

**norwegian** 



**Norwegian Air Shuttle ASA**

Q4 2016 Presentation

16 February 2017

# Highlights Q4 2016



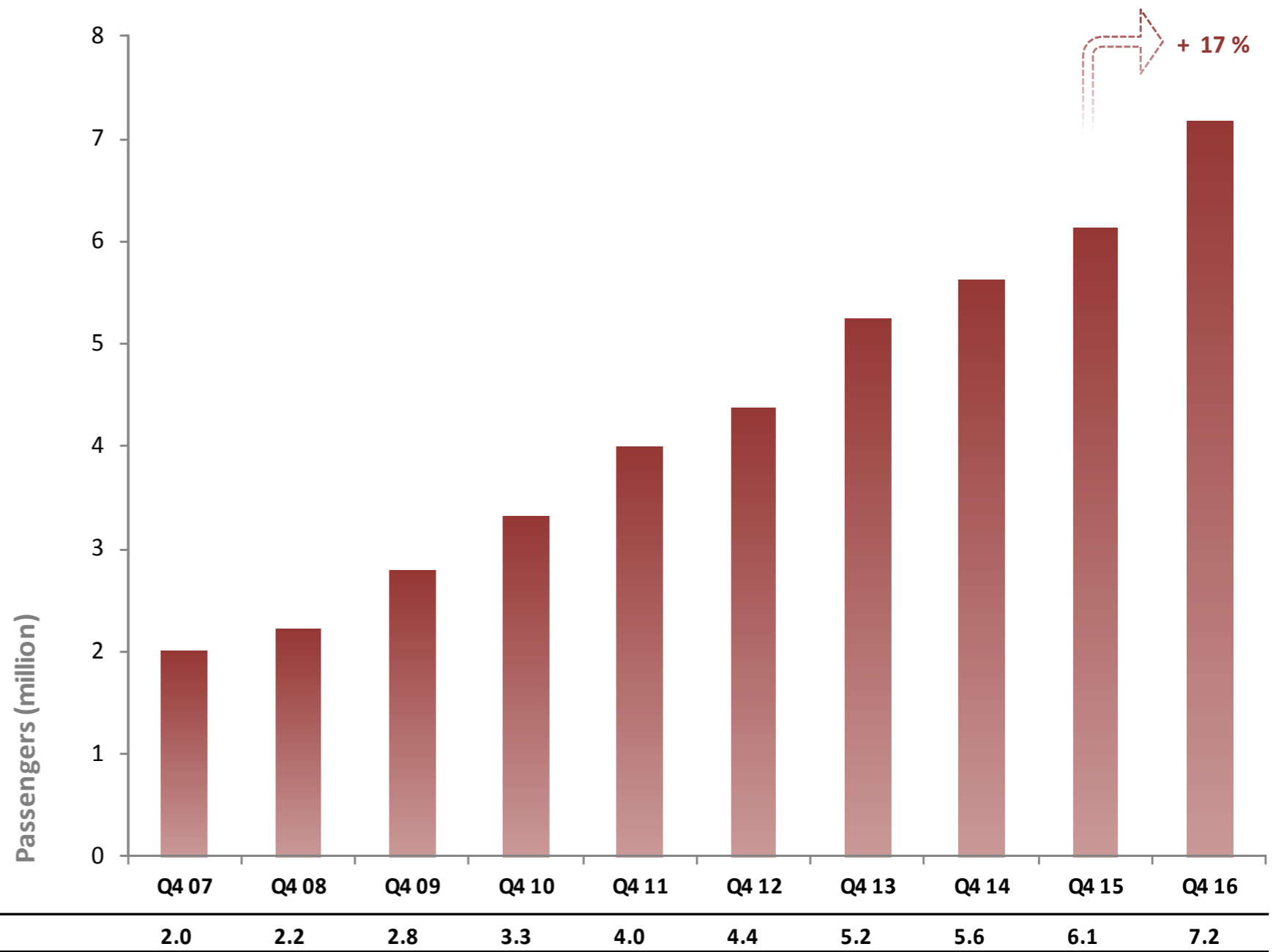
- Final approval for NAI by the US Department of Transportation (DOT)
- Reported EBITDA of NOK 673 million (-266)
- Q4 load factor up 1 p.p. to 86 %
- Added three new Boeing 737-800, one 787-9 Dreamliner and the first two Airbus 320neos
- Started 15 new routes in Q4
- Norwegian.com voted best low-cost airline website at The World Travel Awards
- Norwegian Reward reached 5 million members

# Highlights FY 2016



- Reported EBITDA of NOK 3.1 bn (1.5)
- Full-year load factor up 2 p.p. to 88 %
- Added 17 new 737-800, four 787-9 Dreamliners and two 320neos
- 34 new routes, including nine new intercontinental routes
- Launched new crew bases in Rome and Palma
- Start-up of routes between several US cities and Paris
- SkyTrax awards for World's Best Long Haul Low-Cost Airline (second time) and Europe's Best Low-Cost Airline (fourth year in a row)

# 7 million passengers in Q4 2016 (+17 %)

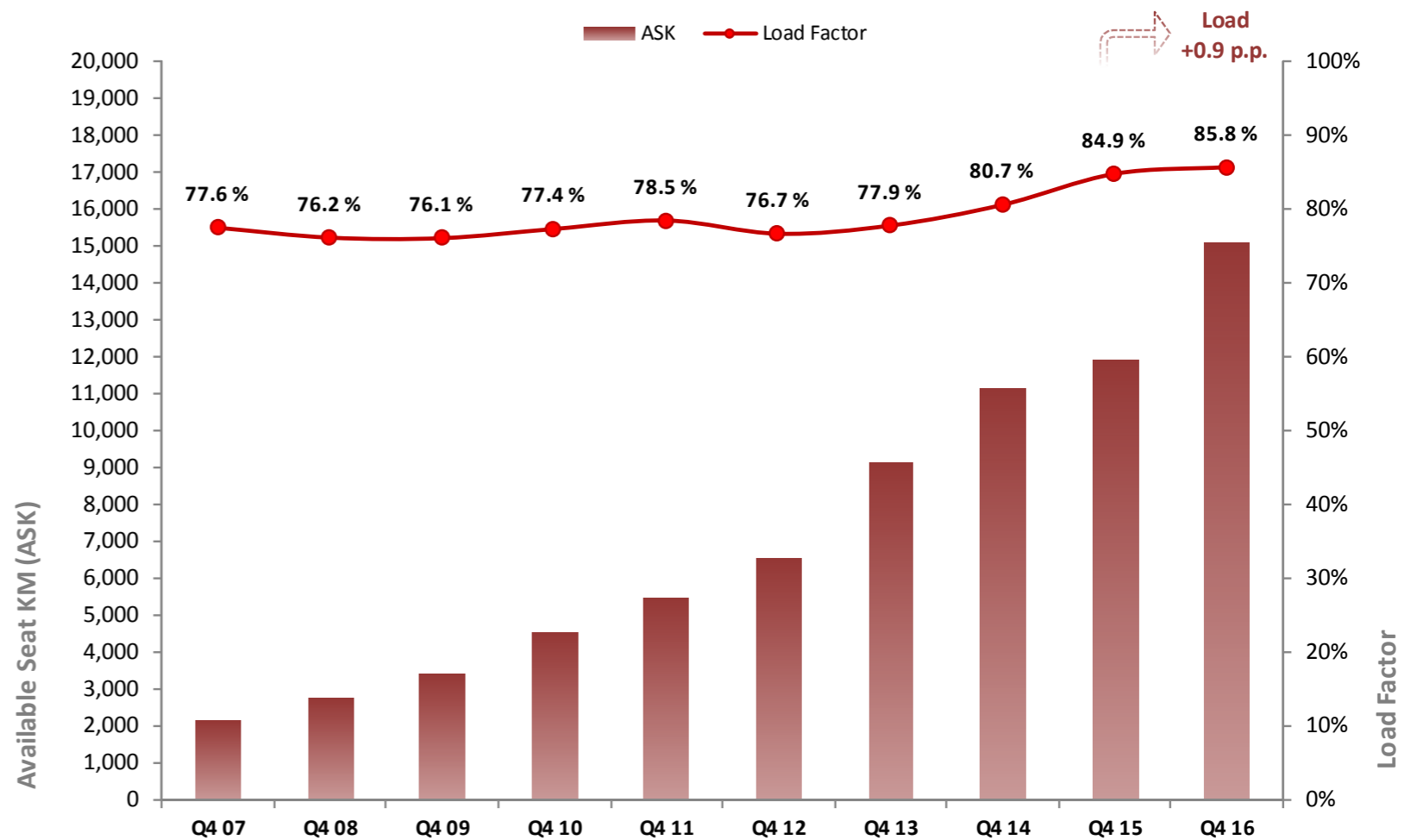


Pax (mill)

