QUARTERLY FACT SHEET

September 2024

DORIC NIMROD AIR THREE LIMITED

LSE: DNA3

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 137.5 million as of 30 September 2024.

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.be made quarterly.

Company Facts (30 September 2024)	
Listing	LSE
Ticker	DNA3
Current Share Price	62.5p
Market Capitalisation	GBP 137.5 million
Initial Debt	USD 630 million
Outstanding Debt Balance[1]	USD 0 million (0% of Initial Debt)
Current Dividend	2.0625p per quarter per share (8.25p per annum)
Earned Dividends	88.34p
Current Dividend Yield	13.20%
Dividend Payment Dates	January, April, July, October
Ongoing Charges (OCF)[2]	1.9%
Currency	GBP
Launch Date/Price	2 July 2013 / 100p
Average Remaining Lease Duration	1 year 1 month
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 Ltd
Corporate & Shareholder Advisor	Nimrod Capital LLP
Administrator	JTC Fund Solutions (Guernsey) Ltd
Auditor	Grant Thornton Ltd
Market Makers	Investec Bank Plc, Jefferies International Ltd, Panmure Liberum Ltd, Peel Hunt LLP, Shore Capital Ltd, Winterflood Securities Ltd
SEDOL, ISIN, LEI	B92LHN5, GG00B92LHN58, 213800BMYMCBKT5W8M49
Year End	31 March
Stocks & Shares ISA	Eligible
Website	www.dnairthree.com

[1] Class A EETC matured in May 2023, Class B EETC matured in November 2019.
[2] 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 enhanced equipment trust certificates ("EETC") – a form of debt security – in July 2013 in the aggregate face amount of USD 630 million. In May 2023 DNA Alpha has fully repaid all outstanding EETC obligations.

Between January and March 2024, the Company announced that its wholly owned subsidiary DNA Alpha Limited has received four notices in total from Emirates that it is exercising the options to enable it to redeliver MSNs 132, 133, 134 and 136 in the minimum condition equivalent to "half-life" together with a cash sum, as opposed to delivery in full-life condition. In the event the aircraft are returned to the subsidiary, Emirates will pay the sum of USD 12,000,000 per aircraft to the subsidiary, in addition to the contracted monetary compensation arrangements, on or prior to the respective lease expiry dates as per the table above. The notices received do not preclude the Company from considering lease extension, sale or re-lease options for the aircraft with Emirates or other counterparties.

Aircraft utilisation for the period from delivery of each Airbus A380 until the end of August 2024 was as follows:

Aircraft Utilisation

MSN	Delivery Date	Flight Hours	Flight Cycles	Average Flight Duration
132	29/08/2013	38,859	4,800	8h 6m
133	27/11/2013	39,433	4,592	8h 35m
134	14/11/2013	37,032	4,258	8h 42m
136	29/10/2013	39,129	4,404	8h 53m

Maintenance Status

Emirates maintains its A380 aircraft fleet based on a 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).

In November 2023 the European Union Aviation Safety Agency (EASA) issued an airworthiness directive (AD) for A380 aircraft adopting the already mandatory inspection of wing rear spars between certain wing ribs. After further results of the inspections of the wing rear spars by Airbus revealed more findings, criteria previously specified by Airbus were no longer justified. Prompted by these developments, Airbus redefined one of the driving parameters for the threshold for wing rear spars inspections, by replacing a previous to-be-calculated factor with a fixed factor, defined in this AD. This new factor focuses on time spent in storage.

Inspections

The asset manager conducted physical inspection and records audits of the aircraft with MSNs 133, 134, and 136 in July 2024. The condition of the aircraft and the technical records complied with the provisions of the respective lease agreements.

2. Market Overview

The impact of the pandemic on the global economy was severe, resulting in a 3.1% contraction in global GDP in 2020, followed by a recovery of 6.2%, 3.0% and 2.6% in 2021, 2022 and 2023 respectively. According to its June 2024 report on global economic prospects, the World Bank expects a growth rate of 2.6% for the current year making it the third consecutive year of deceleration. The World Bank expects a steady average growth of 2.7% p.a. for 2025 and 2026.

According to the Global Outlook for Air Transport from June 2024, the International Air Transport Association (IATA) expects the airline industry's profitability to increase in 2024, reaching USD 30.5 billion, a year-over-year improvement of 11.3%.

