



Dubai Aerospace Enterprise (DAE) Ltd

Results for the nine months ended September 30, 2022

WEBCAST AND CONFERENCE CALL DETAILS

DAE will host its earnings call at 09.30 EDT / 13.30 GMT / 17.30 GST / 21:30 SGT on Thursday November 3rd, 2022, to review our results for the nine months ended September 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) 800 017 8030, (Ireland) +353 (0) 1 526 9455, (UK) +44 1 212 818 004, (USA) +1 718 705 8796, (Singapore) +65 3158 0246 and quote 'Dubai Aerospace Enterprise' when prompted.

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 nine months ended September 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 "September 30, 2022" are for the nine months ended September 30, 2022 and to "September 30, 2021" are for the nine months ended September 30, 2021.

FINANCIAL HIGHLIGHTS

- Profit for the nine months ended September 30, 2022 was USD 203.6 million compared to a profit of USD 90.5 million for the nine months ended September 30, 2021. Loss after exceptional items for the nine months ended September 30, 2022 was USD 334.3 million compared to a profit of USD 90.5 million for the nine months ended September 30, 2021.
- Operating profit before exceptional items for the nine months ended September 30, 2022 was USD 386.3 million compared to USD 385.8 million for the nine months ended September 30, 2021. During the nine months ended September 30, 2022, there was an increase in the gain on disposal of aircraft and a decrease in lease revenue accompanied by a decrease in depreciation and loss allowance. Operating loss after exceptional items for the nine months ended September 30, 2022, was USD 190.2 million compared to an operating profit USD 385.8 million for the nine months ended September 30, 2021. During the nine months ended September 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 nine months ended September 30, 2022 increased by 19.6% to USD 956.6 million compared to USD 799.7 million for the nine months ended September 30, 2021.
- Total assets were USD 11,320.1 million at September 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 2,803.1 million at September 30, 2022 compared to USD 2,910.3 million at December 31, 2021. The Liquidity ratio increased to 743.4% at September 30, 2022 from 442.7% at December 31, 2021.
- Net Debt-to-Equity ratio was 1.96:1 times and 2.35:1 times at September 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 September 30, 2022 was 400 (December 31, 2021: 385) which consisted of 294 owned (December 31, 2021: 296), 91 managed (December 31, 2021: 79) and 15 committed aircraft (December 31, 2021: 10).
- During the nine months ended September 30, 2022 we purchased ten owned aircraft (December 31, 2021: 18) and 35 managed aircraft (December 31, 2021: 23) and sold 12 owned aircraft (December 31, 2021: 20) and 23 managed aircraft (December 31, 2021: 10).
- The weighted average age of our owned fleet was 7.1 years at September 30, 2022 compared to 6.7 years at December 31, 2021. The weighted average remaining lease term of our owned fleet at September 30, 2022 was 5.7 years compared with 6.2 years at December 31, 2021.
- The ratio of unsecured debt to total debt increased to 72.1% at September 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 nine months ended September 30, 2022.

<u>Results of operations (in millions of USD)</u>	<u>Nine months ended Sep 30</u>			
	<u>Before exceptional items 2022</u>	<u>Exceptional items</u>	<u>Total 2022</u>	<u>Total 2021</u>
Consolidated statement of profit or loss and comprehensive income				
Total revenue	853.9	-	853.9	925.3
Gain on disposal of aircraft	87.0		87.0	59.7
Expenses				
Depreciation and amortization	(407.2)	-	(407.2)	(427.6)
Asset write-off	-	(576.5)	(576.5)	-
General and administrative expenses	(62.4)	-	(62.4)	(58.5)
Cost of providing engineering maintenance services	(49.7)	-	(49.7)	(44.0)
Loss allowance	(24.0)	-	(24.0)	(54.8)
Aircraft maintenance	(11.3)	-	(11.3)	(14.3)
Operating profit/(loss)	386.3	(576.5)	(190.2)	385.8
Finance income	21.0	-	21.0	4.4
Finance expense	(206.7)	-	(206.7)	(255.8)
Debt redemption costs	-	-	-	(38.3)
Net finance costs	(185.7)	-	(185.7)	(289.7)
Profit/(loss) before income tax	200.6	(576.5)	(375.9)	96.1
Income tax benefit/(expense)	3.0	38.6	41.6	(5.6)
Profit/(loss) for the period	203.6	(537.9)	(334.3)	90.5
Add back debt redemption costs	-	-	-	38.3
Adjusted profit/(loss) for the period	203.6	(537.9)	(334.3)	128.8

Consolidated statement of financial position (Extract)	Sep 30, 2022	As at Dec 31, 2021
Total cash and cash resources	752.7	450.8
Aircraft held for lease	9,883.7	11,279.2
Total assets	11,320.1	12,609.6
Total loans and borrowings	6,950.8	7,813.7
Total equity	2,682.2	2,934.2
Total liabilities and equity	11,320.1	12,609.6

	Nine months ended Sep 30	
	2022	2021
Adjusted EBITDA calculation ⁽¹⁾		
(Loss)/profit for the period	(334.3)	90.5
Add back		
Net finance costs	185.7	289.7
Income tax (benefit)/expense	(41.6)	5.6
Loss allowance	24.0	54.8
Depreciation and amortization	407.2	427.6
Asset write-off	576.5	-
Adjusted EBITDA	817.5	868.2

