

# QUARTERLY FACT SHEET

March 2024

## DORIC NIMROD AIR TWO LIMITED

LSE: DNA2

### The Company

Doric Nimrod Air Two Limited (“the Company”) is a Guernsey domiciled company. Its shares 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 – after the partial compulsory redemption of shares following the sale of the first two aircraft – was GBP 145.6 million as of 31 March 2024.

The Company has four wholly-owned subsidiaries: MSN077 Limited, MSN090 Limited, MSN105 Limited and Doric Nimrod Air Finance Alpha Limited (“DNAFA”) (and together with the Company “the Group”).

### 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 portfolio of aircraft. The Company receives income from the leases and targets a gross distribution to the shareholders of 4.5 pence per share per quarter. It is anticipated that income distributions will continue to be made quarterly.

## Asset Manager’s Comment

### 1. The Assets

The Company acquired a total of seven Airbus A380-861 aircraft between October 2011 and November 2012. Each aircraft was leased to Emirates Airline – the national carrier owned by the Investment Corporation of Dubai, based in Dubai, UAE – for a term of 12 years from the point of delivery with fixed lease rentals for the duration. Two aircraft were sold to Emirates at the end of their 12 year leases, in October and November 2023.

In order to complete the purchase of the first three aircraft, MSN077 Limited, MSN090 Limited and MSN105 Limited entered into three separate loan agreements. The remaining four aircraft were partially financed with the issuance of enhanced equipment trust certificates (EETCs), a form of debt security. The loans for the two aircraft sold (manufacturer serial numbers (MSNs) 077 and 090) as well as all outstanding EETC obligations have been fully repaid. The loan for MSN 105 is the only one remaining and will be fully amortized by its lease expiry date.

### Company Facts (31 March 2024)

Listing	LSE
Ticker	DNA2
Current Share Price	118p
Market Capitalisation	GBP 145.6 million
Initial Debt	USD 1.03 billion
Outstanding Debt Balance	USD 2.9 million
Current Dividend	4.5p per quarter per share (18p per annum)
Earned Dividends	215p
Current Dividend Yield	15.25%
Dividend Payment Dates	January, April, July, October
Ongoing Charges (OCF) <sup>1</sup>	2.6%
Currency	GBP
Launch Date/Price	14 July 2011 / 200p
Average Remaining Lease Duration	7 months
C Share Issue Date/Price	27 March 2012 / 200p
C Share Conversion Date/Ratio	6 March 2013 / 1:1
Partial Compulsory Share Redemption Date/Ratio/Amount	18 December 2023 / 2 for every 7 shares / 120p per share
Shares in Issue Post Redemption	123,392,956
Incorporation	Guernsey
Aircraft Registration Numbers (Lease Expiry Dates)	A6-EDX (01.10.2024), A6-EDY (01.10.2024), A6-EDZ (12.10.2024), A6-EEB (09.11.2024), A6-EEC (30.11.2024)
Asset Manager	Doric GmbH
Corporate & Shareholder Advisor	Nimrod Capital LLP
Administrator	JTC Fund Solutions (Guernsey) Ltd
Auditor	Grant Thornton Ltd
Market Makers	Investec Bank Plc, Jefferies International Ltd, Liberium Capital Ltd, Peel Hunt LLP, Shore Capital Ltd, Winterflood Securities Ltd
SEDOL, ISIN, LEI	BMWCCD4, GG00BMWCCD4, 213800ENH57LLS7MEM48
Year End	31 March
Stocks & Shares ISA	Eligible
Website	www.dnairtwo.com

<sup>1</sup> As defined by the AIC.

Following the sale, the five remaining A380 aircraft are those bearing the MSNs 105, 106, 107, 109, and 110 respectively.

While the return to service of Emirates' A380 fleet is continuing post pandemic, one of the DNA2 aircraft remains in storage at Dubai World Central Airport.

Aircraft utilisation for the portfolio aircraft until the end of February 2024 was as follows:

Aircraft Utilisation				
MSN	Delivery Date	Flight Hours	Flight Cycles	Average Flight Duration
105	28/09/2012	32,248	5,142	6h 16m
106	01/10/2012	40,968	5,047	8h 7m
107	12/10/2012	39,377	4,696	8h 23m
109	09/11/2012	35,363	5,597	6h 19m
110	30/11/2012	35,817	5,813	6h 10m

### 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.

Notwithstanding the increasing number of A380s Emirates has returned to service in response to the increased demand for air travel since the pandemic has eased, Emirates still has one of the five aircraft owned by the Group in storage 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 its own to protect and preserve the asset during 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, Emirates might defer calendar-based maintenance checks until such time. This allows the airline to make use of the full maintenance interval once the operation of an aircraft resumes. One of the Group's aircraft is in deep storage condition and could be reactivated within months, if required.

