



QUARTERLY REPORT

For the quarterly period ended June 30, 2016

of

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Subclass A-9 Certificates due March 15, 2019

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

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Airplanes Limited and Airplanes U.S. Trust

Quarterly Report for the Three Month Period Ended June 30, 2016

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AIRPLANES GROUP
A. UNAUDITED STATEMENT OF NET LIABILITIES
(prepared on a liquidation basis)

	March 31,			Change in net liabilities			June 30,		
	2016			2016			2016		
	Airplanes Limited	Airplanes Trust	Combined	Airplanes Limited	Airplanes Trust	Combined	Airplanes Limited	Airplanes Trust	Combined
Assets									
Cash	159	-	159	35	-	35	194	-	194
Accounts receivable				-	-	-	-	-	-
Trade receivables	1	-	1	-	-	-	1	-	1
Allowance for doubtful debts	-	-	-	-	-	-	-	-	-
Amounts due from Airplanes Trust	5	-	5	(5)	-	(5)	-	-	-
Amounts due from Airplanes Limited	-	-	-	-	26	26	-	26	26
Prepaid expenses	-	-	-	1	-	1	1	-	1
Other Current Assets	-	-	-	-	-	-	-	-	-
Total Current Assets	165	-	165	31	26	57	196	26	222
Aircraft, Held for Sale	9	32	41	(9)	(32)	(41)	-	-	-
Total assets	174	32	206	22	(6)	16	196	26	222
LIABILITIES									
Accrued expenses and other liabilities	3,585	163	3,748	209	6	215	3,794	169	3,963
Accrued winding up costs	683	19	702	(213)	(7)	(220)	470	12	482
Amounts due to Airplanes Limited	-	5	5	-	(5)	(5)	-	-	-
Amounts due to Airplanes Trust	-	-	-	26	-	26	26	-	26
Indebtedness	1,281	122	1,403	-	-	-	1,281	122	1,403
Total Current Liabilities	5,549	309	5,858	22	(6)	16	5,571	303	5,874
Common stock, \$1 par value per share Authorised 10,000 shares; issued and outstanding 30 shares.	-	-	-	-	-	-	-	-	-
Net liabilities	(5,375)	(277)	(5,652)	-	-	-	(5,375)	(277)	(5,652)

AIRPLANES GROUP
B. UNAUDITED STATEMENT OF CHANGES IN NET LIABILITIES
FOR THE PERIOD APRIL 1, 2016 TO JUNE 30, 2016
(prepared on a liquidation basis)

	2016		
	Airplanes Limited	Airplanes Trust	Combined
ASSETS			
Cash collected in excess of previously recognized amounts	35	-	35
Recognition of trade receivables to be collected	-	-	-
Change in allowance for doubtful debts	-	-	-
Change in amounts due from Airplanes Trust	(5)	-	(5)
Change in amounts due from Airplanes Limited	-	26	26
Change in prepaid expenses	1	-	1
Change in valuation of aircraft	(9)	(32)	(41)
Total change in Assets	22	(6)	16
LIABILITIES			
Change in accrued expenses and other liabilities	209	6	215
Change in accrued winding up costs	(213)	(7)	(220)
Change in amounts due to Airplanes Limited	-	(5)	(5)
Change in amounts due to Airplanes Trust	26	-	26
Change in Indebtedness	-	-	-
Total change in Liabilities	22	(6)	16
Change in net liabilities	-	-	-

C. 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 unaudited statement of net liabilities and statement of changes in net liabilities of Airplanes Group (together, the “**Financial Statements**”) have been prepared in conformity with United States of America generally accepted accounting principles (“**US GAAP**”). The Board of Directors of Airplanes Limited and the Controlling Trustees of Airplanes Trust (the “**Board**”) consider that it is no longer appropriate to prepare the Financial Statements on a going concern basis given that at the date of the Financial Statements the current expectation is that the vehicle will be wound up within the next twelve months. Accordingly the Financial Statements have been prepared on a liquidation basis in accordance with the Financial Accounting Standards Board (“**FASB**”) Accounting Standards Codification No. 205-30 “*Presentation of Financial Statements – Liquidation Basis of Accounting*” (“**FASB ASC 205-30**”).

The Financial Statements reflect all adjustments which in the opinion of the Board are necessary for a fair statement of the results of operations for the three month period ended June 30, 2016. The results of operations for the three month period ended June 30, 2016 are not necessarily indicative of the results to be expected for the full year.

References to Airplanes Group in these notes to the 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. The “**Board**” refers to the Board of Directors of Airplanes Limited and the Controlling Trustees of Airplanes Trust. References to the “**United States**” or the “**US**” are to the United States of America and references to “**US dollars**”, “**US\$**” or “**\$**” are to United States dollars.

Airplanes Group’s accounting policies are consistent with previous periods. The Financial Statements are stated in United States Dollars which is Airplanes Group’s functional currency.

Recent Developments And Anticipated Remaining Trading Activities

Receipt of Default Notice on June 28, 2016

In response to a direction letter dated June 16, 2016 (the “**Direction Letter**”) received from the holders of a majority of the aggregate outstanding principal balance of the subclass A-9 certificates (the “**Controlling Holders**”), on June 28, 2016 Deutsche Bank Trust Company Americas (“**DBTCA**”) acting in its capacities as the Indenture Trustee, the Pass Through Trustee and the Security Trustee issued a Notice of Events of Default and Notice of Default to Airplanes Group (the “**Default Notice**”). The Default Notice states *inter alia* that certain Events of Default have occurred under the Trust Indentures and as a result declares the outstanding principal balance of the Airplanes Group notes and all accrued and unpaid interest thereon to be due and payable. A copy of the Default Notice (which includes the Direction Letter) is available on Airplanes Group's website www.airplanes-group.com.

On July 5, 2016 Davis Polk & Wardwell LLP as counsel on behalf of Airplanes Group delivered a letter responding to the Default Notice (the “**Airplanes Group Counsel Response**”) which stated *inter alia* that Airplanes Group disagreed that any Event of Default has occurred and

requested that DBTCA immediately withdraw the Notice of Default. A copy of the Airplanes Group Counsel Response is available on Airplanes Group's website.

On July 5, 2016 AerCap Cash Manager Limited (the "**Cash Manager**") delivered a letter to Airplanes Group and DBTCA (the "**Cash Manager Letter**") which stated inter alia, that pursuant to the terms of the Trust Indentures, unless and until the Cash Manager shall have received a written notice that the Default Notice has been rescinded, annulled or invalidated, the Cash Manager will not provide directions for transfers to or among, or withdrawals from any of Airplanes Group's bank accounts. A copy of the Cash Manager Letter is available on Airplanes Group's website.

In light of the dispute between the Controlling Holders and Airplanes Group as reflected in the Direction Letter and the Airplanes Group Counsel Response, Airplanes Group, the Controlling Holders and the Indenture Trustee, the Pass Through Trustee and the Security Trustee entered into a letter agreement dated July 14, 2016 (the "**July PD Letter Agreement**") reflecting an agreement as to the amounts to be paid on the July 15, 2016 payment date. As further specified in the July PD Letter Agreement, only accrued and unpaid interest with respect to the subclass A-9 notes and certificates for the interest accrual period ending on July 14, 2016 and certain specified Expenses were paid on behalf of Airplanes Group on the July 15, 2016 payment date. The July PD Letter Agreement was entered into without prejudice to each party's position as set forth in the Direction Letter, the Default Notice and the Airplanes Group Counsel Response, as applicable. A copy of the July PD Letter Agreement is available on Airplanes Group's website.

The respective counsel to Airplanes Group, the Controlling Holders and DBTCA are currently in discussions regarding the appropriate way to proceed in light of the dispute outlined above.

Further increase in cash liquidity reserve on November 2, 2015

In connection with the ongoing litigation with Transbrasil involving our subsidiary Airplanes Holdings, as described in more detail below under "Note 2. Contingent Liabilities – Legal Proceedings - Transbrasil" ("**Note 2**"), the Board determined on November 2, 2015 to further increase the liquidity reserve held by way of the maintenance reserve amount, required to be held at the level of the "First Collection Account Top-up" in the priority of payments (the "**Liquidity Reserve**"), from US\$140 million to US\$190 million with immediate effect. This increase resulted in the suspension of payments of subclass A-9 minimum principal (but not subclass A-9 interest payments), which commenced on November 16, 2015.

The decision to further increase the Liquidity Reserve was taken by the Board on November 2, 2015 in light of an updated assessment as at that date of a worst case allocation of liability to Airplanes Holdings in the Transbrasil litigation, the ongoing nature of the litigation and the absence of a concrete prospect of settlement or resolution. The Board determined that such further increase in the Liquidity Reserve was necessary to allow for the potential payment by Airplanes Holdings in accordance with the judgment issued against Airplanes Holdings by the Appellate Court of the State of Sao Paulo in May 2010 (the "**2010 Judgment**") as well as for the interest, monetary adjustments for inflation, court mandated legal fees, court costs, fines, and legal and other expenses which have accrued since the initial increase in the Liquidity Reserve in June 2012 and are continuing to accrue. Although the October 2013 Decision (as defined below) overturned the 2010 Judgment in a number of respects (as described in more detail in Note 2 below), the filing by Transbrasil of the Divergence Appeal (as defined below) means that the October 2013 Decision is not yet final, thereby allowing for the possibility of reinstatement of the 2010 Judgment. The

Board determined that such further increase was also necessary to provide sufficient funds to allow for the payment of other potential liabilities of Airplanes Group (including in respect of the indemnification claim which has been made by AerCap Ireland Limited (as described in more detail in Note 2 below) as well as the continued operation of the vehicle until the ultimate resolution of the Transbrasil litigation, the duration of which cannot be determined with any certainty at this time.

The level of US\$190 million to which the Board determined that the Liquidity Reserve should be increased took account of the Board's best reasonable estimate at that time, based upon a worst case allocation of liability to Airplanes Holdings under the 2010 Judgment (described in detail in Note 2 below), with the understanding that additional amounts could be payable but are not yet capable of being estimated, as well as the other potential liabilities and possible future costs to be incurred by the vehicle as described above.

The increase in the Liquidity Reserve to US\$190 million on November 2, 2015 followed earlier increases in the Liquidity Reserve from US\$45 million to US\$110 million on June 28, 2012 and from US\$110 million to US\$140 million on October 8, 2013.

The terms of the 2010 Judgment are described in detail in Note 2 below. Since the date of issuance of the 2010 Judgment each of Transbrasil's former owners, its trustee in bankruptcy, and its lawyers have been seeking separately to enforce this judgment and, as described in Note 2 below, in June 2012 a Lower Court judge issued to Airplanes Holdings and the other Lessor Companies (as defined in Note 2) two orders to pay (the "**Orders to Pay**"). The total amounts specified in the Orders to Pay as being directly allocable to Airplanes Holdings were approximately R\$160 million / US\$80 million (based on an exchange rate of US\$1:R\$2). While the actual exchange rate fluctuates regularly and will cause the US\$ amounts to vary accordingly, this is the exchange rate used for all Brazilian currency conversions provided herein and is not necessarily the exchange rate on the date hereof). The Orders to Pay also directed that payments be made by all the Lessor Companies, including Airplanes Holdings, with respect to the AerCap Leasing Note (as defined in Note 2), but the Orders to Pay did not assign any particular amount to be paid by Airplanes Holdings or any of the other Lessor Companies with respect to that promissory note, nor is it possible to calculate such amount without further guidance from the Lower Court.

As was the case with the June 2012 and October 2013 increases in the Liquidity Reserve, the Board determined on November 2, 2015 that, despite the fact that it believed the 2010 Judgment (which, as described below, may be reinstated if Transbrasil's Divergence Appeal is successful) lacked merit, fairness or rationale, it had no option but to continue to take measures that would allow Airplanes Holdings to comply with the 2010 Judgment, if enforced against Airplanes Holdings. Since, under the trust indentures, claims on Airplanes Group subsidiaries, such as the judgment against Airplanes Holdings, are senior to the subclass A-9 notes and certificates, such claims are required to be satisfied before we can make payments on the subclass A-9 notes and certificates. If we do not reserve a portion of our future cashflows, this could prevent Airplanes Holdings from being able to satisfy its liability and we will instead have distributed this limited cashflow as subclass A-9 minimum principal (ranking below this claim in the priority of payments) in contravention of our contractual requirements and of applicable law.

