



DP AIRCRAFT I LIMITED

Shareholder Report July 2017



I. THE FUND - DP AIRCRAFT I LIMITED

FACT SHEET - DP AIRCRAFT I LIMITED

Ticker	DPA
Company Number	56941
ISIN Number	GG00BBP6HP33
SEDOL Number	BBP6HP3
Traded	SFM
<ul style="list-style-type: none"> SFM Admission Date 	4 th October 2013
<ul style="list-style-type: none"> Share Price 	1.10 [24 th July 2017]
Country of Incorporation	Guernsey
Current Shares in Issue	209,333,333
Administrator and Company Secretary	Aztec Financial Services (Guernsey) Limited
Asset Manager	DS Aviation GmbH & Co. KG
Auditor and Reporting Accountant	KPMG
Corporate Broker	Canaccord Genuity Limited
Aircraft Registration (Date of Delivery)	LN-LNA (28 th June 2013) LN-LNB (23 rd August 2013) HS-TQC (29 th October 2014) HS-TQD (9 th December 2014)
Aircraft Serial Number	35304 35305 36110 35320
Aircraft Type and Model	B787-8
Lessees	Norwegian Air Shuttle ASA Thai Airways International PCL
Website	http://www.dpaircraft.com



II. THE AVIATION MARKET - OVERVIEW AND DEVELOPMENT

Since the last published industry outlook by the International Air Transport Association (IATA) in December 2016, business and consumer confidence has risen significantly. According to the latest IATA's Airline Business Confidence Index, 76 per cent of airline CFOs and heads of cargo expect travel volumes to increase in the next 12 months. It is expected that due to stronger economic growth in 2017, traffic will grow by 7.4 per cent, slightly faster than capacity with an anticipated growth of 7.0 per cent. As a result, load factors are expected to increase slightly to 80.6 per cent. However, break-even load factors are assumed to increase due to rising unit costs, mainly because of increasing fuel prices, maintenance, infrastructure and labour costs. Delays caused by inefficient European airspace management are anticipated to generate costs of EUR 2.8 billion in 2017. Moreover, it is assumed that this year, fuel costs will account for 18.8 per cent of average operating costs. IATA increased its forecast of global net profit in 2017 from USD 29.8 billion to USD 31.4 billion. Although this is still a decline compared to a net profit of USD 34.8 billion in 2016, the level of profitability would be the third highest on record.

For the year 2017, IATA expects that more than 4 billion passengers will travel by air with new destinations and frequencies rising by 4 per cent. While tourists travelling by air are expected to spend USD 685 billion, the value of trade transported by air is anticipated to amount to USD 5.9 trillion. Tax revenues are forecasted to increase by 6.6 per cent, amounting to USD 124 billion. It is also expected that employment by airlines will increase by 4.8 per cent compared to 2016.

The Asia-Pacific region is anticipated to have the highest growth rates of traffic whereas European carriers currently experience the highest break-even load factors, as yields are low due to a strongly competitive environment. However, global first quarter traffic results in 2017 were strong, according to IATA. In March, European carriers reported an increase

of 6.0 per cent in passenger demand while Asian Pacific carriers reported an increase of 10.7 per cent compared to the same month in 2016. In both regions the increase in demand outperformed the growth in capacity and improved load factors. While European carriers have benefitted from the momentum of the region's economy, routes between Asia and Europe continue to recover from terrorism-related disruptions in early 2016. In March 2017, global air traffic increased by 6.8 per cent while capacity grew by 6.1 per cent compared to the same month 2016.

The latest Boeing Outlook (Current Market Outlook 2017-2036) expects deliveries of 41,030 aircraft with a total market value of USD 6.1 trillion within the next 20 years. Both Boeing and Airbus (Global Market Forecast 2017-2036) continue to forecast that the global passenger and freighter fleet will at least double by 2036. According to Boeing and Airbus, 57 per cent and 60 per cent respectively of new deliveries are anticipated to be used for fleet growth. There are many different considerations and market forecast drivers which influence the manufacturer's forecasts. They include, for example, economic growth and fuel price expectations, the competitive landscape, environmental regulations, market liberalisation and airline strategies. According to Boeing, air traffic will grow on average by 4.7 per cent annually and the airlines' fleets by 3.5 per cent per annum, within the next 20 years. Boeing forecasts that the current share of the global airlines' fleet from the Asia-Pacific region will increase from 29 per cent to 37 per cent and that 16,050 new aircraft will be delivered to that region by 2036. European airline fleet growth is anticipated to be lower than the global average, with an average annual growth rate of 2.7 per cent. However, Boeing forecasts that 7,530 aircraft with a value of USD 1,110 billion will be delivered to European airlines within the next 20 years. For 2017, IATA anticipates that around 1,850 new aircraft will be delivered worldwide and that half of these deliveries will be for fleet growth.



