

QUARTERLY FACT SHEET

31 March 2019

DORIC NIMROD AIR TWO LIMITED

LSE: DNA2

The Company

Doric Nimrod Air Two Limited ("the Company") is a Guernsey domiciled company, which was listed on the Specialist Fund Segment (SFS) of the London Stock Exchange's Main Market on 14 July 2011 with the admission of 72.5 million Ordinary Shares at an issue price of 200p per share. On 27 March 2012, the Company issued 100,250,000 C Shares at 200p per share. With effect from 6 March 2013, the C Shares were converted into Ordinary Shares. One Ordinary Share has been received for every one C Share, resulting in 172,750,000 Ordinary Shares in total. The market capitalisation of the Company was GBP 320.5 million as of 31 March 2019.

The Company has four wholly-owned subsidiaries: MSN077 Limited, MSN090 Limited, MSN105 Limited and Doric Nimrod Air Finance Alpha Limited ("DNAFA").

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 200p per share). It is anticipated that income distributions will continue to be made quarterly.

The total return for a shareholder investing today (31 March 2019) 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 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 2018. Table No I below summarises the total return components, calculated on different exchange rates and using the appraised value of the aircraft, which is the average of valuations provided by three independent external appraisers and quoted in US dollars. **This residual value at lease expiry takes inflation into account and is the most reliable estimate available in the opinion of the Company's Asset Manager. Due to accounting standards, the values used in the Company's financial reports differ from this**

disclosure as they exclude the effects of inflation and are converted to sterling at the prevailing exchange rate on the reporting date (e.g. 31 March 2019).

The contracted lease rentals are calculated and paid in US dollars to satisfy debt interest and principal, and in sterling to satisfy dividend distributions and Company running costs, which are in sterling. The Company is therefore insulated from foreign currency market volatility during the term of the leases.

With reference to the following two tables, there is no guarantee that the aircraft will be sold at such a sale price or that such capital returns would be generated. It is also assumed that the lessee will honour all its contractual obligations during the entire anticipated lease term.

Investors should note that the latest appraisal value below was calculated as at the Company's 2018 year-end and therefore pre-dates the announcement by Airbus on 14 February 2019 that production of the Airbus A380 will be discontinued in 2021. The Company will publish an updated appraisal value in its forthcoming 2019 annual financial report and also in its quarterly fact sheet (Q2 2019) both due to be released during July 2019.

I. Implied Future Total Return Components Based on Appraisals

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

Aircraft portfolio value at lease expiry according to

- Prospectus appraisal USD 863 million
- Latest appraisal¹ USD 780.4 million

Per Share (rounded)	Income Distributions	Return of Capital		Total Return ²	
		Prospectus Appraisal	Latest Appraisal ³	Prospectus Appraisal	Latest Appraisal ³
Prospectus FX Rate ⁴	99p	322p	296p	422p	396p
Current FX Rate ⁵	99p	380p	348p	480p	448p

¹Date of valuation: 31 March 2018

²Includes future dividends

³Average of the three appraisals as at the end of the Company's respective fiscal years in which each of the leases reached the end of their respective 12-year terms

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

⁵1.3030 USD/GBP (29 March 2019)

II. Company Facts	
Listing	LSE
Ticker	DNA2
Current Share Price	185.5p (closing)
Market Capitalisation	GBP 320.5 million
Initial Debt	USD 1.03 billion
Outstanding Debt Balance	USD 409 million (40% of Initial Debt)
Current/ Future Anticipated Dividend	4.5p per quarter (18p per annum)
Earned Dividends	125.0p
Current Dividend Yield	9.70%
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	5 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	Canaccord Genuity Ltd, finnCap Ltd, 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

¹Calculated 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 an initial 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. DNAFA used the proceeds from both the Equity and the Certificates to finance the acquisition of four new Airbus A380 aircraft leased to Emirates.

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

The seven A380s owned by the Company recently visited Amsterdam, Barcelona, Brisbane, Frankfurt, Johannesburg, London Heathrow, Mauritius, Melbourne, New York, Nice, Osaka, Paris, Rome, Shanghai, Vienna, and Zurich.

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

Aircraft Utilization				
MSN	Delivery Date	Flight Hours	Flight Cycles	Average Flight Duration
077	14/10/2011	33,814	4,003	8 h 25 min
090	02/12/2011	30,498	4,961	6 h 10 min
105	01/10/2012	27,891	4,441	6 h 15 min
106	01/10/2012	30,531	3,534	8 h 40 min
107	12/10/2012	29,754	3,467	8 h 35 min
109	09/11/2012	26,905	4,242	6 h 20 min
110	30/11/2012	27,198	4,407	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 physical inspections of the aircraft with MSN 107 in February 2019. The physical condition of the aircraft was in compliance with the provisions of the respective lease agreement.

