

norwegian



Norwegian Air Shuttle ASA

Q3 2019 Presentation

24 October 2019

Agenda

1

Q3 2019 Presentation

Geir Karlsen, Acting CEO

2

The Way Forward

Niels Smedegaard, Chairman

3

Q&A

Niels Smedegaard and Geir Karlsen

New strategy starting to show results

**Continuing
the process of
moving from
growth to
profitability**

→ Delivering above target on #Focus2019, our cost reduction program



→ Optimization of route network and organizational structure



→ Reducing capital expenditures through restructuring of aircraft orders, JV establishment and deferring deliveries



→ Sale of aircraft as part of our fleet renewal program and to free up liquidity



Highlights Q3 2019 and subsequent events

Improved results

- 8 % revenue growth driven by improved unit revenue and growth in ancillary revenue per passenger
- #Focus2019: On track with NOK 827 million cost reduction in Q3 (NOK 1,848 million YTD)
- EBITDAR excl other losses/(gains) improved by 49 % yoy to NOK 4.4 billion

Actions to increase financial headroom

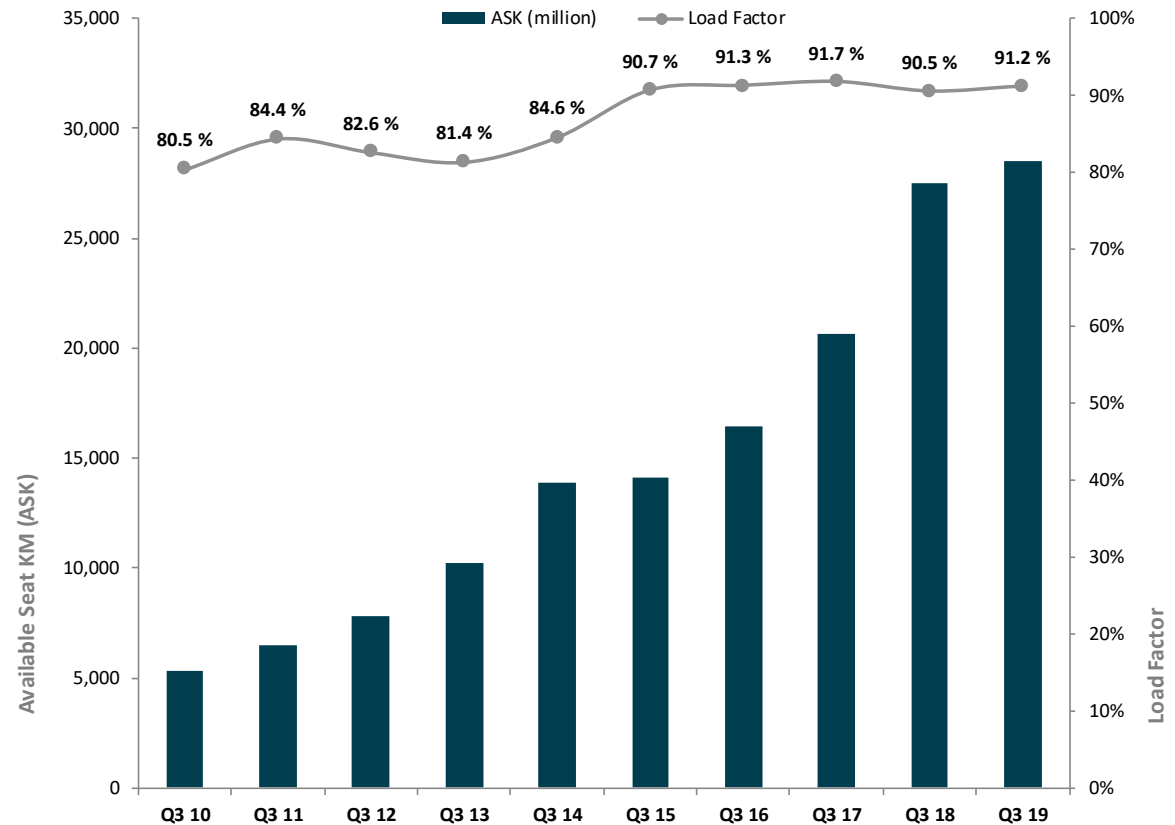
- Sale of all shares in NOFI for gross proceeds of NOK 2.2 billion with final settlement in Q4
- Successfully amended and extended NAS07 and NAS08 bonds for two years
- Agreement with CCB Leasing (International) for the establishment of a joint venture comprising an initial 27 aircraft and reducing capex by approximately USD 1.5 billion
- Capex for FY 2019 reduced further by USD 200 million (to a total of USD 1.0 billion)
- Agreement to sell five aircraft with delivery in Q4 2019 and Q1 2020 with net liquidity effect of approximately USD 50 million

Strategy of lower growth resulting in higher load factor and increased yield



→ 3 % growth in production (ASK), compared to 33 % in Q3 2018

→ 4 % growth in traffic (RPK), compared to 32 % in Q3 2018

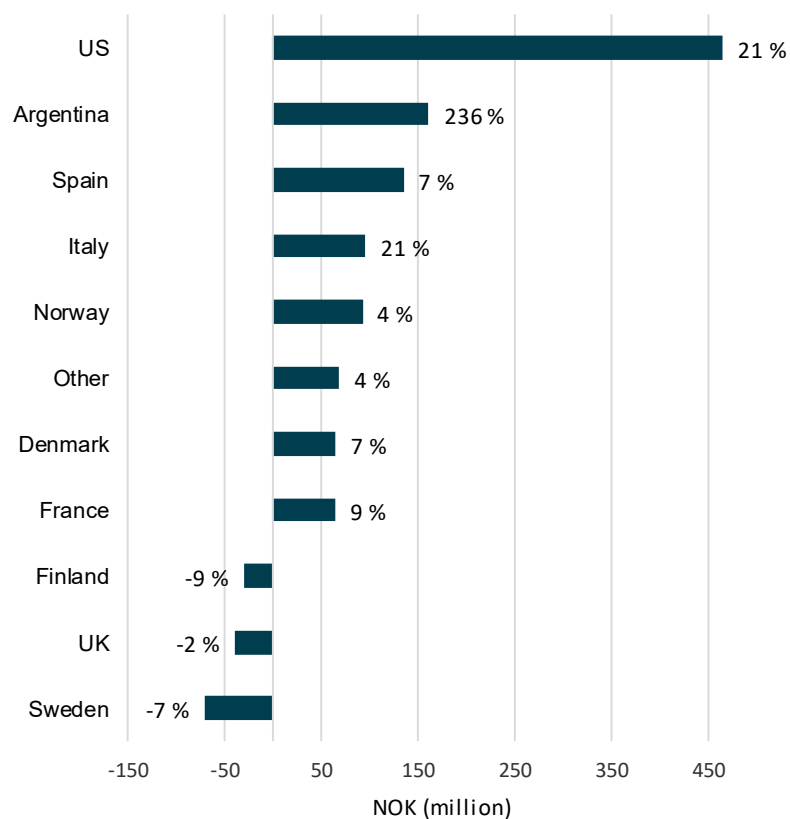


ASK (million)	5,331	6,480	7,780	10,223	13,905	14,143	16,486	20,658	27,534	28,482
Load Factor	80.5 %	84.4 %	82.6 %	81.4 %	84.6 %	90.7 %	91.3 %	91.7 %	90.5 %	91.2 %

