

# QUARTERLY FACT SHEET

March 2023

## DORIC NIMROD AIR THREE LIMITED

LSE: DNA3

### COVID-19

Despite the recovery from COVID-19 being seen in many industries, the impact of the pandemic on the aviation sector has been significant and is still pervasive.

This quarterly fact sheet is exclusively based on facts known at the time of writing and does not seek to draw on any speculation about any possible future long-term impacts of the pandemic on the aviation sector or the Company specifically and should be read in such context.

### The Company

Doric Nimrod Air Three Limited (“the Company”, and together with its subsidiary DNA Alpha Ltd. “the Group”) is a Guernsey domiciled company. Its 220 million ordinary preference shares (“the Equity”) have been admitted to trading on the Specialist Fund Segment (SFS) of the London Stock Exchange’s Main Market. The market capitalisation of the Company was GBP 111.1 million as of 31 March 2023.

### Investment Strategy

The Company’s investment objective is to obtain income returns and a capital return for its shareholders by acquiring, leasing and then selling aircraft. The Company receives income from the leases, and targets a gross distribution to the shareholders of 2.0625 pence per share per quarter (amounting to a yearly distribution of 8.25% based on the initial placing price of 100 pence per share). It is anticipated that income distributions will continue to be made quarterly.

### Company Facts (31 March 2023)

Listing	LSE
Ticker	DNA3
Current Share Price	50.5p
Market Capitalisation	GBP 111.1 million
Initial Debt	USD 630 million
Outstanding Debt Balance <sup>1</sup>	USD 29.3 million (5% of Initial Debt)
Current and Targeted Dividend	2.0625p per quarter (8.25p per annum)
Earned Dividends	76.14p
Current Dividend Yield	16.34%
Dividend Payment Dates	January, April, July, October
Ongoing Charges (OCF) <sup>2</sup>	2.9%
Currency	GBP
Launch Date/Price	2 July 2013 / 100p
Average Remaining Lease Duration	2 years 7 months
Incorporation	Guernsey
Aircraft Registration Numbers (Lease Expiry Dates)	A6-EEK (29.08.2025), A6-EEO (29.10.2025), A6-EEM (14.11.2025), A6-EEL (27.11.2025)
Asset Manager	Amedeo Management Ltd
Corp & Shareholder Advisor	Nimrod Capital LLP
Administrator	JTC Fund Solutions (Guernsey) Ltd
Auditor	Grant Thornton Ltd
Market Makers	finnCap Ltd, Investec Bank Plc, Jefferies International Ltd, Numis Securities Ltd, Shore Capital Ltd, Winterflood Securities Ltd
SEDOL, ISIN, LEI	B92LHN5, GG00B92LHN58, 213800BMYMCKBKT5W8M49
Year End	31 March
Stocks & Shares ISA	Eligible
Website	www.dnairthree.com

<sup>1</sup>Class B EETC matured in November 2019.

<sup>2</sup>As defined by the AIC.

## Asset Manager’s Comment

### 1. The Assets

The Company acquired four Airbus A380 aircraft by the end of November 2013. Since delivery, each of the four aircraft has been leased to Emirates Airline (“Emirates”) – the national carrier owned by the Investment Corporation of Dubai, based in Dubai, United Arab Emirates – for a term of 12 years with fixed lease rentals for the duration. In order to complete the purchase of the aircraft, DNA Alpha Ltd (“DNA Alpha”), a wholly owned subsidiary of the Company, issued two tranches (Class A & Class B) of enhanced equipment trust certificates (“the Certificates” or “EETC”) – a form of debt security – in

July 2013 in the aggregate face amount of USD 630 million. The Certificates are admitted to the official list of the Euronext Dublin and to trading on the Main Securities market thereof. DNA Alpha used the proceeds from both the Equity and the Certificates to finance the acquisition of the four new Airbus A380 aircraft.

