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PRESENTATION

Operator

Welcome to today's AerCap Holdings first-quarter 2016 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.

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

Thank you operator and hello everyone. Welcome to our 2016 first-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. For information concerning issues that could materially affect performance can be found in AerCap's earnings release dated May 12, 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.

I'll now turn the call over to Aengus Kelly.

Aengus Kelly - *AerCap Holdings N.V. - Executive Director, CEO*

Thank you John. Good morning everybody and thank you for joining us for our 2016 first-quarter earnings call.

We are delighted to be reporting another strong quarter for AerCap's core business. During the first quarter, we generated adjusted net income of $301.6 million, and earnings per share of $1.54. We finished the first quarter of 2016 with total assets of $43.7 billion and a very healthy net spread, which is a critical measure of our operational performance of $865.7 million. Our net interest margin was 9.8%, which we achieved thanks to the attractive financing terms available to AerCap, the capabilities of our platform and the quality of our portfolio.

Moving on to some operational trends, AerCap's fleet utilization remained at a stable [99.3%](corrected by company after the call) throughout the first quarter. We also completed 131 aircraft transactions, far exceeding one transaction every 24 hours for the first three months of the year. These transactions include the signing of 100 lease agreement and the first placement of 10 Boeing 737 MAX 8 aircraft. These aircraft form part of AerCap's order for 100 737 MAX aircraft placed in June of last year for which delivery starts in 2019.

We also purchased six new aircraft and we disposed of 25 aircraft as we continued to prune our portfolio of older and less efficient assets. We completed the sale of approximately $340 million worth of aircraft during the first quarter at an average age of 14 years. This level of sales activity illustrates that there is robust demand in the secondary market for aircraft globally.

The average remaining lease from our portfolio grew to 6.1 years during the first quarter and we have already placed 90% of our new aircraft deliveries through 2018. This level of activity provides tremendous stability and earnings visibility with revenue booked well into the future. It also gives us unequaled insight into end-user sentiment and general market conditions. It is this level of stable earnings power driven by the strength of our global platform which will enable us to deliver approximately $800 million of excess capital during the course of 2016.

We have always said that, as we continue to generate excess capital through both operating income and asset sales, we will look to deploy it in ways that create the greatest long-term value for our shareholders. We have made excellent progress in reducing our debt to equity ratio, which was 2.8 to 1 as of March 31, contributing to a return to investment-grade status following our upgrade by Standard & Poor's in March.

We are also making good progress with the $400 million share repurchase program we announced in February, and as of May 10, 2016, we have completed the purchase of 8.1 million shares at an average cost of $37.50 per share. At AerCap's current stock price, we believe that repurchasing stock is the best use of our excess capital. And subject to market conditions and growth opportunities, we would expect to extend our share repurchase program, assuming it continues to deliver the best return on capital for our shareholders.

Funding and liquidity remain critical organizational priority. To that end, we will always manage AerCap's balance sheet conservatively and prudently to ensure that we have strong liquidity and access to funding from globally diversified sources, including the secured bank market, the unsecured and secured bond markets, and export credit funding.

Turning to passenger traffic, which is a key measure of the capacity requirements of our airline customers, 2016 is shaping up to be another good year. Through March, IATA reported 7% growth in passenger traffic, which is the best start to a year since 2012. Also noteworthy is that the growth is broad-based and accelerating in most regions around the world.

The higher passenger traffic volumes are in part attributable to lower fuel costs, which are driving lower fares, and expansion of the route networks of many airlines around the world. As we have mentioned before, lower oil is unequivocally good for airlines and good for AerCap as it helps to drive traffic, improve credit quality and increases the aircraft capacity needs of our customer base.

Overall, we continue to see an attractive long-term growth trajectory for AerCap.

I would like to close by saying that we remain fully committed to maximizing shareholder value. Our capital allocation has been and will continue to be totally focused on generating long-term shareholder value.

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 5 of the presentation.