Long-haul continues to improve – mainly driven by US passenger demand

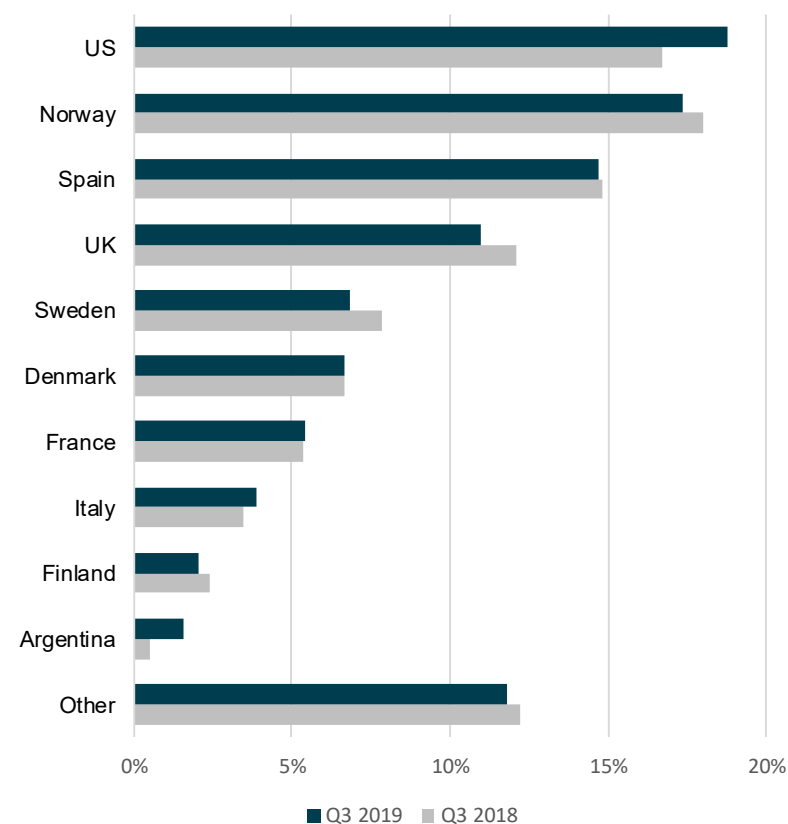
Revenue growth yoy in Q3 2019:

- 21 % growth in revenue from the US
- Continued high growth in the key European markets on transatlantic routes (France, Italy and Spain)

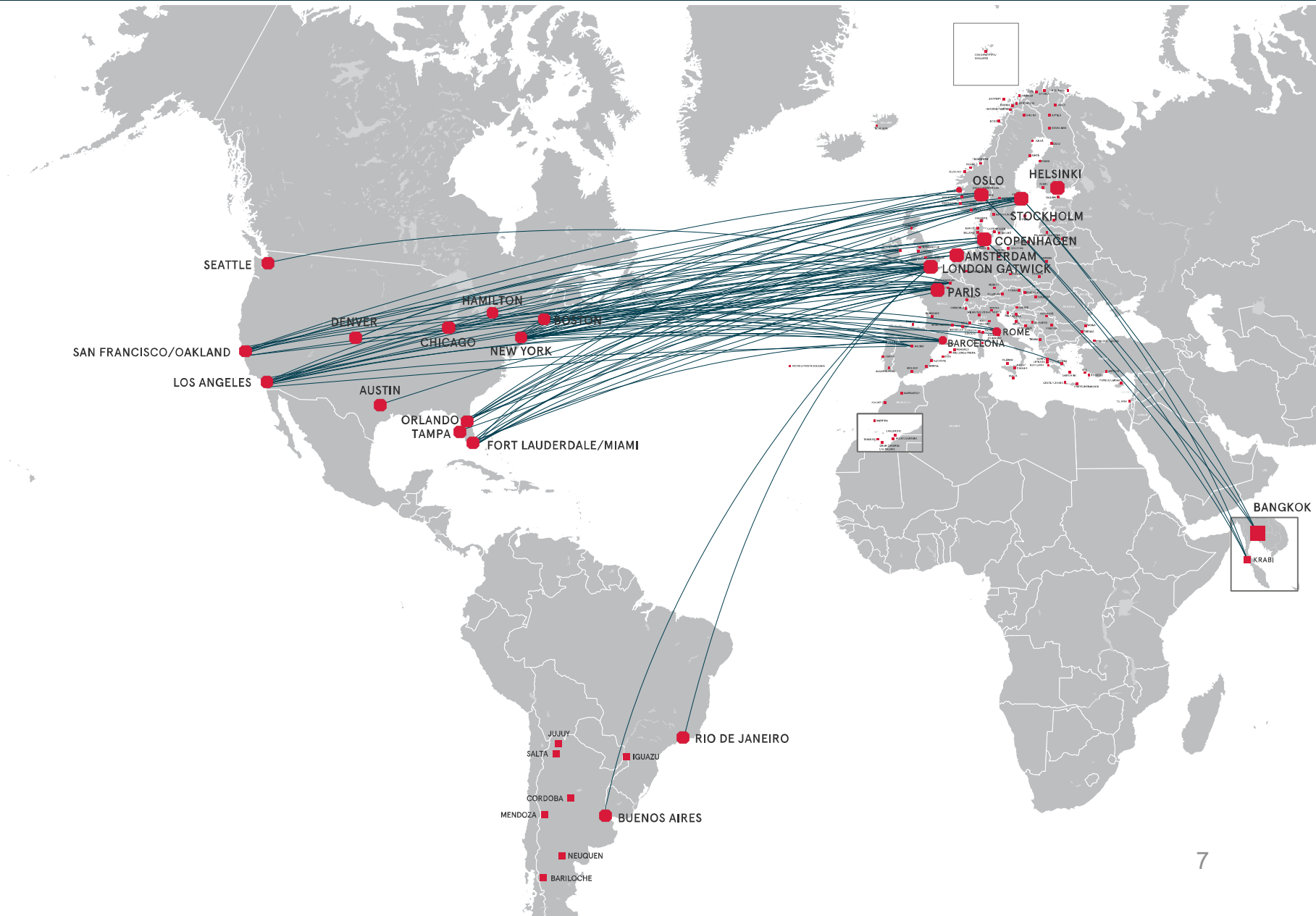


Revenue split by origin in Q3 2019:

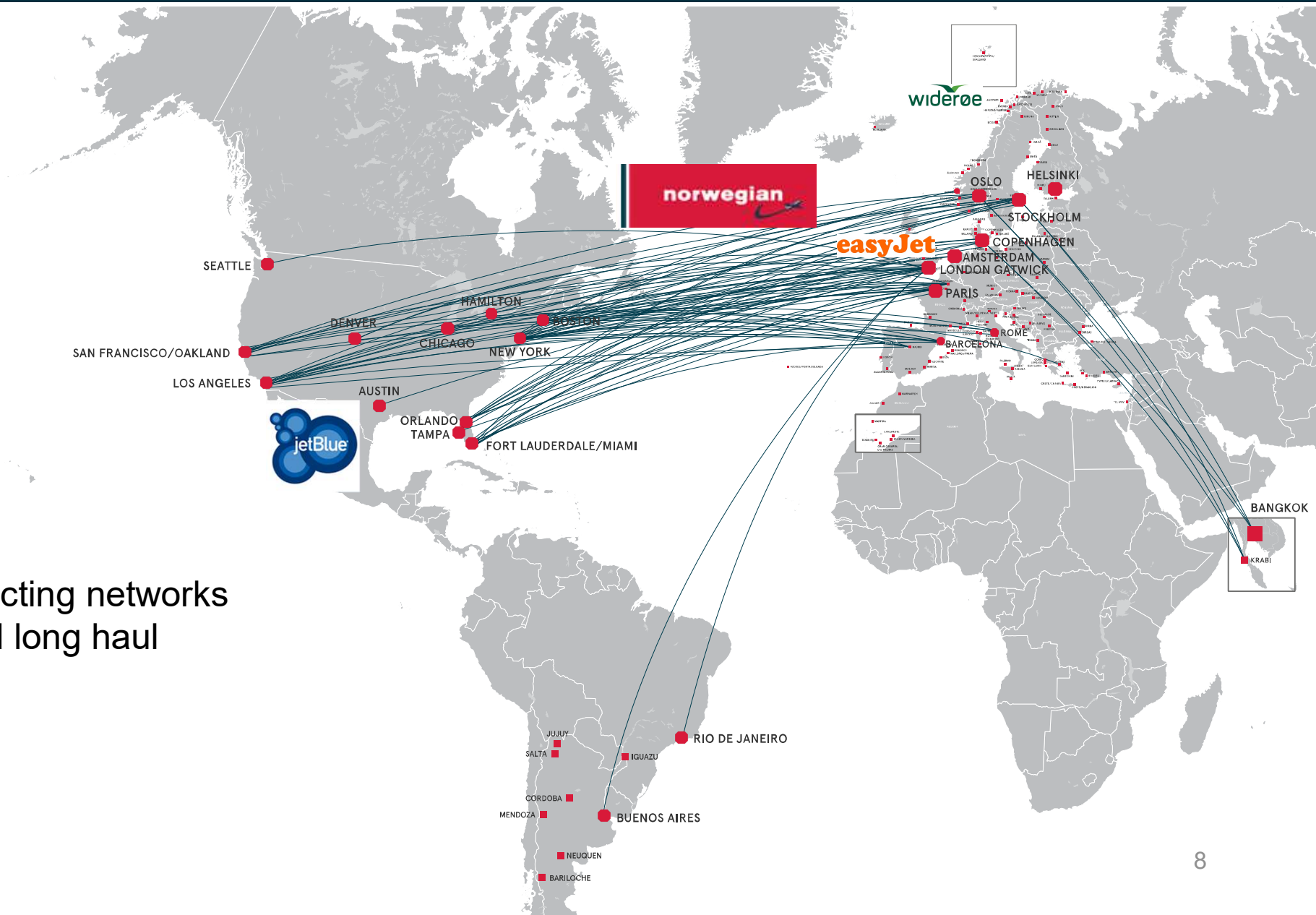
- Revenue from the US is the largest share of the company's revenue in Q3 and YTD



