Norwegian Air Shuttle ASA

Q3 2014 Presentation

Photo: Bjørn Morgan / August 2014

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2013 & 2014

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Double digit revenue growth in Q3 driven by International

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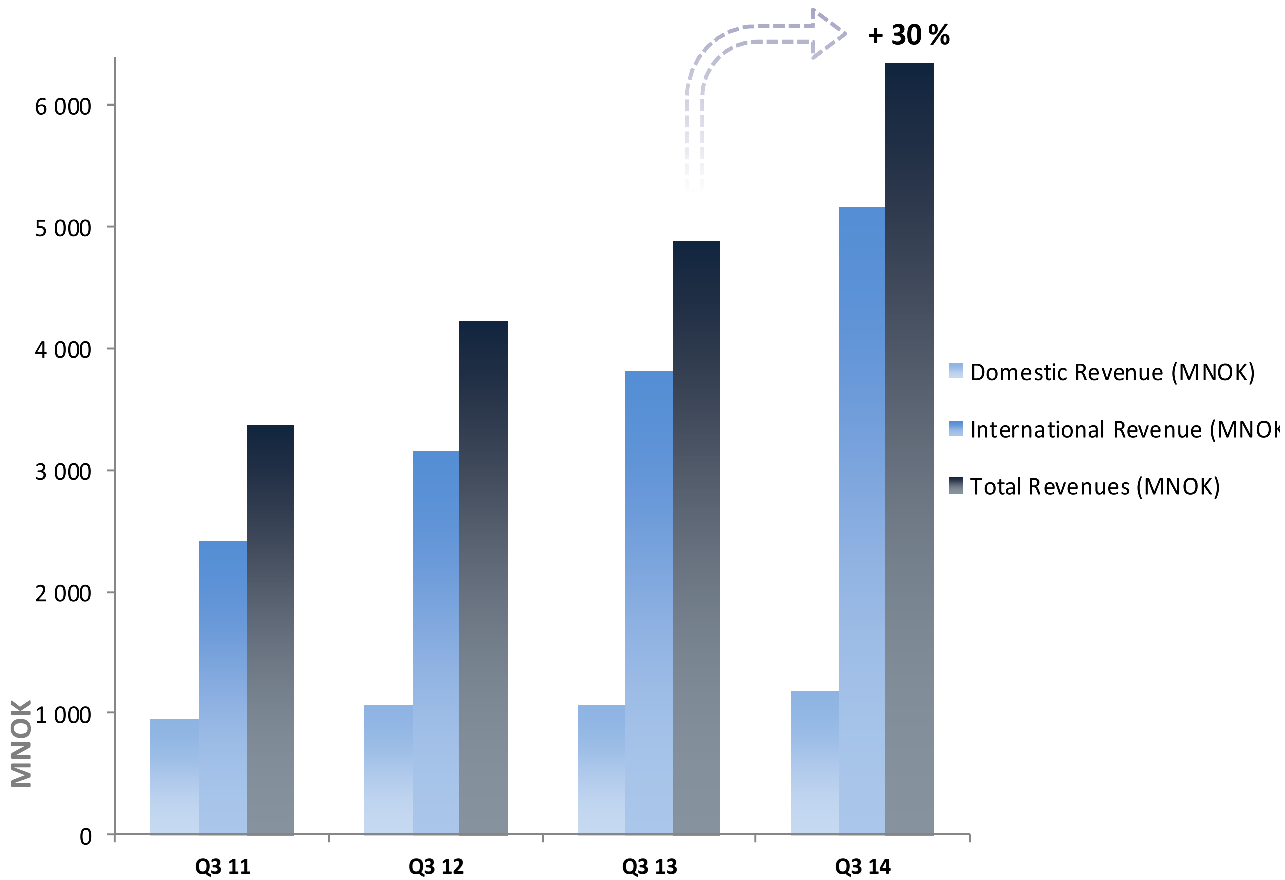
- Group revenues of MNOK 6,337 in Q3 2014



	Q3 11	Q3 12	Q3 13	Q3 14
Revenues	**3 376**	**4 224**	**4 878**	**6 338**
Domestic revenue	958	1 071	1 072	1 186
% y.o.y. chg	*-3 %*	*12 %*	*0 %*	*11 %*
International revenue	2 419	3 153	3 806	5 152
% y.o.y. chg	*32 %*	*30 %*	*21 %*	*35 %*

Q3 affected by capacity investment and delayed US approval

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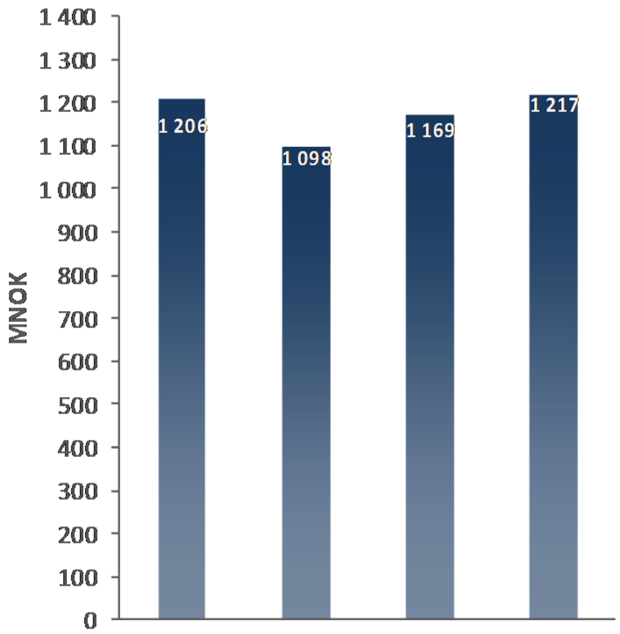
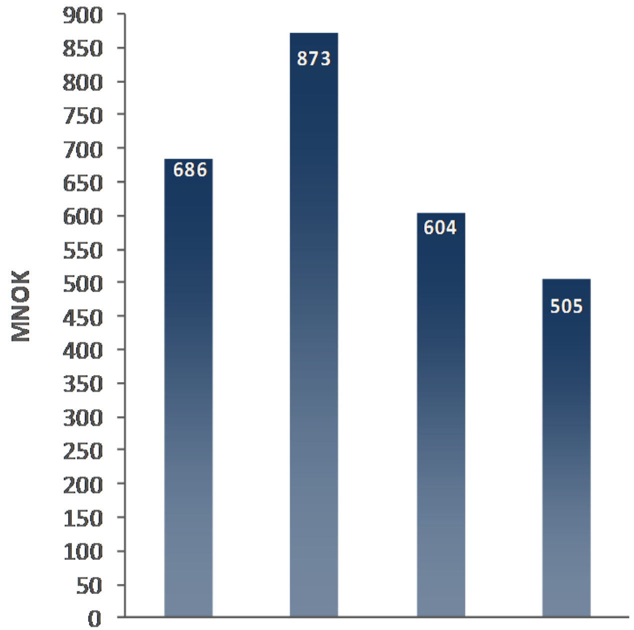
		Q3 14	Q3 13
EBITDAR	**MNOK**	**1 217**	**1 169**
EBITDA	MNOK	726	778
EBIT	MNOK	532	638
Pre-tax profit (EBT)	**MNOK**	**505**	**604**
Net profit	MNOK	374	436

