

17 November 2015

## DP AIRCRAFT I LIMITED (the “Company”)

### QUARTERLY UPDATE

The Company is issuing this report for the period from 1 July 2015 to 5 November 2015 as an investor update. It should not be relied on by Shareholders, or any other party, as the basis for an investment in the Company or for any other purpose.

#### Overview

DP Aircraft I Limited, a Guernsey based company, was launched in October 2013. Its US\$ 113 million placing was oversubscribed. The company has acquired two Boeing 787-8 aircraft, leased to Norwegian Air Shuttle ASA, with the two aircraft delivered in June 2013 and August 2013 respectively. DP Aircraft I Limited took over title to the aircraft, EI-LNA and EI-LNB, on 9 October 2013. Since that date all lease obligations have been met in full by Norwegian and no incidents of note concerning operations of the aircraft have occurred. Since Norwegian Air Shuttle has not yet received traffic rights under the open sky agreement to the U.S. through its Irish operations, EI-LNB had been re-registered in Norway with new registration LN-LNB.

On 5 June 2015, the Company offered 96,333,333 Ordinary Preference Shares (the ‘New Shares’) of no par value in the capital of the Company at an issue price of US105.89 cents per Share by means of a Placing. The Company’s New Shares were admitted to trading on the Specialist Fund Market of the London Stock Exchange on 12 June 2015. On 18 June 2015 the Company purchased two further Boeing 787-8 aircraft which were leased to Thai Airways. DP Aircraft I Limited took over the title to the aircraft HS-TQC and HS-TQD. Since that date all lease obligations have been met in full by Thai Airways and no incidents of note concerning operations of the aircraft have occurred.

Inclusive of the November 2015 dividend, the Company has so far paid out as scheduled eight dividends of 2.25 cents each. The Company pays out dividends on a quarterly basis and targets a yearly distribution of 9 per cent on the initial placing price of US\$ 1.00. The next interim dividend payment is due in February 2016. The quarterly distributions are targeted for February, May, August and November in each year.

#### Company Information

<b>Ticker</b>	DPA
<b>Company Number</b>	56941
<b>ISIN Number</b>	GG00BBP6HP33
<b>SEDOL Number</b>	BBP6HP3
<b>Traded</b>	Specialist Fund Market
<b>SFM Admission Date</b>	4 October 2013
<b>Share Price</b>	USD1.0475 as at 16 November 2015
<b>Country of Incorporation</b>	Guernsey
<b>Current Shares in Issue</b>	209,333,333 Ordinary Shares
<b>Administrator and Company Secretary</b>	Dexion Capital (Guernsey) Limited
<b>Asset Manager</b>	DS Aviation GmbH & Co. KG
<b>Auditor and Reporting Accountant</b>	KPMG
<b>Corporate Broker</b>	Canaccord Genuity Limited
<b>Aircraft Registration (Date of Delivery)</b>	EI-LNA (28 June 2013) LN-LNB (23 August 2013) HS-TQC (29 October 2014) HS-TQD (9 December 2014)
<b>Manufacturer Serial Number</b>	MSN 35304 MSN 35305 MSN 36110 MSN 35320
<b>Aircraft Type and Model</b>	B787-8
<b>Lessee</b>	Norwegian Air Shuttle ASA

	Thai Airways International PCL
<b>Website</b>	<a href="http://www.dpaircraft.com">http://www.dpaircraft.com</a>

The company's investment objective is to obtain income returns and a capital return for its Shareholders by acquiring, leasing and then, when the Board considers it is appropriate, selling the aircraft.

### **Aviation Market**

The general outlook for aviation is positive. The International Air Transport Association (IATA) is maintaining its increased positive outlook from June of this year, and expects airline global net profits to be USD 29.3 billion on revenues of USD 727 billion in 2015. The latest airlines financial monitor, published by IATA last month, highlights the fact that the financial performance of airlines has significantly improved in the second quarter of 2015 compared to the same period in the previous year. Furthermore, the organisation expects that over the course of this year more than 3.5 billion passengers will travel by air and more than 50 million tonnes of cargo will be transported. According to the 59<sup>th</sup> edition of the IATA World Air Transport Statistics (WATS) 2014, released in September 2015, 35 per cent of all goods (by value) traded internationally last year were transported by air.

According to IATA's Air Passenger Market Analysis for September 2015, global air traffic - measured in Revenue Passenger Kilometres (RPK) - increased by 7.3 per cent compared to the same month last year. This is above the expected annual air travel growth rate of 6.7 per cent. Air traffic growth in June had been moderate but the aviation industry returned to solid growth in July, August and September, consistent with the earlier part of this year. Capacity – Available Seat Kilometres (ASK) - rose by 6.6 per cent and global load factor therefore improved by 0.5 percentage points to 80.7 per cent compared to September last year. International travel in particular saw strong growth in all major regions.