Additionally, Doric conducted records audits of the aircraft with MSNs 077 and 090 in February 2019. The final reports were not yet available at the editorial deadline.

2. Market Overview

Following a moderation over the second half of 2018, industry-wide passenger traffic, measured in global revenue passenger kilometres (RPKs), ended the calendar year with an average growth rate of 6.6%. According to the International Air Transport Association (IATA), the slowdown in RPK growth corresponds to ongoing concerns about future global economic expansion. However, RPKs in January grew by the fastest pace

since mid-2018 (6.5%). This result lies between the average RPK growth rate seen over the past decade (6.1%) and five-year historical average (7.1%). IATA states that recent developments remain consistent with its forecast passenger growth rate of 6.0% for 2019.

Industry-wide capacity, measured in available seat kilometres (ASKs), increased by 6.1% in 2018. This resulted in a 0.3 percentage point increase in worldwide passenger load factors (PLFs) to 81.9%. With the PLF at 79.6% in January, the load factor was essentially unchanged from the same month the year before.

Passenger traffic in the Middle East grew by 4.0% in 2018. This was outpaced by a 4.9% increase in capacity, leading to a 0.6 percentage point decrease in PLF to 74.8%. However, following the adverse impact of a number of policy measures and geopolitical tensions in recent years, IATA notes that a healthy recovery in RPK growth commenced early in 2019 with passenger traffic up 1.5% in January compared to the same month in the year before, after flat growth was observed toward the end of 2018.

Asia/Pacific-based operators remained the top performers in overall market demand in 2018 as RPKs increased by 8.6% compared to the previous year. Europe ranked second with 6.7% followed by Latin America with 6.2%. North America saw an increase of 5.0% while Africa had the slowest growth rate at 2.3%.

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Air Passenger Market Analysis December 2018. Air Passenger Market Analysis January 2019. All Rights Reserved. Available on the IATA Economics page.

3. Lessee – Emirates Key Financials

In the first half of the 2018/19 financial year ending on 31 March 2019, Emirates recorded revenue of AED 48.9 billion (USD 13.3 billion), up 10% compared with the AED 44.5 billion (USD 12.1 billion) recorded during the same period last year. However, Emirates' net profit amounted to AED 226 million (USD 62 million), down 86% compared to last year. The decrease in profit was primarily due to a 37% increase in oil prices compared to the same period last year as well as the negative impact of currencies in certain markets.

Emirates' overall passenger traffic continued to grow during the first half of the 2018/19 financial year as the airline carried 30.1 million passengers. Passenger traffic, measured in RPKs, increased by 6.3%, while capacity, measured in ASKs, grew by 4.1%. This resulted in a passenger load factor of 78.8% compared to last year's 77.2%.

Total operating costs rose by 13%. This is largely due to increasing fuel prices as well as an increase in fuel uplift of 4% due to Emirates' expanding fleet operations. Fuel remained the largest component, making up 33% of the airline's operating costs compared with 26% in the first six months of the previous financial year.

As of 30 September 2018, Emirates' balance sheet amounted to AED 126.4 billion (USD 34.4 billion), down 1% compared to the end of the previous financial year. Total equity increased marginally by 0.6% to AED 37.3 billion (USD 10.2 billion). The

equity ratio rose to 29.5%. The airline's cash balance amounted to AED 17.0 billion (USD 4.6 billion) at the end of the period, down by AED 3.4 billion (USD 919.3 million) compared to the end of the previous financial year.

Due to the closure of Dubai International's southern runway for refurbishment work between 16 April and 30 May this year, Emirates will temporarily ground 48 aircraft and cut its flight schedule by 25%. Some services will be cancelled, others re-timed or operated with different aircraft to reduce the impact on customers. Emirates also intends to make other changes to its network later in the year, including deploying the Airbus A380 on services to Boston and Glasgow in the summer. As of mid-March, Emirates' fleet stood at 271 aircraft including freighters.

Emirates entered into a memorandum of understanding with China Southern Airlines (China Southern) to begin codesharing on 18 routes in China, the Middle East and Africa. Subject to government approval, Emirates will place its code on China Southern services to Fuzhou, Chongqing, Kunming, Qingdao, Xiamen, Chengdu, Nanjing and Xian. China Southern will place its code on Emirates' services to Cairo, Dammam, Lagos and Riyadh. The airlines have not yet disclosed a start date for the codesharing.

