



## Norwegian Air Shuttle ASA

Q4 2017 Presentation

15 February 2018

# Highlights Q4 2017

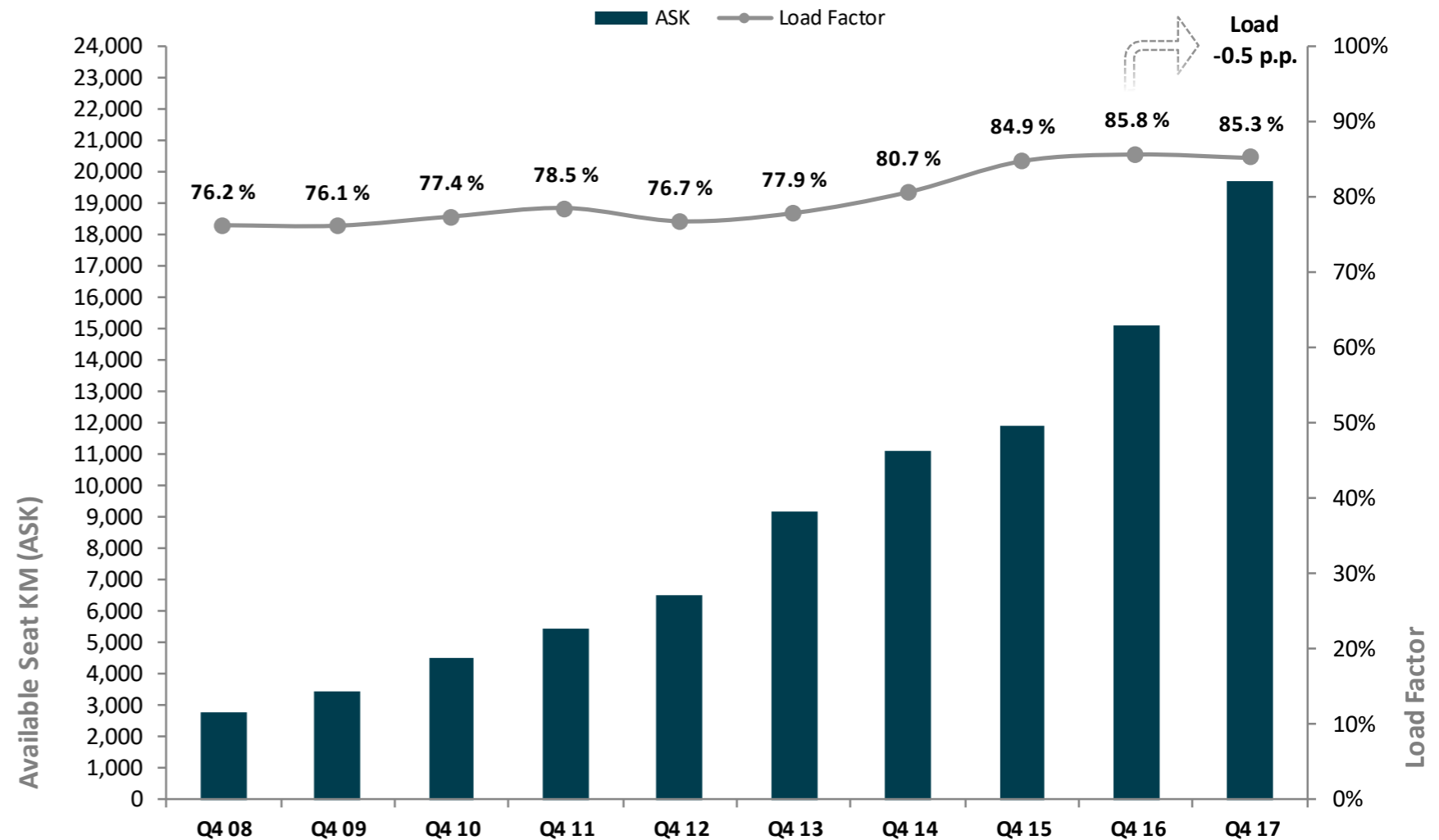


- Added one 737-800 and two 787-9s to operations
- Financed the first aircraft with a combination of UKEF and JOLCO
- Agreed with the Scandinavian pilot unions on a new three year agreement
- Got concessions for 152 routes in Argentina
- Launched transatlantic routes from Amsterdam, Madrid and Milan
- Norwegian Reward celebrated 10 years
- Awarded best European low fare carrier by [Airlineratings.com](http://Airlineratings.com)
- EBITDA excl other losses/gains negative by NOK 901 million (-250)

# Stable load despite high ASK growth

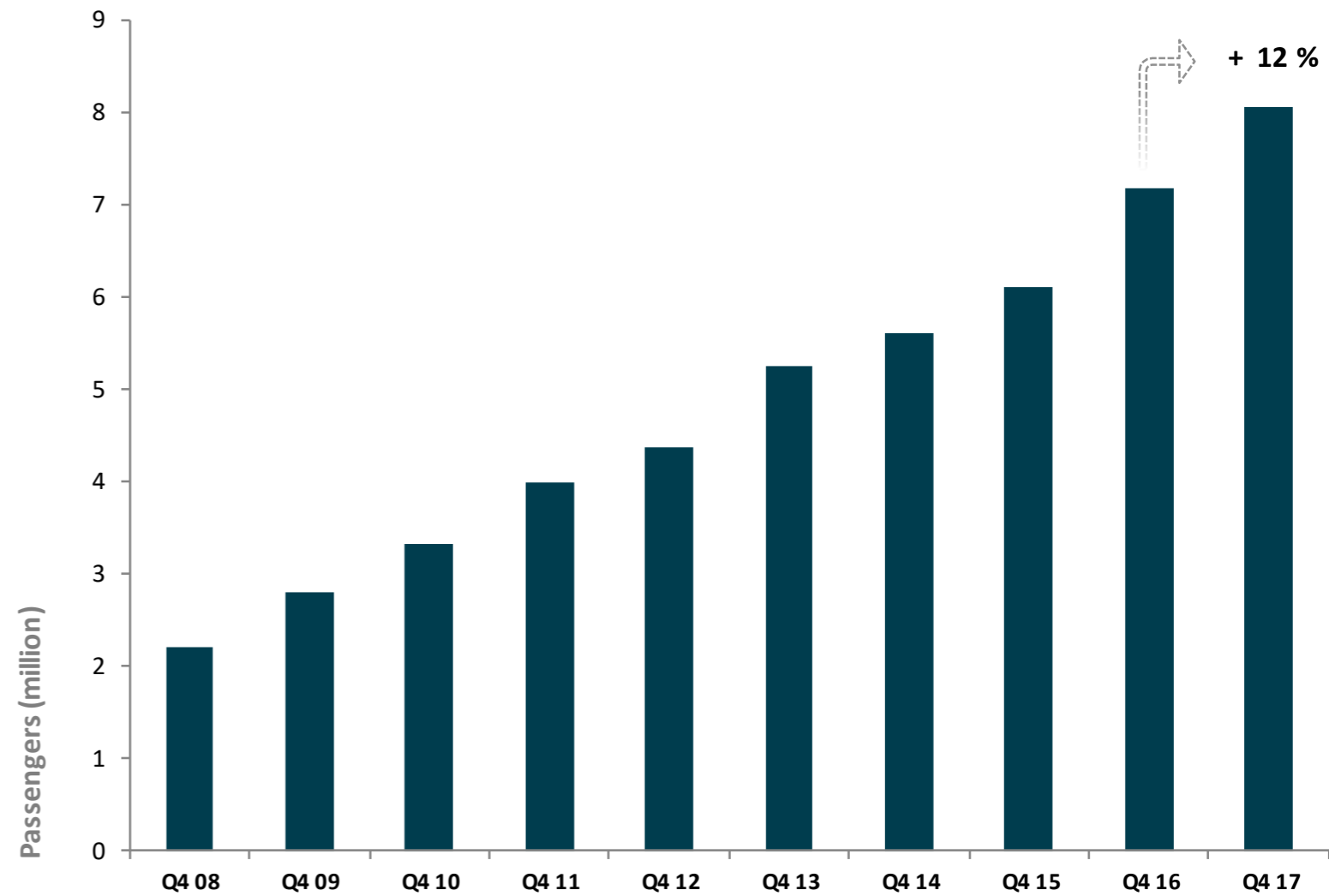


→ 30 % growth in both capacity (ASK) and traffic (RPK)



