

# FINAL TRANSCRIPT

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## **AER - Q4 2006 Aercap Holdings N.V. Earnings Conference Call**

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## CORPORATE PARTICIPANTS

**Leslie Wolf-Creutzfeldt**  
*Financial Relations Board - IR*

**Klaus Heinemann**  
*AerCap Holdings N.V. - CEO*

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

## CONFERENCE CALL PARTICIPANTS

**Michael Linenberg**  
*Merrill Lynch - Analyst*

**Jamie Baker**  
*JPMorgan - Analyst*

**Mark Streeter**  
*JPMorgan - Analyst*

**Gary Liebowitz**  
*Wachovia Securities - Analyst*

## PRESENTATION

### Operator

Good morning, ladies and gentlemen, thank you for standing by. Welcome to the AerCap Holdings Fourth Quarter Earnings Conference Call.

[OPERATOR INSTRUCTIONS]

This conference is being recorded today, Wednesday, February 28, 2007. I would now like to turn the conference over to Leslie Wolf-Creutzfeldt with the Financial Relations Board. Please go ahead.

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**Leslie Wolf-Creutzfeldt** - *Financial Relations Board - IR*

Thank you, operator. Good morning, everyone, and thank you joining us for our discussion of AerCap Holdings fourth quarter and 2006 full-year earnings results. I would like to remind you that a copy of the slides to accompany this presentation and the press release we issued this morning are available on the AerCap Web site at [www.aercap.com](http://www.aercap.com) under Investor Relations.

Joining us this morning from AerCap's senior management are Klaus Heinemann, Chief Executive Officer; Keith Helming, Chief Financial Officer; and Aengus Kelly, Group Treasurer. Before I turn the call over to Mr. Heinemann, I want to remind you that this conference call may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934.

These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond AerCap's control, that could cause actual results to differ materially from those set forth in or implied by such forward-looking statements. For a detailed list of the risk factors as well as additional information, please refer to our media release from today or our filings with the Securities and Exchange Commission.

With that, I will turn the call over to Mr. Heinemann. Go ahead, Klaus.

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**Klaus Heinemann** - AerCap Holdings N.V. - CEO

Thank you very much, Leslie, and good morning everybody. I would like to welcome everyone to the first-ever earnings conference call for AerCap Holdings N.V. We are very pleased to be here today and we are excited about having this opportunity to speak to you about AerCap's business. I would like to begin by highlighting our net income performance, which you have already seen in the press release this morning. For the full-year 2006, our net income was \$88 million. More importantly, net income excluding charges for share-based compensation was US\$156.3 million for the full-year 2006 and \$41.5 million for the fourth quarter.

We believe this metric provides a better indication of the operating performance of our business and we are very pleased by this result. Our solid performance in 2006 reflects the strength and flexibility of our business model and demonstrates our continuing focus on investing specifically to grow our business. Before we go further into the specifics, since we are a new public company I would like to introduce who we are and provide some basics about AerCap.

AerCap is a global aviation company that buys, leases and sells aircraft engines and related parts. Our unique business model is based on our ability to manage the aircraft and engines throughout their entire lifecycle. We do that by acquiring aviation assets at attractive prices directly from the manufacturers by finding lessees for them, by managing the funding and other lease-related costs efficiently, all to ensure we maximize lease earnings.

We also sell assets proactively to continuously reoptimize our portfolio. And finally, we transition residual values of older aircraft into cash through our aircraft disassembly and engine leasing operations in Florida and Arizona. AerCap does all of this on a global scale and with world-class people. AerCap is the third largest aviation lessor in the world, if you include our firmly contracted order book through the rest of the decade. We are headquartered in Amsterdam in The Netherlands and have offices in Ireland, in Florida and in Arizona, and we employ a total of 340 people.

Let me talk for a moment about the industry environment. The industry environment in 2006 was characterized by strong demand and tight supply for aircraft with airline passenger growth exceeding 5.9% throughout the year. Overall, the industry saw a strong growth of airlines in emerging markets, strong growth for low-cost carriers globally and a turnaround finally in the U.S. airline industry back to some form of financial health.

