



DP AIRCRAFT I LIMITED

Shareholder Report July 2019



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	SFS
<ul style="list-style-type: none"> SFM Admission Date 	4 th October 2013
<ul style="list-style-type: none"> Share Price 	USD 0.91 [8 th July 2019]
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

2019 is expected to be the tenth year in a row of airline profits according to the International Air Transport Association (IATA). However, the organisation downgraded its expectations of global net profits from USD 35.5 billion to USD 28.0 billion in 2019. The IATA also re-stated the 2018 global net profit estimate to USD 30.0 billion (previously assumption USD 32.3 billion). The change mainly results from slower growth in world trade as well as increasing costs, particularly of fuel but also of labour and infrastructure. For 2019, yields continue to remain under pressure but constant compared to 2018. The continuing trade war between the U.S. and China might further weaken global trade resulting in a stagnation in cargo volume. Overall costs are anticipated to increase by 7.4 per cent whereas overall revenues are expected to grow by 6.5 per cent. Passenger numbers are expected to increase from 4.4 billion to 4.6 billion.

Airlines' ancillary revenues are anticipated to be USD 92.9 billion in 2018, which is an increase of 312 per cent since 2010. Once a crucial revenue stream in the business model of low-cost carriers, legacy carriers' profitability has become more and more dependent on ancillary revenues too, especially in an environment of fierce competition. Besides traditional ancillary revenues such as seat reservations, baggage fees or fast-track access, additional offered products are accommodation arrangements, car hire or special pet care services. Low-cost airlines generally have leaner corporate structures and are able to respond faster to changes in customer needs and preferences. Legacy carriers have generally a more complex ticket distribution process in place, and consequently ancillary products atop the traditional ones, can partly only be sold via their website but not by travel agents or third-party websites. However, different initiatives have been launched and digital services are available to support airlines to move from selling tickets to selling a travel experience via various distribution channels. According to IATA many people enjoy highly digitised life experiences and are therefore willing to share personal information, as they believe, they may get targeted offers in return.

In 2019, European carriers are expected to generate a total net profit of USD 8.1 billion compared to USD 9.4 billion in 2018. Break-even load factors are the highest amongst all regions and are anticipated to be 70.2 per cent on average. Capacity is assumed to increase by 5.6 per cent and therefore outperform demand which is anticipated to increase by only 4.9 per cent. Carriers of the Asia-Pacific region are anticipated to deliver a

total net profit of USD 6.0 billion compared to USD 7.7 billion in 2018. Demand is assumed to increase by 6.3 per cent, being the strongest growth amongst all regions, and to outperform capacity growth of 5.7 per cent.

The recently published Boeing Outlook (Current Market Outlook 2019-2038) expects deliveries of 44,040 aircraft with a market value of USD 6,810 billion within the next 20 years. Widebody aircraft and freighter deliveries will account for more than 40 per cent of the total market value. 17,390 aircraft deliveries are expected to be for airlines in the Asia Pacific region and 8,990 deliveries for European airlines. Annual global fleet growth is anticipated to be 3.4 per cent on average. Both Boeing and Airbus (Global Market Forecast 2018-2037) forecast that the global passenger and freighter fleet will double within the next 20 years. According to Airbus the total fleet will grow by 2.3 times within the next 20 years. In 2019, 1,770 new aircraft will be delivered with a value of USD 80 billion according to IATA. About half of these deliveries will replace older, less fuel-efficient aircraft. The global fleet would consequently increase by 3.6 per cent to more than 30,500 commercial aircraft until year's end.

