UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended August 31, 2023

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File number 001-32959

AIRCASTLE LIMITED

(Exact name of registrant as specified in its charter)

Bermuda	**98-0444035**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**

c/o Aircastle Advisor LLC
201 Tresser Boulevard, Suite 400
Stamford
Connecticut
06901
(Address of Principal Executive Offices)

Registrant's telephone number, including area code: **(203) 504-1020**

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common Shares, par value $0.01 per share	N/A	NONE
Preference Shares, par value $0.01 per share	N/A	NONE

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☑	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

As of October 6, 2023, there were 15,564 outstanding shares of the registrant's common shares, par value $0.01 per share.

Aircastle Limited and Subsidiaries
Form 10-Q
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PART I. — FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

Aircastle Limited and Subsidiaries
Consolidated Balance Sheets
(Dollars in thousands, except share data)

	August 31, 2023	February 28, 2023
	(Unaudited)	
ASSETS		
Cash and cash equivalents	$ 726,428	$ 231,861
Accounts receivable	11,729	12,855
Flight equipment held for lease, net	6,501,828	6,567,606
Net investment in leases, net	248,734	67,694
Unconsolidated equity method investment	41,367	40,505
Other assets	318,851	346,330
Total assets	$ 7,848,937	$ 7,266,851
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Borrowings from secured financings, net	$ 913,864	$ 752,298
Borrowings from unsecured financings, net	3,991,875	3,842,454
Accounts payable, accrued expenses and other liabilities	211,810	206,473
Lease rentals received in advance	53,486	66,816
Security deposits	62,067	61,734
Maintenance payments	526,589	465,618
Total liabilities	5,759,691	5,395,393
Commitments and Contingencies		
SHAREHOLDERS' EQUITY		
Preference shares, $0.01 par value, 50,000,000 shares authorized, 400 (aggregate liquidation preference of $400,000) shares issued and outstanding at August 31, 2023 and February 28, 2023	—	—
Common shares, $0.01 par value, 250,000,000 shares authorized, 15,564 and 14,048 shares issued and outstanding at August 31, 2023 and February 28, 2023, respectively	—	—
Additional paid-in capital	2,078,774	1,878,774
Retained earnings (accumulated deficit)	10,472	(7,316)
Total shareholders' equity	2,089,246	1,871,458
Total liabilities and shareholders' equity	$ 7,848,937	$ 7,266,851

The accompanying notes are an integral part of these unaudited consolidated financial statements.

Aircastle Limited and Subsidiaries
Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
(Dollars in thousands)
(Unaudited)

	Three Months Ended August 31,		Six Months Ended August 31,	
	2023	2022	2023	2022
Revenues:				
Lease rental revenue	$ 150,351	$ 146,508	$ 297,086	$ 290,652
Direct financing and sales-type lease revenue	5,085	2,265	6,158	4,863
Amortization of lease premiums, discounts and incentives	(7,124)	(5,518)	(14,331)	(10,906)
Maintenance revenue	15,046	20,114	49,566	47,213
Total lease revenue	163,358	163,369	338,479	331,822
Gain on sale of flight equipment	4,453	10,049	47,047	13,736
Other revenue	145	161	921	3,585
Total revenues	167,956	173,579	386,447	349,143
Operating expenses:				
Depreciation	86,328	82,106	175,117	163,424
Interest, net	57,035	50,587	113,926	100,881
Selling, general and administrative	18,882	17,393	39,717	37,309
Provision for credit losses	(834)	109	6,125	689
Impairment of flight equipment	1,100	33,671	2,197	38,099
Maintenance and other costs	8,854	5,212	17,387	13,277
Total operating expenses	171,365	189,078	354,469	353,679
Other income (expense):				
Loss on extinguishment of debt	—	—	—	(463)
Other	3,372	2,072	4,709	2,072
Total other income	3,372	2,072	4,709	1,609
Income (loss) from continuing operations before income taxes and earnings of unconsolidated equity method investment	(37)	(13,427)	36,687	(2,927)
Income tax provision (benefit)	(5,099)	(4,068)	9,261	(739)
Earnings of unconsolidated equity method investment, net of tax	456	666	862	1,177
Net income (loss)	$ 5,518	$ (8,693)	$ 28,288	$ (1,011)
Preference share dividends	(10,500)	(10,500)	(10,500)	(10,500)
Net income (loss) available to common shareholders	$ (4,982)	$ (19,193)	$ 17,788	$ (11,511)
Total comprehensive income (loss) available to common shareholders	$ (4,982)	$ (19,193)	$ 17,788	$ (11,511)

The accompanying notes are an integral part of these unaudited consolidated financial statements.

Aircastle Limited and Subsidiaries
Consolidated Statements of Cash Flows
(Dollars in thousands)
(Unaudited)

	Six Months Ended August 31,	
	2023	**2022**
Cash flows from operating activities:		
Net income (loss)	$ 28,288	$ (1,011)
Adjustments to reconcile net income to net cash and restricted cash provided by operating activities:		
Depreciation	175,117	163,424
Amortization of deferred financing costs	8,321	7,095
Amortization of lease premiums, discounts and incentives	14,331	10,906
Deferred income taxes	6,179	6,588
Collections on net investment in leases	1,598	4,016
Security deposits and maintenance payments included in earnings	(9,895)	(2,133)
Gain on sale of flight equipment	(47,047)	(13,736)
Loss on extinguishment of debt	—	463
Impairment of flight equipment	2,197	38,099
Provision for credit losses	6,125	689
Other	(845)	(1,179)
Changes in certain assets and liabilities:		
Accounts receivable	1,437	5,808
Other assets	(9,723)	(8,223)
Accounts payable, accrued expenses and other liabilities	(3,833)	(2,284)
Lease rentals received in advance	14,165	7,094
Net cash and restricted cash provided by operating activities	186,415	215,616
Cash flows from investing activities:		
Acquisition and improvement of flight equipment	(379,349)	(372,474)
Proceeds from sale of flight equipment	126,011	171,065
Aircraft purchase deposits and progress payments, net of deposits returned and aircraft sales deposits	6,852	4,504
Other	(4,026)	1,500
Net cash and restricted cash used in investing activities	(250,512)	(195,405)
Cash flows from financing activities:		
Proceeds from issuance of common shares	200,000	—
Proceeds from secured and unsecured debt financings	1,273,709	75,000
Repayments of secured and unsecured debt financings	(963,507)	(58,355)
Debt extinguishment costs	—	(291)
Deferred financing costs	(7,536)	(1,903)
Security deposits and maintenance payments received	77,006	63,758
Security deposits and maintenance payments returned	(10,508)	(11,239)
Dividends paid	(10,500)	(10,500)
Net cash and restricted cash provided by financing activities	558,664	56,470
Net increase in cash and restricted cash:	494,567	76,681
Cash and restricted cash at beginning of period	231,861	170,682
Cash and restricted cash at end of period	$ 726,428	$ 247,363

The accompanying notes are an integral part of these unaudited consolidated financial statements.

Aircastle Limited and Subsidiaries
Consolidated Statements of Cash Flows (Continued)
(Dollars in thousands)
(Unaudited)

	Six Months Ended August 31,	
	2023	**2022**
Reconciliation to Consolidated Balance Sheets:		
Cash and cash equivalents	$ 726,428	$ 246,713
Restricted cash and cash equivalents	—	650
Unrestricted and restricted cash and cash equivalents	$ 726,428	$ 247,363
Supplemental disclosures of cash flow information:		
Cash paid for interest, net of amounts capitalized	$ 116,827	$ 93,007
Cash paid for income taxes	$ 5,631	$ 200
Supplemental disclosures of non-cash investing activities:		
Advance lease rentals, security deposits, maintenance payments, other liabilities and other assets assumed in asset acquisitions	$ 12,927	$ 6,100
Advance lease rentals, security deposits, maintenance payments, other liabilities and other assets settled in sale of flight equipment	$ 11,974	$ 14,791
Transfers from flight equipment held for lease to Net investment in leases and Other assets	$ 182,818	$ 8,895

The accompanying notes are an integral part of these unaudited consolidated financial statements.

Aircastle Limited and Subsidiaries
Consolidated Statements of Changes in Shareholders' Equity
(Dollars in thousands, except share amounts)
(Unaudited)

	Common Shares		Preference Shares		Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Total Shareholders' Equity
	Shares	Amount	Shares	Amount			
Balance, February 28, 2023	14,048	$ —	400	$ —	$ 1,878,774	$ (7,316)	$ 1,871,458
Net income	—	—	—	—	—	22,770	22,770
Balance, May 31, 2023	14,048	$ —	400	$ —	1,878,774	15,454	1,894,228
Issuance of common shares	1,516	—	—	—	200,000	—	200,000
Net income	—	—	—	—	—	5,518	5,518
Preference share dividends	—	—	—	—	—	(10,500)	(10,500)
Balance, August 31, 2023	15,564	$ —	400	$ —	$ 2,078,774	$ 10,472	$ 2,089,246

	Common Shares		Preference Shares		Additional Paid-In Capital	Accumulated Deficit	Total Shareholders' Equity
	Shares	Amount	Shares	Amount			
Balance, February 28, 2022	14,048	$ —	400	$ —	$ 1,878,774	$ (49,075)	$ 1,829,699
Net income	—	—	—	—	—	7,682	7,682
Balance, May 31, 2022	14,048	$ —	400	$ —	1,878,774	(41,393)	1,837,381
Net loss	—	—	—	—	—	(8,693)	(8,693)
Preference share dividends	—	—	—	—	—	(10,500)	(10,500)
Balance, August 31, 2022	14,048	$ —	400	$ —	$ 1,878,774	$ (60,586)	$ 1,818,188

The accompanying notes are an integral part of these unaudited consolidated financial statements.

