



Third Quarter 2013 Earnings Call
October 31, 2013

Forward-Looking Statements / Property of Aircastle

Certain items in this presentation and other information we provide from time to time, may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 including, but not necessarily limited to, statements relating to our ability to acquire, sell, lease or finance aircraft, raise capital, pay dividends, and increase revenues, earnings, EBITDA, Adjusted EBITDA, Adjusted Net Income, Operating Cash Flow, Cash Earnings and Cash ROE and the global aviation industry and aircraft leasing sector. Words such as “anticipates,” “expects,” “intends,” “plans,” “projects,” “believes,” “may,” “will,” “would,” “could,” “should,” “seeks,” “estimates” and variations on these words and similar expressions are intended to identify such forward-looking statements. These statements are based on management’s current expectations and beliefs and are subject to a number of factors that could lead to actual results materially different from those described in the forward-looking statements; Aircastle can give no assurance that its expectations will be attained. Accordingly, you should not place undue reliance on any forward-looking statements contained in this report. Factors that could have a material adverse effect on our operations and future prospects or that could cause actual results to differ materially from Aircastle expectations include, but are not limited to, capital markets disruption or volatility which could adversely affect our continued ability to obtain additional capital to finance new investments or our working capital needs; government fiscal or tax policies, general economic and business conditions or other factors affecting demand for aircraft or aircraft values and lease rates; our continued ability to obtain favorable tax treatment in Bermuda, Ireland and other jurisdictions; our ability to pay dividends; high or volatile fuel prices, lack of access to capital, reduced load factors and/or reduced yields, operational disruptions caused by political unrest in North Africa, the Middle East or elsewhere, and other factors affecting the creditworthiness of our airline customers and their ability to continue to perform their obligations under our leases; termination payments on our interest rate hedges; and other risks detailed from time to time in Aircastle’s filings with the SEC, including as previously disclosed in Aircastle’s 2012 Annual Report on Form 10-K, and elsewhere in this report. In addition, new risks and uncertainties emerge from time to time, and it is not possible for Aircastle to predict or assess the impact of every factor that may cause its actual results to differ from those contained in any forward-looking statements. Such forward-looking statements speak only as of the date of this report. Aircastle Limited expressly disclaims any obligation to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in its expectations with regard thereto or change in events, conditions or circumstances on which any statement is based.

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Q3 2013 Highlights

- Operating and finance lease rental revenue of \$165.3⁽¹⁾ million versus \$163.1 million in Q3:12, a 1.4% increase
- Net loss of (\$74.6) million, or (\$0.95) per diluted share⁽²⁾
 - Net income of \$21.0 million, or \$0.27 per diluted share⁽²⁾, excluding Q3:13 non-cash impairment charges related to our annual fleet review
- Adjusted net loss of (\$69.1) million, or (\$0.88) per diluted share
 - Adjusted net income of \$26.5 million, or \$0.34 per diluted share, excluding Q3:13 impairment charges related to our annual fleet review
- Q3:13 fleet utilization of 100% and rental yield of 13.7%
- Invested \$980 million through Q3, and closed or secured \$690 million of additional investments which are expected to close by the end of Q1 2014
- Dividend increased 21% to \$0.20 per share; AYR's 30th consecutive quarterly dividend
- On July 12, 2013 closed sale of shares to Marubeni Corporation; gross proceeds of \$209 million
- Increased and expanded bank revolver during Q3:13 from \$150 million to \$335 million

(1) Q3:13 finance lease revenue totaled \$4.1 million versus \$3.5 million in Q3:12

(2) See Appendix for GAAP to Non-GAAP reconciliation

Q3:13 Revenue Summary

- Lease rental and finance lease revenue of \$165.3 million was higher by \$2.2 million, or 1.4%, versus Q3:12
 - Positive impact of new aircraft acquisitions net of sales of \$9.8 million, partially offset by
 - Reductions from lease extensions, transitions and terminations of \$(6.4) million, and
 - Conversion of operating leases to finance leases of \$(1.2) million
- Maintenance revenue increased by \$2.0 million, primarily due to an early lease termination for an end of life 767-300ER
- Interest and other revenue declined \$4.1 million primarily due to:
 - \$1.3 million of interest earned in Q3:12 from a debt investment repaid in the first quarter of 2013, and
 - Other revenue was \$2.8 million lower due to \$3.9 million of fees earned from an early lease termination which occurred in last year's third quarter
- Q4 annualized lease rental⁽¹⁾ exit run rate of \$708 million, including \$376 million from unencumbered aircraft

Revenue Summary		
\$ millions	Q3:12	Q3:13
Lease Rental and Finance Lease Revenue	\$ 163.1	\$ 165.3
Amortization of Net Lease Discounts and Lease Incentives	(6.8)	(9.7)
Maintenance Revenue	10.9	12.9
Total Lease Rentals	167.2	168.5
Interest Income and Other Revenue	5.7	1.6
Total Revenues	\$ 172.9	\$ 170.1

(1) Rents collected under our finance leases are included in the lease rental exit run rate, and represents \$29.6 million of the total lease rental exit run rate.

