norwegian

Norwegian Air Shuttle ASA

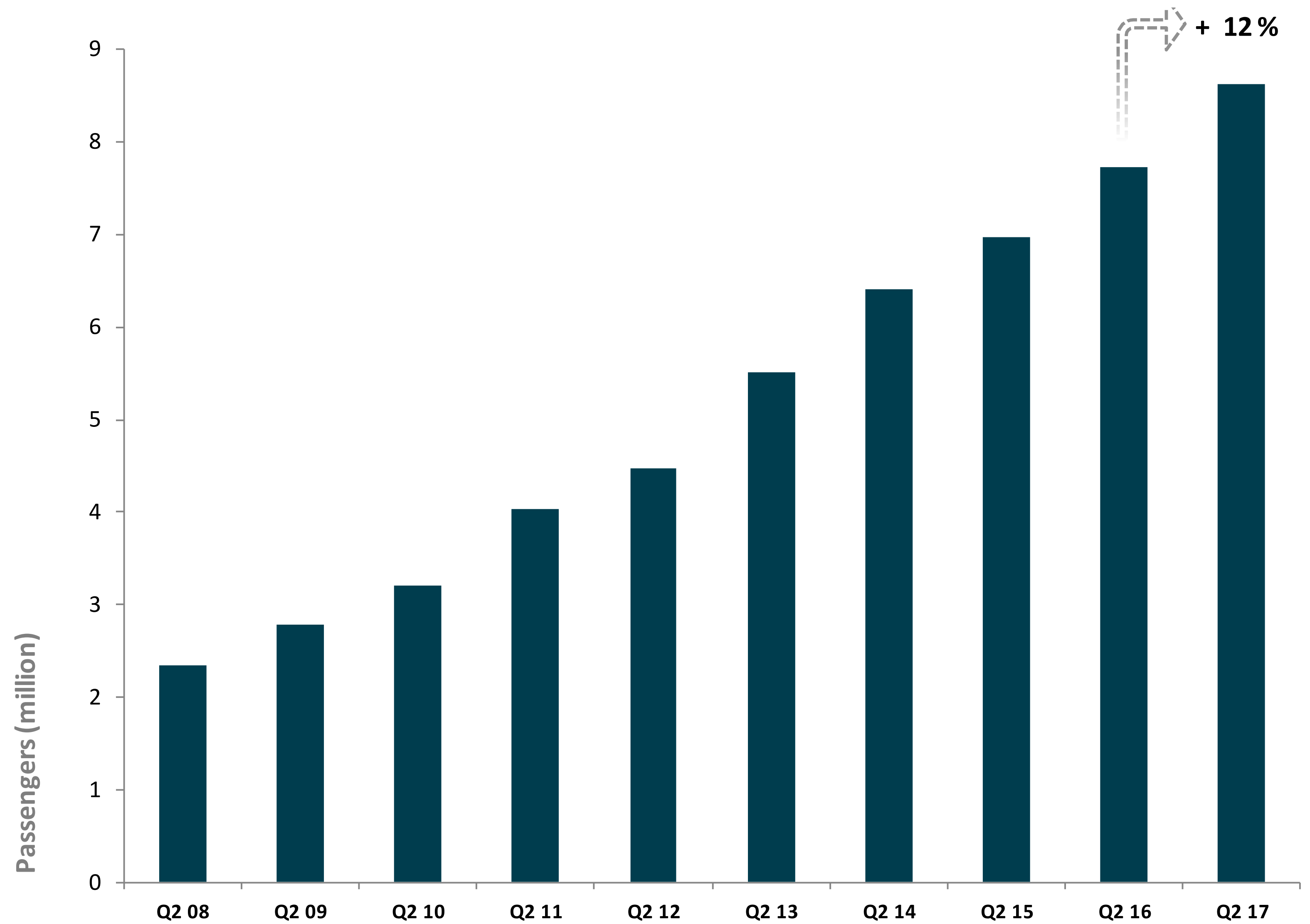
Q2 2017 Presentation

13 July 2017

Highlights Q2 2017

- Winner of SkyTrax awards for World's Best Low-Cost Long Haul Airline (3rd time in a row) and Europe's Best Low-Cost Airline (5th time in a row)
- Start-up of single aisle intercontinental operations between US and UK, Ireland and Norway
- Added two new Boeing 737 MAX's, eight 737-800's and one 787-9 Dreamliner to operations
- Eight 737-800 financed through SLB
- LOI for SLB of 11 Boeing 737-800 from existing fleet
- Sale of 2.5 % of Bank Norwegian (TRS)
- EBITDA ex. other gains/losses of NOK 256 million (864) decreased on fuel and SLB

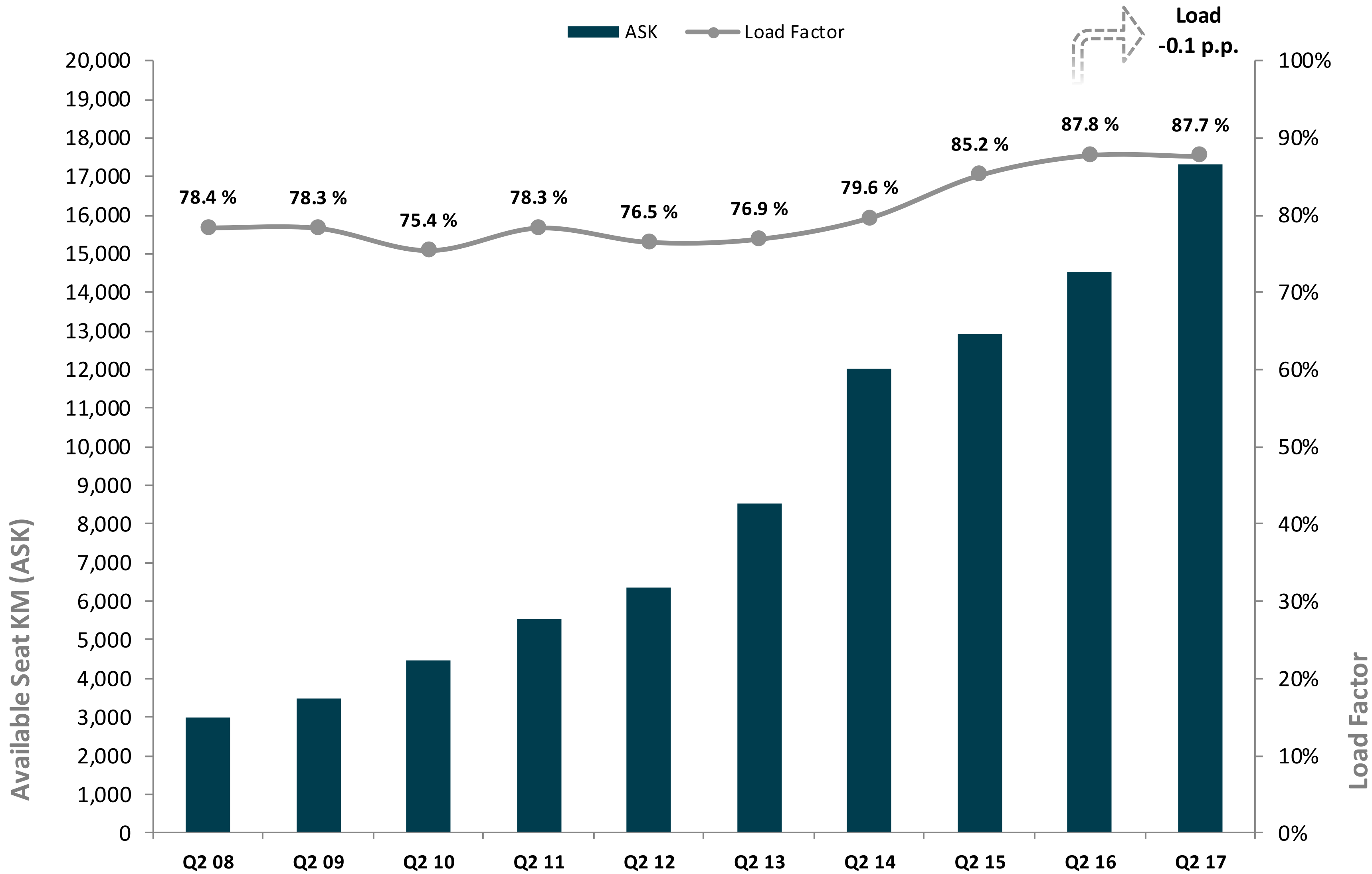
More than 200 million passengers since the start-up in 2002



	Q2 08	Q2 09	Q2 10	Q2 11	Q2 12	Q2 13	Q2 14	Q2 15	Q2 16	Q2 17
Pax (mill)	2.3	2.8	3.2	4.0	4.5	5.5	6.4	7.0	7.7	8.6
Pax 12 mths rolling (mill)	8.4	9.7	11.8	14.2	16.7	19.0	22.5	24.6	27.4	31.0

