QUARTERLY FACT SHEET

31 March 2017

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 378.3 million as of 31 March 2017.

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

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.

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 its directors are targeting 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 2017) 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 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 further assumed that the lessee will honour all its contractual obligations during the entire anticipated lease term.

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.

I. Implied Future Total Return Components Based on Appraisals[1]

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 appraisal[2] USD 823 million

Per Share	Income Distributions	Return of Capital		Total Return[3]	
		Prospectus Appraisal	Latest Appraisal[4]	Prospectus Appraisal	Latest Appraisal[4]
Prospectus FX Rate[5]	135p	322p	312p	458p	447p
Current FX Rate[6]	135p	397p	382p	532p	518p

[1]See final sentences in the second paragraph of Investment Strategy [2]Date of valuation: 31 March 2016 [3]Includes future dividends [4]Average 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 [5]1.56 USD/GBP Initial Admission / 1.53 USD/GBP C Shares Admission [6]1.2488 USD/GBP (31 March 2017)

II. Company Facts (31 March 2017)	
Listing	LSE
Ticker	DNA2
Current Share Price	219p (closing)
Market Capitalisation	GBP 378.3 million
Initial Debt	USD 1.03 billion
Outstanding Debt Balance	USD 608.6 million (59% of Initial Debt)
Current/Future Anticipated Dividend	4.5p per quarter (18p per annum)
Earned Dividends	89p
Current Dividend Yield	8.22%
Dividend Payment Dates	April, July, October, January
Total Expense Ratio	1.3% (based on Average Net Assets)
Currency	GBP
Launch Date/Price	14 July 2011 / 200p
Average Remaining Lease Duration	7 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	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

Asset Manager's Comment

1. The Assets

In November 2012, the Company completed the purchase of all seven Airbus A380 aircraft bearing manufacturer's serial numbers (MSN) 077, 090, 105, 106, 107, 109 and 110. All seven aircraft are leased to Emirates for an initial term of 12 years from the point of delivery with fixed lease rentals for the duration.

The seven A380s owned by the Company recently visited Amsterdam, Auckland, Bangkok, Barcelona, Beijing, Brisbane, Frankfurt, Guangzhou, Hong Kong, Kuala Lumpur, London Heathrow, Melbourne, Milan, Moscow, Munich, New York JFK, Paris, Perth, Rome, Singapore, Sydney, and Zurich.

Aircraft utilisation for the period from delivery of each Airbus A380 until the end of February 2017 was as follows:

Aircraft Utilization

MSN	Delivery Date	Flight Hours	Flight Cycles	Average Flight Duration
077	14/10/2011	25,448	2,972	8 h 35 min
090	02/12/2011	22,439	3,728	6 h
105	01/10/2012	19,359	3,145	6 h 10 min
106	01/10/2012	21,462	2,459	8 h 45 min
107	12/10/2012	21,066	2,449	8 h 35min
109	09/11/2012	18,420	2,972	6 h 10 min
110	30/11/2012	18,773	3,137	6 h

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

Inspections

Doric, the asset manager, performed inspections of MSNs 090 and 105 in December 2016 and January 2017. The physical condition of each aircraft was in compliance with the provisions of the respective lease agreements.

In February 2017, Doric also undertook records audits for MSNs 077 and 090. The lessee was again very helpful in the responses given to the asset manager's technical staff, and the technical documentation was found to be in good order.

2. Market Overview

During 2016, passenger demand, measured in revenue passenger kilometres (RPKs), increased by 6.3% compared to the year before. Adjusted for the extra day, as 2016 was a leap year, traffic grew by 6.0%. Growth was well ahead of its 5.5% ten-year-average. The first half of the previous year was characterized by a combination of high-profile terrorist attacks, political instability in many parts of the world and subdued economic activity. However, passenger demand significantly improved between June and December 2016. According to the International Air Transport Association (IATA), passengers adapted to the uncertain environment. The moderate upturn in the global economic cycle was another contributing factor, which let RPKs grow at an annualized pace of nearly 9% in the second half of 2016. That development persisted beyond the end of 2016 with the strongest start to the year since 2005. In January 2017, RPKs grew by 9.6% compared to the same month the year before. For the full year, IATA expects a demand growth of 5.5%, according to a report released in March. However, there is uncertainty whether lower airfares will continue to fuel demand as in the recent past. As oil prices have significantly increased, since their 12-year low point reached in January 2016, further leeway for lower-priced tickets is limited. For this reason, the strength of the economic cycle will play an important role for the pace of global passenger growth during the course of this year.