III. THE ASSETS - FOUR DREAMLINER BOEING 787-8s

As at 30 June 2017, Boeing has delivered 565 Boeing 787 Dreamliner aircraft, of which 340 aircraft are B787-8s and 225 aircraft are B787-9s. The total order for this aircraft family amounts to 1,275 aircraft by 66 customers. In the first half of 2017, 75 net orders for the Dreamliner family had been placed by airlines and lessors. Aircraft from the B787 family are operated on all continents. Today, more than 130 new non-stop routes operated by B787 aircraft are in service or have been announced and 560 routes are uniquely operated by B787s.

Norwegian has equipped its B787 fleet with a total of 291 seats, of which 32 are premium economy and 259 economy class seats. This type of aircraft is used to fly from Europe to destinations in Asia, America and the Caribbean including, amongst others, New York, Fort Lauderdale, Oakland and Bangkok. During the summer peak season, the airline deploys B787s on some of its Oslo-Nice flights as well. Since the acquisition by DP Aircraft I Limited of the two aircraft LNA and LNB in 2013, Norwegian has met all of its lease obligations in full.

In December 2016, aircraft LNA was inspected by DS Skytech Limited at the Boeing maintenance facilities at Copenhagen International Airport. Aircraft LNB was inspected on 6 April 2017 at the British Airways Maintenance facilities in Cardiff during Base Maintenance (every 6,000 flight hours). Both aircraft and their technical records were found to be in good condition with no significant defects or airworthiness related issues.

Thai Airways' B787 fleet offers a total of 264 seats, of which 24 are business and 240 economy class seats. The carrier operates this aircraft type to destinations within the Asia-Pacific region such as Singapore, Delhi, Hanoi, Perth and Brisbane. Since DP Aircraft I Limited acquired the two aircraft TQC and TQD in 2015, Thai Airways has met all of its lease obligations in full. In July 2016, both aircraft, TQC and TQD, were inspected by DS Skytech Limited at Bangkok International Airport. The inspection found the aircraft and their technical records to be in good condition with no significant defects or airworthiness related issues. The next inspection is scheduled to take place in due course during the 3-year check.

Aircraft TQD is currently not in operation due to a shortage of spare parts and spare engines provided by Rolls-Royce. It is not an uncommon occurrence that new engine types need to be upgraded and this is generally a smooth process. The Trent 1000 engines will be upgraded to the latest modification standards and in case of Thai, this includes the IPT (Intermediate Pressure Turbine) blades. The priority of this upgrade depends on the airlines' operational environment (flight cycles, air pollution, temperature, etc.). The upgrade campaign is ongoing and the engine manufacturer is making every effort to restore full flight operations. Lease payments continue to be paid by Thai Airways in accordance with the lease agreement.

The charts below give a short overview of the utilisation of airframe and engines of each of the four aircraft.

NORWEGIAN AIR SHUTTLE

AIRFRAME STATUS (30 th June 2017)	LN-LNA		LN-LNB	
	Total	June 2017	Total	June 2017
Flight Hours	18,927	449	20,121	405
Flight Cycles	2,264	54	2,443	46
Average Monthly Utilisation	394 hours	---	435 hours	---
	47 cycles	---	53 cycles	---
Flight Hours/Flight Cycles Ratio	8.36 : 1	8.31 : 1	8.24 : 1	8.80 : 1
ENGINE DATA (30 th June 2017)				
Engine Serial Number	10118	10119	10130	10135
Engine Manufacturer	Rolls-Royce	Rolls-Royce	Rolls-Royce	Rolls-Royce
Engine Type and Model	Trent 1000	Trent 1000	Trent 1000	Trent 1000
Total Time [Flight Hours]	15,936	14,741	10,177	14,659
Total Flight Cycles	1,941	1,816	1,128	1,753
Location	In shop	LN-LNF	LN-LNB	In shop



THAI AIRWAYS INTERNATIONAL

AIRFRAME STATUS (30 th June 2017)	HS-TQC		HS-TQD	
	Total	June 2017	Total	June 2017
Flight Hours	11,187	395	10,256	274
Flight Cycles	2,725	87	2,542	75
Average Monthly Utilisation	349 hours	---	338 hours	---
	85 cycles	---	84 cycles	---
Flight Hours/Flight Cycles Ratio	4.11 : 1	4.54 : 1	4.03 : 1	3.65 : 1
ENGINE DATA (30 th June 2017)				
Engine Serial Number	10239	10240	10244	10248
Engine Manufacturer	Rolls-Royce	Rolls-Royce	Rolls-Royce	Rolls-Royce
Engine Type and Model	Trent 1000	Trent 1000	Trent 1000	Trent 1000
Total Time [Flight Hours]	9,933	10,518	8,819	9,931
Total Flight Cycles	2,387	2,583	2,211	2,451
Location	In shop	HS-TQD	HS-TQB	HS-TQA

