







DP AIRCRAFT | LIMITED

Semi-Annual Shareholder Report
January 2020

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MANAGEMENT SUMMARY

THE LESSEES – NORWEGIAN AIR SHUTTLE ASA	
Financial situation remains tight	
Several measures have been successfully implemented to reduce capital commitments and to improve liquidity	
Strategic move from growth to profitability should further improve creditworthiness	
THE LESSEES – THAI AIRWAYS INTERNATIONAL PLC	
Profitability has further deteriorated	
Coronavirus could negatively impact Thai's tourism market and demand	
Government support remains intact	
THE ASSETS	
Boeing 787 together with Airbus A350 remain the widebody aircraft most in demand	
B787 operations continue to be affected by Rolls Royce (Trent 1000) engine issues	
OVERALL	
All lessees continue to fully perform its obligations vis-à-vis DP Aircraft	
The outbreak of coronavirus has the potential to hit the airline industry in particular in Asia	
Operational issues with the Trent 1000 engines put additional burdens on operators and need clear attention	



Significant increase of situation/conditions



Slight increase of situation/conditions



Stable situation/conditions



Slight negative impact of situation/conditions



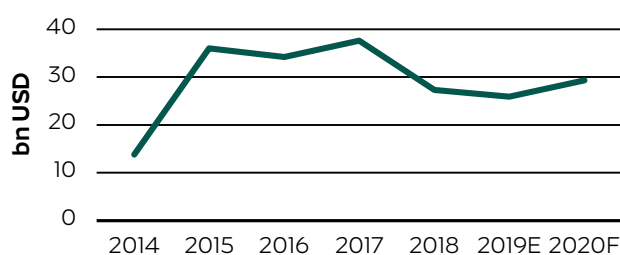
Significant decrease of situation/conditions

1 | THE AIRLINE MARKET

GLOBAL

- Decrease in the average fuel price of 11% in 2019¹
- Average annual global fleet growth anticipated to be 3.4% within the next 20 years²
- Expected deliveries of 44,040 aircraft with a market value of USD 6,810 billion within the next 20 years³

GLOBAL AIRLINE NET PROFITS

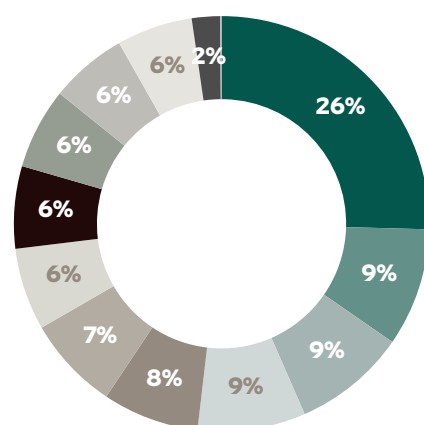


Source: IATA, December 2019

	2018	2019 (Expectation)	2020 (Forecast)
Passengers (billion)	4.38	4.54	4.72
• Capacity (ASK ⁴) [% YoY]	6.9	6.5	4.7
• Demand (RPK ⁵) [% YoY]	7.4	4.2	4.1
• Passenger Load Factor (%)	81.9	82.4	82.0
• Passenger Yield [% YoY]	-2.1	-3.0	-1.5
Freight (million Freight Tonnes)	63.3	61.2	62.4
• Cargo Yield [% YoY]	12.3	-5.0	-3.0
Overall Expenses [% YoY]	9.7	3.8	3.5
Overall Revenues [% YoY]	7.6	3.2	4.0
Net Profits	27.3	25.9	29.3

Source: IATA, December 2019

BREAKDOWN OF GLOBAL AIRLINE COSTS [%]



- Aircraft fuel and oil
- Other expenses
- Flight crew salaries and expenses
- Flight equipment - maintenance
- Airport station expenses
- Passenger services
- User charges (Airport, etc.)
- Depreciation and amortisation
- Flight equipment - rentals
- Ticketing, sales and promotion
- General and administrative
- Other operating expenses
- Flight equipment - insurance

Source: IATA 2019

¹ Economic Performance of the Airline Industry; IATA, December 2019

² Global Market Forecast 2019-2038; Airbus

³ Current Market Outlook 2019-2038; Boeing

⁴ Available Seat Kilometres

⁵ Revenue Passenger Kilometres

EUROPE

- Net profit: USD 6.2 billion in 2019 and USD 7.9 billion expected for 2020⁶
- Low yields due to fierce competition and regulatory costs resulted in breakeven load factors of 70.4% in 2019⁷
- Uncertainty about BREXIT and several airline bankruptcies (e.g. Thomas Cook Airlines) downshifted demand growth from 7.5% in 2018 to 4.5% in 2019⁸

ASIA

- Net profit: USD 4.9 billion in 2019 and USD 6.0 billion expected for 2020⁹
- Strongest increase in passenger demand in the Asia-Pacific region compared to the other regions¹⁰
- Strong exposure to the US-China trade war resulting in a slowdown of growth in passenger demand and reduced cargo demand¹¹

ON WATCHLIST: CORONAVIRUS (2019-nCoV)

