



Dubai Aerospace Enterprise (DAE) Ltd

Results for the three months ended 31 March 2018

CONFERENCE CALL DETAILS

DAE will host a conference call at 09:00 EST / 14:00 GMT / 17.00 GST on Tuesday 22, May, 2018 to review our results for the three months ended 31 March, 2018. The call can be accessed live by dialling (Ireland) +353 (0) 1 246 5638, (UAE) 8000 3570 2653, (U.S.) +1 646 828 8143 or (UK) +44 (0) 330 336 9105 and referencing code 728 5353 at least 15 minutes before the start time. Further information can be found on our website <http://www.dubaiaerospace.com>.

RESULTS ANNOUNCEMENT

We present management's discussion and analysis of the financial condition and results of operations for the three months ended 31 March, 2018 which should be read in conjunction with the unaudited condensed consolidated financial statements (the "interim financial statements") of Dubai Aerospace Enterprise (DAE) Ltd ("DAE") and its subsidiaries (together and hereinafter "we" or "us"). References to "31 March, 2018" are to the three months ended 31 March, 2018 and to "31 March, 2017" are to the three months ended 31 March, 2017.

During the year ended 31 December, 2017, DAE acquired a 100% interest in Carmel Capital, the immediate parent of AWAS Aviation Capital Designated Activity Company ("AWAS").

FINANCIAL HIGHLIGHTS FOR THE THREE MONTHS ENDED 31 MARCH, 2018

- Profit from operating activities for the three months ended 31 March, 2018 was \$176.2 million compared to \$44.5 million for the three months ended 31 March, 2017. During the three months ended 31 March, 2018 there was an increase in revenue resulting from an increase in the number of revenue-generating aircraft in the fleet. This is offset by increased depreciation and amortisation and general and administrative expenses following the acquisition noted above by DAE.
- Adjusted EBITDA increased to \$315.5 million for the three months ended 31 March, 2018, from \$85.6 million for the three months ended 31 March, 2017.
- Total cash and cash resources as at 31 March, 2018 of \$605.2 million represents a decrease of \$118.8 million compared to \$724.0 million as at 31 December, 2017.
- Total assets were \$15,378.8 million as at 31 March, 2018, compared to \$15,383.8 million as at 31 December, 2017.

OPERATIONAL HIGHLIGHTS

- The operational highlights for the three months ended 31 March, 2018 and 31 March, 2017 are summarised below:
 - Purchases – we purchased six aircraft (2017: four aircraft).
 - Sales – we disposed of one aircraft (2017: 13 aircraft).
 - Total owned aircraft at 31 March, 2018 was 315 which includes 11 aircraft on finance lease (31 December, 2017: 310 which includes 11 aircraft on finance lease and one aircraft classified as held-for-sale ("HFS")).
 - In addition, DAE managed a fleet of 40 aircraft for Diamond Head Aviation and Falcon Aerospace as at 31 March, 2018 (31 December, 2017: 40 aircraft).
- We have 17 aircraft on forward order due to deliver from April, 2018 to June, 2019, of which 14 aircraft are due to deliver during the year ended 31 December 2018. We have commitments to purchase 10 aircraft from airlines due to deliver from April, 2018 to November, 2018. The total capital commitment for these aircraft as at 31 March, 2018 was \$1,546.6 million.
- We closed a total of \$204.5 million of borrowings during the three months ended 31 March, 2018.
- Subsequent to quarter end, DAE signed an unsecured four-year revolving credit facility with an initial commitment of \$480 million and an accordion feature that allows the facility to be increased to up to \$800 million at any time after the initial closing.

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 three months ended 31 March, 2018.

Results of Operations (in millions of USD)

	<u>Three months ended</u>	
	<u>31 Mar, 2018</u>	<u>31 Mar, 2017</u>
Consolidated statement of comprehensive income data		
Total revenue.....	\$ 352.4	\$ 113.1
Depreciation and amortisation.....	(139.3)	(41.1)
General and administrative expenses.....	(23.3)	(5.4)
Cost of providing engineering services.....	(10.5)	(9.7)
Aircraft maintenance.....	(3.0)	(1.7)
Loss on disposal of aircraft.....	<u>(0.1)</u>	<u>(10.7)</u>
Profit from operating activities.....	176.2	44.5
Net finance costs.....	(66.3)	(27.8)
Income tax (expense)/benefit.....	<u>(13.9)</u>	<u>12.7</u>
Profit for the period.....	<u>96.0</u>	<u>29.4</u>
Unrealised gain on interest rate hedges.....	<u>2.5</u>	<u>0.3</u>
Total comprehensive income for the period.....	<u>98.5</u>	<u>29.7</u>
Consolidated statement of financial position data (Extract)		
	<u>31 Mar, 2018</u>	<u>As of</u> <u>31 Dec, 2017</u>
Total cash and cash resources.....	\$ 605.2	\$ 724.0
Aircraft held for lease.....	12,127.4	12,050.3
Held-for-sale assets.....	0.0	11.2
Total assets.....	15,378.8	15,383.8
Total loans and borrowings (before debt issuance costs).....	10,348.2	10,505.9
Total equity.....	3,261.3	3,162.8
Total equity and liabilities.....	15,378.8	15,383.8
Adjusted EBITDA calculation (1)		
Profit for the period.....	<u>\$ 96.0</u>	<u>\$ 29.4</u>
Add back.....		
Net finance costs.....	66.3	27.8
Income tax expense/(benefit).....	13.9	(12.7)
Depreciation and amortisation.....	<u>139.3</u>	<u>41.1</u>
Adjusted EBITDA.....	315.5	85.6
Net debt to equity (2).....		
	<u>31 Mar, 2018</u>	<u>As of</u> <u>31 Dec, 2017</u>
Net debt to equity (2).....	3.1x	3.2x
Aircraft in fleet (including managed aircraft).....	355	350

- (1) We define Adjusted EBITDA as profit for the applicable period, excluding net finance costs, income 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 before debt issuance costs and cash and cash equivalents by total equity.

