QUARTERLY FACT SHEET

September 2023

DORIC NIMROD AIR TWO LIMITED

LSE: DNA2

External Factors Affecting the Company

In May 2023 the UN World Health Organization (WHO) declared an end to COVID-19 as a public health emergency, stressing that it does not mean the disease is no longer a global threat. WHO had declared COVID-19 a public health emergency of international concern at the end of January 2020 and counted more than 765 million confirmed cases with nearly seven million deaths since then. In a statement WHO noted the enormous damage inflicted on all aspects of global life by the virus, including enormous economic upheaval, "erasing trillions from GDP, disrupting travel and trade, shuttering businesses, and plunging millions into poverty".

Aviation was one of the sectors hardest hit as pandemic-induced travel restrictions and safety measures in many regions around the globe resulted in a historic slump in air passenger traffic. Highly effective vaccines increased immunity and allowed the reduction of containment measures over time. This permitted air passenger traffic to start an unprecedented recovery in 2022, which is still continuing. Industry-wide revenue kilometres reached nearly 96% of its pre-pandemic levels in July 2023.

However, the aviation sector continues to be exposed to risks due to the current economic and geopolitical environment. To support economic growth during the pandemic, central banks had used quantitative easing which has triggered inflation across the globe. Appropriate countermeasures to contain these unwanted side-effects have resulted in dislocations in the financial markets and impacts on the real 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. A significant number of airlines are also affected by an increased level of debt, taken out during the pandemic to finance the unprecedented corporate losses, and the resulting debt service requirements, impacting their free cash flow. Increasing oil prices are another point of concern. Brent has climbed to more than USD 95 per barrel in late September – an increase of more than 30% within five months only and the highest level in 2023 so far.

The Company

Doric Nimrod Air Two Limited ("the Company") is a Guernsey domiciled company. Its 172,750,000 ordinary preference 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 was GBP 165.0 million as of 30 September 2023.

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 (amounting to a yearly distribution of 9.0% based on the initial placing price of 200 pence per share). It is anticipated that income distributions will continue to be made quarterly.

Company Facts (30 September 2023)	
Listing	LSE
Ticker	DNA2
Current Share Price	95.5p
Market Capitalisation	GBP 165.0 million
Initial Debt	USD 1.03 billion
Outstanding Debt Balance	USD 6.7 million (1% of Initial Debt)
Current Dividend	4.5p per quarter per share (18p per annum)
Earned Dividends	206p
Current Dividend Yield	18.85%
Dividend Payment Dates	January, April, July, October
Ongoing Charges (OCF)[1]	2.0%
Currency	GBP
Launch Date/Price	14 July 2011 / 200p
Average Remaining Lease Duration	9 months
C Share Issue Date/Price	27 March 2012 / 200p
C Share Conversion Date/Ratio	6 March 2013 / 1:1
Incorporation	Guernsey

[1] As defined by the AIC.

Company Facts (30 September 2023)	
Aircraft Registration Numbers (Lease Expiry Dates)	A6-EDP (14.10.2023), A6-EDT (02.12.2023), 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	B3Z6252, GG00B3Z62522, 213800ENH57LLS7MEM48
Year End	31 March
Stocks & Shares ISA	Eligible
Website	www.dnairtwo.com

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 is 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 from the point of delivery, with fixed lease rentals for the duration. In order to complete the purchase of the first three aircraft, MSN077 Limited, MSN090 Limited and MSN105 Limited entered into three separate loans, each of which will be fully amortised with quarterly repayments in arrears over 12 years. The remaining four aircraft were partially financed with the issuance of enhanced equipment trust certificates ("EETC"), a form of debt security. All outstanding EETC obligations have been fully repaid in the meantime.

The seven Airbus A380 aircraft bear the manufacturer's serial numbers (MSN) 077, 090, 105, 106, 107, 109, and 110.

Due to the effects of COVID-19, three of the DNA2 aircraft are still in storage, currently at Dubai World Central International Airport (DWC).

