

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 March 31, 2019

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, CT 06901

(Address of Principal Executive Offices)

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

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 checked="" type="checkbox"/> | Accelerated filer | <input type="checkbox"/> |
| Non-accelerated filer | <input 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

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

Title of Each Class

Trading Symbol

Name of Each Exchange on Which Registered

Common Shares, par value \$0.01 per share

AYR

New York Stock Exchange

As of April 30, 2019, there were 75,112,638 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)

| | March 31, 2019 | December 31, 2018 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|----------------------|
| | (Unaudited) | |
| ASSETS | | |
| Cash and cash equivalents | \$ 92,629 | \$ 152,719 |
| Restricted cash and cash equivalents | 15,579 | 15,134 |
| Accounts receivable | 15,636 | 15,091 |
| Flight equipment held for lease, net of accumulated depreciation of \$1,276,266 and \$1,221,985, respectively | 7,138,689 | 6,935,585 |
| Net investment in direct financing and sales-type leases | 505,964 | 469,180 |
| Unconsolidated equity method investments | 76,306 | 69,111 |
| Other assets | 177,398 | 214,361 |
| Total assets | \$ 8,022,201 | \$ 7,871,181 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| LIABILITIES | | |
| Borrowings from secured financings, net of debt issuance costs and discounts | \$ 773,153 | \$ 798,457 |
| Borrowings from unsecured financings, net of debt issuance costs and discounts | 4,128,491 | 3,962,896 |
| Accounts payable, accrued expenses and other liabilities | 156,887 | 153,341 |
| Lease rentals received in advance | 91,190 | 87,772 |
| Security deposits | 124,989 | 120,962 |
| Maintenance payments | 734,552 | 739,072 |
| Total liabilities | 6,009,262 | 5,862,500 |
| Commitments and Contingencies | | |
| SHAREHOLDERS' EQUITY | | |
| Preference shares, \$0.01 par value, 50,000,000 shares authorized, no shares issued and outstanding | — | — |
| Common shares, \$0.01 par value, 250,000,000 shares authorized, 75,077,638 shares issued and outstanding at March 31, 2019; and 75,454,511 shares issued and outstanding at December 31, 2018 | 751 | 754 |
| Additional paid-in capital | 1,460,564 | 1,468,779 |
| Retained earnings | 551,624 | 539,332 |
| Accumulated other comprehensive loss | — | (184) |
| Total shareholders' equity | 2,012,939 | 2,008,681 |
| Total liabilities and shareholders' equity | \$ 8,022,201 | \$ 7,871,181 |

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

Aircastle Limited and Subsidiaries
Consolidated Statements of Income
(Dollars in thousands, except per share amounts)
(Unaudited)

| | Three Months Ended March 31, | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|------------------|
| | 2019 | 2018 |
| Revenues: | | |
| Lease rental revenue | \$ 181,234 | \$ 177,483 |
| Direct financing and sales-type lease revenue | 8,443 | 9,442 |
| Amortization of lease premiums, discounts and incentives | (5,711) | (3,128) |
| Maintenance revenue | 16,401 | 11,991 |
| Total lease revenue | 200,367 | 195,788 |
| Gain on sale of flight equipment | 12,002 | 5,768 |
| Other revenue | 1,558 | 1,124 |
| Total revenues | 213,927 | 202,680 |
| Operating expenses: | | |
| Depreciation | 84,735 | 75,002 |
| Interest, net | 63,463 | 57,108 |
| Selling, general and administrative (including non-cash share-based payment expense of \$2,726 and \$2,378 for the three months ended March 31, 2019 and 2018, respectively) | 18,000 | 17,835 |
| Maintenance and other costs | 7,404 | 988 |
| Total operating expenses | 173,602 | 150,933 |
| Total other income (expense) | (2,061) | 3,174 |
| Income from continuing operations before income taxes and earnings (loss) of unconsolidated equity method investments | 38,264 | 54,921 |
| Income tax provision (benefit) | 3,098 | (844) |
| Earnings (loss) of unconsolidated equity method investments, net of tax | (356) | 1,782 |
| Net income | <u>\$ 34,810</u> | <u>\$ 57,547</u> |
| Earnings per common share — Basic: | | |
| Net income per share | <u>\$ 0.46</u> | <u>\$ 0.73</u> |
| Earnings per common share — Diluted: | | |
| Net income per share | <u>\$ 0.46</u> | <u>\$ 0.73</u> |
| Dividends declared per share | <u>\$ 0.30</u> | <u>\$ 0.28</u> |

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

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

| | Three Months Ended March 31, | |
|------------------------------------------------|-------------------------------------|------------------|
| | 2019 | 2018 |
| Net income | \$ 34,810 | \$ 57,547 |
| Other comprehensive income, net of tax: | | |
| Net derivative loss reclassified into earnings | 184 | 301 |
| Other comprehensive income | 184 | 301 |
| Total comprehensive income | <u>\$ 34,994</u> | <u>\$ 57,848</u> |

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)

| | Three Months Ended March 31, | |
|--------------------------------------------------------------------------------------------------------|-------------------------------------|-------------------|
| | 2019 | 2018 |
| Cash flows from operating activities: | | |
| Net income | \$ 34,810 | \$ 57,547 |
| Adjustments to reconcile net income to net cash and restricted cash provided by operating activities: | | |
| Depreciation | 84,735 | 75,002 |
| Amortization of deferred financing costs | 3,364 | 3,533 |
| Amortization of lease premiums, discounts and incentives | 5,711 | 3,128 |
| Deferred income taxes | 3,164 | 1,306 |
| Non-cash share-based payment expense | 2,726 | 2,378 |
| Cash flow hedges reclassified into earnings | 184 | 301 |
| Collections on direct financing and sales-type leases | 5,925 | 6,493 |
| Security deposits and maintenance payments included in earnings | (14,975) | (665) |
| Gain on sale of flight equipment | (12,002) | (5,768) |
| Other | 1,613 | (4,501) |
| Changes in certain assets and liabilities: | | |
| Accounts receivable | (3,662) | 4,320 |
| Other assets | (1,030) | (2,666) |
| Accounts payable, accrued expenses and other liabilities | (7,337) | (57) |
| Lease rentals received in advance | 3,134 | 8,554 |
| Net cash and restricted cash provided by operating activities | <u>106,360</u> | <u>148,905</u> |
| Cash flows from investing activities: | | |
| Acquisition and improvement of flight equipment | (355,817) | (82,493) |
| Proceeds from sale of flight equipment | 56,307 | 43,917 |
| Net investment in direct financing and sales-type leases | — | (16,256) |
| Aircraft purchase deposits and progress payments, net of returned deposits and aircraft sales deposits | 19,697 | 2,900 |
| Unconsolidated equity method investments and associated costs | (7,551) | — |
| Other | 1,118 | 1,320 |
| Net cash and restricted cash used in investing activities | <u>(286,246)</u> | <u>(50,612)</u> |
| Cash flows from financing activities: | | |
| Repurchase of shares | (11,424) | (9,413) |
| Proceeds from secured and unsecured debt financings | 215,000 | — |
| Repayments of secured and unsecured debt financings | (76,131) | (101,725) |
| Deferred financing costs | (1,921) | — |
| Security deposits and maintenance payments received | 45,149 | 53,674 |
| Security deposits and maintenance payments returned | (27,914) | (20,262) |
| Dividends paid | (22,518) | (22,085) |
| Net cash and restricted cash provided by (used in) financing activities | <u>120,241</u> | <u>(99,811)</u> |
| Net decrease in cash and restricted cash: | (59,645) | (1,518) |
| Cash and restricted cash at beginning of period | 167,853 | 233,857 |
| Cash and restricted cash at end of period | <u>\$ 108,208</u> | <u>\$ 232,339</u> |

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

| | Three Months Ended March 31, | |
|----------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|-------------------|
| | 2019 | 2018 |
| Reconciliation to Consolidated Balance Sheets: | | |
| Cash and cash equivalents | \$ 92,629 | \$ 210,815 |
| Restricted cash and cash equivalents | 15,579 | 21,524 |
| Unrestricted and restricted cash and cash equivalents | <u>\$ 108,208</u> | <u>\$ 232,339</u> |
| Supplemental disclosures of cash flow information: | | |
| Cash paid for interest, net of capitalized interest | <u>\$ 54,673</u> | <u>\$ 36,949</u> |
| Cash (received) paid for income taxes | <u>\$ (858)</u> | <u>\$ 3,884</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>\$ 22,355</u> | <u>\$ 7,751</u> |
| Advance lease rentals, security deposits, maintenance payments, other liabilities and other assets settled in sale of flight equipment | <u>\$ 10,877</u> | <u>\$ 17,951</u> |
| Transfers from flight equipment held for lease to Net investment in direct financing and sales-type leases and Other assets | <u>\$ 42,709</u> | <u>\$ 31,430</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 | | Additional Paid-In Capital | Retained Earnings (Deficit) | Accumulated Other Comprehensive Income (Loss) | Total Shareholders' Equity |
|------------------------------------------------------------------------|---------------|--------|----------------------------------|-----------------------------------|--------------------------------------------------------|----------------------------------|
| | Shares | Amount | | | | |
| Balance, December 31, 2018 | 75,454,511 | \$ 754 | \$ 1,468,779 | \$ 539,332 | \$ (184) | \$ 2,008,681 |
| Issuance of common shares to directors and employees | 276,923 | 3 | (3) | — | — | — |
| Repurchase of common shares from stockholders, directors and employees | (653,796) | (6) | (11,418) | — | — | (11,424) |
| Amortization of share-based payments | — | — | 2,410 | — | — | 2,410 |
| Reclassification of prior year director stock award liability | — | — | 796 | — | — | 796 |
| Dividends declared | — | — | — | (22,518) | — | (22,518) |
| Net income | — | — | — | 34,810 | — | 34,810 |
| Net derivative loss reclassified into earnings | — | — | — | — | 184 | 184 |
| Balance, March 31, 2019 | 75,077,638 | \$ 751 | \$ 1,460,564 | \$ 551,624 | \$ — | \$ 2,012,939 |

| | Common Shares | | Additional Paid-In Capital | Retained Earnings (Deficit) | Accumulated Other Comprehensive Income (Loss) | Total Shareholders' Equity |
|------------------------------------------------------------------------|---------------|--------|----------------------------------|-----------------------------------|--------------------------------------------------------|----------------------------------|
| | Shares | Amount | | | | |
| Balance, December 31, 2017 | 78,707,963 | \$ 787 | \$ 1,527,796 | \$ 380,331 | \$ (1,350) | \$ 1,907,564 |
| Issuance of common shares to stockholders, directors and employees | 293,680 | 3 | (3) | — | — | — |
| Repurchase of common shares from stockholders, directors and employees | (462,452) | (5) | (9,408) | — | — | (9,413) |
| Amortization of share-based payments | — | — | 2,048 | — | — | 2,048 |
| Reclassification of prior year director stock award liability | — | — | 1,680 | — | — | 1,680 |
| Dividends declared | — | — | — | (22,085) | — | (22,085) |
| Net income | — | — | — | 57,547 | — | 57,547 |
| Adoption of accounting standard | — | — | — | (188) | — | (188) |
| Net derivative loss reclassified into earnings | — | — | — | — | 301 | 301 |
| Balance, March 31, 2018 | 78,539,191 | \$ 785 | \$ 1,522,113 | \$ 415,605 | \$ (1,049) | \$ 1,937,454 |

Aircastle Limited and Subsidiaries
Notes to Unaudited Consolidated Financial Statements
(Dollars in thousands, except per share amounts)
March 31, 2019

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.

Aircastle is a holding company that conducts its business through subsidiaries. Aircastle directly or indirectly owns all of the 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 on the basis of 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 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 December 31, 2018.

Effective January 1, 2019, the Company adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 842, *Leases* (“ASC 842”) which, together with all subsequent amendments, replaced the existing guidance in ASC 840, *Leases* (“ASC 840”). The accounting for leases by lessors remained largely unchanged from the concepts that existed in ASC 840. The FASB decided that lessors would be precluded from recognizing selling profit and revenue at lease commencement for any sales-type or direct financing lease that does not transfer control of the underlying asset to the lessee. This requirement aligns the notion of what constitutes a sale in the lessor accounting guidance with that in the revenue recognition standard, which evaluates whether a sale has occurred from the customer’s perspective.

As a result of the Company’s adoption of ASC 842, we have recognized right-of-use assets and lease liabilities on our Consolidated Balance Sheet as of March 31, 2019, for our office leases classified as operating leases under ASC 842, existing at, or entered into after, January 1, 2019. We adopted the standard using the required “modified retrospective” approach and the available practical expedients. The standard did not have a material impact on our consolidated financial statements and related disclosures.

As part of the Company’s adoption of ASC 842, we classified collections on direct financing and sales-type leases within operating activities on our Consolidated Statement of Cash Flows for the three months ended March 31, 2019. This had previously been included within investing activities. The presentation for the three months ended March 31, 2018, has also been reclassified to conform to the current period presentation:

| | Three Months Ended March 31, 2018 | |
|--------------------------------------------------------------------------------------|----------------------------------------------|----------------|
| Net cash and restricted cash provided by operating activities as previously reported | \$ | 142,412 |
| Collections on direct financing and sales-type leases | | 6,493 |
| Net cash and restricted cash provided by operating activities | \$ | <u>148,905</u> |

The Company’s management has reviewed and evaluated all events or transactions for potential recognition and/or disclosure since the balance sheet date of March 31, 2019, through the date on which the consolidated financial statements included in this Form 10-Q were issued.

Aircastle Limited and Subsidiaries
Notes to Unaudited Consolidated Financial Statements
(Dollars in thousands, except per share amounts)
March 31, 2019

Principles of Consolidation

The consolidated financial statements include the accounts of Aircastle and all of its subsidiaries. Aircastle consolidates four Variable Interest Entities (“VIEs”) of which Aircastle is the primary beneficiary. All intercompany transactions and balances have been eliminated in consolidation.

We consolidate VIEs in which we have determined that we are the primary beneficiary. We use judgment when deciding: (a) whether an entity is subject to consolidation as a VIE; (b) who the variable interest holders are; (c) the potential expected losses and residual returns of the variable interest holders; and (d) which variable interest holder is the primary beneficiary. When determining which enterprise is the primary beneficiary, we consider: (1) the entity’s purpose and design; (2) which variable interest holder has the power to direct the activities that most significantly impact the entity’s economic performance; and (3) the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE. When certain events occur, we reconsider whether we are the primary beneficiary of VIEs. We do not reconsider whether we are a primary beneficiary solely because of operating losses incurred by an entity.

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 that the estimates and related assumptions used in the preparation of the consolidated financial statements are appropriate, actual results could differ from those estimates.

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. Operating lease rentals that adjust based on a London Interbank Offered Rate (“LIBOR”) index are recognized on a straight-line basis over the lease term using the prevailing rate at lease commencement. Changes to rate-based lease rentals are recognized in the statement of income in the period of change.

Flight Equipment Held for Lease and Depreciation

Estimated residual values are generally determined to be approximately 15% of the manufacturer’s estimated realized price for passenger aircraft when new and 5% to 10% for freighter aircraft when new. Management may make exceptions to this policy on a case-by-case basis when, in its judgment, the residual value calculated pursuant to this policy does not appear to reflect current expectations of value or when events or changes in circumstances, or indicators, suggest that the carrying amount or net book value of an asset may not be recoverable.

Recent Accounting Pronouncements

In June 2016, the FASB issued Accounting Standards Update (“ASU”) No. 2016-13, *Financial Instruments - Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments* and related updates. The standard affects entities holding financial assets and net investments in leases that are not accounted for at fair value through net income. The amendments affect loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. The standard replaces today’s incurred loss model with an expected loss model that requires entities to consider a broader range of information to estimate expected credit losses over the lifetime of the asset. Under the new standard, an allowance for credit losses is recorded which represents amounts not expected to be collected. The standard is applied on a modified retrospective approach. The standard is effective for annual periods beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted as early as the fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. We are in the process of determining the impact the standard will have on our consolidated financial statements and related disclosures.

Aircastle Limited and Subsidiaries
Notes to Unaudited Consolidated Financial Statements
(Dollars in thousands, except per share amounts)
March 31, 2019

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820), Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement*. The standard modifies certain disclosure requirements for fair value measurements as part of its disclosure framework project. The standard is effective for annual periods beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted. We are in the process of determining the impact the standard will have on our related disclosures.

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40), Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract*. The standard requires a customer in a cloud computing arrangement that is a service contract to follow the internal-use-software guidance in ASC 350-40 to determine which implementation costs to capitalize as assets or expense as incurred. The standard is effective for annual periods beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted, including adoption in any interim period. We are in the process of determining the impact the standard will have on our consolidated financial statements and related disclosures.

In October 2018, the FASB issued ASU No. 2018-17, *Consolidation (Topic 810), Targeted Improvements to Related Party Guidance for Variable Interest Entities*. The standard changes how all entities evaluate decision-making fees under the variable interest entity guidance. The standard is applied retrospectively with a cumulative-effect adjustment to retained earnings at the beginning of the earliest period presented. The standard is effective for annual periods beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted. We are in the process of determining the impact the standard will have on our consolidated financial statements and related disclosures.

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. These inputs are prioritized as follows:

- Level 1: Observable inputs such as quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities or market corroborated inputs.
- Level 3: Unobservable inputs for which there is little or no market data and which require us to develop our own assumptions about how market participants price the asset or liability.

The valuation techniques that may be used to measure fair value are as follows:

- The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
- The income approach uses valuation techniques to convert future amounts to a single present amount based on current market expectation about those future amounts.
- The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (replacement cost).

The following tables set forth our financial assets as of March 31, 2019 and December 31, 2018 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.

Aircastle Limited and Subsidiaries
Notes to Unaudited Consolidated Financial Statements
(Dollars in thousands, except per share amounts)
March 31, 2019

| | Fair Value Measurements at March 31, 2019 Using Fair Value Hierarchy | | | | |
|--------------------------------------|-------------------------------------------------------------------------|-------------------------------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------|------------------------|
| | Fair Value as of March 31, 2019 | 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 | \$ 92,629 | \$ 92,629 | \$ — | \$ — | Market |
| Restricted cash and cash equivalents | 15,579 | 15,579 | — | — | Market |
| Derivative assets | 2,806 | — | 2,806 | — | Market |
| Total | <u>\$ 111,014</u> | <u>\$ 108,208</u> | <u>\$ 2,806</u> | <u>\$ —</u> | |

| | Fair Value Measurements at December 31, 2018 Using Fair Value Hierarchy | | | | |
|--------------------------------------|----------------------------------------------------------------------------|-------------------------------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------|------------------------|
| | Fair Value as of December 31, 2018 | 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 | \$ 152,719 | \$ 152,719 | \$ — | \$ — | Market |
| Restricted cash and cash equivalents | 15,134 | 15,134 | — | — | Market |
| Derivative assets | 4,886 | — | 4,886 | — | Market |
| Total | <u>\$ 172,739</u> | <u>\$ 167,853</u> | <u>\$ 4,886</u> | <u>\$ —</u> | |

Our cash and cash equivalents, along with our restricted cash and cash equivalents balances, consist largely of money market securities that are considered to be 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 our fair value hierarchy. Our derivative assets included in Level 2 consist of United States dollar-denominated interest rate caps, and the fair value is based on market comparisons for similar instruments. We also considered the credit rating and risk of the counterparty providing the interest rate cap based on quantitative and qualitative factors.

For the three months ended March 31, 2019 and the year ended December 31, 2018, 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 that the carrying amounts of assets may not be recoverable. Assets subject to these measurements include our investments in unconsolidated joint ventures and aircraft. We account for our investments in unconsolidated joint ventures under the equity method of accounting and record impairment when its fair value is less than its carrying value and the Company determines that the decline is other than temporary. 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 an income approach which uses Level 3 inputs, which include the Company's assumptions and appraisal data as to future cash proceeds from leasing and selling aircraft.

On April 10, 2019, the Company early terminated the leases for seven Boeing 737NG aircraft on lease to Jet Airways (India) Limited due to lessee default. As a result of these lease terminations, the Company will recognize net maintenance revenue of \$17,554 and impairment charges of \$7,404 in the second quarter of 2019.

Financial Instruments

Our financial instruments, other than cash, consist principally of cash equivalents, restricted cash and cash equivalents, accounts receivable, accounts payable, amounts borrowed under financings and interest rate derivatives. The fair value of

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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 March 31, 2019 and December 31, 2018 were as follows:

| | March 31, 2019 | | December 31, 2018 | |
|---------------------|---------------------------------|----------------------------|------------------------------------|----------------------------|
| | Carrying Amount of Liability | Fair Value of Liability | Carrying Amount of Liability | Fair Value of Liability |
| Credit Facilities | \$ 375,000 | \$ 375,000 | \$ 425,000 | \$ 425,000 |
| Unsecured Term Loan | 335,000 | 335,000 | 120,000 | 120,000 |
| ECA Financings | 179,254 | 181,267 | 189,080 | 190,216 |
| Bank Financings | 603,409 | 608,259 | 619,715 | 623,604 |
| Senior Notes | 3,450,000 | 3,546,930 | 3,450,000 | 3,446,826 |

All of our financial instruments are classified as Level 2 with the exception of 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 March 31, 2019 were as follows:

| <u>Year Ending December 31,</u> | <u>Amount</u> |
|---------------------------------|---------------|
| Remainder of 2019 | \$ 557,469 |
| 2020 | 654,781 |
| 2021 | 541,707 |
| 2022 | 450,275 |
| 2023 | 378,534 |
| Thereafter | 592,311 |
| Total | \$ 3,175,077 |

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

| <u>Region</u> | <u>Three Months Ended March 31,</u> | |
|------------------------|-------------------------------------|-------------|
| | <u>2019</u> | <u>2018</u> |
| Asia and Pacific | 42% | 35% |
| Europe | 28% | 29% |
| Middle East and Africa | 11% | 11% |
| North America | 8% | 8% |
| South America | 11% | 17% |
| Total | 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.

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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 March 31, | | | |
|-----------------------------------------|------------------------------|------------------------------------|-------------------|------------------------------------|
| | 2019 | | 2018 | |
| | Number of Lessees | Combined % of Lease Rental Revenue | Number of Lessees | Combined % of Lease Rental Revenue |
| Largest lessees by lease rental revenue | 4 | 27% | 3 | 19% |

At March 31, 2019 and December 31, 2018, no country represented at least 10% of total revenue based on each counterparty's principal place of business.