Impact of Annual Fleet Review on Q3:13 Results⁽¹⁾

<i>\$ in millions except per share amounts</i>	Q3:13 Reported	Fleet Review	Q3:13 Ex- Fleet Review
Revenues			
Lease rental and finance lease revenue	\$165.3		165.3
Amortization of lease premiums, discounts and lease incentive:	(9.7)		(9.7)
Maintenance revenue	12.9		12.9
Other revenue	1.6		1.6
Total Revenues	170.1		170.1
Operating expenses			
Depreciation	70.5		70.5
Interest, net	57.8		57.8
Selling, general and administrative	12.8		12.8
Impairment of Aircraft	106.1	97.6	8.5
Maintenance and other costs	1.9		1.9
Total Expenses	249.2	97.6	151.6
Other income			
Gain on sale of flight equipment	3.1		3.1
Other	0.9		0.9
Total other income	3.9		3.9
Pre-tax income (loss) from continuing operations	(75.2)	97.6	22.4
Income tax provision (benefit)	(0.6)	(2.0)	1.4
Net income (loss)	<u>(\$74.6)</u>	<u>\$95.6</u>	<u>\$21.0</u>
Per Share	(\$0.95)	\$1.22	\$0.27

- Recorded pre-tax non-cash impairment charges related to our annual fleet review totaling \$97.6 million for seven aircraft:
 - Six 747-400 converted freighters and one 737-700
 - Represents 1.9% of September 30, 2013 fleet NBV
- Net income of \$21.0 million, or \$0.27 per diluted share, excluding Q3:13 non-cash impairment charges related to the fleet review
- During the quarter we also agreed to early terminate the lease and sell one end of life 767-300ER aircraft
 - \$8.5 million impairment offset by \$12.1 million of maintenance revenue and \$0.9 million of other early termination revenue

(1) GAAP to Non-GAAP reconciliation shown. At September 30, 2013 we had a total of 11 aircraft with a total net book value of \$208.7 million that we consider more susceptible to failing our recoverability assessment.

Q3:13 Earnings Summary

- Adjusted net income was \$26.5 million, or \$0.34 per diluted share, excluding an after-tax charge of \$95.6 million from Q3:13 impairments related to our annual fleet review
- Adjusted net loss of \$(69.1) million increased \$31.6 million versus Q3:12, including impairments
- Adjusted EBITDA was \$169.2 million, up \$3.0 million versus Q3:12
 - Lease rental and maintenance revenues increased \$4.2 million
 - Gains from the sale of aircraft increased \$3.1 million and maintenance expenses declined \$0.8 million, partially offset by
 - Lower interest income and other revenue of \$4.1 million and higher SG&A expenses of \$1.0 million

Earnings Summary		
\$ millions, except per share amounts	Q3:12	Q3:13
Net (Loss)	\$ (45.8)	\$ (74.6)
per diluted common share	\$ (0.65)	\$ (0.95)
Adjusted Net (Loss)	\$ (37.5)	\$ (69.1)
per diluted common share	\$ (0.53)	\$ (0.88)
EBITDA	\$ 85.2	\$ 62.9
Adjusted EBITDA	\$ 166.3	\$ 169.2

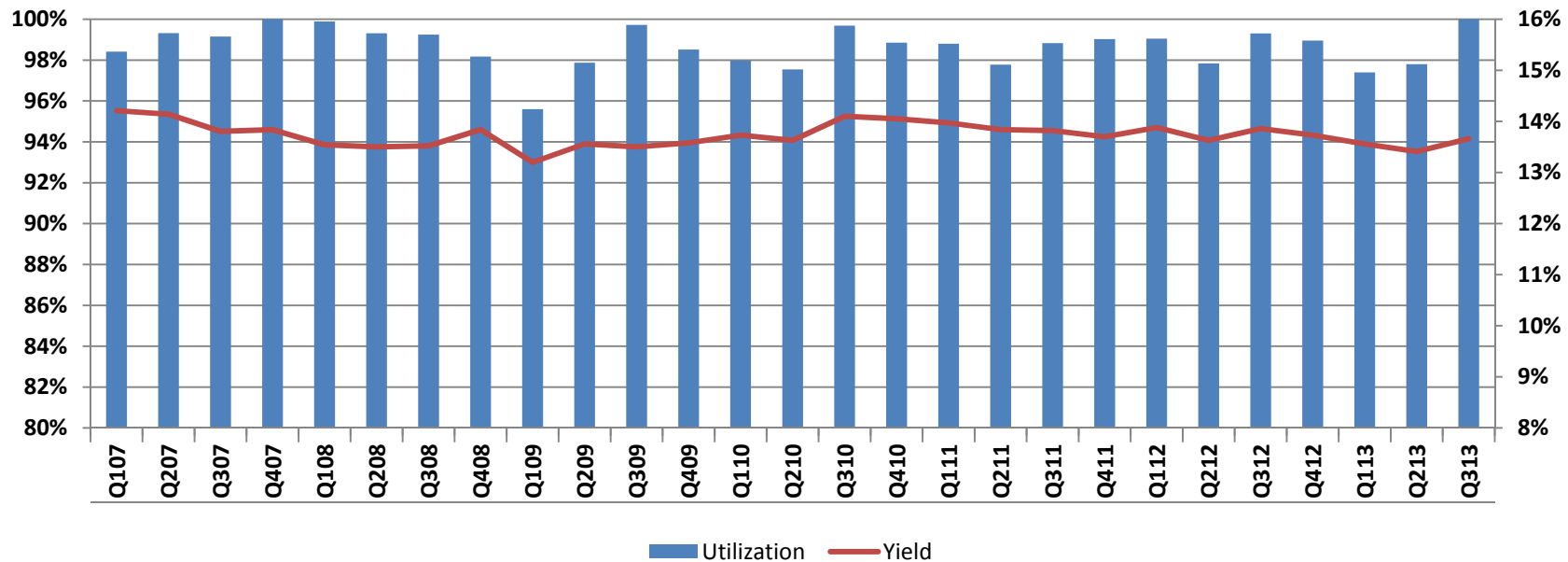
NOTE: See appendix for GAAP to Non-GAAP reconciliation

Strong Overall Portfolio Performance

Diversified Portfolio and Active Asset Management Drive Performance

- We monitor our customers carefully and actively manage the portfolio
- Portfolio utilization of 98%-99% and rental yield of 14% over past six years
- Q3 2013 utilization of 100% and rental yield of 13.7%

Historical Revenue Utilization¹ and Yield²



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

2. Calculated as lease rental revenue / average NBV of flight equipment for the period. Rental revenue does not include maintenance revenue.

