AerCap Holdings N.V.
Form 20-F
April 01, 2009

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 20-F

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2008
Commission file number 001-33159

AerCap Holdings N.V.

(Exact name of Registrant as specified in its charter)

The Netherlands
(Jurisdiction of incorporation or organization)

Stationsplein 965
1117 CE Schiphol Airport
The Netherlands
+ 31 20 655 9655
(Address of principal executive offices)

Wouter M. den Dikken, Stationsplein 965, 1117 CE Schiphol Airport, The Netherlands,
Telephone number: +31 20 655 9655, Fax number: +31 20 655 9100
(Name, Telephone, Email and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Ordinary Shares	The New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

Ordinary Shares, Euro 0.01 par value	**85,036,957**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No ý

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes o No ý

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer o	Accelerated filer ý	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ý	International Financial Reporting Standards as issued by the International Accounting Standards Board o	Other o

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow: Item 17 o Item 18 ý

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No ý

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SPECIAL NOTE ABOUT FORWARD LOOKING STATEMENTS

This annual report includes forward looking statements, principally under the captions "Item 3. Key Information Risks Related to our Business", "Item 4. Information on the Company" and "Item 5. Operating and Financial Review and Prospects". We have based these forward looking statements largely on our current beliefs and projections about future events and financial trends affecting our business. Many important factors, in addition to those discussed in this annual report, could cause our actual results to differ substantially from those anticipated in our forward looking statements, including, among other things:

- the availability of capital to us and to our customers and changes in interest rates,
- the ability of our lessees and potential lessees to make operating lease payments to us,
- our ability to successfully negotiate aircraft and engine purchases, sales and leases, to collect outstanding amounts due and to repossess aircraft and engines under defaulted leases, and to control costs and expenses,
- decreases in the overall demand for commercial aircraft and engine leasing and aircraft management services,
- the economic condition of the global airline and cargo industry,
- competitive pressures within the industry,
- the negotiation of aircraft management services contracts,
- regulatory changes affecting commercial aircraft operators, aircraft maintenance, engine standards, accounting standards and taxes, and
- the risks set forth in "Item 3. Key Information Risk Factors" included in this annual report.

The words "believe", "may", "will", "aim", "estimate", "continue", "anticipate", "intend", "expect" and similar words are intended to identify forward looking statements. Forward looking statements include information concerning our possible or assumed future results of operations, business strategies, financing plans, competitive position, industry environment, potential growth opportunities, the effects of future regulation and the effects of competition. Forward looking statements speak only as of the date they were made and we undertake no obligation to update publicly or to revise any forward looking statements because of new information, future events or other factors. In light of the risks and uncertainties described above, the forward looking events and circumstances described in this annual report might not occur and are not guarantees of future performance.

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PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

Selected financial data.

The following table presents AerCap Holdings N.V.'s (the successor company) and AerCap B.V.'s (the predecessor company) selected consolidated financial data for each of the periods indicated, prepared in accordance with US GAAP. You should read this information in conjunction with AerCap Holdings N.V.'s audited consolidated financial statements and related notes and "Item 5. Operating and Financial Review and Prospects".

AerCap Holdings N.V. was formed as a Netherlands public limited liability company ("*naamloze vennootschap*") on July 10, 2006 and acquired all of the assets and liabilities of AerCap Holdings C.V., a Netherlands limited partnership on October 27, 2006. This acquisition was a transaction under common control and accordingly, AerCap Holdings N.V. recognized the acquisition of the assets and liabilities of AerCap Holdings C.V. at their carrying values. AerCap Holdings C.V. was formed on June 27, 2005 for the purpose of acquiring all of the shares and certain liabilities of AerCap B.V. (formerly known as debis AirFinance B.V.), in connection with our acquisition by funds and accounts affiliated with Cerberus Capital Management, L.P., or the Cerberus Funds (referred to herein as the 2005 Acquisition). The historical consolidated financial data of AerCap Holdings C.V. are presented as if AerCap Holdings N.V. had been the acquiring entity of AerCap B.V. on June 30, 2005. The financial information presented as of December 31, 2007 and 2008 and for the fiscal years ended December 31, 2006, 2007 and 2008 was derived from AerCap Holdings N.V.'s audited consolidated financial statements included in this annual report. The financial information presented as of December 31, 2004, 2005 and 2006 and for the six months ended June 30, 2005 and December 31, 2005 and for the fiscal year ended December 31, 2004 was derived from AerCap Holdings N.V. audited consolidated financial statements not included in this annual report. The financial information presented includes the results of AeroTurbine from the date of its acquisition on April 26, 2006, referred to herein as the AeroTurbine Acquisition.

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Consolidated Income Statement Data:

	AerCap B.V.			AerCap Holdings N.V.		
	Year ended December 31, 2004	Six months ended June 30, 2005	Six months ended December 31, 2005(1)	Year ended December 31, 2006(2)	2007	2008
	(In thousands, except share and per share amounts)					
Revenues						
Lease revenue	$ 308,500	$ 162,155	$ 173,568	$ 443,925	$ 554,226	$ 605,253
Sales revenue	32,050	75,822	12,489	301,405	558,263	616,554
Management fee revenue	15,009	6,512	7,674	14,072	14,343	11,749
Interest revenue	21,641	13,130	20,335	34,681	29,742	18,515
Other revenue	13,667	3,459	1,006	20,336	19,947	4,181
Total revenues	**390,867**	**261,078**	**215,072**	**814,419**	**1,176,521**	**1,256,252**
Expenses						
Depreciation	125,877	66,407	45,918	102,387	141,113	169,392
Cost of goods sold	18,992	57,632	10,574	220,277	432,143	506,312
Interest on debt	113,132	69,857	44,742	166,219	234,770	219,172
Impairments(3)	134,671					18,789
Other expenses	68,856	32,386	26,524	46,523	39,746	73,827
Selling, general and administrative expenses(4)	36,449	19,559	26,949	149,364	116,328	128,268
Total expenses	**497,977**	**245,841**	**154,707**	**684,770**	**964,100**	**1,115,760**
(Loss) income from continuing operations before income taxes and minority interest	(107,110)	15,237	60,365	129,649	212,421	140,492
Provision for income taxes	224	556	(10,604)	(21,246)	(25,123)	431
Minority interest, net of tax				588	1,155	10,883
Net (loss) income	**$ (106,886)**	**$ 15,793**	**$ 49,761**	**$ 108,991**	**$ 188,453**	**$ 151,806**
(Loss) Earnings per share, basic and diluted	$ (145.19)	$ 21.45	$ 0.64	$ 1.38	$ 2.22	$ 1.79
Weighted average shares outstanding, basic and diluted	736,203	736,203	78,236,957	78,982,162	85,036,957	85,036,957

(1) We were formed on June 27, 2005; however, we did not commence operations until June 30, 2005, when we acquired all of the shares and certain of the liabilities of AerCap B.V. Our initial accounting period was from June 27, 2005 to December 31, 2005, but we generated no material revenue or expense between June 27, 2005 and June 30, 2005 and did not have any material assets before the 2005 Acquisition. For convenience of presentation only, we have labeled our initial accounting period in the table headings in this annual report as the six months ended December 31, 2005.

(2) Includes the results of AeroTurbine for the period from April 26, 2006 (date of acquisition) to December 31, 2006.

(3) Includes aircraft impairment, investment impairment and goodwill impairment.

(4)

Includes share based compensation of $78.6 million ($69.1 million, net of tax), $10.9 million ($9.5 million, net of tax) and $7.5 million ($6.4 million, net of tax) in the years ended December 31, 2006, 2007 and 2008, respectively.

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Consolidated Balance Sheets Data:

	AerCap B.V.	AerCap Holdings N.V.			
	As of December 31,				
	2004	2005(1)	2006(2)	2007	2008
	(US dollars in thousands)				
Assets					
Cash and cash equivalents	$ 143,640	$ 183,554	$ 131,201	$ 241,736	$ 193,563
Restricted cash	118,422	157,730	112,277	95,072	113,397
Flight equipment held for operating leases, net	2,748,347	2,189,267	2,966,779	3,050,160	3,989,629
Notes receivable, net of provisions	250,774	196,620	167,451	184,820	134,067
Prepayments on flight equipment	135,202	115,657	166,630	247,839	448,945
Other assets	207,769	218,371	373,697	574,600	531,225
Total assets	**$ 3,604,154**	**$ 3,061,199**	**$ 3,918,036**	**$ 4,394,227**	**$ 5,410,826**
Debt	3,115,492	2,172,995	2,555,139	2,892,744	3,790,487
Other liabilities	419,643	468,575	611,893	551,110	511,302
Shareholders' equity	64,019	419,761	751,004	950,373	1,109,037
Total liabilities and shareholders' equity	**$ 3,604,154**	**$ 3,061,199**	**$ 3,918,036**	**$ 4,394,227**	**$ 5,410,826**

(1) We were formed on June 27, 2005; however, we did not commence operations until June 30, 2005, when we acquired all of the shares and certain of the liabilities of AerCap B.V. Our initial accounting period was from June 27, 2005 to December 31, 2005, but we generated no material revenue or expense between June 27, 2005 and June 30, 2005 and did not have any material assets before the 2005 Acquisition. For convenience of presentation only, we have labeled our initial accounting period in the table headings in this annual report as the six months ended December 31, 2005.

(2) Includes the results of AeroTurbine for the period from April 26, 2006 (date of its acquisition) to December 31, 2006.

RISK FACTORS

Risks Related to Our Business

We require significant capital in 2009 and 2010 to fund our obligations under our forward purchase commitments. The global recession and financial crisis, along with the failure of one of our joint venture partners to make required equity contributions, has decreased the amount of capital available to us and has adversely impacted the operating cash flows we would use to fund these obligations.

As of March 31, 2009, we, either directly or through AerVenture Limited ("AerVenture"), had 42 new A320 family aircraft, 28 new A330 wide-body aircraft and three new Boeing 737-800 aircraft under forward purchase commitments, with 28 scheduled to be delivered in the remainder of 2009 and 33 scheduled to be delivered in 2010. In addition, as of March 31, 2009 we had entered into sales contracts for seven of the A320 family aircraft scheduled to be delivered in the remainder of 2009. As of March 31, 2009, our commitments in 2009 and 2010 to make pre-delivery and final delivery payments under our forward purchase commitments exceeded the amounts available under our committed borrowing facilities by $174.5 million and $248.6 million, respectively. In order to meet our commitments under our forward purchase contracts during 2009 and 2010, including commitments by AerVenture, and to maintain an adequate level of unrestricted cash we will need to raise additional funds through a combination of (i) accessing committed debt facilities, (ii) securing additional financing for pre-delivery and final delivery payment obligations, (iii) selling aircraft or other aircraft investments, including participations in our joint ventures, (iv) accessing restricted cash in our cash restricted entities, and (v) if necessary, generating proceeds from potential capital market transactions. Due to the level of existing committed pre-delivery or final delivery debt commitments, we expect that only a portion of the additional funding to meet our forward purchase commitments can be sourced through additional debt funding.

The global recession and financial crisis have caused banks and financial institutions to significantly decrease the amount of capital available for lending and have significantly increased the risk premium of such borrowings. Should banks with whom we have committed borrowing facilities default in their obligations towards us, such defaults may decrease the amounts available under our committed borrowing facilities. In addition, the recent failure by International Cargo Airlines Company KSC ("LoadAir"), our AerVenture joint venture partner, to make a required $80.0 million capital contribution to AerVenture has resulted in LoadAir's removal as our joint venture partner and AerVenture becoming our wholly-owned subsidiary, thereby decreasing the amount of equity capital available to AerVenture and us. Although we are pursuing several transactions to raise additional funds, we may not be able to close some or all of these transactions. If we are unable to close on some or all of these initiatives and are unable to find sufficient alternative funds, it will adversely and could materially adversely affect our liquidity and the cash available to us to fund our pre-delivery payment and final delivery payment obligations under our forward purchase commitments.

We have historically relied on sales of aircraft as an integral part of our liquidity strategy in order to meet cash requirements for our operations and committed capital expenditures. As a result of the current global recession and financial crisis and the corresponding decrease in capital available to finance the purchase price of aviation assets, we have experienced a decrease in demand and offer prices from third-party investors interested in buying our aircraft and engines. In addition, insolvencies of aircraft operators and sales of aircraft portfolios by aircraft lessors have and are expected to increase the supply of aircraft available for sale, negatively affecting prices for aircraft. In this challenging market, we may experience a significant decrease in aircraft sales revenue which could adversely affect our liquidity and the cash available to fund our forward purchase commitments.

Since a significant portion of our aircraft (40% of the net book value of our aircraft as of December 31, 2008) are owned by special purpose entities, or "restricted cash entities," and are subject to financing structures which require that most, if not all, cash, after the payment of required expenses, be utilized to service outstanding debt in those structures, there is limited free cash made available to us from the operations of these entities to fund our general operations or to fund the purchase commitment obligations of other group entities. In addition, AeroTurbine's credit facility also limits the dividends it can pay us to $10 million per year.

The global recession and financial crisis are also having a significant negative impact on our lessees. If our lessees, in particular those outside our restricted cash entities, are unable to meet their obligations under their leases with us, our cash flow will be negatively impacted both by the non-receipt of lease rentals and the costs associated with repossession of the leased aircraft.

Due to the global recession and financial crisis and the failure by LoadAir to make its capital contributions to AerVenture, our typical sources of funding may not be sufficient to meet our operating requirements and fund our forward purchase commitments in 2009 and 2010 and we may be required to raise additional capital through the issuance of new equity or equity-linked securities. If we issue new equity or equity-linked securities, the percentage ownership of our then current shareholders would be diluted. Any newly issued equity or equity-linked securities may have rights, preferences or privileges senior to those of our ordinary shares. If we cannot raise sufficient funding through our various initiatives, the issuance of equity securities or otherwise, we would be required to restructure our forward aircraft purchase commitments or default on those agreements. If we default on a forward purchase contract with Airbus, the contract may be terminated in whole by Airbus and all deposits we have made for aircraft under that contract forfeited. In addition, nonpayment on related pre-delivery payment facilities would result in defaults on our other committed borrowing facilities which could result in acceleration of these facilities and foreclosure on assets pledged to secure such facilities.

Our business model depends on the continual re-leasing of our aircraft and engines when current leases expire and the leasing of new aircraft on order, and due to current market conditions, we may not be able to do so on favorable terms, if at all.

Our business model depends on the continual re-leasing of our aircraft and engines when our current leases expire in order to generate sufficient revenues to finance our operations and pay our debt service obligations. Between December 31, 2008 and December 31, 2011, aircraft leases accounting for 29.7% of our lease revenues for the year ended December 31, 2008, are scheduled to expire and the aircraft subject to those leases that we do not sell prior to lease termination will need to be re-leased or extended. In 2008, we generated $67.4 million of revenues from leases that were scheduled to expire in 2009, $62.3 million of revenues from leases that are scheduled to expire in 2010 and $50.3 million of revenues from leases that are scheduled to expire in 2011. As of December 31, 2008, we also had 11 aircraft on order and scheduled to be delivered in 2010 and nine aircraft scheduled to be delivered in 2011 through 2013 which are subject to executed lease agreements. In addition, nearly all of our engines are subject to short-term leases, which are generally less than 180 days. Our ability to re-lease our existing aircraft and engines or lease a new aircraft prior to delivery will depend on general market and competitive conditions at the time the leases expire. Currently, the global recession has put downward pressure on aircraft lease rates, in particular the lease rates for older less fuel-efficient aircraft and wide-body aircraft used for freight. If we are unable to re-lease an existing aircraft or engine or lease a new aircraft prior to delivery on acceptable terms, our lease revenue and margin may decline and we may need to sell the aircraft or engines at unfavorable prices to provide adequate funds for our debt service obligations and to otherwise finance our operations.

Our financial condition is dependent, in part, on the financial strength of our lessees; lessee defaults, bankruptcies and other credit problems could adversely affect our financial results.

Our financial condition depends on the financial strength of our lessees, our ability to appropriately assess the credit risk of our lessees and the ability of lessees to perform under our leases. In 2008, we generated 48.2% of our revenues from leases to the aviation industry, and as a result, we are indirectly affected by all the risks facing airlines today. In 2008, three of our aircraft lessees filed for bankruptcy, and as a result, we repossessed eight aircraft. If the current global recession and

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financial crisis continues, we expect aircraft passenger traffic to decline and freight traffic to continue to contract. If this occurs, we believe it is likely that additional lessees will default on their leases or file for bankruptcy.

The ability of our lessees to perform their obligations under our leases will depend primarily on the lessee's financial condition and cash flow, which may be affected by factors outside our control, including:

- passenger air travel and air cargo rates;
- passenger air travel and air cargo demand;
- competition;
- economic conditions and currency fluctuations in the countries and regions in which the lessee operates;
- the price and availability of jet fuel;
- availability and cost of financing;
- fare levels;
- geopolitical and other events, including war, acts of terrorism, outbreaks of epidemic diseases and natural disasters;
- increases in operating costs, including labor costs and other general economic conditions affecting our lessees' operations;
- labor difficulties;
- governmental regulation and associated fees affecting the air transportation business; and
- environmental regulations, including, but not limited to, restrictions on carbon emissions.

