


# Wells Fargo Securities 2017 Industrial and Construction Conference

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May 9, 2017



## Forward-Looking Statements / Property of Aircastle

All statements included or incorporated by reference in this presentation, 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, Adjusted Net Income, Cash Return on Equity and Net Cash Interest Margin 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 presentation. 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 Item 1 A of Aircastle’s 2016 Annual Report on Form 10-K. 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 presentation. Aircastle expressly disclaims any obligation to revise or update publicly any forward-looking statement to reflect future events or circumstances.

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## Market Update – Overall Fundamentals Remain Strong

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- **Air traffic continued growing rapidly in Q1:17; good demand for aircraft**
  - Through March 2017, Passenger traffic (RPKs) increased 7.0%; load factors remained high at 80.1%
- **Low fuel prices driving strong airline industry profits**
- **Current technology narrow-body lease rental levels have been stable and values have been strong**
  - Weaker rentals for wide-bodies and new technology aircraft
- **Investor interest in aircraft remains strong; strong gains from the sale of flight equipment in 2015 and 2016**
  - Solid demand for yield assets continued into Q1:17
- **We are cautiously optimistic -- approaching new business opportunities with prudence, discipline, and a focus on value**

## Key Q1 2017 Accomplishments

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Acquired or committed to acquire eighteen aircraft for more than \$400 million

Issued \$500 million of seven year, senior unsecured notes at a record low coupon of 4.125%

Declared our 44<sup>th</sup> consecutive quarterly dividend

## Key Financial Metrics – Q1:17

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Net income was \$42.4 million

\$0.54 per diluted common share versus \$0.46 the previous year; a 17% increase

Adjusted net income<sup>1</sup> was \$45.7 million

\$0.58 per diluted common share versus \$0.56 the previous year; a 4% increase

Adjusted EBITDA<sup>1</sup> was \$193.4 million, up 5.2%

Lease rental<sup>2</sup> revenues were \$194.7 million, up 6.3%

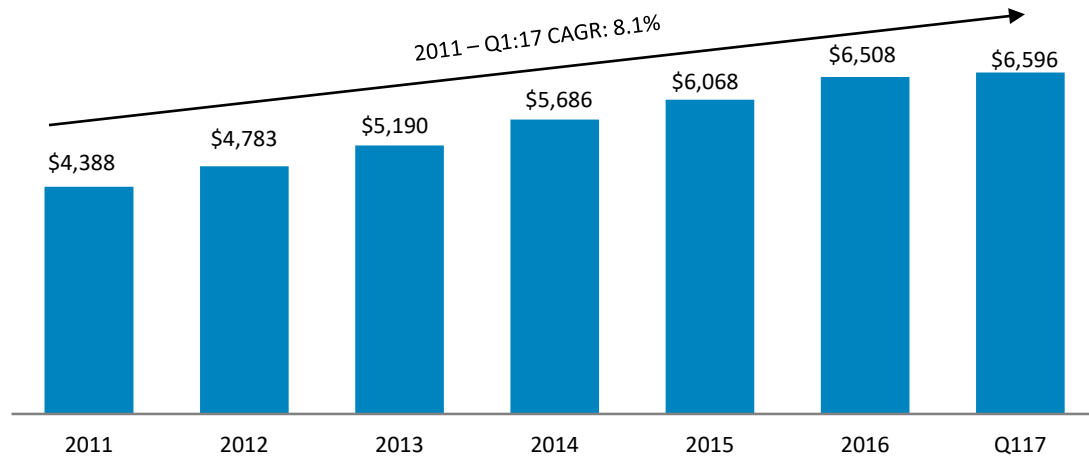
Cash ROE<sup>1</sup> was 12.0% and Net cash interest margin<sup>1</sup> was 8.7%

1. Refer to the selected financial information accompanying this presentation for a reconciliation of GAAP to Non-GAAP numbers.
2. Includes finance and sales-type lease revenue.

