

QUARTERLY FACT SHEET

June 2024

DORIC NIMROD AIR TWO LIMITED

LSE: DNA2

The Company

Doric Nimrod Air Two Limited (“the Company”) is a Guernsey domiciled company. Its shares have been admitted to trading on the Specialist Fund Segment (SFS) of the London Stock Exchange’s Main Market. The market capitalisation of the Company – after the partial compulsory redemption of shares following the sale of the first two aircraft – was GBP 152.4 million as of 30 June 2024.

The Company has four wholly-owned subsidiaries: MSN077 Limited, MSN090 Limited, MSN105 Limited and Doric Nimrod Air Finance Alpha Limited (“DNAFA”) (and together with the Company “the Group”).

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. It is anticipated that income distributions will continue to be made quarterly for the rest of this year.

Asset Manager’s Comment

1. The Assets

The Company acquired a total of seven Airbus A380-861 aircraft between October 2011 and November 2012. Each aircraft was leased to Emirates Airline – the national carrier owned by the Investment Corporation of Dubai, based in Dubai, UAE – for a term of 12 years from the point of delivery with fixed lease rentals for the duration. MSN 077 and MSN 090 were sold to Emirates at the end of their 12-year leases, in October and November 2023.

The loan for MSN 105 is the only debt remaining and will be fully amortized by the aircraft’s lease expiry date.

Following the sale, the five remaining A380 aircraft are those bearing the MSNs 105, 106, 107, 109, and 110.

While the return to service of Emirates’ A380 fleet is continuing post pandemic, one of the DNA2 aircraft remains in storage at Dubai World Central Airport.

Company Facts (30 June 2024)

Listing	LSE
Ticker	DNA2
Current Share Price	123.5p
Market Capitalisation	GBP 152.4 million
Initial Debt	USD 1.03 billion
Outstanding Debt Balance	USD 1.9 million
Current Dividend	4.5p per quarter per share (18p per annum)
Earned Dividends	219.5p
Current Dividend Yield	14.57%
Next Expected Dividend Payment Date	July 2024
Ongoing Charges (OCF) ¹	2.4%
Currency	GBP
Launch Date/Price	14 July 2011 / 200p
Average Remaining Lease Duration	4 months
C Share Issue Date/Price	27 March 2012 / 200p
C Share Conversion Date/Ratio	6 March 2013 / 1:1
Partial Compulsory Share Redemption Date/Ratio/Amount	18 December 2023 / 2 for every 7 shares / 120p per share
Shares in Issue Post Redemption	123,392,956
Incorporation	Guernsey
Aircraft Registration Numbers (Lease Expiry Dates)	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
Corporate & Shareholder Advisor	Nimrod Capital LLP
Administrator	JTC Fund Solutions (Guernsey) Ltd
Auditor	Grant Thornton Ltd
Market Makers	Investec Bank Plc, Jefferies International Ltd, Panmure Liberum Ltd, Peel Hunt LLP, Shore Capital Ltd, Winterflood Securities Ltd
SEDOL, ISIN, LEI	BMWCCD4, GG00BMWCCD4, 213800ENH57LLS7MEM48
Year End	31 March
Stocks & Shares ISA	Eligible
Website	www.dnairtwo.com

¹ As defined by the AIC.

Aircraft utilisation for the portfolio aircraft until the end of May 2024 was as follows:

Aircraft Utilisation				
MSN	Delivery Date	Flight Hours	Flight Cycles	Average Flight Duration
105	28/09/2012	32,248	5,142	6h 16m
106	01/10/2012	41,464	5,115	8h 6m
107	12/10/2012	40,588	4,853	8h 21m
109	09/11/2012	36,462	5,785	6h 18m
110	30/11/2012	36,904	5,996	6h 9m

Maintenance Status

Emirates maintains its A380 aircraft fleet based on a 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.