EBITDAR development Q3



	Q3 11	Q3 12	Q3 13	Q3 14
EBITDAR margin	36 %	26 %	24 %	19 %

EBT development Q3



	Q3 11	Q3 12	Q3 13	Q3 14
EBT margin	20 %	21 %	12 %	8 %

Underlying EBT improved by 13%

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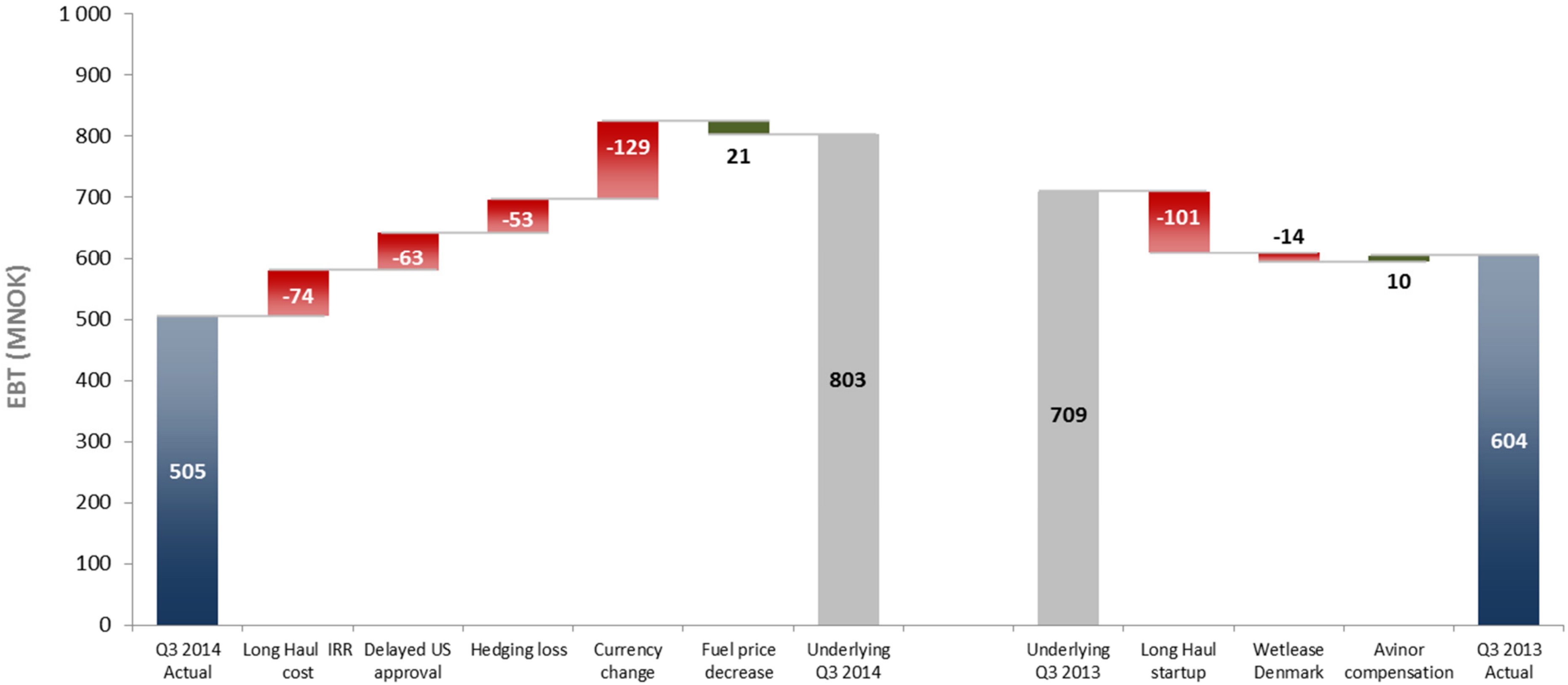
- High IRR cost related to Long-Haul
- Delayed US approval process causes suboptimal scheduling
- Negative impact of currency



Ancillary revenue growth driven by bundling and LH

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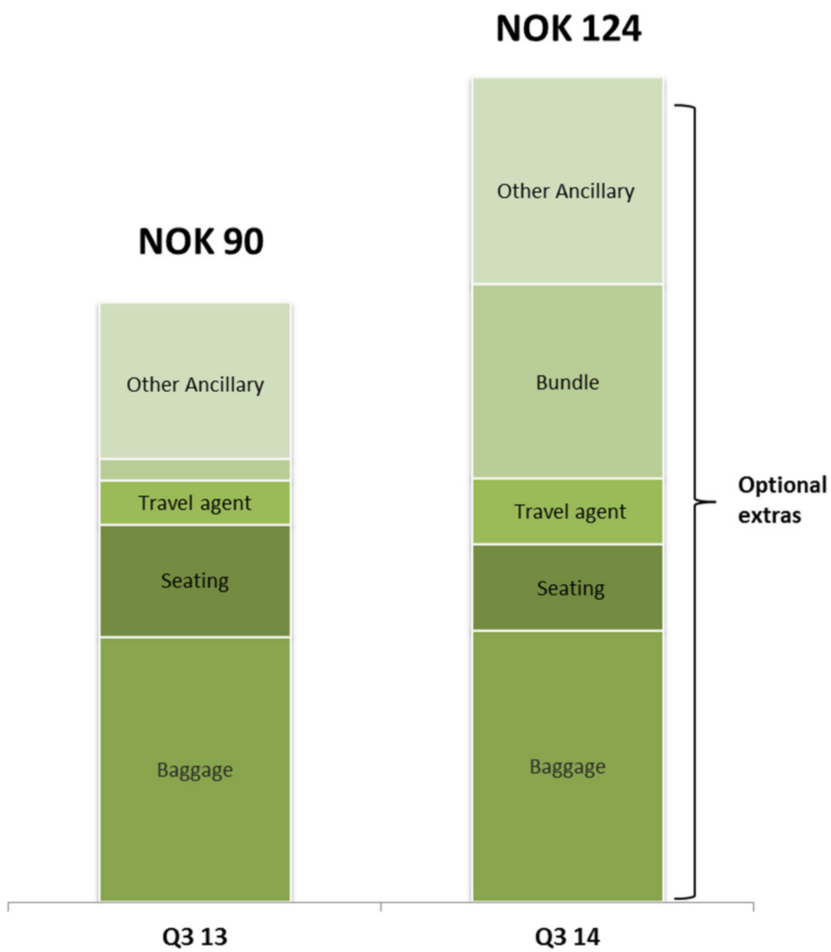
- Ancillary revenue comprises 13% of Group revenues in Q3
- NOK 124 per scheduled passenger (an increase of 37% from last year)



Aircraft investments financed by operating cash-flow

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- Strong presales through the quarter
  - Seasonal effect - delivering on presold summer tickets
- Q3 2014 air traffic settlements driven by ramp-up of long-haul
- BNOK 2bn of internal funds used to fund aircraft YTD

