

**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, 2021

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
(State or other jurisdiction of
incorporation or organization)

98-0444035
(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:

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on Which Registered</u>
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, 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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

The aggregate market value of the Registrant's Common Shares based upon the closing price on the New York Stock Exchange on August 31, 2021 (the last business day of registrant's most recently completed second fiscal quarter), beneficially owned by non-affiliates of the Registrant was \$0 because the Registrant's Common Shares were not publicly traded as of that date. For purposes of the foregoing calculation, which is required by Form 10-K, the Registrant has included in the shares owned by affiliates those shares owned by directors and executive officers and shareholders owning 10% or more of the outstanding common shares of the Registrant, and such inclusion shall not be construed as an admission that any such person is an affiliate for any purpose.

As of October 8, 2021, there were 14,048 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. FINANCIAL STATEMENTS

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

	<u>August 31, 2021</u>	<u>February 28, 2021</u>
ASSETS		
Cash and cash equivalents	\$ 337,455	\$ 578,004
Restricted cash and cash equivalents	2,740	2,594
Accounts receivable	80,877	82,572
Flight equipment held for lease, net of accumulated depreciation of \$2,253,085 and \$2,076,972, respectively	6,573,891	6,492,471
Net investment in leases, net of allowance for credit losses of \$876 and \$864, respectively	187,299	195,376
Unconsolidated equity method investments	36,122	35,377
Other assets	326,575	311,944
Total assets	\$ 7,544,959	\$ 7,698,338
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Borrowings from secured financings, net of debt issuance costs and discounts	\$ 723,054	\$ 768,850
Borrowings from unsecured financings, net of debt issuance costs and discounts	3,869,574	4,366,261
Accounts payable, accrued expenses and other liabilities	180,422	174,267
Lease rentals received in advance	57,692	58,013
Security deposits	77,104	80,699
Maintenance payments	518,289	519,178
Total liabilities	5,426,135	5,967,268
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, 2021 and no shares issued and outstanding at February 28, 2021	—	—
Common shares, \$0.01 par value, 250,000,000 shares authorized, 14,048 shares issued and outstanding at August 31, 2021 and February 28, 2021	—	—
Additional paid-in capital	1,879,139	1,485,777
Retained earnings	239,685	245,293
Total shareholders' equity	2,118,824	1,731,070
Total liabilities and shareholders' equity	\$ 7,544,959	\$ 7,698,338

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,	
	2021	2020	2021	2020
Revenues:				
Lease rental revenue	\$ 137,589	\$ 150,895	\$ 269,714	\$ 334,073
Direct financing and sales-type lease revenue	2,776	4,747	5,653	10,064
Amortization of lease premiums, discounts and incentives	(5,835)	(4,629)	(11,159)	(11,975)
Maintenance revenue	21,218	20,034	47,694	96,665
Total lease revenue	155,748	171,047	311,902	428,827
Gain (loss) on sale of flight equipment	1,502	(848)	10,524	11,230
Other revenue	402	1,123	1,036	13,793
Total revenues	157,652	171,322	323,462	453,850
Operating expenses:				
Depreciation	83,391	86,749	165,782	175,961
Interest, net	55,413	55,324	113,450	114,050
Selling, general and administrative (including non-cash share-based payment expense of \$0 and \$0 for the three months ended, and \$0 and \$28,049 for the six months ended August 31, 2021 and 2020, respectively)	15,996	13,555	31,585	61,006
Impairment of flight equipment	21,232	212,387	41,815	289,685
Maintenance and other costs	8,087	4,271	15,615	9,837
Total operating expenses	184,119	372,286	368,247	650,539
Other income (expense):				
Loss on extinguishment of debt	(14,132)	(57)	(14,156)	(65)
Merger expenses	—	27	—	(32,042)
Other	57,609	(173)	57,619	(192)
Total other income (expense)	43,477	(203)	43,463	(32,299)
Income (loss) from continuing operations before income taxes and earnings of unconsolidated equity method investments	17,010	(201,167)	(1,322)	(228,988)
Income tax provision (benefit)	7,665	13,020	(627)	12,469
Earnings of unconsolidated equity method investments, net of tax	458	674	745	1,405
Net income (loss)	\$ 9,803	\$ (213,513)	\$ 50	\$ (240,052)
Preference share dividends	(5,658)	—	(5,658)	—
Net income (loss) available to common shareholders	\$ 4,145	\$ (213,513)	\$ (5,608)	\$ (240,052)
Total comprehensive income (loss) available to common shareholders	\$ 4,145	\$ (213,513)	\$ (5,608)	\$ (240,052)

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,	
	2021	2020
Cash flows from operating activities:		
Net income (loss)	\$ 50	\$ (240,052)
Adjustments to reconcile net income (loss) to net cash and restricted cash provided by operating activities:		
Depreciation	165,782	175,961
Amortization of deferred financing costs	8,384	6,713
Amortization of lease premiums, discounts and incentives	11,159	11,975
Deferred income taxes	4,240	4,374
Non-cash share-based payment expense	—	28,049
Collections on net investment in leases	8,065	8,670
Security deposits and maintenance payments included in earnings	(30,420)	(102,523)
Gain on sale of flight equipment	(10,524)	(11,230)
Loss on extinguishment of debt	14,156	65
Impairment of flight equipment	41,815	289,685
Provision for credit losses	12	4,513
Other	(745)	(1,386)
Changes in certain assets and liabilities:		
Accounts receivable	(5,479)	(45,747)
Other assets	(15,413)	(57,441)
Accounts payable, accrued expenses and other liabilities	(10,664)	(3,723)
Lease rentals received in advance	(704)	(42,311)
Net cash and restricted cash provided by operating activities	<u>179,714</u>	<u>25,592</u>
Cash flows from investing activities:		
Acquisition and improvement of flight equipment	(370,187)	(33,643)
Proceeds from sale of flight equipment	77,900	53,229
Aircraft purchase deposits and progress payments, net of deposits returned and aircraft sales deposits	10,003	(3,463)
Other	(64)	(594)
Net cash and restricted cash (used in) provided by investing activities	<u>(282,348)</u>	<u>15,529</u>
Cash flows from financing activities:		
Repurchase of shares	—	(25,536)
Parent contribution at Merger	—	25,536
Net proceeds from preference share issuance	393,362	—
Proceeds from secured and unsecured debt financings	—	1,193,871
Repayments of secured and unsecured debt financings	(546,903)	(851,404)
Debt extinguishment costs	(13,372)	(65)
Deferred financing costs	(4,748)	(5,508)
Security deposits and maintenance payments received	44,111	33,553
Security deposits and maintenance payments returned	(10,219)	(38,710)
Dividends paid	—	(24,025)
Net cash and restricted cash (used in) provided by financing activities	<u>(137,769)</u>	<u>307,712</u>
Net (decrease) increase in cash and restricted cash:	<u>(240,403)</u>	<u>348,833</u>
Cash and restricted cash at beginning of period	580,598	171,437
Cash and restricted cash at end of period	<u>\$ 340,195</u>	<u>\$ 520,270</u>

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,	
	2021	2020
Reconciliation to Consolidated Balance Sheets:		
Cash and cash equivalents	\$ 337,455	\$ 514,917
Restricted cash and cash equivalents	2,740	5,353
Unrestricted and restricted cash and cash equivalents	<u>\$ 340,195</u>	<u>\$ 520,270</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest, net of amounts capitalized	<u>\$ 107,102</u>	<u>\$ 116,137</u>
Cash paid for income taxes	<u>\$ 1,201</u>	<u>\$ 730</u>
Supplemental disclosures of non-cash investing activities:		
Advance lease rentals, security deposits, maintenance payments, other liabilities and other assets assumed in asset acquisitions	<u>\$ 1,158</u>	<u>\$ 29,869</u>
Advance lease rentals, security deposits, maintenance payments, other liabilities and other assets settled in sale of flight equipment	<u>\$ 12,506</u>	<u>\$ 263</u>
Transfers from flight equipment held for lease to Net investment in leases and Other assets	<u>\$ 3,554</u>	<u>\$ 54,324</u>

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 (Deficit)	Total Shareholders' Equity
	Shares	Amount	Shares	Amount			
Balance, February 28, 2021	14,048	\$ —	—	\$ —	\$ 1,485,777	\$ 245,293	\$ 1,731,070
Net loss	—	—	—	—	—	(9,753)	(9,753)
Balance, May 31, 2021	14,048	\$ —	—	\$ —	\$ 1,485,777	\$ 235,540	\$ 1,721,317
Net income	—	—	—	—	—	9,803	9,803
Issuance of preference shares	—	—	400	—	393,362	—	393,362
Preference share dividends	—	—	—	—	—	(5,658)	(5,658)
Balance, August 31, 2021	14,048	\$ —	400	\$ —	\$ 1,879,139	\$ 239,685	\$ 2,118,824

	Common Shares		Preference Shares		Additional Paid-In Capital	Retained Earnings (Deficit)	Total Shareholders' Equity
	Shares	Amount	Shares	Amount			
Balance, February 29, 2020	75,076,794	\$ 751	—	\$ —	\$ 1,456,977	\$ 578,461	\$ 2,036,189
Amortization of share-based payments	—	—	—	—	28,049	—	28,049
Net loss	—	—	—	—	—	(26,539)	(26,539)
Payment of unvested shares at Merger	(101,809)	(1)	—	—	(25,535)	—	(25,536)
Parent contribution at Merger	—	—	—	—	25,536	—	25,536
Share cancellation and re-issuance at Merger	(74,960,937)	(750)	—	—	750	—	—
Balance, May 31, 2020	14,048	\$ —	—	\$ —	\$ 1,485,777	\$ 551,922	\$ 2,037,699
Net loss	—	—	—	—	—	(213,513)	(213,513)
Balance, August 31, 2020	14,048	\$ —	—	\$ —	\$ 1,485,777	\$ 338,409	\$ 1,824,186

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

Aircastle Limited and Subsidiaries
Notes to Unaudited Consolidated Financial Statements
(Dollars in thousands, except per share amounts)
August 31, 2021

Note 1. Summary of Significant Accounting Policies

Organization and Basis of Presentation

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 is acquiring, leasing, managing and selling commercial jet aircraft.

On March 27, 2020, the Company successfully completed its merger (the “Merger”) and is now controlled by affiliates of Marubeni Corporation and Mizuho Leasing Company, Limited (“Mizuho Leasing”).

Aircastle is a holding company that conducts its business through subsidiaries. Aircastle directly or indirectly owns all outstanding common shares of its subsidiaries. The consolidated financial statements presented are prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”). The Company manages, analyzes and reports on its business and 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 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, 2021.

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, 2021, through the date on which the consolidated financial statements included in this Form 10-Q were issued.

Principles of Consolidation

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.

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.

Aircastle Limited and Subsidiaries
Notes to Unaudited Consolidated Financial Statements
(Dollars in thousands, except per share amounts)
August 31, 2021

COVID-19 Pandemic

COVID-19 has had an unprecedented negative impact on the aviation sector, resulting in a dramatic slowdown in air traffic. While there have been some improvements in certain markets recently, according to IATA, as of August 31, 2021, air travel was still down to approximately 44% compared to normal levels and a full recovery to pre-pandemic levels is not expected for several years. Substantially all the world's airlines have experienced financial difficulties and liquidity challenges, including many of our customers. While we believe long-term demand for air travel will return to historical trends over time, the near-term impacts of COVID-19's economic shock are material; the extent and duration of those impacts cannot currently be determined.

Even as the airline industry begins to recover, airlines continue to seek support from their respective governments, raise debt and equity, delay or cancel new aircraft orders, furlough employees, request concessions from lessors, and in certain cases, seek judicial protection. As of October 8, 2021, our total deferrals, net of repayments, were \$101,844. These deferrals have been granted to twenty customers for an average of six to nine months of lease rentals and represent 18% of Lease rental and Direct financing and sales-type lease revenues for the twelve months ended August 31, 2021. Of the total deferrals, \$89,777 is included in Accounts receivable or Other assets as of August 31, 2021, with the balance representing future lease payments. Approximately 77% of our total deferrals as of October 8, 2021, have been agreed to as part of broader lease restructurings. These generally include term extensions, better security packages, or other valuable consideration in exchange for near-term economic concessions. Some have repayment terms that extend beyond twelve months and in a limited number of situations, we have agreed to broader lease restructurings that do not include the full repayment of all of lease payments.