As described in more detail in Note 2 below, on June 8, 2010, GECAS, on behalf of Airplanes Holdings as well as the GE Lessors (as defined in Note 2), filed two appeals against the 2010 Judgment. One appeal (the "**Special Appeal**") was filed with the Federal Court of Appeals of Brazil (Superior Tribunal de Justiça). The Special Appeal was heard on October 22, 2013 and a

decision was rendered on the same day by the Federal Court of Appeals (the “**October 2013 Decision**”). In the October 2013 Decision the Federal Court of Appeals judges (by a unanimous vote) overturned the 2010 Judgment of the State Appellate Court in a number of respects as described in more detail in Note 2 below. In early November 2013 both Transbrasil and the Lessor Companies filed motions to clarify against the October 2013 Decision. On November 26, 2013 the Federal Court of Appeals rejected both Transbrasil’s and the Lessor Companies’ motions to clarify, meaning that the October 2013 Decision became effective (for the purpose described below) on December 9, 2013 and remains unaltered and in force as at the date of this Quarterly Report.

Against the October 2013 Decision, Transbrasil filed a divergence appeal on February 7, 2014 (the “**Divergence Appeal**”) and the Lessor Companies also filed two divergence appeals on February 20, 2014 (the “**Lessor Companies Divergence Appeal**”). A divergence appeal is an appeal filed by a party that was unsuccessful in one or more issues brought to the attention of the Federal Court of Appeals whereby the unsuccessful party argues that the decision of that court was inconsistent with previous decisions of the same court and should therefore be overturned. The filing of the Divergence Appeal means that the October 2013 Decision, whilst effective for the purpose of allowing Airplanes Holdings and the other Lessor Companies to request termination of the various provisional enforcement proceedings initiated by Transbrasil in the Lower Courts (as described in Note 2 below), is not yet final. Airplanes Holdings understands that the Divergence Appeal was filed by Transbrasil after the permitted deadline for filing such an appeal and therefore may be challenged on that basis. The Divergence Appeal seeks to nullify the October 2013 Decision and restore the terms of the 2010 Judgment. The Lessor Companies Divergence Appeal seeks to expand the October 2013 Decision to eliminate any aspects thereof that are favorable to Transbrasil. On November 27, 2015, the reporting judge for the Lessor Companies Divergence Appeal denied admissibility to such appeal. On November 30, 2015, the Lessor Companies filed an Internal Appeal against such decision. In response, on December 7, 2015, Transbrasil filed an opposition to the Internal Appeal. On March 2, 2016, the Special Court of the Federal Court of Appeals denied the Lessor Companies Internal Appeal and upheld the decision not to admit the Lessor Companies Divergence Appeal. Such decision was published on the Official Gazette on March 21, 2016. Recently, the court records of the Declaratory Case were sent to the 2nd Section of the Federal Court of Appeals, which will decide the residual portion of the Lessor Companies Divergence Appeal and the Divergence Appeal.

Airplanes Holdings will continue to vigorously dispute liability in the litigation with Transbrasil in an effort to favorably resolve the litigation and to have as much as possible of the Liquidity Reserve ultimately be paid to the subclass A-9 noteholders if the litigation is ultimately resolved in favor of Airplanes Holdings or if Airplanes Holdings’ ultimate liability is for a lower amount. The Board will continue to keep these matters under close review and to make adjustments as appropriate and necessary.

We can provide no assurances as to the ultimate outcome of the litigation, the amounts that may be payable by Airplanes Holdings, or the timing of any resolution of the litigation.

As a result of the October 2013 Decision, Airplanes Holdings expected that the Orders to Pay would be effectively cancelled and the letters of guarantee presented to the Lower Court (as described in Note 2 below) would be returned to Airplanes Holdings and the other Lessor Companies given that the October 2013 Decision had become effective for this purpose. The Lessor Companies filed requests before the Lower Court where such provisional enforcement proceedings were ongoing seeking the cancellation of the Orders to Pay and the release of each of

the letters of guarantee presented. The request for the cancellation of the Orders to Pay and release of the related letters of guarantee in connection with the provisional enforcement proceeding seeking to recover court mandated legal fees was granted by the Lower Court judge on February 4, 2014 and the related letters of guarantee were released on August 22, 2014. In addition, the request for the cancellation of the Orders to Pay and release of the related letters of guarantee in connection with the provisional enforcement proceeding seeking to recover twice the amount of the promissory notes was granted by the Lower Court judge on August 7, 2014 and the related letters of guarantee were released on August 22, 2014. Transbrasil has, however, appealed these decisions that have dismissed these provisional enforcement proceedings and cancelled the Orders to Pay. As a result, such decisions are not yet final and the Orders to Pay may be reinstated if Transbrasil is successful in its appeal. On March 30, 2016 the State Appellate Court denied Transbrasil's appeal and partially granted the Lessor Companies' appeals. In what pertains to the Lessor Companies' appeals, the State Appellate Court ruled that the assessment of the losses suffered by the Lessor Companies due to the provisional enforcement proceedings initiated by Transbrasil be made in the same court records and denied the request to increase the court mandated legal fees. The State Appellate Court denied Transbrasil's appeal and upheld the Lower Court's decision that dismissed the provisional enforcement proceeding relating to the recovery of twice the amount of the promissory notes. In May 2016, the parties filed motions to clarify against the latest decision rendered by the State Appellate Court in connection with the matter pertaining to twice the amount of the promissory notes.

Sale of final aircraft and transfer of Liquidity Reserve

As described in the 2016 Annual Report, we sold our final aircraft on May 6, 2016. For each payment date following the sale of Airplanes Group's final aircraft, the Liquidity Reserve is required to be zero pursuant to the trust indentures. In accordance with the trust indentures, certain amounts previously included in the calculation of the Liquidity Reserve were included in the calculation of permitted accruals forming the "Required Expense Amount" for the May 16, 2016 payment date and continued to be included in such calculations for the June 15, 2016 payment date. The Required Expense Amount reserved in the expense account will be available in accordance with the trust indentures to pay Expenses (as defined in the trust indentures) of Airplanes Group, including any judgments ultimately awarded against Airplanes Holdings in the Transbrasil litigation.

Overview of current financial condition

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 since the December 15, 2003 payment date, we have been paying in full only our administrative and lease expenses and certain other payments in the ordinary course of business, interest on the class A notes, hedging payments and the "First Collection Account Top-up". We have used any remaining cashflows towards payment of minimum principal on the class A notes which at July 15, 2016 was \$419 million in arrears.

As at the date of this Quarterly Report, our material assets consist solely of the cash reserve held by way of the Required Expense Amount and we will therefore be unable to repay in full the subclass A-9 notes or to make any further payments on the class B, C, D or E notes. The Transbrasil litigation adds further uncertainty with regard to the exact amount of principal we will ultimately be able to pay on the subclass A-9 notes.

Anticipated remaining trading activities – negotiations with GECAS

Having regard to the absence of any prospect of settlement or resolution of the Transbrasil litigation in the foreseeable future and the expectation that all remaining aircraft in the portfolio were shortly to be sold, as announced on November 25, 2015 the Board have entered into discussions with GECAS regarding a possible agreement between Airplanes Group and GECAS which would allow Airplanes Group to effectively cap its potential liability in respect of the Transbrasil litigation. The objective of such an agreement with GECAS would be to enable the Board to reduce the amount previously held by way of the Liquidity Reserve and now held by way of the Required Expense Amount, allowing a portion of the reserved cash to be distributed in accordance with the priority of payments under the trust indentures. The agreement with GECAS would also be an important step in the process towards the winding up of Airplanes Group, which the Board are seeking to achieve as soon as possible. At this time, there is no certainty that such an agreement will be reached with GECAS or as to the terms of any such agreement. Further information will be provided in due course.

In tandem with the negotiations with GECAS, the Board are continuing to simplify the corporate structure of Airplanes Group by liquidating subsidiaries which have become dormant. In addition to the fourteen dormant subsidiaries liquidated in the year ended March 31, 2015, two further subsidiaries which had become dormant were placed into liquidation in the year ended March 31, 2016 and a further dormant subsidiary has been liquidated subsequent to March 31, 2016. As at the date of this Quarterly Report, Airplanes Limited and Airplanes Trust have three remaining subsidiaries, two of which no longer own aircraft and are expected to become dormant shortly. The third remaining subsidiary is Airplanes Holdings which is party to the Transbrasil litigation. The Board are also considering the appropriate procedure to enable the eventual winding up of Airplanes Limited and Airplanes Trust as quickly as possible.

Termination of Servicing Agreement

During the year ended March 31, 2016 and until the sale of our final aircraft and engines on May 19, 2016 GECAS provided various aircraft-related services to us pursuant to the servicing agreement. The servicing agreement terminated in accordance with its terms on May 19, 2016. GECAS has, however, agreed to continue to provide services to Airplanes Group in relation to the ongoing litigation with Transbrasil. This arrangement with GECAS will expire on September 30, 2016 unless otherwise extended. Such services will be provided on the terms of the servicing agreement as previously in place, insofar as such terms are relevant. Please refer to Airplanes Group's annual report for the year ended March 31, 2015 (which is available on our website) for an outline of the terms of the servicing agreement.

Indemnification claim by AerCap Ireland Limited

In February 2015 Airplanes Group was notified by AerCap Ireland Limited that it intended to seek indemnification from Airplanes Group in relation to certain Indian litigation proceedings. At this time Airplanes Group does not accept that it has any liability in connection with this matter; however it is in discussions with AerCap Ireland Limited in order to assess both the validity of the purported indemnification obligation and the possible size of any potential claim which may ultimately be made against Airplanes Group. See Note 2 below for further information.

Downgrade in the rating of Deutsche Bank Trust Company Americas

On June 9, 2015, Standard & Poor's downgraded the long-term unsecured debt rating of DBTCA from A to BBB+ and the certificate of deposit rating of DBTCA from A-1 to A-2. On

May 23, 2016, Moody's downgraded the long-term deposit rating of DBTCA from A1 to A2. The P-1 short-term deposit rating of DBTCA was affirmed. Following the recent Moody's downgrade, DBTCA continues to satisfy the rating requirements of Moody's as an Operating Bank under the definition of "Eligible Institution" in the trust indentures. It is, however, unclear whether DBTCA satisfies the rating requirements of Moody's as Indenture Trustee under the definition of "Eligible Institution" in the trust indentures. As a result of the Standard & Poor's downgrade on June 9, 2015, DBTCA no longer satisfies the eligibility requirements for an "Eligible Institution" in the trust indentures and therefore the bank accounts of Airplanes Group currently maintained with DBTCA no longer satisfy the eligibility requirements for an "Eligible Account" in the trust indentures. As a consequence, under the trust indentures, DBTCA is required to be replaced as "Operating Bank" and as Indenture Trustee and Airplanes Group is required to establish new bank accounts with a bank which satisfies the eligibility requirements for an "Eligible Institution."

Ratings

The vulnerability of the various classes of notes and corresponding 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 the date of this Quarterly Report:-

Certificate	Outstanding Principal Balance as at July 15, 2016	S&P	Fitch	Moody's (S&P equivalent)
Subclass A-9.....	\$419.0m	CC	NR*	Ca (CC)
Class B.....	\$226.8m	NR*	NR*	C (C)
Class C.....	\$349.8m	NR*	NR*	C (C)
Class D.....	\$395.1m	NR*	NR*	C (C)

* Ratings withdrawn.

There can be no assurance that the rating agencies will not further downgrade any class or subclass 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.

Debt Maturity

The terms of each subclass or class of notes, including the outstanding principal amount as of June 30, 2016 and estimated fair value as of June 30, 2016 are as follows:

<u>Class of Notes</u>	<u>Annual Interest Rate (Payable Monthly)</u>	<u>Outstanding Principal Amount at June 30, 2016 \$ Million</u>	<u>Final Maturity Date</u>	<u>Estimated Fair Value at June 30, 2016** \$ Million</u>
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Subclass A-8 *	N/A	-	-	-
Subclass A-9	(LIBOR+.55%)	419	March 15, 2019	144
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>1,391</u>		<u>144</u>

* The principal of the subclass A-8 notes and certificates was repaid in full on November 15, 2010. Accrued and unpaid step-up interest on such notes and certificates remains outstanding and interest continues to accrue on such unpaid step-up interest.

** Although the estimated fair values of the class A to D notes outstanding have been determined by reference to prices as at June 30, 2016 provided by an independent third party based on information available to that third party at that date, these estimated 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. The actual amount that may be returned to noteholders is likely to be materially different.

SEC Filings

Until September 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 other reports filed electronically with the SEC prior to September 3, 2005 from our website, www.airplanes-group.com. For an explanation of our filing of a Form 15, please refer to our press release dated September 3, 2005 as filed with the SEC on Form 8-K and also available on our website. Although we are not required to comply with the SEC's reporting requirements and, as a result, the SEC's other requirements applicable only to reporting companies, we use these SEC requirements, to the extent appropriate, as a guideline for "best practice".

