



# QUARTERLY REPORT

For the quarterly period ended June 30, 2008

of

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**Subclass A-8 and A-9 Certificates due March 15, 2019**

**Class B, C and D Certificates due March 15, 2019**

[www.airplanes-group.com](http://www.airplanes-group.com)

## **Airplanes Limited and Airplanes U.S. Trust**

### **Quarterly Report for the Three Month Period Ended June 30, 2008**

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## 1. Financial Statements (Unaudited)

### AIRPLANES GROUP

#### UNAUDITED CONDENSED BALANCE SHEETS

	March 31,			June 30,		
	2008			2008		
	Airplanes Limited	Airplanes Trust	Combined	Airplanes Limited	Airplanes Trust	Combined
	(\$millions)			(\$millions)		
<b>ASSETS</b>						
Cash	91	6	97	91	6	97
Accounts receivable						
Trade receivables	8	1	9	6	-	6
Allowance for doubtful debts	(1)	-	(1)	(2)	-	(2)
Amounts due from Airplanes Limited	-	46	46	-	49	49
Prepaid expenses	8	-	3	12	-	12
Total Current Assets	106	53	159	107	55	162
Net investment in capital and sales type leases	-	-	-	-	-	-
Aircraft, Held for Use	846	31	877	816	30	846
Aircraft, Held for Sale	26	-	26	26	-	26
Total assets	978	84	1,062	949	85	1,034
<b>LIABILITIES</b>						
Accrued expenses and other liabilities	8,374	821	9,195	8,984	885	9,869
Amounts due to Airplanes Trust	46	-	46	49	-	49
Total Current Liabilities	8,420	821	9,241	9,033	885	9,918
Indebtedness	2,385	234	2,619	2,355	229	2,584
Deferred income taxes	-	23	23	-	23	23
Total liabilities	10,805	1,078	11,883	11,388	1,137	12,525
Common Stock, \$1 par value per share, Authorised 10,000 shares; issued and outstanding 30 shares.	-	-	-	-	-	-
Net liabilities	(9,827)	(994)	(10,821)	(10,439)	(1,052)	(11,491)
	978	84	1,062	949	85	1,034

*The accompanying notes are an integral part of the unaudited condensed financial statements*

**AIRPLANES GROUP**

**UNAUDITED CONDENSED STATEMENTS OF OPERATIONS**

	Three Months Ended June 30,					
	2007			2008		
	Airplanes Limited	Airplanes Trust	Combined	Airplanes Limited	Airplanes Trust	Combined
	(\$millions)			(\$millions)		
<b>Revenues</b>						
Aircraft leasing	50	2	52	54	5	59
Other Income	-	-	-	1	-	1
Aircraft sales	7	-	7	7	-	7
<b>Expenses</b>						
Cost of Aircraft Sold	(5)	-	(5)	(3)	-	(3)
Impairment charge	-	(3)	(3)	(11)	-	(11)
Depreciation and amortisation	(16)	(2)	(18)	(15)	(1)	(16)
Net interest expense	(480)	(47)	(527)	(635)	(62)	(697)
Bad and doubtful debts	-	-	-	(1)	-	(1)
Other lease costs	(10)	-	(10)	(7)	-	(7)
Selling, general and administrative expenses	(7)	-	(7)	(7)	-	(7)
<b>Operating loss before provision for income taxes</b>	<b>(461)</b>	<b>(50)</b>	<b>(511)</b>	<b>(617)</b>	<b>(58)</b>	<b>(675)</b>
Income tax charge	-	-	-	-	-	-
<b>Net Loss</b>	<b>(461)</b>	<b>(50)</b>	<b>(511)</b>	<b>(617)</b>	<b>(58)</b>	<b>(675)</b>

*The accompanying notes are an integral part of the unaudited condensed financial statements*

**AIRPLANES GROUP**

**UNAUDITED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME / (LOSS)**

	Three Months Ended June 30,					
	2007			2008		
	Airplanes Limited	Airplanes Trust (\$millions)	Combined	Airplanes Limited	Airplanes Trust (\$millions)	Combined
Loss for the period	(461)	(50)	(511)	(617)	(58)	(675)
Other Comprehensive Gain						
- Net change in cashflow hedges	2	-	2	5	-	5
<b>Total Comprehensive loss</b>	(459)	(50)	(509)	(612)	(58)	(670)

*The accompanying notes are an integral part of the unaudited condensed financial statements*

AIRPLANES GROUP

UNAUDITED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT/NET LIABILITIES

Three Months Ended June 30, 2007 and June 30, 2008

	Airplanes Limited			Airplanes Trust			Combined Shareholders Deficit/ Net Liabilities	
	Share Capital	Accumulated Loss	Other Comprehensive Loss	Shareholders' Deficit	Accumulated Loss	Other Comprehensive Loss		Shareholders Deficit
	(\$millions)	(\$millions)	(\$millions)	(\$millions)	(\$millions)	(\$millions)	(\$millions)	
<b>Balance at March 31, 2007</b>	-	7,661	(9)	7,652	788	(1)	787	8,439
Net loss for the period	-	461	-	461	50	-	50	511
Other Comprehensive Loss	-	-	(2)	(2)	-	-	-	(2)
<b>Balance at June 30, 2007</b>	<u>-</u>	<u>8,122</u>	<u>(11)</u>	<u>8,111</u>	<u>838</u>	<u>(1)</u>	<u>837</u>	<u>8,948</u>
<b>Balance at March 31, 2008</b>	-	9,816	11	9,827	993	1	994	10,821
Net loss for the period	-	617	-	617	58	-	58	675
Other Comprehensive Loss	-	-	(5)	(5)	-	-	-	(5)
<b>Balance at June 30, 2008</b>	<u>-</u>	<u>10,433</u>	<u>6</u>	<u>10,439</u>	<u>1,051</u>	<u>1</u>	<u>1,052</u>	<u>11,491</u>

*The accompanying notes are an integral part of the unaudited condensed financial statements*

**AIRPLANES GROUP**

**UNAUDITED CONDENSED STATEMENTS OF CASHFLOWS**

**Three Months Ended June 30,**

	2007			2008		
	Airplanes Limited	Restated Airplanes Trust (\$millions)	Combined	Airplanes Limited	Airplanes Trust (\$millions)	Combined
<b>Cash flows from operating activities</b>						
Net loss	(461)	(50)	(511)	(617)	(58)	(675)
Adjustment to reconcile (net loss) to net cash provided by operating activities:						
Depreciation	14	4	18	15	1	16
Impairment charge	3	-	3	11	-	11
Profit on disposal of aircraft	(2)	-	(2)	(4)	-	(4)
Provision for bad debts	-	-	-	1	-	1
Accrued and deferred interest expense	466	46	512	625	62	687
<b>Changes in operating assets &amp; liabilities:</b>						
Purchase/Sale of aircraft	7	-	7	7	-	7
Accounts receivable	1	2	3	(1)	(2)	(3)
Other accruals and liabilities	2	(2)	-	(6)	2	(4)
Other assets	(3)	-	(3)	(1)	-	(1)
<b>Net cash provided by operating activities</b>	<u>27</u>	<u>-</u>	<u>27</u>	<u>30</u>	<u>5</u>	<u>35</u>
<b>Cash flows from financing activities</b>						
Repayment of indebtedness	(19)	-	(19)	(30)	(5)	(35)
<b>Net cash used in financing activities</b>	<u>(19)</u>	<u>-</u>	<u>(19)</u>	<u>(30)</u>	<u>(5)</u>	<u>(35)</u>
<b>Net increase in cash</b>	<u>8</u>	<u>-</u>	<u>8</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Cash at beginning of period</b>	77	6	83	91	6	97
Less: restricted cash	-	(6)	(6)	-	(6)	(6)
<b>Cash and cash equivalents at beginning of period</b>	77	-	77	91	-	91
<b>Cash at end of period</b>	<u>85</u>	<u>-</u>	<u>85</u>	<u>91</u>	<u>-</u>	<u>91</u>
<b>Cash paid in respect of:</b>						
Interest	14	1	15	9	1	10

*The accompanying notes are an integral part of the unaudited condensed financial statements*

## H. Notes to the Unaudited Condensed Financial Statements

### Note 1. Basis of Preparation

The accompanying unaudited condensed financial statements of Airplanes Limited, a special purpose company formed under the laws of Jersey, Channel Islands (“**Airplanes Limited**”), and Airplanes U.S. Trust, a trust formed under the laws of Delaware (“**Airplanes Trust**” and together with Airplanes Limited, “**Airplanes Group**”) and the combined unaudited condensed balance sheets, statements of operations, statements of comprehensive income/(loss), statement of changes in shareholders’ deficit/net liabilities and statements of cashflows of Airplanes Group (together the “**financial statements**”) have been prepared on a going concern basis in conformity with United States generally accepted accounting principles.

The accompanying financial statements for Airplanes Limited and Airplanes Trust reflect all adjustments which in the opinion of management are necessary for a fair statement of the results of operations for the three month periods ended June 30, 2008 and June 30, 2007. Such adjustments are of a normal, recurring nature. The results of operations for the three month periods ended June 30, 2008 and June 30, 2007 are not necessarily indicative of the results to be expected for the full year.

References to Airplanes Group in these notes to the unaudited condensed financial statements relate to Airplanes Limited and Airplanes Trust on a combined or individual basis as applicable and in this respect, we use “**we**”, “**us**” and “**our**” to refer to Airplanes Group and its subsidiaries and Airplanes Pass-through Trust.

Airplanes Group’s accounting policies are consistent with previous periods.

During the current reporting period, certain aircraft and related balances have been reclassified between Airplanes Limited and Airplanes Trust. The reclassification had no impact on the overall financial statements of Airplanes Group.

### *Current Performance*

We have been unable to meet all of the base case assumptions either in our original prospectus dated March 28, 1996 (the “**1996 Base Case**”) or in our prospectus dated March 8, 2001 (the “**2001 Base Case**”). On each payment date, we are currently only paying in full our administrative and lease expenses and certain other payments in the ordinary course of business, interest on the class A notes and swap payments, and the “First Collection Account Top-Up”. We use any remaining cash flows towards payment of minimum principal on the class A notes which at July 15, 2008 was \$583.9 million in arrears. We do not anticipate that we will ever be able to resume making payment of interest or principal on the class B, C and D notes.

As a result of the overall strengthening of the aviation industry between 2005 and 2007 as discussed under “2B. Status of the Commercial Aviation Industry”, our lease rates for some of the aircraft types in our portfolio have improved over the rates we obtained for these aircraft in the years immediately following the terrorist attacks on September 11, 2001. Additionally, our aircraft downtime has generally lessened as a result of stronger demand due to the improved industry conditions in the last few years. However, as most aircraft types within our fleet are out of production, niche-type aircraft which were less directly affected by the stronger market, the benefit to our fleet has been limited, and the rates we are able to achieve on new leases have been lower, and in many cases significantly lower, than lease rates assumed in the 2001 Base Case. Accordingly these improvements have not made, nor do we expect them to make a significant difference to our net cashflow. We have thus been generating revenues which



have been inadequate to pay minimum principal on the class A notes in full, or to pay any interest or minimum principal on the class B notes or any interest on the class C and class D notes since the December 15, 2003 payment date.

In addition, 2008 is proving to be extremely difficult for most carriers, especially those, like many of our lessees, which are weaker credits, in the face of record high fuel prices, credit conditions in the global financial markets, the slowdown in the US economy and the prospect of other economies following suit. The first half of 2008 has already seen a number of airlines in the US file for bankruptcy or cease trading, such as Aloha, Eos, Skybus and Frontier, as well as two of our Asian and one of our African lessees. On June 2, 2008 the International Air Transport Association (“**IATA**”) revised its forecast for 2008 down sharply and is now forecasting global losses for the aviation industry for 2008. During June 2008 a number of carriers, primarily in the US, have announced that they will permanently retire a significant number of older stage 3 aircraft, including a large number of B737-300, B737-400 and B737-500 aircraft (“**B737 classic aircraft**”) as well as some MD80 aircraft.

As a result of the consent solicitation we conducted in 2003 (the “**2003 consent solicitation**”), we are now able to sell aircraft which we may not have been able to sell previously. While sales of aircraft have generated revenue in excess of amounts we estimated we could derive from continued leasing of those aircraft, given the aircraft types, the sales proceeds have not made a significant difference to our cashflow. We anticipate that future sales are highly likely to be difficult to achieve and marketability may be adversely affected as fuel prices escalate and newer, more fuel efficient aircraft become available. We therefore expect to continue to generate revenues which are inadequate to pay minimum principal on the class A notes in full, or to pay any interest or minimum principal on the class B notes or any interest on the class C and class D notes.

### ***Impairment***

Aircraft are periodically reviewed for impairment in accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long Lived Assets" ("**SFAS 144**"). An impairment review is required whenever events or changes in circumstances indicate that the asset's carrying amount may not be recoverable. An impairment loss is evaluated when the undiscounted estimated future cashflows of the aircraft are less than its carrying value and the loss is measured as the excess of the carrying value over the fair value.

The fair value of the aircraft is generally based on independent appraisals of aircraft. These appraisals are determined based on the assumption that there is an "open unrestricted stable market environment with a reasonable balance of supply and demand". In assessing fair value, consideration is also given to other available information including past experience, actual lease rates, sales prices achievable in the current market, the servicer's experience in the market and estimated discounted cash flows. Where the other available information indicates a lower value for an aircraft than its appraised value, such information is evaluated in detail in making the determination of the fair value for that aircraft. In some instances discounted cashflows may be used as a more accurate indication of fair value. The estimated discounted future cashflows assume, among other things, market lease rates at the end of the existing lease term, other lease costs, downtime and the risk inherent in the cashflows.

### ***Debt Maturity***

The terms of each subclass or class of notes, including the outstanding principal amount as of June 30, 2008 and estimated fair value as of June 30, 2008 are as follows:

<u>Class of Notes</u>	<u>Annual Interest Rate</u> <u>(Payable Monthly)</u>	<u>Outstanding Principal Amount</u> <u>at June 30, 2008</u> \$ Million	<u>Final Maturity Date</u>	<u>Estimated Fair Value at</u> <u>June 30, 2008*</u> \$ Million
Subclass A-8	(LIBOR+.375%)	272	March 15, 2019	231
Subclass A-9	(LIBOR+.55%)	750	March 15, 2019	375
Class B	(LIBOR+.75%)	227	March 15, 2019	-
Class C	(8.15%)	350	March 15, 2019	-
Class D	(10.875%)	<u>395</u>	March 15, 2019	<u>-</u>
		<u>1,993</u>		<u>606</u>

\* Although the estimated fair values of the class A to D notes outstanding have been determined by reference to prices as at June 30, 2008 provided by an independent third party, these fair values do not reflect the market value of these notes at a specific time and should not be relied upon as a measure of the value that could be realized by a noteholder upon sale.

### ***SEC Filings***

Until June 3, 2005 when we filed a Form 15 with the Securities and Exchange Commission ("**SEC**"), we were a reporting company under the Securities Exchange Act of 1934 and as such filed annual, quarterly and other periodic reports with the SEC. You can obtain electronic copies, free of charge, of all of our periodic and current reports filed electronically with the SEC prior to June 3, 2005 from our website, [www.airplanes-group.com](http://www.airplanes-group.com). For an explanation of our filing of a Form 15, please refer to our press release dated June 3, 2005 as filed with the SEC on Form 8-K and also available on our website.

### **Note 2. Contingent Liabilities**

#### **Guarantees**

Airplanes Limited and Airplanes Trust have unconditionally guaranteed each others' obligations under all classes of notes issued by Airplanes Trust and Airplanes Limited, respectively, pursuant to the securitization transaction, details of which are set out in our annual report for the year ended March 31, 2008 (the "**Annual Report**") which is available on our website.

#### **Foreign Taxation**

The international character of Airplanes Group's operations gives rise to some uncertainties with regard to the impact of taxation in certain countries. The position is kept under continuous review and Airplanes Group provides for all known liabilities.

#### **Legal Proceedings**

Following the default by the Brazilian airline VASP under its leases, AerCap Ireland (formerly known as GPA Group) sought and obtained in November 1992 a preliminary injunction for repossession of 13 aircraft and three engines, and subsequently repossessed these aircraft and engines. Airplanes Group acquired seven of these aircraft from GPA Group in March 1996, three of which remain in our portfolio, representing 1.99% of our portfolio by appraised value as of January 31, 2008.