Generally, airlines with high debt leverage are more likely than airlines with stronger balance sheets to seek operating leases. As a result, most of our existing lessees are not rated investment grade by the principal U.S. rating agencies and may suffer liquidity problems, and, at any point in time, may experience lease payment difficulties or be significantly in arrears in their obligations under our leases. Current turmoil in global financial markets and the general economic environment may have an additional negative effect on the ability of airlines to find adequate sources of financing to fund operations. Some lessees encountering financial difficulties may seek a reduction in their lease rates or other concessions, such as a decrease in their contribution toward maintenance obligations. Further or future downturns in the aviation industry could greatly exacerbate the weakened financial condition and liquidity problems of some of our lessees and further increase the risk of delayed, missed or reduced rental payments. We may not correctly assess the credit risk of each lessee or charge lease rates which correctly reflect the related risks and our lessees may not be able to continue to meet their financial and other obligations under our leases in the future. A delayed, missed or reduced rental payment from a lessee decreases our revenues and cash flow. Our default levels may increase over time if economic conditions further deteriorate. If lessees of a significant number of our aircraft or engines default on their leases, our financial results will be adversely affected.

The recent changes in demand and supply of aircraft could depress lease rates and the value of our aircraft portfolio.

The global recession and financial crisis and the recent slowdown in air travel have contributed to a decrease in the demand by airlines for aircraft, while a number of recent airline bankruptcies, as well as financial challenges potentially facing other airlines and a potential consolidation of the aviation industry, may result in an increase in the supply of aircraft. In addition, the significant decline in freight traffic has decreased the demand for freight aircraft, in particular wide-body aircraft. This shift in supply/demand dynamics is putting downward pressure on aircraft lease rates and values, and in particular the lease rates for older less fuel-efficient aircraft and wide-body aircraft used for freight. This decrease in lease rates will adversely affect our lease revenues in future periods as our current leases terminate and to the extent that airlines default on their leases.

In addition, several large portfolios of leased aircraft may be available for sale. For example, it has been reported that American International Group intends to sell ILFC, its aircraft leasing business, which is the largest aircraft lessor in the world, measured by portfolio value. In addition, Royal Bank of Scotland has announced its plans to sell RBS Aviation, its aviation finance and leasing subsidiary, Babcock and Brown, which owns 14% of Babcock and Brown Air, agreed to a restructuring plan with its lending group and Allco Finance Group, another large aircraft lessor, has announced the appointment of voluntary administrators under Australian law and may sell its aircraft portfolio. Due to the current global recession and liquidity crisis, if any of these aircraft portfolios were sold, we expect that such sales would result in lower aircraft values since there are few buyers with access to capital to compete for purchases of aircraft portfolios. In particular, if any of these portfolios were sold or liquidated in a disorderly fashion, we would expect the prices received for the aircraft to be significantly below recent market aircraft prices. If this occurred, we would expect our aircraft sales revenue to be significantly and adversely impacted as a result of the lower prices we could receive for sales of our own aircraft. In this situation, we may curtail or stop our aircraft sales.

Furthermore, the decrease in capital available to finance the purchase price of aviation assets resulting from the ongoing global financial crisis has reduced the level of activity in the secondary trading market for such aircraft and engines since many purchasers have been unable to obtain the necessary financing. A prolonged slowdown in secondary market activity will limit our ability to generate cash from sales of aviation assets which will have a material adverse impact on our financial condition and liquidity. In addition the significant decrease of activity in the secondary aircraft trading market is likely to result in lower prices for any aircraft sold.

Our limited control over our joint ventures may delay or prevent us from implementing our business strategy which may adversely affect our financial results.

We are currently joint venture partners in several joint ventures, including AerDragon, an unconsolidated joint venture which owns two aircraft and has 13 A320 aircraft on order with Airbus, and AerCap Partners, a consolidated joint venture which owns 19 Boeing aircraft. It is our strategy to enter into additional joint ventures in the future. Under the AerDragon and AerCap Partners joint venture agreements, we share control over significant decisions with our joint venture partners. Since we have limited control over our joint ventures and may not be able to exercise control over any future joint venture, we may not be able to require our joint ventures to take actions that we believe are necessary to implement our business strategy. Accordingly, this limited control could have a material adverse effect on our financial results.

We were required to write-down the value of some of our assets during 2008 due to the global recession and financial crisis and a prolongation or worsening of these conditions could require us to make additional significant write-downs.

We test long-lived assets for impairment whenever events or changes in circumstances indicate that the assets' carrying amounts are not recoverable from their undiscounted cash flows. As a result of the global recession and financial crisis, we performed impairment analysis of our long-lived assets during the year 2008 and as of December 31, 2008. In this impairment analysis, we focused on aircraft older than 15 years, since the cash flows supporting our carrying values of those aircraft are more dependent upon current lease contracts, which leases are more sensitive to weakness in the current global economic environment. In addition, we believe that residual values of older aircraft are more exposed to non-recoverable declines in value in the current economic environment. No impairments to aircraft resulted specifically from our impairment analyses; however, we recorded an impairment on AeroTurbine's inventory of $11.5 million and we recorded an impairment on aircraft of $7.3 million, based on sale negotiations for four of the older aircraft.

Given the global recession and financial crisis and the uncertainties regarding its potential impact on our business, our estimates and assumptions regarding forecasted cash flows from our long-lived assets, the duration of the ongoing economic downturn, or the duration or strength of any recovery, made for purposes of our long-lived asset impairment tests may prove to be inaccurate predictions of the future. If our assumptions regarding the forecasted cash flows of certain long-lived assets are not achieved, especially for aircraft older than 15 years, it is possible that an impairment may be triggered for other long-lived assets in 2009 and that any such impairment amounts may be material.

Changes in interest rates may adversely affect our financial results.

We use floating rate debt to finance the acquisition of a significant portion of our aircraft and engines. All of our revolving credit facilities bear floating interest rates. As of December 31, 2007 and December 31, 2008, we had $2.6 billion and $3.5 billion, respectively, of indebtedness outstanding that was floating rate debt. We incurred floating rate interest expense of $105 million in the year ended December 31, 2008. If interest rates increase, we would be obligated to make higher interest payments to our lenders. Our practice has been to protect ourselves against interest rate increase on a portion of our floating-rate liabilities by entering into derivative contracts, primarily interest rate caps. However, we remain exposed to changes in interest rates to the extent that our derivative contracts are not correlated to our financial liabilities. In addition, we are exposed to the credit risk that the counter parties to our derivative contracts will default in their obligations. If we incur significant fixed rate debt in the future, increased interest rates prevailing in the market at the time of the incurrence or refinancing of such debt will also increase our interest expense.

Decreases in interest rates may also adversely affect our lease revenues generated from leases with lease rates tied to floating interest rates. In the year ended December 31, 2008, 16.7% of our lease revenue was attributable to leases with lease rates tied to floating interest rates. Therefore, if interest rates were to decrease, our lease revenue would decrease. In addition, since our fixed rate leases are based, in part, on prevailing interest rates at the time we enter into the lease, if interest rates decrease, new fixed rate leases we enter into may be at lower lease rates and our lease revenue will be adversely affected. As of December 31, 2008, if interest rates were to increase by 1%, we would expect to incur an increase in interest expense on our floating rate indebtedness of approximately $32.8 million on an annualized basis, including the offsetting benefits of interest rate caps currently in effect, and, if interest rates were to decrease by 1%, we would expect to generate $7.3 million less lease revenue on an annualized basis.

Our substantial indebtedness incurred to acquire our aircraft and engines requires significant debt service payments.

As of December 31, 2008, our consolidated indebtedness was $3.8 billion and represented 70% of our total assets as of that date and our interest expense (including the impact of hedging activities) was $219 million for the year ended December 31, 2008. Due to the capital intensive nature of our business and our strategy of expanding our aircraft and engine portfolios, we expect that we will incur additional indebtedness in the future and continue to maintain high levels of indebtedness. If market conditions worsen and precipitate further declines in aircraft and aviation related markets, our operations may not generate sufficient cash to service our debt which will have a material adverse impact on us. Our high level of indebtedness:

- causes a substantial portion of our cash flows from operations to be dedicated to interest and principal payments and therefore not available to fund our operations, working capital, capital expenditures, expansion, acquisitions or general corporate or other purposes;

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- restricts the ability of some of our subsidiaries and joint ventures to make distributions to us;
- may impair our ability to obtain additional financing in the future;
- may limit our flexibility in planning for, or reacting to, changes in our business and industry; and
- may make us more vulnerable to downturns in our business, our industry or the economy in general.

The business of leasing, financing and selling aircraft, engines, and parts has historically experienced prolonged periods of oversupply during which lease rates and aircraft values have declined, and any future oversupply could materially and adversely affect our financial results.

In the past, the business of leasing, financing and selling aircraft, engines, and parts has experienced prolonged periods of aircraft and engine shortages and oversupply. As a result of the current global recession and financial crisis, we believe that the business of leasing, financing and selling aircraft, engines, and parts has moved from a market that had recently been characterized by relative shortage to one of oversupply, especially for certain older, less-fuel efficient aircraft. The oversupply of a specific type of aircraft or engine typically depresses the lease rates for, and the value of, that type of aircraft or engine. The supply and demand for aircraft and engines is affected by various cyclical and non-cyclical factors that are outside of our control, including:

- passenger and air cargo demand;
- fuel costs and general economic conditions;
- geopolitical events, including war, prolonged armed conflict and acts of terrorism;
- outbreaks of communicable diseases and natural disasters;
- governmental regulation;
- interest rates;
- the availability and cost of financing;
- airline restructurings and bankruptcies;
- manufacturer production levels and technological innovation;
- manufacturers merging or exiting the industry or ceasing to produce aircraft types;
- retirement and obsolescence of aircraft models;

- reintroduction into service of aircraft previously in storage; and

- airport and air traffic control infrastructure constraints.

Currently a number of airlines have postponed or cancelled delivery of new aircraft and have reduced the size of the fleet of aircraft they operate. These measures increase the number of available new and used aircraft in the market place which, along with the factors described above, may produce sharp and prolonged decreases in aircraft and engine lease rates and values, and have a material adverse effect on our ability to re-lease our aircraft and engines and/or sell our aircraft engines and parts at attractive prices. Any of these factors could materially and adversely affect our financial results.

In recent months, we have experienced a slowdown in demand for our older less fuel-efficient aircraft, such as our older Boeing 737-300s, -400s and -500s (737 classics) and older Airbus A320s. As of December 31, 2008, 10.7% of our owned fleet, by book value, consists of Boeing 737 classic aircraft and Airbus A320s in excess of 15 years of age. This slow-down in demand has put downward pressure on lease rates for these aircraft and made it more difficult for us to lease these aircraft when their leases expire or are terminated. If the current global recession and financial crisis continues, we

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expect significant declines in aircraft passenger traffic and further declines in freight traffic, which would likely result in further decreases in lease rates for older less fuel-efficient aircraft, as well as lower aircraft lease rates for more modern-fuel efficient aircraft. These decreases would adversely affect our financial results.

The value and lease rates of our aircraft and engines could decline and this would have a material adverse effect on our financial results.

Aircraft and engine values and lease rates have historically experienced sharp decreases due to a number of factors including, but not limited to, decreases in passenger air travel and air cargo demand, increases in fuel costs, government regulation and increases in interest rates. In addition to factors linked to the aviation industry generally, many other factors may affect the value and lease rates of our aircraft and engines, including:

- the particular maintenance, operating history and documentary records of the aircraft or engine;
- the number of operators using that type of aircraft or engine;
- the regulatory authority under which the aircraft or engine is operated;
- whether the aircraft or engine is subject to a lease and, if so, whether the lease terms are favorable to the lessor;
- the age of our aircraft or engines;
- any renegotiation of a lease on less favorable terms;
- the negotiability of clear title free from mechanics liens and encumbrances;
- any regulatory and legal requirements that must be satisfied before the aircraft can be purchased, sold or re-leased;
- decrease in the credit worthiness of our lessees;
- compatibility of our aircraft configurations or specifications with other aircraft owned by operators of that type;
- comparative value based on newly manufactured competitive aircraft or engines; and
- the availability of spare parts.

Any decrease in the value and lease rates of aircraft or engines which may result from the above factors or other unanticipated factors, may have a material adverse effect on our financial results.

The concentration of some aircraft and engine models in our aircraft and engine portfolios could adversely affect our business and financial results should any problems specific to these particular models occur.

Due to the high concentration of Airbus A320 family aircraft and CFM International CFM56 family engines in our aircraft and engine portfolios, our financial results may be adversely affected if the demand for these aircraft or engine models declines, if they are redesigned or replaced by their manufacturer or if these aircraft or engine models experience design or technical problems. As of December 31, 2008, 72.8% of the net book value of our aircraft portfolio was represented by Airbus aircraft. Our owned aircraft portfolio included 11 aircraft types, the four highest concentrations of which together represented 84.8% of our aircraft by net book value. The four highest concentrations were Airbus A320 aircraft, representing 39.3% of the net book value of our aircraft portfolio, Boeing 737 aircraft, representing 18.9% of the net book value of our aircraft portfolio, Airbus A321 aircraft, representing 14.0% of the net book value of our aircraft portfolio and Airbus A319 aircraft representing 12.5% of net book value of our aircraft portfolio. No other aircraft type represented more than 10% of our portfolio by net book value. In addition to our significant number of existing Airbus aircraft, we have 50 new Airbus A320 family aircraft on order through AerVenture and we have 28 new Airbus A330 wide-body aircraft on order. We also have a significant concentration of CFM56 engines in our engine portfolio. As of December 31, 2008, 68.9% of the net book value of our engine portfolio was represented by CFM56 engines and 13.1% was represented by CF6 engines.

Should any of these aircraft or engine types or aircraft manufactured by Airbus in general encounter technical or other problems, the value and lease rates of those aircraft or engines will likely decline, and we may be unable to lease the aircraft or engines on favorable terms, if at all. Any significant technical problems with any such aircraft or engine models could result in the grounding of the aircraft or engines.

Any decrease in the value and lease rates of our aircraft and engines may have a material adverse effect on our financial results.

We are indirectly subject to many of the economic and political risks associated with emerging markets, which could adversely affect our financial results.

A significant number of our aircraft and engines are leased to airlines in emerging market countries. As of December 31, 2008, we leased 51.5% of our aircraft and 19.7% of our engines, weighted by net book value, to airlines in emerging market countries. The emerging markets in which our aircraft are operated include Korea, Thailand, India, Indonesia, Vietnam, Czech Republic, Russia, Bulgaria, Hungary, Latvia, Turkey, Israel, Bahrain, Brazil, Ecuador, El Salvador, Jamaica, Mexico, Trinidad & Tobago, Kazakhstan, Tunisia and South Africa, and we also may lease aircraft and engines to airlines in other emerging market countries in the future.

Emerging market countries have less developed economies that are more vulnerable to economic and political problems and may experience significant fluctuations in gross domestic product, interest rates and currency exchange rates, as well as civil disturbances, government instability, nationalization and expropriation of private assets and the imposition of taxes or other charges by government authorities. The occurrence of any of these events in markets served by our lessees and the resulting economic instability that may arise could adversely affect the value of our ownership interest in aircraft or engines subject to lease in such countries, or the ability of our lessees which operate in these markets to meet their lease obligations. As a result, lessees which operate in emerging market countries may be more likely to default than lessees that operate in developed countries. In addition, legal systems in emerging market countries may be less developed, which could make it more difficult for us to enforce our legal rights in such countries. For these and other reasons, our financial results may be materially and adversely affected by adverse economic and political developments in emerging market countries.

If our lessees encounter financial difficulties and we decide to restructure our leases, the restructuring would likely result in less favorable leases which could adversely affect our financial results.

If a lessee is late in making payments, fails to make payments in full or in part under a lease or has advised us that it will fail to make payments in full or in part under a lease in the future, we may elect or be required to restructure the lease, which could result in less favorable terms or termination of a lease without receiving all or any of the past due amounts. We may be unable to agree upon acceptable terms for some or all of the requested restructurings and as a result may be forced to exercise our remedies under those leases. If we, in the exercise of our remedies, repossess an aircraft or engine, we may not be able to re-lease the aircraft or engine promptly at favorable rates, if at all. In recent bankruptcies we have incurred significant costs as a result of exercising our remedies and these costs are unlikely to be recouped from the bankrupt estate. You should expect that additional restructurings and/or repossessions with some lessees will occur in the future. If additional repossessions occur we will incur significant cost and expenses which are unlikely to be recouped and

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terms and conditions of possible lease restructurings may result in a significant reduction of lease revenue, all of which may adversely affect our financial results.

If we or our lessees fail to maintain our aircraft or engines, their value may decline and we may not be able to lease or re-lease our aircraft and engines at favorable rates, if at all, which would adversely affect our financial results.

We may be exposed to increased maintenance costs for our leased aircraft and engines associated with a lessee's failure to properly maintain the aircraft or engine or pay supplemental maintenance rent. If an aircraft or engine is not properly maintained, its market value may decline which would result in lower revenues from its lease or sale. Under our leases, our lessees are primarily responsible for maintaining the aircraft and engines and complying with all governmental requirements applicable to the lessee and the aircraft and engines, including operational, maintenance, government agency oversight, registration requirements and airworthiness directives. Although we require many of our lessees to pay us a supplemental maintenance rent, failure of a lessee to perform required maintenance during the term of a lease could result in a decrease in value of an aircraft or engine, an inability to re-lease an aircraft or engine at favorable rates, if at all, or a potential grounding of an aircraft or engine. Maintenance failures by a lessee would also likely require us to incur maintenance and modification costs upon the termination of the applicable lease, which could be substantial, to restore the aircraft or engine to an acceptable condition prior to sale or re-leasing. Supplemental maintenance rent paid by our lessees may not be sufficient to fund our maintenance costs. Our lessees' failure to meet their obligations to pay supplemental maintenance rent or perform required scheduled maintenance or our inability to maintain our aircraft or engines may materially and adversely affect our financial results.