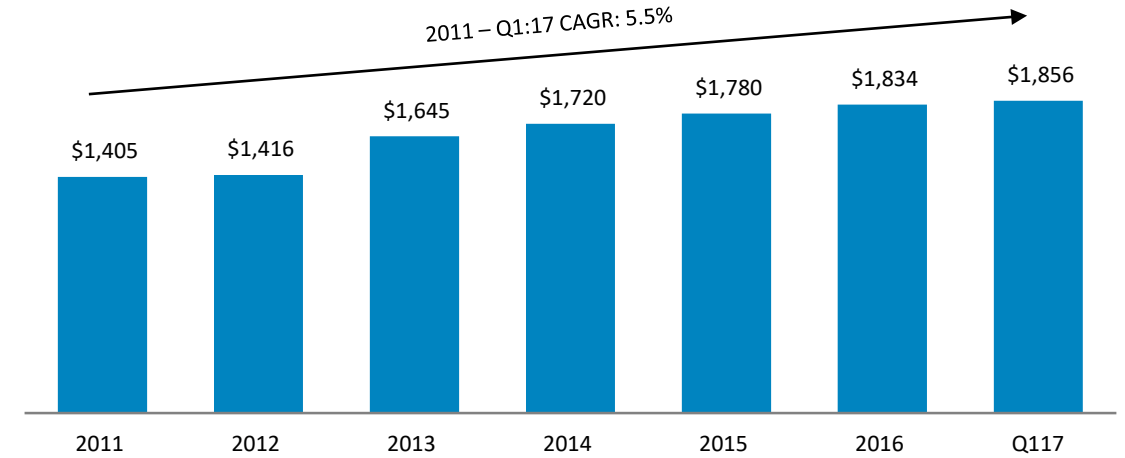
# Selected Historical Financials

(\$ in millions)

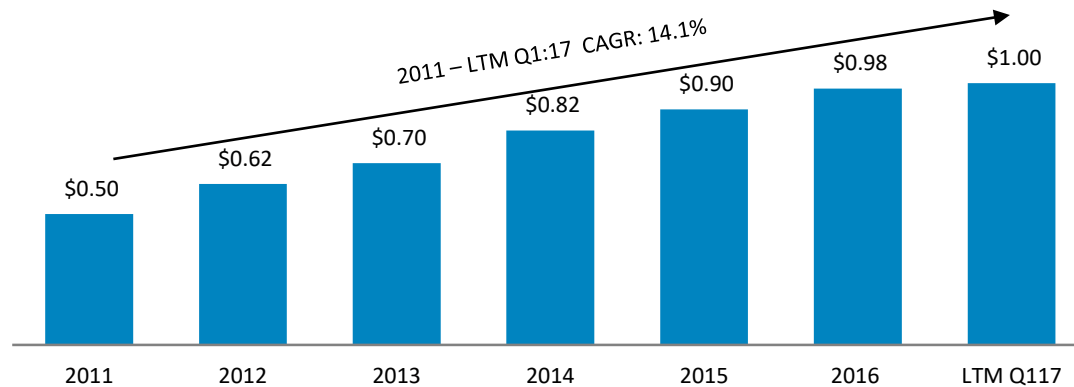
## NBV of Flight Equipment



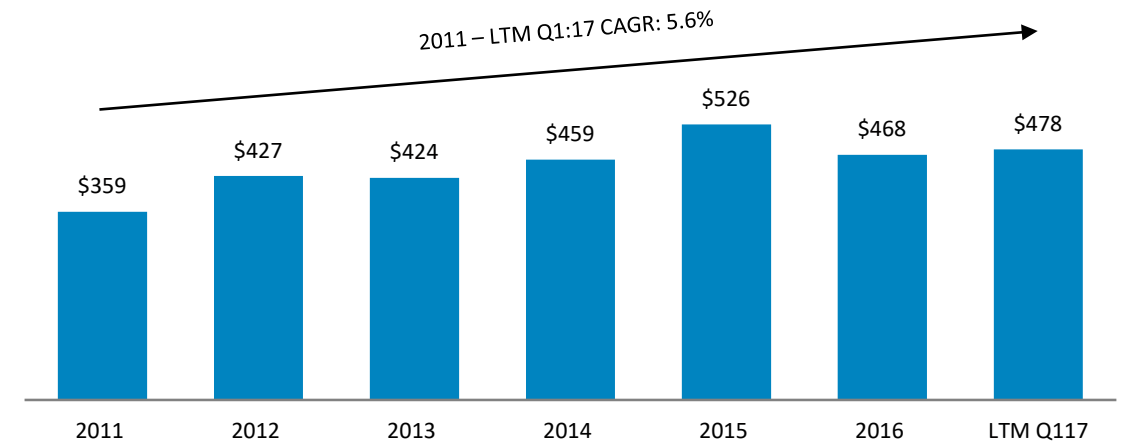
## Total Equity



## Dividends Paid Per Share



## Operating Cash Flow



## Acquisitions & Sales

Investments focused primarily on mid-age narrow-bodies

Sales continue to focus on realizing gains and redeploying capital in aircraft with better earnings profiles

