



Dubai Aerospace Enterprise (DAE) Ltd

Results for the six months ended June 30, 2022

WEBCAST AND CONFERENCE CALL DETAILS

DAE will host its earnings call at 09.00 EDT / 14.00 BST / 17.00 GST / 21:00 SGT on Thursday August 4th, 2022, to review our results for the six months ended June 30, 2022.

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 3603, (Ireland) +353 (0)1 506 0451, (UK) +44 (0)20 7194 3759, (USA) +1 6467-224-916, (Singapore) +65 6429 8400 and referencing confirmation ID: 35903252#.

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 “USD ” 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, 2022 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, 2022" are for the six months ended June 30, 2022 and to "June 30, 2021" are for the six months ended June 30, 2021.

FINANCIAL HIGHLIGHTS

- Profit for the six months ended June 30, 2022, was USD 140.1 million compared to a profit of USD 49.0 million for the six months ended June 30, 2021. Loss after exceptional items for the six months ended June 30, 2022, was USD 397.8 million compared to a profit of USD 49.0 million for the six months ended June 30, 2021.
- Operating profit before exceptional items, for the six months ended June 30, 2022 was USD 254.8 million compared to USD 240.5 million for the six months ended June 30, 2021. During the six months ended June 30, 2022, there was an increase in gain on disposal of aircraft and decrease in depreciation and loss allowance offset by a decrease in lease revenue. Operating loss after exceptional items for the six months ended June 30, 2022, was USD 321.7 million compared to an operating profit USD 240.5 million for the six months ended June 30, 2021. During the six months ended June 30, 2022, there was an asset write-off of USD 576.5 million relating to certain aircraft in Russia not in the Group's control.
- Cash flows from operating activities for the six months ended June 30, 2022, increased by 36.1% to USD 678.5 million compared to USD 498.5 million for the six months ended June 30, 2021.
- Total assets were USD 11,503.1 million at June 30, 2022 compared to USD 12,609.6 million at December 31, 2021. This decrease was mainly due to the asset write-off of certain aircraft in Russia not in the Group's control.
- Available liquidity was USD 2,725.3 million at June 30, 2022 compared to USD 2,910.3 million at December 31, 2021. Our Liquidity ratio increased to 667.3% at June 30, 2022 from 442.7% at December 31, 2021.
- Net Debt-to-Equity ratio was 2.12:1 times and 2.56:1 times at June 30, 2022 before and after exceptional items respectively compared to 2.54:1 times at December 31, 2021.

OPERATIONAL HIGHLIGHTS

- Total number of aircraft in the fleet at June 30, 2022 was 390 (December 31, 2021: 385) which consists of 297 owned (December 31, 2021: 296), 85 managed (December 31, 2021: 79) and eight committed aircraft (December 31, 2021: 10).
- During the six months ended June 30, 2022, we purchased eight owned aircraft (December 31, 2021: 18) and 26 managed aircraft (December 31, 2021: 23) and sold seven owned aircraft (December 31, 2021: 20) and 20 managed aircraft (December 31, 2021: 10).
- The weighted average age of our owned fleet was 6.8 years at June 30, 2022 compared to 6.7 years at December 31, 2021. The weighted average remaining lease term of our owned fleet at June 30, 2022 was 6.0 years compared with 6.2 years at December 31, 2021.
- The ratio of unsecured debt to total debt increased to 71.1% at June 30, 2022 from 69.8% at December 31, 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, 2022.

| <u>Results of operations (in millions of USD)</u> | Six months ended Jun 30 | | | |
|--|----------------------------------|----------------------|----------------|----------------|
| | Before exceptional items 2022 | Exceptional items | Total 2022 | Total 2021 |
| Consolidated statement of profit or loss and comprehensive income | | | | |
| Total revenue | 582.8 | - | 582.8 | 613.4 |
| Gain on disposal of aircraft | 55.7 | - | 55.7 | 29.2 |
| Expenses | | | | |
| Depreciation and amortization | (275.7) | - | (275.7) | (287.2) |
| Asset write-off | - | (576.5) | (576.5) | - |
| General and administrative expenses | (43.0) | - | (43.0) | (36.5) |
| Cost of providing engineering maintenance services | (35.9) | - | (35.9) | (31.9) |
| Loss allowance | (24.2) | - | (24.2) | (35.7) |
| Aircraft maintenance | (4.9) | - | (4.9) | (10.8) |
| Operating (loss)/profit | 254.8 | (576.5) | (321.7) | 240.5 |
| Finance income | 10.0 | - | 10.0 | 3.2 |
| Finance expense | (131.1) | - | (131.1) | (176.4) |
| Debt redemption costs | - | - | - | (16.1) |
| Net finance costs | (121.1) | - | (121.1) | (189.3) |
| (Loss)/profit before income tax | 133.7 | (576.5) | (442.8) | 51.2 |
| Income tax benefit/(expense) | 6.4 | 38.6 | 45.0 | (2.2) |
| (Loss)/profit for the period | 140.1 | (537.9) | (397.8) | 49.0 |
| Add back debt redemption costs | - | - | - | 16.1 |
| Adjusted (loss)/profit for the period | 140.1 | (537.9) | (397.8) | 65.1 |

| Consolidated statement of financial position (Extract) | Jun 30, 2022 | As at Dec 31, 2021 |
|---|-------------------------|-----------------------------------|
| Total cash and cash resources | 660.0 | 450.8 |
| Aircraft held for lease | 10,035.5 | 11,279.2 |
| Aircraft held for sale | 113.3 | - |
| Total assets | 11,503.1 | 12,609.6 |
| Total loans and borrowings | 7,214.8 | 7,813.7 |
| Total equity | 2,592.7 | 2,934.2 |
| Total liabilities and equity | 11,503.1 | 12,609.6 |

| Adjusted EBITDA calculation ⁽¹⁾ | Six months ended Jun 30 | |
|---|--------------------------------|--------------|
| (Loss)/profit for the period | 2022 | 2021 |
| Add back | (397.8) | 49.0 |
| Net finance costs | 121.1 | 189.3 |
| Income tax (benefit)/expense | (45.0) | 2.2 |
| Loss allowance | 24.2 | 35.7 |
| Depreciation and amortization | 275.7 | 287.2 |
| Asset write-off | 576.5 | - |
| Adjusted EBITDA | 554.7 | 563.4 |

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

| Financial metrics | As at | | |
|--|--------------------------|-----------------------------|--------------|
| | Before exceptional items | After exceptional items | |
| | Jun 30, 2022 | Jun 30, 2022 ⁽²⁾ | Dec 31, 2021 |
| Pre-tax margin (<i>per cent</i>) ⁽³⁾ | 23.0 | NM | 15.9 |
| Pre-tax return on equity (<i>per cent</i>) ⁽⁴⁾ | 8.8 | NM | 6.7 |
| Net debt to equity (<i>times</i>) ⁽⁵⁾ | 2.12x | 2.56x | 2.54x |
| Total available liquidity (<i>USD billions</i>) ⁽⁶⁾ | 2.7 | 2.7 | 2.9 |
| Unsecured debt/total debt (<i>per cent</i>) ⁽⁷⁾ | 71.1 | 71.1 | 69.8 |
| Liquidity coverage ratio (<i>per cent</i>) ⁽⁸⁾ | 667.3 | 667.3 | 442.7 |

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

(2) NM -not meaningful

(3) Calculated as profit before income tax divided by total revenue. Pre-tax margin for December 31, 2021 excludes one-off bond redemption costs incurred during 2021.

(4) Calculated as profit before income tax (annualized in the case of interim periods) divided by average total equity. Pre-tax return on equity for December 31, 2021 excludes one-off bond redemption costs incurred during 2021. Average total equity in the 'before exceptional items' column for June 30, 2022 excludes net exceptional items of USD 537.9 million.

(5) Calculated as net debt (being total loans and borrowings, net of debt issuance costs less cash and cash equivalents) divided by total equity. Equity for June 30, 2022 excludes net exceptional items of USD 537.9 million. Total equity in the 'before exceptional items' column for June 30, 2022 excludes net exceptional items of USD 537.9 million.

