



Dubai Aerospace Enterprise (DAE) Ltd

Results for the three months ended 31 March 2020

CONFERENCE CALL DETAILS

DAE will host a conference call at 09.00 EST / 14.00 BST / 17.00 GST on Wednesday 6 May, 2020 to review our results for the three months ended 31 March, 2020.

The call can be accessed live on Microsoft Teams by registering at <https://dubaiaerospace.com/investors/>. Further information can be found on our website <http://www.dubaiaerospace.com>.

FORWARD-LOOKING STATEMENTS

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 realized. 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 realized 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.

RESULTS ANNOUNCEMENT

We present management's discussion and analysis of the financial condition and results of operations for the three months ended 31 March, 2020 which should be read in conjunction with the Unaudited condensed consolidated financial statements (the "financial statements") of Dubai Aerospace Enterprise (DAE) Ltd ("DAE") and its subsidiaries (together and hereinafter "we" or "us"). References to "31 March, 2020" are to the three months ended 31 March, 2020 and to "31 March, 2019" are to the three months ended 31 March, 2019.

FINANCIAL HIGHLIGHTS FOR THE THREE MONTHS ENDED 31 MARCH, 2020

- Operating profit for the three months ended 31 March, 2020 was \$173.9 million compared to \$206.9 million for the three months ended 31 March, 2019. During the three months ended 31 March, 2020 there was a decrease in gain on disposal of aircraft and lower lease revenue offset by a decrease in depreciation and amortisation expense.
- Adjusted EBITDA was \$313.9 million for the three months ended 31 March, 2020 decreasing from \$349.4 million for the three months ended 31 March, 2019.
- Profit for the three months ended 31 March, 2020 was \$76.7 million compared to \$99.0 million for the three months 31 March, 2019.
- Total assets were \$12,743.2 million as at 31 March, 2020, compared to \$13,537.1 million as at 31 December, 2019.

OPERATIONAL HIGHLIGHTS

- The operational highlights for the three months ended 31 March, 2020 and 31 March, 2019 are summarised below:
 - Purchases – we purchased no aircraft (2019: six aircraft).
 - Sales – we disposed of nine aircraft (2019: 17 aircraft).
 - Total aircraft in the fleet at 31 March, 2020 was 356 which consists of the following:
 - 280 owned aircraft – includes six aircraft on finance lease (31 December, 2019: 289 which included seven aircraft on finance lease and 10 aircraft classified as Held-for-sale("HFS")).
 - 73 managed aircraft - managed on behalf of various third parties (31 December, 2019: 65 aircraft).
 - Three committed aircraft (31 December, 2019: three aircraft).
- Available liquidity was \$2,816.3 million at 31 March, 2019, increasing from \$2,403.5 million as at 31 December, 2019.
- During Q1 2020 the Group received full and early repayment of the Notes receivable from the shareholder of approx. \$813.6 million. In addition, DAE repurchased \$250.1 million of shares.
- Due to the COVID-19 pandemic at 31 March 2020, the Group had granted 10 rent deferral requests totalling aggregate rent of approximately 2% of annual reported revenue. Further details are included below.

SUBSEQUENT EVENTS

- There have been no significant events subsequent to the period end.

RESULTS OF OPERATIONS

The following discussion of our results of operations is based on the consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position which have been extracted from our financial statements for the three months ended 31 March, 2020.

Results of operations (in millions of USD)

	Three months ended	
	<u>31 Mar, 2020</u>	<u>31 Mar, 2019</u>
Consolidated statement of comprehensive income data		
Total revenue.....	\$ 344.2	\$ 360.0
Gain on disposal of aircraft.....	7.9	28.6
Expenses		
Depreciation and amortisation.....	(140.0)	(142.5)
General and administrative expenses.....	(20.4)	(20.8)
Cost of providing engineering maintenance services.....	(14.8)	(14.9)
Aircraft maintenance.....	<u>(3.0)</u>	<u>(3.5)</u>
Operating profit	173.9	206.9
Net finance costs.....	<u>(90.1)</u>	<u>(97.2)</u>
Profit before income tax	83.8	109.7
Income tax expense.....	<u>(7.1)</u>	<u>(10.7)</u>
Profit for the period	<u>76.7</u>	<u>99.0</u>
	As of	
	<u>31 Mar, 2020</u>	<u>31 Dec, 2019</u>
Consolidated statement of financial position data (Extract)		
Total cash and cash resources.....	\$ 688.3	\$ 366.0
Aircraft held-for-lease.....	11,275.0	11,310.0
Assets held-for-sale.....	-	293.4
Total assets	12,743.2	13,537.1
Total loans and borrowings.....	7,906.9	8,295.5
Total equity.....	2,822.1	3,053.6
Total equity and liabilities	12,743.2	13,537.1
	As of	
	<u>31 Mar, 2020</u>	<u>31 Mar, 2019</u>
Adjusted EBITDA calculation ⁽¹⁾		
Profit for the period	\$ 76.7	\$ 99.0
Add back		
Net finance costs.....	90.1	97.2
Income tax expense.....	7.1	10.7
Depreciation and amortisation.....	<u>140.0</u>	<u>142.5</u>
Adjusted EBITDA	313.9	349.4
	As of	
	<u>31 Mar, 2020</u>	<u>31 Dec, 2019</u>
Net debt to equity ⁽²⁾	2.60x	2.64x
Total aircraft in the fleet	356	357

(1) We define Adjusted EBITDA as profit for the applicable period, excluding net finance costs, income tax expense and depreciation and amortisation. 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 net loans and borrowings less 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**

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 consists of an 80% ownership stake in Joramco, a provider of commercial aircraft maintenance, repair and overhaul (MRO) services. DAE is 100% owned, directly and indirectly, by Investment Corporation of Dubai ("ICD"), the investment arm of the Government of Dubai.

