QUARTERLY FACT SHEET

June 2020

DORIC NIMROD AIR ONE LIMITED

LSE: DNA

COVID-19

The impact of the COVID-19 pandemic on the aviation sector has been significant with a large part of the global passenger aircraft fleet still grounded. This quarterly fact sheet is exclusively based on known facts 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 Board notes the continuing market commentary regarding rental deferrals and confirms that it has received no formal request from Emirates to renegotiate its lease and that the lessee is currently servicing it in line with its obligations. The Board is in close contact with the Asset Manager and its other advisors and will continue to keep shareholders updated via quarterly fact sheets and ad-hoc announcements as required.

The Company

Doric Nimrod Air One Limited (“the Company”) is a Guernsey domiciled company. Its 42,450,000 ordinary preference shares have been admitted to trading on the Specialist Fund Segment (SFS) of the London Stock Exchange’s Main Market. The Company has purchased one Airbus A380-861 aircraft, manufacturer’s serial number (MSN) 016, which it has leased for an initial term of 12 years, with fixed lease rentals for the duration, to Emirates, the national carrier owned by the Investment Corporation of Dubai, based in Dubai, United Arab Emirates. The market capitalisation of the Company was GBP 14.4 million as of 30 June 2020.

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 a single aircraft. The Company receives income from the lease, and targets a gross distribution to the shareholders of 2.25 pence per share per quarter (9p per annum). It is anticipated that income distributions will continue to be made quarterly.

Company Facts (30 June 2020)

Listing	LSE
Ticker	DNA
Current Share Price	34.0p (closing)
Market Capitalisation	GBP 14.4 million
Initial Debt	USD 122 million
Outstanding Debt Balance	USD 15.8 million (13% of Initial Debt)
Current and Targeted Dividend	2.25p per quarter (9p per annum)
Earned Dividends	83.25p
Current Dividend Yield	26.47%

Dividend Payment Dates	April, July, October, January
Cost Base Ratio[1]	1.5% (based on average share capital)
Currency	GBP
Launch Date/Price	13 December 2010 / 100p
Remaining Lease Duration	2 years 6 months
Incorporation	Guernsey
Aircraft Registration Number (Lease Expiry Date)	A6-EDC (16.12.2022)
Asset Manager	Doric GmbH
Corp & Shareholder Advisor	Nimrod Capital LLP
Administrator	JTC Fund Solutions (Guernsey) Ltd
Auditor	Deloitte LLP
Market Makers	finnCap Ltd, Investec Bank Plc, Jefferies International Ltd, Numis Securities Ltd, Shore Capital Ltd, Winterflood Securities Ltd
SEDOL, ISIN	B4MF389, GG00B4MF3899
Year End	31 March
Stocks & Shares ISA	Eligible
Website	www.dnairone.com

[1] Calculated as Operating Costs / Average Share Capital as per the latest Annual Financial Report.

Asset Manager's Comment

1. The Doric Nimrod Air One Airbus A380

The Airbus A380 is registered in the United Arab Emirates under the registration mark A6-EDC. For the period from original delivery of the aircraft to Emirates in November 2008 until the end of May 2020, a total of 5,975 flight cycles were logged. Total flight hours were 48,718. This equates to an average flight duration of around eight hours and 10 minutes.

The Aircraft is presently stored at Dubai World Central International Airport (DWC).

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.

Due to the continuing COVID-19 pandemic, Emirates has stored the aircraft owned by the Company in Dubai. The lessee has "a comprehensive aircraft parking and reactivation programme [in place], that strictly follows manufacturer's guidelines and maintenance manuals". In addition, Emirates has enhanced standards and protocols of their own, to protect and preserve the asset during the downtime. This includes the watertight sealing of all apertures and openings through which environmental factors – sand, water, birds, and insects – can find their way inside an aircraft. During parking, maintenance teams complete periodic checks at different intervals. Depending on the reactivation date of a specific aircraft, the lessee might defer due maintenance checks, which are calendar-based, until that time. This would allow the lessee to make use of the full maintenance interval once the operation of a specific aircraft resumes.

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

2. Market Overview

The impact of COVID-19 on the global economy has been severe and is expected to result in a 5% contraction in global GDP growth for 2020, according to Oxford Economics. The International Air Transport Association (IATA) states that "2020 will be the worst year in history for airlines" with carriers in all regions expected to record negative operating income, cumulating in an industry-wide forecast net loss of USD 84.3 billion. Losses are expected to continue into 2021, albeit to a lesser extent. Revenues are also expected to fall sharply, as airlines significantly discount ticket prices in order to stimulate travel demand, leading to high cash burn due to fixed and semi-fixed costs. According to IATA, industry-wide passenger traffic, measured in global revenue passenger kilometres (RPKs), is estimated to drop by 55% in 2020 compared to last year. IATA anticipates the recovery beginning in the second half of 2020, initially being driven by domestic markets and then by a gradual opening of international markets.