Competition from other aircraft or engine lessors with greater resources or a lower cost of capital than us could adversely affect our financial results.

The aircraft and engine leasing industry is highly competitive. Our competition is comprised of major aircraft leasing companies including GE Commercial Aviation Services, International Lease Finance Corp., CIT Aerospace, Aviation Capital Group, RBS Aviation Capital, AWAS, Babcock & Brown, Boeing Capital Corp., Macquarie Air Finance and AirCastle Advisors, and six major engine leasing companies, including GE Engine Leasing, Engine Lease Finance Corporation, Pratt & Whitney Engine Leasing LLC, Willis Lease Finance Corporation, Rolls Royce and Partners Finance and Shannon Engine Support Ltd. Some of our competitors are significantly larger and have greater resources or lower cost of capital than us; accordingly, they may be able to compete more effectively in one or more of our markets. GE Commercial Aviation Services, through its acquisition in late 2006 of the Memphis Group, Inc., an aircraft parts trading company, in late 2006, is able to operate with an integrated business model similar to our own, and therefore directly competes with each aspect of our business.

In addition, we may encounter competition from other entities such as:

- airlines;
- aircraft manufacturers and maintenance, repair and overhaul (MRO) organizations;
- financial institutions, including those seeking to dispose of re-possessed aircraft at distressed prices;
- aircraft brokers;
- public and private partnerships, investors and funds with more capital to invest in aircraft and engines; and

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other aircraft and engine leasing companies and MRO organizations that we do not currently consider our major competitors.

Some of these competitors have greater operating and financial resources and access to lower capital costs than us. We may not always be able to compete successfully with such competitors and other entities, which could materially and adversely affect our financial results.

We are exposed to significant regional political and economic risks due to the concentration of our lessees in certain geographical regions which could adversely affect our financial results.

Through our lessees, we are exposed to local economic and political conditions. Such adverse economic and political conditions include additional regulation or, in extreme cases, requisition of our aircraft or engines. The effect of these conditions on payments to us will be more or less pronounced, depending on the concentration of lessees in the region with adverse conditions. The airline industry is highly sensitive to general economic conditions. A recession or other worsening of economic conditions, as currently seen in many regions, may have a material adverse effect on the ability of our lessees to meet their financial and other obligations under our leases. Furthermore a disruption in the financial markets, terrorist attack, high fuel prices or a weak local currency may increase the adverse impact on our lessees.

Lease rental revenues from lessees based in Asia accounted for 28% of our lease revenues in 2008. The outbreak of SARS in 2003 had a significant negative effect on the Asian economy, particularly in China, Hong Kong and Taiwan. In recent periods, Asia has been one of the highest growth areas for airline passenger traffic and freight traffic, which has resulted in strong demand for aircraft from the region. In the fourth quarter of 2008, most of the Asian economies, in particular, China, Korea, Taiwan, India and Japan, experienced significant economic slowdowns or contractions in response to the current global recession and financial crisis. As a result, according to International Air Transport Association ("IATA"), international airline passenger traffic in December 2008 declined 9.7% compared to December 2007 and freight traffic declined 26% in December 2008. These declines have adversely affected the financial condition of most airlines in the region. If the current global recession and financial crisis continues, we expect further significant declines in freight and passenger traffic in this region, which would adversely impact aircraft demand and lease rates and our ability to lease and release our aircraft.

Lease rental revenues from lessees based in Europe accounted for 42% of our lease revenues in 2008. Commercial airlines in Europe face, and can be expected to continue to face, increased competitive pressures, in part as a result of the deregulation of the airline industry by the European Union and the resulting expansion of low-cost carriers. European countries generally have relatively strict environmental regulations and traffic constraints that can restrict operational flexibility and decrease aircraft productivity, which could significantly increase operating costs of all aircraft, including our aircraft, thereby adversely affecting our lessees. The current global recession and financial crisis has resulted in economic contraction in most of Europe. As a result, according to IATA, international airline passenger traffic in December 2008 declined 2.7% compared to December 2007 and freight traffic declined 21.2% in December 2008. These declines have adversely affected the financial condition of most airlines in the region. If the current global recession and financial crisis continues, we expect further significant declines in freight and passenger traffic in this region, which would adversely impact aircraft demand and lease rates and our ability to lease and release our aircraft.

Lease rental revenues from lessees based in North America, accounted for 18% of our lease revenues in 2008. In the recent past, a number of North American passenger airlines filed for bankruptcy and several major U.S. airlines ceased operations altogether, including Aloha, ATA Airlines and Skybus during 2008. The current global recession and financial crisis has resulted in a significant economic contraction in North America, and in the United States in particular. As a result, according to IATA, international airline passenger traffic in December 2008 declined 4.3% compared to

December 2007 and freight traffic declined 22.2% in December 2008. These declines have adversely affected the financial condition of most airlines in the region. If the current global recession and financial crisis continues, we expect further significant declines in freight and passenger traffic in this region, which would adversely impact aircraft demand and lease rates and our ability to lease and release our aircraft.

Lease rental revenues from lessees based in Latin America accounted for 10% of our lease revenues in 2008. The economies of Latin American countries are generally characterized by lower levels of foreign investment and greater economic volatility when compared to industrialized countries. Lease rental revenues from lessees based in the Caribbean accounted for 0.9% of our lease revenues in 2008. The current global recession and financial crisis could result in significant economic downturns in Latin American or the Caribbean economies which would likely adversely affect the operations of our lessees in these regions.

Lease rental revenues from lessees based in Africa/Middle East accounted for 2% of our lease revenues in 2008. In recent periods the airline industry in the Middle East experienced tremendous growth as a result of high oil prices, strong economic growth, significant investment in attracting tourism and gradual deregulation of the airline industry. The current global recession and financial crisis and the significant decline in oil prices could disrupt the high growth witnessed in the past. Such disrupted growth in combination with the committed capacity growth through a significant order backlog at Airbus and Boeing could have an adverse impact on the financial health of some Middle Eastern airlines, including our lessees.

Aircraft have limited economically useful lives and depreciate over time, which can adversely affect our financial condition.

As our aircraft age, they will depreciate and generally the aircraft will generate lower revenues and cash flows. As of December 30, 2008, 11.8% of our aircraft portfolio by net book value was older than 15 years. If we do not replace our older depreciated aircraft with newer aircraft, our ability to maintain or increase our revenues and cash flows will decline. In addition, since we depreciate our aircraft for accounting purposes on a straight line basis to the aircraft's estimated residual value over its estimated useful life, if we dispose of an aircraft for a price that is less than the depreciated book value of the aircraft on our balance sheet, we will recognize a loss on the sale.

The advanced age of some of our aircraft may cause us to incur higher than anticipated maintenance expenses, which could adversely affect our financial results.

As of December 31, 2008, we owned 46 aircraft that were over 15 years of age, representing 11.8% of the net book value of our aircraft portfolio. In general, the costs of operating an aircraft, including maintenance expenditures, increase as the aircraft ages. In addition, older aircraft are typically less fuel-efficient, noisier and produce higher levels of emissions, than newer aircraft and may be more difficult to re-lease or sell. In a depressed market, the value of older aircraft may decline more rapidly than the values of newer aircraft and our operating results may be adversely affected. Increased variable expenses like fuel, maintenance and increased governmental regulation could make the operation of older aircraft or engines less profitable and may result in increased lessee defaults. Incurring higher than anticipated maintenance expenses associated with the advanced age of some of our aircraft or our inability to sell or re-lease such older aircraft would materially and adversely affect our financial results.

The advent of superior aircraft and engine technology could cause our existing aircraft and engine portfolio to become outdated and therefore less desirable, which could adversely affect our financial results.

As manufacturers introduce technological innovations and new types of aircraft and engines, some of the aircraft and engines in our aircraft and engine portfolios may become less desirable to potential lessees. In addition, the imposition of increased regulation regarding stringent noise or emissions restrictions may make some of our aircraft and engines less desirable in the marketplace. Any of these risks may adversely affect our ability to lease or sell our aircraft or engines on favorable terms, if at all, which would have a material adverse effect on our financial results.

If our lessees' insurance coverage is insufficient, it could adversely affect our financial results.

While we do not directly control the operation of any of our aircraft or engines, by virtue of holding title to aircraft, directly or indirectly, in certain jurisdictions around the world, we could be held strictly liable for losses resulting from the operation of our aircraft and engines, or may be held liable for those losses on other legal theories. We require our lessees to obtain specified levels of insurance and indemnify us for, and insure against, liabilities arising out of their use and operation of the aircraft or engine.

However, following the terrorist attacks of September 11, 2001, aviation insurers significantly reduced the amount of insurance coverage available to airlines for liability to persons other than employees or passengers for claims resulting from acts of terrorism, war or similar events. At the same time, aviation insurers significantly increased the premiums for third party war risk and terrorism liability insurance and coverage in general. As a result, the amount of third party war risk and terrorism liability insurance that is commercially available at any time may be below the amount stipulated in our leases.

Our lessees' insurance or other coverage may not be sufficient to cover all claims that may be asserted against us arising from the operation of our aircraft and engines by our lessees. Inadequate insurance coverage or default by lessees in fulfilling their indemnification or insurance obligations will reduce the insurance proceeds that would be received by us in the event we are sued and are required to make payments to claimants, which could materially and adversely affect our financial results.

Furthermore, the global recession and financial crisis also has an impact on insurance companies. Our lessee insurance coverage is dependent on the financial condition of insurance companies. If insurance companies are unable to meet their obligations, it could adversely impact our financial results.

In 2008, we incurred significant costs resulting from lease defaults and if the current global recession and financial crisis continues, we expect lease defaults to increase in 2009 which would adversely affect our financial results.

During 2008 lessees leasing nine of our aircraft defaulted, each resulting in repossession and early lease termination. We estimate that the total cost of these defaults in terms of lost revenue during off-lease periods and related technical costs totaled approximately $18 million during 2008. If the current global recession and financial crisis continues, we expect additional lessees to default on their lease obligations or file for bankruptcy in 2009. If we are required to repossess an aircraft or engine they lease, we may be required to incur significant unexpected costs. Those costs include legal and other expenses of court or other governmental proceedings, including the cost of posting surety bonds or letters of credit necessary to effect repossession of aircraft or engine, particularly if the lessee is contesting the proceedings or is in bankruptcy. In addition, during these proceedings the relevant aircraft or engine is not generating revenue. We may also incur substantial maintenance, refurbishment or repair costs that a defaulting lessee has failed to pay and that are necessary to put the aircraft or engine in suitable condition for re-lease or sale. It may also be necessary to pay off liens, taxes and other governmental charges on the aircraft to obtain clear possession and to remarket the aircraft effectively, including, in some cases, liens that the lessee may have incurred in connection with the operation of its other aircraft. We may also incur other costs in connection with the physical possession of the aircraft or engine.

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We may also suffer other adverse consequences as a result of a lessee default and the related termination of the lease and the repossession of the related aircraft or engine. Our rights upon a lessee default vary significantly depending upon the jurisdiction and the applicable law, including the need to obtain a court order for repossession of the aircraft and/or consents for de-registration or re-export of the aircraft. When a defaulting lessee is in bankruptcy, protective administration, insolvency or similar proceedings, additional limitations may apply. Certain jurisdictions give rights to the trustee in bankruptcy or a similar officer to assume or reject the lease or to assign it to a third party, or entitle the lessee or another third party to retain possession of the aircraft or engine without paying lease rentals or performing all or some of the obligations under the relevant lease. In addition, certain of our lessees are owned in whole, or in part, by government related entities, which could complicate our efforts to repossess our aircraft or engines in that government's jurisdiction. Accordingly, we may be delayed in, or prevented from, enforcing certain of our rights under a lease and in re-leasing the affected aircraft or engine.

If we repossess an aircraft or engine, we will not necessarily be able to export or de-register and profitably redeploy the aircraft or engine. For instance, where a lessee or other operator flies only domestic routes in the jurisdiction in which the aircraft or engine is registered, repossession may be more difficult, especially if the jurisdiction permits the lessee or the other operator to resist de-registration. We may also incur significant costs in retrieving or recreating aircraft or engine records required for registration of the aircraft or engine, and in obtaining the certificate of airworthiness for an aircraft. If we incur significant costs repossessing our aircraft or engines, are delayed in repossessing our aircraft or engines or are unable to obtain possession of our aircraft or engines as a result of lessee defaults, our financial results may be materially and adversely affected.

If our lessees fail to appropriately discharge aircraft liens, we may be obligated to pay the aircraft liens, which could adversely affect our financial results.

In the normal course of their business, our lessees are likely to incur aircraft and engine liens that secure the payment of airport fees and taxes, custom duties, air navigation charges, including charges imposed by Eurocontrol, landing charges, crew wages, repairer's charges, salvage or other liens that may attach to our aircraft or engine. These liens may secure substantial sums that may, in certain jurisdictions or for certain types of liens, particularly liens on entire fleets of aircraft, exceed the value of the particular aircraft or engine to which the liens have attached. Aircraft and engines may also be subject to mechanical liens as a result of routine maintenance performed by third parties on behalf of our customers. Although the financial obligations relating to these liens are the responsibility of our lessees, if they fail to fulfill their obligations, the liens may attach to our aircraft or engines and ultimately become our responsibility. In some jurisdictions, aircraft and engine liens may give the holder thereof the right to detain or, in limited cases, sell or cause the forfeiture of the aircraft or engine.

Until they are discharged, these liens could impair our ability to repossess, re-lease or sell our aircraft or engines. Our lessees may not comply with their obligations under their leases to discharge aircraft liens arising during the terms of their leases. If they do not, we may find it necessary to pay the claims secured by such aircraft liens in order to repossess the aircraft or engine. Such payments would materially and adversely affect our financial results.

In certain countries, an engine affixed to an aircraft may become an accession to the aircraft and we may not be able to exercise our ownership rights over the engine.

In some jurisdictions, an engine affixed to an aircraft may become an accession to the aircraft, so that the ownership rights of the owner of the aircraft supersede the ownership rights of the owner of the engine. If an aircraft is security for the owner's obligations to a third party, the security interest in the aircraft may supersede our rights as owner of the engine. This legal principle could limit our ability

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to repossess an engine in the event of an engine lease default while the aircraft with our engine installed remains in such jurisdiction. We would suffer a substantial loss if we were not able to repossess engines leased to lessees in these jurisdictions, which would materially and adversely affect our financial results.

Failure to obtain certain required licenses, certificates and approvals could adversely affect our ability to re-lease or sell aircraft and engines, our ability to perform maintenance services or to provide cash management services, which would materially and adversely affect our financial condition and results of operations.

Under our leases, we may be required in some instances to obtain specific licenses, consents or approvals for different aspects of the leases. These required items include consents from governmental or regulatory authorities for certain payments under the leases and for the import, re-export or deregistration of the aircraft and engines. Subsequent changes in applicable law or administrative practice may increase such requirements. In addition, a governmental consent, once given, might be withdrawn. Furthermore, consents needed in connection with future re-leasing or sale of an aircraft or engine may not be forthcoming. To perform some of our cash management services and insurance services from Ireland under our management arrangements with our joint ventures and securitization entities, we require a license from the Irish regulatory authorities, which we have obtained. In addition, to meet our MRO customers' requirements to maintain certain flight certifications, AeroTurbine requires certificates from the Federal Aviation Administration, or FAA, and the European Aviation Safety Agency, or EASA, which it has obtained. A failure to maintain these licenses or certificates or obtain any required license or certificate, consent or approval, or the occurrence of any of the foregoing events, could adversely affect our ability to provide qualifying services or re-lease or sell our aircraft or engines, which would materially and adversely affect our financial condition and results of operations.

Our ability to operate in some countries is restricted by foreign regulations and controls on investments.

Many countries restrict or control foreign investments to varying degrees, and additional or different restrictions or policies adverse to us may be imposed in the future. These restrictions and controls have limited, and may in the future restrict or preclude, our investment in joint ventures or the acquisition of businesses outside of the United States, or may increase the cost to us of entering into such transactions. Various governments, particularly in the Asia/Pacific region, require governmental approval before foreign persons may make investments in domestic businesses and also limit the extent of any such investments. Furthermore, various governments may require governmental approval for the repatriation of capital by, or the payment of dividends to, foreign investors. Restrictive policies regarding foreign investments may increase our costs of pursuing growth opportunities in foreign jurisdictions, which could materially and adversely affect our financial results.

There are a limited number of aircraft and engine manufacturers and the failure of any manufacturer to meet its aircraft and engine delivery obligations to us could adversely affect our financial results.

The supply of commercial jet aircraft is dominated by two airframe manufacturers, Boeing and Airbus, and three engine manufacturers, GE Aircraft Engines, Rolls Royce plc and Pratt & Whitney. As a result, we are dependent on these manufacturers' success in remaining financially stable, producing products and related components which meet the airlines' demands and fulfilling their contractual obligations to us. For Airbus, the impact of delayed deliveries of the A380 have resulted in substantial financial losses for the manufacturer, which subsequently forced Airbus to resort to a significant cost saving program. A strengthening of the Euro against the US dollar will put further cost pressure on Airbus. Although Boeing is not exposed to the same Euro-US dollar currency risk,

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announced delays in the Boeing 787 program could potentially lead to similar consequences to those resulting from the Airbus A380 program delays.

