

Fourth Quarter 2013 Earnings Call »

FEBRUARY 20, 2014



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Note: Subsequent to the date of release of this information, the Company's consolidated balance sheet for the year ended December 31, 2012 was revised in connection with the completion of the annual audit to include a reclassification of \$51.6 million from deferred income tax asset to deferred income tax liability which was previously presented on a net basis as part of the deferred tax asset. There were no changes to Net Income or Total Equity as a result of this reclassification in the that period. No reclassifications were made to the periods prior to 2012 as the impact is not considered material. Please see the Company's annual report on Form 20-F for the year ended December 31, 2013 filed with the U.S. Securities and Exchange Commission for further information.

- Adjusted net income was \$74.9 million for 4Q 2013, and \$299.9 million for the full year 2013.
- Adjusted earnings per share were \$0.66 for 4Q 2013, and \$2.64 for the full year 2013, an increase of 35% over the full year 2012.
- **Key Highlights:**
 - On December 16, 2013 we entered into a definitive agreement with American International Group, Inc. (“AIG”) (NYSE: AIG) (“ILFC Transaction”) under which AerCap will acquire 100% of the common stock of International Lease Finance Corporation (“ILFC”), a wholly-owned subsidiary of AIG. The ILFC Transaction is expected to close in the second quarter of 2014, subject to regulatory and other approvals as well as customary closing conditions.
 - During 2013 we purchased 38 aircraft with a total value of \$1.8 billion and committed future aircraft purchases were \$3.5 billion as of December 31, 2013, relating to 44 aircraft. All committed purchases are placed on long term leases with an average term of 11.8 years.
 - Trade receivables were \$5.2 million as of December 31, 2013, a historical low.
 - Our fleet utilization rate was 99.5% for the full year of 2013. The average age of the owned fleet as of December 31, 2013 was 5.4 years and the average remaining contracted lease term was 6.6 years.
 - 197 aircraft transactions were executed during the full year of 2013.
 - The debt to equity ratio was 2.6 to 1 at December 31, 2013, compared with 2.7 to 1 for the same period in 2012.

Net Income



(\$ Millions)	<u>4Q 2013</u>	<u>4Q 2012</u>	<u>FY 2013</u>	<u>FY 2012</u>
Reported Net Income	65.6	11.2	292.4	163.7
Adjusted* for:				
mark-to-market on interest rate caps	(1.9)	-	(10.2)	12.5
cost of share-based compensation	2.1	1.7	8.1	6.3
non-recurring charges for prepayment of secured loans	-	-	-	20.9
loss on sale of the ALS portfolio		54.6	-	54.6
ILFC transaction expenses to date	<u>9.1</u>	=	<u>9.6</u>	=
Adjusted Net Income**	74.9	67.5	299.9	258.0

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

** Full year adjusted net income increased 16% over the same period in 2012 driven primarily by income generated aircraft sales in 2013 and lower expenses relating to lessee defaults and restructurings incurred. Income generated from purchases in 2013 (including the purchase and leaseback with LATAM) offset the sale of the ALS portfolio.

Basic Earnings Per Share



	<u>4Q 2013</u>	<u>4Q 2012</u>	<u>FY 2013</u>	<u>FY 2012</u>
Earnings Per Share	\$0.58	\$0.09	\$2.58	\$1.24
Adjusted for: mark-to-market on interest rate caps, share based compensation, non-recurring charges for the prepayment of secured loans, loss on sale of the ALS portfolio and ILFC transaction expenses to date	<u>\$0.08</u>	<u>\$0.48</u>	<u>\$0.06</u>	<u>\$0.72</u>
Adjusted Earnings Per Share*	\$0.66	\$0.57	\$2.64	\$1.96
Average Shares Outstanding (Million)	113.6	119.2	113.5	131.5

* Full year adjusted earnings per share increased 35% over the same period in 2012 primarily driven by higher income and the decrease in average shares as a result of the 26.5 million shares repurchased during 2012.

(\$ Millions)	<u>4Q 2013</u>	<u>4Q 2012</u>	<u>FY 2013</u>	<u>FY 2012</u>
Basic Lease Rents*	234.9	222.2	901.6	931.9
Maintenance Rents and Other Receipts	26.6	11.2	74.5	65.3
Net Gain on Sale of Assets**	9.6	(47.5)	41.9	(46.4)
Management Fees and Interest Revenue	6.5	6.0	26.2	19.7
Other Revenue***	<u>0.2</u>	<u>0.3</u>	<u>5.9</u>	<u>2.0</u>
Total Revenue	277.8	192.2	1,050.1	972.5

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

** Excluding the net loss on the sale of the ALS portfolio of \$59.9 million, there was a net gain of \$12.4 million in 4Q 2012 and \$13.5 million in FY 2012.