(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	
	Sep 30, 2022	Sep 30, 2022 ⁽²⁾	Dec 31, 2021
Pre-tax margin (<i>per cent</i>) ⁽³⁾	23.5	NM	15.9
Pre-tax return on equity (<i>per cent</i>) ⁽⁴⁾	8.7	NM	6.7
Net debt to equity (<i>times</i>) ⁽⁵⁾	1.96x	2.35x	2.54x
Total available liquidity (<i>USD billions</i>) ⁽⁶⁾	2.8	2.8	2.9
Unsecured debt/total debt (<i>per cent</i>) ⁽⁷⁾	72.1	72.1	69.8
Liquidity coverage ratio (<i>per cent</i>) ⁽⁸⁾	743.4	743.4	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 September 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 September 30, 2022 excludes net exceptional items of USD 537.9 million. Total equity in the 'before exceptional items' column for September 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 loans and borrowings.

(8) Calculated as total available liquidity divided by recourse debt payments in the next 12 months.

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 September 30, 2022 we had a total owned, managed and committed fleet of 400 aircraft which was made up of 294 owned aircraft (including six aircraft classified as finance lease and loan receivables), 91 managed aircraft and commitments to acquire 15 new aircraft (one aircraft for our owned fleet and 14 aircraft to our managed fleet). Our owned and managed aircraft are on lease to 107 lessees in 54 countries.

As of September 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 9,952.2 million. In addition, the estimated value of our managed fleet was USD 2.6 billion. As of September 30, 2022, 94.4% of our leases were subject to fixed lease rates as a percentage of lease revenue. Future contracted lease rental income from our owned fleet amounted to USD 5,494.1 million.

Our lease portfolio is highly diversified, geographically and by airline, with our top five lessees representing 29.8% of our portfolio based on net book value as of September 30, 2022. Emirates, a related party, is our largest customer representing 11.9% of our fleet based on net book value.

Analysis by aircraft type for our owned and managed portfolio

Aircraft Type	Owned Portfolio	Managed Portfolio	Committed Portfolio *	Total
A320 CEO family	90	38	7	135
A320 NEO family	6	7	-	13
A330-family	18	6	-	24
A330 NEO family	-	1	-	1
A350-900	4	-	-	4
Total Airbus	118	52	7	177
B737 NG family	64	29	7	100
B737 MAX family	21	8	-	29
B787 family	11	-	-	11
B777	3	-	-	3
B777F	12	-	1	13
Total Boeing	111	37	8	156
ATR 72-600	65	2	-	67
Total	294	91	15	400
Narrow body	181	82	14	277
Wide body	48	7	1	56
Turboprop	65	2	-	67
Total	294	91	15	400

*Committed portfolio includes one aircraft for the owned fleet and 14 aircraft for the managed fleet.

Fleet metrics	As at	
	Sep 30, 2022	Dec 31, 2021
Owned fleet (<i>number of aircraft</i>) ⁽¹⁾	294	296
Managed fleet (<i>number of aircraft</i>)	91	79
Weighted average age (<i>years</i>) ⁽²⁾	7.1	6.7
Weighted average remaining lease term (<i>years</i>) ⁽²⁾	5.7	6.2
<u>(in millions of USD)</u>		
Net book value of aircraft held for lease	9,883.7	11,279.1
Carrying value of finance lease and loan receivables	68.5	180.4
Aggregate net book value	9,952.2	11,459.5

(1) Owned fleet includes aircraft in Russia not in the Group's control.

(2) Owned fleet only (excluding aircraft in Russia), 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 has filed insurance claims and a litigation claim 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 also has a dedicated ESG Policy, which is available on DAE’s website. 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. DAE also makes voluntary ESG disclosures through CDP, a global non-profit that runs the world’s environmental disclosure system for companies, cities, states and regions.

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 7.1 years. As of September 30, 2022, all our 2022 capital commitments have been in new technology aircraft with advanced design features. As of September 30, 2022, 41% of DAE Capital’s fleet were next generation and fuel-efficient aircraft, and DAE Capital is committed to continue to grow the proportion of these aircraft in its fleet. By investing in these aircraft which have greater fuel efficiency, lower emissions, and a lower noise footprint, we are helping our airline customers reduce their impact on the environment.

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 September 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.

Nine months ended September 30, 2022 compared to nine months ended September 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 nine months ended September 30, 2022 and September 30, 2021.

<u>Total Revenue (in millions of USD)</u>	Nine months ended	
	Sep 30	
	2022	2021
Lease revenue	764.2	864.9
Maintenance revenue	39.8	27.7
Amortization of lease incentives and other lease costs	(45.3)	(50.5)
Net lease revenue	758.7	842.1
Engineering maintenance service revenue	74.0	61.8
Finance lease and loan receivables income	5.8	10.9
Total lease, engineering maintenance service revenue and finance lease and loan receivables income	838.5	914.8
Other income	15.4	10.5
Total revenue	853.9	925.3

Total revenue was USD 853.9 million for the nine months ended September 30, 2022 compared to USD 925.3 million for the nine months ended September 30, 2021, a decrease of USD 71.4 million, or 7.7%, due to the reasons outlined below.

Net lease revenue decreased by USD 83.4 million, or 9.9%, to USD 758.7 million for the nine months ended September 30, 2022, from USD 842.1 million for the nine months ended September 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 divestments of aircraft offset by higher maintenance income from maintenance reserve releases on transitioning aircraft.