Notwithstanding the increasing number of A380s Emirates has returned to service in response to the increased demand for air travel since the pandemic has eased, Emirates still has one of the five aircraft owned by the Group in storage in Dubai. The lessee has “a comprehensive aircraft parking and reactivation programme [in place] that strictly follows manufacturer’s guidelines and maintenance manuals”. In addition, Emirates has enhanced standards and protocols of its own to protect and preserve the asset during downtime. This includes the watertight sealing of all apertures and openings through which environmental factors – sand, water, birds, and insects – can find their way inside an aircraft. During parking, maintenance teams complete periodic checks at varying intervals. Depending on the reactivation date of a specific aircraft, Emirates might defer calendar-based maintenance checks until the aircraft is to be reactivated. This allows the airline to make use of the full maintenance interval once the operation of an aircraft resumes. One of the Group’s aircraft is in deep storage condition and could be reactivated within months, if required.

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

In April 2024, EASA issued an airworthiness directive (AD) with additional inspection requirements for the outer wing ribs at skin top and bottom attachments in certain areas of the left-hand and right-hand wing of A380 aircraft, including for MSNs 105, 106, 107, and 109. Originally to be inspected every 4,300 flight cycles or 31,800 flight hours as per the A380 Maintenance Planning Document, a new calendar time limit was introduced via the AD. “A trend of an increasing number of unexpected finding of damage (cracking) of rib feet was observed during the inspections of the (24) metallic 7449 alloy main wing ribs of both wings”, according to the AD. Analysis of the inspection results revealed that a significant longer period of time spent on ground (e.g. in long-term storage) under certain environmental conditions, appears to be a predominant, driving parameter for the high number of findings. To address this potential unsafe condition, a new criterion called storage factorized time on ground (“SFTOG”)

for the determination of inspection thresholds for additional, calendar-based (repetitive) inspections was introduced. While MSN 105 needs to be inspected before return to service, the remaining DNA2 aircraft are not due for inspection before the end of January 2025. It would be convenient for the operator to perform this inspection together with the upcoming heavy maintenance checks due later this year.

Completed Sale of Two Aircraft

The leases for the Group’s first two aircraft (MSNs 077 and 090) expired in mid-October and early December 2023 respectively. Both aircraft were sold around their respective lease expiry dates to Emirates. Sale proceeds paid by Emirates to the Company were GBP 28.9 million in respect of each aircraft (equivalent to USD 35 million). Following the sale, the Company returned monies to shareholders in the second half of December 2023 by way of a partial compulsory redemption of two ordinary preference shares for each seven shares in the Company. The redemption proceeds of 120 pence per share were paid on 27 December 2023.

Barring unforeseen circumstances, the Board aims to maintain the Company’s current dividend policy.

Following the sale of the two aircraft, the Company owns five Airbus A380s whose leases expire between 1 October and 30 November 2024. The operating leases of these aircraft are expected to continue as contracted between the parties until their expiry.

Upcoming Lease Expirations

The leases for the Company’s five remaining aircraft are scheduled to expire during the fourth quarter of 2024. Under the terms of the leases Emirates is required to return the aircraft in redelivery condition together with a cash sum, however other options including a sale or re-lease are available, subject to the agreement of the Company. The asset manager is currently in discussions with Emirates about the future of the aircraft. The Company will report to its shareholders as soon as the discussions have been completed. If the aircraft are returned to the lessor, Emirates is obliged to pay the sum of USD 12 million per aircraft to the lessor in addition to the contracted monetary compensation arrangements on or prior to the respective lease expiry dates.

2. Market Overview

The impact of the pandemic on the global economy was severe, resulting in a 3.1% contraction in global GDP in 2020, followed by a recovery of 6.2%, 3.0% and 2.6% in 2021, 2022 and 2023 respectively. According to its June 2024 report on global economic prospects, the World Bank expects a growth rate of 2.6% for the current year making it the third consecutive year of deceleration. The World Bank expects a steady average growth of 2.7% p.a. for 2025 and 2026.

According to the Global Outlook for Air Transport from June 2024, the International Air Transport Association (IATA) expects the airline industry’s profitability to increase further in 2024, reaching USD 30.5 billion, a year-over-year improvement of 11.3%.