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

Net Interest Margin (Net Spread)



(\$ Millions)	<u>4Q 2013</u>	<u>4Q 2012</u>	<u>FY 2013</u>	<u>FY 2012</u>
Net Interest Margin (Net Spread)*	175.7	159.9	663.6	684.2
Average Lease Assets	8,058	7,539	7,750	7,864
Annualized Margin %	8.7%	8.5%	8.6%	8.7%

* Net Interest Margin (Net Spread) is basic lease rents less interest expense, excluding non-cash charges relating to the mark-to-market of interest rate caps.

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

In 2013: we sold 28 aircraft including 14 aircraft from our owned portfolio consisting of three A330s, ten B737s and one MD-11 freighter aircraft. We also sold 14 aircraft from our managed portfolio consisting of two A320s, nine B737s, one B767 and one CRJ705.

In 2012: we sold 70 aircraft including 59 aircraft from our owned portfolio consisting of 35 A320s, four A330s, one A300, 14 B737s, four B757s and one B767 aircraft. The ALS portfolio was part of these sales. We also sold 11 aircraft from our managed portfolio consisting of three A320s, seven B737s and one B757.

(\$ Millions)	<u>4Q 2013</u>	<u>4Q 2012</u>	<u>FY 2013</u>	<u>FY 2012</u>
Pre-tax Gain from Other Aircraft Sales	9.6	12.4	41.9	13.5
Pre-tax Loss from Sale of ALS portfolio	-	(59.9)	-	(59.9)
Gain from Sales - adjusted for tax impact and amounts relating to JV partners' share	8.4	(43.7)	36.6	(42.0)

Other Expenses and Taxes



(\$ Millions)	<u>4Q 2013</u>	<u>4Q 2012</u>	<u>FY 2013</u>	<u>FY 2012</u>
Leasing Expenses*	17.7	12.5	48.5	72.1
SG&A	21.9	23.1	89.1	83.4
Impairment**	14.3	5.2	26.2	12.6
Transaction Expenses***	10.4	-	11.0	-
			<u>FY 2013</u>	<u>FY 2012</u>
Blended Tax Rate****			8.4%	5.2%

* Decrease in full year 2013 leasing expenses was due primarily to lower expenses relating to lessee defaults and restructurings.

** The Q4 2013 impairment charge included \$9.7 million relating to one B747 freighter aircraft, triggered by a \$6.8 million end of lease maintenance payment agreed upon at redelivery and \$4.6 million relating to two older A319s. The Q4 2012 impairment charge was primarily default related and triggered by the release of maintenance reserves.

*** Transaction expenses relate to the costs incurred to date relating to the ILFC transaction.

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

(\$ Millions)	<u>2013</u>	<u>2012</u>
Cash and Cash Equivalents at December 31* (Excl. Restricted Cash)	295.5	520.4
Total Cash Balance at December 31** (Incl. Restricted Cash)	563.4	800.2
Operating Cash Flow for the Full Year	655.1	625.8

*** The decrease in Cash and Cash Equivalents in 2013 is primarily caused by aircraft purchases and repayment of AerCap's most expensive secured debt.*

** Undrawn working capital facilities of \$320 million were also available at December 31, 2013.*

Debt and Equity

(\$ Millions)	<u>4Q 2013</u>	<u>4Q 2012</u>
Total Debt at Quarter-End	6,237	5,803
Average Cost of Debt (including ~0.4% relating to amortization of debt issuance costs)*	3.9%	4.2%
Equity	2,429	2,123
Debt / Equity Ratio	2.6 to 1	2.7 to 1

Although our total assets increased with \$0.8 billion (~10%) year on year, the D/E ratio decreased, demonstrating the cash generating power of our business

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

ILFC Transaction Update



- Integration activities underway:
 - Engaged third party advisor with significant integration experience;
 - Key AerCap resources on the ground full-time in Los Angeles;
 - Focused on day one requirements, asset transfers, IT infrastructure and data migration;
 - Functional integration teams created with representatives from both AerCap and ILFC.
- Anti-trust approvals have been received from 12 countries. The remaining approvals are expected to be received in Q2 2014.
- Shareholder approval for transaction received on February 13th.
- Progressing on key financing initiatives: amendment/extension of unsecured revolvers, bridge loan syndication, acquisition take-out financing.

Closing of the transaction is subject to regulatory and other approvals as well as customary closing conditions. While closing is expected to occur in Q2 2014, we cannot guarantee a successful closing.

