norwegian

Norwegian Air Shuttle ASA

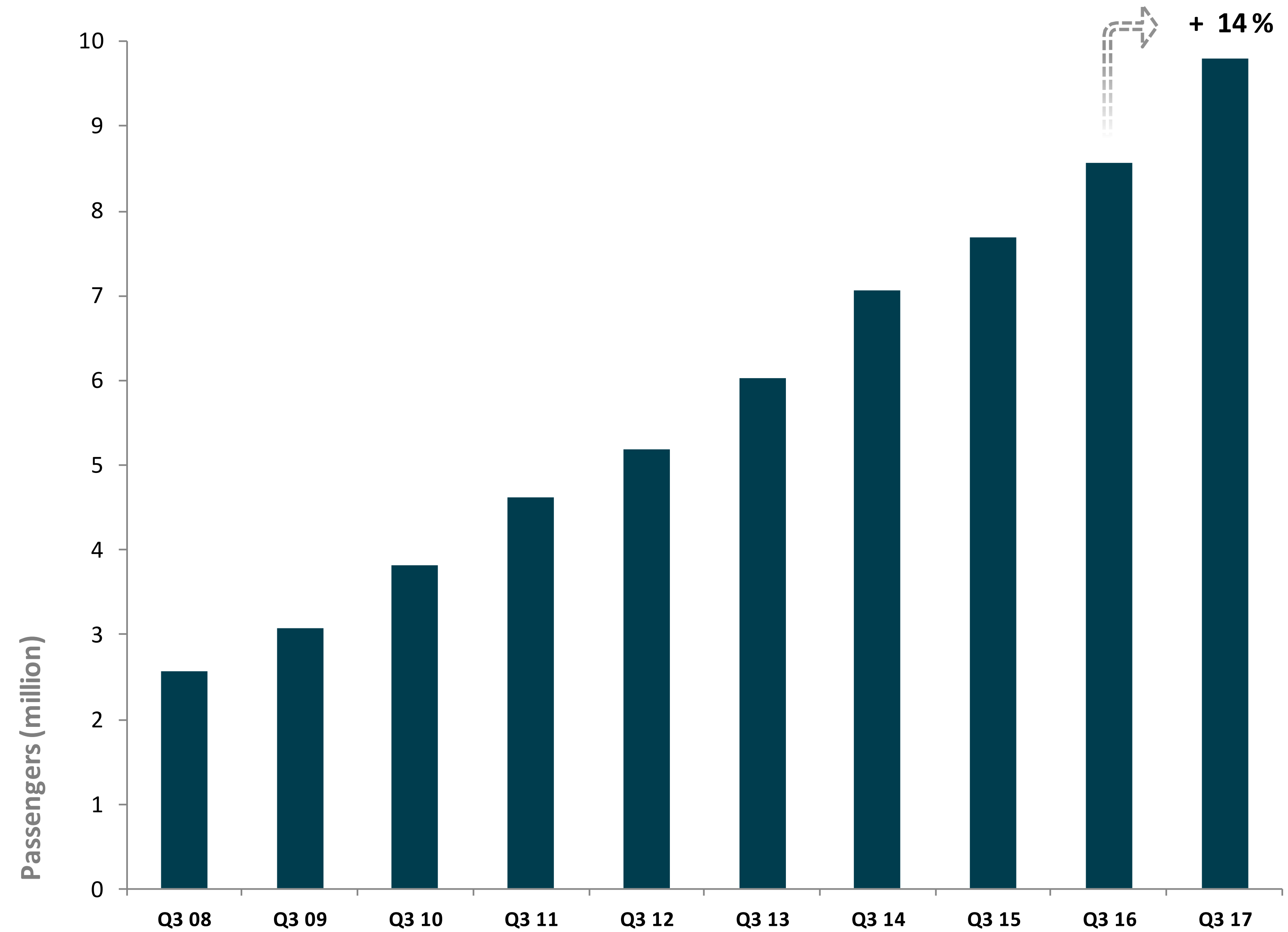
Q3 2017 Presentation

26 October 2017

Highlights Q3 2017

- → Norwegian celebrated 15 years
- → Start-up of 14 new intercontinental routes, to destinations such as Singapore, Denver and Seattle
- → Added four Boeing 737 MAXs, one 737-800 and five 787-9 Dreamliners to operations
- → Norwegian Air UK (NUK) given final approval by the US Department of Transportation
- → Launched partnership with easyJet
- → Carried out the 4th humanitarian aid flight in cooperation with UNICEF
- → EBITDA of NOK 2.0 billion (1.7 billion)

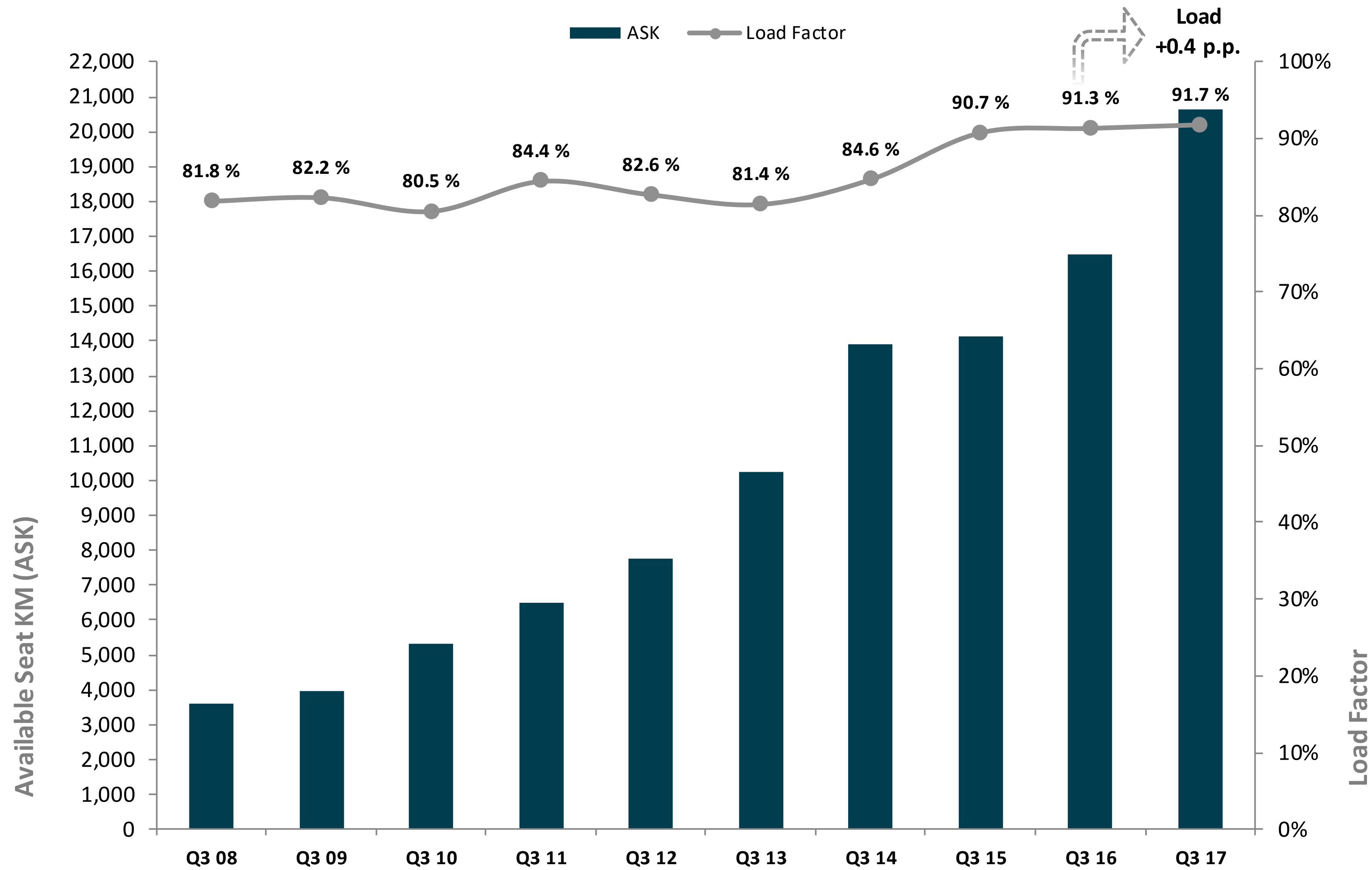
9.8 million passengers in Q3 (+14 %)



Pax (mill)	**2.6**	**3.1**	**3.8**	**4.6**	**5.2**	**6.0**	**7.1**	**7.7**	**8.6**	**9.8**
Pax 12 mths rolling (mill)	**8.9**	**10.2**	**12.5**	**15.0**	**17.3**	**19.8**	**23.6**	**25.2**	**28.3**	**32.3**