If air traffic remains depressed and our customers are unable to obtain sufficient funds from private, governmental or other sources, we may need to grant additional deferrals to certain customers or extend the period of repayment for deferrals we have already made. We may ultimately not be able to collect all the amounts we have deferred.

As of October 8, 2021, six of our customers are subject to judicial insolvency proceedings or similar protection. These customers lease 22 aircraft, which represent 13% of our net book value of flight equipment (including Flight equipment held for lease and Net investment in leases, or "net book value") and 10% of our Lease rental and direct financing and sales-type lease revenue as of and for the twelve months ended August 31, 2021. We are actively engaged in these judicial proceedings to protect our economic interests. However, the outcome of these proceedings is uncertain and could result in these customers negotiating reductions in aircraft lease rentals, rejecting their leases or taking other actions that could adversely impact us or the value of our aircraft. Based on historic experience, the judicial process can take up to twelve to eighteen months to be resolved. As a result of these proceedings, the recognition of lease rental revenue for certain customers may be done on a cash basis of accounting rather than the accrual method depending on the customers' lease security arrangements.

LATAM, our second largest customer, is included in the above group and represents 7% of our net book value of flight equipment and 6% of our Lease rental revenue as of and for the twelve months ended August 31, 2021. We have signed restructured leases for all thirteen of the LATAM aircraft, subject only to LATAM emerging from the Chapter 11 process. During the three months ended August 31, 2021, the Company entered into claims sale and purchase agreements with a third party for the sale of certain unsecured claims filed by various Aircastle entities against LATAM Airlines Group S.A. and certain of its subsidiaries in the Chapter 11 case captioned LATAM Airlines Group S.A., et al., Case No. 20-11254 (JLG) (Jointly Administered) (the "LATAM Bankruptcy"). The allowed amount of our unsecured claims was approved by the Bankruptcy Court and proceeds from the sales of these claims in the amount of \$55,213 were received during the three and six months ended August 31, 2021 and recognized in Other income (expense).

Lease Revenue Recognition

We lease flight equipment under net operating leases with lease terms typically ranging from three to seven years. We generally do not offer renewal terms or purchase options in our leases, although certain of our operating leases allow the lessee the option to extend the lease for an additional term. Operating leases with fixed rentals and step rentals are recognized on a straight-line basis over the term of the initial lease, assuming no renewals.

Aircastle Limited and Subsidiaries
Notes to Unaudited Consolidated Financial Statements
(Dollars in thousands, except per share amounts)
August 31, 2021

In certain instances, we may provide lease concessions to customers, generally in the form of lease rental deferrals. While these deferral arrangements affect the timing of lease rental payments, the total amount of lease rental payments required over the lease term is generally the same as that which was required under the original lease agreement. We account for the deferrals as if no modifications to the lease agreements were made and record the deferred rentals as a receivable within Other assets.

Should we determine that the collectability of rental payments is no longer probable (including any deferral thereof), we will recognize lease rental revenue using a cash basis of accounting rather than an accrual method. In the period we conclude that collection of lease payments is no longer probable, we recognize any difference between revenue amounts recognized to date under the accrual method and payments that have been collected from the lessee, including security deposit amounts held, as a current period adjustment to lease rental revenue.

Impairment of Flight Equipment

We perform an annual recoverability assessment of all aircraft in our fleet, on an aircraft-by-aircraft basis. A recoverability assessment is also performed whenever events or changes in circumstances, or indicators, suggest that the carrying amount or net book value of an asset may not be recoverable. Indicators may include, but are not limited to, a significant lease restructuring or early lease termination, significant change in an aircraft type'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. When we perform a recoverability assessment, we measure whether the estimated future undiscounted net cash flows expected to be generated by the aircraft exceed its net book value. The undiscounted cash flows consist of cash flows from currently contracted lease rental and maintenance payments, future projected lease rates and maintenance payments, transition costs, estimated down time, and estimated residual or scrap values for an aircraft. In the event that an aircraft does not meet the recoverability test, the aircraft will be adjusted to fair value, resulting in an impairment charge. See Note 2 – Fair Value Measurements.

Management develops 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.

We continue to closely monitor the impact of COVID-19 on our customers, air traffic, lease rental rates, and aircraft valuations, and have and will continue to perform additional customer and aircraft specific reviews should changes in facts and circumstances arise that may impact the recoverability of our aircraft. We will focus on our customers that have entered judicial insolvency proceedings and any additional customers that may become subject to similar-type proceedings, aircraft with near-term lease expirations, and certain aircraft variants that are more susceptible to the impact of COVID-19 and value deterioration.

Recent Accounting Pronouncements

In March 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2020-04, Reference Rate Reform Topic 848 ("ASC 848"), in response to the market transition from the LIBOR and other interbank offered rates ("IBORs") to alternative reference rates. U.S. GAAP requires entities to evaluate whether a contract modification, such as the replacement or change of a reference rate, results in the establishment of a new contract or continuation of an existing contract. ASC 848 allows an entity to elect not to apply certain modification accounting requirements to contracts affected by reference rate reform. The standard provides this temporary election through December 31, 2022, and cannot be applied to contract modifications that occur after December 31, 2022. Reference rate reform will primarily impact our lease and debt arrangements for which floating-rate lease rentals and interest expense are based on LIBOR. As of August 31, 2021, less than 1% of our fleet have floating-rate lease rentals and, for the three and six months ended August 31, 2021, 4% of our interest expense was derived from floating-rate debt which is referenced to LIBOR. We have not adopted ASC 848 and are currently evaluating the election available to us under the standard.

Aircastle Limited and Subsidiaries
Notes to Unaudited Consolidated Financial Statements
(Dollars in thousands, except per share amounts)
August 31, 2021

Effective, March 1, 2021, the Company adopted FASB ASU 2019-12, Income Taxes (Topic 740), Simplifying the Accounting for Income Taxes. The guidance aims to simplify the accounting for income taxes by removing certain exceptions to the general principles within the current guidance and by clarifying and amending the current guidance. The guidance is effective for annual reporting periods, and interim periods within those years, beginning after December 15, 2020. This adoption 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 use of unobservable inputs.

The following tables set forth our financial assets as of August 31, 2021 and February 28, 2021 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, 2021 Using Fair Value Hierarchy				
	Fair Value as of August 31, 2021	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	\$ 337,455	\$ 337,455	\$ —	\$ —	Market
Restricted cash and cash equivalents	2,740	2,740	—	—	Market
Total	<u>\$ 340,195</u>	<u>\$ 340,195</u>	<u>\$ —</u>	<u>\$ —</u>	

	Fair Value Measurements at February 28, 2021 Using Fair Value Hierarchy				
	Fair Value as of February 28, 2021	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	\$ 578,004	\$ 578,004	\$ —	\$ —	Market
Restricted cash and cash equivalents	2,594	2,594	—	—	Market
Total	<u>\$ 580,598</u>	<u>\$ 580,598</u>	<u>\$ —</u>	<u>\$ —</u>	

Our cash and cash equivalents, and restricted cash and cash equivalents balances, 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 and are therefore classified as Level 1 within the fair value hierarchy.

For the three and six months ended August 31, 2021, 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 investment in unconsolidated joint ventures and aircraft. 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 that uses Level 2 inputs, which include third party appraisal data and an income approach that uses Level 3 inputs, which include 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.

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We account for our investment in unconsolidated joint ventures under the equity method of accounting. Investments are recorded at cost and are adjusted by undistributed earnings and losses and the distributions of dividends and capital. These investments are also 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.

Aircraft Valuation

Impairment of Flight Equipment

During the three months ended August 31, 2021, the Company recorded impairment charges totaling \$21,232, of which \$18,012 were transactional impairments primarily related to two narrow-body aircraft resulting from early lease terminations. The Company recognized \$16,085 of maintenance revenue for these two aircraft.

During the six months ended August 31, 2021, the Company recorded impairment charges totaling \$41,815, of which \$38,594 were transactional impairments, primarily related to four narrow-body aircraft resulting from three early lease terminations and one scheduled lease expiration. The Company recognized \$37,146 of maintenance revenue for these four aircraft.

During the three months ended August 31, 2020, the Company recorded impairment charges totaling \$212,387, of which \$169,346 were transactional impairments, primarily related to four wide-body aircraft and two narrow-body aircraft. The Company recognized \$9,267 of maintenance revenue for these six aircraft. The impairment charges were attributable to early lease terminations, judicial insolvency proceedings, or as a result of our annual recoverability assessment.

During the six months ended August 31, 2020, the Company recorded impairment charges totaling \$289,685, of which \$246,644 were transactional impairments primarily related to twelve narrow-body and five wide-body aircraft. The Company recognized \$92,193 of maintenance and security deposits into revenue for these seventeen aircraft. The impairment charges were attributable to early lease terminations, scheduled lease expirations, lessee defaults, judicial insolvency proceedings, or as a result of our annual recoverability assessment.

Annual Recoverability Assessment

We plan to perform our annual recoverability assessment of all our aircraft during the fiscal third quarter for the nine months ended November 30, 2021. We continue to closely monitor the impact of COVID-19 on our customers, air traffic, lease rental rates, and aircraft valuations, and have and will continue to perform additional customer and aircraft specific reviews should changes in facts and circumstances arise that may impact the recoverability of our aircraft. We have and will focus on our customers that have entered judicial insolvency proceedings and any additional customers that may become subject to similar-type proceedings, aircraft with near-term lease expirations, and certain aircraft variants that are more susceptible to the impact of the COVID-19 pandemic and value deterioration.

The recoverability assessment is a comparison of the carrying value of each aircraft to its undiscounted expected future cash flows. We develop the assumptions used in the recoverability assessment, including those relating to current and future demand for each aircraft type, based on management's experience in the aircraft leasing industry, as well as information received from third-party sources. Estimates of the undiscounted cash flows for each aircraft type are impacted by changes in contracted and future expected lease rates, residual values, expected scrap values, economic conditions and other factors.

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.

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Financial Instruments

Our financial instruments, other than cash, consist principally of cash equivalents, restricted cash and cash equivalents, accounts receivable, accounts payable and amounts borrowed under financings. The fair value of cash, cash equivalents, restricted 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. The fair values of all our other financings are estimated using a discounted cash flow analysis, based on our current incremental borrowing rates for similar types of borrowing arrangements.

The carrying amounts and fair values of our financial instruments at August 31, 2021 and February 28, 2021 were as follows:

	August 31, 2021		February 28, 2021	
	Carrying Amount of Liability	Fair Value of Liability	Carrying Amount of Liability	Fair Value of Liability
Credit Facilities	\$ —	\$ —	\$ —	\$ —
Unsecured Term Loan	215,000	211,245	215,000	210,290
Export Credit Agency (“ECA”) Financings	25,316	26,377	36,423	37,942
Bank Financings	702,557	729,616	738,353	740,086
Senior Notes	3,700,000	3,972,066	4,200,000	4,402,722

All our financial instruments are classified as Level 2 except for our Senior Notes, which are classified as Level 1.

Note 3. Lease Rental Revenues and Flight Equipment Held for Lease

Minimum future annual lease rentals contracted to be received under our existing operating leases of flight equipment at August 31, 2021 were as follows:

Year Ending February 28/29,	Amount ⁽¹⁾
Remainder of 2021	\$ 303,127
2022	590,132
2023	535,087
2024	404,218
2025	259,143
Thereafter	665,907
Total	\$ 2,757,614

(1) Reflects impact of lessee lease rental deferrals.

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Geographic concentration of lease rental revenue earned from flight equipment held for lease was as follows:

Region	Three Months Ended August 31,		Six Months Ended August 31,	
	2021	2020	2021	2020
Asia and Pacific	32 %	39 %	33 %	42 %
Europe	36 %	33 %	35 %	29 %
Middle East and Africa	5 %	5 %	5 %	7 %
North America	15 %	11 %	15 %	11 %
South America	12 %	12 %	12 %	11 %
Total	100 %	100 %	100 %	100 %

The classification of regions in the table above and in the tables and discussion below is determined based on the principal location of the lessee of each aircraft.