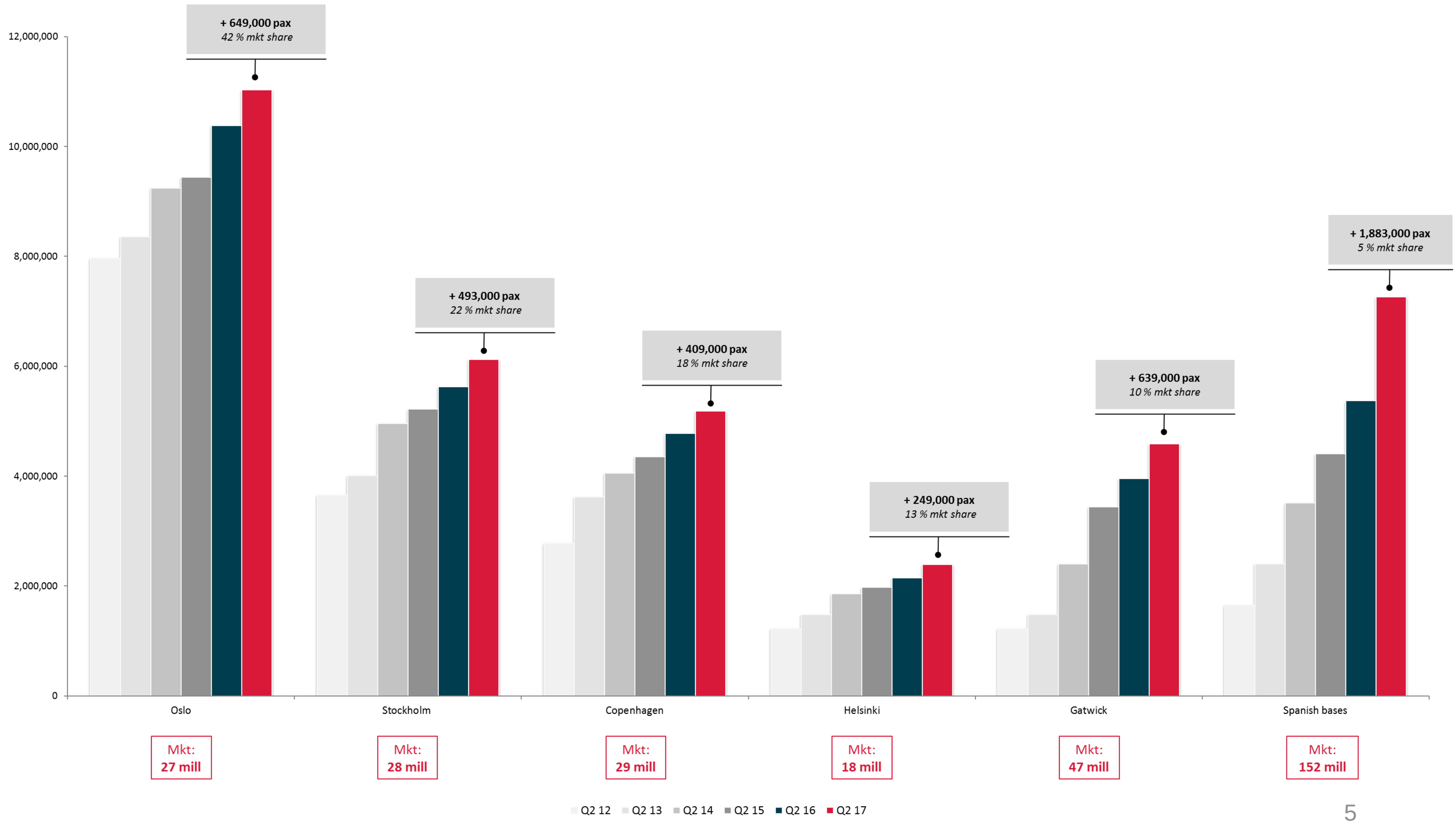
Stable Q2 load factor of 88 %

→ 19 % growth in capacity (ASK) and traffic (RPK)



ASK	**2,974**	**3,469**	**4,449**	**5,518**	**6,357**	**8,541**	**12,012**	**12,919**	**14,512**	**17,330**
Load Factor	78.4 %	78.3 %	75.4 %	78.3 %	76.5 %	76.9 %	79.6 %	85.2 %	87.8 %	87.7 %

Continued growth in all key airports

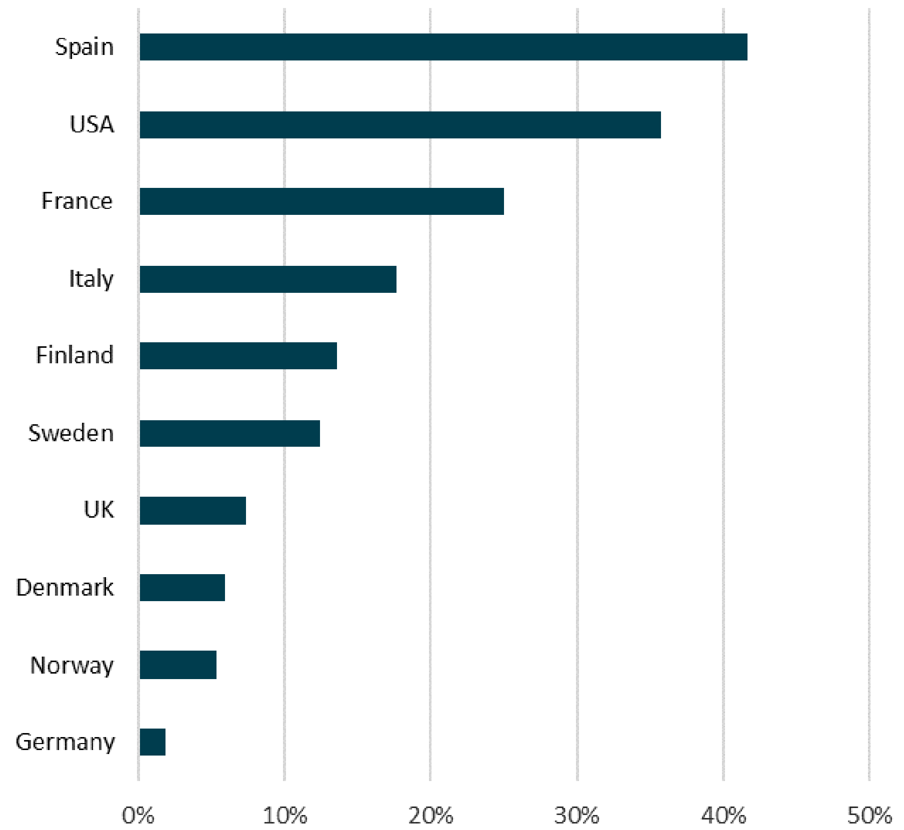


Source: 12 month rolling passengers as reported by Avinor (preliminary figures), Swedavia, Copenhagen Airports, Finavia, Gatwick Airport, Aena

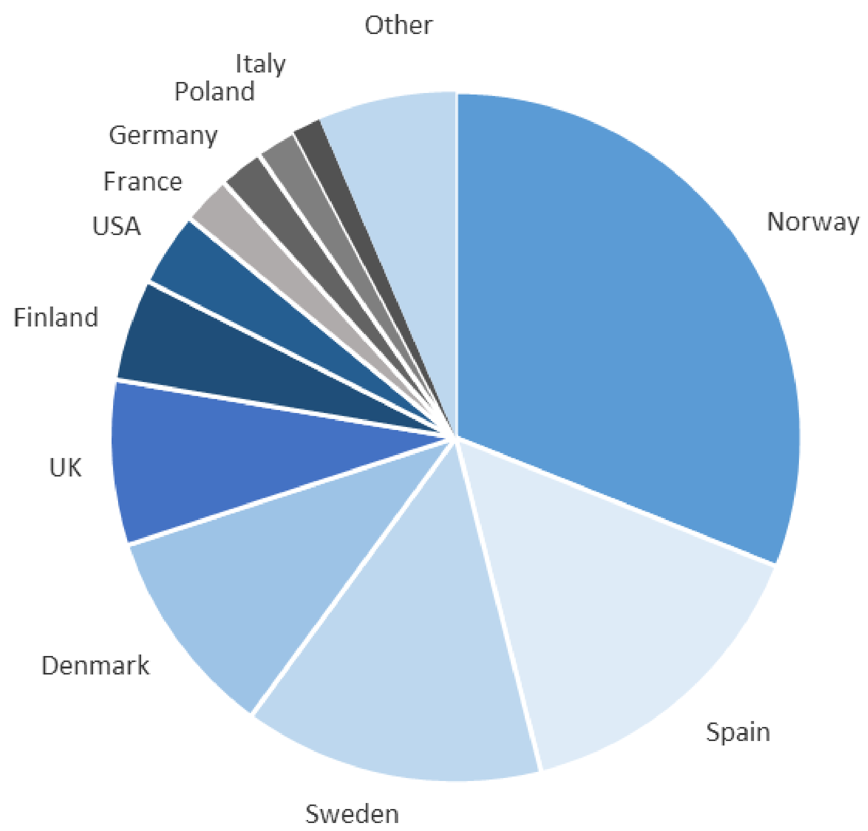
Stable passenger mix

- 8 % passenger growth in the Nordics
- 36 % and 25 % growth in the US and France respectively

Growth in number of passengers in Q2 17 (y/y):

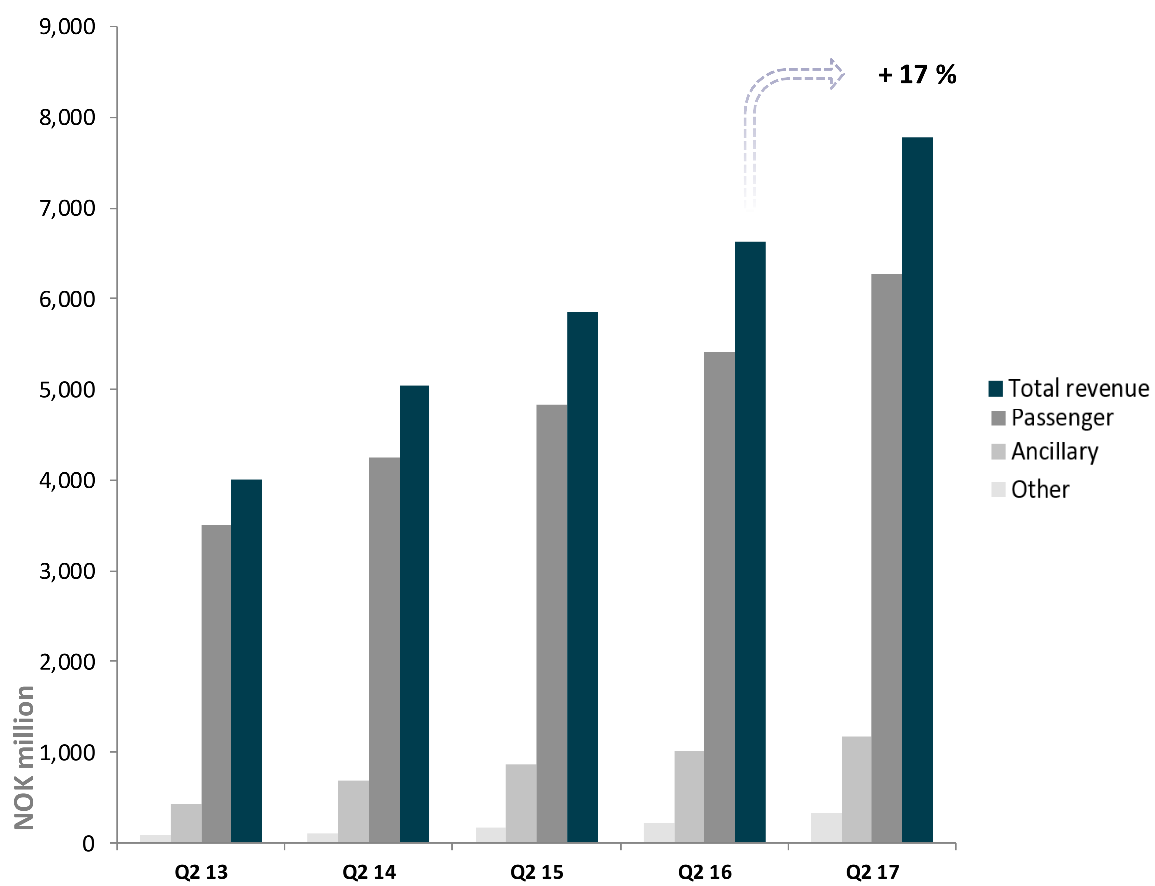


Split passengers by origin in Q2 17:



17 % revenue growth in Q2

- Q2 unit passenger revenue (RASK) -3 % to 0.36 (-2 % in constant currency)
- Average flying distance increased by 6 %
- 4 % growth in ancillary revenue per passenger (NOK 136)