Acquired eight aircraft for \$190 million during Q1:17

60 aircraft acquired during 2016 for \$1.6 billion

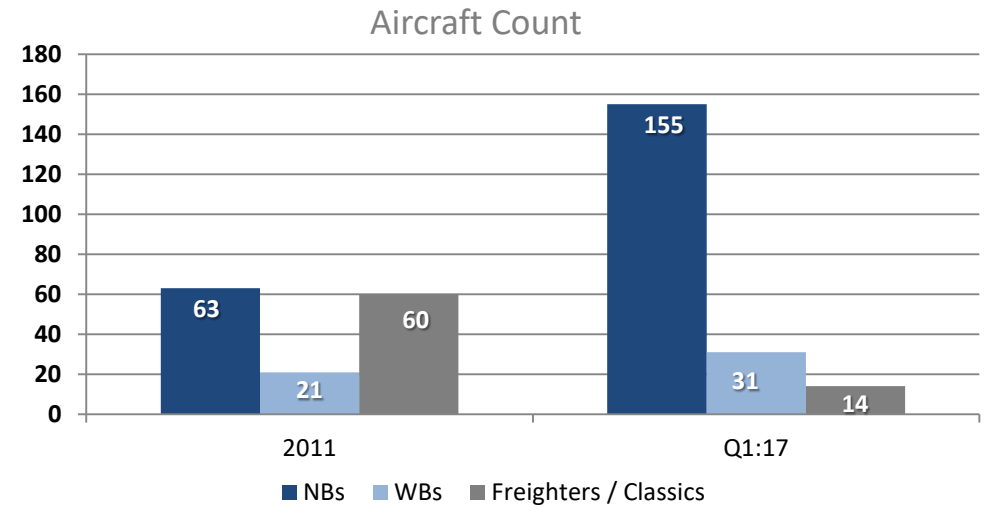
1. Closed deals only through December 31, 2016 and March 31, 2017.
2. Includes more than \$200 million of sales to our joint ventures.
3. All assumed to be on last leases.

Q1 2017 Acquisitions & Sales		
	Acquisitions <sup>1</sup>	Sales
Investments / Sales Proceeds	\$190 million	\$17 million
Total Number of Aircraft	8	1

2016 Acquisitions & Sales		
	Acquisitions <sup>1</sup>	Sales <sup>2</sup>
Investments / Sales Proceeds	\$1.6 billion	\$756 million
Total Number of Aircraft	60	30
Narrow-bodies	57	20
Wide-bodies	3 <sup>3</sup>	7
Freighters	0	3

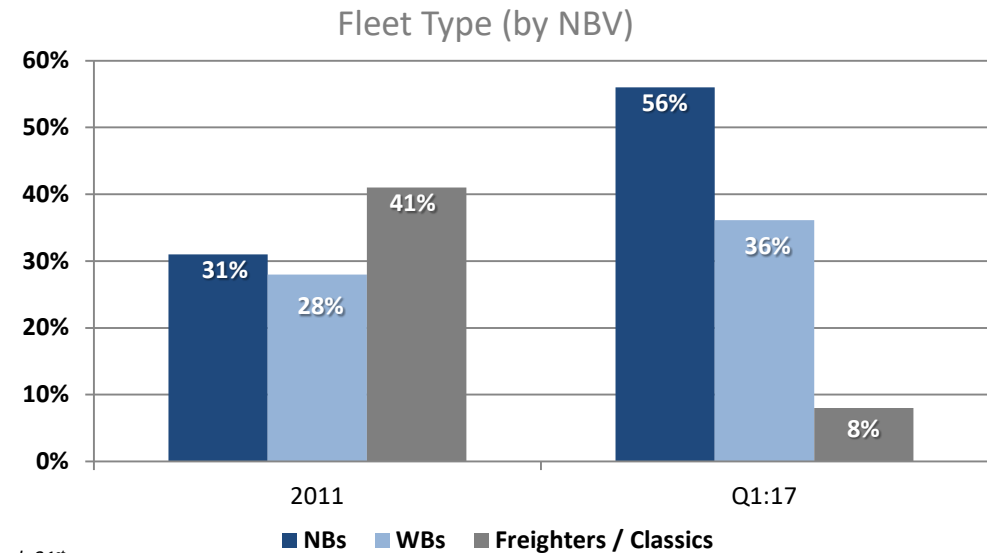
# Aircraft Fleet Evolution

More than doubled the number of current generation narrow-body aircraft over the past five years



