



Dubai Aerospace Enterprise (DAE) Ltd

Results for the three months ended March 31, 2021

WEBCAST AND CONFERENCE CALL DETAILS

DAE will host its earnings call at 09.00 EDT / 14.00 BST / 17.00 GST /21:00 SGT on Wednesday May 5, 2021 to review our results for the quarter ended March 31, 2021.

The webcast can be accessed by registering at www.dubaiaerospace.com/investors.

Or alternatively the call can be accessed live by dialing (UAE) 8000 3570 2653, (Ireland) +353 (0)1 246 5638, (UK) +44 (0)330 336 9105, (USA) +1 323-794-2423, (Singapore) +65 6320 9025 and referencing confirmation ID: 2257108.

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 March 31, 2021 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 "March 31, 2021" are for the three months ended March 31, 2021 and to "March 31, 2020" are for the three months ended March 31, 2020.

FINANCIAL HIGHLIGHTS

- Operating profit for the three months ended March 31, 2021 was \$113.8 million compared to \$175.6 million for the three months ended March 31, 2020. During the three months ended March 31, 2021 there was a decrease in lease revenue and increased loss allowance offset by a decrease in general and administrative expenses.
- Operating cash flows for the three months ended March 31, 2021 were \$218.0 million.
- Adjusted profit for the period (adjusted for one-time debt redemption costs) for the three months ended March 31, 2021 was \$24.4 million compared to \$76.7 million for the three months ended March 31, 2020.
- Total assets were \$13,160.0 million as at March 31, 2021 compared to \$12,742.5 million as at December 31, 2020.
- Available liquidity was \$3,277.3 million at March 31, 2021 compared to \$2,693.0 million at December 31, 2020. Our Liquidity ratio increased to 275% at March 31, 2021 from 235% at December 31, 2020.
- Net Debt-to-Equity ratio was 2.65:1 times at March 31, 2021 compared to 2.57:1 times at December 31, 2020.

OPERATIONAL HIGHLIGHTS

- Total number of aircraft in the fleet at March 31, 2021 was 377 (December 31, 2020: 374) which consists of 303 owned (December 31, 2020: 298), 67 managed (December 31, 2020: 66) and 7 committed aircraft (December 31, 2020: 10).
- During the three months ended March 31, 2021, we purchased nine owned aircraft (March 31, 2020: nil) and four managed aircraft (March 31, 2020: 12), and sold four owned aircraft (March 31, 2020: 9) and three managed aircraft (March 31, 2020: 4).
- The weighted average age of our owned fleet was 6.0 years at March 31, 2021 compared to 6.2 years at December 31, 2020.
- The weighted average remaining lease term of our owned fleet at March 31, 2021 was 6.8 years compared with 6.6 years at December 30, 2020.
- During the three months ended March 31, 2021, we issued \$1,550.0 million aggregate principal amount of three senior unsecured notes with maturity ranging from 2024 to 2028 and completed the early redemption of \$456.1 million 5.75% senior unsecured notes due 2023.
- The ratio of unsecured debt to total debt increased to 66.2% at March 31, 2021 from 62.6% at December 31, 2020.
- As at March 31, 2021, we executed relief packages in the form of either lease deferrals or amendments with 38 customers. See further details below.

SUBSEQUENT EVENTS

- Subsequent to March 31, 2021, we entered into an agreement to acquire 15 aircraft from Boeing.

RESULTS OF OPERATIONS

The following discussion of our results of operations is based on the condensed consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position which have been extracted from our interim financial statements for the three months ended March 31, 2021.

Results of operations (in millions of USD)	Three months ended	
	Mar 31	
	2021	2020
Consolidated statement of profit or loss and comprehensive income		
Total revenue	307.5	352.0
Gain on disposal of aircraft	1.2	7.9
Expenses		
Depreciation and amortization	(143.7)	(140.0)
General and administrative expenses	(14.1)	(20.3)
Cost of providing engineering maintenance services	(16.9)	(14.8)
Loss allowance	(15.9)	(6.2)
Aircraft maintenance	(4.3)	(3.0)
Operating profit	113.8	175.6
Finance income	1.9	7.1
Finance expense	(90.7)	(98.9)
Debt redemption costs	(16.1)	-
Net finance costs	(104.9)	(91.8)
Profit before income tax	8.9	83.8
Income tax expense	(0.6)	(7.1)
Profit for the period	8.3	76.7
Add back debt redemption costs	16.1	-
Adjusted profit for the period	24.4	76.7
As at		
Consolidated statement of financial position (Extract)		
	Mar 31,	Dec 31,
	2021	2020
Total cash and cash resources	812.6	566.5
Aircraft held for lease	11,492.7	11,321.0
Total assets	13,160.0	12,742.5
Total loans and borrowings	8,473.0	7,907.2
Total equity	2,928.1	2,891.1
Total liabilities and equity	13,160.0	12,742.5
Three months ended		
Mar 31		
	2021	2020
Adjusted EBITDA calculation ⁽¹⁾		
Profit for the period	8.3	76.7
Add back		
Net finance costs	104.9	91.8
Income tax expense	0.6	7.1
Loss allowance	15.9	6.2
Depreciation and amortization	143.7	140.0
Adjusted EBITDA	273.4	321.8

(1) We define Adjusted EBITDA as profit, excluding net finance costs, loss allowance, income tax expense and depreciation and amortization.

Financial metrics	As at	
	Mar 31, 2021	Dec 31, 2020
Pre-tax margin (<i>per cent</i>) ⁽²⁾	2.9	19.2
Pre-tax return on equity (<i>per cent</i>) ⁽³⁾	1.2	8.4
Net debt to equity (<i>times</i>) ⁽⁴⁾	2.65x	2.57x
Total available liquidity (<i>USD billions</i>) ⁽⁵⁾	3.3	2.7
Unsecured debt/total debt (<i>per cent</i>) ⁽⁶⁾	66.2	62.6
Liquidity coverage ratio (<i>per cent</i>) ⁽⁷⁾	274.7	235.2

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

(2) We define Adjusted EBITDA as profit, excluding net finance costs, loss allowance, income tax expense and depreciation and amortization.

(3) Calculated as profit before income tax divided by total revenue.

(4) Calculated as profit before income tax (annualized in the case of interim periods) divided by average total equity.

(5) Calculated as net debt (being total loans and borrowings, net of debt issuance costs less cash and cash equivalents) divided by total equity.

(6) Calculated as the sum of available revolving credit and cash and cash equivalents.