Discussions regarding climate change intensified recently in some European countries. Aviation accounts for about two per cent of global CO2 emission. The airline industry, represented by IATA, agreed on three main objectives to minimise CO2 emissions: To improve fuel efficiency from 2019 to 2020 by 1.5 per cent, stabilise CO2 emission on 2020 level (carbon neutral growth) and to reduce CO2 emission to 2005 levels by 2050. In 2016, the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) had been adopted by the UN specialised agency ICAO (International Civil Aviation Organization), which is based in Montreal (Canada). Consequently, aviation is the first single industry agreeing to a global market-based measure in the climate change field. The objective of CORSIA is not to slow down any technological, operational or infrastructural progress but to additional support to mitigate CO2 emissions and to freeze them at 2020 levels. Since 1st January 2019, all airline operators are obliged to report emissions for international flights. From 2021 on, all flights between countries which are volunteering to take part, and from 2027 on, all international flights (there exist some few exceptions such as for example, small island developing states) will become subject to the offsetting requirements.



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

Boeing has delivered 859 Boeing 787 Dreamliner aircraft, of which 361 aircraft are B787-8s, 467 aircraft are B787-9s and 31 are B787-10s (as of 30th June 2019). These deliveries had been made to 54 customers consisting of airlines and lessors. In 2019, two new customers of this aircraft type placed orders: Bamboo Airways (Vietnam) and Lufthansa (Germany). The number of total orders for the B787 family now amounts to 1,441 aircraft from a total of 74 customers.

Thai Airways' B787-8 offers a total of 264 seats, of which 24 are business and 240 economy class seats. The carrier operates this aircraft type to destinations such as Vienna, Seoul and Hanoi. A bottleneck by Rolls-Royce in regard to spare engines and shop visit slots and the engine manufacturers' engine shops being busy with upgrades on the Trent engines, had certain effects on Thai Airways' Boeing 787 fleet. Some of the aircraft, including TQC and TQD, had been parked. However, TQC returned back into service at the end of March 2019 and TQD returned back into service end of May 2019. Our technical inspector completed an interim storage inspection on 24th October 2018 at Bangkok International Airport and concluded that both aircraft had been stored in accordance with the applicable storage requirements. The next annual inspection is scheduled for October 2019.

Norwegian has equipped its B787-8 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 and America, amongst others Los Angeles, New York and Fort Lauderdale. On 26th February 2019 and 27th February 2019 respectively, aircraft LNB and LNA were physically inspected at Copenhagen Airport. Our inspector considers the aircraft and the technical records to be in good condition with no significant defects or airworthiness related issues. Aircraft LNB performing flight DY-7055 from Copenhagen (Denmark) to Orlando (USA) on 13 May 2019, diverted to Goose Bay due to a problem with the left-hand engine. The crew performed a safe landing in Goose Bay with the left hand thrust lever at idle. The left-hand engine is not the originally installed engine and as such not owned by DP Aircraft. On 6th June 2019, the aircraft returned back to service. Since end of May 2019, aircraft LNA is parked in the United Kingdom at Prestwick Airport due to the above-mentioned bottleneck by Rolls-in providing spare engines. The temporary storage does not release Norwegian to pay lease rentals. The airline fulfils all of its lease obligations in full.

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

NORWEGIAN AIR SHUTTLE		NORWEGIAN AIR SHUTTLE			
AIRFRAME STATUS (31 st May 2019)	LN-LNA		LN-LNB		
	Total	May 2019	Total	May 2019	
Flight Hours	29,177	404	29,417	216	
Flight Cycles	3,386	45	3,483	23	
Average Monthly Utilisation since Delivery	410 hours 48 cycles	---	425 hours 50 cycles	---	
Flight Hours/Flight Cycles Ratio	8.62 : 1	8.99 : 1	8.45 : 1	9.39 : 1	
ENGINE DATA (31 st May 2019)					
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]	21,762	22,396	18,284	24,553	
Total Flight Cycles	2,582	2,674	2,040	2,828	
Location	LN-LNE	LN-LNF	LN-LNB	LN-LNG	