Our reported net income for first quarter was $223.1 million and adjusted net income was $301.6 million. The adjustments made to derive adjusted net income include $9.7 million for the elimination of costs relating to the mark to market of interest rate caps and swaps, $12.6 million for transaction and integration expenses relating to our MRO AeroTurbine subsidiary, $12.9 million for the remainder of the AeroTurbine operator results, and $43.3 million for maintenance rights expense. We have now included the impact from our non-core AeroTurbine business as an adjustment in deriving net income in order to better track core earnings. I'll talk about the status of the downsizing of AeroTurbine in just a moment.

Page 6. Reported basic earnings per share were $1.14 in first quarter, and adjusted basic earnings per share were $1.54. Fully diluted earnings per share on an adjusted basis were $1.53 in the first quarter.

Slide 7. As previously mentioned, the impact from the expensing of the maintenance rights asset was $43.3 million. This asset is the portion of the acquired ILFC aircraft value that was classified as an intangible asset in purchase accounting. The amortization cost for this asset is recorded as lease expense instead of depreciation expense and is expensed more quickly over the remaining lease term instead of over the remaining economic life of the aircraft. The expected impact for full-year 2016 is approximately $150 million, and as you can see, the impact over time nets to zero.

Page 8. Total revenue in first quarter was $1,139.3 million. Maintenance related revenue was $150.4 million. Net gain on sale of assets was $19 million and other income was $9.3 million. A slight decrease in basic lease rents versus the prior year is primarily the result of aircraft sales. Maintenance revenue was higher than normal in first quarter as a result of a higher number of lease terminations and admittance.

Page 9. Net interest margin or net spread was $865.7 million in first quarter. The annualized margin as a percent of average lease assets was 9.8%, which is consistent with prior quarters. Average lease assets were $35.5 billion in the quarter. Average lease assets and net interest margin were down slightly versus the prior year primarily as a result of aircraft sales.

Page 10. The impact from aircraft sales in first quarter was a pretax gain of $19 million. During first quarter, we sold or parted out 19 aircraft with an average age of 14 years from our owned aircraft portfolio. Nine aircraft were also reclassified from operating lease to finance lease, which was the result of lease extensions. In addition, six aircraft were purchased during the quarter.

Page 11. Leasing expenses were $167.4 million and SG&A was $87 million in the first quarter. Leasing costs in the quarter include $108.8 million relating to the expensing of the maintenance rights asset. Also during first quarter, we incurred $44.6 million of impairments and $12.6 million of restructuring related expense. The impairment charges were primarily the result of lease terminations and amendments during the quarter and were more than offset by $62 million of maintenance and other revenue. This revenue largely represents cash reserves held as collateral, which we retained as a result of the lease terminations and amendments. The restructuring expense relates to our non-core AeroTurbine business and include $5 million of severance costs and $7.6 million on the further write-downs of some assets. As discussed last quarter, these expenses are driven by the decision to reduce the size of the business to that which is needed to support only the AerCap leasing business. The downsizing is progressing and we expect to be largely complete by the end of 2016.

Page 12. AerCap's unrestricted cash balance at the end of first quarter was $2.9 billion and our total cash balance, including restricted cash, was $3.3 billion. Operating cash flows were $838.8 million in the first quarter.

Page 13. Our available liquidity sources over the next 12 months, including estimated operating cash flows, is $12.4 billion, and contracted debt maturities and CapEx over the same period is $10 billion. This results in excess liquidity coverage of $2.8 billion and a ratio of sources to uses of 1.24 times. Again, these sources do not include additional capital we expect to generate from financing of our new aircraft purchases.

Page 14. The average cost of our debt in the first quarter was 3.7%. At the end of first quarter, our debt equity ratio was 2.8 to 1, down from 2.9 to 1 at year-end 2015. At the end of first quarter 2016, the adjusted debt balance was $26.1 billion and the adjusted equity balance was $9.2 billion.

Page 16. The financial outlook for our core business in 2016 is expected to be comparable to 2015 with an EPS of approximately $5.50. The term core business refers to our aircraft leasing business and excludes both gain on sale of aircraft and excludes the results attributable to the non-core AeroTurbine business. The comparable core EPS in 2015 was $5.63 after adjusting for these two items. The amount of average lease assets expected in 2016 is approximately $35 billion, which is down slightly versus 2015 as a result of aircraft sales and OEM delays. We are assuming aircraft sales of approximately $2 billion in 2016 in this guidance.

