QUARTERLY FACT SHEET

March 2021

DORIC NIMROD AIR THREE LIMITED

LSE: DNA3

COVID-19

The impact of the COVID-19 pandemic on the aviation sector has been significant with about 30% 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 their leases and that they are currently servicing them in line with their 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 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 88.0 million as of 31 March 2021.

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).

Company Facts (31 March 2021)	
Listing	LSE
Ticker	DNA3
Current Share Price	40.0p
Market Capitalisation	GBP 88.0 million
Initial Debt	USD 630 million
Outstanding Debt Balance[1]	USD 140.5 million (22% of Initial Debt)
Current and Targeted Dividend	2.0625p per quarter (8.25p per annum)
Earned Dividends	59.6p
Current Dividend Yield	20.63%
Dividend Payment Dates	January, April, July, October
Ongoing Charges (OCF)[2]	1.5%
Currency	GBP
Launch Date/Price	2 July 2013 / 100p
Average Remaining Lease Duration	4 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	Deloitte LLP
Market Makers	finnCap Ltd, Investec Bank Plc, Jefferies International Ltd, Numis Securities Ltd, 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 B EETC matured in November 2019.

[2] The Cost Base Ratio (CBR) calculation published until Q3 2020 has been updated to reflect the Ongoing Charges figure (OCF) as defined by the AIC. CBR used Average Share Capital as the denominator. Following the 30 September 2020 unaudited NAV publication, the OCF calculation results in a more conservative (i.e. higher) costs measure (though in fact the nominal costs themselves are not higher) than under the CBR (which had produced a more conservative measure than the OCF). The Reduction in Yield (RIY) figure on the Company KID uses the methodology as prescribed by PRIIPs Regulation.

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. MSNs 132 and 136 have since remained stored at Dubai World Central International Airport (DWC). MSNs 133 and 134 returned to service in late November 2020 but were subsequently placed back into storage at DWC in late January 2021.

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 Group 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, Emirates might defer due maintenance checks, which are calendar-based, until that time. This would allow the airline to make use of the full maintenance interval once the operation of a specific aircraft resumes.

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

Inspections

The Asset Manager conducted a physical inspection and records audit of the aircraft with MSNs 133 and 134 in January 2021. The condition of the aircraft and technical records were in compliance with the provisions of the respective lease agreement.

Furthermore, MSN 136 was also inspected and records were reviewed. However, the results were not available as at the editorial deadline.

2. Market Overview

The impact of COVID-19 on the global economy has been severe, resulting in an estimated contraction in global GDP of 4.3% for 2020, according to the World Bank. This is expected to be followed by a recovery in growth of 5.5% in 2021. In its latest economic impact analysis from March 2021, the International Civil Aviation Organization (ICAO) estimates that the full year 2020 has seen an overall reduction in seats offered by airlines of 50% compared with the previous baseline forecast for that year. Furthermore, ICAO anticipates this trend to continue through 2021 with airlines reducing seats offered by 35% to 43% compared to 2019 levels. However, the actual impact of COVID-19 on the airline industry will depend on several factors, including the duration and magnitude of the outbreak and containment measures, the degree of consumer confidence in air travel as well as general economic conditions.

The International Air Transport Association (IATA) anticipates an airline industry-wide net loss of USD 38.7 billion in 2021, after nearly USD 119 billion last year.

While air passenger demand began its recovery from the low point in April 2020, IATA notes that the recovery in air travel has been stagnating due to the global resurgence of the virus and the related shutdowns during the fourth quarter of 2020. In total, industry-wide revenue passenger kilometres (RPKs) fell by 65.9% in 2020 – the largest decline in the history of aviation. Similarly, industry-wide capacity, measured in available seat kilometres (ASKs), contracted by 56.5% last year. As a result, the worldwide passenger load factor (PLF) fell by 17.8 percentage points to 66.1%.

Due to their reliance on international long-haul routes, Middle Eastern carriers like Emirates experienced the greatest decline in RPKs (-72.2%) of any region in 2020. Capacity also fell by 63.3% during that period. This resulted in an 18.5 percentage point decrease in PLF to 57.6%.

The latest IATA data from January 2021 indicate renewed weakness in air travel caused by new variants of the virus leading to a record-high level of confirmed cases and governments increasing travel restrictions. As such, IATA expects the first quarter of 2021 to remain extremely challenging for airlines. In January, RPKs contracted by 6.6% compared to December 2020 and by 72.0% compared to pre-crisis January 2019 levels. This deterioration in the air travel recovery was primarily driven by domestic markets, particularly in Asia, which had generally been leading the recovery since April 2020.

Nevertheless, IATA adds that vaccine distribution efforts are expanding, especially in the US, UK, UAE, and Israel. The number of total doses (first or second) given per 100 people in those countries reached 9.3, 14.4, 33.7 and 57.4, respectively, on 31 January.