Geographic concentration of net book value of flight equipment (including flight equipment held for lease and net investment in direct financing and sales-type leases, or "net book value") was as follows:

| <u>Region</u> | March 31, 2019 | | December 31, 2018 | |
|------------------------|--------------------|------------------|--------------------|------------------|
| | Number of Aircraft | Net Book Value % | Number of Aircraft | Net Book Value % |
| Asia and Pacific | 85 | 37% | 78 | 36% |
| Europe | 94 | 29% | 87 | 27% |
| Middle East and Africa | 17 | 8% | 17 | 8% |
| North America | 35 | 9% | 35 | 10% |
| South America | 16 | 10% | 16 | 10% |
| Off-lease | 12 ⁽¹⁾ | 7% | 15 ⁽²⁾ | 9% |
| Total | 259 | 100% | 248 | 100% |

(1) Consisted of ten Airbus A320-200 aircraft, which are subject to lease commitments, and two Airbus A330-200 aircraft, which we are marketing for lease or sale.

(2) Consisted of eleven Airbus A320-200 aircraft and two Airbus A330-200 aircraft, which we are marketing for lease or sale, and one Boeing B737-800 along with one Boeing B777-300ER aircraft, which were delivered on lease to customers during the first quarter of 2019.

The following table sets forth net book value of flight equipment (includes net book value of flight equipment held for lease and net investment in direct financing 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:

| <u>Region</u> | March 31, 2019 | | | December 31, 2018 | | |
|---------------|----------------|------------------|-------------------|-------------------|------------------|-------------------|
| | Net Book Value | Net Book Value % | Number of Lessees | Net Book Value | Net Book Value % | Number of Lessees |
| India | \$ 928,334 | 12% | 5 | \$ 865,046 | 12% | 4 |

At March 31, 2019 and December 31, 2018, the amounts of lease incentive liabilities recorded in maintenance payments on our Consolidated Balance Sheets were \$15,038 and \$15,636, respectively.

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Note 4. Net Investment in Direct Financing and Sales-Type Leases

At March 31, 2019, our net investment in direct financing and sales-type leases consisted of 31 aircraft. The following table lists the components of our net investment in direct financing and sales-type leases at March 31, 2019:

| | Amount |
|---------------------------------------------------------------------|-------------------|
| Total lease payments to be received | \$ 267,426 |
| Less: Unearned income | (129,585) |
| Estimated residual values of leased flight equipment (unguaranteed) | 368,123 |
| Net investment in direct financing and sales-type leases | \$ 505,964 |

At March 31, 2019, minimum future lease payments on direct financing and sales-type leases are as follows:

| Year Ending December 31, | Amount |
|--------------------------------------------|-------------------|
| Remainder of 2019 | \$ 48,228 |
| 2020 | 67,035 |
| 2021 | 52,597 |
| 2022 | 42,100 |
| 2023 | 33,093 |
| Thereafter | 24,373 |
| Total lease payments to be received | \$ 267,426 |

Note 5. Unconsolidated Equity Method Investments

We have joint ventures with an affiliate of Ontario Teachers' Pension Plan ("Teachers") and with the leasing arm of the Industrial Bank of Japan, Limited ("IBJ Air").

At March 31, 2019, the net book value of both joint ventures' fifteen aircraft was \$685,554.

| | Amount |
|-------------------------------------------------------|------------------|
| Investment in joint ventures at December 31, 2018 | \$ 69,111 |
| Investment in joint ventures | 7,551 |
| Loss from joint ventures, net of tax | (356) |
| Investment in joint ventures at March 31, 2019 | \$ 76,306 |

Per the partnership agreement with Teachers', the Company has recorded in its Consolidated Balance Sheet a \$13,565 guarantee liability in Maintenance payments and a \$5,100 guarantee liability in Security deposits representing its share of the respective exposures. We recognized our share of the undistributed loss in our joint venture with Teachers' of \$740 during the three months ended March 31, 2019, the loss of which is attributable to a fair value impairment recorded by the joint venture as a result of a confirmed letter of intent to sell its aircraft to a third party buyer.

In March of 2019, we sold two aircraft to IBJ Air, in which we hold a 25% equity interest. This transaction was approved by our Audit Committee as an arm's length transaction under our related party policy.

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Note 6. Variable Interest Entities

Aircastle consolidates four VIEs of which it is the primary beneficiary. The operating activities of these VIEs are limited to acquiring, owning, leasing, maintaining, operating and, under certain circumstances, selling the six aircraft discussed below.

ECA Financings

Aircastle, through various subsidiaries, each of which is owned by a charitable trust (such entities, collectively the “Air Knight VIEs”), has entered into six different twelve-year term loans, which are supported by guarantees from Compagnie Française d'Assurance pour le Commerce Extérieur, (“COFACE”), the French government sponsored export credit agency (“ECA”). We refer to these COFACE-supported financings as “ECA Financings.”

Aircastle is the primary beneficiary of the Air Knight VIEs, as we have the power to direct the activities of the VIEs that most significantly impact the economic performance of such VIEs and we bear the significant risk of loss and participate in gains through our net investment in direct financing and sales-type leases. The activity that most significantly impacts the economic performance is the leasing of aircraft of which our wholly owned subsidiary is the servicer and is responsible for managing the relevant aircraft. There is a cross collateralization guarantee between the Air Knight VIEs. In addition, Aircastle guarantees the debt of the Air Knight VIEs.

The only assets that the Air Knight VIEs have on their books are financing leases that are eliminated in the consolidated financial statements. The related aircraft, with a net book value as of March 31, 2019 of \$390,233, were included in our flight equipment held for lease. The consolidated debt outstanding, net of debt issuance costs, of the Air Knight VIEs as of March 31, 2019 is \$175,963.

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Note 7. Secured and Unsecured Debt Financings

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

| Debt Obligation | At March 31, 2019 | | | | At |
|---------------------------------------------------------------------------------------|-------------------------------|---------------------------|----------------------|------------------------------|--------------------------|
| | Outstanding Borrowings | Number of Aircraft | Interest Rate | Final Stated Maturity | December 31, 2018 |
| Secured Debt Financings: | | | | | |
| ECA Financings ⁽¹⁾ | \$ 179,254 | 6 | 3.02% to 3.96% | 12/03/21 to 11/30/24 | \$ 189,080 |
| Bank Financings ⁽²⁾ | 603,409 | 25 | 2.27% to 5.30% | 06/12/19 to 01/19/26 | 619,715 |
| Less: Debt issuance costs and discounts | (9,510) | — | | | (10,338) |
| Total secured debt financings, net of debt issuance costs and discounts | 773,153 | 31 | | | 798,457 |
| Unsecured Debt Financings: | | | | | |
| Senior Notes due 2019 | 500,000 | | 6.25% | 12/01/19 | 500,000 |
| Senior Notes due 2020 | 300,000 | | 7.625% | 04/15/20 | 300,000 |
| Senior Notes due 2021 | 500,000 | | 5.125% | 03/15/21 | 500,000 |
| Senior Notes due 2022 | 500,000 | | 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 |
| Unsecured Term Loans | 335,000 | | 4.08% to 4.51% | 04/28/19 to 03/07/24 | 120,000 |
| Revolving Credit Facilities | 375,000 | | 3.99% | 12/27/21 to 06/27/22 | 425,000 |
| Less: Debt issuance costs and discounts | (31,509) | | | | (32,104) |
| Total unsecured debt financings, net of debt issuance costs and discounts | 4,128,491 | | | | 3,962,896 |
| Total secured and unsecured debt financings, net of debt issuance costs and discounts | \$ 4,901,644 | | | | \$ 4,761,353 |

(1) The borrowings under these financings at March 31, 2019 have a weighted-average rate of interest of 3.58%.

(2) The borrowings under these financings at March 31, 2019 have a weighted-average fixed rate of interest of 4.64%.

Unsecured Debt Financings:

Unsecured Term Loan

On February 27, 2019, we entered into an aggregate \$215,000 floating rate loan commitment with Development Bank of Japan Inc. and certain other banks (the “Unsecured Term Loan”). This loan is split into two tranches: Tranche A for \$60,000 with a three-year term; and Tranche B for \$155,000 with a five-year term. The loan contains a \$750,000 minimum net worth covenant, along with other customary provisions similar to our revolving credit facilities. This loan was funded in March 2019.

The new Unsecured Term Loan replaces our existing term loan of \$120,000 that matured on April 28, 2019.

Revolving Credit Facility

On December 27, 2018, we entered into a \$250,000 three-year, unsecured revolving credit facility with a group of banks based in Asia. This new facility can be increased to a maximum of \$350,000. On January 25, 2019, we increased the facility by \$30,000 to \$280,000. The facility bears interest at a rate of LIBOR plus 1.50% and matures in December

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2021. The facility contains provisions similar to our existing credit facilities, including a \$750,000 minimum net worth covenant.

As a condition to this new facility, on January 9, 2019, we terminated our existing \$135,000 revolving credit facility with a group of banks based in Asia.

At March 31, 2019, we had \$375,000 outstanding under our revolving credit facilities and had \$705,000 available for borrowing.

As of March 31, 2019, we were in compliance with all applicable covenants in our financings.

Note 8. Shareholders' Equity and Share-Based Payment

During the three months ended March 31, 2019, the Company granted 268,331 restricted common shares and granted 287,342 performance share units ("PSUs"). These awards were made under the Aircastle Limited Amended and Restated 2014 Omnibus Incentive Plan. We repurchased 156,876 shares totaling \$2,915 from our employees and directors to settle tax obligations related to share vesting.

During the three months ended March 31, 2019, the Company incurred share-based compensation expense of \$1,257 related to restricted common shares and \$1,469 related to PSUs.

As of March 31, 2019, there was \$8,690 of unrecognized compensation cost related to unvested restricted common share-based payments and \$10,643 of unrecognized compensation cost related to unvested PSU share-based payments that are expected to be recognized over a weighted-average remaining period of 1.94 years.

During the three months ended March 31, 2019, we repurchased 496,920 common shares at an aggregate cost of \$8,733, including commissions. At March 31, 2019, the remaining dollar value of common shares that may be purchased under the repurchase program is \$76,019.

Note 9. Dividends

The following table sets forth the quarterly dividends declared by our Board of Directors for the periods covered in this report:

| <u>Declaration Date</u> | <u>Dividend per Common Share</u> | <u>Aggregate Dividend Amount</u> | <u>Record Date</u> | <u>Payment Date</u> |
|-------------------------|----------------------------------|----------------------------------|--------------------|---------------------|
| February 8, 2019 | \$ 0.30 | \$ 22,518 | February 28, 2019 | March 15, 2019 |
| October 30, 2018 | \$ 0.30 | \$ 22,867 | November 30, 2018 | December 14, 2018 |
| August 3, 2018 | \$ 0.28 | \$ 21,870 | August 31, 2018 | September 14, 2018 |
| May 1, 2018 | \$ 0.28 | \$ 21,908 | May 31, 2018 | June 15, 2018 |
| February 9, 2018 | \$ 0.28 | \$ 22,085 | February 28, 2018 | March 15, 2018 |

Note 10. Earnings per Share

We include all common shares granted under our incentive compensation plan which remain unvested ("restricted common shares") and contain non-forfeitable rights to dividends or dividend equivalents, whether paid or unpaid ("participating securities"), in the number of shares outstanding in our basic earnings per share calculations using the two-class method. All of our restricted common shares are currently participating securities. Our PSUs are contingently issuable shares which are included in our diluted earnings per share calculations which do not include voting or dividend rights.

Under the two-class method, earnings per common share is computed by dividing the sum of distributed earnings allocated to common shareholders and undistributed earnings allocated to common shareholders by the weighted-average

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number of common shares outstanding for the period. In applying the two-class method, distributed and undistributed earnings are allocated to both common shares and restricted common shares based on the total weighted-average shares outstanding during the period.

| | Three Months Ended March 31, | |
|-----------------------------------------------|-------------------------------------|-------------|
| | 2019 | 2018 |
| Weighted-average shares: | | |
| Common shares outstanding | 74,703,791 | 78,366,588 |
| Restricted common shares | 434,531 | 431,161 |
| Total weighted-average shares | 75,138,322 | 78,797,749 |
| Percentage of weighted-average shares: | | |
| Common shares outstanding | 99.42% | 99.45% |
| Restricted common shares | 0.58% | 0.55% |
| Total percentage of weighted-average shares | 100.00% | 100.00% |

The calculations of both basic and diluted earnings per share are as follows:

| | Three Months Ended March 31, | |
|---------------------------------------------------------------------------------------------------|-------------------------------------|-------------|
| | 2019 | 2018 |
| Earnings per share – Basic: | | |
| Net income | \$ 34,810 | \$ 57,547 |
| Less: Distributed and undistributed earnings allocated to restricted common shares ⁽¹⁾ | (201) | (315) |
| Earnings available to common shareholders – Basic | \$ 34,609 | \$ 57,232 |
| Weighted-average common shares outstanding – Basic | 74,703,791 | 78,366,588 |
| Earnings per common share – Basic | \$ 0.46 | \$ 0.73 |
| Earnings per share – Diluted: | | |
| Net income | \$ 34,810 | \$ 57,547 |
| Less: Distributed and undistributed earnings allocated to restricted common shares ⁽¹⁾ | (201) | (315) |
| Earnings available to common shareholders – Diluted | \$ 34,609 | \$ 57,232 |
| Weighted-average common shares outstanding – Basic | 74,703,791 | 78,366,588 |
| Effect of dilutive shares ⁽²⁾ | 569,822 | 228,019 |
| Weighted-average common shares outstanding – Diluted | 75,273,613 | 78,594,607 |
| Earnings per common share – Diluted | \$ 0.46 | \$ 0.73 |

(1) For the three months ended March 31, 2019 and 2018, distributed and undistributed earnings to restricted shares were 0.58% and 0.55%, respectively, of net income. The amount of restricted share forfeitures for all periods presented are immaterial to the allocation of distributed and undistributed earnings.

(2) For all periods presented, dilutive shares represented contingently issuable shares.

Note 11. Income Taxes

Income taxes have been provided based on the tax laws and rates in countries in which our operations are conducted and income is earned. The Company received an 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 Ireland and the United States.

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The sources of income from continuing operations before income taxes and earnings of our unconsolidated equity method investments for the three months ended March 31, 2019 and 2018 were as follows:

| | Three Months Ended March 31, | |
|----------------------------------------------------------------------------------------------------------------|-------------------------------------|------------------|
| | 2019 | 2018 |
| U.S. operations | \$ 1,916 | \$ 683 |
| Non-U.S. operations | 36,348 | 54,238 |
| Income from continuing operations before income taxes and earnings of unconsolidated equity method investments | <u>\$ 38,264</u> | <u>\$ 54,921</u> |

Our aircraft-owning subsidiaries that are recognized as corporations for U.S. tax purposes are primarily non-U.S. corporations. These subsidiaries generally earn income from sources outside the United States and typically are not subject to U.S. federal, state or local income taxes. The aircraft owning subsidiaries resident in Ireland, Mauritius 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 consolidated income tax expense for the three months ended March 31, 2019 and 2018 was determined based upon estimates of the Company's consolidated effective income tax rates for the years ending December 31, 2019 and 2018, respectively.

The Company's effective tax rate ("ETR") for the three months ended March 31, 2019 was 8.1%, compared to (1.5)%, for the three months ended March 31, 2018. The first quarter of 2018 included a \$2,779 tax benefit related to the Singapore rate reduction from 10% to 8%, which was treated as a discrete item. Excluding this tax benefit, the ETR would have been 3.6% for the three months ended March 31, 2018. Movements in the ETR are generally caused by changes in the proportion of the Company's pre-tax earnings in taxable and non-tax jurisdictions. During the three months ended March 31, 2019, we reported a significant decrease in Bermuda income primarily relating to Avianca Brazil.

Differences between statutory income tax rates and our effective income tax rates applied to pre-tax income from continuing operations consisted of the following:

| | Three Months Ended March 31, | |
|----------------------------------------------------------------|-------------------------------------|-----------------|
| | 2019 | 2018 |
| Notional U.S. federal income tax expense at the statutory rate | \$ 8,035 | \$ 11,533 |
| U.S. state and local income tax, net | 209 | 48 |
| Non-U.S. operations: | | |
| Bermuda | (5,138) | (8,283) |
| Ireland | 509 | (317) |
| Singapore | (2) | (2,824) |
| Other low tax jurisdictions | (852) | (808) |
| Non-deductible expenses in the U.S. | 337 | (193) |
| Income tax provision (benefit) | <u>\$ 3,098</u> | <u>\$ (844)</u> |

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Note 12. Interest, Net

The following table shows the components of interest, net:

| | Three Months Ended March 31, | |
|----------------------------------------------------------------------|-------------------------------------|------------------|
| | 2019 | 2018 |
| Interest on borrowings and other liabilities | \$ 60,279 | \$ 53,978 |
| Amortization of deferred losses related to interest rate derivatives | 184 | 301 |
| Amortization of deferred financing fees and debt discount | 3,364 | 3,532 |
| Interest expense | 63,827 | 57,811 |
| Less: Interest income | (364) | (703) |
| Interest, net | <u>\$ 63,463</u> | <u>\$ 57,108</u> |

Note 13. Commitments and Contingencies

Rent expense, primarily for the corporate offices and sales and marketing facilities, was \$356 and \$567 for the three months ended March 31, 2019 and 2018, respectively.

As of March 31, 2019, 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 December 31,</u> | <u>Amount</u> |
|----------------------------------------|----------------------|
| Remainder of 2019 | \$ 1,977 |
| 2020 | 1,868 |
| 2021 | 1,899 |
| 2022 | 1,810 |
| 2023 | 1,696 |
| Thereafter | 7,839 |
| Total | <u>\$ 17,089</u> |

At March 31, 2019, we had commitments to acquire 37 aircraft for \$1,358,211, including 25 Embraer E-Jet E2 aircraft.

Commitments, including \$133,955 of remaining progress payments, contractual price escalations and other adjustments for these aircraft, at March 31, 2019, net of amounts already paid, are as follows:

| <u>Year Ending December 31,</u> | <u>Amount</u> |
|----------------------------------------|----------------------|
| Remainder of 2019 | \$ 426,924 |
| 2020 | 209,091 |
| 2021 | 722,196 |
| 2022 | — |
| 2023 | — |
| Thereafter | — |
| Total | <u>\$ 1,358,211</u> |

As of April 30, 2019, we had commitments to acquire 35 aircraft for \$1,281,136.

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Note 14. Other Assets

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

| | March 31, 2019 | December 31, 2018 |
|-------------------------------------------------------------------------------------------------|-------------------|----------------------|
| Deferred income tax asset | \$ 399 | \$ 912 |
| Lease incentives and lease premiums, net of amortization of \$55,712 and \$47,304, respectively | 99,175 | 99,079 |
| Flight equipment held for sale | 343 | 11,707 |
| Aircraft purchase deposits and progress payments ⁽¹⁾ | 20,844 | 39,948 |
| Fair value of interest rate cap | 2,806 | 4,886 |
| Note receivable ⁽²⁾ | 3,099 | 4,292 |
| Right-of-use asset ⁽³⁾ | 9,346 | — |
| Other assets | 41,386 | 53,537 |
| Total other assets | \$ 177,398 | \$ 214,361 |

(1) Includes progress payments for Embraer E2 aircraft order.

(2) Related to the sale of aircraft during the year ended December 31, 2017.

(3) Net of lease incentives and tenant allowances.

Note 15. 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:

| | March 31, 2019 | December 31, 2018 |
|-----------------------------------------------------------------------------|-------------------|----------------------|
| Accounts payable, accrued expenses and other liabilities | \$ 41,215 | \$ 57,220 |
| Deferred income tax liability | 46,457 | 43,720 |
| Accrued interest payable | 50,581 | 45,277 |
| Lease liability | 12,936 | — |
| Lease discounts, net of amortization of \$45,361 and \$43,935, respectively | 5,698 | 7,124 |
| Total accounts payable, accrued expenses and other liabilities | \$ 156,887 | \$ 153,341 |

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 December 31, 2018 filed with the Securities and Exchange Commission (the "SEC"). 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, Adjusted EBITDA and Adjusted Net Income and the global aviation industry and aircraft leasing sector. Words such as "anticipates," "expects," "intends," "plans," "projects," "believes," "may," "will," "would," "could," "should," "seeks," "estimates" and variations on these words and similar expressions are intended to identify such forward-looking statements. These statements are based on our historical performance and that of our subsidiaries and on our current plans, estimates and expectations and are subject to a number of factors that could lead to actual results materially different from those described in the forward-looking statements; Aircastle can give no assurance that its expectations will be attained. Accordingly, you should not place undue reliance on any such forward-looking statements which are subject to certain risks and uncertainties that could cause actual results to differ materially from those anticipated as of the date of this report. These risks or uncertainties include, but are not limited to, those described from time to time in Aircastle's filings with the SEC and previously disclosed under "Risk Factors" in Part I - Item 1A of Aircastle's 2018 Annual Report on Form 10-K and elsewhere in this report. In addition, new risks and uncertainties emerge from time to time, and it is not possible for Aircastle to predict or assess the impact of every factor that may cause its actual results to differ from those contained in any forward-looking statements. Such forward-looking statements speak only as of the date of this report. Aircastle expressly disclaims any obligation to revise or update publicly any forward-looking statement to reflect future events or circumstances.

WEBSITE AND ACCESS TO THE COMPANY'S REPORTS

The Company's Internet website can be found at www.aircastle.com. Our annual reports on Forms 10-K, quarterly reports on Forms 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act") are available free of charge through our website under "Investors — Financial Information — SEC Filings" as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC.

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

Our Corporate Governance Guidelines, Code of Business Conduct and Ethics, and Board of Directors committee charters (including the charters of the Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee) are available free of charge through our website under "Investors — Corporate Governance." In addition, our Code of Ethics for the Chief Executive and Senior Financial Officers, which applies to our Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, Treasurer and Controller, is available in print, free of charge, to any shareholder upon request to Investor Relations, Aircastle Limited, c/o Aircastle Advisor LLC, 201 Tresser Boulevard, Suite 400, Stamford, Connecticut 06901.