The year 2024 is so far marked by an ongoing industry-wide recovery of air passenger traffic, measured in revenue passenger kilometres (RPK), which has already caught up to the 2019 levels in February. As of August 2024, a year-over-year growth of 8.6% was recorded. The supply of capacity, measured in available seat kilometres (ASK), increased in August 2024 by 6.5% compared to August 2023. The average passenger load factor (PLF) in August 2024 came in at 86.2%, an improvement of 1.6 percentage point from the same period in 2023 – and a historic high.

International travel – measured in RPKs – is up 10.6% year-over-year in August 2024. The strongest improvements in international traffic could again be observed in the Asia-Pacific region with an increase in RPKs of 19.9%. Global domestic travel on the other hand increased by 5.6% in August 2024 in comparison with August 2023 domestic travel levels.

"The market for air travel is hot and airlines are doing a great job at meeting the growing demand for travel. Efficiency gains have driven load factors to record highs while the 6.5% capacity increase demonstrates resilience in the face of persistent supply chain issues and infrastructure deficiencies", said Willie Walsh, IATA's Director General.

The Middle East, where the lessee is located, recorded an RPK increase of 5.0% between August 2023 and August 2024. Capacities, measured in ASKs, expanded by 5.9% over the period, however there was a 0.7 percentage point decrease of the average PLF to 82.3%.

Source: IATA, World Bank

Air Passenger Market Analysis August 2024
Global Outlook for Air Transport – June 2024
Available on the IATA Economics page

3. Lessee – Emirates

Network

During the financial year 2023/24 the carrier increased frequency and capacity to 15 destinations globally and replaced Boeing 777 services with A380s on 14 routes.

Starting on 1 March 2025, Emirates will add a fourth daily flight to Johannesburg (South Africa). It will be operated on a three-class Boeing 777-300ER, also increasing the cargo capacity in and out of South Africa, offering additional belly capacity of 300 tonnes weekly.

To meet seasonal demand, Emirates decided to temporarily upgrade its second daily flight to Bali (Indonesia) to another A380 service. A non-stop daily service from Dubai to Bali was originally launched in 2015 and the latest decision adds more than 2,600 additional weekly seats compared to the previous 777 service.

Emirates currently sustains partnerships with 162 partners including 31 codeshare and 118 interline partners in over 100 countries, offering connectivity to nearly 1,700 cities worldwide. More than 61,000 weekly travellers connect on flights by Emirates' partners and allow customers to make use of seamless ticket itineraries, frequent flyer benefits, baggage transfer, and lounge access.

Fleet

According to Emirates, its passenger aircraft fleet consisted of 116 Airbus A380s and 133 Boeing 777s at the end of March 2024. Due to the lack of availability of similar-sized replacement aircraft and delays in the delivery of new aircraft ordered, Emirates plans to keep its A380s flying until the late 2030s with corresponding extensions of aircraft leases, according to a statement made in March 2024.

In May 2024, the airline announced an expansion of its Airbus A380 and Boeing 777 cabin retrofit programmes, originally announced in November 2022, to 191 in total. It now covers Emirates' 110 Airbus A380s delivered without premium economy seats installed and will also include the five A380s owned by the Company. Another six A380s were delivered from Airbus with premium economy seats and do not require an upgrade. In June 2024, Emirates claimed that the delivery delay to the Boeing 777X will cost the airline USD 3 billion in refurbishment of its existing A380 and 777 fleet. In order to maintain its existing network Emirates has also extended lease agreements and bought some of the previously leased aircraft.

In early August 2024, the first retrofitted Boeing 777 returned to service in a three-class configuration, including the addition of a 24 seats Premium Economy cabin and Emirates' new 777 Business Class product. In total, the airline has plans to refurbish another 80 Boeing 777. The first 777 took 18,000 manhours to finish.

Emirates aircraft fitted with Premium Economy will reach 48 by the end of this year, and will serve 27 destinations including Dubai, using Emirates' fleet of Boeing 777s, A380s, and A350s.

At the 2023 Dubai Air Show in November 2023 Emirates also added a number of aircraft to its existing order book for a combined list price value of USD 58 billion.

<u>Boeing 777X</u>

In November 2023, Emirates topped up an existing order for 115 Boeing 777Xs, a combination of 16 777-8s and 99 777-9s, by signing a firm order for another 35 777-8 and 55 777-9 aircraft. This brings the lessee's Boeing 777X orderbook to a total of 205 units. According to a statement from Tim Clark in November 2023, delivery of the first 777-9 from the initial order was expected from October 2025. Deliveries for the new 777-9 order are scheduled up until 2035. The slightly smaller 777-8, for which Emirates is one of the launch customers, are expected to commence delivery in 2030.