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

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

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

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

Overview

DAE is 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 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, 2022 we had a total owned, managed and committed fleet of 390 aircraft which was made up of 297 owned aircraft (including six aircraft classified as finance lease and loan receivables and three aircraft held-for-sale), 85 managed aircraft and commitments to acquire two new, fuel-efficient aircraft and one freighter aircraft for our owned fleet and five aircraft to our managed fleet. Our owned and managed aircraft are on lease to 107 lessees in 54 countries

As of June 30, 2022, the aggregate book value of our owned fleet, including aircraft pre-delivery payments, aircraft held-for-sale and finance lease and loan receivables, was USD 10,218.9 million. In addition, the estimated value of our managed fleet was USD 2,299.3 million. As of June 30, 2022, 93.4% of our leases were subject to fixed lease rates as a percentage of lease revenue. Our future contracted lease rental income amounted to USD 5,752.9 million.

Our lease portfolio is highly diversified, geographically and by airline, with our top five lessees representing 30.1% of our portfolio based on net book value as of June 30, 2022. 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 | 90 | 37 | 2 | 129 |
| A320 NEO family | 6 | 7 | - | 13 |
| A330-family | 19 | 6 | - | 25 |
| A330 NEO family | - | - | 1 | 1 |
| A350-900 | 4 | - | - | 4 |
| Total Airbus | 119 | 50 | 3 | 172 |
| B737 NG family | 65 | 28 | 2 | 95 |
| B737 MAX family | 22 | 5 | 2 | 29 |
| B787 family | 11 | - | - | 11 |
| B777 | 3 | - | - | 3 |
| B777F | 12 | - | 1 | 13 |
| Total Boeing | 113 | 33 | 5 | 151 |
| ATR 72-600 | 65 | 2 | - | 67 |
| Total | 297 | 85 | 8 | 390 |
| Narrow body | 183 | 77 | 6 | 266 |
| Wide body | 49 | 6 | 2 | 57 |
| Turboprop | 65 | 2 | - | 67 |
| Total | 297 | 85 | 8 | 390 |

*Committed portfolio includes three aircraft for the owned fleet and five aircraft for the managed fleet.

| Fleet metrics | As at | |
|---|-------------------------|-------------------------|
| | Jun 30, 2022 | Dec 31, 2021 |
| Owned fleet (<i>number of aircraft</i>) ⁽¹⁾ | 297 | 296 |
| Managed fleet (<i>number of aircraft</i>) | 85 | 79 |
| Weighted average age (<i>years</i>) ⁽²⁾ | 6.8 | 6.7 |
| Weighted average remaining lease term (<i>years</i>) ⁽²⁾ | 6.0 | 6.2 |
| <u>(in millions of USD)</u> | | |
| Net book value of aircraft held for lease | 10,035.5 | 11,279.1 |
| Net book value of aircraft held-for-sale | 113.3 | - |
| Carrying value of finance lease and loan receivables | 70.1 | 180.4 |
| Aggregate net book value | 10,218.9 | 11,459.5 |

(1) Owned fleet includes aircraft which are on lease in Russia.

(2) 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 17 wide body and narrow body aircraft at the same time. Joramco currently has 15 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, and the CARC in Jordan.

Russian exposure

The Group previously leased 22 aircraft to operators based in the Russian Federation. In compliance with applicable sanctions, the Group terminated the leasing of aircraft to airlines in Russia. In response to the sanctions imposed against Russia, the Government of the Russian Federation has issued a number of decrees which provide, amongst other things, that Russian airlines are required to obtain governmental approval for the redelivery of aircraft to foreign lessors. In these circumstances, the Group has no control over the 19 aircraft that are currently in Russia. The Group has no way to determine whether these aircraft will be returned at any point in the future.

The Group's liquidity and capital adequacy remain strong and within rating agency guidelines for our rating. The Group has insurance in respect of the aircraft in question under a number of insurance policies and the Group has filed insurance claims to recover amounts due under the policies.

Environment, Social and Governance Framework

DAE is committed to maintaining an effective Environmental, Social and Governance (“ESG”) Framework. DAE provides annual ESG Reporting to stakeholders which is presented in accordance with the Global Reporting Institute (GRI) Standards. DAE’s most recent ESG Report, for the year ended December 31, 2021, was published on DAE’s website in April 2022 and expanded its scope to include DAE Engineering and therefore fully incorporates all of the Group’s activities. Limited Assurance has been provided by KPMG on certain metrics reported within DAE’s ESG Report. KPMG’s independent assurance statement is available within the ESG Report. 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 January 2022, Sustainalytics awarded DAE with its ESG Industry Top Rated and ESG Regional Top Rated accreditations, indicating that in 2021, DAE’s ESG Risk Rating from Sustainalytics was among the 50 lowest ratings issued by Sustainalytics in both DAE’s industry (Trading & Distribution) and region (Middle East & Africa). 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, along with our dedicated ESG policy. The latest ESG Report, Risk Rating Summary, Policy Documents, and further information is available on DAE’s ESG website <https://dubaiaerospace.com/esg/>.

DAE Capital has a young fleet with an average age of 6.8 years. As of June 30, 2022, all our 2022 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 26 nationalities. In addition, at June 30, 2022 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.

DAE is committed to good corporate governance, which helps us compete more effectively, sustain success and build long-term shareholder value. DAE maintains strong corporate governance policies, procedures, and practices that foster board stewardship, management accountability, and proactive risk management. All our directors, employees, and contractors are expected to conduct themselves in accordance with the highest ethical and moral standards, as informed by our Code of Conduct, which is available on our website <https://dubaiaerospace.com/corporate-governance/>.

In 2021, DAE further enhanced its corporate governance with the addition of both an independent non-executive director and an executive director to the Group’s Board of Directors.

Six months ended June 30, 2022 Compared to six months ended June 30, 2021

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, 2022, and June 30, 2021.

| <u>Total Revenue (in millions of USD)</u> | Six months ended | |
|---|-------------------------|--------------|
| | Jun 30 | |
| | 2022 | 2021 |
| Lease revenue | 517.3 | 578.7 |
| Maintenance revenue | 26.9 | 9.6 |
| Amortization of lease incentives and other lease costs | (29.3) | (34.3) |
| Net lease revenue | 514.9 | 554.0 |
| Engineering maintenance service revenue | 54.9 | 46.7 |
| Finance lease and loan receivables income | 4.2 | 7.2 |
| Total lease, engineering maintenance service revenue and finance lease and loan receivables income | 574.0 | 607.9 |
| Other income | 8.8 | 5.5 |
| Total revenue | 582.8 | 613.4 |

Total revenue was USD 582.8 million for the six months ended June 30, 2022, compared to USD 613.4 million for the six months ended June 30, 2021, a decrease of USD 30.6 million, or 5.0 per cent, due to the reasons outlined below.

Net lease revenue decreased by USD 39.1 million, or 7.1 per cent, to USD 514.9 million for the six months ended June 30, 2022, from USD 554.0 million for the six months ended June 30, 2021. This decrease was due primarily to lease terminations relating to aircraft in Russia not in the Group's control, cash accounting on customers who entered administration and lease restructurings due to COVID-19 offset by higher maintenance income due to higher maintenance reserve releases on transitioning aircraft.

Engineering maintenance service revenue increased by USD 8.2 million, or 17.6 per cent, to USD 54.9 million for the six months ended June 30, 2022 compared to USD 46.7 million for the six months ended June 30, 2021.

Finance lease and loan receivables income decreased by USD 3.0 million to USD 4.2 million for the six months ended June 30, 2022 compared to USD 7.2 million for the six months ended June 30, 2021.

Gain on disposal of aircraft

Gain on disposal of aircraft was USD 55.7 million for the six months ended June 30, 2022 compared to USD 29.2 million for the six months ended June 30, 2021. During the six months ended June 30, 2022 we sold seven owned aircraft compared to the sale of 10 owned aircraft during the six months ended June 30, 2021.

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) asset write-off, (iii) general and administrative expenses, (iv) loss allowance, (v) cost of providing the engineering maintenance services provided by Joramco and (vi) aircraft maintenance.