DP AIRCRAFT I LIMITED - SHAREHOLDER REPORT JULY 2019

THAI AIRWAYS INTERNATIONAL		THAI AIRWAYS INTERNATIONAL			
AIRFRAME STATUS (30 th June 2019)	HS-TQC		HS-TQD		
	Total	June 2019	Total	June 2019	
Flight Hours	16,093	258	14,048	343	
Flight Cycles	3,640	50	3,293	82	
Average Monthly Utilisation since Delivery	288 hours 65 cycles	---	257 hours 60 cycles	---	
Flight Hours/Flight Cycles Ratio	4.42 : 1	5.16 : 1	4.27 : 1	4.18 : 1	
ENGINE DATA (30 th June 2019)					
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]	12,599	10,518	11,035	14,068	
Total Flight Cycles	2,930	2,583	2,675	3,196	
Location	HS-TQD	In shop	In shop	HS-TQA	

IV. THE LESSEES

NORWEGIAN AIR SHUTTLE ASA

Norwegian Air Shuttle ASA is the 3rd largest low-cost carrier in Europe and the 5th largest worldwide. It operates on short-, medium- and long-haul routes. As of 30th June 2019, the fleet comprised 162 aircraft, including 36 B787 aircraft. In the second quarter 2019, the carrier received two B787-9 Dreamliner aircraft. In 2018, the airline transported more than 37 million passengers, an increase of 13 per cent over the previous year and took delivery of 11 Dreamliners. The low-cost carrier operates a network of more than 500 routes

to over 150 destinations including more than 60 intercontinental city pairs. This year, Norwegian Air Shuttle had been awarded "Europe's Leading Low-Cost Airline 2019" for the fifth consecutive year at the annual World Travel Awards. The airline had also been awarded "World's Best Low Cost Long-Haul Airline" by SkyTrax World Airline Awards. Norwegian Airlines is the first low cost airline which introduced free Wi-Fi on intercontinental routes in 2019.

2Q - KEY FIGURES (million NOK)	2Q2019	2Q2018	CHANGE
Operating Revenues	12,182	10,228	+ 19 %
EBITDAR	2,210	1,619	+ 36 %
Operating Result	623	154	+ 306 %
Net Result	83	300	- 72 %
Capacity - ASK (million)	27,074	25,633	+ 6 %
Demand - RPK (million)	23,819	22,242	+ 7 %
Load Factor	88.0 %	86.8 %	+ 1.2 pp
Passengers (million)	9.98	9.97	+ 0 %



DP AIRCRAFT I LIMITED - SHAREHOLDER REPORT JULY 2019

During the second quarter 2019, operating revenues increased by 19 per cent to NOK 12.18 billion (USD 1.43 billion) whereas passenger numbers remained stable compared to the second quarter 2018. Operating profit increased by 306 per cent to NOK 623 million (USD 73 million). The operating result was negatively impacted by a loss of NOK 74 from jet fuel hedges and a loss of NOK 50 million from currency effects. Net profit decreased by 72 per cent to NOK 83 million (USD 10 million). Results benefitted from a gain of NOK 174 million from the sale of shares in Lilienthal to Norwegian Finans Holding ASA (NOFI) including the license to use the name and logo of Norwegian for the period of five years in Europe. Beyond this date, additional license fees will apply. 1st January 2019, Norwegian implemented the new lease accounting standard International Financial Reporting Standard 16 (IFRS 16). This has an impact on the balance sheet and the profit and loss statement as upon other terms, operating leases are entering the balance sheet. Amongst others, IFRS 16 negatively affected EBT by NOK 183 million, increased additional interest expenses by NOK 426 million and reduced net costs on depreciation and aircraft leases by NOK 177 million in the second quarter 2019. There are further effects as for example on lease liabilities, net assets and the equity ratio. Without IFRS 16, the equity ratio at the end of the second quarter would have been 6.0 per cent instead of 3.2 per cent. Transition effects on total non-current assets amounted to NOK 32,797 million.