Placement Progress

- For 2013, only two aircraft remaining to place or sell, representing less than 1% of total NBV
 - Remaining two aircraft are older 767-300ERs that are likely end of life sales

- No off-lease aircraft

- For 2014, 23 remaining scheduled lease expirations, representing 8.8% of total NBV
 - Ten aircraft are likely end of life sales and represent approximately 2% of NBV

	Number of Scheduled Lease Expirations	% of Total NBV
2014	23	9%
2015	21	7%
2016	25	10%
2017	32	23%
2018	19	13%

Figures as of September 30, 2013 except where otherwise noted.

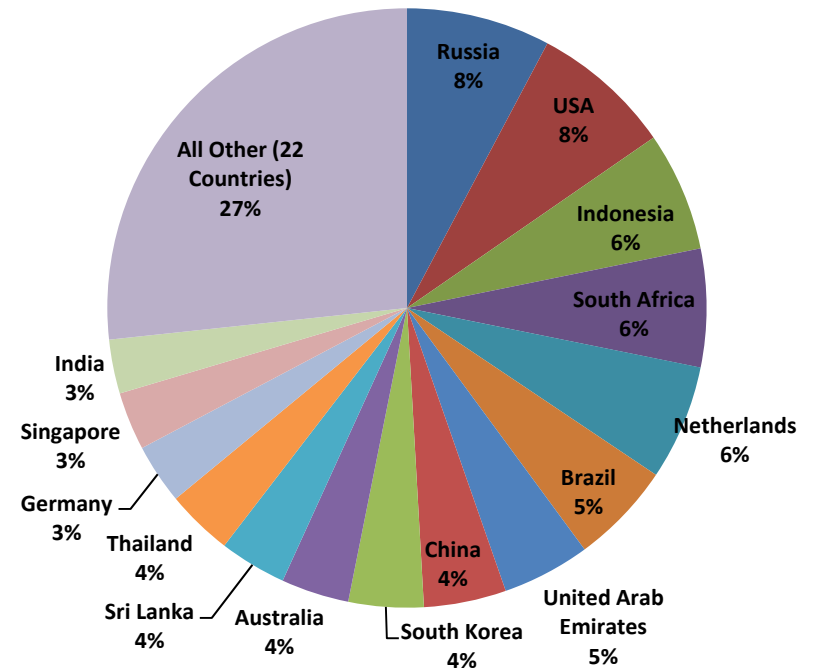
Aircraft Diversification by Customer and Geography

Broad Portfolio Diversification by Lessee and Country 68 Customers in 37 Countries

Largest Customer Exposure is less than 7% of Total NBV *

% of NBV *	Customer	Country	# Aircraft
Greater than 6% per customer	Garuda	Indonesia	5
	South African Airways	South Africa	4
3% to 6% per customer	Emirates	United Arab Emirates	2
	US Airways	USA	11
	Virgin Australia	Australia	2
	SriLankan Airlines	Sri Lanka	5
	Airbridge Cargo ¹	Russia	2
	Singapore Airlines	Singapore	2
	Thai Airways	Thailand	1
Less than 3% per customer	Martinair ²	Netherlands	4

Largest Country Exposure is 8% of Total NBV *



* Percentage of net book value. Figures as of September 30, 2013.

1. Guaranteed by Volga-Dnepr Airlines.

2. Martinair is a wholly owned subsidiary of KLM. If combined with KLM and two other affiliated customers, the four customers represent 7% of flight equipment held for lease.

New Investments Transforming the Portfolio

- Invested a total of \$2.8 billion from 2011 through Q3:13
- Acquired \$980 million in aviation assets to date during 2013
- Since 2011, 65% invested in aircraft less than five years old, mostly in wide-bodies
- Mid-aged aircraft investments continue to play an important role

\$ millions

<i>Age of Aircraft Acquired</i>	2011	2012	Closed through 10/30/2013
0 – 5 years	\$728	\$423	\$661
5 – 10 years	-	\$119	\$265
10 – 15 years	\$176	\$166	\$41
> 15 years	\$92	\$92	\$12
Total Invested	\$996	\$799⁽¹⁾	\$979⁽²⁾

<i>Type of Aircraft Acquired</i>	2011	2012	Closed through 10/30/2013
Wide / Mid-body	\$669	\$383	\$758
Narrow-body / E-Jets	\$148	\$359	\$221
Freighters	\$179	\$57	-
Total Invested	\$996	\$799⁽¹⁾	\$979⁽²⁾

¹ Excludes a \$44 million secured note.

² Excludes \$690 million of additional committed aircraft acquisitions that are expected to close in the 4th quarter of 2013 and 1st quarter of 2014.

Aircraft Sales

2011	2012	YTD 2013
<ul style="list-style-type: none"> • Thirteen aircraft sold <ul style="list-style-type: none"> – Aggregate sales price of approx. \$500 million • Wtd. avg. age: six years <ul style="list-style-type: none"> – eight narrow-bodies: 29% – five wide-bodies: 71% • Disposals primarily opportunistic; capital gains driven • Gains of \$39.1 million 	<ul style="list-style-type: none"> • Eight aircraft sold <ul style="list-style-type: none"> – Aggregate sales price of approx. \$65 million • Wtd. avg. age: 17 years <ul style="list-style-type: none"> – six narrow-bodies: 44% – two wide-bodies: 56% • Primary focus on end of life aircraft and capital efficiency • Gains of \$5.7 million 	<ul style="list-style-type: none"> • Fifteen aircraft sold <ul style="list-style-type: none"> – Aggregate sales price of approx. \$285 million – Three A330 freighters with a wtd. avg. age of three years – Twelve older aircraft with a wtd. avg. age of 18 years • YTD Gains of \$25.6 million

***Successful Track Record in Selling Both New and Used Aircraft;
Asset Sales a Key Portfolio Management Tool***

Portfolio Evolution

- Growth focus has been on newer wide-bodies
- Freighter and classic generation exposures have been shrinking