The Coronavirus (2019-nCoV) was firstly identified at Wuhan in China at the end of December 2019. Several cases are now confirmed in countries across Europe, North America and the Asia Pacific. The World Health Organization W.H.O. has declared 30th January 2020 the Coronavirus outbreak as Public Health Emergency of International Concern. Although there had been no restriction to travel and trade recommended by the WHO yet, it has already significant impacts on the airline industry.¹² The Chinese Government prohibits travel to and from Wuhan and neighbouring cities. Several airlines, amongst other British Airways, Lufthansa, United Airlines, Cathay Pacific, Air India and Finnair, are either suspending all flights to mainland China or reduce frequencies as they also report a drop in demand.¹³ Thai Airways (including Thai Smile) offers a change fee waiver and free refunds for tickets with departures within the next week to nine Chinese destinations.¹⁴ Additionally, there will also be a temporary drop in tourist passenger numbers, particularly to and from China and probably neighbouring countries. The impact on airlines will vary depending on their route network and customer base, Chinese and Asian carriers are assumed to be affected the most. The overall impact on air travel depends on how the outbreak of the Coronavirus develops.

OUTLOOK & CONCLUSION

In general, the airline business is a cyclical business and sensitive to external shocks as for example the outbreak of the Coronavirus, particularly if those have as strongly negative impact on the economy or tourism. As the recovery period from shocks continuously declines over about the last two decades, this might mitigate the overall impact.

The grounding of the Boeing 737MAX aircraft will continue to affect airlines in 2020 as there is no reliable date when this aircraft type will return to service. It might be challenging for airlines to compensate for the capacity cut. Additional “teething problems” of new technology, such as the Trent 1000 issues, will further impact affected airlines’ fleet efficiency and profitability in 2020.

It remains to be seen how the increasing focus on climate change and flight shame campaign might affect the aviation business in the future. At the current stage, the impact is still limited, but has a larger effect on short and regional traffic. Air transport plays a key role in globalisation and has launched several initiatives to reduce CO₂ emission (aviation counts only for 2 per cent of global emissions). It is the role of the organisations such as IATA to communicate this to a broader public.

⁶ Economic Performance of the Airline Industry; IATA, December 2019

⁷ Economic Performance of the Airline Industry; IATA, December 2019

⁸ State of the region: Europe; IATA, December 2019

⁹ Economic Performance of the Airline Industry; IATA, December 2019

¹⁰ Economic Performance of the Airline Industry; IATA, December 2019

¹¹ State of the region: Asia-Pacific; IATA, December 2019

¹² Coronavirus declared global health emergency, China flights cut; Cirium, 31st January 2020

¹³ <https://edition.cnn.com/2020/01/29/business/british-airways-coronavirus/index.html>, 30th January 2020

¹⁴ https://www.thaiairways.com/en/news/news_announcement/news_detail/coronavirus.page, 30th January 2020

2 | THE LESSEES

A) NORWEGIAN AIR SHUTTLE ASA¹⁵

NORWEGIAN AIR SHUTTLE IN BRIEF

- Low-cost carrier; 3rd largest in Europe
- Short-, medium- and long-haul operations
- 37 Boeing 787s
- 150 destinations and 500 routes
- 36 million passengers

FINANCIAL & OPERATIONAL KEY FIGURES

[MILLION NOK]	3Q2019	3Q2018	CHANGE	YTD2019 ¹⁶	YTD2018	CHANGE	LINK**
Operating Revenues	14,404	13,387	+ 8 %	34,578	30,608	+ 13 %	a)
Operating Expenses*	11,435	11,572	- 1 %	32,444	30,865	+ 5 %	b-d)
EBITDAR	4,660	3,358	+ 39 %	6,957	4,096	+ 70 %	
Operating Result	2,970	1,815	+ 64 %	2,134	-258	---	
Net Result	1,670	1,304	+ 28 %	264	1,558	- 83 %	e-i)
Unit Costs Incl. Fuel	0.41	0.43	- 6 %	0.42	0.43	- 2 %	
Unit Costs Excl. Fuel	0.28	0.30	- 6 %	0.30	0.31	- 4 %	
Unit Revenue	0.42	0.40	+ 3 %	0.35	0.34	+ 4 %	
Yield	0.46	0.44	+ 3 %	0.41	0.39	+ 5 %	
Ancillary Revenues Per Passenger	196	177	+11 %	184	168	+ 10 %	
Capacity - ASK (million)	28,482	27,534	+ 3 %	79,013	73,162	+ 8 %	
Demand - RPK (million)	25,968	24,927	+ 4 %	68,781	64,056	+ 7 %	
Load Factor	91.2 %	90.5 %	+ 0.7 pp	87.1 %	87.6 %	- 0.5 pp	
Passengers (million)	10.53	10.86	- 3 %	28.62	28.31	+ 1 %	
Average Stage Length	1,950	1,887	+ 3 %	1,896	1,833	+ 3 %	
Aircraft Utilisation [Block Hours]	13.2	13.1	+ 1 %				
Number Of Aircraft	---	---	---	161	158	+ 2 %	
Cash & Cash Equivalents	---	---	---	2,934	3,211	- 277	
Equity Ratio	---	---	---	5.7 %	9.4 %	- 3.7 pp	g)
Total Assets	---	---	---	91,545	56,245	+ 63 %	j-k)

*Calculated

** Please refer to Background Information on next page

¹⁵ Interim report Norwegian Air Shuttle ASA - third quarter 2019; Norwegian // Norwegian Air Shuttle ASA Q3 2019 Presentation; Norwegian

¹⁶ Year-to-Date includes first nine months of the respective calendar year throughout the report