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", "future", "intend", "may", "plan", "potential", "predict", "project", "will" 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 (MRO) services.

Approximately 96% of DAE is owned by Investment Corporation of Dubai ("ICD"), the investment arm of the Government of Dubai. 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 315 aircraft (including 11 aircraft on finance lease) and 40 managed aircraft. In addition to our current fleet, we also have orders for 17 new, fuel-efficient aircraft from Airbus S.A.S. ("Airbus") and Aerei da Trasporto Regionale ("ATR"), of which 14 aircraft are due to deliver during the year ended 31 December, 2018. We also have commitments to purchase 10 aircraft from airlines, which are due to deliver during the year ended 31 December, 2018. These aircraft are on lease to 112 lessees in 56 countries. As of 31 March, 2018 our owned fleet have a book value of \$12,127.4 million which excludes finance lease aircraft. The weighted average age of our total owned fleet was 6.0 years based on net book value as of 31 March, 2018 (31 December 2017: 5.9 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, insurance, 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 31 March, 2018, 87.2% 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 28% of our portfolio based on lease revenue as of 31 March, 2018. Emirates, a related party, is our largest customer contributing 16% of the total lease revenue during the three months ended 31 March, 2018. 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.

Analysis by aircraft type for leasing business

Aircraft Type	Owned Portfolio	Managed Portfolio	Committed Portfolio	Total
A320 family	120	15	12	147
A330 family	31	-	-	31
A350-900	3	-	-	3
Total Airbus	154	15	12	181
B737 family	88	20	5	113
B747-400F	3	-	-	3
B757/767	1	4	-	5
B777F	12	-	-	12
B777	3	1	-	4
B787	4	-	5	9
Total Boeing	111	25	10	146
ATR 72-600	50	-	5	55
Total	315	40	27	382
Narrow body	208	36	17	261
Wide body	57	4	5	66
Turboprop	50	-	5	55
Total	315	40	27	382

Engineering business

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

Three Months Ended 31 March, 2018 Compared to Three Months Ended 31 March, 2017

Revenues

Total revenue increased 211.5% to \$352.4 million for the three months ended 31 March, 2018 from \$113.1 million for the three months ended 31 March, 2017, driven primarily by an increase in total lease revenue as detailed below.

	Three months ended	
	31 Mar, 2018	31 Mar, 2017
	USD millions	
Lease revenue.....	\$ 334.8	\$ 104.4
Maintenance revenue.....	\$ 6.4	\$ 0.0
Amortisation of lease associated costs.....	\$ (6.0)	\$ (5.1)
Total lease revenue.....	\$ 335.2	\$ 99.3
Engineering maintenance service revenue – Joramco.....	\$ 16.2	\$ 13.8
Other income.....	\$ 1.0	\$ 0.0
Total revenue.....	\$ 352.4	\$ 113.1

Total lease revenue increased to \$335.2 million for the three months ended 31 March, 2018 from \$99.3 million for the three months ended 31 March, 2017. This increase was mainly due to a larger fleet in 2018 compared to the same period in 2017. The major categories that comprise of total lease revenue are outlined below.

Lease revenue increased 220.9% to \$334.8 million for the three months ended 31 March, 2018 compared to \$104.4 million for the three months ended 31 March, 2017. This was due primarily to the higher number of owned aircraft in the fleet of 315 aircraft at 31 March, 2018 compared to 69 aircraft at 31 March, 2017 following the acquisition of AWAS. Lease revenue has remained constant at \$334.8 million for the three months ended 31 March, 2018 compared to \$334.7 million for the three months ended 31 December, 2017.

Maintenance revenue increased to \$6.4 million for the three months ended 31 March, 2018, from nil for the three months ended 31 March, 2017. This increase was attributable to higher maintenance timing release and a higher release on transitioning aircraft during the three months ended 31 March, 2018 compared to the prior period. Maintenance revenue for the three months ended 31 March, 2018 includes \$2.8 million of maintenance timing release. Due to the adoption of a new accounting policy in late 2017, there was no maintenance timing release for the three months ended 31 March, 2017.

Amortisation of lease associated costs increased to \$6.0 million for the three months ended 31 March, 2018 compared to \$5.1 million for the three months ended 31 March, 2017. This increase was due primarily to increased amortisation of lease incentive assets as a result of a higher number of aircraft in the fleet during the three months ended 31 March, 2018 compared to the prior period. Amortisation of lease incentive assets is our contribution to future maintenance events. Amortisation of lease associated costs relates to amortisation of maintenance right asset, lease incentive assets and lease discounts.

Engineering maintenance service revenue – Joramco was \$16.2 million for the three months ended 31 March, 2018, compared to \$13.8 million for the three months ended 31 March, 2017. This increase was due to higher revenue during the three months ended 31 March, 2018 compared to the prior period.

