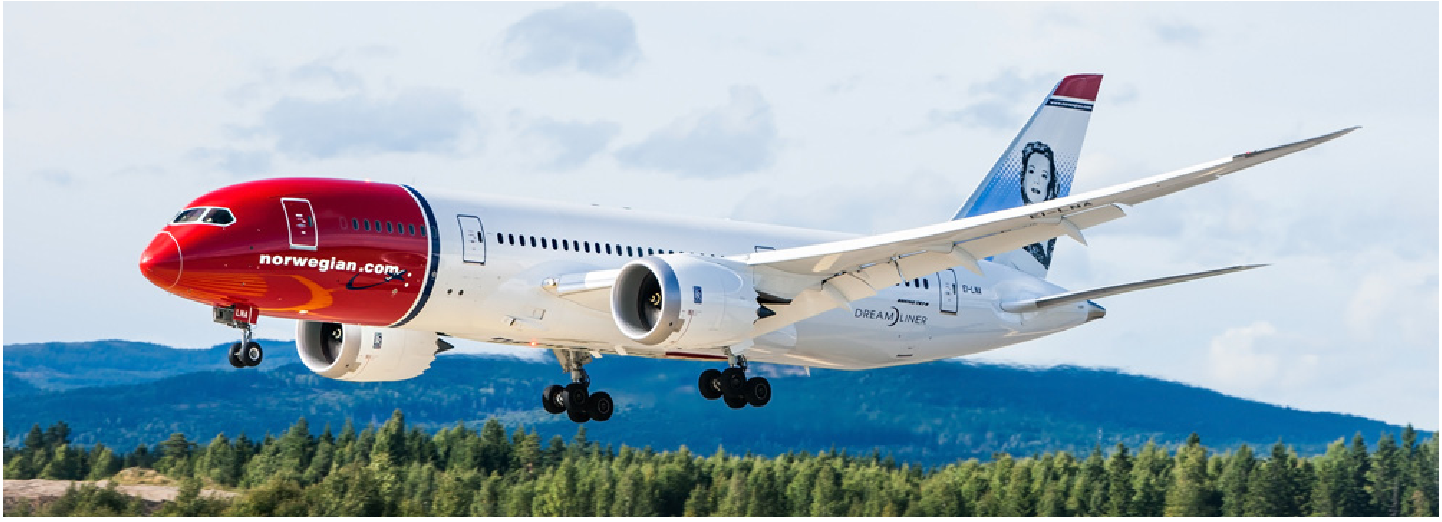
DP Aircraft

DP AIRCRAFT I LIMITED

Semi-Annual Shareholder Report July 2014



I. THE FUND - DP AIRCRAFT I LIMITED

FACT SHEET - DP AIRCRAFT I LIMITED	
Ticker	DPA
Company Number	56941
ISIN Number	GG00BBP6HP33
SEDOL Number	BBP6HP3
Traded	SFM
• SFM Admission Date	4th October 2013
• Share Price	1.03 [9th July 2014]
Listed	CISE
• CISE Listing Date	4th October 2013
Country of Incorporation	Guernsey
Current Shares in Issue	113,000,000
Administrator and Company Secretary	Dexion Capital (Guernsey) Limited
Asset Manager	DS Aviation GmbH & Co. KG
Auditor and Reporting Accountant	KPMG
Corporate Broker	Canaccord Genuity Limited
Aircraft Registration (Date of Delivery)	EI-LNA (28th June 2013) EI-LNB (23rd August 2013)
Aircraft Serial Number	35304 35305
Aircraft Type and Model	B787-8
Lessee	Norwegian Air Shuttle ASA
Website	http://www.dpaircraft.com

II. OVERVIEW AND DEVELOPMENT - THE AVIATION MARKET

Growth in demand for air travel has continued steadily, with passenger traffic in May 2014 up 6.2 per cent on the previous year according to the International Air Transport Association (IATA). On average it is estimated that passenger traffic will grow by 5.9 per cent in 2014. Moreover, airlines´ financial performance during the first quarter of 2014 has particularly improved on the operating level. According to IATA's latest published expectations, net profits for 2014 will be USD 18.0 billion, which would be an increase of around 40 per cent on 2013. Furthermore, it is estimated that 3.3 billion passenger and goods worth USD 6.8 trillion will be transported by air this year.

Taking a closer look at the European aviation market, economic growth within the Eurozone came in below expectations in the first quarter of 2014 but is expected to accelerate in the second quarter. In May, the 6.4 per cent increase in Revenue Passenger Kilometres (RPK) for European airlines compared to the same month the previous year was above the global average. In addition, it is anticipated that net post-tax profits for European carriers may more than quadruple in 2014.