# Q4 load factor of 86 % (85 %)

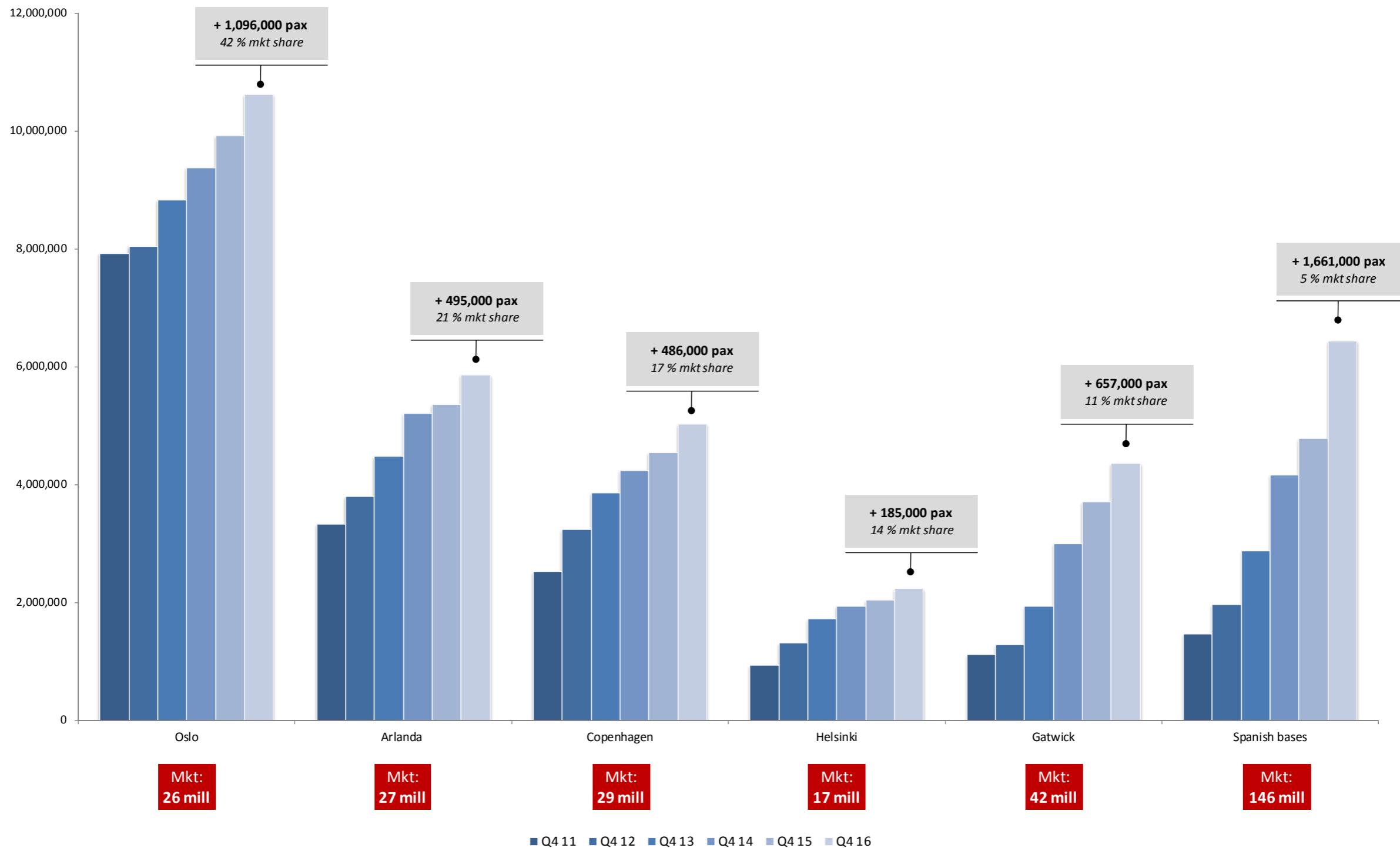


- 27 % growth in capacity (ASK)
- 28 % growth in traffic (RPK)
- Average flying distance increased by 8 %



ASK	2,122	2,783	3,432	4,516	5,461	6,517	9,176	11,142	11,909	15,109
Load Factor	77.6 %	76.2 %	76.1 %	77.4 %	78.5 %	76.7 %	77.9 %	80.7 %	84.9 %	85.8 %

# Market share up at all key airports

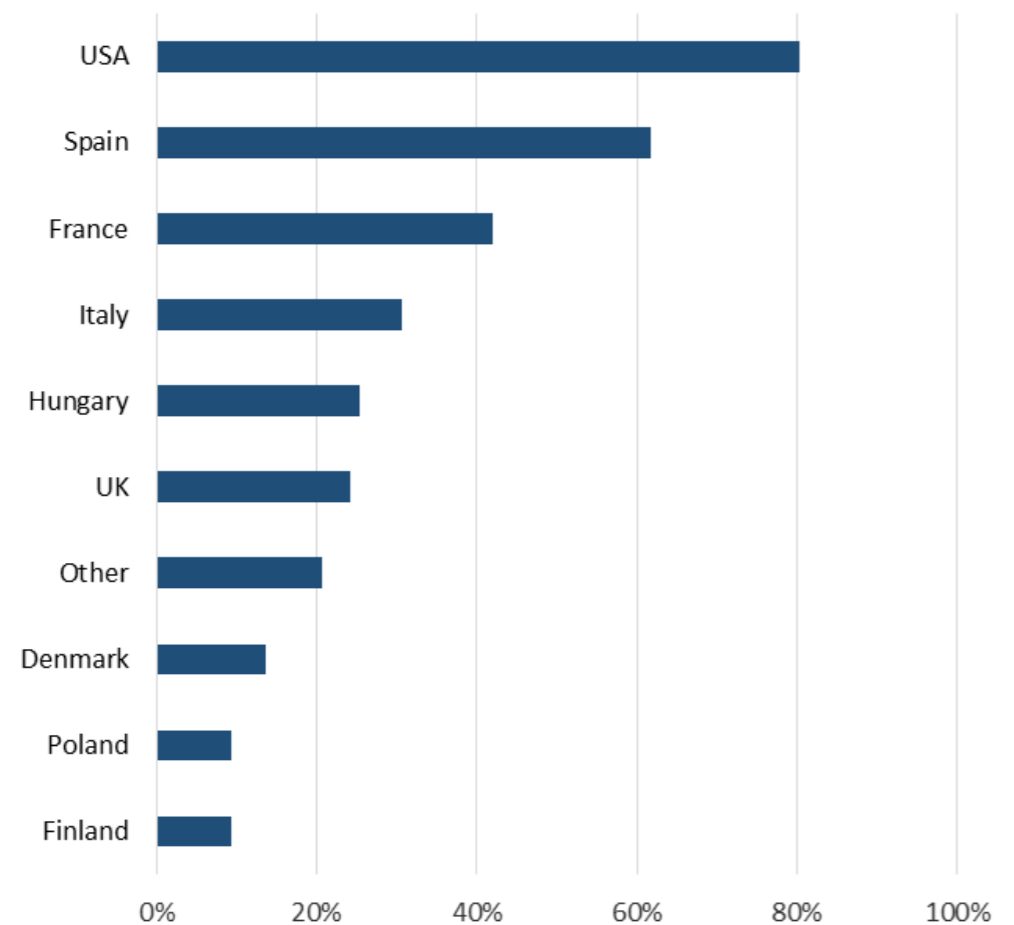


Source: 12 month rolling passengers as reported by Avinor, Swedavia, Copenhagen Airports, Finavia, Gatwick Airport, Aena

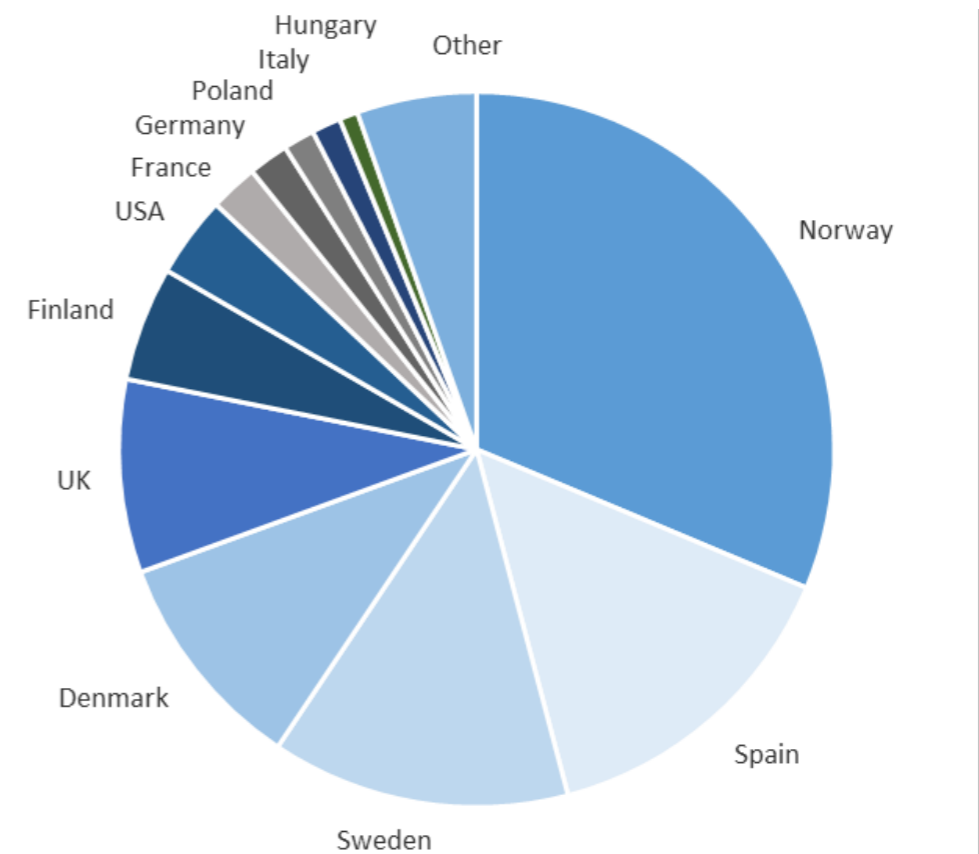
# More than 1 million new passengers in Spain

- Over 3.6 million passengers in Spain (+1.1 million) in FY 2016
- Strongest passenger growth in Spain, US and UK
- 3 % passenger growth in Norway (adj. for the strike in 2015)

Growth in number of passengers in 2016 (%):