Should the manufacturers fail to respond appropriately to changes in the market environment or fail to fulfill their contractual obligations, we may experience:

- missed or late delivery of aircraft and engines ordered by us and an inability to meet our contractual obligations to our customers, resulting in lost or delayed revenues, lower growth rates and strained customer relationships;
- an inability to acquire aircraft and engines and related components on terms which will allow us to lease those aircraft and engines to customers at a profit, resulting in lower growth rates or a contraction in our aircraft portfolio;
- a market environment with too many aircraft and engines available, creating downward pressure on demand for the aircraft and engines in our fleet and reduced market lease rates and sale prices;
- poor customer support from the manufacturers of aircraft, engines and components resulting in reduced demand for a particular manufacturer's product, creating downward pressure on demand for those aircraft and engines in our fleet and reduced market lease rates and sale prices for those aircraft and engines; and
- reduction in our competitiveness due to deep discounting by the manufacturers, which may lead to reduced market lease rates and sale prices and may affect our ability to remarket or sell some of the aircraft and engines in our portfolio.

We and our customers are subject to various environmental regulations that may have an adverse impact on our financial results.

Governmental regulations regarding aircraft and engine noise and emissions levels apply based on where the relevant airframe is registered, and where the aircraft is operated. For example, jurisdictions throughout the world have adopted noise regulations which require all aircraft to comply with noise level standards. In addition, the United States and the International Civil Aviation Organization, or ICAO, have adopted a more stringent set of standards for noise levels which apply to engines manufactured or certified beginning in 2006. Currently, United States regulations do not require any phase-out of aircraft that qualify with the older standards, but the European Union established a framework for the imposition of operating limitations on aircraft that do not comply with the newer standards. These regulations could limit the economic life of our aircraft and engines, reduce their value, limit our ability to lease or sell the non-compliant aircraft and engines or, if engine modifications are permitted, require us to make significant additional investments in the aircraft and engines to make them compliant.

In addition to more stringent noise restrictions, the United States, European Union and other jurisdictions are beginning to impose more stringent limits on the emission of nitrogen oxide, carbon monoxide and carbon dioxide from engines. Though current emissions control laws generally apply to newer engines, new laws could be passed in the future that also impose limits on older engines, and therefore any new engines we purchase, as well as our older engines, could be subject to existing or new emissions limitations. For example, the European Union issued a directive in January 2009 to include aviation within the scope of its greenhouse gas emissions trading scheme, thereby requiring that all flights arriving, departing or flying within any European Union country, beginning on January 1, 2012, comply with the scheme and surrender allowances for emissions, regardless of the age of the engine used in the aircraft. Limitations on emissions such as the one in the European Union could favor the use of larger wide-body aircraft since they generally produce lower levels of emissions per passenger, which could adversely affect our ability to re-lease or otherwise dispose of our narrow-body

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aircraft on a timely basis, at favorable terms, or at all. This is an area of law that is rapidly changing, and while we do not know at this time whether new emission control laws will be passed, and if passed what impact such laws might have on our business, any future emissions limitations could adversely affect us.

Our operations are subject to various federal, state and local environmental, health and safety laws and regulations in the United States, including those relating to the discharge of materials into the air, water and ground, the generation, storage, handling, use, transportation and disposal of hazardous materials, and the health and safety of our employees. A violation of these laws and regulations or permit conditions can result in substantial fines, permit revocation or other damages. Many of these laws impose liability for clean-up of contamination that may exist at our facilities (even if we did not know of or were not responsible for the contamination) or related personal injuries or natural resource damages or costs relating to contamination at third party waste disposal sites where we have sent or may send waste. We cannot assure you that we will be at all times in complete compliance with these laws, regulations or permits. We may have liability under environmental laws or be subject to legal actions brought by governmental authorities or other parties for actual or alleged violations of, or liability under, environmental, health and safety laws, regulations or permits.

We are the manager for several securitization vehicles and joint ventures and our financial results would be adversely affected if we were removed from these positions.

We are the aircraft manager for various securitization vehicles, joint ventures and third parties and receive annual fees for these services. In 2008, we generated revenue of $11.7 million from providing aircraft management services to non-consolidated securitization vehicles and joint ventures and third parties. We may be removed as manager by the affirmative vote of a requisite number of holders of the securities issued by the securitization vehicles upon the occurrence of specified events and at specified times under our joint venture agreements. If we are removed, in the case of our consolidated securitization vehicles and joint ventures, our expenses would increase since such securitization vehicles or joint ventures would have to hire an outside aircraft manager and, in the case of non-consolidated securitization vehicles, joint ventures and third parties, our revenues would decline as a result of the loss of our fees for providing management services to such entities. If we are removed as aircraft manager for any securitization vehicle or joint venture that generates a significant portion of our management fees, our financial results could be materially and adversely affected.

The departure of senior managers could adversely affect our financial results.

Our future success depends, to a significant extent, upon the continued service of our senior management personnel. For a description of the senior management team, see "Item 6. Directors, Senior Management and Employees". The departure of senior management personnel could have a material adverse effect on our ability to achieve our business strategy.

Risks Related to the Aviation Industry

Interruptions in the capital markets could impair our lessees' ability to finance their operations which could prevent the lessees from complying with payment obligations to us.

Recently, the global financial markets have been highly volatile and the availability of credit from financial markets and financial institutions has been systematically reduced. Many of our lessees have expanded their airline operations through borrowings and are leveraged. These lessees will depend on banks and the capital markets to provide working capital and to refinance existing indebtedness. To the extent such funding is unavailable or available only at high interest costs or on unfavorable terms, and to the extent financial markets do not allow equity financing as an alternative, our lessees operations and operating results may be adversely affected and they may not comply with their respective payment obligations to us.

Airline reorganizations could impair our lessees' ability to comply with their lease payment obligations to us.

In recent years, several airlines have filed for protection under their local bankruptcy and insolvency laws and, in 2008, certain smaller airlines, particularly in the U.S., have gone into liquidation. Historically, airlines involved in reorganizations have undertaken substantial fare discounting to maintain cash flows and to encourage continued customer loyalty. The bankruptcies have led to the grounding of significant numbers of aircraft, rejection of leases and negotiated reductions in aircraft lease rentals, with the effect of depressing aircraft market values.

Additional reorganizations or liquidations by airlines under applicable bankruptcy or reorganization laws or further rejection or abandonment of aircraft by airlines in bankruptcy proceedings may depress aircraft values and aircraft lease rates. Additional grounded aircraft and lower market values would adversely affect our ability to sell certain of our aircraft or re-lease other aircraft at favorable rates.

A return to historically high fuel prices or continued rapid fluctuations in fuel prices and high fuel costs could affect the profitability of the aviation industry and our lessees' ability to meet their lease payment obligations to us, which would adversely affect our financial results.

Fuel costs represent a major expense to companies operating in the aviation industry. Fuel prices have fluctuated widely depending primarily on international market conditions, geopolitical and environmental events and currency/exchange rates. Fuel costs are not within the control of lessees and significant increases in fuel costs or hedges that inaccurately assess the direction of fuel costs would materially and adversely affect their operating results.

Factors such as natural disasters can significantly affect fuel availability and prices. In August and September 2005, Hurricanes Katrina and Rita inflicted widespread damage along the Gulf Coast of the United States, causing significant disruptions to oil production, refinery operations and pipeline capacity in the region, and to oil production in the Gulf of Mexico. These disruptions resulted in decreased fuel availability and higher fuel prices. In 2007 and 2008, during a broad based commodities boom, fuel prices increased to historical highs until recently declining sharply with the advent of the global financial crisis.

A return to recent historically high fuel prices that are not hedged appropriately would have a material adverse impact on airlines' profitability. Swift movements in fuel prices when airlines have hedged their fuel costs can adversely affect profitability and liquidity as airlines may be required to post cash collateral under hedge agreements. Due to the competitive nature of the aviation industry, operators may be unable to pass on increases in fuel prices to their customers by increasing fares in a manner that fully off-sets the increased fuel costs they may incur. In addition, they may not be able to manage this risk by appropriately hedging their exposure to fuel price fluctuations. If fuel prices return to historically high levels due to future terrorist attacks, acts of war, armed hostilities, natural disasters or for any other reason, they are likely to cause our lessees to incur higher costs and/or generate lower revenues, resulting in an adverse affect on their financial condition and liquidity. Consequently, these conditions may adversely affect our lessees' ability to make rental and other lease payments, result in lease restructurings and/or aircraft and engine repossessions, increase our costs of servicing and marketing our aircraft and engines, impair our ability to re-lease them or otherwise dispose of them on a timely basis at favorable rates or terms, if at all, and reduce the proceeds received for such assets upon any disposition. Any of these events could adversely affect our financial results.

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If the effects of terrorist attacks and geopolitical conditions continue to adversely affect the financial condition of the airlines, our lessees might not be able to meet their lease payment obligations, which would adversely affect our financial results.

As a result of the September 11, 2001 terrorist attacks in the United States and subsequent terrorist attacks abroad, notably in the Middle East, Southeast Asia and Europe, increased security restrictions were implemented on air travel, costs for aircraft insurance and security measures have increased, passenger and cargo demand for air travel decreased and operators have faced and continue to face increased difficulties in acquiring war risk and other insurance at reasonable costs. In addition, war or armed hostilities, or the fear of such events could further exacerbate many of the problems experienced as a result of terrorist attacks. Uncertainty regarding the situation in Iraq, the Israeli/Palestinian conflict and tension over Iran's and Pakistan's nuclear programs, may lead to further instability in the Middle East. Future terrorist attacks, war or armed hostilities, or the fear of such events, could further adversely affect the aviation industry and may have an adverse effect on the financial condition and liquidity of our lessees, aircraft and engine values and rental rates, and may lead to lease restructurings or repossessions, all of which could adversely affect our financial results.

Terrorist attacks and adverse geopolitical conditions have negatively impacted the aviation industry and concerns about such events could also result in:

- higher costs to the airlines due to the increased security measures;
- decreased passenger demand and revenue due to the inconvenience of additional security measures;
- uncertainty of the price and availability of jet fuel and the cost and practicability of obtaining fuel hedges under current market conditions;
- higher financing costs and difficulty in raising the desired amount of proceeds on favorable terms, if at all;
- significantly higher costs of aviation insurance coverage for future claims caused by acts of war, terrorism, sabotage, hijacking and other similar perils, and the extent to which such insurance has been or will continue to be available;
- inability of airlines to reduce their operating costs and conserve financial resources, taking into account the increased costs incurred as a consequence of terrorist attacks and geopolitical conditions, including those referred to above; and
- special charges recognized by some operators, such as those related to the impairment of aircraft and engines and other long lived assets stemming from the grounding of aircraft as a result of terrorist attacks, the economic slowdown and airline reorganizations.

Future terrorist attacks, acts of war or armed hostilities may cause certain aviation insurance to become available only at significantly increased premiums, which may only provide reduced amounts of coverage that are insufficient to comply with the levels of insurance coverage currently required by aircraft and engine lenders and lessors or by applicable government regulations, or to not be available at all.

Although the Aircraft Transportation Safety and System Stabilization Act adopted in the United States on September 22, 2001 and similar programs instituted by the governments of other countries provide for limited government coverage under government programs for specified types of aviation insurance, these programs may not continue and governments may not pay under these programs in a timely fashion.

Future terrorist attacks, acts of war or armed hostilities are likely to cause our lessees to incur higher costs and to generate lower revenues, which could result in an adverse effect on their financial

condition and liquidity. Consequently, these conditions may affect their ability to make rental and other lease payments to us or obtain the types and amounts of insurance required by the applicable leases, which may in turn lead to aircraft groundings, may result in additional lease restructurings and repossessions, may increase our cost of re-leasing or selling the aircraft and may impair our ability to re-lease or otherwise dispose of them on a timely basis at favorable rates or on favorable terms, if at all, and may reduce the proceeds received for our aircraft and engines upon any disposition. These results could adversely affect our financial results.

The effects of SARS or other epidemic diseases may adversely affect the airline industry in the future, which might cause our lessees to not be able to meet their lease payment obligations to us, which would adversely affect our financial results.

The linking of the 2003 outbreak of SARS to air travel materially and adversely affected passenger demand for air travel at that time. While the World Heath Organization's travel bans related to SARS were lifted, SARS had a continuing negative affect on the aviation industry, which was evidenced by a sharp reduction in passenger bookings and the cancellation of many flights after the air travel bans had been lifted. While these effects were felt most acutely in Asia, the effect of SARS on the aviation industry also adversely affected other areas, including North America.

Since 2003, there have been several outbreaks of avian influenza, beginning in Asia and, most recently, spreading to certain parts of Africa and Europe. Although human cases of avian influenza so far have been limited in number, the World Health Organization has expressed serious concern that a human influenza pandemic could develop from the avian influenza virus. In such an event, numerous responses, including travel restrictions, might be necessary to combat the spread of the disease. Additional outbreaks of SARS or other diseases, such as avian influenza, or the fear of such events, could adversely affect passenger demand for air travel and the aviation industry. These consequences could result in our lessees' inability to satisfy their lease payment obligations to us, which in turn would adversely affect our financial results.

Risks Related to Our Organization and Structure

If the ownership of our ordinary shares continues to be highly concentrated, it may prevent you and other minority shareholders from influencing significant corporate decisions and may result in conflicts of interest.

The Cerberus Funds and accounts affiliated with Cerberus Capital Management, L.P., or Cerberus, own 40.2% of our ordinary shares. As a result, Cerberus may be able to significantly influence fundamental corporate matters and transactions, including the appointment of a majority of our directors, mergers, amalgamations, consolidations or acquisitions, the sale of all or substantially all of our assets, the amendment of our articles of association and our dissolution. This concentration of ownership may delay, deter or prevent acts that would be favored by our other shareholders, such as a change of control transaction that would result in the payment of a premium to our other shareholders. In addition, this concentration of share ownership may adversely affect the trading price of our ordinary shares if the perception among investors exists that owning shares in a company with a significant shareholder is not desirable.

We are a Netherlands public limited liability company (naamloze vennootschap) and it may be difficult for you to obtain or enforce judgments against us or our executive officers, some of our directors and some of our named experts in the United States.

We were formed under the laws of The Netherlands and, as such, the rights of holders of our ordinary shares and the civil liability of our directors will be governed by the laws of The Netherlands and our articles of association. The rights of shareholders under the laws of The Netherlands may differ from the rights of shareholders of companies incorporated in other jurisdictions. Some of the

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named experts referred to in this annual report are not residents of the United States, and most of our directors and our executive officers and most of our assets and the assets of our directors are located outside the United States. In addition, under our articles of association, all lawsuits against us and our directors and executive officers shall be governed by the laws of The Netherlands and must be brought exclusively before the Courts of Amsterdam, The Netherlands. As a result, you may not be able to serve process on us or on such persons in the United States or obtain or enforce judgments from U.S. courts against them or us based on the civil liability provisions of the securities laws of the United States. There is doubt as to whether the courts of The Netherlands courts would enforce certain civil liabilities under U.S. securities laws in original actions and enforce claims for punitive damages.

Under our articles of association, we indemnify and hold our directors, officers and employees harmless against all claims and suits brought against them, subject to limited exceptions. Under our articles of association, to the extent allowed by law, the rights and obligations among or between us, any of our current or former directors, officers and employees and any current or former shareholder shall be governed exclusively by the laws of The Netherlands and subject to the jurisdiction of The Netherlands courts, unless such rights or obligations do not relate to or arise out of their capacities listed above. Although there is doubt as to whether U.S. courts would enforce such provision in an action brought in the United States under U.S. securities laws, such provision could make judgments obtained outside of The Netherlands more difficult to enforce against our assets in The Netherlands or jurisdictions that would apply Netherlands law.

Our international operations expose us to geopolitical, economic and legal risks associated with a global business.

We conduct our business in many countries, and we anticipate that revenue from our international operations, particularly from the Asia/Pacific region, will continue to account for a significant amount of our future revenue. There are risks inherent in conducting our business internationally, including:

- general political and economic instability in international markets;
- limitations in the repatriation of our assets, including cash;
- expropriation of our international assets;
- different liability standards and less developed legal systems that may be less predictable than those in the United States; and
- intellectual property laws of countries that do not protect our international rights to the same extent as the laws of the United States.

These factors may have a material adverse effect on our financial results.

If our subsidiaries do not make distributions to us we will not be able to pay dividends.

Substantially all of our assets are held by and our revenues are generated by our subsidiaries. We will be limited in our ability to pay dividends unless we receive dividends or other cash flow from our subsidiaries. Substantially all of our owned aircraft are held through special purpose subsidiaries or finance structures which borrow funds to finance or refinance the aircraft. The terms of such financings place restrictions on distributions of funds to us. If these limitations prevent distributions to us or our subsidiaries do not generate positive cash flows, we will be limited in our ability to pay dividends and may be unable to transfer funds between subsidiaries if required to support our subsidiaries.

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Risks Related to Taxation

We may become a passive foreign investment company, or PFIC, for U.S. federal income tax purposes.