Engineering maintenance service revenue increased by USD 12.2 million, or 19.8%, to USD 74.0 million for the nine months ended September 30, 2022 compared to USD 61.8 million for the nine months ended September 30, 2021.

Finance lease and loan receivables income decreased by USD 5.1 million to USD 5.8 million for the nine months ended September 30, 2022 compared to USD 10.9 million for the nine months ended September 30, 2021.

Gain on disposal of aircraft

Gain on disposal of aircraft was USD 87.0 million for the nine months ended September 30, 2022 compared to USD 59.7 million for the nine months ended September 30, 2021. During the nine months ended September 30, 2022 we sold 12 owned aircraft compared to the sale of 16 owned aircraft during the nine months ended September 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 nine months ended September 30, 2022 and September 30, 2021.

<u>Total Expenses (in millions of USD)</u>	Nine months ended	
	Sep 30	
	2022	2021
Depreciation and amortization	407.2	427.6
General and administrative expenses	62.4	58.5
Cost of providing engineering maintenance services	49.7	44.0
Loss allowance	24.0	54.8
Aircraft maintenance	11.3	14.3
Total expenses before exceptional items	554.6	599.2
Exceptional item - asset write-off	576.5	-
Total expenses	1,131.1	599.2

Expenses for the nine months ended September 30, 2022, before exceptional items decreased by USD 44.6 million to USD 554.6 million compared to USD 599.2 million for the nine months ended September 30, 2021. Total expenses for the nine months ended September 30, 2022 increased by USD 531.9 million to USD 1,131.1 million compared to USD 599.2 million for the nine months ended September 30, 2021.

Depreciation and amortization expense decreased by USD 20.4 million, or 4.8%, for the nine months ended September 30, 2022 to USD 407.2 million compared to USD 427.6 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 3.9 million, or 6.7%, for the nine months ended September 30, 2022 to USD 62.4 million from USD 58.5 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 5.7 million, or 13.0%, for the nine months ended September 30, 2022 to USD 49.7 million from USD 44.0 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 30.8 million or 56.2% to USD 24.0 million compared to USD 54.8 million in the prior year. Further information can be found in the financial statements note 16.

Aircraft maintenance decreased by USD 3.0 million, or 21.0%, to USD 11.3 million for the nine months ended September 30, 2022 from USD 14.3 million for the nine months ended September 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 nine months ended September 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 386.3 million for the nine months ended September 30, 2022 compared to USD 385.8 million in the corresponding period of 2021, an increase of USD 0.5 million, or 0.1%. The increase was attributable to the factors described in the preceding sections.

Operating loss after exceptional items was USD 190.2 million for the nine months ended September 30, 2022 compared to an operating profit of USD 385.8 million in the corresponding period of 2021, a decrease of USD 576.0 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 104.0 million, or 35.9%, to USD 185.7 million for the nine months ended September 30, 2022 from USD 289.7 million for the nine months ended September 30, 2021.

Finance income increased by USD 16.6 million, or 378.4%, to USD 21.0 million for the nine months ended September 30, 2022 from USD 4.4 million for the nine months ended September 30, 2021. This was due primarily to gains on financial instruments and higher deposit rates during the nine months ended September 30, 2022 compared to the prior period.

Finance expense decreased by USD 87.4 million, or 29.7%, to USD 206.7 million for the nine months ended September 30, 2022 from USD 294.1 million for the nine months ended September 30, 2021 due primarily to lower average loan balance and a decrease in the average cost of debt to 3.2% from 3.7% to the nine months ended September 30, 2021.

During the nine months ended September 30, 2021, we early redeemed certain senior unsecured notes resulting in a one-off debt redemption cost of USD 38.3 million which consist of a redemption premium paid of USD 29.0 million and acceleration of debt issuance costs of USD 9.3 million.

Income tax benefit/(expense)

During the nine months ended September 30, 2022 we recorded a tax benefit of USD 41.6 million compared to a tax expense of USD 5.6 million for the nine months ended September 30, 2021. The income tax benefit for the nine months ended September 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 nine months ended September 30, 2022, increased by USD 113.1 million to USD 203.6 million from USD 90.5 million for the nine months ended September 30, 2021.

Loss after exceptional items for the nine months ended September 30, 2022 increased by USD 424.8 million to USD 334.3 million from a profit of USD 90.5 million for the nine months ended September 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 nine months ended September 30, 2022 and the nine months ended September 30, 2021. Cash and cash equivalents shown below refer to unrestricted cash.

Consolidated cash flow (Extract) (in millions of USD)	Nine months ended	
	Sep 30	
	2022	2021
Net cash generated from operating activities	956.6	799.7
Net cash from / (used in) investing activities	403.1	(468.4)
Net cash (used in) / from financing activities	(1,067.0)	61.6
Net increase in cash and cash equivalents	292.7	393.0
Cash and cash equivalents at the beginning of the period	350.4	469.0
Cash and cash equivalents at the end of the period	643.1	862.0

For the nine months ended September 30, 2022 net cash generated from operating activities was USD 956.6 million, an increase of USD 156.9 million, or 19.6%, from USD 799.7 million for the nine months ended September 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 nine months ended September 30, 2022 net cash from investing activities was USD 403.1 million compared to net cash used in investing activities of USD 468.4 million for the nine months ended September 30, 2021. This movement was primarily due to lower capital expenditure.

