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**DORIC NIMROD AIR ONE LIMITED**

**Announcement of Asset Manager's Report**

**1 October 2013**

Doric Nimrod Air One Limited (the "**Company**"), a Guernsey-domiciled company, is pleased to present the quarterly Fact Sheet in respect of the period from 1 July 2013 to 30 September 2013.

Doric GmbH, the Company's Asset Manager, has provided the Company with this commentary on the Company's airplane and a copy of their report is appended below for the benefit of shareholders.

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*On the invitation of the directors of the Company, the following commentary has been provided by Doric GmbH as Asset Manager of the Company and is provided without any warranty as to its accuracy and without any liability incurred on the part of the Company, its directors and officers and service providers. The commentary is not intended to constitute, and should not be construed as, investment advice. Potential investors in the Company should seek their own independent financial advice and may not rely on this communication in evaluating the merits of an investment in the Company. The commentary is provided as a source of information for shareholders of the Company but is not attributable to the Company.*

**QUARTERLY FACT SHEET**

DORIC NIMROD AIR ONE LIMITED

LSE: DNA

CISX: DNA

**The Company**

Doric Nimrod Air One Limited ("the Company") is a Guernsey domiciled company which listed on the Specialist Fund Market of the London Stock Exchange and the Channel Islands Stock Exchange on 13 December 2010. 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, with fixed lease rentals for the duration, to Emirates Airlines, the national carrier owned by the Investment Corporation of Dubai, based in Dubai, United Arab Emirates.

**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 its directors are targeting a gross distribution to shareholders of 2.25 pence per share per quarter (9p per annum). It is anticipated that income distributions will continue to be made quarterly.

Company Facts (30 September 2013)	
Listing	LSE and CISX
Ticker	DNA
Share Price	118.5 pence
Market Capitalisation	GPB 50 million
Aircraft Registration Number	A6-EDC
Anticipated Dividend	2.25p per quarter (9p per annum)
Anticipated Dividend Payment Dates	April, July, October, January
Currency	GBP
Launch Date/Price	13 <sup>th</sup> December 2010 / 100p
Incorporation	Guernsey
Asset Manager	Doric GmbH
Corp & Shareholder Advisor	Nimrod Capital LLP
Administrator	Anson Fund Managers Limited
Auditor	Deloitte LLP
Market Makers	Shore Capital Ltd Winterflood Securities Ltd Jefferies International Limited Numis Securities Limited
SEDOL, ISIN	B4MF389 , GG00B4MF3899
Year End	31 <sup>st</sup> March
Stocks & Shares ISA	Eligible
Website	www.dnairone.com

## 1. The Doric Nimrod Air One Airbus A380

The Airbus A380 with the manufacturer's serial number (MSN) 016 is registered in the United Arab Emirates under the registration mark A6-EDC. For the period from original delivery of the aircraft to Emirates in November 2008 until the end of August 2013, a total of 2,574 flight cycles were registered. Total flight hours were 21,401. This equates to an average flight duration of approximately eight hours and 20 minutes.

In September 2013 the Australian Transport Safety Bureau (ATSB) released an investigation report, involving an engine formerly owned by the Company. As previously reported, the engine (serial number P550121) experienced an uncommanded in-flight shutdown during climb out of Sydney on 11 November 2012 while it was installed on another A380 of the Emirates fleet. A break-up and dislodgement of some high pressure turbine (HPT) nozzles were identified as the root cause. At that point in time, manufacturer Engine Alliance (EA) was already aware of the issue in general and an exchange program with redesigned nozzles was underway. Nozzle exchange was planned for the next workshop visit of the Company's former engine. After the incident, EA has intensified its efforts to solve the issue with several measures, including enhanced real time trend monitoring during flight and mandatory inspection intervals for HPT nozzles. According to the ATSB, "the associated risks to the safety of continued flight were relatively low". The Company took ownership of a new engine (P550349) that EA agreed to replace in exchange for the damaged one.

The A380 owned by the Company visited Auckland, Jeddah, London Heathrow, Manchester, and

Toronto during the third quarter of 2013.

### **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 the earlier of 24 months or 12,000 flight hour intervals. The second C check of the aircraft took place in the Emirates engineering facility at Dubai International Airport in November 2012. The next heavy maintenance check will be the 6-year check (which will include the third C check) scheduled for November 2014.

Emirates bears all costs (including maintenance, repair and insurance) relating to the aircraft during the lifetime of the lease.

### **Inspections**

The asset manager Doric inspected the aircraft during the above-mentioned C check in November 2012. The aircraft's physical condition was good and consistent with its age. After four years in service at that time, the passenger cabin has undergone some significant refurbishment work, including replacement of soft furnishings and floor coverings.

