

# QUARTERLY FACT SHEET

 30<sup>th</sup> September 2012

## DORIC NIMROD AIR ONE LIMITED

**LSE: DNA**  
**CISX: DNA**

### The Company

DoricNimrod AirOne 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<sup>th</sup> December 2010. The Company has purchased one Airbus A380-861 aircraft, manufacturer's serial number (MSN) 016, which it has leased 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 will receive income from the lease and its directors intend to target a gross distribution to Shareholders of 2.25 pence per share per quarter (9p per annum).

### Company Facts (30<sup>th</sup> September 2012)

Listing	LSE and CISX
Ticker	DNA
Share Price	127.0p
Market Capitalisation	GBP 54 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 Ltd
Auditor	Ernst and Young LLP
Market Makers	Shore Capital Ltd/ Winterflood Securities Ltd
SEDOL, ISIN	B4MF389 , GG00B4MF3899
Year End	31 <sup>st</sup> March
Stocks & Shares ISA	Eligible
Website	www.dnairone.com

## Asset Manager's Comment

### 1. The Asset

The Airbus A380 with 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 2012, a total of 2,038 flight cycles were registered. Total flight hours were 16,760. This is equal to an average flight duration of approximately eight hours.

Amongst its 184 aircraft in operation as of August 2012, Emirates has a fleet of 23 A380s which currently serve 19 destinations worldwide: Amsterdam, Auckland, Bangkok, Beijing, Hong Kong, Jeddah, Johannesburg, Kuala Lumpur, London Heathrow, Manchester, Munich, New York JFK, Paris, Rome, Seoul, Shanghai, Sydney, Toronto and Tokyo. In the last

quarter of 2012 Emirates is planning to launch A380 flights to Melbourne, Moscow, and Singapore. The carrier is the largest A380 operator in the world and has now carried more than 10 million passengers and has flown more than 150 million kilometers since the double decker was introduced to its fleet in August 2008. Emirates has an additional 67 of this model on firm order for delivery through 2017.

Recent visits of the A380 owned by the Company (MSN 016) included Auckland, Jeddah, Tokyo, Manchester and Sydney during the third quarter of 2012.

### Maintenance Status

Emirates maintains its A380 aircraft fleet based on a maintenance program according to which minor maintenance checks are performed every 1,500 flight hours and more

significant maintenance checks (so called C checks) every 24 months or 12,000 flight hours, whichever comes first. The next C check is expected to fall due in the last quarter of 2012.

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

### **Inspections**

The next inspection of the aircraft by the asset manager is scheduled during the aforementioned C check later in 2012.

### **Hairline Cracks**

Since late 2011, hairline cracks have been discovered in a small number of L-shaped metal brackets within the wing structure of some A380s. There are about 2,000 brackets (known as rib-skin attachments or wing rib feet) in each wing, which attach the wing's upper and lower skins to ribs running throughout the wing. The aircraft remain fully airworthy and pose no risk to flight safety as affirmed by European Aviation Safety Agency (EASA) and Airbus.

Since the occurrence of the issue, Airbus has traced the source of the cracking in A380 wing structures to the choice of a less flexible aluminum alloy used to make the wing brackets, stresses involved during assembly when fitting portions of the wing together plus thermal fatigue during flight at very low temperatures.

In February 2012, EASA issued an updated airworthiness directive (AD) in relation to the wing rib feet cracks, which called for all A380s in operation to be checked for cracks in the brackets that attach to the wing's ribs before reaching 1,300 flights. The aircraft owned by the Company (MSN 016) was inspected in March 2012. The cracks detected on this occasion were repaired. The aircraft has since returned to normal commercial service.

In late June EASA issued a new AD pertaining to wing rib feet cracks on the Airbus A380 aircraft, which specified repeat inspections of A380 aircraft at defined intervals. This will allow A380 aircraft to continue flying until a permanent fix for wing rib feet cracking has been incorporated in the aircraft. The length of the applicable inspection interval is determined by the location within the wing where previous wing rib feet repairs have been made and the type of repair that has been previously made. Depending on this, an inspection interval of between 560 and 1,200 flight cycles is required. After performing this repeat inspection, the follow-on repeat inspections shall have an inspection interval of 560 flight cycles.