As of March 31<sup>st</sup>

Exit from freighter and classic generation aircraft continues



As of March 31<sup>st</sup>



## Positive Portfolio Trends

Expanded owned fleet by \$2.2 billion since year-end 2011

Shifted fleet mix to younger mid-age narrow-body aircraft

Thirteen aircraft now managed in our joint ventures

<i>\$ in billions</i>	2011	2012	2013	2014	2015	2016	Q1:17	Q1:17 vs 2011
Flight Equipment Held for Lease <sup>1</sup>	\$4.4	\$4.8	\$5.2	\$5.7	\$6.1	\$6.5	\$6.6	+\$2.2
Wtd. Avg. Fleet Age (years) <sup>2</sup>	10.9	10.7	9.9	8.4	7.5	7.9	8.2	-2.7
Wtd. Avg. Lease Term (years) <sup>2</sup>	4.9	5.0	5.0	5.4	5.9	5.1	4.8	-0.1
Managed JV Aircraft <sup>1</sup>	-	-	\$0.2	\$0.5	\$0.5	\$0.7	\$0.7	+\$0.7

1. Calculated using NBV\* at period end.

2. Weighted average by NBV.

\* NBV as used throughout this presentation includes the net book value of flight equipment held for lease and the net investment in finance and sales-type leases.

