

QUARTERLY FACT SHEET

June 2021

DORIC NIMROD AIR TWO LIMITED

LSE: DNA2

COVID-19

The impact of the COVID-19 pandemic on the aviation sector has been significant with about a quarter 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 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 136.5 million as of 30 June 2021.

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 June 2021)

Listing	LSE
Ticker	DNA2
Current Share Price	79.0p
Market Capitalisation	GBP 136.5 million
Initial Debt	USD 1.03 billion
Outstanding Debt Balance ¹	USD 157.7 million (15% of Initial Debt)
Current and Targeted Dividend	4.5p per quarter (18p per annum)
Earned Dividends	165.5p
Current Dividend Yield	22.78%
Dividend Payment Dates	January, April, July, October

Company Facts (30 June 2021)

Ongoing Charges (OCF) ²	1.9%
Currency	GBP
Launch Date/Price	14 July 2011 / 200p
Average Remaining Lease Duration	3 years
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 Plc, Jefferies International Ltd, Numis Securities Ltd, Shore Capital Ltd, Winterflood Securities Ltd
SEDOL, ISIN, LEI	B3Z6252, GG00B3Z62522, 213800ENH57LLS7MEM48
Year End	31 March
Stocks & Shares ISA	Eligible
Website	www.dnairtwo.com

¹ Class B EETC matured in May 2019 with USD 154m redeemed in total.

² As defined by the AIC.

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 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 (Class A & Class B) 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 which were then leased to Emirates.

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, the Aircraft have been stored since March 2020, currently at Dubai World Central International Airport (DWC).

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 lease (including maintenance, repairs, and insurance).

Inspections

Doric, the Asset Manager, conducted records audits of the aircraft with MSNs 077 and 090 as well as physical inspections of the aircraft with MSNs 090 and 107 in March 2021. Due to the storage of the aircraft and the protective measures associated with, the inspection of the aircraft was limited to viewing the outside of the aircraft from ground level. The condition of the aircraft – to the extent visible – and their technical records were in compliance with the provisions of the respective lease agreements, taking into account that the aircraft were in storage at the moment of the audit.

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 between 4.0% and 6.0% in 2021. In its latest economic impact analysis from June 2021, the International Civil Aviation Organization (ICAO) estimates that the full year 2021 could experience an overall reduction in seats offered by airlines of 36% to 39% compared with pre-crisis 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 47.7 billion in 2021, after approximately USD 126 billion in the previous year, according to its latest estimates from April 2021.

Passenger traffic has continued to recover through April 2021, as the strength of the global economic recovery and decline in new COVID-19 cases globally has led to increased travel demand. In April 2021, industry-wide revenue passenger kilometres (RPKs) fell by 65.4% compared to pre-crisis 2019 levels. Similarly, industry-wide capacity, measured in available seat kilometres (ASKs), contracted by 54.5% compared to pre-crisis 2019 levels. As a result, the worldwide passenger load factor (PLF) fell by 19.8 percentage points to 63.3%. In comparison to the lowest point of the crisis a year prior, RPKs were up 484%, ASKs were up 245%, and the PLF increased by 25.9 percentage points during the month of April 2021.

Due to their reliance on international long-haul routes, Middle Eastern carriers like Emirates continue to experience greater declines than other regions compared to pre-crisis levels. RPKs fell 81.7% in April 2021 compared to pre-crisis 2019 levels. Capacity also fell by 63.4% during that period, which resulted in a 40.1 percentage points decrease in PLF to 40.4%. However, in comparison to the lowest point of the crisis a year prior, RPKs were up 550%, ASKs were up 373%, and the PLF increased by 11.0 percentage points in April 2021.

IATA notes that the outlook for international air travel depends on the rollout of vaccines. According to a forecast by Airfinity, key markets in Europe and North America should have their high-risk and healthcare populations vaccinated by July and

75% of their entire populations vaccinated by October this year. IATA, in turn, suggests that some advanced economy markets should be able to open with strong results later in the year, due to pent-up demand. However, how governments will respond in practice remains unclear, given the recent emergence of new variants of the virus.

Source: IATA, ICAO

© International Air Transport Association, 2020. Air Passenger Market Analysis April 2021. Outlook for the Global Airline Industry April 2021. All Rights Reserved. Available on the IATA Economics page.

© International Civil Aviation Organization. Effects of Novel Coronavirus (COVID-19) on Civil Aviation: Economic Impact Analysis, 22 June 2021.