The year 2024 is so far marked by an ongoing industry-wide recovery of air passenger traffic, measured in revenue passenger kilometres (RPK), which already caught up to 2019

levels in February. As of April 2024, a year-over-year growth of 11% was recorded. The supply of capacity, measured in available seat kilometres (ASK), increased in April 2024 by 9.6% compared to April 2023. The average passenger load factors (PLF) in April 2024 came in at 82.4%, an improvement of 1 percentage point from the same period in 2023.

International travel – measured in RPKs – is up 15.8% year-over-year in April 2024. The strongest improvements in international traffic could be observed in the Asia-Pacific region with a significant increase in RPKs of 32.1%. Global domestic travel on the other hand increased by 4% in April 2024 in comparison with April 2023 domestic travel levels.

The latest ticket sales on a global level “remained higher than the previous year, indicating rising demand for air travel globally”, according to an IATA report released in May 2024 with total ticket sales for travel in May and June being 12.5% higher compared to the same period last year.

The Middle East, where the lessee is located, recorded an RPK increase of 14.1% between April 2023 and April 2024. Capacities, measured in ASKs, expanded by 9.7% over the period, resulting in a 3.1 percentage point improvement of the average PLF to 79.2%.

Source: IATA, World Bank
© International Air Transport Association, 2024
Air Passenger Market Analysis April 2024
Air Passenger Market Analysis January 2024
Global Outlook for Air Transport – June 2024
Available on the IATA Economics page

3. Lessee – Emirates

Network

During the financial year 2023/24 the carrier increased frequency and capacity to 15 destinations globally and replaced Boeing 777 services with A380s on 14 routes.

Emirates and Viva Aerobus have entered into an interline agreement to improve connectivity for travellers to Mexico. This partnership enables Emirates’ customers to travel from Mexico City to 21 domestic destinations with the convenience of a single ticket and unified baggage policy. Additionally, the agreement provides access to 20 international routes connecting six locations in Mexico to popular cities in the United States.

Emirates, the world's largest international airline, has resumed daily flights to Phnom Penh via Singapore, expanding its Far East network to 21 destinations and increasing Singapore operations to four daily flights.

Starting on 3 September 2024, Emirates will introduce flights to Madagascar, enhancing travel options and connectivity. The four-weekly flights between Dubai (DXB) and Antananarivo (TNR) will include a stop in the Seychelles. The schedule is designed to optimize connections to key destinations in Europe, the Far East, West Asia, and the Middle East/GCC, boosting international travel to and from Madagascar.

From 1 October 2024, the airline will resume daily flights between Lagos and Dubai. This service, operated with a Boeing 777-300ER, will enhance travel options and connectivity for passengers from Nigeria's largest city to Dubai and beyond.

Starting 4 November 2024, Emirates will resume flights to Edinburgh, complementing its daily A380 service to Glasgow

and offering 14 weekly flights to Scotland. The Dubai-Edinburgh route will use the A350-900 aircraft.

Shortly thereafter – on 15 January 2025 – Emirates will add a second daily flight between Dubai and Ho Chi Minh City using the Boeing 777-300ER. This expansion, originally set for 1 February 2025, is timed to accommodate the increased demand around the Lunar New Year festival on 29 January 2025. This new service underscores Emirates' commitment to the Vietnamese market and aims to enhance air connectivity, promoting tourism and trade for Ho Chi Minh City and its surrounding regions. Emirates will begin operating its new Airbus A350 aircraft with the latest cabin features on several routes: Starting 15 September, the first A350 will serve Bahrain daily with a second daily service beginning on 1 November. From 16 September, daily flights will operate to Kuwait. Muscat will receive daily A350 service starting 1 December. In West Asia, Emirates will deploy the A350 on daily flights to Mumbai and Ahmedabad from 27 October, and Colombo will see a fourth daily service starting on 1 January 2025. In Europe, daily A350 flights to Lyon and Bologna will commence on 1 December, while Edinburgh will rejoin the Emirates’ network with daily flights starting on 4 November.

