

QUARTERLY FACT SHEET

July 2022

DORIC NIMROD AIR ONE LIMITED

LSE: DNA

COVID-19

The pandemic continues to impact private and economic life worldwide. The consequences of COVID-19 are far reaching and changing at a significant pace. The impact of this pandemic on the aviation sector has been significant and is still pervasive. This quarterly fact sheet is exclusively based on facts known 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 Company

Doric Nimrod Air One Limited (“the Company”) is a Guernsey domiciled company. Its 42,450,000 ordinary preference shares have been admitted to trading on the Specialist Fund Segment (SFS) of the London Stock Exchange’s Main Market. The Company has purchased one Airbus A380-861 aircraft, manufacturer’s serial number (MSN) 016, which it has leased for an initial term of 12 years till December 2022, with fixed lease rentals for the duration, to Emirates, the national carrier owned by the Investment Corporation of Dubai, based in Dubai, United Arab Emirates. The market capitalisation of the Company is GBP 14.2 million as of 30 June 2022.

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 single aircraft. The Company receives income from the lease and targets a gross distribution to the shareholders of 2.25 pence per share per quarter for the final three distributions.

Company Facts (30 June 2022)

Listing	LSE
Ticker	DNA
Current Share Price	33.5p
Market Capitalisation	GBP 14.2 million
Initial Debt	USD 122 million
Outstanding Debt Balance	USD 2.2 million (2% of Initial Debt)
Current and Targeted Dividend	2.25p per quarter (9p per annum)
Earned Dividends	101.25p
Current Dividend Yield	26.87%
Dividend Payment Dates	July 2022, October 2022, January 2023
Ongoing Charges (OCF) ¹	2.8%
Currency	GBP
Launch Date/Price	13 December 2010 / 100p
Remaining Lease Duration	6 months
Incorporation	Guernsey
Aircraft Registration Number (Lease Expiry Date)	A6-EDC (16.12.2022)
Asset Manager	Doric GmbH
Corp & Shareholder Advisor	Nimrod Capital LLP
Administrator	JTC Fund Solutions (Guernsey) Ltd
Auditor	Grant Thornton Ltd
Market Makers	finnCap Ltd, Investec Bank Plc, Jefferies International Ltd, Numis Securities Ltd, Shore Capital Ltd, Winterflood Securities Ltd
SEDOL, ISIN, LEI	B4MF389, GG00B4MF3899, 2138009FPM7EH4WDS168
Year End	31 March
Stocks & Shares ISA	Eligible
Website	www.dnairone.com

¹As defined by the AIC.

Asset Manager's Comment

1. The Doric Nimrod Air One Airbus A380

The Airbus A380 is registered in the United Arab Emirates under the registration mark A6-EDC. The aircraft has 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 Company 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 (including for maintenance, repairs, and insurance) relating to the aircraft during the lifetime of the lease.

Lease Expiry/Sale of the Aircraft

In July 2022, the Company and Emirates reached agreement that at the lease end date, currently expected to be 16 December 2022, the Company will sell the aircraft to Emirates. The sale proceeds to be paid by Emirates to the Company are GBP 25.30m. The Directors intend to distribute the sale proceeds to shareholders of the Company, net of any liquidation and other costs and assuming successful completion and no further or unexpected costs or events, as soon as possible following the lease end date. It is currently anticipated that the process for liquidation of the Company will commence as soon as practicably possible thereafter, following payment of monies to shareholders.

Until the lease end date, the Company and the operating lease will continue as contracted. The Directors therefore anticipate that between now and the Company's liquidation

(currently expected to be early in the first calendar quarter of 2023), subject to successful completion and no unexpected costs or events, to distribute to shareholders, both in the form of quarterly dividends (including the dividend to be paid on or around 29 July 2022) and a capital return, a total of approximately 66 pence per share.

2. Market Overview

The impact of COVID-19 on the global economy has been severe, resulting in a contraction in global GDP of 3.3% in 2020, followed by an expected recovery of 5.7% in 2021 and 2.9% in 2022, according to the World Bank's report on global economic prospects from June 2022. In its latest economic impact analysis from June 2022, the International Civil Aviation Organization (ICAO) estimates that the full year 2021 experienced an overall reduction in seats offered by airlines of 40% compared with pre-crisis 2019 levels. In the current year, the number of seats offered by airlines is expected to be reduced by 15% to 18% from its 2019 levels. This translates into a 20% to 25% seat reduction in the international passenger traffic segment, while domestic air passenger traffic is less affected from the pandemic.

The International Air Transport Association (IATA) indicates an airline industry-wide net loss of USD 42.1 billion for 2021, after approximately USD 137.7 billion in the previous year, according to its latest estimates from June 2022. For 2022, the combined net loss of airlines worldwide is expected to reach USD 9.7 billion.