As of April 2020, RPKs fell by 41.9% in the first four months of the calendar year 2020, against the previous year. However, April's outcome might represent the lowest point in the crisis with RPKs down more than 94% year-on-year. As more countries have been easing lockdowns throughout May, some airlines, including Emirates, have announced plans to partially resume their operations. Also during the first four months of 2020, industry-wide capacity, measured in available seat kilometres (ASKs), decreased by nearly 34% against same period in 2019. This resulted in a 9.9 percentage point decrease in the worldwide passenger load factor (PLF) to 71.5%. At the possible peak of the crisis in April, the PLF stood at 36.6%.

In the first four months of 2020, passenger traffic in the Middle East has fallen by 36.2% against the previous year. Capacity fell similarly by 31.8%, resulting in a 4.9 percentage point decrease in PLF to 70.4%. In April 2020, the situation in the Middle East reflected that of the wider market with RPKs down by 97.3% year-on-year. Capacity was also reduced by 92.4% year-on-year, the result of which was a PLF of 28.4%. As a result of the pandemic, Middle Eastern airlines are expected to see their losses rise to USD 4.8 billion in 2020, compared to a loss of USD 1.5 billion in 2019.

Source: IATA

3. Lessee – Emirates

Network

Due to COVID-19 and the resulting travel restrictions and entry requirements imposed by governments all around the world, Emirates temporarily suspended its passenger operations on 25 March. On the same day Dubai's two airports, Dubai International and Dubai World Central, closed to the travelling public, but continued to service emergency evacuation and cargo flights.

As from 21 May Emirates resumed scheduled passenger services to initially nine destinations and the carrier expects to bring its network gradually to over 50 cities in July. Starting from mid-July, the A380 will return to a scheduled service, initially to London and Paris. Emirates is "looking forward to gradually introduce our A380 into more destinations according to the travel demand on specific destinations", said Adel Al Redha, the airline's Chief Operating Officer in a company statement. Furthermore, new protocols will allow Dubai to re-open for business and leisure visitors from 7 July, allowing international travel for UAE citizens, residents, and tourists.

Emirates' president Sir Tim Clark has forecast that demand will recover over a period of time with Emirates' operating network returning to pre-COVID-19 levels by 2024. Ultimately, however, he believes the recovery to be dependent on the creation of a vaccine.

Fleet

Emirates received six new aircraft during the 2019/20 financial year, all Airbus A380s, while it phased out six older aircraft, comprising four Boeing 777-300ERs, one Boeing 777-300 and one Boeing 777 Freighter. This left Emirates' fleet count at 270 aircraft with an average fleet age of 6.8 years as of the end of March 2020. Deliveries of Emirates' latest orders for 50 Airbus A350 XWBs and 30 Boeing 787 Dreamliner aircraft are not expected to begin until 2023. The first Boeing 777X is scheduled to arrive in 2021. Tim Clark hints that the airline will seek to renegotiate the size or schedule of these commitments, but not until it better understands the impact of COVID-19 on its business.

Emirates is the largest operator of the Airbus A380 and the aircraft type remains popular among Emirates' customers, as demonstrated by the high load factors on the aircraft type before COVID-19 hit the industry. Emirates has 115 Airbus A380s in its fleet, which served 53 destinations, or about 34% of Emirates' network in the 2019/20 financial year. In total, A380s carried 43% of Emirates' passengers and the lessee states in its annual financial report that the A380 will remain the cornerstone of its fleet mix and product offering well into the 2030s. Tim Clark recently noted he remains "a great believer in the qualities of the A380, and when fuel is at USD 30-40 a barrel, it a good cash producer and good for the bottom line, providing we can fill it and we don't have social distancing rules".

The table below details the passenger fleet activity as of 30 June 2020:

Aircraft Type	Grounded	Active
A380	115	0
777	39	104
Total	**154**	**104**
%	**60%**	**40%**

Source: Cirium as of 30 June 2020

Tim Clark expects all Emirates A380s to return to the skies by April of 2022. Contrary to previous suggestions that the airline would decommission a large portion of its A380 fleet he noted: "We're not getting rid of any of them apart from I think three that are coming out … this year." However, the lessee will reduce its fleet over time and indicated last year, that 80 to 100 A380 could remain in service, depending on the time horizon. Separately, Adel Al Redha, the lessee's chief operating officer, commented in early July, that he expects "60% to 70% of the current A380 fleet to be back in air by December [this year]".

