



Dubai Aerospace Enterprise (DAE) Ltd

Results for the nine months ended September 30, 2021

WEBCAST AND CONFERENCE CALL DETAILS

DAE will host its earnings call at 09.00 EDT / 13.00 GMT / 17.00 GST /21:00 SGT on Wednesday November 3, 2021 to review our results for the nine months ended September 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 181 148, (Ireland) +353 (0)21 206 7440, (UK) +44 (0)330 027 1846, (USA) +1 334-777-6978, (Singapore) +65 3159 1632 and referencing confirmation ID: 9181132.

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 nine months ended September 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 "September 30, 2021" are for the nine months ended September 30, 2021 and to "September 30, 2020" are for the nine months ended September 30, 2020.

FINANCIAL HIGHLIGHTS

- Operating profit for the nine months ended September 30, 2021 was \$385.8 million compared to \$432.7 million for the nine months ended September 30, 2020. During the nine months ended September 30, 2021 there was a decrease in lease revenue and an increase in expenses offset by an increase in gain on disposal of aircraft.
- Operating cash flows for the nine months ended September 30, 2021 were \$799.7 million compared to \$602.7 million for the nine months ended September 30, 2020.
- Adjusted profit⁽¹⁾ for the three months ended September 30, 2021 increased by \$18.2 million, or 40.0 per cent, to \$63.7 million compared to \$45.5 million for the three months ended September 30, 2020.
- Adjusted profit⁽¹⁾ for the nine months ended September 30, 2021 was \$128.8 million compared to \$167.3 million for the nine months ended September 30, 2020.
- Total assets were \$13,176.5 million at September 30, 2021 compared to \$12,742.5 million at December 31, 2020.
- Available liquidity was \$3,421.9 million at September 30, 2021 compared to \$2,693.0 million at December 31, 2020. Our Liquidity ratio increased to 263.5% at September 30, 2021 from 235.2% at December 31, 2020.
- Net Debt-to-Equity ratio was 2.48:1 times at September 30, 2021 compared to 2.57:1 times at December 31, 2020.

OPERATIONAL HIGHLIGHTS

- Total number of aircraft in the fleet at September 30, 2021 was 386 (December 31, 2020: 374) which consists of 292 owned (December 31, 2020: 298), 72 managed (December 31, 2020: 66) and 22 committed aircraft (December 31, 2020: 10).
- During the nine months ended September 30, 2021, we purchased 10 owned aircraft (September 30, 2020: 5) and 13 managed aircraft (September 30, 2020: 14) and sold 16 owned aircraft (September 30, 2020: 10) and seven managed aircraft (September 30, 2020: 8).
- The weighted average age of our owned fleet was 6.6 years at September 30, 2021 compared to 6.2 years at December 31, 2020. The weighted average remaining lease term of our owned fleet at September 30, 2021 was 6.4 years compared with 6.6 years at December 31, 2020.
- During the nine months ended September 30, 2021, we issued \$2,830.0 million of unsecured financing and completed the early redemption of \$1,704.4 million 4.5% to 5.75% senior unsecured notes due from 2022 to 2024.
- The ratio of unsecured debt to total debt increased to 68.6% at September 30, 2021 from 62.6% at December 31, 2020.

SUBSEQUENT EVENTS

- Subsequent to September 30, 2021, we completed the previously announced early redemption of 5.25% Senior Unsecured Notes with an outstanding principal balance of approximately \$487.8 million on October, 15 2021. In addition, we entered into \$500.0 million new Senior Unsecured Term financing with maturity of 5 years.

(1) Adjusted profit after tax for the period – adjusted for one- off debt redemption costs which occurred during 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 nine months ended September 30, 2021.

<u>Results of operations (in millions of USD)</u>	Nine months ended	
	Sep 30	
	2021	2020
Consolidated statement of profit or loss and comprehensive income		
Total revenue	925.3	984.1
Gain on disposal of aircraft	59.7	9.9
Expenses		
Depreciation and amortization	(427.6)	(418.7)
General and administrative expenses	(58.5)	(57.2)
Cost of providing engineering maintenance services	(44.0)	(31.1)
Loss allowance	(54.8)	(40.4)
Aircraft maintenance	(14.3)	(13.9)
Operating profit	385.8	432.7
Finance income	4.4	13.7
Finance expense	(255.8)	(267.6)
Debt redemption costs	(38.3)	-
Net finance costs	(289.7)	(253.9)
Profit before income tax	96.1	178.8
Income tax expense	(5.6)	(11.5)
Profit for the period	90.5	167.3
Add back debt redemption costs	38.3	-
Adjusted profit for the period	128.8	167.3
As at		
Consolidated statement of financial position (Extract)		
	Sep 30,	Dec 31,
	2021	2020
Total cash and cash resources	947.1	566.5
Aircraft held for lease	11,297.1	11,321.0
Aircraft held for sale	42.8	-
Total assets	13,176.5	12,742.5
Total loans and borrowings	8,347.7	7,907.2
Total equity	3,013.0	2,891.1
Total liabilities and equity	13,176.5	12,742.5
Nine months ended		
Sep 30		
	2021	2020
Adjusted EBITDA calculation ⁽¹⁾		
Profit for the period	90.5	167.3
Add back		
Net finance costs	289.7	253.9
Income tax expense	5.6	11.5
Loss allowance	54.8	40.4
Depreciation and amortization	427.6	418.7
Adjusted EBITDA	868.2	891.8

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

Financial metrics	As at	
	Sep 30, 2021	Dec 31, 2020
Pre-tax margin (<i>per cent</i>) ⁽²⁾	10.4	19.2
Pre-tax return on equity (<i>per cent</i>) ⁽³⁾	6.0	8.4
Net debt to equity (<i>times</i>) ⁽⁴⁾	2.48x	2.57x
Total available liquidity (<i>USD billions</i>) ⁽⁵⁾	3.4	2.7
Unsecured debt/total debt (<i>per cent</i>) ⁽⁶⁾	68.6	62.6
Liquidity coverage ratio (<i>per cent</i>) ⁽⁷⁾	263.5	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 September 30, 2021 excludes one-off bond redemption costs incurred during 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.

