norwegian

Norwegian Air Shuttle ASA

Q4 2018 Presentation

7 February 2019

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Key highlights

Q4 2018

- 2018 CASK incl fuel and depreciation of 0.435 (latest guiding: 0.435-0.440)
- Q4 EBITDA excl other losses/gains negative by NOK 1,290 million (Q4 2017: NOK -901 million)
- 9 million passengers in Q4 and 37 million passengers in 2018

Fully underwritten rights issue

- Fully underwritten rights issue of NOK 3 billion, aiming to increase financial flexibility and create headroom to the covenants of the company's bonds
- Underwriting consortium consisting of DNB Markets, a part of DNB Bank ASA ("DNB Markets"), Sterna Finance Ltd., a company indirectly controlled by trusts established by Mr. John Fredriksen, Danske Bank, Norwegian Branch ("Danske Bank") and certain large shareholders, including HBK Holding AS
- Pre-commitments from existing shareholders of NOK 1,024 million

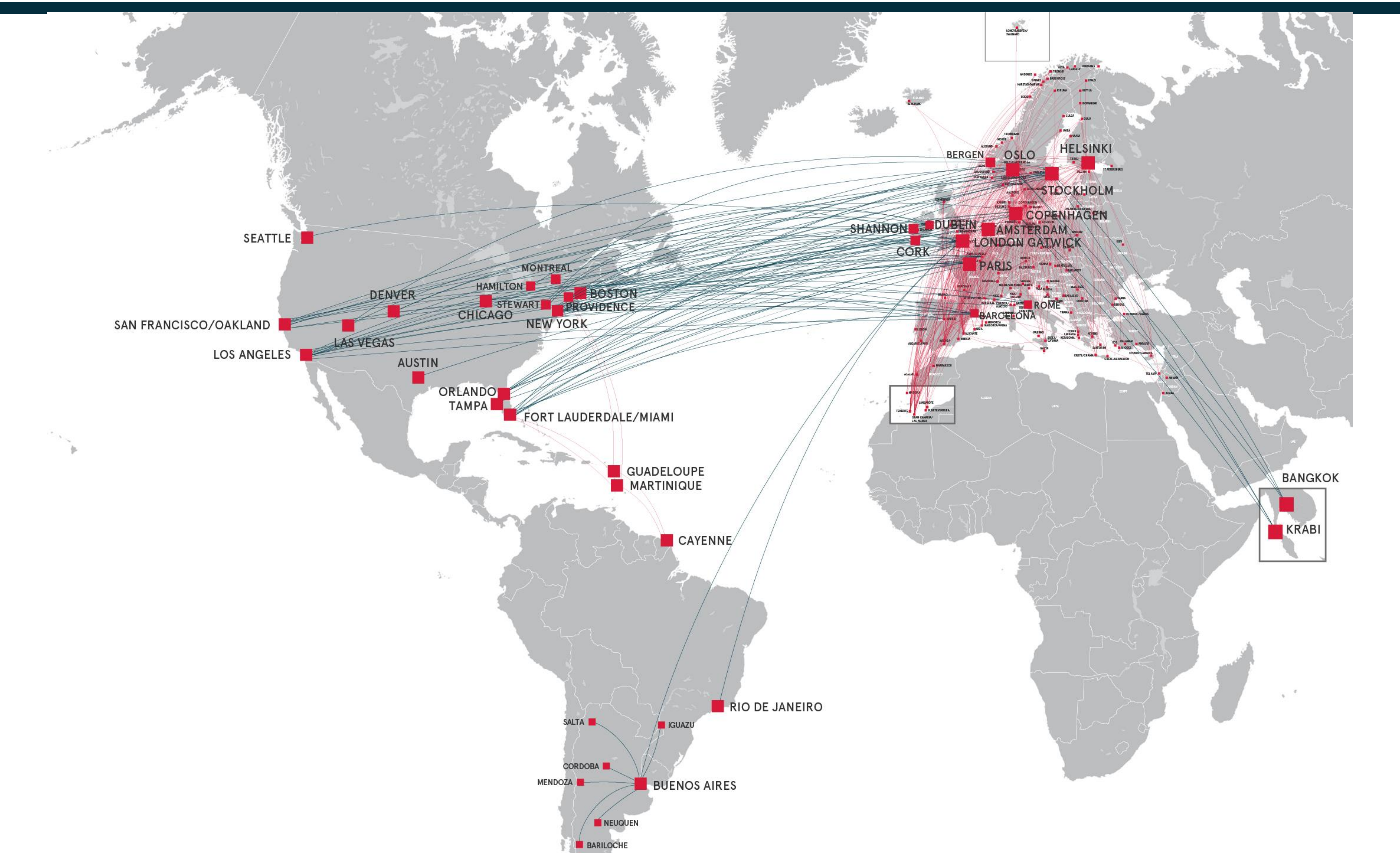
Changing strategic focus

- Shifting strategic focus from growth towards profitability and capitalizing on previous years' investments
- Several initiatives underway to improve results and further increase financial flexibility including cost reduction initiatives, divestment of aircraft and optimization of the base structure and the route network

M&A

- Received two preliminary and non-binding conditional proposals in Q2 2018
- Engaged in new, concrete and specific negotiations related to the acquisition of shares in Q4 2018
- In parallel with entertaining one of the parties, the company prepared for an equity raise and secured a stand-by underwriting agreement. No acquisition discussions are currently ongoing
- The Board will continue to be willing to engage in consolidation discussions to create shareholder value

Norwegian offers more than 500 routes to over 150 destinations



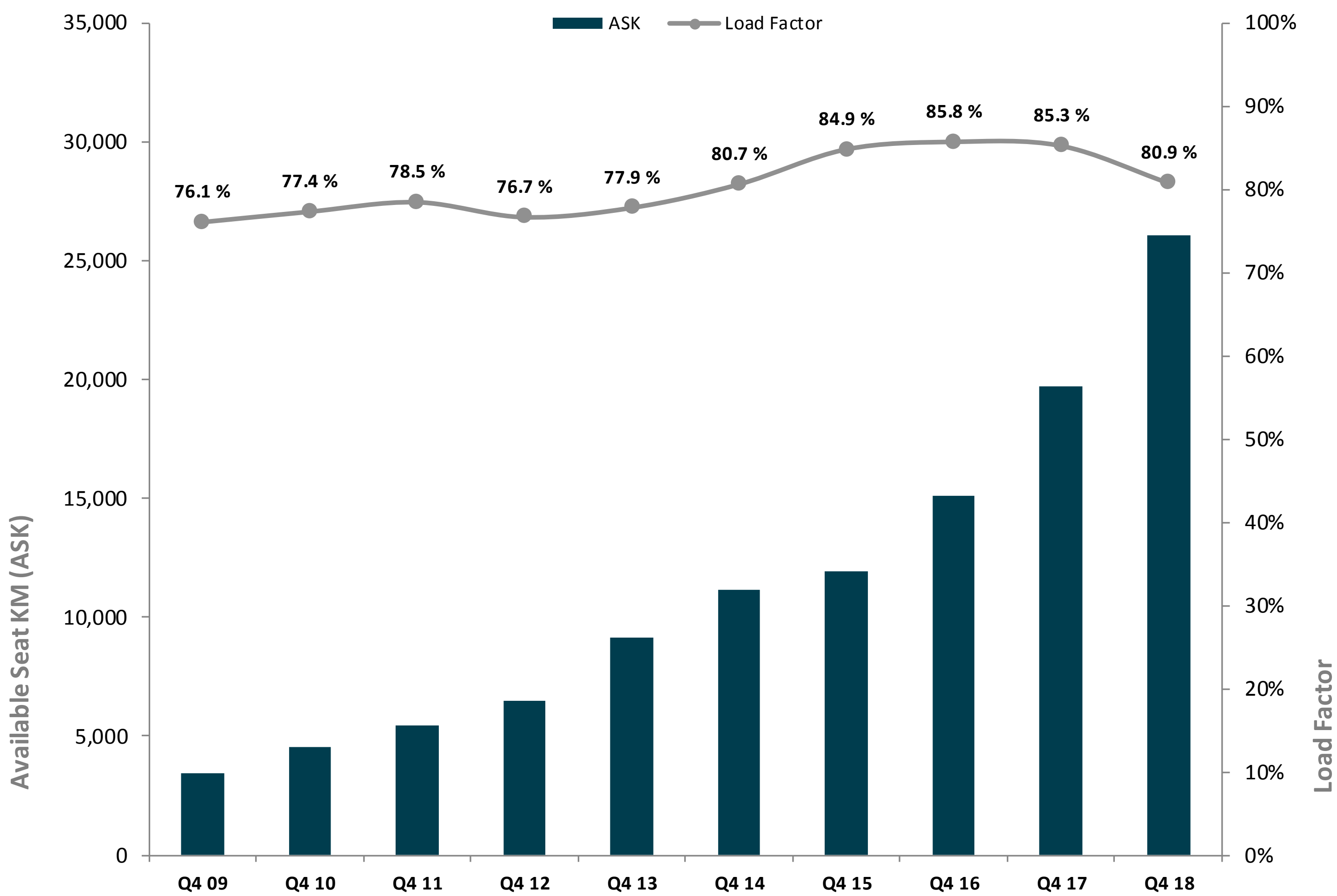
Q4 2018

Highlights Q4 2018

- EBITDA excl other losses/gains negative by NOK 1,290 million (Q4 2017: NOK -901 million)
- CASK excl fuel decreased by 14 % y/y
- Added six 737 MAX 8s and one 787-9 to operations
- Reached agreement with Rolls-Royce regarding settlement of compensation
- Secured underwriting commitment for rights issue of NOK 3 billion
- Was engaged in new, concrete and specific negotiations related to the acquisition of the shares of the company
- Sold and delivered five A320neo aircraft
- First LCC to introduce Wi-Fi on intercontinental flights