Fair Value Measurement of Financial Instruments

In September 2006, the FASB issued Accounting Standards Codification No. 820 "*Fair Value Measurements and Disclosures*" ("FASB ASC 820"). This standard clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value of financial instruments and requires additional disclosures about the use of fair value measurements. FASB ASC 820 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. Under FASB ASC 820, Airplanes Group determines fair value based on the price that would be received to sell a financial asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is Airplanes Group's policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements in accordance with the fair value hierarchy as described below. Where limited or no observable market data exists, fair value measurements for financial assets and liabilities are based primarily on management's own estimates and are calculated based upon Airplanes Group's pricing policy, the economic and competitive environment, the characteristics of the financial asset or liability and other such factors. Therefore, the results may not be realized in actual sale or immediate settlement of the asset or liability.

Under FASB ASC 820, there is a hierarchal disclosure framework associated with the level of pricing observability utilized in measuring assets and liabilities at fair value. The three broad levels defined by the FASB ASC 820 hierarchy are as follows:

Level 1 – Quoted prices are available in active markets for identical financial assets or liabilities as at the reported date.

Level 2 – The fair values determined through Level 2 of the fair value hierarchy are derived principally from or corroborated by observable market data. Inputs include quoted prices for similar financial assets, liabilities (risk adjusted) and market-corroborated inputs, such as market comparables, interest rates, yield curves and other items that allow value to be determined.

Level 3 – The fair values pertaining to Level 3 of the fair value hierarchy are derived principally from unobservable inputs from Airplanes Group’s own assumptions about market risk developed based on the best information available, subject to cost benefit analysis, and may include Airplanes Group’s own data.

When there are no observable comparables, inputs used to determine value derived through extrapolation and interpolation and other Airplanes Group-specific inputs such as projected financial data and Airplanes Group's own views about the assumptions that market participants would use.

In October 2008, the FASB issued Accounting Standards Codification No. 820-10-35, “Fair Value Measurements and Disclosures – Subsequent Measurement” (“FASB ASC 820-10-35”) which clarifies the application of FASB ASC 820 in a market that is not active and is intended to address the following application issues:

- How the reporting entity’s own assumptions (that is, expected cash flows and appropriately risk-adjusted discount rates) should be considered when measuring fair value when relevant observable inputs do not exist.
- How available observable inputs in a market that is not active should be considered when measuring fair value.
- How the use of market quotes (for example, broker quotes or pricing services for the same or similar financial assets) should be considered when assessing the relevance of observable and unobservable inputs available to measure fair value.

The following table summarizes the fair value of Airplanes Group’s financial assets and liabilities as of June 30, 2016 by level within the fair value hierarchy.

	Net Fair Value at June 30, 2016	Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Using Significant Other Observable Inputs (Level 2)	Using Significant Unobservable Inputs (Level 3)
(\$ in thousands)				
Cash and cash equivalents	194,000	194,000	-	-
Debt	(144,000)	-	(144,000)	-
Total.....	<u>50,000</u>	<u>194,000</u>	<u>(144,000)</u>	<u>-</u>

FASB Accounting Standards Codification No. 825 “*Financial Instruments*” (“**FASB ASC 825**”) requires a company to disclose the fair value of all financial instruments along with significant assumptions used to estimate fair value and any changes to those methods and significant assumptions.

FASB Accounting Standards Codification No. 825-10-50-3 “*Financial Instruments – Disclosures*” (“**FASB ASC 825-10-50-3**”) amended FASB ASC 825, requiring that such disclosures be included in interim financial statements as well as year end financial statements.

Airplanes Group’s financial instruments consist of note indebtedness, cash and cash equivalents and restricted cash. The fair value of cash and cash equivalents and restricted cash approximates the carrying value of these financial instruments because of their short term nature.

The fair value of Airplanes Group’s debt is estimated by reference to prices as at June 30, 2016 provided by an independent third party based on information available to that third party at that date. The fair value does not reflect the market value of the debt 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. The actual amount that may be returned to noteholders is likely to be materially different.

The carrying amounts and fair values of Airplanes Group’s financial instruments as of June 30, 2016 are as follows:

	Carrying Amount of Asset/(Liability)	Fair Value of Asset/(Liability)
	(\$ in thousands)	(\$ in thousands)
Assets		
Cash and cash equivalents	194,000	194,000
	<u>194,000</u>	<u>194,000</u>
Liabilities		
Debt.....	(1,402,941)	(144,000)
	<u>(1,402,941)</u>	<u>(144,000)</u>

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires the Board to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. These estimates and the underlying assumptions affect the amounts of assets and liabilities reported, disclosures about contingent assets and liabilities, and reported amounts of revenues and expenses. For Airplanes Group, the use of estimates is a significant factor affecting accounts receivable, deferred tax assets and accruals and reserves. Due to the Financial Statements being prepared on a liquidation basis, all assets as at June 30, 2016 are stated at the best estimate of their recoverable amount. An accrual for estimated winding up costs included in the Financial Statements represents the operating costs and interest costs estimated at the date of the Financial Statements to be incurred in the ordinary course of operating the vehicle until the date on which a winding up is assumed to commence (as well as certain costs anticipated to be incurred in order to place the vehicle into a winding up). The Board utilizes professional appraisers and valuation specialists, where possible, to support estimates. Despite the Board’s best efforts to accurately

estimate such amounts, actual results could differ from those estimates. The Board evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment. The Board adjusts such estimates and assumptions when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in those estimates resulting from continuing changes in the economic environment will be reflected in the financial statements in future periods.

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 the Annual Report.

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

Transbrasil

Airplanes Holdings leased two aircraft to Transbrasil, a now defunct Brazilian airline, in the 1990s. At the same time, other aircraft were leased to Transbrasil by General Electric Capital Corporation ("**GE Capital**"), two affiliates of GE Capital (Alcyone FSC Corporation ("**Alcyone**") and Aviation Financial Services Inc. (now known as NAS Holdings LLC, ("**NAS**")) (collectively, with GE Capital, the "**GE Lessors**"), AerFi Group plc (now renamed AerCap Ireland Limited) and an affiliate of AerFi Group plc (AerFi Leasing USA II Inc. (now renamed AerCap Leasing USA II Inc.) ("**AerCap Leasing**")). Airplanes Holdings, GE Capital, Alcyone, NAS, AerFi Group plc and AerCap Leasing are collectively referred to as the "**Lessor Companies**". GECAS was the servicer for all of the leases entered into between the Lessor Companies and Transbrasil at that time.

In 1998 and 1999, following default by Transbrasil under its leases with the Lessor Companies, GECAS, on behalf of the Lessor Companies, restructured the debt owed to them by Transbrasil, which issued seven promissory notes to the Lessor Companies as guarantees of the payment obligations under such restructured debt. The Servicer has informed Airplanes Holdings that the promissory note issued to Airplanes Holdings is in the amount of US\$7,196,700 (the "**Holdings Note**"). In 2000, Transbrasil defaulted on the promissory notes. In January 2001, GECAS, acting on behalf of Airplanes Holdings, took steps toward initiating a collection against Transbrasil by presenting the Holdings Note to a notary public for payment (also known as a 'protest'). At the same time, GECAS, acting on behalf of the other Lessor Companies, presented five of the other six promissory notes to a notary public for payment. Shortly thereafter (though Airplanes Holdings was not informed of this until well after the fact), in response to the presentment of the Holdings Note, as well as the promissory notes presented on behalf of the other Lessor Companies, Transbrasil sought an injunction to stay the protest of the six promissory notes and, thereafter, commenced a lawsuit (the "**Declaratory Action**") against Airplanes Holdings and the other Lessor Companies (i) seeking a declaration that the promissory notes which Airplanes Holdings and the other Lessor Companies were seeking to collect had already been paid by Transbrasil (initially

arguing that they were, at least, partially paid, but subsequently asserting that they were fully paid) and were therefore invalid and (ii) seeking the imposition of a penalty against Airplanes Holdings and the other Lessor Companies of twice the amount of the promissory notes. In addition, Transbrasil sought to have Airplanes Holdings and the other Lessor Companies indemnify Transbrasil for the losses resulting from the alleged wrongful collection of the promissory notes.

In July 2001, GE Capital, as a Lessor Company holding one of the promissory notes, initiated an action in its own name seeking the declaration of the bankruptcy of Transbrasil, which was granted on appeal. This decision was challenged by Transbrasil through a special appeal filed before the Federal Court of Appeals and an extraordinary appeal filed before the Supreme Court. This special appeal was denied and the motion to clarify subsequently filed by Transbrasil was also denied. Currently, a divergence appeal by Transbrasil against the decision on the motion to clarify is pending (based on a dissenting opinion previously rendered by the Federal Court of Appeals in a case that Transbrasil alleges to be similar to the request for its bankruptcy). The extraordinary appeal before the Supreme Court remains dormant until the Federal Court of Appeals decides the divergence appeal premised upon the referenced dissenting opinion. That divergence appeal remains dormant until the separate divergence appeals filed in connection with the Declaratory Action (as discussed below) are heard by the Federal Court of Appeals.

In November 2001, GECAS, on behalf of five of the Lessor Companies (including Airplanes Holdings, but excluding GE Capital), commenced separate suits (the “**Collection Proceedings**”) against Transbrasil seeking to collect on the Lessor Companies’ respective promissory notes. Some of the Collection Proceedings have been suspended until the Declaratory Action is finally decided.

On May 3, 2007, the Declaratory Action of 2001 was decided in favour of Transbrasil by the 22nd Lower Court of the county of Sao Paulo, Brazil (the “**Lower Court**”). Both Transbrasil and GECAS, on behalf of the Lessor Companies appealed that judgment (the “**2007 Judgment**”), which was confirmed by the 2010 Judgment rendered by the Appellate Court of the State of Sao Paulo (the “**State Appellate Court**”) in February 2010, which ruling was not made public by the State Appellate Court until May 25, 2010. The 2010 Judgment ordered that the Lessor Companies (including Airplanes Holdings) pay to Transbrasil twice the amount of the promissory notes plus damages for the loss suffered by Transbrasil due to the attempted enforcement/collection of the promissory notes (including the loss suffered due to the declaration of Transbrasil’s bankruptcy) as well as court mandated legal fees and court costs. Transbrasil alleged that the 2010 Judgment also provides for certain interest and monetary adjustments for inflation to be applied to the amounts awarded. The 2010 Judgment allowed the calculation of the amounts to be completed at a later stage. In the case of Airplanes Holdings, twice the amount of the Holdings Note is approximately US\$15 million. The State Appellate Court provided no basis for calculating the amount of damages or the loss suffered as a result of the declaration of Transbrasil’s bankruptcy. The court mandated legal fees were awarded in an amount equal to ten percent of the total liability due under the other elements of the 2010 Judgment, but an exact dollar amount is not capable of calculation at this time given the lack of clarity in the amount of the other elements of the 2010 Judgment.

Airplanes Holdings, together with the other Lessor Companies, also held a portion of another one of the promissory notes (the “**AerCap Leasing Note**”) that is the subject of a Collection Proceeding commenced only in the name of AerCap Leasing. Airplanes Holdings was not a party to that case. Airplanes Holdings understands that it is unlikely to have liability with respect to actions taken to collect on the AerCap Leasing Note, but that AerCap Leasing nevertheless may seek to hold it responsible for a percentage of AerCap Leasing’s exposure to Transbrasil arising from the Collection Proceeding commenced in AerCap Leasing’s name. (Though this action was

dismissed as part of the 2010 Judgment, Transbrasil's claims for damages arising from the action continue.) The AerCap Leasing Note (of which Airplanes Holdings' share would be approximately 42%) was in the amount of approximately US\$5.3 million. As noted above, if Airplanes Holdings were found to be responsible for a portion of AerCap Leasing's exposure, its potential liability would increase.

Following the decisions in the Declaratory Action in Transbrasil's favor, Transbrasil filed a motion to dismiss the Collection Proceedings commenced by GECAS on behalf of Airplanes Holdings and the other Lessor Companies (with the exception of AerCap Leasing). This motion was denied by the Lower Court judge and the interlocutory appeal filed against such decision was also denied by the State Appellate Court. A motion to clarify filed by Transbrasil against such decision was denied, and a special appeal filed by Transbrasil was rejected pursuant to a decision which became final on April 28, 2014. (Transbrasil also filed a motion to dismiss the Collection Proceeding commenced by AerCap Leasing, which was granted. That decision was challenged in an appeal filed by AerCap Leasing, which was heard by the three judges of the State Appellate Court in June 2013, who ruled that the Collection Proceeding should be suspended until the final judgment of the Declaratory Action by the Federal Court of Appeals in the Special Appeal referred to below).

