Dubai Aerospace Enterprise (DAE) Ltd

Results for the nine months ended 30 September 2018

CONFERENCE CALL DETAILS

DAE will host a conference call at 09:00 EST / 14:00 GMT / 18.00 GST on Tuesday 13 November, 2018 to review our results for the nine months ended 30 September, 2018. The call can be accessed live by dialling (Ireland) +353 (0) 1 246 5638, (UAE) 8000 3570 2653, (U.S.) +1 323-794-2551 or (UK) +44 (0) 330 336 9105 and referencing code 1928199 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 nine months ended 30 September, 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 "30 September, 2018" are to the nine months ended 30 September, 2018 and to "30 September, 2017" are to the nine months ended 30 September, 2017.

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

FINANCIAL HIGHLIGHTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER, 2018

- Profit from operating activities for the nine months ended 30 September, 2018 was $582.0 million compared to $199.5 million for the nine months ended 30 September, 2017. During the nine months ended 30 September, 2018 there was an increase in revenue resulting from an increase in the number of revenue generating aircraft in the fleet and gains on disposal of aircraft. This was offset by increased depreciation and amortisation and general and administrative expenses following the acquisition noted above by DAE.
- Profit before tax for the nine months ended 30 September, 2018 was $333.5 million compared to $77.1 million for the nine months ended 30 September, 2017.
- Adjusted EBITDA increased to $1,002.9 million for the nine months ended 30 September, 2018, from $381.5 million for the nine months ended 30 September, 2017.
- Total cash and cash resources as at 30 September, 2018 of $517.7 million represents a decrease of $206.3 million compared to $724.0 million as at 31 December, 2017.
- Total assets were $15,221.9 million as at 30 September, 2018, compared to $15,383.8 million as at 31 December, 2017.

OPERATIONAL HIGHLIGHTS

- The operational highlights for the nine months ended 30 September, 2018 and 30 September, 2017 are summarised below:
  - Purchases – we purchased 18 aircraft (2017: 28 aircraft).
  - Sales – we disposed of 15 aircraft (2017: 22 aircraft).
  - Total aircraft in the fleet at 30 September, 2018 was 365 which was made up of owned, managed and committed aircraft.
    - 313 owned aircraft - includes 11 aircraft on finance lease and five aircraft classified as held-for-sale ("HFS") (31 December, 2017: 310 which included 11 aircraft on finance lease and one aircraft HFS).
    - 37 managed aircraft - managed for Diamond Head Aviation and Falcon Aerospace (31 December, 2017: 40 aircraft).
    - 15 committed aircraft - 10 aircraft on forward order and commitments to purchase five aircraft from airlines. The total capital commitment for these aircraft as at 30 September, 2018 was $699.0 million.
- We closed a total of $1,230.1 million of borrowings during the nine months ended 30 September, 2018.
- On 16 October, 2018 DAE received investment grade corporate credit rating of BBB+ from Kroll Bond Rating Agency (KBRA). On 1 November, 2018, Moody's Investors Service (Moody's) upgraded DAE's rating at Ba1.
- Subsequent to 30 September, 2018, DAE issued $1.0 billion of senior unsecured notes with maturity ranging from 2021 to 2023.

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, 2018.

Results of Operations *(in millions of USD)*

	Nine months ended	
	30 Sept, 2018	**30 Sept, 2017**
Consolidated statement of comprehensive income data		
Total revenue	$ 1,069.2	$ 477.5
Depreciation and amortisation	(420.9)	(182.0)
General and administrative expenses	(62.8)	(47.5)
Cost of providing engineering services	(29.6)	(25.3)
Aircraft maintenance	(6.1)	(9.1)
Gain/(loss) on disposal of aircraft	32.2	(14.1)
Profit from operating activities	**582.0**	**199.5**
Net finance costs	(248.5)	(122.4)
Profit before tax	**333.5**	**77.1**
Income tax expense	(43.0)	(0.0)
Profit for the period	**290.5**	**77.1**
Unrealised gain on interest rate hedges	10.1	0.6
Income tax relating to components of other comprehensive income	(1.1)	-
Total comprehensive income for the period	**299.5**	**77.7**

	As of	
Consolidated statement of financial position data (Extract)	**30 Sept, 2018**	**31 Dec, 2017**
Total cash and cash resources	$ 517.7	$ 724.0
Aircraft held for lease	11,878.4	12,050.3
Held-for-sale assets	427.1	11.2
Total assets	**15,221.9**	**15,383.8**
Total loans and borrowings (before debt issuance costs)	9,942.0	10,505.9
Total equity	3,462.2	3,162.8
Total equity and liabilities	**15,221.9**	**15,383.8**

	Nine months ended	
Adjusted EBITDA calculation (1)	**30 Sept, 2018**	**30 Sept, 2017**
Profit for the period	**$ 290.5**	**$ 77.1**
Add back		
Net finance costs	248.5	122.4
Income tax expense	43.0	0.0
Depreciation and amortisation	420.9	182.0
Adjusted EBITDA	**1,002.9**	**381.5**

	As of	
	30 Sept, 2018	**31 Dec, 2017**
Net debt to equity (2)	**2.79x**	**3.20x**
Total aircraft in the fleet	**365**	**383**

