

23 November 2017

DP AIRCRAFT I LIMITED (the "Company")

INTERIM UPDATE

The Company is issuing this report for the period from 27 May 2017 to 6 November 2017 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. To date the company has acquired four Boeing 787-8 aircraft, with two leased to Norwegian Air Shuttle ASA and two leased to Thai Airways International PCL. DP Aircraft I Limited took over the Norwegian aircraft, LN-LNA (previously EI-LNA) and LN-LNB (previously EI-LNB), on 9 October 2013 and the Thai aircraft, HS-TQC and HS-TQD, on 18 June 2015. Since these dates all lease obligations have been met in full by Norwegian and Thai and no incidents of note concerning operations of the aircraft have occurred.

To date the Company has, as scheduled, paid out 15 dividends of 2.25 cents each. The Company pays out dividends on a quarterly basis and targets a yearly distribution of 9 per cent. The next interim dividend payment is due on 17 November 2017. The quarterly distributions are targeted for February, May, August and November in each year.

Company Information

Ticker	DPA
Company Number	56941
ISIN Number	GG00BBP6HP33
SEDOL Number	BBP6HP3
Traded	SFS
SFS Admission Date	4th October 2013
Share Price	1.10 6th November 2017
Country of Incorporation	Guernsey
Current Shares in Issue	209,333,333 Ordinary Shares
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 June 2013) LN-LNB (23 August 2013) HS-TQC (29 October 2014) HS-TQD (9 December 2014)
Manufacturer Serial Number	MSN 35304 MSN 35305 MSN 36110 MSN 35320
Aircraft Type and Model	B787-8
Lessees	Norwegian Air Shuttle ASA Thai Airways International PCL
Website	www.dpaircraft.com

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 International Air Transport Association (IATA) sees strong traffic growth in 2017. Traffic growth in summer had proved to be strong and is expected to potentially slow down towards the end of 2017. Pressure remains on average profit margins in the second quarter 2017 due to higher costs, lower yields and strong competition. However, in the first half of 2017, the share of revenues from premium passenger demand increased to 27 per cent and air freight demand grew by 10.4 per cent compared to the same period in 2016. It has been the strongest performance since the global financial crisis in 2010. The freight business benefits from an improvement in global trade. The average growth rate over the last five years was at 3.9 per cent.

In September, capacity measured in ASK (Available Seat Kilometres) rose by 5.3 per cent while demand measured in RPK (Revenue Passenger Kilometres) increased by 5.7 per cent and the average load factor climbed to 81.6 per cent when compared to the same month in the previous year. Both in Europe and the Asia-Pacific region, growth in demand was above global average and outperformed growth in capacity resulting in higher load factors. Europe registered the highest load factor (86.4 per cent) amongst all regions. Traffic volumes in September had been impacted by two hurricanes hitting the south of the U.S. and parts of the Caribbean.

The upward trend in demand had slowed down but IATA expects 2017 to be another year of above-average passenger growth with an annual average increase of 6.6 per cent. 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 as a result of increasing fuel prices, maintenance, and infrastructure and labour costs. Moreover, it is assumed that this year, fuel costs will account for 18.8 per cent of average operating costs. IATA forecasts global net profit in 2017 to amount 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.

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. 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. European airline fleet growth is anticipated to be lower than the global average, with an average annual growth rate of 2.7 per cent. 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. In the first seven months, 865 aircraft had already been delivered, 24 fewer aircraft than in the same period 2016. However, during this year's month of July 125 aircraft were back in service from storage, compared to 104 aircraft last July, and positively contributed to fleet growth. The number of aircraft put into storage in July, was the lowest within the last three years.

The Assets - Boeing 787-8s

As at 30 September 2017, 1,283 aircraft of the B787 family had been ordered by 66 customers. Boeing has delivered 600 Boeing 787 Dreamliner aircraft, of which 346 aircraft are B787-8s and 254 aircraft are B787-9s. The first B787-10 is scheduled to be delivered in 2018 to Singapore Airlines. In August, El Al took delivery of its first B787. In September, Boeing announced that Turkish Airlines intends to purchase up to 40 B787s. Japan Airlines, who operates a fleet of more than 30 B787s, ordered further four Dreamliner and Malaysian Airlines signed a tentative agreement for an order of eight B787s. Boeing announced to increase the monthly production rate from 12 to 14 starting in 2019. Already the current monthly production rate is the fastest production rate for wide-body aircraft.