Note 1. Summary of Significant Accounting Policies

Organization

Aircastle Limited ("Aircastle," the "Company," "we," "us" or "our") is a Bermuda exempted company that was incorporated on October 29, 2004, under the provisions of Section 14 of the Companies Act of 1981 of Bermuda. Aircastle's business consists of acquiring, leasing, managing and selling commercial jet aircraft.

The Company is controlled by affiliates of Marubeni Corporation ("Marubeni") and Mizuho Leasing Company, Limited ("Mizuho Leasing" and, together with Marubeni, our "Shareholders").

Aircastle is a holding company and conducts its business through subsidiaries that are wholly owned, either directly or indirectly, by Aircastle.

Basis of Presentation and Principles of Consolidation

The consolidated financial statements presented are prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP").

The accompanying consolidated financial statements are unaudited and have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC") for interim financial reporting and, in our opinion, reflect all adjustments, including normal recurring items, which are necessary to present fairly the results for interim periods. Operating results for the periods presented are not necessarily indicative of the results that may be expected for the entire year. Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with U.S. GAAP have been omitted in accordance with the rules and regulations of the SEC. However, we believe that the disclosures are adequate to make the information presented not misleading. These financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended February 28, 2023.

The consolidated financial statements include the accounts of Aircastle and all its subsidiaries, including any Variable Interest Entity ("VIE") of which Aircastle is the primary beneficiary. All intercompany transactions and balances have been eliminated in consolidation.

We manage and analyze our business and report on our results of operations based on one operating segment: leasing, financing, selling and managing commercial flight equipment. Our Chief Executive Officer is the chief operating decision maker.

The Company's management has reviewed and evaluated all events or transactions for potential recognition and/or disclosure subsequent to the balance sheet date of August 31, 2023, through the date on which the consolidated financial statements included in this Form 10-Q were issued.

Risk and Uncertainties

In the normal course of business, Aircastle encounters several significant types of economic risk including credit, market, aviation industry and capital market risks. Credit risk is the risk of a lessee's inability or unwillingness to make contractually required payments and to fulfill its other contractual obligations to Aircastle. Market risk reflects the change in the value of financings due to changes in interest rate spreads or other market factors, including the value of collateral underlying financings. Aviation industry risk is the risk of a downturn in the commercial aviation industry which could adversely impact a lessee's ability to make payments, increase the risk of early lease terminations and depress lease rates and the value of the Company's aircraft. Capital market risk is the risk that the Company is unable to obtain capital at reasonable rates to fund the growth of its business or to refinance existing debt facilities.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. While Aircastle believes the estimates and related assumptions used in the preparation of the consolidated financial statements are appropriate, actual results could differ from those estimates.

Recent Accounting Pronouncements

In March 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2020-04, Reference Rate Reform (Topic 848) Facilitation of the Effects of Reference Rate Reform on Financial Reporting ("ASC 848"). ASC 848 provides temporary optional expedients and exceptions to certain U.S. GAAP contract modification requirements for contracts affected by reference rate reform as entities transition away from the London Interbank Offered Rate ("LIBOR") to alternative reference rates. In December 2022, the FASB issued ASU 2022-06 to defer the sunset date of ASC 848 from December 31, 2022, to December 31, 2024, after which entities will no longer be permitted to apply the optional expedients in ASC 848.

The ICE Benchmark Administration Limited, LIBOR's administrator, has ceased publishing all LIBOR settings, including the Overnight, 1-month, 3-month, 6-month, and 12-month USD LIBOR U.S. dollar settings. Effective March 1, 2023, we adopted ASC 848 and commenced the transition of our LIBOR-based contracts to the Secured Overnight Financing Rate ("SOFR" or "Term SOFR"). As of August 31, 2023, we had no aircraft leases or debt financings for which the associated lease rental revenue or interest expense used LIBOR as the applicable reference rate. The adoption of ASC 848 did not have a material impact on our consolidated financial statements.

Note 2. Fair Value Measurements

Fair value measurements and disclosures require the use of valuation techniques to measure fair value that maximize the use of observable inputs and minimize the use of unobservable inputs.

The following tables set forth our financial assets as of August 31, 2023 and February 28, 2023 that we measured at fair value on a recurring basis by level within the fair value hierarchy. Assets measured at fair value are classified in their entirety based on the lowest level of input that is significant to their fair value measurement.

		Fair Value Measurements at August 31, 2023 Using Fair Value Hierarchy			
	Fair Value as of August 31, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Valuation Technique
Assets:					
Cash and cash equivalents	$ 726,428	$ 726,428	$ —	$ —	Market
Investment in debt securities	5,029	—	—	5,029	Income
Investment in equity securities	5,757	2,313	—	3,444	Market/Income
Total	$ 737,214	$ 728,741	$ —	$ 8,473	

		Fair Value Measurements at February 28, 2023 Using Fair Value Hierarchy			
	Fair Value as of February 28, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Valuation Technique
Assets:					
Cash and cash equivalents	$ 231,861	$ 231,861	$ —	$ —	Market
Investment in debt securities	5,029	—	—	5,029	Income
Investment in equity securities	5,790	2,346	—	3,444	Market/Income
Total	$ 242,680	$ 234,207	$ —	$ 8,473	

Our cash and cash equivalents consist largely of money market securities that are highly liquid and easily tradable. These securities are valued using inputs observable in active markets for identical securities (Level 1). Our investments in debt and equity securities consist of notes and shares received as a result of claims settlements from various airline customers that had entered into bankruptcy proceedings or similar-type restructurings. Our investment in equity securities that are traded in an active market have been valued using quoted market prices (Level 1). Our investments in other equity securities and debt securities for which there is no active market or there is limited market data have been valued using the income approach (Level 3).

For the three and six months ended August 31, 2023, we had no transfers into or out of Level 3.

We measure the fair value of certain assets and liabilities on a non-recurring basis when U.S. GAAP requires the application of fair value, including events or changes in circumstances that indicate the carrying amounts of these assets may not be recoverable. Assets subject to these measurements include our aircraft and investment in unconsolidated joint venture.

We record aircraft at fair value when we determine the carrying value may not be recoverable. Fair value measurements for aircraft in impairment tests are based on the average of the market approach (Level 2), which includes third party appraisal data, and an income approach (Level 3), which includes the Company's assumptions and appraisal data as to future cash proceeds from leasing and selling aircraft discounted using the Company's weighted average cost of capital.

We account for our investment in unconsolidated joint venture under the equity method of accounting. Our investment is recorded at cost and is adjusted by undistributed earnings and losses and the distributions of dividends and capital. This investment is reviewed for impairment whenever events or changes in circumstances indicate the fair value is less than its carrying value and the decline is other-than-temporary.

Financial Instruments

Our financial instruments, other than cash, consist principally of cash equivalents, accounts receivable, investments in debt and equity securities, accounts payable and secured and unsecured financings. The fair value of cash and cash equivalents, accounts receivable and accounts payable approximates the carrying value of these financial instruments because of their short-term nature.

The fair value of our senior notes is estimated using quoted market prices (Level 1), whereas all our other financings are valued using a discounted cash flow analysis, based on our current incremental borrowing rates for similar types of borrowing arrangements (Level 2).

The carrying amounts and fair values of our financial instruments at August 31, 2023, and February 28, 2023 were as follows:

	August 31, 2023		February 28, 2023	
	Carrying Amount of Asset	Fair Value of Asset	Carrying Amount of Asset	Fair Value of Asset
Investment in debt securities	$ 5,029	$ 5,029	$ 5,029	$ 5,029
Investment in equity securities	5,757	5,757	5,790	5,790

	Carrying Amount of Liability	Fair Value of Liability	Carrying Amount of Liability	Fair Value of Liability
Credit Facilities	$ 20,000	$ 20,000	$ 20,000	$ 20,000
Unsecured Term Loan	155,000	154,932	155,000	151,449
Term Financings	922,688	918,700	761,283	739,804
Senior Notes	3,850,000	3,685,049	3,700,000	3,524,563

Aircraft Valuation

Annual Recoverability Assessment

We plan to perform our annual recoverability assessment of all our aircraft during the third quarter of 2023.

Additional customer and aircraft specific recoverability assessments are also performed whenever indicators suggest the carrying amount of an asset may not be recoverable. Indicators may include, but are not limited to, a significant lease restructuring or early lease termination, a significant change in an aircraft model's storage levels, the introduction of newer technology aircraft or engines, an aircraft type is no longer in production, or a significant airworthiness directive is issued. We have focused and will continue to focus on aircraft with near-term lease expirations, customers that have entered judicial insolvency proceedings and any additional customers that may become subject to similar-type proceedings, and certain other customers or aircraft variants that are more susceptible to value deterioration.

The recoverability assessment is a comparison of the carrying value of an aircraft to its estimated undiscounted future cash flows. We develop the assumptions used in the recoverability analysis based on current and future expectations of the global demand for a particular aircraft type and historical experience in the aircraft leasing market and aviation industry, as well as information received from third-party industry sources. The factors considered in estimating the undiscounted cash flows are impacted by changes in future periods due to changes in projected lease rental and maintenance payments, residual values, economic conditions, technology, airline demand for a particular aircraft type and other factors, such as the location of the aircraft and accessibility to records and technical documentation.

If our estimates or assumptions change, including those related to our customers that have entered judicial insolvency proceedings, we may revise our cash flow assumptions and record future impairment charges. While we believe that the estimates and related assumptions used in our recoverability assessments are appropriate, actual results could differ from those estimates.