In December 1996, the Sao Paulo Court of Justice, Brazil found in favor of VASP on appeal and granted it the right to the return of the aircraft and engines or the right to seek damages against AerCap Ireland. AerCap Ireland challenged this decision and in January 2000, the Court of Justice granted a stay of the 1996 judgment while it considered AerCap Ireland's rescission action. In April 2002, the High Court found in favour of AerCap Ireland's rescission action and overturned the 1996 judgment in favour of VASP. VASP has actively pursued appeals to this decision and in June 2004, the Superior Court of Justice found in favour of VASP, granting VASP's special appeal with the consequential dismissal of

AerCap Ireland's rescission action. AerCap Ireland has indicated that it will continue to actively pursue all available courses of action, including appeals and if necessary initiating a new rescission action. In July 2006 AerCap Ireland commenced legal proceedings in England to recover losses suffered as a result of VASP's breach of seven lease agreements and repossession of the aircraft thereunder. In response VASP filed an application to challenge the jurisdiction of the English court but AerCap Ireland has been successful in having this application struck out and VASP has been ordered to file a defence by June 30, 2008. The English court has to date ordered that VASP pay AerCap Ireland GBP80,000 in costs but these remain unpaid.

A risk of repossession would only arise if VASP were successful on appeal (in Brazil) in seeking repossession of the aircraft and the aircraft were located in Brazil. Brazilian counsel to AerCap Ireland believe that VASP may not commence repossession action as VASP has indicated that it may instead file a motion for damages suffered as a result of the repossession of the aircraft. In February 2006 VASP commenced a procedure for the calculation of the award for damages and since then both AerCap Ireland and VASP have appointed experts to assist the court in assessing what (if any) damages VASP suffered. AerCap Ireland cannot at this time quantify the amount of this potential damages claim. However, AerCap Ireland's external counsel have advised that should it be found that AerCap Ireland is in fact responsible for damages, they do not believe that VASP will be able to demonstrate that it has suffered any loss as a result of the repossession. VASP's general meeting of creditors have voted to put VASP into liquidation. For liquidation proceedings to be instigated the bankruptcy court needs to concur with the vote of the general meeting of creditors. The bankruptcy court is expected to decide on this in the next coming weeks. In July 2008, in addition to the English proceedings, the lessors commenced legal proceedings in Ireland to recover losses suffered as a result of VASP's breach of certain lease agreements where it was agreed in such lease agreements that Irish courts would have jurisdiction over disputes arising out of these lease agreements. Although none of our lessees which lease any of the relevant aircraft is based in Brazil, some of them may operate those aircraft into Brazil from time to time.

The preparation of the financial statements requires the use of management estimates.

**The accompanying unaudited condensed interim financial statements of Airplanes Limited and Airplanes Trust (pages 3 to 11) have been prepared in accordance with United States generally accepted accounting principles for interim financial information. Consequently, they do not include all the disclosure normally required by United States generally accepted accounting principles. For further information regarding Airplanes Group and its financial condition, results of operations and cashflows, you should refer to the audited financial statements and notes thereto included in the Annual Report.**

## 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

### A. Introduction

We are in the business of leasing aircraft to aircraft operators around the world. At June 30, 2008, we owned 117 aircraft, 112 of which were on lease to 44 lessees in 28 countries. For background information on our capital structure, please refer to the Annual Report.

The discussion and analysis which follows is based primarily on the combined operating results of Airplanes Limited and Airplanes Trust and not on their results reported as individual entities. It should be noted, however, that the notes and the guarantees comprise obligations of two different legal entities owning different assets. The Directors of Airplanes Limited and the Controlling Trustees of Airplanes Trust believe that a combined discussion is the most appropriate basis of presentation because:

- Airplanes Limited and Airplanes Trust are not intended to be regarded as separate businesses but rather on the basis of one combined aircraft fleet; and
- each of Airplanes Limited and Airplanes Trust has fully and unconditionally guaranteed the performance of the other under their respective notes.

The notes and guarantees have been structured to ensure that no payments are made on a junior class of notes of Airplanes Limited or Airplanes Trust, as the case may be, before any amounts due and payable on a more senior class of notes of Airplanes Limited or Airplanes Trust, respectively, are paid pursuant to the guarantees.

### General

Substantially all of our business consists of aircraft operating lease activities. We may also engage in aircraft sales subject to certain guidelines. Our revenues and operating results are determined by a number of significant factors including (i) trading conditions in the civil aviation industry, and in particular, the market for aircraft on operating leases, (ii) the mix, relative age and popularity of the various aircraft types in our portfolio and (iii) our financial resources and liquidity position.

*This Quarterly Report contains forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements involve risks and uncertainties. Statements in this document which are not historical facts are hereby identified as "forward-looking statements" for the purpose of the safe harbour provided by Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"). In most cases, you can identify these forward looking statements by such terms as "may", "should", "expect", "plan", "believe", "estimate", "potential", "continue" or similar terms that relate to the future or express uncertainty. Our actual results and business experience could differ materially from those anticipated in these forward looking statements. In evaluating these statements, you should specifically consider various factors, including the risk factors disclosed in the Annual Report.*

## **B. Status of the Commercial Aviation Industry**

The year 2007 may well have been the airline industry's best year in terms of profitability since 1999, but 2008 is proving to be extremely difficult for most carriers in the face of extremely high fuel prices, credit conditions in the global financial markets, the slowdown in the US economy and the prospect of other economies following suit. With the average price of jet fuel more than doubling over a short period of time, airlines are finding it difficult to raise fares commensurate with the increase in their costs for fear of losing customers and market share. During June 2008 a number of carriers, primarily in the US, have announced that they will permanently retire a significant number of older stage 3 aircraft, including a large number of B737 classic aircraft as well as some MD80 aircraft. While some airlines that earn revenue in non-US dollars benefit from a cushion based on exchange rates, most carriers are finding the increases difficult to cover. As per IATA's Director General, the fortunes of the airline industry have taken a turn for the worse. On June 2, 2008, IATA revised its forecast for 2008 down sharply and is now forecasting global losses for the aviation industry for 2008.

Nonetheless, the strength of the industry in 2008 will likely depend on how regions outside of the US perform with respect to traffic as the US-led slowdown may not affect other regions as quickly as anticipated. Many countries worldwide continue to post strong traffic figures and the need for aircraft in many of these regions remains strong. Compounding this need for new aircraft will be the need to replace existing aged and less fuel efficient fleets at many airlines. High fuel prices are likely to accelerate the retirement of many older aircraft as we are currently seeing in the US, and airlines that operate those aircraft today will have increased incentives to rotate their fleets into more efficient aircraft types. This in turn is likely to affect values, lease rates and marketability of such older aircraft of which our fleet is entirely composed.

### ***Impact on Airplanes Group***

Given the age of our fleet, and the fact that most aircraft types within our fleet are out of production and many are less attractive types, the benefit to our fleet of the stronger demand and reduced downtime from 2005 through 2007 has been limited, and the rates we have been able to achieve on new leases have been lower, and in many cases significantly lower, than lease rates assumed in the 2001 Base Case. Although we have seen some improvement in lease rates for certain aircraft types when compared to the rates which we obtained in the years immediately following the terrorist attacks of September 11, 2001, this improvement has not made a significant difference to our cashflow. Overall, our lease revenues are significantly lower than those assumed in both the 1996 Base Case assumptions and the 2001 Base Case assumptions and we have also been unable to meet the other assumptions in those Base Cases.

We are generating revenues at levels which have been inadequate to pay minimum principal on the class A notes in full, or to pay any interest or minimum principal on the class B notes or any interest on the class C and D notes since the December 15, 2003 payment date. Even though, as a result of the 2003 consent solicitation we are now able to sell aircraft which we may not have been able to sell previously, such sales in the current market are difficult to achieve and where sales have been completed, the sales proceeds have not made a significant difference to our cashflow. In addition, given the more difficult trading conditions currently facing the airline industry, the lease rates we may be able to achieve on our new leases are likely to be lower, and in some cases materially lower, than the lease rates assumed in the 2001 Base Case, lease rates which have been in force for leases entered into pre-2001 and lease rates for leases which were entered into between 2005 and 2007.

### ***Effect of Performance on Priority of Payments***

On each payment date we are currently only paying in full our administrative and lease expenses and certain other payments in the ordinary course of business, interest on the class A notes and swap payments, and the “First Collection Account Top-Up”. We use any remaining cashflows towards payment of minimum principal on the class A notes which at July 15, 2008 was \$583.9 million in arrears. We do not anticipate that we will ever be able to resume making payments of interest or principal on the class B, C and D notes. For further details on the effect of our performance on payments to noteholders, please refer to section “1C. Risk Factors” of the Annual Report.

Because the outstanding principal balance of the class A notes now exceeds the adjusted value of the portfolio (determined by reference to the annual appraised values) since the February 15, 2007 payment date, the methodology for calculation of class A minimum principal payments has changed under the terms of the trust indentures, resulting in an increase in the amount of class A minimum principal payable on each payment date and accordingly, an increase in the arrears thereof. It is unlikely that the outstanding principal balance of the class A notes will be less than the adjusted value of the portfolio on any future payment dates and therefore the corresponding calculation of class A minimum principal will be applicable. Actual payments to class A noteholders, however, are dependent on available cash flows and are not affected by the calculation of class A minimum principal payments or the annual aircraft appraisals.

### ***Ratings***

This vulnerability of the various classes of notes and certificates has been reflected in actions taken by the rating agencies which continue to re-evaluate structured aircraft financings.

Set out in the table below are the ratings of our certificates at July 15, 2008:-

<u>Certificate</u>	<u>Outstanding Principal Balance as at July 15, 2008</u>	<u>S &amp; P</u>	<u>Fitch</u>	<u>Moody's (S&amp;P equivalent)</u>
Subclass A-8	\$257.0m	BB-	BB	Baa3 (BBB-)
Subclass A-9	\$750.0m	CCC	CCC*	B1 (B+)
Class B	\$226.8m	D	C	Ca (CC)
Class C	\$349.8m	D	C	Ca (CC)
Class D	\$395.1m	D	C	C (C)

\* On July 23, 2008 Fitch downgraded the subclass A-9 certificates from B+ to CCC.

There can be no assurance that the rating agencies will not further downgrade any class of our certificates.

The ratings of the certificates address the likelihood of the timely payment of interest and the ultimate payment of principal and premium, if any, on the certificates. A rating is not a recommendation to buy, sell or hold certificates because ratings do not comment as to market price or suitability for a particular investor. A rating may be subject to revision, suspension or withdrawal at any time by the assigning rating agency.

### **C. Commercial Opportunities for Certain Types of our Aircraft**

Given the current difficult conditions in the airline industry noted under “2B. Status of the Commercial Aviation Industry” above, the market for some aircraft models (particularly B737 classic aircraft, F100 aircraft and MD83 aircraft) is currently very weak and is expected to remain so. The price of aviation fuel remains high and the resultant high costs of operation of older, less fuel efficient aircraft which comprise a majority of the aircraft in our portfolio adversely affect the lease rates and values of such aircraft.

The board does not approve a sale of an aircraft unless the servicer has concluded that the better economic option for that aircraft is a sale rather than a lease. In determining whether to approve any aircraft sale, the board reviews a written analysis from the servicer which, among other things, compares expected sales proceeds against the net present value of estimated cash flows from continued leasing including, inter alia, the estimated transition expenditures. The servicer’s overall objective in this analysis is to maximise the cash flow generation for the relevant aircraft. Board approval of any sale is based on the recommendation of the servicer.

Aircraft sold since the 2003 consent solicitation have typically been older aircraft, including B737-200As, DC8s, DC9s and turboprop aircraft, the analysis for all of which showed that the proceeds from the sale were greater than the net present value of estimated cashflows from continued leasing. At June 30, 2008, our portfolio contained a total of 8 aircraft of these and other types expected to become available for remarketing in the nine months to March 31, 2009 for which sale rather than re-leasing may maximize cashflows.

We continue to evaluate sales opportunities for aircraft where the expected sale proceeds may be greater than the net present value of estimated cashflows from continued leasing, as well as aircraft with little or no re-lease prospects and which require expenditure for storage, maintenance and insurance. At June 30, 2008 three aircraft were available for sale. Since the 2003 consent solicitation we have sold 60 aircraft for an aggregate amount of \$129.2 million. For each of these aircraft there was either no leasing market or the sales proceeds received were greater than the net present value of estimated cashflows from continued leasing, including the estimated transition costs.

#### ***Remarketing***

At June 30, 2008, we had 11 aircraft scheduled to be remarketed before June 30, 2009. These comprised one DHC8-100, one B757-200, one B737-300, one B737-400, one ATR-42 and six MD83s. As a result of the preference for newer, more technologically advanced and fuel efficient aircraft, as well as the current over supply of certain types of aircraft in the market place and the factors discussed above, we are likely to experience difficulties in placing certain of these aircraft, given their age. In particular, remarketing the less fuel efficient models such as the MD83s may prove extremely challenging.

Furthermore, in light of the financial condition of certain lessees, it is likely that we will also experience redeliveries of aircraft prior to their contractual lease expiries, resulting in additional remarketing obligations. Aircraft returned early are unlikely to meet return conditions under the related lease, so we may also be required to incur significant redelivery costs. To the extent that we suffer significant delays in placing these aircraft, we will incur substantial downtime. In addition new lease rates are also likely to be lower, and in some cases materially lower, than the lease rates assumed in the 2001 Base Case, lease rates which have been in force for leases entered into pre-2001 and lease rates for leases which were entered into between 2005 and 2007.

With respect to each of our aircraft identified as a sale opportunity, we will apply the methodology described above on a case by case basis to determine whether sale of the aircraft may be in the best interests of Airplanes Group and the noteholders.

#### **D. The Lessees**

##### ***Europe***

At June 30, 2008, we leased 27 aircraft which represented 22.74% of our portfolio by appraised value at January 31, 2008 to operators in Europe.

While 2007 was a very strong year for the European region, with traffic growth for the year ending at 5.1% growth over 2006 as published by the Association of European Airlines (“**AEA**”) in its annual figures, the first five reported months of 2008 for the region have shown some degree of softness. Year-to-date figures for 2008 show AEA member airlines growing their traffic by 3.6% with those figures benefiting from an extra day in February due to the leap-year. The region remains relatively strong, but is no doubt being impacted by not only rising fuel and fare prices but also the ripple effects of the US-led credit turmoil.

##### ***North America***

At June 30, 2008 we leased 12 aircraft representing 11.30% of our portfolio by appraised value as of January 31, 2008, to operators in North America.

The North American market is clearly in turmoil. While 2007 turned in modest profits and the promise of a strengthening industry, the first five months of 2008 have proven extremely difficult for US carriers. The credit crunch and subsequent ripple effects throughout the economy have led to reduced travel domestically. Fuel prices have been rising steadily and reached a recent high of \$147 per barrel in July of 2008. Jet fuel prices have exceeded this figure by a crack spread ranging from \$20-\$30 on average. The continued price escalations have further hampered airlines’ efforts to recover costs and stimulate demand. In the US a number of airlines including Aloha and Frontier have filed for Chapter 11 bankruptcy protection. In addition, Eos and Skybus have ceased operations. Because of competitive pressure, airlines are generally reluctant to pass the additional operating cost on to their passengers in the form of higher fares although some airlines in the US such as American and United have instituted a baggage charge to help defray the cost of fuel. Higher fares and baggage fees are likely only to contribute to the decrease in passengers predicted for 2008 which is likely to provide an extremely difficult operating environment for US carriers. Most major carriers in the US have announced plans to either limit growth in 2008 or to outright reduce overall capacity with the latter being the most common. US carriers are clearly the hardest hit in this environment and the region as a whole is unlikely to turn a profit in 2008.

##### ***Latin America***

At June 30, 2008, lessees of 36 aircraft with respect to 22.23% of our portfolio by appraised value as of January 31, 2008 operated in Latin America, principally Brazil, Mexico and Colombia. The prospects for lessee operations in these countries depend in part on the general level of political stability and economic activity and policies in those countries. Further developments in the political systems or economies of these countries or the implementation of future governmental policies in these countries may materially affect these lessees’ operations.



The Latin American market has proven robust during the first five months of 2008 with overall traffic reported by the Latin American Air Transport Association (“ALTA”) increasing by almost 12.5% over the same period in 2007. Growth in Brazil and Mexico continues to drive the overall figures and the prospects for the region remain relatively strong. As of now, the effects of the US economic slowdown and high fuel prices have yet to really be felt by the Latin American carriers, though historically their economies and fortunes ebb and flow in tandem with North America’s. High fuel costs will no doubt have an effect however on overall profitability if carriers find it difficult to recuperate high fuel costs through higher fares.

A Brazilian lessee of two F100 aircraft (representing 0.95% of our portfolio by appraised value as of January 31, 2008) had previously signed a restructuring agreement, which provided for rental deferrals of 35% to 50% for the period to December 2002, with repayment on the expiry of the current leases in 2008 and 2009. The lessee has to date continued to meet its obligations under the agreement.