### **Hairline Cracks**

In late 2011, hairline cracks were detected in a small number of L-shaped metal brackets (known as wing rib feet) within the wing structure of some A380s. The aircraft remains fully airworthy and the hairline cracks pose no risk to flight safety as affirmed by the European Aviation Safety Agency (EASA) and Airbus.

As previously reported, EASA released its latest Airworthiness Directive in May 2013, outlining which modifications need to be made and the respective compliance terms. The wing rib feet modification programme for Emirates' aircraft is essentially managed by Airbus. All modification activities will be covered by the applicable manufacturer's warranties. Emirates decided to embody all modifications in one step. Airbus is confident that the downtime required to incorporate the permanent fix might be reduced from the originally planned eight weeks to six weeks. Subject to changes in Emirates' timeline it is currently envisaged to implement the final fix for MSN 016 from mid-January to mid-March 2014. The modification work on the A380 owned by the Company will be completed by Ameco Beijing (Aircraft Maintenance and Engineering Corporation). Some aircraft of Emirates' A380 fleet have already been modified and returned to commercial service.

## **2. Market Overview**

Between January and July of the current year, passenger demand, measured in revenue passenger kilometres (RPKs), expanded by 4.8% compared to the same period in the previous year. The industry remains on a growth path, which started in the fourth quarter of 2012. In recent months the development of passenger markets were positively influenced by the economic recovery of the Eurozone, where an 18-month-long recession came to an end. At the same time, economic growth in China has slowed with noticeable impact on air traffic. During the course of the year, airlines have increased their capacities carefully and available seat kilometres (ASKs) showed a smaller growth rate than the revenue passenger kilometres. Overall, the passenger load factor during the first seven months of this year was 79.5% on average. This is an increase of 0.6%-points compared to the same period the year before. According to the latest traffic forecast released by the International Air Transport Association (IATA) in September 2013, RPKs are expected to grow by 5.0% this year and 5.8% in 2014.

Regional growth patterns continue to be uneven. Between January and July 2013 Middle East airlines increased their RPKs by 10.9% compared to the previous year's period. The slowest growth was again observed in North America with an increase in RPKs of 2.0% compared to the same period in the previous year. Growth in Latin America further lost ground and is in the meantime the third slowest growing region worldwide just ahead of Europe.

After freight-tonne-kilometres (FTKs) had contracted in February and March 2013, air freight markets have started to show signs of renewed growth with slightly improving air freight volumes during the last few months. Between January and July 2013 FTKs increased by 0.2% compared to the same period the year before. Global business confidence has slightly improved and a pickup in export orders has been noticed. It remains to be seen if these developments are sustainable since the signs of improving macroeconomic conditions - in particular in the US and Europe - need to translate into growing demand for Asian manufactured products shipped by aircraft to these regions. In Asia Pacific, which is pivotal for the further development of air freight demand, FTKs have still been shrinking.

Expenses for jet fuel are expected to remain on a high level during 2013 with an average price of USD 126.4 per barrel, a slight relief compared to the previous forecast in June 2013 of USD 127.4 per barrel. The share of fuel costs would amount to 31% of airlines' total operating costs. A decade ago, the share was 14% and has more than doubled since then.

IATA released its latest industry outlook in September 2013 according to which global industry profits are expected to reach USD 11.7 billion this year. This is slightly lower than IATA's June 2013 estimate of USD 12.7 billion after air transport markets and airline profits improved slower than expected during the last few months. For 2014 IATA expects net profits of USD 16.4 billion, based on a global gross domestic product (GDP) growth rate of 2.7%. GDP is highly correlated with the profit development in the industry.

Source: IATA

### **3. Lessee – Emirates Key Financials and Outlook**

As previously reported, Emirates announced its 25<sup>th</sup> consecutive year of profit and company-wide growth for the financial year ending 31 March 2013.

Revenue reached a record high of USD 19.9 billion, up by 17% compared to the previous financial year, and continues to be well balanced with no region contributing more than 30%. East Asia and Australasia remained the highest revenue contributing region with USD 5.7 billion, up 15% from 2011/2012. Europe (up 18% to USD 5.5 billion) and the Americas (up 24% to USD 2.3 billion) saw the most significant growth, reflecting new destinations as well as increased frequency and capacity to these regions.

The airline posted a net profit of USD 622 million, representing an increase of 52% over last year's results. Although Emirates' fuel bill increased by 15% to reach USD 7.6 billion, total operating costs showed a smaller increase (+16%) than revenue (+17%) in the financial year 2012/2013.

