

August 3, 2017



AerCap Holdings N.V. Reports Financial Results for the Second Quarter 2017 and Announces New Share Repurchase Program of \$250 Million

DUBLIN--(BUSINESS WIRE)--

AerCap Holdings N.V. (NYSE:AER):

- ***Net income of \$282.9 million for the second quarter of 2017 and \$544.1 million for the first half of 2017***
- ***Diluted earnings per share of \$1.67 for the second quarter of 2017 and \$3.15 for the first half of 2017***

Highlights

- 108 aircraft transactions executed in the second quarter of 2017, including 25 widebody transactions.
- 99.5% fleet utilization rate for the second quarter of 2017.
- \$9 billion of available liquidity.
- Adjusted debt/equity ratio of 2.7 to 1.
- \$53.06 book value per share.
- Repurchased 6.5 million shares in the second quarter of 2017 for \$293 million and 14.2 million shares year to date through July 28, 2017 for \$639 million.
- Signed an agreement with Boeing for an order of 30 Boeing 787-9 aircraft.
- In July 2017, completed the offering of \$1.0 billion of 10-year senior unsecured notes with a 3.65% coupon.
- New \$250 million share repurchase program authorized, which will run through December 31, 2017.

Aengus Kelly, CEO of AerCap, commented: "AerCap completed the second quarter of 2017 with another strong set of results. During the first half of 2017 we generated \$3.15 earnings per share and net income of \$544.1 million. Our strong operational performance continued with the execution of 108 aircraft transactions during the second quarter. In addition, during the quarter we ordered a further 30 Boeing 787 aircraft, making AerCap the largest customer of the 787 Dreamliner. Most recently we successfully completed an offering of \$1.0 billion of 10-year senior notes, further strengthening our financial position. The performance and

activities illustrate the continued focus on execution by the AerCap team.”

Second Quarter 2017 Financial Results

- Net income of \$282.9 million, compared with \$233.3 million for the same period in 2016. Diluted earnings per share of \$1.67, compared with \$1.22 for the same period in 2016.
- The increase in net income and diluted earnings per share was driven primarily by higher net gain on sale of assets, higher maintenance rents and lower maintenance rights expense. Diluted earnings per share was also favorably impacted by the repurchase of 32.7 million shares for \$1.4 billion from April 2016 through June 2017.

Components of Net Income/Earnings Per Share

Set forth below are the components of net income and diluted earnings per share.

	Three months ended June 30,		Six months e
	2017	2016	2017
	(After tax, U.S. Dollars in millions, except per share data)		(After tax, U.S. D except per
<u>Components of Net Income</u>			
Net gain on sale of assets	\$60.8	\$33.6	\$102.2
AeroTurbine results, including restructuring related expenses	(12.5)	(11.3)	(26.1)
Maintenance rights expense	(78.8)	(93.2)	(142.7)
All other earnings	313.4	304.2	610.7
Net Income	\$282.9	\$233.3	\$544.1

Components of Earnings Per Share

Net gain on sale of assets	\$0.36	\$0.18	\$0.59
AeroTurbine results, including restructuring related expenses	(0.07)	(0.06)	(0.15)
Maintenance rights expense	(0.47)	(0.49)	(0.83)
All other earnings	1.85	1.59	3.54
Diluted Earnings Per Share	\$1.67	\$1.22	\$3.15

Revenue and Net Spread

	Three months ended June 30,			Six months ended June 30,		
	2017	2016	% increase/ (decrease)	2017	2016	% increase/ (decrease)
	(U.S. Dollars in millions)			(U.S. Dollars in millions)		
Lease revenue:						
Basic lease rents	\$1,053.5	\$1,106.3	(5%)	\$2,120.5	\$2,245.6	
Maintenance rents and other receipts	104.1	70.9	47%	194.0	221.3	
Lease revenue	1,157.6	1,177.2	(2%)	2,314.5	2,466.9	
Net gain on sale of assets	69.5	38.4	81%	116.9	57.4	
Other income	36.7	23.9	54%	69.2	33.2	
Total Revenues and other income	\$1,263.8	\$1,239.5	2%	\$2,500.6	\$2,557.5	

Basic lease rents were \$1,053.5 million for the second quarter of 2017, compared with \$1,106.3 million for the same period in 2016. The decrease was primarily due to the sale of mid-life and older aircraft during 2016 and 2017, which reduced average lease assets. Our average lease assets for the second quarter of 2017 were \$34.0 billion, compared with \$35.1 billion for the same period in 2016.