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(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 ("IFRS"). We use Adjusted EBITDA to assess financial and operating performance and we believe this non-IFRS measure is helpful in identifying trends in our performance. Our method of calculating Adjusted EBITDA may differ from similarly named non-IFRS 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 (DAE Capital) and (ii) Engineering (DAE 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 (DAE Capital)

We are one of the largest aircraft leasing companies in the world with a total fleet of 365 aircraft at 30 September, 2018. This was made up of 313 owned aircraft (including 11 aircraft on finance lease and five aircraft HFS) and 37 managed aircraft. In addition, we also have orders for 10 new, fuel-efficient aircraft from Airbus S.A.S. ("Airbus") and Aerei da Trasporto Regionale ("ATR"), of which six aircraft are due to deliver during the year ended 31 December, 2018. We also have commitments to purchase five aircraft from airlines, which are due to deliver during the year ended 31 December, 2018. These aircraft are on lease to 109 lessees in 56 countries. As of 30 September, 2018 our owned fleet had a book value of $11,878.4 million which excludes finance lease receivables and HFS aircraft. The weighted average age of our owned fleet was 6.2 years based on net book value as of 30 September, 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 30 September, 2018, 88.3% 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 28.3% of our portfolio based on lease revenue as of 30 September, 2018. Emirates, a related party, is our largest customer contributing 16.2% of the total lease revenue during the nine months ended 30 September, 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	14	5	139
A330-200	16	-	-	16
A330-300	13	-	-	13
A350-900	3	-	-	3
Total Airbus	**152**	**14**	**5**	**171**
B737 family	85	15	3	103
B737 classics	-	3	-	3
B747-400	3	-	-	3
B757-200	-	1	-	1
B767-300ER	1	3	-	4
B777F	12	-	-	12
B777	3	1	-	4
B787	7	-	2	9
Total Boeing	**111**	**23**	**5**	**139**
ATR 72-600	50	-	5	55
Total	**313**	**37**	**15**	**365**
Narrow body	205	33	8	246
Wide body	58	4	2	64
Turboprop	50	-	5	55
Total	**313**	**37**	**15**	**365**

Engineering business (DAE Engineering)

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.

Nine Months Ended 30 September, 2018 Compared to Nine Months Ended 30 September, 2017

Revenues

Total revenue increased to $1,069.2 million for the nine months ended 30 September, 2018 from $477.5 million for the nine months ended 30 September, 2017, driven primarily by an increase in total lease revenue as detailed below.

	Nine months ended			
	30 Sept, 2018		30 Sept, 2017	
	USD millions			
Lease revenue..	$	1,028.2	$	434.1
Maintenance revenue...	$	16.4	$	23.1
Amortisation of lease incentive assets and other lease costs..................	$	(24.8)	$	(16.2)
Total lease revenue..	**$**	**1,019.8**	**$**	**441.0**
Engineering maintenance service revenue – Joramco........................	$	43.6	$	33.0
Other income...	$	5.8	$	3.5
Total revenue...	**$**	**1,069.2**	**$**	**477.5**

Total lease revenue increased to $1,019.8 million for the nine months ended 30 September, 2018 from $441.0 million for the nine months ended 30 September, 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 136.9% to $1,028.2 million for the nine months ended 30 September, 2018 compared to $434.1 million for the nine months ended 30 September, 2017. This was due primarily to the higher number of owned aircraft in the fleet of 313 aircraft at 30 September, 2018 compared to 304 aircraft at 30 September, 2017 following the acquisition of AWAS in August 2017.

Maintenance revenue decreased to $16.4 million for the nine months ended 30 September, 2018, from $23.1 million for the nine months ended 30 September, 2017. This decrease was attributable to a lower release on transitioning aircraft during the nine months ended 30 September, 2018 compared to the prior period. This was offset by increased maintenance timing releases during the nine months ended 30 September, 2018. Maintenance revenue for the nine months ended 30 September, 2018 includes $11.2 million of maintenance timing releases compared to $4.2 million for the nine months ended 30 September, 2017.

Amortisation of lease incentive assets and other lease costs increased to $24.8 million for the nine months ended 30 September, 2018 compared to $16.2 million for the nine months ended 30 September, 2017.

Engineering maintenance service revenue – Joramco was $43.6 million for the nine months ended 30 September, 2018, compared to $33.0 million for the nine months ended 30 September, 2017.

Other income increased to $5.8 million for the nine months ended 30 September, 2018 from $3.5 million for the nine months ended 30 September, 2017.

Expenses

Expenses for the nine months ended 30 September, 2018 increased to $487.2 million compared to $278.0 million for the nine months ended 30 September, 2017. This increase was principally due to higher depreciation and amortisation expenses and general and administrative expenses during the nine months ended 30 September, 2018 compared to the prior period following the acquisition noted above.

Depreciation and amortisation increased for the nine months ended 30 September, 2018 to $420.9 million from $182.0 million for the nine months ended 30 September, 2017. This increase was predominately driven by an increase in the number of aircraft in the fleet during the nine months ended 30 September, 2018 following the acquisition noted above.

General and administrative expenses were $62.8 million for the nine months ended 30 September, 2018 compared to $47.5 million for the nine months ended 30 September, 2017. This increase was mainly due to higher employee benefit expenses due to increased number of staff following the acquisitions by DAE, offset by lower legal fees during the nine months ended 30 September, 2018 compared to the prior period.

