

norwegian



Photo: Jon Ingemundsen, Stavanger Aftenblad

Norwegian Air Shuttle ASA

First half 2020 Presentation

28 August 2020

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Business Update

Jacob Schram, CEO

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First half 2020 financial results update

Geir Karlsen, CFO

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Jacob Schram, CEO

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Q&A

Jacob Schram, CEO and Geir Karlsen, CFO

Highlights first half of 2020

COVID-19

- Operated 7-8 aircraft in domestic Norway from April to maintain critical infrastructure
- 71% reduction in passengers yoy in the first half of 2020 (-99% in Q2 yoy)

Extensive actions & business restructuring

- Reduced cost-base, furloughed over 80% of employees, delivered 10 sold aircraft, terminated vendor agreements
- Successful conversion of debt to equity and public offering added NOK 15.3 bn to equity
- Norwegian state aid of NOK 3 bn loan guarantees + 330 mln associated loan private banks

H1 2020 financials

- NOK 0.5 bn loss from operations (EBITDAR) before other losses/gains
- NIBD reduced to NOK 47.7 bn (58.3 bn in Q4 2019), NOK 22.2 bn excluding lease liabilities

Outlook

- Focus on preserving cash, positive trend in the Norwegian domestic market
- Flexible plan which allows for stepwise ramp-up on cash-positive routes when visibility improves
- Building a solid business platform for a stronger aviation company emerging from the crisis

Business update

Extensive actions taken immediately as the crisis escalated

Immediate operational actions

- Operations disrupted as countries closed down
- Grounded 140 aircraft in April, maintained only critical infrastructure in Norway with 7-8 aircraft in operation

Employees

- Over 80 % of all employees furloughed
- Sweden / Denmark resourcing companies declared bankrupt

Vendors

- Boeing GoldCare agreement and Boeing purchase agreements terminated
- Terminated agreements with OSM Aviation subsidiaries

Organizational development

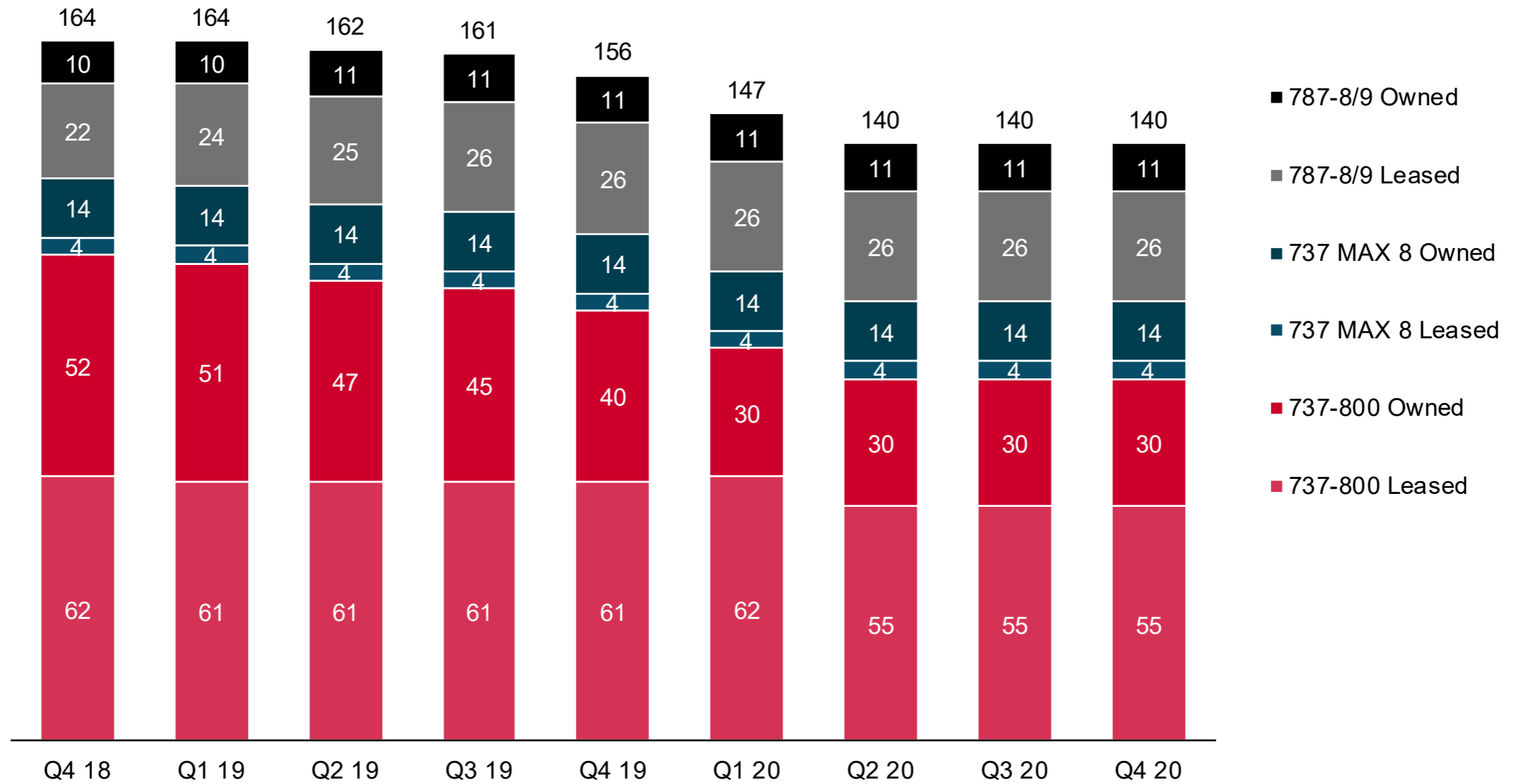
- At the same time, a new organizational structure was established with the new management team
- Developed a comprehensive business platform