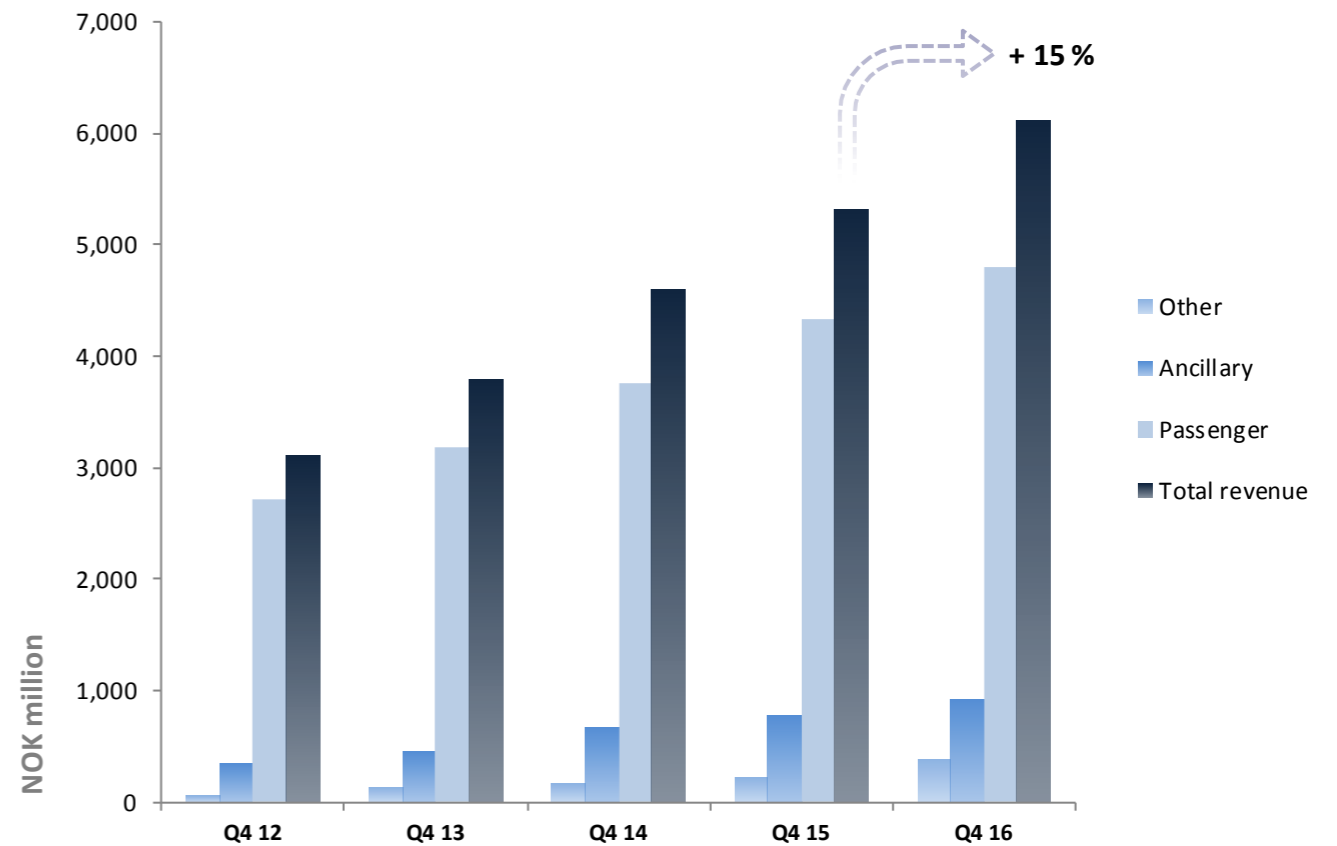
Split passengers by origin for 2016:



# 15 % revenue growth in Q4



- Key revenue drivers: More customers, new ancillary products and Reward
- Q4 unit passenger revenue -13 % to 0.32 (-8 % in constant currency)
- An average 18 % revenue growth over the last five years



	Q4 12	Q4 13	Q4 14	Q4 15	Q4 16
<b>Total revenue</b>	<b>3,106</b>	<b>3,786</b>	<b>4,602</b>	<b>5,319</b>	<b>6,102</b>
Passenger	2,709	3,187	3,768	4,324	4,796
% y.o.y. chg	23 %	18 %	18 %	15 %	11 %
Ancillary	340	458	663	774	927
% y.o.y. chg	16 %	35 %	45 %	17 %	20 %
Other	57	140	172	220	379
% y.o.y. chg	14 %	145 %	23 %	28 %	72 %

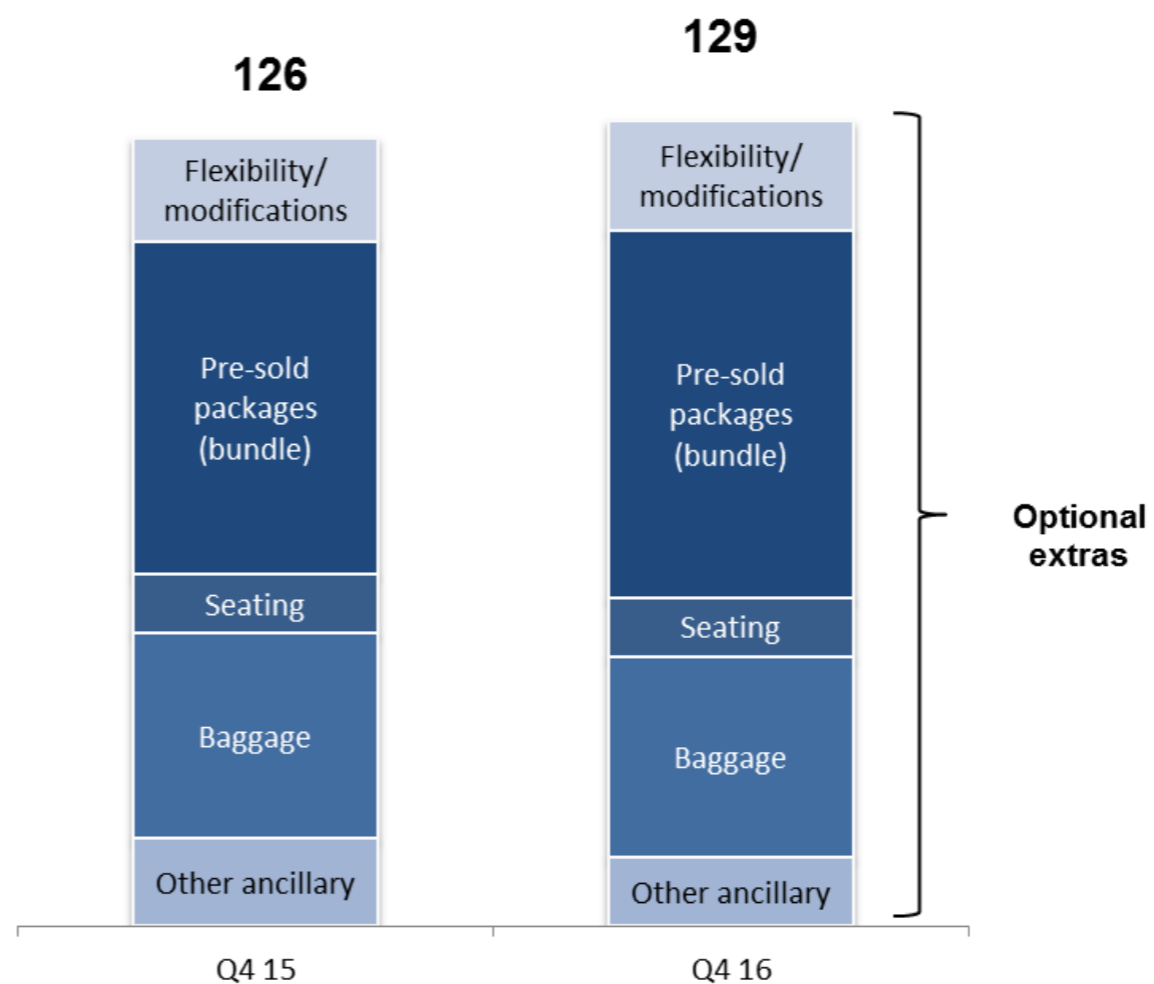


# 20 % growth in total ancillary revenue in Q4



- Per passenger sales increased by 2 % to NOK 129 in Q4
- Seasonal variation
- Full-year 2016 per passenger of NOK 134 (+5 %)

Split by category:

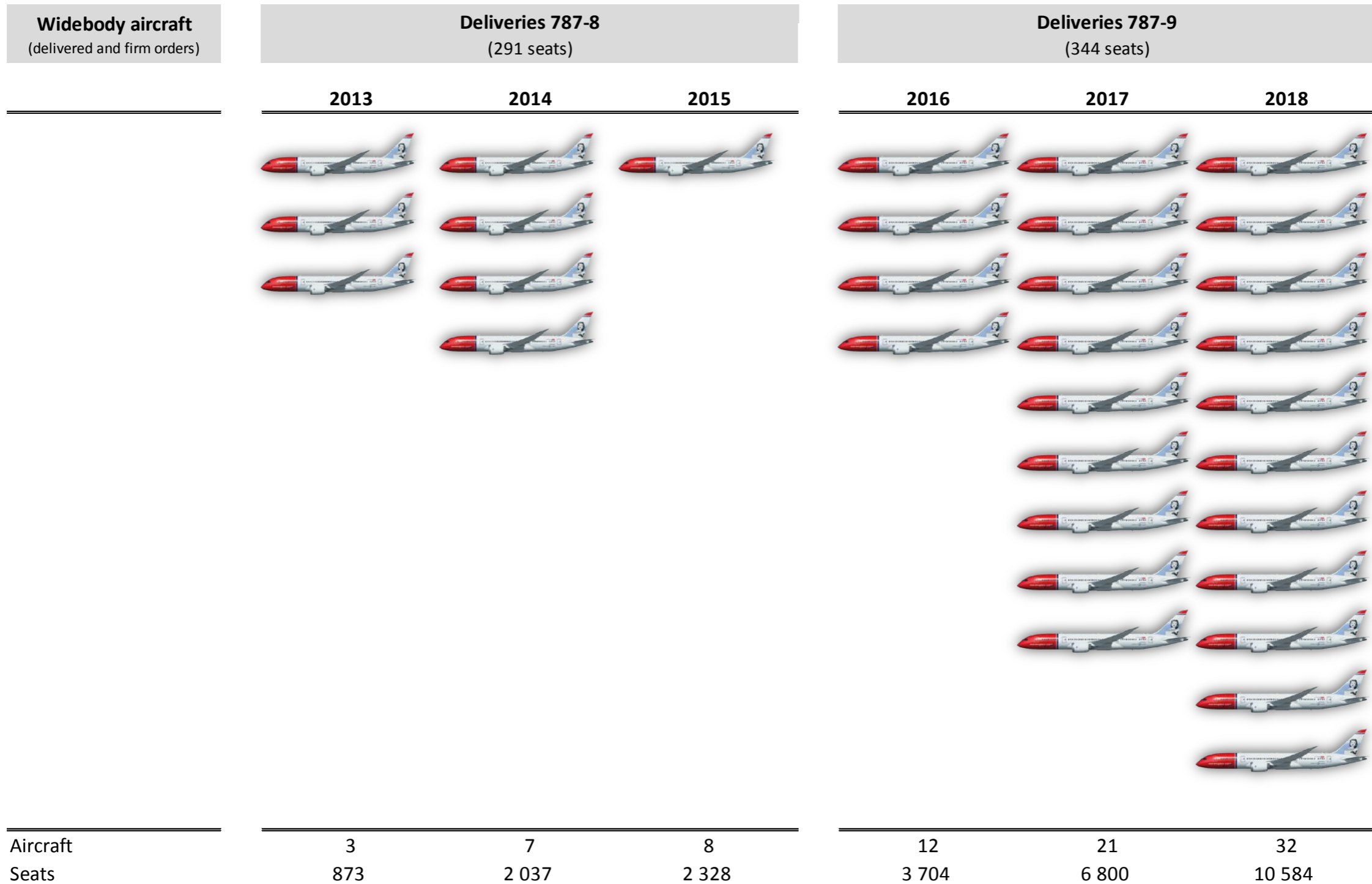


# A total of 50 intercontinental routes in 2017

- Adding USA - Barcelona and Copenhagen - San Francisco in 2017
- More new routes to be announced and adding frequency to existing routes