Cost of providing engineering services - Joramco was $29.6 million for the nine months ended 30 September, 2018 compared to $25.3 million for the nine months ended 30 September, 2017 due to increased engineering maintenance service revenue during the nine months ended 30 September, 2018 compared to the prior period.

Aircraft maintenance expenses decreased for the nine months ended 30 September, 2018 to $6.1 million from $9.1 million for the nine months ended 30 September, 2017. This was due to lower repossession maintenance expenses during the nine months ended 30 September, 2018 compared to the prior period.

Gain/(loss) on disposal of aircraft increased for the nine months ended 30 September, 2018 to a gain of $32.2 million from a loss of $14.1 million for the nine months ended 30 September, 2017. During the nine months ended 30 September, 2018, we sold 15 aircraft of which two aircraft were parted out. Nine aircraft related to the portfolio sale of aircraft announced in May, 2018 by DAE. This compares to 22 aircraft in the prior period. Of the 22 aircraft sold in 2017, 21 aircraft 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 $582.0 million for the nine months ended 30 September, 2018, compared to $199.5 million for the nine months ended 30 September, 2017.

Net finance costs

Net finance costs increased to $248.5 million for the nine months ended 30 September, 2018 from $122.4 million for the nine months ended 30 September 2017. This increase was attributable to higher interest charged on higher average loan balances. This was offset by increased finance income, which mainly related to interest on notes receivable of $37.7 million, movement in fair value of derivatives of $22.0 million which was a non-cash item and gains on financial instruments of $16.0 million during the nine months ended 30 September, 2018.

Tax

During the nine months ended 30 September, 2018, we recorded a tax expense of $43.0 million compared to $0.0 million for the nine months ended 30 September, 2017. During the nine months ended 30 September, 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.

Profit for the period

Profit for the nine months ended 30 September, 2018 was $290.5 million, compared to $77.1 million for the nine months ended 30 September, 2017 mainly due to reasons outlined above.

Total comprehensive income

Total comprehensive income for the nine months ended 30 September, 2018 was $299.5 million, compared to $77.7 million for the nine months ended 30 September, 2017.

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 $9,942.0 million as at 30 September, 2018 from $10,505.9 million as at 31 December, 2017.

Our total equity increased to $3,462.2 million as at 30 September, 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 30 September, 2018. Our Net Debt to Equity ratio was 2.79:1 times as at 30 September, 2018 compared to 3.20:1 times as at 31 December, 2017.

Total assets were $15,221.9 million as at 30 September, 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 nine months ended 30 September, 2018 and the nine months ended 30 September, 2017. The cash and cash equivalents shown below refer to unrestricted cash.

	Nine months ended,			
	30 Sept, 2018		30 Sept, 2017	
	USD millions			
Consolidated cash flow data				
Net cash generated from operating activities ………………………..	$	909.5	$	667.0
Net cash used in investing activities ……………………..........….	$	(343.7)	$	(2,551.8)
Net cash (used in) / generated from financing activities........……….	$	(641.0)	$	1,715.9
Net decrease in cash and cash equivalents…………………………..	$	(75.2)	$	(168.8)
Cash and cash equivalents at the beginning of the period....…………	$	369.9	$	480.2
Cash and cash equivalents ....……………………........	**$**	**294.7**	**$**	**311.4**

For the nine months ended 30 September, 2018, net cash generated from operating activities were $909.5 million, an increase from $667.0 million for the nine months ended 30 September, 2017. The increase during the nine months ended 30 September, 2018 was mainly due to increased profit for the period generated by the larger fleet following the acquisition of AWAS.

For the nine months ended 30 September, 2018, net cash used in investing activities was $343.7 million, compared to $2,551.8 million for the nine months ended 30 September, 2017. This movement mainly relates to the acquisition of subsidiary in August 2017 and increase in deposits paid for aircraft purchases compared to the prior period.

Net cash used in financing activities for the nine months ended 30 September, 2018 was $641.0 million compared to the net cash generated from financing activities of $1,715.9 million for the nine months ended 30 September, 2017. The decrease during the nine months ended 30 September, 2018 was primarily due to lower proceeds from borrowings, increased loan repayments and net financing costs, which were partially offset by movements in restricted cash.

Our cash and cash equivalents, as at 30 September, 2018 was $294.7 million, down from $311.4 million as at 30 September, 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 revolving credit facilities totalling $1,620.0 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

	Collateral aircraft		Nine months ended 30 Sept, 2018 USD millions
Non-recourse obligations…………………………………………….	56	$	1,330.7
Recourse obligations (incl ECA, Ex-im & EDC)…………………	165	$	5,439.6
Senior unsecured notes……………………………………………	-	$	2,213.0
Revolving credit facilities…………………………………………	-	$	667.6
Lines of credit……………………………………………………..	-	$	57.2
Term loan 2014……………………………………………………	9	$	233.9
Total indebtedness………………………………….………………….	**230**	**$**	**9,942.0**

In addition to the 230 aircraft used as collateral on our secured facilities, 83 aircraft (2017: 55 aircraft) were unencumbered with a total net book value of $2,275.1 million (2017: net book value: $1,396.6 million).

