

**norwegian** 



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Norwegian Air Shuttle ASA

Q3 2016 Presentation

20 October 2016

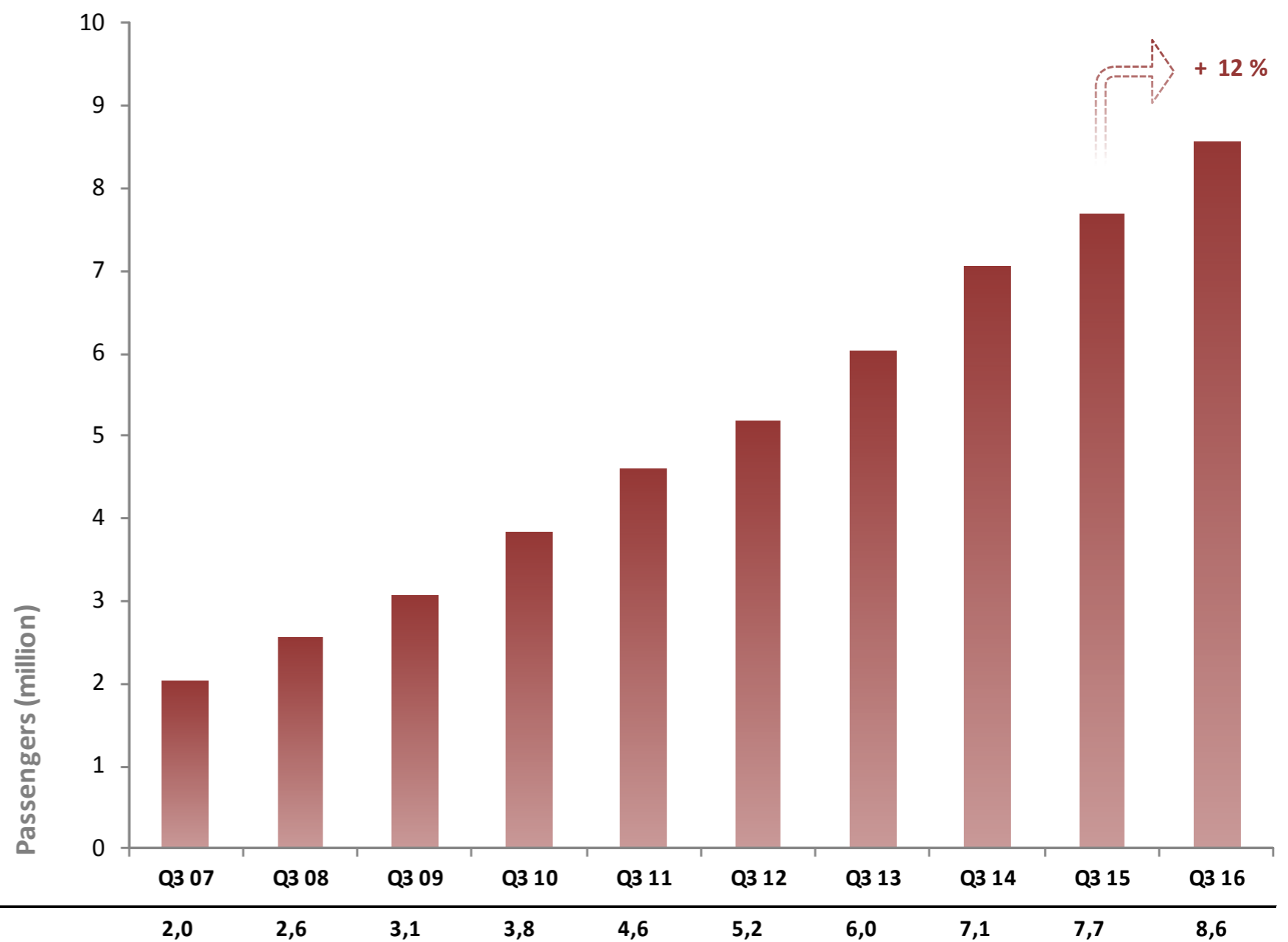
# Highlights Q3 2016



Picture: Roald Dahl, the first British tail fin hero

- Awarded *Europe's Leading Low-Cost Airline 2016*, by the World Travel Awards for the second year running
- Start-up of low-cost long haul between US and Paris. Announced new long haul routes between US and Barcelona for summer 2017
- Added 14 new 737-800 aircraft and three 787-9 Dreamliners in 2016
- Four new 737-800 and one 787-9 in Q3
- Load up to 91 % (90 %) stimulated by price
- Clean EBITDA of NOK 2.3 billion (1.7 billion)

# 8.6 million passengers in Q3 2016 (+12 %)

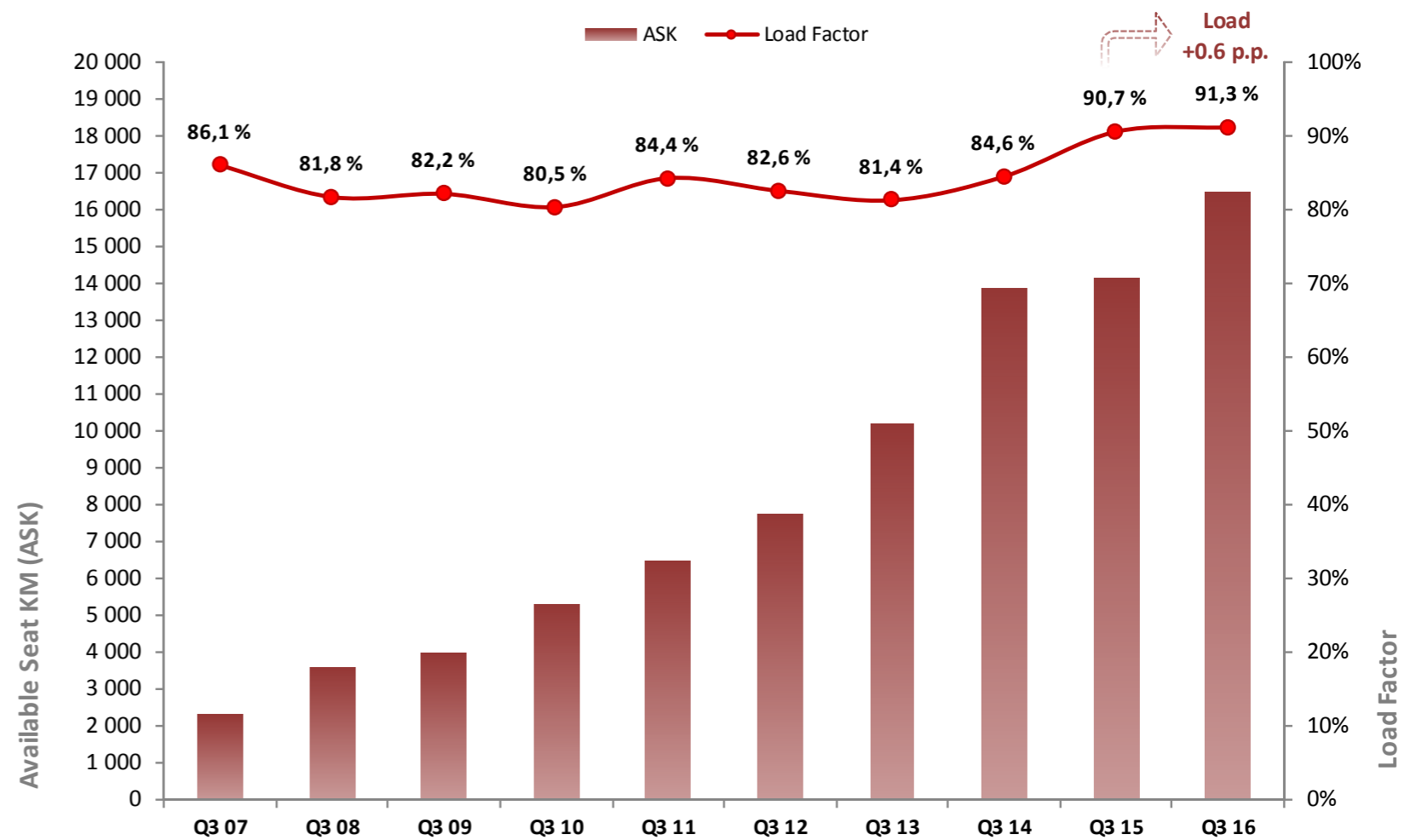


Pax (mill)