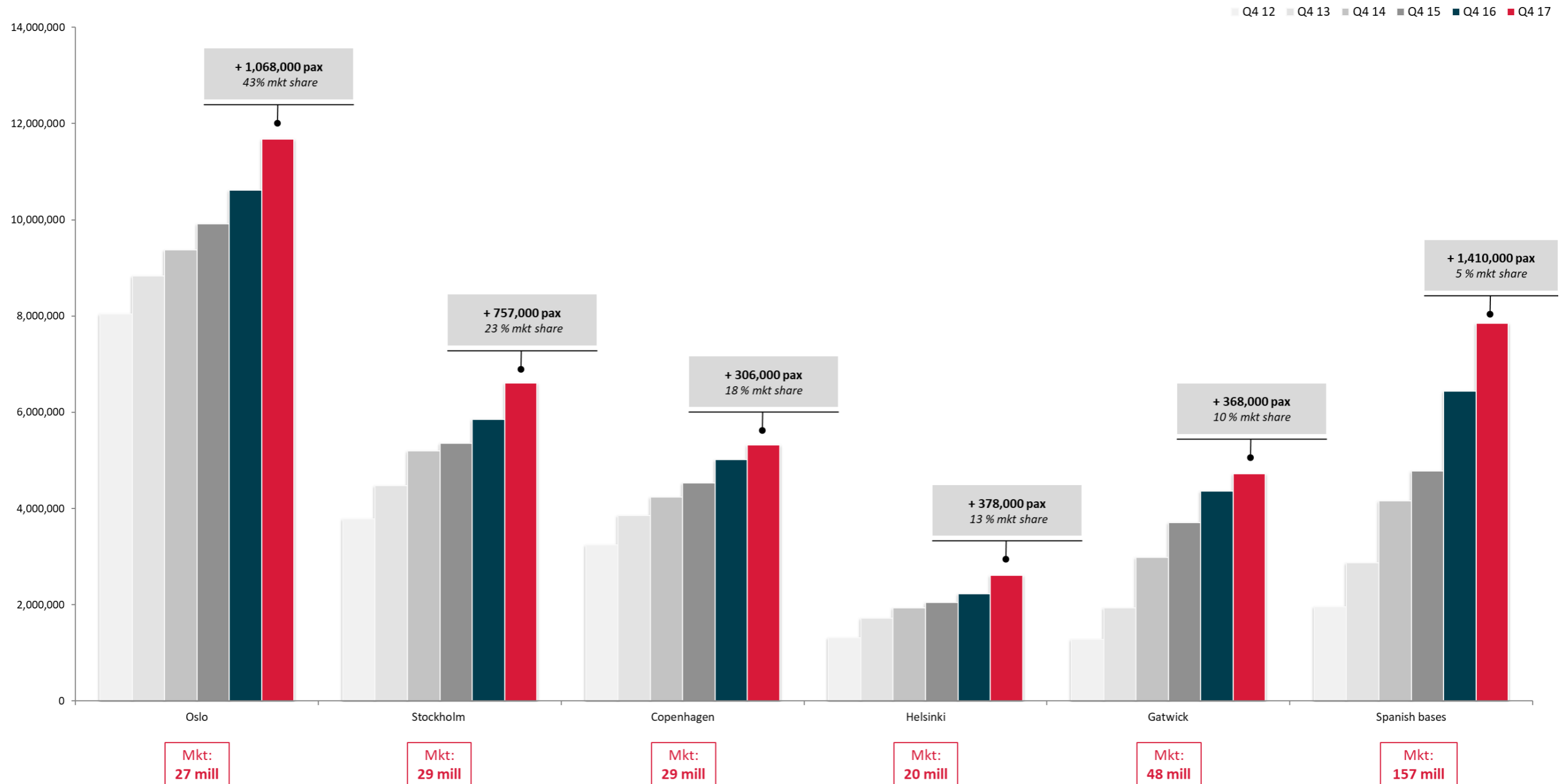
<b>ASK</b>	<b>2,783</b>	<b>3,432</b>	<b>4,516</b>	<b>5,461</b>	<b>6,517</b>	<b>9,176</b>	<b>11,142</b>	<b>11,909</b>	<b>15,109</b>	<b>19,704</b>
Load Factor	76.2 %	76.1 %	77.4 %	78.5 %	76.7 %	77.9 %	80.7 %	84.9 %	85.8 %	85.3 %

# 8.1 million passengers in Q4 (+12 %)



	Q4 08	Q4 09	Q4 10	Q4 11	Q4 12	Q4 13	Q4 14	Q4 15	Q4 16	Q4 17
Pax (mill)	2.2	2.8	3.3	4.0	4.4	5.2	5.6	6.1	7.2	8.1
Pax 12 mths rolling (mill)	9.1	10.8	13.0	15.7	17.7	20.7	24.0	25.7	29.3	33.2

# Continued growth at all key airports

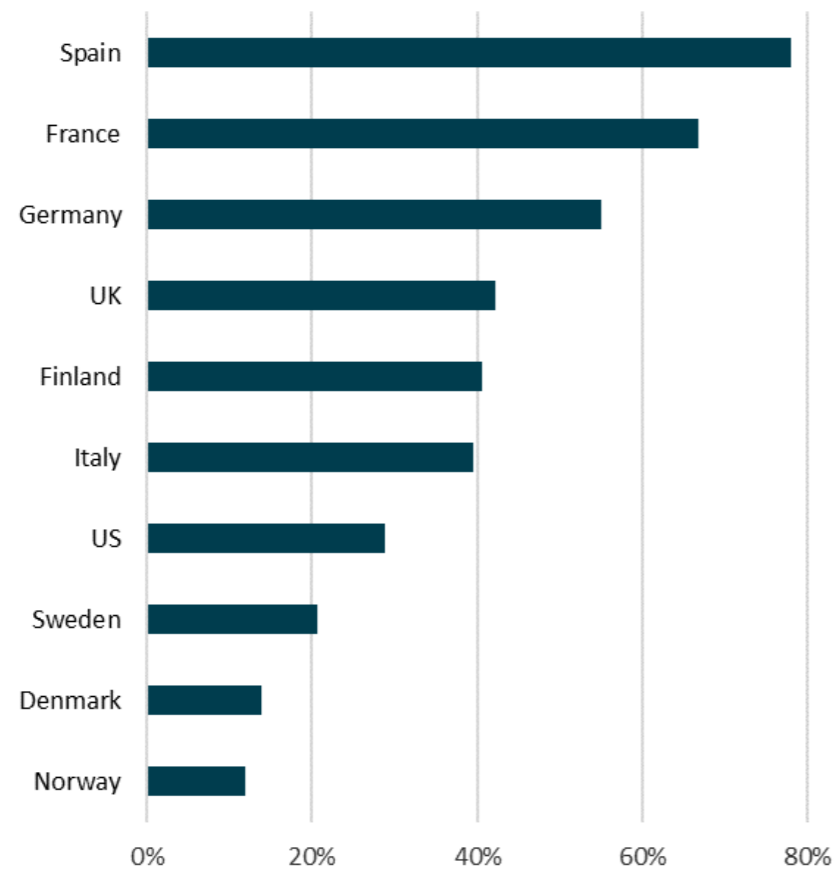


Source: 12 month rolling passengers as reported by Avinor, Swedavia, Copenhagen Airports, Finavia, Gatwick Airport and Aena

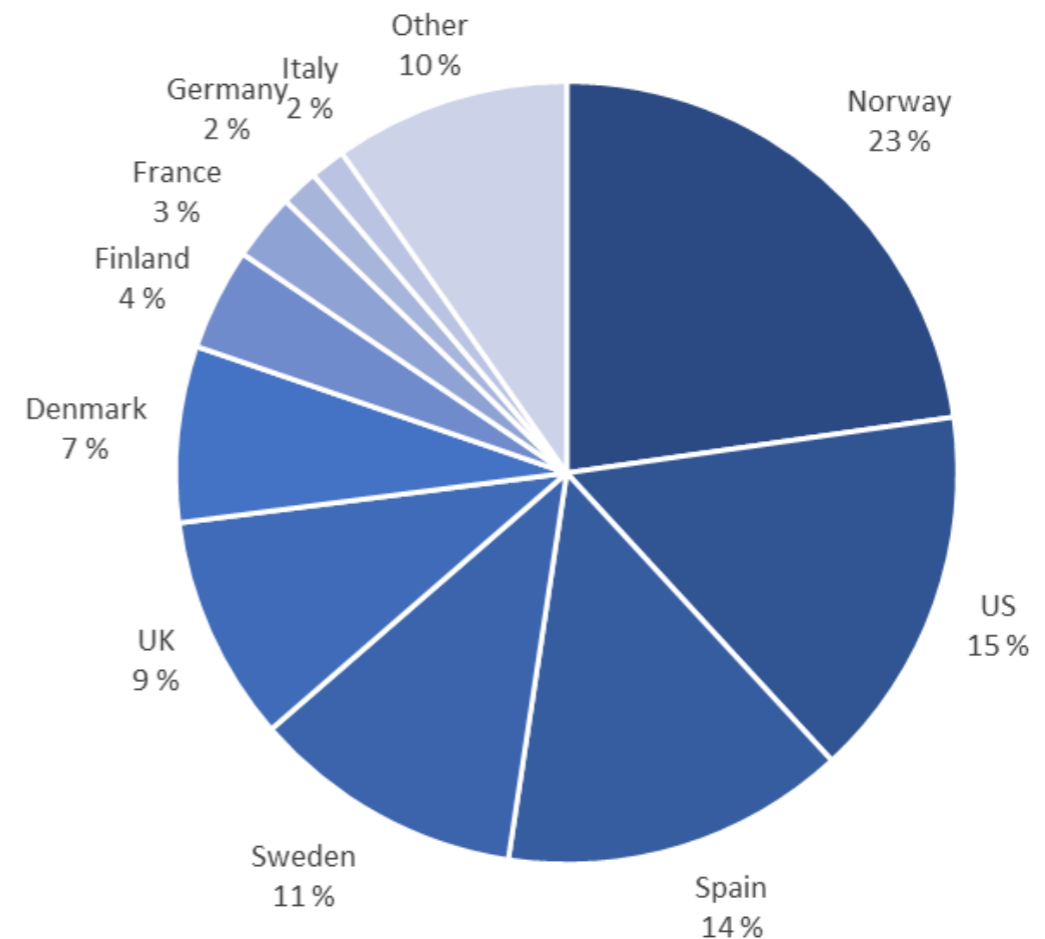
# 55 % of revenue generated outside the Nordics

- 17 % revenue growth in the Nordics
- 78 % revenue growth in Spain

Growth in revenue by origin in Q4 17 (y/y):



