Norwegian Air Shuttle ASA

Q2 2014 Presentation

Photo: Lasse Andreas Vestli Berg / Fugløya on approach to Bodø in Northern Norway

Europe's best
low-cost airline
2013 & 2014

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Double digit revenue growth in Q2

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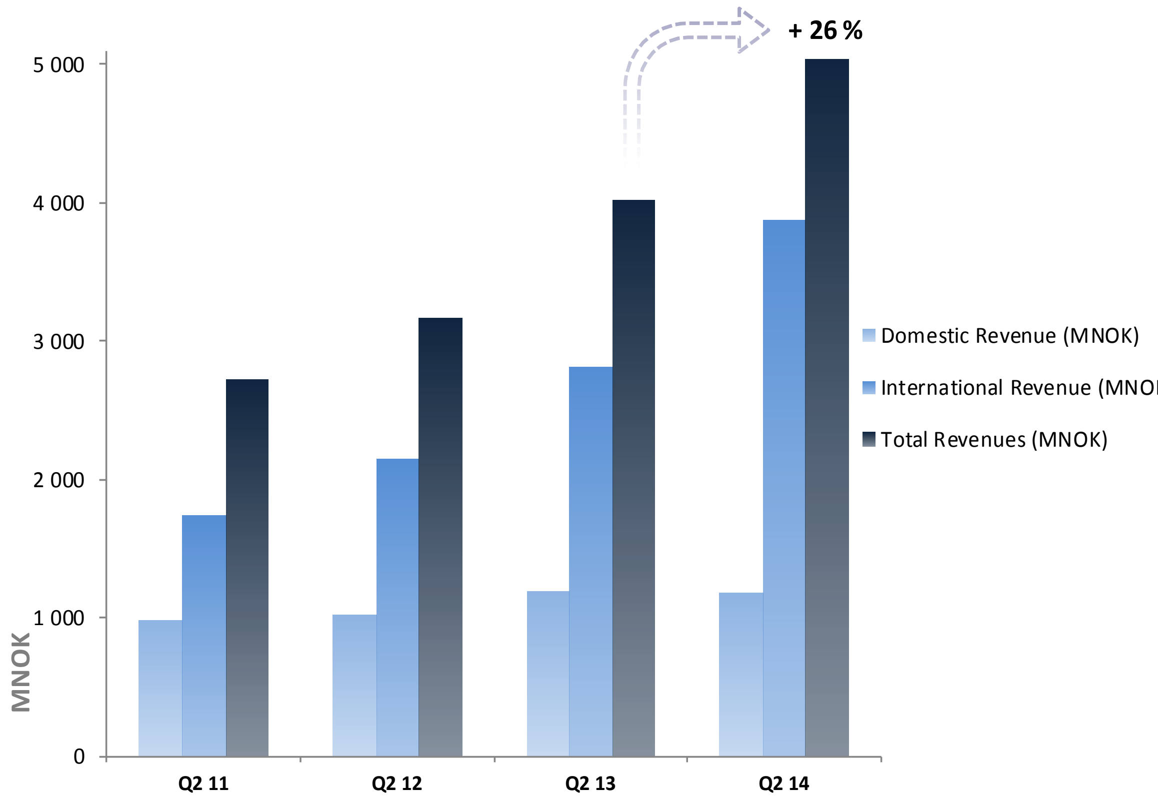
- Group revenues of MNOK 5,043 in Q2 2014

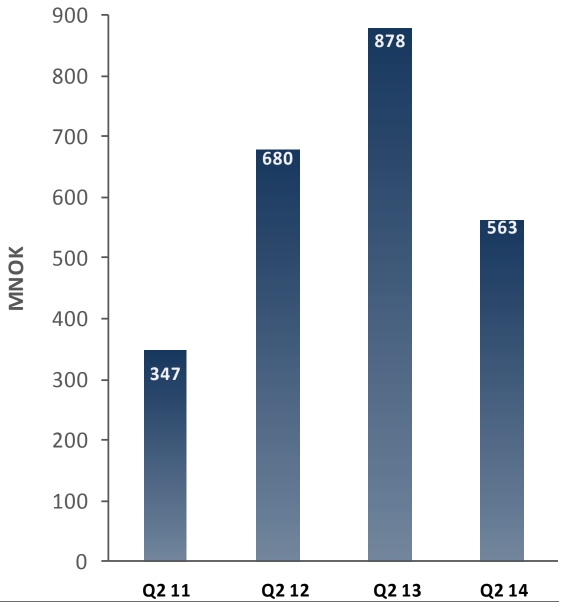


	Q2 11	Q2 12	Q2 13	Q2 14
Revenues	**2 725**	**3 170**	**4 012**	**5 043**
Domestic revenue	982	1 017	1 192	1 173
% y.o.y. chg	*28 %*	*4 %*	*17 %*	*-2 %*
International revenue	1 743	2 153	2 820	3 870
% y.o.y. chg	*38 %*	*24 %*	*31 %*	*37 %*

Q2 affected by one-offs and price pressure

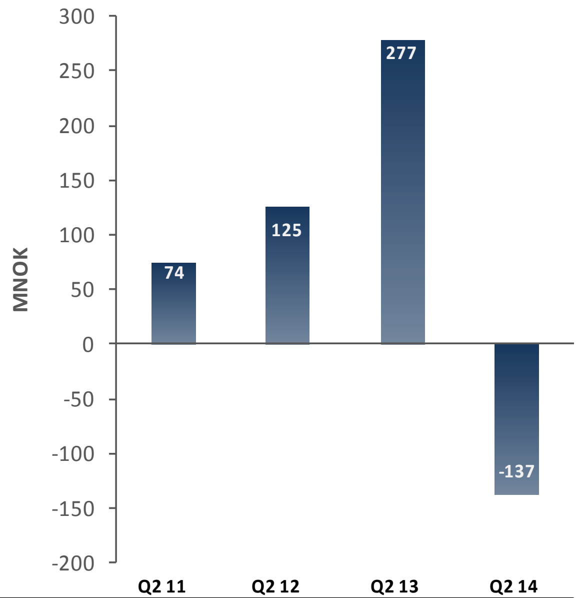
		Q2 14	Q2 13
EBITDAR	**MNOK**	**563**	**878**
EBITDA	MNOK	94	574
EBIT	MNOK	-85	446
Pre-tax profit (EBT)	**MNOK**	**-137**	**277**
Net profit	MNOK	129	197

EBITDAR development Q2



EBITDAR margin	13 %	21 %	22 %	11 %

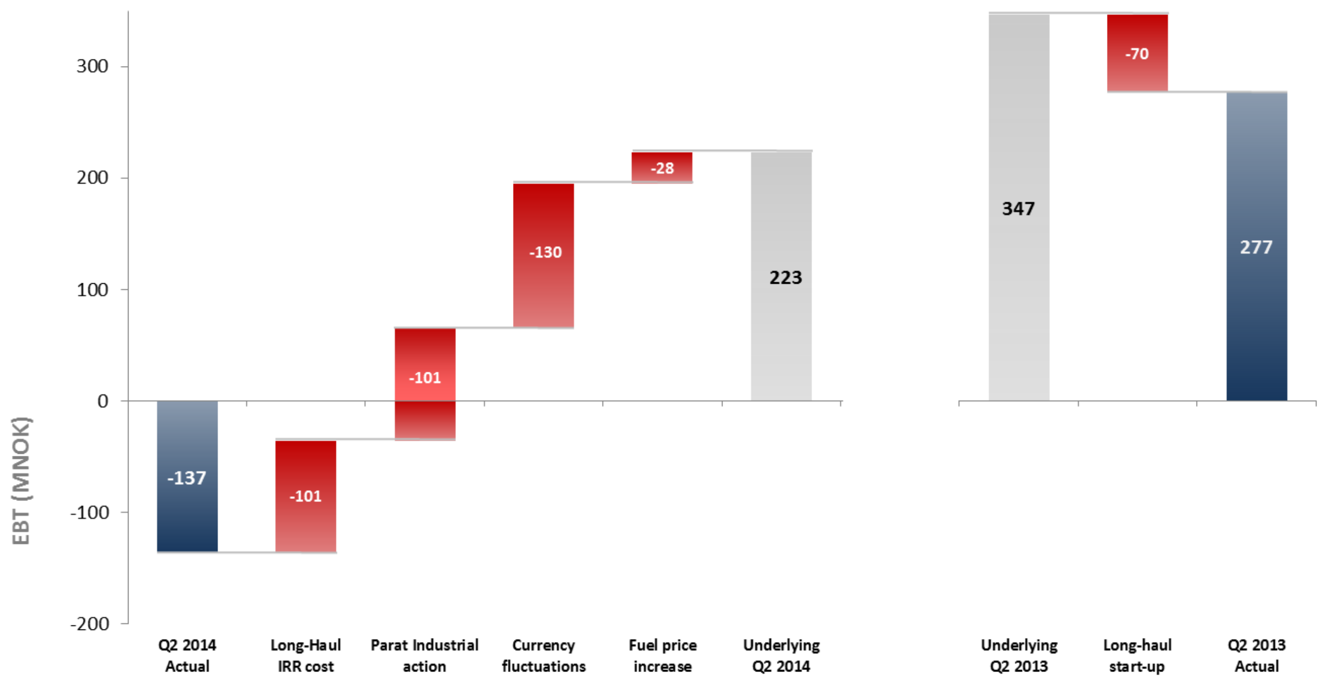
EBT development Q2



EBT margin	3 %	4 %	7 %	-3 %

Operational and currency headwinds in Q2

- Wet-lease on long-haul
  - Previously delayed Dreamliner deliveries with knock-on effects (crew training)
  - Slow US DOT approval process causes suboptimal scheduling
- One-man strike caused MNOK 101 in lost revenue
- Unit revenue
  - Own capacity investment
  - Price pressure in the Scandinavian market