Fleet

According to Emirates, its passenger aircraft fleet consisted of 116 Airbus A380s and 133 Boeing 777s at the end of March 2024. Due to the lack of availability of similar-sized replacement aircraft and delays in the delivery of new aircraft ordered, Emirates plans to keep its A380s flying until the late 2030s with corresponding extensions of aircraft leases, according to a statement from March 2024.

In May 2024, the airline announced an expansion of its Airbus A380 and Boeing 777 cabin retrofit programmes, originally announced in November 2022, to 191 in total. It now covers Emirates’ 110 Airbus A380s delivered without premium economy seats installed and will also include the five A380s owned by the Company. Another six A380s were delivered from Airbus with premium economy seats and do not require an upgrade. So far, at least 22 A380s have been retrofitted and the upgrade for the first 777 is scheduled for July this year.

In June 2024, Emirates claimed that the delivery delay to the Boeing 777X will cost the airline USD 3 billion in refurbishment of its existing A380 and 777 fleet. In order to maintain its existing network Emirates has also extended lease agreements and bought some of the previously leased aircraft.

At the 2023 Dubai Air Show in November 2023 Emirates also added a number of aircraft to its existing order book for a combined list price value of USD 58 billion.

In March 2024, Emirates’ President reported strong demand for flights in the airline’s upcoming summer season noting that capacity is “pretty much sold out” for the summer – and the lack of additional capacity: “There is so much more [we could fly]. South America, Africa, Asia ... If I could just get another 50% more aircraft in the air, I would do it.” Sir Tim Clark described the end of production of the A380 as a big mistake, arguing that the shortage of slots will become more significant with the increase in demand in the future if more aircraft with fewer seats have to be used.

Boeing 777X

In November 2023, Emirates topped up an existing order for 115 Boeing 777Xs, a combination of 16 777-8s and 99 777-9s, by signing a firm order for another 35 777-8 and 55 777-9 aircraft. This brings the lessee's Boeing 777X orderbook to a total of 205 units. According to a statement from Tim Clark in November 2023, delivery of the first 777-9 from the initial order was expected from October 2025. Deliveries from the new 777-9 order are scheduled up until 2035. The slightly smaller 777-8, for which Emirates is one of the launch customers, are expected to commence delivery in 2030.

If delivered in 2025, the Boeing 777-9 will be over five years late. Due to multiple delays, and as these aircraft are destined to replace the airline's aging Boeing 777-300ER fleet, the carrier extended the lease period of 25 Boeing 777 aircraft during the 2022/23 financial year and of a further 12 during the last financial year. Emirates has also included the aircraft type in its refurbishment programme.

Late last year Tim Clark had no concerns that the delivery of the first 777-9 aircraft for Emirates could slip into 2026. However, his view has changed and he is "beginning to doubt" that the airline will receive its first aircraft in 2025, according to a statement from late February 2024. Latest statements point to delivery in 2026.

With Airbus A380s and Boeing 747s no longer available for order, the Boeing 777X is currently the biggest aircraft in production.

Boeing 787

During the 2023 Dubai Air Show Emirates also updated an existing order for 30 Boeing 787-9 aircraft and committed to purchasing another five. As per the latest agreement of mid-November 2023, Emirates will receive 20 Boeing 787-8s and 15 Boeing 787-10s. However, the airline did not share an updated delivery timeline.

The previously ordered 787-9 aircraft were supposed to be delivered from May 2023 onwards. But Clark does not expect the 30 Boeing 787s to join his fleet soon. Delivery of the 787 family paused for about 19 months between November 2020 and August 2022 after Boeing had identified quality issues. It only resumed after the US Federal Aviation Authority (FAA) decided the airframer "had made the necessary changes to ensure that the 787 Dreamliner meets all certification standards." Deliveries paused for another few weeks in February/March 2023 over concerns connected to the aircraft's forward pressure bulkhead which were then resolved. In June 2023 Boeing announced the discovery of yet another production flaw that required the manufacturer to inspect all 90 787 aircraft in its inventory, potentially affecting the timing of near-term 787 deliveries as well.