We see no slowdown of these trend factors that dominated 2006 for 2007. In other words, we expect the industry outlook to be comparable to 2006 and we expect furthermore the percentage of leased aircraft as a percentage of total industry fleet to continue to increase. AerCap achieved some very important commercial milestones in the fourth quarter of 2006.

We completed, of course, our initial public offering of 26.1 million common shares on November 21, 2006 at a price of \$23 per share with proceeds of \$156.4 million retained by the Company. We used these proceeds primarily to pay down indebtedness. And the agreement was signed on December 11, 2006 with Airbus for firm order of 20 new A330-200 widebody aircraft that will be delivered starting 2008 and through 2010. These contracted purchases from the manufacturers, along with previous orders, provide us with a strong investment pipeline for the future and will allow us to meet the needs of our diverse customer base in varying geographic regions.

We also launched during the last quarter of 2006 a Chinese aircraft leasing joint venture on October 26, 2006 with China Aviation Supplies Import & Export Group Corporation or short CASGC and Calyon, the French bank, as partners. CASGC is the Chinese government organization that manages the flow of aircraft into Chinese airlines, i.e., the Chinese procurement agent and we believe this gives us access to the Chinese market beyond our current customer base there.

With that, I would now like to turn the discussion over to our Chief Financial Officer, Keith Helming, who will provide a detailed review of our financial and operating performance. As a way of introduction, Keith is the newest member of our management

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team and joined AerCap in August 2006 from GE, where he worked for 25 years and most recently was the Chief Financial Officer of GECAS, the aircraft leasing division within GE. Keith, over to you.

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

Thank you, Klaus. Good morning, everyone. I am also pleased about having the opportunity to talk to you today about the AerCap business. We will begin first with fourth quarter net income. As Klaus indicated, our net income excluding charges for share-based compensation was \$41.5 million in fourth quarter 2006. This amount increased 55% over fourth quarter 2005. The increase was driven by a number of factors.

Our portfolio has grown in purchases of aircraft and other aviation assets and we also have higher sale activity coming from both the acquisition of AeroTurbine and the sale of the aircraft driven by portfolio optimization. Additionally, we are benefiting from improved lease rates and the leveraging of our cost base.

The charge for share-based compensation net of tax was \$58.7 million in the fourth quarter. The majority of these charges were triggered in connection with our IPO, and relate to the restricted shares and share options in entities that have a controlling interest in the company and are held by members of the AerCap management team, independent directors and the consultants.

This charge was a non-cash charge and did not reduce the net equity of the company. By focusing on net income excluding this exceptional charge, we believe to get a better view of the operating performance of the company and we consider it a better way to evaluate our results.

Full-year net income excluding the charge for share-based compensation was \$156.3 million. This amount is an 88% increase over full-year 2005, and the drivers for this growth are essentially the same as mentioned for fourth quarter. The charge for share-based compensation net of tax was \$68.3 million for the full-year 2006. And as Klaus also indicated, we are very pleased by our 2006 results.

Earnings per share excluding the charge for share-based compensation was \$0.51 in the fourth quarter 2006 and \$1.98 for the full year. The number of outstanding shares is currently at 85 million. The amount of shares increased 6.8 million during the fourth quarter as a result of the IPO, so the average shares outstanding in fourth quarter was 81.3 million, and was 79 million for the full year. Total earnings per share for the full-year 2005 including the charge for share-based compensation was \$1.11.

AerCap's assets and portfolio continues to grow. Total assets on the balance sheet were \$3.9 billion at December 31. Assets grew 28% during 2006 which is driven by a net increase of 26 owned aircraft in our portfolio along with the acquisition of the AeroTurbine business. The number of aircrafts in our portfolio is now 344, up over 100 aircraft since the end of 2005. This number includes owned aircraft along with aircraft in order, contract or LOI, plus the aircraft that we manage. The number of engines owned or on contract is 57, up from four since the end of 2005, which highlights the impact of the AeroTurbine acquisition.

We had a robust amount of purchases during fourth quarter 2006. We acquired \$523 million of aviation assets, including 28 aircraft. These amounts included the purchase of an aircraft portfolio from GATX Corporation and six Boeing aircraft from ILFC. The amount of closed deals in fourth quarter brought the total amount of purchases to just under \$1 billion for the full-year 2006 including 41 aircrafts.