Airbus has developed a permanent fix to wing rib feet

cracking, which is currently being certified by EASA. A retrofit modification will be installed on in-service aircraft, while a production modification will be applied for new aircraft. The retrofit is expected to become available in late 2012/early 2013. A further AD is anticipated which will instruct A380 operators to implement the retrofit. At that time, the retrofit will be installed in existing A380s. New aircraft with the production modification are expected to be delivered beginning in early 2014. The permanent fix developed by Airbus will preserve the full design service life of the A380 aircraft.

Airbus has confirmed that it may take up to 8 weeks to incorporate the permanent fix in the A380. Another option is for the fix to be gradually accomplished during regularly scheduled "heavy checks" when the aircraft is two, four, and six years of age. To implement the repair gradually, some extra days would be added to each two to three week "heavy check". Aircraft operators are expected to choose between the various repair solutions depending on their fleet planning and flight schedules.

All the repair works will be covered by the applicable manufacturer's warranties. In the meantime airlines with A380s on lease will continue to operate the aircraft and their lease rental obligations will remain absolute and unconditional on these events.

## **2. Market Overview**

The International Air Transport Association (IATA) released its latest industry outlook in June 2012 according to which global industry profits are expected to reach USD 3.0 billion this year. A temporary fall in oil prices, stronger than expected growth in passenger traffic and a bottoming out of the freight market have been driving some improvements in the profitability outlook. However, this is offset by the continued European sovereign debt crisis and uncertainties related to the economic growth outlook.

IATA expects that 2012 will mark a second successive year of declining airline profits. In 2010 the industry's profits peaked at USD 15.8 billion, before dipping in 2011 to USD 7.9 billion net profit. Although airlines face the common challenges of high fuel prices and economic uncertainty, the regional picture is diverse. Compared with the previous forecast in March 2012, North American and Latin American carriers are expected to see improved prospects. But the outlook for European, Asian-Pacific and Middle Eastern carriers has been downgraded, with European losses expected to reach USD 1.1 billion.

World GDP growth, a key driver of airline profitability, is expected to be 2.1% in 2012. That is slightly better than the anticipated 2.0% growth forecast in March. But this still

represents a slower growth environment compared to last year, and one in which airlines will struggle to absorb cost increases. Historically, the airline industry has fallen into losses (at a global level) when world GDP growth drops below 2.0%.

During the course of 2012, passenger demand, measured in revenue passenger kilometers, continues to expand, but at a below-trend rate. According to IATA, average annualized rate grew by approximately 3% since January 2012. Due to the recent deterioration in business confidence in a number of major economies, IATA expects a further slowdown of growth during the next months. In its latest Global Market Forecast, published in September 2012, Airbus predicts a compound average growth rate of 4.7% for worldwide passenger traffic until 2031.

Sources: IATA, Airbus

### 3. Lessee — Emirates Key Financials and Outlook

The aircraft is leased to Emirates for an initial term of 12 years, with fixed lease rentals for the duration.

Emirates revenue reached a record high of USD 16.9 billion in the 12 months ended 31<sup>st</sup> March 2012, an increase of 16% from the previous financial year. Passenger revenue climbed 18% year-on-year, to USD 13.3 billion due to the overall expansion of passenger numbers as well as higher fares.

Geographically, East Asia and Australasia remains Emirates' most important region in terms of revenue, accounting for almost 30%, just ahead of Europe. The carrier's revenue base is increasingly diffused globally, particularly with the introduction of several new routes into North and South America and the development of African destinations.

Despite this strong revenue growth, the high cost of jet fuel impacted Emirates' bottom line with the airline's profit dropping to USD 409 million, representing a decrease of 72% over last year's record results. Fuel costs increased by 44.4% compared to the preceding year to USD 6.6 billion, representing about 40% of Emirates' total operating costs. Emirates Chairman and CEO, Sheikh Ahmed bin Saeed Al Maktoum, stated that if fuel prices remained where they were in the previous financial year, the net profit "would have again soared to a new record high".