Crude oil prices remain high, amongst other reasons due to the conflict in Ukraine. Given that fuel represents the largest percentage of operating costs for an airline, technological improvements and the availability of a fleet of aircraft benefitting from the latest technology, such as the Dreamliner Boeing B787, are significant factors for an air carrier as it seeks to optimise its cost level. Another way to ameliorate the cost structure is through an increase in labour productivity; the latter is expected to increase globally by 2.5 per cent. Despite this, total employment is also expected to rise, by 2.6 per cent, due to overall global growth in air traffic. There is also a more structural change within the industry, with the air transport product becoming ever more integrated with legacy carriers. As yields have been under pressure in recent years, airlines have concentrated on generating ancillary revenues e.g. by charging for the reservation of seats with additional legroom. This offers airlines the possibility to significantly improve their operating results while still offering competitive air fares.

The long term outlook for the aviation market and the demand for new aircraft remain positive. Air travel and air freight are products for which there are very few substitutes. According to their current market outlooks, Boeing (Current Market Outlook 2014-2033) and Airbus (Global Market Forecast 2013-2032) are of the opinion that passenger fleets will double by 2033 and 2032 respectively. Boeing estimates annual growth rates of airline passengers at 4.2 per cent and of airline traffic (RPK) at 5.0 per cent on average; while global GDP will grow annually by only 3.2 per cent on average. This year, IATA expects the global fleet to increase both in number (by around 600 aircraft) and also slightly by average size of aircraft.

According to the latest Airline Business Confidence Index (April 2014 survey), 76 per cent of participating CFOs and Heads of Cargo believe that there will be an increase in demand for air travel over the next 12 months; this is 4 per cent higher than the comparable figure from the last survey in January 2014. On top of that, nearly 73 per cent of respondents believe that passenger yields will remain stable or increase over the next 12 months. Furthermore, the results of the survey in regard to cargo are positive reflecting significant developments in the demand environment; and the expectations of the last survey that cargo volume will increase at rates not seen since the middle of 2010 remain unchanged.

III. THE ASSETS - TWO BOEING DREAMLINER B787-8s

The Boeing B787 Dreamliner still ranks alongside the Airbus A350 (which is expected to enter into service in the fourth quarter this year) as the latest technological, mid-size wide-body aircraft available in the market. As at July 1st 2014, 162 Boeing B787 had been delivered to 21 different airlines and more than 20 million passengers had been commercially transported. With a backlog of over 860 aircraft in June 2014, and production fully sold out until 2019, it is clear that the aircraft remains in high demand. On top of that, Boeing's Current Market Outlook highlights the fact that the B787-8 offers airlines the opportunity to open up new markets and new non-stop routes like London – Austin and Stockholm – Fort Lauderdale.

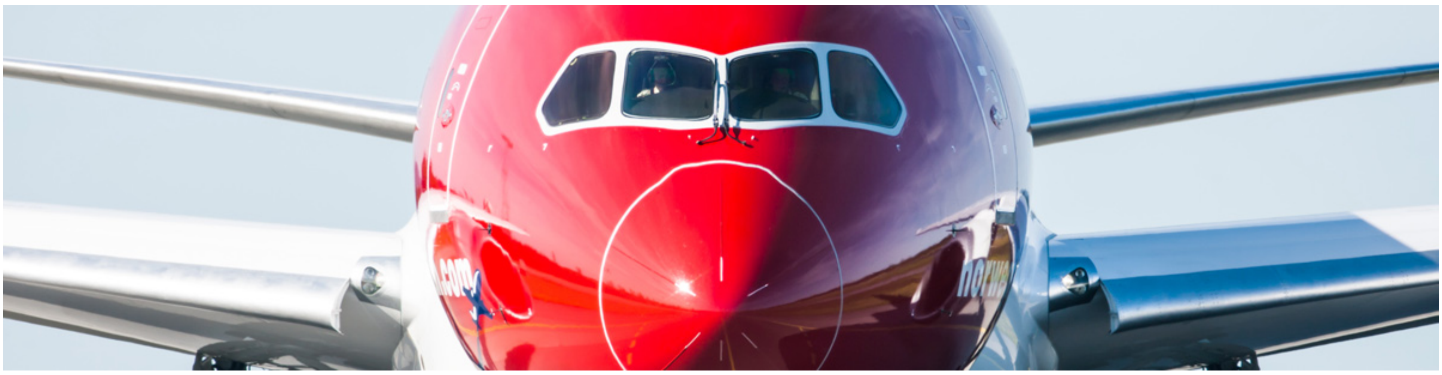
Since DP Aircraft I Limited took title of both LNA and LNB last year, Norwegian has met all of its lease obligations in full. The airline received its seventh B787-8 in June this year and one more is due at the end of this year. Hence the minimum target fleet size of five aircraft has been reached, enabling the carrier to operate a long-haul network on a fully economically efficient basis. The carrier operates the aircraft in a two-class configuration seating 32 premium economy plus 259 economy passengers. The airline reports that it and its customers are highly satisfied with the aircraft.