(7) Calculated as unsecured loans and borrowings divided by total bank loans.

(8) Calculated as total available liquidity divided by recourse debt payments.

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

Overview

DAE is an aviation services company headquartered in Dubai serving customers in over 60 countries from seven locations in the United Arab Emirates, Jordan, Ireland, Singapore and the United States of America. 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 principal investment arm of the Government of Dubai.

DAE Capital

We are one of the largest aircraft leasing companies in the world. At March 31, 2021 we had a total owned, managed and committed fleet of 377 aircraft which was made up of 303 owned aircraft (including seven aircraft classified as finance lease and loan receivables), 67 managed aircraft and commitments to acquire three new, fuel-efficient aircraft and four aircraft for the managed fleet. Our owned and managed aircraft are on lease to 108 lessees in 52 countries

As of March 31, 2021, the aggregate book value of our owned fleet, including finance lease and loan receivables, was \$11,673.9 million. In addition, the estimated value of our managed fleet was \$1,423.3 million. As of March 31, 2021, 92.2% of our leases were subject to fixed lease rates as a percentage of lease revenue and our future contracted lease rental income amounted to \$7,241.9 million.

Our lease portfolio is highly diversified, geographically and by airline, with our top five lessees representing 32.0% of our portfolio based on net book value as of March 31, 2021. Emirates, a related party, is our largest customer representing 13.1% of our fleet based on net book value.

Analysis by aircraft type for our owned and managed portfolio

Aircraft Type	Owned Portfolio	Managed Portfolio	Committed Portfolio	Total
A320 family	95	32	5	132
A330-200	15	1	-	16
A330-300	8	3	-	11
A350-900	4	-	-	4
Total Airbus	122	36	5	163
B737 family	88	27	2	117
B787	12	-	-	12
B777	3	-	-	3
B777F	13	-	-	13
Legacy Boeing	-	2	-	2
Total Boeing	116	29	2	147
ATR 72-600	65	2	-	67
Total	303	67	7	377
Narrow body	183	59	7	249
Wide body	55	6	-	61
Turboprop	65	2	-	67
Total	303	67	7	377

Commitment portfolio includes three aircraft for the owned fleet and four aircraft for the managed fleet.

Fleet metrics	As at	
	Mar 31, 2021	Dec 31, 2020
Owned fleet (<i>number of aircraft</i>)	303	298
Managed fleet (<i>number of aircraft</i>)	67	66
Weighted average age (<i>years</i>) ⁽¹⁾	6.0	6.2
Weighted average remaining lease term (<i>years</i>) ⁽¹⁾	6.8	6.6
<u>(in millions of USD)</u>		
Net book value of aircraft held for lease	11,492.7	11,321.0
Carrying value of finance lease and loan receivables	181.2	185.2
Aggregate net book value	11,673.9	11,506.2

(1) Owned fleet only, weighted averages calculated based on the Cirium/Ascend half-life current market value

DAE Engineering

The Group's Engineering division operates under the brand name Joramco and is a leading independent provider of airframe MRO services in the Middle East with a track record in excess of 55 years. DAE has an 80% ownership stake in Joramco. Joramco's facility of over 100,000 square meters in size is strategically located in Amman, Jordan. DAE believes that the strategic location, combined with a skilled and experienced 1,000 plus person workforce which gives it a man-hour capability exceeding one million per year, allows the Engineering division to offer a compelling value proposition to airline customers in the Middle East, Europe, Asia, Africa and the CIS countries. Joramco focuses on providing airframe MRO services on Airbus, Boeing, and Embraer aircraft, with a comprehensive suite of MRO capabilities including interiors, composites, paint and avionics.

Five aircraft hangars occupying more than 30,000 square meters of the Joramco facility can accommodate up to 15 wide body and narrow body aircraft at the same time. Joramco currently has 13 aircraft type approvals including the Boeing 737, 787 and 777 aircraft families, Airbus A320, A330 and A340 families and Embraer E175 and E190 families and regulatory approvals from over 25 aviation authorities including the EASA, the FAA in the United States, the CARC in Jordan and the GCAA in the UAE.

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 a diverse range of requests 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 at March 31, 2021 we have executed relief packages with 38 airline customers. Relief has principally been provided in the form of rent deferrals or other leases amendments.

The total value of these deferral relief packages is \$195.5 million or 16.4% of Trailing Twelve Months (TTM) lease revenue. Of the total deferrals, \$184.1 million has been incurred and \$11.4 million relates to future rental. Of the \$184.1 million incurred, \$57.1 million has been completed and \$127.0 million remains accrued at March 31, 2021.

In addition, we have entered into various lease amendments principally involving near-term relief in exchange for lease extensions and other lease value enhancements, the total value of these amendments is \$139.0 million or 11.6% of TTM lease revenue.

Due to the support provided to our airline customers, we have recognized accrued revenue of \$127.0 million, within other assets, and a corresponding loss allowance of \$17.3 million as at March 31, 2021, compared to \$107.2 million and \$10.7 million respectively as at December 31, 2020.

In addition, our net trade and other receivables balance was \$118.2 million as at March 31, 2021. During the three months ended March 31, 2021 we have seen an increase in our loss allowance, increasing to \$67.0 million compared to \$57.7 million at December 31, 2020.

If the impact of COVID-19 is pro-longed it is likely the amounts due and associated loss allowance will increase in future periods.

We hold security of approximately \$500 million in the form of cash or letters of credit. We also hold maintenance reserves of \$1,097.5 million. In addition, we continue to have access to \$3.3 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 6.0 years. As of March 31, 2021, all our 2021 capital commitments have been in new technology aircraft with advanced design features. By investing in these aircraft which have greater fuel efficiency, we are helping our airline customers reduce their global environment footprint.

DAE has a comprehensive aircraft end of life strategy. We work directly with our customers and industry partners to recycle end of life aircraft to reduce waste while maximizing the remaining value of the aircraft components and engines. Engines and landing gear from disassembled aircraft are, where possible, put to use elsewhere in the DAE fleet. Alternatively, engines are consigned and sold for disassembly. We encourage our aircraft recycling and dismantling service providers to comply with industry best practice including IATA’s Best Practices for Aircraft Decommissioning, and where applicable to obtain AFRA (Aircraft Fleet Recycling Association) accreditation.

In addition, in its premises DAE supports a variety of internal environmental initiatives including the use of energy efficient lighting, water conservation and a continued focus on recycling and reducing waste. Furthermore, DAE encourages staff to communicate using the latest conferencing facilities leading to reduced travel between offices.