The information on the Company's Internet website is not part of, or 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 March 31, 2019, we owned and managed on behalf of our joint ventures 274 aircraft leased to 86 lessees located in 47 countries. Our aircraft are managed by an experienced team based in the United States, Ireland and Singapore. Our aircraft are subject to net leases whereby the lessee is generally responsible for maintaining the aircraft and paying operational, maintenance and insurance costs. In many cases we are, however, obligated to pay a specified portion of maintenance or modification costs. As of March 31, 2019, the net book value (including flight equipment held for lease and net investment in direct financing and sales-type leases, or “net book value”) was \$7.64 billion compared to \$7.40 billion at December 31, 2018. Our revenues and net income for the three months ended March 31, 2019 were \$213.9 million and \$34.8 million, respectively.

Growth in commercial air traffic is broadly correlated with world economic activity. In recent years, commercial air traffic growth has expanded at a rate 1.5 to 2 times that of global GDP growth. The expansion of air travel has driven a rise in the world aircraft fleet. There are currently approximately 22,000 commercial mainline passenger and freighter aircraft in operation worldwide. This fleet is expected to continue expanding at a three to four percent average annual rate over the next twenty years. Aircraft leasing companies own approximately 44% of the world’s commercial jet aircraft.

2019 continues to show strong growth in air traffic. According to the International Air Transport Association, during the first two months of 2019, global passenger traffic increased 5.9% compared to the same period in 2018. Demand for air travel varies by region. Emerging market economies have generally been experiencing greater increases in air traffic, driven by rising levels of per capita income leading to an increased propensity to fly. Mature markets, such as North America and Western Europe, have been growing more slowly in tandem with their economies. Air traffic growth is also being driven by the proliferation of low cost carriers, which have stimulated demand through lower prices. The outlook for airlines operating in areas with political instability or weakening economies is more uncertain. On balance, we believe air travel will increase over time and, as a result, we expect demand for modern aircraft will continue to remain strong over the long-term.

Notwithstanding the sector’s long-term growth, the aviation market is subject to economic variability due to changes in macroeconomic variables, such as interest rates, fuel price levels and foreign exchange rates. The aviation industry is also susceptible to external shocks, such as regional conflicts and terrorist events. Mitigating this risk is the portability of the assets, allowing aircraft to be redeployed to locations where there is demand.

Fuel prices and interest rates have had a substantial effect on our industry. After dropping to a low of \$36 per barrel in December 2015, the price of fuel has risen to an average of \$60 per barrel during 2019. While still below historic highs, higher fuel prices have impacted airline profitability. The prolonged low interest rate environment and the strong overall performance of the aircraft financing sector attracted significant new capital, increasing competition for new investments and putting pressure on margins and returns. After the Federal Reserve increased interest rates in the U.S. during 2018, guidance has recently shifted back to a neutral position.

Capital availability for aircraft has varied over time, and we consider this variability to be a basic characteristic of our business. If pursued properly, this represents an important source of investment opportunity. Strong U.S. debt capital market conditions benefit borrowers by permitting access to financing at historic lows. Commercial bank debt also continues to play a critical role for aircraft finance. Export credit agency availability, however, has been curtailed due to political issues, both in the U.S. and in Europe. While financial market conditions remain attractive, geopolitical issues may increase capital costs and limit availability going forward.

We believe capital market developments should generate attractive additional investment and trading opportunities for which we are well placed to capitalize given our access to different financing sources, our limited capital commitments and our reputation as a reliable trading partner. During 2018, we achieved investment grade credit ratings from Moody’s, Standard & Poor’s and Fitch. We believe being an investment grade issuer will reduce our borrowing costs and enable more reliable access to debt capital throughout the business cycle.

Our business approach is differentiated from those of other large leasing companies. Our investment strategy is to seek out the best risk-adjusted return opportunities across the commercial jet market, so the nature and volume of assets we buy will vary over time with market conditions. We plan to grow our business and profits over the long-term while maintaining a conservative, flexible capital structure. We prefer to have capital resources available to capture investment opportunities that arise in the context of changing market circumstances. As such, we limit large, long-term capital commitments and are

therefore less reliant on orders for new aircraft from aircraft manufacturers as a source of new investments than many of our competitors.

Our business strategy entails the following elements:

- **Pursuing a disciplined and differentiated investment strategy.** In our view, the relative values of different aircraft change over time. We continually evaluate investments across different aircraft models, ages, lessees and acquisition sources and re-evaluate these choices as market conditions and relative investment values change. We believe our team's experience with a wide range of asset types and the financing flexibility offered through unsecured debt provides us with a competitive advantage. We view orders from equipment manufacturers to be part of our investment opportunity set, but choose to keep our long term capital commitments limited.
- **Originating investments from many different sources across the globe.** Our strategy is to seek out worthwhile investments by leveraging our team's wide range of contacts. We utilize a multi-channel approach to sourcing acquisitions and have purchased aircraft from a large number of airlines, lessors, original equipment manufacturers, lenders and other aircraft owners. Since our formation in 2004, we have acquired aircraft from 94 different sellers.
- **Selling assets when attractive opportunities arise.** We sell assets with the aim of realizing profits and reinvesting proceeds. We also use asset sales for portfolio management purposes, such as reducing lessee specific concentrations and lowering residual value exposures to certain aircraft types. Since our formation, we have sold aircraft to 67 buyers.
- **Maintaining efficient access to capital from a wide set of sources and leveraging our recent investment grade credit rating.** We believe the aircraft investment market is influenced by the business cycle. Our strategy is to increase our purchase activity when prices are low and to emphasize asset sales when prices are high. To implement this approach, we believe it is important to maintain access to a wide variety of financing sources. During 2018, we achieved our objective of improving our corporate credit ratings to an investment grade level by maintaining strong portfolio and capital structure metrics while achieving a critical size through accretive growth. We believe our improved credit rating will not only reduce our borrowing costs, but also facilitate more reliable access to both unsecured and secured debt capital throughout the business cycle.
- **Leveraging our strategic relationships.** We intend to capture the benefits provided through the extensive global contacts and relationships maintained by Marubeni, which is our biggest shareholder and is one of the largest Japanese trading companies. Marubeni has enabled greater access to Japanese-based financing and helped source and develop our joint venture with the leasing arm of the Industrial Bank of Japan, Limited.
- **Capturing the value of our efficient operating platform and strong operating track record.** We believe our team's capabilities in the global aircraft leasing market places us in a favorable position to source and manage new income-generating activities. We intend to continue to focus our efforts in areas where we believe we have competitive advantages, including new direct investments as well as ventures with strategic business partners.
- **Intending to pay quarterly dividends to our shareholders based on the Company's sustainable earnings levels.** Aircastle has paid dividends each quarter since our initial public offering in 2006. On February 8, 2019, our Board of Directors declared a regular quarterly dividend of \$0.30 per common share, or an aggregate of \$22.5 million for the three months ended March 31, 2019, which was paid on March 15, 2019 to holders of record on February 28, 2019. These dividends may not be indicative of the amount of any future dividends. Our ability to pay quarterly dividends will depend upon many factors, including those as described in Item 1A. "Risk Factors" and elsewhere in our 2018 Annual Report on Form 10-K.

Revenues

Our revenues are comprised primarily of operating lease rentals on flight equipment held for lease, revenue from retained maintenance payments related to lease expirations, lease termination payments, lease incentive amortization, interest recognized from direct financing and sales-type leases and gains from aircraft sales.

Typically, our aircraft are subject to net leases whereby the lessee pays lease rentals and is generally responsible for maintaining the aircraft and paying operational, maintenance and insurance costs arising during the term of the lease. Our aircraft lease agreements generally provide for the periodic payment of a fixed amount of rent over the life of the lease and the amount of the contracted rent will depend upon the type, age, specification and condition of the aircraft and market conditions at the time the lease is committed. The amount of rent we receive will depend on a number of factors, including the creditworthiness of our lessees and the occurrence of restructurings and defaults. Our lease rental revenues are also affected by the extent to which aircraft are off-lease and our ability to remarket aircraft that are nearing the end of their leases

in order to minimize their off-lease time. Our success in re-leasing aircraft is affected by market conditions relating to our aircraft and by general industry conditions and trends. An increase in the percentage of off-lease aircraft or a reduction in lease rates upon remarketing would negatively impact our revenues.

Under an operating lease, the lessee will be responsible for performing maintenance on the relevant aircraft and will typically be required to make payments to us for heavy maintenance, overhaul or replacement of certain high-value components of the aircraft. These maintenance payments are based on hours or cycles of utilization or on calendar time, depending upon the component, and would be made either monthly in arrears or at the end of the lease term. For maintenance payments made monthly in arrears during a lease term, we will typically be required to reimburse all or a portion of these payments to the lessee upon their completion of the relevant heavy maintenance, overhaul or parts replacement. We record maintenance payments paid by the lessee during a lease as accrued maintenance liabilities in recognition of our obligation in the lease to refund such payments, and therefore we do not recognize maintenance revenue during the lease. Maintenance revenue recognition would occur at or near the end of a lease, when we are able to determine the amount, if any, by which reserve payments received exceed the amount we are required under the lease to reimburse to the lessee for heavy maintenance, overhaul or parts replacement. The amount of maintenance revenue we recognize in any reporting period is inherently volatile and is dependent upon a number of factors, including the timing of lease expiries, including scheduled and unscheduled expiries, the timing of maintenance events and the utilization of the aircraft by the lessee.

Many of our leases contain provisions which may require us to pay a portion of the lessee's costs for heavy maintenance, overhaul or replacement of certain high-value components. We account for these expected payments as lease incentives, which are amortized as a reduction of revenue over the life of the lease. We estimate the amount of our portion for such costs, typically for the first major maintenance event for the airframe, engines, landing gear and auxiliary power units, expected to be paid to the lessee based on assumed utilization of the related aircraft by the lessee, the anticipated cost of the maintenance event and the estimated amounts the lessee is responsible to pay.

This estimated lease incentive is not recognized as a lease incentive liability at the inception of the lease. We recognize the lease incentive as a reduction of lease revenue on a straight-line basis over the life of the lease, with the offset being recorded as a lease incentive liability which is included in maintenance payments on the balance sheet. The payment to the lessee for the lease incentive liability is first recorded against the lease incentive liability and any excess above the lease incentive liability is recorded as a prepaid lease incentive asset which is included in other assets on the balance sheet and continues to amortize over the remaining life of the lease.

On April 10, 2019, the Company early terminated the leases for seven Boeing 737NG aircraft on lease to Jet Airways (India) Limited equipped with CFM56-7B engines. The Company has repossessed all seven aircraft and is in the process of transitioning them to a new lessee. As a result of the lease terminations of these seven aircraft, the Company will recognize net maintenance revenue of \$17.6 million and impairment charges of \$7.4 million in the second quarter of 2019. For more information regarding risks associated with our lessees see Item 1A. "Risk Factors - Risks Related to Our Lessees" in our 2018 Annual Report on Form 10-K.

2019 Lease Expirations and Lease Placements

At March 31, 2019, the Company had twelve aircraft off-lease and eighteen aircraft with scheduled lease expirations in 2019. As of April 30, 2019, we have three aircraft which account for 1.5% of our net book value at March 31, 2019, still to be placed or sold.

2020-2023 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 period 2020-2023, representing the percentage of our net book value of flight equipment (including flight equipment held for lease and net investment in direct financing and sales-type leases) at March 31, 2019, specified below:

- 2020: 22 aircraft, representing 6%;
- 2021: 27 aircraft, representing 8%;
- 2022: 30 aircraft, representing 9%; and
- 2023: 32 aircraft, representing 10%.

Operating Expenses

Operating expenses are comprised of depreciation of flight equipment held for lease, interest expense, selling, general and administrative expenses, aircraft impairment charges and maintenance and other costs. Because our operating lease terms generally require the lessee to pay for operating, maintenance and insurance costs, our portion of maintenance and other costs relating to aircraft reflected in our statement of income primarily relates to expenses for scheduled transitions and unscheduled lease terminations.

Income Tax Provision

We obtained an assurance from the Minister of Finance of Bermuda under the Exempted Undertakings Tax Protection Act 1966 that, in the event any legislation is enacted in Bermuda imposing any tax computed on profits or income, or computed on any capital asset, gain or appreciation or any tax in the nature of estate duty or inheritance tax, such tax shall not, until March 2035, be applicable to us or to any of our operations or to our shares, debentures or other obligations except insofar as such tax applies to persons ordinarily resident in Bermuda or to any taxes payable by us in respect of real property owned or leased by us in Bermuda. Consequently, the provision for income taxes recorded 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.

Our aircraft-owning subsidiaries that are recognized as corporations for U.S. tax purposes are primarily non-U.S. corporations. These subsidiaries generally earn income from sources outside the United States and typically are not subject to U.S. federal, state or local income taxes. The aircraft owning subsidiaries resident in Ireland, Mauritius 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.

Acquisitions and Sales

During the first three months of 2019, we acquired fourteen aircraft for \$444.7 million. As of April 30, 2019, we have acquired two additional aircraft. At March 31, 2019, we had commitments to acquire 37 additional aircraft for \$1.36 billion, including the acquisition of 25 new E-Jet E2 aircraft from Embraer, with delivery beginning in the third quarter of 2020. Of this amount, approximately \$426.9 million represents commitments for the remainder of 2019. As of April 30, 2019, we have commitments to acquire 35 aircraft for \$1.28 billion.

During the first three months of 2019, we sold four aircraft for net proceeds of \$56.3 million, and recognized net gains on sales of \$12.0 million, comprised of \$8.3 million from the sale of these aircraft and \$3.7 million resulting from the transition of two aircraft from operating to net investment in direct financing and sales-type leases. As of April 30, 2019, we have sold no additional aircraft.

The following table sets forth certain information with respect to the aircraft owned by us as of March 31, 2019:

AIRCASTLE AIRCRAFT INFORMATION (dollars in millions)

| | As of March 31, 2019 ⁽¹⁾ | As of March 31, 2018 ⁽¹⁾ |
|---------------------------------------------------------------------------------------------------------|-------------------------------------------|-------------------------------------------|
| <u>Owned Aircraft</u> | | |
| Net Book Value of Flight Equipment | \$ 7,645 | \$ 6,677 |
| Net Book Value of Unencumbered Flight Equipment | \$ 6,298 | \$ 5,304 |
| Number of Aircraft | 259 | 222 |
| Number of Unencumbered Aircraft | 228 | 193 |
| Number of Lessees | 86 | 81 |
| Number of Countries | 47 | 44 |
| Weighted Average Age (years) ⁽²⁾ | 9.4 | 9.3 |
| Weighted Average Remaining Lease Term (years) ⁽²⁾ | 4.5 | 4.8 |
| Weighted Average Fleet Utilization during the three months ended March 31, 2019 and 2018 ⁽³⁾ | 93.7% | 99.4% |
| Portfolio Yield for the three months ended March 31, 2019 and 2018 ⁽⁴⁾ | 10.5% | 11.5% |
| <u>Managed Aircraft on behalf of Joint Ventures</u> | | |
| Net Book Value of Flight Equipment | \$ 686 | \$ 634 |
| Number of Aircraft | 15 | 12 |

(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 was due to discontinued revenue recognition from eleven aircraft from Avianca Brazil and seven aircraft from Jet Airways during the three months ended March 31, 2019.

(4) Lease rental revenue, interest income and cash collections on our net investment in direct financing and sales-type leases for the period as a percent of the average net book value for the period; quarterly information is annualized. The decrease from our historical utilization rate was due to discontinued revenue recognition from eleven aircraft from Avianca Brazil and seven aircraft from Jet Airways during the three months ended March 31, 2019.

Our owned aircraft portfolio as of March 31, 2019 is listed in Exhibit 99.1 to this report.

PORTFOLIO DIVERSIFICATION

| Aircraft Type | Owned Aircraft as of March 31, 2019 | | Owned Aircraft as of March 31, 2018 | |
|---------------------------------|----------------------------------------|---------------------------------------|----------------------------------------|---------------------------------------|
| | Number of Aircraft | % of Net Book Value ⁽¹⁾ | Number of Aircraft | % of Net Book Value ⁽¹⁾ |
| Passenger: | | | | |
| Narrow-body | 229 | 73% | 190 | 66% |
| Wide-body | 26 | 23% | 28 | 29% |
| Total Passenger | 255 | 96% | 218 | 95% |
| Freighter | 4 | 4% | 4 | 5% |
| Total | 259 | 100% | 222 | 100% |
| Manufacturer | | | | |
| Airbus | 159 | 59% | 135 | 56% |
| Boeing | 95 | 40% | 82 | 42% |
| Embraer | 5 | 1% | 5 | 2% |
| Total | 259 | 100% | 222 | 100% |
| Regional Diversification | | | | |
| Asia and Pacific | 85 | 37% | 62 | 31% |
| Europe | 94 | 29% | 88 | 31% |
| Middle East and Africa | 17 | 8% | 14 | 8% |
| North America | 35 | 9% | 30 | 10% |
| South America | 16 | 10% | 26 | 19% |
| Off-lease | 12 ⁽²⁾ | 7% | 2 ⁽³⁾ | 1% |
| Total | 259 | 100% | 222 | 100% |

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

(2) Consisted of ten Airbus A320-200 aircraft, which are subject to lease commitments, and two Airbus A330-200 aircraft, which we are marketing for lease or sale.

(3) Consisted of one Airbus A321-200 aircraft and one Boeing B747-400ERF aircraft, both of which were delivered on lease to customers in the second quarter of 2018.

Our largest single customer represents approximately 9% of the net book value at March 31, 2019. Our top fifteen customers for aircraft we owned at March 31, 2019, representing 124 aircraft and 52% of the net book value, are as follows:

| Percent of Net Book Value | Customer | Country | Number of Aircraft |
|------------------------------|-------------------------------|----------------|--------------------|
| Greater than 6% per customer | IndiGo | India | 17 |
| 3% to 6% per customer | Lion Air | Indonesia | 11 |
| | LATAM | Chile | 3 |
| | TAP Portugal ⁽¹⁾ | Portugal | 8 |
| | Iberia | Spain | 15 |
| | South African Airways | South Africa | 4 |
| | easyJet | United Kingdom | 20 |
| | Jeju Air | South Korea | 9 |
| Less than 3% per customer | Aerolineas Argentinas | Argentina | 5 |
| | Interjet | Mexico | 11 |
| | AirBridgeCargo ⁽²⁾ | Russia | 2 |
| | AirAsia X | Malaysia | 2 |
| | Asiana Airlines | South Korea | 5 |
| | American Airlines | United States | 5 |
| | Jet Airways ⁽³⁾ | India | 7 |
| | Total top fifteen customers | | 124 |
| | All other customers | | 135 |
| | Total all customers | | 259 |

(1) Combined with an affiliate.

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

(3) See Note 2 "Fair Value Measurements" in the Notes to Unaudited Consolidated Financial Statements above.

Finance

We believe that cash on hand, payments received from lessees and other funds generated from operations, secured borrowings for 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. We may repay all or a portion of such borrowings from time to time with the net proceeds from subsequent long-term debt financings, additional equity offerings or cash generated from operations and asset sales. Therefore, our ability to execute our business strategy, particularly the acquisition of additional commercial jet aircraft or other aviation assets, depends to a significant degree on our ability to obtain additional debt and equity capital on terms we deem attractive.

See "Liquidity and Capital Resources" below.

RESULTS OF OPERATIONS

Comparison of the three months ended March 31, 2019 to the three months ended March 31, 2018:

| | Three Months Ended March 31, | |
|----------------------------------------------------------------------------------------------------------------|------------------------------|------------|
| | 2019 | 2018 |
| (Dollars in thousands) | | |
| Revenues: | | |
| Lease rental revenue | \$ 181,234 | \$ 177,483 |
| Direct financing and sales-type lease revenue | 8,443 | 9,442 |
| Amortization of lease premiums, discounts and incentives | (5,711) | (3,128) |
| Maintenance revenue | 16,401 | 11,991 |
| Total lease revenue | 200,367 | 195,788 |
| Gain on sale of flight equipment | 12,002 | 5,768 |
| Other revenue | 1,558 | 1,124 |
| Total revenues | 213,927 | 202,680 |
| Operating expenses: | | |
| Depreciation | 84,735 | 75,002 |
| Interest, net | 63,463 | 57,108 |
| Selling, general and administrative | 18,000 | 17,835 |
| Maintenance and other costs | 7,404 | 988 |
| Total operating expenses | 173,602 | 150,933 |
| Total other income (expense) | (2,061) | 3,174 |
| Income from continuing operations before income taxes and earnings of unconsolidated equity method investments | 38,264 | 54,921 |
| Income tax provision (benefit) | 3,098 | (844) |
| Earnings (loss) of unconsolidated equity method investments, net of tax | (356) | 1,782 |
| Net income | \$ 34,810 | \$ 57,547 |

Revenues

Total revenues increased by \$11.2 million for the three months ended March 31, 2019 as compared to the three months ended March 31, 2018.

Lease rental revenue. The increase in lease rental revenue of \$3.8 million for the three months ended March 31, 2019 as compared to the same period in 2018 was primarily the result of increases in revenue of \$38.6 million, reflecting the partial period impact of thirteen aircraft purchased in 2019, and the full period impact due to the acquisition of 37 aircraft since January 1, 2018. This increase was offset by:

- a \$25.2 million decrease due to lease extensions, amendments, transitions and other changes (\$15.9 million of which is attributable to Avianca Brazil and Jet Airways), and
- a \$9.6 million decrease due to the sale of eleven aircraft since January 1, 2018.

Direct financing and sales-type lease revenue. For the three months ended March 31, 2019, \$8.4 million of interest income from direct financing and sales-type leases was recognized as compared to \$9.4 million for the same period in 2018 due to the sale of two aircraft and the termination of one direct financing lease, partially offset by the acquisition of one aircraft and the reclassification of two aircraft from operating to direct financing leases since January 1, 2018.

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

| | Three Months Ended March 31, | |
|----------------------------------------------------------|------------------------------|------------|
| | 2019 | 2018 |
| | (Dollars in thousands) | |
| Amortization of lease incentives | \$ (3,100) | \$ (2,682) |
| Amortization of lease premiums | (4,037) | (2,439) |
| Amortization of lease discounts | 1,426 | 1,993 |
| Amortization of lease premiums, discounts and incentives | \$ (5,711) | \$ (3,128) |

Lease premiums represent the present value of the amount above current market lease rates for acquired aircraft with attached leases. The increase in amortization of lease premiums of \$1.6 million for the three months ended March 31, 2019, as compared to the same period in 2018, resulted primarily from a net increase in amortization resulting from net aircraft acquisitions.

