

**Castlelake Aviation Limited**

**Quarterly Financial Report**

**for the**

**Period Ended**

**March 31, 2024**

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## PRELIMINARY NOTE

*This report has been prepared in accordance with the requirements of the indenture governing the 5.000% Senior Notes due 2027 issued by Castlelake Aviation Finance Designated Activity Company on October 22, 2021, and has not been prepared and may not be utilized for any other purpose.*

*The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) and are presented in U.S. Dollars.*

## FORWARD-LOOKING STATEMENTS

*This report includes forward-looking statements in addition to historical information. These forward-looking statements relate to matters such as the aviation industry, business strategy, goals and expectations concerning our market position, future operations, profitability, capital expenditures, liquidity, capital resources and other financial and operating information. We have used the words “anticipate”, “assume”, “believe”, “budget”, “continue”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “potential”, “predict”, “project”, “will”, “future” and similar terms and phrases to identify forward-looking statements in this offering memorandum. Forward-looking statements reflect current expectations regarding future events, results, or outcomes. These expectations may or may not be realized. Some of these expectations may be based upon assumptions or judgments that prove to be incorrect. Any such forward-looking statements are not guarantees of future performance and involve risks, uncertainties and other factors that may cause our actual results, performance or achievements, or industry results, to vary materially from future results, performance, or achievements, or those of our industry, expressed or implied in such forward-looking statements. Such factors include, among others:*

- the effects of global and regional conflict on the global economy, in general, and the aviation industry, in particular;*
- increases in interest rates on our floating rate debt;*
- changes in global economic conditions and political developments, including with respect to the invasion of Ukraine by Russia, the conflict in the Middle East, increasing inflation and rising interest rates;*
- the ability to lease, remarket or sell aircraft on favorable terms or at all;*
- availability of credit to airlines from the capital markets and financial institutions to provide working capital and to refinance existing indebtedness;*
- variability of supply and demand for aircraft, production delays at OEMs and quality control issues causing negative media coverage about OEMs, increased backlog and an inability to increase production;*
- difficulties and costs in acquiring or managing aircraft, on favorable terms or at all;*
- the competitive environment in the aircraft leasing industry;*
- the risks regarding the ability of lessees, borrowers, and other counterparties to perform their obligations under their leases, loans and the ability of aircraft and engine manufacturers to remain financially stable and producing aircraft and engines*
- technological innovation and new types of aircraft and engines;*
- proper maintenance of the aircraft;*
- high fuel prices and fuel price volatility;*
- airline preference to purchase their own aircraft rather than entering into aircraft leasing or financing arrangements;*

- *changes in tax and exposure to a wide range of income and other taxes and tax costs as a result of operating in multiple jurisdictions;*
- *maintenance cost of airworthiness directives compliance;*
- *environmental regulations;*
- *operational costs and obsolescence of aircraft;*
- *natural disasters;*
- *aircraft repossession costs and timing;*
- *the risk that lessees or borrowers fail to maintain the required insurance or that certain types of contingent insurance will become unavailable to us;*
- *lessees' or borrowers' ability to maintain aircraft duly registered with the appropriate governmental civil aviation authority;*
- *airline customers' ability to appropriately discharge aircraft liens;*
- *exposure to trade and economic sanctions and other governmental restrictions;*
- *economic, legal, and political risks associated with emerging markets;*
- *terrorist attacks or the fear of such attacks or civil unrest;*
- *industry consolidation and its effects on competition and lease pricing;*
- *data security and privacy risks;*
- *the ability of our service providers to attract and retain key personnel including Castlelake L.P.<sup>1</sup>,*
- *the performance of support services by Castlelake L.P. and our limited ability to terminate and limited remedies available against Castlelake L.P. . under our management and servicing agreements;*
- *potential conflicts of interest with Castlelake L.P. specifically ;*
- *cybersecurity incidents involving us or our customers and the significant funding of and increased adoption of AI and machine-learning technologies amplifying this risk; and*
- *the other risks and uncertainties identified in this report and other reports and documents disseminated to holders of our 5.000% Senior Notes due 2027.*