Total revenue from our core business is expected to be approximately $4.8 billion versus the comparable amount of $5.0 billion in 2015, again, with the small decrease also attributable to aircraft sales and OEM delays.

Expected costs in 2016 include depreciation of $2 billion on an adjusted basis, interest expense of $1.1 billion, leasing expenses and SG&A of $0.5 billion, and a tax rate of approximately 13%. This all results in core net income of $1 billion in 2016. We plan to provide further guidance beyond 2016 at an investor day later this year.

Those were the financial highlights for the first 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). Jason Arnold, RBC Capital.

Jason Arnold - *RBC Capital Markets - Analyst*

Good morning guys. Nice results here this quarter. I was just curious if you could talk a bit in a bit more detail on the operating environment, maybe commenting on where, geographically or otherwise, you are seeing the greatest opportunities here at present.

Aengus Kelly - *AerCap Holdings N.V. - Executive Director, CEO*

As we said before, there hasn't been a tremendous change in the operating environment. Most of the world is generating good, solid traffic growth. The more difficult areas of the world are unchanged, which would be South America led by Brazil and then the Russian environment. But overall, we see fairly robust demand from the crucial markets of North America, Europe and Asia. And I have just returned from China actually where I spent a week, met with all the major airlines in China, and we currently have more new aircraft campaigns ongoing in the Chinese market than any other market. I also recently spent some time in India, and we see there -- that was an environment that we have pulled more or less a lot of our capacity out of over the course of the last few years. But now we are seeing more profitable growth in that market, less supply than we had seen before, so it's a healthier market than we've seen in the past and it's something that we are looking at putting more capacity into over the coming couple of years. So overall positive.

Jason Arnold - *RBC Capital Markets - Analyst*

Great. Thank you. And then just one other quick one. You broke out the one-time restructuring charges on AeroTurbine, but I was just curious if you could highlight kind of the moving parts on the net loss in operations there in the quarter. I'm sure it's kind of related, but any color you can provide there would be helpful.

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

Sure. Last quarter, in fourth quarter, as you remember, we did take a large restructuring charge relating to the downsizing of the AeroTurbine business. The feedback that we got, both on the call for the fourth-quarter results as well as subsequent meetings with investors and analysts, is that they would prefer to see us also in our adjusted net income adjust for these results from AeroTurbine so that the core leasing business can be tracked better. So effectively here in first quarter, we made that adjustment so our adjusted net income now excludes the impact from AeroTurbine.

In the quarter itself, AeroTurbine, we had a small write-down on some assets and we also had some severance costs, and we also had some period operating losses where effectively the margins that we were booking in the business did not offset the SG&A effectively or the operating costs. Again, though, as we further decrease the business and downsize the business, we expect those operating losses to diminish.

Jason Arnold - *RBC Capital Markets - Analyst*

Okay. Super. Thanks very much for the color, guys.

Operator

Richa Talwar, Deutsche Bank.

Richa Talwar - *Deutsche Bank - Analyst*

Good morning. So, a quick one first, the $800 million excess capital expected for the year, in the prior quarter, you had estimated $800 million to $1 billion for 2016. Is the decline just a reflection of share repurchases made during the March quarter or is there more to it than that?

Aengus Kelly - *AerCap Holdings N.V. - Executive Director, CEO*

No, there's no more to it, and we say approximately $800 million, if the level of sales increases to $2 billion, you'll get closer to $1 billion.

Richa Talwar - *Deutsche Bank - Analyst*

Okay. Great. And then Gus, I wanted to pick your brain on competitive sources of capital funding for aircraft acquisitions. We saw a few more international the EETC deals close recently, for instance Norwegian prices deal I think just last week. But on the other hand, we've heard ECA financing transactions over $10 million have essentially been shut down. So putting together these various countering trends, I'm curious if you are seeing net more interesting and accretive opportunities to finance aircraft, or if it's becoming tougher to find deals that meet your return requirements?

Aengus Kelly - *AerCap Holdings N.V. - Executive Director, CEO*

Maybe just a comment on both of those deals. The Norwegian EETC I think is another great step forward for airlines that we can see international airlines who have financial statements in line with IFRS are able to issue into the EETC market. It's long been an advantage of the US carriers only, so I think that's just positive for our airlines to have that access.

