Dubai Aerospace Enterprise (DAE) Ltd

Results for the nine months ended 30 September, 2017

RESULTS ANNOUNCEMENT

We present management's discussion and analysis of the financial condition and results of operations for the nine months ended 30 September, 2017 which should be read in conjunction with the unaudited condensed consolidated financial statements (the "interim financial statements") of Dubai Aerospace Enterprise ("DAE") Ltd and its subsidiaries (together and hereinafter "we" or "us"). References to "30 September, 2017" are to the nine months ended 30 September, 2017 and to "30 September, 2016" are to the nine months ended 30 September, 2016.

FINANCIAL HIGHLIGHTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER, 2017

- During the nine months ended 30 September, 2017, DAE acquired 100% interest in Carmel Capital, direct owner of AWAS Aviation Capital Designated Activity Company ("AWAS"). Results derived from the AWAS business effective from 17 August, 2017 to 30 September, 2017 are included in the interim financial statements.
- During the nine months ended 30 September, 2016, DAE acquired 100% ownership of the entity which owns 80% of Joramco, a majority-owned subsidiary, which are an independent provider of aircraft maintenance, repair and overhaul services.
- Adjusted operating profit was $228.7 million for the nine months ended 30 September, 2017 compared to $186.5 million for the nine months ended 30 September, 2016. This increase was due to a higher number of revenue-generating aircraft in the fleet following the acquisition of AWAS by DAE during the nine months ended 30 September, 2017.
- Adjusted EBITDA increased to $381.5 million for the nine months ended 30 September, 2017, from $375.7 million for the nine months ended 30 September, 2016.
- Total cash and cash resources as at 30 September, 2017 of $624.5 million represents an increase of $65.0 million compared to $559.5 million as at 31 December, 2016.
- Total assets increased to $14,911.0 million as at 30 September, 2017, an increase of $9,678.3 million from $5,232.7 million as at 31 December, 2016. This increase was due to an increased number of aircraft in the fleet after the acquisition of AWAS by DAE during the nine months ended 30 September, 2017.

OPERATIONAL HIGHLIGHTS

- The operational highlights for the nine months ended 30 September, 2017 and 30 September, 2016 are summarised below:
  - Purchases – we purchased 28 aircraft (2016: 8 aircraft).
  - Sales – we disposed of 22 aircraft (2016: none).
  - Total owned aircraft at 30 September, 2017 was 304 which includes 11 aircraft on finance lease and three aircraft classified as held-for-sale ("HFS") (31 December, 2016: 87 which includes five aircraft on finance lease and 21 aircraft classified as HFS).
  - In addition, DAE managed a fleet of 43 aircraft for Diamond Head Aviation and Falcon Aerospace as at 30 September, 2017 (31 December, 2016: none).
- We have 29 aircraft on forward order due to deliver from October, 2017 to March, 2019, of which nine will deliver during the fourth quarter of 2017. We have commitments to purchase eight aircraft from airlines due to deliver from October, 2017 to November, 2018, of which three are due to deliver during the fourth quarter of 2017.
- We closed a total of $3,241.7 million of borrowings during the nine months ended 30 September, 2017, including the $2,300.0 million bonds raised in August, 2017.

CONFERENCE CALL DETAILS

We will host a conference call at 09:00 EST / 14:00 GMT / 18.00 GST on Wednesday 17 January, 2018 to review our results for the nine months ended 30 September, 2017. The call can be accessed live by dialling (Ireland) +353 (0) 1 246 5638, (UAE) 8000 3570 2653, (U.S.) +1 323 794 2423 or (UK) +44 (0) 330 336 9105 and referencing code 438 4911 at least 10 minutes before the start time. Further information can be found on our website http://www.dubaiaerospace.com.

RESULTS OF OPERATIONS

The following discussion of our results of operations is based on the condensed consolidated statement of comprehensive income and consolidated statement of financial position which have been extracted from our interim financial statements for the nine months ended 30 September, 2017.

Results of Operations *(in millions of USD)*

	Nine months ended	
	30 Sep, 2017	**30 Sept, 2016**
Consolidated statement of comprehensive income data		
Total revenue	$ 477.5	$ 334.5
Depreciation and amortisation	(182.0)	(125.3)
General and administrative expenses	(47.5)	(11.4)
Cost of providing engineering services	(25.3)	-
Aircraft maintenance	(9.1)	(1.7)
Loss on disposal of aircraft	(14.1)	-
Operating profit	**199.5**	**196.1**
Net finance costs	(122.4)	(79.2)
Tax expense	(0.0)	(2.2)
Profit before income from discontinued operations	**77.1**	**114.7**
Income from discontinued operations	(0.0)	54.3
Profit	**77.1**	**169.0**
Total comprehensive income	**77.7**	**168.7**

	As of	
Consolidated statement of financial position data	**30 Sep, 2017**	**31 Dec, 2016**
Total cash and cash resources	$ 624.5	$ 559.5
Aircraft held for lease	11,955.3	3,674.0
Held-for-sale assets	49.6	557.7
Total assets	**14,911.0**	**5,232.7**
Total loans and borrowings (before debt issuance costs)	10,108.3	3,082.7
Total equity	3,066.0	1,677.7
Total equity and liabilities	**14,911.0**	**5,232.7**

	Nine months ended	
	30 Sep, 2017	**30 Sep, 2016**
Adjusted operating profit calculation		
Operating profit	**$ 199.5**	**$ 196.1**
Add back		
Costs related to acquisition of AWAS	16.4	-
Loss on sale of ABS portfolio to Falcon Aerospace (3)	12.8	-
Gain on acquisition of a subsidiary	-	(9.6)
Adjusted operating profit	**228.7**	**186.5**

	Nine months ended	
	30 Sep, 2017	**30 Sep, 2016**
Adjusted EBITDA calculation (1)		
Net profit	**$ 77.1**	**$ 169.0**
Add back		
Finance costs	122.4	79.2
Tax expense	0.0	2.2
Depreciation and amortisation	182.0	125.3
Adjusted EBITDA	**381.5**	**375.7**

	As of	
	30 Sep, 2017	**31 Dec, 2016**
Net debt to equity (2)	**3.2x**	**1.6x**
Aircraft in fleet (including managed aircraft)	**347**	**87**

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(1) We define Adjusted EBITDA as profit for the applicable period, excluding net finance costs, tax expense, depreciation and amortisation and asset impairment. Adjusted EBITDA is not a financial measure calculated under International Financial Reporting Standards as adopted by the European Union ("IFRS-EU"). We use Adjusted EBITDA to assess financial and operating performance and we believe this non-IFRS-EU measure is helpful in identifying trends in our performance. Our method of calculating Adjusted EBITDA may differ from similarly named non-IFRS-EU measures of other companies.

(2) Net debt to equity is calculated by dividing total bank loans excluding debt issuance costs and cash and cash equivalents by total equity.

(3) Asset-backed Security to Falcon Aerospace ("ABS").

