

**Castlelake Aviation Limited and Subsidiaries**

**Unaudited Condensed Consolidated Financial Statements**

**As of June 30, 2024 and December 31, 2023 and for the 3 and 6 months ended June 30, 2024 and June 30, 2023**

**Castlelake Aviation Limited and Subsidiaries**  
**Unaudited Condensed Consolidated Financial Statements**  
**As of June 30, 2024 and December 31, 2023 and for the 3 and 6 months ended June 30, 2024 and June 30, 2023**

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**Castlelake Aviation Limited and Subsidiaries**  
**Unaudited Condensed Consolidated Balance Sheets**  
**As of June 30, 2024 and December 31, 2023**  
(U.S. dollars in thousands)

		<b>June 30</b>		<b>December 31</b>
	<b>Notes</b>	<b>2024</b>		<b>2023</b>
<b>Assets</b>				
Cash and cash equivalents	3	\$ 79,213	\$	120,386
Trade receivables	9	10,654		9,828
Flight equipment held for operating leases, net	4	3,212,979		3,384,672
Maintenance right assets and lease premiums, net	5	269,483		276,498
Net investment in finance leases	6	403,814		330,380
Other assets	7	21,718		22,725
Loan assets	8	806,680		795,675
Derivative assets	14	82,805		69,455
Deferred tax assets	15	37,276		34,213
<b>Total assets</b>		<b>\$ 4,924,622</b>	<b>\$</b>	<b>5,043,832</b>
<b>Liabilities and equity</b>				
Accounts payable and accrued liabilities		6,928		7,069
Deferred rental income		18,301		22,083
Security deposits		52,756		41,122
Accrued maintenance liabilities	10	53,651		49,415
Derivative liabilities	14	117		15,342
Deferred tax liabilities	15	54,202		41,295
Debt	11	3,361,987		3,506,085
<b>Total liabilities</b>		<b>\$ 3,547,942</b>	<b>\$</b>	<b>3,682,411</b>
Ordinary share capital, \$0.01 par value:				
5,000,000 shares authorized, 1,159,709 shares and 1,159,709 shares issued and outstanding as of June 30, 2024 and December 31, 2023, respectively		11		11
Additional paid-in capital		1,188,803		1,188,803
Accumulated retained earnings		101,428		111,797
Accumulated other comprehensive income		86,438		60,810
<b>Total equity</b>		<b>\$ 1,376,680</b>	<b>\$</b>	<b>1,361,421</b>
<b>Total liabilities and equity</b>		<b>\$ 4,924,622</b>	<b>\$</b>	<b>5,043,832</b>

The accompanying Notes are an integral part of these financial statements.

**Castlelake Aviation Limited and Subsidiaries**  
**Unaudited Condensed Consolidated Income Statements**  
(U.S. dollars in thousands)

		<b>3 months Ended June 30 2024</b>	<b>3 Months Ended June 30 2023</b>	<b>6 Months Ended June 30 2024</b>	<b>6 Months Ended June 30 2023</b>
<b>Revenue and other income</b>					
Rental income from operating and finance leases	Notes 12	\$ 102,265	\$ 77,332	\$ 206,503	\$ 157,828
Interest and other income	13	21,625	19,881	42,264	31,995
Gain on transfer to investment in finance lease	6	-	-	1,914	-
Gain on disposal of aircraft	4	4,438	-	4,438	-
<b>Total revenues and other income</b>		<b>\$ 128,328</b>	<b>\$ 97,213</b>	<b>\$ 255,119</b>	<b>\$ 189,823</b>
<b>Expenses</b>					
Interest expense	11	51,257	43,150	101,872	85,173
Depreciation	4	37,305	34,134	74,709	66,894
Maintenance and other costs		1,881	2,063	3,950	3,286
Selling, general and administrative expenses		13,014	8,291	22,967	16,235
<b>Total expenses</b>		<b>\$ 103,457</b>	<b>\$ 87,638</b>	<b>\$ 203,498</b>	<b>\$ 171,588</b>
<b>Net income before income tax expense</b>		<b>24,871</b>	<b>9,575</b>	<b>51,621</b>	<b>18,235</b>
Income tax expense	15	(2,795)	(1,183)	(6,190)	(2,060)
<b>Net income</b>		<b>\$ 22,076</b>	<b>\$ 8,392</b>	<b>\$ 45,431</b>	<b>\$ 16,175</b>

The accompanying Notes are an integral part of these financial statements.

**Castlelake Aviation Limited and Subsidiaries**  
**Unaudited Condensed Consolidated Statements of Comprehensive Income**  
(U.S. dollars in thousands)

		<b>3 Months Ended June 30 2024</b>	<b>3 Months Ended June 30 2023</b>	<b>6 Months Ended June 30 2024</b>	<b>6 Months Ended June 30 2023</b>
Net income	<b>Notes</b>	\$ 22,076	\$ 8,392	\$ 45,431	\$ 16,175
<b>Other comprehensive income</b>					
Net unrealized gain/(loss) on derivatives, net of tax	14	(5,987)	41,879	25,628	10,564
<b>Total comprehensive income</b>		<b>\$ 16,089</b>	<b>\$ 50,271</b>	<b>\$ 71,059</b>	<b>\$ 26,739</b>

The accompanying Notes are an integral part of these financial statements.

**Castlelake Aviation Limited and Subsidiaries**  
**Unaudited Condensed Consolidated Statements of Changes in Shareholders' Equity**  
(U.S. dollars in thousands)

