

QUARTERLY FACT SHEET

March 2020

DORIC NIMROD AIR TWO LIMITED

LSE: DNA2

COVID-19

These are unprecedented times and the impacts of COVID-19 are far reaching and changing at a significant pace. The impact of this pandemic on the aviation sector has been significant with a large part of the global passenger aircraft fleet grounded. This quarterly factsheet 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 current 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 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 112 million as of 31 March 2020.

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 (31 March 2020)

Listing	LSE
Ticker	DNA2
Current Share Price	65p (closing)
Market Capitalisation	GBP 112.3 million
Initial Debt	USD 1.03 billion
Outstanding Debt Balance	USD 305 million (30% of Initial Debt)
Current and Targeted Dividend	4.5p per quarter (18p per annum)

Earned Dividends	143.0p
Current Dividend Yield	27.69%
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 4 months
C Share Issue Date/Price	27 March 2012 / 200p
C Share Conversion Date/Ratio	6 March 2013 / 1:1
Incorporation	Guernsey
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 Amman, Dusseldorf, London, Moscow, Munich, Prague, and Singapore. The Aircraft are presently stored at Dubai International Airport (DXB) and Dubai World Central (DWC).

Aircraft utilisation for the period from delivery of each Airbus A380 until the end of February 2020 was as follows:

MSN	Delivery Date	Flight Hours	Flight Cycles	Average Flight Duration
077	14/10/2011	36,631	4,381	8 h 20 min
090	02/12/2011	34,334	5,554	6 h 10 min
105	01/10/2012	32,111	5,116	6 h 15 min
106	01/10/2012	34,920	4,068	8 h 35 min
107	12/10/2012	34,165	3,977	8 h 35 min
109	09/11/2012	31,312	4,924	6 h 20 min
110	30/11/2012	31,034	5,004	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 MSNs 090 and 107 in March as well as records audits of the aircraft with MSNs 077 and 090 in March. The final results of the inspections were not available as of the editorial deadline of this report.

2. Market Overview

Air passenger traffic worldwide is currently being affected by the COVID-19 virus. In response to the pandemic, governments have been imposing severe border restrictions and airlines have subsequently sharply reduced capacity due to the significant drop in passenger demand. The International Air Transport Association (IATA) reported that markets that comprise 98% of all passenger revenue worldwide are subject to some form of severe restrictions, including outright border closures, partial travel bans, and mandatory quarantines for arriving passengers. Cirium estimates that more than 11,500 widebodies, narrowbodies and regional jets have been parked due to the pandemic as of the end of March 2020, representing approximately 44% of the total global fleet.

Given the pattern of previous epidemics, IATA anticipates that the impact on aviation will last a number of months (typically 6-7 months) with the greatest effects realised after 2-3 months. However, IATA also notes that an economic recession could delay any recovery past this six-month period seen in previous epidemics. Fiscal stimulus from governments is expected to lessen recessionary impacts. In March, IATA updated its initial assessment of the COVID-19 impact and

now anticipates 2020 global revenue losses for the passenger business of USD 252 billion due to the broader spreading of COVID-19. This represents a 38% fall in global passenger traffic.

IATA did report that Chinese passenger numbers have begun to increase and that passenger yields have stabilized, with March domestic yields thus far slightly exceeding those in the same month during 2019. Further, it was encouraged by fiscal stimulus actions and intentions declared by governments around the world. The governments of many large economies with significant air travel markets are expected to provide stimulus packages falling in the range of 10-20% of GDP.

According to IATA, industry-wide passenger traffic, measured in global revenue passenger kilometres (RPKs), grew at a rate of 4.2% in the calendar year 2019, compared to the year before. At the same time, industry-wide capacity, measured in available seat kilometres (ASKs), increased by 3.4% against the previous year. This resulted in a 0.6 percentage point increase in the worldwide passenger load factor (PLF) to 82.6%.

In 2019, passenger traffic in the Middle East has increased by 2.3% against the previous year. Capacity grew marginally by 0.1%, resulting in a 1.7 percentage point increase in PLF to 76.2%. As of January 2020, carriers based in the Middle East recorded 5.4% annual growth in international RPKs, the fourth consecutive month of solid growth. At that point in time, none of the main carriers in the region cancelled flights due to COVID-19 virus, but this situation has since changed.

Sources: Cirium, IATA

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3. Lessee – Emirates Key Financials

In response to the outbreak of the COVID-19 virus, Emirates continues to maintain international air cargo links, using its fleet of Boeing 777 freighters for the transport of essential goods, including medical supplies, across the world. However, as of 25 March, Emirates has temporarily suspended its passenger operations until further notice. Furthermore, also as of 25 March, Dubai’s two airports, Dubai International and Dubai World Central (DWC), are closed to the travelling public for at least two weeks. However, vital cargo and emergency evacuation flights continue to operate. Emirates Airline is utilizing DXB and DWC to temporarily park its Airbus A380 and Boeing 777 fleet of aircraft.