Ancillary revenue remains a significant contributor

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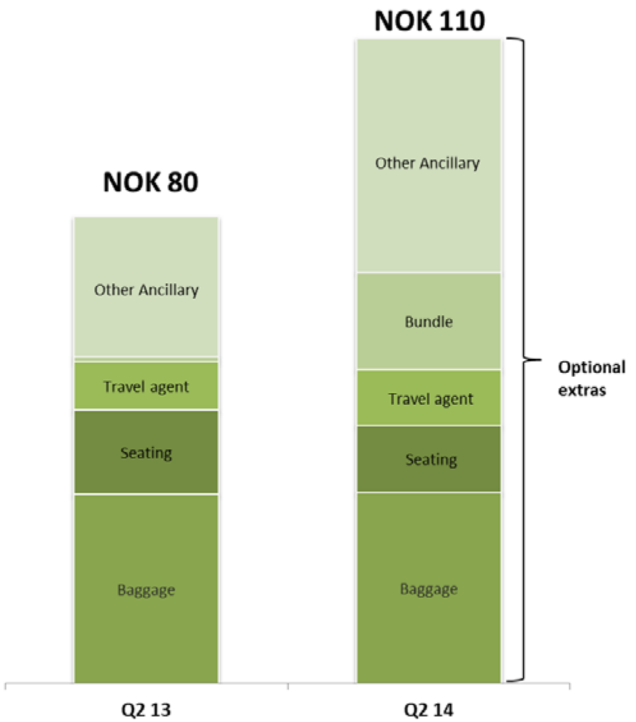
- Ancillary revenue comprises 14% of Q2 revenues
- NOK 110 per scheduled passenger (an increase of 38% from last year)



Continued positive cash flow from operations in Q2

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• Cash flows from operations in Q2 14	MNOK 416	(MNOK 1084)
• Cash flows from investing activities in Q2 14	MNOK -1 902	(MNOK -702)
• Cash flows from financing activities in Q2 14	MNOK 660	(MNOK 96)
• Cash and cash equivalents at period-end	MNOK 2 339	(MNOK 2923)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

Unaudited

(Amounts in NOK million)	**Q2 2014**	Q2 2013	**YTD 2014**	YTD 2013	**Full Year 2013**	Full Year 2012
Net cash flows from operating activities	**416**	1 084	**1 518**	2 046	**2 377**	2 022
Net cash flows from investing activities	**-1 902**	-702	**-2 936**	-544	**-2 126**	-2 766
Net cash flows from financial activities	**660**	96	**1 588**	-310	**184**	1 369
Foreign exchange effect on cash	**5**	-1	**3**	0	**0**	0
Net change in cash and cash equivalents	**-821**	478	**173**	1 192	**435**	626
Cash and cash equivalents in beginning of period	**3 160**	2 445	**2 166**	1 731	**1 731**	1 105
Cash and cash equivalents in end of period	**2 339**	2 923	**2 339**	2 923	**2 166**	1 731

Strong operating cash flow invested in aircraft

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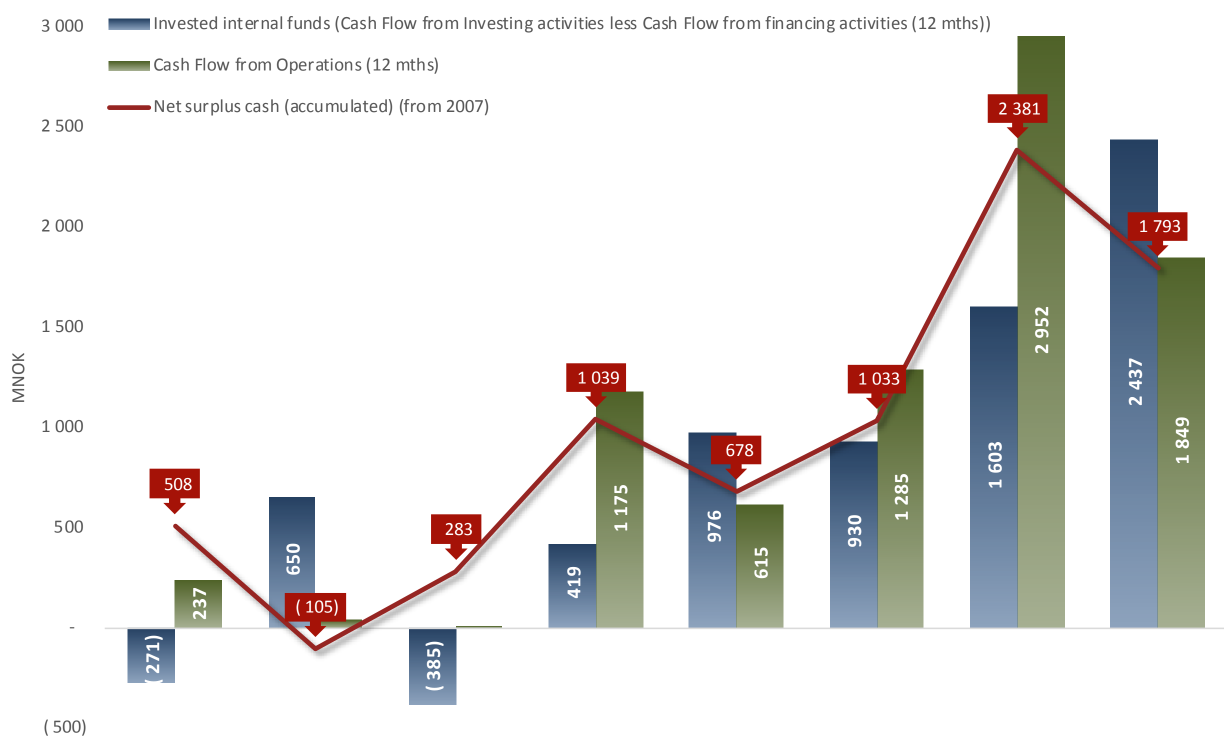
- Cash flow from operations NOK 8.2 billion since aircraft renewal program began in 2007
- Invested NOK 14.0 billion of which NOK 6.4 with internal funds
- Future sublease or sale of aircraft will boost cash

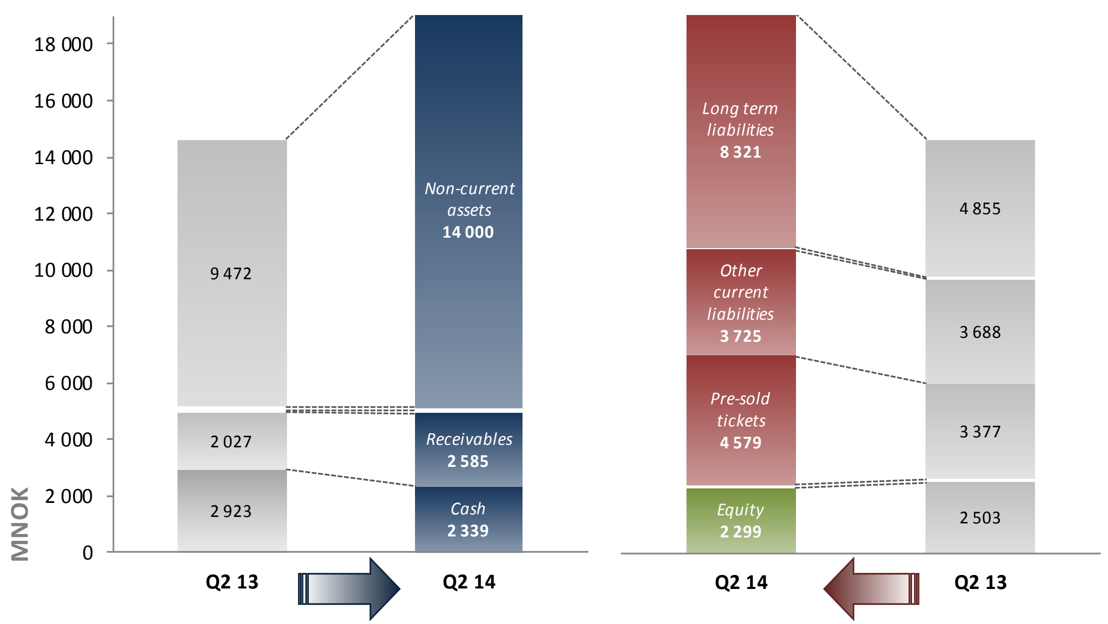


12 mth rolling development	Q2 07	Q2 08	Q2 09	Q2 10	Q2 11	Q2 12	Q2 13	Q2 14
Invested internal funds in percent of total investment	-253 %	102 %	-65 %	24 %	53 %	48 %	60 %	54 %
Total investment (MNOK)	107	640	596	1 722	1 835	1 939	2 654	4 519

Three on-B/S737-800 and one on-B/S 787-8 delivered in Q2 alone:

Equity ratio affected by NOK 4.5 billion increase in non-current assets

- Total balance of NOK 18.9 billion
- Net interest bearing debt NOK 6 billion
- Equity of NOK 2.3 billion at the end of Q2 14
- Group equity ratio of 12% (17%)