Moreover, second quarter results 2019 benefitted from the

Easter shift to the second quarter if compared to the second quarter the previous year. While unit costs excluding fuel increased by 2 per cent, unit revenue and yield improved by 13 per cent and 11 per cent respectively. The average sector length grew by 5 per cent and ancillary revenues per passengers increased by 15 per cent. As capacity grew by 6 per cent and demand by 7 per cent, the passenger load factor improved by 1.2 percentage points to 88.0 per cent. Revenues from travel originating the United States became the largest share of the company's revenues. Travel originating Norway and Spain rank second and third. The second quarter emphasis Norwegian's move to reduce growth.

The grounding of the B737MAX aircraft impacted the second quarter results by NOK 400 million (USD 47 million). The carrier currently assumes that the B737MAX returns to service in October and that the grounding might impact annual results by NOK 700 million. Norwegian stated to request compensation from Boeing but no agreement had been signed yet and it is not clear when the Boeing 737MAX will be allowed to return into commercial service. The airline rebooks affected passengers within its own network and wet-leases aircraft. The total effect of the grounding cannot be conclusively determined yet. Deliveries of B737MAXs are put on hold and total aircraft deliveries for 2019 are expected to decrease from 16 to 6 aircraft. This in turn would reduce CapEx which is currently estimated to be USD 1.2 billion in 2019.

1ST HALF- KEY FIGURES (million NOK)	1H2019	1H2018	CHANGE
Operating Revenues	20,173	17,221	+ 17 %
EBITDAR	2,297	738	+ 211 %
Operating Result	- 836	- 2,073	- 60 %
Net Result	- 1,407	254	---
Capacity - ASK (million)	50,531	45,628	+ 11 %
Demand - RPK (million)	42,813	39,129	+ 9 %
Load Factor	84.7 %	85.8 %	- 1.1 pp
Passengers (million)	18.09	17.45	+ 4 %

Norwegian closed the first half of 2019 with an operating loss of NOK 836 million (USD 98 million) compared to an operating loss of NOK 2,073 in the same period the last year. The net loss amounted to NOK 1,407 million (USD 165 million) compared to a net profit of NOK 254 million. Operating revenues increase by 17 per cent to NOK 20.17 billion (USD 2.36 billion). Capacity growth outperformed the increase in demand and the load factor dropped from 85.8 per cent to 84.7 per cent. Passenger numbers increased by 4 per cent to 18.09 million and the average stage

length increased to 1,867 kilometres, up 4 per cent. Ancillary revenues per passengers increased by 10 per cent to NOK 177 (USD 21). Unit costs excluding fuel decreased by 2 per cent whereas unit revenue and yield grew by 6 per cent and 7 per cent respectively. Cash and cash equivalents as at 30th June 2019 stood at NOK 1.69 billion (USD 198 million). Norwegian signed an agreement to sell two Boeing 737-800 aircraft which is assumed to have a cash effect of USD 21 million in the second half of 2019. Receivables are NOK 4 billion above normalised levels due



DP AIRCRAFT I LIMITED - SHAREHOLDER REPORT JULY 2019

to holdbacks from credit card acquirers. Norwegian announced early 2019, that they had reached an agreement with Rolls-Royce regarding the Trent 1000 issues, having a positive effect in 2019.

In the first half 2019, the low-cost carrier stated cost reductions of NOK 1,021 million (USD 120 million) through the implemented cost saving programme named #Focus2019 which is intended to contribute savings of at least NOK 2 billion in total during the year. The programme includes, amongst others, network optimisation, crewing efficiency, refinancing of aircraft deliveries and the divesting of several aircraft on order. The airline reduced Capex to USD 1.2 billion in 2019 and USD 1.3 billion in 2020.

