



DP AIRCRAFT I LIMITED

Semi-Annual Shareholder Report 22nd July 2016



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 	1.03 [22 nd July 2016]
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

The development in the aviation sector remains positive. In June 2016, the International Air Transport Association (IATA) raised its net profit outlook for 2016. It expects global airline profits to amount to USD 39.4 billion. This would mark the 5th year in a row of improving aggregated profits notwithstanding the assumption that global GDP will increase by 2.3 per cent which would be the slowest growth since 2010. In regard to this year's expected net profits, the regions of Asia-Pacific and Europe will only be outperformed by airlines in North-America. Yields are expected to fall by 7 per cent whereas passenger demand (Revenue Passenger Kilometres (RPK)) is forecasted to increase by 6.2 per cent which would be above historical average. Regarding traffic growth, the regions of Asia-Pacific and Europe will only be outperformed by carriers from the Middle East. Load factors are assumed to remain high at 80.0 per cent. IATA sees efficiency gains both through higher load factors, lower oil prices and more fuel-efficient aircraft (e.g. Boeing 787), as well as joint ventures, consolidations and airline alliances.

Air transport supports economic development worldwide by increasing numbers of served city-pairs, which will be more than 18,000 this year. This is a doubling over the last 20 years while the price of air travel (excluding inflation) had halved compared to the same period. Especially in connection with increasing globalisation, the importance of air travel has grown. This year, the targeted customer segment of tourists worldwide is expected to spend USD 657 billion for air travel. Even governments are benefitting from air travel. IATA expects for 2016 that governments will generate an amount of USD 118 billion in tax revenues from airlines and its passengers. Furthermore the organisation anticipates that around 1,900 new aircraft will be delivered by the manufacturers of which half will replace older less fuel- and cost-efficient aircraft. Consequently the global commercial fleet will account for almost 28,000 aircraft while the average size of aircraft is slightly growing as well.

In the beginning of the year, demand in air traffic had been

strong. During the month of April and May, the large international European market had been affected by the terrorist attacks in Brussels. However, passenger demand in the first five months of 2016 increased by 6.0 per cent on average whereas capacity (Available Seat Kilometres (ASK)) grew by 6.2 per cent compared to the same period in the previous year. The industry-wide load factor remained nearly stable whereas the passenger load factor of the European and the Asia-Pacific region slightly improved.

The two main aircraft manufacturers Airbus and Boeing expect, according to their latest Global Market Forecast (Airbus) and Current Market Outlook (Boeing), that the global passenger and freighter fleet (excluding certain small aircraft types) will double from today's fleet size to 39,820 aircraft and 45,240 aircraft respectively, within the next 20 years. Airbus expects 33,070 new aircraft to be delivered of which 60 per cent will be needed for fleet growth and 40 per cent for replacement of older aircraft. The European manufacturer anticipates that wide-body aircraft will account for 54 per cent of the value in regard to new aircraft deliveries. According to Boeing 40 per cent of new aircraft deliveries will be made to Asian airlines whereas Europe and North America together will receive another 40 per cent of these deliveries within the next 20 years.

In June, the British people voted for the exit of the UK from the European Union (EU). The so-called "Brexit" caused some degree of uncertainty and may generally affect the economic activity as well as the sterling exchange rate. On the one hand, this might result in a delay of spending and investment decisions and on the other hand, a weak pound could slow down the British outbound travel. This might be in turn off-set or diluted by increasing inbound travel. However, any tentative long-term impact on the aviation market remains uncertain as long as the UK government and the EU have not clarified the political framework which shall come into effect after the exit from the EU. There are several possibilities and amongst others, the UK might enter into bilateral agreements with the EU or become a member of the European Common Aviation Area (ECAA).





