

# Norwegian (NAS)

Q3 2005

Bjørn Kjos (CEO)

Oslo, 10. November 2005



Norwegian Air Shuttle ASA

# Since last time...



FOTO: STE

## Riga-suksess for Norwegian

6000 flybilletter fra Oslo til Riga ble revet bort de to før

Blir verdens første:

## Norwegian og Amadeus utvikler nye IT-løsninger

Norwegian har inngått samarbeidsavtale med Amadeus for å utvikle et nytt bookingsystem for lavpris flyselskaper. Dette vil gi oss avanserte IT-løsninger som vil redusere kostnader, sier Hans-Petter Aanli, administrerende direktør i Norwegian.



Norwegian blir verdens første som skal benytte Amadeus Management System for å redusere lavere kostnader.

- Vårt samarbeid med Amadeus vil gi oss nye IT-løsninger, forbedret distribusjon og et selskapet i sterk vekst, sier administrerende direktør for IS/IT i Norwegian, Hans-Petter Aanli.

Fra den 29. mars 2006:

## Norwegian starter direkterute Oslo-Madrid

Norwegian åpner 29. mars en ny lavpriserute mellom Oslo og Madrid. Ruten vil få fire ukentlige avganger. – Med den nye ruten til Madrid forsterker vi vår posisjon på Europas "nye" og spennende storbyer, og bidrar til å gjøre en av Europas mest populære byer tilgjengelig fra Oslo til svært lave priser, sier adm. direktør Bjørn Kjos.

Lavprisselskapet Norwegian satser på en ny direkterute mellom Oslo og Madrid. Fra og med den 29. mars 2006 blir det fire ukentlige flyvninger mellom Oslo-Gardermoen og den spanske hovedstaden.



Starter seks nye utenlandsruter:

## SAS Braathens utfordrer Norwegian på Madrid

SAS Braathens starter en ny direkterute fra Oslo til Madrid, samt til fire andre nye europeiske destinasjoner.



Norwegian sjef Bjørn Kjos om Oslo-Madrid:

## - Vi ønsker SAS velkommen etter ...

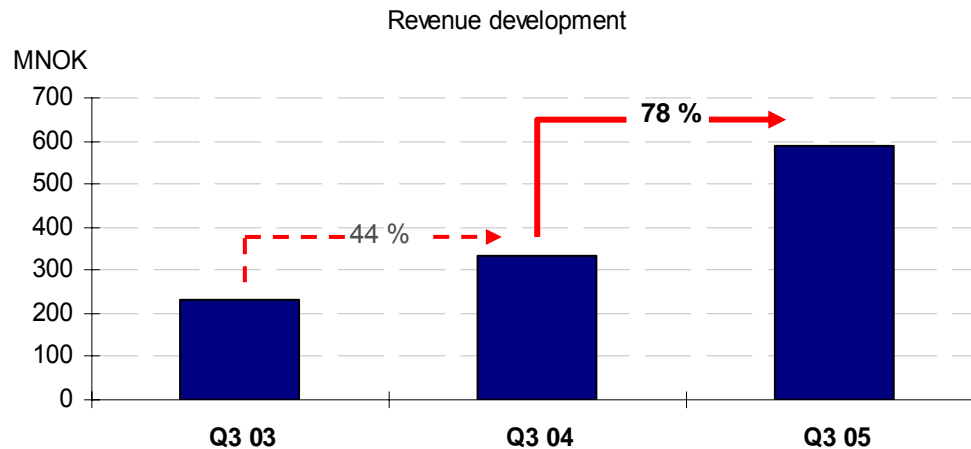
SAS Braathens nye storsatsning på utlandet har ikke gått upåaktet hen hos konkurrenten Norwegian, som nå gjør seg klar til utfordringen på like flystrekninger. – Med våre lave priser håper vi på samme gode trafikkutvikling på Madrid som vi har hatt på andre ruter hvor vi konkurrerer med SAS, sier administrerende direktør i Norwegian Bjørn Kjos til [boarding.no](http://boarding.no)

[Les mer...](#)



