# QUARTERLY FACT SHEET

30 September 2013

# DORIC NIMROD AIR THREE LIMITED

**LSE: DNA3**
**CISX: DNA3**

### The Company

Doric Nimrod Air Three 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 2 July 2013 with the admission of 220 million Ordinary Shares ("the Equity") at an issue price of 100p per share. The market capitalisation of the Company was GBP 240 million as of 30 September 2013.

### 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 aircraft.

The Company intends to acquire four Airbus A380 by the end of the calendar year. From the point of delivery, each of the four aircraft will be leased to Emirates for an initial term of 12 years with fixed lease rentals for the duration. In order to complete the purchases of the aircraft, DNA Alpha issued two tranches of enhanced equipment trust certificates ("the Certificates" or "EETC") – a form of debt security – in July 2013 in the aggregate face amount of USD 630 million. DNA Alpha is using the proceeds from both the Equity and the Certificates to finance the acquisition of the four new Airbus A380 aircraft.

The Company receives income from the lease rentals paid by Emirates pursuant to the leases. It is anticipated that income distributions will be made quarterly. For the first dividend payment in October 2013, which will be pro-rated to reflect the lease rental received from the first aircraft only, the Company will target a distribution to investors of 0.1715p per share. For the dividend payment in January 2014, the Company will target a distribution to investors of 1.7185p per share per quarter. For the dividend payment in April 2014, the Company will target a distribution to investors of 2.0625p per share per quarter. Once all four assets have been acquired and leased, the Company will target a distribution to investors of 2.0625p per share per quarter (amounting to a yearly distribution of 8.25% based on the initial placing price of 100p per share).

| Company Facts (30 September 2013) | |
|---|---|
| Listing | LSE and CISX |
| Ticker | DNA3 |
| Share Price | 109p |
| Market Capitalisation | GBP 240 million |
| Aircraft Registration Numbers | A6-EEK |
| Current/Future Anticipated Dividend | A first interim dividend for the fiscal year ending on 31 March 2014 will be paid in October 2013 of 0.1715p per quarter per share. After the acquisition of all four assets future dividends are expected to be 2.0625p per quarter per share until the aircraft leases terminate. |
| Dividend Payment Dates | April, July, October, January |
| Currency | GBP |
| Launch Date/Price | 2 July 2013/100p |
| Incorporation | Guernsey |
| Asset Manager | Doric Lease Corp Management Ltd |
| Corp & Shareholder Advisor | Nimrod Capital LLP |
| Administrator | Anson Fund Managers Ltd |
| Auditor | Deloitte LLP |
| Market Makers | Shore Capital Ltd/ Winterflood Securities Ltd/ Jefferies International Ltd/ Numis Securities Ltd |
| SEDOL, ISIN | B92LHN5, GG00B92LHN58 |
| Year End | 31 March |
| Stocks & Shares ISA | Eligible |
| Website | www.dnairthree.com |

## Asset Manager's Comment

### 1. The Assets

On 29 August 2013, the Company received its first Airbus A380 aircraft, bearing manufacturer's serial number (MSN) 132. Another three aircraft are due for delivery by the end of the calendar year.

The first A380 owned by the Company recently visited London Heathrow, New York and Sydney. As the aircraft joined the

Emirates fleet only recently, no utilization information is currently available.

### 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 the earlier of 24 months or 12,000 flight hour intervals. Emirates will bear all costs (including maintenance, repair and insurance) relating to the aircraft during the lifetime of the leases.

### Hairline Cracks

In late 2011, hairline cracks within the wing structure of some A380s in service were detected. In order to fix this issue Airbus developed a wing rib feet modification programme. With respect to MSN 132 the modification had already been embodied during the final assembly, therefore no inspection is required once the aircraft is in service.