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

Unaudited

(Amounts in NOK million)	**Q3 2014**	Q3 2013	**YTD 2014**	YTD 2013	**Full Year 2013**	Full Year 2012
Net cash flows from operating activities	**-280**	67	**1 238**	2 113	**2 377**	2 022
Net cash flows from investing activities	**-747**	-618	**-3 684**	-1 161	**-2 126**	-2 766
Net cash flows from financial activities	**118**	-68	**1 706**	-378	**184**	1 369
Foreign exchange effect on cash	**2**	-2	**6**	-2	**0**	0
Net change in cash and cash equivalents	**-907**	-620	**-735**	572	**435**	626
Cash and cash equivalents in beginning of period	**2 339**	2 923	**2 166**	1 731	**1 731**	1 105
Cash and cash equivalents in end of period	**1 431**	2 303	**1 431**	2 303	**2 166**	1 731

12 new on-balance sheet aircraft in 2014

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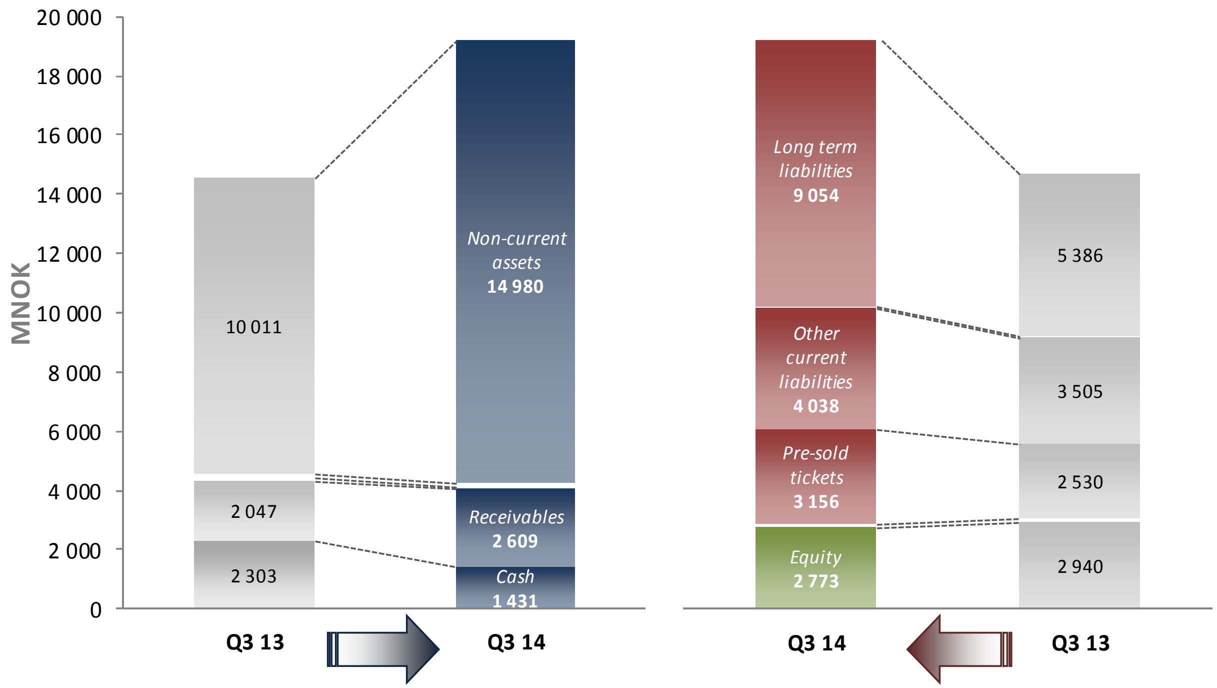
- Total balance of NOK 19 billion
- Net interest bearing debt NOK 7,6 billion
- Equity of NOK 2,8 billion at the end of Q3 14
- Group equity ratio of 15% (20%)



Strong Q3 load in spite of 36% capacity increase

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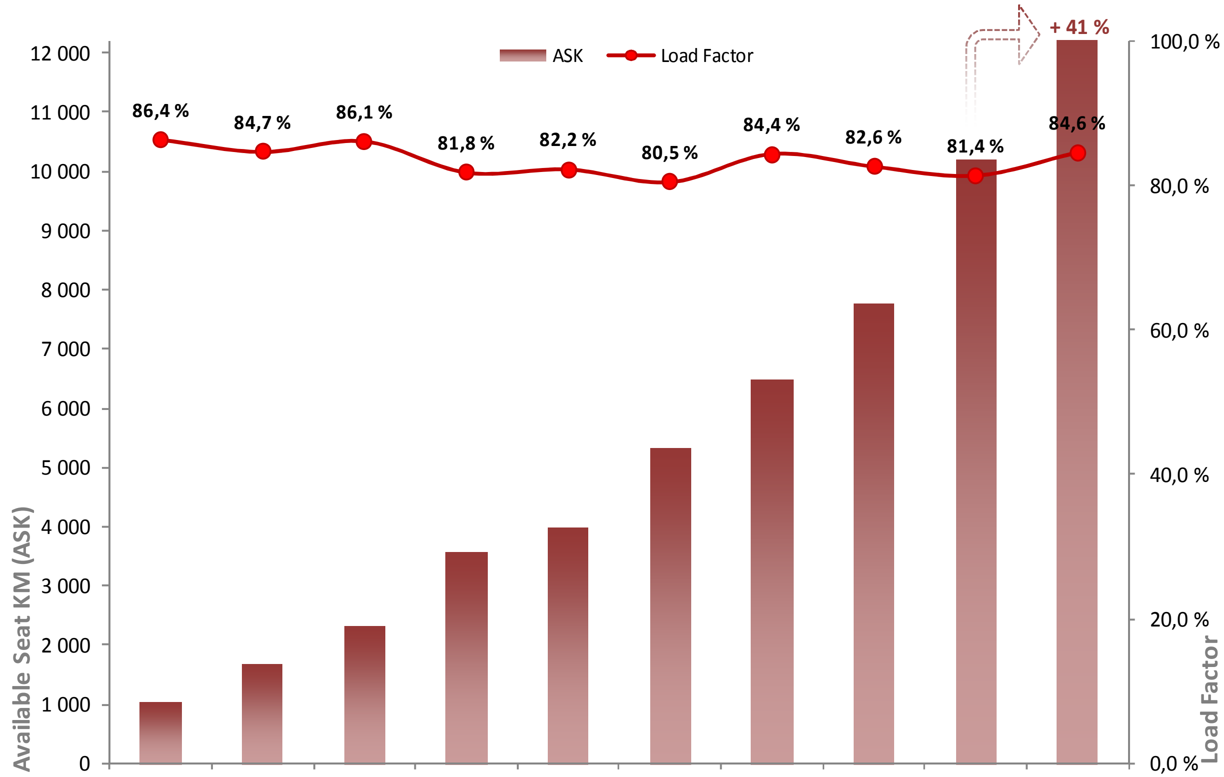
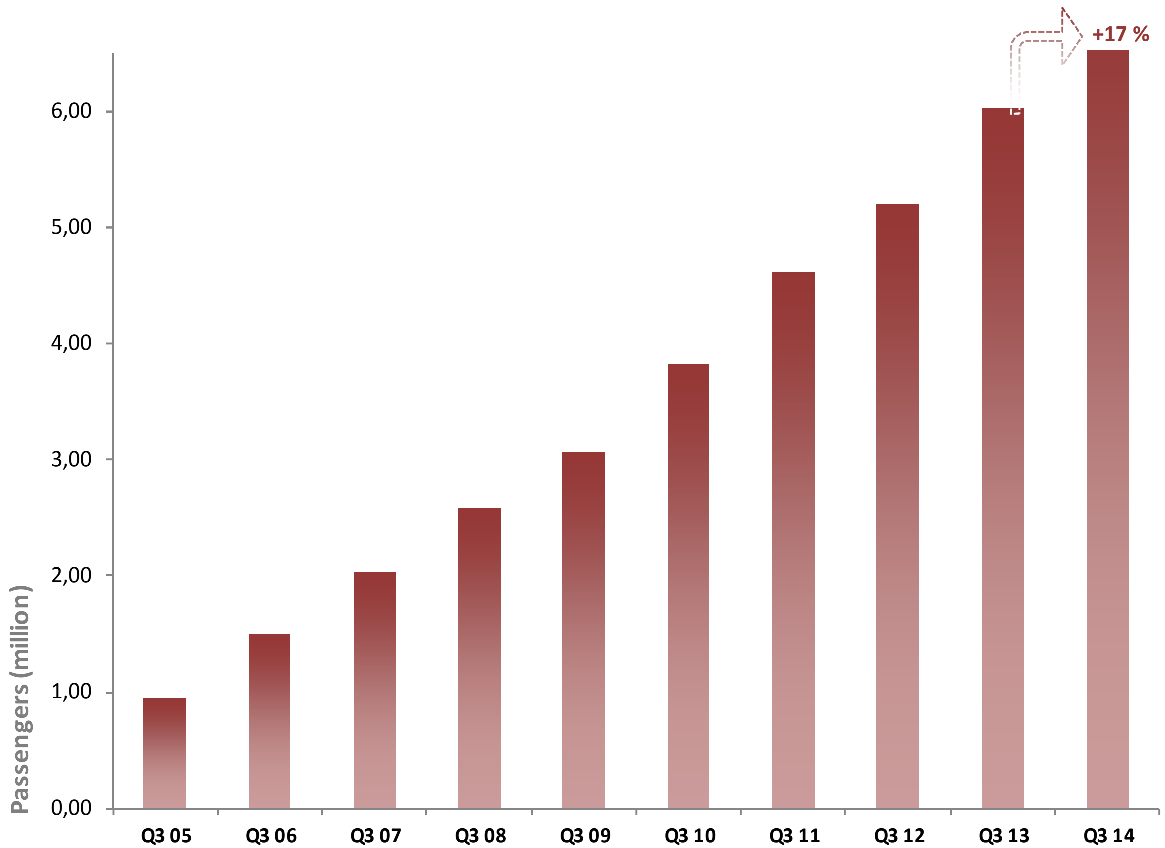
- 41% traffic growth
- Average flying distance up 14%
- Load factor increased to 84.6% (+ 3.2 p.p.)
- Short-haul load up 2.7 p.p.