	Number of ordinary shares issued	Ordinary share capital	Additional paid-in capital	Accumulated retained earnings	Accumulated other comprehensive income(loss)	Total
<b>Balance at December 31, 2022</b>	<b>1,060,062</b>	<b>\$ 11</b>	<b>\$1,100,803</b>	<b>\$ 39,737</b>	<b>\$ 93,600</b>	<b>\$1,234,151</b>
Net change	42,760	-	50,000	7,783	(31,315)	26,468
<b>Balance at March 31, 2023</b>	<b>1,102,822</b>	<b>\$ 11</b>	<b>\$1,150,803</b>	<b>\$ 47,520</b>	<b>\$ 62,285</b>	<b>\$1,260,619</b>
Net change	41,942	-	20,000	8,392	41,879	70,271
<b>Balance at June 30, 2023</b>	<b>1,144,764</b>	<b>\$ 11</b>	<b>\$1,170,803</b>	<b>\$ 55,912</b>	<b>\$ 104,164</b>	<b>\$1,330,890</b>
Net change	14,945	-	18,000	9,657	14,808	42,465
<b>Balance at September 30, 2023</b>	<b>1,159,709</b>	<b>\$ 11</b>	<b>\$1,188,803</b>	<b>\$ 65,569</b>	<b>\$ 118,972</b>	<b>\$1,373,355</b>
Net change	-	-	-	46,228	(58,162)	(11,934)
<b>Balance at December 31, 2023</b>	<b>1,159,709</b>	<b>\$ 11</b>	<b>\$1,188,803</b>	<b>\$ 111,797</b>	<b>\$ 60,810</b>	<b>\$1,361,421</b>
Net change	-	-	-	23,355	31,615	54,970
<b>Balance at March 31, 2024</b>	<b>1,159,709</b>	<b>\$ 11</b>	<b>\$1,188,803</b>	<b>\$ 135,152</b>	<b>\$ 92,425</b>	<b>\$1,416,391</b>
Net change	-	-	-	22,076	(5,987)	16,089
Dividend paid	-	-	-	(55,800)	-	(55,800)
<b>Balance at June 30, 2024</b>	<b>1,159,709</b>	<b>\$ 11</b>	<b>\$1,188,803</b>	<b>\$ 101,428</b>	<b>\$ 86,438</b>	<b>\$1,376,680</b>

The accompanying Notes are an integral part of these financial statements.

**Castlelake Aviation Limited and Subsidiaries**  
**Unaudited Condensed Consolidated Statements of Cash Flows**  
(U.S. dollars in thousands)

	Notes	6 Months Ended June 30 2024	6 Months Ended June 30 2023
<b>Cash flows from operating activities</b>			
Net income		\$ 45,431	\$ 16,175
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>			
Depreciation expense	4	74,709	66,894
Amortization of debt issuance costs	11	5,884	6,764
Amortization of lease premium	5	7,015	7,625
Accretion of upfront fees	8	(1,354)	-
Collection of finance leases	6	12,566	44,012
Collection of loan assets	8	49,940	-
Gain on transfer to investment in finance lease	6	(1,914)	-
Gain on disposals of aircraft	4	(4,438)	-
<b>Changes in assets and liabilities</b>			
Receivables and other assets	7 9	2,204	(12,065)
Deferred tax assets	15	(3,063)	(8,818)
Deferred tax liabilities	15	12,907	12,476
Income tax effect on derivatives	14	(3,667)	(1,509)
Accounts payable and accrued liabilities		(82)	2,966
Deferred rental income		(3,415)	11,157
<b>Net cash provided by operating activities</b>		<b>\$ 192,723</b>	<b>\$ 145,677</b>
<b>Cash flows from investing activities</b>			
Purchase of aircraft	4	(87,000)	(553,100)
Cash paid for loan assets	8	(60,132)	(109,316)
Cash proceeds on disposals	4	102,014	-
<b>Net cash (used in)/provided by investing activities</b>		<b>\$ (45,118)</b>	<b>\$ (662,416)</b>
<b>Cash flows from financing activities</b>			
Net cash received from borrowings	11	90,000	1,334,489
Repayment of borrowings	11	(239,800)	(856,940)
Proceeds from issuance of shares		-	70,000
Dividends paid	17	(55,800)	-
Debt issuance costs	11	(348)	(16,635)
Security deposits		12,934	(954)
Maintenance reserves	10	4,236	(10,260)
<b>Net cash used in financing activities</b>		<b>\$ (188,778)</b>	<b>\$ 519,700</b>
<b>Net movement in cash, cash equivalents and restricted cash</b>		(41,173)	2,961
Cash, cash equivalents and restricted cash at the beginning of the period	3	120,386	132,167
<b>Cash, cash equivalents and restricted cash at the end of the period</b>	3	<b>\$ 79,213</b>	<b>\$ 135,128</b>
<b>Supplemental cash flow information:</b>			
Cash paid for interest expense	11	\$ 94,437	\$ 76,773

The accompanying Notes are an integral part of these financial statements.

**Castlelake Aviation Limited and Subsidiaries**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
**June 30, 2024**

## **1 Organization**

Castlelake Aviation Limited (the “Company”) is incorporated in the Cayman Islands and is tax resident in the Republic of Ireland. The Company was incorporated on August 6, 2021, for the purpose of acquiring, marketing, leasing and selling newer generation and mid-life commercial aircraft and providing other aircraft financing solutions to its airline customers. Castlelake Aviation LLC, a company wholly owned by affiliates of Castlelake, L.P. (“Castlelake”) is the sole shareholder of the Company.

The Company, Castlelake Aviation Finance Designated Activity Company (“CAF DAC”), a direct and wholly owned subsidiary of the Company, and CAF DAC’s subsidiaries collectively comprise the “CA Group”. As of June 30, 2024, there were 120 assets (December 31, 2023: 120 assets) in the CA Group’s portfolio, consisting of 89 aircraft on operating lease (December 31, 2023: 92), 11 aircraft and aircraft engines on finance lease (December 31, 2023: 9) and 20 secured loan assets (December 31, 2023: 19). These assets have been financed by a number of term loans, a revolving credit facility and a high yield bond (as outlined in Note 11).

## **2 Summary of significant accounting policies**

### **Basis of preparation**

The condensed consolidated financial statements and the related information in the supporting notes have been prepared on a going concern basis in accordance with accounting principles generally accepted in the United States of America (“US GAAP”).

The CA Group consolidates all companies in which the CA Group has control under *ASC 810*. All inter group balances and transactions with consolidated subsidiaries have been eliminated. The results of consolidated entities are included from the effective of control, and the results of subsidiaries sold or otherwise deconsolidated are excluded from the date in which the CA Group ceases to control the subsidiary.

The condensed consolidated financial statements are stated in U.S. dollars, which is the functional and reporting currency of the CA Group.

### **Going concern**

The CA Group relies on its lessees’ continued performance of their lease obligations. The ability of each lessee to perform its obligations under its lease will depend primarily on such a lessee’s financial condition and cash flow, which may be affected by factors beyond the CA Group’s control. The Directors continue to have a reasonable expectation that the CA Group has adequate resources to continue in operation for at least the next 12 months from the date in which the financial statements are authorized for issue, based on future cash flow analyses using contracted revenues, forecasted maintenance receipts and payments, debt obligations, capital commitments and current cash positions, and that the going concern basis of preparation remains appropriate for the preparation of the financial statements as of June 30, 2024.