Largest foreign carrier in New York and largest European carrier in Los Angeles



Largest foreign carrier in New York and largest European carrier in Los Angeles



Financials

Income statement

<i>NOK million</i>	Q3 2019	Q3 2018	
Passenger revenue	11,837	11,062	
Ancillary passenger revenue	2,067	1,919	
Other revenue	500	406	
Total operating revenue	14,404	13,387	8 % revenue growth driven by higher unit revenue and ancillary passenger revenue
Personnel expenses	1,700	1,692	
Aviation fuel	3,601	3,681	
Airport and ATC charges	1,197	1,266	
Handling charges	1,580	1,432	
Technical maintenance expenses	748	1,068	
Other operating expenses	1,170	1,289	
Other losses/(gains)	-250	-398	
EBITDAR	4,660	3,358	Highest quarterly EBITDAR excl other losses/(gains) in the company's history
Aircraft lease, depreciation and amortization	1,690	1,543	
Operating profit (EBIT)	2,970	1,815	
Net financial items	-800	-233	
Profit (loss) from associated companies	33	18	
Profit (loss) before tax (EBT)	2,203	1,600	NOK 285 million negative impact from IFRS 16 on EBT (EBT of NOK 2,487 million excl IFRS 16)
Income tax expense (income)	532	297	
Net profit (loss)	1,670	1,304	

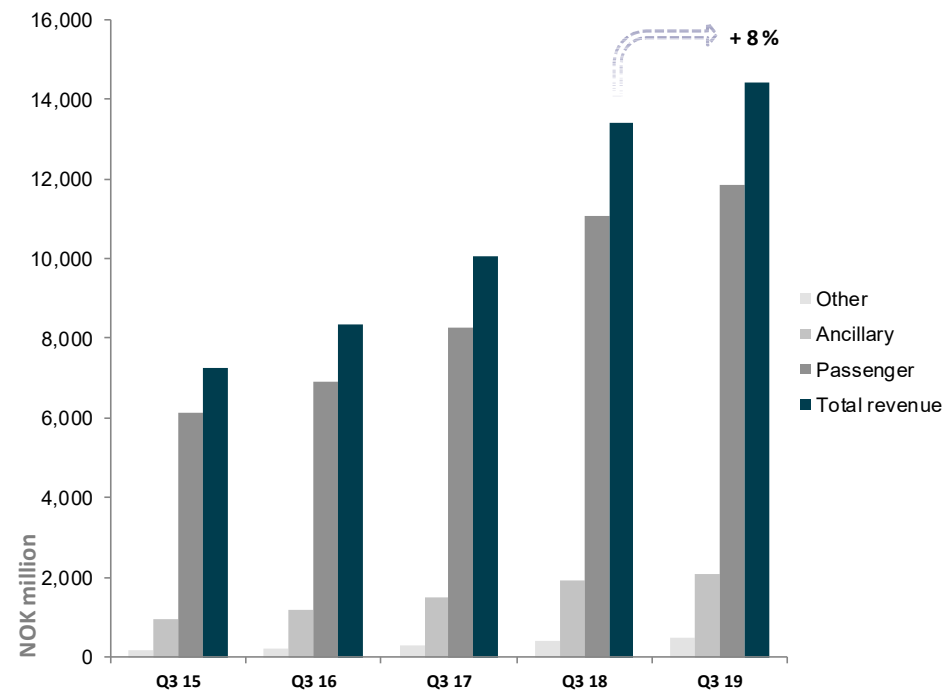
Income statement YTD

<i>NOK million</i>	YTD 2019	YTD 2018	
Passenger revenue	28,037	24,867	
Ancillary passenger revenue	5,276	4,743	
Other revenue	1,265	998	
Total operating revenue	34,577	30,608	13 % revenue growth mainly driven by improving RASK
Personnel expenses	5,122	4,899	
Aviation fuel	9,885	9,142	
Airport and ATC charges	3,199	3,346	
Handling charges	4,142	3,704	
Technical maintenance expenses	2,570	2,578	
Other operating expenses	3,627	3,656	
Other losses/(gains)	-925	-813	
EBITDAR	6,957	4,096	EBITDAR excl other losses/(gains) up to NOK 6.0 billion (NOK 3.3 billion)
Aircraft lease, depreciation and amortization	4,823	4,354	
Operating profit (EBIT)	2,134	-257	
Net financial items	-1,870	1,621	Net financial items for 2018 include a gain related to fair value adj. of NOFI of NOK 1,940 million
Profit (loss) from associated companies	72	91	
Profit (loss) before tax (EBT)	337	1,455	Negative impact from IFRS 16 adjustments on EBT of NOK 643 million (EBT excl IFRS 16 NOK 979 million)
Income tax expense (income)	73	-103	
Net profit (loss)	264	1,558	

Increased unit revenue (RASK) by 3 %



- Q3 unit revenue (RASK) +3 % to 0.42 (+1 % in constant currency)
- 3 % increased average sector length
- Ancillary revenue per passenger increased by 11 % to NOK 196 (177)
- 23 % growth in other revenue (Cargo and Reward)



•Total revenue	7,277	8,331	10,074	13,387	14,404
•Passenger	6,130	6,916	8,263	11,062	11,837
•% y/y chg	15%	13%	19%	34%	7%
•Ancillary	967	1,191	1,498	1,919	2,067
•% y/y chg	13%	23%	26%	28%	8%
•Other	179	224	313	406	500
•% y/y chg	19%	25%	39%	30%	23%
•% y/y chg	19%	25%	39%	30%	23%