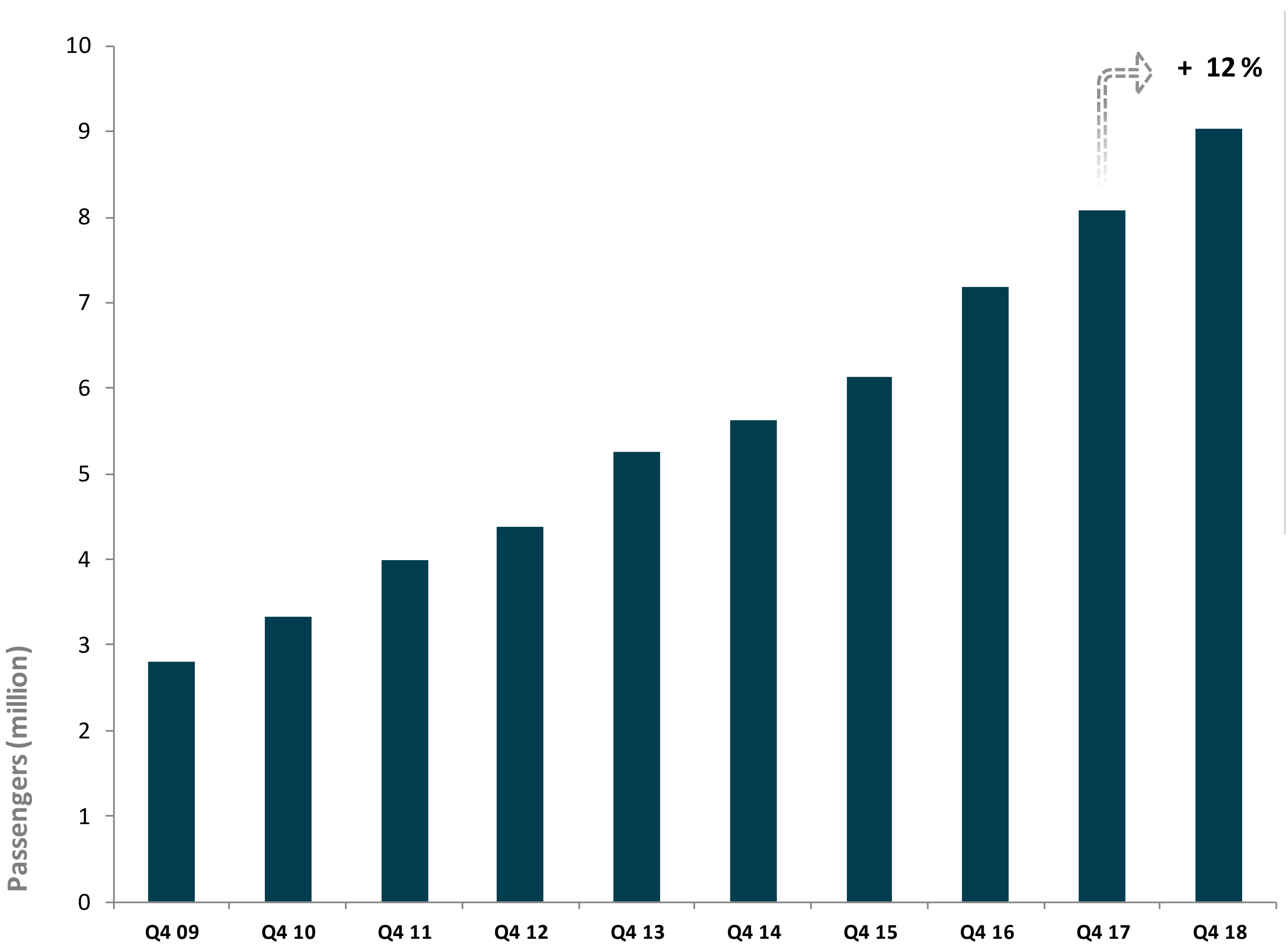
Q4 load factor of 80.9 % partly offset by increased yield

- 32 % growth in capacity (ASK)
- 25 % growth in traffic (RPK)



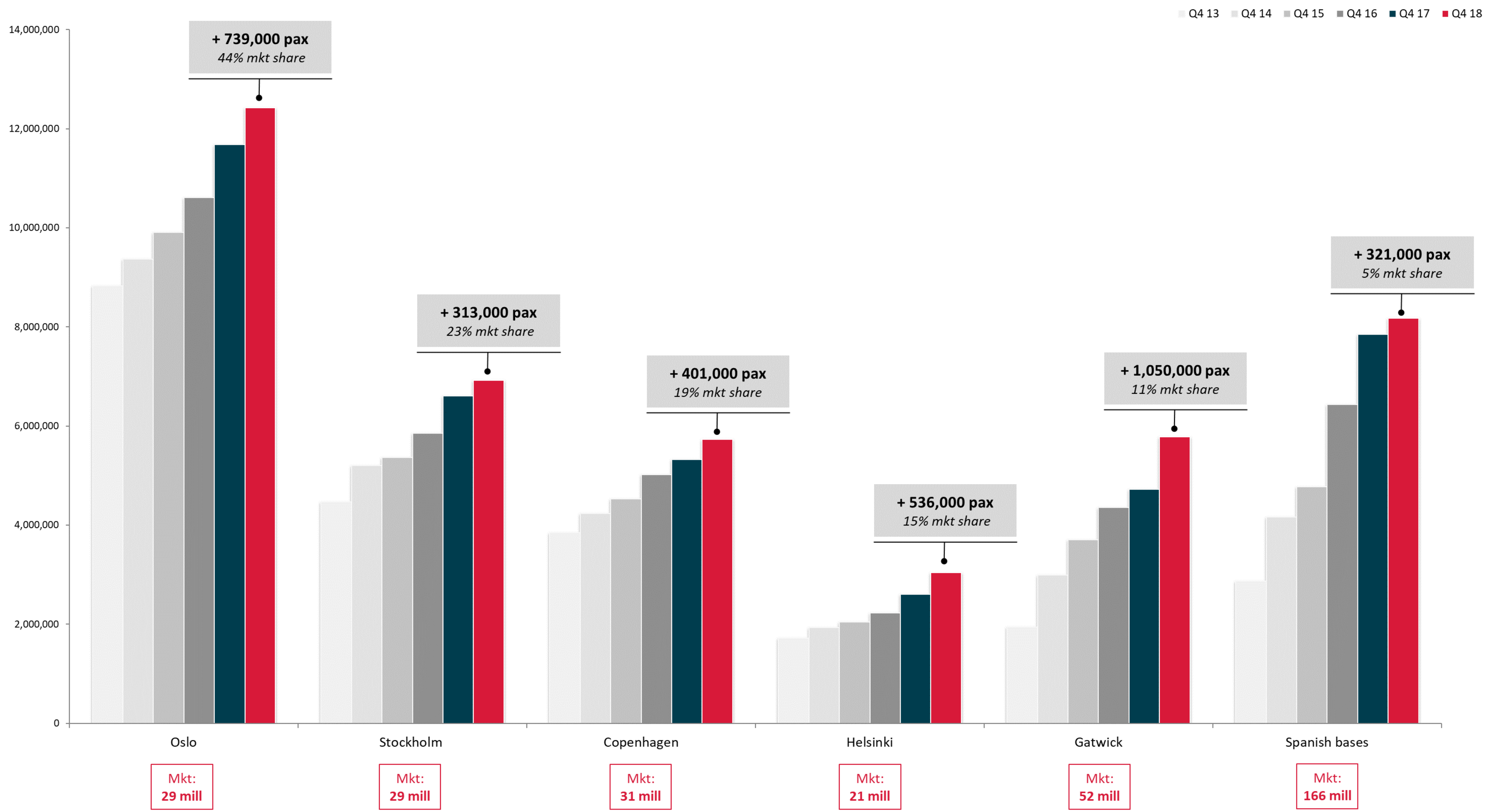
ASK	**3,432**	**4,516**	**5,461**	**6,517**	**9,176**	**11,142**	**11,909**	**15,109**	**19,704**	**26,058**
Load Factor	76.1 %	77.4 %	78.5 %	76.7 %	77.9 %	80.7 %	84.9 %	85.8 %	85.3 %	80.9 %

9 million passengers in Q4 (+12 %)



PAX (mill)	2.8	3.3	4.0	4.4	5.2	5.6	6.1	7.2	8.1	9.0
PAX 12 mos. rolling (mill)	10.8	13.0	15.7	17.7	20.7	24.0	25.7	29.3	33.2	37.3