I would now like to review some of the important metrics of our aircraft lease portfolio. The utilization rate continued at a very high 99% rate. This measure represents the percentage of time the aircraft in our portfolio are receiving lease rental payments. The yield generated in our aircraft lease portfolio was approximately 17% for the full-year 2006. The average term of new leases put in place during 2006 was 103 months and for lease renewals, the average was 59 months.

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Lastly, the amount of lease revenue for 2007 that is already contracted is currently at 117% of the actual amount we had in 2006. So in another way, if we didn't add any more aircraft in 2007 other than that we have already contracted, our 2007 lease revenues would increase 17% over 2006 levels. Our goal is to continue to buy more assets and we expect to drive this growth rate even higher.

The primary sources of revenue for the AerCap business include lease revenue, sale proceeds, management fees, interest income, plus others. Total revenue grew 78% in the fourth quarter 2006 versus 2005 and grew 65% for the full year. This growth is also driven by the items I had previously mentioned, primarily our larger aircraft lease portfolio and the acquisition of AeroTurbine. The percentage of total revenue generated by sources other than sales is approximately 70% in fourth quarter 2006 and 63% for the full year.

AerCap sales revenue consisted both of sale of aircraft and engines, plus the sale of parts in our AeroTurbine business. For AeroTurbine, the sale of engines and parts is core to its business model along with engine leasing. For our aircraft assets, we sell primarily for portfolio optimization purposes in order to improve the mix, quality and diversification of the portfolio. During fourth quarter, we sold two Fokker Aircraft and two 757s. For the full year, we sold 19 aircraft, of which 13 were Fokkers.

AerCap's cash balance at the end of the year was \$243 million, including restricted cash. We had strong cash generation in 2006 and operating cash flow was \$348 million for the full year. The available lines of credit at December 31st were approximately \$1.3 billion. As these amounts suggest, we have significant access to capital for growth through our cash and available lines of credit, along with our ability to access the capital markets.

AerCap's debt balance at December 31st was \$2.6 billion, and the average cost of our debt in 2006 was 6.8%. Our debt-to-equity ratio stood at 3.5 [to 1] at the end of the year. We completed several financings during fourth quarter 2006. The net proceeds from our initial public offering were used primarily to pay down debt relating to the acquisition of AeroTurbine.

Additionally, a revolving line of credit for AeroTurbine was amended and increased to \$220 million. We also signed a \$248 million financing with a bank syndicate to fund the purchase of the aircraft portfolio from GATX Corporation, and established a pre-delivery payment facility of \$119 million for AerVenture joint venture.

AerCap's total expenses for 2006 were \$246 million. This amount includes depreciation, amortization, lease and SG&A expenses, but excludes the charge for share-based compensation. The increase in expenses was 19% in 2006 versus 2005, including the acquisition of AeroTurbine. This compares favorably to the increases of 28% and 65% for asset and revenue growth in 2006 over 2005. This productivity shows our ability to leverage our cost as we grow.

Our tax rate for 2006 was 15.7%. This rate is a result of operating in several tax jurisdictions including Ireland, The Netherlands, Sweden and the U.S. We will continue to be as efficient as possible as it relates to our tax liabilities, and we believe we can stay in at somewhat lower rate.

Adjusted EBITDA was \$452 million for full-year 2006, which is an increase of 39% over 2005. Adjusted EBITDA excludes the charge for share-based compensation, which is why we refer to it as adjusted. The growth in this measure is driven by the same factors previously mentioned for net income and revenue, which is primarily larger aircraft portfolio and the acquisition of AeroTurbine.

Now, I would like to provide a few comments as it relates to the outlook for 2007. Our cash and available lines of credit should allow for purchases in 2007 to be comparable or perhaps exceed that achieved in 2006. The amount of sales revenue as a percent of total revenue is expected to be higher than 2006 considering the strong demand in the market. The cost of debt in 2007 is expected to be comparable to 2006 and the tax rate should be lower.

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Return on equity is expected to be in the range of 20% to 25%. In summary, we achieved strong growth and solid operating performance in 2006 and are well positioned for 2007. Once again, I would like to express my thanks for the opportunity to talk to you today about the AerCap business.

With that, I would like to turn back over to our CEO, Klaus Heinemann.

