QUARTERLY FACT SHEET

30 June 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 382.2 million as of 30 June 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 targets 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 (30 June 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 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 leases.

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 portfolio value at lease expiry according to

- Prospectus appraisal USD 863 million
- Latest appraisal[1] USD 813 million

Per Share	Income Distributions	Return of Capital		Total Return[2]	
		Prospectus Appraisal	Latest Appraisal[3]	Prospectus Appraisal	Latest Appraisal[3]
Prospectus FX Rate[4]	131p	322p	308p	453p	439p
Current FX Rate[5]	131p	381p	363p	512p	494p

[1]Date of valuation: 31 March 2017 [2]Includes future dividends [3]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 [4]1.56 USD/GBP Initial Admission / 1.53 USD/GBP C Shares Admission [5]1.3003 USD/GBP (30 June 2017)

II. Company Facts (30 June 2017)

Listing	LSE
Ticker	DNA2
Current Share Price	221.25p (closing)
Market Capitalisation	GBP 382.2 million
Initial Debt	USD 1.03 billion
Outstanding Debt Balance	USD 571.1 million (55% of Initial Debt)
Current/Future Anticipated Dividend	4.5p per quarter (18p per annum)
Earned Dividends	93.5p
Current Dividend Yield	8.14%
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 1 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, Canaccord Genuity 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, Madrid, Melbourne, Milan, Moscow, Munich, New York JFK, Paris, Port Louis, Rome, Seoul, Sydney, Tokyo, and Zurich.

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

Aircraft Utilization

MSN	Delivery Date	Flight Hours	Flight Cycles	Average Flight Duration
077	14/10/2011	26,000	3,048	8 h 30 min
090	02/12/2011	23,599	3,911	6 h
105	01/10/2012	20,544	3,334	6 h 10 min
106	01/10/2012	22,751	2,617	8 h 45 min
107	12/10/2012	22,350	2,614	8 h 35min
109	09/11/2012	19,524	3,144	6 h 15 min
110	30/11/2012	19,934	3,312	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 MSN 106 in April 2017 and MSN 077 in May 2017. The physical condition of each aircraft was in compliance with the provisions of the respective lease agreements.

2. Market Overview

The robust start to 2017 shows global revenue passenger kilometres (RPKs) up by 7.9% between January and April 2017 compared to the same period in 2016. Adjusted for the extra day in 2016, due to the leap year, growth amounted to 8.7%, well ahead of the long-run average RPK growth rate of 5.5%. According to the International Air Transport Association (IATA), the boost in passenger growth has been driven by a combination of a broad-based pick-up in economic conditions, as well as lower airfares, which helped stimulate passenger demand. The inflation-adjusted price of air travel in the first quarter this year has been around 10% lower than this time last year. Further, IATA stated that passenger yields are bottoming out, which reflects an upward pressure on fuel and non-fuel costs. Although IATA's data indicate that business confidence remains at levels consistent with solid economic growth, the upward trend in confidence looks to have paused, particularly for the service sector. Though the biggest stimulus for demand is unlikely to come from low oil prices, the strength of economic condition is expected to be a key driver of passenger demand in H2 2017 and furthermore into 2018.

During the first four months of this year worldwide passenger load factors (PLFs) averaged at 80.5%, an increase of 1.5 percentage points compared to the same period in the previous year. At the same time passenger load factors in the Middle East were unchanged at 75.5%. In April worldwide average PLFs reached 82.0 percent, a year-on-year improvement of 2.7 percentage points. During this period PLFs in the Middle East increased year-on-year by 1.2 percentage points to 76.3%. For the whole year IATA estimates an average worldwide PLF of 80.6%.

RPKs flown by Middle Eastern airlines have continued to grow by 9.1% between January and April 2017 against the same period of the previous year. However, recent developments on the Middle East to North America market have shown disruptions due to a number of factors, including the ban of personal electronic devices (PED) entered into force in March and the impact on inbound travel to the US due to travel bans. Nevertheless, travel demand in the Middle East has increased by 10.8% in April compared with the same month in the previous year and Gulf carriers have adapted quickly and efficiently to this situation with solutions for their customers. From the list of eight countries initially affected by the PED ban Abu Dhabi was recently removed after Etihad Airways and Abu Dhabi International Airport have implemented enhanced security measures required by the US Transportation Security Administration and the Department of Homeland Security. The same applies to Emirates Airline (Dubai, UAE), Qatar Airways (Qatar), and Turkish Airlines (Turkey), which are no longer affected by the PED ban. Asia/Pacific-based operators outperformed the overall market demand this year, surpassing the Middle East. Between January and April, RPKs increased by 10.1% compared to previous period. Europe ranked third with 8.8%. Africa grew by 8.0%. Latin American and North American market participants recorded RPK growth of 6.6% and 3.4% respectively.