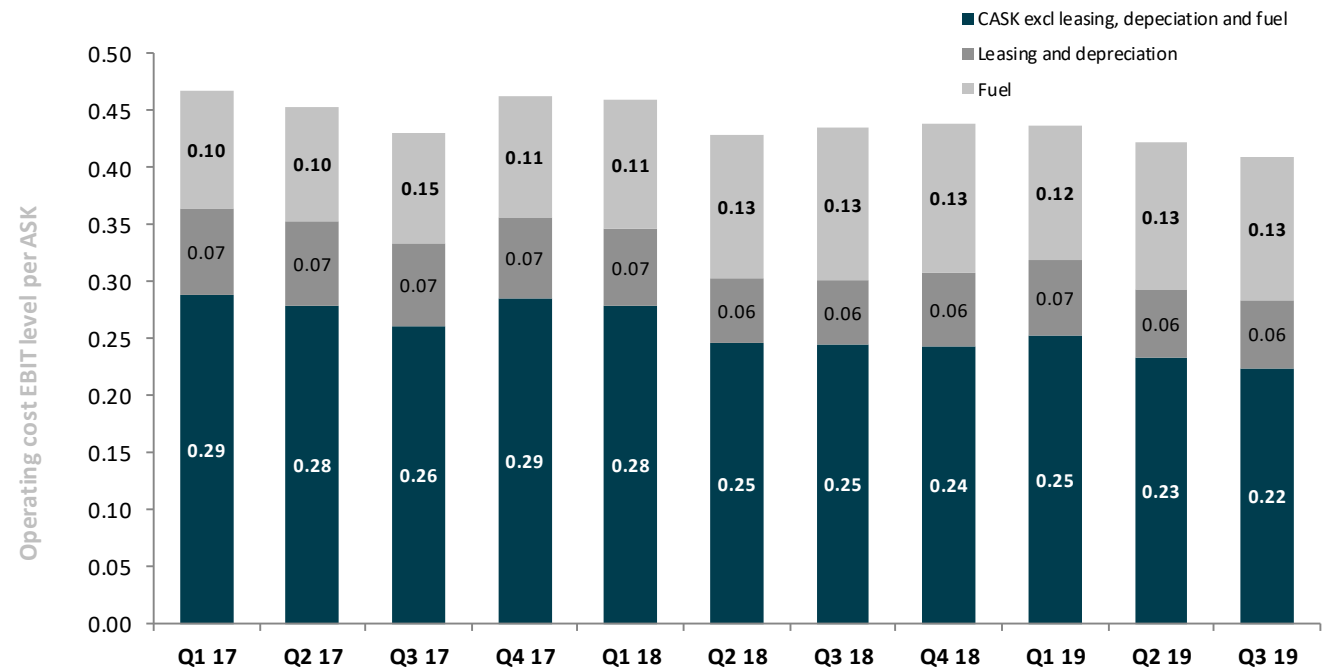
#Focus2019: Delivering strong cost reductions of NOK 827 million in Q3

Cost area	Completed cost initiatives	Actual Q3 (NOK m)	Actual YTD Q3 (NOK m)
Airport, handling and technical costs	<ul style="list-style-type: none"> • High effect of airport- and handling-related cost initiatives during peak season • Progressing on several items with key technical suppliers 	408	924
Operating efficiency	<ul style="list-style-type: none"> • Lower personnel costs due to improved planning and efficiency measures • Standardizing operational tools and consumables • Improving disruption handling • Processes to close operational bases announced 	237	582
Procurement, administration and IT	<ul style="list-style-type: none"> • Stronger effects from renegotiated volume-driven agreements • Consolidating office locations in Norway and Spain • Implemented new flight planning system 	68	177
Commercial, marketing and product offering	<ul style="list-style-type: none"> • Product offering optimization • Working with partners to release synergies 	114	165
Total		827	1,848

6 % lower unit costs despite currency headwind



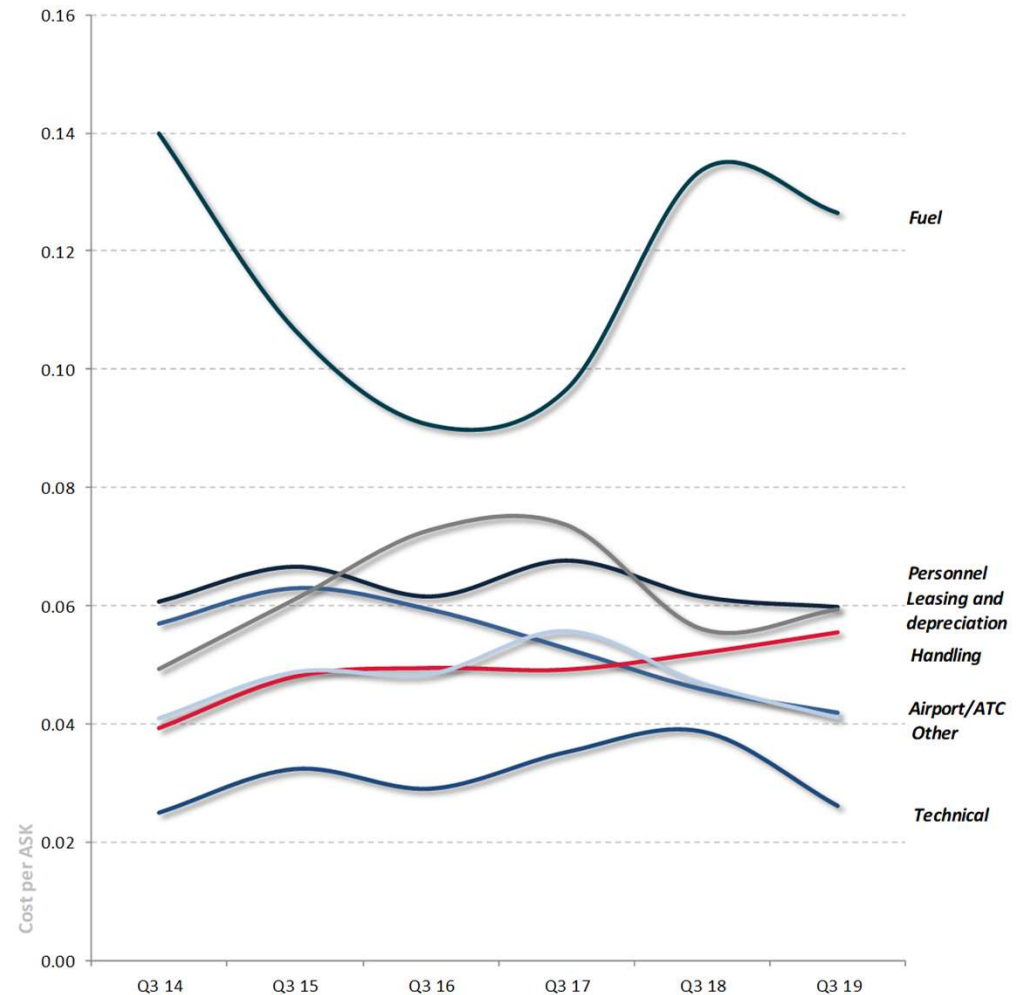
- 6 % lower unit cost yoy
- Unit cost excl fuel decreased by 9 % in constant currency
- Unit cost incl fuel decreased by 10 % in constant currency



Q2 2018 adjusted for settlement regarding engines of NOK 447 million (NOK 0.02 per ASK)

Positive underlying cost performance

- Lower **fuel cost** (-5 % per ASK) driven by lower fuel spot price (-11 %), stronger USD vs NOK (+8 %) and reductions in ETS cost
- Lower **personnel cost** (-3 % per ASK) despite currency headwind and lower utilization following the 737 MAX grounding
- Higher **lease and depreciation** (+6 % per ASK) due to currency effects. In constant currency, unit cost was down by 2 % yoy
- Higher **handling cost** (+7 % per ASK) due to currency headwind, higher share of long-haul flights and increased compensation costs (EU261)
- Lower **other operating expenses** (-11 % per ASK) despite currency headwind
- Lower **technical cost** (-32 % per ASK) due to renegotiation of contracts and reduced number of aircraft
- Lower **airport/ATC cost** (-9 % per ASK) due to renegotiations with suppliers and increased average sector length



