Dubai Aerospace Enterprise (DAE) Ltd

Results for the three months ended

March 31, 2023

ABOUT DAE

Dubai Aerospace Enterprise (DAE) Ltd is a globally recognized aviation services corporation with two divisions: DAE Capital and DAE Engineering. Headquartered in Dubai, DAE serves over 170 airline customers in over 65 countries from its seven office locations in Dubai, Dublin, Amman, Singapore, Miami, New York, and Seattle.

DAE Capital is an award-winning aircraft lessor and financier with an owned, managed, committed, and mandated to manage fleet of approximately 500 Airbus, ATR and Boeing aircraft with a fleet value of approximately US$17 billion. DAE Engineering provides regional MRO services to customers in Europe, Middle East, Africa, and South Asia from its state-of-the-art facility in Amman, Jordan, accommodating up to 17 wide and narrow body aircraft. It is authorized to work on 15 aircraft types and has regulatory approval from over 25 regulators globally. More information can be found on the company's web site at www.dubaiaerospace.com.

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WEBCAST AND CONFERENCE CALL DETAILS

DAE will host its earnings call at 09.00 EDT / 14.00 BST / 17.00 GST / 21:00 SGT on Wednesday May 3rd 2023, to review our results for the three months ended March 31, 2023.

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 9444, (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 document 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 three months ended March 31, 2023 which should be read in conjunction with the unaudited condensed consolidated financial statements (the "interim financial statements") of Dubai Aerospace Enterprise (DAE) Ltd ("DAE") and its subsidiaries (together and hereinafter "we" or "us"). References to "March 31, 2023" are for the three months ended March 31, 2023 and to "March 31, 2022" are for the three months ended March 31, 2022.

FINANCIAL HIGHLIGHTS

- Profit for the three months ended March 31, 2023 was USD 69.2 million compared to a profit before exceptional items of USD 46.6 million for the three months ended March 31, 2022. Profit for the three months ended March 31, 2023 was USD 69.2 million compared to a loss after exceptional items of USD 491.3 million for the three months ended March 31, 2022.
- Operating profit for the three months ended March 31, 2023 increased by USD 45.6 million to USD 154.6 million compared to operating profit before exceptional item of USD 109.1 million for the three months ended March 31, 2022 which is mainly attributed to increased lease revenue and gain on disposal of aircraft and reversal of loss allowance. Operating profit for the three months ended March 31, 2023 was USD 154.6 million compared to an operating loss after exceptional item of USD 467.4 million for the three months ended March 31, 2022. The exceptional item in 2022 pertains to 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 three months ended March 31, 2023 decreased by 20.5% to USD 283.8 million compared to USD 357.0 million for the three months ended March 31, 2022. This is primarily due to higher maintenance reserve receipts in the prior period driven by the drawdown of letters of credit associated with aircraft previously leased to Russian customers. Excluding the impact of the letters of credit drawdown, net cash generated from operating activities for the three months ended March 31, 2023 increased by USD 4.1 million or 1.5% as compared to the prior period.
- Total assets were USD 12,607.0 million at March 31, 2023 compared to USD 12,709.1 million at December 31, 2022. This decrease was mainly due to aircraft sold and depreciation charge during the period which were partly offset by the increase in cash and cash equivalents.
- Available liquidity was USD 2,643.8 million at March 31, 2023 compared to USD 2,659.9 million at December 31, 2022. The Liquidity coverage ratio was 309.3% at March 31, 2023 compared to 341.0% at December 31, 2022.
- Net Debt-to-Equity ratio was 2.47:1 times at March 31, 2023 compared to 2.64:1 times at December 31, 2022.

OPERATIONAL HIGHLIGHTS

- Total number of aircraft in the fleet at March 31, 2023 was 437 (December 31, 2022: 440) which consisted of 325 owned (December 31, 2022: 330), 107 managed (December 31, 2022: 104) and five committed aircraft (December 31, 2022: six).
- During the three months ended March 31, 2023 we purchased two owned aircraft (March 31, 2022: three) and three managed aircraft (March 31, 2022: 20) and sold or consigned seven owned aircraft (March 31, 2022: four). No managed aircraft were sold during the three months ended March 31, 2023 (March 31, 2022: 18).
- The weighted average age of our owned fleet was 6.9 years at March 31, 2023 compared to 6.5 years at December 31, 2022. The weighted average remaining lease term of our owned fleet at March 31, 2023 was 6.0 years compared with 6.3 years at December 31, 2022.
- The ratio of unsecured debt to total debt was 70.4% at March 31, 2023 compared to 69.8% at December 31, 2022.

RESULTS OF OPERATIONS

The following discussion of our results of operations is based on the condensed consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position which have been extracted from our interim financial statements for the three months ended March 31, 2023.

Results of operations *(in millions of USD)*	Three months ended Mar 31			
	2023*	Before exceptional items 2022	Exceptional items	Total 2022
Consolidated statement of profit or loss and comprehensive income				
Total revenue	315.2	298.0	-	298.0
Gain on disposal of aircraft	26.0	7.2	-	7.2
Expenses				
Depreciation and amortization	(143.8)	(141.1)	-	(141.1)
Asset write-off	-	-	(576.5)	(576.5)
General and administrative expenses	(22.6)	(21.3)	-	(21.3)
Cost of providing engineering maintenance services	(23.0)	(18.3)	-	(18.3)
Reversal of/ (provision for) loss allowance	5.8	(15.3)	-	(15.3)
Aircraft maintenance	(3.0)	(0.1)	-	(0.1)
Operating profit/(loss)	**154.6**	**109.1**	**(576.5)**	**(467.4)**
Finance income	19.5	2.3	-	2.3
Finance expense	(100.6)	(65.9)	-	(65.9)
Net finance costs	**(81.1)**	**(63.6)**	**-**	**(63.6)**
Profit/(loss) before income tax	**73.5**	**45.5**	**(576.5)**	**(531.0)**
Income tax (expense)/ benefit	(4.3)	1.1	38.6	39.7
Profit/(loss) for the period	**69.2**	**46.6**	**(537.9)**	**(491.3)**

** There were no exceptional items during the 3 month period ended March 31 2023.*

	As at	
Consolidated statement of financial position (Extract)	**Mar 31 2023**	**Dec 31 2022**
Total cash and cash resources	582.6	438.2
Aircraft held for lease	11,075.5	11,300.8
Total assets	**12,607.0**	**12,709.1**
Total loans and borrowings	7,901.4	8,045.9
Total equity	3,000.8	2,935.7
Total liabilities and equity	**12,607.0**	**12,709.1**

	Three months ended Mar 31	
Adjusted EBITDA calculation [(1)]	**2023**	**2022**
Profit/(loss) for the period	69.2	(491.3)
Add back		
Net finance costs	81.1	63.6
Income tax expense/(benefit)	4.3	(39.7)
(Reversal of)/ provision for loss allowance	(5.8)	15.3
Depreciation and amortization	143.8	141.1
Asset write-off	-	576.5
Adjusted EBITDA	**292.6**	**265.5**

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

Financial metrics

	Three months ended Mar 31	
	2023	**2022**
Pre-tax margin (*per cent*) [(2)(4)]	23.3	15.3
Pre-tax return on equity (*per cent*) [(3)(4)]	9.9	6.1