The new Norwegian business platform



Financials

Fleet reduced by 16 aircraft since end of 2019

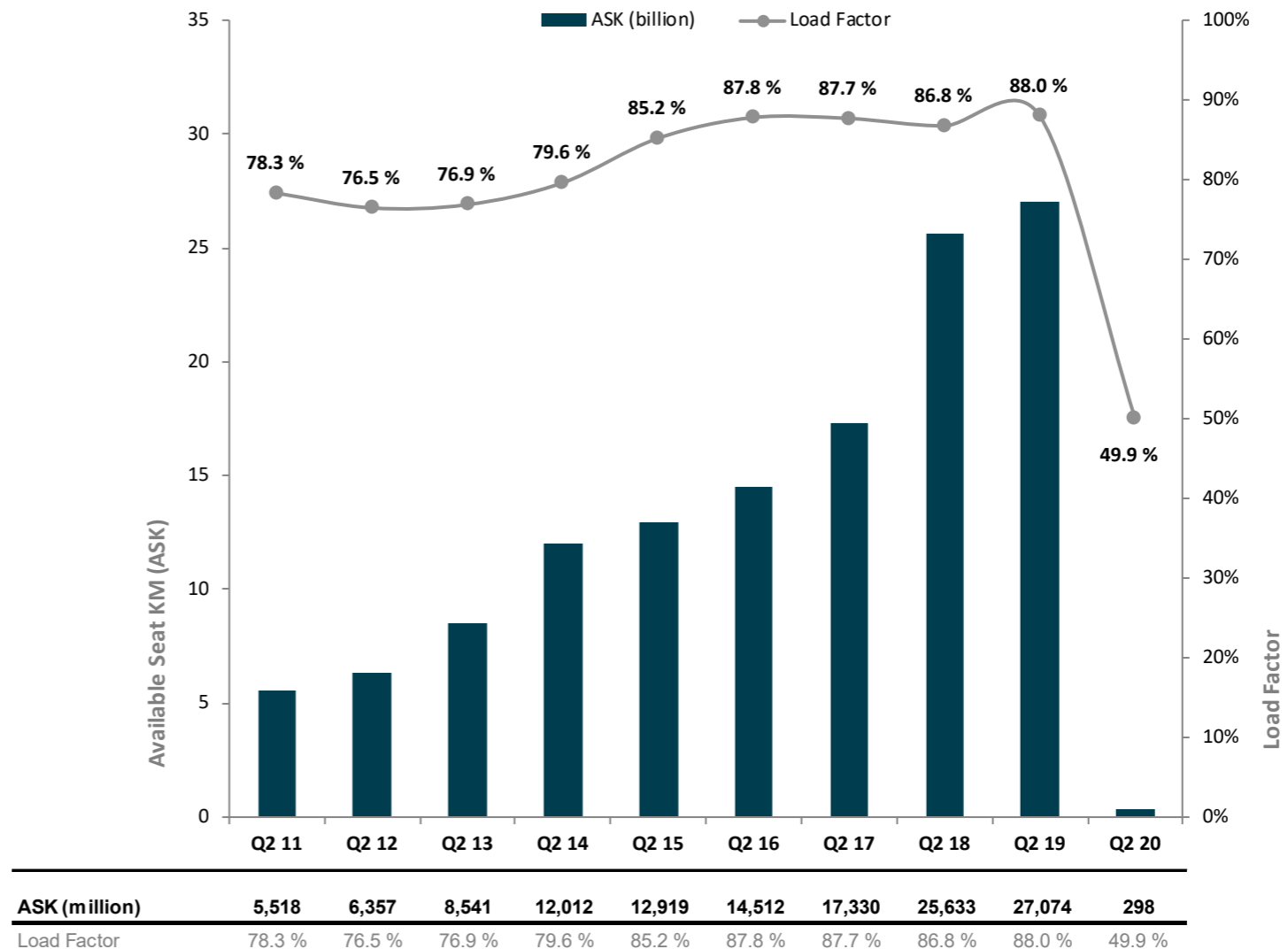


The deliveries of MAX aircraft are currently on hold, and the delivery schedule for these aircraft is subject to change.

Most of operations grounded in Q2 2020



- 99% reduction in production (ASK) and 50% load factor
- Only seven to eight short-haul aircraft operated during the quarter
- 71% reduction in passengers yoy in the first half (-99% in Q2 yoy)



Income statement H1

<i>NOK million</i>	H1 2020	H1 2019
Passenger revenue	5,141	16,200
Ancillary passenger revenue	1,245	3,209
Other revenue	753	765
Total operating revenue	7,138	20,173
Personnel expenses	2,086	3,422
Aviation fuel	1,850	6,285
Airport and ATC charges	627	2,002
Handling charges	1,011	2,562
Technical maintenance expenses	665	1,823
Other operating expenses	1,366	2,458
EBITDAR excl other losses/(gains)	-467	1,622
Other losses/(gains)	1,146	-676
EBITDAR	-1,613	2,297
Aircraft lease, depreciation and amortization	3,462	3,133
Operating profit (EBIT)	-5,075	-836
Net financial items	291	-1,069
Profit (loss) from associated companies	-8	39
Profit (loss) before tax (EBT)	-4,792	-1,866
Income tax expense (income)	641	-460
Net profit (loss)	-5,433	-1,407

Financial position H1

<i>NOK million</i>	30 JUNE 2020	31 DEC 2019
Intangible assets	2,230	2,871
Tangible fixed assets	68,274	66,379
Fixed asset investments	1,038	1,485
Total non-current assets	71,542	70,734
Assets held for sale	268	1,205
Inventory	155	176
Receivables	7,048	10,133
Cash and cash equivalents	4,975	3,096
Total current assets	12,447	14,609
ASSETS	83,989	85,343
Equity	12,251	4,125
Non-current debt	46,555	52,224
Other non-current liabilities	4,818	4,968
Total non-current liabilities	51,373	57,192
Air traffic settlement liabilities	2,669	6,106
Current debt	6,107	8,784
Other current liabilities	11,589	9,136
Total current liabilities	20,365	24,026
Liabilities	71,738	81,218
EQUITY AND LIABILITIES	83,989	85,343