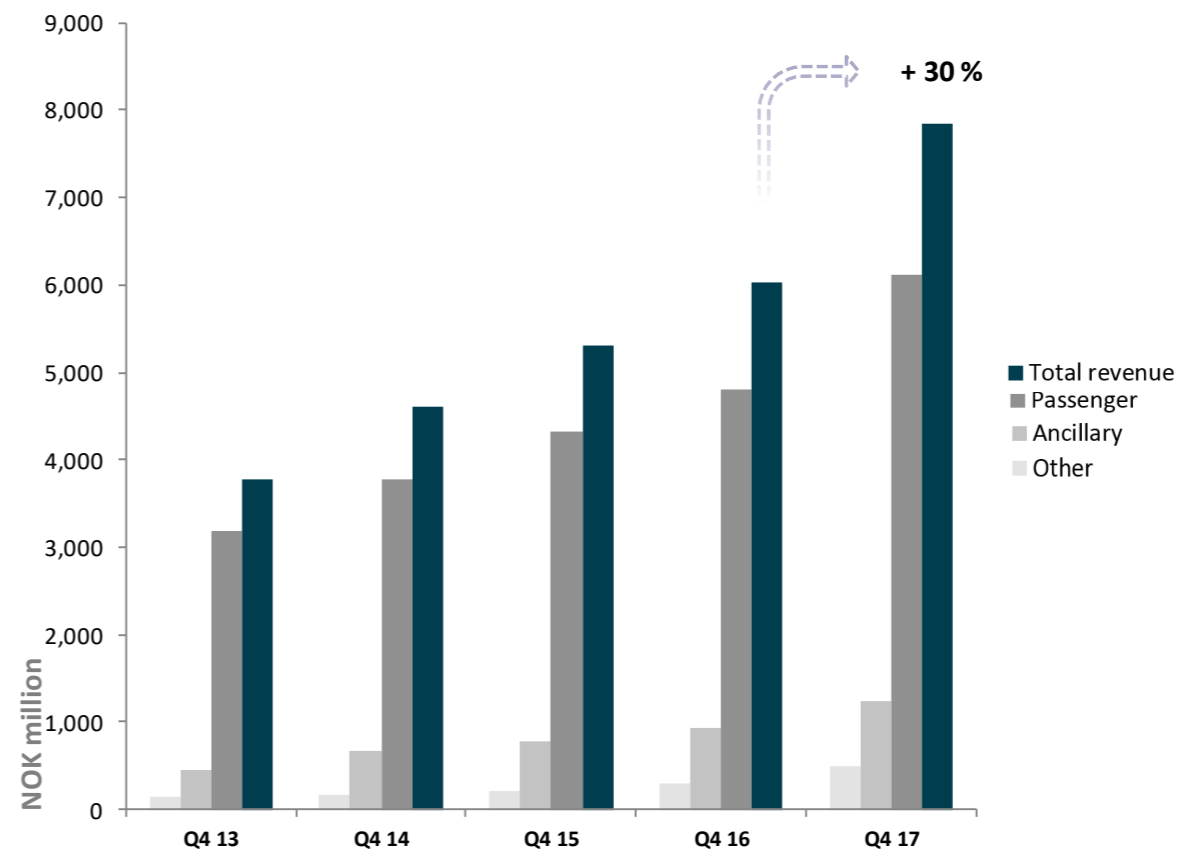
Split revenue by origin in Q4 17:



# Underlying RASK unchanged

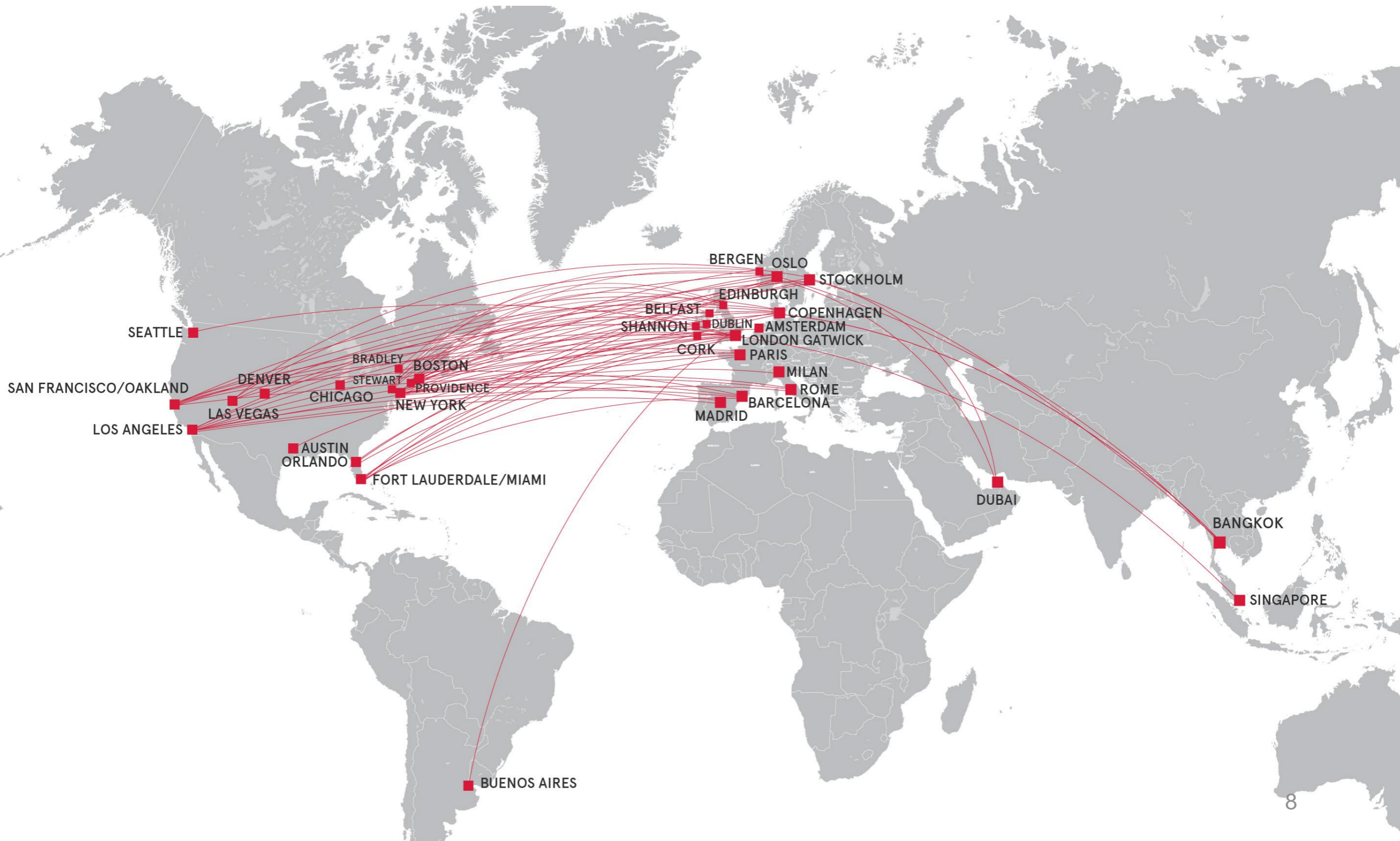


- Q4 unit passenger revenue (RASK) -2 % to 0.31 (-3 % in constant currency)
- Average flying distance increased by 14 %
- Ancillary revenue per passenger increased by 18 %
- Cargo revenue increased by 137 % to NOK 180 million



	Q4 13	Q4 14	Q4 15	Q4 16	Q4 17
<b>Total revenue</b>	<b>3,786</b>	<b>4,602</b>	<b>5,319</b>	<b>6,027</b>	<b>7,844</b>
Passenger	3,187	3,768	4,324	4,796	6,114
% y/y chg	18 %	18 %	15 %	11 %	27 %
Ancillary	458	663	774	927	1,233
% y/y chg	35 %	45 %	17 %	20 %	33 %
Other	140	172	220	304	497
% y/y chg	145 %	23 %	28 %	38 %	64 %

# A network of more than 60 intercontinental routes





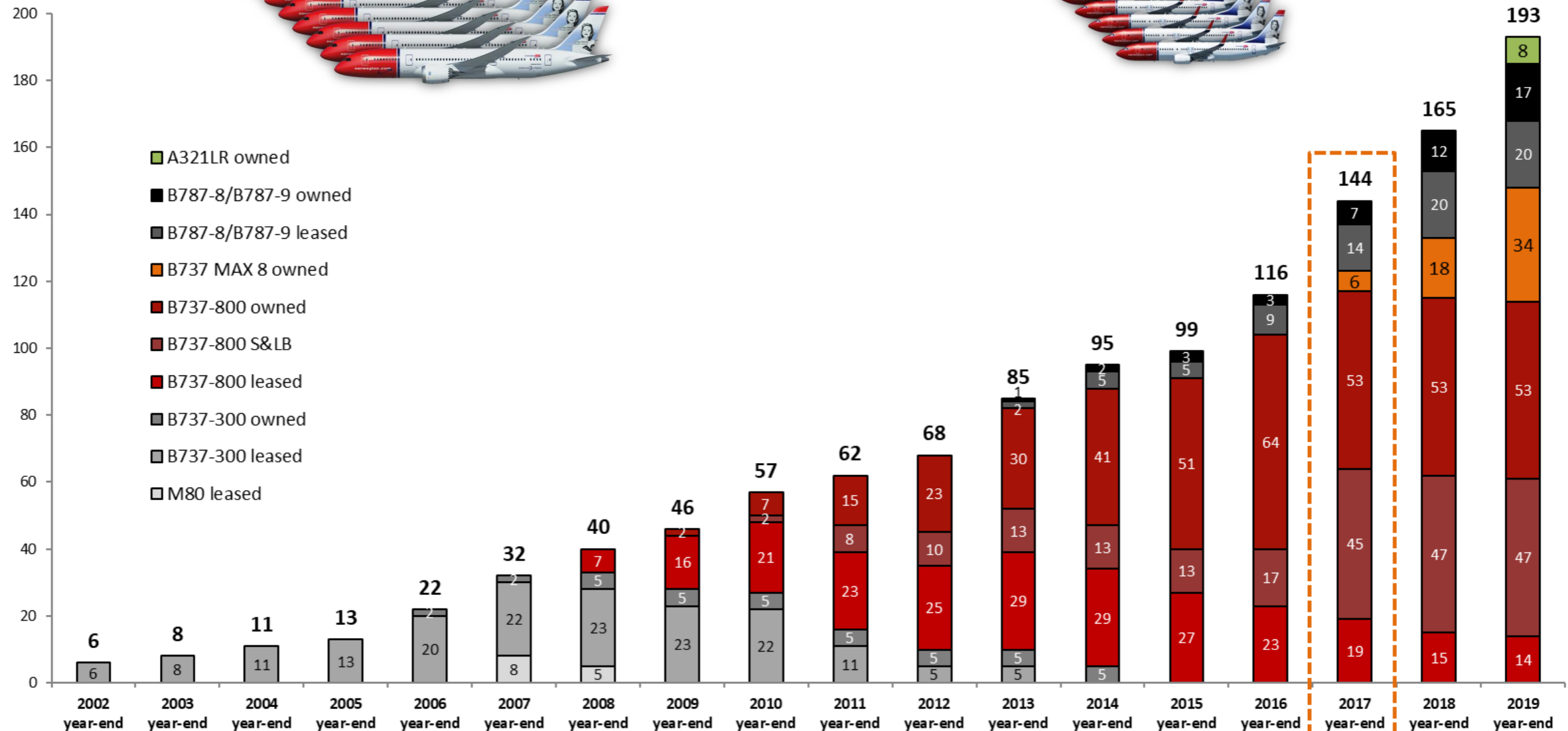
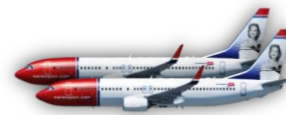
# Adding 25 new aircraft to own operations in 2018

