets are amortized over the expected remaining period for accrual of pension rights. The effect of any changes in the pension scheme is amortized over the expected remaining period for accrual of pension rights Social security tax is taken into account. Pension assets are valued at market value.

Taxes
Tax expense is based on profit before tax. Tax effects in relation to equity transactions are recorded to equity. Tax expense consists of the aggregate of tax payable and changes in net deferred tax. Deferred tax and deferred tax asset is presented on a net basis in the balance sheet.

Note 2 Revenues

NOK 1 000	2004	2003	2002
By activity:			
Contractual flights		45 616	176 179
Passenger transport	1 183 325	851 260	208 236
Compensation from the Ministry of Transportation		18 506	
Other revenues	26 734	7 042	2 068
Restructuring compensation		36 189	
Total	**1 210 059**	**958 613**	**386 483**
By geographic market:			
Norway	829 709	892 229	363 081
Other EU/EEA countries	380 351	66 384	23 402
Total	**1 210 059**	**958 613**	**386 483**

In 2004, the Company has been running low-fare operations exclusively, using its fleet of Boeing 737 aircrafts. The low-fare operations were launched in the autumn of 2002, and revenues from this business are specified as Passenger transport in the table above. During 2002 and the beginning of 2003, the Company performed contractual flights for Braathens. In connection with the termination of that business, the Company received a restructuring compensation from Braathens. In 2002, the Company won a competitive tender to supply the Norwegian Government with operations on three subsided routes in northern Norway. The contract provided Norwegian with the sole right and duty to operate these routes within the contract period in line with specifications provided by the Ministry of Transportation for a fixed compensation. The contract flights were provided from 1 April 2003 to the end of the year. The contract was terminated at the end of 2003 as the Company decided to terminate its Fokker F-50 operations.

Note 3 Operating expenses

NOK 1 000	2004	2003	2002
Sales and distribution expenses	88 049	81 418	22 982
Aviation fuel	218 200	121 122	30 864
Aircraft leases	107 912	79 262	34 282
Airport charges	223 099	141 731	38 616
De-icing expenses	17 636	17 167	5 782
Handling charges	159 616	133 977	36 132
Technical maintenance expenses	152 249	101 943	66 998
Other operating expenses	81 789	68 801	63 080
Total	**1 048 549**	**745 421**	**298 736**

Note 4 Payroll expenses, number of employees, remuneration, loan to employees etc.

NOK 1 000	2004	2003	2002
Wages and salaries	177 517	134 801	85 398
Social security tax	27 745	22 124	12 883
Pension expenses	16 212	16 038	8 433
Other benefits	7 413	7 038	1 139
Total	**228 887**	**180 001**	**107 853**
Average number of employees	**445**	**374**	**198**

Remuneration of senior management 2004	Salary	Pension expenses	Other benefits
Chief Executive Officer	1 133 003	96 577	75 178

The CEO has no performance based compensation or special salary rights in the case of termination. The CEO has participated in the general stock option program, in which employees who agreed to a salary reduction were granted stock options as compensation. In 2004, the CEO received 5 720 shares as part of this program.

Directors' fees in 2004 were NOK 345 000. The former Chairman of the Board received NOK 75 000 in remuneration.

Auditors:
Remuneration to the former auditors, Deloitte Statsautoriserte Revisorer AS, amounts to NOK 200 000 in audit fees and NOK 182 650 for audit related services in 2004. The current auditors, PricewaterhouseCoopers AS, have received NOK 250 000 in audit fees and NOK 176 500 for audit related services in 2004.