The table below shows a breakdown of our expenses for the six months ended June 30, 2022 and June 30, 2021.

| <u>Total Expenses (in millions of USD)</u> | Six months ended | |
|--|-------------------------|--------------|
| | Jun 30 | |
| | 2022 | 2021 |
| Depreciation and amortization | 275.7 | 287.2 |
| General and administrative expenses | 43.0 | 36.5 |
| Cost of providing engineering maintenance services | 35.9 | 31.9 |
| Loss allowance | 24.2 | 35.7 |
| Aircraft maintenance | 4.9 | 10.8 |
| Total expenses before exceptional items | 383.7 | 402.1 |
| Exceptional item - asset write-off | 576.5 | - |
| Total expenses | 960.2 | 402.1 |

Expenses for the six months ended June 30, 2022, before exceptional items decreased by USD 18.4 million to USD 383.7 million compared to USD 402.1 million for the six months ended June 30, 2021. Total expenses for the six months ended June 30, 2022 increased by USD 558.1 million to USD 960.2 million compared to USD 402.1 million for the six months ended June 30, 2021.

Depreciation and amortization expense decreased by USD 11.5 million, or 4.0 per cent, for the six months ended June 30, 2022 to USD 275.7 million compared to USD 287.2 million in the prior year. This decrease was primarily due to divestments and asset write off in the fleet.

General and administrative expenses increased by USD 6.5 million, or 18.1 per cent, for the six months ended June 30, 2022 to USD 43.0 million from USD 36.5 million in the prior year. This increase was due to higher compensation and benefit costs and travel expenses.

Cost of providing engineering maintenance services increased by USD 4.0 million, or 12.5 per cent, for the six months ended June 30, 2022 to USD 35.9 million from USD 31.9 million in the prior year. This increase reflects the corresponding increase in engineering maintenance services revenue over the same period.

Loss allowance decreased by USD 11.5 million or 32.2 per cent to USD 24.2 million compared to USD 35.7 million in the prior year. Further information can be found in the financial statements note 17.

Aircraft maintenance decreased by USD 5.9 million, or 54.4 per cent, to USD 4.9 million for the six months ended June 30, 2022 from USD 10.8 million for the six months ended June 30, 2021. This decrease was due primarily to a release of heavy maintenance accruals.

In addition, asset write-off was USD 576.5 million for the six months ended June 30, 2022 compared to nil million in the prior year. The asset write-off relates to the Group's net exposure to 19 aircraft in Russia not in the Group's control, and the leasing of which has been terminated.

Operating profit

Operating profit before exceptional items was USD 254.8 million for the six months ended June 30, 2022 compared to USD 240.5 million in the corresponding period of 2021, an increase of USD 14.3 million, or 5.9 per cent. The increase was attributable to the factors described in the preceding sections.

Operating loss after exceptional items was USD 321.7 million for the six months ended June 30, 2022 compared to an operating profit of USD 240.5 million in the corresponding period of 2021, a decrease of USD 562.2 million. This decrease was mainly due to the asset write-off of USD 576.5 million relating to certain aircraft in Russia not in the Group's control.

Net finance costs

Net finance costs decreased by USD 68.2 million, or 36.1 per cent, to USD 121.1 million for the six months ended June 30, 2022 from USD 189.3 million for the six months ended June 30, 2021.

Finance income increased by USD 6.8 million, or 217.6 per cent, to USD 10.0 million for the six months ended June 30, 2022 from USD 3.2 million for the six months ended June 30, 2021. This was due primarily to higher gains on financial instruments and higher deposit rates during the six months ended June 30, 2022 compared to the prior period.

Finance expense decreased by USD 61.4 million, or 31.9 per cent, to USD 131.1 million for the six months ended June 30, 2022 from USD 192.5 million for the six months ended June 30, 2021 due primarily to a decrease in the average cost of debt to 3.0% from 3.6% to the six months ended June 30, 2021.

During the six months ended June 30, 2021, we early redeemed certain senior unsecured notes resulting in a one-off debt redemption cost of USD 16.1 million which consist of a redemption premium paid of USD 13.1 million and acceleration of debt issuance costs of USD 3.0 million.

Income tax benefit/(expense)

During the six months ended June 30, 2022, we recorded a tax benefit of USD 45.0 million compared to a tax expense of USD 2.2 million for the six months ended June 30, 2021. The income tax benefit for the six months ended June 30, 2022 was primarily driven by the tax impact of the Group's Irish activities at 12.5% and the impact of the asset write-off relating to certain aircraft in Russia not in the Group's control. In addition, the tax benefit has been impacted by tax losses not recognized, these losses remain available to the Group in the event sufficient future profits are generated.

Profit/(loss) for the period

Reflecting the above factors, profit before exceptional items for the six months ended June 30, 2022, increased by USD 91.1 million to USD 140.1 million from USD 49.0 million for the six months ended June 30, 2021.

Loss after exceptional items for the six months ended June 30, 2022, increased by USD 446.8 million to USD 397.8 million from a profit of USD 49.0 million for the six months ended June 30, 2021. This increase was mainly due to the asset write-off of USD 576.5 million relating to certain aircraft in Russia.

Consolidated Cash Flows

The following table presents our consolidated cash flows for the six months ended June 30, 2022 and the six months ended June 30, 2021. Cash and cash equivalents shown below refer to unrestricted cash.

| Consolidated cash flow (Extract) (in millions of USD) | Six months ended | |
|--|-------------------------|----------------|
| | Jun 30 | |
| | 2022 | 2021 |
| Net cash generated from operating activities | 678.5 | 498.5 |
| Net cash from / (used in) investing activities | 256.1 | (769.5) |
| Net cash (used in) / from financing activities | (719.7) | 1,341.2 |
| Net increase in cash and cash equivalents | 214.9 | 1,070.1 |
| Cash and cash equivalents at the beginning of the period | 350.4 | 469.0 |
| Cash and cash equivalents at the end of the period | 565.3 | 1,539.1 |

For the six months ended June 30, 2022 net cash generated from operating activities was USD 678.5 million, an increase of USD 180.0 million, or 36.1 per cent, from USD 498.5 million for the six months ended June 30, 2021. This movement was primarily due to a decrease in trade receivables, decrease in accrued revenue and higher maintenance reserve receipts driven by the drawdown of letters of credit.

For the six months ended June 30, 2022 net cash from investing activities was USD 256.1 million compared to net cash used in investing activities of USD 769.5 million for the six months ended June 30, 2021. This movement was primarily due to lower capital expenditure.

Net cash used in financing activities for the six months ended June 30, 2022 was USD 719.7 million compared to net cash from financing activities of USD 1,341.2 million for the six months ended June 30, 2021. This movement was due to a decrease in net drawdowns of borrowings and a decrease in cash interest paid and debt issuance costs during the six months ended June 30, 2022 compared to the six months ended June 30, 2021.

Our cash and cash equivalents as at June 30, 2022 was USD 565.3 million a decrease of USD 973.8 million from USD 1,539.1 million as at June 30, 2021.

Our total cash and cash resources, which includes restricted cash, was USD 660.0 million as at June 30, 2022 which represents an increase of USD 209.2 million compared to USD 450.8 million as at December 31, 2021.

Loans and borrowings, Liquidity and Capital Resources

Loans and borrowings

Our total loans and borrowings (net of debt issuance costs) decreased to USD 7,214.8 million as at June 30, 2022 from USD 7,813.7 million at December 31, 2021. The decrease was primarily due to loan repayments of USD 525.1 million and no loan drawdowns during the six months ended June 30, 2022.

At June 30, 2022 our level of unsecured debt was 71.1% compared to 69.8% at December 31, 2021. The average cost of debt as at June 30, 2022 was 3.0% which decreased from 3.7% at December 31, 2021 and the weighted average debt maturity as at June 30, 2022 was 4.0 years compared to 4.4 years at December 31, 2021.