Due to the effects of COVID-19, all four aircraft were put into storage in March 2020. All of them have returned to service in the meantime, the last at the end of August 2022. Aircraft utilisation for the period from delivery of each Airbus A380 until the end of February 2023 was as follows:

Aircraft Utilisation				
MSN	Delivery Date	Flight Hours	Flight Cycles	Average Flight Duration
132	29/08/2013	33,041	3,982	8h 18m
133	27/11/2013	34,150	3,840	8h 54m
134	14/11/2013	31,607	3,465	9h 7m
136	29/10/2013	33,556	3,687	9h 6m

### Maintenance Status

Emirates maintains its A380 aircraft fleet based on a maintenance programme according to which minor maintenance checks are performed every 1,500 flight hours, and more significant maintenance checks (C checks) at 36-month or 18,000-flight hour intervals, whichever occurs first.

Emirates bears all costs relating to the aircraft during the lifetime of the leases (including for maintenance, repairs and insurance).

### Inspection

The asset manager conducted a physical inspection and records audit of the aircraft with MSN 132 in March 2023. The results were not available as of the editorial deadline.

## 2. Market Overview

The impact of COVID-19 on the global economy has been severe, resulting in a contraction in global GDP of 3.2% in 2020, followed by a recovery of 5.9% and 2.9% in 2021 and 2022, respectively. For the current year World Bank expects a moderated growth of 1.7%, according to its latest report on global economic prospects from January 2023. In its latest economic impact analysis, also from January, the International Civil Aviation Organization (ICAO) estimates that the full year 2022 experienced an overall reduction in seats offered by airlines of about a quarter compared with pre-crisis 2019 levels. This translates into a 33% to 34% seat reduction in the international passenger traffic segment, while domestic air passenger traffic is less affected from the pandemic with an overall reduction of only 19% to 20% of seats offered by airlines. ICAO has not yet provided an outlook for this year.

The International Air Transport Association (IATA) indicates an airline industry-wide net loss of USD 6.9 billion for 2022, after approximately USD 42.0 billion in the previous year, according

to its latest estimates from December 2022. For this year, IATA expects the first surplus since 2019, with the combined net profit of airlines worldwide to reach USD 4.7 billion. This would be a remarkable turnaround from a net loss of nearly USD 140 billion back in 2020. Nevertheless, the global economy is facing significant headwinds, which also impacts aviation. IATA does not expect a global recession but admits that individual countries might experience two consecutive quarters of reduced economic activities this year. Headwinds for the air transport sector result from a slowdown in GDP growth, the central banks' rate tightening in response to a surge in global inflation and a high and persistent spread between the price of jet fuel and oil on top of an anyway elevated level of oil prices. Air passenger travel gained momentum in 2022 and recovered substantially, according to IATA. Industry-wide revenue passenger kilometres (RPKs) grew by 64.4% compared to the previous year and came in 31.5% below the 2019 pre-pandemic levels. At the same time airlines boosted their capacities, measured in available seat kilometres (ASKs), by 39.8% from the year before, a recovery to 71.9% of its pre-pandemic capacities. The average passenger load factor (PLF) improved by 11.8 percentage points from its 2021 levels, only 3.9 percentage points short of record high load factors from 2019.

Progress in 2022 was primarily driven by a rebound in international traffic across all regions, thanks to pent-up demand for air travel and easing restrictions globally. International RPKs increased by nearly 153% compared to 2021 and came in at 37.8% below its pre-pandemic levels achieved in 2019. Growth in domestic markets over the last year was less pronounced with only 10.9%. Domestic RPKs added up to 79.6% of its pre-pandemic levels.

The Middle East, where the lessee is located, recorded an RPK increase of 144.4% last year in comparison to 2021. A less dynamic increase in capacities, measured in ASKs, resulted in nearly 24 percentage points improvement of the average passenger load factor to 75.4%. This is only 0.7 percentage points short of its pre-pandemic level.

At the beginning of 2023 IATA observed a further acceleration in passenger demand recovery. Industry-wide RPKs increased by 67.0% in January 2023 compared to the same period in the year before. This is 15.8% below the level achieved in January 2019 – and a month-on-month improvement of 7.4% vs December 2022. This development was mainly driven by a reopening of China's domestic market. The reopening of China's borders for international travel in early January 2023 also increased ticket sales for inbound travel, according to IATA. Combined China domestic and international air passenger traffic accounts for nearly 10% of global RPKs.

Total global RPKs are expected to expand by 20% in 2023. The timing and speed of recovery in China and the Asia Pacific region were identified as key uncertainties. China is the world's second largest transport market.

