



DP AIRCRAFT I LIMITED

Shareholder Report July 2018



I. THE FUND - DP AIRCRAFT I LIMITED

FACT SHEET - DP AIRCRAFT I LIMITED

Ticker	DPA
Company Number	56941
ISIN Number	GG00BBP6HP33
SEDOL Number	BBP6HP3
Traded	SFS
<ul style="list-style-type: none"> SFM Admission Date 	4 th October 2013
<ul style="list-style-type: none"> Share Price 	1.11 [23 rd July 2018]
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 outlook for 2018 remains solid despite the International Air Transport Association (IATA) having lowered its expectation of collective net profits from USD 38.4 billion to USD 33.8 billion because of increasing costs, mainly of fuel and labour, as well as rising interest rates. Unit costs are expected to increase by 5.2 per cent in 2018 compared to the previous year. The average jet fuel price is expected to rise by 25.9 per cent so that jet fuel costs will account for about 24 per cent of total operating costs compared to 21 per cent in 2017. The number of passengers transported by air in 2018 is expected to reach 4.36 billion; an increase of 6.5 per cent. While capacity (ASK - Available Seat Kilometres) is expected to grow by 6.7 per cent, demand for air travel (RPK - Revenue Passenger Kilometres) is forecast to increase by 7.0 per cent and the overall load factor is expected to increase slightly to 81.7 per cent. Demand therefore increased for the sixth year in a row faster than the 20-year average of 5.5 per cent annually. Passenger yield is expected to increase by 3.2 per cent after a decline of 0.8 per cent the previous year. Demand for cargo is expected to increase by 4.0 per cent benefitting from the growing global economy.

Total passenger demand in April 2018 increased by 6.2 per cent while capacity rose by 5.9 per cent compared to the same month in 2017. Therefore the load factor increased to 82.3 per cent. In the first four months of 2018, global passenger demand grew by 7.0 per cent and worldwide capacity increased by 6.0 per cent compared to the same period of the previous year. The load factor increased by 0.8 percentage points to 81.3 per cent. The Asia-Pacific region outperformed the other regions in regard to capacity and passenger demand in the first four months of 2018. While passenger demand increased by 9.5 per cent, capacity rose one per cent

less and the load factor improved by 0.8 percentage points to 81.9 per cent. European carriers report the highest load factor (82.5 per cent) amongst the regions. In regard to profits, they currently benefit from extensive hedging delaying the impact of increased fuel costs to a future point in time.

As part of an IATA survey in early April 2018, 67 per cent of the interviewed airline CFOs and Heads of Cargo indicated an increase in profitability for the first quarter compared to the same period in the previous year. 61 per cent shared the opinion that profitability will continue to improve over the next twelve months. 42 per cent of the participants reported an increase in input costs in the first quarter 2018, mainly due to increased fuel prices. Half of the respondents anticipated employment growth over the coming year.

The latest Boeing Outlook (Current Market Outlook 2017-2036) anticipates deliveries of 41,030 commercial 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, airline fleets will grow by 3.5 per cent per annum over the next 20 years. Boeing forecasts the fleet in the Asia-Pacific region will increase from 29 per cent to 37 per cent of the global fleet. European airline fleet growth is anticipated to be lower than the global average, with an average annual growth rate of 2.7 per cent. According to IATA, there will be 1,900 aircraft deliveries in 2018 with the commercial aircraft fleet increasing by 4.2 per cent compared to the previous year. The number of city pairs served in 2018 will increase to a total of 58,000.

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

As at 30 June 2018, Boeing had delivered 708 Boeing 787 Dreamliner aircraft, of which 353 aircraft are B787-8s, 349 aircraft are B787-9s and six are B787-10s. The first B787-10 was delivered to Singapore Airlines in March 2018. The total order for the B787 family amounts to 1,377 aircraft from 69 customers. Turkish Airlines placed an order for 25 Dreamliners this March, American Airlines ordered an additional 25 B787-9s in April, Qantas ordered an additional six Dreamliners in May and the Vietnamese start-up Bamboo Airways ordered 20 B787s in June.

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 and America, amongst others, Oakland, Los Angeles, New York and Bangkok. On 14th January 2018, aircraft LNA was inspected in Birmingham (UK) at the Monarch maintenance facilities during a Base Check (every 6,000 flight hours). Our inspector considers the aircraft and its records to be in good condition with no significant defects or airworthiness related issues.