	As at	
	Mar 31 2023	**Dec 31 2022**
Net debt to equity (*times*) [(5)]	2.47x	2.64x
Total available liquidity (*USD billions*) [(6)]	2.6	2.7
Unsecured debt/total debt (*per cent*) [(7)]	70.4	69.8
Liquidity coverage ratio (*per cent*) [(8)]	309.3	341.0

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

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

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

(4) *Profit before tax (before exceptional item) excludes an exceptional item of USD 576.5 million in 2022.*

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

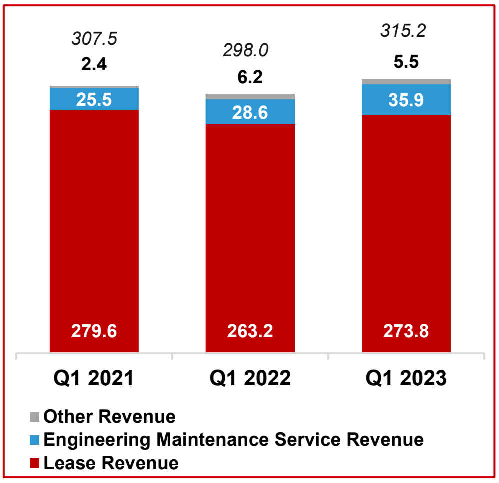
(6) *Calculated as the sum of available credit facilities and cash and cash equivalents.*

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

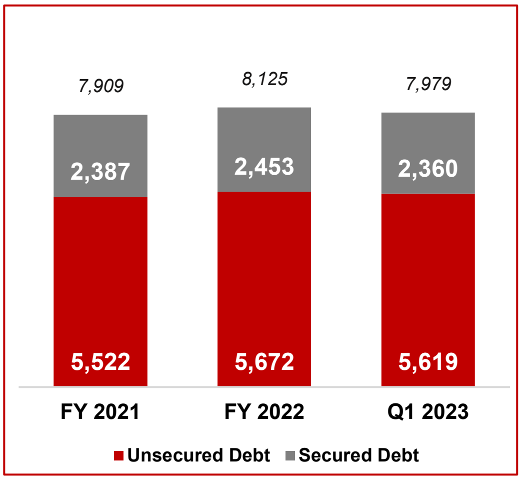
(8) *Calculated as total available liquidity divided by recourse debt payments in the next 12 months.*

FINANCIAL AND OPERATIONAL HIGHLIGHTS AT A GLANCE

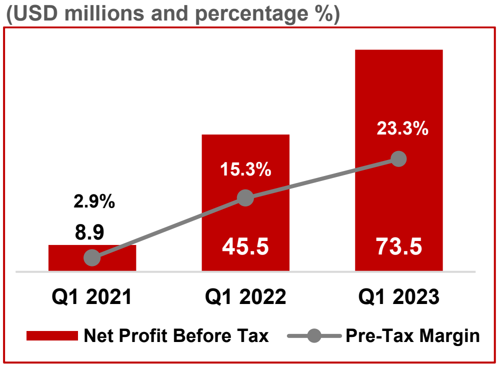
Total Revenue
(USD millions)



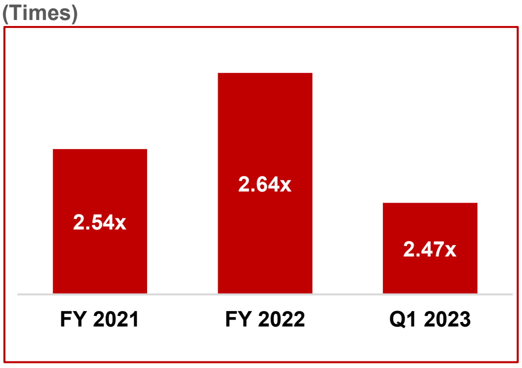
Total Debt by Security
(USD millions)



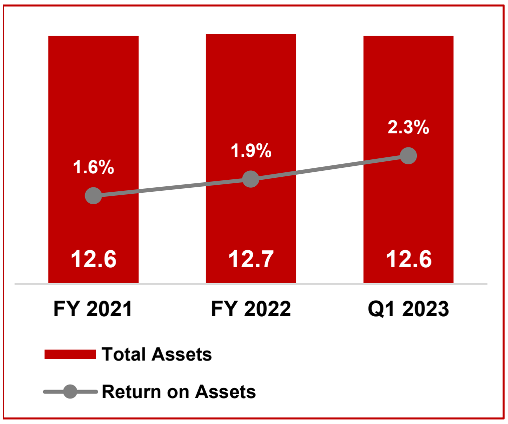
Net Profit Before Tax and Pre-Tax Margin [9]
(USD millions and percentage %)



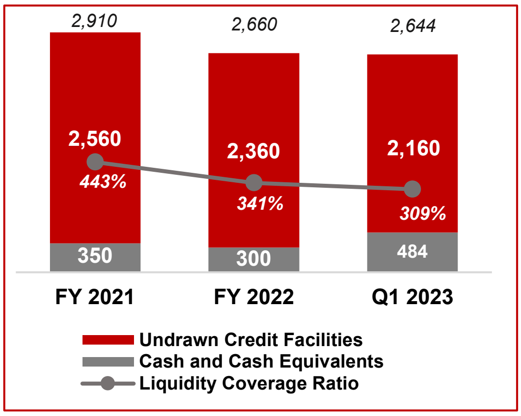
Net-Debt-to-Equity
(Times)



Total Assets and Return on Assets [9][10]
(USD billions and percentage %)



Available Liquidity and 12-Month Liquidity Coverage
(USD millions)

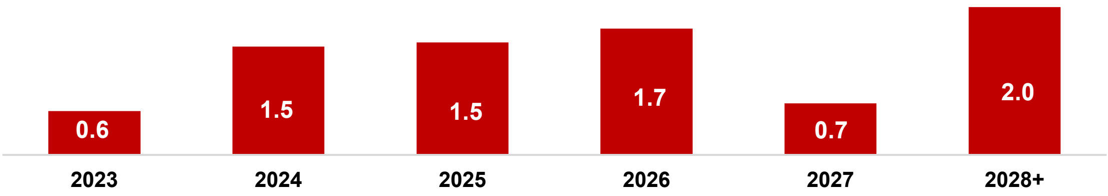


(9) *Profit before income tax is adjusted to exclude one-time bond redemption costs of USD 16.1 million in Q1 2021 and an exceptional item of USD 576.5 million in Q1 2022.*

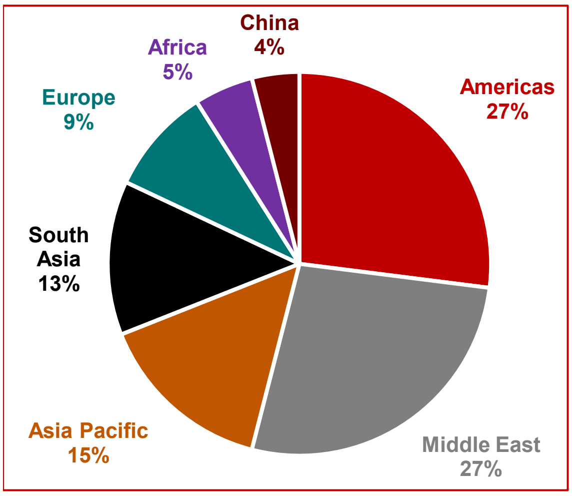
(10) *Calculated as profit before income tax (annualized in the case of interim periods) divided by average total assets, as appropriate.*