Maintenance revenue. For the three months ended March 31, 2019, we recorded \$16.4 million of maintenance revenue, primarily due to the transition of one narrow-body aircraft and two wide-body aircraft, in addition to cash maintenance revenue received for ten narrow-body aircraft. For the same period in 2018, we recorded \$12.0 million of maintenance revenue primarily due to the transition of one freighter aircraft.

Gain on sale of flight equipment increased by \$6.2 million to \$12.0 million for the three months ended March 31, 2019, as compared to gains of \$5.8 million for the same period in 2018. During the three months ended March 31, 2019, we sold four aircraft with higher gains on sale, as compared to the sale of four aircraft during the same period in 2018. We also recognized gains totaling \$3.7 million resulting from the transition of two aircraft from operating to net investment in direct financing and sales-type leases.

Operating expenses

Total operating expenses increased by \$22.7 million for the three months ended March 31, 2019 as compared to the three months ended March 31, 2018.

Depreciation expense increased by \$9.7 million for the three months ended March 31, 2019 as compared to the same period in 2018. The increase is primarily the result of higher depreciation of \$14.1 million due to the effect of 50 aircraft acquired since January 1, 2018. These increases were partially offset by a decrease of \$5.2 million in depreciation due to thirteen aircraft sold.

Interest, net consisted of the following:

| | Three Months Ended March 31, | |
|----------------------------------------------------------------------|------------------------------|-----------|
| | 2019 | 2018 |
| | (Dollars in thousands) | |
| Interest on borrowings and other liabilities | \$ 60,279 | \$ 53,978 |
| Amortization of deferred losses related to interest rate derivatives | 184 | 301 |
| Amortization of deferred financing fees and debt discount | 3,364 | 3,532 |
| Interest expense | 63,827 | 57,811 |
| Less: Interest income | (364) | (703) |
| Interest, net | \$ 63,463 | \$ 57,108 |

Interest, net increased by \$6.4 million as compared to the three months ended March 31, 2018. This increase was the result of higher weighted average debt outstanding.

Selling, general and administrative expenses for the three months ended March 31, 2019 were flat as compared to the same period in 2018.

Maintenance and other costs were \$7.4 million for the three months ended March 31, 2019, an increase of \$6.4 million compared to the same period in 2018. The net increase is primarily attributable to higher than projected lessor contributions towards the cost of maintenance events for aircraft acquired with attached leases of \$3.4 million, scheduled transitions, and lease terminations for the three months ended March 31, 2019 versus the same period in 2018.

Other income (expense)

Total other income (expense) decreased by \$5.2 million for the three months ended March 31, 2019 as compared to the three months ended March 31, 2018. The net decrease in other income was primarily attributable to mark-to-market adjustments on our interest rate caps.

Income tax provision (benefit)

Our *income tax provision (benefit)* for the three months ended March 31, 2019 and 2018 was \$3.1 million and \$(0.8) million, respectively. Income taxes have been provided based on the applicable tax laws and rates of those countries in which operations are conducted and income is earned, primarily Ireland and the United States. The increase in our income tax provision of approximately \$3.9 million for the three months ended March 31, 2019, as compared to the same period in 2018, was primarily attributable to changes in operating income subject to tax in Ireland, the United States and other jurisdictions. Pre-tax earnings for the three months ended March 31, 2018 included the recording of the discrete item of a \$2.8 million tax benefit related to the Singapore rate reduction from 10% to 8%.

Our aircraft-owning subsidiaries that are recognized as corporations for U.S. tax purposes are primarily non-U.S. corporations. These subsidiaries generally earn income from sources outside the United States and typically are not subject to U.S. federal, state or local income taxes. The aircraft owning subsidiaries resident in Ireland, Mauritius 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 Company received an 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 recorded 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.

Aircraft Monitoring List

At March 31, 2019, no aircraft were on our monitoring list. We monitor our fleet for aircraft that are more susceptible to failing our recoverability assessments within one year due to their sensitivity to changes in contractual cash flows, future cash flow estimates and aircraft residual or scrap values.

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.

RECENTLY 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 generate 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:

- unsecured indebtedness, including our current unsecured revolving credit facilities, term loan and senior notes;
- various forms of borrowing secured by our aircraft, including bank term facilities, limited recourse securitization financings, and ECA-backed financings for new aircraft acquisitions;
- asset sales; and
- sales of common 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 first three months of 2019, we met our liquidity and capital resource needs with \$106.4 million of cash flow from operations, \$215.0 million of gross proceeds from the Unsecured Term Loan and \$56.3 million of cash from aircraft sales.

As of March 31, 2019, the weighted-average maturity of our secured and unsecured debt financings was 3.2 years and we were in compliance with all applicable covenants.

We believe that cash on hand, payments received from lessees and other funds generated from operations, secured borrowings for 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 over the next twelve months.

Cash Flows

| | Three Months Ended March 31, | |
|----------------------------------------------------------|------------------------------|------------|
| | 2019 | 2018 |
| | (Dollars in thousands) | |
| Net cash flow provided by operating activities | \$ 106,360 | \$ 148,905 |
| Net cash flow used in investing activities | (286,246) | (50,612) |
| Net cash flow provided by (used in) financing activities | 120,241 | (99,811) |

Operating Activities:

Cash flow provided by operations was \$106.4 million and \$148.9 million for the three months ended March 31, 2019 and 2018, respectively. The decrease in cash flow provided by operations of \$42.5 million for the three months ended March 31, 2019 versus the same period in 2018 was primarily a result of a \$17.7 million increase in cash paid for interest, a \$10.1 million decrease in cash received from maintenance revenue, an \$8.2 million decrease in cash from working capital and a \$6.4 million increase in cash paid for maintenance.

Investing Activities:

Cash flow used in investing activities was \$286.2 million and \$50.6 million for the three months ended March 31, 2019 and 2018, respectively. The increase in cash flow used in investing activities of \$235.6 million for the three months ended March 31, 2019 versus the same period in 2018 was primarily a result of a \$257.1 million increase in the acquisition and improvement of flight equipment and net investments in direct financing and sales-type leases.

These outflows were primarily offset by a \$12.4 million increase in aircraft proceeds from the sale of flight equipment.

Financing Activities:

Cash flow provided by financing activities was \$120.2 million for the three months ended March 31, 2019 as compared to cash flow used in financing activities of \$99.8 million for the three months ended March 31, 2018. The net increase in cash flow provided by financing activities of \$220.1 million for the three months ended March 31, 2019 versus the same period in 2018 was primarily a result of a \$215.0 million increase in proceeds from secured and unsecured financings and a \$25.6 million decrease in securitization and term debt financing repayments.

These inflows were offset by a \$16.2 million decrease in maintenance payments and security deposits received, net of returns.

Debt Obligations

For complete information on our debt obligations, please refer to Note 7 - "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, other aircraft acquisition agreements and rent payments related to our office leases. Total contractual obligations increased to \$7.09 billion at March 31, 2019 from \$6.95 billion at December 31, 2018, due primarily to an increase in aircraft purchase obligations, partially offset by debt amortization.

The following table presents our actual contractual obligations and their payment due dates as of March 31, 2019:

| Contractual Obligations | Payments Due by Period as of March 31, 2019 | | | | |
|------------------------------------------------------|---------------------------------------------|----------------|--------------|--------------|-------------------|
| | Total | 1 year or less | 2-3 years | 4-5 years | More than 5 years |
| (Dollars in thousands) | | | | | |
| Principal payments: | | | | | |
| Senior Notes due 2019 - 2024 | \$ 3,450,000 | \$ 500,000 | \$ 1,300,000 | \$ 1,150,000 | \$ 500,000 |
| Unsecured Term Loans | 335,000 | 120,000 | 60,000 | 155,000 | — |
| Revolving Credit Facilities | 375,000 | — | — | 375,000 | — |
| ECA Financings | 179,254 | 40,150 | 82,822 | 50,224 | 6,058 |
| Bank Financings | 603,409 | 68,460 | 119,133 | 278,458 | 137,358 |
| Total principal payments | 4,942,663 | 728,610 | 1,561,955 | 2,008,682 | 643,416 |
| Interest payments on debt obligations ⁽¹⁾ | 771,994 | 241,250 | 344,915 | 168,960 | 16,869 |
| Office leases ⁽²⁾ | 17,089 | 2,447 | 3,783 | 3,449 | 7,410 |
| Purchase obligations ⁽³⁾ | 1,358,211 | 452,760 | 905,451 | — | — |
| Total | \$ 7,089,957 | \$ 1,425,067 | \$ 2,816,104 | \$ 2,181,091 | \$ 667,695 |

(1) Future interest payments on variable rate, LIBOR-based debt obligations are estimated using the interest rate in effect at March 31, 2019.

(2) Represents contractual payment obligations for our office leases in Stamford, Connecticut; Dublin, Ireland and Singapore.

(3) At March 31, 2019, we had commitments to acquire 37 aircraft for \$1.36 billion, including 25 new E-Jet E2 aircraft from Embraer S.A. These amounts include estimates for pre-delivery deposits, contractual price escalation and other adjustments. As of April 30, 2019, we have commitments to acquire 35 aircraft for \$1.28 billion.

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 three months ended March 31, 2019 and 2018, we incurred a total of \$7.9 million and \$1.6 million, respectively, of capital expenditures (including lease incentives) related to the improvement of aircraft.

As of March 31, 2019, the weighted average age by net book value of our aircraft was approximately 9.4 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 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 a number of factors, including defaults by the lessees. 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 2018 Annual Report on Form 10-K.

Off-Balance Sheet Arrangements

We entered into two joint venture arrangements in order to help expand our base of new business opportunities. None of these joint ventures qualifies for consolidated accounting treatment. The assets and liabilities of these entities 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 30% equity interest in our Lancaster joint venture and a 25% equity interest in our IBJ Air joint venture. At March 31, 2019, the net book value of our two joint ventures’ fifteen aircraft was \$685.6 million. We recognized our share of the undistributed loss in our joint venture with Teachers’ of \$0.7 million during the quarter ended March 31, 2019, the loss of which is attributable to a fair value impairment recorded by the joint venture as a result of a confirmed letter of intent to sell its aircraft to a third party buyer.

In March of 2019, we sold two aircraft to IBJ Air, in which we hold a 25% equity interest. This transaction was approved by our Audit Committee as an arm’s length transaction under our related party policy.

Foreign Currency Risk and Foreign Operations

At March 31, 2019, all of 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 three months ended March 31, 2019, expenses, such as payroll and office costs, denominated in currencies other than the U.S. dollar aggregated approximately \$4.4 million in U.S. dollar equivalents and represented approximately 24% 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 three months ended March 31, 2019 and 2018, 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 to EBITDA and Adjusted EBITDA for the three months ended March 31, 2019 and 2018:

| | Three Months Ended March 31, | |
|---------------------------------------------------------------------|------------------------------|------------|
| | 2019 | 2018 |
| | (Dollars in thousands) | |
| Net income | \$ 34,810 | \$ 57,547 |
| Depreciation | 84,735 | 75,002 |
| Amortization of lease premiums, discounts and incentives | 5,711 | 3,128 |
| Interest, net | 63,463 | 57,108 |
| Income tax provision (benefit) | 3,098 | (844) |
| EBITDA | 191,817 | 191,941 |
| Adjustments: | | |
| Equity share of joint venture impairment | 2,724 | — |
| Non-cash share-based payment expense | 2,726 | 2,378 |
| Loss (gain) on mark-to-market of interest rate derivative contracts | 2,080 | (3,174) |
| Adjusted EBITDA | \$ 199,347 | \$ 191,145 |

Management's Use of Adjusted Net Income ("ANI")

Management believes that ANI, when viewed in conjunction with the Company's results under U.S. GAAP and the below reconciliation, provides useful information about operating and period-over-period performance and additional information that is useful for evaluating the underlying operating performance of our business without regard to periodic reporting elements related to interest rate derivative accounting, changes related to refinancing activity and non-cash share-based payment expense.

The table below shows the reconciliation of net income to ANI for the three months ended March 31, 2019 and 2018:

| | Three Months Ended March 31, | |
|------------------------------------------------------------------------------------|------------------------------|-----------|
| | 2019 | 2018 |
| | (Dollars in thousands) | |
| Net income | \$ 34,810 | \$ 57,547 |
| (Gain) loss on mark-to-market of interest rate derivative contracts ⁽¹⁾ | 2,080 | (3,174) |
| Non-cash share-based payment expense ⁽²⁾ | 2,726 | 2,378 |
| Adjusted net income | \$ 39,616 | \$ 56,751 |

(1) Included in Other income (expense).

(2) Included in Selling, general and administrative expenses.

| | Three Months Ended March 31, | |
|---------------------------------|------------------------------|------------|
| | 2019 | 2018 |
| Weighted-average shares: | | |
| Common shares outstanding | 74,703,791 | 78,366,588 |
| Restricted common shares | 434,531 | 431,161 |
| Total weighted-average shares | 75,138,322 | 78,797,749 |

| | Three Months Ended March 31, | |
|-----------------------------------------------|------------------------------|---------|
| | 2019 | 2018 |
| Percentage of weighted-average shares: | | |
| Common shares outstanding | 99.42% | 99.45% |
| Restricted common shares ⁽¹⁾ | 0.58% | 0.55% |
| Total percentage of weighted-average shares | 100.00% | 100.00% |

| | Three Months Ended March 31, | |
|------------------------------------------------------|-------------------------------------|-------------|
| | 2019 | 2018 |
| Weighted-average common shares outstanding – Basic | 74,703,791 | 78,366,588 |
| Effect of dilutive shares ⁽²⁾ | 569,822 | 228,019 |
| Weighted average common shares outstanding – Diluted | 75,273,613 | 78,594,607 |

| | Three Months Ended March 31, | |
|---------------------------------------------------------------------------------------------------|-------------------------------------------------------------|-------------|
| | 2019 | 2018 |
| | (Dollars in thousands, except per share amounts) | |
| Adjusted net income allocation: | | |
| Adjusted net income | \$ 39,616 | \$ 56,751 |
| Less: Distributed and undistributed earnings allocated to restricted common shares ⁽²⁾ | (229) | (311) |
| Adjusted net income allocable to common shares – Basic and Diluted | \$ 39,387 | \$ 56,440 |
| Adjusted net income per common share – Basic | \$ 0.53 | \$ 0.72 |
| Adjusted net income per common share – Diluted | \$ 0.52 | \$ 0.72 |

(1) For the three months ended March 31, 2019 and 2018, distributed and undistributed earnings to restricted shares were 0.58% and 0.55%, respectively, of net income. The amount of restricted share forfeitures for all periods presented is immaterial to the allocation of distributed and undistributed earnings.

(2) For all periods presented, dilutive shares represent contingently issuable shares.

Limitations of EBITDA, Adjusted EBITDA and ANI

An investor or potential investor may find EBITDA, Adjusted EBITDA and ANI 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, Adjusted EBITDA and ANI 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, Adjusted EBITDA and ANI, 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;
- hedge loss amortization charges; and
- adjustments required in calculating covenant ratios and compliance as that term is defined in the indenture governing our senior unsecured notes.

EBITDA, Adjusted EBITDA and ANI 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, Adjusted EBITDA and ANI are not measures of financial performance under U.S. GAAP and are susceptible to varying calculations, EBITDA, Adjusted EBITDA and ANI 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 lease agreements, floating rate debt obligations and interest rate derivatives. 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.

Changes in interest rates may also impact our net book value as our interest rate derivatives are periodically marked-to-market through shareholders' equity. Generally, we are exposed to loss on our fixed pay interest rate derivatives to the extent interest rates decrease below their contractual fixed rate.

The relationship between spreads on derivative instruments may vary from time to time, resulting in a net aggregate book value increase or decrease. Changes in the general level of interest rates can also affect our ability to acquire new investments and our ability to realize gains from the settlement of such assets.

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 and, in particular, does not address the mark-to-market impact on our interest rate derivatives. It also does not include a variety of other potential factors that could affect our business as a result of changes in interest rates.

A hypothetical 100-basis point increase/decrease in our variable interest rates would increase/decrease the minimum contracted rentals on our portfolio as of March 31, 2019 by \$4.3 million and \$4.3 million, respectively, over the next twelve months. As of March 31, 2019, a hypothetical 100-basis point increase/decrease in our variable interest rate on our borrowings would result in an interest expense increase/decrease of \$7.5 million and \$8.3 million, respectively, net of amounts received from our interest rate derivatives, over the next twelve months. In September 2016, we purchased an interest rate cap to hedge a portion of our floating rate interest exposure. The interest rate cap is set at 2% and has a current notional balance of \$365.0 million and reduces over time to \$215.0 million. The cap matures 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 March 31, 2019. 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 March 31, 2019.

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 March 31, 2019 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II. — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS

There have been no material changes to the disclosure related to the risk factors described in our Annual Report on Form 10-K filed with the SEC for the year ended December 31, 2018.

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

Issuer Purchases of Equity Securities

On October 30, 2018, our Board of Directors increased the authorization to repurchase the Company's common shares to \$100.0 million from the \$42.2 million that was remaining under the previous authorization. During the first quarter of 2019, we purchased our common shares as follows:

| <u>Period</u> | <u>Total Number of Shares Purchased</u> | <u>Average Price Paid per Share</u> | <u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs⁽¹⁾</u> | <u>Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs ⁽¹⁾</u> |
|--------------------------------|-----------------------------------------------------|-------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | (Dollars in thousands, except per share amounts) | | | |
| January 1 through January 31 | 583,153 | \$ 17.53 | 496,920 | \$ 76,019 |
| February 1 through February 28 | 60,892 | 20.21 | — | 76,019 |
| March 1 through March 31 | 9,751 | 20.24 | — | 76,019 |
| Total | 653,796 | \$ 17.82 | 496,920 | \$ 76,019 |

(1) Under our current repurchase program, we have repurchased an aggregate of 1,397,712 common shares at an aggregate cost of \$24.0 million, including commissions. The remaining dollar value of common shares that may be repurchased under the program is \$76.0 million.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

| <u>Exhibit No.</u> | <u>Description of Exhibit</u> |
|--------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3.1 | <u>Memorandum of Association (incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-1 (Amendment No. 2) (No. 333-134669) filed on July 25, 2006).</u> |
| 3.2 | <u>Amended Bye-laws, dated May 18, 2018. *</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 April 4, 2012, 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 April 5, 2012).</u> |
| 4.3 | <u>Indenture, dated as of November 30, 2012, 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 with the SEC on November 30, 2012).</u> |
| 4.4 | <u>Amended and Restated Shareholder Agreement, dated as of February 18, 2015, by and between Aircastle Limited and Marubeni Corporation (incorporated by reference to Exhibit 4.8 to the Company's Quarterly Report on Form 10-Q filed on May 6, 2015).</u> |
| 4.5 | <u>Amendment No. 1 to the Amended and Restated Shareholder Agreement, dated as of September 23, 2016, by and among Aircastle Limited, Marubeni Corporation, and Marubeni Aviation Holding Coöperatief U.A. (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on September 26, 2016).</u> |
| 4.6 | <u>Indenture, dated as of December 5, 2013, by and between Aircastle Limited and Wells Fargo Bank, National Association, as trustee Citigroup Global Markets, Inc., Goldman, Sachs & Co., J.P. Morgan Securities LLC and RBC Capital Markets, LLC (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on December 6, 2013).</u> |
| 4.7 | <u>Second Supplemental Indenture, dated as of March 26, 2014, 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 26, 2014).</u> |
| 4.8 | <u>Third Supplemental Indenture, dated as of January 15, 2015, by and between Aircastle Limited and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on January 15, 2015).</u> |
| 4.9 | <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> |
| 4.10 | <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> |
| 4.11 | <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> |
| 10.1 | <u>Amendment No. 7 to Purchase Agreement COM0270-15, dated as of February 5, 2019, by and between Aircastle Holding Corporation and Embraer S.A. *Ø</u> |
| 31.1 | <u>Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002. *</u> |
| 31.2 | <u>Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002. *</u> |
| 32.1 | <u>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. *</u> |
| 32.2 | <u>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. *</u> |
| 99.1 | <u>Owned Aircraft Portfolio at March 31, 2019. *</u> |

Exhibit No.

Description of Exhibit

101 The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2019, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of March 31, 2019 and December 31, 2018; (ii) Consolidated Statements of Income for the three months ended March 31, 2019 and 2018; (iii) Consolidated Statements of Comprehensive Income for the three months ended March 31, 2019 and 2018; (iv) Consolidated Statements of Cash Flows for the three months ended March 31, 2019 and 2018; (v) Consolidated Statements of Changes in Shareholders' Equity for the three months ended March 31, 2019 and 2018; and (vi) Notes to Unaudited Consolidated Financial Statements. *

* Filed herewith.

Ø Portions of this exhibit have been omitted.

