Norwegian Air Shuttle ASA

Q2 2015 Presentation

Best low-cost airline in Europe 2013-2015
World's best Long Haul low-cost airline 2015

Photo: Bo Mathiesen
Q2 2015 Highlights

- **New routes launched**
  - domestic Spain
  - London-Boston
  - Caribbean (Puerto Rico + winter routes)

- **SkyTrax awards 2015**
  - Best Low-Cost airline in Europe (3 years in a row)
  - World’s best Long Haul Low-Cost airline

Three new aircraft to the fleet in Q2
- 2 new 737-800’s (four new in first half)
- 1 new 787-8 Dreamliner (to a fleet of eight)

- **Strong progress for long-haul**

- **EBT improved to NOK 456 million from a loss of NOK 137 million last year**
Q2 revenue increased by 16 %

- Group revenues almost doubled in three years
- A strong 60% revenue growth for long-haul

<table>
<thead>
<tr>
<th>Revenues</th>
<th>Q2 12</th>
<th>Q2 13</th>
<th>Q2 14</th>
<th>Q2 15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic revenue</td>
<td>1 017</td>
<td>1 192</td>
<td>1 173</td>
<td>1 362</td>
</tr>
<tr>
<td>% y.o.y. chg</td>
<td>4 %</td>
<td>17 %</td>
<td>-2 %</td>
<td>16 %</td>
</tr>
<tr>
<td>International revenue</td>
<td>2 153</td>
<td>2 820</td>
<td>3 871</td>
<td>4 498</td>
</tr>
<tr>
<td>% y.o.y. chg</td>
<td>24 %</td>
<td>31 %</td>
<td>37 %</td>
<td>16 %</td>
</tr>
<tr>
<td>Total Revenues</td>
<td>3 170</td>
<td>4 012</td>
<td>5 043</td>
<td>5 861</td>
</tr>
</tbody>
</table>
25% growth in ancillary to 15% share of group revenue

- Split: Group ancillary per customer
  - Growth driven by bundle and freedom to choose

- Short Haul: 12% growth for ancillary per customer
EBT improved by NOK 593 million on higher load

<table>
<thead>
<tr>
<th>(NOK million)</th>
<th>Q2 15</th>
<th>Q2 14</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDAR</td>
<td>1 285</td>
<td>563</td>
<td>722</td>
</tr>
<tr>
<td>EBITDA</td>
<td>765</td>
<td>94</td>
<td></td>
</tr>
<tr>
<td>EBIT</td>
<td>520</td>
<td>-85</td>
<td></td>
</tr>
<tr>
<td>Pre-tax profit (EBT)</td>
<td>456</td>
<td>-137</td>
<td>593</td>
</tr>
<tr>
<td>Net profit</td>
<td>325</td>
<td>129</td>
<td></td>
</tr>
</tbody>
</table>

**EBITDAR development Q2**

<table>
<thead>
<tr>
<th></th>
<th>Q2 12</th>
<th>Q2 13</th>
<th>Q2 14</th>
<th>Q2 15</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDAR margin</td>
<td>680</td>
<td>878</td>
<td>563</td>
<td>1 285</td>
</tr>
</tbody>
</table>

**EBT development Q2**

<table>
<thead>
<tr>
<th></th>
<th>Q2 12</th>
<th>Q2 13</th>
<th>Q2 14</th>
<th>Q2 15</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBT margin</td>
<td>125</td>
<td>277</td>
<td>-137</td>
<td>456</td>
</tr>
</tbody>
</table>

EBT margin  
Q2 12: 4%  
Q2 13: 7%  
Q2 14: -3%  
Q2 15: 8%
Tailwind from fuel offset by currency

- USD/NOK has strengthened by 29 % y.o.y
- Spot fuel price down by 39 % (-20 % in NOK)
- Saved NOK 572 million on lower fuel cost (-18 % per ASK)
  - NOK 826 million reduction due to lower spot price
  - NOK 42 million saved on lower fuel consumption due to new aircraft
  - NOK 296 million negative impact of currency (USD/NOK)
- Other opex: NOK 311 million negative impact from currency
  - Related to leasing, maintenance, airport charges, handling, etc.
- One-offs included in EBT
  - NOK 84 million extra cost related to engine maintenance
  - NOK 10 million Wetlease
  - NOK 100 million gain on hedging
- Invested NOK 1.1 billion in new aircraft in Q2 (one 787 and two 737’s)
- Financing: NOK 1 billion bond issue in May
- NOK 3 billion in cash at 30 June