Continued passenger growth at all key airports

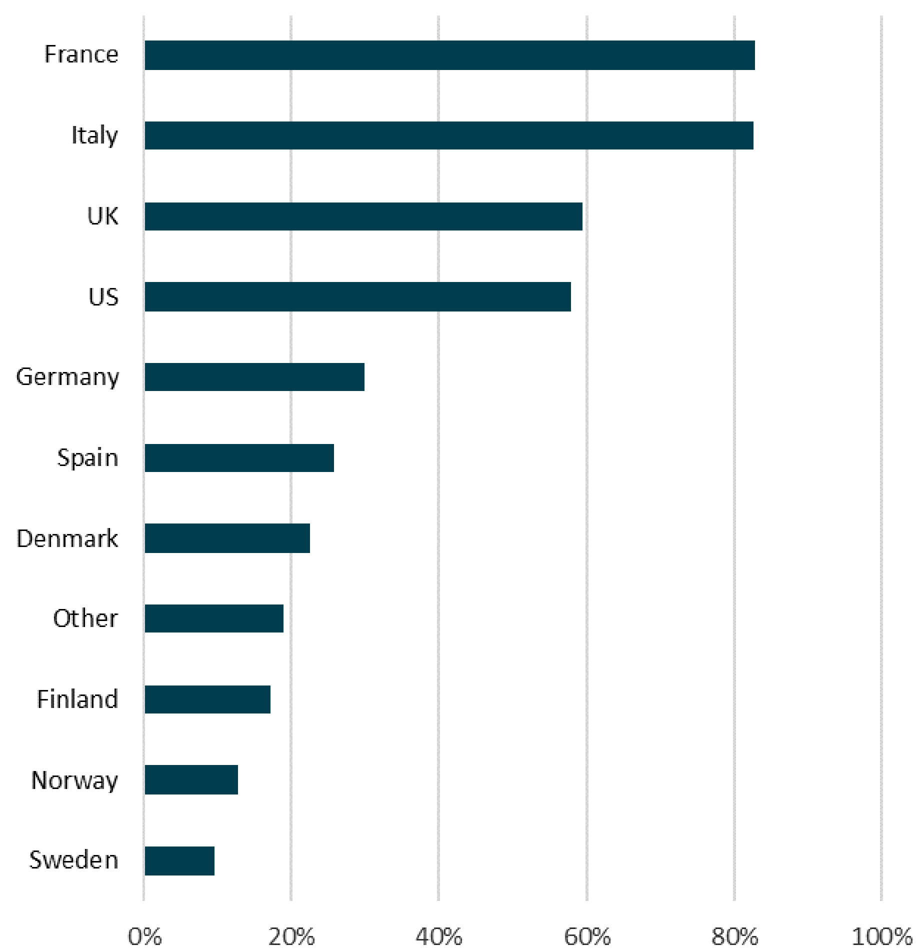


Source: 12 month rolling passengers as reported by Avinor, Swedavia, Copenhagen Airports, Finavia, Gatwick Airport and Aena

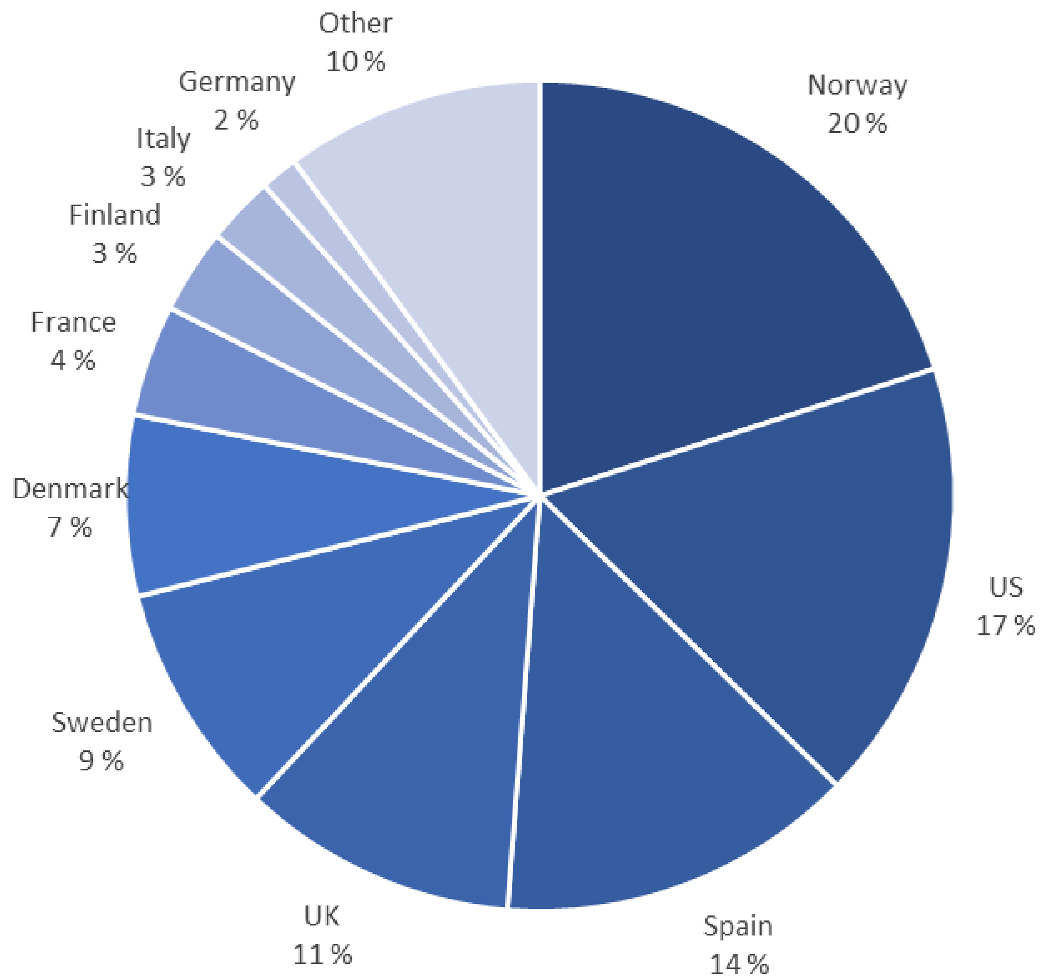
Revenue per country

- 14 % revenue growth in the Nordics in 2018
- Most significant absolute growth in the US, both in Q4 and 2018

Growth in revenue by origin in 2018 (y/y):

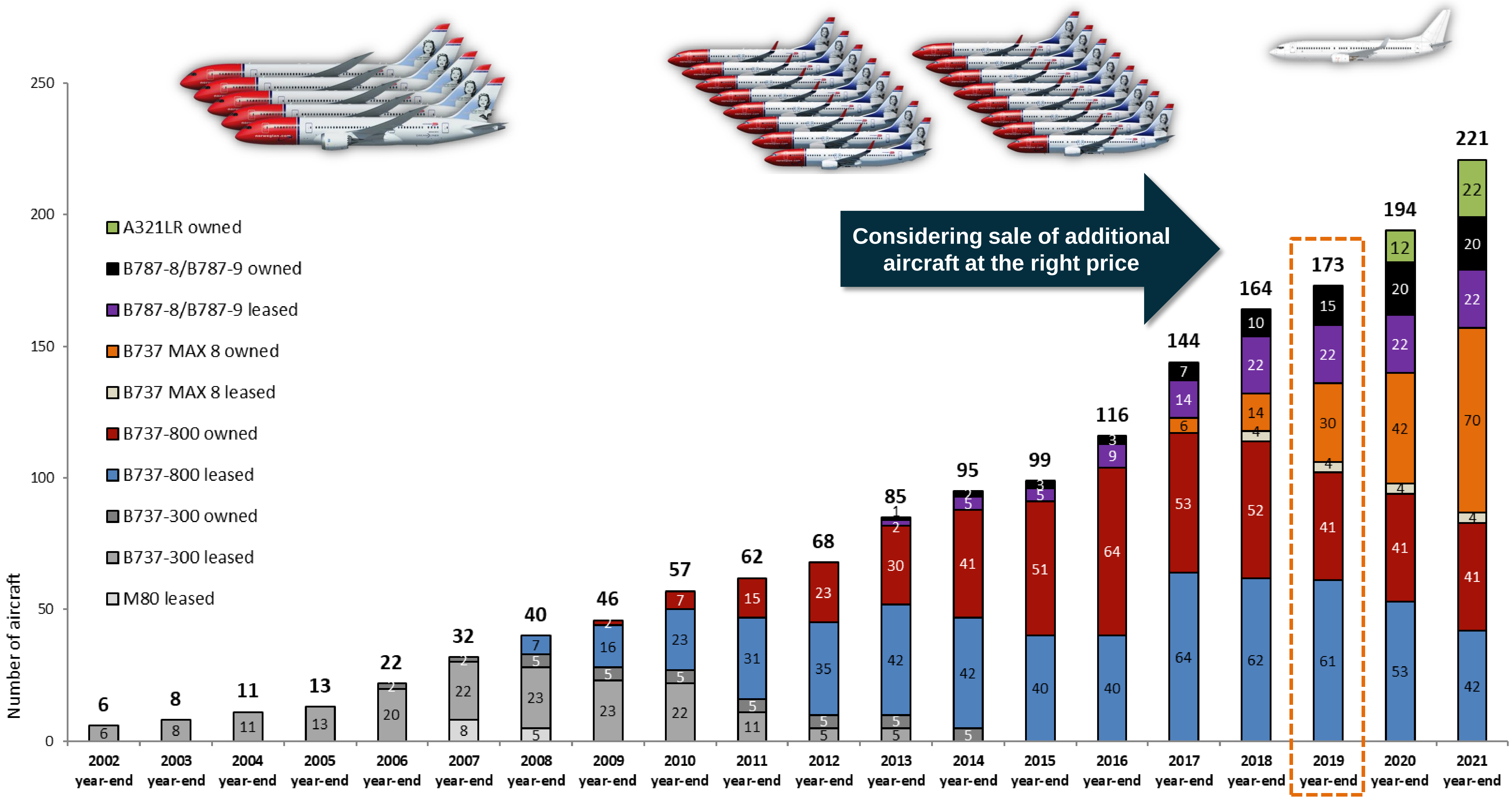


Revenue split by origin in 2018:



Fleet plan before further aircraft divestment

2019:	Deliveries 787-9 +1,690 seats	Deliveries 737 MAX +3,024 seats	Re-delivery 737-800 -186 seats



Financials

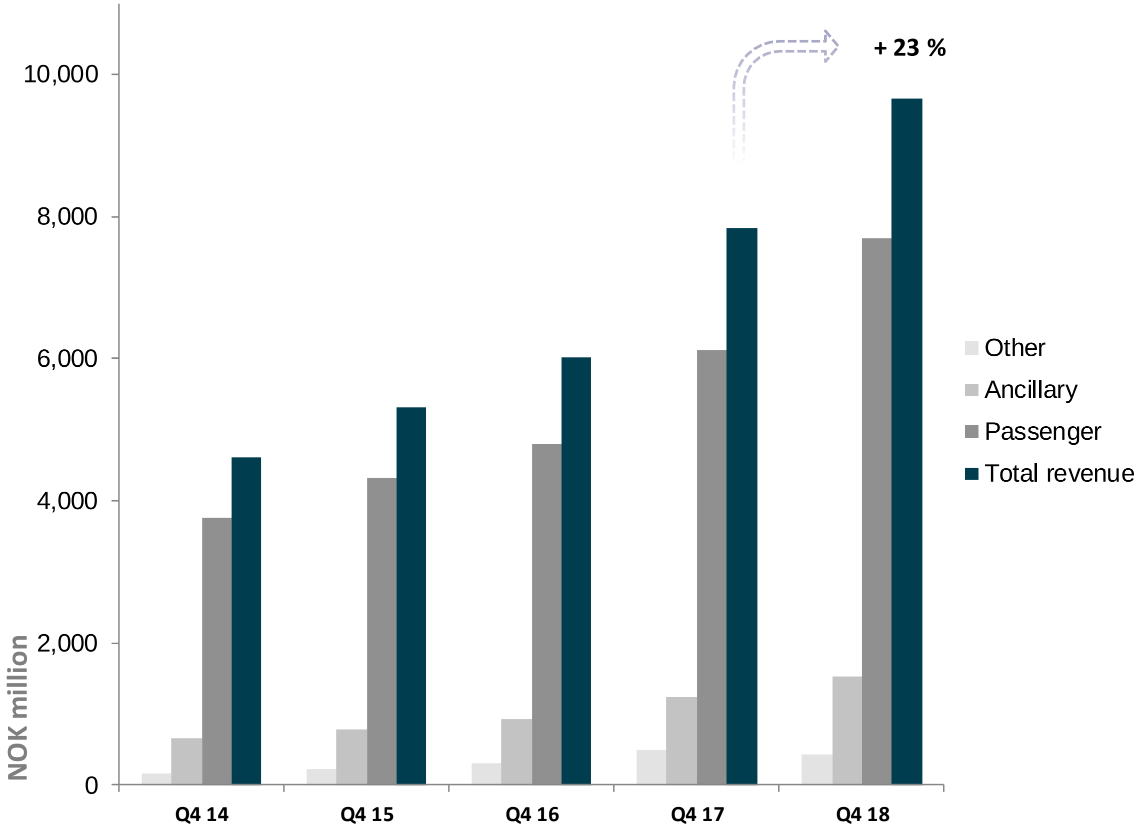
Profit and loss

NOK million	Q4 2018	Q4 2017	FY 2018	FY 2017
Passenger revenue	7,693	6,114	32,560	24,719
Ancillary passenger revenue	1,523	1,233	6,267	4,823
Other revenue	441	497	1,439	1,407
Total operating revenue	**9,658**	**7,844**	**40,266**	**30,948**
Personnel expenses	1,766	1,489	6,665	5,316
Aviation fuel	3,420	2,075	12,562	7,339
Airport and ATC charges	1,027	954	4,373	3,760
Handling charges	1,497	1,103	5,200	3,685
Technical maintenance expenses	916	781	3,494	2,707
Leasing	1,171	1,039	4,354	3,890
Other operating expenses	1,150	1,305	4,806	4,625
Other losses/(gains) - net	1,807	-248	994	-432
EBITDA	**-3,096**	**-653**	**-2,183**	**59**
Depreciation & amortization	497	374	1,668	2,061
EBIT	**-3,593**	**-1,027**	**-3,851**	**-2,002**
Net financial items	-389	-281	1,232	-852
Profit / loss from associated companies	37	82	129	292
EBT	**-3,945**	**-1,226**	**-2,490**	**-2,562**
Income tax expense	-933	-513	-1,036	-768
Net profit	**-3,012**	**-713**	**-1,454**	**-1,794**

- Negative P&L effect of NOK 1,985 million from unrealized fuel hedge losses
- Current spot fuel price approx. 15 % higher than year-end 2018
- IFRS 16 is estimated to reduce 2019 EBT by NOK 650-725 million. The estimate is sensitive to changes in fleet composition and USD/NOK

Q4 yield unchanged y/y

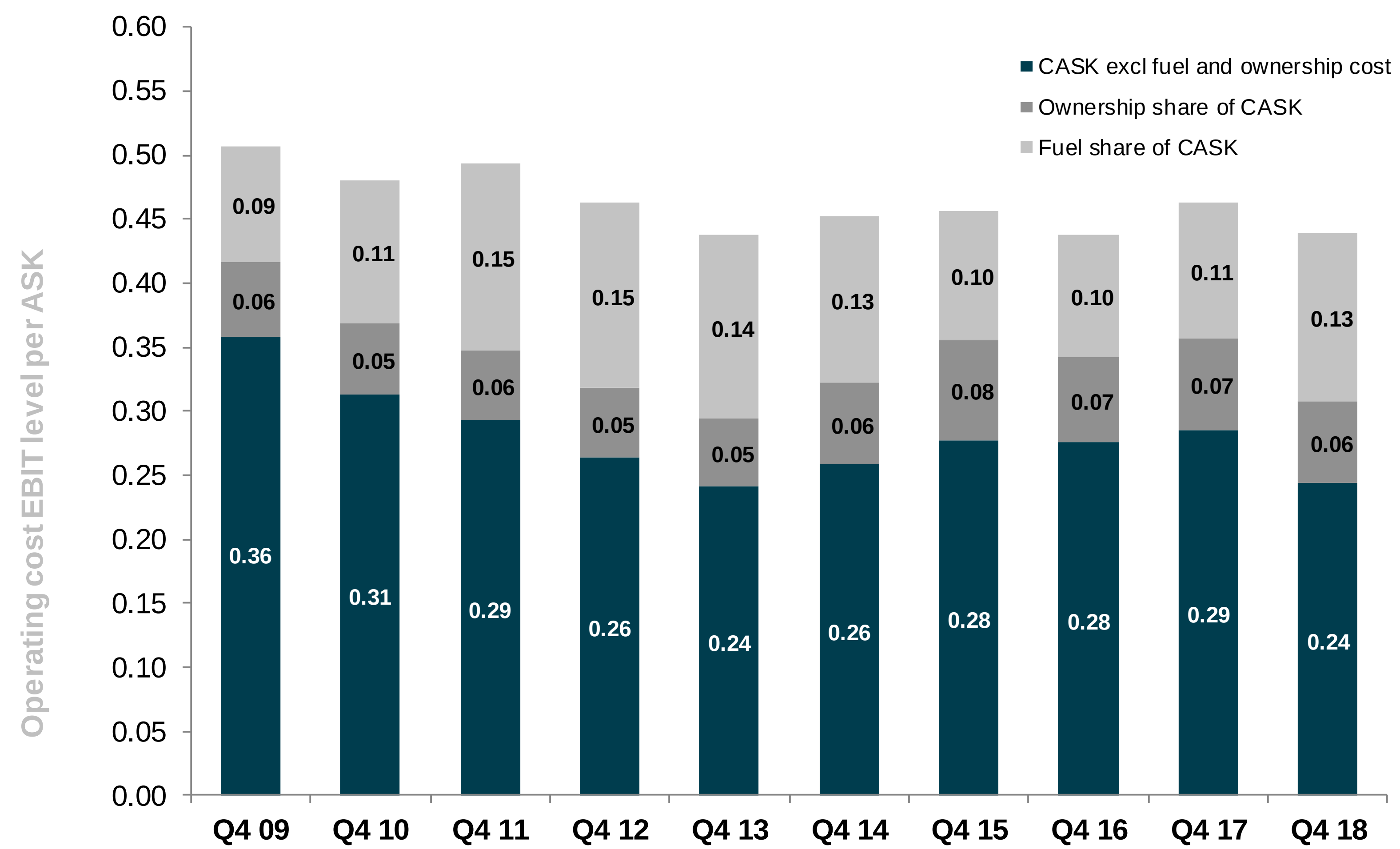
- Q4 unit passenger revenue (RASK) -4.9 % to 0.30 (-4.7 % in constant currency)
- Underlying RASK, adj. for currency and average distance, approx. -2.2 %
- Ancillary revenue per passenger increased by 10 % to NOK 169
- Cargo revenue increased by 36 % to NOK 244 million