Net cash used in financing activities for the nine months ended September 30, 2022 was USD 1,067.0 million compared to net cash from financing activities of USD 61.6 million for the nine months ended September 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 nine months ended September 30, 2022 compared to the nine months ended September 30, 2021.

Our cash and cash equivalents as at September 30, 2022 was USD 643.1 million a decrease of USD 218.9 million from USD 862.0 million as at September 30, 2021.

Our total cash and cash resources, which includes restricted cash, was USD 752.7 million as at September 30, 2022 which represents an increase of USD 301.9 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 6,950.8 million as at September 30, 2022 from USD 7,813.7 million at December 31, 2021. The decrease was primarily due to loan repayments of USD 719.8 million and no loan drawdowns during the nine months ended September 30, 2022.

At September 30, 2022 our level of unsecured debt was 72.1% compared to 69.8% at December 31, 2021. The average cost of debt as at September 30, 2022 was 3.2% which decreased from 3.7% at December 31, 2021 and the weighted average debt maturity as at September 30, 2022 was 3.8 years compared to 4.4 years at December 31, 2021.

Loans and Borrowings (in millions of USD)

	Aircraft Collateral	Sep 30 2022
Unsecured		
Senior unsecured notes		3,172.4
Unsecured facilities (incl. term loans)		1,901.2
Total unsecured		5,073.6
Secured		
Recourse obligations (incl. Ex-Im & EDC)	77	1,910.5
Non-recourse obligations	2	49.8
Total secured	79	1,960.3
Debt issuance costs		(83.1)
Net loans and borrowings		6,950.8

The Group holds 215 aircraft with a total net book value of USD 6,626.1 million which were unencumbered at September 30, 2022 and 79 aircraft which were used as collateral on our secured facilities. Further information of the loan facilities can be found in the financial statements, note 13.

Our unsecured revolving credit facilities at September 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 2,803.1 million as at September 30, 2022 compared to USD 2,910.3 million as at December 31, 2021. Our total equity decreased to USD 2,682.2 million as at September 30, 2022 from USD 2,934.2 million as at December 31, 2021 due primarily to the asset write-off during the nine months ended September 30, 2022. Our Net Debt to Equity ratio was 2.35:1 times as at September 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 nine month period ended
30 September 2022**

Dubai Aerospace Enterprise (DAE) Ltd

Unaudited condensed consolidated interim financial statements for the nine month period ended 30 September 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 September 2022 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 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 November 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					
9 month period ended 30 September					
	Note	Before exceptional items 2022 USD'000	Exceptional items USD'000	Total 2022 USD'000	2021* USD'000
Revenues					
Revenue	5	838,470	-	838,470	914,839
Other income		15,457	-	15,457	10,491
Total revenue		853,927	-	853,927	925,330
Gain on disposal of aircraft		87,014	-	87,014	59,685
Expenses					
Depreciation and amortization		(407,248)	-	(407,248)	(427,594)
Asset write-off	7	-	(576,518)	(576,518)	-
General and administrative expenses		(62,395)	-	(62,395)	(58,552)
Cost of providing engineering maintenance services		(49,697)	-	(49,697)	(43,980)
Loss allowance	16	(23,970)	-	(23,970)	(54,763)
Aircraft maintenance		(11,352)	-	(11,352)	(14,292)
Operating profit/(loss)		386,279	(576,518)	(190,239)	385,834
Finance income	6	21,026	-	21,026	4,425
Finance expense	6	(206,751)	-	(206,751)	(255,835)
Debt redemption costs	6	-	-	-	(38,307)
Net finance cost		(185,725)	-	(185,725)	(289,717)
Profit/(Loss) before income tax		200,554	(576,518)	(375,964)	96,117
Income tax benefit/(expense)	8	3,000	38,636	41,636	(5,571)
Profit/(loss) for the period		203,554	(537,882)	(334,328)	90,546
Other comprehensive income					
<i>Items that may be reclassified to condensed consolidated statement of profit or loss:</i>					
Unrealized gain on interest rate hedges		87,491	-	87,491	33,304
Income tax relating to components of other comprehensive income		(5,186)	-	(5,186)	(1,947)
Total comprehensive income for the period		285,859	(537,882)	(252,023)	121,903
Profit/(loss) for the period attributable to:					
Equity holders of Dubai Aerospace Enterprise (DAE) Ltd		202,658	(537,882)	(335,224)	90,932
Non-controlling interests		896	-	896	(386)
		203,554	(537,882)	(334,328)	90,546
Total comprehensive income/(loss) for the period attributable to:					
Equity holders of Dubai Aerospace Enterprise (DAE) Ltd		284,963	(537,882)	(252,919)	122,289
Non-controlling interests		896	-	896	(386)
		285,859	(537,882)	(252,023)	121,903