All financial information above has been rounded for presentation purposes. Any percentages are based on unrounded figures.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This presentation contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended. These forward-looking statements relate to matters such as our industry, business strategy, goals and expectations concerning our market position, future operations, margins, profitability, capital expenditures, liquidity and capital resources and other financial and operating information. We have used the words "anticipate", "assume", "believe", "budget", "continue", "could", "estimate", "expect", "intend", "may", "plan", "potential", "predict", "project", "will", "future" and similar terms and phrases to identify forward-looking statements. Forward-looking statements reflect our current expectations regarding future events, results or outcomes. These expectations may or may not be realised. Some of these expectations may be based upon assumptions or judgements that prove to be incorrect. In addition, our business and operations involve numerous risks and uncertainties, many of which are beyond our control, which could result in our expectations not being realised or otherwise materially affect our financial condition, results of operations and cash flows. Any such forward-looking statements are not guarantees of future performance and involve risks, uncertainties and other factors that may cause our actual results, performance or achievements, or industry results, to vary materially from our future results, performance or achievements, or those of our industry, expressed or implied in such forward-looking statements. All amounts expressed in "$" or "dollars" refer to U.S. dollars.

Overview

DAE is a global aerospace company headquartered in Dubai. DAE conducts its activities through two divisions: (i) Aircraft Leasing and (ii) Engineering. The aircraft leasing division is engaged in acquiring and leasing commercial aircraft to airlines, selling and trading aircraft, and managing aircraft on lease for third-party investors. The engineering division currently consists of an 80% ownership stake in Joramco, a provider of commercial aircraft maintenance, repair and overhaul services.

Approximately 96% of DAE is owned by Investment Corporation of Dubai ("ICD"), the investment arm of the Government of Dubai. ICD has assets in excess of $214 billion and equity in excess of $58 billion. ICD also has direct and indirect majority ownership interests in other prominent aviation assets based in Dubai including Emirates Airline, dnata, Dubai Duty Free, and flydubai.

Aircraft leasing business

We are one of the largest aircraft leasing companies in the world with a total owned fleet of 304 aircraft (including 11 aircraft on finance lease and three aircraft classified as HFS) and 43 managed aircraft which are leased to 113 lessees in 55 countries. As of 30 September, 2017 our owned aircraft has a book value of $12.0 billion which excludes HFS, finance lease and managed aircraft. Our total fleet including HFS aircraft, features a full range of popular aircraft types, including 198 narrow-body, 60 wide-body and 46 turboprop aircraft. In addition to our current fleet, we also have orders for 29 new, fuel-efficient aircraft from Airbus S.A.S. ("Airbus") and ATR, of which nine aircraft are due to deliver during the fourth quarter of 2017. We also have commitments to purchase eight aircraft from airlines, of which three are due to deliver during the fourth quarter of 2017. The weighted average age of our total owned fleet was 5.7 years based on current market value as of 30 September, 2017 (31 December 2016: 5.6 years). Our aircraft operations are carried out by an experienced team of commercial aviation industry professionals.

Our lease arrangements with airline customers are "net" leases under which lessees are generally responsible for all operating expenses, which customarily include maintenance, fuel, crews, airport and navigation charges, taxes, licenses and aircraft registration. Our leases are for a fixed term, although in some cases the lessees have early termination or extension rights. Most of our leases require payments to be made monthly in advance, and most of our leases are denominated in U.S. dollars. As of 30 September, 2017, 94.9% of our leases were subject to fixed lease rates as a percentage of lease revenue. We also require our lessees to carry insurance, which is customary in the air transportation industry, with premiums paid by the lessee. Our lessees are generally required to continue to make lease payments under all circumstances, including periods during which the aircraft is not in operation due to maintenance or grounding.

Our lease portfolio is highly diversified geographically and by airline, with our top five lessees representing 59.2% of our portfolio based on lease revenue as of 30 September, 2017. Emirates, a related party, is our largest customer contributing 37.2% of the total lease revenue during the nine months ended 30 September, 2017. Our leases with airline customers for new aircraft delivered from the manufacturer are generally signed up to 12 months prior to the scheduled aircraft delivery by the manufacturer.

Engineering business

Joramco is a leading commercial aircraft maintenance, repair, and overhaul (MRO) facility based in Amman and serving a wide range of customers in the Middle East, Europe, Asia, Africa, Russia and other CIS countries.

Nine Months Ended 30 September, 2017 Compared to Nine Months Ended 30 September, 2016

Revenues

Total revenue increased 42.8% to $477.5 million for the nine months ended 30 September, 2017 from $334.5 million for the nine months ended 30 September, 2016, driven primarily by an increase in total lease revenue as detailed below.

	Nine months ended	
	30 Sep, 2017	**30 Sep, 2016**
	USD millions	
Lease revenue	$ 436.4	$ 333.4
Maintenance revenue	$ 23.1	$ 10.6
Amortisation of lease acquisition costs	$ (9.1)	$ (9.5)
Amortisation associated with lease incentive assets	$ (7.1)	$ (7.9)
Amortisation of lease premium	$ (2.3)	$ (1.8)
Total lease revenue	**$ 441.0**	**$ 324.8**
Engineering service revenue – Joramco	$ 33.0	$ -
Other income	$ 3.5	$ 9.7
Total revenue	**$ 477.5**	**$ 334.5**

Total lease revenue increased to $441.0 million for the nine months ended 30 September, 2017 from $324.8 million for the nine months ended 30 September, 2016. This increase was mainly due to a larger fleet in 2017 compared to the same period in 2016. The major categories that comprise of total lease revenue are outlined below.

Lease revenue increased 30.7% to $436.4 million for the nine months ended 30 September, 2017 compared to $333.4 million for the nine months ended 30 September, 2016. This was due primarily to the higher number of owned aircraft in the fleet of 304 aircraft at 30 September, 2017 compared to 79 aircraft at 30 September, 2016 following the acquisition of AWAS by DAE. This was partially offset by aircraft sold as part of the ABS to Falcon Aerospace in the final quarter of 2016. The total revenue resulting from the acquisition of AWAS amounts to $124.6 million from the 17th August, 2017.

Maintenance revenue increased to $23.1 million for the nine months ended 30 September, 2017, from $10.6 million for the nine months ended 30 September, 2016. This increase was attributable to a higher release on a higher number of transitioning aircraft and higher maintenance timing release during the nine months ended 30 September, 2017 compared to the prior period. This was offset by lower end-of-lease optimisation. Maintenance revenue for the nine months ended 30 September, 2017 includes $4.2 million of maintenance timing release compared to nil for the nine months ended 30 September, 2016.

Amortisation of lease acquisition costs was $9.1 million for the nine months ended 30 September, 2017 compared to $9.5 million for the nine months ended 30 September, 2016. This was due to a lower number of aircraft with amortisation of lease acquisition costs during the nine months ended 30 September, 2017 compared to the nine months ended 30 September, 2016.

Amortisation associated with lease incentive assets was $7.1 million for the nine months ended 30 September, 2017 compared to $7.9 million for the nine months ended 30 September, 2016. Amortisation of lease premium for the nine months ended 30 September, 2017 was $2.3 million, compared to $1.8 million for the nine months ended 30 September, 2016.