	Q2 13	Q2 14	Q2 15	Q2 16	Q2 17
Total revenue	**4,012**	**5,043**	**5,861**	**6,632**	**7,775**
Passenger	3,499	4,249	4,831	5,413	6,268
% y/y chg	*26 %*	*21 %*	*14 %*	*12 %*	*16 %*
Ancillary	430	687	857	1,010	1,173
% y/y chg	*27 %*	*60 %*	*25 %*	*18 %*	*16 %*
Other	83	107	173	210	334
% y/y chg	*81 %*	*29 %*	*61 %*	*21 %*	*59 %*

737 MAX advantage

Boeing 737-800

13 % lower fuel consumption per seat per trip

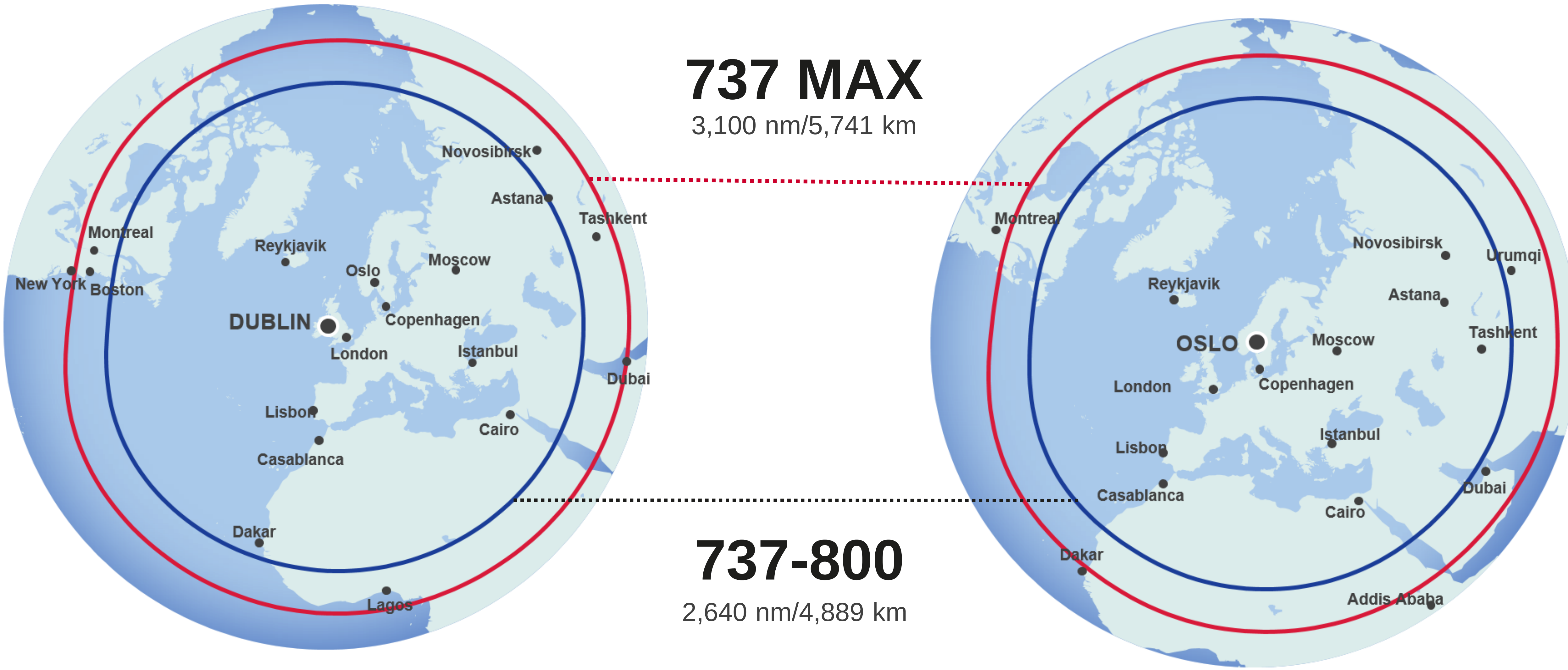
4 % lower seat costs per trip

189 passengers (+3)

Boeing 737 MAX 8

Source: Boeing

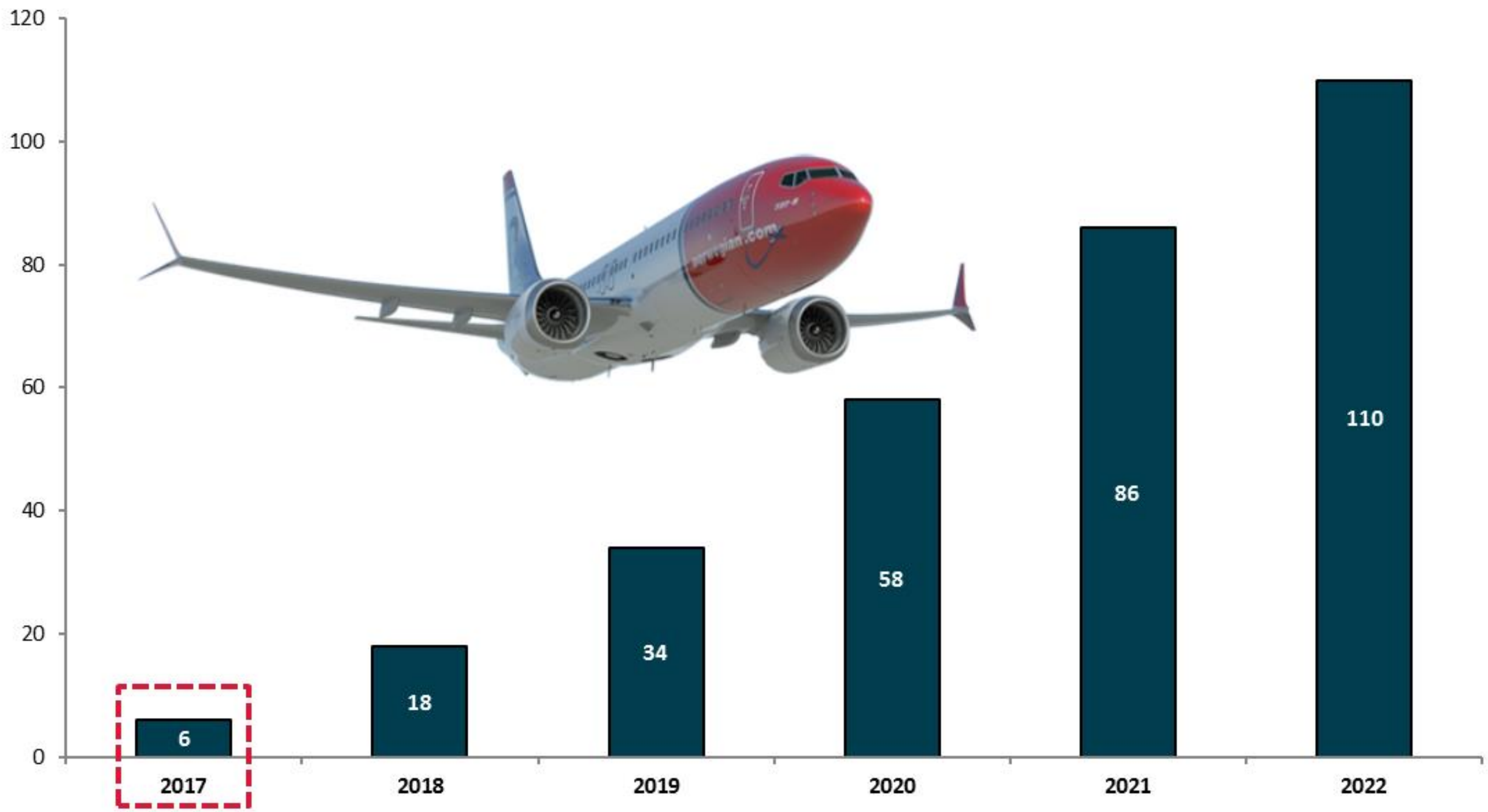
~17 % longer range to reach new markets



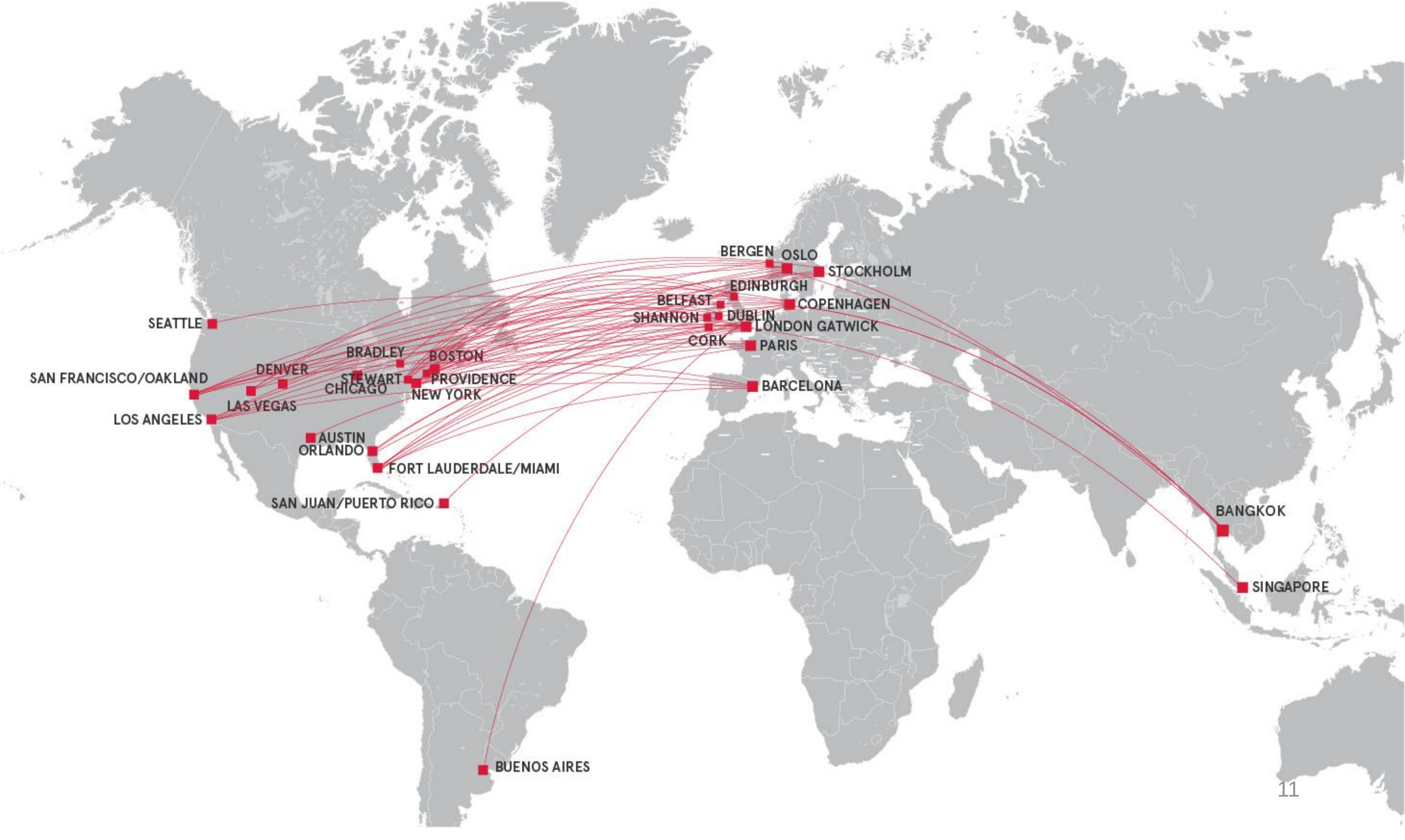
Standard Operational Rules
50% annual winds
Airways and traffic allowances included
737-800 includes optional winglets