* There were no exceptional items during the 9 month period ended 30 September 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	
	September	
	2022*	2021*
	USD'000	USD'000
Revenues		
Revenue	264,444	306,916
Other income	6,640	5,056
Total revenue	<u>271,084</u>	<u>311,972</u>
Gain on disposal of aircraft	31,286	30,496
Expenses		
Depreciation and amortization	(131,540)	(140,360)
General and administrative expenses	(19,302)	(22,049)
Cost of providing engineering maintenance services	(13,788)	(12,070)
Loss allowance	220	(19,106)
Aircraft maintenance	(6,452)	(3,538)
Operating profit	<u>131,508</u>	<u>145,345</u>
Finance income	10,912	1,241
Finance expense	(75,631)	(79,421)
Debt redemption costs	-	(22,210)
Net finance cost	<u>(64,719)</u>	<u>(100,390)</u>
Profit before income tax	66,789	44,955
Income tax expense	(3,333)	(3,444)
Profit for the period	<u>63,456</u>	<u>41,511</u>
Other comprehensive income		
<i>Items that may be reclassified to condensed consolidated statement of profit or loss:</i>		
Unrealized gain on interest rate hedges	27,704	7,105
Income tax relating to components of other comprehensive income	(1,622)	(463)
Total comprehensive income for the period	<u>89,538</u>	<u>48,153</u>
Profit for the period attributable to:		
Equity holders of Dubai Aerospace Enterprise (DAE) Ltd	63,555	42,222
Non-controlling interests	(99)	(711)
	<u>63,456</u>	<u>41,511</u>
Total comprehensive income for the period attributable to:		
Equity holders of Dubai Aerospace Enterprise (DAE) Ltd	89,637	48,864
Non-controlling interests	(99)	(711)
	<u>89,538</u>	<u>48,153</u>

*There were no exceptional items during the 3 month period ended 30 September 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 Sep 2022	31 Dec 2021
	Note	USD'000	USD'000
ASSETS			
Non-current assets			
Aircraft held for lease	9	9,883,722	11,279,152
Property, plant and equipment		99,291	106,092
Intangible assets		4,232	4,669
Goodwill		44,668	44,668
Finance lease and loan receivables	15	58,786	163,620
Other non-current assets		194,886	239,092
Financial assets at FVTPL and amortized cost		63,339	51,530
		<u>10,348,924</u>	<u>11,888,823</u>
Current assets			
Cash and cash equivalents	11	643,087	350,371
Restricted cash	11	109,637	100,402
Inventories		33,949	38,379
Trade and other receivables	10	50,529	111,374
Prepayments		7,429	5,801
Finance lease and loan receivables	15	9,728	16,814
Derivative financial assets		37,406	-
Current tax asset		959	1,710
Other current assets		78,408	95,903
		<u>971,132</u>	<u>720,754</u>
Total assets		<u>11,320,056</u>	<u>12,609,577</u>
EQUITY AND LIABILITIES			
EQUITY			
Authorized and issued share capital	12	1,927,770	1,927,770
Additional paid-in-capital		517,884	517,884
Treasury shares		(1,392,059)	(1,392,059)
Other reserves		32,052	(50,253)
Retained earnings		1,585,562	1,920,786
		<u>2,671,209</u>	<u>2,924,128</u>
Non-controlling interests		10,983	10,087
Net equity		<u>2,682,192</u>	<u>2,934,215</u>
LIABILITIES			
Non-current liabilities			
Loans and borrowings	13	6,576,559	7,140,860
Deferred tax liabilities		281,694	318,565
Maintenance reserves and security deposits	14	992,269	1,090,383
Lease liabilities		30,105	32,289
Deferred revenue		15,133	23,099
		<u>7,895,760</u>	<u>8,605,196</u>
Current liabilities			
Loans and borrowings	13	374,229	672,863
Trade and other payables		48,936	49,728
Derivative financial liabilities		-	48,480
Maintenance reserves and security deposits	14	252,793	233,613
Lease liabilities		3,552	4,015
Deferred revenue		62,594	61,467
		<u>742,104</u>	<u>1,070,166</u>
Total liabilities		<u>8,637,864</u>	<u>9,675,362</u>
Total liabilities and equity		<u>11,320,056</u>	<u>12,609,577</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	
	9 month period ended 30 September	
	2022	2021
	USD'000	USD'000
Cash flows from operating activities		
(Loss)/profit for the period	(334,328)	90,546
Adjustments for:		
Depreciation and amortization	407,248	427,594
Asset write-off	576,518	-
Gain on disposal of aircraft	(87,014)	(59,685)
Net finance cost	159,839	254,365
Amortization of fair value discounts and financing fees	25,886	35,352
Income tax	(41,636)	5,571
Changes in operating assets and liabilities		
Movement in trade and other receivables	60,845	12,939
Movement in finance lease receivables	7,495	285
Movement in maintenance reserves and security deposits	106,929	39,267
Movement in accrued revenue	13,393	(19,047)
Movement in other assets and liabilities	61,378	12,554
Net cash generated from operating activities	<u>956,553</u>	<u>799,741</u>
Cash flows from investing activities		
Acquisition of aircraft held for lease	(20,573)	(478,263)
Acquisition of property plant and equipment	-	(2,042)
Proceeds from sale of aircraft	428,199	523,135
Deposits paid for aircraft purchases	(4,504)	(511,197)
Net cash generated from/(used in) investing activities	<u>403,122</u>	<u>(468,367)</u>
Cash flow from financing activities		
Movement in restricted cash	(9,235)	12,356
Proceeds from borrowings	-	3,135,254
Repayment of borrowings	(719,810)	(2,658,482)
Repurchase of share capital	-	(100,000)
Debt repurchased	(125,900)	-
Net financing costs	(198,064)	(274,565)
Payment of debt issuance costs	(13,950)	(52,926)
Net cash (used in)/ generated from financing activities	<u>(1,066,959)</u>	<u>61,637</u>
Net increase in cash and cash equivalents	292,716	393,011
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>643,087</u>	<u>862,012</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>	Share capital	Additional paid-in capital	Treasury shares	Other reserves	Retained earnings	Attributable to the equity holders of the Company	Non-controlling interests	Total equity
Unaudited								
At 31 December 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	-	-	-	-	(335,224)	(335,224)	896	(334,328)
Other comprehensive income	-	-	-	82,305	-	82,305	-	82,305
Total comprehensive loss for the period	-	-	-	82,305	(335,224)	(252,919)	896	(252,023)
At 30 September 2022	1,927,770	517,884	(1,392,059)	32,052	1,585,562	2,671,209	10,983	2,682,192