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

Overview

DAE is a global 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 September 30, 2021 we had a total owned, managed and committed fleet of 386 aircraft which was made up of 292 owned aircraft (including one aircraft held for sale and eight aircraft classified as finance lease and loan receivables), 72 managed aircraft and commitments to acquire 16 new, fuel-efficient aircraft for our owned fleet and additional six aircraft for the managed fleet. Our owned and managed aircraft are on lease to 114 lessees in 54 countries

As of September 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 \$11,524.7 million. In addition, the estimated value of our managed fleet was \$1,701.9 million. As of September 30, 2021, 91.3% of our leases were subject to fixed lease rates as a percentage of lease revenue and our future contracted lease rental income amounted to \$6,416.0 million.

Our lease portfolio is highly diversified, geographically and by airline, with our top five lessees representing 27.7% of our portfolio based on net book value as of September 30, 2021. Emirates, a related party, is our largest customer representing 12.0% 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 CEO family	92	31	1	124
A320 NEO family	3	2	5	10
A330-family	21	4	1	26
A350-900	4	-	-	4
Total Airbus	120	37	7	164
B737 NG family	68	26	-	94
B737 MAX family	12	5	15	32
B787 family	11	-	-	11
B777	3	-	-	3
B777F	13	-	-	13
Legacy Boeing	-	2	-	2
Total Boeing	107	33	15	155
ATR 72-600	65	2	-	67
Total	292	72	22	386
Narrow body	175	64	21	260
Wide body	52	6	1	59
Turboprop	65	2	-	67
Total	292	72	22	386

*Commitment portfolio includes 16 aircraft for the owned fleet and six aircraft for the managed fleet.

Fleet metrics	As at	
	Sep 30, 2021	Dec 31, 2020
Owned fleet (<i>number of aircraft</i>)	292	298
Managed fleet (<i>number of aircraft</i>)	72	66
Weighted average age (<i>years</i>) ⁽¹⁾	6.6	6.2
Weighted average remaining lease term (<i>years</i>) ⁽¹⁾	6.4	6.6
<u>(in millions of USD)</u>		
Net book value of aircraft held for lease	11,297.1	11,321.0
Net book value of aircraft held-for-sale	42.8	-
Carrying value of finance lease and loan receivables	184.9	185.2
Aggregate net book value	11,524.8	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 workforce of approximately 1,000 people giving 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 EASA in the European Union, 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 September 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 \$216.6 million or 18.7% of Trailing Twelve Months (TTM) lease revenue. Of the total, \$213.4 million has been incurred and \$3.2 million relates to future rental. Of the \$213.4 million incurred, \$79.3 million has been completed and \$134.2 million remains accrued at September 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 \$172.6 million or 14.9% of TTM lease revenue.

Due to the support provided to our airline customers, we have recognized accrued revenue of \$134.2 million, within other assets, and a corresponding loss allowance of \$18.7 million as at September 30, 2021, compared to \$107.2 million and \$10.7 million respectively as at December 31, 2020.

In addition, our trade and other receivables balance was \$219.8 million as at September 30, 2021 compared to \$199.7 million as at December 31, 2020. During the nine months ended September 30, 2021 we have seen an increase in our loss allowance, increasing to \$90.7 million compared to \$57.7 million at December 31, 2020. Our net trade and other receivables balance was \$129.1 million as at September 30, 2021 compared to \$142.0 million as at December 31, 2020.

If the impact of COVID-19 is prolonged 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 \$484 million in the form of cash or letters of credit. We also hold maintenance reserves of \$1,147.1 million. In addition, we continue to have access to \$3.4 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”). DAE provides annual ESG Reporting to stakeholders which is presented in accordance with the Global Reporting Institute (GRI) Standards, and DAE holds an ESG Risk Rating of 14.1 from Sustainalytics, who consider DAE’s enterprise value to be of ‘Low Risk’ of material financial impacts driven by ESG factors. 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. The ESG Report, Risk Rating Summary, and further information is available on DAE’s website <https://dubaiaerospace.com/esg/>.

DAE Capital has a young fleet with an average age of 6.6 years. As of September 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 24 nationalities. In addition, at September 30, 2021 our DAE Capital business had a ratio of 60% male employees and 40% 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.

Nine months ended September 30, 2021 Compared to Nine months ended September 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 nine months ended September 30, 2021 and September 30, 2020.