In September 2023, Clark said, "the 787 isn't in the short-term picture at this point in time."

Production issues within Boeing are leading to a delay in deliveries as are adaptations on the supplier side. Leonardo, the Italian supplier of 787-parts, is suspending production of components for the aircraft type for four months in response to Boeing's reduced commercial aircraft output.

Boeing delivered 13 787's in the first quarter 2024.

Airbus A350

An order of a further 15 A350-900s placed during the 2023 Dubai Air Show increases the number of A350-900 widebody aircraft ordered by Emirates to 65. The first of these is expected to join Emirates' fleet in August 2024. The airline and the manufacturer agreed on a "compressed delivery schedule" for the first 50 aircraft, all of which are to be delivered within a 30-month period. This should help "to pick up this big capacity hole that we can see", noted Emirates' President in 2022. The last aircraft of this batch are expected to be delivered in early 2028.

In late September 2023, Tim Clark confirmed that the airline was also looking at the Airbus A350-1000 "quite seriously". The A350-1000 is about seven metres longer and has more than 50 additional seats in a typical two-class configuration compared to the A350-900. However, such an order for up to 50 A350-1000s did not materialise at the Dubai Air Show in November 2023. Clark claimed the insufficient time-on-wing performance of the Rolls-Royce Trent XWB-98 engine as a major roadblock for an order. Due to the harsh environment the aircraft are operating in and at the utilisation levels expected, the engine is reaching "less than a quarter" of the 2,500 engine cycles, according to Clark. Hence, Emirates is reportedly requesting guarantees for up to 2,500 engine cycles on wing and "at a maintenance cost per hour that is alright."

With a more diversified fleet, Emirates plans to add 400 destinations to its network over the next decade and expects to operate about 350 aircraft from the early 2030s onwards.

Key Financials

For its financial year 2023/24 ending on 31 March 2024, Emirates recorded a net profit of AED 17.2 billion (USD 4.7 billion), a record performance for the company and 62.9% more than in the same period of the previous year. The airline attributes its performance to strong passenger demand for its premium product and offerings. Revenue, including other operating income, was up 13% from last year and reached AED 121.2 billion (USD 33.0 billion).

Between 1 April 2023 and 31 March 2024, the airline carried 51.9 million passengers, an increase of 19% over the previous financial year. Emirates' SkyCargo uplifted 2,176,000 tonnes during that period, an increase of 18% over the previous financial year. However, an increase in cargo capacity worldwide resulted in downward pressure on prices and a decrease of 21% in SkyCargo's revenue.

During the financial year 2023/24 Emirates' capacity grew by 21% measured in available seat kilometres (ASK). At the same time RPKs increased by 22%. This resulted in an average passenger load factor (PLF) of 79.9%, an improvement of 0.4 percentage points compared to the last financial year.

Emirates' total operating costs increased 8%. Fuel was the largest cost component amounting to 34% of operating costs, 2 percentage points lower than in the period from April 2023 to March 2024. Higher revenues and better margins resulted in an improved EBITDA of AED 37.6 billion (USD 10.2 billion), a 13% improvement from last year.

As of 31 March 2024, Emirates' total liabilities decreased by 9.6% to AED 117.4 billion (USD 32.0 billion) compared to the end of the previous financial year. Amongst other things, the airline repaid AED 20.9 billion (USD 5.7 billion) in bonds, lease liabilities and term loans and paid a dividend to its shareholders in the amount of AED 2.0 billion (USD 540 million). Total equity came in at AED 46.5 billion (USD 12.7 billion), an improvement of 66% since the beginning of the financial year in April 2023. Emirates' equity ratio stood at 28.3% and its cash position, including short-term bank deposits, amounted to AED 42.9 billion (USD 11.7 billion) at the end of March 2024, 15% more than at the beginning of the financial year. The net cash flow from operating activities came in at AED 37.6 billion (USD 10.3 billion) for the last financial year, about 15% lower than in the financial year before.