Other income increased to \$1.0 million for the three months ended 31 March, 2018 from nil for the three months ended 31 March, 2017. Included in other income was the servicer management fee of \$0.8 million for the three months ended 31 March, 2018 compared to nil for the three months ended 31 March, 2017. This related to the management of the Diamond Head and Falcon Aerospace ABS by DAE. All remaining items relate to non-recurring events.

Expenses

Expenses for the three months ended 31 March, 2018 increased to \$176.2 million compared to \$68.6 million for the three months ended 31 March, 2017. This increase was principally due to higher depreciation and amortisation expenses and general and administrative expenses during the three months ended 31 March, 2018 compared to the prior period following the acquisition of AWAS.

Depreciation and amortisation increased for the three months ended 31 March, 2018 to \$139.3 million from \$41.1 million for the three months ended 31 March, 2017. This increase was predominately driven by an increase in the number of aircraft in the fleet during the three months ended 31 March, 2017 after the acquisition of AWAS.

General and administrative expenses were \$23.3 million for the three months ended 31 March, 2018 compared to \$5.4 million for the three months ended 31 March, 2017. This increase was mainly due to higher employee and benefits expenses due to increased number of staff following the acquisition by DAE and higher legal fees during the three months ended 31 March, 2018.

Cost of providing engineering services was \$10.5 million for the three months ended 31 March, 2018 compared to \$9.7 million for the three months ended 31 March, 2017.

Aircraft maintenance expenses increased for the three months ended 31 March, 2018 to \$3.0 million from \$1.7 million for the three months ended 31 March, 2017. This was due to higher heavy maintenance expenses and costs associated with transition of aircraft.

Loss on disposal of aircraft decreased for the three months ended 31 March, 2018 to \$0.1 million from \$10.7 million for the three months ended 31 March, 2017. During the three months ended 31 March, 2018, we sold one aircraft compared to 13 aircraft in the prior period. All 13 aircraft sold in 2017 related to the sale of an ABS portfolio to Falcon Aerospace and were previously classed within assets held-for-sale. 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.

Profit from operating activities

Profit from operating activities was \$176.2 million for the three months ended 31 March, 2018, compared to \$44.5 million for the three months ended 31 March, 2017.

Net finance costs

Net finance costs increased to \$66.3 million for the three months ended 31 March, 2018 from \$27.8 million for the three months ended 31 March, 2017. This increase was attributable to higher interest charged on higher loan balances which includes the bonds payable. This was offset by increased finance income, which mainly related to interest on notes receivable of \$12.3 million, finance lease income of \$2.3 million, interest on bank accounts and short-term investments of \$1.8 million and movement in fair value of derivatives of \$16.6 million during the three months ended 31 March, 2018.

Profit

Profit after tax for the three months ended 31 March, 2018 was \$96.0 million, compared to \$29.4 million for the three months ended 31 March, 2017 mainly due to reasons outlined above. In three months ended 31 March, 2018, we recorded a tax expense of \$13.9 million compared to a tax benefit of \$12.7 million for the three months ended 31 March, 2017. During the three months ended 31 March, 2018, the income tax expense was primarily driven by tax arising on the group's Irish activities at 12.5%. A tax benefit arose as a result of losses arising in other jurisdictions, primarily Hungary, however based on current income projections these losses have not been recognised. During the three months ended 31 March, 2017 a tax benefit arose from the release of a Deferred Tax Liability associated with the divestment of US aircraft in the period. This benefit was offset in later periods as current taxes associated with these divestments fell due.

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 decreased to \$10,348.2 million as at 31 March, 2018 from \$10,505.9 million as at 31 December, 2017.

Our total equity increased to \$3,261.3 million as at 31 March, 2018 from \$3,162.8 million as at 31 December, 2017. The total share capital was \$1,927.8 million and our additional paid-in capital was \$517.9 million as at 31 March, 2018. Our Net Debt to Equity ratio was 3.1:1 times as at 31 March, 2018 compared to 3.2:1 times as at 31 December, 2017.

Total assets were \$15,378.8 million as at 31 March, 2018, compared to \$15,383.8 million as at 31 December, 2017.

Consolidated Cash Flows

The following table presents our consolidated cash flows for the three months ended 31 March, 2018 and the three months ended 31 March, 2017, net of cash subject to withdrawal restrictions. The cash and cash equivalents shown below refer to unrestricted cash.

	<u>Three months ended,</u>	
	<u>31 Mar, 2018</u>	<u>31 Mar, 2017</u>
	USD millions	
Consolidated cash flow data		
Net cash from operating activities	\$ 296.9	\$ 99.7
Net cash (used in) / from investing activities	\$ (203.4)	\$ 380.9
Net cash used in financing activities.....	\$ (211.5)	\$ (92.7)
Net decrease / (increase) in cash and cash equivalents.....	\$ (118.0)	\$ 388.0
Cash and cash equivalents at the beginning of the period.....	\$ 369.9	\$ 94.7
Cash and cash equivalents	\$ 251.9	\$ 482.6

For the three months ended 31 March, 2018, cash flows from operating activities were \$296.9 million, an increase from \$99.7 million for the three months ended 31 March, 2017. This increase was mainly due to increased profit for the period, depreciation and amortisation and increased net finance cost during the three months ended 31 March, 2018 compared to the prior period.

For the three months ended 31 March, 2018, net cash used in investing activities was \$203.4 million, compared to a net cash from investing activities of \$380.9 million for the three months ended 31 March, 2017. This movement mainly relates to lower inflows from short-term cash investments and lower proceeds from sale of aircraft offset by lower outflows related to the acquisition of aircraft from third parties compared to the prior period.