<i>Aircraft Fleet (% of NBV)</i>	<i>12/31/2009</i>	<i>12/31/2011</i>	<i>9/30/2013</i>
Current Generation Wide-Bodies			
A330s	17%	23%	32%
777ERs	2%	5%	9%
Current Generation Narrow-Bodies			
737 NGs	18%	17%	17%
A320 CEOs	17%	14%	13%
Freighters			
747-400s	27%	22%	18%
A330s and Others	3%	9%	2%
Classic Generation Aircraft			
737s and A320s	4%	2%	1%
757s and 767s	12%	8%	5%
Regional Jets	0%	0%	3%

Positive Portfolio Trends

	Owned Aircraft as of Dec. 31, 2010 ¹	Owned Aircraft as of Dec. 31, 2011 ¹	Owned Aircraft as of Dec. 31, 2012 ¹	Owned Aircraft as of Sept. 30, 2013 ¹
Flight Equipment Held for Lease (\$ millions)	\$4,066	\$4,388	\$4,783	\$5,086
Unencumbered Flight Equipment (\$ millions)	\$595	\$677	\$2,092	\$2,712
Number of Aircraft	136	144	159	161
Number of Unencumbered Aircraft	18	27	72	80
Passenger Aircraft (% of NBV)	67%	69%	71%	80%
Freighter Aircraft (% of NBV)	33%	31%	29%	20%
Weighted Avg. Fleet Age (years) ²	11.0	10.9	10.7	10.0
Weighted Avg. Lease Term (years) ³	4.7	4.9	5.0	5.2
Weighted Avg. Utilization (period-ended) ⁴	99%	99%	99%	100%
Portfolio Yield (period-ended) ⁵	13.9%	13.8%	13.8%	13.7%

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

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

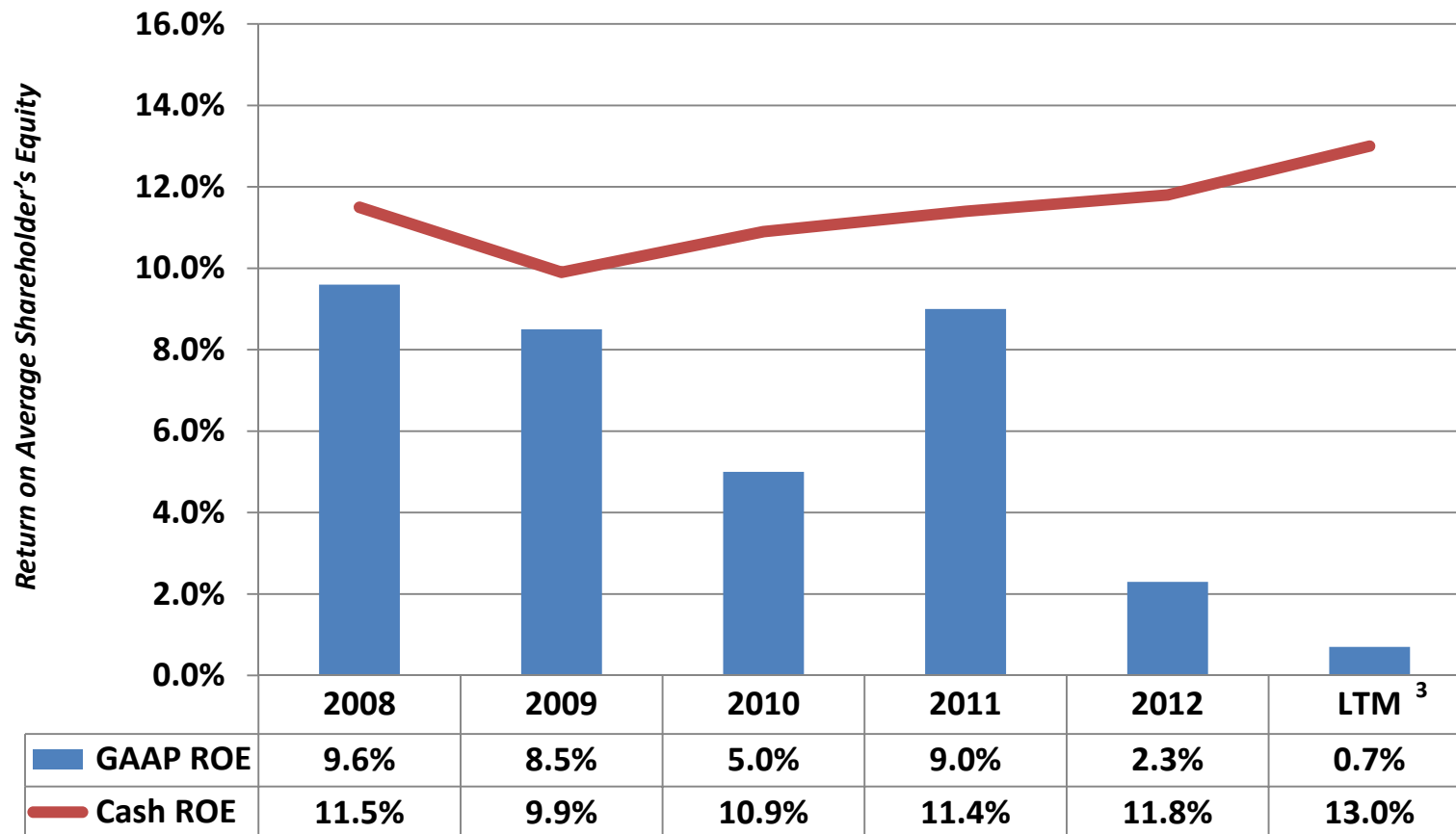
3. Weighted average remaining lease term (years) by net book value.

4. Aircraft on-lease days as a percent of total days in period weighted by net book value. 2013 results are for the three months ended 9-30-2013.

5. Lease rental revenue for the period as a percent of average net book value of flight equipment held for lease for the period. 2013 results are for the three months ended 9-30-2013.

