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PRESENTATION

Operator

Welcome to today's AerCap Holdings fourth-quarter and full-year results conference call. At this time, all participants are in a listen-only mode. This call is being webcast and an audio version of the call will be available on the Company's website. The call is also being recorded for replay purposes.

I will now hand the call over to Mr. John Wikoff, Head of Investor Relations. Please go ahead, sir.

John Wikoff *- AerCap Holdings N.V. - IR*

Thank you, Operator, and hello, everyone. Welcome to our 2015 fourth-quarter results conference call. With me today is our Chief Executive Officer, Aengus Kelly, and our Chief Financial Officer, Keith Helming.

Before we begin today's call, I would like to remind you that some statements made during this conference call that are not historical facts may be forward-looking statements. Forward-looking statements involve risks and uncertainties that may cause actual results or events to differ materially from those expressed or implied in such statements. AerCap undertakes no obligation, other than that imposed by law, to publicly update or revise any forward-looking statements to reflect future events, information, or circumstances that arise after this call.

Further information concerning issues that could materially affect performance can be found in AerCap's earnings release dated February 23rd, 2016. A copy of the earnings release and conference call presentation are available on our website at AerCap.com. This call is open to the public and is being webcast simultaneously at AerCap.com and will be archived for replay.

And now, I will turn the call over to Aengus Kelly.

Aengus Kelly - *AerCap Holdings N.V. - CEO*

Thank you, John. Good morning, everybody, and thank you for joining us for our 2015 fourth-quarter and full-year earnings call.

We are delighted to be reporting industry-leading earnings for 2015, as the aircraft leasing sector continues to deliver strong results despite the market's macroeconomic concerns.

Today, in addition to running through our financial and operational performance, I would like to discuss certain issues that the investment community has recently focused on. Our perspective on these topics is informed by our unique view of global demand for aircraft as a result of our daily activity in over 80 countries.

Let's begin by looking at our financial and operational performance. Earlier today, we reported an extremely healthy adjusted net income of $282 million for the fourth quarter and a record $1.28 billion for the full year. We also reported an adjusted earnings per share of $1.43 for the fourth quarter and $6.26 for the full year.

We finished the year with $44 billion of total assets on the balance sheet and an all-time high liquidity position of $9.2 billion. Our net spread, an important measure of our performance, was $874 million for the quarter. This represents a healthy annual net interest margin of 9.8%, which we achieved thanks to the attractive financing terms we were able to secure as a result of the capabilities of our platform, the quality of our portfolio, and our track record.

Moving on to some operational trends, AerCap's portfolio operated at a utilization rate of 99.5% throughout 2015. We completed 405 aircraft transactions, more than one every 24 hours, including transactions involving 117 widebody aircraft. These 405 transactions include the signing of 276 lease agreements, the purchase of 46 aircraft, and the sale of 83 aircraft.

The average remaining lease term of our portfolio is 5.9 years, which means that our revenue line is booked well into the future. We have already placed over 85% of our aircraft deliveries through 2018. This level of activity gives us unequaled insight into the market, including tremendous insight into end-user sentiment and general market conditions, as well as specific aircraft values and lease rates.

With that in mind, I would like to provide our perspective around certain issues that the investment community has focused on. Firstly, the impact of lower oil prices; secondly, weakness in China and other emerging markets; thirdly, current trends in widebody aircraft values; and fourthly, liquidity and access to credit.

So starting with the impact of lower oil prices on book values and demand for operating leases, I would like to say unequivocally that low oil prices are a significant positive for all airlines. For aircraft lessors, low oil is also a positive as it helps drive traffic, particularly as airlines improve their credit quality and expand their route networks. We would much rather see our customers healthy and growing, and that is what we are observing.

Going forward, as we think about the impact of lower oil prices, it is important to keep in mind the following. Even at lower oil prices, oil still represents one of the largest cost items for an airline. The useful life of an aircraft remains 25 years and the airlines need to take a long-term view in their fleet planning. We have not seen the spot price of oil be a relevant factor in airlines' long-term fleet planning. Airlines can only really hedge against oil price increases for one year at most. Buying fuel-efficient aircraft is the only way that airlines can protect themselves from price increases over the life of these assets.

Therefore, as oil prices have been falling, we have maintained high levels of placements, which, if airlines were thinking differently about new-technology aircraft, would otherwise suffer. Regardless of the oil environment, airlines still need to look at fleet planning with the long term in mind if they are to remain competitive. And this is the key point.

Next, let me talk about the second area of concern, which is China and the emerging markets. Taking China first, there are three key facts that are driving lessor performance in China, which underscore why the market remains robust despite volatility in economic output.

Firstly, 2015 saw an 11% increase in passenger traffic in China, driven by inelastic demand from a new middle class in the country. 12% of our portfolio is in China. We monitor our clients closely and we are seeing increases in demand as clients continue to refleet with the long term in mind.

Secondly, in terms of the performance of Chinese airlines, three of the largest 10 airlines in the world are based in China and they remain very profitable. AerCap aims to serve the most stable customers in its markets, and approximately 80% of the aircraft AerCap has placed in China are contracted to the three largest carriers.

Thirdly, while GDP growth in China has been slowing, the Chinese economy continues to lift unprecedented numbers of people into the middle class. This leads to demand for air travel from people who have never flown before. China has the need for over 6,000 new aircraft by 2034 and we expect Chinese passenger growth to run at 8.6% annually over the next five years.

So, in summary, we are not observing softness in China and we continue to see opportunities in the Chinese market.

As far as the broad emerging markets go, overall traffic remains healthy. There are areas of softness, as you will always see. In particular, we are seeing softness in Russia and South America, where the economies are feeling the impact of low oil and commodities prices. The market has expressed particular concern about Brazil, which represents less than 1% of our total revenue, and South America as a whole represents less than 5%.

But, we operate a global business and it is not unusual to see pockets of weakness in certain parts of the world. Several years ago, airlines in India and Mexico were facing very significant problems, but now they have turned the corner and are operating profitably. We do keep an unrelentingly close eye on clients in markets where we see risks. Because of our global platform, we are more often than not aware of problems before they emerge, and this allows us to act early and be proactive in managing these exposures, to redirect capacity to where it is needed. For instance, we began taking aircraft out of Russia in late 2014 and have reduced our exposure there by 32 aircraft over the past 18 months.

Europe and North America continued to remain strong with traffic growth of 5.1% and 4.3%, respectively, in 2015.

The global used aircraft market, particularly in the US and Europe, has absorbed the volumes coming out of some of the emerging market countries. For instance, all of the aircraft we moved out of Russia were moved to areas of growth. Our ability to move these aircraft is a testament to the power of our global platform.

Furthermore, overall global traffic growth remains healthy. Traffic growth in 2016 is projected to increase to 6.9%, compared to 6.5% in 2015.