FINANCIAL AND OPERATIONAL HIGHLIGHTS AT A GLANCE (CONTINUED)

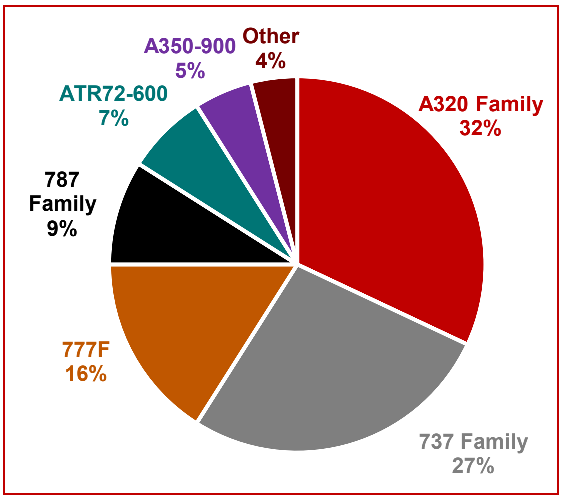
Debt Maturity Profile
(USD billions)



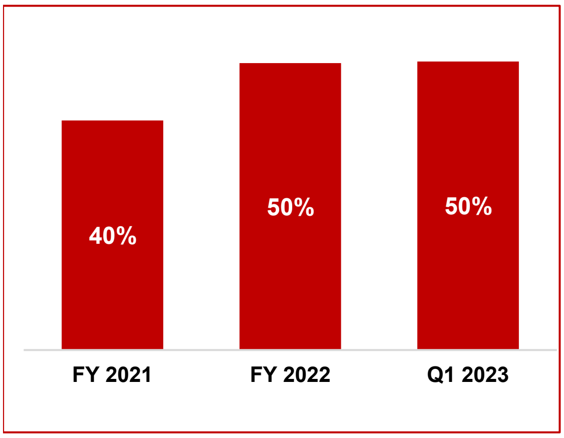
DAE Capital Diversification of Fleet by Region as of March 31, 2023 (11)



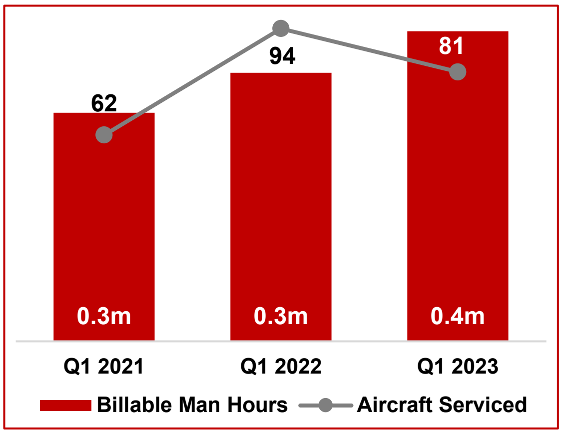
DAE Capital Aircraft by Type as of March 31, 2023 (11)



DAE Capital Proportion of Next Generation, Fuel Efficient Aircraft (11)(12)



DAE Engineering Billable Man Hours and Number of Aircraft Serviced



(11) *Based on Ascend Half Life Current Market Value (HLCMV) as of the stated reference date and refers to owned fleet only. FY 2022 and Q1 2023 exclude aircraft in Russia.*

(12) *The following aircraft are considered as "next generation and fuel efficient": Airbus A320neo Family, Airbus A330neo Family, Airbus A350 Family, Boeing 737 MAX Family, Boeing 787 Family, and ATR 72-600.*

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% indirectly owned by Investment Corporation of Dubai ("ICD"), the principal investment arm of the Government of Dubai.

DAE Capital

We are one of the largest aircraft leasing companies in the world. At March 31, 2023, we had a total owned, managed and committed fleet of 437 aircraft which was made up of 325 owned aircraft (including 11 aircraft classified as finance lease and loan receivables), 107 managed aircraft and commitments to acquire 5 new aircraft (two aircraft for our owned fleet and three aircraft for our managed fleet). Our owned and managed aircraft are on lease to 121 lessees in 60 countries.

As of March 31, 2023, 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 11,431.4 million. Future contracted lease rental income from our owned fleet amounted to USD 6,331.7 million. As of March 31, 2023, 97.9% of our leases were subject to fixed lease rates as a percentage of lease revenue.

Our lease portfolio is highly diversified, geographically and by airline, with our top five lessees representing 29.0% of our portfolio based on net book value as of March 31, 2023. Emirates, a related party, is our largest customer representing 10.1% of our fleet based on net book value. In addition, the estimated value of our managed fleet was USD 3.2 billion.

Analysis by aircraft type for our owned and managed portfolio

Aircraft Type	Owned Portfolio	Managed Portfolio	Committed Portfolio*	Total
A320 CEO family	94	45	2	141
A320 NEO family	28	9	1	38
A330-family	17	6	-	23
A330 NEO family	1	1	-	2
A350-900	4	-	-	4
Total Airbus	**144**	**61**	**3**	**208**
B737 NG family	66	35	-	101
B737 MAX family	24	9	-	33
B787 family	11	-	1	12
B777	3	-	-	3
B777F	12	-	1	13
Total Boeing	**116**	**44**	**2**	**162**
ATR 72-600	65	2	-	67
Total	**325**	**107**	**5**	**437**
Narrow body	212	98	3	313
Wide body – Passenger	36	7	1	44
Wide body – Freighter	12	-	1	13
Turboprop	65	2	-	67
Total	**325**	**107**	**5**	**437**

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

Fleet metrics	As at Mar 31, 2023	Dec 31, 2022
Owned fleet *(number of aircraft)* (1)	325	330
Managed fleet *(number of aircraft)*	107	104
Weighted average age *(years)* (2)	6.9	6.5
Weighted average remaining lease term (*years*) (2)	6.0	6.3
(in millions of USD)		
Net book value of aircraft held for lease	11,075.5	11,300.8
Carrying value of finance lease and loan receivables	355.9	364.7
Aggregate net book value	**11,431.4**	**11,665.5**

(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.

Environment, Social and Governance Framework

DAE is committed to maintaining an effective Environmental, Social and Governance ("ESG") Framework. In 2022, DAE introduced a Stakeholder Engagement Policy and an ESG Policy to deepen our engagement with Stakeholders on ESG issues and hold ourselves accountable on our ESG journey.

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, 2022, was published on DAE's website in April 2023 and 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.

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, and S&P Corporate Sustainability Assessment platform, ensuring that our Stakeholders have transparent access to the data and disclosures that DAE makes.

DAE holds an ESG Risk Rating of 14.4 from Morningstar Sustainalytics, who consider DAE's enterprise value to be of 'Low Risk' of material financial impacts driven by ESG factors. This is the lowest rating among rated aircraft lessors. In January 2023, Morningstar Sustainalytics awarded DAE with its ESG Industry Top Rated and ESG Regional Top Rated accreditations, indicating that in 2022, 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 furtherance of our commitments to effective engagement on ESG issues, in October 2022, DAE were one of the inaugural signatories of the Aircraft Leasing Ireland (ALI) Sustainability Charter, which outlines ten priority sustainability principles focused on areas including Climate Action and Net-zero, Innovation and Clean Technology and Diversity & Inclusion.

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 6.9 years. As of March 31, 2023, 50% 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 March 31, 2023, our DAE Capital business had a ratio of 60% male employees and 40% female employees. Through our Community Giving initiative we support a number of charities linked to our local offices and encourage staff to engage in physical and mental well-being activities. We maintain a robust corporate governance framework via our internal boards and committees.