# Q3 load factor up to 91 % (+0.6 pp.)

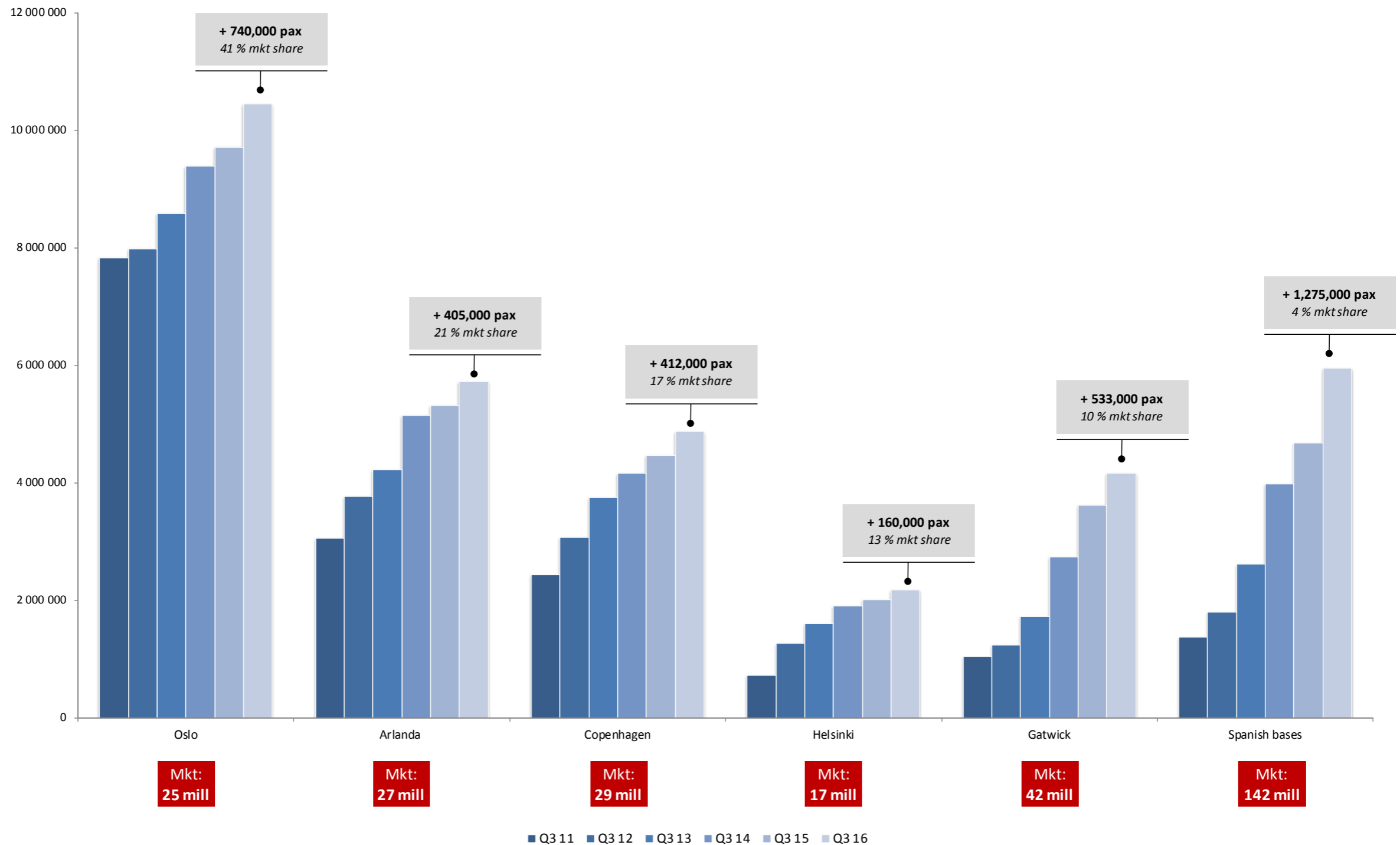


- 16.6 % growth in capacity (ASK)
- 17.3 % growth in traffic (RPK)
- Average flying distance increased by 4 %



ASK	2 333	3 590	3 979	5 331	6 480	7 780	10 223	13 905	14 143	16 486
Load Factor	86,1 %	81,8 %	82,2 %	80,5 %	84,4 %	82,6 %	81,4 %	84,6 %	90,7 %	91,3 %

# Building presence in Spain and UK

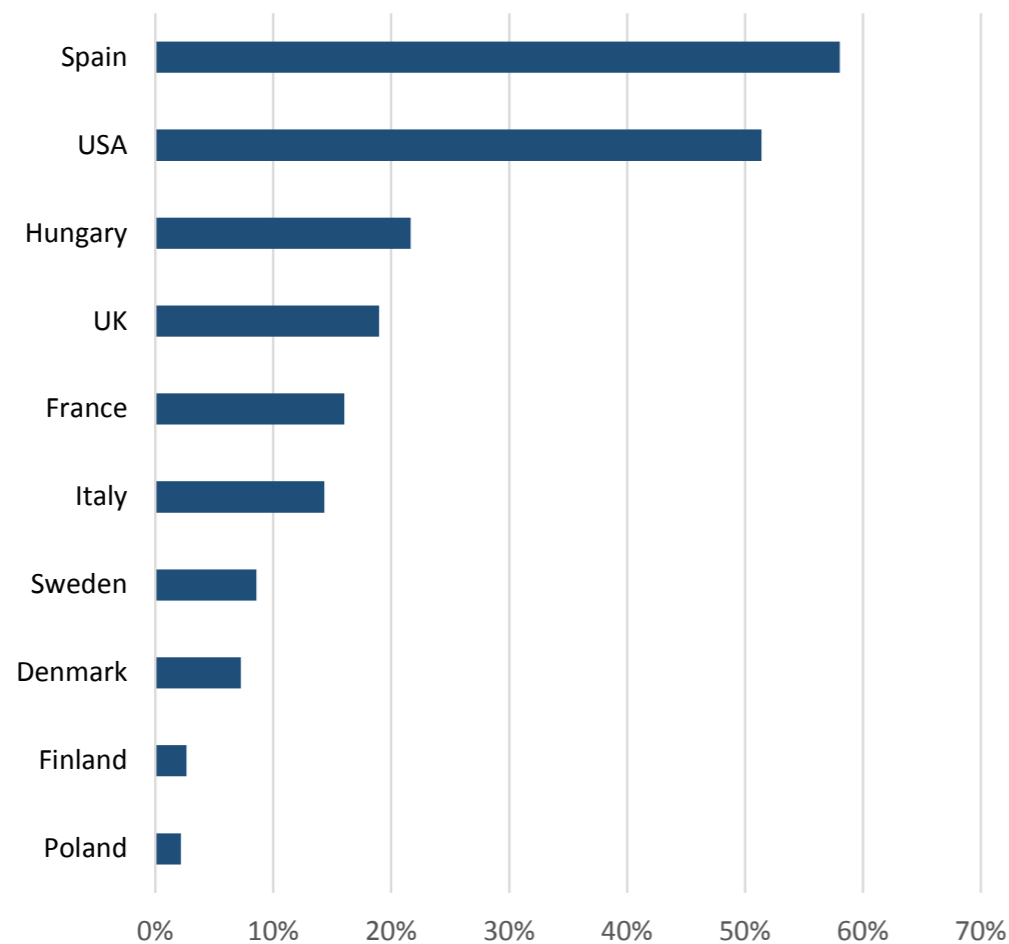


Source: 12 month rolling passengers as reported by Avinor, Swedavia, Copenhagen Airports, Finavia, Gatwick Airport, Aena

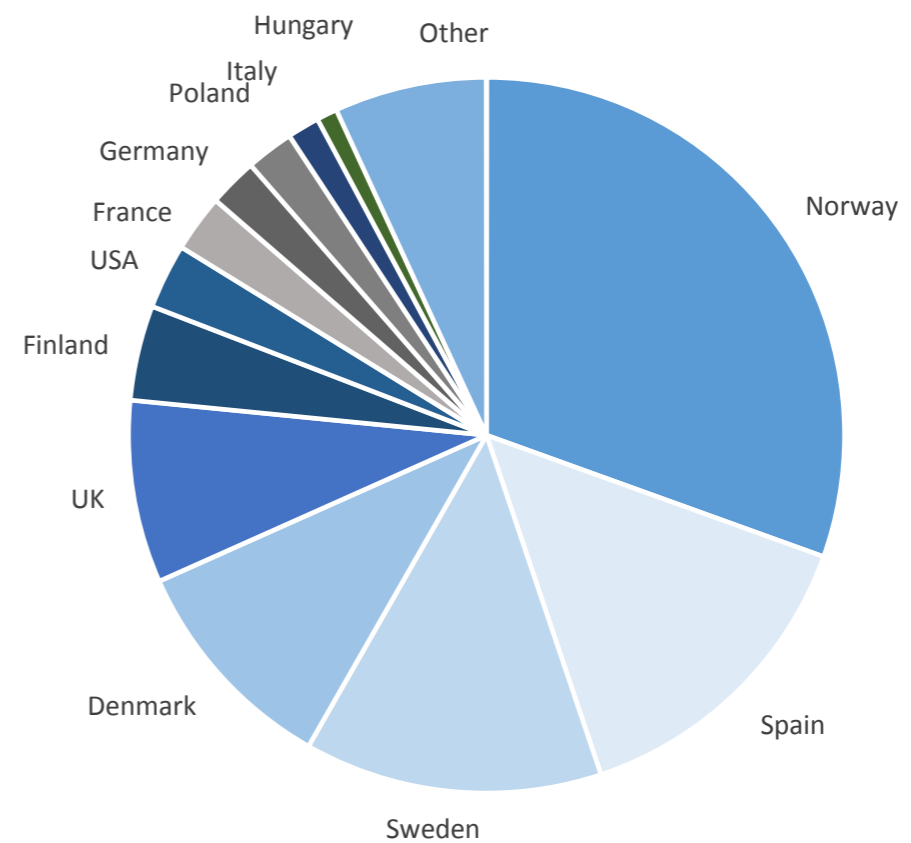
# Over 1 million passengers in Spain

- Number of passengers booked in Spain increased to almost 1.2 million in Q3, an increase of more than 400,000
- Approaching 50 % share of passengers outside Scandinavia