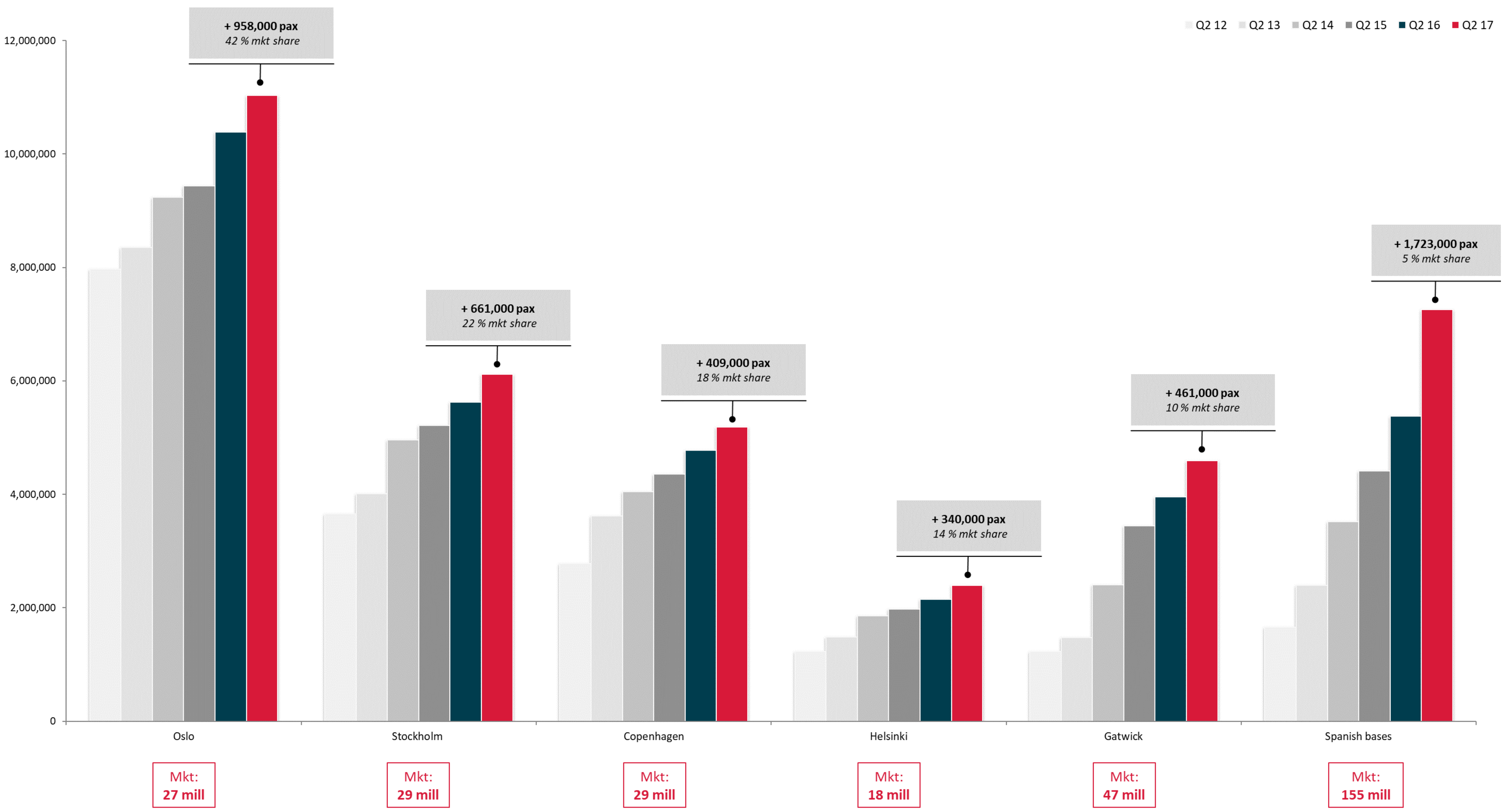
Increasing load despite high ASK growth

- → 25 % growth in capacity (ASK)
- → 26 % growth in traffic (RPK)



ASK	**3,590**	**3,979**	**5,331**	**6,480**	**7,780**	**10,223**	**13,905**	**14,143**	**16,486**	**20,658**
Load Factor	81.8 %	82.2 %	80.5 %	84.4 %	82.6 %	81.4 %	84.6 %	90.7 %	91.3 %	91.7 %

Continued growth at all key airports

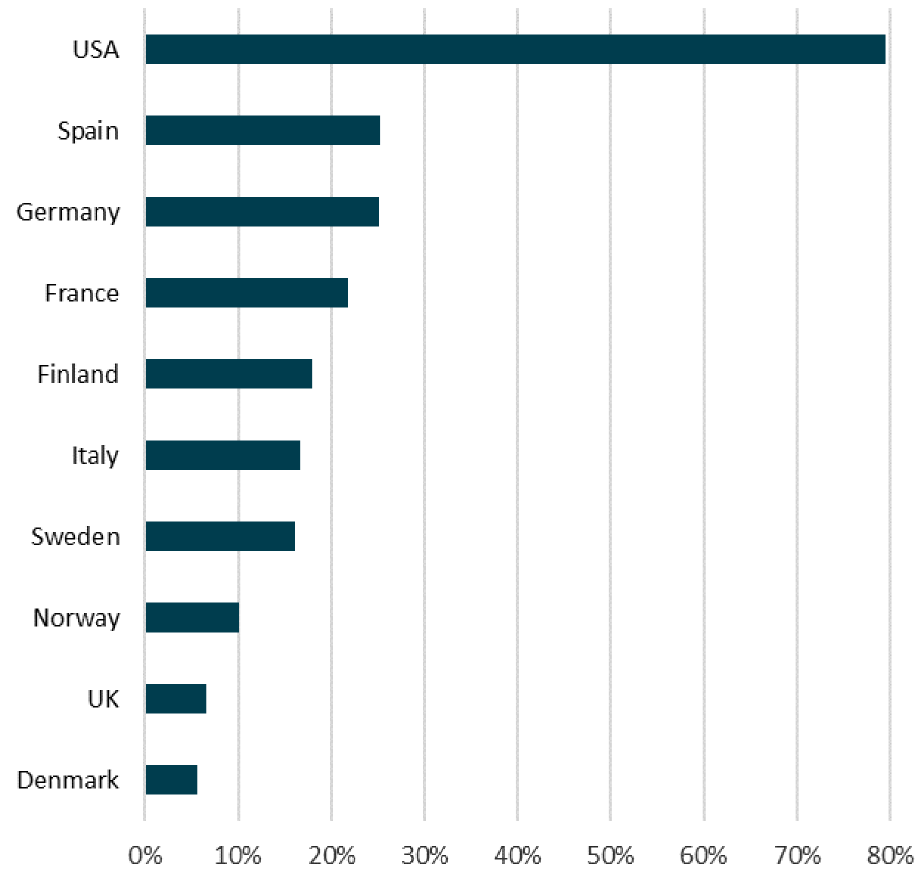


Source: 12 month rolling passengers as reported by Avinor , Swedavia, Copenhagen Airports, Finavia, Gatwick Airport and Aena

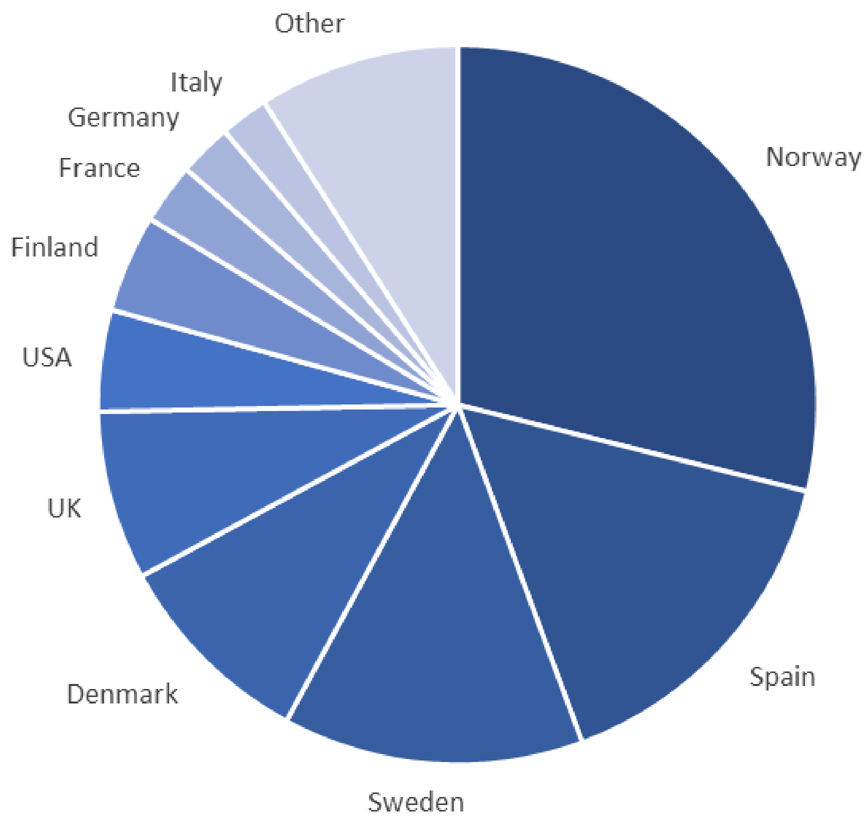
Accelerating growth in the US

- 11 % passenger growth in the Nordics
- 79 % and 25 % growth in the US and Spain respectively

Growth in number of passengers in Q3 17 (y/y):

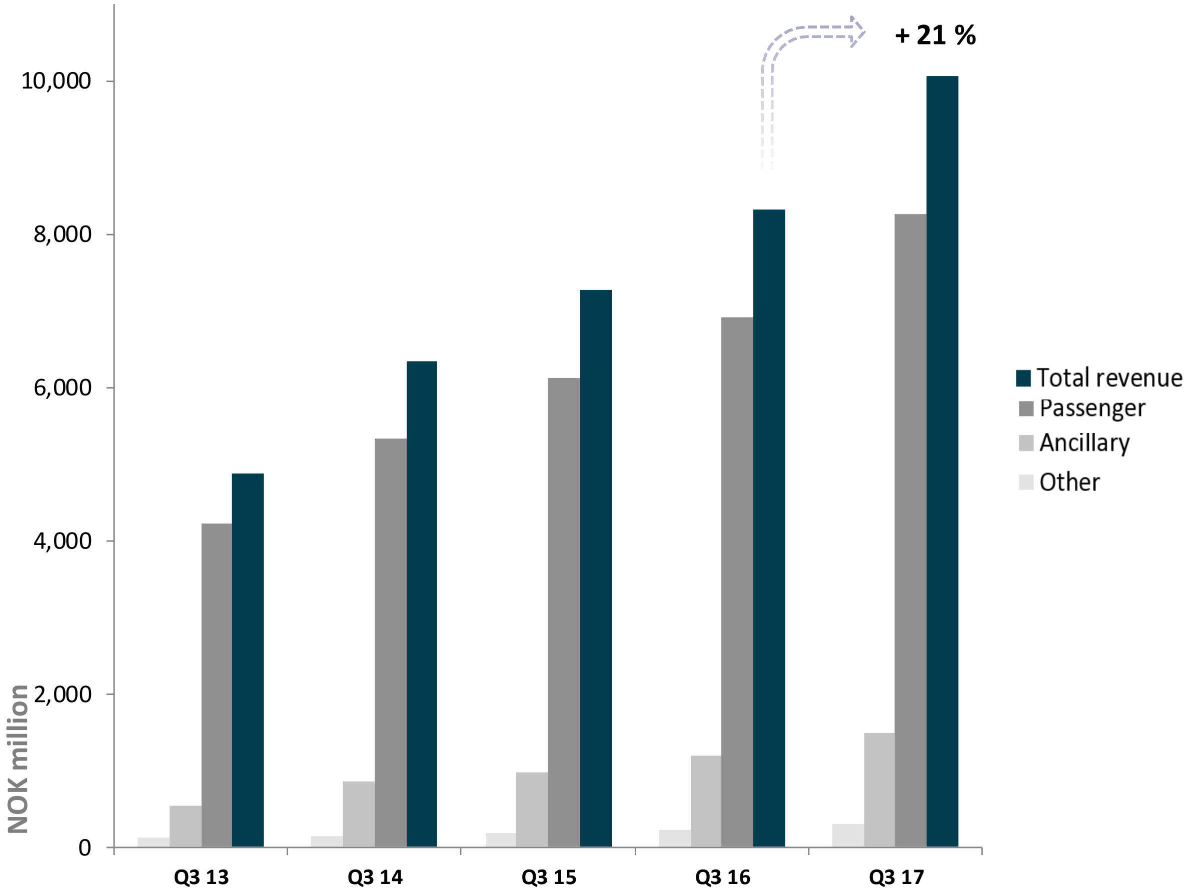


Split passengers by origin in Q3 17:



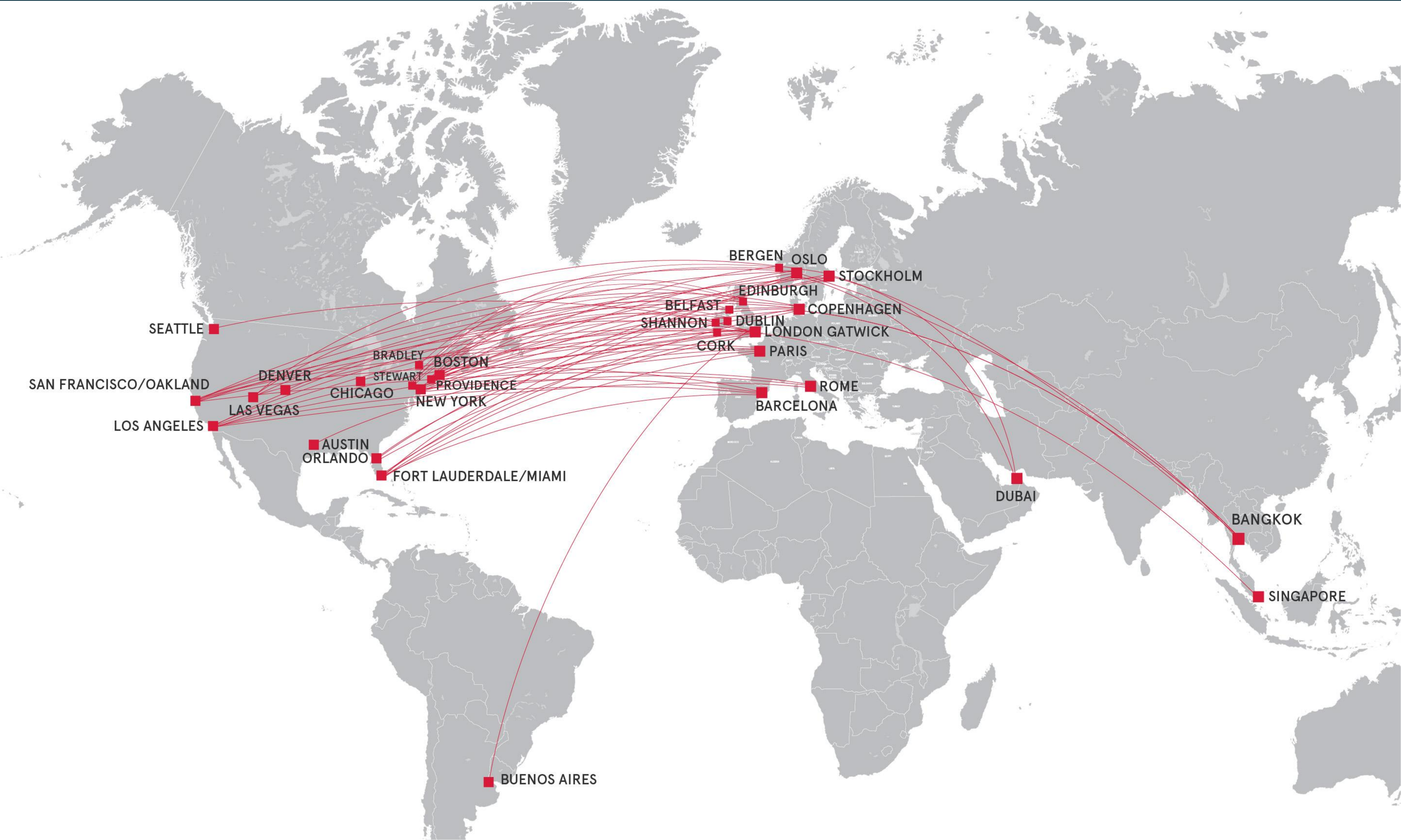
21 % revenue growth in Q3

- Q3 unit passenger revenue (RASK) -5 % to 0.40 (-4 % in constant currency)
- Average flying distance increased by 10 %
- 10 % growth in ancillary revenue per passenger (NOK 153)



	Q3 13	Q3 14	Q3 15	Q3 16	Q3 17
Total revenue	**4,878**	**6,338**	**7,277**	**8,331**	**10,074**
Passenger	4,222	5,334	6,130	6,916	8,263
% y/y chg	*14 %*	*26 %*	*15 %*	*13 %*	*19 %*
Ancillary	532	854	967	1,191	1,498
% y/y chg	*24 %*	*60 %*	*13 %*	*23 %*	*26 %*
Other	124	150	179	224	313
% y/y chg	*40 %*	*21 %*	*19 %*	*25 %*	*39 %*

A portfolio of 65 intercontinental routes



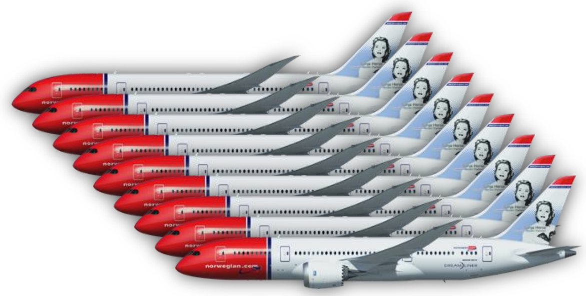
Adding 32 new aircraft in 2017

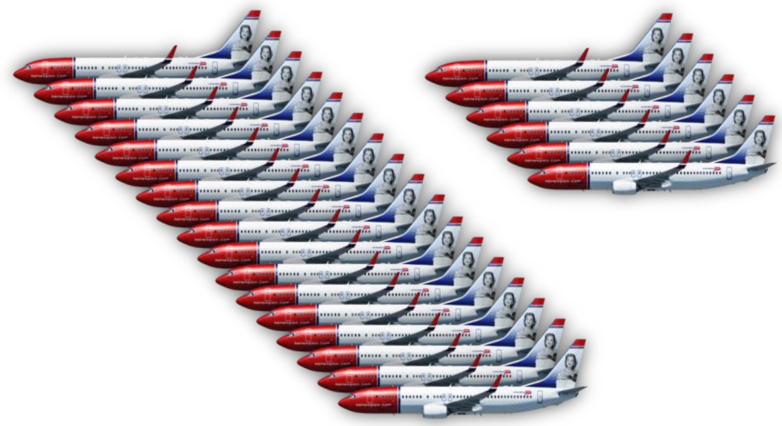
2017:

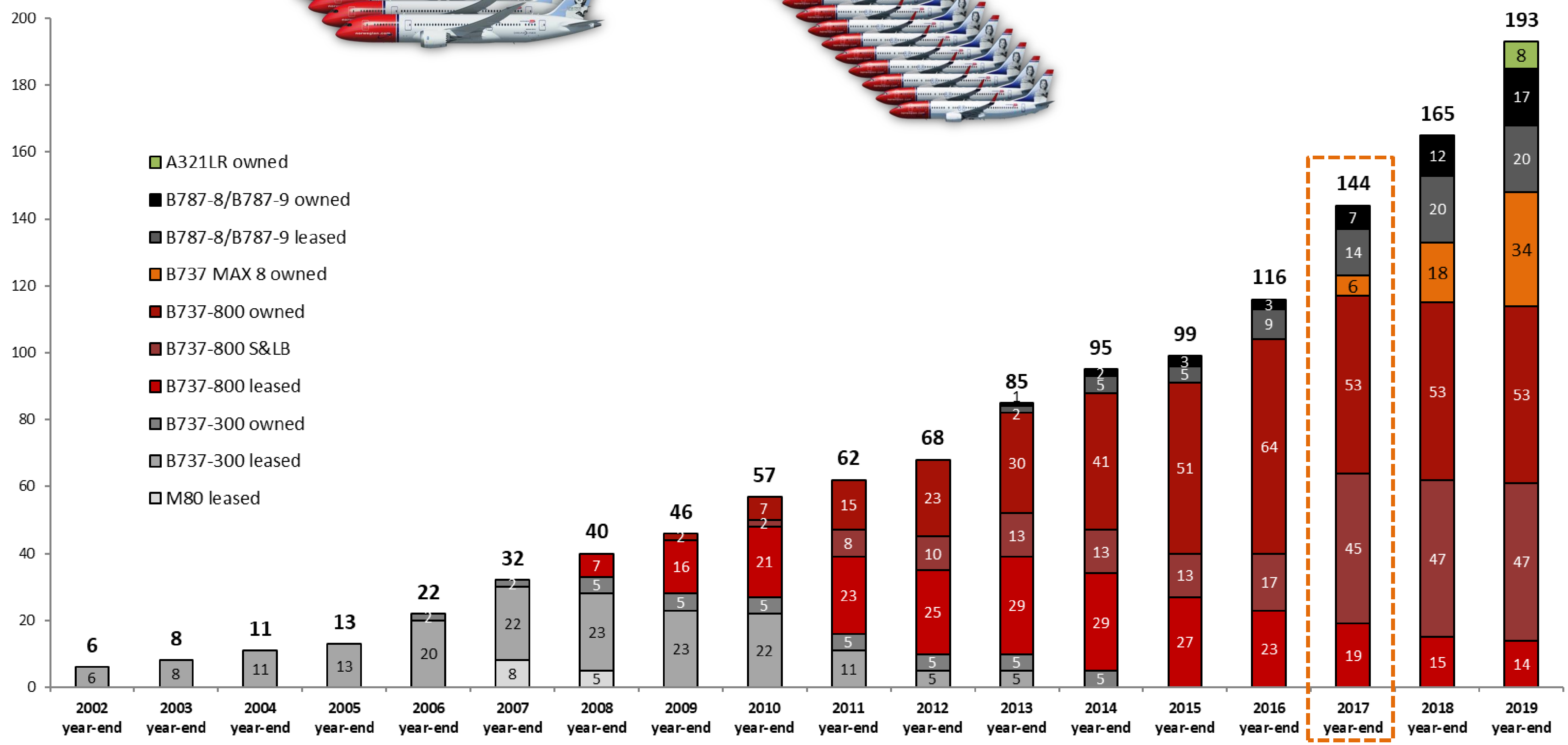
Deliveries 787-9
+3,096 seats

Deliveries 737-800 and 737 MAX
+4,296 seats

Re-deliveries 737-800
-744 seats





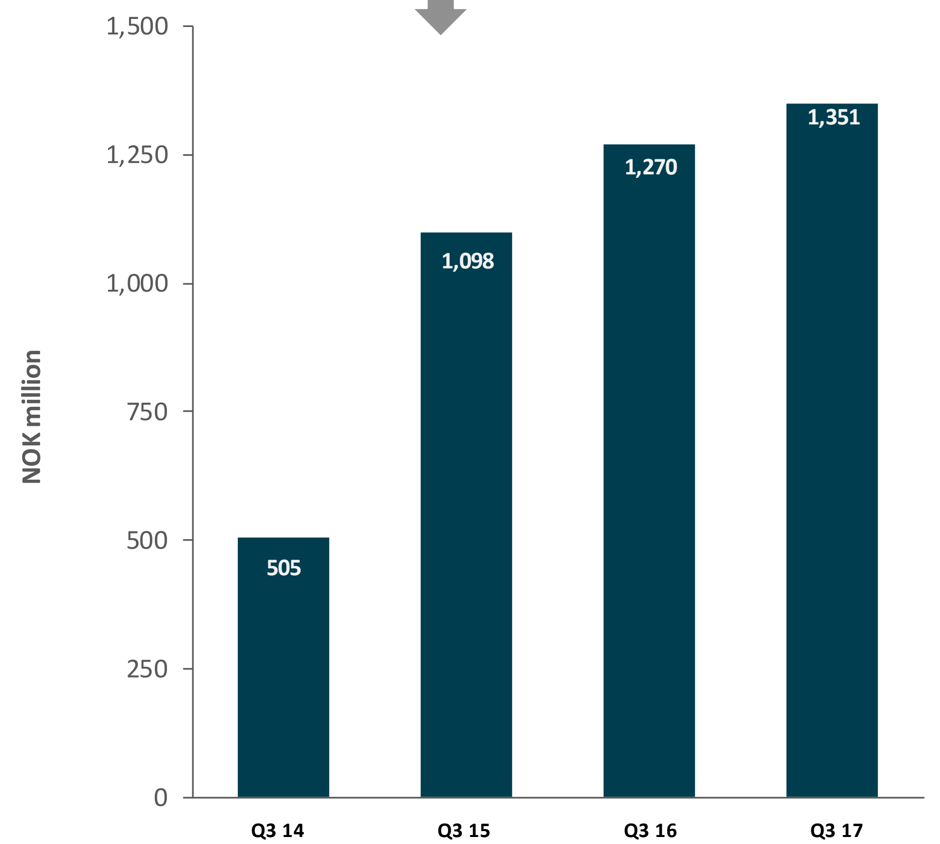


Financials

Q3 EBT of NOK 1.4 billion

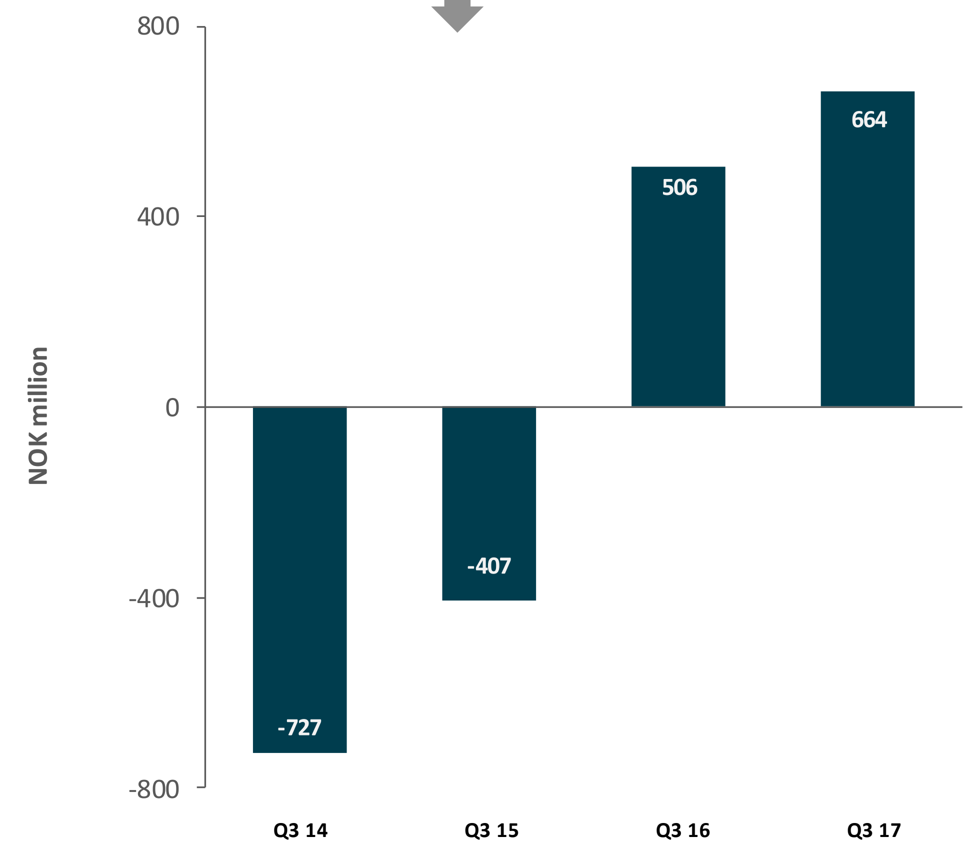
	Q3 17	Q3 16	Chg	12 mths rolling Q3 17	12 mths rolling Q3 16	Chg
Revenue	10,074	8,331	1,743	29,131	25,243	3,887
EBITDAR	3,180	2,573	607	4,920	4,896	23
EBITDA	**1,991**	**1,725**	266	**1,385**	**2,177**	-792
Pre-tax profit (EBT)	1,351	1,270	81	664	506	158
Net profit	1,032	992	39	817	564	253