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/.

Three months ended March 31, 2023 compared to three months ended March 31, 2022

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, proceeds from the sale of spare parts and the release of security deposits).

The table below shows a breakdown of our total revenue for each of the three months ended March 31, 2023 and March 31, 2022.

Total Revenue *(in millions of USD)*	**Three months ended Mar 31**	
	2023	**2022**
Lease revenue	280.4	260.3
Maintenance revenue	2.6	15.7
Amortization of lease incentives and other lease costs	(11.1)	(15.6)
Net lease revenue	**271.9**	**260.4**
Engineering maintenance service revenue	35.9	28.6
Finance lease and loan receivables income	1.9	2.8
Total lease, engineering maintenance service revenue and finance lease and loan receivables income	**309.7**	**291.8**
Other income	5.5	6.2
Total revenue	**315.2**	**298.0**

Total revenue was USD 315.2 million for the three months ended March 31, 2023 compared to USD 298.0 million for the three months ended March 31, 2022, an increase of USD 17.2 million, or 5.8%, due to the reasons outlined below.

Net lease revenue increased by USD 11.5 million, or 4.4%, to USD 271.9 million for the three months ended March 31, 2023, from USD 260.4 million for the three months ended March 31, 2022. This increase was primarily driven by additional revenue generated by the aircraft acquired in the business combination last year.

Engineering maintenance service revenue increased by USD 7.3 million, or 25.5%, to USD 35.9 million for the three months ended March 31, 2023 compared to USD 28.6 million for the three months ended March 31, 2022.

Finance lease and loan receivables income decreased by USD 0.9 million to USD 1.9 million for the three months ended March 31, 2023 compared to USD 2.8 million for the three months ended March 31, 2022.

Gain on disposal of aircraft

Gain on disposal of aircraft was USD 26.0 million for the three months ended March 31, 2023 compared to USD 7.2 million for the three months ended March 31, 2022. During the three months ended March 31, 2023, the Group sold/consigned seven owned aircraft compared to the sale of four owned aircraft during the three months ended March 31, 2022.

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 three months ended March 31, 2023 and March 31, 2022.

Total Expenses *(in millions of USD)*	**Three months ended Mar 31**	
	2023	**2022**
Depreciation and amortization	143.8	141.1
General and administrative expenses	22.6	21.3
Cost of providing engineering maintenance services	23.0	18.3
Reversal of/ (provision for) loss allowance	(5.8)	15.3
Aircraft maintenance	3.0	0.1
Total expenses before exceptional items	**186.6**	**196.1**
Exceptional item - asset write-off	-	576.5
Total expenses	**186.6**	**772.6**

Expenses for the three months ended March 31, 2023, decreased by USD 9.5 million to USD 186.6 million compared to the expenses before exceptional items of USD 196.1 million for the three months ended March 31, 2022. Total expenses for the three months ended March 31, 2023 decreased by USD 586.0 million to USD 186.6 million compared to USD 772.6 million for the three months ended March 31, 2022.

Depreciation and amortization expense increased by USD 2.7 million, or 1.9%, for the three months ended March 31, 2023 to USD 143.8 million compared to USD 141.1 million in the prior period. This increase was primarily due to increase in the number of owned aircraft compared to the prior period.

General and administrative expenses increased by USD 1.3 million, or 6.1%, for the three months ended March 31, 2023 to USD 22.6 million from USD 21.3 million in the prior period.

Cost of providing engineering maintenance services increased by USD 4.7 million, or 25.7%, for the three months ended March 31, 2023 to USD 23.0 million from USD 18.3 million in the prior period. This increase reflects the corresponding increase in engineering maintenance services revenue over the same period.

Reversal of loss allowance was USD 5.8 million for the three months ended March 31, 2023 or a decrease of USD 21.1 million or 137.9% compared to the loss allowance charge of USD 15.3 million in the prior period. Further information can be found in the financial statements Note 16.

Aircraft maintenance increased by USD 2.9 million to USD 3.0 million for the three months ended March 31, 2023 from USD 0.1 million for the three months ended March 31, 2022. This increase was due to heavy maintenance costs related to aircraft returns and repossession.

In addition, asset write-off was USD 576.5 million for the three months ended March 31, 2022 compared to nil million in the current period. 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 was USD 154.6 million for the three months ended March 31, 2023 compared to operating profit before exceptional items of USD 109.1 million in the corresponding period of 2022, an increase of USD 45.5 million, or 41.7%. This increase was attributable to the factors described in the preceding sections.

Operating profit was USD 154.6 million for the three months ended March 31, 2023, an increase of USD 622.0 million compared to an operating loss after exceptional items of USD 467.4 million in the corresponding period of 2022. This exceptional item in 2022 pertains 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 increased by USD 17.5 million, or 27.5%, to USD 81.1 million for the three months ended March 31, 2023 from USD 63.6 million for the three months ended March 31, 2022.

Finance income increased by USD 17.2 million, or 747.8%, to USD 19.5 million for the three months ended March 31, 2023 from USD 2.3 million for the three months ended March 31, 2022. This was due primarily to gains on financial instruments and higher deposit rates during the three months ended March 31, 2023 compared to the prior period.

Finance expense increased by USD 34.7 million, or 52.7%, to USD 100.6 million for the three months ended March 31, 2023 from USD 65.9 million for the three months ended March 31, 2022 due primarily to higher average loan balance during the current period and an increase in the average cost of debt to 4.5% for the three months ended March 31, 2023 from 2.9% for the three months ended March 31, 2022.

Income tax benefit/(expense)

During the three months ended March 31, 2023, the Group recorded a tax expense of USD 4.3 million compared to a tax benefit of USD 39.8 million for the three months ended March 31, 2022. The income tax benefit for the three month period ended March 31, 2022 was primarily driven by the impact of the asset write-off relating to certain aircraft in Russia not in the Group's control.

Profit/(loss) for the period

Reflecting the above factors, profit for the three months ended March 31, 2023 increased by USD 22.6 million to USD 69.2 million from profit before exceptional items of USD 46.6 million for the three months ended March 31, 2022.

Profit for the three months ended March 31, 2023 increased by USD 560.5 million to USD 69.2 million from a loss after exceptional items of USD 491.3 million for the three months ended March 31, 2022 which includes 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 three months ended March 31, 2023 and the three months ended March 31, 2022. Cash and cash equivalents shown below refer to unrestricted cash.

Consolidated cash flow (Extract) (in millions of USD)	**Three months ended Mar 31**	
	2023	**2022**
Net cash generated from operating activities	283.8	357.0
Net cash generated from investing activities	94.9	64.0
Net cash used in financing activities	(194.8)	(368.3)
Net increase in cash and cash equivalents	**183.9**	**52.7**
Cash and cash equivalents at the beginning of the period	299.9	350.4
Cash and cash equivalents at the end of the period	**483.8**	**403.1**

For the three months ended March 31, 2023 net cash generated from operating activities was USD 283.8 million, a decrease of USD 73.1 million, or 20.5%, from USD 357.0 million for the three months ended March 31, 2022 which is primarily due to higher maintenance reserve receipts in the prior period driven by the drawdown of letters of credit associated with aircraft previously leased to Russian customers. Excluding the impact of the letters of credit drawdown, net cash generated from operating activities for the three months ended March 31, 2023 increased by USD 4.1 million or 1.5% as compared to the prior period.