*Such forward-looking statements should be regarded solely as our current plans, estimates or beliefs. We do not intend to update, and do not undertake any obligation to update, any forward-looking statements to reflect future events or circumstances after the date of such statements. Given such limitations, you should not rely on these forward-looking statements in making a decision whether to invest in the Notes.*

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<sup>1</sup> Castlelake L.P. , Castlelake Aviation Holdings (Ireland) Limited, Castlelake Aviation Services Limited, Castlelake (UK) LLP, and their affiliates (together "Castlelake L.P.")

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements included elsewhere in this report and our quarterly report for the period ended March 31, 2024. References herein to (i) "we," "us," "our," and the "Company" refer to Castlelake Aviation Limited and its subsidiaries, (ii) "Castlelake Aviation" are to Castlelake Aviation Limited but not its subsidiaries and (iii) "Castlelake DAC" are to Castlelake Aviation Finance Designated Activity Company, a direct wholly owned subsidiary of Castlelake Aviation. The discussion below contains forward-looking statements that are based upon our current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from these expectations. See "Forward-Looking Statements" at the beginning of this report.*

### Overview

We are an aircraft leasing company incorporated in August 2021. We began operations in October 2021 upon the acquisition of our initial portfolio of aircraft and other aviation-related assets from funds managed by Castlelake, L.P. We are wholly owned by affiliates of Castlelake, which has offices in Ireland, the United States, the United Kingdom, Spain and Singapore. We are engaged in the business of acquiring, marketing, leasing and selling newer generation and mid-life commercial aircraft and providing our aviation customers with other financing solutions for their aircraft and other assets. As of March, 31, 2024, our portfolio consisted of 120 assets, including 88 aircraft on operating lease, 2 aircraft on operating lease classified as held for sale, 9 aircraft and 2 engines on finance lease, 11 aircraft on finance lease classified as a loan (together, the "Aircraft") and 8 secured loans made to aviation companies (collectively with the Aircraft, the "Portfolio").

### Quarterly Highlights

Over the course of the first quarter 2024, we:

- Completed the conversion of 2 aircraft on operating lease to a South American based lessee to finance lease.
- Provided advances of \$6.1 million under a secured loan agreement with an EMEA based lessee.
- Entered into binding sale agreements for the sale of 2 aircraft on operating lease.
- Entered letters of intent for the sale of 3 aircraft on operating lease.
- Made voluntary repayments of \$110.4 million under our Revolving Credit Facility.
- See "Our Portfolio" below for additional information.

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### Recent Developments

- A dividend of \$55.8 million was declared and paid in May 2024.
- Completed the sale and leaseback (finance lease classified as a loan) of 1 A321neo in May 2024.

### Our Portfolio

The Aircraft in our Portfolio consist of some of the most in-demand narrowbody, widebody and regional jet aircraft types, such as B737-NG Family, B737 MAX Family, B787 Family, A220 Family, A320/321 CEO Family, A320/321 NEO Family, A330 CEO Family, A330 NEO Family, and A350 Family aircraft. Most of our Aircraft are

subject to long-term net operating leases, under which the lessee is primarily responsible for all operational and insurance costs. As of March 31, 2024, our Aircraft had a weighted average age of 5.0 years and weighted average remaining lease term of 8.6 years<sup>2/3</sup>. We have 22 separate airline customers worldwide, including Delta Air Lines, Indigo, Condor, Scoot, Qatar, and AirAsia Berhad.