Growth in number of passengers (%):

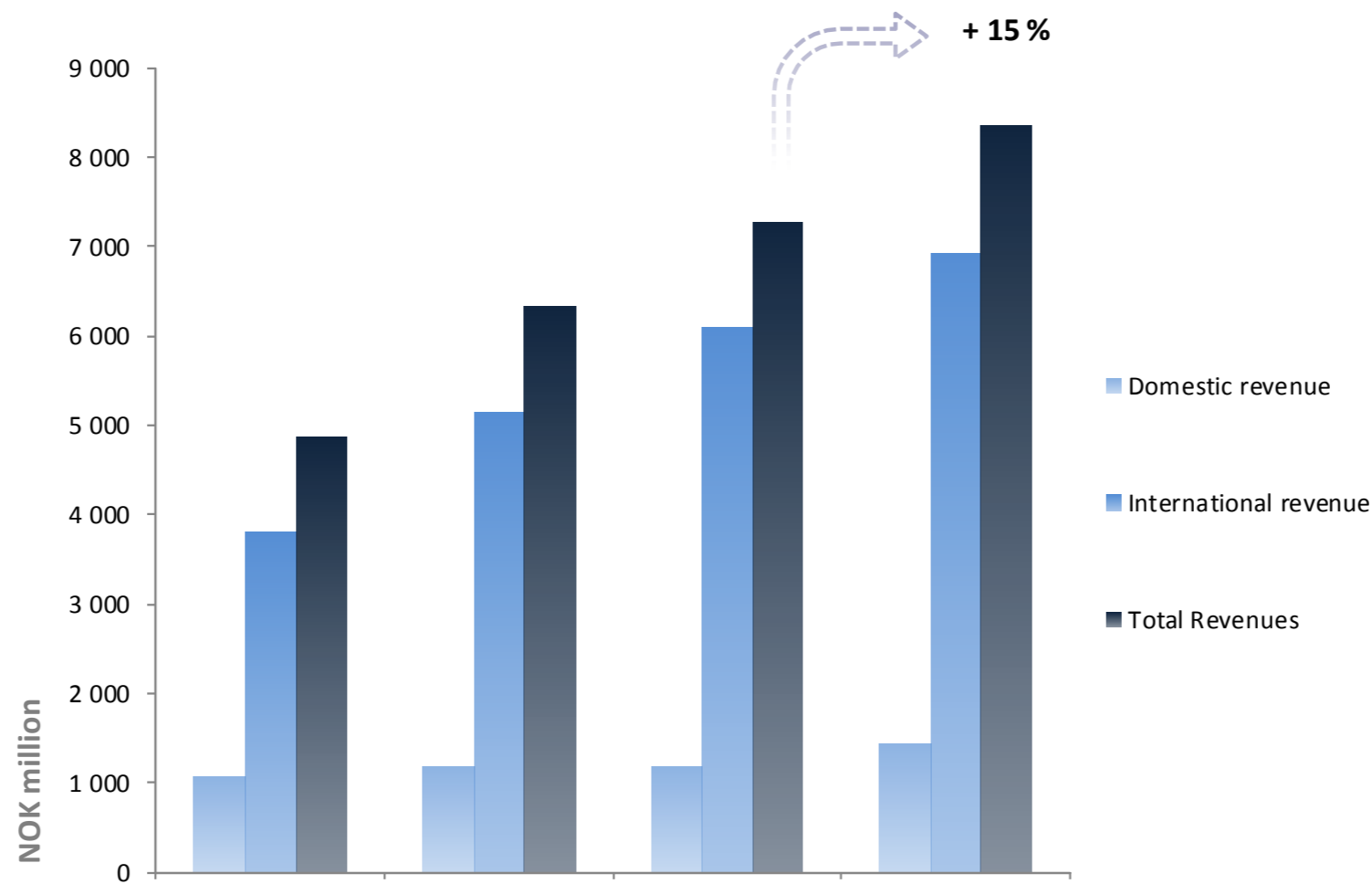


Split passengers by origin:



# 15 % revenue growth in Q3

- Unit revenue RASK reduced by 3 % on higher load, no net currency impact
- 4 % lower yield due to mix and increased sector length
- Growth in domestic revenue mainly related to Spain and Sweden



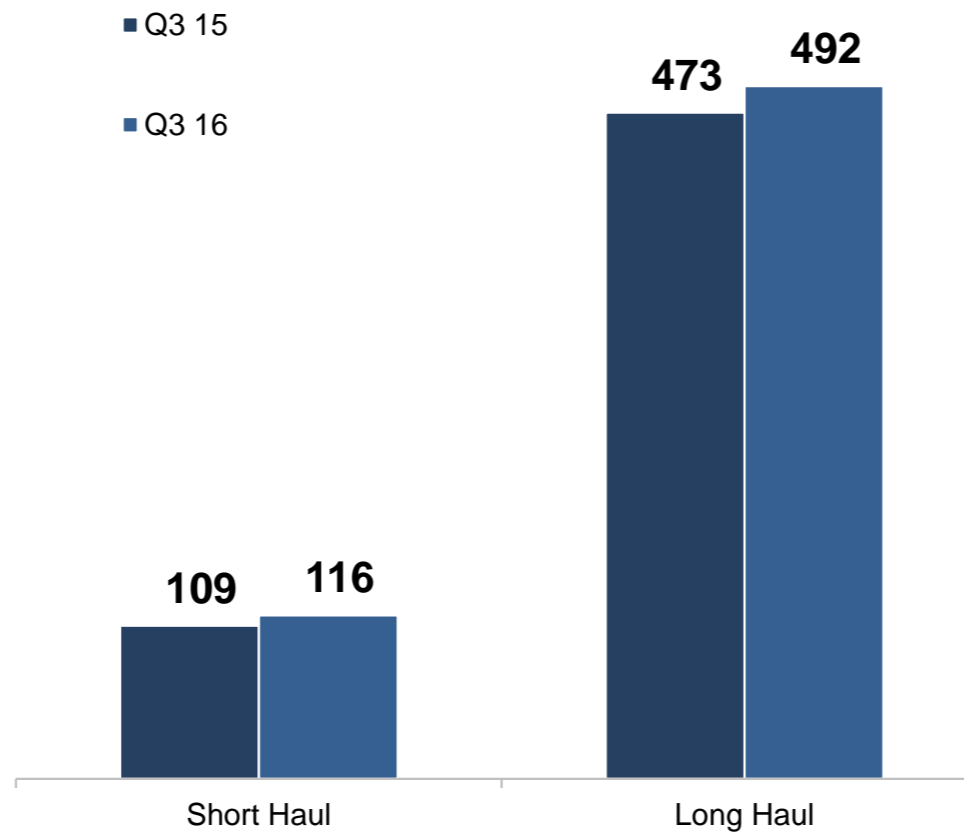
	Q3 13	Q3 14	Q3 15	Q3 16
<b>Revenues</b>	<b>4 878</b>	<b>6 338</b>	<b>7 277</b>	<b>8 360</b>
Domestic revenue	1 072	1 186	1 187	1 433
% y.o.y. chg	0 %	11 %	0 %	21 %
International revenue	3 806	5 152	6 090	6 928
% y.o.y. chg	21 %	35 %	18 %	14 %