# Another profitable quarter

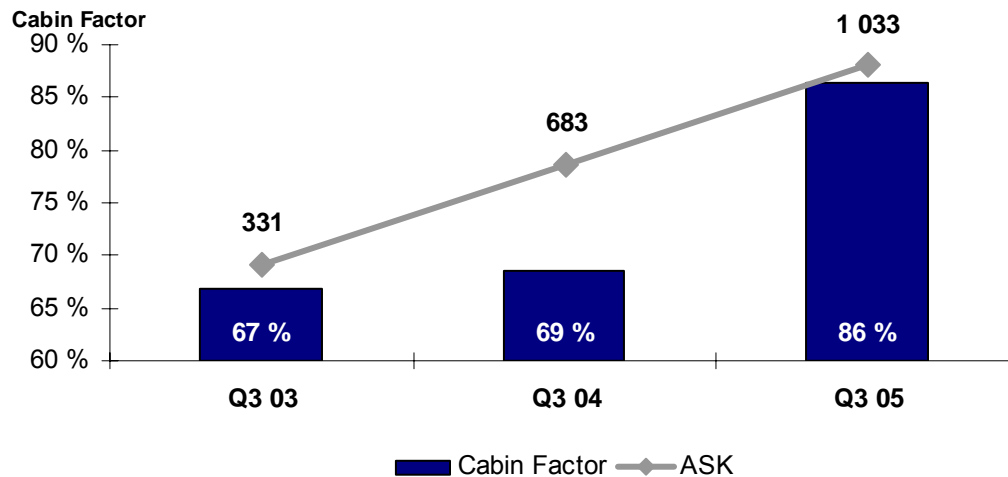
- 590 MNOK in turnover in Q3 05, compared to 332 MNOK in Q3 04.
- Revenue growth 78 %
- EBITDA margin of + 11 %, - 3 % last year



EBITDA MNOK	-20	-11	64
EBITDA margin %	-9 %	-3 %	11 %
Earnings pr share	-2,94	-0,61	2,43

# Cabin factor at LCC level

- 51 % production increase from Q304 to Q305
- 91 % growth in passenger traffic (RPK)
- 86 % cabin factor in Q305, up from 69 % in Q304



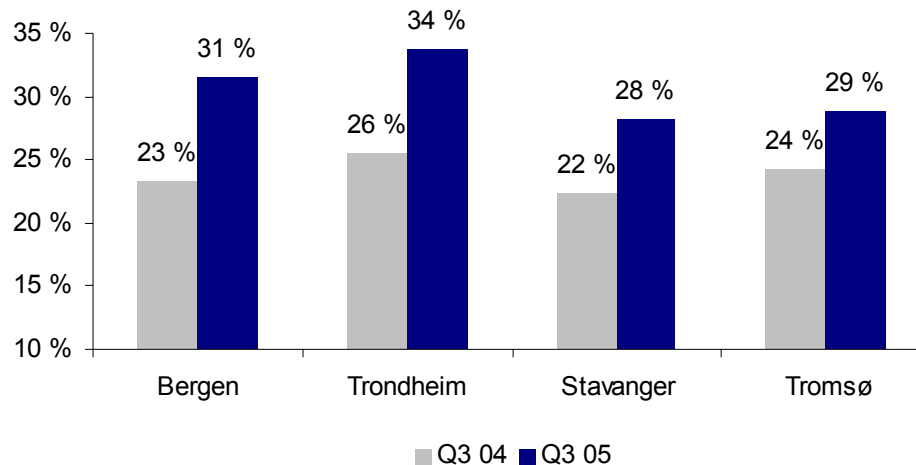
<b>PAX (000)*</b>	<b>324</b>	<b>549</b>	<b>947</b>
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\*Tickets sold for travel