As of March 31, 2024, our Portfolio consisted of the following Aircraft:

Manufacturer	Aircraft Type	March 31 2024 <sup>3</sup>	March 31 2023 <sup>3</sup>
<b>Narrowbody:</b>			
Airbus	A220 Family	5	8
Airbus	A320/321 CEO	25	22
Airbus	A320/321 NEO	26	14
Boeing	B737-NG Family	6	8
Boeing	B737 MAX Family	14	7
Bombardier	CRJ-900	7	7
Embraer	E-190	2	2
<b>Widebody:</b>			
Airbus	A330-200/300 CEO	7	7
Airbus	A330-200F	6	6
Airbus	A330-NEO	3	2
Airbus	A350 Family	1	1
Boeing	B787 Family	8	4
<b>Engines:</b>			
CFM	CFM LEAP-1A26	<u>2</u>	<u>2</u>
<b>Grand Total:</b>		112	90

As of March 31, 2024, we are party to binding agreements for the acquisition of an additional 21 aircraft, primarily through sale and leaseback transactions (operating lease). We also entered into agreements for the sale and leaseback (finance lease classified as loans) of 2 next generation aircraft as of such date. One of these aircraft have delivered subsequent to March 31, 2024.

Transactions noted above are expected to close between 2024 and 2028. For further detail on capital support see below under “Capital Expenditure”.

### **Inflation And Economic Conditions**

The demand for our solution is aircraft and services are dependent on the general economy, which is in turn affected by geopolitical conditions, the stability of the global credit markets, inflationary pressures, higher interest rates, the regions in which our lessees primarily operate, and other factors. Downturns in the general economy or in the airline market, as well as adverse credit market conditions, could disproportionately affect the demand for our aircraft and cause it to decrease.

Our operations could also be impacted by global economic conditions, including inflation, increased interest rates and supply chain constraints. Many developed and developing economies throughout the world have been experiencing significant inflation. We are monitoring the effects of inflation on both our customers and the global economy in order to address any potential effects on our business.

<sup>2</sup> Remaining lease term and average aircraft age are weighted by book value of the assets. Book values is defined as: (i) “Aircraft and flight equipment” with respect to our aircraft on operating lease, (ii) “Net Investment in Finance Lease” with respect to our aircraft on finance lease and (iii) “Finance leases classified as loans on the financial statements” with respect to our loan portfolio secured by aircraft, each of which are line items on our consolidated balance sheet.

<sup>3</sup> Excludes 6 A330-200 that are owned by EMEA Lessee which secure certain loans in our portfolio, 1 loan secured by intangible assets of an airline and 1 loan secured by share charge to the borrower entity and recourse to the Company.

In 2023 and throughout 2024, inflationary pressures increased our costs for interest rates and professional fees necessary to operate our business.

After almost 10 years of low interest rate environments, inflationary pressures have resulted in increased interest rates by central banks globally in a bid to combat inflation. The outlook on how long interest rates will remain elevated is uncertain. Most recently, the Federal Reserve opted to continue to keep interest rates elevated, with no clear indication as to when they will reduce them. As a result, the costs of our floating rate debt increased and to the extent we incur additional indebtedness the interest rates we are charged may be significantly higher than our interest rates in prior years, which increases our cost to operate our business. Further, the increased interest rates could affect our customers' businesses and borrowing costs, which in turn could impact their ability to make timely payments to us.

Our attempts to offset these increasing costs, such as managing increasing interest rates through our hedging policy, may not be successful. To the extent that our offsetting measures are not sufficient to offset these higher costs, our results of operations may be adversely affected.

### **Increased Demand**

Global air travel continues to rise due to factors such as increases in population growth and the size of the global middle class, as well as air travel demand and improved global economic health and development. The International Air Transport Association ("IATA") reported that total passenger traffic was up 14% in March 2024 compared to the prior year period as a result of an continued robustness in international travel accompanied by healthy continued expansion of domestic travel globally. According to IATA, global domestic traffic rose 7% in March as compared to the prior year period, led by traffic growth in China. International traffic in March rose 19% relative to the prior year period, due to continued international travel expansion in the Asia Pacific region, as well as strong international expansion in all other major markets reported by IATA. Meanwhile, passenger load factors also continue to rise and are persisting at historically high levels, which is compounding airline demand for additional aircraft. IATA reported a total global passenger load factor of 82% for March 2024, as opposed to 81% in the prior year period and 79% for the full-year 2022. In December 2023, traffic reached 97.5% of pre-COVID-19 levels, or December 2019 levels.