Aircraft leasing business (DAE Capital)

We are one of the largest aircraft leasing companies in the world. At 31 March, 2020 we had a total fleet of 356 aircraft which was made up of 280 owned aircraft (including six aircraft on finance lease) and 73 managed aircraft. In addition, we also have three new, fuel-efficient aircraft on order from The Boeing Company. These aircraft are on lease to 114 lessees in 56 countries. In addition, our managed portfolio as at 31 March, 2020 increased to 73 aircraft from 65 as at 31 December, 2019.

As of 31 March, 2020, the aggregate book value of our owned fleet including finance lease receivables was \$11,363.6 million. As of 31 March, 2020, 95.4% of our leases were subject to fixed lease rates as a percentage of lease revenue.

Our lease portfolio is highly diversified, geographically and by airline, with our top five lessees representing 34.9% of our portfolio based on lease revenue as of 31 March, 2020. Emirates, a related party, is our largest customer contributing 16.0% of lease rental income during the three months ended 31 March, 2020.

Analysis by aircraft type for the leasing business

Aircraft Type	Owned Portfolio	Managed Portfolio	Committed Portfolio ⁽³⁾	Total
A320 family	97	35	-	132
A330-200	15	1	-	16
A330-300	8	3	-	11
A350-900	4	-	-	4
Total Airbus	124	39	-	163
B737 family	73	27	-	100
B737 classics	-	2	-	2
B747-400	3	-	-	3
B757-200	-	1	-	1
B767-300ER	-	2	-	2
B777F	12	-	3	15
B777	3	-	-	3
B787	12	-	-	12
Total Boeing	103	32	3	138
ATR 72-600	53	2	-	55
Total	280	73	3	356
Narrow body	170	65	-	235
Wide body	57	6	3	66
Turboprop	53	2	-	55
Total	280	73	3	356

(3) Committed portfolio includes aircraft to be delivered to the owned fleet only.

COVID-19

Revenues for our customers have been disrupted in significant, unprecedented and unforeseen ways as governmental authorities around the world put in place necessary isolation measures to contain the spread of COVID-19. We have received requests for assistance in different shapes and sizes, and we continue to evaluate these on a case-by-case basis and to seek solutions that create value for both the airline and DAE.

As of 30 April 2020, we have granted deferral requests to 25 customers; the aggregate rent deferred for these customers totals 5% of annual reported revenue. In addition, we are currently evaluating rent deferral requests from 33 customers; the aggregate rent deferral requests from these customers total 10% of annual reported revenue

It is expected our trade and other receivables position will increase in the short term as a result of the support provided to our customers. Our trade and other receivables increased to \$111.3 million as at 31 March, 2020 from \$69.1 million as at 31 December, 2019. At 31 March 2020 we have not had a material increase in provision for doubtful debts as we hold security in the form of cash or letters of credit – we expect this charge to increase in future periods. DAE continues to have access to \$2.8 billion of available liquidity to support the on-going operation of the Group as needed.

Environment, Social and Governance Framework

DAE is committed to maintaining an effective Environment, Social and Governance Framework (“ESG”) and this is demonstrated across our business activities. DAE Capital has a young fleet with an average age of 6.2 years. By investing in aircraft with technologically advanced design features, greater fuel efficiency and reduced harmful emissions, we are helping our airline customers reduce their global environmental footprint. Across our business units and office locations, DAE demonstrates its commitment to environmental responsibility with high building energy ratings, use of energy efficient lighting, water conservation initiatives and a continued focus on recycling and reducing waste.

DAE staff are encouraged to communicate using the latest conferencing facilities leading to reduced travel between offices, and to commute to work using public transport, walking or cycling where appropriate to do so. We have a multi-cultural, diverse working environment with over 20 nationalities and as at end of 31 March, 2020 our DAE Capital business had a ratio of 59% male employees and 41% female employees. Through our Community Giving initiative we support a number of charities linked to our local offices and encourage staff to engage in physical and mental well-being activities. We maintain a robust corporate governance framework via our internal boards and committees.

Three Months Ended 31 March, 2020 Compared to Three Months Ended 31 March, 2019

<i>Revenues</i>	Three months ended	
	<u>31 Mar, 2020</u>	<u>31 Mar, 2019</u>
	\$ millions	
Lease revenue.....	\$ 314.1	\$ 337.5
Maintenance revenue.....	17.4	5.0
Amortisation of lease incentive and other lease costs.....	(15.7)	(9.9)
Total lease revenue.....	315.8	332.6
Engineering maintenance service revenue – Joramco.....	22.9	23.4
Total lease revenue and engineering maintenance service revenue.....	338.7	356.0
Other income.....	5.5	4.0
Total revenue.....	344.2	360.0

Total revenue was \$344.2 million for the three months ended 31 March, 2020 compared to \$360.0 million for the three months ended 31 March, 2019 due to the reasons outlined below.

Total lease revenue decreased to \$315.8 million for the three months ended 31 March, 2020 from \$332.6 million for the three months ended 31 March, 2019. This decrease was due primarily to a decrease in the number of revenue-generating aircraft in the fleet, increased amortisation of lease incentives and other lease costs, partly offset by increased maintenance revenue, during the three months ended 31 March, 2020 compared to the prior period.

Lease revenue for the three months ended 31 March, 2020 includes a charge associated with the allowance for impairment of trade and other receivables of \$6.2 million compared to \$7.6 million for the three months ended 31 March, 2019. The total allowance for impairment of trade and other receivables totalled \$20.6 million at 31 March 2020. Further information can be found in the condensed consolidated financial statements note 11.

Engineering maintenance service revenue - Joramco revenues decreased to \$22.9 million for the three months ended 31 March, 2020, compared to \$23.4 million for the three months ended 31 March, 2019.

Gain on disposal of aircraft

Gain on disposal of aircraft was \$7.9 million for the three months ended 31 March, 2020 compared to \$28.6 million for the three months ended 31 March, 2019. During the three months ended 31 March, 2020, we sold nine owned aircraft, compared to 17 owned aircraft during the three months ended 31 March, 2019. Of the nine aircraft sold, eight aircraft were sold to third parties where management of the aircraft was retained by DAE.