Notwithstanding the unprecedented drop in demand for flight tickets due to COVID-19, the airline was quick in adapting its resources to benefit from a strong surge in air cargo demand: By the end of May 2020 the airline was able to build up substantial cargo-only operations with more than 80 Boeing 777-300ER passenger aircraft in the air, complemented by 11 Boeing 777 freighters. Tim Clark was pleased with the cash flow these services are able to generate in challenging times: "[Cargo operations] are never going to produce the kind of income you'll get from passenger operations, but they certainly kept the wolf from the door."

Key Financials

In the 2019/20 financial year, ended on 31 March 2020, Emirates recorded its 32nd consecutive year of profit despite negative impacts from the 45-day runway closure at DXB and the COVID-19 pandemic. Largely due to these external factors as well as a negative currency impact of AED 572 million (USD 156 million), total revenue declined by 6% to AED 92.0 billion (USD 25.1 billion) for the financial year. However, in the face of these pressures, Emirates recorded a profit of AED 1.1 billion (USD 288 million). This was a 21% increase over the results of the previous financial year and resulted in a profit margin of 1.1%.

During the 2019/20 financial year, Emirates carried 56.2 million passengers, down 4% compared to the previous financial year. However, with a seat capacity reduction of 6%, the airline achieved a passenger seat load factor of 78.5%, an improvement over the load factor of 76.8% in the previous financial year.

Emirates' total operating costs decreased by 10%. This was largely attributable to developments in the airlines's fuel costs. The decline in the average cost of fuel of 9% during the financial year, together with the capacity reduction, resulted in a 15% decrease in the fuel bill to AED 26.3 billion

(USD 7.2 billion). Fuel accounted for 31% of operating costs and remained the largest cost component for the airline.

While Emirates maintains that it has a strong balance sheet with a substantial cash position, the airline is taking additional measures to protect its cash flow through cost savings measures, reductions to discretionary capital expenditure, and engaging with business partners to improve working capital. To this end, Emirates also raised AED 4.4 billion (USD 1.2 billion) in additional liquidity in the last quarter of 2019/20 through term loans, revolving credit and short term trade facilities. As a result, Emirates ended the financial year 2019/20 with AED 20.2 billion (USD 5.5 billion) in cash assets. Emirates also stated that it intends to continue to tap the banking market for further liquidity in the first quarter of the 2020/21 financial year to provide a cushion against the impact of COVID-19 on its cash flows in the short term.

Emirates also reaffirmed that measures to support the airline include "obtaining committed support from the government of Dubai which has publicly confirmed that they will financially support Emirates during this period through a variety of measures including an additional equity injection if required."

Emirates noted that, as a result of COVID-19, its profits for the month of March 2020 were more than AED 1.5 billion worse than expected.

Emirates' total liabilities increased by 66% to AED 148.5 billion (USD 40.5 billion) primarily due to recognition of additional lease liabilities following the adoption of IFRS 16. This was offset to an extent by a reduction in forward sales liabilities due to the ongoing COVID-19 pandemic. Total equity decreased by 37.5% to AED 23.6 billion (USD 6.4 billion) primarily due to the adoption of IFRS 16. This resulted in an equity ratio of 13.7%.

Regarding the ongoing effects of the COVID-19 pandemic, Sheikh Ahmed bin Saeed Al Maktoum stated, that "The COVID-19 pandemic will have a huge impact on our 2020-21 performance, with Emirates' passenger operations temporarily suspended since 25 March ... We continue to take aggressive cost management measures, and other necessary steps to safeguard our business, while planning for business resumption. We expect it will take 18 months at least, before travel demand returns to a semblance of normality. In the meantime, we are actively engaging with regulators and relevant stakeholders, as they work to define standards to ensure the health and safety of travelers and operators in a post-pandemic world. Emirates … stand(s) to reactivate our operations to serve our customers, as soon as circumstances allow." The cost management measures include the layoff of an unspecified number of employees, which has already started. In the meantime, Emirates also adapted operations to minimise the risk of contamination by introducing cleaning regimes, protective clothing and masks as well as by using the airline's fleet to operate as "a mini United Parcel Service".

