



Dubai Aerospace Enterprise (DAE) Ltd

Results for the six months ended June 30, 2021

WEBCAST AND CONFERENCE CALL DETAILS

DAE will host its earnings call at 09.00 EST / 14.00 BST / 17.00 GST /21:00 SGT on Wednesday August 4, 2021 to review our results for the six months ended June 30, 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) +1 323-701-0225, (Singapore) +65 6320 9025 and referencing confirmation ID: 2145801.

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 six months ended June 30, 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 "June 30, 2021" are for the six months ended June 30, 2021 and to "June 30, 2020" are for the six months ended June 30, 2020.

FINANCIAL HIGHLIGHTS

- Operating profit for the six months ended June 30, 2021 was \$240.5 million compared to \$308.0 million for the six months ended June 30, 2020. During the six months ended June 30, 2021 there was a decrease in lease revenue and increased in expenses offset by an increase in gain on disposal of aircraft.
- Operating cash flows for the six months ended June 30, 2021 were \$498.5 million compared to \$432.2 million for the six months ended June 30, 2020.
- Adjusted profit for the period (adjusted for one-time debt redemption costs) for the six months ended June 30, 2021 was \$65.1 million compared to \$121.7 million for the six months ended June 30, 2020.
- Total assets were \$14,284.1 million as at June 30, 2021 compared to \$12,742.5 million as at December 31, 2020.
- Available liquidity was \$4,099.0 million at June 30, 2021 compared to \$2,693.0 million at December 31, 2020. Our Liquidity ratio increased to 238%⁽¹⁾ at June 30, 2021 from 235% at December 31, 2020.
- Net Debt-to-Equity ratio was 2.69:1 times at June 30, 2021 compared to 2.57:1 times at December 31, 2020.

OPERATIONAL HIGHLIGHTS

- Total number of aircraft in the fleet at June 30, 2021 was 385 (December 31, 2020: 374) which consists of 298 owned (December 31, 2020: 298), 66 managed (December 31, 2020: 66) and 21 committed aircraft (December 31, 2020: 10).
- During the six months ended June 30, 2021, we purchased 10 owned aircraft (June 30, 2020: nil) and six managed aircraft (June 30, 2020: 13) and sold 10 owned aircraft (June 30, 2020: 10) and six managed aircraft (June 30, 2020: 7).
- The weighted average age of our owned fleet was 6.2 years at June 30, 2021 compared to 6.2 years at December 31, 2020.
- The weighted average remaining lease term of our owned fleet at June 30, 2021 was 6.6 years compared with 6.6 years at December 30, 2020.
- During the six months ended June 30, 2021, we issued \$2,550.0 million aggregate principal amount of 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. Additionally, we announced the early redemption of the 5.00% Notes due 2024 and the 4.50% Notes due 2022 with an aggregate outstanding principal balance of approximately \$1.25 billion.
- The ratio of unsecured debt to total debt increased to 70.8% at June 30, 2021 from 62.6% at December 31, 2020.

SUBSEQUENT EVENTS

- Subsequent to June 30, 2021, we completed the early redemption of the 5.00% Notes due 2024 and the 4.50% Notes due 2022 with an aggregate outstanding principal balance of approximately \$ 1.25 billion.

(1) Liquidity Coverage Ratio for June 30, 2021 has been adjusted to exclude the approximately \$1.25 billion in Senior Notes that have been announced for redemption, which are due to be redeemed on August 02, 2021

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 six months ended June 30, 2021.

<u>Results of operations (in millions of USD)</u>	Six months ended	
	Jun 30	
	2021	2020
Consolidated statement of profit or loss and comprehensive income		
Total revenue	613.4	675.9
Gain on disposal of aircraft	29.2	9.9
Expenses		
Depreciation and amortization	(287.2)	(279.9)
General and administrative expenses	(36.5)	(38.5)
Cost of providing engineering maintenance services	(31.9)	(22.5)
Loss allowance	(35.7)	(27.9)
Aircraft maintenance	(10.8)	(9.0)
Operating profit	240.5	308.0
Finance income	3.2	10.0
Finance expense	(176.4)	(186.1)
Debt redemption costs	(16.1)	-
Net finance costs	(189.3)	(176.1)
Profit before income tax	51.2	131.9
Income tax expense	(2.2)	(10.2)
Profit for the period	49.0	121.7
Add back debt redemption costs	16.1	-
Adjusted profit for the period	65.1	121.7
As at		
Consolidated statement of financial position (Extract)		
	Jun 30,	Dec 31,
	2021	2020
Total cash and cash resources	1,613.3	566.5
Aircraft held for lease	11,497.2	11,321.0
Total assets	14,284.1	12,742.5
Total loans and borrowings	9,515.3	7,907.2
Total equity	2,964.8	2,891.1
Total liabilities and equity	14,284.1	12,742.5
Six months ended		
Jun 30		
	2021	2020
Adjusted EBITDA calculation ⁽¹⁾		
Profit for the period	49.0	121.7
Add back		
Net finance costs	189.3	176.1
Income tax expense	2.2	10.2
Loss allowance	35.7	27.9
Depreciation and amortization	287.2	279.9
Adjusted EBITDA	563.4	615.8

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

Financial metrics	As at	
	Jun 30, 2021	Dec 31, 2020
Pre-tax margin (<i>per cent</i>) ⁽²⁾	8.3	19.2
Pre-tax return on equity (<i>per cent</i>) ⁽³⁾	4.6	8.4
Net debt to equity (<i>times</i>) ⁽⁴⁾	2.69x	2.57x
Total available liquidity (<i>USD billions</i>) ⁽⁵⁾	4.1	2.7
Unsecured debt/total debt (<i>per cent</i>) ⁽⁶⁾	70.8	62.6
Liquidity coverage ratio (<i>per cent</i>) ⁽⁷⁾	238.0	235.2

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

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

(3) Calculated as profit before income tax (annualized in the case of interim periods) divided by average total equity. Pre-tax return on equity for June 30, 2021 excludes one time bond redemption costs incurred in Q1 2021.