We also encourage commuting to work using public transport, walking, or cycling where appropriate to do so. We have a multi-cultural, diverse working environment with over 22 nationalities. In addition, at March 31, 2021 our DAE Capital business had a ratio of 61% male employees and 39% 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 March 31, 2021 Compared to Three Months Ended March 31, 2020

Total revenue

Total revenue comprises (i) lease revenue from aircraft leasing, which also includes maintenance revenue (which comprises the release of maintenance reserves net of the derecognition of maintenance right assets) and is net of amortization of lease incentives, lease discounts and other lease costs, (ii) engineering maintenance service revenue which is derived from Joramco's engineering maintenance services and (iii) other income (which includes income from the management of aircraft on behalf of third parties, settlements received from customers, proceeds from the sale of spare parts and the release of security deposits).

The table below shows a breakdown of our total revenue for each of the three months ended March 31, 2021 and March 31, 2020.

<u>Total Revenue (in millions of USD)</u>	Three months ended	
	Mar 31	
	2021	2020
Lease revenue	287.4	320.2
Maintenance revenue	5.3	17.4
Amortization of lease incentives and other lease costs	(16.6)	(15.7)
Net lease revenue	276.1	321.9
Engineering maintenance service revenue	25.5	22.9
Finance lease and loan receivables income	3.5	1.7
Total lease, engineering maintenance service revenue and finance lease and loan receivables income	305.1	346.5
Other income	2.4	5.5
Total revenue	307.5	352.0

Total revenue was \$307.5 million for the three months ended March 31, 2021 compared to \$352.0 million for the three months ended March 31, 2020, a decrease of \$44.5 million, or 12.6 per cent, due to the reasons outlined below.

Net lease revenue decreased by \$45.8 million, or 14.2 per cent, to \$276.1 million for the three months ended March 31, 2021 from \$321.9 million for the three months ended March 31, 2020. This decrease was due primarily to lease restructurings due to COVID-19 and aircraft sales offset by aircraft acquisitions. Maintenance income decreased due to lower maintenance reserve releases on transitioning aircraft.

Engineering maintenance service revenue increased by \$2.6 million, or 11.0 per cent, to \$25.5 million for the three months ended March 31, 2021 compared to \$22.9 million for the three months ended March 31, 2020.

Finance lease and loan receivables income increased by \$1.8 million, to \$3.5 million for the three months ended March 31, 2021 compared to \$1.7 million for the three months ended March 31, 2020. This increase was primarily due to a higher number of aircraft classified as finance lease and loan receivables. Finance lease and loan receivables income was previously included with finance income and has been presented within revenue for the three months ended March 31, 2021, the comparative period has been represented to conform with current period presentation. Further information can be found in the interim financial statements note 5.

Gain on disposal of aircraft

Gain on disposal of aircraft was \$1.2 million for the three months ended March 31, 2021 compared to \$7.9 million for the three months ended March 31, 2020. During the three months ended March 31, 2021 we sold four owned aircraft, compared to the sale of nine owned aircraft during the three months ended March 31, 2020.

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, accounting adjustments 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 comprised (i) depreciation and amortization, (ii) general and administrative expenses, (iii) loss allowance, (iv) cost of providing the engineering maintenance services provided by Joramco and (v) aircraft maintenance.

The table below shows a breakdown of our expenses for the three months ended March 31, 2021 and March 31, 2020.

<u>Total Expenses (in millions of USD)</u>	Three months ended	
	Mar 31	
	2021	2020
Depreciation and amortization	143.7	140.0
General and administrative expenses	14.1	20.3
Loss allowance	15.9	6.2
Cost of providing engineering maintenance services	16.9	14.8
Aircraft maintenance	4.3	3.0
Total expenses	194.9	184.3

Expenses for the three months ended March 31, 2021 increased by \$10.6 million, or 5.7 per cent, to \$194.9 million compared to \$184.3 million for the three months ended March 31, 2020.

Depreciation and amortization expense increased by \$3.7 million, or 2.6 per cent, for the three months ended March 31, 2021 to \$143.7 million compared to \$140.0 million in the prior year. This increase was primarily due to a higher number of aircraft in the fleet.

General and administrative expenses fell by \$6.2 million, or 30.5 per cent, for the three months ended March 31, 2021 to \$14.1 million from \$20.3 million in the prior year. This decrease was due to the lower compensation and benefit expenses and lower travel costs.

Loss allowance increased to \$15.9 million, which was due predominately to the increased exposure from trade receivables and accrued revenue as a result of the COVID-19 pandemic. Loss allowance was previously classified within lease revenue and has been presented within expenses for the three months ended March 31, 2021, the comparative period has been represented to conform with current period presentation. Further information can be found in the interim financial statements note 15.

Cost of providing engineering maintenance services increased by \$2.1 million, or 14.6 per cent, for the three months ended March 31, 2021 to \$16.9 million from \$14.8 million in the prior year. This increase reflects the corresponding increase in engineering maintenance services revenue over the same period.

In addition, aircraft maintenance increased by \$1.3 million, or 41.1 per cent, to \$4.3 million for the three months ended March 31, 2021 from \$3.0 million for the three months ended March 31, 2020. This increase was due primarily to an increase in the aircraft transition and surveillance costs.

Operating profit

Operating profit was \$113.8 million for the three months ended March 31, 2021 compared to \$175.6 million in the corresponding period of 2020, a decrease of \$61.8 million, or 35.2 per cent. The decrease was attributable to the factors described in the preceding sections.

Net finance costs

Net finance costs increased by \$13.1 million, or 14.3 per cent, to \$104.9 million for the three months ended March 31, 2021 from \$91.8 million for the three months ended March 31, 2020.

Finance income decreased by \$5.2 million, or 73.5 per cent, to \$1.9 million for the three months ended March 31, 2021 from \$7.1 million for the three months ended March 31, 2020. This was due primarily to the movement in interest earned on the notes receivable from the shareholder, which were repaid in full during the three months ended March 31, 2020.

Finance expense decreased by \$8.2 million, or 8.2 per cent, to \$90.7 million, due primarily to a decrease in interest expense as a result of a decrease in the average cost of debt to 3.9% as at March 31, 2021, from 4.3% as at March 31, 2020.

During the three months ended March 31, 2021, we early redeemed certain senior unsecured notes resulting in a once off debt redemption costs of \$16.1 million which consist of a redemption premium paid of \$13.1 million and acceleration of debt issuance costs of \$3.0 million.