DP AIRCRAFT I LIMITED - SHAREHOLDER REPORT JULY 2018

Aircraft LNB is scheduled to be inspected early August, subject to airline operations. Technical records have already been collected and are considered to be in good condition with no airworthiness related issues.

Thai Airways' B787-8 offers a total of 264 seats, of which 24 are business and 240 economy class seats. The carrier operates this aircraft type to destinations such as Taipei, Nagoya, Brisbane, Auckland and Vienna. Modifications of both TQC and TQD, including the installation of a Wi-Fi antenna and a crew rest compartment, have been completed. As a result, the aircraft can be deployed more flexibly, including now long-haul destinations. The table below reporting average monthly utilisation illustrates this fact as the average stage length in May is significantly higher than the average stage length since delivery. TQC and TQD were inspected on 28 February 2018 at Bangkok International Airport. TQC was inspected during a daytime A-check and TQD during a night stop in the airport bay. Our inspector considers the aircraft and their records to be in good condition with no significant defects or airworthiness related issues.

DP Aircraft's 1000 Trent Engines are B-Pack versions (second upgraded version of originally produced engines). The latest Airworthiness Directive (AD) includes this type of engines and requires an additional precautionary one-off inspection. This can be carried out on-wing, however using existing techniques. The Asset Manager's technical advisor confirmed that at present there is no suggestion that this development

will affect ETOPS certification (the level of ETOPS certification for extended range operations by twin-engine aeroplanes defines a certain amount of flying time away from the nearest suitable alternative airport at which the aircraft can land). Rolls-Royce is taking precautionary preventive measures and is redesigning the specific parts.

From the 1st July 2018 onwards, the Asset Manager DS Aviation performs the technical asset management in-house (previously performed by DS Skytech Limited - a joint venture between Skytech-AIC and DS Aviation). This will further strengthen the relationships and reduce any response time in regard to Lessees and manufacturers. DS Aviation employs its own highly experienced technical personnel with detailed technical aircraft knowledge. Additionally, DS Aviation signed an agreement with AKKA (AeroConseil) to have any back-up services contractually guaranteed should a need arise. Such services include amongst others aircraft inspections or maintenance forecasting. AKKA with its headquarters in Toulouse (France) has more than 30 years of experience in the aviation sector and more than 90 employees. It is one of the largest suppliers in terms of technical aviation consultancy services and DS Aviation has worked successfully together with them in regard to other assets under management.

The tables below give a short overview of the utilisation of airframes and engines on each of the four aircraft as at 30th June 2018.

NORWEGIAN AIR SHUTTLE

AIRFRAME STATUS (30 th June 2018)	LN-LNA		LN-LNB	
	Total	June 2018	Total	June 2018
Flight Hours	24,396	407	25,553	416
Flight Cycles	2,866	46	3,057	46
Average Monthly Utilisation	406 hours 48 cycles	---	439 hours 53 cycles	---
Flight Hours/Flight Cycles Ratio	8.51 : 1	8.85 : 1	8.36 : 1	9.04 : 1
ENGINE DATA (30 th June 2018)				
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]	16,940	18,570	14,960	19,771
Total Flight Cycles	2,056	2,249	1,671	2,308
Location	LN-LNE	In shop	In shop	LN-LNA



DP AIRCRAFT I LIMITED - SHAREHOLDER REPORT JULY 2018

THAI AIRWAYS INTERNATIONAL

AIRFRAME STATUS (30 th June 2018)	HS-TQC		HS-TQD	
	Total	June 2018	Total	June 2018
Flight Hours	15,144	314	12,666	364
Flight Cycles	3,460	52	3,033	56
Average Monthly Utilisation	345 hours 80 cycles	---	297 hours 72 cycles	---
Flight Hours/Flight Cycles Ratio	4.38 : 1	6.04 : 1	4.18 : 1	6.50 : 1
ENGINE DATA (30th June 2018)				
Engine Serial Number	10239	10240	10244	10248
Engine Manufacturer	Rolls-Royce	Rolls-Royce	Rolls-Royce	Rolls-Royce
Engine Type and Model	Trent 1000	Trent 1000	Trent 1000	Trent 1000
Total Time [Flight Hours]	12,216	10,518	11,031	11,490
Total Flight Cycles	2,840	2,583	2,674	2,708
Location	In shop	In shop	TQF	TQC

IV. THE LESSEES

NORWEGIAN AIR SHUTTLE ASA

Norwegian Air Shuttle ASA operates as a low-cost carrier on short-, medium- and long-haul routes. In 2017, the airline transported more than 33 million passengers, an increase of 13 per cent on the previous year. As at 30 June 2018, the airline operated

a network of more than 500 routes to over 150 destinations including more than 60 intercontinental city pairs. The fleet comprises 155 passenger aircraft, including 28 Boeing 787s. The airline will take delivery of 11 Dreamliners in 2018.