# 23 % growth in total ancillary revenue in Q3

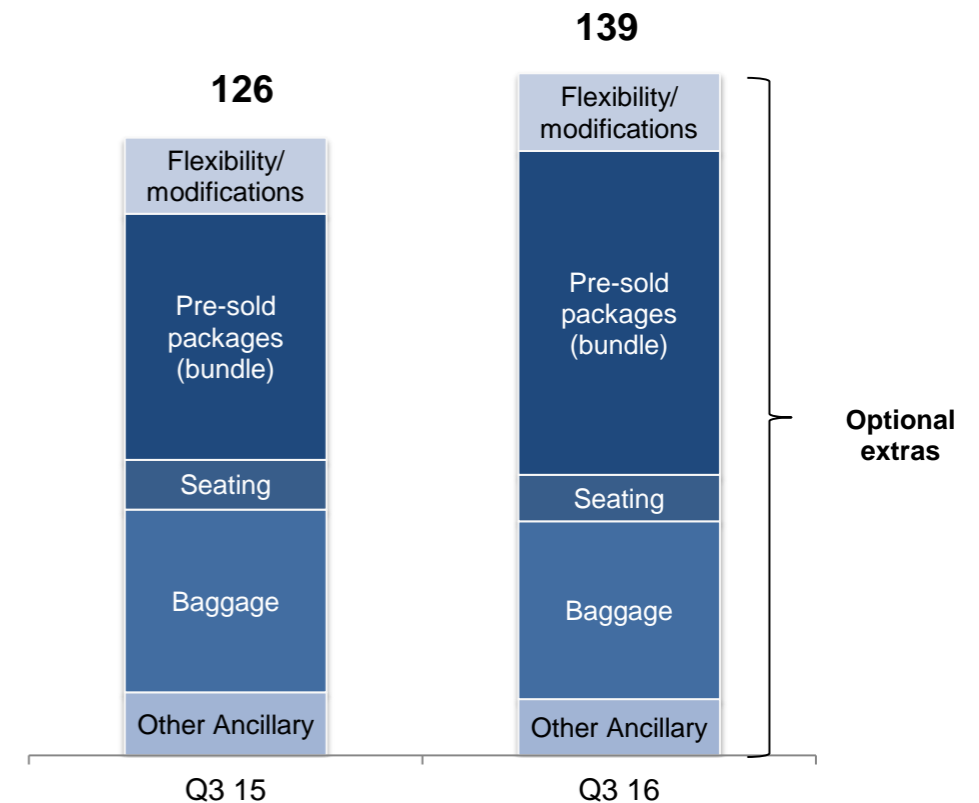


- 14 % share of Group revenue
- Per passenger sales increased by 10 % to NOK 139

Ancillary (NOK) short haul vs long haul:



Split by category:





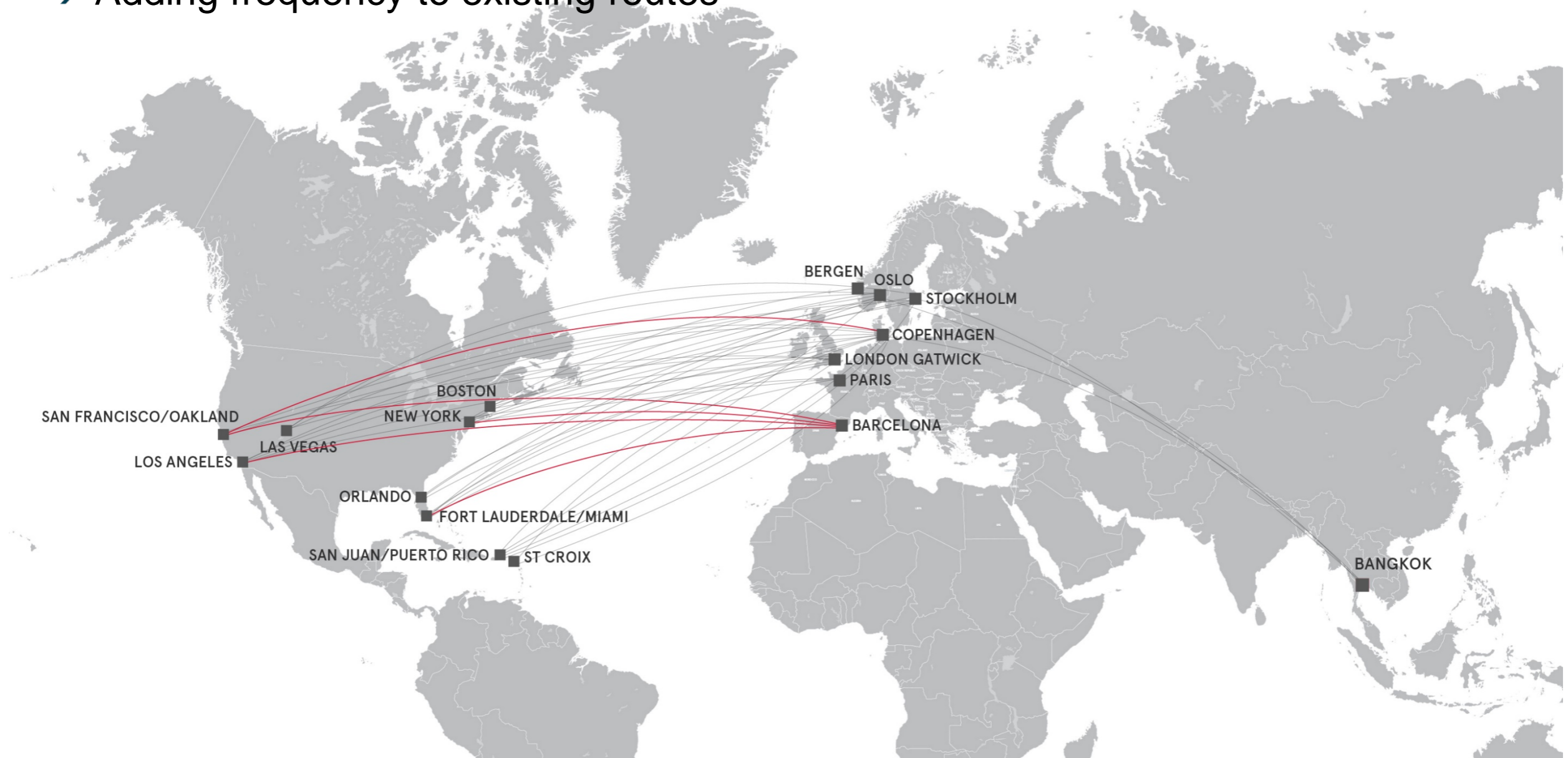
# Currently operating 40 long haul routes

→ First Trans-Atlantic flight to Paris in July

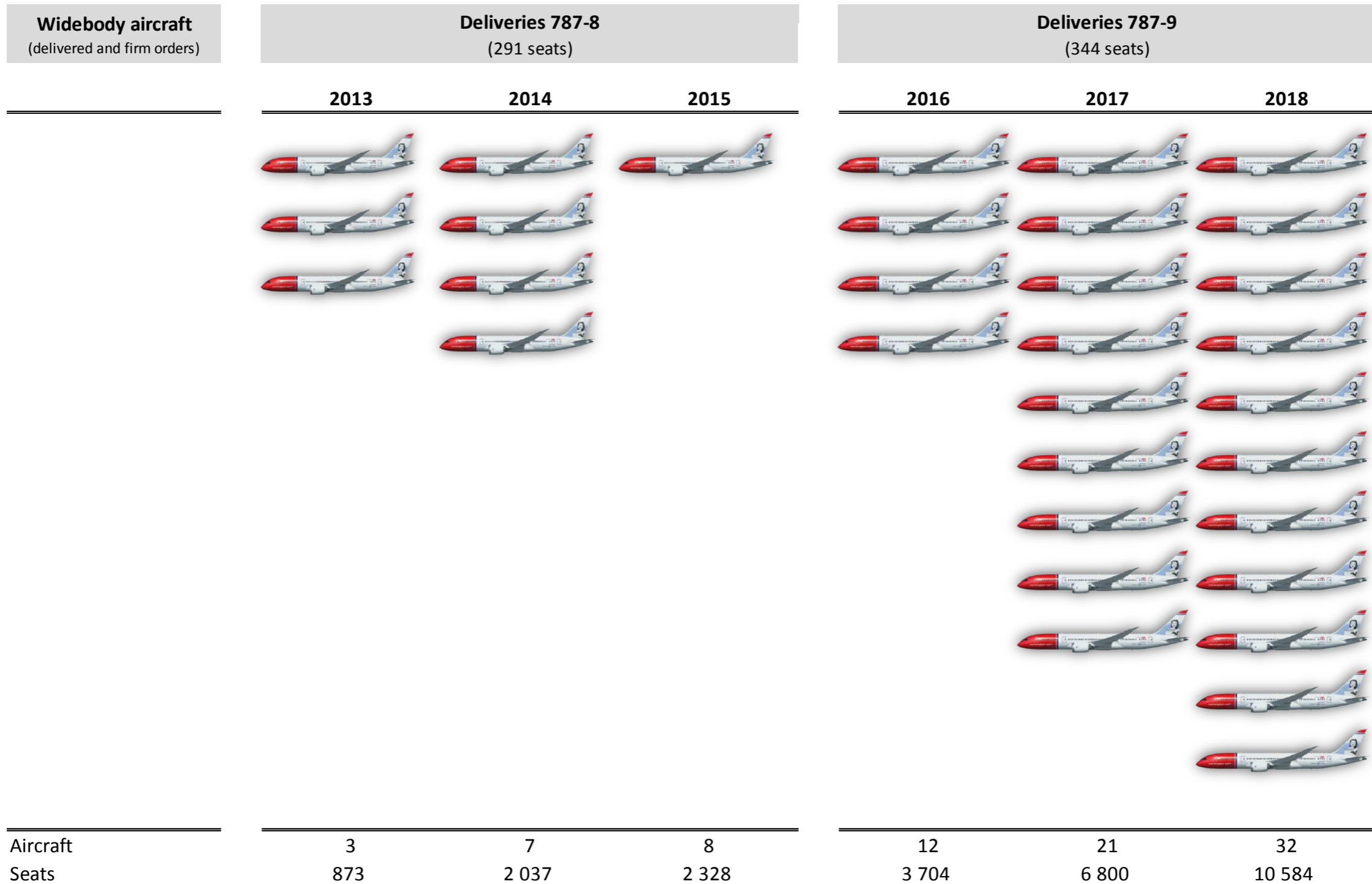


# Over 50 long haul routes in 2017

- New routes in 2017 to/from USA-Barcelona and Copenhagen-San Fransisco
- More new routes to be announced
- Adding frequency to existing routes