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.

Expenses

Expenses for the three months ended 31 March, 2020 decreased to \$178.2 million compared to \$181.7 million for the three months ended 31 March, 2019. This decrease was principally due to lower depreciation and amortisation expenses for the three months ended 31 March, 2020 compared to the prior period.

During the three months ended 31 March, 2020 we changed the estimated useful economic life of freighter aircraft and ATR 72-600s from 25 to 30 years, in order to more appropriately reflect the period of expected economic use. This change did not result in a material change in the depreciation charge for the period.

Net finance costs

Net finance costs decreased to \$90.1 million for the three months ended 31 March, 2020 from \$97.2 million for the three months ended 31 March, 2019.

Finance income decreased by \$9.9 million to \$8.8 million which related primarily to lower interest earned on the notes receivable, which were repaid in full during the three months ended 31 March, 2020. There was also lower interest on bank accounts and short-term investments during the three months ended 31 March, 2020.

Finance expense decreased by \$17.0 million to \$98.8 million, primarily due to savings in interest expense which reduced primarily due to the decrease in total loans and borrowings from \$8.9 billion as at 31 March, 2019 to \$7.9 billion as at 31, March, 2020. There was also lower amortisation of debt issuance cost during the three months ended 31 March, 2020.

Income tax expense

Our tax charge is primarily driven by tax arising on the group's Irish activities. During the three months ended 31 March, 2020, we recorded a tax expense of \$7.1 million compared to \$10.7 million for the three months ended 31 March, 2019. The decrease was primarily due to a reduction in profits attributable to the Group's activities carried out in Ireland during 2020.

Profit for the period

Profit for the three months ended 31 March, 2020 was \$76.7 million compared to \$99.0 million for the three months ended 31 March, 2019 mainly due to reasons outlined above.

Consolidated Cash Flows

The following table presents our consolidated cash flows for the three months ended 31 March, 2020 and the three months ended 31 March, 2019. The cash and cash equivalents shown below refer to unrestricted cash.

	Three months ended	
	<u>31 Mar, 2020</u>	<u>31 Mar, 2019</u>
	(\$ millions)	
Consolidated cash flow data		
Net cash generated from operating activities	\$ 246.2	\$ 255.2
Net cash from investing activities.....	812.8	195.0
Net cash used in financing activities.....	(710.2)	(453.8)
Net increase / (decrease) in cash and cash equivalents.....	348.8	(3.6)
Cash and cash equivalents at the beginning of the period.....	228.5	193.0
Cash and cash equivalents	577.3	189.3

For the three months ended 31 March, 2020, net cash generated from operating activities was \$246.2 million, a decrease from \$255.2 million for the three months ended 31 March, 2019.

For the three months ended 31 March, 2020, net cash from investing activities was \$812.8 million, compared \$195.0 million for the three months ended 31 March, 2019. This movement mainly relates to repayment of notes receivables by the shareholder, lower number of aircraft acquired and lower proceeds from sale of aircraft.

Net cash used in financing activities for the three months ended 31 March, 2020 was \$710.2 million compared to \$453.8 million for the three months ended 31 March, 2019. This movement was due to the repurchase of share capital of \$250.1 million, higher net financing costs and higher debt repurchased offset by a net decrease in borrowings drawn down of \$159.3 million during the three months ended 31 March, 2020 compared to the prior period.

Our cash and cash equivalents for the three months ended 31 March, 2020 was \$577.3 million up from \$189.3 million as at 31 March, 2019. Our total cash and cash resources, which includes restricted cash, was \$688.3 million as at 31 March, 2020 which represents an increase of \$369.0 million compared to \$319.3 million as at 31 March, 2019. The increase in cash held is due to the COVID-19 pandemic.

Loans and borrowings, Liquidity and Capital Resources

Loans and borrowings

Our total loans and borrowings decreased to \$7,906.9 million as at 31 March, 2020 from \$8,295.5 million as at 31 December, 2019. The decrease was primarily due to the repayment of certain loans and principal amortisation during the three months ended 31 March, 2020. During the three months ended 31 March, 2020, we repurchased \$169.2 million of senior unsecured notes compared to \$86.6 million in the prior period. At 31 March, 2020, our level of unsecured debt was 61.4%. The average cost of debt as at 31 March, 2020 decreased to 4.3% from 4.5% as at 31 December, 2019 and the weighted average debt maturity as at 31 March, 2020 was 4.5 years compared to 4.6 years at 31 December, 2019.

	Collateral aircraft	As at 31 Mar 2020 \$ millions
Unsecured facilities:		
Senior unsecured notes.....	-	\$ 2,680.2
Revolving credit facilities.....	-	768.7
Unsecured facilities (incl. term loans).....	-	1,449.9
Total unsecured facilities.....	-	4,898.8
Secured facilities:		
Recourse obligations (incl. ECA, Ex-Im & EDC).....	94	\$ 2,724.3
Non-recourse obligations.....	5	164.6
Term loan 2014	9	199.1
Total secured facilities.....	108	3,088.0
Total indebtedness.....	108	7,986.8
Debt issuance fees.....		(79.9)
Net indebtedness.....		7,906.9

In addition to the 108 aircraft used as collateral on our secured facilities, 172 aircraft were unencumbered with a total net book value of \$6,596.7 million at 31 March, 2020. Further information of the loan facilities can be found in the condensed consolidated financial statements note 14.

Our level of unsecured revolving credit facilities at 31 March, 2020 was \$3,005.0 million of which \$2,239.0 million was available.

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 in aggregate.

Liquidity and Capital Resources

Our total equity decreased to \$2,822.1 million as at 31 March, 2020 from \$3,053.6 million as at 31 December, 2019 due primarily to the repurchase of shares and movement in other reserves during 2020 offset by profit after tax for the three months ended 31 March, 2020.