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Dubai Aerospace Enterprise (DAE) Ltd

Unaudited condensed consolidated interim financial statements for the nine month period ended 30 September 2018

Dubai Aerospace Enterprise (DAE) Ltd

Unaudited condensed consolidated interim financial statements for the nine month period ended 30 September 2018

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 statement of financial position of Dubai Aerospace Enterprise (DAE) Ltd (the "Company") and its subsidiaries (together the "Group") as of 30 September 2018 and the related condensed consolidated statements of profit or loss and other comprehensive income for the three month and nine month periods then ended, and condensed consolidated statements of changes in equity and cash flows for the nine month period then ended and notes, comprising a summary of significant accounting policies and other explanatory notes. 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 all material respects, in accordance with IAS 34.

/s/ PricewaterhouseCoopers

PricewaterhouseCoopers
12 November 2018

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 30 Sept-18	Unaudited 3 months ended 30 Sept-17	Unaudited 9 months ended 30 Sept-18	Unaudited 9 months ended 30 Sept-17
Revenues					
Revenue	6	354,695	246,283	1,063,440	474,008
Other income		3,136	2,455	5,782	3,468
Expenses					
Depreciation and amortisation		(141,520)	(97,861)	(420,938)	(182,010)
General and administrative expenses		(18,158)	(33,417)	(62,732)	(47,449)
Cost of providing engineering services		(8,040)	(7,095)	(29,629)	(25,333)
Aircraft maintenance		(921)	(6,765)	(6,108)	(9,071)
Gain/(loss) on disposal of aircraft		13,629	(2,206)	32,168	(14,071)
Operating profit		**202,821**	**101,394**	**581,983**	**199,542**
Finance income	7	27,037	12,024	89,471	25,203
Finance expense	7	(120,345)	(78,917)	(337,933)	(147,683)
Net finance cost		**(93,308)**	**(66,893)**	**(248,462)**	**(122,480)**
Profit before income tax		**109,513**	**34,501**	**333,521**	**77,062**
Income tax (expense)/benefit	8	(14,281)	(3,966)	(43,067)	42
Profit for the period		**95,232**	**30,535**	**290,454**	**77,104**
Other comprehensive income					
Items that may be reclassified to condensed consolidated statement of profit or loss:					
Unrealised gain on interest rate hedges		5,619	176	10,159	588
Income tax relating to components of other comprehensive income		(1,138)	-	(1,138)	-
Total comprehensive income for the period		**99,713**	**30,711**	**299,475**	**77,692**
Profit for the period attributable to:					
Equity holders of the Company		95,878	32,135	290,704	78,780
Non-controlling interests		(646)	(1,600)	(250)	(1,676)
		95,232	**30,535**	**290,454**	**77,104**
Total comprehensive income for the period attributable to:					
Equity holders of the Company		100,359	32,311	299,725	79,368
Non-controlling interests		(646)	(1,600)	(250)	(1,676)
		99,713	**30,711**	**299,475**	**77,692**

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

	Note	Unaudited 30 September 2018	Audited 31 December 2017
Assets			
Aircraft held for lease	9	11,878,444	12,050,320
Property, plant and equipment		92,418	47,378
Deposits for aircraft purchases	11	282,672	638,184
Intangible assets		8,286	9,799
Goodwill		44,668	45,821
Finance lease receivables	16	188,587	204,391
Notes receivable		1,452,060	1,407,866
Other non-current assets		161,830	131,716
Total non-current assets		**14,108,965**	**14,535,475**
Cash and cash equivalents	12	294,707	369,870
Restricted cash	12	222,965	354,179
Current tax asset		2,118	-
Inventories		9,423	8,506
Derivative financial assets		40,857	10,778
Trade receivables		57,078	45,508
Prepayments		6,412	4,388
Finance lease receivables	16	18,833	17,185
Other current assets		33,432	26,713
Assets held-for-sale	10	427,133	11,202
Total current assets		**1,112,958**	**848,329**
Total assets		**15,221,923**	**15,383,804**
Equity	13		
Share capital		1,927,770	1,927,770
Additional paid-in capital		517,884	517,884
Treasury shares		(85,000)	(85,000)
Other reserves		9,527	506
Retained earnings		1,083,186	792,482
Attributable to the equity holders of the Parent		3,453,367	3,153,642
Non-controlling interests		8,858	9,108
Total equity		**3,462,225**	**3,162,750**
Liabilities			
Loans and borrowings	14	8,080,765	8,936,227
Deferred tax liabilities		251,467	210,759
Maintenance reserves and security deposits	15	1,217,249	1,186,948
Deferred revenue		71,761	68,299
Total non-current liabilities		**9,621,242**	**10,402,233**
Loans and borrowings	14	1,770,772	1,469,281
Trade and other payables		55,133	70,896
Derivative financial liabilities		6,115	3,296
Maintenance reserves and security deposits	15	214,499	175,035
Deferred revenue		71,563	96,866
Liabilities held-for-sale	10	20,374	3,447
Total current liabilities		**2,138,456**	**1,818,821**
Total liabilities		**11,759,698**	**12,221,054**
Total equity and liabilities		**15,221,923**	**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