If delivered in 2025, the Boeing 777-9 will be over five years late. Due to multiple delays, and as these aircraft are destined to replace the airline's aging Boeing 777-300ER fleet, the carrier extended the lease period of 25 Boeing 777 aircraft during the 2022/23 financial year and of a further 12 during the last financial year. Emirates has also included the aircraft type in its refurbishment programme.

Late last year Tim Clark had no concerns that the delivery of the first 777-9 aircraft for Emirates could slip into 2026. However, his view has changed and he is "beginning to doubt" that the airline will receive its first aircraft in 2025, according to a statement made in late February 2024. Latest statements point to delivery in 2026.

After the manufacturer had received type inspection authorization in July 2024 Boeing began certification flight testing with FAA personnel on board the aircraft. During scheduled maintenance, a structural component between the engine and aircraft structure "did not perform as designed", according to the manufacturer. In response to the discovery of cracks Boeing suspended further test flights. Boeing has not yet commented on the potential impact of the certification and first deliveries, but launch operator Lufthansa expects this situation will result in further delays and has rescheduled the aircraft's entry into service to late 2026.

With Airbus A380s and Boeing 747s no longer available for order, the Boeing 777X is currently the biggest aircraft in production, but has not yet been certified.

<u>Boeing 787</u>

During the 2023 Dubai Air Show Emirates also updated an existing order for 30 Boeing 787-9 aircraft and committed to purchasing another five. As per the latest agreement of mid-November 2023, Emirates will receive 20 Boeing 787-8s and 15 Boeing 787-10s. However, the airline did not share an updated delivery timeline.

The previously ordered 787-9 aircraft were supposed to be delivered from May 2023 onwards. But Clark does not expect the 30 Boeing 787s to join his fleet soon. 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 bulkhead which were then resolved. In June 2023 Boeing announced the discovery of yet another production flaw that required the manufacturer to inspect all 90 787 aircraft in its inventory, potentially affecting the timing of near-term 787 deliveries as well.

Boeing delivered only nine 787's in the second quarter of 2024, down from 13 in the three months before.

Airbus A350

An order of a further 15 A350-900s placed during the 2023 Dubai Air Show increases the number of A350-900 widebody aircraft ordered by Emirates to 65. The first of these was expected to join Emirates' fleet in August 2024. The airline and the manufacturer agreed on a "compressed delivery schedule" for the first 50 aircraft, all of which are to be delivered within a 30-month period. This should help "to pick up this big capacity hole that we can see", noted Emirates' President in 2022. The last aircraft of this batch are expected to be delivered in early 2028.

Due to delivery delays, the airline had to postpone the aircraft's entry into service and now expects to receive its first A350 in October 2024.

With a more diversified fleet, Emirates plans to add 400 destinations to its network over the next decade and expects to operate about 350 aircraft from the early 2030s onwards.

Key Financials

For its financial year 2023/24 ending on 31 March 2024, Emirates recorded a net profit of AED 17.2 billion (USD 4.7 billion), a record performance for the company and 62.9% more than in the same period of the previous year. The airline attributes its performance to strong passenger demand for its premium product and offerings. Revenue, including other operating income, was up 13% from last year and reached AED 121.2 billion (USD 33.0 billion).

Between 1 April 2023 and 31 March 2024, the airline carried 51.9 million passengers, an increase of 19% over the previous financial year. Emirates' SkyCargo uplifted 2,176,000 tonnes during that period, an increase of 18% over the previous financial year. However, an increase in cargo capacity worldwide resulted in downward pressure on prices and a decrease of 21% in SkyCargo's revenue.

During the financial year 2023/24 Emirates' capacity grew by 21% measured in available seat kilometres (ASK). At the same time RPKs increased by 22%. This resulted in an average passenger load factor (PLF) of 79.9%, an improvement of 0.4 percentage points compared to the last financial year.

Emirates' total operating costs increased 8%. Fuel was the largest cost component amounting to 34% of operating costs, 2 percentage points lower than in the period from April 2023 to March 2024. Higher revenues and better margins resulted in an improved EBITDA of AED 37.6 billion (USD 10.2 billion), a 13% improvement from last year.