Despite the war in Ukraine and COVID-19 related travel restrictions in China, the industry has resumed its strong recovery trend through April 2022, according to IATA. Industry-wide revenue passenger kilometres (RPKs) grew by 85.9% between January and April 2022 compared to the same period the year before. The global passenger load factor averaged at 71.1%, up by 12.3 percentage points from last year. The industry's recovery in April 2022, the latest period for which data is available, was driven by a continuing rebound in international travel, as previously travel-restricted Asian countries have new flexible conditions that allow more foreign travellers to come in. International RPK were up by 331.9% compared to April last year, while domestic travel was nearly unchanged compared to April 2021.

The Middle East, where the lessee is located, recorded an RPK increase of 221% in the first four months of the current year compared to the same period in 2021. A less dynamic increase in capacities, measured in available seat kilometres (ASKs) resulted in nearly 28 percentage points improvement of the average passenger load factor to 67.7%.

In April 2022, industry-wide RPKs were still 37.2% below its pre-pandemic level from April 2019, while capacity measured

in ASKs was 32.9% lower than three years ago. The passenger load factor averaged at 77.8%, a shortfall of 5.3% compared to its April 2019 levels.

Inflation, high jet fuel prices and low consumer confidence are points of concern for the coming months, according to IATA. International bookings still show a high willingness to travel abroad, and this trend is expected to last throughout this summer. Although the relation between rising inflation and increase in cost of travel is not straightforward, it will have an impact on passenger decisions sooner or later.

Source: IATA, ICAO, World Bank

© International Air Transport Association, 2022. Air Passenger Market Analysis April 2022. Outlook for the Global Airline Industry June 2022. 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, 10 June 2022.

3. Lessee – Emirates

Network

Emirates sees record booking levels from the UAE with over 500,000 customers likely flying out of the UAE between June and July. With added flights and frequencies, the airline will operate close to 80% of its pre-pandemic capacity, according to a statement.

In May 2022 Emirates and Royal Air Maroc announced the launch of a codeshare partnership. Emirates customers are now able to access 17 destinations in Morocco as well as 63 international destinations serviced by Royal Air Maroc.

In May 2022 Emirates resumed its services to Bali (Indonesia), after flights were suspended in 2020 due to the pandemic. The currently five-weekly services will be scaled up to a daily service starting from 1 July 2022.

Since 1 May 2022 the lessee doubled its flights between Algiers (Algeria) and Dubai to four weekly services.

Since June 2022 Emirates' full Premium Economy experience is open for sale for flights from 1 August 2022, combining the airline's new Premium Economy cabin with additional services on the ground, like a dedicated check-in area at DXB. With currently six A380s equipped with this cabin class the airline aims to install its new Premium Economy product on another 67 A380s and 53 Boeing 777s. The retrofit programme is scheduled to start this November.

Since June 2022 Emirates has increased frequencies to Mexico City via Barcelona with services now once a day.

Fleet

In late February 2022 Emirates' President, Sir Tim Clark, provided insight into fleet operating considerations for his airline. Reporting on recycling efforts of Emirates' first five A380s recently retired, Clark pointed out that these efforts will not continue with more 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, 80 of them A380s, plus about 40 or 50 Boeing 777-300ERs. The exact numbers haven't been fixed, it's a movable feast. Their life will be extended by six to ten years each. In June 2022 Tim Clark publicly confirmed that the airline wants to "retain" all of their currently 118 A380s, "probably until the mid-2030s".

Clark is sceptical about the delivery timelines of the new aircraft types the airline has ordered with Airbus and Boeing. He also stressed that the planes need to be "in the shape that the contract requires":

Boeing 777X

Clark claims Boeing has already produced twelve Boeing 777-9 for Emirates which the manufacturer has put in storage without their engines. But he cannot foresee when these aircraft could be delivered. Because of certification issues he considers it less likely that Boeing will achieve certification in July 2023. At some point Emirates could even cancel the order: "If it goes beyond 2023 and it goes on for another year, we probably cancel the program." But with Airbus A380 and Boeing 747 no longer available for order, the Boeing 777X is the biggest in production aircraft and Clark still hopes to get it even with four years' delay.

Only weeks later Boeing had to admit that its late-2023 target for the first 777X deliveries to airline customers is no longer achievable, now aiming for a delivery date in early 2025.

Boeing 787

The aircraft are supposed to be delivered from May 2023. But Clark does not expect the 30 Boeing 787s to join his fleet anytime soon: "Look at the huge backlog, they haven't produced any aircraft lately, that'll take them two or three years to go over that. They got production and quality control issues that they admit, and now after the [Boeing 737] MAX crisis with the regulator saying 'we want to have a good look at everything', that is slowing the whole thing down."

