Doric Nimrod Air One Limited - DNA Quarterly Report
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QUARTERLY FACT SHEET

31 March 2018

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 targets 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 (31 March 2018) 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 the end of March 2017. The table below summarises 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.

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 lease.

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:

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 value at lease expiry according to

- Prospectus appraisal USD 110 million
- Latest appraisal[1] USD 104 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]	45p	161p	153p	206p	198p
Current FX Rate[5]	45p	182p	173p	227p	218p

[1] Date of valuation: 31 March 2017

[2] Includes future dividends

[3] Average of the three appraisals as at the Company's fiscal year-end in which the lease reached the end of its 12-year term

[4] 1.5900 USD/GBP

[5] 1.4013 USD/GBP (31 March 2018)

II. Company Facts (31 March 2018)

Listing	LSE
Ticker	DNA
Current Share Price	102.0p (closing)
Market Capitalisation	GBP 43.3 million
Initial Debt	USD 122 million
Outstanding Debt Balance	USD 46.2 million (38% of Initial Debt)
Current/Future Anticipated Dividend	2.25p per quarter (9p per annum)
Earned Dividends	63p

Current Dividend Yield	8.82%
Dividend Payment Dates	April, July, October, January
Cost Base Ratio[1]	1.5% (based on average share capital)
Currency	GBP
Launch Date/Price	13 December 2010 / 100p
Remaining Lease Duration	4 years 9 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	Deloitte LLP
Market Makers	Canaccord Genuity Ltd, finnCap Ltd, 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] Calculated as Operating Costs / Average Share Capital as per the latest published Half Yearly Financial Report.

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. For the period from original delivery of the aircraft to Emirates in November 2008 until the end of February 2018, a total of 4,936 flight cycles were logged. Total flight hours were 41,080. This equates to an average flight duration of eight hours and 19 minutes.

The A380 owned by the Company visited Auckland, Bangkok, Dubai, Melbourne, Milan, New York and Sydney during the first quarter of 2018.

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.

The increased C check interval allows for a higher aircraft availability due to lower downtime.

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

2. Market Overview

2017 saw global revenue passenger kilometres (RPKs) grow by 7.6% compared to the previous year. As a result, 2017 was another year of above-trend passenger growth, surpassing the ten-year average pace of 5.5%. This momentum in global passenger traffic has continued into 2018, assisted by positive economic conditions. Nevertheless, the International Air Transport Association (IATA) anticipates a moderate slowdown in full-year growth as the stimulus to demand from lower airfares has been fading. RPK growth in 2018 is forecast to be 6.0%, mainly due to the increase in input costs such as fuel prices and labour costs.

In 2017, industry-wide available seat kilometres (ASKs) increased by 6.4% compared to 2016. As a result of the RPK growth exceeding this, the global passenger load factor (PLF) rose by 1.0 percentage points to 81.5% compared to the previous year, achieving a record high for a calendar year. All regions except the Middle East experienced an increase in PLF in 2017.

The market share of Middle Eastern airlines fell in 2017 for the first time since 1997. It was the only region to experience a slowdown in its full-year international RPK growth rate (down from 11.8% in 2016 to 6.4% in 2017) following a challenging first half of the year, which included the now-lifted ban on personal electronic devices on flights and the proposed travel bans to the US. The seasonally adjusted passenger traffic numbers did however recover somewhat during the second half of the year. IATA's January 2018 Air Passenger Market Analysis report showed passenger traffic was trending upwards at an annualized pace of 1%.

In 2017, Asia/Pacific-based operators recorded the highest RPK growth rate with 10.2%. Europe experienced the second highest growth rate with 8.2%, followed by Latin America with 7.0%. The Middle East and Africa achieved growth rates of 6.4% each, while North America saw a growth rate of 4.2%.

For 2018, IATA forecasts an industry-wide net profit of USD 38.4 billion, the highest nominal net profit on record. This comes despite rising unit costs, which are partially offset by the rise in achieved load factors. Fuel prices, the single largest operating cost for airlines, are expected to increase to USD 73.8 per barrel and represent 20.5% of average operating costs in 2018, an increase of 1.8 percentage points compared to the previous year.

3. Lessee - Emirates Key Financials

In the first half of the 2017/18 financial year ending on 31 March 2018, Emirates recorded revenue of USD 12.1 billion (AED 44.5 billion), a 6% increase compared to the first half of the previous financial year. Net profit increased by approx. 111% to USD 452 million (AED 1.7 billion) during the same period. This came despite strong downward pressure on margins from increased competition, rising oil prices and weak economic and uncertain political realities in many parts of the world. His Highness (HH) Sheikh Ahmed bin Saeed Al Maktoum, chairman and chief executive of

Emirates, attributes the positive result to the capacity optimisation and efficiency initiatives across the company, steady business growth and a more favourable foreign exchange situation compared to the same period last year.

During the period, Emirates carried 29.2 million passengers, up 4% compared to the same period in the previous fiscal year. Capacity for passengers, measured in ASKs, increased by 3%, while passenger traffic carried, measured in RPKs, grew by 5%. This resulted in the passenger seat factor rising by 1.9 percentage points to 77.2%.