We do not believe we will be classified as a PFIC for the 2009 fiscal year. The determination as to whether a foreign corporation is a PFIC is a complex determination based on all of the relevant facts and circumstances and depends on the classification of various assets and income under PFIC rules. In our case, the determination is further complicated by the application of the PFIC rules to leasing companies and to joint ventures and financing structures common in the aircraft leasing industry. It is unclear how some of these rules apply to us. Further, this determination must be tested annually and our circumstances may change in any given year. We do not intend to make decisions regarding the purchase and sale of aircraft with the specific purpose of reducing the likelihood of our becoming a PFIC. Accordingly, our business plan may result in our engaging in activities that could cause us to become a PFIC. If we are or become a PFIC, U.S. shareholders may be subject to increased U.S. federal income taxes on a sale or other disposition of our ordinary shares and on the receipt of certain distributions and will be subject to increased U.S. federal income tax reporting requirements. See "Item 10. Additional Information U.S. Tax Considerations" for a more detailed discussion of the consequences to you if we are treated as a PFIC and a discussion of certain elections that may be available to mitigate the effects of that treatment. We urge you to consult your own tax advisors regarding the application of the PFIC rules to your particular circumstances.

We may become subject to income or other taxes in jurisdictions which would adversely affect our financial results.

We and our subsidiaries are subject to the income tax laws of Ireland, The Netherlands, Sweden and the United States and other jurisdictions in which our subsidiaries are incorporated or based. In addition, we or our subsidiaries may be subject to additional income or other taxes in these and other jurisdictions by reason of the management and control of our subsidiaries, our activities and operations, where our aircraft operate or where the lessees of our aircraft (or others in possession of our aircraft) are located. Although we have adopted guidelines and operating procedures to ensure our subsidiaries are appropriately managed and controlled to reduce the exposure to such additional taxation, we may be subject to such taxes in the future and such taxes may be substantial. The imposition of such taxes could have a material adverse effect on our financial results.

We may incur current tax liabilities in our primary operating jurisdictions in the future.

We expect to make current tax payments in some of the jurisdictions where we do business in the normal course of our operations. Our ability to defer the payment of some level of income taxes to future periods is dependent upon the continued benefit of accelerated tax depreciation on our flight equipment in some jurisdictions, the continued deductibility of external and intercompany financing arrangements and the application of tax losses prior to their expiration in certain tax jurisdictions, among other factors. The level of current tax payments we make in any of our primary operating jurisdictions could adversely affect our cash flows and have a material adverse effect on our financial results.

We may become subject to additional Irish taxes based on the extent of our operations carried on in Ireland.

Our Irish tax resident subsidiaries are currently subject to Irish corporate income tax on trading income at a rate of 12.5%, on capital gains at 20%, and on other income at 25%. We expect that substantially all of our Irish income will be treated as trading income for tax purposes in future periods. As of December 31, 2008, we had $223 million of Irish tax losses available to carry forward against our trading income. The continued application of the 12.5% tax rate to trading income generated in our Irish tax resident subsidiaries and the ability to carry forward Irish tax losses to shelter future taxable

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trading income depends in part on the extent and nature of activities carried on in Ireland both in the past and in the future. AerCap Ireland and its Irish tax resident subsidiaries intend to carry on their activities in Ireland so that the 12.5% rate of tax applicable to trading income will apply and that they will be entitled to shelter future income with tax losses that arose from the same trading activity. We may not continue to be entitled to apply our loss carryforwards against future taxable trading income in Ireland.

We may fail to qualify for benefits under one or more tax treaties.

We do not expect that our subsidiaries located outside of the United States will have any material U.S. federal income tax liability by reason of activities we carry out in the United States and the lease of assets to lessees that operate in the United States. However, this conclusion will depend, in part, on continued qualification for the benefits of income tax treaties between the United States and other countries in which we are subject to tax (particularly The Netherlands and Ireland). That in turn may depend on the nature and level of activities carried on by us and our subsidiaries in each jurisdiction, the identity of the owners of equity interests in subsidiaries that are not wholly owned and the identities of the direct and indirect owners of our indebtedness.

The nature of our activities may be such that our subsidiaries may not continue to qualify for the benefits under income tax treaties with the United States and that may not otherwise qualify for treaty benefits. Failure to so qualify could result in the imposition of U.S. federal taxes which could have a material adverse effect on our financial results.

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Item 4. Information on the Company

We are an integrated global aviation company with a leading market position in aircraft and engine leasing, trading and parts sales. We possess extensive aviation expertise that permits us to extract value from every stage of an aircraft's lifecycle across a broad range of aircraft and engine types. It is our strategy to acquire aviation assets at attractive prices, lease the assets to suitable lessees, and manage the funding and other lease related costs efficiently. We also provide aircraft management services and perform aircraft and limited engine MRO services and aircraft disassemblies through our certified repair stations. We believe that by applying our expertise through an integrated business model, we will be able to identify and execute on a broad range of market opportunities that we expect will generate attractive returns for our shareholders. We are headquartered in Amsterdam and have offices in Ireland, the United Kingdom, China, Texas, Florida and Arizona with a total of 382 employees, as of December 31, 2008.

We operate our business on a global basis, providing aircraft, engines and parts to customers in every major geographical region. As of December 31, 2008, we owned 160 aircraft and 71 engines, managed 53 aircraft and had 78 new aircraft and two new engines on order, had entered into purchase contracts for four aircraft, had entered into sales contracts for seven forward order aircraft and had executed letters of intent to purchase two aircraft.

We lease most of our aircraft to airlines under operating leases. Under an operating lease, the lessee is responsible for the maintenance and servicing of the equipment during the lease term and the lessor receives the benefit, and assumes the risk, of the residual value of the equipment at the end of the lease. As of December 31, 2008, our owned and managed aircraft and engines were leased to 102 commercial airline and cargo operator customers in 43 countries and managed from our offices in The Netherlands, Ireland, the United Kingdom, China and the United States. We expect to expand our leasing activity in Asia and in China in particular through our AerDragon joint venture with China Aviation Supplies Holding Company.

We have the infrastructure, expertise and resources to execute a large number of diverse aircraft and engine transactions in a variety of market conditions. From January 1, 2006 to December 31, 2008, we have executed over 800 aircraft and engine transactions, including 257 aircraft leases, 132 engine leases, 249 aircraft purchase or sale transactions, 99 engine purchase or sale transactions and the disassembly of 16 aircraft, 19 airframes and 44 engines. Our teams of dedicated marketing and asset trading professionals have been successful in leasing and trading our aircraft and engine portfolios. Between January 1, 2006 and December 31, 2008, our weighted average owned aircraft utilization rate was 98.3%.

We were formed as a Netherlands public limited liability company ("*naamloze vennootschap*") on July 10, 2006 to acquire all of the assets and liabilities of AerCap Holdings C.V., a Netherlands limited partnership. AerCap Holdings C.V. was formed on June 27, 2005 for the purpose of acquiring all of the shares and certain liabilities of AerCap B.V. (formerly known as debis AirFinance B.V.). On June 30, 2005, AerCap Holdings C.V. acquired all of AerCap B.V.'s shares and the liabilities owed by AerCap B.V. to its prior shareholders for a total consideration of $1.37 billion, $370.0 million of which was funded with equity contributions from the Cerberus funds. On April 26, 2006, we acquired all of the existing share capital of AeroTurbine, Inc., an engine trading and leasing and parts sales company. On October 27, 2006, AerCap Holdings N.V. acquired all of the assets and liabilities of AerCap Holdings C.V. On November 27, 2006, we completed the initial public offering of 26.1 million of our ordinary shares on The New York Stock Exchange. On August 6, 2007 we completed the secondary offering of 20 million additional ordinary shares on The New York Stock Exchange.

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Our principal executive offices are located at Stationsplein 965, 1117 CE Schiphol Airport, The Netherlands, and our general telephone number is +31 20 655-9655. Our website address is *www.aercap.com*. Information contained on our website does not constitute a part of this annual report. Puglisi & Associates is our authorized representative in the United States. The address of Puglisi & Associates is 850 Liberty Avenue, Suite 204, Newark, DE 19711 and their general telephone number is (302) 738-6680.

Our Business Strategy

Leverage Our Ability to Manage Aircraft and Engines Profitably throughout their Lifecycle. We intend to continue to leverage our integrated business model by selectively:

- purchasing aircraft and engines directly from manufacturers;
- entering into sale-leaseback transactions with aircraft and engine operators;
- taking advantage of price incentives offered by sellers for the purchase of entire portfolios of aircraft and engines of varying ages and types;
- using our global customer relationships to obtain favorable lease terms for both aircraft and engines and reduce time off-lease;
- maintaining diverse sources of global funding;
- selling select aircraft and engines;
- disassembling older airframes and engines for sale of their component parts; and
- providing management services to securitization vehicles, our joint ventures and other aircraft owners at limited incremental cost to us.

Our ability to profitably manage aircraft throughout their lifecycle depends in part on our ability to successfully source acquisition opportunities of new and used aircraft at favorable prices, as well as secure long-term funding for such acquisitions, lease aircraft and engines at profitable rates, minimize downtime between leases and associated technical expenses and opportunistically sell aircraft and engines.

Efficiently Manage our Liquidity. As of March 31, 2009, we had access to $3.8 billion of committed undrawn credit facilities. However, in response to the current global recession and economic crisis, we continue to seek new sources of liquidity and maintain and safeguard our existing cash balances. We strive to maintain a diverse financing strategy, both in terms of capital providers and structure, through the use of bank debt, securitization structures and export/import financings including ECA ("European Export Credit Agencies")-guaranteed loans, in order to maximize our financial flexibility. We also leverage our long-standing relationships with the major aircraft financers and lenders to secure access to capital. In addition, we attempt to maximize the cash flows from our restricted cash entities to those entities which are not cash restricted and continue to pursue the sale of aircraft to generate additional cash flows.

Expand Our Aircraft and Engine Portfolio. We intend to grow our portfolio of aircraft and engines through portfolio purchases, new aircraft purchases, sale-leasebacks, airline refleetings, acquisitions and other opportunistic transactions that increase our aircraft and engine portfolio. We will rely on our experienced team of aircraft and engine market professionals to identify and purchase assets we believe are being sold at attractive prices or that we believe will increase in demand and value. In addition, we intend to continue to rebalance our aircraft and engine portfolios through acquisitions, sales and selective disassemblies to maintain the appropriate mix of aviation assets to meet our customers' needs.

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Maintain a Diversified and Satisfied Customer Base. We currently lease 213 aircraft to 75 different airlines in 39 different countries. We monitor our exposure concentrations by both lessee and country jurisdiction and intend to maintain a well diversified customer base. We believe we offer a quality product, both in terms of asset and customer service, to all of our customers. We have successfully worked with many airlines to find mutually beneficial solutions to operational and financial challenges. We believe we maintain excellent relations with our customers. We have been able to achieve a high utilization rate on our aircraft and engine assets as a result of our customer reach and quality product offering.

Enter into Joint Ventures. We intend to continue to leverage our leading market position, extensive knowledge of the aircraft and engine leasing markets and aircraft and engine management capabilities by entering into joint ventures that increase our purchasing power, our ability to obtain price discounts on large aircraft orders and reduce our capital expenditures. We also enter into joint ventures for diversification and risk management purposes. We expect to benefit from greater geographical and product diversity made possible for our portfolio through the use of joint venture structures. In addition, we expect to generate fees from our joint ventures by providing them with aircraft management services.

Obtain Maintenance Cost Savings. We seek to reduce our aircraft and engine maintenance costs by using aircraft and engine parts we obtain from the selective disassembly of acquired and existing airframes and engines. We intend to achieve further maintenance cost savings by using our fleet of serviceable spare engines as replacements for engines leased on aircraft that are undergoing overhaul and repair services.

Acquire Complementary Businesses. We intend to selectively pursue acquisitions that we believe will enhance our ability to manage aircraft and engines profitably throughout their lifecycle. The synergies, economies of scale and operating efficiencies we expect to derive from our acquisitions will allow us to strengthen our competitive advantages and diversify our sources of revenue.

Aircraft

Overview

We operate our aircraft business on a global basis. As of December 31, 2008, we owned and managed 213 aircraft. We owned 160 aircraft in our aircraft business and managed 53 aircraft. As of December 31, 2008, we leased these aircraft to 75 commercial airline and cargo operator customers in 39 countries. In addition, as of December 31, 2008, we had 50 new Airbus A320 narrowbody aircraft on order through AerVenture and 28 new Airbus A330 wide-body aircraft on order. We also had entered into a purchase contract for four aircraft, had entered into sales contracts for seven forward order aircraft and had executed letters of intent for the purchase of two additional aircraft. Including all owned and managed aircraft, aircraft under contract or letter of intent and aircraft in our order book, our portfolio totaled 297 aircraft as of December 31, 2008.

Over the life of the aircraft, we seek to increase the returns on our investments by managing our aircraft's lease rates, time off-lease, financing costs and maintenance costs, and by carefully timing their sale or disassembly. We lease most of our aircraft to airlines under operating leases. Under an operating lease, the lessee is responsible for the maintenance and servicing of the equipment during the lease term and the lessor receives the benefit, and assumes the risk, of the residual value of the equipment at the end of the lease. Rather than purchase their aircraft, many airlines operate their aircraft under operating leases because operating leases reduce their capital requirements and costs and allow them to manage their fleet more efficiently. Over the past 20 years, the world's airlines have increasingly turned to operating leases to meet their aircraft needs.

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Our contract lease terms generally range from 12 months to 120 months. By varying our lease terms, we mitigate the effects of changes in cyclical market conditions at the time aircraft become eligible for re-lease. In periods of strong aircraft demand, we seek to enter into medium and long-term leases to lock-in the generally higher market lease rates during those periods, while, in periods of low aircraft demand we seek to enter into short-term leases to mitigate the effects of the generally lower market lease rates during those periods. In addition, we generally seek to reduce our leasing transition costs by entering into lease extensions rather than taking re-delivery of the aircraft and leasing it to a new customer. The terms of our lease extensions reflect the market conditions at the time the lease extension is signed and typically contain different terms than the original lease.

Upon expiration of an operating lease, we extend the lease term, take redelivery of the aircraft, remarket and re-lease it to new lessees, sell the aircraft, or transfer the aircraft to our disassembly business for sale of its parts. Typically, we re-lease our leased aircraft well in advance of the expiration of the then current lease and deliver the aircraft to a new lessee in less than two months following redelivery by the prior lessee. During the period in which an aircraft is in between leases, we typically perform routine inspections and the maintenance necessary to place the aircraft in the required condition for delivery and, in some cases, make modifications requested by our next lessee.

Our extensive experience, global reach and operating capabilities allow us to rapidly complete numerous aircraft transactions, which enables us to increase the returns on our aircraft investments and reduce the time that our aircraft are not generating revenue for us. We successfully executed 509 aircraft transactions between January 1, 2006 and December 31, 2008.

The following tables set forth information regarding the aircraft transactions we have executed between January 1, 2006 and December 31, 2008, the number of initial leases and re-leases we entered into, the number of leases we extended, the number of leases we restructured, the number of aircraft we purchased and the number of aircraft we sold. The trends shown in the table reflect the execution of the various elements of our leasing strategy for our owned and managed portfolio, as described further below.

	Owned Aircraft			
Activity	**2006**	**2007**	**2008**	**Total/ Average**
New leases on new aircraft	15	22	45	82
New leases on used aircraft	16	10	34	60
Extensions of lease contracts	15	12	34	61
Average lease term for new leases (months)(1)(4)	103.2	96.5	123.2	112.4
Average lease term for re-leases (months)(1)	58.7	72.0	63.6	63.7
Average lease term for lease extensions (months)(2)	22.3	46.5	36.2	34.8
Lease restructurings	1	0	1	2
Aircraft purchases	41	40	58	139
Aircraft sales	17	24	26	67
Average aircraft utilization rates(3)	98.9%	98.4%	97.7%	98.3%

(1) Average lease term of new leases and re-leases contracted during the period. The average lease term for new leases and re-leases is calculated by reference to the period between the date of contractual delivery to the date of contractual redelivery of the aircraft.

(2) Average lease term for aircraft extensions contracted during the period. The average lease term for lease extensions is calculated by reference to the period between the date of the original expiration of the lease and the new expiration date.

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(3)

Our utilization rate for aircraft is calculated based on the average number of months the aircraft are on lease each year. The utilization rate is weighted proportionate to the net book value of the aircraft at the end of the period measured.

(4)

Including the letters of intent signed during 2008, the average lease term is 124 months.

	Managed Aircraft			
Activity	**2006**	**2007**	**2008**	**Total/ Average**
New leases on used aircraft	9	7	12	28
Extensions of lease contracts	14	6	6	26
Average lease term for re-leases (months)(1)	40.9	48.0	64.0	52.6
Average lease term for lease extensions (months)(2)	21.5	46.0	46.5	32.9
Lease restructurings	1			1
Aircraft purchases				0
Aircraft sales	13	25	5	43

(1)

Average lease term of re-leases contracted during the period. The average lease term for re-leases is calculated by reference to the period between the date of contractual delivery to the date of contractual redelivery of the aircraft.

(2)

Average lease term for aircraft lease extensions contracted during the period. The average lease term for lease extensions is calculated by reference to the period between the date of the original expiration of the lease and the new expiration date.

The tables above illustrate how we have implemented our leasing strategies in response to changing trends in the aircraft leasing market. For example, throughout 2006 and 2007, as strengthening in the commercial airline sector continued, we lengthened the terms of our owned aircraft leases to lock-in the generally higher lease rates prevailing in the market at the time. During 2008, average lease terms for re-leases and extensions have decreased as compared to 2007, in reaction to the deterioration in lease rates resulting from the global economic slowdown occurring during much of 2008. Leases of new aircraft generally have longer terms than used aircraft which are re-leased. In addition, leases of more expensive aircraft generally have longer lease terms than less expensive aircraft. The average lease term for new leases increased in 2008 due to the signing of longer-term lease contracts on new A330 aircraft, which are more expensive than new A320 aircraft, which comprised the bulk of new leases in years previous to 2008. Lease terms for owned aircraft tend to be longer than for managed aircraft because the average age of our owned fleet is lower than that of our managed fleet.

