



May 2, 2013

## **Aircastle Announces First Quarter 2013 Results**

### **Board Declares Second Quarter Dividend on Common Shares of \$0.165**

#### **Highlights**

- **Lease rental and finance lease revenues of \$160.5 million and Adjusted EBITDA<sup>1</sup> of \$168.6 million**
- **Net income of \$23.1 million, or \$0.34 per diluted common share**
- **Adjusted net income<sup>1</sup> of \$27.4 million, or \$0.40 per diluted common share**
- **Fleet utilization of 97% with an aircraft portfolio yield of 13.6%**
- **Closed or committed to make more than \$450 million of aircraft investments during 2013**
- **28th consecutive quarterly dividend declared by Aircastle's Board of Directors**
- **Repurchased 0.7 million shares for \$8.6 million; \$30 million remaining under current repurchase authorization**

STAMFORD, Conn., May 2, 2013 /PRNewswire/ -- Aircastle Limited (the "Company" or "Aircastle") (NYSE: AYR) reported first quarter 2013 net income of \$23.1 million, or \$0.34 per diluted common share, and adjusted net income of \$27.4 million, or \$0.40 per diluted common share. The first quarter results included lease rental and finance lease revenues of \$160.5 million versus \$152.2 million in the first quarter of 2012.

Commenting on the results, Ron Wainshal, Aircastle's CEO, stated: "Effective portfolio management was a major driver of our solid first quarter results, as we demonstrated both our aircraft servicing skills as well as our ability to exit end-of-life aircraft investments profitably. Additionally, our aircraft purchase commitments for 2013 increased to more than \$450 million, and we are encouraged by the growth in our new investment pipeline. With nearly \$700 million in unrestricted cash and strong operating cash flow, Aircastle is in an excellent position to pursue accretive new purchase opportunities."

#### **First Quarter Results**

Lease rental and finance lease revenues for the first quarter were \$160.5 million, up \$8.2 million or 5% year over year, due primarily to the impact of aircraft acquisitions of \$25.9 million, partially offset by lower revenues from aircraft sold of \$6.5 million and the effect of lease extensions, transitions and terminations of \$11.2 million.

Total revenues for the first quarter were \$176.2 million, an increase of \$11.3 million, or 7% versus the previous year. The increase reflects \$8.2 million of higher lease rental and finance lease revenues, \$4.2 million of higher maintenance revenues associated with unscheduled lease terminations, and \$4.3 million of higher other revenues from interest on debt investments and additional revenue in connection with early lease terminations. These increases were partially offset by higher amortization of net lease premiums and incentives in the first quarter of 2013 of \$5.5 million, primarily due to two unscheduled lease transitions in the first quarter of the prior year which led to comparatively lower amortization of lease incentives.

During the first quarter of 2013 we early terminated leases for five aircraft in the wake of lessee financial difficulties. As a result, during the quarter we recorded maintenance and other revenues totaling \$14.8 million which was partially offset by impairment charges totaling \$6.2 million. Two of these five aircraft — an A319-100 and a B767-300ER — have been classified as held for sale.

Adjusted EBITDA for the first quarter was \$168.6 million, up \$16.7 million or 11% from the first quarter of 2012, driven primarily by higher lease rentals, maintenance and other revenues of \$16.8.

Net income for the first quarter was \$23.1 million, down \$9.5 million, or 29%. Higher total revenues of \$11.3 million and \$1.0 million of higher gains from the sale of aircraft were offset by higher interest, net of \$10.2 million, higher depreciation of \$5.4 million and non-cash aircraft impairment charges of \$6.2 million.

Adjusted net income for the quarter was \$27.4 million, down \$5.0 million year over year, and reflects higher total revenues of \$11.3 million and \$1.0 million of higher gains from the sale of aircraft. These increases were offset by non-cash impairment charges of \$6.2 million, higher depreciation of \$5.4 million and higher adjusted interest expense, maintenance and other costs of \$5.6 million.

#### **Aviation Assets**

Thus far in 2013, we closed or committed to acquire ten aircraft for more than \$450 million. During the first quarter, we closed on the purchase of one 767-300ER subject to a finance lease. Aircraft sales and dispositions totaled \$19.8 million which resulted in a net gain on the sale of aircraft of \$1.2 million.

As of March 31, 2013, Aircastle owned 158 aircraft having a net book value of \$4.7 billion.