In thousands of US Dollars	**Unaudited 30 September 2018**	**Unaudited 30 September 2017**
Cash flows from operating activities		
Profit for the period	290,454	77,104
Adjustments for:		
Depreciation and amortisation	420,938	182,010
(Gain)/loss on disposal of aircraft	(32,168)	14,071
Net finance cost	248,462	122,480
Income tax	43,067	(42)
Change in working capital	(61,242)	271,412
Net cash generated from operating activities	**909,511**	**667,035**
Cash flows from investing activities		
Acquisition of aircraft	(676,164)	(737,687)
Acquisition of subsidiary	-	(2,223,272)
Proceeds from sale of aircraft	436,103	420,913
Deposits paid for aircraft purchases	(103,662)	(11,715)
Net cash used in investing activities	**(343,723)**	**(2,551,761)**
Cash flow from financing activities		
Purchase of own shares	-	(85,000)
Movement in restricted cash	131,214	1,713
Proceeds from borrowings	1,230,136	3,241,708
Repayment of borrowings	(1,749,970)	(1,278,403)
Net financing costs	(236,111)	(117,082)
Payment of debt issuance costs	(16,220)	(47,010)
Net cash (used in) / generated from financing activities	**(640,951)**	**1,715,926**
Net decrease in cash and cash equivalents	**(75,163)**	**(168,800)**
Cash and cash equivalents at the beginning of the period	**369,870**	**480,163**
Cash and cash equivalents at the end of the period	**294,707**	**311,363**

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

In thousands of US Dollars **Unaudited**	**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 2017	**1,927,770**	**517,884**	**(85,000)**	**506**	**792,482**	**3,153,642**	**9,108**	**3,162,750**
Profit for the period	-	-	-	-	290,704	290,704	(250)	290,454
Other comprehensive income	-	-	-	9,021	-	9,021	-	9,021
Total comprehensive income for the period	-	-	-	9,021	290,704	299,725	(250)	299,475
At 30 September 2018	**1,927,770**	**517,884**	**(85,000)**	**9,527**	**1,083,186**	**3,453,367**	**8,858**	**3,462,225**

In thousands of US Dollars	**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	-	-	-	-	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)**	**(757)**	**697,022**	**3,056,919**	**9,079**	**3,065,998**

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") 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 & Dubai Silicon Oasis Authority ("DOSA") 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 parent of the Group. ICD is controlled by the Government of Dubai. The balance of issued shares is held by the Company as treasury shares.

The Group 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 aircraft maintenance, repair and overhaul services.

The operational highlights for the nine month period ended 30 September 2018 (the "period") are summarised below:

- The Group purchased 18 aircraft during the period (30 September 2017: 28). The Group disposed of 15 aircraft during the period of which five were previously classified as held for sale (30 September 2017: 22 previously held for sale).

- The total number of aircraft at 30 September 2018 was 313, including five aircraft are classified as held-for-sale (31 December 2017: 310 including 1 aircraft classified as held-for-sale).

- The Group also managed 37 aircraft as at 30 September 2018 (31 December 2017: 40).

The condensed consolidated interim financial statements have been reviewed, not audited. The condensed consolidated interim financial statements were approved on 12 November 2018 and signed by:

/s/ Firoz Tarapore

Firoz Tarapore
Chief Executive Officer

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:

IFRS 9: Financial instruments
IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The Group's financial assets including finance lease receivables, notes receivable, trade receivables and cash and cash resources are debt instruments currently classified into the loans and receivables category and were previously measured at amortised cost under IAS 39. The Group assessed that these assets meet the conditions for classification at amortised cost under IFRS 9 since the expected cash flows solely relate to payments of principal and interest (SPPI) and the Group's business model is to hold and collect the debt instrument.

Under IFRS 9, the Group is required to revise its impairment methodology applied to its classes of financial assets. The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses, as is the case under IAS 39. It applies to trade receivables and other financial assets. The Group has applied the simplified ECL model prescribed by IFRS 9, which requires the use of lifetime expected loss provisions for its financial assets carried at amortised cost. The impact of this change is not material.

The interest rate swaps in place as at 31 December 2017 qualified as cash flow hedges. The Group's risk management strategies and hedge documentation are aligned with the requirements of IFRS 9 and these relationships are therefore treated as continuing hedges.

There has been no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have such liabilities.

IFRS 15: Revenue from contracts with customers
IFRS 15 replaces provisions of IAS 18 that relates to the recognition, measurement and disclosure of revenue. The impact on the company's financial statements arising from the change in the recognition and measurement of revenue is not significant as the company recognises revenue from its leases under IAS 17, 'Leases'. The impact of IFRS 15 on revenue from providing engineering maintenance services is not material. All other accounting policies applied are consistent with those of the consolidated financial statements for the year ended 31 December 2017.

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. The Group's aim is, therefore, to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group'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 and swap reverse 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.

All other financial assets and liabilities fall into Level 3 of the fair value hierarchy

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.

6. Revenue

In thousands of USD	30 September 2018	30 September 2017
Lease rental income	1,019,840	441,015
Provision of engineering maintenance services	43,600	32,993
Total revenue	**1,063,440**	**474,008**

Lease rental income from the top five customers represented 28% of lease rental income for the period (2017: 59%). No single customer accounted for more than 17% of lease rental income in the period (2017: 37%).

During the period, lease rental income included the release of maintenance reserves totalling USD 16.4 million (2017: USD 23.1 million) which is net of the derecognition of maintenance right assets of USD 27.4 million.