At June 30, 2008, we leased seven aircraft, representing 8.03% of our portfolio by appraised value at January 31, 2008 to one Colombian lessee. Continued weakness in the value of the Colombian Peso, as well as general deterioration in the Colombian economy, may mean that this lessee will be unable to generate sufficient revenues in the Colombian currency to pay the U.S. dollar denominated rental payments under the leases.

At June 30, 2008, we leased three aircraft to one Argentinean lessee, representing 1.90% of our portfolio by appraised value at January 31, 2008. The lessee has been experiencing financial difficulties and whilst currently up to date, continues to be monitored closely.

### *Asia and the Far East*

As at June 30, 2008, we leased twelve aircraft representing 13.51% of our portfolio by appraised value as of January 31, 2008 to eight lessees in this region.

The aviation market in Asia and the Far East remains a beacon of hope for the aviation industry as it has continued to perform well into the first five months of 2008. Overall traffic growth for the first five months of 2008 was 3.8% for carriers within the Association of Asia Pacific Airlines (“AAPA”), while freight traffic for the same period has only grown 2.0%. Freight traffic worldwide is typically a bell-weather and leading indicator of passenger traffic trends and the slowdown in the growth of Asian freight traffic may be an indicator of a US-led slowdown in passenger traffic. Nonetheless, the region continues to perform well but is expected to experience a difficult 2008 in the face of significantly higher oil prices and slowing global economies.

Traffic in China and India, having finished off 2007 on a very high note, has encountered some headwind during the first few months of 2008. Chinese carriers have reported decidedly slower traffic in the first several months, but much of this may be attributed to capacity restrictions imposed by Beijing in the face of Olympic preparations, as well as severe weather during prime holiday travel periods. The earthquake in China this May is also expected to have repercussions on total air travel growth, though the degree is as of yet uncertain. Indian growth remains steady, though infrastructure issues and excessive capacity continue to hamper the industry there.

On February 15, 2008 a Taiwanese lessee of one MD83 aircraft representing 0.55% of our portfolio by appraised value as of January 31, 2008 filed for bankruptcy protection. The servicer is currently repossessing the aircraft and monitoring the lessee’s financial status to determine the most appropriate

course of action regarding the lessee's obligations.

During March 2008 we repossessed three aircraft representing 2.84% of our portfolio by appraised value as of January 31, 2008 from one of our Indonesian lessees. The servicer is currently monitoring the lessee's financial status to determine the most appropriate course of action regarding the lessee's obligations.

At June 30, 2008, we leased two aircraft to one Thai lessee, representing 2.05% of our portfolio by appraised value at January 31, 2008. The lessee has been experiencing financial difficulties and the servicer is currently monitoring the lessee's financial status to determine the most appropriate course of action regarding its obligations.

### ***Africa***

At June 30, 2008 we leased two aircraft representing 2.95% of our portfolio by appraised value at January 31, 2008 to two lessees in Africa.

While African carriers continued to post relatively strong traffic growth in 2007 and while some countries have shown promise in expanding their networks and growth prospects, socio-economic instabilities continue to hamper credit confidence in this region.

### ***Other***

At June 30, 2008 we leased 17 aircraft representing 17.00% of our portfolio by appraised value as of January 31, 2008 to seven lessees in Russia.

Russian economic growth remains robust with GDP growth of 6-7% in 2007 according to the Air Transport Observer. This translated to an increase in passenger traffic of 18% as reported by the same source. Russian airlines continue to pursue a phase out of older Russian equipment as rapidly as possible with added emphasis in 2008 given the increase in fuel prices. Ascend's CASE database shows some 500 Russian-built aircraft that remain active, many of which are notably over 20 years of age and with some fleets averaging 30 years of age. Given increased fuel expenses, there is likely to be added emphasis on replacing relatively less efficient Russian aircraft with Western models even if they are of moderate age. Russia has seen an increase in demand recently for aircraft such as the B737 classics which offer greater fuel efficiency over the aging Russian fleet, and are a less costly option than brand new aircraft.

At June 30, 2008, we also leased five aircraft representing 5.06% of our portfolio by appraised value as of January 31, 2008 to a lessee in Ukraine and one aircraft representing 0.20% of our portfolio by appraised value as of January 31, 2008 to a lessee in Australia.

## **E. Compliance with Governmental and Technical Regulation**

### ***Compliance with Mandatory Requirements***

The air transportation industry is highly regulated. In addition to general requirements regarding maintenance of aircraft, aviation authorities issue airworthiness directives (“ADs”) requiring the operators of aircraft to take particular maintenance actions. This can include specific inspections or modifications to a number of aircraft of designated types. ADs normally specify a period in which to carry out the required action or modification and, except for emergency ADs with very short compliance periods, enough time is allowed to permit the implementation of the AD in connection with scheduled maintenance of the aircraft or engines. Each aircraft must comply with the ADs issued by the aviation authority of the state of registration.

Generally the Aviation Authority of the state of registration will mandate those ADs issued by the state of design of an aircraft, engine or appliance. For example, Federal Aviation Authority (“FAA”) ADs for Boeing or McDonnell Douglas aircraft and for General Electric and Pratt & Whitney engines, and European Aviation Safety Agency (“EASA”) ADs for Airbus aircraft and Rolls Royce engines. However, the Aviation Authority of the state of registration may also originate their own ADs or issue ADs which supersede the ADs issued by the state of design.

In addition to ADs there may be operational requirements that require the aircraft operator to install certain equipment on an aircraft. In the US commercial aircraft operational requirements are generally governed by Federal Aviation Regulations (“FAR”) Part 91 and Part 121. In Europe the equivalent requirement is European Union Operations (“EU-OPS”) which has recently replaced Joint Aviation Requirement on Commercial Air Transportation (“JAR-OPS”)

The lessee usually bears the cost of compliance with ADs or operational requirements. We may be required to contribute a portion of such costs over a specified threshold. However, if a lessee fails to perform an AD required on an aircraft or the aircraft transfers to an area with different operational requirements then Airplanes Group, as owner would bear the cost of compliance necessary for the aircraft to maintain its certificate of airworthiness and be correctly configured for operations.

In addition to these direct costs, significant new requirements with respect to noise standards, emission standards and other aspects of aircraft or their operation could cause the value of an aircraft type to decrease. Governmental regulations relating to noise and emissions levels may be imposed not only by the jurisdictions in which the aircraft are registered, possibly as part of the airworthiness requirements, but also in other jurisdictions where the aircraft operate. In addition, most countries’ aviation laws require aircraft to be maintained under an approved maintenance program having defined procedures and intervals for inspection, maintenance and repair. To the extent that an aircraft is off lease or a lessee defaults in effecting such compliance, we will be required to comply with such requirements.

### ***Fleet Noise and Emissions Requirements***

A new noise standard has been adopted in Annex 16, Volume 1, Chapter 4 of the Chicago Convention. It is currently only applicable to aircraft manufactured after January 1, 2006. All of our aircraft were manufactured prior to that date. At present there is no requirement to phase out aircraft manufactured prior to 2006 which do not comply with the Chapter 4 standard. However, if such a requirement is mandated in the future, it may adversely affect the value of or the ability to remarket these aircraft. It is likely that the majority of the aircraft can be made compliant with the new standard, however, some may

require modification at a cost that is currently unknown since the manufacturers have not undertaken the work to define what, if any, changes are required.

Annex 16, Volume 2 of the Chicago Convention also contains standards and recommendations regarding limitations on vented fuel, smoke and gaseous emissions from aircraft. While a number of countries have adopted regulations implementing these recommendations, such regulations generally have been prospective in nature, requiring only that newly manufactured engines meet particular standards after a particular date

### ***Fleet Aging Aircraft Requirements***

The fleet aging aircraft programmes are being continuously updated. One concept that has come out of the research and development effort into mitigating the occurrence of Widespread Fatigue Damage (“WFD”) in large transport aircraft is applying a Limit of Validity (“LOV”) to an aircraft’s maintenance program. This is a point in an aircraft’s operational life beyond which there may be insufficient engineering data to support continued operation due to fatigue considerations. In other words, the inspections in the maintenance program may not detect fatigue damage before the strength levels are reduced below the regulatory requirements. The proposed LOV for a B737 for instance is 100,000 flight cycles. No B737 aircraft has yet reached this threshold and it would equate to at least 35 years of typical operations. Rulemaking the FAA and EASA are considering in this area would result in substantially higher maintenance costs for aircraft that have passed their LOV and effectively make economic operation of the aircraft unviable. The proposed rule also includes a requirement to perform a WFD evaluation of existing repairs and structural modifications to determine if additional maintenance actions are required. The proposed rule could result in significant cash expenditures, delayed transfer of aircraft upon re-leasing and a reduction in value of an aircraft as it approached the LOV.

The FAA has issued a new rule applicable to U.S. registered aircraft mandating an Aging Aircraft Record Review and Inspection by FAA representatives for an aircraft once it has exceeded 14 years since manufacture. Thresholds are provided for aircraft that are already more than 14 years since manufacture at the time the rule was introduced. Thereafter, Aging Aircraft Record Reviews and Inspections for the aircraft are to be repeated every seven years. There is also the possibility of additional maintenance work resulting from an adverse finding during these reviews. It is expected that the cost of such Aging Aircraft Record Reviews and Inspections will, in general, be borne by the lessees. However if the aircraft is transitioning onto the US register or the lessee is unable to fulfill its obligations the responsibility for this review would rest with us.

### ***Fleet Security Requirements***

As a result of the terrorist attacks in the United States on September 11, 2001, and the subsequent threat of similar attacks, aviation authorities may adopt new security directives. The FAA and EASA already require the installation of reinforced cockpit doors. In addition, the International Civil Aviation Organisation requires contracting states to mandate the incorporation of cockpit doorway surveillance systems. The average cost of an installation for a reinforced cockpit door and cockpit doorway surveillance system for a non-compliant aircraft would be approximately \$85,000 and \$35,000 respectively.

The FAA has issued a Notice of Proposed Rulemaking (“NPRM”), whereby they are proposing to introduce a set of new design certification requirements which would require the incorporation of enhanced security provisions for new aircraft designs. The proposal includes requirements to strengthen

bulkheads between the passenger cabin and the cockpit (in addition to current requirements to strengthen the cockpit door), to limit the penetration of smoke/fumes/gases from incendiary devices from entering the cockpit from the passenger cabin, to quickly evacuate smoke/fumes/gases from the cockpit and passenger cabin, and to maximize survivability after an explosion or fire. The current proposal does not propose retrospective action for existing aircraft and as such no additional costs for in service aircraft are envisaged at this time.

### ***Fleet Operational and Airspace Requirements***

Aircraft may need to comply with certain operational requirements that are mandated by the state of the operating airline (which, in some cases, may be different from the state of registration) or the states into which or over which an aircraft will be flown. An aircraft operating in a particular jurisdiction may require new modifications as they are mandated by the responsible authorities. Similarly, an aircraft that will be operated in a new jurisdiction may require modifications to bring it up to the standard of the new jurisdiction. Depending on whether the costs of complying with these requirements are borne by the lessees or us, installation of these systems could result in significant cash expenditures by us, primarily during aircraft transitioning. Major examples of such requirements are as follows:-

The installation of Enhanced Ground Proximity Warning System (“**EGPWS**”), otherwise known as Terrain Awareness System (“**TAWS**”) was made mandatory by 2005 for aircraft operating in regions governed by the FAA or JAA. EGPWS is an avionics system that detects an aircraft’s proximity to the ground. The enhanced version enables the system to correlate the aircraft’s current position with a database of obstructions in the horizontal plane (high mountain peaks, buildings, antennae etc). All new generation Airbus and Boeing aircraft have EGPWS and require only a software upgrade. The estimated cost to implement the full modification is \$100,000 to \$120,000 per aircraft.

The FAA has issued a NPRM, FAA-2005-22997, whereby they are proposing to introduce a new operational requirements for the installation of a means to reduce fuel tank ullage (vacant container space) flammability, thus reducing the possibility of fuel tank explosions similar to that of the TWA Flight 800 accident of 1996. The modification would primarily be directed at aircraft which have heat generating air conditioning packs installed directly below their centre wing fuel tanks, but would also be directed at other aircraft whose fuel tanks or auxiliary fuel tanks exceed a certain flammability exposure level. Specifically named aircraft types include the B737, B747, B757, B767 and Airbus A300, A310, A320, A330 and A340 models. Although the FAA has not mandated a specific method of achieving the requirement, one particular proposal is a Nitrogen Generation System (“**NGS**”) for insertion of nitrogen into the affected fuel tanks. Operators would be required to incorporate the requirements on at least 50% of their fleet of the specified types of aircraft by December 31, 2011, and on 100% of their fleet of the specified types of aircraft within an additional three years. The regulation would apply to U.S. operators operating under FAR 121 and also to foreign operators operating into the U.S. under FAR 129. At this point EASA has not indicated that it is intending to mandate NGS. Retrofit of an NGS is estimated to cost between \$200,000 for a narrow body aircraft to \$300,000 for a wide body aircraft.

Traffic Collision Avoidance System (TCAS) is already a requirement in the United States, the European Union and other JAA countries. The majority of the aircraft are already compliant or will have some provisions already installed. The average cost of an installation for a noncompliant aircraft would be approximately \$100,000 - \$130,000.

A Cargo Compartment Fire Detection and Suppression System is already a requirement in the United States for all underfloor cargo compartments. It is currently not required by EASA or the JAA for certain narrow bodied aircraft, but a proposal for a new requirement is expected in the near future. The

average cost of an installation for a non-compliant aircraft would be approximately \$100,000 - \$120,000.

Additional Flight Data Recorder Parameters are a requirement in the United States. The requirement varies depending on year of manufacture and existing provisions. The cost of additional inputs is totally dependent on the current aircraft configuration but installation for a non-compliant aircraft could be up to \$90,000.

Aircraft operating in Eurocontrol airspace require the installation of Enhanced Mode S ATC Transponders by March 2007. The average cost of an installation for a non-compliant aircraft is approximately \$50,000 - \$80,000.

### ***Type specific Requirements***

#### ***Boeing 737***

In April 2006 the FAA issued a Supplemental Notice of Proposed Rulemaking (“**SNPRM**”) to revise a 1999 proposal to increase the number of digital flight data recorder (“**DFDR**”) parameters required for all Boeing 737 series aircraft. This is to allow for monitoring and recording of the rudder system on these aircraft. The FAA estimated in the SNPRM that the cost to retrofit a B737 would vary between \$41,800 and \$221,950 per aircraft, depending upon the B737 model, its existing DFDR equipment, and the time it was installed.

The FAA has issued an AD affecting all B737 aircraft, mandating the installation of a new rudder power control unit and changes to adjacent systems in order to rectify an unsafe condition that has led to a jammed or restricted control of the rudder in the past. The manufacturer will supply most of the parts of engineering as this is a recognized design problem and the average cost per aircraft of the labour is expected to be approximately \$15,000 and is to be completed before November 2008.

In early 2004 Boeing discovered cracks at the lap joint areas on a number of B737-200/300/400/500 aircraft (B737 classic aircraft), which were caused by scribe marks from sharp instruments used in paint, sealant and decal removal. Scribe marking has also been found on B747, B757 and B767 aircraft. The FAA issued AD 2006-07-12 on March 31, 2006 mandating a zonal inspection program for scribe marks on B737 classic aircraft. The threshold for accomplishing the inspection for each individual zone on an individual aircraft is dependent on the aircraft’s maintenance history, total cycles and cycles since first painting. In the event significant “scribe lines” are detected, significant repair and aircraft out of service time may be required. The potential cost of terminating the requirements of the service bulletin is totally dependant on findings on individual aircraft but could cost up to \$300,000 per aircraft. An aircraft with unrepaired scribe mark damage may become more difficult or expensive to remarket.

The FAA has issued AD 2002-07-08 mandating the modification of crown lap joints on Boeing 737 aircraft when an aircraft has completed 50,000 cycles. The estimated cost to implement those modifications for each aircraft is approximately \$250,000. In addition repairs to scribe damaged areas that must take place at the same time could raise the total repair costs for crown lap joints and scribe damage to \$450,000.

The FAA issued NPRM 2005-NM-028-AD on April 5, 2005 in relation to the replacement of insulation blankets. The affected insulation covering is installed on B737-200, 300 and 400 aircraft originally built between July 1981 and December 1988 inclusive. This insulation blanket covering does not meet the new FAA requirement involving resistance of materials to ignition from an electrical arc or spark. The

associated AD is anticipated to have a final compliance date of 2011. Compliance cost per aircraft is estimated to be \$300,000 per aircraft.

The FAA issued AD 2005-20-39 in November 2005 requiring an inspection of landing gear on all variants of Boeing 737 classic aircraft to determine whether a certain compound that may have been used during manufacture or overhaul has caused corrosion. If an inspection reveals damage, a premature overhaul of the landing gear might be required, which might lead to earlier than anticipated reserve claims.

