



Norwegian Air Shuttle ASA

Q1 2019 Presentation

25 April 2019

Highlights Q1 2019

Completed preferential rights issue

- Strengthened balance sheet through a fully underwritten rights issue of NOK 3 billion to increase financial flexibility and create headroom to the covenants of the outstanding bonds

Delivering on the strategic shift

- Sold and delivered two A320neo aircraft with a cash effect of USD 26 million
- In Q1 the Company has postponed delivery of 12 737 MAXs and four A321LRs, reducing 2019 capex by USD 200 million
- Added two 787-9s to operations

Continued working on operational improvements

- FOCUS2019: Exceeded Q1 target by reaching NOK 467 million in cost reduction (target from Q4 2018 presentation: NOK 400 million)
- Improved punctuality by 8.2 p.p. compared to Q1 2018

Q1 2019 financials

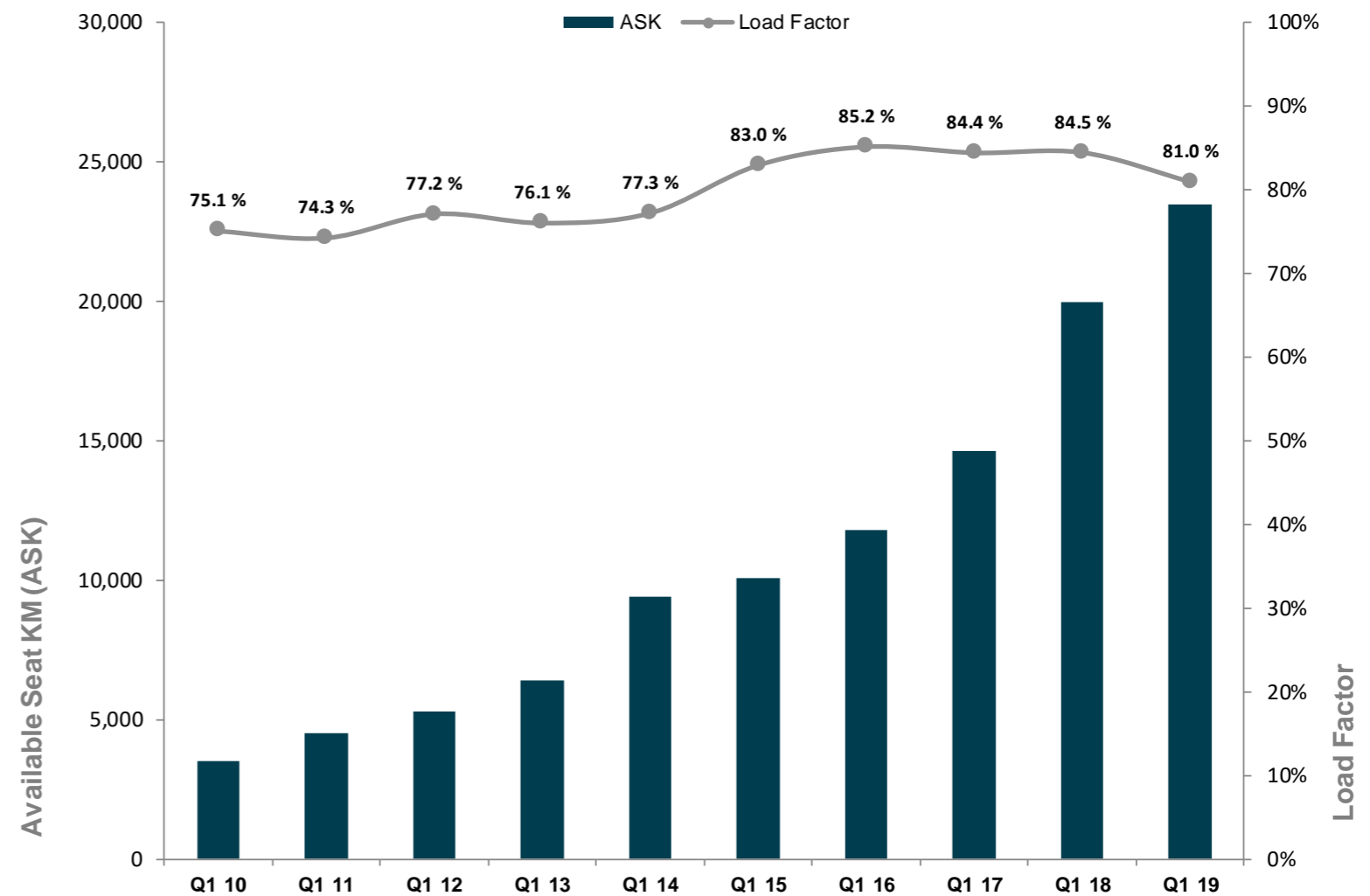
- EBITDAR excl other losses/gains improved to NOK -716 million (NOK -840 million) despite negative Easter impact in the quarter

Load factor of 81 % in Q1 2019



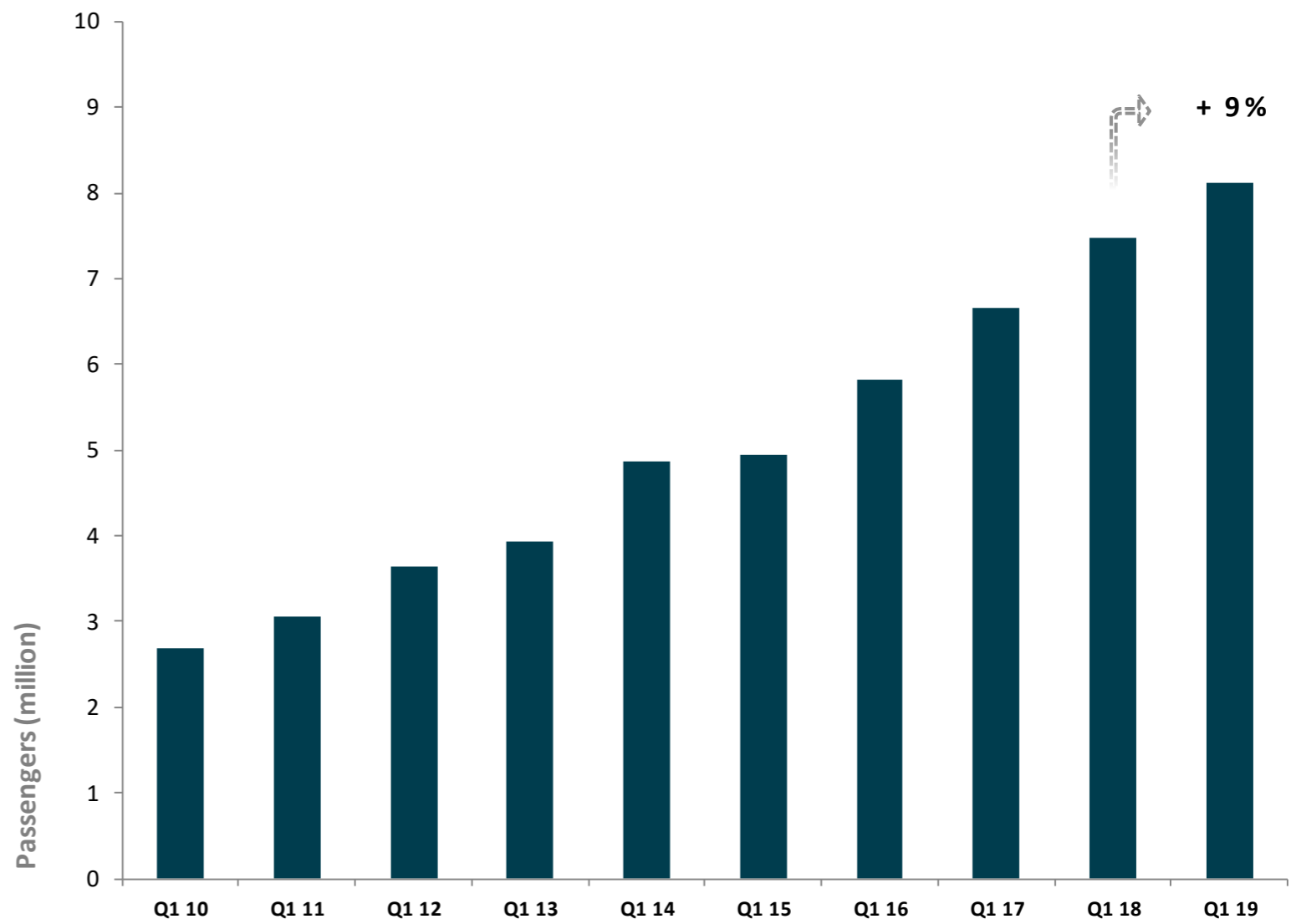
→ 17 % growth in capacity (ASK)

→ 12 % growth in traffic (RPK)