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: May 2, 2019

AIRCASTLE LIMITED

(Registrant)

By:

/s/ James C. Connelly

James C. Connelly

Chief Accounting Officer and Authorized Officer

**BYE-LAWS OF
AIRCASTLE LIMITED**

18th May 2018

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INTERPRETATION

1. Definitions

1.1 In these Bye-laws, the following words and expressions shall, where not inconsistent with the context, have the following meanings, respectively:

Act the Companies Act 1981 as amended from time to time;

Alternate Director an alternate director appointed in accordance with these Bye-laws;

Auditor includes an individual or partnership;

Board the board of directors appointed or elected pursuant to these Bye-laws and acting by resolution in accordance with the Act and these Bye-laws or the directors present at a meeting of directors at which there is a quorum;

Company the company for which these Bye-laws are approved and confirmed;

Director a director of the Company and shall include an Alternate Director;

Exchange Act the US Securities Exchange Act of 1934, as amended;

Fair Market Value with respect to a purchase of any shares of the Company in accordance with Bye-laws 3.2 and 3.3 (i) if such shares are listed on a securities exchange (or quoted in a securities quotation system), the average closing sale price of such shares on such exchange (or in such quotation system), or, if such shares are

listed on (or quoted in) more than one exchange (or quotation system), the average closing sale price of the shares on the principal securities exchange (or quotation system) on which such shares are then traded, or, if such shares are not then listed on a securities exchange (or quotation system) but are traded in the over-the-counter market, the average of the latest bid and asked quotations for such shares in such market, in each case for the last five trading days immediately preceding the day on which notice of the purchase of such shares is sent pursuant to these Bye-laws or (ii) if no such closing sales prices or quotations are available because such shares are not publicly traded or otherwise, the fair value of such shares as determined by one independent nationally recognized investment banking firm chosen by the Company, provided that the calculation of the Fair Market Value of the shares made by such appointed investment banking firm (i) shall not include any discount relating to the absence of a public trading market for, or any transfer restrictions on, such shares, and (ii) such calculation shall be final and the fees and expenses stemming from such calculation shall be borne by the Company or its assignee, as the case may be;

Member

the person registered in the Register of Members as the holder of shares in the Company and, when two or more persons are so registered as joint holders of shares, means the person whose name stands first in the Register of Members as one of such joint holders or all of such persons, as the context so requires;

notice

written notice as further provided in these Bye-laws unless otherwise specifically stated;

Aircastle Limited

| | |
|------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Officer | any person appointed by the Board to hold an office in the Company; |
| Register of Directors and Officers | the register of directors and officers referred to in these Bye-laws; |
| Register of Members | the register of members referred to in these Bye-laws; |
| Regulation FD | Regulation Fair Disclosure promulgated by the U.S. Securities and Exchange Commission; |
| Resident Representative | any person appointed to act as resident representative and includes any deputy or assistant resident representative; |
| Secretary | the person appointed to perform any or all of the duties of secretary of the Company and includes any deputy or assistant secretary and any person appointed by the Board to perform any of the duties of the Secretary; and |
| Treasury Share | a share of the Company that was or is treated as having been acquired and held by the Company and has been held continuously by the Company since it was so acquired and has not been cancelled. |

1.2 In these Bye-laws, where not inconsistent with the context:

- (a) words denoting the plural number include the singular number and vice versa;
- (b) words denoting the masculine gender include the feminine and neuter genders;
- (c) words importing persons include companies, associations or bodies of persons whether corporate or not;
- (d) the words:
 - (i) "may" shall be construed as permissive; and

(ii) "shall" shall be construed as imperative;

(e) the phrase "issued and outstanding" in relation to shares, means shares in issue other than Treasury Shares; and

(f) unless otherwise provided herein, words or expressions defined in the Act shall bear the same meaning in these Bye-laws.

1.3 In these Bye-laws expressions referring to writing or its cognates shall, unless the contrary intention appears, include facsimile, printing, lithography, photography, electronic mail and other modes of representing words in visible form.

1.4 Headings used in these Bye-laws are for convenience only and are not to be used or relied upon in the construction hereof.

SHARES

2. Power to Issue Shares

2.1 Subject to these Bye-laws and to any resolution of the Members to the contrary, and without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, the Board shall have the power to issue any unissued shares of the Company on such terms and conditions as it may determine.

2.2 Without limitation to the provisions of Bye-law 4, subject to the provisions of the Act, any preference shares may be issued or converted into shares that (at a determinable date or at the option of the Company or the holder) are liable to be redeemed on such terms and in such manner as may be determined by the Board (before the issue or conversion).

3. Power of the Company to Purchase its Shares

3.1 The Company may purchase its own shares in accordance with the provisions of the Act on such terms as the Board shall think fit. The Board may exercise all the powers of the Company to purchase all or any part of its own shares in accordance with the Act.

- 3.2** Without prejudice to the generality of Bye-law 3.1, subject to the Act, if the Board in its absolute and unfettered discretion, on behalf of the Company, determines that share ownership by any Member owning more than 5% of the Company's issued and outstanding Common Shares (as defined in Bye-law 4.1) that is not either a U.S. citizen or a qualified resident of the U.S. or of the contracting state of any applicable tax treaty with the U.S. (as determined for purposes of the relevant provision of the limitation on benefits article of such treaty) may result in adverse tax, regulatory or legal consequences to the Company or to any of its subsidiaries (wherever incorporated), the Company will have the option, but not the obligation, to purchase all or part of the shares held by such Member (to the extent the Board, in the reasonable exercise of its discretion, determines it is necessary to avoid or cure such adverse consequences) for immediately available funds in an amount equal to the Fair Market Value of such shares on the date the Company sends the Repurchase Notice referred to below (the "Repurchase Price"); provided that the Board will use its reasonable efforts to exercise this option equitably among similarly situated Members (to the extent feasible under the circumstances). In that event, the Company will also be entitled to assign its purchase right to a third party or parties including the other Members, with the consent of such assignee. Each Member shall be bound by the determination by the Company to purchase or assign its right to purchase such Member's shares and, if so required by the Company, shall sell the number of shares that the Company requires it to sell.
- 3.3** In the event that the Company or its assignee(s) determines to purchase any shares in accordance with Bye-law 3.2, the Company shall provide each Member concerned with written notice of such determination (a "Repurchase Notice") at least 7 calendar days prior to such purchase or such shorter period as each such Member may authorize, specifying the date on which any such shares are to be purchased and the Repurchase Price. The Company may revoke the Repurchase Notice at any time before it (or its assignee(s)) pays for the shares. Neither the Company nor its assignee(s) shall be obliged to give general notice to the Members of any intention to purchase or the conclusion of any purchase of shares. Payment of the Repurchase Price by the Company or its assignee(s) shall be by wire transfer and made at a closing to be held no less than 7 calendar days after receipt of the Repurchase Notice by the Member.

- 3.4** The Company may purchase its own shares for cancellation or acquire them as Treasury Shares in accordance with the Act on such terms as the Board shall think fit.

4. Rights Attaching to Shares

- 4.1** At the date these Bye-laws are adopted, the share capital of the Company shall be divided into two classes: (i) 250,000,000 common shares of par value US\$0.01 each (the "Common Shares") and (ii) 50,000,000 preference shares of par value US\$0.01 each (the "Preference Shares").

- 4.2** The holders of Common Shares shall, subject to the provisions of these Bye-laws (including, without limitation, the rights attaching to Preference Shares):

- (a) be entitled to one vote per share;
- (b) be entitled to such dividends as the Board may from time to time declare;
- (c) in the event of a winding-up or dissolution of the Company, whether voluntary or involuntary or for the purpose of a reorganisation or otherwise or upon any distribution of capital, be entitled to the surplus assets of the Company; and
- (d) generally be entitled to enjoy all of the rights attaching to shares.

- 4.3** The Board is authorised to provide for the issuance of the Preference Shares in one or more series, and to establish from time to time the number of shares to be included in each such series, and to fix the designation, powers, preferences and rights of the shares of each such series and the qualifications, limitations, or restrictions thereof (and, for the avoidance of doubt, such matters and the issuance of such Preference Shares shall not be deemed to vary the rights attached to the Common Shares or, subject to the terms of any other series of Preference Shares, to vary the rights attached to any other series of Preference Shares). The authority of the Board with respect to each series shall include, but not be limited to, determination of the following:

- (a) the number of shares constituting that series and the distinctive designation of that series;

Aircastle Limited

- (b) the dividend rate on the shares of that series, whether dividends shall be cumulative and, if so, from which date or dates, and the relative rights of priority, if any, of the payment of dividends on shares of that series;
- (c) whether that series shall have voting rights, in addition to the voting rights provided by law, and if so, the terms of such voting rights;
- (d) whether that series shall have conversion or exchange privileges (including, without limitation, conversion into Common Shares), and, if so, the terms and conditions of such conversion or exchange, including provision for adjustment of the conversion or exchange rate in such events as the Board shall determine;
- (e) whether or not the shares of that series shall be redeemable or repurchaseable, and, if so, the terms and conditions of such redemption or repurchase, including the manner of selecting shares for redemption or repurchase if less than all shares are to be redeemed or repurchased, the date or dates upon or after which they shall be redeemable or repurchaseable, and the amount per share payable in case of redemption or repurchase, which amount may vary under different conditions and at different redemption or repurchase dates;
- (f) whether that series shall have a sinking fund for the redemption or repurchase of shares of that series, and, if so, the terms and amount of such sinking fund;
- (g) the right of the shares of that series to the benefit of conditions and restrictions upon the creation of indebtedness of the Company or any subsidiary, upon the issue of any additional shares (including additional shares of such series or any other series) and upon the payment of dividends or the making of other distributions on, and the purchase, redemption or other acquisition by the Company or any subsidiary of any issued shares of the Company;
- (h) the rights of the shares of that series in the event of voluntary or involuntary liquidation, dissolution or winding up of the Company, and the relative rights of priority, if any, of payment of shares of that series; and

(i) any other relative participating, optional or other special rights, qualifications, limitations or restrictions of that series.

4.4 Any Preference Shares of any series which have been redeemed (whether through the operation of a sinking fund or otherwise) or which, if convertible or exchangeable, have been converted into or exchanged for shares of any other class or classes shall have the status of authorised and unissued Preference Shares of the same series and may be reissued as a part of the series of which they were originally a part or may be reclassified and reissued as part of a new series of Preference Shares to be created by resolution or resolutions of the Board or as part of any other series of Preference Shares, all subject to the conditions and the restrictions on issuance set forth in the resolution or resolutions adopted by the Board providing for the issue of any series of Preference Shares.

4.5 At the discretion of the Board, whether or not in connection with the issuance and sale of any shares or other securities of the Company, the Company may issue securities, contracts, warrants or other instruments evidencing any shares, option rights, securities having conversion or option rights, or obligations on such terms, conditions and other provisions as are fixed by the Board, including, without limiting the generality of this authority, conditions that preclude or limit any person or persons owning or offering to acquire a specified number or percentage of the issued Common Shares, other shares, option rights, securities having conversion or option rights, or obligations of the Company or transferee of the person or persons from exercising, converting, transferring or receiving the shares, option rights, securities having conversion or option rights, or obligations.

4.6 All the rights attaching to a Treasury Share shall be suspended and shall not be exercised by the Company while it holds such Treasury Share and, except where required by the Act, all Treasury Shares shall be excluded from the calculation of any percentage or fraction of the share capital, or shares, of the Company.

5. Calls on Shares

- 5.1** The Board may make such calls as it thinks fit upon the Members in respect of any monies (whether in respect of nominal value or premium) unpaid on the shares allotted to or held by such Members (and not made payable at fixed times by the terms and conditions of issue) and, if a call is not paid on or before the day appointed for payment thereof, the Member may at the discretion of the Board be liable to pay the Company interest on the amount of such call at such rate as the Board may determine, from the date when such call was payable up to the actual date of payment. The Board may differentiate between the holders as to the amount of calls to be paid and the times of payment of such calls.
- 5.2** Any sum which by the terms of allotment of a share becomes payable upon issue or at any fixed date, whether on account of the nominal value of the share or by way of premium, shall for all the purposes of these Bye-laws be deemed to be a call duly made and payable, on the date on which, by the terms of issue, the same becomes payable, and in case of non-payment all the relevant provisions of these Bye-laws as to payment of interest, costs, charges and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.
- 5.3** The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof.
- 5.4** The Company may accept from any Member the whole or a part of the amount remaining unpaid on any shares held by him, although no part of that amount has been called up.

6. Forfeiture of Shares

- 6.1** If any Member fails to pay, on the day appointed for payment thereof, any call in respect of any share allotted to or held by such Member, the Board may, at any time thereafter during such time as the call remains unpaid, direct the Secretary to forward such Member a notice in writing in the form, or as near thereto as circumstances admit, of the following:

Notice of Liability to Forfeiture for Non-Payment of Call
Aircastle Limited (the "Company")

Aircastle Limited

You have failed to pay the call of [amount of call] made on the [] day of [], 20[], in respect of the [number] share(s) [number in figures] standing in your name in the Register of Members of the Company, on the [] day of [], 20[], the day appointed for payment of such call. You are hereby notified that unless you pay such call together with interest thereon at the rate of [] per annum computed from the said [] day of [], 20[] at the registered office of the Company the share(s) will be liable to be forfeited.

Dated this [] day of [], 20[]

[Signature of Secretary] By Order of the Board

- 6.2** If the requirements of such notice are not complied with, any such share may at any time thereafter before the payment of such call and the interest due in respect thereof be forfeited by a resolution of the Board to that effect, and such share shall thereupon become the property of the Company and may be disposed of as the Board shall determine.
- 6.3** A Member whose share or shares have been forfeited as aforesaid shall, notwithstanding such forfeiture, be liable to pay to the Company all calls owing on such share or shares at the time of the forfeiture and all interest due thereon.
- 6.4** The Board may accept the surrender of any shares which it is in a position to forfeit on such terms and conditions as may be agreed. Subject to those terms and conditions, a surrendered share shall be treated as if it had been forfeited.

7. Share Certificates

- 7.1** Every Member shall be entitled to a certificate under the seal of the Company (or a facsimile thereof) specifying the number and, where appropriate, the class of shares held by such Member and whether the same are fully paid up and, if not, specifying the amount paid on such shares. The Board may by resolution determine, either generally or in a particular case, that any or all signatures on certificates may be printed thereon or affixed by mechanical means.

Aircastle Limited

7.2 The Company shall be under no obligation to complete and deliver a share certificate unless specifically called upon to do so by the person to whom the shares have been allotted.

7.3 If any share certificate shall be proved to the satisfaction of the Board to have been worn out, lost, mislaid, or destroyed the Board may cause a new certificate to be issued and request an indemnity for the lost certificate if it sees fit.

8. Fractional Shares

The Company may issue its shares in fractional denominations and deal with such fractions to the same extent as its whole shares and shares in fractional denominations shall have in proportion to the respective fractions represented thereby all of the rights of whole shares including (but without limiting the generality of the foregoing) the right to vote, to receive dividends and distributions and to participate in a winding-up.

REGISTRATION OF SHARES

9. Register of Members

9.1 The Board shall cause to be kept in one or more books a Register of Members and shall enter therein the particulars required by the Act.

9.2 The Register of Members shall be open to inspection at the registered office of the Company on every business day, subject to such reasonable restrictions as the Board may impose, so that not less than two hours in each business day be allowed for inspection. The Register of Members may, after notice has been given in accordance with the Act, be closed for any time or times not exceeding in the whole thirty days in each year.

10. Registered Holder Absolute Owner

The Company shall be entitled to treat the registered holder of any share as the absolute owner thereof and accordingly shall not be bound to recognise any equitable claim or other claim to, or interest in, such share on the part of any other person.

11. Transfer of Registered Shares

11.1 An instrument of transfer shall be in writing in the form of the following, or as near thereto as circumstances admit, or in such other form as the Board may accept:

Transfer of a Share or Shares

Aircastle Limited (the "Company")

FOR VALUE RECEIVED.....[amount], I, [name of transferor] hereby sell, assign and transfer unto [transferee] of [address], [number] of shares of the Company.

DATED this [] day of [], 20[]

Signed by: In the presence of:

Transferor Witness

Transferee Witness

11.2 Such instrument of transfer shall be signed by or on behalf of the transferor and transferee, provided that, in the case of a fully paid share, the Board may accept the instrument signed by or on behalf of the transferor alone. The transferor shall be deemed to remain the holder of such share until the same has been transferred to the transferee in the Register of Members.

11.3 The Board may refuse to recognise any instrument of transfer unless it is accompanied by the certificate in respect of the shares to which it relates and by such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer.

11.4 The joint holders of any share may transfer such share to one or more of such joint holders, and the surviving holder or holders of any share previously held by them jointly with a deceased Member may transfer any such share to the executors or administrators of such deceased Member.

11.5 The Board may in its absolute discretion and without assigning any reason therefor refuse to register the transfer of a share which is not fully paid. The Board shall refuse to register a transfer unless all applicable

consents, authorisations and permissions of any governmental body or agency in Bermuda have been obtained. If the Board refuses to register a transfer of any share the Secretary shall, within three months after the date on which the transfer was lodged with the Company, send to the transferor and transferee notice of the refusal.

11.6 Shares may be transferred without a written instrument if transferred by an appointed agent or otherwise in accordance with the Act.

11.7 Notwithstanding anything to the contrary in these Bye-laws, shares that are listed or admitted to trading on an appointed stock exchange may be transferred in accordance with the rules and regulations of such exchange.

12. Transmission of Registered Shares

12.1 In the case of the death of a Member, the survivor or survivors where the deceased Member was a joint holder, and the legal personal representatives of the deceased Member where the deceased Member was a sole holder, shall be the only persons recognised by the Company as having any title to the deceased Member's interest in the shares. Nothing herein contained shall release the estate of a deceased joint holder from any liability in respect of any share which had been jointly held by such deceased Member with other persons. Subject to the provisions of the Act, for the purpose of this Bye-law, legal personal representative means the executor or administrator of a deceased Member or such other person as the Board may, in its absolute discretion, decide as being properly authorised to deal with the shares of a deceased Member.

12.2 Any person becoming entitled to a share in consequence of the death or bankruptcy of any Member may be registered as a Member upon such evidence as the Board may deem sufficient or may elect to nominate some person to be registered as a transferee of such share, and in such case the person becoming entitled shall execute in favour of such nominee an instrument of transfer in writing in the form, or as near thereto as circumstances admit, of the following:

Transfer by a Person Becoming Entitled on Death/Bankruptcy of a Member

Aircastle Limited (the "Company")

I/We, having become entitled in consequence of the [death/bankruptcy] of [name and address of deceased/bankrupt Member] to [number] share(s) standing in the Register of Members of the Company in the name of the said [name of deceased/bankrupt Member] instead of being registered myself/ourselves, elect to have [name of transferee] (the "Transferee") registered as a transferee of such share(s) and I/we do hereby accordingly transfer the said share(s) to the Transferee to hold the same unto the Transferee, his or her executors, administrators and assigns, subject to the conditions on which the same were held at the time of the execution hereof; and the Transferee does hereby agree to take the said share(s) subject to the same conditions.

DATED this [] day of [], 20[]

| | |
|------------|---------------------|
| Signed by: | In the presence of: |
| _____ | _____ |
| Transferor | Witness |
| _____ | _____ |
| Transferee | Witness |

- 12.3** On the presentation of the foregoing materials to the Board, accompanied by such evidence as the Board may require to prove the title of the transferor, the transferee shall be registered as a Member. Notwithstanding the foregoing, the Board shall, in any case, have the same right to decline or suspend registration as it would have had in the case of a transfer of the share by that Member before such Member's death or bankruptcy, as the case may be.
- 12.4** Where two or more persons are registered as joint holders of a share or shares, then in the event of the death of any joint holder or holders the remaining joint holder or holders shall be absolutely entitled to the said share or shares and the Company shall recognise no claim in respect of the estate of any joint holder except in the case of the last survivor of such joint holders.

ALTERATION OF SHARE CAPITAL

13. Power to Alter Capital

13.1 The Company may if authorised by resolution of the Members increase, divide, consolidate, subdivide, change the currency denomination of, diminish or otherwise alter or reduce its share capital in any manner permitted by the Act.

13.2 Where, on any alteration or reduction of share capital, fractions of shares or some other difficulty would arise, the Board may deal with or resolve the same in such manner as it thinks fit.

14. Variation of Rights Attaching to Shares

If, at any time, the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound-up, be varied with the consent in writing of the holders of 50% of the issued shares of that class or with the sanction of a resolution passed by a majority of the votes cast at a separate general meeting of the holders of the shares of the class at which meeting the necessary quorum shall be two persons at least holding or representing by proxy two-thirds of the issued shares of the class. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

DIVIDENDS AND CAPITALISATION

15. Dividends

15.1 The Board may, subject to these Bye-laws and in accordance with the Act, declare a dividend to be paid to the Members, in proportion to the number of shares held by them, and such dividend may be paid in cash or wholly or partly in specie in which case the Board may fix the value for distribution in specie of any assets. No unpaid dividend shall bear interest as against the Company.

- 15.2 The Board may fix any date as the record date for determining the Members entitled to receive any dividend.
- 15.3 The Company may pay dividends in proportion to the amount paid up on each share where a larger amount is paid up on some shares than on others.
- 15.4 The Board may declare and make such other distributions (in cash or in specie) to the Members as may be lawfully made out of the assets of the Company. No unpaid distribution shall bear interest as against the Company.

16. Power to Set Aside Profits

The Board may, before declaring a dividend, set aside out of the surplus or profits of the Company, such sum as it thinks proper as a reserve to be used to meet contingencies or for equalising dividends or for any other purpose.

17. Method of Payment

- 17.1 Any dividend or other monies payable in respect of a share may be paid by cheque or warrant sent through the post directed to the address of the Member in the Register of Members (in the case of joint Members, the senior joint holder, seniority being determined by the order in which the names stand in the Register of Members), or by direct transfer to such bank account as such Member may direct. Every such cheque shall be made payable to the order of the person to whom it is sent or to such persons as the Member may direct, and payment of the cheque or warrant shall be a good discharge to the Company. Every such cheque or warrant shall be sent at the risk of the person entitled to the money represented thereby. If two or more persons are registered as joint holders of any shares any one can give an effectual receipt for any dividend paid in respect of such shares.
- 17.2 The Board may deduct from the dividends or distributions payable to any Member all monies due from such Member to the Company on account of calls or otherwise.

17.3 Any dividend and or other monies payable in respect of a share which has remained unclaimed for 6 years from the date when it became due for payment shall, if the Board so resolves, be forfeited and cease to remain owing by the Company. The payment of any unclaimed dividend or other moneys payable in respect of a share may (but need not) be paid by the Company into an account separate from the Company's own account. Such payment shall not constitute the Company a trustee in respect thereof.

17.4 The Company shall be entitled to cease sending dividend cheques and warrants by post or otherwise to a Member if those instruments have been returned undelivered to, or left uncashed by, that Member on at least two consecutive occasions, or, following one such occasion, reasonable enquiries have failed to establish the Member's new address. The entitlement conferred on the Company by this Bye-law 17.4 in respect of any Member shall cease if the Member claims a dividend or cashes a dividend cheque or warrant.

18. Capitalisation

18.1 The Board may resolve to capitalise any sum for the time being standing to the credit of any of the Company's share premium or other reserve accounts or to the credit of the profit and loss account or otherwise available for distribution by applying such sum in paying up unissued shares to be allotted as fully paid bonus shares pro-rata (except in connection with the conversion of shares of one class to shares of another class) to the Members.

18.2 The Board may resolve to capitalise any sum for the time being standing to the credit of a reserve account or sums otherwise available for dividend or distribution by applying such amounts in paying up in full partly paid or nil paid shares of those Members who would have been entitled to such sums if they were distributed by way of dividend or distribution.

MEETINGS OF MEMBERS

19. Annual General Meetings

The annual general meeting of the Company shall be held in each year (other than the year of incorporation) at such time and place as the President or the Chairman or the Board shall appoint.