# Scaling up the Dreamliner fleet to 32 by 2018



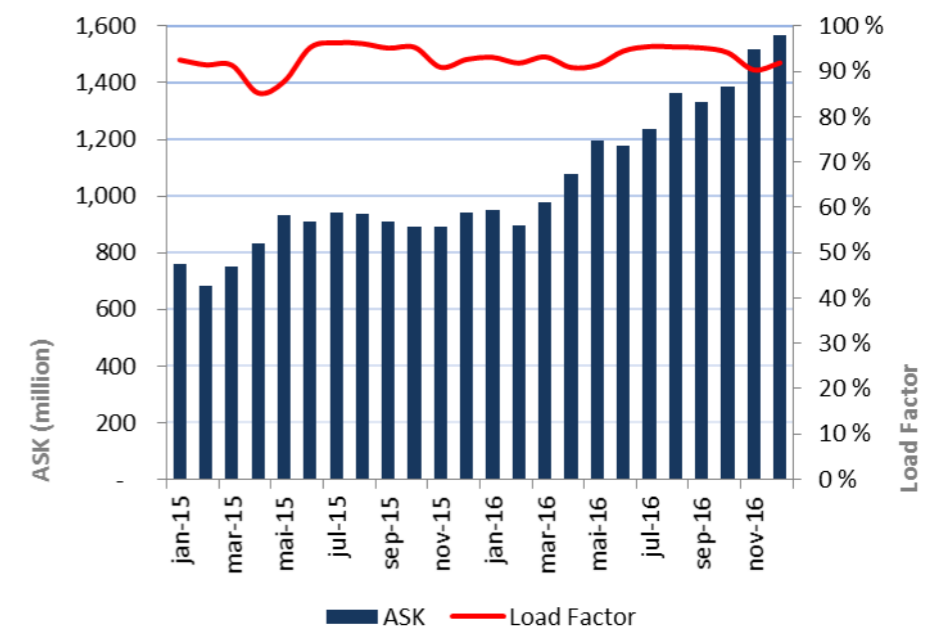
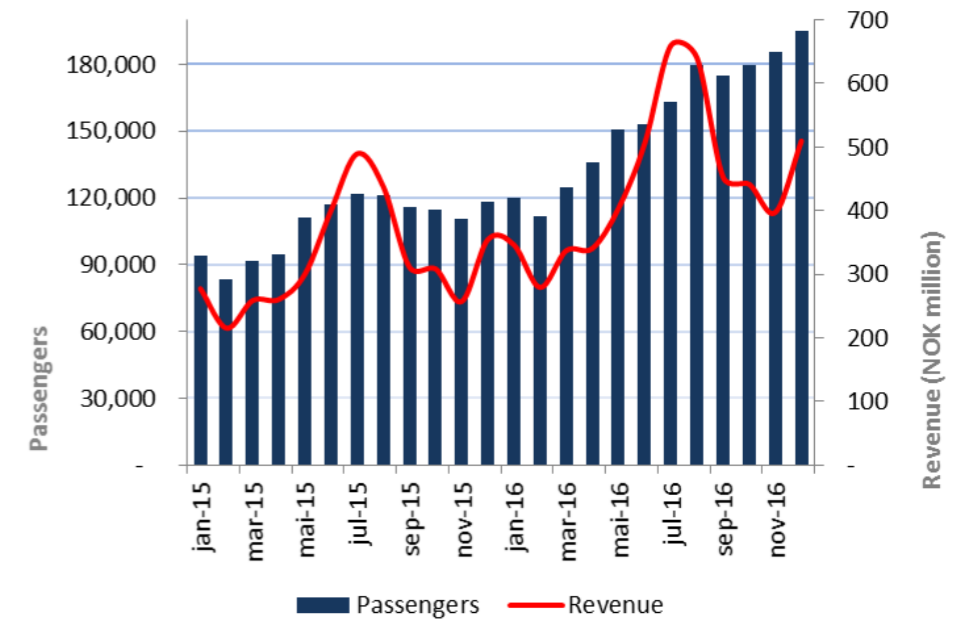
# Key figures and estimated Dreamliner growth

## Key figures Dreamliners

	2013	2014	2015	2016
ASK (million)	1,571	8,087	10,388	14,681
Load Factor	89 %	87 %	93 %	93 %
Passengers	192,579	941,265	1,293,767	1,872,694
Legs	769	3,683	4,799	6,668

## Forecast Dreamliners

	2016	2017P	2018P
ASK	14,681	23,500	47,000
growth	41 %	60 %	100 %
Legs	6,668	10,400	19,500
growth	39 %	60 %	100 %



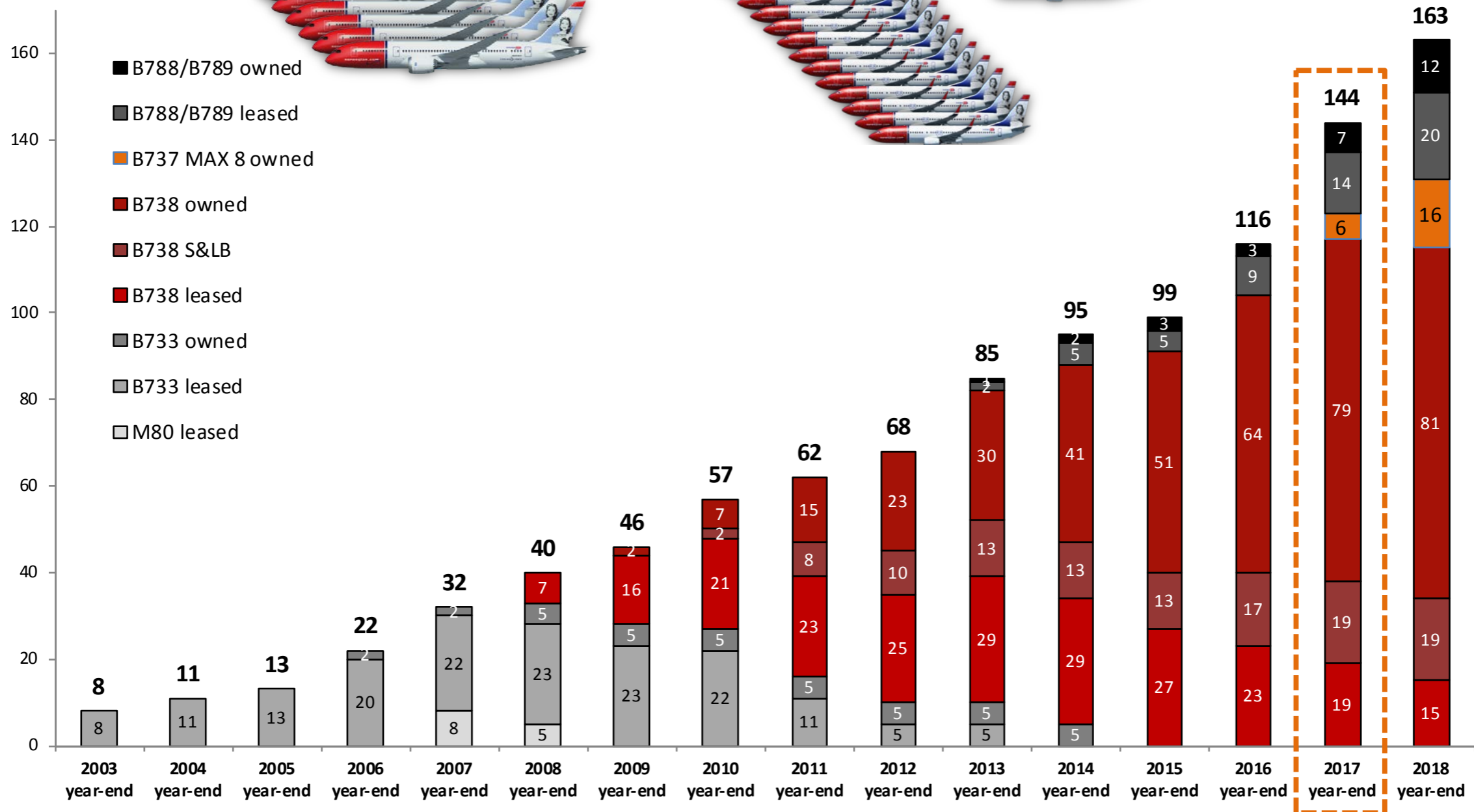
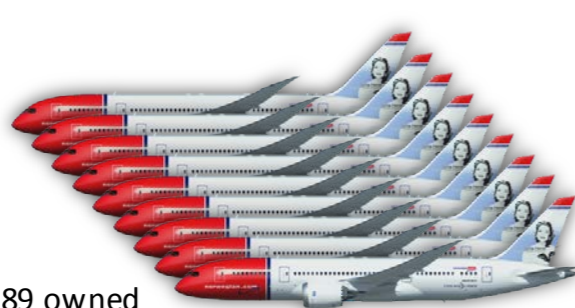
# Adding 32 new aircraft in 2017