<u>Total Revenue (in millions of USD)</u>	Nine months ended	
	Sep 30	
	2021	2020
Lease revenue	864.9	928.2
Maintenance revenue	27.7	39.3
Amortization of lease incentives and other lease costs	(50.5)	(44.9)
Net lease revenue	842.1	922.6
Engineering maintenance service revenue	61.8	42.7
Finance lease and loan receivables income	10.9	6.2
Total lease, engineering maintenance service revenue and finance lease and loan receivables income	914.8	971.5
Other income	10.5	12.6
Total revenue	925.3	984.1

Total revenue was \$925.3 million for the nine months ended September 30, 2021 compared to \$984.1 million for the nine months ended September 30, 2020, a decrease of \$58.8 million, or 6.0 per cent, due to the reasons outlined below.

Net lease revenue decreased by \$80.5 million, or 8.7 per cent, to \$842.1 million for the nine months ended September 30, 2021 from \$922.6 million for the nine months ended September 30, 2020. This decrease was due primarily to lease restructurings due to COVID-19 and lower maintenance income due to lower maintenance reserve releases on transitioning aircraft offset by additional revenue generated by aircraft acquisitions.

Engineering maintenance service revenue increased by \$19.1 million, or 44.7 per cent, to \$61.8 million for the nine months ended September 30, 2021 compared to \$42.7 million for the nine months ended September 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 \$4.7 million to \$10.9 million for the nine months ended September 30, 2021 compared to \$6.2 million for the nine months ended September 30, 2020. This increase was primarily due to a higher number of aircraft classified as finance lease and loan receivables.

Gain on disposal of aircraft

Gain on disposal of aircraft was \$59.7 million for the nine months ended September 30, 2021 compared to \$9.9 million for the nine months ended September 30, 2020. During the nine months ended September 30, 2021 we sold 16 owned aircraft compared to the sale of 10 owned aircraft during the nine months ended September 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 nine months ended September 30, 2021 and September 30, 2020.

<u>Total Expenses (in millions of USD)</u>	Nine months ended	
	Sep 30	
	2021	2020
Depreciation and amortization	427.6	418.7
General and administrative expenses	58.5	57.2
Cost of providing engineering maintenance services	44.0	31.1
Loss allowance	54.8	40.4
Aircraft maintenance	14.3	13.9
Total expenses	599.2	561.3

Expenses for the nine months ended September 30, 2021 increased by \$37.9 million, or 6.7 per cent, to \$599.2 million compared to \$561.3 million for the nine months ended September 30, 2020.

Depreciation and amortization expense increased by \$8.9 million, or 2.1 per cent, for the nine months ended September 30, 2021 to \$427.6 million compared to \$418.7 million in the prior year. This increase was primarily due to the acquisition of 28 aircraft in the preceding 12 months resulting in a higher average number of aircraft in the fleet.

General and administrative expenses increased by \$1.3 million, or 2.3 per cent, for the nine months ended September 30, 2021 to \$58.5 million from \$57.2 million in the prior year. This increase was due to the higher legal and professional fees.

Cost of providing engineering maintenance services increased by \$12.9 million, or 41.5 per cent, for the nine months ended September 30, 2021 to \$44.0 million from \$31.1 million in the prior year. This increase reflects the corresponding increase in engineering maintenance services revenue over the same period.

Loss allowance increased by \$14.4 million or 35.4 per cent to \$54.8 million, which was due predominately to the increased trade receivables and accrued revenue as a result of the ongoing impact of the COVID-19 pandemic. Further information can be found in the interim financial statements note 16.

In addition, aircraft maintenance increased by \$0.4 million, or 3.0 per cent, to \$14.3 million for the nine months ended September 30, 2021 from \$13.9 million for the nine months ended September 30, 2020. This increase was due primarily to an increase in the number of aircraft transitioning.

Operating profit

Operating profit was \$385.8 million for the nine months ended September 30, 2021 compared to \$432.7 million in the corresponding period of 2020, a decrease of \$46.9 million, or 10.8 per cent. The decrease was attributable to the factors described in the preceding sections.

Net finance costs

Net finance costs excluding debt redemption costs decreased by \$2.5 million to \$251.4 million for the nine months ended September 30, 2021 from \$253.9 million for the nine months ended September 30, 2020. Total net finance costs increased by \$35.8 million, or 14.1 per cent, to \$289.7 million for the nine months ended September 30, 2021 from \$253.9 million for the nine months ended September 30, 2020.

Finance income decreased by \$9.3 million, or 68.0 per cent, to \$4.4 million for the nine months ended September 30, 2021 from \$13.7 million for the nine months ended September 30, 2020. This was due primarily to lower gains on financial instruments and the movement in interest earned on the notes receivable from the shareholder, which were repaid in full during 2020.

Finance expense decreased by \$11.8 million, or 4.4 per cent, to \$255.8 million, due primarily to a decrease in interest expense as a result of the repayment of senior unsecured notes with an average rate of 5.1% and the issuance of additional unsecured debt with an average rate of 2.3%.

During the nine months ended September 30, 2021, we early redeemed certain senior unsecured notes resulting in a one-off debt redemption costs of \$38.3 million which consist of a redemption premium paid of \$29.0 million and acceleration of debt issuance costs of \$9.3 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 nine months ended September 30, 2021 we recorded a tax expense of \$5.6 million compared to \$11.5 million for the nine months ended September 30, 2020. The decrease was primarily due to a reduction in profits attributable to the Group's activities carried out in Ireland during the nine months ended September 30, 2021.

Profit for the period

Reflecting the above factors, profit for the nine months ended September 30, 2021 decreased by \$76.8 million, or 45.9 per cent, to \$90.5 million from \$167.3 million for the nine months ended September 30, 2020. Adjusted profit after tax for the nine months ended September 30, 2021 decreased by \$38.5 million, or 23.0 per cent, to \$128.8 million from \$167.3 million for the nine months ended September 30, 2020.

