



# AVOLON

## Avolon Holdings Funding Limited

\$750,000,000 6.375% Senior Notes due 2028

*Fully and unconditionally guaranteed by Avolon Holdings Limited and the other guarantors described herein. Interest payable on May 4 and November 4.*

### ISSUER

Avolon Holdings Funding Limited (“Avolon Holdings Funding” or the “Issuer”), a Cayman Islands exempted company and a direct wholly-owned subsidiary of Avolon Holdings Limited (“Avolon” or the “Parent Guarantor”), a Cayman Islands exempted company and a leading independent aircraft leasing company.

### NOTES

The Issuer is offering \$750,000,000 aggregate principal amount of its 6.375% senior notes due 2028 (the “notes”).

The Issuer will pay interest on the notes semi-annually in arrears on May 4 and November 4 of each year, starting on November 4, 2023. The notes will mature on May 4, 2028. We intend to use the net proceeds of this offering of approximately \$737.7 million, after deducting the initial purchasers discount, but before deducting expenses of this offering, for general corporate purposes, which may include the future repayment of outstanding indebtedness.

### REDEMPTION AND REPURCHASE

The Issuer will have the option to redeem some or all of the notes at any time at a redemption price equal to 100% of the principal amount of the notes, plus a “make-whole” premium and accrued and unpaid interest to the date of redemption.

If we experience a change of control repurchase event (as defined in the indenture governing the notes), the Issuer may be required to offer to purchase the notes at 101% of their aggregate principal amount, plus accrued and unpaid interest to the date of purchase.

### RANKING AND GUARANTEES

The notes and guarantees will rank senior in right of payment to all of the Issuer’s and the Guarantors’ (as defined below) existing and future indebtedness that is expressly subordinated to the notes. The notes and the guarantees will be effectively subordinated to all of the Issuer’s and the Guarantors’ existing and future secured indebtedness to the extent of the assets securing such indebtedness. In addition, the notes will be structurally subordinated to all indebtedness and other liabilities, including trade payables, of Avolon’s subsidiaries which are not guarantors of the notes (other than the Issuer). See “Description of Notes—Ranking.”

The notes will be guaranteed on a senior unsecured basis by Avolon, Park Aerospace Holdings Limited, Avolon Aerospace Leasing Limited, CIT Aerospace LLC, CIT Group Finance (Ireland) Unlimited Company, CIT Aviation Finance III Ltd. and CIT Aerospace International Unlimited Company (collectively, the “Guarantors”). See “Description of Notes—Guarantees.”

### OFFERING

We are not registering the notes under the Securities Act of 1933, as amended (the “Securities Act”), or under any state securities laws.

We are offering the notes only to persons reasonably believed to be qualified institutional buyers in accordance with Rule 144A under the Securities Act (“Rule 144A”) and to persons outside the United States in compliance with Regulation S of the Securities Act (“Regulation S”). You are hereby notified that sellers of the notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

We are not required to register the notes for resale under the Securities Act or the securities laws of any other jurisdiction and are not required to offer to exchange the notes for notes registered under the Securities Act or the securities laws of any other jurisdiction and we have no present intention to do so.

We intend to list the notes on the Irish Stock Exchange plc, trading as Euronext Dublin (“Euronext Dublin”), following completion of this offering. This offering memorandum does not constitute listing particulars for the purpose of application to the Official List of Euronext Dublin. We can provide no assurance that this application will be accepted.

Investing in the notes involves risks. See the “Risk Factors” section beginning on page 19 and the “Risk Factors” set forth in the Appendix attached to this offering memorandum.

**NOTES ISSUE PRICE: 98.955% PLUS ACCRUED INTEREST, IF ANY, FROM MAY 4, 2023.**

We expect that the notes will be ready for delivery in book-entry form through The Depository Trust Company on or about May 4, 2023.

### *Bookrunners*

J.P. Morgan	BNP PARIBAS	Deutsche Bank Securities	Fifth Third Securities	MUFG
Barclays	Credit Agricole CIB	CIC Market Solutions	DBS Bank Ltd.	ING
KeyBanc Capital Markets	Mizuho	Morgan Stanley	Natixis	NatWest Markets
Scotiabank	SOCIETE GENERALE		Truist Securities	Wells Fargo Securities

Offering Memorandum dated May 1, 2023

No dealer, salesperson or other person has been authorized to give any information or to make any representations in connection with the offer made hereby except as contained in this offering memorandum. You must not rely on unauthorized information or representations. This offering memorandum does not offer to sell or solicit an offer to buy any of these notes in any jurisdiction where, or to any person whom, it is unlawful to make such offer or solicitation. The information contained in this offering memorandum is current only as of the date on the cover page. We do not imply that there has been no change in the information contained in this offering memorandum or in our affairs since that date by delivering this offering memorandum.

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**You should carefully read the information contained in this offering memorandum or to which we have referred you. We have not, and the initial purchasers have not, authorized anyone to provide you with information that is different. We take no responsibility for and can provide no assurances as to the reliability of any other information that others may give you. This offering memorandum may only be used where the offer and sale of the notes is permitted. The information contained in this offering memorandum is as of the date hereof and subject to change, completion or amendment without notice. The delivery of this offering memorandum at any time shall not, under any circumstances, create any implication that there has been no change in the information contained in this offering memorandum or in our affairs since the date of this offering memorandum.**

## IMPORTANT NOTICE TO READERS

This offering memorandum is not an offer to sell the notes, and we are not soliciting an offer to buy the notes, in any jurisdiction where the offer or sale is prohibited. Neither the delivery of this offering memorandum nor any sale made under the terms described herein shall imply that the information herein is correct as of any date after the date hereof.

This offering is being made in reliance upon exemptions from registration under the Securities Act, for an offer and sale of securities that does not involve a public offering. The notes will be initially purchased by J.P. Morgan Securities LLC, BNP Paribas Securities Corp., Deutsche Bank Securities Inc., Fifth Third Securities, Inc., MUFG Securities Americas Inc., Barclays Capital Inc., Credit Agricole Securities (USA) Inc., Crédit Industriel et Commercial S.A., DBS Bank Ltd., ING Financial Markets LLC, KeyBanc Capital Markets Inc., Mizuho Securities USA LLC, Morgan Stanley & Co. LLC, Natixis Securities Americas LLC, NatWest Markets Securities Inc., Scotia Capital (USA) Inc., SG Americas Securities, LLC, Truist Securities, Inc. and Wells Fargo Securities, LLC (the “initial purchasers”) in accordance with such exemptions. If you purchase any of the notes, you will be deemed to make certain acknowledgments, representations and agreements set forth herein under the caption “Notice to Investors.” You may be required to bear the financial risks of this investment for an indefinite period of time.

We prepared this offering memorandum solely for use in connection with this offering. In accepting this offering memorandum, you have agreed that this offering memorandum is highly confidential and you will hold the information contained or referred to herein in confidence. We and the initial purchasers reserve the right to reject any offer to purchase any of the notes for any reason or to sell less than the principal amount of the notes for which any prospective purchaser has subscribed. This offering memorandum is personal to each offeree and is not an offer to any other person or to the public generally to subscribe for the notes. You represent that you are basing your investment decision solely on this offering memorandum and your own examination of us and the terms of this offering. You cannot distribute this offering memorandum or the information contained in it to any person other than your professional advisor(s) without our prior written consent. You cannot make any photocopies of this offering memorandum or any documents delivered in connection with it. If you do not purchase any of the notes, or if this offering is terminated, you agree to return this offering memorandum and all documents delivered in connection with this offering to J.P. Morgan Securities LLC, 383 Madison Avenue, New York, New York 10179.

By receiving this offering memorandum and by purchasing the notes, you acknowledge that (1) you have had the opportunity to ask us for and to review, and you have received and reviewed, all additional information considered by you to be necessary to verify the accuracy of or to supplement the information presented in this offering memorandum, (2) you have not relied on the initial purchasers or any person affiliated with the initial purchasers in connection with investigating the accuracy of such information or your investment decision and (3) no person has been authorized to give information or to make any representation concerning us or the notes other than as contained in this offering memorandum and information given by our duly authorized officers and employees in connection with your examination of us and the terms of this offering. You cannot rely on any such other information or representation.

The initial purchasers make no representation or warranty, express or implied, concerning the accuracy or completeness of the information in this offering memorandum, and nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation, from the initial purchasers whether as to the past or the future.

**The Appendix attached hereto contains important business and financial information and constitutes an integral part of this offering memorandum.**

**We cannot give you any assurance, and you should not assume, that the information contained in this offering memorandum is accurate or complete after the date appearing on the cover page. Our business, financial condition, results of operations and prospects may have changed since that date.**

**The contents of this offering memorandum are not legal, business or tax advice and neither we nor the initial purchasers are making any representation to any purchaser of the notes regarding the legality of an investment in the notes by such purchaser under any legal investment or similar laws or regulations. You**

**should consult your own attorney, business advisor and tax advisor as to legal, business or tax advice related to a purchase of the notes.**

The notes have not been registered under the Securities Act and are being offered and sold in the United States only to persons reasonably believed to be qualified institutional buyers in reliance on Rule 144A and to certain non-U.S. persons in transactions outside the United States in reliance on Regulation S. Prospective purchasers are hereby notified that the seller of the notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. The notes are not transferable except in accordance with the restrictions described under “Notice to Investors.”

Notes sold in reliance on Rule 144A will initially be represented by separate permanent global certificates, and notes sold to persons other than U.S. persons in reliance on Regulation S will initially be represented by separate temporary global certificates, in each case in fully registered form without coupons, and each such global certificate will be registered in the name of a nominee of The Depository Trust Company, New York, New York, as depository. See “Book Entry; Delivery and Form.”

**You must comply with all applicable laws and regulations (including obtaining required consents, approvals or permissions) in force in any jurisdiction in which you purchase, offer or sell the notes. Neither we nor the initial purchasers have any responsibility for any purchase, offer or sale of the notes by you.**

**If you have any questions relating to this offering memorandum or this offering, or if you reasonably require additional information in connection with your investment in the notes, direct your questions to the initial purchasers or us.**

**In connection with this offering, the initial purchasers may engage in transactions that stabilize, maintain or otherwise affect the price of the notes. Specifically, the initial purchasers may overallocate in connection with this offering and may bid for and purchase notes in the open market. For a description of these activities, see “Plan of Distribution.”**

**Neither the SEC nor any state securities commission nor any other securities regulatory authority has approved or disapproved of these securities or determined if this offering memorandum is truthful or complete. Any representation to the contrary is a criminal offense.**

#### **ENFORCEABILITY OF CIVIL LIABILITIES**

Avolon and Avolon Holdings Funding are exempted companies incorporated with limited liability under the laws of the Cayman Islands and their corporate headquarters are located in Ireland. In addition, substantially all of the subsidiary Guarantors are organized outside of the United States. Substantially all of Avolon’s assets are located outside of the United States. In addition, most of Avolon’s directors and officers are residents of jurisdictions other than the United States and all or a substantial portion of the assets of such persons are, or may be located, outside the United States. As a result, it may be difficult for investors to effect service of process within the United States upon such persons or to enforce judgments against them obtained in United States courts, including judgments predicated upon the civil liability provisions of the United States federal and state securities laws. For more information, see “Enforceability of Civil Liabilities.”

#### **TERMS USED IN THIS OFFERING MEMORANDUM**

Unless otherwise indicated or the context otherwise requires, references in this offering memorandum to:

- “*2020 Term Unsecured Facility*” refers to the unsecured term facility, dated December 22, 2020 among, *inter alios*, Avolon Aerospace Funding 5 (Luxembourg) S.A R.L, as borrower, and the financial institutions named therein with an aggregate commitment of \$100.0 million and a maturity date of January 22, 2024.

- “*AHFL Notes*” refer to the Issuer’s 5.125% Senior Notes due October 2023, 5.25% Senior Notes due May 2024, 3.950% Senior Notes due July 2024, 2.875% Senior Notes due February 2025, 5.500% Senior Notes due January 2026, 2.125% Senior Notes due February 21, 2026, 4.250% Senior Notes due April 2026, 4.375% Senior Notes due May 2026, 3.250% Senior Notes due February 2027, 2.528% Senior Notes due November 2027 and 2.750% Senior Notes due February 21, 2028.
- “*Avolon*” or (unless otherwise specified herein) the “*Company*,” “*we*,” “*our*” or “*us*” refers to Avolon Holdings Limited, an exempted company incorporated with limited liability under the laws of the Cayman Islands, and its consolidated subsidiaries, unless the context otherwise requires.
- “*Avolon Aerospace*” refers to Avolon Aerospace Leasing Limited, an exempted company incorporated with limited liability under the laws of the Cayman Islands and an indirect, wholly-owned subsidiary of Avolon Holdings Limited.
- “*Avolon Holdings Funding*” or the “*Issuer*” refers to Avolon Holdings Funding Limited, an exempted company incorporated with limited liability under the laws of the Cayman Islands and a direct wholly-owned subsidiary of Avolon.
- “*Avolon Warehouse Facility*” refers to that certain warehouse facility, established as of May 2010.
- “*Board*” refers to Avolon’s board of directors.
- “*Bohai*” refers to Bohai Leasing Co., Ltd. (formerly Bohai Capital Holding Co., Ltd.), a limited company organized under the laws of the People’s Republic of China and an indirect owner, through GALC, of 70% of Avolon’s common shares.
- “*CIT Group*” refers to CIT Group Inc. a Delaware corporation.
- “*CIT Leasing*” refers to C.I.T. Leasing Corporation, a Delaware corporation.
- “*Committed Portfolio*” refers to the 252 aircraft for which we had entered into binding contracts to acquire through sale-leaseback transactions, portfolio acquisitions with lessors or direct orders from Boeing or Airbus as of March 31, 2023. The aircraft in our Committed Portfolio are subject to binding purchase contracts, which are also subject to customary closing conditions.
- “*C2*” refers to C2 Aviation Capital, LLC, a Delaware limited liability company, and its consolidated subsidiaries, which constituted the commercial aircraft leasing business of CIT Group prior to the C2 Acquisition.
- “*C2 Acquisition*” refers to Avolon’s acquisition of C2 pursuant to the Transaction Agreement (as defined below).
- “*ECA*” refers to the European Export Credit Agencies.
- “*Emerging Markets*” refers to any country defined as emerging in the Morgan Stanley Capital International Developed Markets Index.
- “*EXIM*” refers to the Export-Import Bank of the United States.
- “*Existing Notes*” refers to the Park Notes together with the AHFL Notes.
- “*Fleet Utilization*” refers to the number of days each aircraft in our Owned Portfolio was on lease during the three months ended March 31, 2023 divided by the total number of days in such period and weighted by Net Book Value of the aircraft.

- “*Fleet Valuation*” refers to the valuation of Avolon’s Owned and Committed Portfolio of 783 aircraft which was \$40.9 billion as of March 31, 2023. This value is calculated using Net Book Value as of March 31, 2023 for the Owned Portfolio and estimated prices for the Committed Portfolio (Managed Portfolio not included).
- “*Fitch*” refers to Fitch, Inc.
- “*Flight equipment*” refers to aircraft and engines held by the Company and its consolidated subsidiaries.
- “*GALC*” refers to Global Aircraft Leasing Co., Ltd., an exempted company incorporated in the Cayman Islands and the direct owner of 70% of Avolon’s common shares.
- “*Global Aviation*” refers to Global Aviation Leasing Co., Ltd., an exempted company incorporated in the Cayman Islands.
- “*Guarantors*” refer to Avolon, Avolon Aerospace, Park, CIT Aerospace LLC, CIT Group Finance (Ireland) Unlimited Company, CIT Aviation Finance III Ltd. and CIT Aerospace International Unlimited Company.
- “*HK Bohai*” refers to Hong Kong Bohai Leasing Asset Management Corp., Limited, an indirect wholly- owned subsidiary of Bohai.
- “*HKAC*” refers to Hong Kong Aviation Capital Limited, a limited company under the laws of Hong Kong, and its consolidated subsidiaries.
- “*HNA Consolidated Group*” refers to HNA Group, HNA Capital Group Co., Ltd, Bohai, Global Aviation or any of their subsidiaries or any companies whose profits and losses (whether in part or whole) are consolidated or accounted for under the equity method into the consolidated accounts of HNA Group, other than Avolon and its subsidiaries.
- “*HNA Group*” refers to HNA Group Co., Ltd., the former indirect controlling shareholder of Bohai and Avolon.
- “*KBRA*” refers to Kroll Bond Rating Agency, Inc.
- “*Luxembourg Borrower*” refers to Avolon TLB Borrower 1 (Luxembourg) S.à r.l, a private limited liability company incorporated under the laws of Luxembourg special purpose vehicle and a direct wholly-owned subsidiary of Park.
- “*Managed Portfolio*” refers to the 47 aircraft that Avolon managed on behalf of other aircraft investors as of March 31, 2023.
- “*Moody’s*” refers to Moody’s Investors Service, Inc.
- “*Net Book Value*” refers, as of any date, to the sum of the net book value of (i) our flight equipment held for operating leases, net and (ii) flight equipment held for sale, less the net book value of our engines on such date.
- “*OEM*” refers to original equipment manufacturer.
- “*ORIX*” refers to ORIX Corporation, a Japanese corporation.

- “*ORIX Aviation*” refers to ORIX Aviation Systems Limited, a company incorporated under the laws of Ireland.
- “*ORIX Transaction*” refers to ORIX’s acquisition, through its wholly-owned subsidiary, ORIX Aviation, of 30% of the common shares of Avolon from Bohai for an aggregate purchase price of \$2.2 billion, which closed on November 5, 2018.
- “*Owned Portfolio*” refers to our owned fleet of 531 aircraft as of March 31, 2023.
- “*Owned and Committed Portfolio*” refers, collectively, to our Owned Portfolio and our Committed Portfolio.
- “*Owned, Managed and Committed Portfolio*” refers, collectively, to our Owned Portfolio, our Managed Portfolio and our Committed Portfolio.
- “*Park*” refers to Park Aerospace Holdings Limited, an exempted company incorporated with limited liability under the laws of the Cayman Islands and a direct wholly-owned subsidiary of Avolon, and its consolidated subsidiaries.
- “*Park Notes*” refer to Park’s 5.50% Senior Notes due February 2024.
- “*Rating agencies*” means S&P, Moody’s, Fitch, KBRA and any additional rating agency that provides a rating with respect to the notes and is a “nationally recognized statistical rating organization” as defined in Section 3(a)(62) of the Exchange Act (“NRSRO”) (each a “Rating Agency”); provided, that if any such Rating Agency ceases to provide rating services to issuers or investors, the Issuer may appoint a replacement for such Rating Agency that is a NRSRO.
- “*Relevant Territory*” refers to a member state of the European Communities other than Ireland; a territory with which Ireland has entered into a double taxation agreement in force by virtue of the provisions of section 826(1) of the TCA; or a territory with which Ireland has signed a double taxation agreement which will on the completion of the procedures set out in section 826(1) of the TCA have the force of law.
- “*S&P*” refers to S&P Global Ratings, a division of S&P Global Inc., or any successor Rating Agency.
- “*Shareholders’ Agreement*” refers to the agreement entered into in connection with the ORIX Transaction with Avolon, dated November 5, 2018, which sets forth certain rights and obligations of the Shareholders with respect to Avolon.
- “*TCA*” refers to the Taxes Consolidation Act 1997, as amended.
- “*Term Loan Agent*” refers to Morgan Stanley Senior Funding Inc., in its capacity as administrative agent under the Term Loan Facility.
- “*Term Loan Borrowers*” refer collectively to the U.S. Borrower and the Luxembourg Borrower.
- “*Term Loan Facility*” and “*Secured Term Loan Facility*” refer collectively to the secured term loan facilities made available to the Term Loan Borrowers pursuant to that certain Term Loan Credit Agreement, dated as of March 20, 2017 (as the same may be amended, restated, amended and restated, supplemented or otherwise modified from time to time, including pursuant to the addition of any additional term loan facilities as more fully described herein), by and among, *inter alios*, the Term Loan Borrowers, certain Guarantors, the lenders party thereto from time to time and the Term Loan Agent.

- “*Term Unsecured Facility*” refers to the unsecured term facility, dated March 15, 2019 and amended and restated as of March 15, 2022 among, *inter alios*, Avolon Aerospace Funding 5 (Luxembourg) S.À R.L, as borrower, Wilmington Trust (London) Limited, as agent, and the financial institutions named therein with an aggregate commitment of \$272.5 million and a maturity date of March 15, 2025.
- “*Tianjin Bohai*” refers to Tianjin Bohai Leasing Corp., Ltd., a limited company organized under the laws of the People’s Republic of China and a wholly-owned subsidiary of Bohai and an indirect parent company of GALC.
- “*Transaction Agreement*” refers to the purchase and sale agreement, dated as of October 6, 2016, by and among Avolon, Park, Bohai, CIT Group and CIT Leasing, pursuant to which Avolon acquired, indirectly through Park, of all of the issued and outstanding equity interests of C2.
- “*Unrestricted cash*” refers to Cash and cash equivalents which is not ring-fenced or used as security for specific financing arrangements.
- “*Unsecured RCF*” refers to Avolon’s senior unsecured revolving credit facility, with aggregate commitments of \$4.6 billion as of March 31, 2023 and an availability period until 2026.
- “*U.S. Borrower*” refers to Avolon TLB Borrower 1 (US) LLC, a Delaware limited liability company special purpose vehicle and an indirect, wholly-owned subsidiary of Park.

#### **CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS**

Certain statements in this offering memorandum constitute forward-looking statements, beliefs or opinions, including statements with respect to our business, financial condition, results of operations and plans. These forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond our control and all of which are based on our management’s current beliefs and expectations about future events. Forward-looking statements are sometimes identified by the use of forward-looking terminology such as “believe,” “expects,” “may,” “will,” “could,” “should,” “shall,” “risk,” “intends,” “estimates,” “aims,” “plans,” “predicts,” “continues,” “assumes,” “positioned” or “anticipates” or the negative thereof, other variations thereon or comparable terminology or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. Forward-looking statements may and often do differ materially from actual results. No assurance can be given that such future results will be achieved. Forward-looking statements appear in a number of places throughout this offering memorandum and include statements regarding the intentions, beliefs or current expectations of our management with respect to future events, and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to our business concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies, and the industry in which we operate, most of which are difficult to predict and many of which are beyond our control. These risks, uncertainties and assumptions include, but are not limited to, the following:

- the impact of the Russian invasion of Ukraine and the resulting sanctions on our financial condition, results of operations and cash flows;
- the impact of the novel coronavirus (“COVID-19”) pandemic outbreak and the measures implemented to combat it on our business, financial condition and results of operations;
- general economic and financial conditions, including decreasing airline operating margins and macro-economic volatility;
- the financial condition of our lessees;
- changes in interest rates;
- our ability to obtain additional capital to finance our growth and operations on attractive terms;



- decline in the value of our aircraft and market rates for leases;
- the grounding or delayed delivery of any aircraft model that we own or have committed to purchase;
- airline bankruptcies and restructuring, including the HNA insolvency proceedings;
- the loss of key personnel and retention and recruiting of additional qualified personnel;
- lessee defaults and attempts to repossess aircraft;
- our ability to regularly sell aircraft;
- our ability to pursue merger and acquisition activities;
- our ability to successfully re-lease our existing aircraft and lease new aircraft;
- our ability to negotiate and enter into profitable leases;
- periods of aircraft oversupply during which lease rates and aircraft values decline;
- the potential for recent and future political developments to result in a global trade war;
- our financial strength ratings and those of our shareholders, Bohai and ORIX Aviation, and the impact on our financial condition and ability to obtain financing;
- competition from other aircraft lessors;
- the limited number of aircraft and engine manufacturers;
- changes in fuel costs;
- the depreciation and expense of operating aircrafts;
- aircraft maintenance issues;
- our lessees' potential failure to discharge aircraft liens;
- our lessees' potential failure to maintain our aircraft;
- failure to close our aircraft acquisition commitments;
- the introduction of superior aircraft technology;
- decreases in the demand for availability of the aircraft types in our portfolio;
- failure to obtain certain required licenses and approvals;
- early termination options in some of our leases;
- our lessees' potential failure to maintain the required insurance;
- terrorist attacks or the fear of such attacks and unfavorable geopolitical conditions;

- natural disasters;
- epidemic diseases;
- compliance of lessees with applicable registration requirements;
- limited control over joint ventures;
- transacting business in multiple countries;
- cyber-attacks;
- conflicts of interests with clients;
- regional political and economic risks due to location of our lessees;
- environmental laws and regulations;
- various other laws and regulations;
- the impact of climate change;
- increased focus on environmental, social and governance matters;
- Bohai's potential conflicts of interest as equity holder;
- changes in tax laws and accounting standards; and
- our significant indebtedness and the substantial indebtedness of our majority shareholder.

These and other important factors, including those discussed under “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this offering memorandum and in the Appendix attached hereto, may cause our actual events or results to differ materially from any future results, performance or achievements expressed or implied by the forward-looking statements contained in this offering memorandum. Such forward-looking statements contained in this offering memorandum speak only as of the date of this offering memorandum. For the reasons described above, we caution you against relying on forward-looking statements. We expressly disclaim any obligation or undertaking to update these forward-looking statements contained in the offering memorandum to reflect any change in our expectations or any change in events, conditions, or circumstances on which such statements are based unless required to do so by applicable law.

### **NON-GAAP FINANCIAL MEASURES**

This offering memorandum contains “non-GAAP” financial measures, that is, financial measures that either exclude or include amounts that are not excluded or included in the most directly comparable measure calculated and presented in accordance with U.S. GAAP. We have included information concerning these non-GAAP financial measures as performance-based analytical tools, and you should not consider these measures as a substitute for net income/(loss), income/(loss) from operations or other financial measures as determined in accordance with U.S. GAAP. Specifically, we make use of the non-GAAP measures “EBITDA” and “Adjusted EBITDA.”

#### **EBITDA and Adjusted EBITDA**

We define Avolon’s historical “*EBITDA*” as income/(loss) for the period/year before interest expense, provision for income tax, depreciation and amortization of lease incentives. We define Avolon’s historical “*Adjusted*

*EBITDA*” as Avolon’s historical EBITDA as further adjusted to exclude the impact of impairment, contract termination expense, gain/loss on certain equity investments and expected credit loss charge/credit.

EBITDA and Adjusted EBITDA assist us in comparing our operating performance in different periods without addressing the impact of our capital structure (primarily interest charges on our outstanding debt) and non-cash expenses related to our long-lived asset base (primarily depreciation and amortization) on our operating results.

EBITDA and Adjusted EBITDA have limitations as analytical tools, and you should not consider them in isolation or as substitutes for an analysis of our results as reported under U.S. GAAP. Some of these limitations are:

- they do not reflect cash expenditures or future requirements for capital expenditures or contractual commitments;
- they do not reflect changes in, or cash requirements for, working capital needs;
- they do not reflect the interest expense, or the cash requirements necessary to service interest or principal payments, on debt;
- they do not reflect any cash income taxes that may be required to be paid;
- assets are depreciated, impaired or amortized over estimated useful lives and often have to be replaced in the future, and these measures do not reflect any cash requirements for such replacements;
- they do not reflect the impact of earnings or charges resulting from matters not considered to be indicative of ongoing operations; and
- they may not be comparable to other similarly titled measures of other companies.

Because of these limitations, EBITDA and Adjusted EBITDA should not be considered as substitutes for net income/(loss), as determined in accordance with U.S. GAAP. We compensate for these limitations by relying primarily on our U.S. GAAP results and using EBITDA and Adjusted EBITDA only for supplemental purposes.

## SUMMARY

The following summary includes highlights of the more detailed information included elsewhere in this offering memorandum. This summary is not complete and does not contain all of the information that you should consider before investing in the notes. You should read this entire offering memorandum and accompanying Appendix carefully, including the sections entitled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the consolidated financial statements and the accompanying notes included elsewhere in this offering memorandum and in the Appendix attached hereto, before making an investment decision. This offering memorandum includes forward- looking statements that involve risks and uncertainties. See “Cautionary Statement Concerning Forward-Looking Statements.” Unless otherwise stated herein, information with respect to industry and market data is as of March 31, 2023 and data relating to our Owned, Managed and Committed Portfolio is as of March 31, 2023 and does not give effect to the transaction with Boeing announced on April 27, 2023 and described in the section of the Appendix attached to this offering memorandum titled “*Summary—Recent Developments.*”

### Overview

Avolon is a leading global aircraft leasing company focused on acquiring, managing, leasing and selling commercial aircraft. We are headquartered in Ireland, with offices in the United States, Dubai, Singapore and Hong Kong.

### Our Company

We focus on acquiring, maintaining and leasing a portfolio of young, modern, fuel-efficient commercial aircraft while seeking to maximize long-term earnings growth and cash flow generation and drive attractive risk-adjusted returns through the aviation industry cycle. We operate our business on a global basis, maintaining a diverse fleet of aircraft provided to airlines across different geographic regions. As of March 31, 2023, our Owned, Managed and Committed Portfolio consisted of 830 aircraft, including 531 aircraft in our Owned Portfolio, 47 aircraft in our Managed Portfolio and 252 aircraft in our Committed Portfolio. Avolon’s Owned and Committed Portfolio had a Fleet Valuation of \$40.9 billion as of March 31, 2023.

We have, historically, demonstrated a track record of stable cash flow generation. We believe the qualities of our portfolio and our high aircraft utilization rates have allowed us to establish significant visibility into our revenues. Following the market and economic dislocations associated with the recent COVID-19 pandemic and the recent Russian sanctions, we had a net income of \$55.9 million and Adjusted EBITDA of \$0.6 billion for the three months ended March 31, 2023 and a net income of \$8.5 million and Adjusted EBITDA of \$2.4 billion for the year ended December 31, 2022. For a further explanation of the effect of Russian sanctions on our results as of March 31, 2023, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations of Avolon—Russian Sanctions” in the Appendix attached to this offering memorandum. Further, due to the long-term nature of our lease contracts, our cash flow generation has been stable, historically. During the years ended December 31, 2022, 2021 and 2020, we have generated a cumulative \$2.9 billion of net cash flows from operations.

Our Owned Portfolio is leased to airlines under long-term leases. Our lease expiry profile is well dispersed over the next 17 years, limiting expiration concentration risk. As of March 31, 2023, the average lease term remaining on our leases, weighted by the Net Book Value of the aircraft and based on our Owned Portfolio, was 6.9 years, which we believe should allow for a more predictable revenue stream over time. See also “Management’s Discussion and Analysis of Financial Condition and Results of Operations of Avolon—Russian Sanctions” in the Appendix attached to this offering memorandum.

As of March 31, 2023, the average age of our Owned Portfolio was 6.3 years weighted by Net Book Value.

Our Committed Portfolio as of March 31, 2023 of 252 aircraft consists entirely of Airbus A320/321neo, Boeing 737 MAX, Boeing 787, and Airbus A330neo, which are designed to deliver higher levels of operating efficiency and are expected to be more consistently in demand. Our global presence provides local access to airline customers and capital providers in key geographic regions, particularly emerging and high growth markets such as

China, South East Asia, the Middle East and Latin America. As of March 31, 2023, our customer base comprised 147 customers in 65 countries. Our commercial platform is globally active, and in the three months ended March 31, 2023, executed 31 lease transactions with 12 airline customers and managed 18 aircraft deliveries and transitions.

We seek to mitigate asset, credit and liability risks associated with owning and leasing aircraft through our comprehensive risk management platform that uses proprietary analytical systems and credit scoring processes. These systems, tools and models, combined with formal risk committees, inform our decision-making process. The combination of our young, modern aircraft and robust risk management practices has contributed to our Fleet Utilization of 95.4% during the three months ended March 31, 2023.

We lease our aircraft pursuant to net operating leases that require the lessee to pay for maintenance, insurance, taxes and all other aircraft operating expenses during the lease term. As a lessor, we receive the investment benefits from, and assume the residual risk of, the aircraft. We invest in and continue to own a young fleet that we forecast will retain high residual values and will be less susceptible to asset impairment risk. We also provide fleet management services to other aircraft investors.

We believe our business model allows for flexibility to adjust to market conditions and to balance and manage risk. Our portfolio consists of aircraft acquired through sale-leaseback transactions, aircraft ordered directly from OEMs and aircraft purchased from other lessors and airlines. We believe our deep industry relationships enable us to source transactions that are not broadly available.

We maintain relationships with aircraft investors globally and seek to sell assets to proactively manage our portfolio in response to market conditions. Aircraft sales facilitate management of portfolio concentrations, provide ongoing liquidity of the portfolio, enable us to monetize value in our aircraft, help maintain visibility and momentum with our customers and are an effective tool for managing both asset residual value and lease remarketing risk.

Avolon's highly experienced management team is led by industry veteran and Chief Executive Officer, Andrew Cronin, who previously served as our Chief Financial Officer since our inception in May 2010 until October 2022 and as our President from July 2021 to July 2022. A number of the senior executives are also founding members. As of the date of this offering memorandum, the team has over 93 years of combined industry experience and each member individually has, on average, more than 16 years of industry experience, covering several industry cycles, and deep, long-standing customer, lender, investor and OEM relationships. See "Management – Management Updates" in the Appendix attached hereto.

## **Avolon Holdings Funding**

Avolon Holdings Funding is a wholly-owned subsidiary of Avolon and is the issuer of the notes. The notes will have an unsecured guarantee from Avolon, Avolon Aerospace, Park, CIT Aerospace LLC, CIT Group Finance (Ireland) Unlimited Company, CIT Aviation Finance III Ltd. and CIT Aerospace International Unlimited Company. For further details on the organization of the business, see "—Company Information and Organizational Chart."

## **Our Shareholders**

### ***About Bohai***

Bohai is a Chinese public company listed on the Shenzhen Stock Exchange (SZE: 000415), an FTSE Russell index company, and is the largest listed leasing company on the Chinese A-Share stock market. Bohai has a wide range of leasing licenses, which have allowed for a balanced development of diverse leasing subsidiaries. Bohai's subsidiaries provide domestic and global services in both financing and operating leases of aircraft, containers, equipment and infrastructure. It has established footprints in China's main economic and free trade zones of Tianjin, Shanghai, Guangdong and the Yangtze River Delta, and major international offices in Hong Kong, Singapore, London and Miami.

### ***About ORIX Aviation***

ORIX Aviation is a major aircraft lessor, asset manager and trading company established by ORIX in 1991 and headquartered in Dublin with offices in Hong Kong. As of March 31, 2023, ORIX Aviation owned and managed over 200 aircraft on lease to more than 50 airlines located in over 30 countries with \$8.0 billion of aircraft assets under management.

### ***About ORIX***

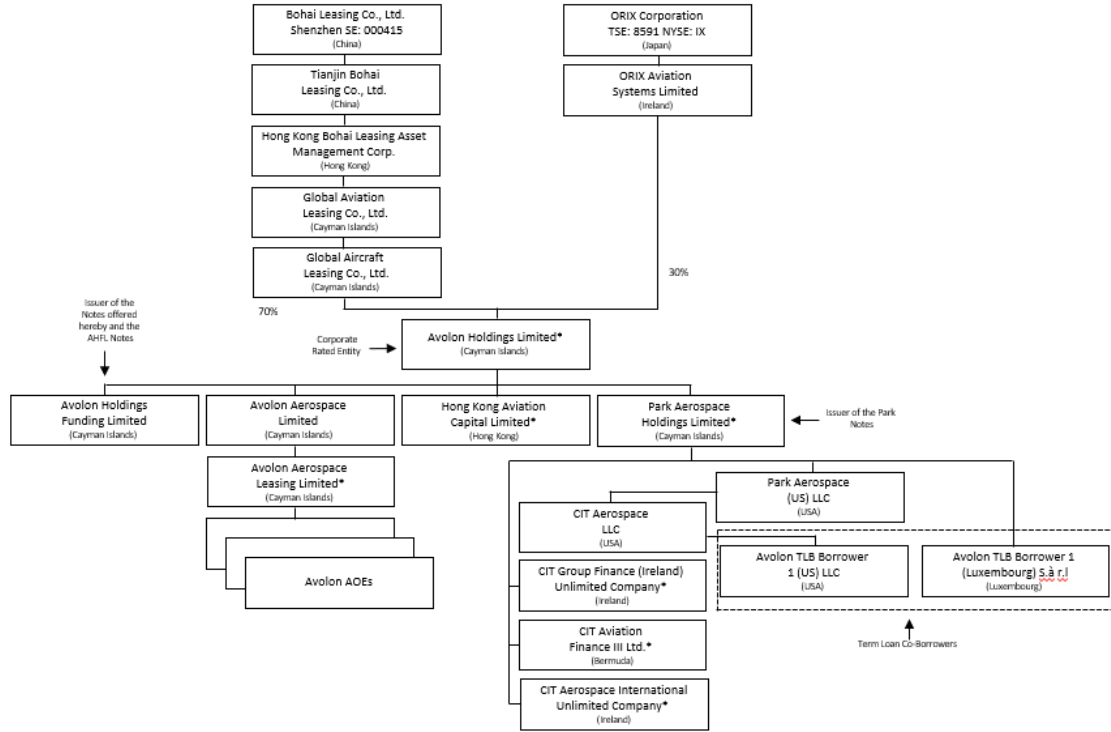
Established in 1964, ORIX (TSE: 8591; NYSE: IX) at present is an investment grade Japanese non-bank financial service group which operates a diverse portfolio of businesses in the operations, financial services and investment spaces, spanning multiple industries including: energy, private equity, infrastructure, automotive, ship and aircraft, real estate and retail financial services. ORIX has also spread its business globally by establishing locations in a total of 28 countries and regions across the world. Through its business activities, ORIX has long been committed to corporate citizenship and environmental sustainability.

### **Company Information and Organizational Chart**

Our principal executive offices are located at Number One Ballsbridge, Building 1, Shelbourne Road, Ballsbridge, Dublin 4, Ireland. Our website is [www.avolon.aero](http://www.avolon.aero) and our main telephone number is +353 (1) 231 5800. Information on our website is not part of or incorporated by reference into this offering memorandum and should not be relied upon in determining whether to purchase the notes offered hereby.

The chart below sets out our truncated group structure showing the major group subsidiaries, including the aircraft-owning entities, and where debt facilities are held. Intermediate and minor subsidiaries have been omitted. For further information see “Capitalization” and “Description of Other Indebtedness” included elsewhere in this offering memorandum and in the Appendix attached hereto.

The ownership structure chart is accurate as of March 31, 2023.



\*Guarantor of the Notes offered hereby, the Existing Notes, the Term Loan Facility, the Unsecured RCF, the Avolon Warehouse Facility, the EXIM/ECA facilities, the Term Unsecured Facility and the 2020 Term Unsecured Facility (except for Avolon Aerospace as borrower for the Unsecured RCF and Park as issuer of the Park Notes).

Notes:

- (1) Ownership percentages have been rounded down to nearest whole number.
- (2) Includes affiliates' ownership.
- (3) Guarantor of the Notes offered hereby (except for HKAC), the Existing Notes, the Term Loan Facility, the Unsecured RCF, the Avolon Warehouse Facility, the EXIM/ECA facilities, the Term Unsecured Facility and the 2020 Term Unsecured Facility (except for Avolon Aerospace as borrower for the Unsecured RCF and Park as issuer of the Park Notes).

## THE OFFERING

The offering terms are summarized below solely for your convenience. This summary is not a complete description of the notes. You should read the full text and more specific details contained elsewhere in this offering memorandum. For a more detailed description of the notes, see “Description of Notes” in this offering memorandum. In this section, unless the context requires otherwise, “Issuer” refers to Avolon Holdings Funding Limited and not to any of its subsidiaries.

Issuer .....	Avolon Holdings Funding Limited (the “Issuer”).
Notes Offered .....	The Issuer is offering \$750,000,000 aggregate principal amount of its 6.375% senior notes due 2028.
Interest .....	The notes will accrue interest from the date of their issuance at the rate of 6.375% per year. Interest on the notes will be payable semi-annually in arrears on each May 4 and November 4, commencing on November 4, 2023.
Maturity Date.....	The notes will mature on May 4, 2028.
Guarantees and Ranking.....	<p>The notes and the Issuer’s obligations under the notes will be fully and unconditionally guaranteed, jointly and severally, by the Guarantors. The guarantees will be senior unsecured obligations of each Guarantor and the notes and the guarantees will rank:</p> <ul style="list-style-type: none"><li>• equal in right of payment with any existing and future unsecured senior indebtedness of the Issuer and each Guarantor;</li><li>• senior in right of payment to any existing and future subordinated indebtedness of the Issuer and each Guarantor;</li><li>• effectively subordinated to all existing and future secured indebtedness of the Issuer and each Guarantor (including the Term Loan Facility) to the extent of the value of the assets securing such indebtedness; and</li><li>• structurally subordinated to all indebtedness and other liabilities of Avolon’s subsidiaries that are not Guarantors of the notes (other than the Issuer).</li></ul>

For the year ended December 31, 2022, for the year ended December 31, 2021 and for the year ended December 31, 2020, Avolon’s subsidiaries that will not guarantee the notes (other than the Issuer) would have generated total revenues of \$1,589.7 million, \$1,423.5 million and \$1,083.0 million, respectively, and Adjusted EBITDA of \$1,585.3 million, \$1,493.0 million and \$1,273.8 million, respectively, and as of March 31, 2023 and December 31, 2022, had total assets of \$18.0 billion and \$17.6 billion, respectively, in each case after giving effect to intercompany eliminations.

As of March 31, 2023, we had \$18.9 billion of consolidated total indebtedness outstanding (excluding fair value adjustments, debt issuance costs, debt discounts and debt premiums), of which \$6.5 billion was secured, and, Avolon’s subsidiaries that will not guarantee the notes



(other than the Issuer) had total liabilities, including trade payables (but excluding intercompany liabilities), of \$8.0 billion, of which \$6.5 billion was secured (with a further \$1.2 billion available for borrowing under undrawn committed secured debt).

Optional Redemption.....Prior to April 4, 2028 (one month prior to their maturity date), the Issuer may redeem the notes at its option, in whole or in part, at any time and from time to time, at a redemption price (expressed as a percentage of principal amount and rounded to three decimal places) equal to the greater of: (1)(a) the sum of the present values of the remaining scheduled payments of principal and interest thereon discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 45 basis points less (b) interest accrued to the date of redemption, and (2) 100% of the principal amount of the notes to be redeemed, plus, in either case, accrued and unpaid interest thereon to the redemption date.

On or after April 4, 2028, the Issuer may redeem the notes, in whole or in part, at any time and from time to time, at a redemption price equal to 100% of the principal amount of the notes being redeemed plus accrued and unpaid interest thereon to the redemption date. See “Description of Notes—Optional Redemption.”

Additional Amounts;

Tax Redemption .....In the event that certain taxes are payable in respect of payments on a note or guarantee, the Issuer or the applicable Guarantor, as the case may be, will, subject to certain exceptions, pay such additional amounts that may be necessary so that the net amount received by the beneficial owner on a note or under the guarantee will not be less than the amount provided for in that note or guarantee. In the event the Issuer becomes obligated to pay such additional amounts, the Issuer will have the right to redeem all, but not less than all, of the notes then-outstanding on the terms and subject to the conditions set forth in the indenture, at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption. See “Description of Notes—Payment of Additional Amounts” and “—Redemption for Taxation Reasons.”

Change of Control Repurchase Event.....Upon the occurrence of both a Change of Control and a Below Investment Grade Rating Event (each as defined in the indenture for the notes) the Issuer must offer to purchase the notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest to the date of repurchase. We cannot assure you that the Issuer will have the financial resources to purchase the notes upon a Change of Control Repurchase Event. See “Description of Notes— Repurchase upon Change of Control Repurchase Event.”

Certain Covenants.....The indenture governing the notes will contain covenants relating to Avolon’s election and, in some cases, the election of certain of its subsidiaries to perform any of the following:

- incur liens on assets; and

- consolidate or merge with or into, or sell all or substantially all of our assets to, other companies.

These covenants are subject to important exceptions and qualifications, which are described under “Description of Notes.”

No Prior Market.....The notes are a new issue of securities and there is currently no established market for them. Accordingly, there can be no assurance as to the development or liquidity of any market for the notes. The initial purchasers have advised us that they intend to make a market in the notes; however, they are not obligated to do so and may cease such market-making at any time. As a result, we cannot assure you as to the liquidity of any trading market for the notes.

Notice to Investors;  
No Registration Rights .....We have not registered the notes under the Securities Act, and we do not intend to consummate an exchange offer or file a shelf registration statement pursuant to the Securities Act for the resale of the notes. Therefore, the notes are subject to restrictions on transferability and resale. See “Notice to Investors.”

Use of Proceeds .....We estimate that the net proceeds to us from the sale of the notes in this offering will be approximately \$734.8 million, after deducting the initial purchasers’ discount and estimated offering expenses. We intend to use the net proceeds from this offering for general corporate purposes, which may include the future repayment of outstanding indebtedness. See “Use of Proceeds.”

Listing.....Application for listing will be made to Euronext Dublin following completion of this offering. This offering memorandum does not constitute listing particulars for the purpose of the application. We cannot assure you, however, that this application will be accepted.

Risk Factors .....See “Risk Factors” beginning on page 19 and the section entitled “Risk Factors” in the Appendix attached to this offering memorandum for discussion of factors you should carefully consider before deciding to invest in the notes.

## SUMMARY HISTORICAL CONSOLIDATED FINANCIAL DATA

The following tables set forth Avolon's summary historical consolidated financial data as of and for each of the periods presented. The summary historical condensed consolidated statements of income and other comprehensive income data for the three months ended March 31, 2023 and 2022 have been derived from Avolon's unaudited historical condensed consolidated financial statements included in the Appendix attached to this offering memorandum. The unaudited historical condensed consolidated financial statements have been prepared on the same basis as Avolon's audited historical consolidated financial statements and, in the opinion of Avolon's management, reflects all adjustments, consisting of only normally recurring adjustments, necessary for fair presentation of this information. The results for any interim period are not necessarily indicative of the results that may be expected for a full year. The summary historical consolidated statements of income data for the years ended December 31, 2022, 2021 and 2020 and the summary historical consolidated balance sheet data as of December 31, 2022 and 2021 have been derived from Avolon's audited historical consolidated financial statements included elsewhere in the Appendix attached to this offering memorandum.

On August 8, 2018, ORIX, through its wholly-owned subsidiary ORIX Aviation, entered into an agreement to acquire a 30% shareholding in Avolon from Bohai. The ORIX Transaction closed on November 5, 2018. On July 31, 2019, GALC acquired Global Aviation's 70% shareholding in Avolon. GALC is 100% owned by Global Aviation which is an indirect subsidiary of Bohai.

The summary historical consolidated financial data presented in the tables below should be read in conjunction with "Selected Historical Consolidated Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Avolon's consolidated financial statements and the related notes included in the Appendix attached to this offering memorandum.

<i>(dollars in thousands)</i>	<u>Three months ended March 31,</u>		<u>Year ended December 31,</u>		
	2023 <sup>(1)</sup>	2022 <sup>(1)</sup>	2022 <sup>(2)</sup>	2021 <sup>(2)</sup>	2020 <sup>(2)</sup>
<b>Consolidated Statements of Income Data:</b>					
Lease revenue .....	598,560	657,928	2,336,916	2,144,098	2,279,021
Gain on disposal of assets .....	8,204	21,852	49,078	72,445	61,992
Other income .....	10,546	13,902	31,714	31,877	31,502
<b>Total Revenues .....</b>	<b>617,310</b>	<b>693,682</b>	<b>2,417,708</b>	<b>2,248,420</b>	<b>2,372,515</b>
<b>Expenses:</b>					
Depreciation and amortization .....	274,446	287,018	1,094,682	1,139,668	1,267,733
Impairment .....	22,021	359,748	395,294	89,408	108,154
Interest expense .....	199,953	167,099	676,373	786,745	787,887
Selling, general and administrative expenses .....	49,637	45,013	158,755	165,888	188,213
Aircraft maintenance expense .....	8,502	35,789	58,831	59,666	29,846
<b>Total expenses.....</b>	<b>554,559</b>	<b>894,667</b>	<b>2,383,935</b>	<b>2,241,375</b>	<b>2,381,833</b>
Gain/(losses) on investments .....	1,160	(770)	(19,841)	21,333	(67,459)
<b>Earnings/(loss) before income tax and profit/(loss) from investments accounted for under equity method</b>					
.....	<b>63,911</b>	<b>(201,755)</b>	<b>13,932</b>	<b>28,378</b>	<b>(76,777)</b>
Income tax (expense)/benefit.....	(8,504)	19,048	(7,422)	21,293	41,828
Profit/(loss) from investments accounted for under equity method, net of tax .....	453	1,207	2,032	(2,186)	(1,664)
<b>Net income/(loss) .....</b>	<b>55,860</b>	<b>(181,500)</b>	<b>8,542</b>	<b>47,485</b>	<b>(36,613)</b>
<b>Consolidated Balance Sheet Data (at end of period/year):</b>					
Flight equipment held for operating leases, net:					
-- Aircraft .....	23,417,655	23,354,219	23,323,459	23,604,399	22,523,112
-- Maintenance right assets and lease premium, net .....	387,945	503,662	420,879	543,714	748,572
Flight equipment held for sale .....	29,893	-	20,588	131,004	227,392
<b>Total assets .....</b>	<b>30,223,825</b>	<b>30,520,531</b>	<b>30,795,614</b>	<b>30,984,325</b>	<b>30,838,129</b>

Cash and cash equivalents .....	403,291	477,474	654,940	774,979	2,421,613
Prepayments on flight equipment .....	2,123,000	2,648,309	2,427,251	2,538,176	2,119,772
Debt .....	18,623,070	19,299,317	19,214,315	19,582,221	19,786,857
<b>Total Liabilities</b> .....	<b>22,248,222</b>	<b>22,823,504</b>	<b>22,830,764</b>	<b>23,195,142</b>	<b>23,161,820</b>
<b>Total Equity</b> .....	<b>7,975,603</b>	<b>7,697,027</b>	<b>7,964,850</b>	<b>7,789,183</b>	<b>7,676,309</b>
<b>Other Financial Data:</b>					
<b>EBITDA</b> <sup>(3)</sup> .....	<b>579,909</b>	<b>291,730</b>	<b>1,906,095</b>	<b>2,065,464</b>	<b>2,114,627</b>
<b>Adjusted EBITDA</b> <sup>(3)</sup> .....	<b>610,529</b>	<b>676,932</b>	<b>2,375,469</b>	<b>2,164,210</b>	<b>2,294,253</b>

(1) Derived from unaudited financial statements.

(2) Derived from audited financial statements.

(3) We present EBITDA and Adjusted EBITDA as supplemental measures of our performance. The table below provides a reconciliation of our EBITDA and Adjusted EBITDA to net income/(loss) for the period/year, the most comparable GAAP measure, for the periods/years presented.

The following table provides a reconciliation of Adjusted EBITDA to net income/(loss) for the periods/years presented.

<i>(dollars in thousands)</i>	Three months ended		Year ended December 31,		
	2023 <sup>(1)</sup>	2022 <sup>(1)</sup>	2022 <sup>(2)</sup>	2021 <sup>(2)</sup>	2020 <sup>(2)</sup>
<b>Net income/(loss)</b> .....	<b>55,860</b>	<b>(181,500)</b>	<b>8,542</b>	<b>47,485</b>	<b>(36,613)</b>
Interest expense .....	199,953	167,099	676,373	786,745	787,887
Income tax expense/(benefit) .....	8,504	(19,048)	7,422	(21,293)	(41,828)
Depreciation and amortization .....	274,446	287,018	1,094,682	1,139,668	1,267,733
Amortization of lease incentives .....	41,146	38,161	119,076	112,859	137,448
<b>EBITDA</b> .....	<b>579,909</b>	<b>291,730</b>	<b>1,906,095</b>	<b>2,065,464</b>	<b>2,114,627</b>
Impairment .....	22,021	359,748	395,294	89,408	108,154
Contract termination expense .....	225	702	1,438	306	441
Losses/(gain) on investments .....	(1,160)	770	19,841	(21,333)	67,459
Expected credit loss charge .....	9,534	23,982	52,801	30,365	3,572
<b>Adjusted EBITDA</b> .....	<b>610,529</b>	<b>676,932</b>	<b>2,375,469</b>	<b>2,164,210</b>	<b>2,294,253</b>

(1) Derived from unaudited financial statements.

(2) Derived from audited financial statements

## RISK FACTORS

*Purchasing notes in this offering involves a high degree of risk. In addition to the other information contained in this offering memorandum, including the “Risk Factors” contained in the Appendix attached hereto and the factors under “Cautionary Statement Concerning Forward-Looking Statements,” you should carefully consider the following risk factors in evaluating us and our business before purchasing the notes. If any of the risks discussed in this offering memorandum actually occur, our business, financial condition and results of operations could be materially adversely affected. If this were to occur, you may lose all or part of your original investment. The risks discussed below and in the Appendix attached hereto are not the only risks we face. Additional risks or uncertainties not presently known to us, or that we currently deem immaterial, may also impair our business operations. Furthermore, the COVID-19 pandemic (including federal, state and local governmental responses, broad economic impacts and market disruptions) has heightened risks discussed in the risk factors described in this offering memorandum.*

### Risks Related to our Indebtedness

***Our substantial leverage or that of our majority shareholder Bohai could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry, expose us to interest rate risk to the extent of our variable interest rate debt and prevent us from meeting our obligations under the notes.***

We are highly leveraged. As of March 31, 2023, we had \$18.9 billion of consolidated total indebtedness outstanding (excluding fair value adjustments, debt issuance costs, debt discounts and debt premiums), \$6.5 billion of which was secured (with a further \$5.1 billion available for borrowing under undrawn facilities, consisting of \$2.0 billion of committed secured debt and \$3.1 billion of unsecured credit facilities). In addition, our consolidated interest expense for the three months ended March 31, 2023, was \$200.0 million and for the year ended December 31, 2022 was \$676.4 million. Due to the capital intensive nature of our business and our strategy of expanding our aircraft portfolio, we expect that we will incur additional indebtedness in the future. If market conditions worsen and precipitate further declines in aircraft- and aviation-related markets, our operations may not generate sufficient cash to service our debt which will have a material adverse impact on us. Specifically, our substantial level of indebtedness:

- requiring a substantial portion of cash flow from operations to be dedicated to the payment of principal and interest on our indebtedness, therefore reducing our ability to use our cash flow to fund our operations, capital expenditures and future business opportunities;
- making it more difficult for us to satisfy our obligations with respect to our indebtedness, including the notes, and any failure to comply with the obligations of any of our debt instruments, including restrictive covenants and borrowing conditions, could result in an event of default under the indenture governing the notes and the agreements governing such other indebtedness;
- restricting us from making strategic acquisitions or causing us to make non-strategic divestitures;
- limiting our ability to obtain additional financing for working capital, capital expenditures, product development, debt service requirements, acquisitions and general corporate or other purposes;
- limiting our flexibility in planning for, or reacting to, changes in our business or market conditions and placing us at a competitive disadvantage compared to our competitors who are less highly leveraged and who therefore may be able to take advantage of opportunities that our leverage prevents us from exploiting; and
- may make us more vulnerable to downturns in our business, our industry or the economy in general.

The substantial leverage of our majority shareholder Bohai, including leverage incurred to fund an equity contribution previously made to us and the substantial indebtedness incurred by our direct 70% equity owner GALC, could have also have similar effects, as well as make it more difficult to provide shareholder support in the future. See “—Risks Related to Our Business and Our Industry—Our ability to obtain debt financing and our cost of debt financing are dependent, in part, upon our credit ratings and those of our shareholders, Bohai and ORIX Aviation, and a downgrade of these ratings could adversely impact our financial condition, cash flow and results of operations,” “—Risks Related to Our Shareholders and Related Parties — The financial condition of our direct and indirect parent companies subjects us and our operations to additional risks,” “—Risks Related to Our Shareholders and Related Parties— We are indirectly majority owned and controlled by Bohai and its interests as equity holder may conflict with those of our noteholders,” “—Risks Related to Our Shareholders and Related Parties—We have made intercompany loans to, and entered into related party transactions with, affiliates in the past and may be requested to enter into additional related party transactions in the future,” “Certain Relationships and Related Party Transactions” and “Principal Shareholders”, each in the Appendix attached to this offering memorandum. There can be no assurance that the ORIX Transaction and the limitations on Bohai’s control as majority shareholder provided for in the Shareholders’ Agreement will positively impact these issues.

Any of these circumstances could have a material adverse effect on our financial condition, cash flow and results of operations.

***Despite our high indebtedness level, we and our subsidiaries will still be able to incur significant additional amounts of debt, which could further exacerbate the risks associated with our substantial indebtedness.***

We and our subsidiaries expect to be able to incur substantial additional indebtedness in the future, including secured debt. Although the agreements governing certain of our indebtedness (including the credit agreement governing the Term Loan Facility) contain restrictions on our ability to incur additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and, under certain circumstances, the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial. As of March 31, 2023, Avolon had \$5.1 billion of availability under undrawn debt facilities, consisting of \$2.0 billion of committed secured debt and \$3.1 billion of unsecured credit facilities. If new debt is added to our and our subsidiaries’ existing debt levels, the related risks that we now face would increase. In addition, the indenture governing the notes will not prevent us from incurring obligations that do not constitute indebtedness under those agreements.

***A portion of our debt bears interest at a variable rate, which subjects us to interest rate risk and could cause our debt service obligations to increase significantly.***

A portion of our debt, including borrowings under our Term Loan Facility and our revolving credit facilities, bears interest at variable rates and exposes us to interest rate risk. If the market interest rate increases, the interest expense we incur on this variable rate indebtedness would increase even though the amount borrowed would remain the same. As a result, to the extent we are not sufficiently hedged, changes in interest rates may increase our interest costs and may reduce the spread between the returns on our portfolio investments and the cost of our borrowings. We hedge a majority of the combined company debt through a combination of interest rate caps, interest rate swaps and other derivatives. We also benefit from natural hedges where the underlying lease revenue under our leases is floating. Although we may enter into additional interest rate swaps to reduce interest rate volatility, we cannot assure you that we will be able to do so or that such swaps will be effective.

***We will require a significant amount of cash to service our indebtedness. Our ability to service our indebtedness depends on many factors.***

Our ability to pay principal and interest on and to refinance our debt, including the notes, depends upon the operating performance of our subsidiaries, which will be affected by, among other things, general economic, financial, competitive, legislative, regulatory and other factors, some of which are beyond our control. We cannot assure you that our subsidiaries will generate sufficient cash flow from their operations or that future borrowings will be available to us in an amount sufficient to enable us to pay our indebtedness, including the notes, or to fund our other liquidity needs. In addition, the indenture governing the notes will allow us to make significant restricted

payments and other dividends. The making of such restricted payments or other dividend payments could affect our ability to pay principal and interest on our debt. We may need to refinance all or a portion of our indebtedness, including the notes, on or before the stated maturity of such indebtedness. We cannot assure you that we will be able to refinance any of our indebtedness, including the notes, on commercially reasonable terms, on terms acceptable to us or at all.

## **Risks Related to the Notes**

***Avolon is primarily a holding company with very limited operations and may not have access to sufficient cash to make payments on the notes.***

Avolon is primarily a holding company with very limited operations. Its only significant assets are the equity interests of its directly held subsidiaries. As a result, Avolon is dependent primarily upon dividends and other payments from its subsidiaries to generate the funds necessary to meet its outstanding debt service and other obligations, and such dividends may be restricted by law or the instruments governing its subsidiaries' indebtedness. Its subsidiaries may not generate sufficient cash from operations to enable Avolon to make principal and interest payments on its indebtedness, including the notes. In addition, its subsidiaries are separate and distinct legal entities and, except for existing and future subsidiaries that will be the guarantors of the notes, any payments of dividends, distributions, loans or advances to Avolon by its subsidiaries could be subject to legal and contractual restrictions on dividends. In addition, payments to Avolon by its subsidiaries will be contingent upon its subsidiaries' earnings. Additionally, we may be limited in our ability to cause any existing or future joint ventures to distribute their earnings to us. We cannot assure you that agreements governing the current and future indebtedness of our subsidiaries will permit those subsidiaries to provide Avolon with sufficient cash to fund payments of principal, premiums, if any, and interest on the notes when due. In the event that Avolon does not receive distributions or other payments from its subsidiaries, it may be unable to make required payments on the notes.

***The notes and the guarantees will be effectively subordinated to the Issuer's and the Guarantors' existing and future secured indebtedness to the extent of the value of the assets securing that indebtedness.***

The notes will not be secured by any of the Issuer's or the Guarantors' assets; provided, however, that the Issuer may be required to secure the notes in connection with the incurrence of certain liens under indebtedness in the future. As a result, the notes and the guarantees will be effectively subordinated to the Issuer's and the Guarantors' indebtedness with respect to the assets that secure such indebtedness, including the Term Loan Facility. As of March 31, 2023, we had \$18.9 billion of total outstanding indebtedness (excluding fair value adjustments, debt issuance costs, debt discounts and debt premiums), of which \$6.5 billion was secured with a further \$5.1 billion available for borrowing under undrawn debt facilities, consisting of \$2.0 billion of committed secured debt and \$3.1 billion of unsecured credit facilities. In addition, we and our subsidiaries may incur additional secured debt in the future. As a result of this effective subordination, upon a default in payment on, or the acceleration of, any of this secured indebtedness, or in the event of bankruptcy, insolvency, liquidation, dissolution or reorganization of our company or a subsidiary, the proceeds from the sale of assets securing our or such subsidiary's secured indebtedness will be available to pay obligations on the notes and other unsecured obligations only after such secured debt has been paid in full. Consequently, the holders of the notes may receive less, ratably, than the holders of secured debt in the event of our or our subsidiaries' bankruptcy, insolvency, liquidation, dissolution or reorganization even if those subsidiaries in the future guarantee the notes.

***The notes will be structurally subordinated to all obligations of Avolon's existing and future non-guarantor subsidiaries.***

The notes will be guaranteed by Avolon, Avolon Aerospace, CIT Aerospace LLC, CIT Group Finance (Ireland) Unlimited Company, CIT Aviation Finance III Ltd. and CIT Aerospace International Unlimited Company. No other subsidiaries of Avolon will guarantee the notes. Other than the guarantees and the Issuer's direct obligation on the notes, our subsidiaries will have no obligation, contingent or otherwise, to pay amounts due under the notes or to make any funds available to pay those amounts, whether by dividend, distribution, loan or other payment. The notes will be structurally subordinated to all indebtedness and other liabilities (including trade payables) of any non-guarantor subsidiary of the Issuer such that in the event of bankruptcy, insolvency, liquidation, reorganization,

dissolution or other winding up of any such subsidiary, all of that subsidiary's creditors (including trade creditors) would be entitled to payment in full out of that subsidiary's assets before we would be entitled to any payment. The indenture governing the notes will permit these subsidiaries to incur additional indebtedness and will not contain any limitation on the amount of other liabilities, such as trade payables, that may be incurred by these subsidiaries.

Our subsidiaries generate substantially all our consolidated revenue. As of March 31, 2023, our non-guarantor subsidiaries (other than the Issuer) held 66% of our aircraft assets and had \$18.0 billion of total assets and had total liabilities, including trade payables (but excluding intercompany liabilities) of \$8.0 billion, of which \$6.5 billion was secured (with a further \$1.2 billion available for borrowing under undrawn committed secured debt facilities) all of which would have been structurally senior to the notes. In addition, for the years ended December 31, 2022, 2021, and 2020, our non-guarantor subsidiaries (other than the Issuer) generated or would have generated total revenues of \$1,589.7 million, \$1,423.5 million and \$1,083.0 million, respectively and Adjusted EBITDA of \$1,585.3 million, \$1,493.0 million and \$1,273.8 million, respectively. In addition, our subsidiaries that provide future guarantees will be automatically released from those guarantees upon the occurrence of certain events, including the sale or other disposition, including the sale of substantially all the assets, of that subsidiary guarantor.

If any guarantee is released, no holder of the notes will have a claim as a creditor against that subsidiary, and the indebtedness and other liabilities, including trade payables, whether secured or unsecured, of that subsidiary will be effectively senior to the claim of any holders of the notes. See "Description of Notes— Guarantees."

***The limited covenants applicable to the notes may not provide protection against some events or developments that may affect our ability to repay the notes or the trading prices for the notes, but covenants in the credit agreement governing the Term Loan Facility or our other indebtedness may limit our flexibility.***

The indenture governing the notes offered hereby will not and the indentures governing the Existing Notes do not, among other things:

- require us to maintain any financial ratios or specific levels of net worth, revenues, income, cash flow or liquidity and, accordingly, do not protect holders of the notes in the event that we experience significant adverse changes in our financial condition or results of operations;
- limit our ability to incur indebtedness, including secured indebtedness (subject to compliance with the lien covenant), that is senior to or equal in right of payment to the notes; or
- limit our subsidiaries' ability to incur secured (subject to compliance with the lien covenant) or unsecured indebtedness, which, in the case of non-guarantor subsidiaries (other than the applicable Issuer), would be structurally senior to the notes.

For these reasons, you should not consider the lien, dividend and other payments, or merger and consolidation covenants in the indentures as significant protections against events or developments that may affect our ability to repay the notes or the trading prices for the notes. However, such covenants may still result in adverse impacts on our ability to conduct our business.

The credit agreement governing the Term Loan Facility contains certain covenants that limit the Term Loan Borrowers', the Guarantors' and certain of their subsidiaries' ability to:

- incur additional indebtedness;
- engage in transactions with affiliates;
- sell, transfer, lease or otherwise dispose of assets, subject to a minimum loan to value ratio;
- consolidate, merge, liquidate or dissolve; and



- incur liens.

In addition, the credit agreement governing the Term Loan Facility contains certain maintenance covenants that limit the Term Loan Borrowers', the Guarantors' and certain of their subsidiaries' operating and financial flexibility, including requirements to (i) maintain a minimum loan to value ratio, (ii) maintain a maximum average age of pool aircraft and (iii) meet certain Term Collateral pool specifications.

Additionally, the credit agreement governing the Term Unsecured Facility contains certain covenants that limit:

- Avolon's ability to fall below a certain threshold for consolidated shareholders' equity;
- Avolon's ability to fall below a certain consolidated interest coverage ratio; and
- Avolon Aerospace's ability to pay dividends or other distributions.

A default under the covenants applicable to the Term Loan Facility or Term Unsecured Facility, as applicable, may result in a cross-default under the indenture governing the notes. If any of our debt is accelerated, we may not be able to repay our debt or borrow sufficient funds to refinance it. Even if we are able to obtain new financing, it may not be on commercially reasonable terms or on terms that are acceptable to us. If our debt is in default for any reason, our business, financial condition and results of operations could be materially and adversely affected. Complying with the covenants applicable to the Term Loan Facility and/or the Term Unsecured Facility and, in certain circumstances, the indenture governing the notes or agreements governing our other indebtedness may cause us to take actions that are not favorable to holders of the notes and may make it more difficult for us to successfully execute our business strategy and compete against companies that are not subject to such covenants. Additionally, we may, in the ordinary course of business, enter into other credit facilities that may impose similar or additional covenants on Avolon or its subsidiaries.

***The Issuer may not be able to repurchase the notes upon a change of control repurchase event, and not every change of control or other significant transaction will constitute a change of control repurchase event.***

Upon the occurrence of a Change of Control Repurchase Event, unless the Issuer has exercised its right to redeem the notes, each holder of the notes will have, the right to require it to repurchase all or any part of such holder's notes at a price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase. If the Issuer experiences a Change of Control Repurchase Event, there can be no assurance that the Issuer would have sufficient financial resources available to satisfy our obligations to repurchase the notes and any other indebtedness that may be required to be repaid or repurchased as a result of such event. The Issuer's failure to repurchase the notes as required under the indenture governing the notes would result in a default under the indenture, which could have material adverse consequences for the Issuer and the holders of the notes. A default under the indenture could also lead to a default under the agreements governing the Issuer's or the Guarantors' existing or future indebtedness. See "Description of Notes— Repurchase upon Change of Control Repurchase Event."

Additionally, under certain of the agreements governing our other indebtedness, a change of control (as defined therein) may constitute an event of default thereunder, but not constitute a Change of Control Repurchase Event with respect to the notes, and may permit the lenders to accelerate the maturity of such indebtedness or may require us to offer to purchase such other indebtedness, often at a premium. In addition, certain important corporate events, such as leveraged recapitalizations, may not, under the indenture, constitute a Change of Control Repurchase Event that would require us to repurchase the notes, even though those corporate events could increase the level of our indebtedness or otherwise adversely affect our capital structure, credit ratings or the value of the notes. Similarly, a change in control of GALC may not result in a change of control of the Issuer under the indenture, but may result in the requirement that GALC repurchases its debt securities.

***Holders of the notes may not be able to determine when a change of control giving rise to their right to have the notes repurchased has occurred following a sale of “substantially all” of our assets.***

One of the circumstances under which a change of control may occur is upon the sale, lease or other transfer of “all or substantially all” of our consolidated assets. There is no precise, established definition of the phrase “substantially all” under applicable law and the interpretation of that phrase will likely depend upon particular facts and circumstances. Accordingly, the ability of a holder of notes to determine that such holder may require us to repurchase its notes as a result of a sale of all or substantially all of our consolidated assets to another person may be uncertain.

***The notes are subject to restrictions on transfer.***

The notes have not been and will not be registered under the Securities Act or any state securities laws. Absent registration, the notes may be offered or sold only in transactions that are not subject to, or that are exempt from, the registration requirements of the Securities Act and applicable state securities laws. We are not required to register the notes for resale under the Securities Act or the securities laws of any other jurisdiction and are not required to offer to exchange the notes for notes registered under the Securities Act or the securities laws of any other jurisdiction and we have no present intention to do so. See “Notice to Investors.”

***An active trading market may not develop or be maintained for the notes.***

The notes are a new issue of securities. There is no active public trading market for the notes. The initial purchasers of the notes have informed us that they intend to make a market in the notes. However, the initial purchasers have no obligation to do so and may cease their market-making at any time. Therefore, we cannot assure you that an active trading market for the notes will develop or, if one develops, that it will continue. We intend to list the notes on Euronext Dublin following completion of this offering. This offering memorandum does not constitute listing particulars for the purpose of the application. We cannot assure you, however, that this application will be accepted. Even if the notes are approved for listing on the Official List of Euronext Dublin, we cannot assure you that an active trading market will develop for the notes, or if one does develop, that it will be liquid. In addition, recent amendments to Exchange Act Rule 15c2-11 and regulatory interpretations thereof by the United States Securities and Exchange Commission (the “SEC”) may further restrict the ability of brokers and dealers to publish quotations on the notes on any interdealer quotation system or other quotation medium.

***Volatile trading prices may require you to hold the notes for an indefinite period of time.***

If a market develops for the notes, the notes may trade at prices higher or lower than their initial offering price. The trading price would depend on many factors, such as prevailing interest rates, the market for similar securities, general economic conditions and our financial condition, performance and prospects. Historically, the market for non-investment grade debt has been subject to disruptions that have caused substantial fluctuation in the prices of these securities. Disruptions of this type could have an adverse effect on the price of the notes. You should be aware that you may be required to bear the financial risk of an investment in the notes for an indefinite period of time.

***Credit ratings on the notes may not reflect all risks and a reduction in the rating of the notes may cause their trading price to fall.***

One or more credit rating agencies are expected to assign credit ratings to the notes. Any such ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above or incorporated by reference herein and other factors that may affect the value of the notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time. Ratings agencies may also lower ratings on the notes in the future. If rating agencies reduce, or indicate they may reduce, their ratings in the future, the trading price of the notes could significantly decline.

***Federal and state fraudulent transfer laws may permit a court to void the notes and any of the guarantees, subordinate claims in respect of the notes and require noteholders to return payments received by us or the Guarantors and, if that occurs, you may not receive any payments on the notes.***

Federal and state fraudulent transfer and conveyance statutes may apply to the issuance of the notes and the guarantees thereof. Under federal bankruptcy law and comparable provisions of state fraudulent transfer or conveyance laws, which may vary from state to state, the notes and any guarantee thereof could be voided as a fraudulent transfer or conveyance if (1) such indebtedness was incurred with the intent of hindering, delaying or defrauding creditors or (2) less than reasonably equivalent value or fair consideration in return for such indebtedness and, in the case of (2) only, one of the following is also true at the time thereof:

- the Issuer or any of the Guarantors were insolvent or rendered insolvent by reason of the incurrence of such indebtedness;
- the issuance of such indebtedness left the Issuer or any of the Guarantors with an unreasonably small amount of capital to carry on business; or
- the Issuer or any of the Guarantors intended to, or believed that it would, incur debts beyond its ability to pay such debts as they mature.

Claims described under subparagraph (1) above are generally described as intentional fraudulent conveyances, while those under subparagraph (2) above are constructive fraudulent conveyances. A court would likely find that the Issuer or the applicable Guarantor did not receive reasonably equivalent value or fair consideration for the indebtedness incurred if such if the Issuer or such Guarantor did not substantially benefit directly or indirectly from the incurrence of such indebtedness. As a general matter, value is given for a transfer or an obligation if, in exchange for the transfer or obligation, property is transferred or antecedent debt is secured or satisfied. To the extent that the fraudulent conveyance analysis turns on insolvency, as with a constructive fraudulent conveyance, the insolvency determination is an intensely factual one, which is supposed to be conducted based on current conditions rather than with the benefit of hindsight. Generally, an entity would be considered insolvent if, at the time it incurred indebtedness, insolvency was present based on one of three alternative tests described above. For purposes of evaluating solvency under the first of these tests, a court would evaluate whether the sum of an entity's debts, including contingent liabilities in light of the probabilities of their incurrence, was greater than the fair saleable value of all its assets. Similar laws of other jurisdictions governing the Guarantors also apply.

If a court were to find that the issuance of the notes, or any guarantee thereof, was a fraudulent transfer or conveyance, the court could void the payment obligations under the notes or guarantee, or subordinate the notes or guarantee to presently existing and future indebtedness of ours, or require the holders of the notes to repay any amounts received with respect to such notes or guarantee. In the event of a finding that a fraudulent transfer or conveyance occurred, you may not receive any repayment on the notes or guarantee.

***Enforcing your rights as an investor in the notes or under the guarantees across multiple jurisdictions may be difficult.***

The notes will be issued and guaranteed by entities that are organized under the laws of the Cayman Islands, Ireland, Bermuda and the United States. In the event of bankruptcy, insolvency or a similar event, proceedings could be initiated in any of these jurisdictions or in the jurisdiction of organization of a future guarantor. Your rights under the notes and the guarantees will be subject to the laws of several jurisdictions and you may not be able to enforce effectively your rights in multiple bankruptcies, insolvency and other similar proceedings. Moreover, such multi-jurisdictional proceedings are typically complex and costly for creditors and often result in substantial uncertainty and delay in the enforcement of creditors' rights.

In addition, the bankruptcy, insolvency, currency exchange, administration and other laws of the various jurisdictions in which the Issuer and the Guarantors are located may be materially different from or in conflict with one another and those of the United States, including in respect of creditors' rights, priority of creditors, the ability to obtain post-petition interest and the duration of the insolvency proceeding. The consequences of the multiple

jurisdictions involved in the transaction could trigger disputes over which jurisdiction's law should apply and choice of law disputes which could adversely affect your ability to enforce their rights and to collect payment in full under the notes and the guarantees.

***There is uncertainty as to a holder's ability to enforce certain foreign civil liabilities in the Cayman Islands or Ireland.***

Avolon, Park and Avolon Holdings Funding are exempted companies incorporated with limited liability under the laws of the Cayman Islands, and their corporate headquarters are located in Ireland. In addition, substantially all of the subsidiary Guarantors are organized outside of the United States. Substantially all of Avolon's assets are located outside of the United States. In addition, most of Avolon's directors and officers are residents of jurisdictions other than the United States and all or a substantial portion of the assets of such persons are, or may be located, outside the United States. As a result, it may be difficult for noteholders to effect service of process within the United States upon them or to enforce judgments obtained in U.S. courts, including judgments predicated upon the civil liability provisions of the federal securities laws of the United States or any state of the United States against us.

We have been advised by our Cayman Islands legal counsel, Maples and Calder (Cayman) LLP, that the courts of the Cayman Islands are unlikely (i) to recognize or enforce against us judgments of courts of the United States predicated upon the civil liability provisions of the securities laws of the United States or any State; and (ii) in original actions brought in the Cayman Islands, to impose liabilities against us predicated upon the civil liability provisions of the securities laws of the United States or any State, so far as the liabilities imposed by those provisions are penal in nature. In those circumstances, although there is no statutory enforcement in the Cayman Islands of judgments obtained in the United States, the courts of the Cayman Islands will recognize and enforce a foreign money judgment of a foreign court of competent jurisdiction without retrial on the merits based on the principle that a judgment of a competent foreign court imposes upon the judgment debtor an obligation to pay the sum for which judgment has been given provided certain conditions are met. For a foreign judgment to be enforced in the Cayman Islands, such judgment must be final and conclusive and for a liquidated sum, and must not be in respect of taxes or a fine or penalty, inconsistent with a Cayman Islands judgment in respect of the same matter, impeachable on the grounds of fraud, or obtained in a manner, and/or be of a kind the enforcement of which is, contrary to natural justice or the public policy of the Cayman Islands (awards of punitive or multiple damages may well be held to be contrary to public policy). A Cayman Islands Court may stay enforcement proceedings if concurrent proceedings are being brought elsewhere.

In addition, it may be difficult to effect service of process within the United States on us or to enforce court judgments obtained in the United States against us in Ireland, including judgments based on the civil liability provisions of the U.S. federal or state securities laws. We have been advised by Maples and Calder (Ireland) LLP, Irish counsel to the Company, that the United States currently does not have a treaty with Ireland providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters.

However, a judgment obtained in the United States should be enforceable in the courts of Ireland if the following general requirements are met:

- the United States court had jurisdiction to hear the matter according to Irish conflict of law rules, in this respect submission to jurisdiction by us in the documents would satisfy this rule;
- the procedural rules of the United States court have been observed;
- the United States court has exercised jurisdiction in circumstances which as a matter of Irish law, an Irish court will recognize as justifying enforcement of the judgment and there is practical benefit to the party in whose favor the judgment has been made in having the judgment enforced in Ireland; and
- the judgment of the United States courts must be final and conclusive and the decree must be final and unalterable in the court which pronounces it.

Notwithstanding satisfaction of the above, the Irish courts may refuse to enforce a judgment of the courts of the United States for one of the following reasons:

- the judgment is not for a definite sum of money;
- the judgment was obtained by fraud, trick or deliberately misleading circumstances;
- the enforcement of the judgment in Ireland would be contrary to natural or constitutional justice;
- the judgment is contrary to Irish public policy or involves certain foreign laws which will not be enforced in Ireland;
- the judgment is not consistent with a judgment of the Irish courts in respect of the same matter; or
- jurisdiction cannot be obtained by the Irish courts over us in the enforcement proceedings by personal service in Ireland or outside Ireland under Order 11 of the Superior Courts Rules of Ireland.

An Irish court will also exercise its right to refuse enforcement if fresh evidence is adduced by any party thereto that could have been discovered prior to the U.S. judgment by reasonable diligence by such party and that shows such U.S. judgment to be erroneous. There is some uncertainty as to whether the courts of Ireland would recognize or enforce judgments of U.S. courts obtained against us or our directors or officers based on the civil liabilities provisions of the U.S. federal or state securities laws or hear actions against us or those persons based on those laws. Therefore, a final judgment for the payment of money rendered by any U.S. federal or state court based on civil liability, whether or not based solely on U.S. federal or state securities laws, would not automatically be enforceable in Ireland.

## **USE OF PROCEEDS**

We estimate that the net proceeds to us from the sale of the notes in this offering will be approximately \$734.8 million, after deducting the initial purchasers' discount and estimated offering expenses. We intend to use the net proceeds of this offering for general corporate purposes, which may include the future repayment of outstanding indebtedness.

## CAPITALIZATION

The following table sets forth our unrestricted cash and capitalization as of March 31, 2023, on an actual basis and on an as adjusted basis after giving effect to this offering and the application of the net proceeds therefrom as described in “Use of Proceeds.”

You should read this table in conjunction with “Use of Proceeds” and the condensed consolidated financial statements and related notes of Avolon included elsewhere in this offering memorandum and/or the Appendix attached hereto.

	<b>As of March 31, 2023</b>	
	<b>Avolon Historical</b>	<b>As Adjusted</b>
	<b>(dollars in thousands)</b>	
Avolon Unrestricted cash and cash equivalents .....	403,291	1,138,064
<b>Loans and borrowings<sup>(1)</sup></b>		
Non-recourse term facilities .....	16,571	16,571
Full Recourse term facilities .....	2,715,321	2,715,321
ECA and EXIM backed facilities .....	591,223	591,223
Secured Term Loan Facility .....	2,916,081	2,916,081
Warehouse Facility .....	238,423	238,423
Secured debt interest accrued but not paid .....	11,764	11,764
Lines of Credit .....	1,500,000	1,500,000
Term Unsecured Facility .....	272,500	272,500
5.125% Senior Notes due 2023 .....	416,467	416,467
5.50% Senior Notes due 2024 .....	765,290	765,290
3.95% Senior Notes due 2024 .....	977,179	977,179
5.25% Senior Notes due 2024 .....	671,682	671,682
2.875% Senior Notes due 2025 .....	1,098,850	1,098,850
2.125% Senior Notes due 2026 .....	750,000	750,000
4.25% Senior Notes due 2026 .....	1,000,000	1,000,000
4.375% Senior Notes due 2026 .....	745,215	745,215
5.50% Senior Notes due 2026 .....	650,000	650,000
3.25% Senior Notes due 2027 .....	650,000	650,000
2.528% Senior Notes due 2027 .....	2,000,000	2,000,000
2.75% Senior Notes due 2028 .....	750,000	750,000
2028 notes offered hereby .....	-	750,000
Unsecured debt interest accrued but not paid .....	114,767	114,767
<b>Total debt<sup>(2)</sup></b> .....	<b>18,851,333</b>	<b>19,601,333</b>
<b>Total Equity</b> .....	<b>7,975,603</b>	<b>7,975,603</b>
<b>Total capitalization</b> .....	<b>26,826,936</b>	<b>27,576,936</b>

(1) The numbers presented in this table are exclusive of any capitalized debt fees.

(2) On a historical and as adjusted basis, total debt does not include \$5.1 billion available to be drawn under Avolon’s committed debt facilities as of March 31, 2023.

## DESCRIPTION OF NOTES

### General

Certain terms used in this “Description of Notes” are defined under the heading “—Certain Definitions” herein. For purposes of this “Description of Notes,” references to “the Issuer,” “we,” “our” and “us” refer only to Avolon Holdings Funding Limited and not to any of its subsidiaries. Avolon Holdings Funding Limited is the Issuer of all of the Notes (as defined below) offered under this offering memorandum. Avolon Holdings Limited (the “Parent Guarantor”), Avolon Aerospace Leasing Limited, Park Aerospace Holdings Limited, CIT Aerospace LLC, CIT Group Finance (Ireland) Unlimited Company, CIT Aviation Finance III Ltd. and CIT Aerospace International Unlimited Company will guarantee all of the Notes offered hereby as of the Issue Date. Certain defined terms used in this “Description of Notes” but not defined herein have the meanings assigned to them in the Indenture.

The Issuer will issue \$750,000,000 aggregate principal amount of 6.375% senior notes due 2028 (the “Notes”) under an indenture to be dated as of May 4, 2023 (the “Indenture”) among the Issuer, the Guarantors and Computershare Trust Company, N.A., as trustee (the “Trustee”). The Notes will be senior unsecured obligations of the Issuer.

The Indenture will not limit the amount of Notes that may be issued thereunder, nor will it limit the amount of other debt or other securities that the Parent Guarantor or any of its Subsidiaries may issue. We may, from time to time, without the consent of the holders of the Notes, issue Notes under the Indenture in addition, and with identical terms (other than the public offering price, issue date and in some cases first interest payment date), to the Notes offered hereby (the “Additional Notes”), provided such Additional Notes are fungible for tax purposes with the Notes offered hereby or are issued under separate CUSIP numbers (or other relevant identifying numbers). The Notes issued in this offering and any Additional Notes subsequently issued under the Indenture will be treated as a single class for all purposes under the Indenture, except for certain waivers and amendments. The following summary of certain provisions of the Notes and the Indenture is not complete and you should refer to the provisions in the Indenture, which are controlling. Whenever we refer to provisions of the Indenture, those provisions are incorporated in this “Description of Notes” by reference as a part of the statements we are making, and the statements are qualified in their entirety by these references. The Indenture will not be qualified under the Trust Indenture Act of 1939, as amended, and none of the terms thereof will be incorporated into the Indenture or the Notes.

### Listing

Application will be made to Euronext Dublin for the Notes to be admitted to the Official List of Euronext Dublin and to trading on the Global Exchange Market of Euronext Dublin. We cannot assure you that such listing will be granted or maintained.

### Guarantees

The Notes will be jointly and severally guaranteed on a full and unconditional senior unsecured basis initially by the Parent Guarantor, Avolon Aerospace Leasing Limited, Park Aerospace Holdings Limited, CIT Aerospace LLC, CIT Group Finance (Ireland) Unlimited Company, CIT Aviation Finance III Ltd. and CIT Aerospace International Unlimited Company. The Guarantors will fully and unconditionally guarantee the payment of all of the principal of, and any premium and interest, if any, on, the Notes when due, whether at maturity or otherwise, and all other obligations of the Issuer under the Indenture. The obligations of each Guarantor under its Guarantee will be limited as necessary to prevent such Guarantee from being rendered voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally.

Each Guarantor that makes a payment under its Guarantee will be entitled to a contribution from each other Guarantor in an amount equal to such other Guarantor’s pro rata portion of such payment based on the respective net assets of all the Guarantors at the time of such payment determined in accordance with U.S. GAAP. If a Guarantee were to be rendered voidable, it could be subordinated by a court to all other indebtedness (including guarantees and



other contingent liabilities) of the applicable Guarantor and, depending on the amount of such indebtedness, a Guarantor's liability on its Guarantee could be reduced to zero.

In addition, the Parent Guarantor will cause each of its Subsidiaries that guarantees indebtedness under the Term Loan Facility or the Existing Notes after the Issue Date to, within 15 days of such other guarantee, to execute and deliver to the Trustee a supplemental indenture substantially in the form of supplemental indenture appearing as an exhibit to the Indenture pursuant to which such Subsidiary will guarantee payment of the Notes on the same terms and conditions as the original Guarantees from the initial Guarantors.

A Subsidiary Guarantor will be automatically released and relieved from all its obligations under its Guarantee in the following circumstances:

- (1) upon the sale or other disposition (including by way of consolidation or merger), in one transaction or a series of related transactions, of at least a majority of the total voting power of the capital stock or other interests of such Subsidiary Guarantor (other than to the Parent Guarantor or any of its Subsidiaries), as permitted under the Indenture;
- (2) upon the sale or disposition of all or substantially all the assets of such Subsidiary Guarantor (other than to the Parent Guarantor or any of its Subsidiaries), as permitted under the Indenture;
- (3) such Subsidiary Guarantor no longer guarantees (or which guarantee is being simultaneously released or will be immediately released after the release of the Subsidiary Guarantor) any indebtedness under the Term Loan Facility or the Existing Notes (other than in connection with a refinancing of the Term Loan Facility or the Existing Notes); or
- (4) the Issuer exercising its legal defeasance option or covenant defeasance option as described under “—Defeasance.”

The Parent Guarantor's Guarantee shall be automatically and unconditionally released only at such time as all of the Issuer's obligations under the Indenture have been discharged in a manner not in violation of the terms of the Indenture.

### **Maturity**

The Notes will mature on May 4, 2028.

### **Interest**

The Notes will bear interest at the rate of 6.375% per year. Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from and including the Issue Date. We will pay interest on the Notes semi-annually in arrears on May 4 and November 4 of each year to the persons in whose name the Notes are registered at the close of business on the preceding April 19, or October 19, respectively, whether or not a Business Day. We will make the first interest payment on the Notes on November 4, 2023.

Interest on the Notes will be computed on the basis of a 360-day year of twelve 30-day months. If any interest payment date, stated maturity date or redemption date of a Note is not a Business Day, the payment otherwise required to be made on such date may be made on the next Business Day with the same force and effect as if made on such interest payment date, stated maturity date or redemption date, as the case may be, and no interest shall accrue on the amount so payable for the period from and after such interest payment date, stated maturity date or redemption date, as the case may be. All payments will be made in U.S. dollars.

### **Payment of Additional Amounts**

All payments made by the Issuer or any Guarantor on the Notes or under or with respect to any Guarantee will be made without withholding or deduction for or on account of any present or future taxes, duties, levies,

imposts, assessments or similar governmental charges (including penalties, additions to tax and interest related thereto) (“*Taxes*”) unless the withholding or deduction of such Taxes is then required by law. If the Issuer or a Guarantor or any other applicable withholding agent is required by law to deduct or withhold Taxes imposed by or on behalf of the Cayman Islands, Ireland or another Relevant Tax Jurisdiction from any payment made with respect to the Notes or any Guarantee, the Issuer or Guarantor, as applicable, will pay (together with such payments) additional amounts to the extent described in this section. “Relevant Tax Jurisdiction” means the Cayman Islands, Ireland or any other jurisdiction in which the Issuer or a Guarantor is incorporated, organized or otherwise tax resident, subject to income or withholding tax by reason of doing business or maintaining a permanent establishment or through which payments are made on or with respect to the Notes or the Guarantees (including, in each case, any political subdivision or governmental authority of or in such jurisdiction having the power to tax).

The Issuer (or a Guarantor, as applicable) will pay such additional amounts (“*Additional Amounts*”) that may be necessary so that the net amount of each payment received by the beneficial owner on a Note or under or with respect to the Guarantee, after such withholding or deduction of Taxes imposed by or on behalf of a Relevant Tax Jurisdiction by any applicable withholding agent (including any such deduction or withholding from such Additional Amounts) will not be less than the amount provided for in that Note or Guarantee; provided, however, that neither the Issuer nor the Guarantors will pay Additional Amounts to any holder for or on account of any of the following:

- (1) any Tax imposed solely because at any time there is or was a connection (including being a citizen or resident or national of, subject to income or withholding tax by reason of doing business or maintaining a permanent establishment in a Relevant Tax Jurisdiction) between the holder (or between a fiduciary, settlor, beneficiary, member or shareholder of or possessor of power over the relevant holder if the holder is an estate, nominee, trust, partnership, limited liability company, or corporation) and the Relevant Tax Jurisdiction imposing the Tax (other than a connection resulting from the mere receipt of a payment under or in respect of, or the acquisition, ownership, disposition or holding of, or enforcement of rights under, a Note or the Guarantees);
- (2) any estate, inheritance, gift, sales, value added, excise, transfer, personal property Tax, or any similar Tax;
- (3) any Tax imposed solely because the holder (or if the holder is not the beneficial owner, the beneficial owner) fails to comply with any certification, identification or other reporting requirement concerning its nationality, residence, identity or connection with the taxing jurisdiction, provided that in each case compliance is required by law, or by an applicable income tax treaty to which the jurisdiction imposing the Tax is a party, as a precondition to an exemption from, or reduction in, the Tax for which such holder (or beneficial owner, as applicable) is eligible, the holder (or beneficial owner, as applicable) is legally eligible to provide such certification or identification, and the Issuer (or a Guarantor, as applicable) has given the holder at least 30 days’ notice that holders will be required to provide such information and identification;
- (4) any Tax with respect to a Note or a Guarantee presented for payment (where presentation is required) more than 30 days after the date on which payment became due and payable or the date on which payment thereof is duly provided for and notice thereof given to holders, whichever occurs later, except to the extent that the holder would have been entitled to Additional Amounts on presenting the Note for payment on any date during the 30-day period;
- (5) any Tax that is payable other than by deduction or withholding from a payment of the principal of, premium, if any, interest, or any other amounts on the Notes or under or with respect to any Guarantee;
- (6) any Tax required to be withheld or deducted pursuant to Section 1471 through 1474 of the Code, as of the Issue Date (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code as of the Issue Date (or any amended or successor version described above), and any applicable intergovernmental

agreement (including any law, regulation, rule or other administrative guidance implementing any such agreement) implementing the foregoing; and

- (7) any combination of (1) through (6) above.

The applicable withholding agent will make any required withholding or deduction and remit the full amount deducted or withheld to the Relevant Tax Jurisdiction in accordance with applicable law. If the Issuer or any Guarantor is the applicable withholding agent, we will provide the Trustee, for the benefit of the holders, with official receipts evidencing the payment of the Taxes with respect to which Additional Amounts are paid. If, notwithstanding our efforts to obtain such receipts, the same are not obtainable, we will provide the Trustee with other evidence reasonably satisfactory to the Trustee. In no event, however, shall we be required to disclose any information that we reasonably deem to be confidential. If Additional Amounts are payable on the Notes, we will provide an Officer's Certificate to the Trustee and to the Paying Agent prior to the time such Additional Amounts are payable setting forth the amount of such Additional Amounts in reasonable detail. Neither the Trustee nor the Paying Agent shall have any responsibility or liability for the determination, verification or calculation of any Additional Amounts.

Whenever in the Indenture, the Notes, any Guarantee or this "Description of Notes" there are mentioned in any context, (1) the payment of principal, (2) purchase prices or redemption prices in connection with a purchase or redemption of Notes, (3) interest, or (4) any other amount payable on or with respect to the Notes or any Guarantee, such reference shall be deemed to include payment of Additional Amounts as described under this heading to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Issuer and the Guarantors will also indemnify and reimburse holders for any stamp, issue, registration, court, documentary or similar Taxes, imposed by any Relevant Tax Jurisdiction in connection with any payment on the Notes or the Guarantees or the execution, delivery, or registration of any Note, any Guarantee, the Indenture, or other related documents and obligations, or by any jurisdiction on the enforcement of any Note, any Guarantee, the Indenture, or other related documents and obligations.

The foregoing obligations will survive any termination, defeasance or discharge of the Indenture, and will apply mutatis mutandis to any successor to the Issuer or any Guarantor and to any jurisdiction in which such successor is incorporated, organized or otherwise tax resident, subject to income or withholding tax by reason of doing business or maintaining a permanent establishment or through which such successor (or its paying agent) makes payments on or with respect to the Notes or the Guarantees and, in each case, any political subdivision or governmental authority thereof or therein having the power to tax.