Norwegian Air Shuttle shifted its focus from growth to profitability. This became significantly evident in the second quarter 2019. Capacity growth was 6 per cent compared to 48 per cent in the same quarter 2018 and is anticipated to further reduce speed. Estimated capacity growth for 2019 had been downgraded from a range between 5 to 10 per cent to a range between 0 to 5 per cent. In February 2019, Norwegian completed a NOK 3 billion (USD 349 million) fully underwritten rights issue to strengthen the balance sheet and comply with equity covenants. Moreover, this year Norwegian started operations from Dublin to Hamilton International Airport which is about 80 kilometres south of Toronto and the carrier's first Canadian destination. Norwegian announced with the half year results the step down of Bjorn Kjos, CEO and founder of Norwegian. The 72-year-old held the position as CEO for 17 years and will take a role as advisor. Geir Karlsen, CFO of Norwegian, will take over the position as CEO on an interim basis. In July 2019, Nor-

wegian Air Argentina applied for eleven routes between Argentina and the U.S. after both countries had been concluded a liberalisation bilateral air services agreement.

Eurowings announced to virtually interline with Norwegian and SunExpress on European routes. Although passengers need to re-check in their luggage on transfer routes, they will benefit from having one ticket and therefore guaranteed transportation should the connecting flight not been reached due to delays on previous flight sectors. The launch date of the cooperation had not been announced yet. Eurowings has no extensive network to Nordic destinations but operates flights to Copenhagen, Goteborg, Oslo and Stockholm where passengers would then transfer to Norwegian's Nordic network.

Norwegian is exposed to normal business risks such as fluctuations in fuel prices and currencies, fierce competition, operational risks (as for example the Boeing 737MAX grounding), Brexit and regulatory issues. Besides, Norwegian is aware that it is exposed to a liquidity risk, amongst others regarding commitments for future aircraft deliveries, lease commitments and the refinancing or paying back of its NOK 2.4 billion bond due at the end of the year. Regarding the bond maturity, the carrier identified various potential sources of financing, including amongst others the divestment of aircraft, the shareholding in Bank Norwegian and improved operational performance. The carrier does not intent to raise more equity. To reduce the liquidity risk, the airline performed the previous mentioned rights issue, and has followed, as mentioned above, a strategic change from growth to profitability, including postponements of aircraft deliveries, divesting aircraft, network optimisation and the implementation of #Focus2019.

THAI AIRWAYS INTERNATIONAL PCL

Thai Airways International Public Company Limited, full-service network carrier and flag carrier of the Kingdom of Thailand is majority-owned by the Thai Government (Ministry of Finance) (51.03 per cent). In 2018, Thai Airways International, including its subsidiary Thai Smile, transported more than 24 million passengers. As at 31 March 2019, the fleet comprised 103 active aircraft of which 83 were wide-body aircraft. Thai and Thai Smile operate rou-

tes to nearly 80 destinations in 34 countries, including 13 destinations in eleven European countries. In 2019, Thai Airways is ranking again in the top ten of "the World's Best Airlines" by Skytrax. In the category "The World's Best Airline Cabin Crew" and "World's Best Airport Services", Thai Airways was voted fourth best and second-best airline respectively. Additionally, the carrier was rated number one in the category "Best Airline Staff in Asia".



DP AIRCRAFT I LIMITED - SHAREHOLDER REPORT JULY 2019

ANNUAL - KEY FIGURES (billion THB)	2018	2017	CHANGE
Operating Revenues	199.5	191.9	+ 3.9 %
Operating Result	-0.9	2.9	---
Net Result	-11.6	-2.1	- 451.7 %
Capacity - ASK (million)	93,131	90,498	+ 2.9 %
Demand - RPK (million)	72,315	71,634	+1.0 %
Load Factor	77.6 %	79.2 %	-1.6pp
Passengers (million)	24.32	24.56	- 1.0 %