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

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

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

(7) Calculated as total available liquidity divided by recourse debt payments. Liquidity Coverage Ratio for June 30, 2021 has been adjusted to exclude the approximately \$1.25 billion in Senior Notes that have been announced for redemption, which are due to be redeemed on August 02, 2021

**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 June 30, 2021 we had a total owned, managed and committed fleet of 385 aircraft which was made up of 298 owned aircraft (including six aircraft held for sale and eight aircraft classified as finance lease and loan receivables), 66 managed aircraft and commitments to acquire 17 new, fuel-efficient aircraft for our owned fleet and additional four aircraft for the managed fleet. Our owned and managed aircraft are on lease to 110 lessees in 52 countries

As of June 30, 2021, the aggregate book value of our owned fleet, including aircraft pre-delivery payments, assets held for sale and finance lease and loan receivables, was \$11,976.4 million. In addition, the estimated value of our managed fleet was \$1,438.0 million. As of June 30, 2021, 91.6% of our leases were subject to fixed lease rates as a percentage of lease revenue and our future contracted lease rental income amounted to \$6,773.0 million.

Our lease portfolio is highly diversified, geographically and by airline, with our top five lessees representing 28.7% of our portfolio based on net book value as of June 30, 2021. Emirates, a related party, is our largest customer representing 12.9% 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	30	5	130
A330-200	14	1	-	15
A330-300	8	3	-	11
A350-900	4	-	-	4
Total Airbus	121	34	5	160
B737 family	84	28	16	128
B787	12	-	-	12
B777	3	-	-	3
B777F	13	-	-	13
Legacy Boeing	-	2	-	2
Total Boeing	112	30	16	158
ATR 72-600	65	2	-	67
Total	298	66	21	385
Narrow body	179	58	21	258
Wide body	54	6	-	60
Turboprop	65	2	-	67
Total	298	66	21	385

Commitment portfolio includes 17 aircraft for the owned fleet and four aircraft for the managed fleet.

Fleet metrics	As at	
	Jun 30, 2021	Dec 31, 2020
Owned fleet (<i>number of aircraft</i>)	298	298
Managed fleet (<i>number of aircraft</i>)	66	66
Weighted average age (<i>years</i>) ⁽¹⁾	6.2	6.2
Weighted average remaining lease term (<i>years</i>) ⁽¹⁾	6.6	6.6
<u>(in millions of USD)</u>		
Net book value of aircraft held for lease	11,497.2	11,321.0
Net book value of aircraft held-for-sale	291.1	-
Carrying value of finance lease and loan receivables	188.1	185.2
Aggregate net book value	11,976.4	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

During 2020 and 2021 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. As a result, we have received a diverse range of requests for support from our airline customers. In evaluating these requests, we seek solutions that create value for both the airline and DAE.

As at June 30, 2021 we have executed relief packages with 40 airline customers, which has increased from 33 customer as at December 31, 2020. Relief has principally been provided in the form of rent deferrals, loans to airlines or other leases amendments.

The total value of rent deferrals and loans to airlines is \$210.3 million or 18.0% of Trailing Twelve Months (TTM) lease revenue. Of the total, \$206.0 million has been incurred and \$4.3 million relates to future rental. Of the \$206.0 million incurred, \$67.7 million has been completed and \$138.4 million remains accrued at June 30, 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 \$152.1 million or 13.0% of TTM lease revenue.

Due to the support provided to our airline customers, we have recognized accrued revenue of \$138.4 million, within other assets, and a corresponding loss allowance of \$19.0 million as at June 30, 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 \$137.7 million as at June 30, 2021 compared to \$142.0 million as at December 30 2020. During the six months ended June 30, 2021 we have seen an increase in our loss allowance, increasing to \$82.4 million compared to \$57.7 million at December 31, 2020.

If the impact of COVID-19 is pro-longed the amounts due from our airline customers and associated loss allowance may increase in future periods. However, we expect the global travel industry to recover, and we are well positioned to manage the impact of COVID-19 on our business due to the strength of our balance sheet and liquidity position.

We hold security of approximately \$500 million in the form of cash or letters of credit. We also hold maintenance reserves of \$1,123.9 million. In addition, we continue to have access to \$4.1 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 Environmental, Social and Governance Framework (“ESG”) and this is demonstrated across our business activities. During the quarter, DAE Capital published its inaugural ESG Report, which is available on DAE’s website (<https://dubaiaerospace.com/esg/>). In the ESG Report, DAE set out targets which seek to continually enhance our ESG frameworks, and which further demonstrate DAE’s commitment to effective ESG risk management.

DAE Capital has a young fleet with an average age of 6.2 years. As of June 30, 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 23 nationalities. In addition, at June 30, 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.

Six months ended June 30, 2021 Compared to Six months ended June 30, 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 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 six months ended June 30, 2021 and June 30, 2020.