Aircraft utilisation for the period from delivery of each Airbus A380 until the end of August 2023 for aircraft not currently in storage was as follows:

Aircraft Utilisation

MSN	Delivery Date	Flight Hours	Flight Cycles	Average Flight Duration
106	01/10/2012	38,578	4,747	8h 8m
107	12/10/2012	37,039	4,398	8h 25m
109	09/11/2012	33,249	5,254	6h 20m
110	30/11/2012	33,586	5,474	6h 8m

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.

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 three of the seven 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 their 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 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. Three aircraft of the Company are in deep storage condition at this time and could be reactivated within months.

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

In May 2023 the European Union Aviation Safety Agency (EASA) issued an airworthiness directive (AD) mandating the inspection of wing rear spars between certain wing ribs. This is the latest action taken by the authority, which – in a series of ADs starting in 2019 – is addressing concerns of potential cracks in these areas. However, the aircraft owned by the Company were not due for inspection until recently. 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, does also depend on the amount of time an aircraft has spent on the ground (stored, 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. The inputs to calculate the threshold for the inspection date are published by Airbus and shows that 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 a physical inspection and records audit of the aircraft with MSN 105 in August 2023. Due to the storage of the aircraft and the protective measures associated with it, the physical inspection was limited to viewing the aircraft from the outside at ground level. The condition of the aircraft – to the extent visible – was in compliance with the provisions of the lease agreement, taking into account that the aircraft was in storage at that moment.

Furthermore, the asset manager conducted a physical inspection and records audit of the aircraft with MSN 107 in August 2023. The condition of the aircraft and the technical records were in compliance with the provisions of the respective lease agreement.

Inspection results of another aircraft (MSN 106) were not available as of the editorial deadline.

Upcoming Lease Expiries

The leases for the Company's first two aircraft with MSNs 077 and 090 are scheduled to expire in mid-October and early December 2023. The Company and Emirates have reached agreement that at the respective lease end dates of each aircraft, currently expected to be 14 October 2023 and 2 December 2023 respectively, the Company will sell the respective assets to Emirates. The sale proceeds to be paid by Emirates to the Company are GBP 28.9m in respect of each aircraft (equivalent to USD 35m, an aggregate combined total of USD 70m). The Directors intend to make a capital distribution to shareholders as soon as practicably possible following the later of the two lease end dates.

Until the relevant lease end date, the operating leases in respect of the two aircraft will continue between the parties. The distribution is currently expected to be made early in the first calendar quarter of 2024 by way of a redemption of two ordinary preference shares for every seven ordinary preference shares in the Company, to be effected at approximately 120 pence per share. This figure and the expected timing are based on current estimates and are subject to successful completion of the aircraft sales, there being no unanticipated costs, and the Company satisfying all relevant solvency tests, laws and regulations. Further details will be announced in due course.

The Board aims to maintain the Company's current dividend policy barring unforeseen circumstances.

After the sale of the two aircraft, the Company will continue to own five Airbus A380 aircraft whose leases expire between 1 October and 30 November 2024. The respective operating leases in respect of those aircraft are expected to continue as contracted between the parties until their expiry.

2. Market Overview

The impact of COVID-19 on the global economy was severe resulting in a 3.1% contraction in global GDP in 2020, followed by a recovery of 6.0% and 3.1% in 2021 and 2022 respectively. According to its latest report on global economic prospects from June 2023, the World Bank expects moderated growth of 2.1% for the current year. In its latest economic impact analysis from April 2023, the International Civil Aviation Organization (ICAO) estimates that the full year 2022 experienced an overall reduction in seats offered by airlines of 25% compared with pre-crisis 2019 levels. This translates into a 34% seat reduction in the international passenger traffic segment, while domestic air passenger traffic was less affected by the pandemic with an overall reduction of only 19% of seats offered by airlines. ICAO has not provided guidance for this year.