EBT development Q3



EBT margin	10 %	17 %	17 %	3 %

EBT development Q3 12 mths rolling



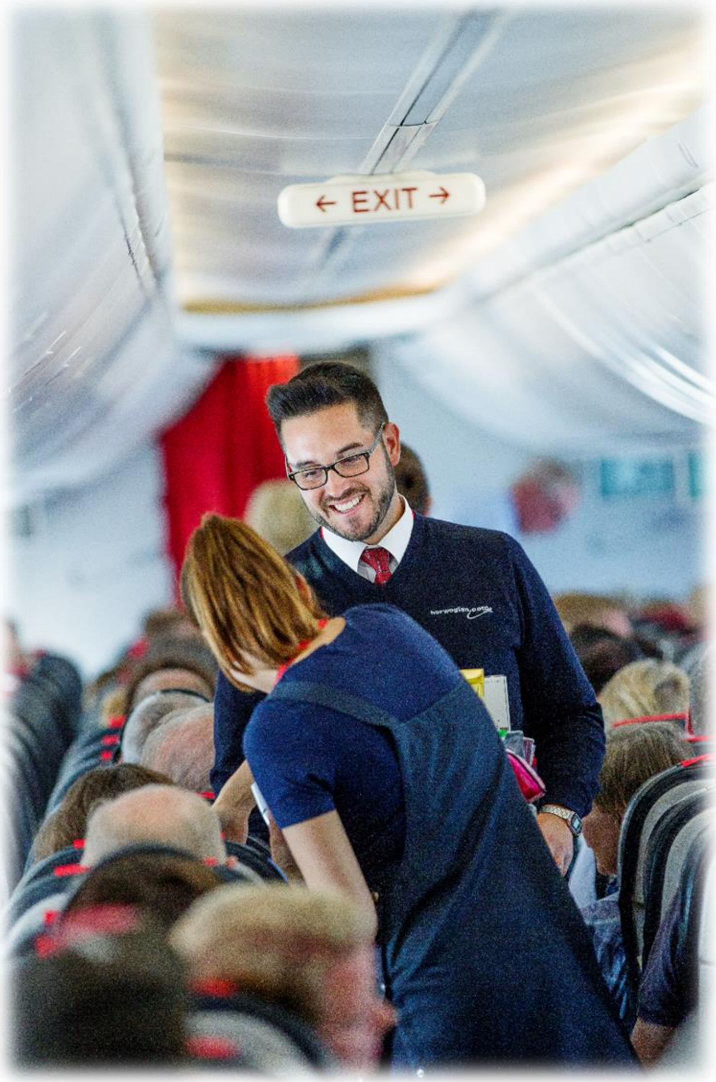
EBT margin	-4 %	-2 %	2 %	2 %

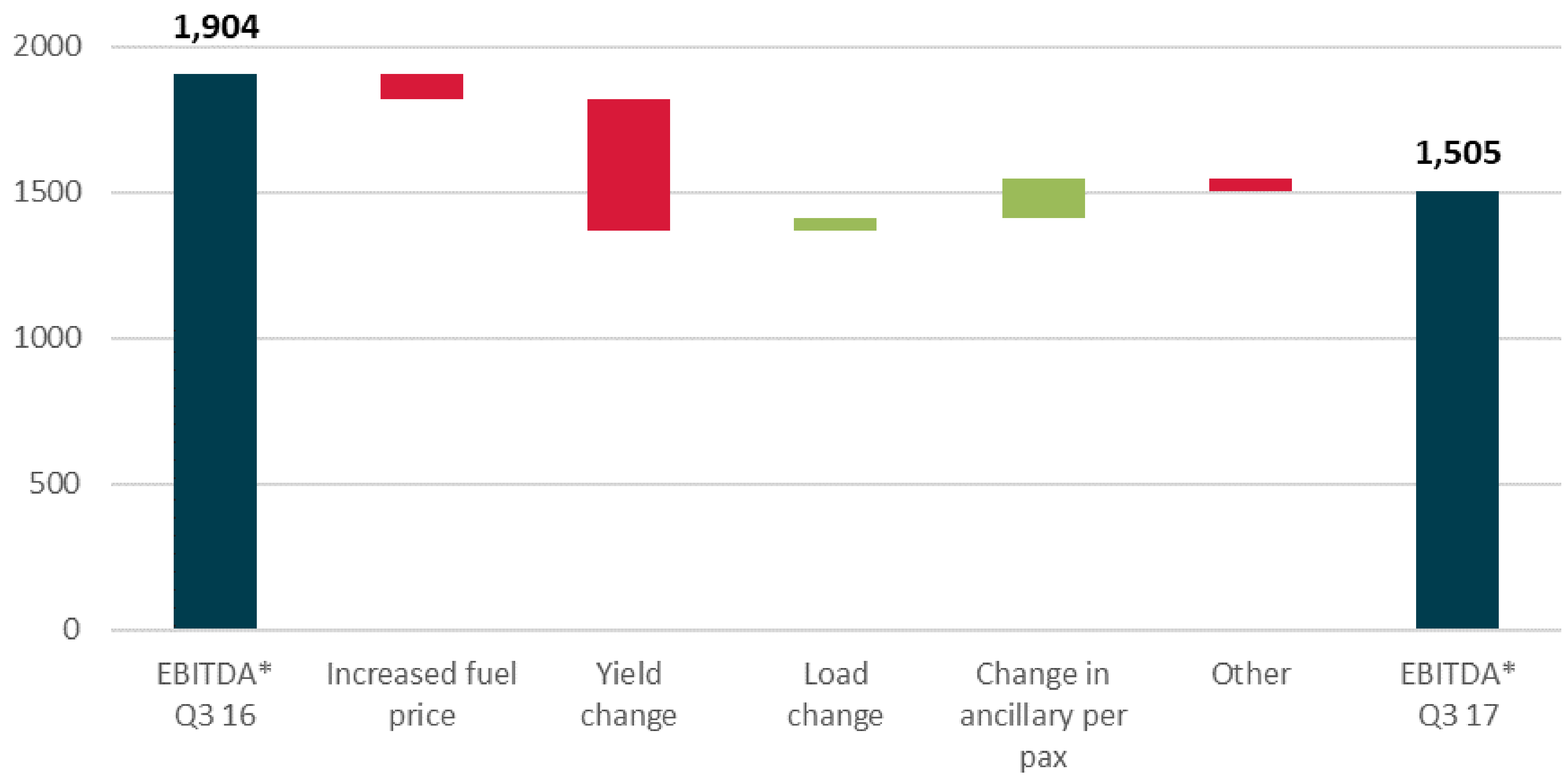
Clean EBITDA* of NOK 1.9 billion

NOK million	Q3 17	Q3 16	Chg	12 mths rolling Q3 17	12 mths rolling Q3 16	Chg
Revenue	10,074	8,331	1,743	29,131	25,243	3,887
EBITDA as reported	1,991	1,725	266	1,385	2,177	-792
Other losses/gains	486	-178	664	1,110	-761	1,872
EBITDA ex. other losses/gains	**1,505**	**1,904**	-398	**275**	**2,938**	-2,664
Non-recurring items:						
- wetlease	-368	-275		-647	-469	
Sum non-recurring items	-368	-275		-647	-469	
Clean EBITDA	**1,873**	**2,179**	-305	**922**	**3,407**	-2,486
Margin clean EBITDA	18.6 %	26.2 %		3.2 %	13.5 %	

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

EBITDA (ex. other losses/gains) bridge

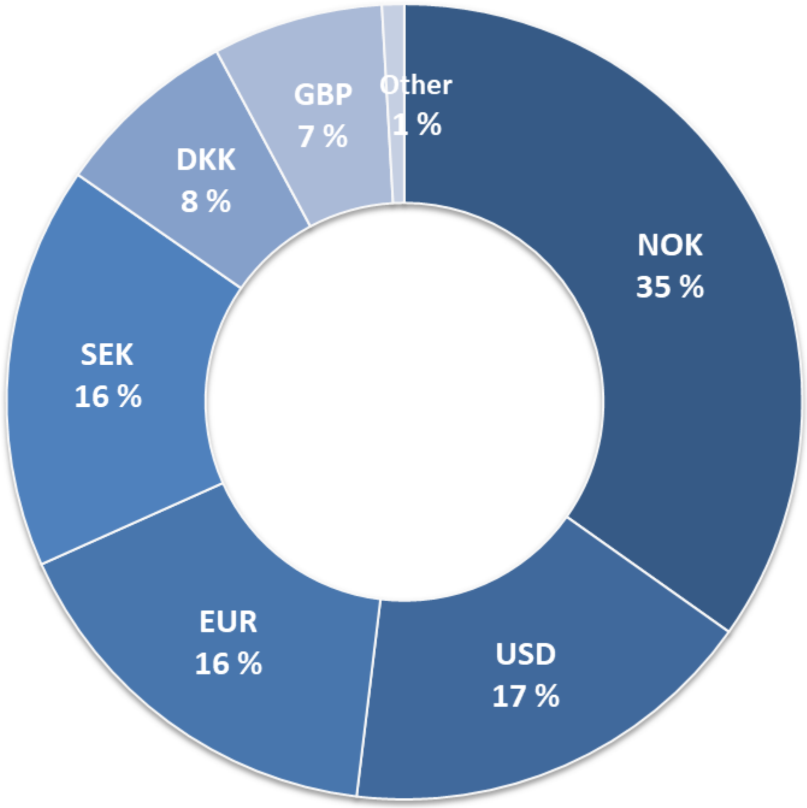




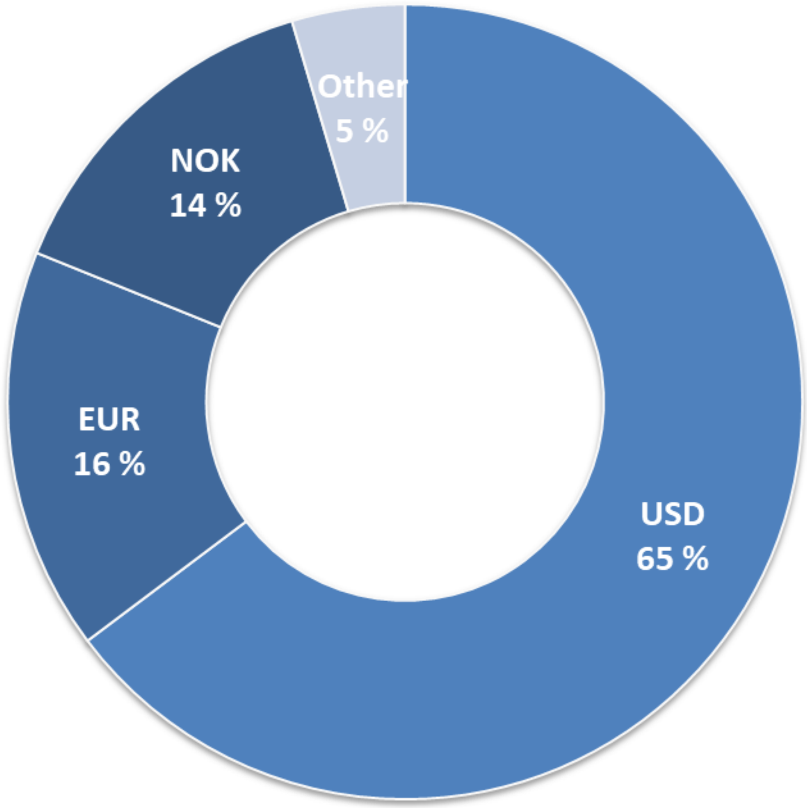
** Ex. Other losses/gains*

YTD split of unit revenue and cost by currency

Currency split gross RASK*:



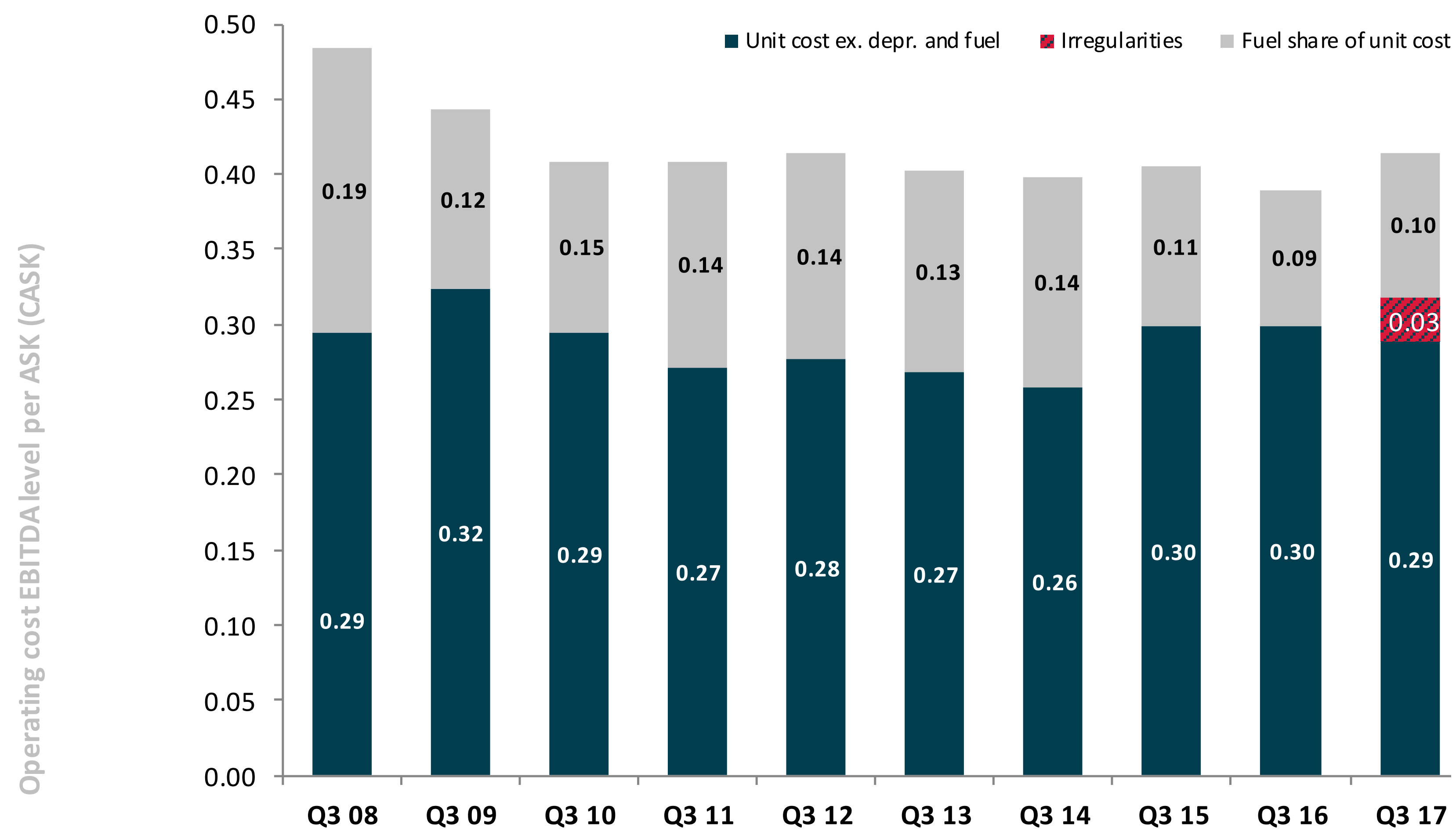
Currency split CASK:



** Includes ancillary and other revenue in addition to passenger revenue*

Unit cost driven by fuel and wetlease/passenger care

- Both unit cost ex. and incl. fuel increased by 6 % (9 % in constant currency)
- NOK 0.03 of CASK is related to wetlease, passenger care and bought days off



CASK (NOK)	**0.48**	**0.44**	**0.41**	**0.41**	**0.41**	**0.40**	**0.40**	**0.41**	**0.39**	**0.41**
CASK ex. fuel (NOK)	0.29	0.32	0.29	0.27	0.28	0.27	0.26	0.30	0.30	0.32

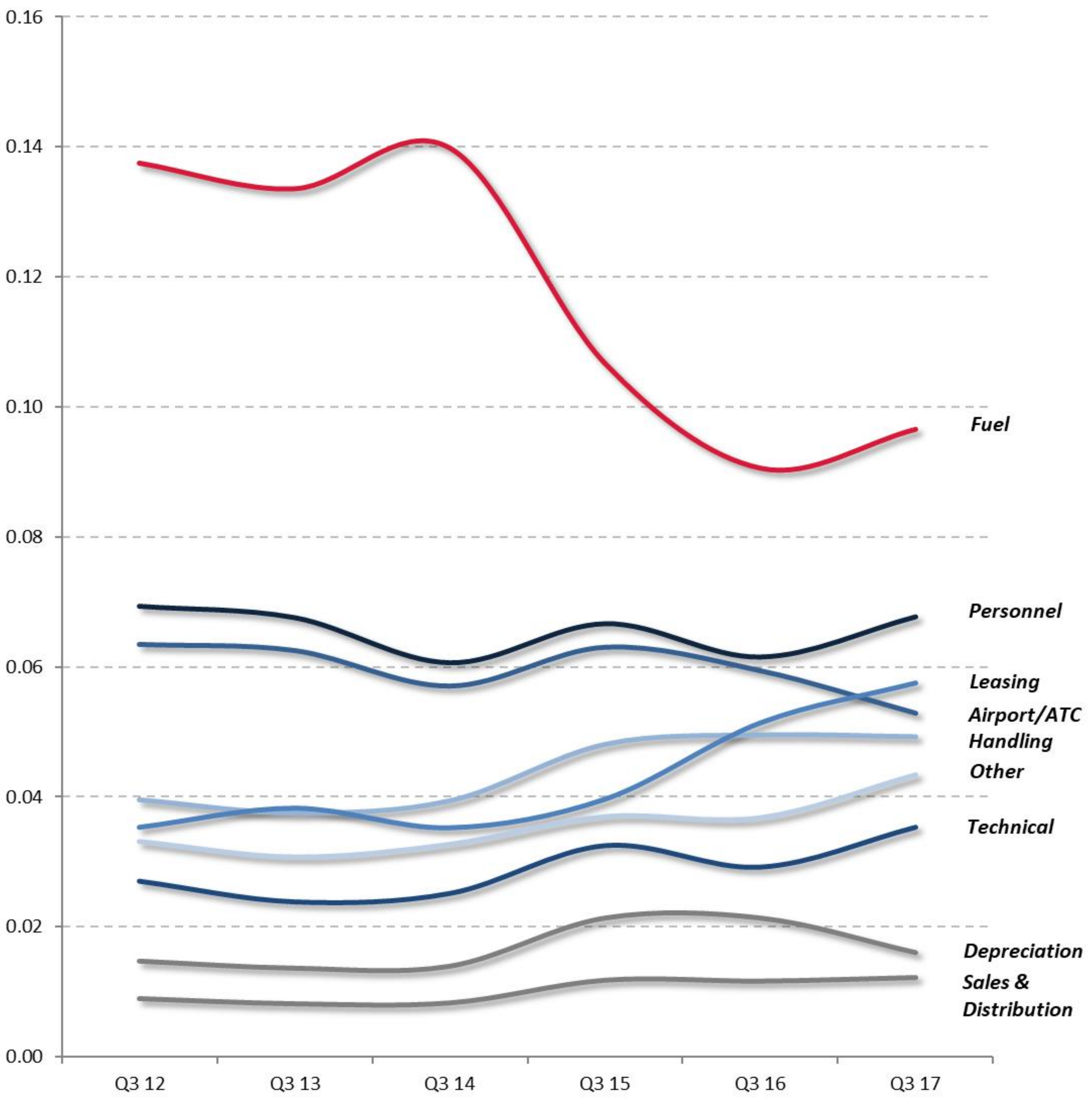
Other losses / (gains) is not included in the CASK concept as it primarily contains hedge gains/losses offset under financial items* as well as other non-operational income and/or cost items such as gains on the sale of spare part inventory and unrealized foreign currency effects on receivables/payables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

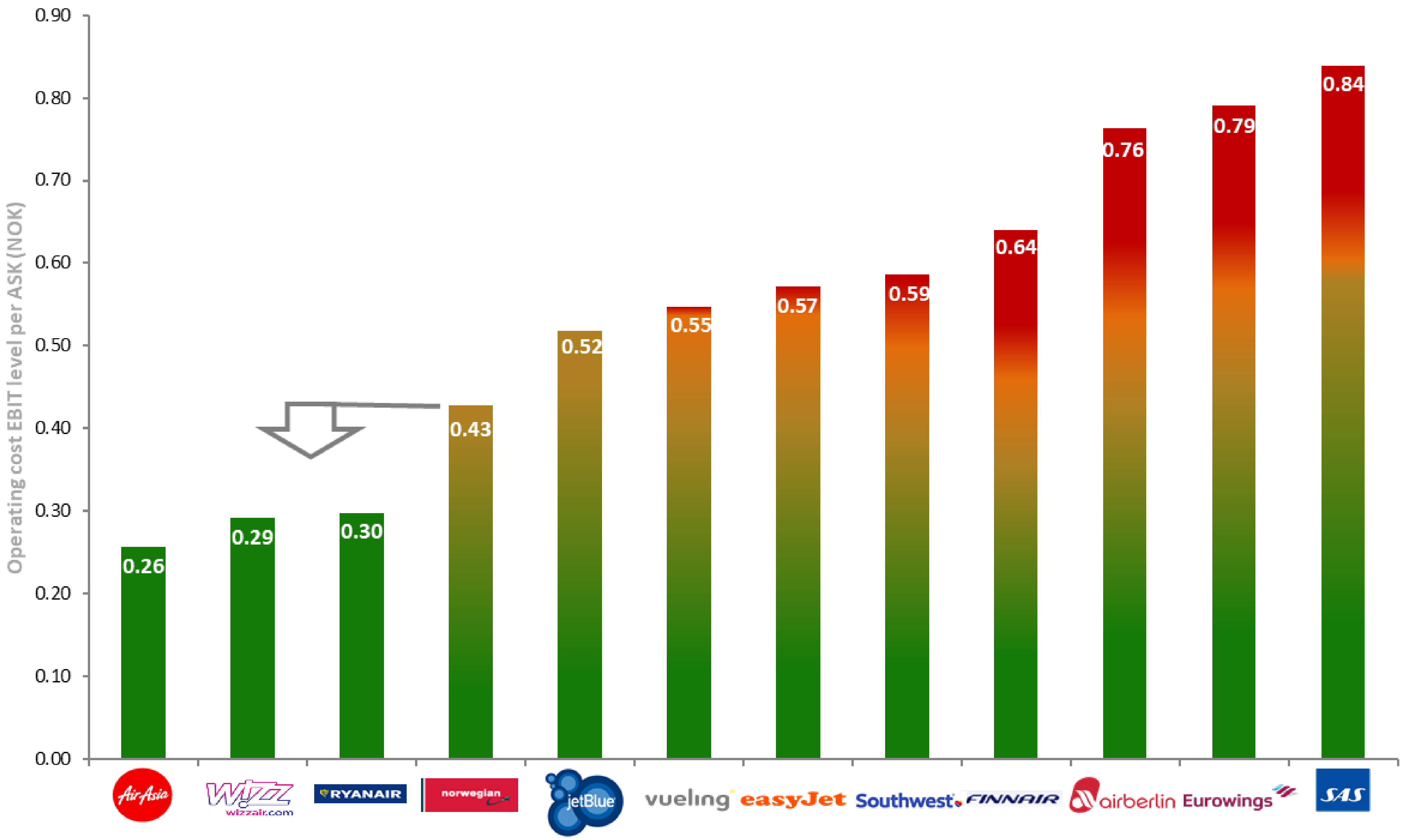
(other losses/ (gains) while foreign currency gains and losses from translation of USD denominated borrowings are recognized under financial items.