Service revenue – Joramco was $33.0 million for the nine months ended 30 September, 2017, compared to nil for the nine months ended 30 September, 2016. This increase was due to Joramco being acquired on 30 September, 2016 and therefore no revenue occurred in the prior period.

Other income decreased to $3.5 million for the nine months ended 30 September, 2017 from $9.7 million for the nine months ended 30 September, 2016. This reduction was due to a gain on the acquisition of a subsidiary – Joramco of $9.6 million in the prior period. Other income mainly relates to non-recurring events.

Expenses

Expenses for the nine months ended 30 September, 2017 increased to $278.0 million compared to $138.4 million for the nine months ended 30 September, 2016. This increase was principally due to higher depreciation and amortisation expenses and general and administrative expenses during the nine months ended 30 September, 2017 compared to the prior period.

Depreciation and amortisation increased for the nine months ended 30 September, 2017 to $182.0 million from $125.3 million for the nine months ended 30 September, 2016. This increase was predominately driven by an increase in the number of aircraft in the fleet after the acquisition of AWAS by DAE and acceleration of depreciation on one aircraft due to a change on its useful life during the nine months ended 30 September, 2017. This is partly offset by aircraft sold and transferred to held-for-sale.

General and administrative expenses were $47.5 million for the nine months ended 30 September, 2017 compared to $11.4 million for the nine months ended 30 September, 2016. This increase was mainly due to one-off acquisition related costs of $16.4 million and higher compensation and benefit costs during the nine months ended 30 September, 2017 as a result of the acquisition of AWAS and Joramco by DAE.

Cost of providing engineering services was $25.3 million for the nine months ended 30 September, 2017 compared to nil for the nine months ended 30 September, 2016. This increase was due to Joramco being acquired on 30 September, 2016 and therefore no expense was incurred in the prior period.

Aircraft maintenance expenses increased for the nine months ended 30 September, 2017 to $9.1 million from $1.7 million for the nine months ended 30 September, 2016. This was due to higher heavy maintenance expenses.

Loss on disposal of aircraft increased for the nine months ended 30 September, 2017 to $14.1 million from nil for the nine months ended 30 September, 2016. During the nine months ended 30 September, 2017, we sold 22 aircraft whilst no sale of aircraft occurred during the nine months ended 30 September, 2016. Of the 22 aircraft sold in 2017, 21 aircraft related to the sale of the ABS portfolio to Falcon Aerospace and were previously classed within assets held-for-sale. The loss on disposal of aircraft on these aircraft were $12.8 million for the nine months ended 30 September, 2017. Fluctuations in the gain or loss on disposal of aircraft are not only a function of the number of disposals, but are also dependent on the type and age of aircraft, an accounting adjustment for revenue earned from the economic closing date to the transfer of title to the buyer, as well as the prevailing market trading conditions in the underlying period.

Operating profit

Operating profit was $199.5 million for the nine months ended 30 September, 2017, compared to $196.1 million for the nine months ended 30 September, 2016.

Net finance Costs

Net finance costs increased to $122.4 million for the nine months ended 30 September, 2017 from $79.2 million for the nine months ended 30 September, 2016. This increase was attributable to higher interest charged on higher loan balances and higher financing fee amortisation. This was offset by finance income, which mainly relates to interest income of $16.2 million and finance lease income of $7.6 million during the nine months ended 30 September, 2017.

Income from discontinued operations

Income from discontinued operations was nil for the nine months ended 30 September, 2017 compared to $54.3 million for the nine months ended 30 September, 2016. The amount in the prior period related to the release of one-off provisions in respect of obligations of DAE following settlement of the retained litigation, which occurred after the sale of DAE's engineering business, DAE US, Inc, and its subsidiaries in 2015.

Profit

Profit after tax for the nine months ended 30 September, 2017 was $77.1 million, compared to $169.0 million for the nine months ended 30 September, 2016 mainly due to reasons outlined above. In the nine months ended 30 September, 2017, we recorded a tax benefit of $0.0 million compared to a tax expense of $2.2 million for the nine months ended 30 September, 2016. The movement in the tax charge arose primarily as a result of the unwind of a deferred tax liability as a result of the divestment of US owned aircraft (ABS) which exceeded the actual US tax arising on the divestment. In addition, profits arising from the newly acquired business are subject to tax of 12.5% in Ireland. The effective tax rate for the nine months ended 30 September, 2017 was negative 0.1%, compared to positive 1.9% for the nine months ended 30 September, 2016.

Liquidity and Capital Resources

Historically, we have financed our operations through a mixture of equity and debt, comprising of lines of credit and loan facilities. Our third-party indebtedness increased to $10,108.3 million as at 30 September, 2017 from $3,082.7 million as at 31 December, 2016.

The total share capital was $1,927.8 million and our additional paid-in capital was $517.9 million as at 30 September, 2017. Our total equity increased to $3,066.0 million as at 30 September, 2017 from $1,677.7 million as at 31 December, 2016. Our Net Debt to Equity ratio was 3.2:1 times as at 30 September, 2017 compared to 1.6:1 times as at 31 December, 2016.

Total assets increased to $14,911.0 million as at 30 September, 2017, from $5,232.7 million as at 31 December, 2016. This increase was due to an increased number of aircraft in the fleet brought about by the acquisition of AWAS by DAE during the nine months ended 30 September, 2017. DAE has assessed the fair value of the assets acquired and liabilities assumed in the acquisition, which resulted in goodwill of $45.8 million details of which are included in note 23 of the interim financial statements.

Consolidated Cash Flows

The following table presents our consolidated cash flows for the nine months ended 30 September, 2017 and the nine months ended 30 September, 2016, net of cash subject to withdrawal restrictions. The cash and cash equivalents shown below refer to unrestricted cash.

	Nine months ended,	
	30 Sep, 2017	**30 Sep, 2016**
	USD millions	
Consolidated cash flow data		
Net cash from operating activities	$ 654.1	$ 355.8
Net cash used in investing activities	$ (2,537.1)	$ (238.7)
Net cash from/(used in) financing activities	$ 1,714.2	$ (331.4)
Net decrease in cash and cash equivalents	$ (168.8)	$ (214.3)
Cash and cash equivalents at the beginning of the period	$ 480.2	$ 803.6
Cash and cash equivalents	**$ 311.4**	**$ 589.3**

For the nine months ended 30 September, 2017, cash flows from operating activities were $654.1 million, an increase from $355.8 million for the nine months ended 30 September, 2016. This increase was mainly due to an increase in working capital during the nine months ended 30 September, 2017 compared to the prior period.

For the nine months ended 30 September, 2017, net cash used in investing activities was $2,537.1 million, compared to $238.7 million for the nine months ended 30 September, 2016. This movement mainly relates to the acquisition of AWAS by DAE and higher capital expenditure, offset by higher proceeds from the sale of aircraft during the nine months ended 30 September, 2017 compared to the prior period.

Cash flow from financing activities for the nine months ended 30 September, 2017 was a net cash inflow of $1,714.2 million compared to a net cash outflow of $331.4 million for the nine months ended 30 September, 2016. This movement was primarily due to bond issuance by DAE to finance the acquisition of AWAS during the nine months ended 30 September, 2017.