IV. THE LESSEES

NORWEGIAN AIR SHUTTLE ASA

Norwegian Air Shuttle, offering commercial air services since 1993, is the third largest low cost carrier in Europe and the 6th largest in the world. In 2013, Norwegian launched long-haul services and as at 30th June 2017, had a fleet of 133 passenger aircraft, including a fleet of 14 Boeing 787s. The airline received one Boeing 787-9 in the first quarter of 2017 and another one in the second quarter. The airline is aiming to have a fleet of 21 B787s by the end of 2017 and a fleet of 32 B787 aircraft by the end of the following year. As at 30th June 2017, Norwegian Air Shuttle has 23 operational bases globally and operates a total of 500 routes to 150 destinations on four continents. In 2016, the airline transported nearly 30 million passengers, with 30 per cent of intercontinental passengers transferred to intra-European flights. Norwegian was awarded “World’s Best Long Haul Low-Cost Airline” and “Best Low-Cost Airline in Europe” by the Skytrax Awards this June.

In the second quarter of 2017, operating revenues increased by 17 per cent to NOK 7,775 million (USD 928 million) while ancillary revenues per passenger grew by 4 per cent, compared to the same quarter in the previous year. The operating loss was NOK 863 million (USD 103 million) compared to an operating profit of NOK 1,006 million (USD 120 million). Net

profit increased by 45 per cent to NOK 1,080 million (USD 129 million). Results were significantly influenced by jet fuel prices, which increased by 16 per cent per ASK and by strong production growth, resulting in less productivity of people as well as by the introduction of new markets. The net result benefited from the sale of a 2.5 per cent Bank Norwegian shareholding. Both ASKs and RPKs increased by 19 per cent and the load factor remained stable at 87.7 per cent.

During the first half of 2017 passenger numbers increased by 13 per cent compared to the same period the previous year while operating revenues increased by 12 per cent to NOK 13,030 (USD 1,362 million). Ancillary revenues per passenger increased by 2 per cent. The operating loss increased to NOK 2,565 million (USD 306 million) compared to an operating profit of NOK 111 million (USD 13 million). Net loss increased from NOK 55 million (USD 7 million) to NOK 412 million (USD 49 million). Cash and cash equivalents as at 30th June 2017 stood at NOK 5,832 million (USD 696 million) compared to NOK 3,010 million (USD 359 million) as at the same 2016 accounting date. In addition to the aforementioned reasons influencing the results, performance has also been impacted by the passenger tax introduced by the Norwegian government in June 2016.



DP AIRCRAFT I LIMITED - SHAREHOLDER REPORT JULY 2017

In June, for the first time, the airline transported more than 3 million passengers in a single month. This is an increase of 10 per cent compared to the same month in the previous year. Passenger growth on the long-haul routes was up 38 per cent. While capacity grew by 20 per cent, traffic increased by 19 per cent, resulting in the load factor slightly dropping to 89.7 per cent. The load factor for long-haul flights was about 95 per cent. In early July, Norwegian announced that their CFO Frode Foss had resigned after 15 years at the company. Tore Ostby, who is vice-president of investor relations, will act as finance chief on an interim basis. On 14 July 2017, the US Department of Transportation granted a tentative approval to Norwegian's UK subsidiary after the European Union warned the US to pursue formal arbitration.

Over 2017 Norwegian expects a negative impact from the passenger tax in Norway and weaker demand in the UK. Performance may be negatively influenced by currency movements and increasing unit costs due to fuel price movements. Bookings

are solid ahead of the third quarter. The airline has upgraded their loyalty programme, allowing passengers to qualify for free flights and upgrades. Norwegian will start transatlantic flights from Rome this winter. In spring 2018, it will add Austin and Chicago to its network and add transatlantic routes out of Paris to existing destinations. The airline will then connect 13 European destinations to 15 cities in the U.S. and become the second largest airline in terms of number of transatlantic routes. Entering new markets requires investment and Norwegian's unit revenue (RASK – Revenue per Available Seat Kilometre) decreased over the previous eleven consecutive months, whereas since 2009, average annual unit costs have remained stable or decreased. Norwegian's first routes starting in 2013 for example, have turned to profitability by their second year of operations. Although some of the current routes such as flights to Providence or Hartford will be operated with narrow-body aircraft, the B787 is the backbone of Norwegian's long-haul strategy, as most of the destinations are outside the range of Norwegian's narrow-body fleet.