Supplemental Information



Portfolio Development



	<u>2011</u>	<u>2012</u>	<u>2013</u>
Total Assets (\$ billion)	9.1	8.6	9.4
Average Age of Owned Aircraft (Years)	5.5	5.1	5.4
No. Owned Aircraft Sold	21	59	14
Book Value of Owned Aircraft Sold (\$ billion)	0.3	1.4	0.6
Completed Purchases (\$ billion)	0.9	1.1	1.8
Committed Purchases Outstanding* (\$ billion)	2.5	1.6	3.5
Book Equity / Share (\$)	\$16.28	\$18.72	\$21.32

* 2013 committed purchases relate to 44 aircraft including five Boeing 737-800 purchase rights and two A330 aircraft that are contracted for sale upon delivery.

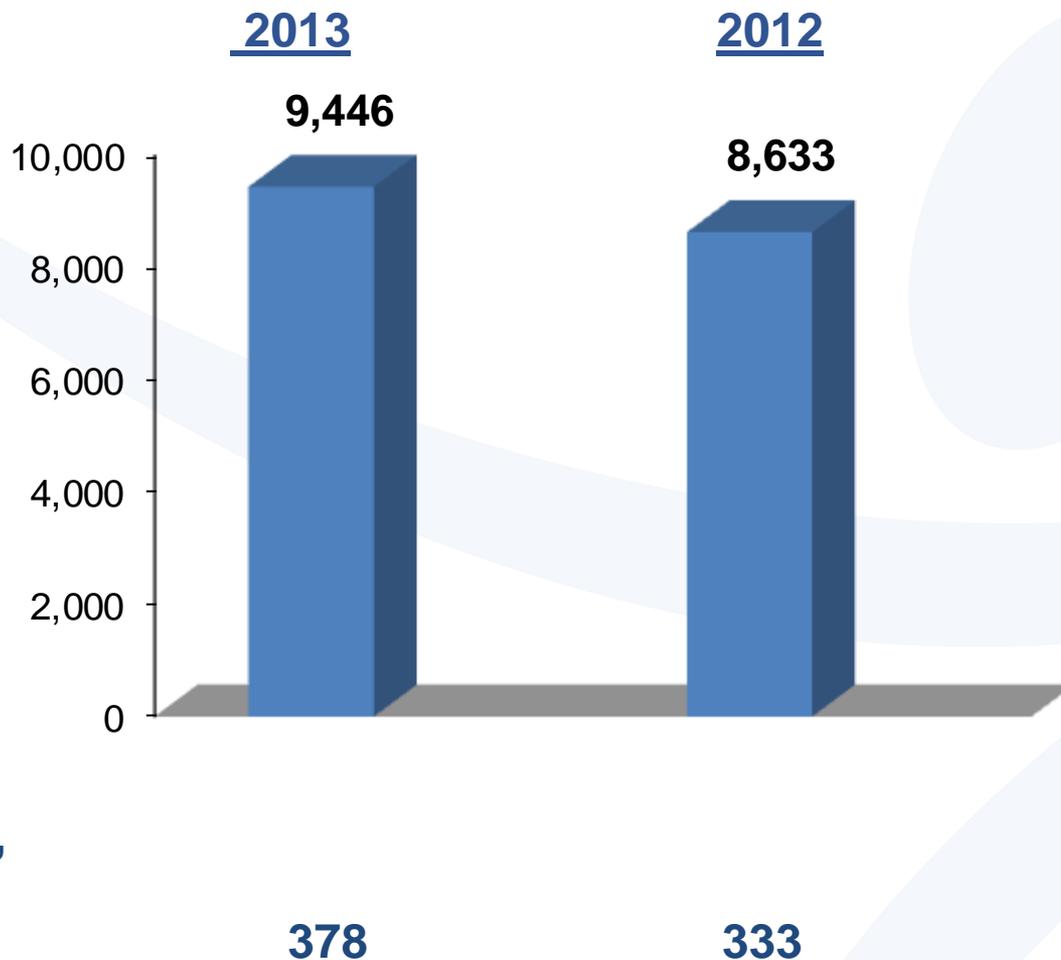
- 79 lease agreements executed
- 52 aircraft delivered to lessees
- 38 aircraft purchased
- 14 aircraft sold from our owned portfolio and 14 from our managed portfolio

Total Assets and Number of Aircraft

(\$ Millions)