Total revenue	**4,602**	**5,319**	**6,027**	**7,844**	**9,658**
Passenger	3,768	4,324	4,796	6,114	7,693
% y/y chg	*18 %*	*15 %*	*11 %*	*27 %*	*26 %*
Ancillary	663	774	927	1,233	1,523
% y/y chg	*45 %*	*17 %*	*20 %*	*33 %*	*24 %*
Other	172	220	304	497	441
% y/y chg	*23 %*	*28 %*	*38 %*	*64 %*	*-11 %*

Unit cost excl fuel decreased by 14 %

- Unit cost incl fuel decreased by 5 % (decreased by 7 % in constant currency)
- Unit cost excl fuel decreased by 14 % (decreased by 15 % in constant currency)

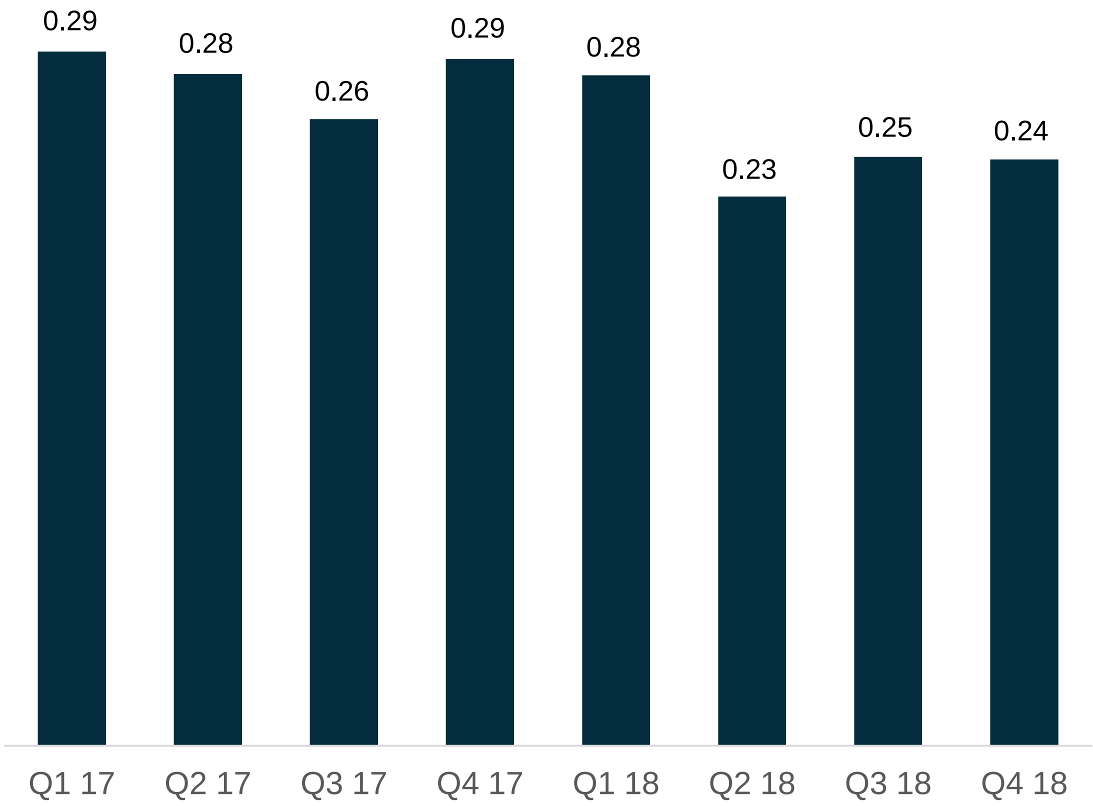


	Q4 09	Q4 10	Q4 11	Q4 12	Q4 13	Q4 14	Q4 15	Q4 16	Q4 17	Q4 18
Unit cost	**0.51**	**0.48**	**0.49**	**0.46**	**0.44**	**0.45**	**0.46**	**0.44**	**0.46**	**0.44**
Unit cost excl fuel	0.42	0.37	0.35	0.32	0.29	0.32	0.36	0.34	0.36	0.31

Disciplined low cost operating model

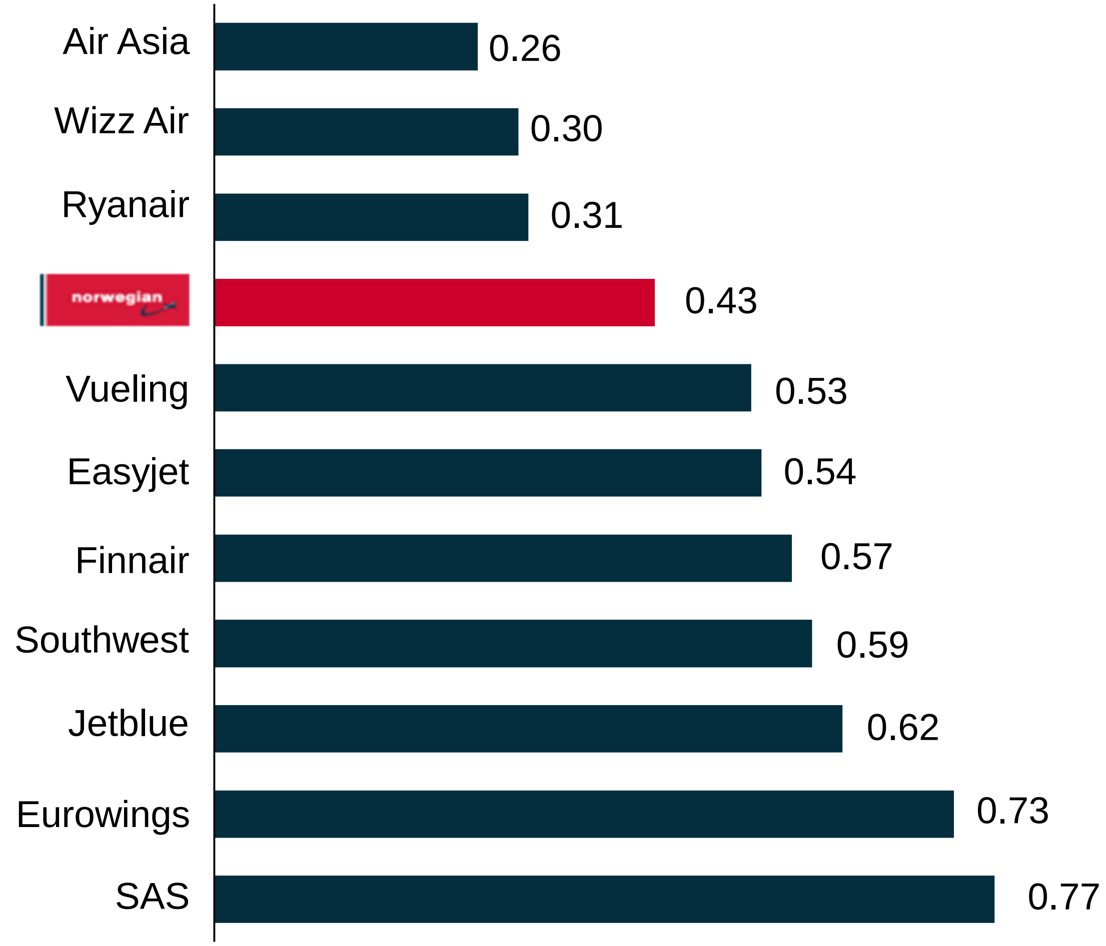
Cost development in 2017 and 2018

Operating costs excl fuel and ownership costs per ASK (NOK)