## **Ranking**

The Notes and the Guarantees will be senior unsecured obligations of the Issuer and the Guarantors and will rank equal in right of payment with any existing and future unsecured senior indebtedness of the Issuer and the applicable Guarantor, without giving effect to collateral arrangements. The Notes and the Guarantees will be effectively subordinated to all secured indebtedness of the Issuer and the Guarantors to the extent of the value of the pledged assets and will be structurally subordinated to all indebtedness and other liabilities of any Subsidiary of the Parent Guarantor (other than the Issuer) that does not guarantee the Notes. The Notes and the Guarantees will be senior in right of payment to any existing and future obligations of the Issuer and the Guarantors that are expressly subordinated or junior in right of payment to the Notes or the applicable Guarantee pursuant to a written agreement.

## **Denominations**

The authorized minimum denominations of the Notes will be \$2,000 or any amount in excess of \$2,000 which is an integral multiple of \$1,000.

## Optional Redemption

Prior to April 4, 2028 (one month prior to their maturity date) (the “Par Call Date”), the Issuer may redeem the Notes at its option, in whole or in part, at any time and from time to time, at a redemption price (expressed as a percentage of principal amount and rounded to three decimal places) equal to the greater of:

(1) (a) the sum of the present values of the remaining scheduled payments of principal and interest thereon discounted to the redemption date (assuming the Notes matured on the Par Call Date) on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 45 basis points less (b) interest accrued to the date of redemption, and

(2) 100% of the principal amount of the Notes to be redeemed,

plus, in either case, accrued and unpaid interest thereon to the redemption date.

On or after the Par Call Date, the Issuer may redeem the Notes, in whole or in part, at any time and from time to time, at a redemption price equal to 100% of the principal amount of the Notes being redeemed plus accrued and unpaid interest thereon to the redemption date.

“*Treasury Rate*” means, with respect to any redemption date, the yield determined by the Issuer in accordance with the following two paragraphs.

The Treasury Rate shall be determined by the Issuer after 4:15 p.m., New York City time (or after such time as yields on U.S. government securities are posted daily by the Board of Governors of the Federal Reserve System), on the third business day preceding the redemption date based upon the yield or yields for the most recent day that appear after such time on such day in the most recent statistical release published by the Board of Governors of the Federal Reserve System designated as “Selected Interest Rates (Daily) - H.15” (or any successor designation or publication) (“H.15”) under the caption “U.S. government securities–Treasury constant maturities–Nominal” (or any successor caption or heading). In determining the Treasury Rate, the Issuer shall select, as applicable: (1) the yield for the Treasury constant maturity on H.15 exactly equal to the period from the redemption date to the Par Call Date (the “Remaining Life”); or (2) if there is no such Treasury constant maturity on H.15 exactly equal to the Remaining Life, the two yields – one yield corresponding to the Treasury constant maturity on H.15 immediately shorter than and one yield corresponding to the Treasury constant maturity on H.15 immediately longer than the Remaining Life – and shall interpolate to the Par Call Date on a straight-line basis (using the actual number of days) using such yields and rounding the result to three decimal places; or (3) if there is no such Treasury constant maturity on H.15 shorter than or longer than the Remaining Life, the yield for the single Treasury constant maturity on H.15 closest to the Remaining Life. For purposes of this paragraph, the applicable Treasury constant maturity or maturities on H.15 shall be deemed to have a maturity date equal to the relevant number of months or years, as applicable, of such Treasury constant maturity from the redemption date.

If on the third business day preceding the redemption date H.15 or any successor designation or publication is no longer published, the Issuer shall calculate the Treasury Rate based on the rate per annum equal to the semi-annual equivalent yield to maturity at 11:00 a.m., New York City time, on the second business day preceding such redemption date of the United States Treasury security maturing on, or with a maturity that is closest to, the Par Call Date, as applicable. If there is no United States Treasury security maturing on the Par Call Date but there are two or more United States Treasury securities with a maturity date equally distant from the Par Call Date, one with a maturity date preceding the Par Call Date and one with a maturity date following the Par Call Date, the Issuer shall select the United States Treasury security with a maturity date preceding the Par Call Date. If there are two or more United States Treasury securities maturing on the Par Call Date or two or more United States Treasury securities meeting the criteria of the preceding sentence, the Issuer shall select from among these two or more United States Treasury securities the United States Treasury security that is trading closest to par based upon the average of the bid and asked prices for such United States Treasury securities at 11:00 a.m., New York City time. In determining the Treasury Rate in accordance with the terms of this paragraph, the semi-annual yield to maturity of the applicable United States Treasury security shall be based upon the average of the bid and asked prices (expressed as a percentage of principal amount) at 11:00 a.m., New York City time, of such United States Treasury security, and rounded to three decimal places.

The Issuer's actions and determinations in determining the redemption price shall be conclusive and binding for all purposes, absent manifest error.

Notice of any redemption will be mailed or electronically delivered (or otherwise transmitted in accordance with the depository's procedures) at least 10 days but not more than 60 days before the redemption date to each holder of notes to be redeemed.

In the case of a partial redemption, selection of the notes for redemption will be made pro rata, by lot or by such other method as the Trustee deems appropriate and fair. No notes of a principal amount of \$2,000 or less will be redeemed in part. If any note is to be redeemed in part only, the notice of redemption that relates to the note will state the portion of the principal amount of the note to be redeemed. A new note in a principal amount equal to the unredeemed portion of the note will be issued in the name of the holder of the note upon surrender for cancellation of the original note. For so long as the notes are held by The Depository Trust Company ("DTC") (or another depository), the redemption of the notes shall be done in accordance with the policies and procedures of the depository.

Unless the Issuer defaults in payment of the redemption price, on and after the redemption date interest will cease to accrue on the notes or portions thereof called for redemption.

Any optional redemption notice may, at the Issuer's discretion, be subject to one or more conditions precedent, including completion of a corporate transaction. In such event, the related notice of redemption shall describe each such condition and, if applicable, shall state that, at the Issuer's discretion, the date of redemption may be delayed until such time (including more than 60 days after the date the notice of redemption was mailed or delivered, including by electronic transmission) as any or all such conditions shall be satisfied (or waived by the Issuer in its sole discretion), or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied or waived by the date of redemption, or by the date of redemption as so delayed. The Issuer shall provide written notice to the Trustee prior to the close of business two Business Days prior to the redemption date (or such shorter period as may be acceptable to the Trustee) if any such redemption has been rescinded or delayed, and upon receipt the Trustee shall provide such notice to each holder of the Note in the same manner in which the notice of redemption was given.

### **Redemption for Taxation Reasons**

If, as a result of any change in, or amendment to, the laws or treaties (or any regulations, rulings, protocols or multi-lateral instruments) of the Relevant Tax Jurisdiction, or any change in, or amendments to, an official position regarding the application or interpretation of such laws or treaties, which change or amendment in each case is announced and becomes effective on or after the Issue Date (or, in the case of a successor to the Issuer, the date of succession), or if a Relevant Tax Jurisdiction becomes a Relevant Tax Jurisdiction after the Issue Date (or in the case of a successor to the Issuer, the date of succession), after such later date, the Issuer is, or will become, obligated to pay Additional Amounts as described herein under the heading "—Payment of Additional Amounts" with respect to the Notes, and such obligation cannot be avoided by taking reasonable measures available to it, then the Issuer may redeem, in whole, but not in part, the Notes on not less than 30 nor more than 60 days prior notice, at a redemption price equal to 100% of their principal amount, together with accrued and unpaid interest, to, but excluding, the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date) and Additional Amounts, if any, then due and which will become due as a result of the redemption or otherwise.

Notwithstanding the foregoing, no notice of redemption for taxation reasons will be given (a) earlier than 90 days prior to the earliest date on which the Issuer would be obligated to pay Additional Amounts and (b) unless at the time such notice is given, such obligation to pay Additional Amounts remains in effect. Prior to the mailing or sending of any notice of redemption of the Notes pursuant to the foregoing, the Issuer will deliver to the Trustee at least five days prior to the date such notice of redemption is to be sent (i) an Officer's Certificate stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to its right so to redeem have been satisfied, and (ii) an opinion of an independent tax counsel of recognized standing in the laws of the relevant jurisdiction to the effect that there has been such amendment or change which would entitle the Issuer to redeem the Notes hereunder.

The foregoing provisions will apply mutatis mutandis to any successor to the Issuer.

### **Repurchase Upon Change of Control Repurchase Event**

Upon the occurrence of a Change of Control Repurchase Event, unless we have exercised our right to redeem all of the Notes as described under “—Optional Redemption,” we will make an offer to purchase all the Notes as described below (the “*Change of Control Offer*”), at a purchase price in cash equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to, but not including, the date of purchase (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date) and Additional Amounts, if any, then due and which will become due as a result of the redemption or otherwise.

Within 30 days following the date upon which the Change of Control Repurchase Event occurred, or at our option, prior to any Change of Control but after the public announcement of the pending Change of Control, we will be required to provide a notice to each holder of Notes, with a copy to the Trustee, which notice will govern the terms of the Change of Control Offer. Such notice will state, among other things, the purchase date, which must be no earlier than 30 days nor later than 60 days from the date such notice is sent, other than as may be required by law (the “*Change of Control Payment Date*”). The notice, if sent prior to the date of consummation of the Change of Control, will state that the Change of Control Offer is conditioned on the Change of Control being consummated on or prior to the Change of Control Payment Date; provided, that if such Change of Control is consummated after such proposed Change of Control Payment Date and such Change of Control is therefore not consummated, the Issuer shall make a Change of Control Offer within 30 days following the later of the consummation of such Change of Control or a Below Investment Grade Rating Event.

Holders of Notes electing to have Notes purchased pursuant to a Change of Control Offer will be required to surrender such Notes, with the form entitled “Option of Holder to Elect Purchase” on the reverse of such Notes completed, to DTC at the address specified in the notice, or transfer such Notes to DTC by book-entry transfer pursuant to the applicable procedures of DTC, prior to the close of business on the third Business Day prior to the Change of Control Payment Date.

If the Change of Control Payment Date is on or after an interest record date and on or before the related interest payment date, any accrued and unpaid interest to the Change of Control Payment Date will be paid on the relevant interest payment date to the Person in whose name a Note is registered at the close of business on such record date.

We will not be required to make a Change of Control Offer if a third party makes such an offer in the manner, at the times and otherwise in compliance with the requirements for such an offer made by us and such third party purchases all Notes validly tendered and not withdrawn under its offer.

The Issuer will comply, to the extent applicable, with the requirements of Rule 14c-1 under the Securities Exchange Act of 1934, as amended (the “*Exchange Act*”) and any other securities laws or regulations in connection with the repurchase of Notes pursuant to a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of the conflict.

The Change of Control provisions described above may deter certain mergers, tender offers and other takeover attempts involving the Parent Guarantor by increasing the capital required to effectuate such transactions. The definition of “Change of Control” includes a disposition of all or substantially all of the consolidated assets of the Parent Guarantor and its Subsidiaries taken as a whole under certain circumstances. Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of “all or substantially all” of the property or assets of a Person. As a result, it may be unclear as to whether a Change of Control has occurred and whether the Issuer is obligated to make an offer to repurchase the Notes as described above. See “Risk Factors—Risks Related to the Notes— Holders of the notes may not be able to determine when a change of control giving rise to their right to have the notes repurchased has occurred following a sale of “substantially all” of our assets.” Certain provisions under the Indenture relative to the Issuer’s

obligation to make an offer to repurchase the Notes as a result of a Change of Control may be waived or modified with the written consent of the holders of a majority in principal amount of the Notes.

## **Defeasance**

The Issuer may, at its option and at any time, elect to have all of its and the Guarantors' obligations discharged with respect to the outstanding Notes and Guarantees (subject to the survival of certain provisions) ("*legal defeasance*") or to be released from its and the Guarantors' obligations under certain of the covenants governing the Notes ("*covenant defeasance*"), in each case, to the extent set forth in, and subject to the terms of, the Indenture.

The Issuer may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Issuer exercises its legal defeasance option, payment of the Notes may not be accelerated because of an Event of Default (as described in "*—Events of Default*") with respect to the Notes. If the Issuer exercises its covenant defeasance option, payment of the Notes may not be accelerated because of an Event of Default that resulted from failure of the Issuer to comply with its obligations under any covenant subject to defeasance, which includes the covenants described in "*—Certain Covenants—Liens*," "*—Mandatory Redemption*," "*—Repurchase upon Change of Control Repurchase Event*," "*—Certain Covenants*" and "*—Reports and Other Information*."

In order to exercise either legal defeasance or covenant defeasance under the Indenture, the Indenture requires, among other conditions, that the Issuer irrevocably deposit with the Trustee, in trust, for the benefit of the holders, money, U.S. Government Obligations, or a combination thereof, in amounts as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants delivered to the Trustee, to pay the principal, premium, if any, and interest due on the outstanding Notes on the stated maturity date or on the applicable redemption date, as the case may be. In addition, the Issuer shall deliver to the Trustee an Officer's Certificate and an Opinion of Counsel (which Opinion of Counsel may be subject to customary assumptions and exclusions) stating that all conditions precedent to such defeasance have been satisfied.

The Issuer will continue to have specified obligations under the Indenture, including obligations to register the transfer or exchange of the senior notes; replace destroyed, stolen, lost, or mutilated Notes; maintain an office or agency in respect of the Notes; hold funds for payment to holders of Notes in trust; and to compensate, reimburse and indemnify the Trustee.

## **Satisfaction and Discharge**

The Indenture will be discharged as to all Notes and Guarantees and will cease to be of further effect as to all Notes and Guarantees, when:

- (1) either: (a) all Notes that have been authenticated and delivered (except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has been deposited in trust) have been delivered to the Trustee for cancellation; or (b) all Notes not theretofore delivered to the Trustee for cancellation have become due and payable by reason of the giving of a notice of redemption or otherwise, will become due and payable within one year or are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Issuer, and the Issuer has irrevocably deposited or caused to be deposited with the Trustee, as trust funds in trust solely for the benefit of the holders, cash in U.S. dollars, U.S. Government Obligations, or a combination thereof, in such amounts as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants delivered to the Trustee if U.S. Government Obligations are delivered, to pay and discharge the entire indebtedness on the Notes not theretofore delivered to the Trustee for cancellation for principal, premium, if any, and accrued interest to the date of maturity or redemption, as the case may be;

- (2) the Issuer has paid or caused to be paid all sums payable or due and owing by the Issuer under the Indenture; and
- (3) the Issuer has delivered irrevocable instructions to the Trustee to apply the deposited money toward the payment of the Notes at maturity or the redemption date, as the case may be.

In addition, the Issuer shall deliver to the Trustee an Officer's Certificate and an Opinion of Counsel (which Opinion of Counsel may be subject to customary assumptions and exclusions) stating that all conditions precedent to satisfaction and discharge have been satisfied.

### **No Sinking Fund**

There will be no sinking fund in respect of the Notes.

### **Payments on the Notes; Paying Agent and Registrar**

We have initially appointed the Trustee to act as our paying agent (the "*Paying Agent*") and registrar (the "*Registrar*"). We may change the Paying Agent or the Registrar without prior notice to the holders, and the Issuer or any of its Subsidiaries may act as Paying Agent or Registrar.

We will pay principal of, premium, if any, and interest on Notes in global form registered in the name of or held by DTC or its nominee in immediately available funds to DTC or its nominee, as the case may be, as the registered holder of such global note. Neither we nor the Trustee has any responsibility or liability for any act or omission of DTC. The registered holder of a Note will be treated as the owner of it for all purposes. Any notices required to be given to the holders while the Notes are global notes will be given to DTC. In connection with any proposed exchange of a global note for a certificated note, the Issuer or DTC shall be required to provide or cause to be provided to the Trustee all information necessary to allow the Trustee to comply with any applicable tax reporting obligations. The Trustee may rely on information provided to it and shall have no responsibility to verify or ensure the accuracy of such information.

### **Transfer and Exchange**

A holder may transfer or exchange Notes in accordance with the Indenture and the applicable procedures of DTC. The Trustee or the Issuer may require a holder, among other things, to furnish appropriate endorsements and transfer documents in a form satisfactory to the Registrar and the Issuer. No service charge will be imposed for any registration of transfer or exchange of Notes, but holders may be required to pay a sum sufficient to cover any transfer tax or other governmental charge payable in connection therewith. The Issuer is not required to transfer or exchange any Note selected for redemption. Also, the Issuer is not required to transfer or exchange any Note for a period of 15 days before providing a notice of redemption with respect to Notes to be redeemed.

### **Certain Covenants**

#### ***Liens***

Except as provided below, the Parent Guarantor will not, and will not permit any Subsidiary to, at any time pledge or otherwise subject to any Lien any of its or such Subsidiary's property, tangible or intangible, real or personal (hereinafter "*property*"), without thereby expressly securing the Notes and the Guarantees (together, if the Issuer so chooses, with any other securities entitled to the benefit of a similar covenant) equally and ratably with any and all other indebtedness for borrowed money or Finance Leases, including any guarantee, secured by such Lien, so long as any such other indebtedness or Finance Lease shall be so secured, and the Issuer covenants that if and when any such Lien is created, the Notes and the Guarantees will be so secured thereby; provided, that, this restriction shall not apply to the following Liens securing indebtedness for borrowed money or Finance Leases, including any guarantee:

- (1) any Lien on any property existing as of the Issue Date (other than under the Term Loan Facility);



- (2) any Lien securing indebtedness incurred under the Term Loan Facility on or prior to the Issue Date and any Lien in substitution of any such Lien; provided, that any such substitution does not result in an increase in the aggregate principal amount of indebtedness secured by Liens under this clause (2);
- (3) any Lien on any property (including Aircraft Assets and Capital Stock in any Special Purpose Aircraft Financing Entity) securing Non-Recourse Indebtedness;
- (4) any Lien on any property (including Aircraft Assets and Capital Stock in any Special Purpose Aircraft Financing Entity) (a) existing at the time of acquisition of such property or the entity owning such property (including acquisition through merger or consolidation), or (b) given to secure the payment of all or any part of the purchase, lease or acquisition thereof or the cost of construction, repair, refurbishment, modification or improvement of property (including Aircraft Assets and Capital Stock in any Special Purpose Aircraft Financing Entity) or to secure any indebtedness (including ECA Indebtedness) or Finance Lease incurred prior thereto, at the time of, or within 365 days after, the acquisition, construction, repair, refurbishment, modification or improvement of property (including Aircraft Assets and Capital Stock in any Special Purpose Aircraft Financing Entity) for the purpose of financing all or part of the purchase, lease or acquisition thereof or the cost of construction, repair, refurbishment, modification or improvement;
- (5) Liens by a Subsidiary as security for indebtedness owed to the Issuer or any Guarantor;
- (6) a banker's lien or right of offset of the holder of such indebtedness in favor of any lender of moneys or holder of commercial paper of the Parent Guarantor or any Subsidiary in the ordinary course of business on moneys of the Parent Guarantor or such Subsidiary deposited with such lender or holder in the ordinary course of business;
- (7) any extension, renewal or replacement (or successive extensions, renewals or replacements), in whole or in part, of any Lien existing on the Issue Date or referred to in the foregoing clauses including in connection with the refinancing of indebtedness of the Parent Guarantor and its Subsidiaries secured by such Lien;
- (8) Liens created by or resulting from any litigation or other proceeding that is being contested in good faith by appropriate proceedings, including Liens arising out of judgments or awards against the Parent Guarantor or any Subsidiary with respect to which the Parent Guarantor or such Subsidiary is, in good faith, prosecuting an appeal or proceedings for review; or Liens incurred by the Parent Guarantor or any Subsidiary for the purpose of obtaining a stay or discharge in the course of any litigation or other proceeding to which the Parent Guarantor or such Subsidiary is a party; or Liens created by or resulting from any litigation or other proceeding that would not result in an Event of Default under the Indenture;
- (9) Liens for Taxes not yet due or delinquent, or which can thereafter be paid without penalty, or which are being contested in good faith by appropriate proceedings; landlord's Liens on property held under lease; Liens of repairers, carriers, hangar keepers, mechanics, material-men, employees or other similar Liens; and any other Liens or charges incidental to the conduct of the business of the Parent Guarantor or any Subsidiary or the ownership of the property and assets of any of them that were not incurred in connection with the borrowing of money or the obtaining of advances or credit;
- (10) other Liens not permitted by any of subsections (1) through (9) above on any property now owned or hereafter acquired; provided, that, no such Liens shall be incurred pursuant to this subsection (10) if the aggregate principal amount of outstanding indebtedness (without duplication for any guarantee of such indebtedness) and Finance Leases secured by Liens incurred pursuant to this subsection (10) subsequent to the Issue Date, including the Lien proposed to be incurred, shall exceed 15% of Consolidated Tangible Assets after giving effect to such incurrence and the use of proceeds of such indebtedness or Finance Leases; and

- (11) any other Lien.

This covenant does not limit Liens that do not secure indebtedness for borrowed money or Finance Leases. Any Lien that is granted to secure the Notes or the Guarantees pursuant to the preceding two paragraphs will be automatically released and discharged at the same time as the release (other than through the exercise of remedies with respect thereto) of each Lien that gave rise to such obligation to secure the Notes or the Guarantees, as applicable, under the preceding two paragraphs.

The Issuer agrees that if the Parent Guarantor or any Subsidiary incurs a Lien in reliance on subsection (11) above, then it will, unless such action has been rescinded or cured, within 10 days thereof, provide an irrevocable and unconditional notice to redeem all the Notes 30 days from the date of such notice to the holders of the Notes at the applicable redemption price set forth in “—Optional Redemption” above.

### **Merger and Consolidation**

The Indenture will provide that (i) the Issuer shall not merge or sell, convey, transfer or lease, in one transaction or a series of related transactions, directly or indirectly, all or substantially all of its assets, and (ii) a Guarantor shall not merge or sell, convey, transfer (including by way of division) or lease, in one transaction or a series of related transactions, all or substantially all of its assets, in each case to any Person unless (i) the successor is organized under the laws of the United States, Bermuda, Canada, the Cayman Islands, England and Wales, Hong Kong, Ireland, Luxembourg, Singapore, Switzerland, any member state of the Pre-Expansion European Union or the predecessor Issuer’s or predecessor Guarantor’s jurisdiction of organization, or any state, province or division thereof, or the District of Columbia, (ii) such successor assumes the obligations of the Issuer or such Guarantor with respect to the Notes or the related Guarantee, as applicable, under the Indenture pursuant to a supplemental indenture, and (iii) after giving effect to such transaction, no Default or Event of Default will have occurred and be continuing; provided, however, that clause (iii) will not apply to a merger of the Issuer or any Guarantor with or into an Affiliate of the Issuer or such Guarantor solely for the purpose of the Issuer’s or such Guarantor’s reincorporation or reorganization in another jurisdiction or the merger or consolidation of any of Subsidiary with or into the Issuer or any Guarantor. The Indenture will also provide for delivery to the Trustee of an Officer’s Certificate to the effect that all three of the conditions set forth above have been satisfied and an opinion of counsel to the effect that conditions (i) and (ii) set forth above have been satisfied.

### **Reports and Other Information**

The Indenture will provide that so long as any Notes are outstanding, the Parent Guarantor will provide the Trustee and, upon request, beneficial owners of the Notes, a copy of all of the information and reports referred to below:

- (1) within 120 days after the end of each fiscal year, annual audited financial statements of the Parent Guarantor for such fiscal year and a “Management’s Discussion and Analysis of Financial Condition and Results of Operations” with respect to the periods presented thereby, and a report on the annual financial statements by the Parent Guarantor’s independent auditors (all of the foregoing financial information to be prepared on a basis substantially consistent with the corresponding financial information included in this offering memorandum),
- (2) within 60 days after the end of each of the first three fiscal quarters of each fiscal year unaudited financial statements of the Parent Guarantor for the interim period as of, and for the period ending on, the end of such fiscal quarter and a “Management’s Discussion and Analysis of Financial Condition and Results of Operations” with respect to the periods presented thereby (all of the foregoing financial information to be prepared on a basis substantially consistent with the corresponding financial information included in this offering memorandum), and
- (3) within the time period specified for filing reports on Form 6-K by the SEC, reports containing information substantially similar to the information that would be required to be filed in a report on Form 6-K (but only with respect to changes in control of the Parent Guarantor; bankruptcy or

receivership of the Parent Guarantor or any of its Significant Subsidiaries; and changes in the Parent Guarantor's certifying accountants) if the Parent Guarantor were required to file such reports; provided, however, that no such reports will be required to be furnished if the Parent Guarantor determines in its good faith judgment that such event is not material to the holders or to the business, assets, operations or financial position of the Parent Guarantor and its Subsidiaries, taken as a whole.

Notwithstanding the foregoing and for the avoidance of doubt, the Parent Guarantor will not be required to furnish any information, certificates, financial statements, other financial information or reports required by (i) Section 302, Section 404 or Section 906 of the Sarbanes-Oxley Act of 2002, or related Items 307 or 308 of Regulation S-K, (ii) Regulation G or Item 10(e) of Regulation S-K promulgated by the SEC with respect to any non-GAAP financial measures contained therein, (iii) segment accounting rules, (iv) Rule 3-05, 3-09, 3-10 or 3-16 of Regulation S-X (except that, with respect to Rule 3-10 information, the Parent Guarantor will include in each "Management's Discussion and Analysis of Financial Condition and Results of Operations" provided in accordance with clauses (1) and (2) above information with respect to the Subsidiaries of the Parent Guarantor (other than the Issuer) that do not guarantee the Notes that is similar to such information included in this offering memorandum), (v) any compensation or beneficial ownership information or (vi) any information that is not otherwise similar to information currently included in this offering memorandum, other than with respect to reports provided under clause (3) above.

For the avoidance of doubt, for purposes of the foregoing obligations, financial information prepared on the basis of U.S. GAAP or IFRS, in the event the Company elects to do so, will be treated by the Company as being prepared on a basis substantially consistent with the corresponding financial information included in this offering memorandum.

The Parent Guarantor will (x) deliver such information and such reports (as well as the details regarding the conference call described below) upon request, to any holder or beneficial owner of the Notes, in each case by posting such information on Intralinks or any comparable password-protected online data system which will require a confidentiality acknowledgment, and will make such information readily available to any prospective investor in the Notes that certifies to the reasonable satisfaction of the Parent Guarantor that it is an eligible purchaser of the Notes, any securities analyst (to the extent providing analysis of investment in the Notes) or any market maker in the Notes, in each case who (i) agrees to treat such information as confidential or (ii) accesses such information on Intralinks or any comparable password-protected online data system which will require a confidentiality acknowledgment; provided that the Parent Guarantor shall post such information thereon and make readily available any password or other login information to any such prospective investor in the Notes, securities analyst (to the extent providing analysis of investment in the Notes) or market maker in the Notes or (y) otherwise provide substantially comparable availability of such reports (as determined by the Parent Guarantor in good faith) (it being understood that, without limitation, making such reports available on the Parent Guarantor's website or on Bloomberg or another private electronic information service shall constitute substantially comparable availability). The Parent Guarantor shall participate in a quarterly conference call (which may be a single conference call together with investors holding other securities or debt of the Parent Guarantor and/or its Subsidiaries or any direct or indirect parent company) for all holders and securities analysts (to the extent providing analysis of investment in the Notes) to discuss such financial information as soon as reasonably practicable after distribution of such financial information. The Parent Guarantor may deny access to any competitively-sensitive information otherwise to be provided pursuant to this section to any holder, beneficial owner of the Notes, prospective investor, securities analyst or market maker that is a competitor of the Parent Guarantor or any of its Subsidiaries or an affiliate of such a competitor to the extent that the Parent Guarantor determines in good faith that the provision of such information to such Person would be competitively harmful to the Parent Guarantor and its Subsidiaries; and provided that such holders, beneficial owners of the Notes, prospective investors, security analysts or market makers will agree to (1) treat all such reports (and the information contained therein) and information as confidential, (2) not use such reports and the information contained therein for any purpose other than their investment or potential investment in the Notes and (3) not publicly disclose or distribute to any competitor any such reports (and the information contained therein).

To the extent not satisfied by the foregoing, the Parent Guarantor will also furnish to holders, securities analysts (to the extent providing analysis of investment in the Notes) and prospective investors in the Notes, upon

request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act of 1933, as amended (the “Securities Act”), so long as the Notes are not freely transferable under the Securities Act.

Notwithstanding the foregoing, the financial statements, information and other documents required to be provided as described above, may be those of any direct or indirect parent of the Parent Guarantor; provided that, if the financial information so furnished relates to such direct or indirect parent of the Parent Guarantor and any such parent company has any material operations, assets or liabilities separate and apart from its ownership of the Parent Guarantor, the same is accompanied by consolidating information that summarizes in reasonable detail the differences between the information relating to such parent, on the one hand, and the information relating to the Parent Guarantor on a standalone basis, on the other hand.

The Parent Guarantor will be deemed to have furnished the reports referred to in the first paragraph of this covenant if the Parent Guarantor or any direct or indirect parent of the Parent Guarantor has filed reports containing such information with the SEC or a comparable governmental authority of any other jurisdiction. To the extent any information is not provided within the time periods specified in this “—Reports and Other Information” covenant and such information is subsequently provided, the Parent Guarantor will be deemed to have satisfied its obligations with respect thereto at such time, and any Default with respect thereto will be deemed to have been cured.

Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee’s receipt of such shall not constitute actual or constructive knowledge or notice of any information contained therein or determinable from information contained therein, including the Parent Guarantor’s or Issuer’s compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on an Officer’s Certificate). The Trustee shall not be obligated to monitor or confirm, on a continuing basis or otherwise, the Issuer’s or the Parent Guarantor’s compliance with the covenants or with respect to any reports or other documents filed with the SEC or EDGAR or any website under the Indenture, or participate in any conference calls.

## Events of Default

“*Events of Default*” with regard to the Notes will be as follows:

- (1) default in any payment of interest on any Note when due, which default continues for a period of 30 days;
- (2) default in the payment of principal of, or premium, if any, on any Note when due at its stated maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise;
- (3) default in the performance, or breach, of any covenant or warranty of the Issuer or any Guarantor in the Indenture with respect to the Notes (other than a covenant or warranty with respect to which a default in performance or breach is elsewhere in this section specifically addressed), and continuance of such default or breach for a period of 60 consecutive days after there has been given to the Issuer by the Trustee or to the Issuer and the Trustee by the holders of at least 25% in aggregate principal amount of the outstanding Notes, a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a “*Notice of Default*” under the Indenture; provided such period shall be 30 consecutive days for failure to deliver the required notices of redemption (or rescind or cure the applicable action) as described in the last paragraph set forth in “—Certain Covenants— Liens” above;
- (4) default under any mortgage, indenture or instrument under which there is issued, or which secures or evidences, any indebtedness for borrowed money of the Issuer or any Guarantor (or the payment of which is guaranteed by the Issuer or any Guarantor) (other than indebtedness owed to any Subsidiary or Non-Recourse Indebtedness) now existing or hereafter created, which default shall constitute a failure by the Issuer or any Guarantor to pay principal in an amount exceeding \$200.0 million (the “*Threshold Amount*”) when due and payable by the Issuer or such Guarantor at final stated maturity, after expiration of any applicable grace period with respect thereto (such default, a “*payment default*”), or shall have resulted in an aggregate principal amount of such indebtedness exceeding the

Threshold Amount becoming due and payable by Issuer or such Guarantor prior to the date on which it would otherwise have become due and payable (such default, an “*acceleration default*”); or

- (5) certain events of bankruptcy, insolvency or reorganization of the Issuer or the Parent Guarantor, and, in the case of an involuntary insolvency proceeding, such proceeding remains unstayed for a period of 60 consecutive days.

If an Event of Default (other than an Event of Default described in clause (5) above) occurs and is continuing, the Trustee or the holders of at least 25% in principal amount of the then outstanding Notes may declare the principal of, premium, if any, and accrued and unpaid interest, if any, on all the Notes to be due and payable by notice in writing to the Issuer (and to the Trustee if given by holders). Upon such a declaration, such principal, premium, if any, and accrued and unpaid interest, if any, will be due and payable immediately.

In the event of a declaration of acceleration of the Notes solely because an Event of Default described in clause (4) above has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically rescinded and annulled (i) if the default or defaults triggering such Event of Default pursuant to clause (4) shall be remedied or cured by the Issuer or such Guarantor or waived by the holders of the relevant indebtedness within 30 days after the declaration of acceleration with respect thereto, (ii) the rescission and annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (iii) all Events of Default with respect to Notes, except non-payment of principal of, or premium, if any, or interest on, the Notes that have become due solely by such declaration of acceleration of the Notes, have been cured or waived as provided below.

If an Event of Default described in clause (5) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest, if any, on all the Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any holders.

The holders of a majority in principal amount of the outstanding Notes may waive all past defaults, but may not waive a continuing default (a) in the payment of the principal of, premium, if any, or interest on any Note held by a non-consenting holder (including in connection with a Change of Control Repurchase Event), or (b) in respect of a covenant or provision hereof that under the Indenture cannot be modified or amended without the consent of the holder of each outstanding Note affected. Pursuant to the terms of the Indenture, the holders of a majority in principal amount of outstanding Notes may rescind and annul a declaration of acceleration (and its consequences) with respect to Notes if the Issuer or any Guarantor has deposited with the Trustee a sum sufficient to pay all principal, premium, interest and funds advanced by the Trustee and the reasonable compensation, expenses and disbursements of the Trustee, its agents and its counsel, all Events of Default with respect to such Notes, except nonpayment of principal, premium, if any, or interest on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived pursuant to the Indenture and (c) such rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Any application by the Trustee for written instructions from the requisite amount of holders may, at the option of the Trustee, set forth in writing any action proposed to be taken or omitted by the Trustee under the Indenture and the date on and/or after which such action shall be taken or such omission shall be effective. The Trustee shall not be liable for any action taken by, or omission of, the Trustee in accordance with a proposal included in such application on or after the date specified in such application unless prior to taking any such action (or the effective date in the case of an omission), the Trustee shall have received written instructions from the requisite amount of holders in response to such application specifying the action to be taken or omitted.

Except to enforce the right to receive payment of principal, premium, if any, or interest when due, no holder may institute any proceeding, judicial or otherwise, with respect to the Indenture or the Notes, or for the appointment of a receiver or trustee, or for any other remedy thereunder, unless:

- (1) an Event of Default has occurred and is continuing and such holder has previously given written notice to the Trustee of such Event of Default and the continuance thereof;

- (2) the holders of not less than 25% in principal amount of the outstanding Notes have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee thereunder;
- (3) such holder or holders have offered to the Trustee indemnity or security satisfactory to the Trustee against the costs, expenses, losses and liabilities to be incurred in compliance with such request;
- (4) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity or security has failed to institute any such proceeding; and
- (5) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the holders of a majority in principal amount of the outstanding Notes.

No one or more holders will have any right in any manner whatever by virtue of, or by availing of, any provision of the Indenture to affect, disturb or prejudice the rights of any other holders, or to obtain or to seek to obtain priority or preference over any other of holders or to enforce any right under the Indenture, except, in each case, in the manner herein provided and for the equal and ratable benefit of all holders.

Subject to certain restrictions, the holders of a majority in principal amount of the then outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. The Indenture provides that in the event an Event of Default has occurred and is continuing, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use under the circumstances in the conduct of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with any law, rule, regulation or court order or the Indenture or the Notes, or that the Trustee determines in good faith is unduly prejudicial to the rights of any other holder (it being understood that the Trustee does not have an affirmative duty to ascertain whether or not any such directions are unduly prejudicial to such holders) or that would involve the Trustee in personal liability.

Subject to the provisions of the Indenture relating to the rights and duties of the Trustee, if an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture and the Notes at the request or direction of any of the holders unless such holders have offered to the Trustee indemnity or security satisfactory to it against any costs, losses, expenses and liabilities.

The Indenture provides that within 60 days following the date on which the Issuer becomes aware of a Default or receives notice of such Default, as applicable, if such Default is continuing, the Issuer will deliver a certificate to the Trustee specifying any events which would constitute a Default, their status and what action the Issuer is taking or proposing to take in respect thereof. The Indenture provides further that if a Default occurs and is continuing and is actually known to a responsible officer of the Trustee, the Trustee will provide each holder notice of the Default within 90 days after obtaining actual knowledge that a Default has occurred. Except in the case of a Default in the payment of principal of, premium, if any, or interest on any Note, the Trustee may withhold from the holders notice of any continuing Default if the Trustee determines in good faith that withholding the notice is in the interests of the holders. Further, in the case of any default in the performance, or breach, of any covenant or warranty by the Issuer or any Guarantor with respect to the Notes, which default must continue for a period of 60 consecutive days after there has been given to the Issuer by the Trustee or to the Issuer and the Trustee by the holders of at least 25% of the principal amount of outstanding Notes, no such notice to holders must be given until at least 60 days after the occurrence thereof. In addition, the Issuer is required to deliver to the Trustee, within 120 days after the end of each fiscal year ending after the Issue Date, a certificate signed by the principal financial, principal executive or principal accounting officer indicating whether the signers thereof know of any Default that occurred during the previous year.

### **Amendments and Waivers**

Except as provided in the next two succeeding paragraphs, the Indenture, the Notes and the Guarantees may be amended or supplemented with the consent of the holders of a majority in principal amount of the Notes then outstanding, and any existing Default or Event of Default or compliance with any provision of the Indenture,

the Notes or the Guarantees may be waived with the consent of the holders of a majority in principal amount of the then outstanding Notes, in each case excluding Notes beneficially owned by the Parent Guarantor or any of its Affiliates (and including consents obtained in connection with a purchase of or a tender offer or exchange offer for Notes).

The Indenture will provide that, without the consent of each holder affected, an amendment or waiver may not, with respect to any Note held by a non-consenting holder:

- (1) reduce the principal amount of the Notes whose holders must consent to an amendment, supplement or waiver,
- (2) reduce the principal of or extend the fixed maturity of any Note or alter or waive the provisions (other than with respect to timing of notices) with respect to the redemption of the Notes (other than provisions relating to the covenant described above under the caption “—Repurchase upon Change of Control Repurchase Event”),
- (3) reduce the rate of or extend the time for payment of interest on any Note,
- (4) waive a Default or Event of Default in the payment of principal of or premium, if any, or interest on the Notes (except a rescission of acceleration of such Notes by the holders of at least a majority in aggregate principal amount of such Notes and a waiver of the payment default that resulted from such acceleration) or in respect of a covenant or provision contained in the Indenture, the Notes or the Guarantees which cannot be amended or modified without the consent of all holders,
- (5) make any Note payable in money other than that stated in such Notes, (6) make any change in these amendment and waiver provisions,
- (6) impair the contractual right of any holder to receive payment of principal of, or interest on such holder’s Notes on or after the due dates therefor or to institute suit for the enforcement of any payment on or with respect to such holder’s Notes, or
- (7) make any change to or modify the ranking of the Notes that would adversely affect the holders.

Notwithstanding the foregoing, without the consent of any holder, the Issuer, the Guarantors and the Trustee may amend or supplement the Indenture, the Notes and/or the Guarantees:

- (1) to cure any ambiguity, omission, mistake, defect or inconsistency as evidenced by an Officer’s Certificate;
- (2) to comply with the covenant relating to mergers and consolidations;
- (3) to provide for the assumption of the Issuer’s or any Guarantor’s obligations to holders;
- (4) to make any change that would provide any additional rights or benefits to the holders or that does not materially adversely affect the rights under the Indenture of any such holder;
- (5) to add covenants for the benefit of the holders or to surrender any right or power conferred upon the Issuer or any Guarantor;
- (6) to evidence and provide for the acceptance and appointment under the Indenture of a successor Trustee pursuant to the requirements thereof;
- (7) to make certain changes to the Indenture to provide for the issuance of Additional Notes;
- (8) to secure the Notes and/or the Guarantees;

- (9) to make any amendment to the provisions of the Indenture relating to the transfer and legending of Notes as permitted by the Indenture, including, without limitation to facilitate the issuance and administration of the Notes; provided, however, that (i) compliance with the Indenture as so amended would not result in Notes being transferred in violation of the Securities Act or any applicable securities law and (ii) such amendment does not materially and adversely affect the rights of holders to transfer Notes;
- (10) to add a Guarantor or a co-obligor of the Notes under the Indenture in accordance with the terms of the Indenture or to release a Guarantor in accordance with the terms of the Indenture and to provide for any local law restrictions required by the jurisdiction of organization of such Guarantor; or
- (11) to conform the text of the Indenture, the Notes or the Guarantees to any provision of the “Description of Notes” to the extent that such provision in the “Description of Notes” was intended to be a verbatim recitation of a provision of the Indenture, the Notes or the Guarantees as evidenced in an Officer’s Certificate.

Any supplemental indenture for the purpose of permitting any existing or future Subsidiary to provide a Guarantee may be signed by the Issuer, Parent Guarantor, the Subsidiary providing the Guarantee, and the Trustee.

### **Concerning the Trustee**

Computershare Trust Company, N.A. will act as trustee under the Indenture. The Trustee, in each of its capacities, including as trustee, registrar and paying agent, assumes no responsibility for the accuracy or completeness of the information concerning us or our Affiliates or any other party contained in this document or the related documents or for any failure by us or any other party to disclose events that may have occurred and may affect the significance or accuracy of such information. The Trustee will be entitled to those certain rights, privileges, immunities, indemnities, and protections, as more fully set forth in the Indenture. The Trustee shall not be responsible for monitoring the Issuer’s rating status, making any request upon any Rating Agency, or determining whether any Below Investment Grade Rating Event, Change of Control Repurchase Event or redemption event has occurred.

### **Governing Law; Jury Trial Waiver**

The Indenture, the Notes and the Guarantee will be governed by and construed in accordance with the laws of the State of New York. The Indenture will provide that the Issuer, the Guarantors and the Trustee, and each holder of a Note by its acceptance thereof, irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to the Indenture, the Notes, the Guarantees, or any transaction contemplated thereby.

### **Certain Definitions**

The following defined terms are applicable to the Notes in addition to any other defined terms in the Indenture that are not defined herein. To the extent any term defined herein is inconsistent with a defined term in the Indenture, this offering memorandum shall govern.

“*Affiliate*” of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, “control” (including, with correlative meanings, the terms “controlling,” “controlled by” and “under common control with”), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise.

“*AHFL Notes*” means the Issuer’s 5.125% Senior Notes due October 2023, 5.25% Senior Notes due May 2024, 3.950% Senior Notes due July 2024, 2.875% Senior Notes due February 2025, 5.500% Senior notes due January 2026, 2.125% Senior Notes due February 2026, 4.250% Senior Notes due April 2026, 4.375% Senior Notes



due May 2026, 3.250% Senior Notes due February 2027, 2.528% Senior Notes due November 2027 and 2.750% Senior Notes due February 2028.

“*Aircraft Assets*” means (x) aircraft, airframes, engines (including spare engines), propellers, parts and other operating assets and pre-delivery payments relating to any of the items in this clause (x); and (y) intermediate or operating leases relating to any of the items in the foregoing clause (x).

“*Below Investment Grade Rating Event*” means that at any time within 60 days (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies) from the date of the public notice of a Change of Control or of the Parent Guarantor’s intention or that of any Person to effect a Change of Control, the rating on the Notes is lowered, and the Notes are rated below an Investment Grade Rating, by (i) one Rating Agency if the Notes are rated by less than two Rating Agencies, (ii) both Rating Agencies if the Notes are rated by two Rating Agencies or (iii) at least a majority of such Rating Agencies if the Notes are rated by three or more Rating Agencies; provided, that a Below Investment Grade Rating Event otherwise arising by virtue of a particular reduction in rating shall not be deemed to have occurred in respect of a particular Change of Control (and thus shall not be deemed a Below Investment Grade Rating Event for purposes of the definition of Change of Control Repurchase Event hereunder) if the Rating Agencies making the reduction in rating to which this definition would otherwise apply do not announce or publicly confirm or inform the Issuer that the reduction was the result, in whole or in part, of any event or circumstance comprised of or arising as a result of, or in respect of, the applicable Change of Control (whether or not the applicable Change of Control shall have occurred at the time of the Below Investment Grade Rating Event).

“*Board of Directors*” means, with respect to a Person, the board of directors or other body performing similar functions of such Person or any duly authorized committee thereof.

“*Bohai*” means Bohai Leasing Co., Ltd. and any of its Affiliates.

“*Business Day*” means each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in The City of New York, London, Dublin or the city in which the Trustee’s corporate trust office is located are authorized or obligated by law, regulation or executive order to close.

“*Capital Stock*” of a Person means all Equity Interests in such Person, including any common stock, preferred stock, limited liability or partnership interests (whether general or limited), and all warrants or options with respect to, or other rights to purchase, the foregoing, but excluding indebtedness (other than preferred stock) convertible into equity.

“*Cash Equivalents*” Means

- (1) United States dollars,
- (2) pounds sterling,
- (3) (a) euro, or any national currency of any participating member state in the European Union, or  
(b) in the case of any Foreign Subsidiary that is a Subsidiary of the Parent Guarantor, such local currencies held by them from time to time in the ordinary course of business,
- (4) securities issued or directly and fully and unconditionally guaranteed or insured by the United States or any agency or instrumentality,
- (5) certificates of deposit, time deposits and eurodollar time deposits with maturities of one year or less from the date of acquisition, bankers’ acceptances with maturities not exceeding one year and overnight bank deposits, in each case with any commercial bank having capital and surplus in excess of \$500.0 million,

- (6) repurchase obligations for underlying securities of the types described in clauses (4) and (5) above entered into with any financial institution meeting the qualifications specified in clause (5) above,
- (7) commercial paper rated at least P-2 by Moody's or at least A-2 by S&P and in each case maturing within 24 months after the date of creation thereof,
- (8) marketable short-term money market and similar securities having a rating of at least P-2 or A-2 from either Moody's or S&P, respectively (or reasonably equivalent ratings of another internationally recognized ratings agency) and in each case maturing within 24 months after the date of creation thereof and in a currency permitted under clause (1), (2) or (3) above,
- (9) investments with average maturities of 12 months or less from the date of acquisition in money market funds rated AAA- (or the equivalent thereof) or better by S&P or Aaa3 (or the equivalent thereof) or better by Moody's and in each case in a currency permitted under clause (1), (2) or (3) above;
- (10) readily marketable direct obligations issued by any state of the United States of America having one of the two highest rating categories obtainable from either Moody's or S&P with maturities of 24 months or less from the date of acquisition,
- (11) Indebtedness or preferred stock issued by Persons with a rating of "A" or higher from S&P or "A2" or higher from Moody's with maturities of 24 months or less from the date of acquisition, and
- (12) investment funds investing 95% of their assets in securities of the types described in clauses (1) through (11) above.

Notwithstanding the foregoing, Cash Equivalents shall include amounts denominated in currencies other than those set forth in clauses (1) through (3) above; provided that such amounts are converted into any currency listed in clauses (1) through (3) above as promptly as practicable and in any event within ten Business Days following the receipt of such amounts.

"Change of Control" means

- (1) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act), other than one or more Permitted Holders, is or becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of Voting Stock representing more than 50% of the voting power of the total outstanding Voting Stock of the Parent Guarantor; or
- (2) (a) all or substantially all of the assets of the Parent Guarantor and its Subsidiaries, taken as a whole, are sold or otherwise transferred to any Person other than a wholly-owned Subsidiary or one or more Permitted Holders or (b) the Parent Guarantor amalgamates, consolidates or merges with or into another Person or any Person consolidates, amalgamates or merges with or into the Parent Guarantor, in either case under this clause (2), in one transaction or a series of related transactions in which immediately after the consummation thereof Persons beneficially owning (as defined in Rules 13d-3 and 13d-5 under the Exchange Act) Voting Stock representing in the aggregate a majority of the total voting power of the Voting Stock of the Parent Guarantor, immediately prior to such consummation do not beneficially own (as defined in Rules 13d-3 and 13d-5 under the Exchange Act) Voting Stock representing a majority of the total voting power of the Voting Stock of the Parent Guarantor, or the applicable surviving or transferee Person; provided that this clause shall not apply (i) in the case where immediately after the consummation of the transactions Permitted Holders beneficially own Voting Stock representing in the aggregate a majority of the total voting power of the Parent Guarantor, or the applicable surviving or transferee Person or (ii) to an amalgamation or a merger of the Parent Guarantor with or into (x) a corporation, limited liability company or partnership or (y) a wholly- owned subsidiary of a corporation, limited liability company or partnership that, in either case, immediately following the transaction or series of transactions, has

no Person or group (other than Permitted Holders), which beneficially owns Voting Stock representing more than 50% of the voting power of the total outstanding Voting Stock of such entity and, in the case of clause (y), the parent of such wholly-owned subsidiary guarantees the Parent Guarantor's obligations under the Notes and the Indenture.

For purposes of this definition, if the Parent Guarantor becomes a direct or indirect Subsidiary of a holding company, such holding company shall not itself be considered a Person or group for purposes of clauses (1) and (2) above; provided that (a) such holding company beneficially owns, directly or indirectly, 100% of the Capital Stock of the Parent Guarantor and (b) upon completion of such transaction, no Person or group (other than one or more Permitted Holders) beneficially owns more than 50% of the total voting power of the Voting Stock of such holding company.

"Change of Control Repurchase Event" means the occurrence of both a Change of Control and a Below Investment Grade Rating Event.

"Code" means the U.S. Internal Revenue Code of 1986, as amended.

"Consolidated Tangible Assets" at any date means the Total Assets of the Parent Guarantor and its Subsidiaries reported on the most recent consolidated balance sheet of the Parent Guarantor for which internal financial statements are available immediately preceding the date on which any calculation of Consolidated Tangible Assets is being made, less all assets shown on such consolidated balance sheet that are classified and accounted for as intangible assets of the Parent Guarantor or any of its Subsidiaries or that otherwise would be considered intangible assets under generally accepted accounting principles, including, without limitation, franchises, patents and patent applications, trademarks, brand names, unamortized debt discount and goodwill.

"Default" means any event that is, or after the notice or passage of time or both would be, an Event of Default.

"Disqualified Stock" means, with respect to any Person, any Capital Stock of such Person which, by its terms, or by the terms of any security into which it is convertible or for which it is puttable or exchangeable, or upon the happening of any event, matures or is mandatorily redeemable, other than as a result of a change of control or asset sale, pursuant to a sinking fund obligation or otherwise, or is redeemable at the option of the holder thereof, other than as a result of a change of control or asset sale, in whole or in part, in each case prior to the date 91 days after the earlier of the maturity date of the Notes or the date the Notes are no longer outstanding; provided, however, that if such Capital Stock is issued to any current or former employee, officer, director or consultant or any plan for the benefit of employees, officers, directors or consultants of the Parent Guarantor, any of its direct or indirect parent companies or any of its Subsidiaries or by any such plan to such employees, officers, directors or consultants, such Capital Stock shall not constitute Disqualified Stock solely because it may be required to be repurchased by the Parent Guarantor, any of its direct or indirect parent companies or any of its Subsidiaries in order to satisfy applicable statutory or regulatory obligations, or as a result of such employee's, officer's, director's or consultant's termination, death or disability.

"ECA Indebtedness" means any indebtedness incurred in order to fund the deliveries of new Aircraft Assets, which indebtedness is guaranteed by one or more Export Credit Agencies, including guarantees thereof by the Parent Guarantor or any Subsidiaries.

"Equity Interests" means Capital Stock and all warrants, options or other rights to acquire Capital Stock, but excluding any debt security that is convertible into, or exchangeable for, Capital Stock.

"Existing Notes" means the Park Notes together with the AHFL Notes.

"Export Credit Agencies" means collectively, the export credit agencies or other governmental authorities that provide export financing of new Aircraft Assets (including, but not limited to, the Brazilian Development Bank, Compagnie Francaise d'Assurance pour le Commerce Exterieur, Her Britannic Majesty's Secretary of State acting

by the Export Credits Guarantee Department, Euler-Hermes Kreditversicherungs AG, the Export- Import Bank of the United States, the Export Development Canada or any successor thereto).

“Fair Market Value” means the value that would be paid by a willing buyer to an unaffiliated willing seller in a transaction not involving distress or necessity of either party, determined in good faith by the chief executive officer, chief financial officer or controller of the Parent Guarantor, which determination will be conclusive (unless otherwise provided in the Indenture).

“Finance Lease” means, as applied to any Person, any lease of any property (whether real, personal or mixed) by such Person as lessee that, in conformity with U.S. GAAP, is or should be accounted for as a finance lease on the balance sheet of such Person; provided that in the event of an accounting change requiring all leases to be capitalized, only those leases (assuming for purposes hereof that such leases were in existence on the date hereof) that would constitute Finance Leases in conformity with U.S. GAAP on March 12, 2018 shall be considered Finance Leases.

“Fitch” means Fitch, Inc.

“Foreign Subsidiary” means, with respect to any Person, any Subsidiary of such Person that is (i) a controlled foreign corporation within the meaning of Section 957 of the Internal Revenue Code of 1986, as amended (a “CFC”) or (ii) organized in or under the laws of the United States, any state thereof or the District of Columbia and all of the material assets of such Subsidiary consist of stock in one or more CFCs.

“guarantee” means a guarantee (other than by endorsement of negotiable instruments for collection in the ordinary course of business), direct or indirect, in any manner (including, without limitation, letters of credit and reimbursement agreements in respect thereof), of all or any part of any indebtedness or other obligations.

“Guarantee” means the guarantee by any Guarantor of the Issuer’s obligations under the Indenture and the Notes.

“Guarantor” means any Person that Guarantees the Notes and the Issuer’s obligations in accordance with the provisions of the Indenture and its respective successors and assigns.

“Hedging Obligations” means, with respect to any Person, the obligations of such Person under

- (1) currency exchange, interest rate or commodity swap agreements, currency exchange, interest rate or commodity cap agreements and currency exchange, interest rate or commodity collar agreements; and
- (2) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange, interest rates or commodity prices,

(and, including, for the avoidance of doubt, under all “Hedging Obligations” as defined in the any credit facilities).

“Indebtedness” means, with respect to any Person,

- (1) any indebtedness (including principal and premium) of such Person, whether or not contingent
  - (a) in respect of borrowed money,
  - (b) evidenced by bonds, notes, debentures or similar instruments or letters of credit or bankers’ acceptances (or, without double counting, reimbursement agreements in respect thereof),
  - (c) representing the balance deferred and unpaid of the purchase price of any property (including Finance Lease Obligations), which purchase price is (A) due more than six months from the date of incurrence of the obligation in respect thereof or (B) evidenced by a note or similar

written instrument, except (i) any such balance that constitutes an obligation in respect of a commercial letter of credit, a trade payable or similar obligation, in each case accrued in the ordinary course of business, (ii) any earn-out obligations until such obligation becomes a liability on the balance sheet of such Person in accordance with U.S. GAAP and is not paid within 30 days of becoming due and payable and (iii) any such obligations under the U.S. Employee Retirement Income Security Act of 1974, as amended (“ERISA”), or liabilities associated with customer prepayments and deposits,

(d) representing any Hedging Obligations,

if and to the extent that any of the foregoing Indebtedness (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet (excluding the footnotes thereto) of such Person prepared in accordance with U.S. GAAP,

- (1) to the extent not otherwise included, any obligation by such Person to be liable for, or to pay, as obligor, guarantor or otherwise, on the obligations of the type referred to in clause (a) of another Person, other than by endorsement of negotiable instruments for collection in the ordinary course of business, and
- (2) to the extent not otherwise included, the obligations of the type referred to in clause (a) of another Person secured by a Lien on any asset owned by such first Person, whether or not such Indebtedness is assumed by such first Person;

provided, however, that contingent obligations and deferred or prepaid revenues shall be deemed not to constitute Indebtedness; and obligations under or in respect of Receivables Facilities shall not be deemed to constitute Indebtedness; in no event shall obligations under any Hedging Obligations be deemed “Indebtedness” for any calculation of a financial ratio under the Indenture; and the term “Indebtedness” shall not include any lease, concession or license of property (or guarantee thereof) that would be considered an operating lease under U.S. GAAP as in effect on March 12, 2018.

“Independent Financial Advisor” means an accounting, appraisal, investment banking firm or consultant of nationally recognized standing that is, in the good faith judgment of the Parent Guarantor, qualified to perform the task for which it has been engaged.

“Investment Grade Rating” means a rating equal to or higher than (i) Baa3 (or the equivalent) by Moody’s, (ii) BBB- (or the equivalent) by S&P, (iii) BBB- (or the equivalent) by Fitch and (iv) BBB- (or the equivalent) by KBRA, or an equivalent rating by any other Rating Agency substituted for Moody’s, S&P, Fitch or KBRA.

“Investments” means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of loans (including guarantees), advances or capital contributions (excluding accounts receivable, trade credit, advances to customers, commission, travel, moving and similar advances to employees, officers, directors and consultants), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities issued by any other Person and investments that are required by U.S. GAAP to be classified on the balance sheet (excluding the footnotes) of the Parent Guarantor in the same manner as the other investments included in this definition to the extent such transactions involve the transfer of cash or other property. The amount of any Investment shall be deemed to be the amount actually invested, without adjustment for subsequent increases or decreases in value or any write-downs or write-offs, but giving effect to any repayments thereof in the form of loans and any return on capital or return on investment in the case of equity Investments (whether as a distribution, dividend, redemption or sale but not in excess of the amount of such Investment).

“Issue Date” means May 4, 2023.

“KBRA” means Kroll Bond Rating Agency, Inc.

“Lien” means, with respect to any Person, any mortgage, lien, pledge, charge, security interest or other encumbrance, or any interest or title of any vendor, lessor, lender or other secured party to or of such Person under any Finance Lease, upon or with respect to any property or asset of such Person.

“Management Group” means at any time, the Chairman of the Board, any Chief Executive Officer, any Chief Financial Officer, any President, any Executive Vice President or Vice President, any Managing Director, any Treasurer and any Secretary or other executive officer of the Parent Guarantor, any of its direct or indirect parent companies, or any Subsidiary of the Parent Guarantor at such time.

“Moody’s” means Moody’s Investors Service, Inc.

“Net Income” means, with respect to any Person, the net income (loss) of such Person, determined in accordance with U.S. GAAP and before any reduction in respect of preferred stock dividends.

“Non-Recourse Indebtedness” means, with respect to any Person, any indebtedness of such Person or its Subsidiaries that is, by its terms, recourse only to specific assets and non-recourse to the assets of such Person generally and that is neither guaranteed by any Affiliate (other than a Subsidiary) of such Person or would become the obligation of any Affiliate (other than a Subsidiary) of such Person upon a default thereunder, other than (i) recourse for fraud, misrepresentation, misapplication of cash, waste, environmental claims and liabilities, prohibited transfers, violations of single purpose entity covenants and other circumstances customarily excluded by institutional lenders from exculpation provisions and/or included in separate guaranty or indemnification agreements in non-recourse financings, and (ii) the existence of a guarantee that does not constitute a guarantee of payment of principal, interest or premium on indebtedness.

“Obligations” means any principal, interest (including any interest accruing subsequent to the filing of a petition in bankruptcy, reorganization or similar proceeding at the rate provided for in the documentation with respect thereto, whether or not such interest is an allowed claim under applicable state, federal or foreign law), penalties, fees, indemnifications, reimbursements (including, without limitation, reimbursement obligations with respect to letters of credit and banker’s acceptances), damages and other liabilities, and guarantees of payment of such principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities, payable under the documentation governing any Indebtedness.

“Parent Guarantor” means Avolon Holdings Limited, a Cayman Islands exempted company.

“Park Notes” means Park’s 5.50% Senior Notes due February 2024.

“Permitted Holders” means each of (i) Bohai, (ii) each member of the Management Group and (iii) any group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act or any successor provision) of which any of the foregoing are members; provided that, in the case of such group and without giving effect to the existence of such group or any other group, such Permitted Holders and members of management, collectively, have beneficial ownership of more than 50% of the total voting power of the Voting Stock of the Parent Guarantor or any of its direct or indirect parent companies. Any person or group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act, or any successor provision) whose acquisition of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act, or any successor provision) constitutes a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the covenant described under “—Repurchase upon Change of Control Repurchase Event” (or would result in a Change of Control Offer in the absence of the waiver of such requirement by holders in accordance with the covenant described under “—Repurchase upon Change of Control Repurchase Event”) will thereafter, together with its Affiliates, constitute an additional Permitted Holder.

“Person” means any individual, corporation, limited liability company, partnership, joint venture, association, joint stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other entity.

“Pre-Expansion European Union” means the European Union as of January 1, 2004, including the countries of Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom, but not including any country which became or becomes a member of the European Union after January 1, 2004.

“Rating Agencies” means S&P, Moody’s, Fitch, KBRA and any additional rating agency that provides a rating with respect to the Notes and is a “nationally recognized statistical rating organization” as defined in Section 3(a)(62) of the Exchange Act (“NRSRO”) (each a “Rating Agency”); provided, that if any such Rating Agency ceases to provide rating services to issuers or investors, the Issuer may appoint a replacement for such Rating Agency that is a NRSRO.

“Receivables Facility” means one or more receivables financing facilities, as amended from time to time, the Obligations of which are limited-recourse (except for Securitization Undertakings made in connection therewith) to the Parent Guarantor and its Subsidiaries (other than a Receivables Subsidiary) pursuant to which the Parent Guarantor and/or any of its Subsidiaries sells its accounts receivable to either (a) a Person that is not a Subsidiary of the Parent Guarantor, or (b) a Receivables Subsidiary that in turn sells its accounts receivable to a Person that is not a Subsidiary of the Parent Guarantor, in each case, with the same or different arrangements, agents, lenders, borrowers or issuer and, in each case, as amended, restated, amended and restated, supplemented, waived, renewed, refunded, replaced, restructured, repaid, refinanced or otherwise modified in whole or in part from time to time.

“S&P” means S&P Global Ratings, a division of S&P Global, Inc., or any successor Rating Agency.

“Securitization Undertakings” means representations, warranties, covenants, repurchase obligations, indemnities and guarantees of performance entered into by the Parent Guarantor or any Subsidiary of the Parent Guarantor which the Parent Guarantor has determined in good faith to be required by a seller or servicer (or parent of such seller or servicer) in a Receivables Facility.

“Significant Subsidiary” means any Subsidiary that would be a “significant subsidiary” as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Act, as such regulation is in effect on the Issue Date.

“Special Purpose Aircraft Financing Entity” means a Subsidiary of the Parent Guarantor (x) that engages in no business other than the purchase, finance, refinance, lease, sale and management of Aircraft Assets, the ownership of Special Purpose Aircraft Financing Entities and business incidental thereto; (y) substantially all of the assets of which are comprised of Aircraft Assets and/or Capital Stock in Special Purpose Aircraft Financing Entities; and (z) that is not obligated under, or the organizational documents or financing documents of which prevent it from incurring, in each case, indebtedness for money borrowed other than indebtedness incurred to finance or refinance the purchase, lease or acquisition of Aircraft Assets and the purchase of Special Purpose Aircraft Financing Entities or the cost of construction, repair, refurbishment, modification or improvement thereof.

“Subsidiary” of any Person means (x) any corporation, association or similar business entity (other than a partnership, limited liability company or similar entity) of which more than 50% of the total ordinary voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors or trustees thereof (or Persons performing similar functions) or (y) any partnership, limited liability company, trust or similar entity of which more than 50% of the capital accounts, distribution rights or total equity, as applicable, is, in the case of clauses (x) and (y), at the time owned, directly or indirectly, by (i) such Person, (ii) such Person and one or more Subsidiaries of such Person or (iii) one or more Subsidiaries of such Person. Unless otherwise specified herein, each reference to a Subsidiary will refer to a Subsidiary of the Parent Guarantor.

“Subsidiary Guarantor” means each Subsidiary that provides a Guarantee.

“Term Loan Facility” means the term loan facility governed by that certain Term Loan Credit Agreement, dated as of March 20, 2017, (as supplemented by that certain Joinder Agreement, dated as of April 3, 2017, as supplemented by that certain Credit Agreement Supplement dated June 6, 2017, as supplemented by that certain, Credit Agreement Supplement Number 2, dated July 11, 2017, as amended by that certain First Amendment to Term

Loan Credit Agreement, dated October 4, 2017, as amended by that certain Second Amendment to Term Loan Credit Agreement, dated November 17, 2017, as supplemented by that certain Credit Agreement Supplement, dated December 11, 2017 as supplemented by that certain Credit Agreement Supplement No. 4, dated May 3, 2018, as amended by that certain Third Amendment to Term Loan Credit Agreement, dated May 9, 2018, as amended by that certain Fourth Amendment to Term Loan Credit Agreement, dated May 9, 2019, as amended by that certain Fifth Amendment to Term Loan Credit Agreement, dated February 12, 2020, as supplemented by that certain Credit Agreement Supplement No. 5, dated April 8, 2020, as supplemented by that certain Credit Agreement Supplement No. 6, dated July 24, 2020, as amended by that certain Sixth Amendment to Term Loan Credit Agreement, dated December 1, 2020, as amended by that certain Seventh Amendment to Term Loan Credit Agreement, dated as of August 4, 2021 and as further amended, restated, amended and restated, supplemented or otherwise modified from time to time), by and among Avolon TLB Borrower 1 (US) LLC, a Delaware limited liability company and an indirect wholly-owned Subsidiary of Park, and Avolon TLB Borrower 1 (Luxembourg) S.á r.l, a private limited liability company incorporated under the laws of Luxembourg and a direct wholly-owned Subsidiary of Park, as co-issuers, CIT Aerospace LLC, a Delaware limited liability company, CIT Group Finance (Ireland) Unlimited Company, a private unlimited company organized under the laws of Ireland, CIT Aviation Finance III Ltd, an exempted company incorporated with limited liability under the laws of Bermuda, and CIT Aerospace International Unlimited Company, a private unlimited company organized under the laws of Ireland, each an indirect wholly-owned Subsidiary of Park, as guarantors, the lenders from time to time party thereto and Morgan Stanley Senior Funding, Inc., as administrative and collateral agent, and any term loan facility that replaces or refinances such term loan facility.

“Total Assets” means the total assets of the Parent Guarantor and its Subsidiaries, as shown on the most recent consolidated balance sheet of the Parent Guarantor for which internal financial statements are available immediately preceding the date on which any calculation of Total Assets is being made.

For purposes of this definition, any amount in a currency other than U.S. dollars will be converted to U.S. dollars based on the prevalent exchange rate for such currency on the date of determination.

“U.S. Government Obligation” means (x) any security that is (i) a direct obligation of the United States of America for the payment of which the full faith and credit of the United States of America is pledged or (ii) an obligation of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, which, in either case (i) or (ii), is not callable or redeemable at the option of the issuer thereof, and (y) any depositary receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act from time to time) as custodian with respect to any U.S. Government Obligation that is specified in clause (x) above and held by such bank for the account of the holder of such depositary receipt, or with respect to any specific payment of principal of or interest on any U.S. Government Obligation which is so specified and held, provided, that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depositary receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of principal or interest evidenced by such depositary receipt.

“U.S. GAAP” means generally accepted accounting principles in the United States that are in effect from time to time. The Company previously presented its financial statements in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). In the event the Parent Guarantor elects to prepare relevant financial statements on the basis of IFRS for reporting purposes or to achieve consistency with any Existing Note for covenant compliance, then references to “U.S. GAAP”, at the Parent Guarantor’s election, will be deemed to refer to such accounting principles, as in effect from time to time, to the extent applicable to the relevant financial statements.

“Voting Stock” means Capital Stock of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to elect the corporate directors (or Persons performing similar functions).



## **BOOK ENTRY; DELIVERY AND FORM**

The notes are being offered and sold to qualified institutional buyers in reliance on Rule 144A (“Rule 144A Notes”). The notes also may be offered and sold in offshore transactions in reliance on Regulation S (“Regulation S Notes”). Except as set forth below, the notes will be issued in registered, global form in minimum denominations of \$2,000 and integral multiples of \$1,000 in excess of \$2,000. Notes will be issued at the closing of this offering only against payment in immediately available funds. Rule 144A Notes initially will be represented by global notes in registered form without interest coupons (collectively, the “Rule 144A Global Notes”). Regulation S Notes initially will be represented by global notes in registered form without interest coupons (collectively, the “Regulation S Global Notes”). The Rule 144A Global Notes and the Regulation S Global Notes will be deposited upon issuance with the trustee as custodian for DTC and registered in the name of DTC or its nominee, in each case, for credit to an account of a direct or indirect participant in DTC as described below. Through and including the 40th day after the later of the commencement of this offering and the closing of this offering (such period through and including such 40th day, the “Restricted Period”), beneficial interests in the Regulation S Global Notes may be held only through Euroclear Bank S.A./N.V., as operator of the Euroclear System (“Euroclear”), and Clearstream Banking, Société Anonyme (“Clearstream, Luxembourg”) (as indirect participants in DTC), unless transferred to a person that takes delivery through a Rule 144A Global Note in accordance with the certification requirements described under “—Exchanges Between Regulation S Notes and Rule 144A Notes” below. Any Regulation S Global Note shall be deemed a “temporary global security” for purposes of Rule 904 under Regulation S until the expiration of the Restricted Period. The Restricted Period will terminate pursuant to applicable DTC procedures. Beneficial interests in the Rule 144A Global Notes may not be exchanged for beneficial interests in the Regulation S Global Notes at any time except in the limited circumstances described under “—Exchanges Between Regulation S Notes and Rule 144A Notes” below.

Except as set forth below, the Global Notes may be transferred, in whole and not in part, only to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in the Global Notes may not be exchanged for definitive notes in registered certificated form (“Certificated Notes”) except in the limited circumstances described below. See “—Exchange of Global Notes for Certificated Notes” below. Except in the limited circumstances described below, owners of beneficial interests in the Global Notes will not be entitled to receive physical delivery of notes in certificated form.

Rule 144A Notes (including beneficial interests in the Rule 144A Global Notes) will be subject to certain restrictions on transfer and will bear a restrictive legend as described under “Notice to Investors.” Regulation S Notes will also be subject to certain restrictions on transfer and will also bear a restrictive legend as described under “Notice to Investors.” In addition, transfers of beneficial interests in the Global Notes will be subject to the applicable rules and procedures of DTC and its direct or indirect participants (including, if applicable, those of Euroclear and Clearstream, Luxembourg), which may change from time to time.

### **Depository procedures**

The following description of the operations and procedures of DTC, Euroclear and Clearstream, Luxembourg is provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them. We take no responsibility for these operations and procedures and urge investors to contact the system or their participants directly to discuss these matters.

DTC has advised us that DTC is a limited-purpose trust company organized under the laws of the State of New York, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial

Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). DTC was created to hold securities for its participating organizations (collectively, the “Participants”) and to facilitate the clearance and settlement of transactions in those securities between the Participants through electronic book-entry changes in accounts of its Participants. The Participants include securities brokers and dealers (including the initial purchasers or affiliates thereof), banks, trust companies, clearing corporations and certain other organizations. Access to DTC’s system is also available to other

entities such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly (collectively, the “Indirect Participants”). Persons who are not Participants may beneficially own securities held by or on behalf of DTC only through the Participants or the Indirect Participants. The ownership interests in, and transfers of ownership interests in, each security held by or on behalf of DTC are recorded on the records of the Participants and Indirect Participants.

DTC has also advised us that, pursuant to procedures established by it:

- upon deposit of the Global Notes, DTC will credit the accounts of the Participants designated by the initial purchasers with portions of the principal amount of the Global Notes; and
- ownership of these interests in the Global Notes will be shown on, and the transfer of ownership of these interests will be effected only through, records maintained by DTC (with respect to the Participants) or by the Participants and the Indirect Participants (with respect to other owners of beneficial interests in the Global Notes).

Investors in the Rule 144A Global Notes who are Participants may hold their interests therein directly through DTC. Investors in the Rule 144A Global Notes who are not Participants may hold their interests therein indirectly through organizations (including Euroclear and Clearstream, Luxembourg) that are Participants. Investors in the Regulation S Global Notes must initially hold their interests therein through Euroclear or Clearstream, Luxembourg if they are participants in such systems, or indirectly through organizations that are participants. After the expiration of the Restricted Period (but not earlier), investors may also hold interests in the Regulation S Global Notes through Participants in DTC other than Euroclear and Clearstream, Luxembourg.

Euroclear and Clearstream, Luxembourg will hold interests in the Regulation S Global Notes on behalf of their participants through customers’ securities accounts in their respective names on the books of their respective depositories, which in turn hold such interests in customers’ securities accounts in the depositories’ names on the books of DTC. Citibank, N.A. acts as depository for Clearstream, Luxembourg, and Euroclear S.A./ N.V. acts as depository for Euroclear. All interests in a Global Note, including those held through Euroclear or Clearstream, Luxembourg, may be subject to the procedures and requirements of DTC. Those interests held through Euroclear or Clearstream, Luxembourg may also be subject to the procedures and requirements of such systems. The laws of some states require that certain persons take physical delivery in definitive form of securities that they own. Consequently, the ability to transfer beneficial interests in a Global Note to such persons will be limited to that extent. Because DTC can act only on behalf of Participants, which in turn act on behalf of Indirect Participants, the ability of a person having beneficial interests in a Global Note to pledge such interests to persons that do not participate in the DTC system, or otherwise take actions in respect of such interests, may be affected by the lack of a physical certificate evidencing such interests.

***Except as described below, owners of interests in global notes will not have notes registered in their names, will not receive physical delivery of notes in certificated form and will not be considered the registered owners or “holders” thereof under the indenture governing the notes for any purpose.***

Payments in respect of the principal of, and interest and premium, if any, on a Global Note registered in the name of DTC or its nominee will be payable to DTC in its capacity as the registered holder under the indenture. Under the terms of the indenture, we and the trustee thereunder will treat the persons in whose names the notes, including the Global Notes, are registered as the owners of the notes for the purpose of receiving payments and for all other purposes. Consequently, neither we nor any agent of ours or the trustee has or will have any responsibility or liability for:

- any aspect of DTC’s records or any Participant’s or Indirect Participant’s records relating to, or payments made on account of, beneficial ownership interests in the Global Notes or for maintaining, supervising or reviewing any of DTC’s records or any Participant’s or Indirect Participant’s records relating to the beneficial ownership interests in the Global Notes; or

- any other matter relating to the actions and practices of DTC or any of its Participants or Indirect Participants.

DTC has advised us that its current practice, upon receipt of any payment in respect of securities such as the notes (including principal and interest), is to credit the accounts of the relevant Participants with the payment on the payment date unless DTC has reason to believe that it will not receive payment on such payment date. Each relevant Participant is credited with an amount proportionate to its beneficial ownership of an interest in the principal amount of the relevant security as shown on the records of DTC. Payments by the Participants and the Indirect Participants to the beneficial owners of notes will be governed by standing instructions and customary practices and will be the responsibility of the Participants or the Indirect Participants and will not be our responsibility or the responsibility of DTC or the trustee. Neither we nor the trustee will be liable for any delay by DTC or any of the Participants or the Indirect Participants in identifying the beneficial owners of the notes, and we and the trustee may conclusively rely on and will be protected in relying on instructions from DTC or its nominee for all purposes.

Subject to the transfer restrictions set forth under “Notice to Investors,” transfers between the Participants will be effected in accordance with DTC’s procedures and will be settled in same-day funds, and transfers between participants in Euroclear and Clearstream, Luxembourg will be effected in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the notes described herein, cross-market transfers between the Participants, on the one hand, and Euroclear or Clearstream, Luxembourg participants, on the other hand, will be effected through DTC in accordance with DTC’s rules on behalf of Euroclear or Clearstream, Luxembourg, as the case may be, by its respective depository. However, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, Luxembourg, as the case may be, by the counterparty in such system in accordance with the rules and procedures and within the established deadlines (Brussels time) of such system. Euroclear or Clearstream, Luxembourg, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depository to take action to effect final settlement on its behalf by delivering or receiving interests in the relevant Global Note from DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream, Luxembourg participants may not deliver instructions directly to the depositories for Euroclear or Clearstream, Luxembourg.

DTC has advised us that it will take any action permitted to be taken by a holder of notes only at the direction of one or more Participants to whose account DTC has credited the interests in the Global Notes and only in respect of such portion of the aggregate principal amount of the notes as to which such Participant or Participants has or have given such direction. However, if there is an event of default under any of the notes, DTC reserves the right to exchange the Global Notes in respect of such notes for legended notes in certificated form and to distribute such notes to its Participants.

Although DTC, Euroclear and Clearstream, Luxembourg have agreed to the foregoing procedures to facilitate transfers of interests in the Rule 144A Global Notes and the Regulation S Global Notes among participants in DTC, Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or to continue to perform such procedures, and may discontinue such procedures at any time. Neither we nor the trustee nor any of our or its agents will have any responsibility for the performance by DTC, Euroclear or Clearstream, Luxembourg or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

#### **Exchange of Global Notes for Certificated Notes**

A Global Note is exchangeable for Certificated Notes if:

- DTC (a) notifies us that it is unwilling or unable to continue as depository for the Global Notes or (b) has ceased to be a clearing agency registered under the Exchange Act and, in either case, we fail to appoint a successor depository; or

- there has occurred and is continuing an event of default with respect to such notes.

In all cases, Certificated Notes delivered in exchange for any Global Note or beneficial interests in Global Notes will be registered in the names, and issued in any approved denominations, requested by or on behalf of the depository (in accordance with its customary procedures) and will bear a restrictive legend referred to in “Notice to Investors,” unless that legend is not required by applicable law.

### **Exchange of Certificated Notes for Global Notes**

Certificated Notes may not be exchanged for beneficial interests in any Global Note unless the transferor first delivers to the trustee a written certificate (in the form provided in the indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such notes.

### **Exchanges between Regulation S Notes and Rule 144A Notes**

Prior to the expiration of the Restricted Period, beneficial interests in the Regulation S Global Notes may be exchanged for beneficial interests in the Rule 144A Global Notes only if:

- such exchange occurs in connection with a transfer of the notes pursuant to Rule 144A; and
- the transferor first delivers to the trustee a written certificate (in the form provided in the indenture) to the effect that the notes are being transferred to a person:
  - (a) who the transferor reasonably believes to be a QIB within the meaning of Rule 144A;
  - (b) purchasing for its own account or the account of a QIB in a transaction meeting the requirements of Rule 144A; and
  - (c) in accordance with all applicable securities laws of the states of the U.S. and other jurisdictions.

Beneficial interests in a Rule 144A Global Note may be transferred to a person who takes delivery in the form of an interest in the Regulation S Global Notes, whether before or after the expiration of the Restricted Period, only if the transferor first delivers to the trustee a written certificate (in the form provided in the indenture) to the effect that such transfer is being made in accordance with Rule 903 or 904 of Regulation S or Rule 144 (if available) and that, if such transfer occurs prior to the expiration of the Restricted Period, the interest transferred will be held immediately thereafter through Euroclear or Clearstream, Luxembourg.

Transfers involving exchanges of beneficial interests between the Regulation S Global Notes and the Rule 144A Global Notes will be effected by DTC by means of an instruction originated by the indenture trustee through the DTC Deposit/Withdraw at Custodian system. Accordingly, in connection with any such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Notes and a corresponding increase in the principal amount of the Rule 144A Global Notes or vice versa, as applicable. Any beneficial interest in one of the Global Notes that is transferred to a person who takes delivery in the form of an interest in the other Global Note will, upon transfer, cease to be an interest in such Global Note and will become an interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other Global Note for so long as it remains such an interest. The policies and practices of DTC may prohibit transfers of beneficial interests in the Regulation S Global Notes prior to the expiration of the Restricted Period.

### **Same Day Settlement and Payment**

We will make payments in respect of the notes represented by the Global Notes (including principal, premium, if any, and interest) by wire transfer of immediately available funds to the accounts specified by DTC or its nominee. We will make all payments of principal, interest and premium, if any, with respect to Certificated Notes

by wire transfer of immediately available funds to the accounts specified by the holders of the Certificated Notes or, if no such account is specified, by mailing a check to each such holder's registered address. The notes represented by the Global Notes are expected to be eligible to trade in DTC's Same-Day Funds Settlement System, and any permitted secondary market trading activity in such notes will, therefore, be required by DTC to be settled in immediately available funds. We expect that secondary trading in any Certificated Notes will also be settled in immediately available funds.

Because of time-zone differences, credits of interests in the Global Notes received in Clearstream, Luxembourg or Euroclear as a result of a transaction with a DTC Participant will be made during subsequent securities settlement processing and dated the business day following the DTC settlement date. Such credits or any transactions involving interests in such Global Notes settled during such processing will be reported to the relevant Clearstream, Luxembourg or Euroclear participants on such business day. Cash received in Clearstream, Luxembourg or Euroclear as a result of sales of interests in the Global Notes by or through a Clearstream, Luxembourg participant or a Euroclear Participant to a DTC Participant will be received with value on the DTC settlement date but will be available in the relevant Clearstream, Luxembourg or Euroclear cash account only as of the business day following settlement in DTC.

Neither we, the trustee, registrar, nor paying agent will have any responsibility for the performance by DTC or its participants or indirect participants of their respective obligations under the rules and procedures governing their operations. DTC has advised us that it will take any action permitted to be taken by a holder of notes, including the presentation of notes for exchange, only at the direction of one or more participants to whose account with DTC interests in the Global Note are credited, and only in respect of the principal amount of the notes represented by the Global Note as to which the participant or participants has or have given such direction.

## CERTAIN INCOME TAX CONSIDERATIONS

### Certain U.S. Federal Income Tax Considerations

The following is a summary of certain U.S. federal income tax consequences to “U.S. holders” (as defined below) of owning and disposing of notes purchased in this offering at the “issue price,” which is the first price at which a substantial amount of the notes is sold to investors, and held as capital assets for U.S. federal income tax purposes. This discussion does not address the circumstances, if any, under which an accrual basis U.S. holder that prepares “applicable financial statements” may be required to accelerate income inclusions for U.S. federal income tax purposes and is limited to consequences relevant to a “U.S. holder.”

You are a “U.S. holder” if for U.S. federal income tax purposes you are a beneficial owner of a note and are:

- a citizen or individual resident of the United States;
- a corporation created or organized under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if (i) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (ii) such trust has a valid election in effect under applicable Treasury Regulations to be treated as a domestic trust.

This discussion does not describe all of the tax consequences that may be relevant to you in light of your particular circumstances, including alternative minimum tax consequences and the Medicare tax on net investment income, as well as different tax consequences that may apply if you are subject to special rules that apply to certain types of investors, such as:

- a financial institution;
- a dealer or trader in securities or currencies that uses a mark-to-market method of tax accounting;
- holding notes as part of a “straddle,” “hedge” or integrated transaction;
- a holder whose functional currency is not the U.S. dollar;
- a tax-exempt entity; or
- a partnership or other pass-through entity (including a foreign branch) for U.S. federal income tax purposes.

This discussion does not consider the tax treatment of partnerships or other pass-through entities or persons who hold notes through such entities. If an entity classified as a partnership for U.S. federal income tax purposes is the beneficial owner of notes, the U.S. federal income tax treatment of a partner in the partnership generally will depend on the status of the partner and the activities of the partnership. If you are a partner of a partnership considering an investment in the notes, you should consult your own tax advisor with regard to the application of the U.S. federal tax laws to your particular situation.

This summary is based on the U.S. Internal Revenue Code of 1986, as amended (the “Code”), administrative pronouncements, judicial decisions and final, temporary and proposed Treasury Regulations as of the date hereof, changes to any of which subsequent to the date of this offering memorandum may affect the tax consequences described herein. This summary does not address any aspect of state, local or non-U.S. taxation, or

any taxes other than income taxes (such as estate and gift taxes). You should consult your tax advisor with regard to the application of the U.S. federal income and other tax laws to your particular situation, as well as any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction.

### ***Effect of Certain Contingencies***

In certain circumstances, we may be required to make payments on the notes in addition to stated principal and interest. See “Description of Notes—Payment of Additional Amounts” and “—Redemption for Taxation Reasons.” The obligation to make such payments may implicate the provisions of the Treasury Regulations relating to “contingent payment debt instruments.” We intend to take the position that the possibility of any such payment does not result in the notes being treated as contingent payment debt instruments. Our position is binding on a holder unless such holder discloses its contrary position in the manner required by applicable Treasury Regulations. However, the Internal Revenue Service (the “IRS”) may take a different position, which could require a holder to accrue income on its notes in excess of stated interest and to treat as ordinary income rather than capital gain any income realized on the taxable disposition of a note. In the event such a contingency occurs, it would affect the amount and timing of the income recognized by a holder. The remainder of this discussion assumes the notes are not treated as contingent payment debt instruments. You should consult your own tax advisor with regard to the possible application of the Treasury Regulations pertaining to contingent payment debt instruments and the consequences thereof.

### ***Payments and Accrual of Interest***

Payments or accruals of interest on a note (without reduction of any tax withheld, and including any additional amounts) will be taxable to you as ordinary interest income at the time that you receive or accrue such amounts (in accordance with your regular method of accounting for U.S. federal income tax purposes), including, for the avoidance of doubt, any additional amounts paid on a note to “gross up” the U.S. holder in respect of withholding or deduction for taxes (see “Description of Notes—Payment of Additional Amounts.”).

It is expected, and this discussion assumes, that the notes will be issued without original issue discount for U.S. federal income tax purposes. If, however, a note’s principal amount exceeds its issue price by an amount that does not satisfy a de minimis test for the notes, you will be required to include the excess in income as ordinary income, as it accrues (in accordance with a constant-yield method) before the receipt of cash payments attributable to this income.

Interest income on the notes (including any additional amounts) will be treated as income from sources outside the United States and will, depending on the U.S. holder’s circumstances, be either “passive” or “general” category income for purposes of the rules regarding the foreign tax credit. If any non-U.S. income taxes were to be paid or withheld in respect of payments on the notes, a U.S. holder may be eligible, subject to a number of complex limitations (including holding period and at risk requirements, and certain additional requirements under recently finalized Treasury Regulations, which may be unclear or difficult to determine), for a foreign tax credit. Alternatively, the U.S. holder may deduct such taxes in computing taxable income for U.S. federal income tax purposes provided that the U.S. holder does not elect to claim a foreign tax credit for any foreign income taxes paid or accrued for the relevant taxable year. The rules governing the foreign tax credit are complex. U.S. holders are urged to consult their tax advisor regarding the availability of the foreign tax credit under their particular circumstances.

### ***Sale or Other Disposition of Notes***

U.S. holders generally will recognize gain or loss upon the sale or other taxable disposition (including retirement or redemption) of a note in an amount equal to the difference between the amount realized upon such disposition (other than amounts received in respect of accrued and unpaid interest, which will be taxable as ordinary income to the extent not previously included in income) and the U.S. holder’s adjusted tax basis in the note. A U.S. holder’s adjusted tax basis in a note generally equals the amount such U.S. holder paid for the note.

Any such gain or loss will be capital gain or loss and generally will be U.S.-source capital gain or loss and will be long-term capital gain or loss if the U.S. holder has held the note for more than one year at the time of the sale, exchange, retirement or other taxable disposition. Net long-term capital gains of individuals are generally subject to taxation at preferential rates compared to items of ordinary income. The deductibility of capital losses, however, is subject to limitations.

### ***Information Reporting and Backup Withholding***

In general, information reporting requirements will apply to certain payments within the United States of interest (including any additional amounts), principal and proceeds of a sale or other disposition (including a retirement or redemption) of notes, or to payments of such amounts outside the United States by certain U.S.-related persons. Backup withholding may apply to such payments or proceeds if the beneficial owner fails to provide a correct taxpayer identification number or certification of exempt status or, in the case of payments of interest, fails to certify that such beneficial owner is not subject to such withholding. In general, a U.S. Holder may comply with this requirement by providing the applicable withholding agent with a duly completed and executed copy of IRS Form W-9 (or substitute form). Any amounts withheld under the backup withholding rules from a payment to a beneficial owner will be allowed as a refund or credit against such beneficial owner's U.S. federal income tax liability provided the required information is timely furnished to the IRS.

### ***Reporting Obligations of Owners of Foreign Financial Assets***

Section 6038D of the Code generally requires U.S. individuals (and possibly certain entities that have U.S. individual owners) to file IRS Form 8938 if they hold certain "specified foreign financial assets," the aggregate value of which exceeds \$50,000 on the last day of the taxable year (or the aggregate value of which exceeds \$75,000 at any time during the taxable year). The definition of specified foreign financial assets includes not only financial accounts maintained in foreign financial institutions, but also, unless held in accounts maintained by a financial institution, the notes. If you do not file a required IRS Form 8938, you may be subject to substantial penalties and the statute of limitations on the assessment and collection of all your U.S. federal income taxes for the related tax year may not close before the date which is three years after the date on which such report is filed. You should discuss these reporting obligations with your tax advisor.

### ***Foreign Account Tax Compliance Act***

Sections 1471 through 1474 of the Code (provisions commonly known as "FATCA"), impose a 30% withholding tax with respect to certain U.S. source payments. Because we are a non-U.S. entity that is not engaged in a U.S. trade or business, this potential withholding under FATCA applies to the notes only if we are considered a Foreign Financial Institution ("FFI"). The discussion below addresses the withholding regime under FATCA with respect to an FFI.

While withholding under FATCA would have applied to payments on or after January 1, 2019 of gross proceeds from the sale or other disposition of certain debt instruments issued by an FFI, proposed Treasury Regulations were published in the Federal Register on December 18, 2018 (the "2018 Proposed Regulations") that, if finalized in their proposed form, would eliminate the obligation to withhold on gross proceeds. Taxpayers generally may rely on these proposed Treasury Regulations until final Treasury Regulations are issued.

An FFI may be required to withhold U.S. tax on certain "foreign passthru payments" to the extent such payments are treated as attributable to U.S. source payments. However, obligations issued on or prior to the date that is six months after the date on which applicable final Treasury Regulations defining "foreign passthru payments" are filed generally would be "grandfathered" unless they are characterized as equity for U.S. federal income tax purposes, or they are materially modified after such date. To date, no such Treasury Regulations have been issued. Accordingly, if we are treated as a FFI, FATCA would apply to payments on or with respect to the notes only if there is a significant modification of the notes for U.S. federal income tax purposes after the expiration of this grandfathering period. The 2018 Proposed Regulations also defer the required date for withholding on certain foreign passthru payments, to the extent such payments are treated as attributable to certain U.S. source payments, to after the date that is two years after the date of publication in the Federal Register of final Treasury Regulations defining the term "foreign passthru payment." Holders should consult their tax advisors on how these rules may



apply to their investment in the notes. In the event any withholding under FATCA is imposed with respect to any payments on the notes, there will be no additional amounts payable to compensate for the withheld amount.

The preceding summary of certain U.S. federal income tax consequences of the ownership and disposition of the notes is for general information only and is not tax advice. Accordingly, you should consult your tax advisor as to particular tax considerations to you of owning and disposing of the notes, including the applicability and effect of other U.S. federal, state, local or foreign tax laws, and of any proposed changes in applicable law.

### **Certain Cayman Islands Tax Consideration**

Prospective investors should consult their professional advisers on the possible tax consequences of buying, holding or selling any notes under the laws of their country of citizenship, residence or domicile.

#### ***Cayman Islands Taxation***

The following is a discussion on certain Cayman Islands income tax consequences of an investment in the notes. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

#### ***Under Existing Cayman Islands Laws***

Payments of interest and principal on the notes and dividends and capital in respect of the shares will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of interest and principal or a dividend or capital to any holder of the notes or shares, as the case may be, nor will gains derived from the disposal of the notes or shares be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax.

No stamp duty is payable in respect of the issue of the notes and any certificates. An instrument of transfer in respect of a Note or any certificate is stampable if executed in or brought into the Cayman Islands. The Issuer has been incorporated under the laws of the Cayman Islands as an exempted company with limited liability and, as such, has obtained an undertaking from the Financial Secretary of the Cayman Islands in the following form:

#### ***The Tax Concessions Act***

#### ***As Revised***

#### ***Undertaking as to Tax Concessions***

In accordance with the provision of section 6 of The Tax Concessions Act (As Revised), the Governor-in-Cabinet undertakes with Avolon Holdings Funding.

1. That no law which is hereafter enacted in the Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

2. In addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:

1.1 On or in respect of the shares, debentures or other obligations of the Company; OR

1.2 by way of the withholding in whole or part, of any relevant payment as defined in Section 6(3) of the Tax Concessions Act (As Revised).

These concessions shall be for a period of 20 years from the date of receipt of the undertaking.

### ***Anti-money Laundering Regulations (As Revised) of the Cayman Islands***

The Anti-Money Laundering Regulations (As Revised) of the Cayman Islands (together with The Guidance Notes on the Prevention and Detection of Money Laundering, Terrorist Financing and Proliferation Financing in the Cayman Islands (or equivalent legislation and guidance, as applicable), and each as amended and revised from time to time, “Cayman AML Regulations” apply to anyone conducting “relevant financial business” in or from the Cayman Islands intending to form a business relationship or carry out a one-off transaction. The Cayman AML Regulations require a financial service provider to maintain certain anti-money laundering procedures including those for the purposes of verifying the identity and source of funds of an “applicant for business”; e.g. an investor, as well as the identity of the beneficial owner/controller of the investor, where applicable. Except in certain circumstances, including where an entity is regulated by a recognized overseas regulatory authority and/ or listed on a recognized stock exchange in an approved jurisdiction, the Issuer, or its agents may be required to verify each investor’s identity and may be required to verify the source of the payment used by such investor in a manner similar to the obligations imposed under the laws of other major financial centers. Application of an identity verification exemption at the time of purchase of the notes may nevertheless require verification of identity prior to payment of proceeds from the notes. In addition, if any person in the Cayman Islands knows or suspects, or has reasonable grounds for knowing or suspecting that another person is engaged in criminal conduct or money laundering, or is involved with terrorism or terrorist financing and property, and the information for that knowledge or suspicion came to their attention in the course of business in the regulated sector, or other trade, profession, business or employment, the person will be required to report such knowledge or suspicion to (i) the Financial Reporting Authority of the Cayman Islands (“FRA”), pursuant to the Proceeds of Crime Act (As Revised) of the Cayman Islands (“PCL”), if the disclosure relates to criminal conduct or money laundering, or (ii) a police officer of the rank of constable or higher, or the FRA, pursuant to the Terrorism Act (As Revised) of the Cayman Islands (“Terrorism Act”), if the disclosure relates to involvement with terrorism or terrorist financing and property. If the Issuer were determined by the Cayman Islands authorities to be in violation of the PCL, the Terrorism Act or the Cayman AML Regulations, the Issuer could be subject to substantial criminal penalties and/or administrative fines. The Issuer may be subject to similar restrictions in other jurisdictions. Such a violation could materially adversely affect the timing and amount of payments by the Issuer to the holders of the notes.