2018:

Deliveries 787-9  
+3,724 seats

Deliveries 737-800 and 737 MAX  
+2,640 seats

Re-deliveries 737-800  
-744 seats



# Norwegian Reward – loyalty pays off



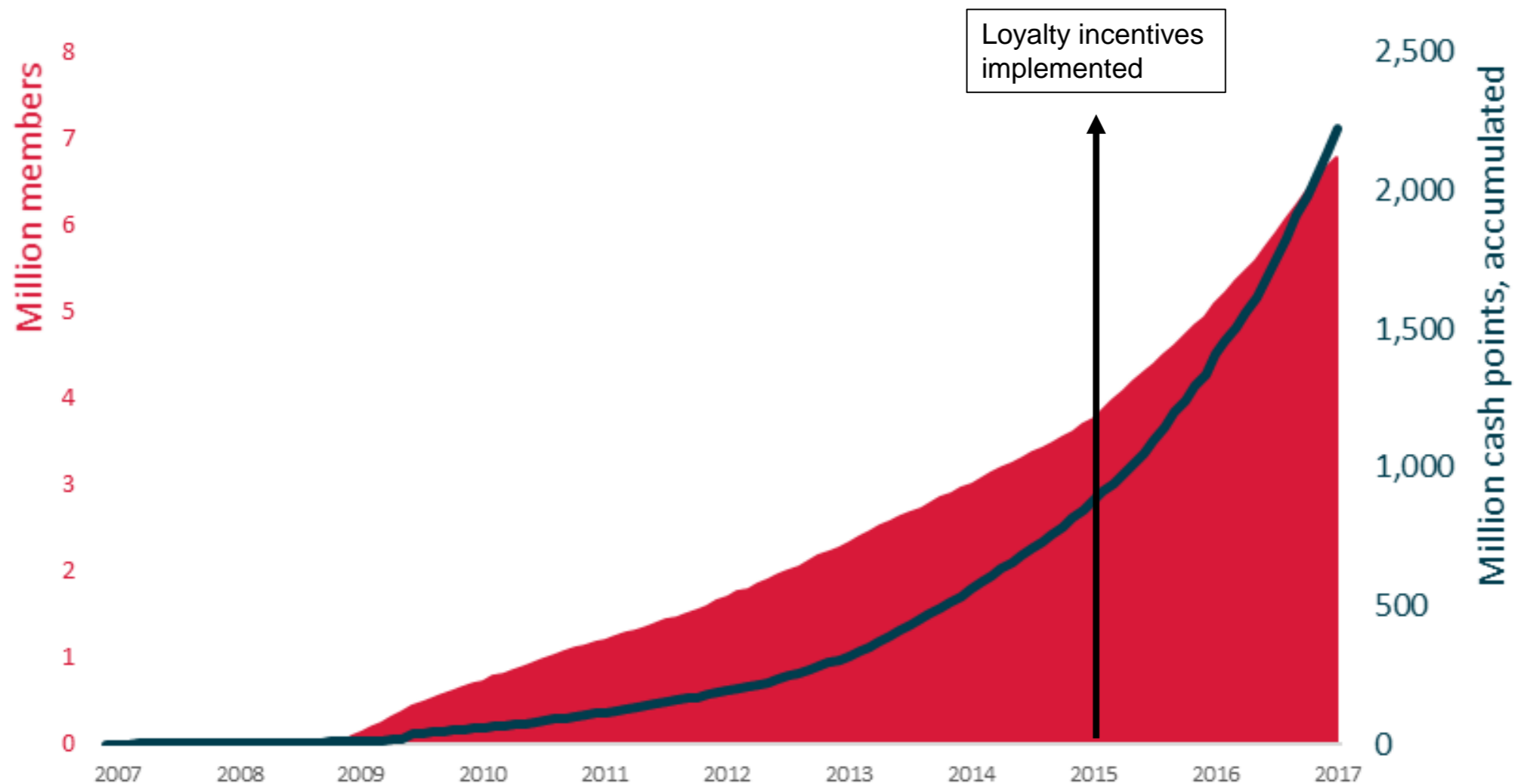
# Building the Reward program

- Set up as a separate and dedicated business unit
- We have about 50 partners in NO, SE, DK, FI, ES & UK:



# Reached 7 million Reward members\*

- Strong increase of members and activity
- More than 50 % of cash points are earned through external partners
- Currently the highest growth in the US and the UK



\* In February 2018

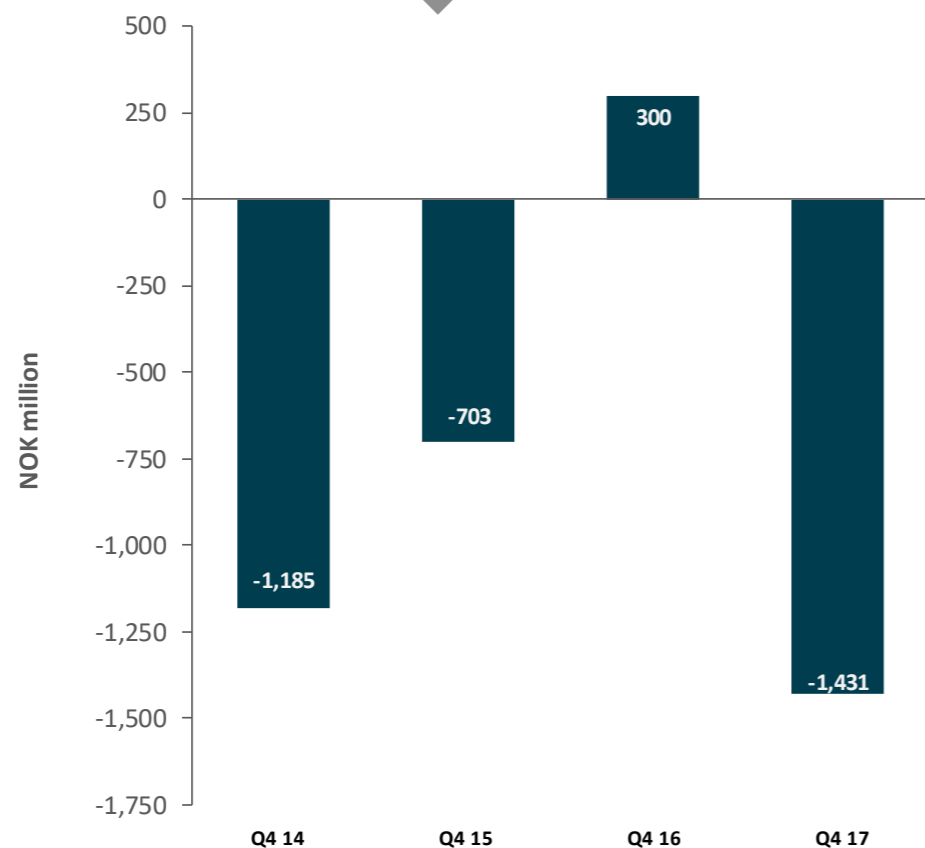
# Financials

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# Q4 EBITDAR of NOK 387 million

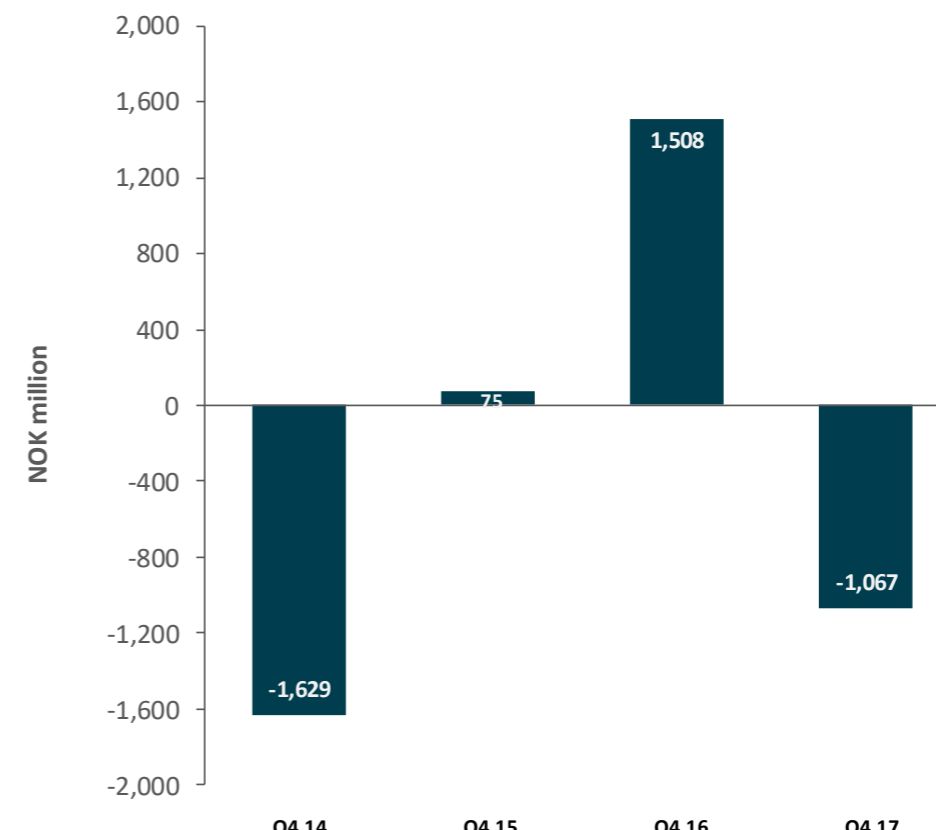
	Q4 17	Q4 16	Chg	12 mths rolling Q4 17	12 mths rolling Q4 16	Chg
Revenue	7,844	6,027	1,818	30,948	25,951	4,997
EBITDAR	387	1,357	-970	3,950	5,958	-2,009
<b>EBITDA</b>	<b>-652</b>	<b>673</b>	<b>-1,325</b>	<b>60</b>	<b>3,116</b>	<b>-3,056</b>
Pre-tax profit (EBT)	-1,431	300	-1,731	-1,067	1,508	-2,576
Net profit	-919	197	-1,116	-299	1,135	-1,434