# One third chose Norwegian in Q3

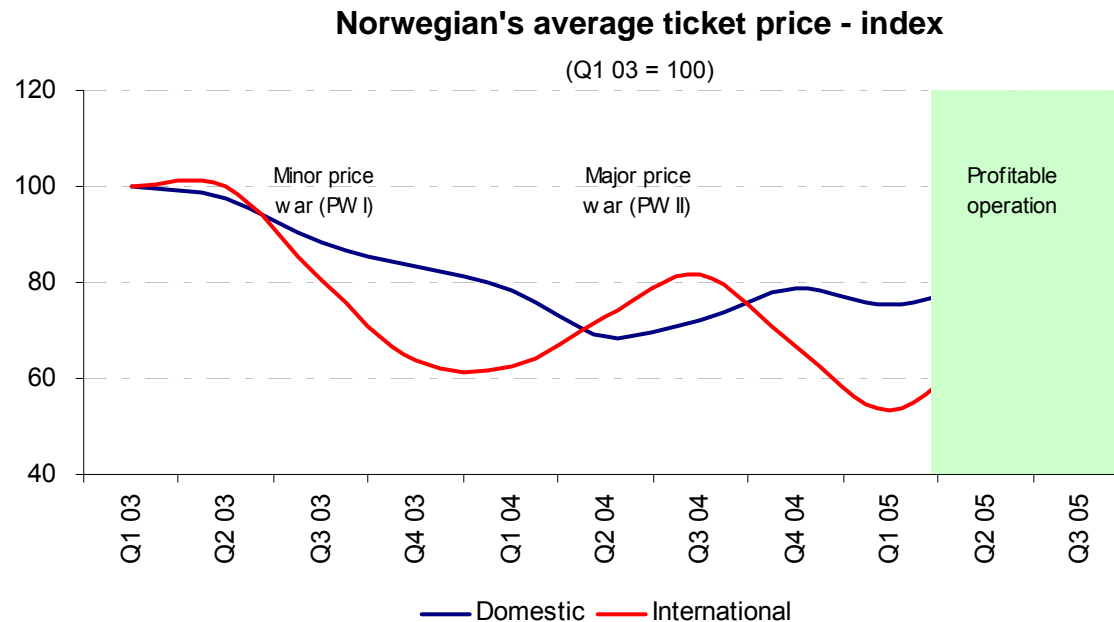
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- Over 30 % market share on key domestic routes
- Capacity increased 18 % while market share jumped 4-8 %-points



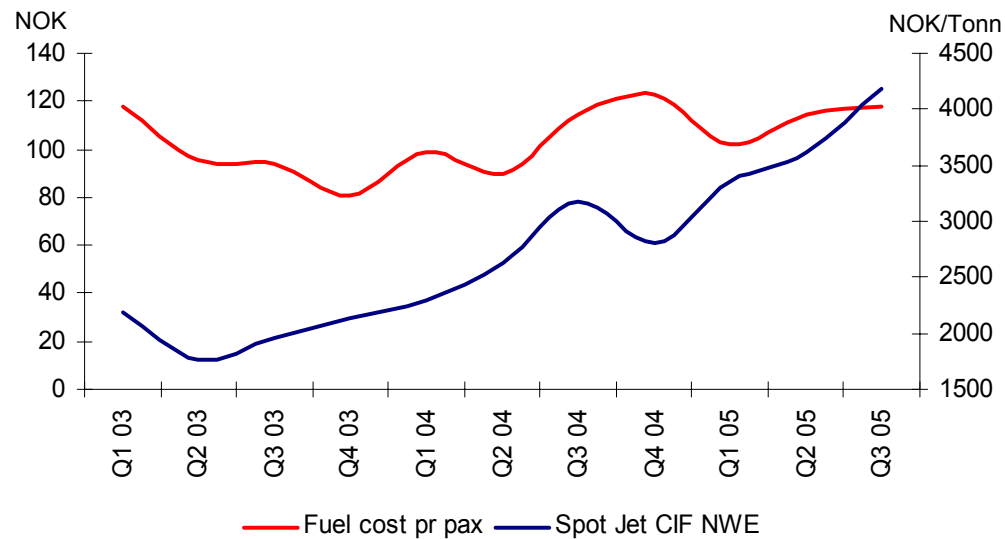
# Norwegian, guarantist for low fares

- Profitable operation does not mean fares are more expensive
- Norwegian's domestic fares has on an average been stable over the last year
- Norwegian's international fares varies due to introduction prices on new routes, and seasonalities



# Keep it simple!

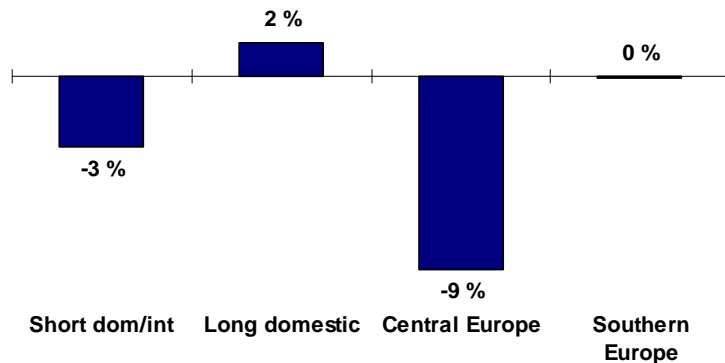
- Fuel surcharge and fees are just another way to fool passengers into paying too much
- Average fuel cost per passenger is stable
- It all comes down to low prices and high volume



