Castlelake Aviation Limited

Quarterly Financial Report

for the

Period Ended

September 30, 2023

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;*
- *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 and loans;*
- *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;*
- *changes in banks' inter-bank lending rate reporting practices or the method pursuant to which SOFR is determined;*
- *our ability to attract and retain key personnel through Castlelake L.P.;*
- *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.;*
- *cybersecurity incidents involving us or our customers; 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.

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 annual report for the year ended December 31, 2022. 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. ("Castlelake"). 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 September, 30, 2023, our portfolio consisted of 118 assets, including 100 aircraft on operating lease, 4 aircraft and 2 engines on finance lease, 4 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 3rd quarter 2023, we:

- completed the sale and leaseback of 2 A320 NEO aircraft with an Asian airline. The aircraft were acquired for total consideration of $108.0 million;
- completed the purchase of 1 A319, 3 A320 and 4 B787-8 aircraft on-lease with a South American airline. The aircraft assets were acquired for total consideration of $223.4 million;
- completed the sale and leaseback of 1 A321 NEO aircraft with a Middle Eastern airline placed on finance lease, which is classified as a loan, for total consideration of $54.0 million. Pre-delivery payment ("PDP") financing of $26.9 million had previously been provided for this aircraft;
- completed the sale and leaseback of 1 A330 NEO aircraft with a European airline. The aircraft was acquired for total consideration of $87.0 million;
- provided advances of $6.1 million under a secured loan agreement with a Middle Eastern based airline;
- entered into a binding sale and leaseback agreement for the acquisition of 3 new technology aircraft expected to be delivered in 2023 with a total capital commitment of $156.0 million; and
- closed on an Ijaara financing facility, Term Loan 8, with a drawdown of $90.6 million. See financing arrangements for further details.

See "Our Portfolio" below for additional information.

Recent Developments

- In October 2023, we acquired 3 narrowbody aircraft that were subject to previously executed binding purchase agreements. 2 of the acquired aircraft are subject to finance leases classified as loans on our financial statements with an Asian based airline. 1 of the acquired aircraft is subject to finance lease classified as loan on our financial statements with an EMEA based airline, and pre-delivery payment ("PDP") financing had previously been provided for this aircraft.
- In November 2023 we entered into a binding sale agreement for the sale of 3 aircraft on-lease to an American based lessee.

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 September 30, 2023, our Aircraft had a weighted average age of 5.0 years and weighted average remaining lease term of 8.7 years[1]. We have 21 separate airline customers worldwide, including Delta Air Lines, Indigo, Condor, Scoot, Qatar, and AirAsia Berhad.

As of September 30, 2023, our Portfolio consisted of the following Aircraft:

Manufacturer	**Aircraft Type**	**September 30 2023[2]**	**September 30 2022**
Narrowbody:			
Airbus	A220 Family	8	8
Airbus	A320/321 CEO	26	22
Airbus	A320/321 NEO	19	7
Boeing	B737-NG Family	6	8
Boeing	B737 MAX Family	15	7
Bombardier	CRJ-900	7	7
Embraer	E-190	2	2
Widebody:			
Airbus	A330-200/300 CEO	7	7
Airbus	A330-200F	6	6
Airbus	A330-NEO	3	1
Airbus	A350 Family	1	1
Boeing	B787 Family	8	-
Engines:			
CFM	CFM LEAP-1A26	2	2
Grand Total:		110	78

As of September 30, 2023, we had entered into agreements for the acquisition of an additional 21 aircraft, primarily through sale and leaseback transactions (operating lease), none of which were delivered to the customer subsequent to September 30, 2023. We also entered into agreements for the sale and leaseback (finance lease) of 14 next generation aircraft as of such date and to provide pre-delivery payment ("PDP") financing for 6 such aircraft. 3 of these aircraft have delivered subsequent to September 30, 2023.

Transactions noted above are expected to close between 2023 and 2028. For further detail on capital support see below under "Capital Expenditure".

Inflation

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.

In 2022 and throughout 2023, inflationary pressures increased our costs for interest rates and professional fees necessary to operate our business.

[1] 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.

[2] 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.