<u>Total Revenue (in millions of USD)</u>	Six months ended	
	Jun 30	
	2021	2020
Lease revenue	578.7	633.5
Maintenance revenue	9.6	30.1
Amortization of lease incentives and other lease costs	(34.3)	(29.8)
Net lease revenue	554.0	633.8
Engineering maintenance service revenue	46.7	31.5
Finance lease and loan receivables income	7.2	3.4
Total lease, engineering maintenance service revenue and finance lease and loan receivables income	607.9	668.7
Other income	5.5	7.2
Total revenue	613.4	675.9

Total revenue was \$613.4 million for the six months ended June 30, 2021 compared to \$675.9 million for the six months ended June 30, 2020, a decrease of \$62.5 million, or 9.3 per cent, due to the reasons outlined below.

Net lease revenue decreased by \$79.8 million, or 12.6 per cent, to \$554.0 million for the six months ended June 30, 2021 from \$633.8 million for the six months ended June 30, 2020. This decrease was due primarily to lease restructurings due to COVID-19 and lower maintenance income offset by aircraft acquisitions. Maintenance income decreased due to lower maintenance reserve releases on transitioning aircraft.

Engineering maintenance service revenue increased by \$15.2 million, or 47.9 per cent, to \$46.7 million for the six months ended June 30, 2021 compared to \$31.5 million for the six months ended June 30, 2020. This increase was due to increased operating capacity in 2021 following the easing of COVID-19 restrictions.

Finance lease and loan receivables income increased by \$3.8 million, to \$7.2 million for the six months ended June 30, 2021 compared to \$3.4 million for the six months ended June 30, 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 six months ended June 30, 2021, the comparative period has been represented to conform with current period presentation.

Gain on disposal of aircraft

Gain on disposal of aircraft was \$29.2 million for the six months ended June 30, 2021 compared to \$9.9 million for the six months ended June 30, 2020. During the six months ended June 30, 2021 we sold 10 owned aircraft, compared to the sale of 10 owned aircraft during the six months ended June 30, 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 six months ended June 30, 2021 and June 30, 2020.

<u>Total Expenses (in millions of USD)</u>	Six months ended	
	Jun 30	
	2021	2020
Depreciation and amortization	287.2	279.9
General and administrative expenses	36.5	38.5
Loss allowance	35.7	27.9
Cost of providing engineering maintenance services	31.9	22.5
Aircraft maintenance	10.8	9.0
Total expenses	402.1	377.8

Expenses for the six months ended June 30, 2021 increased by \$24.3 million, or 6.4 per cent, to \$402.1 million compared to \$377.8 million for the six months ended June 30, 2020.

Depreciation and amortization expense increased by \$7.3 million, or 2.6 per cent, for the six months ended June 30, 2021 to \$287.2 million compared to \$279.9 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 \$2.0 million, or 5.4 per cent, for the six months ended June 30, 2021 to \$36.5 million from \$38.5 million in the prior year. This decrease was due to the lower compensation and benefit expenses.

Loss allowance increased by \$7.8 million or 27.9 per cent to \$35.7 million, which was due predominately to the increased exposure from trade receivables and accrued revenue as a result of the COVID-19 pandemic. Further information can be found in the interim financial statements note 16.

Cost of providing engineering maintenance services increased by \$9.4 million, or 42.0 per cent, for the six months ended June 30, 2021 to \$31.9 million from \$22.5 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 \$1.8 million, or 19.2 per cent, to \$10.8 million for the six months ended June 30, 2021 from \$9.0 million for the six months ended June 30, 2020. This increase was due primarily to an increase in the aircraft transition and surveillance costs.

Operating profit

Operating profit was \$240.5 million for the six months ended June 30, 2021 compared to \$308.0 million in the corresponding period of 2020, a decrease of \$67.5 million, or 21.9 per cent. The decrease was attributable to the factors described in the preceding sections.

Net finance costs

Net finance costs increased by \$13.2 million, or 7.5 per cent, to \$189.3 million for the six months ended June 30, 2021 from \$176.0 million for the six months ended June 30, 2020.

Finance income decreased by \$6.8 million, or 68.3 per cent, to \$3.2 million for the six months ended June 30, 2021 from \$10.0 million for the six months ended June 30, 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 six months ended June 30, 2020.

Finance expense decreased by \$9.7 million, or 5.2 per cent, to \$176.4 million, due primarily to a decrease in interest expense as a result of a decrease in the average cost of debt to 3.6% as at June 30, 2021, from 4.1% as at June 30, 2020.

During the six months ended June 30, 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 six months ended June 30, 2021 we recorded a tax expense of \$2.2 million compared to \$10.2 million for the six months ended June 30, 2020. The decrease was primarily due to a reduction in profits attributable to the Group's activities carried out in Ireland during the six months ended June 30, 2021.

Profit for the period

Reflecting the above factors, profit for the six months ended June 30, 2021 decreased by \$72.7 million, or 59.7 per cent, to \$49.0 million from \$121.7 million for the six months ended June 30, 2020.

Consolidated Cash Flows

The following table presents our consolidated cash flows for the six months ended June 30, 2021 and the six months ended June 30, 2020. Cash and cash equivalents shown below refer to unrestricted cash.