Maintenance rents and other receipts were \$104.1 million for the second quarter of 2017, compared with \$70.9 million for the same period in 2016. The increase was primarily driven by higher end of lease compensation received during the second quarter of 2017.

Net gain on sale of assets for the second quarter of 2017 was \$69.5 million, relating to 24 aircraft sold and 6 aircraft reclassified to finance leases, compared with \$38.4 million for the same period in 2016, relating to 32 aircraft sold and three aircraft reclassified to finance leases.

Other income for the second quarter of 2017 was \$36.7 million, compared with \$23.9 million for the same period in 2016. Other income for the second quarter of 2017 primarily consisted of non-recurring income from lease terminations.

	<u>Three months ended June 30,</u>			<u>Six months ended</u>	
	<u>2017</u>	<u>2016</u>	<u>% increase/ (decrease)</u>	<u>2017</u>	<u>2016</u>
	<u>(U.S. Dollars in millions)</u>			<u>(U.S. Dollars in</u>	
Basic lease rents	\$1,053.5	\$1,106.3	(5%)	\$2,120.5	\$2,245.6
Interest expense	275.0	280.7	(2%)	560.7	565.3
Adjusted for:					
Mark-to-market of interest rate caps and swaps	(9.0)	(7.6)	18%	(15.5)	(18.6)
Adjusted interest expense	266.0	273.1	(3%)	545.2	546.7
Net interest margin, or net spread	\$787.5	\$833.2	(5%)	\$1,575.3	\$1,698.9
Average lease assets	\$34,047	\$35,140	(3%)	\$34,065	\$35,329
Annualized net spread	9.3%	9.5%		9.2%	9.6%

As shown in the table above, adjusted interest expense was \$266.0 million in the second quarter of 2017, compared with \$273.1 million for the same period in 2016.

Annualized net spread was 9.3% in the second quarter of 2017, compared with 9.5% for the same period in 2016. The decrease was primarily a result of the lower age of our owned fleet and the higher average cost of debt. Our average cost of debt increased primarily due to the issuance of new longer-term bonds to replace shorter-term ILFC notes, which had lower reported interest expense as a result of ILFC acquisition purchase accounting.

Selling, General and Administrative Expenses

	<u>Three months ended June 30,</u>			<u>Six months ended</u>	
	<u>2017</u>	<u>2016</u>	<u>% increase/ (decrease)</u>	<u>2017</u>	<u>2016</u>
	<u>(U.S. Dollars in millions)</u>			<u>(U.S. Dollars in</u>	
Share-based compensation expenses	\$26.6	\$25.0	6%	\$53.3	\$50.0
AeroTurbine selling, general and administrative expenses	4.3	12.3	(65%)	9.2	12.3
AerCap selling, general and administrative expenses	53.7	49.2	9%	105.6	105.6
Total selling, general and administrative expenses	\$84.6	\$86.5	(2%)	\$168.1	\$167.9

Other Expenses

Asset impairment charges were \$5.3 million for the second quarter of 2017, compared to \$10.5 million recorded for the same period in 2016. Asset impairment recorded in the

second quarter of 2017 related to two aircraft that are being sold at a loss but were treated as held for sale because the sale of those aircraft had not been completed as of June 30, 2017. The aircraft were part of an 18-aircraft portfolio that is being sold at an overall profit. Leasing expenses were \$136.3 million for the second quarter of 2017, compared with \$143.1 million for the same period in 2016. The decrease in leasing expenses was primarily related to lower maintenance rights expense associated with the maintenance activity during the second quarter of 2017. Restructuring related expenses were \$4.7 million for the second quarter of 2017, compared with \$3.5 million for the same period in 2016. Restructuring related expenses in the second quarter of 2017 and 2016 represented non-recurring charges related to the downsizing of AeroTurbine.