In the European region, the impact of the Eurozone's economic recovery positively supported air traffic, resulting in an increase of 7.1 per cent in September 2015 compared to the same month in the previous year. As capacity rose by 6.6 per cent, the load factor further increased and was the highest amongst all regions. According to WATS, Europe had the second largest market share behind the Asia-Pacific region and transported over 870 million passengers in 2014, an increase by 5.6 per cent compared to the same period the year before. Net profits in 2015 for European airlines are expected to amount to USD 5.8 billion.

Air traffic for the Asia-Pacific region increased by 6.8 per cent in September 2015 compared to the corresponding month in 2014. Capacity accelerated 5.9 per cent and the airlines' load factor rose slightly by 0.7 percentage points. Despite decreased trade activity in emerging Asia and slower Chinese economic growth the region's carriers have continued to experience solid growth in international travel. According to WATS, 42 per cent of total international RPKs in 2014 related to international traffic to, from and within the Asia-Pacific region. Furthermore the region's carriers transported 33 per cent of total passengers. These results support the outlook of the manufacturer Airbus (Global Market Forecast 2015-2034), which emphasises that the Asia-Pacific region will continue to take the lead in world traffic over the next 20 years.

Moreover, airlines in almost all regions continued to benefit from low crude oil prices in the second quarter, leading to increased profitability notwithstanding the fact that the US dollar remained strong. In contrast, airlines in the Latin America region struggled with lower yields due to the recession in Brazil. However, uncertainty remains as to future oil prices and the competitive environment, which supports demand for aircraft benefitting from the latest technology, such as the Dreamliner Boeing 787.

The long-term outlooks of both Airbus and Boeing (Current Market Outlook 2015-2034) remain positive in regard to demand for new aircraft. They forecast that passenger fleets will double within the next 20 years. The demand for air travel is expected to remain strong and resilient and, according to Airbus, 32,600 new aircraft worth nearly USD 5 trillion will be needed by 2034. Boeing estimates annual growth rates of airline traffic (RPK) at 4.9 per cent on average over the next 20 years, based upon the assumption of an average annual increase of 3.1 per cent in global GDP over the same period. According to the manufacturer the wide-body fleet will continue to grow as airlines expand

their international presence. Boeing therefore assumes that within the next 20 years the annual growth rate of international long-haul traffic will be slightly above the global average rate.

### The Assets: Boeing 787s

As at 30 September 2015, 329 Boeing 787 aircraft had been delivered to 34 different customers. 275 of these aircraft are of the B787-8 variant. The current backlog counts for 768 aircraft of all three different aircraft types. In 2015, five of the 34 customers received their first B787 aircraft, amongst them American Airlines, Korean Air and Privatair. It is clear that this aircraft model remains in high demand. As of September 2015, 14 per cent of the B787 global fleet was operated by European airlines and 46 per cent by operators based in the Asia Pacific region. The B787-8 is a suitable aircraft to serve as a market opener on new non-stop routes and is an appropriate replacement for aging A330-200 and B767 aircraft. As of June 2015, the global B787 fleet has been deployed on around 300 different routes to more than 140 markets. Furthermore the Dreamliner has a large and diverse customer base with 60 different customers from all continents.

Norwegian's cabins provide 32 premium economy plus 259 economy seats, while Thai Airways' cabins offer seating for 24 business ("Royal Silk Class") and 240 economy passengers. Norwegian deploys its Dreamliner fleet both to Bangkok and to destinations in the US and the Caribbean. Thai Airways operates its B787 fleet on routes within the Asia-Pacific region as well as to and from destinations in Australia like Perth, Tokyo and Kuala Lumpur.

Both aircraft TQC and TQD were inspected by DS Skytech Limited on the 8 and 9 July 2015 at Bangkok International Airport. This also included a review of their technical records. The inspection found the Aircraft to be in good condition with no significant or airworthiness related defects, with the records being maintained to an acceptable standard.

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

AIRFRAME STATUS (30 September 2015)	Norwegian Air Shuttle EI-LNA		Norwegian Air Shuttle LN-LNB	
	TOTAL	September 2015	TOTAL	September 2015
Flight hours	9,346:10	495:25	10,618:80	309:32
Cycles	1,150	55	1,311	35
Block hours	11:33	16:51	13:81	10:31
Flight hours/Cycles Ratio	8.13 : 1	9.00 : 1	8.10 : 1	8.84 : 1
ENGINE DATA (30 September 2015)				
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]	7,583:40	5,542:50	5,622:30	5,581:040
Total Cycles	962	757	589	663
Location	LNA	LNA	Workshop	LNB