According to its June 2023 estimates the International Air Transport Association (IATA) indicates an airline industry-wide net loss of USD 3.6 billion for 2022 following losses of approximately USD 41.9 billion in the previous year. For the current year, IATA expects the first surplus since 2019 with the combined net profit of airlines worldwide to reach USD 9.6 billion. This would be a remarkable turnaround from a net loss of nearly USD 138 billion back in 2020. Nevertheless, the global economy is facing headwinds which also impact aviation. IATA does not expect a global recession as a record number of persons are earning a regular income with exceptionally low unemployment rates. But headwinds for the air transport sector result from a slowdown in GDP growth and the central banks' rate tightening in response to a surge in global inflation. Overall, IATA describes the outlook as follows: "In sum, while the current stage in the business cycle is slowing but still holding up close to the average, the world is facing high levels of uncertainty on multiple fronts, many of which might be rather structural in nature. This skews the risks to the overall outlook decidedly to the downside, both in the near and in the longer term."

Air passenger travel first gained momentum in 2022 and has recovered substantially according to IATA. The rebound has continued into 2023: In July 2023 industry-wide revenue passenger kilometres (RPKs) increased by 26.2% compared to the same period in the year before. This is 4.4% below the pre-pandemic level achieved in July 2019. At the same time airlines boosted their capacities, measured in available seat kilometres (ASKs), from July 2022 by 23.7%, a recovery to 96.1% of the pre-pandemic value in July 2019. The average passenger load factor (PLF) improved by 1.7 percentage points from its July 2022 levels to 85.2%, reaching the pre-pandemic PLF back in July 2019.

While international travel measured in RPKs is 11.3% short of its volume before the sector was hit by COVID-19, global domestic travel has fully recovered, surpassing the 2019 benchmark levels by 8.3%, reaching an all-time high record, according to IATA. The strong performance of major markets and in particular the positive developments in China have contributed to these results. In its monthly air passenger market analysis from July 2023 IATA reports a steady recovery trend over the past seven months, "exhibiting a slowing but resilient growth momentum". Based on ticket sales IATA has a positive near-term industry-wide demand outlook.

The Middle East, where the lessee is located, recorded an RPK increase of 21.9% between July 2022 and July 2023. Capacities, measured in ASKs, expanded by 21.0% over the period, resulting in a 0.6 percentage points improvement of the average PLF to 82.1%. This is the same level as pre-pandemic.

Source: IATA, ICAO, World Bank

3. Lessee – Emirates

Network

From November 2023 Emirates will upgrade its service to Sydney, Australia, to an all-A380 operation by replacing the third daily flight with another A380. This will help to increase the capacity by nearly 2,000 weekly seats. The airline has also plans to return to Adelaide, the capital city of South Australia, and is reportedly in discussions with Adelaide Airport to operate an A350 from and to Dubai from next year. Adelaide could be among the first A350 destinations when Emirates receives its first aircraft in mid-2024. Darwin, capital city of Australia's Northern Territory, could become another A350 destination, according to Emirates' President Tim Clark.

Over the last few months Emirates established and renewed interline partnerships, enabling Emirates' customers to more conveniently reach destinations beyond Emirates' own route network: A new agreement with Maldivian grants access to 16 popular holiday destinations in the Maldives on a single ticket, utilizing Maldivian's domestic network via Malé. Furthermore, Emirates renewed its interline agreement with SriLankan Airlines. On routes to 15 regional destinations operated by SriLankan Airlines from Colombo, Emirates' passengers benefit from baggage transfer and a single booking to their final destination.

Emirates also announced a significant expansion in its codeshare partnership with United. This allows customers flying to Chicago or Houston to access eight destinations in Mexico on United codeshare flights, providing more flexibility. In addition, Emirates operates a daily service to Mexico City via Barcelona.

Over the summer Emirates brought back daily A380 services to Birmingham, Nice, Taipei, and Shanghai. The airline also added flights to another twelve destinations. For the upcoming winter season Emirates announces to temporarily add an additional five-a-week service to London Heathrow between end of October and March 2024. As of August 2023, the airline serves the UK with 126 weekly flights including: six times daily A380 services to London Heathrow; three times daily A380 service to Gatwick; twice daily service to Stansted; three times daily A380 service to Manchester; double daily service to Birmingham (including daily A380 service); daily service to Newcastle and a daily A380 service to Glasgow.

To meet growing travel demand to Hong Kong, Emirates has announced a third daily flight from 1 November 2023. The additional daily frequency is one of two direct services to Hong Kong, while a third operates via Bangkok.