### **Use of judgements and estimates**

The preparation of the condensed consolidated financial statements in conformity with US GAAP requires the Directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenues and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. While the Directors believe that the estimates and related assumptions used in the preparation of the consolidated financial statements are appropriate, actual results could differ from those estimates.

The most significant estimates are those in relation to the residual value and useful economic lives of flight equipment held for operating leases, the impairment of flight equipment held for operating leases, the proportion of supplemental maintenance rent that will not be reimbursed, the valuation allowance recognized against deferred tax assets, the recoverability of trade receivables and deferred operating lease revenue, the recoverability of loan assets and key assumptions about the likelihood and magnitude of an outflow of resources for commitments and contingent liabilities.

### **Summary of significant accounting policies**

The CA Group’s significant accounting policies are described in its Annual Audited Financial Statements for the year ended December 31, 2023.

## **3 Cash and cash equivalents**

The CA Group maintains various cash accounts as required by the lenders and the facility providers, including collateral accounts, security deposit accounts and maintenance reserve accounts.

The CA Group held cash and cash equivalents of \$79.2 million and \$120.4 million at June 30, 2024 and December 31, 2023, respectively.



**Castlelake Aviation Limited and Subsidiaries**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
**June 30, 2024**

**4 Flight equipment held for operating leases, net**

As of June 30, 2024 and December 31, 2023, flight equipment held for operating leases, net, were as follows (U.S. dollars in thousands):

	<b>June 30 2024</b>	<b>December 31 2023</b>
Flight equipment held for operating leases, net	\$ 3,212,979	\$ 3,384,672

Movements in flight equipment held for operating leases during the 6 Months ended June 30, 2024 and the year ended December 31, 2023, were as follows (U.S. dollars in thousands):

	<b>June 30 2024</b>	<b>December 31 2023</b>
Opening balance	\$ 3,384,672	\$ 2,811,775
Additions	87,000	982,616
Transfers from maintenance intangible	-	353
Disposals	(99,898)	(94,074)
Transfers to investment in finance lease	(84,086)	(169,104)
Depreciation	(74,709)	(146,894)
<b>Flight equipment held for operating leases, net</b>	<b>\$ 3,212,979</b>	<b>\$ 3,384,672</b>
Accumulated depreciation	\$ (316,656)	\$ (252,628)

Depreciation charge on flight equipment held for operating lease during the 3 and 6 Months ended June 30, 2024 and June 30 2023 were as follows (U.S. dollars in thousands):

	<b>3 Months Ended June 30 2024</b>	<b>3 Months Ended June 30 2023</b>	<b>6 Months Ended June 30 2024</b>	<b>6 Months Ended June 30 2023</b>
Depreciation	\$ (37,305)	\$ (34,134)	\$ (74,709)	\$ (66,894)

During the 3 month period ended June 30, 2024, the CA Group acquired 1 aircraft subject to operating lease and disposed of 2 aircraft for total consideration of \$102.0 million resulting in a gain of \$4.4m (June 30,2023, \$Nil).

During the 6 month period ended June 30, 2024, the CA Group acquired 1 aircraft subject to operating lease and disposed of 2 aircraft for total consideration of \$102.0 million resulting in a gain of \$4.4m (June 30,2023, \$Nil) and transferred 2 aircraft to investment in finance leases for a gain of \$1.9m (June 30, 2023, \$Nil).

As of June 30, 2024, the CA Group's aircraft portfolio consisted of 89 aircraft held for operating lease which were on lease to 18 different lessees in 13 different countries.

As of December 31, 2023, the CA Group's aircraft portfolio consisted of 92 aircraft held for operating lease which were on lease to 18 different lessees in 13 different countries.

The following table sets forth the regional concentration based on each lessee's principal place of business of the CA Group's flight equipment held for operating leases based on net book value as of June 30, 2024 and December 31, 2023, (U.S. dollars in thousands, except percentages):

	<b>June 30, 2024</b>		<b>December 31, 2023</b>	
	<b>Net Book Value</b>	<b>% of Total</b>	<b>Net Book Value</b>	<b>% of Total</b>
Europe, Middle East and Africa (EMEA)	\$ 773,488	24	\$ 701,503	21
Asia Pacific (APAC) and India	1,565,076	49	1,705,258	50
Americas	874,415	27	977,911	29
<b>Flight equipment held for operating leases, net</b>	<b>\$ 3,212,979</b>	<b>100</b>	<b>\$ 3,384,672</b>	<b>100</b>

**Castlelake Aviation Limited and Subsidiaries**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
**June 30, 2024**

**5 Maintenance right assets and lease premiums, net**

Maintenance right assets and lease premiums, net consisted of the following as of June 30, 2024 and December 31, 2023 (U.S. dollars in thousands):

	<b>June 30 2024</b>	<b>December 31 2023</b>
Lease premiums	\$ 52,408	\$ 59,423
Maintenance right assets	217,075	217,075
<b>Maintenance right assets and lease premiums, net</b>	<b>\$ 269,483</b>	<b>\$ 276,498</b>

As of June 30, 2024 and December 31, 2023, lease premiums/(deficits) and maintenance right assets/(liabilities) were as follows (U.S. dollars in thousands):

	<b>Lease premium June 30 2024</b>	<b>Lease premium December 31 2023</b>	<b>Maintenance right asset June 30 2024</b>	<b>Maintenance right asset December 31 2023</b>
Opening balance	\$ 59,423	\$ 85,701	\$ 217,075	\$ 220,229
Additions to maintenance rights assets/(liabilities)	-	-	-	842
Additions to lease intangible assets/(liabilities)	-	(11,902)	-	-
Disposals	-	348	-	(3,643)
Maintenance claims	-	-	-	(353)
Amortization charge for the period	(7,015)	(14,724)	-	-
<b>Total</b>	<b>\$ 52,408</b>	<b>\$ 59,423</b>	<b>\$ 217,075</b>	<b>\$ 217,075</b>

**Castlelake Aviation Limited and Subsidiaries**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
**June 30, 2024**

**6 Net investment in finance leases**

As of June 30, 2024 and December 31, 2023, 11 and 9 leases were accounted for as finance leases respectively. As of June 30, 2024 and December 31, 2023, 11 and 9 lessees had a purchase option in place respectively. During the 3 month period ended June 30, 2024, the CA Group transferred no aircraft from flight equipment held for operating lease to net investment in finance leases. (June 30, 2023 \$Nil). During the 6 month period ended June 30, 2024, the CA Group transferred 2 aircraft from flight equipment held for operating lease to net investment in finance leases for a gain of \$1.9 million (June 30, 2023 \$Nil). The following tables list the components of the net investment in finance leases as of June 30, 2024 and December 31, 2023 (U.S. dollars in thousands):