Loans and Borrowings (in millions of USD)

| | Aircraft Collateral | Jun 30 2022 |
|--|--------------------------------|------------------------|
| Unsecured | | |
| Senior unsecured notes | | 3,252.1 |
| Unsecured facilities (incl. term loans) | | 1,944.1 |
| Total unsecured | | 5,196.2 |
| Secured | | |
| Recourse obligations (incl. Ex-Im & EDC) | 81 | 2,026.6 |
| Non-recourse obligations | 3 | 81.9 |
| Total secured | 84 | 2,108.5 |
| Debt issuance costs | | (89.9) |
| Net loans and borrowings | | 7,214.8 |

The Group holds 213 aircraft with a total net book value of USD 6,736.1 million (which includes aircraft purchase deposits) which were unencumbered at June 30, 2022 and 84 aircraft which were used as collateral on our secured facilities. Further information of the loan facilities can be found in the financial statements, note 14.

Our unsecured revolving credit facilities at June 30, 2022 of USD 2.2 billion were 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

Available liquidity was USD 2,725.3 million as at June 30, 2022 decreasing from USD 2,910.3 million as at December 31, 2021. Our total equity decreased to USD 2,592.7 million as at June 30, 2022 from USD 2,934.2 million as at December 31, 2021 due primarily to the asset write-off during the six months ended June 30, 2022. Our Net Debt to Equity ratio was 2.56:1 times as at June 30, 2022 compared to 2.54:1 times as at December 31, 2021.

We believe that the sources of liquidity mentioned above, together with cash generated from operations, will be fully 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 2022**

Dubai Aerospace Enterprise (DAE) Ltd

Unaudited condensed consolidated interim financial statements for the six month period ended 30 June 2022

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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 2022 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 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 2022

/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

| Unaudited | | | | | |
|--|--------------------------|------------------|------------------|------------------|------------------|
| 6 month period ended 30 June | | | | | |
| | Before exceptional | Exceptional | Total | 2021* | |
| Note | items 2022 USD'000 | items USD'000 | 2022 USD'000 | USD'000 | |
| Revenues | | | | | |
| Revenue | 5 | 574,026 | - | 574,026 | 607,923 |
| Other income | | 8,817 | - | 8,817 | 5,435 |
| Total revenue | | 582,843 | - | 582,843 | 613,358 |
| Gain on disposal of aircraft | | 55,728 | - | 55,728 | 29,189 |
| Expenses | | | | | |
| Depreciation and amortization | | (275,708) | - | (275,708) | (287,234) |
| Asset write-off | 7 | - | (576,518) | (576,518) | - |
| General and administrative expenses | | (43,093) | - | (43,093) | (36,503) |
| Cost of providing engineering maintenance services | | (35,909) | - | (35,909) | (31,910) |
| Loss allowance | 17 | (24,190) | - | (24,190) | (35,657) |
| Aircraft maintenance | | (4,900) | - | (4,900) | (10,754) |
| Operating (loss)/profit | | 254,771 | (576,518) | (321,747) | 240,489 |
| Finance income | 6 | 10,114 | - | 10,114 | 3,184 |
| Finance expense | 6 | (131,120) | - | (131,120) | (176,414) |
| Debt redemption costs | 6 | - | - | - | (16,097) |
| Net finance cost | | (121,006) | - | (121,006) | (189,327) |
| (Loss)/profit before income tax | | 133,765 | (576,518) | (442,753) | 51,162 |
| Income tax benefit/(expense) | 8 | 6,333 | 38,636 | 44,969 | (2,127) |
| (Loss)/profit for the period | | 140,098 | (537,882) | (397,784) | 49,035 |
| Other comprehensive income | | | | | |
| <i>Items that may be reclassified to condensed consolidated statement of profit or loss:</i> | | | | | |
| Unrealized gain on interest rate hedges | | 59,787 | - | 59,787 | 26,199 |
| Income tax relating to components of other comprehensive income | | (3,564) | - | (3,564) | (1,484) |
| Total comprehensive income for the period | | 196,321 | (537,882) | (341,561) | 73,750 |
| (Loss)/profit for the period attributable to: | | | | | |
| Equity holders of Dubai Aerospace Enterprise (DAE) Ltd | | 139,103 | (537,882) | (398,779) | 48,710 |
| Non-controlling interests | | 995 | - | 995 | 325 |
| | | 140,098 | (537,882) | (397,784) | 49,035 |
| Total comprehensive income for the period attributable to: | | | | | |
| Equity holders of Dubai Aerospace Enterprise (DAE) Ltd | | 195,326 | (537,882) | (342,556) | 73,425 |
| Non-controlling interests | | 995 | - | 995 | 325 |
| | | 196,321 | (537,882) | (341,561) | 73,750 |

* There were no exceptional items during the 6 month period ended 30 June 2021.

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

Dubai Aerospace Enterprise (DAE) Ltd

Condensed consolidated statement of profit or loss and other comprehensive income (continued)

| | Unaudited 3 month period ended 30 June | |
|--|---|------------------|
| | 2022 USD'000 | 2021* USD'000 |
| Revenues | | |
| Revenue | 282,177 | 302,804 |
| Other income | 2,669 | 3,027 |
| Total revenue | 284,846 | 305,831 |
| Gain on disposal of aircraft | 48,533 | 27,994 |
| Expenses | | |
| Depreciation and amortization | (134,640) | (143,519) |
| General and administrative expenses | (21,705) | (22,370) |
| Cost of providing engineering maintenance services | (17,629) | (14,990) |
| Loss allowance | (8,876) | (19,796) |
| Aircraft maintenance | (4,831) | (6,467) |
| Operating profit | 145,698 | 126,683 |
| Finance income | 7,775 | 1,315 |
| Finance expense | (65,164) | (85,701) |
| Net finance cost | (57,389) | (84,386) |
| Profit before income tax | 88,309 | 42,297 |
| Income tax benefit/(expense) | 5,193 | (1,563) |
| Profit for the period | 93,502 | 40,734 |
| Other comprehensive income | | |
| <i>Items that may be reclassified to condensed consolidated statement of profit or loss:</i> | | |
| Unrealized gain on interest rate hedges | 18,286 | (3,896) |
| Income tax relating to components of other comprehensive income | (931) | (47) |
| Total comprehensive income for the period | 110,857 | 36,791 |
| Profit for the period attributable to: | | |
| Equity holders of Dubai Aerospace Enterprise (DAE) Ltd | 93,182 | 40,845 |
| Non-controlling interests | 320 | (111) |
| | 93,502 | 40,734 |
| Total comprehensive income for the period attributable to: | | |
| Equity holders of Dubai Aerospace Enterprise (DAE) Ltd | 110,537 | 36,902 |
| Non-controlling interests | 320 | (111) |
| | 110,857 | 36,791 |

*There were no exceptional items during the 3 month period ended 30 June 2022 and 2021.