We expect the need for airlines to replace aging aircraft will also increase the demand for newer, more fuel-efficient aircraft and many airlines will turn to lessors for these new aircraft. COVID-19 related delivery delays at both Airbus and Boeing has resulted in a market that is undersupplied from an aircraft perspective. Additionally, ongoing delivery delays at Boeing have been further impacted by engine manufacturer delays due to shorter on-wing engine life of most new technology engines. With respect to Boeing's quality control issues, pursuant to the FAA's order, Boeing will not be allowed to increase 737 MAX production rates until its quality control issues are resolved. As a result, we expect further delivery delays on our 737 MAX aircraft orders and are unable to forecast when Boeing 737 MAX production rates will normalize. Pratt & Whitney GTF engine (which powers the Airbus A320/321neo family) manufacturing flaws, and the subsequent engine removals for quality inspections, grounding of jets and shop visits could further impact delivery delays, of both new Airbus A320/321neo family aircraft and parts and aircraft overall, as new engines and related parts are redirected for repairs. This flaw could also lead to increased delays at maintenance, repair and overhaul providers, as well as elevated spare engine demand and increased demand for other narrowbody aircraft types. These delays have affected and may continue to affect the ability of Boeing and Airbus to meet their contractual delivery obligations to us. We expect that relatively low levels of widebody retirements in recent years could lead to an accelerated replacement cycle of older widebody aircraft in the near future.

The increased demand for aircraft, combined with higher interest rates and inflation, should see increases to lease rates. While, due to their duration, lease rate increases currently trail behind the increases seen in interest rates, we believe that over time lease rates will catch up with interest rate increases. Lease rates can be influenced by several factors including impacts of changes in the competitive landscape of the aircraft leasing industry, supply chain disruptions, evolving international trade matters, epidemic diseases, and geopolitical events and therefore, are difficult to project or forecast. We also believe the increase in lease rates and the tightening of credit markets may result in a shortage of available capital to finance aircraft purchases, which could increase the demand for leasing.

## **Increased Operating Costs for Airline Customers**

Our airline customers are facing higher operating costs as a result of higher fuel prices, interest rates, inflation, foreign currency risk, ongoing labor shortages and actions, as well as delays and cancellations caused by the global air traffic control system and airports, although the majority of original pre-pandemic demand returning to the market is offering a strong counterbalance to these increased costs.

## **Significant Factors and Trends Affecting Our Business and Results of Operations**

Our results of operations have been, and we expect will continue to be affected by a number of factors, including:

- general economic and geopolitical conditions, including the on-going conflicts in Ukraine and the Middle East;
- the financing decisions of airlines, including the attractiveness of aircraft leasing to airlines;
- the number, type, age and condition of the aircraft we own;
- supply and demand dynamics for aircraft;
- the price we pay for aircraft and lease rates we are able to obtain for our aircraft;
- the availability and cost of debt capital to finance our operations, aircraft acquisitions and strategic initiatives.
- increases in interest rates and other actions taken that could stem inflation;
- success of our aircraft trading and part-out initiatives during any given period;
- the financial condition of airlines, including the ability of our lessees to meet their lease obligations and to maintain our aircraft in an airworthy and marketable condition;
- the ability of our borrowers to meet their obligations under their loans;
- the utilization rate of our aircraft;
- our expectations of future maintenance reimbursements and lessee maintenance contributions;
- evolving environmental, social and governance factors and related initiatives of our customers; and
- other factors affecting the airline industry, including but not limited to fuel prices, political instability, currency volatility, trade policies, natural disasters, terrorist activities, labor actions, labor shortages and global political and economic events.

## Comparative Results of Operations

Results of operations for the period ended March 31, 2024, as compared to the period ended March 31, 2023.