Our Net Debt to Equity ratio was 2.60:1 times as at 31 March, 2020 compared to 2.64:1 times as at 31 December, 2019. Available liquidity was \$2,816.3 million at 31 March, 2020, increasing from \$2,403.5 million as at 31 December, 2019.

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

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Dubai Aerospace Enterprise (DAE) Ltd

**Unaudited condensed consolidated interim financial
statements for the three month period ended 31 March 2020**

Dubai Aerospace Enterprise (DAE) Ltd

Unaudited condensed consolidated interim financial statements for the three month period ended 31 March 2020

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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 31 March 2020 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three 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 this 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
5 May 2020

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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 2020	Unaudited 3 months ended 31 March 2019
Revenues			
Revenue	6	338,692	356,021
Other income		5,488	3,998
Total revenue		344,180	360,019
Gain on disposal of aircraft		7,888	28,566
Expenses			
Depreciation and amortisation		(140,042)	(142,514)
General and administrative expenses		(20,339)	(20,837)
Cost of providing engineering maintenance services		(14,759)	(14,897)
Aircraft maintenance		(3,038)	(3,461)
Operating profit		173,890	206,876
Finance income	7	8,761	18,650
Finance expense	7	(98,845)	(115,822)
Net finance cost		(90,084)	(97,172)
Profit before income tax		83,806	109,704
Income tax expense	8	(7,109)	(10,682)
Profit for the period		76,697	99,022
Other comprehensive income			
<i>Items that may be reclassified to condensed consolidated interim statement of profit or loss:</i>			
Unrealised loss on interest rate hedges		(61,856)	(17,577)
Income tax relating to components of other comprehensive income		3,774	685
Total comprehensive income for the period		18,615	82,130
Profit for the period attributable to:			
Equity holders of the Company		76,443	98,468
Non-controlling interests		254	554
		76,697	99,022
Total comprehensive income for the period attributable to:			
Equity holders of the Company		18,361	81,576
Non-controlling interests		254	554
		18,615	82,130

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 31 Mar 2020	Audited 31 Dec 2019
ASSETS			
Non-current assets			
Aircraft held for lease	9	11,275,166	11,309,997
Property, plant and equipment		109,913	110,023
Deposits for aircraft purchases	10	142,817	138,679
Intangible assets		5,818	6,276
Goodwill		44,668	44,668
Finance lease receivables	16	80,154	91,825
Notes receivable	17	-	810,375
Other non-current assets		164,618	175,351
Investments		36,300	35,269
		<u>11,859,454</u>	<u>12,722,463</u>
Current assets			
Cash and cash equivalents	12	577,311	228,461
Restricted cash	12	111,037	137,525
Inventories		11,324	10,555
Derivative financial assets		-	1,884
Trade and other receivables	11	111,303	69,134
Prepayments		7,402	6,663
Finance lease receivables	16	8,284	9,650
Current tax asset		420	20
Other current assets		56,639	57,315
Assets held-for-sale		-	293,385
		<u>883,720</u>	<u>814,592</u>
Total assets		<u><u>12,743,174</u></u>	<u><u>13,537,055</u></u>
EQUITY AND LIABILITIES			
EQUITY			
Authorised and issued share capital	13	1,927,770	1,927,770
Additional paid-in-capital		517,884	517,884
Treasury shares		(1,142,057)	(892,001)
Other reserves		(110,140)	(52,058)
Retained earnings		1,618,186	1,541,743
		<u>2,811,643</u>	<u>3,043,338</u>
Non-controlling interests		10,504	10,250
Net equity		<u>2,822,147</u>	<u>3,053,588</u>
LIABILITIES			
Non-current liabilities			
Loans and borrowings	14	6,869,360	7,196,201
Deferred tax liabilities		293,146	289,748
Maintenance reserves and security deposits	15	1,100,777	1,120,650
Lease liabilities		31,898	32,436
Deferred revenue		42,540	54,644
		<u>8,337,721</u>	<u>8,693,679</u>
Current liabilities			
Loans and borrowings	14	1,037,563	1,099,342
Trade and other payables		121,656	305,757
Derivative financial liabilities		107,186	44,837
Maintenance reserves and security deposits	15	242,965	211,104
Lease liabilities		3,367	3,312
Deferred revenue		70,569	65,458
Liabilities held-for-sale		-	59,978
		<u>1,583,306</u>	<u>1,789,788</u>
Total liabilities		<u>9,921,027</u>	<u>10,483,467</u>
Total liabilities and equity		<u><u>12,743,174</u></u>	<u><u>13,537,055</u></u>

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 31 Mar 2020	Unaudited 31 Mar 2019
Cash flows from operating activities		
Profit for the period	76,697	99,022
Adjustments for:		
Depreciation and amortisation	140,042	142,514
Gain on disposal of aircraft	(7,888)	(28,566)
Net finance cost	81,685	81,215
Amortisation of fair value discounts and financing fees	8,399	15,957
Income tax	7,109	10,682
Changes in operating assets and liabilities		
Movement in in trade and other receivables	(42,169)	(20,201)
Movement in finance lease receivables	13,037	2,690
Movement in maintenance reserves and security deposits	11,988	(11,795)
Movement in other assets and liabilities	(42,676)	(36,290)
Net cash from operating activities	246,224	255,228
Cash flows from investing activities		
Acquisition of aircraft held for lease	(6,220)	(261,345)
Acquisition of property plant and equipment	(2,396)	-
Proceeds from sale of aircraft	12,025	457,613
Repayment of notes receivable	813,591	-
Deposits paid for aircraft purchases	(4,138)	(1,302)
Net cash from investing activities	812,862	194,966
Cash flow from financing activities		
Movement in restricted cash	26,488	85,793
Proceeds from borrowings	420,000	1,109,576
Repayment of borrowings	(633,689)	(1,482,520)
Repurchase of share capital	(250,056)	-
Debt repurchased	(167,155)	(86,634)
Net financing costs	(98,171)	(76,696)
Payment of debt issuance costs	(7,653)	(3,359)
Net cash used in financing activities	(710,236)	(453,840)
Net increase / (decrease) in cash and cash equivalents	348,850	(3,646)
Cash and cash equivalents at the beginning of the period	228,461	192,950
Cash and cash equivalents at the end of the period	577,311	189,304