As at the end of June Emirates has outstanding US dollar debt issuances with maturities in 2023, 2025, and 2028. These bonds were trading at approximately 96 cents, 96 cents, and 92 cents, respectively, representing running yields ranging from approximately 4.1% to 4.9% in US dollars. This level of yields does not appear to indicate any significant financial stress to the issuer.

Source: Bloomberg, Cirium, Emirates, Financial Times

4. Aircraft – A380

As of end of June 2020 the global A380 fleet consisted of 237 planes with airline operators. Only six of these aircraft are in service, the remainder of the fleet is currently parked due to COVID-19. The fourteen operators are Emirates (115), Singapore Airlines (19), Deutsche Lufthansa (14), Qantas (12), British Airways (12), Korean Air Lines (10), Etihad Airways (10), Qatar Airways (10), Air France (9), Malaysia Airlines (6), Thai Airways (6), Asiana Airlines (6), China Southern Airlines (5), All Nippon Airways (2), and Hi Fly (1). Another three temporarily stored aircraft are lease returns.

Tim Clark expects the Airbus A380 to continue to play an important role once the travel demand begins recovering from the post-coronavirus crisis, provided a vaccine is available: "[It] would be folly to exclude large widebodied aircraft in the future. The A380 has proven to be a hugely successful aircraft and if fuel prices were forever to stay at today's levels, this aircraft is hugely potent." Clark also added that the first A380 aircraft equipped with Emirates' new premium-economy cabin has finished assembly in Toulouse, although he did not provide any further update as to the status of the airline's last eight A380s, which were scheduled to be delivered over the next year.

Following the COVID-19 pandemic operators like Air France and Lufthansa (at least six units) have publicized plans to phase out the A380 in the near term: Lufthansa is permanently decommissioning six A380s that were previously scheduled to depart the fleet in 2022. Air France announced in May its intention to retire its remaining nine A380s with immediate effect – ahead of its initial 2022 target.

In May 2020, German maintenance specialist Lufthansa Technik ("LHT") announced that it is working on a conversion for an Airbus A380 as part of its effort to offer temporary passenger-to-cargo modification services. LHT did not identify the customer but stated that it has been awarded the technical and engineering task to support the "operational change". While the modification is intended to comply with temporary passenger-to-freight regulatory exemptions drawn up to meet demand during the COVID-19 crisis, LHT indicated that it will offer the conversion as a permanent solution.

In April 2020, Singapore Airlines moved four A380s into long-term storage at Alice Springs Airport in central Australia. The dry, desert conditions of Alice Springs are better for storing aircraft than the humid, tropical environment of Singapore, where the majority of Singapore Airlines' fleet is stored due to the COVID-19 crisis.

Source: Cirium

Addendum - Implied Future Total Returns based on the latest appraisals as at 31 March 2020

For illustrative purposes only

The Directors note that the outlook for the A380, and hence the total return of an investment into the Company, 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 Company this assumption was changed for the March 2020 appraisals. 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 previous 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 nearly 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 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 2020. The table summarises the total return components, calculated on the current exchange rate and using 75% discount, 50% discount, 25% discount 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 total return for a shareholder investing today (30 June 2020) at the current share price consists of future income distributions during the remaining lease duration and a return of capital at dissolution of the Company. **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 Company 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 Company'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 2020).**

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 Company running costs, which are in sterling. The Company's cash flow is therefore insulated from foreign currency market volatility during the term of the lease.

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 Company and aviation industry as a whole are entirely unknown at the time of writing. The following two tables do 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 Company has not incurred any unexpected costs or loss of income.

Aircraft value at lease expiry according to

- **Latest appraisal[1]** **USD 46.7 million based on inflated future soft market values**

Per Share (rounded)	Income Distributions	Return of Capital			
		Latest Appraisal -75%[2]	Latest Appraisal -50%[2]	Latest Appraisal -25%[2]	Latest Appraisal[2]
Current FX Rate[3]	25p	25p	46p	68p	89p
Per Share (rounded)		Total Return[4]			
		Latest Appraisal -75%[2]	Latest Appraisal -50%[2]	Latest Appraisal -25%[2]	Latest Appraisal[2]
Current FX Rate[3]		49p	71p	92p	114p

[1] Date of valulation: 31 March 2020; inflation rate: 1.5%
[2] Average of the three appraisals at the Company's financial year-end in which the lease reaches the end of the12-year term less disposal costs
[3] 1.2401 USD/GBP (30 June 2020)
[4] Including future dividends
On a like-for-like basis with March 2019 appraisal values, the March 2020 aircraft valuation based on inflated future base values would be USD 68.2 million

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

Contact Details

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