	31-Mar-24	31-Mar-23	Movement
	QTD	QTD	QOQ
	US\$'000	USD'000	US\$'000
<b>Revenues:</b>			
Rental income from operating and finance leases	104,238	80,496	23,742
Interest and other income	20,639	12,114	8,525
Gain on transfer to investment in finance lease	1,914	-	1,914
Gain on disposal of aircraft	-	-	-
<b>Total revenues</b>	<b>126,791</b>	<b>92,610</b>	<b>34,181</b>
<b>Expenses:</b>			
Interest expense	50,615	42,023	8,592
Depreciation	37,404	32,760	4,646
Maintenance and other costs	2,069	1,233	836
Selling, general and administrative expenses	9,953	7,944	2,007
<b>Total expenses</b>	<b>100,041</b>	<b>83,950</b>	<b>16,091</b>
Net income before tax expense	26,750	8,660	18,090
Income tax expense	(3,395)	(877)	(2,518)
<b>Net income</b>	<b>23,355</b>	<b>7,783</b>	<b>15,572</b>

### Revenue and Expenses

Our revenues and expenses primarily consist of the following:

#### Revenue

*Rental income from operating and finance leases.* Revenues primarily consist of (i) basic rent received in respect of aircraft on lease to lessees, (ii) usage rent, (iii) interest on finance leases, (iv) end-of-lease compensation and (v) maintenance reserves released to income.

Basic rent is usually payable monthly or quarterly. Basic rent is generally set at a fixed rate, but some leases calculate basic rent at a floating rate based on synthetic LIBOR or another appropriate index. Synthetic LIBOR as a benchmark will be calculated on the basis of CME Term SOFR plus the standard ARRC/ISDA spread adjustments for 3-month tenors. Basic rent is recognized on a straight-line basis over the life of the lease.

Usage rent is calculated based on hourly usage or cycles operated, depending on the lease agreement. Usage rent is generally recorded as revenue as it is earned under the terms of the lease. In certain circumstances usage rent is recognized on a straight-line basis, depending on the terms of the applicable contract.

Interest on finance leases is recognized using the effective interest rate method.

End of lease compensation is earned at the end of the lease and is based on usage of the aircraft and its condition upon return.



Under the provisions of many of the leases, the lessee is required to make payments of supplemental maintenance rents which are calculated with reference to the utilization of the airframe, engines and other major life-limited components during the lease. Supplemental maintenance rent receipts not expected to be reimbursed to the lessee are recorded as lease revenue.

*Interest and other income.* Interest and other income consist of (i) interest income earned on secured loan assets and (ii) late interest payments on overdue collections on receivables with airline customers.

### **Expenses**

*Interest expenses.* Represents interest charges incurred under our debt financings, hedge payments and amortization of debt issuance costs and debt discounts and premiums.

*Depreciation.* Aircraft are depreciated at rates calculated to write off the cost of the assets to their estimated residual value, on a straight-line basis, over their estimated useful economic lives. Residual values are determined based on aircraft type. The current estimate of useful economic life for passenger aircraft is 25 years from date of manufacture and 35 years from date of manufacture for freighter aircraft.

*Maintenance and other costs.* Maintenance costs consist of aircraft maintenance expenses for which we, as opposed to a lessee, are responsible and the release of intangible assets for aircraft following the end of their lease. Other costs generally consist of aircraft insurance.

*Selling, general and administrative expenses.* Selling, general and administrative expenses consist of legal and professional fees, servicing fees payable to Castlake Aviation Holdings (Ireland) Limited, and management fees payable to Castlake Aviation Services Limited and general and administrative expenses.

*Income tax expense.* Income tax expense is comprised of current and deferred tax.

### **Results of Operations**

The discussion below is limited to a breakdown of our results of operations for the period January 1, 2024, through March 31, 2024, and an analysis of movement for the period January 1, 2023, through March 31, 2023.

**Rental Income from Operating and Finance Leases.** Rental income from operating and finance leases for the period January 1, 2024, through March 31, 2024, was \$104.2 million (for the period January 1, 2023, through March 31, 2023: \$80.5 million). Rental income from operating lease and finance leases primarily consists of:

- basic rent of \$95.7 million related to aircraft on operating lease;
- finance lease interest income of \$8.7 million related to aircraft on finance lease;
- expected credit loss release of \$3.3 million; and
- lease intangible amortization of (\$3.5) million.