Consolidated Cash Flows

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

Consolidated cash flow (Extract) (in millions of USD)	Nine months ended	
	Sep 30	
	2021	2020
Net cash generated from operating activities	799.7	602.7
Net cash (used in)/from investing activities	(468.4)	737.7
Net cash from/(used in) financing activities	61.6	(1,088.0)
Net increase in cash and cash equivalents	393.0	252.4
Cash and cash equivalents at the beginning of the period	469.0	228.5
Cash and cash equivalents at the end of the period	862.0	480.9

For the nine months ended September 30, 2021 net cash generated from operating activities was \$799.7 million, an increase of \$197.0 million, or 32.7 per cent, from \$602.7 million for the nine months ended September 30, 2020. This movement was primarily due to a decrease in trade and other receivables and finance lease and loan receivables and higher maintenance receipts which were offset by an increase in accrued revenue (representing deferred rentals).

For the nine months ended September 30, 2021 net cash used in investing activities was \$468.4 million compared to net cash from investing activities of \$737.7 million for the nine months ended September 30, 2020. This movement was primarily due to higher capital expenditure and deposits paid for aircraft purchases, lower receipts following the repayment of notes receivable during 2020, offset by increased proceeds from disposal of aircraft.

Net cash from financing activities for the nine months ended September 30, 2021 increased by \$1,149.6 million to \$61.6 million compared to net cash used in financing activities of \$1,088.0 million for the nine months ended September 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 nine months ended September 30, 2021 compared to the nine months ended September 30, 2020.

Our cash and cash equivalents as at September 30, 2021 was \$862.0 million an increase of \$381.1 million from \$480.9 million as at September 30, 2020. This increase was due primarily to the drawdown of additional financing to pre-fund the Groups forthcoming debt obligations and capital commitments.

Our total cash and cash resources, which includes restricted cash, was \$947.1 million as at September 30, 2021 which represents an increase of \$380.6 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 \$8,347.7 million as at September 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 nine months ended September 30, 2021.

At September 30, 2021 our level of unsecured debt was 68.6% compared to 62.6% at December 31, 2020. The average cost of debt as at September 30, 2021 was 3.7% which decreased from 3.9% at December 31, 2020 and the weighted average debt maturity as at September 30, 2021 was 4.2 years compared to 4.1 years at December 31, 2020.

Loans and Borrowings (in millions of USD)

	Aircraft Collateral	Sep 30 2021
Unsecured		
Senior unsecured notes		3,807.1
Unsecured facilities (incl. term loans)		1,557.7
Revolving credit facilities		426.3
Total unsecured		5,791.1
Secured		
Recourse obligations (incl. Ex-Im & EDC)	94	2,345.3
Non-recourse obligations	5	142.2
Term loans	9	163.7
Total secured	108	2,651.2
Debt issuance costs		(94.6)
Net loans and borrowings		8,347.7

The Group holds 184 aircraft with a total net book value of \$7,026.8 million which were unencumbered at September 30, 2021 and 108 aircraft which were 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 September 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 \$3,013.0 million as at September 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 nine months ended September 30, 2021.

Our Net Debt to Equity ratio was 2.48:1 times as at September 30, 2021 compared to 2.57:1 times as at December 31, 2020. Available liquidity was \$3,421.9 million as at September 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 nine-month period ended
30 September 2021**

Dubai Aerospace Enterprise (DAE) Ltd

Unaudited condensed consolidated interim financial statements for the nine-month period ended 30 September 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 September 2021 and the related condensed consolidated statements of profit or loss and other comprehensive income for the three-month and nine-month periods then ended, and condensed consolidated statements of changes in equity and cash flows for the nine-month period then ended, and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of 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
2 November 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 September 2021	Unaudited 3 months ended 30 September 2020	Unaudited 9 months ended 30 September 2021	Unaudited 9 months ended 30 September 2020
Revenues					
Revenue	5	306,916	302,767	914,839	971,483
Other income		5,056	5,410	10,491	12,638
Total revenue		311,972	308,177	925,330	984,121
Gain on disposal of aircraft		30,496	41	59,685	9,893
Expenses					
Depreciation and amortization		(140,360)	(138,841)	(427,594)	(418,726)
General and administrative expenses		(22,049)	(18,678)	(58,552)	(57,262)
Cost of providing engineering maintenance services		(12,070)	(8,595)	(43,980)	(31,070)
Loss allowance	16	(19,106)	(12,565)	(54,763)	(40,441)
Aircraft maintenance		(3,538)	(4,853)	(14,292)	(13,876)
Operating profit		145,345	124,686	385,834	432,639
Finance income	6	1,241	3,679	4,425	13,714
Finance expense	6	(79,421)	(81,519)	(255,835)	(267,597)
Debt redemption costs	6	(22,210)	-	(38,307)	-
Net finance cost		(100,390)	(77,840)	(289,717)	(253,883)
Profit before income tax		44,955	46,846	96,117	178,756
Income tax expense	7	(3,444)	(1,335)	(5,571)	(11,503)
Profit for the period		41,511	45,511	90,546	167,253
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		7,105	6,643	33,304	(54,894)
Income tax relating to components of other comprehensive income		(463)	(459)	(1,947)	3,328
Total comprehensive income for the period		48,153	51,695	121,903	115,687
Profit for the period attributable to:					
Equity holders of Dubai Aerospace Enterprise (DAE) Ltd		42,222	46,157	90,932	168,522
Non-controlling interests		(711)	(646)	(386)	(1,269)
		41,511	45,511	90,546	167,253
Total comprehensive income for the period attributable to:					
Equity holders of Dubai Aerospace Enterprise (DAE) Ltd		48,864	52,341	122,289	116,956
Non-controlling interests		(711)	(646)	(386)	(1,269)
		48,153	51,695	121,903	115,687