### **Certain Irish Tax Considerations**

The following general summary describes certain Irish tax consequences of acquisition, holding and disposal of the notes. This summary is based on the Irish tax law and published practice of the Revenue Commissioners as in effect on the date of this offering memorandum and both are subject to change possibly with retroactive effect and are ultimately the subject of interpretation by the Irish Courts. Holders or prospective holders of notes should consult with their tax advisers with regard to the tax consequences of investing in the notes in their particular circumstances. The discussion below is included for general information purposes only.

#### ***Withholding Tax***

In general, tax at the standard rate of income tax (currently 20%) is required to be withheld from payments of Irish source interest. However, an exemption from withholding on interest payments exists under Section 64 of the Taxes Consolidation Act, 1997 (the “1997 Act”) for certain interest bearing securities issued by a company which are quoted on a recognized stock exchange (which should include the Global Exchange Market of Euronext Dublin) (“quoted Eurobonds”).

Any interest paid on such quoted Eurobonds can be paid free of withholding tax provided:

1. the person by or through whom the payment is made is not in Ireland; or
2. the payment is made by or through a person in Ireland, and either:
  - 2.1. the quoted Eurobond is held in a clearing system recognized by the Irish Revenue Commissioners (DTC, Euroclear and Clearstream, Luxembourg are so recognized); or

2.2. the person who is the beneficial owner of the quoted Eurobond and who is beneficially entitled to the interest is not resident in Ireland and has made a declaration to the person by or through whom the payment is made in the prescribed form.

So long as the notes are quoted on a recognized stock exchange and are held in DTC, Euroclear, Clearstream, Luxembourg or another clearing system recognized by the Irish Revenue Commissioners (or, if not so held, payments on the notes are made through a paying agent not in Ireland), interest on the notes can be paid by the Issuer and any paying agent acting on behalf of the Issuer without any withholding or deduction for or on account of Irish income tax.

In other circumstances, where the exemption under Section 64 of the 1997 Act does not apply, interest payments on the notes should be subject to Irish withholding tax at the standard income tax rate unless another exemption under Irish domestic law applies or relief is available and is claimed under the provisions of a double taxation treaty between Ireland and the country of tax residence of the noteholder. In this regard, Ireland has tax treaties with a number of jurisdictions which, under certain circumstances, reduce the rate of Irish withholding tax on payments of interest to persons resident in those jurisdictions.

### ***Taxation of Noteholders***

Notwithstanding that a holder may receive interest on the notes free of withholding tax, the holder may still be liable to pay Irish income tax. Interest paid on the notes may have an Irish source and may therefore be within the charge to Irish income tax, pay related social insurance (“PRSI”) and the Universal Social Charge. Ireland operates a self-assessment system in respect of income tax and any person, including a person who is neither resident nor ordinarily resident in Ireland, with Irish source income comes within its scope.

Certain categories of taxpayer may be exempt from taxation of interest:

A person will be exempt from Irish tax on interest on the notes where the notes qualify for the Eurobond exemption from withholding tax as described above; provided that the person does not carry on a trade in Ireland through a branch or agency to which the interest is attributable and the person is not resident in Ireland and is resident in a Member State of the EU or in a country with which Ireland has a double taxation agreement.

A person will also be exempt from Irish tax on interest on the notes where the notes qualify for the quoted Eurobond exemption from withholding tax as described above and where the person is either:

(i) a company, not resident in Ireland, which is under the control, whether directly or indirectly, of persons(s) who by virtue of the laws of a Member State of the EU (other than Ireland) or a country with which Ireland has a double taxation agreement are resident for the purposes of tax in that jurisdiction and are not under the control of persons(s) who are not so resident in a Member State of the EU (other than Ireland) or a country with which Ireland has a double taxation agreement; or

(ii) a company, not resident in Ireland, or where the non-Irish resident company is a 75%-owned subsidiary of a company or companies, the principal class of shares in which is substantially and regularly traded on a recognized stock exchange in an EU member state or in a country with which Ireland has a double tax agreement,

*provided* the company in (i) and (ii) above does not carry on a trade in Ireland through a branch or agency to which the interest is attributable.

Under Irish domestic law, a company that is not resident in Ireland and is resident either in a Member State of the EU or in a country with which Ireland has a double taxation agreement which imposes a tax that generally applies to interest receivable in that territory by companies from sources outside that territory or where the interest payable is exempted from the charge to tax under the relevant double tax agreement, or would be exempted if the relevant double tax agreement had the force of law when the interest was paid, will be exempt from Irish tax on any interest received on the notes provided it does not carry on a trade in Ireland through a branch or agency to which

this interest is attributable and as long as the Issuer is making the interest payments in the ordinary course of its trade or business.

In addition, an exemption from Irish tax may also be available under the terms of an applicable double tax agreement to certain persons entitled to the benefits of such an agreement (subject to any applicable administrative requirements for claiming treaty benefits).

Holders receiving interest on the notes which does not fall within any of the above exemptions may be liable to Irish income tax, PRSI and the Universal Social Charge on such interest.

A corporate noteholder that carries on a trade in Ireland through a branch or agency in respect of which the notes are held or attributed or is resident in Ireland, may have a liability to Irish corporation tax on the notes (including the interest arising on the notes).

### ***Encashment Tax***

In certain circumstances, Irish encashment tax may be required to be withheld at the standard rate (currently 25%) from interest on any notes, where such interest is collected by a person in Ireland on behalf of any noteholder. However, a non-Irish collection agent should not be obliged to deduct Irish encashment tax.

### ***Deposit Interest Retention Tax (“DIRT”)***

The interest on the notes should not be liable to DIRT on the basis that the Issuer is not a deposit taker as defined in Irish tax law.

### ***Capital Gains Tax***

Capital gains tax is chargeable at the rate of 33% on taxable capital gains (calculated in euros). The notes are chargeable assets for Irish capital gains tax purposes. Persons who are neither resident nor ordinarily resident in Ireland, however, are only liable for capital gains tax on the disposal of the notes where the notes have been used in or held or acquired for use by or for the purposes of a branch or agency of such a person in Ireland.

### ***Domicile Levy***

Irish domiciled individuals may be subject to the domicile levy as a consequence of owning the notes.

### ***Capital Acquisitions Tax***

A gift or inheritance comprising of notes will be within the charge to capital acquisitions tax (currently levied at 33%) if either (i) the disponent or the donee/successor in relation to the gift or inheritance is resident or ordinarily resident in Ireland or (ii) if the notes are regarded as property situate in Ireland. Special rules with regard to residence apply where an individual is not domiciled in Ireland. The notes may be regarded as situated in Ireland for Irish capital acquisition purposes. Accordingly, if such notes are comprised in a gift or inheritance, the gift or inheritance may be within the charge to capital acquisition tax regardless of the residence status of the disponent or the donee/successor.

### ***Stamp Duty***

No stamp duty, stamp duty reserve tax or issue, documentary, registration or other similar tax imposed by any government department or other taxing authority of or in Ireland (collectively “Irish stamp duty”) should be payable on the creation, initial issue or delivery of notes.

The notes should be considered loan capital within the meaning of Section 85 of the Stamp Duties Consolidation Act, 1999, and on the basis that the issue price is not less than 90% of their nominal value, the transfer of any interest in such notes therein by written instrument or by book entry should not attract Irish stamp

duty. Any Irish stamp duty charged would be at the rate of one per cent of the amount of the consideration for the transfer or, if greater, the market value of the interest in the notes being transferred.

### ***Common Reporting Standard (“CRS”)***

The CRS requires participating jurisdictions to exchange certain information held by financial institutions (as defined for CRS purposes) regarding their non-resident customers. Over 100 jurisdictions have committed to exchanging information under the CRS and a group, including Ireland, have committed to the early adoption of the CRS, with the first data exchanges taking place by September 2017. CRS does not impose any additional requirements to withhold tax on payments to investors (including the noteholders).

DAC2 extends Council Directive 2011/16/EU (as amended by 2014/107/EU) to financial account information. It essentially imports the CRS into EU legislation for all EU Member States and legislation to implement the Directive in Ireland was introduced in Finance Act 2015.

### ***DAC6 – Disclosure Requirements for Reportable Cross-Border Tax Arrangements***

On June 25, 2018, Council Directive (EU) 2018/822 (“DAC6”) introduced rules regarding the mandatory automatic exchange of information in the field of taxation in relation to reportable cross-border arrangements.

DAC6 imposes mandatory reporting requirements on EU-based intermediaries who design, market, organize, make available for implementation or manage the implementation of potentially aggressive cross-border tax-planning arrangements. It also covers persons who provide aid, assistance or advice in relation to potentially aggressive cross-border tax-planning arrangements, where they can be reasonably expected to know that they have performed that function. If the intermediary is located outside the EU or is bound by legal professional privilege, the obligation to report may pass to the taxpayer. Certain cross-border transactions must be reported even where they do not have a tax motive.

The transactions contemplated under this offering memorandum may fall within the scope of mandatory disclosure rules under DAC6 or equivalent local law provisions and thus may qualify as reportable cross-border arrangements within the meaning of such provisions. If that were the case, any person that falls within the definition of an “intermediary” with respect to the Issuer may have to report certain transactions entered into by the Issuer to the relevant EU tax authority.

## CERTAIN ERISA CONSIDERATIONS

### General

The U.S. Employee Retirement Income Security Act of 1974, as amended (“ERISA”), imposes certain requirements on employee benefit plans subject to Title I of ERISA and on entities that are deemed to hold the assets of such plans (“ERISA Plans”), and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA’s general fiduciary requirements, including, but not limited to, the requirement of investment prudence and diversification and the requirement that an ERISA Plan’s investments be made in accordance with the documents governing the plan.

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan or of a plan, such as an individual retirement account, that is not subject to ERISA but is subject to Section 4975 of the Code or an entity deemed to hold the assets of such plans (together with ERISA Plans, “Plans”). Such a transaction could be prohibited if the transaction involves certain parties related to the Plan (referred to as “parties in interest” or “disqualified persons”) or if the Plan fiduciary causing the use of plan assets in the transaction has a prohibited conflict of interest related to the transaction. A party in interest or disqualified person that engages in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code, and a fiduciary that causes a non-exempt prohibited transaction may be subject to penalties and liabilities under ERISA and the Code.

Any Plan fiduciary that proposes to cause a Plan to purchase the notes should consult with its counsel regarding the applicability of the fiduciary responsibility provisions of ERISA and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment and to confirm that such purchase and holding will not constitute or result in a non-exempt prohibited transaction or any other violation of an applicable requirement of ERISA.

Non-U.S. plans, governmental plans and certain church plans, while not subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of ERISA and Section 4975 of the Code, may nevertheless be subject to non-U.S., state, local or other federal laws or regulations that are substantially similar to the foregoing provisions of ERISA or Section 4975 of the Code (“Similar Law”). Fiduciaries of any such plans should consult with their counsel before purchasing the notes to determine the need for and the availability of, if necessary, any exemptive relief under any Similar Law.

### Prohibited Transaction Exemptions

Any Plan fiduciary that proposes to purchase and hold any notes with the assets of such Plan should consider, among other things, whether such purchase and holding may constitute or result in a direct or indirect prohibited transaction with a party in interest or disqualified person with respect to such Plan and, if so, whether exemptive relief may be available for the transaction. Such parties in interest or disqualified persons could include, without limitation, the Issuer, the initial purchasers, the Guarantors or any of their respective affiliates.

The U.S. Department of Labor has issued prohibited transaction class exemptions (“PTCEs”) that may provide exemptive relief for direct or indirect prohibited transactions resulting from the purchase or holding of the notes. These exemptions include, without limitation, PTCE 84-14 (relating to transactions effected by a “qualified professional asset manager”), PTCE 90-1 (relating to investments by insurance company pooled separate accounts), PTCE 91-38 (relating to investments by bank collective investment funds), PTCE 95-60 (relating to investments by insurance company general accounts) or PTCE 96-23 (relating to transactions directed by an in-house asset manager). In addition, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provide a statutory exemption for certain transactions involving certain non-fiduciary service providers or their affiliates. One of these exemptions could provide an exemption for the purchase and holding of the notes from the prohibited transaction provisions of ERISA and Section 4975 of the Code if its conditions are satisfied. However, there can be no assurance that all of the conditions of any of these exemptions or of any other exemption will be available with respect to any particular transaction involving the notes.

## **Representation**

By acceptance of a note, each holder and subsequent transferee will be deemed to have represented and warranted that either (i) no portion of the assets used by such holder or transferee to acquire or hold the notes constitutes assets of any Plan or other plan subject to Similar Law or (ii) the acquisition and holding of the notes by such purchaser or transferee will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a similar violation under any applicable Similar Law, and none of the Issuer, the initial purchasers, the Guarantors, nor any of their respective affiliates has acted as the fiduciary of such purchaser or transferee in connection with the acquisition and holding of the notes. Each Plan and other plan subject to Similar Law should consider the fact that none of the Issuer, the initial purchasers or other persons that provide marketing services, nor any of their respective affiliates, has provided, and none of them will provide, impartial investment advice and they are not giving any advice in a fiduciary capacity, in connection with your acquisition of notes.

The foregoing discussion is general in nature and is not intended to be all-inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries or other persons considering acquiring the notes on behalf of, or with the assets of, any Plan or other plan subject to Similar Law, consult with their counsel regarding the potential applicability of ERISA, Section 4975 of the Code and any Similar Law to such investments and whether an exemption would be applicable to the purchase and holding of the notes.

## NOTICE TO INVESTORS

The notes have not been, and will not be, registered under the Securities Act or the securities laws of any jurisdiction and may not be offered or sold within the United States or to U.S. Persons, as such term is defined under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and such other securities laws. We are not required to register the notes for resale under the Securities Act or the securities laws of any other jurisdiction and are not required to offer to exchange the notes for notes registered under the Securities Act or the securities laws of any other jurisdiction and we have no present intention to do so. Accordingly, the notes are being offered hereby only to (a) “qualified institutional buyers” (as defined in Rule 144A under the Securities Act) in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A and (b) outside the United States to

“Non-U.S. Persons” (as defined in Regulation S under the Securities Act) in compliance with Regulation S.

Each purchaser of the notes will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or Regulation S under the Securities Act are used herein as defined therein):

- (1) The purchaser is either: (A) a qualified institutional buyer and is aware that the sale to it is being made in reliance on Rule 144A and such qualified institutional buyer is acquiring such notes for its own account or for the account of another qualified institutional buyer; or (B) a Non-U.S. Person and is purchasing the notes in accordance with Regulation S under the Securities Act. The purchaser acknowledges that the seller may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A or other exemptions under the Securities Act.
- (2) The purchaser understands that the notes are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act, that the notes have not been registered under the Securities Act and that (A) the notes may be offered, resold, pledged or otherwise transferred only (1) (a) to a person whom the seller reasonably believes is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, (b) in a transaction meeting the requirements of Rule 144 under the Securities Act, if available, (c) outside the United States to a person that is a Non-U.S. Person in a transaction meeting the requirements of Regulation S under the Securities Act, (d) to an “accredited investor” within the meaning of Rule 501(a)(1), (2), (3) or (7) under the Securities Act (an “Institutional Accredited Investor”) that is purchasing at least \$250,000 of notes for its own account or for the account of an Institutional Accredited Investor (and based upon an opinion of counsel if we so request) or (e) pursuant to another available exemption under the Securities Act, (2) to us or any of our subsidiaries or (3) under an effective registration statement and, in each case, in compliance with any applicable securities laws of any State of the United States or any other applicable jurisdiction and (B) the purchaser will, and each subsequent holder is required to, notify any later purchaser of the notes from it of the resale restrictions described in (A) above. If any resale or other transfer of any note is proposed to be made under clause (1)(d) above while these transfer restrictions are in force, then the transferor shall deliver a letter from the transferee to us and the trustee which shall provide, among other things, that the transferee is an Institutional Accredited Investor and that it is acquiring the notes for investment purposes and not for distribution in violation of the Securities Act.
- (3) The purchaser understands that the certificates evidencing the notes will, unless otherwise agreed by us, bear a legend substantially to the effect set forth in paragraphs (1) and (2).
- (4) The purchaser confirms that (A) the purchaser has requisite knowledge and experience in financial and business matters so that it is capable of evaluating the merits and risks of purchasing notes, and the purchaser and any accounts for which it is acting are each able to bear the economic risks of its or their investment, including a complete loss of the investment, (B) the purchaser is not acquiring notes with a view to any distribution of the notes in a transaction that would violate the Securities Act or the securities laws of any State of the United States or another applicable jurisdiction; provided that the disposition of its property and the property of any accounts for which the purchaser is acting as fiduciary shall remain at all times within its control and (C) the purchaser has received a



copy of this offering memorandum and acknowledges that the purchaser has had access to the financial and other information, and has been afforded the opportunity to ask questions of our representatives and receive answers to those questions, as it deemed necessary in connection with its decision to purchase notes.

- (5) If it is a purchaser in a sale that occurs outside the United States within the meaning of Regulation S under the Securities Act, it acknowledges that until the expiration of the “40-day distribution compliance period” within the meaning of Rule 903 of Regulation S, any offer or sale of the notes shall not be made by it to a U.S. person or for the account or benefit of a U.S. person within the meaning of Rule 902(k) of the Securities Act.
- (6) Either (A) no portion of the assets used by the purchaser to acquire or hold the notes constitutes assets of any Plan or other plan subject to Similar Law, or (B) the acquisition and holding of the notes by such purchaser or transferee will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a similar violation under any applicable Similar Law, and none of the Issuer, the initial purchasers nor any of their respective affiliates has acted as the fiduciary of such purchaser or transferee in connection with the acquisition and holding of the notes.
- (7) The purchaser acknowledges that we, the initial purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that, if any of the foregoing acknowledgments, representations or agreements deemed to have been made by it are no longer accurate, it shall promptly notify us and the initial purchasers. If such purchaser is acquiring any notes as a fiduciary or agent for one or more investor accounts, such purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

The purchaser acknowledges that the trustee will not be required to accept for registration of transfer any notes acquired by it, except upon presentation of evidence satisfactory to the Issuer and the trustee that the restrictions set forth herein have been complied with.

## PLAN OF DISTRIBUTION

J.P. Morgan Securities LLC, BNP Paribas Securities Corp., Deutsche Bank Securities Inc., Fifth Third Securities, Inc. and MUFG Securities Americas Inc. are acting as the initial purchasers of the notes. Subject to the terms and conditions stated in the purchase agreement to be entered into among the initial purchasers and us, the initial purchaser has agreed to purchase, and we have agreed to sell to the initial purchasers, and each of the initial purchasers has severally agreed to purchase from us, the principal amount of notes set forth opposite its name below.

	<b>Principal amount of notes</b>
<b>Initial Purchaser</b>	
J.P. Morgan Securities LLC .....	\$118,125,000
BNP Paribas Securities Corp.....	\$101,700,000
Deutsche Bank Securities Inc.....	\$101,700,000
Fifth Third Securities, Inc. ....	\$101,700,000
MUFG Securities Americas Inc. ....	\$101,700,000
Barclays Capital Inc. ....	\$21,975,000
Credit Agricole Securities (USA) Inc. ....	\$21,975,000
Mizuho Securities USA LLC .....	\$21,975,000
Morgan Stanley & Co. LLC.....	\$21,975,000
SG Americas Securities, LLC .....	\$21,975,000
Truist Securities, Inc. ....	\$21,975,000
Wells Fargo Securities, LLC.....	\$21,975,000
Natixis Securities Americas LLC.....	\$14,775,000
NatWest Markets Securities Inc. ....	\$12,825,000
Scotia Capital (USA) Inc. ....	\$12,825,000
ING Financial Markets LLC .....	\$9,150,000
KeyBanc Capital Markets Inc. ....	\$9,150,000
DBS Bank Ltd.....	\$6,675,000
Crédit Industriel et Commercial S.A.....	\$5,850,000
<b>Total .....</b>	<b>\$750,000,000</b>

The purchase agreement provides that the obligation of the initial purchasers to purchase the notes included in this offering is subject to approval of legal matters by counsel and to other conditions. The initial purchasers are obligated to purchase all the notes if they purchase any of the notes.

We have agreed in the purchase agreement to indemnify the initial purchasers and certain related persons against certain liabilities, including liabilities under the Securities Act, and to contribute to payments that the initial purchasers may be required to make in respect of those liabilities.

We have been advised that the initial purchasers propose to resell the notes at the offering price set forth on the cover page of this offering memorandum to persons they reasonably believe to be qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A and outside the United States in reliance on Regulation S. See “Notice to Investors.” The price at which the notes are offered may be changed at any time without notice. The

offering of the notes by the initial purchasers is subject to receipt and acceptance and subject to the initial purchasers' right to reject any order in whole or in part.

The offer and sale of notes have not been registered under the Securities Act or any state securities laws and the notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See "Notice to Investors." Accordingly, in connection with sales outside the United States, the initial purchasers have agreed that, except as permitted by the purchase agreement and set forth in "Notice to Investors," they will not offer or sell the notes within the United States or to, or for the account or benefit of, U.S. persons (i) as part of its distribution at any time or (ii) otherwise until 40 days after the later of the commencement of this offering and the closing date, and they will have sent to each dealer to which they sell notes during the 40-day distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of this offering, an offer or sale of notes within the United States by a dealer that is not participating in this offering may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A.

Sales in the United States may be made through certain affiliates of the initial purchasers. One or more of the initial purchasers may use affiliates or other appropriately licensed entities for sales of the notes in jurisdictions in which sales of such notes by such initial purchasers are not otherwise permitted.

Certain Joint Bookrunners are not broker-dealers registered with the SEC and, therefore, may not make sales of any Notes in the United States or to U.S. persons except in compliance with applicable U.S. laws and regulations. To the extent that such Joint Bookrunners intend to effect sales of the Notes in the United States, they will do so only through one or more U.S. registered broker-dealers or otherwise as permitted by applicable U.S. law. Crédit Industriel et Commercial S.A. and DBS Bank Ltd. are not broker-dealers registered with the SEC, are participating in the offering exclusively in reliance on Regulation S and will not be offering or selling Notes in the U.S. or to U.S. citizens or residents.

The notes will constitute new classes of securities with no established trading market. We do not intend to list the notes on any national securities exchange. We cannot assure you that the prices at which the notes will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the notes will develop and continue after this offering. The initial purchasers have advised us that they currently intend to make a market in the notes. However, they are not obligated to do so and they may discontinue any market-making activities with respect to the notes at any time without notice. In addition, market-making activity will be subject to the limits imposed by the Securities Act and the Exchange Act. Accordingly, we cannot assure you as to the liquidity of or the trading market for the notes. In addition, recent amendments to Exchange Act Rule 15c2-11 and regulatory interpretations thereof by the SEC may further restrict the ability of brokers and dealers to publish quotations on the notes on any interdealer quotation system or other quotation medium.

In connection with the offering, the initial purchasers may purchase and sell notes in the open market. These transactions may include short sales, purchases to cover short positions and stabilizing transactions. Short sales involve secondary market sales by the initial purchasers of a greater amount of notes than it is required to purchase in the offering. Covering transactions involve purchases of notes in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions involve bids to purchase notes so long as the stabilizing bids do not exceed a specified maximum.

Any of these activities may have the effect of preventing or retarding a decline in the market price of the notes. They may also cause the price of the notes to be higher than the price that otherwise would exist in the open market in the absence of these transactions. The initial purchasers may conduct these transactions in the over-the-counter market or otherwise. If the initial purchasers commence any of these transactions, they may discontinue them at any time.

We have agreed in the purchase agreement for the notes, that we will not, for a certain period following the date of this offering memorandum, without first obtaining the prior written consent of J.P. Morgan Securities LLC,

directly or indirectly, sell, offer, contract to sell, pledge, transfer or otherwise dispose of any debt securities issued or guaranteed by the Issuer or any Guarantor (other than with respect to the notes sold to the initial purchasers pursuant to the purchase agreement).

We expect to deliver the notes against payment for the notes on or about the date specified in the last paragraph of the cover page of this offering memorandum, which will be the third business day following the date of the pricing of the notes. Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in two business days unless the parties to any such trade expressly agree otherwise. Purchasers who wish to trade notes on the date of pricing will be required, by virtue of the fact that the notes initially will settle in T+3, to specify alternative settlement arrangements to prevent a failed settlement.

## **Relationships**

The initial purchasers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. The initial purchasers and their respective affiliates have engaged in, and may in the future engage in, investment banking, commercial banking and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

In the ordinary course of their various business activities, the initial purchasers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of the Issuer. The initial purchasers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

In addition, certain of the initial purchasers or their affiliates are agents and/or lenders under our Term Loan Facility and our Unsecured RCF. Initial Purchasers or their affiliates routinely hedge, and certain other of those Initial Purchasers or their respective affiliates are likely to hedge, their credit exposure to us consistent with their customary risk management policies. Typically, they would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the notes offered hereby.

## **Selling Restrictions**

### ***PRIIPS Regulation / Prospectus Directive / Prohibition of Sales to EEA Retail Investors***

The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2017/1129 (as amended, the “Prospectus Regulation”). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation. This offering memorandum has been prepared on the basis that any offer of notes in any Member State of the EEA will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of notes. This offering memorandum is not a prospectus for the purposes of the Prospectus Regulation.

### ***Prohibition of Sales to United Kingdom Retail Investors***

The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the “UK”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal

Act 2018 (“EUWA”); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “FSMA”) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the “UK PRIIPs Regulation”) for offering or selling the notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

### ***Notice to Prospective Investors in the United Kingdom***

Each initial purchaser has represented and agreed as follows:

it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) received by it in connection with the issue or sale of any notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

it has complied with, and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the notes in, from or otherwise involving the United Kingdom.

### ***Notice to Prospective Investors in Canada***

The notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts (“NI 33-105”), the initial purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

### ***Notice to Prospective Investors in Hong Kong***

The notes may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of

Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a “prospectus” within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), and no advertisement, invitation or document relating to the shares may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

#### ***Notice to Prospective Investors in Switzerland***

This document is not intended to constitute an offer or solicitation to purchase or invest in the notes. The notes may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act (“FinSA”) and no application has or will be made to admit the notes to trading on any trading venue (exchange or multilateral trading facility) in Switzerland.

Neither this document nor any other offering or marketing material relating to the notes constitutes a prospectus pursuant to the FinSA, and neither this document nor any other offering or marketing material relating to the notes may be publicly distributed or otherwise made publicly available in Switzerland.

#### ***Notice to Prospective Investors in the Dubai International Financial Centre***

Each initial purchaser has represented and agreed that it has not offered and will not offer the notes to any person in the DIFC unless such offer is:

- (a) an “Exempt Offer” in accordance with the Markets Rules (MKT Module) of the Dubai Financial Services Authority (the “DFSA”) rulebook; and
- (b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the Conduct of Business Module of the DFSA rulebook.

#### ***Notice to Prospective Investors in Australia***

No placement document, prospectus, product disclosure statement or other disclosure document has been lodged with the Australian Securities and Investments Commission (“ASIC”), in relation to the offering. This offering memorandum does not constitute a prospectus, product disclosure statement or other disclosure document under the Corporations Act 2001 (the “Corporations Act”), and does not purport to include the information required for a prospectus, product disclosure statement or other disclosure document under the Corporations Act.

Any offer in Australia of the notes may only be made to persons (the “Exempt Investors”) who are “sophisticated investors” (within the meaning of section 708(8) of the Corporations Act), “professional investors” (within the meaning of section 708(11) of the Corporations Act) or otherwise pursuant to one or more exemptions contained in section 708 of the Corporations Act so that it is lawful to offer the notes without disclosure to investors under Chapter 6D of the Corporations Act.

The notes applied for by Exempt Investors in Australia must not be offered for sale in Australia in the period of 12 months after the date of allotment under the offering, except in circumstances where disclosure to investors under Chapter 6D of the Corporations Act would not be required pursuant to an exemption under section 708 of the Corporations Act or otherwise or where the offer is pursuant to a disclosure document which complies with Chapter 6D of the Corporations Act. Any person acquiring notes must observe such Australian on-sale restrictions.

This offering memorandum contains general information only and does not take account of the investment objectives, financial situation or particular needs of any particular person. It does not contain any securities recommendations or financial product advice. Before making an investment decision, investors need to consider

whether the information in this offering memorandum is appropriate to their needs, objectives and circumstances, and, if necessary, seek expert advice on those matters.

#### ***Notice to Prospective Investors in Singapore***

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the notes are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries’ rights and interest in that trust shall not be transferable for six months after that corporation or that trust has acquired the notes under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

Singapore Securities and Futures Act Product Classification – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (the “SFA”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Notes are “prescribed capital markets products” (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

#### ***Notice to Prospective Investors in Japan***

The notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the “Financial Instruments and Exchange Law”) and each initial purchaser has agreed that it will not offer or sell any securities, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

#### ***Notice to Prospective Investors in the Cayman Islands***

No invitation whether directly or indirectly may be made to the public in the Cayman Islands to subscribe for the notes unless the Issuer is listed on the Cayman Islands Stock Exchange.

#### ***Cayman Islands Data Protection***

The Issuer has certain duties under the Data Protection Act, 2017 of the Cayman Islands (the “DPA”) based on internationally accepted principles of data privacy.

Prospective investors should note that, by virtue of making investments in the Notes and the associated interactions with the Issuer and its affiliates and/or delegates, or by virtue of providing the Issuer with personal information on individuals connected with the investor (for example directors, trustees, employees, representatives, shareholders, investors, clients, beneficial owners or agents) such individuals will be providing the Issuer and its

affiliates and/or delegates with certain personal information which constitutes personal data within the meaning of the DPA. The Issuer shall act as a data controller in respect of this personal data and its affiliates and/or delegates may act as data processors (or data controllers in their own right in some circumstances).

By investing in the Notes, the noteholders shall be deemed to acknowledge that they have read in detail and understood the Privacy Notice set out below and that such Privacy Notice provides an outline of their data protection rights and obligations as they relate to the investment in the Notes.

Oversight of the DPA is the responsibility of the Ombudsman's office of the Cayman Islands. Breach of the DPA by the Issuer could lead to enforcement action by the Ombudsman, including the imposition of remediation orders, monetary penalties or referral for criminal prosecution.

### *Privacy Notice*

#### **Introduction**

The purpose of this notice is to provide noteholders with information on the Issuer's use of their personal data in accordance with the DPA.

In the following discussion, "Issuer" refers to the Issuer and its or their affiliates and/or delegates, except where the context requires otherwise.

#### **Investor data**

By virtue of making an investment in the Issuer and a noteholder's associated interactions with the Issuer (including any subscription (whether past, present or future), including the recording of electronic communications or phone calls where applicable) or by virtue of a noteholder otherwise providing the Issuer with personal information on individuals connected with the noteholder as an investor (for example directors, trustees, employees, representatives, shareholders, investors, clients, beneficial owners or agents), the noteholder will provide the Issuer with certain personal information which constitutes personal data within the meaning of the DPA ("Investor Data"). The Issuer may also obtain Investor Data from other public sources. Investor Data includes, without limitation, the following information relating to a noteholder and/or any individuals connected with a noteholder as an investor: name, residential address, email address, contact details, corporate contact information, signature, nationality, place of birth, date of birth, tax identification, credit history, correspondence records, passport number, bank account details, source of funds details and details relating to the noteholder's investment activity.

In the Issuer's use of Investor Data, the Issuer will be characterized as a "data controller" for the purposes of the DPA. The Issuer's affiliates and delegates may act as "data processors" for the purposes of the DPA.

#### **Who this affects**

If a noteholder is a natural person, this will affect such noteholder directly. If a noteholder is a corporate investor (including, for these purposes, legal arrangements such as trusts or exempted limited partnerships) that provides the Issuer with Investor Data on individuals connected to such noteholder for any reason in relation to such noteholder's investment with the Issuer, this will be relevant for those individuals and such noteholder should transmit the content of this Privacy Notice to such individuals or otherwise advise them of its content.

#### **How the issuer may use a noteholder's personal data**

The Issuer, as the data controller, may collect, store and use Investor Data for lawful purposes, including, in particular:

- (i) where this is necessary for the performance of the Issuer's rights and obligations under any subscription agreements or purchase agreements;



- (ii) where this is necessary for compliance with a legal and regulatory obligation to which the Issuer is subject (such as compliance with anti-money laundering and FATCA/CRS requirements); and/or
- (iii) where this is necessary for the purposes of the Issuer's legitimate interests and such interests are not overridden by the noteholder's interests, fundamental rights or freedoms.

Should the Issuer wish to use Investor Data for other specific purposes (including, if applicable, any purpose that requires a noteholder's consent), the Issuer will contact the applicable noteholders.

#### **Why the issuer may transfer a noteholder's personal data**

In certain circumstances the Issuer and/or its authorized affiliates or delegates may be legally obliged to share Investor Data and other information with respect to a noteholder's interest in the Issuer with the relevant regulatory authorities such as the Cayman Islands Monetary Authority or the Tax Information Authority. They, in turn, may exchange this information with foreign authorities, including tax authorities.

The Issuer anticipates disclosing Investor Data to those who provide services to the Issuer and their respective affiliates (which may include certain entities located outside the Cayman Islands or the European Economic Area), who will process a noteholder's personal data on the Issuer's behalf.

#### **The data protection measures the issuer takes**

Any transfer of Investor Data by the Issuer or its duly authorized affiliates and/or delegates outside of the Cayman Islands shall be in accordance with the requirements of the DPA.

The Issuer and its duly authorized affiliates and/or delegates shall apply appropriate technical and organizational information security measures designed to protect against unauthorized or unlawful processing of Investor Data, and against accidental loss or destruction of, or damage to, Investor Data.

The Issuer shall notify a noteholder of any Investor Data breach that is reasonably likely to result in a risk to the interests, fundamental rights or freedoms of either such noteholder or those data subjects to whom the relevant Investor Data relates.

#### ***Notice to Prospective Investors in Grand Duchy of Luxembourg***

The terms and conditions relating to this offering memorandum have not been approved by and will not be submitted for approval to (i) the Luxembourg Financial Services Authority (Commission de Surveillance du Secteur Financier) for purposes of a public offering or sale in the Grand Duchy of Luxembourg ("Luxembourg") of the notes or admission to the official list of the Luxembourg Stock Exchange ("LxSE") and trading on the LxSE's regulated market or to (ii) the LxSE for purposes of admitting the notes to the official list of the LxSE and trading on the LxSE's Euro MTF market. Accordingly, the notes may not be offered or sold to the public in Luxembourg, directly or indirectly, or listed or traded on the LxSE's regulated market or the LxSE's Euro MTF market, and neither this offering memorandum nor any other circular, prospectus, form of application, advertisement or other material may be distributed, or otherwise made available in or from, or published in, Luxembourg except in circumstances which do not constitute a public offer of securities to the public, subject to prospectus requirements, in accordance with the Luxembourg Act of July 10, 2005 on prospectuses for securities, as amended.

## ENFORCEABILITY OF CIVIL LIABILITIES

Avolon and the Issuer are exempted companies incorporated with limited liability under the laws of the Cayman Islands and their corporate headquarters are located in Ireland. In addition, substantially all of the subsidiary Guarantors are organized outside of the United States. Substantially all of Avolon's assets are located outside of the United States. In addition, most of Avolon's directors and officers are residents of jurisdictions other than the United States and all or a substantial portion of the assets of such persons are, or may be located, outside the United States. As a result, it may be difficult for investors to effect service of process within the United States upon such persons or to enforce judgments against them obtained in United States courts, including judgments predicated upon the civil liability provisions of the United States federal and state securities laws.

We have been advised by our Cayman Islands legal counsel, Maples and Calder (Cayman) LLP, that the courts of the Cayman Islands are unlikely (i) to recognize or enforce against us judgments of courts of the United States predicated upon the civil liability provisions of the securities laws of the United States or any State; and (ii) in original actions brought in the Cayman Islands, to impose liabilities against us predicated upon the civil liability provisions of the securities laws of the United States or any State, so far as the liabilities imposed by those provisions are penal in nature. In those circumstances, although there is no statutory enforcement in the Cayman Islands of judgments obtained in the United States, the courts of the Cayman Islands will recognize and enforce a foreign money judgment of a foreign court of competent jurisdiction without retrial on the merits based on the principle that a judgment of a competent foreign court imposes upon the judgment debtor an obligation to pay the sum for which judgment has been given provided certain conditions are met. For a foreign judgment to be enforced in the Cayman Islands, such judgment must be final and conclusive and for a liquidated sum, and must not be in respect of taxes or a fine or penalty, inconsistent with a Cayman Islands judgment in respect of the same matter, impeachable on the grounds of fraud, or obtained in a manner, and/or be of a kind the enforcement of which is, contrary to natural justice or the public policy of the Cayman Islands (awards of punitive or multiple damages may well be held to be contrary to public policy). A Cayman Islands Court may stay enforcement proceedings if concurrent proceedings are being brought elsewhere.

In addition, it may be difficult to effect service of process within the United States on us or to enforce court judgments obtained in the United States against us in Ireland, including judgments based on the civil liability provisions of the U.S. federal or state securities laws. We have been advised by Maples and Calder (Ireland) LLP, Irish counsel to the Company, that the United States currently does not have a treaty with Ireland providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters.

However, a judgment obtained in the United States should be enforceable in the courts of Ireland if the following general requirements are met:

- the United States court had jurisdiction to hear the matter according to Irish conflict of law rules, in this respect submission to jurisdiction by us in the documents would satisfy this rule;
- the procedural rules of the United States court have been observed;
- the United States court has exercised jurisdiction in circumstances which as a matter of Irish law, an Irish court will recognize as justifying enforcement of the judgment and there is practical benefit to the party in whose favor the judgment has been made in having the judgment enforced in Ireland; and
- the judgment of the United States courts must be final and conclusive and the decree must be final and unalterable in the court which pronounces it.

Notwithstanding satisfaction of the above, the Irish courts may refuse to enforce a judgment of the courts of the United States for one of the following reasons:

- the judgment is not for a definite sum of money;
- the judgment was obtained by fraud, trick or deliberately misleading circumstances;

- the enforcement of the judgment in Ireland would be contrary to natural or constitutional justice;
- the judgment is contrary to Irish public policy or involves certain foreign laws which will not be enforced in Ireland;
- the judgment is not consistent with a judgment of the Irish courts in respect of the same matter; or
- jurisdiction cannot be obtained by the Irish courts over us in the enforcement proceedings by personal service in Ireland or outside Ireland under Order 11 of the Superior Courts Rules of Ireland.

An Irish court will also exercise its right to refuse enforcement if fresh evidence is adduced by any party thereto that could have been discovered prior to the U.S. judgment by reasonable diligence by such party and that shows such U.S. judgment to be erroneous. There is some uncertainty as to whether the courts of Ireland would recognize or enforce judgments of U.S. courts obtained against us or our directors or officers based on the civil liabilities provisions of the U.S. federal or state securities laws or hear actions against us or those persons based on those laws. Therefore, a final judgment for the payment of money rendered by any U.S. federal or state court based on civil liability, whether or not based solely on U.S. federal or state securities laws, would not automatically be enforceable in Ireland.

## **LEGAL MATTERS**

Certain U.S. legal matters with respect to the notes will be passed upon for us by Weil, Gotshal & Manges LLP, 767 Fifth Avenue, New York, New York 10153, USA. Certain Cayman Islands legal matters with respect to the notes will be passed upon for us by Maples and Calder (Cayman) LLP, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. Certain Irish legal matters with respect to the notes will be passed upon for us by Maples and Calder (Ireland) LLP, 75 St Stephen's Green, Dublin 2, Ireland. Certain legal matters will be passed upon for the initial purchasers by Cahill Gordon & Reindel LLP, 32 Old Slip, New York, New York 10005, USA.

# APPENDIX A



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## TERMS USED IN THIS OFFERING MEMORANDUM

Unless otherwise indicated or the context otherwise requires, references in this offering memorandum to:

- “*2020 Term Unsecured Facility*” refers to the unsecured term facility, dated December 22, 2020 among, *inter alios*, Avolon Aerospace Funding 5 (Luxembourg) S.À R.L, as borrower, and the financial institutions named therein with an aggregate commitment of \$100.0 million and a maturity date of January 22, 2024.
- “*Aggregate Net Book Value*” refers, as of any date, to the sum of the net book value of (i) flight equipment held for operating leases, net and (ii) assets held for sale on such date.
- “*AHFL Notes*” refer to the Issuer’s 5.125% Senior Notes due October 2023, 5.25% Senior Notes due May 2024, 3.950% Senior Notes due July 2024, 2.875% Senior Notes due February 2025, 5.500% Senior Notes due January 2026, 2.125% Senior Notes due February 21, 2026, 4.250% Senior Notes due April 2026, 4.375% Senior Notes due May 2026, 3.250% Senior Notes due February 2027, 2.528% Senior Notes due November 2027 and 2.750% Senior Notes due February 21, 2028.
- “*Annualized Lease Rate*” refers, as of any date, to a weighted average calculation of monthly operating and supplemental lease revenues less amortization of lease incentive assets divided by net book values for aircraft and engines.
- “*Avolon*” or (unless otherwise specified herein) the “*Company*,” “*we*,” “*our*,” “*us*” or the “*Group*” refers to Avolon Holdings Limited, an exempted company incorporated with limited liability under the laws of the Cayman Islands, and its consolidated subsidiaries, unless the context otherwise requires.
- “*Avolon Aerospace*” refers to Avolon Aerospace Leasing Limited, an exempted company incorporated with limited liability under the laws of the Cayman Islands and an indirect, wholly-owned subsidiary of Avolon Holdings Limited.
- “*Avolon Holdings Funding*” or the “*Issuer*” refers to Avolon Holdings Funding Limited, an exempted company incorporated with limited liability under the laws of the Cayman Islands and a direct wholly- owned subsidiary of Avolon.
- “*Avolon Warehouse Facility*” refers to that certain warehouse facility, established as of May 2010.
- “*Board*” refers to Avolon’s board of directors.
- “*Bohai*” refers to Bohai Leasing Co., Ltd. (formerly Bohai Capital Holding Co., Ltd.), a limited company organized under the laws of the People’s Republic of China and an indirect owner, through GALC, of 70% of Avolon’s common shares.
- “*Bohai Business Combination*” refers to Mariner’s merger with and into Avolon on January 8, 2016. As a result of the Bohai Business Combination, the separate corporate existence of Mariner ceased and Avolon continued as the surviving company.
- “*Capital Airlines*” refers to Beijing Capital Airlines.
- “*CIT Group*” refers to CIT Group Inc. a Delaware corporation.
- “*CIT Leasing*” refers to C.I.T. Leasing Corporation, a Delaware corporation.
- “*Committed Portfolio*” refers to the 252 aircraft for which we had entered into binding contracts to acquire through sale-leaseback transactions, portfolio acquisitions with lessors or direct orders from Boeing or Airbus as of March 31, 2023. The aircraft in our Committed Portfolio are subject to binding purchase contracts, which are also subject to customary closing conditions.
- “*the Court*” refers to Hainan Provincial High People’s Court of China.
- “*C2*” refers to C2 Aviation Capital, LLC, a Delaware limited liability company, and its consolidated subsidiaries, which constituted the commercial aircraft leasing business of CIT Group prior to the C2 Acquisition.

- “*C2 Acquisition*” refers to Avolon’s acquisition of C2 pursuant to the Transaction Agreement (as defined below).
- “*ECA*” refers to the European Export Credit Agencies.
- “*Emerging Markets*” refer to any country defined as emerging in the Morgan Stanley Capital International Developed Markets Index.
- “*EXIM*” refers to the Export-Import Bank of the United States.
- “*Existing Guarantors*” refer to the Parent Guarantor together with the Subsidiary Guarantors.
- “*Existing Notes*” refer to the Park Notes together with the AHFL Notes.
- “*Fangda Affiliated Airlines*” refers, collectively, to Hainan, Lucky, Fuzhou, Capital Airlines, Tianjin and Suparna Airlines.
- “*Fleet Utilization*” refers to the number of days each aircraft in our Owned Portfolio was on lease during the three months ended March 31, 2023 divided by the total number of days in such period and weighted by Net Book Value of the aircraft.
- “*Fleet Valuation*” refers to the valuation of Avolon’s Owned and Committed Portfolio of 783 aircraft which was \$40.9 billion as of March 31, 2023. This value is calculated using Net Book Value as of March 31, 2023 for the Owned Portfolio and estimated prices for the Committed Portfolio (Managed Portfolio not included).
- “*Fitch*” refers to Fitch, Inc.
- “*Flight equipment*” refers to aircraft and engines held by the Company and its consolidated subsidiaries.
- “*Fuzhou*” refers to Fuzhou Airlines.
- “*GALC*” refers to Global Aircraft Leasing Co., Ltd., an exempted company incorporated in the Cayman Islands and the direct owner of 70% of Avolon’s common shares.
- “*Global Aviation*” refers to Global Aviation Leasing Co., Ltd., an exempted company incorporated in the Cayman Islands.
- “*Hainan*” refers to Hainan Airlines Holding Co, Ltd.
- “*HK Bohai*” refers to Hong Kong Bohai Leasing Asset Management Corp., Limited, an indirect wholly- owned subsidiary of Bohai.
- “*HKAC*” refers to Hong Kong Aviation Capital Limited, a limited company under the laws of Hong Kong, and its consolidated subsidiaries.
- “*HKAC Acquisition*” refers to the acquisition by Avolon of 84.7% of the equity interests in HKAC in the fourth quarter of 2016 and of the additional 15.3% of the equity interests in HKAC during the year ended December 31, 2017 through a corporate restructuring of certain entities owned by Bohai and HNA Group.
- “*HNA Aviation Group*” refers to HNA Aviation Group Co., Ltd.
- “*HNA Consolidated Group*” refers to HNA Group, HNA Capital Group Co., Ltd, Bohai, Global Aviation or any of their subsidiaries or any companies whose profits and losses (whether in part or whole) are consolidated or accounted for under the equity method into the consolidated accounts of HNA Group, other than Avolon and its subsidiaries.
- “*HNA Group*” refers to HNA Group Co., Ltd., the former indirect controlling shareholder of Bohai and Avolon.
- “*HKAC Warehouse Facility*” refers to that certain warehouse facility, established as of August 20, 2015.
- “*KBRA*” refers to Kroll Bond Rating Agency, Inc.
- “*Lucky*” refers to Lucky Air Co., Ltd.

- “*Luxembourg Borrower*” refers to Avolon TLB Borrower 1 (Luxembourg) S.à r.l, a private limited liability company incorporated under the laws of Luxembourg special purpose vehicle and a direct wholly-owned subsidiary of Park.
- “*Managed Portfolio*” refers to the 47 aircraft that Avolon managed on behalf of other aircraft investors as of March 31, 2023.
- “*Mariner*” refers to Mariner Acquisitions Limited, a wholly-owned subsidiary of Bohai.
- “*Moody’s*” refers to Moody’s Investors Service, Inc.
- “*Net Book Value*” refers, as of any date, to the sum of the net book value of (i) our flight equipment held for operating leases, net and (ii) flight equipment held for sale, less the net book value of our engines on such date.
- “*net debt*” refers to total debt less unrestricted cash.
- “*OEM*” refers to original equipment manufacturer.
- “*ORIX*” refers to ORIX Corporation, a Japanese corporation.
- “*ORIX Aviation*” refers to ORIX Aviation Systems Limited, a company incorporated under the laws of Ireland.
- “*ORIX Consolidated Group*” refers to ORIX and any of its affiliates.
- “*ORIX Transaction*” refers to ORIX’s acquisition, through its wholly-owned subsidiary, ORIX Aviation, of 30% of the common shares of Avolon from Bohai for an aggregate purchase price of \$2.2 billion, which closed on November 5, 2018.
- “*Owned Portfolio*” refers to our owned fleet of 531 aircraft as of March 31, 2023.
- “*Owned and Committed Portfolio*” refers, collectively, to our Owned Portfolio and our Committed Portfolio.
- “*Owned, Managed and Committed Portfolio*” refers, collectively, to our Owned Portfolio, our Managed Portfolio and our Committed Portfolio.
- “*Parent Guarantor*” refers to Avolon.
- “*Park*” refers to Park Aerospace Holdings Limited, an exempted company incorporated with limited liability under the laws of the Cayman Islands and a direct wholly-owned subsidiary of Avolon, and its consolidated subsidiaries.
- “*Park Notes*” refer to Park’s 5.50% Senior Notes due February 2024.
- “*Rating agencies*” means S&P, Moody’s, Fitch, KBRA and any additional rating agency that provides a rating with respect to the notes and is a “nationally recognized statistical rating organization” as defined in Section 3(a)(62) of the Exchange Act (“NRSRO”) (each a “Rating Agency”); provided, that if any such Rating Agency ceases to provide rating services to issuers or investors, the Issuer may appoint a replacement for such Rating Agency that is a NRSRO.
- “*Relevant Territory*” refers to a member state of the European Communities other than Ireland; a territory with which Ireland has entered into a double taxation agreement in force by virtue of the provisions of section 826(1) of the TCA; or a territory with which Ireland has signed a double taxation agreement which will on the completion of the procedures set out in section 826(1) of the TCA have the force of law.
- “*S&P*” refers to S&P Global Ratings, a division of S&P Global Inc., or any successor Rating Agency.
- “*Shareholders’ Agreement*” refers to the agreement entered into in connection with the ORIX Transaction with Avolon, dated November 5, 2018, which sets forth certain rights and obligations of the Shareholders with respect to Avolon.
- “*Sources to Uses Coverage (excluding funds from operations)*” refers to a calculation of unrestricted cash plus undrawn committed unsecured and secured debt facilities plus assets held for sale divided by debt maturities and capital commitments due within one year.



- “*Subsidiary Guarantors*” refer to Avolon Aerospace, HKAC, Park, CIT Aerospace LLC, CIT Group Finance (Ireland) Unlimited Company, CIT Aviation Finance III Ltd. and CIT Aerospace International Unlimited Company.
- “*Suparna Airlines*” refers to Suparna Airlines Company Limited.
- “*TCA*” refers to the Taxes Consolidation Act 1997, as amended.
- “*Term Loan Agent*” refers to Morgan Stanley Senior Funding Inc., in its capacity as administrative agent under the Term Loan Facility.
- “*Term Loan Borrowers*” refer collectively to the U.S. Borrower and the Luxembourg Borrower.
- “*Term Loan Facility*” and “*Secured Term Loan Facility*” refers collectively to the secured term loan facilities made available to the Term Loan Borrowers pursuant to that certain Term Loan Credit Agreement, dated as of March 20, 2017 (as the same may be amended, restated, amended and restated, supplemented or otherwise modified from time to time, including pursuant to the addition of any additional term loan facilities as more fully described herein), by and among, *inter alios*, the Term Loan Borrowers, certain Existing Guarantors, the lenders party thereto from time to time and the Term Loan Agent.
- “*Term Unsecured Facility*” refers to the unsecured term facility, dated March 15, 2019 and amended and restated as of March 15, 2022 among, *inter alios*, Avolon Aerospace Funding 5 (Luxembourg) S.À R.L, as borrower, Wilmington Trust (London) Limited, as agent, and the financial institutions named therein with an aggregate commitment of \$272.5 million and a maturity date of March 15, 2025.
- “*Tianjin*” refers to Tianjin Airlines Co., Ltd.
- “*Tianjin Bohai*” refers to Tianjin Bohai Leasing Corp., Ltd., a limited company organized under the laws of the People’s Republic of China and a wholly-owned subsidiary of Bohai and an indirect parent company of GALC.
- “*Transaction Agreement*” refers to the purchase and sale agreement, dated as of October 6, 2016, by and among Avolon, Park, Bohai, CIT Group and CIT Leasing, pursuant to which Avolon acquired, indirectly through Park, of all of the issued and outstanding equity interests of C2.
- “*Unrestricted cash*” refers to Cash and cash equivalents which is not ring-fenced or used as security for specific financing arrangements.
- “*Unsecured RCF*” refers to Avolon’s senior unsecured revolving credit facility, with aggregate commitments of \$4.6 billion as of March 31, 2023 and an availability period until 2026.
- “*U.S. Borrower*” refers to Avolon TLB Borrower 1 (US) LLC, a Delaware limited liability company special purpose vehicle and an indirect, wholly-owned subsidiary of Park.

#### CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

Certain statements in this offering memorandum constitute forward-looking statements, beliefs or opinions, including statements with respect to our business, financial condition, results of operations and plans. These forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond our control and all of which are based on our management’s current beliefs and expectations about future events. Forward-looking statements are sometimes identified by the use of forward-looking terminology such as “believe,” “expects,” “may,” “will,” “could,” “should,” “shall,” “risk,” “intends,” “estimates,” “aims,” “plans,” “predicts,” “continues,” “assumes,” “positioned” or “anticipates” or the negative thereof, other variations thereon or comparable terminology or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. Forward-looking statements may and often do differ materially from actual results. No assurance can be given that such future results will be achieved. Forward-looking statements appear in a number of places throughout this offering memorandum and include statements regarding the intentions, beliefs or current expectations of our management with respect to future events, and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to our business concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies, and the industry in which we operate, most of which are difficult to predict and many of which are beyond our control. These risks, uncertainties and assumptions include, but are not limited to, the following:

- the impact of the Russian invasion of Ukraine and the resulting sanctions on our financial condition, results of operations and cash flows;
- the impact of the novel coronavirus (“COVID-19”) pandemic outbreak and the measures implemented to combat it on our business, financial condition and results of operations;
- general economic and financial conditions, including decreasing airline operating margins and macro-economic volatility;
- the financial condition of our lessees;
- changes in interest rates;
- our ability to obtain additional capital to finance our growth and operations on attractive terms;
- decline in the value of our aircraft and market rates for leases;
- the grounding or delayed delivery of any aircraft model that we own or have committed to purchase;
- airline bankruptcies and restructuring, including the HNA insolvency proceedings;
- the loss of key personnel and retention and recruiting of additional qualified personnel;
- lessee defaults and attempts to repossess aircraft;
- our ability to regularly sell aircraft;
- our ability to pursue merger and acquisition activities;
- our ability to successfully re-lease our existing aircraft and lease new aircraft;
- our ability to negotiate and enter into profitable leases;
- periods of aircraft oversupply during which lease rates and aircraft values decline;
- the potential for recent and future political developments to result in a global trade war;
- our financial strength ratings and those of our shareholders, Bohai and ORIX Aviation, and the impact on our financial condition and ability to obtain financing;
- competition from other aircraft lessors;
- the limited number of aircraft and engine manufacturers;
- changes in fuel costs;
- the depreciation and expense of operating aircrafts;
- aircraft maintenance issues;
- our lessees’ potential failure to discharge aircraft liens;
- our lessees’ potential failure to maintain our aircraft;

- failure to close our aircraft acquisition commitments;
- the introduction of superior aircraft technology;
- decreases in the demand for availability of the aircraft types in our portfolio;
- failure to obtain certain required licenses and approvals;
- early termination options in some of our leases;
- our lessees' potential failure to maintain the required insurance;
- terrorist attacks or the fear of such attacks and unfavorable geopolitical conditions;
- natural disasters;
- epidemic diseases;
- compliance of lessees with applicable registration requirements;
- limited control over joint ventures;
- transacting business in multiple countries;
- cyber-attacks;
- conflicts of interests with clients;
- regional political and economic risks due to location of our lessees;
- environmental laws and regulations;
- various other laws and regulations;
- the impact of climate change;
- increased focus on environmental, social and governance matters;
- Bohai's potential conflicts of interest as equity holder;
- changes in tax laws and accounting standards; and
- our significant indebtedness and the substantial indebtedness of our majority shareholder.

These and other important factors, including those discussed under "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this offering memorandum, may cause our actual events or results to differ materially from any future results, performance or achievements expressed or implied by the forward-looking statements contained in this offering memorandum. Such forward-looking statements contained in this offering memorandum speak only as of the date of this offering memorandum. For the reasons described above, we caution you against relying on forward-looking statements. We expressly disclaim any obligation or undertaking to update these forward-looking statements contained in the offering memorandum to reflect any change in our expectations or any change in events, conditions, or circumstances on which such statements are based unless required to do so by applicable law.

## TRADEMARKS

We own or have rights to trademarks and trade names that we use in conjunction with the operation of our business. In addition, our name, logo and website name and address are our service marks or trademarks. Each trademark, trade name or service mark by any other company appearing in this offering memorandum belongs to its holder. Solely for convenience, the trademarks, service marks, trade names and copyrights referred to in this offering memorandum are listed without the ©, ® and ™ symbols, but we will assert, to the fullest extent under applicable law, our rights to these trademarks, service marks and trade names.

## MARKET AND INDUSTRY DATA AND FORECASTS

This offering memorandum includes industry, market and competitive position data that we obtained from industry publications, other third-party sources and the Company's own internal estimates and research. Although we believe that the industry publications and third-party sources are reliable, neither we nor the dealer managers have independently verified any of the data from industry publications or third-party sources, and neither we nor the dealer managers take any further responsibility for this data. Similarly, while we believe our internal estimates with respect to our industry are reliable, our estimates have not been verified by any independent sources, and we cannot assure you that they are accurate. Unless otherwise stated herein, all information with respect to industry and market data is as of March 31, 2023.

Certain monetary amounts, percentages, statistics and other figures included in this offering memorandum have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables and charts may not be the arithmetic aggregation of the figures that precede them, and figures expressed as percentages in the text may not total 100% or, as applicable, when aggregated may not be the arithmetic aggregation of the percentages that precede them.

## FINANCIAL INFORMATION

The audited consolidated financial statements as of December 31, 2022 and 2021 and for the years ended December 31, 2022, 2021 and 2020 of Avolon included in this offering memorandum have been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP"). The unaudited condensed consolidated financial statements as of March 31, 2023 and for the three months ended March 31, 2023 and March 31, 2022 and have been prepared in accordance with U.S. GAAP.

No separate financial statements of the Issuer are included in this offering memorandum. The Issuer is a shell company that was formed for purposes of issuing the notes and the AHFL Notes. References herein to "\$" or "dollars" are to U.S. dollars.

## NON-GAAP FINANCIAL MEASURES

This offering memorandum contains "non-GAAP" financial measures, that is, financial measures that either exclude or include amounts that are not excluded or included in the most directly comparable measure calculated and presented in accordance with U.S. GAAP. We have included information concerning these non-GAAP financial measures as performance-based analytical tools, and you should not consider these measures as a substitute for net income/(loss), income/(loss) from operations or other financial measures as determined in accordance with U.S. GAAP. Specifically, we make use of the non-GAAP measures "EBITDA" and "Adjusted EBITDA."

### EBITDA and Adjusted EBITDA

We define Avolon's historical "EBITDA" as income/(loss) for the period/year before interest expense, provision for income tax, depreciation and amortization and amortization of lease incentives. We define Avolon's historical "Adjusted EBITDA" as Avolon's historical EBITDA as further adjusted to exclude the impact of impairment, contract termination expense, gain/loss on certain equity investments and expected credit loss charge/credit.

EBITDA and Adjusted EBITDA assist us in comparing our operating performance in different periods without addressing the impact of our capital structure (primarily interest charges on our outstanding debt) and non-cash expenses related to our long-lived asset base (primarily depreciation and amortization) on our operating results.

EBITDA and Adjusted EBITDA have limitations as analytical tools, and you should not consider them in isolation or as substitutes for an analysis of our results as reported under U.S. GAAP. Some of these limitations are:

- (1) they do not reflect cash expenditures or future requirements for capital expenditures or contractual commitments;
- (2) they do not reflect changes in, or cash requirements for, working capital needs;
- (3) they do not reflect the interest expense, or the cash requirements necessary to service interest or principal payments, on debt;
- (4) they do not reflect any cash income taxes that may be required to be paid;
- (5) assets are depreciated, impaired or amortized over estimated useful lives and often have to be replaced in the future, and these measures do not reflect any cash requirements for such replacements;
- (6) they do not reflect the impact of earnings or charges resulting from matters not considered to be indicative of ongoing operations; and
- (7) they may not be comparable to other similarly titled measures of other companies.

Because of these limitations, EBITDA and Adjusted EBITDA should not be considered as substitutes for net income/(loss), as determined in accordance with U.S. GAAP. We compensate for these limitations by relying primarily on our U.S. GAAP results and using EBITDA and Adjusted EBITDA only for supplemental purposes.

## SUMMARY

The following summary includes highlights of the more detailed information included elsewhere in this offering memorandum. This summary is not complete and does not contain all of the information that you should consider before investing in the notes. You should read this entire offering memorandum carefully, including the sections entitled “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the consolidated financial statements and the accompanying notes included elsewhere in this offering memorandum, before making an investment decision. This offering memorandum includes forward- looking statements that involve risks and uncertainties. See “Cautionary Statement Concerning Forward- Looking Statements.” Unless otherwise stated herein, information with respect to industry and market data is as of March 31, 2023 and data relating to our Owned, Managed and Committed Portfolio is as of March 31, 2023 and does not give effect to the transaction with Boeing announced on April 27, 2023 and described below in the section titled “—*Recent Developments.*”

### Overview

Avolon is a leading global aircraft leasing company focused on acquiring, managing, leasing and selling commercial aircraft. We are headquartered in Ireland, with offices in the United States, Dubai, Singapore and Hong Kong. In May 2010, Avolon was launched by an experienced team of aircraft leasing and financing professionals, and operated as a private company until our initial public offering in December 2014. We operated as a public company listed on the New York Stock Exchange (“NYSE”) under the symbol “AVOL” before being acquired by Bohai in January 2016.

### Our Company

We focus on acquiring, maintaining and leasing a portfolio of young, modern, fuel-efficient commercial aircraft while seeking to maximize long-term earnings growth and cash flow generation and drive attractive risk- adjusted returns through the aviation industry cycle. We operate our business on a global basis, maintaining a diverse fleet of aircraft provided to airlines across different geographic regions. As of March 31, 2023, our Owned, Managed and Committed Portfolio consisted of 830 aircraft, including 531 aircraft in our Owned Portfolio, 47 aircraft in our Managed Portfolio and 252 aircraft in our Committed Portfolio. Avolon’s Owned and Committed Portfolio had a Fleet Valuation of \$40.9 billion as of March 31, 2023.

We have, historically, demonstrated a track record of stable cash flow generation. We believe the qualities of our portfolio and our high aircraft utilization rates have allowed us to establish significant visibility into our revenues. Following the market and economic dislocations associated with the recent COVID-19 pandemic and the recent Russian sanctions, we had a net income of \$55.9 million and Adjusted EBITDA of \$0.6 billion for the three months ended March 31, 2023 and a net income of \$8.5 million and Adjusted EBITDA of \$2.4 billion for the year ended December 31, 2022. For a further explanation of the effect of Russian sanctions on our results as of March 31, 2023, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations of Avolon—Russian Sanctions”. Further, due to the long-term nature of our lease contracts, our cash flow generation has been stable, historically. During the years ended December 31, 2022, 2021 and 2020, we have generated a cumulative \$2.9 billion of net cash flows from operations.

Our Owned Portfolio is leased to airlines under long-term leases. Our lease expiry profile is well dispersed over the next 17 years, limiting expiration concentration risk. As of March 31, 2023, the average lease term remaining on our leases, weighted by the Net Book Value of the aircraft and based on our Owned Portfolio, was 6.9 years, which we believe should allow for a more predictable revenue stream over time. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations of Avolon—Russian Sanctions”.

As of March 31, 2023, the average age of our Owned Portfolio was 6.3 years weighted by Net Book Value.

Our Committed Portfolio as of March 31, 2023 of 252 aircraft consists entirely of Airbus A320/321neo, Boeing 737 MAX, Boeing 787, and Airbus A330neo, which are designed to deliver higher levels of operating efficiency and are expected to be more consistently in demand. Our global presence provides local access to airline customers and

capital providers in key geographic regions, particularly emerging and high growth markets such as China, South East Asia, the Middle East and Latin America. As of March 31, 2023, our customer base comprised 147 customers in 65 countries. Our commercial platform is globally active, and in the three months ended March 31, 2023, executed 31 lease transactions with 12 airline customers and managed 18 aircraft deliveries and transitions.

We seek to mitigate asset, credit and liability risks associated with owning and leasing aircraft through our comprehensive risk management platform that uses proprietary analytical systems and credit scoring processes. These systems, tools and models, combined with formal risk committees, inform our decision-making process. The combination of our young, modern aircraft and robust risk management practices has contributed to our Fleet Utilization of 95.4% during the three months ended March 31, 2023.

We lease our aircraft pursuant to net operating leases that require the lessee to pay for maintenance, insurance, taxes and all other aircraft operating expenses during the lease term. As a lessor, we receive the investment benefits from, and assume the residual risk of, the aircraft. We invest in and continue to own a young fleet that we forecast will retain high residual values and will be less susceptible to asset impairment risk. We also provide fleet management services to other aircraft investors.

We believe our business model allows for flexibility to adjust to market conditions and to balance and manage risk. Our portfolio consists of aircraft acquired through sale-leaseback transactions, aircraft ordered directly from OEMs and aircraft purchased from other lessors and airlines. We believe our deep industry relationships enable us to source transactions that are not broadly available.

We maintain relationships with aircraft investors globally and seek to sell assets to proactively manage our portfolio in response to market conditions. Aircraft sales facilitate management of portfolio concentrations, provide ongoing liquidity of the portfolio, enable us to monetize value in our aircraft, help maintain visibility and momentum with our customers and are an effective tool for managing both asset residual value and lease remarketing risk.

Our highly experienced management team is led by industry veteran and Chief Executive Officer, Andrew Cronin, who previously served as our Chief Financial Officer since our inception in May 2010 until October 2022 and as our President from July 2021 to July 2022. A number of the senior executives are also founding members. The team has over 93 years of combined industry experience and each member individually has, on average, more than 16 years of industry experience, covering several industry cycles, and deep, long-standing customer, lender, investor and OEM relationships. See “Management – Management Update.”

### **Avolon Holdings Funding**

Avolon Holdings Funding is a wholly-owned subsidiary of Avolon and is the issuer of the AHFL Notes. The AHFL Notes have an unsecured guarantee from Avolon, Avolon Aerospace, HKAC, Park, CIT Aerospace LLC, CIT Group Finance (Ireland) Unlimited Company, CIT Aviation Finance III Ltd. and CIT Aerospace International Unlimited Company. For further details on the organization of the business, see “—Company Information and Organizational Chart.”

### **Owned, Managed and Committed Portfolio**

Our Owned, Managed and Committed Portfolio consists of 830 young, modern, fuel-efficient aircraft, with lease arrangements with 147 customers in 65 countries. Our Owned Portfolio of 531 aircraft, as of March 31, 2023, includes 418 narrowbody and 113 widebody aircraft, with an average age, weighted by Net Book Value, of 6.3 years. As of March 31, 2023, we had committed to acquire a total of 252 aircraft with scheduled delivery dates through 2029. As at March 31, 2023, we executed letters of intent with respect to the sale of an additional 13 aircraft to close prior to December 31, 2023.

As of March 31, 2023, our Owned, Managed and Committed Portfolio consisted of the following aircraft:

<b>Manufacturer</b>	<b>Aircraft Type</b>	<b>Owned Portfolio</b>	<b>Managed Portfolio</b>	<b>Committed Portfolio</b>	<b>Total</b>
<i>Narrowbody</i>					
Airbus.....	A319	9	6	-	15
Airbus.....	A320	137	11	-	148
Airbus.....	A321	44	1	-	45
Airbus.....	A320neo	68	3	138	209
Airbus.....	A321neo	30	-	46	76
Boeing.....	B737-700	1	2	-	3
Boeing.....	B737-800	89	13	-	102
Boeing.....	B737-900	16	-	-	16
Boeing.....	B737 MAX 8	24	-	25	49
Boeing.....	B737 MAX 10	-	-	11	11
<i>Widebody</i>					
Airbus.....	A330-200	15	6	-	21
Airbus.....	A330-300	26	4	-	30
Airbus.....	A330-900neo	24	1	30	55
Airbus.....	A350	17	-	-	17
Boeing.....	B787-8	4	-	-	4
Boeing.....	B787-9	24	-	2	26
Boeing.....	B777	3	-	-	3
<b>Total .....</b>		<b>531</b>	<b>47</b>	<b>252</b>	<b>830</b>

## History

On January 8, 2016, Bohai, the equipment and transportation lessor listed on the Shenzhen Stock Exchange (SZE: 000415), acquired 100% of Avolon. Subsequently, Avolon became the core aircraft leasing brand for Bohai and its then-parent, HNA Group. In the first quarter of 2016, Avolon assumed the management of, and became integrated with, the HKAC business, another Bohai subsidiary and aircraft lessor. Avolon acquired 84.7% of HKAC from Bohai in the fourth quarter of 2016 and acquired the remaining 15.3% during the year ended December 31, 2017 from HNA Group and Tianjin Bohai.

On April 4, 2017, Avolon acquired all of the issued and outstanding equity interests of C2, the commercial aircraft leasing business of CIT Group. As a result of the C2 Acquisition, C2 and its aircraft-owning subsidiaries became wholly-owned subsidiaries of Park.

On November 5, 2018, ORIX, through its wholly-owned subsidiary ORIX Aviation, acquired 30% of the common shares of Avolon from Bohai. ORIX is an investment grade Japanese non-bank financial service group which operates a diverse portfolio of businesses in the operations, financial services, and investment spaces spanning multiple industries including: energy, private equity, infrastructure, automotive, ship and aircraft, real estate and retail financial services. ORIX is listed on the Tokyo Stock Exchange (TSE:8591) and NYSE (IX) with the corporate rating of A- (S&P), A- (Fitch) and A3 (Moody's).



On July 31, 2019, GALC acquired Global Aviation's 70% shareholding in Avolon. GALC is 100% owned by Global Aviation which is an indirect subsidiary of Bohai.

## **Our Shareholders**

### ***About Bohai***

Bohai is a Chinese public company listed on the Shenzhen Stock Exchange (SZE: 000415), an FTSE Russell index company, and is the largest listed leasing company on the Chinese A-Share stock market. Bohai has a wide range of leasing licenses, which have allowed for a balanced development of diverse leasing subsidiaries. Bohai's subsidiaries provide domestic and global services in both financing and operating leases of aircraft, containers, equipment and infrastructure. It has established footprints in China's main economic and free trade zones of Tianjin, Shanghai, Guangdong and the Yangtze River Delta, and major international offices in Hong Kong, Singapore, London and Miami.

### ***About ORIX Aviation***

ORIX Aviation is a major aircraft lessor, asset manager and trading company established by ORIX in 1991 and headquartered in Dublin with offices in Hong Kong. As of March 31, 2023, ORIX Aviation owned and managed over 200 aircraft on lease to more than 50 airlines located in over 30 countries with \$8.0 billion of aircraft assets under management.

### ***About ORIX***

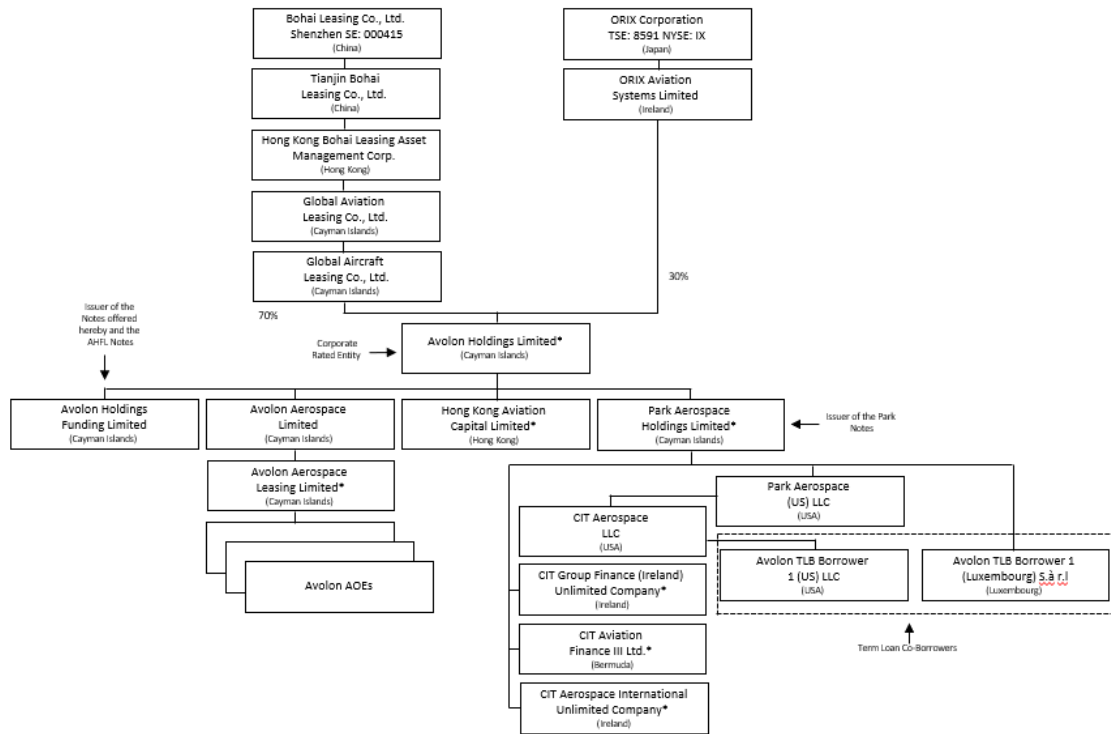
Established in 1964, ORIX (TSE: 8591; NYSE: IX) at present is an investment grade Japanese non-bank financial service group which operates a diverse portfolio of businesses in the operations, financial services and investment spaces, spanning multiple industries including: energy, private equity, infrastructure, automotive, ship and aircraft, real estate and retail financial services. ORIX has also spread its business globally by establishing locations in a total of 28 countries and regions across the world. Through its business activities, ORIX has long been committed to corporate citizenship and environmental sustainability.

## **Company Information and Organizational Chart**

Our principal executive offices are located at Number One Ballsbridge, Building 1, Shelbourne Road, Ballsbridge, Dublin 4, Ireland. Our website is [www.avolon.aero](http://www.avolon.aero) and our main telephone number is +353 (1) 231 5800. Information on our website is not part of or incorporated by reference into this offering memorandum and should not be relied upon in determining whether to purchase the notes offered hereby.

The chart below sets out our truncated group structure showing the major group subsidiaries, including the aircraft-owning entities, and where debt facilities are held. Intermediate and minor subsidiaries have been omitted. For further information see "Capitalization" and "Description of Other Indebtedness."

The ownership structure chart is accurate as of March 31, 2023.



\*Guarantor of the Notes offered hereby, the Existing Notes, the Term Loan Facility, the Unsecured RCF, the Avolon Warehouse Facility, the EXIM/ECA facilities, the Term Unsecured Facility and the 2020 Term Unsecured Facility (except for Avolon Aerospace as borrower for the Unsecured RCF and Park as issuer of the Park Notes).

**Notes:**

- (1) Ownership percentages have been rounded down to nearest whole number.
- (2) Includes affiliates' ownership.
- (3) Guarantor of the Notes offered hereby (except for HKAC), the Existing Notes, the Term Loan Facility, the Unsecured RCF, the Avolon Warehouse Facility, the EXIM/ECA facilities, the Term Unsecured Facility and the 2020 Term Unsecured Facility (except for Avolon Aerospace as borrower for the Unsecured RCF and Park as issuer of the Park Notes).

**HKAC Reorganization**

In February 2022, HKAC transferred substantially all of its assets to Park and Park assumed the obligations of HKAC with respect to the existing AHFL Notes and the Park Notes and the related guarantees, pursuant to that certain First Omnibus Supplemental Indenture dated as of February 3, 2022. However, HKAC technically will not be released as a guarantor thereunder until such time as it is released as a guarantor under the credit facilities. Because HKAC is a dormant company we do not expect it will be a guarantor under future notes offerings.

**Recent Developments**

On April 27, 2023, we announced an agreement with Boeing to commit to order 40 Boeing 737 Max aircraft for delivery between 2027 and 2030.

## RISK FACTORS

*Purchasing notes in this offering involves a high degree of risk. In addition to the other information contained in this offering memorandum, including under “Cautionary Statement Concerning Forward-Looking Statements,” you should carefully consider the following risk factors in evaluating us and our business before purchasing the notes. If any of the risks discussed in this offering memorandum actually occur, our business, financial condition and results of operations could be materially adversely affected. If this were to occur, you may lose all or part of your original investment. The risks discussed below are not the only risks we face. Additional risks or uncertainties not presently known to us, or that we currently deem immaterial, may also impair our business operations. Furthermore, the COVID-19 pandemic (including federal, state and local governmental responses, broad economic impacts and market disruptions) has heightened risks discussed in the risk factors described in this offering memorandum.*

### **Risks Related to Our Business and Our Industry**

***The Russian invasion of Ukraine and resulting sanctions by various countries, including the United States, the European Union and the United Kingdom, have significantly impacted our financial condition, results of operations and cash flows and will continue to have an adverse impact on our business.***

Prior to the imposition of sanctions following the Russian invasion of Ukraine, we had 14 owned aircraft on lease to Russian airlines and no owned aircraft on lease to Ukrainian airlines. As of March 31, 2023, we had no aircraft on lease with Russian airlines. We have terminated the leasing activities for all our Russian aircraft and have sought to repossess the aircraft and remove them from Russia. We have successfully repossessed 4 of the 14 Russian aircraft previously on lease. It is unclear whether we will be able to recover the remaining aircraft from our former Russian airline customers or what the condition of the aircraft will be at the time of repossession if we do so or whether we will be able to recover the related technical records and documentation. Failure to repossess any of our aircraft could adversely affect our business and financial results. Our aircraft that remain in Russia may suffer damage or deterioration due to inadequate maintenance and lack of spare parts.

We have insurance, through the airlines’ insurance and our own policies, and have filed claims against the relevant policies seeking an indemnity of approximately \$329.4 million with respect to all owned aircraft remaining in Russia and intend to pursue all of our claims under these policies with respect to such aircraft. On November 2, 2022, the Group commenced legal proceedings in the Irish courts against insurers in respect of its previously submitted claims for the loss suffered in respect of the Group’s 10 owned aircraft, and a further two managed aircraft, all of which remain detained in Russia. Our claims are subject to the terms of the applicable policies and given the unprecedented scenario and the magnitude of potential claims, insurers and reinsurers have raised and will continue to raise various defenses. Accordingly, at this stage we can give no assurance as to when or what amounts we may ultimately collect. Insurance recoveries are generally recognized when they are realized or realizable, which typically occurs at the time cash proceeds are received or a claim agreement is executed, and also considers the counterparty’s ability to pay the claim amount.

It is not possible to predict the broader or longer-term consequences of the Russian invasion of Ukraine, which could include new or additional sanctions (including counter responses by the Russian government or other jurisdictions), embargoes, further escalation or regional instability, geopolitical shifts and adverse effects on macroeconomic conditions, availability and cost of insurance, security conditions, fuel prices, currency exchange rates and financial markets. Such geopolitical instability and uncertainty could have a negative impact on our ability to lease aircraft, collect payments from, and support customers in certain regions based on trade restrictions, embargoes and export control law restrictions, and logistics restrictions including closures of air space, and could materially and adversely affect our business.

For more information, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations of Avolon—Russian Sanctions.”

***The Russian-Ukraine conflict and the impact of related sanctions may continue to impact our business, the business of our airline customers and global macroeconomic conditions.***

We terminated our leasing activities and wrote-off our interests in owned and managed aircraft detained in Russia during 2022 due to the Russian-Ukraine conflict and related sanctions, which may continue to impact our business, the business of our airline customers and global macroeconomic conditions. Some of our customers are impacted by closures of Russian and Ukrainian airspace, increases in fuel and energy prices, and disruptions of the global supply chain. Airspace closures have resulted in certain of our airline customers re-routing flights to avoid such airspace which has resulted in increased flight times and fuel costs. Any of these factors could cause our lessees to incur higher costs and to generate lower revenues which could adversely affect their ability to make lease payments which, in turn, could impact our financial results.

***The COVID-19 pandemic and measures implemented to combat it had, and may in the future have, a significant negative impact on the aircraft leasing industry and our business.***

The COVID-19 pandemic, the measures governments and private parties implemented in order to stem its spread, and the general concern about the virus among travelers had a material adverse effect on the demand for worldwide air travel compared to historical levels, and consequently had a negative impact on our lessees' ability to fulfill their obligations under their leases. Similar disease outbreaks or public health threats, including a resurgence of the COVID-19 virus, that may arise in the future could have similarly adverse effects on our lessees' ability to meet their lease payment obligations to us, and could lead to cancellations and no extension of their lease contracts with us, any of which could negatively affect our financial condition, cash flow and results from operating activities

Among other effects of the COVID-19 pandemic that affected air travel, the pandemic led governments around the world to issue travel restrictions or advisories and to implement quarantines and health-related curfews or "shelter in place" orders, which, among other things, caused employers to restrict employee air travel and led to the cancellation of vacations, conventions, conferences, concerts, sporting events and similar events. The foregoing negatively impacted air travel in general, which in turn had a negative impact on our lessees' ability to fulfill their obligations under their leases. Our lessees' operations were, and in the future could be again, negatively affected if similar actions are taken in response to a resurgence of the COVID-19 virus or a similar public health crisis. COVID-19 also negatively affected our OEMs, leading to delays in delivery schedules which we expect will continue to impact the timing and quantity of aircraft deliveries. See also "—In the event any aircraft models are grounded, face quality control issues or are industrially delayed, such circumstances could adversely affect our lessees' operations or delay delivery of our contracted aircraft, which could in turn negatively impact our business and growth prospects."

As of March 31, 2023, as a result of the COVID-19 pandemic and its related impact on the airlines, a large number of our lessees requested rent deferrals. A number of our airline customers entered into restructuring proceedings including some airline customers that filed for Chapter 11 or its local-law equivalent. Furthermore, a number of our airline customers received government support as a direct result of COVID-19. We engaged in active dialogue with our airline customers and in many cases agreed to short-term or medium-term rent deferral arrangements, and in many cases, other lease concessions, which will reduce the lease rental income that we will recognize under the applicable leases, as reflected in the decrease in minimum guaranteed contractual lease payments as set forth in the notes to our financial statements included elsewhere herein. As of March 31, 2023, we had a balance of \$381.4 million relating to deferred operating lease revenue. The balance includes the impact of the HNA Group Reorganization (including a subsequent restructuring as of December 31, 2022) which has resulted in the transfer of certain trade and other receivables balances to deferred operating lease revenue during the year ended December 31, 2022. There can be no assurance that our lessees will make their payments in accordance with existing or restructured lease terms or on the new deferral terms during the expected repayment period or that additional deferrals or other lease concessions will not be requested. In addition, the COVID-19 pandemic and the resulting stress placed on our airline customers during the pendency of the COVID-19 pandemic resulted in an increased level of lease terminations, non-renewals and related repossession of aircraft.

Further, the COVID-19 pandemic led to a reduced demand for aircraft and had a negative impact on both lease rates and aircraft values. Such changes resulted in an impairment of the carrying value of our fleet in the three months

ended March 31, 2023. We may incur further impairments in future quarters. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

While rent deferrals result in a delay of cash receipts, we continue to recognize lease rental income during the rent deferral period, but only to the extent collection is reasonably assured. In addition, we are required to recognize an expected credit loss on deferred operating lease revenue or loss allowance on unpaid lease rental income on the portion that is greater than the security we hold against such exposures.

We are unable to predict the extent to which COVID-19 outbreaks or other similar public health threats that may arise in the future may change airline passenger behavior or travel patterns, which could have significant negative impact on our business, financial condition and results of operations. See also “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

***Our business is affected by general economic and financial conditions.***

Our business and results of operations are significantly affected by general business, financial market and economic conditions. The worsening of economic conditions, particularly if combined with high fuel prices, may have a material adverse effect on our lessees’ ability to meet their financial and other obligations under our operating leases, which, if our lessees default on their obligations to us or seek to renegotiate the terms of their leases, could have a material adverse effect on our financial condition, cash flow and results of operations. General business and economic conditions that could affect us include interest rate fluctuations, inflation, changes in currency exchange rates, unemployment levels, restructurings and mergers in the airline industry, volatile fuel costs, demand for passenger and cargo air travel, volatility in both debt and equity capital markets, liquidity of the global financial markets, the availability and cost of credit, investor and consumer confidence, global economic growth and the strength of local economies in which we operate. In particular, the COVID-19 pandemic and associated decline in economic activity and increase in unemployment levels had a severe and prolonged effect on the global economy generally and, in turn, depressed demand for air travel. The COVID-19 pandemic necessitated changes in business practices which may persist. For example, businesses and other travelers may continue to forego air travel in favor of remote or flexible working policies and communication alternatives such as videoconferencing. In addition, beginning in 2022 much of the world, including the United States and the European Union, began to experience an increase in inflation at rates not seen in several decades, which may result in increases in our operating costs, increases in aircraft purchase prices, constrained credit and liquidity, reduced spending and/or volatility in the financial markets, among other effects. Inflation may continue to increase, both in the United States and globally. The Federal Reserve has significantly raised, and may again raise, interest rates in response to concerns over inflation risk, which may increase our own borrowing costs. See also “—Changes in interest rates may adversely affect our financial condition and results of operations.”

***Our financial condition and results of operations are dependent, in part, on the financial strength of our lessees. Lessee defaults, bankruptcies and other credit problems, including those caused or exacerbated by the COVID-19 pandemic or subsequent inflationary pressures, could have a material adverse effect on our financial condition, cash flow and results of operations.***

Our financial condition and results of operations depend, in part, on the financial strength of our lessees, our ability to appropriately assess the credit risk of our lessees and the ability of our lessees to perform under our leases. Many of our lessees have expanded their airline operations through borrowings and long-term leases and may be highly leveraged. These lessees will depend on banks and the capital markets to provide working capital and to refinance existing indebtedness. In recent years, in particular during the COVID-19 pandemic, the airline industry experienced decreasing operating margins, increased volatility in macro-economic conditions and, in certain cases, airline bankruptcies. If these trends continue or are exacerbated due to other factors, including inflationary pressures, we expect there will be additional restructurings or bankruptcies in the future. We generate the majority of our revenue from leases to airlines and as a result we are indirectly affected by all the risks facing airlines today. The ability of our lessees to perform their obligations under our leases will depend primarily on our lessees’ financial condition and cash flow, which may be affected by factors outside our control, including:

- passenger air travel demand, air cargo rates and air cargo demand;

- competition;
- economic conditions and currency fluctuations in the countries and regions in which the lessee operates;
- the price and availability of jet fuel;
- availability of financing and other circumstances affecting airline liquidity, including tightening credit markets, rising interest rates, covenants in financings, collateral posting requirements contained in fuel hedging contracts and the ability of airlines to make or refinance principal payments as they come due;
- fare levels;
- geopolitical and other events, including war and invasions such as the February 2022 Russian invasion of Ukraine, acts of terrorism, outbreaks of epidemic diseases such as COVID-19, aircraft accidents and natural disasters;
- increases in operating costs, including labor costs, insurance costs, and maintenance costs, in each case driven by inflation or otherwise, and other general economic conditions affecting our lessees' operations;
- labor difficulties;
- reductions in airline capacity as a result of unfavorable financial market or airline industry conditions;
- governmental regulation and associated fees affecting the air transportation business; and
- environmental regulations, including, but not limited to, restrictions on noise or carbon emissions.

To the extent that our lessees are affected by these risks, we may experience a decrease in demand for our aircraft along with reduced market lease rates, effective lease margins and aircraft values, which would likely require us to recognize further impairments or fair value adjustments on our aircraft. Any of the foregoing could have a material adverse effect on our financial condition, cash flow and results of operations.

Most of our existing lessees are not rated investment grade by the principal U.S. rating agencies, may suffer liquidity or funding problems, and, at any point in time, may experience lease payment difficulties or be significantly in arrears in their obligations under our leases. Any deterioration in the financial condition of our existing customers may result in additional airline bankruptcies, and in such circumstances, we may not be able to fully collect outstanding accounts receivable. In such an event, weak economic conditions may result in reduced customer demand. Additionally, lessees encountering financial difficulties as a result of a resurgence of the COVID-19 pandemic or a similar public health crisis may seek reductions in their lease rates or other concessions, such as lowered maintenance obligations. Further or future downturns in the aviation industry could exacerbate the weakened financial condition and liquidity problems of some of our lessees and could further increase the risk of delayed, missed or reduced rental payments. We may not correctly assess the credit risk of each lessee or we may charge lease rates that do not correctly reflect these risks. As a result of an underestimation of lessee credit risk, we may not structure security packages (including maintenance reserve payments) appropriately. Our lessees may not be able to continue to meet their financial and other obligations, including the payment of supplemental maintenance rents, under our leases in the future. Delayed, missed or reduced rental payments, including supplemental maintenance rents, from a lessee would decrease our revenues, margins and cash flow. In addition, if our lessees fail to pay us supplemental maintenance rents, we may be required to pay maintenance costs directly, which would increase our costs and negatively impact its margins.

In the three months ended March 31, 2023, we accounted for the termination of leases or repossession of 7 aircraft from 4 lessees and agreed with some of our lessees to defer or otherwise restructure upcoming rent obligations. We may continue to experience additional lessee defaults or aircraft repossessions or grant additional lease concessions.

The terms and conditions of lease restructurings or reschedulings have and may further result in a significant reduction or deferral of rental payments due over all or part of the remaining lease term, which may adversely affect our financial condition, results of operations and growth prospects. The terms of any revised payment schedules may be unfavorable and such payments may not be made. Lessee defaults, restructurings or bankruptcies have resulted and are expected, in the future, to result in the early return of aircraft and termination of existing leases, or the delay, deferral or cancellation of the delivery of aircraft under prospective leases, which in each case may result in decreased lease revenues, increased lease transition and remarketing expenses, and in the case of new aircraft deliveries, significant re-configuration costs and late penalties under our OEM purchase agreements. We expect that our default levels will increase over time if economic conditions do not improve. If lessees of a significant number of our aircraft default on their leases, our financial condition, cash flow and results of operations could be materially adversely affected.

See also “—The Russian invasion of Ukraine and resulting sanctions by various countries, including the United States, the European Union and the United Kingdom, have significantly impacted our financial condition, results of operations and cash flows and will continue to have an adverse impact on our business” and “—The COVID-19 pandemic and measures implemented to combat it had, and may in the future have, a significant negative impact on the aircraft leasing industry and our business.”

***Changes in interest rates may adversely affect our financial condition and results of operations.***

We use floating rate debt to finance the acquisition of a portion of our aircraft. As of March 31, 2023, 34.2% of our total outstanding debt was floating rate. If interest rates increase due to inflation or otherwise, we will be obligated to make higher interest payments to our lenders. Our practice has been to protect ourselves against interest rate increases on a portion of our floating rate liabilities by entering into derivative financial instruments, such as interest rate caps and interest rate swaps. As of March 31, 2023, we have interest rate derivatives that have notional profiles of 32.7% of our total outstanding indebtedness. We remain exposed, however, to changes in interest rates to the extent that our derivative financial instruments are not correlated to our financial liabilities. In addition, we are exposed to the credit risk that the counterparties to our derivative financial instruments will default in their obligations. If we incur significant fixed rate debt in the future, increased interest rates prevailing in the market due to increased inflationary pressures or otherwise at the time of the incurrence or refinancing of such debt will also increase our interest expense.

Decreases in interest rates may also adversely affect our lease revenues generated from leases with lease rates tied to floating interest rates as well as interest revenue on cash deposits. In the three months ended March 31, 2023, 3.5% of our lease revenue was attributable to leases with lease rates tied to floating interest rates, compared to 3.6% in the year ended December 31, 2022. In addition, since our fixed rate leases are based, in part, on prevailing interest rates at the time we enter into the lease, if interest rates decrease, new fixed rate leases we enter into may be at lower lease rates and our lease revenue will be adversely affected.

On July 27, 2017, the Chief Executive of the U.K. Financial Conduct Authority (“FCA”), which regulates the London Interbank Offered Rate (“LIBOR”), announced that the FCA will no longer persuade or compel banks to submit rates for the calculation of LIBOR. As of March 5, 2021, the FCA confirmed that LIBOR rates will cease to exist after June 30, 2023 and hence the transition to alternative reference rates has now been given a distinct timeline to completion. The US Federal Reserve’s alternative reference rates committee (ARRC) has deemed the secured overnight financing rate (SOFR) as the reference rate suitable as the replacement reference rate in USD contracts as backed up by the international swaps and derivatives association (ISDA) for use in fallback language associated with derivative agreements. As certain of our aircraft lease agreements require the lessee to pay a floating rent amount to us based on LIBOR, and certain of our floating rate indebtedness requires us to pay variable interest to our lenders based on LIBOR, risks associated with the transition of reference rates in our lease, loan and derivative agreements may cause interest rate benchmarks to perform differently than in the past, or have other consequences which cannot be predicted. Any such consequence could negatively impact our financial condition, cash flows and results of operations.