### ***Boeing 757***

The FAA issued NPRM 2005-NM-028-AD on April 5, 2005 in relation to the replacement of insulation blankets. The affected insulation covering is installed on B757 aircraft originally built between July 1981 and December 1988 inclusive. This insulation blanket covering does not meet the new FAA requirement involving resistance of materials to ignition from an electrical arc or spark. The associated AD is anticipated to have a final compliance date of 2011. A compliance cost of up to \$350,000 per aircraft is expected.

The FAA issued AD 2007-19-07 issued on November 28, 2007 mandating a zonal inspection program for scribe marks on B757 aircraft. The threshold for accomplishing the inspection for each individual zone on an individual aircraft is dependent on the aircraft's maintenance history, total cycles and cycles since first painting. In the event significant "scribe lines" are detected, significant repair and aircraft out of service time may be required. The potential cost of terminating the requirements of the service bulletin is totally dependant on findings on individual aircraft but could cost up to \$200,000 per aircraft. An aircraft with unrepaired scribe mark damage may become more difficult or expensive to remarket.

The FAA has issued an AD that requires the modification of the nacelle strut and wing structure on B757 series aircraft equipped with Rolls Royce RB211 engines. The modification must be accomplished prior to the aircraft reaching 20 years since manufacture. The estimated cost for such modification is \$70,000 per aircraft.

### ***Boeing 767***

The FAA issued NPRM 2005-NM-028-AD on April 5, 2005 in relation to the replacement of insulation blankets. The affected insulation covering is installed on B767 aircraft originally built between July 1981 and December 1988 inclusive. This insulation blanket covering does not meet the new FAA requirement involving resistance of materials to ignition from an electrical arc or spark. The associated AD is anticipated to have a final compliance date of 2011. A compliance cost of up to \$400,000 per aircraft is expected.

The FAA issued AD 2004-05-10 requiring an inspection of the aft pressure bulkhead on certain B767 aircraft. Boeing have indicated that they are likely to recommend to the FAA that in addition to the existing mandated inspections the aft pressure bulkheads on B767 aircraft up to line number 175 be replaced once the aircraft reach 45,000 flight cycles. Approximate costs associated with replacement of the bulkhead are likely to exceed \$1million.

Boeing have indicated that they are likely to initiate a scribe mark inspection programme for the B767 aircraft. No specifics of what this programme will entail are currently available.

***Airbus A320***

EASA has issued an AD mandating inspection of Airbus A318/A319/A320/A321 aircraft for cracking in the main landing gear support rib of the wing. A terminating modification is available and has been mandated, but requires the aircraft to be out of service for a minimum of five days. Provided the incorporation of such terminating modification is accomplished in time, the significant cost of rib replacement can be avoided. In the event significant damage is detected prior to incorporation of the terminating modification, resulting in the necessity to replace the rib, the cost of such rib replacement would be approximately \$500,000 per affected wing and would cause the aircraft to be out of service for approximately five weeks.

The incurrence by us of any of the foregoing costs will further adversely impact our results of operations.

New ADs or specific requirements may be adopted in the future and these could result in significant costs to Airplanes Group or adversely affect the value of our aircraft and our ability to re-lease our aircraft.



## **F. Results of Operations - Three Months Ended June 30, 2008 Compared with Three Months Ended June 30, 2007**

Airplanes Group's results for the three month period ended June 30, 2008 reflected a continuation of the difficult trading conditions for Airplanes Group since the start of 2008, notwithstanding the improved trading conditions from 2005 to 2007 for the aviation industry as a whole. Prior lease restructurings continue to have a significant adverse impact, although various factors, including the timing of receipts and expenditures and non-recurring items, can result in short term swings in any particular reporting period.

Airplanes Group generated \$35 million in cash from operations in the three month period ended June 30, 2008 compared to \$27 million in the same period of the previous year. The increase in cash generated from operations in the three month period ended June 30, 2008 is primarily attributable to increased maintenance reserve receipts and reduced interest expense in relation to the class A to D notes driven by reduced LIBOR rates.

There was a net loss after taxation for the three month period ended June 30, 2008 of \$675 million (Airplanes Limited: \$617 million; Airplanes Trust: \$58 million) compared to a net loss after taxation for the three month period ended June 30, 2007 of \$511 million (Airplanes Limited: \$461 million; Airplanes Trust: \$50 million). Excluding accrued but unpaid class E note interest and impairment charges, the movement from a loss of \$23 million for the three month period ended June 30, 2007 to a loss of \$5 million for the three month period ended June 30, 2008 was primarily attributable to increased maintenance reserve receipts and reduced interest expense in relation to the class A to D notes driven by reduced LIBOR rates.

### ***Leasing Revenues***

Leasing revenues (which include maintenance reserve receipts which we receive from certain of our lessees) for the three month period ended June 30, 2008 were \$59 million (Airplanes Limited: \$54 million; Airplanes Trust: \$5 million) compared with \$52 million (Airplanes Limited: \$50 million; Airplanes Trust: \$2 million) for the three month period ended June 30, 2007. At June 30, 2008, we had 112 of our 117 aircraft on lease (Airplanes Limited: 108 aircraft; Airplanes Trust: 4 aircraft) compared to 118 of our 126 aircraft on lease (Airplanes Limited: 121 aircraft; Airplanes Trust: 5 aircraft) at June 30, 2007.

### ***Other Income***

During the three month period ended June 30, 2008, Airplanes Group earned \$1 million (Airplanes Limited: \$1 million; Airplanes Trust: \$nil) of other income from the settlement of a prior lease restructuring.

### ***Aircraft Sales***

In the three month period ended June 30, 2008, sales proceeds of \$7 million (Airplanes Limited: \$7 million; Airplanes Trust: \$nil) were received in respect of the sale of three DHC8-100 aircraft and the scrap sale of one previously damaged DC8-71F aircraft. The net book value of the aircraft disposed of was \$3 million (Airplanes Limited: \$3 million; Airplanes Trust: \$nil). In the three month period ended June 30, 2007 sales proceeds of \$7 million (Airplanes Limited: \$7 million; Airplanes Trust: \$nil) were received in respect of the sale of one MD83 aircraft and insurance proceeds received as part disposal of one DC8-71F aircraft.

### ***Capital and Sales type leases***

During the three month period ended September 30, 2007, Airplanes Group delivered two aircraft under capital and sales type leases. The net book value of these aircraft at June 30, 2008 was \$5 million (Airplanes Limited: \$5 million; Airplanes Trust; \$Nil).

### ***Impairment Charges***

Aircraft carrying values are periodically assessed for impairment in accordance with SFAS 144. An impairment review is required whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The statement requires an assessment for impairment when an asset's carrying value is greater than its estimated undiscounted future cashflows. Impairments are measured by the excess of carrying value over fair value. Following consideration of the independent appraisers' values and estimated future cashflows from rentals or sales proceeds to be generated by our aircraft, an SFAS 144 assessment resulted in the requirement for an impairment of \$11 million (Airplanes Limited: \$11 million; Airplanes Trust: \$nil) for the three month period ended June 30, 2008 compared to a requirement for an impairment of \$3 million (Airplanes Limited: \$nil; Airplanes Trust: \$3 million) in the three month period ended June 30, 2007.

### ***Depreciation and Amortization***

The charge for depreciation and amortization in the three month period ended June 30, 2008 amounted to \$16 million (Airplanes Limited: \$15million; Airplanes Trust: \$1 million) as compared with \$18 million (Airplanes Limited: \$16 million; Airplanes Trust: \$2 million) for the three month period ended June 30, 2007.

### ***Net Interest Expense***

Net interest expense was \$697 million (Airplanes Limited: \$635 million; Airplanes Trust: \$62 million), of which \$38 million related to interest on the class A to D notes and swap payments and \$659 million related to interest on the class E notes, in the three month period ended June 30, 2008 compared to \$527 million (Airplanes Limited: \$480 million; Airplanes Trust: \$47 million), of which \$42 million related to interest on the class A to D notes and swap payments and \$485 million related to interest on the class E notes, in the three month period ended June 30, 2007. The increase in the amount of interest charged was primarily due to additional interest charged on accrued but unpaid class E note interest of \$174 million.

The weighted average interest rate on the class A to D notes during the three month period ended June 30, 2008 was 6.00% and the average debt in respect of the class A to D notes outstanding during the period was \$2,006 million. The class E notes together with the accrued but unpaid class E note interest, accrue interest at a rate of 20% per annum (as adjusted by reference to the U.S. consumer price index with effect from March 28, 1996).

The weighted average interest rate on the class A to D notes during the three month period to June 30, 2007 was 6.82% and the average debt in respect of the class A to D notes outstanding during the period was \$2,103 million.

The difference for the three month period ended June 30, 2008 in Airplanes Group's net interest expense of \$697 million (Airplanes Limited: \$635 million; Airplanes Trust: \$62 million) and cash paid in respect of interest of \$10 million (Airplanes Limited: \$9 million; Airplanes Trust: \$1 million) is substantially accounted for by the fact that interest on the class E notes is accrued but unpaid and that the interest on the class B, C and D notes is now also being accrued and not paid.

Net interest expense is stated after deducting interest income earned during the relevant period. In the three month period ended June 30, 2007, Airplanes Group earned interest income (including lessee default interest) of \$1 million compared with \$1 million in the three month period ended June 30, 2007.

### ***Bad Debt Provisions***

Airplanes Group's practice is to provide specifically for any amounts due but unpaid by lessees based primarily on the amount due in excess of security held and also taking into account the financial strength and condition of a lessee and the economic conditions existing in the lessee's operating environment. While certain of Airplanes Group's lessees failed to meet their contractual obligations in the three month period ended June 30, 2008, there was a requirement for an increase in provisions in respect of bad and doubtful debts in respect of these lessees of \$1 million (Airplanes Limited: \$1 million; Airplanes Trust \$nil) in the three month period ended June 30, 2008 compared with no change in the three month period ended June 30, 2007.

### ***Other Lease Costs***

Other lease costs, comprising aircraft related technical expenditure associated with remarketing the aircraft, in the three month period ended June 30, 2008 amounted to \$7 million (Airplanes Limited: \$7 million; Airplanes Trust: \$nil) compared with other lease costs of \$10 million (Airplanes Limited: \$10 million; Airplanes Trust: \$Nil) in the three month period ended June 30, 2007.

### ***Selling, General and Administrative Expenses***

Selling, general and administrative expenses for the three month period ended June 30, 2008 amounted to \$7 million (Airplanes Limited: \$7 million; Airplanes Trust: \$Nil) as compared to the expense that was incurred in the three month period ended June 30, 2007 of \$7 million (Airplanes Limited: \$7 million; Airplanes Trust: \$Nil).

The most significant element of selling, general and administrative expenses is the aircraft servicing fees paid to the servicer. Substantially all of these amounts represent asset based fees calculated as an annual percentage of agreed values of aircraft under management pursuant to a servicing agreement. Selling, general and administrative expenses in the three month period ended June 30, 2008 included \$5 million (Airplanes Limited: \$5 million; Airplanes Trust: \$Nil) relating to servicing fees, as compared to the three month period ended June 30, 2007, which included \$5 million (Airplanes Limited: \$5 million; Airplanes Trust: \$Nil) relating to servicing fees.

A further significant element of Airplanes Group's actual selling, general and administrative expenses reported in the three month period ended June 30, 2008 was \$1 million (Airplanes Limited: \$1 million; Airplanes Trust: \$Nil) in respect of administrative agency and cash management fees payable to subsidiaries of AerCap Ireland Limited, compared to the charge of \$1 million (Airplanes Limited: \$1 million; Airplanes Trust: \$Nil) for the three month period ended June 30, 2007.

### ***Operating Loss***

The operating loss for the three month period ended June 30, 2008 was \$675 million (Airplanes Limited: \$617 million; Airplanes Trust: \$58 million) compared with an operating loss of \$511 million for the three month period ended June 30, 2007 (Airplanes Limited: \$461 million; Airplanes Trust: \$50 million). Airplanes Limited and Airplanes Trust are expected to continue to report substantial losses in the future.

## ***Taxes***

There was no tax charge in the three month period ended June 30, 2008, as compared with no tax charge for the three month period ended June 30, 2007.

## ***Net Loss after Taxation***

The net loss after taxation for the three month period ended June 30, 2008 was \$675 million (Airplanes Limited: \$617 million; Airplanes Trust: \$58 million) compared with a net loss after taxation for the three month period ended June 30, 2007 of \$511 million (Airplanes Limited: \$461 million; Airplanes Trust: \$50 million).

## **Financial Resources and Liquidity**

The factors discussed above at “2B. Status of the Commercial Aviation Industry” continue to impair our cashflows.

### ***Liquidity***

Cash balances at June 30, 2008 amounted to \$97 million (Airplanes Limited: \$91 million; Airplanes Trust: \$6 million) compared to cash balances at June 30, 2007 of \$91 million (Airplanes Limited: \$85 million; Airplanes Trust: \$6 million).

### ***Operating Activities***

Net cash provided by operating activities in the three month period ended June 30, 2008 amounted to \$35 million (Airplanes Limited: \$30 million; Airplanes Trust: \$5 million) compared with \$27 million in the three month period ended June 30, 2007 (Airplanes Limited: \$27 million; Airplanes Trust: \$Nil). This includes cash paid in respect of interest of \$10 million in the three month period ended June 30, 2008 (Airplanes Limited: \$9 million; Airplanes Trust: \$1 million) compared with \$15 million in the three month period ended June 30, 2007 (Airplanes Limited: \$14 million; Airplanes Trust: \$1 million).

Cashflows provided by operating activities in the three month period ended June 30, 2008 included proceeds from aircraft sales of \$7 million (Airplanes Limited: \$7 million; Airplanes Trust: \$nil) from the sale of three DHC8-100 aircraft and the scrap sale of one DC8-71F aircraft which had previously been damaged. In the three months ended June 30, 2007 sales proceeds of \$7 million were received from the sale of one MD83 aircraft and the part disposal of one DC8-71F aircraft.

The increase in cash provided by operating activities in the three month period ended June 30, 2008 is primarily attributable to increased maintenance reserve receipts and reduced interest expense in relation to the class A to D notes, driven by reduced LIBOR rates.

### ***Financing Activities***

Cashflows used in financing activities in the three month period ended June 30, 2008 primarily reflect the repayment of \$35 million of principal of the subclass A-8 notes by Airplanes Group (Airplanes Limited: \$30 million; Airplanes Trust: \$5 million) compared with \$19 million of principal repaid on the subclass A-8 notes by Airplanes Group (Airplanes Limited: \$17 million; Airplanes Trust: \$2 million) in the three month period ended June 30, 2007.

### ***Indebtedness***

Airplanes Group's indebtedness consisted of class A to E notes in the amount of \$2,584 million (Airplanes Limited: \$2,355 million; Airplanes Trust: \$229 million) at June 30, 2008 and \$2,691 million (Airplanes Limited: \$2,451 million; Airplanes Trust: \$240 million) at June 30, 2007. Airplanes Group's outstanding publicly traded class A to D notes amounted to \$1,993 million (Airplanes Limited: \$1,814 million; Airplanes Trust: \$179 million) at June 30, 2008 and \$2,100 million (Airplanes Limited: \$1,911 million; Airplanes Trust: \$189 million) at June 30, 2007. Airplanes Group had \$591 million class E notes outstanding at June 30, 2008 and June 30, 2007.

Airplanes Group was due to refinance the subclass A-8 certificates and notes on March 15, 2003. Given market conditions and the impact these conditions have had on our performance as compared to the 2001 Base Case, a refinancing at that time was not economically viable. Step-up interest has therefore accrued on the subclass A-8 certificates and notes since March 15, 2003. However, due to insufficient cashflows and the low priority of step-up interest in the priority of payments, no step-up interest has been paid.

Prior to March 15, 2003, on each payment date the priority of the principal amounts outstanding in respect of the various subclasses of class A certificates and notes was subclass A-6, subclass A-9 and subclass A-8 in that order. Because there was no refinancing of the subclass A-8 notes by March 15, 2003, the priority of the principal amounts outstanding in respect of the various subclasses of class A certificates and notes is now subclass A-8 and subclass A-9 in that order (the subclass A-6 notes having been repaid on October 15, 2004).

## **G. Comparison of Actual Cashflows Versus the 2001 Base Case for the Two Month Period from May 10, 2008 to July 15, 2008**

The discussion and analysis which follows is based on the results of Airplanes Limited and Airplanes Trust and their subsidiaries as a single entity (collectively "Airplanes Group").