ASK	**1 033**	**1 694**	**2 333**	**3 590**	**3 979**	**5 331**	**6 480**	**7 780**	**10 223**	**13 905**
Load Factor	86,4 %	84,7 %	86,1 %	81,8 %	82,2 %	80,5 %	84,4 %	82,6 %	81,4 %	84,6 %

7.1 million passengers in Q3

- An increase of more than 1,000,000 passengers



Pax (mill)	0,9	1,5	2,0	2,6	3,1	3,8	4,6	5,2	6,0	7,1

Strong demand:
Growing market share in all markets

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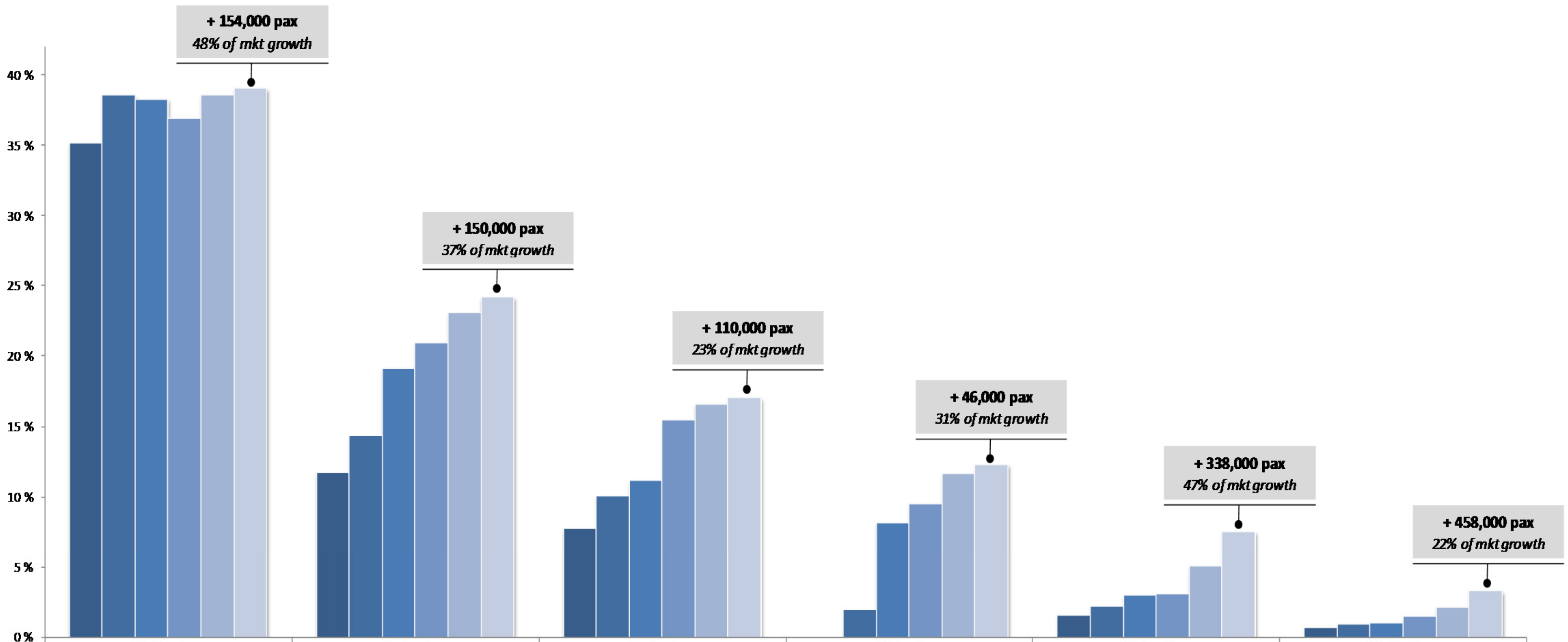
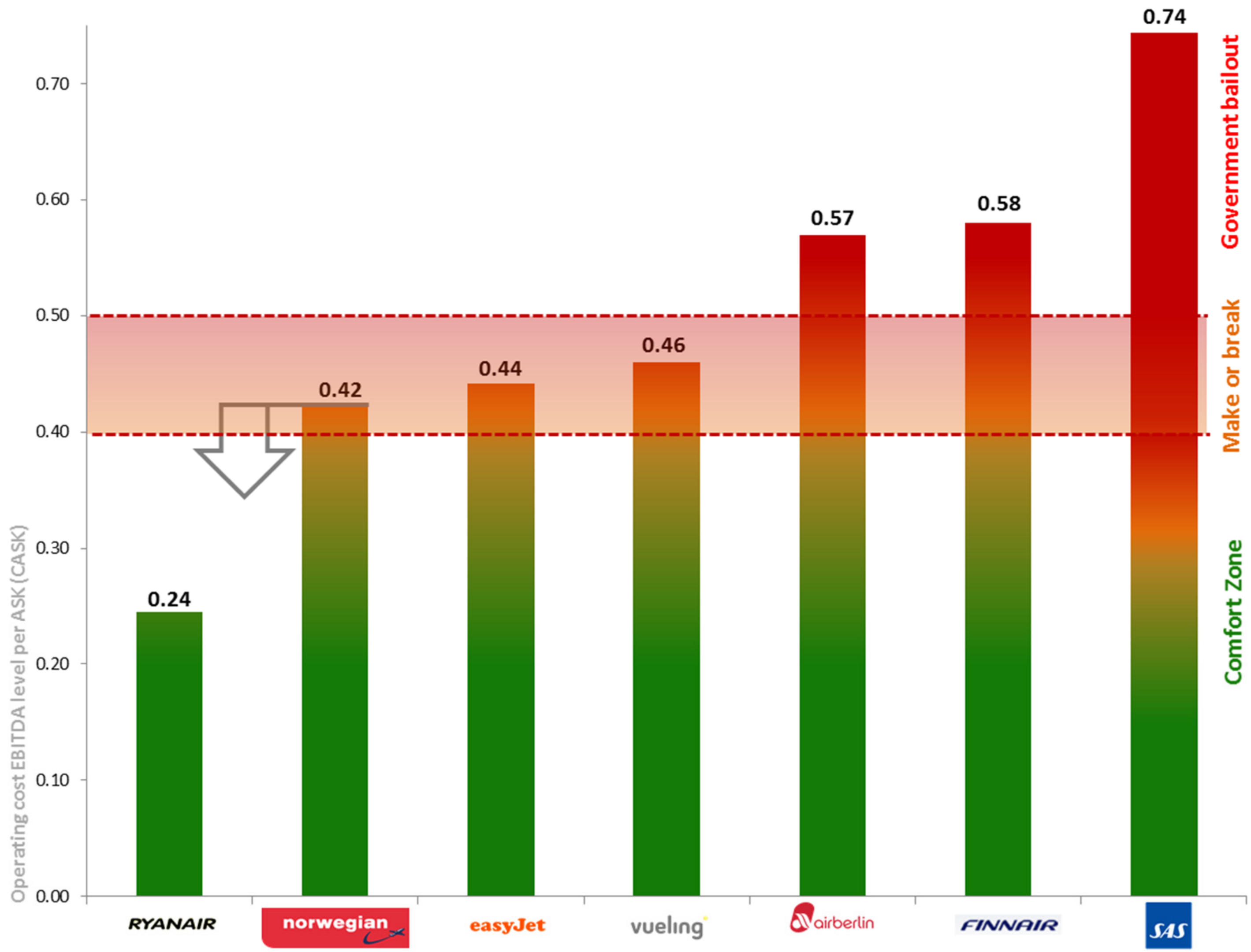
- Business model works – lower costs and prices attract volume