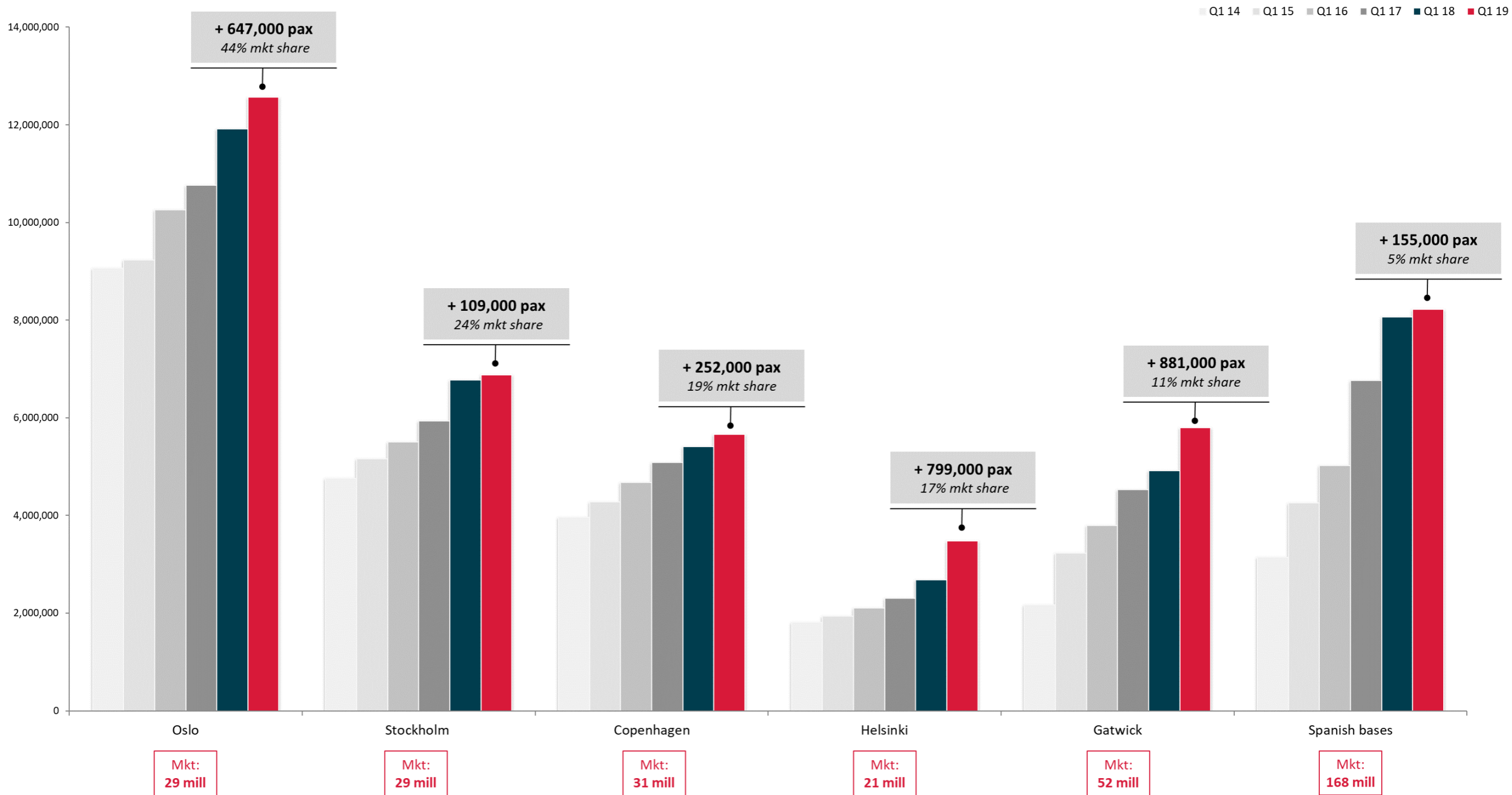
ASK	3,507	4,498	5,266	6,378	9,421	10,056	11,803	14,649	19,995	23,457
Load Factor	75.1 %	74.3 %	77.2 %	76.1 %	77.3 %	83.0 %	85.2 %	84.4 %	84.5 %	81.0 %

8.1 million passengers in Q1 (+9 %)



PAX (mill)	2.7	3.1	3.6	3.9	4.9	4.9	5.8	6.7	7.5	8.1
PAX 12 mos. rolling (mill)	11.3	13.4	16.3	18.0	21.6	24.0	26.6	30.1	34.0	38.0

Continued passenger growth at all key airports

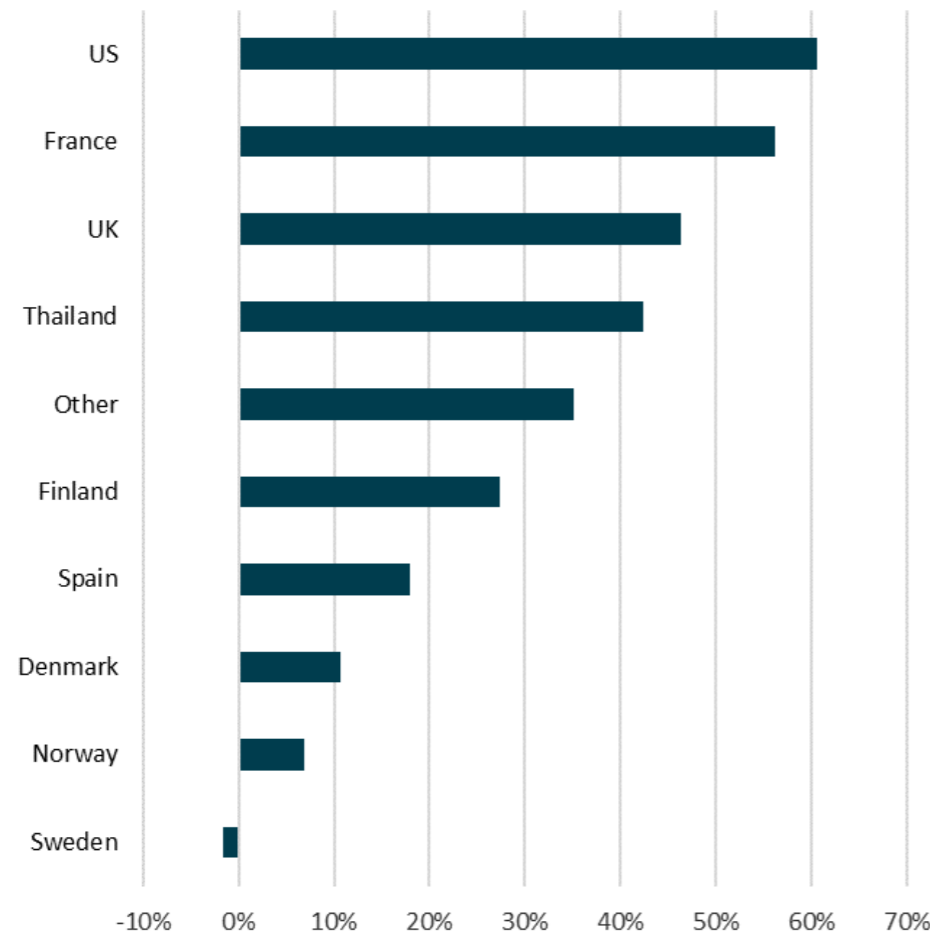


Source: 12 month rolling passengers as reported by Avinor, Swedavia, Copenhagen Airports, Finavia, Gatwick Airport and Aena