AIRFRAME STATUS (30 September 2015)	Thai Airways International HS-TQC		Thai Airways International HS-TQD	
	TOTAL	September 2015	TOTAL	September 2015
Flight hours	3,747:99	301:77	3,068:63	223:41
Cycles	1,041	95	829	67
Block hours	11:12	10:06	10:34	7:45
Flight hours/Cycles Ratio	3.60 : 1	3.18 : 1	3.70 : 1	3.33 : 1
ENGINE DATA (30 September 2015)				
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]	3,747:99	3,747:99	3,068:63	3,068:63
Total Cycles	1,041	1,041	829	829
Location	TQC	TQC	TQD	TQD

## The Lessees

### Norwegian Air Shuttle ASA

The low cost carrier Norwegian Air Shuttle continues to grow and further expand its long-haul network. In addition to the announced new route between London-Gatwick and Boston, Norwegian also disclosed its plans to offer transatlantic flights to Boston from Oslo and Copenhagen. Services on all routes will start in May 2016. The extension of the route network complies with the carrier's plans to gain a further share of the long-haul market. As at 30th September 2015, Norwegian operates 434 scheduled routes to 130 destinations in 31 countries and has a fleet of 105 aircraft. After being awarded two Skytrax Awards during the second quarter, the airline's performance has remained convincing in the third quarter. Norwegian received two awards at the annual APEX Awards Ceremony in the categories 'Best in Region: Europe' and 'Best In-flight Publication'. Furthermore Norwegian was named 'Europe's Leading Low-cost Airline 2015' at the World Travel Awards.

Norwegian's third quarter results state operating revenues of NOK 7,277 million (USD 860 million). This is an increase of 15 per cent compared to the same quarter in the previous year. ASKs and RPKs increased by 2 per cent and 9 per cent respectively. The passenger load factor therefore rose to 91 per cent. Operating profit increased by 122 per cent to NOK 1,182 million (USD 140 million). EBT amounted to NOK 1,098 million (USD 130 million), which is an increase of 117 per cent compared to the third quarter 2014. The carrier's net profit improved by 123 per cent to NOK 833 million (USD 98 million) and the net profit margin increased to 11.4 per cent. Unit costs decreased by 5 per cent and unit revenue increased by 13 per cent. Moreover, ancillary revenues grew by 3 per cent. Cash and cash equivalents as at 30 September 2015 counted for NOK 2,297 million (USD 271 million). Norwegian transported 7.7 million passengers during the third quarter, a gain of 9 per cent. The strongest growth in passenger numbers was recorded at London-Gatwick.

The airline's current B787 fleet includes eight aircraft of the B787-8 variant. In August the airline announced its intention to increase its Dreamliner fleet by two more B787s. They are scheduled for delivery in 2017 so now in total four Dreamliners will be received in 2016, five in 2017 and two in 2018. These eleven aircraft, which have been ordered through lease deals, will be the larger B787-9 model. The fleet was thus expected to comprise 19 B787 aircraft at the end of 2018. However, Norwegian then announced in October an order for another 19 B787-9s together with options for a further ten Dreamliners. This is the largest single order placed by a European airline. The first aircraft of this order is scheduled to be delivered in 2017 and the airline's fleet will therefore include 38 B787s aircraft by 2020. The mix of B787-8 and B787-9 aircraft will provide the airline with flexibility in regard to route planning and further long-haul commitment. Overall, Norwegian's fleet plan shows that the Boeing 787 Dreamliner is an essential and intrinsic factor in the airline's long-haul strategy.

The load factor of the long-haul fleet in September was 96 per cent. Moreover, Norwegian's long-haul traffic saw solid growth of 15 per cent during the third quarter of 2015 compared to the same quarter last year. The carrier's CEO, Bjørn Kjos, said accordingly "The third quarter results show that Norwegian's long-haul operations and international routes are becoming significantly more important. This is where we see most of the future growth potential, enabling the company to compete in a

global market with strong competition.” In 2016, Norwegian will receive four leased B787-9 aircraft and intends to increase capacity in the long-haul market by 40 per cent.

### **Thai Airways International**

The lessee Thai Airways International Public Company Limited, founding member of the airline alliance Star Alliance and full-service network carrier, celebrated its 55<sup>th</sup> Birthday this year. The flag carrier of the Kingdom of Thailand is market-listed and majority-owned by the Thai Government (51.03 per cent). In 2014 the airline transported more than 19 million passengers (including Thai Smile, a fully owned subsidiary of Thai Airways). It operates a fleet of 94 aircraft within a network of 72 destinations and 33 countries (as at 30 June 2015). The carrier received two further Dreamliner aircraft and currently has a fleet of six B787-8s. The carrier will receive two more B787-9s as part of its fleet renewal plan. Amongst others, this aircraft type is deployed on the routes to Tokyo, Perth and Kuala Lumpur. With a mix of 20 narrow-body aircraft and 74 wide-body aircraft, Thai Airways International has a strong focus on wide-body aircraft to serve its regional and intercontinental flights whereas Thai Smile mainly operates on domestic and short regional routes. As a result of its dense network within Thailand and South-East Asia, as well as a result of its highly awarded service, Thai Airways attracts not only a high percentage of holiday travellers but also the higher yield traveller segment of international, less price-sensitive, business customers.