Both of the aircraft were physically inspected at Stockholm´s Arlanda Airport in April this year. The inspection was documented by photographs of the aircraft interior and exterior. Norwegian´s Maintenance Operation Manager, as well as a Boeing Maintenance control engineer, were present in case of the need for assistance. (At least one Boeing representative is always on site during Norwegian´s B787 aircraft downtime at all destinations of the carrier´s long-haul network as part of the Gold Care Agreement with Boeing.) No areas of concern could be found and both aircraft appear to be maintained to a very high standard.

The chart below gives an overview about the utilisation of airframe and engines. One of LNB's engines, Engine Serial Number (ESN) 10130, and one of LNA`s engines, ESN 10118, have undergone an upgrade at Rolls Royce's Derby facilities. The upgrade extends the maintenance intervals of the engines and therefore decreases maintenance costs. LNA's second engine, ESN 10119, and LNB's second engine, ESN 10135, are currently undergoing this upgrade as well.

In May, DS Aviation GmbH & Co. KG, the Asset Manager of DP Aircraft I Limited, and UK-based aircraft lessor, marketing and management organisation Skytech-AIC formed a new joint venture. This new company is named DS Skytech Limited and will provide technical asset management in regard to the combined owned and managed aircraft portfolio of the two organisations. DS Skytech will also provide technical asset management services to the Company from May 2015 onwards.

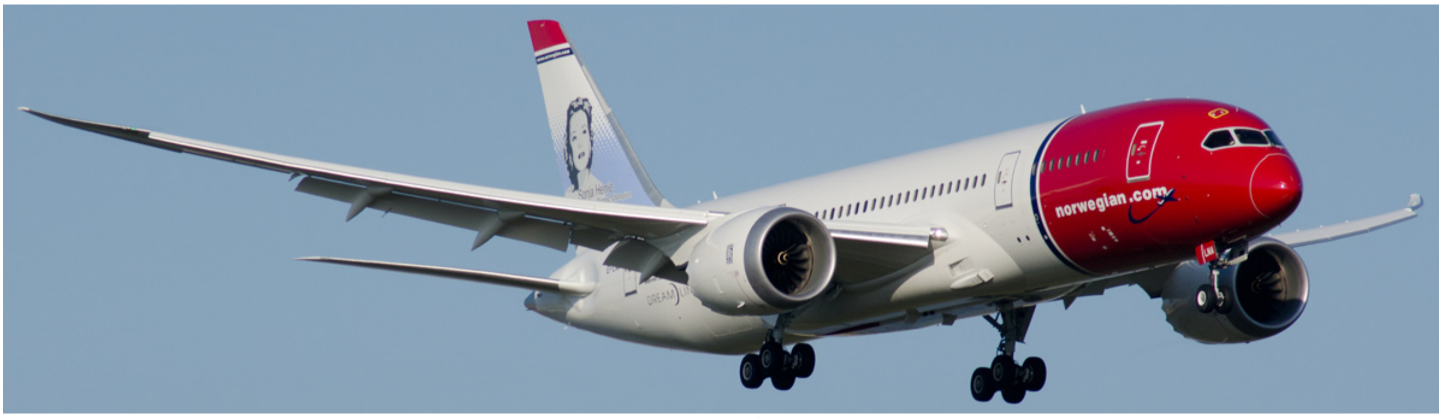
DS Skytech is a UK-registered company located near Farnborough in Hampshire and equally owned by DS Aviation, the aircraft leasing unit of Dr. Peters Group, and Skytech-AIC. The objective of this Joint Venture is to provide a new industry benchmark in management service quality. In this way, it is envisaged that DP Aircraft I Limited will profit from the provision of enhanced in-house technical asset management services.