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

The Boeing 787 Dreamliner is a two engine, long range mid-size aircraft, with a passenger capacity ranging from 242 seats (B787-8) to 330 seats (B787-10), in a two-class (Business and Economy class) configuration. The B787 is a favoured aircraft which is operated on all continents across different climatic conditions and by airlines with different business models. The aircraft is not only deployed on intercontinental routes but also operated on regional and domestic routes. According to Ascend, the aircraft model is deployed on nearly 370 different routes, of which a quarter are either new city pairs or at least new routes for the operating air carrier. While many carriers immediately use the B787 aircraft to open new routes, they also employ them to replace older and less cost-efficient aircraft such as B767s and A340s, as well as to enhance the on-board experience of their passengers. By the end of June 2016, 1,155 Boeing 787s had been ordered by 63 different customers. 431 Dreamliner Boeing 787 aircraft had been delivered to 42 customers (airlines and lessors). The number of deliveries includes 306 aircraft of the B787-8 variant, whereas the current backlog of all three different B787 types counts for 724 aircraft.

Norwegian has equipped its B787 fleet with a total of 291 seats, of which 32 are premium economy and 259 are economy class seats. This type of aircraft is used to fly from Europe to destinations in Asia, America and the Caribbean including, amongst others, Boston, Los Angeles, San Juan and Bangkok. 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 November 2015, both aircraft LNA and LNB were

inspected by DS Skytech Limited at the Boeing maintenance facilities at Copenhagen International Airport. Both aircraft and their technical records were found to be in good condition with no significant defects or airworthiness related issues. The next inspection is planned to take place end of the year.

Thai Airways' B787 fleet offers a total of 264 seats, of which 24 are business and 240 are economy class seats. The carrier operates this aircraft type on routes within the Asia-Pacific region such as Beijing, Sapporo and Delhi, as well as to and from destinations in Australia such as Brisbane and Perth. Since DP Aircraft I acquired the two aircraft TQC and TQD in 2015, Thai Airways has met all of its lease obligations in full. Both aircraft, TQC and TQD, were inspected by DS Skytech Limited in July 2015 at Bangkok International Airport. The inspection found the aircraft to be in good condition with no significant defects or airworthiness related issues and their records are being maintained to an acceptable standard. The next inspection is planned for early August 2016.

The two charts below give a short overview of the utilisation of airframe and engines of each of the four aircraft. Both LNA's and LNB's engines had completed an upgrade, which extends the maintenance intervals for the engines, at Rolls Royce's Derby facilities in June 2015. The engines of TQC and TQD had already been upgraded prior to delivery.

The two charts below give a short overview of the utilisation of airframe and engines of each of the four Aircraft:

NORWEGIAN AIR SHUTTLE				
AIRFRAME STATUS (30th June 2016)	LN-LNA		LN-LNB	
	Total	June 2016	Total	June 2016
Flight Hours	13,331	439	14,783	464
Flight Cycles	1,617	49	1,810	58
Average Monthly Utilisation	369.3 hours 44.6 cycles	---	431.4 hours 52.7 cycles	---
Flight Hours/Flight Cycles Ratio	8.24 : 1	8.96 : 1	8.17 : 1	8.00 : 1
ENGINE DATA (30th June 2016)				
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]	11,568	8,981	9,179	9,708
Total Flight Cycles	1,429	1,155	1,009	1,158
Location	LNA	LNF	LNA	LNB



THAI AIRWAYS INTERNATIONAL

AIRFRAME STATUS (30 th June 2016)	HS-TQC		HS-TQD	
	Total	June 2016	Total	June 2016
Flight Hours	6,993	353	6,061	364
Flight Cycles	1,758	70	1,550	73
Average Monthly Utilisation	338 hours 85 cycles	---	314 hours 80 cycles	---
Flight Hours/Flight Cycles Ratio	3.98 : 1	5.04 : 1	3.91 : 1	4.99 : 1
ENGINE DATA (30th June 2016)				
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]	6,993	6,993	6,061	6,061
Total Flight Cycles	1,758	1,758	1,550	1,550
Location	TQC	TQC	TQD	TQD

IV. THE LESSEES

NORWEGIAN AIR SHUTTLE ASA

Norwegian Air Shuttle is the third largest low cost carrier in Europe with its headquarters in Fornebu near Oslo and offers commercial air services since 1993. In 2013 Norwegian launched long-haul services and operates as at 30th June 2016 a total of 450 routes to 140 destinations on four continents. The airline has a fleet of 110 passenger aircraft, excluding wet-leased aircraft. The fleet includes 100 Boeing 737s and ten Boeing 787s. The airline received two Boeing 787-9s in the first half of 2016 and expects two more to be delivered by the end of the year.