Effective Tax Rate

AerCap's effective tax rate was 13.0% during the second quarter of 2017, compared to 13.5% for the same period in 2016. The effective tax rate for the full year 2016 was 14.5%. The effective tax rate in any year is impacted by the source and amount of earnings among AerCap's different tax jurisdictions.

Book Value Per Share

	June 30, (U.S. Dollar)
Total AerCap Holdings N.V. shareholders' equity	\$8
Ordinary shares outstanding	163,41
Unvested restricted stock	(2,83
Ordinary shares outstanding (excl. unvested restricted stock)	160,58
Book value per ordinary share outstanding (excl. unvested restricted stock)	\$

Book value per share has increased 8% since December 31, 2016 and 17% since June 30, 2016.

Financial Position

	June 30, 2017	December 31, 2016	% increase/ (decrease) over December 31, 2016
	(U.S. Dollars in millions, except debt/equity ratio)		
Total cash (incl. restricted)	\$1,910.3	\$2,364.6	(19%)
Total assets	41,019.5	41,620.5	(1%)
Debt	27,181.0	27,717.0	(2%)
Total liabilities	32,442.2	33,038.2	(2%)
Total AerCap Holdings N.V. shareholders' equity	8,520.8	8,524.4	(0%)
Total equity	8,577.2	8,582.3	(0%)
Adjusted debt (*)	24,829.9	24,931.6	(0%)
Adjusted equity (*)	9,327.2	9,332.3	(0%)
Adjusted debt/equity ratio (*)	2.7 to 1	2.7 to 1	0%

(*) Refer to Notes Regarding Financial Information Presented in This Press Release for details relating to the adjustments

As of June 30, 2017, AerCap's portfolio consisted of 1,539 aircraft that were owned, on order or managed (including aircraft owned by AerDragon, a non-consolidated joint venture). The average age of our owned fleet as of June 30, 2017 was 7.3 years and the average remaining contracted lease term was 6.4 years.

Share Repurchase Program

Our Board of Directors approved a new share repurchase program authorizing total repurchases of up to \$250 million of AerCap ordinary shares through December 31, 2017. Repurchases under the program may be made through open market purchases or privately negotiated transactions in accordance with applicable U.S. federal securities laws. The timing of repurchases and the exact number of common shares to be purchased will be determined by the Company's management, in its discretion, and will depend upon market conditions and other factors. The program will be funded using the Company's cash on hand and cash generated from operations. The program may be suspended or discontinued at any time.

In May 2017, we announced the authorization of a \$300 million share repurchase program running through September 30, 2017. In July 2017, this share repurchase program was extended to run through December 31, 2017.

Notes Regarding Financial Information Presented in This Press Release

The financial information presented in this press release is not audited.

Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

The following is a definition of non-GAAP measures used in this press release. We believe these measures may further assist investors in their understanding of our operational performance.

Adjusted debt/equity ratio. This measure is the ratio obtained by dividing adjusted debt by adjusted equity.

- Adjusted debt means consolidated total debt less cash and cash equivalents, and less a 50% equity credit with respect to certain long-term subordinated debt.
- Adjusted equity means total equity, plus the 50% equity credit relating to the long-term subordinated debt.

Adjusted debt and adjusted equity are adjusted by the 50% equity credit to reflect the equity nature of those financing arrangements and to provide information that is consistent with definitions under certain of our debt covenants. We believe this measure may further assist investors in their understanding of our capital structure and leverage.