***We will need additional capital to finance our growth and refinance our debt, and we may not be able to obtain it on acceptable terms, or at all, which may limit our ability to grow and compete in the commercial aircraft leasing market.***

Our ability to acquire additional assets and to refinance our debt depends to a significant degree on our ability to access the financing markets. Our access to debt and equity financing will depend on a number of factors including, but not limited to, general market conditions, such as the impact of inflation, our historical and expected performance, compliance with the terms of our debt agreements, interest rate fluctuations, our credit rating, the relative attractiveness of alternative investments and geopolitical considerations. We are exposed to risk from volatility and disruption in the financing markets in various ways, including difficulty or inability to finance the acquisition of aircraft, increased risk of default by our lessees, exposure to increased bank or counterparty risk, including due to their own financial difficulties or changes in regulatory requirements applicable to them, and the risk that we will not be able to refinance any of our existing debt financings, as they come due, on favorable terms or at all. In addition, volatility or disruption in the financing markets could adversely affect banks and financial institutions causing lenders to increase the costs of such financing or to be reluctant or unable to provide us with financing on terms acceptable to us or to fulfill existing financing commitments or honor letters of credit. In addition, while each of the Export Import Bank of the United States (“EXIM”) and the European Export Credit Agencies (“ECA”) have previously been active sources of financing generally within the commercial aviation sector and directly for Avolon, each of EXIM and the ECAs have more recently seen less demand from lessors and airlines alike and each has suffered from unfavorable political circumstances that have until more recently curtailed their ability to more broadly service the aviation market. While both EXIM and certain of the ECAs are now more active within the aviation market, there is the possibility that similar or other circumstances could arise with either or both that could result in this source of financing no longer being readily available to the market generally or Avolon in particular. We compete with other lessors and airlines when acquiring aircraft and our ability to grow our portfolio is dependent on our ability to access attractive financing. If we are unable to raise additional funds or obtain capital on terms acceptable to us, or if lenders fail to fulfill their financing commitments to us, we may not be able to satisfy our aircraft acquisition commitments or may have to incur increased costs in order to satisfy such commitments. Our substantial order book exacerbates these risks. As of March 31, 2023, we had commitments to purchase 252 aircraft through 2029, including 40 sale-leaseback aircraft. If we are unable to satisfy our purchase commitments, we may be forced to forfeit our deposits. Further, we would be exposed to potential breach of contract claims by our lessees and manufacturers. These risks may also be increased by the volatility and disruption in the capital and credit markets or the difficulty or inability to locate and retain financing sources willing to provide pre-delivery payment financing, as historically a significantly smaller proportion of financiers have been willing to provide such financing. Therefore, if we are unable to raise additional funds or obtain capital on acceptable terms, our growth opportunities will be limited and our ability to refinance our existing debt could be materially adversely affected, any of which could have a material adverse effect on our financial condition, cash flow and results of operations.

***The value of the aircraft we acquire and the market rates for leases could decline, which would have a negative effect on our financial condition, cash flow and results of operations.***

Aircraft values and market rates for leases have from time to time experienced sharp decreases due to a number of factors including, but not limited to, decreases in passenger and air cargo demand, increases or decreases in fuel costs, government regulation, increases in interest rates, decreases in production rates and change in retirement rates. The COVID-19 pandemic has already impacted a number of these factors, including demand and government regulation, and may continue to do so to the same or to a greater extent and it may impact other factors that negatively affect the value of our aircraft and our lease rates. Operating leases place the risk of realization of residual values on aircraft lessors because only a portion of the aircraft’s value is covered by contractual cash flows under the lease. In addition to factors linked to the aviation industry generally, many other factors may affect the value of our aircraft and market rates for our leases, including:

- the particular maintenance, damage, operating history and documentary records of the aircraft and engine;
- manufacture and type or model of aircraft or engine, including the number of operators using that type of aircraft;



- whether the aircraft is subject to a lease, and if so, whether the lease terms are favorable to the lessor;
- aircraft age;
- the advent of newer models of such aircraft or aircraft types competing with such aircraft;
- the regulatory authority under which the aircraft is operated and regulatory actions, including mandatory grounding of the aircraft;
- any renegotiation or restructuring of an existing lease on less favorable terms or failing to agree upon acceptable terms;
- any tax, customs, regulatory and legal requirements that must be satisfied before the aircraft can be purchased, sold or re-leased;
- compatibility of aircraft configurations or specifications with other aircraft operated by operators of that aircraft type;
- the availability of spare parts; and
- inflationary pressures.

Any decrease in the value of our aircraft and market rates for leases, which may result from the above factors or other unanticipated factors, would have a material adverse effect on our financial condition, cash flow and results of operations.

***In the event any aircraft models are grounded, face quality control issues or are industrially delayed, such circumstances could adversely affect our lessees' operations or delay delivery of our contracted aircraft, which could in turn negatively impact our business and growth prospects.***

One or more aircraft models we have under lease and/or on order may become subject to a grounding order or other action by one or more major aviation authorities, such as the grounding of the Boeing 737 MAX aircraft in March 2019. More recently, on April 13, 2023, Boeing announced a temporary pause in deliveries of their 737 MAX aircraft as a result of quality control issues with respect to certain components made by one of its main suppliers. Boeing has not yet announced the date on which deliveries of its 737 MAX aircraft will resume. Furthermore, in May 2021 regulatory concerns raised by the Federal Aviation Administration relating to a number of notice of escapement issues forced Boeing to temporarily suspend delivery of certain newly-build 787 aircraft. This suspension remained in effect until August 2022. We currently have contracts to purchase two additional Boeing 787-9 aircraft.

Following the COVID-19 pandemic, the Russian/Ukraine conflict and global supply chain disruptions, Airbus and Boeing are delivering aircraft after their planned delivery schedules and we expect delivery delays to continue.

In the event of significant delays in aircraft deliveries due to groundings, quality control issues or industrial capacity constraints, which we are unable to replace through other sources, it could become more difficult for us to lease or sell the delivered and committed aircraft we have in our portfolio at the time of any grounding order, delay or other action, resulting in lower lease rates for such aircraft and negatively impacting the residual values of the aircraft. Our leases and purchase agreements with Boeing and Airbus typically provide for cancellation rights starting at one year after the original contractual delivery date, regardless of cause. If there are delivery delays greater than one year for aircraft with respect to which we have made future lease commitments, some or all of our affected lessees could elect to cancel their lease with respect to such delayed aircraft. Any such cancellation could strain our relationship with such lessee going forward and would negatively affect our business.

As a result of any of the foregoing, we may also face rising aircraft costs as the delivery profile shifts further into the future, resulting in lower lease rates for such aircraft and negatively impacting residual values of the aircraft. In

addition, any such grounding, delay or industrial capacity constraints may lead to a significant reduction in demand for the related aircraft in the future as a result of any reputational harm suffered by the model in light of such issue.

***Airline reorganizations could impair our lessees' ability to comply with their lease payment obligations to us.***

In recent years, several airlines around the world have filed for protection under Chapter 11 or other local bankruptcy and insolvency laws and, in recent years, certain airlines have gone into liquidation. Bankruptcies, liquidations, consolidations or reorganizations, including as a result of the COVID-19 pandemic, have resulted in aircraft becoming available for lease or purchase at reduced lease values or acquisition prices and reduced the number of potential lessees and operators of particular models of aircraft, which has and may continue to result in inflated supply levels and consequently decreased aircraft values for any such models and lease rates in general.

Historically, some airlines involved in reorganizations have undertaken substantial fare discounting to maintain cash flows and encourage continued customer loyalty. Bankruptcies and reorganizations may lead to the grounding or abandonment of significant numbers of aircraft, rejection or other termination of leases and negotiated reductions in aircraft lease rentals, with the effect of depressing aircraft market values. In addition, requests for labor concessions may result in significant labor disputes involving strikes or slowdowns or may otherwise adversely affect labor relations, thereby worsening the financial condition of the airline industry and further reducing aircraft values and lease rates.

To the extent that a significant number of our leases are rejected by an airline customer in a reorganization and we are unable to re-lease such aircraft in a timely manner on commercially reasonable terms, our results of operations and financial condition, cash flow would be materially adversely affected.

See also “—The COVID-19 pandemic and measures implemented to combat it had, and may in the future have, a significant negative impact on the aircraft leasing industry and our business.”

***The loss of key personnel would have a material adverse effect on our reputation and relationships with lessees, manufacturers, buyers and financiers of aircraft, which are a critical element to the success of our business.***

We believe that our reputation and relationships with lessees, manufacturers, buyers and financiers of aircraft are a critical element to the success of our business. We depend on the diligence, skill, experience and network of business contacts of our team. We believe there are only a limited number of available qualified executives in the aircraft industry, and we therefore have encountered, and will likely continue to encounter, intense competition for qualified employees from other companies in our industry. Our future success will depend, to a significant extent, upon the continued service of our senior management personnel whose services are critical to the success of our business strategies. Any member of our senior management team may terminate his or her employment at any time upon three months' prior written notice. If we were to lose the services of any of the members of our senior management team, it could have a material adverse effect on our financial condition, cash flow and results of operations.

***We may incur costs and suffer other negative consequences resulting from lessee defaults and our attempts to repossess aircraft.***

If we are required to repossess an aircraft upon a default by a lessee, we may be required to incur significant costs. Those costs include legal and other expenses of court or other governmental proceedings, including the cost of posting security bonds or letters of credit necessary to effect repossession of the aircraft. These costs may be particularly high if the lessee is contesting the proceedings or is in bankruptcy. In addition, during these proceedings the relevant aircraft would not be generating revenue. We may also incur substantial maintenance, refurbishment or repair costs that a defaulting lessee has failed to pay and that are necessary to put the aircraft in suitable condition for re-lease or sale, or storage costs associated with any aircraft that we repossess and are unable to place immediately with another lessee. It may also be necessary to pay off liens, taxes and other governmental charges on the aircraft to obtain clear possession and to re-lease the aircraft effectively, including, in some cases, liens that the lessee may have incurred in connection with the operation of its other aircraft. We may also incur other costs in connection with the physical repossession of the aircraft.

We may suffer other negative consequences as a result of a lessee default, the related termination of the lease and the repossession of the related aircraft. It is likely that our rights upon a lessee default will vary significantly depending upon the jurisdiction and the applicable law, including the need to obtain a court order for repossession of the aircraft and/or consent for deregistration or export of the aircraft. We anticipate that when a defaulting lessee is in bankruptcy, protective administration, insolvency or similar proceedings, additional limitations may apply. Certain jurisdictions give rights to the trustee in bankruptcy or a similar officer to assume or reject the lease or to assign it to a third party, or entitle the lessee or another third party to retain possession of the aircraft without paying lease rentals or performing all or some of the obligations under the relevant lease.

Additionally, certain of our lessees are owned, in whole or in part, by government-related entities, which could complicate our efforts to repossess our aircraft in that lessee's domicile. Accordingly, we may be delayed in, or prevented from, enforcing certain of our rights under a lease and in re-leasing the affected aircraft. If we repossess an aircraft, we may not necessarily be able to export or deregister and profitably redeploy the aircraft. For instance, where a lessee or other operator flies only domestic routes in the jurisdiction in which the aircraft is registered, repossession may be more difficult, especially if the jurisdiction permits the lessee or the other operator to resist deregistration. We may also incur significant costs in retrieving or recreating aircraft records required for registration of the aircraft, and in obtaining the certificate of airworthiness for an aircraft. If, we incur significant costs in connection with repossessing our aircraft, are delayed in repossessing our aircraft or are unable to obtain possession of our aircraft as a result of lessee defaults, it could have a material adverse effect on our financial condition, cash flow and results of operations.

In addition, termination of the leasing of an aircraft as a result of a default by the lessee may have an impact on the debt financing of such aircraft. Any such termination may require a mandatory prepayment of the debt in respect of the aircraft after certain standstill and/or remarketing periods. Further, current market conditions and the impact of the recent COVID-19 pandemic have increased the likelihood that some of our lessees will default on their obligations to us or experience bankruptcy, which could depress aircraft market values and adversely affect our ability to timely re-lease or sell aircraft at favorable rates, if at all. See also “—The COVID-19 pandemic and measures implemented to combat it had, and may in the future have, a significant negative impact on the aircraft leasing industry and our business” and “—Our business is affected by general economic and financial conditions.”

***Our financial performance is in part dependent on our ability to regularly sell aircraft and we may not be able to do so on favorable terms or at all.***

Our financial performance is in part dependent on our ability to regularly sell aircraft profitably. Our ability to sell our aircraft profitably or at all will depend on conditions in the airline industry and general market and competitive conditions at the time we seek to sell. In addition, our ability to sell our aircraft will be affected by the particular maintenance, damage and operating history of the aircraft and its engines. Failure to sell aircraft regularly and profitably could have a material adverse effect on our financial condition, cash flow and results of operations.

***Our growth strategy includes pursuing portfolio acquisitions and other merger and acquisition opportunities, which could have a negative effect on our business.***

We regularly evaluate strategic acquisition opportunities to scale our portfolio to optimize growth and performance. We expect at any time and from time to time to pursue additional acquisitions of aircraft portfolios and/or assets and other strategic transactions. These acquisitions or transactions could be material, and involve numerous risks, including:

- acquisitions or other strategic transactions may prove unprofitable and fail to generate anticipated cash flows or gains and it may be difficult to evaluate the business of an acquisition target in the current macroeconomic environment;
- integrating acquired businesses and/or assets may be more difficult, costly or time consuming than expected and the anticipated benefits and costs savings of such acquisitions or transactions may not be fully realized or at all;

- our need to recruit additional senior management, and unforeseen difficulties could divert significant time, attention and effort from existing management that could otherwise be directed at developing existing business;
- our unawareness of all of the risks associated with any acquired businesses and/or assets and certain of our assumptions with respect to these acquired businesses and/or assets may prove to be inaccurate, which could result in unexpected litigation or regulatory exposure, unfavorable accounting treatment, unexpected increases in taxes due, a loss of anticipated tax benefits or other adverse effects on our business, operating results or financial condition; and
- any such acquisitions or transactions could be material and significantly change the profile of our business as well as our financial condition and results of operations, which may make an evaluation of our business more difficult.

***Our business model depends on the continual re-leasing of our aircraft when current leases expire and the leasing of new aircraft on order, and we may not be able to do so on favorable terms, if at all.***

Our business model depends on the continual re-leasing of our aircraft when our current leases expire or are terminated in order to generate sufficient revenues to finance our operations and pay our debt service obligations. As of March 31, 2023, we (excluding our Managed Portfolio) had 28 leases expiring in 2023 and 42 leases expiring in 2024, which represented 3.5% and 5.4% of our Owned Portfolio, respectively, weighted by Net Book Value. During the three months ended March 31, 2023, we generated revenue of \$34.3 million and \$40.8 million from the leases that are scheduled to expire in 2023 and 2024, respectively. During the year ended December 31, 2022, we generated revenue of \$39.0 million and \$34.8 million from the leases that are scheduled to expire in 2023 and 2024, respectively. The aircraft subject to those leases that we do not sell prior to lease termination will need to be re-leased, or the current leases will need to be extended. Because our leases are operating leases, only a portion of the aircraft's value is covered by revenues generated from the lease and we may not be able to realize the aircraft's residual value after expiration of the initial lease.

We bear the risk of re-leasing or selling the aircraft in our fleet when our operating leases expire or when aircraft are returned to us prior to the expiration of any lease. In addition to lost revenue, we incur storage costs associated with any aircraft that we possess not placed with a lessee, and we may incur substantial maintenance, refurbishment or repair costs in order to put any aircraft that is returned to us in suitable condition for re-lease or sale. Our ability to lease, re-lease or sell our aircraft will depend on conditions in the airline industry and general market and competitive conditions at the time the operating leases are entered into and expire. In addition, our ability to re-lease our aircraft will be affected by the particular maintenance, damage and operating history of the aircraft and its engines. Further, our ability to avoid significant off-lease time is likely to be adversely impacted by, among other things, increases in the cost of fuel, any deterioration in the financial condition of the airline industry, any major airline bankruptcies, any sale of large numbers of repossessed aircraft by financial institutions, the introduction of newer models of aircraft and other factors leading to oversupply (including manufacturer overproduction), and political and economic uncertainties. In the current macroeconomic environment, we may face difficulties re-leasing our off-lease aircraft and placing new aircraft on a timely basis, on favorable terms or at all. See “—Our business is affected by general economic and financial conditions.”

***We cannot assure you that we will be able to enter into profitable leases for any aircraft acquired, and our failure to do so would have a material adverse effect on our financial condition, cash flow and results of operations.***

We cannot assure you that we will be able to enter into profitable leases upon the acquisition of the aircraft we purchase pursuant to our current or future purchase commitments. We rely upon our management team's judgment and ability to evaluate the ability of lessees and other counterparties to perform their obligations to us and to negotiate transaction documents. Our counterparties' ability to perform, and the ability of our management team to assess such ability, may be difficult in the current macroeconomic environment. See “—Our business is affected by general economic and financial conditions.” We cannot assure you that our management team will be able to perform such functions in a manner that will achieve our investment objectives, which would have a material

adverse effect on our financial condition, cash flow and results of operations. In addition, our failure to adequately assess counterparty risk could lead to legal and reputational risk, which could also negatively impact our business.

***From time to time, the aircraft industry has experienced periods of oversupply during which lease rates and aircraft values have declined, and any future oversupply could have a material adverse effect on our financial condition, cash flow and results of operations.***

Historically, the aircraft leasing business has experienced periods of aircraft oversupply. The oversupply of a specific type of aircraft is likely to depress the lease rates and the value of that type of aircraft. The supply and demand for aircraft is affected by various cyclical and non-cyclical factors that are outside of our control, including:

- passenger and air cargo demand;
- operating costs, including fuel costs;
- general economic conditions;
- geopolitical events, including war, prolonged armed conflict and acts of terrorism;
- outbreaks of communicable diseases such as the COVID-19 pandemic and natural disasters;
- governmental regulation, including regulation of trade, such as the imposition of import and export controls, tariffs and other trade barriers;
- interest and currency exchange rates;
- the availability of credit;
- airline restructurings and bankruptcies;
- manufacturer production levels and technological innovation;
- manufacturers merging or entering or exiting the industry or ceasing to produce aircraft types;
- climate change initiatives, technological change, aircraft noise and emissions regulations, aircraft age limits and other factors leading to reduced demand for, early retirement or obsolescence of aircraft models;
- reintroduction into service of aircraft previously in storage; and
- airport and air traffic control infrastructure constraints.

The recent COVID-19 pandemic has impacted a number of these factors, and the lingering effects of the COVID-19 pandemic may continue to impact certain of these factors in the future, including but not limited to interest and currency exchange rates, the availability of credit, airline restructurings and bankruptcies and manufacturer production levels.

In addition, many airlines have eliminated certain types of aircraft from their fleets, affecting the market values of both of the aircraft types they eliminate and the types they continue to use. This elimination of certain aircraft has resulted in an increase in the availability of such aircraft in the market, a decrease in rental rates for such aircraft and a decrease in market values of such aircraft. We cannot assure you that airlines will continue to acquire the same types of aircraft, or that we will not acquire aircraft that will cease to be used by our potential lessees. In addition, at any given time, our fleet may be heavily concentrated in certain types of aircraft, which exposes us to increased risks if any of those types of aircraft are negatively impacted by any of the above factors. Any of these factors may

produce sharp and prolonged decreases in aircraft lease rates and values, or may have a negative effect on our ability to lease or re-lease the aircraft in our fleet or in our order book. Furthermore, recent and future political developments could result in increased regulation of trade, increased protectionism or a global trade war, which could adversely impact demand for aircraft.

Any of these factors could have a material adverse effect on our financial condition, cash flow and results of operations. Changes in the appraised value of our aircraft could have a material adverse effect on our financial condition, cash flow and results of operations.

Aircraft appraisers play a significant role in shaping market perception of aircraft values. Each appraiser's valuation is based on that appraiser's professional opinion. Appraisals can be subjective as they are based on various assumptions and conditions with regard to the specific aircraft appraised and the commercial aviation industry generally. In addition, appraisers may use historical data, and subsequent changes or additions to such data may not be adequately captured in the appraised value.

Certain of our debt financing arrangements include loan-to-value tests that may require us to set aside a portion of our cash flows or make partial prepayments of debt outstanding under such arrangements in the event that the appraised value of our aircraft decreases. A decrease in the valuation of our aircraft by independent appraisers could also adversely affect our ability to sell or lease our aircraft on terms acceptable to us, or at all, or could decrease amounts available to us under our existing and future debt financing arrangements. In addition, we may be required to incur impairment charges or fair value adjustments to the extent that the appraiser's valuation of our aircraft is less than the depreciated book value on our balance sheet. The occurrence of any of these events as a result of changes in the appraised value of our aircraft could have a material adverse effect on our financial condition, cash flow and results of operations.

***Recent and future political developments could result in increased regulation of trade, increased protectionism and a global trade war, which could adversely impact demand for aircraft.***

The U.S. government has voiced strong concerns about imports from countries that it perceives as engaging in unfair trade practices and has imposed tariffs on certain goods imported into the United States, while further raising the possibility of imposing significant, additional tariff increases. The U.S. has implemented tariffs on thousands of categories of imported products. The U.S. tariffs have triggered retaliatory actions and threats of retaliatory action from certain foreign governments and may trigger retaliatory actions by other foreign governments, potentially resulting in a "trade war" and causing uncertainty regarding the future of current trade agreements. For example, on October 2, 2019, the World Trade Organization ruled that the United States could impose \$7.5 billion in retaliatory tariffs in response to European Union subsidies to Airbus. On October 18, 2019, the United States imposed tariffs on certain imports from the European Union, including an ad valorem duty of 10% on commercial aircraft and related parts, since increased to 15%. On October 26, 2020, the World Trade Organization authorized the European Union to impose tariffs on \$4 billion of U.S. exports annually in retaliation for America's illegal subsidies to Boeing. The European Union imposed a 15% tariff on the import of large civil aircraft from the United States effective as of November 10, 2020. On December 30, 2020, the United States Trade Representative announced a 15% tariff would also be imposed on fuselage, tail and wing components shipped from France and Germany. These tariffs may apply to new aircraft and other parts that we are already contractually obligated to purchase. On March 5, 2021, the EU and U.S. agreed to suspend all retaliatory tariffs on EU and U.S. exports imposed in the Airbus and Boeing disputes for a four-month period. On June 15, 2021, the EU and US agreed to suspend the application of harmful tariffs in an amount of \$11.5 billion for a period of five years that hurt companies and people on both sides of the Atlantic. This agreement includes an understanding relating to large civil aircraft, transforming almost 17 years of disputes into a forward-looking, collaborative platform to address bilateral issues as well as global challenges. The imposition of retaliatory sanctions against multinational corporations by countries that are or may become subject to U.S. trade sanctions, or other governmental actions or policies, could negatively affect our business. The imposition of tariffs could substantially increase the cost of, among other things, the importation of new Airbus aircraft and parts into the United States and the importation of new Boeing aircraft into the European Union by certain of our lessees, which in turn could have a material adverse effect on our financial condition and results of operations. Additionally, the U.S. and other governments abroad implemented enhanced screening, broad shelter-in-place orders and social distancing requirements, business closures, quarantine requirements and travel restrictions in connection with the COVID-19

global pandemic, which resulted in a precipitous decline in demand for both domestic and international business and leisure travel.

Further, certain foreign governments, such as the Chinese Government, have instituted or are considering imposing trade sanctions on certain U.S. goods. Other foreign governments are considering the imposition of sanctions that will deny U.S. companies access to critical raw materials. These measures could increase the price of certain raw materials, including steel used for aircraft and jet fuel. These measures could negatively impact the cost of acquiring aircraft and the economics of the aircraft leasing industry. A “trade war” of this nature or other governmental action related to tariffs or international trade agreements has the potential to adversely impact demand for aircraft. In addition, our majority shareholder, Bohai, is a Chinese public company listed on the Shenzhen Stock Exchange. As a result, to the extent Chinese regulations limit Bohai’s operations or restrict Bohai from entering into transactions with certain counter-parties or in certain jurisdictions in the future, including as the result of any geopolitical disputes, this could have a negative indirect effect on our business operations.

***Our ability to obtain debt financing and our cost of debt financing are dependent, in part, upon our credit ratings and those of our shareholders, Bohai and ORIX Aviation, and a downgrade of these ratings could adversely impact our financial condition, cash flow and results of operations.***

Our ability to obtain debt financing, and our cost of debt financing, are dependent, in part, on our credit ratings. Maintaining these ratings depends in part on strong financial results and in part on other factors including the financial strength of ORIX Aviation, our minority shareholder and a wholly-owned subsidiary of ORIX, the ability of our Board to operate independently of, and the perception of ratings agencies of our relationship with, Bohai and its affiliates, ORIX Aviation and ORIX, and the outlook of our lenders on our sector and on the market generally.

As a result of COVID-19, in March, April and July of 2020, Moody’s, S&P and Fitch, respectively, changed their outlook on Avolon from “stable” to “negative.” In June, July and December of 2021, Moody’s, Fitch, and S&P respectively have revised Avolon’s outlook from “negative” back to “stable.” If our credit ratings are downgraded in the future, or general market conditions were to ascribe higher risk to our rating levels, it may result in higher pricing or less favorable terms under debt financings. Such changes to outlook and any rating downgrades may therefore make it more difficult for us to satisfy our funding requirements and may adversely impact our financial condition, cash flows and results of operations.

***Competition from other aircraft lessors or purchasers could have a material adverse effect on our financial condition, results of operations and growth prospects.***

The aircraft leasing industry is highly competitive. We encounter competition in the acquisition of aircraft from other entities such as airlines, aircraft manufacturers, financial institutions, aircraft brokers, public and private partnerships, investors and funds with capital to invest in aircraft, and other aircraft leasing companies that we do not currently consider our major competitors.

Competition for a leasing transaction is based principally upon lease rates, delivery dates, lease terms, reputation, management expertise, aircraft condition, specifications and configuration and the availability of the types of aircraft necessary to meet the needs of the customer. Some of our competitors may have greater operating and financial resources and access to lower capital costs than we have and may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments. In addition, some competing aircraft lessors may provide inducements to potential lessees that we cannot match. Competition in the purchase and sale of used aircraft is based principally on the availability of used aircraft, price, the terms of the lease to which an aircraft is subject and the creditworthiness of the lessee, if any. We may not always be able to compete successfully with our competitors and other entities, which could have a material adverse effect on our financial condition, results of operations and growth prospects.

***There are a limited number of aircraft and engine manufacturers and the failure of any manufacturer to meet its obligations could have a material adverse effect on our financial condition, cash flow and results of operations.***

The supply of large commercial jet aircraft is dominated by two airframe manufacturers, Boeing and Airbus, and four engine manufacturers, GE Aircraft Engines, Safran, Rolls-Royce plc and Pratt & Whitney, certain of which serve as the exclusive maintenance provider with respect to the engines it manufactures. As a result, we are dependent on these manufacturers' success in remaining financially stable, producing products and related components which meet the airlines' demands, fulfilling their contractual obligations to us and, in certain cases, providing timely servicing of their products. These manufacturers may face difficulties under the current macroeconomic conditions, including but not limited to supply chain delays or other supply chain constraints, any of which may reduce, among other things, demand for and revenues received in respect of their products, the prices they can charge, their ability to meet manufacturing timetables or standards, their ability to provide timely maintenance service and the ability to maintain key personnel. Should the manufacturers fail to respond appropriately to changes in the market environment or fail to fulfill their contractual obligations, we may experience any of the following:

- missed or late delivery of aircraft and engines ordered by us, which could result in an inability to meet our contractual obligations to our customers and/or the loss of pre-delivery payments for new orders;
- an inability to acquire aircraft and engines and related components on terms which will allow us to lease those aircraft and engines to customers at a profit, resulting in lower growth rates or a contraction in our aircraft portfolio;
- poor customer support from the manufacturers of aircraft, engines and components;
- failure to comply with their obligations under engine support/flight hour agreements, which could result in increased maintenance costs to us without the corresponding payments due to us under such engine support/flight hour agreements, which could negatively impact our margins;
- manufacturer reputational damage, resulting in reduced demand for a particular manufacturer's product, creating downward pressure on demand for those aircraft and engines in our fleet and reduced market lease rates and sale prices for those aircraft and engines; and
- reduction in our competitiveness due to deep discounting by the manufacturers, which may lead to reduced market lease rates and sale prices and may affect our ability to re-lease or sell some of the aircraft in our portfolio.

Any of these circumstances could have a material adverse effect on our financial condition, cash flow and results of operations. In addition, at any given time, our fleet may be heavily concentrated in airframes made by a particular airframe manufacturer or engines made by a particular engine manufacturer, which exposes us to increased risks should such a manufacturer trigger any of these circumstances. Our portfolio is currently heavily concentrated in Airbus airframes.

We also have significant deposits and other financial exposures with manufacturers which may be vulnerable to a credit downgrade of Airbus, Boeing or any of our engine manufacturers or a total loss of our pre-delivery payments resulting from a manufacturer default.

In addition, new aircraft types may not deliver the anticipated performance improvements, or could experience technical problems that result in the grounding of the aircraft, such as the recent well-publicized service difficulties experienced in new generation engines by certain engine manufacturers that have resulted in service disruptions for aircraft currently in operations as well as delays in new aircraft deliveries, which in either case could adversely affect the values and lease rates of such aircraft.



***Changes in fuel costs may adversely affect our lessees' operating results, which could in turn negatively impact our business.***

Fuel costs represent a major expense to airlines. Fuel prices can fluctuate widely depending primarily on international market conditions, geopolitical and environmental events and regulation, natural disasters, conflicts, war, regulatory changes and currency exchange rates. As a result, fuel prices are not within the control of our lessees and significant changes in fuel prices could materially and adversely affect their operating results. Certain events can significantly affect fuel availability and prices, including global pandemics, natural disasters, decisions by the Organization of the Petroleum Exporting Countries (OPEC) or other countries regarding its members' oil output, and changes in global demand for fuel from countries such as the United States and China. For instance, the COVID-19 pandemic and concurrent pricing and production decisions by OPEC and Russia combined to severely impact the fuel market, causing decreases in demand for fuel and resulting decreases to fuel prices, while ongoing geopolitical disruption in North Africa, the Middle East and Ukraine has generated uncertainty regarding the world's future fuel supply.

A sustained drop in oil prices and related decline in the price of fuel could prompt airlines to defer orders or delivery dates for such newer, more fuel-efficient airframes and aircraft engines, as the urgency to reduce fuel consumption may be lessened. These actions could reduce or postpone our anticipated revenues and reduce profitability, which could have a material adverse effect on our financial condition, cash flow and results of operations.

Alternatively, higher fuel costs in the future may have a material adverse impact on airline profitability, including the profitability of our lessees. Due to the competitive nature of the airline industry, airlines may not be able to pass on increases in fuel prices to their customers by increasing fares. In addition, airlines may not be able to manage this risk by appropriately hedging their exposure to fuel price fluctuations. For these reasons, if fuel prices increase due to adverse supply and demand conditions, future terrorist attacks, acts of war, armed hostilities or natural disasters or for any other reason, our lessees may incur higher costs and generate lower net revenues, which would adversely impact their financial positions. Consequently, these conditions may (i) affect our lessees' ability to make rental and other lease payments, (ii) result in lease restructurings and aircraft repossessions, (iii) increase our costs of servicing and marketing the aircraft, (iv) impair our ability to re-lease or otherwise dispose of the aircraft on a timely basis and/or at favorable rates and (v) reduce the value receivable for the aircraft upon any disposition. These results could have a material adverse effect on our financial condition, cash flow and results of operations.

***Aircraft have finite economic useful lives, depreciate over time and become more expensive to operate as they age, all of which could have a material adverse effect on our financial condition, cash flow and results of operations.***

Aircraft are long-lived assets with a typical useful life of 25 years and require long lead times to develop and manufacture, with particular types and models becoming obsolete or less in demand over time when newer, more advanced aircraft are manufactured. As commercial aircraft age, they will depreciate and will typically generate lower revenues and cash flows. As of March 31, 2023, the average age of our Owned Portfolio, weighted by Net Book Value, was 6.3 years. Our existing fleet, as well as the aircraft that we have ordered, have exposure to obsolescence, particularly if unanticipated events occur that shorten the life cycle of such aircraft types. These events include but are not limited to government regulation or changes in our airline customers' preferences. These events may shorten the life cycle for aircraft types in our fleet and, accordingly, may negatively impact lease rates, trigger impairment charges or increase depreciation expense. We must be able to replace such older aircraft with newer aircraft or our ability to maintain or increase our revenues and cash flow will decline. In addition, if we sell an aircraft for a price that is less than the depreciated book value of the aircraft on our balance sheet, we will recognize a loss on the sale, which could materially adversely affect our results of operations for the period in which we recognize such loss.

In general, the costs of operating an aircraft, including maintenance expenditures, increase with the age of the aircraft. Also, older aircraft typically are less fuel-efficient than newer aircraft. Variable expenses like fuel, crew size or aging aircraft corrosion control programs and related airworthiness directives may make the operation of older aircraft less economically feasible and may result in increased lessee defaults and renegotiation of lease terms and also cause us to incur some of these increased maintenance expenses and regulatory costs. These expenses may

also impact our ability to re-lease or sell such aircraft upon expiration of the existing lease, which could cause us to incur off-lease time.

Some countries have implemented, and others have considered, regulations restricting or prohibiting the import of aircraft above a certain age. If passed, such regulations may further impact our ability to re-lease or sell any such aircraft on favorable lease terms or at all.

***Maintenance issues with any aircraft in our fleet could have a material adverse effect on our financial condition, cash flow and results of operations.***

Although we may inspect an aircraft and its documented maintenance, usage, lease and other records prior to acquisition, we may not discover all defects during an inspection. Repairs and maintenance costs for existing aircraft are difficult to predict, generally increase as aircraft age and can be adversely affected by prior use. We use a predictive model to determine the amount of supplemental maintenance rent we recognize from lessees who pay us monthly reserves to cover the cost of future maintenance events, and the level of supplemental maintenance rent that we are able to recognize may be reduced if aircraft or engine maintenance costs increase.

Even if we are entitled to receive maintenance payments, these payments may not cover the entire cost of maintenance required. Further, variable expenses like fuel, maintenance costs, crew size or aging aircraft corrosion control or modification programs and airworthiness directives could make the operation of older aircraft more costly to our lessees and may result in increased lessee defaults or decreased aircraft values. We may also incur some of these increased maintenance expenses and regulatory costs upon acquisition or re-leasing of our aircraft. Any of these expenses or costs could have a material adverse effect on our financial condition, cash flow and results of operations.

***If our lessees fail to discharge aircraft liens, we may be obligated to pay the aircraft liens, which could have a material adverse effect on our financial condition, cash flow and results of operations.***

In the normal course of their business, our lessees are likely to incur aircraft liens that secure the payment of airport fees and taxes, customs duties, air navigation charges (including charges imposed by Eurocontrol, the European Organization for the Safety of Air Navigation), landing charges, salvage or other charges. These liens may secure substantial sums that may, in certain jurisdictions or for certain types of liens, particularly liens on entire fleets of aircraft, exceed the value of the particular aircraft to which the liens have attached. Aircraft may also be subject to mechanics' liens as a result of maintenance performed by third parties on behalf of our lessees. Although we anticipate that the financial obligations relating to these liens will be the responsibility of our lessees, if they fail to fulfill such obligations, the liens may attach to our aircraft and ultimately affect our ability to realize value from the aircraft. In some jurisdictions, aircraft liens may give the holder the right to detain or, in limited cases, sell or cause the forfeiture of the aircraft. Until they are discharged, these liens could impair our ability to repossess, re-lease or sell our aircraft. Our lessees may not comply with anticipated lease obligations to discharge aircraft liens arising during the terms of the leases. If they do not, we may find it necessary to pay the claims secured by such aircraft liens in order to repossess the aircraft. Such payments could have a material adverse effect on our financial condition, cash flow and results of operations.

***If we, or our lessees, fail to maintain our aircraft, their value may decline and we may not be able to lease or re-lease our aircraft at favorable rates, if at all, which could have a material adverse effect on our financial condition, cash flow and results of operations.***

We may be exposed to increased maintenance costs for our leased aircraft associated with a lessee's failure to properly maintain the aircraft or pay supplemental maintenance rent. If an aircraft is not properly maintained, including failure to maintain proper technical documents and records, its market value may decline which would result in lower revenues from its lease or sale. Under our leases, our lessees are primarily responsible for maintaining the aircraft and its records and complying with all governmental requirements applicable to the lessee and the aircraft, including operational, maintenance, government agency oversight, registration requirements and airworthiness directives. Although we requires many of our lessees to pay us supplemental maintenance rent, failure of a lessee to perform required maintenance or keep proper maintenance records during the term of a lease could result in a decrease in value of an aircraft, an inability to re-lease an aircraft at favorable rates, if at all, or a potential

grounding of an aircraft. Maintenance or record-keeping failures by a lessee would also likely require us to incur maintenance and modification costs upon the termination of the applicable lease, which could be substantial, to restore the aircraft to an acceptable condition prior to sale or re-leasing and may delay any subsequent sale or re-leasing and may negatively impact our margins. If we are unable to re-lease an aircraft when it comes off-lease because we need to make such repairs or conduct such maintenance, we may realize a substantial loss of cash flows and increased costs without any corresponding cessation in our debt service obligations. We cannot assure you that, in the event a lessee defaults under a lease, any security deposit paid or letter of credit provided by the lessee as security for the performance of its obligations under the lease will be sufficient to cover the lessee's outstanding or unpaid lease obligations and required maintenance expenses or be sufficient to discharge liens that may have attached to our aircraft. Our lessees' failure to meet their obligations to pay supplemental maintenance rent, perform required scheduled maintenance or keep proper maintenance records or our inability to maintain our aircraft could have a material adverse effect on our financial condition, cash flow and results of operations.

***Failure to close our aircraft acquisition commitments could have a material adverse effect on our financial condition, cash flow and results of operations.***

We have a substantial order book. As of March 31, 2023, we had entered into purchase commitments (including sale-leaseback transactions) to acquire a total of 252 new aircraft for delivery through 2029. If we are unable to maintain our financing sources or find new sources of financing, including sources willing to provide pre-delivery payment financing, or if the various conditions to our existing commitments are not satisfied, we may be unable to close the purchase of some or all of the aircraft which we have commitments to acquire. Historically, a significantly smaller proportion of financiers have been willing to provide pre-delivery payment financing. If our aircraft acquisition commitments are not closed for these or other reasons, we will be subject to several risks, including the following:

- forfeiting deposits and pre-delivery payments and having to pay and expense certain significant costs relating to these commitments, such as actual damages, and legal, accounting and financial advisory expenses, and not realizing any of the benefits of completing the transactions;
- defaulting on our lease commitments, which could result in monetary damages and damage to our reputation and relationships with lessees; and
- failing to capitalize on other aircraft acquisition opportunities that were not pursued due to our management's focus on these commitments.

These risks could have a material adverse effect on our financial condition, cash flow and results of operations.

***The introduction of superior aircraft technology or a new line of aircraft could cause the aircraft that we acquire to become outdated or obsolete or oversupplied and therefore less desirable, which would have a material adverse effect on our financial condition, cash flow and results of operations.***

As manufacturers introduce technological innovations and new types of aircraft, some of the aircraft in our fleet could become less desirable to potential lessees. Such technological innovations may increase the rate of obsolescence of existing aircraft faster than currently anticipated by our management, which could negatively affect the value of the aircraft in our fleet. New aircraft manufacturers could emerge to produce aircraft that compete with the aircraft we own. In addition, the imposition of increased regulation regarding stringent noise or emissions restrictions may make some of our aircraft less desirable and accordingly less valuable in the marketplace. The development of new aircraft and engine options could decrease the desirability of certain aircraft in our fleet and/or aircraft that we have ordered. This could, in turn, reduce both future residual values and lease rates for certain types of aircraft in our portfolio. Any of these risks may negatively affect our ability to lease or sell our aircraft on favorable terms, if at all, which would have a material adverse effect on our financial condition, cash flow and results of operations.

***Decreases in the demand for or availability of the aircraft types in our portfolio could harm our business and results of operations should any difficulties specific to these particular types of aircraft occur.***

As of March 31, 2023, our Owned, Managed and Committed Portfolio contained a mix of aircraft types including the Airbus A320 family, the Airbus A330 family, the Airbus A350 family, the Boeing 737 family, the Boeing 777 family and the Boeing 787 family. We have a significant concentration of Airbus A330neo and Airbus A320neo aircraft and a high proportion of Airbus and widebody aircraft in our portfolio more generally. Our business and financial results could be negatively affected if the market demand for any of these models of aircraft (or other types that we acquire in the future) declines or if such aircraft are redesigned or replaced by their manufacturers or if such aircraft models experience design or technical problems, which could ultimately lead to the grounding of the aircraft model. Out of production aircraft may have a shorter useful life or lower residual values due to obsolescence. In addition, if any of these aircraft types (or other types that we acquire in the future) should encounter technical or other difficulties, such affected aircraft types may be subject to grounding or diminution in value and we may be unable to lease or sell such affected aircraft types on favorable terms or at all. The inability to lease or sell the affected aircraft types may reduce our revenues and net income to the extent the affected aircraft types comprise a significant percentage of our aircraft portfolio and could have a material adverse effect on our financial condition, cash flow and results of operations.

***Failure to obtain certain required licenses and approvals could adversely affect our ability to re-lease or sell aircraft, which would have a material adverse effect on our financial condition, cash flow and results of operations.***

Lessees are subject to extensive regulation under the laws of the jurisdictions in which they are registered and in which they operate. As a result, certain aspects of our leases or other contracts require licenses, consents or approvals, including consents from governmental or regulatory authorities for certain payments under our leases, for the import, export, registration or deregistration of the aircraft or for the performance under certain of our agreements, including such agreements with Israel Aerospace Industries. Subsequent changes in applicable law or administrative practice may increase such requirements and governmental consent, once given, could be withdrawn. Furthermore, consents needed in connection with the future re-lease or sale of an aircraft may not be forthcoming. Any of these events could adversely affect our ability to re-lease or sell aircraft, which would have a material adverse effect on our financial condition, cash flow and results of operations.

***Some of our leases provide the lessees with early termination options.***

As of March 31, 2023, a small portion of the leases of the aircraft in our Owned, Managed and Committed Portfolio provide the lessees with early termination options. We also may enter into leases in the future that provide lessees with early termination options. If any lease is terminated early at a time when we cannot re-lease the aircraft at rates at least as favorable to us as the terminated lease or at all, our financial condition, cash flow and results of operations could be adversely affected.

***Our aircraft and our operations may not be insured at all times as a result of lessees' failure to maintain the required insurance during the course of a lease, lessees' coverage limits becoming exhausted or lessees' insurers excluding coverage for certain risks, which could have a material adverse effect on our financial condition, cash flow and results of operations.***

While we do not directly control the operation of any aircraft we own or manage, in certain jurisdictions aircraft lessors and/or owners are held strictly liable for losses resulting from the operation of aircraft, and in other jurisdictions aircraft lessors may be deemed liable on other theories of liability.

Our customers are required under their leases to indemnify us for, and insure against, liabilities arising out of use and operation of the aircraft, including third-party claims for death or injury to persons and damage to property for which we may be deemed liable. Our lessees are also required to maintain public liability, property damage and hull all risks insurance on the aircraft at agreed upon levels. They are not, however, required to maintain political risk insurance. The hull insurance is typically subject to standard market hull deductibles based on aircraft type that generally range from \$250,000 to \$1,000,000 per aircraft; however, the required deductible may also vary upon specific lease requirements. In addition, the lessees usually have fleet-wide aggregate limits on hull deductible and

war risk insurance. Any hull insurance proceeds received in respect of such claims will be paid first to us or our financiers, in the event of a total loss of the aircraft, or, in the absence of a total loss of the aircraft, subject in some cases to minimum thresholds, to the lessee, to effect repairs. Proceeds of liability insurance for indemnification of third-party liabilities will be paid to the relevant third parties.

Following the terrorist attacks of September 11, 2001, aviation insurers significantly reduced the amount of insurance coverage available to airlines for liability to persons other than airline employees or passengers for claims resulting from acts of terrorism, war or similar events. At the same time, they significantly increased the premiums for such third-party war risk and terrorism liability insurance and coverage in general. Initially aided by a number of government indemnity schemes, the scope and price of such liability coverage has almost returned to pre-2001 levels, but the availability of such coverage in the future is uncertain. The amount and scope of third-party war risk and terrorism liability insurance that is available in the future may be below the amount and scope required under our leases and required by the market in general.

There can be no assurance that our lessees' insurance, including any available governmental supplemental coverage, will be sufficient to cover all types of claims that may be asserted against us. While we maintain certain contingent insurance coverage to provide protection where a lessee's insurance coverage may be unavailable or inadequate, such coverage may not be sufficient or may not be available in certain circumstances. Default by lessees in fulfilling their indemnification obligations, insolvency and/or financial default of the lessees' insurers, or the lack of political risk, hull war or third-party war risk and terrorism liability insurance will reduce the proceeds that would be received upon an event of loss under the respective leases or upon a claim under the relevant liability insurance and may leave us exposed for hull losses or liability claims not covered by insurance.

***Additional terrorist attacks or the fear of such attacks, even if not made directly on the airline industry, and unfavorable geopolitical conditions could negatively affect lessees and the airline industry, which could have a material adverse effect on our financial condition, cash flow and results of operations.***

As a result of the September 11, 2001 terrorist attacks in the United States and subsequent terrorist attacks across the world, airlines have increased security restrictions and face increased costs for aircraft insurance and enhanced security measures. In addition, airlines have faced and continue to face increased difficulties in acquiring war risk and other insurance at reasonable costs. Conflicts in Iraq and Afghanistan, the Russia/Ukrainian conflict, continued uncertainty and tension over Iran's nuclear program, the civil war in Syria, heightened security concerns stemming from North Korea's nuclear and ballistic missile testing programs and relations between the United States and North Korea, tensions and conflicts between Israel and Palestine, tensions and conflicts between mainland China and Taiwan, the increasingly adversarial relationship between China and the West, and the escalation of other hostilities or political crises, in each case may lead to further instability in these regions. Future terrorist attacks, war or armed hostilities, or the fear of such events, could have a further adverse impact on the airline industry and on the financial condition of our leases, aircraft values and rental rates and may lead to restructurings.

Terrorist attacks and geopolitical conditions have negatively affected the airline industry and concerns about geopolitical conditions, war or armed hostilities and further terrorist attacks could continue to negatively affect airlines (including our lessees) for the foreseeable future depending upon various factors including:

- higher costs to airlines due to increased security measures;
- losses in passenger revenue due to a decrease in travel;
- the price and availability of jet fuel and the ability to obtain fuel hedges under prevailing market conditions;
- higher financing costs and difficulty in raising financing;
- significantly higher costs of aircraft insurance coverage for future claims caused by acts of war, terrorism, sabotage, hijacking and other similar perils, and the extent to which such insurance will

continue to be available or may exclude events such as radioactive dirty bombs, bio-hazardous materials and electromagnetic pulsing, which may damage or destroy aircraft;

- the ability of airlines to reduce their operating costs and conserve financial resources, taking into account the increased costs incurred as a consequence of terrorist attacks and geopolitical conditions, including those referred to above; and
- special charges recognized by some airlines, such as those related to the impairment of aircraft and other long lived assets stemming from the grounding of aircraft as a result of terrorist attacks, economic slowdown and/or airline reorganizations.

If current industry conditions should worsen due to future terrorist attacks, acts of war or armed hostilities, our lessees may incur higher costs and generate lower revenues, which would adversely impact their financial positions. Consequently, these conditions may affect our lessees' ability to make rental and other lease payments or obtain the types and amounts of insurance required by the applicable leases (which may in turn lead to aircraft groundings), may result in additional lease restructurings and aircraft repossessions, may increase our cost of re-leasing or selling the aircraft, may impair our ability to re-lease the aircraft or lease the aircraft on a timely basis and/or at favorable rates and may reduce the value received for the aircraft upon any disposition, any of which could have a material adverse effect on our financial condition, cash flow and results of operations.

***The effects of natural disasters may adversely affect the airline industry in the future, which may cause our lessees to not be able to meet their lease payment obligations to us, which could have a material adverse effect on our financial condition, cash flow and results of operations.***

The lack of air travel demand and/or the inability of airlines to operate to or from certain regions due to severe weather conditions and natural disasters including floods, earthquakes and volcano eruptions could impact the financial health of certain airlines including our lessees. For example, the spread of volcanic ash in Europe in early 2010 and the tsunami in Japan and flooding in Thailand in 2011 caused the closure of airports and flight cancellations throughout the affected areas. The airline industry incurred substantial losses from these disruptions. Natural disasters could result in our lessees' inability to satisfy their lease payment obligations to us, which in turn could have a material adverse effect on our financial condition, cash flow and results of operations. Additionally, the potential reduction in air travel demand could result in lower demand for aircraft and consequently lower market values that would adversely affect our ability to sell certain of our aircraft or re-lease other aircraft at favorable rates.

***Epidemic diseases, such as the COVID-19 outbreak, or the perception of their effect, could have a material adverse effect on our financial condition, cash flow and results of operations.***

The COVID-19 pandemic led to significant economic disruption, including increased flight cancellations and greater reluctance to travel, which previously led to greater economic disruption and a broader adverse impact on air travel and the aviation industry. See “—The COVID-19 pandemic and measures implemented to combat it had, and may in the future have, a significant negative impact on the aircraft leasing industry and our business.” The continuation of COVID-19 or outbreak of other epidemic diseases could negatively affect the overall amount of air travel.

Additionally, the 2003 outbreak of SARS was linked to air travel early in its development and had a severe impact on the aviation industry which was evidenced by a sharp reduction in passenger bookings, cancellation of many flights and employee layoffs. Since 2003, there have been several outbreaks of avian influenza beginning in Asia and, most recently, spreading to certain parts of Africa and Europe. Although human cases of avian influenza so far have been limited in number, the World Health Organization (“WHO”) has expressed serious concern that a human influenza pandemic could develop from the avian influenza virus. In 2009, there was an outbreak of the H1N1 virus (the swine flu), which depressed travel due to fears of a global pandemic. If an outbreak of either of these or other epidemic diseases were to occur, numerous responses, including travel restrictions, might be necessary to combat the spread of the disease. Even if restrictions are not implemented, it is likely that passengers would voluntarily choose to reduce travel. In 2012, Middle Eastern Respiratory Syndrome (“MERS”), a syndrome caused by the same virus that causes SARS, began to emerge in the Middle East. Scientists do not yet know for certain how MERS originated, how it spreads or whether it could erupt into a larger outbreak, as SARS did, in which case it could have

a severe impact on the aviation industry. In 2014, an outbreak of the Ebola virus occurred in West Africa, resulting in numerous deaths and leading the WHO to declare an international health emergency. Similarly, in 2016 the WHO declared an international health emergency with respect to the Zika virus pandemic. Additional outbreaks of SARS, a more widespread outbreak of MERS, the Ebola virus, the Zika virus or the outbreak of other epidemic diseases, such as avian influenza, swine flu, or the fear of such events, could negatively affect passenger demand for air travel and the financial condition of the aviation industry, and ultimately could have a material adverse effect on our financial condition, cash flow and results of operations.

***We cannot assure you that all lessees will comply with the registration requirements in the jurisdiction where they operate.***

All of our aircraft are required to be registered at all times with appropriate governmental authorities. Generally, in jurisdictions outside the United States, failure by a lessee to maintain the registration of a leased aircraft would be a default under the applicable lease, entitling us to exercise our rights and remedies thereunder. See “—We may incur costs and suffer other negative consequences resulting from lessee defaults and our attempts to repossess aircraft.” If an aircraft were to be operated without a valid registration, the lessee operator or, in some cases, the owner or lessor might be subject to penalties, which could result in a lien being placed on such aircraft. Lack of registration could have other adverse effects, including inability to operate the aircraft and loss of insurance, which in turn could have a material adverse effect on our financial condition, cash flow and results of operations. We cannot assure you that all lessees will comply with these requirements.

***Our limited control over our joint ventures may delay or prevent us from implementing our business strategy, which would have a material adverse effect on our financial condition, cash flow and results of operations.***

We are party to a strategic venture with a third party for the purposes of securing favorable financing, sharing operational risk, and/or to earn management fees and we may enter into additional strategic ventures in the future. Under our joint venture agreements, we share control over significant decisions with our joint venture partners. Since we do not have full control over our joint ventures and may not be able to exercise control over any future joint venture, we may not be able to require our joint ventures to take actions that we believe are necessary to implement our business strategy. Accordingly, this limited control could have a material adverse effect on our financial condition, cash flow and results of operations.

***We are subject to various risks and requirements associated with transacting business in multiple countries which could have a material adverse effect on our financial condition, cash flow and results of operations.***

Our international operations expose us to trade and economic sanctions and other restrictions imposed by the United States, the European Union (the “EU”) and other governments or organizations. The aircraft leasing industry involves transactions with state-owned airlines in markets presenting a higher risk of corruption. The U.S. Departments of Justice, Commerce, State and Treasury and other federal agencies and authorities have a broad range of civil and criminal penalties they may seek to impose against corporations and individuals for violations of economic sanctions laws, export control laws, the Foreign Corrupt Practices Act (“FCPA”), and other federal statutes and regulations, including those established by the Office of Foreign Assets Control (“OFAC”). In addition, the Irish Criminal Justice (Corruption Offences) Act 2018 (the “Corruption Offences Act”) and the U.K. Bribery Act of 2010 (the “Bribery Act”) each prohibits both domestic and international bribery, as well as bribery across both private and public sectors. For example, an organization that “fails to prevent bribery” by anyone associated with the organization can be charged under the Bribery Act unless the organization can establish the defense of having implemented adequate procedures to prevent bribery. Under these laws and regulations, various government agencies may require export licenses, may seek to impose modifications to business practices, including cessation of business activities in sanctioned countries or with sanctioned persons or entities, and modifications to compliance programs, which may increase compliance costs, and may subject us to fines, penalties, restrictions and other enforcement measures. A violation of these laws or regulations could adversely impact our business, reputation, operating results and financial condition.

Similarly, certain countries, such as China and Russia have enacted anti-sanction laws. As a result, the imposition of retaliatory sanctions against multinational corporations by countries that are or may become subject to U.S. trade sanctions could also negatively affect our business.

Events in Ukraine and Crimea have resulted in the EU and the United States imposing and escalating sanctions on Russia and certain businesses, sectors and individuals in Russia, including the airline industry. We cannot assure you that the current sanctions or any further sanctions imposed by the EU, the United States or other international interests will not materially adversely affect our operations. See “—The Russian invasion of Ukraine and resulting sanctions by various countries, including the United States, the European Union and the United Kingdom, have significantly impacted our financial condition, results of operation and cash flows and will continue to have an adverse impact on our business.”

The General Data Protection Regulation (“GDPR”), which became law in the EU on May 25, 2018, regulates the ways in which businesses process personal data in Europe. There are extensive documentation obligations and transparency requirements, which may impose significant costs on us. Failure to comply with the GDPR may subject us to significant litigation or enforcement actions, fines, claims for compensation by customers and other affected individuals, damage to our reputation, orders to remedy breaches or criminal prosecutions, any of which could have a material adverse impact on our business, operating results, and financial condition. For example, under the GDPR, we could incur significant fines of up to 4% of our annual global revenue.

We have implemented and maintain policies and procedures reasonably designed to promote compliance by us and our directors, officers, employees and consultants with the FCPA, GDPR, OFAC regulations, the Corruption Offences Act, the Bribery Act and other export control, anti-corruption, sanctions, anti-terrorism and anti-money laundering laws and regulations. We cannot assure you, however, that our directors, officers, employees, consultants and agents will not engage in conduct for which we may be held responsible, nor can we assure you that our business partners will not engage in conduct which could materially affect their ability to perform their contractual obligations to us, damage our reputation or even result in our being held liable for such conduct. Violations of the FCPA, GDPR, OFAC regulations, the Corruption Offences Act, the Bribery Act and other export control, anti-corruption, sanctions, anti-terrorism and anti-money laundering laws and regulations may result in severe criminal or civil penalties, and significant legal costs associated with the investigation and defense of these matters, and we may be subject to other liabilities, which could have a material adverse effect on our business, reputation, financial condition, cash flows and results of operations.

***A cyber-attack that bypasses our information technology, or IT, security systems, causing an IT security breach, may lead to a material disruption of our IT systems and the loss of business information which may hinder our ability to conduct our business effectively and may result in lost revenues and additional costs.***

Parts of our business depend on the secure operation of our computer systems to manage, process, store, and transmit information associated with aircraft leasing. A cyber-attack could adversely impact our daily operations and lead to the loss of sensitive information, including our own proprietary information and that of our customers, suppliers and employees. Such losses could harm our reputation and result in competitive disadvantages, litigation, regulatory enforcement actions, lost revenues, additional costs and liability. While we devote substantial resources to maintaining adequate levels of cyber-security, our resources and technical sophistication may not be adequate to prevent all types of cyber-attacks.

***Conflicts of interest may arise between us and clients who utilize our fleet management services, which could have a material adverse effect on our financial condition, cash flow and results of operations.***

Conflicts of interest may arise between us and third-party aircraft owners, financiers and operating lessors who hire us to perform fleet management services such as leasing and remarketing services, cash management and treasury services, technical advisory services, accounting and administrative services. Our servicing contracts generally require that we act in good faith and do not discriminate against serviced aircraft in favor of our Owned Aircraft. Nevertheless, competing with our fleet management clients in practice may result in strained relationships with them, which could have a material adverse effect on our financial condition, cash flow and results of operations.



***We are exposed to significant regional political and economic risks due to both the location of our lessees in certain geographical regions and the concentration of lessees in certain geographical regions, either of which could have a material adverse effect on our financial condition, cash flow and results of operations.***

Through our lessees, we are exposed to local economic and political conditions in multiple regions, including the Middle East, Africa, Asia/Pacific, Europe, Latin America and North America. For example, tensions and potential conflict between mainland China and Taiwan, the territorial disputes between Japan and China and the tensions in the South China Sea could lead to further instability in these regions and negative impacts on our lessees' businesses and our results of operations. Such conditions can be adverse to us, and may include additional regulation or, in extreme cases, seizure of our aircraft. The effect of these conditions on payments to us will be more or less pronounced depending on the concentration of lessees in the region with adverse conditions. We have our largest concentration of leases in Emerging Markets in Asia, followed by EMEA and Latin America. Severe recession in any of these regions, or the inability to resolve financial or political emergencies in any particular region where we have many customers, could result in additional failures of airlines and could have a material adverse effect on our financial condition, cash flow and results of operations.

We derived 66% and 62% of lease revenues for the three months ended March 31, 2023 and for the year ended December 31, 2022, respectively, from airlines in Emerging Markets. Emerging Market countries have less developed economies and infrastructure and are often more vulnerable to economic and geopolitical challenges. These countries may experience significant fluctuations in GDP, interest rates and currency exchange rates, as well as civil disturbances, government instability, nationalization and expropriation of private assets and the imposition of unexpected taxes or other charges by government authorities. Our leases have been historically denominated in U.S. dollars. An increase in the value of the U.S. dollar relative to the currencies of the countries in which our lessees operate (particularly those in Argentina, Brazil, China, India, Indonesia and Turkey) could impair the ability of our lessees to lease our aircraft, which may materially affect the demand for our aircraft. Furthermore, legal systems in Emerging Market countries may be less developed. For example, certain countries may not have fully implemented the Cape Town Convention on International Interests in Mobile Equipment, a treaty that, among other things, established international standards for the registration, protection and enforcement of lessors' and financiers' rights in aircraft, which could make it more difficult for us to enforce our legal rights in such countries. The occurrence of any of these events in markets served by our lessees, particularly if combined with high fuel prices, could adversely affect the value of our aircraft subject to lease in such regions or the ability of our lessees that operate in these markets to meet their lease obligations.

China is one of our largest single jurisdiction exposures and therefore we have increased exposure to the economic and political conditions in that country and to the increasingly adversarial relationship between China and the West. Recent and future political developments, including trade or other disputes between the U.S. and China, and other evolving policies pursued in Europe, could result in increased and unexpected regulations on trade, which could adversely impact the results of our operations. Further deterioration in China's relationship with the West could result in the imposition of more stringent trade or travel restrictions, which would harm the operations of our lessees and could materially affect our financial results. Also, in the event that sanctions affecting the ability of aircraft lessors to conduct business in China are imposed by the United States, the European Union, the United Kingdom or other governmental authorities, whether as a result of conflict between mainland China and Taiwan or otherwise, our business in China would be materially adversely affected, which could have a material impact on our financial condition, cash flows and results of operations.

In addition, we lease aircraft to lessees based in or operating in the United Kingdom and/or the EU. On January 31, 2020, the United Kingdom withdrew from the EU (commonly referred to as "Brexit"), entering a transition period, which ended on December 31, 2020. During the transition period, existing trade arrangements remained in place while the United Kingdom and the EU negotiated the details of their future relationship. Economic uncertainty or deteriorating economic conditions as a result of Brexit or other causes may lead airlines to reduce capital investment or planned fleet expansion, which could negatively impact our ability to lease new aircraft or release existing aircraft.

Further, demand for aircraft is dependent on passenger traffic, which in turn is dependent on general business and economic conditions. As a result, weak or negative global economic growth or economic growth in a particular region, including the United Kingdom and the EU, as a result of macroeconomic factors may have an indirect effect

on the value of our aircraft if airlines and other potential lessees are materially and adversely affected. We cannot assure you that any of our aircraft will not decline in value, which may have a material adverse effect on our results of operations or our financial condition. The potential effect of these risks will be particularly pronounced if we have a high concentration of lessees in the region or regions with adverse conditions at a particular point in time. For these and other reasons, our financial results and growth prospects may be negatively impacted by adverse economic and political developments in other countries, including in Emerging Markets, the United Kingdom and the EU.

***The effects of various environmental laws and regulations may negatively affect the airline industry, which may in turn have a material adverse effect on our financial condition, cash flow and results of operations.***

The airline industry is subject to increasingly stringent and evolving federal, state and local environmental laws and regulations relating to, among other things, air emissions, water surface and subsurface discharges, aircraft noise and the management of hazardous substances. In particular, governmental regulations regarding aircraft and engine noise and emissions levels apply based on where the relevant aircraft is registered and operated. For example, numerous international jurisdictions have adopted noise regulations applicable to aircraft. The United States and the International Civil Aviation Organization (“ICAO”) have adopted standards for noise levels applicable to engines manufactured or certified on or after 2006. The EU, which imposes similar standards, has established a framework imposing operating limits on aircraft that do not comply with those standards.

The United States and other jurisdictions have stringent limits on nitrogen oxide, carbon monoxide and carbon dioxide emissions from engines. Further, European countries generally have more strict environmental regulations and, in particular, the European Parliament has included aviation in the European Emissions Trading Scheme (“ETS”), which regulates greenhouse gas emissions. While carbon emissions from intra-EU flights are subject to EU ETS and international flights outside of the EU were meant to be subject to EU ETS, the EU subsequently suspended the enforcement of the ETS requirements for such extra-EU flights, instead deferring to a proposal issued by the ICAO in October 2013 to develop a global cap and trade program to reduce international aviation emissions. In October 2016, ICAO adopted the Carbon Offset and Reduction Scheme for International Aviation (“CORSIA”), a global market-based scheme aimed at reducing carbon dioxide emission from international aviation that will become mandatory in 2027. Over 100 countries, including the United States, have indicated that they will participate in the voluntary phase-in of CORSIA which began in 2021. In addition, in January 2021, the United States Environmental Protection Agency (“EPA”) issued its greenhouse gas emission standards under the Clean Air Act that would apply to certain new commercial airplanes, including all large passenger jets, and match the international airplane carbon dioxide emissions standards adopted by the ICAO. Limitations on emissions such as ETS and CORSIA, and those proposed by EPA, could favor younger, more fuel-efficient aircraft since they generally produce lower levels of emissions per passenger, which could adversely affect our ability to re-lease or otherwise dispose of less efficient aircraft on a timely basis, on favorable terms, or at all. In addition, the 2015 United Nations Climate Change Conference adopted the Paris Agreement (the “Paris Agreement”), which entered into force in November 2016. The Paris Agreement set specific goals and commitments concerning global temperatures and carbon emissions. The potential impact of ETS, ICAO requirements, EPA regulations or restrictions resulting from the Paris Agreement on costs will ultimately depend on a number of factors, including baseline emissions, the price of emission credits and the number of future flights subject to ETS, ICAO requirements, EPA regulations or other restrictions. These costs have not been completely defined and may fluctuate. Any and all of the foregoing regulations could limit the economic life of our aircraft and engines, reduce their value, limit our ability to lease or sell the non-compliant aircraft and engines or, if engine modifications are permitted, require us to make significant additional investments in our aircraft and engines to make them compliant.

Such legislation or regulation could also have a materially adverse impact on the airline industry, particularly if regulators were to conclude that greenhouse gas emissions from commercial aircraft cause significant harm to the upper atmosphere or have a greater impact on climate change than other industries. Potential actions may include the imposition of requirements to purchase emission offsets or credits, which could require participation in emission trading (such as is required in the EU), substantial taxes on emissions and growth restrictions on airline operations and compliance with current or future legislation, regulations, taxes or duties imposed to deal with environmental concerns could cause the lessees to incur higher costs and lead to higher ticket prices, which could mean lower demand for travel, thereby generating lower net revenues and resulting in an adverse impact on the financial condition of our lessees. Consequently, such compliance may affect our lessees’ ability to make rental and other

lease payments and reduce the value received for the aircraft upon any disposition, which would have a material adverse effect on our financial condition, cash flow and results of operations.

***We are subject to various laws and regulations that could have a material adverse effect on our financial condition, cash flow and results of operations.***

In addition to the general aviation authority regulations and requirements regarding maintenance of the aircraft, aircraft may be subject to further maintenance or modification requirements imposed by airworthiness directives issued by aviation authorities. Airworthiness directives and similar requirements typically set forth particular special maintenance actions or modifications to certain aircraft types or models that the owners or operators of aircraft must implement.

Each lessee generally is responsible for complying with all or a substantial portion of airworthiness directives applicable to its aircraft and is required to maintain the aircraft's airworthiness. However, if a lessee fails to satisfy its obligations, or if we have obligations as to contributions towards the cost of compliance with airworthiness directives (or similar requirements) under a lease or if the aircraft is not subject to a lease, we may be forced to bear (or, to the extent required under the relevant lease, to share) the cost of any airworthiness directives compliance, which could have a material adverse effect on our financial condition, cash flow and results of operations.

***Climate change may have a long-term impact on our business.***

There are inherent climate-related risks wherever our business is conducted. Changes in market dynamics, stakeholder expectations and local, national or international climate change policies could disrupt our business and operations. Various countries or other jurisdictions, including the United States and the European Union, have announced sustainability initiatives to reduce carbon emissions, explore sustainable aviation fuels and establish sustainability measures and targets. Climate and environmental objectives may impact the types of aircraft we target for investment and the demand for certain aircraft and engine types, and could result in a significant increase in our costs and expenses and adversely affect future revenue, cash flows and financial performance. Failure to address climate change could result in greater exposure to economic and other risks and impact our ability to adhere to developing climate goals.

In addition, the airline industry has come under scrutiny by the press, public and investors regarding environmental impacts of air travel. If such scrutiny results in reduced air travel, it may negatively affect demand for our aircraft, lessees' ability to make lease payments and reduce the value we receive for our aircraft upon sale. In addition, increased focus on the environmental impact of air travel has led to the emergence of numerous sustainability initiatives, including the development of sustainable aviation fuel, and electric and hydrogen powered aircraft. While these sustainability initiatives are in the early stages of development, if alternative aircraft technology develops to the point of commercial viability and becomes widely accepted, we may not be able to adjust our order book in a timely manner and could be required to incur increased costs and significant capital investments to transition to such technology.

***Environmental, social and governance ("ESG") matters may impose additional costs and expose us to new risks.***

Public ESG and sustainability reporting is becoming more broadly expected by investors, shareholders, regulatory agencies and other third parties. Certain organizations that provide corporate governance and other corporate risk information to investors have developed, and others may in the future develop, scores and ratings to evaluate companies and investment funds based upon ESG or "sustainability" metrics. Many investment funds focus on positive ESG business practices and sustainability scores when making investments and may consider a company's ESG or sustainability scores as a reputational or other factor in making an investment decision. In addition, investors, particularly institutional investors, use these scores to benchmark companies against their peers and if a company is perceived as lagging, these investors may engage with such company to improve ESG disclosure or performance and may also make voting decisions, or take other actions, to hold these companies and their boards of directors accountable. Board diversity is an ESG topic that is, in particular, receiving heightened attention by investors, shareholders, lawmakers and listing exchanges. We may also face reputational damage in the event our corporate responsibility initiatives or objectives, including with respect to board diversity, do not meet the standards

set by our investors, shareholders, lawmakers, listing exchanges or other constituencies, or if we are unable to achieve an acceptable ESG or sustainability rating from third party rating services.

### **Risks Related to Our Shareholders and Related Parties**

#### ***The potential benefits of the HNA Group Reorganization may not be realized.***

HNA Group underwent an in-court insolvency proceeding in 2021. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations of Avolon—Financial Condition—HNA Group.” We have agreed terms to keep all our aircraft on lease with the Fangda Affiliated Airlines. This accounts for 37 owned aircraft, or approximately 9.5% by Net Book Value of our Owned Portfolio at March 31, 2023. As of December 31, 2022, we also entered into additional deferral arrangements. If the HNA Group Reorganization and our subsequent deferral arrangements fail to substantially improve the financial strength of the Fangda Affiliated Airlines this could negatively impact our ability to realize the benefits of maintaining our 37 owned aircraft on lease with the Fangda Affiliated Airlines.

#### ***The financial condition of our direct and indirect parent companies subjects us and our operations to additional risks.***

Bohai and its affiliates have incurred substantial indebtedness, which creates additional risks for us and our operations. In July 2019, GALC, our direct 70% equity owner, issued \$1,550 million aggregate principal amount of senior PIK toggle notes due 2024 and issued an additional \$200 million and \$50 million aggregate principal amount of such notes in December 2019 and September 2021 respectively.

The financial difficulties of our direct or indirect parent companies have created and may in the future create additional risks and costs for us, including, but not limited to:

- our shareholders may seek to take actions that enhance their position as an equity holder, including by requiring us to pay dividends or enter into other transactions, subject to the terms of the indenture governing the notes and the Shareholders’ Agreement;
- GALC has no business other than its equity interest in Avolon. So in the absence of other funding sources from Bohai, this indebtedness may incentivize GALC to request us to pay dividends or engage in other transactions to facilitate the servicing, refinancing or repayment of such debt;
- our majority shareholders might not be able to support our growth and business in ways it otherwise would, including by providing capital to us, and the attention of management might be otherwise diverted;
- the perception by our investors or the debt rating agencies of our financial health may be adversely impacted by the financial health of our affiliates, which could increase our cost of, or prevent us from, obtaining new capital and/or refinancing our existing indebtedness, or adversely impact the trading price of our existing indebtedness;
- potential strategic alternatives that these entities may undertake include transactions that could result in a change of control of one of our majority shareholders and/or us. For example, HNA Group previously reduced its interests in Bohai, and HNA Group and Bohai previously reduced their collective interest in us through the sale of a 30% equity interest in us to ORIX. Bohai may consider potential opportunities to reduce its interests in the future, although there can be no assurance that any such transaction would occur; and
- if GALC is unable to refinance its outstanding debt, any restructuring of such debt or the consequences of attempting any restructuring, may exacerbate the foregoing risks, including resulting in a change of control, which could trigger under certain circumstances the obligation to repay certain of our

outstanding indebtedness including the Notes, which we may not be able to satisfy. See “Description of Other Indebtedness—Existing Notes—Change of Control.”

Our operations have in the past and may in the future be subject to limitations imposed by agreements entered into by these companies. Indebtedness or other agreements entered into by an indirect or direct parent may include restrictions, limitations and covenants which if breached by such parent may impact such borrower’s subsidiaries, including Avolon. The indebtedness of GALC described above may incentivize GALC to request us to pay dividends in order to allow them to service their notes in the future. There can be no assurance that the foregoing risks will be reduced or eliminated.

***We have made intercompany loans to, and entered into related party transactions with, affiliates in the past and may be requested to enter into additional related party transactions in the future.***

During 2017, as previously disclosed, we made intercompany loans to our majority shareholder Bohai or its affiliates, including intercompany advances in an aggregate amount of \$365 million made in July 2017 to indirect subsidiaries of Bohai, which were made shortly following the equity contribution by Bohai to us of \$0.9 billion and which were fully repaid during the year ended December 31, 2017. During 2017, we also entered into a short-term deposit arrangement with HK Bohai. As of March 31, 2023, there were no outstanding intercompany loans owed to us. See “Certain Relationships and Related Party Transactions.” Subject to the terms of the indenture governing the notes (if they become applicable in the future) and the Shareholders’ Agreement, our shareholders may request that we make intercompany loans in the future. Similarly, we have previously extended the maturity of certain of our intercompany loans, and our shareholders may request that we extend the maturity or otherwise restructure the terms of future intercompany loans. Our Board may determine that it is in our best interests to enter into any such arrangements, which could reduce or delay the capital resources available to us to operate our business.

In addition, we have leases with our affiliates, including Hainan and other lessees previously affiliated with HNA Group. We have previously experienced and continue to experience lease payment delays by our related party airlines, including Hainan and other lessees previously affiliated with HNA Group. As of March 31, 2023, there was \$156.3 million in outstanding amounts due and payable to Avolon or its subsidiaries by entities that previously formed part of the HNA Consolidated Group, after offsetting certain liabilities due to these HNA Consolidated Group entities from Avolon or its subsidiaries, and after giving effect to (i) a write-down of \$104.7 million of receivables in connection with the HNA Group Reorganization and (ii) a subsequent restructuring of Fangda Affiliated Airlines’ obligations as of December 31, 2022.

In accordance with the Shareholders’ Agreement, as of March 31, 2023, dividend payments amounting to \$12.0 million have been withheld from Bohai by Avolon, as a result of amounts due to Avolon from Hong Kong Airlines, which was not part of the HNA Group Reorganization, and the terms of the Shareholders’ Agreement require such dividend payment amounts to continue to be withheld until all outstanding amounts due to Avolon or its subsidiaries from the HNA Consolidated Group have been paid. However, under the terms of the Shareholders’ Agreement, we have no right to set off these withheld dividend payment amounts against receivables owed to us by the HNA Consolidated Group. We can provide no assurances regarding the compliance of our affiliates, including Bohai and ORIX Aviation in the future with their related party obligations, the failure of which could have a material adverse effect on our financial condition or results of operations. See “—We are indirectly majority owned and controlled by Bohai and its interests as equity holder may conflict with those of our noteholders,” “—The financial condition of our direct and indirect parent companies subjects us and our operations to additional risks” and “—Risks Related to the Notes—Our substantial leverage or that of our majority shareholder Bohai could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry, expose us to interest rate risk to the extent of our variable interest rate debt and prevent us from meeting our obligations under the notes.”

In addition, the frequent making or extension of intercompany loans to our majority shareholder Bohai or its affiliates or the failure of our majority shareholder Bohai or its affiliates to pay such loans could cause ratings agencies to call into question our independence from Bohai, which could adversely impact our ratings and make it difficult or more expensive to obtain debt financing on acceptable terms. This could have a material adverse effect on our financial condition. There are currently no existing intercompany loans outstanding to our majority shareholder Bohai or its affiliates. See “—Our ability to obtain debt financing and our cost of debt financing are

dependent, in part, upon our credit ratings and those of our shareholders, Bohai and ORIX Aviation, and a downgrade of these ratings could adversely impact our financial condition, cash flow and results of operations.”

***We are indirectly majority owned and controlled by Bohai and its interests as equity holder may conflict with those of our noteholders.***

Avolon is an indirect majority owned subsidiary of Bohai, a multi-business global conglomerate. Accordingly, Bohai has the ability to control our policies and operations, subject to certain limitations set forth in the Shareholders’ Agreement. Bohai will not have any liability for any obligations under the notes and the interests of Bohai could conflict with your interests as noteholders. For example, if we or Bohai encounter financial difficulties or are unable to pay our or its debts as they mature, including any difficulties that Bohai may have in refinancing the indebtedness of GALC, the interests of Bohai as equity holders might conflict with your interests as a noteholder. Subject to compliance with the terms of the indenture governing the notes and the Shareholders’ Agreement, Bohai may also have an interest in our pursuing intercompany loans, acquisitions, divestitures, financings, dividends or other transactions that could, in their judgment, enhance their equity investments or further their own interests, although such transactions might involve further risks to you as a noteholder. Similarly, although we do not currently rely on Chinese banking institutions as a primary funding source, the decreases in liquidity experienced by our equity holders as a result of their substantial leverage, adverse public reports regarding their business, financial condition or results of operations, increases in regulatory scrutiny of our equity holders or any tightening of credit by Chinese banking institutions or for any other reason, could create similar conflicts of interest, including by making it more difficult for our equity holders to repay intercompany advances or satisfy other related party obligations owed to us or by making it more difficult for us to obtain credit from Chinese banking institutions in the future. In addition, Bohai may in the future own businesses that directly or indirectly compete with us. Bohai may also pursue acquisition opportunities that may be complementary to our business and, as a result, those acquisition opportunities may no longer be available to us. See “Certain Relationships and Related Party Transactions” and “Principal Shareholders.”

***ORIX Aviation beneficially owns 30% of the common shares of Avolon, which could impact our corporate policy and strategy, and ORIX Aviation’s interests may differ from our business interests.***

ORIX Aviation beneficially owns 30% of the common shares of Avolon. ORIX Aviation’s interests may not coincide with our interests or Bohai’s interests, which may make some future transactions more difficult or impossible. Pursuant to the Shareholders’ Agreement, the prior written consent of ORIX Aviation will be required in order for us to be able to pursue certain types of transactions. For further information, see “Certain Relationships and Related Party Transactions—Shareholders’ Agreement.” Disagreements between Bohai and ORIX Aviation with respect to our business could delay or prevent us from taking certain actions that we believe are in our best interests. There can be no assurance that ORIX Aviation will exercise its influence in our best interests as opposed to ORIX Aviation’s best interests. This may result in the inability to make corporate decisions that are favorable to our business interests or decisions in our business interests that are only taken after a significant delay.

Additionally, subject to certain conditions contained in the Shareholders’ Agreement, ORIX Aviation may transfer any or all of its common shares of Avolon to a third party. Such third party may not be afforded the same minority shareholder protection rights that ORIX Aviation benefits from pursuant to the Shareholders’ Agreement and such transfer could be viewed unfavorably by our lenders and financial ratings agencies, which could have a material adverse effect on our financial condition, cash flow and results of operations.

## **Risks Related to Taxation**

***Changes in our effective tax rate may reduce our net income in future periods.***

Our actual effective tax rate may vary from its expectation and that variance may be material. Our effective tax rate in any given financial year reflects a variety of factors that may change in the succeeding financial year or years. Our effective tax rate will also be impacted by certain group re-organisations that rationalized the corporate structure of the group subsidiaries and streamlined the group’s internal funding structure. As a result, our effective tax rate may increase in future periods, which could have a material adverse effect on our financial results. We believe that our Irish tax residency status allows us to maintain a competitive worldwide effective corporate tax rate. It is

possible that in the future, whether as a result of a change in law or the practice of any relevant tax authority or as a result of any change in the conduct of our affairs, we could become, or be regarded as having become, tax resident in a jurisdiction other than Ireland. It is also possible that as a result of travel restrictions imposed due to COVID-19, we could become, or be regarded as having become, tax resident in a jurisdiction other than Ireland or could have, or be regarded as having, a permanent establishment or other taxable presence in a jurisdiction other than Ireland. Should we cease to be an Irish tax resident, we may cease to access the relief from double taxation which is provided under the Irish double tax treaties. Additionally, a charge to Irish exit tax may result by virtue of there being a deemed disposal of our assets and/or we may become subject to tax in another jurisdiction.

Additionally, our tax position could be adversely impacted by changes in tax rates generally, tax laws, tax treaties or tax regulations or changes in the interpretation of such laws, treaties or regulations by the tax authorities in Ireland, the United States and other jurisdictions. Specifically, with respect to the United States, significant changes in the U.S. Internal Revenue Code of 1986, as amended (the “Code”) and Treasury Regulations thereunder may be proposed or enacted that could adversely affect our overall tax liability and results of operations or financial condition. Changes in the Code or Treasury Regulations that impact our customers and counterparties or the economy may also impact our results of operations and financial condition. Failure to manage the risks associated with such changes, or misinterpretation of the laws relating to taxation, could result in increased charges, financial loss, including penalties, and reputational damage and materially and adversely affect our results, financial condition and prospects.

***The Organization for Economic Cooperation and Development’s (“OECD”) Base Erosion and Profit Shifting (“BEPS”) may impact our effective rate of tax in future periods.***

The OECD issued various final reports under its BEPS action plan in October 2015. The OECD’s reports cover issues such as the prevention of abuse of tax treaties, deductibility of interest costs, determination of permanent establishments, transfer pricing of services, intangibles and risk and the treatment of hybrid mismatches. Certain of the proposed BEPS changes to existing double tax treaties are being implemented by means of a Multilateral Instrument (“MLI”). The MLI implements certain agreed BEPS measures into existing bilateral tax treaties without the need to negotiate a new treaty. Changes to tax treaties under the MLI include the insertion of a principal purpose test into tax treaties which effectively disallows benefits under the treaty where the main purpose or one of the main purposes of the transaction is to obtain the benefits of the treaty. Numerous countries have adopted the MLI; the MLI entered into force in respect of Ireland on May 1, 2019 for certain of Ireland’s double tax treaties. The effective date for withholding taxes under the relevant treaties is January 1, 2020. Because we lease aircraft in multiple countries, the adoption of the MLI by various countries may potentially result in the disallowance of certain treaty benefits to which we had previously been entitled with respect to certain lease structures. The ratification process for the MLI in some jurisdictions has not yet been completed.

While the loss of treaty benefits may not generally have a direct cost to us due to the protections afforded by our leasing agreements, we may seek to restructure affected leasing arrangements in light of changes implemented by the MLI or following guidance issued by tax authorities on the MLI in the future. The date from which provisions of the MLI have effect in relation to a treaty depends on several factors including the type of tax which the relevant treaty article relates to. Tax authorities have issued very limited guidance regarding the MLI to-date and it is possible that the interpretation by tax authorities around the world of the MLI may impact the availability of treaty benefits in certain instances. It is possible that, in the future, further changes in the international tax environment could take place which would need to be considered.

***The OECD Action Plan on BEPS—addressing the tax challenges of the digitalization of the economy may result in less cash flow available to make payments on the notes.***

In January 2019, the OECD announced a new program of work (referred to as “BEPS 2.0”) with a view to creating an international consensus on new rules governing international taxation, particularly for businesses with valuable intangible assets. The stated aim is to move beyond the arm’s length principle and the scope of current taxing rights which are limited to businesses with a physical presence in a country. The new rules, if adopted, would readjust the balance of taxing rights and multinational companies (“MNC”) profit allocation between jurisdictions where MNC assets are owned and the markets where users / consumers are based.

BEPS 2.0 proposes to address this reform through two main pillars of work which are interlinked:

- Arriving at a new basis for taxing profits of multinational enterprises (MNEs) with global turnover above 20 billion euros and profitability above 10% through the allocation of an amount of taxable profits to market jurisdictions in which those MNEs operate.
- Strengthening taxing rights to preserve the tax base and counteract profit shifting to jurisdictions with nil or low effective tax rates, including through the implementation of a global minimum effective tax rate of 15%.

On October 12, 2020, the OECD published Blueprints for Pillar 1 and Pillar 2, together with accompanying documentation including an impact assessment. The updated Blueprints provided detail on the technical design and features of each pillar and is subject to ongoing consultation.

On July 1, 2021, 130 countries approved a statement providing a framework for the BEPS 2.0 which builds on the Blueprints (with some variations).

On October 7, 2021, it was announced that Ireland is signing up to the OECD BEPS 2.0 plan. Under the OECD BEPS 2.0 plan, Ireland will amend its corporation tax regime to achieve a 15% effective rate for multinational groups within the scope of Pillar 2. A Top-up Tax regime, which may result in cash tax becoming payable by Avolon. The 15% minimum effective rate will only apply to multinational groups with turnover in excess of €750 million. It is expected that Ireland will continue to apply the 12.5% corporation tax rate to companies with global turnover below this threshold.

On October 8, 2021, the OECD announced the high-level details of the agreement now reached by some 136 countries on BEPS 2.0. The OECD published detailed rules to assist in the implementation of the Pillar 2 rules on 20 December 2021. The EU intends to implement the Pillar 2 measures by way of a Directive. It is this Directive which will ultimately be transposed into Irish domestic legislation. A Directive, intending to give effect to these rules was adopted and approved by the EU Council in December 2022. Member States have until December 31, 2023 to transpose this Directive into national legislation. Companies which are regarded as part of an “MNE Group” (or large scale domestic group), which has revenues of more than EUR 750 million a year, will be within scope of this Directive. The Directive sets out a system through which an effective rate of 15% is to be achieved using the rules set down in the Directive and the associated OECD guidance. Ireland is still considering how the Directive will be transposed into Irish tax law. Ireland launched a consultation on the implementation of the BEPS 2.0 rules on March 31, 2023 and further consultations are expected over the course of 2023.

Further guidance on the operation of Pillar 2 (including the effective 15% rate) is expected over the course of 2023.

Although it is difficult to determine the degree to which these changes may result in an increase in our effective tax rate, a change to our deferred tax position and cash tax liabilities in future periods, these developments make it more likely that this initiative will have an adverse impact on our effective tax rate and cash tax liabilities in future periods.

Any cash tax liabilities could impact the cash flows that would otherwise be available to make payments on the notes of the Issuer.

***EU Directives relating to anti-tax avoidance proposals may impact our effective rate of tax in future periods.***

On December 22, 2021, the European Commission issued a proposal for a Council Directive laying down rules to prevent the misuse of shell entities for tax purposes within the EU (the “Unshell Proposal”). On January 17, 2023, the European Parliament approved the report on the Unshell Proposal Directive. The provisions could come into effect as of January 1, 2024. The proposal is subject to a consultation procedure and, in its final form, will require the unanimous approval of the EU Council before it is adopted. Until the proposal receives approval and a final Directive is published, it is not possible to provide definitive guidance on the impact of the proposals for Avolon. However, at a minimum, the proposal could result in additional reporting and disclosure obligations for Avolon.



On May 11, 2022, the European Commission issued a proposal for a Directive providing for a debt-equity bias reduction allowance (DEBRA) with the aim to create a level playing field for debt and equity from a tax perspective. If the DEBRA Directive was passed into law (which is currently subject to significant uncertainty), it could give a tax deduction for equity in a business but also impose an incremental limitation on overall tax deductibility of interest. This could broadly limit the tax deductibility of interest on debt to 85% of a company's net interest expense. This would be separate to the previous interest limitation introduced pursuant to the EU Anti-Tax Avoidance Directive previously implemented by the EU Council. The DEBRA proposal is still at an early stage so it is difficult to be conclusive about its potential impact on the Issuer or if the Directive will ultimately be passed by the EU Council.

Further EU initiatives or Directives regarding taxation could impact Avolon's tax position in the future.

***The EU list of non-cooperative jurisdictions may impact our effective rate of tax in future periods.***

On December 5, 2017, the EU Member States agreed on a list of non-cooperative jurisdictions for tax purposes. All EU Member states agreed to introduce administrative defensive measures relating to jurisdictions that are on the list. EU member states have broad discretion on the type and scope of defensive measures they apply in the tax area but such measures should include at least one of the following administrative measures: (i) reinforced monitoring of transactions; (ii) increased risk audits for taxpayers who benefit from listed regimes; or (iii) increased risk audits for taxpayers who use tax schemes involving listed regimes. Member states also committed, as of January 1, 2021, to use the EU list in the application of at least one of four specific legislative measures:

- non-deductibility of costs incurred in a listed jurisdiction;
- controlled foreign company rules, to limit artificial deferral of tax to offshore, low-taxed entities;
- withholding tax measures, to tackle improper exemptions or refunds; or
- limitation of the participation exemption on shareholder dividends.

Following the removal of the Cayman Islands from the list of non-cooperative jurisdictions in October 2020, we currently do not do business in any country on the list (excluding any leases with third party airlines). The list is updated periodically. Furthermore, until detailed final provisions and associated guidance on the implementation of measures to target transactions entered into with countries on the list of non-cooperative jurisdictions is available in each EU country in which we do business, it is difficult to be conclusive about the potential impact of these rules on the Issuer. However, such legislation could result in an increase in our effective tax rate or adversely impact the Issuer's ability to make payments under the notes.

***We operate in multiple jurisdictions and may become subject to a wide range of income and other taxes that could have a material adverse effect on our financial condition, cash flow and results of operations.***

We operate in multiple jurisdictions and may become subject to a wide range of income and other taxes. If we are unable to execute our operations on a tax-efficient basis in these jurisdictions, our operations may be subject to significant income and other taxes. Moreover, as our aircraft are operated by our lessees in multiple jurisdictions, we may have nexus or taxable presence as a result of our aircraft operating in various jurisdictions. Such operations may result in us being subject to various foreign, state and local taxes in such jurisdictions. Our leases typically require our lessees to indemnify us in respect of any such taxes but if any lease does not require such indemnification or if any lessees fail to make such indemnification, our financial condition, cash flow and results of operations could be materially adversely affected if we become subject to significant income and other taxes that we are not currently subject to.

Due to the nature of our operations, our tax affairs are complex and open to review and challenge by the tax authorities throughout the world. We are subject to routine tax audits by local authorities. Ongoing and future tax audits may result in additional tax and interest payments, which could negatively affect our financial condition and results of operations.

***We may fail to qualify for tax treaty benefits, U.S. statutory tax exemptions and withholding tax exemptions, which would reduce our net income and cash flow by the amount of the applicable tax.***

Some of our aircraft are leased for use within the United States and special U.S. tax rules apply to U.S. source transportation income, which would include lease revenue from aircraft used for flights to or from the United States. U.S. source transportation income that is not connected with a U.S. trade or business may be subject to 30% withholding tax or, alternatively, could be subject to a 4% gross transportation tax. U.S. source transportation income connected to a U.S. trade or business may be taxable in the United States on a net income basis. In order for us to be exempt from U.S. federal income taxation on each category of U.S. source transportation income, we must qualify for benefits of the tax treaty between the United States and Ireland (the “Tax Treaty”) and must not maintain a “permanent establishment” within the United States. Qualification for benefits under the Tax Treaty depends on many factors, including whether Avolon is deemed to have an active trade or business in Ireland under U.S. tax principles. We may not satisfy all the requirements of the Tax Treaty and thereby may not qualify each year for the benefits of the Tax Treaty. In addition, the Tax Treaty could be renegotiated by the Irish and U.S. governments during the term of the notes. Similarly, whether or not we maintain a permanent establishment within the United States depends on a number of factors, and there can be no assurance that we will not be treated as having a permanent establishment in the United States. Failure to so qualify for benefits of the Tax Treaty or the maintenance of a permanent establishment within the United States could result in the income attributable to aircraft used for flights to, from or within the United States being subject to U.S. federal income taxation. The imposition of such taxes would adversely affect our business and would result in decreased cash available for distribution to our shareholders.

***The notes may be subject to Irish withholding tax.***

On the date of this offering memorandum, the notes have not been listed on Euronext Dublin. While we will use our reasonable efforts to cause the notes to be listed on Euronext Dublin, we cannot assure you that the notes will be listed on Euronext Dublin and traded on its Global Exchange Market or, if listed, that such listing will be maintained for the term of the notes. If the notes are not listed on a “recognized stock exchange” (such as Euronext Dublin) within the meaning of Section 64 of the Taxes Consolidation Act, 1997 or any of the other conditions in Section 64 of the Taxes Consolidation Act, 1997 are not met on or prior to an interest payment date in respect of the notes, then the Issuer will be required to deduct withholding tax (currently at the rate of 20%) from payments of interest on the notes, unless (1) the interest is paid in the ordinary course of the Issuer’s business, the Issuer can identify the holders of the notes, and either (i) the holders of the notes are companies that are resident in a Relevant Territory (where a Relevant Territory is a Member State of the EU other than Ireland or a country with which Ireland has a double taxation agreement in force or which will come into force once all ratification procedures have been completed) that imposes a tax that generally applies to interest receivable in that Relevant Territory by companies from sources outside that Relevant Territory or (ii) where the interest payable is exempted from the charge to Irish income tax under the terms of a double tax agreement that is either in force or will come into force once all ratification procedures have been completed, provided where either (i) or (ii) apply and the interest is not paid in connection with a trade or business of the noteholders which is carried on through a branch or agency in Ireland or (2) another exemption from Irish withholding tax applies. If the notes are successfully listed on Euronext Dublin, but subsequently it becomes impracticable or unduly burdensome for us to maintain such a listing, then (following consultation with the dealer managers) we will use our reasonable efforts to cause the notes to be listed on another “recognized stock exchange”, as we may decide. If the notes are not listed on a “recognized stock exchange,” however, on any interest payment date in respect of the notes and an alternate exemption is not available, the Issuer will be required to deduct withholding tax otherwise than as set out above. We cannot give any assurance regarding any future changes to the Irish tax law or practice governing the application of Irish withholding tax to interest on the notes (including the continued availability of the exemptions outlined above). See “Certain Income Tax Considerations—Certain Irish Tax Considerations” for a further discussion of the Irish tax consequences with respect to the notes. In the event any Irish withholding tax is imposed with respect to any payment on the notes or any guarantee, additional amounts generally will be payable in respect thereof.

## Risks Related to our Indebtedness

***Our substantial leverage or that of our majority shareholder Bohai could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry, expose us to interest rate risk to the extent of our variable interest rate debt and prevent us from meeting our obligations under the notes.***

We are highly leveraged. As of March 31, 2023, we had \$18.9 billion of consolidated total indebtedness outstanding (excluding fair value adjustments, debt issuance costs, debt discounts and debt premiums), \$6.5 billion of which was secured (with a further \$5.1 billion available for borrowing under undrawn facilities, consisting of \$2.0 billion of committed secured debt and \$3.1 billion of unsecured credit facilities). In addition, our consolidated interest expense for the three months ended March 31, 2023, was \$200 million and for the year ended December 31, 2022 was \$676.4 million. Due to the capital-intensive nature of our business and our strategy of expanding our aircraft portfolio, we expect that we will incur additional indebtedness in the future. If market conditions worsen and precipitate further declines in aircraft- and aviation-related markets, our operations may not generate sufficient cash to service our debt which will have a material adverse impact on us. Specifically, our substantial level of indebtedness:

- requiring a substantial portion of cash flow from operations to be dedicated to the payment of principal and interest on our indebtedness, therefore reducing our ability to use our cash flow to fund our operations, capital expenditures and future business opportunities;
- making it more difficult for us to satisfy our obligations with respect to our indebtedness, including the notes, and any failure to comply with the obligations of any of our debt instruments, including restrictive covenants and borrowing conditions, could result in an event of default under the indenture governing the notes and the agreements governing such other indebtedness;
- restricting us from making strategic acquisitions or causing us to make non-strategic divestitures;
- limiting our ability to obtain additional financing for working capital, capital expenditures, product development, debt service requirements, acquisitions and general corporate or other purposes;
- limiting our flexibility in planning for, or reacting to, changes in our business or market conditions and placing us at a competitive disadvantage compared to our competitors who are less highly leveraged and who therefore may be able to take advantage of opportunities that our leverage prevents us from exploiting; and
- may make us more vulnerable to downturns in our business, our industry or the economy in general.