Consolidated cash flow (Extract) (in millions of USD)	Six months ended	
	Jun 30	
	2021	2020
Net cash generated from operating activities	498.5	432.2
Net cash (used in)/from investing activities	(769.5)	832.8
Net cash from/ (used in) financing activities	1,341.2	(875.0)
Net increase in cash and cash equivalents	1,070.1	390.0
Cash and cash equivalents at the beginning of the period	469.0	228.5
Cash and cash equivalents at the end of the period	1,539.1	618.5

For the six months ended June 30, 2021 net cash generated from operating activities was \$498.5 million, an increase of \$66.3 million, or 15.3 per cent, from \$432.2 million for the six months ended June 30, 2020. This movement was primarily due to lower maintenance receipts and an increase in accrued revenue (representing deferred rentals) which were offset by a decrease in trade and other receivables.

For the six months ended June 30, 2021 net cash used in investing activities was \$769.5 million compared to net cash from investing activities of \$832.8 million for the six months ended June 30, 2020. This movement was primarily due to higher capital expenditure and deposits paid for aircraft purchases offset by the movement in the repayment of notes receivable, which was fully repaid during 2020.

Net cash from financing activities for the six months ended June 30, 2021 increased by \$2,216.2 million to \$1,341.2 million compared to net cash used in financing activities of \$875.0 million for the six months ended June 30, 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 six months ended June 30, 2021 compared to the six months ended June 30, 2020.

Our cash and cash equivalents as at June 30, 2021 was \$1,539.1 million an increase of \$920.6 million from \$618.5 million as at June 30, 2020.

Our total cash and cash resources, which includes restricted cash, was \$1,613.3 million as at June 30, 2021 which represents an increase of \$1,046.8 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 \$9,515.3 million as at June 30, 2021 from \$7,907.2 million at December 31, 2020. The increase was primarily due to the issuance of \$2,550.0 million in senior unsecured notes during the six months ended June 30, 2021.

At June 30, 2021 our level of unsecured debt was 70.8% compared to 62.6% at December 31, 2020. The average cost of debt as at June 30, 2021 was 3.6% which was lower than December 31, 2020 at 3.9% and the weighted average debt maturity as at June 30, 2021 was 3.7 years compared to 4.1 years at December 31, 2020.

Loans and Borrowings (in millions of USD)

	Aircraft Collateral	Jun 30 2021
Unsecured		
Senior unsecured notes		5,087.4
Unsecured facilities (incl. term loans)		1,295.9
Revolving credit facilities		426.3
Total unsecured		6,809.6
Secured		
Recourse obligations (incl. Ex-Im & EDC)	96	2,495.4
Non-recourse obligations	5	145.8
Term loans	9	169.2
Total secured	110	2,810.4
Debt issuance costs		(104.7)
Net loans and borrowings		9,515.3

188 aircraft with a total net book value of \$7,227.2 million were unencumbered at June 30, 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 13.

Our unsecured revolving credit facilities at June 30, 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 \$2,964.8 million as at June 30, 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 six months ended June 30, 2021.

Our Net Debt to Equity ratio was 2.69:1 times as at June 30, 2021 compared to 2.57:1 times as at December 31, 2020. Available liquidity was \$4,099.0 million as at June 30, 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 six month period ended
30 June 2021**

**Unaudited condensed consolidated interim financial statements
for the six month period ended 30 June 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 30 June 2021 and the related condensed consolidated statements of profit or loss and other comprehensive income for the three-month and six-month periods then ended, and condensed consolidated statements of changes in equity and cash flows for the six-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 these 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 these 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
3 August 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 30 June 2021	Unaudited 3 months ended 30 June 2020	Unaudited 6 months ended 30 June 2021	Unaudited 6 months ended 30 June 2020
Revenues					
Revenue	5	302,804	322,159	607,923	668,716
Other income		3,027	1,740	5,435	7,228
Total revenue		305,831	323,899	613,358	675,944
Gain on disposal of aircraft		27,994	1,964	29,189	9,852
Expenses					
Depreciation and amortization		(143,519)	(139,843)	(287,234)	(279,885)
General and administrative expenses		(22,370)	(18,245)	(36,503)	(38,584)
Cost of providing engineering maintenance services		(14,990)	(7,716)	(31,910)	(22,475)
Loss allowance	16	(19,796)	(21,712)	(35,657)	(27,876)
Aircraft maintenance		(6,467)	(5,985)	(10,754)	(9,023)
Operating profit		126,683	132,362	240,489	307,953
Finance income	6	1,315	2,975	3,184	10,035
Finance expense	6	(85,701)	(87,233)	(176,414)	(186,078)
Debt redemption costs		-	-	(16,097)	-
Net finance cost		(84,386)	(84,258)	(189,327)	(176,043)
Profit before income tax		42,297	48,104	51,162	131,910
Income tax expense	7	(1,563)	(3,059)	(2,127)	(10,168)
Profit for the period		40,734	45,045	49,035	121,742
Other comprehensive income					
<i>Items that may be reclassified to condensed consolidated interim statement of profit or loss:</i>					
Unrealized (loss) / gain on interest rate hedges		(3,896)	319	26,199	(61,537)
Income tax relating to components of other comprehensive income		(47)	13	(1,484)	3,787
Total comprehensive income for the period		36,791	45,377	73,750	63,992
Profit for the period attributable to:					
Equity holders of Dubai Aerospace Enterprise (DAE) Ltd		40,845	45,922	48,710	122,365
Non-controlling interests		(111)	(877)	325	(623)
		40,734	45,045	49,035	121,742
Total comprehensive income for the period attributable to:					
Equity holders of Dubai Aerospace Enterprise (DAE) Ltd		36,902	46,254	73,425	64,615
Non-controlling interests		(111)	(877)	325	(623)
		36,791	45,377	73,750	63,992