	<u>June 30, 2017</u>	<u>December 31, 2016</u>
	(U.S. Dollars in millions, except debt/equity ratio)	
Debt	\$27,181	\$27,717
Adjusted for:		
Cash and cash equivalents	(1,601)	(2,035)
50% credit for long-term subordinated debt	(750)	(750)
Adjusted debt	\$24,830	\$24,932
Equity	\$8,577	\$8,582
Adjusted for:		
50% credit for long-term subordinated debt	750	750
Adjusted equity	\$9,327	\$9,332
Adjusted debt/equity ratio	2.7 to 1	2.7 to 1

Net interest margin, or net spread (refer to the second table under the Revenue and Net Spread section of this press release). This measure is the difference between basic lease rents and interest expense, excluding the impact of the mark-to-market of interest rate caps and swaps. We believe this measure may further assist investors in their understanding of the changes and trends related to the earnings of our leasing activities. This measure

reflects the impact from changes in the number of aircraft leased, lease rates and utilization rates, as well as the impact from changes in the amount of debt and interest rates.

Conference Call

In connection with the earnings release, management will host an earnings conference call today, Thursday, August 3, 2017, at 8:30 a.m. Eastern Daylight time. The call can be accessed live by dialing (U.S./Canada) +1 719 325 4756 or (International) +353 1 246 5638 and referencing code 2380436 at least 5 minutes before start time, or by visiting AerCap's website at www.aercap.com under "Investor Relations."

The webcast replay will be archived in the "Investor Relations" section of the Company's website for one year. For further details and to register for this event please email: aercap@instinctif.com.

For further information, contact Brian Canniffe: +353 1 418 0461 (bcanniffe@aercap.com) or Mark Walter (Instinctif Partners): +44 20 7457 2020 (aercap@instinctif.com).

About AerCap

AerCap is the global leader in aircraft leasing with, as of June 30, 2017, 1,539 owned, managed or on order aircraft in its portfolio. AerCap has one of the most attractive order books in the industry. AerCap serves approximately 200 customers in approximately 80 countries with comprehensive fleet solutions. AerCap is listed on the New York Stock Exchange (AER) and has its headquarters in Dublin with offices in Amsterdam, Los Angeles, Shannon, Fort Lauderdale, Singapore, Shanghai, Abu Dhabi, Seattle and Toulouse.

Forward-Looking Statements

This press release contains certain statements, estimates and forecasts with respect to future performance and events. These statements, estimates and forecasts are "forward-looking statements". In some cases, forward-looking statements can be identified by the use of forward-looking terminology such as "may," "might," "should," "expect," "plan," "intend," "estimate," "anticipate," "believe," "predict," "potential" or "continue" or the negatives thereof or variations thereon or similar terminology. All statements other than statements of historical fact included in this press release are forward-looking statements and are based on various underlying assumptions and expectations and are subject to known and unknown risks, uncertainties and assumptions, and may include projections of our future financial performance based on our growth strategies and anticipated trends in our business. These statements are only predictions based on our current expectations and projections about future events. There are important factors that could cause our actual results, level of activity performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied in the forward-looking statements. As a result, we cannot assure you that the forward-looking statements included in this press release will prove to be accurate or correct. In light of these risks, uncertainties and assumptions, the future performance or events described in the forward-looking statements in this press release might not occur. Accordingly, you should not rely upon forward-looking statements as a prediction of actual results and we do not assume any responsibility for the accuracy or completeness of any of these forward-looking statements. Except as required by applicable law, we do not undertake any obligation to, and will not, update any forward-

looking statements, whether as a result of new information, future events or otherwise.

For more information regarding AerCap and to be added to our email distribution list, please visit www.aercap.com and follow us on Twitter www.twitter.com/aercapny.

AerCap Holdings N.V.
Unaudited Consolidated Balance Sheets
(U.S. Dollars in thousands)