→ Assets held for sale:

→ One 737-800

→ 14.6% Equity ratio, equity increased by NOK 15.3bn by financial restructuring, including NOK 2.4bn recognized in income statement

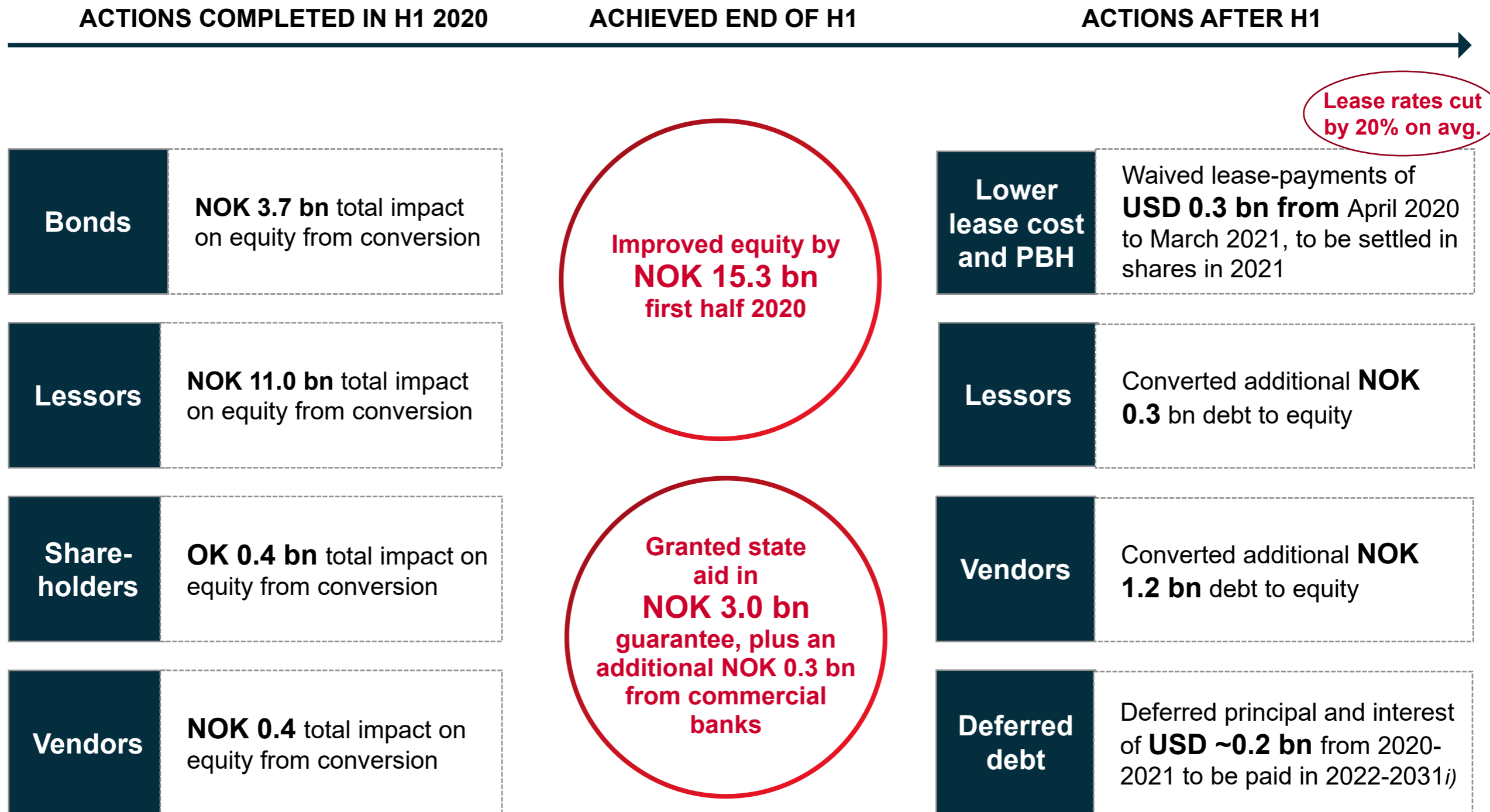
→ Liabilities reduced by NOK 14.9bn through equity conversions, offset by NOK 3.3bn in new loans and currency effects