Income tax expense

Our tax charge is primarily driven by tax arising on the group's Irish activities as well as the impact of tax losses for which no benefit was recognizable. During the three months ended March 31, 2021 we recorded a tax expense of \$0.6 million compared to \$7.1 million for the three months ended March 31, 2020. The decrease was primarily due to a reduction in profits attributable to the Group's activities carried out in Ireland during the three months ended March 31, 2021.

Profit for the period

Reflecting the above factors, profit for the three months ended March 31, 2021 decreased by \$68.4 million, or 89.2 per cent, to \$8.3 million from \$76.7 million for the three months ended March 31, 2020.

Consolidated Cash Flows

The following table presents our consolidated cash flows for the three months ended March 31, 2021 and the three months ended March 31, 2020. Cash and cash equivalents shown below refer to unrestricted cash.

Consolidated cash flow (Extract) (in millions of USD)	Three months ended	
	Mar 31	
	2021	2020
Net cash generated from operating activities	218.0	246.2
Net cash (used in)/from investing activities	(333.2)	812.8
Net cash from/ (used in) financing activities	363.6	(710.2)
Net increase in cash and cash equivalents	248.4	348.8
Cash and cash equivalents at the beginning of the period	469.0	228.5
Cash and cash equivalents at the end of the period	717.4	577.3

For the three months ended March 31, 2021 net cash generated from operating activities was \$218.0 million, a decrease of \$28.2 million, or 11.5 per cent, from \$246.2 million for the three months ended March 31, 2020.

For the three months ended March 31, 2021 net cash used in investing activities was \$333.2 million compared to net cash from investing activities of \$812.8 million for the three months ended March 31, 2020. This movement was primarily due to higher capital expenditure and higher proceeds from sale of aircraft offset by the movement in the repayment of notes receivable, which was fully repaid during 2020.

Net cash from financing activities for the three months ended March 31, 2021 increased by \$1,073.8 million to \$363.6 million compared to net cash used in financing activities of \$710.2 million for the three months ended March 31, 2020. This movement was due to an increase in net drawdowns of borrowings and a decrease in share repurchases offset by an increase in debt issuance costs during the three months ended March 31, 2021 compared to the three months ended March 31, 2020.

Our cash and cash equivalents as at March 31, 2021 was \$717.4 million an increase of \$ 140.1 million from \$577.3 million as at March 31, 2020.

Our total cash and cash resources, which includes restricted cash, was \$812.6 million as at March 31, 2021 which represents an increase of \$246.1 million compared to \$566.5 million as at December 31, 2020.

Loans and borrowings, Liquidity and Capital Resources

Loans and borrowings

Our total loans and borrowings (net of debt issuance costs) increased to \$8,473.0 million as at March 31, 2021 from \$7,907.2 million at December 31, 2020. The increase was primarily due to the issuance of senior unsecured notes during the three months ended March 31, 2021.

During the three months ended March 31, 2021 we issued \$1,550.0 million aggregate principal amounts of senior unsecured notes. At March 31, 2020 our level of unsecured debt was 66.2% compared to 62.6% at December 31, 2020. The average cost of debt as at March 31, 2021 was 3.9% which was in line with December 31, 2020 and the weighted average debt maturity as at March 31, 2021 was 4.3 years compared to 4.1 years at December 31, 2020.

Loans and Borrowings (in millions of USD)

	Aircraft Collateral	Mar 31 2021
Unsecured		
Senior unsecured notes		4,060.8
Unsecured facilities (incl. term loans)		1,185.5
Revolving credit facilities		426.4
Total unsecured		5,672.7
Secured		
Recourse obligations (incl. Ex-Im & EDC)	96	2,575.2
Non-recourse obligations	5	149.4
Term loans	9	175.1
Total secured	110	2,899.7
Debt issuance costs		(99.4)
Net loans and borrowings		8,473.0

193 aircraft were unencumbered with a total net book value of \$6,871.7 million at March 31, 2021 and 110 aircraft used as collateral on our secured facilities. Further information of the loan facilities can be found in the interim financial statements, note 12.

Our unsecured revolving credit facilities at March 31, 2021 were \$2,985.0 million of which \$2,559.9 million was undrawn and available.

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

Liquidity and Capital Resources

Our total equity increased to \$2,928.1 million as at March 31, 2021 from \$2,891.1 million as at December 31, 2020 due primarily to the movement in other reserves and profit after tax for the three months ended March 31, 2021.

Our Net Debt to Equity ratio was 2.65:1 times as at March 31, 2021 compared to 2.57:1 times as at December 31, 2020. Available liquidity was \$3,277.3 million as at March 31, 2021 increasing from \$2,693.0 million as at December 31, 2020.

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 2021**

**Unaudited condensed consolidated interim financial statements
for the three month period ended 31 March 2021**

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Report on review of condensed consolidated interim 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 at 31 March 2021 and the related condensed consolidated interim 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’). 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.

PricewaterhouseCoopers
4 May 2021

/s/ James French

James French
Audit Principal, Reference Number I014515
Dubai, United Arab Emirates

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 Mar 2021	Unaudited 3 months ended 31 Mar 2020
Revenues			
Revenue	5	305,119	346,557
Other income		2,408	5,488
Total revenue		307,527	352,045
Gain on disposal of aircraft		1,195	7,888
Expenses			
Depreciation and amortization		(143,715)	(140,042)
General and administrative expenses		(14,133)	(20,339)
Cost of providing engineering maintenance services		(16,920)	(14,759)
Loss allowance	15	(15,861)	(6,164)
Aircraft maintenance		(4,287)	(3,038)
Operating profit		113,806	175,591
Finance income	6	1,869	7,060
Finance expense	6	(90,713)	(98,845)
Debt redemption costs	6	(16,097)	-
Net finance cost		(104,941)	(91,785)
Profit before income tax		8,865	83,806
Income tax expense	7	(564)	(7,109)
Profit for the period		8,301	76,697
Other comprehensive income			
<i>Items that may be reclassified to condensed consolidated statement of profit or loss:</i>			
Unrealized gain / (loss) on interest rate hedges		30,095	(61,856)
Income tax relating to components of other comprehensive income		(1,437)	3,774
Total comprehensive income for the period		36,959	18,615
Profit for the period attributable to:			
Equity holders of Dubai Aerospace Enterprise (DAE) Ltd		7,865	76,443
Non-controlling interests		436	254
		8,301	76,697
Total comprehensive income for the period attributable to:			
Equity holders of Dubai Aerospace Enterprise (DAE) Ltd		36,523	18,361
Non-controlling interests		436	254
		36,959	18,615