	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)
Q3 09	35 %	12 %	8 %	0 %	2 %	1 %
Q3 10	39 %	14 %	10 %	2 %	2 %	1 %
Q3 11	38 %	19 %	11 %	8 %	3 %	1 %
Q3 12	37 %	21 %	15 %	10 %	3 %	1 %
Q3 13	39 %	23 %	17 %	12 %	5 %	2 %
Q3 14	39 %	24 %	17 %	12 %	8 %	3 %
Mkt. Size:	6.8 mill	6.2 mill	7.4 mill	4.3 mill	12.1 mill	36.7 mill

Lowest cost always wins

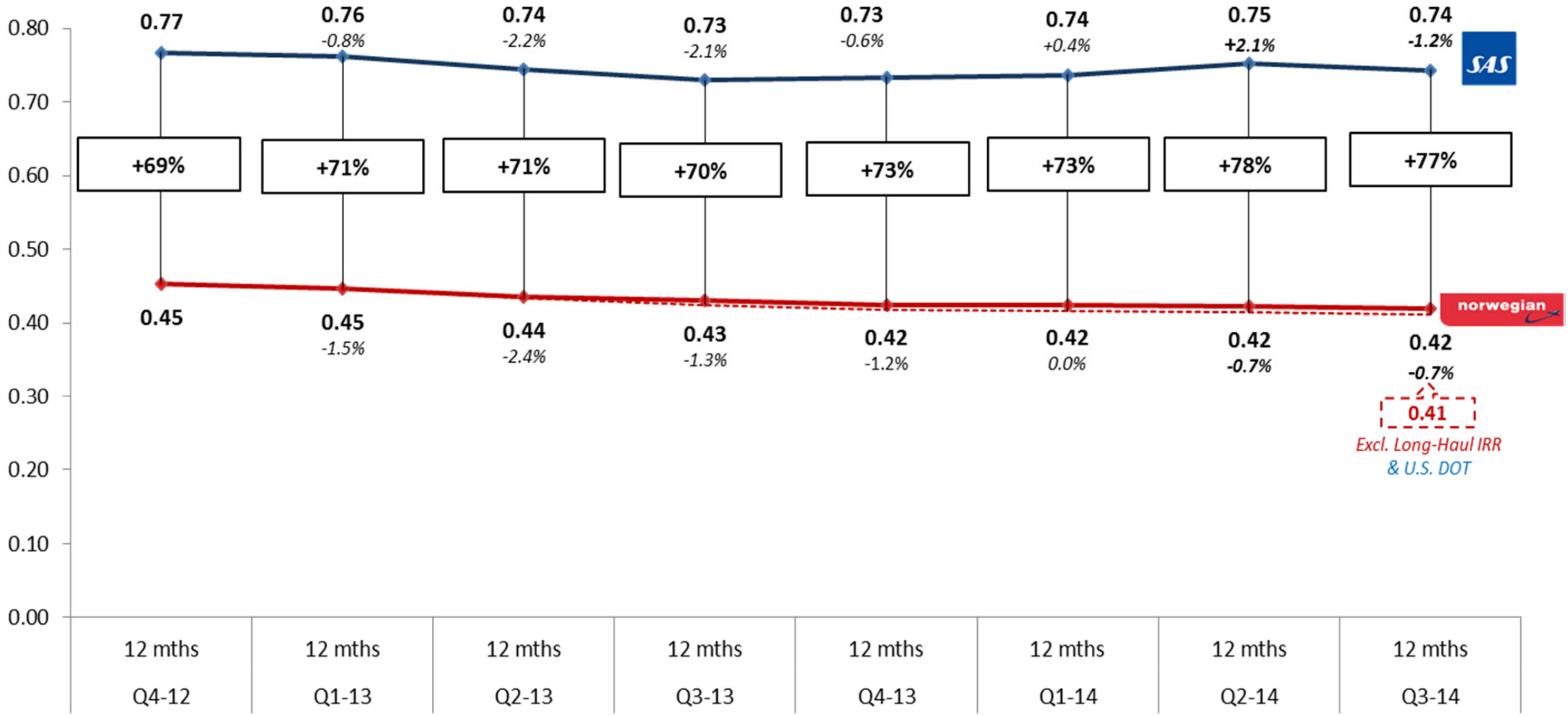


Sources: Norwegian Q3 2014 report (period displayed October 2013 – September 2014), SAS Interim Reports (including latest May 2014 – July 2014). Figures as reported in respective quarters and not restated - Scandinavian Airlines (SK) only from February 2013 – October 2014, SAS Group figures from November 2013 – April 2014 after divestment of Widerøe. Finnair Plc. Annual Report 2013 and Finnair Group Financial Statements Bulletin 2013 (period displayed January 2013 – December 2013), Ryanair Annual Report 2014 (period displayed April 2013 – March 2014), 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.*