So what is driving demand in these emerging markets? There is a strong demand for air travel, particularly in geographies where the population is growing and the middle class is expanding. In many of these countries, the distances are great and the infrastructure for overland travel is poor. In these countries, the long-term secular trend of growing air travel far outstrips the effects of short-term economic volatility.

Now moving on to the third area of concern, which is widebody aircraft value, these are aircraft types that AerCap moves around the world far more than anybody else. In fact, on average, AerCap leases or sells two widebody aircraft every week. And we have not observed unusual softness in demand for the vast majority of widebody aircraft. This is evident by our sales and re-leasing activity. We continue to lease current-technology models, such as the Airbus A330 and the Boeing 777-300ER, on attractive terms. We leased or sold 45 of these aircraft in 2015 and this is being driven by demand for long-haul travel.

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Now, there has been softness in the 777-200ER market, mainly on the Trent-powered 777-200. These are the Rolls-Royce engines. The bankruptcies of Malaysian Airlines and Transaero have put a lot of supply of this specific aircraft type into the market over the past six months.

But let's look at some specific trends on slide eight, where we compare our current three-year outlook on widebody placements with our position at the beginning of 2015. At the beginning of 2015, we had 100 widebodies expiring through the end of 2018. As of February 2016, we have only 38 remaining, and the vast majority of these aircraft are in 2018.

We normally place aircraft around 12 to 18 months in advance, so our focus to date has been primarily on the 2016 and 2017 deliveries and we have already placed 83% of these aircraft. We are not seeing anywhere near the level of softness that would justify the strong negative perceptions around these aircraft types.

As further evidence, in the last 60 days alone we have signed LOIs or lease contracts for 15 Boeing 777 aircraft with four different airlines.

We cannot forget a critical fact of today's aviation market, which is that the Boeing 777 remains by far the aircraft of choice for large-scale long-haul traffic. This fact underpins demand for the aircraft. In fact, the trends we are seeing enabled us to complete a $600 million sale in late September for a 10-aircraft portfolio consisting primarily of 777s and A330s.

I know there's been a lot of speculation regarding 777 values, but to give you an idea based on actual evidence, rather than speculation, in the last six months AerCap has sold six 777-200s at an average age of 13 years and the average price was approximately $50 million per shell. The lease rates that we are currently seeing for this aircraft are supportive of these values.

Moving on to the fourth concern, which is liquidity and ongoing access to credit, all of us have watched the recent widespread downturn in equities and increased volatility in the capital markets. As of December 31, 2015, AerCap had a record $9.2 billion of available liquidity. This gives us enough liquidity to fund the business for 18 months without any access to funding.

We continue to enjoy strong access to capital at an attractive cost of funds. To put this in context, since December we have raised $1.9 billion of funding at a blended cost of 3.6%, and we expect to close approximately $1 billion of additional long-term funding in the first half of 2016 at costs that are comparable to what we were able to achieve in 2015.

As you have heard me say many times, funding is the lifeblood of this business. This is why we will always manage AerCap's balance sheet in a conservative and prudent manner, to ensure that we have strong liquidity and access to funding from globally diversified sources, including the secured banking market, the unsecured and secured bond market, and export credit funding.

Since the announcement of the ILFC acquisition in December 2014, we have raised over $20 billion from 75 banks and over 400 institutional investors around the globe. AerCap has an unrivaled track record for sourcing debt financing at all stages of the economic cycle. We have consistently demonstrated an ability to obtain funding and we continue to see strong demand around the world for the AerCap name.

Finally, I would like to say a few words about our share repurchase program. AerCap's excellent financial and operational performance since the closing of the acquisition of ILFC has allowed us to significantly de-lever our balance sheet, and our debt-to-equity ratio is now 2.9 to 1. This target has been achieved a full year ahead of schedule. We believe this gives us an appropriate capital structure to run the business.

As a result, we are announcing a $400 million share repurchase program. Especially at AerCap's current stock price, we have no doubt that returning capital to the shareholders is the best use of our excess capital.

For the full year of 2016, we expect to generate $800 million-plus of excess capital that will be available for deployment. This is materially higher than the $500 million we talked about during our investor day last September, which was based on our original target of $1 billion of asset sales per annum. We did almost double that amount last year, and this increase in the amount of excess capital available for deployment is primarily due to these higher asset sales.

As we continue to generate excess capital through both operating income and asset sales, we will always look to deploy it in ways that create the greatest long-term value for our shareholders.

In summary, we continue to see strong demand for our product, strong demand from banks to finance the product, and a robust credit environment for our customers.

With that, I will hand the call over to Keith for a detailed review of our financial performance.

Keith Helming - *AerCap Holdings N.V. - CFO*

Thanks, Gus. Good morning, everyone. I'll start on page 11 of the presentation.

Our reported net income for the fourth quarter was $264.2 million and adjusted net income was $282.1 million. The adjustments made to derive adjusted net income include the elimination of costs relating to the mark to market of interest rate caps and swaps, transaction and integration expenses related to the ILFC acquisition, and maintenance rights expense. The most significant adjustment was $16.7 million for maintenance rights expense.

For the full year of 2015, reported net income was $1,178,700,000. Adjusted net income for the full year was $1,275,800,000.

Slide 12, reported basic earnings per share were $1.34 in fourth quarter and adjusted basic earnings per share were $1.43. For the full year of 2015, reported basic earnings per share were $5.78 and adjusted basic earnings per share were $6.26. Fully diluted earnings per share on an adjusted basis was $1.42 in fourth quarter, and for the full year of 2015, adjusted fully diluted earnings per share were $6.19.

Slide 13, as you know from purchase accounting, a portion of the acquired ILFC aircraft value was classified as an intangible asset. The amortization cost for this asset is recorded as lease expense instead of depreciation expense. Prior to the acquisition, this asset was part of the aircraft book value and subject to normal depreciation. Now the amortization of the intangible assets is expensed more quickly, over the remaining lease term instead of the remaining economic life of the aircraft. This difference in costs is effectively accelerated depreciation and was $19 million pretax and $16.7 million after tax in fourth-quarter 2015.

Slide 14, total revenue in fourth quarter was $1,338,000,000. Maintenance-related revenue was $136.7 million. Net gain on the sale of assets was $43.4 million and other income was $9.1 million. Total revenue in fourth quarter increased 4% over the same period in 2014.

For the full-year 2015, total revenue was $5,287,600,000, up 47% over the prior year, reflecting the full-year impact in 2015 of the ILFC acquisition.

Slide 15, net interest margin or net spread was $874.3 million in fourth quarter. The annualized margin as a percent to average lease assets was 9.8% and the average lease assets were $35.8 billion in the quarter. For the full-year 2015, net spread was $3,554,000,000, also up significantly over the prior year as a result of the ILFC acquisition. The annualized margin as a percent to average lease assets was also 9.8% and the average lease assets were $35.8 billion for the full year as well.