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**Klaus Heinemann** - AerCap Holdings N.V. - CEO

Thank you, Keith. As you just saw, we achieved strong results in 2006. We continued to execute on our growth initiatives through purchases of aviation assets in the current period, as well as focusing for the future through our existing orders with manufacturers. Our net income performance and cash flow results remain very strong. I would like to thank you for this opportunity to discuss AerCap, and I would like now to open up for questions.

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## QUESTIONS AND ANSWERS

### Operator

Thank you, sir.

[OPERATOR INSTRUCTIONS]

Our first question comes from Michael Linenberg with Merrill Lynch. Please go ahead.

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**Michael Linenberg** - Merrill Lynch - Analyst

Yes, good morning. I guess a couple of questions. Keith, as you ran through some of the acquisitions, I think in the fourth quarter you said \$523 million of aviation assets, what sort of lease rentals should we -- should we model based on the acquisition of that -- basically what I am trying to get to is a lease factor, if you could provide that?

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

Yes, we don't talk about that specifically, but we do mentioned for 2006 that our average lease yield for the portfolio was in and around 17%. So, the assets that we bought in fourth quarter are very close and in line with our group portfolio. So, I think what you saw for 2006 is a good indication to what you should see in 2007.

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**Michael Linenberg** - Merrill Lynch - Analyst

Okay. And then, just a second, if I -- if I can, you did provide what your average cost of debt was for '06. I think you threw out 6.8%. Fourth quarter interest expense looks a little bit higher than what I was modeling. I was curious what your average cost was in the fourth quarter and any sort of color on what we can see looking into 2007, if you could provide that?

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

Yes, in fourth quarter, there was a -- there was a handful of some unusual items, specifically relating to the paydown of the acquisition debt relating to AeroTurbine. So, we had some one-off costs there, so the fourth quarter isn't representative of a run rate going forward. So, the 6.8% that we experienced in the full year 2006, I think is a good way to think about what our

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cost would be in 2007. I mean we are considering other alternatives and we are considering opportunities in the capital markets right now, but right now I think the 6.8% is -- is the right measure.

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**Michael Linenberg** - *Merrill Lynch - Analyst*

Okay. And then, just lastly, to Klaus, you started out by talking about the outlook, 2007 being very similar to 2006, which was as we know a very strong year. But, when we drill down and we look at aircraft values, lease rates, we have seen a very nice run-up in lease rates over the past couple of years.

Where are we on sort of your sense on lease rates into 2007, obviously, diminishing returns, are they more stable or is there room for further increases in lease rates? And I realize that obviously narrowbodies and widebodies, there may be sort of different characteristics, if you can -- if you can sort of give us some color on that front, that would be great.

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**Klaus Heinemann** - *AerCap Holdings N.V. - CEO*

I am happy to do that, Michael. First of all, I do not see the current imbalance between demand for aircraft, which outpaces supply easing in any way. As a matter of fact, yesterday, the Wall Street Journal article highlights what still has to be done in the U.S. airline industry to modernize their fleet and to provide additional capacity there. So, I don't expect this to ease, and we continue to see that this is tightening the market in our favor.

By the way, not only on the lease rental side, but also on other terms and conditions where the current imbalance allows us to -- to take advantage in our favor when it comes to the overall term of lease fixation, which is very important to our -- the enforcement of security deposits of maintenance reserves. In all these areas, we observe that the market continues to reflect the current imbalance.

And even -- and I suppose, this is the one, a fact that I continue to see most significantly throughout this year is even for all the aircraft, this now holds true. We see a very strong recovery on some of our oldest existing portfolio aircrafts, the early generation A220 aircraft to 737 classics to 767. In those areas, the improvement of terms and conditions is even stronger than -- than in some of the brand new aircraft, where they are already very strong.

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**Michael Linenberg** - *Merrill Lynch - Analyst*

Okay, thank you and nice quarter.

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**Operator**

Thank you. Our next question comes from Jamie Baker with JPMorgan. Please go ahead.

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**Jamie Baker** - *JPMorgan - Analyst*

Gentlemen, it's Jamie Baker and Mark Streeter here in Geneva, good afternoon. I am curious if you are looking at the Q Aviation and/or the Pegasus portfolios, both of which are -- are for sale at the moment and more broadly, how we should view AerCap's participation in -- in consolidation going forward?