Record-high Q2 load in spite of 41% capacity increase

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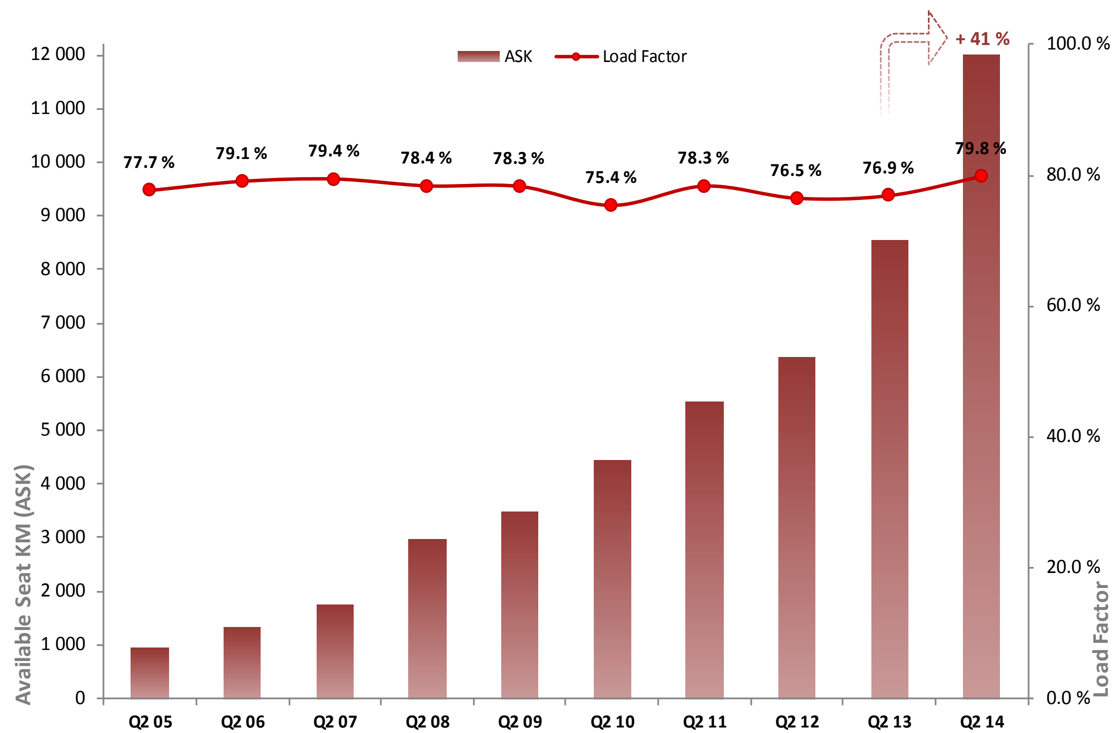
- 46% traffic growth
- Average flying distance up 18%
- Short-haul load up 2.0 p.p.



	Q2 05	Q2 06	Q2 07	Q2 08	Q2 09	Q2 10	Q2 11	Q2 12	Q2 13	Q2 14
ASK	940	1 323	1 763	2 974	3 469	4 449	5 518	6 357	8 541	12 012
Load Factor	77.7 %	79.1 %	79.4 %	78.4 %	78.3 %	75.4 %	78.3 %	76.5 %	76.9 %	79.8 %

6.4 million passengers in Q2

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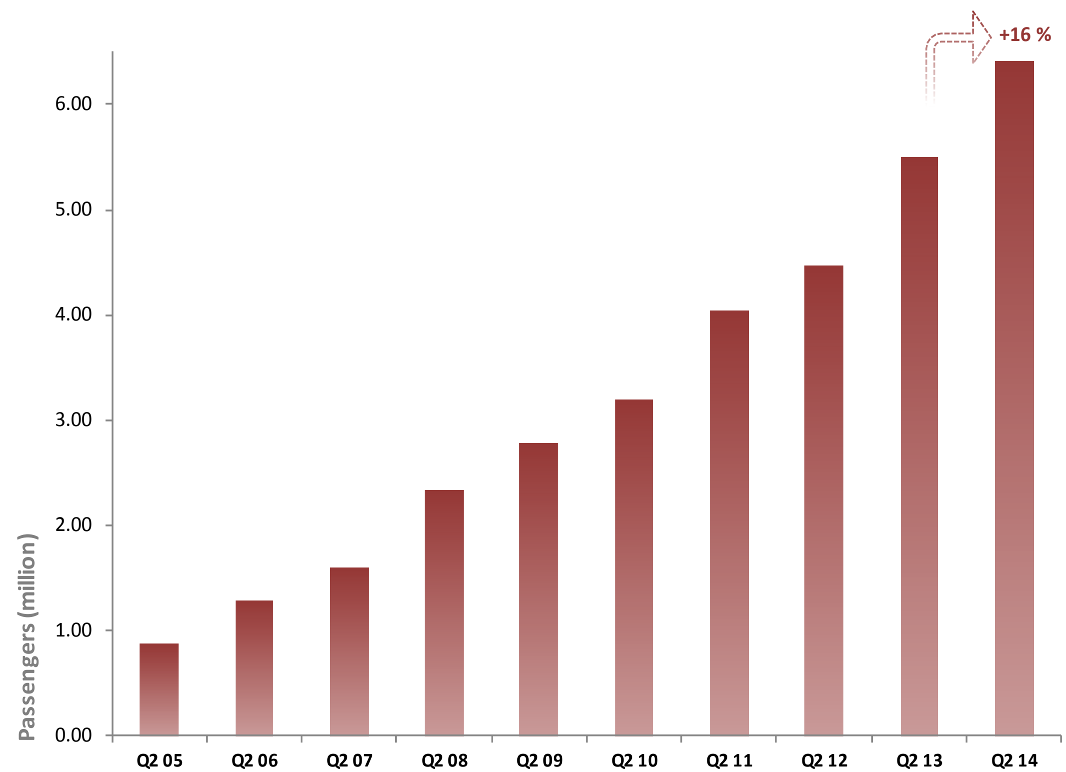
- An increase of 900,000 passengers



Pax (mill)	**0.9**	**1.3**	**1.6**	**2.3**	**2.8**	**3.2**	**4.0**	**4.5**	**5.5**	**6.4**

Strong demand:
Growing market share in all markets

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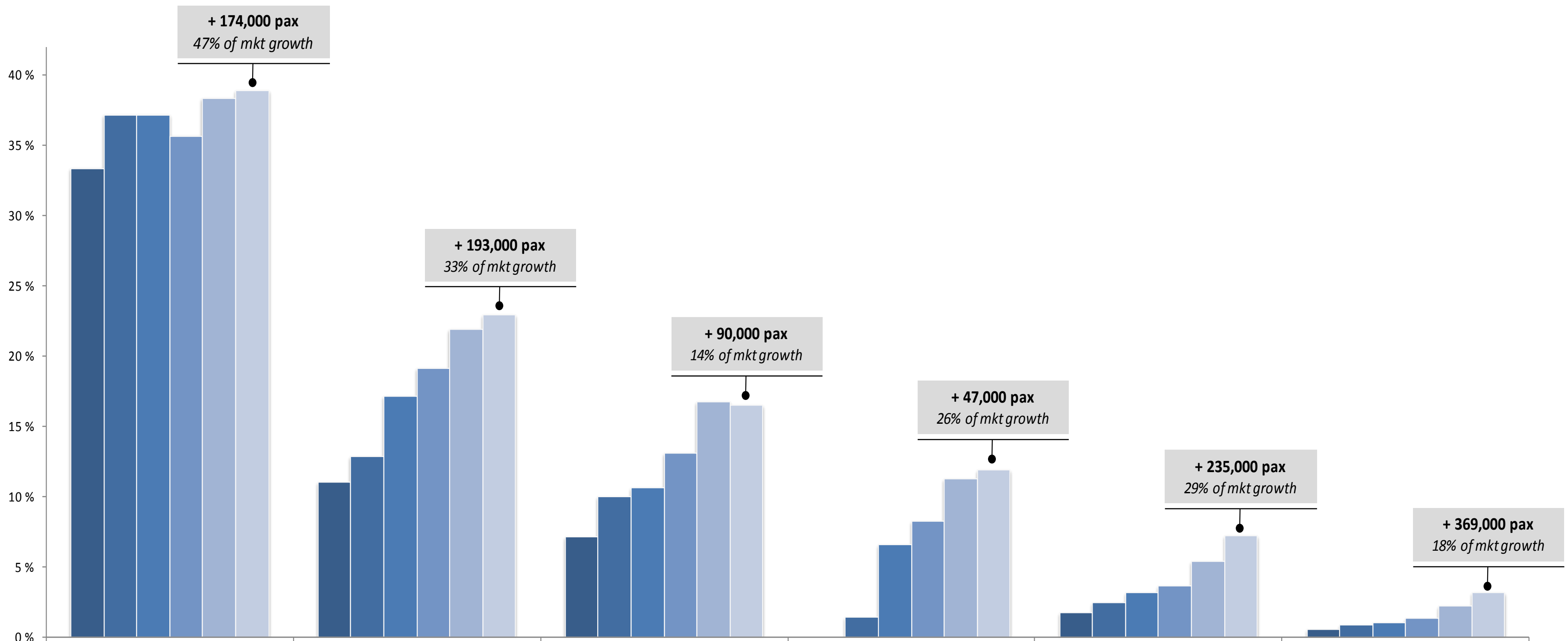
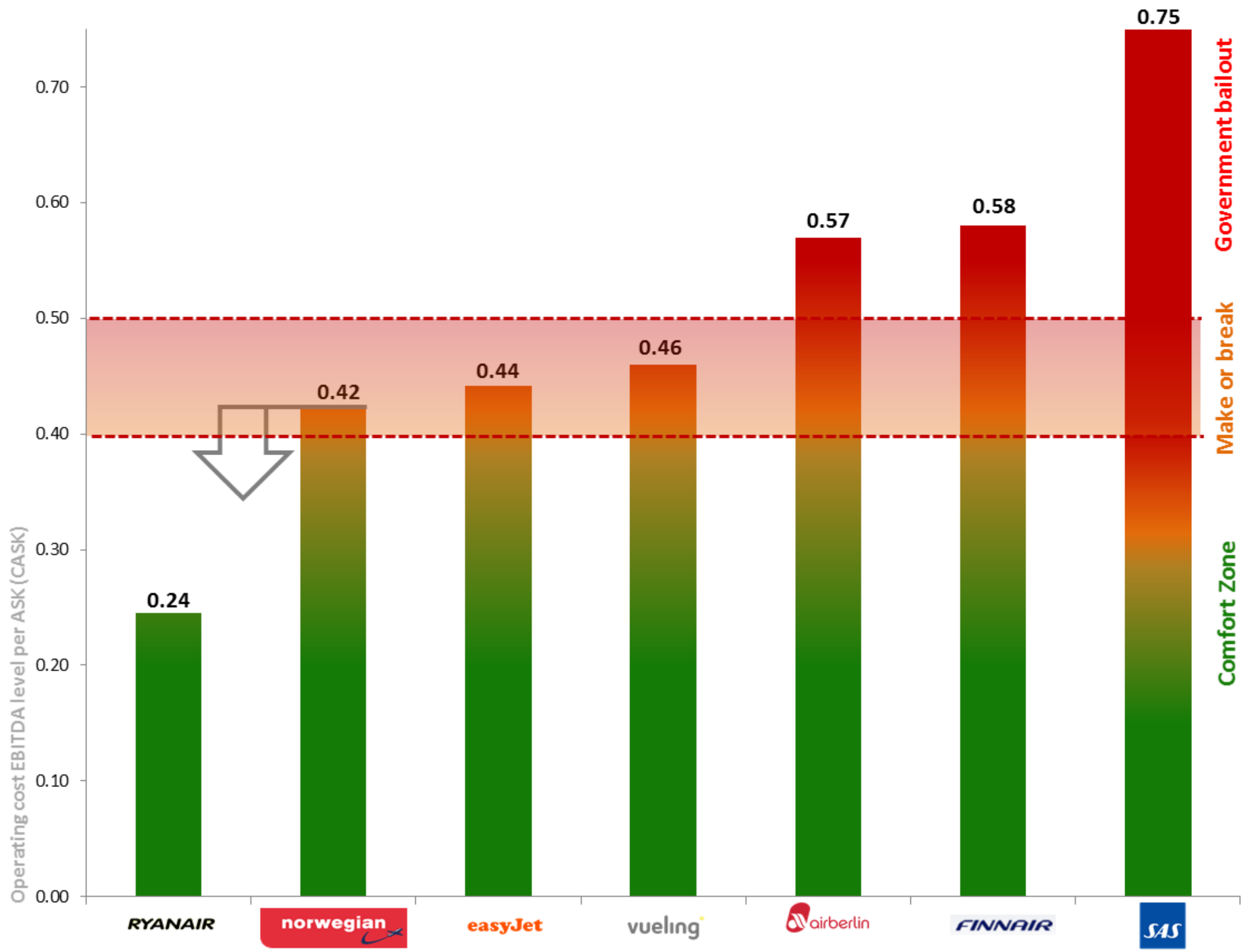
- Business model works – lower costs and prices attract volume