<i>In thousands of US Dollars</i>	Share capital	Additional paid-in capital	Treasury shares	Other reserves	Retained earnings	Attributable to the equity holders of the Company	Non-controlling interests	Total equity
Unaudited								
At 31 December 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

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 nine month period ended 30 September 2022 (the “period”) are summarized below:

- The Group owned 294 aircraft at 30 September 2022 (31 December 2021: 296 aircraft).
- Purchases – the Group purchased ten aircraft during the period (30 September 2021: 10 aircraft).
- Sales – the Group disposed of 12 aircraft during the period (30 September 2021: 16 aircraft).

The Group also manages 91 aircraft on behalf of third parties at 30 September 2022 (31 December 2021: 79 aircraft). During the period, the Group acquired 35 managed aircraft (30 September 2021: 13 aircraft) and completed the sale of 23 managed aircraft (30 September 2021: 7 aircraft).

During the period, 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 on 3 November 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 nine month period ended 30 September 2022. At 30 September 2022, the Group’s available liquidity amounted to USD 2,803.1 million, which consists of USD 643.1 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 September 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 Sep 2022	30 Sep 2021
	USD'000	USD'000
Lease rental income	758,699	842,180
Engineering maintenance services revenue	73,986	61,771
Finance lease and loan receivables income	5,785	10,888
	<u>838,470</u>	<u>914,839</u>

Lease rental income includes the release of maintenance reserves totaling USD 39.7 million (30 September 2021: USD 27.7 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 40.1 million (30 September 2021: USD 42.6 million) and other lease costs of USD 5.2 million for the period (30 September 2021: USD 7.9 million).

Engineering maintenance services revenue of USD 74.0 million (30 September 2021: USD 61.8 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 38.2% of the lease rental income for the nine month period ended 30 September 2022 (30 September 2021: 36.6%). Customers based in the United Arab Emirates and the Kingdom of Bahrain accounted for 17.8% and 9.1% of lease rental income respectively in the period ended 30 September 2022 (30 September 2021: 18.4% and 8.2%).

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 2022	30 Sep 2022	30 Sep 2021	30 Sep 2021
	USD'000	%	USD'000	%
MEASA (Middle East/Africa/South Asia)	377,876	50	388,372	46
Asia/Pacific	170,233	22	227,870	27
Americas	141,148	19	145,401	17
Europe	69,442	9	80,537	10
Total lease rental income	<u>758,699</u>	<u>100</u>	<u>842,180</u>	<u>100</u>

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the unaudited condensed consolidated interim financial statements

6. Finance income and expense

	30 Sep 2022	30 Sep 2021
	USD'000	USD'000
Gains on financial instruments	9,341	-
Interest on bank accounts and short-term investments	3,695	1,302
Interest from investments	1,377	645
Net foreign exchange gain	2,688	1,242
Other finance income	3,925	1,236
Total finance income	21,026	4,425
Interest on borrowings	(175,068)	(224,024)
Amortization of debt issuance costs	(25,886)	(26,030)
Lease interest expense	(1,514)	(1,527)
Other charges	(4,283)	(4,254)
Total finance expense	(206,751)	(255,835)
Debt redemption cost	-	(38,307)
Net finance cost	(185,725)	(289,717)

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

Debt redemption cost consists of a premium paid of USD 29.0 million and acceleration of debt issuance costs of USD 9.3 million on the early redemption of unsecured notes completed in the period ended 30 September 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 nine month period ended 30 September 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 and a litigation claim 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 Sep 2022	30 Sep 2021
	USD'000	USD'000
Current tax expense		
Current period	<u>119</u>	<u>286</u>
Deferred tax (benefit)/expense		
Origination and reversal of temporary differences	<u>(41,755)</u>	<u>5,285</u>
Total income tax (benefit)/expense	<u>(41,636)</u>	<u>5,571</u>
Reconciliation of effective tax rate		
(Loss)/profit before income tax	(375,964)	96,117
Tax on profit at the United Arab Emirates statutory rate of 0%	-	-
Reconciling items		
Net profit taxable in Ireland at 12.5%	(75,355)	1,735
Net loss taxable at other rates	(949)	(3,954)
Non-deductible interest expense	885	2,370
Impact of tax losses not recognized	33,684	4,208
Adjustment to prior period	99	663
Other permanent differences	-	549
Total income tax (benefit)/expense	<u>(41,636)</u>	<u>5,571</u>

The income tax benefit for the nine month period ended 30 September 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 0.9 million (30 September 2021: USD 2.4 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.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the unaudited condensed consolidated interim financial statements