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,			
	2021		2020		2021		2020	
	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	4	30%	4	36%	5	34%	4	30%

The following table sets forth revenue attributable to individual countries representing at least 10% of Total revenue (including maintenance and other revenue) based on each lessee's principal place of business for the periods indicated:

Country	Three Months Ended August 31,				Six Months Ended August 31,			
	2021		2020		2021		2020	
	Revenue	% of Total Revenue	Revenue	% of Total Revenue	Revenue	% of Total Revenue	Revenue	% of Total Revenue
India ⁽¹⁾	\$ 20,316	13 %	\$ 28,876	17 %	\$ 40,518	13 %	\$ 53,496	12 %
Mexico ⁽²⁾	—	— %	—	— %	—	— %	80,745	18 %
Chile	—	— %	17,102	10 %	—	— %	—	— %

(1) For the three and six months ended August 31, 2021, total revenue attributable to India included maintenance revenue totaling \$1,346 and \$2,000. For the three and six months ended August 31, 2020, total revenue attributable to India included maintenance, gain on the sale of flight equipment and other revenue totaling \$10,171 and \$10,402.

(2) For the six months ended August 31, 2020, total revenue attributable to Mexico included maintenance and other revenue, including early lease termination fees and security deposits recognized into revenue, totaling \$76,637. Total revenue attributable to Mexico was less than 10% for the three and six months ended August 31, 2021 and for the three months ended August 31, 2020.

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Geographic concentration of net book value of flight equipment (including flight equipment held for lease and net investment in leases, or “net book value”) was as follows:

Region	August 31, 2021		February 28, 2021	
	Number of Aircraft	Net Book Value %	Number of Aircraft	Net Book Value %
Asia and Pacific	74	33 %	79	37 %
Europe	96	29 %	92	27 %
Middle East and Africa	10	4 %	11	4 %
North America	33	15 %	28	12 %
South America	25	13 %	26	13 %
Off-lease	17 ⁽¹⁾	6 %	16 ⁽²⁾	7 %
Total	255	100 %	252	100 %

(1) Of the seventeen off-lease aircraft at August 31, 2021, we have two narrow-body aircraft and three wide-body aircraft which we are currently marketing for lease or sale.

(2) Of the sixteen off-lease aircraft at February 28, 2021, we have three wide-body aircraft which we are currently marketing for lease or sale.

The following table sets forth the net book value of flight equipment (includes net book value of flight equipment held for lease and net investment in leases) attributable to individual countries representing at least 10% of net book value of flight equipment based on each lessee’s principal place of business as of:

Country	August 31, 2021			February 28, 2021		
	Net Book Value	Net Book Value %	Number of Lessees	Net Book Value	Net Book Value %	Number of Lessees
India	\$ 704,238	11%	3	\$ 756,514	11%	3

At August 31, 2021 and February 28, 2021, the amounts of lease incentive liabilities recorded in maintenance payments on our Consolidated Balance Sheets were \$17,577 and \$14,673, respectively.

Note 4. Net Investment in Leases

At August 31, 2021 and February 28, 2021, our net investment in leases consisted of fifteen and fifteen aircraft, respectively. The components of our net investment in leases at August 31, 2021 and February 28, 2021, were as follows:

	August 31, 2021	February 28, 2021
Lease receivable	\$ 55,232	\$ 67,075
Unguaranteed residual value of flight equipment	132,943	129,165
Net investment leases	188,175	196,240
Allowance for credit losses	(876)	(864)
Net investment in leases, net of allowance	\$ 187,299	\$ 195,376

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The activity in the allowance for credit losses related to our net investment in leases for the six months ended August 31, 2021 is as follows:

	Amount
Balance at February 28, 2021	\$ 864
Provision for credit losses	12
Balance at August 31, 2021	\$ 876

At August 31, 2021, future lease payments on net investment in leases are as follows:

Year Ending February 28/29,	Amount
Remainder of 2021	\$ 10,145
2022	13,470
2023	12,568
2024	6,989
2025	6,060
Thereafter	15,414
Total lease payments to be received	64,646
Present value of lease payments - lease receivable	(55,232)
Difference between undiscounted lease payments and lease receivable	\$ 9,414

Note 5. Unconsolidated Equity Method Investments

We have a joint venture with Mizuho Leasing which has nine aircraft with a net book value of \$305,251 at August 31, 2021.

	Amount
Investment in joint ventures at February 28, 2021	\$ 35,377
Earnings from joint venture, net of tax	745
Investment in joint ventures at August 31, 2021	\$ 36,122

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Note 6. Secured and Unsecured Debt Financings

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

Debt Obligation	At August 31, 2021			Final Stated Maturity	At February 28, 2021
	Outstanding Borrowings	Number of Aircraft	Interest Rate		Outstanding Borrowings
Secured Debt Financings:					
ECA Financings	\$ 25,316	1	3.49%	11/30/24	\$ 36,423
Bank Financings ⁽¹⁾	702,557	31	2.19% to 4.55%	06/17/23 to 03/06/25	738,353
Less: Debt issuance costs and discounts	(4,819)	—			(5,926)
Total secured debt financings, net of debt issuance costs and discounts	<u>723,054</u>	<u>32</u>			<u>768,850</u>
Unsecured Debt Financings:					
Senior Notes due 2022	—		5.50%	02/15/22	500,000
Senior 5.00% Notes due 2023	500,000		5.00%	04/01/23	500,000
Senior 4.40% 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
Senior Notes due 2028	750,000		2.85%	01/26/28	750,000
Unsecured Term Loans	215,000		1.59%	02/27/22 to 02/27/24	215,000
Revolving Credit Facilities	—		N/A	12/27/21 to 04/26/25	—
Less: Debt issuance costs and discounts	(45,426)				(48,739)
Total unsecured debt financings, net of debt issuance costs and discounts	<u>3,869,574</u>				<u>4,366,261</u>
Total secured and unsecured debt financings, net of debt issuance costs and discounts	<u>\$ 4,592,628</u>				<u>\$ 5,135,111</u>

(1) The borrowings under these financings at August 31, 2021 have a weighted-average fixed rate of interest of 3.21%.

Unsecured Debt Financings:

Revolving Credit Facilities

On April 1, 2021, we entered into an amendment that split the \$300,000 commitment of one of our unsecured revolving credit facilities into two tranches: \$160,000 was allocated to Tranche A, which will mature on the facility's previously stated maturity date of December 27, 2021, and \$140,000 was allocated to Tranche B, which will mature on February 28, 2023. On May 24, 2021, the revolving credit facility was expanded to \$330,000, with \$155,000 and \$175,000 of the commitment allocated to Tranche A and Tranche B, respectively.

On April 26, 2021, we entered into an amendment that increased the size of one of our revolving credit facilities from \$800,000 to \$1,000,000. The stated maturity date for \$900,000 of the total commitment was extended to April 26, 2025, and the remaining \$100,000 commitment will mature on the facility's previously stated maturity date of June 27, 2022.

On April 26, 2021, we entered into an amendment that reduced the size of our revolving credit facility with Mizuho Bank Ltd., a related party, from \$150,000 to \$50,000 and extended its maturity date to July 30, 2022. Mizuho Bank, Ltd. is now a lender for our \$1,000,000 revolving credit facility with a commitment in the amount of \$100,000.

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As of August 31, 2021, we had no borrowings outstanding under our revolving credit facilities and had \$1,380,000 available for borrowing.

Senior Notes due 2022

On July 30, 2021, we redeemed all of the \$500,000 outstanding aggregate principal amount of our 5.5% Senior Notes due 2022, including \$12,604 of accrued interest and a \$13,314 call premium.

As of August 31, 2021, we were in compliance with all applicable covenants in our financings.

Note 7. Shareholders' Equity

On June 8, 2021, the Company issued 400 shares of 5.250% Series A Cumulative Redeemable Perpetual Preference Shares, \$0.01 par value, with a liquidation preference of \$1,000 per share (the "Preference Shares"). The Preference Shares are perpetual and have no maturity date.

Dividends on the Preference Shares, when, as and if declared by the Company's board of directors are payable semi-annually in arrears on March 15 and September 15 of each year, commencing on September 15, 2021. Dividends will be payable: (i) from the date of original issue to, but excluding September 15, 2026 (the "original reset date") at a fixed rate per annum of 5.250%; (ii) from, and including, the original reset date to, but excluding, September 15, 2031 (the "2031 reset date"), at a rate per annum equal to the five-year treasury rate as of the most recent reset dividend determination date plus 4.410%; (iii) from, and including, the 2031 reset date to, but excluding, September 15, 2046 (the "2046 reset date"), during each reset period at a rate per annum equal to the five-year treasury rate as of the most recent reset dividend determination date plus 4.660%; and (iv) from, and including, the 2046 reset date, during each reset period at a rate per annum equal to the five-year treasury rate as of the most recent reset dividend determination date plus 5.410%. Dividends on the Preference Shares will accumulate daily and be cumulative from, and including, the date of original issuance of the Preference Shares.

The Company may not redeem the Preference Shares before the date that is 90-days prior to the original reset date. The Company may, at its option, redeem the Preference Shares, in whole or in part, from time to time during the period beginning 90-days prior to each reset date and ending on such reset date at a redemption price in cash equal to \$1,000 per Preference Share, plus all accumulated and unpaid dividends (whether or not declared) to, but excluding, such redemption date. In addition, the Company may redeem the Preference Shares, in whole but not in part, at the Company's option under certain other limited conditions.

Except with respect to certain amendments to the terms of the Preference Shares, in the case of certain dividend non-payments and as otherwise required by applicable law, the Preference Shares do not have voting rights.

On August 19, 2021, the Company's Board of Directors approved a quarterly dividend for the Company's Preference Shares in the amount of \$5,658, which was paid on September 15, 2021.

Note 8. Related Party Transactions

On April 26, 2021, the Company entered into an amendment that reduced the size and extended the term of our unsecured revolving credit facility with Mizuho Bank Ltd., a related party – see Note 6 for additional information.

During the three and six months ended August 31, 2021, the Company incurred \$935 and \$1,915, respectively, in fees to Marubeni as part of its intra-company service agreement, whereby Marubeni provides certain management and administrative services to the Company. The Company also entered into a parts management services and supply agreement with an affiliate of Marubeni under which we purchased parts totaling \$1,441 and \$1,958 during the three and six months ended August 31, 2021, respectively.

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Note 9. 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 investments for the three and six months ended August 31, 2021 and 2020 were as follows:

	Three Months Ended August 31,		Six Months Ended August 31,	
	2021	2020	2021	2020
U.S. operations	\$ 4,479	\$ 8,851	\$ 8,190	\$ 12,897
Non-U.S. operations	12,531	(210,018)	(9,512)	(241,885)
Income (loss) from continuing operations before income taxes and earnings of unconsolidated equity method investments	<u>\$ 17,010</u>	<u>\$ (201,167)</u>	<u>\$ (1,322)</u>	<u>\$ (228,988)</u>

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

The Coronavirus Aid, Relief and Economic Security (“CARES”) Act was signed into law on March 27, 2020. The CARES Act, among other things, includes provisions relating to net operating loss carrybacks, alternative minimum tax credit refunds, modification to the net interest expense deduction limitation and technical correction to the tax depreciation methods for qualified improvement property. The CARES Act did not materially impact the Company’s effective tax rate for the six months ended August 31, 2021.

The Company’s effective tax rates (“ETRs”) for the three and six months ended August 31, 2021 and 2020 were 45.1% and (6.5)%, and 47.4%, and (5.4)%, respectively. The movement in the ETR is primarily caused by changes in the mix of the Company’s pre-tax earnings/(losses) in its taxable and non-tax jurisdictions. The six months ended August 31, 2021 included income from the sale of unsecured claims related to the LATAM Bankruptcy, which was recorded in a low tax jurisdiction. Further, the six months ended August 31, 2020 included discrete items related to stock compensation and the impact of the CARES act.