Passenger load factors were pushed to 80.5% during the calendar year 2016, the highest annual average on record, improving marginally on the record set in 2015. With minus 1.6 percentage points, the Middle East recorded the largest decline in load factors as the added capacity outstripped brisk demand. In January 2017, a worldwide passenger load factor of 80.2% was recorded, an improvement of 1.2 percentage points compared to the same month the year before and close to an all-time high. IATA estimates an average worldwide passenger load factor of 79.8% for this year.

In 2016, a regional breakdown reveals that Middle East airlines, including Emirates, continued to outperform the overall market demand again last year. RPKs increased by 11.2% compared to the year 2015. Asia/Pacific-based operators ranked second with 9.1%, followed by Africa with 6.5%. Europe grew by 4.6%. Latin American and North American market participants recorded RPK growth of 3.6% and 3.2% respectively.

Fuel is the single largest operating cost of airlines and has a significant impact on the industry's profitability. According to its latest report released in December, IATA expected an average fuel price of USD 52.1 per barrel in 2016. This would be 22% lower compared to the previous year. Jet fuel prices have started to rise with oil prices, and IATA forecasts an average price of USD 64.9 per barrel of jet fuel for this year. Fuel costs in 2017 are set to represent 18.7% of average operating costs, a 0.5 percentage point reduction from 2016. This is significantly below the recent peak of 33.2% in 2012-13. Slower GDP growth and rising costs have led to a downward revision of IATA's 2016 airline industry profitability to USD 35.6 billion. This is still the highest absolute profit generated by the airline industry and the highest net profit margin (5.1%) to date. For 2017, Alexandre de Juniac, IATA's Director General and CEO, expects a "very soft landing" with an industry net profit of USD 29.8 billion.

3. Lessee – Emirates Key Financials

In the first half of the 2016/17 financial year ending on 31 March 2017, Emirates made a net profit of USD 214 million – a decrease of 75% compared to the same period in the previous year. The net profit margin was 1.9%. Revenue for the period reduced slightly by 1% to USD 11.4 billion. During the report period, Emirates experienced an unfavourable currency environment. The US dollar continued to strengthen against most other major, revenue-generating currencies, and increased competition resulted in lower average fares.

Emirates' operating costs significantly benefited from the lower oil price. Fuel costs were on average 10% lower compared to the same period last year. The share of operating costs, compared with the first six months of last year, decreased from 28% to 24%. Emirates' total operating costs increased by 5% against the overall capacity increase of 9%.

As of 30 September 2016, the balance sheet total amounted to USD 30.9 billion, a decrease of 5% compared to the beginning of the financial year. Total equity increased by 4.6% to USD 9.2 billion with an equity ratio of 29.9%. The current ratio stood at 0.77, meaning the airline would be able to meet about three-quarters 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 12.4 billion. As of 30 September 2016, the carrier's cash balance was USD 3.2 billion, down by USD 2.2 billion compared to the beginning of the financial year. This also included the repayment of two bonds in the total amount of more than USD 1.1 billion.

During the first half of the 2016/17 financial year, Emirates continued to increase its capacity for passengers (measured in ASK) by 12%. At the same time, the airline recorded 8% more RPKs than in the same period the previous year. As a result, the passenger load factor dropped by 3 percentage points to 75.3%. This key indicator is almost identical to the average passenger load factor in the Middle East of 75.4%. Emirates carried 28 million passengers between 1 April and 30 September 2016, 9% up from the same period last year.

In March 2017, Emirates' president Tim Clark provided guidance on the results for the financial year ending on March 31, 2017: Full-year results are expected to be below those of the 2014/15 and 2015/16 financial years, during which the carrier generated a net income of USD 1.24 billion and USD 1.94 billion respectively. Responding to an increased volatility of the business environment Emirates is undertaking a "major exercise" to adjust its business amid changing customer demand. "The world is in a high degree of volatility for all sorts of reasons. And the way people travel, their decision to be travelling, the amount of money they are prepared to pay, new entrants coming to the market ... this is all changing." Clark also said Emirates is evaluating the future deployment of narrow body aircraft. But a strategic decision has not been made so far.