Note 5 Other financial items

NOK 1 000	2004	2003	2002
Agio(+)/Disagio(-)	4 349	-2 591	1 998
Other financial expenses	688	420	335
Total	**3 661**	**-3 011**	**1 663**

Note 6 Intangible assets

NOK 1 000	Software	Trademark	Total
Acquisition cost at 1 January 2004	17 893	4 591	22 484
Additions	18 499		18 499
Acquisition cost at 31 December 2004	36 391	4 591	40 983
Accumulated depreciation and write-down at January 1 2004	1 776	1 069	2 845
Depreciation in 2004	7 906	919	8 824
Write-down in 2004	1 042		1 042
Accumulated depreciation and write-down at 31 December 2	10 723	1 988	12 711
Book value at 31 December 2004	**25 668**	**2 603**	**28 272**
Economic life	3-4 years	5 years	
Depreciation plan	Linear	Linear	

Capitalized intangible assets are related to external consulting fees for the development of Norwegian's own systems for booking and ticketless travel, various sales portals, back office and financial reporting systems, as well as expenses for the development and launch of the Company's trademark. In addition to that, direct costs for the involvement of internal employees in these projects are also capitalized. The depreciation of the software commence as each module is completed. In connection with the implementation of a new financial reporting system in the spring of 2005, the systems soon to be discarded are written down in their entirety.

Note 7 Tangible assets

NOK 1 000	Airplanes *	Installations on leased airplanes	Spare parts	Equipment and fixtures	Total
Acquisition cost at 1 January 2004	66 406	2 980	4 385	29 755	103 528
Additions		8 408	2 525	7 284	18 217
Disposals	-66 406			-5 639	-72 046
Acquisition cost at 31 December 2004		11 388	6 910	31 400	49 699
Accumulated depreciation at 1 January 2004	41 740	219	137	11 875	53 971
Accumulated depreciation on disposals	-41 740			-5 639	-47 379
Depreciation in 2004		1 596	787	6 753	9 136
Write-down in 2004					
Accumulated depreciation at 31 December 2004		1 814	924	12 989	15 727
Book value at 31 December 2004		**9 574**	**5 986**	**18 412**	**33 971**

* Airplanes are classified as financial lease

Economic life		4-10 years	6 years	3-5 years	
Depreciation plan		Linear	Linear	Linear	
Remaining value		0 %	25 %	0 %	

	Aircrafts	Cars	TOTAL
Annual rent for operational leases	108 540	700	109 240

The lease agreements on the Boeing 737 aircrafts last for three to five years from the date of agreement, with some extension options. Six of the airplanes were delivered in 2002, two planes in 2003 and four further planes were delivered in 2004. The Company expects one plane to be delivered in the spring of 2005. The contracts for ten of the planes expire in 2007, and for two of the planes in 2008.

In the beginning of 2004, the Company had three leasing contracts with Elcon for Fokker F-50 airplanes that were treated as financial leasing. In connection with the termination of the Fokker F-50 operations, a Letter of Intent for the sale of the planes was signed in the autumn of 2003. At the same time, the planes were written down to the arranged sales price. The planes were delivered to the buyer in the spring of 2004, and removed from the Company's balance sheet without any material impact on the 2004 earnings.

Note 8 Inventories

NOK 1 000	2004	2003	2002
Consumables	5 235	1 831	8 514
Modification equipment	6 555	604	308
Total	**11 791**	**2 435**	**8 823**

Note 9 Long-term receivables

NOK 1 000	2004	2003	2002
Long-term receivables on employees	-	-	4
Deposits	17 674	12 391	14 350
Other long-term receivables	1 276	1 478	
Total	**18 950**	**13 868**	**14 354**

The Company has entered into some agreements to pay deposits as collateral for the Company's liabilities to certain suppliers. Among other things, this applies to leasing liabilities and aviation duties. Deposits denominated in foreign currency are converted using the prevailing exchange rates on the balance sheet date.

