Double digit revenue growth in Q2

- Group revenues of MNOK 5,043 in Q2 2014

<table>
<thead>
<tr>
<th>Revenues</th>
<th>Q2 11</th>
<th>Q2 12</th>
<th>Q2 13</th>
<th>Q2 14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic revenue</td>
<td>2,725</td>
<td>3,170</td>
<td>4,012</td>
<td>5,043</td>
</tr>
<tr>
<td>% y.o.y. chg</td>
<td>28 %</td>
<td>4 %</td>
<td>17 %</td>
<td>-2 %</td>
</tr>
<tr>
<td>International revenue</td>
<td>1,743</td>
<td>2,153</td>
<td>2,820</td>
<td>3,870</td>
</tr>
<tr>
<td>% y.o.y. chg</td>
<td>38 %</td>
<td>24 %</td>
<td>31 %</td>
<td>37 %</td>
</tr>
</tbody>
</table>
Q2 affected by one-offs and price pressure

<table>
<thead>
<tr>
<th></th>
<th>Q2 14</th>
<th>Q2 13</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDAR (MNOK)</td>
<td>563</td>
<td>878</td>
</tr>
<tr>
<td>EBITDA (MNOK)</td>
<td>94</td>
<td>574</td>
</tr>
<tr>
<td>EBIT (MNOK)</td>
<td>-85</td>
<td>446</td>
</tr>
<tr>
<td>Pre-tax profit (EBT) (MNOK)</td>
<td>-137</td>
<td>277</td>
</tr>
<tr>
<td>Net profit (MNOK)</td>
<td>129</td>
<td>197</td>
</tr>
</tbody>
</table>

EBITDAR margin: Q2 11 13%  Q2 12 21%  Q2 13 22%  Q2 14 11%

EBT margin: Q2 11 3%  Q2 12 4%  Q2 13 7%  Q2 14 -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

---

![Chart](chart-image.png)

**EBT (MNOK)**

- Q2 2014 Actual: -137
- Long-Haul IRR cost: -101
- Parat Industrial action: -101
- Currency fluctuations: -130
- Fuel price increase: -28
- Underlying Q2 2014: 223

**Q2 2013**

- Underlying Q2 2013 Actual: 347
- Long-haul start-up: -70
- Q2 2013 Actual: 277
Ancillary revenue remains a significant contributor

- 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

- 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 2,923)

---

### CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

**Unaudited**

<table>
<thead>
<tr>
<th></th>
<th>Q2 2014</th>
<th>Q2 2013</th>
<th>YTD 2014</th>
<th>YTD 2013</th>
<th>Full Year 2013</th>
<th>Full Year 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash flows from operating activities</td>
<td>416</td>
<td>1,084</td>
<td>1,518</td>
<td>2,046</td>
<td>2,377</td>
<td>2,022</td>
</tr>
<tr>
<td>Net cash flows from investing activities</td>
<td>-1,902</td>
<td>-702</td>
<td>-2,936</td>
<td>-544</td>
<td>-2,126</td>
<td>-2,764</td>
</tr>
<tr>
<td>Net cash flows from financial activities</td>
<td>660</td>
<td>96</td>
<td>1,588</td>
<td>-310</td>
<td>184</td>
<td>1,509</td>
</tr>
<tr>
<td>Foreign exchange effect on cash</td>
<td>5</td>
<td>-1</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Net change in cash and cash equivalents</td>
<td>-821</td>
<td>478</td>
<td>173</td>
<td>1,192</td>
<td>435</td>
<td>626</td>
</tr>
<tr>
<td>Cash and cash equivalents in beginning of period</td>
<td>3,160</td>
<td>2,445</td>
<td>2,166</td>
<td>1,731</td>
<td>1,731</td>
<td>1,105</td>
</tr>
<tr>
<td>Cash and cash equivalents in end of period</td>
<td>2,339</td>
<td>2,923</td>
<td>2,339</td>
<td>2,923</td>
<td>2,166</td>
<td>1,731</td>
</tr>
</tbody>
</table>
• 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

<table>
<thead>
<tr>
<th>Quarter</th>
<th>12 mth rolling development</th>
<th>Invested internal funds in percent of total investment</th>
<th>Total investment (MNOtK)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2 07</td>
<td>271</td>
<td>-253 %</td>
<td>107</td>
</tr>
<tr>
<td>Q2 08</td>
<td>508</td>
<td>102 %</td>
<td>640</td>
</tr>
<tr>
<td>Q2 09</td>
<td>659</td>
<td>-65 %</td>
<td>596</td>
</tr>
<tr>
<td>Q2 10</td>
<td>283</td>
<td>24 %</td>
<td>1,722</td>
</tr>
<tr>
<td>Q2 11</td>
<td>419</td>
<td>53 %</td>
<td>1,835</td>
</tr>
<tr>
<td>Q2 12</td>
<td>1,039</td>
<td>48 %</td>
<td>1,939</td>
</tr>
<tr>
<td>Q2 13</td>
<td>1,603</td>
<td>60 %</td>
<td>2,654</td>
</tr>
<tr>
<td>Q2 14</td>
<td>2,437</td>
<td>54 %</td>
<td>4,519</td>
</tr>
</tbody>
</table>
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