BACKGROUND INFORMATION

- a) Total revenue growth mainly driven by intercontinental growth
- b) Costs of NOK 300 million (NOK 700 million) in 3Q19 (YTD19) caused by the grounding of B737MAX aircraft
- c) Sale of 18.6 million Norwegian Finans Holding ASA (NOFI) shares for a total of NOK 1,266 million in 3Q19
- d) Gains of NOK 23 million from jet fuel hedge contracts in 3Q19
- e) Gains of NOK 238 million from favourable currency effects in 3Q19
- f) Gain of NOK 174 million in net profit (YTD19) from the sale of shares in Lilienthal to NOFI including licenses¹⁷
- g) Impact IFRS 16 (implemented on 1st January 2019) on 3Q19, e.g.:
 - Positive impact of NOK 158 million on operating profit (net cost reduction on depreciation and aircraft leases)
 - Negative impact of NOK 285 million on net profit
 - Lease liabilities of NOK 36,429 million included in net interest-bearing debt
 - Equity ratio of 5,7% but 11,2% without IFRS 16
- h) Transactions costs of NOK 70 million in 3Q19 due to the refinancing of two bonds (originally due end of 2019)
- i) YTD results of the previous year (2018) benefitted from a reclassification of the NOFI holding by NOK 1.9 billion
- j) Receivables NOK 4 billion end of 3Q19 above normalised levels due to holdbacks from credit card acquirers
- k) IFRS 16 effect on Total Assets as at 1st January 2019: increase by NOK 32,797 million

STRATEGIC DEVELOPMENT

In 2019, Norwegian turned its focus from growth to profitability. The implemented cost saving programme #Focus2019 has the target to reduce costs by NOK 2,000 million in 2019. During the first nine-months of 2019, cost savings of NOK 1,848 had been generated with an additional NOK 300 million targeted for the final quarter of 2019.

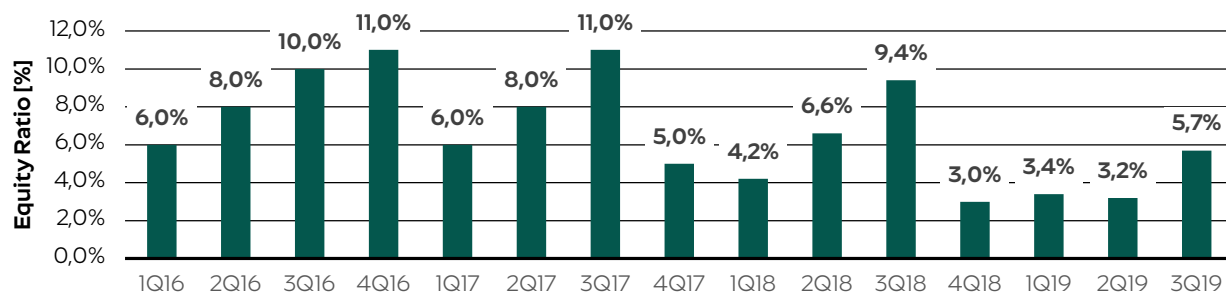
Norwegian has additionally put several measures in place to increase liquidity and reduce capital commitments¹⁸:

- Joint venture with China Construction Bank Leasing (CCB) assumed to reduce capital commitments between 2020 and 2023 by about NOK 14 billion
- Restructuring of order book supposed to reduce CapEx by NOK 22 billion in 2019 to 2020
- Sale of 24 aircraft with deliveries in 2019 and 2020 assumed to have a net liquidity effect of about NOK 2 billion
- Sale of shares in Norwegian Finans Holding ASA for an amount of about NOK 2 billion with an estimated positive effect of about NOK 900 million on Norwegian's cash position
- Extension of two unsecured bonds by two years (Norwegian's slots at London- Gatwick Airport functioning as security)

On 5th November 2019, Norwegian successfully completed a capital raise of NOK 2,500 million through a private placement and a convertible bond issue of USD 150 million. According to the airline, this will leave Norwegian fully funded throughout 2020.¹⁹

The equity ratio has significantly decreased over time. The downward trend continues in cycles depending on the seasonality of the airline business. IFRS 16 further contributed to this decrease.

EQUITY RATIOS



Source: Various interim reports; Norwegian

¹⁷ Interim report: Norwegian Air Shuttle ASA – second quarter and first half 2019; Norwegian

¹⁸ <https://media.uk.norwegian.com/pressreleases/norwegian-has-raised-new-capital-2940353>; Norwegian, 29th January 2020

¹⁹ <https://media.uk.norwegian.com/pressreleases/norwegian-has-raised-new-capital-2940353>; Norwegian, 29th January 2020

In early December 2019, Norwegian announced the sale of its Argentinian subsidiary to the low-cost carrier JetSmart (Chile). The three aircraft remain with Norwegian. This is in line with the new strategy of cutting costs and focussing on the core business.²⁰ In December 2019, Norwegian, currently only operating from Gatwick, were granted six weekly slots at London-Heathrow airport for the 2020 summer season.²¹

For the end of January 2020, Norwegian introduced a new hand luggage policy to generate additional revenue. Passengers travelling with a low fare ticket and more than an underseat bag are required to pay for the overhead-bin space.²² Similar policies have been implemented by other airlines, including Ryanair and Wizzair.