2Q - KEY FIGURES (billion NOK)	2Q 2018	2Q 2017	CHANGE
Operating Revenues	10.23	7.77	+ 32%
EBITDAR	1.62	0.99	+ 64%
Operating Result	0.15	- 0.86	---
Net Result	0.30	- 0.69	---
Capacity - ASK (million)	25,633	17,330	+ 48%
Demand - RPK (million)	22,242	15,195	+ 46%
Load Factor	86.8%	87.7%	- 0.9pp
Passengers (million)	9.97	8.62	+ 16%

During the second quarter 2018, operating revenues increased by 32 per cent to NOK 10.23 billion (USD 1.26 billion) compared to the same quarter in 2017. EBITDAR grew by 64 per cent to 1.62 billion (USD 0.20 billion). Norwegian stated an operating profit of NOK 154 million (USD 19 million) compared to an operating loss of NOK 863 million (USD 103 million) in the same quarter the previous year. If excluding other loss and gains (amongst others effects from currency and forward fuel

contracts), the operating result turned into a loss of NOK 301 million (USD 37 million). Net profit amounted to NOK 300 million (USD 37 million) compared to a net loss of NOK 691 million (USD 82 million) in the second quarter 2017.

Capacity increased by 48 per cent while demand grew by 46 per cent and therefore the load factor slightly decreased by 0.9 percentage points to 86.8 per cent.



DP AIRCRAFT I LIMITED - SHAREHOLDER REPORT JULY 2018

Results were affected by reduced unit costs which - including depreciation and excluding fuel - decreased by 19 per cent. Unit revenue decreased by 11 per cent which is partly con-

ditional upon an increased average sector length by 20 per cent. Ancillary revenues per passenger grew by 19 per cent to NOK 162 (USD 20).

SEMI-ANNUAL 2018 - KEY FIGURES (billion NOK)	1H 2018	1H 2017	CHANGE
Operating Revenues	17.22	13.03	+ 32%
EBITDAR	0.74	0.38	+ 93%
Operating Loss	- 2.07	- 2.56	- 19%
Net Result	0.25	- 2.18	---
Capacity - ASK (million)	45,628	31,979	+ 43%
Demand - RPK (million)	39,129	27,563	+ 42%
Load Factor	85.8%	86.2%	- 0.4pp
Passengers (million)	17.45	15.28	+ 14%

During the first half of 2018, passenger numbers increased by 14 per cent to 17.45 million compared to the same period in the previous year, while operating revenues increased by 32 per cent to NOK 17.22 billion (USD 2.11 billion). While capacity was increased by 43 per cent, demand grew by 42 per cent. The passenger load factor was 85.8 per cent. Ancillary revenues per passenger increased by 18 per cent during the first half of 2018. Operating losses decreased by 19 per cent to NOK 2.08 billion (USD 254 million). The carrier stated a net profit of NOK 0.25 billion (USD 31 million) compared to a net loss of NOK 2.18 billion (USD 260 million) in the same period 2017. Results were influenced by a NOK 1.94 billion financial gain from re-classification of its investment in Norwegian Finans Holding, in which the airline has a 16.4 per cent shareholding. Furthermore, results were impacted by increased fuel prices, foreign currency effects and its strong capacity growth. In March 2018, Norwegian raised NOK 1.30 billion (USD 168 million) through a share issue. Cash and cash equivalents as at 30 June 2018 stood at NOK 3.71 billion (USD 0.46 billion). Aircraft utilisation

during the second quarter increased from 11.5 to 12.7 block hours a day compared with the same quarter in the previous year. The equity ratio as at 30 June 2018 was 7 per cent, up 3 percentage points compared to the previous year.