Note 3. Flight Equipment Held for Lease, Net

The following table summarizes the activities for the Company's flight equipment held for lease for the six months ended August 31, 2023:

	Amount
Balance at February 28, 2023	$ 6,567,606
Additions	365,025
Depreciation	(174,652)
Disposals and transfers to net investment in leases and held for sale	(255,054)
Impairments	(1,097)
Balance at August 31, 2023	$ 6,501,828
Accumulated depreciation as of August 31, 2023	$ 2,254,500

Note 4. Lease Rental Revenues

Minimum future lease rentals contracted to be received under our existing operating leases of flight equipment at August 31, 2023 were as follows:

Year Ending February 28/29,	Amount[(1)]
2024 (Remainder of fiscal year)	$ 302,190
2025	540,128
2026	426,677
2027	361,015
2028	290,367
Thereafter	862,123
Total	$ 2,782,500

(1) Reflects impact of lessee lease rental deferrals.

At August 31, 2023 and February 28, 2023, the amounts of lease incentive liabilities recorded in maintenance payments on our consolidated balance sheets were $29.1 million and $22.4 million, respectively.

Note 5. Net Investment in Leases, Net

At August 31, 2023 and February 28, 2023, our net investment in leases consisted of 13 and 4 aircraft, respectively. The components of our net investment in leases at August 31, 2023 and February 28, 2023, were as follows:

	August 31, 2023	February 28, 2023
Lease receivable	$ 133,663	$ 31,674
Unguaranteed residual value of flight equipment	122,184	37,287
Net investment leases	255,847	68,961
Allowance for credit losses	(7,113)	(1,267)
Net investment in leases, net	$ 248,734	$ 67,694

During the six months ended August 31, 2023, 10 aircraft were reclassified from operating leases to sales-type leases. Collectability of the lease payments for these 10 aircraft, which was not deemed probable at the effective date of

the lease modification, became probable during the six months ended August 31, 2023. Accordingly, we derecognized the carrying amounts of the underlying aircraft and lease payments recorded by us as deposit liabilities and recognized net investments in leases. A selling profit totaling $32.7 million for these 10 aircraft was recognized as a component of Gain on sale of flight equipment for the six months ended August 31, 2023. We also recognized a provision for credit losses totaling $6.2 million for these 10 aircraft during the six months ended August 31, 2023.

The activity in the allowance for credit losses related to our net investment in leases for the six months ended August 31, 2023, was as follows:

	Amount
Balance at February 28, 2023	$ 1,267
Provision for credit losses	6,125
Write-offs	(279)
Balance at August 31, 2023	$ 7,113

At August 31, 2023, future lease payments to be received under our net investment in leases were as follows:

Year Ending February 28/29,	Amount
2024 (Remainder of fiscal year)	$ 12,290
2025	23,711
2026	22,884
2027	23,111
2028	23,111
Thereafter	73,548
Total lease payments to be received	178,655
Present value of lease payments - lease receivable	(133,663)
Difference between undiscounted lease payments and lease receivable	$ 44,992

Note 6. Concentration of Risk

The classification of regions in the tables below is based on our customers' principal place of business.

The geographic concentration of the net book value of our fleet (flight equipment held for lease and net investment in leases, or "Net Book Value") as of August 31, 2023, and February 28, 2023 was as follows:

	August 31, 2023		February 28, 2023	
Region	Number of Aircraft	Net Book Value %	Number of Aircraft	Net Book Value %
Asia and Pacific	62	28 %	62	28 %
Europe	90	30 %	88	30 %
Middle East and Africa	7	2 %	8	3 %
North America	43	23 %	38	20 %
South America	31	15 %	29	14 %
Off-lease	6 [(1)]	2 %	14	5 %
Total	239	100 %	239	100 %

(1) Of the 6 off-lease aircraft at August 31, 2023, we currently have 3 narrow-body aircraft that are undergoing freighter conversion which we are marketing for lease.

The following table sets forth individual countries representing at least 10% of our Net Book Value as of August 31, 2023, and February 28, 2023:

	August 31, 2023			February 28, 2023		
Country	Net Book Value	Net Book Value %	Number of Lessees	Net Book Value	Net Book Value %	Number of Lessees
United States[(1)]	$ 671,246	10%	5	$ —	—%	—

(1) As of February 28, 2023, the United States represented less than 10% of our Net Book Value.

The geographic concentration of our lease rental revenue earned from flight equipment held for lease was as follows:

	Three Months Ended August 31,		Six Months Ended August 31,	
Region	2023	2022	2023	2022
Asia and Pacific	29 %	35 %	30 %	34 %
Europe	31 %	29 %	30 %	29 %
Middle East and Africa	4 %	5 %	4 %	5 %
North America	23 %	18 %	23 %	17 %
South America	13 %	13 %	13 %	15 %
Total	100 %	100 %	100 %	100 %

The following table shows the number of lessees with lease rental revenue of at least 5% of total lease rental revenue and their combined total percentage of lease rental revenue for the periods indicated:

	Three Months Ended August 31,				Six Months Ended August 31,			
	2023		2022		2023		2022	
	Number of Lessees	Combined % of Lease Rental Revenue	Number of Lessees	Combined % of Lease Rental Revenue	Number of Lessees	Combined % of Lease Rental Revenue	Number of Lessees	Combined % of Lease Rental Revenue
Largest lessees by lease rental revenue	3	21%	4	28%	3	21%	3	23%

For the three months ended August 31, 2023, total revenue attributable to the United States and India was 13% and 11%, respectively. Total revenue attributable to the Unites States included $4.1 million from gains on sales of flight equipment for the three months ended August 31, 2023. For the six months ended August 31, 2023, total revenue attributable to the United States and India was less than 10%. For the three months ended August 31, 2022, total revenue attributable to the U.K, the United States, and India was 11%, 11%, and 10%, respectively. Total revenue attributable to the U.K. included $11.9 million of maintenance revenue resulting from the lease termination of 1 freighter aircraft. For the six months ended August 31, 2022, total revenue attributable to India was 11% and for the United States and the U.K. was less than 10%.

Note 7. Unconsolidated Equity Method Investment

We have a joint venture with Mizuho Leasing which has 9 aircraft with a net book value of $278.5 million at August 31, 2023.

	Amount
Balance at February 28, 2023	$ 40,505
Earnings of unconsolidated equity method investment, net of tax	862
Balance at August 31, 2023	$ 41,367

Note 8. Borrowings from Secured and Unsecured Debt Financings

The outstanding amounts of our secured and unsecured debt financings were as follows:

	At August 31, 2023				At February 28, 2023
Debt Obligation	Outstanding Borrowings	Number of Aircraft	Interest Rate	Final Stated Maturity	Outstanding Borrowings
Secured Debt Financings:					
Term Financings[(1)]	$ 922,688	38	2.36% to 7.74%	09/13/24 to 06/27/32	$ 761,283
Less: Debt issuance costs and discounts	(8,824)	—			(8,985)
Total secured debt financings, net of debt issuance costs and discounts	913,864	38			752,298
Unsecured Debt Financings:					
5.000% Senior Notes due 2023	—		5.00%	04/01/23	500,000
4.400% Senior Notes due 2023	650,000		4.40%	09/25/23	650,000
Senior Notes due 2024	500,000		4.125%	05/01/24	500,000
Senior Notes due 2025	650,000		5.25%	08/11/25	650,000
Senior Notes due 2026	650,000		4.25%	06/15/26	650,000
2.850% Senior Notes due 2028	750,000		2.85%	01/26/28	750,000
6.500% Senior Notes due 2028	650,000		6.50%	07/18/28	—
Unsecured Term Loans	155,000		6.90%	02/27/24	155,000
Revolving Credit Facilities	20,000		7.21%	02/28/24 to 05/24/25	20,000
Less: Debt issuance costs and discounts	(33,125)				(32,546)
Total unsecured debt financings, net of debt issuance costs and discounts	3,991,875				3,842,454
Total secured and unsecured debt financings, net of debt issuance costs and discounts	$ 4,905,739				$ 4,594,752

(1) The borrowings under these financings at August 31, 2023 have a weighted-average fixed rate of interest of 5.46%.

Secured Debt Financings:

Term Financings

During the six months ended August 31, 2023, we borrowed the remaining $168.7 million available under our full recourse secured financing facility entered into on November 21, 2022 (the "2022 Secured Facility"). The total amount borrowed under the 2022 Secured Facility was $447.7 million in relation to 17 owned aircraft. The 2022 Secured Facility

bears interest at a floating rate under the Term SOFR (as defined in the credit agreement governing the 2022 Secured Facility) plus 2.35% per annum and matures on November 21, 2029.

Unsecured Debt Financings:

5.000% Senior Notes due 2023

We repaid the $500.0 million aggregate principal amount of our 5.000% Senior Notes due 2023 at their final stated maturity date in April 2023.

6.500% Senior Notes due 2028

On July 18, 2023, the Company issued $650.0 million aggregate principal amount of 6.500% Senior Notes due 2028 (the "6.500% Senior Notes due 2028") at an issue price of 99.815%. The 6.500% Senior Notes due 2028 will mature on July 18, 2028, and bear interest at a rate of 6.50% per annum, payable semi-annually on January 18 and July 18 of each year, commencing on January 18, 2024. Interest accrues on the 6.500% Senior Notes due 2028 from July 18, 2023.

4.400% Senior Notes due 2023

We repaid the $650.0 million aggregate principal amount of our 4.400% Senior Notes due 2023 at their final stated maturity date in September 2023.

Revolving Credit Facilities

One of our unsecured revolving credit facilities was expanded from $245.0 million to $375.0 million during the three months ended August 31, 2023. The revolving credit facility matures on May 24, 2025.

As of August 31, 2023, we had $20.0 million outstanding under our revolving credit facilities and had $1.9 billion available for borrowing.

As of August 31, 2023, we were in compliance with all applicable covenants in our financings.