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.. 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 recover from the lows of the COVID-19 pandemic. The International Air Transport Association ("IATA") reported that total passenger traffic was up 28.4% during the month of August 2023 compared to August 2022 as a result of an increase in international travel accompanied by continued acceleration of demand for domestic travel, particularly in China. IATA reported that many international routes and domestic markets are now either near or exceeding 2019 traffic levels (only 3% under 2019 levels on a global basis). Additionally, IATA has previously reported that it expects global passenger departures to return to 2019 levels by 2024, and for the airline industry to return to profitability in 2023. Globally, traffic is now at 95.7% of pre-COVID-19 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. Additionally, both Boeing and Airbus have had ongoing delivery delays that have been further impacted by engine manufacturer delays due to shorter on-wing engine life of most new technology engines. 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 rising interest rates and inflation, should see increases to lease rates. While 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, which may be affected in the event that aircraft formerly on lease to Russian airlines are repatriated;
- 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 their 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 year to date ended September 30, 2023, as compared to the year to date ended September 30, 2022, and results of operations for the period July 1, 2023, to September 30, 2023, as compared to the period July 1, 2022, to September 30, 2022.

	Sep-30-23 YTD US$'000	Sep-30-22 YTD US$'000	Movement YOY US$'000	Sep-30-23 QTD US$'000	Sep-30-22 QTD US$'000	Movement QTD US$'000
Revenues:						
Rental income from operating and finance leases	255,609	183,237	72,372	97,780	61,643	36,137
Interest and other income	47,920	17,985	29,935	15,925	8,505	7,420
Gain on transfer to investment in finance lease	-	4,792	(4,792)	-	-	-
Total revenues	303,529	206,014	97,515	113,705	70,148	43,557
Expenses:						
Interest expense	137,164	78,967	58,197	51,991	29,435	22,556
Depreciation	106,358	78,911	27,447	39,464	26,297	13,167
Maintenance and other costs	5,693	5,655	38	2,407	1,317	1,090
Selling, general and administrative expenses	26,582	16,022	10,560	10,345	5,569	4,776
Total expenses	275,797	179,555	96,242	104,207	62,618	41,589
Net income before tax expenses	27,732	26,459	1,273	9,498	7,530	1,968
Income tax (expense)/benefit	(1,901)	(7,816)	5,915	159	(2,338)	2,497
Net income	25,831	18,643	7,188	9,657	5,192	4,465

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 and (iv) end-of-lease compensation.

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 SOFR or another appropriate index. 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.

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 Castlelake Aviation Holdings (Ireland) Limited, and management fees payable to Castlelake 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, 2023, through September 30, 2023, and an analysis of movement for the period January 1, 2023, through September 30, 2023.

Rental Income from Operating and Finance Leases. Rental income from operating and finance leases for the period from January 1, 2023, through September 30, 2023, was $255.6 million (Period from January 1, 2022, through September 30, 2022: $183.2 million). Rental income from operating lease and finance leases primarily consists of:

- basic rent of $256.7 million related to aircraft on operating lease;
- finance lease interest income of $14.3 million related to aircraft on finance lease;
- expected credit loss expense of ($4.2) million; and
- lease intangible amortization of ($11.2) million.

The $72.4 million increase in revenue over the comparable period was driven by an increase of $70.9 million in basic rent during the period resulting from the acquisition of 31 additional aircraft on operating lease after the beginning of the 2022 period, an increase of $1.5 million relating to an expected credit loss release, a decrease of $1.8 million in lease intangible amortization and an increase of $1.8 million of finance lease income due to the acquisition of 2 aircraft and the early prepayment of 1 aircraft on finance lease.

Interest and Other Income. Interest and other income for the year from January 1, 2023, through September 30, 2023, was $47.9 million (Period from January 1, 2022, through September 30, 2022: $18.0 million). Interest and other income primarily consisted of:

- loan interest income of $14.7 million from investment in secured loans;
- interest income of $20.7 million from finance leases classified as loans;
- interest income of $10.2 million from lease deferral interest, bank interest income and expected credit

recovery;

- other income of $2.3 million related to amortization of upfront fees and unutilized commitment fee income;

Interest and other income for the period primarily consisted of interest income earned on the 12 loans assets including 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. The $29.9 million increase relates to additional loans and advances provided to airline customers during the period and additional interest income from finance leases classified as loans.

Gain on Transfer to Investment in Finance Lease. Gain on transfer to investment in finance lease for the period from January 1, 2023, through September 30, 2023, was $nil (period from January 1, 2022, through September 30, 2022: $4.8 million).

Income Tax. Income tax charge for the period January 1, 2023, through September 30, 2023, was $1.9 million (Period from January 1, 2022, through September 30, 2022: $7.8 million). The $5.9 million decrease predominantly relates to movements in deferred tax during the period.

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 period from January 1, 2023, through September 30, 2023, was $137.2 million (Period from January 1, 2022, through September 30, 2022: $79.0 million). Interest expense primarily consists of:

- loan interest expense of $162.8 million related to interest on external debt facilities;
- amortization of debt issuance costs of $10.1 million; and
- derivative income of ($35.7) million.