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**Klaus Heinemann** - *AerCap Holdings N.V. - CEO*

Okay. Hi, Jamie. You won't expect me to comment on specific investment opportunities that -- there are in the market at this moment. Obviously, we closely monitor all of them. The one thing I would like to add is we can do so from the very solid position of knowing that if I would do nothing, which I don't intend to do, I would still have between \$4 billion and \$5 billion of contracted asset and revenue growth from my order book.

So, I can look at our purchase opportunities a little more relaxed than some other players in the industry because I know I will grow substantially even if I shy away for one or the other purchase opportunity because we are starting to see a pricing environment for these portfolios that I would no longer describe as in our favor. That doesn't mean that there are not opportunities that can be detected.

We continuously do so, but sometimes they are not the big bidding situations such as the ones you just mentioned. With respect to further consolidation in the industry, yes, I do believe that that is something that we will observe throughout the rest of this decade and AerCap intends to play an active part in that environment.

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**Mark Streeter** - *JPMorgan - Analyst*

Excellent. Klaus, and it's Mark Streeter here, wondering if you can comment a little bit, Klaus, on your -- some of your last comments in response to Michael's question about the improvement in the markets for aircraft in terms of lease rates and so forth, is there any way you can us a sense for, I don't know how we describe it, maybe the mark-to-market, if you will in the portfolio right now.

I mean, we got a good sense from -- from Keith, the improvement that you would get as -- as contractual sort of revenues kick in going forward, but I am just wondering if you look at the portfolio on whole, can you just give us a ballpark sense of, if you were to market-to-market today, if you will, how much embedded growth is locked in -- not locked in, but potentially available going forward?

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

No, I think if you look at our existing balance sheet, and I guess that's what you are asking, the assets that are on the balance sheet at the moment, I mean it's effectively public information. You could look at the book value that we have for flight equipment and compare that to the fair current market value.

And if you do that, I mean just generally speaking, there is a difference of about \$500 million, our book values being lower than the current market values. So, whether or not you want to consider that on mark-to-market or not, I will leave that -- leave that up to you. There is also differential of some amount in the order book that Klaus mentioned as well, but we prefer really not to comment on that piece of it. But, there is the same sort of value there, if you will.

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**Jamie Baker** - *JPMorgan - Analyst*

I am really wondering more from a cash flow perspective what you think that when looking at the difference right now between actual lease rates and the difference between current market values from the appraisers and what you have in our book and so forth, I think we are all familiar with how the appraisers have been lacking -- lagging if you will in terms of their willingness to move up current market value.

So, I am just wondering if you can give us some color on what you are seeing. Is there more momentum with -- with market lease rates, the actual cash flow improvement or are you seeing the -- how you define the market value of aircraft catching up?

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**Klaus Heinemann** - AerCap Holdings N.V. - CEO

Well, it is really both. First of all, you are right. The appraisers always tend to lag between 12 and 18 months behind the market reality that is best measured in the lease rental factor improvements. So, I do expect that there will be some catching up at this moment. We certainly, on brand new aircraft, which is where our A220 family order is, continue to see a trend of these aircraft fetching top prices, which is obviously also true on the 737 and GE.

So, in reality the market has fully caught up with the increased cost by -- by the, not only lease rental factors, but also -- as I mentioned, it's always a combination of things, the duration of these leases, which are now very nicely going out into the future. On average, we are locking in now for 103 months, which is pretty damn close to doubling on what it was two years ago. And it's a combination of this fixation of lease rentals at this level and the lease rental level itself that drives current market values at this moment, and that is something that we observe very clearly.

**Mark Streeter** - JPMorgan - Analyst

Very good. And just a final question from us for Keith, on the capital structure, you mentioned the debt equity ratio I think 3.5 times. I am just wondering if you -- if you are happy with the amount of leverage right now through the capital structure, is that where you want to be, is that your sort of optimal level right now?

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

Well, at the end of year, as you could recall, we did delever our balance sheet with the use of the IPO proceeds, which brought it down to 3.5 to 1. So, the balance sheet is in very good shape to take on additional growth. So, I mean our leverage will more than likely increase from that level. We lever different parts of our business of course differently. But, I think we will continue to lever up a little bit as we continue to grow, and I think our average will be roughly speaking 4 to 1, perhaps a little bit higher.