20. Special General Meetings

The President or the Chairman or the Board may convene a special general meeting of the Company whenever in their judgment such a meeting is necessary.

21. Requisitioned General Meetings/Other Business

21.1 The Board shall, on the requisition of Members holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up share capital of the Company as at the date of the deposit carries the right to vote at general meetings of the Company, forthwith proceed to convene a special general meeting of the Company and the provisions of the Act shall apply.

21.2 In addition to any rights of Members under the Act or these Bye-laws, business may be brought before any annual general meeting of the Company, or any special general meeting of the Company, by any person who: (i) is a Member of record on the date of the giving of the notice provided for in this Bye-law and on the record date for the determination of Members entitled to receive notice of and vote at such meeting; and (ii) complies with the notice procedures set forth in this Bye-law.

21.3 In addition to any other applicable requirements, for other business to be proposed by a Member pursuant to Bye-law 21.2, such Member must have given timely notice thereof in proper written form to the Secretary.

21.4 To be timely, a notice given to the Secretary pursuant to Bye-law 21.3 must be delivered to or mailed and received at the registered office and by the Secretary at the principal executive offices of the Company as set forth in the Company's filings with the U.S. Securities and Exchange Commission: (i) in the case of an annual general meeting, not less than 90 days nor more than 120 days before the anniversary of the last annual general meeting prior to the giving of the notice or, in the event the annual general meeting is called for a date that is not 25 days before or after such anniversary the notice must be so delivered or mailed and received not later than 10 days following the date on which notice of the annual general meeting was mailed or the date on which public disclosure of the date of the annual general meeting was made, whichever first occurs, and (ii) in the case of a special general meeting, not later than 10 days following the date on which

notice of the special general meeting was mailed or the date on which public disclosure of the date of the special general meeting was made, whichever first occurs.

- 21.5** To be in proper written form, a notice given to the Secretary pursuant to Bye-law 21.3 must set forth as to each matter such Member proposes to bring before the general meeting: (a) a brief description of the business desired to be brought before the general meeting and the proposed text of any proposal regarding such business (including the text of any resolutions proposed for consideration and, if such business includes a proposal to amend these Bye-Laws, the text of the proposed amendment), and the reasons for conducting such business at the general meeting, and (b) as to the Member giving notice and the beneficial owner, if any, on whose behalf the proposal is being made, (i) the name and address of such Member, (ii) (A) the class or series and number of all shares of the Company which are owned beneficially or of record by such Member and any affiliates or associates of such Member, (B) the name of each nominee holder of all shares of the Company owned beneficially but not of record by such person or any affiliates or associates of such person, and the number of such shares of the Company held by each such nominee holder, (C) whether and the extent to which any derivative instrument, swap, option, warrant, short interest, hedge or profit interest or other transaction has been entered into by or on behalf of such person, or any affiliates or associates of such person, with respect to shares of the Company and (D) whether and the extent to which any other transaction, agreement, arrangement or understanding (including any short position or any borrowing or lending of shares of the Company) has been made by or on behalf of such person, or any affiliates or associates of such person, the effect or intent of any of the foregoing being to mitigate loss to, or to manage risk or benefit of share price changes for, such person, or any affiliates or associates of such person, or to increase or decrease the voting power or pecuniary or economic interest of such person, or any affiliates or associates of such person, with respect to shares of the Company; (iii) a description of all agreements, arrangements, or understandings (whether written or oral) between or among such person, or any affiliates or associates of such person, and any other person or persons (including their names) in connection with or relating to (A) the Company or (B) the proposal, including any material interest in, or anticipated benefit from the proposal to such person, or any affiliates or associates of such person, (iv) a representation that the Member giving notice intends to appear in person or by proxy at the general meeting to bring such business before the meeting; and (v) any other information relating to such person that would be required to be disclosed in a proxy statement or other filing required to be made in connection with the solicitation of proxies by such person with respect to the proposed business to be brought by such person before the

general meeting pursuant to Section 14 of the Exchange Act, and the rules and regulations promulgated thereunder.

- 21.6** A Member providing notice of business proposed to be brought before a general meeting shall further update and supplement such notice, if necessary, so that the information provided or required to be provided in such notice pursuant to this Bye-Law shall be true and correct as of the record date for determining the Members entitled to receive notice of the general meeting and such update and supplement shall be delivered to or be mailed and received by the Secretary at the registered office of the Company not later than 5 business days after the record date for determining the Members entitled to receive notice of the general meeting. For the avoidance of doubt, the obligations under Bye-Laws 21.2, 21.3, 21.4, 21.5 and 21.6 shall not apply to any business brought by a Member or Members at a special general meeting of the Company that has been convened upon the requisition of such Member or Members under Bye-Law 21.1.
- 21.7** Once business has been properly brought before the general meeting in accordance with the procedures set forth in this Bye-law, nothing in this Bye-law shall be deemed to preclude discussion by any Member of any such business. If the chairman of a general meeting determines that business was not properly brought before the meeting in accordance with this Bye-law, the chairman shall declare to the meeting that the business was not properly brought before the meeting and such business shall not be transacted.
- 21.8** No business may be transacted at a general meeting, other than business that is either (i) properly brought before the general meeting by or at the direction of the Board (or any duly authorized committee thereof); or (ii) properly brought before the general meeting by any Member or Members in accordance with the Act or these Bye-laws.

22. Notice

- 22.1** Not less than 10 nor more than 60 days' notice of an annual general meeting shall be given to each Member entitled to attend and vote thereat, stating the date, place and time at which the meeting is to be held, that the election of Directors will take place thereat, and as far as practicable, the other business to be conducted at the meeting.
- 22.2** Not less than 10 nor more than 60 days' notice of a special general meeting shall be given to each Member entitled to attend and vote thereat, stating the date, time, place and the general nature of the business to be considered at the meeting.
- 22.3** The Board may fix any date as the record date for determining the Members entitled to receive notice of and to vote at any general meeting of the Company.
- 22.4** A general meeting of the Company shall, notwithstanding that it is called on shorter notice than that specified in these Bye-laws, be deemed to have been properly called if it is so agreed by (i) all the Members entitled to attend and vote thereat in the case of an annual general meeting; and (ii) by a majority in number of the Members having the right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving a right to attend and vote thereat in the case of a special general meeting.
- 22.5** The accidental omission to give notice of a general meeting to, or the non-receipt of a notice of a general meeting by, any person entitled to receive notice shall not invalidate the proceedings at that meeting.

23. Giving Notice

- 23.1** A notice may be given by the Company to a Member:
- (a) by delivering it to such Member in person, in which case the notice shall be deemed to have been served upon such delivery;
- or

- (b) by sending it by post to such Member's address in the Register of Members, in which case the notice shall be deemed to have been served seven days after the date on which it is deposited, with postage prepaid, in the mail; or
- (c) by sending it by courier to such Member's address in the Register of Members, in which case the notice shall be deemed to have been served two days after the date on which it is deposited, with courier fees paid, with the courier service; or
- (d) by transmitting it by electronic means (including facsimile and electronic mail, but not telephone) in accordance with such directions as may be given by such Member to the Company for such purpose, in which case the notice shall be deemed to have been served at the time that it would in the ordinary course be transmitted; or
- (e) by delivering it in accordance with the provisions of the Act pertaining to delivery of electronic records by publication on a website, in which case the notice shall be deemed to have been served at the time when the requirements of the Act in that regard have been met.

23.2 Any notice required to be given to a Member shall, with respect to any shares held jointly by two or more persons, be given to whichever of such persons is named first in the Register of Members and notice so given shall be sufficient notice to all the holders of such shares.

23.3 Save as provided by Bye-law 23.4, any notice shall be deemed to have been served at the time when the same would be delivered in the ordinary course of transmission and, in proving such service, it shall be sufficient to prove that the notice was properly addressed and prepaid, if posted, at the time when it was posted, delivered to the courier or to the cable company or transmitted by telex, facsimile, electronic mail, or such other method as the case may be.

23.4 Mail notice shall be deemed to have been served seven days after the date on which it is deposited, with postage prepaid, in the mail of any member state of the European Union, the United States, or Bermuda.

23.5 The Company shall be under no obligation to send a notice or other document to the address shown for any particular Member in the Register of Members if the Board considers that the legal or practical problems under the laws of, or the requirements of any regulatory body or stock exchange in, the territory in which

that address is situated are such that it is necessary or expedient not to send the notice or document concerned to such Member at such address and may require a Member with such an address to provide the Company with an alternative acceptable address for delivery of notices by the Company.

24. Postponement or Cancellation of General Meeting

The Chairman or the President may, and the Secretary on instruction from the Chairman or the President shall, postpone or cancel any general meeting called in accordance with the provisions of these Bye-laws (other than a meeting requisitioned under these Bye-laws) provided that notice of postponement or cancellation is given to each Member before the time for such meeting. Fresh notice of the date, time and place for the postponed or cancelled meeting shall be given to the Members in accordance with the provisions of these Bye-laws.

25. Attendance and Security at General Meetings

25.1 Members may participate in any general meeting by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting.

25.2 The Board may, and at any general meeting, the chairman of such meeting may make any arrangement and impose any requirement or restriction it or he considers appropriate to ensure the security of a general meeting including, without limitation, requirements for evidence of identity to be produced by those attending the meeting, the searching of their personal property and the restriction of items that may be taken into the meeting place. The Board and, at any general meeting, the chairman of such meeting are entitled to refuse entry to a person who refuses to comply with any such arrangements, requirements or restrictions.

26. Quorum at General Meetings

26.1 At any general meeting of the Company two or more persons present in person at the start of the meeting and representing in person or by proxy in excess of 50% of all votes attaching to all shares of the Company in issue entitling the holder to vote at the meeting shall form a quorum for the transaction of business.

26.2 If within half an hour from the time appointed for the meeting a quorum is not present, then, in the case of a meeting convened on a requisition, the meeting shall be deemed cancelled and, in any other case, the meeting shall stand adjourned to the same day one week later, at the same time and place or to such other day, time or place as the Secretary may determine. If the meeting shall be adjourned to the same day one week later or the Secretary shall determine that the meeting is adjourned to a specific date, time and place, it is not necessary to give notice of the adjourned meeting other than by announcement at the meeting being adjourned. If the Secretary shall determine that the meeting be adjourned to an unspecified date, time or place, fresh notice of the resumption of the meeting shall be given to each Member entitled to attend and vote thereat in accordance with the provisions of these Bye-laws.

27. Chairman to Preside

Unless otherwise agreed by a majority of those attending and entitled to vote thereat, the Chairman, if there be one, and if not the President, shall act as chairman at all meetings of the Members at which such person is present. In their absence, the Deputy Chairman or Vice President, if present, shall act as chairman and in the absence of all of them a chairman shall be appointed or elected by those present at the meeting and entitled to vote.

28. Voting on Resolutions

28.1 Subject to the provisions of the Act and these Bye-laws, any question proposed for the consideration of the Members at any general meeting shall be decided by the affirmative votes of a majority of the votes cast in accordance with the provisions of these Bye-laws and in the case of an equality of votes the resolution shall fail.

28.2 No Member shall be entitled to vote at a general meeting unless such Member has paid all the calls on all shares held by such Member.

28.3 At any general meeting a resolution put to the vote of the meeting shall be decided on a poll.

28.4 At any general meeting if an amendment shall be proposed to any resolution under consideration and the chairman of the meeting shall rule on whether the proposed amendment is out of order, the proceedings on the substantive resolution shall not be invalidated by any error in such ruling.

28.5 At any general meeting a declaration by the chairman of the meeting that a question proposed for consideration has been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in a book containing the minutes of the proceedings of the Company shall, subject to the provisions of these Bye-laws, be conclusive evidence of that fact.

29. Voting on a Poll

29.1 Where a poll is taken, subject to any rights or restrictions for the time being lawfully attached to any class of shares, every person present at such meeting shall have one vote for each share of which such person is the holder or for which such person holds a proxy and such vote shall be counted by ballot as described herein, or in the case of a general meeting at which one or more Members are present by telephone, in such manner as the chairman of the meeting may direct and the result of such poll shall be deemed to be the resolution of the meeting at which the poll was taken. A person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

29.2 A poll taken for the purpose of electing a chairman of the meeting or on a question of adjournment shall be taken forthwith and a poll taken on any other question shall be taken in such manner and at such time and place at such meeting as the chairman (or acting chairman) of the meeting may direct and any business other than that upon which a poll is to be taken may be proceeded with pending the taking of the poll.

29.3 Where a vote is taken by poll, each person present and entitled to vote shall be furnished with a ballot paper on which such person shall record his vote in such manner as shall be determined at the meeting having regard to the nature of the question on which the vote is taken, and each ballot paper shall be signed or initialed or otherwise marked so as to identify the voter and the registered holder in the case of a proxy. At the conclusion of the poll, the ballot papers shall be examined and counted by one or more inspectors of votes appointed by the chairman or the Board for the purpose and the result of the poll shall be declared by the chairman.

30. Voting by Joint Holders of Shares

In the case of joint holders, the vote of the senior who tenders a vote (whether in person or by proxy) shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members.

31. Instrument of Proxy

31.1 A Member may appoint a proxy by (a) an instrument appointing a proxy in writing in substantially the following form or such other form as the Board may determine from time to time:

Proxy

Aircastle Limited (the "Company")

I/We, [insert names here], being a Member of the Company with [number] shares, HEREBY APPOINT [name] of [address] or failing him, [name] of [address] to be my/our proxy to vote for me/us at the meeting of the Members to be held on the [] day of [], 20[] and at any adjournment thereof. (Any restrictions on voting to be inserted here.)

Signed this [] day of [], 20[]

Member(s)

or (b) such telephonic, electronic or other means as may be approved by the Board from time to time.

31.2 The appointment of a proxy must be received by the Company at the registered office or at such other place or in such manner as is specified in the notice convening the meeting or in any instrument of proxy sent out by the Company in relation to the meeting at which the person named in the appointment proposes to vote, and an appointment of proxy which is not received in the manner so permitted shall be invalid.

31.3 A Member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf.

31.4 The decision of the chairman of any general meeting as to the validity of any appointment of a proxy shall be final.

32. Representation of Corporate Member

32.1 A corporation which is a Member may, by written instrument, authorise such person or persons as it thinks fit to act as its representative at any meeting of the Members and any person so authorised shall be entitled to exercise the same powers on behalf of the corporation which such person represents as that corporation could exercise if it were an individual Member, and that Member shall be deemed to be present in person at any such meeting attended by its authorised representative or representatives.

32.2 Notwithstanding the foregoing, the chairman of the meeting may accept such assurances as he thinks fit as to the right of any person to attend and vote at general meetings on behalf of a corporation which is a Member.

33. Adjournment of General Meeting

33.1 The chairman of any general meeting at which a quorum is present may with the consent of Members holding a majority of the voting rights of those Members present in person or by proxy (and shall if so directed by Members holding a majority of the voting rights of those Members present in person or by proxy), adjourn the meeting.

33.2 In addition, the chairman may adjourn the meeting to another time and place without such consent or direction if it appears to him that:

- (a) it is likely to be impracticable to hold or continue that meeting because of the number of Members wishing to attend who are not present; or
- (b) the unruly conduct of persons attending the meeting prevents, or is likely to prevent, the orderly continuation of the business of the meeting; or
- (c) an adjournment is otherwise necessary so that the business of the meeting may be properly conducted.

33.2 Unless the meeting is adjourned to a specific date, place and time announced at the meeting being adjourned, fresh notice of the date, place and time for the resumption of the adjourned meeting shall be given to each Member entitled to attend and vote thereat in accordance with the provisions of these Bye-laws.

34. Directors Attendance at General Meetings

The Directors of the Company shall be entitled to receive notice of, attend and be heard at any general meeting.

DIRECTORS AND OFFICERS

35. Election of Directors

35.1 The Board shall consist of such number of Directors being not less than 3 Directors and not more than such maximum number of Directors, not exceeding 12 Directors, as the Board may from time to time determine.

35.2 Only persons who are proposed or nominated in accordance with this Bye-law shall be eligible for election as Directors. Any Member or the Board may propose any person for election as a Director. Where any person, other than a Director retiring at the meeting or a person proposed for re-election or election as a Director by the Board, is to be proposed for election as a Director, notice must be given to the Company of the intention to propose him and of his willingness to serve as a Director. Where a Director is to be elected at an annual general meeting, that notice must be given not less than 90 days nor more than 120 days before the anniversary of the last annual general meeting prior to the giving of the notice or, in the event the annual general meeting is called for a date that is not 25 days before or after such anniversary the notice must be given not later than 10 days following the date on which notice of the annual general meeting was mailed or the date on which public disclosure of the date of the annual general meeting was made, whichever first occurs. Where a Director is to be elected at a special general meeting, that notice must be given not later than 10 days following the date on which notice of the special general meeting was mailed or the date on which public disclosure of the date of the special general meeting was made, whichever first occurs.

35.3 To be in proper written form, a notice given to the Secretary pursuant to Bye-law 35.2 must set forth the following information: (a) as to each person whom the Member proposes to nominate for election as a Director (i) the name, age, business address and residence address of such person, (ii) the principal occupation or employment of such person, (iii) (A) the class or series and number of all shares of the Company which are owned beneficially or of record by such person and any affiliates or associates of such person, (B) the name of each nominee holder of shares of the Company owned beneficially but not of record by such person or any affiliates or associates of such person, and the number of such shares of the Company held by each such nominee holder, (C) whether and the extent to which any derivative instrument, swap, option, warrant, short interest, hedge or profit interest or other transaction has been entered into by or on behalf of such person, or any affiliates or associates of such person, with respect to shares of the Company and (D) whether and the extent to which any other transaction, agreement, arrangement or understanding (including any short position or any borrowing or lending of shares of the Company) has been made by or on behalf of such person, or any affiliates or associates of such person, the effect or intent of any of the foregoing being to mitigate loss to, or to manage risk or benefit of share price changes for, such person, or any affiliates or associates of such person, or to increase or decrease the voting power or pecuniary or economic interest of such person, or any affiliates or associates of such person, with respect to shares of the Company, (iv) such person's written representation and agreement that such person (A) is not and will not become a party to any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any person or entity as to how such person, if elected as a Director, will act or vote on any issue or question, (B) is not and will not become a party to any agreement, arrangement or understanding with any person or entity other than the Company with respect to any direct or indirect compensation, reimbursement or indemnification in connection with service or action as a Director that has not been disclosed to the Company in such representation and agreement and (C) in such person's individual capacity, would be in compliance, if elected as a Director, and will comply with, all applicable publicly disclosed confidentiality, corporate governance, conflict of interest, Regulation FD, code of conduct and ethics, and share ownership and trading policies and guidelines of the Company and (v) any other information relating to such person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act; and (b) as to the Member giving the notice, and the beneficial owner, if any, on whose behalf the nomination is being made, (i) the name and record address of the Member giving the notice and the name and principal place of business of such beneficial owner; (ii) (A) the class or series and number of all shares of the Company which are owned beneficially or of record by such person and any affiliates or associates of such person, (B) the name of each nominee holder of shares of the Company owned beneficially

but not of record by such person or any affiliates or associates of such person, and the number of shares of the Company held by each such nominee holder, (C) whether and the extent to which any derivative instrument, swap, option, warrant, short interest, hedge or profit interest or other transaction has been entered into by or on behalf of such person, or any affiliates or associates of such person, with respect to shares of the Company and (D) whether and the extent to which any other transaction, agreement, arrangement or understanding (including any short position or any borrowing or lending of shares of the Company) has been made by or on behalf of such person, or any affiliates or associates of such person, the effect or intent of any of the foregoing being to mitigate loss to, or to manage risk or benefit of share price changes for, such person, or any affiliates or associates of such person, or to increase or decrease the voting power or pecuniary or economic interest of such person, or any affiliates or associates of such person, with respect to shares of the Company; (iii) a description of (A) all agreements, arrangements, or understandings (whether written or oral) between such person, or any affiliates or associates of such person, and any proposed nominee, or any affiliates or associates of such proposed nominee, (B) all agreements, arrangements, or understandings (whether written or oral) between such person, or any affiliates or associates of such person, and any other person or persons (including their names) pursuant to which the nomination(s) are being made by such person, or otherwise relating to the Company or their ownership of shares of the Company, and (C) any material interest of such person, or any affiliates or associates of such person, in such nomination, including any anticipated benefit therefrom to such person, or any affiliates or associates of such person; (iv) a representation that the Member giving notice intends to appear in person or by proxy at the general meeting to nominate the persons named in its notice; and (v) any other information relating to such person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with the solicitation of proxies for election of directors pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder. Such notice must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a director if elected.

- 35.4** In addition to the information required pursuant to this Bye-law, the Company may require any proposed nominee to furnish any other information: (i) that may reasonably be requested by the Company to determine whether the nominee would be independent under the rules and listing standards of the securities exchanges upon which the shares of the Company are listed or traded, any applicable rules of the U.S. Securities and Exchange Commission or any publicly disclosed standards used by the Board in determining and disclosing the independence of the Directors (collectively, the “Independence Standards”), (ii) that could be material to a reasonable Member’s understanding of the independence, or lack thereof, of such nominee or (iii) that may reasonably be requested by the Company to determine the eligibility of such nominee to serve as a Director.
- 35.5** A Member providing notice of any nomination proposed to be made at any general meeting of the Company shall further update and supplement such notice, if necessary, so that the information provided or required to be provided in such notice pursuant to this Bye-Law shall be true and correct as of the record date for determining the Members entitled to receive notice of the general meeting, and such update and supplement shall be delivered to or be mailed and received by the Secretary at the Registered Office of the Company not later than 5 business days after the record date for determining the Members entitled to receive notice of such general meeting. For the avoidance of doubt, the obligations under Bye-Laws 35.2, 35.3, 35.4 and 35.5 shall not apply to any rights that any Member may have under a contract with the Company to propose or nominate one or more Directors.
- 35.6** Where a person is validly proposed for re-election or election as a Director, such Director shall be elected by the vote of the majority of the votes cast with respect to the Director, excluding abstentions. For purposes of this Bye-law 35.6, a majority of the votes cast shall mean that the number of shares voted “for” the Director must exceed the number of votes “against” that Director.

35.7 At any general meeting the Members may authorise the Board to fill any vacancy in their number left unfilled at a general meeting.

36. Classes of Directors

The Directors shall be divided into three classes designated Class I, Class II and Class III. Each class of Directors shall consist, as nearly as possible, of one third of the total number of Directors constituting the entire Board.