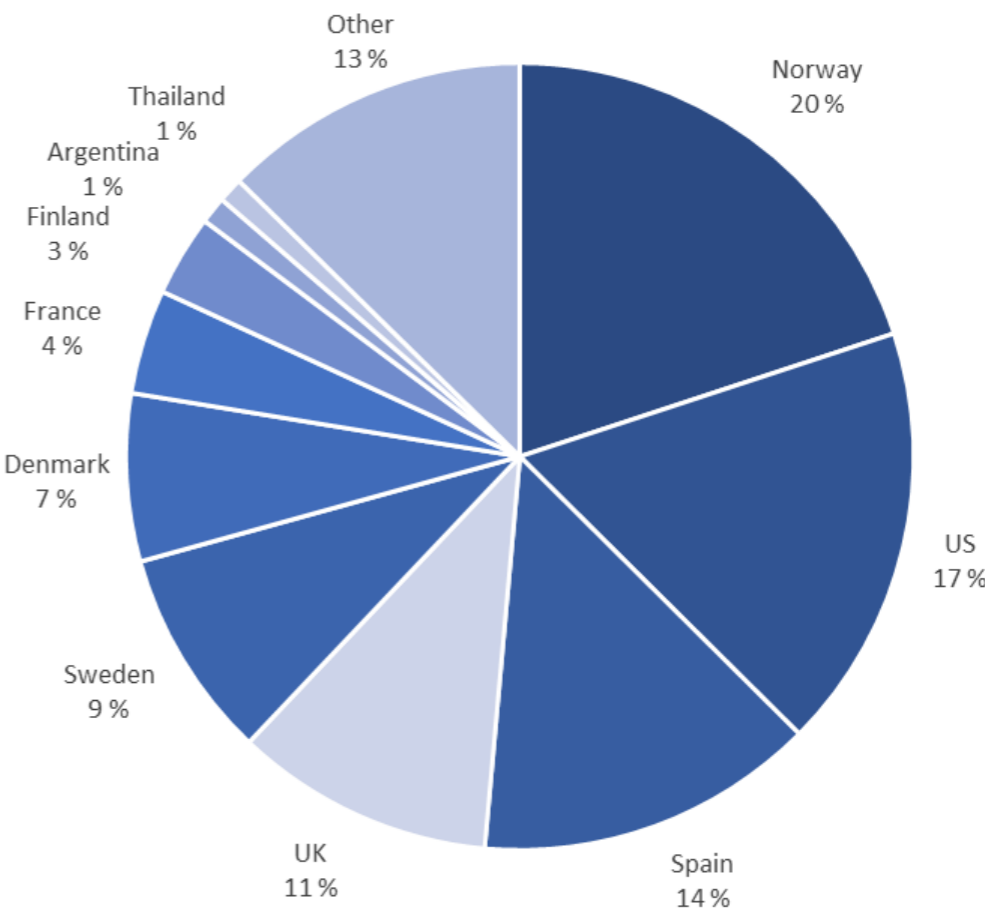
Revenue per country

- 7 % revenue growth in the Nordics on a 12 months rolling basis
- Largest absolute growth in the US, both in Q1 and 12 months rolling

Growth in revenue by origin in Q1 19* (y/y):



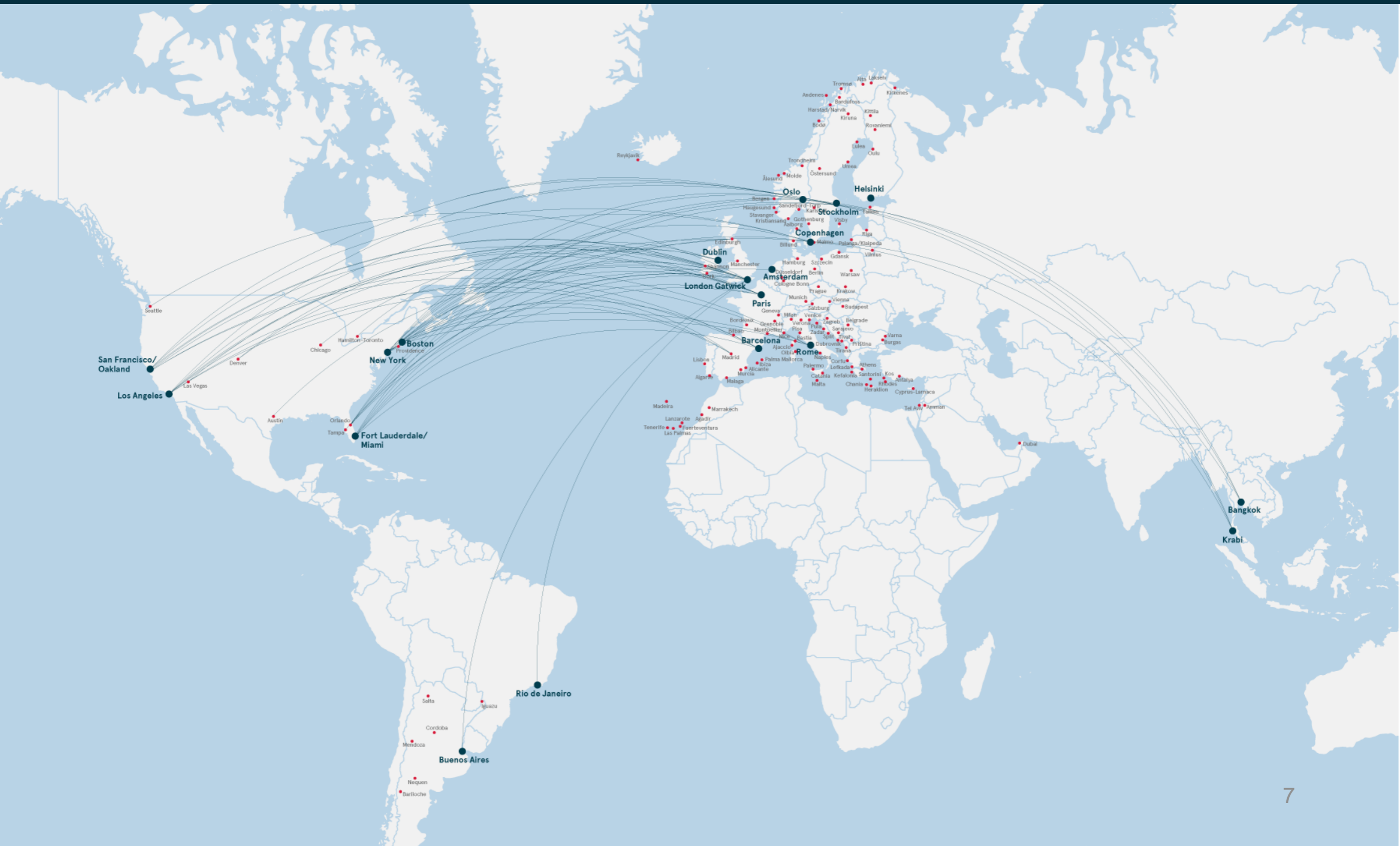
Revenue split by origin in Q1 19*:



Revenue growth in Argentina was 1,377 % due to low capacity last year, and is excluded in this graph

* 12 months rolling (estimated)

A network of more than 60 intercontinental routes



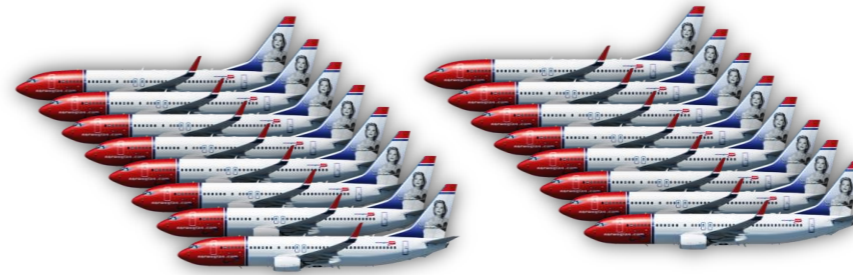
Fleet plan before further aircraft divestment

2019:

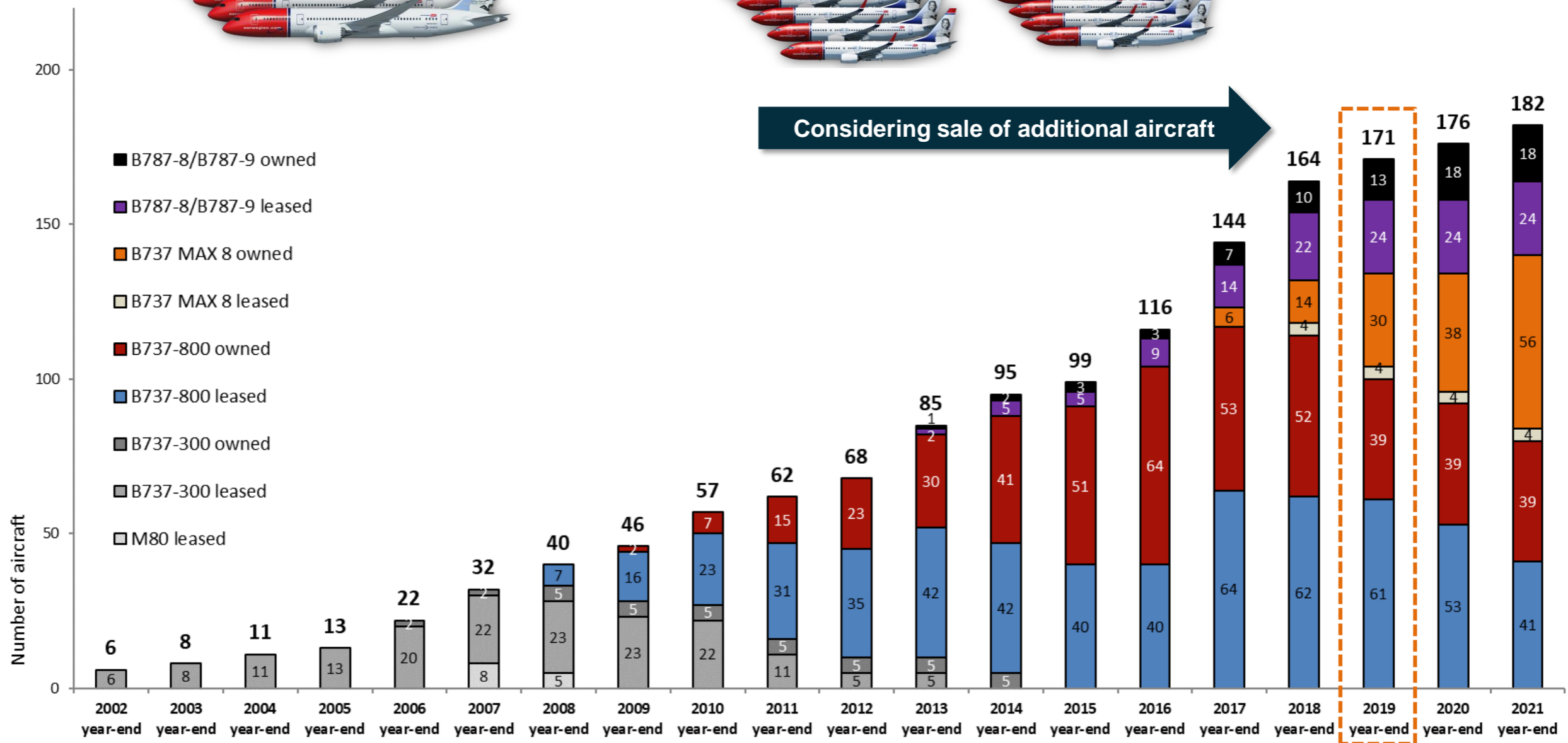
Deliveries 787-9
+1,690 seats

Deliveries 737 MAX
+3,024 seats

Re-delivery 737-800
-186 seats

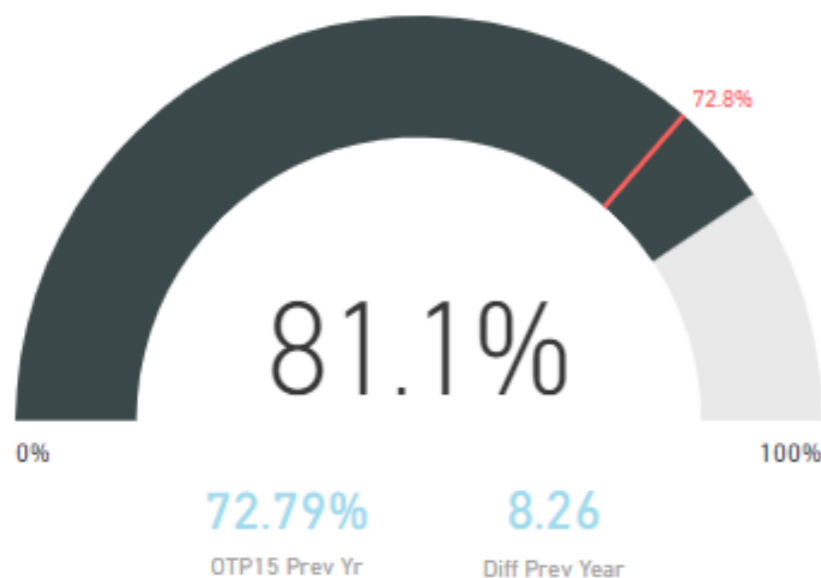


Considering sale of additional aircraft

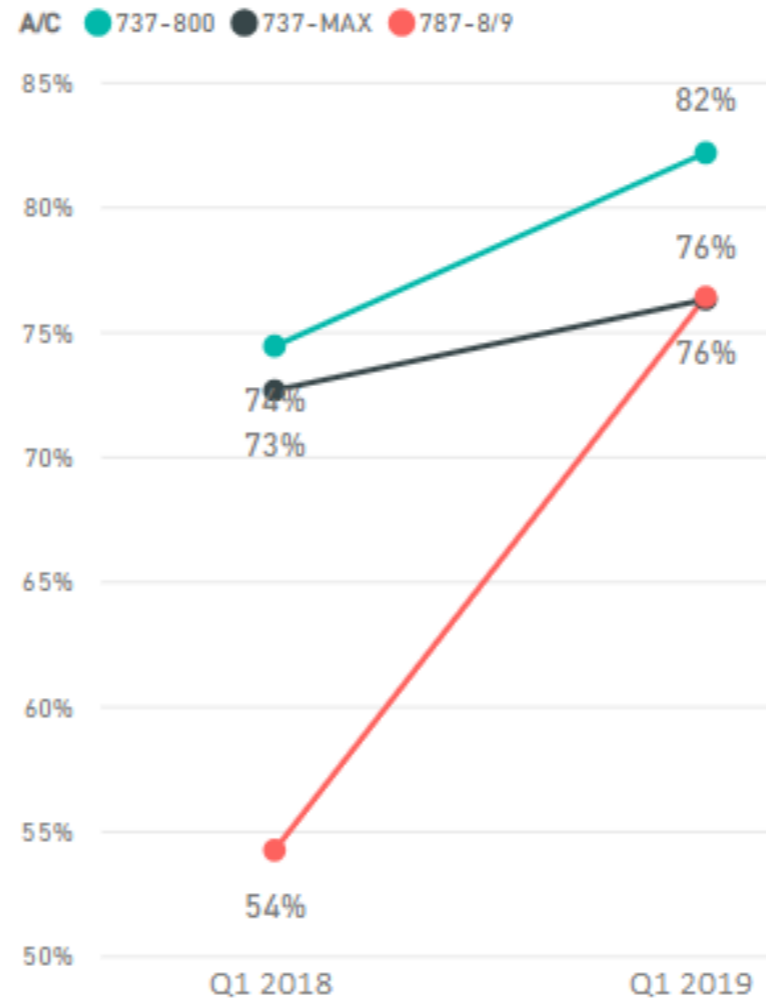


Significant improvement in on-time performance

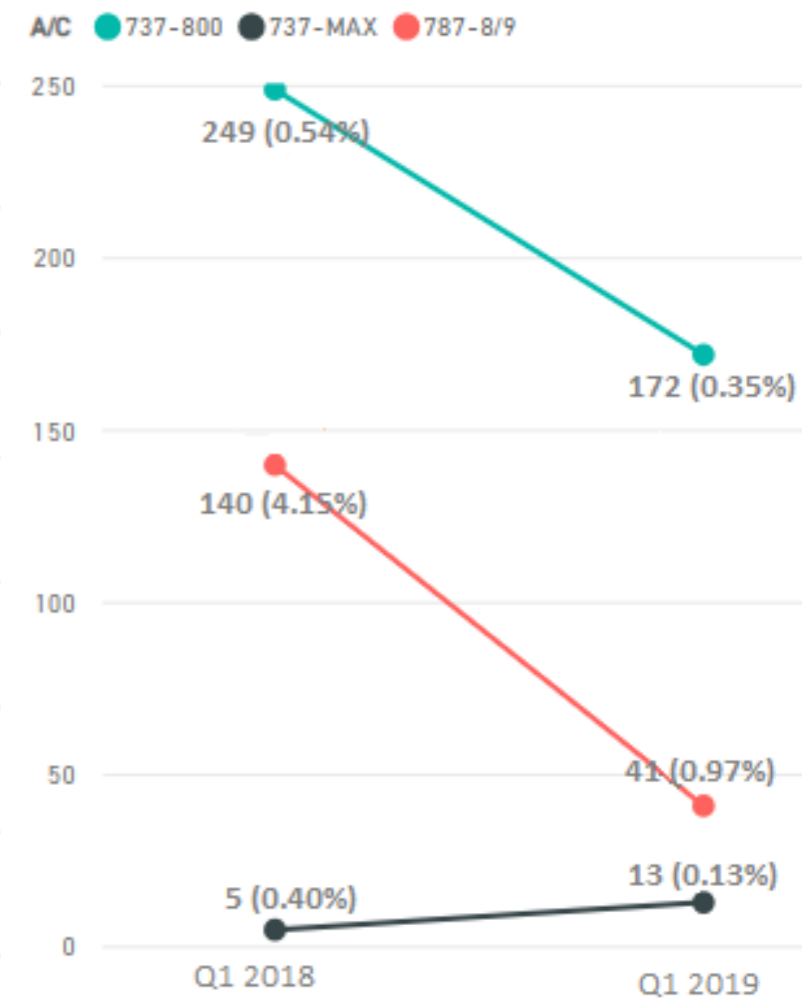
- Introduced on-time performance project in April-May 2018
- Punctuality in Q2 2019 increased by 8.2 p.p.
- Huge improvement in the long haul operation (+22 p.p.)
- Seven consecutive months with positive punctuality development
- Number of long arrival delays (>3h) reduced by 43 %, despite a 13 % increase in flights operated



Departure OTP15



Long Arrival Delays (>3h)