Slide 16, the impact from asset sales in fourth quarter was a pretax gain of $43.4 million. During fourth quarter, we sold or parted out 25 aircraft from our owned aircraft portfolio. In addition, 11 aircraft were purchased during the fourth quarter. For the full year 2015, the impact from asset sales was a pretax gain of $183.3 million, which reflects a sales margin of 11%. For the full year, 68 aircraft from our owned portfolio were sold and 46 aircraft were purchased.

Slide 17, leasing expenses were $126.3 million and SG&A was $103.6 million in fourth quarter. Leasing costs include $85 million relating to the expensing of the maintenance rights asset and $12.6 million relating to aircraft that terminated early or defaulted.

During fourth quarter, we incurred $50.8 million of transaction or restructuring related expense, and the full-year tax rate for 2015 is 13.7%.

The restructuring expenses relate primarily to our AeroTurbine business. These expenses are driven by the decision to reduce the size of the AeroTurbine business to that which is needed to support only the aircraft leasing business. Reducing the size of AeroTurbine will free up capital which can be used for more accretive purposes. The fourth-quarter charge is made up of a write-down of intangibles, severance-related expenses, and a write-down of assets moved to held for sale.

Slide 18, AerCap's unrestricted cash balance at the end of fourth quarter was $2.4 billion and our total cash balance, including restricted cash, was $2.8 billion. Operating cash flows were $953.8 million in the fourth quarter. Our available liquidity sources over the next 12 months, including estimated operating cash flows, is $12.5 billion and contracted debt maturities and Capex over the same period is $7.9 billion. This results in excess liquidity coverage of $4.6 billion and a ratio of sources to uses of 1.6 times. And of course, these sources do not include additional capital we expect to generate from financing of our new aircraft purchases.

Slide 19, the average cost for our debt in the fourth quarter was 3.7%. At the end of the fourth quarter, our debt-to-equity ratio was 2.9 to 1, which is down from 3.4 to 1 at year-end 2014. At the end of fourth-quarter 2015, the adjusted debt balance was $26.7 billion and the adjusted equity balance was $9.2 billion.

Moving to slide 21, the financial performance for 2015 was significant and well above our previous guidance, partly as a result of gains generated by the sale of aircraft and other one-off income items. 2015 core earnings, which exclude gains and the other one-off items, was also exceptionally strong. From core earnings, the fully diluted earnings per share in 2015 were $5.24 on an adjusted basis.

With regard to the financial outlook for the coming years, we are still on track for the 7% to 9% core earnings growth per annum from 2015 through 2018 that was discussed at our investor day in September of last year.

Those were the financial highlights for the fourth quarter. I'd like to now open the call to Q&A. Operator, can we have our first question?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Gary Liebowitz, Wells Fargo.

Gary Liebowitz - *Wells Fargo Securities, LLC - Analyst*

Thank you operator, good morning gentlemen.

Aengus Kelly - *AerCap Holdings N.V. - CEO*

Good morning Gary

Gary Liebowitz - *Wells Fargo Securities, LLC - Analyst*

Gus, you mentioned that you exceeded your 2015 asset sales target by a wide margin. I was curious if you can characterize the asset sale market for 2016. Have you continued to sell planes in the first quarter? Or maybe talk about LOIs or perhaps even something bigger like an AVS transaction later down the road.

Aengus Kelly - *AerCap Holdings N.V. - CEO*

The market remains robust, Gary. There is demand for aircraft across the board and we would expect to sell several hundred million in the first quarter.

In regard to the AVS market, this is still a market where the cost of senior funding in that particular structure is materially higher than the cost of funding available to AerCap. As such, even though you may result in some asset sales, you do have to give up a lot in the cost of the debt because of what AerCap is able to raise funding rates at.

Gary Liebowitz - *Wells Fargo Securities, LLC - Analyst*

Okay. And then one maybe for Keith, in your annual filing you give more details about your annual impairment test review, namely the number of aircraft that don't substantially exceed a threshold of book value. I was wondering if you had any extra details on the results of your impairment test that you can share.

Keith Helming - *AerCap Holdings N.V. - CFO*

Obviously, you can see the results there. There has been no impairments, even though we went through a thorough review of the entire portfolio. We will provide the same sort of information in our upcoming 20-F in March. But again, I don't think you will see much has changed in terms of the coverage.

Gary Liebowitz - *Wells Fargo Securities, LLC - Analyst*

Okay, thanks. I'll get back in the queue.

Operator

Helane Becker, Cowen and Company.

Helane Becker - *Cowen and Company - Analyst*

Thank you very much operator, hi gentlemen thank you for the time. My first question is on the comments, Gus, that you made with respect to the widebody aircraft that are coming off lease. I think those are your aircraft. But as you think about the market in general from a worldwide perspective, are there -- do you see a lot of aircraft coming available that would put pressure on lease rates in the 2018 to 2020 timeframe? Because that seems to be what's causing investor concern more than 2016 to 2018.

Aengus Kelly - *AerCap Holdings N.V. - CEO*

What we can also say is that quite a number of the airplanes we've placed, and we will explain this later on in the one-on-one call with the analysts, is that a number of the aircraft we placed in the 777s have been beyond the 2018 timeframe and into 2018-2020.

You have to remember, Helane, that a lot of the noise around widebody demand comes from participants in the market who have absolutely no experience of moving widebodies. Nobody else in the world moves widebodies like we do, and so you can see the results there at the quantum that we have moved almost two a week for the last 12 months.

Helane Becker - *Cowen and Company - Analyst*

Right, okay. And then just a follow-up question on the forward order book, have you given any thought to -- and probably the answer is no, but to selling any of your delivery positions?

Aengus Kelly - *AerCap Holdings N.V. - CEO*

Selling future delivery positions requires the cooperation of the manufacturer and that can be a very challenging thing to do, as the manufacturers have the view that have sold it to AerCap. Now certainly, we have sold airplanes in the past as they deliver if we believe we get the right price and the right return.

Helane Becker - *Cowen and Company - Analyst*

Okay. Well, that was very helpful. Thank you.

Aengus Kelly - *AerCap Holdings N.V. - CEO*

My pleasure

Operator

Moshe Orenbuch, Credit Suisse.

Moshe Orenbuch - *Credit Suisse - Analyst*

Great, thanks. I was wondering if you could talk a little bit about the guidance that you've got out there. Given that you'd finished off 2015 on a pretty strong note and starting out with the buyback in the first half of the year of probably about 5% of the stock gives you at least a couple of points tailwind on that, can you maybe think -- is there a way to discuss the elements of that and how you see the achievability of it here and over the 2016-2017 timeframe?

Keith Helming - *AerCap Holdings N.V. - CFO*

First of all, as I mentioned in my prepared remarks, the 7% to 9% EPS growth per annum out through 2018 is still very much on track. In fact, depending on how much of the excess capital we use, we potentially could exceed that.