37. Term of Office of Directors

At the first meeting of the Board following the date of adoption of these Bye-laws, the Class I Directors shall be appointed to serve for a one year term of office, the Class II Directors shall be appointed to serve for a two year term of office and the Class III Directors shall be appointed to serve for a three year term of office, as determined by the Board. At each succeeding annual general meeting, successors to the class of Directors whose term expires at that annual general meeting shall be elected for a three year term. If the number of Directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of Directors in each class as nearly equal as possible, and any Director of any class elected to fill a vacancy shall hold office for a term that shall coincide with the remaining term of the other Directors of that class, but in no case shall a decrease in the number of Directors shorten the term of any Director then in office. A Director shall hold office until the annual general meeting for the year in which his term expires, subject to his office being vacated pursuant to Bye-law 40.

38. Alternate Directors

38.1 Any Director may appoint a person or persons to act as a Director in the alternative to himself by notice in writing deposited with the Secretary and subject to the approval of such person or persons by the majority of the Directors (excluding the Director proposing such person or persons) in office at that time. Any person so elected or appointed shall have all the rights and powers of the Director or Directors for whom such person is appointed in the alternative provided that such person shall not be counted more than once in determining whether or not a quorum is present.

Aircastle Limited

38.2 An Alternate Director shall be entitled to receive notice of all meetings of the Board and to attend and vote at any such meeting at which a Director for whom such Alternate Director was appointed in the alternative is not personally present and generally to perform at such meeting all the functions of such Director for whom such Alternate Director was appointed.

38.3 An Alternate Director shall cease to be such if the Director for whom such Alternate Director was appointed ceases for any reason to be a Director but may be re-appointed by the Board as an alternate to the person appointed to fill the vacancy in accordance with these Bye-laws.

39. Removal of Directors

39.1 Subject to any provision to the contrary in these Bye-laws, the Members entitled to vote for the election of Directors may, by a resolution including the affirmative votes of at least 80% of all votes attaching to all shares in issue entitling the holder to attend and vote on such resolution, at any special general meeting convened and held in accordance with these Bye-laws, remove a Director, with or without cause, provided that the notice of any such meeting convened for the purpose of removing a Director shall contain a statement of the intention so to do and be served on such Director not less than 14 days before the meeting and at such meeting the Director shall be entitled to be heard on the motion for such Director's removal.

39.2 If a Director is removed from the Board under the provisions of this Bye-law the Members may fill the vacancy at the meeting at which such Director is removed. In the absence of such election or appointment, the Board may fill the vacancy.

40. Vacancy in the Office of Director

40.1 The office of Director shall be vacated if the Director:

- (a) is removed from office pursuant to these Bye-laws or is prohibited from being a Director by law;
- (b) is or becomes bankrupt, or makes any arrangement or composition with his creditors generally;

- (c) is or becomes of unsound mind or dies; or
- (d) resigns his office by notice in writing to the Company.

40.2 The Members in general meeting or the Board shall have the power to appoint any person as a Director to fill a vacancy on the Board occurring as a result of the death, disability, disqualification or resignation of any Director or as a result of an increase in the size of the Board and to appoint an Alternate Director to any Director so appointed.

41. Remuneration of Directors

The remuneration (if any) of the Directors shall be determined by the Board and shall be deemed to accrue from day to day. The Directors may also be paid all travel, hotel and other expenses properly incurred by them in attending and returning from the meetings of the Board, any committee appointed by the Board, general meetings of the Company, or in connection with the business of the Company or their duties as Directors generally.

42. Defect in Appointment of Director

All acts done in good faith by the Board or by a committee of the Board or by any person acting as a Director shall, notwithstanding that it be afterwards discovered that there was some defect in the appointment of any Director or person acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such person had been duly appointed and was qualified to be a Director.

43. Directors to Manage Business

43.1 The business of the Company shall be managed and conducted by the Board. In managing the business of the Company, the Board may exercise all such powers of the Company as are not, by statute or by these Bye-laws, required to be exercised by the Company in general meeting subject, nevertheless, to these Bye-laws and the provisions of any statute.

43.2 Subject to these Bye-laws, the Board may delegate to any company, firm, person, or body of persons any power of the Board (including the power to sub-delegate).

44. Powers of the Board of Directors

The Board may:

- (a) appoint, suspend, or remove any manager, secretary, clerk, agent or employee of the Company and may fix their remuneration and determine their duties;
- (b) exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and may issue debentures, debenture stock and other securities whether outright or as security for any debt, liability or obligation of the Company or any third party;
- (c) appoint one or more Directors to the office of managing director or chief executive officer of the Company, who shall, subject to the control of the Board, supervise and administer all of the general business and affairs of the Company;
- (d) appoint a person to act as manager of the Company's day-to-day business and may entrust to and confer upon such manager such powers and duties as it deems appropriate for the transaction or conduct of such business;
- (e) by power of attorney, appoint any company, firm, person or body of persons, whether nominated directly or indirectly by the Board, to be an attorney of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Board) and for such period and subject to such conditions as it may think fit and any such power of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Board may think fit and may also authorise any such attorney to sub-delegate all or any of the powers, authorities and discretions so vested in the attorney. Such attorney may, if so authorised under the seal of the Company, execute any deed or instrument under such attorney's personal seal with the same effect as the affixation of the seal of the Company;
- (f) procure that the Company pays all expenses incurred in promoting and incorporating the Company;
- (g) delegate any of its powers (including the power to sub-delegate) to a committee appointed by the Board which may consist partly or entirely of non-Directors, provided that every such committee shall conform to such directions as the Board shall impose on them and provided further that the meetings and proceedings of any such committee shall be governed by the provisions of these

Bye-laws regulating the meetings and proceedings of the Board, so far as the same are applicable and are not superseded by directions imposed by the Board;

- (h) delegate any of its powers (including the power to sub-delegate) to any person on such terms and in such manner as the Board may see fit;
- (i) present any petition and make any application in connection with the liquidation or reorganisation of the Company;
- (j) in connection with the issue of any share, pay such commission and brokerage as may be permitted by law; and
- (k) authorise any company, firm, person or body of persons to act on behalf of the Company for any specific purpose and in connection therewith to execute any agreement, document or instrument on behalf of the Company.

45. Register of Directors and Officers

The Board shall cause to be kept in one or more books at the registered office of the Company a Register of Directors and Officers and shall enter therein the particulars required by the Act.

46. Officers

The Officers shall consist of a President and a Vice President or a Chairman and a Deputy Chairman, a Secretary and such additional Officers as the Board may determine all of whom shall be deemed to be Officers for the purposes of these Bye-laws.

47. Appointment of Officers

The Board shall appoint a President and Vice President or a Chairman and Deputy Chairman who shall be Directors. The Secretary (and additional Officers, if any) shall be appointed by the Board from time to time.

48. Duties of Officers

The Officers shall have such powers and perform such duties in the management, business and affairs of the Company as may be delegated to them by the Board from time to time.

49. Remuneration of Officers

The Officers shall receive such remuneration as the Board may determine.

50. Conflicts of Interest

50.1 Any Director, or any Director's firm, partner or any company with whom any Director is associated, may act in any capacity for, be employed by or render services to the Company and such Director or such Director's firm, partner or company shall be entitled to remuneration as if such Director were not a Director. Nothing herein contained shall authorise a Director or Director's firm, partner or company to act as Auditor to the Company.

50.2 A Director who is directly or indirectly interested in a contract or proposed contract or arrangement with the Company shall declare the nature of such interest as required by the Act.

50.3 Following a declaration being made pursuant to this Bye-law, and unless disqualified by the chairman of the relevant Board meeting, a Director may vote in respect of any contract or proposed contract or arrangement in which such Director is interested and may be counted in the quorum for such meeting.

51. Indemnification and Exculpation of Directors and Officers

51.1 The Directors, Secretary and other Officers (such term to include any person appointed to any committee by the Board) for the time being acting in relation to any of the affairs of the Company, any subsidiary thereof and the liquidator or trustees (if any) for the time being acting in relation to any of the affairs of the Company or any subsidiary thereof and every one of them, and their heirs, executors and administrators, shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their heirs, executors or administrators, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or

about the execution of their duty, or supposed duty, or in their respective offices or trusts, and none of them shall be answerable for the acts, receipts, neglects or defaults of the others of them or for joining in any receipts for the sake of conformity, or for any bankers or other persons with whom any moneys or effects belonging to the Company shall or may be lodged or deposited for safe custody, or for insufficiency or deficiency of any security upon which any moneys of or belonging to the Company shall be placed out on or invested, or for any other loss, misfortune or damage which may happen in the execution of their respective offices or trusts, or in relation thereto, PROVIDED THAT this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the said persons. Each Member agrees to waive any claim or right of action such Member might have, whether individually or by or in the right of the Company, against any Director or Officer on account of any action taken by such Director or Officer, or the failure of such Director or Officer to take any action in the performance of his duties with or for the Company or any subsidiary thereof, PROVIDED THAT such waiver shall not extend to any matter in respect of any fraud or dishonesty which may attach to such Director or Officer.

- 51.2** The Company shall pay to or on behalf of any such Director, Secretary or other Officer referred to in Bye-law 51.1 expenses (including attorneys' fees) incurred by such person in defending any civil, criminal, administrative or investigative action, suit or proceeding in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such person to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the Company, and such expenses (including attorneys' fees) incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the Company deems appropriate, provided that in the event of a finding of fraud or dishonesty (such fraud or dishonesty having been established in a final judgment or decree not subject to appeal), such Director, Secretary or other Officer or, if applicable, such other employee or agent, shall reimburse to the Company all funds paid by the Company in respect of expenses of defending such action, suit or proceeding.

- 51.3** The indemnification and advancement of expenses provided by, or granted pursuant to, this Bye-law shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under these Bye-laws, any agreement, resolution of Members or disinterested directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office, it being the policy of the Company that indemnification of the persons specified in Bye-law 51.1 shall be made to the fullest extent permitted by law. The provisions of this Bye-law shall not be deemed to preclude the indemnification of any person who is not specified in Bye-law 51.1 but whom the Company has the power or obligation to indemnify under the provisions of the Act, or otherwise.
- 51.4** The indemnification and advancement of expenses provided by, or granted pursuant to, this Bye-law shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a Director or Officer and shall inure to the benefit of the heirs, executors and administrators of such a person.
- 51.5** The Company may, to the extent authorized from time to time by the Board, provide rights to indemnification and to the advancement of expenses to employees and agents of the Company similar to those conferred in this Bye-law to Directors, the Secretary and other Officers of the Company, PROVIDED THAT any such indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any such persons, and any funds paid by the Company in respect of any such expense shall be reimbursed to the Company in the event of a finding of fraud or dishonesty as set forth in Bye-Law 51.2.
- 51.6** If this Bye-law or any portion of this Bye-law shall be invalidated on any ground by a court of competent jurisdiction the Company shall nevertheless indemnify each Director or Officer of the Company, former Director or Officer of the Company or person serving at the request of the Company as a director or officer, employee or agent of another company or corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, as to expenses (including attorneys' fees), judgments, fines and amounts paid in settlement with respect to any action, suit, proceeding or investigation, whether civil, criminal or administrative, including a grand jury proceeding or action or suit brought by or in the right of the Company, to the fullest extent permitted by any applicable portion of this Bye-law that shall not have been invalidated, PROVIDED THAT any such indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any such persons.

51.7 The Company may purchase and maintain insurance for the benefit of any Director or Officer of the Company against any liability incurred by him under the Act in his capacity as a Director or Officer of the Company or indemnifying such Director or Officer in respect of any loss arising or liability attaching to him by virtue of any rule of law in respect of any negligence, default, breach of duty or breach of trust of which the Director or Officer may be guilty in relation to the Company or any subsidiary thereof.

MEETINGS OF THE BOARD OF DIRECTORS

52. Board Meetings

The Board may meet for the transaction of business, adjourn and otherwise regulate its meetings as it sees fit. Subject to the provisions of these Bye-laws, a resolution put to the vote at a meeting of the Board shall be carried by the affirmative votes of a majority of the votes cast and in the case of an equality of votes the resolution shall fail.

53. Notice of Board Meetings

A Director may, and the Secretary on the requisition of a Director shall, at any time summon a meeting of the Board. Notice of a meeting of the Board shall be deemed to be duly given to a Director if it is given to such Director verbally (in person or by telephone) or otherwise communicated or sent to such Director by post, cable, telex, telecopier, facsimile, electronic mail or other mode of representing words in a legible form at such Director's last known address or any other address given by such Director to the Company for this purpose.

54. Participation in Meetings by Telephone

Directors may participate in any meeting of the Board by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting.

55. Quorum at Board Meetings

The quorum necessary for the transaction of business at a meeting of the Board shall be a majority of the Directors (excluding Alternate Directors) in office at that time.

56. Board to Continue in the Event of Vacancy

The Board may act notwithstanding any vacancy in its number but, if and so long as its number is reduced below the number fixed by these Bye-laws as the quorum necessary for the transaction of business at meetings of the Board, the continuing Directors or Director may act for the purpose of (i) summoning a general meeting of the Company; or (ii) preserving the assets of the Company.

57. Chairman to Preside

Unless otherwise agreed by a majority of the Directors attending, the Chairman, if there be one, and if not, the President shall act as chairman at all meetings of the Board at which such person is present. In their absence the Deputy Chairman or Vice President, if present, shall act as chairman and in the absence of all of them a chairman shall be appointed or elected by the Directors present at the meeting.

58. Written Resolutions

A resolution signed by all the Directors, which may be in counterparts, shall be as valid as if it had been passed at a meeting of the Board duly called and constituted, such resolution to be effective on the date on which the last Director signs the resolution. For the purposes of this Bye-law only, "Director" shall not include an Alternate Director.

59. Validity of Prior Acts of the Board

No regulation or alteration to these Bye-laws made by the Company in general meeting shall invalidate any prior act of the Board which would have been valid if that regulation or alteration had not been made.

CORPORATE RECORDS

60. Minutes

The Board shall cause minutes to be duly entered in books provided for the purpose:

- (a) of all elections and appointments of Officers;
- (b) of the names of the Directors present at each meeting of the Board and of any committee appointed by the Board; and
- (c) of all resolutions and proceedings of general meetings of the Members, meetings of the Board, and meetings of committees appointed by the Board.

61. Place Where Corporate Records Kept

Minutes prepared in accordance with the Act and these Bye-laws shall be kept by the Secretary at the registered office of the Company.

62. Form and Use of Seal

62.1 The seal of the Company shall be in such form as the Board may determine. The Board may adopt one or more duplicate seals for use in or outside Bermuda.

62.2 The seal of the Company shall not be affixed to any instrument except attested by the signature of a Director and the Secretary or any two Directors, or any person appointed by the Board for that purpose, provided that any Director, Officer or Resident Representative, may affix the seal of the Company attested by such Director, Officer or Resident Representative's signature to any authenticated copies of these Bye-laws, the incorporating documents of the Company, the minutes of any meetings or any other documents required to be authenticated by such Director, Officer or Resident Representative.

ACCOUNTS

63. Books of Account

63.1 The Board shall cause to be kept proper records of account with respect to all transactions of the Company and in particular with respect to:

- (a) all sums of money received and expended by the Company and the matters in respect of which the receipt and expenditure relates;
- (b) all sales and purchases of goods by the Company; and
- (c) all assets and liabilities of the Company.

63.2 Such records of account shall be kept at the registered office of the Company, or subject to the provisions of the Act, at such other place as the Board thinks fit and shall be available for inspection by the Directors during normal business hours.

64. Financial Year End

The financial year end of the Company may be determined by resolution of the Board and failing such resolution shall be 31st December in each year.

AUDITS

65. Annual Audit

Subject to any rights to waive laying of accounts or appointment of an Auditor pursuant to the Act, the accounts of the Company shall be audited at least once in every year.

66. Appointment of Auditors

66.1 Subject to the provisions of the Act, at the annual general meeting or at a subsequent special general meeting in each year, an independent representative of the Members shall be appointed by them as Auditor of the accounts of the Company.

Aircastle Limited

66.2 The Auditor may be a Member but no Director, Officer or employee of the Company shall, during his continuance in office, be eligible to act as an Auditor of the Company.

67. Remuneration of Auditors

The remuneration of the Auditor shall be fixed by the Company in general meeting or in such manner as the Members may determine.

68. Duties of Auditors

68.1 The financial statements provided for by these Bye-laws shall be audited by the Auditor in accordance with generally accepted auditing standards. The Auditor shall make a written report thereon in accordance with generally accepted auditing standards.

68.2 The generally accepted auditing standards referred to in this Bye-law may be those of a country or jurisdiction other than Bermuda or such other generally accepted auditing standards as may be provided for in the Act. If so, the financial statements and the report of the Auditor shall identify the generally accepted auditing standards used.

69. Access to Records

The Auditor shall at all reasonable times have access to all books kept by the Company and to all accounts and vouchers relating thereto, and the Auditor may call on the Directors or Officers of the Company for any information in their possession relating to the books or affairs of the Company.

70. Financial Statements

Subject to any rights to waive laying of accounts pursuant to the provisions of the Act, financial statements as required by the Act shall be laid before the Members in general meeting.

71. Distribution of Auditors report

The report of the Auditor shall be submitted to the Members in general meeting.

72. Vacancy in the Office of Auditor

If the office of Auditor becomes vacant by the resignation or death of the Auditor, or by the Auditor becoming incapable of acting by reason of illness or other disability at a time when the Auditor's services are required, the vacancy thereby created shall be filled in accordance with the Act.

BUSINESS COMBINATIONS

73. Amalgamation, Merger or Consolidation

73.1 Subject to Bye-law 73.2, the Company shall not engage in any amalgamation, merger or other consolidation unless such amalgamation, merger or other consolidation has been approved by a resolution of the Members including the affirmative votes of at least 66 % of all votes attaching to all shares in issue entitling the holder to attend and vote on such resolution.

73.2 Bye-law 73.1 shall not apply in respect of any amalgamation, merger or other consolidation approved by the Board, and in respect of any amalgamation, merger or other consolidation approved by the Board which the Act requires to be approved by the Members, the necessary general meeting quorum and Members' approval shall be as set out in Bye-laws 26 and 28 respectively.

VOLUNTARY WINDING-UP AND DISSOLUTION

74. Winding-Up

If the Company shall be wound up the liquidator may, with the sanction of a resolution of the Members, divide amongst the Members in specie or in kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like sanction, vest the whole or any part of such assets in the trustees upon such trusts for the benefit of the Members as the liquidator shall think fit, but so that no Member shall be compelled to accept any shares or other securities or assets whereon there is any liability.

CHANGES TO CONSTITUTION

75. Changes to Bye-laws

75.1 Subject to Bye-laws 75.2 and 75.3, no Bye-law shall be rescinded, altered or amended and no new Bye-law shall be made until the same has been approved by a resolution of the Board and by a resolution of the Members.

75.2 Bye-laws 35, 36, 37, 73 and 75.2 shall not be rescinded, altered or amended and no new Bye-law shall be made which would have the effect of rescinding, altering or amending the provisions of such Bye-laws, until the same has been approved by a resolution of the Board and by a resolution of the Members including the affirmative votes of at least 66% of all votes attaching to all shares in issue entitling the holder to attend and vote on such resolution.

75.3 Bye-laws 39 and 75.3 shall not be rescinded, altered or amended and no new Bye-law shall be made which would have the effect of rescinding, altering or amending the provisions of such Bye-laws until the same has been approved by a resolution of the Board and by a resolution of the Members including the affirmative votes of at least 80% of all votes attaching to all shares in issue entitling the holder to attend and vote on such resolution.

76. Discontinuance

The Board may exercise all the powers of the Company to discontinue the Company to a jurisdiction outside Bermuda pursuant to the Act.

Certain identified information marked with “[***]” has been omitted from this document because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

AMENDMENT No. 7 TO PURCHASE AGREEMENT COM0270-15

This Amendment No. 7 COM0729-18 (the “Amendment No. 7”), dated as of February 5th, 2019 (“Amendment No. 7”) 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. 7 and the Purchase Agreement, this Amendment No. 7 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. 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. 7 shall remain in full force and effect without any change.

4. COUNTERPARTS

This Amendment No. 7 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. 7 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. 7 to be effective as of the date first written above.

EMBRAER S.A.