**Jamie Baker** - JPMorgan - Analyst

And is there an interim sort of level that you are comfortable going to? Would we -- should we be surprised if we saw you at the end of one quarter more in the 5 to 1 range with an expectation that it's going to come down? I am just wondering how much variability in that range should we expect to see?

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

Well, you won't see a tremendous amount of variability in that range unless of course we do a huge acquisition. The business is generating as you saw quite a bit of cash flow. So, the amount of debt that we need to continue to grow is less. So, I think you will a kind of an inching up, if you will, from the 3.5 level to 4 to 1 level as we continue to grow.

**Mark Streeter** - JPMorgan - Analyst

Gentlemen, thank you very much. I appreciate it, good quarter.

**Klaus Heinemann** - AerCap Holdings N.V. - CEO

Yes, thank you.

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**Operator**

Thank you. Our next question comes from Gary Liebowitz with Wachovia Securities. Please go ahead.

**Gary Liebowitz** - Wachovia Securities - Analyst

Good morning, gentlemen.

**Klaus Heinemann** - AerCap Holdings N.V. - CEO

Good morning.

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

Hi, Gary.

**Gary Liebowitz** - Wachovia Securities - Analyst

Klaus, you referenced the Wall Street Journal article earlier and I was just wondering what your sense is as to the timing of when we might see some of the U.S. legacy carriers to get to re-fleet. And if you think that they -- that they might prefer to wait for some next generation aircraft, if that gap is going to be filled by leasing to a greater extent we see in these legacy carriers lease aircraft before?

**Klaus Heinemann** - AerCap Holdings N.V. - CEO

Well, first of all, when I read that article on my flight over here to New York, I think it's a little bit [blue eye] to say I can't just afford to wait until the middle of the next decade before I -- I am consider re-fleeting because that is the industry consensus at what point in time we will see a next generation of the current 737 NGs and A220 family aircraft. Because, to run with a fuel inefficient fleet that many of them do in particular, American Airlines with MD80 fleet, until such point in time, will penalize them in the P&L.

The second thing that it doesn't address is, even if the airline can postpone the re-fleeting, they still have to address the necessity to increase capacity in order to not lose the market share as there is a continuing passenger growth domestically and internationally against a backdrop of there is nothing available between now and by and large 2010.

And I think here is really the key opportunity for lessors such as AerCap, who have existing positions that are of interest. And yes, our A330 order for example is very squarely aiming at that market of saying it may be fine for you to wait until 2015 or 2016 until you get your first 787 position or your first A350 position. But, until then, you still need capacity and the A330 is just exactly what could be needed in that point in time. So, that is exactly what we are focusing on.

**Gary Liebowitz** - Wachovia Securities - Analyst

Okay, thanks. And for Keith, can you just comment on the -- the gross margin on the -- on the sales revenue. I think it was very strong this quarter and maybe what your assumptions are for '07?

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

Yes, the -- the overall margin percentage that we achieved in 2006 was 27%. In fourth quarter, you did see that we exceeded 40%. Again, a lot of that was driven by the nature of the assets that we sold in fourth quarter, in particular we sold two 757s that came along with the GATX portfolio purchase. So, we had relatively high margins on those assets. I think roughly speaking, and again, you see that we have a mix of assets that we do sell, roughly speaking I think at 25% margins, 20% to 25% margin is really what you should see on an average basis going forward.

**Gary Liebowitz** - Wachovia Securities - Analyst

Thank you, very much.

**Operator**

Thank you.

[OPERATOR INSTRUCTIONS]

Our next question comes from Michael Linenberg with Merrill Lynch. Please go ahead.

**Michael Linenberg** - Merrill Lynch - Analyst

Yes. I just got two quick follow-ups. Number one, in your IPO offering document, there was a little below of about -- maybe looking at the private jet business, I think you were looking at a business in Germany, anything ever pan out on that front or anything that you can provide on the update?

**Klaus Heinemann** - AerCap Holdings N.V. - CEO

No, we are continuing to look at that particular niche. As you know, the corporate jet environment continues to grow strongly but we have not at this moment concluded anything in that niche. And by the way, if we would, it would be initially on the small scale. So, we are continuing to observe, but nothing has concluded.