Cash flow used in financing activities for the three months ended 31 March, 2018 was \$211.5 million compared to \$92.7 million for the three months ended 31 March, 2017. This movement was primarily due to higher financings costs due to increased loans and borrowings as a result of the acquisition of AWAS during 2017. There was also a decrease in debt raised of \$41.7 million and an increase in loans repayments of \$13.3 million.

Our cash and cash equivalents, net of restricted cash, as at 31 March, 2018 was \$251.9 million, down from \$482.6 million as at 31 March, 2017.

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 utilisation of the revolving credit facilities totalling \$785.0 million in aggregate.

Current ECA and other selective non-recourse and recourse financing arrangements at an AWAS Aviation Capital DAC level 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.

Indebtedness

	Three months ended 31 Mar, 2018 USD millions
Non-recourse obligations.....	\$ 1,845.0
Recourse obligations (incl ECA, Ex-im & EDC).....	\$ 5,538.5
Senior unsecured notes.....	\$ 2,317.3
Revolving credit facilities.....	\$ 276.4
Lines of credit.....	\$ 91.9
Term loan 2014.....	<u>\$ 279.1</u>
Total indebtedness.....	<u>\$ 10,348.2</u>

Number of aircraft used as collateral for the following facilities

	Three months ended 31 Mar, 2018
Non-recourse obligations.....	81
Recourse obligations.....	166
Term loan 2014.....	<u>10</u>
Total	<u>257</u>

In addition to the number of aircraft above with a total net book value of \$10,784.3 million, 58 aircraft held-for-lease (2017: 7 aircraft) were unencumbered with a total net book value of \$1,343.1 million (2017 net book value: \$100.8 million).

(This page is intentionally left blank)

Dubai Aerospace Enterprise (DAE) Ltd

**Unaudited condensed consolidated interim financial
statements for the three month period ended 31 March 2018**

Dubai Aerospace Enterprise (DAE) Ltd

Unaudited condensed consolidated interim financial statements for the three month period ended 31 March 2018

	Page
Independent auditor's review report	1
Condensed consolidated statement of profit or loss and other comprehensive income	2
Condensed consolidated statement of financial position	3
Condensed consolidated statement of cash flows	4
Condensed consolidated statement of changes in equity	5
Notes to the condensed consolidated interim financial statements	6 - 19



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 31 March 2018, and the condensed consolidated interim statements of comprehensive income, cash flows and changes in equity for the three month 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
22 May 2018

/s/ Douglas O’Mahony

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

PricewaterhouseCoopers Limited, License no. CL0215
Al Fattan Currency House, Tower 1, Level 8, Unit 801, DIFC, PO Box 11987, Dubai - United Arab Emirates
T: +971 (0)4 304 3100, F: +971 (0)4 346 9150, www.pwc.com/me

Dubai Aerospace Enterprise (DAE) Ltd

Condensed consolidated statement of profit or loss and other comprehensive income

In thousands of US Dollars

	Note	Unaudited 3 months ended 31 March 2018	Unaudited 3 months ended 31 March 2017
Revenues			
Revenue	6	351,398	113,134
Other income		1,039	8
Expenses			
Depreciation and amortisation		(139,316)	(41,112)
General and administrative expenses		(23,275)	(5,352)
Cost of providing engineering services		(10,590)	(9,757)
Aircraft maintenance		(2,994)	(1,689)
Loss on disposal of aircraft		(73)	(10,738)
Operating profit		176,189	44,494
Finance income	7	33,084	6,563
Finance expense	7	(99,410)	(34,324)
Net finance cost		(66,326)	(27,761)
Profit before income tax		109,863	16,733
Income tax (expense)/benefit	8	(13,893)	12,640
Profit for the period		95,970	29,373
Other comprehensive gain			
<i>Items that may be reclassified to condensed consolidated interim statement of profit or loss:</i>			
Unrealised gain on interest rate hedges		2,579	279
Total comprehensive income for the period		98,549	29,652
Profit for the period attributable to:			
Equity holders of the Company		95,591	29,308
Non-controlling interests		379	65
		95,970	29,373
Total comprehensive income for the period attributable to:			
Equity holders of the Company		98,170	29,587
Non-controlling interests		379	65
		98,549	29,652