Balance sheet

<i>NOK million</i>	30 SEP 2019	30 JUNE 2019
Intangible assets	2,821	3,313
Tangible fixed assets	71,937	69,408
Fixed asset investments	1,410	1,303
Total non-current assets	76,168	74,023
Inventory	189	162
Investments	958	2,043
Receivables	11,297	12,683
Cash and cash equivalents	2,934	1,688
Total current assets	15,377	16,576
ASSETS	91,545	90,600
Equity	5,249	2,892
Non-current debt	56,485	51,389
Other non-current liabilities	4,741	4,425
Total non-current liabilities	61,226	55,814
Air traffic settlement liabilities	6,759	11,373
Current debt	8,165	11,303
Other current liabilities	10,146	9,217
Total current liabilities	25,070	31,893
Liabilities	86,296	87,707
EQUITY AND LIABILITIES	91,545	90,600

Investments reduced by NOK 1,266 million related to sale of 9.97 % share in NOFI

Reduced current debt by NOK 2,339 million related to bond extension (NAS07)

Cash flow

<i>NOK million</i>	Q3 2019	Q3 2018
Profit before tax	2,203	1,600
Paid taxes	-8	-1
Depreciation, amortization and impairment	1,660	451
Changes in air traffic settlement liabilities	-4,613	-3,912
Changes in receivables	1,386	1,740
Other adjustments	1,512	368
Net cash flows from operating activities	2,139	245
Purchases, proceeds and prepayment of tangible assets	1,017	-3,377
Other investing activities	1,760	18
Net cash flows from investing activities	2,776	-3,359
Loan proceeds	0	3,380
Principal repayments	-2,788	-504
Financing costs paid	-894	-260
Proceeds from issuing new shares	-	-2
Net cash flows from financing activities	-3,682	2,615
Foreign exchange effect on cash	12	-3
Net change in cash and cash equivalents	1,246	-502
Cash and cash equivalents at beginning of period	1,688	3,714
Cash and cash equivalents at end of period	2,934	3,211

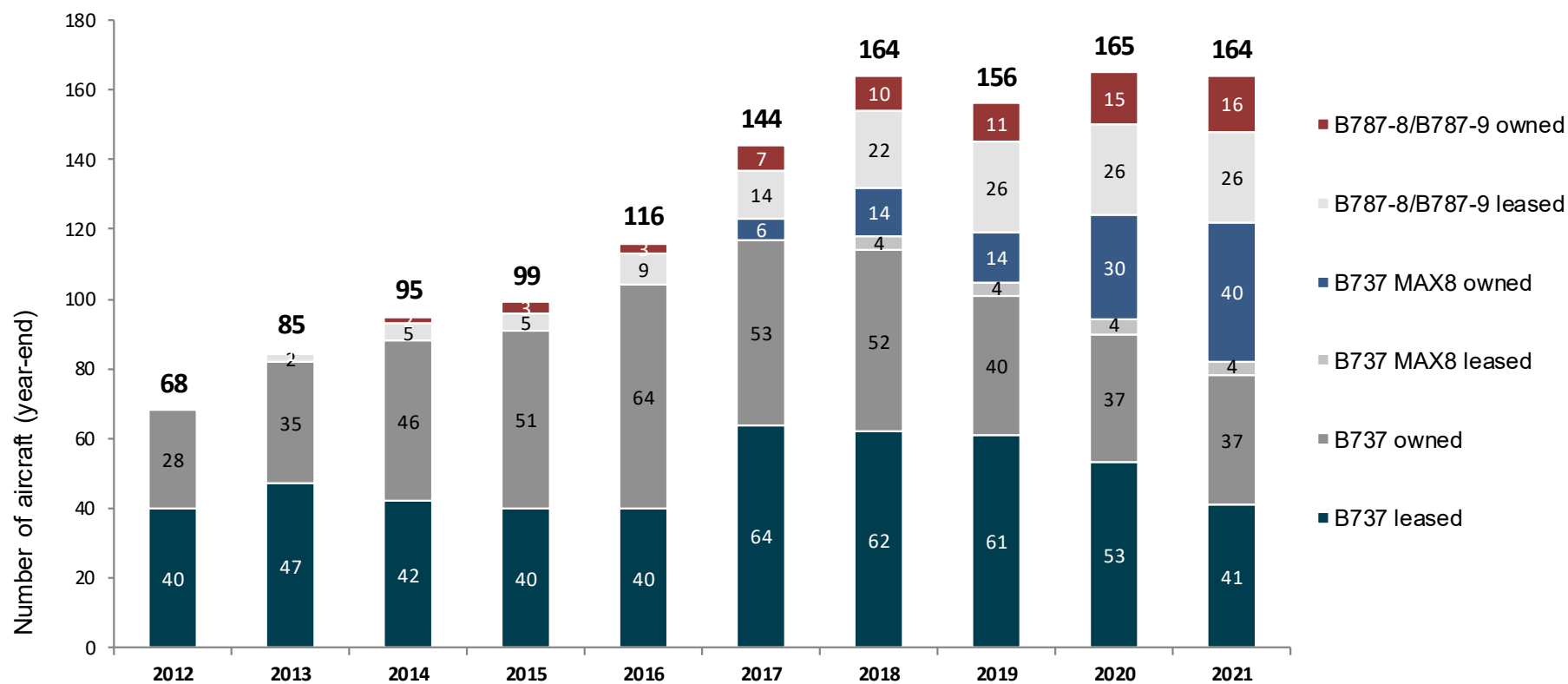
Positive net investment related to sale of aircraft and NOFI

Debt reduced due to scheduled repayments (NOK 593 million), repaid credit facility (NOK 300 million) and sale of aircraft

Outlook

Guidance on fleet plan and capital expenditure

	Capital commitments*	Deliveries B737 MAX8	Deliveries B787-9
2019:	USD 1.0 billion (previous estimate USD 1.2 billion)	0	5
2020:	USD 1.4 billion (previous estimate USD 1.3 billion)	16	4

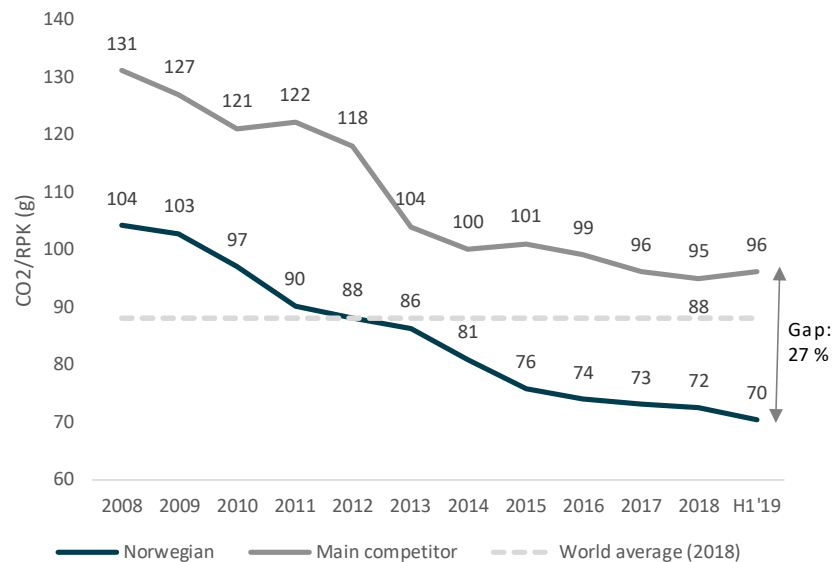


* Total contractual commitments (all aircraft incl PDP)

Our business model is one of the most carbon efficient in the world

Status Q3

- ~20 % more fuel-efficient than world average for airlines
- World's most fuel-efficient transatlantic airline, 33 % better than industry average (ICCT, 2018)
- Our low-cost business model and new fleet are key sustainability advantages, and it is starting to matter commercially

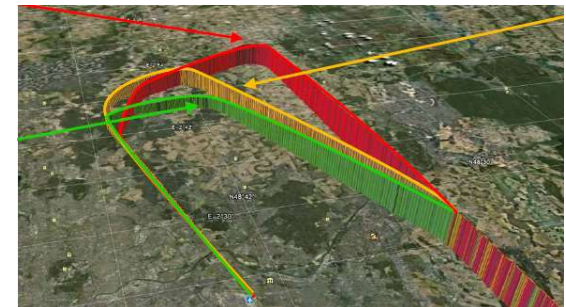
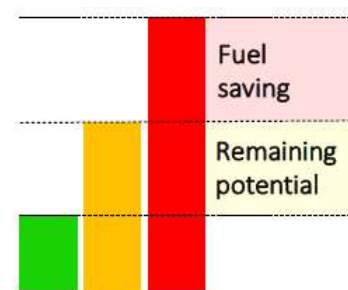


Source: Pareto Equity Research, Norwegian Air Shuttle, Quarterly Preview, 9 Oct 2019

Ongoing projects

SkyBreathe

- Potential to reduce entire fleet fuel consumption by ~2 % p.a., equaling 44,000 tons JetA1
- CO₂-emission reduction of approx. 140,000 tons p.a., equaling more than 10 % of CO₂-emissions from domestic flights in Norway in 2017
- Costs savings of approx. USD 27 million p.a.