EBT development Q4



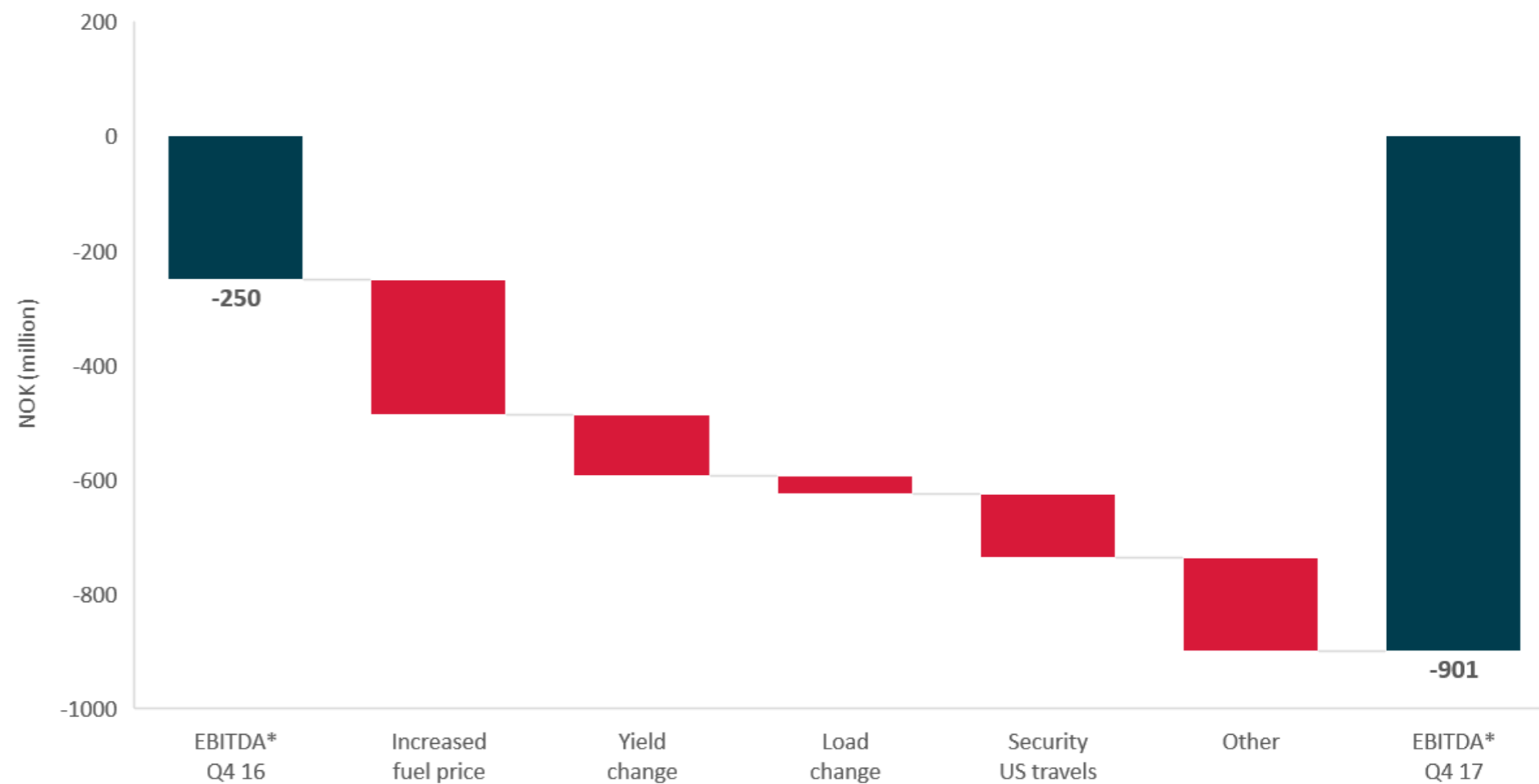
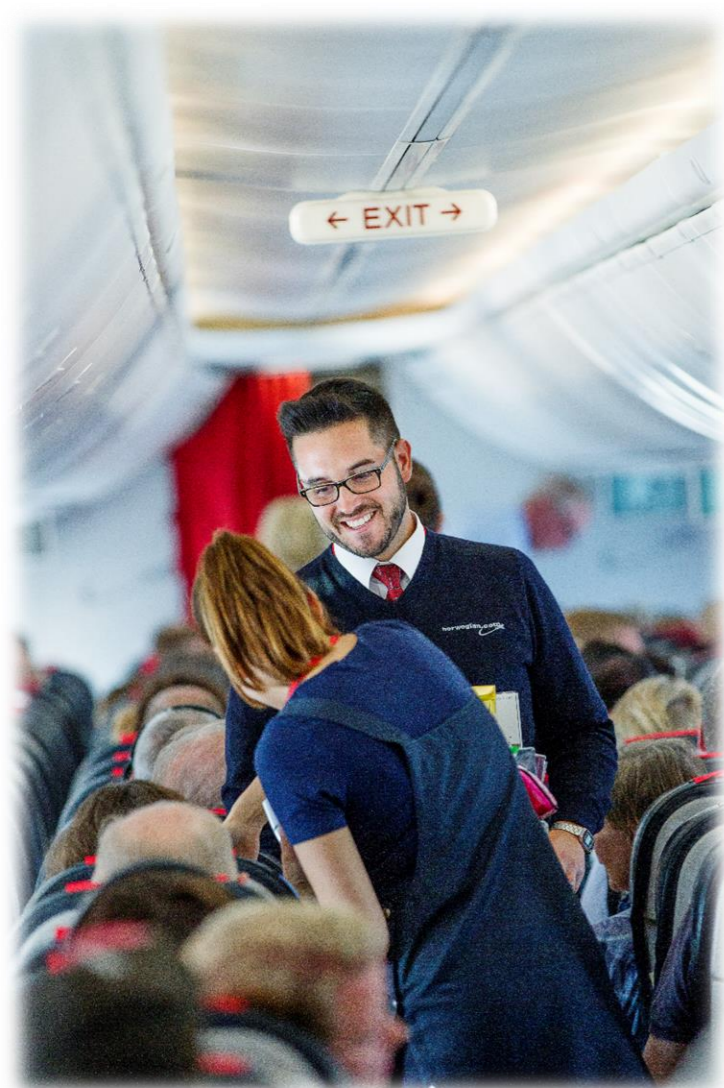
EBT margin	Q4 14	Q4 15	Q4 16	Q4 17
	n.a.	n.a.	6 %	n.a.

EBT development Q4 12 mths rolling



EBT margin	Q4 14	Q4 15	Q4 16	Q4 17
	n.a.	0 %	6 %	n.a.

# EBITDA (excl other losses/gains) bridge



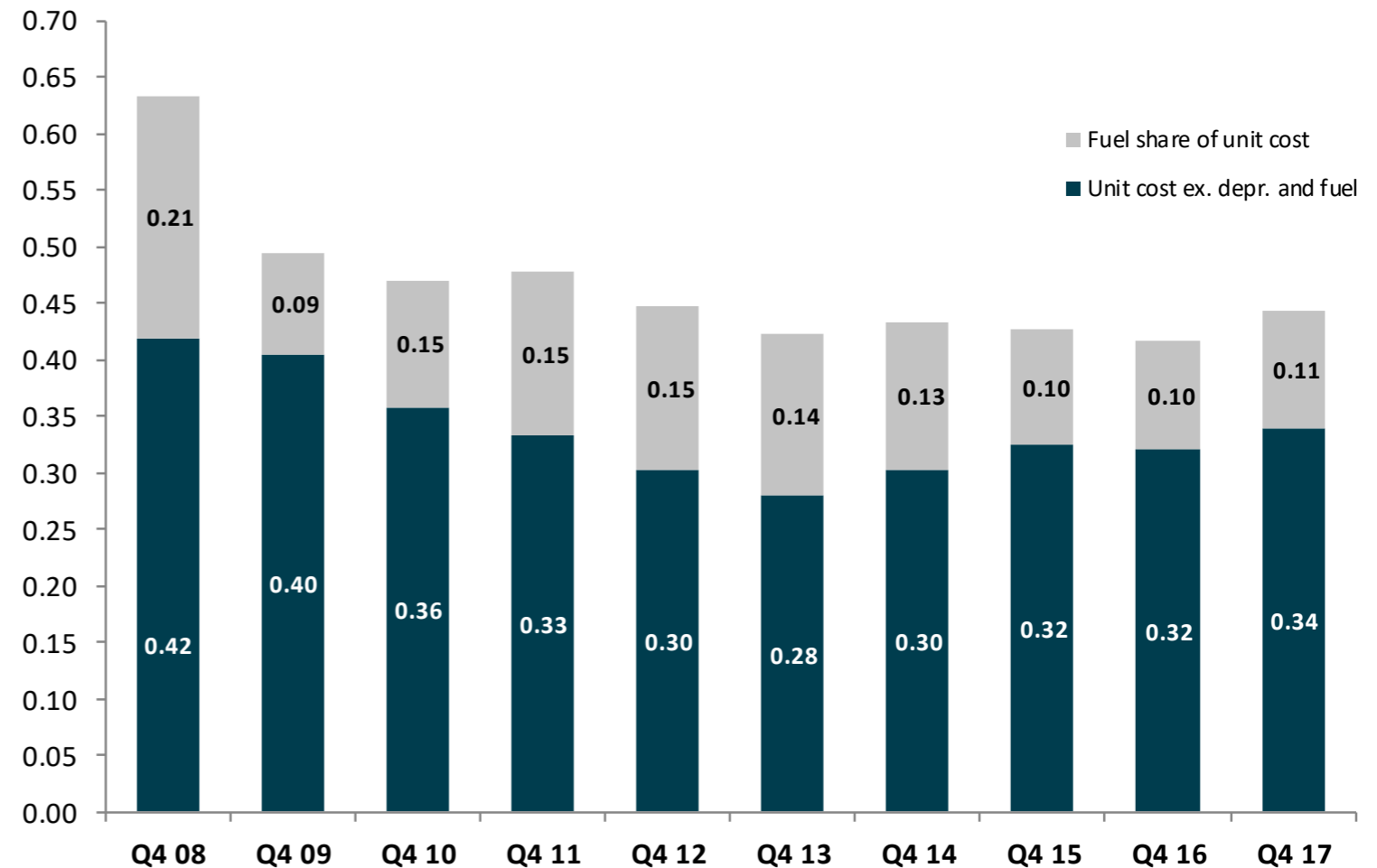
\* Excl other losses/gains

# Unit cost driven by fuel and ramp-up

- Unit cost excl fuel increased by 6 % (5 % in constant currency)
- Unit cost incl fuel increased by 7 % (8 % in constant currency)



