

Third Quarter 2013 Earnings Call »

NOVEMBER 4, 2013



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- Adjusted net income for the third quarter of 2013 was \$89.4 million, and was \$224.5 million for the first nine months of 2013, both record highs.
- Adjusted earnings per share were \$0.79 for the third quarter of 2013, an increase of 63% over the third quarter of 2012 and adjusted earnings per share for the first nine months of 2013 were \$1.98, an increase of 41% over the first nine months of 2012.
- **Key Highlights:**
 - Return on equity for the third quarter 2013 was ~15%.
 - Committed future aircraft purchases were \$3.5 billion as of September 30, 2013, relating to 47 aircraft. Our committed purchases consist primarily of new technology aircraft and are all placed on long term leases with an average term of 11.7 years.
 - Trade receivables were ~\$6 million as of September 30, 2013, a historical low and less than 1% of annual lease revenue.
 - Our fleet utilization rate was 99.7% for the first nine months of 2013. The average age of the owned fleet as of September 30, 2013 was 5.4 years and the average remaining contracted lease term was 6.7 years.
 - 140 aircraft transactions were executed during the first nine months of 2013.
 - The debt to equity ratio was 2.6 to 1 at September 30, 2013, compared with 2.8 to 1 for the same period in 2012.

Net Income



(\$ Millions)	<u>3Q 2013</u>	<u>3Q 2012</u>
Reported Net Income	83.6	57.9
Adjusted for: mark-to-market on interest rate caps*	3.7	2.7
Adjusted for: cost of share-based compensation*	<u>2.1</u>	<u>1.6</u>
Adjusted Net Income**	89.4	62.2

* The adjustment is reduced for the tax impact as well as the amount relating to JV partners' share where applicable (which was deducted from net income through non-controlling interest).

** Third quarter adjusted net income increased 44% over the same period in 2012 driven primarily by income generated from aircraft sales in the third quarter of 2013 and the elimination of the negative impact from defaults and restructurings incurred during the third quarter of 2012.

Basic Earnings Per Share



	<u>3Q 2013</u>	<u>3Q 2012</u>
Earnings Per Share	\$0.74	\$0.45
Adjusted for: mark-to-market on interest rate caps and share based compensation	<u>\$0.05</u>	<u>\$0.03</u>
Adjusted Earnings Per Share*	\$0.79	\$0.48
Average Shares Outstanding (Million)	113.5	128.4

* Third quarter adjusted earnings per share increased 63% over the same period in 2012 driven primarily by the income from aircraft sales in the third quarter of 2013, the elimination of the negative impact from defaults and restructurings incurred in the third quarter of 2012, as well as the share repurchases completed in 2012.

(\$ Millions)	<u>3Q 2013</u>	<u>3Q 2012</u>
Basic Lease Rents*	234.3	239.5
Maintenance Rents and Other Receipts	23.7	24.1
Net Gain on Sale of Assets	10.7	0.6
Management Fees and Interest Revenue	6.1	4.1
Other Revenue**	<u>4.5</u>	<u>1.2</u>
Total Revenue	279.3	269.5

* The small decrease in basic lease rents was driven primarily by the sale of our oldest aircraft portfolio (ALS), partially offset by new aircraft purchases.

** The increase in other revenue related primarily to the cash recovery of bankruptcy claims against previous lessees, guarantee fees, and other non-recurring payments.

Net Interest Margin (Net Spread)

Third Quarter 2013



(\$ Millions)	<u>3Q 2013</u>	<u>3Q 2012</u>
Net Interest Margin (Net Spread)*	174.8	176.5
Average Lease Assets	7,993	8,046
Annualized Margin %	8.75%	8.77%

* *Net Interest Margin (Net Spread) is basic lease rents less interest expense, excluding non-cash charges relating to the mark-to-market of interest rate caps. The small decrease in net interest margin was driven primarily by the sale of our oldest aircraft portfolio (ALS), partially offset by new aircraft purchases.*

AerCap continues to optimize its portfolio through the sale of aircraft:

Through year-to-date September 2013: we sold two A330s, nine B737-800s, one B737-400 and one MD-11 freighter aircraft.

Through year-to-date September 2012: we sold three A330 aircraft, two A320 aircraft, and two B757 aircraft.

The average age of our owned aircraft fleet was 5.4 years as of September 30, 2013, vs. 5.8 years as of September 30, 2012.