Stable gap vs local competition



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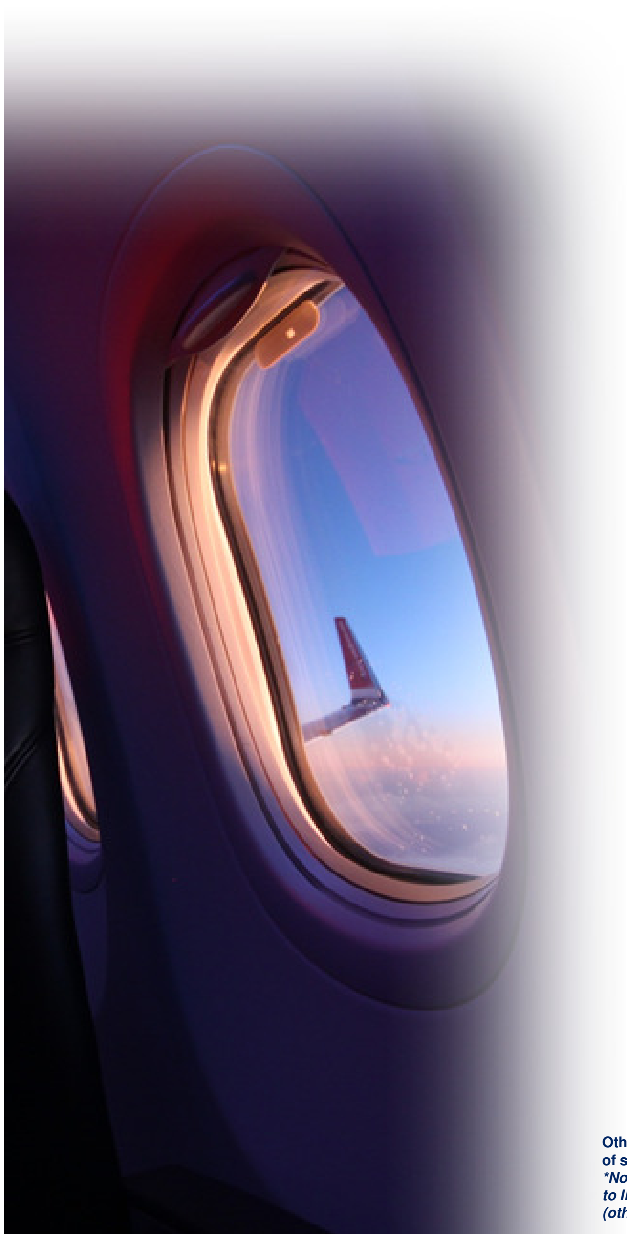
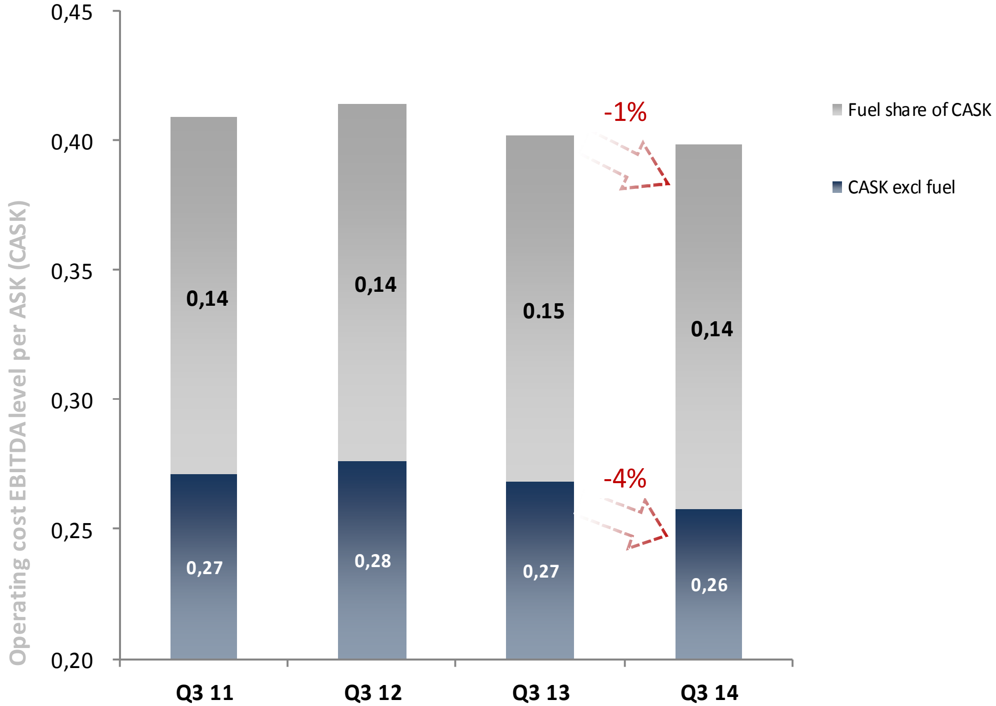
Unit cost at constant currency and excl. one-off down 5%



- Unit cost ex fuel down 4% - hampered by weak NOK & Long-Haul wet lease
- Unit cost including fuel down 1%



	Q3 11	Q3 12	Q3 13	Q3 14
Cost per ASK (CASK) (NOK)	**0,41**	**0,41**	**0,40**	**0,40**
CASK ex. fuel	0,27	0,28	0,27	0,26

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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Aiming for FY CASK NOK 0.25 excluding fuel

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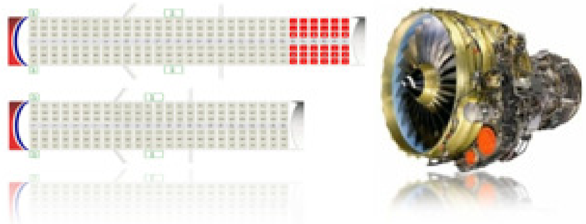
Scale economies

- Uniform fleet of Boeing 737-800s
- Overheads
- 3 new 737-800 delivered in Q3 (14 y.o.y.)