Note 10. Interest, Net

The following table shows the components of interest, net:

	Three Months Ended August 31,		Six Months Ended August 31,	
	2021	2020	2021	2020
Interest on borrowings and other liabilities	\$ 51,807	\$ 52,638	\$ 106,135	\$ 108,483
Amortization of deferred financing fees and debt discount	4,193	3,402	8,384	6,713
Interest expense	56,000	56,040	114,519	115,196
Less: Interest income	(382)	(716)	(712)	(1,146)
Less: Capitalized interest	(205)	—	(357)	—
Interest, net	<u>\$ 55,413</u>	<u>\$ 55,324</u>	<u>\$ 113,450</u>	<u>\$ 114,050</u>

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Note 11. Commitments and Contingencies

Rent expense, primarily for the corporate offices and sales and marketing offices, was \$395 and \$808 for the three and six months ended August 31, 2021, and \$390 and \$801 for the three and six months ended August 31, 2020, respectively.

As of August 31, 2021, 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:

<u>Year Ending February 28/29,</u>	<u>Amount</u>
Remainder of 2021	\$ 979
2022	1,780
2023	1,713
2024	1,744
2025	1,775
Thereafter	4,375
Total	\$ 12,366

At August 31, 2021, we had commitments to acquire 24 aircraft for \$801,841.

Commitments, including \$97,784 of remaining progress payments, contractual price escalations and other adjustments for these aircraft, at August 31, 2021, net of amounts already paid, are as follows:

<u>Year Ending February 28/29,</u>	<u>Amount</u>
Remainder of 2021	\$ 152,314
2022	177,850
2023	287,860
2024	71,667
2025	112,150
Thereafter	—
Total	\$ 801,841

Note 12. Other Assets

The following table describes the principal components of other assets on our Consolidated Balance Sheets as of:

	<u>August 31, 2021</u>	<u>February 28, 2021</u>
Deferred income tax asset	\$ 623	\$ 637
Lease incentives and lease premiums, net of amortization of \$82,684 and \$75,126, respectively	61,649	75,169
Flight equipment held for sale	47,263	53,289
Aircraft purchase deposits and Embraer E-2 progress payments	44,932	52,092
Right-of-use asset ⁽¹⁾	7,767	8,056
Deferred rent receivable	72,350	69,103
Other assets	91,991	53,598
Total other assets	\$ 326,575	\$ 311,944

(1) Net of lease incentives and tenant allowances.

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Note 13. Accounts Payable, Accrued Expenses and Other Liabilities

The following table describes the principal components of accounts payable, accrued expenses and other liabilities recorded on our Consolidated Balance Sheets as of:

	August 31, 2021	February 28, 2021
Accounts payable, accrued expenses and other liabilities	\$ 47,271	\$ 43,088
Deferred income tax liability	79,349	75,124
Accrued interest payable	42,350	43,676
Lease liability	10,534	11,003
Lease discounts, net of amortization of \$45,344 and \$44,887, respectively	918	1,376
Total accounts payable, accrued expenses and other liabilities	\$ 180,422	\$ 174,267

Note 14. Subsequent Event

During the fiscal third quarter of 2021, the Company will record impairment charges, net of maintenance and other revenue, approximating \$48,000 related to three aircraft as a result of a lessee default.

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, 2021. 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; Airastle 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 Airastle’s filings with the Securities and Exchange Commission (the “SEC”) and previously disclosed under “Risk Factors” in Part I - Item 1A of Airastle’s Annual Report on Form 10-K for the year ended February 28, 2021. In addition, new risks and uncertainties emerge from time to time, and it is not possible for Airastle 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. Airastle 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. As of August 31, 2021, we owned and managed on behalf of our joint ventures 264 aircraft leased to 76 lessees located in 42 countries. Our aircraft are managed by an experienced team based in the United States, Ireland and Singapore. Our aircraft are generally subject to net leases whereby the lessee is 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. As of August 31, 2021, the net book value of our flight equipment (including flight equipment held for lease and net investment in leases, or “net book value”) was \$6.76 billion compared to \$6.69 billion at February 28, 2021. Our total revenues, net income (loss) and Adjusted EBITDA for the three and six months ended August 31, 2021 were \$157.7 million and \$323.5 million, \$9.8 million and \$0.1 million, and \$197.5 million and \$345.8 million, respectively.

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 1.3 to 2 times that of global GDP growth. This expansion of air travel has driven growth in the world aircraft fleet; and there are approximately 24,000 commercial mainline passenger and freighter aircraft in the world fleet today. Aircraft leasing companies own approximately 52% of the world’s commercial jet aircraft. Under normal circumstances, we would expect the global fleet to continue expanding at a two to four percent average annual rate.

COVID-19 has had an unprecedented negative impact on the aviation sector, resulting in a dramatic slowdown in air traffic. While there have been some improvements in certain markets recently, according to IATA, as of August 31, 2021, air travel was still down to approximately 44% compared to normal levels and a full recovery to pre-pandemic levels is not expected for several years. Substantially all the world’s airlines have experienced financial difficulties and liquidity challenges, including many of our customers. While we believe long-term demand for air travel will return to historical trends over time, the near-term impacts of COVID-19’s economic shock are material; the extent and duration of those impacts cannot currently be determined.

Even as the airline industry begins to recover, airlines continue to seek support from their respective governments, raise debt and equity, delay or cancel new aircraft orders, furlough employees, request concessions from lessors, and in certain cases, seek judicial protection. As of October 8, 2021, our total deferrals, net of repayments, were \$101.8 million. These deferrals have been granted to twenty customers for an average of six to nine months of lease rentals and represent 18% of Lease rental and Direct financing and sales-type lease revenues for the twelve months ended August 31, 2021. Of the total deferrals, \$89.8 million is included in Accounts receivable or Other assets as of August 31, 2021, with the balance representing future lease payments. Approximately 77% of our total deferrals as of October 8, 2021, have been agreed to as part of broader lease restructurings. These generally include term extensions, better security packages, or other valuable consideration in exchange for near-term economic concessions. Some have repayment terms that extend beyond twelve months and in a limited number of situations, we have agreed to broader lease restructurings that do not include the full repayment of all of lease payments.

If air traffic remains depressed and our customers are unable to obtain sufficient funds from private, governmental or other sources, we may need to grant additional deferrals to certain customers or extend the period of repayment for deferrals we have already made. We may ultimately not be able to collect all the amounts we have deferred.

As of October 8, 2021, six of our customers are subject to judicial insolvency proceedings or similar protection. These customers lease 22 aircraft, which represent 13% of our net book value of flight equipment (including Flight equipment held for lease and Net investment in leases, or “net book value”) and 10% of our Lease rental and direct financing and sales-type lease revenue as of and for the twelve months ended August 31, 2021. We are actively engaged in these judicial proceedings to protect our economic interests. However, the outcome of these proceedings is uncertain and could result in these customers negotiating reductions in aircraft lease rentals, rejecting their leases or taking other actions that could adversely impact us or the value of our aircraft. Based on historic experience, the judicial process can take up to twelve to eighteen months to be resolved. As a result of these proceedings, the recognition of lease rental revenue for certain customers may be done on a cash basis of accounting rather than the accrual method depending on the customers’ lease security arrangements.

LATAM, our second largest customer, is included in the above group and represents 7% of our net book value of flight equipment and 6% of our Lease rental revenue as of and for the twelve months ended August 31, 2021. We have

signed restructured leases for all thirteen of the LATAM aircraft, subject only to LATAM emerging from the Chapter 11 process. During the three months ended August 31, 2021, the Company entered into claims sale and purchase agreements with a third party for the sale of certain unsecured claims filed by various Aircastle entities against LATAM Airlines Group S.A. and certain of its subsidiaries in the Chapter 11 case captioned LATAM Airlines Group S.A., et al., Case No. 20-11254 (JLG) (Jointly Administered). The allowed amount of our unsecured claims was approved by the Bankruptcy Court. Proceeds from the sales of these claims in the amount of \$55.2 million were received during the three and six months ended August 31, 2021 and recognized in Other income (expense).

We believe that our long-standing business strategy of maintaining conservative leverage, limiting long-term financial commitments and focusing our portfolio on more liquid narrow-body aircraft will enable us to manage through the COVID-19 crisis. Our portfolio of primarily mid-life, narrow-body aircraft should remain attractive relative to new technology aircraft due to their lower capital costs in an environment of tight airline margins and low fuel prices.

We believe that we have sufficient liquidity to meet our contractual obligations over the next twelve months and as of October 1, 2021, total liquidity of \$2.4 billion includes \$1.4 billion of undrawn credit facilities, \$0.3 billion of unrestricted cash, \$0.3 billion of contracted asset sales and \$0.4 billion of projected operating cash flows through September 30, 2022. As of August 31, 2021, we have commitments to acquire 24 aircraft for \$801.8 million between 2021-2025.

We also believe our platform and personnel position us to effectively manage through the COVID-19 crisis and will enable us to take advantage of new investment opportunities when they arise. Our Company employs a team of experienced senior professionals with extensive industry and financial experience. Our leadership team members have an average of more than twenty years of relevant industry experience, including managing through prior downturns in the aviation industry, like the 2008 global financial crisis and the September 11, 2001 terror attacks.

Fiscal Year 2021 Lease Expirations and Lease Placements

At August 31, 2021, the Company had seventeen off-lease aircraft and seventeen aircraft with scheduled lease expirations in fiscal 2021. As of October 8, 2021, of these 34 aircraft, we have eleven aircraft, which account for 4.2% of our net book value at August 31, 2021, still to be placed or sold.

Fiscal Years 2022-2025 Lease Expirations and Lease Placements

Taking into account lease and sale commitments, we currently have the following number of aircraft with lease expirations scheduled in the fiscal years 2022-2025, representing the percentage of our net book value of flight equipment (including flight equipment held for lease and net investment in leases) at August 31, 2021, specified below:

- 2022: 18 aircraft, representing 5%;
- 2023: 44 aircraft, representing 13%;
- 2024: 53 aircraft, representing 20%; and
- 2025: 38 aircraft, representing 16%.

Acquisitions and Sales

During the six months ended August 31, 2021, we acquired eight aircraft for \$353.3 million. As of October 8, 2021, we acquired no additional aircraft. At August 31, 2021, we had commitments to acquire 24 aircraft for \$801.8 million. Of this amount, \$152.3 million represents commitments for the remainder of fiscal year 2021.

During the six months ended August 31, 2021, we sold four aircraft and other flight equipment for net proceeds of \$77.9 million, and recognized net gains on sales of \$10.5 million. As of October 8, 2021, we have sold one additional aircraft.

The following table sets forth certain information with respect to the aircraft owned by us as of August 31, 2021:

AIRCASTLE AIRCRAFT INFORMATION (dollars in millions)

	As of August 31, 2021 ⁽¹⁾	As of August 31, 2020 ⁽¹⁾
Owned Aircraft		
Net Book Value of Flight Equipment	\$ 6,761	\$ 7,121
Net Book Value of Unencumbered Flight Equipment	\$ 5,593	\$ 5,578
Number of Aircraft	255	273
Number of Unencumbered Aircraft	223	237
Number of Lessees	76	80
Number of Countries	42	45
Weighted Average Age (years) ⁽²⁾	10.6	10.5
Weighted Average Remaining Lease Term (years) ⁽²⁾	4.6	4.2
Weighted Average Fleet Utilization during the three months ended August 31, 2021 and 2020 ⁽³⁾	94.1 %	93.6 %
Weighted Average Fleet Utilization during the six months ended August 31, 2021 and 2020 ⁽³⁾	93.6 %	95.1 %
Portfolio Yield for the three months ended August 31, 2021 and 2020 ⁽⁴⁾	8.7 %	8.8 %
Portfolio Yield for the six months ended August 31, 2021 and 2020 ⁽⁴⁾	8.5 %	9.5 %
Managed Aircraft on behalf of Joint Venture		
Net Book Value of Flight Equipment	\$ 305	\$ 319
Number of Aircraft	9	9

(1) Calculated using net book value at period end.

(2) Weighted by net book value.