Before making any decision to lease an aircraft, we perform a review of the prospective lessee, which generally includes reviewing financial statements, business plans, cash flow projections, maintenance records, operational performance histories, hedging arrangements for fuel, foreign currency and interest rates and relevant regulatory approvals and documentation. We also typically perform on-site credit reviews for new lessees which typically includes extensive discussions with the prospective lessee's management before we enter into a new lease. Depending on the credit quality and financial condition of the lessee, we may require the lessee to obtain guarantees or other financial support from an acceptable financial institution or other third parties.

We require our aircraft lessees to provide us with security deposits in order to protect the value of our assets. We require all of our lessees to provide a security deposit for their performance under their leases, including the return of the aircraft in the specified maintenance condition at the expiration of the lease. The size of the security deposit is typically equal to two months' rent.

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All of our lessees are responsible for their maintenance costs during the lease term. Based on the credit quality of the lessee, we require some of our lessees to pay supplemental maintenance rent to cover scheduled major component maintenance costs. If a lessee pays the supplemental maintenance rent, we reimburse them for their maintenance costs up to the amount of their supplemental maintenance rent payments. Under the terms of our leases, at lease expiration, to the extent that a lessee has paid us more supplemental maintenance rent than we have reimbursed them for their maintenance costs, we retain the excess rent. In most lease contracts not requiring the payment of supplemental rents, the lessee is required to re deliver the aircraft in a similar maintenance condition as when accepted under the lease. To the extent that the delivery condition is different from the acceptance condition, there is normally an end of lease compensation adjustment for the difference at re delivery. As of December 31, 2008, 72 of our owned aircraft lessees in respect of 160 owned aircraft provided for the payment of supplemental maintenance rent. Whether a lessee pays supplemental maintenance rent or not, we typically agree to compensate a lessee for scheduled maintenance on airframe and engines related to the prior utilization of the aircraft. For this prior utilization, we have typically received compensation from prior lessees.

In all cases, we require the lessee to reimburse us for any costs we incur if the aircraft is not in the required condition upon redelivery. All of our leases contain extensive provisions regarding our remedies and rights in the event of a default by the lessee, and also include specific provisions regarding the required condition of the aircraft upon its redelivery.

Our lessees are also responsible for compliance with all applicable laws and regulations governing the leased aircraft and all related costs. We require our lessees to comply with either the FAA, EASA or their foreign equivalent standards.

During the term of our leases, some of our lessees have experienced financial difficulties resulting in the need to restructure their leases. Generally, our restructurings have involved a number of possible changes to the lease's terms, including the voluntary termination of leases prior to their scheduled expiration, the arrangement of subleases from the primary lessee to a sublessee, the rescheduling of lease payments and the exchange of lease payments for other consideration, including convertible bonds, warrants, shares and promissory notes. We generally seek to receive these and other marketable securities from our restructured leases, rather than deferred receivables. In some cases, we have been required to repossess a leased aircraft and in those cases, we have typically exported the aircraft from the lessee's jurisdiction to prepare it for remarketing. In the majority of these situations, we have obtained the lessee's cooperation and the return and export of the aircraft was completed without significant delay, generally within two months. In some situations, however, our lessees have not cooperated in returning aircraft and we have been required to take legal action. In connection with the repossession of an aircraft, we may be required to settle claims on the aircraft or to which the lessee is subject, including outstanding liens on the repossessed aircraft. Since our inception in 1995, we have repossessed 63 aircraft under defaulted leases with 29 different lessees in 19 jurisdictions.

Aircraft Portfolio and Existing Lessees

Our aircraft portfolio consists primarily of modern, technologically advanced and fuel-efficient narrowbody aircraft, with a particular concentration of Airbus A320 family. As of December 31, 2008, we owned and managed 213 aircraft. We owned 160 aircraft and managed 53 aircraft. Of the 213 aircraft as of December 31, 2008, 203 were on operating lease and 10 were off-lease (six owned and four managed). Of the 10 aircraft off-lease, nine were subject to our regular remarketing efforts and one aircraft is intended to be disassembled or sold. As of December 31, 2008, we leased the 203 aircraft on operating leases to 75 commercial airline and cargo operator customers in 39 countries. The weighted average age of our 160 owned aircraft was 6.7 years as of December 31, 2008. We believe that we own one of the youngest aircraft fleets in the world.

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The following table provides details regarding our aircraft portfolio by type of aircraft as of December 31, 2008:

Aircraft type	Owned portfolio		Managed portfolio			
	Number of aircraft owned	Percentage of total net book value	Number of aircraft	Number of aircraft on order	Number of aircraft under purchase contract or letter of intent	Total owned, Managed and ordered aircraft
Airbus A300 Freighter	1	0.8%				1
Airbus A319	16	12.5%		8		24
Airbus A320	64	39.3%	13	39		116
Airbus A321	18	14.0%	1	3		22
Airbus A330	5	6.2%		28		33
Boeing 737NGs	18	15.3%			3	21
Boeing 737Classics	16	3.6%	30		1	47
Boeing 757	11	3.9%	3			14
Boeing 767	4	3.1%	2		2	8
MD-11 Freighter	1	0.8%	1			2
MD-83	4	0.3%	1			5
MD 82	2	0.1%	2			4
Total	160	**100.0**%	53	78	6	297

In July 2008, we entered into an agreement with Airbus Freighter Conversions GmbH ("AFC") whereby AFC would convert 30 of our older Airbus A320s and A321s from passenger to freighter aircraft. Delivery of the first converted aircraft is expected to take place in 2011, with the remaining 29 aircraft scheduled for conversion between 2012 and 2015. In the future we may choose to acquire additional freighter aircraft or continue to convert some of our older A320 family passenger aircraft to freighter aircraft.

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Aircraft on Order or Subject to Letters of Intent.

We have a large number of new aircraft on order, either directly or indirectly through AerVenture, and have signed letters of intent for the purchase of a number of additional aircraft.

In January 2006, AerVenture, placed an order with Airbus for the purchase of 70 new A320 family aircraft, including five aircraft subject to reconfirmation rights. During 2008 and the first two months of 2009, AerVenture notified Airbus that AerVenture will not take delivery of the five aircraft subject to reconfirmation rights. As of December 31, 2008, 12 aircraft had been delivered, three aircraft were transferred to AerCap and 50 aircraft (excluding the five aircraft subject to reconfirmation rights) remain to be delivered under the agreement. As of December 31, 2008, the 50 remaining aircraft consist of eight A319 aircraft, 39 A320 aircraft and three A321 aircraft. The remaining 50 aircraft are scheduled to be delivered between 2009 through 2011. Included in the 50 aircraft are seven delivery positions which have been sold to a third party.

In December 2006, we placed an order with Airbus to acquire 20 new A330-200 wide-body aircraft. In May 2007, we added an additional ten A330-200 aircraft to this order. The delivery schedule for the 30 A330-200 aircraft order included delivery of two aircraft in 2008, eight aircraft in 2009, ten in 2010, four in 2011 and six in 2012. As of December 31, 2008, 28 of the aircraft remained to be delivered pursuant to the agreement.

The following table provides information regarding the letters of intent and purchase and sale agreements in place and executed as of December 31, 2008.

Aircraft type	Number of aircraft	Letter of Intent or Agreement	New/Used
Purchases			
Boeing 737-800	3	Purchase Agreement	New
Boeing 737-300	1	Purchase Agreement	Used
Boeing 767-200ER	2	Letter of Intent	Used
	6		
Sales			
Airbus A320-200(1)	7	Sale Agreement	New
	7		

(1) The seven Airbus A320-200 aircraft are currently on order from Airbus by AerVenture.

Although we expect to be able in each case to negotiate and agree on final documentation with respect to our letters of intent, we may not be able to do so and therefore these transactions may not in fact occur.

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The following table provides information regarding the percentage of lease revenue arising from leases of aircraft to the indicated lessees of our owned aircraft portfolio for the year ended December 31, 2008.

Lessee	**Percentage of 2008 lease revenue**
TUI Aviation GmbH	6.2%
Thai Airways International Public Co., Ltd	4.9%
Kingfisher Airlines Ltd.	3.9%
US Airways	3.9%
Wizz Air Hungary Ltd	3.4%
Air Berlin	2.9%
Indian Airlines Ltd.	2.9%
Bangkok Airways Co	2.7%
Asiana Airlines Inc	2.7%
British Midland Airways Ltd	2.6%
My Travel Airways PLC	2.5%
Atlas Jet	2.3%
Monarch Airlines	2.2%
Air France	2.2%
Air Astana	2.1%
TACA	2.0%
Other(1)	50.6%
Total	**49.4%**

(1) Consists of more than 100 individual lessees. No other lessee accounted for more than 2.0% of our lease revenue in 2008.

We lease our aircraft to lessees located in numerous and diverse geographical regions and have focused our leasing efforts on the fast growing Asia/Pacific market. The following table sets forth the

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percentage of our total lease revenue by country of lessee in which we lease our owned aircraft for the year ended December 31, 2008.

Country	Percentage of 2008 lease revenue
United States of America	13.7%
Germany	11.1%
India	7.7%
Thailand	7.6%
United Kingdom	6.3%
Turkey	4.1%
Republic of Korea	4.0%
Canada	3.7%
Hungary	3.4%
Indonesia	3.2%
Denmark	3.0%
Brazil	2.7%
France	2.5%
Belgium	2.5%
Kazakhstan	2.1%
El Salvador	2.0%
Mexico	1.7%
Greece	1.6%
Trinidad & Tobago	1.5%
Japan	1.4%
Czech Republic	1.2%
Italy	1.2%
Tunisia	1.1%
Russia	1.1%
Pakistan	1.0%
Other(1)	8.6%
Total	**100.0%**

(1) No other country accounted for more than 1.0% of our lease revenue in 2008.

As of December 31, 2008, leases representing approximately 29.7% of our lease revenues in 2008 were scheduled to expire before December 31, 2011. As of December 31, 2008, of our 160 owned aircraft, 154 aircraft were on lease and had a weighted average remaining lease period per aircraft of 57.1 months and six aircraft were off-lease.

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The following table sets forth as of December 31, 2008 the number of leases that were scheduled to expire between December 31, 2008 and December 31, 2020 as a percentage of our 2008 lease revenue.

Year	Percentage of 2008 lease revenue(1)	Number of aircraft with leases expiring(2)
2009	11.1%	20
2010	10.3%	22
2011	8.3%	19
2012	11.7%	26
2013	9.2%	16
2014	13.8%	21
2015	7.0%	12
2016	5.0%	7
2017	0.7%	2
2018	0.6%	3
2019	1.4%	2
2020	0.4%	4
Total	**79.5%**	**154**

(1) The percentage of lease revenue reflected in the table above does not sum to 100% because it does not include lease revenue from our owned aircraft that were sold in 2008 (4.7%), revenue from the six off-lease aircraft (3.9%), revenue from the leasing of engines and parts (9.8%) and lease revenue from the aircraft subject to lease-in lease out transactions (2.1%).

(2) On December 31, 2008, we had six owned aircraft off-lease of which five aircraft are under letters of intent for re-lease to another lessee and one is intended to be parted out in our aircraft disassembly unit. Of the 20 aircraft with leases expiring in 2009, six are currently under letters of intent for lease extension with the current lessee or re-lease to another lessee and five aircraft are intended to be parted out in our aircraft disassembly unit. The remaining nine aircraft, which represented 2.8% of the net book value of our aircraft as of December 31, 2008, are subject to our regular remarketing efforts.

Aircraft Acquisitions and Dispositions

From January 1, 2006 to December 31, 2008, we purchased 139 aircraft and sold 110 aircraft. In addition, as of December 31, 2008, we had negotiated and entered into contracts to purchase an additional three new aircraft, entered into a purchase contract to purchase one used aircraft and have executed letters of intent to purchase an additional two aircraft. By selling our subordinated interests in securitization vehicles at two different occasions in past years, we also disposed of two large aircraft portfolios totaling 272 aircraft.

In January 2006, we, through AerVenture, placed an order with Airbus for up to 70 new A320 family aircraft, including five aircraft subject to reconfirmation rights, originally scheduled for delivery between 2007 and 2010. During 2008 and the first two months of 2009, AerVenture notified Airbus that AerVenture will not take delivery of the five aircraft subject to reconfirmation rights. In 2008, three delivery positions were transferred to AerCap for deliveries which took place in 2008. In addition, in 2007 AerVenture entered into an amendment under its Airbus contract pursuant to which delivery positions for seven aircraft under the contract were effectively transferred to a third party buyer. As of December 31, 2008, 50 aircraft remain to be delivered under the forward order from 2009 through 2011.

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In addition, on December 22, 2006 and May 11, 2007, we signed agreements with Airbus for the purchase of twenty and ten A330s, respectively. Of the total of 30 A330s subject to the forward orders, 28 aircraft remained to be delivered as of December 31, 2008.

We have a portfolio management team of 18 professionals who are dedicated to sourcing, analyzing and executing aircraft and engine acquisition and disposition opportunities.

Due to the AeroTurbine Acquisition and our large order book of aircraft, we believe that we are well positioned to take advantage of trading opportunities and expand our aircraft portfolio. We believe that our global network of strong relationships with airlines, aircraft manufacturers, MRO service providers and commercial and financial institutions gives us a competitive advantage in sourcing and executing transactions.

We purchase new and used aircraft directly from aircraft manufacturers, airlines, financial investors and other aircraft leasing and finance companies. The aircraft we purchase are both on-lease and off-lease, depending on market conditions and the composition of our portfolio. We believe there are additional opportunities to purchase aircraft at attractive prices from investors in aircraft assets who lack the infrastructure to manage their aircraft throughout their lifecycle. The buyers of our aircraft include airlines, financial investors and other aircraft leasing companies. We primarily acquire aircraft at attractive prices in two ways: by purchasing large quantities of aircraft directly from manufacturers to take advantage of volume discounts, and by purchasing portfolios consisting of aircraft of varying types and ages. In addition, we also opportunistically purchase individual aircraft that we believe are being sold at attractive prices, or that we expect will increase in demand and or residual value. Through our airline marketing team, which is in frequent contact with airlines worldwide, we are also able to identify attractive acquisition and disposition opportunities. We sell our aircraft when we believe the market price for the type of aircraft has reached its peak, or to rebalance the composition of our portfolio to meet changing customer demands.

Our dedicated portfolio management group consists of marketing, financial, engineering, technical and credit professionals. Prior to a purchase, this group analyzes the aircraft's price, fit in our portfolio, specification/configuration, maintenance history and condition, the existing lease terms, financial condition and credit worthiness of the existing lessee, the jurisdiction of the lessee, industry trends, financing arrangements and the aircraft's redeployment potential and value, among other factors.

Our revolving credit facilities are designed to allow us to rapidly execute our portfolio management strategies by providing us with large scale committed funding to acquire new and used aircraft, engines and parts. As of December 31, 2008, we had $3.5 billion of committed undrawn credit facilities, which are described below. This amount included $0.5 billion of an undrawn facility that allows us to purchase aircraft of up to 15 years of age. Following the closing of the aircraft securitization completed by our consolidated subsidiary, Aircraft Lease Securitisation II Limited ("ALS II") in July 2008, we now have $1 billion of committed long term financing to finance up to 30 new A320 family aircraft. We also have $2.0 billion of undrawn amounts under borrowing facilities with commercial banks, including a $1.4 billion export credit agency facility to finance new A330 aircraft which also closed in 2008.

Joint Ventures

We expect to conduct some of our business in the future through joint ventures. Entering into joint venture arrangements allows us to:

- order new aircraft and engines in larger quantities to increase our buying power and economic leverage;
- increase the geographical and product diversity of our portfolio;
- obtain stable servicing revenues; and

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diversify our exposure to the economic risks related to aircraft and engine purchases.

AerVenture. In December 2005, we established AerVenture. In January 2006, LoadAir, an investment and construction company based in Kuwait City, purchased a 50% equity interest in AerVenture. Prior to March 2009, we and LoadAir each had made equity contributions of $30.0 million in AerVenture. In addition, we had provided $70.0 million to AerVenture in the form of a convertible loan note. Thirty-five million of the convertible loan note was scheduled to be repaid by AerVenture in March 2009 using proceeds from LoadAir's required capital contributions. In March 2009, LoadAir failed to make $80.0 million in required capital contributions to AerVenture, and as a result, LoadAir lost its voting rights and economic rights in AerVenture with the exception of certain rights to limited residual payments upon liquidation of AerVenture. In addition, all of the directors appointed by LoadAir were automatically removed. We now control AerVenture and appoint all of its directors. In addition to the March 2009 capital contributions, LoadAir was obligated to make additional capital contributions of $10.3 million in 2010.

To provide additional funding to us following the failure by LoadAir to fund its capital commitments, we signed a term sheet with a bank for a new financing transaction. The financing that would be provided upon closing of the transaction to which the term sheet relates would provide us with pre-delivery financing for certain A330 aircraft subject to forward purchase commitments with Airbus and funding on an owned aircraft. Under the terms of the term sheet, we would be required to purchase a new wide-body aircraft currently on order by LoadAir for which the bank previously provided pre-delivery payment financing. After we purchase the aircraft, we intend to lease it back to LoadAir. As part of this transaction, we expect to give LoadAir an option for a limited period of time to purchase up to 50 percent of the shares in AerVenture which have voting and economic rights, if it meets certain conditions. This transaction, excluding any proceeds from LoadAir, would decrease the amount by which our forward purchase commitments exceed our available cash by approximately $50 million in 2009 and $25 million in 2010.