Lease rental income also includes a charge associated with the amortisation of lease incentive assets of USD 14.0 million (2017: USD 7.1 million) and other lease costs of USD 10.8 million for the period (2017: USD 9.1 million).

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

7. Finance income and expense

In thousands of USD	30 September 2018	30 September 2017
Interest on bank accounts and short-term investments	6,386	7,253
Interest on loans receivable	-	4,005
Interest on notes receivable	37,700	5,970
Finance lease income	6,765	7,593
Gains on financial instruments	16,015	-
Movement in fair value of derivatives	21,953	382
Net foreign exchange gain	652	-
Total finance income	**89,471**	**25,203**
Interest on bank borrowings	(316,072)	(133,669)
Amortisation of debt issuance costs	(16,047)	(13,789)
Other bank charges	(2,984)	-
Net foreign exchange loss	-	(225)
Provision for finance lease	(2,830)	-
Total finance expense	**(337,933)**	**(147,683)**
Net finance cost	**(248,462)**	**(122,480)**

Gains on financial instruments during the period relate to gains on the repurchase of senior unsecured notes and breakage gains on the early repayment of certain loans during the period.

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

8. Income tax

In thousands of USD	**30 September 2018**	**30 September 2017**
Current tax expense		
Current period	1,050	10,888
Adjustment in respect of prior period	5,348	-
Total current tax expense	6,398	10,888
Deferred tax expense/(benefit)		
Origination and reversal of temporary differences	36,669	(10,930)
Total deferred tax expense / (benefit)	36,669	(10,930)
Total income tax expense/(benefit)	**43,067**	**(42)**

Reconciliation of effective tax rate

In thousands of USD	**30 September 2018**	**30 September 2017**
Profit for the period	290,454	77,104
Income tax expense/(benefit)	43,067	(42)
Profit excluding income tax	333,521	77,062
Income tax in United Arab Emirates at 0%	-	-
Income tax in Ireland at 12.5%	38,849	3,887
Income tax at other rates	(5,938)	10,883
Movement in deferred tax liability	-	(14,812)
Movement in losses not recognised	7,649	-
Other permanent differences	(2,841)	-
Adjustment for prior periods	5,348	-
Total income tax expense	**43,067**	**(42)**

The income tax expense for the nine month period ended 30 September 2018 was primarily driven by tax arising on the group's Irish activities at 12.5%. The group also incurred losses in other jurisdictions, primarily Hungary, included in income taxable at other rates. However, based on current taxable income projections these losses have not been recognised.

9. Aircraft held for lease

In thousands of USD	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	1,082,586	-	-	1,082,586
Transfers	65,566	(65,566)	-	-
Transfers to assets held-for-sale	(708,245)	(33,589)	-	(741,834)
Derecognition	-	(31,424)	(597)	(32,021)
Disposals	(254,760)	(10,736)	-	(265,496)
At 30 September 2018	12,243,178	927,004	(35,279)	13,134,903
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	(370,308)	(44,376)	3,923	(410,761)
Transfers to assets held-for-sale	82,581	1,116	-	83,697
Derecognition	-	4,005	597	4,602
Disposals	106,291	1,060	-	107,351
At 30 September 2018	(1,199,431)	(63,451)	6,423	(1,256,459)
Net book value				
At 31 December 2017	11,040,036	1,043,063	(32,779)	12,050,320
At 30 September 2018	11,043,747	863,553	(28,856)	11,878,444

As of 30 September 2018, the Group owned 313 aircraft including five aircraft classified as held-for-sale (31 December 2017: 310 aircraft including one aircraft held-for-sale), within this the Group had 302 aircraft held for lease on an operating lease basis (31 December 2017: 299 aircraft) and 11 aircraft recognised as finance lease receivables (31 December 2017: 11 aircraft). The Group purchased 18 aircraft in the period (30 September 2017: 28 aircraft). During the period the Group sold 15 aircraft (including two aircraft which were parted out), five of which were previously recognised as held-for-sale (30 September 2017: 22 aircraft previously held-for-sale).

9. Aircraft held for lease (continued)

During the period, the Group derecognised USD 27.4 million (31 December 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 27.9 million has been recognised as maintenance income in relation to the release of maintenance reserves on these aircraft (31 December 2017: USD 48.0 million). These amounts are netted within revenue in the condensed consolidated statement of profit or loss and other comprehensive income.

The Group's obligations under certain of 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 14. As at 30 September 2018, management did not identify any indicators of impairment for the Group's aircraft in accordance with IAS 36 *Impairment of Assets*.

10. Held for sale

At 30 September 2018, the Group had entered into agreements for the sale of five aircraft and three forward order aircraft which met the requirement to be classified as held-for-sale (2017: 1 aircraft).

