

# QUARTERLY FACT SHEET

30 June 2016

## DORIC NIMROD AIR ONE LIMITED

LSE: DNA

### The Company

Doric Nimrod Air One Limited ("the Company") is a Guernsey domiciled company, which is listed 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, with fixed lease rentals for the duration, to Emirates Airline ("Emirates"), 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 the shareholders of 2.25 pence per share per quarter (9p per annum). It is anticipated that income distributions will continue to be made quarterly.

The total return for a shareholder investing today (30 June 2016) 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 provide the Company with their future values for the aircraft at the end of each financial year. The latest appraisals available are dated the end of March 2016. The table below summarizes the total return components, calculated on different exchange rates and using the average value of the aircraft as provided by the three independent external appraisers. Regarding 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.

Following the recent vote by the United Kingdom to exit the European Union, volatility in the currency markets has been observed. The contracted lease rentals are calculated to satisfy interest and principal in US dollars and distributions and Company running costs in sterling. The Company is therefore insulated from such foreign currency market volatility during the term of the lease.

### I. Implied Future Total Return Components Based on Appraisals<sup>1</sup>

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

Aircraft value at lease expiry according to

- Prospectus appraisal USD 110 million
- Latest appraisal<sup>2</sup> USD 107 million

Per Share	Income Distributions	Return of Capital		Total Return <sup>3</sup>	
		Prospectus Appraisal	Latest Appraisal <sup>4</sup>	Prospectus Appraisal	Latest Appraisal <sup>4</sup>
Prospectus FX Rate <sup>5</sup>	61p	161p	157p	222p	218p
Current FX Rate <sup>6</sup>	61p	191p	186p	251p	247p

<sup>1</sup>See final sentences in the second paragraph of Investment Strategy

<sup>2</sup>Date of valuation: 31 March 2016 <sup>3</sup>Excluding earned dividend <sup>4</sup>Average of the three appraisals as at the Company's year-end in the expiry year of the lease

<sup>5</sup>1.5900 USD/GBP <sup>6</sup>1.3392 USD/GBP (30 June 2016)

### II. Company Facts (30 June 2016)

Listing	LSE
Ticker	DNA
Current Share Price	110p (closing)
Market Capitalisation	GBP 46.7 million
Initial Debt	USD 122 million
Outstanding Debt Balance	USD 67.4 million (55% of Initial Debt)
Current/Future Anticipated Dividend	2.25p per quarter (9p per annum)
Earned Dividends	47.25p
Current Dividend Yield	8.18%
Dividend Payment Dates	April, July, October, January
Expected Future Total Cash Multiple <sup>1</sup>	2.24 (based on the Current Share Price)
Total Expense Ratio	1.4% (based on Average Net Assets)
Currency	GBP
Launch Date/Price	13 December 2010 / 100p
Remaining Lease Duration	6 years 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 (Guernsey) Ltd
Auditor	Deloitte LLP

<sup>1</sup>See final sentences in the second paragraph of Investment Strategy

## II. Company Facts (continued)

Market Makers	Jefferies International Ltd, Numis Securities Ltd, Shore Capital Ltd, Winterflood Securities Ltd
SEDOL, ISIN	B4MF389, GG00B4MF3899
Year End	31 March
Stocks & Shares ISA	Eligible
Website	www.dnairone.com

### 1. The Doric Nimrod Air One Airbus A380

The Airbus A380 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 May 2016, a total of 3,937 flight cycles were logged. Total flight hours were 33,124. This equates to an average flight duration of eight hours and 25 minutes.

The A380 owned by the Company visited Auckland, Hong Kong, Milan, New York JFK, and Sydney during the second quarter of 2016.

#### 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 24 month or 12,000 flight hour intervals, whichever occurs first. The last heavy maintenance check, the 6-year check, was completed in December 2014.

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

During the period under review the asset manager, Doric, undertook a records audit. The final report was not available at the editorial deadline.