Cash ROE¹ – Higher and More Consistent vs. GAAP ROE²

- Maintenance revenue, non-cash interest expense and other non-cash charges contribute to “GAAP” volatility
- Cash returns illustrate greater consistency and strength of underlying business



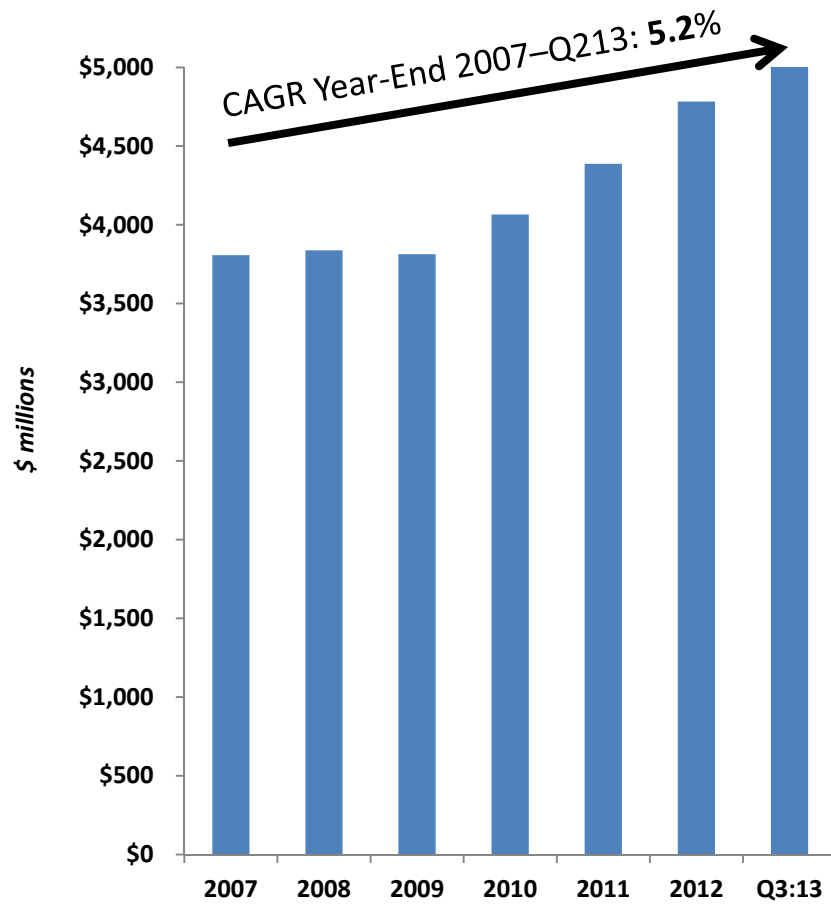
1. Cash ROE = Cash Flow From Operations plus collections on finance leases plus gain (loss) on sale of flight equipment minus depreciation, divided by average shareholder's equity.

2. Net income as reported, divided by average shareholder's equity.

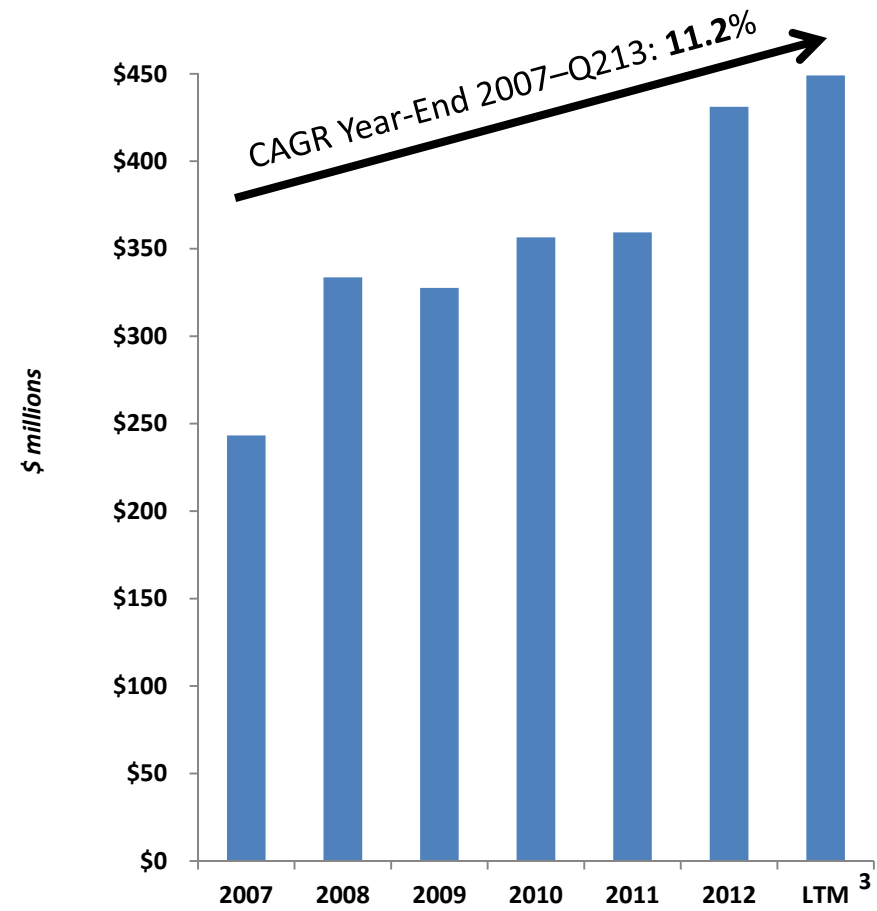
3. Last 12 months through September 30, 2013

NOTE: See appendix for GAAP to Non-GAAP reconciliation.

Operating Cash Flow¹ Outpaces Asset Growth



NBV of Flight Equipment²



Operating Cash Flow¹

1. Cash flow from operations plus collections on finance leases.
2. Total period end Net Book Value of flight equipment plus finance leases and assets held for sale.
3. Last twelve months through September 30, 2013

NOTE: See appendix for GAAP to Non-GAAP reconciliation.

