QUARTERLY FACT SHEET

December 2020

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 30% 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 138.2 million as of 31 December 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 December 2020)	
Listing	LSE
Ticker	DNA2
Current Share Price	80.0p
Market Capitalisation	GBP 138.2 million
Initial Debt	USD 1.03 billion
Outstanding Debt Balance[1]	USD 212.4 million (21% of Initial Debt)
Current and Targeted Dividend	4.5p per quarter (18p per annum)
Earned Dividends	156.5p
Current Dividend Yield	22.50%
Dividend Payment Dates	January, April, July, October

Company Facts (31 December 2020)	
Ongoing Charges (OCF)[2]	1.6%
Currency	GBP
Launch Date/Price	14 July 2011 / 200p
Average Remaining Lease Duration	3 years 6 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 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] The previous Cost Base Ratio calculation has been updated to reflect the Ongoing Charges figure (OCF) as defined by the AIC. The previous calculation used Average Share Capital as the denominator. Following the 30 September 2020 unaudited NAV publication the OCF calculation results in a more conservative (ie higher) costs measure (though in fact the costs themselves are not higher) than under the Cost Base Ratio (which in previous periods had produced a more conservative measure than the OCF). The Reduction in Yield (RIY) figure on the Company KID uses the methodology as prescribed by PRIIPs Regulation.

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, the lessee might defer due maintenance checks, which are calendar-based, until that time. This would allow the lessee 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 a records audit of the aircraft with MSN 107 in October 2020. The condition of the technical records where in compliance with the provisions of the lease, taking into account that the aircraft was in storage at the moment of the audit.

Additionally, Doric conducted records audits and physical inspections of the aircraft with MSNs 109 and 110 in November 2020. The results of the audit were not available at as of the editorial deadline.

2. Market Overview

The impact of COVID-19 on the global economy has been severe and is expected to result in a 4.4% to 5.2% contraction in global GDP for 2020, according to the International Monetary Fund and the World Bank. In its latest economic impact analysis from November 2020, the International Civil Aviation Organization (ICAO) estimates that the full year 2020 will see an overall reduction in seats offered by airlines of 51% compared with the previous baseline forecast for the year. Furthermore, ICAO anticipates this trend to continue into the first quarter of 2021 with airlines reducing seats offered by 32% to 45%. 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) has revised its forecast of an airline industry-wide net loss of USD 84.3 billion for this year. IATA now anticipates a loss of USD 118.5 billion in 2020 and another USD 38.7 billion loss in 2021.

As of October 2020, air passenger demand has continued its gradual recovery from the low-point in April, with industry-wide revenue passenger kilometres (RPKs) contracting by 70.6% year-on-year in October vs. a 72.2% fall in September and a 74.8% fall in August. This recovery has been primarily driven by domestic markets, while there has been no clear recovery in international traffic. In the first ten months of 2020, RPKs were down 65.1% against the previous year. Similarly, industry-wide capacity, measured in available seat kilometres (ASKs), was also down by 56.4% through the end of the first ten months of 2020 against the same period in 2019. This resulted in a 16.7 percentage point decrease in the worldwide passenger load factor (PLF) to 66.1%.

In the first ten months of 2020, passenger traffic in the Middle East fell by 70.0% against the previous year. Capacity was also down by 62.3%. This resulted in a 15.6 percentage point decrease in PLF to 60.7%. Latest available data for October indicate RPKs contracted by 85.5% with ASKs also down 72.4% against the same month in the previous year. As a result, the PLF amounts to about 38.7%, a decline of 34.7 percentage points. IATA now anticipates the losses of Middle Eastern airlines to rise to USD 7.1 billion in 2020 (from a loss of USD 1.5 billion in 2019). Additionally, IATA is forecasting a loss of USD 3.3 billion in 2021 for this region.

Source: IATA, ICAO

© International Air Transport Association, 2020. Air Passenger Market Analysis October 2020. Economic Performance of the Airline Industry, End-Year Report November 2020. 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, 24 November 2020.

3. Lessee – Emirates

Network

Emirates' operations had remained mainly cargo-only services through mid-August. The carrier has since gradually increased its passenger network and serviced 99 destinations in November. After the UK government's decision to add the UAE to its travel-corridor list in November, Emirates doubled its Airbus A380 frequencies to London Heathrow to four. In mid-December, another daily service was added to the schedule. Emirates also increased capacity on three other UK routes (Manchester, Birmingham and Glasgow). Additionally, the airline increased A380 frequencies to Moscow from twice-weekly to daily. The carrier stated that the additional capacity will enable it to meet growing demand from travelers seeking to holiday in Dubai or at popular island destinations accessible from Dubai, such as the Maldives.