	<b>June 30 2024</b>	<b>December 31 2023</b>
Total lease payments to be received	\$ 612,367	\$ 494,427
Less: Unearned income	(208,553)	(164,047)
<b>Net investment in finance leases</b>	<b>\$ 403,814</b>	<b>\$ 330,380</b>

As of June 30, 2024 and December 31, 2023, net investment in finance leases were as follows (U.S. dollars in thousands):

	<b>June 30 2024</b>	<b>December 31 2023</b>
Opening balance	\$ 330,380	\$ 288,472
Transfers from flight equipment held for operating lease	84,086	169,104
Gain on transfers from flight equipment held for operating lease	1,914	2,896
Lease principal repayments	(12,566)	(130,092)
<b>Net investment in finance leases</b>	<b>\$ 403,814</b>	<b>\$ 330,380</b>

The CA Group is exposed to credit losses on its net investment in finance leases provided to its airline customers. The CA Group's net investment in finance leases credit exposure reflects the risk that its customers fail to meet their payment obligations and the risk that the aircraft value in a finance lease is less than the unguaranteed residual value.

As of June 30, 2024 and December 31, 2023, no expected credit loss was recognized for net investment in finance leases. An evaluation in accordance with *ASC 326 Financial Instruments – Credit Losses* was completed, and it was deemed that no expected credit loss was required.

During the 6 Months ended June 30, 2024, the CA Group recognized interest income from net investments in finance leases of \$18.5 million, which is included within rental income from operating and finance leases.

The following table provides a summary of anticipated future lease payments under outstanding net investment in finance leases as of June 30, 2024, and December 31, 2023, (U.S. dollars in thousands):

	<b>June 30 2024</b>	<b>December 31 2023</b>
2024	\$ 32,577	\$ 50,167
2025	64,085	49,886
2026	62,778	48,787
2027	61,472	47,688
2028	60,184	46,603
Thereafter	331,271	251,296
Undiscounted cash flows receivable	612,367	494,427
Less: Unearned income	(208,553)	(164,047)
<b>Total</b>	<b>\$ 403,814</b>	<b>\$ 330,380</b>

**Castlelake Aviation Limited and Subsidiaries**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
**June 30, 2024**

**7 Other assets**

At June 30, 2024 and December 31, 2023, the principal components of the CA Group's other assets were as follows (U.S. dollars in thousands):

	<b>June 30 2024</b>	<b>December 31 2023</b>
VAT receivable	\$ 310	\$ 1,419
RCF debt costs	6,827	8,688
Accrued interest	-	175
Other assets	14,581	12,443
<b>Other assets</b>	<b>\$ 21,718</b>	<b>\$ 22,725</b>

Other assets of \$14.6 million (December 31, 2023: \$12.4 million) primarily consists of prepaid expenses, capitalized expenses and other receivables. Other receivables relate to a bank guaranteed amount supported by a letter of credit in favor of an entity within the CA Group that is expected to be received in 2026.

**8 Loan assets**

	<b>June 30 2024</b>	<b>December 31 2023</b>
Opening balance	\$ 795,675	\$ 400,365
Additions to loan assets	60,132	549,329
Additions to upfront fees	(540)	(7,329)
Repayments	(49,432)	(148,470)
Amortization	1,354	2,659
Accrued interest	(509)	(879)
<b>Loan assets</b>	<b>\$ 806,680</b>	<b>\$ 795,675</b>

Loan assets of \$806.7 million is presented gross of interest receivable and remeasure adjustments and net of unamortised upfront fees. The net loan receivable amounts consist of \$264.6 million to an Asia Pacific based airline, \$61.2 million to 2 EMEA based lessors, and \$480.9 million to an EMEA based airline.

There are 4 loans provided to Asia Pacific based airlines. One accrues interest at a fixed rate of 11.75% per annum and is secured by charges over intellectual property of the airlines and aircraft inventory. As of June 30, 2024, principal of \$116.7 million is drawn down. The other 3 loans accrue interest at fixed rates ranging from 10.60% to 11.60% per annum and are secured against aircraft owned by the lessor. As of June 30, 2024, principal of \$147.3 million is drawn down.

Loans of \$61.2 million provided to 2 EMEA based lessors accrued interest at a fixed rate of 8.00% per annum and are secured against aircraft owned by the lessors. As of June 30, 2024, there are no undrawn amounts or available commitments under these loans.

The loans provided to the EMEA based airline accrues interest at a fixed rate ranging from 7.70% to 8.58% per annum and are secured by an assignment of certain rights of the airline under the relevant aircraft purchase agreement. As of June 30, 2024, principal of \$485.1 million is drawn down.

The CA Group is exposed to credit losses on its loan assets provided to its airline customers. The CA Group's loan assets credit exposure reflects the risk that its airline customers fail to meet their payment obligations.

**Castlelake Aviation Limited and Subsidiaries**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
**June 30, 2024**

**8 Loan assets (continued)**

As of June 30, 2024, and December 31, 2023, no expected credit loss was recognized for loan receivables. An evaluation in accordance with ASC 326 *Financial Instruments – Credit Losses* was completed, and it was deemed that no expected credit loss was required.

The following table provides a summary of anticipated future principal repayments under outstanding loan assets as of June 30, 2024, and December 31, 2023, (U.S. dollars in thousands):

	<b>June 30 2024</b>	<b>December 31 2023</b>
2024	\$ 104,391	\$ 142,297
2025	44,880	41,280
2026	111,547	111,450
2027	44,880	41,280
2028	89,075	89,280
Thereafter	424,081	389,674
Loan adjustments	(12,174)	(19,586)
<b>Loan assets</b>	<b>\$ 806,680</b>	<b>\$ 795,675</b>

**9 Trade receivables**

The CA Group is exposed to credit losses on its lease deferrals and trade receivables provided to its airline customers. The CA Group's lease deferrals and trade receivables credit exposure reflect the risk that its customers fail to meet their payment obligations and the risk that the aircraft value in a finance lease is less than the unguaranteed residual value.

The CA Group estimates the expected risk of loss over the remaining life of a lease using a probability of default and net exposure analysis. The probability of default is estimated based on historical cumulative default data, adjusted for current conditions of similarly risk rated counterparties over the contractual term. The net exposure is estimated based on the exposure, net of collateral, including security deposits and maintenance-related deposits and aircraft where applicable, over the contractual term.