Compares well to peers

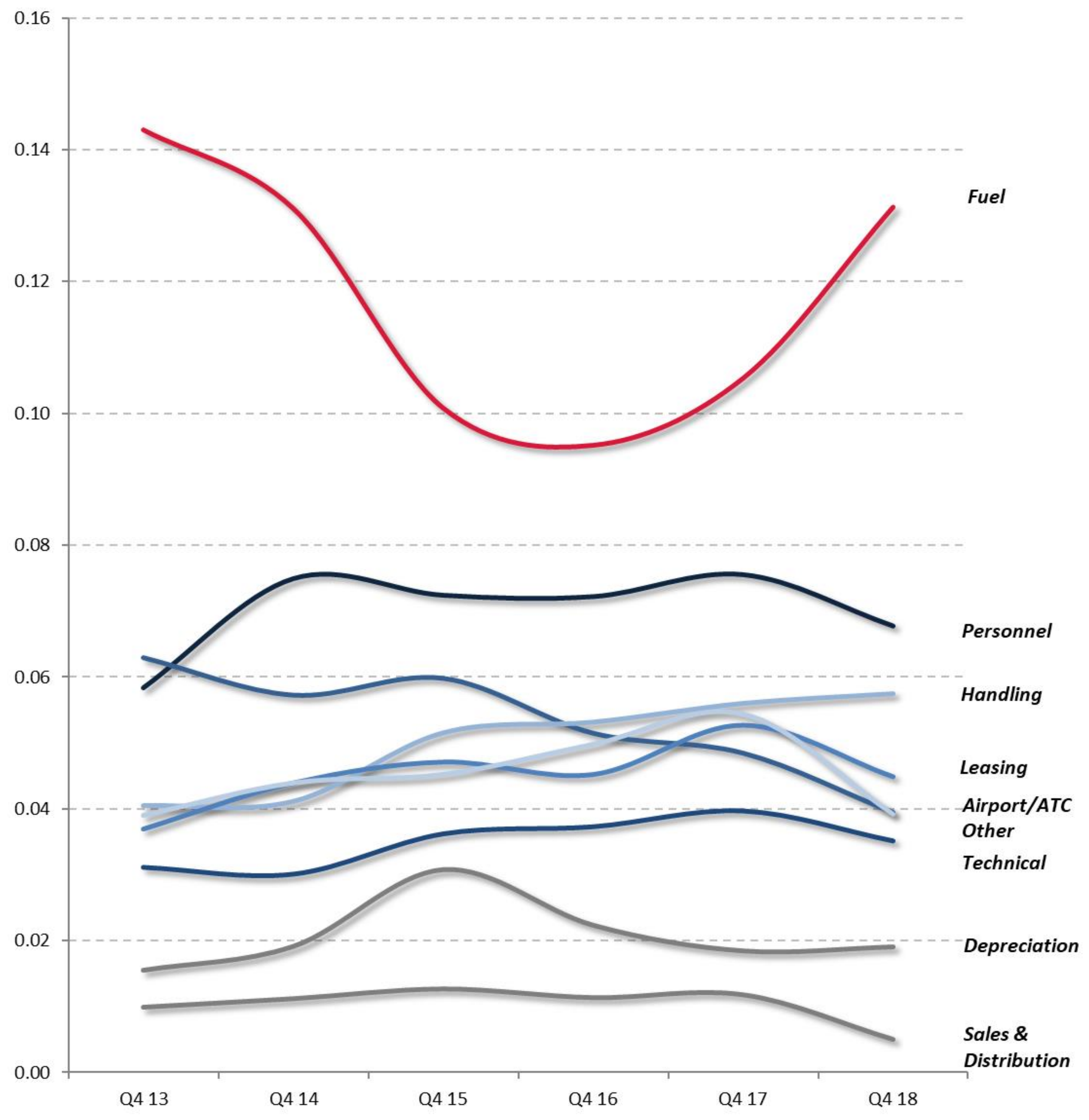
Operating costs (EBIT level) per ASK (NOK)



Sources: Based on latest official full-year 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
• 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).

Reduction in majority of cost elements

- Higher **fuel cost** (+25 % per ASK) driven by spot price (+14 %), a stronger USD vs NOK (+3 %), partly offset by efficiency gains
- Lower **personnel cost** (-10 % per ASK) caused by increased utilization of crew with higher aircraft utilization and abating growth
- Higher **handling cost** (+3 % per ASK) due to additional security measures to the US, compensations related to wetlease operation and increased catering due to higher ancillary
- Lower **airport/ATC cost** (-19 % per ASK) due to increased sector length
- Lower **leasing cost** (-15 % per ASK) driven by higher aircraft utilization and significant reduction in expensed wetlease
- Lower **technical cost** (-11 % per ASK) due to one-offs, partly offset by higher share of 787s/MAXs with total maintenance deals, as well as price escalation on engine maintenance
- Higher **depreciation** (+3 % per ASK) due to a stronger USD vs NOK



Balance sheet

NOK million	Q4 2018	Q4 2017
Intangible assets	2,886	1,220
Prepayment on aircraft	8,561	5,219
Aircraft and aircraft parts	31,915	25,862
Other fixed assets	481	370
Tangible fixed assets	40,106	31,451
Fixed asset investments	1,216	1,656
Total non-current assets	**44,209**	**34,328**
Assets held for sale	851	-
Inventory	167	102
Investments	2,084	616
Receivables	6,753	4,438
Cash and cash equivalents	1,922	4,040
Total current assets	**11,777**	**9,195**
ASSETS	**55,985**	**43,523**
Equity	**1,704**	**2,098**
Deferred tax	614	-
Pension obligation	147	150
Provision for periodic maintenance	3,187	2,679
Other non-current liabilities	183	137
Long term borrowings	22,280	22,060
Total non-current liabilities	**26,412**	**25,026**
Current liabilities	9,403	5,660
Short term borrowings	11,559	4,244
Air traffic settlement liabilities	6,907	6,494
Total short term liabilities	**27,869**	**16,398**
Liabilities	**54,281**	**41,424**
EQUITY AND LIABILITIES	**55,985**	**43,523**

- Prepayment on aircraft constitutes 21% of tangible fixed assets
- IFRS 16: The company has calculated that ROU assets and lease liabilities of approximately NOK 33 billion will be added to the 2019 opening balance of the statement of financial position

Cash flow

NOK million	Q4 2018	Q4 2017
Profit before tax	-3,945	-1,226
Paid taxes	-8	4
Depreciation, amortization and impairment	497	374
Changes in air traffic settlement liabilities	-544	-402
Changes in receivables	-808	-127
Other adjustments	3,914	524
Net cash flows from operating activities	**-894**	**-853**
Purchases, proceeds and prepayment of tangible assets	1,217	-2,442
Other investing activities	223	228
Net cash flows from investing activities	**1,440**	**-2,213**
Loan proceeds	2,159	2,349
Principal repayments	-3,576	-596
Financing costs paid	-435	-86
Other financing activities	-0	-144
Net cash flows from financing activities	**-1,851**	**1,523**
Foreign exchange effect on cash	15	16
Net change in cash and cash equivalents	**-1,290**	**-1,527**
Cash and cash equivalents at beginning of period	3,211	5,567
Cash and cash equivalents at end of period	1,922	4,040

- Other adjustments affected by unrealized losses on fuel hedge of NOK 1,985 million
- The sale of five A320neos in Q4 2018 affected purchases, proceeds and payment of tangible assets, as well as principal repayments

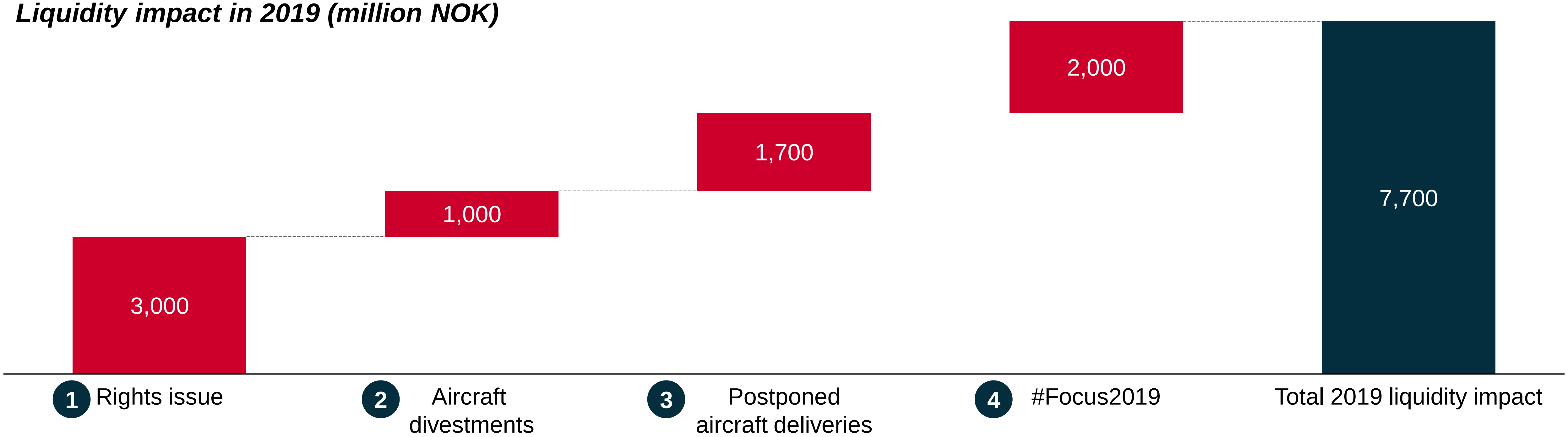
Strategy: Building a strong financial position for the future

Changing strategic focus from growth to profitability

2013 - 2018	2019 -
Focus on growth	Focus on profitability and cash flow
Built up market position and scale	Continuous efforts to reduce costs
Captured slots at constrained airports	Optimization of the base structure and the route network
Onboarded new aircraft and launched new routes	Divest aircraft not required for the company's commercial needs