# Scaling up the wide body fleet to 32 by 2018



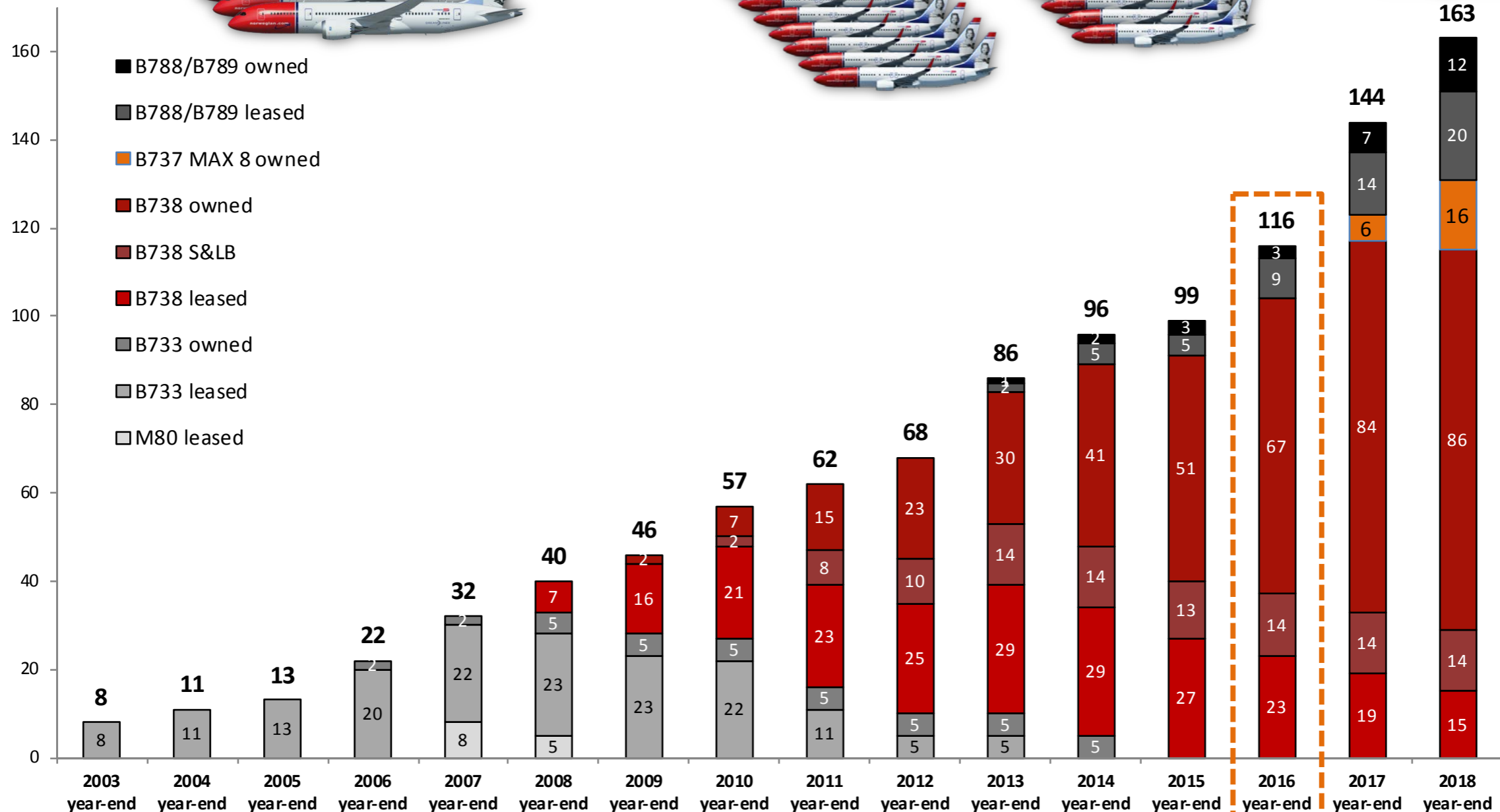
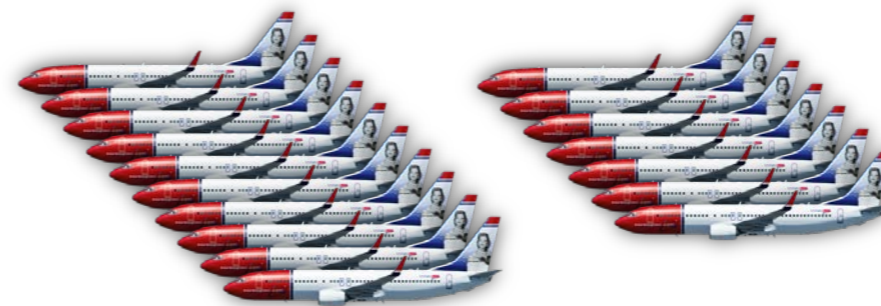
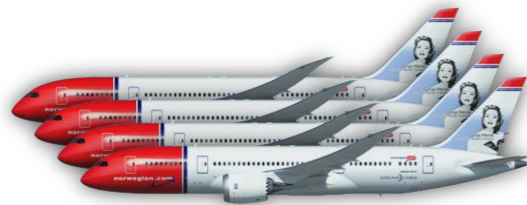
# Top modern fleet with an average age of 3.6 years

2016:

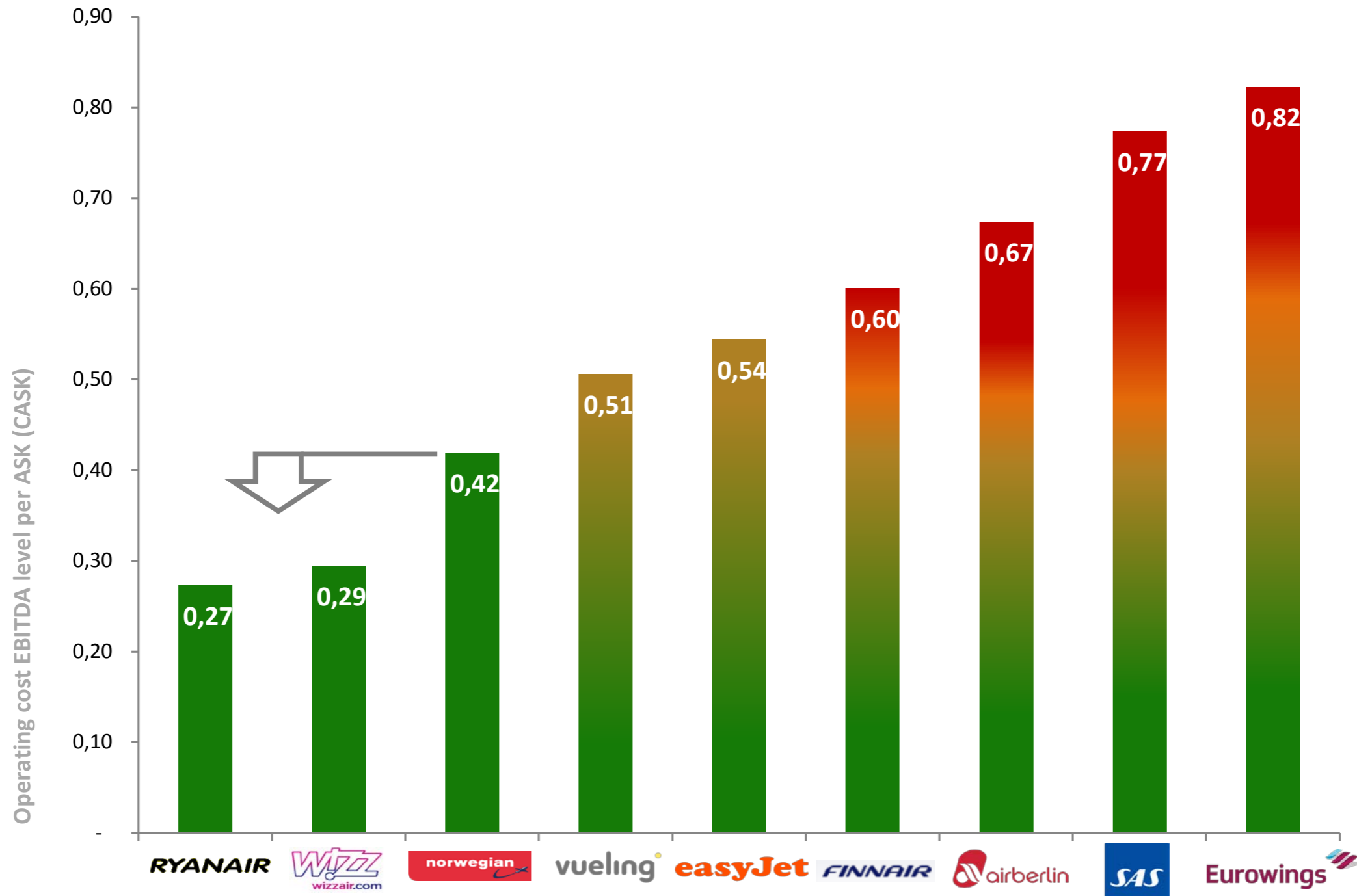
Deliveries 787-9  
+1376 seats

Deliveries 737-800  
+3,162 seats

Re-deliveries 737-800  
-744 seats



# Unit cost comparison based on the latest full-year results (in NOK)



Sources: Based on official full-year 2015 annual report for Norwegian Air Shuttle, Finnair, Vueling, SAS Group (31.10.2015), Easyjet (30.09.2015), and full-year 2015 report for Ryanair and WizzAir (31.03.2016). Eurowings figures are from the "Eurowings Management Presentation" 10.06.2016.

- Cost per available seat kilometer is an industry-wide cost level indicator often referred to as "CASK". Usually represented as operating expenses before depreciation and amortization (EBITDA level) over produced seat kilometers (ASK).
- 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
- Note: For some carriers the available financial data represents Group level data which may include cost items from activities that are unrelated to airline operations.
- 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.

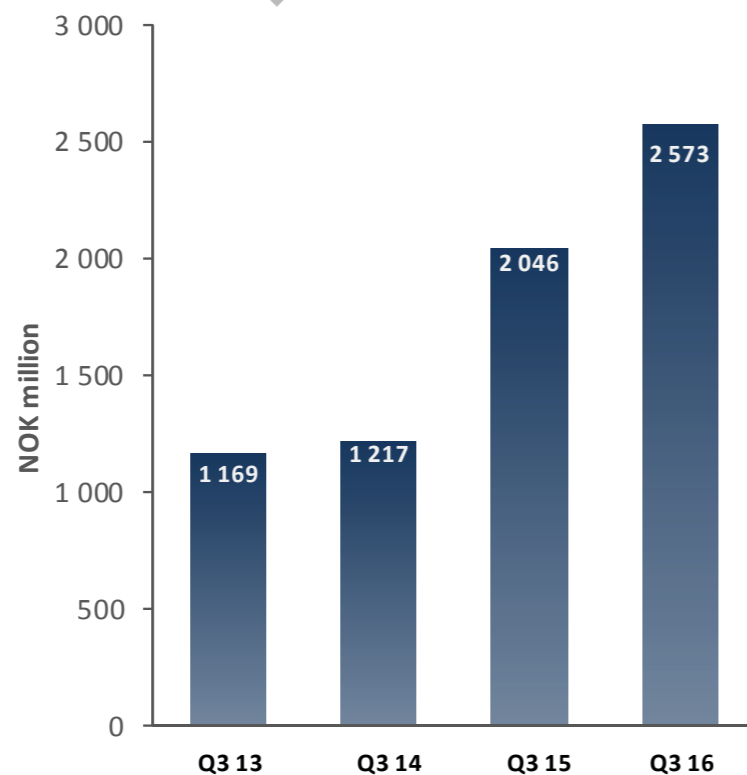
# Financials

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# EBT improved to NOK 1.3 billion in Q3

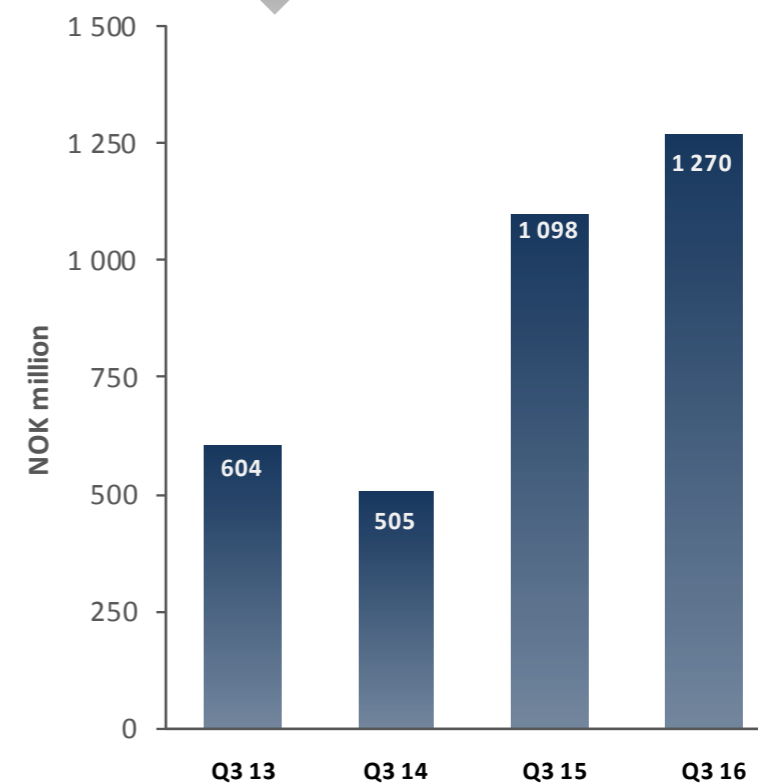
(NOK million)	Q3 15	Q3 16	Change
Revenue	7 277	8 360	
<b>EBITDAR</b>	<b>2 046</b>	<b>2 573</b>	<b>528</b>
EBITDA	1 484	1 725	241
Pre-tax profit (EBT)	1 098	1 270	172
Net profit	833	992	