As of June 30, 2024, trade receivables of \$10.7 million was presented net of an expected credit loss on lease deferrals and an allowance for bad debts on lease receivables as follows (U.S. dollars in thousands):

	<b>Lease deferrals</b>	<b>Trade receivables</b>	<b>Total</b>
Balance (gross)	\$ 48,479	\$ 1,971	\$ 50,450
Allowance for bad debts	-	(852)	(852)
Expected credit loss	(38,944)	-	(38,944)
<b>Total</b>	<b>\$ 9,535</b>	<b>\$ 1,119</b>	<b>\$ 10,654</b>

As of December 31, 2023, trade receivables of \$9.8 million was presented net of an expected credit loss on lease deferrals and an allowance for bad debts on lease receivables as follows (U.S. dollars in thousands):

	<b>Lease deferrals</b>	<b>Trade receivables</b>	<b>Total</b>
Balance (gross)	\$ 55,633	\$ 276	\$ 55,909
Allowance for bad debts	-	(260)	(260)
Expected credit loss	(45,821)	-	(45,821)
<b>Total</b>	<b>\$ 9,812</b>	<b>\$ 16</b>	<b>\$ 9,828</b>

At June 30, 2024, there was a net expected credit loss reversal of 6.3 million (December 31, 2023: \$5.4 million) recognized in the Consolidated Income Statements. This consisted of a reversal of \$6.9 million, all of which is recorded in rental income for operating and finance leases and \$0.6 million of a provision is recorded in interest and other income (December 31, 2023: \$4.4 million, \$0.8 million in rental income from operating and finance leases and \$3.6 million in interest in other income), and no reclassification between allowance for bad debts and lease deferrals (December 31, 2023: \$1.0 million).

**Castlelake Aviation Limited and Subsidiaries**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
**June 30, 2024**

**9 Trade receivables (continued)**

The movement in expected credit loss and allowance for bad debts during the 6 months ended June 30, 2024, is as follows (U.S. dollars in thousands):

	Allowance for bad debts	Expected credit loss	Total
Opening balance	\$ (260)	\$ (45,821)	\$ (46,081)
Movement for the period	(592)	6,877	6,285
<b>Total</b>	<b>\$ (852)</b>	<b>\$ (38,944)</b>	<b>\$ (39,796)</b>

The movement in expected credit loss and allowance for bad debts during the year ended December 31, 2023, is as follows (U.S. dollars in thousands):

	Allowance for bad debts	Expected credit loss	Total
Opening balance	\$ (4,860)	\$ (46,662)	\$ (51,522)
Movement for the year	3,606	841	4,447
Adjustment	994	-	994
<b>Total</b>	<b>\$ (260)</b>	<b>\$ (45,821)</b>	<b>\$ (46,081)</b>

**10 Accrued maintenance liabilities**

As of June 30, 2024, and December 31, 2023, accrued maintenance liabilities were as follows (U.S. dollars in thousands):

	June 30 2024	December 31 2023
Accrued maintenance liabilities	\$ 53,651	\$ 49,415

Movements in accrued maintenance liabilities during the period ended June 30, 2024, and the year ended December 31, 2023, were as follows (U.S. dollars in thousands):

	June 30 2024	December 31 2023
Opening balance	\$ 49,415	\$ 68,454
Maintenance payments received	4,239	10,642
Maintenance claims paid	(3)	(17,658)
Maintenance reserves released	-	(12,023)
<b>Accrued maintenance liabilities</b>	<b>\$ 53,651</b>	<b>\$ 49,415</b>

**Castlelake Aviation Limited and Subsidiaries**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
**June 30, 2024**

**11 Debt**

The CA Group's outstanding indebtedness consists of senior unsecured notes ("HYB"), 2 senior secured term loan B facilities ("TLB 1" and "TLB 2"), 6 term loan facilities ("TL 3", "TL 4", "TL 5", "TL 6", "TL 7", "TL 8"), and a secured revolving credit facility ("RCF").

The outstanding principal balances, unamortized discount, legal maturity dates and interest rates of the Debt as at June 30, 2024 and December 31, 2023, were as follows (U.S. dollars in thousands):

		<b>June 30 2024</b>	<b>December 31 2023</b>
Type	Maturity		
<i>Unsecured</i>			
HYB	04/2027	\$ 420,000	\$ 420,000
<i>Secured</i>			
TLB 1	10/2026	1,147,550	1,153,450
TLB 2	10/2027	625,475	628,650
TL 3	12/2034	123,780	127,145
TL 4	11/2034	113,828	117,901
RCF	04/2026	286,000	403,410
TL 5	12/2030	72,397	74,349
TL 6	06/2026	357,346	363,265
TL 7	06/2031	113,388	116,816
TL 8	08/2038	129,732	134,310
<b>Total secured</b>		<b>\$ 2,969,496</b>	<b>\$ 3,119,296</b>
Accrued interest		13,316	13,151
Debt issuance costs		(71,267)	(70,919)
Amortization of debt issuance costs		30,442	24,557
<b>Debt</b>		<b>\$ 3,361,987</b>	<b>\$ 3,506,085</b>

As of June 30, 2024, the interest rate of the CA Group's unsecured debt of \$420.0 million (December 31, 2023, \$420.0 million) is 5.00% (December 31, 2023, 5%) and the weighted average effective interest rate of the CA Group's secured debt is 4.99% (December 31, 2023, 5.34%). The weighted average interest rate for our floating rate debt of \$3.0 billion (December 31, 2023, \$3.1 billion) is calculated based on the applicable U.S. dollar SOFR rate, as applicable, as of the most recent interest payment date of the respective debt and excludes the impact of related derivative financial instruments which we hold to hedge our exposure to floating interest rates, as well as any amortization of debt issuance costs and debt discounts.