(\$ Millions)	<u>3Q 2013</u>	<u>3Q 2012</u>	<u>YTD 2013</u>	<u>YTD 2012</u>
Pre-tax Gain from Sales	10.7	0.6	32.2	1.0
Gain from Sales - adjusted for tax impact and amounts relating to JV partners' share	9.4	0.5	28.2	1.7*

* The 2012 year-to-date pre-tax gain from sales included a loss in a 50% owned JV, which caused the net results to be higher after adjusting for tax and the JV partner's shares.

Other Expenses and Taxes



(\$ Millions)	<u>3Q 2013</u>	<u>3Q 2012</u>
Leasing Expenses*	5.5	23.3
SG&A	23.4	22.3
Impairment**	9.2	7.4
	<u>YTD 2013</u>	<u>FY 2012</u>
Blended Tax Rate***	8.5%	5.2%

* Decrease in leasing expenses was due primarily to lower expenses relating to lessee defaults and restructurings.

** The 3Q 2013 impairment charge primarily related to one Boeing 747 freighter aircraft and was triggered by the receipt of a \$11.0 million end of lease maintenance payment upon redelivery. The 3Q 2012 impairment charge was primarily default related and triggered by the release of maintenance reserves.

*** Estimated 2013 tax rate compared with full year 2012 actual tax rate. The blended effective tax rate in any year is impacted by the source and amount of earnings among AerCap's different tax jurisdictions. The 2012 tax rate was reduced by the loss from the ALS transaction and non-recurring charges from the repayment of certain secured loans.

(\$ Millions)	<u>2013</u>	<u>2012</u>
Cash and Cash Equivalents at September 30 (Excl. Restricted Cash)	318.1	309.7
Total Cash Balance at September 30 (Incl. Restricted Cash)	593.3	620.0
Operating Cash Flow for the Third Quarter	198.1	187.6

Debt and Equity

(\$ Millions)	<u>3Q 2013</u>	<u>3Q 2012</u>
Total Debt at Quarter-End	6,232	6,131
Average Cost of Debt (including ~0.4% relating to amortization of debt issuance costs)*	3.9%	4.0%
Equity	2,362	2,218
Debt / Equity Ratio	2.6 to 1	2.8 to 1

* *Interest expense divided by average debt balance, excluding mark-to-market on interest rate caps and other charges not reflective of on-going interest costs.*

Set forth below are the expected drivers for AerCap's 2013 financial performance, which are subject to change.

- 2013 committed aircraft purchases are ~\$1.7 billion.
- As a result of the ALS sale, 2013 basic lease rents are expected to decrease ~3% over 2012.
- 2013 maintenance contribution is expected to be minimal (maintenance & end-of-lease revenue less leasing expenses).
- Contracted gain on sale of assets is ~\$40 million in 2013.
- 2013 average cost of debt including amortization of debt issuance costs is expected to be ~4%.
- 2013 tax rate is expected to be ~8.5%.

Set forth below are the expected drivers for AerCap's 2014 financial performance, which are subject to change.

- 2014 committed aircraft purchases are ~\$0.6 billion.
- 2014 basic lease rents are expected to increase ~7% over 2013.
- 2014 maintenance contribution is expected to be minimal (maintenance & end-of-lease revenue less leasing expenses).
- Contracted gain on sale of assets is ~\$10 million in 2014.
- 2014 average cost of debt including amortization of debt issuance costs is expected to be ~4%.
- 2014 tax rate is expected to be ~8%.

Supplemental Information



Portfolio Development



	<u>2011</u>	<u>2012</u>	<u>YTD 2013</u>
Total Assets (\$ billion)	9.1	8.6	9.3
Average Age of Owned Aircraft (Years)	5.5	5.1	5.4
No. Aircraft Sold	21	59	13
Book Value of Aircraft Sold (\$ billion)	0.3	1.4	0.5
Completed Purchases (\$ billion)	0.9	1.1	1.6
Committed Purchases Outstanding* (\$ billion)	2.5	1.6	3.5
Book Equity / Share (\$)	\$16.28	\$18.72	\$20.74
Net Interest Margin	9.1%	8.7%	8.8%

* YTD 2013 committed purchases includes call-options to purchase and leaseback five A320 NEO aircraft, five Boeing 737-800 purchase rights and two A330 aircraft that are contracted for sale upon delivery.