	<b>Owned Aircraft as of March 31, 2013<sup>(1)</sup></b>
Flight Equipment Held for Lease (\$ mils.)	\$ 4,693
Unencumbered Flight Eqt. (\$ mils.)	\$ 2,059
Number of Aircraft	158
Number of Unencumbered Aircraft	72
Passenger Aircraft (% of NBV)	71%
Freighter Aircraft (% of NBV)	29%
Weighted Average Fleet Age — Combined (years) <sup>(2)</sup>	10.9
Weighted Average Remaining Combined Lease Term (years) <sup>(3)</sup>	4.8
Weighted Average Fleet Utilization for the three months ended <sup>(4)</sup>	97%
Portfolio Yield for the three months ended <sup>(5)</sup>	13.6%

(1) Calculated using net book value of flight equipment held for lease, net investment in finance leases and flight equipment held for sale at period end.

(2) Weighted average age (years) by net book value.

(3) Weighted average remaining lease term (years) by net book value.

(4) Aircraft on-lease days as a percent of total days in period weighted by net book value.

(5) Lease rental revenue for the period as a percent of the average net book value of flight equipment held for lease for the period; quarterly information is annualized.

## Common Dividend and Share Repurchases

On May 1, 2013, Aircastle's Board of Directors declared a second quarter 2013 cash dividend on its common shares of \$0.165 per share, payable on June 14, 2013 to shareholders of record on May 31, 2013.

During the first quarter of 2013, we repurchased 679 thousand of our common shares at an aggregate cost of \$8.6 million. Since early 2011 we have repurchased 11.7 million shares at an average cost of \$11.87 per share, and have \$30 million remaining under the current repurchase authorization.

## Conference Call

In connection with this earnings release, management will host an earnings conference call on Thursday, May 2, 2013 at 10:00AM Eastern time. All interested parties are welcome to participate on the live call. The conference call can be accessed by dialing (888) 466-4587 (from within the U.S. and Canada) or (719) 325-2286 (from outside of the U.S. and Canada) ten minutes prior to the scheduled start and referencing the passcode "8072225".

A simultaneous webcast of the conference call will be available to the public on a listen-only basis at [www.aircastle.com](http://www.aircastle.com). Please allow extra time prior to the call to visit the site and download the necessary software required to listen to the internet broadcast. A replay of the webcast will be available for one month following the call. In addition to this earnings release, an accompanying power point presentation has been posted to the Investor Relations section of Aircastle's website.

For those who are not available to listen to the live call, a replay will be available until 1:00PM Eastern time on Saturday, June 1, 2013 by dialing (888) 203-1112 (from within the U.S. and Canada) or (719) 457-0820 (from outside of the U.S. and Canada); please reference passcode "8072225".

## About Aircastle Limited

Aircastle Limited acquires, leases and sells high-utility commercial jet aircraft to airlines throughout the world. As of March 31, 2013, Aircastle's aircraft portfolio consisted of 158 aircraft on lease with 66 customers located in 36 countries.

## Safe Harbor

Certain items in this press release and other information we provide from time to time, may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 including, but 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 management's current expectations and beliefs 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 forward-looking statements contained in this report. Factors that could have a material adverse effect on our operations and future prospects or that could cause actual results to differ materially from Aircastle expectations include, but are not limited to, capital markets disruption or volatility which could adversely affect our continued ability to obtain additional capital to finance new investments or our working capital needs; government fiscal or tax policies, general economic and business conditions or other factors affecting demand for aircraft or aircraft values and lease rates; our continued ability to obtain favorable tax treatment in Bermuda, Ireland and other jurisdictions; our ability to pay dividends; high or volatile fuel prices, lack of access to capital, reduced load factors and/or reduced yields, operational disruptions caused by political unrest in North Africa, the Middle East or elsewhere, and other factors affecting the creditworthiness of our airline customers and their ability to continue to perform their obligations under our leases; termination payments on our interest rate hedges; and other risks detailed from time to time in Aircastle's filings with the SEC, including as previously disclosed in Aircastle's 2012 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 Limited expressly disclaims any obligation to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in its expectations with regard thereto or change in events, conditions or circumstances on which any statement is based.

<sup>1</sup>. Refer to Supplemental Financial Information accompanying this press release for a reconciliation of GAAP to non-GAAP numbers.