Capital Structure and Liquidity Summary: September 30, 2013

- Unrestricted cash of \$238 million; \$335 million undrawn revolving credit facility
- Total unencumbered assets of \$3.0 billion
- Secured debt to total debt ratio is 47% versus 51% at year-end 2012; no remaining LTV tests
- Q3:13 net debt to equity ratio of 1.9x; net debt to total capitalization ratio of 63%; no maturities until 2017

Aircastle's Capital Structure

(\$ in millions)	As of Dec. 31, 2012		As of Sept. 30, 2013	
Unrestricted cash and cash equivalents	\$	618	\$	238
Debt	<u>O / S</u>	<u>Rate¹</u>	<u>O / S</u>	<u>Rate¹</u>
Securitization No. 1	310	5.78%	239	5.78%
Securitization No. 2	773	1.58%	653	1.58%
ECA Term Financings	653	3.22%	504	3.57%
Bank Financings	113	4.31%	184	3.42%
Total Secured Debt	1,848	3.03%	1,581	3.06%
Senior Notes due 2018	451	9.75%	451	9.75%
Senior Notes due 2017	500	6.75%	500	6.75%
Senior Notes due 2019	500	6.25%	500	6.25%
Senior Notes due 2020	300	7.63%	300	7.63%
Total Unsecured Debt	1,751	7.53%	1,751	7.53%
Total Debt and Weighted Avg. Rate	3,599	5.22%	3,332	5.41%
Shareholders' equity	1,416		1,600	
Total capitalization	\$ 5,014		\$ 4,932	
Net debt to equity	2.1 x		1.9 x	
Secured debt to total debt	51%		47%	
Net debt to total capitalization	59%		63%	

(1) Reflects fixed swap rate in effect plus the margin except for the ECA Term Financings, Bank Financings and the Senior Notes due 2017, 2018 and 2020, which are fixed rate financings.

Q4:13 Selected Financial Guidance Elements

Guidance Item	Q4:13 Guidance
Lease rental revenue	\$168 - \$170 million
Finance lease revenue	~\$4 million
Maintenance revenue	\$4 - \$5 million
Amortization of lease premiums, discounts and incentives	\$9 - \$11 million
SG&A	\$12 - \$13 million
Depreciation	\$72 - \$74 million
Interest, net ¹	\$58 - \$59 million
Tax rate	9% - 10%
WA Diluted Shares	80.2 million

(1) Includes \$4.8 million of hedge loss amortization related to Term Financing No. 1 and Securitization No. 1

Appendix

Supplemental Financial Information

(In thousands, except per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2013	2012	2013
	Revenues	\$ 172,866	\$ 170,090	\$ 509,962
EBITDA	\$ 85,206	\$ 62,894	\$ 382,674	\$ 409,705
Adjusted EBITDA	\$ 166,258	\$ 169,242	\$ 475,343	\$ 521,244
Adjusted net income (loss)	\$ (37,491)	\$ (69,091)	\$ 20,637	\$ 4,361
Adjusted net income (loss) allocable to common shares	\$ (37,491)	\$ (69,091)	\$ 20,466	\$ 4,327
Per common share - Basic	\$ (0.53)	\$ (0.88)	\$ 0.29	\$ 0.06
Per common share - Diluted	\$ (0.53)	\$ (0.88)	\$ 0.29	\$ 0.06
Basic common shares outstanding	70,349	78,544	71,249	71,462
Diluted common shares outstanding	70,349	78,544	71,249	71,462

Reconciliation of GAAP to Non-GAAP Measures – EBITDA and Adjusted EBITDA

(\$ in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2013	2012	2013
Net income (loss)	\$ (45,847)	\$ (74,558)	\$ 3,079	\$ (18,640)
Depreciation	68,413	70,469	200,024	212,448
Amortization of net lease discounts and lease incentives	6,838	9,737	6,392	25,527
Interest, net	54,101	57,843	167,203	183,651
Income tax provision	1,701	(597)	5,976	6,719
EBITDA	\$ 85,206	\$ 62,894	\$ 382,674	\$ 409,705
Adjustments:				
Impairment of Aircraft	78,676	106,136	88,787	112,335
Non-cash share based payment expense	1,128	1,067	3,233	2,931
Loss (gain) on mark to market of interest rate derivative contracts	-	(855)	(599)	(3,727)
Contract termination expense	1,248	-	1,248	-
Adjusted EBITDA	\$ 166,258	\$ 169,242	\$ 475,343	\$ 521,244

We define EBITDA as income from continuing operations before income taxes, interest expense, and depreciation and amortization. We use EBITDA to assess our consolidated financial and operating performance, and we believe this non-GAAP measure is helpful in identifying trends in our performance. Using EBITDA assists us in comparing our operating performance on a consistent basis by removing the impact of our capital structure (primarily interest charges on our outstanding debt) and asset base (primarily depreciation and amortization) from our operating results. We define Adjusted EBITDA as EBITDA (as defined above) further adjusted to give effect to adjustments required in calculating covenant ratios and compliance as that term is defined in the indenture governing our senior unsecured notes. Adjusted EBITDA is a material component of these covenants.