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

Dubai Aerospace Enterprise (DAE) Ltd

Condensed consolidated statement of financial position

In thousands of US Dollars

		Unaudited 31 Mar 2018	Audited 31 Dec 2017
Assets			
	Note		
Aircraft held for lease	9	12,127,359	12,050,320
Property, plant and equipment		47,425	47,378
Deposits for aircraft purchases	10	627,848	638,184
Intangible assets		9,244	9,799
Finance lease receivables	15	197,808	204,391
Notes receivable	16	1,426,481	1,407,866
Goodwill		45,821	45,821
Other non-current assets		158,881	131,716
Total non-current assets		14,640,867	14,535,475
<hr/>			
Cash and cash equivalents	11	251,869	369,870
Restricted cash	11	353,373	354,179
Inventories		8,642	8,506
Derivative financial assets		25,315	10,778
Trade and other receivables		55,660	45,508
Prepayments		7,841	4,388
Finance lease receivables	15	19,084	17,185
Other current assets		14,919	26,713
Assets held-for-sale		-	11,202
Current tax asset		1,197	-
Total current assets		737,900	848,329
Total assets		15,378,767	15,383,804
<hr/>			
Equity			
Share capital	12	1,927,770	1,927,770
Additional paid-in capital	12	517,884	517,884
Treasury shares	12	(85,000)	(85,000)
Other reserves	12	3,085	506
Retained earnings	12	888,073	792,482
Attributable to the equity holders of the Parent		3,251,812	3,153,642
Non-controlling interests	12	9,487	9,108
Total equity		3,261,299	3,162,750
<hr/>			
Liabilities			
Loans and borrowings	13	8,944,681	8,936,227
Deferred tax liabilities		224,326	210,759
Maintenance reserves and security deposits	14	1,230,177	1,186,948
Deferred revenue		78,499	68,299
Total non-current liabilities		10,477,683	10,402,233
<hr/>			
Loans and borrowings	13	1,304,882	1,469,281
Trade and other payables		69,386	70,896
Derivative financial liabilities		1,785	3,296
Maintenance reserves and security deposits	14	195,016	175,035
Deferred revenue		68,716	96,866
Liabilities held-for-sale		-	3,447
Total current liabilities		1,639,785	1,818,821
Total liabilities		12,117,468	12,221,054
Total equity and liabilities		15,378,767	15,383,804

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

<i>In thousands of US Dollars</i>	Unaudited 31 Mar 2018	Unaudited 31 Mar 2017
Cash flows from operating activities		
Profit for the period	95,970	29,373
Adjustments for:		
Depreciation and amortisation	139,316	41,112
Loss on disposal of aircraft	73	10,738
Movement in value of derivatives	(16,616)	-
Net finance cost	74,503	25,935
Amortisation of fair value discounts and financing fees	8,439	1,826
Income tax	13,893	(12,640)
Change in working capital	(18,703)	3,381
Net cash from operating activities	296,875	99,725
Cash flows from investing activities		
Acquisition of aircraft	(153,445)	(241,519)
Proceeds from sale of aircraft	7,815	238,114
Decrease in short-term cash investments	-	385,478
Deposits paid for aircraft purchases	(57,745)	(1,128)
Net cash (used in)/from investing activities	(203,375)	380,945
Cash flow from financing activities		
Movement in restricted cash	806	2,697
Proceeds from borrowings	204,456	246,114
Repayment of borrowings	(324,855)	(311,563)
Net financing costs	(90,788)	(26,724)
Payment of debt issuance costs	(1,120)	(3,233)
Net cash used in financing activities	(211,501)	(92,709)
Net (decrease)/increase in cash and cash equivalents	(118,001)	387,961
Cash and cash equivalents at the beginning of the period	369,870	94,685
Cash and cash equivalents at the end of the period	251,869	482,646

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

<i>In thousands of US Dollars</i>	Share capital	Additional paid-in capital	Treasury shares	Other reserves	Retained earnings	Attributable to the equity holders of the parent	Non-controlling interests	Total equity
Unaudited								
At 31 December 2017	1,927,770	517,884	(85,000)	506	792,482	3,153,642	9,108	3,162,750
Profit for the period	-	-	-	-	95,591	95,591	379	95,970
Other comprehensive income	-	-	-	2,579	-	2,579	-	2,579
Total comprehensive income for the period	-	-	-	2,579	95,591	98,170	379	98,549
At 31 March 2018	1,927,770	517,884	(85,000)	3,085	888,073	3,251,812	9,487	3,261,299

<i>In thousands of US Dollars</i>	Share capital	Additional paid-in capital	Treasury shares	Other reserves	Retained earnings	Attributable to the equity holders of the parent	Non-controlling interests	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	-	-	-	-	29,308	29,308	65	29,373
Other comprehensive income	-	-	-	279	-	279	-	279
Total comprehensive income for the period	-	-	-	279	29,308	29,587	65	29,652
Transfer to other reserves	-	-	-	421	(421)	-	-	-
At 31 March 2017	1,050,000	-	-	(1,066)	647,550	1,696,484	10,820	1,707,304

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

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the unaudited condensed consolidated interim financial statements

1. Corporate 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.

DAE is made up of two divisions:

- A. DAE Capital – a provider of aircraft leasing and financing services to the global aviation industry; and
- B. DAE Engineering – a provider of commercial maintenance, repair and overhaul services.

The operational highlights for the three month period ended 31 March 2018 (the “period”) are summarised below:

- Purchases – the Group purchased six aircraft during the period (2017: four).
- Sales – the Group disposed of one aircraft during the period which was previously classified as held for sale (2017: 13 previously held for sale).
- The total number of aircraft at 31 March 2018 was 315, no aircraft were classified as held-for-sale (31 December 2017: 310 including 1 aircraft classified as held-for-sale). The Group also managed 40 aircraft as at 31 March 2018 (31 December 2017: 40).

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

The condensed consolidated interim financial statements were approved 22 May 2018 and signed by:

/s/ Firoz Tarapore

Firoz Tarapore
Chief Executive Officer

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the unaudited condensed consolidated interim financial statements (continued)

2. Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. These financial statements 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 2017, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

The condensed consolidated interim financial statements have been presented in US Dollars (“USD”), which is the functional currency of the Group. 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 Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, which became effective on 1 January 2018:

1.) IFRS 9: Financial instruments

IFRS 9 sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 ‘Financial instruments: Recognition and Measurement’. The adoption of IFRS 9 from 1 January 2018 resulted in changes in accounting policy disclosures but did not result in any adjustments to the amounts recognised in the financial statements.