The period over period increase of $58.2 million in interest expense was primarily due to the period over period increase in principal debt balance of $1.3 billion. We expect interest rates to continue to be higher than our historic rates as a result of the current interest rate environment, but plan to manage the increase through our hedging policy. These increases were offset by a $40.9 million increase in our derivative income period over period. As of September 30, 2023, we had $3.6 billion in principal amount of indebtedness outstanding and had average outstanding indebtedness for the period from January 1, 2023, through September 30, 2023, of $3.0 billion. For additional information on our debt facilities, see “—Liquidity and Capital Resources—Financing Arrangements.” As of September 30, 2023, the notional amount of the effective derivatives was $2.6 billion.

Depreciation Expense. Depreciation expense for the period from January 1, 2023, through September 30, 2023, was $106.4 million (Period from January 1, 2022, through September 30, 2022: $78.9 million), consisting of the depreciation expense related to our Aircraft. The increase relates to additional depreciation charges on the acquisition of 31 aircraft under operating lease acquired subsequent to September 2022.

Maintenance and Other Expenses. Maintenance and other expenses for the period from January 1, 2023, through September 30, 2023, was $5.7 million (period from January 1, 2022, through September 30, 2022: $5.7 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, 2023, through September 30, 2023, were $26.6 million (for the period from January 1, 2022, through September 30, 2022: $16.0 million), primarily consisting of servicer fees payable to Castlelake Aviation Holdings (Ireland) Limited of $15.4 million, audit and accounting fees of $1.4 million, legal and professional fees of $4.1 million, management fees of $0.7 million and other expenses of $5.0 million. The period over period increase mainly relates to an increase in legal and professional fees, and servicing fees payable to Castlelake Aviation Holdings (Ireland) Limited, and management fees payable to Castlelake Aviation Services Limited, due to a significant increase in portfolio size, pipeline activity and increased revenue compared to the 2022 period.

Liquidity and Capital Resources

Overview

Our primary sources of liquidity include available cash and cash equivalents balances, cash flows from operations, including through aircraft sales and trading activity, and amounts available under our Revolving Credit Facility, Term Loan 2 Facility and Term Loan 8 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 Castlelake 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 September 30, 2023, we had total principal indebtedness of $3.6 billion (as at September 30, 2022: $2.3 billion), consisting of $3.2 billion (as at September 30, 2022: $1.8 billion) of aggregate principal amount of secured indebtedness and $0.4 billion (as at September 30, 2022: $0.4 billion) of aggregate principal amount of unsecured indebtedness.

As of September 30, 2023, receivables due from customers amounted to $9.9 million (as at September 30, 2022: $33.9 million) and consisted of trade receivables and deferred receivables. As of September 30, 2023, we had gross trade receivables of $0.0 million of which an allowance for bad debt of nil has been provided for. As of June 30, 2023, we had gross deferral amounts of $60.7 million of which an expected credit loss of $50.9 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 period 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 September 30, 2023, we had $192.9 million (as at September 30, 2022: $171.3 million) of cash and cash equivalents, restricted cash of $1.2 million (as at September 30, 2022: $1.0 million), $581.6 million of unused capacity under our Revolving Credit Facility (as at September 30, 2022: $413.0 million) and $7.0 million of unused capacity under our Term Loan 2 Facility (as at September 30, 2022: $22.8 million) and $46.0 million of unused capacity Term Loan 8 Facility (as at September 30, 2022: $0.0 million).

Contractual Obligations

As of September 30, 2023, 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 September 30, 2023.

	2023	2024	2025	2026	2027	Thereafter	Total
				USD in thousands '000			
Unsecured Debt Facilities	-	-	-	-	420,000	-	420,000
Secured Debt Facilities	81,895	89,906	64,767	1,878,424	646,666	386,848	3,148,507
Capital Commitments	318,000	506,500	-	-	580,310	730,545	2,135,355
Total	399,895	596,406	64,767	1,878,424	1,646,977	1,117,393	5,703,862

Cash Flows from Operating Activities

For the period from January 1, 2023, through September 30, 2023, net cash provided by operating activities was $298.1 million (For the period from January 1, 2022, through September 30, 2022: $116.6 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 and deferred rental income, as noted on the statement of cash flows.

Cash Flows from Investing Activities

For the period from January 1, 2023, through September 30, 2023, net cash used in investing activities was $1,142.5 million (For the period from January 1, 2022, through September 30, 2022: $657.7 million), primarily consisting of the consideration paid for the Assets acquired during the period (see "Overview" for additional information).