New more efficient aircraft

- Flying cost of 737-800 lower than 737-300
- 737-800 has 38 "free" seats
- 1.0% lower unit fuel consumption in Q2



Growth adapted to int'l markets

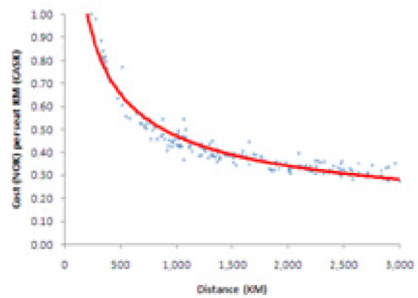
- Cost level adapted to local markets
- Outsourcing/ Off-shoring

Crew and aircraft utilization

- Rostering and aircraft slings optimized
- Q3 utilization of 12.3 BLH pr a/c (+0.1 BLH)

Optimized average stage length

- Fixed costs divided by more ASKs
- Frequency based costs divided by more ASKs
- Q3 sector length up by 14 % (short-haul +8%)

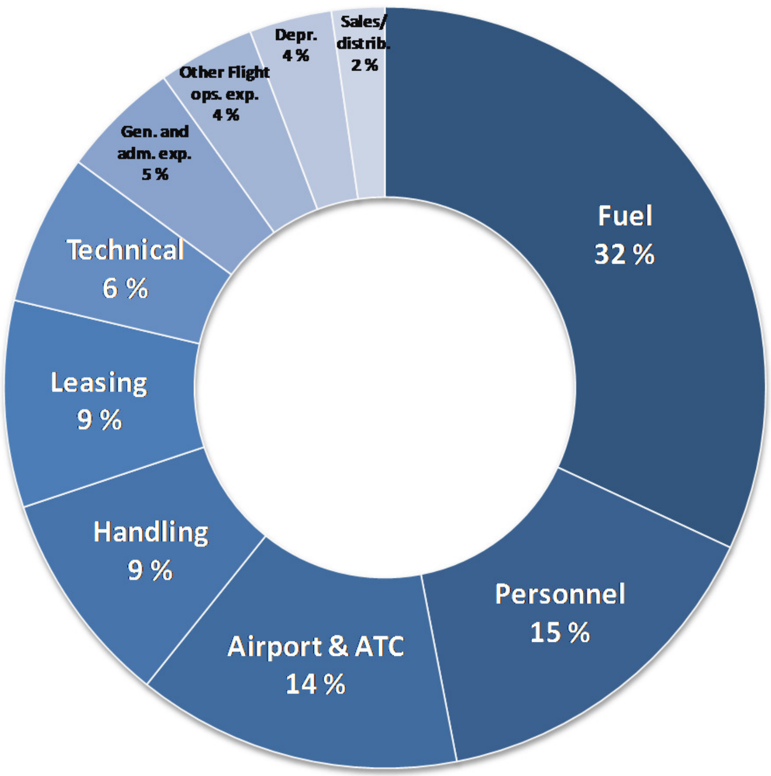


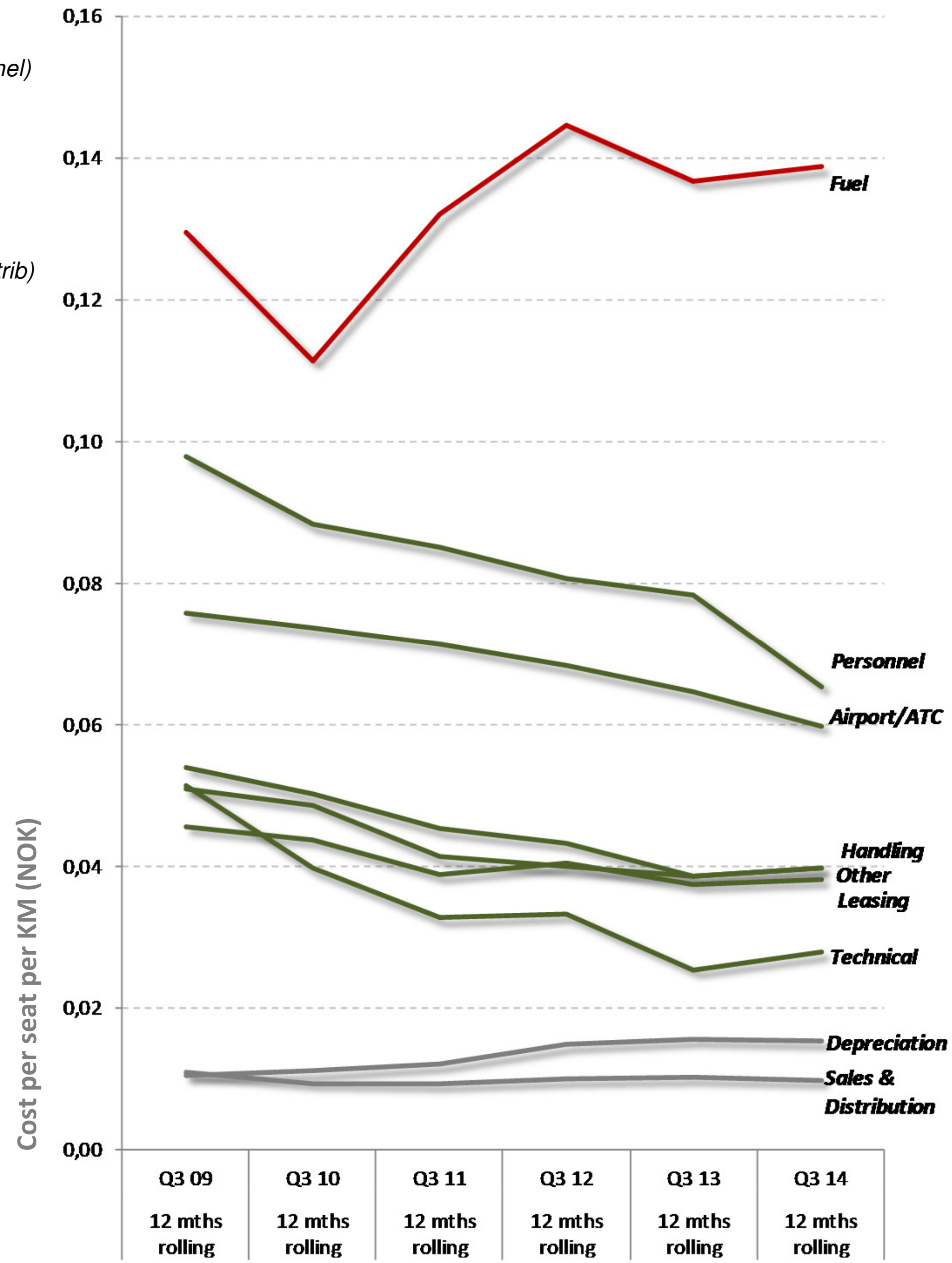
Automation

- 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)*





Aircraft number 100 delivered

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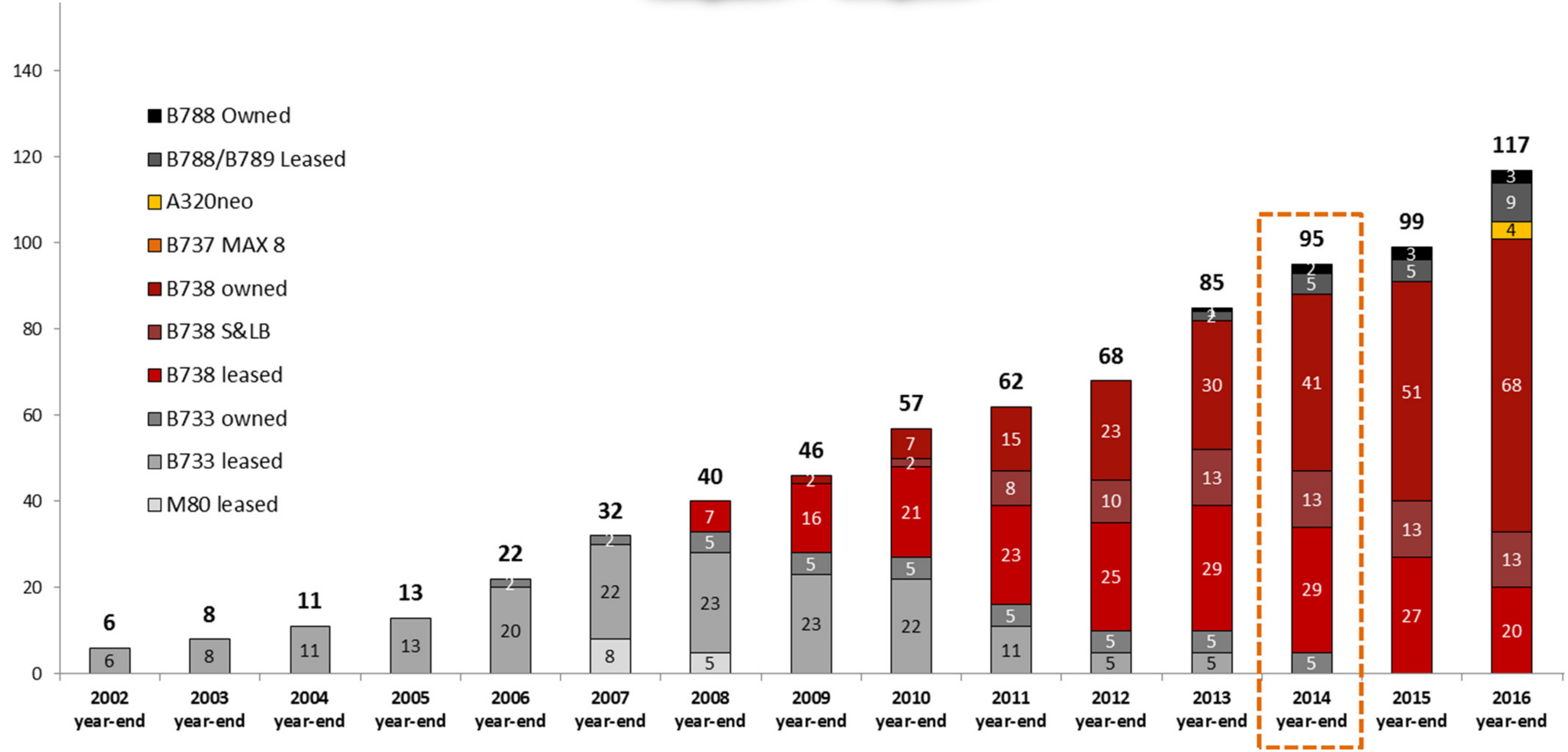
2014:	Deliveries 787-8 +1,164 seats	Deliveries 737-800 +2,604 seats	Re-deliveries 737-300 -740 seats	Re-deliveries 737-800 -558 seats



Low fuel hedgings - exposed to lower fuel price

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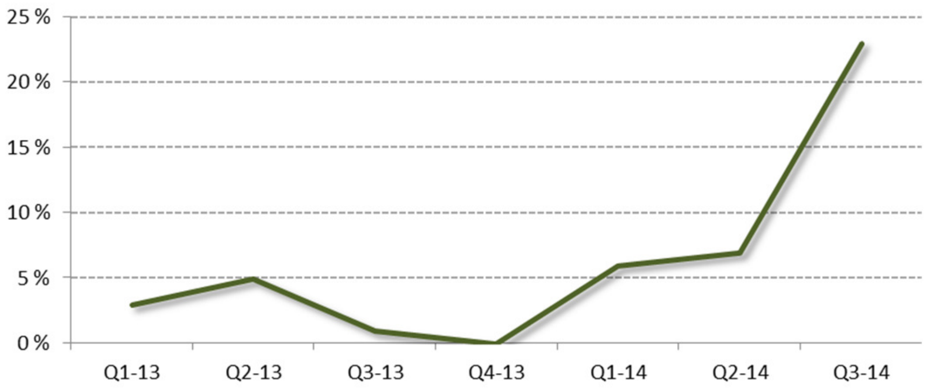
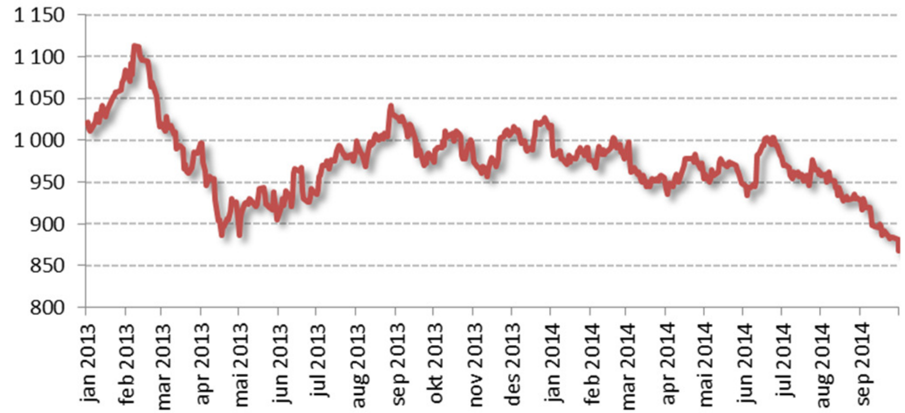
- Opportunistic fuel hedging
- Hedging for the following quarters
  - 30% for Q4 2014 on an average USD 930 per MT
  - 25% for Q1 2015 and 12.5% for Q2 2015 on an average USD 920 per MT
- Hedged 23% of expected fuel consumption for the coming 12 months

Share of expected fuel consumption hedged (12m FW)



Spot price JetFuel (USD)



Source: Spot price JetFuel from Nordea eMarkets