Source: Boeing

Renewing the fleet with the 737 MAX

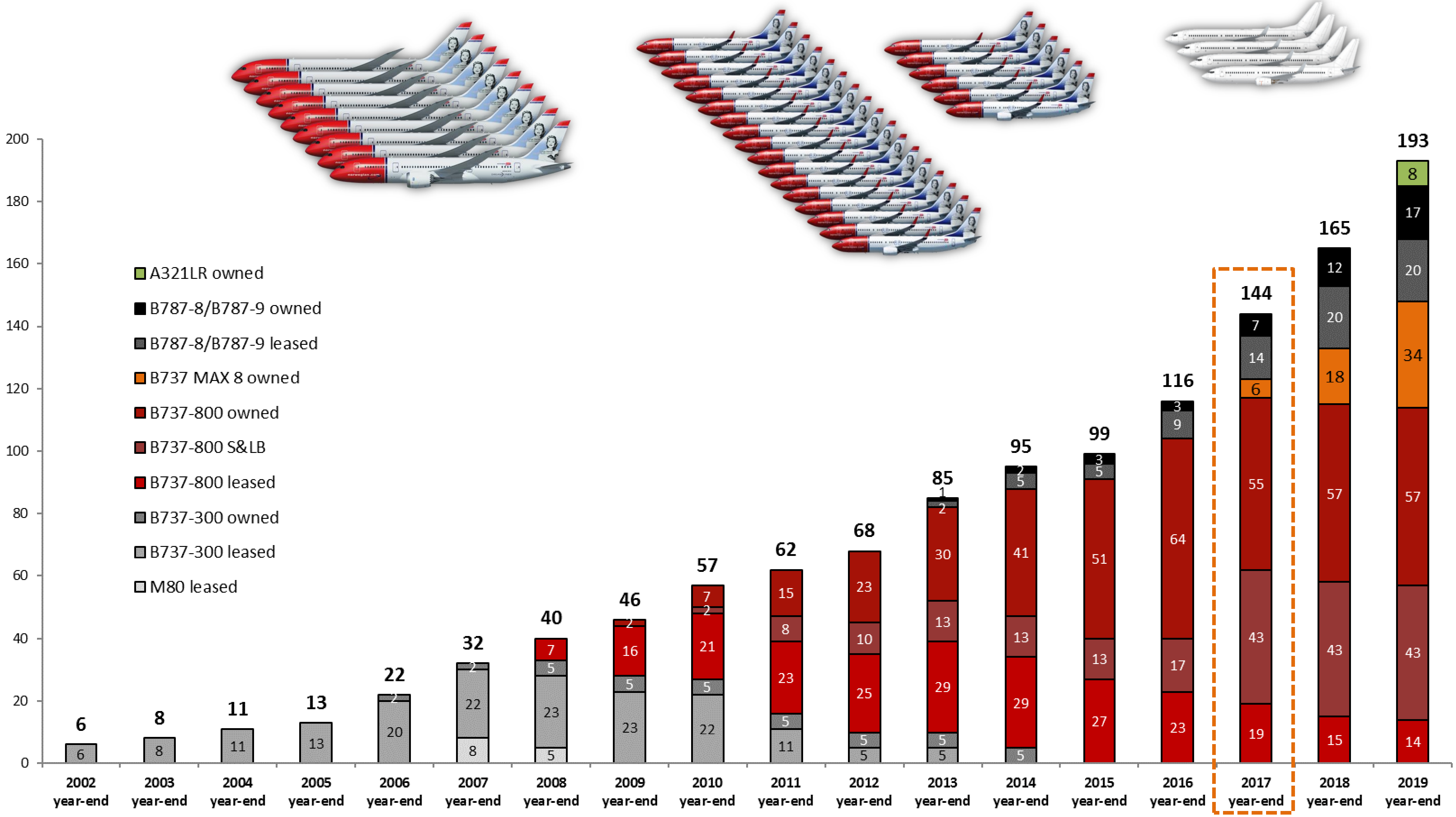


A route portfolio of 58 intercontinental routes



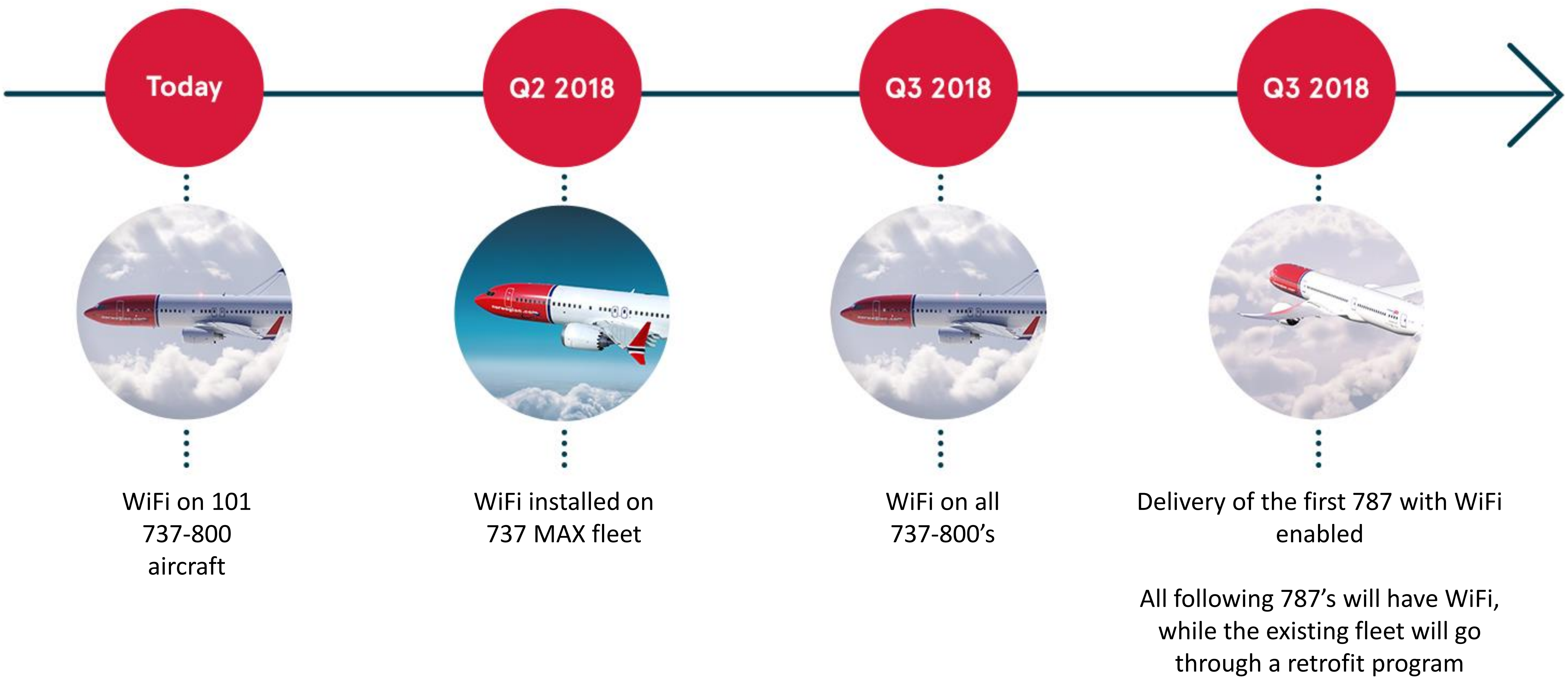
Adding 32 new aircraft in 2017

2017:	Deliveries 787-9 +3,096 seats	Deliveries 737-800 and 737 MAX +4,296 seats	Re-deliveries 737-800 -744 seats



Heading towards WiFi on the entire fleet

- Signed contracts to provide WiFi in the 737 MAX and 787 fleet
- Extended the existing WiFi contract for the 737 fleet to increase band width by more than 40 %