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 Company	Non-controlling interests	Total equity
Unaudited								
At 31 December 2019	1,927,770	517,884	(892,001)	(52,058)	1,541,743	3,043,338	10,250	3,053,588
Profit for the period	-	-	-	-	76,443	76,443	254	76,697
Other comprehensive income	-	-	-	(58,082)	-	(58,082)	-	(58,082)
Total comprehensive income for the period	-	-	-	(58,082)	76,443	18,361	254	18,615
Purchase of own shares	-	-	(250,056)	-	-	(250,056)	-	(250,056)
At 31 March 2020	1,927,770	517,884	(1,142,057)	(110,140)	1,618,186	2,811,643	10,504	2,822,147

<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 Company	Non-controlling interests	Total equity
Unaudited								
At 31 December 2018	1,927,770	517,884	(85,000)	(10,329)	1,165,157	3,515,482	9,356	3,524,838
Profit for the period	-	-	-	-	98,468	98,468	554	99,022
Other comprehensive income	-	-	-	(16,892)	-	(16,892)	-	(16,892)
Total comprehensive income for the period	-	-	-	(16,892)	98,468	81,576	554	82,130
Purchase of own shares	-	-	(250,001)	-	-	(250,001)	-	(250,001)
At 31 March 2019	1,927,770	517,884	(335,001)	(27,221)	1,263,625	3,347,057	9,910	3,356,967

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 (“DAE or 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 Financial Centre (“DIFC”) under the Companies Law, DIFC law No. 5 of 2018. 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 and Dubai Silicon Oasis Authority (“DSOA”). ICD Hospitality & Leisure LLC and DSOA are subsidiaries of ICD. ICD directly and indirectly owns 100% of the Company and is therefore the ultimate controlling party of the Group. ICD is controlled by the Government of Dubai.

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. DAE Engineering division consists of an 80% ownership stake in Joramco.

The operational highlights for the three month period ended 31 March 2020 (the “period”) are summarised below:

- Purchases – the Group purchased no aircraft during the period (2019: six).
- Sales – the Group disposed of nine aircraft during the period (2019: 17).
- The total number of owned aircraft at 31 March 2020 was 280, no aircraft were classified as held-for-sale (31 December 2019: 289 including 10 aircraft classified as held-for-sale). The Group also managed 73 aircraft as at 31 March 2020 (31 December 2019: 65).
- As a result of the spread of the COVID-19 virus the Group is dealing with request for support from certain airline customers. During the period ten deferral agreements were concluded. Further details are included in note 5 to the interim consolidated financial statements and the accompanying management discussion and analysis of financial condition and results of operations.

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

The condensed consolidated interim financial statements were approved 5 May 2020 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

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 2019, 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.

As at 31 March 2020, the current liabilities of the Group exceeded its current assets by USD 699.6 million. The shortfall will be met by a combination of the operating cash flows of the Group and utilisation of available credit facilities. As such, the Directors are of the opinion that the going concern basis of accounting is appropriate for the condensed consolidated interim financial statements for the three month period 31 March 2020.

3. Accounting policies

The accounting policies adopted are consistent with those of the consolidated financial statements for the year ended 31 December 2019. A number of new and amended standards became applicable for the current period ended 31 March 2020. These new and amended standards did not have a material impact on the Group.

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 with the exception of the matter disclosed in the following paragraph were the same as those that applied to the consolidated financial statements as at, and for the year ended, 31 December 2019.

During the three month period ended 31 March 2020 the Group changed the estimated useful economic life of freighter aircraft and ATR 72-600s from 25 to 30 years, in order to more appropriately reflect the period of expected economic use. This change did not result in a material change in the depreciation charge for the period.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the unaudited condensed consolidated interim financial statements

5. Risk management and fair value estimation

The group is exposed to a variety of 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.

Risks and uncertainties

In preparing these condensed consolidated interim financial statements, the risk and uncertainties borne by the Group were the same as those disclosed in the consolidated financial statements as at, and for the year ended, 31 December 2019, other than the developments outlined below, therefore the condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2019.

Since the start of January 2020, the world has been monitoring and reacting to the COVID-19 virus. As of 31 March 2020, the virus has spread across the globe resulting in widespread restrictions on the ability of people to travel. Global financial markets have reacted sharply to this pandemic, with concerns regarding the economic impact this may have on a global scale, and which is expected to be material for the airline sector, and by extension the aircraft leasing sector.

As a result, the Group is dealing with requests for support from certain of its airline customers, which include rent deferrals, lease modifications or other concessions. Deferral agreements had been concluded with ten customers as at 31 March 2020. These agreements allow for deferrals of lease payments for periods between two and three months. As of 30 April 2020, the number of deferrals granted increased to 25 customers. The aggregate rent deferred for these customers totals 5% of annual reported revenue. In addition, we are currently evaluating rent deferral requests from 33 customers; the aggregate rent deferral requests from these customers totals 10% of annual reported revenue

The impact of these agreements has not had a material impact on the Group's financial results or position for the three month period ended 31 March 2020. In the event that the Group's customer defaults under these deferral agreements or the COVID-19 pandemic is pro-longed the Group's results could be negatively impacted. Management are closely monitoring the impact of the outbreak on the activities of the Group.

The impact of COVID-19 is not expected to have an impact on the going concern basis of accounting. The Group has access to significant cash balances and expects to generate sufficient operating cash flows to service its obligations. In addition, as at 31 March 2020, the Group also has access to USD 2,239.0 million of available credit facilities.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the unaudited condensed consolidated interim financial statements

5. Risk management and fair value estimation (continued)

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 and investments are carried at fair value and fall into Level 2 of the fair value hierarchy. Derivatives comprise interest rate swaps. The fair value of financial assets is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each financial asset. This analysis reflects the contractual terms of the financial assets, including the period to maturity, and uses observable market based inputs including interest rates, foreign-exchange rates, and implied volatilities. There were no changes made to any of the valuation techniques applied as at 31 December 2019.