Fuel continues to be the single largest operating cost item of airlines and has a significant impact on the industry's profitability. Jet fuel prices have started to rise with oil prices, and IATA forecasts an average price of USD 64 per barrel of jet fuel for this year, according to its latest report released in June. This would be 23% higher compared to the previous year. Fuel costs are set to represent 18.8% of average operating costs, a 1.8 percentage point reduction from 2016. The 2017 industry-wide net profit has been slightly revised upward from USD 29.8 billion to an estimated USD 31.4 billion, which equates to a net profit margin of 4.2%. Nevertheless, the level of profitability still ranks third highest indicating a soft-landing brought about by changes to industry structure and behaviour.

3. Lessee – Emirates Key Financials

In the 2016/17 financial year ending on 31 March 2017, Emirates recorded the 29th consecutive year of profit with a net result of USD 340 million (AED 1,250 million), down 82% compared to the previous financial year. The net profit margin was 1.5%, down by 7 percentage points. Revenue for the period remained unchanged at USD 23.2 billion (AED 85.1 billion). However, lower results were to be expected as Emirates' president Tim Clark hinted earlier in March 2017 that the increased volatility in the market had affected Emirates' performance. His Highness Sheikh Ahmed bin Saeed Al Maktoum, Chairman and Chief Executive of Emirates, listed a number of destabilizing events, which impacted travel demand during the year: the Brexit vote, Europe's immigration challenges and terror attacks, new policies impacting air travel into the US, and currency devaluation. He deemed the past fiscal year as "one of our most challenging years to date".

In face of these challenges, Emirates increased its passenger numbers, RPKs and cargo carried during the 2016/17 financial year. Emirates carried a record 56.1 million passengers (8.1% more than in the previous fiscal year), increased capacity for passengers (measured in ASK) by 10.3% and increased RPKs by 8.4%. As a result, the passenger seat factor dropped by 1.4 percentage points to 75.1%. In the 2016/17 annual report it was noted that seat factor on the Emirates' A380 fleet was high – and a testament of the customer preference for this aircraft. The share of passengers carried on an A380 increased by 5 percentage points to 37%.

The costs resulting from the ongoing efforts to expand capacity contributed to a 7.7% increase in operating costs. While fuel prices fell by 2%, an 8% higher uplift in line with the capacity increase led the airline's fuel bill to increase 6%. Fuel costs as a percentage of operating costs only slightly decreased from 25.7% to 25.4% during the reporting period, remaining the biggest cost component for the airline, followed by personnel costs. The overall increase in operating costs is marginally higher than the capacity growth of 7.2%, measured in available tonne kilometre.

As of 31 March 2017, the balance sheet totalled USD 33.1 billion (AED 121.6 billion), an increase of 2% compared to the previous financial year. Total equity increased by 8.3% to USD 9.6 billion (AED 35.1 billion) with an equity ratio of nearly 29%. The carrier had a cash balance of USD 4.3 billion (AED 15.7 billion) at the end of the period, down by USD 1.2 billion (AED 4.3 billion) compared to the previous financial year. This included the repayment of bullet bonds in the amount of USD 1.1 billion. The current ratio stood at 0.73, meaning the airline would be able to meet nearly 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 13.9 billion – an increase of 1.8% against the previous financial year.

In line with its strategy to increase capacity through a young and efficient fleet, Emirates received a record of 35 wide-body aircraft, consisting of 19 Airbus A380 and 16 Boeing 777-300ER, during the 2016/2017 financial year. At the same time, the airline also retired 27 older aircraft, bringing the average fleet age of 6 years 2 months down to 5 years 3 months, which is well below the industry average of nearly 12 years. To fund its fleet growth, Emirates raised USD 7.9 billion (AED 29.1 billion) during the financial year through finance and operating leases as well as term loans. Over the last ten years, the operator raised more than USD 47.3 billion (AED 173.7 billion) for aircraft financing.

In the 2016/17 financial year, Emirates launched services to six new passenger points (Yinchuan and Zhengzhou in China, Yangon in Myanmar, Hanoi in Vietnam, Fort Lauderdale and Newark in the US). These new destinations add to Emirates' well-balanced regional distribution, whereby no region represents more than 30 percent of overall revenues. In line with increased demand, the operator added frequencies and increased capacity to several existing destinations of its global route network, which spanned 156 destinations in 83 countries by fiscal year end.