Key areas of focus for Norwegian for 2020 include the following:

- Continuous focus on sustainability and profitability
- Reduction of capacity by 10% in 2020
- Return of the B737MAX aircraft into service but not before the third quarter 2020; impact of this grounding cannot be conclusively determined yet
- Scheduled delivery of four B787-9 aircraft in 2020

LONG-HAUL OPERATIONS²⁵

B787 Deliveries	1 B787-9 in 3Q19 and 5 B787-9s YTD
Axed Destinations	- Long-haul flights originating Stockholm and Copenhagen - U.S. destinations out of Ireland
Increased Frequencies	Long-haul flights originating Oslo, Barcelona, Paris and London

CHALLENGES

- Liquidity risk: Increased receivables (plus NOK 4,000 million) due to constraints from credit card institutions; additionally, there are financing needs for new aircraft deliveries and expenses for grounded aircraft as compensation is still partly pending (Norwegian expected to agree this with Boeing shortly²⁴; compensation with Rolls-Royce had been agreed)
- Brexit: The airline has contingency plans in place for different Brexit scenarios but the exact framework for aviation is still unknown as are the impacts on airlines
- Increased operational risks due to dual fleet type policy (B787 and B737): Operational issues affects Norwegian's fleet (currently five B787 stored / 18 B737MAX grounded²⁵)
- Fierce competition in the European low-cost market: Strong pressure on yields and highest low-cost carrier penetration²⁶; Norwegian was first in the low-cost long-haul market but competition from new market entrants, network carriers and holiday airlines is increasing

OPPORTUNITIES

- Launch of NEXT (Norwegian Excelling Together) with the target of NOK 4,000 million improvement of the run rate EBITDAR within the next two years
- Joint venture with CCB
- B737MAX deliveries on hold result in a reduced estimated CapEx of USD 1.4 billion for 2020
- Partnership with U.S. low-cost carrier JetBlue starting in mid-2020: Norwegian gains access to 40 U.S., Latin American and Caribbean destinations and JetBlue gains access to Norwegian's transatlantic flights and twenty intra-European routes (Letter of Intent signed in October 2019)

COMMENTS & CONCLUSIONS

2019 was a year of changes and restructuring including the resignation of the airline founder Bjorn Kjos and the empowerment of the CFO Geir Karlsen.

The reduction in capacity growth over the last year shows a clear change in strategy. Furthermore, the implemented measures to improve liquidity illustrates that the airline is aware of their tight financial situation. Particularly, the completed extension of the two bonds is key to more financial headroom.

Norwegian Air Shuttle is strongly affected by the Rolls-Royce Trent 1000 engine issues and the worldwide grounding of B737MAX aircraft. As a result, the airline had to adjust the network and to axe several routes such as all transatlantic flights out of Ireland. Presumably, this causes increased administrative and operational expenses without a guarantee that the manufacturers Rolls-Royce and Boeing will compensate these costs in full. Furthermore, the coincidence with the airline's decision to reduce capacity might at least limit the negative impact on Norwegian.

²⁰ Norwegian sells Argentinian unit to JetSmart; Cirium, 4th December 2019

²¹ Norwegian granted London Heathrow slots; Cirium, 2nd December 2019

²² Norwegian implements new hand baggage policy; Norwegian, 24th January 2020

²³ Norwegian axing long-haul services from two Nordic capitals; Cirium, 27th November 2019

²⁴ Norwegian eyes Max compensation deal by year-end; Cirium, 19th December 2019

²⁵ Cirium, 24th January 2020

²⁶ <https://centreforaviation.com/analysis/reports/lccs-global-market-share-gains-led-by-emerging-markets-459927>; CAPA, 19th February 2019

B) THAI AIRWAYS INTERNATIONAL PCL²⁷

THAI AIRWAYS IN BRIEF²⁸

- Full-service and flag carrier; majority-owned by the Thai Government
- Short-, medium- and long-haul operations
- Eight Boeing 787s aircraft
- 80 destinations in more than 30 countries
- 24 million passengers in 2018

FINANCIAL & OPERATIONAL KEY FIGURES

[BILLION THB]	3Q2019	3Q2018	CHANGE	YTD 2019	YTD 2018	CHANGE	LINK**
Operating Revenues	45.02	47.95	- 6 %	137.32	148.66	- 8 %	
Operating Expenses	47.86	51.89	- 8 %	148.10	151.57	- 2 %	a)
EBITDA	2.46	1.20	+ 105 %	5.14	12.44	- 59 %	
Operating Result	- 2.84	- 3.93	+ 28 %	- 10.78	- 2.91	- 271 %	
Net Result	- 4.69	- 3.70	- 27 %	- 11.12	- 4.08	- 172 %	b) c)
Unit Costs Incl. Fuel*	2.12	2.22	- 5 %	2.20	2.17	+ 3 %	
Unit Costs Excl. Fuel*	1.53	1.56	- 2 %	1.59	1.55	+ 3 %	
Unit Revenue*	2.00	2.05	- 2%	2.04	2.13	- 4 %	
Passenger Yield [THB/RPK]	1.93	2.09	- 8 %	2.07	2.17	- 5 %	d)
Freight Yield [THB/RFTK ²⁹]	7.75	8.76	- 11.5%	8.04	8.46	- 5 %	e)
Capacity - ASK (million)	22,529	23,391	- 4 %	67,297	69,729	- 4 %	f)
Demand - RPK (million)	18,018	18,121	- 1%	52,733	54,372	- 3 %	g)
Load Factor	80.0 %	77.5 %	+ 2.5 pp	78.4 %	78.0 %	+ 0.4 pp	
Passengers (million)	6.06	6.01	+ 1%	18.07	18.16	- 1%	
Aircraft Utilisation [Block Hours]	11.6	12.1	- 4%	11.1	11.8	- 6 %	
Number Of Aircraft	---	---	---	103	103	---	
Cash & Cash Equivalents	---	---	---	13.98	13.69	+ 2 %	
Total Assets	---	---	---	258.19	268.72	- 4 %	
Equity Ratio*	---	---	---	5 %	8%	- 3 pp	