Source: IATA, ICAO

3. Lessee – Emirates

Network

Emirates' recovery efforts continued at the beginning of 2021 with the restart of operations to destinations in the Americas. As of the beginning of March, Emirates had resumed flights to 10 destinations in North America: Boston, Chicago, Dallas, Houston, Los Angeles, New York JFK, San Francisco, Seattle, Toronto, and Washington DC. Emirates also increased the frequencies of its services to New York, Los Angeles, and Sao Paulo. Additionally, Emirates announced plans to increase services to the Maldives and Seychelles ahead of the Easter holiday. Emirates is primarily using Boeing 777 aircraft to serve these destinations.

However, Emirates has also had to demonstrate flexibility in its recovering operations amid worsening COVID-19 cases: At the end of January, the UK restricted the entry of passengers who arrived from or transited through the UAE to those with British or Irish passports or UK residency and banned direct flights from the country. In response, Emirates is providing outbound passenger services from the UK to Dubai, primarily for UAE residents.

Emirates' president Sir Tim Clark stated in February that the carrier will recover from the COVID-19 crisis without any fundamental changes to its business model. Rather, Emirates intends to use its mix of widebody aircraft to take advantage of anticipated supply-side shortages in medium- and long-haul sectors in the coming years. At the same time he walked back his recent prediction according to which medium- and long-haul international traffic would ramp up significantly in July and August this year, but expects such developments in the last quarter of 2021: "At the end of the day, my view is that once we are through this, demand for air travel will return, consumer confidence will return."

In February, Emirates announced that it has become among the first airlines in the world to operate a flight with fully vaccinated frontline teams across all customer touchpoints, including check-in and security personnel, as well as engineers, pilots, and cabin crew. About a month into its vaccination programme, close to 26,000, or 44%, of Emirates Group's UAE frontline aviation workforce, which includes Emirates Airline and air service provider dnata, have already received both doses of the vaccine.

In March, Emirates and TAP Air Portugal (TAP) signed a Memorandum of Understanding (MoU) to expand the codeshare partnership currently in place between both airlines. TAP passengers will gain access to Emirates' destinations in East Asia, while Emirates passengers will be able to access additional domestic destinations in Portugal as well as to cities in the USA, Canada, Mexico, Brazil, Senegal, Guinea-Bissau, Guinea-Conakry, Morocco, Tunisia, Gambia, and Cape Verde. The carriers also intend to explore ways to cooperate on their respective frequent flyer and stopover programmes.

Fleet

For the last year or so, Emirates' operations have largely focused on cargo services using its fleet of Boeing 777 aircraft. To meet the global demand for the transport of essential supplies, Emirates SkyCargo introduced freighter services using passenger aircraft as well as 16 Boeing 777-300ER 'mini-freighters' converted for cargo operations. Emirates SkyCargo also made use of A380 'mini-freighters' on select cargo charter operations during this time. As of mid-March, Emirates SkyCargo has operated more than 27,800 cargo-only flights on passenger aircraft, which have transported more than 100,000 tonnes of essential supplies.

The table below details the passenger aircraft fleet activity as of 31 March 2021:

Passenger Fleet Activity

Aircraft Type	Grounded	In Service
A380	102	15
777	1	134
Total	**103**	**149**
%	**41%**	**59%**

Source: Cirium as of 31 March 2021

In late January 2021, Boeing announced a further delay to the 777X programme, now pushing the delivery of the first of the type to at least late 2023. Given the delay, the 777X might not enter into service with Emirates before the first quarter of 2024 and so the carrier now intends to operate the A380 on trunk routes through to the mid-2030s with the 777X gradually replacing A380s leaving the fleet. Future network expansion plans would also be served by the Boeing 787s and Airbus A350s, which would operate on what are likely to be less well used routes.

According to the airline's chief operating officer, Emirates is discussing dates and schedules of new aircraft deliveries with Airbus and Boeing.

Key Financials

In the first half of the financial year ending 31 March 2021, Emirates recorded its first half-year loss in over 30 years. Revenues fell 75% to AED 13.7 billion (USD 3.7 billion) due to pandemic-related travel restrictions, including an eight-week suspension of scheduled passenger flights during April and

May. These measures resulted in a net loss of AED 12.6 billion (USD 3.4 billion) compared to a profit of AED 863 million (USD 235 million) in the first half of the previous financial year.

Emirates reduced its ASKs by 91% in the first half of the 2020/21 financial year, while RPKs were down by 96%. During this period, Emirates' average PLF fell to 38.6%, compared to last year's pre-pandemic figure of 81.1%.