Reconciliation of GAAP to Non-GAAP Measures – Adjusted Net Income (Loss)

	Three Mos. Ended Sept. 30,		Nine Mos. Ended Sept. 30,	
	2012	2013	2012	2013
	(Dollars in thousands)			
Net income (loss)	\$ (45,847)	\$ (74,558)	\$ 3,079	\$ (18,640)
Loan termination fee ⁽¹⁾	-	-	-	2,954
Ineffective portion and termination of hedges ⁽¹⁾	1,474	91	1,840	2,222
Gain on mark to market of interest rate derivative contracts ⁽²⁾	-	(855)	(599)	(3,727)
Write-off of deferred financing fees ⁽¹⁾	-	150	2,914	3,975
Stock compensation expense ⁽³⁾	1,128	1,067	3,233	2,931
Term Financing No. 1 hedge loss amortization charges ⁽¹⁾	4,506	4,591	8,922	13,478
Securitization No. 1 hedge loss amortization charges ⁽¹⁾	-	423	-	1,168
Contract Termination Expense	1,248	-	1,248	-
Adjusted net income (loss)	<u>\$ (37,491)</u>	<u>\$ (69,091)</u>	<u>\$ 20,637</u>	<u>\$ 4,361</u>

1. Included in Interest, net.

2. Included in Other income (expense).

3. Included in Selling, general and administrative expenses.

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

Management believes that ANI, when viewed in conjunction with the Company's results under US GAAP and the below reconciliation, provides useful information about operating and period-over-period performance, and provides additional information that is useful for evaluating the underlying operating performance of our business without regard to periodic reporting elements related to interest rate derivative accounting and gains or losses related to flight equipment and debt investments.

Reconciliation of GAAP to Non-GAAP Measures – Impairment Charges

The impact of the Q3:13 non-cash impairment charge related to our annual fleet review was \$1.22 per diluted common share

	Three Months Ended September 30, 2013	
	\$ in thousands	Per Share
Net income, excluding non-cash impairment charges	\$ 21,040	\$ 0.27
Asset impairment charges related to annual fleet review , after tax	(95,598)	(1.22)
Net income (loss), as reported	<u>\$ (74,558)</u>	<u>\$ (0.95)</u>

	Three Months Ended September 30, 2013	
	\$ in thousands	Per Share
Adjusted net income, excluding non-cash impairment charges	\$ 26,507	\$ 0.34
Asset impairment charges related to annual fleet review, after-tax	(95,598)	(1.22)
Adjusted net income (loss), including impairment charges	<u>\$ (69,091)</u>	<u>\$ (0.88)</u>

Reconciliation of GAAP to Non-GAAP Measures – Operating Cash Flow

(\$ thousands)	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>LTM</u>
Net cash provided by operating activities	\$ 333,626	\$ 327,641	\$ 356,530	\$ 359,377	\$ 427,277	\$440,634
Collections on Finance Leases	-	-	-	-	3,852	8,469
Operating Cash Flow	<u>\$ 333,626</u>	<u>\$ 327,641</u>	<u>\$ 356,530</u>	<u>\$ 359,377</u>	<u>\$ 431,129</u>	<u>\$ 449,103</u>

Management believes that Operating Cash Flow when viewed in conjunction with the Company's results under US GAAP and the above reconciliation, provide useful information about operating and period-over-period performance, and provide additional information that is useful for evaluating the underlying operating performance of our business without regard to periodic reporting elements related to non-cash revenue and expense items and interest rate derivative accounting.

Reconciliation of GAAP to Non-GAAP Measures – Cash Earnings and Cash ROE

\$ in thousands	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>LTM</u>
Net cash provided by operating activities	\$ 333,626	\$ 327,641	\$ 356,530	\$ 359,377	\$ 427,277	\$ 440,634
Collections on Finance Leases	-	-	-	-	3,852	8,469
Gain on Sale of Flight Equipment	6,525	1,162	7,084	39,092	5,747	28,286
Less: Depreciation	(201,759)	(209,481)	(220,476)	(242,103)	(269,920)	(282,344)
Cash Earnings	<u>\$ 138,392</u>	<u>\$ 119,322</u>	<u>\$ 143,138</u>	<u>\$ 156,366</u>	<u>\$ 166,956</u>	<u>\$ 195,045</u>
Average Shareholder's Equity	\$ 1,203,372	\$ 1,201,702	\$ 1,316,978	\$ 1,373,663	\$ 1,410,117	\$1,497,130
Cash Earnings / Average Shareholder's Equity	11.5%	9.9%	10.9%	11.4%	11.8%	13.0%

Note: Average Shareholder's Equity is the sum of the current and prior year shareholder's equity divided by two. Management believes that the cash return on equity metric (Cash ROE) when viewed in conjunction with the Company's results under US GAAP and the above reconciliation, provide useful information about operating and period-over-period performance, and provide additional information that is useful for evaluating the underlying operating performance of our business without regard to periodic reporting elements related to non-cash revenue and expense items and interest rate derivative accounting.

Supplemental Financial Information

	Three Months Ended September 30, 2013		Nine Months Ended September 30, 2013	
	Shares	Percent ²	Shares	Percent ²
<u>Weighted-average shares:</u>				
Common shares outstanding – Basic	78,544	99.15%	71,462	99.22%
Unvested restricted common shares	669	0.85%	563	0.78%
Total weighted-average shares outstanding	<u>79,214</u>	<u>100.00%</u>	<u>72,025</u>	<u>100.00%</u>
Common shares outstanding – Basic	78,544	100.00%	71,462	100.00%
Effect of dilutive shares ¹	---	---	---	---
Common shares outstanding – Diluted	<u>78,544</u>	<u>100.00%</u>	<u>71,462</u>	<u>100.00%</u>
<u>Net income (loss) allocation</u>				
Net income (loss)	\$ (74,558)	100.00%	\$ (18,640)	100.00%
Distributed and undistributed earnings allocated to unvested restricted shares	---	---	---	---
Earnings (loss) available to common shares	<u>\$ (74,558)</u>	<u>100.00%</u>	<u>\$ (18,640)</u>	<u>100.00%</u>
<u>Adjusted net income (loss) allocation</u>				
Adjusted net income (loss)	\$ (69,091)	100.00%	\$ 4,361	100.00%
Amounts allocated to unvested restricted shares	---	---	(34)	(0.78%)
Amounts allocated to common shares	<u>\$ (69,091)</u>	<u>100.00%</u>	<u>\$ (4,327)</u>	<u>99.26%</u>

Under the two-class method, earnings per common share are computed by dividing the sum of distributed earnings allocated to common shareholders and undistributed earnings allocated to common shareholders by the weighted average number of common shares outstanding for the period. In applying the two-class method, distributed and undistributed earnings are allocated to both common shares and restricted common shares based on the total weighted average shares outstanding during the period. Because the holders of the participating restricted common shares were not contractually required to share in the Company's losses, in applying the two-class method to compute basic and diluted net loss per common share, no allocation to restricted common shares was made for the three months ended September 30, 2012 and 2013 and the nine months ended September 30, 2013.