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.

Starting in 2019 a series of ADs was issued addressing concerns about potential cracks in certain wing rear spars. However, the aircraft owned by the Group were not due for inspection until May 2023. Based on the data and evidence collected during the inspections over the last four years or so, contributing factors in addition to the age of the wing were identified. The probability of a crack, for example, also depends on the amount of time an aircraft has spent on the ground (stored or parked) in severe environmental conditions. The phenomenon underlying this relationship is called Hydrogen Environmental Assisted Cracking (HEAC). It affects specific aluminium alloys used in the A380. Emirates aircraft are more severely affected than those of other A380 operators due mainly to the hot desert climate in the UAE and prolonged storage periods during the pandemic in that environment.

Emirates schedules 60 days for the initial inspection. Teams from Airbus have already inspected the aircraft with MSNs 106, 107, 109, and 110 which returned to service immediately after the work had been completed in Toulouse, France. Repeat inspections are currently scheduled at an interval of 36 months.

### Inspections

Doric, the asset manager, conducted physical inspections and records audits of the aircraft with MSNs 109 and 110 in January 2024. The condition of the aircraft and the technical records complied with the provisions of the respective lease agreements.

### Completed Sale of Two Aircraft

The leases for the Group's first two aircraft with MSNs 077 and 090 expired in mid-October and early December 2023. Both aircraft were sold around their respective lease expiry dates to Emirates. Sale proceeds paid by Emirates to the Company were GBP 28.9 million in respect of each aircraft (equivalent to USD 35 million). Following the sale, the Company returned monies to shareholders in the second half of December 2023 by way of a partial compulsory redemption of two ordinary preference shares for each seven shares in the Company. The redemption proceeds of 120 pence per share were paid on 27 December 2023.

Barring unforeseen circumstances, the Board aims to maintain the Company's current dividend policy.

Following the sale of the two aircraft, the Company owns five Airbus A380s whose leases expire between 1 October and 30 November 2024. The operating leases of these aircraft are expected to continue as contracted between the parties until their expiry.

### Upcoming Lease Expiries

The leases for the Company's five remaining aircraft are scheduled to expire during the fourth quarter of 2024. Under the terms of the leases Emirates is required to return the aircraft in redelivery condition together with a cash sum, however other options including a sale or re-lease are available, subject to the agreement of the Company. The asset manager is currently in discussions with Emirates about the future of the aircraft. The Company will report to its shareholders as soon as

the discussions have been completed. In the event that aircraft are returned to the lessor, Emirates is obliged to pay the sum of USD 12 million per aircraft to the lessor in addition to the contracted monetary compensation arrangements, on or prior to the respective lease expiry dates.

## 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 latest report on global economic prospects from January 2024, the World Bank expects a growth rate of 2.4% for the current year which would then be the third consecutive year of deceleration.

In December 2023 the International Air Transport Association (IATA) revised its 2023 projection for the airline industry net profits from USD 9.8 billion to USD 23.3 billion. In 2024 profitability is expected to increase further, reaching USD 25.7 billion, a year-over-year 0.1 percentage point net profit margin improvement.

The year 2023 was marked by a strong industry-wide recovery of air passenger traffic, measured in revenue passenger kilometres (RPK), with a year-on-year growth of 36.9%. Traffic reached 94.1% of its 2019 pre-pandemic levels. The supply of seats, measured in available seat kilometres (ASK), increased by 31.0% last year compared to 2022 and reached 94.4% of its 2019 levels. The average passenger load factors (PLF) in 2023 came in at 82.3%, an improvement of 3.6 percentage points from 2022 and only 0.3 percentage points below its 2019 levels.

The industry had a strong start in the new calendar year. In January RPKs grew by 16.6% compared to the same period the year before. With 99.6% of pre-pandemic travel levels seen in January 2019, the industry was closer than ever to monthly recovery. Over the last twelve months airlines increased their capacities, measured in ASKs, by 14.1%, resulting in a PLF of 79.9% in January 2024. This is an improvement of 1.7 percentage points from January 2023 and 0.1 percentage points from its pre-pandemic levels in January 2019. The majority of airline regions have now exceeded their 2019 benchmark on a monthly basis, according to IATA.