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, Los Angeles 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 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.

Aircraft TQD had not been in operation for several weeks due to a shortage of spare parts and spare engines, which are provided by Rolls-Royce. During this period, DS Skytech Limited inspected TQD and TQC, the latter being in scheduled commercial service. The annual inspection was carried out on 6 September 2017 at Bangkok International Airport. TQD is back in scheduled commercial service since 17th October. Our inspector considers both aircraft and its records to be in good condition with no significant defects or airworthiness related issues. Lease Rental Payments had not been affected by the downtime of TQD.

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

AIRFRAME STATUS (30 September 2017)	Norwegian Air Shuttle LN-LNA		Norwegian Air Shuttle LN-LNB	
	TOTAL	September 2017	TOTAL	September 2017
Total Flight hours	20,285	502	21,413	426
Total Cycles	2,421	56	2,596	49
Average Monthly Utilisation	397 hours 47 cycles	---	435 hours 53 cycles	---
Flight hours/Cycles Ratio	8.38 : 1	8.96 : 1	8.25 : 1	8.69 : 1
ENGINE DATA (30 September 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]	15,636	16,224	11,469	15,661
Total Cycles	1,941	1,985	1,281	1,863
Location	In shop	LN-LNF	LN-LNB	LN-LNA

AIRFRAME STATUS (31 October 2017)	Thai Airways International HS-TQC		Thai Airways International HS-TQD	
	TOTAL	October 2017	TOTAL	October 2017
Total Flight hours	12,494	398	10,336	80
Total Cycles	2,995	79	2,563	21
Average Monthly Utilisation	346 hours 83 cycles	---	300 hours 74 cycles	---
Flight hours/Cycles Ratio	4.17 : 1	5.04 : 1	4.03 : 1	3.81 : 1
ENGINE DATA (31 October 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]	10,750	10,518	10,125	9,931
Total Cycles	2,563	2,583	2,467	2,451
Location	HS-TQC	In shop	HS-TQB	In shop

The Lessees

Norwegian Air Shuttle ASA

Norwegian Air Shuttle, the third largest low cost carrier in Europe and the sixth largest in the world launched long-haul services in 2013. As at 30 September 2017, Norwegian had a fleet of 142 passenger aircraft, including a fleet of 20 Boeing 787s. The airline is aiming to have a fleet of 37 B787s by the end of 2019. As at 30 September 2017, Norwegian Air Shuttle had 23 operational bases globally and operated a total of more than 500 routes to over 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. For a fifth consecutive year, Norwegian Air Shuttle has been awarded as “Best Low Cost Airline – Europe” by Airlineratings.com.

In the third quarter of 2017, operating revenues increased by 21 per cent to NOK 10.07 billion (USD 1.27 billion) while ancillary revenues per passenger grew by 10 per cent, compared to the same quarter in the previous year. The operating profit was NOK 1.59 billion (USD 0.20 billion), up by 16 per cent. Net profit increased by 4 per cent to NOK 1.03 billion (USD 0.13 billion). The equity ratio as at 30 September 2017 was 11 per cent, up 1 percentage point compared to the same date in the previous year. Capacity and demand increased by 25 per cent and 26 per cent respectively and the load factor slightly increased to 91.7 per cent. The airline transported 9.80 million passengers during the third quarter, an increase of 14 per cent. In U.S. and Spain passenger numbers grew by 79 per cent and 25 per cent respectively which was the highest increase in Norwegian’s key markets. Cash and cash equivalents as at 30 September 2017 stood at NOK 5.57 billion (USD 0.70 billion).

During the first nine months of 2017 passenger numbers increased by 13 per cent to 25.08 million compared to the same period the previous year while operating revenues increased by 16 per cent to NOK 23.10 billion (USD 2.90 billion). Ancillary revenues per passenger increased by 5 per cent. Norwegian stated an operating loss of NOK 975 million (USD 123 million) compared to an operating profit of NOK 1.49 billion (USD 0.19 billion). Net profit decreased from NOK 938 million (USD 117 million) to NOK 620 million (USD 78 million), though it benefited from the sale of a 2.5 per cent Bank Norwegian shareholding in the second quarter (NOK 2.05 billion (USD 244 million)). However, results were significantly influenced by jet fuel prices as well as by the introduction of new markets and setting up new bases resulting in lower staff efficiencies due to critical mass not having achieved yet under the strong growth phase. In addition, performance has also been impacted by a passenger tax introduced by the Norwegian government in June 2016, by wet leasing costs and compensation paid to passengers affected by delays.