Financial position and cost base to be improved during 2019

Liquidity impact in 2019 (million NOK)



1. Rights issue

- Gross proceeds of NOK 3 billion
- Fully underwritten by a syndicate consisting of DNB Markets, Sterna Finance Ltd., Danske Bank and certain major shareholders
- To be completed during Q1 2019

2. Aircraft divestments

- Sold a total of 19 aircraft the past year, including four aircraft on LOI
- Net liquidity effect in 2019 of approximately NOK 1 billion for two A320neos and eleven B737-800s
- Ongoing discussions related to further divestments of aircraft and JV

3. Postponed aircraft deliveries

- 2019 CAPEX guiding is reduced by USD 200 mill since Q3 presentation
- Postponed deliveries of 12 B737 MAXs to 2023 and 2024 from 2020, reducing PDP commitments in 2019
- Postponement of four A321LR aircraft to 2020 from 2019
- 2019 CAPEX is further affected by reshuffling of PDP schedules

4. #Focus2019

- Initiated a cost reduction program with targeted cost reductions in 2019 of minimum NOK 2 billion
- Target total effect of approximately NOK 400 million in Q1 2019

1 Rights issue - transaction summary

- Fully underwritten rights issue of NOK 3 billion
- Increases financial flexibility and creates headroom to the covenants of the outstanding bonds
- Provides balance sheet for the next phase of the company's development
- Underwriting consortium consisting of DNB Markets, Sterna Finance Ltd., a company indirectly controlled by trusts established by Mr. John Fredriksen and Danske Bank AS
- Total pre-commitments from several existing shareholders, including HBK, Folketrygdfondet, Danske Capital, Stenshagen Invest and Alfred Berg of NOK 1,024 million

Key dates:

- Key terms of the rights issue to be set: On or about 18 February 2019
- EGM: 19 February 2019
- Shares traded exclusive of subscription rights: On or about 20 February 2019
- Subscription period: Expected 22 February 2019 - 8 March 2019
- Final result/allocation: On or about 11 March 2019

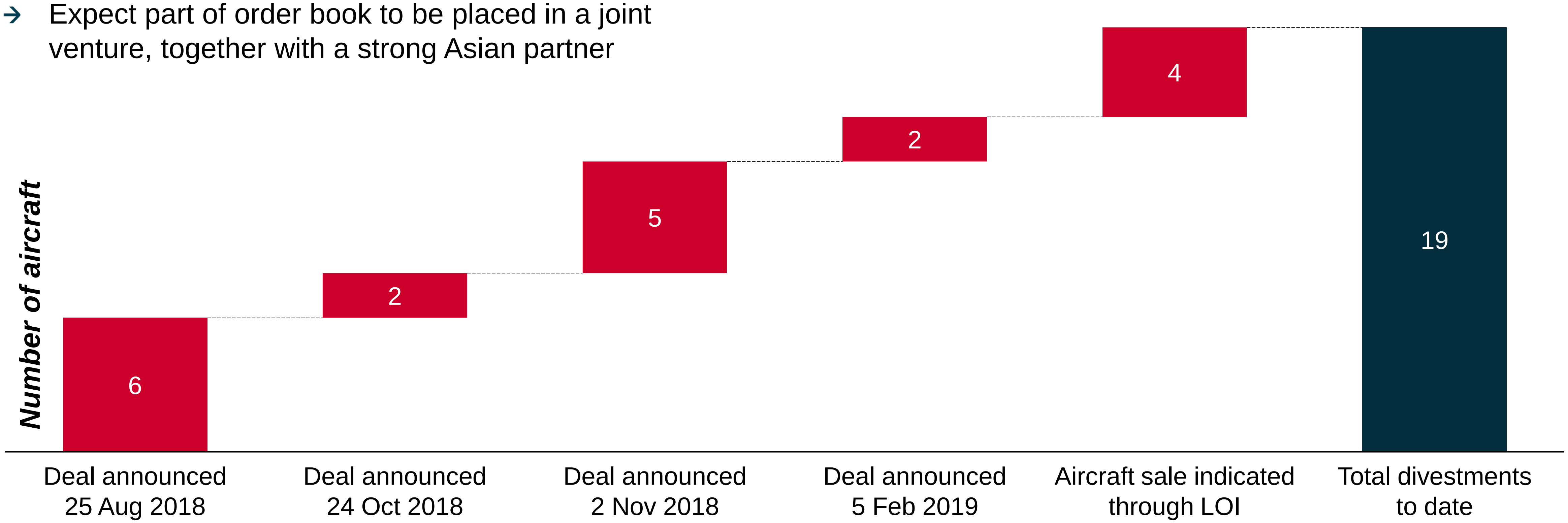
2 Divestment process of aircraft underway

Ongoing process of aircraft divestment

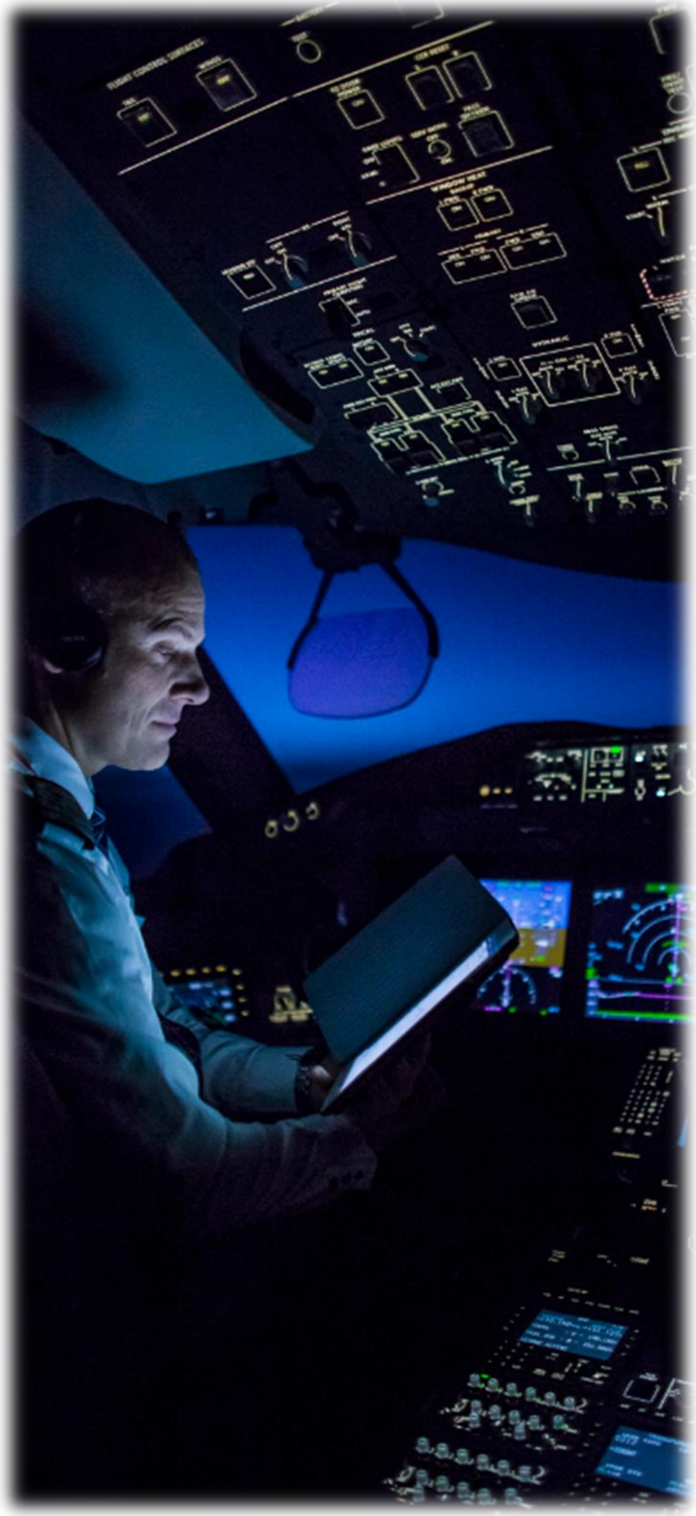
- Expect liquidity effect of NOK 1 billion in 2019 with 13 aircraft divestments in 2019
- Currently announced the divestment of 15 aircraft with 4 indicated through LOI and several other processes ongoing for further divestments
- Delivering on fleet renewal strategy with the oldest aircraft models divested first
- Expect part of order book to be placed in a joint venture, together with a strong Asian partner

The aircraft market

- Experience high demand for narrow body aircraft
- Highly standardized fleet and configurations
- Timing sales to optimize deals with preference to sell aircraft in smaller batches to maximize price



3 Capital expenditure and financing



- Capital expenditures
  - Postponing 12 B737 MAX deliveries from 2020 to 2023 and 2024 and four A321LRs from 2019 to 2020

Capital commitments (all aircraft incl PDP)	
	2019
Total contractual commitments	USD 2.0 billion (previous estimate: USD 2.2 bn)
Boeing 737 MAX	16
Boeing 787-9	5
Airbus 321LR	0
Airbus 320neo (to be leased out)	4

- Long-term financing
  - Secured financing for the first half of 2019
  - Utilizing a mix of long-term financing with focus on AFIC and export credits going forward