While international travel, measured in RPKs, is still 4.3% short of its volume before the sector was hit by the pandemic, global domestic travel has fully recovered, surpassing the 2019 benchmark levels by 6.7% in January 2024. Domestic air passenger traffic is particularly strong in the United States, the PR China and India, while Australia, Brazil and Japan are lagging behind. With strong domestic tourism in the world's second largest market for domestic air travel, China is leading domestic air travel growth compared to both last year and the respective pre-pandemic levels. In January 2024 RPKs increased by 33.2% and 15.0% respectively.

The latest ticket sales on a global level "continue to indicate resilient demand for air travel on both market segments [domestic and international]", according to an IATA report released in March 2024.

The Middle East, where the lessee is located, recorded an RPK increase of 16.2% between January 2023 and January 2024,

surpassing its pre-pandemic air passenger traffic by nearly 4%. Capacities, measured in ASKs, expanded by 15.3% over the period, resulting in a 0.6 percentage point improvement of the average PLF to 79.9% or 5.4 percentage points above its pre-pandemic levels in January 2019.

Source: IATA, World Bank  
© International Air Transport Association, 2024  
Air Passenger Market Analysis December 2023  
Air Passenger Market Analysis January 2024  
Global Outlook for Air Transport – December 2023  
Available on the IATA Economics page

## 3. Lessee – Emirates

### Network

From 21 February 2024 till the end of its winter flight schedule Emirates temporarily upgraded the daily flight from Dubai to the Austrian capital Vienna to an A380 service. Emirates has not operated the A380 since August 2022 on this route and hopes for a permanent return of the A380 in the future.

Starting on 1 June 2024 Emirates will deploy an A380 for daily flights to Osaka, Japan, replacing the Boeing 777-300ER currently operating on this route. The upgrade will result in 910 additional weekly seats between Dubai and Osaka's Kansai Airport being operated by a retrofitted four-class A380 with the airline's latest premium economy product.

From 1 October 2024 Emirates will upgrade its second daily flight between Dubai and Brisbane, Australia, to an A380 service. According to the CEO of Brisbane's airport, "this will allow up to 100,000 extra passengers per year to travel between Queensland and Europe, which is Brisbane's second busiest international destination". Starting on 1 December 2024 the lessee will also add a second daily flight to Perth. By December 2024, Emirates expects to have returned to its pre-pandemic capacity offering with 77 weekly services to Australia.

From 1 May 2024 Emirates will reintroduce its daily service to the Cambodian capital, Phnom Penh, via Singapore.

Emirates signed a series of strategic partnership agreements at Europe's leading travel and trade show ITB in Berlin. This includes new collaborations with the Greek National Tourism organisation, Austrian National Tourist Office and Tourism Ireland. The airline further renewed partnerships with TUI and AIDA Cruises. In 2023 Emirates transported around 400,000 cruise passengers using Dubai cruise terminals. Dubai expects 23% more cruise passengers for the upcoming season.

### Fleet

According to Emirates, its passenger aircraft fleet consisted of 116 Airbus A380s and 133 Boeing 777s at the end of September 2023. Over the last two years or so Emirates' President, Sir Tim Clark, has provided multiple status updates on the likely future of the airline's A380 fleet. In February 2022 he reported on recycling efforts of the first five A380s Emirates had retired, but pointed out that these efforts will not continue with further A380s. At that time Emirates aimed to extend the life of about 120 A380s and 777s by six to ten years each.

In a June 2023 interview with Bloomberg, Clark refined the timeline about the future of its A380 fleet, noting that Emirates "will keep them flying until 2032" before the airline starts to take them out of its fleet. Under the current circumstances

their operation is “very profitable” for the carrier, Clark noted at that time. In November 2023 he once again extended the scheduled end of Emirates’ A380 services. Now the airline intends to fly the A380 until at least 2041 due to the lack of availability of similar-sized replacement aircraft. The statement was repeated similarly in March 2024, noting that Emirates plans to keep A380s flying until the late 2030s, with corresponding extensions of aircraft leases.

To maintain and improve operational efficiency and maximise fleet performance and reliability of its A380 fleet “well into the next decade”, Emirates signed agreements worth over USD 1.5 billion at the 2023 Dubai Air Show. Partners such as Honeywell, Collins Aerospace, Lufthansa Technik and Gameco will deliver aviation aftermarket and Maintenance, Repair and Overhaul (MRO) services. “Our continued commitment to and confidence in the A380 are why we are investing heavily to keep the fleet in optimal shape and pristine condition. The A380 will remain core to our network and customer proposition for the next decade, and we want to ensure our fleet is in tip-top shape”, said Clark in a statement.