Cash flow H1

<i>NOK million</i>	H1 2020	H1 2019
Profit before tax	-4,792	-1,866
Paid taxes	-6	-12
Depreciation, amortization and impairment	3,296	3,122
Changes in air traffic settlement liabilities	-3,437	4,465
Changes in receivables	3,085	-5,930
Other adjustments	2,464	1,149
Net cash flows from operating activities	609	928
Purchases, proceeds and prepayment of tangible assets	2,774	3,564
Other investing activities	-13	33
Net cash flows from investing activities	2,762	3,596
Loan proceeds	3,291	532
Principal repayments	-4,663	-6,615
Financing costs paid	-382	-1,544
Proceeds from issuing new shares	328	2,907
Net cash flows from financing activities	-1,426	-4,720
Foreign exchange effect on cash	-65	-38
Net change in cash and cash equivalents	1,880	-233
Cash and cash equivalents at beginning of period	3,096	1,922
Cash and cash equivalents at end of period	4,975	1,688

- Sale of 10x 737-800 aircraft
- State guaranteed loan NOK 3.0bn and private funding NOK 0.3bn
- Principal repayments
 - Settlement of financing on 10x 737s: NOK 1.9bn
 - Scheduled: NOK 0.4bn
 - Debt servicing on leases: NOK 2.3 bn

Strengthen balance sheet & liquidity




Lease rates cut by 20% on avg.

i) Agreed, subject to documentation

Next phase of financial restructuring

AREAS	ACTIONS NEEDED
Fleet	<ul style="list-style-type: none">• Right-size fleet to demand• Legal claim re PDP's and losses related to aircraft disruptions
Funding	<ul style="list-style-type: none">• Continue process to secure liquidity including ongoing dialogues with governments
Vendors	<ul style="list-style-type: none">• Continue supplier negotiations
Balance sheet	<ul style="list-style-type: none">• Continue work on strengthening the balance sheet incl ongoing dialogues with stakeholders