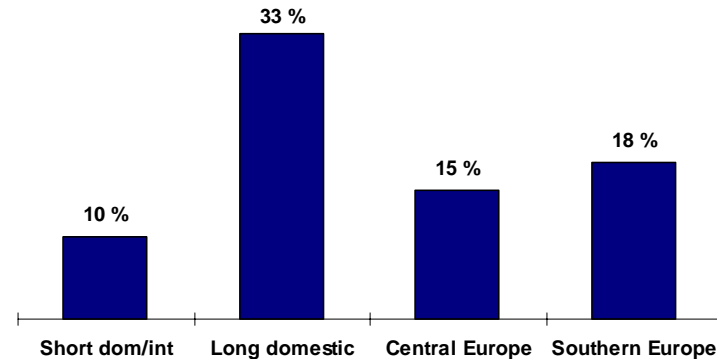
# It is a “win-win” situation

- Yield is down and fares are cheaper
- Cheaper fares gives higher volume
- Higher volume gives profitable operation

Yield development Q305 vs, Q304



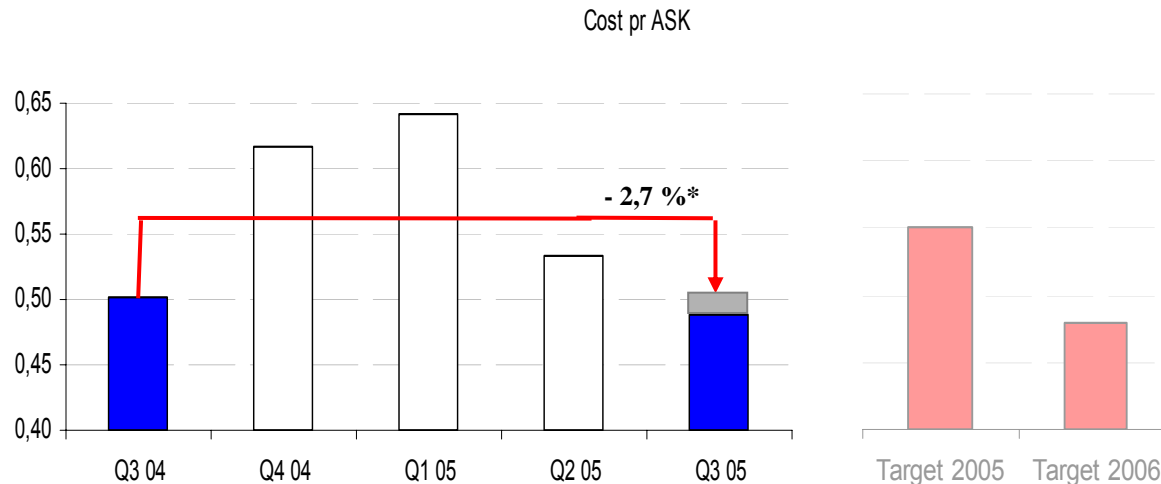
RASK development Q305 vs, Q304





# Cost target Q3 2005 achieved

- Average unit costs of 0.51 NOK in Q305
- Achieved unit costs of 0.49 NOK, when adjusted for fuel price increase Q304 – Q305
- Expected unit cost of 0.55 NOK for 2005