As of 30 September 2017, the balance sheet totalled USD 33.0 billion (AED 121.1 billion), down 4% from USD 33.1 billion (AED 121.6 billion) compared to the previous financial year. Total equity grew by 4.8% to USD 10.0 billion (AED 36.8 billion), giving the company an equity ratio of nearly 30.4%. Emirates had a cash balance of USD 4.0 billion (AED 14.7 billion) at the end of the period, down by USD 254 million (AED 0.9 billion) compared to the previous financial year.

In the 2017 calendar year Emirates grew its fleet by 21 new aircraft, with 9 A380s and 12 Boeing 777-300ERs. Eleven aircraft were retired during the course of the year. As of 31 March 2018, its fleet totalled 254 passenger aircraft and 14 freighters, with an order book consisting of 222 orders for new aircraft, including the latest order for 20 additional Airbus A380 aircraft as well as a further 16 on option. A memorandum of understanding to order 40 Boeing 787-10 aircraft has not yet been finalized.

With Newark (USA, via Athens), Zagreb (Croatia) and Phnom Penh (Cambodia) Emirates added three passenger destinations to its global network in 2017. In the first quarter of 2018, the airline announced plans to expand its network to include a nonstop Dubai-Newark service from June 2018, a daily Dubai-Denpasar (Bali)-Auckland (New Zealand) service from June 2018 and a daily Dubai-Sao Paulo (Brazil)-Santiago (Chile) service from July 2018. Emirates has also announced adjustments to some route frequencies, such as a reduction in frequencies to New York JFK and increases in frequencies to Orlando and Fort Lauderdale.

In January 2018, the governments of the United Arab Emirates and Tunisia restored aviation relations after a diplomatic incident centred on security concerns, which forced the suspension of Emirates services to the north African state in December 2017. Following the restoration of services to Tunisia, Emirates and Etihad Airways announced a co-operation pact covering aviation security matters. The agreement is intended to take advantage of synergies between the two United Arab Emirates companies.

In March 2018, Emirates successfully executed a USD 600 million Sukuk issuance. A Sukuk is similar to a Western style bond, except that the structure ensures that it is compliant with Sharia (Islamic religious law) which prohibits interest. The airline will use the proceeds from the issuance for general corporate purposes including aircraft financing and working capital. The stock exchange listed certificates were priced at a profit rate of 4.50% and will be amortized over ten years with legal maturity in March 2028.

Source: CAPA, Emirates, FlightGlobal

4. Aircraft - A380

With the addition of Tokyo-Narita, Casablanca, Sao Paulo, Johannesburg and Nice the airline grew its A380 network by five new destinations during the course of 2017. As of the end of March 2018, Emirates operated a fleet of 102 A380s, which currently serve 46 destinations within its global network via its hub in Dubai. A380 destinations include: Amsterdam, Auckland, Bangkok, Barcelona, Beijing, Birmingham, Brisbane, Casablanca, Christchurch, Copenhagen, Dusseldorf, Frankfurt, Guangzhou, Hong Kong, Johannesburg, Kuala Lumpur, Kuwait, London Gatwick, London Heathrow, Los Angeles, Madrid, Manchester, Mauritius, Melbourne, Milan, Moscow, Mumbai, Munich, New York JFK, Nice, Paris, Perth, Prague, Rome, San Francisco, Sao Paulo, Seoul, Shanghai, Singapore, Sydney, Taipei, Tokyo, Toronto, Vienna, Washington, and Zurich.

As of the end of March 2018, the global A380 fleet consisted of 219 commercially operated planes in service. The thirteen operators are Emirates (102), Singapore Airlines (17), Deutsche Lufthansa (14), Qantas (12), British Airways (12), Korean Air Lines (10), Etihad Airways (10), Air France (10), Qatar Airways (9), Malaysia Airlines (6), Thai Airways (6), Asiana Airlines (6), and China Southern Airlines (5). Another four were temporarily parked: two for lease return preparations and two were returned to their lessor. Following its redelivery from Singapore Airlines (SIA) earlier this year, the second A380 to come off lease has been placed into temporary storage in France whilst its engines are reportedly on short terms leases to Rolls Royce. The number of undelivered A380 orders stood at 108 and no longer includes a six aircraft order from Virgin Atlantic, which has been cancelled after the delivery was postponed multiple times.

In February 2018, Emirates firmed up an order for an additional 20 Airbus A380 plus an option for another 16 aircraft with deliveries starting from early 2020 onwards. Emirates, which is currently using both Engine Alliance and Rolls-Royce engines, is evaluating the engine options for this order. HH Sheikh Ahmed bin Saeed Al Maktoum explained: "Our customers love it, and we've been able to deploy it on different missions across our network, giving us flexibility in terms of range and passenger mix."

Airbus also announced that it intends to reduce the A380 output to six per year from 2020 onwards in order to sustain the programme and keep losses from the production of this aircraft compressed. The production rate, which is planned at 12 A380s to be delivered this year, will follow with a decrease of eight by 2019 and six by 2020. Tom Enders, Airbus' departing chief executive, explained that he anticipates further A380 orders in the future from existing or new operators, specifically in Asia and, particularly, China. Enders states that the A380 is currently being under-represented in China, but would ideally suit such a market.

Source: Emirates, FlightGlobal

http://www.rns-pdf.londonstockexchange.com/rns/7739K_-2018-4-12.pdf

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