THAI AIRWAYS INTERNATIONAL

Thai Airways International Public Company Limited, headquartered in Bangkok, is a full-service network carrier and flag carrier of the Kingdom of Thailand and is majority-owned by the Thai Government (Ministry of Finance) (51.03 per cent). Thai Airways, including its subsidiary Thai Smile, has a current fleet of 97 aircraft of which six are Boeing 787-8s. Two B787-9s and seven Airbus A350 are on order as part of the airline's fleet renewal plan. The carrier transported more than 22 million passengers in 2016 and flies from Bangkok to over 63 destinations in 34 countries.

The restructuring plan, "Transformation", seems to be having a positive effect on financial results and customer satisfaction. Thai Airways, including all subsidiaries, returned to profitability in 2016. The carrier reported an operating profit of THB 4.07 billion (USD 113 million) compared to a loss of THB 1.30 billion (USD 36 million) in 2015. Net profits were THB 47 million (USD 1.3 million) compared to a net loss of THB 13.05 billion (USD 362 million) in 2015. Net profits were impacted by one-time cost items of THB 1.32 billion (USD 37 million), expenses of the Transformation plan of THB 1.23 billion (USD 34 million) and impairment losses of THB 3.63 billion (USD 101 million); but benefited from foreign currency exchange gains of THB 685 million (USD 19 million). Although total revenues decreased by 4.3 per cent to THB 180.56 billion (USD 5.03 billion), total ex-

penses declined by 7.1 per cent to THB 176.49 billion (USD 4.92 billion). Capacity grew by 1.9 per cent whereas demand increased by 2.5 per cent and the load factor slightly improved to 73.4 per cent. Passenger numbers increased by 4.8 per cent and aircraft utilisation increased by 5.5 per cent to 11.5 block hours per aircraft per day compared to 2015. Cash and cash equivalents as at 31 December 2016 stood at THB 13.39 billion (USD 373 million) and total assets were THB 283.12 billion (USD 7.89 billion).

First quarter results for 2017 showed revenues of THB 49.80 billion (USD 1.44 billion) which was a slight decrease of 0.8 per cent compared to the same quarter in the previous year, in consequence of high competition and lower fuel surcharges. While capacity grew by 4.4 per cent, demand increased by 11.6 per cent and the load factor improved from 77.5 per cent to 82.8 per cent. Passenger numbers increased by 10.1 per cent to 6.52 million and aircraft utilisation rose by 7.8 per cent to 12.4 block hours per aircraft per day. Operating profits decreased by 60.1 per cent to THB 2.87 billion (USD 83 million) and net profits declined by 47.3 per cent to THB 3.17 billion (USD 92 million). Results were impacted by the 45.8 per cent increase in average jet fuel prices compared to the same period in 2016. Cash and cash equivalents stood at THB 13.61 billion (USD 395 million) and total assets were THB 283.00 billion (USD 8.21 billion) as at 31 March 2017.



DP AIRCRAFT I LIMITED - SHAREHOLDER REPORT JULY 2017

This year, Thai Airways has entered the third and final stage, “sustainable growth”, of its restructuring plan. This includes, amongst other things, the use of a single home-base airport (Bangkok Suvarnabhumi) for both Thai Airways and Thai Smile from January 2017, as well as the introduction of a new on-line and mobile sales platform to facilitate internet bookings. From August, Thai Smile will move to the same global distribution system as the parent company to enhance booking efficiency and profit from synergy effects. Furthermore, Thai Airways intends to expand into new markets and focus on new routes to India, China and the ASEAN member states. The carrier will also start operating from Bangkok to Vienna and will double capacity to Russia in the next winter season. Arrivals from Russia increased sharply in 2017. Part of the network growth includes codeshare agreements with Bangkok Airways. A further strategic measure of the Transformation Plan is “Customer Excellence”. The carrier plans to enhance the travel experience and to retrofit passenger seats and entertainment systems to achieve consistency across its

entire passenger fleet. The implementation of a new First Class and short haul Business Class to upgrade the premium product has been announced as well. At the 2017 World Airline Awards (Skytrax), Thai Airways was announced “World’s Best Economy Class”, “Best Airline Lounge Spa Facility” and “Best Economy Class Onboard Catering”, indicating that the implemented measures are proving successful.

Thai Airways received board approval and is currently seeking governmental approval to purchase 28 new aircraft, mainly to replace older aircraft of Thai and Thai Smile in the next five years. The carrier intends to maintain a fleet of around 100 aircraft. In June, the carrier raised THB 8 billion (USD 236 million) through an unsecured debenture issue. The securities were placed with institutional and high net worth investors. The five tranches have tenures of between three and 15 years, with coupon rates between 2.74% and 4.68%. All tranches had been rated A/stable by Standard & Poor’s Thai partner TRIS rating.