In January 2006, AerVenture placed an order with Airbus for up to 70 new A320 family aircraft originally scheduled for delivery between 2007 and 2010. Five of the aircraft under the forward order were subject to reconfirmation rights and AerVenture elected to forego delivery of such aircraft pursuant to such rights. As of December 31, 2008, 50 aircraft under the original order remained to be delivered in 2009 and through 2011. Included in the 50 aircraft are seven delivery positions which have been sold to a third party. To finance the aircraft forward order, AerVenture has entered into two credit facilities and a securitization. In 2007, AerVenture closed a credit facility in the total amount of $119.0 million, and subsequently increased the size of the facility to $207.5 million. The proceeds of this facility finances the pre-delivery payments on the first 30 A320 family aircraft to be delivered to AerVenture. AerVenture closed a $269.2 million credit facility to finance the pre-delivery payments for an additional 37 new A320 family aircraft, which are scheduled for delivery between November 2009 and May 2011.

Upon delivery of aircraft under the forward order, AerVenture will be required to pay the entire remaining purchase price and repay the pre-delivery payment financing. The purchase price for the first 15 deliveries that occurred in 2007 and 2008 were financed by AerCap's $1 billion warehouse facility for 11 aircraft and by ECAs for three aircraft and one aircraft was sold. In June 2008, AerVenture's consolidated subsidiary, ALS II, closed a $1 billion aircraft securitization, which will provide long-term non-recourse funding for the first 30 new A320 family aircraft under the forward order from Airbus. Of the 11 deliveries that occurred in 2007 and 2008, which are financed in the warehouse facility, seven aircraft will be refinanced through ALS II and four aircraft will remain in the warehouse facility. In this securitization, each of the underwriting banks has committed to make advances to ALS II, subject to certain conditions, including that ALS II shall have acquired at least 15 aircraft. The 15th aircraft is scheduled to be delivered to ALS II in May 2009. The principal balance of the outstanding debt in the securitization will increase with the delivery for each aircraft.

As a result of LoadAir's failure to make the required equity contributions as described above, we will be required to invest additional equity in AerVenture so that it will have sufficient cash available to fund the equity portion of the purchase price for its upcoming aircraft deliveries. As of March 31, 2009, AerVenture's commitments in 2009 and 2010 under its forward purchase commitments exceeded the amounts available to it under its committed borrowing facilities by $57.6 million and $82.1 million, respectively. These amounts are included in the $174.5 million and $248.6 million for 2009 and 2010, respectively, by which AerCap's commitments in 2009 and 2010 to make pre-delivery and final delivery payments under its forward purchase commitments exceed the amounts available under its committed borrowing facilities which are described elsewhere in this annual report on Form 20-F. See "Operating and Financial Review and Prospects Liquidity and Capital Resources."

With respect to the seven delivery positions that have been sold by AerVenture to a third party, sales recognition for financial reporting purposes has been deferred until delivery of each aircraft. For consistency with the accounting treatment for these sales, we will continue to include these seven positions as aircraft under order until the third party has fulfilled its obligations and taken delivery of these aircraft, which is expected to occur in the second and fourth quarters of 2009.

AerDragon. In May 2006, we signed a joint venture agreement with China Aviation Supplies Holding Company and affiliates of Calyon establishing AerDragon. AerDragon consists of two companies, Dragon Aviation Leasing Company Limited, based in Beijing with a registered capital of $10.0 million and AerDragon Aviation Partners Limited, based in Ireland with a registered capital of $50.0 million. The registered capital of AerDragon was increased to $90.0 million in 2008. AerDragon is 50% owned by China Aviation and 25% owned by each of us and Calyon. Following receipt of the local Chinese approvals required for it to begin operations, AerDragon commenced operations in October 2006. We act as the exclusive aircraft manager for the joint venture. This contract may be terminated upon the earlier to occur of either July 1, 2009, or the occurrence of specified events, such as AerDragon developing the expertise to manage its own aircraft. In the future, one of the main sources of aircraft for AerDragon is likely to be the acquisition of aircraft through sale leaseback transactions with Chinese airlines. This joint venture enhances our presence in the increasingly important China market and will enhance our ability to lease our aircraft and engines throughout the entire Asia/Pacific region. As of December 31, 2008, we do not consolidate AerDragon's financial results in our financial statements. AerDragon acquired its first aircraft, an Airbus A320 aircraft in February 2007. This aircraft was acquired from us. In October 2007, AerDragon acquired its second A320 aircraft directly from us and we guaranteed the performance of AerDragon under debt secured by the purchased aircraft. In December 2007, AerDragon signed a forward order agreement with Airbus for the delivery of 12 A320 family aircraft. The forward order with Airbus was increased by one aircraft in 2008 and now totals 13 aircraft.

Annabel and Bella. In 2005, we signed a joint venture agreement with Deucalion Capital Limited to form the Annabel joint venture in which we held a 27% equity interest. Annabel purchased a used A340 aircraft in 2005. The aircraft was on lease to Sri Lanka Airlines through 2015. The Annabel investment was sold in 2008. In 2006, we signed a joint venture agreement with Deucalion to form the Bella joint venture in which we held a 50% equity interest. Bella purchased two used Airbus A330-322 aircraft in April 2006, one of which is on lease through 2009 and one of which is on lease through 2013. In 2008 we acquired the remaining 50% of Bella from Deucalion. Accordingly, following such purchase, Bella became a fully owned subsidiary of AerCap.

AerCap Partners. In June 2008, AerCap Partners I Holding Limited, or AerCap Partners, a 50% joint venture entered into between us and Deucalion Aviation Funds, acquired a portfolio of 19 aircraft from TUI Travel. The aircraft acquired are leased back to TUI Travel for varying terms. The aircraft portfolio was financed through a $425.7 million senior debt facility and $125.6 million of subordinated debt consisting of $62.8 million from us and $62.8 million from our joint venture partner. On the applicable maturity date under the senior debt facility, which for the first tranche is April 2012 and for

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the second tranche is April 2015, or, if earlier, in case of an AerCap insolvency, if the joint venture partners do not make additional subordinated capital available to the joint venture, AerCap can be required to purchase the aircraft from the joint venture for a price equal to the outstanding senior debt facility balance plus certain expenses and taxes related to the purchase. We have also entered into agreements to provide management and marketing services to AerCap Partners. We consolidate AerCap Partner's financial results in our financial statements.

Relationship with Airbus

We have a close and longstanding mutually advantageous relationship with Airbus. Our relationship dates back to our formation, when Daimler AG (formerly known as Daimler-Benz AG and DaimlerChrysler AG), a principal shareholder of European Aeronautic Defense & Space Company EADS N.V., an 80% shareholder of Airbus, was one of our founding shareholders. In the last 10 years, we, directly or through our joint ventures, have contracted to purchase over 110 new commercial jet aircraft from Airbus and 31 used aircraft from Airbus. We maintain a wide-ranging dialogue with Airbus seeking mutually beneficial opportunities such as taking delivery of new aircraft on short notice and purchasing used aircraft from airlines seeking to renew their fleet with Airbus aircraft.

Aircraft Services

We are one of the aircraft industry's leading providers of aircraft asset management and corporate services to securitization vehicles, joint ventures and other third parties. As of December 31, 2008, we had aircraft management and administration service contracts with nine parties covering over 300 aircraft (including the aircraft on order by AerVenture), two of which accounted for 84% of our aircraft services revenue in 2008. We categorize our aircraft services into aircraft asset management, administrative services and cash management services. Since we have an established operating system to provide these services to manage our own aircraft assets, the incremental cost of providing aircraft management services to securitization vehicles, joint ventures and third parties is limited. Our primary aircraft asset management activities are:

- remarketing aircraft;
- collecting rental and maintenance payments, monitoring aircraft maintenance, monitoring and enforcing contract compliance and accepting delivery and redelivery of aircraft;
- conducting ongoing lessee financial performance reviews;
- periodically inspecting the leased aircraft;
- coordinating technical modifications to aircraft to meet new lessee requirements;
- conducting restructurings negotiations in connection with lease defaults;
- repossessing aircraft;
- arranging and monitoring insurance coverage;
- registering and de-registering aircraft;
- arranging for aircraft and aircraft engine valuations; and

providing market research.

We charge fees for our aircraft management services based primarily on a mixture of fixed retainer amounts, but we also receive performance based fees related to the managed aircrafts' lease revenues or sale proceeds, or specific upside sharing arrangements.

We provide cash management and administrative services to securitization vehicles and joint ventures. As of December 31, 2008, we had four cash management agreements with clients holding an aggregate of 227 aircraft in their portfolios and seven administrative agency agreements with clients holding an aggregate of 308 aircraft in their portfolios. Cash management services consist of treasury services such as the financing, refinancing, hedging and on going cash management of these vehicles. Our administrative services consist primarily of accounting and secretarial services, including the preparation of budgets and financial statements, and liaising with, in the case of securitization vehicles, the rating agencies.

Engine and Parts

Overview

On April 26, 2006, we acquired all of the share capital of AeroTurbine. AeroTurbine was established in 1997 and is engaged in engine trading and leasing and the disassembly of airframes and engines for the sale of their component parts to the global aviation industry. We acquired AeroTurbine to:

- implement our strategy of profitably managing aircraft throughout their lifecycle,
- diversify our investments in aviation assets,
- obtain a more significant presence in the market for older aircraft equipment; and
- take advantage of its broad customer base.

In 2008, we successfully completed our planned management transition at AeroTurbine.

Engine Acquisitions and Dispositions

Engine sales and purchases is a core part of our engine and parts business. We believe that our market insight and recurring customer relationships have been the key factors underlying our success in this business.

We purchase engines for which there is high market demand or for which we believe demand will increase in the future. We opportunistically sell and exchange engines when we believe that the realizable value from a sale or exchange will equal or exceed the realizable value that we would expect to receive from leasing or disassembling the engine for the sale of its parts.

In determining whether to purchase or sell an engine, we assess the value of each engine according to a number of factors, including its hardware composition, airworthiness directive compliance and service bulletin status, life-limited parts thresholds, historical maintenance documentation, performance data and material certifications.

Our extensive experience buying, selling, leasing, repairing and disassembling engines for their parts has provided us with in-depth trading and management expertise across the most popular commercial product lines manufactured by General Electric, CFM International, Pratt & Whitney, Rolls Royce and International Aero Engines. We conduct extensive technical and maintenance records due diligence before we purchase each engine. Our experienced team of dedicated acquisition and maintenance professionals is composed of 36 licensed aircraft and engine mechanics, 14 licensed inspectors and 16 aircraft maintenance record specialists who track and document the maintenance history of each engine and airframe that is to be acquired. We are frequently able to correct or reconstruct engine maintenance records, which can lower the maintenance and acquisition cost of our engines and aircraft. Since commencing operations in 1997, AeroTurbine has sold over 327 engines, generating revenues in excess of $306 million.

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We typically finance the purchase of engines with borrowed funds and internally generated cash flows. We believe that we are able to react more rapidly to engine acquisition opportunities than most of our competitors because we have substantial committed financing and can often identify, conduct due diligence and close on prospective acquisitions in less than one week. We have a $328 million committed revolving facility which we can use to fund acquisitions of aircraft, engines and aircraft parts. As of December 31, 2008, we had $134 million of funds available under our revolving facility.

Engine Portfolio

We maintain a diverse inventory of high-demand, modern and fuel-efficient engines. As of December 31, 2008, we owned 71 engines, had two new engines on order and executed letters of intent to purchase an additional two engines. Our engine portfolio consists primarily of CFM56 series engines, one of the most widely used engines in the commercial aviation market. As of December 31, 2008, 56 of our 75 engines were CFM56 series engines manufactured by CFM International.

We expect to expand and further diversify our engine portfolio in the future through engine acquisitions and aircraft disassemblies. As our aircraft portfolio ages, and specific aircraft become suitable for disassembly, we intend to disassemble such aircraft and remove high demand engines for addition to our engine portfolio, while the remaining airframes and engines will be disassembled for sale of their component parts. We also have the ability to perform limited MRO services on CFM56 series engines, which comprise most of the engines in our engine portfolio.

Airframe and Engine Disassembly and Parts Sales

Over time, the combined value of a typical aircraft's parts will eventually exceed the value of the aircraft as a whole operating asset, at which time the aircraft may be retired from service. Traditional aircraft lessors and airlines often retire their aircraft by selling or consigning them to companies that specialize in aircraft and engine disassembly. The AeroTurbine Acquisition has allowed us to incorporate this valuable revenue source into our integrated business model, which is focused on managing aircraft and engines throughout their lifecycle.

We sell airframe parts primarily to aircraft parts distributors and MRO service providers. Airframe parts comprise a broad range of aircraft sub-component groups, including avionics, hydraulic and pneumatic systems, auxiliary power units, landing gear, interiors, flight control surfaces, windows and panels. We have disassembled 70 aircraft for the sale of their parts and we believe that we were among the first to voluntarily and strategically disassemble Airbus A320 and A340 family aircraft. Our aircraft disassembly operations are focused on the strategic acquisition of aircraft with engines that are among the most sought after in the secondary market.

We are focused on developing long-term supply relationships with clients that perform MRO services on aircraft and engines. Parts sales allow us to increase the value of our aircraft and engine assets by putting each sub-component (engines, airframes and related parts) to its most profitable use (sale, lease, and/or disassembly for parts sales). In addition, this capability provides us with an additional cost advantage over our non-integrated competitors by providing us with a critical source of low cost replacement engines and parts to support the maintenance of our aircraft and engine portfolios.

Prior to the acquisition of our facility in Goodyear, Arizona, we outsourced the physical disassembly of our airframes into parts, but sold the airframe parts ourselves.

Engine Leasing

Generally, it is uneconomical for aircraft operators with small aircraft fleets to own the quantity of spare engines required to adequately cover their operational requirements. As a result, aircraft operators often lease spare engines when they send out their engines for off-site MRO. Spare engines are generally leased either directly from engine lessors like us, or from the MRO service provider that is repairing the aircraft operator's engine. To meet their clients' needs, MRO service providers often lease engines from engine lessors. We are focused on the short-term engine lease market with a typical lease term of 60 to 180 days. Short-term engine leases tend to have higher lease rates than long-term leases, because lessees require the engines on short notice and are willing to pay a premium for the flexibility of a short-term lease. Engines subject to short-term leases typically spend more time off-lease, while they are released with greater frequency.

The short-term engine leasing market has also developed in part in response to airlines' need to rapidly place aircraft back in service in the event of an unexpected engine problem. Short-term engine leases provide an alternative to owning spare engines or entering into long-term leases, where the engines can needlessly sit idle for long periods. To meet clients' urgent engine leasing needs, we typically maintain a substantial inventory of ready-to-lease engines in our off-lease inventory. We believe that our ability to modify and configure most of our lease portfolio engines is an important competitive advantage, since it can facilitate the rapid installation of our engines onto our customers' aircraft. In addition, we have the capability to provide limited on-site maintenance and repair for most of our leased engines which, in some circumstances, enables us to facilitate the return to service of our customers' grounded aircraft.

Our engine leasing customer base is comprised of a wide variety of airlines and cargo and charter operators, in addition to MRO service providers, and other aircraft and engine leasing companies. As of December 31, 2008, we had 49 engines on lease to 33 customers located in 18 countries.

We generally receive a fixed rental payment for our leased engines plus a variable rental payment based on the use of the engine. We typically receive monthly rent for our engines in advance, and additional rent for actual engine operation in arrears to compensate us for the anticipated future maintenance costs of such engines. Our engine lessees generally provide us with a security deposit in the amount of two months' rent, in addition to which we receive the first month's rental payment in advance.

On a few occasions, our engine lessees have experienced financial difficulties, requiring us to terminate or restructure our engine leases with the lessee. Over the past ten years, we have only had to resort to legal action for the repossession of engines with two of our lease customers.

Airframe MRO Capability

On August 4, 2006, we leased an aircraft MRO facility located in Goodyear, Arizona, acquired certain assets and hired 74 of the employees working at the facility. In connection with this lease, we acquired an additional repair station which is certified by the FAA and EASA and associated equipment which permits us to perform a variety of MRO services on commercial transport aircraft, including aircraft heavy maintenance, limited powerplant repair to engine and line components, which includes starters, generators, hydraulic pumps, and quick engine changes installation. The Goodyear facility includes a 226,000 square foot hangar with the ability to house up to four wide-body aircraft, or eight narrowbody aircraft for the purpose of performing heavy maintenance repairs, aircraft disassemblies and engine changes. The ramp area outside of the hangar can facilitate both short and long term storage of up to 14 aircraft. In addition to the hangar and ramp space, there is a significant storage field capable of storing over 120 aircraft with approximately 85 on site at the close of 2008. This transaction was primarily made to reduce our cost of aircraft disassembly, support the expansion of our airframe parts distribution and airframe MRO business. In 2008, we disassembled three customer aircraft and six AeroTurbine aircraft. We also performed heavy airframe maintenance on five AerCap aircraft (three Boeing 737s, a Boeing 767 and an MD11 aircraft). During the same period, customer heavy airframe maintenance aircraft have included three Boeing 737s, two MD80s and one Boeing 757.