Total Assets
Owned and on
Balance Sheet

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



High Quality and Well-Diversified Portfolio



Aircraft Portfolio as of December 31, 2013

	Number of Owned Aircraft	% Net Book Value	Number of Managed & AerDragon Aircraft	Aircraft on Order	Aircraft under Sale / Purchase Contract	Total Aircraft
Airbus A300 Freighter	0	0.0%	1	0	0	1
Airbus A319	24	7.4%	6	0	0	30
Airbus A320	92	32.7%	28	0	0	120
Airbus A320 NEO	0	0.0%	0	5	0	5
Airbus A321	8	3.4%	14	0	0	22
Airbus A330	33	27.9%	5	3	-2	39
Airbus A350	0	0.0%	0	9	0	9
Boeing 737 (Classics)	1	0.1%	10	0	-1	10
Boeing 737 (NG)	67	25.6%	32	20*	0	119
Boeing 747 Freighter	2	0.5%	0	0	0	2
Boeing 757	0	0.0%	2	0	0	2
Boeing 767	3	1.3%	2	0	-1	4
Boeing 777	0	0.0%	2	0	0	2
Boeing 787	0	0.0%	0	7	0	7
CRJ-900	4	0.8%	0	0	0	4
ERJ170-100	2	0.3%	0	0	0	2
	236	100.0%	102	44	-4	378

- 69.2% narrow body – “Work Horses” of the industry
- High share of liquid / remarketed aircraft
- Average age of owned aircraft fleet is 5.4 years
- Average remaining lease term 6.6 years

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

Committed Aircraft Purchases



	<u>FY 2013</u>	<u>Committed 2014</u>	<u>Committed 2014 & Beyond*</u>
Aircraft Purchases (\$ Millions)	1,818	699	3,481
Number of Aircraft Purchases (Units)	38	10	44

* Consists of \$0.7 billion in 2014, \$0.8 billion in 2015, and \$2.0 billion between 2016 and 2018. Includes five Boeing 737-800 purchase rights and two A330 aircraft that are contracted for sale upon delivery.

Portfolio Management Metrics for Owned Aircraft



Lease Portfolio

FY 2013

FY 2012

Utilization Rate*

99.5%

98.5%

Portfolio Yield**

12.6%

12.7%

Average Lease Term (Previous 12 Months)

• **New Leases for New Aircraft (Months)**

163***

149

• **Leases for Used Aircraft (Months)**

57****

47

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

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

*** Reflects lease agreements for 21 new aircraft signed in the previous 12 months.

**** Reflects lease agreements for 58 used aircraft signed in the previous 12 months.

Leasing Expenses



(\$ Millions)	<u>4Q 2013</u>	<u>4Q 2012</u>	<u>FY 2013</u>	<u>FY 2012</u>
Default Related*	12.3	3.0	15.5	41.2
Normal Transition Costs	2.6	2.8	16.4	12.2
Lessor Maintenance Contributions	0.1	4.5	10.8	9.3
Other Leasing Costs	<u>2.7</u>	<u>2.2</u>	<u>5.8</u>	<u>9.4</u>
Total Leasing Expenses	17.7	12.5	48.5	72.1

**Default costs incurred in 2013 related to five aircraft, two of which defaulted in 2012. Default costs incurred in 2012 related to defaults and restructurings that occurred in 2011 and 2012.*

Impact from Defaults and Restructuring 2011-2013

(\$ Millions)	<u>FY 2013</u>	<u>FY 2012</u>	<u>FY 2011</u>	<u>Total</u>
<u>Default and Restructuring Related</u>				
Lost Basic Lease Rents (Net of Security Deposits)	(0.2)	(10.9)	(5.4)	(16.5)
Default Related Leasing Expenses (Net of Maintenance Rents Held)	(10.3)	(20.5)	33.2	2.4
Impairment	=	<u>(11.7)</u>	<u>(3.7)</u>	<u>(15.4)</u>
Total Impact (Pre-Tax)	(10.5)	(43.1)	24.1	(29.5)
Total Impact (Post-Tax)	(9.2)	(37.7)	21.1	(25.8)

Impact from default and restructuring have averaged less than 1% of lease revenue on an annual basis for the last five years

(\$ Millions)	<u>4Q 2013</u>	<u>4Q 2012</u>	<u>FY 2013</u>	<u>FY2012</u>
Mark-to-market of foreign currency hedges, foreign currency cash balances and other derivatives	-	0.1	0.1	(2.9)
Share-based compensation expenses	2.4	1.9	9.3	7.5
Other selling, general and administrative expenses	<u>19.5</u>	<u>21.1</u>	<u>79.7</u>	<u>78.8</u>
Total Selling, General and Administrative Expenses	21.9	23.1	89.1	83.4