Operating cost EBITDA level per ASK (CASK)



<b>CASK (NOK)</b>	<b>0.63</b>	<b>0.49</b>	<b>0.47</b>	<b>0.48</b>	<b>0.45</b>	<b>0.42</b>	<b>0.43</b>	<b>0.43</b>	<b>0.42</b>	<b>0.44</b>
CASK ex. fuel (NOK)	0.42	0.40	0.36	0.33	0.30	0.28	0.30	0.32	0.32	0.34

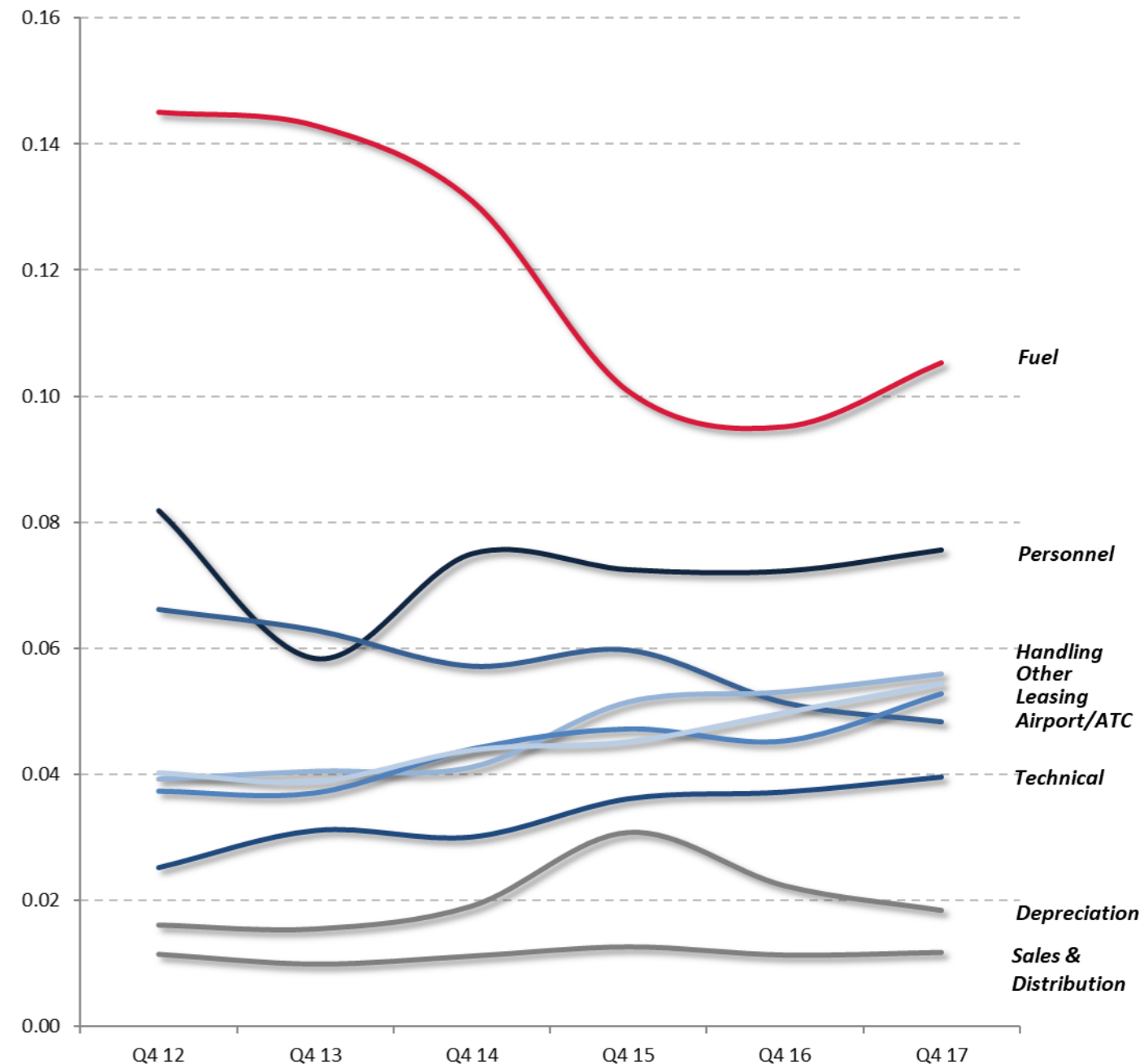
Other losses / (gains) is not included in the CASK concept as it primarily contains hedge gains/losses offset under financial items\* as well as other non-operational income and/or cost items such as gains on the sale of spare part inventory and unrealized foreign currency effects on receivables/payables 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** (+11 % per ASK) driven by spot price (+22 %), partly offset by a weaker USD vs NOK (-5 %)
- Higher **personnel cost** (+5 % per ASK) due to recruitment for growth and to avoid crew shortage in the high season
- Higher **handling cost** (+5 %) due to additional security measures for travels to the US of NOK 183 million and lagged compensation cost
- Higher **leasing cost** (+16 % per ASK) due to a higher share of leased aircraft and wetlease
- Lower **airport/ATC** (-6 %) due to increased sector length
- Higher **technical cost** (+6 % per ASK) due to higher share of both leased aircraft and 787s/MAXs with total maintenance deals, in addition to price escalation on engine maintenance
- Lower **depreciation** (-17 % per ASK) due to lower proportion of owned aircraft

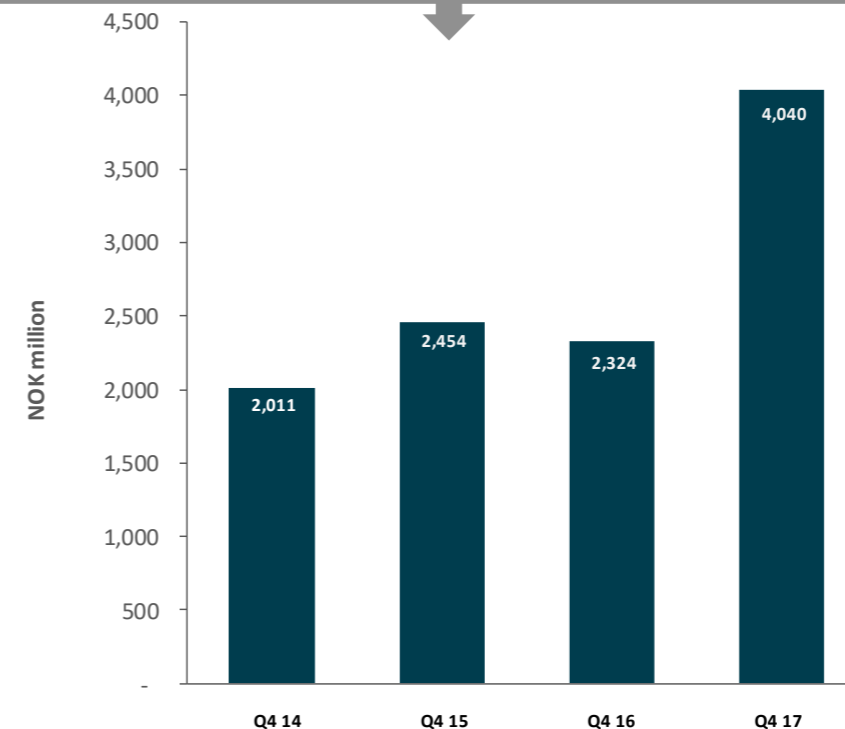


# Strong liquidity with NOK 4 billion in cash

## Highlights

- Cash from operations finances the fleet increase
- Cash flow from operations of NOK 2.9 bn the last 12 months (3.1 bn)
- Invested NOK 3.6 bn the last 12 months

