

QUARTERLY FACT SHEET

December 2019

DORIC NIMROD AIR TWO LIMITED

LSE: DNA2

The Company

Doric Nimrod Air Two Limited ("the Company") is a Guernsey domiciled company. Its 172,500,000 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 247 million as of 31 December 2019.

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.

The total return for a shareholder investing today (31 December 2019) at the current share price consists of future income distributions during the remaining lease durations and a return of capital at dissolution of the Company. **The latter payment is subject to the future value and the respective sales proceeds of the aircraft, quoted in US dollars and the USD/GBP exchange rate at that point in time.** Since launch, three independent aircraft appraisers have provided the Company with their future values for the aircraft at the end of each financial year. The latest appraisals available are dated end of March 2019. Table No I below summarises the total return components, calculated on different exchange rates and 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 portfolio residual value at lease expiry takes inflation into account and is the most reliable estimate available to the Company's Asset Manager. Due to accounting standards, the values used in the Company's financial report differ from this disclosure as they exclude the effects of inflation and are converted to sterling at the prevailing exchange rate on the reporting date (e.g. 30 September 2019).**

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 cashflow is therefore insulated from foreign currency market volatility during the term of the leases.

With reference to the following two tables, there is no guarantee that the aircraft will be sold at such a sale price or that such capital returns will be generated and the Directors note that following the 14 February 2019 announcement by Airbus regarding the cessation of the A380 programme in 2021, there has been an understandable broadening of opinion amongst the Company's three independent aircraft appraisers with regard to the asset appraisal values as they continue to assess the consequences, positive and negative, of the Airbus decision. It is also assumed that the lessee will honour all its contractual obligations during each of the lease terms.

I. Implied Future Total Return Components Based on Appraisals

The implied return figures are not a forecast and assume the Company has not incurred any unexpected costs.

Aircraft portfolio value at lease expiry according to

- Prospectus appraisal USD 863 million
- Latest appraisal¹ USD 762.4 million

Per Share (rounded)	Income Distributions	Return of Capital					
		Prospectus Appraisal	Latest Appraisal -75% ²	Latest Appraisal -50% ²	Latest Appraisal -25% ²	Latest Appraisal ²	Latest Appraisal +25% ²
Prospectus FX Rate ³	86p	322p				290p	
Current FX Rate ⁴	86p	374p	93p	174p	254p	335p	416p
Per Share (rounded)		Total Return ⁵					
		Prospectus Appraisal	Latest Appraisal -75% ²	Latest Appraisal -50% ²	Latest Appraisal -25% ²	Latest Appraisal ²	Latest Appraisal +25% ²
Prospectus FX Rate ³		408p				375p	
Current FX Rate ⁴		460p	179p	259p	340p	421p	501p

¹Date of valuation: 31 March 2019

²Average of the three appraisals as at the Company's respective financial year-end in which each of the leases reached the end of their respective 12-year terms

³1.56 USD/GBP Initial Admission / 1.53 USD/GBP C Shares Admission

⁴1.3261 USD/GBP (31 December 2019)

⁵Includes future dividends

Emirates expects to receive 123 A380s in total from their current 115 today. Its senior management indicated that the A380 will remain a cornerstone part of their fleet well into the 2030s though the total number in fleet will decline over time. However, Emirates have not given any formal indication of numbers. Press articles following interviews with Tim Clark and a podcast with the president of Emirates, mentioned ranges from 80 to 100 A380s to remain in service, depending on the time horizon. This scenario, if realised, may result in returns and possibly retirements of a number of Emirates A380s over the next few years, potentially 20 to 40 of the total deliveries Emirates will have received by the end of 2021. In addition, as a function of the number of A380 airframes returned or retired over time, from Emirates or other existing operators, there is limited visibility over the value of remaining green time on the engines and spare parts. This will be assessed over the coming years.

The above referenced appraisals assume a balanced market with sufficient supply and demand from various market participants. So far, only a limited secondary market has developed for the aircraft type. The current share price suggests that the market anticipates lower residual values. It remains to be seen how the appraisers will reflect the events over the last twelve months in their next appraisals, which are due at the end of the first quarter 2020.

At the time of writing the situation is clearly fluid. There is little clarity regarding the secondary market or the exact intentions of Emirates. The Directors note that the outlook for the A380, and hence the total return of an investment into the Company, is subject to an increased amount of uncertainty. To enable investors to assess the effects of varying residual values on their total returns, the above table now contains a range of discounts to the average independently appraised residual values determined at the last valuation date in March 2019.