Increased unit cost while expanding globally

- → Higher **fuel cost** (+7 % per ASK) driven by spot price (+8 %), partly offset by a weaker USD vs NOK (-4 %)
- → Higher **personnel cost** (+10 % per ASK) due to ramp-up (FTEs +47 %) and *bought days off*
- → Higher **leasing cost** (+12 % per ASK) due to a higher share of leased aircraft
- → Lower **airport/ATC and handling** (-11 % and -1 %) due to increased sector length. Handling hit by passenger care cost.
- → Higher **technical cost** (+21 % per ASK) due to higher share of both leased aircraft and 787s/MAXs with total maintenance deals
- → Lower **depreciation** (-25 % per ASK) due to lower proportion of owned aircraft



Comparison of unit cost incl. depreciation



Sources: Based on official full-year 2016 annual reports

•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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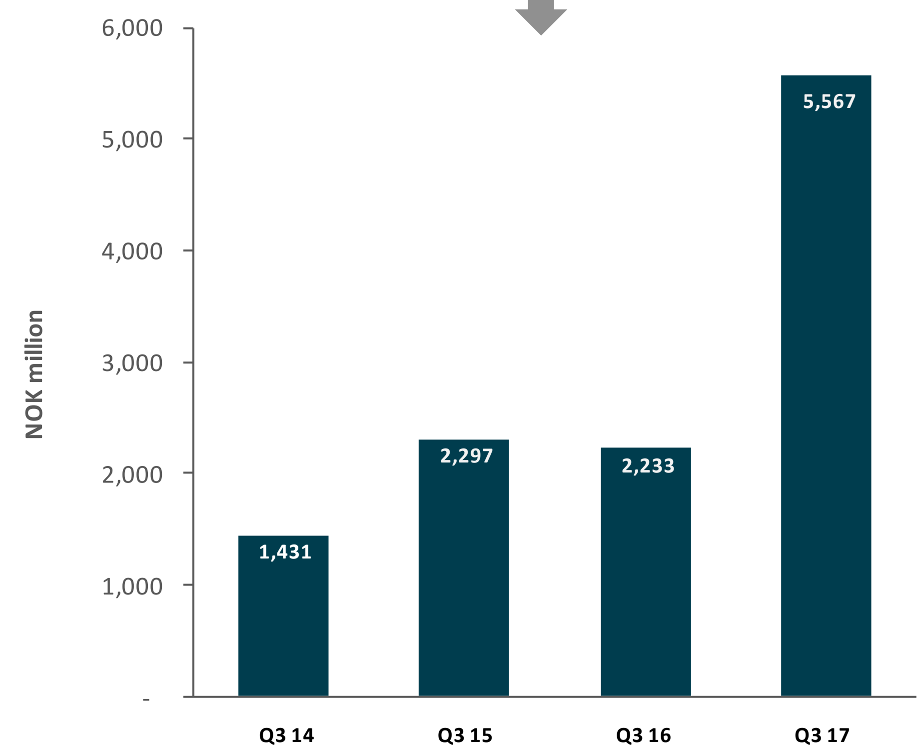
NOK 1.0 billion cash flow from operations in Q3

Highlights

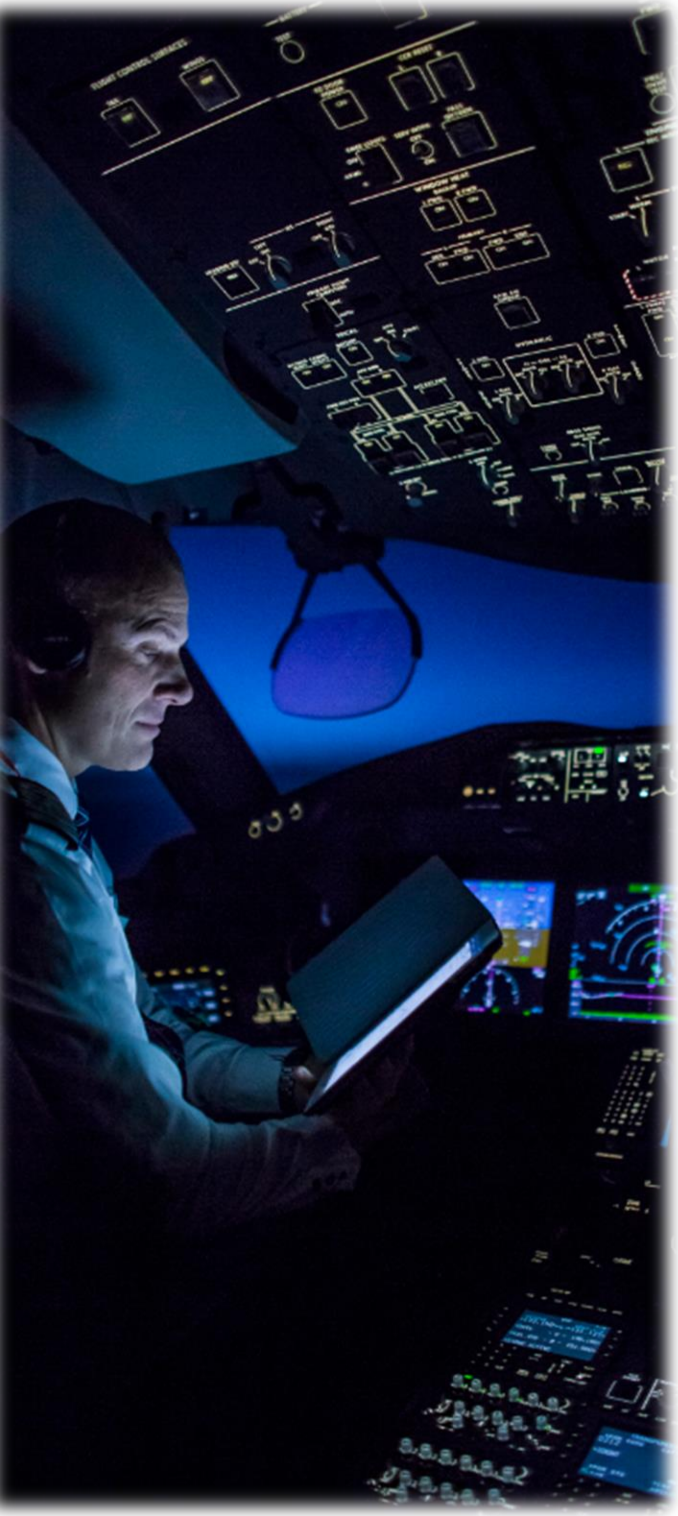
- Strong liquidity with NOK 5.6 bn in cash at the end of Q3
- Cash flow from operations of NOK 3.8 bn the last 12 months (2.6 bn)
- Invested NOK 2.3 bn the last 12 months

Cash development Q3



NOK million	Q3 17	Q3 16	Chg	12 mths rolling Q3 17	12 mths rolling Q3 16	Chg
Profit before tax	1,351	1,270	81	664	506	158
Paid taxes	-9	-29	20	32	-29	60
Depreciation	401	352	50	2,025	1,325	700
Change air traffic settlement liabilities	-2,143	-2,140	-3	1,784	911	874
Change working capital	1,357	157	1,200	-686	-82	-604
Net cash flows from operating activities	**958**	**-390**	1,348	**3,818**	**2,631**	1,188
Net cash flows from investing activities	-700	-1,748	1,049	-2,327	-6,075	3,748
Net cash flows from financial activities	-457	1,322	-1,780	1,890	3,403	-1,513
Net change in cash and cash equivalents	-135	-777	643	3,448	-64	**-3,512**
Cash and cash equivalents, end of period	5,567	2,233	3,334	5,567	2,233	3,334

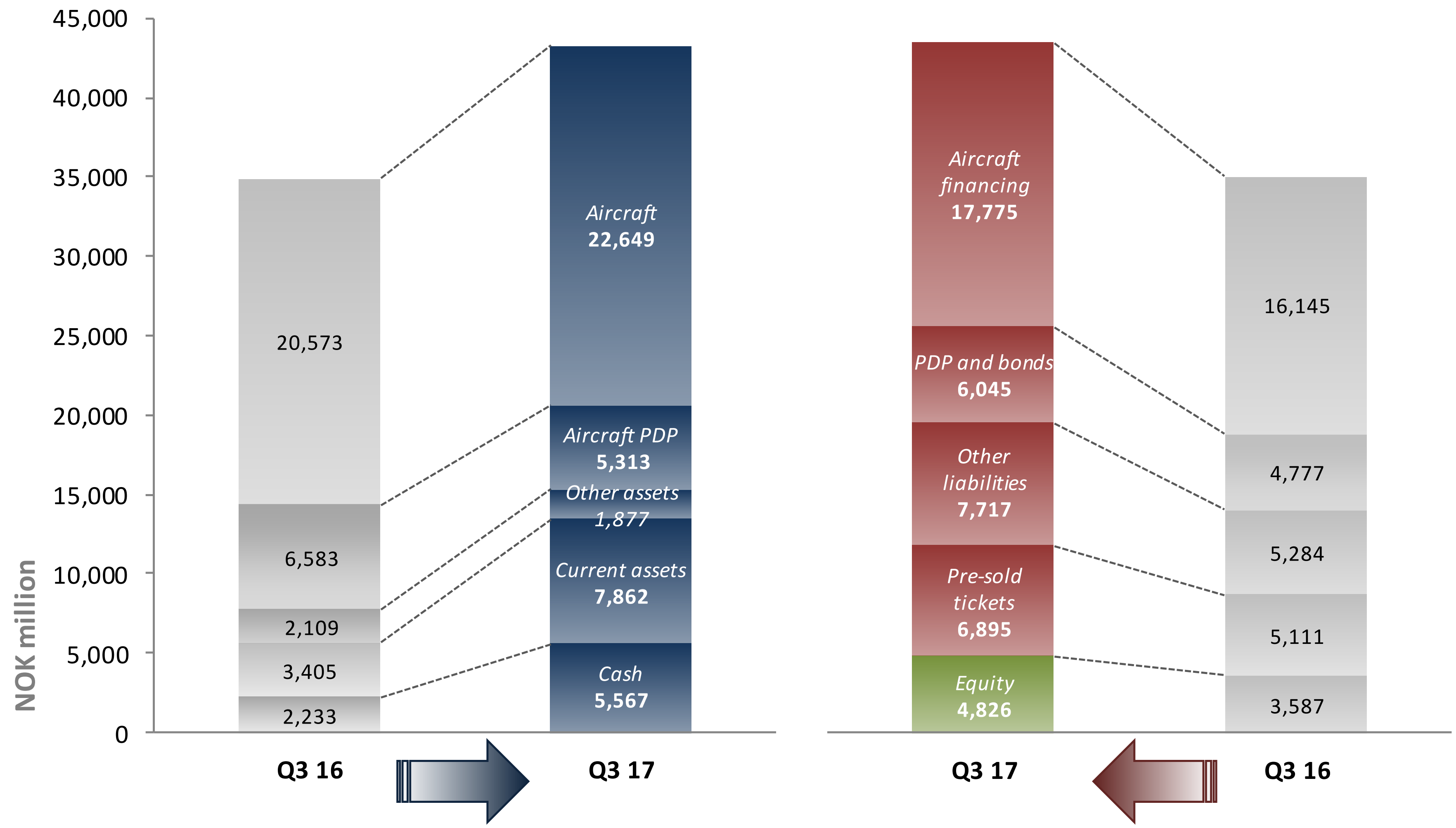
Financing on track



- → Expected capex (all aircraft incl. PDP)
  - → USD 0.7 bn for 2017
  - → USD 2.1 bn for 2018
- → PDP financing / liquidity
  - → SLB of a total 34 737-800s (of which 28 in 2017)
  - → Paid down unsecured bond in July (NOK 1 bn)
  - → Undrawn credit facility of NOK 325 million (of NOK 1 bn)
- → Long-term financing
  - → Financing in place for all deliveries through Q1 2018
  - → Utilizing a mix of long-term financing for the deliveries in 2018 to 2020 with AFIC and export credits