Note 9. Shareholders' Equity

Issuance of Common Shares

On July 5, 2023, the Company entered into a Subscription Agreement with its Shareholders, pursuant to which the Company has agreed to make a pro rata issuance of the Company's common shares, $0.01 par value per share (the "Shares"), for an aggregate purchase price of up to $500.0 million. The Shares will be issued in two tranches, with 1,516 Shares issued under the first tranche on July 18, 2023, for an aggregate purchase price of $200.0 million. The issuance of the second tranche, which is subject to both the approval of the Company's Board of Directors and shareholders, is expected to occur during the Company's first fiscal quarter of 2024 for an aggregate purchase price of up to $300.0 million. The number of Shares and the subscription price per share are to be determined and agreed to by the parties at the time of issuance. The Shares will rank pari passu in all respects with other common shares of the Company. The Company has used and intends to continue to use the net proceeds from the issuance of Shares for general corporate purposes.

Preference Share Dividends

On March 15, 2023, the Company paid a semi-annual dividend in the amount of $10.5 million for its preference shares, which was approved by the Company's Board of Directors on January 10, 2023, and accrued as of February 28, 2023.

On September 15, 2023, the Company paid a semi-annual dividend in the amount of $10.5 million for its Preference Shares, which was approved by the Company's Board of Directors on July 11, 2023, and accrued as of August 31, 2023.

Note 10. Related Party Transactions

We incurred fees from our Shareholders as part of intra-company service agreements totaling $2.1 million and $1.2 million during the three months ended August 31, 2023 and 2022, respectively, and $4.1 million and $2.6 million during the six months ended August 31, 2023 and 2022, respectively, whereby our Shareholders provide certain management and administrative services to the Company. In addition, the Company purchased parts under a parts management services and supply agreement with an affiliate of Marubeni totaling $0.7 million and $1.6 million during the three months ended August 31, 2023 and 2022, respectively, and $1.1 million and $3.3 million during the six months ended August 31, 2023 and 2022, respectively.

Note 11. Income Taxes

Income taxes have been provided for based upon the tax laws and rates in countries in which our operations are conducted and income is earned. The Company received assurance from the Bermuda Minister of Finance that it would be exempted from local income, withholding and capital gains taxes until March 2035. Consequently, the provision for income taxes relates to income earned by certain subsidiaries of the Company which are located in, or earn income in, jurisdictions that impose income taxes, primarily the United States and Ireland.

The sources of income (loss) from continuing operations before income taxes and earnings of our unconsolidated equity method investment for the three and six months ended August 31, 2023 and 2022 were as follows:

	Three Months Ended August 31,		Six Months Ended August 31,	
	2023	2022	2023	2022
U.S. operations	$ 6,588	$ 4,790	$ 10,870	$ 10,126
Non-U.S. operations	(6,625)	(18,217)	25,817	(13,053)
Income (loss) from continuing operations before income taxes and earnings of unconsolidated equity method investment	$ (37)	$ (13,427)	$ 36,687	$ (2,927)

Our aircraft-owning subsidiaries generally earn income from sources outside the United States and typically are not subject to U.S. federal, state or local income taxes. The aircraft owning subsidiaries resident in the United States and Ireland are subject to tax in those respective jurisdictions.

We have a U.S.-based subsidiary which provides management services to our subsidiaries and is subject to U.S. federal, state and local income taxes. We also have Ireland and Singapore-based subsidiaries which provide management services to our non-U.S. subsidiaries and are subject to tax in those respective jurisdictions.

We recognized an income tax provision of $9.3 million for the six months ended August 31, 2023, as compared to an income tax benefit of $0.7 million for the six months ended August 31, 2022. Our effective tax rate was 25.2% for each of the six months ended August 31, 2023 and 2022. The increase is primarily attributable to profits generated during the six months ended August 31, 2023, and the mix of such profits in taxable and non-taxable jurisdictions. The six months ended August 31, 2023, included gains on the sale of aircraft, which were recorded in a low tax jurisdiction. The six months ended August 31, 2022, included net non-cash impairment charges, which were recorded in a low tax jurisdiction.

Note 12. Interest, Net

The following table shows the components of interest, net:

	Three Months Ended August 31,		Six Months Ended August 31,	
	2023	2022	2023	2022
Interest on borrowings and other liabilities	$ 58,133	$ 48,392	$ 114,005	$ 95,633
Amortization of deferred financing fees and debt discount	4,290	3,498	8,321	7,095
Interest expense	62,423	51,890	122,326	102,728
Less: Interest income	(4,736)	(748)	(7,028)	(1,007)
Less: Capitalized interest	(652)	(555)	(1,372)	(840)
Interest, net	$ 57,035	$ 50,587	$ 113,926	$ 100,881

Note 13. Commitments and Contingencies

Rent expense, primarily for the corporate office and sales and marketing facilities, was $0.6 million and $0.4 million, and $1.3 million and $0.9 million for the three and six months ended August 31, 2023 and 2022, respectively.

As of August 31, 2023, Aircastle is obligated under non-cancelable operating leases relating principally to office facilities in Stamford, Connecticut; Dublin, Ireland; and Singapore for future minimum lease payments as follows:

Year Ending February 28/29,	Amount
2024 (Remainder of fiscal year)	$ 1,368
2025	2,944
2026	2,790
2027	2,728
2028	2,760
Thereafter	17,681
Total	$ 30,271

At August 31, 2023, we had commitments to acquire 12 aircraft for $402.4 million.

At August 31, 2023, commitments, including $34.4 million of remaining progress payments, contractual price escalations and other adjustments for these aircraft, net of amounts already paid, were as follows:

Year Ending February 28/29,	Amount
2024 (Remainder of fiscal year)	$ 131,307
2025	173,169
2026	97,877
2027	—
2028	—
Thereafter	—
Total	$ 402,353

Note 14. Other Assets

Other assets consisted of the following as of August 31, 2023, and February 28, 2023:

	August 31, 2023	February 28, 2023
Deferred income tax asset	$ 268	$ 304
Lease incentives and premiums, net of accumulated amortization of $84,863 and $77,722, respectively	34,342	54,208
Flight equipment held for sale	24,902	59,370
Aircraft purchase deposits and Embraer E-2 progress payments	40,382	43,494
Right-of-use asset[(1)]	16,721	16,930
Deferred rent receivable	32,353	35,631
Investments, at fair value	10,786	10,819
Other assets	159,097	125,574
Total other assets	$ 318,851	$ 346,330

(1) Net of lease incentives and tenant allowances.

Note 15. Accounts Payable, Accrued Expenses and Other Liabilities

Accounts payable, accrued expenses and other liabilities consisted of the following as of August 31, 2023, and February 28, 2023:

	August 31, 2023	February 28, 2023
Accounts payable, accrued expenses and other liabilities	$ 64,237	$ 60,225
Deferred income tax liability	86,133	79,990
Accrued interest payable	38,355	42,752
Lease liability	19,998	19,951
Lease discounts, net of amortization of $45,183 and $45,586, respectively	3,087	3,555
Total accounts payable, accrued expenses and other liabilities	$ 211,810	$ 206,473

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This management's discussion and analysis of financial condition and results of operations contains forward-looking statements that involve risks, uncertainties and assumptions. You should read the following discussion in conjunction with our historical consolidated financial statements and the notes thereto appearing elsewhere in this report. The results of operations for the periods reflected herein are not necessarily indicative of results that may be expected for future periods, and our actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including but not limited to those described under "Risk Factors" and included in our Annual Report on Form 10-K for the year ended February 28, 2023. Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States, or U.S. GAAP, and, unless otherwise indicated, the other financial information contained in this report has also been prepared in accordance with U.S. GAAP. Unless otherwise indicated, all references to "dollars" and "$" in this report are to, and all monetary amounts in this report are presented in, U.S. dollars.

All statements included or incorporated by reference in this Quarterly Report on Form 10-Q (this "report"), other than characterizations of historical fact, are forward-looking statements within the meaning of the federal securities laws, including the Private Securities Litigation Reform Act of 1995. Examples of forward-looking statements include, but are not necessarily limited to, statements relating to our ability to acquire, sell, lease or finance aircraft, raise capital, pay dividends, and increase revenues, earnings, EBITDA and Adjusted EBITDA and the global aviation industry and aircraft leasing sector. Words such as "anticipates," "expects," "intends," "plans," "projects," "believes," "may," "will," "would," "could," "should," "seeks," "estimates" and variations on these words and similar expressions are intended to identify such forward-looking statements. These statements are based on our historical performance and that of our subsidiaries and on our current plans, estimates and expectations and are subject to a number of factors that could lead to actual results materially different from those described in the forward-looking statements; Aircastle can give no assurance that its expectations will be attained. Accordingly, you should not place undue reliance on any such forward-looking statements which are subject to certain risks and uncertainties that could cause actual results to differ materially from those anticipated as of the date of this report. These risks or uncertainties include, but are not limited to, those described from time to time in Aircastle's filings with the Securities and Exchange Commission (the "SEC") and previously disclosed under "Risk Factors" in Part I - Item 1A of Aircastle's Annual Report on Form 10-K for the year ended February 28, 2023. In addition, new risks and uncertainties emerge from time to time, and it is not possible for Aircastle to predict or assess the impact of every factor that may cause its actual results to differ from those contained in any forward-looking statements. Such forward-looking statements speak only as of the date of this report. Aircastle expressly disclaims any obligation to revise or update publicly any forward-looking statement to reflect future events or circumstances.

WEBSITE AND ACCESS TO THE COMPANY'S REPORTS

Statements and information concerning our status as a Passive Foreign Investment Company ("PFIC") for U.S. taxpayers are available free of charge through our website at www.aircastle.com under "Investors — Tax Information (PFIC)."

The information on the Company's Internet website is not part of, nor incorporated by reference, into this report, or any other report we file with, or furnish to, the SEC.