Note 10 Shareholder's equity and shareholder information

At 31 December 2004, the share capital consists of the following share classes:

	Number	Nominal value	Book value
Class A shares	18 333 398	0.1	1 833 340

Shareholder structure

The largest shareholders at 31 December 2004 were:

	A shares	Owner-ship (%)	Voting interest
Kjos, Bjørn	2 865 747	15.63 %	15.63 %
Lufttransport AS	1 345 630	7.34 %	7.34 %
JPMorgan Chase Bank Omnibus Lending Account	884 500	4.82 %	4.82 %
Inak AS	850 000	4.64 %	4.64 %
Ferd AS Invest P610AK	617 000	3.37 %	3.37 %
Dresdner Bank AG Proprietary Holdings	567 000	3.09 %	3.09 %
Ojada AS	546 500	2.98 %	2.98 %
Ankerløkken Holding AS	520 000	2.84 %	2.84 %
Greenwich Land Securities	501 500	2.74 %	2.74 %
Holberg Norden Veripapirfondet	442 600	2.41 %	2.41 %
Skagen Vekst	400 000	2.18 %	2.18 %
Nord-Norsk Finans AS	335 500	1.83 %	1.83 %
Lufttransport Holding AS	324 090	1.77 %	1.77 %
Holberg Norge Veripapirfondet	300 000	1.64 %	1.64 %
Deutsche Bank AG, Clients Account	300 000	1.64 %	1.64 %
KLP Forsikring Aksje	294 200	1.60 %	1.60 %
Kise, Bjørn	260 000	1.42 %	1.42 %
Jakobsen & Sønner AS	217 750	1.19 %	1.19 %
Søgne Shipping AS	212 000	1.16 %	1.16 %
Svenska Handelsbanken	200 000	1.09 %	1.09 %
Other	6 349 381	34.63 %	34.63 %
Total number of shares	**18 333 398**	**100 %**	**100 %**

Shares and options directly or indirectly held by members of the Board of Directors, Chief Executive Officer and executive management:

Name	Title	Shares 1)	Options
Erik G. Braathen	Chairman of the Board	546 500	-
Bjørn Kise	Board member	260 000	-
Halvor Vatnar	Board member	8 550	-
Berit Slåtto Neerbye	Board member	-	-
Barbara Rose Milian Thoralfsson	Board member	-	-
Kari Helene Mordt Fjær	Board member / staff repr.	1 935	-
Frode Husan	Board member / staff repr.	-	-
Bjørn Kjos	CEO	5 055 467	-
Ola Krohn-Fagervoll	Deputy Managing Director	10 570	-
Frode E. Foss	CFO	10 000	-
Sverre Christensen	Head of Tech. Department	3 357	-
Hans-Petter Aanby	Head of IT	-	3 120

1) Including shares held by related parties

Note 11 Equity

NOK 1 000	Share capital	Share prem. reserve	Other equity	Total equity
Equity at 31 December 2002	**790**	**70 367**		**71 157**
Share issue 2003	1 018	234 103		**235 121**
Net loss for the year		-42 746		**-42 746**
Equity at 31 December 2003	**1 809**	**261 724**		**263 532**
Share issue 2004	25	4 559		**4 584**
Net loss for the year		-109 842		**-109 842**
Equity at 31 December 2004	**1 833**	**156 441**		**158 274**

At 31 December 2004 the Company's share capital was NOK 1 833 340 comprising 18 333 398 shares, each with a nominal value of NOK 0.10. All shares represent equal rights.

On the extraordinary general meeting on 24 November 2003, the board was authorized to increase the share capital by at most NOK 30 000 by issuing at most 300 000 new shares at a nominal value of NOK 0.10. The authorization is only to be used in issuing shares to employees. The share issuance scheme allowed employees to subscribe for shares against a wage decrease. In 2004, 248 168 options were exercised. At 31 December 2004, there are 37 422 options not exercised.

Note 12 Earnings per share

Basic earnings per share calculations are based on the average number of common shares outstanding during the period, while diluted earnings per share calculations are performed using the average number of common shares and dilutive common shares equivalents outstanding during each period. Since the net earning for the year 2004 is negative, diluted earnings per share are set equal to basic earnings per share.