Emirates also announced that it will operate the A380 on the Dubai – Sao Paulo route for a few weeks during January 2021, in response to the summer season increase in demand for travel to and from Brazil. This will be the first time the A380 returns to South America since the suspension of passenger flights due to the COVID-19 pandemic back in March 2020.

All Emirates Airline tickets purchased since 1 December 2020 come with a free of charge multi-risk travel insurance, which complements the COVID-19 cover the carrier introduced back in July 2020. Emirates customers are covered when they fly to any destination, in any class of travel. The insurance benefits include up to USD 500,000 for emergency medical expenses and evacuation while travelling abroad and reimbursement of non-refundable cost in case of trip cancellation because of a COVID-19 diagnosis. Benefits also include USD 150 per day per person for up to 14 consecutive days in case the traveler is unexpectedly placed into mandatory quarantine outside its country of residence. Emirates hopes to provide its customers with confidence in making their travel plans.

On 22 December Emirates SkyCargo transported COVID-19 vaccines for the first time. A batch, manufactured by Pfizer-BioNTech, was flown from Brussels to Dubai for the Dubai Health Authority. According to a company statement, Emirates is well prepared to help with the distribution of vaccines around the world, including markets with limited cool chain infrastructure. The carrier has set up the world's largest airside hub dedicated to distributing COVID-19 vaccines and has decades of experience in transporting pharmaceuticals on its aircraft.

Fleet

Emirates' passenger Boeing 777 fleet had returned to service completely, but many had been operating cargo-only flights. In fact, Emirates performed a partial retrofit on 14 Boeing 777-300ER passenger aircraft to transport freight in the cabin. At the same time, 14 of Emirates' 118 Airbus A380 aircraft have been returned to service as of the end of December. Another three new A380 aircraft delivered from Airbus joined the operating fleet in the final month of 2020.

The table below details the passenger aircraft fleet activity as of 31 December 2020:

Passenger Fleet Activity

Aircraft Type	Grounded	In Service
A380	101	17
777	1	139
Total	**102**	**156**
%	**40%**	**60%**

Source: Cirium as of 31 December 2020

In July, Boeing disclosed that the 777X programme was being delayed again, with deliveries now scheduled to begin in 2022. Tim Clark noted that the delivery delay probably benefits Emirates in the short-term due to the ongoing global pandemic. In November, Emirates' president Tim Clark made clear that the delivery schedule for the 777X is still up in the air. Asked about the first delivery of Emirates' 777-300ER successor, he said "I have no idea. They were due to be delivered this year in June, then it was 2021, then it was 2022. It hasn't finished its certification program yet, both airframe and engine."

In November, Emirates started to utilise the A380 on select cargo charter operations as a dedicated "Emirates A380 'mini-freighter'". As a first step, it has optimised the cargo capacity "to safely transport around 50 tonnes of cargo per flight in the bellyhold of the aircraft". Emirates SkyCargo is working on further optimisations of the capacity through measures such as seat loading of cargo. Emirates SkyCargo had scheduled more dedicated A380 cargo flights for the month of November in response to the surge in demand for air cargo capacity, required for the urgent transportation of critical goods, including medical supplies for combatting COVID-19.

In an interview with Bloomberg TV in November, Sir Tim Clark voiced hope that the entire A380 fleet could return to the skies within a year or so: "My own view, and it's always an optimistic view, is by end of next calendar year or the first quarter of 2022 we'll have all our A380s flying."

On the occasion of the delivery of the first of three new A380s Emirates received during the course of December, Sir Tim Clark 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." On the delivery flight the airline used a blend of jet fuel and sustainable aviation fuel (SAF) for the first time to power an A380. The biofuel was produced from used cooking oil in Finland. "Sustainability remains very much on our agenda at Emirates ... and we look forward to a time when [sustainable aviation fuel] can be produced at scale, and in a cost competitive manner", Clark commented on the airline's commitment to reduce its environmental impact. The airline is part of the Steering Committee of the Clean Skies for Tomorrow coalition, established by the World Economic Forum to promote the development of SAF.