9. Aircraft held for lease

	Aircraft and engines USD'000	Aircraft purchase deposits USD'000	Maintena nce 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	24,912	3,005	-	-	27,917
Transfers	388,451	(370,405)	(18,046)	-	-
Transfer from finance lease and loan receivables	104,425	-	-	-	104,425
Derecognition	(1,668)	-	(31,226)	8,238	(24,656)
Disposals	(587,836)	-	(26,620)	-	(614,456)
Asset write-off	(941,666)	-	(45,889)	-	(987,555)
At 30 September 2022	11,336,103	-	298,571	(16,026)	11,618,648
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	382,359	-	12,778	(1,729)	393,408
Derecognition	(1,668)	-	(8,207)	8,238	(1,637)
Disposals	(217,858)	-	(13,528)	-	(231,386)
Asset write-off	(249,097)	-	(10,183)	-	(259,280)
At 30 September 2022	1,652,850	-	91,360	(9,284)	1,734,926
Net book value					
At 31 December 2021	10,610,371	367,400	309,852	(8,471)	11,279,152
At 30 September 2022	9,683,253	-	207,211	(6,742)	9,883,722

As of 30 September 2022, the Group owned 294 aircraft (31 December 2021: 296 aircraft), within this the Group had 288 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 12 aircraft (30 September 2021: 16 aircraft), purchased ten aircraft (30 September 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 September 2021: USD 6.1 million) 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 September 2021: USD 6.8 million). These amounts are netted within revenue in the consolidated statement of comprehensive income.

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Notes to the unaudited condensed consolidated interim financial statements

9. Aircraft held for lease (continued)

Aircraft pre-delivery payments 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 13.

As at 30 September 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 September 2022.

10. Trade and other receivables

	30 Sep 2022	31 Dec 2021
	USD'000	USD'000
Trade receivables	86,133	200,707
Less: Loss allowance	<u>(41,208)</u>	<u>(93,030)</u>
Trade receivables, net	44,925	107,677
Other receivables	<u>5,604</u>	<u>3,697</u>
	<u>50,529</u>	<u>111,374</u>

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

11. Cash and cash resources

	30 Sep 2022	31 Dec 2021
	USD'000	USD'000
Cash and cash equivalents	643,087	350,371
Restricted cash	<u>109,637</u>	<u>100,402</u>
	<u>752,724</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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Notes to the unaudited condensed consolidated interim financial statements

12. Capital and reserves

	30 Sep 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	32,052	(50,253)
Retained earnings	1,585,562	1,920,786
Attributable to equity holders of the Company	2,671,209	2,924,128
Non-controlling interests	10,983	10,087
Total equity	2,682,192	2,934,215

The authorized and issued share capital of the Company at 30 September 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.

13. Loans and borrowings

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

	30 Sep 2022	31 Dec 2021
	USD'000	USD'000
Principal	7,007,784	7,862,783
Accrued and unpaid interest	23,176	42,314
Fair value hedge reserve	2,953	3,687
Total loans and borrowings	7,033,913	7,908,784
Debt issuance costs	(83,125)	(95,061)
Net loans and borrowings	6,950,788	7,813,723
Non-current liabilities		
Bank loans	3,468,926	3,909,122
Unsecured notes	3,164,760	3,300,000
Debt issuance costs	(57,127)	(68,262)
Non-current loans and borrowings	6,576,559	7,140,860
Current liabilities		
Bank loans	392,528	668,176
Unsecured notes	7,699	31,486
Debt issuance costs	(25,998)	(26,799)
Current loans and borrowings	374,229	672,863

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the unaudited condensed consolidated interim financial statements

13. Loans and borrowings (continued)

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

	30 Sep 2022	31 Dec 2021
	USD'000	USD'000
At the beginning of the period/year	7,908,784	7,984,200
Loan repayments	(719,810)	(1,659,741)
Unsecured notes repurchased	(135,241)	-
Movement in fair value hedge reserve	(734)	(983)
Unsecured notes repayments	-	(2,192,206)
Loan drawdowns	-	1,235,254
Issuance of unsecured notes	-	2,550,000
Movement in accrued interest	(19,139)	(4,884)
Revaluation of loans	53	(2,856)
At the end of the period/year	<u>7,033,913</u>	<u>7,908,784</u>

Details of outstanding loans and borrowings are as follows:

	30 Sep 2022	31 Dec 2021
	USD'000	USD'000
Senior unsecured notes	3,172,458	3,331,486
Recourse obligations (including Ex-Im & EDC)	1,910,466	2,249,165
Unsecured facilities (including term loans)	1,901,176	2,190,151
Revolving credit facilities	-	100
Non-recourse obligations	49,813	137,882
Total loans and borrowings	<u>7,033,913</u>	<u>7,908,784</u>

14. Maintenance reserves and security deposits

Non-current	30 Sep 2022	31 Dec 2021
	USD'000	USD'000
Maintenance reserves	878,901	976,529
Security deposits	113,368	113,854
Total	<u>992,269</u>	<u>1,090,383</u>
Current	30 Sep 2022	31 Dec 2021
	USD'000	USD'000
Maintenance reserves	225,849	211,833
Security deposits	26,944	21,780
Total	<u>252,793</u>	<u>233,613</u>

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the unaudited condensed consolidated interim financial statements

14. Maintenance reserves and security deposits (continued)

	30 Sep 2022	31 Dec 2021
	USD'000	USD'000
Maintenance reserves		
At the beginning of the period/year	1,188,362	1,073,208
Additions	326,643	384,534
Reimbursed	(96,434)	(129,732)
Released	(313,821)	(133,925)
Reclassified to liabilities held-for-sale	-	(5,723)
At the end of the period/year	<u>1,104,750</u>	<u>1,188,362</u>
	30 Sep 2022	31 Dec 2021
	USD'000	USD'000
Security deposits		
At the beginning of the period/year	135,634	155,111
Additions	68,204	60,101
Repaid/utilized	(63,526)	(71,350)
Reclassified to liabilities held-for-sale	-	(8,228)
At the end of the period/year	<u>140,312</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 279.0 million as of 30 September 2022 (31 December 2021: USD 324.1 million).