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

| | | Unaudited | Audited |
|--|------|--------------------------|--------------------------|
| | | 30 Jun 2022 | 31 Dec 2021 |
| | Note | USD'000 | USD'000 |
| ASSETS | | | |
| Non-current assets | | | |
| Aircraft held for lease | 9 | 10,035,466 | 11,279,152 |
| Property, plant and equipment | | 100,914 | 106,092 |
| Intangible assets | | 4,377 | 4,669 |
| Goodwill | | 44,668 | 44,668 |
| Finance lease and loan receivables | 16 | 60,618 | 163,620 |
| Other non-current assets | | 212,740 | 239,092 |
| Financial assets at FVTPL and amortized cost | | 58,747 | 51,530 |
| | | <u>10,517,530</u> | <u>11,888,823</u> |
| Current assets | | | |
| Cash and cash equivalents | 11 | 565,343 | 350,371 |
| Restricted cash | 11 | 94,645 | 100,402 |
| Inventories | | 36,300 | 38,379 |
| Trade and other receivables | 10 | 55,179 | 111,374 |
| Prepayments | | 6,988 | 5,801 |
| Finance lease and loan receivables | 16 | 9,523 | 16,814 |
| Derivative financial assets | | 10,760 | - |
| Current tax asset | | 1,613 | 1,710 |
| Other current assets | | 91,821 | 95,903 |
| Assets held-for-sale | 12 | 113,348 | - |
| | | <u>985,520</u> | <u>720,754</u> |
| Total assets | | <u><u>11,503,050</u></u> | <u><u>12,609,577</u></u> |
| EQUITY AND LIABILITIES | | | |
| EQUITY | | | |
| Authorized and issued share capital | 13 | 1,927,770 | 1,927,770 |
| Additional paid-in-capital | | 517,884 | 517,884 |
| Treasury shares | | (1,392,059) | (1,392,059) |
| Other reserves | | 5,970 | (50,253) |
| Retained earnings | | 1,522,007 | 1,920,786 |
| | | <u>2,581,572</u> | <u>2,924,128</u> |
| Non-controlling interests | | 11,082 | 10,087 |
| Net equity | | <u><u>2,592,654</u></u> | <u><u>2,934,215</u></u> |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Loans and borrowings | 14 | 6,792,311 | 7,140,860 |
| Deferred tax liabilities | | 276,948 | 318,565 |
| Maintenance reserves and security deposits | 15 | 898,228 | 1,090,383 |
| Lease liabilities | | 30,716 | 32,289 |
| Deferred revenue | | 17,739 | 23,099 |
| | | <u>8,015,942</u> | <u>8,605,196</u> |
| Current liabilities | | | |
| Loans and borrowings | 14 | 422,502 | 672,863 |
| Trade and other payables | | 39,478 | 49,728 |
| Derivative financial liabilities | | - | 48,480 |
| Maintenance reserves and security deposits | 15 | 365,313 | 233,613 |
| Lease liabilities | | 3,561 | 4,015 |
| Deferred revenue | | 62,700 | 61,467 |
| Liabilities held-for-sale | | 900 | - |
| | | <u>894,454</u> | <u>1,070,166</u> |
| Total liabilities | | <u><u>8,910,396</u></u> | <u><u>9,675,362</u></u> |
| Total liabilities and equity | | <u><u>11,503,050</u></u> | <u><u>12,609,577</u></u> |

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

Dubai Aerospace Enterprise (DAE) Ltd

Condensed consolidated statement of cash flows

| | Unaudited | |
|---|------------------------------|------------------|
| | 6 month period ended 30 June | |
| | 2022 | 2021 |
| | USD'000 | USD'000 |
| Cash flows from operating activities | | |
| (Loss)/profit for the period | (397,784) | 49,035 |
| Adjustments for: | | |
| Depreciation and amortization | 275,708 | 287,234 |
| Asset write-off | 576,518 | - |
| Gain on disposal of aircraft | (55,728) | (29,189) |
| Net finance cost | 104,245 | 169,352 |
| Amortization of fair value discounts and financing fees | 16,761 | 19,975 |
| Income tax | (44,969) | 2,127 |
| Changes in operating assets and liabilities | | |
| Movement in trade and other receivables | 56,195 | 4,323 |
| Movement in finance lease receivables | 5,868 | (2,952) |
| Movement in maintenance reserves and security deposits | 125,408 | 25,365 |
| Movement in accrued revenue | 5,252 | (22,909) |
| Movement in other assets and liabilities | 11,024 | (3,908) |
| Net cash generated from operating activities | <u>678,498</u> | <u>498,453</u> |
| Cash flows from investing activities | | |
| Acquisition of aircraft held for lease | (16,878) | (477,325) |
| Acquisition of property plant and equipment | - | (600) |
| Proceeds from sale of aircraft | 275,729 | 251,675 |
| Deposits paid for aircraft purchases | (2,726) | (543,282) |
| Net cash from/(used in) investing activities | <u>256,125</u> | <u>(769,532)</u> |
| Cash flow from financing activities | | |
| Movement in restricted cash | 5,757 | 23,320 |
| Proceeds from borrowings | - | 2,855,253 |
| Repayment of borrowings | (525,068) | (1,233,118) |
| Repurchase of share capital | - | (100,000) |
| Debt repurchased | (72,837) | - |
| Net financing costs | (115,900) | (156,576) |
| Payment of debt issuance costs | (11,603) | (47,684) |
| Net cash (used in)/from financing activities | <u>(719,651)</u> | <u>1,341,195</u> |
| Net increase in cash and cash equivalents | 214,972 | 1,070,116 |
| Cash and cash equivalents at the beginning of the period | <u>350,371</u> | <u>469,001</u> |
| Cash and cash equivalents at the end of the period | <u>565,343</u> | <u>1,539,117</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 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 2021 | 1,927,770 | 517,884 | (1,392,059) | (50,253) | 1,920,786 | 2,924,128 | 10,087 | 2,934,215 |
| Loss for the period | - | - | - | - | (398,779) | (398,779) | 995 | (397,784) |
| Other comprehensive income | - | - | - | 56,223 | - | 56,223 | - | 56,223 |
| Total comprehensive income for the period | - | - | - | 56,223 | (398,779) | (342,556) | 995 | (341,561) |
| At 30 June 2022 | 1,927,770 | 517,884 | (1,392,059) | 5,970 | 1,522,007 | 2,581,572 | 11,082 | 2,592,654 |

| <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 |

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. 2 of 2004 which was superseded by DIFC law No. 5 of 2018. The Company’s registered office is at L20-00, Level 20, ICD Brookfield Place, DIFC, PO Box 506592, Dubai, United Arab Emirates.

The Company’s immediate parent is DAE Aviation Group Ltd, a DIFC incorporated entity, (“DAG”). DAG is owned by Investment Corporation of Dubai (“ICD”), ICD Hospitality & Leisure LLC (“ICD H&L”) and Dubai Integrated Economic Zones Authority (“DIEZ”). ICD indirectly owns 100% of the Company and is therefore the ultimate controlling party of the Group. ICD is owned by the Government of Dubai.

DAE is made up of two divisions:

- A. DAE Capital – a provider of aircraft leasing and financing services to the global aviation industry; and
- B. DAE Engineering – a provider of commercial aircraft maintenance, repair and overhaul services. DAE Engineering consists of an 80% ownership stake in Jordan Aircraft Maintenance Limited (“Joramco”).

The highlights for the six month period ended 30 June 2022 (the “period”) are summarized below:

- The Group owned 297 aircraft at 30 June 2022 (31 December 2021: 296 aircraft).
- Purchases – the Group purchased eight aircraft during the period (30 June 2021: 10 aircraft).
- Sales – the Group disposed of seven aircraft during the period (30 June 2021: 10 aircraft).

The Group also manages 85 aircraft on behalf of third parties at 30 June 2022 (31 December 2021: 79 aircraft). During the period, the Group acquired [26] managed aircraft (30 June 2021: 6 aircraft) and completed the sale of [20] managed aircraft (30 June 2021: 6 aircraft).

During the six month period ended 30 June 2022, the Group terminated the leasing of 22 aircraft to airlines in Russia following the imposition of sanctions. See note 7 for further details.

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

The condensed consolidated interim financial statements were approved 3 August 2022 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 2021, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

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

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

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

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 2022. At 30 June 2022, the Group’s available liquidity amounted to USD 2,725.3 million, which consists of USD 565.3 million of cash and USD 2,160.0 million of available revolving credit facilities.

3. Accounting policies

The accounting policies adopted are consistent with those of the consolidated financial statements for the year ended 31 December 2021. A number of new and amended standards became applicable for the current period ended 30 June 2022. 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 2021.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the unaudited condensed consolidated interim financial statements

5. Revenue

| | 30 Jun 2022 | 30 Jun 2021 |
|---|------------------------|------------------------|
| | USD'000 | USD'000 |
| Lease rental income | 514,861 | 554,035 |
| Engineering maintenance services revenue | 54,861 | 46,661 |
| Finance lease and loan receivables income | 4,304 | 7,227 |
| | <u>574,026</u> | <u>607,923</u> |

Lease rental income includes the release of maintenance reserves totaling USD 26.9 million (30 June 2021: USD 9.6 million). See further details in note 9.

Lease rental income also includes a net charge associated with the amortization of lease incentive assets of USD 24.5 million (30 June 2021: USD 29.0 million) and other lease costs of USD 4.8 million for the period (30 June 2021: USD 5.2 million).