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

Dubai Aerospace Enterprise (DAE) Ltd

Condensed consolidated statement of financial position

In thousands of US Dollars

	Note	Unaudited 30 September 2021	Audited 31 Dec 2020
ASSETS			
Non-current assets			
Aircraft held for lease	8	11,297,094	11,321,045
Property, plant and equipment		107,134	105,191
Intangible assets		4,582	5,275
Goodwill		44,668	44,668
Finance lease and loan receivables	15	168,394	170,812
Other non-current assets		230,622	227,821
Financial assets at FVTPL and amortized cost		46,130	39,325
		11,898,624	11,914,137
Current assets			
Cash and cash equivalents	10	862,012	469,001
Restricted cash	10	85,137	97,493
Inventories		39,616	11,702
Trade and other receivables	9	129,108	142,047
Prepayments		6,966	4,569
Finance lease and loan receivables	15	16,477	14,344
Current tax asset		1,237	1,569
Other current assets		94,572	87,612
Assets held-for-sale	11	42,781	-
		1,277,906	828,337
Total assets		13,176,530	12,742,474
EQUITY AND LIABILITIES			
Equity			
	12		
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		(62,057)	(93,414)
Retained earnings		1,862,227	1,771,295
		3,003,767	2,881,478
Non-controlling interests		9,228	9,614
Net equity		3,012,995	2,891,092
LIABILITIES			
Non-current liabilities			
Loans and borrowings	13	7,045,163	6,720,545
Deferred tax liabilities		314,971	307,739
Maintenance reserves and security deposits	14	938,354	979,229
Lease liabilities		33,254	29,480
Deferred revenue		25,777	34,665
		8,357,519	8,071,658
Current liabilities			
Loans and borrowings	13	1,302,581	1,186,627
Trade and other payables		45,787	177,236
Derivative financial liabilities		60,858	92,047
Maintenance reserves and security deposits	14	329,232	249,090
Lease liabilities		3,927	3,574
Deferred revenue		61,081	71,150
Liabilities held-for-sale	11	2,550	-
		1,806,016	1,779,724
Total liabilities		10,163,535	9,851,382
Total liabilities and equity		13,176,530	12,742,474

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 9 months ended 30 Sep 2021	Unaudited 9 months ended 30 Sep 2020
Cash flows from operating activities		
Profit for the period	90,546	167,253
Adjustments for:		
Depreciation and amortization	427,594	418,726
Gain on disposal of aircraft	(59,685)	(9,893)
Net finance cost	254,365	231,011
Amortization of fair value discounts and financing fees	35,352	22,872
Income tax	5,571	11,503
Changes in operating assets and liabilities		
Movement in in trade and other receivables	12,939	(102,888)
Movement in finance lease and loan receivables	285	(86,350)
Movement in maintenance reserves and security deposits	39,267	(47,607)
Movement in accrued revenue	(19,047)	-
Movement in other assets and liabilities	12,554	(1,891)
Net cash generated from operating activities	799,741	602,736
Cash flows from investing activities		
Acquisition of aircraft held for lease	(478,263)	(101,782)
Acquisition of property plant and equipment	(2,042)	(4,068)
Proceeds from sale of aircraft	523,135	29,931
Repayment of notes receivable	-	813,591
Deposits paid for aircraft purchases	(511,197)	-
Net cash (used in)/from investing activities	(468,367)	737,672
Cash flow from financing activities		
Movement in restricted cash	12,356	33,555
Proceeds from borrowings	3,135,254	1,010,000
Repayment of borrowings	(2,658,482)	(1,422,493)
Repurchase of share capital	(100,000)	(250,056)
Debt repurchased	-	(188,741)
Net financing costs	(274,565)	(258,636)
Payment of debt issuance costs	(52,926)	(11,580)
Net cash from/(used in) financing activities	61,637	(1,087,951)
Net increase in cash and cash equivalents	393,011	252,457
Cash and cash equivalents at the beginning of the period	469,001	228,461
Cash and cash equivalents at the end of the period	862,012	480,918

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	-	-	-	-	90,932	90,932	(386)	90,546
Other comprehensive income	-	-	-	31,357	-	31,357	-	31,357
Total comprehensive income for the period	-	-	-	31,357	90,932	122,289	(386)	121,903
At 30 September 2021	1,927,770	517,884	(1,242,057)	(62,057)	1,862,227	3,003,767	9,228	3,012,995

<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	-	-	-	-	168,522	168,522	(1,269)	167,253
Other comprehensive income	-	-	-	(51,566)	-	(51,566)	-	(51,566)
Total comprehensive income for the period	-	-	-	(51,566)	168,522	116,956	(1,269)	115,687
Purchase of own shares	-	-	(250,056)	-	-	(250,056)	-	(250,056)
At 30 September 2020	1,927,770	517,884	(1,142,057)	(103,624)	1,710,265	2,910,238	8,981	2,919,219

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 – the Group's engineering division operates under the brand name Joramco and is an independent provider of airframe maintenance, repair and overhaul services. DAE has an 80% ownership stake in Joramco.