Source: IATA, ICAO, World Bank

### 3. Lessee – Emirates

#### Network

In March 2023 Emirates informed that it has boosted its capacities, measured in ASKs, by 31% during the course of its 2022/23 financial year, which ends on 31 March. After a “relatively quiet” start, the carrier saw “non-stop expansion” from July 2022, according to Adnan Kazim, Emirates’ Chief Commercial Officer. “Customer demand has been very strong and our forward bookings are also robust.” For the coming months the lessee will increase frequencies on established routes to Europe, Australia, and Africa and route restarts to more cities in East Asia.

With the start of the northern summer 2023 season Emirates will reintroduce the A380 to the following destinations: Glasgow (from 26 March), Casablanca (from 15 April), Beijing (from 1 May), Shanghai (from 4 June), Nice (from 1 June), Birmingham (from 1 July), Kuala Lumpur (from 1 August), and Taipei (from 1 August). By the end of the summer season the carrier will reportedly operate A380 aircraft to almost 50 destinations, restoring close to 90% of its pre-pandemic A380 network.

In response to China’s border re-opening for international travellers and easing COVID-related travel restrictions, Emirates expanded its mainland China operations, resuming passenger services to Shanghai and Beijing during the first quarter of this year.

From 1 June 2023 Bali will become the first Indonesian destination with a scheduled A380 service. It will replace one of currently two Boeing 777-300ER daily services from Dubai arriving at Denpasar International Airport.

As of May 2022, Emirates no longer operate leased aircraft in and out of Russia, which includes the Company’s aircraft, due to restrictions imposed upon their insurance policy. However, they continue to operate their owned aircraft into this jurisdiction.

#### Fleet

In February 2022 Emirates’ President, Sir Tim Clark, provided insight into fleet operating considerations for his airline. Reporting on recycling efforts of Emirates’ first five A380s retired, Clark pointed out that these efforts will not continue with more A380s: “Cutting up the A380 fleet stops there, after these five are retired, all the other aircraft remain. In fact, where we started to drop some, I just decided to bring them back into the program.” With a looming aircraft shortage in Emirates’ fleet in 2024/25, Clark wants to extend aircraft lives: “Life extension will affect about 120 aircraft... Their life will be extended by six to ten years each.” In June 2022 Tim Clark publicly confirmed that the airline wants to “retain” all of their current 118 A380s, “probably until the mid-2030s”.

On 1 November 2022 Emirates kicked off its multi-billion dollar cabin retrofit program that will upgrade the entire interior

cabin of 67 Airbus A380 and 53 Boeing 777-300ER, including the installation of the airline’s latest Premium Economy seats. The carrier recruited 190 additional staff for the project and engaged with 62 key partners and suppliers who have hired hundreds of more skilled workers. According to the carrier, this is the largest known retrofit programme ever handled by an airline in-house. All A380s earmarked for the retrofit program are expected to be back in service by May 2024. By March 2023 the first four aircraft were completely refurbished and returned to service.

One of the reasons for the comprehensive retrofit programme is Clark’s scepticism about the delivery timelines of the new aircraft types the airline has ordered with Airbus and Boeing. He also stressed that new planes need to be “in the shape that the contract requires”.

#### Boeing 777X

Clark claims Boeing has already produced twelve Boeing 777-9 for Emirates which the manufacturer has put in storage without their engines. But the manufacturer has deferred its target for the first 777X deliveries to airline customers multiple times, now aiming for a delivery date in late 2024 or the first quarter of 2025. The new aircraft type has not been certified yet. Emirates expects its first 777-9 to get delivered in July 2025. Clark noted that “the aircraft is over five years late [when delivered in 2025] and, if it continues to be late, our patience will truly be tested”. He went on to say that “we have an aging fleet, which needs to be replaced.”

With Airbus A380 and Boeing 747 no longer available for order, the Boeing 777X is the biggest in production aircraft.