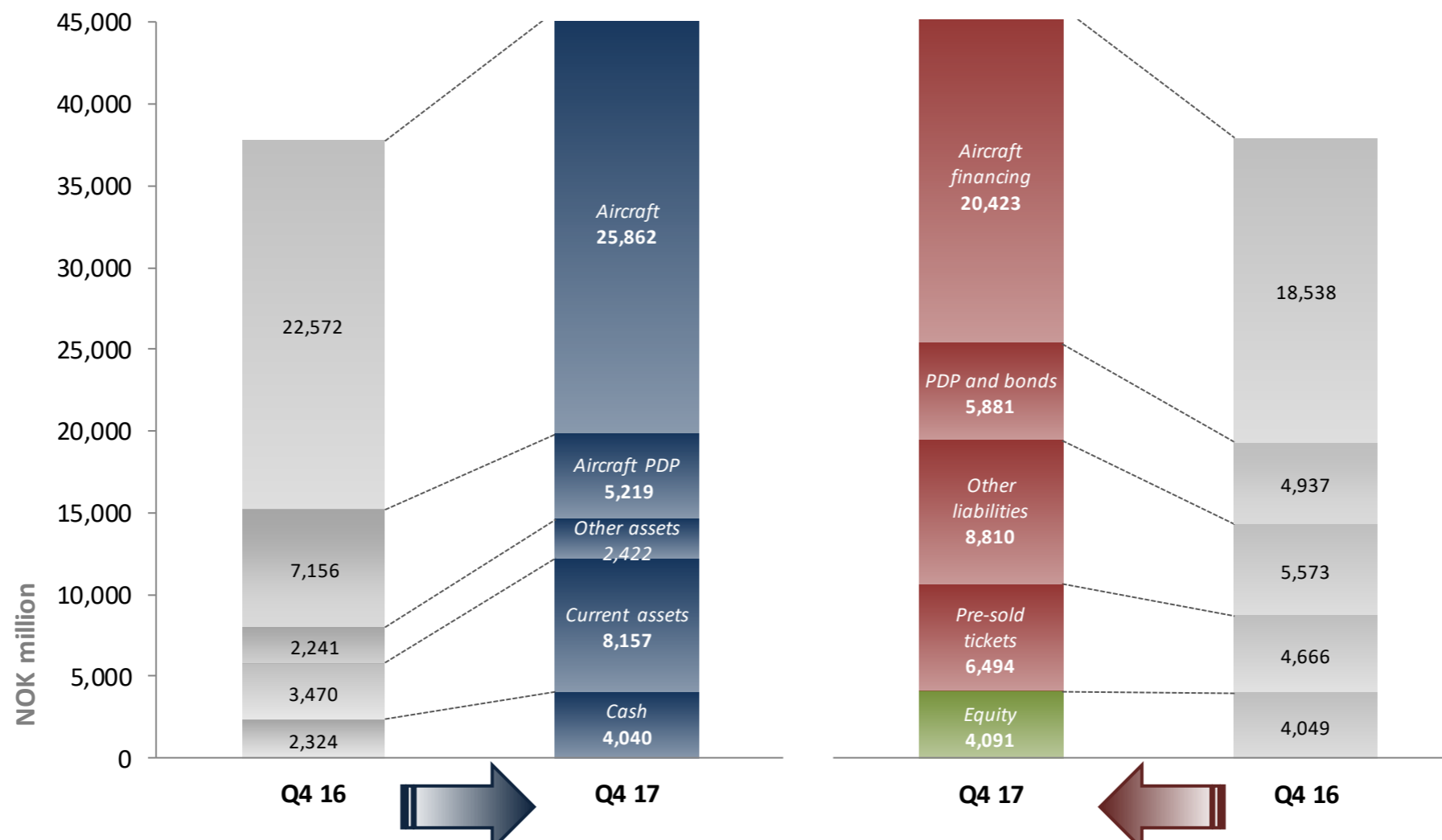
## Cash development Q4



NOK million	Q4 17	Q4 16	Chg	12 mths rolling Q4 17	12 mths rolling Q4 16	Chg
Profit before tax	-1,431	300	-1,731	-1,067	1,508	-2,576
Paid taxes	4	-	4	35	-29	64
Depreciation	374	338	36	2,061	1,296	765
Change air traffic settlement liabilities	-402	-445	43	1,827	652	1,176
Change working capital	603	13	590	45	-313	358
<b>Net cash flows from operating activities</b>	<b>-852</b>	<b>206</b>	<b>-1,058</b>	<b>2,901</b>	<b>3,114</b>	<b>-213</b>
Net cash flows from investing activities	-2,432	-1,112	-1,320	-3,646	-6,530	2,883
Net cash flows from financial activities	1,741	981	760	2,509	3,303	-793
<b>Net change in cash and cash equivalents</b>	<b>-1,527</b>	<b>90</b>	<b>-1,618</b>	<b>1,716</b>	<b>-131</b>	<b>-20</b>
<b>Cash and cash equivalents, end of period</b>	<b>4,040</b>	<b>2,324</b>	<b>1,716</b>	<b>4,040</b>	<b>2,324</b>	<b>1,716</b>

# 13 new aircraft on balance in 2017

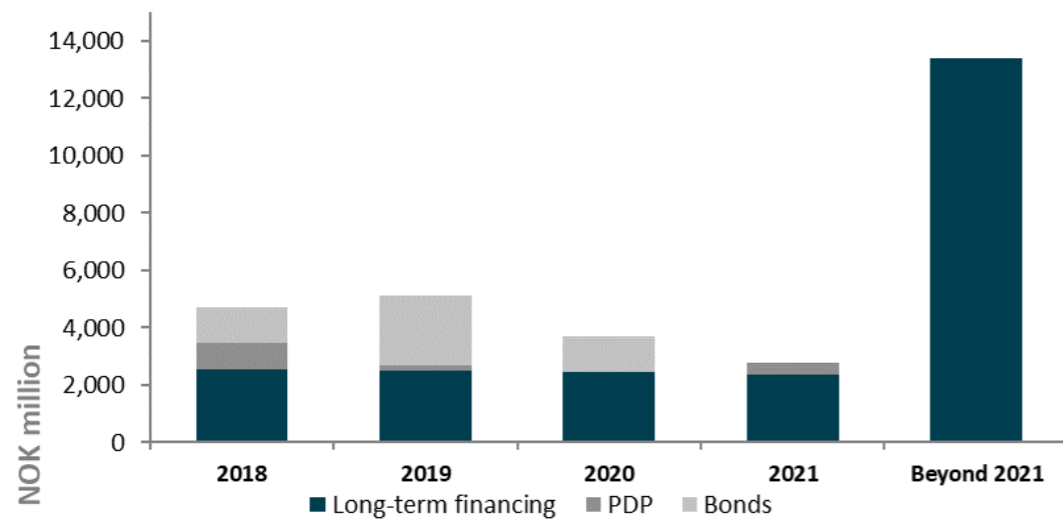
- Added four 787-9s, six 737 MAXs and three 320neos on balance the last 12 months
- NOK 22.3 bn net debt (21.2 bn in Q4 2016)
- 9 % equity ratio (11 %)



# Balanced mix of funding

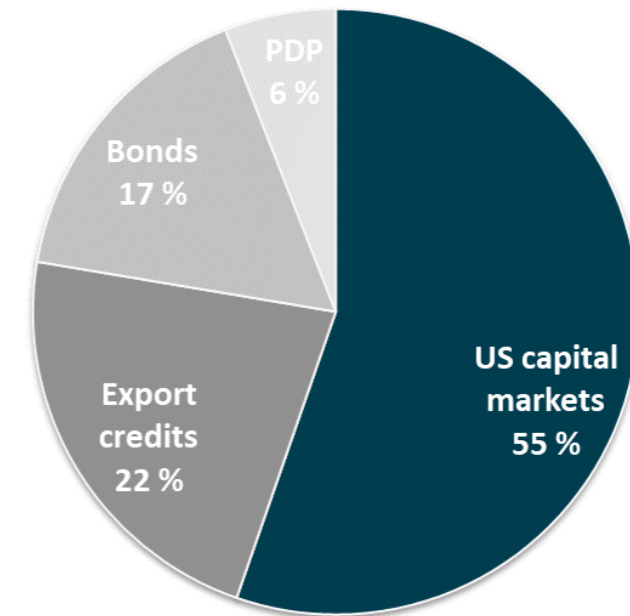
- 30 aircraft financed by export credits
- 3.2 % average interest rate on long-term aircraft financing (3.7 %)
- 95 % of aircraft financing on fixed rates

## Debt maturity profile\*:



\* Based on exchange rates as of 31.12.2017

## Debt mix:



## Number of aircraft:

# aircraft	B737	B787	B737 MAX	A320
Export credits (UK and US)	23	7		
AFIC			6	
EETC	10			
Private placement/banks	20			5
SLB	45			
Leasing	19	14		
<b>Total</b>	<b>117</b>	<b>21</b>	<b>6</b>	<b>5</b>

# Financing on track



## → Gross capex commitment (all aircraft incl PDP)

- USD 1.9 bn for 2018 (reduced from 2.1 bn)
- USD 2.6 bn for 2019
- Expect net capex to be reduced in 2018 and 2019
- Fleet renewal – initiated process to sell older aircraft and reduce capex commitment

## → PDP financing / liquidity

- PDP financing for 787s
- SLB of two 737-800s in 2018
- Tap of unsecured bond in January (EUR 65 million)
- Undrawn credit facility of NOK 311 million (of NOK 1 bn)

## → Long-term financing

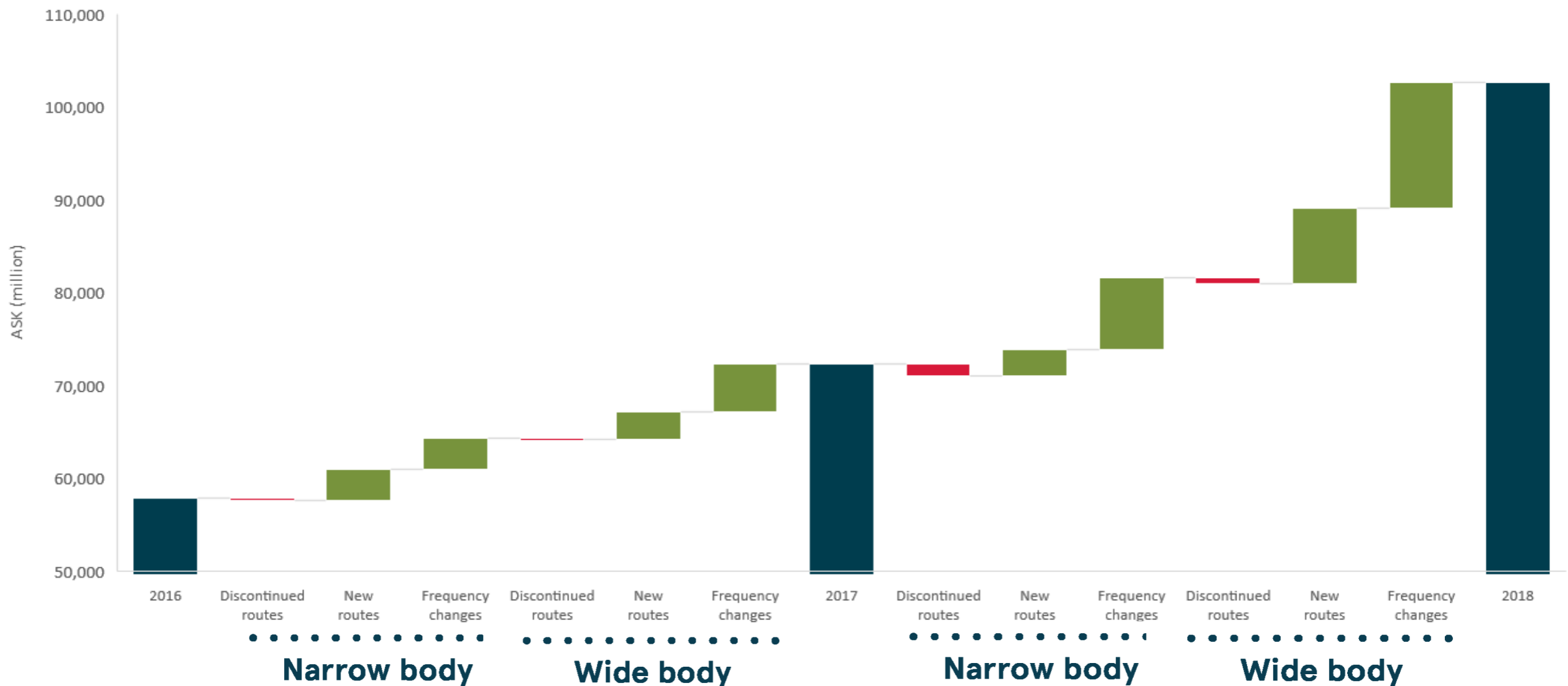
- UKEF and JOLCO combination in Q1 2018
- Utilizing a mix of long-term financing for the deliveries in 2018 to 2020 with focus on AFIC and export credits