15. Leases

Operating leases

As at 30 September 2022, the Group owns 294 aircraft (31 December 2021: 296 aircraft). Future minimum annual rentals to be received under the leases are as follows:

	30 Sep 2022	31 Dec 2021
	USD'000	USD'000
Within one year	1,019,453	1,138,388
After one year but not more than five years	2,896,952	3,443,756
More than five years	1,577,732	1,832,510
Total	<u>5,494,137</u>	<u>6,414,654</u>

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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Notes to the unaudited condensed consolidated interim financial statements

15. Leases (continued)

Finance leases and loan receivables

	30 Sep 2022	31 Dec 2021
	USD'000	USD'000
Non-current		
Finance leases	58,786	74,037
Loan receivables	-	89,583
Total finance leases and loan receivables	58,786	163,620
	30 Sep 2022	31 Dec 2021
	USD'000	USD'000
Current		
Finance leases	9,728	10,430
Loan receivables	-	6,384
Total finance leases and loan receivables	9,728	16,814

Finance leases

As at 30 September 2022, the Group owned six aircraft under finance lease agreements (31 December 2021: 7 aircraft). During the period, 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 September 2022, the Group holds no aircraft classified as loan receivables (31 December 2021: 1 aircraft). During the period, one aircraft was transferred to aircraft held for lease, following the termination of the leasing of the aircraft.

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

	30 Sep 2022	31 Dec 2021
	USD'000	USD'000
Gross receivables	71,465	215,718
Unearned finance lease	(12,679)	(52,098)
Total non-current finance leases and loan receivables	58,786	163,620
Gross receivables	15,132	30,292
Unearned finance lease	(5,404)	(13,478)
Total current finance leases and loan receivables	9,728	16,814

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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 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	9,728	30,292	16,814
After one year but not more than five years	60,209	48,023	120,776	82,428
More than five years	11,256	10,763	94,942	81,192
Total	86,597	68,514	246,010	180,434
Less: unearned finance income	(18,083)	-	(65,576)	-
	68,514	68,514	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.

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 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.

At 30 September 2022 the Group has 24 deferral agreements in place (31 December 2021: 23). The total amount accrued was USD 134.1 million (31 December 2021: USD 136.5 million) and a loss allowance of USD 33.4 million (31 December 2021: USD 22.4 million) has been recognized related to these amounts at 30 September 2022.

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

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the unaudited condensed consolidated interim financial statements

16. Risks and uncertainties (continued)

Credit risk (continued)

Details of outstanding balances are as follows:

	30 Sep 2022	31 Dec 2021
	USD'000	USD'000
Trade receivables	86,133	200,707
Loss allowance	(41,208)	(93,030)
Trade receivables, net	44,925	107,677
Accrued revenue (within other assets)		
Current - due within 1 year	39,327	41,958
Non-current - due after 1 year	94,841	94,561
Loss allowance	(33,403)	(22,361)
Accrued revenue, net	100,765	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 9.3 million (30 September 2021: USD 46.2 million) and accrued revenue of USD 14.7 million (30 September 2021: USD 8.6 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 Sep 2022	31 Dec 2021
	USD'000	USD'000
At the beginning of the period/year	115,391	68,420
Loss allowance	23,970	73,935
Utilization of loss allowance	(64,750)	(26,964)
At the end of the period/year	74,611	115,391

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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 2021.

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 154.0 million (30 September 2021: USD 166.3 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 September 2021: USD 1.8 million).
- Finance expense for the period in respect of loans from related companies under common control amounts to USD 24.9 million (30 September 2021: USD 20.8 million).

Compensation of key management personnel for the period:

	30 Sep 2022	30 Sep 2021
	USD'000	USD'000
Salaries and other benefits	<u>7,814</u>	<u>7,397</u>

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Notes to the unaudited condensed consolidated interim financial statements

18. Capital commitments

At 30 September 2022 the Group had committed to purchase one aircraft from Boeing. The aircraft is scheduled to deliver in 2023.

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.

19. Segment reporting

The Group's Chief Operating Decision Maker 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 USD'000	Engineering maintenance USD'000	Group USD'000
<u>30 Sep 2022</u>			
Total segment revenue	779,941	73,986	853,927
Segment (loss)/profit for the period	(338,803)	4,475	(334,328)
<u>30 Sep 2021</u>			
Total segment revenue	863,560	61,770	925,330
Segment profit/(loss) for the period	92,480	(1,934)	90,546
<u>Segment assets</u>			
30 Sep 2022	11,223,656	96,400	11,320,056
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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Notes to the unaudited condensed consolidated interim financial statements

20. Subsequent events

Subsequent to the period end, the Company has signed a definitive agreement to acquire 100% of Sky Fund 1 Irish, Ltd and its subsidiaries (Sky Fund 1). The transaction is expected to be completed before the end of 2022 subject to the receipt of required regulatory approvals.