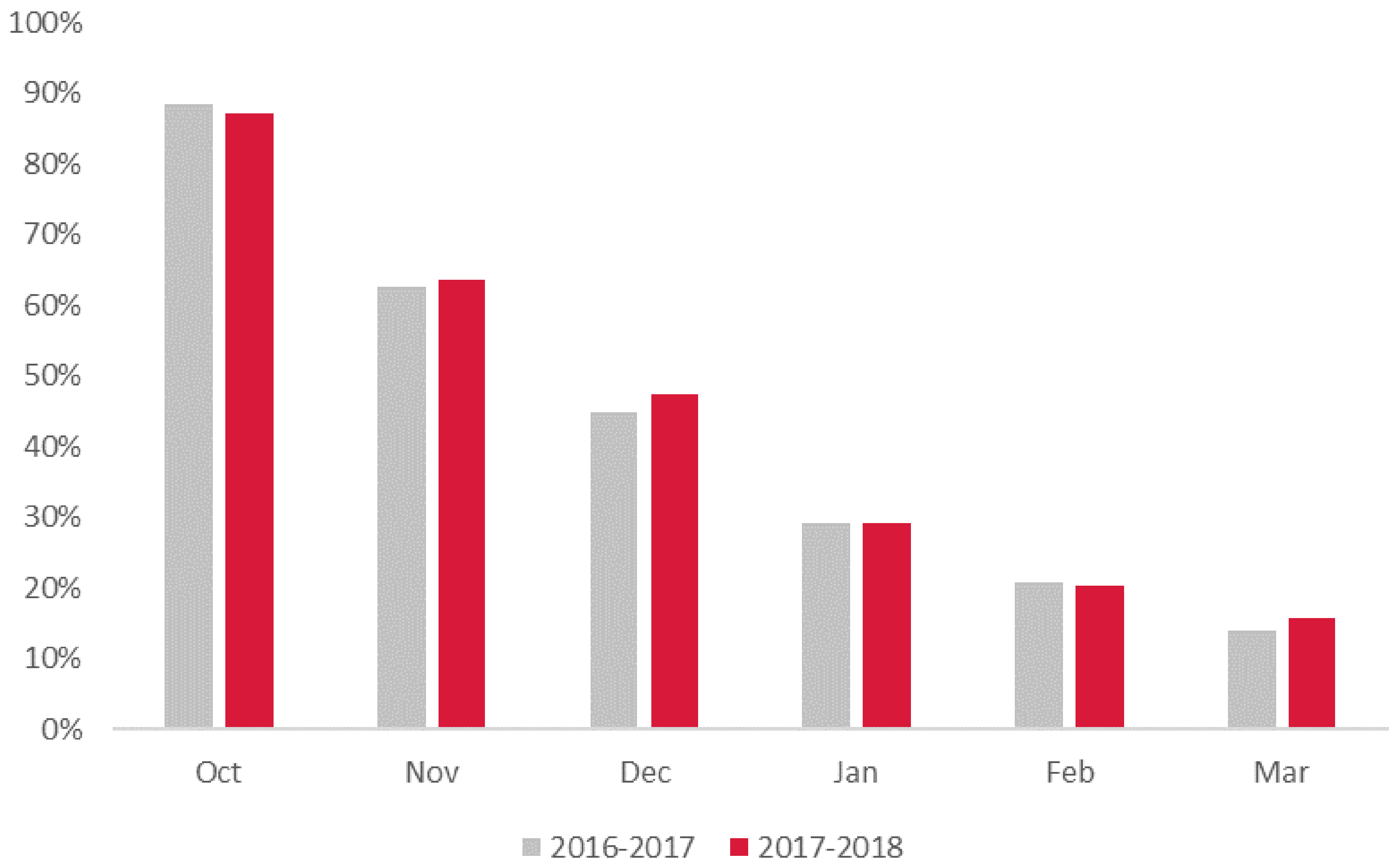
Net debt reduced by close to 3 billion YTD

- Added two 787-9s, six 737 MAXs and three 320neos on balance the last 12 months
- NOK 18.3 net debt (reduced from 19.3 bn in Q2 2017)
- 11 % equity ratio (10 %)



Outlook

Capacity adjusted forward bookings



The graph shows booked and paid travels. Bookings per October 23, 2017 and October 24, 2016 (corresponding weekday).

Outlook for 2017

- Markets and business
  - Positive and stable markets in the Nordics
  - Capacity adjusted booking volumes ahead of last year
- An estimated production growth (ASK) of 25 % (unchanged)
- Fuel hedging
  - 53 % of Q4 2017 at USD 486 and 25 % of 2018 at USD 494
- Unit cost estimate of NOK 0.42 (unchanged)
  - Assumptions: Fuel price of USD 500 per metric ton, USD/NOK 8.25, EUR/NOK 9.00
  - Based on the current route portfolio and planned production

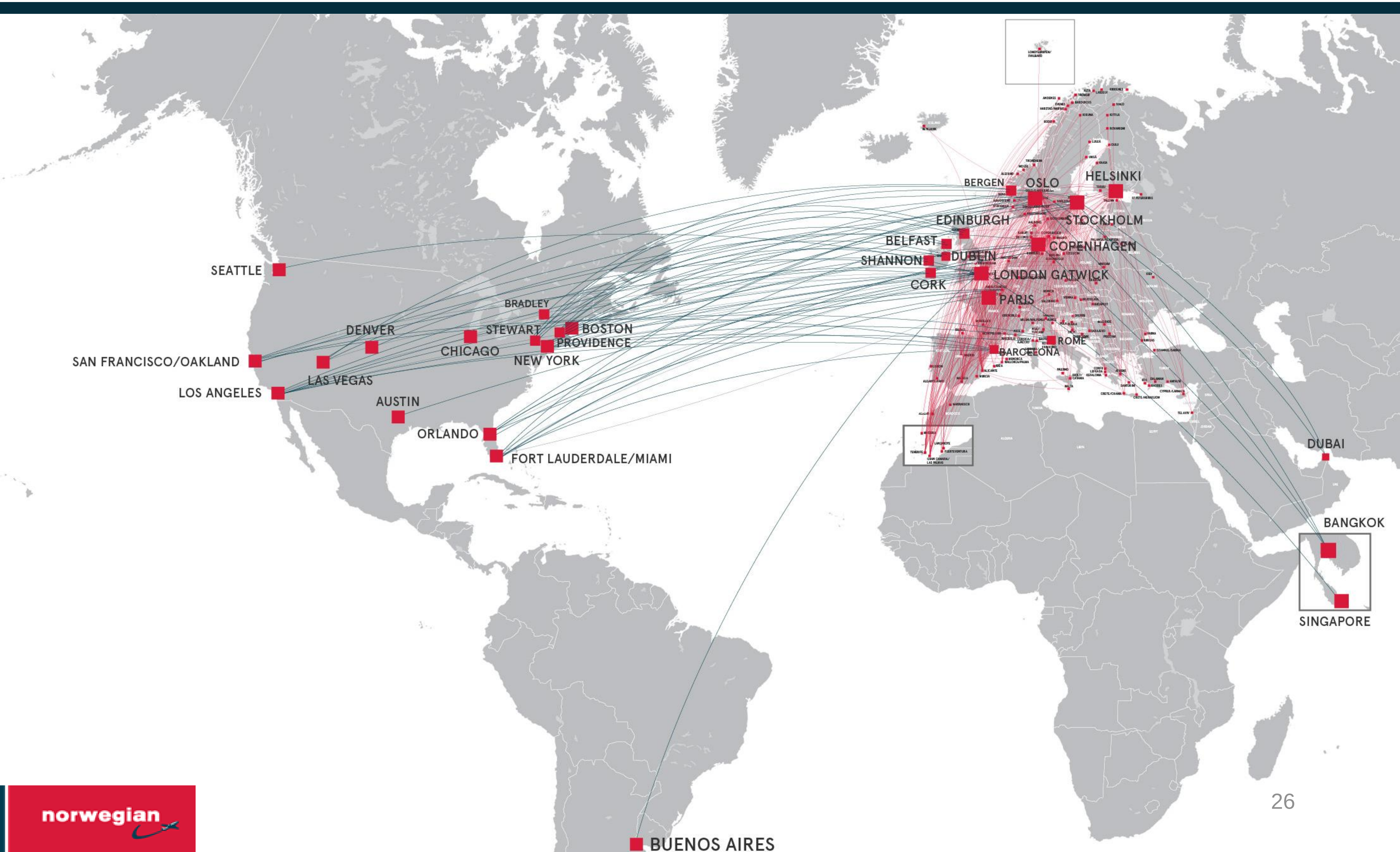
Outlook for 2018

- Markets and business
  - Negative impact from expected introduction of Swedish passenger tax
- An estimated production growth (ASK) of 35 %
  - Increasing distance driven by mix (long haul)
- Unit cost estimate of NOK 0.38-0.39 ex. depreciation and 0.40-0.41 incl. depreciation
  - Assumptions: Fuel price of USD 525 per metric ton, USD/NOK 7.75, EUR/NOK 9.00
  - Based on the current route portfolio and planned production
- 25 new aircraft entering operations in 2018
  - Two 737-800s
  - Twelve 737 MAXs
  - Eleven 787-9 Dreamliners (incl. six leased)

Going forward

- Solid bookings ahead of Q4
- Awarded 'Airline of the Year' at the 2017 CAPA Aviation Awards for Excellence
- Focus on global expansion and strong growth in number of staff, routes and aircraft
- Strong liquidity and fully financed for 2017 and Q1 2018
- Keep working on the partnership with easyJet

Norwegian offers more than 500 routes to over 150 destinations



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