*The cashflow information set forth below was not prepared in accordance with generally accepted accounting principles of the United States. This information must be read in conjunction with Airplanes Group's most recent financial information prepared in accordance with generally accepted accounting principles of the United States. For this you should refer to the Annual Report, and pages 3 to 7 of this Quarterly Report.*

For the purposes of this report, the "Two Month Period" comprises information from the monthly cash reports as filed on our website for the relevant months ended May 15 and June 16, 2008. The financial data in these reports includes cash receipts from May 10, 2008 (first day of the Calculation Period for the July 2008 report) up to July 9, 2008 (last day of the Calculation Period for the July 2008 report). Page 40 presents the cumulative cashflow information from March 2001 to the July 2008 payment date. This report, however, limits its commentary to the Two Month Period.

**The 2001 Base Case contained assumptions in respect of Airplanes Group's future cashflows and expenses. Since these assumptions were developed, global economic conditions, and particularly conditions in the commercial aviation industry, have worsened significantly, particularly since September 11, 2001, as discussed above under "Current Performance" contained in section "1H. Notes to the Unaudited Condensed Financial Statements". Accordingly the performance of Airplanes Group has been and we expect it to continue to be worse than the 2001 Base Case, with particular reference to those assumptions relating to aircraft re-lease rates, aircraft values, aircraft downtime and lessee defaults.**

**The following is a discussion of the Total Cash Collections, Total Cash Expenses, Interest Payments and Principal Payments in the Two Month Period and should be read in conjunction with the analysis on page 39.**

### **CASH COLLECTIONS**

*"Total Cash Collections"* include Net Lease Rental, Interest Earned, Aircraft Sales, Net Maintenance and Other Receipts (each as defined below). In the Two Month Period, Airplanes Group generated approximately \$46.4 million in Total Cash Collections, \$11.1 million less than the 2001 Base Case. This difference is due to a combination of the factors set out below (the numbers in square brackets below refer to the line item number shown on page 38).

### **[2] RENEGOTIATED LEASES**

*"Renegotiated Leases"* is a measure of the loss in rental revenue caused by a lessee negotiating a reduction in the lease rental, in the period to the original contracted expiry date of the lease prior to the renegotiation of the terms of that lease. In the Two Month Period, the amount of revenue loss attributed to Renegotiated Leases was \$Nil which is in line with the 2001 Base Case.

For details of current lessee restructurings please refer to section "2D. The Lessees" above.

### **[3] RENTAL RESETS — RE-LEASING EVENTS WHERE NEW LEASE RATE DEVIATED FROM THE 2001 BASE CASE**

*"Rental Resets"* is a measure of the difference in rental revenue when new lease rates are different from those assumed in the 2001 Base Case, including lease rate adjustments for changes in interest rates on floating rate leases and lease rates achieved where revenues are dependent on aircraft usage. The loss of rental revenue as a result of Rental Resets amounted to \$16.6 million in the Two Month Period, as compared to \$Nil assumed in the 2001 Base Case.

### **[4] LEASE RENTALS — AIRCRAFT SALES**

*"Lease Rentals — Aircraft Sales"* represents rental revenue foregone in respect of aircraft sold prior to their assumed sale date in the 2001 Base Case, net of rental revenue received in respect of aircraft remaining on lease after their assumed sale date in the 2001 Base Case. In the 2001 Base Case, all aircraft are assumed to be sold either at the end of their useful economic life or, where an aircraft was subject to a lease with the lease expiry date falling after the end of its useful economic life, on the contracted lease expiry date. Since March 2001, three MD11 aircraft, four MD83 aircraft, one MD87 aircraft, one B747-200SF aircraft, three DC9-51 aircraft, two DC9-32 aircraft, eighteen DC8-71F aircraft, two DHC8-300C aircraft, five DHC8-100 aircraft, eight B727-200A aircraft, twelve B737-200A aircraft, three Metro-III aircraft, two A300B4-200 aircraft and one ATR42-300 aircraft have been sold prior to their assumed sale date in the 2001 Base Case, resulting in a negative variance of \$14.3 million in lease rentals compared to the 2001 Base Case in the Two Month Period.

### **[5] CONTRACTED LEASE RENTALS**

*"Contracted Lease Rentals"* represents the current contracted lease rental rollout which is equal to the 2001 Base Case Lease Rentals less adjustments for Renegotiated Leases, Rental Resets and Lease Rentals — Aircraft Sales. For the Two Month Period, Contracted Lease Rentals were \$29.1 million, which was \$30.9 million less than assumed in the 2001 Base Case. The difference is due to losses from Renegotiated Leases, Rental Resets and Lease Rentals — Aircraft Sales as discussed above.

### **[6] MOVEMENT IN CURRENT ARREARS BALANCE**

*"Current Arrears"* is the total Contracted Lease Rentals outstanding from current lessees at a given date but excluding any amounts classified as Bad Debts or Deferred Arrears. There was a net decrease of \$0.4 million in the Current Arrears balance over the Two Month Period, as compared to \$Nil assumed in the 2001 Base Case.

### **NET STRESS-RELATED COSTS**

*"Net Stress-Related Costs"* is a combination of all the factors which can cause actual lease rentals to vary from the Contracted Lease Rentals. The 2001 Base Case assumed Net Stress-Related Costs equal to 6.0% of the 2001 Base Case Lease Rentals in the Two Month Period. Net Stress-Related Costs incurred in the Two Month Period amounted to a net cash outflow of \$2.1 million (3.5% of Lease Rentals) compared to \$3.6 million outflow assumed in the 2001 Base Case, a variance of \$1.5 million that is due to the five factors described in items [8] to [12] below.

## **[8] BAD DEBTS**

*"Bad Debts"* are lease rental arrears owed by lessees which have defaulted and which are deemed irrecoverable. Bad Debts were \$Nil for the Two Month Period, \$0.6 million lower than the 2001 Base Case assumption of \$0.6 million (1.0% of Lease Rentals).

## **[9] DEFERRED ARREARS BALANCE**

*"Deferred Arrears Balance"* refers to current arrears that have been capitalized and restructured into a deferred balance. In the Two Month Period, payments received in accordance with these restructurings were \$Nil which is in line with the 2001 Base Case.

## **[10] AIRCRAFT ON GROUND ("AOG")**

*"AOG"* is defined as the 2001 Base Case Lease Rentals lost when an aircraft is off-lease or deemed non-revenue earning. Airplanes Group had five aircraft AOG at various times during the Two Month Period. The 2001 Base Case Lease Rentals loss attributed to AOG in the Two Month Period was \$2.1 million (3.5% of Lease Rentals), as compared to \$2.5 million (4.2% of Lease Rentals) assumed under the 2001 Base Case.

## **[11] OTHER LEASING INCOME**

*"Other Leasing Income"* consists of miscellaneous income received in connection with a lease other than contracted rentals, maintenance receipts and security deposits, such as early termination payments or default interest. In the Two Month Period, Other Leasing Income amounted to \$Nil which is in line with the 2001 Base Case.

## **[12] REPOSSESSION COSTS**

*"Repossession Costs"* cover legal and aircraft technical costs incurred as a result of repossessing an aircraft. In the Two Month Period, Repossession Costs amounted to \$Nil as compared to \$0.5 million (0.8% of Lease Rentals) assumed under the 2001 Base Case.

## **[14] NET LEASE RENTAL**

*"Net Lease Rental"* is Contracted Lease Rentals less any movement in Current Arrears balance and Net Stress-Related Costs. In the Two Month Period, Net Lease Rental amounted to \$27.4 million, \$29.0 million less than that assumed in the 2001 Base Case. The variance was attributable to the combined effect of the factors outlined in items [2] to [4] and in items [6] to [12] above.

## **[15] INTEREST EARNED**

*"Interest Earned"* relates to interest received on cash balances held in the Collection and Expense Accounts. Cash held in the Collection Account consists of the cash liquidity reserve amount (\$80 million plus the security deposit amount, subject to available cashflows), in addition to the intra-month cash balances for all the rentals and maintenance payments collected prior to the monthly payment date. The Expense Account contains cash set aside to pay for expenses which are expected to be payable over the next month. In the Two Month Period, Interest Earned amounted to \$0.4 million, \$0.7 million less than that assumed in the 2001 Base Case. The difference is due to a lower cash balance in the Collection Account as available cashflows were adequate to allocate only \$60 million to the cash liquidity reserve



amount on each payment date in the Two Month Period (refer to item [29A] below). The average actual reinvestment rate for the Two Month Period was 2.7% (excluding a \$5 million guaranteed investment contract) compared to 5.2% assumed in the 2001 Base Case.

#### **[16] AIRCRAFT SALES**

Aircraft sales proceeds totalling \$6.9 million were received in the Two Month Period in respect of the sale of one DC8-71F aircraft and three DHC8-100 aircraft. In the 2001 Base Case, no aircraft sales were assumed in the Two Month Period. In the 2001 Base Case all aircraft are assumed to be sold either at the end of their useful economic life or, where an aircraft was subject to a lease with the lease expiry date falling after the end of its useful economic life, on the contracted lease expiry date.

#### **[17] NET MAINTENANCE**

*"Net Maintenance"* refers to maintenance reserve revenue received less any maintenance reimbursements paid to lessees. In the Two Month Period, positive net maintenance cashflows of \$11.7 million (comprising maintenance reserve receipts totalling \$15.4 million and maintenance reserve reimbursements totalling \$3.7 million) were received. The 2001 Base Case makes no assumptions for Net Maintenance as it assumes that, over time, maintenance revenue will equal maintenance expenditure. However, it is unlikely that in any particular reporting period, maintenance revenue will exactly equal maintenance expenses.

#### **[18] OTHER RECEIPTS**

*"Other Receipts"* were \$Nil in the Two Month Period which is in line with the 2001 Base Case.

#### **CASH EXPENSES**

*"Total Cash Expenses"* include Aircraft Operating Expenses and Selling, General and Administrative (*"SG&A"*) Expenses. In the Two Month Period, Total Cash Expenses were \$10.1 million compared to \$8.4 million assumed in the 2001 Base Case, a negative variance of \$1.7 million. A number of factors discussed below have given rise to this.

*"Aircraft Operating Expenses"* includes all operational costs related to the leasing of aircraft including costs of insurance, re-leasing and other overhead costs.

#### **[20] RE-LEASING AND OTHER OVERHEAD COSTS**

*"Re-Leasing and Other Overhead Costs"* consist of miscellaneous re-delivery and leasing costs associated with re-leasing events, costs of insurance and other lessee-related overhead costs. In the Two Month Period, these costs amounted to \$4.1 million (or 6.8% of Lease Rentals) compared to \$3.0 million (or 5.0% of Lease Rentals) assumed in the 2001 Base Case. Actual Re-Leasing and Other Overhead Costs were higher than the 2001 Base Case assumption primarily due to higher than assumed transition costs on aircraft delivering to new lessees and higher payments made in the form of lessor contributions to defray certain technical costs during the term of certain leases.

*"SG&A Expenses"* relate to fees paid to the servicer and to other service providers.

## [21] AIRCRAFT SERVICER FEES

"*Aircraft Servicer Fees*" are defined as amounts paid to the servicer in accordance with the terms of the servicing agreement. In the Two Month Period, the total Aircraft Servicer Fees paid were \$4.7 million, \$0.9 million higher than that assumed in the 2001 Base Case.

Aircraft Servicer Fees consist of:

	<b>\$M</b>
Retainer Fee .....	3.2
Minimum Incentive Fee .....	1.5
Core Cashflow/Sales Incentive Fee.....	<u>0.0</u>
Total Aircraft Servicer Fee .....	<u>4.7</u>

The Retainer Fee is a fixed amount per month per aircraft and changes only as aircraft are sold.

## [23] OTHER SERVICER FEES AND OTHER OVERHEADS

"*Other Servicer Fees and Other Overheads*" relate to fees and expenses paid to other service providers including the administrative agent, the cash manager, financial advisers, legal advisers and accountants and to the directors/controllers/trustees. In the Two Month Period, Other Servicer Fees and Other Overheads amounted to \$1.3 million which is \$0.3 million lower than the 2001 Base Case.

## [29A] SHORTFALL IN LIQUIDITY RESERVE

Airplanes Group is required to maintain a cash balance in the collection account under the indentures, subject to available cashflows, in an amount equal to the sum of:

- the maintenance reserve amount (\$80 million); and
- a security deposit reserve amount.

Under the priority of payments applicable to Airplanes Group, this cash balance is retained at point (iii) First Collection Account Top-up (maintenance reserve amount — \$60 million) and at point (x) Second Collection Account Top-up (maintenance reserve amount — \$20 million plus security deposit reserve amount).

"*Shortfall in Liquidity Reserve*" relates to any shortfall in the funds allocated to the "First Collection Account Top-up" and "Second Collection Account Top-up" as a result of Airplanes Group not having sufficient balance of funds after payment of expenses and all required payments on the notes which rank prior to the applicable liquidity reserve amount under the priority of payments applicable to Airplanes Group. Since the May 2003 payment date there has been a depletion of the "Second Collection Account Top-up" and beginning on the December 15, 2003 payment date cashflows have been insufficient to allocate any funds to the "Second Collection Account Top-up". On the July 15, 2008 payment date, there was a shortfall in the liquidity reserve amount of \$39.9 million compared to the shortfall of \$39.6 million on the May 15, 2008 payment date. Under the 2001 Base Case, a Shortfall in Liquidity Reserve was not anticipated.

### **[30] INTEREST PAYMENTS**

In the Two Month Period, interest payments to the holders of the class A, B, C and D notes amounted to \$5.2 million which is \$14.5 million lower than assumed under the 2001 Base Case.

Interest payments on the floating rate class A notes amounted to \$5.2 million, \$1.9 million lower than assumed under the 2001 Base Case, reflecting a lower level of average interest rates on the class A notes than assumed in the 2001 Base Case, albeit a higher principal balance outstanding on these notes than assumed in the 2001 Base Case. The 2001 Base Case assumed LIBOR to be 5.2% whereas the average monthly LIBOR rate in the Two Month Period was 2.5%. Our cashflows have been inadequate to pay any interest on the class B, C and D notes in the Two Month Period. Interest payments assumed under the 2001 Base Case in the Two Month Period amounted to \$1.3 million, \$4.1 million and \$7.2 million respectively on the class B, C and D notes. Interest is accruing on the unpaid interest on the class B, C and D notes in accordance with the terms of these notes and will continue to accrue until the arrears of interest are paid in full. Accrued and unpaid interest (including interest accrued on unpaid interest) amounted to \$51.9 million, \$161.2 million and \$259.7 million respectively on the class B, C and D notes following the July 15, 2008 payment date.

In the Two Month Period, there was a continued suspension of payments of the class E minimum interest amount of 1% (refer to item [33] below). No payments of class E minimum interest were anticipated in the 2001 Base Case.

Airplanes Group's \$700 million subclass A-8 notes had an expected final payment date of March 15, 2003. At the time the subclass A-8 notes were issued the expected final payment date was established based on an assumption that these notes would be refinanced on March 15, 2003. Given market conditions and the impact these conditions have had on our performance, we believed that such a refinancing at that time was not economically viable and therefore it did not proceed as scheduled. In accordance with the terms of the subclass A-8 notes, step-up interest of 0.5% per annum began to accrue on these notes from March 17, 2003 (the first business day following the expected final payment date) and will continue to accrue until they are repaid in full or refinanced. Under the priority of payments applicable to Airplanes Group, step-up interest is payable after payment of expenses, interest, minimum principal and scheduled principal on class A, B, C and D notes and any aircraft modification payments. To the extent that step-up interest is not paid, it will accrue in accordance with the terms of the subclass A-8 notes. Available cashflows have not been sufficient to allow payment of step-up interest on any of the payment dates since March 2003 and this is expected to continue to be the case. Total step-up interest (including interest accrued on unpaid step-up interest) accrued and unpaid on the subclass A-8 notes at July 15, 2008 was \$16.9 million.

### **[31] SWAP AND CAP CASHFLOWS**

Airplanes Group's swap and cap cashflows during the Two Month Period amounted to a net payment of \$1.3 million compared to \$Nil assumed in the 2001 Base Case.

### **[33] PRINCIPAL PAYMENTS**

In the eighty-eight month period from March 10, 2001 to July 15, 2008, total principal payments amounted to \$939.9 million (comprising \$888.4 million on the class A notes and \$51.5 million on the class B notes), \$272.9 million less than assumed in the 2001 Base Case. The breakdown of the \$272.9 million variance is set out on page 40. In the Two Month Period, total principal payments amounted to \$30.1 million (comprising \$30.1 million on the class A notes), \$0.7 million more than assumed in the

2001 Base Case. The breakdown of the \$0.7 million variance is set out on page 39.

Applying the declining value assumptions in the 1996 Base Case to the original March 1996 fleet appraisals and adjusting for aircraft sales, the total appraised value of the aircraft was assumed to be \$1,679.9 million at July 15, 2008. Our portfolio is appraised annually and the most recent appraisal prior to the July 15, 2008 payment date was obtained on January 31, 2008 and valued the current portfolio at \$1,026.2 million. Applying the declining value assumptions to this appraisal, the total appraised value was \$980.9 million at July 15, 2008.