For the three months ended March 31, 2023 net cash generated from investing activities was USD 94.9 million compared to USD 64.0 million for the three months ended March 31, 2022. This movement was primarily due to higher proceeds from disposal of aircraft partially offset by net cash paid on acquisition of aircraft held for lease.

Net cash used in financing activities for the three months ended March 31, 2023 was USD 194.8 million compared to USD 368.3 million for the three months ended March 31, 2022. This movement was due to the loan drawdown which was partly offset by increased loan repayments, cash interest paid and debt issuance costs during the three months ended March 31, 2023 compared to the three months ended March 31, 2022.

Our cash and cash equivalents as at March 31, 2023 was USD 483.8 million, an increase of USD 183.9 million from USD 299.9 million as at December 31, 2022.

Our total cash and cash resources, which includes restricted cash, was USD 582.6 million as at March 31, 2023 which represents an increase of USD 144.4 million compared to USD 438.2 million as at December 31, 2022.

Loans and Borrowings, Liquidity and Capital Resources

Loans and borrowings

Our total loans and borrowings (net of debt issuance costs) decreased to USD 7,901.4 million as at March 31, 2023 from USD 8,045.9 million at December 31, 2022. The decrease was primarily due to loan repayments and notes repurchases of USD 410.6 million and USD 205.0 million, respectively which was partially offset by loan drawdown of USD 500.0 million during the three months ended March 31, 2023.

At March 31, 2023 our level of unsecured debt was 70.4% compared to 69.8% at December 31, 2022. The average cost of debt as at March 31, 2023 was 4.5% which increased from 3.4% at December 31, 2022 and the weighted average debt maturity as at March 31, 2023 was 5.3 years compared to 4.5 years at December 31, 2022.

Loans and Borrowings (in millions of USD)

	Aircraft Collateral	Mar 31 2023
Unsecured		
Senior unsecured notes		2,956.2
Senior unsecured facilities (incl. revolving credit facilities)		2,662.7
Total unsecured		**5,618.9**
Secured		
Recourse obligations (incl. Ex-Im & EDC)	75	1,732.0
Senior secured notes	16	581.0
Non-recourse obligations	2	47.4
Total secured	**93**	**2,360.4**
Debt issuance costs		(77.9)
Net loans and borrowings		**7,901.4**

The Group holds 232 aircraft with a total net book value of USD 7,285.2 million which were unencumbered at March 31, 2023 and 93 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 credit facilities at March 31, 2023 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 2,643.8 million as at March 31, 2023 compared to USD 2,659.9 million as at December 31, 2022. Our total equity increased to USD 3,000.8 million as at March 31, 2023 from USD 2,935.7 million as at December 31, 2022. Our Net Debt to Equity ratio was 2.47:1 times as at March 31, 2023 compared to 2.64:1 times as at December 31, 2022.

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 three month period ended March 31, 2023

Dubai Aerospace Enterprise (DAE) Ltd

Unaudited condensed consolidated interim financial statements for the three month period ended March 31, 2023

Review report on condensed consolidated interim financial statements to the shareholder 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 March 31, 2023 and the related condensed consolidated interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial statements in accordance with International Accounting Standard 34, 'Interim Financial Reporting' ('IAS 34'). Our responsibility is to express a conclusion on this condensed consolidated interim financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34.

PricewaterhouseCoopers
May 3, 2023

/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

	Note	2023* USD'000	Before exceptional items 2022 USD'000	Exceptional items USD'000	Total 2022 USD'000
		Unaudited 3 month period ended March 31			
Revenues					
Revenue	5	309,778	291,849	-	291,849
Other income		5,449	6,148	-	6,148
Total revenue		315,227	297,997	-	297,997
Gain on disposal of aircraft		25,956	7,195	-	7,195
Expenses					
Depreciation and amortization		(143,832)	(141,068)	-	(141,068)
Asset write-off	7	-	-	(576,518)	(576,518)
General and administrative expenses		(22,569)	(21,388)	-	(21,388)
Cost of providing engineering maintenance services		(22,965)	(18,280)	-	(18,280)
Reversal of/(provision for) loss allowance	16	5,850	(15,314)	-	(15,314)
Aircraft maintenance		(3,000)	(69)	-	(69)
Operating profit/(loss)		154,667	109,073	(576,518)	(467,445)
Finance income	6	19,451	2,339	-	2,339
Finance expense	6	(100,573)	(65,956)	-	(65,956)
Net finance cost		(81,122)	(63,617)	-	(63,617)
Profit/(loss) before income tax		73,545	45,456	(576,518)	(531,062)
Income tax (expense)/benefit	8	(4,340)	1,140	38,636	39,776
Profit/(loss) for the period		69,205	46,596	(537,882)	(491,286)
Other comprehensive income					
Items that may be reclassified to condensed consolidated statement of profit or loss:					
Unrealized (loss)/gain on interest rate hedges		(4,640)	41,501	-	41,501
Income tax relating to components of other comprehensive income		521	(2,633)	-	(2,633)
Total comprehensive income for the period		65,086	85,464	(537,882)	(452,418)
Profit/(loss) for the period attributable to:					
Equity holders of Dubai Aerospace Enterprise (DAE) Ltd		67,915	45,921	(537,882)	(491,961)
Non-controlling interests		1,290	675	-	675
		69,205	46,596	(537,882)	(491,286)
Total comprehensive income for the period attributable to:					
Equity holders of Dubai Aerospace Enterprise (DAE) Ltd		63,796	84,789	(537,882)	(453,093)
Non-controlling interests		1,290	675	-	675
		65,086	85,464	(537,882)	(452,418)

* There were no exceptional items during the 3 month period ended March 31, 2023.

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

	Note	Unaudited Mar 31, 2023 USD'000	Audited Dec 31, 2022 USD'000
ASSETS			
Non-current assets			
Aircraft held for lease	9	11,075,532	11,300,836
Property, plant and equipment		95,523	96,405
Intangible assets		3,974	4,086
Goodwill		44,668	44,668
Finance lease and loan receivables	15	335,987	167,570
Other non-current assets		171,988	189,934
Financial assets at fair value and amortized cost		91,085	80,264
		11,818,757	11,883,763
Current assets			
Cash and cash equivalents	11	483,776	299,920
Restricted cash	11	98,846	138,328
Inventories		30,490	32,366
Trade and other receivables	10	46,503	46,483
Prepayments		11,771	6,344
Finance lease and loan receivables	15	19,901	197,078
Derivative financial assets		30,125	35,116
Other current assets		66,860	69,714
		788,272	825,349
Total assets		12,607,029	12,709,112
EQUITY AND LIABILITIES			
EQUITY	12		
Authorized and issued share capital		2,011,069	2,011,069
Additional paid-in-capital		634,585	634,585
Treasury shares		(1,392,059)	(1,392,059)
Other reserves		26,393	30,512
Retained earnings		1,707,408	1,639,493
		2,987,396	2,923,600
Non-controlling interests		13,382	12,092
Net equity		3,000,778	2,935,692
LIABILITIES			
Non-current liabilities			
Loans and borrowings	13	6,989,787	7,238,590
Maintenance reserves and security deposits	14	984,177	1,034,017
Deferred tax liabilities		272,505	268,735
Lease liabilities		28,513	29,270
Deferred revenue		9,948	12,534
		8,284,930	8,583,146
Current liabilities			
Loans and borrowings	13	911,654	807,262
Maintenance reserves and security deposits	14	259,067	233,105
Trade and other payables		74,580	77,404
Deferred revenue		72,147	68,690
Lease liabilities		3,416	3,405
Current tax liabilities		457	408
		1,321,321	1,190,274
Total liabilities		9,606,251	9,773,420
Total liabilities and equity		12,607,029	12,709,112