2017:

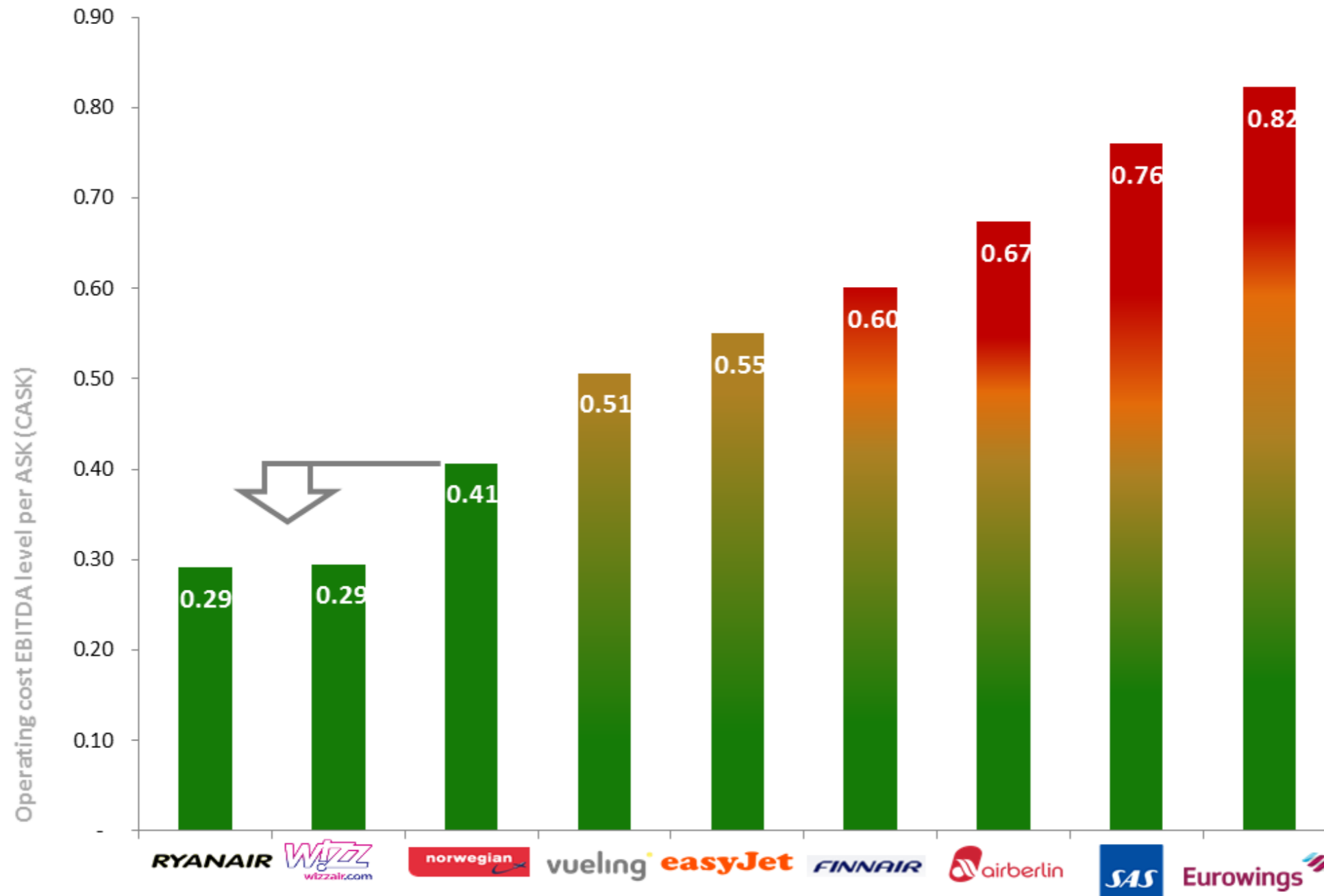
Deliveries 787-9  
+3096 seats

Deliveries 737-800 and 737Max  
+4,296 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.

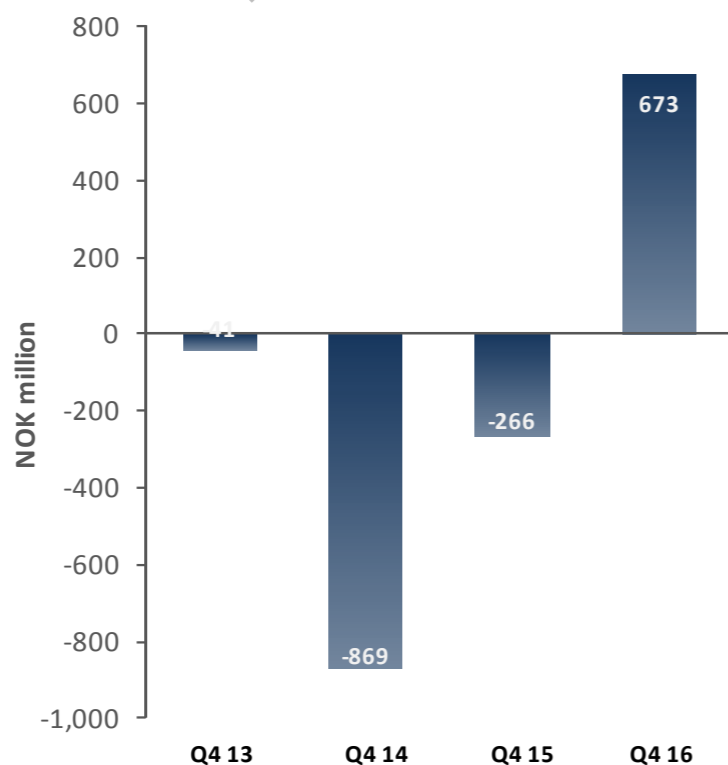
# Financials

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# EBITDA improved to NOK 673 million in Q4

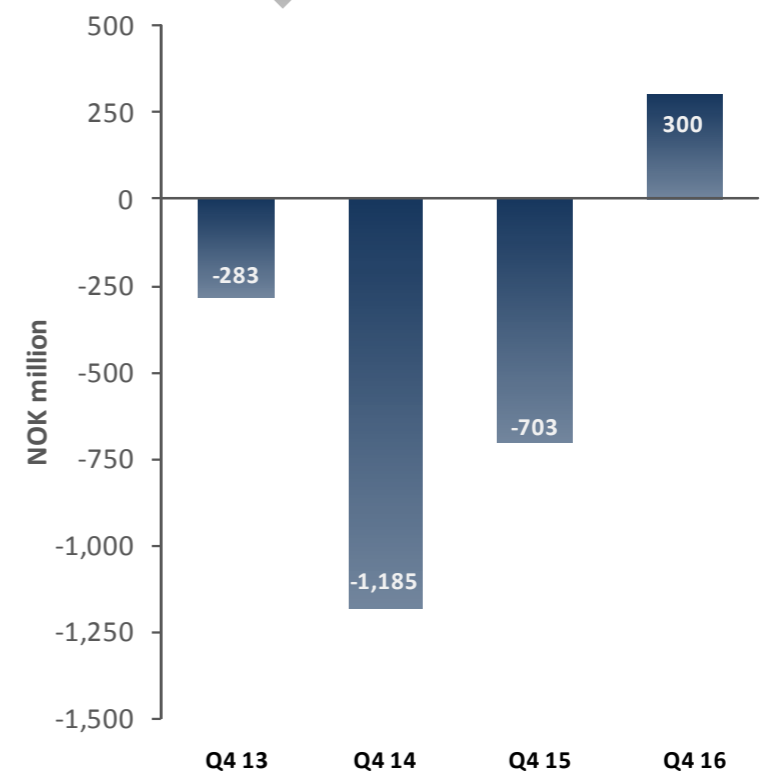
(NOK million)	Q4 16	Q4 15	Chg	2016	2015	Chg
Revenue	6,102	5,319	783	26,055	22,491	3,564
EBITDAR	1,357	295	1,062	5,958	3,694	2,264
<b>EBITDA</b>	<b>673</b>	<b>(266)</b>	940	<b>3,116</b>	<b>1,481</b>	1,635
Pre-tax profit (EBT)	300	(703)	1,003	1,508	75	1,433
Net profit	197	(373)	571	1,135	246	889