In the second quarter 2016, Norwegian Air Shuttle ASA transported 7.72 million passengers which is an increase of 11 per cent compared to the same quarter in the previous year. ASKs and RPKs increased by 12 per cent and 16 per cent respectively. The passenger load factor therefore increased by 3 percentage point to 88 per cent. Operating revenues grew by 13 per cent to NOK 6,632 million (USD 791 million) and EBITDAR increased by 53 per cent to NOK 1,965 million (USD 234 million). Operating profit was NOK 1,006 million (USD 120 million) which marks an increase of 93 per cent.

Net profit was up 129 per cent and augmented to NOK 745 million (USD 89 million). Ancillary revenues per passenger increased by 5 per cent and cash and cash equivalents as at 30th June 2016 were NOK 3,010 million (USD 359 million).

In the first half of 2016, Norwegian's operating revenues amounted to NOK 11,593 million (USD 1,383 million), an increase of 17 per cent compared to the same period in the previous year. ASKs and RPKs increased by 15 per cent and 18 per cent respectively. The passenger load factor therefore rose to 87 per cent, a gain of 3 percentage points. The carrier stated an operating profit of NOK 111 million (USD 13 million) after an operating loss of NOK 202 million (USD 26 million) in the second half of last year. The carrier's net loss was NOK 55 million (USD 7 million) compared to a net loss of NOK 213 (USD 27 million) in the same period 2015. Unit costs, including fuel, decreased by 3 per cent whereas unit revenue increased by 2 per cent. Moreover, ancillary revenues per passenger grew by 2 per cent and Norwegian transported 13.55 million passengers during the first half, a gain of 14 per cent.



According to Norwegian's CEO Bjorn Kjos, bookings and pre-sales are satisfying for the coming months and the carrier is proud of the latest two Skytrax awards as "Best Low-Cost Airline in Europe" and "World's Best "Long Haul" Low-Cost Airline" which emphasises that customers appreciate Norwegian's product. Furthermore, during the European winter and low season, the carrier will offer flights from the USA to Guadeloupe and Martinique (French territory).

This July, Norwegian has converted 30 of its total order of 100 Airbus A320neo to A321neo LR. Although this aircraft will allow the carrier to serve some of its shorter long-haul destinations, the Dreamliner will remain the backbone of Norwegian's long haul strategy as it offers more seat capacity, a longer range and a more favourable passenger

experience. Norwegian placed orders to operate a fleet of 42 B787s by 2020.

According to Norwegian, the airline does not see any specific impact from the "Brexit". The airline operates with different AOCs and is not only bound to its UK AOC. However, as mentioned before, as long as the political framework is not clear in relation to the UK leaving the European Union, any general effects on the aviation market remain uncertain. Besides, this July, Norwegian announced that it won its first US charter deal arrangements and signed contracts with Apple Vacations and Funjet Vacation. This positively contributes to a further diversification of passenger demand in relation to target groups and geographic regions.

THAI AIRWAYS INTERNATIONAL

Thai Airways International Public Company Limited, flag carrier of the Kingdom of Thailand, has its headquarters in Bangkok and is a full-service network carrier. It is majority-owned by the Thai Government (51.03 per cent) and flies from Bangkok to around 60 destinations in 30 countries. The carrier has a small route exposure to the UK, as it only serves London Heathrow. In 2015, around 21.25 million passengers flew with Thai Airways. As at March 2016, Thai's fleet consisted of 95 aircraft. The airline operates six B787-8s and has two more B787-9s on order as part of its fleet renewal plan.