(\*) Percentage decrease ex. fuel price increase Q305 – Q304

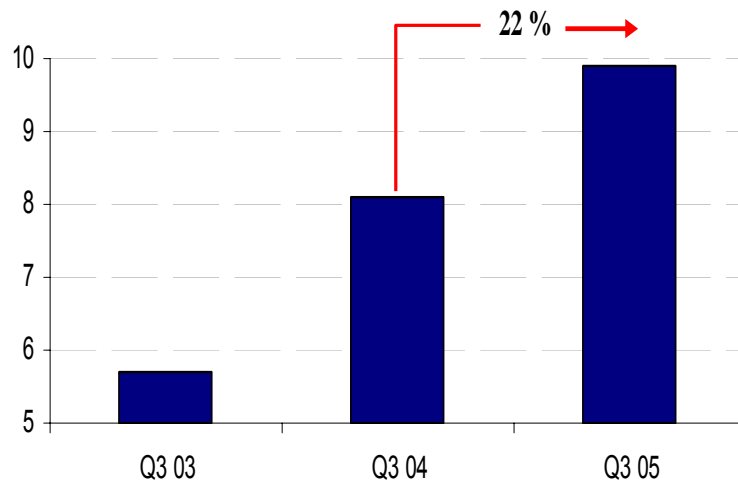
(\*\*) Target 2006 = Q206-Q306

■ Fuel price increase Q304 – Q305 = 0,021 NOK / ASK

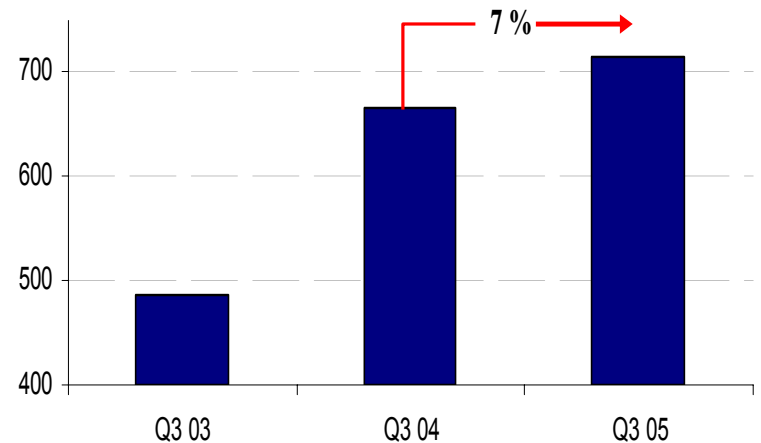
# Increased fleet and crew utilization

- Aircraft utilization of 9.9 block hours pr plane per day, up 22 % from Q304 (8,1)
- Crew utilization of 715 block hours pr crew per year, up 7 % from Q304

Block hours/plane/day



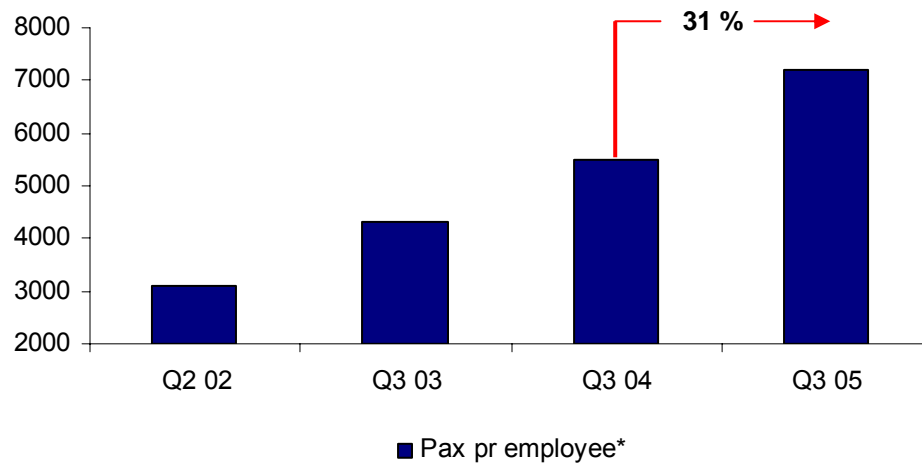
Block hours/crew/year



# Lean organisation

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- Passengers pr employee approaching 8.000 pr year
- Non core activities outsourced



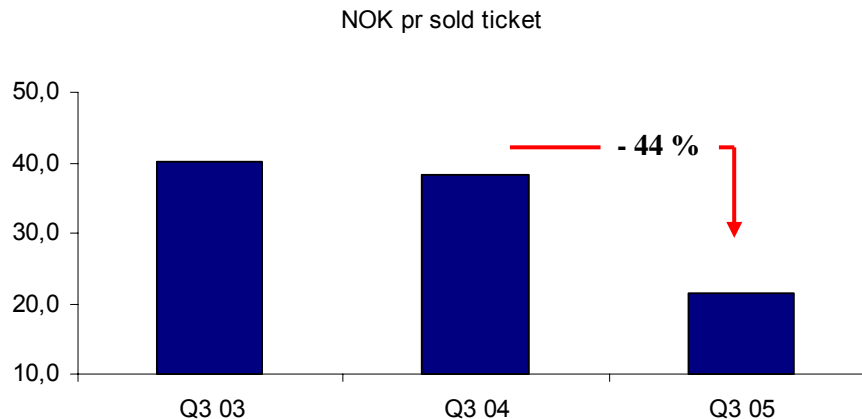
Pax pr employee*	3 112	4 319	5 489	7 216
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(\*) Q3 level grossed up to one year