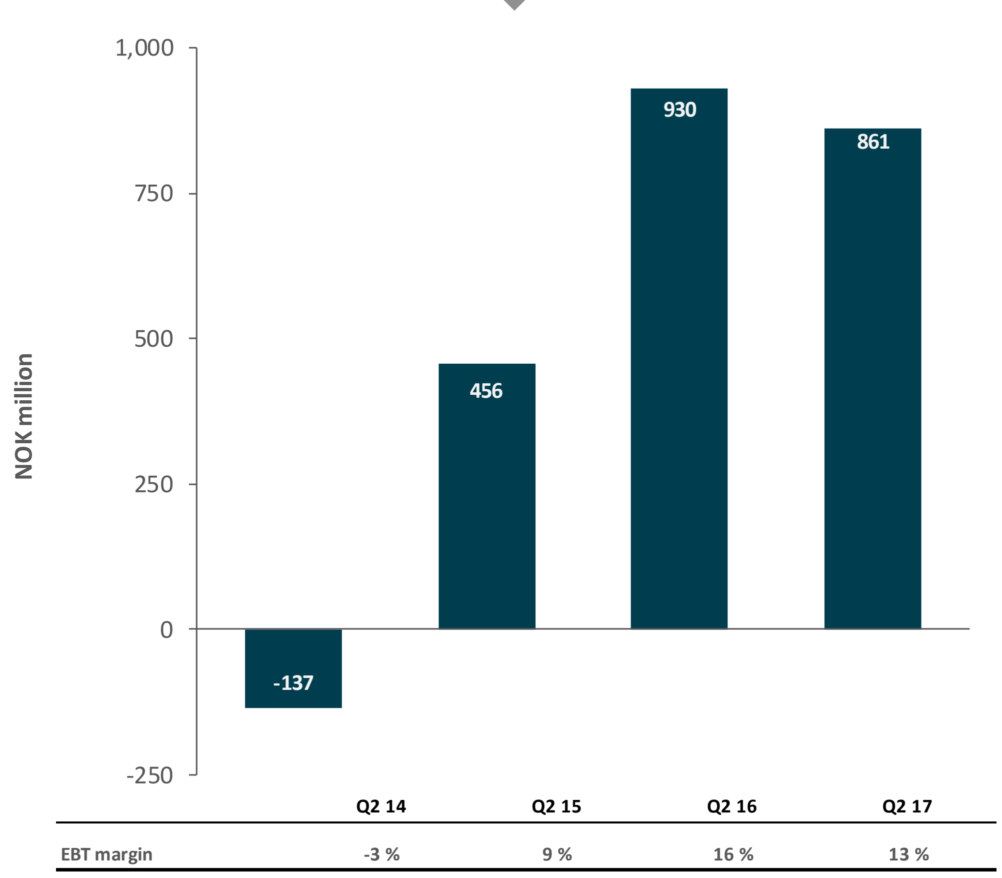


Financials

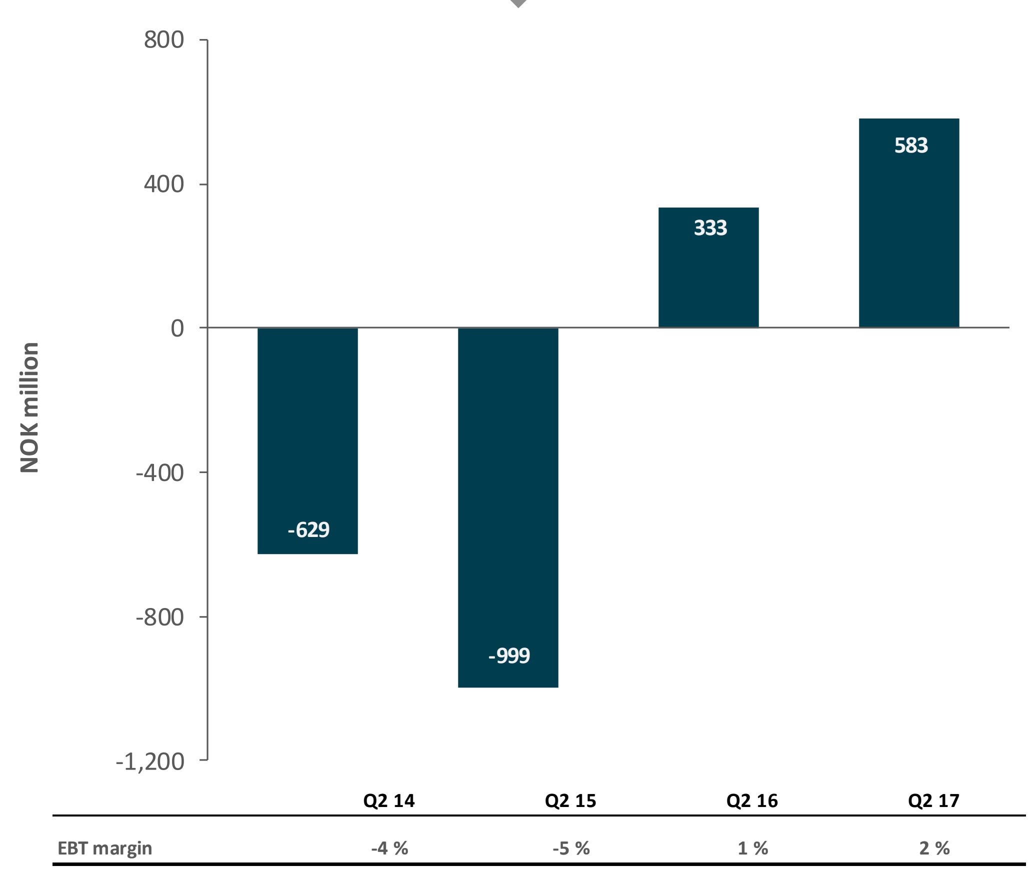
Q2 net profit above 1 bn

	Q2 17	Q2 16	Chg	12 mths rolling Q2 17	12 mths rolling Q2 16	Chg
Revenue	7,775	6,632	1,142	27,643	24,189	3,454
EBITDAR	990	1,965	-976	4,313	4,369	-56
EBITDA	**59**	**1,324**	-1,265	**1,119**	**1,935**	-816
Pre-tax profit (EBT)	861	930	-69	583	333	250
Net profit	1,080	745	334	778	405	373

EBT development Q2



EBT development Q2 12 mths rolling

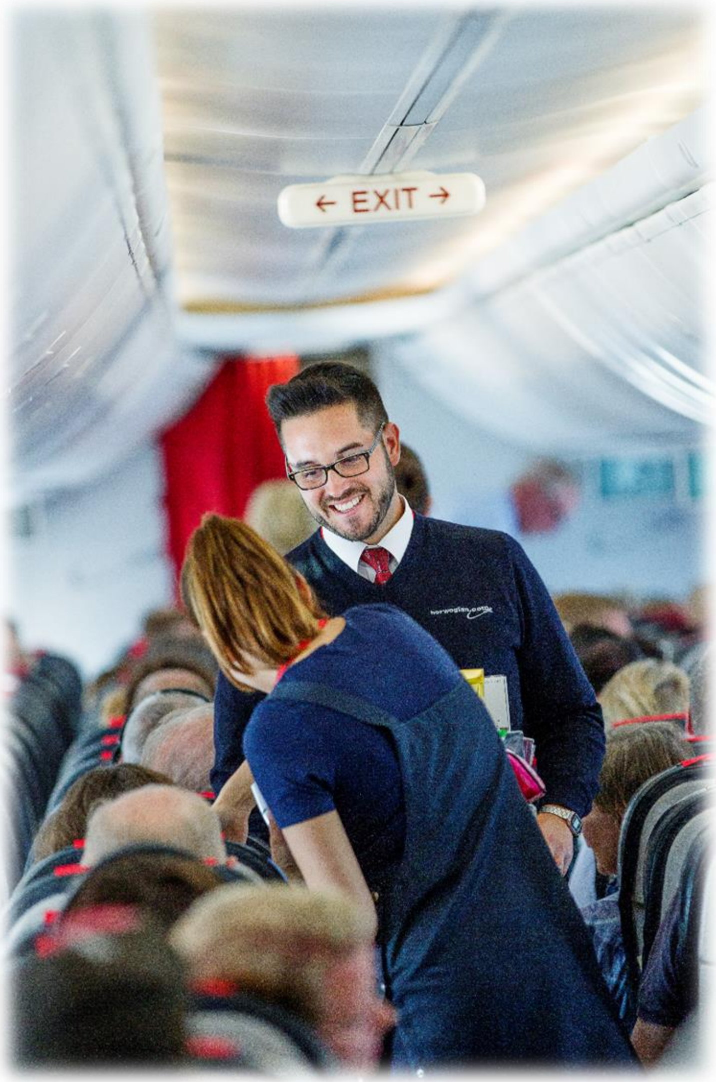


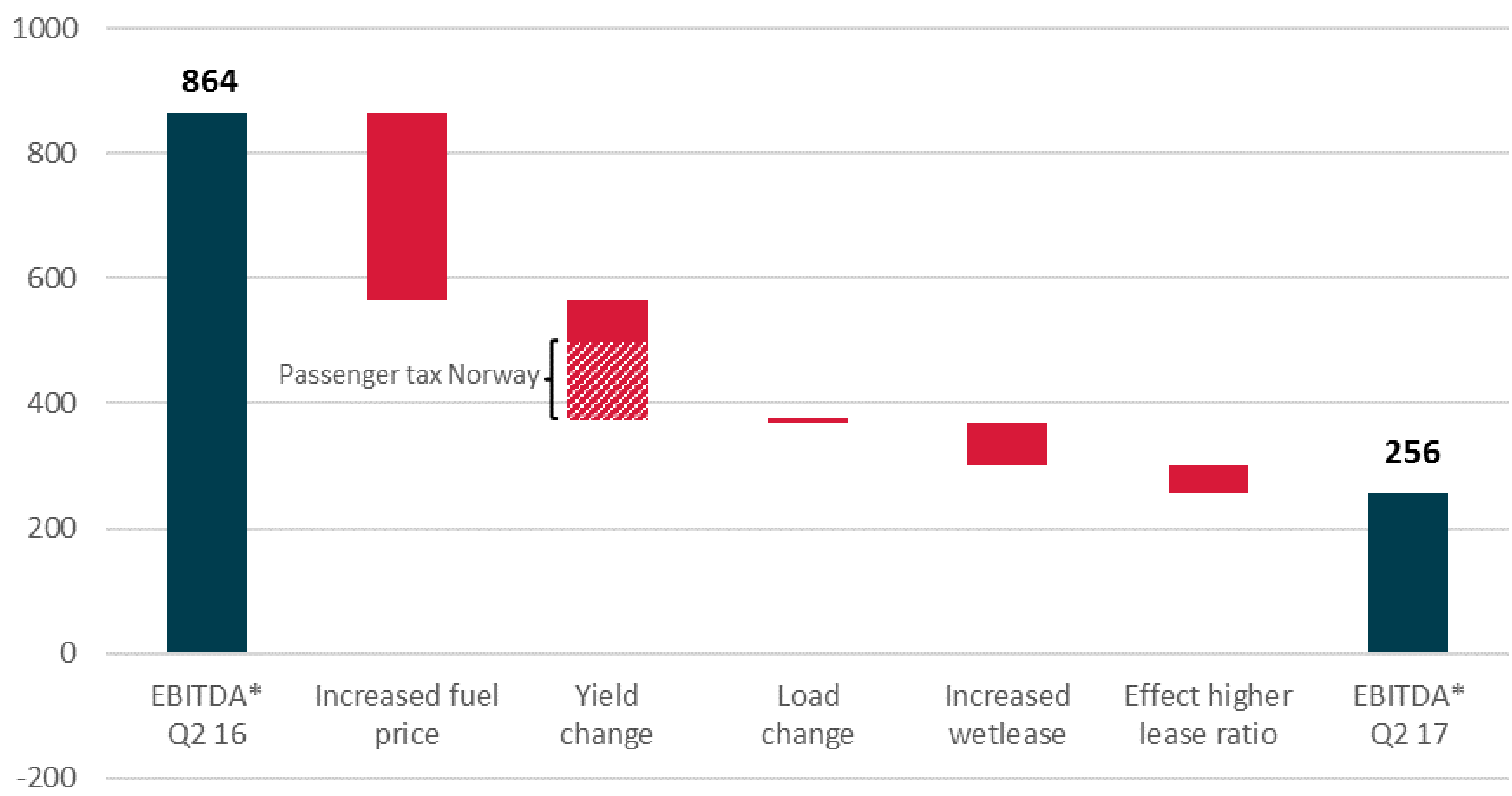
Clean EBITDA* of NOK 301 million

NOK million	Q2 17	Q2 16	Chg	12 mths rolling Q2 17	12 mths rolling Q2 16	Chg
Revenue	7,775	6,632	1,142	27,643	24,189	3,454
EBITDA as reported	59	1,324	-1,265	1,119	1,935	-816
Other losses/gains	-197	460	-657	-192	645	-837
EBITDA ex. other losses/gains	**256**	**864**	-608	**1,311**	**1,291**	20
Non-recurring items:						
- extraordinary wetlease	-45	-82		-449	-228	
Sum non-recurring items	-45	-82		-449	-228	
Clean EBITDA	**301**	**946**	-645	**1,760**	**1,519**	241
Margin clean EBITDA	3.9 %	14.3 %		6.4 %	6.3 %	