	2004	2003	2002
Net profit (NOK 1 000)	-109 842	-42 746	-51 860
Average number of shares outstanding	18 224 979	10 550 983	10 503 851
Average number of shares and options outstanding	18 370 825	10 585 684	10 503 851
Basic earnings per share	(6.03)	(4.05)	(7.50)
Diluted earnings per share	(6.03)	(4.05)	(7.50)

Note 13 Pensions

The Company has a pension scheme including 290 people in total. The scheme is a defined benefit plan. The benefits are mainly dependent on pension entitlement earned, salary at the time of retirement and the size of payments from the National Insurance. The liabilities are covered through an insurance company. Some employees in management positions have an additional pension scheme.

NOK 1 000	2004	2003	2002
Current value of pension entitlement accrued over the year	13 849	12 407	7 970
Interest expense on pension liabilities	3 897	3 545	2 582
Return on pension assets	-4 060	-2 807	-2 745
Recognized estimate deviations	282	1 120	168
Administration expenses	315		
Social security tax	1 930	1 772	458
Net pension expense	**16 212**	**16 038**	**8 433**

NOK 1 000	Insured (collective)	Uninsured (AFP)	Total 2004	Total 2003	Total 2002
Liabilities on earned pension rights	72 043	265	72 307	66 552	42 992
Calculated liability from future salary increases	13 693	89	13 782	13 782	8 863
Gross pension liabilities	85 736	353	86 089	80 334	51 855
Pension assets (at market value)	-70 892		-70 892	-46 474	-42 256
Estimate deviations not recognized	-11 862	70	-11 792	-19 217	-7 526
Social security tax	403	57	460	2 065	292
Net pension liabilities	**3 384**	**480**	**3 865**	**16 708**	**2 365**

Economic assumptions:	2004	2003	2002
Discount rate	5.5 %	5.5 %	6.0 %
Expected growth in salaries	2.5 %	3.0 %	3.0 %
Expected growth in state pensions	3.0 %	3.0 %	3.0 %
Expected growth in pensions	2.0 %	2.0 %	3.0 %
Expected return on pension assets	6.5 %	6.5 %	7.0 %

Actuarial assumptions related to demographic factors and retirement are based on assumptions commonly used in insurance. The estimated utilization rate for the AFP scheme is 20 %.

Note 14 Other long-term liabilities

The Company's long-term debt at 31 December 2003 was in its entirety related to financial leasing agreements on the Fokker F-50 airplanes. In connection with the sale of the airplanes, all the financial leasing agreements were terminated in the 1st quarter of 2004.

Note 15 Taxes

This year's tax expense consists of (NOK 1 000):	2004	2003	2002
Tax payable	0	0	0
Tax effect from cost of share offerings		5 786	
Change in deferred tax	-42 616	-22 057	-19 889
Income tax expense	**-42 616**	**-16 271**	**-19 889**

Reconciliation from nominal to effective tax rate:

NOK 1 000	2004	2003	2002
Profit before tax	-152 458	-59 017	-71 749
This year's profit before tax	-152 458	-59 017	-71 749
Expected tax expense using nominal tax rate (28 %)	-42 688	-16 525	-20 090
Tax effect of the following items:			
Non deductible expenses	72	254	201
Non taxable revenue			
Other items			
Tax expense	**-42 616**	**-16 271**	**-19 889**
Effective tax rate	27,95 %	27,57 %	27,72 %

Specification of temporary differences and tax loss carry forward, and net tax effect of such:

NOK 1 000	2004	2003	2002
Tangible assets	6 554	-4 469	-28 451
Long term liabilities		20 652	32 050
Receivables	1 531	3 720	
Gain/loss account	383	479	
Provisions	9 467	35 476	7 363
Pensions	3 865	16 708	2 365
Tax loss carry forward	285 188	82 222	62 685
Total	**306 987**	**154 787**	**76 012**
Deferred tax asset/liability	85 956	43 340	21 283
Not recognized deferred tax asset			
Net recognized deferred tax asset/liability	**85 956**	**43 340**	**21 283**

Deferred tax asset is recognized with basis in future revenue.