(3) Aircraft on-lease days as a percent of total days in period weighted by net book value. The decrease from our historical utilization rate for the three months ended August 31, 2021 and 2020, was primarily due to off-lease aircraft as a result of early lease terminations and scheduled lease expirations.

(4) 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. The calculation of portfolio yield includes our net investment in leases in the average net book value, and the interest income and cash collections from our net investment in lease rentals.

PORTFOLIO DIVERSIFICATION

Aircraft Type	Owned Aircraft as of August 31, 2021		Owned Aircraft as of August 31, 2020	
	Number of Aircraft	% of Net Book Value ⁽¹⁾	Number of Aircraft	% of Net Book Value ⁽¹⁾
Passenger:				
Narrow-body	229	79 %	245	78 %
Wide-body	22	17 %	24	18 %
Total Passenger	251	96 %	269	96 %
Freighter	4	4 %	4	4 %
Total	255	100 %	273	100 %
Manufacturer				
Airbus	171	65 %	185	64 %
Boeing	77	33 %	83	34 %
Embraer	7	2 %	5	2 %
Total	255	100 %	273	100 %
Regional Diversification				
Asia and Pacific	74	33 %	89	39 %
Europe	96	29 %	99	28 %
Middle East and Africa	10	4 %	11	4 %
North America	33	15 %	28	10 %
South America	25	13 %	26	13 %
Off-lease	17 ⁽²⁾	6 %	20 ⁽³⁾	6 %
Total	255	100 %	273	100 %

(1) Calculated using net book value at period end.

(2) Of the seventeen off-lease aircraft at August 31, 2021, we have two narrow-body aircraft and three wide-body aircraft which we are currently marketing for lease or sale.

(3) Of the twenty off-lease aircraft at August 31, 2020, we have three wide-body aircraft which we are currently marketing for lease or sale.

Our largest customer represents approximately 7% of our net book value at August 31, 2021. The top ten customers for aircraft we owned at August 31, 2021, are as follows:

Customer	Country	Percent of Net Book Value	Number of Aircraft
IndiGo	India	7.5%	11
LATAM ⁽¹⁾	Chile	7.4%	13
Iberia	Spain	3.8%	15
easyJet	United Kingdom	3.8%	21
Air Canada	Canada	3.6%	5
Lion Air	Indonesia	3.4%	7
Frontier Airlines	United States	3.0%	4
Aerolineas Argentinas	Argentina	2.9%	5
American Airlines	United States	2.7%	7
AirBridgeCargo ⁽²⁾	Russia	2.5%	2
Total top ten customers		40.6%	90
All other customers		59.4%	165
Total all customers		100.0%	255

(1) LATAM filed for Chapter 11 in May 2020. We have signed restructured leases for all thirteen of the LATAM aircraft, subject only to LATAM emerging from the Chapter 11 process.

(2) Guaranteed by Volga-Dnepr Airlines. We have one additional aircraft on lease with an affiliate.

Finance

We operate in a capital-intensive industry and have a demonstrated track record of raising substantial amounts of capital over the last sixteen years. Since our inception in late 2004, we have raised \$2.09 billion in equity capital from private and public investors. We also raised \$18.92 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, secured and unsecured borrowings for aircraft, draws on 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 — Secured Debt Financings” and “Liquidity and Capital Resources — Unsecured Debt Financings” below.

RESULTS OF OPERATIONS

Comparison of the three months ended August 31, 2021 to the three months ended August 31, 2020:

	Three Months Ended August 31,	
	2021	2020
(Dollars in thousands)		
Revenues:		
Lease rental revenue	\$ 137,589	\$ 150,895
Direct financing and sales-type lease revenue	2,776	4,747
Amortization of lease premiums, discounts and incentives	(5,835)	(4,629)
Maintenance revenue	21,218	20,034
Total lease revenue	155,748	171,047
Gain (loss) on sale of flight equipment	1,502	(848)
Other revenue	402	1,123
Total revenues	157,652	171,322
Operating expenses:		
Depreciation	83,391	86,749
Interest, net	55,413	55,324
Selling, general and administrative	15,996	13,555
Impairment of flight equipment	21,232	212,387
Maintenance and other costs	8,087	4,271
Total operating expenses	184,119	372,286
Other income (expense):		
Loss on extinguishment of debt	(14,132)	(57)
Merger expenses	—	27
Other	57,609	(173)
Total other income (expense)	43,477	(203)
Income (loss) from continuing operations before income taxes and earnings of unconsolidated equity method investments	17,010	(201,167)
Income tax provision	7,665	13,020
Earnings of unconsolidated equity method investments, net of tax	458	674
Net income (loss)	\$ 9,803	\$ (213,513)

Revenues

Total revenues decreased by \$13.7 million for the three months ended August 31, 2021 as compared to the three months ended August 31, 2020.

Lease rental revenue decreased by \$13.3 million as a result of:

- a \$7.3 million decrease due to the sale of twelve aircraft since June 1, 2020;
- an \$8.5 million decrease due to lease extensions, amendments transitions and other changes; and
- a \$2.5 million decrease due to early lease terminations and the recognition of lease rental revenue for certain customers using a cash basis of accounting rather than an accrual method – see Note 1 regarding our lease revenue recognition policy.

This decrease was partially offset by a \$5.0 million increase in revenue, reflecting the impact of ten aircraft purchased since June 1, 2020.

Direct financing and sales-type lease revenue decreased \$2.0 million for the three months ended August 31, 2021, as compared to the three months ended August 31, 2020, primarily attributable to the early lease terminations of one aircraft and the transfer of six aircraft to operating leases.

Amortization of lease premiums, discounts and lease incentives consisted of the following:

	Three Months Ended August 31,	
	2021	2020
	(Dollars in thousands)	
Amortization of lease premiums	\$ (3,597)	\$ (3,374)
Amortization of lease discounts	227	264
Amortization of lease incentives	(2,465)	(1,519)
Amortization of lease premiums, discounts and incentives	<u>\$ (5,835)</u>	<u>\$ (4,629)</u>

Maintenance revenue. For the three months ended August 31, 2021, we recorded \$21.2 million of maintenance revenue, comprised primarily of \$17.0 million related to the early lease terminations of three narrow-body aircraft. For the three months ended August 31, 2020, we recorded \$20.0 million of maintenance revenue primarily related to the early lease terminations of three narrow-body aircraft.

Gain (loss) on sale of flight equipment increased \$2.4 million to a gain of \$1.5 million for the three months ended August 31, 2021 as compared to a loss of \$0.8 million for the three months ended August 31, 2020. We sold one aircraft in each of the three month periods ended August 31, 2021 and 2020.

Operating expenses

Total operating expenses decreased by \$188.2 million for the three months ended August 31, 2021, as compared to the three months ended August 31, 2020.

Depreciation expense decreased by \$3.4 million for the three months ended August 31, 2021 as compared to the three months ended August 31, 2020, primarily attributable to a decrease of \$5.6 million resulting from twelve aircraft sold since June 1, 2020 and lower depreciation on aircraft subject to impairment charges recorded during 2021. This was partially offset by higher depreciation of \$2.4 million due to ten aircraft acquired since June 1, 2020.

Interest, net consisted of the following:

	Three Months Ended August 31,	
	2021	2020
	(Dollars in thousands)	
Interest on borrowings and other liabilities	\$ 51,807	\$ 52,638
Amortization of deferred financing fees and debt discount	4,193	3,402
Interest expense	56,000	56,040
Less: Interest income	(382)	(716)
Less: Capitalized interest	(205)	—
Interest, net	<u>\$ 55,413</u>	<u>\$ 55,324</u>

Selling, general and administrative expenses for the three months ended August 31, 2021 increased \$2.4 million as compared to the three months ended August 31, 2020, due to higher personnel costs, partially offset by a decrease in the provision for credit losses related to the change in our allowance for credit losses.

Impairment of aircraft. During the three months ended August 31, 2021, we recorded impairment charges of \$21.2 million, of which \$18.0 million were transactional impairments, primarily related to two narrow-body aircraft resulting from early lease terminations. The Company recognized \$16.1 million of maintenance revenue for these two aircraft. During the three months ended August 31, 2020, we recorded transactional impairment charges totaling \$212.4 million, of which \$169.3 million were transactional impairments related to four wide-body and two narrow-body aircraft. The Company recognized \$9.3 million of maintenance revenue related to these six aircraft during the three months ended August 31, 2020. The impairment charges were attributable to early lease terminations, judicial insolvency proceedings, or as a result of our annual recoverability assessment.

Maintenance and other costs were \$8.1 million for the three months ended August 31, 2021, an increase of \$3.8 million as compared to the three months ended August 31, 2020, primarily attributable to higher costs for aircraft that returned due to lease terminations and are being transitioned to new lessees.

Other income (expense)

Total other income (expense) increased by \$43.7 million for the three months ended August 31, 2021, as compared to the three months ended August 31, 2020. During the three months ended August 31, 2021, the Company recognized \$55.2 million of proceeds from the sales of unsecured claims related to the LATAM Bankruptcy into Other income (expense) – see Note 1. This was partially offset by a \$14.1 million loss on extinguishment of debt related to the early redemption in full of \$500.0 million outstanding aggregate principal amount of our 5.5% Senior Notes due 2022.

Income tax provision

Our *income tax provision* for the three months ended August 31, 2021 and 2020 was \$7.7 million and \$13.0 million, respectively. The decrease in our income tax provision of \$5.4 million was primarily attributable to changes in the mix of pre-tax book income/(loss) in Bermuda, Ireland and the United States. The three months ended August 31, 2021 included income from the sales of unsecured claims related to the LATAM Bankruptcy, which was recorded in a low tax jurisdiction. Further, the three months ended August 31, 2020 included discrete items related to stock compensation and the impact of the CARES Act.

RESULTS OF OPERATIONS

Comparison of the six months ended August 31, 2021 to the six months ended August 31, 2020:

	Six Months Ended August 31,	
	2021	2020
(Dollars in thousands)		
Revenues:		
Lease rental revenue	\$ 269,714	\$ 334,073
Direct financing and sales-type lease revenue	5,653	10,064
Amortization of lease premiums, discounts and incentives	(11,159)	(11,975)
Maintenance revenue	47,694	96,665
Total lease revenue	311,902	428,827
Gain on sale of flight equipment	10,524	11,230
Other revenue	1,036	13,793
Total revenues	323,462	453,850
Operating expenses:		
Depreciation	165,782	175,961
Interest, net	113,450	114,050
Selling, general and administrative	31,585	61,006
Impairment of flight equipment	41,815	289,685
Maintenance and other costs	15,615	9,837
Total operating expenses	368,247	650,539
Other income (expense):		
Loss on extinguishment of debt	(14,156)	(65)
Merger expenses	—	(32,042)
Other	57,619	(192)
Total other income (expense)	43,463	(32,299)
Loss from continuing operations before income taxes and earnings of unconsolidated equity method investments	(1,322)	(228,988)
Income tax (benefit) provision	(627)	12,469
Earnings of unconsolidated equity method investments, net of tax	745	1,405
Net income (loss)	\$ 50	\$ (240,052)

Revenues

Total revenues decreased \$130.4 million for the six months ended August 31, 2021 as compared to the six months ended August 31, 2020.

Lease rental revenue decreased by \$64.4 million as a result of:

- a \$46.2 million decrease due to early lease terminations and the recognition of lease rental revenue for certain customers using a cash basis of accounting rather than an accrual method – see Note 1 regarding our lease revenue recognition policy;
- a \$14.3 million decrease due to the sale of thirteen aircraft since March 1, 2020; and
- a \$11.3 decrease due to lease extensions, amendments, transitions and other changes.

This decrease was partially offset by a \$7.5 million increase in revenue, reflecting the impact of thirteen aircraft purchased since March 1, 2020.

Direct financing and sales-type lease revenue decreased \$4.4 million for the six months ended August 31, 2021, as compared to the six months ended August 31, 2020, primarily attributable to the early lease terminations of eight aircraft and the transition of seven aircraft to operating leases.