EBITDA development Q4



	Q4 13	Q4 14	Q4 15	Q4 16
EBITDA margin	-1 %	-19 %	-5 %	11 %

EBT development Q4



	Q4 13	Q4 14	Q4 15	Q4 16
EBT margin	-7 %	-26 %	-13 %	5 %

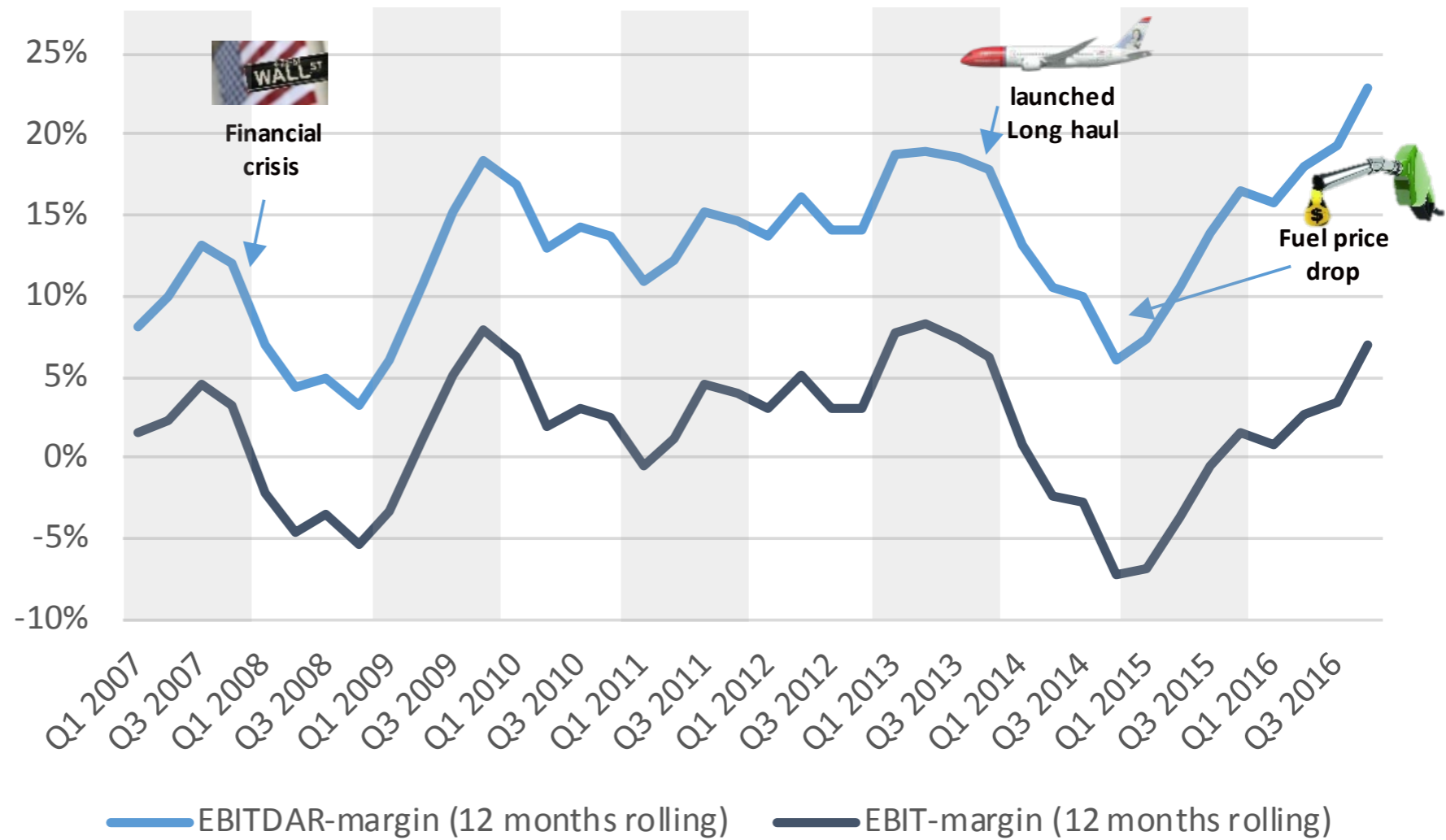


# Clean EBITDA\* increased to NOK 3.2 bn

NOK million	Q4 16	Q4 15	Chg	2016	2015	Chg
Revenue	6,102	5,319	783	26,055	22,491	3,563
EBITDA as reported	673	-266	940	3,116	1,481	1,635
Other losses/gains	852	-515	1,367	577	-474	1,051
<b>EBITDA ex. other losses/gains</b>	<b>-179</b>	<b>249</b>	<b>-427</b>	<b>2,540</b>	<b>1,955</b>	<b>584</b>
Non-recurring items:						
- <i>industry action</i>	-	-		-	-110	
- <i>additional expense engine overhaul</i>	-	-		-	-118	
- <i>extra passenger compensation and refunds</i>	-	-		-192	-	
- <i>writedown assets for sale, gain SLB</i>	75	-60		104	-60	
- <i>wetlease</i>	-60	-		-529	-105	
<i>Sum non-recurring items</i>	15	-60		-617	-393	
<b>Clean EBITDA</b>	<b>-194</b>	<b>309</b>	<b>-502</b>	<b>3,157</b>	<b>2,348</b>	<b>808</b>
<i>Margin clean EBITDA</i>	<i>-3.2 %</i>	<i>5.8 %</i>		<i>12.1 %</i>	<i>10.4 %</i>	

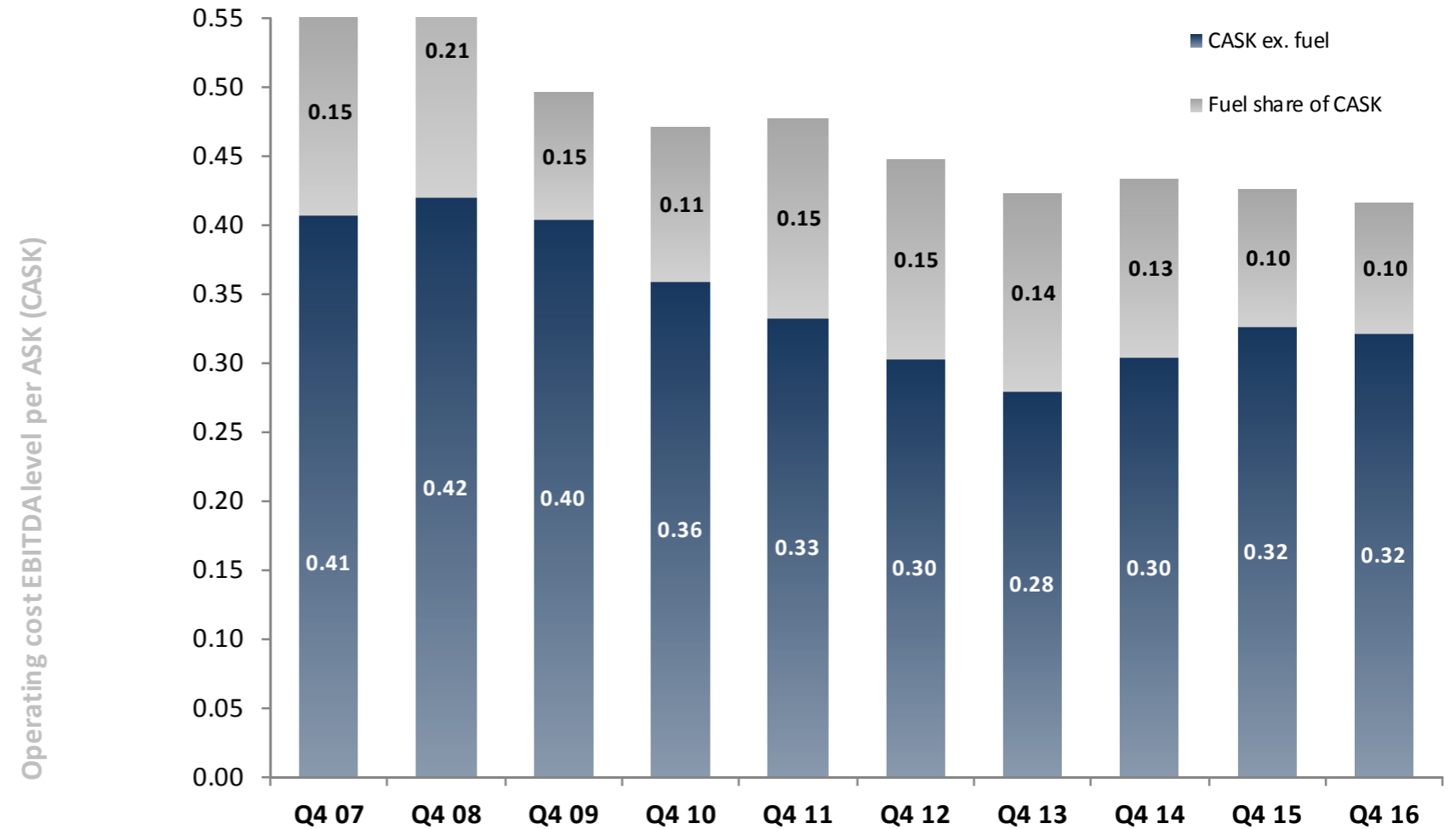
\* Clean EBITDA: Reported EBITDA adj. for other losses/gains and non-recurring items

# Margin recovery following long haul build-up



# Q4 unit cost cut by 2 % to NOK 0.42

- 1 % lower unit cost in constant currency
- Unit cost ex. fuel decreased 1 % to NOK 0.32 (flat in constant currency)



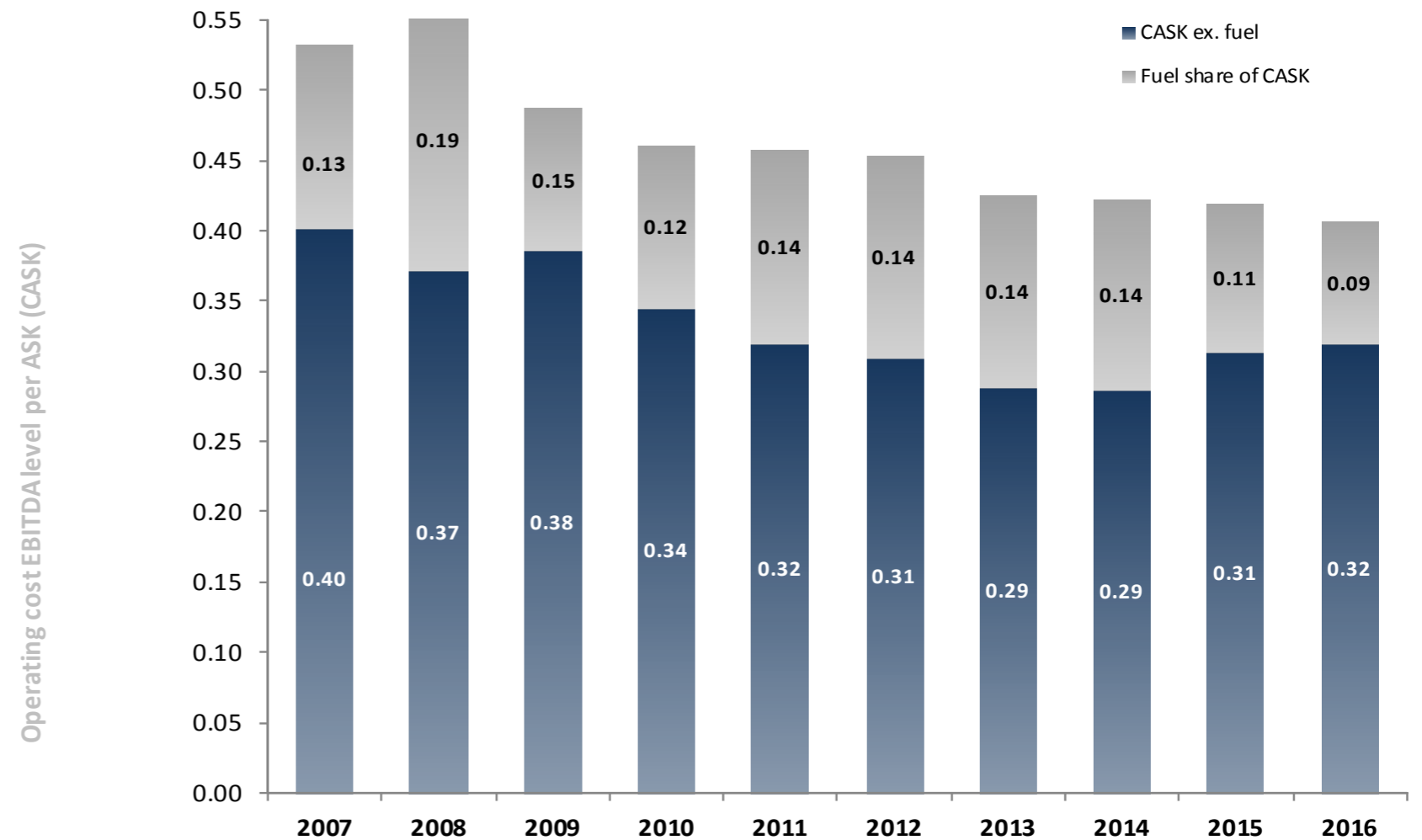
Cost per ASK (CASK) NOK	Q4 07	Q4 08	Q4 09	Q4 10	Q4 11	Q4 12	Q4 13	Q4 14	Q4 15	Q4 16
CASK ex. fuel	0.41	0.42	0.40	0.36	0.33	0.30	0.28	0.30	0.32	0.32