Cash Flows from Financing Activities

For the period from January 1, 2023 through September 30, 2023, net cash provided by financing activities was $906.3 million (For the period from January 1, 2022 through September 30, 2022: $556.9 million), which primarily consisted of proceeds from borrowings and net of voluntary repayments.

Proceeds from borrowings include $635.0 million of proceeds from a new tranche of the existing Term Loan B (the "TLB Additional Loan"), $411.4 million under the Revolving Credit Facility, $6.9 million under the Term Loan 2 Facility, $77.0 million under the Term Loan 5 Facility, $369.0 million under the Term Loan 6 facility, $120.0 million under the Term Loan 7 facility, $90.6 million under the Term Loan 8 facility and $38.0 million under a convertible loan which was converted to equity in August.

Net voluntary repayments primarily consisted of $582.9 million of the Revolving Credit Facility, scheduled principal repayments of $13.6 million under the Term Loan B Facility, $237.2 million under the Term Loan 1 Facility, $22.2 million under the Term Loan 2 facility, $4.8 million under the Term Loan 3 facility, $5.8 million under Term Loan 4 facility, $1.7 million under the Term Loan 5 Facility, $2.8 million under the Term Loan 6 Facility, $1.5 million under the Term Loan 7 Facility and $38.0 million of proceeds from the issuance of shares to affiliates of Castlelake.

Net security deposits received were $9.3 million, net movement in maintenance reserves was ($8.6) million and debt issuance costs were ($19.8) 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, 2022, other than as noted below:

Revolving Credit Facility Amendment

On June 23, 2023, the Issuer amended the Revolving Credit Facility to, among other things, increase the accordion feature from $50.0 million to $300.0 million (which would increase total commitments under the facility to $1.3 billion and extend the maturity date of the Revolving Credit Facility to April 19, 2026. In connection with the amendment, the Issuer also (1) reduced the commitment fee owed to the lenders under the Revolving Credit Facility in respect of unutilized commitments thereunder; (2) modified the fixed charge coverage ratio so that, for any period, it takes into account the ratio of EBITDA of the relevant persons plus capital repayments for finance leases received for such period to the fixed charges of such person for such period and is required to be at least 1.30:1.00; (3) increased the loan to value ratio so that it may be no greater than 0.725:1.00 and (4) modified the applicable advance rate for drawings so that it is no greater than 0.70 of the appraised value of the applicable aircraft and may be reduced based on the fixed charge coverage ratio; and (5) amended certain concentration limits.

Term Loan B Transaction

On February 28, 2023, we incurred $635.0 million under our TLB Additional Loan. The TLB Additional Loan is subject to all the same terms and conditions as the other borrowings under the existing Term Loan B, except that the TLB Additional Loan bears interest at a rate of Term SOFR plus a margin of 2.75% and has a maturity date of October 22, 2027. In connection with the incurrence of the TLB Additional Loan we pledged an additional 21 aircraft as collateral with an appraised value of $937.6 million.

Term Loan 5 Facility

On March 31, 2023, AS Air Lease 178 (Ireland) Limited (the “Borrower”), a direct wholly owned subsidiary of Castlelake DAC, and an indirect wholly owned subsidiary of Castlelake Aviation, entered into a secured credit facility with a certain bank, (the “Term Loan 5 Facility”). The Term Loan 5 Facility provided senior secured financing in an aggregate principal amount of approximately $77.0 million to refinance in part the acquisition of 2 A320 NEO aircraft (the “Aircraft”) by the Borrower on lease to Asian Airline borrower. Loans under the Term Loan 5 Facility bear interest at a fixed rate.

The Borrower may make voluntary prepayments in accordance with the terms of the Term Loan 5 Facility security agreement. The Borrower is required to make mandatory prepayments in accordance with the terms of the Term Loan 5 Facility security agreement in the following circumstances: (1) an event of loss occurs; (2) upon the occurrence of certain breaches of the guaranty; (3) any Aircraft is off-lease or has not then been subjected to a disposition at the end of the applicable remarketing period (4) upon the disposition of any Aircraft; (5) illegality of the Borrower or the guarantor to perform or observe any of its respective material obligations under the Term Loan 5 Facility; (6) at any time liens in favor of the Term Loan 5 Facility lenders do not constitute a valid and first-priority perfected lien on the collateral thereto; (7) failure to satisfy certain conditions subsequent specified in the Term Loan 5 Facility; (8) a cash sweep has occurred and is continuing; (8) a change of control has occurred; (9) if insurance coverage is not maintained pursuant to the terms of the Term Loan 5 Facility.