Engineering maintenance services revenue of USD 54.9 million (30 June 2021: USD 46.7 million) relates to commercial aircraft maintenance, repair and overhaul services provided by the Group through its engineering division.

Lease rental income from the top five customers represented 39.6% of the lease rental income for the six month period ended 30 June 2022 (30 June 2021: 37.7%). Customers based in the United Arab Emirates and the Kingdom of Bahrain accounted for 19.0% and 9.2% of lease rental income respectively in the period ended 30 June 2022 (30 June 2021: 18.3% and 8.3%).

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 2022 | 30 Jun 2022 | 30 Jun 2021 | 30 Jun 2021 |
|---------------------------------------|------------------------|------------------------|------------------------|------------------------|
| | USD'000 | % | USD'000 | % |
| MEASA (Middle East/Africa/South Asia) | 263,602 | 51 | 251,883 | 45 |
| Asia/Pacific | 114,934 | 22 | 153,254 | 28 |
| Americas | 93,152 | 18 | 97,947 | 18 |
| Europe | 43,173 | 9 | 50,951 | 9 |
| Total lease rental income | <u>514,861</u> | <u>100</u> | <u>554,035</u> | <u>100</u> |

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the unaudited condensed consolidated interim financial statements

6. Finance income and expense

| | 30 Jun 2022 | 30 Jun 2021 |
|--|------------------------|------------------------|
| | USD'000 | USD'000 |
| Interest on bank accounts and short-term investments | 1,392 | 636 |
| Gains on financial instruments | 4,188 | - |
| Interest from investments | 853 | 350 |
| Net foreign exchange gain | 2,038 | 1,565 |
| Other finance income | 1,643 | 633 |
| Total finance income | 10,114 | 3,184 |
| Interest on borrowings | (112,503) | (155,417) |
| Amortization of debt issuance costs | (16,761) | (16,991) |
| Lease interest expense | (1,012) | (1,012) |
| Other charges | (844) | (2,994) |
| Total finance expense | (131,120) | (176,414) |
| Debt redemption cost | - | (16,097) |
| Net finance cost | (121,006) | (189,327) |

Gains on financial instruments relate to gains on the repurchase of senior unsecured notes.

Debt redemption cost consists of a premium paid of USD 13.1 million and acceleration of debt issuance costs USD 3.0 million on the early redemption of unsecured notes completed in March 2021.

7. Asset write-off

The Group previously leased 22 aircraft to airlines based in Russia. In compliance with applicable sanctions, the Group terminated the leasing of these aircraft during the period ended 31 March 2022. In response to the sanctions imposed, the Government of the Russian Federation issued a number of decrees which provide, amongst other things, that Russian airlines are required to obtain governmental approval for the redelivery of aircraft to foreign lessors. Under these circumstances, the Group has no control over 19 aircraft that are currently in Russia. The Group is unable to determine whether these aircraft will be returned at any point in the future.

Accordingly, the Group has written-off its net exposure in respect of the 19 aircraft and this resulted in a net exceptional write-off before tax of USD 576.5 million (in relation to aircraft held for lease, maintenance reserves and security deposits and other assets and liabilities) during the six month period ended 30 June 2022 (4.6% of total assets before the write-off). Despite the write-off, the Group's liquidity and capital adequacy ratios remain strong.

The Group has insurance cover in respect of the 19 aircraft under a number of insurance policies and has filed insurance claims to recover amounts due under the policies.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the unaudited condensed consolidated interim financial statements

8. Income tax expense

| | 30 Jun 2022 | 30 Jun 2021 |
|--|------------------------|------------------------|
| | USD'000 | USD'000 |
| Current tax expense | | |
| Current period | 74 | 310 |
| Deferred tax (benefit)/expense | | |
| Origination and reversal of temporary differences | (45,043) | 1,817 |
| Total income tax (benefit)/expense | (44,969) | 2,127 |
| Reconciliation of effective tax rate | | |
| (Loss)/profit before income tax | (442,753) | 51,162 |
| Tax on profit at the United Arab Emirates statutory rate of 0% | - | - |
| Reconciling items | | |
| Net loss taxable in Ireland at 12.5% | (77,158) | (889) |
| Net loss taxable at other rates | (463) | (1,576) |
| Non-deductible interest expense | 506 | 1,383 |
| Impact of tax losses not recognized | 32,079 | 2,080 |
| Other permanent differences | - | 466 |
| Adjustment to prior period | 67 | 663 |
| Total income tax (benefit)/expense | (44,969) | 2,127 |

The income tax benefit for the six month period ended 30 June 2022 was primarily driven by the tax impact of the Group's Irish activities at 12.5% and the impact of the asset write-off relating to certain aircraft in Russia not in the Group's control. In addition, the tax benefit has been impacted by tax losses not recognized, these losses remain available to the Group in the event sufficient future profits are generated.

The interest not deductible amount of USD 0.5 million (2021: USD 1.4 million) relates to a restriction on interest deductions under Hungarian thin capitalization rules.

The change in the Group's effective tax rate is primarily attributable to the impacts of the reduction in the profits of the Group attributable to Ireland and the derecognition of certain tax losses.

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Notes to the unaudited condensed consolidated interim financial statements

9. Aircraft held for lease

| | Aircraft and engines USD'000 | Aircraft purchase deposits USD'000 | Maintenance right asset USD'000 | Lease discount USD'000 | Total USD'000 |
|--|------------------------------------|---|---------------------------------------|------------------------------|-------------------|
| Cost | | | | | |
| At 31 December 2020 | 12,324,943 | - | 499,767 | (24,264) | 12,800,446 |
| Additions | 709,565 | 513,761 | - | - | 1,223,326 |
| Transfers | 178,429 | (146,361) | (32,068) | - | - |
| Transfers to assets held-for-sale | (346,164) | - | (8,000) | - | (354,164) |
| Transfer to finance lease receivables | (12,130) | - | - | - | (12,130) |
| Derecognition | (9,769) | - | (36,273) | - | (46,042) |
| Disposals | (495,389) | - | (3,074) | - | (498,463) |
| At 31 December 2021 | 12,349,485 | 367,400 | 420,352 | (24,264) | 13,112,973 |
| Additions | 21,683 | 2,726 | - | - | 24,409 |
| Transfers | 305,431 | (295,519) | (9,912) | - | - |
| Transfer from finance lease and loan receivables | 104,425 | - | - | - | 104,425 |
| Transfer to assets held-for-sale | (110,196) | - | - | - | (110,196) |
| Derecognition | (1,668) | - | (32,276) | 8,238 | (25,706) |
| Disposals | (379,829) | - | (23,884) | - | (403,713) |
| Asset write-off | (941,666) | - | (45,889) | - | (987,555) |
| At 30 June 2022 | 11,347,665 | 74,607 | 308,391 | (16,026) | 11,714,637 |
| Depreciation | | | | | |
| At 31 December 2020 | 1,388,714 | - | 102,877 | (12,190) | 1,479,401 |
| Charge for the year | 529,342 | - | 23,139 | (3,603) | 548,878 |
| Transfers to assets held-for-sale | (19,546) | - | (1,297) | - | (20,843) |
| Transfer to finance lease receivable | (1,628) | - | - | - | (1,628) |
| Derecognition | (4,437) | - | (13,347) | - | (17,784) |
| Disposals | (153,331) | - | (872) | - | (154,203) |
| At 31 December 2021 | 1,739,114 | - | 110,500 | (15,793) | 1,833,821 |
| Charge for the period | 258,644 | - | 9,006 | (1,277) | 266,373 |
| Transfer to assets held-for-sale | (2,171) | - | - | - | (2,171) |
| Derecognition | (1,668) | - | (10,081) | 8,238 | (3,511) |
| Disposals | (147,559) | - | (8,502) | - | (156,061) |
| Asset write-off | (249,097) | - | (10,183) | - | (259,280) |
| At 30 June 2022 | 1,597,263 | - | 90,740 | (8,832) | 1,679,171 |
| Net book value | | | | | |
| At 31 December 2021 | 10,610,371 | 367,400 | 309,852 | (8,471) | 11,279,152 |
| At 30 June 2022 | 9,750,402 | 74,607 | 217,651 | (7,194) | 10,035,466 |

As of 30 June 2022, the Group owned 297 aircraft (31 December 2021: 296 aircraft), within this the Group had 291 aircraft held for lease on an operating lease basis (31 December 2021: 288 aircraft) and six aircraft recognized as finance lease receivables (31 December 2021: 8 aircraft). During the period, the Group sold seven aircraft (30 June 2021: 10 aircraft), purchased eight aircraft (30 June 2021: 10 aircraft) and transferred two aircraft from finance lease and loans receivables to aircraft held for lease. In addition, the Group has written-off 19 aircraft, in Russia, not in the Group's control (see note 7).