*Calculated

** Please refer to Background Information on next page

²⁷ THAI AIRWAYS INTERNATIONAL PCL, 3Q2019 Analysts Briefing Nov 15, 2019 // Management's Discussion and Analysis for the third quarter ended September 30, 2019 for Thai Airways International Public Company Limited and Its Subsidiaries¹

²⁸ 3RD Quarter Results and Annual Reports 2018; Thai Airways (numbers include fully owned subsidiary Thai Smile)

²⁹ Revenue per Freight Ton Kilometre

BACKGROUND INFORMATION

- a) 11% increase in crew expenses YTD; growth of operational expenses after the introduction of a new pilot compensation system to align with industry standards
- b) Net result 3Q19 (YTD19) influenced by one-time expenses:
 - THB 2,689 million (THB 2,689 million) estimated service compensation due to a change in the severance payment conditions
 - THB 919 million (THB 2,808 million) gain on foreign currency exchange
 - THB 181 million (THB 566 million) impairment loss of assets and aircraft; this is a decrease of 82% YTD19 compared to YTD18
 - (THB 273 million) gain in ownership interest (dilution of shareholding in NOK Airlines)
- c) THB 778 million generated through the sale of four decommissioned A330s YTD19
- d) Decrease in passenger yield mainly driven by the appreciation of the Thai Baht (decline in 3Q19 by 2% excluding any currency exchange impact)
- e) Significant drop in freight volume and yield mainly due to the U.S.-China trade war and a weaker economy
- f) Decrease in capacity particularly due to Trent 1000 engine issues and temporary Pakistan Airspace closure
- g) Decline in demand mainly driven by intensified competition and the appreciation of the Thai Baht (the latter resulting in a slowdown in international tourists' growth)

STRATEGIC DEVELOPMENT

Thai Airways launched the “Mantra” project as part of its rehabilitation programme with a focus on increasing additional revenues. One of the implemented measures is the sale of preferred seats which currently already generates about THB 70 million per month. Another source of additional revenue from supplementary business is the sale of food, initially frozen meals and ready-made sauces, under Thai’s catering brand in European supermarkets.

The “Brother & Sister Model”, implemented to integrate Thai Smile into Thai Airways and to generate synergies, had the following effect on Thai Smile’s operations in the first nine months of 2019:

- Increase of Aircraft utilisation by 1 block hour per day
- Growth of revenues increased by 6.5 per cent
- Increase in costs by 15.7 per cent
- Operating profit of THB 320 compared to an operating loss of 2,235 million in the same period 2018

Moreover, Thai Airways focuses on e-commerce and digitalisation to cover the complete travel journey, divided into seven experience steps from the travel inspiration by offering flight and hotel packages through the departure, flight, transfer and arrival experience until the reflection experience. The latter included passenger surveys and instant mileage accrual.

On 13th November 2019, an unsecured debenture issue of THB 8.8 billion had been successfully launched with institutional and high net worth investors. The debenture had been rated category “A” by TRIS Rating and is divided in five tranches with maturities between one and 15 years and coupon rates from 2.32 per cent to 3.98 per cent.³⁰ In the same month, chairman Ekniti Nitithanprapas resigned and it had been announced in mid-January 2020 that the vice-chairman Chaipayruk Didyasarin takes over the role permanently from mid-January 2020 on.³¹ During the fourth quarter 2019, the Thai carrier signed a Memorandum of Understanding with the Toyota Tsusho [Thailand] company on travel activities: Thai Airways will become the exclusive and preferred airline for company members’ business travel.³²

³⁰ Thai Airways raised \$291 million debt capital; Cirium; 14th November 2019

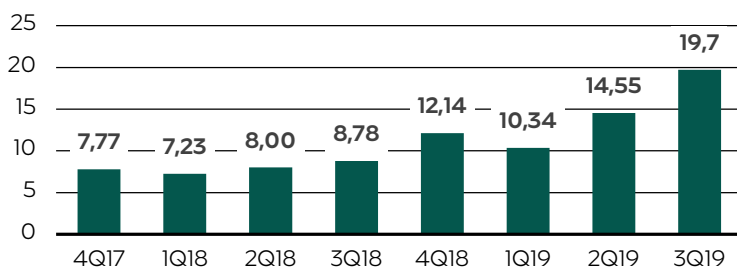
³¹ Thai Airways confirms acting chairman; Cirium, 17th January 2020

³² <https://www.nationthailand.com/news/3037821>; The Nation Thailand, 10th November 2019

Key areas of focus for Thai Airways in 2020 include the following:

- Reduction of retained earnings by 2022
- Review of the 2019-2026 fleet acquisition plan
- Scheduled sustainable
- capacity increase by 2-3 % in 2020
- Manchester and Sendai will be new destination in 2020
- Increase in customer satisfaction and ranking among the world's top five airlines
- Market entry of two low-cost carriers in 2020 will further increase competition³³

TOTAL DEBT TO EQUITY RATIO [TIMES]



Reduced profitability in recent years has negatively effected the equity position of Thai Airways. As a result, the leverage (debt to equity ratio) has increased.