The \$23.7 million increase in revenue over the comparable periods was driven by an increase of \$17.1 million in basic rent during the period due to the net increase in aircraft on operating lease of 11 aircraft, which consists of 21 acquisitions of new aircraft, 6 operating lease to finance lease conversions and 4 disposals to external counterparties during the period, an increase of \$2.7 million relating to an expected credit loss release due to collection of receivables due, a decrease of \$0.3 million in lease intangible amortization, and an increase of \$3.6 million of finance lease income due to the net increase in aircraft on finance lease of 2 aircraft, which consists of 6 additions to aircraft on finance lease, 2 aircraft on finance lease which transferred ownership on execution of purchase options, and 2 finance leases repaid during the period.

**Interest and Other Income.** Interest and other income for the period January 1, 2024, through March 31, 2024, was \$20.6 million (for the period January 1, 2023, through March 31, 2023: \$12.1 million). Interest and other income primarily consisted of:

- loan interest income of \$4.9 million from investment in secured loans;
- interest income of \$13.8 million from finance leases classified as loans;
- interest income of \$1.4 million from lease deferral interest, bank interest income and expected credit loss expense; and
- other income of \$0.5 million related to amortization of upfront fees.

Interest and other income for the year primarily consisted of interest income earned on loan assets and finance leases classified as loans in our Portfolio (net of amortization of upfront fees), commitment fee income, bank interest income on our investments and lease deferral interest from airline customers net of expected credit losses. The \$8.5 million increase relates to additional loans and advances provided to airline customers since the end of the January 1, 2023 through March 31, 2023 period, and additional interest income from finance leases classified as loans, attributable to 9 deliveries since the end of the comparative period.

**Gain on Transfer to Investment in Finance Lease.** Gain on transfer to investment in finance lease for the period from January 1, 2024, through March 31, 2024, was \$1.9 million (for the period January 1, 2023, through March 31, 2023: \$Nil). Gain on transfer to finance lease relates to the conversion of 2 aircraft previously on operating lease.

**Income Tax.** Income tax charge for the period January 1, 2024, through March 31, 2024, was \$3.4 million (for the period January 1, 2023, through March 31, 2023: \$0.9 million). The \$2.5 million increase predominantly relates to movements in deferred tax.

Deferred tax is recorded to reflect the impact of temporary differences between the amounts of assets and liabilities for financial reporting purposes and such amounts as measured under tax law. Tax losses carried forward and accelerated tax depreciation on flight equipment held for operating leases give rise to the most significant timing differences. An assessment on deferred tax asset recoverability is performed annually based on future taxable income expectations; if required following these assessments, adjustments to the carrying deferred tax balances may impact our deferred tax rate in any given year.

**Interest Expense.** Interest expense for the year from January 1, 2024, through March 31, 2024, was \$50.6 million (year from January 1, 2023, through March 31, 2023: \$42.0 million). Interest expense primarily consists of:

- loan interest expense of \$62.9 million related to interest on external debt facilities;
- amortization of debt issuance costs and unutilized commitment fees of \$2.9 million; and
- derivative income of (\$15.2) million.

The year over year increase of \$8.6 million in interest expense was primarily due to the period over period increase in principal debt balance of \$0.7 billion. We continue to manage the current interest rate environment and increased interest expense through our hedging policy. These increases were offset by a \$5.8 million increase in derivative income period over period.

As of March 31, 2024, we had \$3.4 billion in principal amount of indebtedness outstanding and had average outstanding indebtedness for the period from January 1, 2024, through March 31, 2024, of \$3.5 billion. For additional information on our debt facilities, see “—Liquidity and Capital Resources—Financing Arrangements.” As of March 31, 2024, the notional amount of the effective derivatives was \$2.6 billion.