### Contact:

Frank Constantinople, SVP Investor Relations

Tel: +1-203-504-1063

[fconstantinople@aircastle.com](mailto:fconstantinople@aircastle.com)

### The IGB Group

Leon Berman

Tel: +1-212-477-8438

[lberman@igbir.com](mailto:lberman@igbir.com)

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

	December 31, 2012	March 31, 2013 (Unaudited)
<b>ASSETS</b>		
Cash and cash equivalents	\$ 618,217	\$ 693,303
Accounts receivable	5,625	3,759
Restricted cash and cash equivalents	111,942	108,423
Restricted liquidity facility collateral	107,000	107,000
Flight equipment held for lease, net of accumulated depreciation of \$1,305,064 and \$1,307,959	4,662,661	4,544,773
Net investment in finance leases	119,951	129,701
Other assets	186,764	169,373
Total assets	<u>\$ 5,812,160</u>	<u>\$ 5,756,332</u>

**LIABILITIES AND SHAREHOLDERS' EQUITY****LIABILITIES**

Borrowings from secured financings (including borrowings of ACS Ireland VIEs of \$207,926 and \$196,207, respectively)	\$ 1,848,034	\$ 1,765,353
Borrowings from unsecured financings	1,750,642	1,750,613
Accounts payable, accrued expenses and other liabilities	108,593	113,949
Lease rentals received in advance	53,189	50,287
Liquidity facility	107,000	107,000
Security deposits	87,707	91,953
Maintenance payments	379,391	388,182
Fair value of derivative liabilities	61,978	56,947
Total liabilities	<u>4,396,534</u>	<u>4,324,284</u>

Commitments and Contingencies

**SHAREHOLDERS' EQUITY**

Preference shares, \$.01 par value, 50,000,000 shares authorized, no shares issued and outstanding		
Common shares, \$.01 par value, 250,000,000 shares authorized, 68,639,729 shares issued and outstanding at December 31, 2012; and 68,280,299 shares issued and outstanding at March 31, 2013	686	683
Additional paid-in capital	1,360,555	1,353,084
Retained earnings	180,675	192,471
Accumulated other comprehensive loss	(126,290)	(114,190)
Total shareholders' equity	<u>1,415,626</u>	<u>1,432,048</u>
Total liabilities and shareholders' equity	<u>\$ 5,812,160</u>	<u>\$ 5,756,332</u>

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

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<u>2012</u>	<u>2013</u>
<b>Revenues:</b>		
Lease rental revenue	\$ 152,242	\$ 156,590
Finance lease revenue	—	3,884
Amortization of lease premiums, discounts and lease incentives	(1,598)	(7,081)
Maintenance revenue	12,647	16,866
Total lease revenues	<u>163,291</u>	<u>170,259</u>
Other revenue	<u>1,624</u>	<u>5,930</u>
Total revenues	<u>164,915</u>	<u>176,189</u>
<b>Expenses:</b>		
Depreciation	64,514	69,900
Interest, net	48,981	59,152
Selling, general and administrative (including non-cash share based payment expense of \$1,176 and \$811 for the three months ended March 31, 2012 and 2013, respectively)	13,198	13,285
Impairment of Aircraft	—	6,199
Maintenance and other costs	2,774	3,412
Total expenses	<u>129,467</u>	<u>151,948</u>
<b>Other income (expense):</b>		
Gain on sale of flight equipment	196	1,192
Other	(113)	1,215
Total other income (expense)	<u>83</u>	<u>2,407</u>
Income from continuing operations before income taxes	35,531	26,648
Income tax provision	<u>2,929</u>	<u>3,584</u>
Net income	<u>\$ 32,602</u>	<u>\$ 23,064</u>

Earnings per common share — Basic:		
Net income per share	\$ 0.45	\$ 0.34
Earnings per common share — Diluted:		
Net income per share	\$ 0.45	\$ 0.34
Dividends declared per share	\$ 0.15	\$ 0.165

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

	Three Months Ended March 31,	
	2012	2013
Net income	\$ 32,602	\$ 23,064
Other comprehensive income, net of tax:		
Net change in fair value of derivatives, net of tax expense of \$289 and \$118 for the three months ended, March 31, 2012 and 2013, respectively	16,483	3,826
Net derivative loss reclassified into earnings	4,071	8,274
Other comprehensive income	20,554	12,100
Total comprehensive income	\$ 53,156	\$ 35,164