	Marketshare Oslo Airport (OSL)	Marketshare Stockholm Airport (ARN)	Marketshare Copenhagen Airport (CPH)	Marketshare Helsinki Airport (HEL)	Marketshare London Gatwick (LGW)	Marketshare Spanish bases (AGP, ALC, BCN, LPA, MAD, TFS)
Q2 09	33 %	11 %	7 %	0 %	2 %	1 %
Q2 10	37 %	13 %	10 %	1 %	2 %	1 %
Q2 11	37 %	17 %	11 %	7 %	3 %	1 %
Q2 12	36 %	19 %	13 %	8 %	4 %	1 %
Q2 13	38 %	22 %	17 %	11 %	5 %	2 %
Q2 14	39 %	23 %	17 %	12 %	7 %	3 %
Mkt. Size:	2.4 mill	2.2 mill	2.5 mill	1.5 mill	3.6 mill	11.2 mill

Lowest cost always wins



Sources: Norwegian Q2 2014 report (period displayed July 2013 – June 2014), SAS Interim Reports (including latest February 2014 – April 2014). Figures as reported in respective quarters and not restated - Scandinavian Airlines (SK) only from February 2013 – October 2014, SAS Group figures from November 2013 – April 2014 after divestment of Widerøe. Finnair Plc. Annual Report 2012 and Finnair Group Financial Statements Bulletin 2013 (period displayed January 2013 – December 2013), Ryanair Annual Report 2013 (period displayed April 2012 – March 2013), easyJet 2013 full year results statement and Annual Report 2013 (period displayed October 2012 – September 2013), Air Berlin Annual Report 2013, IAG Annual Report 2013 (period displayed for Vueling from April 26th 2013 to through December 2013) and Norwegian's estimations.

- Cost per available seat kilometer is an industry-wide cost level indicator often referred to as "CASK". Usually represented as operating expenses before depreciation and amortization (EBITDA level) over produced seat kilometers (ASK).
- Foreign exchange rates used are equivalent to the daily average rates corresponding to the reporting periods and as stated by the Central Bank of Norway
- Note: For some carriers the available financial data represents Group level data which may include cost items from activities that are unrelated to airline operations.
- Other losses / (gains) is not included in the CASK concept as it primarily contains hedge gains/losses offset under financial items* as well as other non-operational income and/or cost items such as gains on the sale of spare part inventory and unrealized foreign currency effects on receivables/payables and (hedges of operational expenses).

**Norwegian hedges USD/NOK to counter foreign currency risk exposure on USD denominated borrowings translated to the prevailing currency rate at each balance sheet date. Hedge gains and losses are according to IFRS recognized under operating expenses (other losses/ (gains) while foreign currency gains and losses from translation of USD denominated borrowings are recognized under financial items.*

Operation skewed towards high cost competitors

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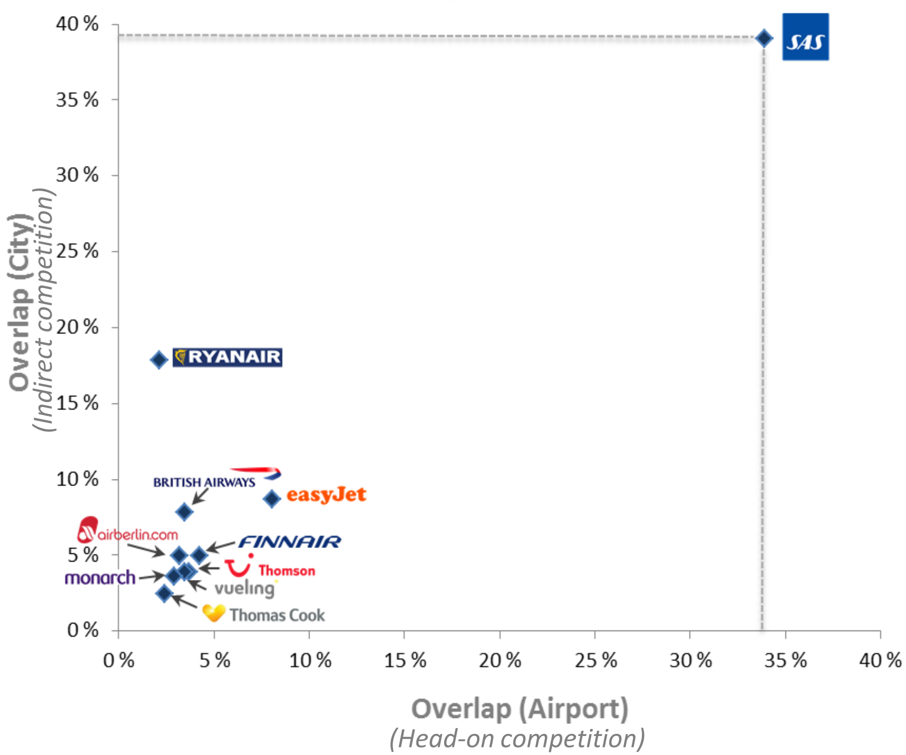
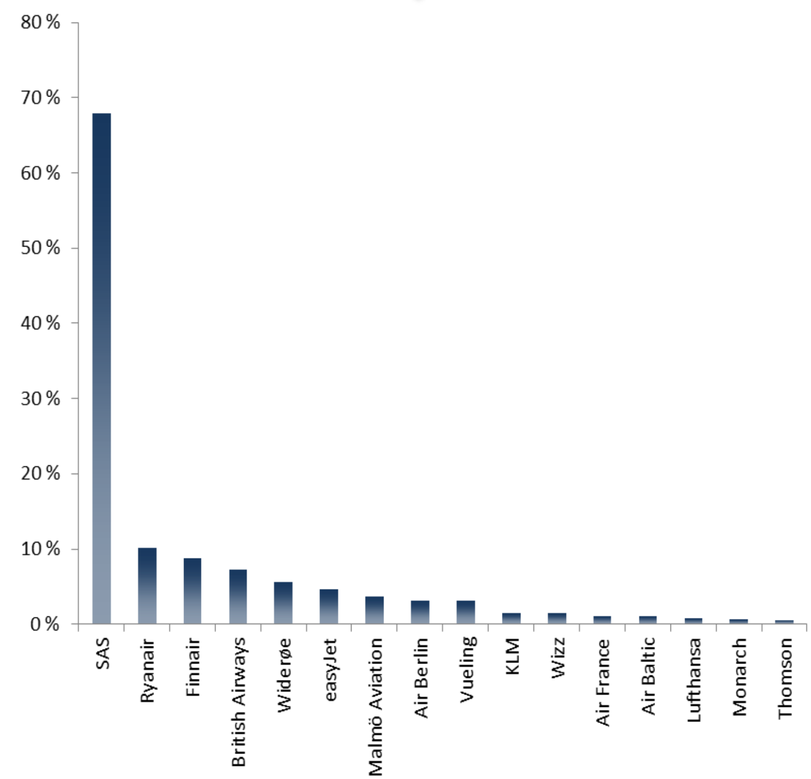
- Competitors largely high-cost and/or charter
- Highest cost competitor also the largest competitor

Routes which overlap
(% of Norwegian's total – **Summer 2014** – not volume weighted)



Volume-weighted city-pair overlap
(City-pair volume share of Norwegian's total capacity * competitor market share on given city-pair)



Source: OAG Aviation Worldwide Schedules Analyser.