Financials

Profit and loss

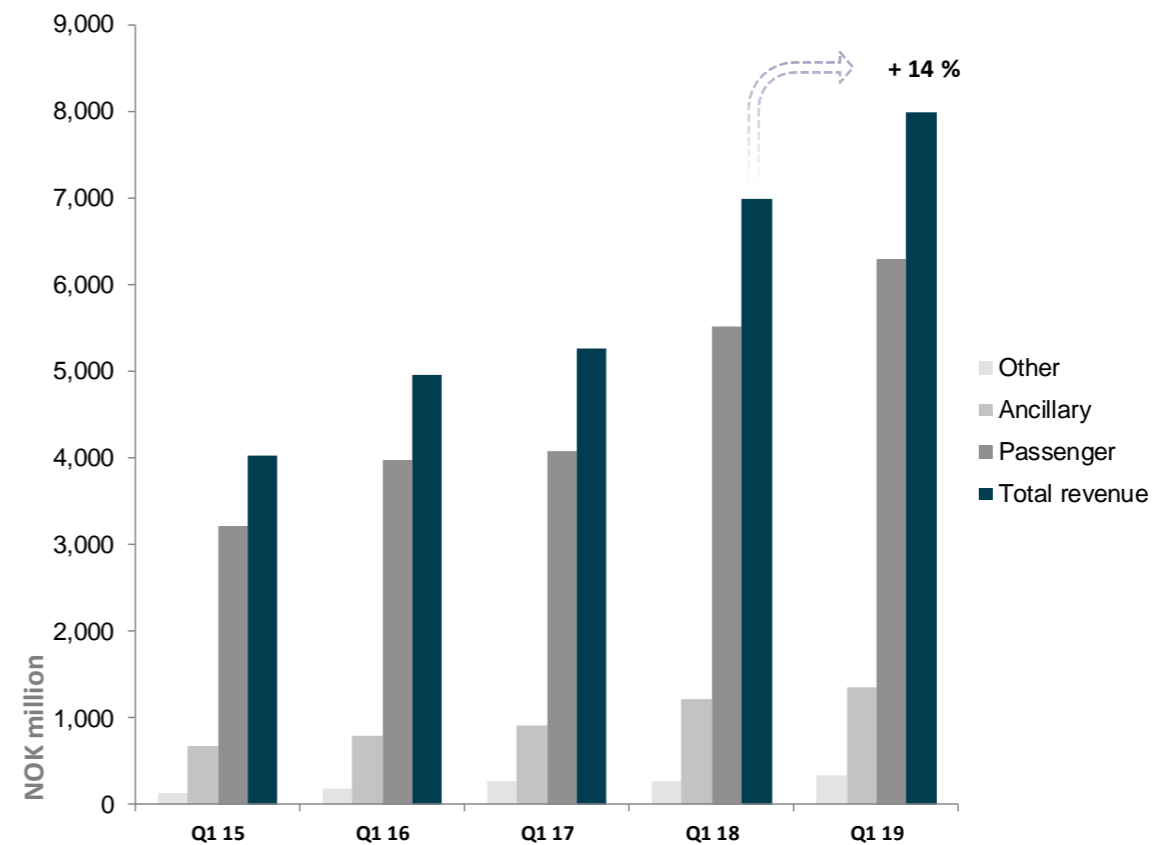
<i>NOK million</i>	Q1 2019	Q1 2018
Passenger revenue	6,299	5,511
Ancillary passenger revenue	1,358	1,211
Other revenue	334	271
Total operating revenue	7,992	6,993
Personnel expenses	1,659	1,550
Aviation fuel	2,778	2,255
Airport and ATC charges	1,012	907
Handling charges	1,163	994
Technical maintenance expenses	813	860
Other operating expenses	1,282	1,267
Other losses/(gains) - net	-804	40
EBITDAR	88	-880
Aircraft lease, depreciation and amortization	1,546	1,346
EBIT	-1,459	-2,226
Net financial items	-522	1,646
Profit/loss from associated companies	3	65
EBT	-1,978	-515
Income tax expense (income)	-488	-469
Net profit (loss)	-1,489	-46

- Positive P&L effect of NOK 883 million from fuel hedge gains
- Negative IFRS 16 effect on EBT of NOK 175 million due to expenses the first half of a lease period
- Reclassification of NOFI holding in Q1 2018 improved net financial items by NOK 1.9 billion

Unit revenue negatively impacted by Easter



- Q1 unit passenger revenue (RASK) -3 % to 0.27 (-4 % in constant currency), negatively impacted by Easter effect
- Ancillary revenue per passenger increased by 3 % to NOK 167
- Cargo revenue increased by 34 % to NOK 217 million

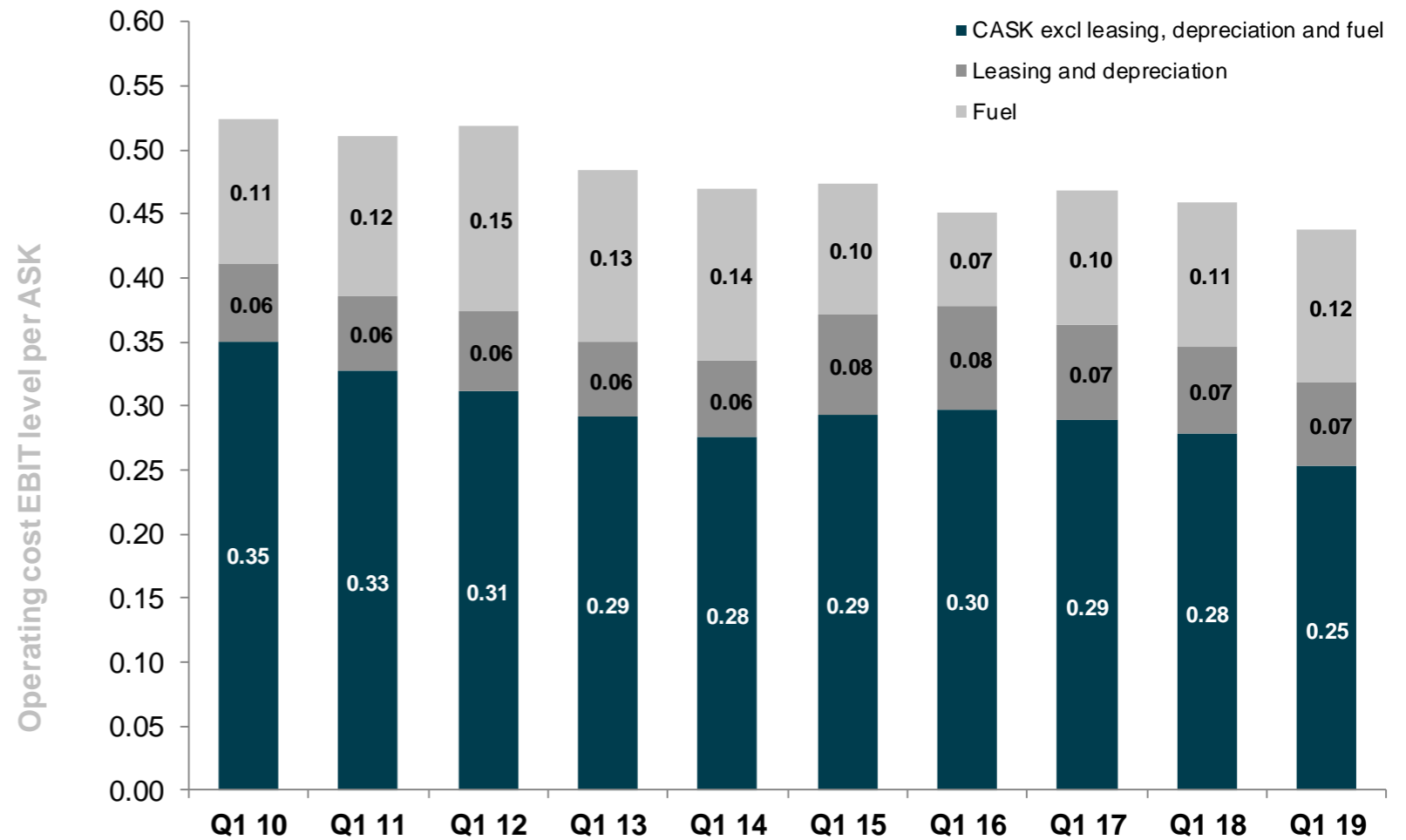


Total revenue	4,034	4,961	5,256	6,993	7,992
Passenger	3,221	3,971	4,074	5,511	6,299
% y/y chg	11 %	23 %	3 %	35 %	14 %
Ancillary	676	802	919	1,211	1,358
% y/y chg	29 %	19 %	15 %	32 %	12 %
Other	137	188	263	271	334
% y/y chg	7 %	37 %	40 %	3 %	24 %