OVERVIEW

Aircastle acquires, leases, and sells commercial jet aircraft to airlines throughout the world. Our aircraft are managed by an experienced team based in the United States, Ireland and Singapore. Our aircraft are subject to net leases whereby the lessee is generally responsible for maintaining the aircraft and paying operational, maintenance and insurance costs. However, in many cases we are obligated to pay a specified portion of maintenance or modification costs. During the six months ended August 31, 2023, we purchased 8 aircraft and sold 10 aircraft and other flight equipment. As of August 31, 2023, we owned and managed on behalf of our joint venture 248 aircraft leased to 74 airline customers located in 43 countries. As of August 31, 2023, the Net Book Value of our fleet was $6.8 billion. The weighted average age of our fleet was 9.7 years, and the weighted average remaining lease term was 5.2 years. As of August 31, 2023, we had commitments to acquire 12 aircraft for $402.4 million, which included estimated amounts for pre-delivery deposits, contractual price escalations and other adjustments.

Our total revenues, net income and Adjusted EBITDA were $386.4 million, $28.3 million and $343.1 million, respectively, for the six months ended August 31, 2023. Cash flow provided by operating activities was $186.4 million for the six months ended August 31, 2023. Our leadership team and other senior professionals have extensive industry and financial experience, including managing through downturns in the aviation industry.

Historically, growth in commercial air traffic has been correlated with world economic activity. Prior to the COVID-19 pandemic, commercial air traffic growth expanded at a rate one to two times that of global GDP growth. This expansion of air travel has driven growth in the world aircraft fleet; and there are approximately 26,000 commercial mainline passenger and freighter aircraft in the world fleet today. Aircraft leasing companies own approximately 49% of the world's commercial jet aircraft. Under normal circumstances, we would expect the global fleet to continue expanding at a 2 to 3% average annual rate.

As a leading secondary market investor, we believe that our long-standing business strategy of maintaining conservative leverage and limiting long-term financial commitments has enabled us to manage through recent crises. Our portfolio, primarily comprised of a balanced mix of new technology and mid-life, narrow-body aircraft, should remain attractive assets for our airline customers to respond to the growing demand of global air travel.

We believe that we have sufficient liquidity to meet our contractual obligations over the next twelve months and as of October 6, 2023, total liquidity of $2.8 billion includes $1.9 billion of undrawn facilities, $0.5 billion of projected adjusted operating cash flow and contracted asset sales, $0.3 billion of equity commitments and $0.1 billion of unrestricted cash through October 1, 2024.

Fiscal Year 2023 Lease Expirations and Lease Placements

As of October 6, 2023, we had 3 off-lease aircraft and 8 aircraft with leases expiring in fiscal year 2023, which combined account for 3% of our Net Book Value at August 31, 2023, still to be placed or sold.

Taking into account lease and sale commitments, we currently have the following number of aircraft with lease expirations scheduled in the fiscal years 2024 to 2027, representing the percentage of our Net Book Value as of August 31, 2023, specified below:

- 2024: 35 aircraft, representing 12%;
- 2025: 27 aircraft, representing 11%;
- 2026: 24 aircraft, representing 8%; and
- 2027: 28 aircraft, representing 12%.

Acquisitions and Sales

During the six months ended August 31, 2023, we acquired 8 aircraft for $341.7 million. As of August 31, 2023, we had commitments to acquire 12 aircraft for $402.4 million, with delivery through the second quarter of 2025, which includes estimated amounts for pre-delivery deposits, contractual price escalations and other adjustments. As of October 6, 2023, we have acquired 2 additional aircraft and have commitments to acquire 12 aircraft for $400.2 million.

During the six months ended August 31, 2023, we sold 10 aircraft and other flight equipment for net proceeds of $126.0 million and recognized a net gain on sale of $14.3 million for these aircraft. As of October 6, 2023, we have sold 1 additional aircraft.

Finance

We operate in a capital-intensive industry and have a demonstrated track record of raising substantial amounts of capital from debt and equity investors. Since our inception in late 2004, we have raised $2.3 billion in equity capital from private and public investors. We also raised $20.7 billion in debt capital from a variety of sources including export credit agency-backed debt, commercial bank debt, the aircraft securitization markets and the unsecured bond market. The diversity and global nature of our financing sources demonstrates our ability to adapt to changing market conditions and seize new growth opportunities.

We intend to fund new investments through cash on hand, funds generated from operations, maintenance payments received from lessees, unsecured bond offerings, borrowings secured by our aircraft, draws under our revolving credit facilities and proceeds from any future aircraft sales. We may repay all or a portion of such borrowings from time to time with the net proceeds from subsequent long-term debt financings, additional equity offerings or cash generated from operations and asset sales. Therefore, our ability to execute our business strategy, particularly the acquisition of additional commercial jet aircraft or other aviation assets, depends to a significant degree on our ability to obtain additional debt and equity capital on terms we deem attractive.

See “Liquidity and Capital Resources” below.

AIRCASTLE AIRCRAFT INFORMATION

The following table sets forth certain information with respect to the aircraft owned by us as of August 31, 2023 and 2022:

Owned Aircraft	As of August 31, 2023	As of August 31, 2022
	(Dollars in millions)	
Net Book Value of Flight Equipment	$ 6,751	$ 6,493
Net Book Value of Unencumbered Flight Equipment	$ 5,208	$ 5,447
Number of Aircraft	239	243
Number of Unencumbered Aircraft	201	212
Number of Lessees	73	74
Number of Countries	43	45
Weighted Average Age (Years)[1]	9.7	10.3
Weighted Average Remaining Lease Term (Years)[1]	5.2	5.0
Weighted Average Fleet Utilization during the three months ended August 31, 2023 and 2022[2]	98.3 %	94.9 %
Weighted Average Fleet Utilization during the six months ended August 31, 2023 and 2022[2]	97.4 %	94.8 %
Portfolio Yield for the three months ended August 31, 2023 and 2022[3]	9.1 %	9.2 %
Portfolio Yield for the six months ended August 31, 2023 and 2022[3]	9.0 %	9.2 %
Managed Aircraft on behalf of Joint Venture		
Net Book Value of Flight Equipment	$ 278	$ 292
Number of Aircraft	9	9

(1) Weighted by Net Book Value.

(2) Aircraft on-lease days as a percent of total days in period weighted by Net Book Value (excludes aircraft undergoing freighter conversion).

(3) Lease rental revenue, interest income and cash collections on our net investment in leases for the period as a percent of the average Net Book Value for the period; quarterly information is annualized.

PORTFOLIO DIVERSIFICATION

	Owned Aircraft as of August 31, 2023		Owned Aircraft as of August 31, 2022	
	Number of Aircraft	% of Net Book Value	Number of Aircraft	% of Net Book Value
Aircraft Type				
Passenger:				
Narrow-body - new technology[1]	50	32 %	31	21 %
Narrow-body - current technology	168	54 %	186	61 %
Wide-body - current technology	17	12 %	21	15 %
Total Passenger	235	98 %	238	97 %
Freighter - current technology	4	2 %	5	3 %
Total	239	100 %	243	100 %
Manufacturer				
Airbus	153	65 %	159	66 %
Boeing	67	27 %	72	29 %
Embraer	19	8 %	12	5 %
Total	239	100 %	243	100 %
Regional Diversification				
Asia and Pacific	62	28 %	65	29 %
Europe	90	30 %	90	29 %
Middle East and Africa	7	2 %	10	4 %
North America	43	23 %	37	19 %
South America	31	15 %	26	13 %
Off-lease	6 [2]	2 %	15	6 %
Total	239	100 %	243	100 %

(1) Includes Airbus A320-200neo and A321-200neo, Boeing 737-MAX8 and Embraer E2 aircraft.

(2) Of the 6 off-lease aircraft at August 31, 2023, we currently have 3 narrow-body aircraft that are undergoing freighter conversion which we are marketing for lease.

The top ten customers for our owned aircraft at August 31, 2023 were as follows:

Customer	Country	Percent of Net Book Value	Number of Aircraft
IndiGo	India	8.7%	13
LATAM	Chile	6.8%	13
KLM	Netherlands	5.4%	11
Lion Air[1]	Indonesia	4.5%	10
Viva Aerobus	Mexico	4.1%	7
American Airlines	United States	3.6%	9
Aerolineas Argentinas	Argentina	3.3%	6
Volaris	Mexico	3.2%	6
Air Canada	Canada	3.2%	5
Frontier Airlines	United States	2.8%	4
Total top ten customers		45.6%	84
All other customers		54.4%	155
Total all customers		100.0%	239

(1) Includes 4 aircraft on lease with 3 affiliated airlines.

COMPARATIVE RESULTS OF OPERATIONS

Comparison of the three months ended August 31, 2023, to the three months ended August 31, 2022:

	Three Months Ended August 31,	
	2023	2022
	(Dollars in thousands)	
Revenues:		
Lease rental revenue	$ 150,351	$ 146,508
Direct financing and sales-type lease revenue	5,085	2,265
Amortization of lease premiums, discounts and incentives	(7,124)	(5,518)
Maintenance revenue	15,046	20,114
Total lease revenue	163,358	163,369
Gain on sale of flight equipment	4,453	10,049
Other revenue	145	161
Total revenues	167,956	173,579
Operating expenses:		
Depreciation	86,328	82,106
Interest, net	57,035	50,587
Selling, general and administrative	18,882	17,393
Provision for credit losses	(834)	109
Impairment of flight equipment	1,100	33,671
Maintenance and other costs	8,854	5,212
Total operating expenses	171,365	189,078
Other income:		
Other	3,372	2,072
Total other income	3,372	2,072
Loss from continuing operations before income taxes and earnings of unconsolidated equity method investment	(37)	(13,427)
Income tax benefit	(5,099)	(4,068)
Earnings of unconsolidated equity method investment, net of tax	456	666
Net income (loss)	$ 5,518	$ (8,693)

Revenues

Total revenues decreased $5.6 million, attributable to:

Lease rental revenue increased $3.8 million, primarily attributable to an increase of $21.9 million related to 29 aircraft purchased since June 1, 2022.