Assets classified as held-for-sale

In thousands of USD	**30 September 2018**	**31 December 2017**
Aircraft held for lease	366,728	11,202
Deposits for aircraft purchases	60,405	-
Total assets held-for-sale	**427,133**	**11,202**

Liabilities classified as held-for-sale

In thousands of USD	**30 September 2018**	**31 December 2017**
Maintenance reserves	(6,066)	(3,447)
Security deposits	(14,308)	-
Total liabilities held-for-sale	**(20,374)**	**(3,447)**

11. Deposits for aircraft purchases

In thousands of USD	**30 September 2018**	**31 December 2017**
Movement of the aircraft purchase deposits is as follows:		
Beginning of the period / year	638,184	16,675
Payments during the period / year	103,662	362,039
Transferred to assets held-for-sale	(60,405)	-
Acquisition through business combination	-	350,775
Transferred to aircraft held for lease	(398,769)	(91,305)
End of the period / year	**282,672**	**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 13 aircraft during the period (31 December 2017: 12 aircraft).

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

12. Cash and cash resources

In thousands of USD	**30 September 2018**	**31 December 2017**
Cash and cash equivalents	294,707	369,870
Restricted cash	222,965	354,179
Total cash and cash resources	**517,672**	**724,049**

Cash and cash resources subject to withdrawal restrictions include cash associated with securing the Group's obligations under third party credit facilities (disclosed as restricted cash). In addition, 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, these are also disclosed as restricted cash.

13. Capital and reserves

In thousands of USD	**30 September 2018**	**31 December 2017**
Authorised, issued and paid-up capital	1,927,770	1,927,770
Additional paid-in capital	517,884	517,884
Treasury shares	(85,000)	(85,000)
Other reserves	9,527	506
Retained earnings	1,083,186	792,482
Attributable to equity holders of the parent	**3,453,367**	**3,153,642**
Non-controlling interests	8,858	9,108
Total equity	**3,462,225**	**3,162,750**

The authorised and issued share capital of the Company at 30 September 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 & Leisure LLC and 121,610 shares to Dubai Silicon Oasis Authority 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, the Group purchased for USD 85 million the shares held by Dubai International Capital LLC. These shares are reported within equity as treasury shares in the condensed consolidated statement of financial position.

The movement in other reserves contains the movement in the unrealised gain on interest rate hedges during the period.

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

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

14. Loans and borrowings

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

In thousands of USD **Bank loans (repayable by instalment)**	**30 September 2018**	**31 December 2017**
Principal	9,907,805	10,438,237
Accrued and unpaid interest	40,340	69,279
Fair value hedges	(6,141)	(1,665)
Total bank loans	9,942,004	10,505,851
Debt issuance costs	(90,467)	(100,343)
Net loan and borrowings	**9,851,537**	**10,405,508**

In thousands of USD **Non-current liabilities**	**30 September 2018**	**31 December 2017**
Bank loans	8,147,877	9,020,020
Debt issuance costs	(67,112)	(83,793)
Non-current loans and borrowings	**8,080,765**	**8,936,227**

In thousands of USD **Current liabilities**	**30 September 2018**	**31 December 2017**
Bank loans	1,794,127	1,485,831
Debt issuance costs	(23,355)	(16,550)
Current loans and borrowings	**1,770,772**	**1,469,281**

In thousands of USD **Movements**	**Period ended 30 September 2018**	**Year ended 31 December 2017**
At the beginning of the period/year	10,505,851	3,082,713
Loan drawdowns	1,230,136	4,034,651
Acquisitions through business combination	-	5,046,867
Loan repayments	(1,645,931)	(1,712,764)
Debt repurchase	(104,039)	-
Amortisation of fair value discounts	(10,045)	(2,963)
Movement in fair value hedges	(4,476)	(4,200)
Movement in accrued interest	(28,939)	61,547
Foreign exchange loss	(553)	-
At the end of the period/year	**9,942,004**	**10,505,851**

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

14. Loans and borrowings (continued)

Details of outstanding loans at 30 September 2018 is as follows:

In thousands of USD	**30 September 2018**
Non-recourse obligations	1,330,723
Recourse obligations (including ECA, Ex-Im & EDC)	5,439,632
Senior unsecured notes	2,212,963
Revolving credit facilities (drawn)	667,563
Lines of credit	57,188
Term loan 2014	233,935
Total interest bearing liabilities	**9,942,004**

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

In thousands of USD	**31 December 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 (drawn)	322,730
Lines of credit	96,145
Term loan 2014	285,744
Total interest bearing liabilities	**10,505,851**

15. Maintenance reserves and security deposits

In thousands of USD	**30 September 2018**	**31 December 2017**
Non-current maintenance reserves and security deposits		
Maintenance reserves	1,018,781	982,428
Security deposits	198,468	204,520
Total	**1,217,249**	**1,186,948**

In thousands of USD	**30 September 2018**	**31 December 2017**
Current maintenance reserves and security deposits		
Maintenance reserves	207,848	161,509
Security deposits	6,651	13,526
Total	**214,499**	**175,035**

15. Maintenance reserves and security deposits (continued)

In thousands of USD **Maintenance reserves**	**Period ended 30 September 2018**	**Year ended 31 December 2017**
At the beginning of the period/year	1,143,937	148,679
Additions	329,743	231,075
Acquisitions through business combination	-	927,171
Transferred to liabilities held-for-sale	(31,048)	-
Reimbursed/paid	(153,193)	(73,239)
Released	(62,810)	(89,749)
At the end of the period/year	**1,226,629**	**1,143,937**