Key Financials

In the first half of the financial year ending 31 March 2021, Emirates recorded its first half-year loss in over 30 years. Revenues fell 75% to AED 13.7 billion (USD 3.7 billion) due to pandemic-related travel restrictions, including an eight-week suspension of scheduled passenger flights during April and May. These measures resulted in a net loss of AED 12.6 billion (USD 3.4 billion) compared to a profit of AED 863 million (USD 235 million) in the first half of the previous financial year.

Emirates reduced its ASKs by 91% in the first half of the 2020/21 financial year, while RPKs were down by 96%. During this period, Emirates' average PLF fell to 38.6%, compared to last year's pre-pandemic figure of 81.1%.

Emirates' operating costs decreased by 52%. Fuel, which had previously been the largest cost category for the airline, only accounted for 11% of total operating costs (compared to 32% in the first half of the previous financial year). Contributing factors were a 49% decrease in oil prices and a 76% lower fuel uplift from reduced flight operations. Despite this significant reduction in operations, Emirates' EBITDA remained positive at AED 290 million (USD 79 million).

While the number of passengers Emirates carried between 1 April and 30 September 2020 was down 95% to 1.5 million compared to the same period last year, airfreight demand rose strongly. The volume of cargo uplifted decreased by 35% to 0.8 million tonnes during this period and the yield more than doubled. This development reflects the extraordinary market situation during the global COVID-19 pandemic.

As of 30 September, Emirates' total liabilities decreased by 8.3% to AED 136.1 billion (USD 37.1 billion USD) compared to the end of the previous financial year. Total equity decreased by 10.6% to AED 21.1 billion (USD 5.75 billion) with an equity ratio of 13.4%. Emirates' cash position amounted to AED 15.6 billion (USD 4.25 billion) at the end of the first half of the 2020/21 financial year. This compares to AED 20.2 billion (USD 5.5 billion) in cash assets as of 31 March 2020.

On the ongoing financial position of Emirates in light of the global COVID-19 pandemic, HH Sheikh Ahmed bin Saeed Al Maktoum, chairman and chief executive of Emirates, stated: "We have been able to tap on our own strong cash reserves, and through our shareholder and the broader financial community, we continue to ensure we have access to sufficient funding to sustain the business and see us through this challenging period. In the first half of 2020-21, our shareholder injected USD 2 billion into Emirates by way of an equity investment and they will support us on our recovery path."

As at the end of December Emirates has outstanding US dollar 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 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 December, Emirates received the Decade of Airline Excellence Award for the Middle East region, due to its continued strength during the 2010-2019 period. The carrier's credentials include its status as a benchmark airline in terms of its customer service, brand reach and network. Emirates influence on aircraft programmes, including the Boeing 777X, A350 and A380, was also noted. One judge concluded: "Their product is outstanding and they are a true global connector".

Source: Bloomberg, Cirium, Emirates

4. Aircraft – A380

As of the end of December 2020, the global A380 fleet consisted of 241 planes with airline operators. Only 24 of these aircraft were in service, the remainder of the fleet is currently parked due to COVID-19. The fifteen operators are Emirates (118), 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 two temporarily stored aircraft are lease returns.

In October, Qatar Airways chief executive Akbar Al Baker stated that the carrier does not expect to operate its Airbus A380s for at least two years as a result of the crisis caused by the COVID-19 pandemic. In order to reintroduce the A380 into operation, the carrier would need to see the "growth we achieved in 2019". Until then, Al Baker believes the focus should be on recovering the losses incurred during the crisis.

In light of the global pandemic, Singapore Airlines announced that it is reviewing the composition of its future fleet and network. The carrier said that it intends to permanently retire seven of its 19 A380s currently in storage at Alice Springs, Australia. However, the carrier added that "the A380 remains a part of the group's fleet" and efforts to update the cabins of A380s continue.

In November, Hi Fly announced that it intends to retire its sole A380 at the end of its current lease period because the pandemic has "drastically reduced the demand for very large aircraft". Hi Fly describes its A380 operations since 2018 as "successful".

Source: Cirium

ADDENDUM

Implied Future Total Returns based on the latest appraisals as at 31 March 2020
-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. 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 previous 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 about 90% 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 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 2020. 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 total return for a shareholder investing today (31 December 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 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 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 Group's 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 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 appraisal[1]** **USD 352.1 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]	68p	48p	84p	121p	157p
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]		116p	152p	188p	225p

[1]Date of valuation: 31 March 2020; 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]1.3676 USD/GBP (31 December 2020) [4]Includes future dividends

On a like-for-like basis with March 2019 appraisal values, the March 2020 aircraft portfolio valuation based on inflated future base values would be USD 522.6 million.

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

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