Cost gap is widening in favor of Norwegian

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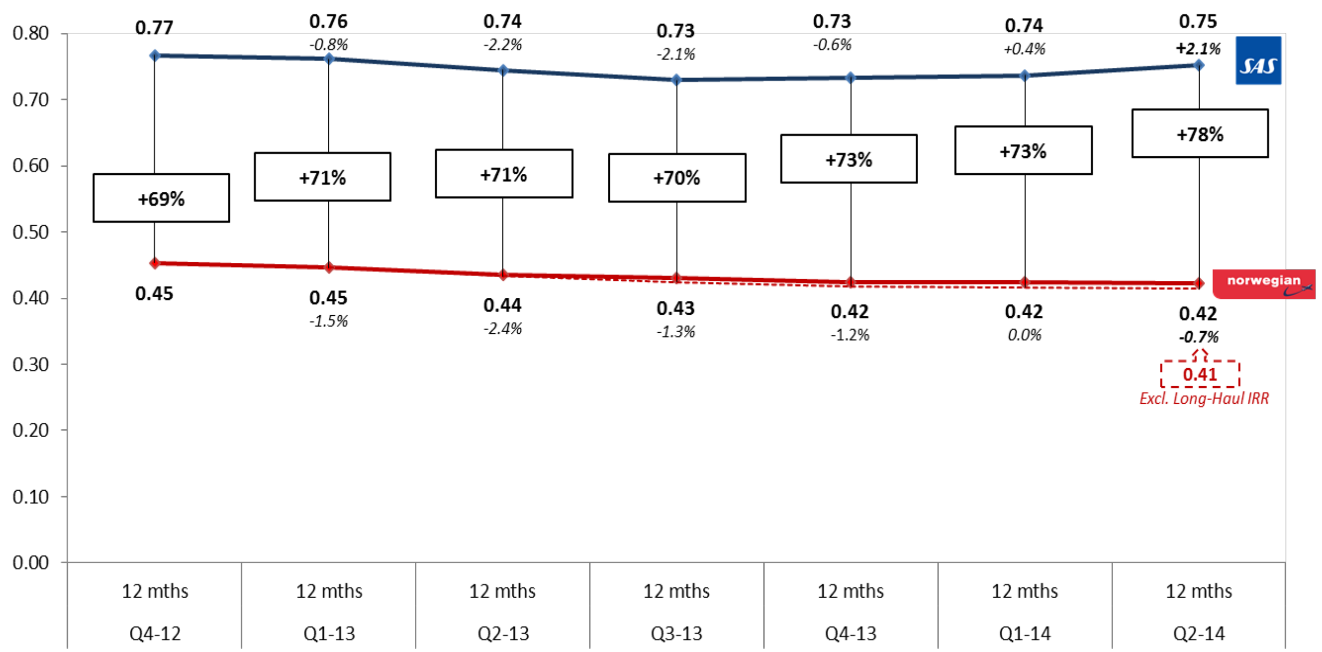

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- Other losses / (gains) is not included in the CASK concept as it primarily contains hedge gains/losses offset under financial items* as well as other non-operational income and/or cost items such as gains on the sale of spare part inventory and unrealized foreign currency effects on receivables/payables and (hedges of operational expenses).

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High cost competitor with the highest capacity growth

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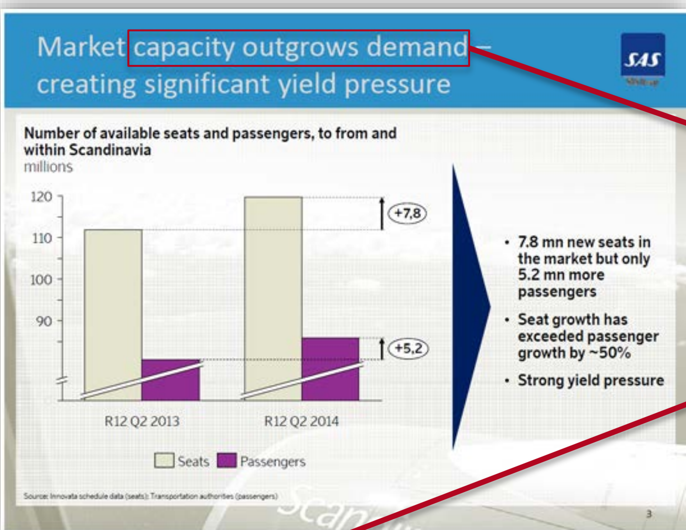

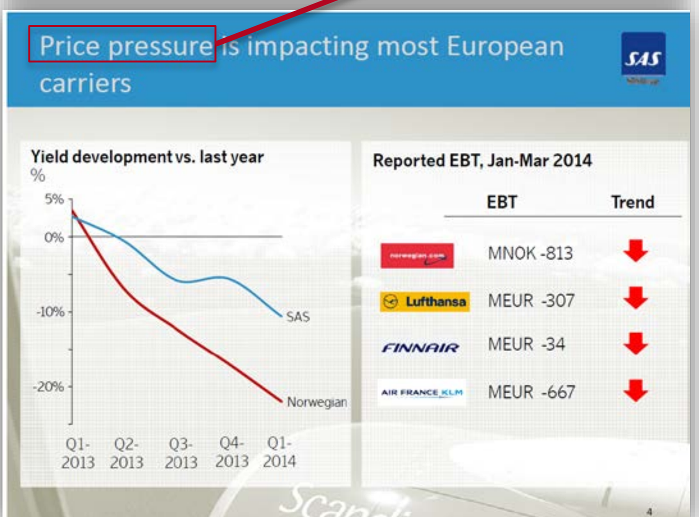

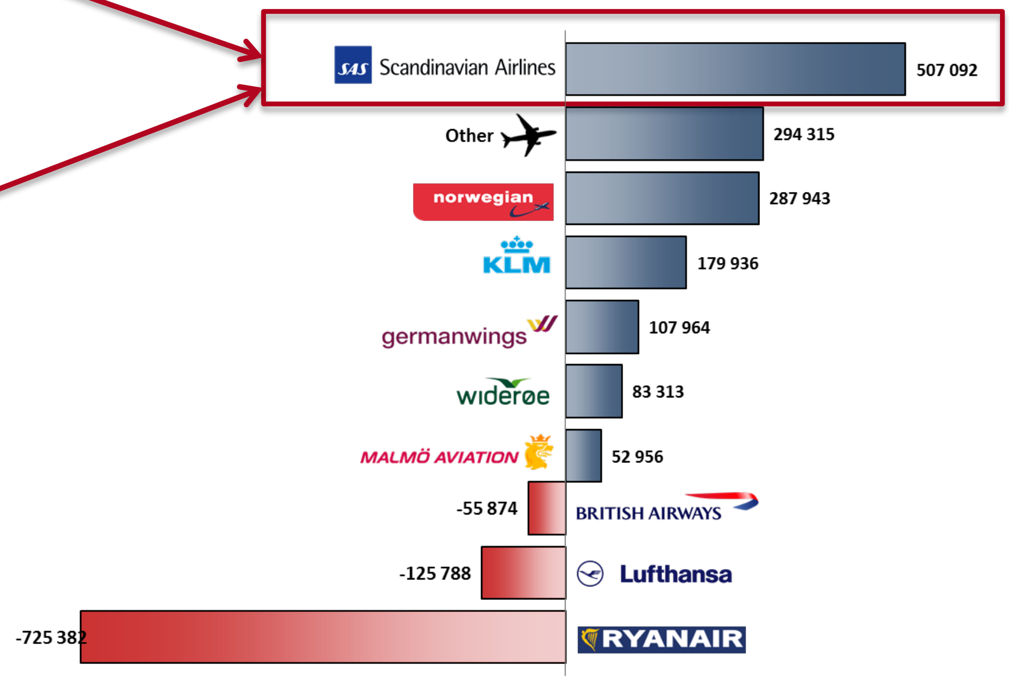

Source: OAG Aviation Worldwide Schedules Analyser. The graph depicts change in departing intra-Europe seat capacity from Scandinavian airports April 2014 – September 2014 as per April 30 2014.

Unit cost at constant ccy and excl one-off down -7%

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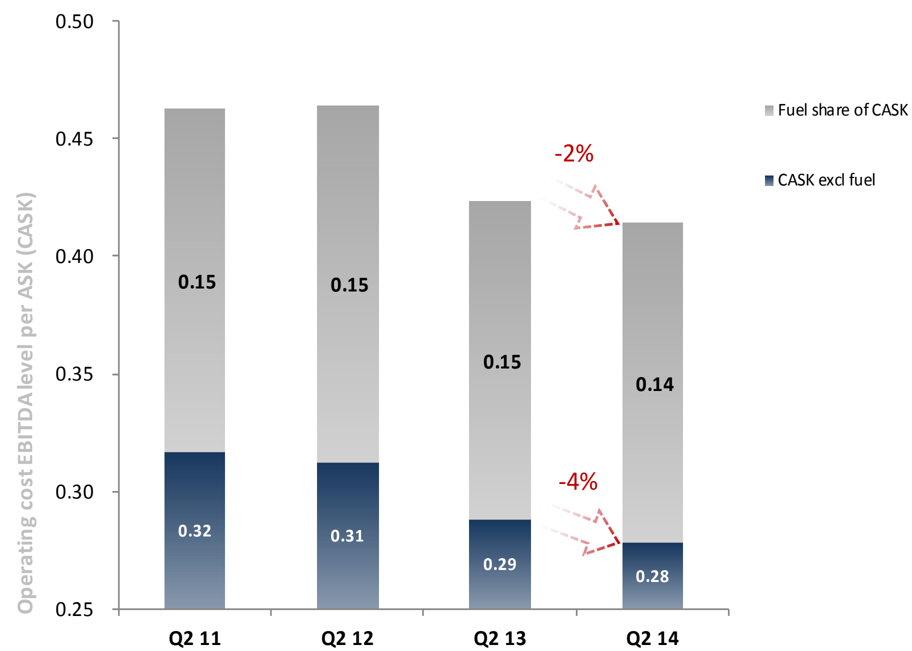
- Unit cost ex fuel down 4% - hampered by weak NOK & Long-Haul wet lease
- Unit cost including fuel down 2% - hampered by weak NOK & Long-Haul wet-lease



	Q2 11	Q2 12	Q2 13	Q2 14
Cost per ASK (CASK) (NOK)	**0.46**	**0.46**	**0.42**	**0.41**
CASK ex. fuel	0.32	0.31	0.29	0.28

Other losses / (gains) is not included in the CASK concept as it primarily contains hedge gains/losses offset under financial items* as well as other non-operational income and/or cost items such as gains on the sale of spare part inventory amd unrealized foreign currency effects on receivables/payables and (hedges of operational expenses).