In June 2022 Clark 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.”

Airbus A350

Emirates has also ordered 50 Airbus A350-900 widebody aircraft with the first deliveries starting in 2023, according to data and aviation analytics provider Cirium. But a legal dispute between manufacturer Airbus and A350 operator Qatar Airways (Qatar) about deterioration of the aircraft’s paint and lightning protection issues is challenging this timeline. Upon instruction from its civil aviation authority, Qatar had to ground a significant number of A350s and will not accept any new deliveries from Airbus until the issues have been resolved. Addressing the manufacturer, Clark made clear that he would not accept any deliveries until Airbus has developed a fix: “If we have the same problem on one of our aircraft, we won’t take them over.”

In June 2022 Tim Clark revealed talks with Airbus to compress the upcoming A350 deliveries, which are scheduled to start in summer 2024, according to Clark: “We’ll probably get up to two a month – we’ve got 50 coming – so we’re trying to get the whole lot done in two years to pick up this big capacity hole that we can see.”

In addition, Emirates is also weighing an order for the A350-1000, as the capacity gap sometime between 2024 and 2027 due to Boeing’s delivery delays would be hard to fill through existing order commitments, said Clark. “This is why we’re getting a bit wary and we’re looking at the A350. We really only have one place to go.”

The table below details the passenger aircraft fleet activity as of 30 June 2022:

Passenger Aircraft Fleet Activity		
Aircraft Type	Grounded	In Service
A380	43	78
777	0	124
Total	43	202
%	18%	82%

Source: Cirium as of 30 June 2022

Commenting on the number of A380 aircraft in service, Sir Tim Clark explained that returning more of them is contingent on being able to hire more crew to operate the jets. Emirates intends to hire 8,000 to 10,000 crew members to fly these A380s but is constrained by how soon it can re-hire some of the

pilots it let go, retrain staff and cope with the changes in the labour market after the pandemic. He is not worried to utilize the additional capacity: “Today, if we had 118 [A380s] they’d all be full,” he said back in March. In June 2022 Tim Clark assumed to have all A380 aircraft currently parked back in the air by the end of this year or in early 2023.

Key Financials

In the financial year ending 31 March 2022, Emirates recorded a net loss of AED 3.9 billion (USD 1.1 billion), the second in more than 30 years. This is a significant improvement of the airline’s profitability, after the previous year’s net loss amounted to AED 20.3 billion (USD 5.5 billion). Thanks to an expansion of its global capacity and reinstatement of more passenger flights, the lessee was able to increase its revenue by 91% to AED 59.2 billion (USD 16.1 billion). The share of the cargo business to Emirates’ overall revenue is 37%.

Pandemic-induced travel restrictions and safety measures in many regions around the globe were partially retracted and allowed passenger air travel to recover from its pandemic lows. During the 2021/22 financial year Emirates carried 19.6 million passengers, almost a tripling from last year, but still two-thirds below its pre-pandemic levels. As more countries eased travel restrictions, Emirates increased its capacity measured in ASKs, by 150%. At the same time its passenger traffic, measured in RPKs, increased by 235%. This resulted in the average passenger seat load factor of 58.6%, an improvement of 14.3 percentage points compared to last year. Emirates strives to return to 100% of its pre-pandemic capacity, measured in available tonne kilometres, by the 2023/24 financial year.

Given the substantial increase in flight operations, Emirates’ operating costs increased by 29.8%. The carrier’s fuel cost more than doubled compared to the same period last year, primarily due to a 66% higher fuel uplift in line with increasing flight operations as well as a 75% increase in average fuel prices. Fuel, which had been the largest component of Emirates’ operating cost prior to the pandemic, accounted for 23% of operating costs. The increase in jet fuel prices was partially mitigated through hedging. Depreciation, amortisation and impairment still remain the largest component of the carrier’s operating cost for the second consecutive year with a share of 30%.

The recovery in Emirates’ operations during the 2021/22 financial year led to an improved EBITDA of AED 17.7 billion (USD 4.8 billion) compared to AED 4.6 billion (USD 1.3 billion) from last year. Demand for air freight also remained strong. The volume of cargo uplifted increased by 14% to 2.1 million tonnes, restoring Emirates’ cargo operation to almost 90% of its pre-pandemic (2019) levels by volume handled. Robust demand for essential goods and medical supplies and global supply chain issues making air cargo popular due to lower lead times were

pushing overall air cargo demand from Emirates' customers. To meet overall demand in its passenger and cargo businesses the airline recalled employees on furlough or unpaid leave, rehired those previously impacted by layoffs and launched recruitment drives. These measures resulted in an increase in employee numbers by 12.4% to 45,843 at the end of March 2022