For 2018, Norwegian further reduced gross capex commitment from USD 1.9 billion to USD 1.75 billion. Growth in terms of capacity and fleet peaked in the first half 2018; particularly in the second quarter which marked the strongest growth in the airline's history. The second half of the year will be a phase of moderate growth and benefit from economies of scale. This year, Norwegian will launch flights to Krabi (Thailand), transatlantic routes from Madrid, Amsterdam and Milan and the carrier will add Tampa to its network. The U.S. is the strongest market for Norwegian outside of Norway. Moreover, the carrier plans to add some Canadian destinations to its transatlantic network in 2019, which were approved by the Canadian Transportation Agency this March.

In July, the carrier announced it had applied for a Swedish





DP AIRCRAFT I LIMITED - SHAREHOLDER REPORT JULY 2018

AOC (Air Operator Certificates) as it seeks a stronger foothold in the European Union and this AOC would facilitate accessibility in Sweden and increased traffic rights throughout Scandinavia. End of the year, Norwegian Air Argentina has scheduled to start commercial operations.

In May 2018, capacity and demand increased by 51 per cent compared to the same month in 2017. The load factors remained stable at 86.5 per cent while passenger numbers grew by 17 per cent to 3.4 million. Yield and unit revenues decreased by 6 per cent while the average flying distance increased by

24 per cent compared to the same month a year ago.

In April 2018, the International Airlines Group (IAG), parent company of British Airways, Iberia, Aer Lingus, Vueling and LEVEL, acquired a 4.61 per cent stake in Norwegian. A potential acquisition could offer IAG network synergies and access to new aircraft deliveries. Norwegian had rejected two offers made by IAG but they have set up a steering committee and they have engaged advisors to review potential offers and to safeguard all shareholders' interests as they are said to have received offers from other interested parties including Lufthansa.

THAI AIRWAYS INTERNATIONAL PCL

Thai Airways International Public Company Limited, full service network carrier and flag carrier of the Kingdom of Thailand, is majority-owned by the Thai Government (Ministry of Finance) (51.03 per cent). In 2017, Thai Airways International, excluding any subsidiaries, transported nearly 20 million passengers. As at 30 April 2018, the fleet of Thai Airways, including its subsidiary Thai Smile, comprised 104 active aircraft. The carrier currently operates 63 des-

tinations in 34 countries, including 11 destinations in 13 European countries. In the first quarter 2018, Thai Airways received an award as "Top Agent Award 2017" from Japan National Tourism Organization and the airline's CFO was named "Asia's Best CFO 2017" by the Corporate Treasurer Marquee Awards. The latter award takes into consideration financial transformation and changes with results of significant impact.

ANNUAL - KEY FIGURES (billion THB)	2017	2016	CHANGE
Operating Revenues	191.95	180.56	+ 6.3%
Operating Result	2.86	4.07	- 29.8%
Net Result	- 2.07	0.05	---
Capacity - ASK (million)	90,498	85,042	+ 6.4%
Demand - RPK (million)	71,634	62,442	+ 14.7%
Load Factor	79.2%	73.4%	+ 5.8pp
Passengers (million)	24.6	22.26	+ 10.3%

Operating revenues in 2017 increased by 6.3 per cent to THB 191.95 billion (USD 5.89 billion) compared to 2016. THB 157.48 billion related to passenger and excess baggage revenue, THB 20.27 billion to freight and mail and 14.20 billion to other revenue and income. Operating profits decreased by 29.8 per cent to THB 2.86 billion (USD 88 million) and net losses amounted to THB 2.07 billion (USD 64 million) compared to net profits of THB 47 million (USD 1 million). Capacity increased by 6.4 per cent and demand by 14.7 per cent. Therefore, the

load factor improved by 5.8 percentage points to 79.2 per cent. Results were impacted by impairment losses (USD 98 million), loss on changes in ownership regarding the stake hold in NOK (USD 13 million) and exchange losses (USD 48 million). The airline's results were also affected by the 24.2 per cent rise in average jet fuel prices. Liabilities have been continuously decreasing since 2015 and were recently restructured to maximise the benefit of natural hedging (revenues of foreign currencies versus expenses in foreign currencies).