# Lower distribution costs

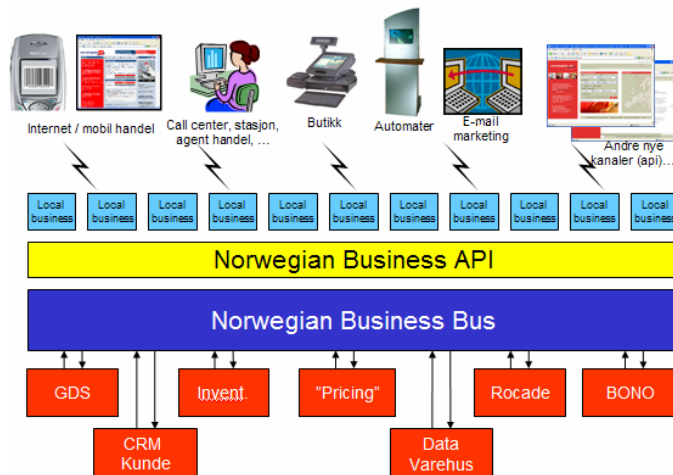
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- Distribution costs per sold ticket of NOK 21, down 44% from Q304 (NOK 38)
- Initiative in cooperation with Amadeus is expected to bring costs even further down



# New LLC commercial IT platform

- Norwegian and Amadeus are developing a new LCC commercial IT platform
  - Significant lower distribution cost
  - Improved functionality
  - Online link to travel agents global booking systems
  - Increased business development opportunities
  - Maintains availability in all sales channels



Welcome to  amadeus.net reservation system

# Cheapest available fare is always displayed!

- [www.norwegian.no](http://www.norwegian.no), a pioneer in new internet user interface with “low fare calendar” functionality.
- [www.norwegian.no](http://www.norwegian.no) accounts for 77 % of ticket sales.
- Scandinavia’s most successful commercial website. Present on the list of the world’s top 10.000 most visited web sites with about 1.3 million monthly unique users.

The screenshot shows the search interface for Norwegian Airlines. The search criteria are: From Oslo (OSL) to København (CPH), one-way ticket, departure in February 2006. Below the search bar, there are two calendar views for February 2006. The left calendar shows the 'Utreise' (departure) from Oslo to København, and the right calendar shows the 'Retur' (return) from København to Oslo. The lowest fare of 356,- is highlighted for the 1st of February.

Utreise: Oslo - København							Retur: København - Oslo						
Februar 2006							Februar 2006						
ma	ti	on	to	fr	lø	sø	ma	ti	on	to	fr	lø	sø
		1	2	3	4	5			1	2	3	4	5
		356,-	356,-	356,-	496,-	356,-			458,-	458,-	458,-	458,-	948,-
6	7	8	9	10	11	12	6	7	8	9	10	11	12
356,-	356,-	356,-	356,-	356,-	496,-	356,-	458,-	458,-	458,-	458,-	458,-	458,-	948,-
13	14	15	16	17	18	19	13	14	15	16	17	18	19
356,-	356,-	356,-	356,-	356,-	496,-	356,-	458,-	458,-	458,-	458,-	458,-	458,-	948,-
20	21	22	23	24	25	26	20	21	22	23	24	25	26
356,-	356,-	356,-	356,-	356,-	496,-	356,-	458,-	458,-	458,-	458,-	458,-	458,-	948,-
27	28						27	28					
356,-	356,-						458,-	458,-					

The screenshot shows the search interface for Norwegian Airlines. The search criteria are: From Oslo (OSL) to Riga and Gdansk, one-way ticket, departure in February 2006. The lowest fare of 196,- is highlighted for the 1st of February. The interface also displays a list of cheap flights and a low fare calendar for Oslo to Riga and Gdansk.