Unit cost excluding fuel decreased by 8 %



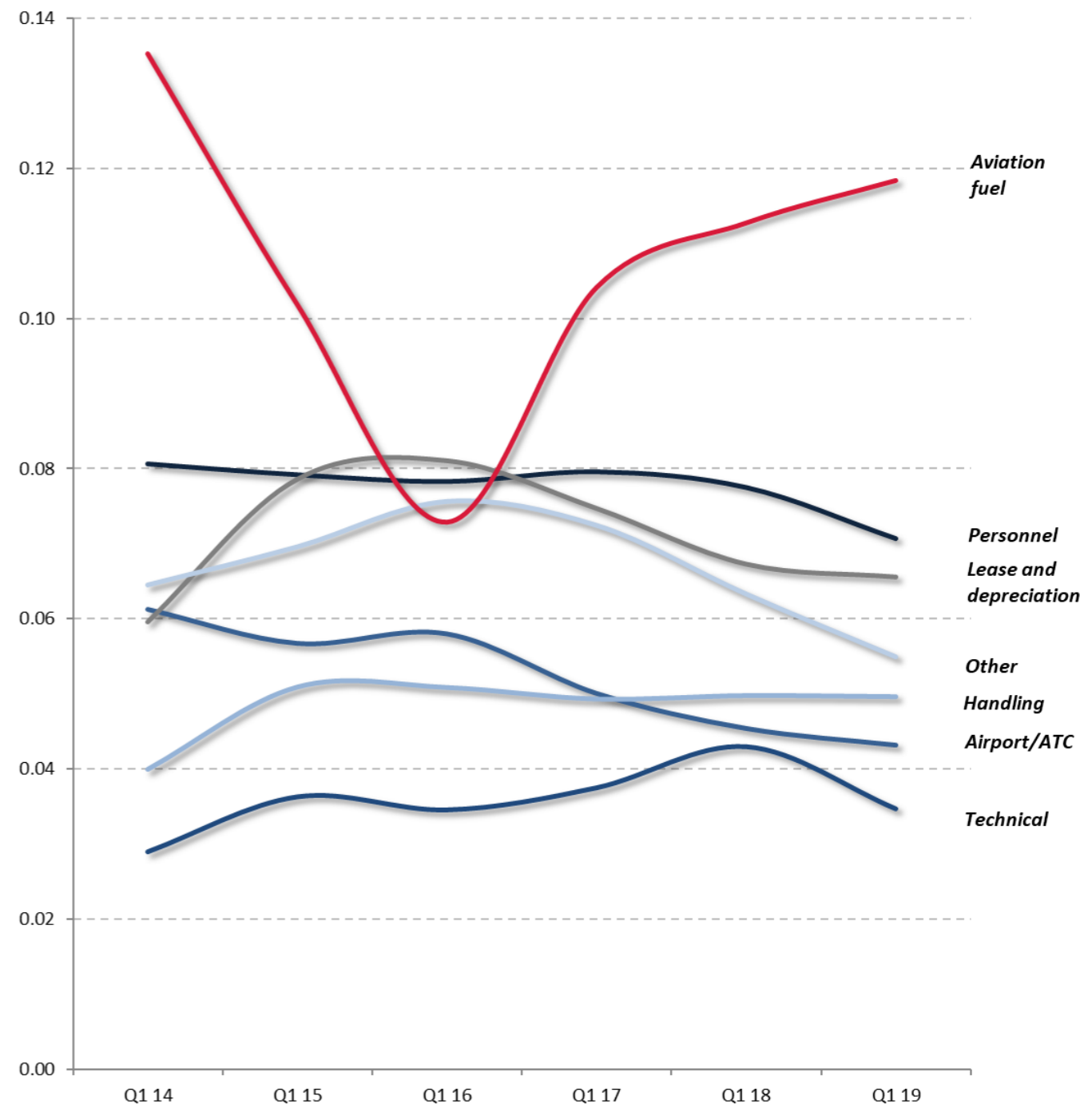
- Unit cost excl fuel decreased by 8 % (decreased by 11 % in constant currency)
- Unit cost incl fuel decreased by 5 % (decreased by 10 % in constant currency)



Unit cost	Q1 10	Q1 11	Q1 12	Q1 13	Q1 14	Q1 15	Q1 16	Q1 17	Q1 18	Q1 19
Unit cost	0.52	0.51	0.52	0.48	0.47	0.47	0.45	0.47	0.46	0.44
Unit cost excl fuel	0.41	0.39	0.37	0.35	0.33	0.37	0.38	0.36	0.35	0.32

Reduction in all cost elements except fuel

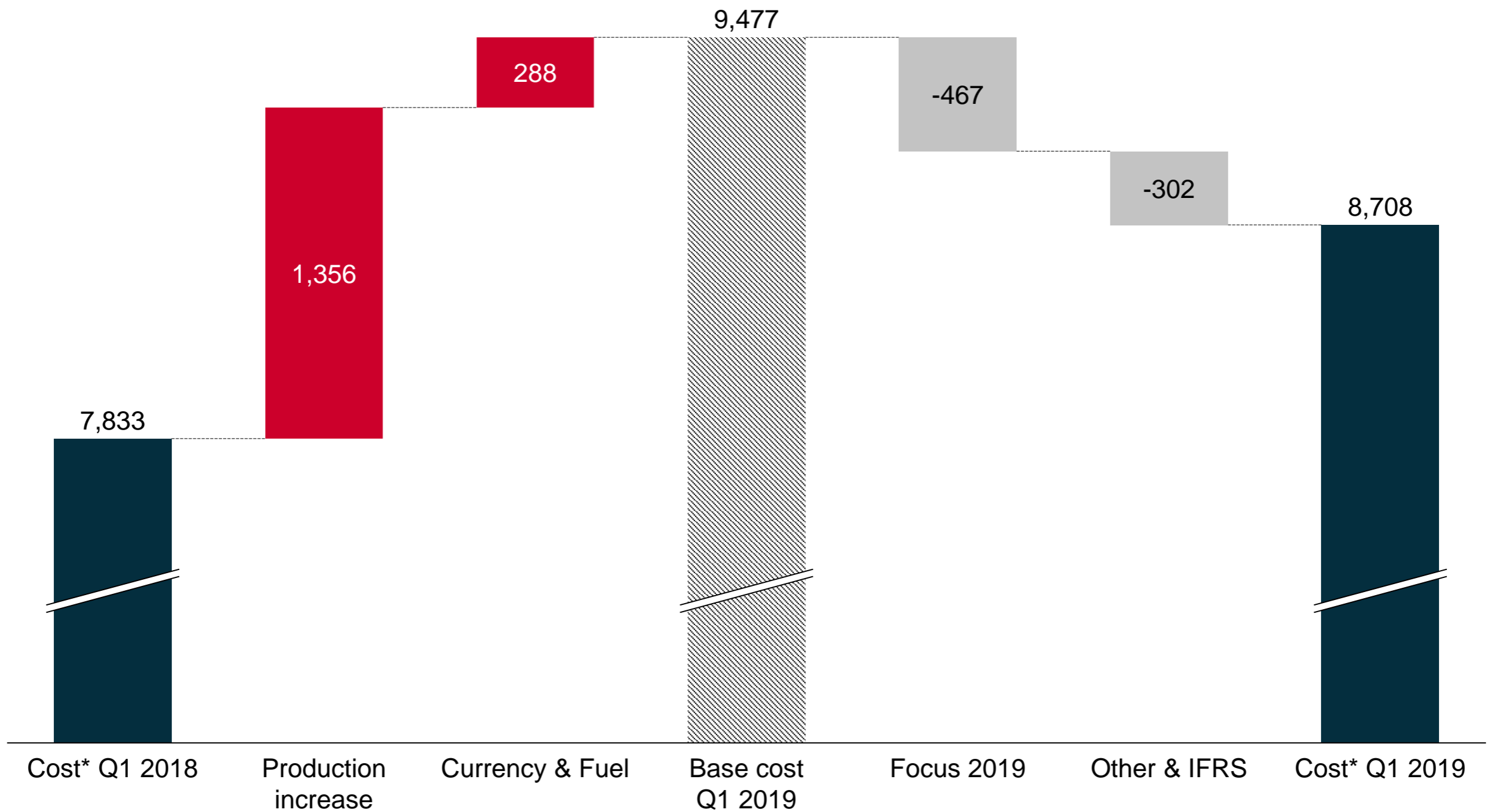
- Higher **fuel cost** (+5 % per ASK) driven by stronger USD vs NOK (+9 %), partly offset by lower fuel spot price (-3 %) and efficiency gains
- Lower **personnel cost** (-9 % per ASK) due to increased utilization of crew following FOCUS2019 initiatives
- Lower **lease and depreciation** (-3 % per ASK) due to IFRS 16 effects, partly offset by grounding of 787s and a stronger USD vs NOK
- Lower **other operational expenses** (-13 % per ASK) due to several FOCUS2019 initiatives and timing effect from IFRS 15
- Unchanged **handling cost** has developed in line with production increase
- Lower **airport/ATC cost** (-5 % per ASK) due to increased sector length and renegotiations with suppliers
- Lower **technical cost** (-19 % per ASK) due to FOCUS2019 initiatives and compensation for 787 grounding