In March 2024 Emirates’ President reported strong demand for flights in the airline’s upcoming summer season, noting that the capacity is “pretty much sold out” for the summer – and the lack of additional capacity: “There is so much more [we could fly]. South America, Africa, Asia ... If I could just get another 50% more aircraft in the air, I would do it.”

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

#### Boeing 777X

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 from 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 has extended the lease period of 25 Boeing 777 aircraft during the 2022/23 financial year and 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 from late February 2024. In early January 2024 an emergency exit plug and panel separated in flight from a Boeing 737-9 MAX aircraft delivered only a few weeks earlier. This is the latest event in a series of production-related incidents across the families of Boeing commercial airplanes. In late December 2023 Boeing, for example, had urged 737 MAX operators to inspect their aircraft for a “possible loose bolt in the rudder control system”. The latest accident

has raised serious concerns and immediately triggered an FAA investigation into Boeing’s manufacturing processes. Furthermore, the FAA announced increased oversight of Boeing production and manufacturing. In addition, Boeing has hired an independent special adviser conducting “a thorough assessment of Boeing’s quality management system for commercial airplanes, including quality programmes and practices in Boeing manufacturing facilities and its oversight of commercial supplier quality”, according to a company statement. Meanwhile, the FAA announced an “assessment of safety risks around delegated authority and quality oversight, and examination of options to move these functions under independent, third-party entities”. The concept of delegated authority allows designated employees within Boeing to act on behalf of FAA to streamline aircraft certification. The tightening grip of the FAA on Boeing will likely impact the certification of new aircraft types including the 777X series.

In early March 2024 the FAA announced that a six-week audit of Boeing and supplier Spirit AeroSystems found multiple instances where the companies allegedly failed to comply with manufacturing quality control requirements. The FAA investigation is continuing, while Boeing’s CEO has announced his resignation effective as of the end of 2024.

With Airbus A380s and Boeing 747s no longer available for order, the Boeing 777X is currently the biggest aircraft in production.

#### Boeing 787

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.

In September 2023 Clark said, “the 787 isn’t in the short-term picture at this point in time”.

#### 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 is expected to join Emirates’ fleet in August 2024. For the first 50 aircraft the airline and the manufacturer agreed on a “compressed delivery schedule” with all 50 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.

In late September 2023 Tim Clark confirmed that the airline was also looking at the Airbus A350-1000 “quite seriously”. The A350-1000 is about seven metres longer and has more than 50 additional seats in a typical two-class configuration compared to the A350-900. However, such an order for up to 50 A350-1000s did not materialise at the Dubai Air Show in November 2023. Clark claimed the insufficient time-on-wing performance of the Rolls-Royce Trent XWB-98 engine as a major roadblock for an order. Due to the harsh environment the aircraft are operating in and at the utilisation levels expected, the engine is reaching “less than a quarter” of the 2,500 engine cycles, according to Clark. Hence, Emirates is reportedly requesting guarantees for up to 2,500 engine cycles on wing and “at a maintenance cost per hour that is alright”.

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.

Emirates anticipates reaching its pre-pandemic capacity by the second quarter of 2024, according to Adnan Kazim, Chief Commercial Officer of Emirates. This will include up to 97 Airbus A380s with at least 12 additional spare aircraft to cover downtime for maintenance. In total, Kazim expects that approximately 110 Airbus A380 will have returned to service by then.

### Key Financials

In the first half of its 2023/24 financial year ending on 30 September 2023, Emirates recorded a net profit of AED 9.4 billion (USD 2.6 billion), a record half-year performance for the company and 134% more than in the same period of the previous year. The airline attributes its performance to the strong passenger demand for international travel across markets and its ability to activate capacity to match demand. Revenue, including other operating income, was up 19% from last year and reached AED 59.5 billion (USD 16.2 billion).

Between 1 April and 30 September 2023, the airline carried 26.1 million passengers, an increase of 31% over the same period in the previous year. While air cargo demand on a global level was shrinking, Emirates’ SkyCargo uplifted 1,035,000 tonnes during that period, an increase of 11% over the same period in the previous year.

During the reporting period Emirates continued to rebuild its network, e.g. by restoring A380 operations to seven destinations and increasing its ASK capacity by 30%. At the same time RPKs increased by 35%. This resulted in an average PLF of 81.5%, an improvement of 3.0 percentage points compared to the same period last year.