The Term Loan 5 Facility contains certain affirmative and negative covenants, including negative covenants that restrict, subject to certain exceptions, the ability of Borrower to (A) incur, assume or guarantee additional indebtedness or issue any additional securities; (B) pledge, mortgage or encumber any of its assets; (C) permit any lien, charge, security interest, mortgage or other encumbrance to be created on the collateral securing the Term Loan 5 Facility; (D) dispose, sell, transfer or assign any part of the collateral securing the Term Loan 5 Facility; (E) restrict certain transactions with affiliates; (F), make or agree to make any capital expenditure; (G) create or own any subsidiary; (H) make any investments, except certain permitted investments; (I) declare or make any dividend payment or distribution to its shareholders; (J) be a party to any merger or consolidation; and (K) make amendments, waivers or supplements to certain provisions in the underlying documents.

The Term Loan 5 Facility also contains certain customary events of default (subject to certain grace periods). All obligations of the Borrower under the Term Loan 5 Facility are guaranteed on a full recourse basis by Castlelake Aviation. The Guarantor has undertaken to comply with financial covenants matching those granted by it in the Revolving Credit Facility to which the Lender is also a party (as the same may be amended from time to time). The obligations of the Borrower under the Term Loan 5 Facility are secured by, among other things, the mortgage in respect of the Aircraft, the account charge over the Borrower's bank account and a share charge over the Borrower.

Term Loan 6 Facility

On June 16, 2023, AS Air Lease 181 (Ireland) Limited (the "Borrower"), a direct wholly owned subsidiary of Castlelake DAC, and an indirect wholly owned subsidiary of Castlelake Aviation, entered into a secured credit facility with a certain bank, as lead arranger, structuring agent and lender and other entities party thereto from time to time as lenders and a certain bank, as facility agent and security trustee (the "Term Loan 6 Facility"). The Term Loan 6 Facility provided secured financing in an aggregate principal amount of approximately $384.3 million to fund 9 new B737 MAX 8 aircraft (each an "Aircraft", collectively "the Aircraft"), currently on lease to a middle eastern lessee (the "Lessee"). All Aircraft were funded on or prior to June 30, 2023. Borrowings under the Term Loan 6 Facility bear interest at a rate per annum equal to 1 month Term SOFR (determined 2 business days before the start of each interest period and subject to a floor of zero). Additionally, default interest of 2% will accrue if any amount is not paid when due. Interest under the Term Loan 6 Facility accrues monthly, and the Term Loan 6 Facility is repayable on the earlier of (a) the scheduled maturity date which is 36 months after the applicable closing date of such loan and (b) the date the borrowings become due by acceleration, prepayment or otherwise.

The Borrower can make a voluntary prepayment by giving at least 3 business days' notice in minimum amounts of $1.0 million but otherwise is obligated to prepay outstanding loans under the following circumstances: (1) the security over the collateral ceases to remain in full force and effect for any reason other than an act or omission of the mortgagee; (2) an Aircraft suffers an event of loss; (3) the disposition of an Aircraft; (4) the Borrower ceases to be a direct or indirect wholly owned subsidiary of Castlelake Aviation; (5) an Aircraft is off-lease at the end of the applicable remarking period; (6) subject to certain cure rights, if during the continuation of a material lease Event of Default (7) if, after the termination of a lease, the Borrower does not elect to exercise its remarketing rights within 10 Business Days; (8) illegality of a Lender to perform any of its obligations under the Term Loan 6 Facility; (9) the middle eastern government ceases to own, directly or indirectly, a majority of the equity in the lessee; (10) there is a change in the state of registration of an Aircraft without the consent of the Term Loan 6 Facility agent; and (11) if on any loan to value calculation date, the loan to value ratio is greater than the required loan to value ratio (80%).

The Term Loan 6 Facility contains the following financial and maintenance covenants: (i) a loan to value ratio of no greater than 80%; (ii) the Borrower will maintain books of accounts in accordance with GAAP, separate from each other member of Castlelake Aviation and its direct and indirect subsidiaries; (iii) provide audited combined balance sheet and related statements of income and retained earnings of the guarantor within 180 days of the last day of the fiscal year; (iv) provide the balance sheet and related statements of income of Castlelake Aviation within 60 days after the end of each of the first 3 fiscal quarters of each fiscal year of Castlelake Aviation; and (v) ensure that each Lessor takes steps consistent with the standard of a reasonable operating lessor of aircraft of the same type as the Aircraft to procure the compliance by the lessee with all of the provisions of the leases that relate to the operation of the Aircraft.