- 46% traffic growth
- Average flying distance up 18%
- Short-haul load up 2.0 p.p.
6.4 million passengers in Q2

- An increase of 900,000 passengers
Strong demand: Growing market share in all markets

• Business model works – lower costs and prices attract volume
Lowest cost always wins


- 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

- 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

Cost per available seat kilometer (CASK) is an industry-wide cost level indicator often referred to as "CASK". It is 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: Group level data may include cost items from activities that are unrelated to airline operations. SAS CASK is excluding both positive and negative "one-off" items as reported by the company.

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.

High cost competitor with the highest capacity growth

- 7.8 mn new seats in the market but only 5.2 mn more passengers
- Seat growth has exceeded passenger growth by -50%
- Strong yield pressure

Price pressure is impacting most European carriers

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%

- 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

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 exposure.

*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 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 lower 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)*

**Cost per seat per KM (NOK)**

<table>
<thead>
<tr>
<th>Q2 09</th>
<th>Q2 10</th>
<th>Q2 11</th>
<th>Q2 12</th>
<th>Q2 13</th>
<th>Q2 14</th>
</tr>
</thead>
<tbody>
<tr>
<td>12 mths rolling</td>
<td>12 mths rolling</td>
<td>12 mths rolling</td>
<td>12 mths rolling</td>
<td>12 mths rolling</td>
<td>12 mths rolling</td>
</tr>
</tbody>
</table>

**Graph Data**

- Fuel: 0.00, 0.02, 0.04, 0.06, 0.08, 0.10, 0.12, 0.14, 0.16
- Personnel: 0.00, 0.02, 0.04, 0.06, 0.08, 0.10
- Airport/ATC: 0.00, 0.02, 0.04, 0.06, 0.08, 0.10
- Handling: 0.00, 0.02, 0.04, 0.06, 0.08, 0.10
- Depreciation: 0.00, 0.02, 0.04, 0.06, 0.08, 0.10
- Sales & Distribution: 0.00, 0.02, 0.04, 0.06, 0.08, 0.10

**Cost Components Breakdown**

- Fuel: 31%
- Personnel: 16%
- Airport & ATC: 14%
- Handling: 9%
- Leasing: 9%
- Technical: 6%
- Gen. and adm. exp.: 5%
- Other Flight ops. exp.: 4%
- Depr.: 2%
- Sales & distrib.: 2%
• 2014 CASK in the area of NOK 0.36 \( (\text{excl. accrued IRR costs}) \)

• 2015 CASK target NOK 0.34 – 0.35 \( (\text{not previously disclosed}) \)

• 2015/16 CASK target NOK 0.35 – 0.30 \( (\text{unchanged}) \)
  – 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

---

**Planned annual departures**

<table>
<thead>
<tr>
<th>Year</th>
<th>Departures</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>770</td>
</tr>
<tr>
<td>2014</td>
<td>3,800</td>
</tr>
<tr>
<td>2015</td>
<td>5,400</td>
</tr>
</tbody>
</table>

**Planned annual seats**

<table>
<thead>
<tr>
<th>Year</th>
<th>Seats</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>224,000</td>
</tr>
<tr>
<td>2014</td>
<td>1,106,000</td>
</tr>
<tr>
<td>2015</td>
<td>1,571,000</td>
</tr>
</tbody>
</table>
A fleet of 17 Dreamliners by 2018

- 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

- 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
Current committed fleet plan

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

-737-300 - 740 seats
-737-800 - 558 seats

Deliveries 787-8
+1,164 seats

Deliveries 737-800
+2,604 seats

Re-deliveries 737-300
-740 seats

Re-deliveries 737-800
-558 seats

Current committed fleet plan

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

- 2002 year-end
- 2003 year-end
- 2004 year-end
- 2005 year-end
- 2006 year-end
- 2007 year-end
- 2008 year-end
- 2009 year-end
- 2010 year-end
- 2011 year-end
- 2012 year-end
- 2013 year-end
- 2014 year-end
- 2015 year-end
- 2016 year-end

- 6
- 8
- 11
- 13
- 22
- 32
- 40
- 46
- 57
- 62
- 68
- 85
- 95
- 99
- 117

- 6
- 8
- 11
- 13
- 20
- 22
- 23
- 23
- 22
- 21
- 15
- 23
- 13
- 13
- 9

- 0
- 20
- 40
- 60
- 80
- 100
- 120
- 140
Leasing company provides tremendous flexibility

- 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
Norwegian offers 417 scheduled routes to 126 destinations in 39 countries.