In relation to the ECAs, the $10 million limit is specific to Exim at the moment but my understanding is, without a full board, they cannot approve transactions in excess of $10 million. I understand they are one director short at the moment. Once that director is appointed, then they will be able to start approving deals in excess of that amount. But overall the financing market is fairly robust right now. And in our view, as we look to deploy our capital, we are always looking at capital allocations, it's forefront of our minds. What is the right way to spend our shareholders' money?

And is it to buy airplanes at the moment or is it to buy our own shares, i.e. buying our own airplanes? And materially at the moment, we believe there is better value in buying our own shares.

I do believe, as we go through the next couple of years, as we see stronger deliveries of the A-320 neo, the 787, the MAX and the A-350, which is the technology of assets you want to be buying, you don't necessarily want to be buying the end of run airplanes at this point coming that are brand-new off the production line. But as we see it right now, our buying our own shares is more attractive than the alternative of buying aircraft in the market.

Richa Talwar - *Deutsche Bank - Analyst*

Okay. Great. If I could just ask you one more related to that, although your response kind of answers this, but one of your competitors recently characterized the current environment as a buyer's market for aircraft, and said they are finding deals that, on an unlevered return basis, are tending about 0.5 point greater than last year. Can you comment on what you're seeing in that context specifically?

Aengus Kelly - *AerCap Holdings N.V. - Executive Director, CEO*

I think there are different parts of the aircraft market. For us at the moment, as we look to the future, how we want to build a portfolio, if you look at what we have been disclosing, now our focus is on building the portfolio around the newer technology assets and they are just not delivering at the moment. Certainly, I do think that if you were to buy existing technology assets, you're probably better off buying assets that are 10 or 11 years old rather than those that are one or two years old, because you still have to get through 25 years of useful life. As I said, our focus is elsewhere.

Richa Talwar - *Deutsche Bank - Analyst*

Great. Thanks for all that color.

Operator

Andrew Light, Citi.

Andrew Light - *Citigroup - Analyst*

On the aircraft disposals, I estimate the pretax margin was around 6%, and that compares to 9% in the previous quarter and I think 12% to last year. Is that getting a sense of the direction of returns you could make on aircraft disposals, or would you say it's a very lumpy kind of figure?

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

The sales that we did in the first quarter, actually two-thirds of the sales related to old wide-body aircraft as well as the CRJ. So on those particular sales, the margins were not as high as what we experienced in the past. But obviously those are the assets that we want to sell down. So that's why I think you saw a slightly smaller margin in the first quarter.

Andrew Light - *Citigroup - Analyst*

Okay. And on the maintenance rents, are you able to break that down between unscheduled and scheduled lease terminations? Was there unusual activity?

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

Yes, of the $150 million maintenance revenue, approximately $80 million of it is relating to the lease terminations and lease amendments.

Andrew Light - *Citigroup - Analyst*

Is that scheduled or not?

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

No, those were not scheduled.

Andrew Light - *Citigroup - Analyst*

Okay. Thank you very much.

Operator

Kristine Liwag, Bank of America.

Kristine Liwag - *BofA Merrill Lynch - Analyst*

Good morning. Gus, can you talk about whether or not there are any airlines in your watchlist, how that changed from last quarter, and also if there are any airlines that are currently late in payment?

Aengus Kelly - *AerCap Holdings N.V. - Executive Director, CEO*

As we said, look, the receivables position has been very robust over the course of the last year. There has been no material change really at all. You'll always have one or two small guys who need a push. But no, we don't see any change really in the receivables position over the course of the last few quarters.

Kristine Liwag - *BofA Merrill Lynch - Analyst*

And then if you'll allow me a follow-up, for the aircraft that you said you had unscheduled for re-marketing and are subsequently off leases, can you talk about the least rate factors for those deals?

Aengus Kelly - *AerCap Holdings N.V. - Executive Director, CEO*

Most of those airplanes that were on schedule actually were very old airplanes and many of them actually have just been sold or parted out. And it came out of all carriers for the most part out of Russia where we were taking capacity out, but these are very low value assets.