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

Dubai Aerospace Enterprise (DAE) Ltd

Condensed consolidated statement of financial position

In thousands of US Dollars

	Note	Unaudited 30 June 2021	Audited 31 Dec 2020
ASSETS			
Non-current assets			
Aircraft held for lease	8	11,497,185	11,321,045
Property, plant and equipment		101,532	105,191
Intangible assets		4,750	5,275
Goodwill		44,668	44,668
Finance lease receivables	15	171,962	170,812
Other non-current assets		248,681	227,821
Financial assets at FVTPL and amortized cost		41,496	39,325
		<u>12,110,274</u>	<u>11,914,137</u>
Current assets			
Cash and cash equivalents	10	1,539,117	469,001
Restricted cash	10	74,173	97,493
Inventories		12,382	11,702
Trade and other receivables	9	137,724	142,047
Prepayments		8,694	4,569
Finance lease receivables	15	16,146	14,344
Current tax asset		1,561	1,569
Other current assets		93,003	87,612
Assets held-for-sale	11	291,057	-
		<u>2,173,857</u>	<u>828,337</u>
Total assets		<u>14,284,131</u>	<u>12,742,474</u>
EQUITY AND LIABILITIES			
Equity			
Authorized and issued share capital	12	1,927,770	1,927,770
Additional paid-in-capital		517,884	517,884
Treasury shares		(1,242,057)	(1,242,057)
Other reserves		(68,699)	(93,414)
Retained earnings		1,820,005	1,771,295
		<u>2,954,903</u>	<u>2,881,478</u>
Non-controlling interests		9,939	9,614
Net equity		<u>2,964,842</u>	<u>2,891,092</u>
LIABILITIES			
Non-current liabilities			
Loans and borrowings	13	7,038,616	6,720,545
Deferred tax liabilities		311,041	307,739
Maintenance reserves and security deposits	14	989,233	979,229
Lease liabilities		27,913	29,480
Deferred revenue		24,786	34,665
		<u>8,391,589</u>	<u>8,071,658</u>
Current liabilities			
Loans and borrowings	13	2,476,713	1,186,627
Trade and other payables		36,326	177,236
Derivative financial liabilities		67,613	92,047
Maintenance reserves and security deposits	14	264,451	249,090
Lease liabilities		3,483	3,574
Deferred revenue		67,389	71,150
Liabilities held-for-sale	11	11,725	-
		<u>2,927,700</u>	<u>1,779,724</u>
Total liabilities		<u>11,319,289</u>	<u>9,851,382</u>
Total liabilities and equity		<u>14,284,131</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 6 months ended 30 Jun 2021	Unaudited 6 months ended 30 Jun 2020
Cash flows from operating activities		
Profit for the period	49,035	121,742
Adjustments for:		
Depreciation and amortization	287,234	279,885
Gain on disposal of aircraft	(29,189)	(9,852)
Net finance cost	169,352	156,180
Amortization of fair value discounts and financing fees	19,975	16,498
Income tax	2,127	10,168
Changes in operating assets and liabilities		
Movement in in trade and other receivables	4,323	(120,167)
Movement in finance lease receivables	(2,952)	15,002
Movement in maintenance reserves and security deposits	25,365	(41,075)
Movement in accrued revenue	(22,909)	-
Movement in other assets and liabilities	(3,908)	3,805
Net cash generated from operating activities	498,453	432,186
Cash flows from investing activities		
Acquisition of aircraft held for lease	(477,325)	(8,084)
Acquisition of property plant and equipment	(600)	(2,985)
Proceeds from sale of aircraft	251,675	29,815
Repayment of notes receivable	-	813,591
Deposits paid for aircraft purchases	(543,282)	413
Net cash (used in)/from investing activities	(769,532)	832,750
Cash flow from financing activities		
Movement in restricted cash	23,320	32,151
Proceeds from borrowings	2,855,253	460,000
Repayment of borrowings	(1,233,118)	(748,723)
Repurchase of share capital	(100,000)	(250,056)
Debt repurchased	-	(183,803)
Net financing costs	(156,576)	(174,802)
Payment of debt issuance costs	(47,684)	(9,712)
Net cash from/(used in) financing activities	1,341,195	(874,945)
Net increase in cash and cash equivalents	1,070,116	389,991
Cash and cash equivalents at the beginning of the period	469,001	228,461
Cash and cash equivalents at the end of the period	1,539,117	618,452

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	-	-	-	-	48,710	48,710	325	49,035
Other comprehensive income	-	-	-	24,715	-	24,715	-	24,715
Total comprehensive income for the period	-	-	-	24,715	48,710	73,425	325	73,750
At 30 June 2021	1,927,770	517,884	(1,242,057)	(68,699)	1,820,005	2,954,903	9,939	2,964,842

<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	-	-	-	-	122,365	122,365	(623)	121,742
Other comprehensive income	-	-	-	(57,750)	-	(57,750)	-	(57,750)
Total comprehensive income for the period	-	-	-	(57,750)	122,365	64,615	(623)	63,992
Purchase of own shares	-	-	(250,056)	-	-	(250,056)	-	(250,056)
At 30 June 2020	1,927,770	517,884	(1,142,057)	(109,808)	1,664,108	2,857,897	9,627	2,867,524

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 maintenance, repair and overhaul services. DAE Engineering division consists of an 80% ownership stake in Joramco.