**Depreciation Expense.** Depreciation expense for the period from January 1, 2024, through March 31, 2024, was \$37.4 million (for the period January 1, 2023, through March 31, 2023: \$32.8 million), consisting of the depreciation expense related to our Aircraft on operating lease. The increase mainly relates to the net increase in aircraft on operating lease of 11 aircraft, which consists of acquisitions of 21 new aircraft, 6 operating lease to finance lease conversions and 4 disposals to external counterparties during the period.

**Maintenance and Other Expenses.** Maintenance and other expenses for the period from January 1, 2024, through

March 31, 2024, was \$2.1 million (for the period January 1, 2023, through March 31, 2023: \$1.2 million), primarily consisting of asset maintenance costs, aircraft insurance and consultancy charges.

**Selling, General and Administrative Expenses.** Selling, general and administrative expenses for the period from January 1, 2024, through March 31, 2024, were \$10.0 million (for the period January 1, 2023, through March 31, 2023: \$7.9 million), primarily consisting of servicer fees payable to Castlelake Aviation Holdings (Ireland) Limited of \$5.5 million, audit, accounting and tax fees of \$0.6 million, legal and professional fees of \$1.9 million, management fees of \$0.6 million, amortization of debt placement costs of \$1.0 million and other expenses of \$0.4 million. The period on period increase is mainly driven by the increase in portfolio size since the comparative period.

## **Liquidity and Capital Resources**

### ***Overview***

Our primary sources of liquidity include available cash and cash equivalents balances, cash flows from operations, including through trading activity, and amounts available under our Revolving Credit Facility. We may also seek to raise liquidity or address liquidity needs by accessing the capital markets, including through the incurrence of additional revolving or term loan facilities or the issuance and sale of debt securities, as well as through the sale of equity to our shareholders and potentially third-party investors. Access to additional debt and equity capital will be a driver of our growth. In addition to the previously mentioned items, we have considered the impact of trade receivables and deferral balances on our liquidity position. We believe that we will have sufficient liquidity to finance our operations and strategic objectives for at least the foreseeable future.

As of March 31, 2024, we had total principal indebtedness of \$3.4 billion (as at December 31, 2023: \$3.5 billion), consisting of \$3.0 billion (as at December 31, 2023: \$3.1 billion) of aggregate principal amount of secured indebtedness and \$0.4 billion (as at December 31, 2023: \$0.4 billion) of aggregate principal amount of unsecured indebtedness.

As of March 31, 2024, receivables due from customers amounted to \$9.7 million (as at December 31, 2023: \$9.8 million) and consisted of trade receivables and deferred receivables. As of March 31, 2024, we had gross trade receivables of \$0.9 million (as at December 31, 2023: \$0.3 million) of which an allowance for bad debt of \$0.8 million (as at December 31, 2023: \$0.3 million) has been provided for. As of March 31, 2024, we had gross deferral amounts of \$52.2 million (as at December 31, 2023: \$55.6 million) of which an expected credit loss of \$42.6 million (as at December 31, 2023: \$45.8 million) has been provided for. Deferral amounts represent amounts contractually agreed with customers to be paid at a date in the future that are not overdue at year end. The majority of our expected credit loss provision on lease deferrals were assumed as part of the acquisition accounting, upon acquisition of our initial portfolio.

As of March 31, 2024, we had \$86.5 million (as at December 31, 2023: \$120.4 million) of cash and cash equivalents, restricted cash of \$0.0 million (as at December 31, 2023: \$0.0 million), and \$657.0 million of unused capacity under our Revolving Credit Facility (as at December 31, 2023: \$546.6 million).

### ***Contractual Obligations***

As of March 31, 2024, we had both short and long-term obligations. Our capital commitments consist of principal and interest repayments on our secured and unsecured debt and purchase obligations under signed purchase agreements. We intend to fund our contractual obligations through operating cash flows, available cash, external financing, and equity. We believe we will have sufficient cash to fund our contractual obligations.

The following table provides details regarding the timing of contractual obligations as of March 31, 2024.