Due to restrictions imposed on their insurance policy Emirates has not longer operated leased aircraft in and out of Russia since May 2022. This includes the Company's aircraft. However, Emirates continues to operate their owned aircraft into this jurisdiction.

Fleet

In February 2022 Emirates' President, Sir Tim Clark, provided insight into fleet operating considerations for the airline. Reporting on recycling efforts of the first five A380s Emirates has retired, Clark pointed out that these will not continue with further A380s: "Cutting up the A380 fleet stops there, after these five are retired, all the other aircraft remain. In fact, where we started to drop some, I just decided to bring them back into the program." With a looming aircraft shortage in Emirates' fleet in 2024/25, Clark wants to extend aircraft lives: "Life extension will affect about 120 aircraft [...]. Their life will be extended by six to ten years each."

On 1 November 2022 Emirates kicked off its multi-billion dollar cabin retrofit programme that will upgrade the entire interior cabin of 67 Airbus A380s and 53 Boeing 777-300ERs, including the installation of the airline's latest premium economy seats. All A380s earmarked for the retrofit programme are expected to be back in service by May 2024. By March 2023 the first six aircraft were completely refurbished and returned to service. The Company is not aware that any of the DNA2 aircraft is scheduled to be retrofitted.

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

<u>Boeing 777X</u>

In an interview in late September 2023 Tim Clark said that "the 777-9 is hopefully coming at the end of 2025". In earlier statements Clark noted that "the aircraft is over five years late [when delivered in 2025] and, if it continues to be late, our patience will truly be tested". He went on to say that "we have an aging fleet, which needs to be replaced." However, with the planned refurbishment of 777-300ER he feels prepared for all eventualities: "We can never be held at the mercy of the supply chain or manufacturer [...]. So if the 777[-9] is late again we still have something in the armoury to cover all eventualities." During the 2022/23 financial year the carrier extended the lease period of 25 Boeing 777 aircraft.

With Airbus A380 and Boeing 747 no longer available for order, the Boeing 777X is the biggest aircraft in production and is destined to replace the A380 at some point.

<u>Boeing 787</u>

The 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 will require the manufacturer to inspect all 90 787 aircraft in its inventory and could affect the timing of near-term 787 deliveries.

In June 2022 Clark had suggested Boeing should focus on the 777X delivery and parking the Dreamliner order could result in "relief on both sides": "It's far more important for us that [Boeing] concentrate their activities on getting the 777[X] out of the door, than worrying about if they are going to have a contractual problem with the [7]87s with Emirates." In September 2023 Clark said, "the 787 isn't in the short-term picture at this point in time".

Airbus A350

Emirates has ordered 50 Airbus A350-900 widebody aircraft with the first deliveries starting in July/ August of 2024, according to Tim Clark. The airline and the manufacturer agreed on a "compressed delivery schedule" with all 50 orders delivered within a 30-month period. This should help "to pick up this big capacity hole that we can see", noted Emirates' President last year. In late September 2023 Tim Clark confirmed that the airline would also looking at the A350-1000 "quite seriously". The A350-1000 is about seven meters longer and has more than 50 additional seats in a typical two-class configuration, compared to the A350-900.

Continuing delays in the delivery of new aircraft to Emirates may result in keeping the existing fleet of aircraft, including the A380, for longer than originally planned. In May 2023 Clark confessed that there were still some issues getting its remaining A380s flying after the pandemic-induced grounding. "We had 86 flying last year and we need to get another 20-30 in the air as soon as we can." However, the ongoing refurbishment process is reportedly impacted by supply chain issues.

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.

Speaking about the airline's future capacity and aging fleet Tim Clark revealed that Emirates will "have to buy new aircraft" and that Emirates is "close to doing something", probably placing orders no later than at the Dubai Air Show in November this year. The lessee is reportedly in discussions with Airbus and Boeing about orders for up to 150 additional aircraft with a delivery window from 2027/28 to 2033. This could include Boeing 777Xs and Airbus A350s as well as more Boeing 787s.