Interest payments, principal payments and loan conversion on the Debt during the period ended June 30, 2024, were as follows (U.S. dollars in thousands):

	<b>6 Months Ended June 30 2024 Interest</b>	<b>6 Months Ended June 30 2024 Principal</b>
HYB	\$ 10,500	\$ -
TLB 1	44,966	5,900
TLB 2	26,155	3,175
TL 3	3,178	3,365
TL 4	3,237	4,074
RCF	13,470	207,410
TL 5	2,124	1,951
TL 6	13,446	5,919
TL 7	3,322	3,427
TL 8	4,347	4,579
Derivative interest income	(30,308)	-
<b>Total interest and principal repayments and non-interest-bearing convertible loan</b>	<b>\$ 94,437</b>	<b>\$ 239,800</b>

**Castlelake Aviation Limited and Subsidiaries**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
**June 30, 2024**

**11 Debt (continued)**

The total interest expense during the 6 Months ended June 30, 2024 and June 30, 2023 was comprised of the following (U.S. dollars in thousands):

	<b>6 Months Ended June 30 2024</b>	<b>6 Months Ended June 30 2023</b>
HYB	\$ 10,500	\$ 10,500
TLB 1	46,212	44,666
TLB 2	25,707	16,795
TL 1	-	2,515
TL 2	-	4,889
TL 3	3,630	3,799
TL 4	4,080	3,900
RCF	13,270	10,618
TL 5	2,085	816
TL 6	13,282	540
TL 7	3,243	6
TL 8	4,287	-
Amortization of debt issuance costs	5,884	6,764
Derivatives	(30,308)	(20,635)
<b>Total</b>	<b>\$ 101,872</b>	<b>\$ 85,173</b>

The total interest expense during the 3 Months ended June 30, 2024 and June 30, 2023 was comprised of the following (U.S. dollars in thousands):

	<b>3 Months Ended June 30 2024</b>	<b>3 Months Ended June 30 2023</b>
HYB	\$ 5,250	\$ 5,250
TLB 1	23,264	22,719
TLB 2	12,803	12,518
TL 2	-	3,035
TL 3	1,803	1,451
TL 4	2,035	1,999
RCF	6,745	3,239
TL 5	1,036	816
TL 6	6,719	540
TL 7	1,609	6
TL 8	2,113	-
Amortization of debt issuance costs	2,946	2,790
Derivatives	(15,066)	(11,213)
<b>Total</b>	<b>\$ 51,257</b>	<b>\$ 43,150</b>

As of June 30, 2024, \$286.0 million was drawn down from the RCF leaving an undrawn amount of \$664.0 million. As of December 31, 2023, TLB 1, TLB 2, TL 3, TL 4, TL 5, TL 6, TL7 and TL 8 were fully drawn.

As of February 28, 2023, TL1 and TL2 have been repaid.

The HYB is guaranteed on a senior unsecured basis by the Company and certain subsidiaries of CAF DAC.

As of June 30, 2024, TLB 1, TLB 2, TL 3, TL 4, TL 5, TL 6, TL 7 and TL 8 are secured by 98 (2023: TLB1, TLB2, TL 3, TL 4, TL 5, TL 6, TL 7 and TL 8 are secured by 98) aircraft, while RCF is secured by 14 (2023: 14) aircraft assets.

As of June 30, 2024, the CA Group remained in compliance in all material respects with the covenants in the agreements governing its Debt.

Maturities of secured and unsecured debt outstanding as of June 30, 2024 and December 31, 2023, are as follows (U.S. dollars in thousands):



**Castlelake Aviation Limited and Subsidiaries**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
**June 30, 2024**

**11 Debt (continued)**

	<b>June 30 2024</b>	<b>December 31 2023</b>
2024	\$ 33,034	\$ 65,423
2025	67,834	67,834
2026	1,799,081	1,916,491
2027	1,069,733	1,069,733
2028	41,959	41,959
Thereafter	377,855	377,856
<b>Total</b>	<b>\$ 3,389,496</b>	<b>\$ 3,539,296</b>

**12 Rental income from operating and finance leases**

The following table details rental income, net of expected credit losses, provision for bad debts and bad debt recoveries, by geographical location during the 6 Months ended June 30, 2024 and June 30, 2023 (U.S. dollars in thousands):

	<b>6 Months Ended June 30 2024</b>	<b>6 Months Ended June 30 2023</b>
Europe, Middle East and Africa (EMEA)	\$ 39,170	\$ 17,782
Asia Pacific (APAC)	103,675	86,140
Americas	70,673	61,531
Lease premium amortization (Note 5)	(7,015)	(7,625)
<b>Rental income from operating and finance leases</b>	<b>\$ 206,503</b>	<b>\$ 157,828</b>

The following table details rental income, net of expected credit losses, provision for bad debts and bad debt recoveries, by geographical location during the 3 Months ended June 30, 2024 and June 30, 2023 (U.S. dollars in thousands):

	<b>3 Months Ended June 30 2024</b>	<b>3 Months Ended June 30 2023</b>
Europe, Middle East and Africa (EMEA)	\$ 19,988	\$ 10,483
Asia Pacific (APAC)	51,817	39,673
Americas	33,999	30,988
Lease premium amortization (Note 5)	(3,539)	(3,812)
<b>Rental income from operating and finance leases</b>	<b>\$ 102,265</b>	<b>\$ 77,332</b>

The CA Group is exposed to credit losses on its net investment in finance leases provided to its airline customers. The CA Group's net investment in finance lease credit exposure reflects the risk that its airline customers fail to meet their payment obligations and the risk that the aircraft value in a finance lease is less than the unguaranteed residual value.

The CA Group's top 5 customers represented 68.57% of total rental revenues for the 6 Months ended June 30, 2024, and 4 customers each accounted for 10.00% or more of total rental revenues at 20.34%, 15.04%, 12.34% and 12.22%. As at June 30, 2024, 39 of the operating leases provide for unexpired extension options and 1 of the operating leases provides for an unexpired early termination option.

**Castlelake Aviation Limited and Subsidiaries**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
**June 30, 2024**

**12 Rental income from operating and finance leases (continued)**

As at June 30, 2024, and June 30, 2023, the CA Group had contracted to receive the following minimum cash lease rentals under non-cancellable operating leases (U.S. dollars in thousands):

	<b>June 30 2024</b>	<b>June 30 2023</b>
2023	\$ -	\$ 184,449
2024	184,221	361,373
2025	360,322	347,799
2026	325,002	309,663
2027	292,846	274,612
2028	283,525	264,998
Thereafter	1,261,395	1,158,243
<b>Total</b>	<b>\$ 2,707,311</b>	<b>\$ 2,901,137</b>

During the 6 Months ended June 30, 2024, the CA Group recognized a reversal for expected credit losses of \$6.9 million, classified in operating rental income, in respect of the CA Group's deferred operating lease revenue balance as at June 30, 2024. Refer to *Note 9 – Trade Receivables*.