Kristine Liwag - *BofA Merrill Lynch - Analyst*

Great. Thank you.

Operator

Jamie Baker, JPMorgan.

Nish Mani - *JPMorgan - Analyst*

Good afternoon. This Nish Mani on for Jamie. A quick question about asset disposals going forward for the rest of the year. Can you give us a rough sense of the mix between wide-body and narrowbody aircraft you guys are targeting? It looks like, in the first quarter, it was primarily biased to smaller aircraft, narrowbody, and regional jets. I just wanted to get a sense of how the portfolio could be optimized going forward.

Aengus Kelly - *AerCap Holdings N.V. - Executive Director, CEO*

As Keith said, actually the bulk of the sales in the first quarter were in old wide-bodies and regional jets. As we go through the rest of the year, I think you'll see probably a mix of around 40-odd%, give or take, in the wides and the balance then in the narrows.

Nish Mani - *JPMorgan - Analyst*

Okay. Great. Thank you for the clarification. And now that it's topical, GOL obviously undergoing a pretty public restructuring, and I just wanted to get a sense from you guys about exposure there, and how you guys see that kind of ultimately playing out?

Aengus Kelly - *AerCap Holdings N.V. - Executive Director, CEO*

Our exposure there is fairly small, actually. We are not one of the bigger participants in GOL. We have four older 737-800s and a 700, and we do believe that GOL will make it through this period. And we'd be optimistic about Brazil in the longer-term, and they have a very large network that is very important to a number of very large airlines around the world and also to Boeing, of course.

Nish Mani - *JPMorgan - Analyst*

Yes. And what steps are you guys taking in the near-term to secure those aircraft and payments on them?

Aengus Kelly - *AerCap Holdings N.V. - Executive Director, CEO*

We are not behind in any way. We are getting paid, so have nothing to do at the moment.

Nish Mani - *JPMorgan - Analyst*

Okay, great. That's it from us. Thank you so much.

Operator

Moshe Orenbuch, Credit Suisse.

Moshe Orenbuch - *Credit Suisse - Analyst*

Following up on that, one of your competitors did suggest that restructuring of some of the airlines in South America gave them some opportunities to actually buy planes. Is that something that we could see as the rest of 2016 goes on?

Aengus Kelly - *AerCap Holdings N.V. - Executive Director, CEO*

You may, but I do feel that I prefer to buy my own planes at the moment by buying our own shares rather than the ones that are available in the market right now. Furthermore, I do feel that if we were to buy brand-new aircraft, that we are better off buying the airplanes of the future, be it the neos as I said or the MAX.

Moshe Orenbuch - *Credit Suisse - Analyst*

Okay. And just in terms of both the impairment costs and the maintenance revenue, was the activity in the first quarter something that was unusual in size? Is that something that's going to continue? How should we think about that?

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

The first quarter was unusual in terms of the number of lease terminations and effectively lease amendments as well. So including the impact from the impairments and the excess revenue, those terminations gave us a positive impact of about $15 million for the quarter.

Moshe Orenbuch - *Credit Suisse - Analyst*

Great. Thanks very much.

Operator

Gary Leibowitz, Wells Fargo.

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

Thanks operator. Good afternoon guys. I was a little surprised to see that, at least as of March 31, there were no changes to your 2016 Airbus deliveries. Can you talk about how we should think about your CapEx profile for the rest of the year? And as of May 12, have there been changes to your Airbus skyline?

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

So the aircraft purchases for the remainder of the year, I think we have seven aircraft to be purchased in second quarter, and then we have 13 in third quarter and then 17 in fourth quarter. So it's very back-end loaded here in 2016.

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

And you are still confident that all those neos and 350s will be on time?

Aengus Kelly - *AerCap Holdings N.V. - Executive Director, CEO*

There will be some delays to those airplanes, Gary. Obviously, some of them were supposed to deliver in the fourth quarter of 2015, and that has caused, as Keith referenced in his comments, some of the lower lease revenue for this year. And I think we will expect to see any aircraft in the first nine months experience some delay. We can't comment on the duration of those delays at the moment. We don't see any material significant delays out of them.