On June 8, 2010, GECAS, on behalf of Airplanes Holdings as well as the GE Lessors, filed two appeals against the 2010 Judgment. One appeal (the "**Special Appeal**") was filed with the Federal Court of Appeals of Brazil (Superior Tribunal de Justiça). The other appeal was filed by way of a Request for Certiorari coupled with an extraordinary appeal addressed to the Supreme Court of Brazil (Supremo Tribunal Federal). The appeal to the Supreme Court was to stay dormant until the Federal Court of Appeals had decided the Special Appeal, but will now also stay dormant until the Federal Court of Appeals decides the divergence appeal which was filed by Transbrasil on February 7, 2014 as well as the two divergence appeals which were filed by the Lessor Companies on February 20, 2014 (as described in more detail below).

The Special Appeal was heard on October 22, 2013 and a decision was rendered on the same day by the Federal Court of Appeals (the "**October 2013 Decision**"). In the October 2013 Decision the Federal Court of Appeals judges (by a unanimous vote) overturned the 2010 Judgment of the State Appellate Court in a number of respects. The October 2013 Decision overturned the order contained in the 2010 Judgment that Airplanes Holdings and the other Lessor Companies pay a penalty of twice the amount of the promissory notes. Moreover, the October 2013 Decision dismissed Transbrasil's claim for indemnification for loss suffered due to the declaration of Transbrasil's bankruptcy and ruled that the Lessor Companies (including Airplanes Holdings) should only be liable to indemnify Transbrasil for the loss it suffered as a result of the protest of the promissory notes during the period between the submission of the promissory notes for protest and the date when the request for Transbrasil's bankruptcy was filed (subject to Transbrasil providing satisfactory evidence of any such loss). The October 2013 Decision recognised that by the time the promissory notes were submitted for protest, Transbrasil was already experiencing serious financial difficulties. In addition, the Federal Court of Appeals ruled in the October 2013 Decision that each party should bear its own legal fees, thereby effectively eliminating that element of the 2010 Judgment which provided for the Lessor Companies to pay court mandated legal fees to Transbrasil's lawyers.

In early November 2013 both Transbrasil and the Lessor Companies filed motions to clarify against the October 2013 Decision. On November 26, 2013 the Federal Court of Appeals rejected both Transbrasil's and the Lessor Companies' motions to clarify (the "**November 2013 Decision**"),

meaning that the October 2013 Decision became effective (for the purpose described below) on December 9, 2013 and remains unaltered and in force as at the date of this Quarterly Report. The October 2013 Decision and the November 2013 Decision are together referred to below simply as the “October 2013 Decision”. Against the October 2013 Decision, Transbrasil filed a divergence appeal on February 7, 2014 (the “**Divergence Appeal**”) and the Lessor Companies also filed two divergence appeals on February 20, 2014 (the “**Lessor Companies Divergence Appeal**”). A divergence appeal is an appeal filed by a party that was unsuccessful in one or more issues brought to the attention of the Federal Court of Appeals whereby the unsuccessful party argues that the decision of that court was inconsistent with previous decisions of the same court and should therefore be overturned. The filing of the Divergence Appeal means that the October 2013 Decision, whilst effective for the purpose of allowing Airplanes Holdings and the other Lessor Companies to request termination of the various provisional enforcement proceedings initiated by Transbrasil in the Lower Courts (as described below), is not yet final. Airplanes Holdings understands that the Divergence Appeal was filed by Transbrasil after the permitted deadline for filing such an appeal and therefore may be challenged on that basis.

The Divergence Appeal seeks to nullify the October 2013 Decision and restore the terms of the 2010 Judgment. The Lessor Companies Divergence Appeal seeks to expand the October 2013 Decision to eliminate any aspects thereof that are favorable to Transbrasil.

On March 1, 2014 the Lessor Companies Divergence Appeal was forwarded to the Special Court of the Federal Court of Appeals (the “**Special Court**”), which is comprised of 15 judges of the Federal Court of Appeals. The Lessor Companies Divergence Appeal will be decided by the Special Court in the majority of the issues of merit, with the remainder of the issues of merit to be subsequently decided by the 2nd Section of the Federal Court of Appeals. The Lessor Companies Divergence Appeal will be decided in advance of the Divergence Appeal. Once this happens, the Divergence Appeal will be addressed to the 2nd Section of the Federal Court of Appeals, which is a group of two chambers of the Federal Court of Appeals (including the one which rendered the October 2013 Decision) where it will be decided by ten judges en banc. On November 27, 2015, the reporting judge for the Lessor Companies Divergence Appeal denied admissibility to such appeal. On November 30, 2015, the Lessor Companies filed an Internal Appeal against such decision. In response, on December 7, 2015, Transbrasil filed an opposition to the Internal Appeal. On March 2, 2016, the Special Court denied the Lessor Companies Internal Appeal and upheld the decision not to admit the Lessor Companies Divergence Appeal. Such decision was published on the Official Gazette on March 21, 2016. Recently, the court records of the Declaratory Case were sent to the 2nd Section of the Federal Court of Appeals, which will decide the residual portion of the Lessor Companies Divergence Appeal and the Divergence Appeal. A summary outline of the decision tree for both the Lessor Companies Divergence Appeal and the Divergence Appeal is as follows:

- (i) If the decision by the Special Court is to uphold the October 2013 Decision and expand it for the benefit of the Lessor Companies, then Transbrasil will be able to file motions to clarify against such decision.
- (ii) If such motions are not granted, such that the decision by the Special Court remains unaltered, the 2nd Section of the Federal Court of Appeals will proceed with the review and decision in connection with the Divergence Appeal in respect of issues raised in such appeal that were not decided by the Special Court in the Lessor Companies Divergence Appeal.

- (iii) If the decision by the Special Court upholds the October 2013 Decision, even after Transbrasil's motions to clarify, Transbrasil will be able to then file an extraordinary appeal with the Supreme Court, within 15 days of the publication of the decision by the 2nd Section indicated immediately below.
- (iv) After the Special Court renders its decision in connection with the Lessor Companies Divergence Appeal, the portion of such appeal that needs to be decided by the 2nd Section as well as the Divergence Appeal will be reviewed and decided by the 10 judges that make up the 2nd Section, concomitantly with the Divergence Appeal. If the decision by the judges of the 2nd Section in connection with both the remaining portion of the Lessor Companies Divergence Appeal as well as the Divergence Appeal (a) is in favor of maintaining intact or improving the Lessor Companies' position vis-à-vis the October 2013 Decision, Transbrasil will be able to file motions to clarify before the same group of judges, and if such motions are denied, then Transbrasil will be able to file an extraordinary appeal against such decisions before the Supreme Court; or (b) is in favor of Transbrasil, then the Lessor Companies will be able to file motions to clarify before the same group of judges, which, if denied, would allow the Lessor Companies to file an extraordinary appeal against such decisions before the Supreme Court.
- (v) If Airplanes Holdings and the other Lessor Companies, or Transbrasil, file an extraordinary appeal as indicated above, such appeal will be evaluated for purposes of admissibility by the Supreme Court and, if admitted, will run its course together with the extraordinary appeal filed by GECAS on behalf of Airplanes Holdings and the GE Lessors in 2010 and which has been dormant pending the decision in the Special Appeal by the Federal Court of Appeals (and which now also remains dormant pending the decision in the Lessor Companies Divergence Appeal and the Divergence Appeal). If, however, one or more of such extraordinary appeals is not admitted, the party affected may still file an interlocutory appeal with the Supreme Court seeking admittance of the extraordinary appeal that was denied processing. If the interlocutory appeal is granted, then the extraordinary appeal to which it related will be forwarded to the Supreme Court. If the interlocutory appeal is rejected, the party affected may file an internal appeal with the Supreme Court to try to reverse such decision barring which such extraordinary appeal will not be processed. If Transbrasil is the party whose extraordinary appeal is not admitted, and its interlocutory appeal and internal appeal are rejected, then it will have no further opportunity to appeal the October 2013 Decision or the decisions by the Special Court and the 2nd Section of the Federal Court of Appeals.
- (vi) Any extraordinary appeal filed by Airplanes Holdings and the other Lessor Companies or Transbrasil, would be in addition to the one filed already by GECAS on behalf of Airplanes Holdings and the GE Lessors in 2010 and which (a) will be kept dormant until a final decision relating to the Lessor Companies Divergence Appeal and the Divergence Appeal, and (b) will be adjusted to reflect the fact that various issues discussed therein may have become moot because of the October 2013 Decision as well as other decisions of the Special Court and the 2nd Section of the Federal Court of Appeals.

If the October 2013 Decision is maintained in full after the final decision in the Lessor Companies Divergence Appeal and the Divergence Appeal, then the calculation of possible damages to Transbrasil indicated by the October 2013 Decision will be performed in the context of the provisional enforcement proceeding filed by the former owners of Transbrasil in which they were originally seeking indemnification for the bankruptcy of Transbrasil and which now will be used

for this purpose. If this occurs, the calculation will be performed before the Supreme Court addresses the extraordinary appeal and for this reason, the calculation will be performed on a preliminary basis.

On July 13, 2011, a lower court in the county of Sao Paulo, State of Sao Paulo, Brazil made public a motion filed by the bankruptcy trustee for Transbrasil (the “**Bankruptcy Trustee**”) for provisional enforcement of the 2010 Judgment, in which the Bankruptcy Trustee provided the court with its calculation of the amounts owed. The Bankruptcy Trustee’s calculation covered twice the amount of the promissory notes plus interest and monetary adjustments, but did not include any amount for court mandated legal fees and court costs or for damages for the loss suffered by Transbrasil as a result of it being placed into bankruptcy. The Bankruptcy Trustee’s calculation of twice the amount of the promissory notes plus interest and monetary adjustments is approximately R\$330 million / US\$165 million in the aggregate for all Lessor Companies. Airplanes Holdings believes that the amount sought by the Bankruptcy Trustee is grossly overstated because the calculation has been made in a manner inconsistent with the applicable law and the terms of the 2010 Judgment. The aggregate amount of approximately US\$165 million calculated by the Bankruptcy Trustee did not differentiate between the amounts owed by each of the Lessor Companies and the 2010 Judgment did not address whether there was joint and several liability as between each of the Lessor Companies and the proportion that should be observed for the split of the liability among the Lessor Companies.

Two other similar motions for provisional enforcement of the 2010 Judgment were also filed – one by the former owners of Transbrasil and another by Transbrasil’s lawyers. The amount calculated by the former owners of Transbrasil as being payable by the Lessor Companies also sought twice the amount of the promissory notes (plus interest and monetary adjustments), but their calculation of such amount was approximately R\$397 million / US\$198.5 million. The motions filed by the Bankruptcy Trustee and the former owners of Transbrasil were manifestly duplicative.

On August 8, 2012, the Lower Court ruled that the motion for provisional enforcement filed by the Bankruptcy Trustee should be terminated. Following this decision, the provisional enforcement proceeding initiated by the Bankruptcy Trustee has been used by Transbrasil to seek the establishment of the amount of the indemnification for the losses resulting from the alleged wrongful collection of the promissory notes as determined in the 2010 Judgment. The criteria for the calculation of this element of the 2010 Judgment is being challenged by the GE Lessors as Transbrasil is trying to perform such calculation through an expert examination (known as an “*arbitration*”) while it is Airplanes Holdings’ understanding that the Brazilian Civil Procedure Code provides that such calculation should be performed through a more detailed proceeding (known as “*articles*”). The Lower Court judge issued a decision which in turn had failed to decide whether the calculation of the indemnification to Transbrasil under the provisional enforcement proceeding should be performed through “*arbitration*” or “*articles*” on the grounds that this matter had already been decided by the State Appellate Court. Brazilian legal counsel retained by the Servicer on behalf of Airplanes Holdings (“**Brazilian Counsel**”), on behalf of the GE Lessors and Airplanes Holdings, filed interlocutory appeals against such decision, which were dismissed, on a preliminary basis, by the State Appellate Court judge, sitting alone, on the same basis as for the decision rendered by the Lower Court judge. The preliminary decision issued by the State Appellate Court judge was, however, reversed on November 7, 2012 in response to two motions filed by Brazilian Counsel on behalf of the GE Lessors and Airplanes Holdings by way of internal interlocutory appeals, and, as a result, the interlocutory appeals regarding the procedure to be followed for calculation of the indemnification amount were heard by the full chamber of the State

Appellate Court in June 2013. The full chamber of the State Appellate Court denied (by 2 to 1 vote) the interlocutory appeals filed by Airplanes Holdings and the GE Lessors and ruled that the calculation of the indemnification should be performed through “*arbitration*”. Against this ruling, Airplanes Holdings and the GE Lessors filed motions to clarify with the same chamber, which were denied. On September 30, 2013 a special appeal was filed before the Federal Court of Appeals by Airplanes Holdings and the GE Lessors, challenging this decision. Brazilian Counsel has advised Airplanes Holdings that as a result of the October 2013 Decision, it expects that the provisional enforcement proceeding seeking the indemnification for the losses resulting from the alleged wrongful collection of the promissory notes should terminate in the near future given that the October 2013 Decision has now become effective (for the purpose of allowing the Lessor Companies to request termination of the various provisional enforcement proceedings initiated by Transbrasil), as the Federal Court of Appeals ruled that Airplanes Holdings and the other Lessor Companies had no liability for such losses. However, as stated above, the Federal Court of Appeals ruled in the October 2013 Decision that the Lessor Companies (including Airplanes Holdings) should be liable to indemnify Transbrasil for the loss, if any, which it suffered as a result of the protest of the promissory notes between the date when such protest was effected and the date of filing of the request for bankruptcy (subject to Transbrasil providing satisfactory evidence of any such loss). In this regard, the November 2013 Decision has clarified that the calculation of the indemnification shall be performed through “*arbitration*”.