## 2. Market Overview

Between January and July of the current year, passenger demand, measured in revenue passenger kilometres (RPKs), expanded by 4.8% compared to the same period in the previous year. The industry remains on a growth path, which started in the fourth quarter of 2012. In recent months the development of passenger markets were positively influenced by the economic recovery of the Eurozone, where an 18-month-long recession came to an end. At the same time, economic growth in China has slowed with noticeable impact on air traffic. During the course of the year, airlines have increased their capacities carefully and available seat kilometres (ASKs) showed a smaller growth rate than the revenue passenger kilometres. Overall, the passenger load factor during the first seven months of this year was 79.5% on average. This is an increase of 0.6%-points compared to the same period the year before. According to the latest traffic forecast released by the International Air Transport Association (IATA) in September 2013, RPKs are expected to grow by 5.0% this year and 5.8% in 2014.

Regional growth patterns continue to be uneven. Between January and July 2013 Middle East airlines increased their RPKs by 10.9% compared to the previous year's period. The slowest growth was again observed in North America with an increase in RPKs of 2.0% compared to the same period in the previous year. Growth in Latin America further lost ground and is in the meantime the third slowest growing region worldwide just ahead of Europe.

After freight-tonne-kilometres (FTKs) had contracted in February and March 2013, air freight markets have started to show signs of renewed growth with slightly improving air freight volumes during the last few months. Between January and July 2013 FTKs increased by 0.2% compared to the same period the year before. Global business confidence has slightly improved and a pickup in export orders has been noticed. It remains to be seen if these developments are sustainable since the signs of improving macroeconomic conditions - in particular in the US and Europe - need to translate into growing demand for Asian manufactured products shipped by aircraft to these regions. In Asia Pacific, which is pivotal for the further development of air freight demand, FTKs have still been shrinking.

Expenses for jet fuel are expected to remain on a high level during 2013 with an average price of USD 126.4 per barrel, a slight relief compared to the previous forecast in June 2013 of USD 127.4 per barrel. The share of fuel costs would amount to 31% of airlines' total operating costs. A decade ago, the share was 14% and has more than doubled since then.

IATA released its latest industry outlook in September 2013 according to which global industry profits are expected to reach USD 11.7 billion this year. This is slightly lower than IATA's June 2013 estimate of USD 12.7 billion after air transport markets and airline profits improved slower than expected during the last few months. For 2014 IATA expects net profits of USD 16.4 billion, based on a global gross domestic product (GDP) growth rate of 2.7%. GDP is highly correlated with the profit development in the industry.

Source: IATA

## 3. Lessee — Emirates Key Financials and Outlook

As previously reported, Emirates announced its 25th consecutive year of profit and company-wide growth for the financial year ending 31 March 2013.

Revenue reached a record high of USD 19.9 billion, up by 17% compared to the previous financial year, and continues to be well balanced with no region contributing more than 30%. East Asia and Australasia remained the highest revenue contributing region with USD 5.7 billion, up 15% from 2011/2012. Europe (up 18% to USD 5.5 billion) and the Americas (up 24% to USD 2.3 billion) saw the most significant growth, reflecting new destinations as well as increased frequency and capacity to these regions.

The airline posted a net profit of USD 622 million, representing an increase of 52% over last year's results. Although Emirates' fuel bill increased by 15% to reach USD 7.6 billion, total operating costs showed a smaller increase (+16%) than revenue (+17%) in the financial year 2012/2013.

As of 31 March 2013 the balance sheet total amounted to USD 25.8 billion, an increase of 23% from the previous year. Total equity increased by 7.3% to USD 6.3 billion with an equity ratio of 24.3%. The current ratio was 1.12; 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 included finance leases in the amount of USD 7.4 billion and revenues received in advance from passenger and freight sales (USD 2.9 billion). As of 31 March 2013 the carrier's cash balance reached USD 6.7 billion.

Emirates continued with its growth plan and during the financial year 2012/2013 saw the largest increase in capacity in the airline's history, receiving 34 wide-body aircraft, including ten Airbus A380s and four freighters. As of 31 August 2013 Emirates has 204 aircraft in operation, with firm orders for another 190 aircraft, including 54 A380s, 61 Boeing 777-300ER and 50 Airbus A350-900 XWB. The airline operates the world's largest fleets of Airbus A380s and Boeing 777-300ER.