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

	Three Months Ended March 31,	
	2012	2013
<b>Cash flows from operating activities:</b>		
Net income	\$ 32,602	\$ 23,064
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	64,514	69,900
Amortization of deferred financing costs	2,716	2,435
Amortization of net lease discounts and lease incentives	1,598	7,081
Deferred income taxes	1,377	2,194
Non-cash share based payment expense	1,176	811
Cash flow hedges reclassified into earnings	4,071	8,274
Ineffective portion of cash flow hedges	(1,519)	128
Security deposits and maintenance payments included in earnings	(12,722)	(23,259)
Gain on sale of flight equipment	(196)	(1,192)
Impairment of aircraft	—	6,199
Other	57	(2,901)
Changes in certain assets and liabilities:		
Accounts receivable	(3,396)	1,866
Restricted cash and cash equivalents related to operating activities	700	—
Other assets	(1,886)	(95)
Accounts payable, accrued expenses and other liabilities	(15,338)	1,144
Lease rentals received in advance	(788)	(2,902)
Net cash provided by operating activities	72,966	92,747
<b>Cash flows from investing activities:</b>		
Acquisition and improvement of flight equipment and lease incentives	(48,449)	(4,157)
Proceeds from sale of flight equipment	2,500	19,750
Restricted cash and cash equivalents related to sale of flight equipment	35,762	700

Aircraft purchase deposits and progress payments	(16,518)	(3,869)
Net investment in finance leases	—	(11,595)
Collections on finance leases	—	1,845
Purchase of debt investment	(43,626)	—
Principal repayments on debt investment	—	42,001
Other	(40)	(695)
Net cash used in investing activities	<u>(70,371)</u>	<u>43,980</u>
<b>Cash flows from financing activities:</b>		
Repurchase of shares	(1,469)	(7,940)
Securitization and term debt financing repayments	(63,257)	(82,681)
Deferred financing costs	(271)	(441)
Restricted secured liquidity facility collateral	2,700	—
Secured liquidity facility collateral	(2,700)	—
Restricted cash and cash equivalents related to financing activities	25,684	2,819
Security deposits received	1,985	11,349
Security deposits returned	(1,495)	(425)
Maintenance payments received	30,275	34,142
Maintenance payments returned	(22,034)	(7,196)
Dividends paid	(10,865)	(11,268)
Net cash (used in) provided by financing activities	<u>(41,447)</u>	<u>(61,641)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(38,852)</b>	<b>75,086</b>
Cash and cash equivalents at beginning of period	295,522	618,217
Cash and cash equivalents at end of period	<u>\$ 256,670</u>	<u>\$ 693,303</u>

**Aircastle Limited and Subsidiaries**  
**Supplemental Financial Information**  
(Amount in thousands, except per share amounts)  
(Unaudited)

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<u>2012</u>	<u>2013</u>
Revenues	\$164,915	\$176,189
EBITDA	\$150,624	\$162,781
Adjusted EBITDA	\$151,913	\$168,576
Adjusted net income	\$ 32,372	\$ 27,412
Adjusted net income allocable to common shares	\$ 32,090	\$ 27,214
Per common share — Basic	\$ 0.45	\$ 0.40
Per common share — Diluted	\$ 0.45	\$ 0.40
Basic common shares outstanding	71,697	67,896
Diluted common shares outstanding	71,697	67,896

Refer to the selected information accompanying this press release for a reconciliation of GAAP to Non-GAAP information.

**Aircastle Limited and Subsidiaries**  
**Reconciliation of GAAP to Non-GAAP Measures**  
**EBITDA and Adjusted EBITDA Reconciliation**  
(Dollars in thousands)  
(Unaudited)

**Three Months Ended**

	March 31,	
	2012	2013
	(Dollars in thousands)	
Net income (loss)	\$ 32,602	\$ 23,064
Depreciation	64,514	69,900
Amortization of net lease discounts and lease incentives	1,598	7,081
Interest, net	48,981	59,152
Income tax provision	2,929	3,584
EBITDA	\$ 150,624	\$ 162,781
Adjustments:		
Impairment of aircraft	—	6,199
Non-cash share based payment expense	1,176	811
Loss (gain) on mark to market of interest rate derivative contracts	113	(1,215)
Adjusted EBITDA	\$ 151,913	\$ 168,576

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-US 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.