As of 31 March 2024, Emirates' total liabilities decreased by 9.6% to AED 117.4 billion (USD 32.0 billion) compared to the end of the previous financial year. Amongst other things, the airline repaid AED 20.9 billion (USD 5.7 billion) in bonds, lease liabilities and term loans and paid a dividend to its shareholders in the amount of AED 2.0 billion (USD 540 million). Total equity came in at AED 46.5 billion (USD 12.7 billion), an improvement of 66% since the beginning of the financial year in April 2023. Emirates' equity ratio stood at 28.3% and its cash position, including short-term bank deposits, amounted to AED 42.9 billion (USD 11.7 billion) at the end of March 2024, 15% more than at the beginning of the financial year. The net cash flow from operating activities came in at AED 37.6 billion (USD 10.3 billion) for the last financial year, about 15% lower than in the financial year before.

Commenting on rising profit announcements of other international airlines, Tim Clark noted in March 2024 that margins at Emirates now compare favourably with other industries, having risen from around 3% before the pandemic to 8-10% now.

As at the end of September 2024, Emirates had outstanding US dollar debt issuances with maturities in 2025 and 2028. These bonds last traded at around 100 cents and 99 cents respectively, with a yield to maturity of 5.7% and 4.9% p.a. respectively, a little lower than last quarter. 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 Emirates' most recent annual financial report the auditor PricewaterhouseCoopers issued an unqualified audit report.

Sustainability

In September 2024, Emirates noted that on every one of the carrier's 470 daily flights all pilots actively use GE FlightPulse. The analytics application provides operational data relating to the safety and fuel efficiency performance of each mission. Among other things, the software allows pilots to review their individual data from previous flights, and benchmark key performance indicators against the fleet average. It further provides information that helps with flight planning, e.g. which runway can be expected on arrival at a certain airport and if flying in a holding pattern is a likely scenario, based on actual data collected from other Emirates aircraft over the past 90 days.

Source: Cirium, Emirates, Simple Flying

4. Aircraft – A380

According to Cirium, as of the end of September 2024 the global A380 fleet consisted of 203 aircraft operated by 12 airlines. Of these, 166 were in service. The remainder of the fleet is currently parked. The 12 operators are Emirates (118), Singapore Airlines (13), British Airways (12), Etihad Airways (10), Qantas (10), Qatar Airways (10), Deutsche Lufthansa (8), Korean Air Lines (8), Asiana Airlines (6), Air France (4), All Nippon Airways (3) and HiFly Malta/Global Airlines (1). Another 21 aircraft are registered with non-airline entities.

In an analysis published in November 2023 Cirium Ascend Consultancy noted that the number of A380s reactivated post-pandemic is higher than initially expected, but that the full extent of the fleet recovery "is hard to forecast". After the number of in-service A380s reached a low in the single digits at the height of the pandemic, Cirium Ascend Consultancy estimated "that potentially up to 190 aircraft could be reactivated". Several factors were identified to explain a "once-unlikely comeback". These include the large-scale retirement of older twin-aisles in the early months of the pandemic and "a relative lack of replacement capacity" due to the slow ramp-up of production by Airbus and Boeing along with extended delays to the introduction of the Boeing 777X.

Source: Cirium

Addendum

Implied Future Total Returns based on the latest appraisals as at 31 March 2024

– For illustrative purposes only –

The Directors note that the outlook for the A380, and hence the total return of an investment in the Group, is subject to an increased amount of uncertainty. From the outset of the transaction, the Directors have 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 such as engine leasing. 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 table below is provided for informational purposes only and contains a range of discounts to the average independently appraised residual values determined at the last valuation date in March 2024. 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 2024.

The total return for a shareholder investing today (30 September 2024) 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 2024).**

The contracted future lease rentals are calculated and paid in sterling to satisfy dividend distributions and Group running costs, which are in pounds 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.

While the UN World Health Organization (WHO) declared an end to COVID-19 as a public health emergency back in May 2023, subsequent economic issues including high inflation and rapidly rising interest rates to curb inflation put a strain on the economy. Furthermore, airlines are directly impacted by continuing supply chain issues with aircraft and engine manufacturers not always able to deliver new aircraft or spare parts to maintain existing fleets on time. 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[1]** **USD 163.0 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]	10p	18p	32p	46p	59p
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]		28p	42p	56p	70p

Table may contain rounding differences.

[1] Date of valuation: 31 March 2024; inflation rate: 3.0%

[2] 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

[3] 1.3375 USD/GBP (30 September 2024)

[4] Including expected future dividends

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

Contact Details

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