As a consequence of the cumulative excess decline in appraised values experienced since March 1996, combined with overall cash performance in that period, we have been required to pay class A principal adjustment amount to the extent of available cashflows throughout the eighty-eight month period since the 2001 refinancing. However, we have not always had sufficient cashflows to pay class A principal adjustment amount in full and since the April 15, 2003 payment date, we have not had sufficient cashflows to pay any class A principal adjustment amount. Class A principal adjustment amount is intended to accelerate the principal amortization schedule of the class A notes when the appraised value of the aircraft declines at a greater rate than the decline in appraised values assumed in the 1996 Base Case by reference to certain loan to current appraised value ratios. Since the class A principal adjustment amount ranks ahead of the scheduled principal payments on the class C and D notes, and since available cashflows were not sufficient to pay all of the class A principal adjustment amount, scheduled principal payments on the class C and D notes have been deferred on each payment date during the eighty-eight month period since the 2001 refinancing. Total deferrals of class C and class D scheduled principal amounts amounted to \$219.0 million and \$179.3 million respectively as of July 15, 2008.

Based on the most recent annual appraisal dated January 31, 2008, the decline in appraised values in the year to January 31, 2008 was approximately \$40.0 million less than the decline assumed in the 1996 Base Case. The class A principal adjustment amount outstanding was \$583.9 million as at July 15, 2008.

To the extent that we have sufficient cashflows, we are required to pay a minimum principal amount on the class A notes in order to maintain certain loan to initial appraised value ratios. As a result of earlier payments of class A principal adjustment amount, described above, we remained ahead of the required class A minimum principal payment schedule. However, as described above, we have not always had sufficient cashflows to pay class A principal adjustment amount in full and since the April 15, 2003 payment date, we have not had sufficient cashflows to pay any class A principal adjustment amount. As a result, since the August 15, 2003 payment date we have no longer been ahead of the required class A minimum principal payment schedule. Therefore on that date we had to recommence payments of minimum principal on the class A notes to the extent of available cashflows and we were consequently unable to fund the "Second Collection Account Top-up" in full. Beginning on the December 15, 2003 payment date, our cashflows were insufficient to allocate any funds at all to the "Second Collection Account Top-up" or to pay minimum principal on the class A notes in full. Minimum principal arrears on the class A notes were \$583.9 million following the July 15, 2008 payment date.

Since the January 31, 2007 appraisals the outstanding principal balance of the class A notes has exceeded the adjusted value of the portfolio (determined by reference to the annual appraised value). As a result the methodology for calculation of class A minimum principal payments has changed under the terms of the trust indentures, resulting in an increase in the amount of class A minimum principal payable on each payment date and accordingly, an increase in the arrears thereof. It is unlikely that the outstanding principal balance of the class A notes will be less than the adjusted value of the portfolio on any future payment dates and therefore the corresponding calculation of class A minimum principal will be applicable. Actual payments to class A noteholders, however, are dependent on available cash flows

and are not affected by the calculation of class A minimum principal payments or the annual aircraft appraisals.

Since minimum principal on the class A notes ranks ahead of interest and minimum principal on the class B notes and interest on the class C and D notes in the priority of payments, our cashflows have been inadequate to pay any interest or minimum principal on the class B notes or any interest on the class C and D notes since the December 15, 2003 payment date. Minimum principal arrears on the class B notes were \$114.9 million following the July 15, 2008 payment date.

The appraised values are based upon the value of the aircraft at normal utilization rates in an open, unrestricted and stable market, and take into account long-term trends, including current expectations of particular models becoming obsolete more quickly, as a result of airlines switching to different models, manufacturers ceasing production or lease values for aircraft declining more rapidly than previous predictions. As a theoretical value, the appraised value is not indicative of market value and thus there is no guarantee that we would obtain the appraised value upon sale of any aircraft. The current market value of each of our aircraft is less than, and in many cases significantly less than the appraised value. Due to industry conditions over the past several years the majority of our aircraft are highly likely to become obsolete significantly earlier than the useful life expectancy assumed in the 2001 Base Case assumptions, which would negatively impact appraised values further. However, since we are no longer able to pay class A principal adjustment amount and since, as a result of our 2003 consent solicitation, we are no longer required to sell our aircraft at or above a specified target price, the appraised values of our aircraft are now of little significance except as a basis for providing statistical information on the portfolio and for complying with certain technical provisions in the indentures.

### ***OTHER ISSUES***

For a discussion of our current expectations as to our future ability to make payments on our notes and certificates in light of our weaker than expected performance as well as a discussion of the current ratings of the certificates, see section above.

<u>Note</u>	<u>Report Line Name</u>	<u>Description</u>
	<b>CASH COLLECTIONS</b>	
[1]	Lease Rentals.....	Assumptions as per the 2001 Base Case
[2]	- Renegotiated Leases.....	Change in contracted rental cash flow caused by a renegotiated lease
[3]	- Rental Resets.....	Re-leasing events where new lease rate deviated from the 2001 Base Case
[4]	- Lease Rentals - Aircraft Sales.....	Revenue foregone on aircraft sold prior to their assumed sale date in the 2001 Base Case net of revenue received on aircraft remaining on lease after their assumed sale date in the 2001 Base Case
[5] $\Sigma$ [1]...[4]	<b>Contracted Lease Rentals.....</b>	Current Contracted Lease Rentals due as at the latest Calculation Date
[6]	Movement in Current Arrears Balance.....	Current Contracted Lease Rentals not received as at the latest Calculation Date, excluding Bad Debts
[7]	Less Net Stress Related Costs.....	
[8]	- Bad Debts.....	Arrears owed by former lessees and deemed irrecoverable
[9]	- Deferred Arrears Balance.....	Current arrears that have been capitalized and restructured as a Note Payable
[10]	- AOG.....	Loss of rental due to an aircraft being off-lease and non-revenue earning
[11]	- Other Leasing Income.....	Includes lease termination payments, rental guarantees and late payments charges
[12]	- Repossession.....	Legal and technical costs incurred in repossessing aircraft.
[13] $\Sigma$ [8]...[12]	Sub-total	
[14] [5]+[6]+[13]	<b>Net Lease Rental.....</b>	Contracted Lease Rentals less Movement in Current Arrears Balance and Net Stress Related Costs
[15]	Interest Earned.....	Interest earned on monthly cash balances
[16]	Aircraft Sales.....	Proceeds, net of fees and expenses, from the sale of aircraft.
[17]	Net Maintenance.....	Maintenance Revenue Reserve received less reimbursements to lessees
[18]	Other Receipts.....	Receipts from GE Capital under the Tax Sharing Agreement
[19] $\Sigma$ [14]...[18]	<b>Total Cash Collections.....</b>	Net Lease Rental + Interest Earned + Aircraft Sales + Net Maintenance + Other Receipts
	<b>CASH EXPENSES</b>	
	Aircraft Operating Expenses.....	All operational costs related to the leasing of aircraft.
[20]	Releasing and Other Overheads.....	Costs associated with transferring an aircraft from one lessee to another, costs of insurance and other lessee-related overheads
	SG&A Expenses	
[21]	Aircraft Servicer Fees.....	Monthly and annual fees paid to servicer
	- Retainer Fee.....	Fixed amount per month per aircraft
	- Minimum Incentive Fee.....	Minimum annual fee paid to servicer for performance above an annually agreed target.
	- Core Cashflow/Sales Incentive Fee	Fees (in excess of Minimum Incentive Fee above) paid to servicer for performance above an annually agreed target/on sale of an aircraft.
[22] [21]	Sub-total	
[23]	Other Servicer Fees and Other Overheads.....	Administrative Agent, trustee and professional fees paid to other service providers and other overheads
[23A]	Other SG&A Expenses.....	Costs relating to the assumed refinancing of the subclass A-8 notes in March 2003, as assumed under the 2001 Base Case and costs relating to the 2003 consent solicitation for Indenture amendment
[24] [22]+[23]+[23A]	Sub-total	
[25] [20]+[24]	<b>Total Cash Expenses.....</b>	Aircraft Operating Expenses + SG&A Expenses
	<b>NET CASH COLLECTIONS</b>	
[26] [19]	Total Cash Collections.....	Line 19 above
[27] [25]	Total Cash Expenses.....	Line 25 above
[28]	Movement in Expense Account.....	Relates to reduction/(increase) in accrued expense amounts
[29]	Reduction in Liquidity Reserve.....	Reduction of the miscellaneous reserve amount from \$40m to \$Nil in April 2001
[29A]	Shortfall in Liquidity Reserve.....	Reduction in the balance of funds on deposit in the collection account below the liquidity reserve amount
[30]	Interest Payments.....	Interest paid on all outstanding debt
[31]	Swap/Cap Cashflows.....	Net swap and cap payments (paid)/received
[32] $\Sigma$ [26]...[31]	Total	
[33]	<b>PRINCIPAL PAYMENTS.....</b>	Principal payments on debt

**AIRPLANES GROUP CASHFLOW PERFORMANCE FOR THE PERIOD FROM  
MAY10, 2008 TO JULY 15, 2008 (2 MONTHS)  
Comparison of Actual Cashflows Versus 2001 Base Case Cashflows**

		<b>2001</b>			<b>% of Lease Rentals under the 2001 Base Case</b>			
		<b>Actual</b>	<b>Base Case</b>	<b>Variance</b>	<b>Actual</b>	<b>Base Case</b>	<b>Variance</b>	
		(\$ Millions)						
<b>CASH COLLECTIONS</b>								
1		Lease Rentals	60.0	60.0	0.0	100.0%	100.0%	0.0%
2		- Renegotiated Leases	0.0	0.0	0.0	0.0%	0.0%	0.0%
3		- Rental Resets	(16.6)	0.0	(16.6)	(27.7%)	0.0%	(27.7%)
4		- Lease Rentals - Aircraft Sales	(14.3)	0.0	(14.3)	(23.8%)	0.0%	(23.8%)
5	Σ 1 - 4	<b>Contracted Lease Rentals</b>	29.1	60.0	(30.9)	48.5%	100.0%	(51.5%)
6		Movement in Current Arrears Balance	0.4	0.0	0.4	0.7%	0.0%	0.7%
7		less Net Stress Related Costs						
8		- Bad Debts	0.0	(0.6)	0.6	0.0%	(1.0%)	1.0%
9		- Deferred Arrears Balance	0.0	0.0	0.0	0.0%	0.0%	0.0%
10		- AOG	(2.1)	(2.5)	0.4	(3.5%)	(4.2%)	0.7%
11		- Other Leasing Income	0.0	0.0	0.0	0.0%	0.0%	0.0%
12		- Repossession	0.0	(0.5)	0.5	0.0%	(0.8%)	0.8%
13	Σ 8 - 12	Sub-total	(2.1)	(3.6)	1.5	(3.5%)	(6.0%)	2.5%
14	5+6+13	<b>Net Lease Rental</b>	27.4	56.4	(29.0)	45.7%	94.0%	(48.3%)
15		Interest Earned	0.4	1.1	(0.7)	0.7%	1.8%	(1.2%)
16		Aircraft Sales	6.9	0.0	6.9	11.5%	0.0%	11.5%
17		Net Maintenance	11.7	0.0	11.7	19.5%	0.0%	19.5%
18		Other Receipts	0.0	0.0	0.0	0.0%	0.0%	0.0%
19	Σ 14 - 18	<b>Total Cash Collections</b>	<u>46.4</u>	<u>57.5</u>	<u>(11.1)</u>	<u>77.3%</u>	<u>95.8%</u>	<u>(18.5%)</u>
<b>CASH EXPENSES</b>								
Aircraft Operating Expenses								
20		- Re-leasing and other overheads	(4.1)	(3.0)	(1.1)	(6.8%)	(5.0%)	1.8%
SG&A Expenses								
Aircraft Servicer Fees								
21		- Retainer Fee	(3.2)	(3.5)	0.3	(5.3%)	(5.8%)	0.5%
		- Minimum Incentive Fee	(1.5)	(0.3)	(1.2)	(2.5%)	(0.5%)	(2.0%)
		- Core Cashflow/Sales Incentive Fee	0.0	0.0	(0.0)	0.0%	0.0%	0.0%
22	21	Sub-total	(4.7)	(3.8)	(0.9)	(7.8%)	(6.3%)	(1.5%)
23		Other Servicer Fees and Other Overheads	(1.3)	(1.6)	0.3	(2.2%)	(2.7%)	0.5%
23A		Other SG&A Expenses	0.0	0.0	0.0	0.0%	0.0%	0.0%
24	22+23+23A	Sub-total	(6.0)	(5.4)	(0.6)	(10.0%)	(9.0%)	(1.0%)
25	24+20	<b>Total Cash Expenses</b>	<u>(10.1)</u>	<u>(8.4)</u>	<u>(1.7)</u>	<u>(16.8%)</u>	<u>(14.0%)</u>	<u>(2.8%)</u>
<b>NET CASH COLLECTIONS</b>								
26	19	Total Cash Collections	46.4	57.5	(11.1)	77.3%	95.8%	(18.5%)
27	25	Total Cash Expenses	(10.1)	(8.4)	(1.7)	(16.8%)	(14.0%)	(2.8%)
28		Movement in Expense Account	0.0	0.0	0.0	0.0%	0.0%	0.0%
29		Reduction in Liquidity Reserve	0.0	0.0	0.0	0.0%	0.0%	0.0%
29A		Shortfall in Liquidity Reserve	0.3	0.0	0.3	0.5%	0.0%	0.5%
30		Interest Payments	(5.2)	(19.7)	14.5	(8.7%)	(32.8%)	24.2%
31		Swap/Cap Cashflows	(1.3)	0.0	(1.3)	(2.2%)	0.0%	(2.2%)
32	Σ 26 - 31	<b>TOTAL</b>	<u>30.1</u>	<u>29.4</u>	<u>0.7</u>	<u>50.2%</u>	<u>49.0%</u>	<u>1.2%</u>
<b>PRINCIPAL PAYMENTS</b>								
33		Class A	30.1	22.1	8.0	50.2%	36.8%	13.3%
		Class B	0.0	3.4	(3.4)	0.0%	5.7%	(5.7%)
		Class C	0.0	3.9	(3.9)	0.0%	6.5%	(6.5%)
		<b>Total</b>	<u>30.1</u>	<u>29.4</u>	<u>0.7</u>	<u>50.2%</u>	<u>49.0%</u>	<u>1.2%</u>
<b>Debt Balances at July 15, 2008</b>								
		Subclass A-8	257.0	700.0				
		Subclass A-9	750.0	34.1				
		Class B	226.8	129.0				
		Class C	349.8	302.7				
		Class D	395.1	395.1				
		<b>Total</b>	<u>1,978.7</u>	<u>1,560.9</u>				

**AIRPLANES GROUP CASHFLOW PERFORMANCE FOR THE PERIOD FROM  
MARCH 10, 2001 TO JULY 15, 2008 (88 MONTHS)  
Comparison of Actual Cashflows Versus 2001 Base Case Cashflows**