The substantial leverage of our majority shareholder Bohai, including leverage incurred to fund an equity contribution previously made to us and the substantial indebtedness incurred by our direct 70% equity owner GALC, could have also have similar effects, as well as make it more difficult to provide shareholder support in the future. See “—Risks Related to Our Business and Our Industry—Our ability to obtain debt financing and our cost of debt financing are dependent, in part, upon our credit ratings and those of our shareholders, Bohai and ORIX Aviation, and a downgrade of these ratings could adversely impact our financial condition, cash flow and results of operations,” “—Risks Related to Our Shareholders and Related Parties—The financial condition of our direct and indirect parent companies subjects us and our operations to additional risks,” “—Risks Related to Our Shareholders and Related Parties—We are indirectly majority owned and controlled by Bohai and its interests as equity holder may conflict with those of our noteholders,” “—Risks Related to Our Shareholders and Related Parties—We have made intercompany loans to, and entered into related party transactions with, affiliates in the past and may be requested to enter into additional related party transactions in the future,” “Certain Relationships and Related Party Transactions” and “Principal Shareholders.” There can be no assurance that the ORIX Transaction and the limitations on Bohai’s control as majority shareholder provided for in the Shareholders’ Agreement will positively impact these issues.

Any of these circumstances could have a material adverse effect on our financial condition, cash flow and results of operations.

***Despite our high indebtedness level, we and our subsidiaries will still be able to incur significant additional amounts of debt, which could further exacerbate the risks associated with our substantial indebtedness.***

We and our subsidiaries expect to be able to incur substantial additional indebtedness in the future, including secured debt. Although the agreements governing certain of our indebtedness (including the credit agreement governing the Term Loan Facility) contain restrictions on our ability to incur additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and, under certain circumstances, the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial. As of March 31, 2023, Avolon had \$5.1 billion of availability under undrawn debt facilities, consisting of \$2.0 billion of committed secured debt and \$3.1 billion of unsecured credit facilities. If new debt is added to our and our subsidiaries' existing debt levels, the related risks that we now face would increase. In addition, the indenture governing the notes will not prevent us from incurring obligations that do not constitute indebtedness under those agreements.

***A portion of our debt bears interest at a variable rate, which subjects us to interest rate risk and could cause our debt service obligations to increase significantly.***

A portion of our debt, including borrowings under our Term Loan Facility and our revolving credit facilities, bears interest at variable rates and exposes us to interest rate risk. If the market interest rate increases, the interest expense we incur on this variable rate indebtedness would increase even though the amount borrowed would remain the same. As a result, to the extent we are not sufficiently hedged, changes in interest rates may increase our interest costs and may reduce the spread between the returns on our portfolio investments and the cost of our borrowings. We hedge a majority of the combined company debt through a combination of interest rate caps, interest rate swaps and other derivatives. We also benefit from natural hedges where the underlying lease revenue under our leases is floating. Although we may enter into additional interest rate swaps to reduce interest rate volatility, we cannot assure you that we will be able to do so or that such swaps will be effective.

***We will require a significant amount of cash to service our indebtedness. Our ability to service our indebtedness depends on many factors.***

Our ability to pay principal and interest on and to refinance our debt, including the notes, depends upon the operating performance of our subsidiaries, which will be affected by, among other things, general economic, financial, competitive, legislative, regulatory and other factors, some of which are beyond our control. We cannot assure you that our subsidiaries will generate sufficient cash flow from their operations or that future borrowings will be available to us in an amount sufficient to enable us to pay our indebtedness, including the notes, or to fund our other liquidity needs. In addition, the indenture governing the notes will allow us to make significant restricted payments and other dividends. The making of such restricted payments or other dividend payments could affect our ability to pay principal and interest on our debt. We may need to refinance all or a portion of our indebtedness, including the notes, on or before the stated maturity of such indebtedness. We cannot assure you that we will be able to refinance any of our indebtedness, including the notes, on commercially reasonable terms, on terms acceptable to us or at all.

## CAPITALIZATION

The following table sets forth our unrestricted cash and capitalization as of March 31, 2023, on an actual basis without giving effect to the proposed offering.

	<u>As of March 31, 2023</u> <u>(dollars in thousands)</u>
Avolon Unrestricted cash and cash equivalents .....	403,291
<b>Loans and borrowings<sup>(1)</sup></b>	
Non-recourse term facilities .....	16,571
Full Recourse term facilities .....	2,715,321
ECA and EXIM backed facilities .....	591,223
Secured Term Loan Facility .....	2,916,081
Warehouse Facility .....	238,423
Secured debt interest accrued but not paid .....	11,764
Lines of Credit .....	1,500,000
Term Unsecured Facility .....	272,500
5.125% Senior Notes due 2023 .....	416,467
5.50% Senior Notes due 2024 .....	765,290
3.95% Senior Notes due 2024 .....	977,179
5.25% Senior Notes due 2024 .....	671,682
2.875% Senior Notes due 2025 .....	1,098,850
2.125% Senior Notes due 2026 .....	750,000
4.25% Senior Notes due 2026 .....	1,000,000
4.375% Senior Notes due 2026 .....	745,215
5.50% Senior Notes due 2026 .....	650,000
3.25% Senior Notes due 2027 .....	650,000
2.528% Senior Notes due 2027 .....	2,000,000
2.75% Senior Notes due 2028 .....	750,000
Unsecured debt interest accrued but not paid .....	114,767
<b>Total debt<sup>(2)</sup></b> .....	<b>18,851,333</b>
<b>Total Equity</b> .....	<b>7,975,603</b>
<b>Total capitalization</b> .....	<b>26,826,936</b>

(1) The numbers presented in this table are exclusive of any capitalized debt fees.

(2) On a historical and as adjusted basis, total debt does not include \$5.1 billion available to be drawn under Avolon's committed debt facilities as of March 31, 2023.

## SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

The following tables set forth Avolon’s selected historical consolidated financial data as of and for each of the periods presented. The selected historical condensed consolidated statements of income and other comprehensive income data for the three months ended March 31, 2023 and 2022 have been derived from Avolon’s unaudited historical condensed consolidated financial statements included elsewhere in this offering memorandum. The unaudited historical condensed consolidated financial statements have been prepared on the same basis as Avolon’s audited historical consolidated financial statements and, in the opinion of Avolon’s management, reflects all adjustments, consisting of only normally recurring adjustments, necessary for fair presentation of this information. The results for any interim period are not necessarily indicative of the results that may be expected for a full year. The selected historical consolidated statements of income and other comprehensive data for the years ended December 31, 2022, 2021 and 2020 and the selected historical consolidated balance sheet data as of December 31, 2022 and 2021 have been derived from Avolon’s audited historical consolidated financial statements included elsewhere in this offering memorandum.

On August 8, 2018, ORIX, through its wholly-owned subsidiary ORIX Aviation, entered into an agreement to acquire a 30% shareholding in Avolon from Bohai. The transaction closed on November 5, 2018. On July 31, 2019, GALC acquired Global Aviation’s 70% shareholding in Avolon. GALC is 100% owned by Global Aviation, which is an indirect subsidiary of Bohai.

You should read the selected historical consolidated financial data of Avolon in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Avolon’s consolidated financial statements and the related notes included elsewhere in this offering memorandum.

<i>(dollars in thousands)</i>	<b>Three months ended March 31,</b>		<b>Year ended December 31,</b>		
	<b>2023<sup>(1)</sup></b>	<b>2022<sup>(1)</sup></b>	<b>2022<sup>(2)</sup></b>	<b>2021<sup>(2)</sup></b>	<b>2020<sup>(2)</sup></b>
<b>Consolidated Statements of Income Data:</b>					
Lease revenue .....	598,560	657,928	2,336,916	2,144,098	2,279,021
Gain on disposal of assets .....	8,204	21,852	49,078	72,445	61,992
Other income .....	10,546	13,902	31,714	31,877	31,502
<b>Total Revenues .....</b>	<b>617,310</b>	<b>693,682</b>	<b>2,417,708</b>	<b>2,248,420</b>	<b>2,372,515</b>
<b>Expenses:</b>					
Depreciation and amortization .....	274,446	287,018	1,094,682	1,139,668	1,267,733
Impairment .....	22,021	359,748	395,294	89,408	108,154
Interest expense .....	199,953	167,099	676,373	786,745	787,887
Selling, general and administrative expenses	49,637	45,013	158,755	165,888	188,213
Aircraft maintenance expense .....	8,502	35,789	58,831	59,666	29,846
<b>Total expenses.....</b>	<b>554,559</b>	<b>894,667</b>	<b>2,383,935</b>	<b>2,241,375</b>	<b>2,381,833</b>
Gain/(losses) on investments .....	1,160	(770)	(19,841)	21,333	(67,459)
<b>Earnings/(loss) before income tax and profit/(loss) from investments accounted for under equity method</b>					
.....	<b>63,911</b>	<b>(201,755)</b>	<b>13,932</b>	<b>28,378</b>	<b>(76,777)</b>
Income tax (expense)/benefit.....	(8,504)	19,048	(7,422)	21,293	41,828
Profit/(loss) from investments accounted for under equity method, net of tax .....	453	1,207	2,032	(2,186)	(1,664)
<b>Net income/(loss) .....</b>	<b>55,860</b>	<b>(181,500)</b>	<b>8,542</b>	<b>47,485</b>	<b>(36,613)</b>
<b>Consolidated Balance Sheet Data (at end of period/year):</b>					
Flight equipment held for operating leases, net:					
-- Aircraft .....	23,417,655	23,354,219	23,323,459	23,604,399	22,523,112
-- Maintenance right assets and lease premium, net .....	387,945	503,662	420,879	543,714	748,572
Flight equipment held for sale .....	29,893	-	20,588	131,004	227,392
<b>Total assets .....</b>	<b>30,223,825</b>	<b>30,520,531</b>	<b>30,795,614</b>	<b>30,984,325</b>	<b>30,838,129</b>

Cash and cash equivalents .....	403,291	477,474	654,940	774,979	2,421,613
Prepayments on flight equipment .....	2,123,000	2,648,309	2,427,251	2,538,176	2,119,772
Debt .....	18,623,070	19,299,317	19,214,315	19,582,221	19,786,857
<b>Total Liabilities .....</b>	<b>22,248,222</b>	<b>22,823,504</b>	<b>22,830,764</b>	<b>23,195,142</b>	<b>23,161,820</b>
<b>Total Equity .....</b>	<b>7,975,603</b>	<b>7,697,027</b>	<b>7,964,850</b>	<b>7,789,183</b>	<b>7,676,309</b>

**Other Financial Data:**

<b>EBITDA<sup>(3)</sup> .....</b>	<b>579,909</b>	<b>291,730</b>	<b>1,906,095</b>	<b>2,065,464</b>	<b>2,114,627</b>
<b>Adjusted EBITDA<sup>(3)</sup> .....</b>	<b>610,529</b>	<b>676,932</b>	<b>2,375,469</b>	<b>2,164,210</b>	<b>2,294,253</b>

(1) Derived from unaudited financial statements.

(2) Derived from audited financial statements.

(3) We present EBITDA and Adjusted EBITDA as supplemental measures of our performance. The table below provides a reconciliation of our EBITDA and Adjusted EBITDA to net income/(loss) for the period/year, the most comparable GAAP measure, for the periods/years presented.

The following table provides a reconciliation of Adjusted EBITDA to net income/(loss) for the periods/years presented.

<i>(dollars in thousands)</i>	Three months ended		Year ended December 31,		
	2023 <sup>(1)</sup>	2022 <sup>(1)</sup>	2022 <sup>(2)</sup>	2021 <sup>(2)</sup>	2020 <sup>(2)</sup>
<b>Net income/(loss) .....</b>	<b>55,860</b>	<b>(181,500)</b>	<b>8,542</b>	<b>47,485</b>	<b>(36,613)</b>
Interest expense .....	199,953	167,099	676,373	786,745	787,887
Income tax expense/(benefit).....	8,504	(19,048)	7,422	(21,293)	(41,828)
Depreciation and amortization.....	274,446	287,018	1,094,682	1,139,668	1,267,733
Amortization of lease incentives.....	41,146	38,161	119,076	112,859	137,448
<b>EBITDA .....</b>	<b>579,909</b>	<b>291,730</b>	<b>1,906,095</b>	<b>2,065,464</b>	<b>2,114,627</b>
Impairment .....	22,021	359,748	395,294	89,408	108,154
Contract termination expense .....	225	702	1,438	306	441
Losses/(gain) on investments.....	(1,160)	770	19,841	(21,333)	67,459
Expected credit loss charge.....	9,534	23,982	52,801	30,365	3,572
<b>Adjusted EBITDA .....</b>	<b>610,529</b>	<b>676,932</b>	<b>2,375,469</b>	<b>2,164,210</b>	<b>2,294,253</b>

(1) Derived from unaudited financial statements.

(2) Derived from audited financial statements.

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

*The following discussion and analysis should be read in conjunction with and is qualified in its entirety by reference to Avolon Holdings Limited ("Avolon") consolidated financial statements and related notes included elsewhere in this earnings presentation.*

*At March 31, 2023, Avolon is a 70% owned, indirect subsidiary of Bohai Leasing Co., Ltd. ("Bohai") through Global Aircraft Leasing Co., Ltd. ("GALC") and 30% owned by ORIX Corporation ("ORIX") through its wholly owned subsidiary ORIX Aviation Systems Limited ("ORIX Aviation").*

### Overview

Avolon is a leading global aircraft leasing company focused on acquiring, managing, leasing, and selling commercial aircraft. As of March 31, 2023, our Owned, Managed and Committed Portfolio consisted of 830 aircraft, including 531 aircraft in our Owned Portfolio, 47 aircraft in our Managed Portfolio and 252 aircraft in our Committed Portfolio. During the three months ended March 31, 2023, we took delivery of 7 aircraft, sold 3 aircraft (including 1 aircraft constituting an insured total loss) and 2 engines, and consigned 1 engine to inventory from our Owned Portfolio. As of March 31, 2023, we had 2 aircraft classified as held for sale. As of March 31, 2023, the aggregate Net Book Value of our Owned Portfolio was \$23.8 billion and the average age was 6.3 years weighted by Net Book Value. Our Owned Portfolio is leased to airlines under long-term leases and as of March 31, 2023, the average lease term remaining on our leases, weighted by the Net Book Value of the aircraft was 6.9 years, which we believe should allow for a more predictable revenue stream over time.

### Financial Condition

During the three months ended March 31, 2023, we recorded a net income of \$55.9 million compared to a net loss of \$181.5 million during the three months ended March 31, 2022. The increase in profitability for the three months ended March 31, 2023, compared to the three months ended March 31, 2022, was primarily driven by the termination of the leasing of 14 owned aircraft which were on lease to Russian airlines during the three months ended March 31, 2022, which resulted in a \$261.4 million charge to the Condensed Consolidated Statement of Income and Other Comprehensive Income through the recognition of impairment in respect of these aircraft of \$304.0 million and a net release of \$42.6 million of other lease associated balances.

The COVID-19 pandemic and its related impact on the airlines resulted in a large quantum of rent deferral requests being received from our airline customers. With the re-opening of air travel markets globally and increase in cash collections, our trade receivables and deferrals decreased by \$77.4 million to \$458.0 million at March 31, 2023, compared to \$535.4 million at December 31, 2022.

### HNA Group

On April 24, 2022, the Hainan Provincial High People's Court of China confirmed the completion of the implementation of the "Reorganization Plan for Substantive Merger and Reorganization of HNA Group Co., Ltd. and Other 321 Companies" (hereinafter referred to as the "Reorganization Plan"). Prior to the implementation of the Reorganization Plan, HNA Group Co., Ltd. ("HNA Group") was the indirect controlling shareholder of Bohai thus, through these interests, HNA Group was the Group's ultimate controlling shareholder. As part of the completion of the Reorganization Plan, a Special Service Trust (the "Trust") was established to hold the assets of HNA Group and the Other 321 Companies, resulting in HNA Group becoming a dormant entity. CITIC Trust Co., Ltd. and Everbright Xinglong Trust Co., Ltd. are the trustees of the Trust. The ultimate beneficiaries of the Trust consist of the secured and unsecured creditors of HNA Group and the Other 321 Companies.

As of March 31, 2023, the Trust holds an indirect ownership interest in Bohai, however is not deemed to be Bohai's ultimate controlling shareholder as no individual beneficiary of the Trust holds a majority shareholding in, or has control in Bohai. Therefore, as of March 31, 2023, Bohai is deemed to be AHL's ultimate controlling shareholder.



Hong Kong Airlines Limited (“HK Airlines”) continues to be part of the HNA Consolidated Group as of and for the three months ended March 31, 2023.

On December 31, 2022, the Group entered into framework agreements with certain of the Fangda Affiliated Airlines, Hainan, and HNA Aviation Group. Pursuant to these framework agreements, the Group’s recourse in respect of certain current outstanding receivables and deferrals of \$22.8 million and future lease commitments of \$134.6 million due to the Group as at December 31, 2022, from Hainan, Lucky and Fuzhou was effectively transferred to HNA Aviation Group. The obligation of HNA Aviation Group is further guaranteed by Hainan Fangda Aviation Development Co., Ltd. and effectively secured by equity holdings in Hainan. At March 31, 2023, the total receivables and deferrals in respect of which the Group had recourse to HNA Aviation Group amounted to \$40.0 million.

### **Russian Sanctions**

In February 2022, Russia initiated a full-scale invasion of Ukraine and is now engaged in a military conflict with Ukraine. In response, the EU, US and the UK as well as other jurisdictions introduced unprecedented sanctions against Russia, certain Russian individuals, certain Russian entities and certain activities involving Russia or Russian individuals. These sanctions include prohibitions regarding the supply of aircraft and aircraft components to Russian persons or for use in Russia in connection with Russia’s actions in Ukraine. Prior to the imposition of these sanctions, the Group had 14 owned aircraft on lease to Russian airlines. The aggregate carrying value of these aircraft amounted to \$399.3 million, which represented 1.6% of the total aggregate carrying value of our flight equipment at December 31, 2021.

Prior to March 28, 2022, the Group terminated the leasing of all of its 14 owned aircraft which were on lease to Russian airlines. The Group has sought to repossess all of its aircraft from Russian airlines and remove them from Russia. As of March 31, 2023, the Group had 4 of these 14 aircraft under its control outside of Russia. While the Group continues to hold legal title to the aircraft that remain in Russia, the Group has concluded that it is not likely that we will regain possession of these aircraft. The 10 aircraft that remain in Russia were removed from the Group’s owned fleet count during the year ended December 31, 2022.

The Group recognized the impact of the termination of the leasing of these aircraft and the loss from asset write-offs and impairment of these aircraft during the three months ended March 31, 2022, which resulted in a \$261.4 million charge to the Consolidated Statement of Income and Other Comprehensive Income through the recognition of impairment in respect of these aircraft of \$304.0 million and a net release \$42.6 million of other lease associated balances.

Our lessees are required to provide insurance coverage with respect to leased aircraft and the Group are named as insureds under those policies in the event of a total loss of an aircraft or engine. The Group also purchase insurance which provides us with coverage when our flight equipment is not subject to a lease or where a lessee’s policy fails to indemnify us. The Group has submitted insurance claims for approximately \$329.4 million with respect to all owned aircraft remaining in Russia and intend to pursue all of our claims under these policies with respect to our assets leased to Russian airlines as of February 25, 2022.

On November 2, 2022, the Group commenced legal proceedings in the Irish courts against insurers in respect of its previously submitted claims for the loss suffered in respect of the Group’s 10 owned aircraft, and a further two managed aircraft, all of which remain detained in Russia. The Group intends to rigorously pursue its claim against insurers in respect of the loss suffered. However, the collection, timing and amount of any recoveries are uncertain, and we have not recognized any claim receivables as of March 31, 2023.

### **Market Conditions**

The aviation industry is cyclical, economically sensitive to prevailing economic conditions and highly competitive. Airlines are affected by numerous external factors, including fuel price volatility, political and economic instability, currency volatility, natural disasters, terrorist activities, health concerns, labour actions and other political and economic events around the world, which can also have an impact on the market values of our aircraft.

With the re-opening of air travel markets globally, it is apparent that the industry is recovering from the aftermath of COVID-19 with February 2023 domestic and international traffic at 97.2% and 77.5% of February

2019 levels respectively as measured by industry-wide revenue passenger kilometers (RPKs). Asia-Pacific airlines had a 105.4% increase in February 2023 traffic compared to February 2022<sup>1</sup>. Globally, IATA reported that they “expect industry-wide passenger traffic to recover to their 2019 levels in 2024.”<sup>2</sup>

At March 31, 2023, we had total outstanding indebtedness of \$18.9 billion with a weighted average interest rate of 4.2% (not including the effect of upfront fees, undrawn fees or issuance cost amortization). Avolon’s credit ratings permits access to the Investment Grade (“IG”) market for unsecured debt capital raisings. These ratings include Moody’s Investors Service (“Moody’s”), S&P Global Ratings (“S&P Global”), Fitch Ratings (“Fitch”) and Kroll Bond Rating Agency (“KBRA”) rate Avolon’s issuer and senior unsecured debt as investment grade (Baa3, BBB-, BBB- & BBB+ respectively), all with a Stable outlook.

Moody’s and Fitch aircraft leasing sector outlooks were Stable and Neutral respectively as at March 31, 2023.

### **Our Fleet**

The following table shows our fleet as at the period/year-end presented:

	<u>As of March 31,</u>	<u>As of December 31,</u>
	<b>2023</b>	<b>2022</b>
Flight equipment held for operating leases, net (number of aircraft)	531	527
Flight equipment held for operating leases, net (number of engines)	14	15
Managed Portfolio (number of aircraft)	47	49
Weighted average age of owned aircraft (years) (Flight equipment held for operating leases and sale, net)	6.3	6.1
Weighted average remaining lease term of owned aircraft (years) (Flight equipment held for operating leases and sale, net)	6.9	6.9
Flight equipment held for operating leases, net (in thousands)	\$23,805,600	\$23,744,338
Flight equipment held for sale (in thousands)	\$29,893	\$20,588
<b>Aggregate Net Book Value (in thousands)</b>	<b>\$23,835,493</b>	<b>\$23,764,926</b>

## **Liquidity and Capital Resources**

### *Liquidity*

We generally fund our operations, which primarily consist of aircraft purchases, principal and interest payments on our debt, and operating expenses, through available cash balances, internally generated funds and proceeds from our debt incurrences and equity issuances. We have substantial cash requirements as we continue to expand our fleet through our purchase commitments.

We believe that our available liquidity, which was \$5.5 billion in the aggregate as of March 31, 2023, consisting of unrestricted cash balances of \$403.3 million and undrawn unsecured and secured debt facilities of \$5.1 billion, combined with cash generated from our business, will be significantly sufficient to satisfy our operating requirements for the next 12 months. We intend to fund our business with future earnings and cash flow from operations, existing debt facilities and future debt financing.

<sup>1</sup> Air Passenger Market Analysis (Feb-2023)

<sup>2</sup> Quarterly Air Transport Chartbook (Q4-2022)

### Financing Activities

For the three months ended March 31, 2023, our net cash used in financing activities was \$569.0 million compared to \$365.5 million in the three months ended March 31, 2022. This increase in cash used in financing activities cash flow was primarily due to an increase in the repayment of debt during the three months ended March 31, 2023.

### Operating Activities

Net cash provided by operating activities increased to \$1,207.0 million for the year ended December 31, 2022, compared to \$894.6 million for the year ended December 31, 2021. This increase in operating cash flow was primarily due to the improved cash collections for the year ended December 31, 2022. For the three months ended March 31, 2023, net cash provided by operating activities decreased to \$310.3 million, compared to \$319.8 million for the three months ended March 31, 2022. This decrease in operating cash flow was primarily due to an increase in interest paid during the three months ended March 31, 2023, compared to the three months ended March 31, 2022.

### Investing Activities

Our net cash from investing activities increased to \$1.6 million for the three months ended March 31, 2023, compared to net cash used in investing activities of \$279.3 million for the three months ended March 31, 2022. This is primarily due to a decrease in the purchase of flight equipment and prepayments and deposits on flight equipment.

### ***Indebtedness***

We have raised debt capital to support our growth from diverse sources, including both secured and unsecured markets. Since inception, we have sought to minimise our exposure to external market risk and liquidity risk. In accordance with this strategy, we seek to minimise our exposure to long-term interest rates through the use of fixed rate funding, to maximise the duration of our debt and to actively manage our financing for debt obligations due and committed pipeline of acquisitions with available cash balances, cash generated from operations (including aircraft sales) and debt financings. We expect to continue the diversification of our capital base as our credit profile continues to evolve.

At March 31, 2023, the weighted average interest rate of our outstanding indebtedness was 4.2% (not including the effect of upfront fees, undrawn fees or issuance cost amortization). Our fixed rate debt and floating rate debt accounted for 65.8% and 34.2% respectively. 96.7% of our floating rate debt is hedged. We had \$5.1 billion in undrawn debt facilities, including \$3.1 billion of unsecured facilities, as at March 31, 2023. As of such date, we had \$2.0 billion of secured debt facilities which was available for borrowing, subject to the Company acquiring (and granting the required security over) the aircraft subject to such secured facilities. As at March 31, 2023, \$6.5 billion of our carrying value of debt was secured by pledged assets and/or cash collateral with a carrying value of \$10.6 billion (including flight equipment held for sale). We were in full compliance with our debt covenants as at March 31, 2023, and 2022. Please refer to Note 9 - Debt in our Condensed Consolidated Financial Statements for a detailed description of our outstanding indebtedness.

<b>At March 31, 2023</b>			
<b>Type of Debt</b>	<b>Average Nominal Interest Rate</b>	<b>Carrying Value of Debt \$'000</b>	<b>Undrawn \$'000</b>
Non-recourse term facilities	4.09%	16,571	-
Full-recourse term facilities	5.13%	2,715,321	810,000
Lines of Credit	6.03%	1,500,000	3,127,500
Senior unsecured notes	3.70%	10,474,683	-
Term loan	6.55%	2,916,081	-
ECA and EXIM backed facilities	3.20%	591,223	-
Warehouse facilities	6.44%	238,423	1,156,577
Term unsecured	6.55%	272,500	-
Loan interest accrued but not paid		126,531	-
<b>Total carrying value of debt</b>		<b>18,851,333</b>	<b>5,094,077</b>

### Contractual Obligations

Our contractual obligations consist of principal and interest payments on debt, capital commitments for the purchase of aircraft and rent payments pursuant to our office and facility leases. We intend to fund our contractual obligations through unrestricted cash, lines-of-credit and other borrowings, operating cash flows and cash flows from asset sales. We believe that our sources of liquidity will be sufficient to meet our contractual obligations.

As at March 31, 2023, we had commitments to purchase 252 aircraft through 2029, with an estimated aggregate commitment of \$15.0 billion of which \$2.0 billion is due in the year to March 31, 2024. Principal payments due on debt obligations amount to \$1.9 billion in the twelve months to March 31, 2024. Our available liquidity of \$5.5 billion more than covers our twelve-month debt principal and purchase commitments of \$3.9 billion.

We lease office spaces under operating leases in each of its office locations with expiry dates ranging between 2023 and 2042. The rent paid is based on a fixed rental, and we do not have an interest in residual value of the land and buildings. Lease rental commitments due in the year to March 31, 2024, amount to \$6.9 million.

We expect to make capital expenditures from time to time in connection with improvements to our aircraft. These expenditures include the cost of major overhauls and modifications. In general, the costs of operating an aircraft, including capital expenditures, increase with the age of the aircraft.

Our contractual obligations as of March 31, 2023, were as follows:

	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028 and Thereafter</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Principal repayments	994,986	3,194,313	3,232,877	4,956,990	4,622,047	1,722,954	<b>18,724,167</b>
Interest repayments	633,938	765,099	531,897	359,701	194,147	81,738	<b>2,566,520</b>
Contracted purchase commitments	973,578	3,549,877	3,238,946	3,042,699	2,382,032	1,798,451	<b>14,985,583</b>
Lease obligations	5,028	7,303	6,884	5,584	5,592	66,340	<b>96,731</b>
<b>Total</b>	<b>2,607,530</b>	<b>7,516,592</b>	<b>7,010,604</b>	<b>8,364,974</b>	<b>7,203,818</b>	<b>3,669,483</b>	<b>36,373,001</b>

**Operating Results for the Three Months ended March 31, 2023 compared to the Three Months ended March 31, 2022**

	Three months ended March 31, 2023	Three months ended March 31, 2022	Increase/(Decrease)	Increase/(Decrease)
	\$'000	\$'000	\$'000	%
<b>Revenues</b>				
Lease revenue	598,560	657,928	(59,368)	(9%)
Gain on disposal of assets	8,204	21,852	(13,648)	(62%)
Other income	10,546	13,902	(3,356)	(24%)
<b>Total Revenues</b>	<b>617,310</b>	<b>693,682</b>	<b>(76,372)</b>	<b>(11%)</b>
<b>Expenses</b>				
Depreciation and amortization	274,446	287,018	(12,572)	(4%)
Impairment	22,021	359,748	(337,727)	(94%)
Interest expense	199,953	167,099	32,854	20%
Selling, general and administrative expenses	49,637	45,013	4,624	10%
Aircraft maintenance expense	8,502	35,789	(27,287)	(76%)
<b>Total expenses</b>	<b>554,559</b>	<b>894,667</b>	<b>(340,108)</b>	<b>(38%)</b>
Gain/(loss) on investments	1,160	(770)	1,930	(251%)
<b>Earnings/(loss) before income tax and profit from investments accounted for under equity method</b>	<b>63,911</b>	<b>(201,755)</b>	<b>265,666</b>	<b>(132%)</b>
Income tax (expense)/benefit	(8,504)	19,048	(27,552)	(145%)
Profit from investment in equity accounted investees, net of tax	453	1,207	(754)	(62%)
<b>Net income/(loss)</b>	<b>55,860</b>	<b>(181,500)</b>	<b>237,360</b>	<b>(131%)</b>

*Lease Revenue*

Our revenue primarily comprises lease rentals on aircraft leased under operating leases, interest income from finance and sales-type leases, supplemental maintenance rent not expected to be reimbursed to lessees and end-of-lease adjustments paid to us.

Lease revenue decreased by \$59.4 million, or 9.0%, to \$598.6 million for the three months ended March 31, 2023, compared to \$657.9 million for the three months ended March 31, 2022. This was primarily due to a reduction in the release of lease associated balances following the termination of the leasing of 14 owned aircraft which were on lease to Russian airlines during the three months ended March 31, 2022, and a reduction in the recoverability of previously unrecorded lease revenue from airline customers during the three months ended March 31, 2023.

The expected credit losses and loss allowance recognized decreased by \$15.1 million for the three months ended March 31, 2023, compared to the three months ended March 31, 2022, as a result of lessees that were in default or had entered into administration during the three months ended March 31, 2022.

Our weighted average annualised Lease Rate increased to 9.0% as of March 31, 2023, compared to 8.6% as of March 31, 2022.

### *Gain on disposal of assets*

Our gain on disposal of assets arises from our program of regularly selling aircraft and engines, generally with the leases attached, to investors, financial institutions, other lessors and, less frequently, airlines. The gain or loss on disposal of assets is largely dependent on the condition of the asset being sold, airline industry conditions, funding available to the buyer, prevailing interest rates and the supply and demand balance for the type of asset and lease contract being sold. Gain on disposal of assets recorded in one reporting period may not be comparable to the gain on disposal of assets in other periods due to the timing of such transactions in addition to the variation between aircraft prices as well as the application of the acquisition method of accounting for business combinations.

Gain on disposal of assets decreased by \$13.6 million, or 62.5% as a result of our program of aircraft sales, we sold 3 aircraft (including 1 aircraft constituting an insured total loss) during the three months ended March 31, 2023, compared to 3 aircraft sold in the three months ended March 31, 2022.

### *Other Income*

We generate other income from interest earned on cash and cash equivalents and through a variety of management services that we provide to joint ventures, asset-backed securitisations and third-party owners of aircraft. Other income decreased by \$3.4 million, or 24.1%, to \$10.5 million for the three months ended March 31, 2023, compared to \$13.9 million for the three months ended March 31, 2022. This decrease was primarily due to lower cash receipts from payments received from suppliers offset by an increase in interest income during the three months ended March 31, 2023.

### *Expenses*

#### *Depreciation and amortization*

We generally depreciate flight equipment held for operating leases, net on a straight-line basis over a 25-year life from the date of manufacture to a residual value initially estimated as being 15% of cost. Our depreciation expense is influenced by the expected useful life of the aircraft and the estimated residual value of the aircraft.

Depreciation and amortization expense decreased by \$12.6 million, or 4.4%, to \$274.4 million during the three months ended March 31, 2023, compared to \$287.0 million during the three months ended March 31, 2022. The decrease was primarily due to a reduction in the lease premium and maintenance right asset amortisation.

#### *Impairment*

Impairment expense decreased by \$337.7 million to \$22.0 million, or 93.9% for the three months ended March 31, 2023, compared to \$359.7 million for the three months ended March 31, 2022. An impairment charge of \$304.0 million was recognised during the three months ended March 31, 2023, relating to the termination of the leasing of aircraft previously on lease to Russian airlines. See “—Russian Sanctions.”

#### *Selling, general and administrative expenses*

Our principal selling, general and administrative expenses consist of personnel expenses, including salaries, bonuses, benefits, severance, professional and advisory costs and office and travel expenses. The level of our selling, general and administrative expenses is influenced primarily by the number of our employees and the extent of transactions or ventures we pursue that require the assistance of outside professionals or advisors.

Selling, general and administrative expenses increased by \$4.6 million, or 10.3% primarily due to an increase in legal and insurance expenses. Our selling, general and administrative expenses (excluding one-off expenses) as a percentage of total revenues was 8.0% for the three months ended March 31, 2023, and 6.4% for the three months ended March 31, 2022.

### *Aircraft maintenance expense*

Our aircraft maintenance expenses consist of professional, transport and other services required to carry out maintenance work on an aircraft while not on lease or in the process of re-leasing an aircraft. The level of our aircraft maintenance expenses is influenced primarily by the number of aircraft that are off lease or are in the process of transitioning to a new lessee and the extent of maintenance work required to deliver the aircraft in the required condition to a new lessee. Other aircraft maintenance expenses are incurred which relate to technical inspections and administrative costs in transitioning an aircraft to a new lessee.

Aircraft maintenance expenses decreased by \$27.3 million or 76.2% due a reduction in aircraft transition costs during the three months ended March 31, 2023.

### *Interest expense*

Interest expense increased by \$32.9 million, or 19.7%, during the three months ended March 31, 2023, compared to the three months ended March 31, 2022. The increase is primarily driven by the increase in our cost of debt and mark to market movements on interest rate derivatives during the three months ended March 31, 2023. The weighted average interest rate (not including the effect of upfront fees, undrawn fees or issuance cost amortization) at March 31, 2023 was 4.2% compared to 3.5% at March 31, 2022.

### *Gain on investments*

We recognized a gain on investments of \$1.2 million during the three months ended March 31, 2023, related to our interest in equity and debt securities as outlined in note 6 of our financial statements.

### *Income tax (expense)/benefit*

Avolon's primary tax jurisdiction is Ireland. Avolon's effective tax rate is expected to be a charge of 13.2% for the three months ended March 31, 2023, compared to a credit of 9.5% for the three months ended March 31, 2022. Our effective tax rate in any period can be impacted by revisions to the estimated full year rate.

The calculation of income for tax purposes differs significantly from book income. Deferred tax is provided to reflect the impact of temporary differences between the amounts of assets and liabilities for financial reporting purposes and such amounts as measured under tax law in the various jurisdictions. Tax loss carry forwards and accelerated tax depreciation on flight equipment held for operating leases give rise to the most significant timing differences. The effective tax rate is impacted by the source and amount of earnings among our different tax jurisdictions, the amount of permanent tax differences relative to pre-tax income and an increase in valuation allowance for an amount of unrecognized tax losses.

Year ended December 31, 2022, compared to year ended December 31, 2021

	Year ended December 31, 2022	Year ended December 31, 2021	Increase/(Decrease)	Increase/(Decrease)
	\$'000	\$'000	\$'000	%
<b>Revenues</b>				
Lease revenue	2,336,916	2,144,098	192,818	9%
Gain on disposal of assets	49,078	72,445	(23,367)	(32%)
Other income	31,714	31,877	(163)	(1%)
<b>Total Revenues</b>	<b>2,417,708</b>	<b>2,248,420</b>	<b>169,288</b>	<b>8%</b>
<b>Expenses</b>				
Depreciation and amortization	1,094,682	1,139,668	(44,986)	(4%)
Impairment	395,294	89,408	305,886	342%
Interest expense	676,373	786,745	(110,372)	(14%)
Selling, general and administrative expenses	158,755	165,888	(7,133)	(4%)
Aircraft maintenance expense	58,831	59,666	(835)	(1%)
<b>Total expenses</b>	<b>2,383,935</b>	<b>2,241,375</b>	<b>142,560</b>	<b>6%</b>
(Losses)/gain on investments	(19,841)	21,333	(41,174)	(193%)
<b>Earnings before income tax and profit/(loss) from investments accounted for under equity method</b>	<b>13,932</b>	<b>28,378</b>	<b>(14,446)</b>	<b>(51%)</b>
Income tax (expense)/benefit	(7,422)	21,293	(28,715)	(135%)
Profit/(loss) from investment in equity accounted investees, net of tax	2,032	(2,186)	4,218	(193%)
<b>Net income</b>	<b>8,542</b>	<b>47,485</b>	<b>(38,943)</b>	<b>(82%)</b>

*Lease Revenue*

Our revenue primarily comprises lease rentals on aircraft leased under operating leases, interest income from finance and sales-type leases, supplemental maintenance rent not expected to be reimbursed to lessees and end-of-lease adjustments paid to us.

Lease revenue increased by \$192.8 million, or 9.0%, to \$2,336.9 million for the year ended December 31, 2022, compared to \$2,144.1 million for the year ended December 31, 2021. This increase was primarily due to an increase in cash collections, completion of lease restructurings, and an increase in maintenance advances which it has determined will not be required to be refunded to the respective lessees. This increase was offset in part by a reduction in the recoverability of previously unrecorded lease revenue from airline customers and a reduction in loss allowance recognized during the year ended December 31, 2022, compared to the year ended December 31, 2021.



The expected credit losses and loss allowance recognized decreased by \$109.2 million for the year ended December 31, 2022, compared to the year ended December 31, 2021, as a result of the impact from the HNA Group restructuring and for other lessees that were in default or had entered into administration during the year ended December 31, 2021.

As of December 31, 2022, we cannot determine that the collectability of lease rental payments is probable for 1.3% (December 31, 2021: 8.3%) of our lessees (based on Net Book Value) and therefore we are recognising lease revenue on a cash receipts basis of accounting.

Our weighted average annualised Lease Rate increased to 8.8% as of December 31, 2022, compared to 8.4% as of December 31, 2021.

#### *Gain on disposal of assets*

Our gain on disposal of assets arises from our program of regularly selling aircraft and engines, generally with the leases attached, to investors, financial institutions, other lessors and, less frequently, airlines. The gain or loss on disposal of assets is largely dependent on the condition of the asset being sold, airline industry conditions, funding available to the buyer, prevailing interest rates and the supply and demand balance for the type of asset and lease contract being sold. Gain on disposal of assets recorded in one reporting period may not be comparable to the gain on disposal of assets in other periods due to the timing of such transactions in addition to the variation between aircraft prices as well as the application of the acquisition method of accounting for business combinations.

Gain on disposal of assets decreased by \$23.4 million, or 32.3% as a result of our program of aircraft sales, we sold 36 aircraft and 6 engines in the year ended December 31, 2022, compared to 19 aircraft and 9 engines sold in the year ended December 31, 2021.

#### *Other Income*

We generate other income from interest earned on cash and cash equivalents and through a variety of management services that we provide to joint ventures, asset-backed securitisations and third-party owners of aircraft. Other income decreased by \$0.2 million, or 0.5%, to \$31.7 million for the year ended December 31, 2022, compared to \$31.9 million for the year ended December 31, 2021. This decrease was primarily due to lower cash receipts from payments received from suppliers offset by an increase in interest income during the year ended December 31, 2022.

#### **Expenses**

##### *Depreciation and amortization*

We generally depreciate flight equipment held for operating leases, net on a straight-line basis over a 25-year life from the date of manufacture to a residual value initially estimated as being 15% of cost. Our depreciation expense is influenced by the expected useful life of the aircraft and the estimated residual value of the aircraft.

Depreciation and amortization expense decreased by \$45.0 million, or 3.9%, to \$1,094.7 million during the year ended December 31, 2022, compared to \$1,139.7 million during the year ended December 31, 2021. The decrease was primarily due to a reduction in the lease premium and maintenance right asset amortization.

##### *Impairment*

Impairment expense increased by \$305.9 million to \$395.3 million, or 342.1% for the year ended December 31, 2022, compared to \$89.4 million for the year ended December 31, 2021. An impairment charge of \$304.0 million was recognised during the year ended December 31, 2022, relating to the termination of the leasing of aircraft previously on lease to Russian airlines. See “—Russian Sanctions.”

### *Selling, general and administrative expenses*

Our principal selling, general and administrative expenses consist of personnel expenses, including salaries, bonuses, benefits, severance, professional and advisory costs and office and travel expenses. The level of our selling, general and administrative expenses is influenced primarily by the number of our employees and the extent of transactions or ventures we pursue that require the assistance of outside professionals or advisors.

Selling, general and administrative expenses decreased by \$7.1 million, or 4.3% primarily due to a decrease in compensation and benefits. Our selling, general and administrative expenses (excluding one-off expenses) as a percentage of total revenues was 6.5% for the year ended December 31, 2022, and 7.4% for the year ended December 31, 2021.

### *Aircraft maintenance expense*

Our aircraft maintenance expenses consist of professional, transport and other services required to carry out maintenance work on an aircraft while not on lease or in the process of re-leasing an aircraft. The level of our aircraft maintenance expenses is influenced primarily by the number of aircraft that are off lease or are in the process of transitioning to a new lessee and the extent of maintenance work required to deliver the aircraft in the required condition to a new lessee. Other aircraft maintenance expenses are incurred which relate to technical inspections and administrative costs in transitioning an aircraft to a new lessee.

Aircraft maintenance expenses decreased by \$0.8 million or 1.4% due to less aircraft transition costs and maintenance costs accrued for aircraft during the year ended December 31, 2022.

### *Interest expense*

Our interest expense arises from the funding structures and related derivative instruments described in “—Liquidity and Capital Resources—Indebtedness.”

Interest expense decreased by \$110.4 million, or 14.0%, during the year ended December 31, 2022, compared to the year ended December 31, 2021. The decrease is primarily driven by an increase in unrealized gains on interest rate derivatives and a reduction in one-off interest expenses during the year ended December 31, 2022. The decrease is also driven by the reduction in carrying value of debt during the year ended December 31, 2022. The carrying value of debt as at December 31, 2022, was \$19.5 billion compared to \$19.9 billion as at December 31, 2021.

### *Losses on investments*

We recognized an unrealised loss on investments of \$19.8 million during the year ended December 31, 2022, related to our interest in equity and debt securities as outlined in note 6 of our financial statements.

### *Income tax (expense)/benefit*

Avolon’s primary tax jurisdiction is Ireland. Avolon’s effective tax rate is expected to be a charge of 46.5% for the year ended December 31, 2022, compared to a credit of 81.3% for the year ended December 31, 2021. Our effective tax rate in any period can be impacted by revisions to the estimated full year rate.

The calculation of income for tax purposes differs significantly from book income. Deferred tax is provided to reflect the impact of temporary differences between the amounts of assets and liabilities for financial reporting purposes and such amounts as measured under tax law in the various jurisdictions. Tax loss carry forwards and accelerated tax depreciation on flight equipment held for operating leases give rise to the most significant timing differences. The effective tax rate is impacted by the source and amount of earnings among our different tax jurisdictions, the amount of permanent tax differences relative to pre-tax income and an increase in valuation allowance for an amount of unrecognized tax losses.

**Year ended December 31, 2021, compared to year ended December 31, 2020**

	Year ended December 31, 2021 \$'000	Year ended December 31, 2020 \$'000	\$ Increase/ (Decrease)	% Increase/ (Decrease)
<b>Revenues</b>				
Lease revenue	2,144,098	2,279,021	(134,923)	(6%)
Gain on disposal of assets	72,445	61,992	10,453	17%
Other income	31,877	31,502	375	1%
<b>Total Revenues</b>	<b>2,248,420</b>	<b>2,372,515</b>	<b>(124,095)</b>	<b>(5%)</b>
<b>Expenses</b>				
Depreciation and amortization	1,139,668	1,267,733	(128,065)	(10%)
Impairment	89,408	108,154	(18,746)	(17%)
Interest expense	786,745	787,887	(1,142)	0%
Selling, general and administrative expenses	165,888	188,213	(22,325)	(12%)
Aircraft maintenance expense	59,666	29,846	29,820	100%
<b>Total expenses</b>	<b>2,241,375</b>	<b>2,381,833</b>	<b>(140,458)</b>	<b>(6%)</b>
Gain/(losses) on investments	21,333	(67,459)	88,792	132%
<b>Earnings/(loss) before income tax and loss from investments accounted for under equity method</b>	<b>28,378</b>	<b>(76,777)</b>	<b>105,155</b>	<b>137%</b>
Income tax benefit	21,293	41,828	(20,535)	(49%)
(Loss) from investment in equity accounted investees, net of tax	(2,186)	(1,664)	(522)	(31%)
<b>Net income/(loss)</b>	<b>47,485</b>	<b>(36,613)</b>	<b>84,098</b>	<b>230%</b>

***Lease Revenue***

Our revenue primarily comprises lease rentals on aircraft leased under operating leases, interest income from finance and sales-type leases, supplemental maintenance rent not expected to be reimbursed to lessees and end-of-lease adjustments paid to us.

Lease revenue decreased by \$134.9 million, or 6%, to \$2,144.1 million for the year ended December 31, 2021, compared to \$2,279.1 million for the year ended December 31, 2020. This decrease was primarily due to the impact of ongoing completed lease restructurings during the year ended December 31, 2021, and 2020. The expected credit losses and loss allowance recognized increased by \$54.1 million, to \$170.3 million for the year ended December 31, 2021, compared to \$116.2 million for the year ended December 31, 2020, as a result of the impact from the HNA Group Reorganization and for other lessees that were in default or had entered into administration.

This decrease was offset in part by lease revenue recognized in the amount of \$148.2 million for the year ended December 31, 2021, in respect of the recoverability of previously unrecorded lease revenue relating to four airline customers based on the sale of claims.

As of December 31, 2021, we cannot determine that the collectability of lease rental payments is probable for 8.3% of our lessees (based on Net Book Value) and therefore we are recognizing lease revenue on a cash receipts basis of accounting.

Our Annualised Lease Rate decreased to 8.4% as of December 31, 2021 compared to 8.6% as of December 31, 2020.

#### *Gain on disposal of assets*

Our gain on disposal of assets arises from our program of regularly selling aircraft and engines, generally with the leases attached, to investors, financial institutions, other lessors and, less frequently, airlines. The gain or loss on disposal of assets is largely dependent on the condition of the asset being sold, airline industry conditions, funding available to the buyer, prevailing interest rates and the supply and demand balance for the type of asset and lease contract being sold. Gain on disposal of assets recorded in one reporting period may not be comparable to the gain on disposal of assets in other periods due to the timing of such transactions in addition to the variation between aircraft prices as well as the application of the acquisition method of accounting for business combinations.

Gain on disposal of assets increased by \$10.5 million, or 17% as a result of our program of aircraft sales. During the year ended December 31, 2021, we sold 19 aircraft compared to the year ended December 31, 2020, in which we sold 26 aircraft.

#### *Other Income*

We generate other income from interest earned on cash and cash equivalents and through a variety of management services that we provide to joint ventures, asset-backed securitisations and third-party owners of aircraft. Other income increased by \$0.4 million, or 1%, to \$31.9 million for the year ended December 31, 2021, compared to \$31.5 million for the year ended December 31, 2020.

#### *Expenses*

##### *Depreciation and amortization*

We generally depreciate flight equipment held for operating leases, net on a straight-line basis over a 25-year life from the date of manufacture to a residual value initially estimated as being 15% of cost. Our depreciation expense is influenced by the expected useful life of the aircraft and the estimated residual value of the aircraft.

Depreciation and amortization expense decreased by \$128.1 million, or 10% during the year ended December 31, 2021. This decrease was primarily attributable to a reduction in the lease premium amortisation which reduced by \$178.1 million, to \$71.3 million for the year ended December 31, 2021, compared to \$249.4 million for the year ended December 31, 2020. During the year ended December 31, 2020, there was an increase in the lease premium amortization due to accelerated amortization following a number of our airline customers entering into administration or bankruptcy proceedings resulting in the termination or restructuring of these leases compared to the year ended December 31, 2021. In addition, the decrease was also attributable to the disposal of 19 aircraft during the year ended December 31, 2021, and 26 aircraft during the year ended December 31, 2020.

This decrease was offset in part by the acquisition of 49 aircraft during the year ended December 31, 2021, and 57 aircraft during the year ended December 31, 2020.

##### *Impairment*

Impairment expense decreased by \$18.7 million to \$89.4 million, or 17% for the year ended December 31, 2021, compared to \$108.2 million for the year ended December 31, 2020. An impairment charge of \$46.0 million was

recorded due to lease restructurings and an impairment charge of \$43.4 million was recognized on aircraft where the carrying value was in excess of fair value during the year ended December 31, 2021.

#### *Selling, general and administrative expenses*

Our principal selling, general and administrative expenses consist of personnel expenses, including salaries, bonuses, benefits, severance, professional and advisory costs and office and travel expenses. The level of our selling, general and administrative expenses is influenced primarily by the number of our employees and the extent of transactions or ventures we pursue that require the assistance of outside professionals or advisors.

Selling, general and administrative expenses decreased by \$22.3 million, or 12% due to a decrease in compensation and benefits and legal and professional fees. Our selling, general and administrative expenses (excluding one-off expenses) as a percentage of total revenues was 7.4% for the year ended December 31, 2021, and 7.9% for the year ended December 31, 2020.

#### *Aircraft maintenance expense*

Our aircraft maintenance expenses consist of professional, transport and other services required to carry out maintenance work on an aircraft while not on lease or in the process of re-leasing an aircraft. The level of our aircraft maintenance expenses is influenced primarily by the number of aircraft that are off lease or are in the process of transitioning to a new lessee and the extent of maintenance work required to deliver the aircraft in the required condition to a new lessee. Other aircraft maintenance expenses are incurred which relate to technical inspections and administrative costs in transitioning an aircraft to a new lessee.

Aircraft maintenance expenses increased by \$29.8 million or 100% due to higher aircraft transition costs during the year ended December 31, 2021.

#### *Interest expense*

Our interest expense arises from the funding structures and related derivative instruments described in “—Liquidity and Capital Resources—Indebtedness.”

Interest expense decreased by \$1.1 million, or 0.1%, during the year ended December 31, 2021, compared to the year ended December 31, 2020. The decrease is primarily driven by the reduction in our cost of capital during the year ended December 31, 2021. The weighted average interest rate (not including the effect of upfront fees, undrawn fees or issuance cost amortization) at December 31, 2021 was 3.6% compared to 4.0% at December 31, 2020.

This decrease in interest expense is partially offset by one-off interest expenses incurred in connection with the tender and exchange of Senior Unsecured Notes during the year ended December 31, 2021.

#### ***Gain/(Losses) on Investments***

We recognized an unrealized gain on investments of \$21.3 million during the year ended December 31, 2021, related to our interest in four investments (“Vertical”, “Sapphire I”, “Sapphire II” and “NAS”) as defined in the financial statements). We recognized losses on investments of \$67.5 million during the year ended December 31, 2020, due to a realized loss of \$54.2 million on the disposal of equity shares in NAS and an unrealized loss of \$13.3 million in the fair value movement of investments in other equity interests.

#### ***Income tax benefit/(expense)***

The effective tax rate for the year ended December 31, 2021, was a credit of 81.3% compared to a credit of 53.3% for the year ended December 31, 2020. The statutory rate of tax in Ireland was 12.5% for the year ended December 31, 2021, and 2020. The decrease to the effective tax rate in the current year was primarily due to a decrease in non-deductible permanent differences, the variability of the income in the periods, the ability to recognize deferred tax assets during the year.

## Critical Accounting Policies and Estimates

Our Consolidated Financial Statements are prepared in accordance with U.S. GAAP. The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. While we believe that the estimates and related assumptions used in the preparation of the consolidated financial statements are appropriate, actual results could differ from those estimates. A summary of our significant accounting policies is presented in Note 2 - Summary of significant accounting policies to our Consolidated Financial Statements included in our annual report. We have determined that the following critical accounting policies and estimates can have a significant impact on our results of operations and financial position and may require subjective and complex judgments.

### *Revenue*

We lease aircraft principally under operating leases and recognize rental income from operating leases on a straight-line basis over the term of each lease. At lease inception we review all necessary criteria to determine proper lease classification.

We lease aircraft principally under operating leases and report rental income ratably over the life of each lease. At lease inception we review all necessary criteria to determine proper lease classification. We recognize rental income from operating leases on a straight-line basis over the term of the lease.

Our lease contracts normally include default covenants, and the effect of a default by a lessee is generally to oblige the lessee to pay damages to the lessor to put the lessor in the position it would have been in had the lessee performed under the lease in full. There are no additional payments required which would increase the minimum lease payments.

Lease agreements for which base rent is based on floating interest rates are included in minimum lease payments based on the floating interest rate existing at the inception of the lease; any increases or decreases in lease payments that result from subsequent changes in the floating interest rate are contingent rentals and are recorded as increases or decreases in lease revenue in the period of the interest rate change.

Rentals received, but unearned, under the lease agreements are recorded in accounts payable, accruals and other liabilities on the Consolidated Balance Sheet until earned. We periodically evaluate the collectability of our operating lease contracts to determine the appropriate revenue recognition model to apply to each lessee. Accrual-based revenue recognition ceases in an operating lease contract when the collection of the rental payments is no longer probable and thereafter rental revenues are recognised using a cash receipts basis. In the period when collection of lease payments is no longer probable, any difference between revenue amounts recognized to date under the accrual method and payments that have been collected from the lessee, including security deposit amounts held, is recognized as a current period adjustment to lease revenue.

In all contracts, the lessee is required to re-deliver the flight equipment held for operating leases in a particular maintenance condition, with reference to major life-limited components of the aircraft. To the extent that such components are redelivered in a condition different to that outlined in the contract, there is normally an end-of-lease compensation adjustment for the difference at re-delivery. Amounts received as part of these re-delivery adjustments are recorded as lease rental income at lease termination. Maintenance income is recognised throughout the lease term as the maintenance reserves collected in excess of the projected obligation to refund these maintenance reserves to the lessee during the term of the lease.

Other income includes interest earned on cash and cash equivalents, deposits paid and from investments and management fees earned by us from third party aircraft owners.

### *Flight equipment held for operating leases*

Flight equipment held for operating leases, net includes aircraft, lease premium/deficit and maintenance right assets.

Flight equipment held for operating leases is stated at cost less accumulated depreciation and impairment and is depreciated to its estimated residual value on a straight-line basis over the estimated useful life of the aircraft, which is generally 25 years from the date of manufacture. Residual values of flight equipment held for operating leases are determined based on estimated values at the end of the useful lives of aircraft assets, which are supported by estimates received from independent appraisers. Generally, the residual value of aircraft is estimated at 15% of original manufacture cost. Management periodically reviews this policy and may, at its discretion, make exceptions to this policy when, in its judgment based on industry experience and appraiser values, the residual value estimated pursuant to this policy does not appear to reflect current expectations of residual values. Depreciation methods, useful lives and residual values are reassessed at the reporting date. Depreciation on flight equipment held for operating leases is recognised in the Consolidated Statement of Income and Other Comprehensive Income.

Initial direct costs incurred as part of the acquisition of flight equipment held for operating leases such as costs associated with identifying, negotiating, and delivering aircraft to the lessees, which are specific to each aircraft, are capitalized at cost and depreciated over the estimated useful life of the asset. Modifications or improvements to flight equipment held for operating leases are normally expensed. Where such modifications or improvements materially improve the value of the asset or extend its useful life, these are capitalized and depreciated over the remaining economic life of the asset.

We evaluate recoverability whenever events or circumstances indicate that the carrying amount may not be recoverable. Indicators may include, but are not limited to, a significant lease restructuring or early lease termination, decrease in appraiser values, significant air traffic decline, the introduction of newer technology aircraft or engines, an aircraft type is no longer in production or a significant airworthiness directive is issued. We group its assets at the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. In relation to flight equipment held for operating leases, the impairment assessment is performed on each individual aircraft.

Recoverability of flight equipment held for operating leases is measured by comparing the carrying amount of the flight equipment to future undiscounted cash flows expected to be generated by the flight equipment held for operating lease. The undiscounted cash flows consist of cash flows from current contracted leases, future projected lease rents and estimated residual or scrap values for each flight equipment. We develop assumptions used in the recoverability analysis based on knowledge of active experience in the aircraft leasing market and aviation industry, as well as information received from third-party industry sources. The factors considered in estimating the undiscounted cash flows are affected by changes in future periods due to changes in contracted lease rates, economic conditions, technology and demand for a particular flight equipment type. In the event that the carrying value of the flight equipment held for operating leases exceeds the undiscounted cash flows, an impairment charge is recognized for the amount by which the carrying value exceeds its estimated fair value. This becomes its new cost basis and is depreciated over its remaining useful life.

Flight equipment held for operating leases consist of aircraft acquired through sale-leaseback transactions, aircraft ordered directly from OEMs and aircraft purchased from other lessors. Sale-leaseback transactions with airlines involve either new aircraft that an airline has ordered directly from the OEM, or aircraft already in service. We acquire and lease the aircraft to the airline for a number of years.

#### *Deferred income tax assets and liabilities*

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred income tax assets attributable to unutilised losses carried forward or other timing differences are reduced by a valuation allowances if it is more likely than not that such losses will not be utilised to offset future taxable income.

### Capital Commitments

Capital commitments are estimated using binding master agreements with each of Airbus S.A.S. (“Airbus”) or Boeing Company (“Boeing”) or with airlines in the form of sale and leasebacks. The commitments are modelled based on the terms for the fixed price agreements which are adjusted for inflation and price escalation formulas.

### Guarantor Subsidiaries

Our Existing Notes are guaranteed by Avolon Holdings Limited and the Subsidiary Guarantors (being Park Aerospace Holdings Limited, Avolon Aerospace Leasing Limited, Hong Kong Aviation Capital Limited, CIT Aerospace LLC, CIT Group Finance (Ireland) Unlimited Company, CIT Aviation Finance III Ltd. and CIT Aerospace International Unlimited Company). Separate financial statements and other disclosures with respect to Avolon Holdings Funding Limited, Park Aerospace Holdings Limited and the Subsidiary Guarantors have not been provided, as Avolon Holdings Funding Limited, Park Aerospace Holdings Limited and the Subsidiary Guarantors are 100%-owned by the Parent Guarantor, all guarantees of the Avolon Holdings Funding Limited, Park Aerospace Holdings Limited Notes are joint and several and full and unconditional and the Parent Guarantor’s financial statements have been filed for the periods specified by Rules 3-01 and 3-02 of Regulation S-X.

The following condensed consolidating financial information presents the Condensed Consolidating Balance Sheet as of March 31, 2023, and the Condensed Consolidating Statements of Income and Other Comprehensive Income for the three months ended March 31, 2023 of (i) the Parent Guarantor (Avolon Holdings Limited); (ii) Avolon Holdings Funding Limited; (iii) Park Aerospace Holdings Limited; (iv) the Subsidiary Guarantors on a combined basis; and (v) elimination entries necessary to consolidate the Parent Guarantor with Avolon Holdings Funding Limited, Park Aerospace Holdings Limited and the Subsidiary Guarantors.

Investments in consolidated subsidiaries are presented under the equity method of accounting. A portion of our cash and cash equivalents is held by subsidiaries and access to such cash by us for group purposes is limited.

### Condensed consolidating financial information

#### Summarized Balance Sheet at March 31, 2023

	<b>Obligor Group</b>
	<b>\$’m</b>
<b>Assets</b>	
Current assets	762
Other current assets due from non-obligor subsidiaries	15,112
<b>Total current assets</b>	<b>15,874</b>
Loan receivables from non-obligor subsidiaries	15,146
Other non-current assets	8,428
<b>Total non-current assets</b>	<b>23,574</b>
<b>Liabilities</b>	
Current liabilities	(1,501)
Other current liabilities due to non-obligor subsidiaries	(23)
<b>Total current liabilities</b>	<b>(1,524)</b>
Loan payables to non-obligor subsidiaries	(10,962)
Non-current liabilities due to non-obligor subsidiaries	(127)
Other non-current liabilities	(10,951)
<b>Total non-current liabilities</b>	<b>(22,040)</b>



**Summarized Statement of Income for the three months ended March 31, 2023**

	<b>Obligor Group</b>
	<u>\$'m</u>
Revenues from unrelated parties	233
Revenues from non-obligor group	19
Net interest income to non-obligor subsidiaries	66
<b>Total revenues and other income</b>	<b>318</b>
Other expenses to non-obligor subsidiaries	-
Other expenses	(287)
<b>Gross profit/(loss)</b>	<b>31</b>
Profit on investments/tax credits	-
<b>Net income</b>	<b>31</b>

**Summarized Balance Sheet at December 31, 2022**

	<b>Obligor Group</b>
	<u>\$'m</u>
<b>Assets</b>	
Current assets	1,077
Other current assets due from non-obligor subsidiaries	15,171
<b>Total current assets</b>	<b>16,248</b>
Loan receivables from non-obligor subsidiaries	14,716
Other non-current assets	8,898
<b>Total non-current assets</b>	<b>23,614</b>
<b>Liabilities</b>	
Current liabilities	(1,758)
Other current liabilities due to non-obligor subsidiaries	(16)
<b>Total current liabilities</b>	<b>(1,774)</b>
Loan payables to non-obligor subsidiaries	(11,055)
Non-current liabilities due to non-obligor subsidiaries	(55)
Other non-current liabilities	(11,147)
<b>Total non-current liabilities</b>	<b>(22,257)</b>

**Summarized Statement of Income for the year ended December 31, 2022**

	<b>Obligor Group</b>
	<u>\$'m</u>
Revenues from unrelated parties	1,018
Revenues from non-obligor group	161
Net interest income to non-obligor subsidiaries	420
<b>Total revenues and other income</b>	<b>1,599</b>
Other expenses to non-obligor subsidiaries	-
Other expenses	(1,427)
<b>Gross profit</b>	<b>172</b>
Profit on investments/tax credits	3,053
<b>Net income</b>	<b>3,225</b>

**Summarized Balance Sheet at December 31, 2021**

	<b>Obligor Group</b>
	<u>\$'m</u>
<b>Assets</b>	
Current assets	990
Other current assets due from non-obligor subsidiaries	11,223
<b>Total current assets</b>	<b>12,213</b>
Loan receivables from non-obligor subsidiaries	13,280
Other non-current assets	9,887
<b>Total non-current assets</b>	<b>23,167</b>
<b>Liabilities</b>	
Current liabilities	(1,229)
Other current liabilities due to non-obligor subsidiaries	(77)
<b>Total current liabilities</b>	<b>(1,306)</b>
Loan payables to non-obligor subsidiaries	(9,156)
Non-current liabilities due to non-obligor subsidiaries	(92)
Other non-current liabilities	(12,331)
<b>Total non-current liabilities</b>	<b>(21,579)</b>

**Summarized Statement of Income for the year ended December 31, 2021**

	<b>Obligor Group</b>
	<b>\$'m</b>
Revenues from unrelated parties	695
Revenues from non-obligor group	432
<b>Total revenues and other income</b>	<b>1,127</b>
Net interest expense to non-obligor subsidiaries	(7)
Other expenses to non-obligor subsidiaries	(137)
Other expenses	(952)
<b>Gross profit</b>	<b>31</b>
Gain on investments/income tax	1,473
<b>Net income</b>	<b>1,504</b>

**Summarized Balance Sheet at December 31, 2020**

	<b>Obligor Group</b>
	<b>\$'m</b>
<b>Assets</b>	
Current assets	2,863
<b>Total current assets</b>	<b>2,863</b>
Loan receivables from non-obligor subsidiaries	28,697
Other non-current assets	9,369
<b>Total non-current assets</b>	<b>38,066</b>
<b>Liabilities</b>	
Current liabilities	(783)
Payables to non-obligor subsidiaries	(7,379)
<b>Total current liabilities</b>	<b>(8,162)</b>
Loan payables to non-obligor subsidiaries	(12,615)
Non-current liabilities due to non-obligor subsidiaries	(168)
Other non-current liabilities	(11,802)
<b>Total non-current liabilities</b>	<b>(24,585)</b>

**Summarized Statement of Income for the year ended December 31, 2020**

	<b>Obligor Group</b>
	<u>\$'m</u>
Revenues from unrelated parties	891
Revenues from non-obligor group	206
<b>Total revenues and other income</b>	<b>1,097</b>
Net interest expense to non-obligor subsidiaries	(93)
Other expenses to non-obligor subsidiaries	(120)
Other expenses	(1,301)
<b>Gross loss</b>	<b>(417)</b>
Losses on investments/income tax credit	35
<b>Net loss</b>	<b>(382)</b>

## OUR BUSINESS

### Overview

Avolon is a leading global aircraft leasing company focused on acquiring, managing, leasing and selling commercial aircraft. We are headquartered in Ireland, with offices in the United States, Dubai, Singapore and Hong Kong. In May 2010, Avolon was launched by an experienced team of aircraft leasing and financing professionals, and operated as a private company until our initial public offering in December 2014. We operated as a public company listed on the NYSE under the symbol “AVOL” before being acquired by Bohai in January 2016.

As of March 31, 2023, Avolon’s Owned and Committed Portfolio had a Fleet Valuation of \$40.9 billion.

Avolon Holdings Funding is a wholly-owned subsidiary of Avolon and is the issuer of the AHFL Notes. The AHFL Notes have an unsecured guarantee from Avolon, Avolon Aerospace, HKAC, Park, CIT Aerospace LLC, CIT Group Finance (Ireland) Unlimited Company, CIT Aviation Finance III Ltd. and CIT Aerospace International Unlimited Company. For further details on the organization of the business, see “Summary—Company Information and Organizational Chart.”

### History

On January 8, 2016, Bohai, the equipment and transportation lessor listed on the Shenzhen Stock Exchange (SZE: 000415), acquired 100% of Avolon. Subsequently, Avolon became the core aircraft leasing brand for Bohai and its then parent, HNA Group. In the first quarter of 2016, Avolon assumed the management of, and became integrated with, the HKAC business, another Bohai subsidiary and aircraft lessor. Avolon acquired 84.7% of HKAC from Bohai in the fourth quarter of 2016 and acquired the remaining 15.3% during the year ended December 31, 2017 from HNA Group and Tianjin Bohai.

On April 4, 2017, Avolon acquired all of the issued and outstanding equity interests of C2, the commercial aircraft leasing business of CIT Group. As a result of the C2 Acquisition, C2 and its aircraft-owning subsidiaries became wholly-owned subsidiaries of Park.

On November 5, 2018, ORIX, through its wholly-owned subsidiary ORIX Aviation, acquired 30% of the common shares of Avolon from Bohai. ORIX is an investment grade Japanese non-bank financial service group which operates a diverse portfolio of businesses in the operations, financial services, and investment spaces spanning multiple industries including energy, private equity, infrastructure, automotive, ship and aircraft, real estate and retail financial services. ORIX is listed on the Tokyo Stock Exchange (TSE:8591) and NYSE (IX) with the corporate rating of A- (S&P), A- (Fitch) and A3 (Moody’s).

On July 31, 2019, GALC acquired Global Aviation’s 70% shareholding in Avolon. GALC is 100% owned by Global Aviation which is an indirect subsidiary of Bohai.

### Our Company

We focus on acquiring, maintaining and leasing a portfolio of young, modern, fuel-efficient commercial aircraft while seeking to maximize long-term earnings growth and cash flow generation and drive attractive risk-adjusted returns through the aviation industry cycle. We operate our business on a global basis, maintaining a diverse fleet of aircraft provided to airlines across different geographic regions. As of March 31, 2023, our Owned, Managed and Committed Portfolio consisted of 830 aircraft, including 531 aircraft in our Owned Portfolio, 47 aircraft in our Managed Portfolio and 252 aircraft in our Committed Portfolio.

We have, historically, demonstrated a track record of stable cash flow generation. We believe the qualities of our portfolio and our high aircraft utilization rates have allowed us to establish significant visibility into our revenues. Following the market and economic dislocations associated with the COVID-19 pandemic and the recent Russian sanctions, we had a net gain of \$55.9 million and Adjusted EBITDA of \$0.6 billion for the three months ended March 31, 2023 and a net income of \$8.5 million and Adjusted EBITDA of \$2.4 billion for the year ended

December 31, 2022. For a further explanation of the effect of Russian sanctions on our results as of March 31, 2023, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations of Avolon—Russian Sanctions”. Further, due to the long-term nature of our lease contracts, our cash flow generation has been stable, historically. During the years ended December 31, 2022, 2021 and 2020, we have generated a cumulative \$2.9 billion of net cash flows from operations.

Our Owned Portfolio, which had a Net Book Value of \$23.8 billion as of March 31, 2023, is leased to airlines under long-term leases. Our lease expiry profile is well dispersed over the next 7 years, limiting expiration concentration risk. As of March 31, 2023, the average lease term remaining on our leases, weighted by the Net Book Value of the aircraft and based on our Owned Portfolio, was 6.9 years, which we believe should allow for a more predictable revenue stream over time. See also “Management’s Discussion and Analysis of Financial Condition and Results of Operations of Avolon—Russian Sanctions”.

As of March 31, 2023, the average age of our Owned Portfolio was 6.3 years weighted by Net Book Value.

Our Committed Portfolio as of March 31, 2023 of 252 aircraft consists entirely of Airbus A320/321neo, Boeing 737 MAX, Boeing 787, and Airbus A330neo, which are designed to deliver higher levels of operating efficiency and are expected to be more consistently in demand. Our global presence provides local access to airline customers and capital providers in key geographic regions, particularly emerging and high growth markets such as China, South East Asia, the Middle East and Latin America. As of March 31, 2023, our customer base comprised 147 customers in 65 countries. Our commercial platform is globally active, and in the three months ended March 31, 2023, executed 31 lease transactions with 12 airline customers and managed 18 aircraft deliveries and transitions. As of March 31, 2023, we had either contracted leases or non-binding letters of intent in place for 100% by count of our Committed Portfolio scheduled to be delivered through to the end of 2023.

Historically, young, fuel-efficient aircraft have been in high demand and have shown more resilient re-leasing values irrespective of macro and fuel price environment. In addition, we seek to mitigate asset, credit and liability risks associated with owning and leasing aircraft through our comprehensive risk management platform that uses proprietary analytical systems and credit scoring processes. These systems, tools and models, combined with formal risk committees, inform our decision-making process. The combination of our young, modern aircraft and robust risk management practices has contributed to our Fleet Utilization of 95.4% during the three months ended March 31, 2023.

We lease our aircraft pursuant to net operating leases that require the lessee to pay for maintenance, insurance, taxes and all other aircraft operating expenses during the lease term. As a lessor, we receive the investment benefits from, and assume the residual risk of, the aircraft. We invest in and continue to own a young fleet that we forecast will retain high residual values and will be less susceptible to asset impairment risk. We also provide fleet management services to other aircraft investors.

We believe our business model allows for flexibility to adjust to market conditions and to balance and manage risk. Our portfolio consists of aircraft acquired through sale-leaseback transactions, aircraft ordered directly from OEMs and aircraft purchased from other lessors and airlines. We believe our deep industry relationships enable us to source transactions that are not broadly available.

We maintain relationships with aircraft investors globally and seek to sell assets to proactively manage our portfolio in response to market conditions. Aircraft sales facilitate management of portfolio concentrations, provide ongoing liquidity of the portfolio, enable us to monetize value in our aircraft, help maintain visibility and momentum with our customers and are an effective tool for managing both asset residual value and lease remarketing risk.

Avolon’s highly experienced management team is led by industry veteran and Chief Executive Officer, Andrew Cronin, who previously served as Avolon’s Chief Financial Officer since its inception in May 2010 until October 2022 and as its President from July 2021 to July 2022. A number of the senior executives are also founding members. On July 26, 2022, Avolon announced that (i) Dómhnaíl Slattery would resign as Chief Executive Officer and as a member of the Board of Directors of Avolon, in each case on or prior to December 31, 2022, (ii) Andrew Cronin, who was previously Avolon’s President and Chief Financial Officer, was appointed as CEO Designate and (iii) Paul Geaney was appointed as President, in addition to his role as Avolon’s Chief Commercial Officer. See

“Management – Management Updates”. Dómhnaíl Slattery’s resignation as Chief Executive Officer and member of the board and Andrew Cronin’s appointment to CEO were, in each case, effective as of October 1, 2022.

As of the date of the offering memorandum, the team has over 93 years of combined industry experience and each member individually has, on average, more than 16 years of industry experience, covering several industry cycles, and deep, long-standing customer, lender, investor and OEM relationships.

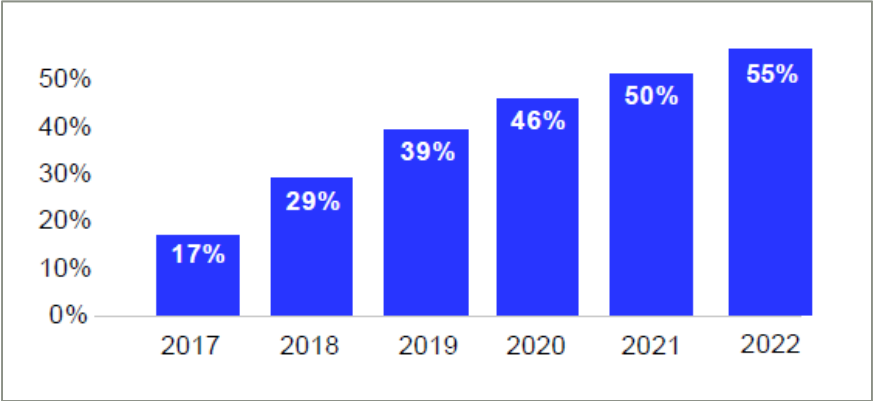
### Owned, Managed and Committed Portfolio

Our Owned, Managed and Committed Portfolio consists of 830 young, modern, fuel-efficient aircraft, with lease arrangements with 147 customers in 65 countries. Our Owned Portfolio of 531 aircraft, as of March 31, 2023, includes 418 narrowbody and 113 widebody aircraft, with an average age, weighted by Net Book Value, of 6.3 years. As of March 31, 2023 we had committed to acquire a total of 252 aircraft with scheduled delivery dates through 2029. On April 27, 2023, we announced an agreement with Boeing to commit to order 40 Boeing 737 Max aircraft for delivery between 2027 and 2030. As at March 31, 2023, we executed letters of intent with respect to the sale of an additional 13 aircraft to close prior to December 31, 2023.

As of March 31, 2023, our Owned, Managed and Committed Portfolio consisted of the following aircraft:

<u>Manufacturer</u>	<u>Aircraft Type</u>	<u>Owned Portfolio</u>	<u>Managed Portfolio</u>	<u>Committed Portfolio</u>	<u>Total</u>
<i>Narrowbody</i>					
Airbus .....	A319	9	6	-	15
Airbus .....	A320	137	11	-	148
Airbus .....	A321	44	1	-	45
Airbus .....	A320neo	68	3	138	209
Airbus .....	A321neo	30	-	46	76
Boeing .....	B737-700	1	2	-	3
Boeing .....	B737-800	89	13	-	102
Boeing .....	B737-900	16	-	-	16
Boeing .....	B737 MAX 8	24	-	25	49
Boeing .....	B737 MAX 10	-	-	11	11
<i>Widebody</i>					
Airbus .....	A330-200	15	6	-	21
Airbus .....	A330-300	26	4	-	30
Airbus .....	A330-900neo	24	1	30	55
Airbus .....	A350	17	-	-	17
Boeing .....	B787-8	4	-	-	4
Boeing .....	B787-9	24	-	2	26
Boeing .....	B777	3	-	-	3
<b>Total</b> .....		<b>531</b>	<b>47</b>	<b>252</b>	<b>830</b>

As of December 31, 2022, 55% of our Owned Portfolio consisted of fuel-efficient new technology aircraft. The following chart shows, for each of the last six years, the percentage of our Owned Portfolio, by Net Book Value, that consists of fuel-efficient new technology aircraft.<sup>(1)</sup>

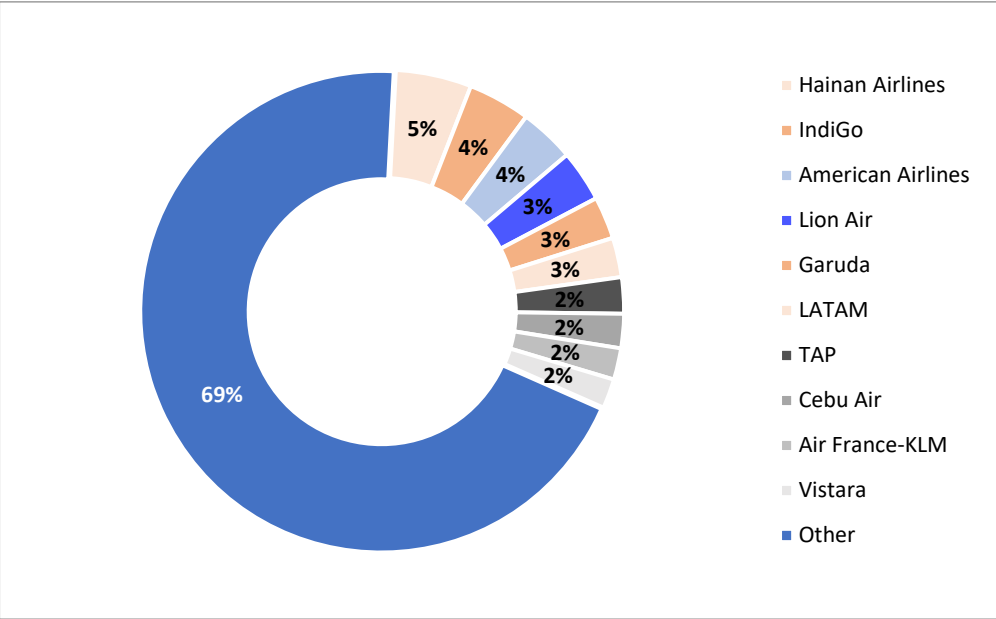


<sup>(1)</sup> New technology aircraft includes A320neo, A330neo, A350, B737MAX and B787.

**Our Customers**

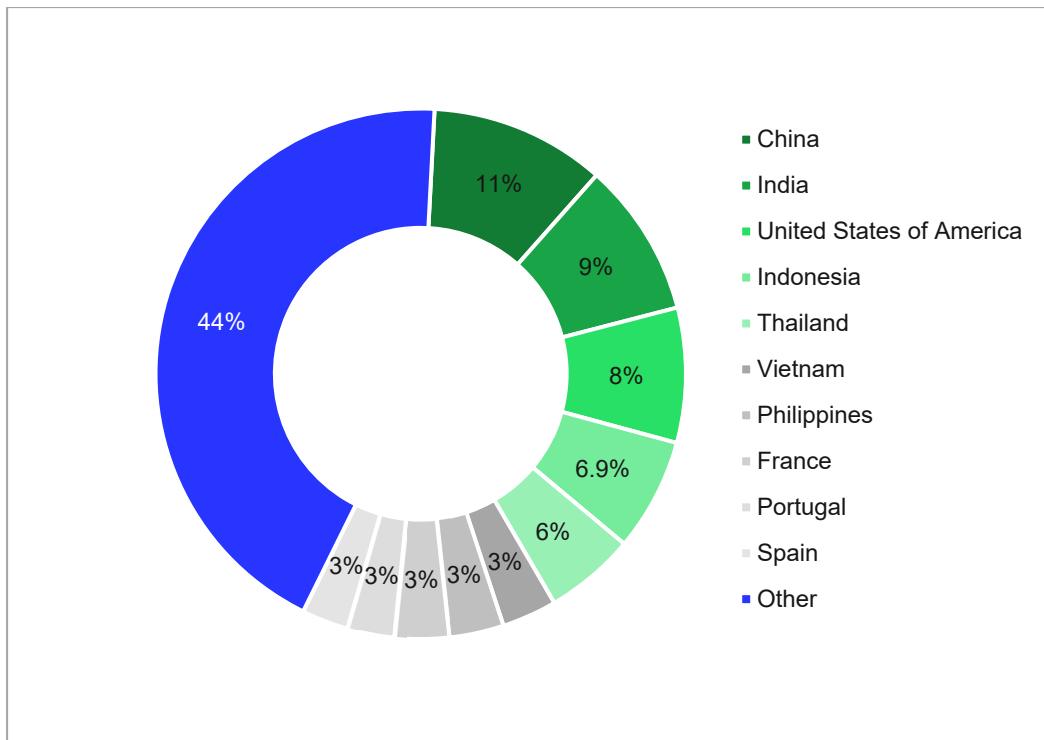
As of March 31, 2023, the ten largest customers in our Owned Portfolio accounted for 31% of our total Net Book Value, with the three largest, Hainan, IndiGo and American Airlines, 13% on an as aggregate basis. As of March 31, 2023, the geographic distribution of our Owned Portfolio by Net Book Value was the following: 38% Asia Pacific (excluding China), 11% China, 31% EMEA and 20% Americas. As of March 31, 2023, our top five customers by Net Book Value represented 19% of Net Book Value and our top five customers by lease revenue represented 20% of total lease revenue.

The following chart shows, for each of the top ten customers, the percentage of our Owned Portfolio of March 31, 2023, by Net Book Value.





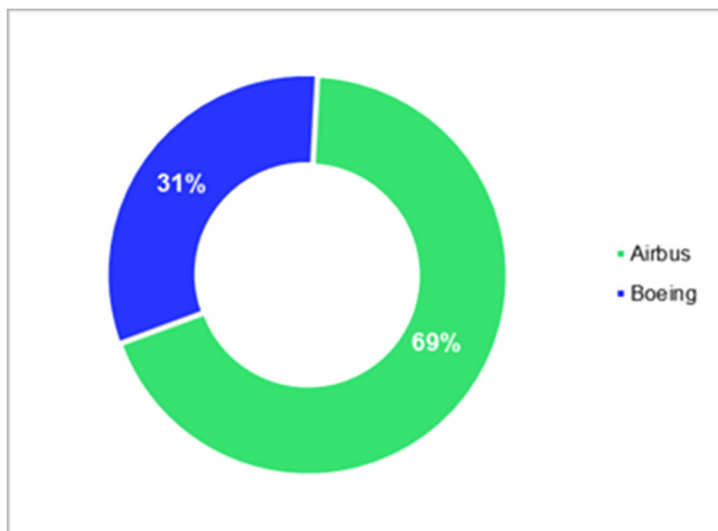
The chart below shows the distribution of aircraft by Net Book Value and location of each airline's principal place of business as of March 31, 2023:



***Our Relationship with OEMs***

We believe our deep industry relationships enable us to source transactions that are not broadly available. By changing the emphasis between the sale-leaseback, direct order, portfolio acquisition, and mergers and acquisitions channels, we seek to optimize growth and value at different points in time during the aviation industry cycle.

The chart below shows the aircraft manufacturer breakdown by Net Book Value as of March 31, 2023:



## **Our Business Strategies**

Our objective is to build and maintain a portfolio of young, modern and fuel-efficient commercial aircraft while seeking to maximize long-term earnings and generate attractive risk-adjusted returns through the aviation industry cycle. In order to achieve our business objectives, we pursue the following strategies:

### ***Selective Investment in Young, Modern, Fuel-Efficient Aircraft***

We believe that investing in a younger and more fuel-efficient fleet will provide strong long-term value retention, lower re-marketing risks, generate more stable cash flows and minimize asset impairment risks. We have a pipeline order book with major OEMs of new technology aircraft delivering over the next seven years.

Through active fleet management, we aim to maximize long-term earnings and generate consistent returns and cash flows by mitigating risk through the cycle. Our strategy is to actively manage, place and grow a portfolio of young, modern and fuel-efficient commercial aircraft.

In June 2021, Avolon announced an investment in Vertical Aerospace Group Ltd. (“Vertical”), the developer of electric vertical takeoff and landing (“eVTOL”) aircraft, and a pre-order for up to 500 electric eVTOL aircraft. This agreement will help commercialize electric ultra-short-range aircraft. Avolon, through its incorporated affiliate Avolon-e, will become a customer for Vertical’s VX4 eVTOL and subject to certain operating, delivery and business conditions, will order aircraft valued at \$1.25 billion with delivery scheduled to commence in 2025, with an option to acquire additional aircraft up to a value of \$750 million. Avolon-e has been established by Avolon to focus on investment in zero-emissions aircraft.

### ***Leverage Multiple Aircraft Procurement Channels to Optimize Performance through the Aviation Industry Cycle***

Our management team has significant industry experience and market knowledge critical to sourcing large scale transactions not broadly available in the market. We leverage multiple aircraft procurement channels, including sale-leaseback transactions with airlines, orders from OEMs, portfolio acquisitions from other lessors and merger and acquisition opportunities to scale our portfolio to optimize growth and performance throughout the aviation cycle. We regularly review and consider opportunistic acquisitions that we believe will enhance our operations and provide strategic benefits. We believe that the utilization of multiple aircraft procurement channels will provide us the flexibility to enhance our portfolio and performance through the cycle as each channel can be scaled to prevailing market conditions.

### ***Direct Orders from Manufacturers***

Our Owned Portfolio includes 203 aircraft acquired directly from OEMs, representing 38% of the total number of aircraft as of March 31, 2023. As of such date, our order book of 210 aircraft was 100% represented by Airbus and Boeing aircraft. Our orders include 163 Airbus A320neo and A321neos, 16 Airbus A330neo, and 31 Boeing 737 MAX, which are all scheduled for delivery between 2023 and 2029. These orders are strategically important as they provide us access to next generation, fuel-efficient aircraft, which we believe will be in demand in future years as airlines manage their fleets. Direct orders typically require significantly longer lead times than sale-leaseback transactions, generally ranging from four to eight years from the time of order to the scheduled delivery of the aircraft, and require us to make pre-delivery payments.

### ***Sale-Leaseback***

Sale-leaseback transactions account for 238 aircraft in our Owned Portfolio, or 45% of the total number of aircraft as of March 31, 2023. As of such date our sale-leaseback commitments of 40 aircraft were 100% represented by Airbus and Boeing aircraft. Under this transaction structure, we commit to acquire either new aircraft that an airline has ordered directly from the OEM, or aircraft already in service, and lease the aircraft to the airline. The sale-leaseback channel helps us to manage risk as we have clear visibility of the counterparty and lease terms, with no placement

risk. This channel also provides us with flexibility to manage cycle risk and be responsive to market opportunities and conditions.

### ***Portfolio and Third-Party Acquisitions***

Portfolio and third-party acquisitions account for 79 aircraft, or 15% of our total Owned Portfolio as of March 31, 2023. Such transactions typically include multiple aircraft and multiple airlines and, as such, the transactions are more diversified than single sale-leaseback opportunities. Moreover, because the aircraft are already on lease or committed for near-term delivery on lease, such transactions typically generate cash flow more quickly than aircraft acquired through new sale-leaseback or direct order channels. We seek to acquire aircraft with high liquidity characteristics because we believe these aircraft have higher residual value retention and are less likely to be exposed to asset impairment risk. We expect to apply our experience with bolt-on fleet acquisitions to expand our fleet in an opportunistic way.

### ***Merger and Acquisition Opportunities***

We have selectively pursued strategic corporate acquisitions to supplement our growth. We have accelerated our growth since our inception in 2010 through growth from consolidation, acquiring high-quality assets to bring our pro forma portfolio to scale. Through the HKAC Acquisition, the size of Avolon's Owned, Managed and Committed Portfolio increased from 248 aircraft to 432 aircraft. Our Owned and Committed Portfolio had a Fleet Valuation of \$40.9 billion as of March 31, 2023. For the three months ended March 31, 2023, our total revenues were \$0.6 billion compared to \$0.7 billion for the three months ended March 31, 2022 and our Adjusted EBITDA was \$0.6 billion for the three months ended March 31, 2023 compared to \$0.7 billion for the three months ended March 31, 2022.

Merger and acquisition opportunities have allowed us to increase our scale, diversify our customer base, expand our geographic footprint, strengthen our OEM relationships, and increase our sources to funding. We have also been able to enhance our operating performance from the realized cost savings and synergies achieved through the integration process. While merger and acquisition opportunities are more opportunistic and occur less frequently relative to the other channels, we intend to continue to apply a selective and disciplined corporate acquisition strategy.

### ***Actively Manage Our Lease Portfolio to Minimize Risk through Diversification and Selective Asset Sales***

We have a long established active fleet management practice that has been central to our overall risk and portfolio optimization. Our commitment to proactively investing and selling our aircraft enhances our portfolio by creating liquidity, providing headroom for future aircraft investments, ensuring the stability of our cash flows and limiting asset residual value and lease remarketing risk. Our strategy is to diversify our portfolio and reduce exposure to industry and market volatility, changes in customer preferences and credit risk posed by any particular customer.

We have actively sold aircraft to manage fleet concentrations, age, improve yields and manage counterparty risk. Since 2013, we have generated \$12.8 billion of proceeds from active trading of aircraft. We pursue a systematic program for, and have expertise across, individual aircraft sales, customized portfolio sales, as well as structured wholesale disposals of larger portfolios. We leverage our marketing expertise to add value throughout the sale process, as the majority of our historical sales have included on-lease aircraft.

### ***Utilize Our Deep, Long-Standing and Valuable Industry Relationships with Customers and OEMs***

We believe our team's broad industry experience and expertise enables us to leverage relationships with customers and OEMs globally to drive our performance and the stability of our cash flows. As of March 31, 2023, Avolon's customer base comprised 147 airlines in 65 countries. The scale and breadth of our operations enable us to source sophisticated, large and proprietary transactions and offer solutions that smaller lessors cannot. Our close customer relationships have enabled us to lease aircraft and source transactions across multiple channels including new aircraft orders, sale-leaseback operations, portfolio trades and mergers and acquisitions. We have also been able to successfully identify opportunities to re-market aircraft before leases mature. Through our large and diverse customer base, we have been able to gain valuable market insight to the airline industry to better predict customer

trends. Furthermore, we believe our scale and size of our order book improves our negotiating power with OEMs and allow us to pass on benefits to customers.

***Utilize Diversified Funding Sources with a Continued Focus on Maintaining a Prudent Capital Structure and Efficient Management of Liquidity***

Our scale and operating history as a leading aircraft lessor provide us with access to a broad range of funding and sources of liquidity globally. As reflected through our track record, we have been able to finance our aircraft acquisitions and strengthen our liquidity through equity contributions from our majority shareholder, our cash flows from operations and proceeds from various debt structures obtained through different markets. The successful implementation of our financing strategy is a critical component to the success of our business.

We employ a conservative funding strategy focusing on managing leverage ratios, reducing interest costs, staggering our maturities and minimizing risks related to changes in market conditions. Our strategy is to identify markets and products with favorable and flexible terms and to maximize our access to diversified sources of funding. We also implement a low risk tolerance interest rate hedging policy, including the use of interest rate caps, swaps and a mix of fixed and floating rate instruments to best match the characteristics of our assets.

As of March 31, 2023, we had \$500.8 million in unrestricted cash and cash equivalents, and \$5.1 billion of available borrowings under our various credit facilities, all subject to compliance with certain covenants. We remain vigilant of adequate liquidity coverage of expected cash outflows and prioritize creating liquidity buffers that support the growth of our business as well as our obligations to OEMs and debtholders.

***Financing Strategy***

The successful implementation of our financing strategy is a critical component of the success of our business and growth of our profitability. The objective of our financing strategy is to source the capital required to operate our business with the most flexibility and in a cost-efficient manner while mitigating risks relating to changes in market conditions.

We aim to operate our business with prudent liquidity and a well-capitalized balance sheet. We employ a conservative funding strategy focusing on managing leverage ratio, minimizing interest costs and staggering our maturities. We also implement a low risk tolerance interest rate hedging policy, including the use of interest rate caps, swaps and a mix of fixed and floating rate instruments to best match the characteristics of our assets.

We intend to fund our business with future earnings and cash flow from operations, existing debt facilities and potential future debt financing from multiple sources, which may include term debt facilities, ECA and EXIM backed facilities, unsecured revolving credit facilities, securitization debt, unsecured notes and pre-delivery payment and warehouse facility debt as well as other debt capital markets products. We seek to identify markets and products with favorable and flexible terms as well as to maximize the diversification of funding solutions and to reduce our reliance on any one market or financial institution.

As of March 31, 2023, we had committed financing from a total of 53 financial institutions (excluding holders of our publicly issued debt), with total outstanding indebtedness (including accrued interest) of \$18.9 billion. This outstanding indebtedness comprised of recourse and non-recourse term facilities, including the Term Loan Facility, the Existing Notes, ECA and EXIM backed facilities, unsecured term facilities.