Expectations for 2014 (Group)

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- Business environment
  - Economic uncertainty in parts of Europe
  - Seasonal fluctuations
  - Yield pressure from capacity investment
  - Competitive pressure in the Nordic region
- Production
  - The company expects a production growth (ASK) of 35% (changed from in excess of 35%)
    - Added fourteen 737-800's and four 787-8's in 2014
    - UK and Spanish bases has increased utilization and distance on short-haul
    - Expanding long-haul operations
  - Capacity deployment depending on development in the overall economy and marketplace
- Cost development
  - Unit cost expected in the area of 0.41 (changed from 0.40 – 0.41)
    - Changed guidance from slightly lower Q4 production and accrued long-haul IRR costs
    - Excluding hedged volumes
    - Fuel price assumption ● USD 950 pr. ton
    - Currency assumption ● USD/NOK 6.00 ● EUR/NOK 7.75
    - Production dependent
    - Based on the currently planned route portfolio

Expectations for 2015 (Group)

- The company expects a production growth (ASK) of 5 %
  - Short-haul 2%
  - Long-haul 25%
  - Utilization and distance increase driven by UK and Spanish bases and long-haul
  - Continuous optimization of the route portfolio

- Unit cost target in the range of NOK 0.39 to 0.40
  - Fuel price assumption ● USD 950 per ton
  - Currency assumption ● USD/NOK 6.00 ● EUR/NOK 7.75
  - Production dependent
  - Based on the current route portfolio

Norwegian offers 417 scheduled routes to 126 destinations in 39 countries