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 3 month period ended March 31	
	2023 USD'000	2022 USD'000
Cash flows from operating activities		
Profit / (loss) for the period	69,205	(491,286)
Adjustments for:		
Depreciation and amortization	143,832	141,068
Asset write-off	-	576,518
Gain on disposal of aircraft	(25,956)	(7,195)
Net finance cost	72,925	53,898
Amortization of debt issuance cost	8,197	9,719
Income tax	4,340	(39,776)
Changes in operating assets and liabilities		
Movement in trade and other receivables	(20)	(1,914)
Movement in finance lease receivables	8,760	3,826
Movement in maintenance reserves and security deposits	(4,806)	71,866
Movement in accrued revenue	10,892	12,298
Movement in other assets and liabilities	(3,523)	27,937
Net cash generated from operating activities	283,846	356,959
Cash flows from investing activities		
Acquisition of aircraft held for lease	(100,692)	(4,618)
Proceeds from sale of aircraft	195,577	70,412
Deposits paid for aircraft purchases	-	(1,747)
Net cash from investing activities	94,885	64,047
Cash flow from financing activities		
Movement in restricted cash	39,482	16,732
Proceeds from borrowings	500,000	-
Repayment of borrowings	(410,585)	(301,415)
Debt repurchased	(194,551)	(1,624)
Net financing costs	(122,384)	(80,399)
Payment of debt issuance costs	(6,837)	(1,583)
Net cash used in financing activities	(194,875)	(368,289)
Net increase in cash and cash equivalents	183,856	52,717
Cash and cash equivalents at the beginning of the period	299,920	350,371
Cash and cash equivalents at the end of the period	483,776	403,088

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

In thousands of US Dollars **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 December 31, 2022	2,011,069	634,585	(1,392,059)	30,512	1,639,493	2,923,600	12,092	2,935,692
Profit for the period	-	-	-	-	67,915	67,915	1,290	69,205
Other comprehensive income	-	-	-	(4,119)	-	(4,119)	-	(4,119)
Total comprehensive income for the period	-	-	-	(4,119)	67,915	63,796	1,290	65,086
At March 31, 2023	2,011,069	634,585	(1,392,059)	26,393	1,707,408	2,987,396	13,382	3,000,778

In thousands of US Dollars **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 December 31, 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	-	-	-	-	(491,961)	(491,961)	675	(491,286)
Other comprehensive income	-	-	-	38,868	-	38,868	-	38,868
Total comprehensive income for the period	-	-	-	38,868	(491,961)	(453,093)	675	(452,418)
At March 31, 2022	1,927,770	517,884	(1,392,059)	(11,385)	1,428,825	2,471,035	10,762	2,481,797

The accompanying notes form an integral part of these 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 April 19, 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.

The Group 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 operational highlights for the Group's owned fleet for the three month period ended March 31, 2023 (the "period") are summarized below:

- The Group owned 325 aircraft at March 31, 2023 (December 31, 2022: 330 aircraft).
- Purchases – the Group purchased two aircraft during the period (March 31, 2022: three aircraft).
- Sales – the Group disposed of seven aircraft during the period (March 31, 2022: four aircraft).

The Group also manages 107 aircraft on behalf of third parties at March 31, 2023 (December 31, 2022: 104 aircraft). During the period, the Group acquired three managed aircraft (March 31, 2022: 20 aircraft) and completed the sale of nil managed aircraft (March 31, 2022: 18 aircraft).

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

The condensed consolidated interim financial statements were approved on May 3, 2023 and signed by:

/s/ Firoz Tarapore

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Firoz Tarapore
Chief Executive Officer

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 December 31, 2022, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

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

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

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

As at March 31, 2023, the current liabilities of the Group exceeded its current assets. The shortfall will be met by a combination of the operating cash flows of the Group, new and existing credit facilities, and other cash management initiatives. At March 31, 2023 the Group's undrawn credit facilities amounted to USD 2,160.0 million.

3. Accounting policies

The accounting policies adopted are consistent with those of the consolidated financial statements for the year ended December 31, 2022. A number of new and amended standards became applicable for the current period ended March 31, 2023. 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 December 31, 2022.

5. Revenue

	Mar 31 2023 USD'000	Mar 31 2022 USD'000
Lease rental income	271,944	260,418
Engineering maintenance services revenue	35,908	28,643
Finance lease and loan receivables income	1,926	2,788
	309,778	291,849

Lease rental income includes the release of maintenance reserves totaling USD 2.7 million (March 31, 2022: USD 15.7 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 9.1 million (March 31, 2022: USD 13.2 million) and other lease costs of USD 2.1 million for the period (March 31, 2022: USD 2.4 million).

Engineering maintenance services revenue of USD 35.9 million (March 31, 2022: USD 28.6 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 37.6% of the lease rental income for the three month period ended March 31, 2023 (March 31, 2022: 36.2%). Customers based in the United Arab Emirates and the Kingdom of Bahrain accounted for 16.2% and 8.4% of lease rental income respectively in the period ended March 31, 2023 (2022: 18.2% and 8.8%).

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:

	Mar 31 2023 USD'000	Mar 31 2023 %	Mar 31 2022 USD'000	Mar 31 2022 %
Middle East	82,576	30	101,320	39
Americas	58,949	22	43,978	17
Asia Pacific	44,968	16	45,574	18
South Asia	31,620	12	18,915	7
Europe	20,161	7	26.817	10
Africa	18,427	7	17,534	7
China	15,243	6	6,280	2
Total lease rental income	271,944	100	260,418	100

Lease rental income by geographic regions for the comparative prior period have been reclassified to conform to the current period's presentation.

6. Finance income and expense

	Mar 31 2023 USD'000	**Mar 31 2022** USD'000
Gains on financial instruments	10,497	-
Interest on bank accounts and short-term investments	4,012	204
Interest from investments	709	382
Net foreign exchange gain	429	781
Other finance income	3,804	972
Total finance income	19,451	2,339
Interest on borrowings	(91,227)	(55,021)
Amortization of debt issuance costs	(8,197)	(9,719)
Lease interest expense	(493)	(511)
Other charges	(656)	(705)
Total finance expense	(100,573)	(65,956)
Net finance cost	(81,122)	(63,617)

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

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 March 31, 2022. In response to the sanctions imposed, the Government of the Russian Federation, took steps including issuing 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 three month period ended March 31, 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.

8. Income tax expense

	Mar 31 2023 USD'000	Mar 31 2022 USD'000
Current tax expense		
Current period	49	34
Deferred tax expense/(benefit)		
Origination and reversal of temporary differences	4,291	(39,810)
Total income tax expense/(benefit)	4,340	(39,776)

Reconciliation of effective tax rate

	Mar 31 2023 USD'000	Mar 31 2022 USD'000
Profit/(loss) before income tax	73,545	(531,062)
Tax on profit at the United Arab Emirates statutory rate of 0%	-	-
Reconciling items		
Net profit/(loss) taxable in Ireland at 12.5%	3,320	(75,071)
Net profit/(loss) taxable at other rates	30	(237)
Non-deductible interest expense	49	112
Impact of tax losses not recognized	864	35,405
Other permanent differences	77	15
Total income tax expense/(benefit)	4,340	(39,776)

The income tax expense for the three month period ended March 31, 2023 was primarily driven by the tax impact of the Group's Irish activities at 12.5%. The income tax benefit for the three month period ended March 31, 2022 was primarily driven by the impact of the asset write-off relating to certain aircraft in Russia not in the Group's control.