Thai Airways closed the financial year 2018 with a net loss of THB 11.6 billion (USD 358 million) compared to a net loss of THB 2.1 billion (USD 64 million) in the previous year. Total operating revenues increased by 3.9 per cent to THB 199.5 billion (USD 6.16 billion) whereas passenger and excess baggage revenues increased by 1.8 per cent totalling THB 160.3 billion and freight and mail revenues grew by 10.2 per cent to THB 22.3 billion. Revenues from other activities, including amongst others catering and cargo handling services, increased by 10.4 per cent to THB 13.4 billion and other income grew by 69.3 per cent to THB 3.5 billion. Other income includes gains from sale of unusable property and shares in Royal Orchid Hotel (Thailand) PCL. Total operating expenses increased by 10.3 per cent to a total of THB 208.6 billion (USD 6.4 billion). Fuel and oil expenses increased by 19.7 per cent compared to 2017 while the average fuel price increased by 30.1 per cent. The carrier stated an operating loss of THB 9.0 billion (USD 278 million) compared to an operating profit of THB 2.9 billion in the previous year. Aircraft utilisation remained stable at 12.0 block hours a day. While capacity increased by 2.9 per cent, demand grew by 1.0 per cent and the load factor decreased by 1.6 percentage points to 77.6 per cent. The number of transported passengers decreased by 1.0 per cent to 24.32 million.

Annual results of Thai Airways have been impacted by one-time expenses, including an impairment loss of assets and aircraft

amounting to THB 3.5 billion and gains on foreign currency exchange of THB 911 million. Thai's results have been further affected by raising fuel prices, fierce competition, repair and maintenance costs, the lease of aircraft and spare parts as well as higher depreciation and amortisation costs. A further effect on results derives from a change in the accounted residual values of aircraft and engines from 10 per cent to 6 per cent (in accordance with TAS 16 (Thai Accounting Standard)). That resulted in an increase of around THB 3.1 billion in operating expenses (depreciation expenses). Results were also affected by the bottleneck of spare engines due to the Trent 1000 issues which presupposed Thai to temporary park part of its Dreamliner fleet.

In 2018, the airline declared a new vision as part of its transformation: "National Premium Airline with Touches of Thai and Effective Management for Sustainable Profitability". This comprises the core values of customer satisfaction, world-class service and value creation for all stakeholders. In line with the objective of sustainable growth, Thai Airways signed code share agreements with NOK Airlines on secondary routes (from Bangkok Don Muang Airport), Bangkok Airways (ten domestic and six international routes) and Shenzhen Airlines (three international routes) and moved some routes to its subsidiary Thai Smile. The latter expanded routes to strengthen its network to destinations in China, India and the member states of the Association of Southeast Asian Nations (ASEAN).



DP AIRCRAFT I LIMITED - SHAREHOLDER REPORT JULY 2019

Q1- KEY FIGURES (billion THB)	1Q 2019	1Q 2018	CHANGE
Operating Revenues	49.8	53.5	- 6.9 %
Operating Result	- 0.8	3.8	---
Net Result	0.4	2.7	- 83.6 %
Capacity - ASK (million)	22,871	23,535	- 2.8 %
Demand - RPK (million)	18,362	18,969	- 3.2 %
Load Factor	80.3 %	80.6 %	- 0.3 pp
Passengers (million)	6.29	6.25	+ 0.6 %

In the first quarter 2019, Thai Airways stated a net profit of THB 445 million (USD 14 million); down by 83.6 per cent. Total operating revenues decreased by 6.9 per cent to THB 49.8 billion (USD 1.567 billion) while total operating expenses increased by 2.0 per cent to THB 50.6 billion (USD 1.59 billion) compared to the same quarter in the previous year. Operating expenses regarding depreciation and amortization increased by 7.3 per cent compared to the same quarter 2018. The increase is mainly conditional on the change in the estimate residual value of aircraft and spare engines. The carrier stated an operating loss of THB 828 million (USD 26 million) compared to an operating profit of THB 3.8 billion in the first quarter in the previous year. Capacity decreased by 2.8 per cent and demand by 3.2 percent respectively. The load factor therefore decreased by 0.3 percentage points to 80.3 per cent. The passenger yield was THB 2.20, down by 4.3 per cent. Aircraft utilisation grew by 5.0 per cent to an average of 12.5 block hours per day. Net results benefitted from a gain on foreign currency of THB 1.4 billion and a gain from change in ownership of THB 273 million. As Thai Airways did not exercise its right to purchase ordinary shares of NOK Airlines in the course of NOK's capital increase in January 2019, Thai's share in NOK decreased from 21.80 per cent to 15.94 per cent. This is recognised in the balance sheet as gain on change in ownership interest. Impairment loss of assets and aircraft decreased from THB 2,473 million in the first quarter 2018 to THB 213 million in the first quarter 2019. As at the end of the quarter, the airline held 21 decommissioned aircraft for sale. Cash and cash equivalents stood at THB 13.69 billion (USD 431 million) and total assets amounted to THB 267.28 billion (USD 8.42 billion).