Source: SkyBreathe MyFuelCoach, example of smart saving computation from our pilot app

Established joint venture comprising 27 aircraft

- Agreed to establish a joint venture (JV) with China Construction Bank Leasing (International) Corporation DAC ("CCBLI"), the leasing arm of the world's second largest bank
- CCBLI to become the majority owner of the JV with 70 % share with Norwegian holding the remaining 30 %
- Comprises an initial 27 Airbus A320 NEO aircraft to be delivered from 2020 to 2023
- CCBLI to provide aircraft financing for aircraft within the JV
- The JV will reduce Norwegian's committed capital expenditure by approximately USD 1.5 billion in addition to a positive equity effect

Reduced growth in line with strategy



→ Estimated production growth (ASK)

- 0 % ASK growth in 2019 (previous estimate 0 % to 5 %)

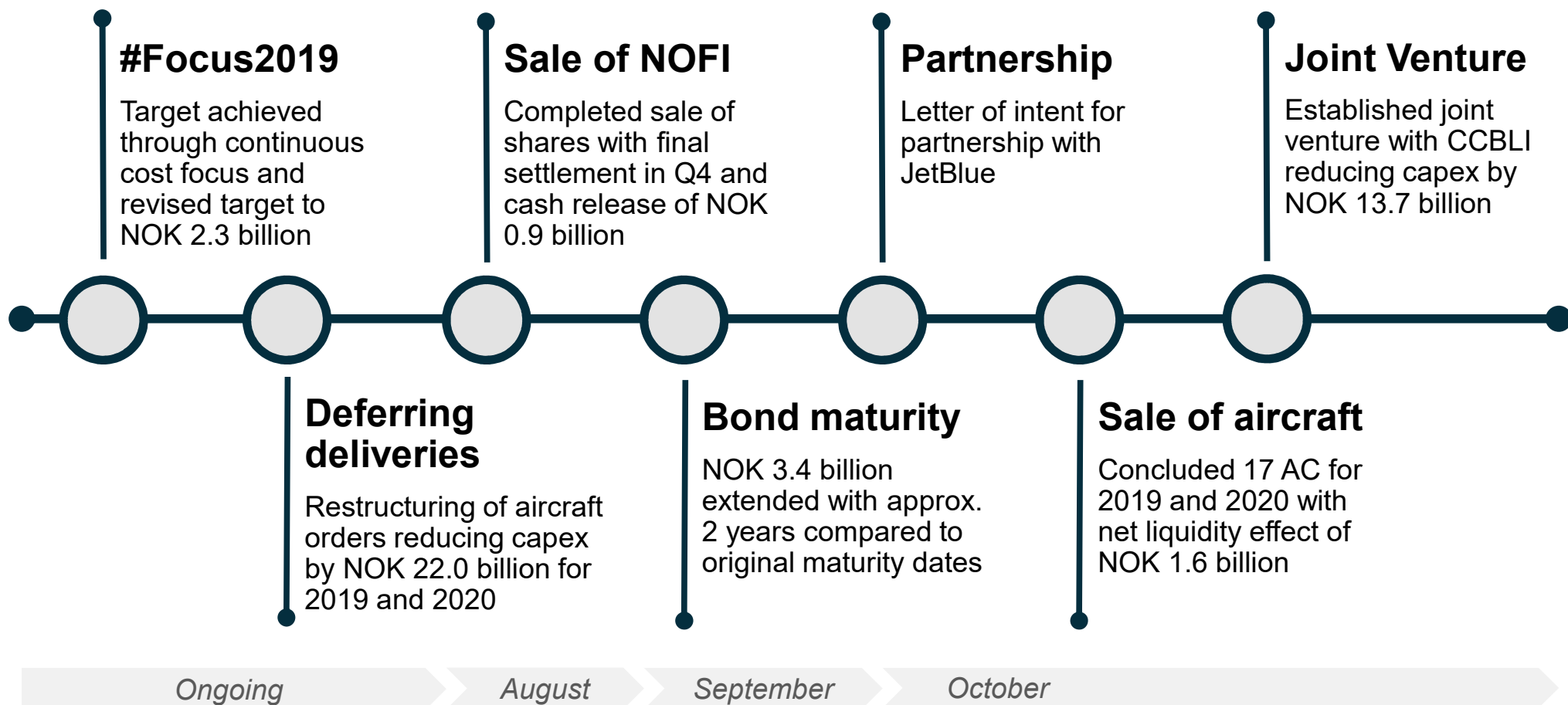
→ Unit cost estimates 2019

- Approximately NOK 0.310 incl depreciation excl fuel (unchanged) on currency headwind and lower production
- Approximately NOK 0.435 incl depreciation and fuel (previous estimate: 0.43)
- Assumptions: Fuel price of USD 629/mt (618), USD/NOK 8.80 (8.58), EUR/NOK 9.81 (9.77). Based on the current route portfolio and planned production

→ Guidance for 2019

- #Focus2019 on track to reduce costs by NOK 2.3 billion for 2019, of which NOK 2.0 billion is recurring
- EBITDAR excl other losses/(gains) range narrowed to NOK 6.1 - 6.5 billion

Our actions are working...