The table below details the passenger aircraft fleet activity as of 30 September 2023:

Passenger Aircraft Fleet Activity

Aircraft Type	Grounded	In Service
A380	23	98
777	1	132
Total	**24**	**230**
%	**9%**	**91%**

Source: Cirium as of 30 September 2023

Emirates expects to reach 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 additional 12 spare aircraft to cover downtime for maintenance. In total, Kazim expects that "nearly 110 Airbus A380" will have returned to service by then.

Key Financials

In the 2022/23 financial year ending on 31 March 2023, Emirates recorded a net profit of AED 10.6 billion (USD 2.9 billion), its most profitable year in company history and a significant turnaround from a net loss of AED 3.9 billion (USD 1.1 billion) in the previous year. Nevertheless, currency fluctuations in some of the airline's major markets significantly impacted the airline's profitability negatively by AED 4.5 billion (USD 1.2 billion).

After nearly all pandemic-related restrictions around the world were removed Emirates accelerated its global network recovery by relaunching flights to six destinations and increasing operations to 62 cities across its network throughout the year. On 31 March 2023 the airline was flying to 141 passenger destinations. This record performance was achieved despite being faced with various challenges, including rising fuel costs, unfavourable currency swings, high inflation in many markets, increased interest rates, and ongoing geopolitical uncertainty. Commenting on the turnaround performance, Sheikh Ahmed bin Saeed Al Maktoum, Chairman and Chief Executive of Emirates Airline said: "We had anticipated the strong return of travel, and as the last travel restrictions lifted and triggered a tide of demand, we were ready to expand our operations quickly [...] to serve our customers."

The airline's total revenue, including other operating income, was up 81% from last year and reached AED 107.4 billion (USD 29.3 billion), crossing the AED 100 billion mark for the first time in the company's history. Emirates attributes the strong turnaround performance to "forward planning, business agility, customer confidence in our product and offerings, on time delivery of service [...], and ongoing investments in technology".

Between April 2022 and March 2023 Emirates carried 43.6 million passengers, more than doubling the number from the year before. Cargo uplift came in 14% lower, as Emirates reallocated capacities temporarily used for Emirates' SkyCargo operations back to passenger operations. The lessee increased its capacity, measured in ASKs, by 78% and reached 77% of pre-COVID levels. At the same time its passenger traffic, measured in RPKs, increased by 141%. This results in an average passenger load factor of 79.5%, an improvement of 20.9 percentage points from last year. The airline expects the rebound to pre-pandemic levels to continue into next year "as customer demand remains strong".

Given the substantial increase in flight operations, Emirates' total operating costs increased by 57% from last year. The carrier's fuel costs increased by 143%, primarily due to a 49% higher fuel uplift in line with increasing flight operations as well as a fuel price increase of 48%. Fuel, which had been the largest component of Emirates' operating costs prior to the pandemic, accounted for 36% of operating costs in the 2022/23 financial year. The recovery in Emirates' operations during the 2022/23 financial year led to an improved EBITDA of AED 33.3 billion (USD 9.1 billion) compared to AED 17.7 billion (USD 4.8 billion) from the previous year.

As of 31 March 2023, Emirates' total liabilities were nearly flat at AED 129.8 billion (USD 35.4 billion) compared to the end of the previous financial year. Amongst other things, the airline repaid AED 11.1 billion (USD 3.0 billion) in bonds and term loans. Total equity came in at AED 27.9 billion (USD 7.6 billion), an improvement of 37.4%. Emirates' equity ratio stood at 17.7% and its cash position, including short-term bank deposits, amounted to AED 37.4 billion (USD 10.2 billion) at the end of March 2023, the strongest ever cash asset balance in company history. In comparison, the carrier had AED 20.9 billion (USD 5.7 billion) in cash assets and short-term bank deposits at the end of the 2021/22 financial year. The net cash flow from operating activities came in at AED 44.3 billion (USD 12.1 billion), the highest ever achieved in a financial year.