# Outlook

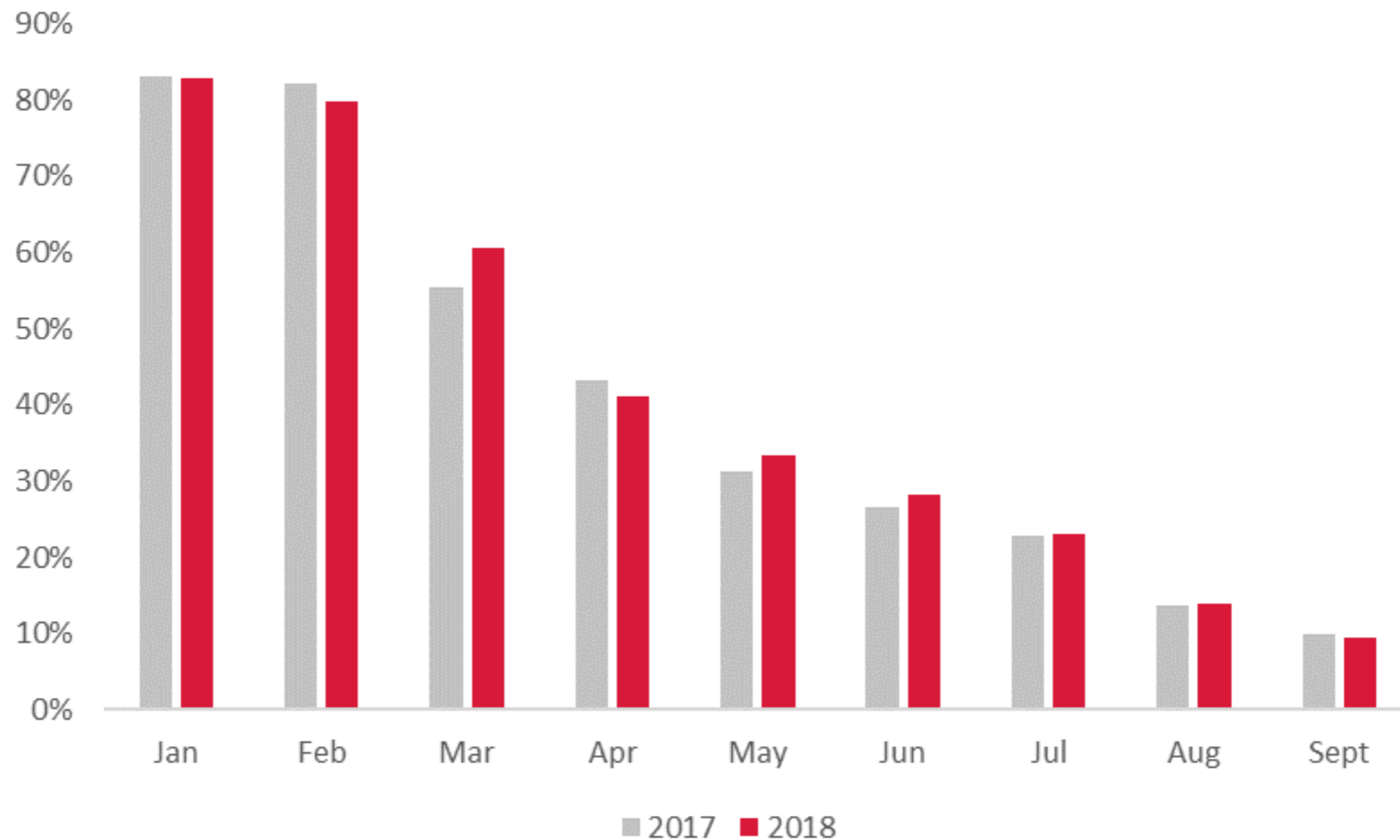
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# Growth driven by increased frequency in wide body operation

- Two thirds of the 2018 growth will come from increased frequency
- 70 % of the ASK growth in 2018 comes from the widebody fleet



# Overall bookings ahead of last year





# Outlook for 2018



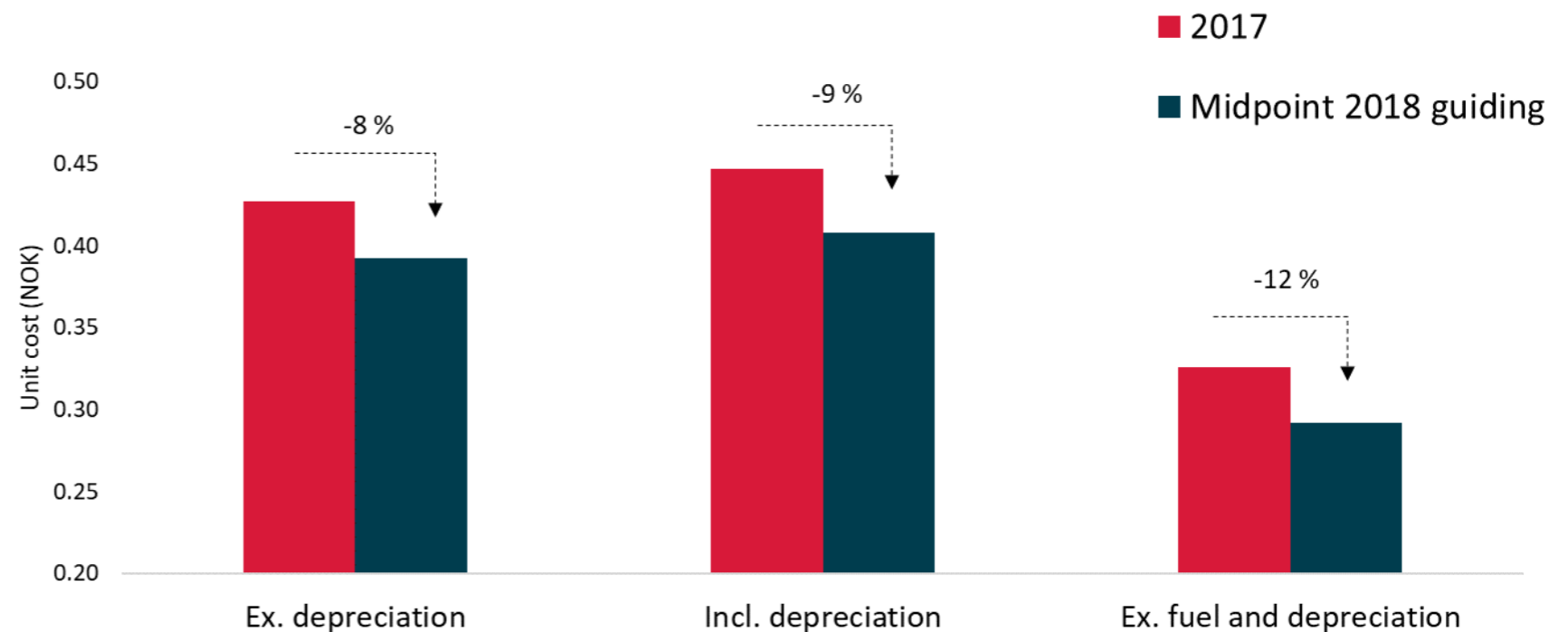
- Markets and business
  - Positive and stable markets in the Nordics
  - Capacity adjusted booking volumes ahead of last year
  
- An estimated production growth (ASK) of 40 % (unchanged)
  - Increasing distance
  - Q1: +36 %, Q2: +48 %, Q3: + 37 % Q4: +41 %
  
- Fuel hedging
  - 25 % of 2018 at USD 494
  - 37 % of H1 2018 at USD 499
  - 16 % of H2 2018 at USD 484

# Expect to reduce unit cost excl fuel by 12% in 2018



## → Unit cost estimates (unchanged)

- NOK 0.290-0.295 excl fuel and depreciation
- NOK 0.390-0.395 excl depreciation
- NOK 0.405-0.410 incl depreciation
- Assumptions: Fuel price of USD 575/mt, USD/NOK 7.75, EUR/NOK 9.00. Based on the current route portfolio and planned production



# Going forward



- Solid bookings ahead of 2018
- Strong growth in cargo revenue
- Target 20 % long-term ancillary revenue share driven by new products and services, and third party revenue streams
- Increasing premium cabin on new deliveries of the 787 Dreamliner due to demand
- Preparing for ticket sales after receiving Argentine route approvals and operating license (AOC)
- Signed collective bargaining agreements with Spanish and Italian pilots and cabin crew
- Launching interline agreement with Widerøe
- Continue fleet renewal and reduce ownership in non-core assets

# Norwegian offers more than 500 routes to over 150 destinations