The table below details the current passenger fleet activity:

Aircraft Type	Grounded	Active
A380	115	0
777-300ER	137	18
Total	252	18
%	93%	7%

Source: Flightradar24 as of 31 March 2020

While Emirates maintains that it has a strong balance sheet with a substantial cash position, the airline is taking additional measures to reduce costs through COVID-19 outbreak. These measures include the postponement or cancellation of discretionary expenditure, a freeze on all non-essential recruitment and consultancy work, working with suppliers to find cost savings, encouraging employees to take paid or unpaid leave, a temporary reduction of basic salary for the majority of Emirates employees for three months (ranging from 25% to 50%). Emirates does not intend to include job cuts in the cost reduction measures at this time.

On March 31, Sheikh Hamdan bin Mohammed bin Rashid Al Maktoum, Crown Prince of Dubai, announced that the government is “committed to fully supporting Emirates”. Further details about an equity injection and “more measures” will be disclosed soon, according to his post on Twitter. Ten days earlier, Sheikh Ahmed bin Saeed Al Maktoum, chairman and chief executive of Emirates Airline noted, that “Until January 2020, the Emirates Group was doing well against our current financial year targets. But COVID-19 has brought all that to a sudden and painful halt over the past 6 weeks.”

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 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.

Source: Cirium, Emirates

4. Aircraft – A380

The Emirates fleet consisted of 270 aircraft as of March 2020, including 115 A380s. In addition to its current fleet, Emirates has an order book with Airbus and Boeing. With Airbus, Emirates has a firm order for 50 A350-900 XWB aircraft. These aircraft are presently scheduled to be delivered from May 2023 through 2028 as well as 8 more A380s that will be delivered to Emirates from Airbus by 2021. Before COVID19 Emirates has stated that it will fly A380s well into the 2030s.

Emirates expects to receive 123 A380s in total, an additional eight units 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. In November last year 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.

During February Etihad Airways PJSC completed the purchase of two A380-800 aircraft less than three years into their fixed 12 year operating leases. Etihad also undertook to repay all of the outstanding financing arrangements and other associated costs with respect to both leases. It remains to be determined how such transactional data will be incorporated into appraisers' forecasts for the A380, particularly in the current very fluid operating environment.

Following the COVID-19 epidemic operators like Air France, Lufthansa (at least six units), and Qatar Airways have publicized plans to phase out the A380 in the near term. Lufthansa is permanently decommissioning six A380s that were previously schedule to depart the fleet in 2022.

Airbus entered into a new A380 MRO joint venture with Singapore Airlines, HMSS, in February to address the cabin reconfiguration costs on the A380. Airbus plans to use HMSS to offer major upgrades on the A380 in a competitive way in order to assist in remarketing the aircraft on the second-hand market.

Emirates has signed a general terms agreement for Airbus A380 support with component maintenance provider Spairliners, a joint venture between Air France Industries KLM Engineering & Maintenance and Lufthansa Technik based in Hamburg, Germany. Emirates vice-president

procurement aircraft Ammar Al-Zabe expects the deal to "strengthen the support, service and reliability for our A380s" and result in "optimised" operations of the type.

Source: Cirium

Addendum - Implied Future Total Returns based on the latest appraisals as at 31 March 2019

For illustrative purposes only

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 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 2019. The table summarises the total return components, calculated on different exchange rates and using the original prospectus appraisal, 75% discount, 50% discount, 25% discount 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 total return for a shareholder investing today (31 March 2020) at the current share price consists of future income distributions during the remaining lease duration 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 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 of 2020.

The table 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 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 Company's 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 (e.g. 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 Company running costs, which are in sterling. The Company'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 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 the entire lease term.

The Directors further note that any possible long-term impact of the COVID-19 global pandemic on the Company and aviation industry as a whole are entirely unknown at the time of writing. The following two tables do 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 Company has not incurred any unexpected costs or loss of income.

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
Prospectus FX Rate ³	81p	322p				290p
Current FX Rate ⁴	81p	399p	98p	184p	271p	357p
Per Share (rounded)		Total Return ⁵				
		Prospectus Appraisal	Latest Appraisal -75% ²	Latest Appraisal -50% ²	Latest Appraisal -25% ²	Latest Appraisal ²
Prospectus FX Rate ³		404p				371p
Current FX Rate ⁴		480p	180p	266p	352p	438p

¹ Date of valuation: 31 March 2019

² Average 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

³ 1.56 USD/GBP Initial Admission / 1.53 USD/GBP C Shares Admission

⁴ 1.2420 USD/GBP (31 March 2020)

⁵ Includes future dividends

The above referenced appraisals assume a balanced market with sufficient supply and demand from various market participants. The balanced market basis used in arriving at the appraisal figures does not imply that there is a balanced market today or indeed that there will be a balanced market at the point of lease expiry.

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 will be prepared following the end of the first quarter of 2020.

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