3. Lessee – Emirates

Network

Emirates' recovery efforts continued through the first half of 2021 with the restart of operations to destinations throughout the world. Prior to the pandemic, Emirates operated flights to 157 destinations in 82 countries. In July 2021, Emirates intends to operate 880 weekly services across 124 cities, or approximately 90% of its pre-pandemic network. As a part of these efforts, the carrier plans to reinstate more than 30 of its Airbus A380s, bringing its A380 network up to 15 cities and 129 weekly services. Intended A380 destinations include Amman, Cairo, Frankfurt, Guangzhou, Jeddah, London Heathrow, Los Angeles, Manchester, Moscow, Munich, New York JFK, Paris, Toronto, Vienna, and Washington DC.

Fleet

Throughout the crisis, Emirates' operations largely focused on the utilisation of its fleet to meet the global demand for cargo services. As travel restrictions have begun to ease, especially following the introduction of "Covid-tested flights" and other arrangements which allow travelers to avoid quarantine in certain countries like Italy, Emirates has been deploying its Boeing 777-300ER and Airbus A380 aircraft on newly resumed passenger services as well as up-gauging existing passenger routes. The carrier states that it has focused on increasing passenger services to Europe, Africa, and North America to meet strong summer leisure travel demand, as more destinations reopen for international visitors and offer quarantine-free travel.

The table below details the passenger aircraft fleet activity as of 30 June 2021:

Passenger Aircraft Fleet Activity		
Aircraft Type	Grounded	In Service
A380	91	28
777	1	118
Total	92	146
%	39%	61%

Source: Cirium as of 30 June 2021

In May 2021, Emirates President Sir Tim Clark restated the lack of clarity regarding its fleet planning due to the delays to the 777X programme, adding that the carrier does not have "any visibility on [delivery schedules] for three years". Previously, Emirates had as many as 171 Boeing 777-300ER aircraft which it intended to replace with the new 777-9 variant. Furthermore, Clark reiterated previous statements that the Airbus A380 is expected to play a key role in Emirates' fleet for the next 10 to 15 years, "using the A380s on the trunk routes, barreling through from east to west and north to south ... with the 777X gradually slipping in to replace the A380s that eventually retire". Back in December 2020 - in the midst of the pandemic - he had confirmed the strategic importance the aircraft type has for the carrier: "The A380 will remain our flagship for the next decade, and we will re-deploy it on more routes as travel demand returns."

Key Financials

In the financial year ending 31 March 2021, Emirates recorded its first loss in over 30 years. Revenues fell 66.4% to AED 30.9 billion (USD 8.4 billion) due to global pandemic. As a result, Emirates recorded a net loss of AED 20.3 billion (USD 5.5 billion) compared to a profit of AED 1.1 billion (USD 287.7 million) in the previous financial year.

The number of passengers Emirates carried fell 88% to 6.6 million during the financial year following the suspension of passenger operations in the early part of the year and the subsequent sluggish recovery. As a result, Emirates reduced its ASKs by 83% in the 2020/21 financial year, while RPKs were down by 90%. During this period, Emirates' average PLF fell to 44.3%, compared to last year's pre-pandemic figure of 78.5%.

In response to the crisis, Emirates took a number of actions to reduce costs, including reducing its workforce by 32.0%. It also trimmed its fleet by a net 11 units. This includes five A380s in total. One was retired during the financial year. A further four were taken out of operations as they are currently grounded and not expected to be used before their scheduled retirement dates within the 2021/22 financial year. Additionally, the carrier sought to restructure certain financial obligations, renegotiate contracts, and consolidate its operations. Overall, Emirates reduced its total operating costs by 46.4%. This was attributable to lower nominal cost in all but one operating cost category. Charges for depreciation, amortization and impairment increased, and its share in total operating costs amounted to 42.9%. Jet fuel, traditionally the single largest cost category with Emirates, represented a share of 13.9% in the total operating cost. Despite this significant reduction in operations, the carrier's EBITDA remained positive at AED 4.6 billion (USD 1.3 billion).

While demand for air passenger travel was down during the 2020/21 financial year, air freight demand rose strongly. In fact, Emirates SkyCargo increased its revenues by 52.6% to AED 17.1 billion (USD 4.7 billion) during this period. The volume of cargo uplifted decreased by 21.6% to 1.9 million tonnes, due to the lower belly capacity available, while the yield nearly

doubled. This development reflects the extraordinary market situation during the global pandemic.