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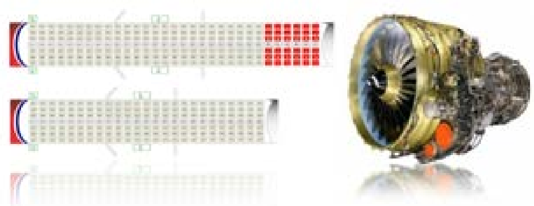
Aiming for FY CASK NOK 0.25 excluding fuel

Scale economies

- Uniform fleet of Boeing 737-800s
- Overheads
- 3 new 737-800 delivered in Q2 (13 y.o.y.)

New more efficient aircraft

- Flying cost of 737-800 <u>lower</u> than 737-300
- 737-800 has 38 "free" seats
- 1.3% lower unit fuel consumption in Q2



Growth adapted to int'l markets

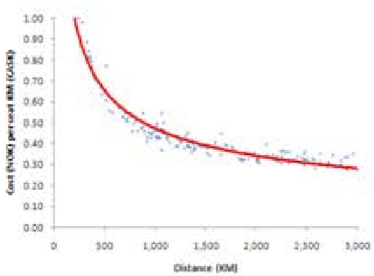
- Cost level adapted to local markets
- Outsourcing/ Off-shoring

Crew and aircraft utilization

- Rostering and aircraft slings optimized
- Q2 utilization of 11.8 BLH pr a/c (+0.2 BLH)

Optimized average stage length

- Fixed costs divided by more ASKs
- Frequency based costs divided by more ASKs
- Q2 sector length up by 18 % (short-haul +8%)

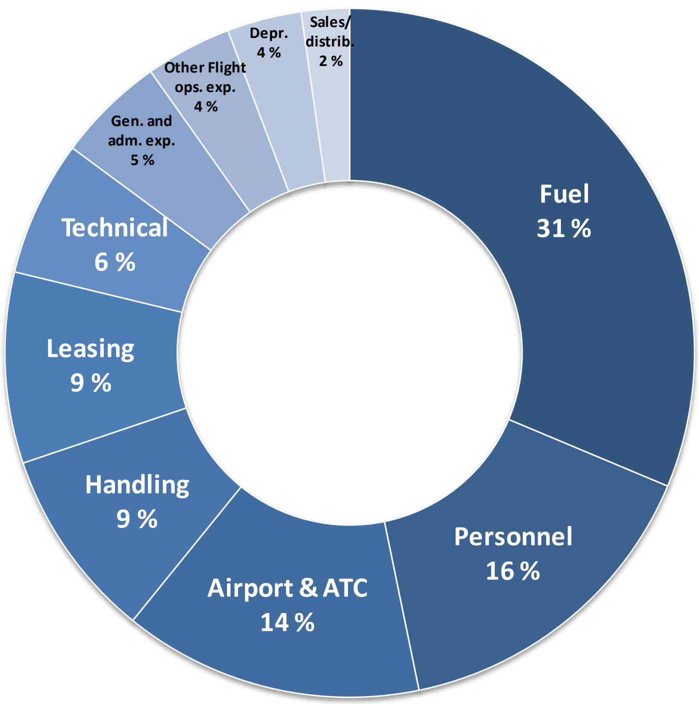


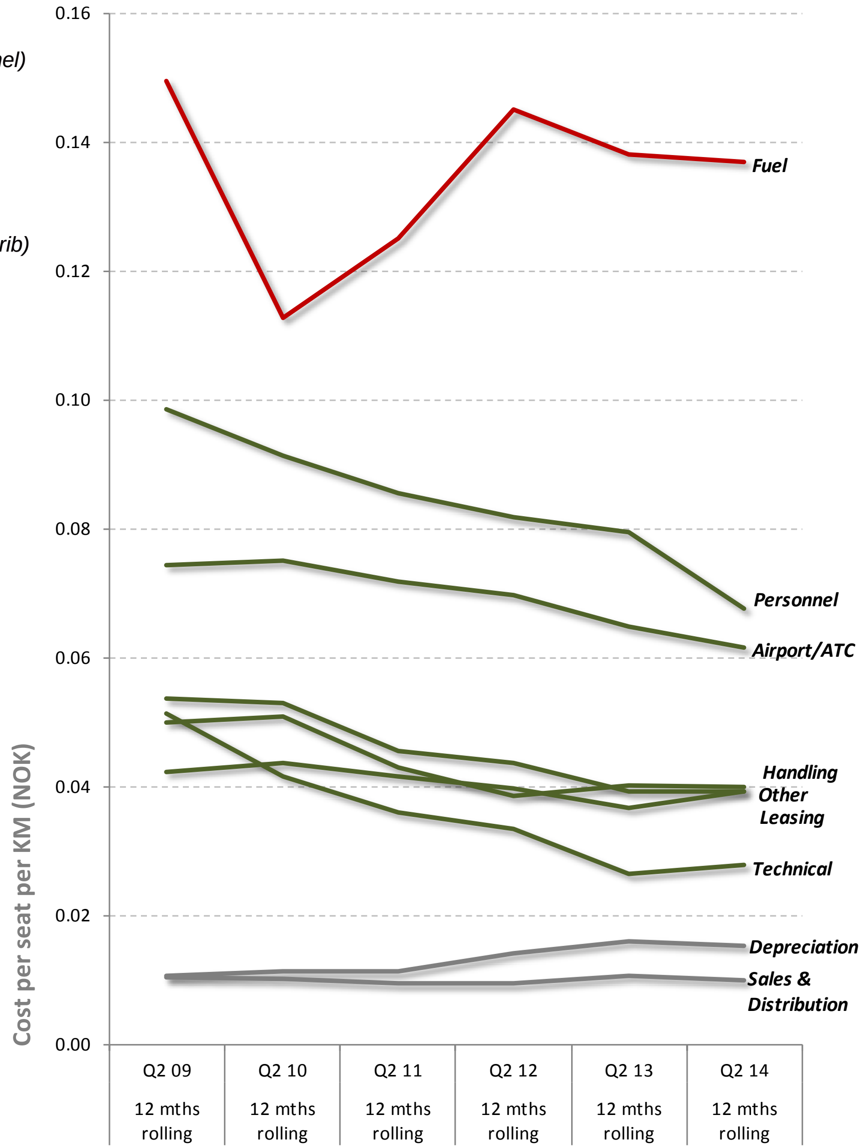
Automation

- Self check-in/ bag drop
- Automated charter & group bookings
- Streamlined operative systems & processes

Unit cost under control – further upside

- Phase-out 737-300 *(Fuel, Tech, Handling, Airport/ATC & Personnel)*
- Phase-in Max / Neo / Dreamliner *(Fuel & Tech)*
- Larger scale *(Overhead, Sales & distrib., Personnel)*
- Further automation *(Overhead, Personnel, Handling, Sales & distrib)*
- Higher short-haul utilization *(Leasing, Depreciation)*
- Global operations *(Personnel, Handling, Airport, Overhead)*



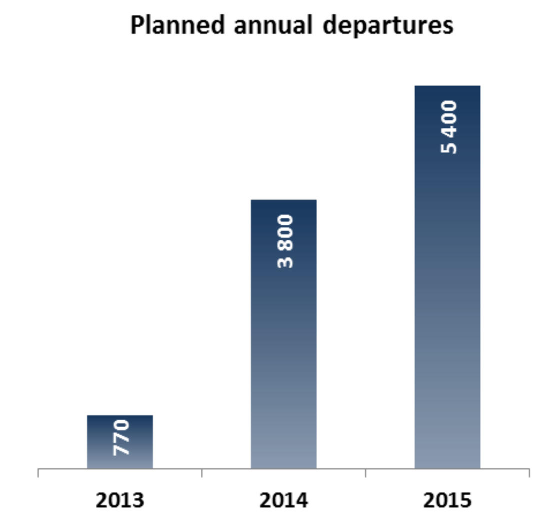


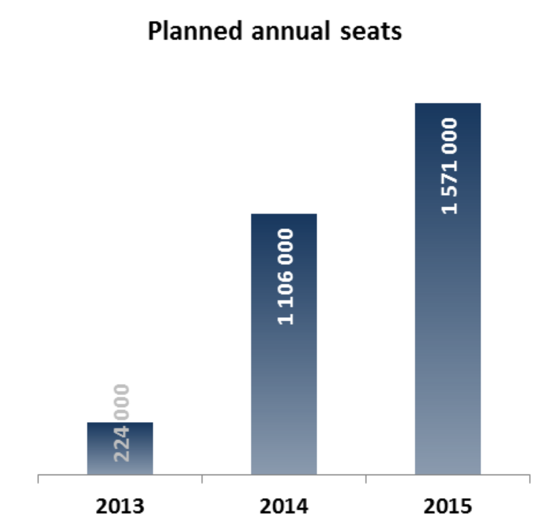
Long-haul financial targets maintained

- 2014 CASK in the area of NOK 0.36 *(excl. accrued IRR costs)*
- 2015 CASK target NOK 0.34 – 0.35 *(not previously disclosed)*
- 2015/16 CASK target NOK 0.35 – 0.30 *(unchanged)*
  - Higher-end of range with majority of US bound flights
  - Lower-end of range with majority of Asia bound flights
- 787-9 from 2016 expected to further reduce CASK

Network affects CASK
Higher landing & handling chgs in the U.S.