Emirates' operating costs decreased by 52%. Fuel, which had previously been the largest cost category for the airline, only accounted for 11% of total operating costs (compared to 32% in the first half of the previous financial year). Contributing factors were a 49% decrease in oil prices and a 76% lower fuel uplift from reduced flight operations. Despite this significant reduction in operations, Emirates' EBITDA remained positive at AED 290 million (USD 79 million).

While the number of passengers Emirates carried between 1 April and 30 September 2020 was down 95% to 1.5 million compared to the same period last year, airfreight demand rose strongly. The volume of cargo uplifted decreased by 35% to 0.8 million tonnes during this period and the yield more than doubled. This development reflects the extraordinary market situation during the global COVID-19 pandemic.

As of 30 September, Emirates' total liabilities decreased by 8.3% to AED 136.1 billion (USD 37.1 billion USD) compared to the end of the previous financial year. Total equity decreased by 10.6% to AED 21.1 billion (USD 5.75 billion) with an equity ratio of 13.4%. Emirates' cash position amounted to AED 15.6 billion (USD 4.25 billion) at the end of the first half of the 2020/21 financial year. This compares to AED 20.2 billion (USD 5.5 billion) in cash assets as of 31 March 2020.

On the ongoing financial position of Emirates in light of the global COVID-19 pandemic, HH Sheikh Ahmed bin Saeed Al Maktoum, chairman and chief executive of Emirates, stated: "We have been able to tap on our own strong cash reserves, and through our shareholder and the broader financial community, we continue to ensure we have access to sufficient funding to sustain the business and see us through this challenging period. In the first half of 2020-21, our shareholder injected USD 2 billion into Emirates by way of an equity investment and they will support us on our recovery path."

In February 2021, Adel Al Redha noted that the freight revenues exceed the airline's expectations and that the growth in freight demand is expected to continue till the end of this year. However, passenger travel revenues appear to be volatile, depending on the measures taken by countries to overcome the pandemic.

As at the end of March, Emirates has outstanding US dollar debt issuances with maturities in 2023, 2025, and 2028. These respective bonds were trading at above par (100 cents) each and with running yields ranging from approximately 3.8% to 4.4% in US dollars. There has also been no upward pressure on yields. This level of yields does not appear to indicate any significant financial stress to the issuer.

Source: Bloomberg, Cirium, Emirates, Khaleej Times

4. Aircraft – A380

As of the end of March 2021, the global A380 fleet consisted of 240 planes with airline operators. Only 23 of these aircraft were in service, the remainder of the fleet is currently parked due to COVID-19. The fifteen operators are Emirates (117), 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), and All Nippon Airways (3), and Hi Fly (1). Another five aircraft are on order.

In February 2021, Qantas chief executive officer Alan Joyce contradicted suggestions according to which the Australian carrier's parked A380s could be permanently removed from future fleet plans: "So we do believe that there's a need for that fleet and we do believe it's going to generate cash, and it's all going to be about cash when we start up international." The airline is now planning to restart regular international passenger flights to most destinations from 31 October 2021.

At the Royal Aeronautical Society conference on 15 March, British Airways (BA) CEO Sean Doyle confirmed the carrier's intentions to return the A380 to service, stating that the aircraft type is "an important part of our fleet, and at the minute our plans are to obviously fly [it again]". He added that the A380 "works very well in a number of larger markets". BA has not provided a timeline for the return of the A380 to operations.

Also in March, Lufthansa Group CEO Carsten Spohr confirmed that the A380 will be phased out as a part of its fleet remodelling. In total, Lufthansa plans to reduce its group fleet size by approximately 200 aircraft (approximately 25% of its current fleet) by 2023.

Thai Airways International has begun to gauge market interest for two of its six A380s. In March, the carrier issued a request for indication of interest for the 2013-built aircraft (MSNs 125 and 131). The carrier added that, given the ongoing preparation of its rehabilitation plan, it will formally invite bidders to submit "official proposals" following a court order approving that plan.

With the final production A380 aircraft ferried to Hamburg in March for interior outfitting and painting, Airbus will now concentrate on supporting the in-service fleet of A380s "for as long as possible", according to its chief executive Guillaume Faury.

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 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. 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 about 90% 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 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 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 2020 and it remains to be seen how the appraisers will reflect the events over the last twelve months in their next appraisals, which will be prepared following the end of the first quarter 2021.

The total return for a shareholder investing today (31 March 2021) 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 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 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 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 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 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 240.9 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]	39p	24p	44p	63p	82p
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]		64p	83p	102p	122p

[1]Date of valuation: 31 March 2020; inflation rate: 1.5% [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]1.3783 USD/GBP (31 March 2021) [4]Including future dividends

On a like-for-like basis with March 2019 appraisal values, the March 2020 aircraft portfolio valuation based on inflated future base values would be USD 362.4 million.

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

Contact Details

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