9. Aircraft held for lease

	Aircraft and engines USD'000	Aircraft purchase deposits USD'000	Maintenance right asset USD'000	Lease premium/ (discount) USD'000	Total USD'000
Cost					
At December 31, 2021	12,349,485	367,400	420,352	(24,264)	13,112,973
Acquired through business combination	1,091,618	21,300	38,694	123,043	1,274,655
Additions	306,405	3,004	16,849	8,277	334,535
Transfers	407,704	(380,605)	(27,099)	-	-
Transfer from finance and loan receivables	104,425	-	-	-	104,425
Derecognition	(19,721)	-	(52,798)	8,238	(64,281)
Disposals	(596,380)	-	(26,619)	-	(622,999)
Asset write-off	(941,666)	-	(45,889)	-	(987,555)
At December 31, 2022	12,701,870	11,099	323,490	115,294	13,151,753
Additions	100,692	-	-	-	100,692
Transfers	24,105	(11,099)	(13,006)	-	-
Disposals	(250,443)	-	-	-	(250,443)
At March 31, 2023	12,576,224	-	310,484	115,294	13,002,002
Depreciation					
At December 31, 2021	1,739,114	-	110,500	(15,793)	1,833,821
Charge for the period	523,404	-	16,719	(685)	539,438
Derecognition	(7,367)	-	(17,134)	8,238	(16,263)
Disposals	(231,054)	-	(15,745)	-	(246,799)
Asset write-off	(249,097)	-	(10,183)	-	(259,280)
At December 31, 2022	1,775,000	-	84,157	(8,240)	1,850,917
Charge for the period	135,904	-	4,115	2,673	142,692
Disposals	(67,139)	-	-	-	(67,139)
At March 31, 2023	1,843,765	-	88,272	(5,567)	1,926,470
Net book value					
At December 31, 2022	10,926,870	11,099	239,333	123,534	11,300,836
At March 31, 2023	10,732,459	-	222,212	120,861	11,075,532

As of March 31, 2023, the Group owned 325 aircraft (December 31, 2022: 330 aircraft including 314 aircraft held for lease on an operating lease basis (December 31, 2022: 319 aircraft) and 11 aircraft recognized as finance lease and loan receivables (December 31, 2022: 11 aircraft). During the period, the Group sold seven aircraft (March 31, 2022: four aircraft) and purchased two aircraft (March 31, 2022: three aircraft). During the period ended March 31, 2022 two aircraft were transferred from finance lease and loans receivables to aircraft held for lease.

During the period, the Group derecognized USD nil (March 31, 2022: USD 14.6 million) of maintenance right assets related to aircraft which were redelivered to the Group during the period. An amount of USD nil has been recognized as a maintenance reserve release in relation to these aircraft (March 31, 2022: USD 13.1 million). These amounts are netted within revenue in the consolidated statement of comprehensive income.

9. Aircraft held for lease (continued)

The Group's obligations under its secured loans are secured by charges over, amongst other things, the Group's aircraft and related assets details of which are included in note 13.

As at March 31, 2023, management performed an assessment as to whether any new impairment triggers were applicable to the Group's aircraft since December 31, 2022. No new impairment triggers were identified for the Group's aircraft held for lease at March 31, 2023.

10. Trade and other receivables

	Mar 31 2023 USD'000	**Dec 31 2022** USD'000
Trade receivables	63,916	80,384
Less: loss allowance	(22,989)	(39,919)
Trade receivables, net	40,927	40,465
Other receivables	5,576	6,018
	46,503	46,483

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

	Mar 31 2023 USD'000	**Dec 31 2022** USD'000
Cash and cash equivalents	483,776	299,920
Restricted cash	98,846	138,328
	582,622	438,248

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.

12. Capital and reserves

	Mar 31 2023 USD'000	Dec 31 2022 USD'000
Authorized, issued and paid-up capital	2,011,069	2,011,069
Additional paid-in capital	634,585	634,585
Treasury shares	(1,392,059)	(1,392,059)
Other reserves	26,393	30,512
Retained earnings	1,707,408	1,639,493
Attributable to equity holders of the Company	2,987,396	2,923,600
Non-controlling interests	13,382	12,092
Total equity	3,000,778	2,935,692

The authorized and issued share capital of the Company at March 31, 2023 comprised of 2,011,069 ordinary shares of USD 1,000 par value each (December 31, 2022: 2,011,069 ordinary shares of USD 1,000 par value each).

The movement in retained earnings relates to the profit generated by the Group during the period.

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

13. Loans and borrowings

Loans and borrowings, net of issuance costs, consists of the following:

	Mar 31 2023 USD'000	Dec 31 2022 USD'000
Principal	8,050,661	8,171,116
Accrued and unpaid interest	19,316	49,324
Fair value adjustments	(90,689)	(95,381)
Total loans and borrowings	7,979,288	8,125,059
Debt issuance costs	(77,847)	(79,207)
Net loans and borrowings	7,901,441	8,045,852
Non-current liabilities		
Bank loans	3,752,585	3,574,259
Unsecured notes	2,813,889	3,154,094
Secured notes	475,467	563,631
Debt issuance costs	(52,154)	(53,394)
Non-current loans and borrowings	6,989,787	7,238,590
Current liabilities		
Bank loans	689,531	781,491
Unsecured notes	142,306	28,817
Secured notes	105,510	22,767
Debt issuance costs	(25,693)	(25,813)
Current loans and borrowings	911,654	807,262

13. Loans and borrowings (continued)

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

	Mar 31 2023 USD'000	Dec 31 2022 USD'000
At the beginning of the period/year	8,125,059	7,908,784
Loan drawdowns	500,000	600,000
Acquired through business combination	-	586,603
Loan repayments	(410,585)	(831,229)
Unsecured notes repurchased	(205,048)	(145,906)
Movement in fair value hedge reserve	(242)	(982)
Movement in accrued interest	(30,009)	7,010
Revaluation of loans	113	779
At the end of the period/year	7,979,288	8,125,059

Details of outstanding loans and borrowings are as follows:

	Mar 31 2023 USD'000	Dec 31 2022 USD'000
Senior unsecured notes	2,956,195	3,182,911
Unsecured facilities (including term loans)	2,662,709	2,188,948
Recourse obligations (including Ex-Im & EDC)	1,731,996	1,818,020
Series A, B and C notes	580,976	586,398
Non-recourse obligations	47,412	48,641
Revolving credit facilities	-	300,141
Total loans and borrowings	7,979,288	8,125,059

14. Maintenance reserves and security deposits

	Mar 31 2023 USD'000	Dec 31 2022 USD'000
Non-current		
Maintenance reserves	855,110	901,449
Security deposits	129,067	132,568
Total	984,177	1,034,017
Current		
Maintenance reserves	220,519	203,882
Security deposits	38,548	29,223
Total	259,067	233,105

14. Maintenance reserves and security deposits (continued)

	Mar 31 2023 USD'000	Dec 31 2022 USD'000
Maintenance reserves		
At the beginning of the period/year	1,105,331	1,188,362
Additions	67,061	370,275
Reimbursed	(71,216)	(137,638)
Released	(25,547)	(315,668)
At the end of the period/year	1,075,629	1,105,331
Security deposits		
At the beginning of the period/year	161,791	135,634
Additions	13,679	96,157
Repaid/offset	(7,855)	(70,000)
At the end of the period/year	167,615	161,791

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 347.8 million as of March 31, 2023 (December 31, 2022: USD 302.0 million).