# Diversified Customer Base with Broad Geographic Distribution



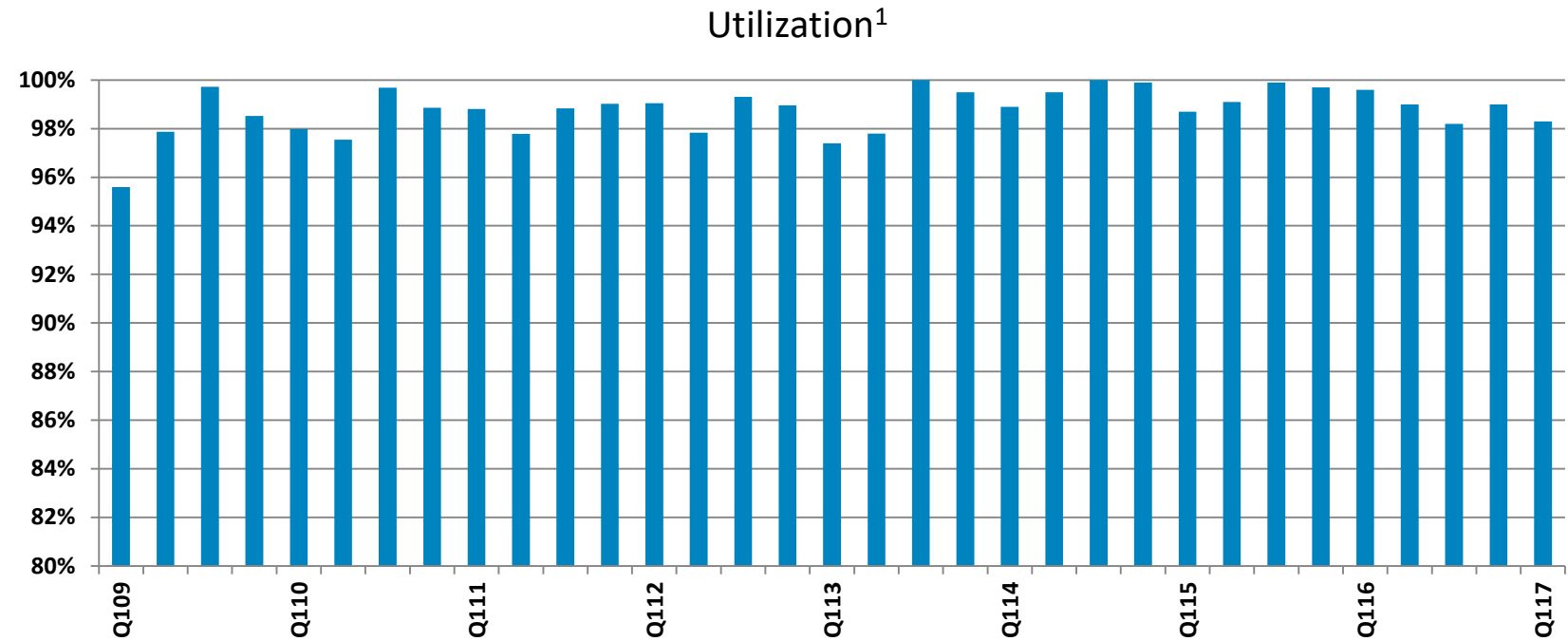
**72 Lessees across 37 Countries**

# Leasing Activity & Portfolio Performance

Utilization during Q1:17 was 98.3%

Placed three wide-bodies with 2017 lease expiries

Remaining lease placement task for 2017 consists of one wide-body and one freighter



1. Aircraft on-lease days as a percent of total days in period weighted by NBV.

## Q1:17 Capital Structure Summary

- Net debt to equity of 2.2 times; 76% of total debt is unsecured
- Average remaining life of debt is 3.8 years; laddered debt maturity schedule
- \$810 million of available revolver capacity; \$872 million in unrestricted cash
- On March 6, 2017 issued \$500 million of 4.125% seven year notes at T+181 bps
  - On April 17, 2017 paid off \$500 million of 6.75% coupon debt for interest savings of approximately \$13.1 million per annum

	At Mar 31, 2017		At Dec 31, 2016		At Dec 31, 2015	
	\$ Billions	Rate	\$ Billions	Rate	\$ Billions	Rate
Total Secured Debt	1.21	3.38%	1.23	3.28%	1.17	3.17%
Total Unsecured Debt	3.82	5.47%	3.32	5.65%	2.93	5.66%
Total Debt & Wtd Avg Rate	5.03	4.97%	4.56	5.01%	4.10	4.95%
Shareholders' Equity	1.86		1.83		1.80	
Net Debt to Equity	2.2x		2.2x		2.2x	
Unsecured Debt / Total Debt	76%		73%		71%	

Note: The debt totals in the above table do not include debt issuance costs or discount which are reflected in the net debt totals that are displayed on the consolidated balance sheet.

Base business is performing well

Strong Q1:17 and FY 2016; maintained value oriented investment discipline

Modest long-term capital commitments

Continuing to upgrade the portfolio through active and profitable sales

Strong liquidity and financial flexibility positions the company well in 2017

# Appendix

## Reconciliation of GAAP to Non-GAAP Measures – Adjusted Net Income

	<b>Three Months Ended March 31,</b>	
	<b>2017</b>	<b>2016</b>
	<b>(Dollars in thousands)</b>	
Net income	\$ 42,439	\$ 36,262
Loan termination fee <sup>(1)</sup>	—	1,509
Loss on mark to market of interest rate derivative contracts <sup>(2)</sup>	1,150	77
Write-off of deferred financing fees <sup>(1)</sup>	—	1,972
Non-cash share based payment expense <sup>(3)</sup>	2,102	1,643
Securitization No. 1 hedge loss amortization charges <sup>(1)</sup>	—	2,628
<b>Adjusted net income</b>	<b>\$ 45,691</b>	<b>\$ 44,091</b>

Management believes that ANI, when viewed in conjunction with the Company's results under U.S. GAAP and the above 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, changes related to refinancing activity and non-cash share based payment expense.

1. Included in Interest, net.
2. Included in Other income (expense).
3. Included in Selling, general and administrative expenses.

## Reconciliation of GAAP to non-GAAP Measures - Cash Earnings and Cash ROE

	CFFO	Finance Lease Collections	(Gain) Loss on Sale of Eqt.	Deprec.	Dividends from JV	Cash Earnings	12 Month Total	12 Month Cash ROE
2011	\$ 359,377	\$ -	\$ 39,092	\$ 242,103	\$ -	\$ 156,366	\$ 1,370,513	11.4%
2012	\$ 427,277	\$ 3,852	\$ 5,747	\$ 269,920	\$ -	\$ 166,956	\$ 1,425,658	11.7%
2013	\$ 424,037	\$ 9,508	\$ 37,220	\$ 284,924	\$ -	\$ 185,841	\$ 1,513,156	12.3%
2014	\$ 458,786	\$ 10,312	\$ 23,146	\$ 299,365	\$ 667	\$ 193,546	\$ 1,661,228	11.7%
2015	\$ 526,285	\$ 9,559	\$ 58,017	\$ 318,783	\$ (530)	\$ 274,548	\$ 1,759,871	15.6%
2016	\$ 468,092	\$ 19,413	\$ 39,126	\$ 305,216	\$ (1,782)	\$ 219,633	\$ 1,789,256	12.3%
LTM Q1:17	\$ 478,404	\$ 21,364	\$ 27,052	\$ 307,743	\$ (2,067)	\$ 217,010	\$ 1,804,573	12.0%