As of September 2013 Emirates operates flights to 135 destinations in 77 countries on six continents. New routes launched so far this year include Warsaw, Algiers, Tokyo Haneda and Stockholm. Until the end of the calendar year, Emirates plans to add another four destinations: Clark International Airport (Philippines), Conakry (Guinea), Sialkot (Pakistan) and Kabul (Afghanistan). At the beginning of 2014 Kiev (Ukraine) and Taipei (Taiwan) will join the global network of the Dubai-based carrier.

In September 2013 Emirates Group released its third Environment Report for the financial year 2012/13 ending on 31 March 2013 according to which the fuel consumption per one hundred passenger kilometres decreased by one percent to 4.07 litres. This is nearly 16% below the IATA industry average forecasted for 2012 and the result of the relatively young fleet that Emirates is operating. The airline's average fleet age is six years, half of the IATA average. Since fuel consumption and carbon dioxide emissions are closely correlated, Emirates fleet of modern and fuel efficient aircraft, like the Airbus A380, has emitted nearly 17% less carbon dioxide per passenger kilometre than the IATA average. Emirates fleet's $CO_2$ emissions per one hundred passenger kilometres decreased by one percent to 100.6 grams compared to the business year before. For its efforts to reduce noise impact on surrounding communities, Emirates was awarded with the "Fly Quiet" Award at San Francisco Airport (SFO) in 2013 for the second time in a row, after its Flight Operations Performance team had tested different take-off and climb routes, the usage of longer runways and favorable pathways to take advantage of headwinds. Just four years ago, Emirates' noise footprint was ranked second to last among airlines serving SFO.

Source: Emirates

**4. Aircraft — A380**

Emirates has a fleet of 36 A380s which currently serve 20 destinations worldwide: Amsterdam, Auckland, Bangkok, Beijing, Hong Kong, Jeddah, Kuala Lumpur, London Heathrow, Manchester, Melbourne, Moscow, Munich, New York JFK, Paris, Rome, Seoul, Shanghai, Singapore, Sydney and Toronto.

On 1 August 2013 Emirates celebrated the fifth anniversary of the first A380 joining its fleet. Since the inaugural flight to New York that day, more than 18 million passengers flew aboard an Emirates A380 on 20,000 round trips travelling 265 million kilometres. The airline is using its flagship on short haul as well as long haul routes: The longest non-stop route within the network is Dubai to New York, covering 11,023 kilometres during a flight of thirteen and a half hours. Between Hong Kong and Bangkok Emirates is operating the shortest A380 route with a distance of 1,900 kilometres and an estimated flying time of roughly two and a half hours. According to Tim Clark, the airline's President, "Emirates has changed the face of air travel with this remarkable aircraft".

Over the next few months, Emirates plans to extend its A380 route network to Brisbane (1 October 2013), Los Angeles (2 December 2013), Mauritius (16 December 2013), Zurich (1 January 2014) and Barcelona (1 February 2014).

At the end of August 2013, the global A380 fleet consisted of 108 planes in service with another 153 still on order with new and existing operators. The currently ten operators are Emirates (36 A380 aircraft), Singapore Airlines (19), Qantas (12), Deutsche Lufthansa (10), Air France (8), Korean Airways (7), China Southern Airlines (5), Malaysia Airlines (6), Thai Airways (4) and British Airways (1). The British flag carrier commenced its commercial A380 service between London and Los Angeles on 24 September 2013. Qatar Airways will become the eleventh airline to join the club of A380 operators when it takes delivery of this aircraft in 2014.

According to Airbus, the worldwide fleet accumulated over one million flight hours in more than 120,000 commercial flights. The number of passengers flying aboard an Airbus A380 to date is 44 million.

Source: Airbus, Ascend, Emirates


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## Contact Details


**Company**
Doric Nimrod Air Three Limited
Anson Place, Mill Court,
La Charroterie, St Peter Port,
Guernsey GY1 1EJ
Tel: +44 1481 722260
www.dnairthree.com

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