The highlights for the nine-month period ended 30 September 2021 (the “period”) are summarized below:

- The Group owned 292 aircraft at 30 September 2021 (31 December 2020: 298 aircraft).
- Purchases – the Group purchased 10 aircraft during the period (30 September 2020: 5 aircraft)
- Sales – the Group disposed of 16 aircraft during the period (30 September 2020: 10 aircraft).
- During the period ended 30 September 2021 the Group issued USD 2,550.0 million aggregate principal amount of senior unsecured notes and completed the early redemption of USD 1,704.4 million aggregate senior unsecured notes due in 2022 to 2024.
- 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 72 aircraft on behalf of third parties at 30 September 2021 (31 December 2020: 66 aircraft). During the period, the Group acquired 13 managed aircraft (30 September 2020: 14 aircraft) and completed the sale of seven managed aircraft (30 September 2020: 8 aircraft).

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

The condensed consolidated interim financial statements were approved on 2 November 2021 and signed by:

/s/ Firoz Tarapore

Firoz Tarapore
Chief Executive Officer

/s/ Jennifer Creevey

Jennifer Creevey
Chief Financial 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 September 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. At 30 September 2021 the Group’s available liquidity totaled USD 3,421.9 million, including USD 862.0 million of cash on hand. As such, the Directors are of the opinion that the going concern basis is appropriate for the financial statements for the nine-month period ended 30 September 2021.

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 September 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 Sep 2021	30 Sep 2020
	USD'000	USD'000
Lease rental income	842,180	922,608
Engineering maintenance services revenue	61,771	42,688
Finance lease and loan receivables income	10,888	6,187
Total revenue	914,839	971,483

Lease rental income includes the release of maintenance reserves totaling USD 27.7 million (30 September 2020: USD 39.3 million) which is net of the derecognition of maintenance right assets of USD 6.1 million (2020: USD 13.6 million).

Lease rental income also includes a net charge associated with the amortization of lease incentive assets of USD 42.6 million (30 September 2020: USD 37.0 million) and other lease incentive costs of USD 7.9 million for the period (30 September 2020: USD 7.9 million).

Engineering maintenance services revenue of USD 61.8 million (30 September 2020: USD 42.7 million) relates to commercial aircraft maintenance, repair and overhaul services provided by the Group.

Lease rental income from the top five customers represented 36.6% of the lease rental income for the nine-month period ended 30 September 2021 (30 September 2020: 32.3%). Customers based in the United Arab Emirates and the Kingdom of Bahrain accounted for 18.4% and 8.2% of lease rental income respectively in the period ended 30 September 2021 (2020: 16.7% and 7.6%).

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 Sep 2021	30 Sep 2021	30 Sep 2020	30 Sep 2020
	USD'000	%	USD'000	%
MEASA (Middle East/Africa/South Asia)	388,372	46	393,934	43
Asia/Pacific	227,870	27	270,503	29
Europe	80,537	10	131,727	14
Americas	145,401	17	126,444	14
Total lease revenue	842,180	100	922,608	100

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the unaudited condensed consolidated interim financial statements

6. Finance income and expense

	30 Sep 2021	30 Sep 2020
	USD'000	USD'000
Interest on notes receivable	-	3,216
Interest on bank accounts and short-term investments	1,302	3,293
Gains on financial instruments	-	3,367
Interest from investments	645	1,005
Other finance income	1,236	2,833
Net foreign exchange gain	1,242	-
Total finance income	4,425	13,714
Interest on borrowings	(224,024)	(238,074)
Amortization of debt issuance costs	(26,030)	(21,959)
Other charges	(4,254)	(4,192)
Lease interest expense	(1,527)	(1,671)
Net foreign exchange loss	-	(1,701)
Total finance expense	(255,835)	(267,597)
Debt redemption costs	(38,307)	-
Net finance cost	(289,717)	(253,883)

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

Debt redemption costs relate to the early redemption premium paid of USD 29.0 million and acceleration of debt issuance costs USD 9.3 million on the early redemption of USD 1,704.4 million aggregate senior unsecured notes completed in the period.

Net finance cost, adjusted for a one-off debt redemption cost, decreased by USD 2.5 million to USD 251.4 million for the period ended 30 September 2021 from USD 253.9 million for the period ended 30 September 2020.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the unaudited condensed consolidated interim financial statements

7. Income tax expense

	30 Sep 2021	30 Sep 2020
	USD'000	USD'000
Current tax expense/(benefit)		
Current period	286	(177)
Deferred tax expense		
Origination and reversal of temporary differences	5,285	11,680
Total income tax expense	5,571	11,503

Reconciliation of effective tax rate

	30 Sep 2021	30 Sep 2020
	USD'000	USD'000
Profit before income tax	96,117	178,756
Tax on profit at the United Arab Emirates statutory rate of 0%	-	-
Reconciling items		
Net (loss)/profit taxable in Ireland at 12.5%	1,735	10,863
Net (loss)/profit taxable in US	-	(459)
Net loss taxable at other rates	(3,954)	(2,652)
Interest not deductible	2,370	2,870
Impact of tax losses not recognized	4,208	1,219
Tax arising on permanent items	549	(338)
Adjustment to prior period	663	-
Total income tax expense	5,571	11,503