Cumulative tax loss carry forward expires as follows:

NOK 1 000	2004
2012	62 685
2013	19 537
2014	202 967
Total	**285 188**

Note 16 Other provisions

NOK 1 000	2004	2003	2002
Periodic maintenance on Fokker F-50 airplanes		2 733	2 001
Periodic maintenance on Boeing 737 airplanes	8 708	23 334	5 362
Total	**8 708**	**26 067**	**7 363**

For leased airplanes, payments to maintenance funds held by the lessor are made. The accrued provisions in the accounts are estimated payments for periodic maintenance in excess of payments to the maintenance funds, and are provided on the basis of plane utilization. For some of the contracts, there is a degree of uncertainty about what kind of maintenance works are covered by the maintenance funds. The provisions for these contracts are based on the assumption that the Company's interpretation will not be accepted. The provision for this increase in liabilities is distributed over the duration of the contracts.

Note 17 Other short term liabilities

NOK 1 000	2004	2003	2002
Accrued holiday allowances	18 122	14 523	8 095
Option liability	687	6 673	
Accrued expenses	66 239	34 885	18 720
Other short term liabilities		427	
Total	**85 048**	**56 509**	**26 815**

Note 18 Assets pledged as collateral and guarantees

Liabilities secured by pledge (NOK 1 000):	2004	2003	2002
Other long term liabilities	-	20 652	32 050
Total	**-**	**20 652**	**32 050**

In addition, bank deposits are pledged as collateral for leasing liabilities and credit from fuel suppliers. A bank guarantee is pledged as collateral for leasing liabilities for airplanes.

Book value of assets pledged as security (NOK 1 000):	2004	2003	2002
Cash depot	22 970	17 568	12 883
Factoring	41 204	56 850	19 669
Inventory			8 823
Tangible assets			21 018
Airplanes		15 901	35 364
Total	**64 174**	**90 319**	**97 757**

Note 19 Bank deposits

Restricted cash items are:

NOK 1 000	2004	2003	2002
Amounts pledged as collateral for leases and credits from fuel suppliers	22 970	17 568	12 883
Taxes withheld	10 488	7 803	6 820
Total restricted cash	**33 458**	**25 371**	**19 703**

Note 20 Related parties

The Chief Executive Officer is the principal shareholder in the company with an ownership share of 15.63 %, and controls a further 2.84 % of the shares through the company Ankerløkken Holding AS. The CEO is Chairman of the Board in Lufttransport AS and Lufttransport Holding AS, that owns 7.34 % and 1.77 % of the shares in Norwegian Air Shuttle ASA respectively. Norwegian Air Shuttle ASA performs and receives fees for services related to payroll for Lufttransport AS. Lufttransport AS performs and receives fees for services related to IT operations for Norwegian Air Shuttle ASA. At year-end, the Company had receivables on Luftransport Holding AS of NOK 1 313 242. Settlement has been made in February 2005. Board member Bjørn Kise is partner, and the CEO is former partner in the law firm Vogt & Wiig which is the legal advisor of Norwegian Air Shuttle ASA.

Note 21 Financial risk

A substantial part of the expenses is denominated in foreign currency. The Company's leases and related expenses are mainly denominated in USD, and a portion of the sales and airplane operation expenses are denominated in EUR. The company has not used financial instruments to hedge the foreign currency risk in 2004. Periodically, forward contracts have been used to hedge the fuel price risk. The Company has made a profit of MNOK 2.9 on the forward contracts. In December 2004, 25 % of the budgeted fuel usage in the first quarter of 2005 was hedged.

Below, the sensitivity in the Company's expenses to changes in vital market prices and exchange rates is shown. The effect on earnings is annualized based on production, jet fuel prices and exchange rates at year-end.