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 2021	Audited 31 Dec 2020
ASSETS			
Non-current assets			
Aircraft held for lease	8	11,492,661	11,321,045
Property, plant and equipment		103,170	105,191
Intangible assets		4,919	5,275
Goodwill		44,668	44,668
Finance lease receivables	14	166,596	170,812
Other non-current assets		239,300	227,821
Financial assets at FVTPL and amortized cost		39,523	39,325
		<u>12,090,837</u>	<u>11,914,137</u>
Current assets			
Cash and cash equivalents	10	717,364	469,001
Restricted cash	10	95,192	97,493
Inventories		12,460	11,702
Trade and other receivables	9	118,176	142,047
Prepayments		8,086	4,569
Finance lease receivables	14	14,627	14,344
Current tax asset		1,896	1,569
Other current assets		101,387	87,612
		<u>1,069,188</u>	<u>828,337</u>
Total assets		<u>13,160,025</u>	<u>12,742,474</u>
EQUITY AND LIABILITIES			
Equity			
	11		
Authorized and issued share capital		1,927,770	1,927,770
Additional paid-in-capital		517,884	517,884
Treasury shares		(1,242,057)	(1,242,057)
Other reserves		(64,756)	(93,414)
Retained earnings		1,779,160	1,771,295
		<u>2,918,001</u>	<u>2,881,478</u>
Non-controlling interests		10,050	9,614
Net equity		<u>2,928,051</u>	<u>2,891,092</u>
LIABILITIES			
Non-current liabilities			
Loans and borrowings	12	7,272,078	6,720,545
Deferred tax liabilities		309,631	307,739
Maintenance reserves and security deposits	13	996,627	979,229
Lease liabilities		28,750	29,480
Deferred revenue		31,750	34,665
		<u>8,638,836</u>	<u>8,071,658</u>
Current liabilities			
Loans and borrowings	12	1,200,937	1,186,627
Trade and other payables		36,037	177,236
Derivative financial liabilities		62,455	92,047
Maintenance reserves and security deposits	13	225,655	249,090
Lease liabilities		3,564	3,574
Deferred revenue		64,490	71,150
		<u>1,593,138</u>	<u>1,779,724</u>
Total liabilities		<u>10,231,974</u>	<u>9,851,382</u>
Total liabilities and equity		<u>13,160,025</u>	<u>12,742,474</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 3 months ended 31 Mar 2021	Unaudited 3 months ended 31 Mar 2020
Cash flows from operating activities		
Profit for the period	8,301	76,697
Adjustments for:		
Depreciation and amortization	143,715	140,042
Gain on disposal of aircraft	(1,195)	(7,888)
Net finance cost	93,420	81,685
Amortization of fair value discounts and financing fees	11,521	8,399
Income tax	564	7,109
Changes in operating assets and liabilities		
Movement in in trade and other receivables	23,871	(42,169)
Movement in finance lease receivables	3,933	13,037
Movement in maintenance reserves and security deposits	(6,037)	11,988
Movement in accrued revenue	(13,225)	-
Movement in other assets and liabilities	(46,870)	(42,676)
Net cash generated from operating activities	217,998	246,224
Cash flows from investing activities		
Acquisition of aircraft held for lease	(420,005)	(6,220)
Acquisition of property plant and equipment	(551)	(2,396)
Proceeds from sale of aircraft	87,328	12,025
Repayment of notes receivable	-	813,591
Deposits paid for aircraft purchases	-	(4,138)
Net cash (used in)/from investing activities	(333,228)	812,862
Cash flow from financing activities		
Movement in restricted cash	2,301	26,488
Proceeds from borrowings	1,550,000	420,000
Repayment of borrowings	(949,790)	(633,689)
Repurchase of share capital	(100,000)	(250,056)
Debt repurchased	-	(167,155)
Net financing costs	(105,080)	(98,171)
Payment of debt issuance costs	(33,838)	(7,653)
Net cash from/(used in) financing activities	363,593	(710,236)
Net increase in cash and cash equivalents	248,363	348,850
Cash and cash equivalents at the beginning of the period	469,001	228,461
Cash and cash equivalents at the end of the period	717,364	577,311

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> Unaudited	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
At 31 December 2020	1,927,770	517,884	(1,242,057)	(93,414)	1,771,295	2,881,478	9,614	2,891,092
Profit for the period	-	-	-	-	7,865	7,865	436	8,301
Other comprehensive income	-	-	-	28,658	-	28,658	-	28,658
Total comprehensive income for the period	-	-	-	28,658	7,865	36,523	436	36,959
At 31 March 2021	1,927,770	517,884	(1,242,057)	(64,756)	1,779,160	2,918,001	10,050	2,928,051

<i>In thousands of US Dollars</i> Unaudited	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
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

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 (“ICD H&L”) and Dubai Silicon Oasis Authority (“DSOA”). ICD H&L 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 aircraft maintenance, repair and overhaul services. DAE Engineering division consists of an 80% ownership stake in Joramco.

The highlights for the three month period ended 31 March 2021 (the “period”) are summarized below:

- The Group owned 303 aircraft at 31 March 2021 (31 December 2020: 298 aircraft).
- Purchases – the Group purchased nine aircraft during the period (31 March 2020: nil)
- Sales – the Group disposed of four aircraft during the period (31 March 2020: 9 aircraft).
- During the period ended 31 March 2021 the Group issued USD 1,550.0 million aggregate principal amount of three senior unsecured notes and completed the early redemption of USD 456.1 million 5.75% senior unsecured notes due 2023.

The Group also manages 67 aircraft on behalf of third parties at 31 March 2021 (31 December 2020: 66 aircraft). During the period, the Group acquired four managed aircraft (31 March 2020: 12 aircraft) and completed the sale of three managed aircraft (31 March 2020: 4 aircraft).

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

The condensed consolidated interim financial statements were approved 4 May 2021 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 2020, 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 prepared under the historical cost basis as modified for the valuation of certain financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies below.

The carrying values of recognized financial instruments that are designated as hedged items in fair value hedges that would otherwise be carried at amortized cost are adjusted to reflect changes in the fair value attributable to the risks that are being hedged.

The condensed consolidated interim financial statements have been presented in US Dollars (USD), which is the functional currency of the Group, and all values are rounded to the nearest thousands, except when otherwise indicated.