We have sold a lot of aircraft, obviously, in the last couple years, and in particular 2015. So that, combined with a more limited amount of Capex in 2016, the lease assets will remain relatively flat year over year. In 2017 and 2018, there is heavier Capex, so you are going to see our lease assets grow there.

We will provide more detail on the 2016 specifics in terms of the guidance. But if you looked at the three-year period, certainly 2017 and 2018 are going to have the higher growth rates relative to the three-year period.

Moshe Orenbuch - *Credit Suisse - Analyst*

Got it. And just following up, Gus, you had alluded to the idea that you would have an extra roughly $300 million of cash flow expected this year. Could you talk a little bit about the things that, in the current environment, would be other areas that might be good sources to deploy that?

Aengus Kelly - *AerCap Holdings N.V. - CEO*

When it comes to the allocation of capital, that's always at the forefront of our mind, of course. So given where the stock price is at the moment, we believe that that excess capital is best used to return to the shareholders by acquiring our own stock.

And of course, we always look at what other alternatives there are. Over the course of the last two years, it has been focused on deleveraging the balance sheet, given that we levered up quite significantly in order to execute the ILFC transaction.

At this point, though, we feel that the debt equity ratio is at the right point to run the business at. And so, any additional capital will either be returned to the shareholders or used to reinvest in the business. And as I said, given where the stock price is now, we feel that the right thing to do is to acquire our own stock.

Moshe Orenbuch - *Credit Suisse - Analyst*

Thank you.

Operator

Michael Linenberg, Deutsche Bank.

Catherine O'Brien - *Deutsche Bank - Analyst*

This is actually Catherine O'Brien filling in for Mike. We've recently heard some commentary that the spread between current-generation aircraft and next-generation aircraft lease terms are not as wide as one would have once expected, given the current fuel price environment. I know you'd addressed this a bit in your prepared remarks. But are you also seeing that as you place neos and MAXes in your order book?

Aengus Kelly - *AerCap Holdings N.V. - CEO*

Well, the spread is still there. But you have to remember that the real driver of some of the movements in lease rates is the underlying treasury rates. And as the treasury rates move around, just, say, on an A320 or a 737, each 1% move in the treasury yield is worth about $30,000 in the lease rates.

So there has been, obviously, a significant drop-off in the 10-year treasury yield over the course of the last few months, which has impacted the lease rates of both the new and the old.

But the premium is very much still there. And if you looked at the slide that we have in the deck that shows the pace at which we are leasing new technology assets, it is unchanged.

And over the course of the last several weeks, we tested this ourselves with a number of the CEOs of very large global carriers in Asia, Europe, and the US. And the resounding answer is, look, in the near term it makes sense to extend some older, less fuel-efficient assets, such as 747s or A340s. But in the longer term, over the 12- to 18-year horizon a long-term fleet plan looks at, we still need the most fuel-efficient assets available in order to hedge yourself, if you are an airline, from the largest and most volatile item in your cost structure. So the behavior hasn't changed.

Catherine O'Brien - *Deutsche Bank - Analyst*

Okay, great. And then, just any updates to your watchlist from last quarter? Or are you still really just monitoring the countries you mentioned, such as Brazil and Russia?

Aengus Kelly - *AerCap Holdings N.V. - CEO*

It's primarily focused around Brazil, South America, and Russia and the neighboring countries. We haven't seen it spread beyond that. There's always one or two guys that are pockets of weakness here and there, but there is nothing unusual in the watchlist at the moment.

Catherine O'Brien - *Deutsche Bank - Analyst*

Okay, great. Thanks for the time.

Operator

Arren Cyganovich, D.A. Davidson.

Arren Cyganovich - *D.A. Davidson & Co. - Analyst*

Thanks, I was wondering if you could talk a little bit more details about the AeroTurbine charge, what specifically drove you to shrink the business there and why you don't add that back into your adjusted earnings as a one-time charge.

Keith Helming - *AerCap Holdings N.V. - CFO*

Yes. As I mentioned, again, in my prepared remarks, we took a look at, obviously, the amount of capital that we had tied up in AeroTurbine and we decided that downsizing the business to a level that really just supports the AerCap leasing business was the most appropriate path forward.

So as a result, we took these charges. A large part had to do with the intangibles that were part of the business. A number of the assets were moved to held for sale and we did a number of reduction-in-force initiatives already. So, that drove some severance costs as well.

So going forward, again we will have the AeroTurbine business. But again, it will be there primarily supporting just the AerCap leasing business itself.

Arren Cyganovich - *D.A. Davidson & Co. - Analyst*

Although it is just a one-time charge, though, correct?

Keith Helming - *AerCap Holdings N.V. - CFO*

It is, it is. And again, I think as we might have mentioned before, AeroTurbine didn't generate a significant amount of earnings for the overall AerCap business. So again, you won't see a dramatic impact on the future results.

Arren Cyganovich - *D.A. Davidson & Co. - Analyst*

Okay. And then on the financing side of the business, obviously we saw yields on the unsecured debt gap out significantly, and now they have come back in. Maybe you could just talk a little bit about what your options are whenever you do have pockets of weakness in the unsecured bond market, what other options are available to you, and how do you look to maneuver through those periods when you have some stress on that side of the business.

Keith Helming - *AerCap Holdings N.V. - CFO*

Well, as you see by our results here, we are sitting on record levels of liquidity. And that's not just coincidental. Obviously, we have Capex requirements coming up in the coming years. So we have done a lot of work in preparation for that.

We access capital, obviously, both from the unsecured bond market, as well as from our bank partners, unsecured financing. So we don't need to go to the unsecured bond market anytime soon. That's the position that we like. Obviously, if there is an opportunity, we will be opportunistic and issue, if we can. But, again, we don't need to go to the bond market until latter part of this year, or even, if need be, we could push it off to next year.

Aengus Kelly - *AerCap Holdings N.V. - CEO*

I think it's also worth noting that over the course of the last couple of months, we raised almost $2 billion at 3.6%. And as we've often said to you, the funding is the lifeblood of the business. And it's vital that you are not over-reliant on one particular source of capital.

You must have access to every source of capital around the globe. That means everywhere from Taiwanese banking syndicates to the unsecured market here in the US, and all in between. And you must continue to access those markets through the good times and the more volatile times.

And based on our experience, we have never had a large shareholder behind us. We've known that you must always carry very significant amounts of liquidity to ensure that this business will not just survive in periods of volatility, but it will thrive, like it has done in prior periods of volatility.

Arren Cyganovich - *D.A. Davidson & Co. - Analyst*

Thank you.

Operator

(Operator Instructions). Jason Arnold, RBC Capital.

Jason Arnold - *RBC Capital Markets - Analyst*

Hi guys. Great to see the sizable buyback. I was just curious if there are any constraints around your ability to use that right away, blackout period-wise. I'd assume you would probably be pretty aggressive putting money to work here at current levels.