This year’s second quarter results showed a decrease in total revenues by 3.6 per cent, but also a reduction in total expenses by 8.8 per cent compared to the same period in the previous year. Furthermore, while ASKs grew by 2 per cent, RPKs increased by 11.2 per cent and therefore the load factor improved by 5.7 percentage points. Net losses increased from THB 7,662 million in the second quarter 2014 to THB 12,759 million in the same quarter this year. However, operating loss was THB 4,712 million (USD 140 million) compared to an operating loss of THB 6,390 million (USD 197 million) in the same quarter last year. Cash and cash equivalents were THB 22,525 million (USD 668 million) as at 30 June 2015.

The results were influenced not only by gains on foreign exchange and a lower fuel price, but also by impairment charges because of the additional phase-out of older and inefficient aircraft and the implementation of early-retirement programmes. In the first nine months of the year, Thai Airways sold 17 aircraft and reduced its fleet from eleven aircraft types to eight; and it intends to sell another 17 aircraft in due course.

The financial results for the first half of 2015, compared to the same period in 2014, show that the operating result significantly improved from an operating loss of THB 10,986 million (USD 326 million) to an operating loss of THB 297 million (USD 9 million). Financial costs decreased by THB 207 million (USD 6 million), expenses by THB 10,383 million (USD 308) and revenue increased by THB 100 million (USD 3 million). On 30 September 2015, Thai successfully issued a THB 8 billion (USD 220 million) unsubordinated and unsecured debenture. The four tranches of the debenture vary in size and maturities and the fixed coupon rates range between 3.46 and 4.74 per cent. The debentures were placed with both institutional investors as well as high net worth individuals.

Passenger numbers increased in the first nine months of 2015 by 6.6 per cent compared to the same period in the previous year. Capacity was slightly reduced by 0.2 per cent, whereas RPKs increased by 7.3 per cent and overall cabin load factor by 7.5 percentage points. The load factor in September 2015 improved by nearly 2 per cent compared to the same month in the previous year. The highest load factors of September 2015 have been recorded on domestic and regional routes.

The airline’s 2-year restructuring plan is intended to improve both profitability and cost-efficiency as well as customer-orientation. The plan embraces six strategies with 21 project charters to be implemented in three stages. First of all, the airline has concentrated on stopping losses before rebuilding Thai Airways’ strengths and growing in a sustainable manner. Given the results for the first half of 2015, the carrier now sees itself in stage two, which will include, amongst other things, the reduction of per-unit costs and the improvement of efficiency in regard to fleet utilisation and company structures, as well as the further enhancement of revenue generating capabilities. Part of the transition plan involves the reduction of 2,000 staff members and the sale of non-core property to reduce the debt-to-equity ratio. Costs are intended to be reduced by 20 per cent by the beginning of 2017. Thai Airways has ceased loss-making routes and will concentrate on dynamically managing

yields and the optimisation of ticket sales which will include putting stronger emphasis on network selling instead of only point-to-point. This will be supported by the introduction of a new revenue management system and an upgrade of Thai Airways' IT infrastructure, as well as staff re-training.

Both the Boeing 787 and the Airbus A350 play a significant role in the fleet policy of Thai Airways. Compared to the B747, these state-of-the art aircraft types operate more fuel efficiently and offer the airline better network flexibility as they are easier to fill and easier to deploy on both long-haul and regional routes. This enables the carrier to react faster and more efficiently to changes in environment. The objective of Thai Airways' transition plan is to return to profitability in 2016 and to become one of the top five global network carriers.

## **Material Events since 30 June 2015**

### **July 2015**

#### **Interim Dividend (17 July 2015)**

The Company declared an interim dividend, in respect of the quarter ended 30 June 2015, of 2.25 cents per Share, to holders of Shares on the register at 31 July 2015. The ex-dividend date was 30 July 2015, and payment was made on 14 August 2015.

### **August 2015**

#### **Unaudited Condensed Consolidated Interim Report (26 August 2015)**

The Company issued its Unaudited Condensed Consolidated Interim Report for the period from 1 January 2015 to 30 June 2015.

### **October 2015**

#### **Interim Dividend (21 October 2015)**

The Company declared an interim dividend, in respect of the quarter ended 30 September 2015, of 2.25 cents per Share, to holders of Shares on the register at 30 October 2015. The ex-dividend date was 29 October 2015, and payment was made on 13 November 2015.

#### **Investor Information**

The latest available portfolio information can be accessed by eligible Shareholders via [www.dpaircraft.com](http://www.dpaircraft.com)

#### **Enquiries:**

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