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

It does look like for -- you shifted about eight planes, eight neos, out from 2017 to 2018. Is that because of the delays, or is that something else?

Aengus Kelly - *AerCap Holdings N.V. - Executive Director, CEO*

That's delays.

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

Okay. And also if I look at your revenue guidance for the year, the $4.8 billion, that would exclude all trading gains. But I'm having a hard time getting down to $4.8 billion unless the asset sales that you're forecasting are going to happen pretty quickly.

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

We do have quite a bit of aircraft sales in the pipeline. So first of all, just to help clarify, in 2015, the comparable number, excluding gains and excluding AeroTurbine, was $5.0 billion. So the difference between $5.0 billion and $4.8 billion is the result of the fact that we have sold a lot of aircraft and we expect to continue to sell a lot of aircraft this year. I mentioned in my guidance that we expect to sell $2 billion of aircraft this year. And also as a result of the delays you just talked about, that's why we are at $4.8 billion. Again, we will be generating excess capital from those sales and expect to redeploy that, so you'll start seeing that benefit toward the end of 2016 and obviously going into 2017.

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

Okay, great. And also one more. Can you just give us an update on your placement requirements for the 330s and 777s? I think you had one each for 2016 and a handful for 2017. Were you able to address those in the last three months?

Aengus Kelly - *AerCap Holdings N.V. - Executive Director, CEO*

We are in the process of addressing those, Gary, as well as some of the airplanes further out.

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

Okay. Thank you.

Operator

Vincent Caintic, Macquarie.

Vincent Caintic - *Macquarie Capital Markets - Analyst*

Thanks so much guys. Keith, I just wanted to touch on the core EPS guidance of $5.50 for this year. What level of buybacks are you assuming in the cadence of those buybacks for 2016?

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

We are assuming just over $800 million. So, again, if we generate -- if we do more aircraft sales and generate more excess capital, we potentially could deploy more.

Vincent Caintic - *Macquarie Capital Markets - Analyst*

Okay, got it. Makes sense. And then you touched on that later on in your investor day, you will talk about the guidance. At the last investor day you had some rough guidance on 2017 and 2018. And as it stands today, is there anything that you think could be how we should think about any material changes to your guidance going forward in the next couple of years?

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

No. I think even though we didn't give specific guidance for 2016, 2017 and 2018 and individual years previously, the three-year outlook that we talked about I think is still reasonably on track, if you will. 2016 was always going to be relatively flat versus 2015, again, because of the limited amount of CapEx, the fact that we were selling a lot of assets and now of course the OEM delays. So, again, the three-year outlook is effectively on track.

Vincent Caintic - *Macquarie Capital Markets - Analyst*

Got it. That's all I had. Thanks very much.

Operator

Christopher Nolan, FBR & Company.

Christopher Nolan - *FBR & Co. - Analyst*

Thanks for taking my questions. Should we expect aircraft to be sold in the rest of 2016 to be older aircraft similar to what was sold in this quarter?

Aengus Kelly - *AerCap Holdings N.V. - Executive Director, CEO*

Generally yes.

Christopher Nolan - *FBR & Co. - Analyst*

Okay, so we should assume a lower gain on sale margin?

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

Most likely. It depends on obviously the mix of the aircraft, but, again, we are not selling the aircraft really for the gain on sale impact but we are selling it to improve the portfolio.

Christopher Nolan - *FBR & Co. - Analyst*

Okay. And we should see the average age of the fleet start to come down from the 7.7 down to the 5 to 6 level?

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

You will, again, with these aircraft sales because, again, the aircraft we are selling are double-digit in terms of age, and of course we've got the order book that is delivering over the course of the next several years. So you will see the average age come down.

Christopher Nolan - *FBR & Co. - Analyst*

Okay. And then on the share repurchases, Keith, could you walk us briefly in terms of the thinking of how you approach share repurchases rather than deploying the capital into aircraft? Because it sounds like the overall leasing market is solid but your stock is trading near book value. I'm just trying to see how you're looking at how you make your calculation.