During the calendar year 2016, the airline received 36 wide body aircraft, consisting of 20 Airbus A380 and 16 Boeing 777-300ER. At the same time, 29 older aircraft were retired. At year end, the fleet had an average age of 5.0 years, well below the industry average of over 11 years. Emirates placed its latest aircraft order in April 2016. The pair of Airbus A380s, originally assigned to Skymark Airlines, is scheduled to be delivered in the final quarter of this year. Operating a young fleet not only minimizes Emirates' carbon footprint, but it also enables the airline to put the latest products and services on board its fleet.

In 2016, Emirates launched services to seven new passenger points (Cebu and Clark in the Philippines, Yinchuan and Zhengzhou in China, Yangon in Myanmar, Hanoi in Vietnam, Fort Lauderdale in the US). The fleet's aircraft circled the globe more than 20,500 times during the year, carrying 55 million passengers on about 194,000 passenger flights. By year end, the global network spanned 154 destinations in 83 countries.

Sources: Emirates, FlightGlobal

4. Aircraft — A380

By the end of March 2017, Emirates operated a fleet of 94 A380s, which currently serve 48 destinations from its Dubai hub: Amsterdam, Auckland, Bangkok, Barcelona, Beijing, Birmingham, Brisbane, Casablanca, Christchurch, Copenhagen, Doha, Dusseldorf, Frankfurt, Guangzhou, Hong Kong, Jeddah, Johannesburg, Kuala Lumpur, Kuwait, London Gatwick, London Heathrow, Los Angeles, Madrid, Manchester, Mauritius, Melbourne, Milan, Moscow, Mumbai, Munich, New York JFK, Paris, Perth, Port Louis, Prague, Rome, San Francisco, Sao Paulo, Seoul, Shanghai, Singapore, Sydney, Taipei, Tokyo, Toronto, Vienna, Washington, and Zurich.

On 26 March 2017, Emirates launched three A380 destinations on the same day. With the deployment of the superjumbo to Casablanca and Sao Paulo, the airline is providing the first scheduled A380 services into Latin America and North Africa. Healthy demand for travel between Dubai and Japan is the reason for reintroducing the A380 to Tokyo-Narita. Another destination back on the A380 flight schedule is Johannesburg, which was already served by an A380 for a few months back in 2011/12. In the meantime, Dubai – Johannesburg is the airline's busiest route in Africa with four daily services. One of these is now operated by an A380.

At the end of March 2017, the global A380 fleet consisted of 210 commercially operated planes in service. The thirteen operators are Emirates (94), Singapore Airlines (19), Deutsche Lufthansa (14), Qantas (12), British Airways (12), Air France (10), Korean Airways (10), Etihad Airways (9) Malaysia Airlines (6), Qatar Airways (7), Thai Airways (6), China Southern Airlines (5), and Asiana (6). The number of undelivered A380 orders stood at 109.

In December 2016 it became known that Iran Air had decided to drop the 12 Airbus A380s from its Airbus order. Earlier that year, the Iranian flag carrier had signed a heads of term agreement for the acquisition of 118 aircraft in total, including 12 A380s. The airline's chief executive officer Farhad Parvaresh attributes the decision to shelve the order to a lack of infrastructure in the country. He assumes that it might take another five to six years until Iran will be able to accommodate high-density aircraft like the A380.

As per Airbus' monthly-published order book update, Air France finally decided to swap its two remaining A380 orders for three Airbus A350 aircraft.

Airbus' president of commercial aircraft Fabrice Brégier is convinced that the demand for A380 aircraft will rebound by 2020. Considering the growth in international traffic in the next few years, he expects an increasing level of airport congestion, especially in Europe and the US. "So the trend is towards bigger aircraft, and you will see, I'm sure, a second wave of A380 [procurement] when we reach this congestion."

In March 2017, Qatar Airways indicated that it does not intend to exercise an option for another three A380s. The fleet currently consists of seven aircraft and will grow by another three due for delivery by 2018.

Sources: Ascend, Emirates, FlightGlobal, The Edge Financial Daily

Contact Details

Company
Doric Nimrod Air Two Limited
Dorey Court, Admiral Park
St Peter Port
Guernsey GY1 2HT
Tel: +44 1481 702400
www.dnairtwo.com

Corporate & Shareholder Advisor
Nimrod Capital LLP
3 St Helen's Place
London EC3A 6AB
Tel: +44 20 7382 4565
www.nimrodcapital.com

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