Amortization of lease premiums, discounts and lease incentives:

	Six Months Ended August 31,	
	2021	2020
	(Dollars in thousands)	
Amortization of lease premiums	\$ (6,500)	\$ (8,466)
Amortization of lease discounts	457	548
Amortization of lease incentives	(5,116)	(4,057)
Amortization of lease premiums, discounts and incentives	<u>\$ (11,159)</u>	<u>\$ (11,975)</u>

The decrease in amortization of lease premiums of \$2.0 million for the six months ended August 31, 2021 as compared to the six months ended August 31, 2020 was primarily due to early lease terminations.

Maintenance revenue. For the six months ended August 31, 2021, we recorded \$47.7 million of maintenance revenue, comprised primarily of \$41.9 million related to the scheduled lease expirations of four narrow-body aircraft and the early lease terminations of three narrow-body and one wide-body aircraft. In addition, we recorded \$5.4 million of maintenance revenue related to one narrow-body and one wide-body aircraft for which the customers are subject to judicial insolvency proceedings or similar protection. For the six months ended August 31, 2020, we recorded \$96.7 million of maintenance revenue, comprised primarily of \$59.4 million related to the early lease terminations of thirteen narrow-body aircraft and \$36.3 million related to the scheduled lease expirations of three narrow-body and one wide-body aircraft.

Gain on sale of flight equipment decreased \$0.7 million to \$10.5 million for the six months ended August 31, 2021 as compared to \$11.2 million for the six months ended August 31, 2020. During the six months ended August 31, 2021, we sold four aircraft, as compared to the sale of three aircraft during the six months ended August 31, 2020. Gain on sale for the six months ended August 31, 2020 was primarily attributable to the receipt of insurance proceeds for one aircraft which was disposed.

Other revenue decreased \$12.8 million to \$1.0 million for the six months ended August 31, 2021 as compared to \$13.8 million for the six months ended August 31, 2020. The six months ended August 31, 2020 included \$12.8 million of security deposits recognized into revenue related to the early lease terminations of seven narrow-body aircraft.

Operating expenses

Total operating expenses decreased \$282.3 million for the six months ended August 31, 2021 as compared to the six months ended August 31, 2020.

Depreciation expense decreased \$10.2 million for the six months ended August 31, 2021 as compared to the six months ended August 31, 2020. The decrease is primarily comprised of \$13.8 million resulting from fourteen aircraft sold since March 1, 2020 and lower depreciation related to aircraft subject to aircraft impairments. This was partially offset by a \$4.2 million increase in depreciation due to thirteen aircraft acquired since March 1, 2020.

Interest, net consisted of the following:

	Six Months Ended August 31,	
	2021	2020
	(Dollars in thousands)	
Interest on borrowings and other liabilities	\$ 106,135	\$ 108,483
Amortization of deferred financing fees and debt discount	8,384	6,713
Interest expense	114,519	115,196
Less: Interest income	(712)	(1,146)
Less: Capitalized interest	(357)	—
Interest, net	\$ 113,450	\$ 114,050

Interest, net decreased \$0.6 million due to a lower weighted average debt outstanding and cost of borrowing.

Selling, general and administrative expenses decreased \$29.4 million, primarily attributable to a decrease in share-based compensation expense of \$28.0 million as a result of the completion of the Merger. The six months ended August 31, 2020 also included a provision for credit losses of \$4.5 million related to the change in our allowance for credit losses.

Impairment of aircraft. During the six months ended August 31, 2021, the Company recorded impairment charges totaling \$41.8 million, of which \$38.6 million were transactional impairments, primarily related to four narrow-body aircraft and resulted from three early lease terminations and one scheduled lease expiration. The Company recognized \$37.1 million of maintenance revenue for these four aircraft.

During the six months ended August 31, 2020, the Company recorded impairment charges totaling \$289.7 million, of which \$246.6 million were transactional impairments, primarily related to twelve narrow-body and five wide-body aircraft. The Company recognized \$92.2 million of maintenance and security deposits into revenue for these seventeen aircraft. The impairment charges were attributable to early lease terminations, scheduled lease expirations, lessee defaults, judicial insolvency proceedings, or as a result of our annual recoverability assessment.

Maintenance and other costs were \$15.6 million for the six months ended August 31, 2021, an increase of \$5.8 million as compared to the six months ended August 31, 2020, primarily attributable to higher costs for aircraft that returned due to lease terminations and are being transitioned to new lessees.

Other income (expense)

Total other income (expense) increased \$75.8 million for the six months ended August 31, 2021, as compared to the six months ended August 31, 2020. During the three months ended August 31, 2021, the Company recognized \$55.2 million of proceeds from the sales of unsecured claims related to the LATAM Bankruptcy into Other income (expense). This was partially offset by a \$14.1 million loss on extinguishment of debt related to the early redemption in full of \$500.0 million outstanding aggregate principal amount of our 5.5% Senior Notes due 2022. The six months ended August 31, 2020 included \$32.1 million of legal and banking costs related to the Merger.

Income tax (benefit) provision

Our income tax (benefit) provision for the six months ended August 31, 2021 was a \$0.6 million benefit as compared to a \$12.5 million provision for the six months ended August 31, 2020. The decrease in our income tax provision of \$13.1 million was primarily attributable to changes in the mix of pre-tax book income/(loss) in Bermuda, Ireland and the United States. The six months ended August 31, 2021 included income from the sale of unsecured claims related to the LATAM Bankruptcy, which was recorded in a low tax jurisdiction. Further, the six months ended August 31, 2020 included discrete items related to stock compensation and the impact of the CARES Act.

Annual Recoverability Assessment

We plan to perform our annual recoverability assessment of all our aircraft during the fiscal third quarter for the nine months ended November 30, 2021. We continue to closely monitor the impact of COVID-19 on our customers, air traffic, lease rental rates, and aircraft valuations, and have and will continue to perform additional customer and aircraft specific reviews should changes in facts and circumstances arise that may impact the recoverability of our aircraft. We have and will focus on our customers that have entered judicial insolvency proceedings and any additional customers that may become subject to similar-type proceedings, aircraft with near-term lease expirations, and certain aircraft variants that are more susceptible to the impact of the COVID-19 pandemic and value deterioration.

The recoverability assessment is a comparison of the carrying value of each aircraft to its undiscounted expected future cash flows. We develop the assumptions used in the recoverability assessment, including those relating to current and future demand for each aircraft type, based on management's experience in the aircraft leasing industry, as well as information received from third-party sources. Estimates of the undiscounted cash flows for each aircraft type are impacted by changes in contracted and future expected lease rates, residual values, expected scrap values, economic conditions and other factors.

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 bank term facilities, limited recourse securitization financings, and ECA-backed financings for new aircraft acquisitions;
- unsecured indebtedness, including our current unsecured revolving credit facilities, term loan and senior notes;
- asset sales; and
- sales 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, 2021, we met our liquidity and capital resource needs with \$179.7 million of cash flow from operations, \$77.9 million of cash from the sale of aircraft and other flight equipment, and \$393.4 million in net proceeds from our preference share issuance.

As of August 31, 2021, the weighted-average maturity of our secured and unsecured debt financings was 3.5 years and we were in compliance with all applicable covenants.

We have agreed to defer lease payments with certain of our airline customers. As of October 8, 2021, we have agreed to defer approximately \$101.8 million of lease payments with twenty airlines, which they are obligated to repay over time. If air traffic remains depressed over an extended period and if our customers are unable to obtain sufficient funds from private, government or other sources, we may need to provide further deferrals to certain customers to extend the deferrals we have previously granted. We may ultimately be unable to collect all the amounts we have deferred. As of August 31, 2021, we hold \$77.1 million in security deposits, \$518.3 million in maintenance payments and \$143.3 million in letters of credit from our lessees.

We believe we have sufficient liquidity to meet our contractual obligations over the next twelve months and as of October 1, 2021, total liquidity of \$2.4 billion includes \$1.4 billion of undrawn credit facilities, \$0.3 billion of unrestricted cash, \$0.3 billion of contracted asset sales and \$0.4 billion of projected operating cash flows through September 30, 2022. 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,	
	2021	2020
	<u>(Dollars in thousands)</u>	
Net cash flow provided by operating activities	\$ 179,714	\$ 25,592
Net cash flow (used in) provided by investing activities	(282,348)	15,529
Net cash flow (used in) provided by financing activities	(137,769)	307,712

Operating Activities:

The COVID-19 pandemic has severely impacted the demand for air travel, which has negatively impacted our customers' financial performance. Over the past eighteen months, lease concessions have been given to many of our customers in the form of lease rental deferrals or broader lease restructurings. Our cash flow from operating activities for the six months ended August 31, 2021 includes the repayment of certain lease deferrals granted during the first half of 2020 at the inception of the pandemic. We expect that our collections will remain under pressure due to the impact of COVID-19.

Cash flow provided by operating activities was \$179.7 million and \$25.6 million for the six months ended August 31, 2021 and 2020, respectively. The increase of \$154.1 million was primarily attributable to:

- an \$82.3 million decrease in accounts receivable and other assets, primarily due to an increase in customer collections, including the repayment of existing lease deferrals as noted above, as well as a reduction in requests for new deferrals as compared to the six months ended August 31, 2020;
- a \$55.2 million increase in cash resulting from the sale of unsecured claims related to the LATAM Bankruptcy – see Note 1;
- a \$41.6 million increase as the six months ended August 31, 2020, included advance lease rentals recognized into revenue primarily due to lease terminations; and
- a \$32.1 million increase in cash as the six months ended August 31, 2020, included banking and legal costs resulting from the Merger.

These inflows were offset by a \$46.2 million decrease in cash due to lower lease rental revenue resulting from early lease terminations and the recognition of lease rental revenue for certain customers using a cash basis of accounting rather than an accrual method.

Investing Activities:

Cash flow used in investing activities was \$282.3 million for the six months ended August 31, 2021 as compared to cash flow provided by investing activities of \$15.5 million for the six months ended August 31, 2020. The net decrease of \$297.9 million resulted from a \$336.5 million increase in the acquisition and improvement of flight equipment.

These outflows were partially offset by a \$24.7 million increase in proceeds from the sale of flight equipment.

Financing Activities:

Cash flow used in financing activities was \$137.8 million for the six months ended August 31, 2021 as compared to cash flow provided by financing activities of \$307.7 million for the six months ended August 31, 2020. The net decrease of \$445.5 million was primarily attributable to an \$889.4 million decrease in proceeds from secured and unsecured debt financings, net of repayments.

These outflows were partially offset by a \$393.4 million increase in net proceeds from the issuance of preference shares, a \$39.0 million decrease in maintenance and security deposits returned, net of deposits received, and a \$24.0 million decrease in dividends paid on common shares as a result of the Merger.

Debt Obligations

For complete information on our debt obligations, please refer to Note 6 – “Secured and Unsecured Debt Financings” in the Notes to Unaudited Consolidated Financial Statements above.

Contractual Obligations

Our contractual obligations consist of principal and interest payments on debt financings, aircraft acquisitions and rent payments related to our office leases. Total contractual obligations decreased to \$6.13 billion at August 31, 2021 from \$6.82 billion at February 28, 2021, primarily due to the redemption of all of the \$500.0 million outstanding aggregate principal amount of our Senior Notes Due 2022.

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, 2021 and 2020, we incurred a total of \$17.6 million and \$11.7 million, respectively, of capital expenditures (including lease incentives) related to the improvement of aircraft.

As of August 31, 2021, the weighted average age by net book value of our aircraft was approximately 10.6 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. 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. These maintenance reserves are 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.

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, 2021.

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 5 – "Unconsolidated Equity Method Investments" in the Notes to Unaudited Consolidated Financial Statements above.

We hold a 25% equity interest in our joint venture with Mizuho Leasing and as of August 31, 2021, the net book value of its nine aircraft was \$305.3 million.