#### Boeing 787

The aircraft were supposed to be delivered from May 2023. But Clark does not expect the 30 Boeing 787s to join his fleet anytime soon: “They got production and quality control issues that they admit, and now after the [Boeing 737] MAX crisis with the regulator saying ‘we want to have a good look at everything’, that is slowing the whole thing down.” Delivery of the 787 family paused for about 19 months between November 2020 and August 2022 after Boeing had identified quality issues. It only resumed after the US Federal Aviation Authority (FAA) decided the airframer “had made the necessary changes to ensure that the 787 Dreamliner meets all certification standards”. Deliveries paused for another few weeks in February/March 2023 over concerns connected to the aircraft’s forward pressure bulk head, which could be resolved. However, the FAA still needs to sign off every individual plane before Boeing can deliver the aircraft to its customer.

In June 2022 Clark suggested Boeing should focus on the 777X delivery and parking the Dreamliner order could result in “relief on both sides”: “It’s far more important for us that [Boeing] concentrate their activities on getting the 777[X] out of the door, than worrying about if they are going to have a contractual problem with the [7]87s with Emirates.”

#### Airbus A350

Emirates has also ordered 50 Airbus A350-900 widebody aircraft with the first deliveries starting in 2024, according to data and aviation analytics provider Cirium. But a legal

dispute between manufacturer Airbus and A350 operator Qatar Airways (Qatar) about deterioration of the aircraft's paint and lightning protection issues, which was resolved only recently, is challenging this timeline. Upon instruction from its civil aviation authority, Qatar had to ground a significant number of A350s and would not accept any new deliveries from Airbus until the issues have been resolved. Addressing the manufacturer, Clark made clear that he would not accept any deliveries until Airbus has developed a fix: "If we have the same problem on one of our aircraft, we won't take them over."

In June 2022 Tim Clark revealed talks with Airbus to compress the upcoming A350 deliveries, which are scheduled to start in summer 2024, according to Clark: "We'll probably get up to two a month – we've got 50 coming – so we're trying to get the whole lot done in two years to pick up this big capacity hole that we can see."

In addition, Emirates is also weighing an order for the A350-1000, as the capacity gap sometime between 2024 and 2027 due to Boeing's delivery delays would be hard to fill through existing order commitments, said Clark. "This is why we're getting a bit wary and we're looking at the A350. We really only have one place to go."

The table below details the passenger aircraft fleet activity as of 31 March 2023:

Passenger Aircraft Fleet Activity		
Aircraft Type	Grounded	In Service
A380	35	86
777	2	131
<b>Total</b>	<b>37</b>	<b>217</b>
%	<b>15%</b>	<b>85%</b>

Source: Cirium as of 31 March 2023

Emirates expects its entire A380 fleet back in service by December 2023, as things currently stand. This will help Emirates to recover the remaining 20% of capacity that the airline is holding back, according to Adnan Kazim, Chief Commercial Officer of Emirates, in a statement from December 2022.

In November 2022 Emirates announced a firm order for five new Boeing 777-200LR freighter aircraft to be delivered in 2024 and 2025, an investment worth over USD 1.7 billion at list prices. In addition to its bellyhold cargo capacity on the carrier's passenger aircraft, Emirates Sky Cargo operates a fleet of 11 Boeing 777 freighters. It is one of the world's largest cargo carriers.

### Key Financials

In the first half of its 2022/23 financial year ending on 30 September 2022, Emirates recorded a net profit of AED 4.0 billion (USD 1.1 billion), a record half-year performance for the company. This is a significant improvement of the airline's profitability, after Emirates generated a net loss of AED 5.8 billion (USD 1.6 billion) in the same period the year before. The airline "continued to focus on restoring its global passenger network and connections through its Dubai hub, restarting services and adding flights to meet customer demand across markets". Revenue, including other operating income, was up 131% from the same period last year and reached AED 50.1 billion (USD 13.7 billion). Emirates attributes the

strong turnaround performance to strong passenger demand for international travel across markets and "the airline's ability to plan ahead to meet the demand, activate capacity, and attract customers".

Pandemic-induced travel restrictions and safety measures in many regions around the globe were partially retracted and allowed for a continuing recovery of passenger air travel. Between April and September 2022 Emirates carried 20.0 million passengers, more than doubling the number from the same period the year before. Cargo uplift came in 14% lower than last year, as Emirates reallocated capacities temporarily used for Emirates' SkyCargo operations back to passenger operations.