Source: Various Management Discussions and Analysis; Thai Airways

CHALLENGES

- Epidemics: Due to the Coronavirus outbreak in China, traffic demand and tourist numbers (particularly from China) will likely significantly drop; Thai Airways including Thai Smile has an exposure of 95 weekly flights to nine Chinese destinations³⁴
- Liquidity risk deriving from increasing debt to equity ratio and lack of profitability
- Above mentioned Trent 1000 issues lead to less seat capacity and flight schedule disruptions/amendments and increased costs which might not be completely covered by manufacturer's compensation
- Trade war between the U.S. and China negatively impacts Thai's freight business and Chinese tourists' arrivals resulting from weaker economy

OPPORTUNITIES

- Submission of 2020-2025 rehabilitation plan to Board of Directors early 2020 to return to profitability and continuously improve service quality³⁵
- Selection process of private investor to develop together the new MRO (Maintenance, Repair & Overhaul) facility at U-Tapao Airport³⁶
- Thai Smile to become a connecting partner of Star Alliance in 2020
- Further extension of waiver of visa-on-arrival fee for 21 countries, including China and Taiwan, until April 2020 will support tourism growth

COMMENTS & CONCLUSIONS

As Thai Airways is dependent on the tourism sector, particularly on the in-bound tourism, the carrier is vulnerable to external shocks such as epidemics, riots, natural disasters or the downturn of originating passengers' economies. Chinese tourists count for the biggest share of foreign tourists travelling to Thailand, therefore epidemics such as the outbreak of the Coronavirus, or a slowdown of the Chinese economy growth due to the Chinese-US trade war may have a significant impact, although being beyond the airline's control. Nevertheless, as the tourism sector is an important income generator for the country, the government supports its growth with several measurements which is also for the benefit of Thai Airways.

³³ Thai Eastar Jet and Thai Summer Airways to launch in 2020; Cirium, 27th December 2019

³⁴ Cirium, 30th January 2020

³⁵ <https://thethaiger.com/news/business/thai-airways-presents-new-recovery-plan-for-board-approval/>; The Thaiger, 14th January 2020

³⁶ Thai Airways seeks private-sector bids for U-Tapao MRO project; Cirium, 30th December 2019

Thai Airways needs to implement measurements to at least stabilise the leverage as well as to increase revenue streams which had been weak during the last quarters (a decline of 8 per cent during the first nine months). Restructuring is a necessary move and the Mantra and Brother & Sister Project might be a first step to generating synergies and identifying and exploring additional sources of revenue, supporting the return to profitability. The decisions to partner with a private investor to develop the U-Tapao based MRO project and to increase code sharing are positive actions. This offers the possibility of expansion and growth with minimising the risk and capital investments.³⁷

In October 2019, the CEO of Thai Airways, Sumeth Damrongchaitam, stressed the importance of the business rehabilitation plan and the necessary support by the entire airline staff to optimise the cost basis, to improve revenues and to return to profitability.³⁸ However, to succeed in the long-term, the measurements, planned or already implemented, also need to be pursued and flexible adopted to any market changes.

³⁷Thai Airways International Public Co Ltd; MarketLine, January 2020

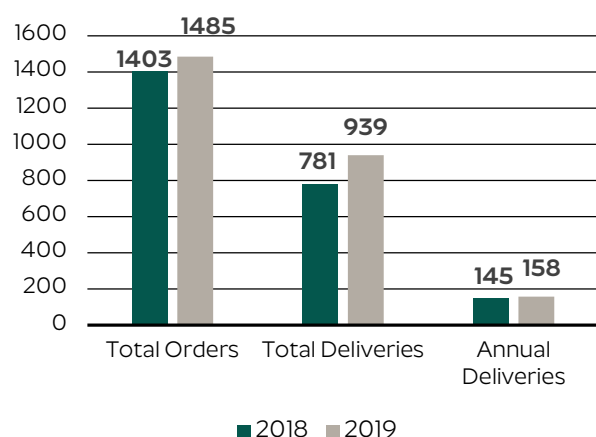
³⁸Thai Airways offers reassurances after 'motivational' warning; Cirium, 24th October 2019

3 | THE ASSETS

KEY FACTS B787

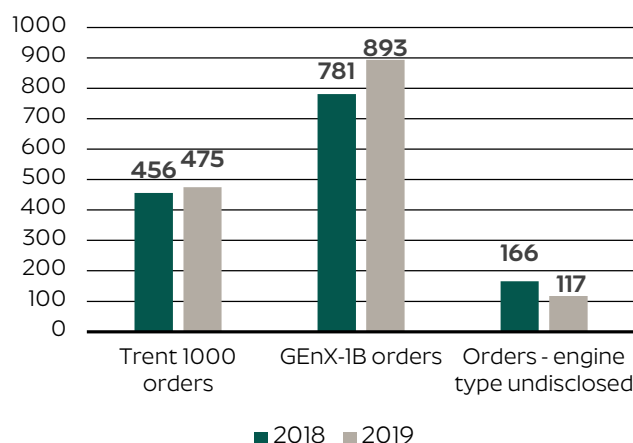
- 61 active operators (airlines) on all continents³⁹
- 73 customers (airlines and lessors)⁴⁰
- Aeroflot cancelled its order of 22 B787s in 4Q19
- Emirates and Malaysian lessor CALC became new customers in November 2019