During the period, the Group derecognized USD 23.0 million (30 June 2021: USD nil) of maintenance right assets related to aircraft which were redelivered to the Group during the period. An amount of USD 30.1 million has been recognized as a maintenance reserve release in relation to these aircraft (30 June 2021: USD nil). These amounts are netted within revenue in the consolidated statement of comprehensive income.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the unaudited condensed consolidated interim financial statements

9. Aircraft held for lease (continued)

Aircraft pre-delivery payments of USD 74.6 million, represent payments made by the Group for the purchase of aircraft in accordance with payment schedules set out in the relevant purchase agreements.

The Group's obligations under its secured loans are secured by charges over, amongst other things, the Group's aircraft and related assets details of which are included in note 14.

As at 30 June 2022, management performed an assessment as to whether any new impairment triggers were applicable to the Group's aircraft since 31 December 2021. No new impairment triggers were identified for the Group's aircraft held for lease at 30 June 2022.

10. Trade and other receivables

| | 30 Jun 2022 | 31 Dec 2021 |
|------------------------|------------------------|------------------------|
| | USD'000 | USD'000 |
| Trade receivables | 95,476 | 200,707 |
| Less: Loss allowance | (46,228) | (93,030) |
| Trade receivables, net | <u>49,248</u> | <u>107,677</u> |
| Other receivables | 5,931 | 3,697 |
| | <u>55,179</u> | <u>111,374</u> |

Details of the Group's exposure to credit risk and movement in the loss allowance are disclosed in note 17.

11. Cash and cash resources

| | 30 Jun 2022 | 31 Dec 2021 |
|---------------------------|------------------------|------------------------|
| | USD'000 | USD'000 |
| Cash and cash equivalents | 565,343 | 350,371 |
| Restricted cash | 94,645 | 100,402 |
| | <u>659,988</u> | <u>450,773</u> |

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.

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12. Held-for-sale

At 30 June 2022, the Group had agreements for the sale of three aircraft which met the requirement to be classified as held-for-sale (31 December 2021: nil).

| | 30 Jun 2022 | 31 Dec 2021 |
|--|------------------------|------------------------|
| | USD'000 | USD'000 |
| Assets classified as held-for-sale | | |
| Aircraft held for lease | 113,348 | - |
| | <u>113,348</u> | <u>-</u> |
| Liabilities classified as held-for-sale | | |
| Maintenance reserves and security deposits | 900 | - |
| | <u>900</u> | <u>-</u> |

13. Capital and reserves

| | 30 Jun 2022 | 31 Dec 2021 |
|--|--------------------------------|--------------------------------|
| | 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 | (1,392,059) | (1,392,059) |
| Other reserves | 5,970 | (50,253) |
| Retained earnings | 1,522,007 | 1,920,786 |
| Attributable to equity holders of the Company | <u>2,581,572</u> | <u>2,924,128</u> |
| Non-controlling interests | 11,082 | 10,087 |
| Total equity | <u><u>2,592,654</u></u> | <u><u>2,934,215</u></u> |

The authorized and issued share capital of the Company at 30 June 2022 comprised of 1,927,770 ordinary shares of USD 1,000 par value each (31 December 2021: 1,927,770 ordinary shares of USD 1,000 par value each).

The movement in retained earnings relates to the loss incurred by the Group during the period.

The movement in other reserves contains the movement in hedging reserve during the period.

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Notes to the unaudited condensed consolidated interim financial statements

14. Loans and borrowings

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

| | 30 Jun 2022 | 31 Dec 2021 |
|---|-------------------------|-------------------------|
| | USD'000 | USD'000 |
| Principal | 7,260,742 | 7,862,783 |
| Accrued and unpaid interest | 40,773 | 42,314 |
| Fair value hedge reserve | 3,201 | 3,687 |
| Total loans and borrowings | <u>7,304,716</u> | <u>7,908,784</u> |
| Debt issuance costs | <u>(89,903)</u> | <u>(95,061)</u> |
| Net loans and borrowings | <u>7,214,813</u> | <u>7,813,723</u> |
| Non-current liabilities | | |
| Bank loans | 3,632,527 | 3,909,122 |
| Unsecured notes | 3,222,975 | 3,300,000 |
| Debt issuance costs | <u>(63,191)</u> | <u>(68,262)</u> |
| Non-current loans and borrowings | <u>6,792,311</u> | <u>7,140,860</u> |
| Current liabilities | | |
| Bank loans | 420,122 | 668,176 |
| Unsecured notes | 29,093 | 31,486 |
| Debt issuance costs | <u>(26,713)</u> | <u>(26,799)</u> |
| Current loans and borrowings | <u>422,502</u> | <u>672,863</u> |

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

| | 30 Jun 2022 | 31 Dec 2021 |
|--------------------------------------|-------------------------|-------------------------|
| | USD'000 | USD'000 |
| At the beginning of the period/year | 7,908,784 | 7,984,200 |
| Loan drawdowns | - | 1,235,254 |
| Issuance of unsecured notes | - | 2,550,000 |
| Loan repayments | (525,068) | (1,659,741) |
| Unsecured notes repayments | - | (2,192,206) |
| Unsecured notes repurchased | (77,025) | - |
| Movement in fair value hedge reserve | (486) | (983) |
| Movement in accrued interest | (1,541) | (4,884) |
| Revaluation of loans | 52 | (2,856) |
| At the end of the period/year | <u>7,304,716</u> | <u>7,908,784</u> |

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the unaudited condensed consolidated interim financial statements

14. Loans and borrowings (continued)

Details of outstanding loans and borrowings are as follows:

| | 30 Jun 2022 | 31 Dec 2021 |
|--|-------------------------|-------------------------|
| | USD'000 | USD'000 |
| Senior unsecured notes | 3,252,068 | 3,331,486 |
| Recourse obligations (including Ex-Im & EDC) | 2,026,570 | 2,249,165 |
| Unsecured facilities (including term loans) | 1,944,160 | 2,190,151 |
| Revolving credit facilities | - | 100 |
| Non-recourse obligations | 81,918 | 137,882 |
| Total loans and borrowings | <u>7,304,716</u> | <u>7,908,784</u> |

15. Maintenance reserves and security deposits

| | 30 Jun 2022 | 31 Dec 2021 |
|----------------------|------------------------|-------------------------|
| | USD'000 | USD'000 |
| Non-current | | |
| Maintenance reserves | 791,664 | 976,529 |
| Security deposits | 106,564 | 113,854 |
| Total | <u>898,228</u> | <u>1,090,383</u> |
| Current | | |
| Maintenance reserves | 338,823 | 211,833 |
| Security deposits | 26,490 | 21,780 |
| Total | <u>365,313</u> | <u>233,613</u> |

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the unaudited condensed consolidated interim financial statements

15. Maintenance reserves and security deposits (continued)

| | 30 Jun 2022 | 31 Dec 2021 |
|---|-------------------------|-------------------------|
| | USD'000 | USD'000 |
| Maintenance reserves | | |
| At the beginning of the period/year | 1,188,362 | 1,073,208 |
| Additions | 248,476 | 384,534 |
| Reimbursed | (64,014) | (129,732) |
| Released | (242,337) | (133,925) |
| Reclassified to liabilities held-for-sale | - | (5,723) |
| At the end of the period/year | <u>1,130,487</u> | <u>1,188,362</u> |
| | 30 Jun 2022 | 31 Dec 2021 |
| | USD'000 | USD'000 |
| Security deposits | | |
| At the beginning of the period/year | 135,634 | 155,111 |
| Additions | 51,195 | 60,101 |
| Repaid/utilized | (52,875) | (71,350) |
| Reclassified to liabilities held-for-sale | (900) | (8,228) |
| At the end of the period/year | <u>133,054</u> | <u>135,634</u> |

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 253.3 million as of 30 June 2022 (31 December 2021: USD 324.1 million).