II. Company Facts (31 December 2019)

Listing	LSE
Ticker	DNA2
Current Share Price	143p (closing)
Market Capitalisation	GBP 247 million
Initial Debt	USD 1.03 billion
Outstanding Debt Balance	USD 317 million (31% of Initial Debt)
Current/Future Anticipated Dividend	4.5p per quarter (18p per annum)
Earned Dividends	138.5p
Current Dividend Yield	12.59%
Dividend Payment Dates	April, July, October, January
Cost Base Ratio ¹	1.0% (based on Average Share Capital)
Currency	GBP
Launch Date/Price	14 July 2011 / 200p
Average Remaining Lease Duration	4 years 7 months
C Share Issue Date/Price	27 March 2012 / 200p
C Share Conversion Date/Ratio	6 March 2013 / 1:1
Incorporation	Guernsey

II. Company Facts (31 December 2019), continued

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
Corp & Shareholder Advisor	Nimrod Capital LLP
Administrator	JTC Fund Solutions (Guernsey) Ltd
Auditor	Deloitte LLP
Market Makers	finnCap Ltd, Investec Bank, Jefferies International Ltd, Numis Securities Ltd, Shore Capital Ltd, Winterflood Securities Ltd
SEDOL, ISIN	B3Z6252, GG00B3Z62522
Year End	31 March
Stocks & Shares ISA	Eligible
Website	www.dnairtwo.com

¹ Calculated as Operating Costs / Average Share Capital as per the latest published Half-Yearly Financial Report.

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 arrear over 12 years.

The net proceeds from the C Share issue ("the Equity") were used to partially fund the purchase of four of the seven Airbus A380s. In order to help fund the acquisition of these final four aircraft, DNAFA issued two tranches of enhanced equipment trust certificates ("the Certificates" or "EETC") – a form of debt security – in June 2012 in the aggregate face value of USD 587.5 million. The Certificates are admitted to the official list of the Euronext Dublin and to trading on the Main Securities market thereof. DNAFA used the proceeds from both the Equity and the Certificates to finance the acquisition of four new Airbus A380 aircraft leased to Emirates.

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

The seven A380s owned by the Company recently visited Amsterdam, Barcelona, Bangkok, Johannesburg, Manchester, Moscow, New York, Sao Paulo, and Sydney.

Aircraft utilisation for the period from delivery of each Airbus A380 until the end of November 2019 was as follows:

Aircraft Utilisation				
MSN	Delivery Date	Flight Hours	Flight Cycles	Average Flight Duration
077	14/10/2011	36,012	4,281	8 h 25 min
090	02/12/2011	33,275	5,388	6 h 10 min
105	01/10/2012	31,345	4,989	6 h 15 min
106	01/10/2012	34,015	3,934	8 h 40 min
107	12/10/2012	33,263	3,862	8 h 35 min
109	09/11/2012	30,234	4,760	6 h 20 min
110	30/11/2012	29,889	4,829	6 h 10 min

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.

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

Inspections

Doric, the asset manager, conducted a physical inspection of the aircraft with MSN 110 in November as well as records audits of the aircraft with MSN 107 in September, with MSN 109 and 110 in November 2019. The condition of the aircraft and technical records were in compliance with the provisions of the respective lease agreement.

2. Market Overview

According to the International Air Transport Association (IATA), industry-wide passenger traffic, measured in global revenue passenger kilometres (RPKs), grew at a rate of 4.3% between January and October 2019, compared to the same period in the year before. At the same time, industry-wide capacity, measured in available seat kilometres (ASKs), increased by 3.8% against the same period of the previous year. This resulted in a 0.5 percentage point increase in the worldwide passenger load factor (PLF) to 82.8%.

Following a sharp improvement in RPKs in recent months (up 5.5% in October year-on-year), passenger traffic in the Middle East has increased by 2.1% between January and October 2019 against the same period in the previous year. Capacity grew by 0.6%, resulting in a 1.1 percentage point increase in PLF to 76.3%.

European-based operators continued to top overall market demand in 2019, as RPKs increased by 4.9% compared to the same period in the previous year. Asia Pacific ranked second with 4.8% followed closely by Latin America with 4.6%. Africa experienced an increase of 4.3% while North America also saw an increase of 3.8%.

Fuel is the single largest operating cost of airlines (on average 23.7% in 2019) and has a significant impact on the industry's profitability. According to its latest report released in December, IATA expects an average fuel price of USD 77.0 per barrel for 2019. This would be 10.6% lower compared to

the previous year. For 2020, IATA forecasts an average price of USD 75.6 per barrel of jet fuel, which would represent 22.1% of the estimated average operating costs.

Against the backdrop of the deterioration in world trade, IATA records airline industry profitability for 2019 at USD 25.9 billion. However, IATA forecast this to improve to USD 29.3 billion in 2020 on the back of a moderate global economic backdrop with a modest recovery in world trade.

© International Air Transport Association, 2019.

Air Passenger Market Analysis October 2019.

Economic Performance of the Airline Industry December 2019.

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3. Lessee – Emirates Key Financials

In the first half of the 2019/20 financial year ending on 31 March 2020, Emirates' revenue decreased by 3% to AED 47.3 billion (USD 12.9 billion) compared to the same period in the previous financial year. However, Emirates' net profit grew 282% compared to the last year to AED 862 million (USD 235 million). The positive result was largely driven by improved capacity deployment with better seat load factors and margins. This was partially offset by unfavourable foreign exchange movements which had a negative impact of approximately AED 1.2 billion (USD 327.0 million) on the net profit.