Keith Helming - *AerCap Holdings N.V. - CFO*

We don't have any restraints in terms of using the cash. Obviously, the only limitations we have is the limitation that we -- on the amount that we can buy on a daily basis, just based on the last several months' worth of trading activity.

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Jason Arnold - *RBC Capital Markets - Analyst*

Okay. Great, thank you. And then, also thanks for the color on the market fear factors. Just to follow up on oil, it seems like many I speak with continue to be narrowly focused on the thesis that low oil means high demand for old aircraft, which I think misses the fact that old aircraft have high maintenance expenses and limited useful lives. So I was just curious if you'd frame a little bit of extra color around that as well.

Aengus Kelly - *AerCap Holdings N.V. - CEO*

Sure. There are really three categories of aircraft at the moment in the world. There's the new-technology assets, which are the 320neos, the MAX, the 787, and the A350, which aren't really in any significant production at the moment.

Then you have current-technology assets, which is the 777s, the 330, the 320, and the 737. And all of those are in high demand.

Then you have the less fuel-efficient assets, older tech, which would be 747, 767, first-generation A330, A320s pre-1995.

Now what is happening with those older assets is that airlines are operating them for longer than either us or they had envisaged. However, there is a hard stop to it. And as you point out, that is driven by the maintenance condition of the asset. We had assumed, for example, when we bought the ILFC fleet that quite a number of those older-tech assets would be scrapped at the end of their existing leases. Now what we are observing is airlines are coming back to us and saying we would like to extend those assets for a period of time.

However, the extension period is capped out at the engine overhaul date or the cabin reconfiguration date. To reconfigure the cabin of a 747 would be $20 million. So airlines will not spend that on that type of asset because they were afraid that fuel would go back up and the asset would be a highly fuel-inefficient asset and a very costly asset to operate. The same is true on engine overhauls.

But they are quite willing to take a view for the next two or three years that they believe oil will stay at levels where it still makes sense to operate these airplanes. So that's the behavior we are seeing.

We are seeing an additional lease of life, if you will, for two or three years on these asset types. But there is a hard stop, due to the engine overhaul costs or the maintenance costs.

Jason Arnold - *RBC Capital Markets - Analyst*

Excellent. Thanks so much for the color, guys.

Operator

Jamie Baker, JPMorgan.

Jamie Baker - *JPMorgan - Analyst*

Good morning gentlemen. As you've pointed out several times and has been asked on the call a few times, the topic as to whether lower fuel in perpetuity causes airlines to retain current-generation kit for longer is a pretty popular topic. And of course, Delta has made it look, made it look, easy in terms of achieving high dispatch reliability with significantly older aircraft.

So, two questions. Based on your knowledge of the world's airlines, how many actually today have the technical wherewithal to rival what Delta has managed? And second, have you seen any evidence of airlines investing in that capability, as, to me, that would be the leading indicator that everybody seems to be looking for?

Aengus Kelly - *AerCap Holdings N.V. - CEO*

I think it's important to note that very, very few airlines in the world have maintenance capabilities to manage their own fleets. You are looking at a handful of carriers.

Furthermore, in the end these airplanes are going to be discontinued from production or already have been discontinued, and the cost of operating them longer term will be very significant. As you try to find replacement engines that aren't in the market, you may have to fully overhaul engines that are out of production at extremely high cost where there's no prospect of really getting the full life back out of those engines.

So in summary, the vast majority of airlines out there do not want to operate the older aircraft. When I mean the older aircraft, I mean the older technology that I referenced in the prior answer, 74, 76s, or anything beyond the upcoming engine overhaul date or cabin reconfiguration date, for two reasons. One, they don't believe it's worth the cost. And two, the maintenance capabilities required to do it, they just don't have it.

So we don't see any drop-off in demand for 320s, 737s. On the contrary, and as you can see from our forward placement activity, that hasn't slowed down, either.

Jamie Baker - *JPMorgan - Analyst*

That's exactly the point I was hoping you'd make. I appreciate you being willing to continue beating the dead horse. So thank you for that. Take care.

Operator

Vincent Caintic, Macquarie.

Vincent Caintic - *Macquarie Capital Markets - Analyst*

Great thanks very much guys. Two questions, first, I appreciate slide deck number 10. I thought the $800 million to $1 billion of excess cash is very useful. With the buyback program you have in place, what does that imply about, say, your ratings for the investment-grade rating or your confidence in getting that rating?

Keith Helming - *AerCap Holdings N.V. - CFO*

Yes. In terms of our use of excess capital and our rating, we have been very clear as to the metrics that we use to manage and run the business. And from our point of view, things like the capital structure that we maintain, 2.9 or less than 3 to 1, all those things lead to, in our view, an investment-grade rating.

With regard to use of excess capital, we are not going to use any capital unless it's truly excess and in the bank. So you won't be seeing us rise above 3 to 1. We will use the cash once we generate it and it's available to deploy. And we will -- we don't see one offsetting or driving the other.

Vincent Caintic - *Macquarie Capital Markets - Analyst*

Got it, thanks. And the second question I had had to do with AeroTurbine and Arren asked a lot of the questions that I had. But some of the investor questions I've had is that, say, the engine impairments might be translatable to the rest of your portfolio. And I was just wondering if you can allay that fear or just discuss that topic. Thanks.

Keith Helming - *AerCap Holdings N.V. - CFO*

Yes. It doesn't have any direct correlation to our own portfolio. Again, these are leases that can continue to be leased long term. But again, they are not engines that we need to support the AerCap portfolio, so we are going to sell them on a very quick basis. So they have been moved to held for sale, and as a result there have been some charges taken on that.

Vincent Caintic - *Macquarie Capital Markets - Analyst*

Got it, it makes sense. I'm inclined to add back that $0.21 impairment, then. Thanks very much, guys.

Operator

Kristine Liwag, Bank of America.

Kristine Liwag - *BofA Merrill Lynch - Analyst*

Hi good morning everyone. For the new aircraft deliveries that you have contracted through 2018, can you discuss how many are under firm contract versus letters of intent and when you expect the letters of intent to firm up?

Aengus Kelly - *AerCap Holdings N.V. - CEO*

The vast majority, Kristine, are all under firm contract. And on average, over 90% of our LOIs convert into contracts.

Kristine Liwag - *BofA Merrill Lynch - Analyst*

Great. And another fear, I think, we hear from investors often is the question of whether or not airlines can cancel some of these contracts. Can you discuss, perhaps, the penalty payments that are usually embedded in these contracts that you've done for your forward order book?

Aengus Kelly - *AerCap Holdings N.V. - CEO*

Yes, it's called bankruptcy. So that's their penalty payment, wiping out their equity.