The Term Loan 6 Facility contains certain affirmative and negative covenants, including negative covenants that restrict, subject to certain exceptions, the ability of the Borrower to (A) amend, supplement or waive, or directly or indirectly assign, convey or otherwise transfer any of its right, title or interest in and to the collateral or any Term Loan 6 Facility document; (B) amend, supplement or waive, any material lease document in a manner that would have a material adverse effect on the secured parties unless otherwise permitted under the Term Loan 6 Facility (C) pledge, mortgage or encumber any of its assets; (D) permit any lien, charge, security interest, mortgage or other encumbrance to be created on the collateral securing the Term Loan 6 Facility (E) breach its separateness covenants; (F) commence any proceedings seeking liquidation, reorganization, examinership, winding up or other relief; (G) consent to any change in the state of registration of the Aircraft without the prior written consent of the security trustee; and (H) permit or effect any transfer of sale of the shares or other membership interests of the Borrower without the prior written consent of the lenders.

The Term Loan 6 Facility also contains certain customary events of default (including breach of financial covenants event of default and a change in control event of default in respect of the Borrower, Castlelake DAC and

Castlelake Aviation (subject to certain grace periods)).

All obligations of the Borrower under the Term Loan 6 Facility are guaranteed on a full recourse basis by Castlelake Aviation. The obligations of the Borrower under the Term Loan 6 Facility are secured by, among other things, a share charge over the Borrower, beneficial interest security assignment over each lessor and customary New York law security filings.

Term Loan 7 Facility

On 27 June 2023, AS Air Lease 179 (Ireland) Limited (the "Borrower"), a direct wholly owned subsidiary of Castlelake DAC, and an indirect wholly owned subsidiary of Castlelake Aviation, entered into a secured credit facility with certain banks, financial institutions and other entities party thereto from time to time as lenders and a certain bank, as facility agent and as security trustee (the "Term Loan 7 Facility"). The Term Loan 7 Facility provided senior secured financing in an aggregate principal amount of approximately $120.0 million to finance in part the acquisition of 3 A320 NEO (the "Aircraft") by the Borrower on lease to an Asian Lessee.

The Borrower can make a voluntary prepayment in accordance with the terms of the Term 7 Facility. The Borrower is required to make mandatory prepayments in the following circumstances: (1) a total loss of an Aircraft occurs; (2) upon the occurrence of a breach of the financial covenants applicable to the guarantor; (3) if any Aircraft is off-lease or has not then been subjected to a sale at the end of the applicable remarketing period, the loans in respect of such Aircraft shall become immediately due and payable; (4) upon the permitted sale of any Aircraft, the loans in respect of such Aircraft shall become immediately due and payable; (5) illegality of the Borrower or the guarantor to perform or observe any of its respective material obligations under the Term Loan 7 Facility; (6) if a change of control has occurred; (7) if insurance coverage is not maintained on any or all Aircraft or (8) if any security document ceases to constitute valid and enforceable first priority security interest.

In circumstances where a mandatory prepayment occurs, no prepayment fee shall be payable by the Borrower except in the case of a permitted sale. In the case of a voluntary prepayment or a permitted sale, a prepayment fee of 1% of the loan shall be payable if any such event occurs prior to the second anniversary of the loan date.

The Term Loan 7 Facility contains certain affirmative and negative covenants, including negative covenants that restrict, subject to certain exceptions, the ability of Borrower to (A) incur, assume or guarantee additional indebtedness or issue any additional securities; (B) pledge, mortgage or encumber any of its assets; (C) permit any lien, charge, security interest, mortgage or other encumbrance to be created on the collateral securing the Term Loan 7 Facility; (D) dispose, sell, transfer or assign any part of the collateral securing the Term Loan 7 Facility; (E) restrict certain transactions with affiliates; (F) make or agree to make any capital expenditure; (G) create or own any subsidiary; (H) declare or make any dividend payment or distribution to its shareholders; (I) be a party to any merger or consolidation; (J) make amendments, waivers or supplements to certain provisions in the underlying Operative Documents; and (K) revise its centre of main interest or open any office or branch outside Ireland, or employ any persons. The Term Loan 7 Facility also contains certain customary events of default (subject to certain grace periods).

All obligations of the Borrower under the Term Loan 7 Facility are guaranteed on a full recourse basis by Castlelake Aviation. The Guarantor has undertaken to comply with financial covenants matching those granted by it in the Revolving Credit Facility and a compliance certificate certifying to these calculations will be provided in exactly the same format as the Revolving Credit Facility as of the date hereof (note that those applicable to the Term Loan 7 Facility will not change when there are updates to the Revolving Credit Facility). The obligations of the Borrower under the Term Loan 7 Facility are secured by, among other things, a share charge over the Borrower and customary New York law security filings.