** Clean EBITDA: Reported EBITDA adj. for other losses/gains and non-recurring items*

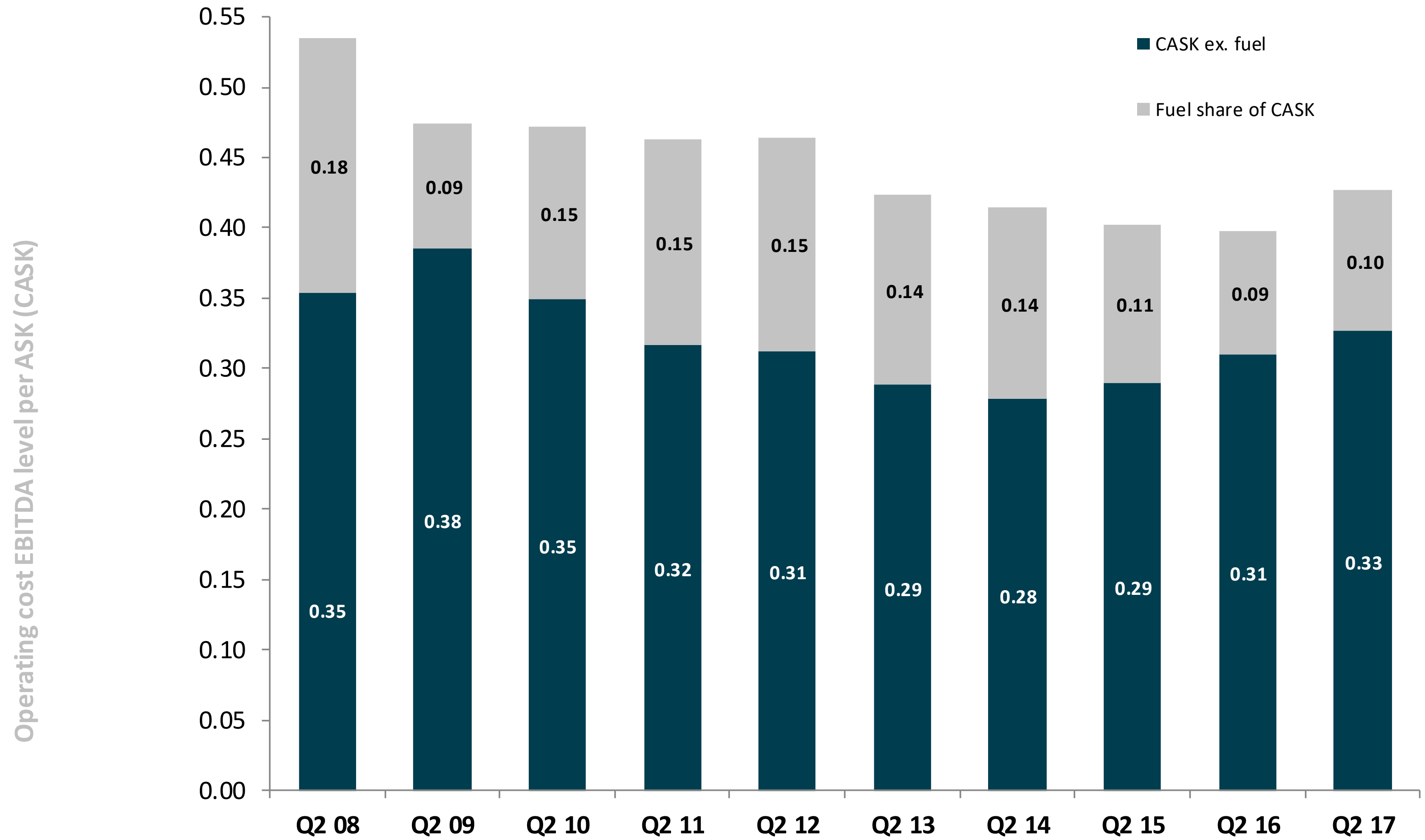
EBITDA (ex. other losses/gains) bridge





Unit cost driven by fuel and SLB

- → Unit cost ex. fuel increased by 7 % (5 % in constant currency)
- → Unit cost increased by 9 % (7 % in constant currency)

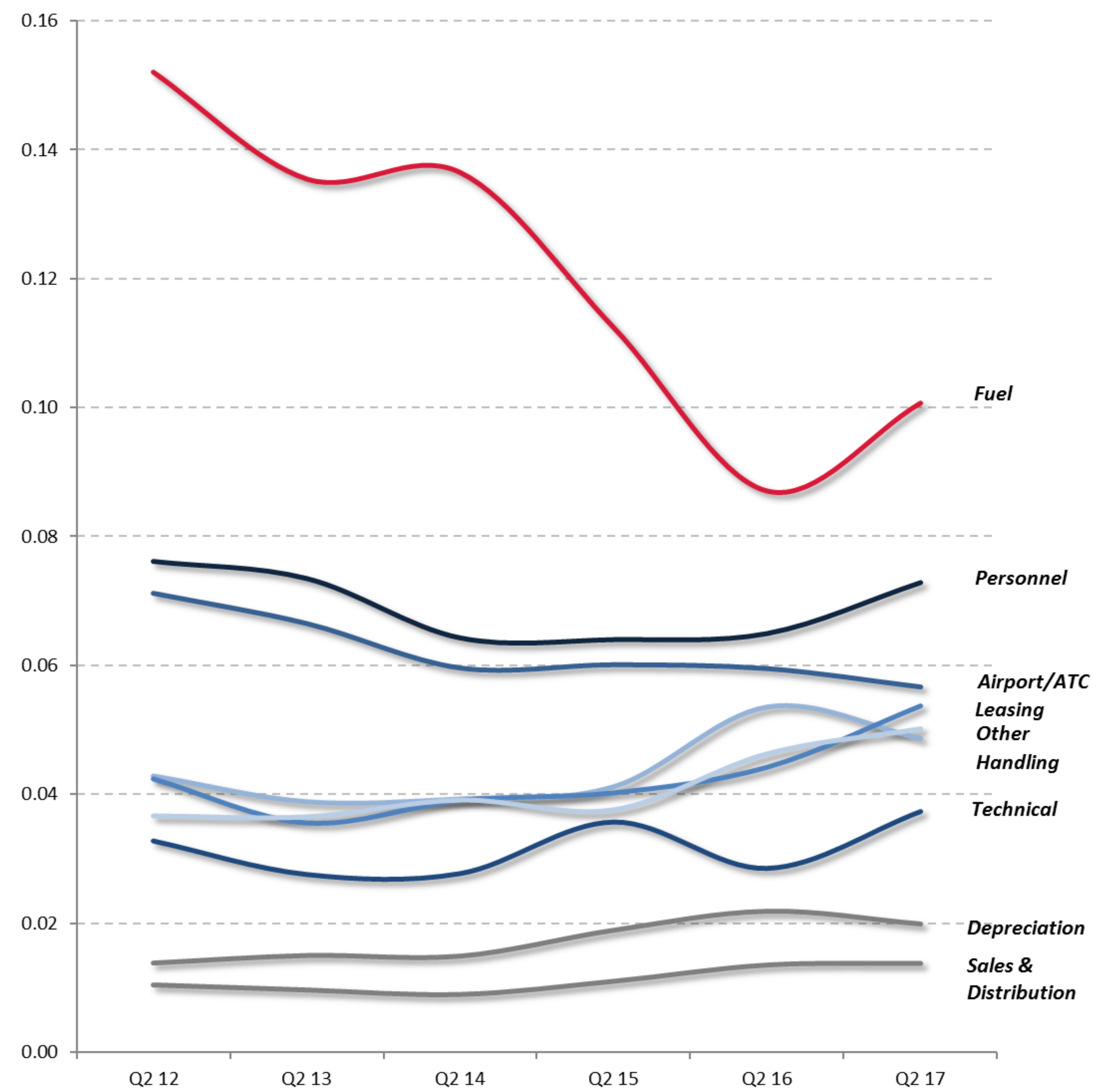


	Q2 08	Q2 09	Q2 10	Q2 11	Q2 12	Q2 13	Q2 14	Q2 15	Q2 16	Q2 17
CASK (NOK)	**0.53**	**0.47**	**0.47**	**0.46**	**0.46**	**0.42**	**0.41**	**0.40**	**0.40**	**0.43**
CASK ex. Fuel (NOK)	0.35	0.38	0.35	0.32	0.31	0.29	0.28	0.29	0.31	0.33