Our cash and cash equivalents, net of restricted cash, as at 30 September, 2017 was $311.4 million, down from $589.3 million as at 30 September, 2016.

We expect to meet our contractual payment obligations on future capital expenditures, through a combination of equity, cash flows from operations, commercial debt raising activities, and the revolving credit facilities totalling $785.0 million in aggregate.

Current ECA and other selective non-recourse and recourse financing arrangements require us to hold a minimum of total cash and cash equivalents of $200.0 million, of which $100.0 million must be held as unrestricted cash. Additional cash generated from the underlying leases will be pledged as collateral to the ECA or Ex-Im lenders should these levels be breached. We do not, however, anticipate that this will occur.

We believe that the sources of liquidity mentioned above, together with cash generated from operations, will be sufficient to operate our business and repay our debt maturities for at least the next 12 months.

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Dubai Aerospace Enterprise (DAE) Ltd

Condensed consolidated interim financial statements
for the nine month period ended 30 September 2017 (unaudited)

Dubai Aerospace Enterprise (DAE) Ltd

Condensed consolidated interim financial statements
for the nine month period ended 30 September 2017 (unaudited)

Report on review of interim condensed consolidated financial statements to the shareholders of Dubai Aerospace Enterprise (DAE) Ltd

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of Dubai Aerospace Enterprise (DAE) Ltd (the “Company”) and its subsidiaries (together the “Group”) which comprise the condensed consolidated interim statement of financial position as of 30 September 2017, and the condensed consolidated interim statements of comprehensive income, cash flows and changes in equity for the nine months period then ended and the notes to the condensed consolidated interim financial statements. Management is responsible for the preparation and presentation of the condensed consolidated interim financial statements in accordance with International Accounting Standard 34, ‘Interim Financial Reporting’ (‘IAS 34’) as issued by the International Accounting Standards Board (‘IASB’). Our responsibility is to express a conclusion on the condensed consolidated interim financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity.” A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements are not prepared in accordance with IAS 34.

PricewaterhouseCoopers
12 January 2018

/s/ Douglas O’Mahony

Douglas O’Mahony
Registered Auditor Number 834
Dubai, United Arab Emirates

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Dubai Aerospace Enterprise (DAE) Ltd

Condensed consolidated interim statement of comprehensive income

In thousands of US Dollars

	Note	Unaudited 9 months ended 30 Sep 2017	Unaudited 9 months ended 30 Sep 2016
Revenues			
Revenue	6	474,008	324,841
Other income		3,468	9,615
Expenses			
Depreciation and amortisation		(182,010)	(125,263)
General and administrative expenses	7	(47,449)	(11,411)
Cost of providing engineering services		(25,333)	-
Aircraft maintenance		(9,071)	(1,668)
Loss on disposal of aircraft		(14,071)	-
Operating profit		**199,542**	**196,114**
Finance income	8	24,821	12,988
Finance expense	8	(147,301)	(92,211)
Net finance cost		**(122,480)**	**(79,223)**
Profit from continuing operations before income tax		**77,062**	**116,891**
Income tax benefit / (expense)	9	42	(2,238)
Profit from continuing operations		**77,104**	**114,653**
Income from discontinued operations		**-**	**54,326**
Profit for the period		**77,104**	**168,979**
Other comprehensive gain / (loss)			
Items that may be reclassified to condensed consolidated interim statement of profit or loss:			
Unrealised gain / (loss) on interest rate hedges		588	(271)
Total comprehensive income for the period		**77,692**	**168,708**
Profit for the period attributable to:			
Equity holders of Dubai Aerospace Enterprise (DAE) Ltd		78,780	168,979
Non-controlling interests		(1,676)	-
		77,104	**168,979**
Total comprehensive income for the period attributable to:			
Equity holders of Dubai Aerospace Enterprise (DAE) Ltd		79,368	168,708
Non-controlling interests		(1,676)	-
		77,692	**168,708**

The accompanying notes form an integral part of these unaudited condensed consolidated interim financial statements.

Dubai Aerospace Enterprise (DAE) Ltd

Condensed consolidated interim statement of financial position

In thousands of US Dollars	Note	Unaudited 30 Sep 2017	Audited 31 Dec 2016
Assets			
Aircraft held for lease	10	11,955,273	3,673,994
Property, plant and equipment		47,791	47,132
Deposits for aircraft purchases	11	349,335	16,675
Other non-current assets		99,647	97,361
Deferred tax assets		-	842
Finance lease receivables	19	208,835	86,184
Intangible assets		10,562	12,762
Loans to shareholders	20	1,395,654	-
Goodwill	23	45,821	-
Total non-current assets		**14,112,918**	**3,934,950**
Cash and cash equivalents	12	311,363	480,163
Restricted cash	12	313,129	79,322
Loan receivables	18	30,796	121,201
Other current assets		21,562	24,349
Inventories		9,127	8,111
Derivative financial assets		1,460	1,326
Trade and other receivables		37,505	16,202
Prepayments		5,988	3,858
Finance lease receivables	19	17,364	5,553
Current tax asset		194	-
Assets held-for-sale	13	49,595	557,671
Total current assets		**798,083**	**1,297,756**
Total assets		**14,911,001**	**5,232,706**
Equity			
Share capital	14	1,927,770	1,050,000
Additional paid-in capital	14	517,884	-
Treasury shares	14	(85,000)	-
Fair value reserve		(1,178)	(1,766)
Other reserves		421	-
Profit and loss reserves		697,022	618,663
Attributable to the equity holders of the Parent		3,056,919	1,666,897
Non-controlling interests		9,079	10,755
Total equity		**3,065,998**	**1,677,652**
Liabilities			
Loans and borrowings	15	8,751,512	2,221,919
Deferred tax liabilities		201,712	15,300
Maintenance reserves and security deposits	16	1,364,250	196,329
Employees' end of service benefits		1,298	1,091
Deferred revenue	17	71,033	79,235
Non-current trade and other payables		1,176	601
Total non-current liabilities		**10,390,981**	**2,514,475**
Loans and borrowings	15	1,264,873	806,114
Trade and other payables		73,902	34,030
Derivative financial liabilities		1,046	1,176
Liabilities held-for-sale	13	25,401	153,391
Deferred revenue	17	88,800	45,868
Total current liabilities		**1,454,022**	**1,040,579**
Total liabilities		**11,845,003**	**3,555,054**
Total equity and liabilities		**14,911,001**	**5,232,706**

The accompanying notes form an integral part of these unaudited condensed consolidated interim financial statements.