As more countries eased travel restrictions, Emirates increased its capacity measured in ASKs, by 123%. At the same time its passenger traffic, measured in RPKs, increased by 265%. This resulted in the average passenger load factor of 78.5%, an improvement of 30.6 percentage points compared to last year. Emirates strives to return to 100% of its pre-Pandemic capacity, measured in available tonne kilometres, by the 2023/24 financial year.

Given the substantial increase in flight operations, Emirates' operating costs increased by 73%. The carrier's fuel cost more than tripled compared to the same period last year, primarily due to a 65% higher fuel uplift in line with increasing flight operations as well as a doubling in average oil prices. Fuel, which had been the largest component of Emirates' operating cost prior to the pandemic, accounted for 38% of total operating costs in the first half of the company's 2022/23 financial year. This is one of the highest ratios on record for the airline. In the same period last year this ratio amounted to only 20% with depreciation, amortization and impairment being the largest component of the carrier's operating cost at that time.

The recovery in Emirates' operations during the first six months of the 2022/23 financial year led to an improved EBITDA of AED 14.7 billion (USD 4.0 billion) compared to AED 5.0 billion (USD 1.4 billion) from last year.

As of 30 September 2022, Emirates' total liabilities decreased by 2.4% to AED 126.5 billion (USD 34.5 billion USD) compared to the end of the previous financial year. Amongst other things, the airline repaid AED 6.3 billion (USD 1.7 billion) in bonds and term loans. Total equity came in at AED 25.9 billion (USD 7.0 billion), an improvement of 27.2% since the beginning of the current financial year. Emirates' equity ratio stood at 17.0% and its cash position, including short-term bank deposits, amounted to AED 27.8 billion (USD 7.6 billion) at the end of September 2022. In comparison, the carrier had AED 20.9 billion (USD 5.7 billion) in cash assets and short-term bank deposits at the end of the 2021/22 financial year. The net cash flow from operating activities came in at AED 20.6 billion (USD 5.6 billion) for the period between April and September 2022, a threefold increase compared to the same period the year before.

Due to the company's strong cash flow generation, which ultimately resulted in a positive net change in cash and cash

equivalents, and a solid liquidity position, the carrier did not require additional support from its ultimate shareholder, the government of Dubai. Since the beginning of the pandemic, the airline had received support via equity injections from its shareholder.

As at the end of March 2023, Emirates has outstanding US dollar debt issuances with maturities in 2025 and 2028. These bonds were trading close to par and with running yields of approximately 4.6% in US dollars. There has also been no significant upward pressure on yields. This level of yields does not appear to indicate any significant financial stress to the issuer. In its most recent annual financial report, the auditor PricewaterhouseCoopers issued an unqualified audit report.

In a November 2022 press release Sheikh Ahmed bin Saeed Al Maktoum, Chairman and Chief Executive of Emirates Airline and Group, assesses the prospects for their future business as follows: “For the coming months, we remain focused on restoring our operations to pre-pandemic levels and recruiting the right skills for our current and future requirements. We expect customer demand across our business divisions to remain strong in H2 2022-23. However, the horizon is not without headwinds, and we are keeping a close watch on inflationary costs and other macro-challenges such as the strong US dollar and the fiscal policies of major markets.”

In line with its growing business activities Emirates Group grew its employee base within a six-month period till the end of September 2022 by 10% to 93,893 persons but did not report the split in headcount change for its two individual entities Emirates Airline and ground handler dnata.

On a group level Sheikh Ahmed “expects to return to our track record of profitability at the close of our full [2022/23] financial year”, which ends on 31 March.

In late November 2022 Tim Clark expressed confidence on the months to come: “Our forward bookings and yields are extraordinarily high. The fact is that for every of the six A380 operations we offer out of [London] Heathrow every day; I could put a Boeing 777 next to it and fill it up. Demand is that strong.” He also confirmed that nearly all of Emirates’ A380s will return to the skies soon: “We have 118 A380s at our disposal out of the 123 delivered. We have broken off a few [to be used] for [landing] gears and other bits and pieces. We sold off quite a lot of parts. We’ll probably initially fly 115 or 116 as we go through the [cabin] retrofit program.”