Emirates carried 29.6 million passengers during the first half of the 2019/20 financial year, down 2% from the same period last year. Passenger traffic, measured in RPKs, fell by 2%, while capacity, measured in ASKs, fell by 5%. This resulted in a passenger load factor of 81.1% compared to 78.8% for the same period last year.

During this period, Emirates' operating costs fell by 8% against the overall capacity decrease of 7%. Average fuel costs were down 13% and remained the largest component of Emirates' operating costs at 32%. This was due to a decrease in oil prices as well as a lower fuel uplift resulting from reduced capacity during the 45-day runway closure at Dubai International Airport (DXB).

As of 30 September 2019, Emirates' balance sheet totalled AED 175.4 billion (USD 47.8 billion), up 37.7% compared to the beginning of the financial year. Total equity decreased by 23.4% to AED 28.9 billion (USD 7.9 billion). As a result, the equity ratio fell to 16.5%. This was largely due to a negative impact on equity of approximately AED 9.7 billion (USD 2.6 billion) resulting from the adoption of IFRS 16. The airline's cash balance amounted to AED 18.3 billion (USD 5.0 billion) at the end of the first half of the 2019/20 financial year, up by AED 1.3 billion (USD 342 million) compared to the start of the financial year.

Over the first six months of the 2019/20 financial year, Emirates took delivery of three new Airbus A380s and is scheduled to receive three more new aircraft by the end of the financial year. During this period, Emirates also retired six older aircraft from its fleet with two more scheduled to be returned by the end of the financial year. At the Dubai Air Show in November, Emirates announced changes to its order book with a firm order for 50 Airbus A350-900s, which also confirmed the cancellation of its 39 remaining A380 orders and dropped its tentative A330neo commitment from

February. Additionally, Emirates revised its previous tentative agreement with Boeing, opting to take 30 of the 787-9 variant rather than the larger 787-10 and reducing its 777X commitment from 150 to 126 aircraft. Deliveries of the new 787-9 aircraft will commence in May 2023.

The firming of orders for the Airbus A350 and Boeing 787 marks a shift away from Emirates' previous strategy of exclusively operating the Airbus A380 and Boeing 777. Emirates' president Tim Clark noted that the network and fleet planning teams determined the A380/777 fleet strategy could compromise the airline's ability to maximise its global growth ambitions as certain routes were becoming commercially unattractive with the two large aircraft types. Emirates now expects to introduce new points into its network with the smaller widebody aircraft from 2023/24.

In late December, Emirates announced that its president Tim Clark would be retiring in June 2020. Clark has been with the airline since 1985 and became president in 2003. Following his retirement, Clark will remain with Emirates in an advisory role. Clark's successor has not yet been named.

Source: Cirium, Emirates

4. Aircraft – A380

As of mid-December 2019, Emirates operated a fleet of 113 A380s which currently serve 56 destinations within its global network via its hub in Dubai. A380 destinations include: Amman, Amsterdam, Athens, Auckland, Bangkok, Barcelona, Beijing, Birmingham, Boston, Brisbane, Cairo, Casablanca, Christchurch, Copenhagen, Dusseldorf, Frankfurt, Glasgow, Guangzhou, Hamburg, Hong Kong, Houston, Jeddah, Johannesburg, Kuala Lumpur, London Gatwick, London Heathrow, Los Angeles, Madrid, Manchester, Mauritius, Melbourne, Milan, Moscow, Mumbai, Munich, Muscat, New

York JFK, Nice, Osaka, Paris, Perth, Prague, Riyadh, Rome, San Francisco, Sao Paulo, Seoul, Shanghai, Singapore, Sydney, Taipei, Tokyo Narita, Toronto, Vienna, Washington, and Zurich.

Also as of mid-December 2019, the global A380 fleet consisted of 235 planes in commercial service. The fourteen operators are Emirates (113), Singapore Airlines (19), Deutsche Lufthansa (14), Qantas (12), British Airways (12), Korean Air Lines (10), Etihad Airways (10), Qatar Airways (10), Air France (9), Malaysia Airlines (6), Thai Airways (6), Asiana Airlines (6), China Southern Airlines (5), All Nippon Airways (2), and Hi Fly (1). Another four aircraft are listed as in storage, including one from Emirates which was parked at Dubai-World Central International Airport.

In an October interview, Emirates' president Tim Clark stated that the A380 "will remain a major component of our fleet mix for the next 15 years at least", adding that the number of A380s "will stabilise at about 115... and then probably go down to about 90-100 by the middle of the next decade". However, he also noted that investment in the A380 programme will continue, with the A380 to debut premium-economy cabins in November next year.

In November, Air France began its A380 decommissioning process. The first A380 was sent for repainting in Malta in preparation for its scheduled return to lessor Dr Peters in February. However, the aircraft has since returned to service and will continue commercial operations until its last commercial flight on 1 January 2020. Dr Peters is scheduled to receive the second of its five A380s from Air France in 2020, and the leases of the remaining three aircraft are set to expire in mid-2021, mid-2022, and mid-2024. Air France intends to end its A380 service in 2022 and will replace the fleet with Airbus A350-900 aircraft.

Source: ch-aviation, Cirium



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