<table>
<thead>
<tr>
<th>CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW</th>
<th>Unaudited</th>
<th></th>
<th></th>
<th>Full Year</th>
<th>Full Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q2 2015</td>
<td>Q2 2014</td>
<td>YTD 2015</td>
<td>YTD 2014</td>
<td>Full Year 2014</td>
</tr>
<tr>
<td></td>
<td>(Amounts in NOK million)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net cash flows from operating activities</td>
<td>1 315</td>
<td>416</td>
<td>2 310</td>
<td>1 518</td>
<td>287</td>
</tr>
<tr>
<td>Net cash flows from investing activities</td>
<td>-1 092</td>
<td>-1 902</td>
<td>-2 689</td>
<td>-2 936</td>
<td>-4 931</td>
</tr>
<tr>
<td>Net cash flows from financial activities</td>
<td>1 224</td>
<td>660</td>
<td>1 420</td>
<td>1 588</td>
<td>4 479</td>
</tr>
<tr>
<td>Foreign exchange effect on cash</td>
<td>-17</td>
<td>5</td>
<td>-7</td>
<td>3</td>
<td>11</td>
</tr>
<tr>
<td>Net change in cash and cash equivalents</td>
<td>1 430</td>
<td>-821</td>
<td>1 034</td>
<td>173</td>
<td>-155</td>
</tr>
<tr>
<td>Cash and cash equivalents in beginning of period</td>
<td>1 615</td>
<td>3 160</td>
<td>2 011</td>
<td>2 166</td>
<td>2 166</td>
</tr>
<tr>
<td>Cash and cash equivalents in end of period</td>
<td>3 045</td>
<td>2 339</td>
<td>3 045</td>
<td>2 339</td>
<td>2 011</td>
</tr>
</tbody>
</table>
• Invested NOK 4.7 billion the last 12 months
• Seven new 737-800 and one 787 on balance since Q214
• NOK 12.6 billion net debt
Load factor increased to 85 % (+5 p.p.)

- 8 % growth in capacity (ASK)
- 15 % growth in traffic (RPK)
- Average flying distance increased by 6 %
7 million passengers in Q2 2015 (+9 %)

324,000 passengers on Long-Haul in the second quarter vs 139,000 in Q2 last year
Unit cost cut by 3% to NOK 0.40

---

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.
Aiming for NOK 0.25 per ASK (ex fuel)


- 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.
Top modern fleet with an average age of 4 years

- Deliveries 787-8: +291 seats
- Deliveries 737-800: +1,860 seats
- Sale of 737-300: -740 seats
- Re-deliveries 737-800: -372 seats

- B788 Owned
- B788/B789 Leased
- A320neo
- B737 MAX 8
- B738 owned
- B738 S&LB
- B738 leased
- B733 owned
- B733 leased
- M80 leased

- Year-end 2003: 8
- Year-end 2004: 11
- Year-end 2005: 13
- Year-end 2006: 22
- Year-end 2007: 32
- Year-end 2008: 40
- Year-end 2009: 46
- Year-end 2010: 57
- Year-end 2011: 62
- Year-end 2012: 68
- Year-end 2013: 85
- Year-end 2014: 95
- Year-end 2015: 99
- Year-end 2016: 117
- Year-end 2017: 144

- 2015:
  - Deliveries 787-8: +291 seats
  - Deliveries 737-800: +1,860 seats
  - Sale of 737-300: -740 seats
  - Re-deliveries 737-800: -372 seats

- Top modern fleet with an average age of 4 years

- Sale of 737-300: -740 seats
- Re-deliveries 737-800: -372 seats
Market shares in key airports (last 12 months)