As at 31 March 2021, the current liabilities of the Group exceeded its current assets. The shortfall will be met by a combination of the operating cash flows of the Group, new and existing credit facilities and other cash management initiatives. As such, the Directors are of the opinion that the going concern basis is appropriate for the financial statements for the three month period ended 31 March 2021. At 31 March 2021 the Group’s available liquidity totaled USD 3,277.3 million.

3. Accounting policies

The accounting policies adopted are consistent with those of the consolidated financial statements for the year ended 31 December 2020. A number of new and amended standards became applicable for the current period ended 31 March 2021. 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 were the same as those that applied to the consolidated financial statements as at, and for the year ended, 31 December 2020.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the unaudited condensed consolidated interim financial statements

5. Revenue

	31 Mar 2021	31 Mar 2020
	USD'000	USD'000
Lease rental income	276,147	321,912
Engineering maintenance services revenue	25,473	22,944
Finance lease and loan receivables income	3,499	1,701
Total revenue	305,119	346,557

Lease rental income includes the release of maintenance reserves totaling USD 5.3 million (31 March 2020: USD 17.4 million).

Lease rental income also includes a net charge associated with the amortization of lease incentive assets of USD 14.0 million (31 March 2020: USD 13.1 million) and other lease costs of USD 2.6 million for the period (31 March 2020: USD 2.6 million).

Engineering maintenance services revenue of USD 25.5 million (31 March 2020: USD 22.9 million) relates to commercial aircraft maintenance, repair and overhaul services provided by the Group.

Lease rental income from the top five customers represented 37.6% of the lease rental income for the three month period ended 31 March 2021 (31 March 2020: 34.5%). Customers based in the United Arab Emirates and the Kingdom of Bahrain accounted for 18.4% and 8.3% of lease rental income respectively in the period ended 31 March 2021 (2020: 15.7% and 7.1%).

Lease rental income is derived mainly from leasing commercial jet aircraft to various operators around the world. The distribution of lease rental income by the operator's geographic region is as follows:

	31 Mar 2021	31 Mar 2021	31 Mar 2020	31 Mar 2020
	USD'000	%	USD'000	%
MEASA (Middle East/Africa/South Asia)	125,117	45	127,637	40
Asia/Pacific	77,511	28	94,440	29
Europe	24,374	9	46,765	15
Americas	49,145	18	53,070	16
Total lease revenue	276,147	100	321,912	100

The loss allowance, which was previously included within lease rental income, is now disclosed separately in the consolidated statement of profit or loss and other comprehensive income. Further details are shown in note 15 and prior period amounts have been re-presented to align to current year presentation.

Finance lease and loan receivables income was previously included with finance income in the consolidated statement of profit or loss and other comprehensive income. During 2020 the amount was reclassified to revenue to better reflect the substance of the underlying transaction. Prior period amounts have been re-presented to align to current year presentation.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the unaudited condensed consolidated interim financial statements

6. Finance income and expense

	31 Mar 2021 USD'000	31 Mar 2020 USD'000
Interest on notes receivable	-	3,216
Interest on bank accounts and short-term investments	356	1,384
Gains on financial instruments	-	1,963
Interest from investments	183	497
Other finance income	320	-
Net foreign exchange gain	1,010	-
Total finance income	1,869	7,060
Interest on borrowings	(80,069)	(86,438)
Amortization of debt issuance costs	(8,537)	(8,412)
Other charges	(1,590)	(2,214)
Lease interest expense	(517)	(568)
Net foreign exchange loss	-	(1,213)
Total finance expense	(90,713)	(98,845)
Cost of early redemption of unsecured notes	(16,097)	-
Net finance cost	(104,941)	(91,785)

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

Cost of early redemption of unsecured notes relate to the early redemption premium paid of USD 13.1 million and acceleration of debt issuance costs USD 3.0 million on the early redemption of unsecured notes completed in March 2021.

Finance lease income, which was previously included within finance income and expense, is now disclosed within revenue in the condensed consolidated statement of profit or loss and other comprehensive income, further details are shown in note 5.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the unaudited condensed consolidated interim financial statements

7. Income tax expense

	31 Mar 2021 USD'000	31 Mar 2020 USD'000
Current tax expense/(benefit)		
Current period	108	(63)
Deferred tax expense		
Origination and reversal of temporary differences	456	7,172
Total income tax expense	564	7,109

Reconciliation of effective tax rate

	31 Mar 2021 USD'000	31 Mar 2020 USD'000
Profit before income tax	8,865	83,806
Tax on profit at the United Arab Emirates statutory rate of 0%	-	-
Reconciling items		
Net (loss)/profit taxable in Ireland at 12.5%	(736)	7,186
Net loss taxable at other rates	(1,088)	(1,318)
Interest not deductible	659	1,064
Impact of tax losses not recognised	1,375	268
Other permanent differences	354	(91)
Total income tax expense	564	7,109

The income tax expense for the three month period ended 31 March 2021 was primarily driven by tax arising on the Group's Irish activities at 12.5% as well as the impact of tax losses for which no benefit was recognizable. 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 recognized. The interest not deductible amount of USD 0.7 million relates to a restriction on interest deductions under Hungarian thin capitalization rules. The reduction in the effective tax rate relates primarily to a reduction in the profits of the Group attributable to Ireland.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the unaudited condensed consolidated interim financial statements

8. 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 2019	11,940,028	635,416	(27,180)	12,548,264
Additions	646,172	-	-	646,172
Transfers	90,826	(90,826)	-	-
Transfers to assets held-for-sale	91,541	10,961	-	102,502
Transfer from finance lease receivable	11,162	-	-	11,162
Derecognition	(10,932)	(49,870)	2,916	(57,886)
Disposals	(443,854)	(5,914)	-	(449,768)
At 31 December 2020	12,324,943	499,767	(24,264)	12,800,446
Additions	420,005	-	-	420,005
Transfers	21,279	(21,279)	-	-
Derecognition	(5,942)	(2,736)	-	(8,678)
Disposals	(108,278)	(3,074)	-	(111,352)
At 31 March 2021	12,652,007	472,678	(24,264)	13,100,421
Depreciation				
At 31 December 2019	1,158,659	90,761	(11,153)	1,238,267
Charge for the year	512,489	31,390	(3,953)	539,926
Transfers to assets held-for-sale	18,330	1,122	-	19,452
Derecognition	(10,932)	(18,204)	2,916	(26,220)
Disposals	(289,832)	(2,192)	-	(292,024)
At 31 December 2020	1,388,714	102,877	(12,190)	1,479,401
Charge for the period	134,499	5,497	(901)	139,095
Derecognition	(5,942)	(2,736)	-	(8,678)
Disposals	(1,186)	(872)	-	(2,058)
At 31 March 2021	1,516,085	104,766	(13,091)	1,607,760
Net book value				
At 31 December 2020	10,936,229	396,890	(12,074)	11,321,045
At 31 March 2021	11,135,922	367,912	(11,173)	11,492,661

As of 31 March 2021, the Group owned 303 aircraft (31 December 2020: 298 aircraft), within this the Group had 296 aircraft held for lease on an operating lease basis (31 December 2020: 291 aircraft) and seven aircraft recognized as finance lease receivables (31 December 2020: 7 aircraft). During the period, the Group sold four aircraft (including two consignments) (31 March 2020: 9 aircraft) and purchased nine aircraft (31 March 2020: nil aircraft).