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).

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# Full-year unit cost cut by 3 % to NOK 0.41

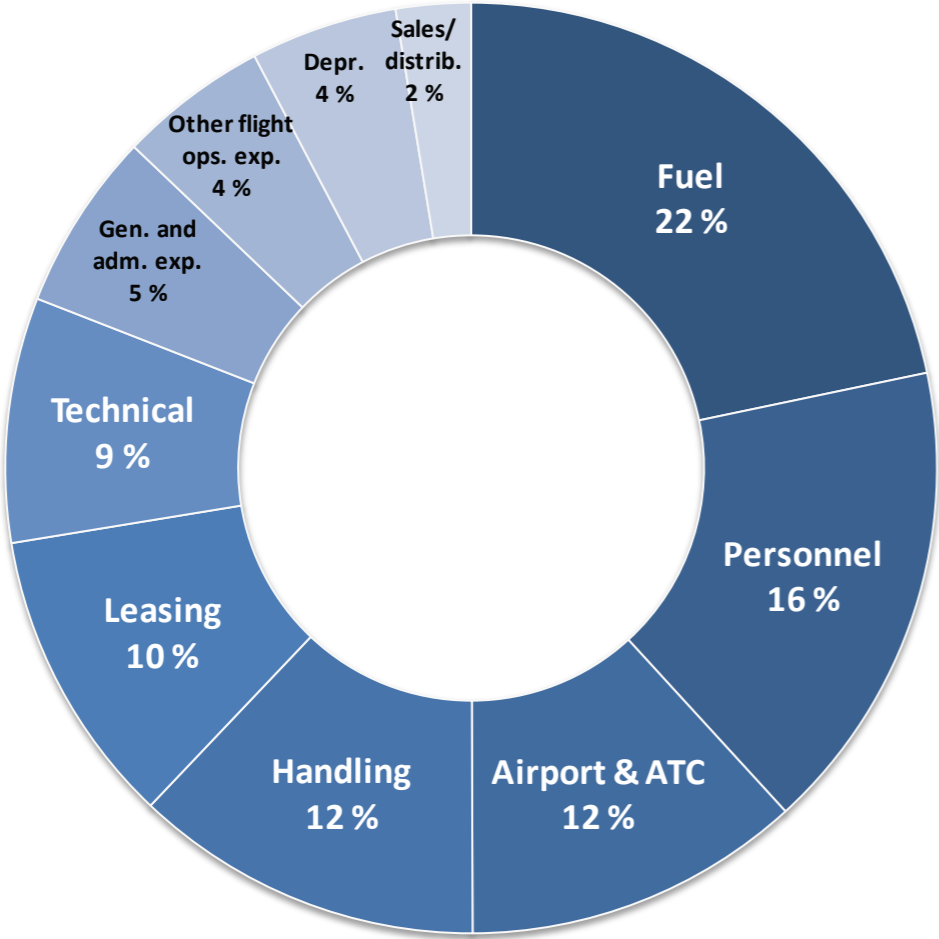
- 6 % lower unit cost in constant currency
- Unit cost ex. fuel increased 2 % to NOK 0.32 (-1 % in constant currency)



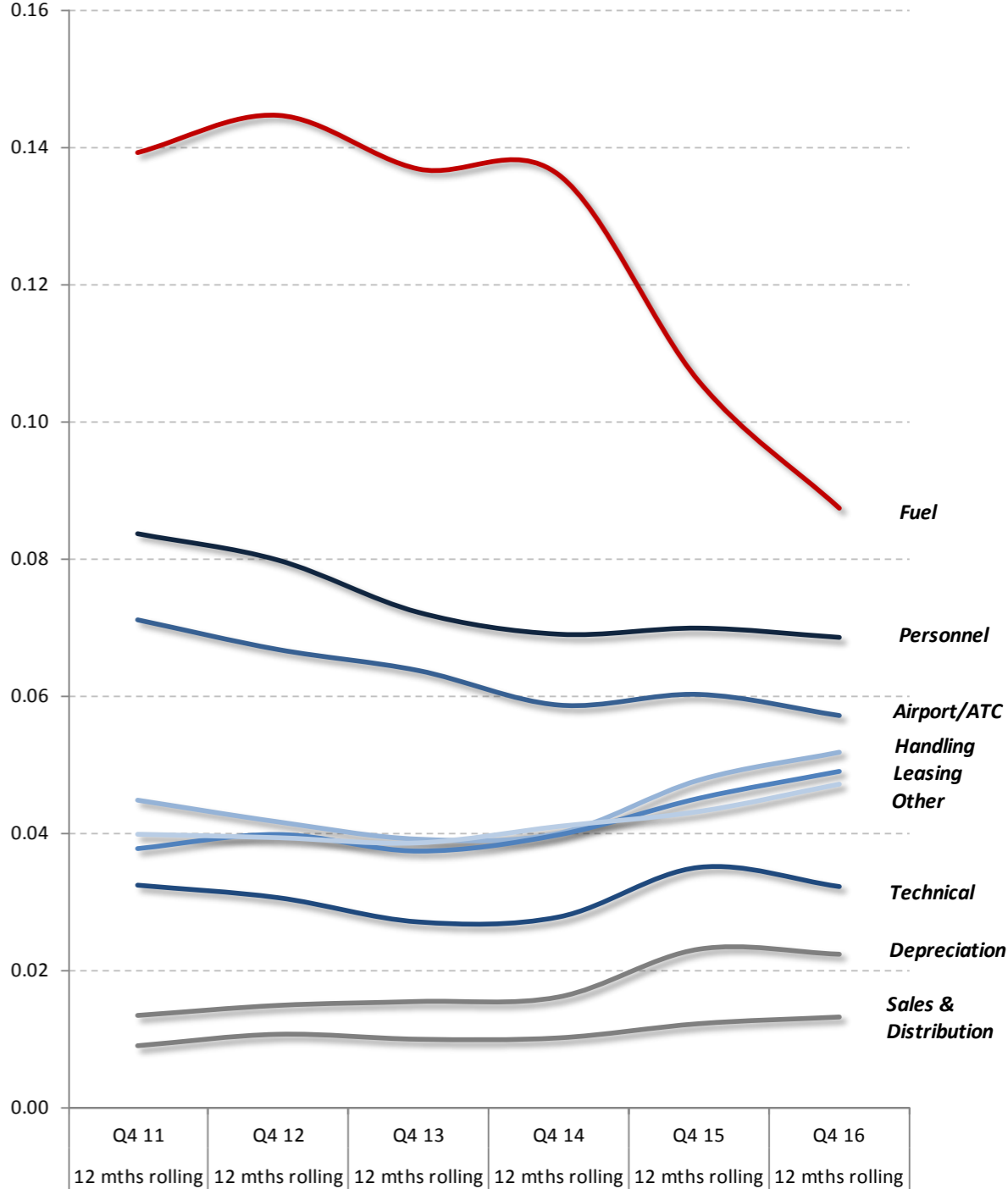
Cost per ASK (CASK) (NOK)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
CASK ex. fuel	0.40	0.37	0.38	0.34	0.32	0.31	0.29	0.29	0.31	0.32

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# Full impact of lower fuel cost



- Stable personnel cost at 16 %
- Fuel cost share reduced to 22 %
- Status on fuel hedging:
  - 52 % of 2017 at USD 494
  - 14 % of 1H 2018 at USD 497