15. Leases

Operating leases

Future minimum annual rentals to be received under the leases are as follows:

	Mar 31 2023 USD'000	Dec 31 2022 USD'000
Within one year	1,111,984	1,153,021
After one year but not more than five years	3,171,087	3,364,347
More than five years	2,048,642	2,282,985
Total	6,331,713	6,800,353

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.

15. Leases (continued)

Finance lease and loan receivables

	Mar 31 2023 USD'000	Dec 31 2022 USD'000
Non-current		
Finance lease	52,444	55,516
Loan receivables	283,543	112,054
Total finance lease and loan receivables	335,987	167,570
Current		
Finance lease	10,150	9,936
Loan receivables	9,751	187,142
Total finance leases and loan receivables	19,901	197,078

Finance lease

As at March 31, 2023, the Group owned six aircraft under finance lease agreements (December 31, 2022: six aircraft). The Group's finance lease receivables are secured by the Group's title to the leased assets.

During the year ended December 31, 2022, one aircraft was transferred to aircraft held for lease following the termination of the leasing of the aircraft.

Loan receivables

During the year ended December 31, 2022 and as part of the business combination, the Group acquired certain leased aircraft which were initially purchased via sale and leaseback transactions. The purchase did not meet the requirements of IFRS 15 as the transactions represent, in substance, financing arrangements and therefore, are classified as loan receivables. During the period ended March 31, 2023, the purchase option on these leased aircrafts were extended from 2023-2024 to 2029.

As at March 31, 2023, the Group holds 5 aircraft classified as loan receivables (December 31, 2022: 5 aircraft). During the year ended December 31, 2022, 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:

	Mar 31 2023 USD'000	Dec 31 2022 USD'000
Gross receivables	423,047	180,483
Unearned finance lease	(87,060)	(12,913)
Total non-current finance lease and loan receivables	335,987	167,570
Gross receivables	41,096	203,654
Unearned finance lease	(21,195)	(6,576)
Total current finance lease and loan receivables	19,901	197,078

15. Leases (continued)

Finance lease and loan receivables (continued)

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

	Mar 31 ,2023		Dec 31, 2022	
	Minimum Payments	Present value of payments	Minimum payments	Present value of payments
	USD'000	USD'000	USD'000	USD'000
Within one year	41,096	19,901	203,654	197,078
After one year but not more than five years	162,729	93,821	172,786	160,164
More than five years	260,318	242,166	7,697	7,406
Total	464,143	355,888	384,137	364,648
Less: unearned finance income	(108,255)	-	(19,489)	-
	355,888	355,888	364,648	364,648

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 and loan 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, December 31, 2022. Therefore, the condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2022.

Credit risk

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 March 31, 2023 the Group has 20 customers with deferral agreements in place (December 31, 2022: 21). The total amount accrued was USD 112.7 million at March 31, 2023 (December 31, 2022: USD 128.3 million) and a loss allowance of USD 28.4 million (December 31, 2022: USD 33.1 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.

16. Risks and uncertainties (continued)

Credit risk (continued)

Details of outstanding balances are as follows:

	Mar 31 2023 USD'000	**Dec 31 2022** USD'000
Trade receivables	63,916	80,384
Loss allowance	(22,989)	(39,919)
Trade receivables, net	40,927	40,465
Accrued revenue (within other assets)		
Current – due within 1 year	28,601	30,775
Non-current – due after 1 year	84,127	97,536
Loss allowance	(28,422)	(33,113)
Accrued revenue, net	84,306	95,198

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.

As a result of improved collection from customers, the Group recognized a reversal of loss allowance on trade receivables of USD 1.2 million (March 31, 2022: charge of USD 9.9 million) and on accrued revenue of USD 4.7 million (March 31, 2022: charge of USD 5.4 million). The reversal of the loss allowance for the period is calculated in line with methodology outlined in our financial statements for the year ended December 31, 2022. During the period the following movement in the loss allowance was recognized:

	Mar 31 2023 USD'000	**Dec 31 2022** USD'000
At the beginning of the period/year	73,032	115,391
(Reversal of)/ provision for loss allowance	(5,850)	21,210
Utilization of loss allowance	(15,771)	(63,569)
At the end of the period/year	51,411	73,032

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).

16. Risks and uncertainties (continued)

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 December 31, 2022.

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 43.1 million (March 31, 2022: USD 62.8 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 0.9 million (March 31, 2022: USD 0.4 million).
- Finance expense for the period in respect of loans from related companies under common control amounts to USD 26.8 million (March 31, 2022: USD 7.1 million).

Compensation of key management personnel for the period:

	Mar 31 2023 USD'000	**Mar 31 2022** USD'000
Salaries and other benefits	4,839	4,996

18. Capital commitments

At March 31,2023 the Group had committed to purchase two aircraft from Boeing, scheduled to deliver between 2023 and 2025. The total capital commitment based on the current market value of the underlying assets is USD 0.3 billion.

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.

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
Mar 31, 2023			
Total segment revenue	279,319	35,908	315,227
Segment profit for the period	62,754	6,451	69,205
Mar 31, 2022			
Total segment revenue	269,354	28,643	297,997
Segment (loss)/ profit for the period	(494,658)	3,372	(491,286)
Segment assets			
Mar 31, 2023	12,491,282	115,747	12,607,029
Dec 31, 2022	12,600,616	108,496	12,709,112

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.

20. Implementation of UAE Corporation Tax Law and application of IAS 12 Income Taxes

The UAE Corporate Income Tax is, as a result of Cabinet Decisions issued in 2023, regarded as substantively enacted within the meaning of IAS 12. Current taxes will only be payable for financial years beginning on or after 1 Jun 2023 so the Group's UAE activities, to the extent any are regarded as taxable at the 9% rate, will only be subject to current tax for the first time during the year ending 31 December 2024.

The enactment of the legislation requires a Group with taxable activities to record deferred taxes using the enacted rate of 9%. However, as the Group does not have any differences between the existing tax bases of its asset and liabilities and the carrying amount of such assets and liabilities in the consolidated financial statements, no temporary differences are present which would require the recognition of a deferred tax in the event that the Group did have any activities subject to tax at 9%.

The Corporate Tax Law also provides for a 0% tax rate to apply to the Qualifying Income of Qualifying Free Zone Persons however, there is currently no enacted definition of "Free Zone" or "Qualifying Income". The Group is of the view that all of its UAE operations are conducted within Free Zones in the UAE and that all of the income of its UAE operations should be regarded as Qualifying Income on the basis that such UAE operations derive income only from international and Free Zone sources. Nonetheless, as the Law does not currently provide the necessary definitions to definitively conclude on this, an uncertain tax position exists with regards to the application of the 0% rate. The impact of any future changes in enacted law will be monitored and accounted for if and when such changes are substantively enacted or enacted which impact on this position.

21. Subsequent events

There were no significant events subsequent to March 31, 2023.

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