As of 31 March 2013 the balance sheet total amounted to USD 25.8 billion, an increase of 23% from the previous year. Total equity increased by 7.3% to USD 6.3 billion with an equity ratio of 24.3%. The current ratio was 1.12; therefore the airline would be able to meet its current liabilities by liquidating all of its current assets. Significant items on the liabilities side of the balance sheet included finance leases in the amount of USD 7.4 billion and revenues received in advance from passenger and freight sales (USD 2.9 billion). As of 31 March 2013 the carrier's cash balance reached USD 6.7 billion.

Emirates continued with its growth plan and during the financial year 2012/2013 saw the largest increase in capacity in the airline's history, receiving 34 wide-body aircraft, including ten Airbus A380s and four freighters. As of 31 August 2013 Emirates has 204 aircraft in operation, with firm orders for another 190 aircraft, including 54 A380s, 61 Boeing 777-300ER and 50 Airbus A350-900 XWB. The airline operates the world's largest fleets of Airbus A380s and Boeing 777-300ER.

As of September 2013 Emirates operates flights to 135 destinations in 77 countries on six continents. New routes launched so far this year include Warsaw, Algiers, Tokyo Haneda and Stockholm. Until the end of the calendar year, Emirates plans to add another four destinations: Clark International Airport (Philippines), Conakry (Guinea), Sialkot (Pakistan) and Kabul (Afghanistan). At the beginning of 2014 Kiev (Ukraine) and Taipei (Taiwan) will join the global network of the Dubai-based carrier.

In September 2013 Emirates Group released its third Environment Report for the financial year 2012/13 ending on 31 March 2013 according to which the fuel consumption per one hundred passenger kilometres decreased by one percent to 4.07 litres. This is nearly 16% below the IATA industry average forecasted for 2012 and the result of the relatively young fleet that Emirates is operating. The airline's average fleet age is six years, half of the IATA average. Since fuel consumption and carbon dioxide emissions are closely correlated, Emirates fleet of modern and fuel efficient aircraft, like the Airbus A380, has emitted nearly 17% less carbon dioxide per passenger kilometre than the IATA average. Emirates fleet's CO<sub>2</sub> emissions per one hundred passenger kilometres decreased by one percent to 100.6 grams compared to the business year before. For its efforts to reduce noise impact on surrounding communities, Emirates was awarded with the "Fly Quiet" Award at San Francisco Airport (SFO) in 2013 for the second time in a row, after its Flight Operations Performance team had tested different take-off and climb routes, the usage of longer runways and favorable pathways to take advantage of headwinds. Just four years ago, Emirates' noise footprint was ranked second to last among airlines serving SFO.

Source: Emirates

#### **4. Aircraft — A380**

Emirates has a fleet of 36 A380s which currently serve 20 destinations worldwide: Amsterdam, Auckland, Bangkok, Beijing, Hong Kong, Jeddah, Kuala Lumpur, London Heathrow, Manchester, Melbourne, Moscow, Munich, New York JFK, Paris, Rome, Seoul, Shanghai, Singapore, Sydney and Toronto.

On 1 August 2013 Emirates celebrated the fifth anniversary of the first A380 joining its fleet. Since the inaugural flight to New York that day, more than 18 million passengers flew aboard an Emirates A380 on 20,000 round trips travelling 265 million kilometres. The airline is using its flagship on short haul as well as long haul routes: The longest non-stop route within the network is Dubai to New York, covering 11,023 kilometres during a flight of thirteen and a half hours. Between Hong Kong and Bangkok Emirates is operating the shortest A380 route with a distance of 1,900 kilometres and an estimated flying time of roughly two and a half hours. According to Tim Clark, the airline's President, "Emirates has changed the face of air travel with this remarkable aircraft".

Over the next few months, Emirates plans to extend its A380 route network to Brisbane (1 October 2013), Los Angeles (2 December 2013), Mauritius (16 December 2013), Zurich (1 January 2014) and Barcelona (1 February 2014).

At the end of August 2013, the global A380 fleet consisted of 108 planes in service with another 153 still on order with new and existing operators. The currently ten operators are Emirates (36 A380 aircraft), Singapore Airlines (19), Qantas (12), Deutsche Lufthansa (10), Air France (8), Korean Airways (7), China Southern Airlines (5), Malaysia Airlines (6), Thai Airways (4) and British Airways (1). The British flag carrier commenced its commercial A380 service between London and Los Angeles on 24 September 2013. Qatar Airways will become the eleventh airline to join the club of A380 operators when it takes delivery of this aircraft in 2014.

According to Airbus, the worldwide fleet has accumulated over one million flight hours in more than 120,000 commercial flights. The number of passengers flying aboard an Airbus A380 to date is 44 million.

Source: Airbus, Ascend, Emirates

## **Contact Details**

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