Airplanes Holdings understands that as a result of the October 2013 Decision, there is no basis for the provisional enforcement proceeding filed by the former owners of Transbrasil seeking indemnification for the bankruptcy of Transbrasil to continue and Airplanes Holdings expects that it will be terminated in the near future given that the October 2013 Decision has now become effective for this purpose. Airplanes Holdings also understands that Transbrasil is likely to try to keep this provisional enforcement proceeding alive, or to start a new one, encompassing the indemnification for the loss, if any, which it suffered as a result of the protest of the promissory notes. Brazilian Counsel, on behalf of Airplanes Holdings and the GE Lessors, has requested that, at a minimum, such provisional enforcement proceeding be halted until a final decision is rendered in connection with the appeals relating to the October 2013 Decision. The Lower Court judge has indicated that the parties to such provisional enforcement proceeding must wait until the case is finally decided in order to determine whether or not there is a need for the court to appoint an expert to assess any losses suffered by Transbrasil further to the October 2013 Decision.

The motion for provisional enforcement of the 2010 Judgment filed by Transbrasil’s lawyers sought payment of court mandated legal fees in an aggregate amount of approximately R\$40 million / US\$20 million, which amount represented ten percent of their own calculation of twice the amount of the promissory notes plus interest and monetary adjustments. Airplanes Holdings understands that as a result of the October 2013 Decision, the claim by Transbrasil’s lawyers for court mandated legal fees no longer had any basis as the Federal Court of Appeals ruled that each of the litigating parties should bear the costs of its own counsel. On February 3, 2014 the Lower Court judge ruled that the provisional enforcement proceeding seeking payment of court mandated legal fees should be terminated and that the related letters of guarantee presented on behalf of the Lessor Companies (as described below) should be released, but (whilst the related letters of guarantee have now been released) this ruling regarding termination of this provisional enforcement proceeding has not yet become final since Transbrasil and the Lessor Companies filed appeals to the State Appellate Court. Transbrasil requested the annulment of the decision that has terminated the provisional enforcement proceeding and the stay of the proceedings (including the maintenance of the letters of guarantee presented by the Lessor Companies) until a final decision is issued in the Special Appeal. The Lessor Companies requested that the assessment of the losses

suffered by them due to the provisional enforcement proceedings initiated by Transbrasil be made in the court records of the proceeding and that the court mandated legal fees awarded to the Lessor Companies' counsel be increased. At the same time, the Lessor Companies asked the Lower Court to release all of the letters of guarantee which they had previously supplied to guarantee their ability to file an opposition against the provisional enforcement proceedings initiated by Transbrasil's former owners and their lawyers (which release has now occurred, as described below).

The motions presented by the former owners of Transbrasil and Transbrasil's lawyers both indicated the Lessor Companies' liability as several (save with regard to the AerCap Leasing Note, where the allocation of liability as between the Lessor Companies is unclear) and indicated the amounts being sought from each Lessor Company. The amounts payable by Airplanes Holdings with respect to the Holdings Note were listed in the motions as follows: approximately R\$146 million / US\$73 million (representing twice the amount of the Holdings Note plus interest and monetary adjustments) and approximately R\$14 million / US\$7 million (representing court mandated legal fees related to the Holdings Note plus interest and monetary adjustments). Airplanes Holdings believes that both figures are grossly overstated because in each case the calculation has been made in a manner inconsistent with the applicable law and with the terms of the 2010 Judgment.

Since commencement of the provisional enforcement proceedings in July 2011 to enforce the 2010 Judgment, Brazilian Counsel has taken several measures seeking to suspend such proceedings pending the decision on the Special Appeal, which has now been rendered on October 22, 2013. Brazilian Counsel, on behalf of the GE Lessors and Airplanes Holdings, filed an interlocutory appeal in the provisional enforcement proceeding initiated by the Bankruptcy Trustee, which although it was preliminarily granted in favor of such Lessor Companies, was ultimately denied by the State Appellate Court. Brazilian Counsel, on behalf of the GE Lessors and Airplanes Holdings, also instituted a number of measures in the provisional enforcement proceedings initiated by Transbrasil's former owners and their lawyers. These measures were ultimately denied by the Lower Court in the proceeding brought by Transbrasil's former owners and an appeal of that decision was also denied by the State Appellate Court. The measures brought in the proceeding commenced by Transbrasil's lawyers were also denied. Two requests for injunction filed by Brazilian Counsel on behalf of Airplanes Holdings and the GE Lessors before the State Appellate Court and the Federal Court of Appeals each seeking the suspension of the decision rendered on the Declaratory Action and a stay of the provisional enforcement proceedings were preliminarily denied. Interlocutory appeals challenging those denials were filed and also denied.

Brazilian Counsel, on behalf of Airplanes Holdings and the GE Lessors, filed three motions to clarify against the decisions in such interlocutory appeals – one in connection with the interlocutory appeal filed by Airplanes Holdings and the GE Lessors and one in each of the two interlocutory appeals filed by Transbrasil. The decisions on such motions, rendered in May 2012, were unfavorable to Airplanes Holdings and the GE Lessors. Three special appeals were filed against these decisions by Brazilian Counsel on behalf of Airplanes Holdings and the GE Lessors, which are still pending judgment before the Federal Court of Appeals. However, as a result of the October 2013 Decision, no further appeals have been made by Brazilian Counsel, who have sought the dismissal of all pending provisional enforcement proceedings and related motions and appeals given that the October 2013 Decision has now become effective for this purpose.

In an effort to speed up the development of the provisional enforcement proceedings in respect of the 2010 Judgment, in June 2012 Transbrasil filed three interlocutory appeals (one in each provisional enforcement proceeding) against the decision by the Lower Court judge of March 2012 that required certain steps to be taken prior to moving ahead with the provisional enforcement proceedings. On June 19, 2012, the reporting judge of the State Appellate Court issued decisions finding two of the three interlocutory appeals to be without grounds, but directing the third provisional enforcement proceeding (brought by Transbrasil's former owners seeking twice the amount of the promissory notes) to move forward. Notwithstanding the more limited decision of the reporting judge of the State Appellate Court, Transbrasil nevertheless presented this decision to the Lower Court not only in respect of that provisional enforcement proceeding, but also in respect of the provisional enforcement proceeding brought by Transbrasil's lawyers seeking to recover court mandated legal fees.

On June 21, 2012, the Lower Court judge responsible for hearing the provisional enforcement proceedings issued the following two Orders to Pay: (i) ordering the Lessor Companies to make a payment to the Lower Court of twice the amount of the promissory notes (plus interest and monetary adjustments) and (ii) ordering the Lessor Companies to make a payment to the Lower Court for court mandated legal fees (plus interest and monetary adjustments). Transbrasil alleged in its pleading that Airplanes Holdings' share of these amounts is approximately R\$146 million / US\$73 million and approximately R\$14 million / US\$7 million, respectively, for amounts directly attributable to the Holdings Note. The Orders to Pay direct payment of approximately R\$118 million / US\$59 million to be made by the Lessor Companies with respect to the AerCap Leasing Note, but it is not possible to attribute any particular amount to any particular Lessor Company nor do the Orders to Pay contain any provision providing for joint liability. As a result, without further clarification from the Lower Court, it is impossible for Airplanes Holdings to discern what amount, if any, is due from it under the terms of the Orders to Pay with respect to the AerCap Leasing Note. Brazilian Counsel, on behalf of Airplanes Holdings and the GE Lessors, filed both a writ of mandamus and complaint with the State Appellate Court seeking to deny the effect of the reporting judge's June 19, 2012 decision and, by extension, the Lower Court judge's June 21, 2012 Orders to Pay. Brazilian Counsel also filed a request for the suspension of the decisions rendered by the Lower Court judge, which were published in the Brazilian official gazette on June 26, 2012. On June 27, 2012, both the writ of mandamus and the aforementioned complaint were dismissed. Brazilian Counsel, on behalf of Airplanes Holdings and the GE Lessors, also filed two motions to dismiss the provisional enforcement proceedings brought by the former owners of Transbrasil and Transbrasil's lawyers. The preliminary requests for suspension of such provisional enforcement proceedings were denied by the Lower Court judge and interlocutory appeals were filed against these decisions. These interlocutory appeals were withdrawn once Airplanes Holdings and the GE Lessors were able to present full defenses, including through the filing of certain motions to stay, upon the presentation of letters of guarantee to the Lower Court. On behalf of Airplanes Holdings and the GE Lessors, Brazilian Counsel presented letters of guarantee in order to avoid any judicial lien or other enforcement against their assets and to allow the presentation of the full defense in these provisional enforcement proceedings. These letters of guarantee were filed with the Lower Court on July 25, 2012. (On December 18, 2012, GECAS posted additional letters of guarantee to cover the actions against AerCap Ireland Limited and AerCap Leasing, including with respect to the AerCap Leasing Note). Shortly after the July 25, 2012 submission of the letters of guarantee, Brazilian Counsel, on behalf of Airplanes Holdings and the GE Lessors, also filed two motions to stay the provisional enforcement proceedings brought by the former owners of Transbrasil and Transbrasil's lawyers.

As a result of the October 2013 Decision Airplanes Holdings expected that the Orders to Pay would be effectively cancelled and the letters of guarantee presented to the Lower Court would be returned to Airplanes Holdings and the other Lessor Companies given that the October 2013 Decision had become effective for this purpose. The Lessor Companies filed requests before the Lower Court where such provisional enforcement proceedings were ongoing seeking the cancellation of the Orders to Pay and the release of each of the letters of guarantee presented. The request for the cancellation of the Orders to Pay and release of the related letters of guarantee in connection with the provisional enforcement proceeding seeking to recover court mandated legal fees was granted by the Lower Court judge on February 4, 2014 and the related letters of guarantee were released on August 22, 2014. In addition, the request for the cancellation of the Orders to Pay and release of the related letters of guarantee in connection with the provisional enforcement proceeding seeking to recover twice the amount of the promissory notes was granted by the Lower Court judge on August 7, 2014 and the related letters of guarantee were released on August 22, 2014. Transbrasil has, however, appealed these decisions that have dismissed these provisional enforcement proceedings and cancelled the Orders to Pay. As a result, such decisions are not yet final and the Orders to Pay may be reinstated if Transbrasil is successful in its appeal. On March 30, 2016 the State Appellate Court denied Transbrasil's appeal and partially granted the Lessor Companies' appeals. In what pertains to the Lessor Companies' appeals, the State Appellate Court ruled that the assessment of the losses suffered by the Lessor Companies due to the provisional enforcement proceedings initiated by Transbrasil be made in the same court records and denied the request to increase the court mandated legal fees. The State Appellate Court denied Transbrasil's appeal and upheld the Lower Court's decision that dismissed the provisional enforcement proceeding relating to the recovery of twice the amount of the promissory notes. In May 2016, the parties filed motions to clarify against the latest decision rendered by the State Appellate Court in connection with the matter pertaining to twice the amount of the promissory notes.

The motion to stay filed in July 2012 in respect of the provisional enforcement proceeding relating to twice the amount of the promissory notes was rejected by the Lower Court judge. In the same decision, the related letters of guarantee were not accepted by the Lower Court judge. A motion to clarify was filed against such decision by Brazilian Counsel on behalf of one of the Lessor Companies, NAS. The decision on that motion to clarify, among other things, reaffirmed the denial of the motion to stay and the rejection of the related letters of guarantee. In the same decision the Lower Court judge directed the Lessor Companies to provide information regarding their financial assets in Brazil, if any, their Brazilian tax ID numbers, if any, and their legal representation in Brazil. In response to such decision, new motions to clarify were filed by Brazilian Counsel on behalf of Airplanes Holdings and the other Lessor Companies. Those motions were rejected. An interlocutory appeal addressed to the State Appellate Court was filed on February 4, 2013 against the rejection of the motions to clarify. The Lessor Companies also made a request for injunctive relief in order to suspend the challenged decision, but this request was denied. As of the date hereof, the interlocutory appeal remains pending, but has been rendered moot by the October 2013 Decision, which has also rendered moot the orders directing the Lessor Companies to provide financial information and Brazilian tax ID numbers.