In February 2021, Adel Al Redha, Emirates COO, noted that freight revenues exceeded the airline's expectations. Revenue from cargo operations amounted to 56.6% of Emirates' total revenues during the last financial year, up from 12.8% in the period before. However, passenger travel revenues appear to be volatile, depending on the measures taken by countries to overcome the pandemic.

As of 31 March 2021, Emirates' total liabilities decreased by 11.3% to AED 131.6 billion (USD 35.9 billion USD) compared to the end of the previous financial year. Total equity decreased by 14.6% to AED 20.1 billion (USD 5.5 billion) with an equity ratio of 13.3%. Emirates' cash position amounted to AED 15.1 billion (USD 4.1 billion) at the end of March 2021. This compares to AED 20.2 billion (USD 5.5 billion) in cash assets at the beginning of the 2020/21 financial year. The drop in liquid funds was mainly driven by ticket refund payments to customers in the amount of AED 8.5 billion (USD 2.3 billion), while the cash flow from operating activities was AED 4.0 billion (USD 1.1 billion) positive.

On the ongoing financial position of Emirates in light of the global pandemic, HH Sheikh Ahmed bin Saeed Al Maktoum, chairman and chief executive of Emirates, stated: "Our top priorities throughout the year were: the health and wellbeing of our people and customers, preserving cash and controlling costs, and restoring our operations safely and sustainably. Emirates received a capital injection of AED 11.3 billion (USD 3.1 billion) from our ultimate shareholder, the Government of Dubai... [This] helped us sustain operations and retain the vast majority of our talent pool."

As at the end of June 2021, Emirates has outstanding USD 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 USD. 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. In its latest annual financial report the auditor PricewaterhouseCoopers issued an unqualified audit report and the airline stated it "remains confident to meet our financial commitments as they fall due in the coming year and beyond through proactive working capital management and utilisation of available credit lines and facilities".

Source: Bloomberg, Cirium, Emirates, Khaleej Times, Simpleflying

4. Aircraft – A380

As of the end of June 2021, the global A380 fleet consisted of 242 planes with airline operators. Only 34 of these aircraft were in service. The remainder of the fleet is currently parked due to COVID-19. The fifteen operators are Emirates (119), 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 (3), and Hi Fly (1). Another three aircraft are on order.

In April 2021, Etihad chief executive Tony Douglas disclosed that the carrier has decided to ground its 10 Airbus A380 "indefinitely" as it remodels its fleet around the Boeing 787 and the Airbus A350. He added that the A380 is "a wonderful product... but they are no longer commercially sustainable. So, we have taken the difficult decision to park those machines up indefinitely". As a part of its streamlining process, the carrier has also already removed its Airbus A330 aircraft from service and intends to remove its Boeing 777-300ER aircraft from service by the end of the year.

Also in April, British Airways chief executive Sean Doyle stated that the Airbus A380 will continue to play a role in the carrier's fleet strategy. Following the retirement of the British Airways' Boeing 747 aircraft in 2020, which represented a large portion of its pre-COVID capacity. The A380 will serve to offer flexibility on a range of routes, especially to the USA and Asia, while also maximising efficiency at carrier's slot-constrained London Heathrow base, according to Doyle.

In May 2021, Malaysia Aviation Group (MAG), Malaysia Airlines' parent company, announced its intention to retire its Airbus A380 fleet "in the coming months". The retirement of the A380 is a part of MAG's larger reorganisation plan, known as "Long-Term Business Plan 2.0". Under the plan, MAG's pilgrimage-focused subsidiary Amal will cease flying A380s and will instead operate A330-200 aircraft.

Source: Cirium

ADDENDUM

Implied Future Total Returns based on the latest appraisals as at 31 March 2021 -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 ongoing COVID-19 pandemic with the vast majority of 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 2021. 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 2021.

The total return for a shareholder investing today (30 June 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 2021).**

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.

Aircraft portfolio value at lease expiry according to

- **Latest appraisal¹ USD 327.8 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	59p	45p	79p	112p	145p
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		104p	138p	171p	204p

¹Date of valuation: 31 March 2021; inflation rate: 1.5% ²Average 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 ³1.3829 USD/GBP (30 June 2021) ⁴Includes expected future dividends

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



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