Emirates balance sheet total as per 31<sup>st</sup> March 2012 was USD 21 billion – an increase of 18% from last year. Total equity increased by more than 3% to USD 5.85 billion with an equity ratio of 28%. The current ratio is 0.98; 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 are finance leases in the amount of USD 5.44 billion and revenues received in advance from passenger and

cargo sales (USD 2.58 billion). These solid financial results not only represent Emirates' 24<sup>th</sup> consecutive year of profit, but the carrier was also able to strengthen its cash position by 11.6% to USD 4.2 billion.

For the current financial year 2012/13 36 new aircraft are scheduled for delivery, including 12 Airbus A380, 20 Boeing 777-300ER and four freighters. This would be the highest number of aircraft received in a single year of operation. With an increased fleet, Emirates has already launched 12 new destinations in 2012 (Rio de Janeiro, Buenos Aires, Dublin, Lusaka, Harare, Dallas, Seattle, Ho Chi Minh City, Barcelona, Lisbon, Erbil, Washington DC). Adelaide, Algiers, Lyon, Phuket and Warsaw will join the extensive network of Emirates over the course of the next few months. Emirates is also responding to stronger passenger demand on some existing routes. A second A380 service into Paris will start in January 2013. All five daily flights into London Heathrow will be served by A380s from the beginning of February 2013.

In the 2011/2012 financial year, the Emirates fleet, one of the youngest in the industry, carried a record number of almost 34 million passengers at an 80% passenger load factor to a network of 126 destinations in 74 countries. As of 31<sup>st</sup> August 2012 Emirates has 184 aircraft in operation, with firm orders for another 226 aircraft, including 67 A380.

In July 2012 Emirates was awarded with 'World's Best Airline Inflight Entertainment 2012' award for the eighth consecutive year. Based on more than 18 million airline passenger votes from over 100 different nationalities, consultancy company SKYTRAX identified industry-leading airlines in a number of categories. Emirates 'ice' (which stands for information, communications and entertainment) inflight entertainment system offers over 1,400 channels and is being continuously enhanced. Emirates has also rolled out WiFi internet connection on its entire A380 fleet.

On 6<sup>th</sup> September 2012 lessee Emirates and Qantas announced a global aviation partnership that will see the Australian carrier move its hub for European flights to Dubai from Singapore. The 10-year codeshare agreement is enhanced by integrated network collaboration with coordinated pricing, sales and scheduling as well as a benefits sharing model. Emirates will benefit from a major feed for its European, African and Middle Eastern destinations, while gaining access to Qantas' strong network in Australia, which offers nearly 5,000 weekly flights to more than 50 destinations. Subject to regulatory approvals, the partnership arrangements are planned to take effect in April 2013. Neither airline will take equity in the other.

Both airlines will jointly offer 98 weekly flights between Australia and Dubai. Four daily services from Sydney and

Melbourne to Dubai will be serviced by A380s. With Emirates flying the largest fleet of A380s in the world with 23, combined with Qantas' 12 A380s for a total of 35, many onward flights to Europe including London, Paris, Moscow, Amsterdam, Munich and Rome will also be serviced by A380s. Qantas will make use of Dubai International's Terminal 3 including the dedicated A380 facility, which will start operations in early 2013 with 20 aircraft contact gates, all of them capable of accommodating one A380.

Sources: Emirates, The Airline Analyst

flight hours, performing more than 72,000 revenue flights. Average utilization across this total fleet is 13-plus flight hours per day.

Sources: Airbus, Ascend

#### 4. Aircraft — A380

At the end of August 2012, the global A380 fleet consisted of 81 planes that were in service with eight operators: Emirates (23 A380 aircraft), Singapore Airlines (18), Qantas (12), Deutsche Lufthansa (10), Air France (8), Korean Airways (5), China Southern Airlines (3) and Malaysia Airlines (2).

Thai Airways received its first Airbus A380 at the end of September with another three deliveries due in December. Two more will follow in 2013. The Thai flag carrier plans on entering the aircraft into service in October 2012 and will become the ninth operator of A380s worldwide. Since the inaugural flight of the first Airbus A380 in October 2007, the worldwide fleet with currently eight operators has accumulated over 600,000



### Contact Details

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