					% of Lease Rentals under the 2001 Base Case		
		<u>Actual</u>	<u>2001 Base Case</u>	<u>Variance</u>	<u>Actual</u>	<u>2001 Base Case</u>	<u>Variance</u>
		(\$ Millions)					
<b>CASH COLLECTIONS</b>							
1		2,945.4	2,945.4	0.0	100.0%	100.0%	0.0%
2		(88.7)	0.0	(88.7)	(3.0%)	0.0%	(3.0%)
3		(807.7)	0.0	(807.7)	(27.4%)	0.0%	(27.4%)
4		<u>(299.9)</u>	<u>0.0</u>	<u>(299.9)</u>	<u>(10.2%)</u>	<u>0.0%</u>	<u>(10.2%)</u>
5	Σ 1 - 4	1,749.1	2,945.4	(1,196.3)	59.4%	100.0%	(40.6%)
6		2.9	0.0	2.9	0.1%	0.0%	0.1%
7							
8		(11.3)	(29.5)	18.2	(0.4%)	(1.0%)	0.6%
9		25.0	3.1	21.9	0.8%	0.1%	0.7%
10		(156.1)	(123.8)	(32.3)	(5.3%)	(4.2%)	(1.1%)
11		29.9	0.0	29.9	1.0%	0.0%	1.0%
12		<u>(4.1)</u>	<u>(23.6)</u>	<u>19.5</u>	<u>(0.1%)</u>	<u>(0.8%)</u>	<u>0.7%</u>
13	Σ 8 - 12	(116.6)	(173.8)	57.2	(4.0%)	(5.9%)	1.9%
14	5+6+13	1,635.4	2,771.6	(1,136.2)	55.5%	94.1%	(38.6%)
15		23.2	50.2	(27.0)	0.8%	1.7%	(0.9%)
16		154.6	79.0	75.6	5.2%	2.7%	2.6%
17		203.1	0.0	203.1	6.9%	0.0%	6.9%
18		<u>16.6</u>	<u>0.0</u>	<u>16.6</u>	<u>0.6%</u>	<u>0.0%</u>	<u>0.6%</u>
19	Σ 14 - 18	<u>2,032.9</u>	<u>2,900.8</u>	<u>(867.9)</u>	<u>69.0%</u>	<u>98.5%</u>	<u>(29.5%)</u>
<b>CASH EXPENSES</b>							
Aircraft Operating Expenses							
20		(163.8)	(147.4)	(16.4)	(5.6%)	(5.0%)	(0.6%)
SG&A Expenses							
21							
		(152.5)	(160.6)	8.1	(5.2%)	(5.5%)	0.3%
		(12.0)	(11.1)	(0.9)	(0.4%)	(0.4%)	(0.0%)
		<u>(0.2)</u>	<u>0.0</u>	<u>(0.2)</u>	<u>(0.0%)</u>	<u>0.0%</u>	<u>(0.0%)</u>
22	21	(164.7)	(171.7)	7.0	(5.6%)	(5.8%)	0.2%
23		(76.5)	(71.7)	(4.8)	(2.6%)	(2.4%)	(0.2%)
23A		<u>(2.0)</u>	<u>(4.5)</u>	<u>2.5</u>	<u>(0.1%)</u>	<u>(0.2%)</u>	<u>0.1%</u>
24	22+23+23A	<u>(243.2)</u>	<u>(247.9)</u>	<u>4.7</u>	<u>(8.3%)</u>	<u>(8.4%)</u>	<u>0.2%</u>
25	24+20	<u>(407.0)</u>	<u>(395.3)</u>	<u>(11.7)</u>	<u>(13.8%)</u>	<u>(13.4%)</u>	<u>(0.4%)</u>
<b>NET CASH COLLECTIONS</b>							
26	19	2,032.9	2,900.8	(867.9)	69.0%	98.5%	(29.5%)
27	25	(407.0)	(395.3)	(11.7)	(13.8%)	(13.4%)	(0.4%)
28		(11.5)	0.0	(11.5)	(0.4%)	0.0%	(0.4%)
29		40.0	40.0	0.0	1.4%	1.4%	0.0%
29A		39.9	0.0	39.9	1.4%	0.0%	1.4%
30		(573.6)	(1,159.6)	586.0	(19.5%)	(39.4%)	19.9%
5.1		<u>(180.8)</u>	<u>(28.2)</u>	<u>(152.6)</u>	<u>(6.1%)</u>	<u>(1.0%)</u>	<u>(5.2%)</u>
32	Σ 26 - 31	<u>939.9</u>	<u>1,357.7</u>	<u>(417.8)</u>	<u>31.9%</u>	<u>46.1%</u>	<u>(14.2%)</u>
33							
<b>PRINCIPAL PAYMENTS</b>							
		888.4	1,161.3	(272.9)	30.2%	39.4%	(9.3%)
		51.5	149.3	(97.8)	1.7%	5.1%	(3.3%)
		<u>0.0</u>	<u>47.1</u>	<u>(47.1)</u>	<u>0.0%</u>	<u>1.6%</u>	<u>(1.6%)</u>
		<u>939.9</u>	<u>1,357.7</u>	<u>(417.8)</u>	<u>31.9%</u>	<u>46.1%</u>	<u>(14.2%)</u>
<b>Debt Balances at July 15, 2008</b>							
		257.0	700.0	(443.0)			
		750.0	34.1	715.9			
		226.8	129.0	97.8			
		349.8	302.7	47.1			
		<u>395.1</u>	<u>395.1</u>	<u>0.0</u>			
		<u>1,978.7</u>	<u>1,560.9</u>	<u>417.8</u>			



	<u>Mar-01</u> <u>Closing</u> (\$ Millions)	<u>Actual</u> (\$ Millions)	<u>2001</u> <u>Base Case</u> (\$ Millions)
<b>Net Cash Collections</b>		939.9	1,357.7
Add Back Interest Payments and Swap/Cap Cashflows		<u>754.4</u>	<u>1,187.8</u>
a Net Cash Collections (excl. interest payments and swap/cap cashflows)		<u>1,694.3</u>	<u>2,545.5</u>
b Swaps		180.8	28.2
c Class A Interest		362.5	547.0
d Class A Minimum		633.4	0.0
e Class B Interest		20.5	91.7
f Class B Minimum		51.5	149.2
g Class C Interest		76.0	205.9
h Class D Interest		114.6	315.1
i Class A Principal Adjustment		254.9	1,161.3
i Class C Scheduled		0.0	47.1
k Class D Scheduled		0.0	0.0
l Permitted Aircraft Modifications		0.0	0.0
m Step-up Interest		0.0	0.0
n Class E Minimum Interest		0.0	0.0
o Class B Supplemental		0.0	0.0
p Class A Supplemental		<u>0.0</u>	<u>0.0</u>
<b>Total</b>		<u>1,694.2</u>	<u>2,545.5</u>
<b>[1] Interest Coverage Ratio</b>			
Class A		3.1	4.4 = a/(b+c)
Class B		N/A	3.8 = a/(b+c+d+e)
Class C		N/A	2.5 = a/(b+c+d+e+f+g)
Class D		N/A	1.9 = a/(b+c+d+e+f+g+h)
<b>[2] Debt Coverage Ratio</b>			
Class A		N/A	4.4 = a/(b+c+d)
Class B		N/A	3.1 = a/(b+c+d+e+f)
Class C		N/A	N/A = a/(b+c+d+e+f+g+h+ i+j)
Class D		N/A	N/A = a/(b+c+d+e+f+g+h+ i+j+k)
<b>Loan to Value Ratios (in U.S. dollars)</b>			
<b>[3] Adjusted Portfolio Value</b>	3,108.6	981.0	1,702.2
Liquidity Reserve Amount of which			
- Cash	156.9	60.0	116.0
- Accrued Expenses	<u>12.6</u>	<u>16.0</u>	<u>0.0</u>
Subtotal	169.5	76.0	116.0
Less Lessee Security Deposits	<u>36.9</u>	<u>0.0</u>	<u>36.0</u>
Subtotal	<u>132.6</u>	<u>76.0</u>	<u>80.0</u>
<b>[4] Total Asset Value</b>	<u>3,241.2</u>	<u>1,057.0</u>	<u>1,782.2</u>

**Note Balances as at:**

	<u>March 15, 2001</u>		<u>July 15, 2008</u>		<u>July 15, 2008</u>	
Class A	1,895.4	58.5%	1,007.0	95.3%	734.1	41.2%
Class B	278.3	67.1%	226.8	116.7%	129.0	48.4%
Class C	349.8	77.9%	349.8	149.8%	302.7	65.4%
Class D	<u>395.1</u>	90.0%	<u>395.1</u>	187.2%	<u>395.1</u>	87.6%
	<u>2,918.6</u>		<u>1,978.7</u>		<u>1,560.9</u>	

- [1] **"Interest Coverage Ratio"** is equal to Net Cash Collections (excluding interest payments and swap/cap cashflows) expressed as a ratio of the interest payments payable on each subclass of notes plus the interest and minimum principal payments payable on each subclass of notes that rank senior in priority of payment to the relevant subclass of notes. Actual Interest Coverage Ratios have not been provided for the class B, C and D notes as interest amounts have not been paid on these notes since the December 2003 payment date.
- [2] **"Debt Coverage Ratio"** is equal to Net Cash Collections (excluding interest payments and swap/cap cashflows) expressed as a ratio of the interest and minimum/scheduled principal payments payable on each subclass of notes plus the interest and minimum/scheduled principal payments payable on each subclass of notes that ranks equally with or senior to the relevant subclass of notes in the priority of payments. In respect of the class A notes, principal adjustment amount payments have been excluded as they are a function of aircraft values. Actual Debt Coverage Ratios have not been provided for the class A, B, C and D notes as minimum principal amounts on the class A and B notes have not been paid in full and no scheduled principal amounts have been paid on the class C and D notes in the period since March 2001. 2001 Base Case Debt Coverage Ratios have not been provided for the class C and D notes as no principal payments were assumed.
- [3] **"Adjusted Portfolio Value"** represents the base value of each aircraft in the portfolio as determined by the most recent appraisal multiplied by the depreciation factor at payment date divided by the depreciation factor as of the relevant appraisal date.
- [4] **"Total Asset Value"** is equal to total expected/adjusted portfolio value plus liquidity reserve amount minus lessee security deposits.

### 3. Quantitative and Qualitative Disclosures about Market Risks

#### *Interest Rate Sensitivity*

Airplanes Group's principal market risk exposure is to changes in interest rates. This exposure arises from its notes and the derivative instruments used by Airplanes Group to manage its interest rate risk.

The terms of each subclass or class of notes, including the outstanding principal amount as of June 30, 2008 and estimated fair value as of June 30, 2008 are as follows:

<u>Class of Notes</u>	<u>Annual Interest Rate (Payable Monthly)</u>	<u>Outstanding Principal Amount at June 30, 2008</u>	<u>Final Maturity Date</u>	<u>Estimated Fair Value at June 30, 2008*</u>
		<u>\$ Million</u>		<u>\$ Million</u>
Subclass A-8	(LIBOR+.375%)	272	March 15, 2019	231
Subclass A-9	(LIBOR+.55%)	750	March 15, 2019	375
Class B	(LIBOR+.75%)	227	March 15, 2019	-
Class C	(8.15%)	350	March 15, 2019	-
Class D	(10.875%)	<u>395</u>	March 15, 2019	<u>-</u>
		<u>1,993</u>		<u>606</u>

\* Although the estimated fair values of the class A to D notes outstanding have been determined by reference to prices as at June 30, 2008 provided by an independent third party, these fair values do not reflect the market value of these notes at a specific time and should not be relied upon as a measure of the value that could be realized by a noteholder upon sale.

#### *Interest Rate Management*

The leasing revenues of Airplanes Group are generated primarily from lease rental receipts which are based on either a fixed or floating rate, or a combination of the two. In the case of floating rate leases, an element of the rental varies in line with changes in LIBOR, generally six-month LIBOR. Some leases carry fixed and floating rental payments for different rental periods. There has been an increasing tendency for fixed rate leases to be written and leases representing approximately 97% of our portfolio by appraised value as of January 31, 2008 are fixed rate leases.

In general, an interest rate exposure arises to the extent that Airplanes Group's fixed and floating interest obligations in respect of notes and certificates do not correlate to the mix of fixed and floating rental receipts for different rental periods. We manage this interest rate exposure through the use of interest rate swaps and interest rate caps.

Since we are no longer paying interest on the class B notes and certificates, we hedge our interest rate exposure in respect of the class A notes and certificates only as our receipts of rental income are based largely on a fixed interest rate which does not correlate to the floating payments due on the class A notes and certificates. Our cashflows have been insufficient to enable any funds to be allocated to the "Second Collection Account Top-up" in the priority of payments since December 15, 2003. We have therefore not included this cash balance in our hedging calculations since the end of 2003.

Under the interest rate swaps, Airplanes Group pays fixed amounts and receives floating amounts on a monthly basis. The swaps amortize having regard to a number of factors, including the expected paydown schedule of the class A notes, the expiry dates of the leases under which lessees are contracted to make fixed rate rental payments and the LIBOR reset dates under the floating rate leases. In the past, the administrative agent sought to enter into additional swaps or sell at market value or unwind part or all of the swaps and any future swaps in order to rebalance the floating interest obligations and the fixed and floating mix of rental receipts. However, because of our financial condition, we are no longer able to find eligible counterparties who are willing to enter into new swaps with us and as a result, we began purchasing interest rate caps in 2006. The cash manager seeks to enter into caps on a periodic basis in order to hedge our floating interest obligations and our fixed and floating mix of rental receipts. Under the interest rate caps, Airplanes Group will receive the excess, if any, of one month LIBOR, reset monthly on an actual/360 adjusted basis over the strike rate of the relevant cap.

At June 30, 2008, Airplanes Group had unamortized swaps with an aggregate notional principal balance of \$420 million and unamortized caps with an aggregate notional principal balance of \$427 million. The aggregate notional principal balance of these swaps and caps will reduce, by their terms, to an aggregate notional principal balance of \$657 million by March 31, 2009, to an aggregate notional principal balance of \$487 million by March 31, 2010, and to an aggregate notional principal balance of \$432 million by March 2011. None of the swaps or caps have a maturity date extending beyond May 2012. The aggregate estimated fair market value of the nine swaps and eight caps at June 30, 2008 was (\$2.2 million), that is the swaps and caps were “out of-the-money”, meaning that if the swaps and caps were sold, Airplanes Group would lose \$2.2 million, as detailed on the next page:

### Airplanes Group Swap Book at June 30, 2008

Swap No.	Notional Amount (1) \$'millions	Effective Date	Final Maturity Date	Fixed Rate Payable (2)	Estimated Fair Market Value (\$) As at Jun 30, 2008
1	70	15-Feb-06	15-Nov-08	4.3375%	(425,735)
2	50	15-Nov-05	15-Apr-09	4.3425%	(644,532)
3	50	15-Jun-05	15-Oct-09	3.8625%	(571,799)
4	50	15-Jul-05	15-Nov-09	4.0775%	(733,422)
5	50	15-Aug-05	15-Jan-10	4.09125%	(762,714)
6	50	15-Sep-05	15-Mar-10	4.60875%	(1,219,372)
7	50	15-Apr-05	15-Apr-10	4.0800%	(764,951)
8	<u>50</u>	15-Oct-05	15-Apr-10	4.3525%	<u>(1,010,441)</u>
Swap Total	<u>420</u>				<u>(6,132,866)</u>

### Airplanes Group Interest Rate Caps at June 30, 2008

Interest Rate Cap	Notional Amount (1) (3) \$'millions	Effective Date	Final Maturity Date	Strike Rate (4)	Estimated Fair Market Value (\$) As of Jun 30, 2008
1	50	15-Dec-04	15-Jun-09	5.0000%	5,146
2	60	15-May-06	15-Jan-09	5.0000%	522
3	0	15-Nov-09	15-Nov-10	5.0000%	896,243
4	125	15-Jun-06	15-May-11	6.0000%	426,237
5	70	15-Oct-06	15-Sep-11	5.5000%	504,627
6	0	15-Nov-10	15-Jan-12	5.5000%	519,814
7	60	15-Feb-07	15-Jan-12	5.5500%	632,900
8	<u>62</u>	15-Apr-08	15-May-12	6.0000%	<u>960,406</u>
Cap Total	<u>427</u>				<u>3,945,895</u>
Swap and Cap Total	<u>847</u>				<u>(2,186,971)</u>

- 1) While some of the above swaps and caps have a fixed notional amount, many amortize over the period to the final maturity date.
- 2) Under all swaps, Airplanes Group receives floating rate payments at one month LIBOR, reset monthly on an actual /360 adjusted basis.
- 3) The initial amounts for cap numbers 3 and 6 are \$75 million and \$100 million respectively.
- 4) Under all caps, Airplanes Group receives the excess, if any, of one month LIBOR, reset monthly on an actual/360 adjusted basis over the strike rate of the cap.

Additional interest rate exposure will arise to the extent that lessees owing fixed rate rental payments default and interest rates have declined between the contract date of the lease and the date of default. This exposure can be managed through the purchase of swaptions. If Airplanes Group purchases swaptions, these, if exercised, will allow Airplanes Group to enter into interest rate swap transactions under which it would pay floating amounts and receive fixed amounts. These swaptions could be exercised in the event of defaults by lessees owing fixed rate rental payments in circumstances where interest rates had declined since the contract date of such leases. Following consultation with the rating agencies in the year ended March 31,

2002, it is not currently proposed to purchase any swaptions due primarily to the relatively low interest rate environment and our current cashflow performance.

If we are required by the rating agencies to purchase swaptions, the premium would be payable at two points in the priority of payments under the indentures. Fifty percent of any swaption premium in any month is a “**minimum hedge payment**” and would be payable fourth in Airplanes Group’s order of priority of payments (ahead of class A minimum principal amount). The other fifty percent of the premium is expended as a “**supplemental hedge payment**” and would be payable seventeenth in Airplanes Group’s order of priority of payments but given our current cashflow performance it is highly unlikely we would ever be able to make such payment.

Through the use of swaps, caps and swaptions (when applicable) Airplanes Group seeks to manage its exposure to adverse changes in interest rates based on regular reviews of its interest rate risk. There can be no assurance, however, that Airplanes Group’s interest rate risk management strategies will be effective in this regard.