... and more to come

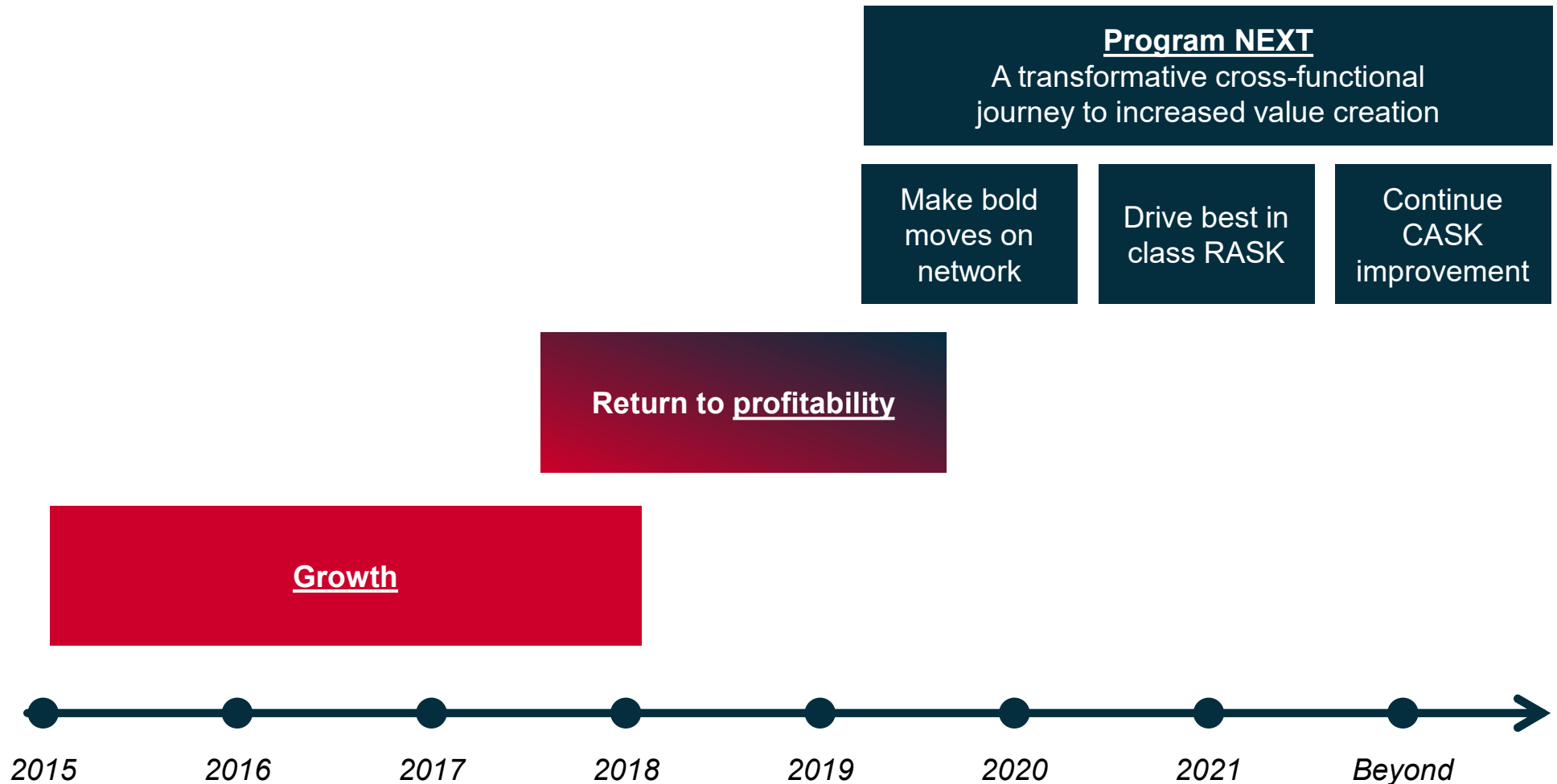
The Way Forward

Looking forward to 2020 & beyond



- Need ***bold actions*** to continue our return to profitability
- ***Systematically assessed*** operating model throughout Q3
- Found ***significant opportunities*** across the business
- Scoped the impact and ***created a plan – Program NEXT***
- NEXT is a ***2-3 year transformational journey***
- ***Management will drive*** NEXT with ***full support*** from the Board
- ***We are committed*** to change and taking immediate action

NEXT builds on our journey from growth to profitability



Our ambition over the next two years

NOK
4 billion

Run-rate EBITDAR
improvements at the
end of 2021

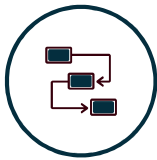
- Program NEXT has potential to generate significant impact
- Impact will come on top of already realized #Focus19 effects
- Impact will combine both top line and cost efficiencies to drive profitability
- We will share specific targets in February 2020 (Q4)

Near term focus spans core parts of our business



Continue to re-assess, optimize and fortify our network

→ Planned 10 % ASK reductions in 2020



Implement new digital tools and capabilities to improve revenue

→ Take near term actions on pricing, inventory and product



Improve reliability and reduce operating costs

→ Drive on-time performance through collaboration between Commercial & Ops



Right-size our cost base through procurement

→ Professionalize vendor management and improve internal collaboration

**Continue to
increase
profitability
while
strengthening
liquidity
position**

We fully believe in the potential of this plan



- We are committed to change and deliver value to our stakeholders
- This is the beginning of a multi-year journey
- We look forward to updating you on our overall program, its structure and targets at our Q4 reporting

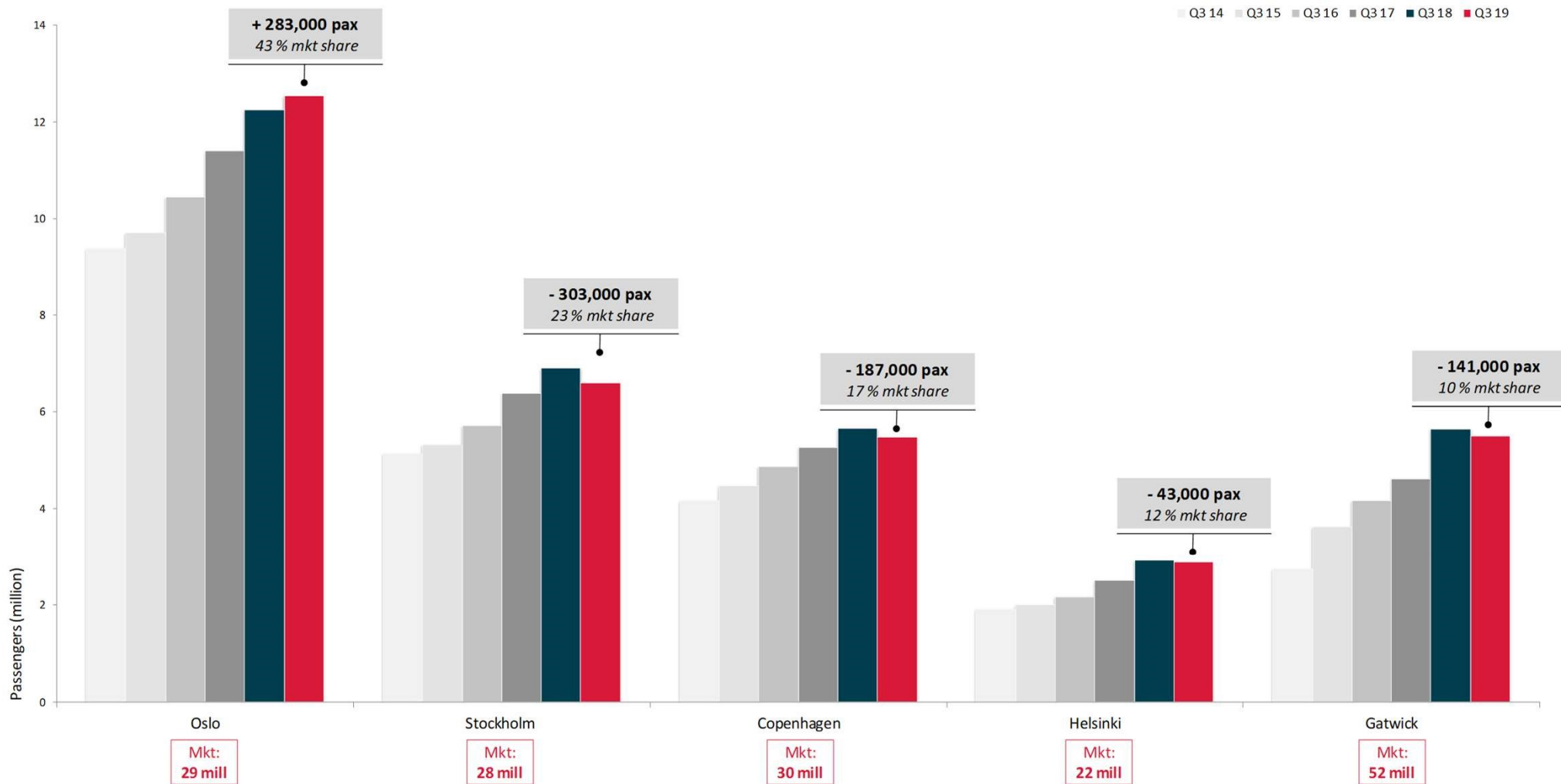
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Extra Material