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Notes to the unaudited condensed consolidated interim financial statements

16. Leases

Operating leases

As at 30 June 2022, the Group owns 297 aircraft (31 December 2021: 296 aircraft). Future minimum annual rentals to be received under the leases are as follows:

| | 30 Jun 2022 | 31 Dec 2021 |
|---|------------------------|------------------------|
| | USD'000 | USD'000 |
| Within one year | 1,042,826 | 1,138,388 |
| After one year but not more than five years | 3,029,753 | 3,443,756 |
| More than five years | 1,680,355 | 1,832,510 |
| Total | 5,752,934 | 6,414,654 |

During the term of most leases, lessees pay an additional amount based on usage to fund the estimated costs of scheduled major maintenance of the airframe and engines. These amounts are accounted for as maintenance reserves and are disclosed under note 15.

Finance leases and loan receivables

| | 30 Jun 2022 | 31 Dec 2021 |
|--|------------------------|------------------------|
| | USD'000 | USD'000 |
| Non-current | | |
| Finance leases | 60,618 | 74,037 |
| Loan receivables | - | 89,583 |
| Total finance leases and loan receivables | 60,618 | 163,620 |

| | 30 Jun 2022 | 31 Dec 2021 |
|--|------------------------|------------------------|
| | USD'000 | USD'000 |
| Current | | |
| Finance leases | 9,523 | 10,430 |
| Loan receivables | - | 6,384 |
| Total finance leases and loan receivables | 9,523 | 16,814 |

Finance leases

As at 30 June 2022, the Group owned six aircraft under finance lease agreements (31 December 2021: 7 aircraft). During the period ended 30 June 2022 one aircraft was transferred to aircraft held for lease, following the termination of the leasing of the aircraft. The Group's finance lease receivables are secured by the Group's title to the leased assets.

Loan receivables

As at 30 June 2022, the Group holds no aircraft classified as loan receivables (31 December 2021: 1 aircraft). During the period ended 30 June 2022 one aircraft was transferred to aircraft held for lease, following the termination of the leasing of the aircraft.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the unaudited condensed consolidated interim financial statements

16. Leases (continued)

Finance leases and loan receivables (continued)

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

| | 30 Jun 2022 | 31 Dec 2021 |
|--|------------------------|------------------------|
| | USD'000 | USD'000 |
| Gross receivables | 74,573 | 215,718 |
| Unearned finance lease | (13,955) | (52,098) |
| Total non-current finance leases and loan receivables | 60,618 | 163,620 |
| Gross receivables | 15,132 | 30,292 |
| Unearned finance lease | (5,609) | (13,478) |
| Total current finance leases and loan receivables | 9,523 | 16,814 |

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 2022 | | 31 Dec 2021 | |
|--|-----------------------------|--------------------------------------|-----------------------------|--------------------------------------|
| | Minimum payments | Present value of payments | Minimum payments | Present value of payments |
| | USD'000 | USD'000 | USD'000 | USD'000 |
| Within one year | 15,132 | 9,523 | 30,292 | 16,814 |
| After one year but not more than five years | 60,528 | 47,326 | 120,776 | 82,428 |
| More than five years | 14,045 | 13,292 | 94,942 | 81,192 |
| Total | 89,705 | 70,141 | 246,010 | 180,434 |
| Less: unearned finance income | (19,564) | - | (65,576) | - |
| | 70,141 | 70,141 | 180,434 | 180,434 |

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.

17. 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 2021, other than the developments related to the exposure to airlines in Russia. Therefore, the condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2021.

Credit risk

As a result of the impact of COVID-19 on the aviation sector, over the past two years, the Group has granted rental deferrals to certain customers. Accrued revenue represents lease payments deferred by the Group which are not yet billed or due from the customer. The Group continues to recognize revenue on a straight-line basis.

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Notes to the unaudited condensed consolidated interim financial statements

17. Risks and uncertainties (continued)

Credit risk (continued)

At 30 June 2022 the Group has 26 deferral agreements in place (31 December 2021: 23). The total amount accrued was USD 142.7 million at 30 June 2022 (31 December 2021: USD 136.5 million) and a loss allowance of USD 33.8 million (31 December 2021: USD 22.4 million) has been recognized related to these amounts.

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 2022 | 31 Dec 2021 |
|---------------------------------------|------------------------|------------------------|
| | USD'000 | USD'000 |
| Trade receivables | 95,476 | 200,707 |
| Loss allowance | (46,228) | (93,030) |
| Trade receivables, net | 49,248 | 107,677 |
| Accrued revenue (within other assets) | | |
| Current - due within 1 year | 46,834 | 41,958 |
| Non-current - due after 1 year | 95,837 | 94,561 |
| Loss allowance | (33,765) | (22,361) |
| Accrued revenue, net | 108,906 | 114,158 |

The majority of the Group's exposure to credit risk relates to the leasing of aircraft. The recovery of trade receivables is highly dependent upon the financial strength of the commercial aviation industry.

The Group recognized a charge related to loss allowance on trade and other receivables of USD 12.1 million (30 June 2021: USD 27.4 million) and accrued revenue of USD 12.1 million (30 June 2021: USD 8.3 million). The charge for the period is calculated in line with methodology outlined in our financial statements for the year ended 31 December 2021. During the period the following movement in the loss allowance was recognized:

| | 30 Jun 2022 | 31 Dec 2021 |
|--------------------------------------|------------------------|------------------------|
| | USD'000 | USD'000 |
| At the beginning of the period/year | 115,391 | 68,420 |
| Loss allowance | 24,190 | 73,935 |
| Utilization of loss allowance | (59,588) | (26,964) |
| At the end of the period/year | 79,993 | 115,391 |

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Notes to the unaudited condensed consolidated interim financial statements

17. 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 2021.

18. 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 110.9 million (30 June 2021: USD 101.7 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 0.5 million (30 June 2021: USD 1.0 million).
- Finance expense for the period in respect of loans from related companies under common control amounts to USD 15.6 million (30 June 2021: USD 13.3 million).

Compensation of key management personnel for the period:

| | 30 Jun 2022 | 30 Jun 2021 |
|-----------------------------|------------------------|------------------------|
| | USD'000 | USD'000 |
| Salaries and other benefits | <u>6,189</u> | <u>6,254</u> |

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Notes to the unaudited condensed consolidated interim financial statements

19. Capital commitments

At 30 June 2022 the Group had committed to purchase three aircraft from Boeing, scheduled to deliver in 2022 and 2023. The total capital commitment based on the current market value of the underlying assets is USD 255.7 million (31 December 2021: USD 428.4 million), before the impact of pre-delivery deposits already paid by the Group, which are included in note 9.

The Directors anticipate that a portion of the aggregate purchase price for the purchase of aircraft may 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.

20. 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 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.

| | Aircraft leasing | Engineering maintenance | Group |
|--------------------------------------|-----------------------------|------------------------------------|--------------|
| | USD'000 | USD'000 | USD'000 |
| <u>30 Jun 2022</u> | | | |
| Total segment revenue | 527,982 | 54,861 | 582,843 |
| Segment (loss)/profit for the period | (402,758) | 4,974 | (397,784) |
| <u>30 Jun 2021</u> | | | |
| Total segment revenue | 566,073 | 47,285 | 613,358 |
| Segment profit for the period | 46,968 | 2,067 | 49,035 |
| <u>Segment assets</u> | | | |
| 30 Jun 2022 | 11,406,153 | 96,897 | 11,503,050 |
| 31 Dec 2021 | 12,512,655 | 96,922 | 12,609,577 |

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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21. Subsequent events

There were no significant events subsequent to 30 June 2022.