	Effect on earnings MNOK
1 % increase in jet fuel prices	-1.7
1 % weakening of NOK against USD	-2.9
1 % weakening of NOK against EUR	-1.8

Note 22 Comparison with previous years' financial statements

In the autumn of 2002, the Company made a strategic decision to concentrate on the low-fare concept with Boeing 737 airplanes. These operations started up in the autumn of 2002. During 2003, the Company's Fokker F-50 operations were terminated. The Company accepted to terminate its operations in western Norway prematurely in 2003 against compensation from Braathens. The compensation covered the expected costs for the termination and restructuring of the Fokker F-50 operations. The restructuring compensation and the actual expenses were netted in the financial statements, and entered as income with MNOK 36.2 in 2003. In the autumn of 2003, a Letter of Intent was signed regarding the sales of three Fokker F-50 aircrafts. In connection with that, the aircrafts, treated as financial leasing in the Company's books, were written down by MNOK 24.3. The planes were handed over to the buyer in the first quarter of 2004, and removed from the balance sheet. In 2004, the Company has been operating 737s exclusively.

Note 23 Conditional outcome

In 2003, the county revenue office agreed with the Company in that its operations connected to contractual flights for Braathens were to be considered as letting planes out on hire, and not as passenger transport. This means that input VAT for this business from 1995 onwards are deductible. For 2002 and 2003, a proportional distribution between passenger transport and contractual flights are made, and there is some uncertainty associated with the deductible amount in this period. The reimbursement claim has not yet been dealt with by the tax authorities, and a cautious estimate of the cost reducing effect was taken into account in 2003.

Note 24 IFRS transition

As a main rule, companies quoted on the stock exchange are required to report according to IFRS regulations as from the first quarter of 2005. In principle, the rules apply to consolidated accounts, and Oslo Stock Exchange has announced that companies that do not organized into a group structure are excepted from the requirement. This exception applies to the Company, since Norwegian Air Shuttle ASA is not a group. As a consequence of this and due to the Company implementing a new financial reporting system, the Company has decided to report according to IFRS as from the first quarter of 2006.

Based on the work done on the IFRS project so far, the main differences are considered to be the treatment of deferred tax assets, the resetting of estimate variances to zero in calculating pension liabilities, and the treatment of provisions for maintenance.

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To the Annual Shareholders' Meeting of Norwegian Air Shuttle ASA

Auditor's report for 2004

We have audited the annual financial statements of Norwegian Air Shuttle ASA as of December 31, 2004, showing a loss of TNOK 109 842. We have also audited the information in the directors' report concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss. The financial statements comprise the balance sheet, the statements of income and cash flows and the accompanying notes. These financial statements are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and auditing standards and practices generally accepted in Norway. Those standards and practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the financial statements have been prepared in accordance with the law and regulations and present the financial position of the Company as of December 31, 2004, and the results of its operations and its cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of accounting information as required by law and accounting standards, principles and practices generally accepted in Norway
- the information given in the directors' report concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss are consistent with the financial statements and comply with the law and regulations.

Oslo, March 16, 2005
PricewaterhouseCoopers AS

Håvard S. Abrahamsen
State Authorised Public Accountant (Norway)

Note: This translation from Norwegian has been prepared for information purposes only.

Definitions

ASK	Available seat kilometres. Number of available seats multiplied by the distance flown.
RPK	Revenue passenger kilometres. Number of occupied seats multiplied by the distance flown.
LOAD FACTOR	RPK divided by ASK. Describes the utilisation of the of available seats.
YIELD	Average income per RPK.
SECTOR LENGTH	Distance from one destination to another (one way).
EBT	Earnings before tax.
EBIT	Earnings before interest and tax.
EBITDA	Earnings before interest, tax, depreciations and amortizations.
EBITDAR	Earnings before interest, tax, depreciations, amortizations and rent.

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