In October 2017, capacity increased by 31 per cent and demand by 29 per cent compared to the same month in the previous year. Passenger numbers grew by 14 per cent to 3.15 million passengers and load factor decreased by one percentage point to 87.4 per cent. Both capacity and demand over the last twelve month (November 2016 to October 2017) grew by 25 per cent, the load factor remained stable at 87.7 per cent and passenger numbers increased by 14 per cent. Unit revenue in October decreased by 8 per cent while the average flying distance grew by 12 per cent compared to the same month a year ago.

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, acts as finance chief on an interim basis. Frode Foss concentrates on his position as chairman of the board at WR Entertainment, in which Bjorn Kjos, CEO of Norwegian, has a stake in. In the same month, the US Department of Transportation (DOT) granted a tentative approval to Norwegian’s UK subsidiary. Two months later, it was announced that the final approval had been granted by the DOT. In September, Norwegian and Ryanair ended talks on a potential feeder-flight agreement followed by the announcement that EasyJet and Norwegian agreed that EasyJet will feed Norwegian’s long haul routes out of London Gatwick. EasyJet offers not only feeder services for Norwegian but also for the Canadian low cost operator WestJet and is considering expanding these services to other airports within Europe.

Norwegian’s Argentinian subsidiary applied for permits to operate up to 156 routes and was granted concession for the operation of 153 routes from Argentina. The fleet of the subsidiary would start with a fleet of five aircraft and grow by six more in the first months of operations. The decision of the Argentinian Government to liberalise the air transportation sector, is not embraced by public unions which went on partial strike early September because they fear that labour conditions might be weakened. However, Norwegian planned to invest up to ARS 4.3 billion (USD 247 million) into the new subsidiary and to create up to 3,200 new jobs. Norwegian’s experience in opening new markets should be an advantage to prevail in this challenging market and political environment.

For 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 fourth quarter. Flights from London Gatwick to Singapore, the world's longest low-cost route, started 28th September. Services from London-Gatwick to Seattle and Denver had been launched mid-September. For 2018, Norwegian expects capital expenditures to spend on new aircraft to amount to USD 2.1 billion. The carrier anticipates a negative impact from the introduction of a Swedish passenger tax. However, Norwegian Air Shuttle targets unit costs to decrease by 7.1 per cent to 9.5 per cent and estimates a production growth of 35 per cent in capacity (ASK) for 2018.

Thai Airways International PCL

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). As at 30 June 2017, the fleet of Thai Airways, including its subsidiary Thai Smile, was 97 aircraft of which six are Boeing 787-8s. Two B787-9s had been delivered to Thai during the third quarter. There are no further B787s on order. In 2016, the carrier transported more than 22 million passengers and currently flies from Bangkok to over 63 destinations in 34 countries.

Second quarter and first half yearly results for 2017 were impacted by low yields, increasing fuel prices and the strength of the Thai Baht against Euro and Yen. In the second quarter, operating loss improved by 16.7 per cent from THB 1.8 billion (USD 51.2 million) to THB 1.5 billion (USD 44.2 million) compared to the same quarter in the previous year while net loss increased from THB 2.9 billion (USD 82.6 million) to THB 5.2 billion (USD 153.1 million) due to extraordinary items. Results had been impacted by one-time expenses such as maintenance provisions to meet return condition of leased aircraft (THB 275 million), costs related to the Transformation Plan (THB 300 million), loss from the dilution of Thai's shareholding in NOK Air (THB 428 million), impairment loss of assets and aircraft (THB 390 million) as well as a loss on foreign currency exchange (THB 2,431 million). Revenues increased by 9.7 per cent and passenger numbers rose by 14.9 per cent. While capacity grew by 7.1 per cent, demand increased by 21.9 per cent and the load factor improved by 9.5 percentage points to 78.5 per cent. Aircraft utilisation grew by 4.5 per cent to 11.5 hours a day. Cash and cash equivalents stood at THB 21.80 billion (USD 641.9 million) and total assets were THB 291.80 billion (USD 8.62 billion) as at 30 June 2017.