The income tax expense for the nine-month period ended 30 September 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 2.4 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	501,874	511,197	-	-	1,013,071
Transfers	31,240	-	(31,240)	-	-
Transfers to assets held-for-sale	(302,664)	-	(8,000)	-	(310,664)
Transfer to finance lease receivable	(12,130)	-	-	-	(12,130)
Derecognition	(29,356)	-	(10,417)	-	(39,773)
Disposals	(392,084)	-	(3,074)	-	(395,158)
At 30 September 2021	12,121,823	511,197	447,036	(24,264)	13,055,792
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	398,524	-	17,430	(2,703)	413,251
Transfers to assets held-for-sale	(18,309)	-	(1,297)	-	(19,606)
Transfer to finance lease receivable	(1,628)	-	-	-	(1,628)
Derecognition	(11,551)	-	(4,353)	-	(15,904)
Disposals	(95,944)	-	(872)	-	(96,816)
At 30 September 2021	1,659,806	-	113,785	(14,893)	1,758,698
Net book value					
At 31 December 2020	10,936,229	-	396,890	(12,074)	11,321,045
At 30 September 2021	10,462,017	511,197	333,251	(9,371)	11,297,094

As of 30 September 2021, the Group owned 292 aircraft including one aircraft held-for-sale (31 December 2020: 298 aircraft), within this the Group had 284 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 16 aircraft (30 September 2020: 10 aircraft) and purchased ten aircraft (30 September 2020: 5 aircraft).

During the period, the Group derecognised USD 6.1 million (30 September 2020: USD 13.6 million) of maintenance right assets related to aircraft which were redelivered to the Group during the period. An amount of USD 6.8 million has been recognised as a maintenance reserve release in relation to these aircraft (30 September 2020: USD 17.3 million). These amounts are netted within revenue in the consolidated statement of comprehensive income.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the unaudited condensed consolidated interim financial statements

8. Aircraft held for lease (continued)

Aircraft pre-delivery payments of USD 511.2 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 September 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).

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 September 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 nine months ended 30 September 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 Sep 2021	31 Dec 2020
	USD'000	USD'000
Trade receivables	217,476	194,985
Less: Loss allowance	(90,710)	(57,685)
Trade receivables, net	126,766	137,300
Other receivables	2,342	4,747
Total trade and other receivables	129,108	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 Sep 2021	31 Dec 2020
	USD'000	USD'000
Cash and cash equivalents	862,012	469,001
Restricted cash	85,137	97,493
Total cash and cash resources	947,149	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 September 2021, the Group had agreements for the sale of one aircraft which met the requirement to be classified as held-for-sale (2020: nil). Subsequent to period end this aircraft was sold. Five aircraft previously held-for-sale were sold during the period.

	30 Sep 2021	31 Dec 2020
	USD'000	USD'000
Assets classified as held-for-sale		
Aircraft held for lease	42,781	-
	<u>42,781</u>	<u>-</u>
Liabilities classified as held-for-sale		
Maintenance reserves and security deposits	2,550	-
	<u>2,550</u>	<u>-</u>

12. Capital and reserves

	30 Sep 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	(62,057)	(93,414)
Retained earnings	1,862,227	1,771,295
Attributable to equity holders of the Company	3,003,767	2,881,478
Non-controlling interests	9,228	9,614
Total equity	3,012,995	2,891,092

The authorized and issued share capital of the Company at 30 September 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 September 2021, the Group paid USD 100.0 million related to the repurchase of ordinary shares which was completed in December 2020.

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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 Sep 2021	31 Dec 2020
	USD'000	USD'000
Principal	8,406,987	7,932,332
Accrued and unpaid interest	31,423	47,198
Fair value hedge reserve	3,935	4,670
Total borrowings	8,442,345	7,984,200
Debt issuance costs	(94,602)	(77,028)
Net borrowings	8,347,743	7,907,172
Non-current liabilities		
Borrowings	7,112,555	6,777,260
Debt issuance costs	(67,392)	(56,715)
Non-current borrowings	7,045,163	6,720,545
Current liabilities		
Borrowings	1,329,791	1,206,940
Debt issuance costs	(27,210)	(20,313)
Current borrowings	1,302,581	1,186,627

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

	30 Sep 2021	31 Dec 2020
	USD'000	USD'000
At the beginning of the period / year	7,984,200	8,376,234
Loan drawdowns	585,254	1,372,200
Issuance of senior unsecured notes	2,550,000	750,000
Loan repayments	(954,086)	(1,880,334)
Repayments of unsecured notes	(1,704,396)	(431,493)
Debt repurchased	-	(192,108)
Amortization of fair value discounts	-	(3,071)
Movement in fair value hedge reserve	(736)	3,447
Movement in accrued interest	(15,775)	(13,085)
Revaluation of loans	(2,116)	2,410
At the end of the period / year	8,442,345	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 (before debt issuance costs) are as follows:

	30 Sep 2021	31 Dec 2020
	USD'000	USD'000
Senior unsecured notes	3,807,134	2,976,401
Revolving credit facilities	426,321	762,308
Unsecured facilities (including term loans)	1,557,671	1,257,880
Recourse obligations (including Ex-Im & EDC)	2,345,280	2,652,096
Secured term loan	163,759	180,521
Non-recourse obligations	142,180	154,994
Total borrowings	8,442,345	7,984,200