Our indentures require that any counterparty with whom we enter into a swap or cap have at least a short-term unsecured debt rating of at least A-1+ from Standard & Poor’s and a long-term unsecured debt rating of at least A2 from Moody’s or otherwise as approved by the Board with the prior agreement of the rating agencies. However, because of our financial condition, we are no longer able to find eligible counterparties who are willing to enter into new swaps with us, and as a result of this we began purchasing caps in 2006.

The directors of Airplanes Limited and the controlling trustees of Airplanes Trust are responsible for reviewing and approving the overall interest rate management policy and transaction authority limits. Specific hedging contracts are approved by officers of the cash manager acting within the overall policies and limits. Counterparty risk is monitored on an ongoing basis. Counterparties are subject to the prior approval of the directors of Airplanes Limited and the controlling trustees of Airplanes Trust. Airplanes Group is required by the indentures to enter into swaps or caps only with counterparties meeting certain rating requirements as discussed more fully in the Annual Report.

*The quantitative disclosure and other statements in this section are forward-looking statements that involve risks and uncertainties. Although Airplanes Group’s policy is to limit its exposure to changes in interest rates, it could suffer higher cashflow losses as a result of actual future changes in interest rates. It should also be noted that Airplanes Group’s future exposure to interest rate movements will change as the composition of its lease portfolio changes. Please refer to “Risk Factors” in the Annual Report for more information about risks, especially lessee credit risk, that could intensify Airplanes Group’s exposure to changes in interest rates.*

#### **4. Controls and Procedures**

##### ***(a) Evaluation of disclosure controls and procedures***

The Chairman of the Board of Directors of Airplanes Limited and of the Controlling Trustees of Airplanes Trust acting on the recommendation of the Board of Directors of Airplanes Limited and the Controlling Trustees of Airplanes Trust, after evaluating the effectiveness of Airplanes Group's "disclosure controls and procedures" (as defined in Exchange Act Rules 13a-15(e) and 15(d) – 15(e)) as of the end of the period covered by this Quarterly Report, has concluded that as of the end of such period, our disclosure controls and procedures were effective based on their evaluation of these controls and procedures required by paragraph (b) of Exchange Act Rules 13a-15 or 15d-15.

Airplanes Group's disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives, and the Board of Directors of Airplanes Limited and the Controlling Trustees of Airplanes Trust have concluded that these controls and procedures are effective at the "reasonable assurance" level. However, Airplanes Group believes that a control system, no matter how well designed or operated, cannot provide absolute assurance that the objectives of the control system are met, and that no evaluation of controls can provide absolute assurance that various types of corporate operational risks within a company, particularly one such as this that relies exclusively on third parties for all services, will be detected in a timely manner.

##### ***(b) Changes in internal controls***

There were no changes in the internal controls of Airplanes Group over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rules 13a-15 or 15(d)-15 that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **5. Legal Proceedings**

As discussed in “Note 3. Contingent Liabilities – Legal Proceedings” to the unaudited financial statements, AerCap Ireland Limited has been, since 1992, and continues to be involved in certain legal proceedings in Brazil relating to VASP.

## **SIGNATURES**

Date: August 01, 2008

For and on behalf of Airplanes Limited

By: /s/ William M. McCann

Name : William M. McCann

Title: Chairman of the Board of Directors

For and on behalf of Airplanes U.S. Trust

By: /s/ William M. McCann

Name : William M. McCann

Title: Chairman of the Board of Controlling  
Trustees



APG Region Name	Customer Country	Customer	Aircraft Type	Serial No	Lease Start Date	Lease End Date	Appraised Value January 31, 2008 \$'000	% Portfolio by Appraised Value at January 31, 2008	
Africa	Madagascar	Air Madagascar	B767-300ER	26200	3-Jul-08	5-Jan-16	29,810	2.90%	
	Tunisia	Nouvelair Tunisie	A320-200	301	17-Apr-04	16-Nov-12	15,374	1.50%	
	Tunisia	Nouvelair Tunisie	A320-200	348	10-Apr-03	31-Oct-11	14,921	1.45%	
Asia & Far East	Bangladesh	GMG Airlines	DHC8-300	307	15-Dec-00	17-Dec-12	3,662	0.36%	
	China	China Southern	B757-200	26156	25-Feb-99	24-Feb-11	17,324	1.69%	
	Indonesia	PT Lion Mentari Airlines	B737-400	24911	26-Jul-05	25-Jul-12	11,355	1.11%	
	Indonesia	Batavia Air	B737-400	24687	2-Dec-02	3-Dec-14	11,361	1.11%	
	Indonesia	Batavia Air	B737-400	24345	20-Dec-02	19-Dec-12	9,614	0.94%	
	Indonesia	PT Lion Mentari Airlines	B737-400	24520	13-Jan-05	12-Jan-10	9,771	0.95%	
	Indonesia	PT Lion Mentari Airlines	B737-400	24684	13-Jun-06	12-Jun-13	11,954	1.16%	
	Japan	Skynet Asia	B737-400	26069	28-Jul-04	27-Jul-14	11,077	1.08%	
	Malaysia	AirAsia Berhad	B737-300	24905	5-Jun-02	4-Jun-14	9,050	0.88%	
	South Africa	Precisionair	B737-300	24770	18-Apr-08	17-Apr-15	8,945	0.87%	
Thailand	Nok Air	B737-400	24917	28-Nov-07	27-Nov-12	10,204	0.99%		
	Nok Air	B737-400	26065	16-Jan-08	15-Jan-13	10,872	1.06%		
	Australia & New Zealand	National Jet Systems	DHC8-100	229	6-Jul-95	28-Feb-09	2,026	0.20%	
	Europe	Bulgaria	BH Air	A320-200	294	21-Apr-04	20-Apr-14	15,965	1.56%
		Bulgaria	BH Air	A320-200	349	15-Apr-04	14-Apr-14	15,902	1.55%
		France	Blue Line	MD83	49672	23-Dec-04	30-Nov-11	4,798	0.47%
		Italy	Air One SpA	B737-400	24906	20-Dec-01	15-Apr-09	11,908	1.16%
		Italy	Air One SpA	B737-400	24912	12-Dec-01	15-Apr-09	10,628	1.04%
		Italy	Meridiana SpA	MD83	49935	10-Feb-99	30-Nov-09	5,972	0.58%
		Italy	Meridiana SpA	MD83	49951	8-Apr-99	31-Dec-09	5,525	0.54%
Italy		Meridiana SpA	MD83	49792	6-Mar-98	5-Sep-11	5,236	0.51%	
Netherlands		Capital Aviation Services B.V.	DHC8-300	244	17-Jun-03	20-Oct-10	3,393	0.33%	
Netherlands		Capital Aviation Services B.V.	DHC8-300	276	29-Apr-04	2-Jul-11	3,621	0.35%	
Portugal	euroAtlantic airways	B767-300ER	25411	13-Aug-03	15-May-13	25,023	2.44%		
Spain	Futura	B737-400	25180	30-Apr-97	7-Feb-10	11,826	1.15%		
Spain	Spanair	MD83	49936	11-Jun-98	15-Aug-08	5,365	0.52%		
Spain	Spanair	MD83	49938	12-Mar-94	28-Feb-09	5,296	0.52%		
Spain	Futura	B737-400	24689	2-Jul-97	2-Nov-12	10,450	1.02%		
Spain	Futura	B737-400	24690	15-Dec-95	31-Oct-12	11,373	1.11%		
Spain	Spanair	MD83	49620	18-May-00	15-Apr-10	5,192	0.51%		
Spain	Spanair	MD83	49624	22-Mar-00	15-Aug-08	4,242	0.41%		
Spain	Spanair	MD83	49626	15-Apr-95	21-Jul-08	4,152	0.40%		
Spain	Spanair	MD83	49709	10-Mar-95	31-Jan-09	4,426	0.43%		
Sweden	Viking Airlines AB	MD83	49631	22-Jun-06	23-Oct-09	5,387	0.52%		
Turkey	Turk Hava Yollari	B737-400	25181	3-Feb-92	2-Feb-13	10,795	1.05%		
Turkey	Turk Hava Yollari	B737-400	25184	2-Mar-92	1-May-13	10,760	1.05%		
Turkey	Turk Hava Yollari	B737-400	25261	10-Jun-92	9-Apr-13	11,092	1.08%		
United Kingdom	Titan Airways Limited	B757-200	26151	11-May-03	11-May-09	17,509	1.71%		
United Kingdom	Air Southwest	DHC8-300	296	23-Oct-03	22-Oct-10	3,755	0.37%		
United Kingdom	Air Southwest	DHC8-300	334	30-Oct-03	30-Nov-10	3,810	0.37%		
Latin America	Antigua	LIAT	DHC8-300	232	23-Dec-03	16-Jan-09	3,238	0.32%	
	Antigua	LIAT	DHC8-300	266	28-Nov-03	11-Dec-08	3,550	0.35%	
	Antigua	LIAT	DHC8-300	267	19-Jul-01	18-Jan-09	3,576	0.35%	
	Antigua	LIAT	DHC8-300	283	5-Jul-02	30-Sep-09	3,464	0.34%	
	Antigua	LIAT	DHC8-300	298	11-Mar-04	29-Apr-09	3,704	0.36%	
	Antigua	LIAT	DHC8-300	300	6-Feb-04	2-Mar-09	3,785	0.37%	
	Argentina	Aerolineas Argentinas S.A.	B737-500	24897	29-Jul-05	11-Sep-10	8,956	0.87%	
	Argentina	Austral Lineas Aereas	MD83	49941	16-Dec-05	15-Dec-09	5,175	0.50%	
	Argentina	Austral Lineas Aereas	MD83	49943	27-Oct-05	26-Oct-09	5,328	0.52%	
	Brazil	VRG	B767-300ER	26204	24-Dec-07	25-May-15	26,689	2.60%	
Brazil	TAM Linhas Aereas	F100	11304	25-Nov-97	10-Jul-08	4,574	0.45%		
Brazil	TAM Linhas Aereas	F100	11371	22-Dec-97	15-Aug-08	5,217	0.51%		
Brazil	TRIP Linhas Aereas	ATR42-300	284	13-Aug-07	12-Aug-12	2,674	0.26%		
Colombia	Avianca	MD83	49939	10-Apr-92	21-Nov-08	5,413	0.53%		
Colombia	Avianca	MD83	49946	26-Mar-92	21-Jul-09	6,157	0.60%		
Colombia	Avianca	MD83	53125	17-Jun-92	21-Feb-10	5,733	0.56%		
Colombia	Avianca	MD83	53120	5-Aug-92	28-Feb-10	6,361	0.62%		
Colombia	Avianca	B767-300ER	24948	16-Nov-04	15-Dec-10	25,956	2.53%		
Colombia	Avianca	B767-200ER	25421	5-Nov-99	4-May-11	15,779	1.54%		
Colombia	Avianca	B757-200	26154	3-Oct-92	12-Nov-10	17,018	1.66%		
El Salvador	Taca International	ATR42-300	109	8-Dec-04	7-Dec-09	2,133	0.21%		
El Salvador	Taca International	ATR42-300	113	12-Jan-05	11-Jan-09	2,187	0.21%		
Mexico	Click Mexicana	F100	11266	29-Jun-98	25-Feb-10	3,536	0.34%		
Mexico	Click Mexicana	F100	11284	20-May-08	19-May-11	4,374	0.43%		
Mexico	Click Mexicana	F100	11285	28-May-08	27-May-11	3,750	0.37%		
Mexico	Click Mexicana	F100	11305	12-Mar-08	11-Mar-11	4,386	0.43%		
Mexico	Click Mexicana	F100	11309	12-May-93	11-Mar-10	4,629	0.45%		

APG Region Name	Customer Country	Customer	Aircraft Type	Serial No	Lease Start Date	Lease End Date	Appraised Value January 31, 2008 \$'000	% Portfolio by Appraised Value at January 31, 2008
	Mexico	Click Mexicana	F100	11375	17-Dec-92	26-Mar-10	4,653	0.45%
	Mexico	Click Mexicana	F100	11319	26-May-93	24-Apr-10	4,352	0.42%
	Mexico	Click Mexicana	F100	11336	26-Jun-08	25-Jun-11	4,097	0.40%
	Mexico	Click Mexicana	F100	11339	5-Jul-98	4-Feb-10	4,444	0.43%
	Mexico	Click Mexicana	F100	11348	30-May-08	29-May-11	4,563	0.44%
	Mexico	Click Mexicana	F100	11347	24-Jan-08	23-Jan-11	4,279	0.42%
	Mexico	Click Mexicana	F100	11374	10-Dec-92	25-Jan-10	4,776	0.47%
	Mexico	Click Mexicana	F100	11382	29-Jan-93	10-Nov-09	4,842	0.47%
	Mexico	Click Mexicana	F100	11384	29-Jan-93	23-Dec-09	4,761	0.46%
North America	Canada	AC Leasing	A320-200	174	12-Apr-91	30-Sep-15	14,016	1.37%
	Canada	AC Leasing	A320-200	175	30-Apr-91	31-Jan-15	14,250	1.39%
	Canada	AC Leasing	A320-200	232	3-Oct-91	30-Nov-15	14,008	1.36%
	Canada	AC Leasing	A320-200	284	10-Mar-92	31-Oct-15	13,529	1.32%
	Canada	AC Leasing	A320-200	309	13-May-92	30-Nov-15	14,974	1.46%
	Canada	AC Leasing	A320-200	404	24-Jan-94	24-Mar-15	16,278	1.59%
	Canada	Air Canada Jazz	DHC8-300	293	13-Dec-07	10-Aug-16	3,684	0.36%
	Canada	Air Canada Jazz	DHC8-300	342	22-Jan-08	10-Aug-16	3,922	0.38%
	United States of America	Pace Airlines	B737-300	23749	9-Nov-01	8-Mar-09	8,418	0.82%
	United States of America	Allegiant Air Inc.	MD82	49660	13-Aug-07	13-Aug-11	4,243	0.41%
	United States of America	Allegiant Air Inc.	MD82	49667	20-Aug-07	20-Aug-11	4,068	0.40%
	United States of America	TWA Airlines LLC	MD83	49575	9-Aug-94	8-Nov-12	4,588	0.45%
Other	Russia	KrasAir	B737-300	24907	1-Mar-07	28-Feb-13	9,419	0.92%
	Russia	KrasAir	B737-300	25179	14-Apr-06	13-Apr-11	10,499	1.02%
	Russia	Transaero Airlines	B737-500	25183	8-Dec-06	7-Dec-11	9,863	0.96%
	Russia	Aeroflot Nord	B737-500	25185	16-Nov-06	15-Nov-12	9,063	0.88%
	Russia	Aeroflot Nord	B737-500	25186	24-Aug-06	23-Aug-12	9,422	0.92%
	Russia	KrasAir	B737-300	25187	22-Apr-06	21-Apr-11	10,618	1.03%
	Russia	Transaero Airlines	B737-500	25188	12-Jan-07	11-Jan-12	8,964	0.87%
	Russia	Ural Airlines	A320-200	203	4-Jun-08	3-Jun-13	13,982	1.36%
	Russia	Ural Airlines	A320-200	220	7-May-08	6-May-13	14,424	1.41%
	Russia	Orenair	B737-400	24683	24-Mar-06	23-Mar-11	10,686	1.04%
	Russia	Orenair	B737-400	24691	1-Jun-06	31-May-11	10,708	1.04%
	Russia	Aeroflot Nord	B737-500	25191	18-Jan-07	17-Jan-13	8,848	0.86%
	Russia	Aeroflot Nord	B737-500	25288	26-May-07	25-May-13	9,730	0.95%
	Russia	Aeroflot Nord	B737-500	25289	20-Jul-07	19-Jul-13	9,731	0.95%
	Russia	KD avia	B737-300	23177	27-May-05	26-May-11	6,978	0.68%
	Russia	Aeroflot Cargo	B737-300SF	23499	7-Mar-08	6-Mar-13	11,221	1.09%
	Russia	Aeroflot Cargo	B737-300SF	23500	4-Dec-07	3-Dec-12	10,320	1.01%
	Ukraine	Ukraine International	B737-500	25182	9-Dec-06	8-Dec-11	9,501	0.93%
	Ukraine	Ukraine International	B737-500	25192	30-Apr-02	29-Apr-10	9,032	0.88%
	Ukraine	Ukraine International	B737-400	25190	15-May-03	14-May-12	11,902	1.16%
	Ukraine	Ukraine International	B737-500	26075	30-May-02	29-May-10	9,003	0.88%
	Ukraine	Ukraine International	B737-400	26081	18-Feb-06	17-Feb-11	12,517	1.22%
Off lease	Off lease		MD83	49950			5,667	0.55%
	Off lease		B737-400	26071			11,420	1.11%
	Off lease		B737-300	23923			8,304	0.81%
	Off lease		B737-400	24493			9,602	0.94%
							<b>1,026,232</b>	<b>100.00%</b>