This was partially offset by:

- a $9.8 million decrease due to lease extensions, amendments, transitions and other changes;
- a $5.5 million decrease related to the sale of 13 aircraft since June 1, 2022; and
- a $2.8 million decrease related to aircraft lease terminations.

Direct financing and sales-type lease revenue increased $2.8 million, primarily related to the reclassification of 10 aircraft to sales-type leases, partially offset by the sale of 7 aircraft since June 1, 2022.

Amortization of lease premiums, discounts and lease incentives:

	Three Months Ended August 31,	
	2023	2022
	(Dollars in thousands)	
Amortization of lease premiums	$ (2,795)	$ (2,723)
Amortization of lease discounts	223	126
Amortization of lease incentives	(4,552)	(2,921)
Amortization of lease premiums, discounts and incentives	$ (7,124)	$ (5,518)

The amortization of lease incentives increased $1.6 million, primarily due to the transition of aircraft to new lessees.

Maintenance revenue. For the three months ended August 31, 2023, we recorded $15.0 million of maintenance revenue primarily related to maintenance payments received by us and recognized into income as a result of scheduled lease expirations.

For the three months ended August 31, 2022, we recorded $20.1 million of maintenance revenue, comprised primarily of $7.5 million related to the scheduled lease expirations of 2 narrow-body aircraft and $11.9 million related to the early lease termination of 1 freighter aircraft as a result of a new wave of sanctions against Russia in the United Kingdom ("U.K.").

Gain on sale of flight equipment. During the three months ended August 31, 2023, we sold 6 aircraft and other flight equipment for gains totaling $4.5 million. We sold 5 aircraft during the three months ended August 31, 2022, for gains totaling $10.0 million.

Operating expenses

Total operating expenses decreased $17.7 million, attributable to:

Depreciation expense increased $4.2 million primarily attributable to an increase of $9.6 million related to 29 aircraft acquired since June 1, 2022, partially offset by a decrease of $5.5 million related to 20 aircraft sold since June 1, 2022.

Interest, net increased $6.4 million due to a higher average cost of borrowing and higher weighted average debt outstanding of $247.7 million.

Selling, general and administrative expenses increased $1.5 million, primarily due to an increase in personnel costs and ongoing Russian litigation expenses.

Impairment of aircraft. We recorded an impairment charge of $1.1 million during the three months ended August 31, 2023.

During the three months ended August 31, 2022, the Company wrote off the remaining book value of 1 freighter aircraft in Russia that had not been returned to us, totaling $27.5 million.

The Company also recorded impairment charges totaling $6.2 million related to the scheduled lease expiration of 1 narrow-body aircraft and other flight equipment during the three months ended August 31, 2022. The Company recognized $6.1 million of maintenance revenue for this 1 aircraft.

Maintenance and other costs increased $3.6 million, primarily attributable to higher aircraft insurance premiums and higher costs due to the timing of transition of aircraft to new lessees. Higher transition costs are largely related to aircraft for which the previous lease was terminated early, and the aircraft was repossessed from the prior operator.

Other income

Total other income was $3.4 million and $2.1 million for the three months ended August 31, 2023 and 2022, respectively, and primarily consists of cash received in connection with claims settlements from various airline customers that had entered into bankruptcy proceedings or similar-type restructurings.

Income tax benefit

Income tax benefit. Our income tax benefit was $5.1 million and $4.1 million for the three months ended August 31, 2023 and 2022, respectively. The increase in the tax benefit is attributable to changes in the mix of pre-tax losses in taxable and non-taxable jurisdictions. The three months ended August 31, 2022, included certain net non-cash impairment charges, which were recorded in a low tax jurisdiction.

Results of Operations for the six months ended August 31, 2023, as compared to the six months ended August 31, 2022:

	Six Months Ended August 31,	
	2023	2022
	(Dollars in thousands)	
Revenues:		
Lease rental revenue	$ 297,086	$ 290,652
Direct financing and sales-type lease revenue	6,158	4,863
Amortization of lease premiums, discounts and incentives	(14,331)	(10,906)
Maintenance revenue	49,566	47,213
Total lease revenue	338,479	331,822
Gain on sale of flight equipment	47,047	13,736
Other revenue	921	3,585
Total revenues	386,447	349,143
Operating expenses:		
Depreciation	175,117	163,424
Interest, net	113,926	100,881
Selling, general and administrative	39,717	37,309
Provision for credit losses	6,125	689
Impairment of flight equipment	2,197	38,099
Maintenance and other costs	17,387	13,277
Total operating expenses	354,469	353,679
Other income (expense):		
Loss on extinguishment of debt	—	(463)
Other	4,709	2,072
Total other income	4,709	1,609
Income (loss) from continuing operations before income taxes and earnings of unconsolidated equity method investment	36,687	(2,927)
Income tax provision (benefit)	9,261	(739)
Earnings of unconsolidated equity method investment, net of tax	862	1,177
Net income (loss)	$ 28,288	$ (1,011)

Revenues

Total revenues increased $37.3 million, attributable to:

Lease rental revenue increased $6.4 million, primarily attributable to an increase of $44.7 million related to 30 aircraft purchased since March 1, 2022.

This was partially offset by:

- an $18.4 million decrease due to lease extensions, amendments, transitions and other changes;
- an $11.5 million decrease related to the sale of 16 aircraft since March 1, 2022; and
- an $8.4 million decrease related to lease terminations.

Direct financing and sales-type lease revenue increased $1.3 million, primarily related to the reclassification of 10 aircraft to sales-type leases, partially offset by the sale of 9 aircraft since March 1, 2022.

Amortization of lease premiums, discounts and lease incentives:

	Six Months Ended August 31,	
	2023	2022
	(Dollars in thousands)	
Amortization of lease premiums	$ (5,782)	$ (5,278)
Amortization of lease discounts	467	255
Amortization of lease incentives	(9,016)	(5,883)
Amortization of lease premiums, discounts and incentives	$ (14,331)	$ (10,906)

The amortization of lease incentives increased $3.1 million, due to the transition of aircraft to new lessees.

Maintenance revenue. For the six months ended August 31, 2023, we recorded $49.6 million of maintenance revenue primarily related to maintenance payments received by us and recognized into income as a result of scheduled lease expirations.

For the six months ended August 31, 2022, we recorded $47.2 million of maintenance revenue, of which $23.9 million related to payments received on maintenance letters of credit for our former Russian lessees and $11.9 million related to the early termination of 1 freighter aircraft as a result of a new wave of sanctions against Russia in the U.K. We also recorded maintenance revenue of $9.6 million related to scheduled lease expirations.

Gain on sale of flight equipment. During the six months ended August 31, 2023, we sold 10 aircraft and other flight equipment for gains totaling $14.3 million. We sold 9 aircraft during the six months ended August 31, 2022, for gains totaling $13.7 million.

We also recognized selling profit totaling $32.7 million related to the reclassification of 10 aircraft from operating leases to sales-type leases during the six months ended August 31, 2023 – see Note 5 in the Notes to Unaudited Consolidated Financial Statements.

Other revenue. During the six months ended August 31, 2022, we received $1.5 million of payments on general security letters of credit for aircraft that were previously leased to Russian airlines and $1.8 million of security deposits retained by us in connection with an aircraft lease amendment. We collected the remaining general security letters of credit totaling $0.6 million during the six months ended August 31, 2023.

Operating expenses

Total operating expenses increased $0.8 million, attributable to:

Depreciation expense increased $11.7 million, primarily attributable to an increase of $20.0 million related to 30 aircraft acquired since March 1, 2022, partially offset by a decrease of $11.1 million resulting from 20 aircraft sold since March 1, 2022.

Interest, net increased $13.0 million due to a higher average cost of borrowing and higher weighted average debt outstanding of $201.1 million.

Selling, general and administrative expenses increased $2.4 million, primarily due to an increase in personnel costs and ongoing Russian litigation expenses.

Provision for credit losses increased $5.4 million, primarily related to an allowance for credit losses of $6.2 million recorded during the six months ended August 31, 2023, resulting from the reclassification of 10 aircraft from operating leases to sales-type leases – see Note 5 in the Notes to Unaudited Consolidated Financial Statements.

Impairment of aircraft. We recorded impairment charges of $2.2 million during the six months ended August 31, 2023.

During the six months ended August 31, 2022, the Company wrote off the remaining book value of 8 narrow-body

and 1 freighter aircraft in Russia, that had not been returned to us, totaling $31.9 million. The Company recognized $9.5 million of maintenance and other revenue for these 9 aircraft related to payments received on maintenance and general security letters of credit.

The Company also recorded impairment charges totaling $6.2 million related to the scheduled lease expiration of 1 narrow-body aircraft and other flight equipment during the six months ended August 31, 2022. The Company recognized $6.1 million of maintenance revenue for this 1 aircraft.

Maintenance and other costs increased $4.1 million, primarily attributable to higher aircraft insurance premiums and higher costs due to the timing of transition of aircraft to new lessees. Higher transition costs are largely related to aircraft for which the previous lease was terminated early, and the aircraft was repossessed from the prior operator.

Other income (expense)

*Total other income in*creased by $3.1 million, primarily consisting of cash received in connection with claims settlements from various airline customers that had entered into bankruptcy proceedings or similar-type restructurings.