2.) IFRS 15: Revenue from contracts with customers

IFRS 15 introduces a five-step approach to the timing of revenue recognition based on performance obligations in customer contracts. The adoption of IFRS 15 from 1 January 2018 did not result in any adjustments to the amounts recognised in the financial statements.

All other accounting policies applied are consistent with those of the consolidated financial statements for the year ended 31 December 2017.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the unaudited condensed consolidated interim financial statements (continued)

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 2017.

5. Financial risk management and fair value estimation

Financial risk factors

The group 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 2017.

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.

Risks 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 2017.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the unaudited condensed consolidated interim financial statements (continued)

6. Revenue

<i>In thousands of USD</i>	31 Mar 2018	31 Mar 2017
Lease rental income	335,193	99,272
Provision of engineering maintenance services	16,205	13,862
Total revenue	351,398	113,134

Lease rental income from the top five customers represented 28% of lease rental income for the period (2017: 86%). No single customer accounted for more than 16% of lease rental income in the period (2017: 57%).

During the period, contingent rental income, included within lease rental income, comprising the release of maintenance reserves, net of the derecognition of maintenance right assets of USD 13.5 million, totalled USD 6.4 million (2017: USD nil).

Lease rental income also includes a charge associated with the amortisation of lease incentive assets and other lease incentive costs of USD 4.3 million for the period (2017: USD 1.5 million).

In addition, lease rental income includes a net credit associated with the amortisation of lease discounts of USD 1.0 million for the period ended 31 March 2018 (2017: charge of USD 0.7 million).

Engineering maintenance services revenue relates to a commercial aircraft maintenance, repair and overhaul services provided by the Group.

7. Finance income and expense

<i>In thousands of USD</i>	31 Mar 2018	31 Mar 2017
Interest on bank accounts and short-term investments	1,849	2,511
Interest on loans receivable	-	1,803
Interest on notes receivable	12,319	-
Finance lease income	2,300	2,249
Movement in fair value of derivatives	16,616	-
Total finance income	33,084	6,563
Interest on bank borrowings	(95,648)	(31,604)
Amortisation of debt issuance costs	(2,777)	(1,826)
Other bank charges	(725)	(894)
Net foreign exchange loss	(260)	-
Total finance expense	(99,410)	(34,324)
Net finance cost	(66,326)	(27,761)

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the unaudited condensed consolidated interim financial statements (continued)

8. Income tax expense

<i>In thousands of USD</i>	31 Mar 2018	31 Mar 2017
Current tax expense		
Current period	375	47
Deferred tax expense/(benefit)		
Origination and reversal of temporary differences	13,518	(12,687)
Total income tax expense/(benefit)	13,893	(12,640)

Reconciliation of effective tax rate

<i>In thousands of USD</i>	31 Mar 2018	31 Mar 2017
Profit for the period	95,970	29,373
Income tax expense/(benefit)	13,893	(12,640)
Profit excluding income tax	109,863	16,733
Income subject to tax in United Arab Emirates at 0%	-	-
Income subject to tax in Ireland at 12.5%	12,789	-
Income subject to tax in US	375	2,130
Income taxable at other rates	(2,355)	41
Unwind of deferred tax liability	-	(14,811)
Impact of losses not recognised	3,080	-
Tax arising on permanent items	4	-
Total income tax expense	13,893	(12,640)

The income tax expense for the three month period ended 31 March 2018 was primarily driven by tax arising on the group's Irish activities at 12.5%. A tax benefit arose as a result of losses arising in other jurisdictions, primarily Hungary, however based on current income projections these losses have not been recognised. The tax benefit for three month period ended 31 March 2017 arises from the release of a deferred tax liability associated with the divestment of US aircraft in the period. This benefit was offset in later periods of 2017 as current taxes associated with these divestments fell due.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the unaudited condensed consolidated interim financial statements (continued)

9. Aircraft held for lease

<i>In thousands of USD</i>	Aircraft and engines	Maintenance right asset	Lease discount	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	1,175,529	-	-	1,175,529
Transfers	51,273	(51,273)	-	-
Derecognition	-	(53,348)	-	(53,348)
Disposals	(262,110)	-	-	(262,110)
At 31 December 2017	12,058,031	1,068,319	(34,682)	13,091,668
Additions	227,242	-	-	227,242
Transfers	14,707	(14,707)	-	-
Derecognition	-	(14,780)	(597)	(15,377)
At 31 March 2018	12,299,980	1,038,832	(35,279)	13,303,533
Depreciation				
At 31 December 2016	(850,357)	-	-	(850,357)
(Charge)/credit for the year	(274,751)	(25,256)	1,903	(298,104)
Disposals	116,513	-	-	116,513
Impairment charge	(9,400)	-	-	(9,400)
At 31 December 2017	(1,017,995)	(25,256)	1,903	(1,041,348)
(Charge)/credit for the period	(121,737)	(15,964)	1,012	(136,689)
Derecognition	-	1,266	597	1,863
Balance at 31 March 2018	(1,139,732)	(39,954)	3,512	(1,176,174)
Net book value				
At 31 December 2017	11,040,036	1,043,063	(32,779)	12,050,320
At 31 March 2018	11,160,248	998,878	(31,767)	12,127,359

As of 31 March 2018, the Group owned 315 aircraft and no aircraft were classified as held-for-sale (2017: 310 aircraft including 1 aircraft held-for-sale), within this the Group had 304 aircraft held for lease on an operating lease basis (2017: 299 aircraft) and 11 aircraft recognised as finance lease receivables (2017: 11 aircraft). During the period, the Group sold one aircraft previously recognised as held-for-sale (2017: nil). The Group purchased six aircraft in the period (31 March 2017: four aircraft).