EBITDAR development Q3



EBITDAR margin	Q3 13	Q3 14	Q3 15	Q3 16
	24 %	19 %	28 %	31 %

EBT development Q3



EBT margin	Q3 13	Q3 14	Q3 15	Q3 16
	12 %	8 %	15 %	15 %

# Underlying EBITDA\* increased to NOK 2.3 bn

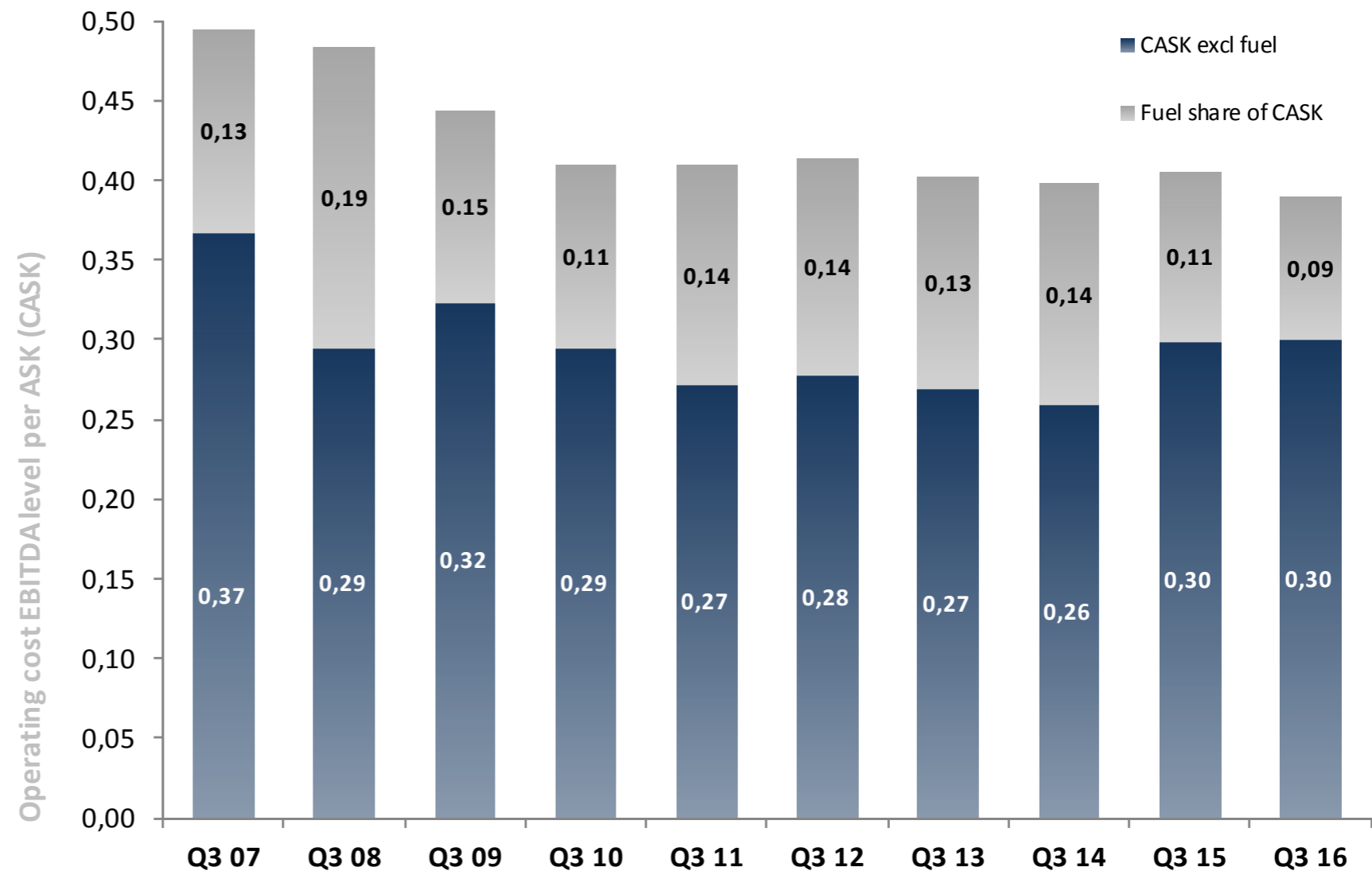
NOK million	Q3 2015	Q3 2016	chg
Revenue	7 277	8 360	1 083
EBITDA as reported	1 484	1 725	241
Other losses/gains	-62	-207	-146
<b>EBITDA excl other losses/gains</b>	<b>1 546</b>	<b>1 933</b>	<b>387</b>
Non-recurring items:			
- <i>additional expense engine overhaul</i>	-22		
- <i>passenger compensation and refunds</i>	-65	-111	
- <i>wetlease</i>	-34	-275	
<i>Sum non-recurring items</i>	-121	-386	
<b>Clean EBITDA</b>	<b>1 667</b>	<b>2 318</b>	<b>651</b>
<i>Margin clean EBITDA</i>	22,9 %	27,7 %	

\* Underlying (clean) EBITDA adj. for other losses/gains and non-recurring items



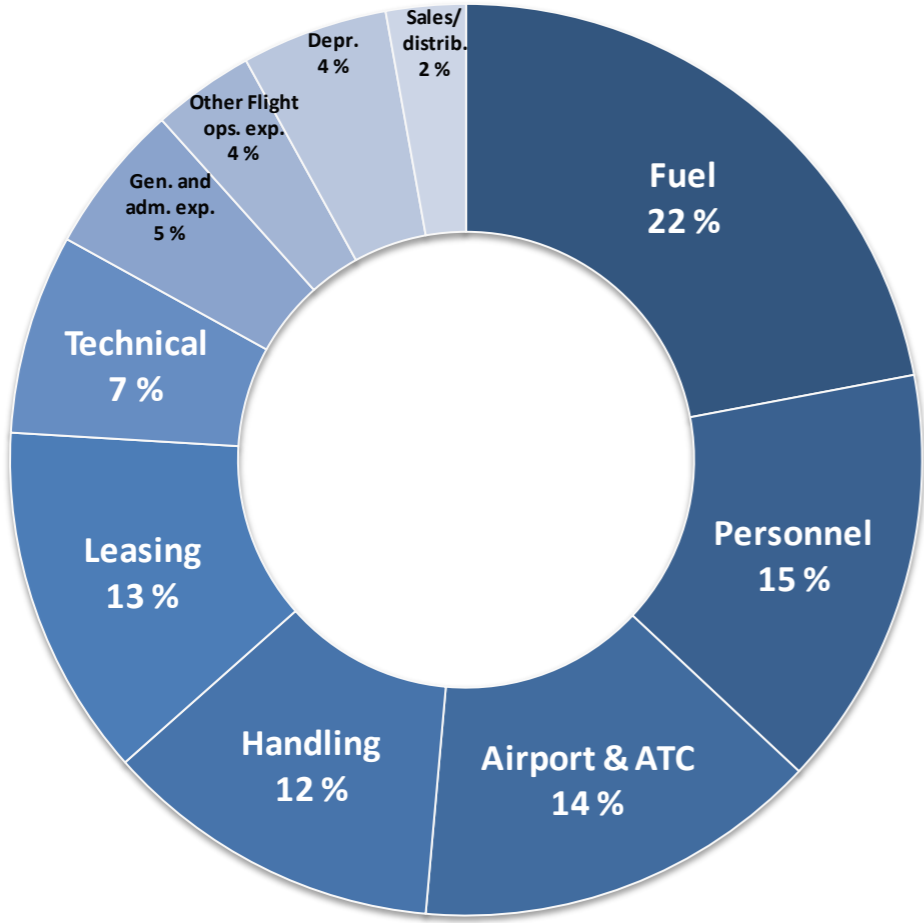
# Unit cost cut by 4 % to NOK 0.39

- Unit cost adj. for currency -5 %
- Unit cost excl. fuel of NOK 0.30 (flat). Down 1 % adj. for currency

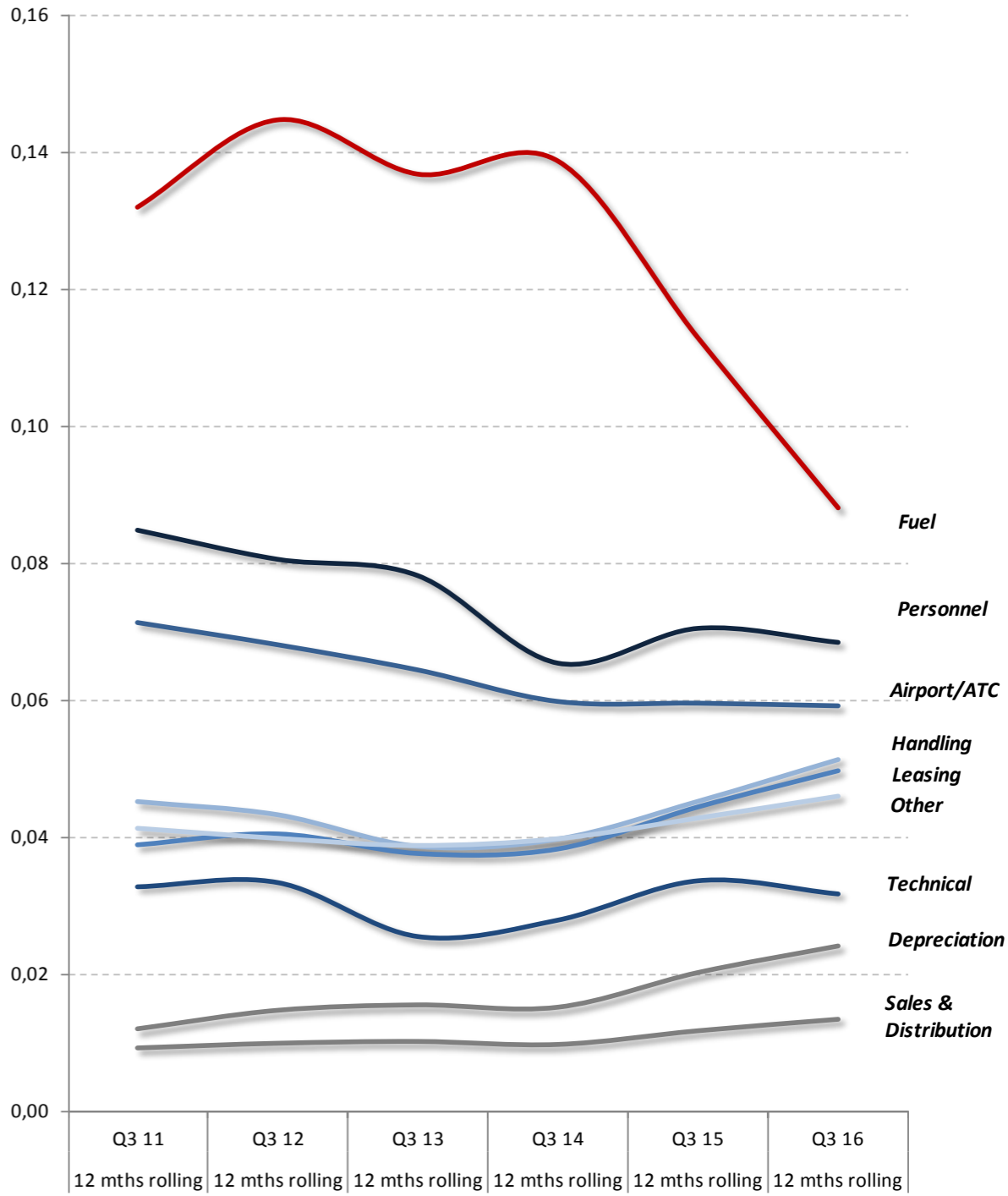


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# Full impact of lower fuel cost, fuel unit cost -15 %