### Sustainability

In January 2023 Emirates successfully completed the first ground engine testing followed by a demonstration flight with one of its GE90 engines on a Boeing 777-300ER using 100% Sustainable Aviation Fuel (SAF). For that purpose, Emirates had teamed up with industry partners including GE Aerospace, Boeing and SAF providers. The partners developed a blend with the same qualities and performance characteristics of conventional jet fuel. The airline will reportedly continue to develop these initiatives with its partners with the goal of certifying these blends of 100% SAF for commercial use. Currently, SAF is approved for use in blends of up to 50%

with conventional jet fuel. “SAF will play a critical role in the aviation industry’s commitment to be net zero by 2050, requiring strong industry collaboration”, reads a statement from Boeing. SAF reduces carbon emissions over the fuel’s life cycle by up to 80%.

Emirates reported to have recycled more than 500,000 kilograms of plastic and glass over the course of last year, by collecting discarded bottles onboard every flight that lands in Dubai. Recycled glass is sent to glass manufacturers in the UAE to include in their batch mix for new bottles. Plastic bottles are cleaned, chopped into flakes, melted into pellets, and sent to manufacturers to make other plastic products.

Source: Bloomberg, Cirium, Emirates

### 4. Aircraft – A380

As of the end of March 2023, the global A380 fleet consisted of 222 planes with 13 airline operators. Only 132 of these aircraft were in service. The remainder of the fleet is currently parked. The 13 operators are Emirates (121), Singapore Airlines (14), Deutsche Lufthansa (14), Qantas (10), British Airways (12), Korean Air Lines (10), Etihad Airways (10), Qatar Airways (10), Air France (5), Malaysia Airlines (1), Thai Airways (6), Asiana Airlines (6), and All Nippon Airways (3).

In February 2023, A380 operator Qantas warned that the return to service of its remaining A380 could be slowed due to slot constraints with its Maintenance, Repair and Overhaul (MRO) services. A complete return of its entire A380 fleet may not happen until early 2025. From nine aircraft removed from storage only six are currently in active service. Originally, all Qantas A380s should have returned to service by year-end.

In March 2023, A380 operator Lufthansa disclosed New York JFK and Boston as two destinations it will service with daily A380 flights from Munich starting on 1 June (Boston) and 4 July (New York). The airline has already removed two A380s from temporary storage in Teruel (Spain) and announced four A380s in total will operate from Munich by year-end.

In March 2023, a newly built hangar capable of accommodating two A380 aircraft has been opened at Teruel airport in Spain. The site is primarily used for aircraft storage and disassembly and was a popular choice to temporarily store aircraft during the pandemic, including a number of A380s from Lufthansa, Etihad Airways and Air France.

Asked about the timeline for Airbus’ continued support of the A380, Airbus CEO Guillaume Faury responded as follows: “We will support it as long as there are aircraft in service. Even more, it is the A380, it’s so symbolic and so emblematic of our products. So full support to the A380 in service.” However, Faury doesn’t see a significant market for second-hand A380s materializing: “It’s good to see the 380s coming back into service with the airlines that had decided to retire them, but it remains a very specific product, and we don’t see a very dynamic secondary market really changing the future with a capacity gap. With the withdrawal of a lot of long-haul aircraft, maybe, but that’s probably ahead of us, I don’t see it yet.”

Cirium reports that the number of daily tracked A380 flights shows “a strong upward trend ... since early 2022, reaching

almost 200 flights a day". Before the industry was hit by the pandemic, as many as 350 A380 flights were tracked daily, depending on the time of year.

Source: Cirium, Simple Flying

# Addendum

## Implied Future Total Returns based on the latest appraisals as at 31 March 2022 – For illustrative purposes only –

The Directors note that the outlook for the A380, and hence the total return of an investment into the Group, is subject to an increased amount of uncertainty. From the outset of the transaction, the Directors relied on appraisers' valuations based on the assumption that there would be a balanced market, where supply and demand for the A380 are in equilibrium. These values are called future base values. At the instruction of the Group this assumption was changed for the March 2020 appraisals onward. Appraisers assumed a soft market, characterized by less favourable market conditions for the seller, including but not limited to an imbalance of supply and demand in the aircraft type. These values are called future soft values. The asset manager advised the Directors that the market sentiment for the A380 had declined since the valuation in March 2019: Following Airbus' announcement to discontinue the A380 production in 2021, a number of operators made determinations about their fleets that indicate an increased supply in used A380s in the coming years. Furthermore, A380s returned from operating leases could not be placed within a reasonable period of time and owners were forced to explore alternative scenarios for revenue generation like engine leasing. The ongoing COVID-19 pandemic with more than 40% of all A380s worldwide on the ground, further exacerbates this situation, as potential operators are focused on utilizing their existing capacities. Based on these observations the asset manager suggests the continued use of soft values to reflect the prevailing market circumstances in the valuations.