**Michael Linenberg** - Merrill Lynch - Analyst

Okay and then -- but just a quick second follow-up. One of the risk factors was -- on the integration or with the acquisition of AeroTurbine, there was -- some of the integration risk was highlighted in the prospectus, and we are now almost, I don't know, ten months into the acquisition. Things obviously seem to be going well given your numbers. Any surprises good or bad that you are -- that you are seeing with the -- the AeroTurbine side of the business?

**Klaus Heinemann** - AerCap Holdings N.V. - CEO

Michael, let me ask Keith first to -- to talk about the -- the financial integration and then I will talk about some of the milestones that we have seen over the last three months with AeroTurbine.

**Michael Linenberg** - Merrill Lynch - Analyst

Perfect.

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

Yes. As you saw with the numbers that I went through, AeroTurbine is enhancing our asset growth, our revenue growth, and as well as our earnings. We are not actually going to be reporting specifically on the performance of our subsidiaries. But the integration on the overall basis is going well. It's in line with our expectations.

And effectively, the models themselves -- the business model is adding to the overall business model for AerCap. And I think that in itself is the biggest value add that we have, and I think that's what Klaus wants to talk about.

**Klaus Heinemann** - *AerCap Holdings N.V. - CEO*

Yes. Just a point because, within AeroTurbine, there is the acquisition in July of last year of the Goodyear facility in Arizona, which is a real life hangar with engineers and mechanics that do real work on our aircraft. And I went recently down there, that facility is coming on very strongly. To just give you a couple of numbers, since the AeroTurbine acquisition, that facility has disassembled ten of our own portfolio aircraft, three MD82s, three 737 classics, and four A220 aircraft.

So, it is very much running there at -- at capacity. In addition to that, it has disassembled four aircrafts for third parties under contract. These are very nice contracts where we take advantage of the position that we have down there that once an aircraft is parked down there, we have a monopoly position in offering our services, and they returned two DC-9 aircraft back to service by providing the necessary maintenance work to regain the airworthiness certificate for these aircraft.

And they have a contract there for paint jobs on CRJ200s for U.S. Airways there, done about ten of them through a subcontract, and also importantly they are continuing to maintain over 20 third-party aircrafts that are currently in storage programs down there. So, I am very pleased with the progress that business is making there.

And by the way, we are taking our first portfolio aircraft into the C-check later this week in the Goodyear facility. So, we are really moving down the road of taking advantage not only of the financial integration and IT integration, but more importantly of the business crossovers that we anticipated.

**Michael Linenberg** - *Merrill Lynch - Analyst*

Okay, thank you. Thank you, very much.

**Operator**

Thank you. Our next question comes from Gary Liebowitz with Wachovia Securities. Please go ahead.

**Gary Liebowitz** - *Wachovia Securities - Analyst*

Thanks. Keith, just a bookkeeping question, do you have a breakout in the lease revenue, how much of that was supplemental maintenance rentals, and was it unusually high in the fourth quarter?

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

I don't have a breakdown here. I don't really want to go through the exact numbers. But, the maintenance level a little bit higher in the fourth quarter primarily because we had a lot -- we had more lease renewals effectively happening in the fourth quarter. So, you see higher maintenance revenues, and you also see higher maintenance expense associated with those renewals.

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**Gary Liebowitz** - Wachovia Securities - Analyst

Okay, thank you.

**Operator**

Thank you. At this time, we have no further questions. I would now like to turn the conference back to management for closing remarks.

**Klaus Heinemann** - AerCap Holdings N.V. - CEO

Well, thank you very much. And as we said, we are looking with great optimism into 2007. We anticipate that we will take advantage as we did in 2006 from the very advantageous industry climate that we expect to continue throughout this year. So, we are looking forward to the next quarterly call, which will be the first quarter 2007. Thank you very much.

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

Thank you.

**Operator**

Thank you. Ladies and gentlemen, this concludes the AerCap Holdings fourth quarter earnings conference call. If you would like to listen to a replay of today's conference, please dial 1-800-405-2236, or internationally at 303-590-3000. You will need to enter access number 11083292. Thank you for your participation today. You may now disconnect.

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