- **Oslo**: +215,000 pax, 39% market share
- **Arlanda**: +63,000 pax, 23% market share
- **Copenhagen**: +75,000 pax, 18% market share
- **Helsinki**: +75,000 pax, 18% market share
- **Gatwick**: +37,000 pax, 13% market share
- **Spanish bases**: +160,000 pax, 4% market share

**Sources:** Avinor, Swedavia, Copenhagen Airports, Finavia, Gatwick Airport, Aena
Market shares Spanish airports (last 12 months)

Source: Aena
Launched domestic routes in Spain

- **Madrid to:**
  - Tenerife North
  - Gran Canaria

- **Barcelona to:**
  - Tenerife North
  - Gran Canaria
  - Fuerteventura

- **Malaga to:**
  - Tenerife South
  - Gran Canaria
New routes to North America and the Caribbean
Europe's best low-cost airline 2013, 2014 & 2015

- Eight aircraft in operation (from May 2015)
- Launched 29 routes
- Built up four bases (NY, FL, UK and Thailand)
- Over 1.7 million passengers
- Positive momentum and through start-up phase

Key figures long-Haul

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>1H 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASK (million)</td>
<td>1 571</td>
<td>8 087</td>
<td>4 873</td>
</tr>
<tr>
<td>Load Factor</td>
<td>89 %</td>
<td>87 %</td>
<td>91 %</td>
</tr>
<tr>
<td>Passengers</td>
<td>192 579</td>
<td>941 265</td>
<td>591 577</td>
</tr>
<tr>
<td>Legs</td>
<td>769</td>
<td>3 683</td>
<td>2 235</td>
</tr>
</tbody>
</table>
Expanding Long-haul operations

- Expanding fleet with 4 Boeing 787-9 in 2016
  - 344 seat configuration (291 for the 787-8)
  - two in Q2 2016, and two in Q4

- An estimated 30% ASK growth in 2015 and 38% in 2016

- Reached critical mass and built market presence

- Expect positive contribution going forward

### Forecast Long-Haul

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015P</th>
<th>2016P</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASK</td>
<td>8 087</td>
<td>10 500</td>
<td>14 500</td>
</tr>
<tr>
<td>growth</td>
<td>415 %</td>
<td>30 %</td>
<td>38 %</td>
</tr>
<tr>
<td>Legs</td>
<td>3 683</td>
<td>4 800</td>
<td>6 450</td>
</tr>
<tr>
<td></td>
<td>379 %</td>
<td>30 %</td>
<td>34 %</td>
</tr>
</tbody>
</table>
Expectations for 2015 (Group)

- **Business environment**
  - Bookings for Q3 2015 ahead of last year (capacity adjusted)
  - Stable market in the Nordic region
  - Good load and improving yield for long-haul

- **The company expects a production growth (ASK) of 5% (unchanged)**
  - Increasing utilization and distance driven by long-haul
  - Continuous optimization of the route portfolio

- **Unit cost target in the range of NOK 0.39 to 0.40 (unchanged)**
  - Fuel price assumption: USD 575 per MT
  - Currency assumptions: USD/NOK 7.5 and EUR/NOK 8.5
  - Including impact of pilot-strike
  - Based on the current planned route portfolio and mix

- **Investments and capex**
  - Aircraft deliveries:
    - 2015: 11 new aircraft; 10 B737 and one B787-8 (returning 7 older aircraft)
    - 2016: 25 aircraft; 17 B737, 4 A320Neo, 4 leased B787-9 (returning 7 leased 737, lease out 4 Neo’s)
  - Expected capex mainly related to PDP and aircraft deliveries for FY 2015 and 2016 of NOK 5.5bn and 8.4bn, respectively
Summary

• Awarded Europe’s Best Low-Cost Carrier 2015 and Global Best Low-Cost Long-Haul Carrier 2015 by SkyTrax

• Bookings for Q3 2015 ahead of last year

• An estimated NOK 2 billion lower fuel cost for 2015

• Expect positive contribution from Long-Haul going forward

• Aiming for further unit cost reductions

• Successful placing of NOK 1 billion bond
Norwegian offers 434 scheduled routes to 130 destinations in 39 countries.