Foreign Currency Risk and Foreign Operations

At August 31, 2021, all our leases are 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, 2021, expenses, such as payroll and office costs, denominated in currencies other than the U.S. dollar aggregated approximately \$8.6 million in U.S. dollar equivalents and represented 27.2% of total selling, general and administrative expenses. Our international operations are a significant component of our business strategy and permit us to more 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 because our exposure to date has not been significant, 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, 2021 and 2020, 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 income taxes, interest expense, 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 (loss) to EBITDA and Adjusted EBITDA for the three and six months ended August 31, 2021 and 2020:

	Three Months Ended August 31,		Six Months Ended August 31,	
	2021	2020	2021	2020
Net income (loss)	\$ 9,803	\$ (213,513)	\$ 50	\$ (240,052)
Depreciation	83,391	86,749	165,782	175,961
Amortization of lease premiums, discounts and incentives	5,835	4,629	11,159	11,975
Interest, net	55,413	55,324	113,450	114,050
Income tax provision (benefit)	7,665	13,020	(627)	12,469
EBITDA	162,107	(53,791)	289,814	74,403
Adjustments:				
Impairment of flight equipment	21,232	212,387	41,815	289,685
Loss on extinguishment of debt	14,132	57	14,156	65
Non-cash share-based payment expense	—	—	—	28,049
Merger related expenses ⁽¹⁾	—	(27)	—	34,601
Loss on mark-to-market of interest rate derivative contracts	—	2	—	19
Contract termination expense	—	172	—	172
Adjusted EBITDA	\$ 197,471	\$ 158,800	\$ 345,785	\$ 426,994

(1) Included \$32.1 million in Other expense and \$2.6 million in Selling, general and administrative expenses.

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 (benefit) provision generally represents charges (gains), which may significantly affect our financial results;
- elements of our interest rate derivative accounting may be used to evaluate the effectiveness of our hedging policy; 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 to not 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 LIBOR. 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. If LIBOR is no longer available or in certain other circumstances as described in the borrowing agreements, the applicable borrowing agreements provide a mechanism for determining an alternative rate of interest. There is no assurance that any such alternative, successor or replacement reference rate will be similar to, or produce the same value or economic equivalence of, LIBOR.

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, 2021, a hypothetical 100-basis point increase/decrease in interest rates on our variable rate borrowings would result in an interest expense increase/decrease of \$3.6 million and \$0.5 million, respectively, net of amounts received from our interest rate derivatives, over the next twelve months. Our interest rate cap that hedged a portion of our floating rate interest exposure matured in September 2021.

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, 2021. 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, 2021.

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, 2021 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

We have not experienced any material impact to our internal controls over financial reporting despite the fact that most of our employees are working remotely due to COVID-19. We are continually monitoring and assessing the impact of the COVID-19 pandemic on our internal controls to minimize this impact on their design and operating effectiveness.

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, 2021, 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

We believe that our commitment to identifying and implementing positive environmental and social related business practices strengthens our Company, and better serves our customers, our communities and the broader environment within which we conduct our business.

Our Commitment to Environmental Sustainability

Many nations have set ambitious targets towards the ultimate goal of curbing the adverse effects of climate change. These targets are most often created by way of political or economic unions and can be accompanied by legally binding international treaties. Global aviation has been identified as an essential player in the advancement of these environmental goals, and our Company's long-term strategic plan takes these rapidly developing initiatives into consideration when we evaluate the technology behind the aircraft we target for investment.

The Company believes the operations of our customers could be affected by the potential impacts of both climate change and sustainability targets and initiatives aimed at curbing its effect. For example, the European Union (the "E.U.") adopted a proposal that sets an intermediate target to reduce its greenhouse gas emissions by 55% by the year 2030. In July of 2021, the E.U. also drafted a proposal that would impose a minimum tax on energy products supplied as aircraft fuel for flights within the E.U. In another example, Sweden proposed takeoff and landing fees on certain aircraft types to encourage more energy-efficiency. For these ambitious measures to reach implementation, a wide political and administrative consensus would likely need to be achieved. The Company is committed to monitoring such developments over the long term.

Due to the inherent complexities of jet aircraft, decarbonizing aviation requires more radical new technology as compared to other modes of transportation. Sustainable aviation fuels ("SAFs") provide the most readily available means for airline operators to reduce their carbon emissions while using existing technology. Several of the Company's customers are current users or developers of SAFs, and the Company encourages such efforts.

Our People

As of August 31, 2021, we had 109 employees. None of our employees are covered by a collective bargaining agreement, and we believe that we maintain excellent employee relations.

In addition, we believe that our commitment to our employees is critical to our continued success, leading to high employee satisfaction and low employee turnover. To facilitate talent attraction and retention, we strive to have a diverse, inclusive and safe workplace, with opportunities for our employees to grow and develop in their careers, supported by strong compensation, benefits and health and wellness programs, and by programs that build connections between our employees and their communities. Each year, we review employee career development and succession planning internally and with our Compensation Committee.

As the COVID-19 pandemic continues to be a focus of concern, the physical and mental health and safety of our employees, customers and business partners remain the highest priority for us, and we continue to maintain comprehensive protective measures. Since March of 2020, we have successfully operated with most of our workforce working remotely. We expect to start returning to our offices in the near term, although we will continue to monitor trends and local government regulations and guidelines, and may adjust our return to office plans accordingly to ensure the health and safety of our employees.

Our Culture & Governance

Our Company was formed in 2004 on the values of integrity, common decency and respect for others. These values continue to this day and shared by our employees. In addition, these values are embodied in our Code of Business Conduct and Ethics, which has been adopted by the Board of Directors of the Company to serve as a statement of principles to guide our decision-making and reinforce our commitment to these values in all aspects of our business.

The Company also maintains independent third-party whistle-blower platforms for anonymous reporting of fraud or ethics violations. Our best-in-class cyber security initiatives protect us through malware detection, cloud penetration testing, threat hunting and incident responsiveness.

We believe that our commitment to our Company, our employees and the communities in which we operate has led to high employee satisfaction and low employee turnover, as discussed above, and our commitment to our customers and business partners has resulted in high customer satisfaction, as evidenced by long-time relationships with our customers and new/repeat transactions with our business partners.

ITEM 6. EXHIBITS

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
2.1	<u>Agreement and Plan of Merger, dated as of November 5, 2019, by and among Aircastle Limited, MM Air Limited and MM Air Merger Sub Limited (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the SEC on November 7, 2019). **</u>
3.1	<u>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).</u>
3.2	<u>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).</u>
3.3	<u>Certificate of Designations, dated June 8, 2021 (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on June 8, 2021).</u>
4.1	<u>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).</u>
4.2	<u>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).</u>
4.3	<u>Fourth Supplemental Indenture, dated as of March 24, 2016, 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 24, 2016).</u>
4.4	<u>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).</u>
4.5	<u>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).</u>
4.6	<u>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).</u>
4.7	<u>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).</u>
4.8	<u>Indenture, dated as of January 26, 2021, by and between Aircastle 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).</u>
4.9	<u>Deposit Agreement, dated June 8, 2021, among Aircastle Limited, Computershare Inc. and Computershare Trust Company, N.A., acting jointly as depository, and the holders from time to time of depository 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).</u>
10.1	<u>Amendment No. 9 to Purchase Agreement COM0270-15, dated as of August 28, 2020, by and between Aircastle Holding Corporation and Embraer S.A. * ØØ</u>
10.2	<u>Amendment No. 10 to Purchase Agreement COM0270-15, dated as of September 18, 2020, by and between Aircastle Holding Corporation and Embraer S.A. * ØØ</u>
10.3	<u>Notice and Consent COM0439-19, dated as of September 18, 2020, between Aircastle Holding Corporation, Embraer S.A. and Yaborã Indústria Aeronáutica S.A. * ** ØØ</u>
10.4	<u>Amendment No. 11 to Purchase Agreement COM0270-15, dated as of December 4, 2020, by and between Aircastle Holding Corporation and Yaborã Indústria Aeronáutica S.A. * ØØ</u>
10.5	<u>Amendment No. 6 to Letter Agreement COM0270-15, dated as of December 4, 2020, by and between Aircastle Holding Corporation and Yaborã Indústria Aeronáutica S.A. * ØØ</u>
10.6	<u>Amendment No. 12 to Purchase Agreement COM0270-15, dated as of June 2, 2021, between Aircastle Holding Corporation, Embraer S.A. and Yaborã Indústria Aeronáutica S.A. * ØØ</u>
31.1	<u>Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002. *</u>

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
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, 2021, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of August 31, 2021 and February 28, 2021; (ii) Consolidated Statements of Loss and Comprehensive Loss for the three and six months ended August 31, 2021 and 2020; (iii) Consolidated Statements of Cash Flows for the six months ended August 31, 2021 and 2020; (iv) Consolidated Statements of Changes in Shareholders' Equity for the three and six months ended August 31, 2021 and 2020; 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.

** Certain schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company undertakes to furnish supplemental copies of any of the omitted schedules to the SEC upon request.

ØØ Portions of this exhibit have been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K.

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 13, 2021

AIRCASTLE LIMITED

(Registrant)

By:

/s/ Dane Silverman

Dane Silverman

Chief Accounting Officer and Authorized Officer

Certain identified information marked with “[*]” has been omitted from this document because it is both (i) not material and (ii) the type that the registrant treats as private or confidential.**

AMENDMENT No. 9 TO PURCHASE AGREEMENT COM0270-15

This Amendment No. 9 COM0997-19 (the "Amendment No. 9"), dated as of August 28th, 2020 ("Amendment No. 9") is between Embraer S.A. ("Embraer") and Aircastle Holding Corporation Limited ("Buyer") collectively referred to herein as the "Parties", and constitutes an amendment and modification to Purchase Agreement COM0270-15 dated June 12th, 2015 as amended from time to time (the "Purchase Agreement").

All capitalized terms not otherwise defined herein shall have the same meaning when used herein as provided in the Purchase Agreement and in case of any conflict between this Amendment No. 9 and the Purchase Agreement, this Amendment No. 9 shall control.

WHEREAS, [*].**

WHEREAS, [*].**

WHEREAS, [*];**

NOW, THEREFORE, for good and valuable consideration which is hereby acknowledged, Embraer and Buyer hereby agree as follows:

1. [*].**

2. [*].**

3. [*].**

4. REINSTATEMENT OF PURCHASE AGREEMENT

All other provisions and conditions of the referenced Purchase Agreement, as well as its related Attachments, which are not specifically modified by this Amendment No. 9 shall remain in full force and effect without any change.

5. COUNTERPARTS

This Amendment No. 9 may be signed by the parties hereto in any number of separate counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument and all of which when taken together shall constitute one and the same instrument.

This Amendment No. 9 may be signed by facsimile with originals duly signed to follow by an internationally recognized courier.

[INTENTIONALLY LEFT BLANK – SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, EMBRAER and BUYER, by their duly authorized officers, have entered into and executed this Amendment No. 9 to be effective as of the date first written above.

EMBRAER S.A.

By /s/ Simon Henry Newitt
Name: Simon Henry Newitt
Title: VP Contracts

By /s/ Fabiana Klajner Leschziner
Name: Fabiana Klajner Leschziner
Title: EVP and General Counsel

Place: São José dos Campos - SP
Brazil

**AIRCASTLE HOLDING
CORPORATION LIMITED**

By /s/ Stephen Quinn
Name: Stephen Quinn
Title: Director

Place: Stamford, CT

Certain identified information marked with “[*]” has been omitted from this document because it is both (i) not material and (ii) the type that the registrant treats as private or confidential.**

AMENDMENT No. 10 TO PURCHASE AGREEMENT COM0270-15

This Amendment No. 10 COM0312-20 (the "Amendment No. 10"), dated as of September 18, 2020 ("Amendment No. 10") is between Embraer S.A. ("Embraer") and Aircastle Holding Corporation Limited ("Buyer") collectively referred to herein as the "Parties", and constitutes an amendment and modification to Purchase Agreement COM0270-15 dated June 12th, 2015 as amended from time to time (the "Purchase Agreement").

All capitalized terms not otherwise defined herein shall have the same meaning when used herein as provided in the Purchase Agreement and in case of any conflict between this Amendment No. 10 and the Purchase Agreement, this Amendment No. 10 shall control.