Scale of operation
Larger scale reduces CASK





A fleet of 17 Dreamliners by 2018

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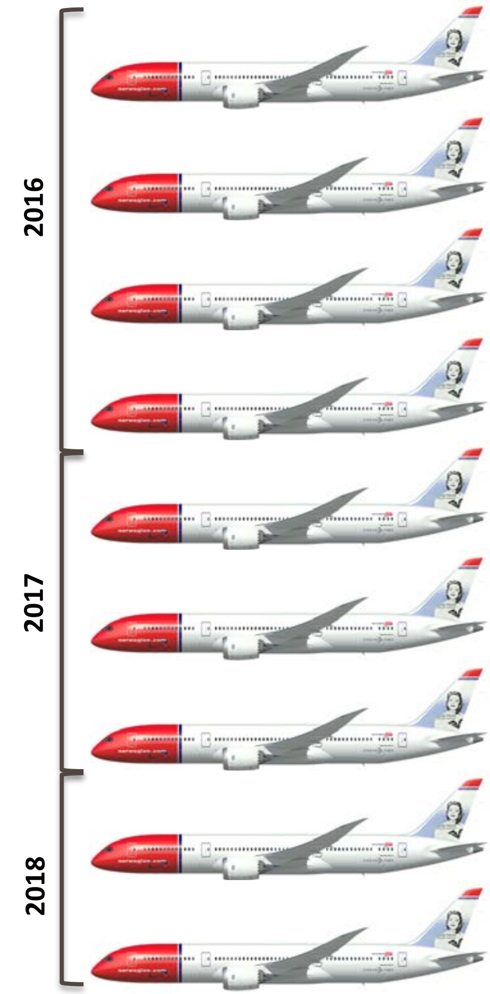
Seven 787-8 in operation

One 787-8 on firm order

Nine 787-9 on firm order



EU-AOC necessary to obtain traffic rights for growth

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- Norway not part of European horizontal Air Traffic Agreements
- Irish AOC necessary to fly to Asia, Africa and South America from Europe
- Local employment irrespective of country of incorporation

IAA

AIR OPERATOR CERTIFICATE

IRELAND

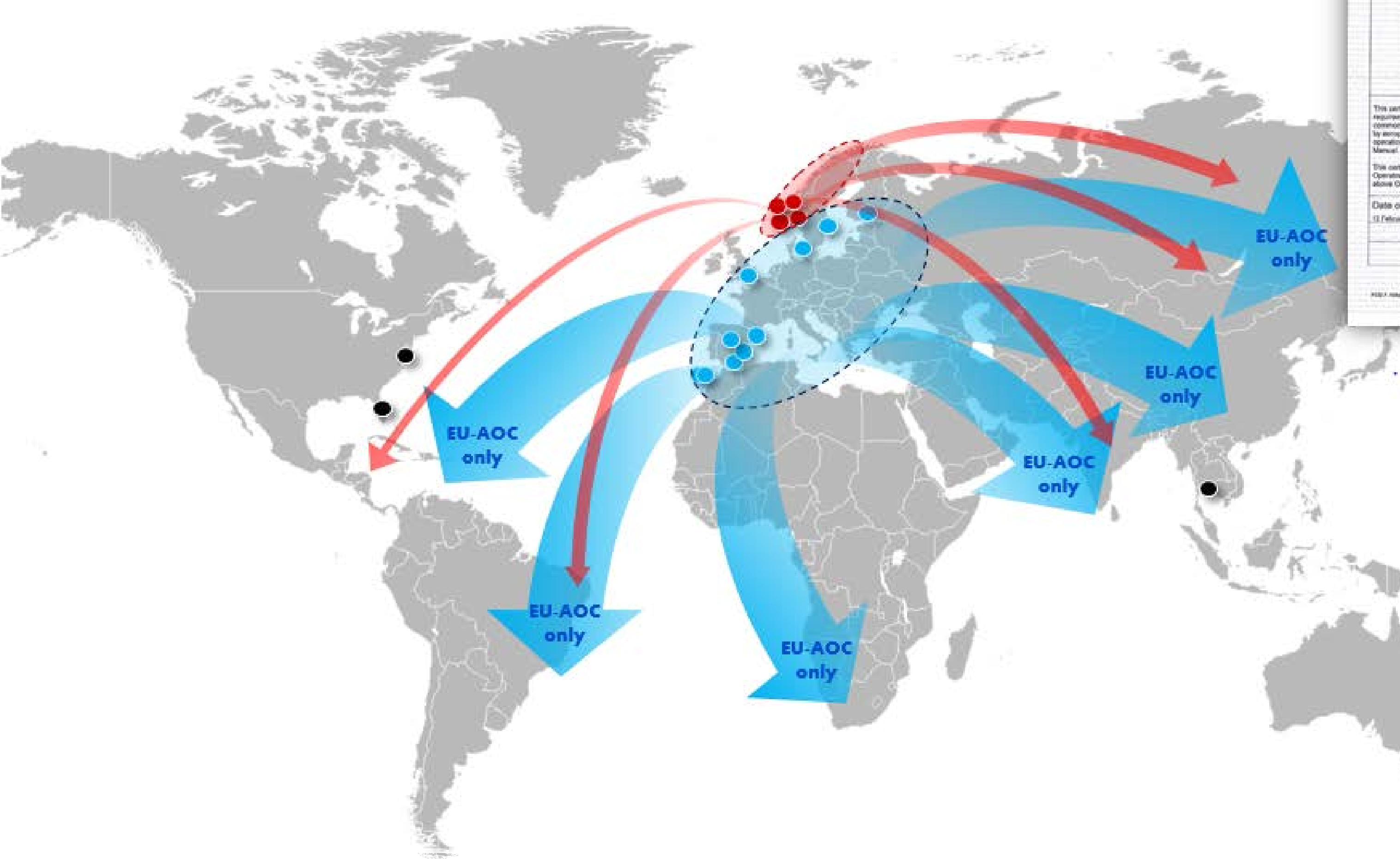
IRISH AVIATION AUTHORITY

Norwegian Air International Ltd.

Collinstown House
Dublin Airport
Co. Dublin
Ireland

Operational Points of Contact

Date of Issue:



Current committed fleet plan

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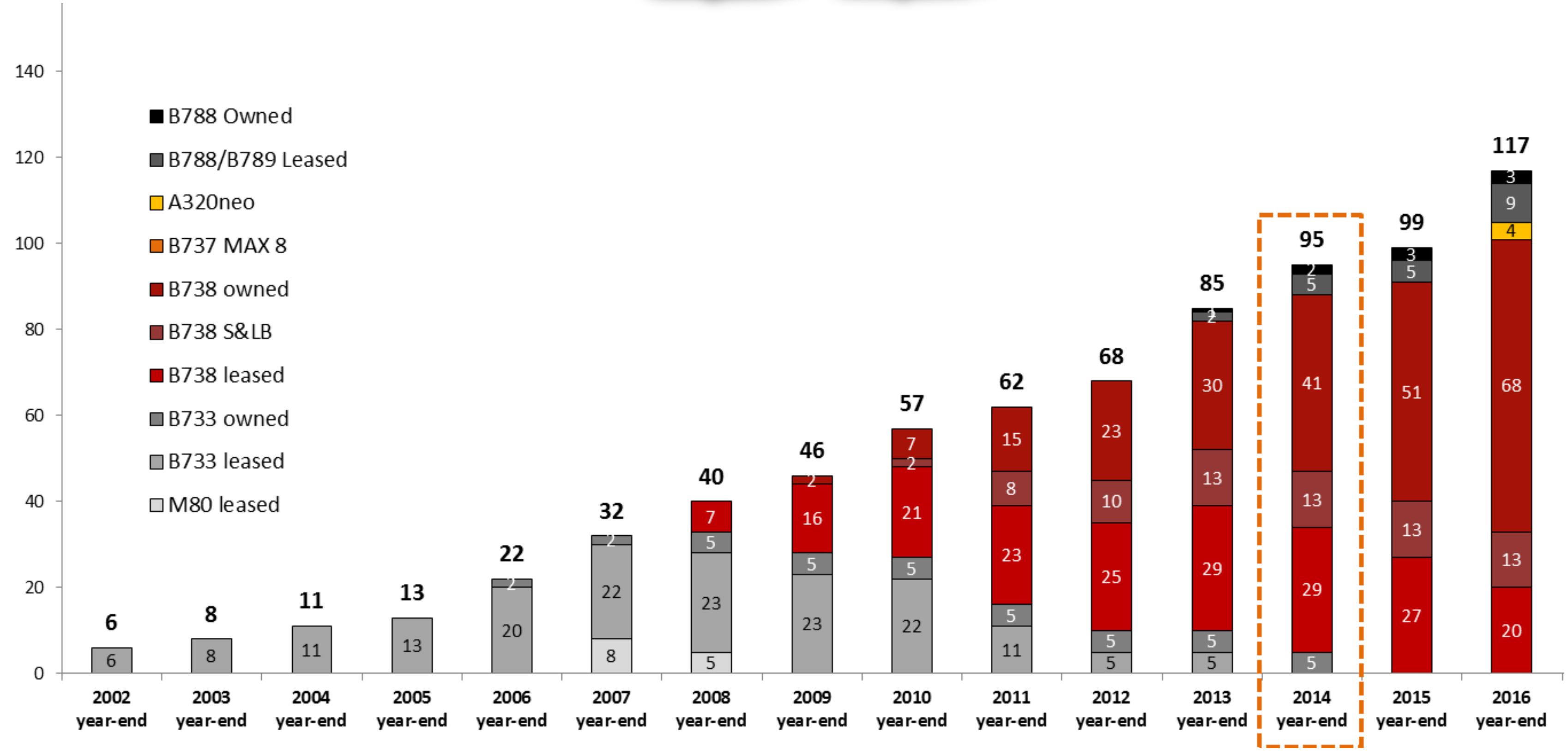
2014:	Deliveries 787-8 +1,164 seats	Deliveries 737-800 +2,604 seats	Re-deliveries 737-300 -740 seats	Re-deliveries 737-800 -558 seats