In February 2019, Emirates provided an update on its fleet planning: Months of discussions with Airbus and engine manufacturer Rolls-Royce resulted in an agreement to reduce the number of unfilled A380 orders from 53 to 14. The remaining deliveries shall take place by 2021. In parallel the lessee signed a heads of agreement to order 40 Airbus A330-900 and 30 A350-900 with deliveries starting from 2021 and 2024 respectively. Notwithstanding the new order, His Highness Sheikh Ahmed bin Saeed Al Maktoum emphasized that "the A380 will remain a pillar of our fleet well into the 2030s" and that the operator continues to invest in this product.

Source: Cirium, Emirates

4. Aircraft – A380

As of mid-March 2019, Emirates operated a fleet of 109 A380s, which currently serve 50 destinations within its global network via its hub in Dubai. A380 destinations include: Amsterdam, Athens, Auckland, Bangkok, Barcelona, Beijing, Birmingham, Brisbane, Casablanca, Christchurch, Copenhagen, Dusseldorf, Frankfurt, Guangzhou, Hamburg, Hong Kong, Houston, Johannesburg, Kuala Lumpur, Kuwait, London Gatwick, London Heathrow, Los Angeles, Madrid, Manchester, Mauritius, Melbourne, Milan, Moscow, Mumbai, Munich, New York JFK, Nice, Osaka, Paris, Perth, Prague, Rome, San Francisco, Sao Paulo, Seoul, Shanghai, Singapore, Sydney, Taipei, Tokyo Narita, Toronto, Vienna, Washington, and Zurich.

As of mid-March 2019, the global A380 fleet consisted of 230 commercially operated planes in service. The fourteen operators are Emirates (109), Singapore Airlines (19), Deutsche Lufthansa (14), Qantas (12), British Airways (12), Korean Air Lines (10), Etihad Airways (10), Air France (10), Qatar Airways (10), Malaysia Airlines (6), Thai Airways (6), Asiana Airlines (6), China Southern Airlines (5) and Hi Fly (1). Another two

are listed as in storage. In addition, two A380s are earmarked for part-out after the owners of the aircraft voted for such a solution.

In February, Airbus announced that it will discontinue its A380 programme in 2021, following a revised agreement with Emirates under which the airline is cutting its A380 order total from 162 to 123 aircraft – leaving just 14 to be delivered to the airline. Another two aircraft will be delivered to All Nippon Airways (ANA) with the airline having taken delivery of its first A380 on 21 March. Therefore, a total of 251 A380s will now ever be manufactured. According to its departing CEO Tom Enders, Airbus no longer has a “substantial A380 backlog and hence no basis to sustain production”. Enders added that – notwithstanding the upcoming production end – Airbus will “continue to fully support the A380 operators”.

Qantas has stated that it remains committed to the 12 super-jumbos already in its fleet over the long-term with cabin refurbishments scheduled to commence mid-year.

Air France intends to return three A380s upon expiry of their leases in 2020-2021 and is currently reviewing the status of another two leased A380s. The move comes as part of a fleet optimisation programme and will reduce the number of Airbus A380s from the 10 it currently operates. The remaining A380s will begin retrofitting from 2020 onwards.

Qatar Airways CEO Akbar al-Baker announced that the airline intends to phase out its A380 fleet from 2024. The start of the

phase-out coincides with the 10-year anniversary of the A380 at Qatar Airways, which received its first superjumbo in 2014.

Lufthansa disclosed that it will sell six of its 14 A380 jets back to Airbus in 2022 and 2023. The buyback is reportedly part of an agreement between Airbus and Lufthansa Group to order another 20 Airbus A350-900s.

Hi Fly, a Portuguese wet lease operator, stated that its A380 continues to attract significant commercial interest and has a “busy season ahead” this summer. A decision on acquiring more planes will be taken after the completion of a full financial study, it said.

In February, Malaysia Airlines launched a new brand called Amal that will run Malaysia A380 flights from South East Asia to Saudi Arabia for Islamic pilgrimage.

ANA received its first A380 and will deploy it thrice weekly on the Tokyo Narita-Honolulu route from May this year with 11 other services flown by Boeing 787-9s. From July, the second A380 will also join the route as A380 services increase to 10 per week with four 787-9s services. As of yet, ANA has not indicated whether its third A380, due in September, will be used on the Hawaiian route.

Source: Airbus, Cirium, Emirates, Reuters



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