Aircraft Transactions Year-to-Date September 2013



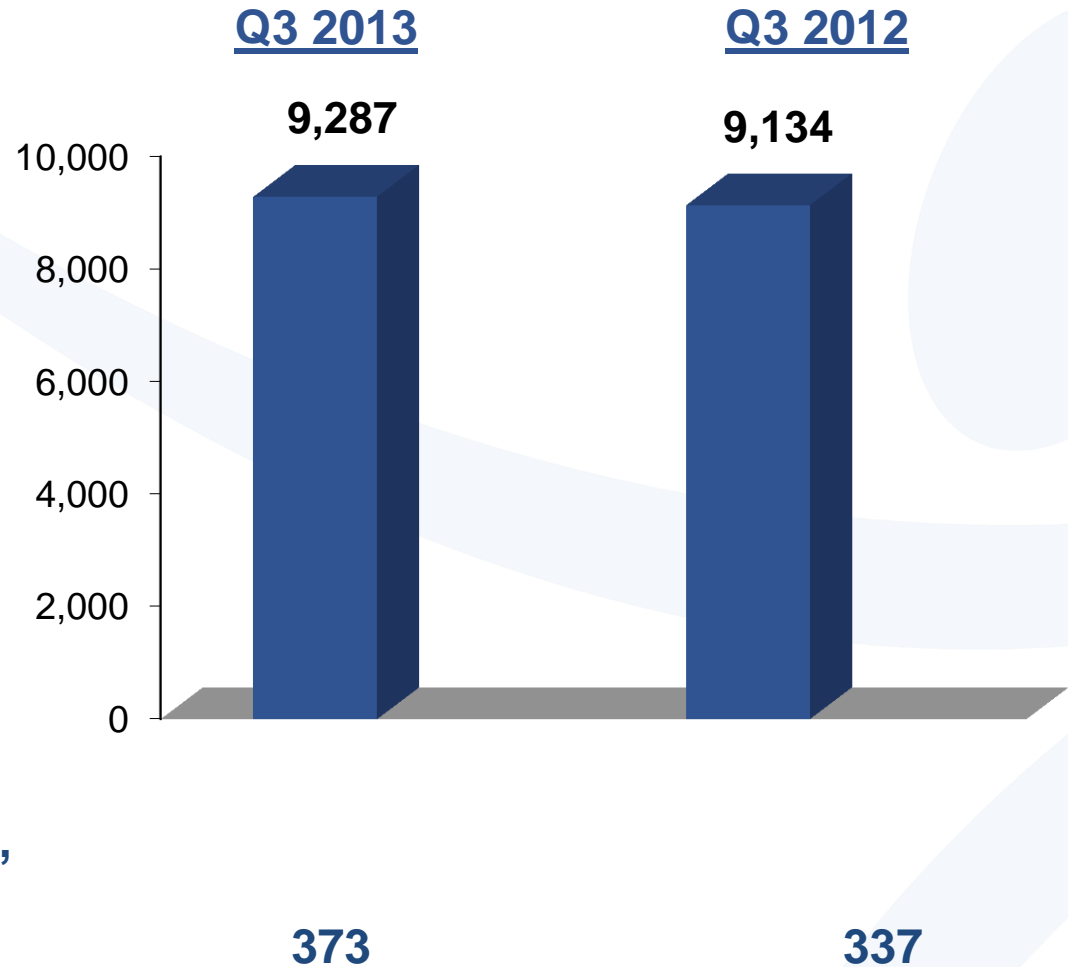
- 44 lease agreements executed
- 41 aircraft delivered to lessees
- 32 aircraft purchased
- 13 aircraft sold from our owned and 10 from managed portfolios

Total Assets and Number of Aircraft

(\$ Millions)

Total Assets
Owned and on
Balance Sheet

Number of Aircraft
Owned, On Order, Managed,
AerDragon, Contracted
and LOI (units)