FOCUS2019: Exceeded Q1 target by reaching NOK 467 million in cost reduction

Cost area	Completed cost initiatives	Actual (MNOK)
Airport, handling and technical costs	<ul style="list-style-type: none"> • Negotiations with airports have led to lower charges and additional bonuses • Negotiations with technical suppliers have led to lower prices and better visibility of cost • Increased performance in the technical supply-chain has improved reliability • Increased effectiveness of handling routines at all stations 	197
Operating efficiency	<ul style="list-style-type: none"> • Increased crewing efficiency and reduced hotel and transportation costs • Streamlined setup of support services through process efficiency and governance • Ongoing dialogue with unions in several countries 	205
Procurement, admin and IT	<ul style="list-style-type: none"> • Reduced total spend on external service providers and consultants • Renegotiated sourcing agreements and reduced licensing costs • Ongoing effort to professionalize group procurement function 	50
Commercial, marketing and product offering	<ul style="list-style-type: none"> • Renegotiated marketing agreements and realized internal marketing synergies • Optimized in-flight services and improved catering supply chain 	15
Total		467

FOCUS2019: Cost bridge



Balance sheet

<i>NOK million</i>	Q1 2019	Q1 2018
Intangible assets	3,355	1,689
Tangible fixed assets	71,461	32,833
Fixed asset investments	1,335	922
Total non-current assets	76,151	35,444
Inventory	182	114
Investments	2,099	3,228
Receivables	10,703	7,677
Cash and cash equivalents	3,151	3,204
Total current assets	16,135	14,223
ASSETS	92,286	49,667
Equity	3,092	2,069
Deferred tax	614	-
Pension obligation	147	150
Provision for periodic maintenance	3,187	2,679
Other non-current liabilities	355	117
Long-term debt	51,755	23,195
Total non-current liabilities	56,058	26,141
Other current liabilities	8,233	5,737
Short-term debt	13,073	4,734
Air traffic settlement liabilities	11,831	10,985
Total current liabilities	33,136	21,456
Liabilities	89,194	47,597
EQUITY AND LIABILITIES	92,286	49,667

→ IFRS 16 increased assets and liabilities by NOK 32.8 billion as operating leases are added to the balance sheet

→ Aircraft that are sold but not delivered are classified as non-current assets, while the associated debt is classified as current liability

Cash flow

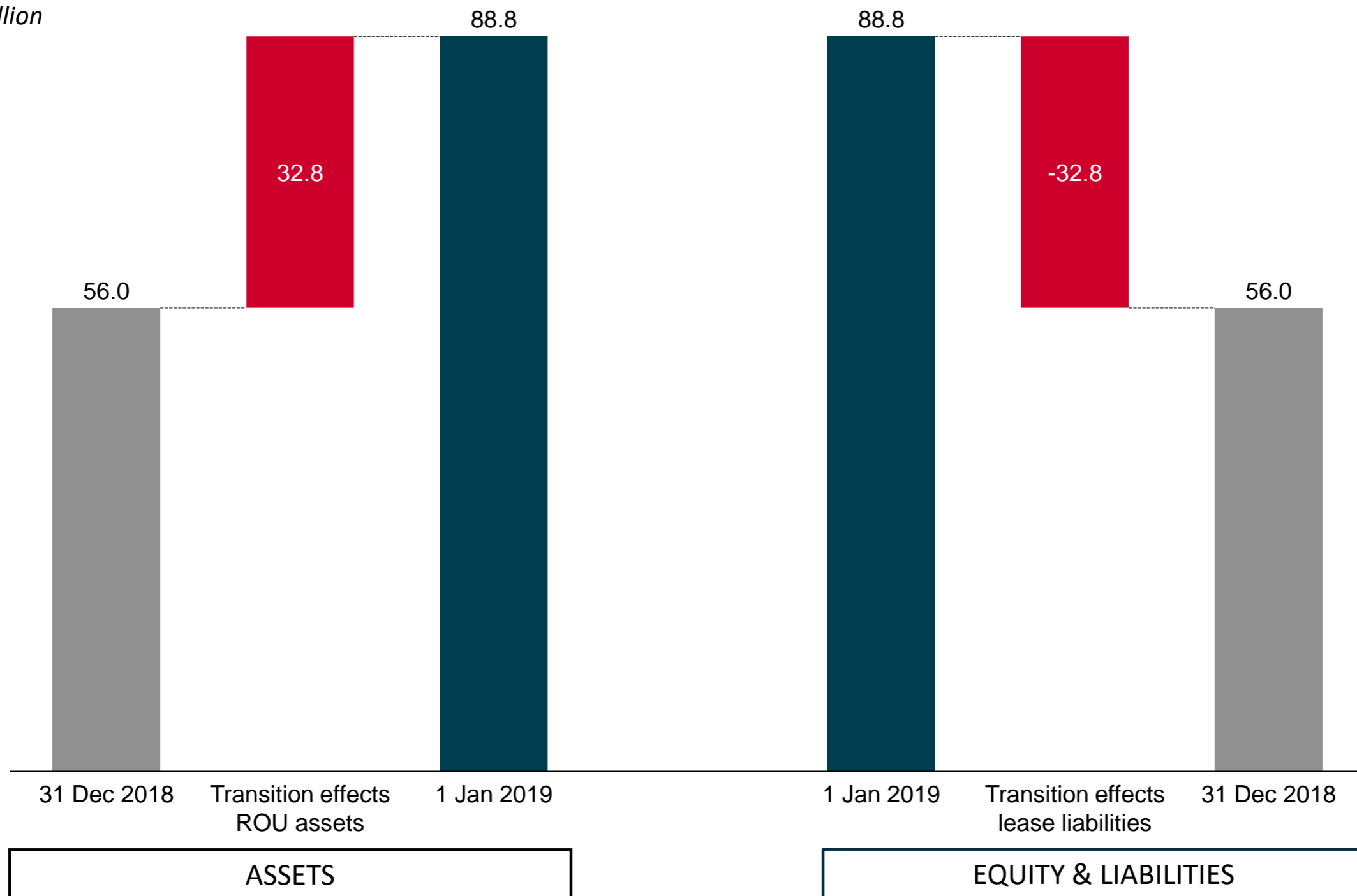
<i>NOK million</i>	Q1 2019	Q1 2018
Profit before tax	-1,978	-515
Paid taxes	-8	-53
Depreciation, amortization and impairment	1,546	336
Changes in air traffic settlement liabilities	4,923	4,492
Changes in receivables	-3,951	-3,240
Other adjustments	-755	-1,154
Net cash flows from operating activities	-221	-135
Purchases, proceeds and prepayment of tangible assets	2,455	-3,628
Other investing activities	7	9
Net cash flows from investing activities	2,462	-3,619
Loan proceeds	525	3,607
Principal repayments	-3,714	-748
Financing costs paid	-705	-400
Proceeds from issuing new shares	2,907	450
Net cash flows from financing activities	-987	2,910
Foreign exchange effect on cash	-26	8
Net change in cash and cash equivalents	1,229	-836
Cash and cash equivalents at beginning of period	1,922	4,040
Cash and cash equivalents at end of period	3,151	3,204

→ The IFRS 16 effect was +1,323 on operating activities and -1,323 on financing activities