To enable investors to assess the effects of varying residual values on their total returns, the below table is provided for information only and contains a range of discounts to the average independently appraised residual values determined at the last valuation date in March 2022. The table summarises the total return components, calculated on the current exchange rate and using discounts of 25%, 50%, and 75% and the latest available appraised value of the aircraft, which is the average of valuations provided by three independent aircraft appraisers and quoted in US dollars. The latest appraisals available are dated end of March 2022.

The total return for a shareholder investing today (31 March 2023) at the current share price consists of future income distributions during the remaining lease duration and a return of capital at dissolution of the Group. **The latter payment is subject to the future value and the respective sales proceeds of the aircraft, quoted in US dollars and the USD/GBP exchange rate at that point in time.** Since launch, three

independent aircraft appraisers have provided the Group with their values for the aircraft at the end of each financial year.

The table below summarises the total return components using the appraised value of the aircraft which is the average of valuations provided by three independent aircraft appraisers and quoted in US dollars. **This residual value at lease expiry takes inflation into account and is the most reliable estimate available. Due to accounting standards, the value used in the Group's Annual Financial Report differs from this disclosure as it excludes the effects of inflation and is converted to sterling at the prevailing exchange rate on the reporting date (i.e. 31 March 2022).**

The contracted lease rentals are calculated and paid in US dollars to satisfy debt interest and principal, and in sterling to satisfy dividend distributions and Group running costs, which are in sterling. The Group's cash flow is therefore insulated from foreign currency market volatility during the term of the leases.

**With reference to the following table, there is no guarantee that the aircraft will be sold at such a sale price or that such capital returns will be generated.**

**The Directors note that any possible long-term impact of the COVID-19 global pandemic on the Group and aviation industry as a whole are entirely unknown at the time of writing. The following table does not therefore include any assumptions in this regard and should be read accordingly.**

### Implied Future Total Return Components Based on Soft Market Appraisals

The implied return figures are not a forecast and assume the Group has not incurred any unexpected costs or loss of income.

Aircraft portfolio value at lease expiry according to

- **Latest appraisal<sup>1</sup> USD 168.4 million based on inflated future soft market values**

Per Share (rounded)	Income Distributions	Return of Capital			
		Latest Appraisal -75% <sup>2</sup>	Latest Appraisal -50% <sup>2</sup>	Latest Appraisal -25% <sup>2</sup>	Latest Appraisal <sup>2</sup>
Current FX Rate <sup>3</sup>	23p	19p	34p	49p	64p
Per Share (rounded)	Total Return <sup>4</sup>				
	Latest Appraisal -75% <sup>2</sup>	Latest Appraisal -50% <sup>2</sup>	Latest Appraisal -25% <sup>2</sup>	Latest Appraisal <sup>2</sup>	
Current FX Rate <sup>3</sup>		42p	57p	72p	87p

<sup>1</sup> Date of valuation: 31 March 2022; inflation rate: 1.5%

<sup>2</sup> Average of the three appraisals at the Group's respective financial year-end in which each of the leases reaches the end of the respective 12-year term less disposal costs

<sup>3</sup> 1.2335 USD/GBP (31 March 2023)

<sup>4</sup> Including expected future dividends

So far, only a limited secondary market has developed for the aircraft type.



## Contact Details

### Company

Doric Nimrod Air Three Limited  
Dorey Court, Admiral Park  
St Peter Port  
Guernsey GY1 2HT  
Tel: +44 1481 702400  
[www.dnairthree.com](http://www.dnairthree.com)

### Corporate & Shareholder Advisor

Nimrod Capital LLP  
1-3 Norton Folgate  
London E1 6DB  
Tel: +44 20 7382 4565  
[www.nimrodcapital.com](http://www.nimrodcapital.com)

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