Dubai Aerospace Enterprise (DAE) Ltd

Condensed consolidated statement of cash flows (unaudited)

In thousands of US Dollars

	30 Sept 2017	30 Sept 2016
Cash flows from operating activities		
Profit for the period	77,104	168,979
Adjustments for:		
Depreciation and amortisation	182,010	125,263
Gain on acquisition of subsidiary	-	(9,575)
Loss on disposal of aircraft	14,071	-
Movement in value of derivatives	(383)	1,019
Net finance cost	109,770	70,227
Amortisation of fair value discounts and financing fees	13,093	7,977
Income tax	(42)	2,238
Change in working capital	258,457	(10,323)
Net cash from operating activities	**654,080**	**355,805**
Cash flows from investing activities		
Movement in restricted cash	1,713	4,533
Acquisition of property, plant and equipment	(737,687)	(218,502)
Acquisition of subsidiary	(2,223,272)	(27,600)
Proceeds from sale of property, plant and equipment	420,913	-
Interest received	12,955	14,905
Deposits paid for the purchase of aircraft	(11,715)	(11,991)
Net cash used in investing activities	**(2,537,093)**	**(238,655)**
Cash flows from financing activities		
Purchase of own shares	(85,000)	-
Net movement in borrowings	1,963,305	(143,039)
Net financing cost	(164,092)	(83,406)
Dividend paid	-	(105,000)
Net cash from / (used in) financing activities	**1,714,213**	**(331,445)**
Net decrease in cash and cash equivalents	**(168,800)**	**(214,295)**
Cash and cash equivalents at beginning of the period	480,163	803,622
Cash and cash equivalents at end of the period	**311,363**	**589,327**

The accompanying notes form an integral part of these unaudited condensed consolidated interim financial statements.

Dubai Aerospace Enterprise (DAE) Ltd

Condensed consolidated statement of changes in equity (unaudited)

In thousands of US Dollars	Share capital	Additional paid-in capital	Treasury shares	Fair value reserve	Other reserves	Profit and loss reserves	Attributable to the equity holders of the parent	Non-controlling interest	Total equity
At 31 December 2016	**1,050,000**	**-**	**-**	**(1,766)**	**-**	**618,663**	**1,666,897**	**10,755**	**1,677,652**
Profit for the period	-	-	-	-	-	78,780	78,780	(1,676)	77,104
Other comprehensive income	-	-	-	588	-	-	588	-	588
Total comprehensive income for the period	-	-	-	588	-	78,780	79,368	(1,676)	77,692
Transfer to other reserves	-	-	-	-	421	(421)	-	-	-
Additional issuance of share capital	877,770	517,884	-	-	-	-	1,395,654	-	1,395,654
Purchase of own shares	-	-	(85,000)	-	-	-	(85,000)	-	(85,000)
At 30 September 2017	**1,927,770**	**517,884**	**(85,000)**	**(1,178)**	**421**	**697,022**	**3,056,919**	**9,079**	**3,065,998**

In thousands of US Dollars	Share capital	Additional paid-in capital	Treasury shares	Fair value reserve	Other reserves	Profit and loss reserves	Attributable to the equity holders of the parent	Non-controlling interest	Total equity
At 31 December 2015	**1,050,000**	**-**	**-**	**(2,521)**	**-**	**525,030**	**1,572,509**	**-**	**1,572,509**
Profit for the period	-	-	-	-	-	168,979	168,979	-	168,979
Other comprehensive income	-	-	-	(271)	-	-	(271)	-	(271)
Total comprehensive income for the period	-	-	-	(271)	-	168,979	168,708	-	168,708
Effect of consolidation of an acquired subsidiary	-	-	-	-	-	-	-	10,380	10,380
Dividends declared and paid	-	-	-	-	-	(105,000)	(105,000)	-	(105,000)
At 30 September 2016	**1,050,000**	**-**	**-**	**(2,792)**	**-**	**589,009**	**1,636,217**	**10,380**	**1,646,597**

The accompanying notes form an integral part of these unaudited condensed consolidated interim financial statements.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the condensed consolidated interim financial statements for the nine months ended 30 September 2017

1. General information

Dubai Aerospace Enterprise (DAE) Ltd ("the Company") (the Company and its subsidiaries are together referred to as "the Group" / "DAE") is the parent company of the Group. The Company is limited by shares and was incorporated on 19 April 2006 in the Dubai International Finance Centre (DIFC) under the Companies Law, DIFC law No. 2 of 2004 which is superseded by DIFC law No. 2 of 2009. The Company's registered office is at Precinct 4, Level 3, Gate Precinct Building, DIFC, PO Box 506592, Dubai, United Arab Emirates.

The Company is privately owned by Investment Corporation of Dubai ("ICD"), ICD Hospitality & Leisure LLC, Dubai Silicon Oasis Authority and Emaar Properties PJSC. ICD Hospitality & Leisure LLC and Dubai Silicon Oasis Authority are subsidiaries of ICD. ICD, directly and indirectly, owns 95.74% of the issued and allotted shares of the Company, and is therefore, the ultimate controlling party of the Group. ICD is controlled by the Government of Dubai. The balance of issued shares is held by the Company as treasury shares.

On 17 August 2017, DAE acquired 100% of Carmel Capital (direct owner of AWAS Aviation Capital Designated Activity Company ("AACDAC")). AWAS is defined as Carmel Capital and AACDAC, ("AWAS"), whose primary business is the leasing of commercial aircraft.

DAE is made up of two divisions:

A. DAE Capital – a provider of aircraft leasing and financing services to the global aviation industry.

B. DAE Engineering – a provider of commercial maintenance, repair and overhaul services.

The operational highlights for the nine months ended 30 September 2017 (the "period") are summarised below:

Purchases – the Group purchased 28 aircraft during the period (2016: 8 aircraft). In addition, as a result of acquisition of AWAS during the period ended 30 September 2017, the Group acquired a further 210 aircraft.

Sales – the Group disposed of 22 aircraft during the period (2016: nil).

The total number of aircraft at 30 September 2017 was 304, including three aircraft classified as held-for-sale (31 December 2016: 87 including 21 aircraft classified as held-for-sale). The Group also managed 43 aircraft as at 30 September 2017 (31 December 2016: nil).

At 30 September 2017, the Group had agreements for the sale of three aircraft which met the criteria of IFRS 5 to be classified as held-for-sale (31 December 2016: 21 aircraft). See note 13 for details of assets held-for-sale.

The condensed consolidated interim financial statements have been reviewed, not audited.

The condensed consolidated interim financial statements were approved 12 January 2018 and signed by:

/s/ Firoz Tarapore

Firoz Tarapore
Chief Executive Officer

2. Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. These do not include all of the information required for full annual consolidated financial statements and should be read in conjunction with the consolidated financial statements of the Group as at, and for the year ended, 31 December 2016, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

The condensed consolidated interim financial statements have been presented in US Dollars (USD), which is the functional currency of the Parent Company. All values are rounded to the nearest USD thousands, except when otherwise indicated. The functional currency of all the subsidiaries is USD, except for one whose functional currency is Jordanian Dinar (JOD) which is pegged to the USD.

3. Accounting policies

The accounting policies applied are consistent with those of the consolidated financial statements for the year ended 31 December 2016 with the exception of the new accounting policies as described below.

Maintenance right asset

The maintenance right asset presented as a component of aircraft held for lease represents the value in the difference between the contractual right under the acquired leases to receive the aircraft in a specified maintenance condition at the end of the lease and the actual physical condition of the aircraft at the date of acquisition.

Lease premium

The lease premium presented as a component of aircraft held for lease represents the value of an acquired lease where the contractual rent payments are above or below the market lease rate at the date of acquisition. The lease premium is recognised at cost based on discounted cash flows and is amortised on a straight-line basis over the remaining term of the related lease and recorded within lease rental income.