In addition, as of March 31, 2023, we had \$500.8 million in unrestricted cash and cash equivalents, and \$5.1 billion of available borrowings under our various credit facilities, all subject to compliance with certain covenants. We also have flexibility to unencumber a significant number of aircraft under the provisions of the Term Loan Facility, to enhance our liquidity and provide further capital structure flexibility.

As of March 31, 2023, our total net debt to equity ratio was 2.3. As of March 31, 2023, our average cost of debt was 4.2% (not including the effect of upfront fees, undrawn fees or issuance cost amortization). Floating rate debt accounted for 34.2% of our total outstanding debt as of such date. The Term Loan Facility accounted for 45.6% of

this floating rate debt. Partially hedging this exposure, we have interest rate derivatives that have notional profiles of 32.7% of our total debt as of March 31, 2023. Furthermore, debt associated with floating rate leases accounted for 1.3% of our total outstanding debt as of March 31, 2023.

### ***Risk Management Model***

Our business model is based on a disciplined approach to risk management coupled with the use of proprietary analytical tools and a stringent corporate governance structure to proactively manage asset, credit and liability risks. This framework is refined by management on an ongoing basis.

Our strategies to mitigate asset, credit and liability risks associated with owning and leasing aircraft include:

- diversification across geographies, airline business models and customers;
- selective investment focus on young, modern, fuel-efficient and marketable aircraft types;
- management of the well dispersed timing of lease and debt maturities;
- minimization of exposure to interest rate risk and long-term debt funding maturities; and
- adoption of a comprehensive risk management framework.

We have a Risk Management Committee that regularly monitors the credit quality of our 147 airline customers. The responsibilities of the Risk Management Committee are to oversee three separate types of risk of the Company: portfolio risk, capital risk and operational risk including the authority to oversee the internal risk management committees, which:

- monitor counterparty credit risk, portfolio risk factors, adherence to capital allocation targets, maintenance exposures and lease expiry profiles and set and review portfolio plans and monitor acquisition and disposal strategies;
- recommend liability and hedging strategies and review risk in the committed aircraft pipeline, capacity requirements, availability and cost of financing and capital markets activity; and
- identify, review and assess all operational risks that may impact our ability to execute the business plan and review and approve significant changes to the key business models in use within the business.

Our aircraft trading activities are also crucial to proactively managing risk. Trading activities are employed to reduce portfolio concentrations, improve yields and manage asset and counterparty risk. The trading of aircraft increases our flexibility in order book commitments and overall strategy.

### ***Assets***

Our portfolio is managed within the context of a long-term plan, which is set and reviewed by the Portfolio Risk Committee. The committee sets out target portfolio metrics for asset types, geographic regions and lessee business models and regularly reviews our portfolio growth trajectory with the objective of remaining within target concentration guidelines. We strive to quantify the reality that different assets return different long term yields, and, in doing so, seek to maintain fleet quality and strong risk adjusted returns. We use proprietary models to enhance our decision-making in this area, including:

- ***Aircraft Investment Rating:*** used to apply a consistent and systematic assessment of the investment characteristics and value drivers of each aircraft type. This model provides an investment rating for each aircraft type based on factors including the number of aircraft in service, the number of operators, stage of production lifecycle, operating economics and technology. The ratings are forward looking and are tracked over time to ensure consistency and to identify trends. All aircraft asset types are

benchmarked using quantitative analysis matrix to evaluate investment suitability and relative liquidity allowing us to take proactive decisions to manage portfolio risk.

- **World Fleet Forecast:** this forecast covers all Western-built passenger jets and is used to predict the number of each aircraft type expected to be in service over a 20 year horizon. The forecast takes into account expected production rates, entry into service of new aircraft types, global GDP forecasts, deliveries, fleet retirements and freighter conversions to arrive at estimates of future supply, demand and levels of capacity. The output from this model is used to shape our long-term thinking on fleet and model developments.

### ***Airline Credits***

We adopt a qualitative and quantitative approach in evaluating the creditworthiness of our airline counterparties. Detailed financial analysis is at the center of the assessment, but substantial additional weight is given to the airline's fleet and network, competitive and market position, franchise, operating economics, management capabilities and their capital expenditure, funding and hedging positions. We have developed a comprehensive airline rating model that allows for each airline to be scored on a consistent basis, taking account of these financial and non-financial criteria.

A credit analyst is assigned to each of our airline counterparties, based on regional and/or sector groupings to allow that analyst to develop a deep understanding of the broader environment in which the airline operates. Over and above the airline credit assessment, we also consider country and jurisdictional risk issues, including tax and repossession risks, supported by local legal opinions.

Airline credit is not only analyzed and opined on in advance of a specific transaction, but also subsequently monitored and reviewed on a regular basis throughout the lease term to ensure that our view of the counterparty remains current. The review interval is determined by the airline's credit quality. The requirement for regular aircraft inspection and technical audits of airlines is also determined as part of our ongoing credit review. Early warning of potential problems allows timely and appropriate action to be taken to protect our investment, which is implemented and managed through a formal "Watch" process. When we believe a credit is exhibiting warning signs, we discuss the key issues and the expected outcomes with the airline and increase the frequency of oversight required. If we formally place the airline on "Watch" a cross-functional deal team is established to assess our exposure, security position, underlying financing issues, aircraft maintenance and records status, restructuring alternatives and repossession and remarketing procedures, where relevant. In the event of imminent default, we pre-emptively seek legal advice on local law issues and review the readiness of the aircraft records for transition.

### ***Liabilities***

We aim to mitigate our non-industry related liabilities to the maximum extent practical and, where economically feasible, we match the interest rate profiles of our financing to those of our leases. We believe that our ability to raise debt benefits from our liabilities risk rigor. Three structural features underpin this rigor:

- **Duration management:** We seek to spread our debt repayment schedules wherever possible. Principal debt repayment occurring prior to 2025 represents 22.4% of total debt. We continuously work to elongate the debt maturity profile and seek access to new lenders. We issue a rolling debt allocation chart on a weekly basis and execution risk is pro-actively managed.
- **Interest rate risk management:** Our objective is to minimize our exposure to interest rate risk. We have a number of floating rate leases where rentals adjust by reference to LIBOR, as well as a number of leases with fixed rentals. Wherever possible, we seek to match fixed funding for fixed rate leases and floating funding for floating rate leases. Where this is not possible, we typically hedge our position using interest rate derivatives. Fixed rate leases are adjusted at delivery of the aircraft to the then-prevailing fixed rate. Some hedging exposure arises from the mismatch between longer lease terms and shorter term funding. As of March 31, 2023, 3.5% of our leases have rentals linked to floating interest

rate benchmark, with the remaining 96.5% of our leases having rentals fixed or on a basis not related to interest rates for the duration of the lease term.

- **Mismatch risk** management: We continually manage our pipeline of deliveries and available financings to ensure that we have committed financing, liquidity and equity for all near-term deliveries. Our annual scenario stress testing program informs liquidity risks and minimum sources to uses required, with a goal of sufficient 12 and 24 month liquidity coverage of aircraft acquisitions and debt maturities. This process is actively managed by the Risk Management Committee.

### **Competition**

The aircraft leasing industry is highly competitive. We compete in leasing, re-leasing, purchasing and selling our aircraft with other aircraft leasing companies, including AerCap Holdings N.V., Air Lease Corporation, BOC Aviation, BBAM Aircraft Leasing & Management, Aviation Capital Group, SMBC Aviation Capital and ICBC Leasing. We also may encounter competition from other entities that selectively compete with us, including:

- airlines;
- aircraft manufacturers;
- financial institutions (including those seeking to dispose of repossessed aircraft at distressed prices);
- aircraft brokers;
- special purpose vehicles formed for the purpose of acquiring, leasing and selling aircraft; and
- public and private partnerships, investors and funds, including private equity and hedge funds.

The market for sale-leaseback transactions has become increasingly competitive in recent years. Competition for a leasing transaction is based principally upon lease rates, delivery dates, lease terms, reputation, management expertise, aircraft condition, specifications and configuration and the availability of the types of aircraft necessary to meet the needs of the customer. We also compete with other lessors for aircraft financing commitments, which can impact our ability to compete for a leasing transaction. Competition in the purchase and sale of used aircraft is based principally on the availability of used aircraft, the price, the terms of the lease to which an aircraft is subject and the creditworthiness of the lessee. Some of our competitors have significantly greater operating and financial resources than we have. In addition, some competing aircraft lessors have a lower overall cost of capital, which may allow them to offer better lease terms. However, we believe we compete favorably due to our strong industry relationships, the attractiveness of our fleet and our rigorous and proactive risk management policies.

### **Insurance**

Our lessees are required under our leases to bear responsibility, through an operational indemnity subject to customary exclusions, and to carry insurance for any liabilities arising out of the operation of our aircraft or engines, including any liabilities for death or injury to persons and damage to property that ordinarily would attach to the operator of the aircraft. In addition, our lessees are required to carry other types of insurance that are customary in the air transportation industry, including hull all risks insurance for both the aircraft and each engine whether or not installed on our aircraft, hull war risks insurance covering risks such as hijacking, terrorism, confiscation, expropriation, nationalization and seizure (in each case at a value stipulated in the relevant lease which typically exceeds the net book value by 10%, subject to adjustment in certain circumstances) and aircraft spares insurance and aircraft third party liability insurance (including war risks), in each case subject to customary deductibles. We are named as an additional insured on liability insurance policies carried by our lessees, and we and/or our lenders are designated as a loss payee in the event of a total loss of the aircraft or engine, as well as numerous other insurance provisions customary in aircraft leasing. We monitor the compliance by our lessees with the insurance provisions of our leases by securing Certificates of Insurance from the lessees' insurance brokers.

In addition to the coverage maintained by our lessees, we maintain contingent liability insurance and contingent hull insurance with respect to our aircraft. Such contingent insurance is intended to provide coverage in the event that the insurance maintained by any of our lessees should not be available for our benefit as required pursuant to the terms of the lease. Consistent with industry practice, our insurance policies are subject to commercially reasonable deductibles, conditions and exclusions.

We cannot assure you that we are insured against all risks, that lessees will at all times comply with their obligations to maintain insurance, that any particular claim will be paid, or that we will be able to maintain our current levels of insurance coverage at commercially reasonable rates in the future.

### ***Employees***

We had 247 full-time employees as of March 31, 2023. None of our employees are covered by a collective bargaining agreement, and we believe that we maintain good employee relations.

### ***Facilities***

Our headquarters are located at Number One Ballsbridge, Building 1, Shelbourne Road, Ballsbridge, Dublin 4, Ireland. We occupy space under a lease which expires in 2038. Additionally, we have offices in Dubai, Singapore, Hong Kong and the United States. As of March 31, 2023, we occupied 85,156 square feet of office space and leased a further 25,229 square feet.

### ***Regulation***

While the air transportation industry is highly regulated, since we do not operate aircraft, we are generally not directly subject to most of these regulations. Our lessees, however, are subject to extensive regulation under the laws of the jurisdictions in which they are registered and in which they operate. These regulations, among other things, govern the registration, operation and maintenance of our aircraft. Most of our aircraft are registered in the jurisdiction in which the lessee of the aircraft is certified as an air operator. Our aircraft are subject to the airworthiness and other standards imposed by our lessees' jurisdictions of operation. Laws affecting the airworthiness of aviation assets are generally designed to ensure that all aircraft and related equipment are continuously maintained in proper condition to enable safe operation of the aircraft. Most countries' aviation laws require aircraft to be maintained under an approved maintenance program having defined procedures and intervals for inspection, maintenance and repair.

We are required to register, and have registered, the aircraft which we acquire and lease to U.S. carriers and to a number of foreign carriers where, by agreement, the aircraft are to be registered in the United States, with the Federal Aviation Administration, or in other countries, with such countries' aviation authorities as applicable. Each aircraft registered to fly must have a Certificate of Airworthiness, which is a certificate demonstrating the aircraft's compliance with applicable government rules and regulations and that the aircraft is considered airworthy, or a ferry flight permit, which is an authorization to operate an aircraft on a specific route. Our lessees are obligated to maintain the Certificates of Airworthiness for the aircraft they lease. When an aircraft is not on lease, we will be required to maintain the certificate or obtain a certificate in a new jurisdiction.

Significant new requirements with respect to noise, emissions, (including greenhouse gas emissions requirements), fuel efficiency and other aspects of our aircraft or their operation could cause the value of our aircraft portfolio to decrease. Other governmental regulations relating to noise and emissions levels may be imposed not only by the jurisdictions in which our aircraft are registered, possibly as part of the airworthiness requirements, but also in other jurisdictions where our aircraft operate. Any and all of the foregoing regulations could limit the economic life of our aircraft and engines, reduce their value, limit our ability to lease or sell the non-compliant aircraft and engines or, if engine modifications are permitted, require us to make significant additional investments in our aircraft and engines to make them compliant. Moreover, our lessees' compliance with current or future legislation, regulations, taxes or duties could result in higher costs and lead to higher ticket prices, which in turn could result in lower demand for travel. This could affect our lessees' ability to make rental and other lease payments and could reduce the value we



receive for our aircraft upon any disposition, which would have a material adverse effect on our financial condition, cash flow and results of operations.

In addition, under our leases, we may be required in some instances to obtain specific licenses, consents or approvals for different aspects of the leases. These required items include consents from governmental or regulatory authorities for certain payments under the leases and for the import, re-export or deregistration of the aircraft.

### ***Legal Proceedings***

From time to time, we may be involved in litigation and claims incidental to the conduct of our business in the ordinary course. Our industry is also subject to scrutiny by government regulators, which could result in enforcement proceedings or litigation related to regulatory compliance matters. We are party to legal proceedings in the Irish courts against insurers in respect of our previously submitted claims for the loss suffered in respect of 10 of our owned aircraft and two managed aircraft, all of which remain detained in Russia. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations of Avolon—Russian Sanctions.” Other than the foregoing, we are not presently a party to any material enforcement proceedings, material litigation related to regulatory compliance matters or any other type of material litigation matters. We maintain insurance policies in amounts and with the coverage and deductibles we believe are adequate, based on the nature and risks of our business, historical experience and industry standards.

## MANAGEMENT

### Executive Officers and Directors

Set forth below are the names, ages and positions of our executive officers and directors.

Name	Age	Position with the company
Andrew Cronin.....	44	Chief Executive Officer and Director
Paul Geaney .....	44	Chief Commercial Officer and President
Ross O’Connor.....	39	Chief Financial Officer
Ciara Ruane.....	44	Chief People Officer
James Morrison .....	41	Chief Risk Officer
Felipe Campos.....	42	Chief Operating Officer
Edward Riley.....	51	General Counsel and Company Secretary
Can (Jason) Zhang.....	41	Chairman of the Board
Denis Nayden.....	69	Vice Chairman of the Board
Kei Kitagawa.....	48	Director
James Meyler .....	45	Director
Yan Shen .....	36	Director
Duan (Julian) Wang .....	42	Director

The following are biographical summaries, including experience, of those individuals who serve as our executive officers and directors:

**Andrew Cronin** was appointed as our Chief Executive Officer and Director of our Board in October 2022. Mr. Cronin is a globally recognized leader within the aviation industry, having held an array of senior roles across the sector for more than 20 years. As part of the founding team and serving as Avolon’s CFO from 2010-2022, Mr. Cronin has played a central role in building the company to the industry-leading position it holds today. In this role, he has successfully led Finance and Capital Market teams through numerous capital raises, debt issuances, listing Avolon on the NYSE, privatizations and subsequent corporate acquisitions. Prior to joining Avolon, Mr. Cronin served as SVP Investor Markets at RBS Aviation Capital with responsibility for disposal, financing and debt syndication of operating lease and structured debt products to a wide pool of investors and banking communities. Before working at RBS Aviation Capital, Mr. Cronin worked in numerous commercial and operational roles at FLS Aerospace. Mr. Cronin has a Bachelor of Engineering degree and a Master of Industrial Engineering degree, both with First Class Honours, from University College Dublin.

**Paul Geaney** was appointed as our President in July, 2022 and has served as our Chief Commercial Officer since July, 2021. Mr. Geaney has been with the Company since its inception, serving as Head of Americas from 2010 until 2017, as Head of OEM from 2017 until 2020, and as Chief Risk Officer from October 2020 to July 2021. Mr. Geaney began his career in investment banking with Merrill Lynch, before joining RBS Aviation Capital as an analyst and taking on roles of increasing responsibility in that business and in the RBS Structured Asset Finance business, based in London.

**Ross O’Connor** was appointed as our Chief Financial Officer in October 2022 and leads the financial reporting, tax, corporate development, capital markets and aircraft trading activities at Avolon. Mr. O’Connor joined the Company in 2011 and held various roles throughout the organization, including Vice President Trading and Head of Investor Relations. From November 2020 to October 2022, Mr. O’Connor served as Head of Capital Markets, leading Avolon’s fundraising strategy and initiatives, including the management of Avolon’s rating agency and global lender relationships. Mr. O’Connor holds a Bachelor (Hons) in Management Science and Information Systems Studies from Trinity College Dublin and is a Fellow of the Institute of Chartered Accountants Ireland.

**Ciara Ruane** was appointed as our Chief People Officer in October 2021 and is responsible for leading Avolon’s people strategy. Ms. Ruane’s responsibilities include the end-to-end employee experience, recruitment, rewards, retention, leadership development, learning and diversity & inclusion. Ms. Ruane has over 20 years’ Human Resources experience working in strategic HR and effectiveness. Ms. Ruane has served on the Board of Directors of Innovate for Ireland since March 2023. Ms. Ruane previously served as Director of People and Culture at Primark

where she led their center of expertise for talent acquisition, reward, leadership and learning across 14 countries. Prior to joining Primark, Ms. Ruane worked for Willis Towers Watson for over 10 years across a broad range of HR practices. Ms. Ruane is a Masters graduate of Smurfit Business School and has a Bachelor of Science from University College Cork.

**James Morrison** was appointed as our Chief Risk Officer in October 2022. Mr. Morrison joined the Company in 2017 and most recently served as our Head of Portfolio Management. Prior to joining Avolon, Mr. Morrison held various roles of increasing responsibility with Bombardier Commercial Aircraft and CIT Aerospace. Mr. Morrison is an ISTAT Certified Appraiser and a licensed Professional Engineer in Ontario. Mr. Morrison holds a Master of Science in Technology and Policy from the Massachusetts Institute of Technology and a Bachelor of Applied Science in Engineering Physics from Queen's University, Kingston.

**Felipe Campos** was appointed as our Chief Operating Officer in October 2022 and oversees all of Avolon's operational activity. Mr. Campos joined Avolon in April 2016, becoming Head of Latin America in 2017, and most recently served as our Chief Technical Officer from 2021 to 2022. In this role, he led Avolon's Technical function, managing all technical aspects of the business including lease transactions, new aircraft deliveries and oversight of delivered aircraft while on lease. Prior to joining Avolon, Mr. Campos held a variety of roles across the aviation industry including with GE Aviation and LATAM and TAM airlines, where he was responsible for marketing, aircraft financing, leasing, fleet planning, engines, and supply chain contracts. Mr. Campos holds a Master of Science in Naval Engineering and Project Management degree from Escola Politécnica at the University of São Paulo.

**Edward Riley** has served as our General Counsel since our inception in May 2010 and also serves as our Company Secretary. Mr. Riley previously served as Senior Vice President, Commercial Negotiation at RBS Aviation Capital from 2007 to 2010. Prior to joining RBS Aviation Capital, Mr. Riley served as Senior Legal Counsel with Airbus S.A.S. in Toulouse, France. Mr. Riley began his career at Clifford Chance in London, specializing in aircraft finance. Mr. Riley received his Modern Languages Degree from the University of Durham. Subsequently, Mr. Riley received his Postgraduate Diploma in Law and in Legal Practice from the College of Law York.

**Can (Jason)Zhang** has served as a director and Chairman of our Board since February 2022. Mr. Zhang has served as Deputy Chairman of Bohai Leasing Co., Ltd since March 2022. He previously held positions as the CFO of Hong Kong Airlines Co., Ltd., Director of Swissport Group, and CEO of CWT International Limited (HK00521). Mr. Zhang holds a bachelor's degree in accountancy from Wuhan University and MBA from Columbia University. In light of Mr. Zhang's business experience, we believe it is appropriate for Mr. Zhang to serve as a director.

**Duan (Julian) Wang** has served as a director of our Board since January 2022. Mr. Wang has served as Assistant General Manager and Chief International Affairs Officer of HNA Trust Management since June 2022, and as Vice Chair of China General Chamber of Commerce - USA since March 2022. He is also the President of HNA Trust Management International, the international operations platform of HNA Trust Management, and is responsible for engagements in global M&A, international asset management, and cross-border portfolio company governance. Mr. Wang has years of experience managing multi-national corporations, having served on the board of Global Sea Containers Ltd. since May 2020 and SinOceanic since July 2019. He has also chaired the board of SR Technics, one of the world's leading aviation Maintenance, Repair, and Overhaul (MRO) service providers from June 2021 to December 2021, and on the board of Swissport Group from November 2019 to December 2020. Mr. Wang has 15 years of experience working at various positions at HNA. Throughout his career, he has led numerous international projects including the sale of Ingram Micro, restructuring of Swissport, a series of real estate transactions including 245 Park Ave NYC, 850 Fifth Ave NYC, 1180 American Ave NYC, 181 W Madison Chicago, etc. with a total transaction value over \$10 billion. In light of Mr. Wang's business experience, we believe it is appropriate for Mr. Wang to serve as a director.

**Shen Yan** has served as a director of our Board since February 2022. Mrs. Yan serves as the Executive Director and the Chief Financial Officer of CWT International Limited (HK00521). Prior to this, Mrs. Yan served as Finance Director of CWT International Limited and also acts as a director on a number of subsidiaries of CWT International Limited since July 2015. Mrs. Yan served as CFO of Hong Kong Airlines Corporate Jet Management Limited from July 2014 to July 2015. From July 2008 to July 2014, Mrs. Yan worked in the Finance Department of HNA Group and a number of its subsidiaries. Mrs. Yan graduated from the Sichuan University in 2008 with a Bachelor Degree in

Accounting, and graduated from Peking University in 2020 with a Masters Degree in Business Administration. Mrs. Yan has extensive management knowledge and working experience in accounting, finance, treasury and risk management and has been a member of Association of Chartered Certified Accountants since 2013. In light of Mrs. Yan's business experience, we believe it is appropriate for Mrs. Yan to serve as a director.

**Denis Nayden** has served as Vice Chairman of our Board since April 2016 and was previously the Chairman of the Board from May 2010 to January 2016. Mr. Nayden previously held the position of Chairman of Varagon Capital from 2014 to 2020, and is currently Chairman, Investment Committee member and Operating Investor at Harkness Capital Partners and is Chairman of James Alpha Holdings, LLC. Mr. Nayden also serves on the Board of Directors of LiteSheet Solutions and the Global Board of buildOn, a non-profit organization. Mr. Nayden was formerly an Advisory Managing Partner of Oak Hill Capital from January 2017 to December 2017 and a Managing Partner from 2003 through 2016. Prior to joining Oak Hill, Mr. Nayden served as the Chairman and Chief Executive Officer at GE Capital. Mr. Nayden spent more than 25 years serving in various roles at GE Capital, including oversight of GE Capital Aviation Services. Mr. Nayden previously served as Chairman of the Boards of Duane Reade, Firth Rixson Limited, Omada International, Primus International and RSC Equipment Rental. In light of Mr. Nayden's business experience, we believe it is appropriate for Mr. Nayden to serve as a director.

**Kei Kitagawa** has served as a director since April 2020. Mr. Kitagawa is a member of the Board of Directors of ORIX Aviation. He also serves as Executive Vice President, Deputy Head of Global Transportation Services Headquarters and Head of Aviation and Investment Group for ORIX Corporation, the sole shareholder of ORIX Aviation. Mr. Kitagawa joined ORIX Corporation in April 1998 where he spent eight years in venter leasing jointly with an American multinational computer technology company. He then moved into the Aviation and Investment Group in March 2006 in a core role pioneering the Japanese Operating Leasing arrangement for ORIX Corporation. Mr. Kitagawa was appointed to the Head of Aviation and Investment Group in May 2015 and Deputy Head of Global Transportation Services Headquarters in January 2019. Mr. Kitagawa also has responsibility for the Aviation and Investment Group's business strategies and budgets. Mr. Kitagawa holds a Bachelor Degree in Law and a MBA in Finance from Chuo University, Tokyo. In light of Mr. Kitagawa's business experience, we believe it is appropriate for Mr. Kitagawa to serve as a director.

**James Meyler** has served as a director since February 2022. Mr. Meyler is the Chief Executive Officer of ORIX Aviation Systems Limited and ORIX Aviation Management ME Limited with over 25 years' experience in the aviation industry. Prior to this, he held the positions of Deputy Chief Executive and Chief Commercial Officer of ORIX Aviation. Mr. Meyler has served as a Board Director of Orix Aviation since 2015. Mr. Meyler worked with ORIX Aviation from 2002 to 2007 and was Vice President of Acquisitions, New Business and Capital Markets. Mr. Meyler spent two years as Managing Director, Head of Marketing and Capital Markets for Aergo Capital Group before returning to ORIX Aviation in 2009. Mr. Meyler previously held positions as Executive Assistant to Tony Ryan and CFO of TARA Aerospace, along with a senior management role in the aviation team at KBC Aerospace Finance. He holds an Honours Bachelor of Commerce degree in Banking and Finance from University College Dublin. Mr. Meyler was previously elected to the Board of Directors of ISTAT for a four year term from 2015 to 2019 and currently serves as Chairman of the Wings Club Foundation European Chapter. In light of Mr. Meyler's business experience, we believe it is appropriate for Mr. Meyler to serve as a director.

## **Management Update**

On July 26, 2022, we announced the retirement of Domhnal Slattery as Chief Executive Officer and Board director, which became effective on October 1, 2022.

As of July 26, 2022, Andrew Cronin assumed the role of Chief Executive Officer Designate in addition to Chief Financial Officer and on October 1, 2022, Andrew Cronin assumed the role of Chief Executive Officer and Board director.

As of July 26, 2022, Paul Geaney assumed the role of President in addition to Chief Commercial Officer.

On October 5, 2022, we announced the appointment of James Morrison, Head of Portfolio Management, to the role of Chief Risk Officer; Ross O'Connor, Head of Capital Markets, to the role of Chief Financial Officer; and Felipe Campos, Chief Technical Officer, to the role of Chief Operating Officer.

## **PRINCIPAL SHAREHOLDERS**

We are an indirect, majority-owned subsidiary of Bohai, a Chinese public company listed on the Shenzhen Stock Exchange. Bohai owns a portfolio of equipment and transportation asset leasing companies.

We are an indirect minority-owned affiliate of ORIX, an investment grade Japanese non-bank financial service group which operates a diverse portfolio of businesses in the operations, financial services, and investment spaces spanning multiple industries including: energy, private equity, infrastructure, automotive, ship and aircraft, real estate and retail financial services.

Effective November 5, 2018, Bohai indirectly owns 70% of our outstanding common shares, and ORIX Aviation, a wholly-owned subsidiary of ORIX, owns the remaining 30% of our outstanding common shares. For further information regarding shareholder rights, see “Certain Relationships and Related Party Transactions—Shareholders’ Agreement.”

## CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Set forth below is a description of certain transactions between us and our directors, officers and holders of 5% or more of our voting securities.

### Shareholders' Agreement

In connection with the ORIX Transaction, the Shareholders entered into the Shareholders' Agreement with Avolon, dated November 5, 2018, which sets forth certain rights and obligations of the Shareholders with respect to Avolon. As of July 31, 2019, Global Aviation transferred to GALC the 70% of Avolon's ordinary shares that it held, and GALC became party to the Shareholders' Agreement.

*Governance of Avolon.* The Shareholders' Agreement fixes the maximum number of directors at seven and provides the Shareholders with the right to nominate directors to the Board, as follows:

- GALC for and on behalf of Bohai and its subsidiaries (other than Avolon and its subsidiaries), may nominate up to three directors to the Board and nominate the CEO as an additional director to the Board;
- Bohai may nominate one independent director to the Board, subject to certain shareholder approval rights, as discussed below; and
- ORIX Aviation, for and on behalf of ORIX and ORIX's associated companies, may nominate up to two directors to the Board;

*provided, however,* that upon any date on which ORIX Aviation and its associated companies, collectively do not own at least 15% of the ordinary shares of Avolon (the "Shares"), but collectively still own greater than or equal to 10% of the Shares, ORIX Aviation will only have the right to nominate one director to the Board from such date and provided further, that if ORIX Aviation and its associated companies, collectively do not own at least 10% of the Shares, ORIX Aviation will lose the right to nominate any directors to the Board from such date. ORIX Aviation will regain the right to nominate directors to the Board that it otherwise would have been entitled to nominate, if ORIX Aviation and its associated companies increase the number of Shares that they collectively hold, above the previously referenced percentage thresholds, respectively.

The Shareholders' Agreement also provides that one director nominated by ORIX Aviation will serve on each of the audit committee, remuneration committee, risk management committee and nominating and corporate governance committee. It also requires that an independent director serve as chairman for each of the audit and remuneration committees.

*Transferability of Shares.* Generally, subject to certain exceptions, the Shares will be non-transferable by the Shareholders other than with the prior written consent of the other Shareholders.

*Consent to Change of Control Provision.* Bohai shall obtain the prior written consent of ORIX Aviation before entering into any transaction, arrangement or otherwise which would result in Bohai ceasing to have control over any of Tianjin Bohai, HK Bohai, Global Aviation or GALC or its associated companies, provided, however that Bohai shall not be restricted from creating a security interest over the shares or any interest in the shares of Tianjin Bohai, HK Bohai Global Aviation or GALC or its associated companies to secure the financial liabilities of such entity. In addition, the Shareholders, including Bohai, can create a security interest over their shares or any interest in the shares of Avolon to secure the financial liabilities of such Shareholder or its associated companies, provided that the security interests be granted to certain approved creditors as listed in the Shareholders' Agreement.

*Conduct of Business.* The Shareholders' Agreement provides for certain agreements among the Shareholders with respect to the conduct of Avolon's business, such as complying with regulations, making related party transactions on an arms-length basis, setting budgets, seeking tax efficiencies for the Shareholders and making distributions to the Shareholders.

*Shareholder Approval Rights.* The Shareholders' Agreement requires that both ORIX Aviation and GALC approve certain matters, including but not limited to the following: (i) budgets and strategic decisions; (ii) appointment and removal of independent directors and (iii) to the extent that an action is not otherwise contemplated by the existing budget or business plan of Avolon, acquisitions, dispositions, joint ventures, related party transactions, incurrence of indebtedness and creation of security interests, in each case, in excess of \$25,000,000. The Shareholders' Agreement also provides for certain negative covenants, pursuant to which the Shareholders agree, among, other things, not to compete with Avolon and to keep certain information confidential.

*Restrictions on Distributions.* The Shareholders' Agreement contains certain obligations and restrictions on the calculation of distributions to be made by Avolon to its shareholders. The Shareholders' Agreement provides that Avolon's Board has certain discretion to reserve net profits that would otherwise be subject to distribution on the basis of Company obligations if Avolon's Board determines, among other things, that such distributions (i) would result in any breach by Avolon of any other obligations it has under the Shareholders' Agreement or (ii) after considering all relevant factors, would not be in the best interests of Avolon or its subsidiaries. Additionally, if Avolon declares a distribution and there are amounts due and payable, that have been overdue for 30 days or more, to Avolon, or its subsidiaries, by (i) the HNA Consolidated Group resulting from intercompany loans or any other agreement or obligations between Avolon or any member of the HNA Consolidated Group, including but not limited to any outstanding receivable balance owed to Avolon or its subsidiaries, Avolon is required to withhold, from the distribution to the Issuer, an amount equal to such amounts due until all outstanding amounts due from the HNA Consolidated Group have been fully and finally paid to Avolon and its subsidiaries; or (ii) the ORIX Consolidated Group, Avolon is required to withhold, from the distribution to ORIX Aviation, an amount equal to such amounts due until all outstanding amounts due from the ORIX Consolidated Group have been fully and finally paid to Avolon and its subsidiaries. Following the completion of the HNA Group Reorganization, the common control relationship between Bohai/GALC and Fangda Affiliated Airlines ceased, and certain former Fangda Affiliated Airlines no longer form part of the HNA Consolidated Group. As a result, Avolon is no longer required to withhold amounts from Bohai/GALC's dividends commensurate with the overdue receivables of those Fangda Affiliated Airlines. For that reason, Avolon has released almost all previously withheld amounts to GALC. Avolon continues to withhold US\$12 million in dividend payments from GALC as a result of there continuing to be amounts owing to Avolon by Hong Kong Airlines, as Hong Kong Airlines was not part of the HNA Group Reorganization.

*Termination.* The Shareholders' Agreement terminates upon the earlier of (i) the Shareholders agreeing in writing to terminate it; (ii) the date on which all of the Shares, to the extent remaining in issue, are owned by one Shareholder; (iii) an effective resolution is passed or a binding order is made for the winding-up of Avolon other than to effect a scheme of reconstruction or amalgamation; (iv) the completion of a "drag-along" sale, the result of which is that neither ORIX Aviation nor any of its associated companies is a Shareholder; and (v) the completion of a "tag-along" sale.

*Other Provisions.* In addition, the Shareholders' Agreement contains certain pre-emption provisions, including, but not limited to: (1) in the event that GALC sells a certain percentage of its Shares of Avolon to a third party, ORIX Aviation will have certain "tag-along" rights to sell its Shares to that third party as well and (2) in the event that GALC sells all of its Shares of Avolon to a third party, ORIX may be required, in some circumstances, to sell its Shares to such third party as well.

### **Agreements with Certain Fangda Affiliated Airlines**

On December 31, 2022, Avolon Aerospace entered into framework agreements with certain of the Fangda Affiliated Airlines and HNA Aviation Group. Pursuant to these framework agreements, the Group's recourse in respect of certain current outstanding receivables and deferrals of \$22.8 million and future lease commitments of \$134.6 million due to the Group as at December 31, 2022, from Hainan, Lucky and Fuzhou were effectively transferred to HNA Aviation Group. The obligation of HNA Aviation Group is further guaranteed by Hainan Fangda Aviation Development Co., Ltd. and effectively secured by equity holdings in Hainan. At March 31, 2023, the total receivables and deferrals in respect of which the Group had recourse to HNA Aviation Group amounted to \$40.0 million.

### **Transactions with Hong Kong Airlines Limited**

During the three months ended March 31, 2023, Avolon leased 2 aircraft to Hong Kong Airlines Limited (“*HK Airlines*”), as compared to 2 aircraft to HK Airlines during the year ended December 31, 2022 and 2 aircraft to HK Airlines during the year ended December 31, 2021. During the year ended December 31, 2022, the leases for these 2 aircraft were early terminated (Years ended December 31, 2021, and 2020: Nil and Nil). During the three months ended March 31, 2022, the Group recognized lease revenue of \$0.8 million and a loss allowance of \$0.1 million in respect of these leases. During the year ended December 31, 2022, Avolon recognized lease revenue of \$1.5 million and a loss allowance of \$0 and a write off of lease associated balances of \$31.4 million in respect of these leases, as compared to \$3.3 million lease revenue recognized during the year ended December 31, 2021 and \$4.7 million lease revenue recognized during the year ended December 31, 2020. As of December 31, 2022, Avolon held cash lessee security deposits of \$0 relating to these aircraft, compared to lessee security deposits of \$0 as of December 31, 2021, and lessee security deposits \$0 as of December 31, 2020. As of March 31, 2023, the Group had \$0 of receivable and deferral balances due from HK Airlines. As of December 31, 2022, Avolon had a \$0 million in receivable and deferral balances with HK Airlines, as compared to a \$9.1 million receivable balance as of December 31, 2021, and a \$12.4 million receivable balance as of December 31, 2020.

### **Dividends Paid to HK Bohai and its Subsidiaries**

In October 2019, Avolon declared a dividend of \$285.0 million and paid \$183.3 million of this dividend to its shareholders. GALC received \$97.8 million of this dividend. An amount of \$101.7 million was withheld from GALC due to holdback provisions in the Shareholders’ Agreement, which required Avolon to withhold dividend distributions to GALC for an amount equal to any lease receivables that have been overdue for 30 days or more until all outstanding amounts due from HNA Group have been fully and finally paid to Avolon.

In March 2020, the Directors declared a dividend of \$192.5 million to its shareholders which amounted to \$79.3 per share, of which GALC’s share amounted to \$134.8 million. Avolon paid \$69.8 million of this dividend to GALC. An amount of \$65.0 million was withheld due to holdback provisions in the shareholder agreement.

During the year ended December 31, 2021, the Group paid \$50.0 million of the withheld dividend to GALC. A dividend payable amount of \$116.7 million remained payable to GALC at December 31, 2021 (December 31, 2020: \$166.7 million).

During the year ended December 31, 2022, the Group paid \$104.7 million of the withheld dividend to GALC. A dividend payable amount of \$12.0 million remained payable to GALC at December 31, 2022 (December 31, 2021: \$116.7 million).

During the year ended December 31, 2022, Avolon declared and paid a dividend of \$12.5 million to its shareholders which amounted to \$5.15 per share.

A withheld dividend amount of \$12.0 million remains payable to GALC at March 31, 2023 (December 31, 2022: \$12.0 million). During the three months ended March 31, 2023, the Directors also declared and paid dividends of \$13.6 million to its shareholders which amounted to \$5.60 per share, of which GALC’s share amounted to \$9.5 million.

### **Service Agreement with GALC**

During the year ended December 31, 2020, Avolon entered into a service agreement with GALC whereby Avolon provided certain financial advisory services to GALC. Avolon recognized income of \$0 million from GALC in consideration for the provision of these services during the three months ended March 31, 2023, compared to \$0 during the year ended December 31, 2022. This service fee income was received in full during the year ended December 31, 2021.



### **Participation Agreement with HK Bohai**

During the year ended December 31, 2019, Avolon entered into a participation agreement with HK Bohai whereby Avolon transferred its right to receive certain of its outstanding lease receivable balances from HNA affiliated airlines to HK Bohai at par value for a cash amount of \$18.0 million.

During the year ended December 31, 2021, the Group entered into a participation agreement with HK Bohai whereby the Group transferred its right to receive certain of its outstanding lease receivable balances from HNA affiliated airlines to HK Bohai at par value for a cash amount of \$20.0 million (Year ended December 31, 2020: \$Nil).

At March 31, 2023, the Group had an amount payable to HK Bohai of \$6.5 million relating to amounts received that formed part of the participation agreements entered into with HK Bohai during the years ended December 31, 2021 and 2019, whereby the Group had transferred its right to receive certain outstanding lease receivable balances from HNA affiliated airlines (Year ended December 31, 2022: \$5.6 million and year ended December 31, 2021: \$Nil).

### **Transactions with ORIX**

In October 2019, Avolon declared a dividend of \$285.0 million to its shareholders which amounted to \$117.40 per share, of which ORIX Aviation's share amounted to \$85.5 million. During the year ended December 31, 2019, Avolon paid \$85.5 million of this dividend to ORIX Aviation.

During the year ended December 31, 2019, Avolon assigned certain of its leases of office space to ORIX Aviation for payment of \$0.7 million. All of Avolon's rights and obligations under these leases of office space ceased with effect from that date.

During the year ended December 31, 2019 Avolon entered an agreement to sell 12 aircraft to ORIX Aviation. During the year ended December 31, 2019 Avolon sold all of these aircraft to ORIX Aviation.

In March 2020, the Directors declared a dividend of \$192.5 million to its shareholders which amounted to \$79.3 per share, of which ORIX Aviation's share amounted to \$57.8 million. During 2020, Avolon paid \$57.8 million of this dividend to ORIX Aviation.

During the year ended December 31, 2021, the Group entered into an agreement to sell 2 aircraft to ORIX Aviation (Year ended December 31, 2020: 0). During the year ended December 31, 2021, Avolon sold both of these 2 aircraft to ORIX.

During the year ended December 31, 2022, Avolon declared and paid a dividend of \$12.5 million to its shareholders which amounted to \$5.15 per share, of which Orix Aviation's share amounted to \$3.7 million (Year ended December 31, 2021: \$Nil).

During the three months ended March 31, 2023, Avolon declared and paid a dividend of \$13.6 million to its shareholders which amounted to \$5.60 per share, of which Orix Aviation's share amounted to \$4.1 million.

During the three months ended March 31, 2023, the Group raised full recourse debt through Japanese Operating Leases with Call Options ("JOLCO") structured financing arrangements amounting to \$71.5 million (Year ended December 31, 2022: \$94 million). ORIX acted as the Japanese equity arranger in these transactions.

### **Other Related Party Transactions**

For information regarding other related party transactions, see Note 21, Related Party Transactions in our Notes to the Consolidated Financial Statements included elsewhere herein and Note 18, Related Party Transactions in our Notes to the Unaudited Condensed Consolidated Financial Statements included elsewhere herein.

## DESCRIPTION OF OTHER INDEBTEDNESS

### Term Loan Facility

In connection with the C2 Acquisition, the U.S. Borrower, the Luxembourg Borrower, Avolon, Park, CIT Aerospace LLC, CIT Group Finance (Ireland) Unlimited Company, CIT Aviation Finance III Ltd. and CIT Aerospace International Unlimited Company entered into (i) a three-year and 180-day \$500.0 million senior secured term loan facility (the “*Tranche B-1 Term Loan Facility*”) and (ii) a five-year \$5.0 billion senior secured term loan facility (the “*Tranche B-3 Term Loan Facility*”), in each case, pursuant to that certain Term Loan Credit Agreement, dated as of March 20, 2017 (as supplemented by that certain Joinder Agreement, dated as of April 3, 2017, as supplemented by that certain Credit Agreement Supplement dated June 6, 2017, as supplemented by that certain Credit Agreement Supplement—Number 2, dated July 11, 2017, as amended by that certain First Amendment to Term Loan Credit Agreement, dated October 4, 2017, as amended by that certain Second Amendment to Term Loan Credit Agreement, dated November 17, 2017 (the “*Second Amendment Effective Date*”), as supplemented by that certain Credit Agreement Supplement, dated December 11, 2017, as supplemented by that certain Credit Agreement Supplement No. 4, dated May 3, 2018, as amended by that certain Third Amendment to Term Loan Credit Agreement, dated May 9, 2018 (the “*Third Amendment Effective Date*”), as amended by that certain Fourth Amendment to Term Loan Credit Agreement, dated May 9, 2019 (the “*Fourth Amendment Effective Date*”), as amended by that certain Fifth Amendment to Term Loan Credit Agreement, dated February 12, 2020 (the “*Fifth Amendment Effective Date*” and the 7-year \$850.0 million term loan facility thereunder, the “*Tranche B-4 Term Loan Facility*”), as supplemented by that certain Credit Agreement Supplement No. 5, dated April 8, 2020, as supplemented by that certain Credit Agreement Supplement No. 6, dated July 24, 2020, as amended by that certain Sixth Amendment to Term Loan Credit Agreement, dated December 1, 2020 (the “*Sixth Amendment Effective Date*”), as amended by that certain Seventh Amendment to Term Loan Credit Agreement, dated as of August 4, 2021 (the “*Seventh Amendment Effective Date*” and the term loan facility thereunder, the “*Tranche B-5 Term Loan Facility*”) and as further amended, restated, amended and restated, supplemented or otherwise modified from time to time, the “*Term Loan Facility*”), by and among, *inter alios*, the U.S. Borrower, the Luxembourg Borrower, certain subsidiaries of the Company, as guarantors, Morgan Stanley Senior Funding Inc. (“*MSSF*”), as administrative agent (in such capacity, the “*Term Loan Agent*”), and certain financial institutions as term loan lenders. MSSF, UBS Securities LLC, Barclays Bank PLC, JPMorgan Chase Bank, N.A., BNP Paribas, Credit Agricole Corporate and Investment Bank and SunTrust Robinson Humphrey, Inc. acted as joint lead arrangers and joint bookrunners for the Term Loan Facility. The below is a summary of the terms of the Term Loan Facility.

### General

The Term Loan Borrowers drew the full amount of the initial Term Loan Facility to finance a portion of the C2 Acquisition (including working capital and/or purchase price adjustments) and the payment of related fees, expenses and other costs.

The Term Loan Facility provides that we may request increases to the Term Loan Facility and/or add one or more incremental term loan facilities in an unlimited amount so long as the Term Loan Borrowers are in compliance on a pro forma basis with the loan-to-value ratio maintenance covenant described below. The existing lenders under the Term Loan Facility are not under any obligation to provide such additional commitments.

### Interest Rate and Fees

The interest rates applicable to loans under the Term Loan Facility are equal to applicable interest rate margins, plus, at our option, either (a) a base rate determined by the reference to the highest of (i) the rate most recently announced by the Term Loan Agent at its principal office as its “prime rate”, (ii) the federal funds effective rate plus 0.50% and (iii) the rate per annum equal to the ICE Benchmark Administration Limited LIBOR Rate (“ICE LIBOR”) or (b) a LIBOR rate determined by reference to the highest of (i) a minimum “floor” level and (ii) ICE LIBOR.

### ***Mandatory Prepayments***

Subject to the applicable terms, conditions and exceptions contained in the Term Loan Facility, the Term Loan Facility requires us to prepay, subject to certain exceptions, outstanding term loans with 100% of net cash proceeds of any incurrence of debt, other than the net cash proceeds of the notes offered hereby and certain other debt permitted under the Term Loan Facility.

In the event that the loan-to-value ratio as of any required date of determination is greater than that required by the applicable maintenance covenant, the Term Loan Facility also requires us to (a) prepay all or a portion of the aggregate outstanding principal amount of the loans and/or (b) add additional aircraft as collateral securing the Term Loan Facility, in each case in an aggregate amount such that we are in compliance with the required loan-to-value ratio after giving pro forma effect to such prepayment and/or addition of additional aircraft as of such required date of determination.

### ***Voluntary Prepayments***

We may voluntarily reduce the unutilized portion of the commitment amount and repay outstanding loans under the Term Loan Facility at any time without premium or penalty other than (a) customary breakage costs and (b) a 1.00% call protection premium applicable to certain “repricing transactions” occurring on or prior to the date that is (i) in the case of the loans under the Tranche B-1 Term Loan Facility, six months after the Second Amendment Effective Date, (ii) in the case of the loans under the Tranche B-3 Term Loan Facility, six months after the Fourth amendment effective Date, (iii) in the case of the loans under the Tranche B-4 Term Loan Facility, six months after the Fifth Amendment Effective Date and (iv) in the case of the loans under the Tranche B-5 Term Loan Facility, six months after the Seventh Amendment Effective Date.

### ***Amortization and Final Maturity***

We are required to make scheduled quarterly payments equal to 0.25% of the original principal amount of the term loans with the balance due (i) in the case of the loans under the Tranche B-1 Term Loan Facility, March 31, 2021, (ii) in the case of the loans under the Tranche B-3 Term Loan Facility, January 15, 2025, (iii) in the case of the loans under the Tranche B-4 Term Loan Facility, February 12, 2027 and (iv) in the case of the loans under the Tranche B-5 Term Loan Facility, December 1, 2027. On September 11, 2018, we repaid in full the then outstanding principal amount and accrued interest of the Tranche B-1 Term Loan Facility.

### ***Guarantees and Security***

All obligations under our Term Loan Facility, and any related secured hedging obligations and banking services obligations, are guaranteed jointly and severally on (a) a senior unsecured basis by Avolon, Park, Avolon Aerospace and HKAC and (b) on a senior secured basis by CIT Aerospace LLC, CIT Group Finance (Ireland) Unlimited Company, CIT Aviation Finance III Ltd. and CIT Aerospace International Unlimited Company.

All obligations under the Term Loan Facility, and any secured hedging obligations and banking services obligations, and the guarantees of those obligations, are secured, subject to certain exceptions, solely by the following assets of CIT Aerospace LLC, CIT Group Finance (Ireland) Unlimited Company, CIT Aviation Finance III Ltd. or CIT Aerospace International Unlimited Company (or any of their respective aircraft-owning subsidiaries or intermediate lessees) (the “Term Collateral”): (1) a first-priority New York law mortgage in substantially all aircraft (subject to certain exceptions); (2) assignment of each lease of a mortgaged aircraft (provided that no local law filings are required to perfect any lease assignment); (3) assignments of proceeds of hull insurances by the relevant lessor (or AVN67b or equivalent endorsement); (4) assignment of the proceeds of any letters of credit supporting the leases; (5) Cape Town filings in respect of the aircraft and lease assignments, as applicable; and (6) proceeds of the foregoing.

### ***Certain Covenants and Events of Default***

The Term Loan Facility contains a number of restrictive covenants that, among other things and subject to certain exceptions, restrict the ability of the Term Loan Borrowers, CIT Aerospace LLC, CIT Group Finance (Ireland) Unlimited Company, CIT Aviation Finance III Ltd. and CIT Aerospace International Unlimited Company, and certain of their subsidiaries and orphan entities to:

- incur additional indebtedness;
- engage in transactions with affiliates;
- sell, transfer, lease or otherwise dispose of assets;
- consolidate, merge, liquidate or dissolve; and
- incur liens.

In addition, the Term Loan Facility contains a maintenance covenant requiring the Term Loan Borrowers to (a) maintain a maximum loan-to-value ratio, to be tested on (i) the last business day of each of March, June, September and December and (ii) upon certain other events including any removal or deemed removal of certain aircraft from the pool of Term Collateral, (b) maintain a maximum average age of all aircraft constituting Term Collateral as of any date of determination and (c) meet certain Term Collateral pool specifications. In the event that the loan-to-value ratio described in clause (a) above exceeds the applicable ratio, we are required to either (i) prepay all or a portion of the term loans and/or (ii) add additional aircraft and related assets as Term Collateral.

The Term Loan Facility also contains certain customary representations and warranties, affirmative covenants and reporting obligations. In addition, the lenders under the Term Loan Facility are permitted to accelerate the loans and terminate commitments thereunder or exercise other specified remedies available to secured creditors upon the occurrence of certain events of default, subject to certain grace periods and exceptions, which include, among others, payment defaults, breaches of representations and warranties, covenant defaults, cross-defaults to certain material indebtedness, certain events of bankruptcy, certain events under the Employee Retirement Income Security Act of 1974, as amended, material judgments and changes of control.

### **Existing Notes**

Park issued \$1.25 billion in aggregate principal amount of 5.50% senior unsecured notes due 2024 (the “*February 2024 notes*”) on February 3, 2017 pursuant to an indenture dated as of February 3, 2017 among Park, as issuer, Avolon, as parent guarantor, the other guarantors party thereto and Wells Fargo Bank, National Association, as trustee. Interest on the February 2024 notes accrues at a fixed rate of 5.50% per annum. Interest on the February 2024 notes is payable in cash on February 15th and August 15th of each year. As of March 31, 2023, the outstanding principal balance of the existing February 2024 notes was \$765.3 million.

Avolon Holdings Funding issued \$1.0 billion in aggregate principal amount of 5.125% senior unsecured notes due 2023 (the “*October 2023 notes*”) on September 17, 2018 pursuant to an indenture dated as of September 17, 2018 among Avolon Holdings Funding, as issuer, Avolon, as parent guarantor, the other guarantors party thereto and Wells Fargo Bank, National Association, as trustee. Interest on the October 2023 notes accrues at a fixed rate of 5.125% per annum. Interest on the October 2023 notes is payable in cash on April 15th and October 15th of each year, commencing April 15, 2019. As of March 31, 2023, the total principal outstanding on these notes was \$416.5 million.

Avolon Holdings Funding issued \$800.0 million in aggregate principal amount of 5.25% senior unsecured notes due 2024 (the “*May 2024 notes*”) on March 1, 2019 pursuant to an indenture dated as of March 1, 2019 among Avolon Holdings Funding, as issuer, Avolon, as parent guarantor, the other guarantors party thereto and Wells Fargo Bank, National Association, as trustee. Interest on the May 2024 notes accrues at a fixed rate of 5.25% per annum. Interest

on the May 2024 notes is payable in cash on May 15th and November 15th of each year, commencing May 15, 2019. As of March 31, 2023, the total principal outstanding on these notes was \$671.7 million.

Avolon Holdings Funding issued \$1.0 billion in aggregate principal amount of 3.950% senior unsecured notes due 2024 (the “*July 2024 notes*”) and \$750.0 million in aggregate principal amount of 4.375% senior unsecured notes due 2026 (the “*May 2026 notes*”) on April 16, 2019 pursuant to an indenture dated as of April 16, 2019 among Avolon Holdings Funding, as issuer, Avolon, as parent guarantor, the other guarantors party thereto and Wells Fargo Bank, National Association, as trustee. Interest on the July 2024 notes accrues at a fixed rate of 3.950% per annum and interest on the May 2026 notes accrues at a fixed rate of 4.375% per annum. Interest on the May 2026 notes is payable in cash on May 1st and November 1st of each year, commencing November 1, 2019. Interest on the July 2024 notes is payable in cash on January 1st and July 1st of each year, commencing January 1, 2020. As of March 31, 2023, the total principal outstanding on these notes was \$1.7 billion.

Avolon Holdings Funding issued \$1.1 billion in aggregate principal amount of 2.875% senior unsecured notes due 2025 (the “*February 2025 notes*”) and \$650.0 million in aggregate principal amount of 3.250% senior unsecured notes due 2027 (the “*February 2027 notes*”) on January 14, 2020, pursuant to an indenture dated as of January 14, 2020 among Avolon Holdings Funding, as issuer, Avolon, as parent guarantor, the other guarantors party thereto and Wells Fargo Bank, National Association, as trustee. Interest on the February 2025 notes accrues at a fixed rate of 2.875% per annum and interest on the February 2027 notes accrues at a fixed rate of 3.250% per annum. Interest on the February 2025 notes and the February 2027 notes is payable in cash on February 15th and August 15th of each year, commencing August 15, 2020. As of March 31, 2023, the total principal outstanding on these notes was \$1.7 billion.

Avolon Holdings Funding issued \$650.0 million in aggregate principal amount of 5.500% senior unsecured notes due 2026 (the “*January 2026 notes*”) on September 29, 2020, pursuant to an indenture dated as of September 29, 2020 among Avolon Holdings Funding, as issuer, Avolon, as parent guarantor, the other guarantors party thereto and Wells Fargo Bank, National Association, as trustee. Interest on the January 2026 notes accrues at a fixed rate of 5.500% per annum. Interest on the January 2026 notes is payable in cash on January 15th and July 15th of each year, commencing January 15, 2021. As of March 31, 2023, the total principal outstanding on these notes was \$650 million.

Avolon Holdings Funding issued \$1,000.0 million in aggregate principal amount of 4.250% senior unsecured notes due 2026 (the “*April 2026 notes*”) on November 23, 2020, pursuant to an indenture dated as of November 23, 2020 among Avolon Holdings Funding, as issuer, Avolon, as parent guarantor, the other guarantors party thereto and Wells Fargo Bank, National Association, as trustee. Interest on the April 2026 notes accrues at a fixed rate of 4.250% per annum. Interest on the April 2026 notes is payable in cash on April 15th and October 15th of each year, commencing April 15, 2021. As of March 31, 2023, the total principal outstanding on these notes was \$1.0 billion.

Avolon Holdings Funding issued \$750.0 million in aggregate principal amount of 2.125% senior unsecured notes due 2026 (the “*February 2026 notes*”) and \$750.0 million in aggregate principal amount of 2.750% senior unsecured notes due 2028 (the “*February 2028 notes*”) on January 21, 2021, pursuant to an indenture dated as of January 21, 2021 among Avolon Holdings Funding, as issuer, Avolon, as parent guarantor, the other guarantors party thereto and Wells Fargo Bank, National Association, as trustee. Interest on the February 2026 notes accrues at a fixed rate of 2.125% per annum. Interest on the February 2028 notes accrues at a fixed rate of 2.750% per annum. Interest on the February 2026 notes and February 2028 notes is payable in cash on February 21st and August 21st of each year, commencing August 21, 2021. As of March 31, 2023, the total principal outstanding on the February 2026 notes was \$750 million and the total principal outstanding on the February 2028 notes was \$750 million.

During the year ended December 31, 2021, AHFL and Park Aerospace Holdings Limited tendered \$2.03 billion of outstanding senior unsecured notes comprised of \$744.4 million of the senior unsecured notes due August 2022, \$310.6 million of the 5.5% Senior Notes due January 2023 issued by AHFL, \$555.0 million of the October 2023 notes and \$419.7 million of the February 2024 notes, in exchange for AHFL issuing \$2.172 billion aggregate principal amount of 2.528% senior unsecured notes due 2027 (the “*November 2027 notes*”, and together with the October 2023 notes, the February 2024 notes, the May 2024 notes, the July 2024 notes, the February 2025 notes, the January 2026 notes, the February 2026 notes, the April 2026 notes, the May 2026 notes, the February 2027 notes and the February 2028 notes, the “*Existing Notes*”) on August 18, 2021, pursuant to an indenture dated as of August

18, 2021 among Avolon Holdings Funding, as issuer, Avolon, as parent guarantor, the other guarantors party thereto and Wells Fargo Bank, National Association, as trustee. Interest on the November 2027 notes accrues at a fixed rate of 2.528% per annum. Interest on the November 2027 notes is payable in cash on May 18 and November 18 of each year, commencing November 18, 2021. As of March 31, 2023, the total principal outstanding on the November 2027 notes was \$2.0 billion.

### ***Maturity***

The October 2023 notes mature on October 1, 2023. The February 2024 notes mature on February 15, 2024. The May 2024 notes mature on May 15, 2024. The July 2024 notes mature on July 1, 2024. The February 2025 notes mature on February 15, 2025. The January 2026 notes mature on January 15, 2026. The February 2026 notes mature on February 21, 2026. The April 2026 notes mature on April 15, 2026. The May 2026 notes mature on May 1, 2026. The February 2027 notes mature on February 15, 2027. The November 2027 notes mature on November 18, 2027. The February 2028 notes mature on February 21, 2028.

### ***Guarantee***

The Park Notes are guaranteed by Avolon, CIT Aerospace LLC, CIT Group Finance (Ireland) Unlimited Company, CIT Aviation Finance III Ltd., CIT Aerospace International Unlimited Company, Avolon Aerospace and HKAC. The AHFL Notes are guaranteed by Park, Avolon, CIT Aerospace LLC, CIT Group Finance (Ireland) Unlimited Company, CIT Aviation Finance III Ltd., CIT Aerospace International Unlimited Company, Avolon Aerospace and HKAC. Each guarantor provides a full and unconditional guarantee of payment of the principal of and premium, if any, and interest on the Park Notes and/or AHFL Notes, as applicable.

### ***Ranking***

The Existing Notes are the senior unsecured obligations of the applicable issuer and guarantors and rank:

- equal in right of payment with any existing and future unsecured senior indebtedness of the applicable issuer or the applicable guarantor;
- senior in right of payment to any existing and future subordinated indebtedness of the applicable issuer or the applicable guarantor;
- effectively subordinated to all existing and future secured indebtedness of the applicable issuer or the applicable guarantor, to the extent of the value of the assets securing such indebtedness; and
- structurally subordinated to all indebtedness and other liabilities of Avolon's subsidiaries (other than the applicable issuer) that do not guarantee the Existing Notes.

### ***Mandatory Redemption; Offer to Purchase; Open Market Purchases***

The applicable issuer is not required to make any sinking fund payments with respect to the AHFL Notes or the Park Notes, as applicable. However, under certain circumstances, as described under “—Change of Control” below, the applicable issuer may be required to offer to purchase the Existing Notes. The applicable issuers have from time to time purchased the applicable Existing Notes in the open market or otherwise, and continue to evaluate opportunities to make further purchases of the applicable Existing Notes from time to time in the future. See “—Mandatory Redemption Events Relating to Shareholder Payments and Affiliate Investments.”

### ***Optional Redemption***

The Existing Notes are callable at a redemption price equal to (x) 100% of the aggregate principal amount of such Existing Notes plus (y) the excess, if any, of (i) the present value as of such date of redemption of (A) 100% of the principal amount of such Existing Notes plus (B) all required interest payments due on such Existing Notes through the applicable par call date (excluding accrued but unpaid interest to, but not including, the date of redemption),

computed using a discount rate equal to the applicable treasury rate as of such date of redemption, plus a spread, over (ii) the then outstanding principal of such Existing Notes plus (z) accrued and unpaid interest, if any, to but excluding, the redemption date.

In addition, the Existing Notes will be redeemable, in whole or in part, at the applicable issuer's option at any time and from time to time commencing on the applicable par call date, in each case at a redemption price equal to 100% of the principal amount of the Existing Notes being redeemed, plus accrued and unpaid interest to, but excluding, the redemption date.

### ***Suspension of Mandatory Redemption Covenant and Transactions with Affiliates Covenant***

If either (i) the Existing Notes achieve an investment grade rating from two of S&P, Moody's or Fitch or (ii) the Parent Guarantor or Bohai undergoes a change of control that results in HNA Group not otherwise being the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of 30% or more of the voting power of the total outstanding voting stock of the Parent Guarantor, the Parent Guarantor and its subsidiaries will not be subject to the covenants relating to shareholder payments and affiliate investments and transactions with affiliates. As of December 31, 2021, the Existing Notes held investment grade ratings from each of S&P, Moody's and Fitch and such covenants were suspended at that date. Further, as of April 24, 2022, Bohai underwent a change of control that resulted in the HNA Group not otherwise being the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of 30% or more of the voting power of the total outstanding voting stock of the Parent Guarantor. See "Management's Discussion and Analysis of Financial Condition and Results of Operations of Avolon—Financial Condition—HNA Group." This covenant suspension will continue indefinitely.

### ***Dividends and Certain Other Payments***

No dividend whatsoever shall be paid or declared nor shall any distributions be made on any capital stock of the Parent Guarantor (except in shares of, or warrants or rights to subscribe for or purchase shares of, capital stock of the Parent Guarantor), nor shall any payment be made by the Parent Guarantor or any Subsidiary to acquire or retire shares of such capital stock, at a time when an event of default has occurred and is continuing.

### ***Change of Control***

If the applicable issuer or Avolon experiences a change of control (as defined in the applicable Existing Notes indenture), the applicable issuer may under certain circumstances be required to give holders of the applicable Existing Notes the opportunity to sell us such Existing Notes at 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of purchase.

### ***Events of Default***

The Existing Notes indentures also provide for customary events of default, including, without limitation, payment defaults, covenant defaults, cross-defaults to certain other indebtedness in excess of specified amounts, certain events of bankruptcy and insolvency, judgment defaults in excess of specified amounts and the failure of any guaranty by a significant party to be in full force and effect. If any such event of default occurs, it may permit or require the principal, premium, if any, interest and any other monetary obligations on all of the then outstanding Existing Notes issued under the applicable Existing Notes indenture to be due and payable immediately.

### ***Other Indebtedness***

For a discussion of certain other indebtedness, please refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Indebtedness."

## **INDEPENDENT AUDITORS**

Audited Consolidated Financial Statements as of December 31, 2022, and 2021 and for the three years ended December 31, 2022, 2021 and 2020 have been audited by Ernst & Young Chartered Accountants (“EY”) of Harcourt Centre, Harcourt Street, Dublin 2, Ireland as stated in their reports appearing herein. EY is a member firm of the Institute of Chartered Accountants in Ireland.

## **WHERE YOU CAN FIND MORE INFORMATION**

This offering memorandum contains summaries of certain of our agreements. The descriptions contained in this offering memorandum of these agreements do not purpose to be complete and are subject to, or qualified in their entirety by reference to, the definitive agreements.

You may obtain a copy of any of these documents at no cost, by writing or telephoning us at Number One Ballsbridge, Building 1, Shelbourne Road, Ballsbridge Dublin 4, Ireland, Attention: Ed Riley.



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**Avolon Holdings Limited**

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## **Report of Independent Auditors**

### **To the Board of Directors and Shareholders of Avolon Holdings Limited**

#### **Opinion**

We have audited the consolidated financial statements of Avolon Holdings Limited (the “Company”) and its subsidiaries (the “Group”), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of income and other comprehensive income, changes in shareholders’ equity and cash flows for the years ended December 31, 2022, 2021 and 2020, and the related notes to the consolidated financial statements (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Group at December 31, 2022 and 2021, and the results of its operations and its cash flows for the years ended December 31, 2022, 2021 and 2020 in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Group and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Group’s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

#### **Auditor’s Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

## Report of Independent Auditors (Continued)

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Group's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Ernst & Young

Date: February 8, 2023

**Avolon Holdings Limited**  
**Consolidated Balance Sheets**  
**As of December 31, 2022, and 2021**  
**(U.S. dollar in thousands)**

<b>Assets</b>	<b>Note</b>	<b>2022</b>	<b>2021</b>
Cash and cash equivalents.....	3	654,940	774,979
Restricted cash.....	3	102,889	110,906
Trade and other receivables.....		158,225	197,108
Flight equipment held for operating leases, net.....			
- Aircraft.....	4	23,323,459	23,604,399
- Maintenance right assets and lease premium, net.....	4	420,879	543,714
Flight equipment held for sale.....	5	20,588	131,004
Investment in equity accounted investees.....	6	9,673	7,641
Prepayments on flight equipment.....	22	2,427,251	2,538,176
Other assets.....	7	1,884,628	1,378,081
Deferred income tax assets.....	19	1,301,627	1,206,862
Goodwill.....	8	491,455	491,455
<b>Total Assets</b> .....		<b>30,795,614</b>	<b>30,984,325</b>
<b>Liabilities and equity</b>			
Accounts payable, accrued expenses and other liabilities.....	9	427,346	551,040
Lessee security deposits.....	14	283,525	262,118
Accrued maintenance liabilities.....		1,216,256	1,228,330
Liabilities held for sale.....	5	-	6,837
Debt.....	11	19,214,315	19,582,221
Deferred income tax liabilities.....	19	1,689,322	1,564,596
<b>Total Liabilities</b> .....		<b>22,830,764</b>	<b>23,195,142</b>
<b>Equity</b>			
Common shares, \$0.000000000004 par value; 750,000,000,000,000 ordinary shares authorized as of December 31, 2022, and 2021; 2,427,625 ordinary shares issued and 749,999,997,572,375 ordinary shares outstanding as of December 31, 2022, and 2021.....	13	-	-
Additional paid-in capital.....		6,537,348	6,537,348
Accumulated other comprehensive income/(loss).....		152,385	(27,281)
Retained earnings.....		1,275,117	1,279,116
<b>Total Equity</b> .....		<b>7,964,850</b>	<b>7,789,183</b>
<b>Total Equity and Liabilities</b> .....		<b>30,795,614</b>	<b>30,984,325</b>
<b>Supplemental balance sheet information – amounts related to assets and liabilities of consolidated VIEs for which creditors do not have recourse to our general credit:</b>			
Restricted cash.....		11	27
Flight equipment held for operating leases and held for sale.....		36,868	38,620
Debt.....		17,157	19,405
Other liabilities.....		644	684

The accompanying notes on pages F-8 to F-48 form an integral part of these consolidated financial statements.

On behalf of the board

**Director**

**Director**

**Jason Zhang**

**Andy Cronin**

**Date: February 8, 2023**

**Avolon Holdings Limited**  
**Consolidated Statements of Income and Other Comprehensive Income**  
**Years ended December 31, 2022, 2021 and 2020**  
**(U.S. dollar in thousands)**

	Note	2022	2021	2020
<b>Revenues</b>				
Lease revenue .....	15	2,336,916	2,144,098	2,279,021
Gain on disposal of assets .....		49,078	72,445	61,992
Other income .....	16	31,714	31,877	31,502
<b>Total revenues</b> .....		<b>2,417,708</b>	<b>2,248,420</b>	<b>2,372,515</b>
<b>Expenses</b>				
Depreciation and amortization .....	4,7	1,094,682	1,139,668	1,267,733
Impairment .....	4,22	395,294	89,408	108,154
Interest expense .....	18	676,373	786,745	787,887
Selling, general and administrative expenses .....	17	158,755	165,888	188,213
Aircraft maintenance expense .....		58,831	59,666	29,846
<b>Total expenses</b> .....		<b>2,383,935</b>	<b>2,241,375</b>	<b>2,381,833</b>
(Losses)/gain on investments .....	7	(19,841)	21,333	(67,459)
<b>Earnings/(loss) before income tax and profit/(loss) from investments accounted for under equity method</b> .....		<b>13,932</b>	<b>28,378</b>	<b>(76,777)</b>
Income tax (expense)/benefit .....	19	(7,422)	21,293	41,828
<b>Profit/(loss) from investments accounted for under equity method, net of tax</b> .....	6	<b>2,032</b>	<b>(2,186)</b>	<b>(1,664)</b>
<b>Net income/(loss)</b> .....		<b>8,542</b>	<b>47,485</b>	<b>(36,613)</b>
<b>Other comprehensive income/(loss)</b>				
Net change in fair value of derivatives, net of tax of \$21.8m, \$Nil and \$0.8m respectively .....		179,666	65,389	(62,080)
<b>Total other comprehensive income/(loss)</b> .....		<b>179,666</b>	<b>65,389</b>	<b>(62,080)</b>
<b>Total comprehensive income/(loss)</b> .....		<b>188,208</b>	<b>112,874</b>	<b>(98,693)</b>

All activities derive from continuing operations.

The accompanying notes on pages F-8 to F-48 form an integral part of these consolidated financial statements.

On behalf of the board

**Director**

**Director**

**Jason Zhang**

**Andy Cronin**

**Date: February 8, 2023**

**Avolon Holdings Limited**  
**Consolidated Statements of Cashflows**  
**Years ended December 31, 2022, 2021 and 2020**  
**(U.S. dollar in thousands)**

	2022	2021	2020
<b>Cash flows from operating activities</b>			
Net income/(loss) .....	8,542	47,485	(36,613)
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>			
Depreciation and amortization .....	1,213,758	1,252,527	1,405,181
Impairment .....	395,294	89,408	108,154
(Profit)/loss from investments accounted for under equity method, net of tax .....	(2,032)	2,186	1,664
Losses/(gain) from investments .....	19,841	(21,333)	67,459
Amortization of debt issuance costs .....	74,939	70,271	74,309
Net gain on disposal of assets .....	(49,078)	(72,445)	(61,992)
Deferred income tax expense/(benefit) .....	5,220	(28,338)	(49,911)
Other .....	(73,581)	84,617	81,686
<b>Changes in operating assets and liabilities:</b>			
Trade and other receivables and prepayments .....	(296,929)	(617,754)	(610,526)
Accounts payable, accrued expenses and other liabilities .....	(88,985)	88,003	(177,731)
<b>Net cash provided by operating activities</b> .....	<b>1,206,989</b>	<b>894,627</b>	<b>801,680</b>
<b>Cash flows used in investing activities</b>			
Purchase of flight equipment .....	(1,642,768)	(2,148,249)	(1,936,104)
Proceeds from disposal of assets .....	1,398,942	927,660	863,175
Proceeds from disposal of equity securities .....	-	8,690	13,805
Prepayments and deposits on flight equipment .....	(714,698)	(1,055,738)	322,170
Other .....	(8,419)	(15,001)	(9,950)
<b>Net cash used in investing activities</b> .....	<b>(966,943)</b>	<b>(2,282,638)</b>	<b>(746,904)</b>
<b>Cash flows (used in)/from financing activities</b>			
Issuance of debt .....	3,345,236	2,446,808	9,205,260
Repayment of debt .....	(3,759,864)	(2,664,678)	(7,285,560)
Debt issuance costs paid .....	(16,427)	(46,838)	(52,295)
Security deposits and maintenance payments received .....	427,467	328,019	290,521
Security deposits and maintenance payments returned .....	(330,116)	(263,930)	(376,443)
Repayment of lease liabilities .....	(5,310)	(6,081)	(7,714)
Dividends paid .....	(117,255)	(50,000)	(127,466)
Acquisition of interest rate derivatives .....	-	-	(2,503)
Settlement on proceeds from disposal of interest rate derivatives .....	88,167	2,046	4,175
<b>Net cash (used in)/from financing activities</b> .....	<b>(368,102)</b>	<b>(254,654)</b>	<b>1,647,975</b>
<b>Net (decrease)/increase in cash and cash equivalents and restricted cash</b> .....	<b>(128,056)</b>	<b>(1,642,665)</b>	<b>1,702,751</b>
Cash and cash equivalents and restricted cash at January 1, .....	885,885	2,528,550	825,799
<b>Cash and cash equivalents and restricted cash at December 31, .....</b>	<b>757,829</b>	<b>885,885</b>	<b>2,528,550</b>

**Supplemental disclosures of cash flow information:**

Cash paid for interest net of amounts capitalized .....	(728,578)	(807,490)	(765,999)
Cash (paid)/received for income taxes .....	(2,963)	1,053	(505)

*Non-cash investing and financing activities*

Security deposits, maintenance liabilities and other liabilities settled on sale of flight equipment .....	(5,537)	(2,123)	(98,812)
Flight equipment held for operating leases reclassified to flight equipment held for sale .....	20,588	129,984	227,772

The accompanying notes on pages F-8 to F-48 form an integral part of these consolidated financial statements.

On behalf of the board

**Director**

**Director**

**Jason Zhang**

**Andy Cronin**

**Date: February 8, 2023**

**Avolon Holdings Limited**  
**Consolidated Statements of Changes in Shareholders' Equity**  
**Years ended December 31, 2022, 2021 and 2020**  
**(U.S. dollar in thousands)**

	Note	Common Shares	Additional paid-in capital	Accumulated other comprehensive income/(loss)	Retained earnings	Total equity
<b>Balance at December 31, 2019</b> .....		-	6,537,348	(30,590)	1,460,755	7,967,513
Net loss .....		-	-	-	(36,613)	(36,613)
Other comprehensive loss .....		-	-	(62,080)	-	(62,080)
Distributions declared to shareholders .....	13	-	-	-	(192,511)	(192,511)
<b>At December 31, 2020</b> .....		-	6,537,348	(92,670)	1,231,631	7,676,309
Net income.....		-	-	-	47,485	47,485
Other comprehensive income.....		-	-	65,389	-	65,389
<b>At December 31, 2021</b> .....		-	6,537,348	(27,281)	1,279,116	7,789,183
Net income.....		-	-	-	8,542	8,542
Other comprehensive income.....		-	-	179,666	-	179,666
Distributions declared to shareholders .....	13	-	-	-	(12,541)	(12,541)
<b>At December 31, 2022</b> .....		-	-	152,385	1,275,117	7,964,850

The accompanying notes on pages F-8 to F-48 form an integral part of these consolidated financial statements.

On behalf of the board

**Director**

**Jason Zhang**

**Date: February 8, 2023**

**Director**

**Andy Cronin**

**Avolon Holdings Limited**  
**Notes to the Consolidated Financial Statements**  
**(U.S. dollars in thousands, except as otherwise stated)**

**1. The Group and Business Update**

Avolon Holdings Limited (“Avolon Holdings”, “AHL”, the “Company” or “our”), is a Company incorporated in the Cayman Islands.

At December 31, 2022, AHL is a 70% owned, indirect subsidiary of Bohai Leasing Co., Ltd. (“Bohai”) through Global Aircraft Leasing Co., Ltd. (“GALC”) and 30% owned by ORIX Corporation (“ORIX”) through its wholly owned subsidiary ORIX Aviation Systems Limited (“ORIX Aviation”).

The Group, comprising of the Company and its subsidiaries and the Group’s investment in equity accounted investees, is a global aircraft leasing company focused on acquiring, leasing, managing and selling commercial aircraft to various airlines and lessees and acting as servicer for third party aircraft owners.

On April 24, 2022, the Hainan Province High Court confirmed the completion of the implementation of the “Reorganization Plan for Substantive Merger and Reorganization of HNA Group Co., Ltd. and Other 321 Companies” (hereinafter referred to as the “Reorganization Plan”). Prior to the implementation of the Reorganization Plan, HNA Group Co., Ltd. (“HNA Group”) was the indirect controlling shareholder of Bohai thus, through these interests, HNA Group was the Group’s ultimate controlling shareholder. As part of the completion of the Reorganization Plan, a Special Service Trust (the “Trust”) was established to hold the assets of HNA Group and the Other 321 Companies, resulting in HNA Group becoming a dormant entity. CITIC Trust Co., Ltd. and Everbright Xinglong Trust Co., Ltd. are the trustees of the Trust. The ultimate beneficiaries of the Trust consist of the secured and unsecured creditors of HNA Group and the Other 321 Companies.

At December 31, 2022, the Trust holds an indirect ownership interest in Bohai, however is not deemed to be Bohai’s ultimate controlling shareholder as no individual beneficiary of the Trust holds a majority shareholding in, or has control in Bohai. Therefore, at December 31, 2022, Bohai is deemed to be AHL’s ultimate controlling shareholder.

On February 25, 2022, the EU adopted Regulation 2022/328 concerning restrictive measures in view of Russia’s actions destabilizing the situation in Ukraine (the “Regulation”). The Regulation took effect as of February 25, 2022, and includes the following provisions:

- It shall be prohibited to sell, supply, transfer or export, directly or indirectly, goods and technology suited for use in aviation or the space industry, whether or not originating in the Union, to any natural or legal person, entity or body in Russia or for use in Russia, with such provision coming into effect from March 28, 2022, in respect of contracts concluded before February 26, 2022;
- It shall be prohibited to provide insurance and reinsurance, directly or indirectly, in relation to aircraft and parts thereof to any person, entity or body in Russia or for use in Russia, with immediate effect; and
- It shall be prohibited to provide any one or any combination of the following activities: overhaul, repair, inspection, replacement, modification or defect rectification of an aircraft or component, with the exception of pre-flight inspection, in relation to aircraft and parts thereof, directly or indirectly, to any natural or legal person, entity or body in Russia or for use in Russia, with immediate effect.

The US and the UK as well as other jurisdictions also introduced sanctions in connection with Russia’s actions in Ukraine. Prior to the imposition of these sanctions, the Group had 14 owned aircraft on lease to Russian airlines. The aggregate carrying value of these aircraft amounted to \$399.3m, which represented 1.6% of the total aggregate carrying value of our flight equipment at December 31, 2021.

Prior to March 28, 2022, the Group terminated the leasing of all of its 14 owned aircraft which were on lease to Russian airlines. The Group has sought to repossess all of its aircraft from Russian airlines and remove them from Russia. At December 31, 2022, the Group had 4 of these 14 aircraft under its control outside of Russia. While the Group continues to hold legal title to the aircraft that remain in Russia, the Group has concluded that it is not likely that we will regain possession of these aircraft. The 10 aircraft that remain in Russia were removed from the Group’s owned fleet count as of December 31, 2022.

The Group recognized the impact of the termination of the leasing of these aircraft and the loss from asset write-offs and impairment of these aircraft during the year ended December 31, 2022, which resulted in a \$244.2m charge to the Consolidated Statement of Income and Other Comprehensive Income through the recognition of impairment in respect of these aircraft of \$304.0m (refer to note 4) and a net release \$59.8m of other lease associated balances.



**Avolon Holdings Limited**  
**Notes to the Consolidated Financial Statements**  
**(U.S. dollars in thousands, except as otherwise stated)**

**1. The Group and Business Update (continued)**

Our lessees are required to provide insurance coverage with respect to leased aircraft and the Group are named as insureds under those policies in the event of a total loss of an aircraft or engine. The Group also purchase insurance which provides us with coverage when our flight equipment is not subject to a lease or where a lessee's policy fails to indemnify us. The Group have submitted insurance claims for approximately \$329.4m with respect to all owned aircraft remaining in Russia and intend to pursue all of our claims under these policies with respect to our assets leased to Russian airlines as of February 25, 2022.

On November 2, 2022, the Group commenced legal proceedings in the Irish courts against insurers in respect of its previously submitted claims for the loss suffered in respect of the Group's 10 owned aircraft, and a further two managed aircraft, all of which remain detained in Russia.

The Group intends to rigorously pursue its claim against insurers in respect of the loss suffered. However, the collection, timing and amount of any recoveries are uncertain, and we have not recognized any claim receivables as of December 31, 2022.

**2. Summary of significant accounting policies**

**Basis of preparation**

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The Group consolidates all companies in which the Group has direct or indirect legal or effective control and all variable interest entities ("VIE") for which the Group is deemed the primary beneficiary and has control under Accounting Standards Codification ("ASC") 810. All inter group balances and transactions with consolidated subsidiaries have been eliminated. The results of consolidated entities are included from the effective date of control or, in the case of variable interest entities, from the date that the Group is or becomes the primary beneficiary. The results of subsidiaries sold or otherwise deconsolidated are excluded from the date that the Group ceases to control the subsidiary or, in the case of variable interest entities, when the Group ceases to be the primary beneficiary.

Unconsolidated investments where the Group has significant influence are reported using the equity method of accounting.

*Functional currency*

The consolidated financial statements are presented in United States Dollars ("\$"), which is the Group's functional currency and that of each of its subsidiaries. All financial information presented in \$ has been rounded to the nearest thousand, except when otherwise indicated.

*Foreign currency transactions*

Transactions in foreign currencies are translated to \$ at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into \$ at the rates of exchange prevailing at the balance sheet date with differences arising recognized in interest expense in the Consolidated Statement of Income and Other Comprehensive Income.

*Reportable segments*

For management and reporting purposes the Group's activities are organised in one reportable segment based on information provided internally to the Group's Board of Directors. The principal activities of the Group involve the acquisition and leasing of commercial jet aircraft and associated aircraft disposals.

*Going concern*

These consolidated financial statements have been prepared on a going concern basis. The outbreak of COVID-19 has led to travel restrictions and cancellation of flights impacting our customers across the globe. The outbreak and the related decreased demand for aircraft travel continues to impact our customers, being the airlines, which could lead to their inability to meet their lease payment obligations to us, lead to cancellations and no extension of their lease contracts with us which could negatively affect our financial condition, cash flow and results from operating activities. The continued impact from COVID-19 will depend, among other things, on the rate of recovery in air travel and the aviation industry, including the future demand for commercial aircraft and global economic conditions.

**Avolon Holdings Limited**  
**Notes to the Consolidated Financial Statements**  
**(U.S. dollars in thousands, except as otherwise stated)**

**2. Summary of significant accounting policies (continued)**

**Basis of preparation (continued)**

*Going concern (continued)*

In addition, a number of our airline customers have entered into restructuring proceedings including some customers who have filed for Chapter 11 bankruptcy or its local-law equivalent. The Group have engaged in active dialogue with our airline customers and have agreed short term rent deferral arrangements with a number of our customers and, in certain cases, have also agreed to other lease concessions, which will likely have the effect of reducing the lease rental income that will be recognized under the applicable leases.

In some cases, the Group have also negotiated lease extensions as part of rent deferral requests. The Group continue to recognize lease rental income during the rent deferral period only to the extent collection is reasonably assured.

Due to the current environment, the Directors have considered the impact on the Group's use of the going concern basis of preparation at the date of approving of these consolidated financial statements by evaluating all cash inflows and outflows for the Group over the next 12 months under the following assumptions;

- Current unrestricted cash on hand balance available,
- Additional liquidity from available undrawn debt facilities,
- Forecasted lease cash inflows for the next 12 months;
- Forecasted cash outflows for capital expenditure for the next 12 months; and
- Forecasted cash outflows for all contractual debt and lease obligations and selling, general and administrative expenses for the next 12 months.

The Directors have evaluated the Group's continued compliance with the financial and non-financial covenants for the next 12 months. Based on this analysis and all information available at present, the Directors believe that the Group has sufficient liquidity to meet its obligations as they fall due and that it continues to be appropriate to prepare the consolidated financial statements on a going concern basis of preparation.

**Recent accounting standards adopted during the year ended December 31, 2022**

The Group has adopted the following new standards and updates to standards with a date of initial application from January 1, 2022:

**ASU 2022-01, Fair Value Hedging – Portfolio Layer Method (Topic 815)**

In March 2022, the FASB issued ASU 2022-01, Fair Value Hedging – Portfolio Layer Method (Topic 815). The new guidance is effective for reporting periods beginning after December 15, 2022, and interim periods within those fiscal years. The guidance allows nonprepayable financial assets to be included in a closed portfolio hedged using the portfolio layer method allowing entities to apply the same portfolio hedging method to both prepayable and nonprepayable financial assets. The Group has reviewed the impact of the initial application of amendments and determined that there is no significant impact for the Group.

**ASU 2022-02, Troubled Debt Restructurings and Vintage Disclosures (Topic 326)**

In March 2022, the FASB issued ASU 2022-02, Troubled Debt Restructurings and Vintage Disclosures (Topic 326). The new guidance is effective for reporting periods beginning after December 15, 2022, and interim periods within those fiscal years. The guidance removes the recognition and measurement guidance on troubled debt restructurings for creditors that have adopted amendments in Accounting Standards Update No. 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, and enhances disclosures provided about certain modifications of receivables to debtors experiencing financial difficulty. The Group has reviewed the impact of the initial application of amendments and determined that there is no significant impact for the Group.

**ASU 2022-06—Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848**

In December 2022, the FASB issued ASU 2022-06, Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848. The objective of the guidance in Topic 848 provides temporary relief during the transition period. The amendment in this Update allows the deferral of the sunset date of Topic 848 from December 31, 2022, to December 31, 2024, after which entities will no longer be permitted to apply the relief in Topic 848. The inclusion of the sunset provision within Topic 848 based on expectations of when the London Interbank Offered Rate (LIBOR) would cease being published.

**Avolon Holdings Limited**  
**Notes to the Consolidated Financial Statements**  
**(U.S. dollars in thousands, except as otherwise stated)**

**2. Summary of significant accounting policies (continued)**

The guidance intends that it would no longer be necessary to persuade, or compel, banks to submit to LIBOR after December 31, 2021. The Group has reviewed the impact of the initial application of amendments and determined that there is no significant impact for the Group.

**Use of estimates**

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

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

**Cash and cash equivalents**

The Group considers cash and cash equivalents to be cash on hand and highly liquid investments with maturity dates of 90 days or less.

**Restricted cash**

Restricted cash comprises cash held by the Group, but which is ring-fenced or used as security for specific financing arrangements, and to which the Group does not have unfettered access. All restricted cash is held in cash deposit accounts with major financial institutions in segregated accounts or constitutes short-term overnight money.

**Trade and other receivables**

Trade and other receivables represent unpaid lease obligations of lessees under lease contracts, and other receivables. The Group's trade receivables are secured by security deposits or letters of credit which the Group holds on behalf of customers. Trade and other receivables are provided for when it is established that the risk of non-recovery is probable. In establishing whether there is a reasonable expectation of recovery, management considers current market conditions and its customers' financial condition, the extent to which the amounts outstanding exceed the value of the security held, and the current receivables aging and current payment patterns. The allowance for losses on trade and other receivables is offset against lease revenue in our Consolidated Statement of Income and Other Comprehensive Income.

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

Flight equipment held for operating leases, net, includes aircraft, lease premium/deficit and maintenance right assets.

Flight equipment held for operating leases, net, is stated at cost less accumulated depreciation and impairment and is depreciated to its estimated residual value on a straight-line basis over the estimated useful life of the aircraft, which is generally 25 years from the date of manufacture. Residual values of flight equipment held for operating leases are determined based on estimated values at the end of the useful lives of aircraft assets, which are supported by estimates received from independent appraisers. Generally, the residual value of aircraft is estimated at 15% of original manufacture cost. Management periodically reviews this policy and may, at its discretion, make exceptions to this policy when, in its judgment based on industry experience and appraiser values, the residual value estimated pursuant to this policy does not appear to reflect current expectations of residual values. Depreciation methods, useful lives and residual values are reassessed at the reporting date. Depreciation on flight equipment held for operating leases is recognised in the Consolidated Statement of Income and Other Comprehensive Income.

Initial direct costs incurred as part of the acquisition of flight equipment held for operating leases such as costs associated with identifying, negotiating, and delivering aircraft to the Group's lessees, which are specific to each aircraft, are capitalized at cost and depreciated over the estimated useful life of the asset.

**Avolon Holdings Limited**  
**Notes to the Consolidated Financial Statements**  
**(U.S. dollars in thousands, except as otherwise stated)**

**2. Summary of significant accounting policies (continued)**

**Flight equipment held for operating leases, net (continued)**

Modifications or improvements to flight equipment held for operating leases are normally expensed. Where such modifications or improvements materially improve the value of the asset or extend its useful life, these are capitalized and depreciated over the remaining economic life of the asset.

Management evaluates recoverability whenever events or circumstances indicate that the carrying amount may not be recoverable. Indicators may include, but are not limited to, a significant lease restructuring or early lease termination, decrease in appraiser values, significant air traffic decline, the introduction of newer technology aircraft or engines, an aircraft type is no longer in production or a significant airworthiness directive is issued. The Group groups its assets at the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. In relation to flight equipment held for operating leases, the impairment assessment is performed on each individual aircraft.

Recoverability of flight equipment held for operating leases is measured by comparing the carrying amount of the flight equipment to future undiscounted cash flows expected to be generated by the flight equipment held for operating lease. The undiscounted cash flows consist of cash flows from current contracted leases, future projected lease rents and estimated residual or scrap values for each flight equipment. The Group develops assumptions used in the recoverability analysis based on knowledge of active experience in the aircraft leasing market and aviation industry, as well as information received from third-party industry sources. The factors considered in estimating the undiscounted cash flows are affected by changes in future periods due to changes in contracted lease rates, economic conditions, technology and demand for a particular flight equipment type. In the event that the carrying value of the flight equipment held for operating leases exceeds the undiscounted cash flows, an impairment charge is recognized for the amount by which the carrying value exceeds its estimated fair value. This becomes its new cost basis and is depreciated over its remaining useful life.

Flight equipment held for operating leases consist of aircraft acquired through sale-leaseback transactions, aircraft ordered directly from OEMs and aircraft purchased from other lessors. Sale-leaseback transactions with airlines involve either new aircraft that an airline has ordered directly from the OEM, or aircraft already in service. The Group acquires and leases the aircraft to the airline for a number of years.

**Lease premium/deficit**

Lease premium represents the value of an acquired lease where the contractual rent payments are above the market lease rate at the date of acquisition. This asset is recognized at cost based on discounted cashflows and is amortized on a straight-line basis over the remaining term of the related lease and recorded as a component of depreciation and amortization in the Consolidated Statement of Income and Other Comprehensive Income.

Lease deficit represents the value of an acquired lease where the contractual rent payments are below the market lease rate at the date of acquisition. This liability is recognised at cost based on discounted cashflows and amortized on a straight-line basis over the remaining term of the related lease and recorded as a component of depreciation and amortization in the Consolidated Statement of Income and Other Comprehensive Income.

**Maintenance right assets**

For maintenance right asset there are two types detailed below, End of Lease ('EOL') leases or Cash Maintenance ('Cash MR') leases.

***EOL leases***

Under EOL leases, the lessee is obligated to comply with certain return conditions at redelivery which require the lessee to perform lease end maintenance work or make cash compensation payments at the end of the lease to bring the aircraft into a specified maintenance condition. Maintenance right assets in EOL leases represent the difference in value between the contractual right to receive an aircraft in an improved maintenance condition together with EOL cash compensation as compared to the maintenance condition on the acquisition date. Maintenance right liabilities exist in EOL leases if, on the acquisition date, the maintenance condition of the aircraft is greater than the contractual return condition in the lease and the Group is required to pay the lessee in cash for the improved maintenance condition. Maintenance right assets and liabilities, net, are recorded as a separate component in flight equipment held for operating leases on the Consolidated Balance Sheet.

**Avolon Holdings Limited**  
**Notes to the Consolidated Financial Statements**  
**(U.S. dollars in thousands, except as otherwise stated)**

**2. Summary of significant accounting policies (continued)**

**Maintenance right assets (continued)**

***EOL leases(continued)***

When the Group has recorded maintenance right assets with respect to EOL leases, the following accounting scenarios exist: (i) the aircraft is returned at lease expiry in the contractually specified maintenance condition without any cash payment to the Group by the lessee, an aircraft improvement is recorded to the extent the improvement is substantiated and deemed to meet the Group's

capitalization policy and any remaining maintenance right asset is then fully amortized or (ii) the lessee elects to partially pay the Group cash compensation at lease expiry, an aircraft improvement is recorded to the extent the improvement is substantiated and deemed to meet the Group's capitalization policy, the maintenance right asset is then amortized and any excess is recognized as end of lease income or expense consistent with the Group's existing policy.

Any aircraft improvement will be depreciated over the remaining useful life of the aircraft. When the Group has recorded maintenance right liabilities with respect to EOL leases, the following accounting scenarios exist: (i) the aircraft is returned at lease expiry in the contractually specified maintenance condition without any cash payment by the Group to the lessee, the maintenance right liability is amortized at lease expiry and any end of lease income is recognized or, (ii) the Group pays the lessee cash compensation at lease expiry, the maintenance right liability is amortized, and any difference is recognized as end of lease income.

***Cash MR leases***

Under Cash MR leases, the lessee is required to make periodic payments to the Group for maintenance based upon usage of the aircraft. When qualifying major maintenance is performed during the lease term, the Group is required to reimburse the lessee for qualifying costs associated with such maintenance. At the end of lease, the Group is entitled to retain any cash receipts in excess of the required reimbursements to the lessee. Maintenance right assets in Cash MR leases represent the lessee's obligation to perform maintenance on the aircraft during the lease term. The aircraft is improved by the performance of qualifying major maintenance paid for by the lessee who is reimbursed by the Group from the periodic maintenance payments that it receives.

Where the Group has recorded maintenance right assets with respect to Cash MR leases and when the Group has reimbursed the lessee for the performance of qualifying major maintenance, the maintenance right asset is derecognised, and an aircraft improvement is recorded. Under Cash MR leases, the Group does not record a maintenance right liability because it has no obligation to make payments to the lessee, beyond reimbursement of maintenance payment liabilities or payment of lease incentive obligations, which are already recorded in the Group's consolidated financial statements.

**Flight equipment held for sale**

Flight equipment and related liabilities are classified as held for sale when the Group commits to and commences a plan of sale that is reasonably expected to be completed within one year. Aircraft classified as flight equipment held for sale are recognized at the lower of carrying value or fair value less estimated cost to sell.

Flight equipment held for sale are not depreciated. Subsequent changes to the asset's fair value, either increases or decreases, are recorded as adjustments to the carrying value of the flight equipment held for sale. However, any such adjustment will not exceed the original carrying value of the flight equipment held for sale.