The highlights for the six month period ended 30 June 2021 (the “period”) are summarized below:

- The Group owned 298 aircraft at 30 June 2021 (31 December 2020: 298 aircraft).
- Purchases – the Group purchased ten aircraft during the period (30 June 2020: nil)
- Sales – the Group disposed of ten aircraft during the period (30 June 2020: 10 aircraft).
- During the period ended 30 June 2021 the Group issued USD 2,550.0 million aggregate principal amount of senior unsecured notes and completed the early redemption of USD 456.1 million 5.75% senior unsecured notes due 2023.
- During the period Moody's Investors Service affirmed DAE's investment grade unsecured debt ratings and revised its outlook from negative to stable.

The Group also manages 66 aircraft on behalf of third parties at 30 June 2021 (31 December 2020: 66 aircraft). During the period, the Group acquired six managed aircraft (30 June 2020: 13 aircraft) and completed the sale of six managed aircraft (30 June 2020: 7 aircraft).

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

The condensed consolidated interim financial statements were approved on 3 August 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 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 30 June 2021, the current liabilities of the Group exceeded its current assets. The shortfall will be met by a combination of the operating cash flows expected to be generated by 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 six month period ended 30 June 2021. At 30 June 2021 the Group’s available liquidity totaled USD 4,099.0 million, including USD 1,539.1 million of cash on hand.

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 30 June 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

	30 Jun 2021	30 Jun 2020
	USD'000	USD'000
Lease rental income	554,035	633,802
Engineering maintenance services revenue	46,661	31,549
Finance lease and loan receivables income	7,227	3,365
Total revenue	607,923	668,716

Lease rental income includes the release of maintenance reserves totaling USD 9.6 million (30 June 2020: USD 30.1 million).

Lease rental income also includes a net charge associated with the amortization of lease incentive assets of USD 29.0 million (30 June 2020: USD 24.6 million) and other lease incentive costs of USD 5.2 million for the period (30 June 2020: USD 5.2 million).

Engineering maintenance services revenue of USD 46.7 million (30 June 2020: USD 31.5 million) relates to commercial aircraft maintenance, repair and overhaul services provided by the Group.

Lease rental income from the top five customers represented 37.7% of the lease rental income for the six month period ended 30 June 2021 (30 June 2020: 31.2%). Customers based in the United Arab Emirates and the Kingdom of Bahrain accounted for 18.3% and 8.3% of lease rental income respectively in the period ended 30 June 2021 (2020: 16.4% and 7.3%).

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:

	30 Jun 2021	30 Jun 2021	30 Jun 2020	30 Jun 2020
	USD'000	%	USD'000	%
MEASA (Middle East/Africa/South Asia)	251,883	45	263,913	42
Asia/Pacific	153,254	28	183,563	29
Europe	50,951	9	92,800	14
Americas	97,947	18	93,526	15
Total lease revenue	554,035	100	633,802	100

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 the current year presentation.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the unaudited condensed consolidated interim financial statements

6. Finance income and expense

	30 Jun 2021 USD'000	30 Jun 2020 USD'000
Interest on notes receivable	-	3,216
Interest on bank accounts and short-term investments	636	2,792
Gains on financial instruments	-	3,307
Interest from investments	350	720
Other finance income	633	-
Net foreign exchange gain	1,565	-
Total finance income	3,184	10,035
Interest on borrowings	(155,417)	(164,689)
Amortization of debt issuance costs	(16,991)	(16,048)
Other charges	(2,994)	(3,149)
Lease interest expense	(1,012)	(1,120)
Net foreign exchange loss	-	(1,072)
Total finance expense	(176,414)	(186,078)
Cost of early redemption of unsecured notes	(16,097)	-
Net finance cost	(189,327)	(176,043)

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 the period.

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

	30 Jun 2021	30 Jun 2020
	USD'000	USD'000
Current tax expense/(benefit)		
Current period	310	(109)
Deferred tax expense		
Origination and reversal of temporary differences	1,817	10,277
Total income tax expense	2,127	10,168

Reconciliation of effective tax rate

	30 Jun 2021	30 Jun 2020
	USD'000	USD'000
Profit before income tax	51,162	131,910
Tax on profit at the United Arab Emirates statutory rate of 0%	-	-
Reconciling items		
Net (loss)/profit taxable in Ireland at 12.5%	(889)	9,469
Net loss taxable at other rates	(1,576)	(2,143)
Interest not deductible	1,383	1,992
Impact of tax losses not recognized	2,080	1,147
Tax arising on permanent items	466	(297)
Adjustment to prior period	663	-
Total income tax expense	2,127	10,168