*Note: LTM Average Shareholders' Equity is the average of the most recent five quarters period end Shareholders' Equity. Management believes that the cash return on equity metric ("Cash ROE") when viewed in conjunction with the Company's results under U.S. GAAP and the above reconciliation, provide useful information about operating and period-over-period performance, and provide additional information that is useful for evaluating the underlying operating performance of our business without regard to periodic reporting impacts related to non-cash revenue and expense items and interest rate derivative accounting, while recognizing the depreciating nature of our assets.*

*Dollars in thousands.*



## Reconciliation of GAAP to Non-GAAP Measures – 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-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.

	Three Months Ended March 31,	
	\$ in thousands	
	2017	2016
Net income	\$ 42,439	\$ 36,262
Depreciation	79,174	76,647
Amortization of net lease discounts and lease incentives	3,112	1,070
Interest, net	63,068	64,241
Income tax provision	1,846	3,939
EBITDA	\$ 189,639	\$ 182,159
Adjustments:		
Impairment of flight equipment	500	-
Non-cash share based payment expense	2,102	1,643
Loss on mark to market of interest rate derivative contracts	1,150	77
Adjusted EBITDA	\$ 193,391	\$ 183,879

# Net Cash Interest Margin Calculation

1. Excludes loan termination payments of \$3.0 million in the second quarter of 2013. Also excludes loan termination payments of \$1.5 million and \$3.5 million in the first quarter and fourth quarter of 2016 respectively.
2. Based on the growing level of finance and sales-type lease revenue, management revised the calculation of portfolio yield to include our net investment in finance and sales-type leases in the average net book value and to include the interest income and cash collections on our net investment in finance and sales-type leases in lease rentals. The calculation of net cash interest margin for all prior periods presented is revised to be comparable with the current period presentation.

We define net cash interest margin as lease rentals from operating leases, interest income and cash collections from finance and sales-type leases minus interest on borrowings, net settlements on interest rate derivatives and other liabilities adjusted for loan termination payments divided by the average net book of flight equipment (which includes net investment on finance and sales-type leases) for the period calculated on a quarterly and annualized basis.

Management believes that net cash interest margin, when viewed in conjunction with the Company's results under U.S. GAAP and the above reconciliation, provides useful information about the effective deployment of our capital in the context of the yield on our aircraft assets, the utilization of those assets by our lessees, and our ability to borrow efficiently.

Except for percentages, all figures are \$ in thousands.

	Average NBV	Quarterly Rental Revenue	Cash Interest <sup>1</sup>	Annualized Net Cash Interest Margin <sup>2</sup>
Q1:12	\$ 4,388,008	\$ 152,242	\$ 44,969	9.8%
Q2:12	\$ 4,542,477	\$ 156,057	\$ 48,798	9.4%
Q3:12	\$ 4,697,802	\$ 163,630	\$ 41,373	10.4%
Q4:12	\$ 4,726,457	\$ 163,820	\$ 43,461	10.2%
Q1:13	\$ 4,740,161	\$ 162,319	\$ 48,591	9.6%
Q2:13	\$ 4,840,396	\$ 164,239	\$ 44,915	9.9%
Q3:13	\$ 4,863,444	\$ 167,876	\$ 47,682	9.9%
Q4:13	\$ 5,118,601	\$ 176,168	\$ 49,080	9.9%
Q1:14	\$ 5,312,651	\$ 181,095	\$ 51,685	9.7%
Q2:14	\$ 5,721,521	\$ 190,574	\$ 48,172	10.0%
Q3:14	\$ 5,483,958	\$ 182,227	\$ 44,820	10.0%
Q4:14	\$ 5,468,637	\$ 181,977	\$ 44,459	10.1%
Q1:15	\$ 5,743,035	\$ 181,027	\$ 50,235	9.1%
Q2:15	\$ 5,967,898	\$ 189,238	\$ 51,413	9.2%
Q3:15	\$ 6,048,330	\$ 191,878	\$ 51,428	9.3%
Q4:15	\$ 5,962,874	\$ 188,491	\$ 51,250	9.2%
Q1:16	\$ 5,988,076	\$ 186,730	\$ 51,815	9.0%
Q2:16	\$ 5,920,030	\$ 184,469	\$ 55,779	8.7%
Q3:16	\$ 6,265,175	\$ 193,909	\$ 57,589	8.7%
Q4:16	\$ 6,346,361	\$ 196,714	\$ 58,631	8.7%
Q1:17	\$ 6,505,355	\$ 200,273	\$ 58,839	8.7%