DP AIRCRAFT I LIMITED - SEMI-ANNUAL SHAREHOLDER REPORT JULY 2014

THE ASSETS - TWO BOEING DREAMLINER B787-8

AIRFRAME STATUS (30th June 2014)	LNA		LNB	
	Total	June 2014	Total	June 2014
Flight hours	4,217:08	250:51	4,034:57	384:57
Cycles	603	26	533	73
Block hours	11.46	8.35	12.93	12.82
Flight hours/Cycles Ratio	6.99 : 1	9.64 : 1	7.57 : 1	5.27 : 1
ENGINE DATA (30th June 2014)				
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]	3,109:17	4,127:10	1,197:57	3,503:32
Total Cycles	497	594	115	423
LLP	Various HPT Components	Various HPT Components	Various HPT Components	Various HPT Components
Cycles to LLP Replacement	3,003	2,906	3,385	3,007
Location	LNA	In Shop	LNA	In Shop



IV. THE LESSEE - NORWEGIAN AIR SHUTTLE ASA

Norwegian Air Shuttle - Scandinavia´s second largest airline – has been operating since 1993 and transported more than 20 million passengers in 2013. Since May 2013 the airline has offered long-haul services; currently operating to six destinations in Thailand and USA from Scandinavia and London Gatwick. The next route to be opened will be Copenhagen-Bangkok by end of October this year. Norwegian attracts both passengers originating in Scandinavia as well as in the United States and Asia. As is well known, Asia in particular represents one of the fastest growing tourism markets for outbound traffic, offering Norwegian an attractive source for new business.

The 2013 financial year was the seventh consecutive year in which the airline has made a profit despite some events which have significantly impacted their results. A drop in bookings due to the extraordinarily good summer weather in Scandinavia 2013, higher expenses due to the necessary wet-lease of Airbus A340 as a result of the late delivery of the Dreamliner, as well as start-up investments to establish long-haul operations and its new base in London Gatwick, put Norwegian's yields and net profit under pressure, seeing them decrease by 10 per cent and 30 per cent respectively. The carrier estimates the costs associated with the start-up of the long-haul business to be around NOK 216 million (around US$ 35.6 million). Moreover, the consolidated financial statements for 2013 show a net profit of NOK 321,564 million (around US$ 53 million), a decrease of 30 per cent on 2012. However, the load factor only decreased by 1 per cent and EBITDAR and EBIT (operating profit) increased by 53 per cent and 140 per cent correspondingly. EBIT in 2013 amounted to NOK 969,658 million (around US$ 160 million).

Norwegian's revenues in 2013 were around 15.6 NOK billion (around US$ 2.6 billion) and up by 21 per cent against 2012. Ancillary revenues, which are important in Norwegian´s business strategy, increased by 6 percent, whereas unit costs decreased by 6 per cent in the same period. In the first quarter of 2014, compared to the same period of the preceding year, the carrier increased its ancillary revenues by 25 per cent. The 2013 income statement showed an increase in equity of 13 per cent and in cash of 25 per cent based on an YTD comparison between 2013 and 2012. The equity ratio stood at 18.6 per cent at the end of 2013.

Norwegian Air Shuttle ASA continues to grow. The carrier increased its number of passengers in June 2014 by 21 per cent compared to the same month in 2013. Furthermore available seat kilometres (ASK) and RPK increased by 39 per cent and 45 per cent respectively over the same period. On top of this, first quarter results for 2014 emphasised growing market shares in all markets of Norwegian Air Shuttle ASA compared to the same period in 2013. At Oslo Airport the carrier holds a market share of 39 per cent.

The airline is also optimising its cost structure and cost levels, and is further developing its automated booking system as well as introducing self-check-in and self-baggage drop-off stations. Furthermore, the company has been restructured to reflect its move towards further international growth, establishing two fully owned subsidiaries, each of them operating with their own air operator´s certificate (AOC). Long-haul destinations will be operated by Norwegian Air International (NAI) with an Irish AOC, which was granted by Ireland in February of this year. It is planned that all of Norwegian´s B787 aircraft will eventually be operated by this subsidiary under a sublease from Norwegian Air Shuttle ASA. The process of obtaining a licence to operate transatlantic flights from the US Department of Transportation is ongoing, but the airline is being supported in this by the European Commission, which is meeting with its US counterpart this month to accelerate the process. The European Commission is of the opinion that the interpretation of Article 17 of the EU-US Open-Skies Agreement can only lead to the grant of the licence to NAI. In any event, Norwegian's current schedule is not dependent upon or affected by this approval procedure, and the carrier continues to expand its long-haul network, adding more aircraft with a view to operating a fleet of ten Dreamliners by 2016. The ideal fleet size of the carrier would be 20 to 25 aircraft with a growth rate of 4-5 yearly, but due to ongoing high market demand for Boeing´s Dreamliner B787, Norwegian's requirements cannot be met.