**Net investment in finance and sales-type leases**

If a lease meets specific criteria at lease commencement or at the effective date of a lease modification, the Group recognize the lease as a direct financing or sales-type lease. The net investment in direct financing and sales-type leases consists of the lease receivable, estimated unguaranteed residual value of the leased aircraft at lease-end and, for direct financing leases, deferred selling profit. For sales-type leases, the Group recognize the difference between the net book value of the aircraft and the net investment in the lease as a gain or loss on sale of flight equipment. Selling profit on a direct financing lease is deferred and amortized over the lease term, and a selling loss is recognized at lease commencement. Interest income on our net investment in leases is recognized as Direct financing and sales-type lease revenue over the lease term in a manner that produces a constant rate of return on the net investment in the lease.

**Avolon Holdings Limited**  
**Notes to the Consolidated Financial Statements**  
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**2. Summary of significant accounting policies (continued)**

**Net investment in finance and sales-type leases (continued)**

Collectability of direct financing and sales-type leases is evaluated at lease commencement and periodically during the lease term. The evaluation is performed at an individual customer level and, among other things, considers the credit of the lessee and the value of the underlying aircraft. An allowance for expected credit losses on direct financing and sales-type leases is established when the risk of non-recovery is probable.

**Investment in equity accounted investees**

Investments in which the Group is deemed to exert significant influence, but not control, are accounted for using the equity method of accounting. The initial investment, and any subsequent investments are measured at cost. Under the equity method of accounting, the Group's share of earnings or (losses) from equity method investments is included in the Consolidated Statement of Income and Other Comprehensive Income. The carrying amounts of equity method investments are reflected in "Investment in equity accounted investees" on the Consolidated Balance Sheet.

**Goodwill**

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses. Goodwill is tested for impairment annually or when indicators of impairment exist.

**Other Assets**

Other assets comprise lease incentive asset, deferred operating lease revenue, straight line rents, operating lease right of use asset, investments, derivatives financial instruments, debt issuance costs on undrawn debt, inventory, other tangible fixed assets, prepaid expenses and other assets.

*Lease incentive assets*

Lease incentive assets or liabilities represent the value of an acquired lease where an aircraft is acquired at an above or below market value and the contractual rent payments are below or above the market rate at the date of acquisition. This asset is amortized over the remaining term of the related lease agreements. In addition, at the beginning of each new lease, subsequent to the first lease on a new aircraft, lessor contributions representing contractual obligations on the part of the Group to contribute to the lessee's cost of the next planned major maintenance event, expected to occur during the lease, are established. Lessor contributions represent a lease incentive and are recorded as a charge against lease rental income over the life of the associated lease. The Group regularly reviews the level of lessor contributions to cover its contractual obligations under current lease contracts and makes adjustments as necessary.

*Deferred operating lease revenue*

Deferred operating lease revenue represent lease revenue earned but not yet received. The Group's deferred operating lease revenue are secured by security deposits or letters of credit which the Group holds on behalf of customers. The Group applies a lifetime expected credit loss to deferred operating lease revenue to the extent to which they exceed security packages in respect of rental deferral arrangements. The expected credit loss is measured using a provision matrix which incorporates the risk rating of our lessees, aging of deferred operating lease receivables and the risk of default of our lessees. The expected credit loss on deferred operating lease revenue is written off against lease revenue in the Consolidated Statement of Income and Other Comprehensive Income.

*Straight line rents*

The Group leases aircraft principally under operating leases and reports rental income rateably over the life of each lease. At lease inception the Group reviews all necessary criteria to determine proper lease classification. The Group recognizes rental income from operating leases on a straight-line basis over the term of the lease. The amount of the difference between basic lease rents recognized and cash received is included in other assets under straight line rents, or in the event it is a liability, in accounts payable, accrued expenses and other liabilities.

*Investments*

The Group's investments consist of investments in equity and debt securities.

**Avolon Holdings Limited**  
**Notes to the Consolidated Financial Statements**  
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**2. Summary of significant accounting policies (continued)**

**Other Assets (continued)**

*(i) Investments in equity securities*

The Group accounts for investments in entities which it does not control or exert significant influence over using either the cost method or fair value. Subsequent impairment and changes in fair value are recognized as gains or losses on investments in the Consolidated Statement of Income and Other Comprehensive Income. Interest received from investments in equity securities are recognized as other income in the Consolidated Statement of Income and Other Comprehensive Income.

*(ii) Investments in debt securities*

The Group accounts for debt securities that are bought and held principally for the purpose of resale in the near term as trading debt securities which are initially recorded at fair value. Subsequent changes in fair value are recognized as gains or losses on investments in the Consolidated Statement of Income and Other Comprehensive Income.

Interest income from investments in trading debt securities are recognized as other income using the effective interest rate method in the Consolidated Statement of Income and Other Comprehensive Income.

*Prepaid expenses and other assets*

The Group's prepaid expenses and other assets includes deposits paid relating to sale and lease back transactions with airline customers. These carrying amounts of these deposits paid are based on the cash amounts of deposits paid including any interest receivable. Interest income from deposits paid are recognized as other income using the effective interest rate method in the Consolidated Statement of Income and Other Comprehensive Income.

*Inventory*

Inventory consists primarily of engine and airframe components and piece parts. The Group values inventory at the lower of cost and net realisable value. Inventory is included within Other Assets on the Consolidated Statement of Financial Position. Any gain or loss realised on the sale of inventory is recorded within gain on disposal of assets on the Consolidated Statement of Income and Other Comprehensive Income.

*Other tangible fixed assets*

Other tangible fixed assets include leasehold improvements, office equipment and computer hardware and software. Depreciation methods, useful lives and residual values are reassessed at the reporting date and recognised on a straight-line basis over the shorter of the lease term and their useful lives. The estimated useful lives for current and comparative periods range between 3 and 5 years.

*Derivative financial instruments*

The Group uses derivative financial instruments, such as forward currency swaps, interest rate caps and interest rate swaps to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

On the date that the Group enters into a derivatives contract, the Group typically documents all relationships between the hedging instruments and the hedged items, as well as its risk management objective and strategy for undertaking each hedge transaction. The gain or loss on hedging instrument is recognized in Other Comprehensive Income in the hedging reserve. When cash flow hedge accounting treatment is applied, the changes in fair values related to the effective portion of the derivatives are recorded in Other Comprehensive Income, and the ineffective portion is recognized immediately in interest expense. Amounts recognized in Other Comprehensive Income are transferred to the Consolidated Statement of Income when the hedged transaction affects statement of income, such as when hedged financial income or financial expense is recognized or when a forecast sale occurs.

Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognized in Other Comprehensive Income are transferred to the initial carrying amount of the non-financial asset or non-financial liability.

**Avolon Holdings Limited**  
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**2. Summary of significant accounting policies (continued)**

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of a hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, the amounts previously recognized in Other Comprehensive Income remain in Other Comprehensive Income until the forecast transaction occurs or the foreign currency firm commitment is met.

When cash flow hedging treatment is not applied, gains and losses arising from changes in fair value of a non-hedged derivative are recognized as they arise in the Consolidated Statement of Income and Other Comprehensive Income as part of interest expense.

**Capitalization of interest**

The Group may borrow funds to finance deposits on new aircraft purchases. The Group capitalizes interest expense on such borrowings at the actual borrowing rate. The capitalized amount allocated to the equity portion of the prepayments on flight equipment is calculated based on the weighted average of the rates applicable to all borrowings of the Group and is recorded as an increase to the cost of the flight equipment held for operating leases or on prepayments on flight equipment.

**Debt and deferred debt issuance costs**

The Group's debt is carried at the principal amount borrowed, including unamortized discounts, premiums, fair value adjustments and debt issuance costs. The Group amortizes the amount of discounts, premiums and fair value adjustments over the period the debt is outstanding using the effective interest rate method. In addition, the Group incurs debt issue costs in connection with debt financings. Those costs are deferred and amortized over the life of the specific financing issuance using the effective interest method and charged to interest expense.

In addition, interest expenses comprise interest expense on debt, unwinding of the discount on provisions, foreign currency losses and losses on hedging instruments that are recognised in the Consolidated Statements of Income and Other Comprehensive Income. Interest expense on debt is recognised in the Consolidated Statements of Income and Other Comprehensive Income using the effective interest method.

**Accrued maintenance liabilities**

Accrued maintenance liabilities received in cash from lessees are recognized as maintenance liabilities on the Consolidated Balance Sheet in recognition of the contractual commitment to either refund such receipts or to hold them for future scheduled maintenance work to be performed thereafter. Maintenance work performed by lessees will not be capitalized, but instead will be recorded as a refund of the accrued maintenance liability and shown as a deduction from the payments by the Group for the accrued maintenance liabilities account on the Consolidated Balance Sheet.

Lessor contributions and top-ups to the accrued maintenance liabilities will be recorded as a leasing expense (over the term of the lease), except where a liability exists by virtue of having purchased an aircraft with leases attached including an obligation to refund accrued maintenance liabilities payments made to date by the lessee, or where they are deemed to be modifications / improvements that materially improve the value of the asset/ lease or extends its useful life whereby it would be capitalized and depreciated over the respective life of the asset or remaining term of the lease. When flight equipment held for operating leases is sold, the portion of the accrued maintenance liabilities which is not assigned to the buyer is recognized as gain or loss on disposal of flight equipment held for operating leases.

The Group relies on its ongoing use of its maintenance forecasting model to assess contractual commitments to refund maintenance receipts and recognize any excess accrued maintenance liabilities in the Consolidated Statement of Income and Other Comprehensive Income.

**Lessee security deposits**

Lessee security deposits represent cash security with respect to aircraft currently on lease and amounts received from lessees who have signed a letter of intent or lease agreement with the Group for aircraft that they have not yet received are recognized on the Consolidated Balance Sheet. Lessee security deposits are generally refundable at the end of the contract lease period after all lease obligations have been met by the customer.

**Equity**

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognised as a deduction from equity, net of any tax effects.



**Avolon Holdings Limited**  
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**2. Summary of significant accounting policies (continued)**

**Income taxes**

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Consolidated Statement of Income and Other Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. The Group recognises an uncertain tax benefit only to the extent that it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred income tax assets attributable to unutilised losses carried forward or other timing differences are reduced by a valuation allowances if it is more likely than not that such losses will not be utilised to offset future taxable income. The key judgements associated with the accounting for valuation allowances in respect of deferred tax assets relate primarily to:

- Favourable profit projections which are consistent with forecasts used for internal management and planning purposes, and also consistent with forecasts used to support other areas of financial reporting such as impairment analysis;
- Expected reversals of deferred tax liabilities;
- Contractually committed lease agreements which support a future income stream in excess of the costs required to service the lease; and
- Appreciation of the value of flight equipment in excess of their carrying value

**Revenue**

The Group leases aircraft principally under operating leases and recognizes rental income from operating leases on a straight-line basis over the term of each lease. At lease inception the Group reviews all necessary criteria to determine proper lease classification.

The Group leases aircraft principally under operating leases and reports rental income ratably over the life of each lease. At lease inception the Group reviews all necessary criteria to determine proper lease classification. The Group recognizes rental income from operating leases on a straight-line basis over the term of the lease.

The Group's lease contracts normally include default covenants, and the effect of a default by a lessee is generally to oblige the lessee to pay damages to the lessor to put the lessor in the position one would have been had the lessee performed under the lease in full. There are no additional payments required which would increase the minimum lease payments.

Lease agreements for which base rent is based on floating interest rates are included in minimum lease payments based on the floating interest rate existing at the inception of the lease; any increases or decreases in lease payments that result from subsequent changes in the floating interest rate are contingent rentals and are recorded as increases or decreases in lease revenue in the period of the interest rate change.

Rentals received, but unearned, under the lease agreements are recorded in accounts payable, accruals and other liabilities on the Consolidated Balance Sheet until earned. We periodically evaluate the collectability of our operating lease contracts to determine the appropriate revenue recognition model to apply to each lessee. Accrual-based revenue recognition ceases in an operating lease contract when the collection of the rental payments is no longer probable and thereafter rental revenues are recognised using a cash receipts basis. In the period when collection of lease payments is no longer probable, any difference between revenue amounts recognized to date under the accrual method and payments that have been collected from the lessee, including security deposit amounts held, is recognized as a current period adjustment to lease revenue.

In all contracts, the lessee is required to re-deliver the flight equipment held for operating leases in a particular maintenance condition, with reference to major life-limited components of the aircraft. To the extent that such components are redelivered in a condition different to that outlined in the contract, there is normally an end-of-lease compensation adjustment for the difference at re-delivery.

**Avolon Holdings Limited**  
**Notes to the Consolidated Financial Statements**  
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**2. Summary of significant accounting policies (continued)**

**Revenue (continued)**

Amounts received as part of these re-delivery adjustments are recorded as lease rental income at lease termination. Maintenance income is recognised throughout the lease term as the maintenance reserves collected in excess of the projected obligation to refund these maintenance reserves to the lessee during the term of the lease.

Other income includes interest earned on cash and cash equivalents, deposits paid and from investments and management fees earned by the Group from third party aircraft owners.

**Gain on disposal of assets**

Aircraft sales are recognized when substantially all of the control and ownership risk have passed to the new owner. Retained lessee obligations, if any, are excluded from the calculation of gain on disposal of aircraft at the time of the sale. Retained lease obligations could include maintenance claims received from the lessee which are not processed at the time of disposal. The Group does not retain any lessee obligations following the disposal of aircraft. Gain on disposal of aircraft is calculated as sale proceeds and the release of security deposit liability and accrued maintenance liability, less the sum of (i) depreciated net book value of the aircraft at the time of disposal, (ii) any liabilities assumed on the cost of disposal and (iii) cash deposits held by the Group in respect of any accrued maintenance liability and security deposits transferred on disposal. The portion of the accrued maintenance liability which is not specifically assigned to the buyer is released from the balance sheet and recognized as part of the net gain on disposal of aircraft.

**Employee benefits**

Obligations for contributions to defined contribution pension plans are recognized as an expense in selling, general and administrative expenses when they are due. The Group's net obligation in respect of employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

**Fair value measurements**

Fair value is defined as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Group utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Group determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market.

When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.
- Level 2 Inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

In some cases, the inputs used to measure fair value can fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given financial instrument is based on the lowest level of input that is significant to the fair value measurement. Transfers between levels of the fair value hierarchy are recognized at the beginning of the reporting period.

*Flight equipment held for operating leases*

The Group measures the fair value of our flight equipment held for operating leases on a non-recurring basis. These fair value measurements are classified as Level 3 valuations. The Group principally use the income approach to measure the fair value of flight equipment held for operating leases. Fair value is based on expected future cash flows to be generated to the end of the aircraft's estimated holding period in its highest and best use discounted at a market rate.

**Avolon Holdings Limited**  
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**2. Summary of significant accounting policies (continued)**

Expected future cash flows are based on all relevant information available, including the existing lease, current contracted rates for similar aircraft, assumed re-lease rates, residual values, economic conditions, technology, airline demand for a particular type of aircraft, appraisal data and industry trends, and assumptions about downtime between re-leasing and the amount of re-leasing costs.

*Cash and cash equivalents*

The carrying amount approximates to fair value due to the short-term nature of these instruments.

*Derivatives*

Interest rate swaps and caps held by the Group are measured at fair value. Fair value is determined by using contractual cash flows and observable inputs comprising (as applicable) yield curves, foreign currency rates and credit spreads. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group itself and counterparty as required.

*Prepayments on flight equipment*

Prepayments on flight equipment are recorded in the consolidated financial statements at cost as per the applicable purchase agreement. Prepayments on flight equipment are assessed for fair value with respect to the valuation of aircraft. The Group uses independent, professional valuations as an estimate of fair value of aircraft. In addition, financing costs associated with prepayments on flight equipment are capitalized as incurred. As aircraft which are subject to prepayments on flight equipment are delivered, all applicable prepayments on flight equipment and financing costs are re-classified to flight equipment held for operating leases.

*Trade receivables*

The carrying amount approximates to fair value due to the short-term nature of these instruments.

*Debt*

The fair value of debt was estimated using quoted market prices where available. The fair value of certain debt without quoted market prices is estimated using discounted cash flow analysis based on current market prices for similar type debt instruments.

*Investments in equity and debt securities*

At initial recognition, the Group's investments in equity securities are recognized at the transaction price or at fair value. At initial recognition, the Group's investments in trading debt securities are recognized at fair value. Subsequent changes in fair value of equity and trading debt securities are calculated by use of (i) a quoted share/debt price, or third-party bid prices, if available, (ii) an EBIDTA multiple valuation or (iii) discounted cash flow analysis which are considered to be reliable and representative of fair value of the investment.

**Variable interest entities**

The Group consolidates VIEs for which it has determined that it is the primary beneficiary. The Group uses judgment when deciding (a) whether an entity is subject to consolidation as a VIE, (b) who the variable interest holders are, (c) the potential expected losses and residual returns of the variable interest holders, and (d) which variable interest holder is the primary beneficiary.

When determining which enterprise is the primary beneficiary, the Group considers (1) the entity's purpose and design, (2) which variable interest holder has the power to direct the activities that most significantly impact the entity's economic performance, and (3) the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE.

**Avolon Holdings Limited**  
**Notes to the Consolidated Financial Statements**  
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**3. Cash and cash equivalents and restricted cash**

The following is a summary of our cash, cash equivalents and restricted cash as of December 31, 2022, and 2021:

	<b>As of December 31,</b>	
	<b>2022</b>	<b>2021</b>
Cash and cash equivalents .....	654,940	774,979
Restricted cash .....	102,889	110,906
<b>Total cash and cash equivalents and restricted cash .....</b>	<b>757,829</b>	<b>885,885</b>

Restricted cash comprises cash held by the Group which is ring-fenced or used as security for specific financing arrangements (note 11).

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

		<b>Maintenance right asset</b>	<b>Lease premium</b>	<b>Total</b>
<b>2022</b>	<b>Aircraft</b>			
<b>Net book value at January 1, 2022.....</b>	<b>23,604,399</b>	<b>424,484</b>	<b>119,230</b>	<b>24,148,113</b>
Additions.....	2,345,498	-	-	2,345,498
Transfer (to)/from held for sale.....	109,396	-	-	109,396
Transfer to inventory.....	(5,621)	-	-	(5,621)
Disposals/derecognitions .....	(1,346,545)	(69,802)	67	(1,416,280)
Depreciation/amortization.....	(1,026,940)	(11,407)	(41,693)	(1,080,040)
Impairment.....	(356,728)	-	-	(356,728)
<b>Net book value at December 31, 2022</b>	<b>23,323,459</b>	<b>343,275</b>	<b>77,604</b>	<b>23,744,338</b>

		<b>Maintenance right asset</b>	<b>Lease premium</b>	<b>Total</b>
<b>2021</b>	<b>Aircraft</b>			
<b>Net book value at January 1, 2021.....</b>	<b>22,523,112</b>	<b>557,984</b>	<b>190,588</b>	<b>23,271,684</b>
Additions.....	2,937,310	-	-	2,937,310
Transfer (to)/from held for sale.....	(96,177)	1,983	-	(94,194)
Transfer to inventory.....	(1,999)	-	-	(1,999)
Disposals/derecognitions .....	(658,686)	(92,515)	(28)	(751,229)
Depreciation/amortization.....	(1,009,753)	(42,968)	(71,330)	(1,124,051)
Impairment.....	(89,408)	-	-	(89,408)
<b>Net book value at December 31, 2021.....</b>	<b>23,604,399</b>	<b>424,484</b>	<b>119,230</b>	<b>24,148,113</b>

As of December 31, 2022, and 2021, accumulated depreciation on aircraft was \$5,481.2m and \$4,732.3m respectively.

During the years ended December 31, 2022, and 2021, the Group capitalized maintenance right asset of \$33.8m and \$90.4m to aircraft.

Flight equipment held for operating leases, net, are assessed for recoverability in accordance with ASC 360, at each reporting date or whenever events or changes in circumstances indicate that their carrying value may not be recoverable.

During the years ended December 31, 2022, 2021, and 2020, the Group recognized impairment charges related to lease terminations and aircraft where the net book value was in excess of its value in use as follows:

	<b>Year ended December 31,</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Flight equipment held for operating leases .....	356,728	75,053	108,154
Flight equipment held for sale .....	-	14,355	-
<b>Total .....</b>	<b>356,728</b>	<b>89,408</b>	<b>108,154</b>

The Group develops the assumptions used in the recoverability assessment based on its knowledge of active lease contracts, current and future expectations of the global demand for particular aircraft types and historical experience in the aircraft leasing market and aviation industry, as well as information received from third-party sources. The factors considered in estimating the future cash flows are impacted by changes in contracted lease rates, future projected lease rates, transition costs, estimated downtime, estimated residual values, economic conditions, technology, and airline demand for particular aircraft types.

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**4. Flight equipment held for operating leases, net (continued)**

The following table shows the Group's flight equipment held for operating leases, net attributable to geographic region based on the principal place of business of our lessees as of December 31, 2022, and 2021:

Geographic concentration:	2022	As of December 31,		2021	2021
		2022	%		
Europe, Middle East and Africa (EMEA).....	7,560,505	32		7,669,080	32
Asia Pacific (APAC) .....	11,337,199	48		11,181,156	46
Americas.....	4,846,634	20		5,297,877	22
<b>Total</b> .....	<b>23,744,338</b>	<b>100</b>		<b>24,148,113</b>	<b>100</b>

**5. Flight equipment and other liabilities held for sale**

Under the provisions of ASC 360, any aircraft which meets certain criteria and is expected to be sold in its present condition is required to be classified as held for sale. As of December 31, 2022, the Group had an agreement for the sale of 2 aircraft (December 31, 2021: 1 aircraft) which was classified as held for sale. The Group expects to finalize the sale of the aircraft within the twelve months from December 31, 2022. The Group did not incur impairment losses in respect of aircraft that were classified as held for sale during the year ended December 31, 2022 (Year ended December 31, 2021, and 2020: \$14.4m and \$Nil). During the year ended December 31, 2022, the Group reclassified one aircraft which previously met the criteria of ASC 360 to flight equipment held for operating leases as it no longer met the criteria to be held for sale following the termination of the sale agreement in respect of this aircraft.

**6. Investment in equity accounted investees**

	As of December 31,	
	2022	2021
Investment in equity accounted investees.....	9,673	7,641
<b>Total</b> .....	<b>9,673</b>	<b>7,641</b>

In 2018, the Group entered into an arrangement with Cinda Leasing (HK) Co. ("Cinda") and subsequently Jade Aviation LLC ("Jade") was formed in which the Group holds a 20% shareholding. Jade is principally engaged in leasing commercial jet aircraft and was incorporated in the Cayman Islands on January 11, 2018. The Group has a residual interest in the net assets of Jade. The Group has determined that it has significant influence in Jade but does not have control and is not the primary beneficiary. Accordingly, Jade has been included in the Group's Consolidated financial statements as an investment in equity accounted investees using the equity method of accounting. Jade is not publicly listed and is an Irish tax resident entity. During the year ended December 31, 2022, Jade did not acquire or sell any aircraft (Year ended December 31, 2021: no aircraft acquired, and 2 aircraft sold, and Year ended December 31, 2020: no aircraft acquired or sold) and held 6 aircraft at December 31, 2022 (December 31, 2021: 6 aircraft). The Group's exposure to a loss in Jade is limited to the equity the Group has invested.

The share of profits from equity accounted investees of \$2.0m for the year ended December 31, 2022 (Years ended December 31, 2021, and 2020: \$2.2m loss and \$1.7m loss) relates to the Group's share of profit and losses from its investment in Jade.

**7. Other Assets**

Other assets consisted of the following as of December 31, 2022, and 2021:

	As of December 31,	
	2022	2021
Deferred operating lease revenue, net of allowance for expected credit losses .....	377,126	365,476
Lease incentive asset and straight-line rents .....	935,816	833,883
Operating leases ROU assets .....	65,532	64,607
Other tangible fixed assets .....	7,304	11,126
Debt issuance costs .....	12,677	17,615
Prepaid expenses, inventory and other assets .....	271,760	36,679
Investments .....	60,263	42,298
Derivative assets (note 10).....	154,150	6,397
<b>Total</b> .....	<b>1,884,628</b>	<b>1,378,081</b>

**Avolon Holdings Limited**  
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**7. Other Assets (continued)**

**Operating leases ROU assets**

During the year ended December 31, 2022, the Group recognised a lease expense charge of \$8.6m in respect of operating leases (Years ended December 31, 2021, and 2020: \$9.4m and \$11.1m respectively).

**Other tangible fixed assets**

During the year ended December 31, 2022, the Group recognized depreciation of \$6.1m on other tangible fixed assets (Years ended December 31, 2021, and 2020: \$6.2m and \$6.4m respectively).

**Prepaid expenses, inventory and other assets**

At December 31, 2022, prepaid expenses, inventory and other assets includes deposits paid of \$232.2m during the year ended December 31, 2022, as part of a commitment to purchase aircraft from airline customers in the form of sale and leaseback transactions (December 31, 2021: \$0.8m).

**Investments**

During the year ended December 31, 2022, as part of the settlement of claims by airlines, the Group received ordinary shares in airlines at an aggregate valuation of \$22.2m (Years ended December 31, 2021, and 2020: \$Nil and \$Nil). As of December 31, 2022, the Group's investment in equity securities in airlines had a fair value of \$24.1m based on an EBITDA multiple valuation method (refer to note 12). The Group recognized an unrealized gain on investments in equity securities in airlines of \$1.9m for the year ended December 31, 2022 (Years ended December 31, 2021, and 2020: realized loss of \$0.1m and \$54.2m).

During the year ended December 31, 2021, the Group acquired ordinary shares, for total consideration of \$15.0m, in Vertical Aerospace Limited ("Vertical"), a public company which listed on the New York Stock Exchange under the symbol "EVTL". As of December 31, 2022, the Group held 5,557,600 ordinary shares in Vertical with a fair value of \$18.8m based on the quoted market price (December 31, 2021: \$37.4m). The Group recognized an unrealized loss on investment in Vertical of \$18.6m for the year ended December 31, 2022 (Years ended December 31, 2021, and 2020: \$22.4m unrealized gain and \$Nil).

During the year ended December 31, 2022, the Group recognized an unrealized loss on investments in Sapphire and Sapphire II of \$3.2m (Years ended December 31, 2021, and 2020: unrealized loss of \$0.9m and \$13.3m). As of December 31, 2022, the Group's aggregate investment in Sapphire and Sapphire II was \$1.7m (December 31, 2021: \$4.9m).

During the year ended December 31, 2022, as part of the settlement of claims by airlines, the Group received debt securities issued by airlines, which have been classified as trading debt securities, at an aggregate valuation of \$15.6m (Years ended December 31, 2021, and 2020: \$Nil and \$Nil). As of December 31, 2022, the Group's investment in trading debt securities had a fair value of \$15.6m based on third-party bid prices (refer to note 12).

**8. Goodwill**

	<b>As of December 31,</b>	
	<b>2022</b>	<b>2021</b>
Goodwill .....	491,455	491,455
<b>Total</b> .....	<b>491,455</b>	<b>491,455</b>

On January 8, 2016, Mariner Acquisition Ltd. ("Merger Sub") merged with and into AHL. As a result of the Merger, the separate corporate existence of Merger Sub ceased and Avolon continued as the surviving company in the Merger ("the Bohai transaction"). Goodwill arose as a result of the Bohai transaction. Goodwill is attributable mainly to synergies from combining the operations of the entities and intangible assets acquired that do not qualify for separate recognition.

No impairment arose during the year ended December 31, 2022 (Years ended December 31, 2021, and 2020: \$Nil and \$Nil) as the fair value of the reporting unit (deemed to be the Group), based on the income approach, exceeded the carrying amount. The key assumptions used in the cash flow forecasts for the purposes of this calculation is based on a 3-year plan approved by senior management and the AHL Board. Cash flow forecasts use growth factors consistent with both historical rates and a combination of internal and external factors and include an assumption of aircraft disposal in the final year, based on independent aircraft appraiser valuations. The cash flows were discounted using the weighted average cost of capital of the Group of 6.4% (December 31, 2021: 4.7%).

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**9. Accounts payable, accruals and other liabilities**

Accounts payable, accruals and other liabilities consisted of the following as of December 31, 2022, and 2021:

	As of December 31,	
	2022	2021
Dividend payable (note 13).....	12,000	116,714
Deferred revenue.....	209,969	198,736
Accounts payable and accrued expenses.....	120,045	110,338
Derivative liabilities (note 10) .....	1,129	32,726
Lease liability.....	75,810	76,507
Lease deficit.....	8,393	16,019
<b>Total</b> .....	<b>427,346</b>	<b>551,040</b>

**10. Derivatives**

The Group uses interest rate swap and interest rate cap contracts to manage some of its exposure to changes in interest rates which are not designated as cash flow hedges. For hedged instruments, the Group adopts a policy of ensuring that its interest rate risk exposure is appropriately hedged. This is achieved by entering into fixed rate instruments, by borrowing at a floating rate to finance aircraft that are subject to floating rate lease revenue and by borrowing at a floating rate and using interest rate swaps as hedges of the variability in cash flows attributable to movements in interest rates. The Group applies a hedge ratio of 1:1.

The Group determines the hedging relationship between the hedging instrument and the hedged item based on a number of criteria including the reference interest rates, tenors, repricing dates and maturities and to notional or par amounts. The Group assesses whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using they hypothetical derivative method. In these hedge relationships, the main sources of ineffectiveness are:

- differences in the repricing dates between the swaps and the borrowings
- differences in the timing of the cash flows of the hedged items and the hedging instruments
- the counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedged items
- changes to the forecasted amount of cash flows of hedged items and hedging instruments

Our derivative assets are recorded in other assets and our derivative liabilities are recorded in accounts payable, accrued expenses and other liabilities in our Consolidated Balance Sheets.

The following tables present notional amounts and fair values of derivatives as of December 31, 2022, and 2021:

	As of December 31,			
	2022		2021	
	Notional amount	Fair value	Notional amount	Fair value
<b>Assets</b>				
Derivative assets not designated as accounting hedges:				
Interest rate caps .....	2,291,844	19,190	2,300,691	894
Derivative assets designated as accounting cash flow hedges:				
Interest rate swaps.....	3,327,866	134,514	1,059,625	5,503
FX Forwards .....	26,437	446	-	-
<b>Total assets</b> .....	<b>5,646,147</b>	<b>154,150</b>	<b>3,360,316</b>	<b>6,397</b>

**Avolon Holdings Limited**  
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**10. Derivatives (continued)**

	As of December 31,			
	2022			2021
	Notional amount	Fair value	Notional amount	Fair value
<b>Liabilities</b>				
Derivative liabilities designated as accounting cash flow hedges:				
Interest rate swaps.....	-	-	3,135,743	(31,083)
FX Forwards.....	72,196	(1,129)	43,609	(1,643)
<b>Total liabilities.....</b>	<b>72,196</b>	<b>(1,129)</b>	<b>3,179,352</b>	<b>(32,726)</b>

The Group's FX forward contracts and certain of its interest rate derivatives have been designated as cash flow hedges. Changes in fair value of these derivatives are recorded as a component of other comprehensive income, net of a provision for income taxes. Changes in the fair value of these derivatives are subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings.

The Group recorded the following in other comprehensive income/(loss) related to derivative financial instruments for the years ended December 31, 2022, 2021 and 2020:

	Year ended December 31,		
	2022	2021	2020
<b>Gain/(Loss)</b>			
Change in fair market value of derivatives designated as accounting cash flow hedges:			
Interest rate swaps.....	160,094	67,860	(63,751)
FX Forwards.....	960	(2,471)	828
Tax movement on reserves during the year.....	(21,778)	-	843
<b>Net changes in cash flow hedges, net of tax.....</b>	<b>139,276</b>	<b>65,389</b>	<b>(62,080)</b>

The following table presents the effect of derivatives recorded as reductions to or (increases) in interest expense in our Consolidated Statements of Income and Other Comprehensive Income for the years ended December 31, 2022, 2021 and 2020:

	Year ended December 31,		
	2022	2021	2020
<b>Gain/(Loss)</b>			
Change in fair market value of derivatives not designated as accounting hedges:			
Interest rate caps.....	18,457	2,099	(1,592)
Interest rate swaps.....	-	-	(67)
<b>Net changes in non-cash flow hedges, net of tax.....</b>	<b>18,457</b>	<b>2,099</b>	<b>(1,659)</b>

The Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. On the date that the Group enters into a derivative transaction, the Group typically documents all relationships between the hedging instruments and the hedged items, as well as its risk management objective and strategy for undertaking each hedge transaction. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. In certain circumstances - e.g. when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed, and only single net amount is payable in settlement of all transactions. The following table sets out the carrying amounts of recognized financial instruments that are subject to the above agreements.



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**10. Derivatives (continued)**

	Gross amounts of financial instruments show net in the Consolidated Balance Sheet	Related financial instruments that are offset in the Consolidated Balance Sheet	Net amount
<b>As of December 31, 2022</b>			
<b>Financial assets</b>			
Other assets, including derivatives			
Derivative financial assets .....	154,150	-	154,150
<b>Total</b> .....	<b>154,150</b>	<b>-</b>	<b>154,150</b>
<b>Financial liabilities</b>			
Other liabilities, including derivatives			
Derivative financial liabilities .....	1,129	-	1,129
<b>Total</b> .....	<b>1,129</b>	<b>-</b>	<b>1,129</b>

	Gross amounts of financial instruments show net in the Consolidated Balance Sheet	Related financial instruments that are offset in the Consolidated Balance Sheet	Net amount
<b>As of December 31, 2021</b>			
<b>Financial assets</b>			
Other assets, including derivatives			
Derivative financial assets .....	6,397	-	6,397
<b>Total</b> .....	<b>6,397</b>	<b>-</b>	<b>6,397</b>
<b>Financial liabilities</b>			
Other liabilities, including derivatives			
Derivative financial liabilities .....	32,726	-	32,726
<b>Total</b> .....	<b>32,726</b>	<b>-</b>	<b>32,726</b>

**Avolon Holdings Limited**  
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**11. Debt**

As of December 31, 2022, the principal amount of our outstanding indebtedness totalled \$19,456.6m which excluded debt issuance costs of \$243.0m and fair value adjustments of \$0.8m.

Debt obligation	As of December 31,			2021 Amount outstanding
	2022 Amount outstanding	2022 Weighted average interest rate	Maturity	
<b>Unsecured</b>				
Lines of credit .....	950,000	5.61%	2023-2026	450,000
Senior unsecured notes .....	11,428,466	3.78%	2023-2028	12,484,349
Term unsecured.....	272,500	6.05%	2023-2025	600,000
<b>Total unsecured.....</b>	<b>12,650,966</b>			<b>13,534,349</b>
<b>Secured</b>				
Non-recourse term facilities.....	17,156	4.09%	2023-2025	19,435
Full recourse term facilities .....	2,870,222	4.92%	2023-2031	2,628,159
ECA & EXIM backed facilities .....	611,790	3.19%	2023-2033	605,993
Term loan.....	2,919,894	6.15%	2023-2027	2,935,143
Warehouse .....	238,423	5.95%	2023-2027	-
<i>Fair value adjustment</i> .....	753	N/A	N/A	1,740
<b>Total secured .....</b>	<b>6,658,238</b>			<b>6,190,470</b>
Debt issuance costs, debt discounts and debt premiums .....	(243,019)	N/A	N/A	(296,593)
Loan interest accrued not paid .....	148,130	N/A	N/A	153,995
<b>Total Debt.....</b>	<b>19,214,315</b>			<b>19,582,221</b>

As of December 31, 2022, and 2021, the Group was in full compliance with the covenants in its credit agreements. The Group's debt facilities contain customary covenants and events of default; included within certain debt facilities are covenants that limit the ability of the Group to incur additional indebtedness and create liens and covenants that limit the ability of the Group to consolidate, merge or dispose of all or substantially all of its assets and enter into transactions with affiliates.

**Non-recourse obligations:**

At December 31, 2022, 1 aircraft (December 31, 2021: 1 aircraft) was financed on a non-recourse basis. The loan contains provisions that require the payment of principal and interest throughout the term of the loan. The interest rate is based on a fixed rate of 4.09% (December 31, 2021: 4.09%). At December 31, 2022, there were no available undrawn balances (December 31, 2021: \$Nil).

**Recourse obligations:**

At December 31, 2022, 95 aircraft (December 31, 2021: 82) were financed on a full recourse basis. All loans contain provisions that require the payment of principal and interest throughout the terms of the loans. The interest rates on the loans are based on fixed rates of between 2.09% and 4.68% (December 31, 2021: 2.69% and 4.68%) and one or three month LIBOR, or SOFR, plus margins ranging from 1.30% to 2.05% (December 31, 2021: 1.30% to 2.05%) on the floating rate loans. At December 31, 2022, there were \$71.5m of available undrawn balances (December 31, 2021: \$Nil).

**Senior unsecured notes:**

During the year ended December 31, 2022, the Group early redeemed \$437.8m of senior unsecured 2019-2 Notes (Years ended December 31, 2021, and 2020: \$Nil and \$Nil) and \$489.6m of senior unsecured 2017-1 Notes (Years ended December 31, 2021, and 2020: \$Nil and \$Nil).

During the year ended December 31, 2022, the Group repurchased and derecognized \$128.5m of senior unsecured notes (Years ended December 31, 2021, and 2020: \$75.7m and \$651.3m).

**Avolon Holdings Limited**  
**Notes to the Consolidated Financial Statements**  
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**11. Debt (continued)**

**Senior unsecured notes: (continued)**

On January 21, 2021, Avolon Holdings Funding Limited (“AHFL”) issued \$750.0m aggregate principal amount of Senior Unsecured Notes due 2026, with an interest rate accruing at 2.125% per annum and \$750.0m aggregate principal amount of Senior Unsecured Notes due 2028, with an interest rate accruing at 2.75% per annum (together the “2021-1 Notes”) in a private placement pursuant to Rule 144A and Regulation S under the Securities Act of 1933. These 2021-1 notes are unconditionally guaranteed by AHL, Avolon Aerospace Leasing Limited, Hong Kong Aviation Capital Limited, Park Aerospace Holdings Limited, CIT Aerospace LLC, CIT Group Finance (Ireland) Unlimited Company, CIT Aviation Finance III Ltd and CIT Aerospace International Unlimited Company. At December 31, 2022, the total principal outstanding on the 2021-1 Notes was \$1.5bn (December 31, 2021: \$1.5bn). At December 31, 2022, there were no available undrawn balances (December 31, 2021: \$Nil).

During the year ended December 31, 2021, AHFL and Park Aerospace Holdings Limited tendered \$2.03bn of outstanding Senior Unsecured Notes comprised of \$744.4m of the 5.25% 2017-1 Notes, \$310.6m of the 5.50% 2018-1 Notes, \$555.0m of the 5.125% 2018-2 Notes and \$419.7m of the 5.50% 2017-1 Notes, in exchange for AHFL issuing \$2.172bn aggregate principal amount of Senior Unsecured Notes (the “2021-2” Notes) due 2027, with interest rate accruing at a 2.528% per annum. Related to the exchange, the Group repaid \$172.0m of the 2021-2 Notes. At December 31, 2022, the total principal outstanding on the 2021-2 Notes was \$2.0bn (December 31, 2021: \$2.0bn). At December 31, 2022, there were no available undrawn balances on the 2021-2 Notes (December 31, 2021: \$Nil).

The following table provides a summary of our Senior Unsecured Notes as of December 31, 2022, and 2021:

	<b>As of December 31, 2022</b>			<b>As of December 31, 2021</b>
<b>Senior unsecured notes</b>	<b>Amount outstanding</b>	<b>Interest rate</b>	<b>Maturity</b>	<b>Amount outstanding</b>
<b>Unsecured</b>				
2017-1 Notes	765,420	5.50%	2024	1,262,553
2017-2 Notes	858,018	4.50%	2023	879,963
2018-1 Notes	95,635	5.50%	2023	103,985
2018-2 Notes	416,467	5.125%	2023	438,719
2019-1 Notes	671,682	5.25%	2024	740,072
2019-2 Notes	1,722,394	3.95% - 4.375%	2024 - 2026	2,160,207
2020-1 Notes	1,748,850	2.875% - 3.25%	2025 - 2027	1,748,850
2020-2 Notes	650,000	5.5%	2026	650,000
2020-3 Notes	1,000,000	4.25%	2026	1,000,000
2021-1 Notes	1,500,000	2.125%-2.75%	2026-2028	1,500,000
2021-2 Notes	2,000,000	2.528%	2027	2,000,000
	<b>11,428,466</b>			<b>12,484,349</b>

At December 31, 2022, and 2021, all senior unsecured notes were issued or guaranteed by AHL, AHFL, Park Aerospace Holdings Limited, Avolon Aerospace Leasing Limited, Hong Kong Aviation Capital Limited, CIT Aerospace LLC, CIT Group Finance (Ireland) Unlimited Company, CIT Aviation Finance III Ltd and CIT Aerospace International Unlimited Company.

**Term Loan:**

On August 4, 2021, the Group repriced the Term B-5 Loans reducing the margin from 2.50% to 2.25% and the LIBOR floor from 75bps to 50bps. At December 31, 2022, the interest rate was 6.1%, 5.85% and 6.6% on the Term B-3 Loans, Term B-4 Loans and Term B-5 Loans respectively and the total amount outstanding was \$1,431.8m, \$826.6m and \$661.5m respectively (December 31, 2021: \$1,431.8m, \$835.1m and \$668.2m respectively). The maturity period for the Term B-3 Loans, Term B-4 Loans and Term B-5 Loans is between 2025 and 2027. At December 31, 2022, a total of 123 aircraft (December 31, 2021: 125 aircraft) were being financed under this facility.

The Term B-3 Loans, Term B-4 Loans and Term B-5 Loans are held by joint borrowers Avolon TLB Borrower 1 (US) LLC and Avolon TLB Borrower 1 (Luxembourg) S. à r. l., indirect subsidiaries of AHL, and are guaranteed by AHL and Park Aerospace Holdings Limited.

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**11. Debt (continued)**

**ECA and EXIM backed facilities:**

At December 31, 2022, 10 aircraft (December 31, 2021: 9) were being financed with the proceeds of loans guaranteed by one of the European Export Credit Agencies (“ECA”) and Export-Import Bank of the United States (“EXIM”), on standard export agency supported financing terms whereby the subject loans are amortized quarterly over the period of between 10 and 12 years (December 31, 2021: 12 years) from drawdown with interest accruing at fixed rates between 2.09% and 3.39% (December 31, 2021: 2.09% and 3.37%) and a floating rate of three month LIBOR plus a margin of 0.43% (December 31, 2021: 0.43%). At December 31, 2022, there were no available undrawn balances (December 31, 2021: \$86.4m). The documentation governing the ECA- and EXIM-guaranteed loans (the “ECA Term Financings”) contain covenants and events of default customary for export credit agency supported financings.

The obligations outstanding under the ECA Term Financings are secured by, among other things, a mortgage over the aircraft and a pledge of the Group’s ownership interest in the subsidiary company that leases the aircraft to the operator. The ECA Term Financings contain a minimum net worth covenants for AHL and other terms and conditions customary for export credit agency supported financings being completed at this time.

**Warehouse:**

During the year ended December 31, 2022, the Group amended the Avolon Warehouse facility to decrease the aggregate commitment from \$905.0m to \$745.0m and extended the maturity date from January 2024 to July 2027. At December 31, 2022, the Avolon Warehouse Facility accrues interest at one month SOFR plus 1.50% on drawn balances (December 31, 2021: LIBOR plus 1.50%) and 0.40% on undrawn balances (December 31, 2021: 0.40%) with an availability period out to January 2026. Borrowings under the Avolon Warehouse Facility are secured by collateral including mortgages over the aircraft assets and pledges of ownership interests in the aircraft. At December 31, 2022, 13 aircraft (December 31, 2021: no aircraft) were financed by this facility. At December 31, 2022, the Group can avail of undrawn debt balances of \$506.6m (December 31, 2021: \$905.0m).

At December 31, 2022, the HKAC Warehouse Facility accrues interest at one month LIBOR plus 1.50% (December 31, 2021: LIBOR plus 1.50%) on drawn balances and 0.50% (December 31, 2021: 0.50%) on undrawn balances with an availability period out to 2024. Borrowings under the HKAC Warehouse Facility are secured by collateral including mortgages over the aircraft assets and pledges of ownership interests in the aircraft. At December 31, 2022, no aircraft (December 31, 2021: no aircraft) were financed by this facility. At December 31, 2022, the Group can avail of undrawn debt balances of \$650.0m (December 31, 2021: \$650.0m).

The Avolon Warehouse Facility documentation contains a minimum net worth covenant for AHL. Avolon Aerospace Leasing Limited, acting as servicer, is required to maintain a minimum level of unrestricted cash plus amounts available under all bank lines of credit.

The HKAC Warehouse Facility documentation contains a minimum net worth covenant for AHL. AHL, is required to maintain a minimum level of unrestricted cash plus amounts available under all bank lines of credit. AHL has provided a guarantee limited to 7.50% of the aggregate outstanding principal of the HKAC Warehouse Facility.

**Lines of credit:**

During the year ended December 31, 2022, the Group upsized its revolving unsecured facility increasing the aggregate commitment by \$337.5m. At December 31, 2022, the Group’s revolving unsecured facility with Avolon Aerospace Leasing Limited as borrower had an aggregate commitment of \$4,627.5m and availability period to 2026 (December 31, 2021: \$4,290.0m). At December 31, 2022, the revolving unsecured facility accrues interest at a rate of either one month LIBOR plus a margin of 1.25% on drawn balances (December 31, 2021: 1.25%) or at a rate of US prime plus a margin of 0.75% on drawn balances (December 31, 2021: 0.75%). At December 31, 2022, the revolving unsecured facility accrues interest at a rate of 0.25% on undrawn balances (December 31, 2021: 0.25%). At December 31, 2022, the Group can avail of undrawn debt balances of \$3,677.5m (December 31, 2021: \$3,840.0m).

**Term unsecured:**

At December 31, 2021, the Group had two term unsecured facilities with an aggregate commitment of \$600.0m accruing interest at a rate of three month LIBOR plus a margin of between 1.70% and 2.35% and a maturity period between 2023 and 2025. During the year ended December 31, 2022, the Group amended both of its term unsecured facilities into one new term unsecured facility accruing interest at a rate of three-month SOFR plus a margin of 1.35% and a maturity period out to 2025. Related to the amendment, the Group upsized the facility by \$20.0m and repaid \$347.5m of the term unsecured facility. At December 31, 2022, there were no available undrawn balances (December 31, 2021: \$Nil).

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**11. Debt (continued)**

The aggregate repayment of secured and unsecured bank loans (excluding fair value adjustments, debt issuance costs, debt discounts and debt premium) subsequent to December 31, 2022, was as follows:

	<b>2022</b>
2023 .....	2,199,257
2024 .....	3,190,951
2025 .....	3,229,120
2026 .....	4,402,959
2027 .....	4,617,722
2028 and thereafter .....	1,668,442
<b>Total</b> .....	<b>19,308,451</b>

The aggregate repayment of secured and unsecured bank loans (excluding fair value adjustments, debt issuance costs, debt discounts and debt premium) subsequent to December 31, 2021, was as follows:

	<b>2021</b>
2022 .....	1,825,623
2023 .....	2,272,016
2024 .....	3,331,767
2025 .....	2,884,272
2026 .....	3,825,919
2027 and thereafter .....	5,583,482
<b>Total</b> .....	<b>19,723,079</b>

The Group has the option to assign fixed or floating rates to certain of its undrawn facilities held at December 31, 2022. Certain facilities require debt to be floating, however the Group may purchase interest rate caps or enter into interest rate swaps to hedge its risk.

**12. Fair value measurements**

Fair value measurements and disclosures require financial instruments to be classified by a fair value hierarchy that reflects the source of the inputs used in measuring their fair value.

Assets and liabilities recorded at fair value on a recurring basis on the Consolidated Balance Sheets are categorized based upon the level of judgment associated with the inputs used to measure their fair values. The hierarchy levels give the highest priority to quoted prices in active markets and the lowest priority to unobservable data. The Group classify our fair value measurements based on the following fair value hierarchy:

- Level 1: Unadjusted quoted prices in active markets for identical instruments.
- Level 2: Market inputs, other than level 1 inputs that are observable either directly or indirectly.
- Level 3: Inputs not based on observable market data.

The Group's financial instruments are measured at amortized cost, other than investments in equity securities and derivatives which are measured at fair value. The fair value of restricted cash and cash and cash equivalents approximates their carrying value because of their short-term nature (Level 1). There were no movements in levels of financial instruments during the years ended December 31, 2022, and 2021.

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**12. Fair value measurements (continued)**

The following table presents the Group's financial assets and liabilities that are measured at amortized cost with the exception of investments in equity and debt securities and derivatives which are measured at fair value on a recurring basis as of December 31, 2022, and 2021:

	As of December 31, 2022				
	Carrying value	Fair value	Level 1	Level 2	Level 3
<b>Assets</b>					
Cash and cash equivalents .....	654,940	654,940	654,940	-	-
Restricted cash.....	102,889	102,889	102,889	-	-
Investments.....	60,263	60,263	18,840	15,633	25,790
Derivative financial assets designated as hedging instruments.....	134,960	134,960	-	134,960	-
Derivative financial assets not designated as hedging instruments.....	19,190	19,190	-	19,190	-
<b>Financial Assets</b> .....	<b>972,242</b>	<b>972,242</b>	<b>776,669</b>	<b>169,783</b>	<b>25,790</b>
<b>Liabilities</b>					
Debt.....	19,214,315	17,960,472	-	17,960,472	-
Derivative financial liabilities designated as hedging instruments .....	1,129	1,129	-	1,129	-
<b>Financial liabilities</b> .....	<b>19,215,444</b>	<b>17,961,601</b>	<b>-</b>	<b>17,961,601</b>	<b>-</b>

	As of December 31, 2021				
	Carrying value	Fair value	Level 1	Level 2	Level 3
<b>Assets</b>					
Cash and cash equivalents .....	774,979	774,979	774,979	-	-
Restricted cash.....	110,906	110,906	110,906	-	-
Investments.....	42,298	42,298	37,403	-	4,895
Derivative financial assets designated as hedging instruments.....	5,503	5,503	-	5,503	-
Derivative financial assets not designated as hedging instruments.....	894	894	-	894	-
<b>Financial Assets</b> .....	<b>934,580</b>	<b>934,580</b>	<b>923,288</b>	<b>6,397</b>	<b>4,895</b>
<b>Liabilities</b>					
Debt.....	19,582,221	20,233,663	-	20,233,663	-
Derivative financial liabilities designated as hedging instruments .....	32,726	32,726	-	32,726	-
<b>Financial liabilities</b> .....	<b>19,614,947</b>	<b>20,266,389</b>	<b>-</b>	<b>20,266,389</b>	<b>-</b>

The following table shows the valuation techniques used in measuring level 2 and level 3 fair values, as well as the significant unobservable inputs used.

**Financial instruments measured at fair value**

Type	Valuation techniques	Significant unobservable inputs
Interest rate derivatives	Market comparison technique: The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transaction in similar instruments	Not applicable
Investments	Market comparison technique: The fair values are based on active third-party bid quotes	The fair value of our trading debt securities is valued using level 2 inputs from active third-party bids received (December 31, 2021: N/A)
Debt	Discounted cashflow method	The fair value of our debt is valued using discounted cashflows and level 3 inputs. The cashflows are discounted using the weighted average nominal interest rate of the Group of 4.4% (December 31, 2021: 3.4%)
Investments	Discounted cashflow method	Independent appraisal values determining the cash flow to equity instruments. Discount rate of 20%-23% based on equity return rates of other aircraft for investments in similar underlying aircraft of the same age and condition. (December 31, 2021: 20-23%).
Investments	EBITDA multiple valuation method	The fair value of our non-listed equity investments is valued using forecasted EBITDA obtained from the airline and an EBITDA multiple of 5.15 based on the quoted enterprise value of a range of similar publicly listed airlines in the South America region (December 31, 2021: N/A).

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### **13. Equity**

The authorized share capital of the Company at December 31, 2022, was \$3,000 (December 31, 2021: \$3,000) comprised of 750,000,000,000,000 (December 31, 2021: 750,000,000,000,000) ordinary shares of \$0.000000000004 (December 31, 2021: \$0.000000000004) par value each.

The total issued share capital of the Company at December 31, 2022, comprised of 2,427,625 ordinary shares of \$0.000000000004 each (December 31, 2021: 2,427,625 ordinary shares of \$0.000000000004 each). At December 31, 2022, GALC held 70% of the shareholding of AHL, or 1,699,337 ordinary shares. ORIX holds the remaining 728,288 shares.

In connection with the ORIX acquisition of shares in the Group, the Shareholders entered into a Shareholders Agreement which sets forth certain rights and obligations of the Shareholders and the Group. This agreement includes provisions for the restriction of distributions to be made by the Group to its shareholders if amounts from certain related parties are overdue for 30 days or more to the Group or if such distributions would result in any breach by the Group of any other obligations it has under the Shareholders Agreement or would not be in the best interests of the Group or its subsidiaries.

As of December 31, 2021, a withheld dividend amount of \$116.7m was payable to GALC. During the year ended December 31, 2022, the Group paid \$104.7m of the withheld dividend to GALC. During the year ended December 31, 2022, the Directors also declared and paid dividends of \$12.5m to its shareholders which amounted to \$5.15 per share (Year ended December 31, 2021: \$Nil). A withheld dividend amount of \$12.0m remains payable to GALC at December 31, 2022.

### **14. Allowances for expected credit losses**

The nature of the Group's business undertakings exposes the Group to credit risk on its counterparts. The Group has a formal quarterly risk review process focusing on airline lessees. The Group has a dedicated credit risk management team in place which reviews the credit risk of its counterparts.

Each new lessee is assessed prior to the Group entering into commitments, and the assessment is considered by the Group's Board as part of the investment approval decision. In addition, many of the Group's leases contain credit risk protection via security deposits in the form of cash and letter of credit deposits. Credit risk is monitored and managed by the business on an ongoing basis, with regular review of credit performance, receivable monitoring and entering into deposits with generally "A" rated financial institutions.

The Group is exposed to credit losses on our deferred operating lease revenue, which are included in other assets. The Group applies an expected credit loss percentage to deferred operating lease revenue to the extent to which they exceed security packages. The expected credit loss percentage is based on a simplified approach using a provision matrix which incorporates the risk rating of our lessee's, aging of deferred operating lease revenue and the risk of default of our lessee's.

The Group uses a four-quartile airline risk categorisation which assigns quartile ratings to airlines based on quantitative and qualitative criteria, including forward looking analyses of the macro-economic conditions and issues specific to the airline. This includes the impact of the outbreak of the COVID-19 pandemic on the airline industry including their ability to meet their lease repayment obligations to the Group. The Group determines that the airlines at highest risk of default are risk category 1 airlines. Allowance for expected credit losses is calculated by applying the provision matrix to deferred operating lease revenue less any cash or letter of credit security packages. At December 31, 2022, the Group holds security on lease obligations for other aircraft in the form of cash security deposits of \$285.8m (December 31, 2021: \$265.3m) and letters of credit in the amount of \$122.7m (December 31, 2021: \$132.9m). Lessee security deposits on the Consolidated Balance Sheet also includes fair value of security deposits of \$2.3m at December 31, 2022 (December 31, 2021: \$3.2m).

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**14. Allowances for expected credit losses (continued)**

The movement in the expected credit loss for deferred operating lease revenue during the years ended December 31, 2022, and 2021, was as follows:

	<b>As of December 31,</b>	
<b>Allowance for expected credit losses</b>	<b>2022</b>	<b>2021</b>
At January 1,.....	33,937	3,572
Allowance for expected credit losses recognised in the year.....	54,851	32,581
Write-offs charged against the allowance for expected credit losses.....	(2,050)	(1,714)
Recoveries collected.....	-	(502)
<b>At December 31,.....</b>	<b>86,738</b>	<b>33,937</b>

During the year ended December 31, 2022, the Group increased the credit provision, classified in lease revenue, by \$52.8m (Years ended December 31, 2021, and 2020: \$30.4m and \$3.6m).

In addition, trade receivables and deferred operating lease revenue are provided for when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, lack of government support, airline liquidity, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 180 days past due or where the trade receivables and deferred operating lease revenue were in excess of the security packages held by the Group. Allowance for expected credit losses on trade receivables and deferred operating lease revenue are provided for against lease revenue in the Consolidated Statement of Income and Other Comprehensive Income. Subsequent recoveries of amounts previously provided for are credited against the same line item. During the year ended December 31, 2022, the Group recognised a loss allowance of \$8.3m in respect of lessees that were in default or had entered into administration (Years ended December 31, 2021, and 2020: loss allowance of \$139.9m and loss allowance of \$112.6m).

**15. Lease revenue**

The distribution of total lease revenue by geographic region is as follows:

	<b>Year ended December 31,</b>					
	<b>2022</b>	<b>%</b>	<b>2021</b>	<b>%</b>	<b>2020</b>	<b>%</b>
Europe, Middle East and Africa (EMEA).....	741,379	32	745,994	35	665,037	29
Asia Pacific (APAC) .....	1,032,439	44	810,220	38	1,195,332	53
Americas.....	563,098	24	587,884	27	418,652	18
<b>Total lease revenue .....</b>	<b>2,336,916</b>	<b>100</b>	<b>2,144,098</b>	<b>100</b>	<b>2,279,021</b>	<b>100</b>

Lease revenues from the top five customers represented 18% of total lease revenues for the year ended December 31, 2022 (Years ended December 31, 2021, and 2020: 22% and 21%). No customer accounted for more than 6% of total lease revenue in the year ended December 31, 2022 (Years ended December 31, 2021, and 2020: 7% and 8%). At December 31, 2022, there were 25 lease contracts (December 31, 2021 and 2020: 33 and 42) where a lessee had early termination rights.

During the year ended December 31, 2022, an amount of \$50.9m has been recognised in lease revenue in respect of the recoverability of previously unrecorded lease revenue relating to 3 airline customers (Years ended December 31, 2021, and 2020: \$148.2m and \$Nil).

Lease revenue includes an amount of \$270.6m (Years ended December 31, 2021, and 2020: \$175.8m and \$189.0m) for the year ended December 31, 2022, representing maintenance advances which it has determined will not be required to be refunded to the respective lessees.



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**15. Lease revenue (continued)**

At December 31, 2022, the Group had contracted to receive the following minimum cash lease rentals under non-cancellable operating leases:

	<b>2022</b>
2023 .....	2,248,722
2024 .....	2,142,159
2025 .....	2,007,381
2026 .....	1,798,194
2027 .....	1,600,299
2028 and thereafter .....	5,399,418
<b>Total</b> .....	<b>15,196,173</b>

At December 31, 2021, the Group had contracted to receive the following minimum cash lease rentals under non-cancellable operating leases:

	<b>2021</b>
2022 .....	2,277,336
2023 .....	2,206,084
2024 .....	2,055,523
2025 .....	1,896,864
2026 .....	1,666,626
2027 and thereafter .....	5,741,434
<b>Total</b> .....	<b>15,843,867</b>

During the year ended December 31, 2022, the Group recognised an allowance for expected credit losses of \$52.8m, classified in lease revenue, in respect of our deferred operating lease revenue balance at December 31, 2022 (Years ended December 31, 2021, and 2020: allowance for expected credit losses of \$30.4m and \$3.6m). Refer to Note 14 for further detail.

During the year ended December 31, 2022, the Group recognised a loss allowance of \$8.3m in respect of lessees that were in default or had entered into administration (Years ended December 31, 2021, and 2020: loss allowance of \$139.9m and \$112.6m).

**16. Other income**

Other income consisted of the following for the years ended December 31, 2022, 2021 and 2020:

	<b>Year ended December 31,</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Management fees and other income.....	18,395	29,099	14,608
Interest income.....	13,319	2,778	16,894
<b>Total</b> .....	<b>31,714</b>	<b>31,877</b>	<b>31,502</b>

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**17. Selling, general and administrative expenses**

Selling, general and administrative expenses consisted of the following for the years ended December 31, 2022, 2021, and 2020:

	Year ended December 31,		
	2022	2021	2020
Compensation and benefit expenses .....	94,721	117,410	133,438
Legal and professional fees.....	36,696	29,330	35,633
Office expenses.....	13,230	11,129	12,619
Travel expenses.....	10,239	4,879	3,328
Other expenses.....	3,869	3,140	3,195
<b>Total</b> .....	<b>158,755</b>	<b>165,888</b>	<b>188,213</b>

**18. Interest expense**

	Year ended December 31,		
	2022	2021	2020
Interest expense/facility administration fees.....	617,792	723,239	709,959
Unrealised gain on interest rate derivatives .....	(18,296)	(1,693)	(2,662)
Realised (gain)/loss on interest rate derivatives.....	(161)	(406)	4,321
Amortization of debt issuances costs.....	74,939	70,271	74,309
Net foreign exchange loss/(gain).....	2,099	(4,666)	1,960
<b>Total</b> .....	<b>676,373</b>	<b>786,745</b>	<b>787,887</b>

The debt of the Group is detailed further in note 11.

Interest expense / facility administration fees for the year ended December 31, 2022, includes a loss of \$2.3m (Years ended December 31, 2021, and 2020: loss of \$3.6m and gain of \$65.6m) relating to the repurchase of senior unsecured notes (refer note 11). In addition, amortization of debt issuance costs includes accelerated amortization of \$0.3m relating to the repurchase of senior unsecured notes. (Years ended December 31, 2021, and 2020: \$0.3m and \$4.6m).

Interest expense / facility administration fees for the year ended December 31, 2022, includes a loss of \$Nil (Years ended December 31, 2021, and 2020: \$Nil and \$27.3m) relating to the tender and redemption of senior unsecured notes. In addition, amortization of capitalised debt fees for the year ended December 31, 2022, includes accelerated amortization of \$Nil (Years ended December 31, 2021, and 2020: \$Nil and \$3.8m) relating to the tender and redemption of senior unsecured notes.

In addition, interest expense / facility administration fees for the year ended December 31, 2022, includes \$Nil (Years ended December 31, 2021, and 2020: \$13.2m and \$Nil) of underwriting and other fees incurred in respect of the tender of certain Senior Unsecured Notes in exchange for the issuance of the 2021-2 Notes during the year ended December 31, 2021 (refer note 11).

**19. Income taxes**

	Years ended December 31,		
	2022	2021	2020
<b>Deferred tax expense/(benefit)</b>			
Domestic (Ireland) .....	7,275	(25,995)	(63,851)
Foreign.....	(2,442)	(2,222)	15,502
Prior period under/(over) provision .....	3,350	(1,174)	(214)
<b>Total</b> .....	<b>8,183</b>	<b>(29,391)</b>	<b>(48,563)</b>
<b>Current tax (benefit)/expense</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Domestic (Ireland) .....	468	1,726	925
Foreign.....	1,142	6,030	5,810
Prior Period (over)/under provision .....	(2,371)	342	-
<b>Total</b> .....	<b>(761)</b>	<b>8,098</b>	<b>6,735</b>
<b>Provision for income taxes</b> .....	<b>7,422</b>	<b>(21,293)</b>	<b>(41,828)</b>

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**19. Income taxes (continued)**

The following table provides a reconciliation of the statutory income tax expense/(benefit) to provision for income taxes for the years ended December 31, 2022, 2021, and 2020:

	Year ended December 31,		
	2022	2021	2020
<b>Reconciliation of effective tax rate</b>			
Earnings/(loss) before income tax .....	15,964	26,192	(78,441)
<b>Corporation tax using Group's domestic tax rate (12.5%).....</b>	<b>1,996</b>	<b>3,274</b>	<b>(9,805)</b>
Other permanent differences.....	5,144	1,205	5,180
Movement in valuation allowance.....	2,623	24,743	639
Non-taxable income.....	(361)	(56,333)	(67,398)
Expenses not deductible for tax purposes.....	3,235	7,726	7,371
Impact of tax rate difference in foreign jurisdictions.....	(6,736)	(1,409)	18,874
Expenses deductible/income taxed at higher rate .....	590	333	3,524
Withholding Tax.....	(47)	-	-
Prior year under/(over) provision .....	979	(832)	(214)
<b>Income tax expense/(benefit) .....</b>	<b>7,422</b>	<b>(21,293)</b>	<b>(41,829)</b>

The calculation of income for tax purposes differs significantly from book income. Deferred tax is provided to reflect the impact of temporary differences between the amounts of assets and liabilities for financial reporting purposes and such amounts as measured under tax law in the various jurisdictions. Tax loss carry forwards and accelerated tax depreciation on flight equipment held for operating leases give rise to the most significant timing differences.

In December 2022, EU Member States reached agreement on a Proposed Directive to implement, at EU level, the minimum taxation component, known as Pillar 2, of the OECD's reform of international taxation. The aim of the Directive is to increase the minimum effective tax rate for large multinational groups to 15% in every country of operation. While no legislation has yet been enacted in this regard, it is anticipated that this change will increase the effective tax rate of the Group.

The following tables provide details regarding the principal components of our deferred tax liabilities and assets as of December 31, 2022, and 2021:

**2022**

	Assets	Liabilities	Net
Flight equipment held of operating leases, net.....	-	(1,610,053)	(1,610,053)
Trade losses.....	1,349,113	-	1,349,113
Valuation allowance .....	(47,486)	-	(47,486)
Other temporary differences .....	-	(57,491)	(57,491)
Revaluation of cash flow hedges through OCI .....	-	(21,778)	(21,778)
<b>Tax assets / (liabilities) .....</b>	<b>1,301,627</b>	<b>(1,689,322)</b>	<b>(387,695)</b>

**2021**

	Assets	Liabilities	Net
Flight equipment held of operating leases, net.....	-	(1,503,086)	(1,503,086)
Trade losses.....	1,250,499	-	1,250,499
Valuation allowance .....	(43,637)	-	(43,637)
Other temporary differences .....	-	(61,510)	(61,510)
<b>Tax assets / (liabilities) .....</b>	<b>1,206,862</b>	<b>(1,564,596)</b>	<b>(357,734)</b>

The deferred tax assets as of December 31, 2022, of \$1,301.6m were recognized in our Consolidated Balance Sheet net of valuation allowances (December 31, 2021: \$1,209.6m). As of December 31, 2022, the Group had net operating loss carryforwards of \$5,219.6m, all of which have an indefinite carryforward (December 31, 2021: \$9,787.3m).

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**19. Income taxes (continued)**

As of December 31, 2022, the Group has accumulated undistributed earnings generated by our domestic and foreign subsidiaries. As tax law provides a means by which the investments can be recovered tax free and the Group expects that it will ultimately use that means, no deferred tax liability is required in respect of the subsidiaries.

The Group's primary tax jurisdiction is Ireland. The Group's tax returns in Ireland are open for examination by the Irish tax authorities from 2018 onwards.

The following table presents a reconciliation of the beginning and ending amounts of unrecognized tax benefits taken (inclusive of interest and penalties accounted for through selling, general and administrative expenses):

	<b>Year ended December 31,</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
At January 1,.....	5,704	5,280	5,445
Gross amount of increases as a result of positions taken during a prior period .....	47	434	176
Gross amount of decreases as a result of positions taken during a prior period.....	-	-	(13)
Gross amount of increases as a result of positions taken during the current period.....	273	307	-
Reductions as a result of a lapse of the applicable statute of limitations .....	(2,482)	(317)	(328)
<b>At December 31,.....</b>	<b>3,542</b>	<b>5,704</b>	<b>5,280</b>

At December 31, 2022, substantially all of the unrecognized tax benefits if recognized, would impact our effective tax rate. Although it is reasonably possible that a change in the balance of unrecognized tax benefits may occur within the next 12 months, based on the information currently available, we do not expect any change to be material to our consolidated financial position.

**20. List of subsidiaries**

At December 31, 2022, the subsidiaries of the Group were as follows:

\* Entities with a 0% shareholding represent orphan VIE entities which are consolidated into the AHL Group.

	<b>Shareholding (* )</b>	<b>Country of Incorporation</b>
Avolon Aerospace Leasing Limited	100%	Cayman Islands
Avolon Aerospace Limited	100%	Cayman Islands
Avolon Investments S.á r.l.	100%	Luxembourg
CIT Aerospace International Unlimited Company (formerly, CIT Aerospace International)	100%	Ireland
CIT Aerospace LLC	100%	USA
Park Aerospace Holdings Limited	100%	Cayman Islands
Park Aerospace (US) LLC	100%	USA
Hong Kong Aviation Capital Limited	100%	Hong Kong
Avolon TLB Borrower 1 (US) LLC	100%	USA
Avolon TLB Borrower 1 (Luxembourg) S.á r.l.	100%	Luxembourg
Allaviation Leasing (IGO No. 3) Limited - Allaviation Leasing (IGO No. 4) Limited	100%	Ireland
Allaviation Leasing (IGO No. 5) Limited	100%	Ireland
Allco AAF Finance No. 1 (Ireland) Limited	100%	Ireland
Allco APIT Pty Limited	100%	Australia
Allco Aviation (SAL) Pty Limited	100%	Australia
Allco EC-KLT Financing Pty Limited	100%	Australia
Allco EC-KMI Financing Pty Limited	100%	Australia
Allco Financing CEA No.1 Pty Limited – Allco Financing CEA No.2 Pty Limited	100%	Australia
Allco Ireland CEA Limited	100%	Ireland
Allco JAF Pty Limited	100%	Australia

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<b>20. List of subsidiaries (continued)</b>	<b>Shareholding</b>	<b>Country of Incorporation</b>
Allco Leasing (IGO No. 1) Limited – Allco Leasing (IGO No. 2) Limited	100%	Ireland
Altenburg Aviation Limited	100%	Cayman Islands
Aureastream Aviation Leasing Limited	100%	Bermuda
Avolon Aerospace (Dubai) Limited	100%	United Arab Emirates
Avolon Aerospace (Funding 3) Limited - Avolon Aerospace (Funding 12) Limited	100%	Cayman Islands
Avolon Aerospace (Hamilton) AOE 1 Limited - Avolon Aerospace (Hamilton) AOE 3 Limited	100%	Bermuda
Avolon Aerospace (Hong Kong) Limited	100%	Hong Kong
Avolon Aerospace (Ireland) AOE 2 Limited - Avolon Aerospace (Ireland) AOE 6 Limited	100%	Ireland
Avolon Aerospace (Ireland) AOE 8 Limited - Avolon Aerospace (Ireland) AOE 10 Limited	100%	Ireland
Avolon Aerospace (Ireland) AOE 12 Limited - Avolon Aerospace (Ireland) AOE 13 Limited	100%	Ireland
Avolon Aerospace (Ireland) AOE 14 Designated Activity Company	100%	Ireland
Avolon Aerospace (Ireland) AOE 15 Limited - Avolon Aerospace (Ireland) AOE 20 Limited	100%	Ireland
Avolon Aerospace (Ireland) AOE 22 Limited	100%	Ireland
Avolon Aerospace (Ireland) AOE 24 Limited	100%	Ireland
Avolon Aerospace (Ireland) AOE 26 Limited	100%	Ireland
Avolon Aerospace (Ireland) AOE 27 Limited	100%	Ireland
Avolon Aerospace (Ireland) AOE 29 Limited	100%	Ireland
Avolon Aerospace (Ireland) AOE 30 Limited	100%	Ireland
Avolon Aerospace (Ireland) AOE 32 Limited - Avolon Aerospace (Ireland) AOE 34 Limited	100%	Ireland
Avolon Aerospace (Ireland) AOE 36 Limited - Avolon Aerospace (Ireland) AOE 41 Limited	100%	Ireland
Avolon Aerospace (Ireland) AOE 42 Limited	100%	Ireland
Avolon Aerospace (Ireland) AOE 43 Limited - Avolon Aerospace (Ireland) AOE 45 Limited	100%	Ireland
Avolon Aerospace (Ireland) AOE 46 Limited - Avolon Aerospace (Ireland) AOE 47 Limited	100%	Ireland
Avolon Aerospace (Ireland) AOE 48 Limited - Avolon Aerospace (Ireland) AOE 56 Limited	100%	Ireland
Avolon Aerospace (Ireland) AOE 57 Limited	100%	Ireland
Avolon Aerospace (Ireland) AOE 58 Limited	100%	Ireland
Avolon Aerospace (Ireland) AOE 60 Limited - Avolon Aerospace (Ireland) AOE 63 Limited	100%	Ireland
Avolon Aerospace (Ireland) AOE 64 Limited	100%	Ireland
Avolon Aerospace (Ireland) AOE 65 Limited - Avolon Aerospace (Ireland) AOE 69 Limited	100%	Ireland
Avolon Aerospace (Ireland) AOE 71 Limited	100%	Ireland
Avolon Aerospace (Ireland) AOE 76 Limited - Avolon Aerospace (Ireland) AOE 83 Limited	100%	Ireland
Avolon Aerospace (Ireland) AOE 85 Limited - Avolon Aerospace (Ireland) AOE 104 Limited	100%	Ireland
Avolon Aerospace (Ireland) AOE 107 Limited	100%	Ireland
Avolon Aerospace (Ireland) AOE 109 Limited - Avolon Aerospace (Ireland) AOE 110 Limited	100%	Ireland
Avolon Aerospace (Ireland) AOE 112 Limited - Avolon Aerospace (Ireland) AOE 116 Limited	100%	Ireland
Avolon Aerospace (Ireland) AOE 117 Limited	100%	Ireland
Avolon Aerospace (Ireland) AOE 118 Limited - Avolon Aerospace (Ireland) AOE 125 Limited	100%	Ireland
Avolon Aerospace (Ireland) AOE 127 Limited - Avolon Aerospace (Ireland) AOE 130 Limited	100%	Ireland
Avolon Aerospace (Ireland) AOE 131 Limited	0%	Ireland
Avolon Aerospace (Ireland) AOE 132 Limited - Avolon Aerospace (Ireland) AOE 133 Limited	100%	Ireland
Avolon Aerospace (Ireland) AOE 136 Limited	100%	Ireland
Avolon Aerospace (Ireland) AOE 138 Limited	100%	Ireland
Avolon Aerospace (Ireland) AOE 140 Limited - Avolon Aerospace (Ireland) AOE 144 Limited	100%	Ireland
Avolon Aerospace (Ireland) AOE 148 Unlimited Company	100%	Ireland

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<b>20. List of subsidiaries (continued)</b>	<b>Shareholding</b>	<b>Country of Incorporation</b>
Avolon Aerospace (Ireland) AOE 149 Limited - Avolon Aerospace (Ireland) AOE 152 Limited	100%	Ireland
Avolon Aerospace (Ireland) AOE 154 Limited	100%	Ireland
Avolon Aerospace (Ireland) AOE 157 Limited - Avolon Aerospace (Ireland) AOE 162 Limited	100%	Ireland
Avolon Aerospace (Ireland) AOE 165 Limited - Avolon Aerospace (Ireland) AOE 167 Limited	100%	Ireland
Avolon Aerospace (Ireland) AOE 169 Limited - Avolon Aerospace (Ireland) AOE 172 Limited	100%	Ireland
Avolon Aerospace (Ireland) AOE 174 Limited - Avolon Aerospace (Ireland) AOE 175 Limited	100%	Ireland
Avolon Aerospace (New York) Incorporation	100%	USA
Avolon Aerospace (Warehouse 1) Limited	100%	Cayman Islands
Avolon Aerospace AOE 1 Limited	100%	Cayman Islands
Avolon Aerospace AOE 4 Limited - Avolon Aerospace AOE 6 Limited	100%	Cayman Islands
Avolon Aerospace AOE 9 Limited - Avolon Aerospace AOE 10 Limited	100%	Cayman Islands
Avolon Aerospace AOE 12 Limited	100%	Cayman Islands
Avolon Aerospace AOE 15 Limited	100%	Cayman Islands
Avolon Aerospace AOE 17 Limited	100%	Cayman Islands
Avolon Aerospace AOE 19 Limited - Avolon Aerospace AOE 21 Limited	100%	Cayman Islands
Avolon Aerospace AOE 23 Limited	100%	Cayman Islands
Avolon Aerospace AOE 29 Limited	100%	Cayman Islands
Avolon Aerospace AOE 32 Limited - Avolon Aerospace AOE 34 Limited	100%	Cayman Islands
Avolon Aerospace AOE 39 Limited - Avolon Aerospace AOE 40 Limited	100%	Cayman Islands
Avolon Aerospace AOE 47 Limited - Avolon Aerospace AOE 49 Limited	100%	Cayman Islands
Avolon Aerospace AOE 52 Limited	100%	Cayman Islands
Avolon Aerospace AOE 55 Limited	100%	Cayman Islands
Avolon Aerospace AOE 57 Limited - Avolon Aerospace AOE 58 Limited	100%	Cayman Islands
Avolon Aerospace AOE 62 Limited - Avolon Aerospace AOE 64 Limited	100%	Cayman Islands
Avolon Aerospace AOE 70 Limited	100%	Cayman Islands
Avolon Aerospace AOE 73 Limited - Avolon Aerospace AOE 76 Limited	100%	Cayman Islands
Avolon Aerospace AOE 78 Limited	100%	Cayman Islands
Avolon Aerospace AOE 80 Limited - Avolon Aerospace AOE 81 Limited	100%	Cayman Islands
Avolon Aerospace AOE 84 Limited - Avolon Aerospace AOE 87 Limited	100%	Cayman Islands
Avolon Aerospace AOE 92 Limited - Avolon Aerospace AOE 93 Limited	100%	Cayman Islands
Avolon Aerospace AOE 95 Limited	100%	Cayman Islands
Avolon Aerospace AOE 97 Limited	100%	Cayman Islands
Avolon Aerospace AOE 100 Limited	100%	Cayman Islands
Avolon Aerospace AOE 103 Limited - Avolon Aerospace AOE 104 Limited	100%	Cayman Islands
Avolon Aerospace AOE 106 Limited	100%	Cayman Islands
Avolon Aerospace AOE 108 Limited - Avolon Aerospace AOE 109 Limited	100%	Cayman Islands
Avolon Aerospace AOE 111 Limited	100%	Cayman Islands
Avolon Aerospace AOE 114 Limited	100%	Cayman Islands
Avolon Aerospace AOE 116 Limited - Avolon Aerospace AOE 119 Limited	100%	Cayman Islands
Avolon Aerospace AOE 121 Limited - Avolon Aerospace AOE 123 Limited	100%	Cayman Islands
Avolon Aerospace AOE 125 Limited - Avolon Aerospace AOE 127 Limited	100%	Cayman Islands
Avolon Aerospace AOE 129 Limited - Avolon Aerospace AOE 130 Limited	100%	Cayman Islands
Avolon Aerospace AOE 132 Limited	100%	Cayman Islands
Avolon Aerospace AOE 134 Limited	100%	Cayman Islands
Avolon Aerospace AOE 136 Limited	100%	Cayman Islands
Avolon Aerospace AOE 137 Limited	0%	Cayman Islands

**Avolon Holdings Limited**  
**Notes to the Consolidated Financial Statements**  
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<b>20. List of subsidiaries (continued)</b>	<b>Shareholding</b>	<b>Country of Incorporation</b>
Avolon Aerospace AOE 138 Limited	100%	Cayman Islands
Avolon Aerospace AOE 140 Limited - Avolon Aerospace AOE 141 Limited	100%	Cayman Islands
Avolon Aerospace AOE 144 Limited - Avolon Aerospace AOE 151 Limited	100%	Cayman Islands
Avolon Aerospace AOE 156 Limited	100%	Cayman Islands
Avolon Aerospace AOE 157 Limited	100%	Cayman Islands
Avolon Aerospace AOE 158 Limited - Avolon Aerospace AOE 159 Limited	100%	Cayman Islands
Avolon Aerospace AOE 161 Limited	100%	Cayman Islands
Avolon Aerospace AOE 163 Limited	100%	Cayman Islands
Avolon Aerospace AOE 165 Limited	100%	Cayman Islands
Avolon Aerospace AOE 167 Limited	100%	Cayman Islands
Avolon Aerospace AOE 170 Limited - Avolon Aerospace AOE 192 Limited	100%	Cayman Islands
Avolon Aerospace Finance (Luxembourg) II S.á r.l. - Avolon Aerospace Finance (Luxembourg) III S.á r.l	100%	Luxembourg
Avolon Aerospace Finance Limited	100%	Cayman Islands
Avolon Aerospace France 7 SAS - Avolon Aerospace France 8 SAS	100%	France
Avolon Aerospace France 14 SAS - Avolon Aerospace France 16 SAS	100%	France
Avolon Aerospace France 18 SAS	100%	France
Avolon Aerospace France 19 SAS - Avolon Aerospace France 20 SAS	100%	France
Avolon Aerospace Funding 1 (Luxembourg) S.á r.l. - Avolon Aerospace Funding 5 (Luxembourg) S.á r.l	100%	Luxembourg
Avolon Aerospace Singapore Pte. Limited	100%	Singapore
Avolon Aerospace Sweden 1 AB - Avolon Aerospace Sweden 4 AB	100%	Sweden
Avolon Aerospace UK 5 Limited	100%	United Kingdom
Avolon Aerospace UK 7 Limited - Avolon Aerospace UK 9 Limited	100%	United Kingdom
Avolon AOE 1 (Tianjin) Aviation Leasing Company	100%	China
Avolon Finance Lease (Tianjin) Company Limited	100%	China
Avolon Funding 3 (Ireland) Limited	100%	Ireland
Avolon Holdings Funding Limited	100%	Cayman Islands
Avolon Leasing 4375 Limited	0%	Cayman Islands
Avolon Leasing Ireland 1 Limited - Avolon Leasing Ireland 4 Limited	100%	Ireland
Bantry Aviation Limited	0%	Ireland
Capesthorne Aviation DAC	100%	Ireland
Caribou Finance Limited	0%	Cayman Islands
Centennial Aviation (France) 1, S.á r.l - Centennial Aviation (France) 2, S.á r.l	100%	France
Centennial Aviation (Ireland) 7, Limited	100%	Ireland
Chatsworth Aviation Limited	100%	Ireland
CIT Aerospace (Australia) Pty Limited	100%	Australia
CIT Aerospace Asia Pte Limited	100%	Singapore
CIT Aerospace Holdings (Australia) Pty Limited	100%	Australia
CIT Aerospace Holdings (France) SAS	100%	France
CIT Aerospace International (Australia) Pty Ltd.	100%	Australia
CIT Aerospace International (Bermuda) Limited	100%	Bermuda
CIT Aerospace International (France) S.á r.l	100%	France
CIT Aerospace Sweden AB	100%	Sweden
CIT Aviation Finance II Limited - CIT Aviation Finance III Limited	100%	Bermuda
CIT Capital Aviation (UK) Limited	100%	United Kingdom
CIT Group Finance (Ireland) Unlimited Company (formerly CIT Group Finance (Ireland))	100%	Ireland
CIT Leasing (Bermuda), Ltd.	100%	Bermuda
Clady Aviation Limited	0%	Cayman Islands
Clea Aviation Limited	100%	Cayman Islands
Coguish Limited	100%	Cayman Islands
Cometstream Aircraft Leasing Limited	100%	Ireland

**Avolon Holdings Limited**  
**Notes to the Consolidated Financial Statements**  
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<b>20. List of subsidiaries (continued)</b>	<b>Shareholding</b>	<b>Country of Incorporation</b>
Conn Aviation Limited	100%	Ireland
Croly Aviation Limited	100%	Ireland
Daire Aviation Limited	100%	Ireland
Darcy Aviation Limited	0%	Cayman Islands
Derryveagh Aviation Limited	100%	Ireland
Detromite Limited	100%	Ireland
Dodder Aviation Limited	100%	Ireland
Drake Aviation Limited	0%	Cayman Islands
Drumgun Aviation Limited	100%	Ireland
Dungloe Aviation Limited	100%	Ireland
Dunlewy Aviation leasing 1 Limited - Dunlewy Aviation leasing 2 Limited	100%	Cayman Islands
Dunlewy Aviation Limited	100%	Cayman Islands
Dunmore Aviation Limited	100%	Ireland
EAF Leasing 2 Limited -EAF Leasing 5 Limited	100%	Ireland
Emerald Aviation AOE 1 Limited - Emerald Aviation AOE 6 Limited	100%	Cayman Islands
Emerald Aviation AOE 9 Limited	100%	Cayman Islands
Emerald Aviation Bermuda 1 Limited	100%	Bermuda
Emerald Aviation Finance Limited	100%	Cayman Islands
Ennell Aviation Limited	0%	Cayman Islands
Eske Aviation Limited	100%	Ireland
Feeagh Aviation Limited	100%	Ireland
Feiji Finance (Ireland) Limited	100%	Ireland
Feiji Finance Limited	100%	Cayman Islands
Feiji Finance (Luxembourg) S.á r.l	100%	Luxembourg
Gawsworth Aviation Limited	100%	Ireland
Gill Aviation Limited	100%	Ireland
Glenveagh Aviation Limited	100%	Ireland
Gur Aviation Limited	0%	Cayman Islands
Gweedore Aviation Limited	100%	Cayman Islands
Havalina ECA Finance Limited	100%	Cayman Islands
Orix Kalliope Corporation	0%	Japan
Orix Eunomia	0%	Japan
HKAC (Luxembourg) S.á r.l.	100%	Luxembourg
HKAC CEA No.1 Pty Limited	100%	Australia
HKAC Development Company Limited	51%	Cayman Islands
HKAC Funding (Ireland) Limited	100%	Ireland
HKAC Funding 1 (Ireland) Limited	100%	Ireland
HKAC Holdings (Australia) Pty Limited	100%	Australia
HKAC Holdings (Ireland) Limited	100%	Ireland
HKAC Leasing (Hong Kong) Limited	100%	Hong Kong
HKAC Leasing (IGO No. 6) Limited - HKAC Leasing (IGO No. 9) Limited	100%	Ireland
HKAC Leasing (Ireland) Limited	100%	Ireland
HKAC Leasing (Wizz No. 1) Limited	100%	Ireland
HKAC Leasing 1654 (Ireland) Limited	100%	Ireland
HKAC Leasing 1671 (Ireland) Limited	100%	Ireland
HKAC Leasing 1689 (Ireland) Limited	100%	Ireland
HKAC Leasing 39815 (Ireland) Limited	100%	Ireland
HKAC Leasing 5139 (Ireland) Limited	100%	Ireland
HKAC Leasing 5281 Limited	100%	Cayman Islands
HKAC Leasing 5492 Limited	100%	Cayman Islands
HKAC Leasing 5885 (Hong Kong) Limited	100%	Hong Kong
HKAC Leasing 6291 (Ireland) Limited	100%	Ireland



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**Notes to the Consolidated Financial Statements**  
(U.S. dollars in thousands, except as otherwise stated)

<b>20. List of subsidiaries (continued)</b>	<b>Shareholding</b>	<b>Country of Incorporation</b>
HKAC Leasing 6381 (Hong Kong) Limited	100%	Hong Kong
HKAC Leasing 6381 (Ireland) Limited	100%	Ireland
HKAC Leasing 6602 (Ireland) Limited	100%	Ireland
HKAC Leasing 6860 (Ireland) Limited	100%	Ireland
Avolon Aerospace Funding 6 (Luxembourg) S.á r.l.	100%	Luxembourg
HKAC Leasing A330 2015 (Ireland) Limited	100%	Ireland
HKAC Leasing E195 No. 4 Limited - HKAC Leasing E195 No. 5 Limited	100%	Ireland
HKAC Leasing JZR (Ireland) Limited	100%	Ireland
HKAC Leasing MSN 1583 (Ireland) Limited	100%	Ireland
HKAC Leasing No. 1 Limited - HKAC Leasing No. 2 Limited	100%	Ireland
HNA Irish Nominees Limited	100%	Ireland
Hong Kong Aviation Capital (Europe) Limited	100%	Ireland
Jessica Leasing Designated Activity Company	100%	Ireland
Leane Aviation Limited	100%	Ireland
Madeleine Leasing Designated Activity Company	100%	Ireland
Mardal Aviation Limited	100%	Ireland
Nafaoey Aviation Limited	0%	Ireland
Piscesstream Aircraft Leasing Limited	100%	Ireland
Poddle Aviation Limited	100%	Ireland
Q Aircraft Leasing 2475 Limited	100%	Ireland
Rikka Aviation Limited	0%	Cayman Islands
RIL Aviation VQH Pty Limited	100%	Australia
RIL Aviation VQJ Pty Limited	100%	Australia
Rita Leasing Designated Activity Company	100%	Ireland
Senslane Limited	100%	Ireland
Sheelin Aviation Limited	100%	Cayman Islands
Slipstream Aircraft Leasing Limited	100%	Bermuda
Starrise Limited	100%	Ireland
Strangford Aviation Limited	100%	Ireland
Sureclose Limited	100%	Ireland
Tatton Aviation Limited	100%	Ireland
Templeoak Limited	100%	Ireland
Velouria Finance Limited	0%	Cayman Islands
Wolfrink Limited	100%	Ireland
Avolon Aerospace France 21 SAS - Avolon Aerospace France 22 SAS	95%	France

**21. Related party transactions**

**(a) Transactions with key management personnel**

**Key management personnel compensation**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including the Directors of the Company.

Key management personnel compensation during the years ended December 31, 2022, 2021, and 2020 was as follows:

	<b>Year ended December 31,</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
Short term benefits.....	11,022	17,840	31,428
Post-employment benefits.....	237	268	281
<b>Total</b> .....	<b>11,259</b>	<b>18,108</b>	<b>31,709</b>

**Avolon Holdings Limited**  
**Notes to the Consolidated Financial Statements**  
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**21. Related party transactions (continued)**

During the year ended December 31, 2022, \$0.5m of Director fees were incurred (Years ended December 31, 2021, and 2020: \$0.5m and \$0.5m).

**(b) Transactions with related parties**

On January 29, 2021, HNA Group received a formal notice from the Hainan Provincial High People's Court of China ("the Court") that various creditors had filed applications for the initiation of reorganization proceedings against certain companies in the HNA Group (including HNA Capital Group Co., Ltd. and Hainan Airlines Holding Co, Ltd ("Hainan")), on grounds that they could not pay off due debts to the creditors.

On February 10, 2021, and March 13, 2021, the Court approved the bankruptcy reorganization application of HNA Group, and other HNA Group affiliated airlines. The bankruptcy reorganization plan contemplated the recapitalization of the HNA Group affiliated Airlines, including but not limited to, debt reduction and an equity investment from a strategic investor. In March 2021, the Group entered into and participated in negotiations with HNA Group to restructure the Group's leases with Hainan, Lucky Air, Fuzhou Airlines, Beijing Capital Airlines, Tianjin Airlines and Suparna Airlines (together the "Fangda Affiliated Airlines").

On April 8, 2021, the Group agreed a term sheet with Fangda Affiliated Airlines in respect of the restructuring. The Group recognized the impact of this restructuring during the year ended December 31, 2021, which resulted in a \$104.7m charge to the Consolidated Statement of Income and Other Comprehensive Income through the recognition of a loss allowance in respect of trade and other receivables of \$90.4m and a net write off of \$14.3m of other lease associated balances.

On September 27, 2021, the Liaoning Fangda Group Industrial Co. ("Liaoning Fangda") was confirmed as the strategic investor of Fangda Affiliated Airlines. Through this investment, Liaoning Fangda assumed the actual operational and management control over the Fangda Affiliated Airlines effective from December 8, 2021.

On December 29, 2021, the Group finalized and executed the lease amendment restructuring agreements with Fangda Affiliated Airlines. As of December 31, 2022, and 2021, Liaoning Fangda hold indirect ownership interests amounting to significant influence in Bohai. Through Liaoning Fangda's controlling interests in the Fangda Affiliated Airlines and significant influence in Bohai, Fangda Affiliated Airlines remain related parties of the Group as of and for the year ended December 31, 2022.

Hong Kong Airlines Limited ("HK Airlines") was not part of the bankruptcy reorganization plan for the Fangda Affiliated Airlines noted above. HK Airlines continues to be a related party of the Group as of and for the year ended December 31, 2022

On December 31, 2022, the Group entered into framework agreements with certain of the Fangda Affiliated Airlines, Hainan, and HNA Aviation Group Co., Ltd., ("HNA Aviation Group"). Pursuant to these framework agreements, the Group's recourse in respect of certain current outstanding receivables and deferrals of \$22.8m and future lease commitments of \$134.6m due to the Group as at December 31, 2022, from Hainan, Lucky Air and Fuzhou Airlines was effectively transferred to HNA Aviation Group. The obligation of HNA Aviation Group is further guaranteed by Hainan Fangda Aviation Development Co., Ltd. and effectively secured by equity holdings in Hainan. At December 31, 2022, the total receivables and deferrals in respect of which the Group had recourse to HNA Aviation Group amounted to \$22.8m (December 31, 2021: \$Nil).

Related party transactions are included in lease revenue on the Consolidated Statements of Income and Other Comprehensive Income and lessee security deposits and trade and other receivables on the Consolidated Balance Sheets. This note outlines the related party transactions in which the Group participated during the year ended December 31, 2022. During the year ended December 31, 2022, the Group participated in the following transactions with related parties:

**(i) Lease of 15 aircraft to Hainan**

During the year ended December 31, 2022, the Group leased a total of 15 aircraft (Years ended December 31, 2021, and 2020: 15 and 15 respectively) to Hainan, 3 of which were sub-leased from Tianjin Air Capital No.8 Leasing Co., Ltd, Tianjin Air Capital No.10 Leasing Co., Ltd and Tianjin Capital No.11 Leasing Co., Ltd ("Tianjin Air Capital") respectively, 1 of which was sub-leased from Tianjin Changjiang Ershisihao Leasing Company Limited ("Changjiang Leasing"), and 2 of which was sub-leased from Lvyun No. 4 (Tianjin) Leasing Co., Ltd ("Lvyun No. 4"). During the year ended December 31, 2022, the leases for 2 of these aircraft were early terminated (Years ended December 31, 2021, and 2020: Nil and Nil). For the years ended December 31, 2022, 2021, and 2020 respectively, the Group recognized lease revenue of \$109.8m, \$130.5m and \$171.0m from Hainan and a loss allowance of \$10.2m, \$39.3m and \$Nil respectively in respect of these leases. At December 31, 2022, the Group also holds cash lessee security deposits of \$Nil relating to these aircraft (December 31, 2021: \$0.04m in respect of 15 aircraft).