The income tax expense for the six month period ended 30 June 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 1.4 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	Aircraft pre-delivery payments	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	489,684	543,282	-	-	1,032,966
Transfers	26,478	-	(26,478)	-	-
Transfers to assets held-for-sale	(302,664)	-	(8,000)	-	(310,664)
Transfer to finance lease receivable	(12,130)	-	-	-	(12,130)
Derecognition	(9,041)	-	(2,736)	-	(11,777)
Disposals	(292,445)	-	(3,074)	-	(295,519)
At 30 June 2021	12,224,825	543,282	459,479	(24,264)	13,203,322
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	268,140	-	11,567	(1,802)	277,905
Transfers to assets held-for-sale	(18,309)	-	(1,297)	-	(19,606)
Transfer to finance lease receivable	(1,628)	-	-	-	(1,628)
Derecognition	(3,708)	-	(2,736)	-	(6,444)
Disposals	(22,619)	-	(872)	-	(23,491)
At 30 June 2021	1,610,590	-	109,539	(13,992)	1,706,137
Net book value					
At 31 December 2020	10,936,229	-	396,890	(12,074)	11,321,045
At 30 June 2021	10,614,235	543,282	349,940	(10,272)	11,497,185

As of 30 June 2021, the Group owned 298 aircraft including six aircraft held-for-sale (31 December 2020: 298 aircraft including no aircraft held-for-sale), within this the Group had 290 aircraft held for lease on an operating lease basis (31 December 2020: 291 aircraft) and eight aircraft recognized as finance lease and loan receivables (31 December 2020: 7 aircraft). During the period, the Group sold ten aircraft (30 June 2020: 10 aircraft) and purchased ten aircraft (30 June 2020: nil aircraft).

Aircraft pre-delivery payments total of USD 543.3 million, represent payments made by the Group for the purchase of aircraft in accordance with payment schedules set out in the relevant purchase agreements, details of which are included in note 18.

During the period, the Group also transferred one aircraft from aircraft held for lease to finance lease receivable (30 June 2020: 1 aircraft transferred from finance lease receivables to aircraft held for lease and 1 aircraft transferred from held-for-sale to aircraft held for lease).

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 13.

As at 30 June 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 six months ended 30 June 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

	30 Jun 2021	31 Dec 2020
	USD'000	USD'000
Trade receivables	215,832	194,985
Less: Loss allowance	(82,398)	(57,685)
Trade receivables, net	133,434	137,300
Other receivables	4,290	4,747
Total trade and other receivables	137,724	142,047

Details of the Group's exposure to credit risk and movement in the loss allowance are disclosed in note 16.

10. Cash and cash resources

	30 Jun 2021	31 Dec 2020
	USD'000	USD'000
Cash and cash equivalents	1,539,117	469,001
Restricted cash	74,173	97,493
Total cash and cash resources	1,613,290	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. Held-for-sale

At 30 June 2021, the Group had agreements for the sale of six aircraft which met the requirement to be classified as held-for-sale (2020: nil). Subsequent to period end three of these aircraft were sold. The remaining aircraft are expected to be sold within 12 months.

	30 Jun 2021	31 Dec 2020
	USD'000	USD'000
Assets classified as held-for-sale		
Aircraft held for lease	291,057	-
	<u>291,057</u>	<u>-</u>
Liabilities classified as held-for-sale		
Maintenance reserves and security deposits	11,725	-
	<u>11,725</u>	<u>-</u>

12. Capital and reserves

	30 Jun 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	(68,699)	(93,414)
Retained earnings	1,820,005	1,771,295
Attributable to equity holders of the Company	2,954,903	2,881,478
Non-controlling interests	9,939	9,614
Total equity	2,964,842	2,891,092

The authorized and issued share capital of the Company at 30 June 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 relates to the movement in fair value of derivatives in designated cash flows hedge relationships.

During the period ended 30 June 2021, the Group paid USD 100.0 million related to the repurchase of ordinary shares which was completed in December 2020.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the unaudited condensed consolidated interim financial statements

13. Loans and borrowings

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

	30 Jun 2021	31 Dec 2020
	USD'000	USD'000
Principal	9,552,725	7,932,332
Accrued and unpaid interest	63,158	47,198
Fair value hedge reserve	4,183	4,670
Total borrowings	9,620,066	7,984,200
Debt issuance costs	(104,737)	(77,028)
Net borrowings	9,515,329	7,907,172
Non-current liabilities		
Borrowings	7,111,551	6,777,260
Debt issuance costs	(72,935)	(56,715)
Non-current borrowings	7,038,616	6,720,545
Current liabilities		
Borrowings	2,508,515	1,206,940
Debt issuance costs	(31,802)	(20,313)
Current borrowings	2,476,713	1,186,627

Current borrowings include USD 1.25 billion senior unsecured notes which were redeemed by the Group post period end.

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

	30 Jun 2021	31 Dec 2020
	USD'000	USD'000
At the beginning of the period / year	7,984,200	8,376,234
Loan drawdowns	305,253	1,372,200
Issuance of senior unsecured notes	2,550,000	750,000
Loan repayments	(776,993)	(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	(487)	3,447
Movement in accrued interest	15,960	(13,085)
Revaluation of loans	(1,742)	2,410
At the end of the period / year	9,620,066	7,984,200

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Notes to the unaudited condensed consolidated interim financial statements

13. Loans and borrowings (continued)

Details of outstanding loans and borrowings are as follows:

	30 Jun 2021	31 Dec 2020
	USD'000	USD'000
Senior unsecured notes	5,087,399	2,976,401
Revolving credit facilities	426,262	762,308
Unsecured facilities (including term loans)	1,295,899	1,257,880
Recourse obligations (including Ex-Im & EDC)	2,495,523	2,652,096
Secured term loan	169,190	180,521
Non-recourse obligations	145,793	154,994
Total borrowings	9,620,066	7,984,200