### 2. Market Overview

During the first four months of 2016 passenger demand, measured in revenue passenger kilometres (RPKs), increased by 6.4% compared to the same period the year before. Adjusted for the extra day, as 2016 is a leap year, traffic grew slightly ahead of its average growth rate over the past decade. After an increase of 7% during the first quarter, growth moderated in April. The decline was partly attributable to disruptions following the Brussels terrorist attacks in March, while the stimulatory effect of low oil prices appeared to lose some momentum and the global economic situation remained subdued. In its latest forecast released in June, IATA expects

an RPK growth of 6.2% in 2016, a downward revision of 0.7 percentage points compared to the forecast at the end of last year but still above-trend.

At 78.9% the average passenger load factor between January and April 2016 remained unchanged compared to the year before. IATA estimates an average worldwide passenger load factor of 80.0% for the full year 2016. The minor decline compared to the previous year's record annual high is due to a capacity increase of an expected 0.6 percentage points above forecast demand growth.

A regional breakdown reveals that Middle East airlines, including Emirates, continued to outperform the overall market again this year. Between January and April RPKs increased by 11.1% compared to the previous period. Africa showed a strong recovery with 9.9%. Asia/Pacific-based operators followed with 8.4%. Europe grew by 4.5% and North America by 3.8%. Latin American market participants recorded 3.7% more RPKs.

Fuel is the single largest operating cost of airlines and has significant effects on the industry's profitability. According to its latest report released in June, IATA expects an average fuel price of USD 55.6 per barrel. This would be 17% lower compared to the previous year. It could drive the average share of fuel costs in operating expenses down to less than 20% for the first time since 2004. The industry-wide net profit could be further boosted to an estimated USD 39.4 billion. The net profit margin of 5.6% would be the highest for more than a decade. In 2015 the revised industry net profit reached USD 35.3 billion, compared to a revised net profit of USD 13.7 billion the year before. The profit development during this year will heavily depend on the oil price level. IATA has based its calculations on an average crude oil price of USD 45 per barrel. This includes a rising profile during the course of the year to just above USD 50 per barrel by the end of 2016.

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### 3. Lessee – Emirates Key Financials

In the financial year 2015/16 ending on 31 March 2016 Emirates made its highest profit ever with USD 1.9 billion – an increase of 56% compared to the previous period. The profit margin of 8.4% is the greatest since 2010/11. At the same time, the 28th consecutive year of profit provided a number of global and operational challenges to the company. The rise of the US dollar against currencies in most of Emirates' key markets only

had a USD 1.1 billion impact on the airline's bottom line. As a result of this and fare adjustments following the reduction in fuel prices there was a 4% drop in revenue to USD 23.2 billion. During the financial year, the airline had to deal with weak consumer confidence in a slow global economic environment, terror threats and geopolitical instability in many regions it serves. Nevertheless, the company was able to maintain its strategy of a diversified revenue base which limited the carrier's exposure to single geographical regions.

The airline's operating costs were significantly influenced by the drop in oil prices with a 39% lower average fuel price compared to the previous period. As Emirates remained largely unhedged on jet fuel prices, this significantly paid off. Fuel costs remained the largest component in operating costs, but significantly decreased by 9 percentage points to 26%. Total operating costs decreased by 8% over the 2014/15 financial year.

As of 31 March 2016, the balance sheet total amounted to USD 32.5 billion, an increase of 7% compared to the beginning of the financial year. Total equity increased by 14.6% to USD 8.8 billion with an equity ratio of 27.2%. The current ratio stood at 0.82, meaning the airline would be able to meet about four-fifths of its current liabilities by liquidating all its current assets. Significant items on the liabilities side of the balance sheet included current and non-current borrowings and lease liabilities in the amount of USD 13.7 billion. As of 31 March 2016, the carrier's cash balance was USD 5.4 billion, up by USD 846 million compared to the beginning of the financial year.

Between April 2015 and March 2016 the airline raised a record USD 7.3 billion in aircraft financing and has already received committed offers of finance for deliveries in the current financial year. Over the last ten years Emirates has raised more than USD 45 billion from international markets to finance its fleet and business growth.