Term Loan 8 Facility

In September 2023, AS Air Lease 126 (Ireland) Limited (the "Beneficial Owner"), a direct wholly owned subsidiary of Castlelake DAC, and an indirect wholly owned subsidiary of Castlelake Aviation, entered into a Sharia compliant financing with a bank in the Middle East (the "Bank"). The transaction was structured as an Ijara; a Sharia compliant leasing transaction pursuant to which an investment is made into an entity for the purposes of purchasing an asset and onward leasing it. The structure must comply with certain Islamic financing principles, the key tenet of which is that the payment of interest is prohibited; this is addressed by utilising a finance lease structure, known as an ijara, which includes the payment of rent made up of an amortising amount and a variable rent, linked to an interest rate benchmark.

The proceeds were used to finance 3 A321 aircraft which are on lease to a middle eastern airline. The transaction was structured such that a Cayman orphan, AS Air Lease 126 (Cayman T) Limited (the "Owner") entered into a declaration of trust with the bank, pursuant to which the bank agreed to partially fund the investment by the Owner in the Aircraft and such that a termination or prepayment under the underlying leases triggers a repayment by Owner under the declaration of trust with the bank. The underlying leases are layered, such that the Owner leased the aircraft to an entity (AS Air Lease 126 (Cayman L))("the First Lessee"), which onward leased it to another entity (Wilmington Trust SP Services (Dublin) Limited ("WTC")), which also onward leased it. The same flow of payments also works from the declaration of trust down, so an amount due at the declaration of trust level is ultimately payable by the last lessor WTC. The Owner repays the investment under the declaration of trust in amounts which equal the amount of Rent received under the Ijaras.

All Aircraft were funded between 28 September 2023 and 6 October 2023. WTC pays Rent (Fixed Component), as noted above. The First Lease pays Variable Rent, calculated at a rate per annum equal to 1 month Term SOFR (determined 2 Business Days before the start of each Rent Period and subject to a floor of zero) plus the Profit Rate (2% per annum). Additionally, a late payment amount (similar to default interest) of 2% will accrue if any amount is not paid when due (but note that in accordance with Sharia principles, such amount, if paid, may be donated to charity). Rent under the Ijaras accrues monthly, and the Ijaras are repayable on the scheduled expiry date of the middle eastern airline finance leases (2038).

The Beneficial Owner can direct WTC to make a voluntary prepayment of Fixed Rent (i.e., the amortising portion of the debt) by giving at least 10 days prior notice, which is revocable, and 2 Business Days' irrevocable notice, in minimum amounts of $5 million.

WTC will be obligated to prepay the Rent in full under the following circumstances: (1) illegality; (2) a Sub-Lease Payment Default (i.e. the middle eastern airline defaults more than 6 times in aggregate on payments) occurs and the bank instructs WTC to terminate the leasing of the Aircraft to the middle eastern airline on or before the date of compliance and WTC does not comply; (3) Change of Control at the middle eastern airline level and the bank instructs WTC to terminate the leasing of the Aircraft to the middle eastern airline and WTC does not comply; (4) any Transaction Document ceases to be legally valid, binding and enforceable other than due to acts or omissions; (5) any Security Document ceases to be valid or enforceable other than due to acts or omissions; (6) if, at the time of termination of the middle eastern airline lease, WTC does not elect to exercise its remarketing rights; (7) seizure and/or expropriation / compulsory acquisition (including at the middle eastern airline level); (8) termination of hedging; (9) termination of the leasing of the Aircraft at any level in the Ijara structure; (10) early termination (subject to a remarketing period noted above) of the middle eastern airline lease for that Aircraft. The amounts due under the Ijaras will also be repayable in full if, for any reason, the amounts due under the Declaration of Trust are accelerated for any reason.

Note that both WTC and the bank have a right to accelerate the Rent (which would obligate WTC to prepay the Rent in full) if there is a structural issue which cannot be mitigated (tax, indemnity claims and flow through claims). WTC also has a right to terminate, which would oblige it to repay the Rent in full, if a Lessor Termination Event occurs (e.g., an insolvency of the Owner).

The Ijaras contain the following maintenance covenants: (i) provide audited financial statements of the Guarantor within 180 days of the last day of the fiscal year; (ii) provide unaudited com financial statements of the Guarantor within 180 days of the last day of the financial half-year; and (iii) ensure that WTC takes steps with a standard consistent with the customary commercial practice of a prudent international aircraft operating lessor to procure the compliance by the middle eastern airline with all of the provisions of the middle eastern airline leases that relate to the operation of the Aircraft.