Under the two-class method, adjusted net income (loss) per common share are computed by dividing the sum of distributed adjusted net income (loss) allocated to common shareholders and undistributed adjusted net income (loss) allocated to common shareholders by the weighted average number of common shares outstanding for the period. In applying the two-class method, distributed and undistributed adjusted net income (loss) are allocated to both common shares and restricted common shares based on the total weighted average shares outstanding during the period. Because the holders of the participating restricted common shares were not contractually required to share in the Company's losses, in applying the two-class method to compute basic and diluted adjusted net loss per common share, no allocation to restricted common shares was made for the three months ended September 30, 2012 and 2013.

1. The Company had no dilutive common share equivalents for the period presented.
2. Percentages rounded to two decimal places.

Supplemental Financial Information

	Three Months Ended September 30, 2012		Nine Months Ended September 30, 2012	
	Shares	Percent ²	Shares	Percent ²
Weighted-average shares:				
Common shares outstanding – Basic	70,349	99.19%	71,249	99.17%
Unvested restricted common shares	571	0.81%	597	0.83%
Total weighted-average shares outstanding	<u>70,921</u>	<u>100.00%</u>	<u>71,846</u>	<u>100.00%</u>
Common shares outstanding – Basic	70,349	100.00%	71,249	100.00%
Effect of dilutive shares ¹	---	---	---	---
Common shares outstanding – Diluted	<u>70,349</u>	<u>100.00%</u>	<u>71,249</u>	<u>100.00%</u>
Net income (loss) allocation				
Net income (loss)	\$ (45,847)	100.00%	\$ 3,079	100.00%
Distributed and undistributed earnings allocated to unvested restricted shares	---	---	(25)	(0.83%)
Earnings (loss) available to common shares	<u>\$ (45,847)</u>	<u>100.00%</u>	<u>\$ 3,054</u>	<u>99.17%</u>
Adjusted net income (loss) allocation				
Adjusted net income (loss)	\$ (37,491)	100.00%	\$ 20,637	100.00%
Amounts allocated to unvested restricted shares	---	---	(171)	(0.83%)
Amounts allocated to common shares	<u>\$ (37,491)</u>	<u>100.00%</u>	<u>\$ 20,466</u>	<u>99.17%</u>

Under the two-class method, earnings per common share are computed by dividing the sum of distributed earnings allocated to common shareholders and undistributed earnings allocated to common shareholders by the weighted average number of common shares outstanding for the period. In applying the two-class method, distributed and undistributed earnings are allocated to both common shares and restricted common shares based on the total weighted average shares outstanding during the period. Because the holders of the participating restricted common shares were not contractually required to share in the Company's losses, in applying the two-class method to compute basic and diluted net loss per common share, no allocation to restricted common shares was made for the three months ended September 30, 2012 and 2013 and the nine months ended September 30, 2013.

Under the two-class method, adjusted net income (loss) per common share are computed by dividing the sum of distributed adjusted net income (loss) allocated to common shareholders and undistributed adjusted net income (loss) allocated to common shareholders by the weighted average number of common shares outstanding for the period. In applying the two-class method, distributed and undistributed adjusted net income (loss) are allocated to both common shares and restricted common shares based on the total weighted average shares outstanding during the period. Because the holders of the participating restricted common shares were not contractually required to share in the Company's losses, in applying the two-class method to compute basic and diluted adjusted net loss per common share, no allocation to restricted common shares was made for the three months ended September 30, 2012 and 2013.

1. The Company had no dilutive common share equivalents for the period presented.
2. Percentages rounded to two decimal places.

Limitations of EBITDA, Adjusted EBITDA, Cash ROE and Operating Cash Flow

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

EBITDA, Adjusted EBITDA, Cash Earnings, Cash ROE and Operating Cash Flow have limitations as analytical tools and should not be viewed in isolation or as substitutes for US GAAP measures of earnings. Material limitations in making the adjustments to our earnings to calculate EBITDA, Adjusted EBITDA, Cash ROE and Operating Cash Flow, and using these non-US GAAP measures as compared to US GAAP net income, income from continuing operations and cash flows provided by or used in operations, include:

- depreciation and amortization, though not directly affecting our current cash position, represent the wear and tear and/or reduction in value of our aircraft, which affects the aircraft's availability for use and may be indicative of future needs for capital expenditures;
- the cash portion of income tax (benefit) provision generally represents charges (gains), which may significantly affect our financial results;
- elements of our interest rate derivative accounting may be used to evaluate the effectiveness of our hedging policy; hedge loss amortization charges related to Term Financing No. 1 and Securitization No. 1; and
- adjustments required in calculating covenant ratios and compliance as that term is defined in the indenture governing our senior unsecured notes.

EBITDA, Adjusted EBITDA, Cash ROE and Operating Cash Flow are not alternatives to net income, income from operations or cash flows provided by or used in operations as calculated and presented in accordance with US GAAP. You should not rely on these non-US GAAP measures as a substitute for any such US GAAP financial measure. We strongly urge you to review the reconciliations to US GAAP net income, along with our consolidated financial statements included elsewhere in our Annual Report. We also strongly urge you to not rely on any single financial measure to evaluate our business. In addition, because EBITDA, Adjusted EBITDA, Cash ROE and Operating Cash Flow are not measures of financial performance under US GAAP and are susceptible to varying calculations, EBITDA, Adjusted EBITDA, Cash ROE and Operating Cash Flow as presented here, may differ from and may not be comparable to, similarly titled measures used by other companies.