On the motion to stay filed in July 2012 in respect of the provisional enforcement proceeding relating to the court mandated legal fees a decision accepting the related letters of guarantee was rendered. The Lower Court judge also denied the motion to stay and directed that the court files should be sent to a judicial accountant or to an expert in order to determine the correct amount of the court mandated legal fees awarded in the 2010 Judgment. Transbrasil filed a motion to clarify with respect to this decision that was granted and the Lessor Companies were directed to provide the same information as that referred to above regarding their financial assets in Brazil, if any, their

Brazilian tax ID numbers, if any, and their legal representation in Brazil. Transbrasil and Brazilian Counsel on behalf of NAS filed further motions to clarify with respect to this decision. With respect to those motions to clarify, the Lower Court rejected the motion filed on behalf of NAS and determined that the letters of guarantee would be accepted for the purposes of the preliminary enforcement proceeding seeking recovery of court mandated legal fees, but determined that the court files should not be sent to a judicial accountant or expert. An interlocutory appeal against these decisions to the State Appellate Court was filed by Brazilian Counsel on February 4, 2013. The Lessor Companies also made a request for injunctive relief in order to suspend the challenged decision, but this request was denied. Since the October 2013 Decision effectively eliminated the obligations of Airplanes Holdings and the other Lessor Companies to pay court mandated legal fees, the interlocutory appeals filed in connection with such proceedings became moot and the expectation is that the provisional enforcement proceeding related thereto initiated by Transbrasil's lawyers will be terminated and the related letters of guarantee that have been presented to the Lower Court judge will be returned to Airplanes Holdings and the other Lessor Companies given that the October 2013 Decision has now become effective for this purpose. As stated above, the request for the termination of this provisional enforcement proceeding, cancellation of the related Orders to Pay and release of the related letters of the guarantee was granted by the Lower Court judge and the related letters of guarantee were released on August 22, 2014, however this decision is not yet final, since Transbrasil has appealed from it. On March 30, 2016 the State Appellate Court denied Transbrasil's appeal and partially granted the Lessor Companies' appeals. In what pertains to the Lessor Companies' appeals, the State Appellate Court ruled that the assessment of the losses suffered by the Lessor Companies due to the provisional enforcement proceedings initiated by Transbrasil be made in the same court records and denied the request to increase the court mandated legal fees. The State Appellate Court denied Transbrasil's appeal and upheld the Lower Court's decision that dismissed the provisional enforcement proceeding relating to the court mandated legal fees. In July 2016, the parties filed motions to clarify against the latest decision rendered by the State Appellate Court in connection with the matter pertaining to the court mandated legal fees.

Although Airplanes Holdings has filed a proof of claim with the estate of Transbrasil's bankruptcy for amounts it is owed by Transbrasil, it is unlikely that Airplanes Holdings will recover any such amounts because such claims rank in priority behind claims for labor and taxes. Transbrasil opposed such filing by Airplanes Holdings and obtained a decision favorable to it, which includes the order for Airplanes Holdings to pay court mandated legal fees, court costs and fines. Brazilian Counsel, on behalf of Airplanes Holdings, appealed this decision to the State Appellate Court. This appeal was heard and denied and the order maintaining the decision was rendered by the Lower Court judge. Brazilian Counsel filed a motion to clarify in respect of this decision, which was rejected and followed by a special appeal filed in November 2013. Such special appeal is still pending judgment. The Lower Court judge authorized Transbrasil and the Bankruptcy Trustee to initiate proceedings to collect the court mandated legal fees. However, as there are appeals from both sides yet to be adjudicated by the Federal Court of Appeals, Transbrasil and the Bankruptcy Trustee refused to initiate a provisional enforcement proceeding. As a result, the Lower Court judge rendered a decision that determined the stay of all proceedings until the judgment of the special appeal.

In accordance with US Generally Accepted Accounting Principles, a provision of US\$19 million in respect of the Transbrasil litigation was reflected in the financial statements as at September 30, 2013. The October 2013 Decision, whilst not yet final (as a result of the Divergence Appeal filed by Transbrasil on February 7, 2014), overturns the 2010 Judgment in a number of respects. The Board reassessed the amount of the provision as at December 31, 2013 in

accordance with the requirements of US Generally Accepted Accounting Principles and determined that it was necessary to reduce the amount of the provision to US\$10 million as at December 31, 2013. Having regard, inter alia, to the payment during the quarter ended March 31, 2014 of US\$4.6 million to the Servicer by way of reimbursement of legal fees and expenses incurred in relation to the Transbrasil litigation (which amount had previously been provided for), the Board further reassessed the amount of the provision as at March 31, 2014 in accordance with the requirements of US Generally Accepted Accounting Principles and updated the amount of the provision to US\$6 million as at March 31, 2014. The Board have further reassessed the amount of the provision as at the end of each quarter and have updated the amount of the provision from US\$4 million as at December 31, 2014 to US\$3 million as of March 31, 2015. The provision remained at US\$3 million as at March 31, 2016. As at June 30, 2016, the provision remains at US\$3 million. The Board will continue to keep these matters under close review and to make adjustments as appropriate and necessary.

The representation of Airplanes Holdings in each of the legal proceedings referenced above has been and continues to be directed by GECAS as the Servicer of Airplanes Group. GECAS, as Servicer, together with Brazilian Counsel, are obligated to keep Airplanes Group fully informed as to developments in this matter.

As noted above, Airplanes Holdings believes it has strong defences against the substantive issues raised in the 2010 Judgment and the related proceedings brought by Transbrasil's former owners, the Bankruptcy Trustee and Transbrasil's lawyers. The October 2013 Decision has overturned the 2010 Judgment in a number of respects however, as discussed above, as a result of the filing of the Divergence Appeal the October 2013 Decision is not yet final and there remains uncertainty as to the final outcome of this litigation, both as regards whether the October 2013 Decision becomes final as currently written and whether the Brazilian courts ultimately rule in favor of Airplanes Holdings in other respects and, in the event they do not do so, as regards the amount which could ultimately be adjudged to be payable by Airplanes Holdings. In addition, the timing for finalisation of the October 2013 Decision as well as any further proceedings including any extraordinary appeal to the Supreme Court remains unclear. Therefore, the timing of when any amount ultimately adjudged to be payable by Airplanes Holdings would be due also remains unclear.

As discussed in "Note 1. Basis of Preparation" above, the Board (having taken legal advice, including as to the position of Airplanes Holdings as a matter of Irish law and the position of Airplanes Limited as a matter of Jersey law and New York law) determined on June 28, 2012 that, commencing July 16, 2012, it was necessary to increase the level of the Liquidity Reserve (held by way of the Maintenance Reserve Amount). On October 8, 2013 and November 2, 2015 the Board determined that it was necessary to further increase the level of the Liquidity Reserve. The increases in the Liquidity Reserve were intended to ensure that in all currently reasonably foreseeable circumstances Airplanes Holdings will have funds available to be able to comply with any order to pay (including those published on June 26, 2012), to challenge calculations made by Transbrasil in the provisional enforcement proceedings, and/or to pay any judgments ultimately awarded against Airplanes Holdings in the Transbrasil litigation. For each payment date following the sale of Airplanes Group's final aircraft, which sale occurred on May 6, 2016, the Maintenance Reserve Amount is required to be zero pursuant to the trust indentures. Therefore, in accordance with the trust indentures, certain amounts previously included in the calculation of the Maintenance Reserve Amount were included in the calculation of Permitted Accruals forming the Required Expense Amount for the May 16, 2016 payment date and continued to be included in such calculations for the June 15, 2016 payment date. The Required Expense Amount reserved in

the expense account will be available in accordance with the trust indentures to pay expenses of Airplanes Group, including any judgments ultimately awarded against Airplanes Holdings in the Transbrasil litigation. Whilst no assurance can be given as to whether any of the reserve now held by way of the Required Expense Amount may ultimately need to be utilised to make payments under the Transbrasil proceedings, to the extent not so utilised, such reserve would ultimately be available to fund payments on the subclass A-9 notes (to the extent not otherwise required to discharge any other liability of Airplanes Group ranking senior thereto in the priority of payments).

The Board determined that this action was necessary to ensure compliance with Airplanes Group's contractual requirements and applicable law while at the same time continuing to vigorously dispute liability in an effort to have as much as possible of these reserves paid ultimately to the subclass A-9 noteholders if the litigation is ultimately resolved in favor of Airplanes Holdings or if Airplanes Holdings' ultimate liability is for a lower amount. The Board will continue to keep these matters under close review and to make adjustments as appropriate and necessary.

Indemnification Claim by AerCap Ireland Limited

In February 2015 Airplanes Group was notified by AerCap Ireland Limited that it intended to seek indemnification from Airplanes Group in relation to certain Indian litigation proceedings.

AerCap Ireland Limited has asserted that Airplanes Finance Limited, a subsidiary of Airplanes Holdings, is liable to indemnify AerCap Ireland Limited under the terms of a sub-lease assignment agreement entered into between such parties on March 8, 1996 pursuant to which the lease of one B737-200A aircraft to East West Travel and Trade Links Limited ("**East West**") was assigned by AerCap Ireland Limited to Airplanes Finance Limited. AerCap Ireland Limited has indicated that it is one of several defendants under Indian litigation proceedings concerning East West, which proceedings were commenced by the airports authority of India (the "**AAI**") in 1997 and remain ongoing. AerCap Ireland Limited has indicated that whilst it continues to defend itself in the proceedings, it intends to seek indemnification both for any liability which it may ultimately be adjudged to have to the AAI as well as its reasonable legal fees in defending the proceedings.

At this time Airplanes Group does not accept that it has any liability in connection with this matter; however it is in discussions with AerCap Ireland Limited in order to assess both the validity of the purported indemnification obligation and the possible size of any potential claim which may ultimately be made against Airplanes Group.

In light of the uncertainties around both the validity of the purported indemnification obligation as well as the likelihood and possible size of any potential claim, no provision in respect of this matter has been made in the Financial Statements as at June 30, 2016. The ultimate resolution of the matter could however have a further adverse impact on our cashflows.

The accompanying unaudited condensed interim financial statements of Airplanes Limited and Airplanes Trust (pages 3 to 28) 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 2016 Annual Report.

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

A. Introduction

The Board consider that it is no longer appropriate to prepare the Financial Statements for Airplanes Group on a going concern basis given that at the date of the Financial Statements the current expectation is that the vehicle will be wound up within the next twelve months. The financial statements for the years ended March 31, 2015 and 2016 were also prepared on a liquidation basis in accordance with FASB ASC 205-30. In accordance with the requirements of FASB ASC 205-30, all assets are stated at the best estimate of their recoverable amount and the results for the quarter ended June 30, 2016 are described as being on a discontinuing basis. In addition, an accrual has been made for the estimated winding up costs of the vehicle.

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. You should note 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 have been managed 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 in the indentures 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 all amounts due and payable on a more senior class of notes of Airplanes Limited or Airplanes Trust, respectively, have been paid pursuant to the terms of the more senior classes of notes or the guarantees of these notes.

As described in more detail in "1C. Basis of Preparation – Recent Developments and Anticipated Remaining Trading Activities" above, there is currently a dispute between the Controlling Holders and Airplanes Group as to whether or not an Event of Default has occurred. The respective counsel to Airplanes Group, the Controlling Holders and DBTCA are currently in discussions regarding the appropriate way to proceed in light of such dispute.

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 2016 Annual Report.

B. Results of Operations - Three Months Ended June 30, 2016

The Financial Statements have been prepared on a liquidation basis in accordance with FASB ASC 205-30. A Statement of Net Liabilities is presented as well as a Statement of Change in Net Liabilities. In accordance with the requirements of FASB ASC 205-30, all assets are stated at the best estimate of their recoverable amount and the results for the quarter ended June 30, 2016 are described as being on a discontinuing basis. In addition, an accrual has been made for the estimated winding up costs of the vehicle. The Statement of Change in Net Liabilities outlines the movement in the accrual for winding up costs between April 1, 2016 and June 30, 2016 and the trading activity in the quarter ended June 30, 2016, as well as the movement in other assets and liabilities.