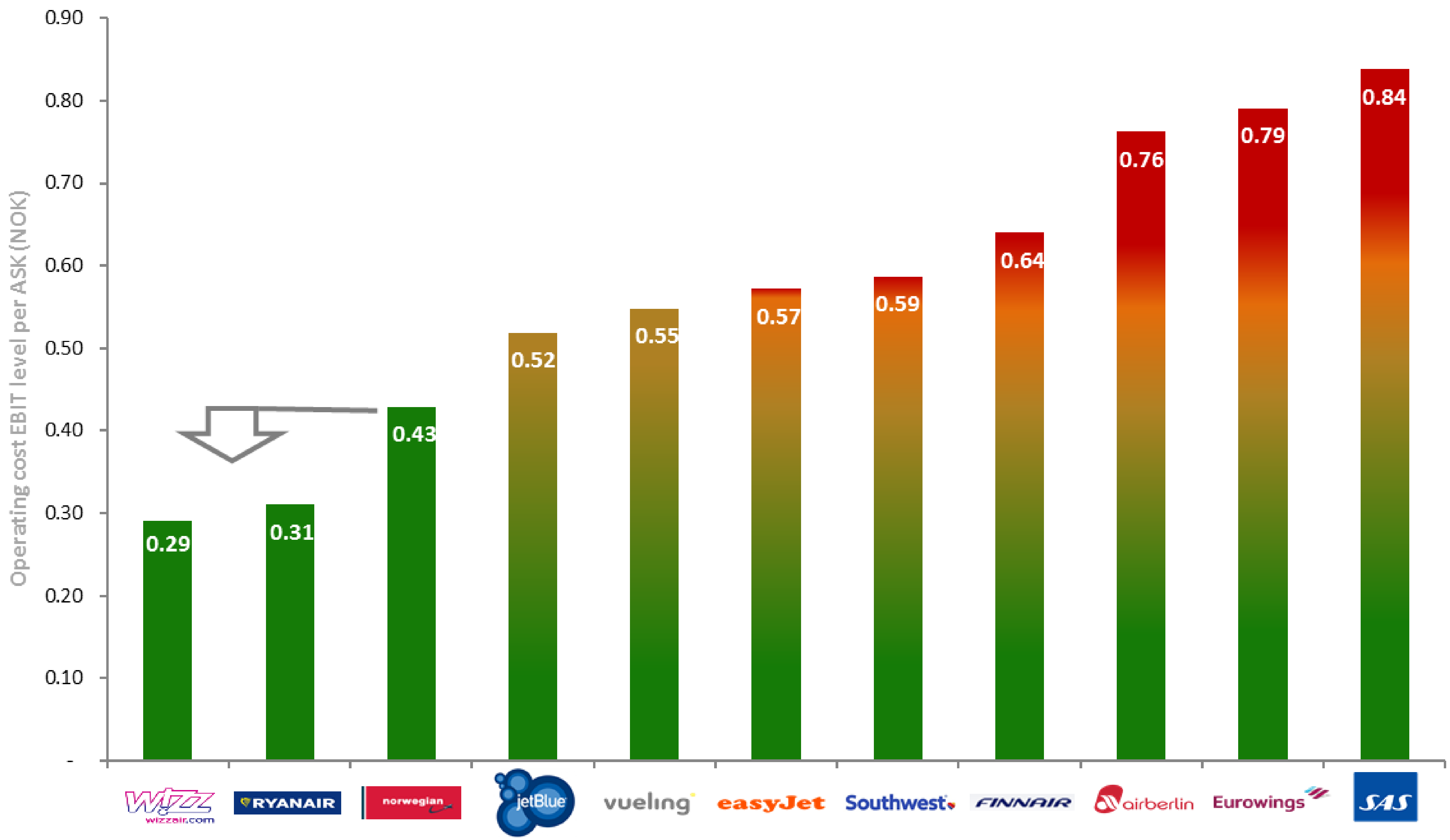
Other losses / (gains) is not included in the CASK concept as it primarily contains hedge gains/losses offset under financial items* as well as other non-operational income and/or cost items such as gains on the sale of spare part inventory and unrealized foreign currency effects on receivables/payables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

Unit cost (CASK) driven by fuel cost and leasing

- Higher **fuel cost** (+16 % per ASK) driven by spot price (+22 %) and weaker NOK vs USD (3 %)
- Higher **personnel cost** (+12 % per ASK) due to ramp-up of intercontinental operations. FTE's increased by 41 %
- Lower **airport/ATC and handling** (-5 % and -9 %) due to increased sector length
- Higher **leasing cost** (+22 % per ASK) due to a higher proportion of leased aircraft and wetlease
- Higher **technical cost** (+31 % per ASK) on increased price escalation on engine maintenance, a higher proportion of leased aircraft and ground damages



Comparison of unit cost incl. depreciation



Sources: Based on official full-year 2016 annual report for Norwegian Air Shuttle, Finnair, Vueling, SAS Group (31.10.2016), Easyjet (30.09.2016), and full-year 2015 report for Ryanair and WizzAir (31.03.2016). Ryanair's ASK is based on consensus median from Nasdaq. Eurowings figures are from the annual report of Lufthansa for 2016.

- 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).

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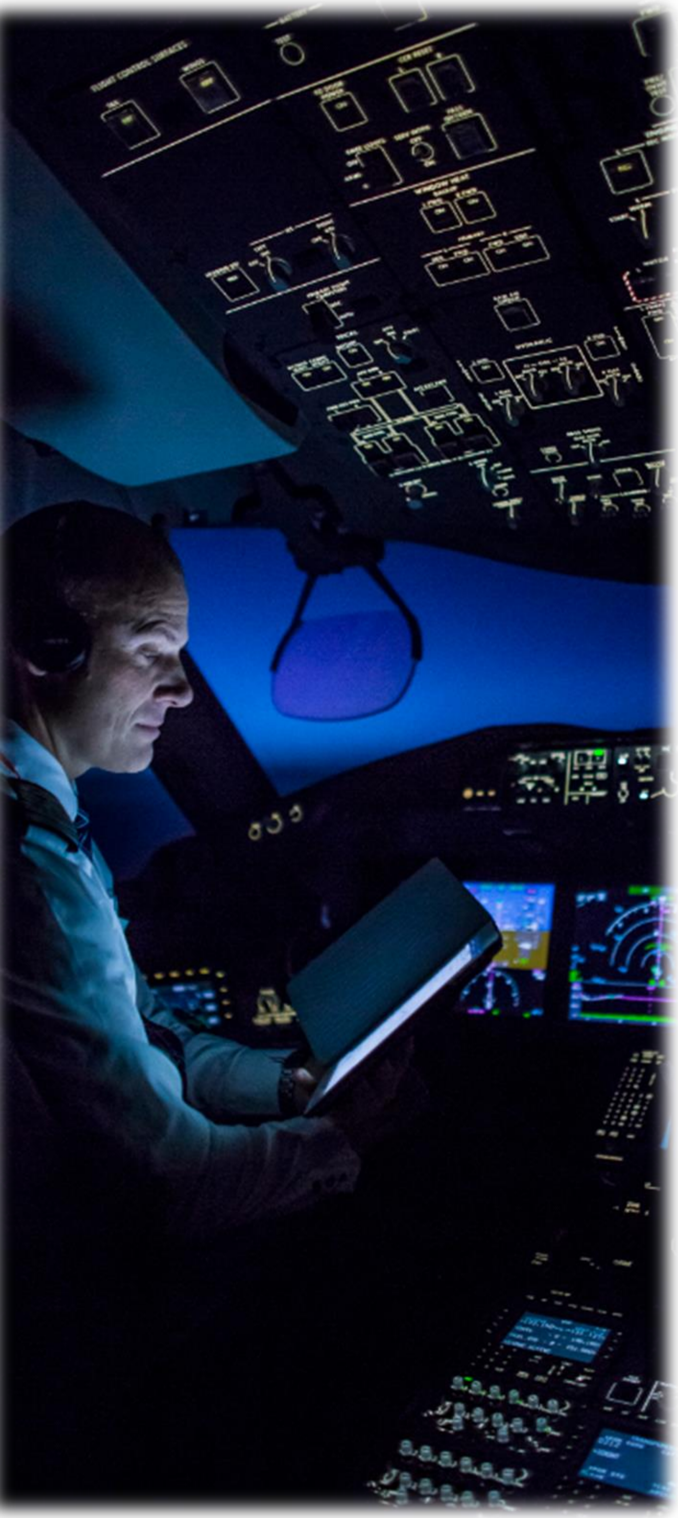
NOK 1.4 bn cash-flow from operations in Q2

- Strong liquidity with NOK 5.8 bn in cash at the end of Q2
- Cash-flow from operations of NOK 2.5 bn the last 12 months (3.3 bn)
- Invested NOK 3.4 bn the last 12 months

NOK million	Q2 17	Q2 16	Chg	12 mths rolling Q2 17	12 mths rolling Q2 16	Chg
Profit before tax	861	930	-69	583	333	250
Paid taxes	-	-	-	12	-48	59
Depreciation	345	318	27	1,399	1,275	124
Change air traffic settlement liabilities	484	282	201	1,787	1,647	141
Change working capital	-294	-308	14	-1,310	138	-1,448
Net cash flows from operating activities	**1,397**	**1,223**	174	**2,471**	**3,345**	-874
Net cash flows from investing activities	-321	-1,986	1,665	-3,375	-6,170	2,795
Net cash flows from financial activities	-0	625	-625	3,672	2,862	811
Net change in cash and cash equivalents	1,074	-179	1,254	2,808	-35	**-20**
Cash and cash equivalents, end of period	5,832	3,010	2,821	5,832	3,010	2,821

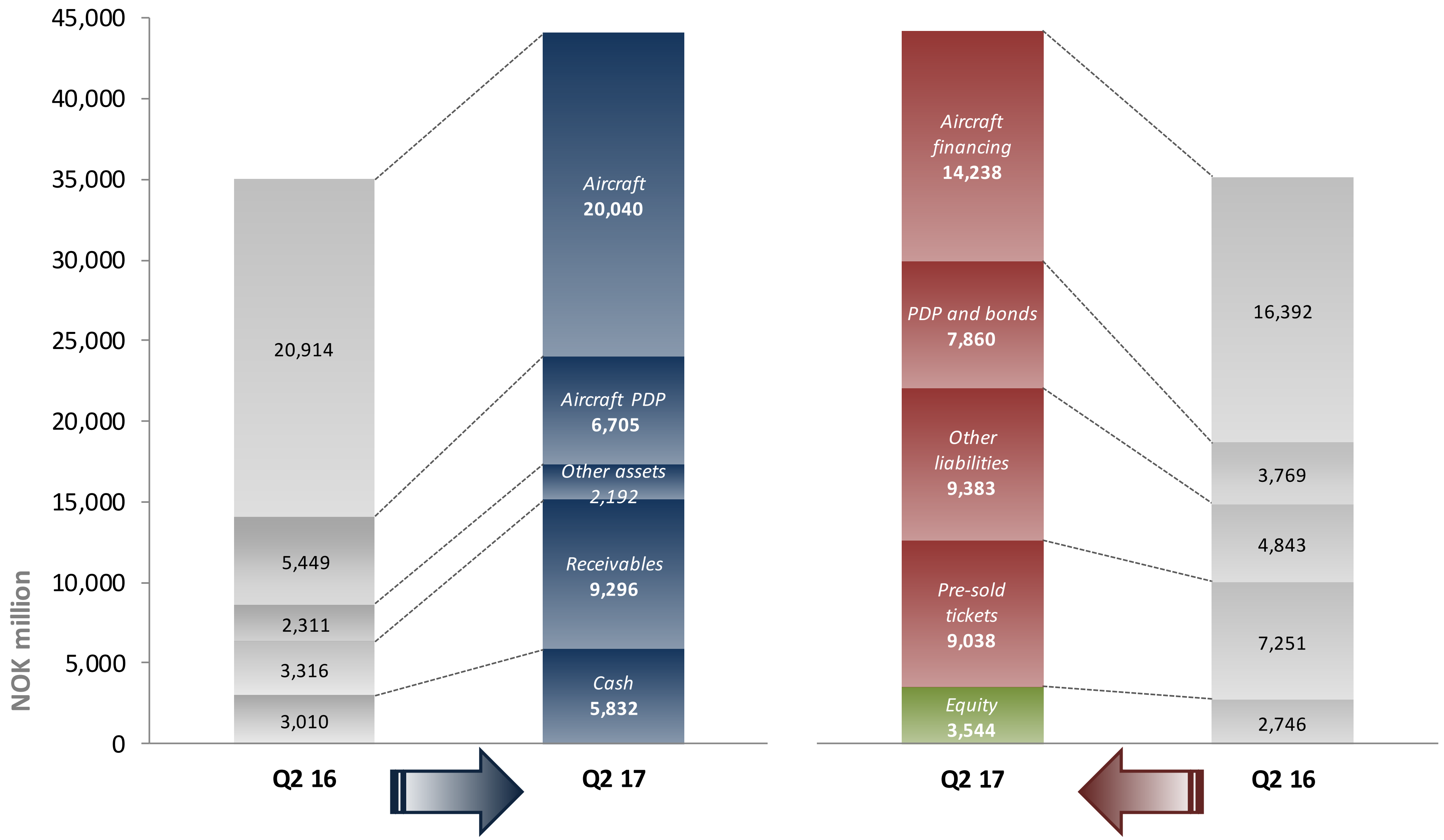
Financing on track



- → Expected capex (all aircraft incl. PDP)
  - → USD 0.7 bn for 2017 (reduced from USD 1.3 bn)
  - → USD 2.1 bn for 2018
- → PDP financing / liquidity
  - → PDP financing for 50 Airbus 320neo's
  - → Credit facility (NOK 1 bn)
  - → Repayment of bond on July 3 (NOK 1 bn)
- → Long-term financing
  - → Financing in place for all 2017 deliveries of 787s and MAXs
  - → The four remaining 737-800s on SLB for delivery in 2017 and Q1 2018 will be closed within Q3
  - → Expect to utilize the same financing facilities for 787s and MAX in 2018 as in 2017 (AFIC and export credits)