6. Revenue

<i>In thousands of USD</i>	31 Mar 2020	31 Mar 2019
Lease rental income	315,748	332,617
Provision of engineering maintenance services	22,944	23,404
Total revenue	338,692	356,021

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 nil (2019: USD 4.1 million), totalled USD 17.4 million (2019: USD 5.0 million).

In addition, lease rental income includes a net charge associated with the allowance for impairment of trade and other receivables of USD 6.2 million (2019: USD 7.6 million). Further details are included in note 11.

Lease rental income also includes a net charge associated with the amortisation of lease incentive assets of USD 13.1 million (2019: USD 6.1 million) and other lease costs of USD 2.6 million for the period (2019: USD 3.8 million).

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the unaudited condensed consolidated interim financial statements

6. Revenue (continued)

The distribution of lease rental income by the operator's geographic region is as follows:

	31 Mar 2020 USD'000	31 Mar 2020 %	31 Mar 2019 USD'000	31 Mar 2019 %
MEASA (Middle East/Africa/South Asia)	126,719	40	133,934	40
Asia/Pacific	90,885	29	93,309	28
Europe	46,035	15	60,339	18
Americas	52,109	16	45,035	14
Total lease revenue	315,748	100	332,617	100

7. Finance income and expense

<i>In thousands of USD</i>	31 Mar 2020	31 Mar 2019
Interest on notes receivable	3,216	12,663
Interest on bank accounts and short-term investments	1,384	2,494
Gains on financial instruments	1,963	1,963
Interest from investments	497	-
Finance lease income	1,701	1,530
Total finance income	8,761	18,650
Interest on borrowings	(86,438)	(100,464)
Amortisation of debt issuance costs	(8,412)	(13,812)
Other charges	(2,214)	(1,308)
Lease expense	(568)	-
Net foreign exchange loss	(1,213)	(238)
Total finance expense	(98,845)	(115,822)
Net finance cost	(90,084)	(97,172)

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

Amortisation of debt issuance costs during the period ended 31 March 2020, also includes a charge of USD 1.3 million relating to the acceleration of debt issuance costs amortisation on the early repayment and restructuring of certain facilities (2019: USD 6.5 million).

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the unaudited condensed consolidated interim financial statements

8. Income tax expense

<i>In thousands of USD</i>	31 Mar 2020	31 Mar 2019
Current tax (benefit) / expense		
Current period	(63)	1,875
Deferred tax expense		
Origination and reversal of temporary differences	7,172	8,807
Total income tax expense	7,109	10,682

Reconciliation of effective tax rate

<i>In thousands of USD</i>	31 Mar 2020	31 Mar 2019
Profit for the period	76,697	99,022
Income tax expense	7,109	10,682
Profit before income tax	83,806	109,704
Income subject to tax in United Arab Emirates at 0%	-	-
Income subject to tax in Ireland at 12.5%	7,186	9,605
Income subject to tax in US	(139)	175
Income taxable at other rates	(1,179)	(2,064)
Interest not deductible	1,064	-
Impact of losses not recognised	268	1,191
Tax arising on permanent items	(91)	1,775
Total income tax expense	7,109	10,682

The income tax expense for the three month period ended 31 March 2020 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, a portion of these losses has not been recognised. The interest not deductible amount of USD 1.1 million relates to a restriction on interest deductions under Hungarian thin capitalisation rules. The 2019 equivalent amount was USD 1.1 million and was presented within tax losses not recognised in the period ended 31 March 2019. The reduction in the effective tax rate relates primarily to a reduction in the profits of the Group attributable to Ireland as well as a reduction in the losses for which no tax benefit was recognised.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the unaudited condensed consolidated interim financial statements

9. Aircraft held for lease

	Aircraft and engines USD'000	Maintenance right asset USD'000	Lease discount USD'000	Total USD'000
Cost				
At 31 December 2018	12,043,677	824,138	(34,589)	12,833,226
Additions	884,501	-	-	884,501
Transfers	64,747	(64,747)	-	-
Transfers to assets held-for-sale	(974,434)	(97,806)	6,632	(1,065,608)
Derecognition	(6,002)	(26,169)	777	(31,394)
Disposals	(72,461)	-	-	(72,461)
At 31 December 2019	11,940,028	635,416	(27,180)	12,548,264
Additions	6,080	-	-	6,080
Transfers	11,890	(11,890)	-	-
Transfers from assets held-for-sale	91,541	10,961	-	102,502
Transfer from finance lease receivable	11,162	-	-	11,162
Derecognition	-	(663)	-	(663)
At 31 March 2020	12,060,701	633,824	(27,180)	12,667,345
Depreciation				
At 31 December 2018	1,065,004	68,424	(8,375)	1,125,053
Charge for the year	514,975	43,317	(6,349)	551,943
Transfers to assets held-for-sale	(398,496)	(15,040)	2,794	(410,742)
Derecognition	(6,002)	(5,940)	777	(11,165)
Disposals	(16,822)	-	-	(16,822)
At 31 December 2019	1,158,659	90,761	11,153	1,238,267
Charge for the period	127,351	8,805	(1,033)	135,123
Transfers from assets held-for-sale	18,330	1,122	-	19,452
Derecognition	-	(663)	-	(663)
At 31 March 2020	1,304,340	100,025	(12,186)	1,392,179
Net book value				
At 31 December 2019	10,781,369	544,655	(16,027)	11,309,997
At 31 March 2020	10,756,361	533,799	(14,994)	11,275,166

As of 31 March 2020, the Group owned 280 aircraft and no aircraft were classified as held-for-sale (31 December 2019: 289 aircraft including 10 aircraft held-for-sale), within this the Group had 274 aircraft held for lease on an operating lease basis (31 December 2019: 282 aircraft) and six aircraft recognised as finance lease receivables (31 December 2019: 7 aircraft). During the period, the Group sold nine aircraft (31 March 2019: 17 aircraft). As a result of these sales the advance from customer balance recognised within trade and other payables reduced to USD 76.4 million as at 31 March 2020 from USD 255.6 million as at 31 December 2019. The Group purchased no aircraft in the period (31 March 2019: 6 aircraft). During the period ended 31 March 2020, the Group transferred one aircraft from finance lease receivables to aircraft held for lease and one aircraft from held-for-sale to aircraft held for lease.