**Avolon Holdings Limited**  
**Notes to the Consolidated Financial Statements**  
**(U.S. dollars in thousands, except as otherwise stated)**

**21. Related party transactions (continued)**

**(b) Transactions with related parties (continued)**

**(i) Lease of 15 aircraft to Hainan (continued)**

At December 31, 2022, the Group had \$60.5m of receivable and deferral balances from Hainan, Tianjin Air Capital, Changjiang Leasing and Lvyun No. 4 (December 31, 2021: \$87.9m).

**(ii) Lease of 1 aircraft to Fuzhou Airlines (“Fuzhou”)**

During the year ended December 31, 2022, the Group leased 1 aircraft (Years ended December 31, 2021, and 2020: 1) to Fuzhou. For the years ended December 31, 2022, 2021, and 2020 respectively, the Group recognized lease revenue of \$3.1m, \$3.5m and \$4.1m and a loss allowance of \$0.1m, \$0.7m and \$Nil respectively from Fuzhou in respect of these leases. The Group had \$0.7m receivable and deferral balances due from Fuzhou as of December 31, 2022 (December 31, 2021: \$2.3m).

**(iii) Lease of 8 aircraft to Tianjin Airlines (“Tianjin”)**

During the year ended December 31, 2022, the Group leased 8 aircraft (Years ended December 31, 2021, and 2020: 8) to Tianjin, 5 of which were sub-leased from Tianjin Air Capital Sanhao Leasing Co., Ltd (“Tianjin Air Capital”) and one of which was sub-leased from Lvyun No. 2 (Tianjin) Leasing Co., Ltd (“Lvyun No.2”). For the years ended December 31, 2022, 2021, and 2020, the Group recognized lease revenue of \$26.9m, \$28.5m and \$33.0m and a loss allowance of \$2.9m, \$13.0m and \$Nil respectively from Tianjin in respect of these leases. The Group had \$35.2m receivable and deferral balances due from Tianjin, Tianjin Air Capital and Lvyun No. 2 as of December 31, 2022 (December 31, 2021: \$43.6m).

**(iv) Lease of 9 aircraft to Beijing Capital Airlines (“Capital Airlines”)**

During the year ended December 31, 2022, the Group leased 9 aircraft (Years ended December 31, 2021, and 2020: 8 and 6) to Capital Airlines, 1 of which was sub-leased from Lvyun No. 18 (Tianjin) Leasing Co., Ltd (“Lvyun No. 18”). For the years ended December 31, 2022, 2021, and 2020, the Group recognized lease revenue of \$39.7m, \$33.8m and \$34.9m and a loss allowance of \$5.2m, \$15.5m and \$Nil from Capital Airlines in respect of these leases. At December 31, 2022, the Group had \$33.2m receivable and deferral balances due from Capital Airlines and Lvyun No. 18 (December 31, 2021: \$33.0m).

**(v) Lease of 6 aircraft to Lucky Air Co., Ltd (“Lucky”)**

During the year ended December 31, 2022, the Group leased 6 aircraft (Years ended December 31, 2021, and 2020: 6) to Lucky, 3 of which were sub-leased to Lvyun No. 3 (Tianjin) Leasing Co. Ltd. (“Lvyun No. 3”). During the years ended December 31, 2022, 2021, and 2020, the Group recognized lease revenue of \$27.9m, \$34.5m and \$38.0m and a loss allowance of \$1.5m, \$13.6m and \$Nil from Lucky in respect of these leases. At December 31, 2022, the Group had \$14.4m receivable and deferral balances due from Lucky (December 31, 2021: \$35.4m).

**(vi) Lease of 2 aircraft to Hong Kong Airlines Limited (“HK Airlines”)**

During the year ended December 31, 2022, the Group leased 2 aircraft (Years ended December 31, 2021, and 2020: 2) to HK Airlines. During the year ended December 31, 2022, the leases for these 2 aircraft were early terminated (Years ended December 31, 2021, and 2020: Nil and Nil). For the years ended December 31, 2022, 2021, and 2020, the Group recognized lease revenue of \$1.5m, \$3.3m and \$4.7m, a loss allowance of \$Nil, \$4.6m and \$Nil and a write off of lease associated balances of \$31.4m, \$Nil and \$Nil from HK Airlines in respect of these leases. At December 31, 2022, the Group had \$Nil of receivable and deferral balances due from HK Airlines (December 31, 2021: \$9.1m).

**(vii) Transactions with Suparna Airlines Company Limited (“Suparna Airlines”)**

At December 31, 2022, the Group held cash lessee security deposits of \$0.4m (December 31, 2021: \$0.4m) in respect of an agreement to deliver aircraft to Suparna Airlines. During the year ended December 31, 2019, the agreement to deliver aircraft to Suparna Airlines was terminated and the remaining cash lessee security deposits were due to be refunded to the airline.

**Avolon Holdings Limited**  
**Notes to the Consolidated Financial Statements**  
**(U.S. dollars in thousands, except as otherwise stated)**

**21. Related party transactions (continued)**

**(b) Transactions with related parties (continued)**

**(viii) Transactions with Hong Thai Travel Services Limited**

The Group incurred \$Nil of expenses during the year ended December 31, 2022 (Years ended December 31, 2021, and 2020: \$Nil and \$0.04m respectively) in relation to travel arrangements using Hong Thai Travel Services Limited as travel agent. Hong Thai Travel Services Limited was an indirect wholly owned subsidiary of the HNA Group. At December 31, 2022, the Group had no amounts payable to Hong Thai Travel Services Limited (December 31, 2021: \$Nil). As of and from December 31, 2020, Hong Thai Travel Services Limited was no longer deemed a related party of the Group.

**(ix) Agreements with HK Bohai**

**Dividends paid to HK Bohai and its Subsidiaries**

In March 2020, the Directors declared a dividend of \$192.5m to its shareholders which amounted to \$79.30 per share, of which GALC's share amounted to \$134.8m. The Group paid \$127.5m of this dividend its shareholders, including \$69.8m to GALC. An amount of \$65.0m was withheld from GALC due to holdback provisions in the Shareholders' Agreement.

During the year ended December 31, 2021, the Group paid \$50.0m of the withheld dividend to GALC. A dividend payable amount of \$116.7m was payable to GALC at December 31, 2021.

During the year ended December 31, 2022, the Group paid \$104.7m of the withheld dividend to GALC. A withheld dividend amount of \$12.0m remains payable to GALC at December 31, 2022 (December 31, 2021: \$116.7m). During the year ended December 31, 2022, the Directors also declared and paid dividends of \$12.5m to its shareholders which amounted to \$5.15 per share, of which GALC's share amounted to \$8.8m.

**Service Agreement with GALC**

During the year ended December 31, 2020, the Group entered into a service agreement with GALC whereby the Group provided certain financial advisory services to GALC. The Group recognized income of \$3.0m from GALC in consideration for the provision of these services during the year ended December 31, 2020. This service fee income was received in full during the year ended December 31, 2020.

**Participation Agreement with HK Bohai**

At December 31, 2022, the Group had an amount payable to HK Bohai of \$5.6m (December 31, 2021: \$Nil) relating to amounts received that formed part of the participation agreements entered into with HK Bohai during the years ended December 31, 2021 and 2019, whereby the Group had transferred its right to receive certain outstanding lease receivable balances from HNA affiliated airlines.

**(x) Transactions with ACP**

During the year ended December 31, 2020, the Group made a capital contribution to ACP of \$0.04m and recognized a share of losses in relation to ACP of \$0.04m. The Group made no capital contributions to or recognized a share of losses in relation to ACP during the years ended December 31, 2022, and 2021.

**(xi) Transactions with Sapphire Aviation Finance I Limited and Sapphire Aviation Finance I (US) LLC ("Sapphire")**

The Group holds an investment in the aircraft management vehicles and acts as a servicer for Sapphire. During the years ended December 31, 2022, 2021, and 2020 respectively, the Group recognized \$1.6m, \$2.1m and \$2.7m respectively in respect of acting as servicer. In addition, during the years ended December 31, 2022, 2021, and 2020, the Group received interest income on its investment from Sapphire of \$Nil, \$Nil and \$0.5m respectively. At December 31, 2022, the Group had \$0.2m receivable balance with Sapphire (December 31, 2021: \$0.5m).

**Avolon Holdings Limited**  
**Notes to the Consolidated Financial Statements**  
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**21. Related party transactions (continued)**

**(b) Transactions with related parties (continued)**

**(xii) Transactions with Sapphire Aviation Finance II Limited and Sapphire Aviation Finance II (US) LLC (“Sapphire II”)**

During the year ended December 31, 2020, the Group entered into an agreement with Sapphire II for the sale of 21 aircraft. The Group acquired a \$10.8m investment in the Class E Notes, representing a 9.5% equity interest in Sapphire II. During the year ended December 31, 2020, the Group sold 19 aircraft to Sapphire II. The Group agreed to retain the remaining two aircraft resulting in the sale of a total of 19 aircraft from the Group to Sapphire II.

During the year ended December 31, 2022, and 2021, the Group recognized \$2.4m and \$2.2m respectively in respect of acting as servicer. At December 31, 2022, the Group had \$0.3m payable balance with Sapphire II (December 31, 2021: receivable balance of \$0.3m).

**(xiii) Transactions with Jade**

During the year ended December 31, 2022, the Group recognized a share of profits in relation to Jade of \$2.0m (Years ended December 31, 2021, and 2020: share of losses of \$2.1m and \$1.7m).

During the years ended December 31, 2022, 2021 and 2020 respectively, the Group recognized \$0.9m, \$1.9m and \$0.9m in respect of acting as servicer for Jade. At December 31, 2022, the Group had \$0.5m receivable balance with Jade (December 31, 2021: \$0.9m).

During the year ended December 31, 2022, the Group received a dividend of \$Nil from Jade (Years ended December 31, 2021, and 2020: \$Nil and \$0.9m).

**(xiv) Transactions with ORIX**

In March 2020, the Directors declared a dividend of \$192.5m to its shareholders which amounted to \$79.30 per share, of which Orix’s share amounted to \$57.8m. During the year ended December 31, 2021, the Group paid \$57.8m of this dividend to Orix.

In February 2022, the Directors declared and paid a dividend of \$12.5m to its shareholders which amounted to \$5.15 per share, of which Orix’s share amounted to \$3.7m.

During the year ended December 31, 2022, the Group raised full recourse debt through Japanese Operating Leases with Call Options (“JOLCO”) structured financing arrangements amounting to \$94m. ORIX acted as the Japanese equity arranger in these transactions.

During the year ended December 31, 2022, the Group sold no aircraft to ORIX (Year ended December 31, 2021: 2 aircraft).

**(xv) Transactions with Avolon-e**

Avolon-e, a newly incorporated affiliate of Avolon Holdings Limited, will become the launch customer for Vertical Aerospace’s VA X4 eVTOL. Subject to appropriate operating, delivery and business requirements being met, Avolon-e will order electric aircraft valued at \$1.25bn with delivery commencing in late 2024, with an option to acquire additional aircraft up to a value of \$750m. Through the Group’s ownership interest in Avolon-e, the Group received warrants to purchase 4,057,600 ordinary shares in Vertical at an aggregate subscription price of \$405.76 during the year ended December 31, 2021.

**22. Commitments and contingent liabilities**

**(a) Capital commitments:**

At December 31, 2022, the Group had committed to purchase a total of 258 new aircraft (December 31, 2021: 232), scheduled to deliver from January 1, 2023 based upon fixed price agreements which are adjusted for inflation and price escalation formulas. Capital commitments at December 31, 2022, amounted to approximately \$14.8bn (December 31, 2021: \$13.4bn) subject to a reduction due to any cancellations.

All of these purchase commitments to purchase new aircraft are based upon binding master agreements with each of Airbus S.A.S. (“Airbus”) or Boeing Company (“Boeing”) or with airlines and other third parties in the form of sale and leasebacks or other aircraft related expenditure.

**Avolon Holdings Limited**  
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**22. Commitments and contingent liabilities (continued)**

**(a) Capital commitments: (continued)**

The Directors anticipate that a portion of the aggregate purchase price for the purchase of aircraft will be funded by incurring additional debt. The exact amount of the indebtedness to be incurred will depend upon the actual purchase price of the aircraft, which can vary due to a number of factors, including inflation, manufacturer discounts and the percentage of the purchase price of the aircraft which must be financed. The Directors base the aggregate list prices of its committed aircraft based on current aircraft prices in the aircraft leasing market and aviation industry, as well as information received from third party sources.

The breakdown of capital commitments at December 31, 2022, were as follows:

	<b>2022</b>
2023 .....	1,011,573
2024 .....	3,634,118
2025 .....	3,282,030
2026 .....	2,894,411
2027 .....	2,172,101
2028 and thereafter .....	1,846,591
<b>Total</b> .....	<b>14,840,824</b>

The breakdown of capital commitments at December 31, 2021, were as follows:

	<b>2021</b>
2022 .....	1,289,930
2023 .....	1,543,582
2024 .....	2,979,590
2025 .....	3,003,654
2026 .....	2,326,201
2027 and thereafter .....	2,255,907
<b>Total</b> .....	<b>13,398,864</b>

Prepayments on flight equipment include prepayments of our forward order flight equipment held with the aircraft manufacturers. Movements in prepayments on flight equipment during the years ended December 31, 2022, and 2021 were as follows:

	<b>2022</b>	<b>2021</b>
Prepayments on flight equipment as of January 1,.....	2,538,176	2,119,772
Net additions .....	481,998	1,022,292
Interest capitalized during the year .....	103,315	74,505
Prepayments capitalized to the purchase of flight equipment.....	(657,672)	(678,393)
Impairment.....	(38,566)	-
<b>Prepayments on flight equipment as of December 31,.....</b>	<b>2,427,251</b>	<b>2,538,176</b>

**(b) Lease commitments:**

The Group leases office spaces under operating leases in each of its office locations. All the office space leases were entered into between 2017 and 2022 as combined leases of land and buildings. The operating lease agreement expiry dates range between 2023 and 2042. The rent paid to the landlord is based on a fixed rental, and the Group does not have an interest in residual value of the land and buildings or office lease contracts which have not yet commenced to which the Group is committed.

Extension and termination options are included in a number of property leases. These terms are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. The Group has elected to use the short-term exemption under ASC 842 *Leases* on lease contracts for which the lease terms end within 12 months.

**Avolon Holdings Limited**  
**Notes to the Consolidated Financial Statements**  
(U.S. dollars in thousands, except as otherwise stated)

**22. Commitments and contingent liabilities (continued)**

**(b) Lease commitments: (continued)**

During the year ended December 31, 2022, the Group recognized \$0.8m relating to short term leases in the Consolidated Statement of Income and Other Comprehensive Income (Years ended December 31, 2021, and 2020: \$0.6m and \$1.1m).

As of December 31, 2022, the weighted average remaining lease term of the Group’s operating leases was 18 years (December 31, 2021: 20 years). The balance relating to lease liabilities were discounted using the weighted average cost of debt of the Group at the adoption of ASC 842 of 4.5% and 3.8% for new leases entered into during the year ended December 31, 2022.

Commitments for minimum rentals under the non-cancellable lease terms as of December 31, 2022, were as follows:

	<b>2022</b>
2023 .....	6,810
2024 .....	7,536
2025 .....	6,966
2026 .....	5,666
2027 .....	5,672
2028 and thereafter .....	67,524
<b>Total</b> .....	<b>100,174</b>

Commitments for minimum rentals under the non-cancellable lease terms as of December 31, 2021, were as follows:

	<b>2021</b>
2022 .....	4,858
2023 .....	5,823
2024 .....	6,572
2025 .....	6,578
2026 .....	6,585
2027 and thereafter .....	88,128
<b>Total</b> .....	<b>118,544</b>

**(c) Guarantees:**

The Group is financed by a number of secured and unsecured loans, totaling \$19.5bn (December 31, 2021: \$19.9bn) and at a weighted average nominal interest rate of 4.4% (December 2021, 31: 3.4%). The secured loans are guaranteed by some or all of a mortgage on the aircraft, share pledge over the aircraft owning entity, assignment of lease contracts and in some cases a limited guarantee from the Group. Based on the projected cash flows from the assets, the Directors believe that these loans will continue to perform for the foreseeable future. At December 31, 2022, the Group had \$1,213m (December 31, 2021: \$1,641m) in undrawn secured debt facilities. The conditions attributable to the utilization of these facilities are permitted aircraft types, country, region limits and age limits. At December 31, 2022, the Group had \$3,677m of undrawn unsecured debt facilities with limited restrictions to its availability where the availability period was between 2023 and 2026 (December 31, 2021: \$3,840m). The Group is charged an interest rate of between 0.25% and 0.50% (December 31, 2021: between 0.25% and 0.50%) on undrawn balances.

**(d) Contingent liabilities:**

There were no contingent liabilities that require disclosure in the consolidated financial statements (December 31, 2021: \$Nil).

**23. Variable interest entities**

The Group is involved with various special purpose entities (“SPE”) in the normal course of business. In most cases, these entities are deemed to be VIEs. The Group’s variable interests in VIEs include debt and equity interests, commitments, guarantees, and certain other contractual arrangements.

**Avolon Holdings Limited**  
**Notes to the Consolidated Financial Statements**  
**(U.S. dollars in thousands, except as otherwise stated)**

**23. Variable interest entities (continued)**

The leasing and financing activities in the Group's normal course of business require the use of many forms of SPEs to achieve our business objectives and the Group has participated to varying degrees in the design and formation of these SPEs. These SPEs are deemed to be VIEs. The Group's interests in its VIEs varies and includes being the sole shareholder of the equity in the VIE, managing and structuring all the VIE's activities or the provision of debt, commitments, guarantees or certain other contractual arrangements.

As of December 31, 2022, and December 31, 2021, all assets and liabilities presented on the consolidated balance sheets were held in the VIEs consolidated by the Group.

The Group consolidates wholly owned financing entities and wholly owned leasing entities because the entities do not have sufficient equity to operate without the Group's subordinated financial support in the form of interGroup loans. In certain circumstances, the Group is required to segregate security deposits, maintenance receipts and rental payments received under the leases related to the aircraft funded under the relevant facility (segregated rental payments are used to make scheduled principal and interest payments on the outstanding debt) at a subsidiary borrower level. The segregated funds are deposited into separate accounts pledged to and controlled by the security trustee of the relevant loan facilities. The subsidiary borrower is required to maintain compliance with loan-to-value ratios as set forth in the loan agreements. If the subsidiary borrower does not maintain compliance with the loan-to-value ratio, it will be required to prepay portions of the outstanding loan so that the ratio is equal to or less than the loan-to-value ratio.

The Group controls and manages all aspects of these entities, including directing the activities that most significantly affect the entity's economic performance. The Group absorbs the majority of the risk and rewards of these entities, and the Group guarantees the activities of these entities.

The Group consolidates non-recourse financing structures because the Group controls and manages all aspects of these entities, including directing the activities that most significantly affect these entities' economic performance and the Group absorbs the majority of the risk and rewards of these entities. The lenders of our non-recourse financing structures have recourse only over those assets within the subsidiary borrower and the Group does not provide any guarantees to the debt financings of these entities. When the Group is determined to be the primary beneficiary, the VIE is consolidated. Consolidated VIE assets and liabilities are presented after interGroup eliminations and include assets financed on a non-recourse basis.

The Group consolidates entities established for the purpose of securing ECA and EXIM financing and other secured financing because the Group controls and manages all aspects of these entities, including directing the activities that most significantly affect these entities' economic performance and the Group absorbs the majority of the risk and rewards of these entities. When the Group is determined to be the primary beneficiary, the VIE is consolidated. Consolidated VIE assets and liabilities are presented after interGroup eliminations and include assets financed by the ECA and EXIM facilities.

In general, the Group's exposure to loss in unconsolidated VIEs is limited to losses that would be absorbed by the Group in the event that all of our assets held in the VIEs, for which the Group is not the primary beneficiary had no value. At December 31, 2022, and 2021, the Group's maximum exposure to losses in its unconsolidated VIEs was \$54.3m and \$49.9m, respectively. Refer to our investments in equity accounted investees and investments in equity securities in notes 6 and 7 respectively for the Group's unconsolidated VIEs.

**24. Subsequent events**

Up to February 8, 2023, there were no significant events subsequent to December 31, 2022, that require amendment to or disclosure in the consolidated financial statements.



## **Review Report of Independent Auditors**

To the Board of Directors and Shareholders of Avolon Holdings Limited

### **Results of Review of Interim Financial Information**

We have reviewed the unaudited condensed consolidated financial statements of Avolon Holdings Limited and its subsidiaries which comprise the unaudited condensed consolidated balance sheet as of March 31, 2023, and the related unaudited condensed consolidated statements of income and other comprehensive income, cash flows and changes in shareholders' equity for the three-month periods ended March 31, 2023 and 2022, and the related notes (collectively referred to as the "interim financial information").

Based on our review, we are not aware of any material modifications that should be made to the accompanying condensed interim financial information for it to be in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Review Results**

We have conducted our review in accordance with auditing standards generally accepted in the United States of America (GAAS) applicable to reviews of interim financial information. A review of condensed interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. A review of condensed interim financial information is substantially less in scope than an audit conducted in accordance with GAAS, the objective of which is an expression of an opinion regarding the financial information as a whole, and accordingly, we do not express such an opinion. We are required to be independent of Avolon Holdings Limited and its subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our review. We believe that the results of the review procedures provide a reasonable basis for our conclusion.

### **Management's Responsibility for the Interim Financial Information**

Management is responsible for the preparation and fair presentation of the condensed interim financial information in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of interim financial information that is free from material misstatement, whether due to fraud or error.

### **Report on Condensed Balance Sheet as of December 31, 2022**

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of Avolon Holdings Limited and its subsidiaries as of December 31, 2022, and the related consolidated statements of income and other comprehensive income, changes in shareholders' equity and cash flows for the year then ended (not presented herein); and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated February 8, 2023. In our opinion, the accompanying condensed consolidated balance sheet of Avolon Holdings Limited as of December 31, 2022, is consistent, in all material respects, with the consolidated balance sheet from which it has been derived.

Ernst & Young

Dublin, Ireland

April 26, 2023

**Avolon Holdings Limited**  
**Unaudited Condensed Consolidated Balance Sheets**  
**As of March 31, 2023, and December 31, 2022**  
**(U.S. dollar in thousands)**

<b>Assets</b>	<b>Note</b>	<b>March 31, 2023</b>	<b>December 31, 2022</b>
Cash and cash equivalents.....	3	403,291	654,940
Restricted cash.....	3	97,470	102,889
Trade and other receivables.....		76,605	158,225
Flight equipment held for operating leases, net.....			
- Aircraft.....	4	23,417,655	23,323,459
- Maintenance right assets and lease premium, net.....	4	387,945	420,879
Flight equipment held for sale.....	5	29,893	20,588
Investment in equity accounted investees.....		10,126	9,673
Prepayments on flight equipment.....		2,123,000	2,427,251
Other assets.....	6	1,868,837	1,884,628
Deferred income tax assets.....		1,317,548	1,301,627
Goodwill.....		491,455	491,455
<b>Total Assets</b> .....		<b>30,223,825</b>	<b>30,795,614</b>
<b>Liabilities and equity</b>			
Accounts payable, accrued expenses and other liabilities.....	7	413,435	427,346
Lessee security deposits.....		298,909	283,525
Accrued maintenance liabilities.....		1,203,815	1,216,256
Debt.....	9	18,623,070	19,214,315
Deferred income tax liabilities.....		1,708,993	1,689,322
<b>Total Liabilities</b> .....		<b>22,248,222</b>	<b>22,830,764</b>
<b>Equity</b>			
Common shares, \$0.000000000004 par value; 750,000,000,000,000 ordinary shares authorized as of March 31, 2023, and December 31, 2022; 2,427,625 ordinary shares issued and 749,999,997,572,375 ordinary shares outstanding as of March 31, 2023, and December 31, 2022.....	11	-	-
Additional paid-in capital.....		6,537,348	6,537,348
Accumulated other comprehensive income/(loss).....		120,830	152,385
Retained earnings.....		1,317,425	1,275,117
<b>Total Equity</b> .....		<b>7,975,603</b>	<b>7,964,850</b>
<b>Total Equity and Liabilities</b> .....		<b>30,223,825</b>	<b>30,795,614</b>

**Supplemental balance sheet information – amounts related to assets and liabilities of consolidated VIEs for which creditors do not have recourse to our general credit:**

Restricted cash.....	11	11
Flight equipment held for operating leases and held for sale.....		36,430
Debt.....		16,579
Other liabilities.....		641

The accompanying notes on pages F-54 to F-73 form an integral part of these consolidated financial statements.

On behalf of the board

**Director**

**Jason Zhang**

**Director**

**Andy Cronin**

**Date: April 26, 2023**

**Avolon Holdings Limited**  
**Unaudited Condensed Consolidated Statements of Income and Other Comprehensive Income**  
**Three months ended March 31, 2023, and 2022**  
**(U.S. dollar in thousands)**

	Note	March 31, 2023	March 31, 2022
<b>Revenues</b>			
Lease revenue .....	12	598,560	657,928
Gain on disposal of assets .....		8,204	21,852
Other income .....		10,546	13,902
<b>Total revenues</b> .....		<b>617,310</b>	<b>693,682</b>
<b>Expenses</b>			
Depreciation and amortization .....	4,6	274,446	287,018
Impairment .....	4	22,021	359,748
Interest expense .....	13	199,953	167,099
Selling, general and administrative expenses .....		49,637	45,013
Aircraft maintenance expense .....		8,502	35,789
<b>Total expenses</b> .....		<b>554,559</b>	<b>894,667</b>
Gain/(loss) on investments .....	6	1,160	(770)
<b>Earnings/(loss) before income tax and profit from investments accounted for under equity method</b> .....		<b>63,911</b>	<b>(201,755)</b>
Income tax (expense)/benefit .....	14	(8,504)	19,048
Profit from investments accounted for under equity method, net of tax .....		453	1,207
<b>Net income/(loss)</b> .....		<b>55,860</b>	<b>(181,500)</b>
<b>Other comprehensive (loss)/income</b>			
Net change in fair value of derivatives, net of tax of \$3.1m and \$11.1m respectively .....		(31,555)	101,885
<b>Total other comprehensive (loss)/income</b> .....		<b>(31,555)</b>	<b>101,885</b>
<b>Total comprehensive income/(loss)</b> .....		<b>24,305</b>	<b>(79,615)</b>

All activities derive from continuing operations.

The accompanying notes on pages F-54 to F-73 form an integral part of these consolidated financial statements.

On behalf of the board

**Director**

**Jason Zhang**

**Director**

**Andy Cronin**

**Date: April 26, 2023**

**Avolon Holdings Limited**  
**Unaudited Condensed Consolidated Statements of Cash Flows**  
**Three months ended March 31, 2023, and 2022**  
**(U.S. dollar in thousands)**

	Note	March 31, 2023	March 31, 2022
<b>Cash flows from operating activities</b>			
Net income/(loss) .....		55,860	(181,500)
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>			
Depreciation and amortization .....		315,592	325,179
Impairment .....		22,021	359,748
Profit from investments accounted for under equity method, net of tax .....		(453)	(1,207)
(Gain)/loss on investments .....		(1,160)	770
Amortization of debt issuance costs .....		18,198	18,771
Net gain on disposal of assets .....		(8,204)	(21,852)
Deferred income tax expense/(benefit) .....		5,432	(17,805)
Other .....		(36,172)	(31,730)
<b>Changes in operating assets and liabilities:</b>			
Trade and other receivables and other assets .....		(11,442)	(128,978)
Accounts payable, accrued expenses and other liabilities .....		(49,401)	(1,570)
<b>Net cash provided by operating activities .....</b>		<b>310,271</b>	<b>319,826</b>
<b>Cash flows from/(used in) investing activities</b>			
Purchase of flight equipment .....		(71,992)	(134,671)
Proceeds from disposal of assets .....		94,270	98,317
Prepayments and deposits on flight equipment .....		(20,565)	(242,912)
Other .....		(70)	-
<b>Net cash from/(used in) investing activities .....</b>		<b>1,643</b>	<b>(279,266)</b>
<b>Cash flows (used in)/from financing activities</b>			
Issuance of debt .....		1,021,500	1,088,899
Repayment of debt .....		(1,605,920)	(1,354,248)
Debt issuance costs paid .....		(4,326)	(7,075)
Security deposits and maintenance payments received .....		87,987	88,411
Security deposits and maintenance payments returned .....		(53,141)	(62,900)
Repayment of lease liabilities .....		(1,530)	(1,361)
Dividends paid .....	11	(13,552)	(117,255)
<b>Net cash (used in)/from financing activities .....</b>		<b>(568,982)</b>	<b>(365,529)</b>
<b>Net decrease in cash and cash equivalents and restricted cash .....</b>		<b>(257,068)</b>	<b>(324,969)</b>
Cash and cash equivalents and restricted cash at January 1, .....		757,829	885,885
<b>Cash and cash equivalents and restricted cash at March 31, .....</b>		<b>500,761</b>	<b>560,916</b>

**Supplemental disclosures of cash flow information:**

Cash paid for interest net of amounts capitalized .....	(222,361)	(203,786)
Cash paid for income taxes .....	(1,408)	(414)

*Non-cash investing and financing activities*

Security deposits, maintenance liabilities and other liabilities settled on sale of flight equipment .....	(491)	(408)
Flight equipment held for operating leases reclassified to flight equipment held for sale .....	15,103	-

The accompanying notes on pages F-54 to F-73 form an integral part of these consolidated financial statements.

On behalf of the board

**Director**

**Director**

**Jason Zhang**

**Andy Cronin**

**Date: April 26, 2023**

**Avolon Holdings Limited**  
**Unaudited Condensed Consolidated Statements of Changes in Shareholders' Equity**  
**Three months ended March 31, 2023, and 2022**  
**(U.S. dollar in thousands)**

	Note	Common Shares	Additional paid-in capital	Accumulated other comprehensive income/(loss)	Retained earnings	Total equity
<b>Balance at December 31, 2021</b> .....		-	6,537,348	(27,281)	1,279,116	7,789,183
Net loss .....		-	-	-	(181,500)	(181,500)
Other comprehensive income.....		-	-	101,885	-	101,885
Dividends declared .....	11	-	-	-	(12,541)	(12,541)
<b>At March 31, 2022</b> .....		-	6,537,348	74,604	1,085,075	7,697,027
<b>At December 31, 2022</b> .....		-	6,537,348	152,385	1,275,117	7,964,850
Net income.....		-	-	-	55,860	55,860
Other comprehensive loss .....		-	-	(31,555)	-	(31,555)
Dividends declared .....	11	-	-	-	(13,552)	(13,552)
<b>At March 31, 2023</b> .....		-	6,537,348	120,830	1,317,425	7,975,603

The accompanying notes on pages F-54 to F-73 form an integral part of these consolidated financial statements.

On behalf of the board

**Director**

**Jason Zhang**

**Director**

**Andy Cronin**

**Date: April 26, 2023**

**Avolon Holdings Limited**  
**Notes to the Unaudited Condensed Consolidated Financial Statements (continued)**  
**(U.S. dollars in thousands, except as otherwise stated)**

**1. The Group and Business Update**

Avolon Holdings Limited (“Avolon Holdings”, “AHL”, the “Company” or “our”), is a Company which was incorporated in the Cayman Islands.

At March 31, 2023, AHL is a 70% owned, indirect subsidiary of Bohai Leasing Co., Ltd. (“Bohai”) through Global Aircraft Leasing Co., Ltd. (“GALC”) and 30% owned by ORIX Corporation (“ORIX”) through its wholly owned subsidiary ORIX Aviation Systems Limited (“ORIX Aviation”).

The Group, comprising of the Company and its subsidiaries and the Group’s investment in equity accounted investees, is a global aircraft leasing company focused on acquiring, leasing, managing and selling commercial aircraft to various airlines and lessees and acting as servicer for third party aircraft owners.

In February 2022, Russia initiated a full-scale invasion of Ukraine and is now engaged in a military conflict with Ukraine. In response, the EU, US and the UK as well as other jurisdictions introduced unprecedented sanctions against Russia, certain Russian individuals, certain Russian entities and certain activities involving Russia or Russian individuals. These sanctions include prohibitions regarding the supply of aircraft and aircraft components to Russian persons or for use in Russia in connection with Russia’s actions in Ukraine. Prior to the imposition of these sanctions, the Group had 14 owned aircraft on lease to Russian airlines. The aggregate carrying value of these aircraft amounted to \$399.3m, which represented 1.6% of the total aggregate carrying value of our flight equipment at December 31, 2021.

Prior to March 28, 2022, the Group terminated the leasing of all of its 14 owned aircraft which were on lease to Russian airlines. The Group has sought to repossess all of its aircraft from Russian airlines and remove them from Russia. As of March 31, 2023, the Group had 4 of these 14 aircraft under its control outside of Russia. While the Group continues to hold legal title to the aircraft that remain in Russia, the Group has concluded that it is not likely that we will regain possession of these aircraft. The 10 aircraft that remain in Russia were removed from the Group’s owned fleet count during the year ended December 31, 2022.

The Group recognized the impact of the termination of the leasing of these aircraft and the loss from asset write-offs and impairment of these aircraft during the three months ended March 31, 2022, which resulted in a \$261.4m charge to the Consolidated Statement of Income and Other Comprehensive Income through the recognition of impairment in respect of these aircraft of \$304.0m (refer to note 4) and a net release \$42.6m of other lease associated balances.

Our lessees are required to provide insurance coverage with respect to leased aircraft and the Group are named as insureds under those policies in the event of a total loss of an aircraft or engine. The Group also purchase insurance which provides us with coverage when our flight equipment is not subject to a lease or where a lessee’s policy fails to indemnify us. The Group have submitted insurance claims for approximately \$329.4m with respect to all owned aircraft remaining in Russia and intend to pursue all of our claims under these policies with respect to our assets leased to Russian airlines as of February 25, 2022.

On November 2, 2022, the Group commenced legal proceedings in the Irish courts against insurers in respect of its previously submitted claims for the loss suffered in respect of the Group’s 10 owned aircraft, and a further two managed aircraft, all of which remain detained in Russia. The Group intends to rigorously pursue its claim against insurers in respect of the loss suffered. However, the collection, timing and amount of any recoveries are uncertain, and we have not recognized any claim receivables as of March 31, 2023.

On April 24, 2022, the Hainan Province High Court confirmed the completion of the implementation of the “Reorganization Plan for Substantive Merger and Reorganization of HNA Group Co., Ltd. and Other 321 Companies” (hereinafter referred to as the “Reorganization Plan”). Prior to the implementation of the Reorganization Plan, HNA Group Co., Ltd. (“HNA Group”) was the indirect controlling shareholder of Bohai thus, through these interests, HNA Group was the Group’s ultimate controlling shareholder. As part of the completion of the Reorganization Plan, a Special Service Trust (the “Trust”) was established to hold the assets of HNA Group and the Other 321 Companies, resulting in HNA Group becoming a dormant entity. CITIC Trust Co., Ltd. and Everbright Xinglong Trust Co., Ltd. are the trustees of the Trust. The ultimate beneficiaries of the Trust consist of the secured and unsecured creditors of HNA Group and the Other 321 Companies.

As of March 31, 2023, the Trust holds an indirect ownership interest in Bohai, however is not deemed to be Bohai’s ultimate controlling shareholder as no individual beneficiary of the Trust holds a majority shareholding in, or has control in Bohai. Therefore, as of March 31, 2023, Bohai is deemed to be AHL’s ultimate controlling shareholder.

**Avolon Holdings Limited**  
**Notes to the Unaudited Condensed Consolidated Financial Statements (continued)**  
**(U.S. dollars in thousands, except as otherwise stated)**

## 2. Summary of significant accounting policies

### Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The Group consolidates all companies in which the Group has direct or indirect legal or effective control and all variable interest entities ("VIE") for which the Group is deemed the primary beneficiary and has control under Accounting Standards Codification ("ASC") 810. All inter group balances and transactions with consolidated subsidiaries have been eliminated. The results of consolidated entities are included from the effective date of control or, in the case of variable interest entities, from the date that the Group is or becomes the primary beneficiary. The results of subsidiaries sold or otherwise deconsolidated are excluded from the date that the Group ceases to control the subsidiary or, in the case of variable interest entities, when the Group ceases to be the primary beneficiary.

Unconsolidated investments where the Group has significant influence are reported using the equity method of accounting.

The Group's condensed consolidated financial statements have been prepared in accordance with U.S. GAAP for interim financial reporting. They do not include all of the information required for full annual financial statements and should be read in conjunction with the audited consolidated financial statements of the Group as of and for the year ended December 31, 2022. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements.

### *Functional currency*

The condensed consolidated financial statements are presented in United States Dollars ("\$"), which is the Group's functional currency and that of each of its subsidiaries. All financial information presented in \$ has been rounded to the nearest thousand, except when otherwise indicated.

### *Foreign currency transactions*

Transactions in foreign currencies are translated to \$ at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into \$ at the rates of exchange prevailing at the balance sheet date with differences arising recognized in interest expense in the Condensed Consolidated Statement of Income and Other Comprehensive Income.

### *Reportable segments*

For management and reporting purposes the Group's activities are organized in one reportable segment based on information provided internally to the Group's Board of Directors. The principal activities of the Group involve the acquisition and leasing of commercial jet aircraft and associated aircraft disposals.

### *Going concern*

These condensed consolidated financial statements have been prepared on a going concern basis.

The Directors have considered the impact on the Group's use of the going concern basis of preparation at the date of approving of these consolidated financial statements by evaluating all cash inflows and outflows for the Group over the next 12 months under the following assumptions;

- Current unrestricted cash on hand balance available,
- Additional liquidity from available undrawn debt facilities,
- Forecasted lease cash inflows for the next 12 months;
- Forecasted cash outflows for capital expenditure for the next 12 months; and
- Forecasted cash outflows for all contractual debt and lease obligations and selling, general and administrative expenses for the next 12 months.

The Directors have evaluated the Group's continued compliance with the financial and non-financial covenants for the next 12 months. Based on this analysis and all information available at present, the Directors believe that the Group has sufficient liquidity to meet its obligations as they fall due and that it continues to be appropriate to prepare the consolidated financial statements on a going concern basis of preparation.

**Avolon Holdings Limited**  
**Notes to the Unaudited Condensed Consolidated Financial Statements (continued)**  
**(U.S. dollars in thousands, except as otherwise stated)**

**2. Summary of significant accounting policies (continued)**

**Basis of preparation (continued)**

**Use of estimates**

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

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

**Recent accounting standards adopted during 2023:**

The Group has adopted the following new standards and updates to standards with a date of initial application from January 1, 2023:

**ASU 2023-01, Leases: Common Control Arrangements (Topic 842)**

In March 2023, the FASB issued ASU 2023-01, Leases: Common Control Arrangements (Topic 842). The new guidance is effective for reporting periods beginning after December 15, 2023, and interim periods within those fiscal years. The guidance requires entities to determine whether a related party arrangement between entities under common control is a lease. An arrangement that is determined to be a lease must be classified and accounted for on the same basis as an arrangement with an unrelated party. Topic 842 generally requires that leasehold improvements have an amortization period consistent with the shorter of the remaining lease term and the useful life of the improvements, which is an approach that is largely consistent with legacy guidance. The Group has reviewed the impact of the initial application of amendments and determined that there is no significant impact for the Group.

**ASU 2023-02, Investments – Equity Method and Joint Ventures (Topic 323)**

In March 2023, the FASB issued ASU 2023-02, Investments – Equity Method and Joint Ventures (Topic 323). The new guidance is effective for reporting periods beginning after December 15, 2023, and interim periods within those fiscal years. The guidance allows reporting entities to elect to account for their tax equity investments, regardless of the tax credit program from which the income tax credits are received, using the proportional amortization method if certain conditions are met. The Group has reviewed the impact of the initial application of amendments and determined that there is no significant impact for the Group.

**3. Cash and cash equivalents and restricted cash**

The following is a summary of our cash, cash equivalents and restricted cash as of March 31, 2023, and December 31, 2022:

	<b>March 31, 2023</b>	<b>December 31, 2022</b>
Cash and cash equivalents .....	403,291	654,940
Restricted cash .....	97,470	102,889
<b>Total cash and cash equivalents and restricted cash .....</b>	<b>500,761</b>	<b>757,829</b>

Restricted cash comprises cash held by the Group, but which is ring-fenced or used as security for specific financing arrangements (note 9).



**Avolon Holdings Limited**  
**Notes to the Unaudited Condensed Consolidated Financial Statements (continued)**  
(U.S. dollars in thousands, except as otherwise stated)

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

	<b>Aircraft</b>	<b>Maintenance right asset</b>	<b>Lease premium</b>	<b>Total</b>
<b>Net book value at January 1, 2023</b> .....	<b>23,323,459</b>	<b>343,275</b>	<b>77,604</b>	<b>23,744,338</b>
Additions.....	435,350	-	-	435,350
Transfer (to) held for sale .....	(15,103)	(2,929)	-	(18,032)
Transfer to inventory.....	(750)	-	-	(750)
Disposals/derecognitions .....	(49,184)	(13,327)	-	(62,511)
Depreciation/amortization.....	(254,096)	(8,223)	(8,455)	(270,774)
Impairment.....	(22,021)	-	-	(22,021)
<b>Net book value at March 31, 2023</b> .....	<b>23,417,655</b>	<b>318,796</b>	<b>69,149</b>	<b>23,805,600</b>

	<b>Aircraft</b>	<b>Maintenance right asset</b>	<b>Lease premium</b>	<b>Total</b>
<b>Net book value at January 1, 2022</b> .....	<b>23,604,399</b>	<b>424,484</b>	<b>119,230</b>	<b>24,148,113</b>
Additions.....	2,345,498	-	-	2,345,498
Transfer (to)/from held for sale.....	109,396	-	-	109,396
Transfer to inventory.....	(5,621)	-	-	(5,621)
Disposals/derecognitions .....	(1,346,545)	(69,802)	67	(1,416,280)
Depreciation/amortization.....	(1,026,940)	(11,407)	(41,693)	(1,080,040)
Impairment.....	(356,728)	-	-	(356,728)
<b>Net book value at December 31, 2022</b> .....	<b>23,323,459</b>	<b>343,275</b>	<b>77,604</b>	<b>23,744,338</b>

As of March 31, 2023, and December 31, 2022, accumulated depreciation on aircraft was \$5,718.2m and \$5,481.2m respectively.

During the three months ended March 31, 2023, and 2022, the Group capitalized maintenance right asset of \$13.3m and \$13.3m to aircraft.

Flight equipment held for operating leases are assessed for recoverability in accordance with ASC 360, at each reporting date or whenever events or changes in circumstances indicate that their carrying value may not be recoverable.

During the three months ended March 31, 2023, and 2022, the Group recognized impairment as follows:

	<b>2023</b>	<b>2022</b>
Flight equipment held for operating leases .....	22,021	321,182
<b>Total</b> .....	<b>22,021</b>	<b>321,182</b>

Additional details of the recoverability assessment performed on our flight equipment held for operating leases, net are included in note 4 of the Group's full annual financial statements for the year ended December 31, 2022.

The following table shows the Group's flight equipment held for operating leases, net attributable to geographic region based on the principal place of business of our lessees as of March 31, 2023, and December 31, 2022:

<b>Geographic concentration:</b>	<b>March 31, 2023</b>	<b>2023 %</b>	<b>December 31, 2022</b>	<b>2022 %</b>
Europe, Middle East and Africa (EMEA).....	7,531,898	32	7,560,505	32
Asia Pacific (APAC) .....	11,506,452	48	11,337,199	48
Americas.....	4,767,250	20	4,846,634	20
<b>Total</b> .....	<b>23,805,600</b>	<b>100</b>	<b>23,744,338</b>	<b>100</b>

**Avolon Holdings Limited**  
**Notes to the Unaudited Condensed Consolidated Financial Statements (continued)**  
**(U.S. dollars in thousands, except as otherwise stated)**

**5. Flight equipment and other liabilities held for sale**

Under the provisions of ASC 360, any aircraft which meets certain criteria and is expected to be sold in its present condition is required to be classified as held for sale. As of March 31, 2023, the Group had agreements for the sale of 2 aircraft (December 31, 2022: 2 aircraft) which are classified as held for sale. The Group expects to finalize the sale of the aircraft within the twelve months from March 31, 2023. The Group did not incur impairment losses in respect of aircraft that were reclassified as held for sale during the three months ended March 31, 2023 (Three months ended March 31, 2022: \$Nil). During the three months ended March 31, 2023, the Group did not reclassify any aircraft which previously met the criteria of ASC 360 to flight equipment held for operating leases as it no longer met the criteria to be held for sale following the termination of the sale agreement in respect of this aircraft (Year ended December 31, 2022: one aircraft).

**6. Other Assets**

Other assets consisted of the following as of March 31, 2023, and December 31, 2022:

	<b>March 31, 2023</b>	<b>December 31, 2022</b>
Deferred operating lease revenue, net of allowance for expected credit losses .....	381,376	377,126
Lease incentive asset and straight-line rents .....	946,986	935,816
Operating leases ROU assets .....	63,846	65,532
Other tangible fixed assets .....	7,385	7,304
Debt issuance costs .....	13,561	12,677
Prepaid expenses, inventory, and other assets .....	280,235	271,760
Investments .....	52,454	60,263
Derivative assets (note 8).....	122,994	154,150
<b>Total</b> .....	<b>1,868,837</b>	<b>1,884,628</b>

**Operating leases ROU Assets**

During the three months ended March 31, 2023, the Group recognized lease expense charge of \$2.1m in respect of operating leases (Three months ended March 31, 2022: \$2.2m).

**Other tangible fixed assets**

During the three months ended March 31, 2023, the Group recognized depreciation of \$1.6m on other tangible fixed assets (Three months ended March 31, 2022: \$1.5m).

**Prepaid expenses, inventory and other assets**

As of March 31, 2023, prepaid expenses, inventory and other assets includes deposits paid of \$232.0m as part of a commitment to purchase aircraft from airline customers in the form of sale and leaseback transactions (December 31, 2022: \$232.2m)

**Investments**

As of March 31, 2023, the Group's investment in equity securities in airlines had a fair value of \$23.3m based on an EBITDA multiple valuation method (refer to note 10) (Year ended December 31, 2022: \$24.1m). The Group recognized a realized gain and unrealized loss on investments in equity securities in airlines of \$9.0m and \$0.8m respectively for the three months ended March 31, 2023 (Three months ended March 31, 2022: \$Nil). The realized gain of \$9.0m related to the sale of equity securities in airlines that had a fair value of \$Nil at December 31, 2022.

As of March 31, 2023, the Group held 5,557,600 ordinary shares in Vertical Aerospace Limited ("Vertical"), a public company which listed on the New York Stock Exchange under the symbol "EVTL" with a fair value of \$11.8m based on the quoted market price (December 31, 2022: \$18.8m). The Group recognized an unrealized loss on investment in Vertical of \$7.1m for the three months ended March 31, 2023 (Three months ended March 31, 2022: \$1.4m unrealized gain).

**Avolon Holdings Limited**  
**Notes to the Unaudited Condensed Consolidated Financial Statements (continued)**  
(U.S. dollars in thousands, except as otherwise stated)

**6. Other Assets (continued)**

**Investments (continued)**

During the three months ended March 31, 2023, the Group recognized an unrealized loss on investments in Sapphire and Sapphire II of \$Nil (Three months ended March 31, 2022: unrealized loss of \$2.2m). As of March 31, 2023, the Group's aggregate investment in Sapphire and Sapphire II was \$1.7m (December 31, 2022: \$1.7m).

As of March 31, 2023, the Group held debt securities issued by airlines, as part of the settlement of claims, which have been classified as trading debt securities. As of March 31, 2023, the Group's investment in trading debt securities had a fair value of \$15.6m based on third-party bid prices (December 31, 2022: \$15.6m). During the three months ended March 31, 2023, the Group recognised \$0.8m of interest income relating to trading debt securities (Three months ended March 31, 2022: \$Nil).

**7. Accounts payable, accruals and other liabilities**

Accounts payable, accruals and other liabilities consisted of the following as of March 31, 2023, and December 31, 2022:

	<b>March 31, 2023</b>	<b>December 31, 2022</b>
Dividend payable (note 11).....	12,000	12,000
Deferred revenue.....	226,514	209,969
Accounts payable and accrued expenses.....	83,684	120,045
Derivative liabilities (note 8) .....	7,507	1,129
Lease liability.....	75,859	75,810
Lease deficit.....	7,871	8,393
<b>Total</b> .....	<b>413,435</b>	<b>427,346</b>

**8. Derivatives**

The Group uses interest rate swap and interest rate cap contracts to manage some of its exposure to changes in interest rates which are not designated as cash flow hedges. For hedged instruments, the Group adopts a policy of ensuring that its interest rate risk exposure is appropriately hedged. This is achieved by entering into fixed rate instruments, by borrowing at a floating rate to finance aircraft that are subject to floating rate lease revenue and by borrowing at a floating rate and using interest rate swaps as hedges of the variability in cash flows attributable to movements in interest rates. The Group applies a hedge ratio of 1:1.

The Group determines the hedging relationship between the hedging instrument and the hedged item based on a number of criteria including the reference interest rates, tenors, repricing dates and maturities and to notional or par amounts. The Group assesses whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method. In these hedge relationships, the main sources of ineffectiveness are:

- differences in the repricing dates between the swaps and the borrowings
- differences in the timing of the cash flows of the hedged items and the hedging instruments
- the counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedged items
- changes to the forecasted amount of cash flows of hedged items and hedging instruments

Our derivative assets are recorded in other assets and our derivative liabilities are recorded in accounts payable, accruals and other liabilities in our Condensed Consolidated Balance Sheets.

The following tables present notional amounts and fair values of derivatives as of March 31, 2023, and December 31, 2022:

	<b>March 31, 2023</b>		<b>December 31, 2022</b>	
	<b>Notional amount</b>	<b>Fair value</b>	<b>Notional amount</b>	<b>Fair value</b>
<b>Assets</b>				
Derivative assets not designated as accounting hedges:				
Interest rate caps .....	1,390,673	15,070	2,291,844	19,190
Derivative assets designated as accounting cash flow hedges:				
Interest rate swaps.....	3,144,065	107,130	3,327,866	134,514
FX Forwards .....	88,571	794	26,437	446
<b>Total assets</b> .....	<b>4,623,309</b>	<b>122,994</b>	<b>5,646,147</b>	<b>154,150</b>

**Avolon Holdings Limited**  
**Notes to the Unaudited Condensed Consolidated Financial Statements (continued)**  
(U.S. dollars in thousands, except as otherwise stated)

**8. Derivatives (continued)**

	March 31, 2023		December 31, 2022	
	Notional amount	Fair value	Notional amount	Fair value
<b>Liabilities</b>				
Derivative liabilities designated as accounting cash flow hedges:				
Interest rate swaps.....	1,927,630	(7,494)	-	-
FX Forwards.....	7,729	(13)	72,196	(1,129)
<b>Total liabilities.....</b>	<b>1,935,359</b>	<b>(7,507)</b>	<b>72,196</b>	<b>(1,129)</b>

The Group's FX forward contracts and certain of its interest rate derivatives have been designated as cash flow hedges. Changes in fair value of these derivatives are recorded as a component of other comprehensive income, net of a provision for income taxes. Changes in the fair value of these derivatives are subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings.

The Group recorded the following in other comprehensive (loss)/income related to derivative financial instruments for the three months ended March 31, 2023, and 2022:

	Three months ended March 31,	
	2023	2022
<b>Gain/(Loss)</b>		
Change in fair market value of derivatives designated as accounting cash flow hedges:		
Interest rate swaps.....	(36,109)	111,998
FX Forwards.....	1,464	1,000
Tax movement on reserves during the period.....	3,090	(11,113)
<b>Net changes in cash flow hedges, net of tax.....</b>	<b>(31,555)</b>	<b>101,885</b>

The following table presents the effect of derivatives recorded as reductions to or (increases) in interest expense in our Consolidated Statements of Income and Other Comprehensive Income for the three months ended March 31, 2023, and 2022:

	Three months ended March 31,	
	2023	2022
<b>Gain/(Loss)</b>		
Change in fair value of derivatives not designated as accounting hedges:		
Interest rate caps.....	(4,120)	5,040
<b>Net changes in non-cash flow hedges, net of tax.....</b>	<b>(4,120)</b>	<b>5,040</b>

The Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. On the date that the Group enters into a derivative transaction, the Group typically documents all relationships between the hedging instruments and the hedged items, as well as its risk management objective and strategy for undertaking each hedge transaction. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. In certain circumstances – e.g. when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed, and only single net amount is payable in settlement of all transactions.

**Avolon Holdings Limited**  
**Notes to the Unaudited Condensed Consolidated Financial Statements (continued)**  
(U.S. dollars in thousands, except as otherwise stated)

**8. Derivatives (continued)**

The following table sets out the carrying amounts of recognized financial instruments that are subject to the above agreements.

	<b>Gross amounts of financial instruments show net in the Consolidated Balance Sheet</b>	<b>Related financial instruments that are offset in the Consolidated Balance Sheet</b>	<b>Net amount</b>
<b>As of March 31, 2023</b>			
<b>Financial assets</b>			
Other assets, including derivatives			
Derivative financial assets .....	122,994	-	122,994
<b>Total</b> .....	<b>122,994</b>	<b>-</b>	<b>122,994</b>

<b>Financial liabilities</b>			
Other liabilities, including derivatives			
Derivative financial liabilities .....	7,507	-	7,507
<b>Total</b> .....	<b>7,507</b>	<b>-</b>	<b>7,507</b>

	<b>Gross amounts of financial instruments show net in the Consolidated Balance Sheet</b>	<b>Related financial instruments that are offset in the Consolidated Balance Sheet</b>	<b>Net amount</b>
<b>As of December 31, 2022</b>			
<b>Financial assets</b>			
Other assets, including derivatives			
Derivative financial assets .....	154,150	-	154,150
<b>Total</b> .....	<b>154,150</b>	<b>-</b>	<b>154,150</b>

<b>Financial liabilities</b>			
Other liabilities, including derivatives			
Derivative financial liabilities .....	1,129	-	1,129
<b>Total</b> .....	<b>1,129</b>	<b>-</b>	<b>1,129</b>

**Avolon Holdings Limited**  
**Notes to the Unaudited Condensed Consolidated Financial Statements (continued)**  
(U.S. dollars in thousands, except as otherwise stated)

**9. Debt**

As of March 31, 2023, the principal and accrued interest amount of our outstanding indebtedness totalled \$18,850.7m which excluded debt issuance costs of \$228.3m and fair value adjustments of \$0.6m.

<b>Debt obligation</b>	<b>Amount outstanding</b>	<b>March 31, 2023 Weighted average interest rate</b>	<b>Maturity</b>	<b>December 31, 2022 Amount outstanding</b>
<b>Unsecured</b>				
Lines of credit .....	1,500,000	6.03%	2026	950,000
Senior unsecured notes .....	10,474,683	3.70%	2023-2028	11,428,466
Term unsecured.....	272,500	6.55%	2023-2025	272,500
<b>Total unsecured.....</b>	<b>12,247,183</b>			<b>12,650,966</b>
<b>Secured</b>				
Non-recourse term facilities.....	16,571	4.09%	2023-2025	17,156
Full recourse term facilities .....	2,714,987	5.13%	2023-2031	2,870,222
ECA & EXIM backed facilities .....	590,922	3.20%	2023-2033	611,790
Term loan.....	2,916,081	6.55%	2023-2027	2,919,894
Warehouse .....	238,423	6.44%	2023-2027	238,423
<i>Fair value adjustment</i> .....	635	N/A	N/A	753
<b>Total secured .....</b>	<b>6,477,619</b>			<b>6,658,238</b>
Debt issuance costs, debt discounts and debt premiums .....	(228,263)	N/A	N/A	(243,019)
Loan interest accrued not paid .....	126,531	N/A	N/A	148,130
<b>Total Debt.....</b>	<b>18,623,070</b>			<b>19,214,315</b>

As of March 31, 2023, and December 31, 2022, the Group was in full compliance with the covenants in its credit agreements. The Group's debt facilities contain customary covenants and events of default; included within certain debt facilities are covenants that limit the ability of the Group to incur additional indebtedness and create liens and covenants that limit the ability of the Group to consolidate, merge or dispose of all or substantially all of its assets and enter into transactions with affiliates.

**Non-recourse obligations:**

As of March 31, 2023, 1 aircraft (December 31, 2022: 1 aircraft) was financed on a non-recourse basis. The loan contains provisions that require the payment of principal and interest throughout the term of the loan. The interest rate is based on a fixed rate of 4.09% (December 31, 2022: 4.09%). As of March 31, 2023, there were no available undrawn balances (December 31, 2022: \$Nil).

**Recourse obligations:**

As of March 31, 2023, 90 aircraft (December 31, 2022: 95) were financed on a full recourse basis. All loans contain provisions that require the payment of principal and interest throughout the terms of the loans. The interest rates on the loans are based on fixed rates of between 2.09% and 4.68% (December 31, 2022: 2.09% and 4.68%) and one or three month LIBOR, or SOFR, plus margins ranging from 1.30% to 2.05% (December 31, 2022: 1.30% to 2.05%) on the floating loans. As of March 31, 2023, there were \$810.0m of available undrawn balances (December 31, 2022: \$71.5m).

**Senior unsecured notes:**

During the three months ended March 31, 2023, the Group repaid at maturity or early redeemed \$953.7m of senior unsecured notes (Three months ended March 31, 2022: \$437.8m).

During the three months March 31, 2023, the Group repurchased and derecognized \$0.1m of senior unsecured notes (Three months ended March 31, 2022: \$Nil).

**Avolon Holdings Limited**  
**Notes to the Unaudited Condensed Consolidated Financial Statements (continued)**  
**(U.S. dollars in thousands, except as otherwise stated)**

**9. Debt (continued)**

The following table provides a summary of our senior unsecured notes as of March 31, 2023, and December 31, 2022:

Senior unsecured notes	March 31, 2023			December 31, 2022
	Amount outstanding	Interest rate	Maturity	Amount outstanding
<b>Unsecured</b>				
2017-1 Notes	765,290	5.50%	2024	765,420
2017-2 Notes	-	N/A	N/A	858,018
2018-1 Notes	-	N/A	N/A	95,635
2018-2 Notes	416,467	5.125%	2023	416,467
2019-1 Notes	671,682	5.25%	2024	671,682
2019-2 Notes	1,722,394	3.95% - 4.375%	2024 - 2026	1,722,394
2020-1 Notes	1,748,850	2.875% - 3.25%	2025 - 2027	1,748,850
2020-2 Notes	650,000	5.5%	2026	650,000
2020-3 Notes	1,000,000	4.25%	2026	1,000,000
2021-1 Notes	1,500,000	2.125%-2.75%	2026-2028	1,500,000
2021-2 Notes	2,000,000	2.528%	2027	2,000,000
	<b>10,474,683</b>			<b>11,428,466</b>

As of March 31, 2023, all senior unsecured notes were issued or guaranteed by AHL, Park Aerospace Holdings Limited, Avolon Aerospace Leasing Limited, Hong Kong Aviation Capital Limited, CIT Aerospace LLC, CIT Group Finance (Ireland) Unlimited Company, CIT Aviation Finance III Ltd and CIT Aerospace International Unlimited Company.

**Term Loan:**

As of March 31, 2023, the Group had Term B-3 Loans, Term B-4 Loans and Term B-5 Loans and the total amount outstanding was \$1,431.8m, \$824.5m and \$659.8m respectively (December 31, 2022: \$1,431.8m, \$826.6m and \$661.5m respectively). The interest rates on the loans are based on LIBOR, plus margins ranging from 1.50% to 2.25%. The maturity period for the Term B-3 Loans, Term B-4 Loans and Term B-5 Loans is between 2025 and 2027. As of March 31, 2023, a total of 119 aircraft (December 31, 2022: 123 aircraft) were being financed under this facility.

The Term B-3 Loans, Term B-4 Loans and Term B-5 Loans are held by joint borrowers Avolon TLB Borrower 1 (US) LLC and Avolon TLB Borrower 1 (Luxembourg) S. à r. l., indirect subsidiaries of AHL, and are guaranteed by AHL and Park Aerospace Holdings Limited.

**ECA and EXIM backed facilities:**

As of March 31, 2023, 10 aircraft (December 31, 2022: 10) were being financed with the proceeds of loans guaranteed by one of the European Export Credit Agencies (“ECA”) and Export-Import Bank of the United States (“EXIM”), on standard export agency supported financing terms whereby the subject loans are amortized quarterly over the period of between 10 and 12 years (December 31, 2022: 10-12 years) from drawdown with interest accruing at fixed rates between 2.09% and 3.39% (December 31, 2022: 2.09% and 3.39%) and a floating rate of three month LIBOR plus a margin of 0.43% (December 31, 2022: 0.43%). As of March 31, 2023, there were \$Nil of available undrawn balances (December 31, 2022: \$Nil). The documentation governing the ECA- and EXIM-guaranteed loans (the “ECA Term Financings”) contain covenants and events of default customary for export credit agency supported financings.

The obligations outstanding under the ECA Term Financings are secured by, among other things, a mortgage over the aircraft and a pledge of the Group’s ownership interest in the subsidiary company that leases the aircraft to the operator. The ECA Term Financings contain a minimum net worth covenants for AHL and other terms and conditions customary for export credit agency supported financings being completed at this time.

**Avolon Holdings Limited**  
**Notes to the Unaudited Condensed Consolidated Financial Statements (continued)**  
**(U.S. dollars in thousands, except as otherwise stated)**

**9. Debt (continued)**

**Warehouse:**

As of March 31, 2023, the Avolon Warehouse Facility accrues interest at one-month SOFR plus 1.50% on drawn balances (December 31, 2022: SOFR plus 1.50%) and 0.40% on undrawn balances (December 31, 2022: 0.40%) with a maturity date in 2027. Borrowings under the Avolon Warehouse Facility are secured by collateral including mortgages over the aircraft assets and pledges of ownership interests in the aircraft. As of March 31, 2023, 13 aircraft (December 31, 2022: 13) were financed by this facility with a drawn balance of \$238.4m (December 31, 2022: \$238.4m). As of March 31, 2023, the Group can avail of undrawn debt balances of \$506.6m (December 31, 2022: \$506.6m).

As of March 31, 2023, the HKAC Warehouse Facility accrues interest at one month LIBOR plus 1.50% (December 31, 2022: LIBOR plus 1.50%) on drawn balances and 0.50% (December 31, 2022: 0.50%) on undrawn balances with an availability period out to 2024. Borrowings under the HKAC Warehouse Facility are secured by collateral including mortgages over the aircraft assets and pledges of ownership interests in the aircraft. As of March 31, 2023, no aircraft (December 31, 2022: no aircraft) were financed by this facility. As of March 31, 2023, the Group can avail of undrawn debt balances of \$650.0m (December 31, 2022: \$650.0m).

The Avolon Warehouse Facility documentation contains a minimum net worth covenant for AHL. Avolon Aerospace Leasing Limited, acting as servicer, is required to maintain a minimum level of unrestricted cash plus amounts available under all bank lines of credit.

The HKAC Warehouse Facility documentation contains a minimum net worth covenant for AHL. AHL, is required to maintain a minimum level of unrestricted cash plus amounts available under all bank lines of credit. AHL has provided a guarantee limited to 7.50% of the aggregate outstanding principal of the HKAC Warehouse Facility.

**Lines of credit:**

As of March 31, 2023, the Group's revolving unsecured facility with Avolon Aerospace Leasing Limited as borrower had an aggregate commitment of \$4,627.5m and availability period to 2026 (December 31, 2022: \$4,627.5m). As of March 31, 2023, the revolving unsecured facility accrues interest at a rate of one month LIBOR plus a margin of 1.25% (December 31, 2022: LIBOR plus a margin of 1.25%) or at a rate of US prime plus a margin of 0.75% on drawn balances (December 31, 2022: 0.75%). As of March 31, 2023, the revolving unsecured facility accrues interest at a rate of 0.25% on undrawn balances (December 31, 2022: 0.25%). As of March 31, 2023, the Group can avail of undrawn debt balances of \$3,127.5m (December 31, 2022: \$3,677.5m).

**Term unsecured:**

As of March 31, 2023, the Group had a term unsecured facility of \$272.5m (December 31, 2022: \$272.5m) accruing interest at a rate of three-month SOFR plus a margin of 1.35% (December 31, 2022: 1.35%) and a maturity period out to 2025.

The aggregate repayment of secured and unsecured bank loans (excluding fair value adjustments, debt issuance costs, debt discounts and debt premium) subsequent to March 31, 2023, was as follows:

	<b>March 31, 2023</b>
2023 .....	994,986
2024 .....	3,194,313
2025 .....	3,232,877
2026 .....	4,956,990
2027 .....	4,622,047
2028 and thereafter .....	1,722,954
<b>Total</b> .....	<b>18,724,167</b>

The Group has the option to assign fixed or floating rates to certain of its undrawn facilities held as of March 31, 2023. Certain facilities require debt to be floating, however the Group may purchase interest rate caps or enter into interest rate swaps to hedge its risk.



**Avolon Holdings Limited**  
**Notes to the Unaudited Condensed Consolidated Financial Statements (continued)**  
(U.S. dollars in thousands, except as otherwise stated)

**10. Fair value measurements**

Fair value measurements and disclosures require financial instruments to be classified by a fair value hierarchy that reflects the source of the inputs used in measuring their fair value.

Assets and liabilities recorded at fair value on a recurring basis in the Consolidated Balance Sheets are categorized based upon the level of judgment associated with the inputs used to measure their fair values. The hierarchy levels give the highest priority to quoted prices in active markets and the lowest priority to unobservable data. The Group classify our fair value measurements based on the following fair value hierarchy:

- Level 1: Unadjusted quoted prices in active markets for identical instruments.
- Level 2: Market inputs, other than level 1 inputs that are observable either directly or indirectly.
- Level 3: Inputs not based on observable market data.

The Group's financial instruments are measured at amortized cost, other than investments in equity and debt securities and derivatives which are measured at fair value. The fair value of restricted cash and cash and cash equivalents approximates their carrying value because of their short-term nature (Level 1). There were no movements in levels of financial instruments during the three months ended March 31, 2023, and the year ended December 31, 2022.

The following table presents the Group's financial assets and liabilities that are measured at amortized cost with the exception of investments in equity and debt securities and derivatives which are measured at fair value on a recurring basis as of March 31, 2023, and December 31, 2022:

	As of March 31, 2023				
	Carrying value	Fair value	Level 1	Level 2	Level 3
<b>Assets</b>					
Cash and cash equivalents .....	403,291	403,291	403,291	-	-
Restricted cash.....	97,470	97,470	97,470	-	-
Investments.....	52,454	52,454	11,782	15,633	25,039
Derivative financial assets designated as hedging instruments.....	107,924	107,924	-	107,924	-
Derivative financial assets not designated as hedging instruments.....	15,070	15,070	-	15,070	-
<b>Total Assets</b> .....	<b>676,209</b>	<b>676,209</b>	<b>512,543</b>	<b>138,627</b>	<b>25,039</b>
<b>Liabilities</b>					
Debt .....	18,623,070	17,681,686	-	17,681,686	-
Derivative financial liabilities designated as hedging instruments .....	7,507	7,507	-	7,507	-
<b>Financial liabilities</b> .....	<b>18,630,577</b>	<b>17,689,193</b>	<b>-</b>	<b>17,689,193</b>	<b>-</b>

	As of December 31, 2022				
	Carrying value	Fair value	Level 1	Level 2	Level 3
<b>Assets</b>					
Cash and cash equivalents .....	654,940	654,940	654,940	-	-
Restricted cash.....	102,889	102,889	102,889	-	-
Investments.....	60,263	60,263	18,840	15,633	25,790
Derivative financial assets designated as hedging instruments.....	134,960	134,960	-	134,960	-
Derivative financial assets not designated as hedging instruments.....	19,190	19,190	-	19,190	-
<b>Total Assets</b> .....	<b>972,242</b>	<b>972,242</b>	<b>776,669</b>	<b>169,783</b>	<b>25,790</b>
<b>Liabilities</b>					
Debt .....	19,214,315	17,960,472	-	17,960,472	-
Derivative financial liabilities designated as hedging instruments .....	1,129	1,129	-	1,129	-
<b>Financial liabilities</b> .....	<b>19,215,444</b>	<b>17,961,601</b>	<b>-</b>	<b>17,961,601</b>	<b>-</b>

The following table shows the valuation techniques used in measuring level 2 and level 3 fair values, as well as the significant unobservable inputs used.

**Avolon Holdings Limited**  
**Notes to the Unaudited Condensed Consolidated Financial Statements (continued)**  
(U.S. dollars in thousands, except as otherwise stated)

**10. Fair value measurements (continued)**

**Financial instruments measured at fair value**

Type	Valuation techniques	Significant unobservable inputs
Interest rate derivatives	Market comparison technique: The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transaction in similar instruments	Not applicable
Investments	Market comparison technique: The fair values are based on active third-party bid quotes	The fair value of our trading debt securities is valued using level 2 inputs from active third-party bids received.
Debt	Discounted cashflow method	The fair value of our debt is valued using discounted cashflows and level 3 inputs. The cashflows are discounted using the weighted average nominal interest rate of the Group of 4.6% (December 31, 2022: 4.4%)
Investments	Discounted cashflow method	Independent appraisal values determining the cash flow to equity instruments. Discount rate of 20%-23% based on equity return rates of other aircraft for investments in similar underlying aircraft of the same age and condition. (December 31, 2022: 20-23%).
Investments	EBITDA multiple valuation method	The fair value of our non-listed equity investments is valued using forecasted EBITDA obtained from the airline and an EBITDA multiple of 4.92 based on the quoted enterprise value of a range of similar publicly listed airlines in the Americas region (December 31, 2022: 5.15).

**11. Equity**

The authorized share capital of the Company as of March 31, 2023, was \$3,000 (December 31, 2022: \$3,000) comprised of 750,000,000,000,000 (December 31, 2022: 750,000,000,000,000) ordinary shares of \$0.000000000004 (December 31, 2022: \$0.000000000004) par value each.

The total issued share capital of the Company as of March 31, 2023, comprised of 2,427,625 ordinary shares of \$0.000000000004 each (December 31, 2022: 2,427,625 ordinary shares of \$0.000000000004 each). As of March 31, 2023, GALC held 70% of the shareholding of AHL, or 1,699,337 ordinary shares. ORIX holds the remaining 728,288 ordinary shares.

In connection with the ORIX acquisition of shares in the Group, the Shareholders entered into a Shareholders Agreement which sets forth certain rights and obligations of the Shareholders and the Group. This agreement includes provisions for the restriction of distributions to be made by the Group to its shareholders if amounts from certain related parties are overdue for 30 days or more to the Group or if such distributions would result in any breach by the Group of any other obligations it has under the Shareholders Agreement or would not be in the best interests of the Group or its subsidiaries.

During the three months ended March 31, 2023, the Directors declared and paid dividends of \$13.6m (Three months ended March 31, 2022: \$12.5m) to its shareholders which amounted to \$5.60 per share (Three months ended March 31, 2022: \$5.15 per share). A withheld dividend amount of \$12.0m remains payable to GALC as of March 31, 2023 (December 31, 2022: \$12.0m).

**Avolon Holdings Limited**  
**Notes to the Unaudited Condensed Consolidated Financial Statements (continued)**  
(U.S. dollars in thousands, except as otherwise stated)

**12. Lease revenue**

The distribution of total lease revenue by geographic region is as follows:

	<b>Three months ended March 31,</b>			
	<b>2023</b>	<b>%</b>	<b>2022</b>	<b>%</b>
Europe, Middle East and Africa (EMEA).....	166,718	28	237,925	36
Asia Pacific (APAC) .....	290,343	48	266,872	41
Americas.....	141,499	24	153,131	23
<b>Total lease revenue</b> .....	<b>598,560</b>	<b>100</b>	<b>657,928</b>	<b>100</b>

Lease revenues from the top five customers represented 20% of total lease revenues for the three months ended March 31, 2023 (Three months ended March 31, 2022: 25%). No customer accounted for more than 5% of total lease revenue in the three months ended March 31, 2023 (Three months ended March 31, 2022: 8%). As of March 31, 2023, there were 22 lease contracts (March 31, 2022: 36) where a lessee had early termination rights.

During the three months ended March 31, 2023, there were no amounts recognised in lease revenue in respect of the recoverability of previously unrecorded lease revenue based on the settlement of claims (Three months ended March 31, 2022: \$27m relating to one customer).

Lease revenue includes an amount of \$88.1m (Three months ended March 31, 2022: \$128.5m) for the three months ended March 31, 2023, representing maintenance advances which it has determined will not be required to be refunded to the respective lessees.

As of March 31, 2023, the Group had contracted to receive the following minimum cash lease rentals under non-cancellable operating leases:

	<b>March 31, 2023</b>
2023 .....	1,817,665
2024 .....	2,321,218
2025 .....	2,092,066
2026 .....	1,903,999
2027 .....	1,670,770
2028 and thereafter .....	5,884,968
<b>Total</b> .....	<b>15,690,686</b>

During the three months ended March 31, 2023, the Group recognised an allowance for expected credit losses of \$9.5m, classified in lease revenue, in respect of our deferred operating lease revenue balance as of March 31, 2023 (Three months ended March 31, 2022: \$24.0m). Refer to Note 6 for further detail.

During the three months ended March 31, 2023, the Group recognised a reversal of loss allowance of \$0.4m in respect of lessees that were in default or had entered into administration (Three months ended March 31, 2022: loss allowance of \$0.2m).

**13. Interest expense**

	<b>Three months ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Interest expense/facility administration fees .....	174,984	152,938
Unrealised loss/(gain) on interest rate derivatives .....	4,120	(5,040)
Amortization of debt issuances costs .....	18,198	18,771
Net foreign exchange loss .....	2,651	430
<b>Total</b> .....	<b>199,953</b>	<b>167,099</b>

The debt of the Group is detailed further in note 9.

**Avolon Holdings Limited**  
**Notes to the Unaudited Condensed Consolidated Financial Statements (continued)**  
**(U.S. dollars in thousands, except as otherwise stated)**

**14. Income taxes**

The Group's primary tax jurisdiction is Ireland. The Group's effective tax rate is expected to be a charge of 13.2% for the three months ended March 31, 2023, compared to a credit of 9.5% for the three months ended March 31, 2022. Our effective tax rate in any period can be impacted by revisions to the estimated full year rate.

The calculation of income for tax purposes differs significantly from book income. Deferred tax is provided to reflect the impact of temporary differences between the amounts of assets and liabilities for financial reporting purposes and such amounts as measured under tax law in the various jurisdictions. Tax loss carry forwards and accelerated tax depreciation on flight equipment held for operating leases give rise to the most significant timing differences. The effective tax rate is impacted by the source and amount of earnings among our different tax jurisdictions, the amount of permanent tax differences relative to pre-tax income and an decrease in valuation allowance for an amount of unrecognised tax losses.

**15. List of subsidiaries**

During the three months ended March 31, 2023, the Group incorporated the following subsidiaries.

	<b>Shareholding</b>	<b>Country of incorporation</b>
Avolon (Tianjin) aviation Leasing Company Limited.....	100%	China
Avolon Finance Ireland Limited.....	100%	Ireland

During the three months ended March 31, 2023, the Group liquidated or disposed of the following subsidiaries at no gain/loss:

	<b>Shareholding (*)</b>	<b>Country of incorporation</b>
HKAC Leasing No. 1 Limited	100%	Ireland
HKAC Leasing No. 2 Limited	100%	Ireland
Allco AAF Finance No. 1 Ireland Limited	100%	Ireland
Avolon Aerospace (Ireland) AOE 150 Limited	100%	Ireland
Avolon Aerospace (Ireland) AOE 152 Limited	100%	Ireland
Avolon Aerospace (Ireland) AOE 159 Limited	100%	Ireland
Avolon Funding 3 (Ireland) Limited	100%	Ireland
Centennial Aviation (Ireland) 7 Limited	100%	Ireland
HKAC CEA No. 1 Pty Limited	100%	Australia
HKAC CEA No. 2 Pty Limited	100%	Australia
HKAC Leasing (Wizz No. 1) Limited	100%	Ireland
Allco Financing CEA No. 1 Pty Limited	100%	Australia
Allco Financing CEA No. 2 Pty Limited	100%	Australia
Altenburg Aviation Limited	100%	Cayman Islands
Amareleja Aviation Limited	0%	Ireland
Sheelin Aviation Limited	100%	Cayman Islands
Gweedore Aviation Limited	100%	Cayman Islands

\* Entities with a 0% shareholding represent orphan VIE entities which were consolidated into the AHL Group.

**Avolon Holdings Limited**  
**Notes to the Unaudited Condensed Consolidated Financial Statements (continued)**  
**(U.S. dollars in thousands, except as otherwise stated)**

**16. Related Party Transactions**

**(a) Transactions with key management personnel**

**Key management personnel compensation**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including the Directors of the Company.

Key management personnel compensation during the three months ended March 31, 2023, and 2022 was as follows:

	<b>Three months ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
	<b>€'000</b>	<b>€'000</b>
Short term benefits.....	5,584	2,767
Post-employment benefits.....	92	65
<b>Total</b> .....	<b>5,676</b>	<b>2,832</b>

During the three months ended March 31, 2023, \$0.1m of director fees were incurred (Three months ended March 31, 2022: \$0.1m).

**(b) Transactions with related parties**

As of March 31, 2023, and December 31, 2022, Liaoning Fangda have actual operational and management control over the Fangda Group Airlines comprising Hainan Airlines (“Hainan”), Lucky Air, Tianjin Airlines, Fuzhou Airlines, Beijing Capital Airlines and Suparna Airlines and also hold indirect ownership interests amounting to significant influence in Bohai. Through Liaoning Fangda’s controlling interests in the Fangda Group Airlines and significant influence in Bohai, Fangda Group Airlines remain related parties of the Group as at and for the three months ended March 31, 2023.

Hong Kong Airlines Limited (“HK Airlines”) continues to be part of the HNA Consolidated Group as of and for the three months ended March 31, 2023.

On December 31, 2022, the Group entered into framework agreements with certain of the Fangda Affiliated Airlines, Hainan, and HNA Aviation Group Co., Ltd., (“HNA Aviation Group”). Pursuant to these framework agreements, the Group’s recourse in respect of certain current outstanding receivables and deferrals of \$22.8m and future lease commitments of \$134.6m due to the Group as at December 31, 2022, from Hainan, Lucky Air and Fuzhou Airlines was effectively transferred to HNA Aviation Group. The obligation of HNA Aviation Group is further guaranteed by Hainan Fangda Aviation Development Co., Ltd. and effectively secured by equity holdings in Hainan. At March 31, 2023, the total receivables and deferrals in respect of which the Group had recourse to HNA Aviation Group amounted to \$40.0m (December 31, 2022: \$22.8m).

Related party transactions are included in lease revenue on the Consolidated Statements of Income and Other Comprehensive Income and lessee security deposits and trade and other receivables on the Consolidated Balance Sheets. This note outlines the related party transactions in which the Group participated during the three months ended March 31, 2023. During the three months ended March 31, 2023, the Group participated in the following transactions with related parties:

**(i) Lease of 13 aircraft to Hainan**

During the three months ended March 31, 2023, the Group leased a total of 13 aircraft (Three months ended March 31, 2022: 15) to Hainan, 3 of which were sub-leased from Tianjin Air Capital No.8 Leasing Co., Ltd, Tianjin Air Capital No.10 Leasing Co., Ltd and Tianjin Capital No.11 Leasing Co., Ltd (“Tianjin Air Capital”) respectively, one of which was sub-leased from Tianjin Changjiang Ershisihao Leasing Company Limited (“Changjiang Leasing”) and 2 of which were sub-leased from Lvyun No. 4 (Tianjin) Leasing Co., Ltd (“Lvyun No.4”). For the three months ended March 31, 2023, the Group recognized lease revenue of \$22.7m and a reversal of a loss allowance of \$1.6m (Three months ended March 31, 2022: lease revenue of \$30.7m, loss allowance of \$4.4m) from Hainan in respect of these aircraft. At March 31, 2023, the Group had \$44.9m in receivable and deferral balances from Hainan, Tianjin Air Capital and Changjiang Leasing (December 31, 2022: \$60.5m).

**Avolon Holdings Limited**  
**Notes to the Unaudited Condensed Consolidated Financial Statements (continued)**  
**(U.S. dollars in thousands, except as otherwise stated)**

**16. Related party transactions (continued)**

**(b) Transactions with related parties (continued)**

**(ii) Lease of 1 aircraft to Fuzhou Airlines (“Fuzhou”)**

During the three months ended March 31, 2023, the Group leased 1 aircraft (Three months ended March 31, 2022: 1) to Fuzhou. For the three months ended March 31, 2023, the Group recognized lease revenue of \$0.8m and a loss allowance of \$0.02m (Three months ended March 31, 2022: lease revenue of \$0.8m and a loss allowance of \$0.1m). The Group had \$0.6m in receivable and deferral balances with Fuzhou as of March 31, 2023 (December 31, 2022: \$0.7m).

**(iii) Lease of 8 aircraft to Tianjin Airlines (“Tianjin”)**

During the three months ended March 31, 2023, the Group leased 8 aircraft (Three months ended March 31, 2022: 8) to Tianjin, 5 of which were sub-leased from Tianjin Air Capital Sanhao Leasing Co., Ltd (“Tianjin Air Capital”) and one of which was sub-leased from Lvyun No. 2 (Tianjin) Leasing Co., Ltd (“Lvyun No.2”). For the three months ended March 31, 2023, the Group recognized lease revenue of \$6.7m and a loss allowance of \$3.5m (Three months ended March 31, 2022: lease revenue of \$6.8m and a loss allowance of \$1.6m) from Tianjin in respect of these leases. The Group had \$29.0m receivable and deferral balances with Tianjin as of March 31, 2023 (December 31, 2022: \$35.2m).

**(iv) Lease of 9 aircraft to Beijing Capital Airlines (“Capital Airlines”)**

During the three months ended March 31, 2023, the Group leased 9 aircraft (Three months ended March 31, 2022: 8) to Capital Airlines, 1 of which was sub-leased from Lvyun No. 18 (Tianjin) Leasing Co., Ltd (“Lvyun No. 18”). For the three months ended March 31, 2023, the Group recognized lease revenue of \$10.8m and a loss allowance of \$2.1m (Three months ended March 31, 2022: lease revenue of \$9.5m and a loss allowance of \$2.0m) from Capital Airlines in respect of these leases. At March 31, 2023, the Group had \$28.8m in receivable and deferral balances from Capital Airlines and Lvyun No. 18 (December 31, 2022: \$33.2m).

**(v) Lease of 6 aircraft to Lucky Air Co., Ltd (“Lucky”)**

During the three months ended March 31, 2023, the Group leased 6 aircraft (Three months ended March 31, 2022: 6) to Lucky, 3 of which were sub-leased to Lvyun No. 3 (Tianjin) Leasing Co. Ltd. (“Lvyun No. 3”). For the three months ended March 31, 2023, the Group recognized lease revenue of \$7.7m and a loss allowance of \$0.3m (Three months ended March 31, 2022: lease revenue of \$8.2m and a loss allowance of \$1.5m) from Lucky in respect of these leases. At March 31, 2023, the Group had \$13.1m in receivable and deferral balances with Lucky (December 31, 2022: \$14.4m).

**(vi) Lease of 2 aircraft to HK Airlines**

During the year ended December 31, 2022, the Group leased 2 aircraft to HK Airlines. During the year ended December 31, 2022, the leases for these 2 aircraft were early terminated. During the three months ended March 31, 2022, the Group recognized lease revenue of \$0.8m and a loss allowance of \$0.1m in respect of these leases. At March 31, 2023, the Group had \$Nil of receivable and deferral balances due from HK Airlines (December 31, 2022: \$Nil).

**(vii) Transactions with Suparna Airlines Company Limited (“Suparna Airlines”)**

At March 31, 2023, the Group held cash lessee security deposits of \$0.4m (December 31, 2022: \$0.4m) in respect of an agreement to deliver aircraft to Suparna Airlines. During the year ended December 31, 2019, the agreement to deliver aircraft to Suparna Airlines was terminated and the remaining cash lessee security deposits were due to be refunded to the airline.

**(viii) Agreements with HK Bohai**

**Dividends paid to HK Bohai and its Subsidiaries**

During the three months ended March 31, 2023, the Group paid \$Nil of the withheld dividend to GALC (Three months ended March 31, 2022: \$104.7m). A withheld dividend amount of \$12.0m remains payable to GALC at March 31, 2023 (December 31, 2022: \$12.0m). During the three months ended March 31, 2023, the Directors also declared and paid dividends of \$13.6m to its shareholders which amounted to \$5.60 per share, of which GALC’s share amounted to \$9.5m (Three months ended March 31, 2022: \$8.8m).

**Avolon Holdings Limited**  
**Notes to the Unaudited Condensed Consolidated Financial Statements (continued)**  
**(U.S. dollars in thousands, except as otherwise stated)**

**16. Related party transactions (continued)**

**(b) Transactions with related parties (continued)**

**(viii) Agreements with HK Bohai (continued)**

**Participation Agreement with HK Bohai**

At March 31, 2023, the Group had an amount payable to HK Bohai of \$6.5m relating to amounts received that formed part of the participation agreement entered into with HK Bohai during the year ended December 31, 2022, whereby the Group had transferred its right to receive certain outstanding lease receivable balances from HNA affiliated airlines (Year ended December 31, 2022: \$5.6m).

**(ix) Transactions with Sapphire Aviation Finance I Limited and Sapphire Aviation Finance I (US) LLC (“Sapphire”)**

The Group is servicer for Sapphire. During the three months ended March 31, 2023, and 2022 respectively, the Group recognized \$0.3m and \$0.4m respectively in respect of acting as servicer. At March 31, 2023, the Group had a \$0.2m payable balance with Sapphire (December 31, 2022: receivable balance of \$0.2m).

**(x) Transactions with Sapphire Aviation Finance II Limited and Sapphire Aviation Finance II (US) LLC (“Sapphire II”)**

The Group is servicer for Sapphire II. During the three months ended March 31, 2023, and 2022 respectively, the Group recognized \$0.7m and \$0.7m respectively in respect of acting as servicer. At March 31, 2023, the Group had a \$0.1m payable balance with Sapphire II (December 31, 2022: payable balance of \$0.3m).

**(xi) Transactions with Jade**

During the three months ended March 31, 2023, and 2022, the Group recognized a share of profits of \$0.5m and \$1.2m in relation to Jade, respectively.

During the three months ended March 31, 2023, and 2022, the Group recognized \$0.2m and \$0.2m in respect of acting as servicer for Jade. At March 31, 2023, the Group had \$0.5m receivable balance with Jade (December 31, 2022: receivable balance of \$0.5m).

**(xii) Transactions with ORIX**

In February 2023, the Directors declared and paid a dividend of \$13.6m to its shareholders which amounted to \$5.60 per share, of which Orix’s share amounted to \$4.1m (Three months ended March 31, 2022: \$3.7m).

During the three months ended March 31, 2023, the Group raised full recourse debt through Japanese Operating Leases with Call Options (“JOLCO”) structured financing arrangements amounting to \$71.5m (December 31, 2022: \$94m). ORIX acted as the Japanese equity arranger in these transactions.

**17. Commitments and contingent liabilities**

**(a) Capital commitments:**

As of March 31, 2023, the Group had committed to purchase a total of 252 new aircraft (December 31, 2022: 258), scheduled to deliver from April 2023 based upon fixed price agreements which are adjusted for inflation and price escalation formulas. Capital commitments at March 31, 2023, amounted to approximately \$15.0bn (December 31, 2022: \$14.8bn) subject to a reduction due to any cancellations.

All of these purchase commitments to purchase new aircraft are based upon binding master agreements with each of Airbus S.A.S. (“Airbus”) or Boeing Company (“Boeing”) or with airlines and other third parties in the form of sale and leasebacks or other aircraft related expenditure.

The Directors anticipate that a portion of the aggregate purchase price for the purchase of aircraft will be funded by incurring additional debt. The exact amount of the indebtedness to be incurred will depend upon the actual purchase price of the aircraft, which can vary due to a number of factors, including inflation, manufacturer discounts and the percentage of the purchase price of the aircraft which must be financed. The Directors base the aggregate list prices of its committed aircraft based on current aircraft prices in the aircraft leasing market and aviation industry, as well as information received from third party sources.

**Avolon Holdings Limited**  
**Notes to the Unaudited Condensed Consolidated Financial Statements (continued)**  
(U.S. dollars in thousands, except as otherwise stated)

**17. Commitments and contingent liabilities (continued)**

**(a) Capital commitments: (continued)**

The breakdown of capital commitments as of March 31, 2023, are as follows:

	<b>March 31, 2023</b>
2023 .....	973,578
2024 .....	3,549,877
2025 .....	3,238,946
2026 .....	3,042,699
2027 .....	2,382,032
2028 and thereafter .....	1,798,451
<b>Total</b> .....	<b>14,985,583</b>

Prepayments on flight equipment include prepayments of our forward order flight equipment held with the aircraft manufacturers. Movements in prepayments on flight equipment during the three months ended March 31, 2023, and the year ended December 31, 2022, were as follows:

	<b>March 31, 2023</b>	<b>December 31, 2022</b>
Prepayments on flight equipment as of January 1, .....	2,427,251	2,538,176
Additions .....	20,565	481,998
Interest capitalized during the period/year .....	25,215	103,315
Prepayments capitalized to the purchase of flight equipment .....	(350,031)	(657,672)
Impairment .....	-	(38,566)
<b>Prepayments on flight equipment as of March 31/December 31, .....</b>	<b>2,123,000</b>	<b>2,427,251</b>

**(b) Lease commitments:**

The Group leases office spaces under operating leases in each of its office locations. All the office space leases were entered into between 2017 and 2022 as combined leases of land and buildings. The operating lease agreement expiry dates range between 2023 and 2042. The rent paid to the landlord is based on a fixed rental, and the Group does not have an interest in residual value of the land and buildings or office lease contracts which have not yet commenced to which the Group is committed.

Commitments for minimum rentals under the non-cancellable lease terms as of March 31, 2023, are as follows:

	<b>March 31, 2023</b>
2023 .....	5,028
2024 .....	7,303
2025 .....	6,884
2026 .....	5,584
2027 .....	5,592
2028 and thereafter .....	66,340
<b>Total</b> .....	<b>96,731</b>



**Avolon Holdings Limited**  
**Notes to the Unaudited Condensed Consolidated Financial Statements (continued)**  
**(U.S. dollars in thousands, except as otherwise stated)**

**17. Commitments and contingent liabilities (continued)**

**(c) Guarantees**

The Group is financed by a number of secured and unsecured loans, totalling \$18.9bn (December 31, 2022: \$19.5bn) and at a weighted average nominal interest rate of 4.6% (December 31, 2022: 4.4%). The secured loans are guaranteed by some or all of a mortgage on the aircraft, share pledge over the aircraft owning entity, assignment of lease contracts and in some cases a limited guarantee from the Group. Based on the projected cash flows from the assets, the Directors believe that these loans will continue to perform for the foreseeable future. As of March 31, 2023, the Group had \$1,967m (December 31, 2022: \$1,213m) in undrawn secured debt facilities. The conditions attributable to the utilization of these facilities are permitted aircraft types, country, region limits and age limits. As of March 31, 2023, the Group had \$3,127m of undrawn unsecured debt facilities with limited restrictions to its availability where the availability period was between 2023 and 2026 (December 31, 2022: \$3,677m). The Group is charged an interest rate of between 0.25% and 0.50% (December 31, 2022: between 0.25% and 0.50%) on undrawn balances.

**(d) Contingent liabilities:**

There were no contingent liabilities that require disclosure in the condensed consolidated financial statements (December 31, 2022: \$Nil).

**18. Variable interest entities**

The Group is involved with various special purpose entities (“SPE”) in the normal course of business. In most cases, these entities are deemed to be VIEs. The Group’s variable interests in VIEs include debt and equity interests, commitments, guarantees, and certain other contractual arrangements.

The leasing and financing activities in the Group’s normal course of business require the use of many forms of SPEs to achieve its business objectives and the Group has participated to varying degrees in the design and formation of these entities. These SPEs are deemed to be VIEs. The Group’s interests in its VIEs varies and includes being the sole shareholder of the equity in the VIE, managing and structuring all the VIE’s activities or the provision of debt, commitments, guarantees or certain other contractual arrangements.

As of March 31, 2023, and December 31, 2022, all assets and liabilities presented on the consolidated balance sheets were held in the VIEs consolidated by the Group. Additional details for the basis for the consolidation of VIE’s by the Group are disclosed in Note 23 of the Group’s full annual financial statements for the year ended December 31, 2022.

In general, the Group’s exposure to loss in unconsolidated VIEs is limited to losses that would be absorbed by the Group in the event that all of our assets held in the VIEs, for which the Group is not the primary beneficiary had no value. As of March 31, 2023, and December 31, 2022, the Group’s maximum exposure to losses in its unconsolidated VIEs was \$46.9m and \$54.3m, respectively.

**19. Subsequent events**

Up to April 26, 2023, there were no significant events subsequent to March 31, 2023, that require amendment to or disclosure in the condensed consolidated financial statements.

\$750,000,000



Avolon Holdings Funding Limited

***6.375% Senior Notes due 2028***

Fully and unconditionally guaranteed by

Avolon Holdings Limited and the other guarantors described herein

## **Offering memorandum**

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*Bookrunners*

**J.P. Morgan**

**BNP PARIBAS**

**Deutsche Bank Securities**

**Fifth Third Securities**

**MUFG**

**Barclays**

**Credit  
Agricole CIB**

**CIC Market Solutions**

**DBS Bank Ltd.**

**ING**

**KeyBanc Capital  
Markets**

**Mizuho**

**Morgan Stanley**

**Natixis**

**NatWest  
Markets**

**Scotiabank**

**SOCIETE  
GENERALE**

**Truist Securities**

**Wells Fargo  
Securities**

May 1, 2023