Kristine Liwag - *BofA Merrill Lynch - Analyst*

Great. And as a follow-on, of the 15% of new deliveries that you have yet to place through 2018, can you discuss which aircraft types these are and then when you expect them to firm up?

Aengus Kelly - *AerCap Holdings N.V. - CEO*

There are a few neos there that we are holding back. There are several campaigns ongoing at the moment which those aircraft are in competition for, and there is a couple of 787s. We don't envisage any difficulty placing those airplanes.

Kristine Liwag - *BofA Merrill Lynch - Analyst*

Great, thank you.

Operator

Justine Fisher, Goldman Sachs.

Justine Fisher - *Goldman Sachs - Analyst*

The first question I have is on widebodies. When we talk to investors about their concerns on widebodies, they talk about the lease rate risk, the re-leasing risk, and then, obviously, the impairment risk. And I think what people are missing in the widebody market is they are saying, all right, if we look over the last six months, widebody lease rates are down X percent and widebody values are down Y percent.

But what we don't know is the lease rates on your particular widebodies and the base that we are starting from and where you might roll those over. So those are not -- these might be booked at rates that were much lower than what we saw six months ago, and so the delta may be way less than what you are seeing in the market. And the same is true for where they are booked on your balance sheet. I can look nine months ago and tell you what the delta has been in the value of the 777. But we don't know where they are written on your books.

So I know you can't tell us where your aircraft are leasing. I know you can't tell us where they are booked. Is there anything you can tell us to allay our concerns about where we see the market versus what is actually the case for you guys? Maybe the gains on the 777-200 that you booked are a good example of the fact that you wrote the ILFC fleet down so significantly that we may not see at all for AerCap what we observe in the market. So is there any way you can give us any data on these two issues to make people a little more comfortable?

Aengus Kelly - *AerCap Holdings N.V. - CEO*

I do think, Justine, it's worth noting that the market data is based on observation or assumption. None of the participants who have been giving data on the market have actually been active in any significant way in the market at all on the widebodies.

So we gave you specific information on six 777-200 ERs that we have sold to several different counterparties over the course of the last six months. That's pretty much one every four weeks, and the price was $50 million.

In terms of lease rates that we are leasing the airplanes at, if we had leased all these airplanes that we have done last year at levels that were significantly below where they had been previously, we would be looking at impairment charges. Again, that is not the case, as you've seen in our results to date.

So the widebody market overall, if you look at our activity of moving two of these a week, that's -- we are the most active participant in the market. We do see more data than anyone else in the market. And we would say that we have shared as much as we can in terms of the prices we've sold these assets at and the level of leasing activity that's there.

Justine Fisher - *Goldman Sachs - Analyst*

Okay, thanks. And then, the second question I had was just on the balance sheet. So I'm looking at the maturities this year, and you got the $1.3 billion of those old secured ILFC bonds, and then $1.6 billion of unsecured. And I know that you guys had mentioned earlier that you've done credit facilities, there's a lot of liquidity at the Company, so if you need to draw down on those, instead of going to the unsecured markets, you could.

But the first question is, if -- and I don't know where you could do a deal on the unsecured market. Is it 7%? I don't -- based on where your current bonds are trading. But the coupons of the debt rolling off are still at or higher than where you might be able to do a new debt. So what would make -- a new deal. So what would make the Company not go unsecured?

And then, the second part of that question is I know the agencies look at unencumbered assets. And so, obviously, the secured route is there. We saw ILFC use it during the financial crisis and I don't think anyone doubts that it's available. But does it affect ratings if you guys go the secured route, even if it's temporarily, because then that changes your unencumbered asset structure and then we go down that road of maybe delaying an IG rating? Have you spoken to the agencies about that?

Aengus Kelly - *AerCap Holdings N.V. - CEO*

Justine, just before Keith answers, I want to say that our current bonds are trading in the 4s. I don't know where you're talking about the 7s from.

Justine Fisher - *Goldman Sachs - Analyst*

No, that's what I'm saying. Even if there's a crazy discount to where your existing bonds are trading, it's still at or below the coupons that are rolling off.

Keith Helming - *AerCap Holdings N.V. - CFO*

With regard to the use of secured financing, again, we have imposed ourselves a limit as to how much of the secured financing we will access. So we try to limit the amount of secured financing to 30% or low 30% of total assets.

And having that sort of constraint still allows us to access several billion dollars a year, per annum, of secured financing. So, again, we are not using the secured financing to the extreme and to the detriment of an investment-grade rating.

And the other comment or other question you had was relating to the yield or the cost of the old ILFC bonds. If you recall, in purchase accounting we did have to mark -- or we did mark to market all those bonds to what effectively the rate was that we as AerCap today could effectively borrow at.

Justine Fisher - *Goldman Sachs - Analyst*

Okay. So there's nothing that's discouraging the Company from going to the unsecured market at present.

Keith Helming - *AerCap Holdings N.V. - CFO*

Absolutely not, absolutely not.

Justine Fisher - *Goldman Sachs - Analyst*

Okay, good to hear.

Keith Helming - *AerCap Holdings N.V. - CFO*

The way we are positioned is we have plenty of liquidity and we will be opportunistic accessing capital once again when those things occur.

Justine Fisher - *Goldman Sachs - Analyst*

Okay. That was the question I was getting at because I think people are concerned about a secured issuance. But if there's nothing stopping the Company from going unsecured, that was what I wanted to confirm. So thanks.

Operator

Christopher Nolan, FBR & Co.

Christopher Nolan - *FBR & Co. - Analyst*

Would you consider selling AeroTurbine?

Aengus Kelly - *AerCap Holdings N.V. - CEO*

There are certain parts of AeroTurbine that are very important for us to keep. So what -- we've looked at all the alternatives for the Company and we do need a portion of the AeroTurbine platform to support AerCap. And that's primarily focused around the aircraft maintenance teardown and the engine leasing and trading aspect of the business.

Christopher Nolan - *FBR & Co. - Analyst*

Okay. And were the write-downs on the AeroTurbine engines related to Rolls-Royce engines or anything related to the problems Rolls is having these days?

Aengus Kelly - *AerCap Holdings N.V. - CEO*

No, they were not. They were a mix of engines, really, that aren't that strategic to the AerCap portfolio any longer.

Christopher Nolan - *FBR & Co. - Analyst*

Also, Aviation Week has a brief article talking about how Boeing sometime this year may make a go decision on a 757 replacement. Is Boeing and you guys in discussions in terms of you helping define that aircraft?

Aengus Kelly - *AerCap Holdings N.V. - CEO*

We are always talking to the manufacturers about what we see in terms of demand in the market, etc., and the different types of aircraft that we believe will be successful or not successful. We share our views with the manufacturers in that regard.

Christopher Nolan - *FBR & Co. - Analyst*

Thank you for taking my questions.

Operator

Darryl Genovesi, UBS.