Airplanes Group's results from its discontinuing operations for the three month period ended June 30, 2016 reflected a continuation of the very difficult trading conditions for Airplanes Group. Various factors, including the timing of receipts and expenditures and non-recurring items, can result in short term swings in any particular reporting period.

Change in Net Liabilities for the period April 1, 2016 to June 30, 2016

The change in net liabilities totals nil for the three month period ended June 30, 2016. The movement between April 1, 2016 and June 30, 2016 includes an increase in the cash balance in the three month period of \$35 million. The movement in the cash balance relates primarily to the proceeds from the sale of Airplanes Group's final aircraft. The movement in the three month period also reflects an increase in accrued expenses and other liabilities of \$215 million. This is offset by a decrease in the accrued winding up costs of \$220 million. As noted throughout this Quarterly Report, all aircraft have now been sold. Estimated costs for the six months to December 31, 2016 have been included within the winding up accrual.

Indebtedness

Airplanes Group's indebtedness at June 30, 2016 consisted of class A to E notes in the amount of \$1,403 million. Airplanes Group's outstanding publicly traded class A to D notes amounted to \$1,391 million at June 30, 2016. Airplanes Group had \$12 million of class E notes outstanding at June 30, 2016.

The weighted average interest rate on the class A to D notes during the three month period ended June 30, 2016 was 5.6% and the average debt in respect of the class A to D notes outstanding during the period was \$1,391 million. The remaining Airplanes Limited class E notes together with the accrued but unpaid class E note interest thereon, accrue interest at a rate of 20% per annum (as adjusted by reference to the US consumer price index with effect from March 28, 1996).

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. To the extent that step-up interest is not paid, it will accrue interest in accordance with the terms of the subclass A-8 certificates and notes. The principal of the subclass A-8 certificates and notes was repaid in full on November 15, 2010.

C. Comparison of Actual Cashflows Versus the 2001 Base Case for the Two Month Period from May 17, 2016 to July 15, 2016

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 28 of this Quarterly Report.

For the purposes of this report, the "**Two Month Period**" comprises information from the monthly cash reports as published on our website for the relevant months ended June 15, 2016 and July 15, 2016. The financial data in these reports includes cash receipts from May 11, 2016 (first day of the Calculation Period for the June 2016 report) up to July 11, 2016 (last day of the Calculation Period for the July 2016 report). Page 41 presents the cumulative cashflow information from March 2001 to the July 2016 payment date. This report, however, limits its commentary to the Two Month Period.

As described in "1C. Basis of Preparation – Recent Developments and Anticipated Remaining Trading Activities" above, in light of the dispute between the Controlling Holders and Airplanes Group as reflected in the Direction Letter and the Airplanes Group Counsel Response, Airplanes Group, the Controlling Holders and the Indenture Trustee, the Pass Through Trustee and the Security Trustee entered into the July PD Letter Agreement on July 14, 2016, reflecting an agreement as to the amounts to be paid on the July 15, 2016 payment date. As further specified in the July PD Letter Agreement, only accrued and unpaid interest with respect to the subclass A-9 notes and certificates for the interest accrual period ending on July 14, 2016 and certain specified Expenses were paid on behalf of Airplanes Group on the July 15, 2016 payment date.

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 40.

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 \$0.9 million in Total Cash Collections, \$37.7 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 40).

[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.

[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. In the Two Month Period, the loss of rental revenue as a result of Rental Resets amounted to \$0.2 million, 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, fifty six aircraft have been sold prior to their assumed sale date in the 2001 Base Case, resulting in a negative variance of \$23.7 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 \$0.2 million, which was \$23.5 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 no change in the Current Arrears balance over the Two Month Period, which was in line with the 2001 Base Case.

[7] 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 \$nil compared to \$1.4 million outflow assumed in the 2001 Base Case, a positive variance of \$1.4 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, \$0.2 million lower than the 2001 Base Case assumption of \$0.2 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 did not have any aircraft AOG during the Two Month Period. The 2001 Base Case Lease Rentals loss attributed to AOG in the Two Month Period was \$nil, as compared to \$1.0 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 was \$nil compared with \$nil assumed in 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 \$0.2 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 \$0.2 million, \$22.1 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 now consists of any intra-month cash receipts collected prior to the monthly payment date. The Expense Account contains cash set aside by way of the Required Expense Amount. In the Two Month Period, Interest Earned amounted to less than \$0.1 million, \$1.1 million less than that assumed in the 2001 Base Case. The difference is due to a lower than assumed cash balance in the Collection Account. The lower amount of interest received as compared to the 2001 Base Case assumed amount is also as a result of the average actual reinvestment rate for the Two Month Period being 0.03% compared to 5.2% assumed in the 2001 Base Case.

[16] AIRCRAFT SALES

There were \$0.4 million of aircraft sales proceeds received in the Two Month Period. Three F100 aircraft B737, two B737-400 aircraft, one B737-500 and one MD83 aircraft were assumed to be sold in the Two Month Period for \$15.2 million. 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, net maintenance inflows were \$nil. The 2001 Base Case makes no assumptions for Net Maintenance as it assumes that, over time, maintenance revenue will equal maintenance expenditure.

[18] OTHER RECEIPTS

"Other Receipts" were \$0.3 million in the Two Month Period as compared with the 2001 Base Case assumption of \$nil.

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 \$2.4 million compared to \$4.7 million assumed in the 2001 Base Case, a positive variance of \$2.3 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 redelivery 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 \$1.1 million (or 4.5% of Lease Rentals) compared to \$1.2 million (or 5.0% of Lease Rentals) assumed in the 2001 Base Case.

"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 \$0.3 million, \$1.6 million lower than that assumed in the 2001 Base Case.

Aircraft Servicer Fees consist of:

	\$M
Retainer Fee	0.1
Minimum Incentive Fee	0.2
Core Cashflow/Sales Incentive Fee.....	<u>0.0</u>
Total Aircraft Servicer Fee.....	<u>0.3</u>

[22] 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 were \$1.0 million, which was \$0.6 million lower than the assumed expense of \$1.6 million in the 2001 Base Case.

[23A] OTHER SG&A EXPENSES

"Other SG&A Expenses" relate to refinancing expenses and costs relating to the consent solicitation process. In the Two Month Period Other SG&A Expenses were \$nil which is consistent with the 2001 Base Case assumption.

[28] MOVEMENT IN EXPENSE ACCOUNT

Prior to the May 16, 2016 payment date, the amount held by way of the maintenance reserve amount (which was being held as part of the liquidity reserve amount) accounted for, among other things, the ongoing nature of the litigation between Airplanes Holdings Limited and Transbrasil and the absence of a concrete prospect of settlement or resolution. Following the reduction of the maintenance reserve amount to zero on the May 16, 2016 payment date, certain amounts previously included in the calculation of the maintenance reserve amount were included in the calculation of Permitted Accruals forming the Required Expense Amount on the May 16, 2016 payment date. In the Two Month Period, the amount held in the Expense Account has decreased by \$2.2 million as a result of the payment of various expenses as outlined above.

[30] INTEREST PAYMENTS

In the Two Month Period, interest payments to the holders of the class A, B, C and D notes amounted to \$0.7 million which is \$2.2 million lower than assumed under the 2001 Base Case.

Interest payments on the floating rate class A notes amounted to \$0.7 million, \$0.6 million higher than assumed under the 2001 Base Case, reflecting a higher principal balance outstanding on these notes than assumed in the 2001 Base Case, albeit a lower level of average interest rates on the class A notes than assumed in the 2001 Base Case. The 2001 Base Case assumed LIBOR to be 5.2% whereas the average monthly LIBOR in the Two Month Period was 0.4%. 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 less than \$0.1 million and \$2.7 million respectively on the class B 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 \$78.8 million, \$628.9 million and \$1,161.7 million respectively on the class B, C and D notes following the July 15, 2016 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). 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. To the extent that step-up interest is not paid, it continues to accrue interest in accordance with the terms of the subclass A-8 notes. The principal of the subclass A-8 notes was repaid in full on November 15, 2010 although accrued and unpaid step-up interest (and interest thereon) on such notes remains outstanding. Total step-up interest (including interest accrued on unpaid step-up interest) accrued and unpaid on the subclass A-8 notes at July 15, 2016 was \$20.5 million.

[31] SWAP AND CAP CASHFLOWS

Airplanes Group's swap and cap cashflows during the Two Month Period amounted to \$nil which is in line with the 2001 Base Case.

[33] PRINCIPAL PAYMENTS

In the one hundred and eighty four month period from March 10, 2001 to July 15, 2016, total principal payments amounted to \$1,527.9 million (comprising \$1,476.4 million on the class A notes and \$51.5 million on the class B notes), \$1,252.3 million less than assumed in the 2001 Base Case. The breakdown of the \$1,252.3 million negative variance is set out on page 40. In the Two Month Period, principal payments were zero which was \$31.0 million less than assumed in the 2001 Base Case. The breakdown of the \$31.0 million negative variance is set out on page 40. Principal payments were suspended on November 16, 2015 as a result of the shortfall in the cash retained in the Collection Account following the increase in the level of the maintenance reserve amount for the purpose of the "First Collection Account Top-up" with effect from November 16, 2015.

As all aircraft have now been sold, the appraised value of our portfolio was zero at July 15, 2016.

As a consequence of the cumulative excess decline in appraised base 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 one hundred and eighty four 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 base 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 one hundred and eighty four month period since the 2001 refinancing. Total deferrals of class C and class D scheduled principal amounts amounted to \$349.8 million and \$395.1 million respectively as of July 15, 2016.

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.

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 arrearage thereof. The class A outstanding principal balance will continue to exceed the adjusted portfolio value (which is zero, following the sale of our final aircraft) and therefore the corresponding method of calculation of class A minimum principal will continue to be applicable. Actual payments to class A noteholders, however, are dependent on available cash flows and are not affected by the method of calculation of class A minimum principal payments or the annual aircraft appraisals. As noted above, payments of class A minimum principal have been suspended with effect from the November 16, 2015 payment date.

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 arrearage on the class B notes were \$226.8 million following the July 15, 2016 payment date.

<u>Note</u>	<u>Report Line Name</u>	<u>Description</u>
	CASH COLLECTIONS	
[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] Σ [1]...[4]	Contracted Lease Rentals	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] Σ [8]...[12]	Sub-total	
[14] [5]+[6]+[13]	Net Lease Rental	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 from the sale of aircraft and proceeds from insurance policies, net of fees and expenses.
[17]	Net Maintenance	Maintenance Revenue Reserve received less reimbursements to lessees
[18]	Other Receipts	Receipts from GE Capital under the Tax Sharing Agreement, collateral release and cash released from expired guarantees.
[19] Σ [14]...[18]	Total Cash Collections	Net Lease Rental + Interest Earned + Aircraft Sales + Net Maintenance + Other Receipts
	CASH EXPENSES	
	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 and 2010 consent solicitations for Indenture amendments
[24] [22]+[23]+[23A]	Sub-total	
[25] [20]+[24]	Total Cash Expenses	Aircraft Operating Expenses + SG&A Expenses
	NET CASH COLLECTIONS	
[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 notes
[31]	Swap/Cap Cashflows	Net swap and cap payments (paid)/received
[32] Σ [26]...[31]	Total	
[33]	PRINCIPAL PAYMENTS	Principal payments on notes