4 Operational improvements

#FOCUS2019

Core cost reduction program

- Concrete, measurable cost initiatives across the organization
- To secure sustainable cost base for next phase of lower growth
- Program initiated October 2018 targeting minimum NOK 2 billion cost reductions in 2019

Optimizing base structure

- Exhaustive review of the 737 operation with the goal of improving profitability and reducing the commercial impact of seasonality
- Closing bases in Palma de Mallorca, Gran Canaria, Tenerife, Rome, Stewart and Providence
- Will no longer base long-haul pilots in Amsterdam, Bangkok or Fort Lauderdale. This does not translate into any decrease in the number of Dreamliner aircraft in operation

Improving on-time performance

- Experienced challenges with on-time performance during the extensive growth phase
- Introduced on-time performance project with high priority internally in April-May 2018
- Starting to see improvements with increased punctuality in five consecutive months

Reducing exposure to engine issues

- Reached agreement with Rolls-Royce regarding both settlement for issues during 2018 and a solution going forward
- Five 787 aircraft to be grounded during Q1 2019 and two the rest of the year
- Increased visibility and reduced risk

4 #FOCUS2019: Program and structure

- Program organization and governance structure established
  - Managed by: CFO Geir Karlsen
  - Steering committee established, supported by working group of 35 employees
  - Work streams established for all functional areas
  - All work streams owned by Group Management members
- Primarily related to cost reduction with effect in 2019
- Over 140 initiatives identified
- Organization actively engaged and received more than 250 suggestions from employees
- Biweekly working group monitoring and steering committee reporting internally on monthly basis
- Update to capital market as part of quarterly presentation going forward

4 #FOCUS2019: Overview of initiatives

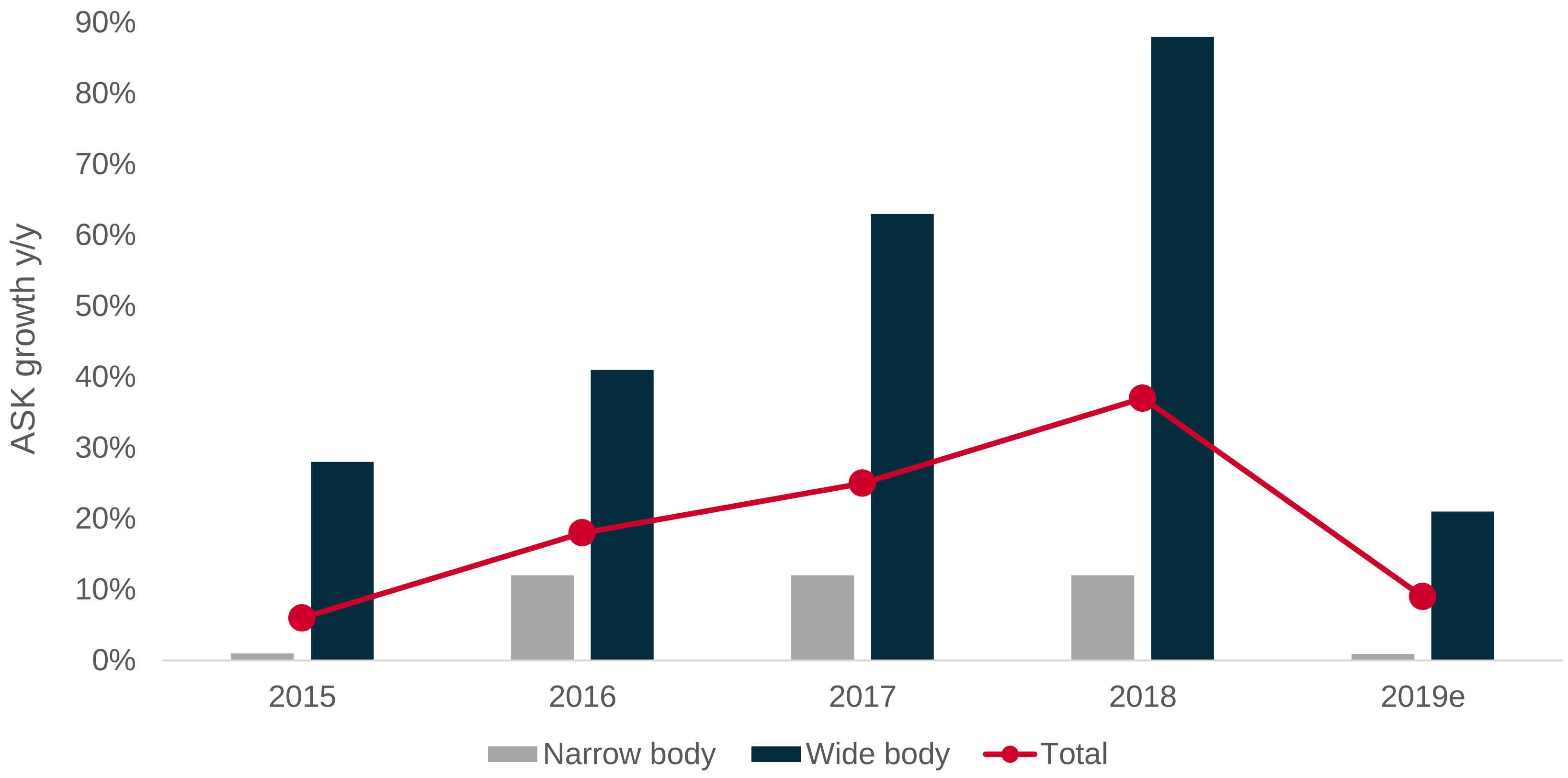
Cost area	Examples of cost initiatives	Target (NOK)
Airport, handling and technical costs	• Renegotiate contracts with airports, maintenance providers and suppliers • Increase performance in the technical supply-chain • Reduce turnaround time and optimize handling procedures	**~0.8bn**
Operating efficiency	• Increase efficiency and operations within crewing and flight support • Focus on external spend, including hotel and transportation costs • Streamline setup of AOCs and support services while maintaining flexibility	**~0.8bn**
Procurement, admin and IT	• Reduce total spend on external services • Improve IT structures, sourcing practices and license management • Reduce back-office and administrative expenditures	**~0.2 bn**
Commercial, marketing and product offering	• Renegotiate marketing and other product offering agreements • Fine-tune product and additional services such as catering and in-flight services • Improve communication solutions towards customers	**~0.2 bn**
Total		**~2.0 bn**

4 #FOCUS2019: Status update as per Jan-19

- One-off effects expected to be marginal
- Cost reductions with impact of NOK 100 million in Q4 2018
- Expect total effect of approximately NOK 400 million in Q1 2019
- Selected achievements so far:
  - Successfully concluded negotiations with airports and handling agents
  - Optimized in-flight service offering with effect from 1 January 2019
  - Credited for technical expenses and reduced licensing costs
  - Improved crew utilization
  - Reduced spend on external services

Outlook and key take-aways

Entering a phase of steadily slowing growth



- Following several years of substantial growth – especially within the long-haul segment – the company will enter into a phase of lower growth
- Evaluating route network and optimizing cost structure
- Lower risk profile going forward
- CAGR of 5-10 % (ASK) for the next four years
  - 3-5 % on narrow body operation
  - 5-10 % on wide body operation

Estimated unit cost reduction of 5 %

- Unit cost estimates 2019
  - NOK 0.295-0.300 incl ownership costs excl fuel
  - NOK 0.4075-0.4125 incl ownership costs and fuel
  - Assumptions: Fuel price of USD 613/mt, USD/NOK 8.18, EUR/NOK 9.55. Based on the current route portfolio and planned production
- Estimated production growth (ASK)
  - 8-10 % ASK growth in 2019
    - Q1: 18 %
    - Q2: 12 %
    - Q3: 10 %
    - Q4: 0 %
- Fuel hedging
  - 52 % of H1 2019 at USD 681
  - 35 % of FY 2019 at USD 680

Going forward

- Target 2019
  - Based on current forecast, the company targets a positive net profit in 2019
  - Subject to market conditions

- Markets and business
  - Current bookings indicate a slight RASK decline in February
  - Easter effect results in softer March and stronger April, but the aggregate current bookings for these two months in line with last year
  - Long haul currently developing better than short haul
  - Currently not seeing any Brexit effects on bookings, preparing for no-deal Brexit
  - Expect domestic Argentinian operation to be profitable from Q2 2019

Key take-aways

Changing strategic focus

- Changing strategic focus from growth to profitability
- Capitalizing on the market position and scale built up over the last years
- Targets positive net profit in 2019

Improving operations

- Optimizing the base structure and the route network
- Cost reduction target of minimum NOK 2 billion through 2019
- Reached solution with Rolls-Royce, creating resilience towards engine issues going forward

Strengthening financial position

- Strengthened balance sheet through a fully underwritten rights issue of NOK 3 billion to increase competitiveness and stand-alone financial strength
- Reducing 2019 CAPEX by NOK 1,700 million through postponement of aircraft deliveries
- Concluded divestment of 13 aircraft with net liquidity effect of NOK 1 billion in 2019 – will continue divestment of aircraft not required for the company's commercial needs
- Expect part of order book to be placed in a joint venture, together with a strong Asian partner