New destinations, larger aircraft deployment and increased frequencies to existing destinations boosted the transport capacities for passengers (measured in ASKs) by 12.8% compared to the previous financial year. Passenger demand (in RPKs) grew by 8.4%, resulting in a passenger load factor of 76.5%. The economy class seat factor stood at 79.2%. About 32% of the 51.9 million passengers carried in the 2015/16 financial year travelled aboard an A380. Premium and overall seat factors for Emirates' flagship aircraft outperformed the network.

During the financial year 2015/16 Emirates added eight new passenger destinations to its network, bringing the total

up to 153 in six continents, and added services and capacity to another 34 cities on its existing route network across Africa, Asia, Europe, the Middle East, and North America. The increasing number of A380 aircraft joining the fleet allowed the airline to introduce superjumbo services to a further four destinations during the course of the 2015 calendar year. At the same time A380 services to nine existing routes were increased. This means one out of every four destinations on the carrier's passenger network is served by an A380.

With 29 new wide-body aircraft, Emirates' highest number during a financial year, and nine phase-outs the average fleet age was brought down to 74 months or approximately half the industry average of 140 months. The number of orders yet to be delivered stood at 252 aircraft at the end of March 2016. According to a comprehensive retirement programme announced in December 2015, Emirates intends to retire another 26 aircraft in the current financial year.

Source: Ascend, Emirates

#### **4. Aircraft — A380**

At the end of June 2016 Emirates operated a fleet of 81 A380s which currently serve 40 destinations from its Dubai hub: Amsterdam, Auckland, Bangkok, Barcelona, Beijing, Birmingham, Brisbane, Copenhagen, Dallas, Dusseldorf, Frankfurt, Hong Kong, Houston, Jeddah, Kuala Lumpur, Kuwait, London Gatwick, London Heathrow, Los Angeles, Madrid, Manchester, Mauritius, Melbourne, Milan, Mumbai, Munich, New York JFK, Paris, Perth, Prague, Rome, San Francisco, Seoul, Shanghai, Singapore, Sydney, Taipei, Toronto, Washington, and Zurich. Vienna is scheduled to become an A380 destination on July 1, 2016. Emirates has further announced that it will be upgrading one of the two daily flights servicing its Dubai-Moscow route to an A380, commencing December 1, 2016. This will raise the number of seats on the route by about a quarter. The A380 service into Domodedovo was pulled due to economic turmoil in Russia. After an increase of demand over the last twelve months with some 400,000 passengers having travelled on the route, the airline is determined to resume the A380 service to the Russian capital soon.

At the end of June 2016 the global A380 fleet consisted of 193 commercially used planes in service. The thirteen operators are Emirates (81), Singapore Airlines (19), Deutsche Lufthansa (14), Qantas (12), British Airways (12), Air France (10), Korean Airways (10), Etihad Airways (8), Malaysia Airlines (6), Qatar Airways (6), Thai Airways (6), China Southern Airlines (5), and Asiana (4). The number of undelivered A380 orders stood at 128.

In January 2016 Iranian flag carrier Iran Air and Airbus signed a heads of term agreement for the acquisition of 118 aircraft in total, including 12 A380s. The next step is to firm this up in a purchase order and obtain a US export licence. For this reason these aircraft are not yet part of Airbus' order book.

In April 2016 it became known that in the first quarter 2016 Emirates agreed to take two extra A380 aircraft originally commissioned by Japan's Skymark Airlines.

For a long time Emirates has been known as the strongest supporter of a re-engined A380 and prepared to order up to 200 of the so-called A380neo. Speaking in front of aviation

professionals in June, Airbus' CEO Fabrice Bregier ruled out an A380neo in the near future. In May Emirates' President Tim Clark had indicated that Emirates might purchase up to 60 additional aircraft of the current version, if Airbus were not prepared to launch a neo. With regard to the airline's retirement plans for in-service A380s Clark said that extending leases beyond the useful life of 12 to 13 years would be an option.

Source: Airbus, Ascend, Emirates



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