Although the number of total international tourists travelling to Thailand increased by 1.9 per cent during the first quarter 2019, the number of Chinese tourists (accounting for nearly 30 per cent of total foreign tourists in Thailand) declined by 2.1 per cent. The decline in Chinese tourist numbers is still the aftermath of the boat tragedy in Phuket in 2018 and the effect of US

trade barriers. On 27th February 2019, the Pakistani airspace was closed for several days forcing Thai Airways to cancel flights not only to and from Pakistan but also to and from Europe. Two of three Pakistani destinations Thai Airways used to serve before, remain suspended until at least end of June. Another decrease in capacity compared to the previous first quarter resulted from the reduction of frequencies to Sydney and Brisbane as well as the cancellation of the route Bangkok – Teheran. The main reason for Thai's active fleet being four aircraft less than in the first three months of the previous year derives from the shortage of available spare engines by Rolls-Royce affecting Thai's B787 fleet.

For 2019, the airline expects increasing passenger numbers as a result of various governmental promotions to increase tourism; amongst others through the free visa on arrival policy for 21 countries and the promotion of secondary destinations. Thai Airways also expects further recovery of the number of Chinese tourists. On 3rd May 2019, Thai Airways raised THB 10 billion (USD 313 million) through an unsecured debenture issue for institutional and high net worth investors. The coupon rates between 2.35 per cent and 4.65 per cent have tenures between one and 15 years. The debenture received an A-rating by the rating agency TRIS which is aware of the fact that Thai's debt to capitalisation ratio remains high. The raised capital will be used to refinance maturing debt and investments. In July 2019, Thai Airways will increase its daily flights to Fukuoka in Japan to ten times a week and in October, the airline will launch flights to Sendai becoming the airline's sixth destination in Japan.

Thai Airways continues to focus on its revised 2018-2022 transformation plan to exit the business rehabilitation process. The current focus is to deliver a profitable business performance and to improve service quality and customer satisfaction. In 2020, the airline aims at being ranked among the world's top 5 airlines and the reduction of negative retained earnings by 2022. Moreover, Thai Airways has a long-term 10-year strategy



DP AIRCRAFT I LIMITED - SHAREHOLDER REPORT JULY 2019

in place (2017 – 2026). The airline’s five strategic objectives of the implementation plan include: Aggressive profit, business portfolio, customer experience, digital technology and effective human capital management. The 2018-2022 fleet plan had been revised and renamed as 2019-2026 fleet acquisition plan which had been approved by the Board of Directors in January 2019 and now awaits governmental approval. The acquisition of aircraft mainly focusses on replacing aircraft of 20 or more years of age. Due to the governmental elections taking place in the first half 2019, decision-making had been delayed. Furthermore, Thai and Thai Smile will work closer together to profit from synergies and offer better onward connections to and from Thai

Airways routes. Thai Smile applied in June 2019 to become a Connecting Partner of the Star Alliance in 2020.

Thai Airways identified various risk factors for 2019, amongst others natural disasters, accidents where tourists are involved, and trade wars. Furthermore, growing market shares of low-cost carriers as well as fluctuation risks of fuel price, foreign exchange rates and interest levels put yields under pressure. Thai Airways has implemented Enterprise Risk Management (ERM) in 2003 which has also been integrated into the airlines business rehabilitation plan to support enhanced efficiency and proactiveness.