Due to the company's strong cash flow generation in the period ending March 2023, which ultimately resulted in a positive net change in cash and cash equivalents, and a solid liquidity position, the carrier did not require additional support from its ultimate shareholder, the Government of Dubai. Since the beginning of the pandemic, the airline had received support via equity injections from its shareholder. For the past financial year, the company declared a dividend payable to the Owners of Emirates in the amount of AED 3.5 billion (USD 954 million). In addition, the lessee has already repaid AED 7.5 billion (USD 2.0 billion) from the AED 17.5 billion (USD 4.8 billion) in debt instruments raised during the pandemic.

As at the end of September 2023, 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 its most recent annual financial report, the auditor PricewaterhouseCoopers issued an unqualified audit report.

In line with its growing business activities Emirates Airline grew its employee base, including in subsidiary companies, within a twelve-month period till the end of March 2023 by 23% to 56,379 people.

The management of the Emirates Group, the combined businesses of Emirates Airline and dnata, has a "strong positive outlook" for the current 2023/24 financial year and expects to "remain profitable", according to Sheikh Ahmed. Inflation, high fuel prices, and political and economic uncertainty were flagged as challenges the management will have an eye on.

In late August 2023 the airline reported "one of its busiest summers ever". Between June and August Emirates had carried over 14 million passengers on nearly 50,000 flights to and from 140 cities with an average seat load factor exceeding 80%. Looking at the coming months, Emirates' booking trends "show unabated demand for international travel across its network" connecting six continents.

For more and more customers Dubai is becoming their final destination: Dubai has already welcomed more than 8.5 million international visitors during the first half of 2023, a significant increase compared to over one million in the same period the year before. For the upcoming winter season, the airline anticipates another spike in demand for air travel to Dubai.

In late August 2023 Emirates Chief Commercial Officer Adnan Kazim noted that "travel demand across our network has been strong and resilient despite rising cost-of-living pressure in many markets".

Sustainability

Emirates Airline has reinforced its commitment to environmentally responsible practices and achieved IATA Environmental Assessment (IEnvA) Stage One and the IEnvA Illegal Wildlife Trade module certification. The IEnvA system is described as an industry-leading and comprehensive environmental management system. Stage One of its core scope comprises flight operations, corporate activities as well as an illegal wildlife trade module. Reflecting on Emirates recent achievements, Marie Owens Thomsen, IATA's chief economist and SVP Sustainability said: "Stakeholder including governments, financiers and business partners will know that Emirates is not just meeting global standards and best practices on sustainability but is committed to continuous improvements to stay at the forefront of sustainability."

Source: Bloomberg, Cirium, Emirates, Executive Traveller

4. Aircraft – A380

As of the end of June 2023, the global A380 fleet consisted of 220 planes with 12 airline operators. 154 of these aircraft were in service. The remainder of the fleet is currently parked. The 12 operators are Emirates (121), Singapore Airlines (14), Deutsche Lufthansa (14), British Airways (12), Qantas (10), Korean Air Lines (10), Etihad Airways (10), Qatar Airways (10), Thai Airways (6), Asiana Airlines (6), Air France (4), and All Nippon Airways (3).

In July 2023 Etihad Airways reported the reactivation of a first A380. "The aircraft adds much needed capacity connecting Abu Dhabi with London Heathrow and allows us to build our network and increase frequencies across the network," states Etihad chief executive Antonoaldo Neves. In December 2022, Etihad disclosed a plan to reactive four of its 10 A380s from this year's summer season.

In August 2023 A380 operator Qantas ordered more Boeing 787s and Airbus A350s to replace its A330s and A380s. The initial order of 12 Boeing 787s and 12 A350s is earmarked to start replacing its A330s and A380s in coming years. However, then-CEO Alan Joyce stressed that the airline's ten A380s "still have a lot of life left in them", following recent cabin upgrades. It is planned to replace them with A350-1000s from 2032. Currently, Qantas has eight A380s in service with the final two set to return from storage before the end of the year.

In September 2023 Lufthansa confirmed plans to return the last two of its eight remaining A380s to service in 2024-25. They will be based in Munich, like the rest of the fleet. A month earlier the airline had disclosed to reactivate at least six aircraft. Currently, three aircraft are in service, covering transatlantic destinations like Boston and New York JFK. From October the airline's post-pandemic A380 network will be extended to Los Angeles and Bangkok.