Commenting on rising profit announcements of other international airlines, Tim Clark noted in March 2024 that margins at Emirates now compare favourably with other industries, having risen from around 3% before the pandemic to 8-10% now.

In January 2024, Emirates announced plans to recruit 5,000 additional cabin crew members, boosting its existing cabin crew numbers by 25% and helping to provide adequate staffing for the introduction of the Airbus A350. The recruiting team will host open days and assessments in more than 460 cities across six continents. Last year Emirates hired 8,000 new cabin personnel.

In February 2024, the Emirates Group announced a number of senior executive appointments "as the organisation readies itself for its net phase of growth", according to a press release. This includes the newly created position of Deputy President which has been assigned to Adel Al Redha and Adnan Kazim, both continuing to act in their respective roles as Chief Operations Officer and Chief Commercial Officer.

As at the end of June 2024, Emirates had outstanding US dollar debt issuances with maturities in 2025 and 2028. These bonds last traded at around 99 cents and 97 cents respectively, with a yield to maturity of 5.8% and 5.3% p.a. respectively, broadly unchanged from last quarter. There has also been no significant upward pressure on yields. This level of yields does not appear to indicate any significant financial stress to the issuer. In Emirates' most recent annual financial report the auditor PricewaterhouseCoopers issued an unqualified audit report.

Sustainability

Through its Green Operating Procedures (Green Ops) and other initiatives Emirates was able to reduce the fuel burn by more than 48,000 tonnes during the 2023/24 financial year, and lower carbon emissions by over 150,000 tonnes, according to a company statement. Green Ops was introduced in 2016 and is a multi-pronged approach to reduce on-ground and in-flight fuel use through a number of measures.

In May 2024, Emirates received a delivery of sustainable aviation fuel (SAF) from Shell Aviation at London Heathrow Airport. Over 3,000 tonnes of SAF will be delivered to the airport's refuelling infrastructure network by the end of

summer 2024. This marks the first time the airline is using SAF for some of its flights at London Heathrow and represents the largest quantity of SAF acquired by Emirates so far. The airline is participating in London Heathrow's SAF Incentive Program to ensure the affordability and accessibility of SAF for airlines operating at the airport.

Source: Cirium, Emirates, FAA, Reuters

4. Aircraft – A380

According to Ascend, as of the end of June 2024 the global A380 fleet consisted of 204 aircraft operated by 12 airlines. Of these, 163 were in service. The remainder of the fleet is currently parked. The 12 operators are Emirates (119), Singapore Airlines (13), British Airways (12), Qantas (10), Etihad Airways (10), Qatar Airways (10), Deutsche Lufthansa (8), Korean Air Lines (8), Asiana Airlines (6), Air France (4), All Nippon Airways (3) and HiFly Malta/Global Airlines (1). Another 21 aircraft are registered with non-airline entities.

In an analysis published in November 2023 Cirium Ascend Consultancy noted that the number of A380s reactivated post-pandemic is higher than initially expected, but that the full extent of the fleet recovery "is hard to forecast". After the number of in-service A380s reached a low in the single digits at the height of the pandemic, Cirium Ascend Consultancy estimated "that potentially up to 190 aircraft could be reactivated". Several factors were identified to explain a "once-unlikely comeback". These include the large-scale retirement of older twin-aisles in the early months of the pandemic and "a relative lack of replacement capacity" due to the slow ramp-up of production by Airbus and Boeing along with extended delays to the introduction of the Boeing 777X.