In the first half 2017, revenues grew by 3.9 per cent but operating profit decreased by 75.9 per cent to THB 1.3 billion (USD 39.0 million) compared to the same period in 2016. The net loss was THB 2.0 billion (USD 58.9 million) compared to a net profit of THB 3.1 billion (USD 92.9 million). Above mentioned reasons have impacted the results significantly. However, growth of demand outperformed the increase in capacity and therefore the load factor improved by 7.4 percentage points to 80.7 per cent. The number of passengers carried rose by 12.4 per cent and aircraft utilisation by 6.3 per cent. Thai Airways believes to close the year with an annual profit and prepares for future growth. Passenger numbers in the first nine months of 2017 increased by 10.6 per cent while capacity and demand grew by 5.5 per cent and 15.2 per cent respectively compared to the same period in 2016. Cabin load factor rose by 6.8 percentage points to 80.4 per cent. The strongest increase in demand was on long-haul routes to and from Europe. Cargo freight (measured in tonnes) carried by Thai improved by 16.9 per cent.

This year, Thai Airways has entered the third and final stage of its restructuring plan ("sustainable growth"). This includes six strategies: profitable and competitive advantages, competitive capability and revenue generating, excellent service ring, competitive cost and efficient operations, culture building as well as portfolio and new business development. Thai invested in a new revenue management system, network management system and new system for check-in services. Amongst other advantages, this supports the airline to react faster to competitive offers as well as to optimise route, crew and maintenance planning. The third stage also includes the extension of code sharing as well as an in-flight entertainment and cabin upgrade to enhance the passenger experience.

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 September, Thai Airways has approved the roll-over of a USD 150 million loan with a term of six month provided by Thailand's finance ministry. In the same month, the ICAO reviewed Thailand's revamped regulatory system and removed the country's red flag on its website. The Federal Aviation Administration (FAA) started reviewing the "Category 2" status for the country, which the agency put in place after Thailand's downgrade by the ICAO in 2015 and which currently prevents Thai carriers to serve U.S. destinations. The FAA will perform an audit in the coming weeks.

The number of foreign tourists visiting Thailand increased by 6.6 per cent in the second quarter compared to the same quarter in the previous year. The growth is a result of visitors from Indochina, India, Malaysia, Korea and China while the numbers of Chinese tourists travelling to Taiwan and South Korea significantly dropped due to political pressure. Thailand is supporting the aviation industry by creating the Eastern Economic Corridor (EEC) which targets ten industries, amongst others the aviation industry, to facilitating foreign investments by special privileges within three Eastern Thai provinces. The development of the U-Tapao International Airport to become a logistic and air cargo centre is a part of the EEC initiative.

Material Events since May 2017

June 2017

Interim update (13 June 2017)

The interim investor update report for the period 28 October 2016 to 26 May 2017 was published.

Annual General Meeting (16 June 2017)

The company's Annual General Meeting was held on Monday 17 July 2017.

July 2017

Results of Annual General Meeting (17 July 2017)

The announcements in regards to all resolutions sent to shareholders at the AGM being passed were released.

Interim Declaration (17 July 2017)

The Company declared an interim dividend, in respect of the quarter ended June 2017, of 2.25 cents per Share, to holders of Shares on the register at 28 July 2017. The ex-dividend date was 27 April 2017, and payment was made on 18 August 2017.

August 2017

Interim Report (23 August 2017)

The Interim report for 30 June 2017 was released on 23 August 2017.

September 2017

Director Declaration - Additional Directorship (13 September 2017)

The Company announces that it has been notified that Jon Bridel, Chairman of the Company, has been appointed as a Non-Executive Director of Phaunos Timber Fund Limited, a company which is listed on the London Stock Exchange's main market for listed securities, with effect from 13 September 2017.

October 2017

Dividend Declaration (19 October 2017)

The Company declared a quarterly dividend, in respect of the quarter ended 30 September 2017, of 2.25 cents per Share, to holders of Shares on the register at 27 October 2017. The ex-dividend date was 26 October 2017, and payment is expected on 17 November 2017.

Investor Information

The latest available portfolio information can be accessed by eligible Shareholders via www.dpaircraft.com

Enquiries:

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