Darryl Genovesi - *UBS - Analyst*

Hi guys thanks for the time. Maybe just a quick housekeeping question to start. Did you guys -- and I joined a couple minutes late, but did you disclose the net P&L impact of the 17 aircraft that you are taking back early?

Keith Helming - *AerCap Holdings N.V. - CFO*

We didn't, but there's a significant amount of maintenance revenues that you see in the quarter and that helped drive some of the excess.

Darryl Genovesi - *UBS - Analyst*

Okay. And would you say that everything basically came through in Q4? Or is there still more to go from a remarketing perspective?

Keith Helming - *AerCap Holdings N.V. - CFO*

Most of it came through in Q4. So there was probably around $50 million to $60 million of the maintenance revenue that was driven by terminations/defaults, if you will. But most of -- and the costs have been incurred as well. So you saw most of the activity here in fourth quarter.

Darryl Genovesi - *UBS - Analyst*

Thanks for that. And then, Gus, message received on lower fuel helping, probably boost traffic growth here. But at the same time, your decision to take AeroTurbine to a 100% captive input stream would seem to corroborate some of the concerns around lower replacement demand as a result of lower fuel. So when you net those two things out, I guess, where do you come out in terms of the overall supply-demand balance for commercial airplanes or the current production rates and out over the next couple of years when the manufacturers are planning on going higher still?

Aengus Kelly - *AerCap Holdings N.V. - CEO*

Look, at the moment you saw we ran at 99.5% utilization for 2015. And you see that the vast -- over 80% of our deliveries going through 2018 are already placed. On the new side, that's almost on 12-year leases. So at the moment, we continue to place airplanes in the face of a very robust market on a global basis.

Now as we look forward, what will the manufacturers do? You have to remember that we do have a rational duopoly from the OEMs. Now they can say whatever they like about future deliveries. What really is important, though, is what they actually deliver.

And the manufacturers have to overbook their order book. They must do it. No OEM knows which startup airline will be around in five years and no credit analyst could possibly work it out, either. The only way you can hedge against it when you have a massive fixed-cost production line like Boeing and Airbus is to overbook.

So if you go back five years, they had no idea that Russia would be the country that would get into trouble or that Brazil would be the country that would get into trouble. All they knew is that someone would get into trouble, and so they needed to overorder to protect themselves from inevitable volatility in certain parts of the world.

So I don't pay a huge amount of attention to the OEMs' announcements about what they will do in three years' time. I'm far more interested in what they are doing based on the current market.

In essence, they have two choices in how to regulate supply. One is that they can control it themselves. Two is that they let the market control it. If the market is to control it, if an airline has ordered too many airplanes and they ask Boeing and Airbus for help and they say no and they force them to take the assets, then the airline will either go into bankruptcy itself and cancel its order or it will damage a competitor who will cancel its order and go into bankruptcy itself. That's one way the market will automatically do it.

Or secondly, they can do it the way they have always done it in the past, which is that they always oversell to airlines, knowing that many times they airlines will have to come back and discuss deferrals, which will result in price increases, etc. And in that regard, that's how they will give the airlines as many aircraft as they possibly can, but not put the airline out of business.

And so, that's how we look at the behavior of the OEMs, much more based on the nearer-term traffic demand that they see, rather than what their order books indicate in 2020.

Darryl Genovesi - *UBS - Analyst*

Thanks very much.

Operator

(Operator Instructions). Andrew Light, Citi.

Andrew Light - *Citigroup - Analyst*

Just on widebodies, it would seem that that's the most risky end of the market. Do you think lessors in general, going over time, will reduce their appetite for widebody leasing, instead focus on narrowbody leasing? I'm not necessarily referring to AerCap, but just leasing in general. And are you seeing as much sale and leaseback competition in widebodies from these new entrant lessors as in the narrowbody side?

Aengus Kelly - *AerCap Holdings N.V. - CEO*

The widebody market is going to be a bigger and bigger component of total global aircraft production.

A lot of that will be driven by China. China traffic has focused initially on domestic growth, then near international growth. But as visa restrictions are waived throughout the world for Chinese citizens over the course of the next 10 or 15 years, you will see a very big surge in widebody demand for aircraft. So we don't see a structural change in the demand for the widebody airplanes.

Now what you do need to do if you are involved in the widebody market is you do want to have a big platform yourselves or have a partner with you who is able to move these aircraft. So when you look at AerCap, of course, as I referenced, we are moving two widebodies a week. You would not be able to do that, no matter how capable you were, if there wasn't demand for the product out there.

Andrew Light - *Citigroup - Analyst*

Okay, thanks. I was thinking, for example, you'd see it in the freighter market. There was a lot of interest four or five years ago from leasing companies, and after vehicle impairments you see hardly any interest or appetite for that business as well. And I was just wondering if perhaps the widebody passenger segment could go that way, given it's not as liquid as the narrowbody side.

Aengus Kelly - *AerCap Holdings N.V. - CEO*

The freight market has got some structural differences, to be fair. First of all, you have a very small group of operators there, which always makes life difficult.

And then, of that small group of operators, there are three giants who will always own everything themselves, in UPS, FedEx, and Lufthansa, Deutsche Post, DHL. Also, the freight market has been hit hard by the capability of the new technology widebodies. The 777-300ER has so much capability that it's a quasi-freighter. A tremendous amount of freight is actually carried in the belly of that airplane, which has killed off some of the demand for full freighters.

The freight market is a bit different. I certainly wouldn't compare it in any way to the long-term structural demand we see for pax widebodies.

Andrew Light - *Citigroup - Analyst*

Okay, just a final question. On your Capex, I had penciled in, I think, from your investor day last year of the order of $5 billion to $6 billion a year, which is roughly $1 billion a year running higher than your forward order commitments the next few years. Do I take it from your comments about disposals and excess capital that really it's just a question -- you would be having very little additional Capex beyond what you are committed to with the OEMs?

Keith Helming - *AerCap Holdings N.V. - CFO*

As Gus pointed out before and I think as we pointed out many times before, based on, obviously, the current market conditions, the share price where it's at today, and the marketplace itself, excess capital will be used to effectively buy back shares, if you will.

We do have a reasonable amount of Capex in the coming years. We have just under $4 billion Capex in 2016 and then $5 billion plus in 2017 and 2018. So we do have a portfolio that will continue to grow with the committed Capex we have already in place today.

Aengus Kelly - *AerCap Holdings N.V. - CEO*

I think, Andrew, what we were getting at at the investor day was that we do have, of course, the contracted order book. But in addition, we expect it to generate an amount of excess capital. And that excess capital could be either used to return to the shareholders or reinvest in the business. If we reinvest in the business, then the Capex would, of course, risen. And allocation of capital is always at the forefront of our minds.

So as we go through the next couple of years, we will look at what is the best use of the money. That could well be increased Capex, or given where we are at the moment, obviously if these conditions continue, we would expect to use it to return to the shareholders via the buyback.