High Quality and Well-Diversified Portfolio



Aircraft Portfolio as of September 30, 2013

	Number of Owned Aircraft	% Net Book Value	Number of Managed & AerDragon Aircraft	Aircraft on Order	Aircraft under Sale / Purchase Contract	Total Aircraft
Airbus A300 Freighter	0	0.0%	1	0	0	1
Airbus A319	24	7.6%	6	0	0	30
Airbus A320	90	32.3%	30	2	0	122
Airbus A320 NEO	0	0.0%	0	0	5**	5
Airbus A321	8	3.4%	14	0	0	22
Airbus A330	34	29.4%	5	3	-1	41
Airbus A350	0	0.0%	0	9	0	9
Boeing 737 (Classics)	1	0.1%	11	0	0	12
Boeing 737 (NG)	63	24.1%	22	22*	0	107
Boeing 747 Freighter	2	0.6%	0	0	0	2
Boeing 757	0	0.0%	2	0	0	2
Boeing 767	3	1.4%	2	0	0	5
Boeing 777	0	0.0%	2	0	0	2
Boeing 787	0	0.0%	0	6	0	6
CRJ-705	0	0.0%	1	0	0	1
CRJ-900	4	0.8%	0	0	0	4
ERJ170-100	2	0.3%	0	0	0	2
	231	100.0%	96	42	4	373

- 68% narrow body – “Work Horses” of the industry
- High share of liquid / remarketed aircraft
- Average age of owned aircraft fleet is 5.4 years
- Average remaining lease term 6.7 years

* Includes five purchase rights as part of a Boeing order .

** AerCap has call-options to purchase and leaseback five A320 NEO aircraft delivering in 2016.

Committed Aircraft Purchases



	<u>YTD</u> <u>2013</u>	<u>Remaining</u> <u>2013</u>	<u>Committed</u> <u>2013</u>	<u>Committed</u> <u>2014 &</u> <u>Beyond*</u>
Aircraft Purchases (\$ Millions)	1,567	170	1,737	3,319
Number of Aircraft Purchases (Units)	32	4	36	43

* Consists of \$0.6 billion in 2014, \$0.8 billion in 2015, and \$1.9 billion between 2016 and 2018. Includes call-options to purchase and leaseback five A320 NEO aircraft, five Boeing 737-800 purchase rights and two A330 aircraft that are contracted for sale upon delivery.

Portfolio Management Metrics for Owned Aircraft



<u>Lease Portfolio</u>	<u>YTD 2013</u>	<u>FY 2012</u>
Utilization Rate*	99.7%	98.5%
Portfolio Yield**	12.5%	12.7%
Average Term (Previous 12 Months)		
• New Leases for New Aircraft (Months)	165***	149
• New Leases for Used Aircraft (Months)	57****	63

* Utilization rate weighted by book value of flight equipment divided by total days in the period.

** Lease revenue divided by average book value of flight equipment.

*** Reflects lease agreements for 24 new aircraft signed in the previous 12 months.

**** Reflects lease agreements for 33 used aircraft signed in the previous 12 months.

Leasing Expenses

(\$ Millions)	<u>3Q 2013</u>	<u>3Q 2012</u>
Default Related	0.7	16.4
Normal Transition Costs	4.3	2.9
Lessor Maintenance Contributions	-	1.9
Other Leasing Costs	<u>0.5</u>	<u>2.1</u>
Total Leasing Expenses	5.5	23.3

Impact from Defaults and Restructuring



(\$ Millions)	<u>3Q 2013</u>	<u>3Q 2012</u>	<u>YTD 2013</u>	<u>YTD 2012</u>
<u>Default and Restructuring Related</u>				
Lost Basic Lease Rents (Net of Security Deposits)	(0.1)	(2.8)	(0.6)	(10.3)
Maintenance Rents Held	0.6	8.5	0.6	17.4
Impairment	-	(6.5)	-	(6.5)
Default Related Leasing Expenses*	<u>(0.7)</u>	<u>(16.4)</u>	<u>(3.2)</u>	<u>(38.1)</u>
Total Impact (Pre-Tax)	(0.2)	(17.2)	(3.2)	(37.5)
Total Impact (Post-Tax)	(0.2)	(11.0)	(2.8)	(32.8)

* 3Q 2012 and YTD 2012 default related leasing expenses related to 13 aircraft and 3Q 2013 and YTD 2013 expenses related to one aircraft.

(\$ Millions)	<u>3Q 2013</u>	<u>3Q 2012</u>
Mark-to-market of: foreign currency hedges, foreign currency cash balances and other derivatives	(0.4)	-
Share-based compensation expenses	2.4	1.8
Other Selling, General and Administrative Expenses	<u>21.4</u>	<u>20.5</u>
Total Selling, General and Administrative Expenses	23.4	22.3

Thank you