WHEREAS, [*].**

WHEREAS, [*].**

NOW, THEREFORE, for good and valuable consideration which is hereby acknowledged, Embraer and Buyer hereby agree as follows:

1. [*].**

2. [*].**

3. [*].**

4. REINSTATEMENT OF PURCHASE AGREEMENT

All other provisions and conditions of the referenced Purchase Agreement, as well as its related Attachments, which are not specifically modified by this Amendment No. 10 shall remain in full force and effect without any change.

5. COUNTERPARTS

This Amendment No. 10 may be signed by the parties hereto in any number of separate counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument and all of which when taken together shall constitute one and the same instrument.

This Amendment No. 10 may be signed by facsimile with originals duly signed to follow by an internationally recognized courier.

[INTENTIONALLY LEFT BLANK – SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, EMBRAER and BUYER, by their duly authorized officers, have entered into and executed this Amendment No. 10 to be effective as of the date first written above.

EMBRAER S.A.

**AIRCASTLE HOLDING
CORPORATION LIMITED**

By /s/ Fabiana Klajner Leschziner
Name: Fabiana Klajner Leschziner
Title: EVP and General Counsel

By /s/ Stephen Quinn
Name: Stephen Quinn
Title: Director

By /s/ Simon Henry Newitt
Name: Simon Henry Newitt
Title: VP Contract

Place: São José dos Campos, SP
Brazil

Place: Stamford,CT

Certain identified information marked with “[***]” has been omitted from this document because it is both (i) not material and (ii) the type that the registrant treats as private or confidential.

NOTICE AND CONSENT COM0439-19

September 18, 2020

To: **AIRCASTLE HOLDING CORPORATION LIMITED**

c/o

AIRCASTLE ADVISOR LLC

201 Tresser Boulevard, Suite 400

Stamford CT 06901

U.S.A.

Attention: Lease Management

Fax: +1 917 591-9106

Telephone; +1 203-504-1033

Email: leasemanagement@aircastle.com

Att: Lease Management (Aircastle Advisor LLC)

Reference: [***]

Dear Sirs,

1. [***].

2. [***].

3. [***].

4. [***].

5. [***].

6. [***].

[intentionally left blank]

Yours Sincerely.

EMBRAER S.A.

By: /s/ Fabiana Leschziner By: /s/ Simon Henry Newitt
Name: Fabiana Leschziner Name: Simon Henry Newitt
Title: EVP and General Counsel Title: VP Contracts

Witnesses:

By: /s/ Adilson Rodrigues de Paula By: /s/ Isabella Brasil Strottmann
Name: Adilson Rodrigues de Paula Name: Isabella Brasil Strottmann

YABORÃ INDÚSTRIA AERONÁUTICA S.A.

By: /s/ Fabiana Leschziner By: /s/ Simon Henry Newitt
Name: Fabiana Leschziner Name: Simon Henry Newitt
Title: EVP and General Counsel Title: VP Contracts

Witnesses:

By: /s/ Adilson Rodrigues de Paula By: /s/ Isabella Brasil Strottmann
Name: Adilson Rodrigues de Paula Name: Isabella Brasil Strottmann

CONSENTED TO AND AGREED
AS OF September 18, 2020

AIRCASTLE HOLDING CORPORATION LIMITED

By: /s/ Stephen Quinn
Name: Stephen Quinn
Title: Director

Certain identified information marked with “[*]” has been omitted from this document because it is both (i) not material and (ii) the type that the registrant treats as private or confidential.**

AMENDMENT No. 11 TO PURCHASE AGREEMENT COM0270-15

This Amendment No. 11 COM0375-20 (the "Amendment No. 11"), dated as of December 04, 2020 ("Amendment No. 11") is between Yaborã Indústria Aeronáutica S.A. (the assignee of Embraer S.A.) ("Seller") and Aircastle Holding Corporation Limited ("Buyer") collectively referred to herein as the "Parties", and constitutes an amendment and modification to Purchase Agreement COM0270-15 dated June 12th, 2015 as amended from time to time (the "Purchase Agreement").

All capitalized terms not otherwise defined herein shall have the same meaning when used herein as provided in the Purchase Agreement and in case of any conflict between this Amendment No. 11 and the Purchase Agreement, this Amendment No. 11 shall control.

WHEREAS, [*];**

WHEREAS, [*].**

NOW, THEREFORE, for good and valuable consideration which is hereby acknowledged, Seller and Buyer hereby agree as follows:

1. [*].**

2. [*].**

3. REINSTATEMENT OF PURCHASE AGREEMENT

All other provisions and conditions of the referenced Purchase Agreement, as well as its related Attachments, which are not specifically modified by this Amendment No. 11 shall remain in full force and effect without any change.

4. COUNTERPARTS

This Amendment No. 11 may be signed by the parties hereto in any number of separate counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument and all of which when taken together shall constitute one and the same instrument.

This Amendment No. 11 may be signed by facsimile with originals duly signed to follow by an internationally recognized courier.

[INTENTIONALLY LEFT BLANK – SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, SELLER and BUYER, by their duly authorized officers, have entered into and executed this Amendment No. 11 to be effective as of the date first written above.

**YABORÃ INDÚSTRIA
AERONÁUTICA S.A.**

**AIRCASTLE HOLDING
CORPORATION LIMITED**

By /s/ Arjan Meijer
Name: Arjan Meijer
Title: CEO Embraer Commercial
Aviation

By /s/ Stephen Quinn
Name: Stephen Quinn
Title: Director

By /s/ Marcelo Santiago
Name: Marcelo Santiago
Title: Vice President Contracts &
Asset Management

Place: São José dos Campos, SP
Brazil

Place: Stamford, CT

Certain identified information marked with "[*]" has been omitted from this document because it is both (i) not material and (ii) the type that the registrant treats as private or confidential.**

AMENDMENT No. 6 TO LETTER AGREEMENT COM0270-15

This Amendment No.6 COM0389-20 (the "Amendment No. 6") dated as of December 04, 2020 is between Yaborã Indústria Aeronáutica S.A. (the assignee of Embraer S.A.)("Seller") and Aircastle Holding Corporation Limited ("Buyer"), collectively referred to herein as the "Parties", and constitutes an amendment and modification to Letter Agreement COM0271-15 dated June 12, 2015 as amended from time to time (the "Letter Agreement").

All capitalized terms not otherwise defined herein shall have the same meaning when used herein as provided in the Letter Agreement and in case of any conflict between this Amendment No. 6 and the Letter Agreement, this Amendment No. 6 shall control.

WHEREAS, [*]; and**

WHEREAS, [*].**

NOW, THEREFORE, for good and valuable consideration, which is hereby acknowledged by the Parties, Seller and Buyer agree as follows:

1. [*].**

2. REINSTATEMENT OF LETTER AGREEMENT

All other provisions and conditions of the referenced Letter Agreement, as well as its related Attachments, which are not specifically modified by this Amendment No. 6 shall remain in full force and effect without any change.

3. COUNTERPARTS

This Amendment No. 6 may be signed by the Parties hereto in any number of separate counterparts with the same effect as if the signatures thereto and hereto were upon the "same instrument and all of which when taken together shall constitute one and the same instrument.

This Amendment No. 6 may be signed by facsimile or email electronic signature with originals duly signed to follow by an internationally recognized courier.

[INTENTIONALLY LEFT BLANK – SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, Seller and Buyer, by their duly authorized officers, have entered into and executed this Amendment No. 6 to be effective as of the date first written above.

**YABORÃ INDÚSTRIA
AERONÁUTICA S.A.**

**AIRCASTLE HOLDING
CORPORATION LIMITED**

By: /s/ Arjan Meijer By: /s/ Stephen Quinn
Name: Arjan Meijer Name: Stephen Quinn
Title: CEO Embraer Title: Director
Commercial Aviation

By: /s/ Marcelo Santiago
Name: Marcelo Santiago
Title: Vice President Contracts &
Asset Management

Place: São José dos Campos-SP Place: Stamford, CT
Brazil

Certain identified information marked with “[***]” has been omitted from this document because it is both (i) not material and (ii) the type that the registrant treats as private or confidential.

AMENDMENT No. 12 TO PURCHASE AGREEMENT COM0270-15

This Amendment No. 12 COM0194-21, dated as of June 02, 2021 (“Amendment No. 12”), is between **Embraer S.A.** (“Embraer”) a corporation existing under the laws of Brazil, with its principal place of business at Avenida Brigadeiro Faria Lima, 2170, prédio F-100, Putim, in the city of São José dos Campos, State of São Paulo, Brazil, **YABORÃ INDÚSTRIA AERONÁUTICA S.A.** (“Embraer Commercial”), a corporation existing under the laws of Brazil, with its principal place of business at Avenida Brigadeiro Faria Lima, 2170, in the City of São José dos Campos, State of São Paulo, Brazil (the assignee of Embraer S.A.) and **Aircastle Holding Corporation Limited** (“Buyer”) collectively referred to herein as the “Parties”, and constitutes an amendment and modification to Purchase Agreement COM0270-15 dated June 12th, 2015 as amended from time to time (the “Purchase Agreement”).

Embraer and Embraer Commercial are referred collectively as “Seller”.

All capitalized terms not otherwise defined herein shall have the same meaning when used herein as provided in the Purchase Agreement and in case of any conflict between this Amendment No. 12 and the Purchase Agreement, this Amendment No. 12 shall control.

WHEREAS, [*];**

WHEREAS, [*].**

NOW, THEREFORE, for good and valuable consideration the receipt and sufficiency of which is hereby acknowledged by the Parties, Embraer and Buyer hereby agree as follows:

1. [***].

2. [***].

3. REINSTATEMENT OF PURCHASE AGREEMENT

All other provisions and conditions of the referenced Purchase Agreement, as well as its related Attachments, which are not specifically modified by this Amendment No. 12 shall remain in full force and effect without any change.

4. COUNTERPARTS

This Amendment No. 12 may be signed by the parties hereto in any number of separate counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument and all of which when taken together shall constitute one and the same instrument.

This Amendment No. 12 may be signed by facsimile with originals duly signed to follow by an internationally recognized courier.

[INTENTIONALLY LEFT BLANK – SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, Embraer and Seller, by their duly authorized officers, have entered into and executed this Amendment No. 12 to be effective as of the date first written above.

EMBRAER S.A.

**AIRCASTLE HOLDING
CORPORATION LIMITED**

By /s/ Marcelo Santiago
Name: Marcelo Santiago
Title: Vice President Contracts
Asset Management

By /s/ Stephen Quinn
Name: Stephen Quinn
Title: Director

By /s/ Marc Thomas Alhgrimm
Name: Marc Thomas Alhgrimm
Title: Director, Contracts
Administration

Place: São José dos Campos, SP,
Brazil

Place: Stamford, CT

**YABORÃ INDÚSTRIA
AERONÁUTICA S.A.**

By: /s/ Marcelo Santiago
Name: Marcelo Santiago
Title: Vice President Contracts &
Asset Management

By: /s/ Marc Thomas Alhgrimm
Name: Marc Thomas Alhgrimm
Title: Director, Contracts Administration

Place: São José dos Campos, SP, Brazil

EMBRAER S.A.

By /s/ Marcelo Santiago
Name: Marcelo Santiago
Title: Vice President Contracts &
Asset Management

By /s/ Marc Thomas Alhgrimm
Name: Marc Thomas Alhgrimm
Title: Director, Contracts
Administration

Place: São José dos Campos, SP,
Brazil

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

I, Aaron Dahlke, 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 my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me 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 my 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 my 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 my 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 13, 2021

/s/ Aaron Dahlke

Aaron Dahlke

Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL 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 my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me 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 my 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 my 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 my 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 13, 2021

/s/ Michael Inglese

Michael Inglese
Chief Executive Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND 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, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael Inglese, as Chief Executive Officer, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, 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 Aircastle Limited and will be retained by Aircastle Limited and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ Michael Inglese

Name: Michael Inglese
Title: Chief Executive Officer
Date: October 13, 2021

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND 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, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Aaron Dahlke, as Chief Financial Officer, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, 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 Aircastle Limited and will be retained by Aircastle Limited and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ Aaron Dahlke

Name: Aaron Dahlke
Title: Chief Financial Officer
Date: October 13, 2021