Also in September 2023 Lufthansa revealed plans to keep the A380s much longer in service than originally planned, now until at least the early 2030s. "It depends on demand and when Airbus and Boeing are able to deliver other airplanes", said Lufthansa CEO Carsten Spohr. With many years to go, all eight A380 are scheduled to be retrofitted with the airline's latest business class cabin called Allegris. The A380 fleet will be deployed on routes to North America and Asia.

Thai Airways has put up all its six A380s for sale in "as-is, where-is" condition. The airline has sent out an invitation to interested parties with the opportunity to bid. However, a sale is subject to a final approval of Thai's Plan Administrator, as the sale is conducted under The Bankruptcy Court's order.

While the post-pandemic rebound in air travel triggered demand for aircraft and resulted in an uptick of market values for some aircraft types, the A380 has not yet benefitted to the same extent. Due to the significant number of A380s still in storage it is less likely that this would change soon.

Source: AeroTime, Cirium, Simple Flying Addendum

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 into the Group, is subject to an increased amount of uncertainty. From the outset of the transaction, the Directors relied on appraisers' valuations based on the assumption that there would be a balanced market, where supply and demand for the A380 are in equilibrium. These values are called future base values. At the instruction of the Group this assumption was changed for the March 2020 appraisals onward. Appraisers assumed a soft market, characterized by less favourable market conditions for the seller, including but not limited to an imbalance of supply and demand in the aircraft type. These values are called future soft values. The asset manager advised the Directors that the market sentiment for the A380 had declined since the valuation in March 2019: Following Airbus' announcement to discontinue the A380 production in 2021, a number of operators made determinations about their fleets that indicate an increased supply in used A380s in the coming years. Furthermore, A380s returned from operating leases could not be placed within a reasonable period of time and owners were forced to explore alternative scenarios for revenue generation like engine leasing. The impact of the COVID-19 pandemic with more than 30% of all A380s worldwide on the ground, further exacerbates this situation, as potential operators are focused on utilizing their existing capacities. Based on these observations the asset manager suggests the continued use of soft values to reflect the prevailing market circumstances in the valuations.

To enable investors to assess the effects of varying residual values on their total returns, the below table is provided for information only and contains a range of discounts to the average independently appraised residual values determined at the last valuation date in March 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 (30 September 2023) at the current share price consists of future income distributions during the remaining lease duration and a return of capital at dissolution of the Group. **The latter payment is subject to the future value and the respective sales proceeds of the aircraft, quoted in US dollars and the USD/GBP exchange rate at that point in time**. Since launch, three independent aircraft appraisers have provided the Group with their values for the aircraft at the end of each financial year.

The table below summarises the total return components using the appraised value of the aircraft which is the average of valuations provided by three independent aircraft appraisers and quoted in US dollars. **This residual value at lease expiry takes inflation into account and is the most reliable estimate available. Due to accounting standards, the value used in the Group's Annual Financial Report differs from this disclosure as it excludes the effects of inflation and is converted to sterling at the prevailing exchange rate on the reporting date (i.e. 31 March 2023).**

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

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

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

Implied Future Total Return Components Based on Soft Market Appraisals

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

Return of capital and total return are based on agreed sales proceeds for the aircraft with MSNs 077 and 090 and appraised future soft market values[1] for the remaining aircraft in the combined amount of USD 257.1m.

Per Share (rounded)	Income Distributions	Return of Capital			
		Latest Appraisal -75%[2,5]	Latest Appraisal -50%[2,5]	Latest Appraisal -25%[2,5]	Latest Appraisal[2]
Current FX Rate[3]	18p	70p	92p	114p	136p
Per Share (rounded)		Total Return[4]			
		Latest Appraisal -75%[2,5]	Latest Appraisal -50%[2,5]	Latest Appraisal -25%[2,5]	Latest Appraisal[2]
Current FX Rate[3]		88p	110p	133p	155p

[1] Date of valuation: 31 March 2023; 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] 1.2200 USD/GBP (29 September 2023)

[4] Includes expected future dividends

[5] No discounts for MSNs 077 and 090 applied.

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

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