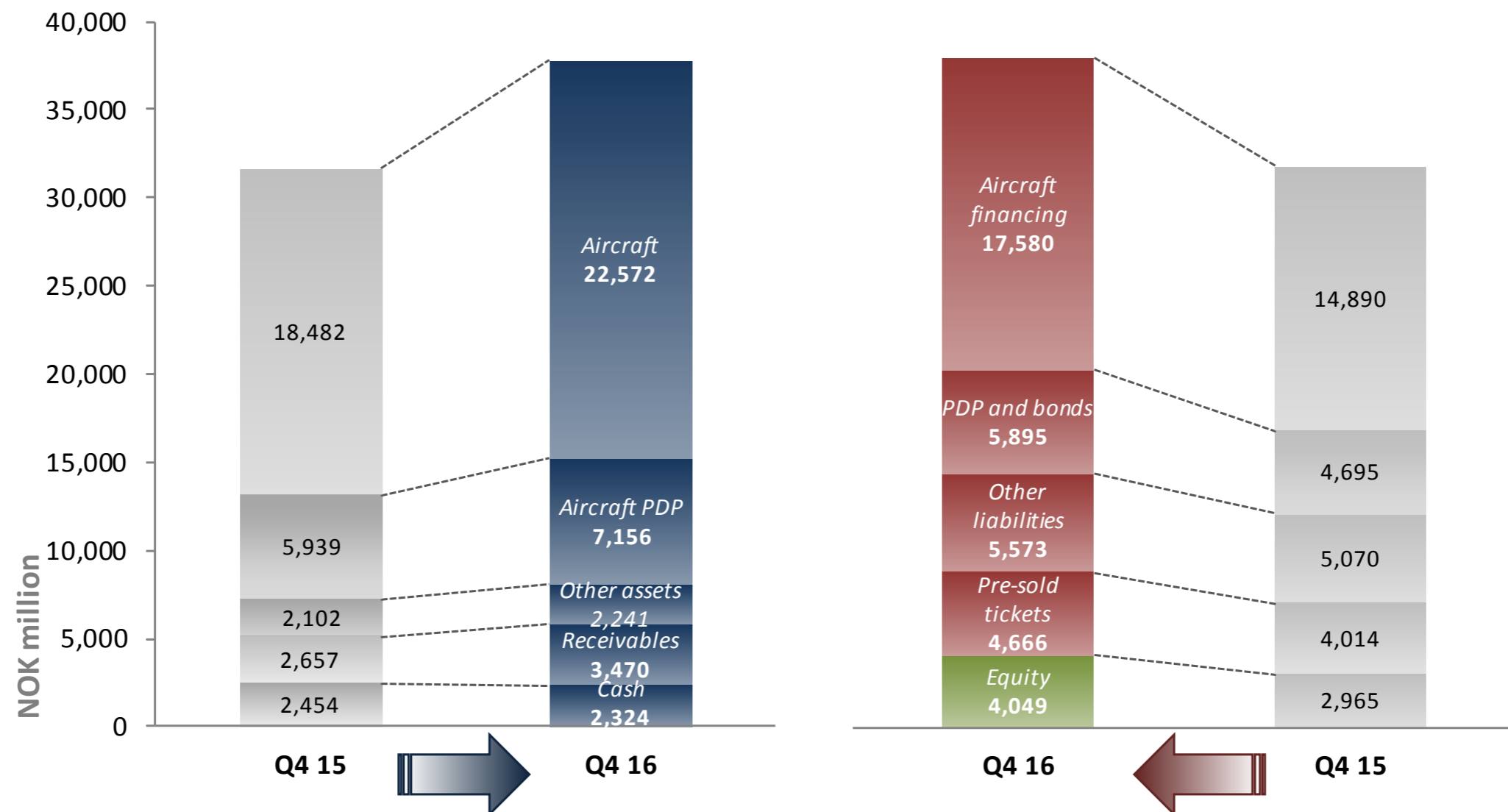
# NOK 3 bn cash-flow from operations in 2016

- Invested NOK 6.5 bn in new aircraft of which NOK 3.2 bn financed by own cash
- NOK 2.3 bn in cash at the end of Q4 (+NOK 0.7 bn in undrawn facility)

NOK million	Q4 16	Q4 15	Chg	2016	2015	Chg
Profit before tax	300	-703	1,003	1,508	75	1,433
Paid taxes	-	-	-	-29	-44	16
Depreciation	338	367	-29	1,296	1,133	163
Change air traffic settlement liabilities	-445	-186	-259	652	1,049	-397
Change working capital	13	245	-231	-381	143	-524
<b>Net cash flows from operating activities</b>	<b>206</b>	<b>-278</b>	<b>483</b>	<b>3,047</b>	<b>2,357</b>	<b>690</b>
Net cash flows from investing activities	-1,112	-657	-455	-6,512	-5,189	-1,323
Net cash flows from financial activities	981	1,081	-100	3,303	3,282	21
Foreign exchange effect on cash	16	11	5	33	-7	40
Net change in cash and cash equivalents	90	158	-67	-131	443	-574
<b>Cash and cash equivalents, end of period</b>	<b>2,324</b>	<b>2,454</b>	<b>-131</b>	<b>2,324</b>	<b>2,454</b>	<b>-131</b>

# Equity improved by NOK 1.1 bn

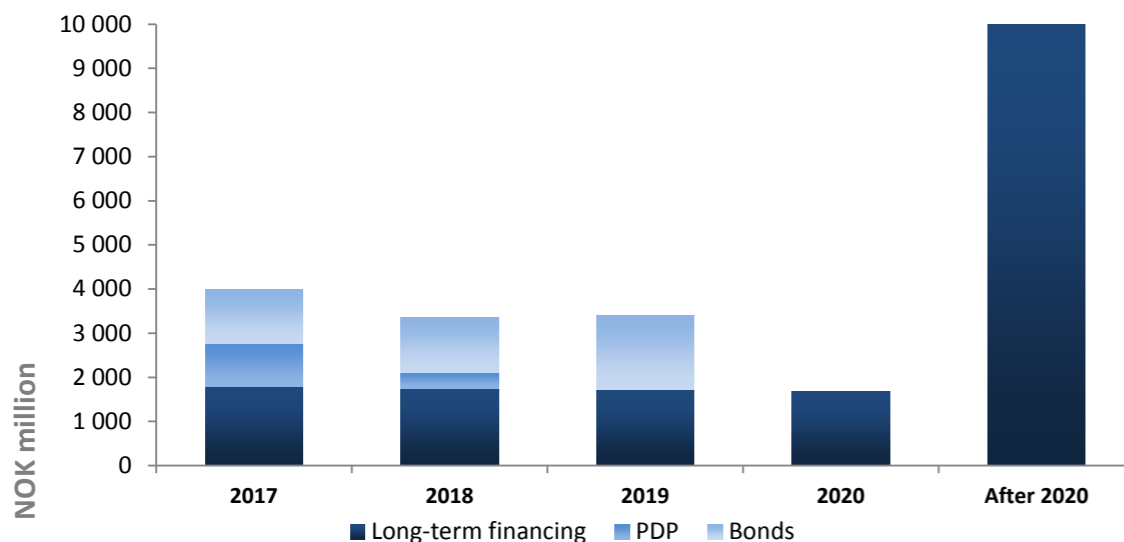
- Added 13 new 737-800 on balance the last 12 months + PDP's
- NOK 21 bn net debt (from 17 bn in 2015)
- 11 % equity ratio (9 %). 16 % when adding market value of Bank Norwegian (NOFI)



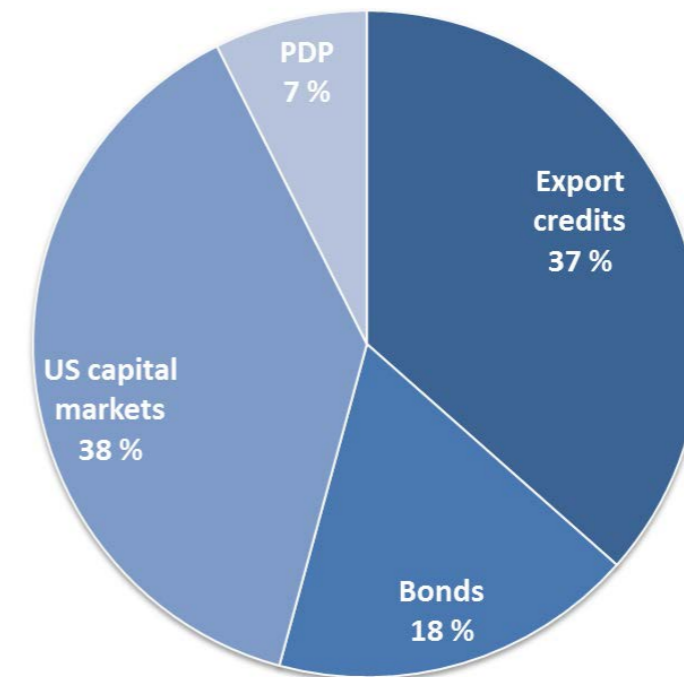
# Balanced mix of funding

- 30 aircraft financed in US capital markets, 37 by export credits
- 3.7 % average interest rate on long-term aircraft financing
- 95 % of AC financing on fixed rates

## Debt maturity profile:



## Debt mix:



## Number of aircraft:

# aircraft	B737	B787	A320
Export credits	34	3	
EETC	10		
Private placement/banks	20		2
SLB	17		
Leasing	23	9	
<b>Total</b>	<b>104</b>	<b>12</b>	<b>2</b>



# Financing on track



- Expected capex (all aircraft incl. PDP)
  - USD 1.8 bn for 2017 (reduced from USD 2.1 bn)
  - USD 2.1 bn for 2018 (increased from USD 2.0 bn)
  
- PDP financing / liquidity
  - PDP financing for 50 320neos in place
  - New unsecured bond in January (SEK 800 million)
  - New credit facility (NOK 1 bn)
  
- Long-term financing
  - Ex-Im and ECA guaranteed financing
  - EETC financing
  - Private placements
  - Sale leaseback (SLB)
  - Banks

# Outlook for 2017

- Markets and business
  - Negative impact from passenger tax in Norway
  - Weaker demand in the UK post Brexit
  - Booking volumes on par with last year, capacity adjusted
- An estimated production growth (ASK) of 30 % (unchanged)
  - 737-800 / 737 MAX +20 %, 787 Dreamliners +60 %
  - Increasing distance driven by mix
- Unit cost target of NOK 0.39 to 0.40 (up from 0.38 to 0.39)
  - Assumptions: Fuel price of USD 500 per metric ton, USD/NOK 8.25, EUR/NOK 9.00
  - Impact of SLB (leasing is included in CASK) and ramp-up of intercontinental operations
  - Based on the current route portfolio and planned production
- 32 new aircraft entering operations in 2017
  - 17 737-800 (returning four old leased aircraft)
  - Six 737 MAX
  - Nine 787-9 Dreamliners (incl. five leased)
- Three 320neos to be leased out to HK Express (Seven neos delayed)

# Summary



- Strongest full-year result in the history of Norwegian
- Building load factor
- Continued passenger growth
- Preparing for global expansion
- Launch of new intercontinental routes with the 737 MAX in 2017
- Financing on track

# Norwegian operates 471 routes to 130 destinations