During the period, the Group derecognised USD 13.5 million (2017: USD 53.3 million) of maintenance right assets related to aircraft which were redelivered to the Group during the period. An amount of USD 15.4 million has been recognised as maintenance reserve release in relation to these aircraft (2017: USD 48 million). These amounts are netted within revenue in the consolidated statement of comprehensive income.

The Group's obligations under its secured bank loans are secured by charges over, amongst other things, the Group's aircraft and related assets details of which are included in note 13. As at 31 March 2018, management did not identify any indicators of impairment for the Group's aircraft in accordance with IAS 36 *Impairment of Assets*.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the unaudited condensed consolidated interim financial statements (continued)

10. Deposits for aircraft purchases

<i>In thousands of USD</i>	31 Mar 2018	31 Dec 2017
Movement of the aircraft purchase deposits is as follows:		
Beginning of the period / year	638,184	16,675
Additions	57,745	362,039
Acquisition through business combination	-	350,775
Transferred to aircraft held for lease	(68,081)	(91,305)
End of the period / year	627,848	638,184

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

In connection with these purchase agreements, the Group took delivery of six aircraft during the period (31 December 2017: 12 aircraft).

11. Cash and cash resources

<i>In thousands of USD</i>	31 Mar 2018	31 Dec 2017
Cash and cash equivalents	251,869	369,870
Restricted cash	353,373	354,179
Total cash and cash resources	605,242	724,049

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.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the unaudited condensed consolidated interim financial statements (continued)

12. Capital and reserves

<i>In thousands of USD</i>	31 Mar 2018	31 Dec 2017
Authorised, issued and paid-up capital	1,927,770	1,927,770
Additional paid-in capital	517,884	517,884
Retained earnings	888,073	792,482
Treasury shares	(85,000)	(85,000)
Other reserves	3,085	506
Attributable to equity holders of the parent	3,251,812	3,153,642
Non-controlling interests	9,487	9,108
Total equity	3,261,299	3,162,750

The authorised and issued share capital of the Company at 31 March 2018 comprised of 1,927,770 ordinary shares of USD 1,000 par value each (31 December 2017: 1,927,770 ordinary shares of USD 1,000 par value each).

During the year ended 31 December 2017, the Company increased its authorised share capital to USD 1,927,770,000 and issued 756,170 shares to ICD Hospitality and Leisure LLC and 121,610 shares to Dubai Silicon Oasis Authority (DSOA) for USD 1,590 per share. The additional amount obtained above par value (USD 590 per share on the 877,770 shares issued totals USD 517.9 million) has been reported as additional paid-in capital in the consolidated statement of financial position. The Group also issued notes receivable to the same parties for USD 1,395.7 million, settled net of the shares issued, representing a significant non-cash transaction.

In addition, in August 2017, DAE purchased for USD 85 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.

The movement in retained earnings is the profit generated by the Group during the period net of transfer to other reserves.

The movement in other reserves contains the movement in fair value reserves during the period.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the unaudited condensed consolidated interim financial statements (continued)

13. Loans and borrowings

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

<i>In thousands of USD</i>	31 Mar	31 Dec
	2018	2017
Bank loans (repayable by instalment)		
Principal	10,312,176	10,438,237
Accrued and unpaid interest	40,675	69,279
Fair value hedges	(4,602)	(1,665)
Total bank loans	10,348,249	10,505,851
Debt issuance costs	(98,686)	(100,343)
Net loan and borrowings	10,249,563	10,405,508

<i>In thousands of USD</i>	31 Mar	31 Dec
	2018	2017
Non-current liabilities		
Bank loans	9,026,266	9,020,020
Debt issuance costs	(81,585)	(83,793)
Non-current loans and borrowings	8,944,681	8,936,227

<i>In thousands of USD</i>	31 Mar	31 Dec
	2018	2017
Current liabilities		
Bank loans	1,321,983	1,485,831
Debt issuance costs	(17,101)	(16,550)
Current loans and borrowings	1,304,882	1,469,281

<i>In thousands of USD</i>	31 Mar	31 Dec
	2018	2017
Movements		
At the beginning of the period/year	10,505,851	3,082,713
Loan drawdowns	204,456	4,034,651
Acquisitions through business combination	-	5,046,867
Loan repayments	(324,855)	(1,712,764)
Amortisation of fair value discounts	(5,662)	(2,963)
Movement in fair value hedges	(2,937)	(4,200)
Movement in accrued interest	(28,604)	61,547
At the end of the period/year	10,348,249	10,505,851

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the unaudited condensed consolidated interim financial statements (continued)

13. Loans and borrowings (continued)

Details of outstanding loans at 31 March 2018 is as follows:

<i>In thousands of USD</i>	31 Mar 2018
Non-recourse obligations	1,845,023
Recourse obligations (including ECA, Ex-Im & EDC)	5,538,453
Senior unsecured notes	2,317,276
Revolving credit facilities	276,408
Lines of credit	91,942
Term loan 2014	279,147
Total interest bearing liabilities	10,348,249

Details of outstanding loans at 31 December 2017 is as follows:

<i>In thousands of USD</i>	31 Dec 2017
Non-recourse obligations	1,909,457
Recourse obligations (including ECA, Ex-Im & EDC)	5,523,338
Senior unsecured notes	2,343,283
Unsecured facility	25,154
Revolving credit facilities	322,730
Lines of credit	96,145
Term loan 2014	285,744
Total interest bearing liabilities	10,505,851

14. Maintenance reserves and security deposits

<i>In thousands of USD</i>	31 Mar 2018	31 Dec 2017
Non-current Maintenance reserves and security deposits		
Long-term maintenance reserves	1,029,671	982,428
Long-term security deposits	200,506	204,520
Total	1,230,177	1,186,948

<i>In thousands of USD</i>	31 Mar 2018	31 Dec 2017
Current Maintenance reserves and security deposits		
Maintenance reserves	161,820	161,509
Security deposits	33,196	13,526
Total	195,016	175,035

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the unaudited condensed consolidated interim financial statements (continued)

14. Maintenance reserves and security deposits (continued)

<i>In thousands of USD</i>	31 Mar 2018	31 Dec 2017
Maintenance reserves		
At the beginning of the period/year	1,143,937	148,679
Additions	107,318	231,075
Acquisitions through business combination	-	927,171
Reimbursed/paid	(39,939)	(73,239)
Released	(19,825)	(89,749)
At the end of the period/year	1,191,491	1,143,937
<i>In thousands of USD</i>	31 Mar 2018	31 Dec 2017
Security deposits		
At the beginning of the period/year	218,046	47,650
Additions	24,705	38,021
Acquisitions through business combination	-	167,188
Disbursements	(9,049)	(34,813)
At the end of the period/year	233,702	218,046
Total maintenance reserves and security deposits	1,425,193	1,361,983

15. Leases

Operating leases

As at 31 March 2018, the Group owns 315 aircraft (31 December 2017: 310 aircraft). During the period, the Group received lease payments on aircraft under non-cancellable operating leases expiring from 2018 to 2029. Future minimum annual rentals to be received under the leases at 31 March 2018 are as follows:

<i>In thousands of USD</i>	31 Mar 2018	31 Dec 2017
Within one year	1,258,615	1,266,286
After one year but not more than five years	3,967,168	3,973,160
More than five years	2,097,117	2,256,400
Total	7,322,900	7,495,846

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 14.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the unaudited condensed consolidated interim financial statements (continued)

15. Leases (continued)

Finance leases

As at 31 March 2018, the Group owned 11 aircraft under finance lease agreements (31 December 2017: 11 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:

<i>In thousands of USD</i>	31 Mar 2018		31 Dec 2017	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within one year	29,110	19,084	28,667	17,185
After one year but not more than five years	112,410	80,642	113,901	87,100
More than five years	133,142	117,166	140,053	117,291
Total	274,662	216,892	282,621	221,576
Less: unearned finance income	(57,770)	-	(61,045)	-
Total	216,892	216,892	221,576	221,576

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.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the unaudited condensed consolidated interim financial statements (continued)

16. 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 and the key management personnel of the Group. Related parties may be individuals or other entities.

a) Transactions with related parties included in the condensed consolidated interim statement of profit or loss and other comprehensive income are as follows:

- During the year, the Group received an amount of USD 55.1 million (31 March 2017: USD 56.5 million) being aircraft lease rentals from companies under common control. The total number of aircraft leased to companies under common control was 12 as of 31 March 2018 (31 March 2017: 12 aircraft).
- The Group also provided engineering maintenance services to companies under common control amounting to USD 1.6 million (31 March 2017: USD 1.6 million).
- Finance income on the bank balances and fixed deposits with companies under common control for the year amounts to USD 5.9 million (31 March 2017: USD 2.0 million).
- Finance income on notes receivable from shareholders during the year amounts to USD 12.3 million (31 March 2017: nil). During the year ended 31 December 2017 the Company, acting as lender, entered into an intercompany loan agreement with its shareholders (ICD Hospitality and Leisure LLC and DSOA). The amount advanced to shareholders under the agreement was USD 1,395.7 million. The loan maturity is 2022 with no scheduled repayments until maturity. Interest is calculated at the rate of 3.5% annually on the amount of the loan outstanding. Interest accrued as at 31 March 2018 was USD 30.8 million (2017: 12.2 million).
- Finance expense for the year in respect of loans from related companies under common control amounts to USD 13.2 million (31 March 2017: USD 7.1 million).
- The Group also uses a number of Government controlled public entities for its operations in Dubai, where these entities are the sole providers of the relevant services. This includes the supply of electricity and water.

b) Compensation of key management personnel for the period:

<i>In thousands of USD</i>	31 Mar 2018	31 Mar 2017
Salaries and benefits	4,634	650
Total	4,634	650

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the unaudited condensed consolidated interim financial statements (continued)

17. Capital Commitments

At 31 March 2018 the Group had commitments to purchase 17 new aircraft from Airbus and ATR, scheduled to deliver from 2018 through to 2019.

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 ten aircraft from airlines.

The total capital commitment at 31 March 2018 is USD 1,546.6 million (31 December 2017: USD 1,800.4 million).

18. Subsequent events

Subsequent to period end the Group signed an unsecured four-year revolving credit facility with an initial commitment of USD 480 million and an accordion feature that allows the facility to be increased to up to USD 800 million at any time after the initial closing.

19. Prior period figures

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