- Stable personnel cost at 15 %
- Fuel cost share reduced to 22 %
- Status on fuel hedging:
  - 50 % of 2016 at USD 525
  - 38 % of 2017 at USD 500



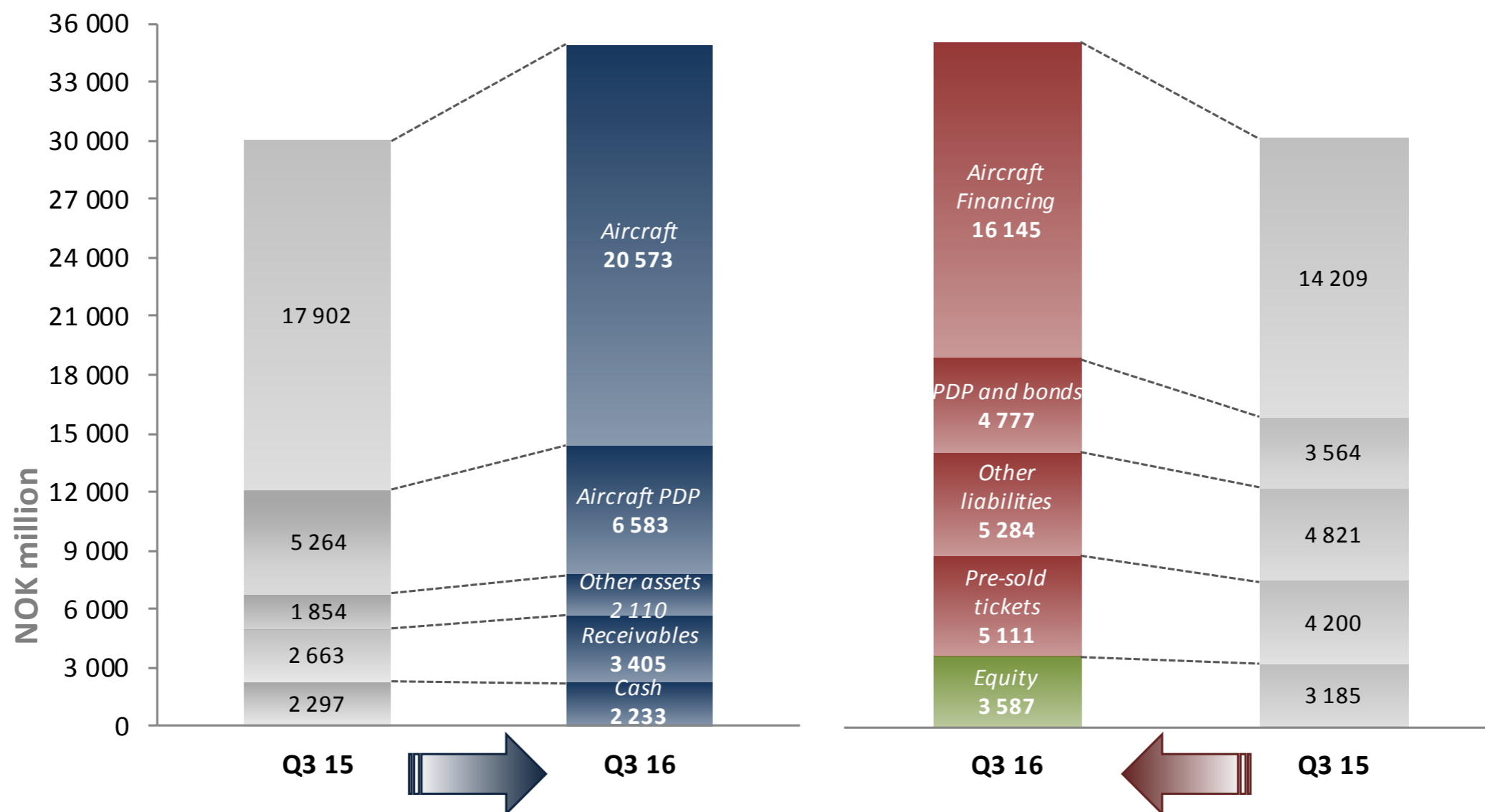
# NOK 2.8bn cash-flow from operations first 9M

- Invested NOK 5.4 bn in new aircraft of which NOK 3.1 bn financed by own cash
- NOK 2.2 billion in cash at the end of Q3

NOK million	Q3 2015	Q3 2016	Chg	9M 2015	9M 2016	Chg
Profit before tax	1 098	1 270	172	778	1 209	431
Paid taxes	-48	-29	19	-44	-29	16
Depreciation	302	352	50	767	958	191
Change air traffic settlement liabilities	-1 404	-2 140	-736	1 235	1 097	-138
Change working capital	377	157	-220	-101	-394	-293
<b>Net cash flows from operating activities</b>	<b>324</b>	<b>-390</b>	<b>-714</b>	<b>2 634</b>	<b>2 841</b>	<b>207</b>
Net cash flows from investing activities	-1 844	-1 748	95	-4 532	-5 401	-868
Net cash flows from financial activities	781	1 323	541	2 201	2 322	121
Net change in cash and cash equivalents	-749	-777	-29	285	-221	-506
<b>Cash and cash equivalents, end of period</b>	<b>2 297</b>	<b>2 233</b>	<b>-63</b>	<b>2 297</b>	<b>2 233</b>	<b>-63</b>

# Strengthened equity in spite of adding 15 on-balance aircraft

- Added 15 new 737-800 on balance the last 12 months + PDP's
- NOK 18.7 bn net debt
- 10 % equity ratio (16 % incl. mv of Bank Norwegian)



# Financing on-track



- Expected capex (all aircraft incl. PDP)
  - USD 1.0 bn for 2016
  - USD 2.1 bn for 2017
  
- PDP financing / liquidity
  - Tapped unsecured bonds (NOK 965 million)
  - New PDP financing with backstop lease for five 737-800
  - PDP Financing for 50 A320 Neo in place
  
- Long-term financing
  - EETC financing of ten 737-800 aircraft
  - Commercial financing of six 737-800 aircraft
  - Sale leaseback (SLB)
  - Ex-Im and ECA

# Outlook for 2016

## → Markets and business

- Soft macro and passenger tax introduced in Norway
- Monitoring demand in the UK post Brexit, limited changes to bookings
- Bookings volumes on par with last year, capacity adjusted
- Negative impact on RASK by mix and distance. Use lower price to stimulate volume

## → An estimated production growth (ASK) of 18 % (unchanged)

- Short haul +12 %, long haul +40 %
- Increasing distance driven by mix (long-haul)

## → Unit cost in the area of NOK 0.38 (unchanged)

- Including impact of wetlease and cancellations
- Assumptions: Fuel price of USD 350 per metric ton, USD/NOK 8.25, EUR/NOK 9.00

## → 23 new aircraft in 2016 (unchanged)

- Seventeen 737-800
- Four leased 787-9 Dreamliners
- Two A320 Neo (to be leased out to HK Express)

# Outlook for 2017

- An estimated production growth (ASK) of 30 %
  - Narrow body + 20 %, wide body + 60 %
  - 737 Max representing 5 p.p. of the growth for narrow body
  - Increasing distance driven by mix (long-haul)
- Unit cost target of NOK 0.38 to 0.39
  - Assumptions: Fuel price of USD 500 per metric ton, USD/NOK 8.25, EUR/NOK 9.00
  - NOK 0.02 related to change in fuel assumption (NOK 0.36 - 0.37 with same assumptions as 2016)
  - Based on the current route portfolio and planned production
- 32 new aircraft entering operations in 2017
  - Seventeen 737-800 (returning four old leased aircraft)
  - Six 737 Max
  - Nine 787-9 Dreamliners (incl. four leased)
- 8 A320 Neo (of which 6 leased out to HK Express)

# Summary



- Strongest result in the company's history
- Maintaining a strong and stable load factor
- Ramping up long haul. Launched new long haul routes between USA and Barcelona
- Launch of the 737 Max in 2017
- Completed tap of bonds above par



# Norwegian operates 460 routes to 130 destinations