Andrew Light - *Citigroup - Analyst*

But would you still have the appetite for doing strategic business, like the deals you've done in the past with United and with LAN, for example, where, given your size and relationship, you did additional sale and leasebacks?

Aengus Kelly - *AerCap Holdings N.V. - CEO*

Of course, they are not competer transactions; they are very different types of transactions that are only available to someone like ourselves. And if they make sense for our shareholders, of course we look at them. But if they don't, we won't.

Andrew Light - *Citigroup - Analyst*

Thanks very much for that.

Operator

Ettore Bianchi, Seaport Global.

Ettore Bianchi - *Seaport Global Securities - Analyst*

You started this presentation making a pretty compelling case for your Company and for the health of the sectors. And just before I ask my question, I want to applaud you for doing that. It's refreshing to have a conference call starting addressing these kind of general topics, rather why we reported EPS a penny or two off the consensus forecasts.

But I was wondering. As you were listing all these things that concern you or that you felt like you had to address, one of the things that I noted you did not address was foreign exchange, which I find a little bit peculiar, given the fact that these are dollar-denominated assets. So my question -- or my first question is, what gives you confidence that foreign exchange is not an issue in this business?

Aengus Kelly - *AerCap Holdings N.V. - CEO*

So the foreign exchange in almost every country absent Brazil and Russia, the decline in the foreign-exchange rate against the dollar has been dwarfed by the decline in fuel.

So yes, of course, there is a foreign-exchange impact; you are correct. But the key cost item in the P&L is fuel. And the drop in fuel has offset the decline in the FX rate in the vast majority of the jurisdictions we deal in.

Ettore Bianchi - *Seaport Global Securities - Analyst*

Okay. My second question related to another topic that you mentioned, which was China. And one thing that I notice is there has been a proliferation, whether in mainland China or Hong Kong, of Chinese aircraft leasing company to a certain extent even encouraged by the government to expand their presence in a sector.

So my question is even if you assume the economy is not growing as fast as it was in the past, what gave you comfort that competitive price pressures are going to abate or not been particularly acute, given the fact that you have several companies there really fighting hard for market share?

Aengus Kelly - *AerCap Holdings N.V. - CEO*

You have to remember that the market itself is growing at a very significant level and the current complex of aircraft leasing companies cannot keep up with demand for the products. There's the best part of $100 billion being delivered every year. If the leasing companies are to maintain their existing share of the market, we have to come up with $40 billion of capital every year.

At the moment, there are two giants in the industry, AerCap and GECAS. And then, you have a handful of other guys who could claim that they have global platform. We will need to see other people move into that second-tier category in order to satisfy demand for the product. As yet, of the Chinese leasing companies that have started up, we have not seen any of them approach that level. I hope that one or two of them will because we will need them in the long term in order to satisfy the demand for the product.

Operator

(Operator Instructions). Gary Liebowitz, Wells Fargo.

Gary Liebowitz - *Wells Fargo Securities, LLC - Analyst*

Yeah thanks, a few housekeeping questions. First, on the other revenue line, there's only $9 million. I know that includes management fees and other items and AeroTurbine. So was there a big operating loss at AeroTurbine in addition to the charges that you took?

Keith Helming - *AerCap Holdings N.V. - CFO*

There was lower income driven by lower sales margin on the AeroTurbine inventory. So there was an additional mark to market on parts of the AeroTurbine inventory, which effectively went through that particular line item, other income. But again, you won't see that as a recurring item going forward.

Gary Liebowitz - *Wells Fargo Securities, LLC - Analyst*

Okay. And was there the MetroJet recovery in the quarter?

Keith Helming - *AerCap Holdings N.V. - CFO*

Whatever financial impact we did have from that tragic event was obviously recorded in the quarter.

Gary Liebowitz - *Wells Fargo Securities, LLC - Analyst*

Okay. And also, relative to the third quarter, your depreciation expense rose a bit, even though your average asset balance went down. Is this changes in residual values and useful life assumptions?

Keith Helming - *AerCap Holdings N.V. - CFO*

Yes. As we've mentioned many times before, we are always evaluating the portfolio. And whenever we think there's a need to accelerate depreciation on certain aircraft types, we do so.

So again, as part of the annual review, we've looked at every single aircraft type. And in some parts of the portfolio, we did increase the depreciation, albeit not that significantly.

Gary Liebowitz - *Wells Fargo Securities, LLC - Analyst*

And last quick one, maybe for Gus. I saw a couple of A320neos got pushed out of your 2016 delivery schedule. Are you confident this is just a temporary issue with the engine?

Aengus Kelly - *AerCap Holdings N.V. - CEO*

Yes, we are, Gary. We expect that the neo delivery program will be back online by the end of the year.

Gary Liebowitz - *Wells Fargo Securities, LLC - Analyst*

Thank you very much.

Operator

Christopher Nolan, FBR & Co.

Christopher Nolan - *FBR & Co. - Analyst*

Hi Aengus, as a quick -- in your prepared comments, you were talking about the excess capital again. Was that a change from your previous guidance of $500 million in 2016? I missed it.

Aengus Kelly - *AerCap Holdings N.V. - CEO*

Correct. At the investor day, we had guided towards $500 million per annum for the next three years. Now what happened in the fourth quarter of the year is that we did accelerate asset sales, and the operational performance was also ahead of schedule. And that has resulted in the excess amount being available.

Christopher Nolan - *FBR & Co. - Analyst*

Okay. So has that $500 million changed at all, increased or--? --

Aengus Kelly - *AerCap Holdings N.V. - CEO*

Yes. Well, we will see how the year runs out, as Keith referenced. We will not spend money that we haven't earned and put in the bank. But we do expect this year to generate $800 million plus of excess capital.

Christopher Nolan - *FBR & Co. - Analyst*

Great. And final question would be on the gain of sale. I estimate that you're making the average $2 million per aircraft that you sold, on average, which was down from roughly $3.9 million over the last couple quarters. Any particular reason for that?

Keith Helming - *AerCap Holdings N.V. - CFO*

Well, when you look at our sales results for the past four or five years, whatever it is, we have been averaging about $2 million per aircraft. So these results are pretty much in line with that. The higher amount that you would have saw perhaps in the last few quarters was obviously higher amounts of widebody sales, which just naturally would be a higher gain.

Christopher Nolan - *FBR & Co. - Analyst*

Right. Okay, thanks for taking my questions.

Operator

As there are no further questions at this time, I would like to turn the call back to Mr. Wikoff for any additional or closing remarks.

Aengus Kelly - *AerCap Holdings N.V. - CEO*

Thank you very much, Operator. Thank you all for joining us for the call and we look forward to speaking to you again either in the first-quarter earnings call, if not before.

Operator

Ladies and gentlemen, that concludes today's conference call. Thank you all for your participation. You may now disconnect.