Maintenance reserves

As a result of acquisition of AWAS, the Group has modified its accounting policy for maintenance reserves. In addition to the policy in place at 31 December 2016, the Group will now derecognise amounts not expected to be refunded during the lease term and record them as lease revenue. This will occur when the Group has reliable information that the lessee will not require reimbursement of maintenance advances based on a maintenance forecasting model, which estimates the maintenance inflows and outflows to lease termination date or for five years, whichever is sooner, for each aircraft.

4. Critical accounting estimates and judgments

The preparation of condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at, and for the year ended, 31 December 2016 with the exception of the assumptions underlying the provisional fair value exercise in relation to the acquisition of AWAS. See note 23 for further details.

5. Financial risk management and fair value estimation

Financial risk factors

DAE is exposed to a variety of financial risks which involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. DAE's aim is, therefore, to achieve an appropriate balance between risk and return and minimise potential adverse effects on DAE's financial performance.

The condensed consolidated interim financial statements do not include all financial risk information and disclosures required in the annual financial statements. As there has been no change in the risk management policies, the condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2016.

Fair value estimation

The levels of fair value hierarchy are defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Derivatives are the only financial instruments which are carried at fair value and fall into Level 2 of the fair value hierarchy. Derivatives comprise interest rate and reverse swaps. The fair value of interest rate swap contracts is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market based inputs including interest rates, foreign-exchange rates, and implied volatilities.

6. Revenue

In thousands of USD	**30 Sep 2017**	**30 Sep 2016**
Lease rental income	441,015	324,841
Engineering services	32,993	-
Total revenues	474,008	324,841

Lease rental income from the top five customers represented 59% of total lease rental income for the period ended 30 September 2017 (2016: 83%). No single customer accounted for more than 37% of lease rental income in the period to 30 September 2017 (2016: 60%). During the period ended 30 September 2017, contingent rental income, included within lease rental income, comprising the release of maintenance advances totalled USD 23.1 million (2016: USD 10.6 million). Lease rental income also includes a release associated with the amortisation of lease incentive assets of USD 7.1 million for the period (2016: USD 7.9 million). In addition, lease rental income includes a net charge associated with the amortisation of lease premiums of USD 2.3 million for the period ended 30 September 2017 (2016: USD 1.8 million).

Engineering services revenue of USD 33.0 million (2016: nil) relates to a commercial aircraft maintenance, repair and overhaul facility which was acquired by the Group on 30 September 2016.

7. General and administrative expenses

In thousands of USD	**30 Sep 2017**	**30 Sep 2016**
General and administrative expenses	47,449	11,411
Total general and administrative expenses	47,449	11,411

General and administrative expenses during the period ended 30 September 2017 includes compensation and benefit expenses of USD 20.6 million (2016: USD 7.3 million) and costs related to acquisition of AWAS of USD 16.4 million (2016: USD nil).

8. Finance income and expense

In thousands of USD	**30 Sep 2017**	**30 Sep 2016**
Interest income	16,221	10,766
Finance lease income	7,593	2,222
Dividend income	1,007	-
Total finance income	24,821	12,988
Interest expense on financial liabilities		
- External	(147,458)	(91,192)
Movement in fair value of derivatives	382	(1,019)
Net foreign exchange movement	(225)	-
Total finance expense	(147,301)	(92,211)
Net finance cost	(122,480)	(79,223)

Notes to the condensed consolidated interim financial statements for the nine months ended 30 September 2017 (continued)

9. Income tax (benefit) / expense

In thousands of USD	30 Sep 2017	30 Sep 2016
Current tax expense		
Current period	10,888	343
Deferred tax (benefit) / expense		
Origination and reversal of temporary differences	(10,930)	1,895
Income tax (benefit) / expense	(42)	2,238

Reconciliation of effective tax rate

In thousands of USD	30 Sep 2017	30 Sep 2016
Profit for the period	77,104	114,653
Income tax (benefit) / expense	(42)	2,238
Profit excluding income tax	77,062	116,891
Income subject to tax in Ireland	3,887	90
US federal tax	10,566	1,979
Unwind of deferred tax liability	(14,812)	-
US state tax	61	-
Other foreign taxes	256	169
Income tax (benefit) / expense	(42)	2,238

Notes to the condensed consolidated interim financial statements for the nine months ended 30 September 2017 (continued)

10. Aircraft held for lease

In thousands of USD	Aircraft and engines	Maintenance right asset	Lease premium	Total
Cost				
At 31 December 2016	4,524,351	-	-	4,524,351
Acquisition through business combination	6,568,988	1,172,940	(34,682)	7,707,246
Additions	868,170	-	-	868,170
Disposals through finance lease	(228,899)	-	-	(228,899)
At 30 September 2017	11,732,610	1,172,940	(34,682)	12,870,868
Accumulated depreciation and impairment				
At 31 December 2016	850,357	-	-	850,357
Charge for the period	173,668	1,978	732	176,378
Disposals through finance lease	(111,140)	-	-	(111,140)
Balance at 30 September 2017	912,885	1,978	732	915,595
Net book value				
At 31 December 2016	3,673,994	-	-	3,673,994
At 30 September 2017	10,819,725	1,170,962	(35,414)	11,955,273

As of 30 September 2017, the Group owned 304 aircraft including three aircraft held-for-sale (2016: 87 aircraft including 21 aircraft held-for-sale), within this the Group had 293 aircraft held for lease on an operating basis (2016: 82 aircraft) and 11 aircraft recognised as finance lease receivables (2016: 5 aircraft). During the period ended 30 September 2017, the Group sold 22 aircraft previously recognised as held-for-sale (2016: nil). The Group purchased 28 aircraft in the period (30 September 2016: 8 aircraft). In addition, as a result of business combination during the period ended 30 September 2017, the Group acquired 210 aircraft.

At 30 September 2017, the Group had agreements for the sale of three aircraft which met the criteria of IFRS 5 to be classified as held-for-sale (2016: 21 aircraft). See note 13 for details of assets held-for-sale.

The Group's obligations under its secured bank loans are secured by charges over, amongst other things, the Group's aircraft and related assets.

As at 30 September 2017, management did not identify any indicators of impairment for the Group's aircraft in accordance with IAS 36 – Impairment of Assets ("IAS 36").

11. Deposits for aircraft purchases

In thousands of USD	**30 Sep 2017**	**31 Dec 2016**
Movement of the aircraft purchase deposits is as follows:		
Beginning of the period / year	16,675	13,577
Additions	13,241	16,625
Acquisition through business combination (Note 23)	350,775	-
Transfer to aircraft held for lease	(31,356)	(13,527)
End of the period / year	349,335	16,675

Deposits for aircraft purchases represent payments made by the Group for the purchase of aircraft in accordance with the payment schedules as per the purchase agreements.

In connection with these purchase agreements, the Group took delivery of eight aircraft during the period (31 December 2016: nine aircraft) for which the total amount of aircraft purchase deposits reclassified to aircraft held for lease amounted to USD 31.4 million (31 December 2016: USD 13.5 million).