B787 ORDERS & DELIVERIES



Source: Boeing, January 2020

B787 ENGINE OPTIONS



Source: Boeing, January 2020

ASSETS & OPERATIONS

TRENT 1000 ISSUES

The reduced availability of Rolls-Royce Trent 1000 spare engines and the availability of shop visit slots have certain effects on airlines' Boeing 787 fleets as some of their aircraft had been temporarily stored, including aircraft of Thai Airways and Norwegian Air Shuttle:

- Aircraft TQC is stored since 29th September 2019 at Bangkok Suvarnabhumi Airport (Thailand)
- Aircraft TQD is stored since 6th December 2019 at Bangkok Suvarnabhumi Airport (Thailand)
- Aircraft LNA is stored since 27th May 2019 at Prestwick Airport (United Kingdom)
- Aircraft LNB is stored since 17th September 2019 at Prestwick Airport (United Kingdom)

The temporary storage does not release Norwegian Air Shuttle or Thai Airways to pay lease rentals and responding maintenance reserve amounts.

³⁹ Cirium, January 2020

⁴⁰ Boeing, January 2020

ASSET OVERVIEW

AIRCRAFT OPERATIONS	NORWEGIAN AIR SHUTTLE		THAI AIRWAYS					
	LN-LNA	LN-LNB	HS-TQC	HS-TQD				
Cabin Layout	32 Premium Economy Class Seats 259 Economy Class Seats 291 Seats in Total		24 Business Class Seats 240 Economy Class Seats 264 Seats in Total					
Destinations	Stored	Stored	Stored	Stored				
PHYSICAL INSPECTION (by DS Aviation)	NORWEGIAN AIR SHUTTLE		THAI AIRWAYS					
	LN-LNA	LN-LNB	HS-TQC	HS-TQD				
Date	27.02.2019	26.02.2019	03.12.2019	03.12.2019				
Place	Copenhagen Airport		Bangkok Airport					
Aircraft & Technical Records condition	Aircraft/Technical records in good condition with no significant defects or airworthiness related issues		Aircraft/Technical records in good condition with no significant defects or airworthiness related issues					
AIRFRAME STATUS (31st December 2019)								
Total Flight Hours	29,177	30,925	16,873	15,536				
Total Flight Cycles	3,386	3,652	3,814	3,598				
Average Monthly Utilisation since Delivery	373 hours 43 cycles	405 hours 48 cycles	272 hours 63 cycles	256 hours 60 cycles				
Hours/cycles ratio since delivery	8.62	8.47	4.42	4.32				
ENGINE DATA (31st December 2019)	ENGINE SERIAL NUMBER				ENGINE SERIAL NUMBER			
	10118	10119	10130	10135	10239	10240	10244	10248
Total Time [Flight Hours]	23,240	25,278	20,776	24,868	14,380	10,518	11,035	16,012
Total Flight Cycles	2,744	2,994	2,319	2,864	3,287	2,583	2,675	3,555
Location	LNE	LNF	LNC	Shop	TQB	Shop	Shop	TQA

Source: Various Utilisation Reports, Norwegian; Thai Airways

COMMENTS & CONCLUSIONS

The order and delivery numbers emphasise that the Dreamliner Boeing 787 aircraft is favoured by many airlines from different regions and different business strategies. As new customers placed orders in 2019 and with Lufthansa opting for Trent 1000 engines, it seems that there is confidence in Rolls-Royce to fix the teething problems and the capacity bottleneck.

4 | AVIATION TOPIC OF INTEREST: AIRCRAFT STORAGE⁴¹

OVERVIEW

For a variety of reasons, an airline will take an aircraft out of service. To preserve the aircraft value, the manufacturer recommends different procedures which are designed to mitigate or eliminate the adverse impact of the physical environment and non-operation of the aircraft. The level of preservation depends on the length of parking, the aircraft design features and the environment. The respective maintenance organisation must decide for the most appropriate procedure regarding the planned or estimated out-of-operation period. According to the FAA (Federal Aviation Administration; USA) there are generally three types of parking programs:

a) Short-Term Storage

An aircraft is subject to short-term preservation procedures if removed from operational status for less than 60 days.

b) Intermediate-Term Storage

An aircraft is subject to intermediate-term preservation procedures if removed from operational status for more than 60 days but less than 120 days.

c) Long-Term Storage

An aircraft is subject to long-term preservation procedures if removed from operational status for or longer than 120 days.