After Emirates' president earlier this year said he is evaluating studies that include buying smaller single-aisle jets, Tim Clark now looks to Flydubai for the carrier's single-aisle ambitions. Flydubai is a Dubai-based low cost carrier with a fleet of more than 50 Boeing 737-800 aircraft and is under the same ownership as Emirates. "I think you'll see over the next 18 months a smarter approach, a rationalisation of what we're doing – a closer-knit working of the two airlines" states Tim Clark. Ruling out any order for single-aisles from Emirates now, Tim Clark is focused on the potential offered by the group's existing 737 fleet with Flydubai. Potential synergies could include coordinated feeder flights into each other's network and a better utilization of slots at Dubai International Airport.

Source: ch-aviation, CNN, Emirates, FlightGlobal

4. Aircraft — A380

By the end of June 2017, Emirates operated a fleet of 95 A380s, which currently serve 46 destinations from its Dubai hub: 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, Paris, Perth, Prague, Rome, San Francisco, Sao Paulo, Seoul, Shanghai, Singapore, Sydney, Taipei, Tokyo, Toronto, Vienna, Washington, and Zurich. Nice and Phnom Penh are scheduled to become an A380 destination on 1 July 2017.

On 29 October 2017, Emirates will launch a second daily A380 service between Dubai and Birmingham. The decision was based on the high demand from passengers wanting to travel with the iconic aircraft. A total of 300,000 passengers have already flown on the aircraft between the two cities since 27 March 2016. Additionally, due to the high customer demand, Emirates will replace the current Boeing 777-300ER operations with two more superjumbos to Beijing and Shanghai on 1 July 2017. This move will increase the capacity and opportunity for passengers heading to either destination.

At the end of June 2017, the global A380 fleet consisted of 213 commercially operated planes in service. The thirteen operators are Emirates (95), Singapore Airlines (19), Deutsche Lufthansa (14), Qantas (12), British Airways (12), Air France (10), Korean Air Lines (10), Etihad Airways (10) Malaysia Airlines (6), Qatar Airways (8), Thai Airways (6), China Southern Airlines (5), and Asiana Airlines (6). The number of undelivered A380 orders stood at 106.

Singapore Airlines confirmed that it will phase out four of its oldest A380 superjumbo jets by the end of March 2018. These aircraft, which were leased for a period of ten years, will be one of the first to test the second hand market for these type. However, Singapore Airlines will receive three new A380s by March 2018 and two more to be delivered during the remainder of 2018.

Qantas is planning on moving two A380s onto Asian routes in the next year, once its Boeing 787-9s take over the services between Melbourne and London in March 2018. The chief executive officer of Qantas International, Gareth Evans, stated that the carrier plans on using the additional capacity from the A380s during periods of higher demand on its Asian network. The nominated destinations, with high peak periods, include Singapore and Hong Kong.

As sluggish sales with the A380 also continue this year, Airbus is studying opportunities for another cut in production beyond the one aircraft per month, which is anyway envisaged from 2018 onwards. A decision is expected by the end of this year.

During the 2017 Paris Air Show in June, Airbus showcased the development study A380plus to the public. It contains a package of enhancements to the aircraft. The most obvious changes are winglets, which will provide up to 4% reduction in fuel-burn. An upgrade of the maximum take-off weight, changes in the maintenance intervals and cabin densification initiatives already proposed earlier this year, together with the changes to the wings, target a cash operating cost reduction of 13%. The package, which contains optional elements, will be available for entry into service by 2020, according to A380 marketing head Frank Vermeire.

At the sidelines of the Paris Air Show, Malaysia Airlines (MAS) provided an update regarding the charter business with religious pilgrimage flights which MAS intends to run in a subsidiary with a separate Malaysian air operator certificate: "We've already signed contracts in the last couple of weeks with operators to do a significant amount of work", said Peter Bellew, CEO of MAS. Furthermore, he is very positive about the future of the A380 in general. "The airframes are spotless. I think these A380s are going to be flying still in forty years' time, a bit like the 707s that are still flying in America, nearly 55-60 years later. I think the A380 will end up being like that." Due to the proliferation of renewable energies Bellew expects the oil price levelling off at USD 30 to 35 per barrel for ten years. At that point, an aircraft like the A380 makes "incredible financial sense" from his point of view, "because the fuel is not going to be the blocker in the utilization of these aircraft".

Sources: Ascend, Aviation Week, Bloomberg, Emirates, FlightGlobal, MarketWatch, Reuters

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