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

Whenever we deploy capital, we look at all of the potential opportunities, if you will, buying aircraft, obviously buying our own debt, obviously buying our equity position. So we are monitoring what can be bought in the marketplace today in terms of aircraft purchases and the return on those particular purchases don't meet buying our shares at below book value. So that's why we are out there buying shares today.

Christopher Nolan - *FBR & Co. - Analyst*

So if the stock price moves above book, then we can see the repurchases slow down?

Aengus Kelly - *AerCap Holdings N.V. - Executive Director, CEO*

You've also got to look at what you are buying.

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

Yes.

Aengus Kelly - *AerCap Holdings N.V. - Executive Director, CEO*

You could buy assets that could generate a big boost to earnings per share of course, but you may have a big impairment down the road. So you've got to make sure that, when you buy assets, not only do you generate a positive return on equity, but you also ensure that your balance sheet in the longer term is robust.

Christopher Nolan - *FBR & Co. - Analyst*

Okay. Thank you for the color.

Operator

Arren Cyganovich, D.A. Davidson.

Arren Cyganovich - *Citigroup - Analyst*

Thanks. With respect to the $2 billion of aircraft sales expected in 2016, that's a bit higher than we were expecting in -- I guess relative to the $800 million of repurchases. It seems as though you would be deleveraging to some extent. Can you talk about where you expect your leverage to go to towards the end of the year?

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

We do expect to have our leverage still remain in the range that we've talked about before, between 2.7 and 3.0. Again, if we do sell $2 billion of aircraft, we could be at the lower end of that range, perhaps maybe 2.8, something like that, again for the rest of the year. Again, it depends on how quickly we redeploy the excess capital for other opportunities. But we will stay within the range.

Arren Cyganovich - *Citigroup - Analyst*

Okay. Thanks. And then with respect to your comments about India, I realize the market there has improved quite a bit. But a few years ago, a lot of lessors were having difficulty taking aircraft out, and I know you haven't had the same issues in the past when you took your aircraft out of Kingfisher. But just in general what your thoughts are in terms of the risk management side of getting aircraft out of that if the market were to turn south?

Aengus Kelly - *AerCap Holdings N.V. - Executive Director, CEO*

It's the same of anything in this business, be it taking advantage of opportunity or a threat. It's not off the magnitude of your response to a problem or an opportunity. It's the speed of your response that determines success or failure. And in that regard, when it comes to managing problem situations, we've never had difficulty getting airplanes out of a jurisdiction. Our issue is around India. We're less focused on the legal issues but far more focused on the supply and demand equation that we saw in the country.

Arren Cyganovich - *Citigroup - Analyst*

Okay. Thank you.

Operator

(Operator Instructions). Darryl Genovesi, UBS.

Darryl Genovesi - *UBS Securities LLC - Analyst*

Thanks for the time. I heard a little bit more reference to these contract amendments in your prepared remarks than I have in the past, I believe anyway. I'm just wondering. What does this mean exactly? Because my impression was, if an airline is insolvent or at risk, then you take the airplane out of there. And if the airplane is not, then the contract sort of stays as is with little to no modifications. I'm just wondering why the reference to amendment this time?

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

These amendments are not really relating to credit matters. They are relating to the age of the aircraft. So in certain situations where there's limited life left in the asset, we've extended the lease term or the lease length until the end of the life of the asset and effectively agreed with the lessee that there will be no return conditions and we will keep the reserves that we are sitting on. So as a result, we recognize the revenue by keeping the cash reserves and then that then creates an impairment and we offset that with that charge.

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Darryl Genovesi - *UBS Securities LLC - Analyst*

Okay. Thanks for that. And then I guess just on -- not to beat a dead horse on AeroTurbine, but I guess I'm a little concerned about what's happening with you guys excluding the operating results at AeroTurbine. And the reason I say that is because, to my knowledge, you're still transferring your own assets into AeroTurbine for part-out, correct? So just wondering, is the -- I guess the expense and the associated ultimate sale of the parts that you're taking off of the captive AerCap aircraft, there is some earnings, profit and loss associated with that. I'm just wondering if that's part of what you're excluding or if what you're excluding is purely related to the third-party business.