DP AIRCRAFT I LIMITED - SHAREHOLDER REPORT JULY 2018

1Q - KEY FIGURES (billion THB)	1Q 2018	1Q 2017	CHANGE
Operating Revenues	53.47	49.80	+ 7.4%
Operating Result	3.84	2.57	+ 49.4%
Net Result	2.74	3.17	- 13.6%
Capacity - ASK (million)	23,535	22,428	+ 4.9%
Demand - RPK (million)	18,969	18,564	+ 2.2%
Load Factor	80.6%	82.8%	- 2.2pp
Passengers (million)	6.25	6.52	- 4.1%

During the first quarter of 2018, total operating revenues increased by 7.4 per cent to THB 53.47 billion (USD 1,716 million) compared to the same quarter in the previous year. Operating profit increased by 49.4 per cent to THB 3.84 billion (USD 123 million) while net profit decreased by 13.6 per cent to THB 2.74 billion (USD 88 million). Results were impacted by an impairment loss of assets and aircraft of THB 2.47 billion as well as a gain on foreign currency exchange of THB 583 million. Thai increased capacity by 4.9 per cent, while demand only grew by 2.2 percent and the load factor decreased by 2.2 percentage points to 80.6 per cent. The passenger yield grew by 4.5 per cent compared to the first quarter of 2017. At the end of the quarter, cash and cash equivalents stood at THB 16.97 billion (USD 545 million) and assets amounted to THB 286.17 billion (USD 9,182 million).

Thai considers its restructuring efforts - summarised in its Transformation Plan - as key to a profitable future in the long run. Therefore, the airline implemented a revised 2017 - 2021 Plan with five key strategies to continually drive from the third phase of its transformation plan to ensure sustainable operating results, increasing efficiency and continuous improvement of service quality to be competitive in the global market. The five strategies are:

- Increase in revenues by improving network, yields, ancillary revenues and cost structure by implementing common fleet and adopting low-cost business models
- Seeking new business opportunities; e.g. launching of joint ventures in the MRO (Maintenance, Repair and Overhaul), cargo and logistic business at U-Tapao airport
- Creating seamless travel between pre-flight, in-flight and post-flight services

- Implementation of digital applications to generate a competitive advantage
- Human resources development with focus on organizational structure, culture and leadership

As part of the Transformation plan, the carrier successfully sold unused assets in the Mae Hong Son province and foreign property in Sydney as well as 22.5 million shares or 24 per cent of Royal Orchid Hotel (Thailand) PCL which is not considered as core business. For the second quarter 2018 it is planned to sell further shares in such subsidiaries and associated companies. Moreover, Thai Airways focuses on improving the fleet efficiency and on increasing passenger revenue. In 2018, Thai Airways already took delivery of five A350-900s as part of the renewal fleet plan. Further route expansion is planned, as codeshare agreements with NOK and Shenzhen Airlines have been signed. Frequencies to Vienna will increase to daily in autumn 2018.

In May, the carrier announced that the acting president, Usanee Sangsingkeo, will retire from the carrier in September. During a Board Meeting, Sumeth Damrongchaitham was announced to become the new president in September. He was managing director at Dhanarak Asset Development, a government-owned company set up to manage state assets and properties.

Thai Airways and Airbus are moving ahead with their MRO joint venture. It is planned to offer heavy maintenance and line services for wide-body aircraft. Thai and Airbus have scheduled to incorporate the MRO joint venture early in 2020 and to launch services in 2022 at U-Tapao airport which is 140 kilometres south of Bangkok. This new MRO facility is planned to become one of the most modern and extensive in the Asia-Pacific region.



This June was announced that Thai Airways and Rolls-Royce signed an agreement to explore how to expand the Trent CareNetwork by building on THAI's existing MRO capabilities. Thai becoming an Authorised Maintenance Centre (AMC) for Rolls-Royce will enable the carrier to support its own growing fleet of Rolls-Royce engines and to generate additional capacity within the Rolls-Royce CareNetwork. The maintenance centre is expected to start also servicing Trent 1000 engines in the fourth quarter 2018 or early 2019. While in the first year it is assumed that up to 30 en-

gines can be serviced, from the second year on it could be 70 to 80 annually.

In 2017, the number of foreign tourists arriving in Thailand increased by 8.9 per cent to 35 million, mainly from China, Russia, India, Laos, Cambodia and South Korea. In the first quarter of 2018, the number of foreign tourists increased by 15.2 per cent compared to the first quarter of last year. Additionally, the economy of Thailand and private consumption is improving steadily.