**AIRPLANES GROUP CASHFLOW PERFORMANCE FOR THE PERIOD FROM
MAY 17, 2016 TO JULY 15, 2016 (2 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>
		\$M	\$M	\$M	%	%	%
CASH COLLECTIONS							
1		Lease Rentals	23.7	23.7	0.0	100.0	100.0
2		- Renegotiated Leases	0.0	0.0	0.0	0.0	0.0
3		- Rental Resets	0.2	0.0	0.2	0.7	0.0
4		- Lease Rentals - Aircraft Sales	(23.7)	0.0	(23.7)	(100.0)	0.0
5	1 - 4	Contracted Lease Rentals	0.2	23.7	(23.5)	0.7	100.0
6		Movement in Current Arrears Balance	0.0	0.0	0.0	0.0	0.0
7		less Net Stress Related Costs					
8		- Bad Debts	0.0	(0.2)	0.2	0.0	(1.0)
9		- Deferred Arrears Balance	0.0	0.0	0.0	0.0	0.0
10		- AOG	0.0	(1.0)	1.0	0.0	(4.2)
11		- Other Leasing Income	0.0	0.0	0.0	0.0	0.0
12		- Repossession	0.0	(0.2)	0.2	0.0	(0.8)
13	8 - 12	Sub-total	0.0	(1.4)	1.4	0.0	(6.0)
14	5+6+13	Net Lease Rental	0.2	22.3	(22.1)	0.7	94.0
15		Interest Earned	0.0	1.1	(1.1)	0.2	4.6
16		Aircraft Sales	0.4	15.2	(14.8)	1.7	64.1
17		Net Maintenance	0.0	0.0	0.0	0.0	0.0
18		Other Receipts	0.3	0.0	0.3	1.2	0.0
19	14 - 18	Total Cash Collections	0.9	38.6	(37.7)	3.8	162.7
CASH EXPENSES							
Aircraft Operating Expenses							
20		- Re-leasing and other overheads	(1.1)	(1.2)	0.1	(4.5)	(5.0)
SG&A Expenses							
21		Aircraft Servicer Fees					
		- Retainer Fee	(0.1)	(1.6)	1.5	(0.3)	(7.0)
		- Minimum Incentive Fee	(0.2)	(0.3)	0.1	(0.9)	(1.1)
		- Core Cashflow/Sales Incentive Fee	0.0	0.0	0.0	0.0	0.0
22	21	Sub-total	(0.3)	(1.9)	1.6	(1.2)	(8.0)
23		Other Servicer Fees and Other Overheads	(1.0)	(1.6)	0.6	(4.5)	(6.7)
23A		Other SG&A Expenses	0.0	0.0	0.0	0.0	0.0
24	22+23+23A	Sub-total	(1.3)	(3.5)	2.2	(5.7)	(14.8)
25	24+20	Total Cash Expenses	(2.4)	(4.7)	2.3	(10.2)	(19.8)
NET CASH COLLECTIONS							
26	19	Total Cash Collections	0.9	38.6	(37.7)	3.8	162.7
27	25	Total Cash Expenses	(2.4)	(4.7)	2.3	(10.2)	(19.8)
28		Movement in Expense Account	2.2	0.0	2.2	9.3	0.0
29		(Increase)/Reduction in Liquidity Reserve	0.0	0.0	0.0	0.0	0.0
29A		Shortfall in Liquidity Reserve	0.0	0.0	0.0	0.0	0.0
30		Interest Payments	(0.7)	(2.9)	2.2	(2.9)	(12.0)
31		Swap/Cap Cashflows	0.0	0.0	0.0	0.0	0.0
32	26 - 31	TOTAL	0.0	31.0	(31.0)	0.0	130.9
PRINCIPAL PAYMENTS							
33		Class A	0.0	2.9	(2.9)	0.0	12.2
		Class B	0.0	0.8	(0.8)	0.0	3.3
		Class C	0.0	0.0	0.0	0.0	0.0
		Class D	0.0	27.3	(27.3)	0.0	115.5
		Total	0.0	31.0	(31.0)	0.0	131.0
Note Balances at July 15, 2016							
		Subclass A-8	0.0	6.0	6.0		
		Subclass A-9	419.1	0.0	(419.1)		
		Class B	226.8	2.4	(224.4)		
		Class C	349.8	0.0	(349.8)		
		Class D	395.1	130.1	(265.0)		
		Total	1,390.8	138.5	(1,252.3)		

**AIRPLANES GROUP CASHFLOW PERFORMANCE FOR THE PERIOD FROM
MARCH 10, 2001 TO JULY 15, 2016 (184 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>
		\$M	\$M	\$M	%	%	%
CASH COLLECTIONS							
1		Lease Rentals	5,116.2	5,116.2	0.0	100.0	0.0
2		- Renegotiated Leases	(88.7)	0.0	(88.7)	(1.7)	(1.7)
3		- Rental Resets	(1,122.1)	0.0	(1,122.1)	(21.9)	(21.9)
4		- Lease Rentals - Aircraft Sales	<u>(1,388.7)</u>	<u>0.0</u>	<u>(1,388.7)</u>	<u>(27.1)</u>	<u>(27.1)</u>
5	Σ 1 - 4	Contracted Lease Rentals	2,516.7	5,116.2	(2,599.5)	49.3	(50.7)
6		Movement in Current Arrears Balance	11.2	0.0	11.2	0.2	0.2
7		less Net Stress Related Costs					
8		- Bad Debts	(15.2)	(51.2)	(36.0)	(0.3)	0.7
9		- Deferred Arrears Balance	25.0	3.1	21.9	0.5	0.4
10		- AOG	(283.6)	(215.0)	(68.6)	(5.5)	(1.3)
11		- Other Leasing Income	63.4	0.0	63.4	1.2	1.2
12		- Repossession	(4.1)	(41.0)	(36.9)	(0.1)	0.7
13	8 - 12	Sub-total	(214.5)	(304.1)	89.6	(4.2)	1.7
14	5+6+13	Net Lease Rental	2,313.3	4,812.1	(2,498.8)	45.3	(48.8)
15		Interest Earned	24.8	103.2	(78.4)	0.5	(1.5)
16		Aircraft Sales	388.1	301.4	86.7	7.6	1.7
17		Net Maintenance	315.6	0.0	315.6	6.2	6.2
18		Other Receipts	<u>30.7</u>	<u>0.0</u>	<u>30.7</u>	<u>0.6</u>	<u>0.6</u>
19	14 - 18	Total Cash Collections	<u>3,072.5</u>	<u>5,216.7</u>	<u>(2,144.2)</u>	<u>60.2</u>	<u>(41.8)</u>
CASH EXPENSES							
20		Aircraft Operating Expenses					
		- Re-leasing and other overheads	(238.1)	(256.0)	17.9	(4.7)	0.3
21		SG&A Expenses					
		Aircraft Servicer Fees					
		- Retainer Fee	(238.6)	(297.9)	59.3	(4.7)	1.1
		- Minimum Incentive Fee	(24.2)	(23.0)	(1.2)	(0.5)	0.1
		- Core Cashflow/Sales Incentive Fee	(0.2)	0.0	(0.2)	0.0	0.0
22	21	Sub-total	(263.0)	(320.9)	57.9	(5.2)	1.0
23		Other Servicer Fees and Other Overheads	(154.0)	(152.2)	(1.8)	(3.0)	0.0
23A		Other SG&A Expenses	(3.1)	(4.7)	1.6	(0.1)	0.0
24	22+23+23A	Sub-total	(420.1)	(477.8)	57.7	(8.3)	1.0
25	24+20	Total Cash Expenses	<u>(658.2)</u>	<u>(733.8)</u>	<u>75.6</u>	<u>(13.0)</u>	<u>(14.3)</u>
NET CASH COLLECTIONS							
26	19	Total Cash Collections	3,072.5	5,216.7	(2,144.2)	60.2	(41.8)
27	25	Total Cash Expenses	(658.2)	(733.8)	75.6	(13.0)	1.3
28		Movement in Expense Account	(184.5)	0.0	(184.5)	(3.6)	(3.6)
29		(Increase)/Reduction in Liquidity Reserve	120.2	40.0	80.2	2.4	1.6
29A		Shortfall in Liquidity Reserve	0.0	0.0	0.0	0.0	0.0
30		Interest Payments	(624.2)	(1,714.5)	1,090.3	(12.2)	21.3
31		Swap/Cap Cashflows	(197.9)	(28.2)	(169.7)	(3.9)	(3.3)
32	26 - 31	TOTAL	<u>1,527.9</u>	<u>2,780.2</u>	<u>(1,252.4)</u>	<u>29.9</u>	<u>(24.5)</u>
33		PRINCIPAL PAYMENTS					
		Class A	1,476.4	1,889.5	(413.1)	28.9	(8.1)
		Class B	51.5	275.9	(224.4)	1.0	(4.4)
		Class C	0.0	349.8	(349.8)	0.0	(6.8)
		Class D	0.0	265.0	(265.0)	0.0	(5.2)
		Total	<u>1,527.9</u>	<u>2,780.2</u>	<u>(1,252.4)</u>	<u>29.9</u>	<u>(24.5)</u>
Note Balances at July 15, 2016							
		Subclass A-8	(0.0)	6.0	6.0		
		Subclass A-9	419.1	0.0	(419.1)		
		Class B	226.8	2.4	(224.4)		
		Class C	349.8	0.0	(349.8)		
		Class D	<u>395.1</u>	<u>130.1</u>	<u>(265.0)</u>		
			<u>1,390.8</u>	<u>138.5</u>	<u>(1,252.3)</u>		

	<u>Mar-01</u> <u>Closing</u> (\$ Millions)	<u>Actual</u> (\$ Millions)	<u>2001</u> <u>Base Case</u> (\$ Millions)
Net Cash Collections		1,527.9	2,780.2
Add Back Interest Payments and Swap/Cap Cashflows		822.1	1,742.7
a Net Cash Collections (excl. interest payments and swap/cap cashflows)		<u>2,350.0</u>	<u>4,522.9</u>
b Swaps/Cap Cashflows		197.9	28.2
c Class A Interest		413.1	680.6
d Class A Minimum		1,221.5	1.8
e Class B Interest		20.5	118.7
f Class B Minimum Principal		51.5	275.9
g Class C Interest		76.0	285.2
h Class D Interest		114.6	629.9
i Class A Principal Adjustment		254.9	1,887.7
j Class C Scheduled		0.0	349.9
k Class D Scheduled		0.0	265.0
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 Principal		0.0	0.0
p Class A Supplemental Principal		0.0	0.0
Total		<u>2,350.0</u>	<u>4,522.9</u>
[1] Interest Coverage Ratio			
Class A		3.8	6.4 = a/(b+c)
Class B		N/A	5.5 = a/(b+c+d+e)
Class C		N/A	3.3 = a/(b+c+d+e+f+g)
Class D		N/A	2.2 = a/(b+c+d+e+f+g+h)
[2] Debt Coverage Ratio			
Class A		N/A	6.4 = a/(b+c+d)
Class B		N/A	4.1 = 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)
Loan to Value Ratios (in U.S. dollars)			
[3] Adjusted Portfolio Value	3,108.6	0.0	117.9
Liquidity Reserve Amount of which			
- Maintenance Reserve Amount	156.9	0.0	116.0
- Accrued Expenses and Permitted Accruals	<u>12.6</u>	<u>192.9</u>	<u>0.0</u>
Subtotal	169.5	192.9	116.0
Less Lessee Security Deposits	<u>36.9</u>	<u>0.0</u>	<u>36.0</u>
Subtotal	<u>132.6</u>	<u>192.9</u>	<u>80.0</u>
[4] Total Asset Value	<u>3,241.2</u>	<u>192.9</u>	<u>197.9</u>

Note Balances as at:	<u>Mar -01</u> <u>Closing</u>	<u>Actual</u>		<u>2001</u> <u>Base Case</u>	
	<u>March 15, 2001</u> (\$ millions)	<u>July 15, 2016</u> (\$ millions)		<u>July 15, 2016</u> (\$ millions)	
Class A	1,895.4	58.5%	419.1	217.2%	6.0 3.0%
Class B	278.3	67.1%	226.8	334.8%	2.4 4.2%
Class C	349.8	77.9%	349.8	516.2%	0.0 4.2%
Class D	<u>395.1</u>	90.0%	<u>395.1</u>	721.0%	<u>130.1</u> 70.0%
	<u>2,918.6</u>		<u>1,390.8</u>		<u>138.5</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 adjusted portfolio value plus liquidity reserve amount minus lessee security deposits.

3. Quantitative and Qualitative Disclosures about Market Risks

Interest Rate Management

In general, prior to the sale of our final aircraft, an interest rate exposure arose to the extent that our fixed and floating interest obligations in respect of the notes and certificates did not correlate to the mix of fixed and floating rental receipts for different rental periods. This interest rate exposure could be managed through the use of interest rate caps, interest rate swaps and other derivative instruments. Additional interest rate exposure arose to the extent that lessees owing fixed rate rental payments defaulted and interest rates had declined between the contract date of the lease and the date of default. This exposure could be managed through the purchase of swaptions.

We had historically entered into interest rate caps (and prior to that, interest rate swaps) in order to manage our interest rate exposure. Our last interest rate swap matured on April 15, 2010 and from that date onwards, we have only held interest rate caps. Our last interest rate cap matured on December 15, 2014 and since that date we have not entered into any hedging transactions and do not intend to do so in the future.

4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures

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

Airplanes Holdings is involved in certain legal proceedings in Brazil relating to Transbrasil. A provision of \$3 million has been included in the financial statements as of June 30, 2016 in this regard. For further details see "Note 2. Contingent Liabilities – Legal Proceedings - Transbrasil" to the unaudited financial statements.

SIGNATURES

Date: July 28, 2016

For and on behalf of Airplanes Limited

Name : s / s William McCann
Title: Chairman of the Board of Directors

For and on behalf of Airplanes U.S. Trust

Name : s / s William McCann
Title: Chairman of the Board of Controlling
Trustees