Source: Cirium

Addendum

Implied Future Total Returns based on the latest appraisals as at 31 March 2024 – For illustrative purposes only –

The Directors note that the outlook for the A380, and hence the total return of an investment in the Group, is subject to an increased amount of uncertainty. From the outset of the transaction, the Directors have relied on appraisers' valuations based on the assumption that there would be a balanced market where supply and demand for the A380 are in equilibrium. These values are called future base values. At the instruction of the Group this assumption was changed for the March 2020 appraisals onward. Appraisers assumed a soft market, characterized by less favourable market conditions for the seller, including, but not limited to, an imbalance of supply and demand in the aircraft type. These values are called future soft values. The asset manager advised the Directors that the market sentiment for the A380 had declined since the valuation in March 2019: Following Airbus' announcement to discontinue the A380 production in 2021, a number of operators made determinations about their fleets that indicate an increased supply in used A380s in the coming years. Furthermore, A380s returned from operating leases could not be placed within a reasonable period of time and owners were forced to explore alternative scenarios for revenue generation such as engine leasing. Based on these observations the asset manager suggests the continued use of soft values to reflect the prevailing market circumstances in the valuations.

To enable investors to assess the effects of varying residual values on their total returns, the table below is provided for informational purposes only and contains a range of discounts to the average independently appraised residual values determined at the last valuation date in March 2024. The table summarises the total return components, calculated on the current exchange rate and using discounts of 25%, 50%, and 75% and the latest available appraised value of the aircraft, which is the average of valuations provided by three independent aircraft appraisers and quoted in US dollars. The latest appraisals available are dated end of March 2024.

The total return for a shareholder investing today (30 June 2024) at the current share price consists of future income distributions during the remaining lease duration and a return of capital at dissolution of the Group. **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 aircraft appraisers have provided the Group with their values for the aircraft at the end of each financial year.

The table below summarises the total return components using the appraised value of the aircraft which is the average of valuations provided by three independent aircraft appraisers and quoted in US dollars. **This residual value in March 2025, the closest practical date to lease expiry, takes inflation into account and is the most reliable estimate available. Due to accounting standards, the value used in the Group's Annual Financial Report differs from this disclosure as it excludes the effects of inflation and is converted to sterling at the prevailing exchange rate on the reporting date (i.e. 31 March 2024).**

The contracted lease rentals are calculated and paid in US dollars to satisfy debt interest and principal (if any), and in sterling to satisfy dividend distributions and Group running costs, which are in pounds sterling. The Group's cash flow is therefore insulated from foreign currency market volatility during the term of the leases.

With reference to the following table, there is no guarantee that the remaining five aircraft will be sold at such a sale price or that such capital returns will be generated.

While the UN World Health Organization (WHO) declared an end to COVID-19 as a public health emergency back in May 2023, subsequent economic issues including high inflation and rapidly rising interest rates to curb inflation put a strain on the economy. Furthermore, airlines are directly impacted by continuing supply chain issues with aircraft and engine manufacturers not always able to deliver new aircraft or spare parts to maintain existing fleets on time. The following table does not therefore include any assumptions in this regard and should be read accordingly.

Implied Future Total Return Components Based on Soft Market Appraisals

The implied return figures are not a forecast and assume the Group has not incurred any unexpected costs or loss of income.

Return of capital and total return are based on appraised future soft market values¹ for the five remaining aircraft in the combined amount of USD 194.9 million.

Per Share (rounded)	Income Distributions	Return of Capital			
		Latest Appraisal -75% ²	Latest Appraisal -50% ²	Latest Appraisal -25% ²	Latest Appraisal ²
Current FX Rate ³	9p	52p	83p	114p	145p
Per Share (rounded)	Total Return ⁴				
	Latest Appraisal -75% ²	Latest Appraisal -50% ²	Latest Appraisal -25% ²	Latest Appraisal ²	
Current FX Rate ³		61p	92p	123p	154p

Table may contain rounding differences.

¹ Date of valuation: 31 March 2024; inflation rate: 3.0%

² Average of the three appraisals at the Group's respective financial year-end in which each of the leases reaches the end of the respective 12-year term less disposal costs

³ 1.2665 USD/GBP (1 July 2024)

⁴ Includes three dividends of 4.5 pence per share

So far, only a limited secondary market has developed for the aircraft type.



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