	<u>June 30, 2017</u>	<u>December 31, 2016</u>
Assets		
Cash and cash equivalents	\$1,601,080	\$1,601,080
Restricted cash	309,264	309,264
Trade receivables	81,758	81,758
Flight equipment held for operating leases, net	30,960,169	30,960,169
Maintenance rights intangible and lease premium, net	1,828,847	1,828,847
Flight equipment held for sale	651,600	651,600
Net investment in finance and sales-type leases	832,379	832,379
Prepayments on flight equipment	3,407,280	3,407,280
Other intangibles, net	376,801	376,801
Deferred income tax assets	215,602	215,602
Other assets	754,709	754,709
Total Assets	<u>\$41,019,489</u>	<u>\$41,019,489</u>
Liabilities and Equity		
Accounts payable, accrued expenses and other liabilities	\$1,046,261	\$1,046,261
Accrued maintenance liability	2,692,580	2,692,580
Lessee deposit liability	866,486	866,486
Debt	27,180,966	27,180,966
Deferred income tax liabilities	655,949	655,949
Total liabilities	<u>32,442,242</u>	<u>32,442,242</u>
Ordinary share capital €0.01 par value, 350,000,000 ordinary shares authorized as of June 30, 2017 and December 31, 2016; 177,847,345 and 187,847,345 ordinary shares issued and 163,418,626 and 176,247,154 ordinary shares outstanding (including 2,833,754 and 3,426,810 unvested restricted stock) as of June 30, 2017 and December 31, 2016, respectively	2,174	2,174
Additional paid-in capital	4,128,420	4,128,420
Treasury shares, at cost (14,428,719 and 11,600,191 ordinary shares as of June 30, 2017 and December 31, 2016, respectively)	(654,021)	(654,021)

Accumulated other comprehensive loss	(3,066)	
Accumulated retained earnings	5,047,251	
Total AerCap Holdings N.V. shareholders' equity	<u>8,520,758</u>	
Non-controlling interest	56,489	
Total Equity	<u>8,577,247</u>	
Total Liabilities and Equity	<u><u>\$41,019,489</u></u>	\$

AerCap Holdings N.V.

Unaudited Consolidated Income Statements

(U.S. Dollars in thousands, except share and per share data)

Revenues and other income

Lease revenue

Net gain on sale of assets

Other income

Total Revenues and other income

Expenses

Depreciation and amortization

Asset impairment

Interest expense

Leasing expenses

Restructuring related expenses

Selling, general and administrative expenses

Total Expenses

Income before income taxes and income of investments accounted for under the equity

Provision for income taxes

Equity in net earnings of investments accounted for under the equity method

Net income

Net loss (income) attributable to non-controlling interest

Net income attributable to AerCap Holdings N.V.

Basic earnings per share

Diluted earnings per share

Weighted average shares outstanding - basic

Weighted average shares outstanding - diluted

AerCap Holdings N.V.

Unaudited Consolidated Statements of Cash Flows

(U.S. Dollars in thousands)

	<u>Six m</u> <u>21</u>
Net income	\$5
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	8
Asset impairment	
Amortization of debt issuance costs and debt discount	
Amortization of lease premium intangibles	
Amortization of fair value adjustment on debt	(1)
Accretion of fair value adjustment on deposits and maintenance liabilities	
Maintenance rights write off	2
Maintenance liability release to income	(1)
Net gain on sale of assets	(1)
Deferred income taxes	
Restructuring related expenses	
Other	
Changes in operating assets and liabilities:	
Trade receivables	(
Other assets	
Accounts payable, accrued expenses and other liabilities	
Net cash provided by operating activities	<u>1,5</u>
Purchase of flight equipment	(1,2
Proceeds from sale or disposal of assets	7
Prepayments on flight equipment	(5
Collections of finance and sales-type leases	
Movement in restricted cash	
Other	(
Net cash used in investing activities	<u>(1,0</u>
Issuance of debt	2,5
Repayment of debt	(2,9
Debt issuance costs paid	(
Maintenance payments received	3
Maintenance payments returned	(2
Security deposits received	
Security deposits returned	(
Dividend paid to non-controlling interest holders	
Repurchase of shares and tax withholdings on share-based compensation	(5
Net cash used in financing activities	<u>(9</u>

Net (decrease) increase in cash and cash equivalents	(4)
Effect of exchange rate changes on cash and cash equivalents	
Cash and cash equivalents at beginning of period	<u>2,0</u>
Cash and cash equivalents at end of period	<u><u>\$1,6</u></u>

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