During the period, the Group derecognised USD nil (31 March 2019: USD 4.1 million) of maintenance right assets related to aircraft which were redelivered to the Group during the period. An amount of USD nil has been recognised as a maintenance reserve release in relation to these aircraft (31 March 2019: USD 2.9 million). These amounts are netted within revenue in the consolidated statement of comprehensive income.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the unaudited condensed consolidated interim financial statements

9. Aircraft held for lease (continued)

The Group's obligations under its secured 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 31 March 2020, management performed an impairment test and did not identify any impairment for the Group's aircraft in accordance with IAS 36 *Impairment of Assets*. This assessment was based on management's current estimate of market values, based on current external appraisal data, and contractual and estimated future cash flows. The spread of COVID-19 and its impact on the airline sector could impact these estimates in future periods and is being assessed by management on an on-going basis.

10. Deposits for aircraft purchases

<i>In thousands of USD</i>	31 Mar 2020	31 Dec 2019
Beginning of the period / year	138,679	70,663
Additions	4,138	146,322
Transferred to aircraft held for lease	-	(78,306)
End of the period / year	142,817	138,679

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 no aircraft during the period (31 December 2019: 11 aircraft) for which the total amount of deposits for aircraft purchases reclassified to aircraft held for lease amounted to USD nil (31 December 2019: USD 78.3 million).

11. Trade and other receivables

<i>In thousands of USD</i>	31 Mar 2020	31 Dec 2019
Trade receivables	128,837	79,204
Less: allowances for impairment	(20,638)	(14,474)
Trade receivables, net	108,199	64,730
Other receivables	3,104	4,404*
Total trade and other receivables	111,303	69,134

*Accrued income of USD 4.0 million has been reclassified to other receivables, it was previously shown as trade receivables for the year ended 31 December 2019.

The movement in the allowance for impairment is as follows:

<i>In thousands of USD</i>	31 Mar 2020	31 Dec 2019
At the beginning of the period/year	14,474	11,737
Allowances for impairment	6,164	9,479
Written off / offset	-	(6,742)
At the end of the period/year	20,638	14,474

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the unaudited condensed consolidated interim financial statements

11. Trade and other receivables (continued)

The majority of the Groups exposure to credit risk relates to the leasing of aircraft. The recovery of trade receivables is highly dependent upon the financial strength of the commercial aviation industry. The expected credit loss (“ECL”) associated with the trade receivables balance is based on a 24-month historic loss rate applied to the net exposure after cash deposits. Specific additional provisions are recognised where evidence of actual lessee distress is available.

During the three month period ended 31 March 2020 the Group recognised a charge related to allowance for impairment of trade and other receivables of USD 6.2 million (31 March 2019: USD 7.6 million), which is included within revenue, see detailed in note 6. The charge for the period relates to a number of lessees and is based on security held and the current impact of COVID-19. The charge for the prior period related primarily to the bankruptcy of one airline based in MEASA.

Details of deposits held as collateral are disclosed in note 15.

12. Cash and cash resources

<i>In thousands of USD</i>	31 Mar 2020	31 Dec 2019
Cash and cash equivalents	577,311	228,461
Restricted cash	111,037	137,525
Total cash and cash resources	688,348	365,986

Cash and cash resources subject to withdrawal restrictions (“restricted cash”) represent balances securing the Group’s obligations under third party credit facilities. Certain amounts received from lessees in respect of aircraft subject to certain funding arrangements are 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

13. Capital and reserves

<i>In thousands of USD</i>	31 Mar 2020	31 Dec 2019
Authorised, issued and paid-up capital	1,927,770	1,927,770
Additional paid-in capital	517,884	517,884
Treasury shares	(1,142,057)	(892,001)
Other reserves	(110,140)	(52,058)
Retained earnings	1,618,186	1,541,743
Attributable to equity holders of the parent	2,811,643	3,043,338
Non-controlling interests	10,504	10,250
Total equity	2,822,147	3,053,588

The authorised and issued share capital of the Company at 31 March 2020 comprised of 1,927,770 ordinary shares of USD 1,000 par value each (31 December 2019: 1,927,770 ordinary shares of USD 1,000 par value each).

The movement in retained earnings relates to the profit generated by the Group during the period.

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

In March 2020, the Group repurchased ordinary shares held by ICD Hospitality & Leisure LLC and Dubai Silicon Oasis Authority for USD 250.1 million. These shares are reported within equity as treasury shares in the condensed consolidated statement of financial position.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the unaudited condensed consolidated interim financial statements

14. Loans and borrowings

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

<i>In thousands of USD</i>	31 Mar 2020	31 Dec 2019
Principal	7,930,851	8,314,728
Accrued and unpaid interest	50,594	60,283
Fair value hedges	5,410	1,223
Total borrowings	7,986,855	8,376,234
Debt issuance costs	(79,932)	(80,691)
Net borrowings	7,906,923	8,295,543

<i>In thousands of USD</i>	31 Mar 2020	31 Dec 2019
Non-current liabilities		
Borrowings	6,933,908	7,262,702
Debt issuance costs	(64,548)	(66,501)
Non-current borrowings	6,869,360	7,196,201