**13 Interest and other income**

Interest and other income net of provisions for bad debts during the 6 Months ended June 30, 2024, and June 30, 2023, were as follows (U.S. dollars in thousands):

	<b>6 Months Ended June 30 2024</b>	<b>6 Months Ended June 30 2023</b>
Interest income from loan assets	\$ 37,549	\$ 20,276
Bank interest income	1,604	1,936
Other interest income	1,354	3,294
Late payment interest	2,349	2,623
Reversal of provision for bad debts/ (provision for bad debts ) (Note 9)	(592)	3,866
<b>Interest and other income</b>	<b>\$ 42,264</b>	<b>\$ 31,995</b>

Interest and other income net of provisions for bad debts during the 3 Months ended June 30, 2024, and June 30, 2023, were as follows (U.S. dollars in thousands):

	<b>3 Months Ended June 30 2024</b>	<b>3 Months Ended June 30 2023</b>
Interest income from loan assets	\$ 18,843	\$ 10,398
Bank interest income	864	920
Other interest income	777	2,088
Late payment interest	1,178	1,211
Reversal of provision for bad debts (Note 9)	(37)	5,264
<b>Interest and other income</b>	<b>\$ 21,625</b>	<b>\$ 19,881</b>

**Castlelake Aviation Limited and Subsidiaries**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
**June 30, 2024**

**14 Derivative financial instruments**

The CA Group entered into interest rate swaps to hedge the current and future interest payments of a portion of external debt which has an underlying variable interest rate. As of June 30, 2024 and December 31, 2023, the underlying variable benchmark interest rates under the interest rate swaps were 3-month U.S. dollar SOFR and 1-month U.S. dollar SOFR.

The counterparties to the interest rate swaps are major international financial institutions. The CA Group continually monitors its positions and the credit ratings of the counterparties involved and limit the amount of credit exposure to any one party. The CA Group could be exposed to potential losses due to the credit risk of non-performance by these counterparties. The CA Group has not experienced any losses to date.

The following table presents the notional amounts and estimated fair values of the CA Group's derivatives as of June 30, 2024 and December 31, 2023 (U.S. dollars in thousands):

	<b>June 30 2024 Notional amounts</b>	<b>June 30 2024 Fair value</b>	<b>December 31 2023 Notional amounts</b>	<b>December 31 2023 Fair value</b>
Derivative assets/(liabilities) designated as accounting cash flow hedges:				
Interest rate swap assets	\$ 3,001,268	\$ 82,368	\$ 1,478,802	\$ 68,300
Accrued interest		1,919		2,745
Interest rate swap unwind		(1,482)		(1,590)
Derivative assets		<u>\$ 82,805</u>		<u>\$ 69,455</u>
Interest rate swaps liability	139,176	(117)	1,688,514	(15,342)
<b>Total</b>	<u><b>\$ 3,140,444</b></u>	<u><b>\$ 82,688</b></u>	<u><b>\$ 3,167,316</b></u>	<u><b>\$ 54,113</b></u>

Changes in the fair value of a derivative that is designated and qualifies as an effective cash flow hedge are recorded in accumulated other comprehensive income/(loss), net of tax, until earnings are affected by the variability of cash flows of the hedged item.

The fair value and notional value of the swaps includes swaps with an effective date into the future (2026) of \$1.5 million (Notional \$611.0 million).

The CA Group has recorded the following in other comprehensive income gain related to derivative financial instruments for the 6 month period ended 30 June, 2024, and the period ended 30 June, 2023 (U.S. dollars in thousands):

	<b>6 Months Ended June 30 2024</b>	<b>6 Months Ended June 30 2023</b>
Effective portion of change in FV of derivatives designated as cash flow hedges:		
Interest rate swaps	\$ 29,295	\$ 12,073
Income tax effects	(3,667)	(1,509)
<b>Net gain on derivative, net of tax</b>	<u><b>\$ 25,628</b></u>	<u><b>\$ 10,564</b></u>

The CA Group has recorded the following in other comprehensive income gain related to derivative financial instruments for the 3 month period ended 30 June, 2024, and the period ended 30 June, 2023 (U.S. dollars in thousands):

**Castlelake Aviation Limited and Subsidiaries**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
**June 30, 2024**

**14 Derivative financial instruments (continued)**

	<b>3 Months Ended June 30 2024</b>	<b>3 Months Ended June 30 2023</b>
Effective portion of change in FV of derivatives designated as cash flow hedges:		
Interest rate swaps	\$ (6,836)	\$ 47,862
Income tax effects	849	(5,983)
<b>Net gain/(loss) on derivative, net of tax</b>	<b><u>\$ (5,987)</u></b>	<b><u>\$ 41,879</u></b>

**15 Income tax**

The following table presents the CA Group's income tax expense/(benefit) for the 6 Months ended June 30, 2024, and June 30, 2023 (U.S. dollars in thousands):

	<b>6 Months Ended June 30 2024</b>	<b>6 Months Ended June 30 2023</b>
Current tax expense/(benefit)	\$ 13	\$ (89)
Deferred tax expenses/(benefit)	6,177	2,149
<b>Provision for income taxes</b>	<b><u>\$ 6,190</u></b>	<b><u>\$ 2,060</u></b>

The following table presents the CA Group's income tax expense/(benefit) for the 3 Months ended June 30, 2024, and June 30, 2023 (U.S. dollars in thousands):

	<b>3 Months Ended June 30 2024</b>	<b>3 Months Ended June 30 2023</b>
Current tax expense/(benefit)	\$ 3	\$ (93)
Deferred tax expenses/(benefit)	2,792	1,276
<b>Provision for income taxes</b>	<b><u>\$ 2,795</u></b>	<b><u>\$ 1,183</u></b>

As of June 30, 2024 and December 31, 2023, deferred tax assets and deferred tax liabilities were as follows (U.S. dollars in thousands):

	<b>June 30 2024</b>	<b>December 31 2023</b>
Deferred tax assets	\$ 37,276	\$ 34,213
Deferred tax liabilities	54,202	41,295

Effective from 1 January 2022, the CA Group elected to no longer subject 16 of the aircraft owning entities to Irish corporation tax under the rules outlined within Section 110 of the Taxes Consolidation Act 1997, instead opting to tax those entities as trading companies.

The calculation of income for tax purposes differs significantly from book income. Deferred tax is provided 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 in the various jurisdictions. Tax losses carried forward and accelerated tax depreciation on flight equipment held for operating leases gives rise to the most significant timing differences. The effective tax rate is impacted by the source and amount of earnings among our different tax jurisdictions, the amount of permanent tax differences relative to pre-tax income and an increase in valuation allowance for an amount of unrecognized tax losses.