Income tax provision (benefit)

Income tax provision (benefit). We recognized an income tax provision of $9.3 million for the six months ended August 31, 2023, as compared to an income tax benefit of $0.7 million for the six months ended August 31, 2022. Our effective tax rate was 25.2% for each of the six months ended August 31, 2023 and 2022. The increase is primarily attributable to profits generated during the six months ended August 31, 2023, and the mix of such profits in taxable and non-taxable jurisdictions. The six months ended August 31, 2023, included gains on the sale of aircraft, which were recorded in a low tax jurisdiction. The six months ended August 31, 2022, included net non-cash impairment charges, which were recorded in a low tax jurisdiction.

Aircraft Valuation

Annual Recoverability Assessment

We plan to perform our annual recoverability assessment of all our aircraft during the third quarter of 2023.

Additional customer and aircraft specific recoverability assessments are also performed whenever indicators suggest the carrying amount of an asset may not be recoverable. Indicators may include, but are not limited to, a significant lease restructuring or early lease termination, a significant change in an aircraft model's storage levels, the introduction of newer technology aircraft or engines, an aircraft type is no longer in production, or a significant airworthiness directive is issued. We have focused and will continue to focus on aircraft with near-term lease expirations, customers that have entered judicial insolvency proceedings and any additional customers that may become subject to similar-type proceedings, and certain other customers or aircraft variants that are more susceptible to value deterioration.

The recoverability assessment is a comparison of the carrying value of an aircraft to its estimated undiscounted future cash flows. We develop the assumptions used in the recoverability analysis based on current and future expectations of the global demand for a particular aircraft type and historical experience in the aircraft leasing market and aviation industry, as well as information received from third-party industry sources. The factors considered in estimating the undiscounted cash flows are impacted by changes in future periods due to changes in projected lease rental and maintenance payments, residual values, economic conditions, technology, airline demand for a particular aircraft type and other factors, such as the location of the aircraft and accessibility to records and technical documentation.

If our estimates or assumptions change, including those related to our customers that have entered judicial insolvency proceedings, we may revise our cash flow assumptions and record future impairment charges. While we believe that the estimates and related assumptions used in our recoverability assessments are appropriate, actual results could differ from those estimates.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

See Note 1 – "Summary of Significant Accounting Policies – Organization and Basis of Presentation" in the Notes to Unaudited Consolidated Financial Statements above.

RECENT UNADOPTED ACCOUNTING PRONOUNCEMENTS

See Note 1 – "Summary of Significant Accounting Policies – Recent Accounting Pronouncements" in the Notes to Unaudited Consolidated Financial Statements above.

LIQUIDITY AND CAPITAL RESOURCES

Our business is very capital intensive, requiring significant investments in order to expand our fleet and to maintain and improve our existing portfolio. Our operations have historically generated a significant amount of cash, primarily from lease rentals and maintenance collections. We have also met our liquidity and capital resource needs by utilizing several sources over time, including:

- various forms of borrowing secured by our aircraft, including term facilities, term financings and limited recourse securitization financings for new aircraft acquisitions;
- unsecured indebtedness, including our current unsecured revolving credit facilities, term loan and senior notes;
- asset sales; and
- issuance of common and preference shares.

Going forward, we expect to continue to seek liquidity from these sources and other sources, subject to pricing and conditions we consider satisfactory.

During the six months ended August 31, 2023, we met our liquidity and capital resource needs with $186.4 million of cash flows from operations and $126.0 million of proceeds from the sale of aircraft and other flight equipment.

As of August 31, 2023, the weighted-average maturity of our secured and unsecured debt financings was 2.7 years, and we were in compliance with all applicable covenants.

We believe that we have sufficient liquidity to meet our contractual obligations over the next twelve months and as of October 6, 2023, total liquidity of $2.8 billion includes $1.9 billion of undrawn facilities, $0.5 billion of projected adjusted operating cash flow and contracted asset sales, $0.3 billion of equity commitments and $0.1 billion of unrestricted cash through October 1, 2024. In addition, we believe payments received from lessees and other funds generated from operations, unsecured bond offerings, borrowings secured by our aircraft, borrowings under our revolving credit facilities and other borrowings and proceeds from future aircraft sales will be sufficient to satisfy our liquidity and capital resource needs over the next twelve months. Our liquidity and capital resource needs include payments due under our aircraft purchase obligations, required principal and interest payments under our long-term debt facilities, expected capital expenditures, lessee maintenance payment reimbursements and lease incentive payments.

Cash Flows

	Six Months Ended August 31,	
	2023	2022
	(Dollars in thousands)	
Net cash flow provided by operating activities	$ 186,415	$ 215,616
Net cash flow used in investing activities	(250,512)	(195,405)
Net cash flow provided by financing activities	558,664	56,470

Operating Activities:

Cash flow provided by operating activities was $186.4 million and $215.6 million for the six months ended August 31, 2023 and 2022, respectively.

The six months ended August 31, 2022, included $25.4 million of payments received on maintenance and general security letters of credit for our former Russian lessees, as well as additional customer collections related to the repayment of lease deferrals and other outstanding receivables. Excluding the impact of these letters of credit, cash provided by operating activities decreased slightly, primarily due to higher interest costs on our debt financings.

Investing Activities:

Cash flow used in investing activities was $250.5 million and $195.4 million for the six months ended August 31, 2023 and 2022, respectively. The increase of $55.1 million was primarily attributable to lower proceeds from the sale of aircraft and other flight equipment of $45.1 million during the six months ended August 31, 2023.

Financing Activities:

Cash flow provided by financing activities was $558.7 million and $56.5 million for the six months ended August 31, 2023 and 2022, respectively. The net increase of $502.2 million was primarily attributable to an increase of $293.6 million in proceeds from secured and unsecured financings, net of repayments, as well as $200.0 million in proceeds from the issuance of our common stock.

Debt Obligations

For complete information on our debt obligations, refer to Note 8 in the Notes to Unaudited Consolidated Financial Statements.

Contractual Obligations

Our contractual obligations consist of principal and interest payments on debt financings, aircraft acquisitions and rent payments pursuant to our office leases. Total contractual obligations increased to $6.1 billion at August 31, 2023 from $6.0 billion at February 28, 2023, due to higher outstanding debt and the related interest thereon, partially offset by lower aircraft purchase commitments.

Capital Expenditures

From time to time, we make capital expenditures to maintain or improve our aircraft. These expenditures include the cost of major overhauls necessary to place an aircraft in service and modifications made at the request of lessees. For the six months ended August 31, 2023 and 2022, we incurred a total of $44.3 million and $49.4 million, respectively, of capital expenditures, including lease incentives, related to the improvement of aircraft.

As of August 31, 2023, the weighted average age by Net Book Value of our aircraft was approximately 9.7 years. In general, the costs of operating an aircraft, including maintenance expenditures, increase with the age of the aircraft. Our lease agreements call for the lessee to be primarily responsible for maintaining the aircraft. Maintenance reserves are generally paid by the lessee to provide for future maintenance events. Provided a lessee performs scheduled maintenance of the aircraft, we are required to reimburse the lessee for scheduled maintenance payments. In certain cases, we are also required to make lessor contributions, in excess of amounts a lessee may have paid, towards the costs of maintenance

events performed by or on behalf of the lessee. We may incur additional maintenance and modification costs in the future in the event we are required to remarket an aircraft, such as in the event of a lessee default or a lessee fails to meet its maintenance obligations under the lease agreement.

Actual maintenance payments to us by lessees in the future may be less than projected as a result of several factors, such as in the event of a lessee default. Maintenance reserves may not cover the entire amount of actual maintenance expenses incurred and, where these expenses are not otherwise covered by the lessees, there can be no assurance that our operational cash flow and maintenance reserves will be sufficient to fund maintenance requirements, particularly as our aircraft age. See Item 1A. "Risk Factors – Risks Related to Our Business – Risks related to our leases – If lessees are unable to fund their maintenance obligations on our aircraft, we may incur increased costs at the conclusion of the applicable lease" in our Annual Report on Form 10-K for the year ended February 28, 2023.

Off-Balance Sheet Arrangements

We entered into a joint venture arrangement in order to help expand our base of new business opportunities. This joint venture does not qualify for consolidated accounting treatment. The assets and liabilities of this entity are not included in our consolidated balance sheets, and we record our net investment under the equity method of accounting. See Note 7 in the Notes to Unaudited Consolidated Financial Statements.

We hold a 25% equity interest in our joint venture with Mizuho Leasing and as of August 31, 2023, the net book value of its 9 aircraft was $278.5 million.

Foreign Currency Risk and Foreign Operations

At August 31, 2023, more than 99% of our leases were payable to us in U.S. dollars. However, we incur Euro and Singapore dollar-denominated expenses in connection with our subsidiaries in Ireland and Singapore. For the six months ended August 31, 2023, expenses, such as personnel and office costs, denominated in currencies other than the U.S. dollar totaled $10.8 million in U.S. dollar equivalents and represented 27% of total selling, general and administrative expenses. Our international operations are a significant component of our business strategy and permit us to effectively source new aircraft, service the aircraft we own and maintain contact with our lessees. Therefore, our international operations and our exposure to foreign currency risk will likely increase over time. Although we have not yet entered into foreign currency hedges, if our foreign currency exposure increases, we may enter into hedging transactions in the future to mitigate this risk. For the six months ended August 31, 2023 and 2022, we incurred insignificant net gains and losses on foreign currency transactions.

Management's Use of EBITDA and Adjusted EBITDA

We define EBITDA as income (loss) from continuing operations before interest expense, income taxes, and depreciation and amortization. We use EBITDA to assess our consolidated financial and operating performance, and we believe this non-U.S. GAAP measure is helpful in identifying trends in our performance.

This measure provides an assessment of controllable expenses and affords management the ability to make decisions which are expected to facilitate meeting current financial goals, as well as achieving optimal financial performance. It provides an indicator for management to determine if adjustments to current spending decisions are needed.