12. Cash and cash resources

In thousands of USD	**30 Sep 2017**	**31 Dec 2016**
Cash and cash equivalents	311,363	480,163
Restricted cash	313,129	79,322
Cash and cash resources	624,492	559,485

Cash and cash resources subject to withdrawal restrictions represent cash securing the Group’s obligations under third party credit facilities. Amounts received from lessees in respect of aircraft subject to certain funding arrangements may be required to be held in segregated accounts to support, amongst other things, certain maintenance related payments including major airframe overhauls, engine overhauls, engine life limited parts replacements, auxiliary power unit overhauls and landing gear overhauls, as well as interest and principal payments on the related debt facility.

13. Held-for-sale

At 30 September 2017, the Group had agreements for the sale of three aircraft which met the requirement to be classified as held-for-sale (31 December 2016: 21 aircraft). During the nine months ended 30 September 2017 the Group sold 22 aircraft previously classed as held-for-sale.

In thousands of USD	**30 Sep 2017**	**31 Dec 2016**
Assets classified as held-for-sale		
Aircraft held for lease	49,595	557,671
Liabilities classified as held-for-sale		
Maintenance reserves and security deposits	25,401	153,391

14. Capital and reserves

The authorised and issued share capital of the Company at 30 September 2017 comprised of 1,927,770 ordinary shares of USD 1,000 par value each (31 December 2016: 1,050,000 ordinary shares of USD 1,000 par value each).

During the period ended 30 September 2017, the Company increased its authorised share capital to USD 1,927,770 thousands and issued 756,160 shares to ICD Hospitality and Leisure LLC and 121,610 shares to Dubai Silicon Oasis Authority (DSOA) at USD 1,590 per share. The additional amount obtained above the par value has been reported as additional paid-in capital in the condensed consolidated interim statement of financial position.

In addition, in August 2017, DAE purchased for USD 85.0 million the shares held by Dubai International Capital LLC (DIC). These shares are reported within equity as treasury shares in the statement of financial position.

15. Loans and borrowings

The contractual terms of the Group's interest-bearing loans and borrowings are:

In thousands of USD	**30 Sep 2017**	**31 Dec 2016**
Bank loans (repayable by instalment)		
Principal	10,033,414	3,071,668
Accrued and unpaid interest	39,886	7,732
Fair value discounts	34,953	3,313
Total bank loans	10,108,253	3,082,713
Debt issuance costs	(91,868)	(54,680)
Net loans and borrowings	10,016,385	3,028,033

In thousands of USD	**30 Sep 2017**	**31 Dec 2016**
Non-current liabilities		
Bank loans	8,835,367	2,268,831
Debt issuance costs	(83,855)	(46,912)
Non-current loans and borrowings	8,751,512	2,221,919
Current liabilities		
Current portion of bank loans	1,272,886	813,882
Debt issuance costs	(8,013)	(7,768)
Current loans and borrowings	1,264,873	806,114

Movements

In thousands of USD		
Beginning of the period / year	3,082,713	2,824,633
Loans obtained during the period	3,241,708	547,030
Acquisition through business combination (Note 23)	5,046,867	31,255
Amortisation of fair value discounts	1,276	(391)
Interest accrued but not paid	14,091	1,668
Repayment during the period / year	(1,278,402)	(321,482)
End of the period / year	10,108,253	3,082,713

16. Maintenance reserves and security deposits

In thousands of USD	**30 Sep 2017**	**31 Dec 2016**
Maintenance reserves		
Beginning of the period / year	148,679	242,813
Additions	116,223	67,202
Acquisition through business combination (Note 23)	927,171	-
Released / reimbursed / paid	(56,108)	(21,181)
Reclassified as liabilities held for sale	-	(140,155)
End of the period / year	1,135,965	148,679

In thousands of USD	**30 Sep 2017**	**31 Dec 2016**
Security deposits		
Beginning of the period / year	47,650	45,152
Additions	20,230	18,772
Acquisition through business combination (Note 23)	167,188	-
Releases	(6,783)	(3,038)
Reclassified as liabilities held for sale	-	(13,236)
End of the period / year	228,285	47,650
Total	1,364,250	196,329

17. Deferred revenue

In thousands of USD	**30 Sep 2017**	**31 Dec 2016**
Due within one year	88,800	45,868
Due after one year	71,033	79,235
Total	159,833	125,103

Included in deferred revenue are deferred aircraft rentals received from a related party of USD 95.2 million (31 December 2016: USD 103.4 million). Of this amount, USD 24.2 million (31 December 2016: USD 24.2 million) is included in current liabilities and USD 71.0 million (31 December 2016: USD 79.2 million) is included in non-current liabilities.

18. Loan receivables

In October 2016, the Group entered into a loan facility whereby it advanced funds to a third-party borrower to be applied in connection with payment to an aircraft manufacturer for amounts due pertaining to pre-delivery payments. During the period ended 30 September 2017, the Group purchased certain aircraft by way of a purchase agreement assignment by the borrower. In relation to this, the borrower assigned the right to benefit from pre-delivery payments for these aircraft to the Group and as a result, a total of USD 91.4 million was reclassified from loan receivables to aircraft held for lease (2016: nil). Other movements in loan receivables pertain to amortisation of loan fees of USD 1.0 million (2016: USD 0.3 million).

19. Leases

Operating leases

As at 30 September 2017, the Group owns 304 aircraft (31 December 2016: 87 aircraft). During the period, the Group received lease payments on aircraft under non-cancellable operating leases expiring from 2017 to 2029. Future minimum annual rentals to be received under the leases at 30 September 2017 are as follows:

In thousands of USD	**30 Sep 2017**	**30 Sep 2016**
Within one year	1,292,430	418,938
After one year but not more than five years	3,995,823	1,375,586
More than five years	2,384,645	994,102
Total	7,672,898	2,788,626

During the term of most leases, lessees pay an additional amount based on usage to fund the estimated costs of scheduled major maintenance of the airframe and engines. These amounts are accounted for as maintenance reserves and are disclosed under note 16.

Group as lessor

As at 30 September 2017, the Group has entered into finance lease agreements for 11 aircraft (31 December 2016: five aircraft). The Group's finance lease receivables are secured by the Group's title to the leased assets. Future minimum lease payments under finance leases, together with the present value of the net minimum lease payments are as follows:

In thousands of USD	**30 September 2017**		**31 December 2016**	
	Minimum payments	**Present value of payments**	**Minimum payments**	**Present value of payments**
Within one year	29,032	17,364	12,148	5,553
After one year but not more than five years	114,161	87,039	47,905	25,946
More than five years	146,724	121,796	75,811	60,238
Total	289,917	226,199	135,864	91,737
Less: unearned finance income	(63,718)	-	(44,127)	-
Total	226,199	226,199	91,737	91,737

The interest rate inherent in the leases is fixed at the contract date for the entire lease term.

The finance lease receivables at the end of the reporting period are neither past due nor impaired.

20. Related party transactions

For the purpose of these condensed consolidated interim financial statements, parties are considered to be related to the Group, if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence and the key management personnel of the Group. Related parties may be individuals or other entities.