Aengus Kelly - *AerCap Holdings N.V. - Executive Director, CEO*

On AeroTurbine, at the moment, it is not an exclusive relationship. We are transferring our own asset down there. In fact, the vast majority of assets are sold into third parties over the course of the last 18 months. And what's occurring in AeroTurbine is that we are downsizing the business to the core element that we want to remain, and the rest of the business is what's being disposed of.

Darryl Genovesi - *UBS Securities LLC - Analyst*

But I mean in terms of what you're excluding, so for instance, if you had an aircraft, you transferred the aircraft into AeroTurbine for part-out, the airplane got forwarded out, at that point I would think there would be some P&L impact that would probably happen kind of at the AeroTurbine level. So does that P&L impact just get excluded now based on the adjusted earnings number that you are reporting?

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

Again, what we are pulling out is effectively the results of AeroTurbine itself. Their SG&A costs, their margins, what they are booking on their business, it's not connected at all to our own aircraft leasing results, if you will. And again, the difference here is, as we downsize, there will be severance costs, there will be a limited amount of margins on the sale of the assets, and there will be slightly higher operating expenses as we downsize. That's what we're excluding. Again, we'll have -- this will diminish over time. Effectively, the AeroTurbine balance sheet will be very, very minimal by the end of 2016.

Darryl Genovesi - *UBS Securities LLC - Analyst*

Great. Thanks for that.

Operator

Christopher Nolan, FBR.

Christopher Nolan - *FBR & Co. - Analyst*

At the analyst day, you mentioned as I recall that you -- if you were to put a credit rating on your airline customers, it would be a Moody's equivalent of BA1 as I recall. Has that changed since then?

Aengus Kelly - *AerCap Holdings N.V. - Executive Director, CEO*

No, not really. It's pretty stable. The credit quality of the customer base has remained pretty stable over the course of the last eight months or so.

Christopher Nolan - *FBR & Co. - Analyst*

Okay. Thank you.

Operator

Gary Leibowitz, Wells Fargo.

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

Yes, Gus, on the lease terminations, can you tell me how many early terminations there were and who the airline was and what kind of airplanes were involved?

Aengus Kelly - *AerCap Holdings N.V. - Executive Director, CEO*

It was mainly related to a couple of airlines that were focused around the Russian market, either directly there or flying into it. Those are older assets. And it's important to remember, as Keith said, that what we did was we either just sold those airplanes or parted them out, and the resulting collateral that was released as part of it more than offset the reduction in the value of the asset.

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

Okay. And Gus, if I may, just one other customer question. You have a customer in Asia who is supposed to get three A-350s this year. They're talking about restructuring. What kind of negotiations are happening around those three planes?

Aengus Kelly - *AerCap Holdings N.V. - Executive Director, CEO*

We don't comment on things like that, Gary.

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

Okay. Thank you.

Operator

(Operator Instructions). Mark Streeter, JPMorgan.

Mark Streeter - *JPMorgan - Analyst*

Good morning. Just wondering, any update on Fitch about what you need to do to get that upgrade to BBB-? I think everyone in the bond market is waiting.

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

Fitch does their annual review of aircraft lessors in July, in the middle the summer. So whatever action they're going to do we would expect in that time frame. But again, it's really in their hands.

Mark Streeter - *JPMorgan - Analyst*

And any thoughts in terms of -- obviously you have your S&P rating -- timing of being back in the bond market, how should we think about you tapping the bond market for the rest of 2016?

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

We will be I'm sure in the bond market at some point in 2016. The timing is yet to be determined but most likely we will be there at least once if not twice.

Mark Streeter - *JPMorgan - Analyst*

Do you need the Fitch rating at BBB-, or are you thinking that, depending on market conditions, you could go before you get the upgrade?

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

We are not waiting on Fitch to execute on our funding.

Mark Streeter - *JPMorgan - Analyst*

Great. Thanks.

Operator

As we have no further questions, I would like to turn the call back to Mr. Aengus Kelly for any additional or closing remarks.

Aengus Kelly - *AerCap Holdings N.V. - Executive Director, CEO*

Thank you very much everybody. We look forward to talking to you at our next earnings call or in investor meetings before that. Thank you.

Operator

Thank you. That will conclude today's conference call. Thank you for your participation, ladies and gentlemen. You may now disconnect.