As of 31 March 2022, Emirates' total liabilities decreased by 1.5% to AED 129.7 billion (USD 35.3 billion USD) compared to the end of the previous financial year. Amongst other things, the airline repaid AED 4.5 billion (USD 1.2 billion) in debt out of the total of AED 17.5 billion (USD 4.8 billion) raised since the beginning of the pandemic. Total equity came in at an almost unchanged AED 20.3 billion (USD 5.5 billion). Emirates' equity ratio stood at 13.5% and its cash position, including short term bank deposits, amounted to AED 20.9 billion (USD 3.9 billion) at the end of March 2022. In comparison, the carrier had AED 15.1 billion (USD 4.1 billion) in cash assets and short term bank deposits at the end of the 2020/21 financial year. The cash flow from operating activities came in at AED 24.4 billion (USD 6.7 billion) in 2021/22, the highest in the company's history.

During the 2021/22 financial year, the carriers' ultimate shareholder, the government of Dubai, continued to support the airline and therefore injected equity of AED 3.5 billion (USD 0.95 billion). Sheikh Ahmed bin Saeed Al Maktoum, Chairman and Chief Executive Emirates Airline and Group, the combined business of Emirates Airline and ground handler dnata, stated in the latest annual report that "our business recovery picked up pace in 2021-22 as pandemic-related restrictions lifted around the world, particularly in the second half of our financial year", and added "As a group we invested over AED 7.9 billion [USD 2.2 billion] in new aircraft, engines, equipment, facilities and technologies ... As travel restrictions around the world eased, we reinstated services, added flights to dozens of cities, and ramped up our A380 deployment to efficiently serve pent-up customer demand".

As at the end of June 2022, Emirates has outstanding US dollar debt issuances with maturities in 2023, 2025, and 2028. These bonds were all trading close to par and with running yields ranging from approximately 3.9% to 4.6% in US dollars. There has also been no upward pressure on yields. This level of yields does not appear to indicate any significant financial stress to the issuer. In its most recent annual financial report, the auditor PricewaterhouseCoopers issued an unqualified audit report. And the management of Emirates Group (combined businesses of Emirates Airline and dnata) expects to return to profitability in the 2022/23 financial year "while keeping a close watch on headwinds such as high fuel prices, inflation, new COVID-19 variants, and political and economic uncertainty". In the second half of the 2021/22 financial year Emirates already generated a

net profit of AED 1.9 billion (USD 0.5 billion), which helped to significantly improve profitability in the 2021/22 financial year.

For the first half of Emirates' 2022/23 financial year, President Tim Clark is encouraged by the demand: "Demand is strong and sustained, we are looking at our booking from July to September and Christmas, they are soaring above 2019 levels, even at the prices we are now having to charge due to the fuel price. The question is how long this is going to last before the global economy starts to tip with interest rates going up and inflation rising and fuel prices at these ridiculous levels."

Source: Airline Ratings, Bloomberg, Emirates

4. Aircraft – A380

As of the end of June 2022, the global A380 fleet consisted of 236 planes with 14 airline operators. Only 113 of these aircraft were in service. The remainder of the fleet is currently parked due to COVID-19. The 14 operators are Emirates (121), Singapore Airlines (17), Deutsche Lufthansa (14), Qantas (10), British Airways (12), Korean Air Lines (10), Etihad Airways (10), Qatar Airways (10), Air France (8), Malaysia Airlines (6), Thai Airways (6), Asiana Airlines (6), China Southern Airlines (3), and All Nippon Airways (3).

Citing "steep rise and customer demand" and delays to deliveries of on-order aircraft, Lufthansa decided it will return its A380s to regular passenger service from summer 2023. The carrier is still assessing how many it will return to service and on which routes. As recently as last November, Lufthansa CEO Carsten Spohr ruled out the reactivation of Lufthansa's superjumbo even if passenger demand were to exceed then-current forecasts.

After dropping initial plans to redeploy its A380 on routes from Seoul to Frankfurt and Los Angeles for the 2022 summer schedule earlier this year, Asiana Airlines announced in mid-June 2022 to operate daily A380 services on routes between Seoul Incheon and Bangkok as well as Los Angeles during this summer: "As the demand for international travel that has been stifled by Covid-19 is exploding, [seat capacity on popular routes have been constrained] and we hope that the A380 flight with top-of-the-line facilities will improve the customer experience, as well as expand the supply of seats."

In response to strong international travel demand, Qantas is operating a third A380 on the Melbourne-Los Angeles route and switches on the now Sydney-Singapore-London route back to the A380.

All Nippon Airways (ANA) has plans to reactivate its A380 fleet of three aircraft from July 2022 for scheduled passenger services between Tokyo Narita and Honolulu (Hawaii, US).

Source: Cirium



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