MAINTENANCE PROCEDURES (ACCORDING TO FAA)

The preservation and therefore the mitigation of the risks, amongst others corrosion, UV radiation and humidity, is the primary purpose of aircraft parking or storage tasks. For the duration of a storage programme, the airline needs to perform different tasks which are determined by the aircraft manufacturer. The tasks could be repetitive depending on the type and therefore the duration of the storage. All aircraft and engine manufactures have established their dedicated storage maintenance procedures to keep the value and the status as high as possible. If those procedures are not applied, electronic parts, high value engine parts and other components could suffer potential value damage. Below is a selection of common tasks:

AIRFRAME

- Installation of protective coverings and closing of all external openings (except drains) to prevent moisture ingress and hence alleviate the risk of corrosion
- Installation of safety pins e.g. for the landing gears to prevent the inadvertent retraction of the gear
- Tire inflation and rotation to prevent flat spots
- Protection of windows to prevent the deterioration of the cockpit and cabin interior
- Opening of closets, cabinets, and interior doors to supply ventilation and to prevent mildew
- Examination of crew oxygen cylinders

ENGINE/AUXILIARY POWER UNIT (APU)

- Complete preservation of the engine/APU
- Procedures to operate the engine/APU on an established interval to coat the bearings with oil for corrosion protection

ELECTRICAL

- Opening/closing of circuit breakers
- Battery servicing/disconnection/removal

⁴¹http://fsims.faa.gov/PICDetail.aspx?docId=8900.1,Vol.6,Ch2,Sec38_SAS; FAA, 24.01.2019

OPERATIONAL CHECKS

- Procedures to transition the aircraft from preservation into a status appropriate for engine operations and operational checks of systems, and back into the preserved status
- Operational checks of hydraulics, electrical, engine, fuel systems, avionics, etc.

PROLOGNED PARKING DUE TO TRENT 1000 ENGINE ISSUES

KEY FACTS

- 30 to 40 aircraft parked in the first quarter 2019⁴²
- Number of parked aircraft remains in double digits until second quarter 2020⁴³
- Norwegian announced in the fourth quarter 2018 to have reached an agreement with Rolls-Royce on compensation⁴⁴
- Rolls-Royce settled in mid-2019 compensation with all airlines whose flight operations are/will be affected until 2021⁴⁵
- Monetary compensation only; detailed information about compensation agreements are confidential

POTENTIAL IMPACT ON LESSEE & LESSOR

LESSEE'S POSITION	LESSOR'S (DP AIRCRAFT) POSITION
<ul style="list-style-type: none"> • Reduced fleet capacity • No release from expenses for rentals, maintenance, maintenance reserves, crew, insurance, etc. • Higher administrative expenses to organise parking, engine-detachment, and substitute transportation or refund for passengers • Additional costs for aircraft wet- or dry-lease • Potential reputational damage caused by unsatisfied passengers due to lower service standards of wet-lease aircraft or disruption of their travel plans 	<ul style="list-style-type: none"> • Receives lease rentals • Receives time-based maintenance reserves • Receives utilisation-based maintenance reserves if APU or Engines are attached to other operating in-flight aircraft • If Lessee complies with the maintenance tasks of the manufacturer, there should be no disadvantage for Lessor • Full-life return conditions (Aircraft Status plus maintenance reserves equal 100% aircraft life) are not affected; however, there might be less paid in maintenance reserves but a higher aircraft status (higher percentage of remaining aircraft life)

MAINTENANCE RESERVES PAYMENTS DURING STORAGE (APPLICABLE)

Maintenance reserves are collected for different items which are either time-related (fixed monthly payments; e.g. for the 3-year check) or utilisation-related (fixed amount per flown hour or cycle, e.g. Engine Life Limited Parts (LLPs)). They are either paid to the lessor or the manufacturer in case the lessee has a Gold Care Agreement with Boeing and/or a Total Care Agreement with Rolls-Royce in place. The airline is not released from time-related maintenance reserve payments if the aircraft is parked or stored. Moreover, if an engine or APU is installed on another operational aircraft within the fleet, utilisation-related maintenance reserves are additionally due.

⁴²Financial Times: <https://www.ft.com/content/f0c13b2a-db71-11e9-8f9b-77216ebelf17>; 9th January 2020

⁴³Financial Times: <https://www.ft.com/content/f0c13b2a-db71-11e9-8f9b-77216ebelf17>; 9th January 2020

⁴⁴Interim report: Norwegian Air Shuttle ASA – fourth quarter and full year 2018

⁴⁵Financial Times: <https://www.ft.com/content/ae898e3a-6ce8-11e9-a9a5-351eeae6d84>; 9th January 2020

5 | Annex

DP AIRCRAFT – FACT SHEET

Ticker	DPA
Company Number	56941
ISIN Number	GG00BBP6HP33
SEDOL Number	BBP6HP3
Traded	SFS
<ul style="list-style-type: none"> SFM Admission Date Share Price 	4 th October 2013 USD 0.78 [29 th January 2020]
Country of Incorporation	Guernsey
Current Shares in Issue	209,333,333
Directors	Jonathan (Jon) Bridel (Chairman) Jeremy Thompson Harald Brauns
Administrator and Company Secretary	Aztec Financial Services (Guernsey) Limited
Asset Manager	DS Aviation GmbH & Co. KG
Auditor and Reporting Accountant	KPMG
Corporate Broker	Investec Bank plc
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
Engine Type	Rolls Royce Trent 1000
Lessees	Norwegian Air Shuttle ASA Thai Airways International PCL
Website	http://www.dpaircraft.com

DISCLAIMER

The information in this document has been prepared by DS Aviation GmbH & Co. KG as Asset Manager to DP Aircraft I Limited (the "Company") solely to give an overview of the Company. This document is not and should not be construed as an offer to sell or the solicitation of an offer to purchase or subscribe for any investment. The document is intended for information purposes only and does not constitute investment advice. It is important to remember that past performance is not a guide to future performance. Furthermore, the value of any investment or the income deriving from them may go down as well as up and you may not get back the full amount invested.