In thousands of USD **Security deposits**	**Period ended 30 September 2018**	**Year ended 31 December 2017**
At the beginning of the period/year	218,046	47,650
Additions	37,868	38,021
Acquisitions through business combination	-	167,188
Transferred to liabilities held-for-sale	(19,869)	-
Disbursements	(30,926)	(34,813)
At the end of the period/year	**205,119**	**218,046**
Total maintenance reserves and security deposits	**1,431,748**	**1,361,983**

16. Leases

Operating leases

As at 30 September 2018, the Group owns 313 aircraft (31 December 2017: 310 aircraft). Within this the Group had 302 aircraft held for lease on an operating lease basis. Future minimum annual rentals to be received under the leases at 30 September 2018 are as follows:

In thousands of USD	**30 September 2018**	**31 December 2017**
Within one year	1,318,393	1,266,286
After one year but not more than five years	4,259,448	3,973,160
More than five years	2,359,570	2,256,400
Total	**7,937,411**	**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 in note 15.

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

16. Leases (continued)

Finance leases

As at 30 September 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:

In thousands of USD	30 September 2018		31 December 2017	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within one year	28,470	18,833	28,667	17,185
After one year but not more than five years	111,390	81,412	113,901	87,100
More than five years	120,223	107,175	140,053	117,291
Total	260,083	207,420	282,621	221,576
Less: unearned finance income	(52,663)	-	(61,045)	-
Total	207,420	207,420	221,576	221,576

The interest rate inherent in the leases is fixed at the contract date for the entire lease term. During the period ended 30 September 2018, the Group recognised a provision for trade receivables of USD 2.8 million in respect of three aircraft owned under finance lease agreements. The remaining finance lease receivables at the end of the reporting period are neither past due nor impaired.

17. 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 statement of profit or loss and other comprehensive income are as follows:

- During the period, the Group received an amount of USD 159.4 million (30 September 2017: USD 170.0 million) being aircraft lease rentals and release of maintenance reserves from companies under common control. The total number of aircraft leased to companies under common control was 12 as of 30 September 2018 (30 September 2017: 14 aircraft).
- The Group also provided engineering maintenance services to companies under common control amounting to USD 4.3 million (30 September 2017: USD 2.6 million).
- Finance income on the bank balances and fixed deposits with companies under common control for the period amounts to USD 0.4 million (30 September 2017: USD 5.4 million).
- Finance income on notes receivable from shareholders during the period amounts to USD 37.7 million (30 September 2017: USD 6.0 million). During the year ended 31 December 2017 the Company, acting as lender, entered into an intercompany loan agreement with its shareholders (ICD Hospitality & Leisure LLC and DSOA). The amount advanced to shareholders under the agreement was USD 1,395.7 million and the closing balance as at 30 September is USD 1,451.9 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.

17. Related party transactions (continued)

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

- Finance expense for the period in respect of loans from related companies under common control amounts to USD 42.0 million (30 September 2017: USD 25.9 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:

In thousands of USD	**30 September 2018**	**30 September 2017**
Salaries and benefits	6,513	4,175
Total	**6,513**	**4,175**

18. Capital commitments

At 30 September 2018, the Group had commitments to purchase 10 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 five aircraft from airlines.

The total capital commitment at 30 September 2018 is USD 699.0 million (31 December 2017: USD 1,800.4 million).

19. Prior period figures

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

- In the condensed consolidated statement of cash flows for the period ended 30 September 2018, the movement in restricted cash is presented within cash flows from financing activities, this was previously presented within cash flows from investing activities and accordingly the 30 September 2017 comparative of USD 1.7 million within the interim financial statements has been reclassified to conform to the current period presentation.

- In the condensed consolidated statement of cash flows for the period ended 30 September 2018, we now show net finance cost and amortisation of fair value discounts and financing fees within net cash generated from operating activities cost as a single line titled net finance costs and the balances as at 30 September 2017 have been reclassified to conform to the current period presentation.

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

19. Prior period figures (continued)

- In the condensed consolidated statement of cash flows for the period ended 30 September 2018, within net cash (used in) / generated from financing activities, we now show proceeds from borrowings and repayments of borrowings as separate line items. These were previously shown as net movements in borrowings and the balances as at 30 September 2017 have been reclassified to conform to the current period presentation.

- In the condensed consolidated statement of cash flows for the period ended 30 September 2018, within net cash (used in) / generated from financing activities, we now show net financing costs and payment of debt issuance costs as separate line items. These were previously shown as net financing cost and the balances as at 30 September 2017 have been reclassified to conform to the current period presentation.

- Within note 7 (Finance income and expense), we now show interest on bank accounts and short-term investments, interest on loans receivable and interest on notes receivable as separate line items. These were previously shown as interest income and the balances as at 30 September 2017 have been reclassified to conform to the current period presentation.

- Within note 7 (Finance income and expense), we now show interest on bank borrowings and amortisation of debt issuance costs as separate line items. These were previously shown as interest expense on financial liabilities and the balances as at 30 September 2017 have been reclassified to conform to the current period presentation.

- Within note 14 (Loans and borrowings), we now show loan repayments and amortisation of fair value discounts as separate line items. We also reclassified USD 14.4 million of debt issuance costs at 31 December 2017 between non-current and current liabilities.

20. Subsequent events

Subsequent to period end, the Group issued USD 1.0 billion of senior unsecured notes with maturity ranging from 2021 to 2023. There have been no other significant events subsequent to 30 September 2018.