Strengthen balance sheet and liquidity to ramp-up from the crisis

Building a new business platform

Three stages of our journey

LICENSE to operate

Until summer 2021

**GOOD organisation within
the aviation industry**

From fall and until 2025

**GREAT enterprise within
future mobility**

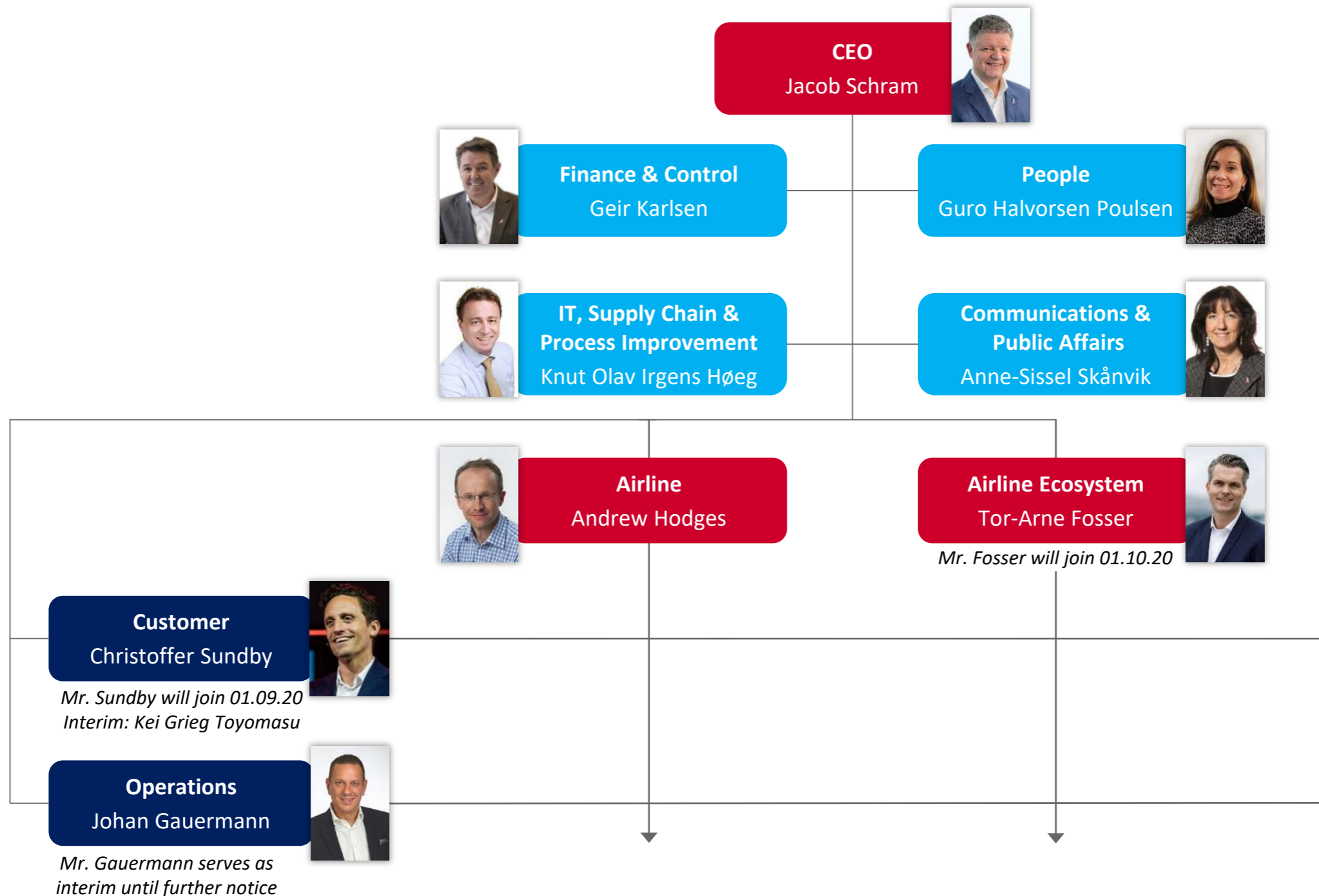
From 2025 to 2030

The new Norwegian business platform



New organizational structure implemented

-  = Business Area
-  = Support function
-  = Business Driver



Strategy and business plan defined

Institutionalise new **LEADERSHIP EXPECTATIONS**

- Leadership program top 150 leaders
- New leadership arenas

Sales-oriented, sustainable & personalized
CUSTOMER JOURNEY

- Customer journey excels points
- Airline Ecosystem sales platform

New & flexible
PEOPLE OFFER

- New CBAs
- Right sized admin support office

Restructure & strengthen
BALANCE SHEET

- Phase III financial restructure

Profitable year-round **NETWORK**
that fortifies the Nordics and proves
the long-haul model

Establish **PERFORMANCE
MANAGEMENT** platform
and culture

- Business performance system
- People performance system

Simplified & modernized
OPERATIONS

- Simplified structure & standardization
- Insource GoldCare from Boeing

Lean, professional
BACKBONE

- Support office structure
- Lean program & culture

Summary

Crisis Management

- Significant cost reductions and actions to survive the crisis
- Agreed lease holiday with PBH-agreement to April 2021 and reduced fleet
- Successful financial restructuring secured through a government guarantee
- Secured sufficient cash for funding throughout 2020

Business Restructuring

- Implemented new management team, organization and new strategy & business plan
- Terminated agreement with OSM to reduce crew cost and complexity
- Cancelled agreements with Boeing
- Lease rates cut by an average 20% and permanently lowered other opex

Emerging from crisis with a solid business platform

- Implementing new business platform
- Preparing for ramp-up in 2021 / 2022
- Complete phase III of the financial restructuring

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