First quarter results for 2016 suggest that the two year restructuring programme (Transformation Plan) is making progress. Although total revenues decreased by 2.7 per cent from the previous year to THB 50.18 billion (USD 1.43 billion), total expenses declined by 8.8 per cent to THB 43.00 billion (USD 1.22 billion) over the same period. Fuel expenses decreased by 25.1 per cent, while non-fuel expenses declined by 1.7 per cent. Passenger numbers increased at the same time by 5.3 per cent. Operating profit increased by 62.6 per cent to THB 7.18 billion (USD 204 million) and net profit grew by 32.1 per cent to THB 6.01 billion (USD 171 million). During the first quarter of 2016, capacity was reduced by 1.8 per cent while air traffic increased by 0.9 per cent. The passenger load factor thus improved by 2 percentage points compared to the same quarter in the previous year.

Cash and cash equivalents as at 31 March 2016 were THB 22.92 billion (USD 651 million).

The Transformation Plan comprises six key strategies to turn the carrier into profitability. It follows three steps: stopping losses, rebuilding Thai's strength and growing sustainably. The last quarterly and annual results underline a positive trend and Thai was able to move on to the second stage of its three-phase Transformation Plan. The airline is therefore now concentrating on building on its strengths to ensure long-term competitiveness, especially in a market environment with increasing numbers of low-cost carriers.

This second phase emphasises four main strategies: boosting revenues through all possible channels; managing costs and uplift efficiency; further enhancing the passenger experience; and improving capabilities such as network and fleet utilisation optimisation. Therefore, Thai intends to complete the transition of the A320 narrow-body operations to its subsidiary Thai Smile whose cost structure is lower and allows for a more favourable position in a highly competitive domestic and regional market. Thai's CEO Jotikasthira sees the latest aircraft models Boeing 787 and Airbus A350 as good replacement aircraft allowing for further retirements of older aircraft types.



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Furthermore, he also intends to strengthen the cooperation between the group airlines, including Thai Smile and Nok. Moreover, Thai Airways was rewarded as “World’s Most Improved Airline” at the Skytrax Awards 2016. The reward acknowledges the best average improvement over the last 12 months in all award categories, amongst others cabin staff, catering and airport services. This shows that Thai’s efforts to improve customer service excellence and consistency, which is part of the Transformation Plan’s commercial strategy, are well perceived by the passengers.

According to IATA, Thailand’s aviation sector including aviation related activities generates USD 29 billion in GDP and counts for about two million jobs within the country. This positive contribution is expected to almost double by 2035. The Thai government is aware of the importance of aviation and tourism for the country and working to solve the issues raised by the International Civil Aviation Organisation (ICAO). It had put in place several measurements such as professionally specified training for aviation safety inspectors. The government cooperates with the European Aviation Safety Agency (EASA) and Japan International Cooperation Agency (JICA) and is additionally supported by eight experts sent by ICAO to assist. The next ICAO audit will take place from December 2016 to March 2017. However, this rating does not include airlines itself. Thai Airways was the first carrier outside the EU to pass the TCO (Third Country

Operator) Audit by the EASA (European Aviation Safety Agency) which will become a requirement for all non EU-based carriers as of November 2016 if they wish to undertake operations to, from or within Europe. This supports the high safety standards which Thai Airways has in place and which are a core element of the carrier’s corporate philosophy.

Thai Airways announced that it will roll-over a USD 150 million governmental loan for a period less than 12 months. This loan has originally drawn down from Thailand’s finance ministry mid of last year. For the second quarter of 2016, the carrier expects a positive impact from the public holidays, particularly on services to and from Japan. Moreover, the airline is planning a second early retirement programme and continues to pursue its objective of returning to profitability in 2016. Thai Airways will resume flights to Moscow and launch services to Teheran in November this year. Besides this, Thai Smile will be deployed to serve more secondary cities in China as the airline sees opportunities to profit from the massive tourist numbers of mainland tourists.

According to the CEO of Thai, Charamporn Jotikasthira, capacity cuts and fleet retirements in 2015 – both key elements of the restructuring programme - are paying off. He sees the airline in the position to grow in a reasonable and sustainable way with a focus on international long-haul and regional Chinese destinations.