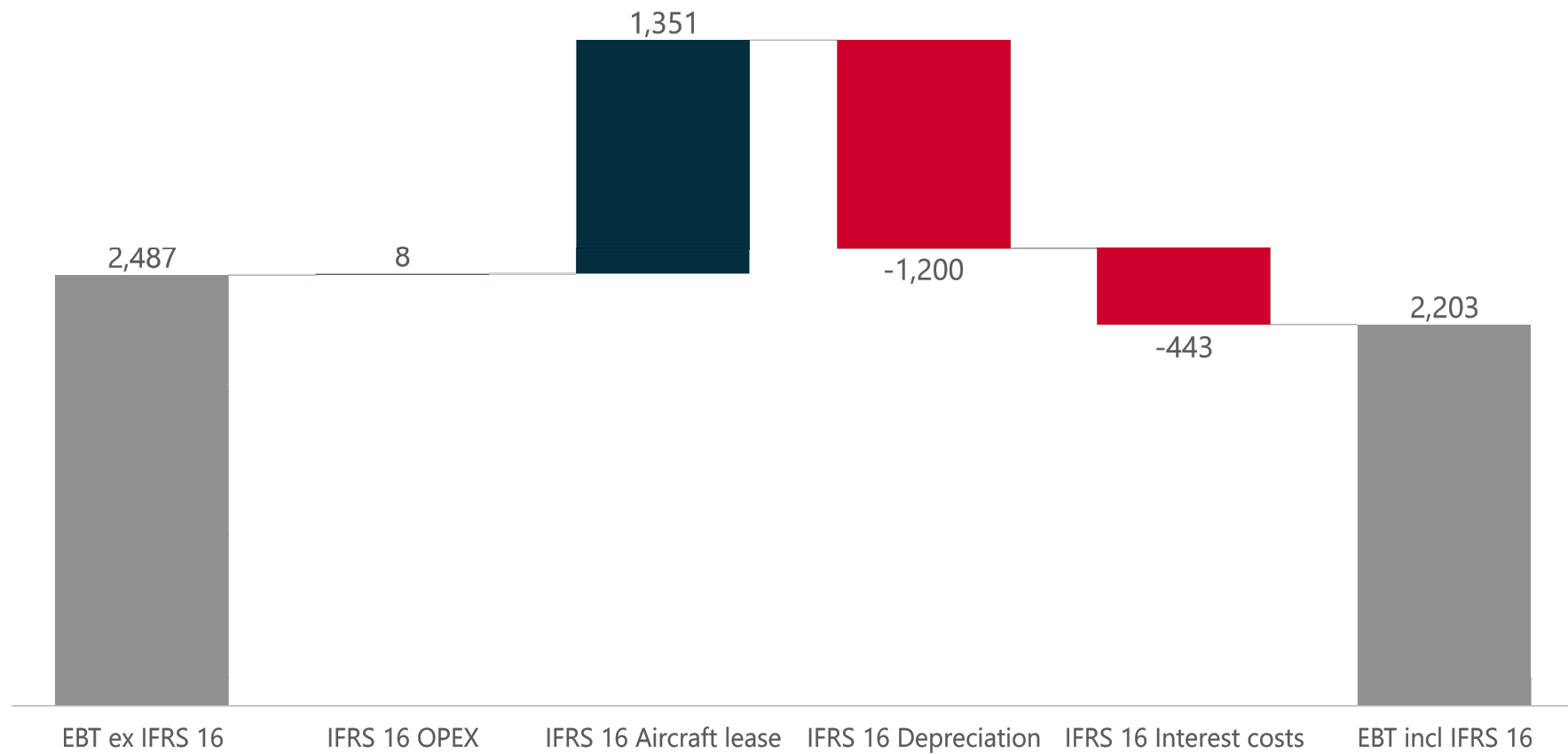
Passenger development at key airports



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

IFRS 16 income statement effects in Q3 2019

NOK million



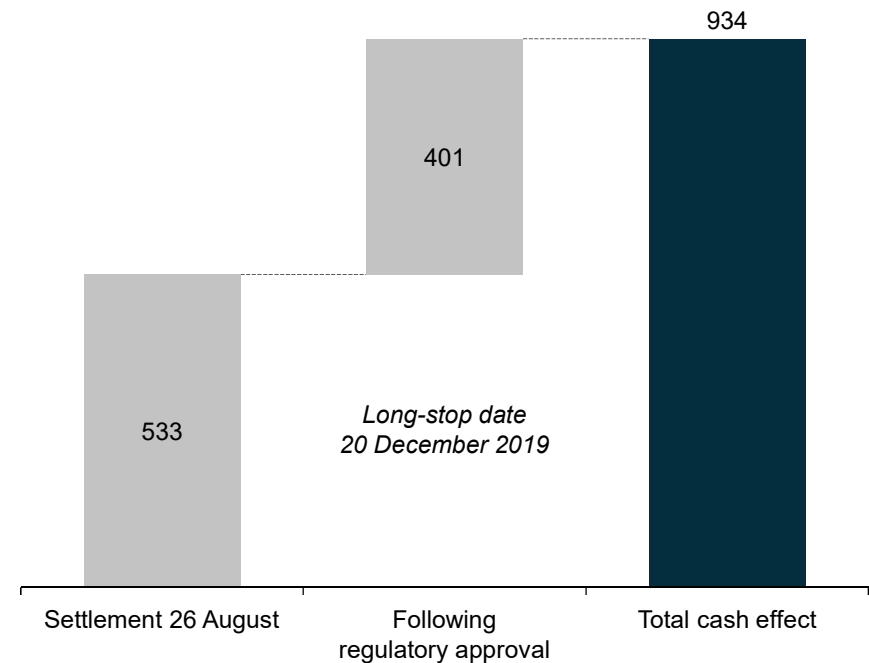
Shareholding in NOFI

All shares sold, but proceeds required to finance negative cash flow in winter season

Sale of NOFI shareholding

- Agreement announced 19 August to sell entire shareholding in Norwegian Finans Holding ASA for NOK 2,218 million to a company indirectly controlled by Nordic Capital and Sampo – as a result of a structured sales process
- Sales price of NOK 68 per share, implying a premium of 15.4 % to last close
- Initial sale consisting of 18,619,477 shares with settlement on 26 August – remaining 14,004,262 shares will be sold once regulatory approval has been obtained (long-stop date 20 December 2019)
- Total positive cash effect for Norwegian of NOK 934 million

Timing of cash flows (NOK million)



Norwegian's slots at London Gatwick Airport valued in excess of USD 380 million¹

Norwegian's slot portfolio at London Gatwick Airport (LGW)²

# of slots	Mon	Tue	Wed	Thu	Fri	Sat	Sun
High-Peak	33	28	32	29	29	28	31
Mid-Peak	37	40	36	40	36	31	36
Low -Peak	13	13	15	16	13	14	14
Non-Peak	2	3	3	2	4	2	6
Total	85	84	86	87	82	75	87

- A slot is a permission given by a coordinator to use the full range of airport infrastructure necessary to operate an air service at a coordinated airport on a specific date and time for the purpose of landing or take-off as allocated by a coordinator³
- Norwegian is the third largest slot owner at Gatwick Airport and the company's slot portfolio consisted of on average 84 slots per day during the summer 2019 schedule and 87 during the winter 2019 schedule
- With approx. 5.7 million passengers over the last 12 months, Gatwick is Norwegian's fastest growing hub
- The total value of Norwegian's Gatwick Airport slot portfolio exceeds USD 380 million and was offered as security to NAS07 and NAS08
- Previous transactions in the market demonstrate the ability to monetize the rights of the Gatwick Airport slots, including the Monarch Airlines case from 2017 where administrators were able to raise capital by selling Gatwick Airport slots following Monarch's bankruptcy

1) Independent valuation from well-reputed third-party

2) Based on summer 2019 schedule. Slots are categorized into high-, mid-, low- and non-peak hours based on operational limits at the airport and traffic demand

3) As defined by EU Regulation 95/93 & the IATA WSG