14. Maintenance reserves and security deposits

	30 Sep 2021	31 Dec 2020
	USD'000	USD'000
Non-current maintenance reserves and security deposits		
Maintenance reserves	833,485	835,575
Security deposits	104,869	143,654
Total	938,354	979,229

	30 Sep 2021	31 Dec 2020
	USD'000	USD'000
Current maintenance reserves and security deposits		
Maintenance reserves	313,624	237,633
Security deposits	15,608	11,457
Total	329,232	249,090

Maintenance reserves

	30 Sep 2021	31 Dec 2020
	USD'000	USD'000
At the beginning of the period / year	1,073,208	1,144,420
Additions	283,748	226,095
Transferred to held-for-sale	(5,723)	-
Reimbursed / paid	(123,665)	(206,678)
Released / offset	(80,459)	(90,629)
At the end of the period / year	1,147,109	1,073,208

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Notes to the unaudited condensed consolidated interim financial statements

14. Maintenance reserves and security deposits (continued)

Security deposits

	30 Sep 2021	31 Dec 2020
	USD'000	USD'000
At the beginning of the period/year	155,111	187,334
Additions	42,447	24,736
Transferred to held-for-sale	(8,228)	-
Repaid / offset	(68,853)	(56,959)
At the end of the period/year	120,477	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 363.2 million as of 30 September 2021 (31 December 2020: USD 442.8 million).

15. Leases

Operating leases

Group as a lessor

As at 30 September 2021, the Group owns 292 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 Sep 2021	31 Dec 2020
	USD'000	USD'000
Within one year	1,134,468	1,130,667
After one year but not more than five years	3,478,924	3,697,246
More than five years	1,802,620	2,117,450
Total	6,416,012	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 Sep 2021	31 Dec 2020
	USD'000	USD'000
Non-current		
Finance leases	77,173	74,844
Loan receivables	91,221	95,968
Total	168,394	170,812

	30 Sep 2021	31 Dec 2020
	USD'000	USD'000
Current finance leases and loan receivables		
Finance leases	10,201	8,384
Loan receivables	6,276	5,960
Total	16,477	14,344

Finance leases

As at 30 September 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 September 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 Sep 2021	31 Dec 2020
	USD'000	USD'000
Gross receivables	223,741	232,926
Unearned interest income	(55,347)	(62,114)
Total non-current receivables	168,394	170,812
Gross receivables	30,292	27,928
Unearned interest income	(13,815)	(13,584)
Total current receivables	16,477	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 Sep 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	30,292	16,477	27,928	14,344
After one year but not more than five years	121,170	81,134	111,714	70,052
More than five years	102,571	87,260	121,212	100,760
Total	254,033	184,871	260,854	185,156
Less: unearned interest income	(69,162)	-	(75,698)	-
Total	184,871	184,871	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.

As a result of the pandemic, the Group has granted deferral of rent payments to certain of its airline customers. As of 30 September 2021, there are 22 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.

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Notes to the unaudited condensed consolidated interim financial statements

16. Risks and uncertainties (continued)

Credit risk (continued)

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 Sep 2021	31 Dec 2020
	USD'000	USD'000
Trade receivables	217,476	194,985
Loss allowance	(90,710)	(57,685)
Trade receivables, net	126,766	137,300
Accrued revenue (within other assets)		
Current - due within 1 year	43,804	30,621
Non-current - due after 1 year	90,359	76,572
Loss allowance	(18,658)	(10,735)
Accrued revenue, net	115,505	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 46.2 million (30 September 2020: USD 30.6 million) and accrued revenue of USD 8.6 million (30 September 2020: 9.8 million). The charge for the period is calculated in accordance with methodology outlined in our consolidated financial statements for the year ended 31 December 2020. During the period the following movement in the loss allowance was recognized:

	30 Sep 2021	31 Dec 2020
	USD'000	USD'000
At the beginning of the period/year	68,420	14,474
Loss allowance	54,763	53,946
Provision utilized	(13,815)	-
At the end of the period/year	109,368	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 166.3 million (30 September 2020: USD 153.0 million) being aircraft lease rentals including release of maintenance reserves, from companies under common control.
- The Group also provided engineering maintenance services to companies under common control amounting to USD 1.8 million (30 September 2020: USD 3.4 million).
- Finance income on notes receivable from shareholders during the period amounts to USD nil (30 September 2020: USD 3.2 million).
- Finance expense for the period in respect of loans from related companies under common control amounts to USD 20.8 million (30 September 2020: USD 28.4 million).

Compensation of key management personnel for the period:

	30 Sep 2021	30 Sep 2020
	USD'000	USD'000
Salaries and benefits	7,397	8,558

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Notes to the unaudited condensed consolidated interim financial statements

18. Capital commitments

At 30 September 2021 the Group had committed to purchase 16 aircraft from Boeing and Airbus. The total capital commitment based on the current mark value of the underlying assets is USD 678.5 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 Sep 2021	Aircraft leasing	Engineering maintenance	Group
	USD'000	USD'000	USD'000
Total segment revenue	863,560	61,770	925,330
Segment profit / (loss) for the period	92,480	(1,934)	90,546
Segment assets	13,085,820	90,710	13,176,530

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 September 2021, the Group completed the previously announced early redemption of 5.25% Senior Unsecured Notes with an outstanding principal balance of approximately USD 487.8 million. In addition, the Group entered into USD 500.0 million new Senior Unsecured Term financing with maturity of 5 years.

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