# Q1:17 Capital Structure & Liquidity Summary

(\$ in millions)	As of Mar. 31, 2017		As of Dec. 31, 2016		As of Dec. 31, 2015	
Unrestricted cash and cash equivalents	\$	872	\$	456	\$	156
Debt	<u>O/S</u>	<u>Rate</u>	<u>O/S</u>	<u>Rate</u>	<u>O/S</u>	<u>Rate</u>
Securitization No. 2	-	-	-	-	125	1.58%
ECA Term Financings	295	3.52%	305	3.52%	404	3.57%
Bank Financings	916	3.34%	934	3.20%	641	3.23%
Total Secured Debt	1,210	3.38%	1,239	3.28%	1,171	3.17%
Bank Revolver	-	-	-	-	225	2.67%
Other Unsecured Bank Financings	120	3.13%	120	2.65%		
Senior Notes due 2017	500	6.75%	500	6.75%	500	6.75%
Senior Notes due 2018	400	4.63%	400	4.63%	400	4.63%
Senior Notes due 2019	500	6.25%	500	6.25%	500	6.25%
Senior Notes due 2020	300	7.63%	300	7.63%	300	7.63%
Senior Notes due 2021	500	5.13%	500	5.13%	500	5.13%
Senior Notes due 2022	500	5.50%	500	5.50%	500	5.50%
Senior Notes due 2023	500	5.00%	500	5.00%	-	-
Senior Notes due 2024	500	4.13%	-	-	-	-
Total Unsecured Debt	3,820	5.47%	3,320	5.65%	2,925	5.66%
Total Debt and Weighted Avg. Rate	5,030	4.97%	4,559	5.01%	4,096	4.95%
Shareholders' equity	1,856		1,834		1,779	
Total capitalization	\$ 6,886		\$ 6,393		\$ 5,875	
Net debt to equity	2.2 x		2.2 x		2.2 x	
Unsecured debt to total debt	76%		73%		71%	

Note: The debt totals in the above table do not include debt issuance costs or discount which are reflected in the net debt totals that are displayed on the consolidated balance sheet.

## Limitations of EBITDA, Adjusted EBITDA, ANI, Cash ROE and Net Cash Interest Margin

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

EBITDA, Adjusted EBITDA, ANI, Cash Earnings, Cash ROE and Net Cash Interest Margin have limitations as analytical tools and should not be viewed in isolation or as substitutes for US GAAP measures of earnings. Material limitations in making the adjustments to our earnings to calculate EBITDA, Adjusted EBITDA, ANI, Cash Earnings, Cash ROE and Net Cash Interest Margin and using these non-US GAAP measures as compared to US GAAP net income, income 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 related to Term Financing No. 1 and Securitization No. 1; 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, ANI, Cash Earnings, Cash ROE and Net Cash Interest Margin are not alternatives to net income, income from operations or cash flows provided by or used in operations as calculated and presented in accordance with US GAAP. You should not rely on these non-US GAAP measures as a substitute for any such US GAAP financial measure. We strongly urge you to review the reconciliations to US GAAP net income, along with our consolidated financial statements included elsewhere in our Annual Report. We also strongly urge you to not rely on any single financial measure to evaluate our business. In addition, because EBITDA, Adjusted EBITDA, ANI, Cash Earnings, Cash ROE and Net Cash Interest Margin are not measures of financial performance under US GAAP and are susceptible to varying calculations, EBITDA, Adjusted EBITDA, ANI, Cash Earnings, Cash ROE and Net Cash Interest Margin as presented here, may differ from and may not be comparable to, similarly titled measures used by other companies.