Utreise: Oslo - Riga							Utreise: Oslo - Gdansk						
Februar 2006							Februar 2006						
ma	ti	on	to	fr	lø	sø	ma	ti	on	to	fr	lø	sø
		1	2	3	4	5			1	2	3	4	5
		196,-	196,-	196,-	196,-	196,-			196,-	196,-	196,-	196,-	196,-
6	7	8	9	10	11	12	6	7	8	9	10	11	12
196,-	196,-	196,-	196,-	196,-	196,-	196,-	196,-	196,-	196,-	196,-	196,-	196,-	196,-
13	14	15	16	17	18	19	13	14	15	16	17	18	19
196,-	196,-	196,-	196,-	196,-	196,-	196,-	196,-	196,-	196,-	196,-	196,-	196,-	196,-
20	21	22	23	24	25	26	20	21	22	23	24	25	26
196,-	196,-	196,-	196,-	196,-	196,-	196,-	196,-	196,-	196,-	196,-	196,-	196,-	196,-
27	28						27	28					
196,-	196,-						196,-	196,-					

# Positive cash flow

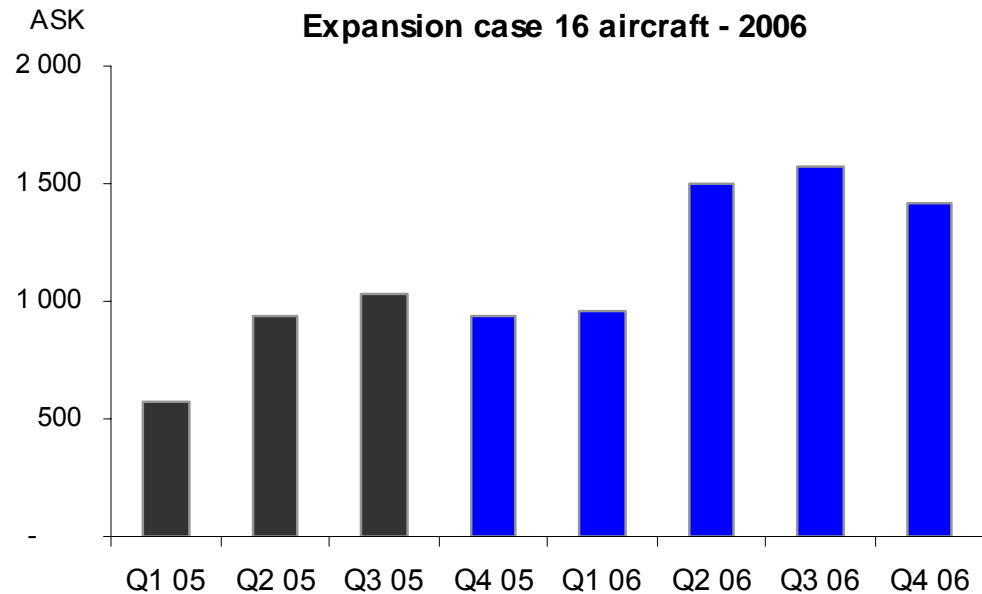
- Cash-balance of 249 MNOK
- Positive net change of 54 MNOK in 2005, 16 MNOK in Q305
- Prepaid tickets of 224 MNOK, receivables of 119 MNOK

CASH FLOW (TNOK)	Third quarter		Accumulated		2004
	2005	2004	2005	2004	
<b>Form:</b>					
Operation activities	37 524	-79 388	100 774	-68 355	-90 847
Investments	-5 636	-6 243	-30 616	6 242	-11 964
Financial activities	-15 686		-15 682	-16 971	-16 069
<b>Net change</b>	<b>16 202</b>	<b>-85 630</b>	<b>54 476</b>	<b>-79 084</b>	<b>-118 879</b>
Opening balance	233 431	320 583	195 157	314 036	314 036
Closing balance	249 633	234 953	249 633	234 953	195 157

# Continued expansion in 2006

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- Currently another 2 planes on order (16 total)
- Expected production increase in the magnitude of 50 % compared to last year (\*)
- Mainly from international expansion



(\*) Subject to change



# Expectations for remaining 2005

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Expected business environment :

- Continued market increase from low prices
- Increased price competition on international routes
- Seasonal fluctuation on yield
- Fuel prices at current levels

Expected results:

- Unit cost of 0,55 NOK for 2005
- Positive operating earnings (EBITDA) for full year 2005

*Thank you,  
- and fly Norwegian!*





● Only summer routes  
● Only winter routes