Leasing company provides tremendous flexibility

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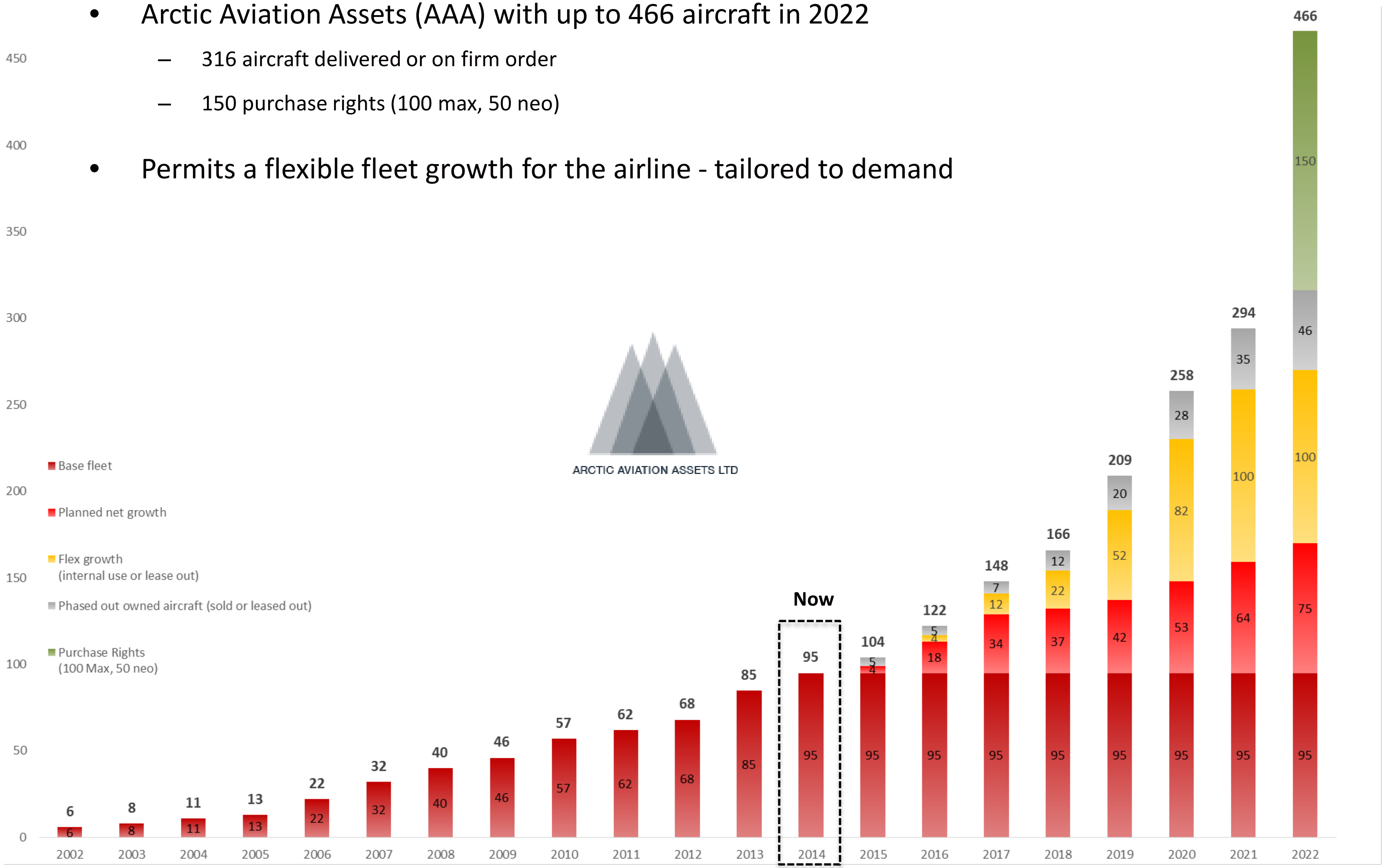
- Arctic Aviation Assets (AAA) with up to 466 aircraft in 2022
  - 316 aircraft delivered or on firm order
  - 150 purchase rights (100 max, 50 neo)
- Permits a flexible fleet growth for the airline - tailored to demand

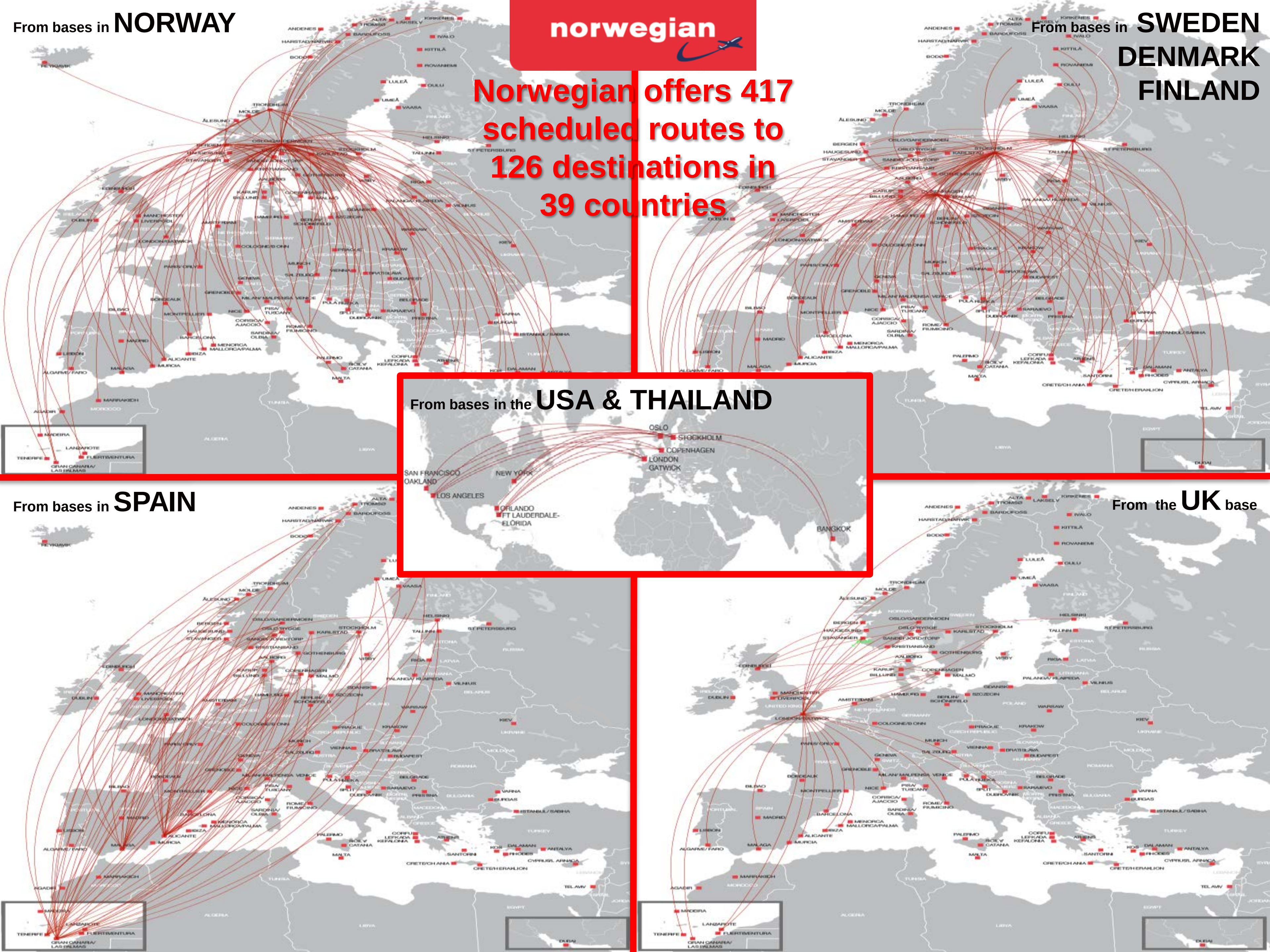


Expectations for 2014 (Group)

- Business environment
  - Economic uncertainty in parts of Europe
  - Seasonal fluctuations
  - Yield pressure from capacity investment
  - Increased competitive pressure in the Nordic region

- Production
  - The company expects a production growth (ASK) in excess of 35% (changed from 40%)
    - Increasing the fleet by adding 737-800's and 787-8's
    - Utilization and distance increase short-haul driven by UK and Spanish bases
    - Expanding long-haul operations
  - Capacity deployment depending on development in the overall economy and marketplace

- Cost development
  - Unit cost expected in the area of 0.40 – 0.41 (changed from 0.40)
    - Changed guidance from slightly lower Q4 production and accrued long-haul IRR costs
    - Excluding hedged volumes
    - Fuel price dependent – USD 950 pr. ton
    - Currency dependent ● USD/NOK 6.00 ● EUR/NOK 7.75 ●
    - Production dependent
    - Based on the currently planned route portfolio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Norwegian offers 417 scheduled routes to 126 destinations in 39 countries
From bases in NORWAY
From bases in SWEDEN DENMARK FINLAND
From bases in the USA & THAILAND
OSLO
STOCKHOLM
COPENHAGEN
LONDON GATWICK
SAN FRANCISCO OAKLAND
LOS ANGELES
NEW YORK
ORLANDO
FT LAUDERDALE-FLORIDA
BANGKOK
From bases in SPAIN
From the UK base