Emirates’ direct operating cost increased 9%. Fuel was the largest cost component amounting to 34% of operating costs, 4 percentage points lower than in the period from April to September 2022. Higher revenues and better margins resulted in an improved EBITDA of AED 19.5 billion (USD 5.3 billion), a 33% improvement from last year’s EBITDA.

As of 30 September 2023, Emirates’ total liabilities decreased by 8.7% to AED 118.5 billion (USD 32.2 billion) compared to the end of the previous financial year. Amongst other things, the airline repaid AED 4.9 billion (USD 1.3 billion) in bonds and term loans and paid a dividend to its shareholders in the amount of AED 3.5 billion (USD 954 million). Total equity came in at AED 42.4 billion (USD 11.6 billion), an improvement of 52% since the beginning of the current financial year. Emirates’ equity ratio stood at 26.4% and its cash position, including short-term bank deposits, amounted to AED 38.2 billion (USD 10.4 billion) at the end of September 2023, slightly more than at the beginning of the current financial year. The net cash flow from operating activities came in at AED 18.4 billion (USD 5.0 billion) for the period between April and September 2023, about 11% lower than in the same period the previous year.

As at the end of March 2024, Emirates had 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 Emirates’ most recent annual financial report the auditor PricewaterhouseCoopers issued an unqualified audit report.

The management of the Emirates Group, the combined businesses of Emirates Airline and dnata, noted that “the [Emirates] Group has surpassed previous records to report our best-ever half-year performance. Our profit for the first six months of 2023-24 has nearly matched our record full year profit in 2022-23.” 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.

In January 2024, Emirates announced plans to recruit 5,000 additional cabin crew members, boosting its existing cabin crew numbers by 25% and helping to provide adequate staffing for the introduction of the Airbus A350. The recruiting team will host open days and assessments in more than 460 cities across six continents. Last year Emirates hired 8,000 new cabin personnel.

In February 2024, the Emirates Group announced a number of senior executive appointments “as the organisation readies itself for its net phase of growth”, according to a press release. This includes the newly created position of Deputy President, which has been assigned to Adel Al Redha and Adnan Kazim, both continuing to act in their respective roles as Chief Operations Officer and Chief Commercial Officer.

### Sustainability

In January 2024 Emirates became the first international airline to join The Solent Cluster, a UK initiative focused on low carbon investments established to reduce CO<sub>2</sub> emissions from industry, transport and households in the South Coast of England. The Solent Cluster has the potential to create a sustainable aviation fuel (SAF) plant with an estimated fuel

production capacity of 200,000 tonnes per year and could avoid emissions of 563,000 tons of CO<sub>2</sub> per year by producing fuel with 70% less emissions than fossil kerosene.

In March 2024 Emirates commenced the activation of its agreement with SAF provider Neste comprising the delivery of over 2 million gallons of blended SAF at Amsterdam Schiphol Airport in 2024. According to Adel Al Redha, Deputy CEO and Chief Operations Officer of Emirates, the cooperation with Neste “is one of the practical steps we are taking to reduce our emissions, and it’s an all-important milestone in our own sustainability journey as an airline”. The carrier already operates flights from Paris, Lyon and Oslo using SAF.

Source: AirlineRatings, Bloomberg, Cirium, Emirates, FAA, Reuters

#### 4. Aircraft – A380

As of the end of March 2024, the global A380 fleet consisted of 214 aircraft with 13 airline operators, according to Ascend. Of these, 160 were in service. The remainder of the fleet is currently parked. The 12 operators are Emirates (120), Singapore Airlines (14), British Airways (12), Qantas (10), Korean Air Lines (10), Etihad Airways (10), Qatar Airways (10), Deutsche Lufthansa (8), Thai Airways (6), Asiana Airlines (6), Air France (4), All Nippon Airways (3) and HiFly Malta/Global Airlines (1). Another 16 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”. This includes the large-scale retirements 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 as well as 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 2023 – 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 2023. 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 2023.

The total return for a shareholder investing today (31 March 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 2023).**

The contracted lease rentals are calculated and paid in US dollars to satisfy debt interest and principal (if any), and 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 remaining five 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.

Return of capital and total return are based on appraised future soft market values<sup>1</sup> for the five remaining aircraft in the combined amount of USD 187.2 million.

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>	14p	51p	81p	111p	141p
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>		64p	94p	125p	155p

Table may contain rounding differences.

<sup>1</sup> Date of valuation: 31 March 2023; 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> 1.2552 USD/GBP (1 April 2024)

<sup>4</sup> Includes three dividends of 4.5 pence per share

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



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