EBITDA provides us with a measure of operating performance because it assists us in comparing our operating performance on a consistent basis as it removes the impact of our capital structure (primarily interest charges on our outstanding debt) and asset base (primarily depreciation and amortization) from our operating results. Accordingly, this metric measures our financial performance based on operational factors that management can impact in the short-term, namely the cost structure, or expenses, of the organization. EBITDA is one of the metrics used by senior management and the Board of Directors to review the consolidated financial performance of our business.

We define Adjusted EBITDA as EBITDA (as defined above) further adjusted to give effect to adjustments required in calculating covenant ratios and compliance as that term is defined in the indenture governing our senior unsecured notes. Adjusted EBITDA is a material component of these covenants.

The table below shows the reconciliation of net income to EBITDA and Adjusted EBITDA for the three and six months ended August 31, 2023 and 2022:

	Three Months Ended August 31,		Six Months Ended August 31,	
	2023	2022	2023	2022
Net income (loss)	$ 5,518	$ (8,693)	$ 28,288	$ (1,011)
Depreciation	86,328	82,106	175,117	163,424
Amortization of lease premiums, discounts and incentives	7,124	5,518	14,331	10,906
Interest, net	57,035	50,587	113,926	100,881
Income tax provision (benefit)	(5,099)	(4,068)	9,261	(739)
EBITDA	150,906	125,450	340,923	273,461
Adjustments:				
Impairment of flight equipment	1,100	33,671	2,197	38,099
Loss on extinguishment of debt	—	—	—	463
Adjusted EBITDA	$ 152,006	$ 159,121	$ 343,120	$ 312,023

Limitations of EBITDA and Adjusted EBITDA

An investor or potential investor may find EBITDA and Adjusted EBITDA important measures in evaluating our performance, results of operations and financial position. We use these non-U.S. GAAP measures to supplement our U.S. GAAP results in order to provide a more complete understanding of the factors and trends affecting our business.

EBITDA and Adjusted EBITDA have limitations as analytical tools and should not be viewed in isolation or as substitutes for U.S. GAAP measures of earnings (loss). Material limitations in making the adjustments to our earnings (loss) to calculate EBITDA and Adjusted EBITDA, and using these non-U.S. GAAP measures as compared to U.S. GAAP net income (loss), income (loss) from continuing operations and cash flows provided by or used in operations, include:

- depreciation and amortization, though not directly affecting our current cash position, represent the wear and tear and/or reduction in value of our aircraft, which affects the aircraft's availability for use and may be indicative of future needs for capital expenditures;
- the cash portion of income tax provision (benefit) generally represents charges (gains), which may significantly affect our financial results; and
- adjustments required in calculating covenant ratios and compliance as that term is defined in the indenture governing our senior unsecured notes which may not be comparable to similarly titled measures used by other companies.

EBITDA and Adjusted EBITDA are not alternatives to net income (loss), income (loss) from operations or cash flows provided by or used in operations as calculated and presented in accordance with U.S. GAAP. You should not rely on these non-U.S. GAAP measures as a substitute for any such U.S. GAAP financial measure. We strongly urge you to review the reconciliations to U.S. GAAP net income (loss), along with our consolidated financial statements included elsewhere in this report. We also strongly urge you not to rely on any single financial measure to evaluate our business. In addition, because EBITDA and Adjusted EBITDA are not measures of financial performance under U.S. GAAP and are susceptible to varying calculations, EBITDA and Adjusted EBITDA as presented in this report, may differ from and may not be comparable to similarly titled measures used by other companies.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest rate risk is the exposure to loss resulting from changes in the level of interest rates and the spread between different interest rates. These risks are highly sensitive to many factors, including U.S. monetary and tax policies, U.S. and international economic factors and other factors beyond our control. We are exposed to changes in the level of interest rates and to changes in the relationship or spread between interest rates. Our primary interest rate exposures relate to our floating-rate debt obligations. Rent payments under our aircraft lease agreements typically do not vary

during the term of the lease according to changes in interest rates. However, our borrowing agreements generally require payments based on a variable interest rate index, such as SOFR or an alternative reference rate. Therefore, to the extent our borrowing costs are not fixed, increases in interest rates may reduce our net income by increasing the cost of our debt without any corresponding increase in rents or cash flow from our securities.

Sensitivity Analysis

The following discussion about the potential effects of changes in interest rates is based on a sensitivity analysis, which models the effects of hypothetical interest rate shifts on our financial condition and results of operations. Although we believe a sensitivity analysis provides the most meaningful analysis permitted by the rules and regulations of the SEC, it is constrained by several factors, including the necessity to conduct the analysis based on a single point in time and by the inability to include the extraordinarily complex market reactions that normally would arise from the market shifts modeled. Although the following results of a sensitivity analysis for changes in interest rates may have some limited use as a benchmark, they should not be viewed as a forecast. This forward-looking disclosure also is selective in nature and addresses only the potential interest expense impacts on our financial instruments. It also does not include a variety of other potential factors that could affect our business as a result of changes in interest rates.

As of August 31, 2023, a hypothetical 100-basis point increase/decrease in our variable interest rate on our borrowings would result in an interest expense increase/decrease of $4.2 million and $4.2 million, respectively, over the next twelve months.

ITEM 4. CONTROLS AND PROCEDURES

Management's Evaluation of Disclosure Controls and Procedures

The term "disclosure controls and procedures" is defined in Exchange Act Rules 13a-15(e) and 15d-15(e). This term refers to the controls and procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") as appropriate, to allow timely decisions regarding required disclosure. An evaluation was performed under the supervision and with the participation of the Company's management, including the CEO and CFO, of the effectiveness of the Company's disclosure controls and procedures as of August 31, 2023. Based on that evaluation, the Company's management, including the CEO and CFO, concluded that the Company's disclosure controls and procedures were effective as of August 31, 2023.

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f), that occurred during the quarter ended August 31, 2023, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is not a party to any material legal or adverse regulatory proceedings.

ITEM 1A. RISK FACTORS

There have been no material changes to the disclosure related to the risk factors described in our Annual Report on Form 10-K for the year ended February 28, 2023, as filed with the SEC.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Environmental, Social and Governance ("ESG")

Information on our ESG initiatives can be found on our website at www.aircastle.com under "About – ESG." The information on the Company's website regarding our ESG initiatives is not part of, nor incorporated by reference, into this report, or any other report we file with, or furnish to, the SEC.

ITEM 6. EXHIBITS

Exhibit No.	Description of Exhibit
3.1	Amended and Restated Memorandum of Association (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on March 27, 2020).
3.2	Amended and Restated Bye-laws (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the SEC on March 27, 2020).
3.3	Certificate of Designations, dated June 8, 2021 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on June 8, 2021).
4.1	Specimen Share Certificate (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-1 (Amendment No. 2) (No. 333-134669) filed on July 25, 2006).
4.2	Indenture, dated as of December 5, 2013, by and between Aircastle Limited and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on December 6, 2013).
4.3	Fifth Supplemental Indenture, dated as of March 20, 2017, by and between Aircastle Limited and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on March 20, 2017).
4.4	Sixth Supplemental Indenture, dated as of September 25, 2018, between Aircastle Limited and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on September 25, 2018).
4.5	Seventh Supplemental Indenture, dated as of June 13, 2019, between Aircastle Limited and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on June 13, 2019).
4.6	Indenture, dated as of August 11, 2020, by and between Aircastle Limited and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on August 11, 2020).
4.7	Indenture, dated as of January 26, 2021, by and between Aircastle Limited and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on January 26, 2021).
4.8	Deposit Agreement, dated June 8, 2021, among Aircastle Limited, Computer share Inc. and Computershare Trust Company, N.A., acting jointly as depositary, and the holders from time to time of depositary receipts issued thereunder (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on June 8, 2021).
4.9	Indenture, dated as of July 18, 2023, between Aircastle Limited and Computershare Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on July 18, 2023).
10.1	Subscription Agreement, dated July 5, 2023, by and among Aircastle Limited, MM Air Ltd. And Marubeni Aviation Holdings Coöperatief U.A. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 7, 2023).
31.1	Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002. *
31.2	Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002. *
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. *
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. *
101	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended August 31, 2023, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of August 31, 2023 and February 28, 2023; (ii) Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) for the three and six months ended August 31, 2023 and 2022; (iii) Consolidated Statements of Cash Flows for the six months ended August 31, 2023 and 2022; (iv) Consolidated Statements of Changes in Shareholders' Equity for the three and six months ended August 31, 2023 and 2022; and (v) Notes to Unaudited Consolidated Financial Statements.*
104	Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document.

* Filed herewith.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: October 11, 2023

AIRCASTLE LIMITED
(Registrant)

By: /s/ Dane Silverman
Dane Silverman
Chief Accounting Officer and Authorized Officer

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael Inglese, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Aircastle Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 11, 2023

/s/ Michael Inglese

Michael Inglese
Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Roy Chandran, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Aircastle Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 11, 2023

/s/ Roy Chandran
Roy Chandran
Chief Financial Officer

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Aircastle Limited (the "Company") for the three months ended August 31, 2023, as filed with the Securities and Exchange Commission (the "SEC") on the date hereof (the "Report"), I, Michael Inglese, as Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002 ("Section 906"), that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

/s/ Michael Inglese

Name:	Michael Inglese
Title:	Chief Executive Officer
Date:	October 11, 2023

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Aircastle Limited (the "Company") for the three months ended August 31, 2023, as filed with the Securities and Exchange Commission (the "SEC") on the date hereof (the "Report"), I, Roy Chandran, as Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002 ("Section 906"), that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

/s/ Roy Chandran

Name: Roy Chandran
Title: Chief Financial Officer
Date: October 11, 2023