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the unaudited condensed consolidated interim financial statements

8. 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 12.

As at 31 March 2021, management performed an assessment as to whether any new impairment triggers were applicable to the Group's aircraft since 31 December 2020. This assessment considered both external market developments and airline specific developments during the three months ended 31 March 2021. No new impairment triggers were identified for the Group's aircraft. The continued spread of COVID-19 and its impact on the airline sector could impact estimates in respect of impairment in future periods and is being assessed by management on an on-going basis.

9. Trade and other receivables

	31 Mar 2021	31 Dec 2020
	USD'000	USD'000
Trade receivables	173,655	194,985
Less: Loss allowance	(66,999)	(57,685)
Trade receivables, net	106,656	137,300
Other receivables	11,520	4,747
Total trade and other receivables	118,176	142,047

Details of the Group's exposure to credit risk and movement in the loss allowance are disclosed in note 15.

10. Cash and cash resources

	31 Mar 2021	31 Dec 2020
	USD'000	USD'000
Cash and cash equivalents	717,364	469,001
Restricted cash	95,192	97,493
Total cash and cash resources	812,556	566,494

Restricted cash represents balances subject to withdrawal restrictions securing the Group's obligation 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 units 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

11. Capital and reserves

	31 Mar 2021	31 Dec 2020
	USD'000	USD'000
Authorized, issued and paid-up capital	1,927,770	1,927,770
Additional paid-in capital	517,884	517,884
Treasury shares	(1,242,057)	(1,242,057)
Other reserves	(64,756)	(93,414)
Retained earnings	1,779,160	1,771,295
Attributable to equity holders of the Company	2,918,001	2,881,478
Non-controlling interests	10,050	9,614
Total equity	2,928,051	2,891,092

The authorized and issued share capital of the Company at 31 March 2021 comprised of 1,927,770 ordinary shares of USD 1,000 par value each (31 December 2020: 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.

During the period ended 31 March 2021, the Group paid USD 100.0 million related to the repurchase of ordinary shares which was completed in December 2020.

12. Loans and borrowings

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

	31 Mar 2021	31 Dec 2020
	USD'000	USD'000
Principal	8,530,526	7,932,332
Accrued and unpaid interest	37,406	47,198
Fair value hedge reserve	4,428	4,670
Total borrowings	8,572,360	7,984,200
Debt issuance costs	(99,345)	(77,028)
Net borrowings	8,473,015	7,907,172
Non-current liabilities		
Borrowings	7,342,766	6,777,260
Debt issuance costs	(70,688)	(56,715)
Non-current borrowings	7,272,078	6,720,545
Current liabilities		
Borrowings	1,229,594	1,206,940
Debt issuance costs	(28,657)	(20,313)
Current borrowings	1,200,937	1,186,627

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the unaudited condensed consolidated interim financial statements

12. Loans and borrowings (continued)

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

	31 Mar 2021	31 Dec 2020
	USD'000	USD'000
At the beginning of the period/year	7,984,200	8,376,234
Loan drawdowns	-	1,372,200
Issuance of senior unsecured notes	1,550,000	750,000
Loan repayments	(493,665)	(1,880,334)
Repayments of unsecured notes	(456,125)	(431,493)
Debt repurchased	-	(192,108)
Amortization of fair value discounts	-	(3,071)
Movement in fair value hedge reserve	(242)	3,447
Movement in accrued interest	(9,792)	(13,085)
Revaluation of loans	(2,016)	2,410
At the end of the period/year	8,572,360	7,984,200

Details of outstanding loans and borrowings are as follows:

	31 Mar 2021	31 Dec 2020
	USD'000	USD'000
Senior unsecured notes	4,060,792	2,976,401
Revolving credit facilities	426,385	762,308
Unsecured facilities (including term loans)	1,185,503	1,257,880
Recourse obligations (including Ex-Im & EDC)	2,575,161	2,652,096
Secured term loan	175,071	180,521
Non-recourse obligations	149,448	154,994
Total borrowings	8,572,360	7,984,200

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the unaudited condensed consolidated interim financial statements

13. Maintenance reserves and security deposits

	31 Mar 2021	31 Dec 2020
	USD'000	USD'000
Non-current maintenance reserves and security deposits		
Maintenance reserves	883,244	835,575
Security deposits	113,383	143,654
Total	996,627	979,229

	31 Mar 2021	31 Dec 2020
	USD'000	USD'000
Current maintenance reserves and security deposits		
Maintenance reserves	214,238	237,633
Security deposits	11,417	11,457
Total	225,655	249,090

Maintenance reserves

	31 Mar 2021	31 Dec 2020
	USD'000	USD'000
Maintenance reserves		
At the beginning of the period/year	1,073,208	1,144,420
Additions	137,293	226,095
Reimbursed / paid	(85,430)	(206,678)
Released / offset	(27,589)	(90,629)
At the end of the period/year	1,097,482	1,073,208

Security deposits

	31 Mar 2021	31 Dec 2020
	USD'000	USD'000
Security deposits		
At the beginning of the period/year	155,111	187,334
Additions	20,467	24,736
Repaid / offset	(50,778)	(56,959)
At the end of the period/year	124,800	155,111

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 376.4 million as of 31 March 2021 (31 December 2020: USD 442.8 million).

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the unaudited condensed consolidated interim financial statements

14. Leases

Operating leases

Group as a lessor

As at 31 March 2021, the Group owns 303 aircraft (31 December 2020: 298 aircraft). Future minimum annual rentals to be received under the leases are as follows:

<i>In thousands of USD</i>	31 Mar 2021	31 Dec 2020
	USD'000	USD'000
Within one year	1,183,180	1,130,667
After one year but not more than five years	3,806,120	3,697,246
More than five years	2,252,597	2,117,450
Total	7,241,897	6,945,363

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 13.