**Castlelake Aviation Limited and Subsidiaries**  
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**June 30, 2024**

**15 Income tax (Continued)**

The CA Group's primary tax jurisdiction is Ireland. The tax returns in Ireland for Castlelake Aviation Limited and the entities that were incorporated in 2022 are open for examination by the Irish Revenue from 2022 onwards. There were a number of existing entities which were acquired by Castlelake Aviation Limited in 2022; tax returns for these entities remain open for enquiries by the Irish Revenue for four years from the end of the year in which a particular return is filed.

**16 Commitments and contingencies**

As of June 30, 2024, the CA Group was under an agreement for purchase and leaseback transactions for 21 aircraft. Commitments for the acquisition of these aircraft, calculated at an estimated aggregate purchase price (including adjustments for anticipated inflation) of approximately \$1.4 billion and of \$1.5 billion as of June 30, 2024 and December 31, 2023 are as follows (U.S. dollars in thousands):

	<b>June 30 2024</b>	<b>December 31 2023</b>
2024	\$ 54,000	\$ 195,000
2025	-	-
2026	-	-
2027	580,309	580,309
2028	730,545	730,545
Thereafter	-	-
<b>Total</b>	<b>\$ 1,364,854</b>	<b>\$ 1,505,854</b>

The final purchase prices can vary due to a number of factors, including inflation and the final acquisition dates can vary as the timing of some transactions have not yet been determined.

As of June 30, 2024 and December 31, 2023, all debt was guaranteed by the Company, the respective CA Group borrower or issuer and their subsidiaries.

Each of the HYB, TLB, and the RCF is guaranteed on a senior unsecured basis by the Company and a senior secured basis by certain subsidiaries of the Company. Specifically, each of the TLB, RCF and HYB is guaranteed by the Company and each of the Company's subsidiaries, other than the borrower or issuer of the associated debt. Each of these guarantees is a full and unconditional guarantee of the payment of all the principal, and any premium and interest, if any, on the associated debt when due, whether at maturity or otherwise, and all other obligations of the CA Group entity under the associated debt instruments. Each of TL 3, TL 4, TL 5, TL 6, TL 7 and TL 8 is guaranteed by the Company (but no subsidiaries of the Company) on a full recourse basis, except that the Company's guarantee of TL3 is limited to \$2.0 million of exposure.

Each of the aforementioned guarantees is limited as necessary to prevent such guarantee from being rendered voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally. See above for information on the amounts outstanding under each of these facilities.

The CA Group may be involved in legal and administrative proceedings that arise from time to time in the normal conduct of business. No provision for any liability has been recorded in the accompanying financial statements, and the CA Group believes that the ultimate disposition of any such matters will not have a material adverse effect on the financial position or results of operations of the CA Group.

**17 Related parties**

Pursuant to various servicing agreements as well as pursuant to a management agreement, affiliates of Castlelake perform aircraft, lease and administrative services for the CA Group. The CA Group incurred Servicer fees in the amount of \$13.2 million during the 6 Months ended June 30, 2024 (June 30, 2023: \$9.8 million). As of June 30, 2024, the accrued but unpaid Servicer fee balance is \$4.1 million (December 31, 2023: \$3.0 million), which has been subsequently paid in July 2024. The CA Group incurred Management fees in the amount of \$1.0 million during the 6 Months ended June 30, 2024 (June 30, 2023: \$0.7 million). As of June 30, 2024, the prepaid Management fee balance is \$1.1 million (31 December, 2023: \$Nil). As of June 30, 2024 the CA Group declared and paid a dividend of \$55.8 million to its immediate parent (June 30, 2023 \$Nil).

**Castlelake Aviation Limited and Subsidiaries**  
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**June 30, 2024**

**18 Fair value measurements**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The CA Group determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized into one of the following levels:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

**Assets and liabilities measured at fair value on a recurring basis**

As of June 30, 2024 and December 31, 2023, the CA Group's derivative portfolio consisted of interest rate swaps. The fair value of derivatives is based on dealer quotes for identical instruments. The CA Group has also considered the credit rating and risk of the counterparty of the derivative contract based on quantitative and qualitative factors. As such, the valuation of these instruments was classified as Level 2.

The following table presents the CA Group's financial assets and liabilities that the CA Group has measured at fair value on a recurring basis by level within the fair value hierarchy as of June 30, 2024 and December 31, 2023 (U.S. dollars in thousands):

		<b>June 30, 2024</b>				
		<b>Total</b>	<b>Level 1</b>		<b>Level 2</b>	<b>Level 3</b>
		<b>USD</b>	<b>USD</b>		<b>USD</b>	<b>USD</b>
<b>Assets</b>	<b>Notes</b>					
Derivative assets	14	\$ 82,368	\$ -	\$ 82,368		\$ -
<b>Liabilities</b>						
Derivative liabilities	14	\$ 117	\$ -	\$ 117		\$ -
		<b>December 31, 2023</b>				
		<b>Total</b>	<b>Level 1</b>		<b>Level 2</b>	<b>Level 3</b>
		<b>USD</b>	<b>USD</b>		<b>USD</b>	<b>USD</b>
<b>Assets</b>						
Derivative assets	14	\$ 68,300	\$ -	\$ 68,300		\$ -
<b>Liabilities</b>						
Derivative liabilities	14	\$ 15,342	\$ -	\$ 15,342		\$ -

**Assets and liabilities measured at fair value on a non-recurring basis**

The CA Group also measures the fair value of flight equipment on a non-recurring basis, when U.S. GAAP requires the application of fair value, including when events or changes in circumstances indicate that the carrying amounts of assets may not be recoverable. The CA Group develops the assumptions used in the fair value measurements. Therefore, the fair value measurements of flight equipment are classified as Level 3 valuations.

**Financial instruments not measured at fair values**

The CA Group's financial instruments are measured at amortized cost, other than those noted above. The following financial instruments are not measured at fair value on the CA Group's Consolidated Balance Sheets at June 30, 2024 and December 31, 2023, but require disclosure of their fair values: cash and cash equivalents. The estimated fair value of such instruments at June 30, 2024 and December 31, 2023, approximates the carrying value as reported on the Consolidated Balance Sheets on Page 2. The fair value of all these instruments would be categorized as Level 1 in the fair value hierarchy.

**Castlelake Aviation Limited and Subsidiaries**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
**June 30, 2024**

**19 Subsequent events**

The CA Group has evaluated the effects of events that have occurred subsequent to June 30, 2024 and through August 22, 2024, the date the financial statements were available to be issued.

In August, 2024, the CA Group disposed of 3 aircraft subject to operating leases for a gain.