**Aircastle Limited and Subsidiaries**  
**Reconciliation of GAAP to Non-GAAP Measures**  
**Adjusted Net Income Reconciliation**  
**(Dollars in thousands)**  
**(Unaudited)**

	Three Months Ended	
	March 31,	
	2012	2013
(Dollars in thousands)		
Net income (loss)	\$ 32,602	\$ 23,064
Ineffective portion and termination of hedges <sup>(1)</sup>	(1,519)	128
Mark to market of interest rate derivative contracts <sup>(2)</sup>	113	(1,215)
Stock compensation expense <sup>(3)</sup>	1,176	811
Term Financing No. 1 hedge loss amortization charges <sup>(1)</sup>	—	4,283
Securitization No. 1 Hedge loss amortization charges <sup>(1)</sup>	—	341
Adjusted net income (loss)	\$ 32,372	\$ 27,412

(1) Included in Interest, net.

(2) Included in Other income (expense).

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

Beginning with our report for the quarter ended March 31, 2012, management, to be more consistent with reporting practices of peer aircraft leasing companies, has revised the calculation of ANI to no longer exclude gains (losses) on sales of assets, and to exclude non-cash share based payment expense in the calculation of ANI. Beginning with our quarterly report for the quarter ended June 30, 2012, we also excluded Term Financing No. 1 hedge loss amortization charges which will be reported in Interest, net on our consolidated statement of income from the calculation of ANI. The same applies to hedge loss amortization charges associated with Securitization No. 1, which began in the first quarter of 2013. The calculation of ANI for the three months ended March 31, 2012 has been revised to be comparable with the current period presentation.

Management believes that ANI, when viewed in conjunction with the Company's results under US GAAP and the below reconciliation, provides useful information about operating and period-over-period performance, and provides 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 and gains or losses related to flight equipment and debt investments.

**Aircastle Limited and Subsidiaries**  
**Reconciliation of GAAP to Non-GAAP Measures**  
**Reconciliation of Net Income Allocable to Common Shares**  
(In thousands)  
(Unaudited)

	<b>Three Months Ended</b>	
	<b>March 31, 2013</b>	
	<b>Shares</b>	<b>Percent<sup>(2)</sup></b>
<b><u>Weighted average shares</u></b>		
Common shares outstanding — Basic	67,896	99.28 %
Unvested restricted common shares outstanding	493	0.72 %
Total weighted average shares outstanding	<u>68,389</u>	<u>100.00 %</u>
Common shares outstanding — Basic	67,896	100.00 %
Effect of dilutive shares <sup>(1)</sup>	—	—
Common shares outstanding — Diluted	<u>67,896</u>	<u>100.00 %</u>
<b><u>Net income allocation</u></b>		
Net income	\$23,064	100.00 %
Distributed and undistributed earnings allocated to unvested restricted shares	(166)	(0.72)%
Earnings available to common shares	<u>\$22,898</u>	<u>99.28 %</u>
<b><u>Adjusted net income allocation</u></b>		
Adjusted net income	\$27,412	100.00 %
Amounts allocated to unvested restricted shares	(198)	(0.72)%
Amounts allocated to common shares	<u>\$27,214</u>	<u>99.28 %</u>

(1) The Company had no dilutive common share equivalents for the periods presented.

(2) Percentages rounded to two decimal places.

**Aircastle Limited and Subsidiaries**  
**Reconciliation of GAAP to Non-GAAP Measures**  
**Reconciliation of Net Income Allocable to Common Shares**  
(In thousands)  
(Unaudited)

	<b>Three Months Ended</b>	
	<b>March 31, 2012</b>	
	<b>Shares</b>	<b>Percent<sup>(2)</sup></b>
<b><u>Weighted average shares</u></b>		
Common shares outstanding — Basic	71,697	99.13 %
Unvested restricted common shares outstanding	630	0.87 %
Total weighted average shares outstanding	<u>72,327</u>	<u>100.00 %</u>
Common shares outstanding — Basic	71,697	100.00 %
Effect of dilutive shares <sup>(1)</sup>	—	—
Common shares outstanding — Diluted	<u>71,697</u>	<u>100.00 %</u>
<b><u>Net income allocation</u></b>		
Net income	\$32,602	100.00 %
Distributed and undistributed earnings allocated to unvested restricted shares	(284)	(0.87)%
Earnings available to common shares	<u>\$32,318</u>	<u>99.13 %</u>

**Adjusted net income allocation**

Adjusted net income	\$32,372	100.00 %
Amounts allocated to unvested restricted shares	<u>(282)</u>	<u>(0.87) %</u>
Amounts allocated to common shares	<u>\$32,090</u>	<u>99.13 %</u>

(1) The Company had no dilutive common share equivalents for the periods presented.

(2) Percentages rounded to two decimal places.

SOURCE Aircastle Limited

News Provided by Acquire Media