Transactions with entities subject to common control or common significant influence included in the condensed consolidated interim statement of comprehensive income are as follows:

- The Group earned USD 170.0 million (30 September 2016: USD 187.5 million) being aircraft lease rentals from companies under common control. The total number of aircraft leased to companies under common control was 14 as of 30 September 2017 (30 September 2016: 13 aircraft). The Group also recognised end of lease income of nil (30 September 2016: USD 10.6 million) from companies under common control.

- The Group also provided maintenance services to a company under common control during the period amounting to USD 2.6 million (30 September 2016: nil).

- Interest income on the bank balances and short-term bank deposits with companies under common control for the period amounts to USD 5.4 million (30 September 2016: USD 10.7 million).

- Interest income on loan receivables from shareholders during the period amounts to USD 6.0 million (30 September 2016: nil)

- Finance costs for the period in respect of loans from companies under common control amounts to USD 25.9 million (30 September 2016: USD 21.7 million).

Compensation of key management personnel for the period

In thousands of USD	**30 Sep 2017**	**30 Sep 2016**
Salaries and other benefits	4,175	3,634

During the period ended 30 September 2017, DAE, acting as lender, entered into an intercompany loan agreement with its shareholders (ICD Hospitality and Leisure LLC and DSOA). The amount lent to shareholders under the agreement was USD 1,395.7 million and loan maturity is 2022. Interest is calculated at the rate of 3.5% annually on the amount of the loan outstanding starting on the effective date. Interest accrued at 30 September 2017 was USD 6.0 million and is included in note 8.

21. Capital Commitments

At 30 September 2017, the Group had commitments to purchase 29 new aircraft from Airbus and ATR, scheduled to deliver from 2017 through to 2019 of which 25 will deliver prior to 30 September 2018.

The Directors anticipate that a portion of the aggregate purchase price for the purchase of aircraft will be funded by incurring additional debt. The exact amount of the indebtedness to be incurred will depend upon the actual purchase price of the aircraft, which can vary due to a number of factors, including inflation, and the percentage of the purchase price of the aircraft which must be financed.

In addition, the Group is committed to the purchase of eight aircraft from airlines of which five are due to deliver prior to 30 September 2018.

The total capital commitment at 30 September 2017 is USD 1,384.9 million (31 December 2016: USD 836.0 million).

22. Risk and uncertainties

In preparing these condensed consolidated interim financial statements, the risk and uncertainties borne by the Group were the same as those that applied to the consolidated financial statements as at, and for the year ended, 31 December 2016.

23. Business combination

On 17 August 2017, the Group acquired 100% of AWAS whose primary business is the leasing of commercial aircraft.

The Group has assessed the fair value of the assets acquired and liabilities assumed in the acquisition, which resulted in goodwill of USD 45.8 million.

The following table summarises management's assessment of the fair value of the major assets acquired and liabilities assumed at the acquisition date. This allocation is subject to change and will be finalised at 31 December 2017.

In thousands of USD	
Fair value of assets and liabilities acquired on 17 August 2017:	
Cash and cash equivalents	455,419
Trade and other receivables	17,615
Aircraft and engines	6,568,988
Maintenance right asset	1,172,940
Lease premium	(34,682)
Deposits for aircraft purchases	350,775
Loans and borrowings	(5,046,867)
Maintenance reserves and security deposits	(1,094,359)
Deferred tax liability	(199,092)
Other assets and liabilities	(13,286)
Estimate of fair value of net assets acquired	2,177,451
Cost of acquisition	2,223,272
Goodwill	45,821

Revenue and profit contribution

Revenue included in the condensed consolidated interim statement of comprehensive income contributed by AWAS since 17 August 2017 was USD 124.6 million. AWAS also contributed net income of USD 27.0 million over the same period.

Had the acquisition occurred in the beginning of the period, management estimates the Group's consolidated lease revenue would have been USD 1,096.7 million and the Group's consolidated profit for the period would have been USD 243.7 million.

Notes to the condensed consolidated interim financial statements for the nine months ended 30 September 2017 (continued)

23. Business combination (continued)

Acquisition-related costs

Costs related to acquisition of AWAS of USD 16.4 million that were not directly attributable to the issue of shares are included in general and administrative expenses in the condensed consolidated interim statement of comprehensive income and in operating cash flows in the condensed consolidated statement of cash flows.

Prior period

On 30 September 2016, the Group acquired 100% ownership of an entity which owns 80% equity of an independent provider of airframe maintenance, repair and overhaul services. Details of this business combination were disclosed in note 10 of the group's annual consolidated financial statements for the year ended 31 December 2016.

Application of acquisition method of accounting

The Company applied the acquisition method of accounting and measured the identifiable assets acquired and the liabilities assumed at fair value on the closing date. The fair value measurement of each major asset acquired and liability assumed is following:

Aircraft and engines– the Group determined the fair value of acquired aircraft held for lease as of the closing date using the maintenance adjusted current market values obtained from independent appraisers and adjusted for management judgement.

Maintenance right asset – the fair value of the maintenance right asset was measured as the value in the difference between the contractual right under the acquired leases to receive the aircraft in a specified maintenance condition at the end of the lease and adjusted for any end of lease cash compensation at lease expiry, and the actual physical condition of the aircraft at the date of acquisition using adjusted market values from independent appraisers and adjusted for management judgment.

Lease premium – the fair value of the lease premium was determined as the present value of the expected cash flows calculated as the difference between contractual rent payments, adjusted for the credit risk of the lessee, and the rent payments that the aircraft could generate over the remaining lease term based on current market rates from an independent appraiser.

Maintenance reserves – the fair value of maintenance reserves relating to pre-acquisition usage is determined by calculating the present value of expected cash outflows during the remaining lease terms consisting of expected reimbursements of maintenance reserves at the time of the forecasted maintenance event and expected lessor contribution at the time of forecasted maintenance event. Present value is calculated using relevant US treasury rates (based on forecasted date of maintenance event).

Security deposits – the fair value of acquired security deposits was determined by measuring the present value of expected cash outflows during the remaining lease term using relevant US treasury rates (based on security deposit maturity) that reflect the time value of money.

23. Business combination (continued)

Loans and borrowings – the fair value of loans and borrowings was estimated using quoted market prices where available. The fair value of certain loans and borrowings without quoted market prices is estimated using discounted cash flow analyses based on current market prices for similar type debt instruments.

Deferred tax assets and liabilities - The identifiable assets acquired and liabilities assumed in a business combination are, with limited exceptions, recognised at their fair values at the acquisition date. The tax base of individual assets and liabilities in a non-taxable transaction (i.e. a share acquisition) is likely to stay the same as the acquiree’s pre-acquisition tax base. Temporary differences arise when the tax bases of the identifiable assets acquired and liabilities assumed are not affected by the business combination or are affected differently and thus re-measurement for book purposes to acquisition date fair value will create an additional temporary difference. The applicable tax rate(s) used to measure deferred taxes are determined based on the relevant rate(s) in the jurisdictions where the acquired assets are recovered and the assumed liabilities are settled.

24. Prior period figures

Amounts for the previous period / year have been reclassified to conform to current period's presentation.