	2024	2025	2026	2027	2028	Thereafter	Total
	<b>USD in thousands '000</b>						
Unsecured Debt Facilities	-	-	-	420,000	-	-	420,000
Secured Debt Facilities	49,255	67,834	1,806,081	649,733	41,959	377,855	2,992,718
Capital Commitments	195,000	-	-	580,309	730,545	-	1,505,854
Total	244,255	67,834	1,806,081	1,650,042	772,504	377,855	4,918,572

### ***Cash Flows from Operating Activities***

For the period from January 1, 2024, through March 31, 2024, net cash provided by operating activities was \$86.6 million (For the period from January 1, 2023, through March 31, 2023: \$72.2 million), reflecting revenues, expenses and certain balance sheet movements, net of non-cash adjustments of depreciation, amortization of debt costs, amortization of lease premium, deferred tax, deferred rental income, security deposits and maintenance reserves as noted on the statement of cash flows.

### ***Cash Flows from Investing Activities***

For the period from January 1, 2024, through March 31, 2024, net cash used in investing activities was \$6.1 million (For the period from January 1, 2023, through March 31, 2023: \$111.2 million), primarily consisting of the consideration paid for the assets acquired during the year (see "Overview" for additional information).

### ***Cash Flows from Financing Activities***

For the period from January 1, 2024, through March 31, 2024, net cash provided by financing activities was (\$114.4) million (For the period from January 1, 2023, through March 31, 2023: \$33.2 million), which primarily consisted of voluntary and scheduled repayments.

Net voluntary repayments primarily consisted of \$110.4 million of the Revolving Credit Facility, scheduled principal repayments of \$4.5 million under the Term Loan B Facility, \$1.7 million under the Term Loan 3 facility, \$2.0 million under Term Loan 4 facility, \$1.0 million under the Term Loan 5 Facility, \$2.9 million under the Term Loan 6 Facility, \$1.7 million under the Term Loan 7 Facility, \$2.4 million under the Term Loan 8 Facility and debt issuance costs were \$0.3 million.

### ***Financing Arrangements***

For a summary of our financing arrangements, please refer to our Annual Report. There have been no significant changes to the financing arrangements as previously disclosed at December 31, 2023.

### ***Hedging***

As of March 31, 2024, and March 31, 2023, we held the following interest rate swaps effective as at that date to manage interest rate exposure arising from the Term Loan B Facility, TLB Additional Loan, Term Loan 4, Term Loan 6 and Revolving Credit Facility, which bear interest at floating rates.

<b>March 31, 2024</b>				
<b>Swap maturities</b>	<b>Total Notional amount<sup>4</sup></b>	<b>Weighted average Fixed Pay Rate</b>	<b>Weighted Average Receive Rate<sup>5</sup></b>	<b>Weighted average maturity (years)</b>
2026-2034	\$2,609,811,147	3.170%	4.356%	2.9

<b>March 31, 2023</b>				
<b>Swap maturities</b>	<b>Total Notional amount<sup>4</sup></b>	<b>Weighted average Fixed Pay Rate</b>	<b>Weighted Average Receive Rate<sup>5</sup></b>	<b>Weighted average maturity (years)</b>
2026-2034	\$2,027,385,052	2.841%	3.512%	4.1

### **Capital Expenditures**

As of March 31, 2024, we are party to binding agreements for the acquisition of an additional 21 aircraft, primarily through sale and leaseback transactions (operating lease). We also entered into agreements for the sale and leaseback (finance lease classified as loans) of 2 next generation aircraft as of such date. One of these aircraft have delivered subsequent to March 31, 2024.

Transactions noted above are expected to close between 2024 and 2028.

### **Significant Accounting Policies**

For a summary of our significant accounting policies, please refer to Note 2 of the Annual Audited Financial Statements.

<sup>4</sup> Notional Amount is at hedge inception/ amendment date.

<sup>5</sup> Calculation based on rates from inception of hedge to maturity. Rates are reset for future forecast based on interest curves on each reporting date.