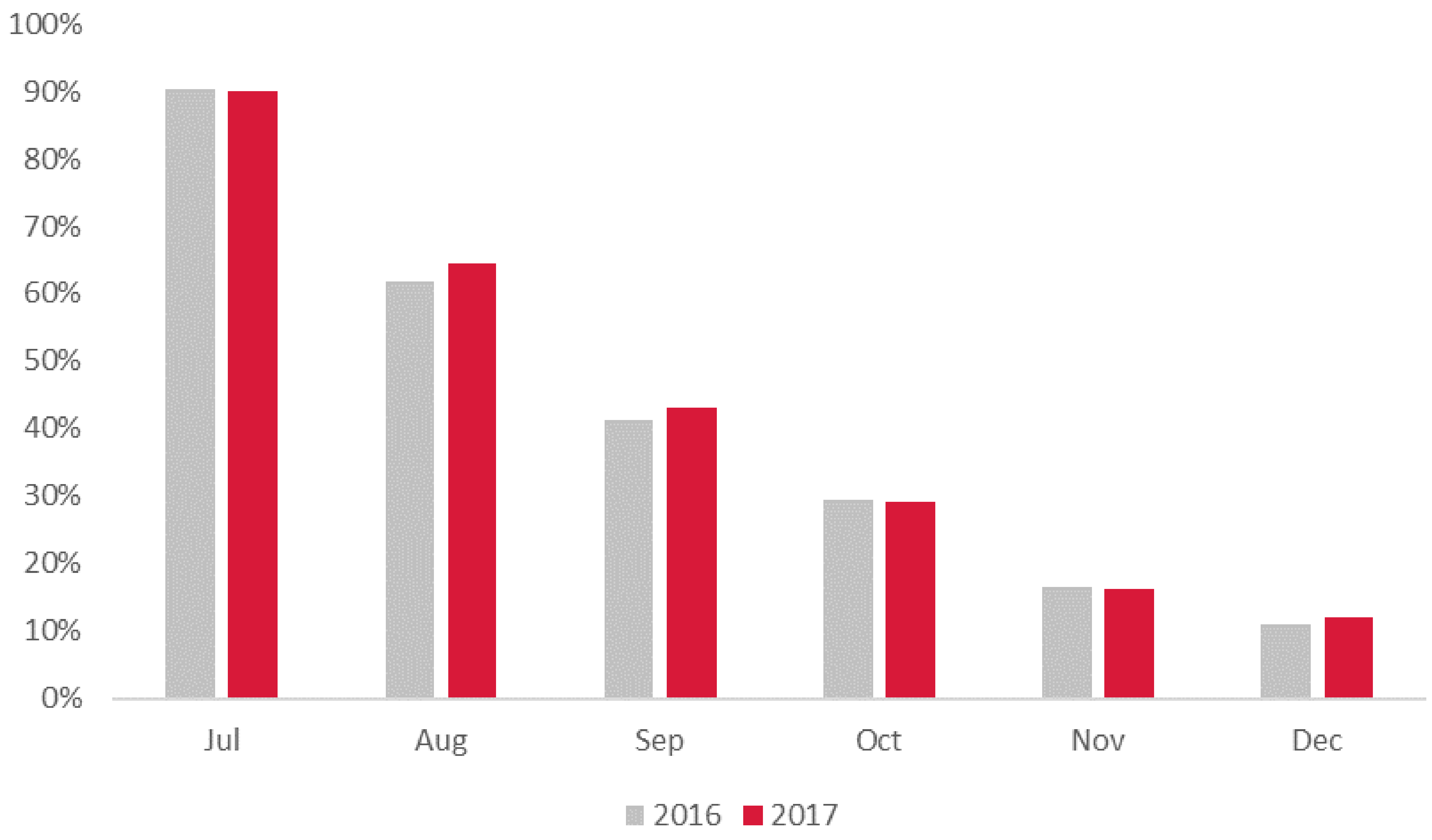
Net debt reduced further by NOK 0.9 bn

- Added three new 737-800, two 737 MAX and three 320neo's on balance the last 12 months
- NOK 19.3 net debt (reduced from 20.2 bn in Q1 2017)
- 8 % equity ratio (unchanged)



Outlook

Capacity adjusted forward bookings

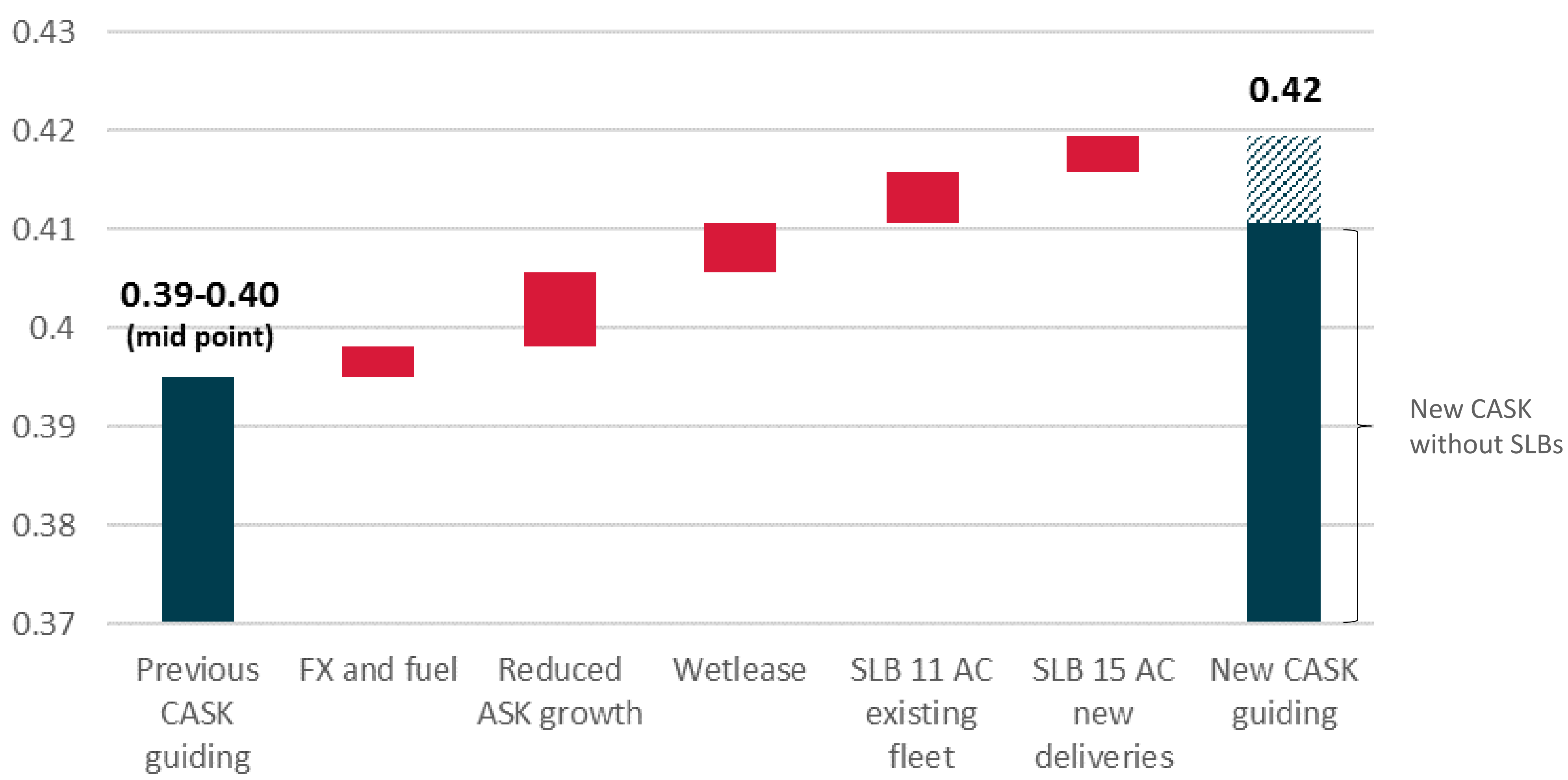


The graph shows booked and paid travels. Bookings per July 10, 2017 and July 11, 2016 (corresponding weekday).

Outlook for 2017

- Markets and business
  - Negative revenue impact from currency and distance
  - Capacity adjusted booking volumes ahead of last year
- An estimated production growth (ASK) of 25 % (previous estimate: 30 %)
  - Q3: 25 % ASK growth
  - Q4: 30 % ASK growth
- Fuel hedging
  - 52 % of 2017 at USD 494 and 27 % of 2018 at USD 494
- Unit cost target of NOK 0.42 (previous estimate: 0.39-0.40)
  - Assumptions: Fuel price of USD 500 per metric ton, USD/NOK 8.25, EUR/NOK 9.00
  - FX and fuel in 1H, lower production, SLB and wetlease
  - Based on the current route portfolio and planned production

CASK guiding strongly influenced by relocation of costs



Going forward

- Solid bookings ahead of Q3
- Focus on global expansion and strong growth in staff, routes and aircraft
- Launched intercontinental routes between UK and Argentina and between Rome and US, as well as more US destinations from Paris and London
- Strengthened liquidity to meet the future more robust
- Complete transaction (LOI) of sale of the 11 aircraft in Q3
- Continued focus on fleet renewal with the MAX

Norwegian operates 500 routes to 150 destinations