→ The two 787s delivered in Q1 was financed through SLB

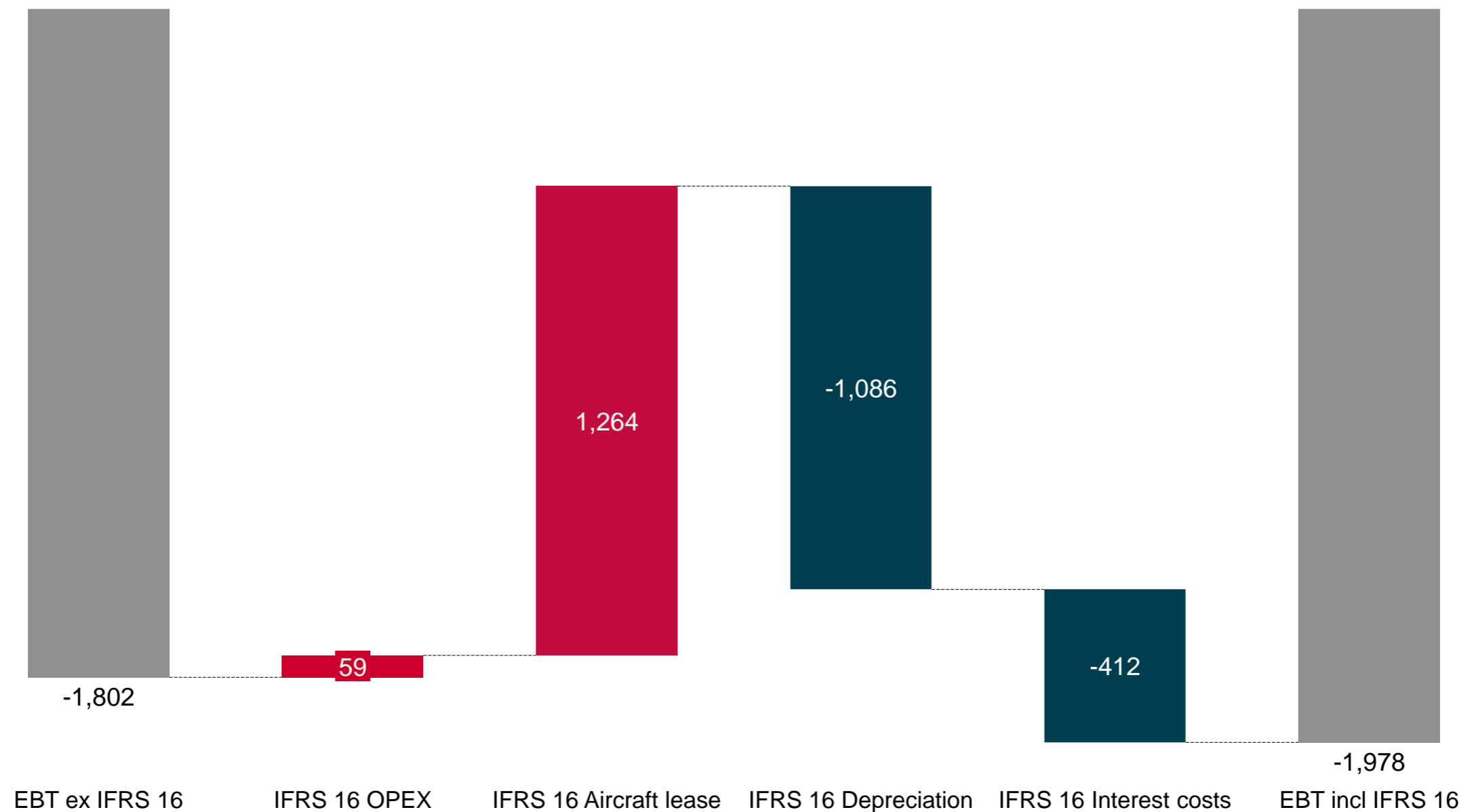
IFRS 16 transition effects

NOK billion

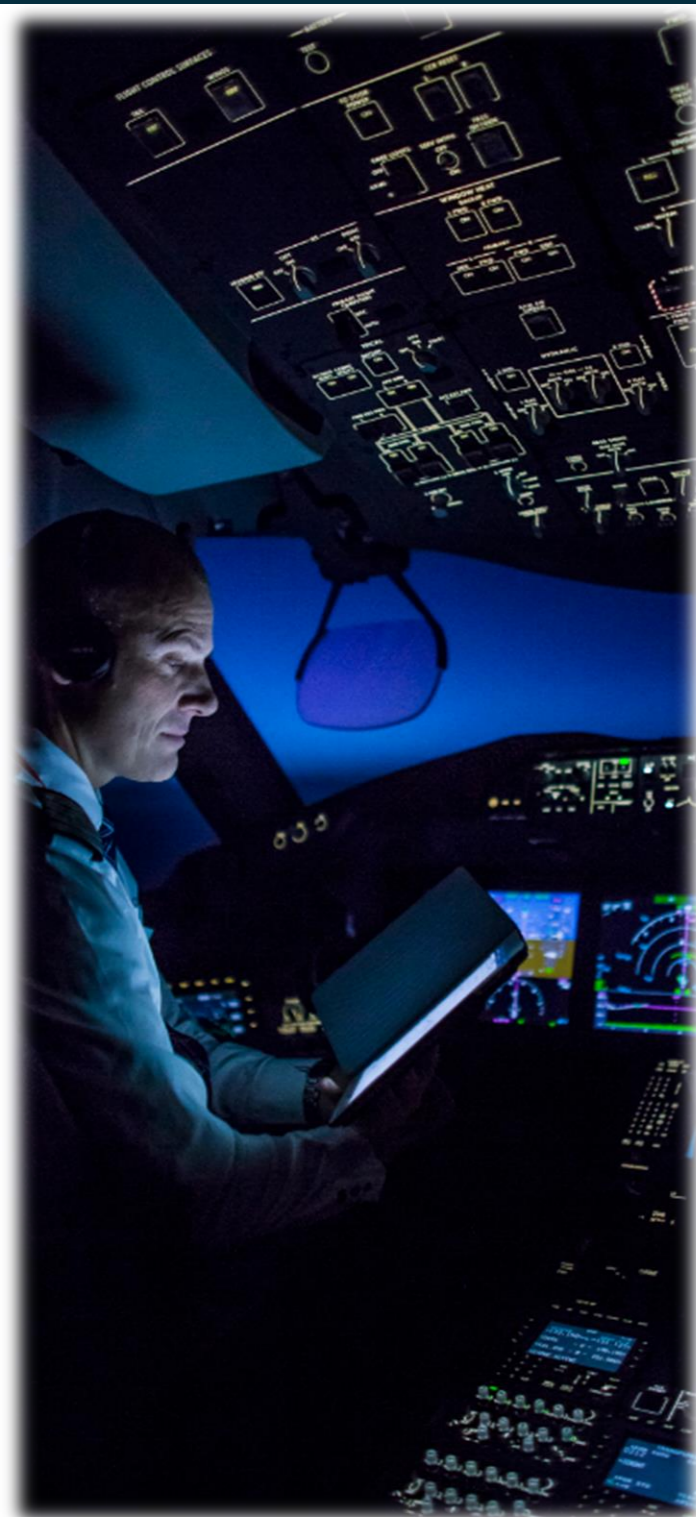


IFRS 16 income statement effects in Q1 2019

NOK billion



Capital expenditure and financing



→ Capital expenditures

- Postponed aircraft deliveries in Q1 and Q2 to create financial headroom and move capex commitments of USD 2.1 billion from 2019 and 2020

Capital commitments (all aircraft incl PDP)		
	2019	2020
Total contractual commitments	USD 1.7 billion (previous estimate: USD 2.0 bn)	USD 1.2 billion (previous estimate: USD 2.4 bn)
Boeing 737 MAX	16	8
Boeing 787-9	5	5
Airbus 320/321	1	4

→ Long-term financing

- Financed the two Dreamliner deliveries in Q1 with SLB
- Utilizing a mix of long-term financing with focus on AFIC and export credits going forward

Outlook

Estimated unit cost reduction of 2 % compared to Q1 2018



→ Unit cost estimates 2019

- Approximately NOK 0.30 incl depreciation costs excl fuel (previous estimate: 0.295-0.300)
- Approximately NOK 0.42 incl depreciation costs and fuel (previous estimate: 0.4075-0.4125)
- Including up to NOK 500 million effect of grounding of Boeing 737 MAX aircraft
- Due to the uncertainty related to the MAX grounding, the company see increased risk related to the target of a positive net profit in 2019
- Assumptions: Fuel price of USD 655/mt (613), USD/NOK 8.27 (8.18), EUR/NOK 9.62 (9.55). Based on the current route portfolio and planned production

→ Estimated production growth (ASK)

- 5-10 % ASK growth in 2019

Expect positive RASK development in Q2



→ Fuel hedging (unchanged)

- 53 % of H1 2019 at USD 681
- 38 % of FY 2019 at USD 680

→ Markets and business

- Current bookings indicate a positive RASK development in Q2
- Continued positive development in long haul
- Soars to #1 in New York as leading foreign airline, demonstrating a strong foothold in the US market

Continued focus on the strategic change from growth to profitability in 2019

Creating headroom and improving financial flexibility

- Reducing CAPEX by USD 2.1 billion in total through restructuring of fleet order and postponement of aircraft deliveries for 2019 and 2020 in total
- Contracted sales of 15 aircraft with delivery in 2019 with a total cash effect of approximately USD 170 million and consider further aircraft sales
- Reached agreement with Airbus about restructuring of fleet order, subject to contractual documentation agreement

Operational improvements

- FOCUS2019: Continuing efforts to reduce costs and confident to reach target of NOK 2 billion
- Optimization of base structure and route network, as well as streamlining the organization

Grounding of the Boeing 737 MAX fleet

- Working on contracting wet leases and increasing utilization to make sure production is covered throughout August
- Currently expecting up to NOK 500 million effect of grounding of Boeing 737 MAX fleet

A front-facing view of a red Norwegian airplane on a runway. The aircraft is centered, with its two large engines visible on the wings. The background shows a clear blue sky with some light clouds and a green landscape. Two red circular callouts are overlaid on the image, one on the left and one on the right.

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