AIRCASTLE HOLDING CORPORATION LIMITED

By /s/ Mauro Kern

Name: Mauro Kern

Title: Executive Vice President,
Engineering and Technology

By /s/ Stephen Quinn

Name: Stephen Quinn

Title: Director

By /s/ Simon Newitt

Name: Simon Newitt

Title: Vice President, Contracts
Commercial Aviation

Place: São José dos Campos - SP
Brazil

Place: Stamford, CT

**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: May 2, 2019

/s/ Michael Inglese

Michael Inglese
Chief Executive Officer

**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: May 2, 2019

/s/ Aaron Dahlke

Aaron Dahlke

Chief Financial 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 March 31, 2019, 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: May 2, 2019

**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 March 31, 2019, 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: May 2, 2019

Owned Aircraft Portfolio at March 31, 2019 is as follows:

| <u>Aircraft Group</u> | <u>Aircraft Type</u> | <u>Engine Type</u> | <u>Manufacturer Serial Number</u> | <u>Date of Manufacture</u> | <u>Financing</u> |
|-----------------------|----------------------|--------------------|-----------------------------------|----------------------------|------------------|
| Narrow-body Aircraft | A319-100 | V2500 | 1258 | Jun-00 | Unencumbered |
| | A319-100 | V2500 | 1261 | Jul-00 | Unencumbered |
| | A319-100 | V2500 | 1279 | Aug-00 | Unencumbered |
| | A319-100 | V2500 | 1295 | Aug-00 | Unencumbered |
| | A319-100 | V2500 | 1329 | Oct-00 | Unencumbered |
| | A319-100 | CFM56-5B | 1673 | Feb-02 | Unencumbered |
| | A319-100 | CFM56-5B | 1742 | May-02 | Unencumbered |
| | A319-100 | V2500 | 2098 | Feb-04 | Unencumbered |
| | A319-100 | CFM56-5B | 2495 | May-05 | Unencumbered |
| | A319-100 | CFM56-5B | 2565 | Sep-05 | Unencumbered |
| | A319-100 | CFM56-5B | 2578 | Sep-05 | Unencumbered |
| | A319-100 | CFM56-5B | 2605 | Nov-05 | Unencumbered |
| | A319-100 | CFM56-5B | 2636 | Dec-05 | Unencumbered |
| | A319-100 | CFM56-5B | 2646 | Jan-06 | Unencumbered |
| | A319-100 | CFM56-5B | 2677 | Jan-06 | Unencumbered |
| | A319-100 | CFM56-5B | 2691 | Feb-06 | Unencumbered |
| | A319-100 | CFM56-5B | 2715 | Mar-06 | Unencumbered |
| | A319-100 | CFM56-5B | 2742 | Apr-06 | Unencumbered |
| | A319-100 | CFM56-5B | 2744 | Apr-06 | Unencumbered |
| | A319-100 | CFM56-5B | 2754 | Apr-06 | Unencumbered |
| | A319-100 | CFM56-5B | 2765 | Apr-06 | Unencumbered |
| | A319-100 | CFM56-5B | 2769 | Apr-06 | Unencumbered |
| | A319-100 | CFM56-5B | 2777 | May-06 | Unencumbered |
| | A319-100 | CFM56-5B | 2779 | May-06 | Unencumbered |
| | A319-100 | CFM56-5B | 2782 | May-06 | Unencumbered |
| | A319-100 | CFM56-5B | 2795 | May-06 | Unencumbered |
| | A319-100 | CFM56-5B | 2803 | Jun-06 | Unencumbered |
| | A319-100 | CFM56-5B | 2818 | Jun-06 | Unencumbered |
| | A319-100 | V2500 | 3045 | Mar-07 | Unencumbered |
| | A319-100 | CFM56-5B | 3209 | Jul-07 | Unencumbered |
| | A319-100 | V2500 | 3421 | Mar-08 | Unencumbered |
| | A319-100 | CFM56-5B | 3443 | Mar-08 | Unencumbered |
| | A319-100 | V2500 | 3450 | Mar-08 | Unencumbered |
| | A320-200 | CFM56-5B | 1132 | Dec-99 | Unencumbered |
| | A320-200 | CFM56-5B | 1162 | Feb-00 | Unencumbered |
| | A320-200 | V2500 | 1177 | Mar-00 | Unencumbered |
| | A320-200 | CFM56-5B | 1179 | Mar-00 | Unencumbered |
| | A320-200 | CFM56-5B | 1244 | Jun-00 | Unencumbered |
| | A320-200 | CFM56-5B | 1259 | Jul-00 | Unencumbered |
| | A320-200 | CFM56-5B | 1308 | Oct-00 | Unencumbered |
| | A320-200 | CFM56-5B | 1322 | Nov-00 | Unencumbered |

| Aircraft Group | Aircraft Type | Engine Type | Manufacturer Serial Number | Date of Manufacture | Financing |
|----------------------------------|----------------------|--------------------|-----------------------------------|----------------------------|------------------|
| Narrow-body Aircraft (Continued) | A320-200 | CFM56-5B | 1655 | Apr-02 | Unencumbered |
| | A320-200 | CFM56-5B | 1674 | Apr-02 | Unencumbered |
| | A320-200 | CFM56-5B | 1757 | May-02 | Unencumbered |
| | A320-200 | CFM56-5B | 1780 | May-02 | Unencumbered |
| | A320-200 | CFM56-5B | 1913 | Jan-03 | Unencumbered |
| | A320-200 | CFM56-5B | 2048 | Jul-03 | Unencumbered |
| | A320-200 | CFM56-5B | 2104 | Apr-05 | Unencumbered |
| | A320-200 | CFM56-5B | 2248 | Apr-05 | Unencumbered |
| | A320-200 | V2500 | 2254 | Sep-04 | Unencumbered |
| | A320-200 | V2500 | 2310 | Nov-04 | Unencumbered |
| | A320-200 | CFM56-5B | 2347 | Apr-05 | Unencumbered |
| | A320-200 | CFM56-5B | 2391 | Apr-05 | Unencumbered |
| | A320-200 | V2500 | 2397 | Mar-05 | Unencumbered |
| | A320-200 | V2500 | 2401 | Mar-05 | Unencumbered |
| | A320-200 | V2500 | 2524 | Sep-05 | Unencumbered |
| | A320-200 | V2500 | 2564 | Oct-05 | Unencumbered |
| | A320-200 | CFM56-5B | 2792 | Jun-06 | Unencumbered |
| | A320-200 | CFM56-5B | 2822 | Jul-06 | Unencumbered |
| | A320-200 | CFM56-5B | 2956 | Nov-06 | Unencumbered |
| | A320-200 | V2500 | 2982 | Dec-06 | Unencumbered |
| | A320-200 | CFM56-5B | 2998 | Jan-07 | Unencumbered |
| | A320-200 | CFM56-5B | 3099 | Apr-07 | Unencumbered |
| | A320-200 | CFM56-5B | 3189 | Jul-07 | Unencumbered |
| | A320-200 | CFM56-5B | 3230 | Sep-07 | Unencumbered |
| | A320-200 | CFM56-5B | 3277 | Oct-07 | Unencumbered |
| | A320-200 | CFM56-5B | 3289 | Oct-07 | Unencumbered |
| | A320-200 | CFM56-5B | 3306 | Nov-07 | Unencumbered |
| | A320-200 | CFM56-5B | 3338 | Dec-07 | Bank Financing |
| | A320-200 | CFM56-5B | 3383 | Jan-08 | Unencumbered |
| | A320-200 | V2500 | 3423 | Mar-08 | Unencumbered |
| | A320-200 | V2500 | 3437 | Mar-08 | Unencumbered |
| | A320-200 | V2500 | 3439 | Mar-08 | Unencumbered |
| | A320-200 | V2500 | 3483 | May-08 | Unencumbered |
| | A320-200 | V2500 | 3524 | Jun-08 | Unencumbered |
| | A320-200 | V2500 | 3543 | Jul-08 | Unencumbered |
| | A320-200 | CFM56-5B | 3667 | Dec-08 | Unencumbered |
| | A320-200 | CFM56-5B | 3690 | Dec-08 | Unencumbered |
| | A320-200 | CFM56-5B | 3750 | Jan-09 | Unencumbered |
| | A320-200 | CFM56-5B | 3840 | Apr-09 | Unencumbered |
| | A320-200 | V2500 | 4008 | Aug-09 | Unencumbered |
| | A320-200 | CFM56-5B | 4070 | Oct-09 | Bank Financing |
| | A320-200 | V2500 | 4077 | Nov-09 | Bank Financing |
| | A320-200 | CFM56-5B | 4088 | Nov-09 | Bank Financing |
| | A320-200 | V2500 | 4113 | Nov-09 | Unencumbered |
| | A320-200 | V2500 | 4156 | Dec-09 | Unencumbered |

| Aircraft Group | Aircraft Type | Engine Type | Manufacturer Serial Number | Date of Manufacture | Financing |
|----------------------------------|----------------------|--------------------|-----------------------------------|----------------------------|------------------|
| Narrow-body Aircraft (Continued) | A320-200 | V2500 | 4216 | Feb-10 | Unencumbered |
| | A320-200 | V2500 | 4312 | May-10 | Unencumbered |
| | A320-200 | CFM56-5B | 4386 | Aug-10 | Unencumbered |
| | A320-200 | CFM56-5B | 4390 | Aug-10 | Unencumbered |
| | A320-200 | CFM56-5B | 4694 | May-11 | Unencumbered |
| | A320-200 | V2500 | 4968 | Jan-12 | Unencumbered |
| | A320-200 | V2500 | 5010 | Feb-12 | Unencumbered |
| | A320-200 | V2500 | 5127 | May-12 | Unencumbered |
| | A320-200 | V2500 | 5598 | Apr-13 | Unencumbered |
| | A320-200 | V2500 | 5796 | Oct-13 | Unencumbered |
| | A320-200 | V2500 | 6077 | Apr-14 | Unencumbered |
| | A320-200 | CFM56-5B | 6139 | Oct-14 | Unencumbered |
| | A320-200 | CFM56-5B | 6173 | Oct-14 | Unencumbered |
| | A320-200 | CFM56-5B | 6528 | Mar-15 | Unencumbered |
| | A320-200 | CFM56-5B | 6536 | Mar-15 | Unencumbered |
| | A320-200 | CFM56-5B | 6561 | Apr-15 | Unencumbered |
| | A320-200 | CFM56-5B | 6598 | May-15 | Unencumbered |
| | A320-200 | CFM56-5B | 6634 | Jun-15 | Unencumbered |
| | A320-200 | CFM56-5B | 6800 | Oct-15 | Bank Financing |
| | A320-200 | CFM56-5B | 6806 | Nov-15 | Bank Financing |
| | A320-200 | CFM56-5B | 6813 | Nov-15 | Bank Financing |
| | A320-200 | CFM56-5B | 7050 | Apr-16 | Bank Financing |
| | A320-200 | CFM56-5B | 7223 | Jul-16 | Bank Financing |
| | A320-200N | PW1100G | 8206 | Dec-18 | Unencumbered |
| | A320-200N | PW1100G | 8455 | Oct-18 | Unencumbered |
| | A320-200N | PW1100G | 8459 | Oct-18 | Unencumbered |
| | A320-200N | PW1100G | 8460 | Sep-18 | Unencumbered |
| | A320-200N | PW1100G | 8465 | Sep-18 | Unencumbered |
| | A320-200N | PW1100G | 8540 | Oct-18 | Unencumbered |
| | A320-200N | PW1100G | 8541 | Nov-18 | Unencumbered |
| | A320-200N | PW1100G | 8558 | Nov-18 | Unencumbered |
| | A320-200N | PW1100G | 8627 | Dec-18 | Unencumbered |
| | A320-200N | PW1100G | 8630 | Dec-18 | Unencumbered |
| | A320-200N | PW1100G | 8789 | Mar-19 | Unencumbered |
| | A321-200 | CFM56-5B | 775 | Feb-98 | Unencumbered |
| | A321-200 | CFM56-5B | 815 | May-98 | Unencumbered |
| | A321-200 | V2500 | 1199 | Apr-00 | Unencumbered |
| | A321-200 | CFM56-5B | 1572 | Aug-01 | Unencumbered |
| | A321-200 | V2500 | 1734 | May-02 | Unencumbered |
| | A321-200 | CFM56-5B | 1836 | Nov-02 | Unencumbered |
| | A321-200 | CFM56-5B | 2208 | Apr-04 | Unencumbered |
| | A321-200 | CFM56-5B | 2220 | May-04 | Unencumbered |
| | A321-200 | CFM56-5B | 2357 | Dec-04 | Unencumbered |
| | A321-200 | CFM56-5B | 2381 | Feb-05 | Unencumbered |
| | A321-200 | CFM56-5B | 2488 | Jun-05 | Unencumbered |

| Aircraft Group | Aircraft Type | Engine Type | Manufacturer Serial Number | Date of Manufacture | Financing |
|----------------------------------|----------------------|--------------------|-----------------------------------|----------------------------|------------------|
| Narrow-body Aircraft (Continued) | A321-200 | CFM56-5B | 2563 | Oct-05 | Bank Financing |
| | A321-200 | V2500 | 2687 | Feb-06 | Unencumbered |
| | A321-200 | CFM56-5B | 2756 | May-06 | Unencumbered |
| | A321-200 | V2500 | 3458 | Apr-08 | Unencumbered |
| | A321-200 | V2500 | 3637 | Jan-09 | Unencumbered |
| | A321-200 | V2500 | 3673 | Jan-09 | Unencumbered |
| | A321-200 | V2500 | 6201 | Jul-14 | Unencumbered |
| | A321-200 | V2500 | 6253 | Sep-14 | Unencumbered |
| | 737-700 | CFM56-7B | 28008 | Feb-99 | Unencumbered |
| | 737-700 | CFM56-7B | 28009 | Mar-99 | Unencumbered |
| | 737-700 | CFM56-7B | 28010 | Oct-99 | Unencumbered |
| | 737-700 | CFM56-7B | 28013 | Oct-00 | Unencumbered |
| | 737-700 | CFM56-7B | 28015 | Feb-01 | Unencumbered |
| | 737-700 | CFM56-7B | 28498 | Mar-01 | Unencumbered |
| | 737-700 | CFM56-7B | 29346 | Jan-03 | Unencumbered |
| | 737-700 | CFM56-7B | 29347 | May-03 | Unencumbered |
| | 737-700 | CFM56-7B | 29356 | Oct-04 | Unencumbered |
| | 737-700 | CFM56-7B | 30687 | Apr-07 | Unencumbered |
| | 737-700 | CFM56-7B | 30710 | Feb-07 | Bank Financing |
| | 737-700 | CFM56-7B | 32881 | Jun-02 | Unencumbered |
| | 737-700 | CFM56-7B | 33103 | Jun-02 | Unencumbered |
| | 737-800 | CFM56-7B | 28381 | May-99 | Unencumbered |
| | 737-800 | CFM56-7B | 28623 | May-00 | Unencumbered |
| | 737-800 | CFM56-7B | 29037 | Jan-99 | Unencumbered |
| | 737-800 | CFM56-7B | 29345 | May-02 | Unencumbered |
| | 737-800 | CFM56-7B | 29368 | Mar-06 | Unencumbered |
| | 737-800 | CFM56-7B | 29918 | Jun-99 | Unencumbered |
| | 737-800 | CFM56-7B | 29920 | Sep-99 | Unencumbered |
| | 737-800 | CFM56-7B | 30296 | Feb-05 | Unencumbered |
| | 737-800 | CFM56-7B | 30410 | Oct-02 | Unencumbered |
| | 737-800 | CFM56-7B | 30640 | Dec-01 | Unencumbered |
| | 737-800 | CFM56-7B | 30652 | Dec-01 | Unencumbered |
| | 737-800 | CFM56-7B | 30673 | May-04 | Unencumbered |
| | 737-800 | CFM56-7B | 30695 | Mar-06 | Unencumbered |
| | 737-800 | CFM56-7B | 30824 | Mar-05 | Bank Financing |
| | 737-800 | CFM56-7B | 31107 | Oct-10 | Bank Financing |
| | 737-800 | CFM56-7B | 31109 | Nov-10 | Bank Financing |
| | 737-800 | CFM56-7B | 32796 | Feb-03 | Unencumbered |
| | 737-800 | CFM56-7B | 33030 | Jun-06 | Unencumbered |
| | 737-800 | CFM56-7B | 33104 | Jun-03 | Unencumbered |
| | 737-800 | CFM56-7B | 33453 | Jul-05 | Unencumbered |
| | 737-800 | CFM56-7B | 33597 | Sep-06 | Unencumbered |
| | 737-800 | CFM56-7B | 34000 | Aug-05 | Unencumbered |
| | 737-800 | CFM56-7B | 34242 | Mar-05 | Unencumbered |
| | 737-800 | CFM56-7B | 34409 | Apr-06 | Unencumbered |

| Aircraft Group | Aircraft Type | Engine Type | Manufacturer Serial Number | Date of Manufacture | Financing |
|----------------------------------|----------------------|--------------------|-----------------------------------|----------------------------|------------------|
| Narrow-body Aircraft (Continued) | 737-800 | CFM56-7B | 34690 | Feb-07 | Unencumbered |
| | 737-800 | CFM56-7B | 34799 | Sep-06 | Unencumbered |
| | 737-800 | CFM56-7B | 34800 | Oct-06 | Unencumbered |
| | 737-800 | CFM56-7B | 35022 | Jan-10 | Unencumbered |
| | 737-800 | CFM56-7B | 35082 | Mar-08 | Unencumbered |
| | 737-800 | CFM56-7B | 35093 | Feb-07 | Unencumbered |
| | 737-800 | CFM56-7B | 35099 | Nov-07 | Unencumbered |
| | 737-800 | CFM56-7B | 35103 | Nov-06 | Bank Financing |
| | 737-800 | CFM56-7B | 35106 | Mar-08 | Unencumbered |
| | 737-800 | CFM56-7B | 35134 | Jan-07 | Unencumbered |
| | 737-800 | CFM56-7B | 35138 | Feb-08 | Unencumbered |
| | 737-800 | CFM56-7B | 35149 | Feb-09 | Unencumbered |
| | 737-800 | CFM56-7B | 36573 | Apr-08 | Unencumbered |
| | 737-800 | CFM56-7B | 36808 | Dec-10 | Unencumbered |
| | 737-800 | CFM56-7B | 36814 | Sep-09 | Unencumbered |
| | 737-800 | CFM56-7B | 36821 | Aug-11 | Unencumbered |
| | 737-800 | CFM56-7B | 36826 | Sep-11 | Bank Financing |
| | 737-800 | CFM56-7B | 36829 | Oct-11 | Bank Financing |
| | 737-800 | CFM56-7B | 37294 | Jun-12 | Unencumbered |
| | 737-800 | CFM56-7B | 37519 | Jan-09 | Unencumbered |
| | 737-800 | CFM56-7B | 37532 | May-09 | Unencumbered |
| | 737-800 | CFM56-7B | 37540 | Jan-09 | Unencumbered |
| | 737-800 | CFM56-7B | 37742 | Feb-09 | Unencumbered |
| | 737-800 | CFM56-7B | 37887 | Nov-10 | Unencumbered |
| | 737-800 | CFM56-7B | 38019 | May-11 | Unencumbered |
| | 737-800 | CFM56-7B | 38494 | Jan-10 | Unencumbered |
| | 737-800 | CFM56-7B | 38686 | Jan-13 | Unencumbered |
| | 737-800 | CFM56-7B | 39859 | Jul-15 | Unencumbered |
| | 737-800 | CFM56-7B | 39864 | Sep-15 | Bank Financing |
| | 737-800 | CFM56-7B | 40580 | Aug-10 | Bank Financing |
| | 737-800 | CFM56-7B | 40581 | Sep-10 | Bank Financing |
| | 737-800 | CFM56-7B | 40584 | Dec-10 | Bank Financing |
| | 737-800 | CFM56-7B | 40713 | Dec-10 | Unencumbered |
| | 737-800 | CFM56-7B | 40744 | May-16 | Unencumbered |
| | 737-800 | CFM56-7B | 40745 | Aug-16 | Unencumbered |
| | 737-800 | CFM56-7B | 40910 | Dec-10 | Unencumbered |
| | 737-800 | CFM56-7B | 40998 | Nov-11 | Unencumbered |
| | 737-800 | CFM56-7B | 41179 | Feb-16 | Unencumbered |
| | 737-800 | CFM56-7B | 41398 | May-14 | Unencumbered |
| | 737-800 | CFM56-7B | 60499 | Jul-17 | Unencumbered |
| | 737-800 | CFM56-7B | 60500 | Aug-17 | Unencumbered |
| | 737-800 | CFM56-7B | 60501 | Sep-17 | Unencumbered |
| | 737-900 | CFM56-7B | 30412 | May-03 | Unencumbered |
| | 737-900ER | CFM56-7B | 35679 | Apr-07 | Unencumbered |
| | 737-900ER | CFM56-7B | 35680 | May-07 | Unencumbered |

| Aircraft Group | Aircraft Type | Engine Type | Manufacturer Serial Number | Date of Manufacture | Financing |
|----------------------------------|----------------------|--------------------|-----------------------------------|----------------------------|------------------|
| Narrow-body Aircraft (Continued) | 737-900ER | CFM56-7B | 35720 | Dec-08 | Unencumbered |
| | 737-900ER | CFM56-7B | 35721 | Feb-09 | Unencumbered |
| | 737-900ER | CFM56-7B | 38683 | Nov-12 | Unencumbered |
| | E195 | CF34-10 | 484 | Oct-11 | Unencumbered |
| | E195 | CF34-10 | 575 | Sep-12 | Unencumbered |
| | E195 | CF34-10 | 588 | Dec-12 | Unencumbered |
| | E195 | CF34-10 | 609 | Mar-13 | Unencumbered |
| | E195 | CF34-10 | 628 | Jun-13 | Unencumbered |
| Wide-body Aircraft | A330-200 | Trent 700 | 313 | Jan-00 | Unencumbered |
| | A330-200 | PW4000 | 324 | May-00 | Unencumbered |
| | A330-200 | Trent 700 | 526 | Apr-03 | Unencumbered |
| | A330-200 | CF6-80E1 | 587 | Apr-04 | Unencumbered |
| | A330-200 | CF6-80E1 | 634 | Nov-04 | Unencumbered |
| | A330-200 | CF6-80E1 | 811 | Feb-07 | Unencumbered |
| | A330-200 | Trent 700 | 1073 | Dec-09 | ECA Financing |
| | A330-200 | Trent 700 | 1191 | Feb-11 | ECA Financing |
| | A330-200 | Trent 700 | 1210 | Mar-11 | ECA Financing |
| | A330-200 | Trent 700 | 1223 | May-11 | ECA Financing |
| | A330-200 | Trent 700 | 1236 | Jul-11 | ECA Financing |
| | A330-200 | Trent 700 | 1364 | Nov-12 | ECA Financing |
| | A330-200 | Trent 700 | 1492 | Oct-14 | Unencumbered |
| | A330-300 | Trent 700 | 997 | Mar-09 | Unencumbered |
| | A330-300 | Trent 700 | 1006 | Apr-09 | Unencumbered |
| | A330-300 | Trent 700 | 1012 | May-09 | Unencumbered |
| | A330-300 | Trent 700 | 1015 | May-09 | Unencumbered |
| | A330-300 | PW4000 | 1055 | Oct-09 | Unencumbered |
| | A330-300 | Trent 700 | 1411 | Apr-13 | Bank Financing |
| | A330-300 | Trent 700 | 1481 | Jan-14 | Bank Financing |
| | 777-200ER | GE90 | 32705 | Oct-04 | Bank Financing |
| | 777-300ER | GE90 | 35299 | Oct-07 | Unencumbered |
| | 777-300ER | GE90 | 38886 | Aug-12 | Unencumbered |
| | 777-300ER | GE90 | 38888 | Oct-12 | Unencumbered |
| | 777-300ER | GE90 | 38889 | Nov-12 | Unencumbered |
| | 777-300ER | GE90 | 41522 | Mar-13 | Bank Financing |
| Freighter Aircraft | 747-400F | CF6-80C2 | 33749 | Oct-04 | Unencumbered |
| | 747-400ERF | CF6-80C2 | 35233 | Jan-07 | Unencumbered |
| | 747-400ERF | CF6-80C2 | 35236 | Feb-08 | Unencumbered |
| | 747-400ERF | CF6-80C2 | 35237 | Apr-08 | Unencumbered |