Finance leases and loan receivables

Non-current	31 Mar 2021	31 Dec 2020
	USD'000	USD'000
Finance leases	72,183	74,844
Loan receivables	94,413	95,968
Total	166,596	170,812

Current finance leases and loan receivables	31 Mar 2021	31 Dec 2020
	USD'000	USD'000
Finance leases	8,564	8,384
Loan receivables	6,063	5,960
Total	14,627	14,344

Finance leases

As at 31 March 2021, the Group owned six aircraft under finance lease agreements (31 December 2020: 6 aircraft). The Group's finance lease receivables are secured by the Group's title to the leased assets.

Loan receivables

As at 31 March 2021, the Group holds one aircraft (31 December 2020: 1 aircraft) which was leased to an airline. However, this lease does not meet the definition of a lease under IFRS 16 and therefore the amount is classified as a loan receivable.

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14. Leases (continued)

Finance leases and loan receivables (continued)

The gross amounts receivable and unearned interest income are as follows:

	31 Mar 2021	31 Dec 2020
	USD'000	USD'000
Gross receivables	225,494	232,926
Unearned finance lease	(58,898)	(62,114)
Total non-current receivables	166,596	170,812
Gross receivables	27,928	27,928
Unearned finance lease	(13,301)	(13,584)
Total current receivables	14,627	14,344

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

	31 Mar 2021		31 Dec 2020	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
	USD'000	USD'000	USD'000	USD'000
Within one year	27,928	14,627	27,928	14,344
After one year but not more than five years	111,714	71,439	111,714	70,052
More than five years	113,780	95,157	121,212	100,760
Total	253,422	181,223	260,854	185,156
Less: unearned finance income	(72,199)	-	(75,698)	-
Total	181,223	181,223	185,156	185,156

The expected credit loss of the Group's finance lease receivables is assessed based on historic loss rates and the carrying value of the finance lease receivable net of collateral held. No material expected credit loss has been recognized on the Group's finance lease receivables.

15. 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 2020, other than the developments outlined below related to credit risk as a result of COVID-19. Therefore, the condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2020.

Credit risk

As the COVID-19 virus continues to spread across the globe authorities have maintained widespread travel restrictions. There is still uncertainty over how the future development of the COVID-19 pandemic will impact the Group's airline customers and the Group itself as a consequence.

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15. Risks and uncertainties (continued)

Credit risk (continued)

As a result of the pandemic, the Group has granted deferral of rent payments to certain of its airline customers. As of 31 March 2021, there are 19 customers in active deferral plans (31 December 2020: 17). As a result of rental deferrals granted, the Group has recognized accrued revenue within other assets which represents revenue recognized on a straight-line basis, in accordance with IFRS 16, but not yet billed or due from the customer.

In addition, the Group has recognized trade receivables which relate to amounts due from customers which are not in deferral agreements.

Details of outstanding balances at 31 March 2021 are as follows:

	31 Mar 2021	31 Dec 2020
	USD'000	USD'000
Trade receivables	173,655	194,985
Loss allowance	(66,999)	(57,685)
Trade receivables, net	106,656	137,300
Accrued revenue (within other assets)		
Current - due within 1 year	84,517	76,572
Non-current - due after 1 year	42,448	30,621
Loss allowance	(17,282)	(10,735)
Accrued revenue, net	109,683	96,458

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.

As a result of increased balances due from customers, the Group recognized a charge related to loss allowance on trade and other receivables of USD 9.3 million (31 March 2020: USD 6.2 million) and accrued revenue of USD 6.5 million (31 March 2020: USD nil). The charge for the period is calculated in line with methodology outlined in our financial statements for the year ended 31 December 2020. During the period the following movement in the loss allowance was recognized:

	31 Mar 2021	31 Dec 2020
	USD'000	USD'000
At the beginning of the period/year	68,420	14,474
Loss allowance	15,861	53,946
At the end of the period/year	84,281	68,420

The charge is presented separately in the condensed consolidated statement of profit or loss and other comprehensive income and the prior period charge has been reclassified from lease rental income to loss allowance to conform to the current period presentation.

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Notes to the unaudited condensed consolidated interim financial statements

15. Risks and uncertainties (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 2020.

16. Related party transactions

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

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 2020: USD 50.8 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 0.6 million (31 March 2020: USD 1.4 million).
- Finance income on notes receivable from shareholders during the period amounts to USD nil (31 March 2020: USD 3.2 million).
- Finance expense for the period in respect of loans from related companies under common control amounts to USD 6.8 million (31 March 2020: USD 10.7 million).

Compensation of key management personnel for the period:

	31 Mar 2021	31 Mar 2020
	USD'000	USD'000
Salaries and benefits	4,954	5,761

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17. Capital commitments

At 31 March 2021 the Group had committed to purchase three aircraft from Boeing and Airbus, the total capital commitment is USD 156.5 million (31 December 2020: USD 348.0 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.

18. Segment reporting

The Group's CODM monitors the operating results of its business units for the purpose of making decisions about performance assessment. The aircraft leasing business, which leases commercial aircraft, is the main reportable segment. Engineering maintenance services is another reportable segment which consists of an 80% stake in Jordan Aircraft Maintenance Limited ("Joramco") which provides commercial maintenance, repair and overhaul services.

The performance of the aircraft leasing and engineering maintenance services is evaluated based on segment profit or loss and is measured consistently with profit for the year in the consolidated financial statements.

Segment revenue is measured in a manner consistent with that in the consolidated income statement. Segment assets are measured in the same way as in the financial statements. These assets are allocated based on the segments in which they operate and are owned.

31 Mar 2021	Aircraft leasing	Engineering maintenance	Group
	USD'000	USD'000	USD'000
Total segment revenue	282,054	25,473	307,527
Segment profit for the year	6,119	2,182	8,301
Segment assets	13,065,204	94,821	13,160,025

31 Dec 2020	Aircraft leasing	Engineering maintenance	Group
	USD'000	USD'000	USD'000
Total segment revenue	1,236,515	63,830	1,300,345
Segment profit / (loss) for the year	232,106	(3,190)	228,916
Segment assets	12,654,187	88,287	12,742,474

The results and financial position of the engineering maintenance division include the impact of purchase price accounting and do not represent the results or financial position of Joramco as a standalone business.

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19. Subsequent events

Subsequent to 31 March 2021, the Group entered into an agreement to acquire 15 aircraft from Boeing.

There were no other significant events subsequent to 31 March 2021.