The Ijaras contains certain affirmative and negative covenants, including negative covenants that restrict, subject to certain exceptions, the ability of WTC, the First Lease and Owner to (A) amend, supplement or waive the Transaction Documents; (B) grant security over any assets; (C) conduct any other business; or (D) make any determination under the Transaction Documents without the consent of the Bank. The Ijaras do however permit WTC (and the Servicer, Castlelake Aviation Holdings (Ireland) Limited) the right to manage the middle eastern airline leases, including entering into amendments, waivers and supplements, provided that (I) the Standard applies; (II) the rent under the middle eastern airline leases may not be reduced below the rent due under the Ijaras, (III) such action does not prejudice the LILO, Owner, the bank and other Secured Parties and (IV) does not amend the definitions of "Change of Control" and "Indemnitee" under the middle eastern airline leases (change of control at the middle eastern airline level is a termination event under the Ijaras).

The Ijaras also contains certain customary events of default (including cross-default of the guarantor, subject to a $50.0 million threshold). All obligations of WTC under the Ijaras are guaranteed on a full recourse basis by Castlelake Aviation. The obligations of the Owner, First Lease and WTC under the Ijaras are secured by, among other things a share charge over the Owner, First Lease and Beneficial Owner, beneficial interest security assignment over the Beneficial Owner and New York law mortgages over each aircraft.

Hedging

As of September 30, 2023, and September 30, 2022, 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.

		September 30, 2023		
Swap maturities	**Notional amount[7]**	**Weighted average Fixed Pay Rate**	**Weighted Average Receive Rate [8]**	**Weighted average maturity (years)**
2026	30,923,550	4.080%	4.581%	3.1
2026	155,868,421	1.520%	4.168%	3.1
2026	155,868,421	1.587%	4.168%	3.1
2026	445,900,000	1.558%	3.986%	3.1
2026	396,900,000	1.762%	3.986%	3.1
2026	33,930,000	4.386%	4.603%	3.1
2026	236,637,045	3.978%	4.558%	3.1
2026	37,575,444	3.691%	4.586%	3.1
2026	60,129,002	3.691%	4.590%	3.1
2026	68,386,900	3.755%	4.588%	3.1
2026	69,200,000	3.723%	4.592%	3.1
2034	55,000,000	5.576%	5.870%	11.0
2034	71,000,000	5.566%	5.867%	11.1
2026	34,391,100	3.605%	4.592%	3.1
2027	34,905,000	4.115%	4.465%	4.1
2026	64,413,144	4.270%	4.519%	3.1
2027	51,762,009	4.176%	4.450%	4.1
2026	34,278,297	3.719%	4.710%	2.5
2026	34,278,297	3.440%	4.710%	2.5
2026	41,000,000	4.400%	4.145%	2.6
2026	41,000,000	4.370%	4.111%	2.6
2026	41,000,000	4.380%	4.111%	2.7
2026	41,000,000	4.385%	4.087%	2.7
2026	41,000,000	4.365%	4.087%	2.7
2026	41,000,000	4.370%	4.087%	2.7
2026	41,000,000	4.350%	4.611%	2.7
2026	41,000,000	4.350%	4.611%	2.7
2026	41,000,000	4.360%	4.611%	2.7
2026	58,257,500	4.644%	4.682%	2.8
2026	86,612,000	4.400%	4.414%	2.8
Total	$2,585,216,130	3.168%	4.347%	3.4

[7] Notional Amount is at hedge inception/ amendment date.
[8] Calculation based on rates from inception of hedge to maturity. Rates are reset for future forecast based on interest curves on each reporting date.

September 30, 2022				
Swap maturities	Notional amount [9]	Weighted average Fixed Pay Rate	Weighted Average Receive Rate[10]	Weighted average maturity (years)
2026	31,211,755	4.080%	3.867%	4.1
2026	158,125,000	1.779%	3.607%	4.1
2026	158,125,000	1.820%	3.607%	4.1
2026	455,000,000	1.816%	3.454%	4.1
2026	405,000,000	1.994%	3.454%	4.1
Total	$1,207,461,755	1.930%	3.649%	4.1

Capital Expenditures

As of September, 30, 2023, we had entered into agreements for the acquisition of an additional 21 aircraft, primarily through sale and leaseback transactions (operating lease), none of which were delivered to the customer subsequent to September 30, 2023. We also entered into agreements for the sale and leaseback (finance lease) of 14 aircraft and to provide PDP financing for 6 such aircraft as of such date. 3 of these aircraft have delivered subsequent to September 30, 2023.

Transactions noted above are expected to close between 2023 and 2028.

Significant Accounting Policies

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

[9] Notional Amount is at hedge inception date.
[10] Calculation based on rates from inception of hedge to maturity. Rates are reset for future forecast based on interest curves on each reporting date