<i>In thousands of USD</i>	31 Mar 2020	31 Dec 2019
Current liabilities		
Borrowings	1,052,947	1,113,532
Debt issuance costs	(15,384)	(14,190)
Current borrowings	1,037,563	1,099,342

The movement in loans and borrowings, excluding debt issuance costs is summarised as below:

<i>In thousands of USD</i>	31 Mar 2020	31 Dec 2019
At the beginning of the period/year	8,376,234	9,359,309
Loan drawdowns	420,000	2,969,196
Loan repayments	(633,689)	(3,844,236)
Debt repurchased	(169,118)	(86,634)
Amortisation of fair value discounts	13	(2,564)
Movement in fair value hedge	4,187	4,582
Movement in accrued interest	(9,689)	(5,654)
Revaluation of loans	(1,083)	-
Finance lease reclassification*	-	(17,765)
At the end of the period/year	7,986,855	8,376,234

* As a result of the adoption of IFRS 16, the Group reclassified finance lease liabilities from Loans and borrowings to lease liabilities.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the unaudited condensed consolidated interim financial statements

14. Loans and borrowings (continued)

Details of outstanding loans are as follows:

<i>In thousands of USD</i>	31 Mar 2020	31 Dec 2019
Senior unsecured notes	2,680,213	2,857,552
Revolving credit facilities	768,701	1,132,663
Unsecured facilities (including term loans)	1,449,940	1,169,438
Recourse obligations (including ECA, Ex-Im & EDC)	2,724,290	2,844,667
Non-recourse obligations	164,614	167,014
Term loan 2014	199,097	204,900
Total borrowings	7,986,855	8,376,234

15. Maintenance reserves and security deposits

<i>In thousands of USD</i>	31 Mar 2020	31 Dec 2019
Non-current maintenance reserves and security deposits		
Maintenance reserves	935,252	946,241
Security deposits	165,525	174,409
Total	1,100,777	1,120,650

<i>In thousands of USD</i>	31 Mar 2020	31 Dec 2019
Current maintenance reserves and security deposits		
Maintenance reserves	232,358	198,179
Security deposits	10,607	12,925
Total	242,965	211,104

Maintenance reserves

<i>In thousands of USD</i>	31 Mar 2020	31 Dec 2019
Maintenance reserves		
At the beginning of the period/year	1,144,420	1,120,256
Additions	69,780	425,383
Reimbursed / paid	(29,341)	(193,304)
Released	(17,249)	(161,344)
Reclassified to liabilities held-for-sale	-	(46,571)
At the end of the period/year	1,167,610	1,144,420

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the unaudited condensed consolidated interim financial statements

15. Maintenance reserves and security deposits (continued)

Security deposits

<i>In thousands of USD</i>	31 Mar 2020	31 Dec 2019
At the beginning of the period/year	187,334	204,146
Additions	2,041	51,068
Repaid	(13,243)	(54,473)
Reclassified to liabilities held-for-sale	-	(13,407)
At the end of the period/year	176,132	187,334

Security deposits relate to cash security received from lessees as collateral. Security deposits are refundable at the end of the contract lease period after all lease obligations have been met by the lessee.

In addition, the Group holds security on lease obligations in the form of letters of credit in the amount of USD 435.0 million as of 31 March 2020 (31 December 2019: USD 403.3 million).

16. Leases

Operating leases

Group as a lessor

As at 31 March 2020, the Group owns 280 aircraft (31 December 2019: 289 aircraft). Future minimum annual rentals to be received under the leases are as follows:

<i>In thousands of USD</i>	31 Mar 2020	31 Dec 2019
Within one year	1,175,788	1,221,005
After one year but not more than five years	3,828,788	3,935,188
More than five years	2,038,839	2,199,792
Total	7,043,415	7,355,985

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 15.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the unaudited condensed consolidated interim financial statements

16. Leases (continued)

Finance leases

Group as lessor

As at 31 March 2020, the Group owned six aircraft under finance lease agreements (31 December 2019: 7 aircraft). During the three month period end 31 March 2020 one aircraft was transferred from finance lease receivable to aircraft held for lease. The Group's finance lease receivables are secured by the Group's title to the leased assets.

In thousands of USD

	31 Mar 2020	31 Dec 2019
Finance leases – gross receivables	104,724	118,354
Unearned finance lease	(24,570)	(26,529)
Total non-current receivables	80,154	91,825
Finance leases – gross receivables	14,521	16,180
Unearned finance lease	(6,237)	(6,530)
Total current receivables	8,284	9,650

Future minimum lease payments under finance leases, together with the present value of the net minimum lease payments are as follows:

	31 Mar 2020		31 Dec 2019	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within one year	14,521	8,284	16,180	9,650
After one year but not more than five years	58,080	39,115	64,930	44,877
More than five years	46,644	41,039	53,424	46,948
Total	119,245	88,438	134,534	101,475
Less: unearned finance income	(30,807)	-	(33,059)	-
Total	88,438	88,438	101,475	101,475

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.

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

- During the period, the Group received an amount of USD 50.8 million (31 March 2019: USD 55.1 million) being aircraft lease rentals from companies under common control.
- The Group also provided engineering maintenance services to companies under common control amounting to USD 1.4 million (31 March 2019: USD 1.3 million).
- Finance income on notes receivable from shareholders during the period amounts to USD 3.2 million (31 March 2019: USD 12.7 million). During the period ended 31 March 2020, USD 813.6 million of notes receivable was repaid and the remaining balance is nil.
- Finance expense for the period in respect of loans from related companies under common control amounts to USD 10.7 million (31 March 2019: USD 16.6 million).

b) Compensation of key management personnel for the period:

<i>In thousands of USD</i>	31 Mar 2020	31 Mar 2019
Salaries and benefits	5,761	5,045
Total	5,761	5,045

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18. Capital commitments

At 31 March 2020 the Group had committed to purchase three aircraft from Boeing, the total capital commitment is USD 486.0 million (31 December 2019: USD 486.0 million).

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.

19. Subsequent events

There were no significant events subsequent to 31 March 2020.