14. Maintenance reserves and security deposits

	30 Jun 2021	31 Dec 2020
	USD'000	USD'000
Non-current maintenance reserves and security deposits		
Maintenance reserves	884,932	835,575
Security deposits	104,301	143,654
Total	989,233	979,229

	30 Jun 2021	31 Dec 2020
	USD'000	USD'000
Current maintenance reserves and security deposits		
Maintenance reserves	238,933	237,633
Security deposits	25,518	11,457
Total	264,451	249,090

Maintenance reserves

	30 Jun 2021	31 Dec 2020
	USD'000	USD'000
Maintenance reserves		
At the beginning of the period / year	1,073,208	1,144,420
Additions	212,366	226,095
Transferred to held-for-sale	(5,723)	-
Reimbursed / paid	(106,103)	(206,678)
Released / offset	(49,883)	(90,629)
At the end of the period / year	1,123,865	1,073,208

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14. Maintenance reserves and security deposits (continued)

Security deposits

	30 Jun	31 Dec
	2021	2020
	USD'000	USD'000
At the beginning of the period/year	155,111	187,334
Additions	33,695	24,736
Transferred to held-for-sale	(6,002)	-
Repaid / offset	(52,985)	(56,959)
At the end of the period/year	129,819	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 370.2 million as of 30 June 2021 (31 December 2020: USD 442.8 million).

15. Leases

Operating leases

Group as a lessor

As at 30 June 2021, the Group owns 298 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>	30 Jun	31 Dec
	2021	2020
	USD'000	USD'000
Within one year	1,147,819	1,130,667
After one year but not more than five years	3,617,420	3,697,246
More than five years	2,007,798	2,117,450
Total	6,773,037	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 14.

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15. Leases (continued)

Finance leases and loan receivables

	30 Jun	31 Dec
Non-current	2021	2020
	USD'000	USD'000
Finance leases	79,132	74,844
Loan receivables	92,830	95,968
Total	171,962	170,812

	30 Jun	31 Dec
Current finance leases and loan receivables	2021	2020
	USD'000	USD'000
Finance leases	9,977	8,384
Loan receivables	6,169	5,960
Total	16,146	14,344

Finance leases

As at 30 June 2021, the Group owned seven 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 30 June 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.

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

	30 Jun	31 Dec
	2021	2020
	USD'000	USD'000
Gross receivables	230,639	232,926
Unearned interest income	(58,677)	(62,114)
Total non-current receivables	171,962	170,812
Gross receivables	30,293	27,928
Unearned interest income	(14,147)	(13,584)
Total current receivables	16,146	14,344

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Notes to the unaudited condensed consolidated interim financial statements

15. Leases (continued)

Finance leases and loan receivables (continued)

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

	30 Jun 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	30,293	16,146	27,928	14,344
After one year but not more than five years	121,170	79,495	111,714	70,052
More than five years	109,469	92,467	121,212	100,760
Total	260,932	188,108	260,854	185,156
Less: unearned interest income	(72,824)	-	(75,698)	-
Total	188,108	188,108	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.

16. 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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Notes to the unaudited condensed consolidated interim financial statements

16. 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 30 June 2021, there are 20 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 are as follows:

	30 Jun 2021	31 Dec 2020
	USD'000	USD'000
Trade receivables	215,832	194,985
Loss allowance	(82,398)	(57,685)
Trade receivables, net	133,434	137,300
Accrued revenue (within other assets)		
Current - due within 1 year	95,406	76,572
Non-current - due after 1 year	42,947	30,621
Loss allowance	(18,986)	(10,735)
Accrued revenue, net	119,367	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 27.4 million (30 June 2020: USD 27.9 million) and accrued revenue of USD 8.3 million (30 June 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:

	30 Jun 2021	31 Dec 2020
	USD'000	USD'000
At the beginning of the period/year	68,420	14,474
Loss allowance	35,657	53,946
Provision utilized	(2,693)	-
At the end of the period/year	101,384	68,420

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Notes to the unaudited condensed consolidated interim financial statements

16. 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.

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.

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 101.7 million (30 June 2020: USD 102.1 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 1.0 million (30 June 2020: USD 3.0 million).
- Finance income on notes receivable from shareholders during the period amounts to USD nil (30 June 2020: USD 3.2 million).
- Finance expense for the period in respect of loans from related companies under common control amounts to USD 13.3 million (30 June 2020: USD 19.1 million).

Compensation of key management personnel for the period:

	30 Jun 2021	30 Jun 2020
	USD'000	USD'000
Salaries and benefits	6,254	7,000

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Notes to the unaudited condensed consolidated interim financial statements

18. Capital commitments

At 30 June 2021 the Group had committed to purchase 17 aircraft from Boeing and Airbus. The total capital commitment based on current mark value of the underlying assets is USD 720.0 million (31 December 2020: USD 348.0 million), before the impact of pre-delivery deposits already paid by the Group, which are included in note 8.

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. 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.

30 Jun 2021	Aircraft leasing	Engineering maintenance	Group
	USD'000	USD'000	USD'000
Total segment revenue	566,073	47,285	613,358
Segment profit for the year	46,968	2,067	49,035
Segment assets	14,186,463	97,668	14,284,131

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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Notes to the unaudited condensed consolidated interim financial statements

20. Subsequent events

Subsequent to 30 June 2021, the Group completed the early redemption of the 5.00% Notes due 2024 and the 4.50% Notes due 2022 with an aggregate outstanding principal balance of approximately USD 1.25 billion.

There were no other significant events subsequent to 30 June 2021.