After completing a strategic review of its Engine Maintenance & Overhaul business unit segment in 2008, AeroTurbine, Inc. reduced the operations of its engine performance restoration line. AeroTurbine will maintain current field service, accessories/line replaceable units (LRU) and light engine maintenance capabilities in support of its engine leasing business. As a result, AeroTurbine reduced its workforce at the Miami, Florida location by approximately 50 positions.

Financing

Our management analyzes sources of financing based on the pricing and other terms and conditions in order to optimize the return on our investments. We have the ability to access the bank, governmental secured debt, securitization and debt capital markets. We generally do not engage in financing transactions for individual aircraft or engines. In April 2006, we entered into a $1.0 billion revolving credit facility with a syndicate of banks led by UBS to facilitate our growth strategy and the acquisition of aircraft up to 15 years of age. Simultaneously with the AeroTurbine Acquisition and the closing of the UBS facility, we put in place a $171.0 million facility which was later increased to $328.0 million that enables us to acquire eligible aircraft engines and parts of any age. These facilities provide us with large scale committed financing that will allow us to rapidly execute aircraft portfolio purchases.

Once we obtain sufficient aircraft through our revolving credit facilities, we generally leverage our extensive financing experience and access to the securitization and other long-term debt markets to obtain long-term, lower cost non-recourse financing. Since 1996, we have raised over $20 billion of funding in the global financial markets including over $9 billion of funds through initial issuances and refinancings in the aircraft securitization market. In May 2007, we completed a $1.66 billion securitization of 70 aircraft subject to operating leases. This securitization was a refinancing of our 2005 securitization. In the refinancing, we added 28 aircraft to the securitization, including 24 which had been previously secured by a variety of other debt structures and four which had yet to be purchased by us.

On June 26, 2008, our consolidated subsidiary ALS II closed a $1 billion aircraft securitization. The securitization will provide long-term non-recourse funding for 30 new A320 family aircraft which are part of the 70 aircraft order placed by AerVenture. In this securitization, each of the underwriting banks has committed to make advances to ALS II. The proceeds received by ALS II from the advances and the issuances of certain additional notes, will be used by ALS II to acquire the 30 aircraft which will be leased to customers of AerCap and AerVenture and to pay certain transaction expenses.

On January 5, 2009, we signed a facility agreement with Calyon S.A. and other banks and financial institutions, which contained the negotiated terms pursuant to which the ECA have agreed to provide guarantees on up to $1.4 billion of financing. This represents a significant portion of the remaining financing needed for the Airbus A330 order delivering between 2009 and 2012. The ECA consist of Coface in France, Export Credits Guarantee Department in the United Kingdom, and Euler-Hermes in Germany. The loans are to be provided by a syndicate of banks led by Calyon acting as Global Arranger and are subject to customary Export Credit Agency requirements.

In February 2009, we entered into a $86.3 million facility with a European financial institution to finance the pre-delivery payments in connection with the delivery of three A330 aircraft pursuant to a purchase agreement signed with Airbus in December 2006, and amended in May 2007.

In March 2009, AerVenture closed a $846.0 million export credit facility with a syndicate of commercial banks led by Calyon S.A. to finance up to 20 Airbus A320 aircraft. Repayment under the credit facility is guaranteed by the ECA. Currently no aircraft have been financed under this facility.

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Subsidiaries

AerCap Holdings N.V.'s major subsidiaries as of December 31, 2008 were AerCap B.V., AeroTurbine Inc., AerCap Ireland Ltd., Sunflower Aircraft Leasing Ltd., AerCap Aircraft Leasing XXX B.V., AerCap Dutch Aircraft Leasing I B.V. and AerCap Partners I Ltd. AerCap Holdings N.V. has numerous other subsidiaries, none of which contribute more than 5% of our consolidated revenues or represent more than 5% of our total assets.

Employees

The table below provides the number of our employees at each of our principal geographical locations as of the dates indicated.

Location	December 31, 2006	December 31, 2007	December 31, 2008
Amsterdam, The Netherlands	71	88	87
Shannon, Ireland	37	42	44
Fort Lauderdale, FL	13	16	17
Miami, FL(1)	163	172	128
Goodyear, AZ(1)	67	75	83
Other(2)		9	23
Total	**351**	**402**	**382**

(1) Employees located in Miami, Florida and Goodyear, Arizona are employees of AeroTurbine which we acquired in April 2006.

(2) We lease small offices in Shanghai (China), Irvine (TX), Brighton (UK) and Singapore.

None of our employees are covered by a collective bargaining agreement and we believe that we maintain excellent employee relations. Although under Netherlands law we are required to have a works council for our operations in The Netherlands, our employees have not elected to date to organize a works council. A works council is an employee organization that is granted certain statutory rights to be involved in certain of the company's decision making processes. The exercise of such rights, however, must take into account the interests of the company and its shareholders.

Organizational Structure

AerCap Holdings N.V. is a holding company which holds directly and indirectly consolidated investments in six main operating companies, most of which in turn own special purpose entities which hold our aircraft and engine assets. AerCap Holdings N.V. and subsidiaries employ 382 people and does not own significant assets outside of its investments in its subsidiaries. Within the group, we also have several inactive subsidiaries or subsidiaries which are in the process of being liquidated. In addition to AerCap Holdings N.V.'s ownership in our principal operating subsidiaries, it holds our economic interests in AerCap Partners (19 aircraft) and AerVenture (11 aircraft with 50 aircraft on order) which in turn holds the economic interests in AerFunding (11 aircraft). The six principal operating subsidiaries, their share ownership and the identity of their significant asset owning subsidiaries is detailed below.

AerCap B.V. is owned 100% by AerCap Holdings N.V. AerCap B.V. is located in Amsterdam, The Netherlands,. and through its special purpose subsidiaries, owns the economic interests in 39 aircraft. AerCap B.V. does not employ any personnel.

AerCap Group Services B.V. is owned 100% by AerCap Holdings N.V. AerCap Group Services, B.V. is located in Amsterdam, The Netherlands and had 55 employees as of December 31, 2008. AerCap

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Group Services B.V. does not own significant assets, but provides a range of management services to other asset owning companies in the AerCap group of companies.

AerData B.V. is owned 51% by AerCap Holdings N.V. and 49% by senior management of AerData B.V. AerData B.V. was established in 2007 to provide aviation lease management software IT services to the AerCap group of companies and third parties. AerData B.V. had 15 employees as of December 31, 2008.

AerCap Ireland Limited is indirectly owned 100% by AerCap Holdings N.V. AerCap Ireland Limited is located in Shannon, Ireland and holds our economic interests in Aircraft Lease Securitisation Limited ("ALS I"), which owns 62 aircraft. In addition, AerCap Ireland Limited owns 19 aircraft directly or through single aircraft owning special purpose entities. AerCap Ireland Limited is also the holder of our joint venture investment in AerDragon (2 aircraft). AerCap Ireland Limited had 44 employees as of December 31, 2008.

AerCap, *Inc.* is owned 100% by AerCap Holdings N.V. AerCap, Inc. is located in Ft. Lauderdale, Florida. AerCap, Inc. does not employ any personnel. AerCap, Inc. owns 100% of AerCap Group Services, Inc., which had 17 employees as of December 31, 2008 and provides a range of services to other asset owning companies in the AerCap group of companies. AerCap, Inc. and its wholly owned subsidiaries (excluding AeroTurbine, Inc.) are the lessees under four lease-in, lease-out transactions and own one aircraft. AerCap, Inc. owns 100% of the share capital of AeroTurbine, Inc.

AeroTurbine, *Inc* is owned 100% by AerCap, Inc. AeroTurbine, Inc. is located in Miami, Florida, has a facility in Goodyear, Arizona and employed 211 people as of December 31, 2008. AeroTurbine, Inc. owns 61 engines, six aircraft which are designated for disassembly and part-out and an inventory of aircraft and engine parts for sale.

Competition

The aircraft leasing and sales business is highly competitive. We face competition from aircraft manufacturers, financial institutions, other leasing companies, aircraft brokers and airlines. Competition for a leasing transaction is based on a number of factors, including delivery dates, lease rates, term of lease, other lease provisions, aircraft condition and the availability in the market place of the types of aircraft that can meet the needs of the customer. As a result of our geographical reach, diverse aircraft portfolio and success in remarketing our aircraft, we believe we are a strong competitor in all of these areas; however, some of our competitors such as GE Commercial Aviation Service and International Lease Finance Corporation, have significantly larger and more diversified aircraft portfolios and greater access to financing than we do. As of December 2008, GE Commercial Aviation Service and International Lease Finance Corporation together, according to Airclaims Client Aviation System Enquiry Database, represent approximately 44% of the operating lease market and 24% of the orders from Boeing and Airbus held by operating lessors.

The engine leasing industry is fragmented and is also highly competitive. The engine leasing industry is generally divided into two principal competitive segments: short-term engine lessors that focus on providing temporary spare engine support while a customer's engine requires off-site MRO (typical 60 to 90 day lease periods) and long-term engine lessors that focus on providing spare or primary engines to operators as an alternative to ownership of the engine by the lessee (typical lease periods of over one year). Though we are much more active in the short-term engine leasing segment, we compete in both lease segments. The engine leasing market is primarily comprised of seven major engine leasing companies, including ourselves. We believe we are a strong competitor, particularly in the short-term engine leasing segment, due to our rapid response in-house MRO capabilities; however, some of our competitors such as GE Engine Leasing, Shannon Engine Support, Engine Lease Finance, Pratt & Whitney Engine Leasing LLC, Rolls Royce and Partners Finance and Willis Lease Finance, have significantly larger and more diversified engine portfolios and greater access to financing than we do. We also encounter competition from airlines, financial institutions, engine brokers, consignment agencies and special purpose entities with investment objectives similar to ours.

The aircraft parts market is generally divided into two principal segments, consisting of (i) airframe parts sales and (ii) engine parts sales specialists. While we compete in both markets with a few large companies, we also separately compete with numerous other parts sales organizations, MRO service providers, original equipment manufacturers, commercial airlines and many smaller competitors primarily in the U.S. and Europe. Additionally, there are numerous small brokers and traders that generally sell from limited inventories and participate in niche markets. Competition in the aircraft and engine parts markets is based on quality, ability to provide a timely and consistent source of materials, ability to provide a multiple range of desirable products, speed of delivery and pricing.

Insurance

Our lessees are required under our leases to bear responsibility, through an operational indemnity subject to customary exclusions, and to carry insurance for, any liabilities arising out of the operation of our aircraft or engines, including any liabilities for death or injury to persons and damage to property that ordinarily would attach to the operator of the aircraft or engine. In addition, our lessees are required to carry other types of insurance that are customary in the air transportation industry, including hull all risks insurance for both the aircraft and each engine whether or not installed on our aircraft, hull war risks insurance covering risks such as hijacking, terrorism, confiscation, expropriation, nationalization and seizure (in each case at a value stipulated in the relevant lease which typically exceeds the net book value by 10%, subject to adjustment in certain circumstances) and aircraft spares insurance and aircraft third party liability insurance, in each case subject to customary deductibles. We are named as an additional insured on liability insurance policies carried by our lessees, and we and/or our lenders are designated as a loss payee in the event of a total loss of the aircraft or engine. We monitor the compliance by our lessees with the insurance provisions of our leases by securing confirmation of coverage from the insurance brokers. We also purchase insurance which provides us with coverage when our aircraft or engines are not subject to a lease or where a lessee's policy lapses for any reason. In addition we carry customary insurance for our property and parts inventory, and we also maintain customary product liability insurance covering liabilities arising from our aircraft, engine and aviation parts trading activities. Insurance experts advise and make recommendations to us as to the appropriate amount of insurance coverage that we should obtain.

Regulation

While the air transportation industry is highly regulated, since we do not operate aircraft, we generally are not directly subject to most of these regulations. However, our lessees are subject to extensive regulation under the laws of the jurisdiction in which they are registered and in which they operate. These regulations, among other things, govern the registration, operation and maintenance of our aircraft and engines. Most of our aircraft are registered in the jurisdiction in which the lessee of the aircraft is certified as an air operator. Both our aircraft and engines are subject to the airworthiness and other standards imposed by our lessees' jurisdictions of operation. Laws affecting the airworthiness of aviation assets are generally designed to ensure that all aircraft, engines and related equipment are continuously maintained in proper condition to enable safe operation of the aircraft. Most countries' aviation laws require aircraft and engines to be maintained under an approved maintenance program having defined procedures and intervals for inspection, maintenance and repair.

In addition, under our leases, we may be required in some instances to obtain specific licenses, consents or approvals for different aspects of the leases. These required items include consents from governmental or regulatory authorities for certain payments under the leases and for the import, re-export or deregistration of the aircraft and engines. Also, to perform some of our cash management services and insurance services from Ireland under our management arrangements with our joint ventures and securitization entities, we are required to have a license from the Irish regulatory authorities which we have obtained.

With regard to our MRO activities, we maintain FAA and EASA certifications to conduct limited repair station tasks on engines. These certifications are subject to periodic review, and involve regulatory oversight and audit of the respective personnel and procedures utilized to conduct MRO services to aircraft, engines and components thereof, so as to ensure that our repair station managers and mechanics are properly qualified to perform the work for which we are certified. In addition, our MRO facility is subject to environmental regulation regarding, among other things, the use, storage and disposal of certain hazardous material.

Facilities

In April 2008, we relocated to a 37,000 square foot office facility in Amsterdam, the Netherlands. The new office has been contracted under a five-year lease which commenced on April 1, 2008. We also lease a 31,000 square foot facility in Shannon, Ireland. We lease our Shannon facility under a 20-year lease which began January 26, 2000 and have an option to terminate after ten years. In addition, we lease an 8,000 square foot facility in Fort Lauderdale, Florida under a ten-year lease which began in February 1999.

We also have a ten-year lease, which began on January 1, 2004, for a 150,000 square foot complex located near the Miami International Airport that we use as an office and warehouse. We lease our Goodyear facility, which includes a 226,000 square foot hangar and substantial additional space for outdoor storage of our aircraft, pursuant to a long-term lease that expires in 2026.

In addition to the above facilities, we also lease small offices in Irvine (Texas), Shanghai (China) and Brighton (U.K) and Singapore.

Trademarks

We have registered the "AerCap" name with WIPO International (Madrid) Registry and the Benelux Merkenbureau. The "AerCap" trademark and the AeroTurbine name have been registered with the United States Patent and Trademark Office.

Litigation

In the ordinary course of our business, we are a party to various legal actions, which we believe are incidental to the operation of our business. We believe that the outcome of the proceedings to which we are currently a party will not have a material adverse effect on our financial position, results of operations and cash flows.

VASP Litigation

We leased 13 aircraft and three spare engines to Viação Aerea de São Paulo, or VASP, a Brazilian airline. In 1992, VASP defaulted on its lease obligations and we commenced litigation against VASP to repossess our aircraft. In 1992, we obtained a preliminary injunction for the repossession and export of 13 aircraft and three spare engines from VASP. We repossessed and exported the aircraft and engines in 1992. VASP appealed this decision. In 1996, the High Court of the State of Sao Paulo ruled in favor of VASP on its appeal. We were instructed to return the aircraft and engines to VASP for lease under the terms of the original lease agreements. The High Court also granted VASP the right to seek damages in lieu of the return of the aircraft and engines. Since 1996 we have pursued this case in the Brazilian courts through various motions and appeals. On March 1, 2006, the Superior Court of Justice dismissed our most recent appeal and on April 5, 2006 a special panel of the Superior Court of Justice confirmed the Superior Court of Justice decision. On May 15, 2006 we appealed this decision to the

Federal Supreme Court. On February 23, 2006, VASP commenced a procedure for the calculation of the award for damages and since then both we and VASP have appointed experts to assist the court in calculating damages. Our external legal counsel has advised us that even if we lose on the merits, they do not believe that VASP will be able to demonstrate any damages. We continue to actively pursue all courses of action that may be available to us and intend to defend our position vigorously.

In July 2006, we commenced a claim for damages in the English courts against VASP based on the damages we incurred as a result of the default by VASP under seven lease obligations. VASP was served process in Brazil in October 2007 and in response has filed an application to challenge the jurisdiction of the English court which we will oppose. VASP has applied to the Court to adjourn the date for the hearing of its application to challenge the jurisdiction of the English Court pending the sale of some of its assets in Brazil. We have opposed this application and by an order dated March 6, 2008 the English court dismissed VASP's applications. In September 2008, the bankruptcy court in Brazil ordered the bankruptcy of VASP. VASP has appealed this decision. In December 2008, we filed with the English court an application for default judgment for loss of profits plus accrued interest under seven lease agreements. On March 16, 2009 we obtained a default judgment in which we have been awarded a claim of approximately $40.0 million for loss of profit plus accrued interest under seven lease agreements. In order to obtain this award, we will need to begin enforcement proceedings in Brazil against VASP, which is currently in bankruptcy. We cannot assure you as to the outcome of this claim.

Our management, based on the advice of external legal counsel, has determined that it is not necessary to make any provision for this litigation.

Swedish tax dispute

In 2001, Swedish tax authorities challenged the position we took in tax returns we filed for the years 1999 and 2000 with respect to certain deductions. In accordance with Swedish law, we made a guaranty payment to the tax authority of $16.8 million in 2003. We appealed the decision of the tax authorities, and, in August 2004, a Swedish Court issued a ruling in our favor which resulted in a tax refund of $19.9 million (which included interest and the effect of foreign exchange movements for the intervening period). In September 2004, the Swedish tax authorities filed an appeal against this ruling with the Administrative Court of Appeal in Sweden. In December 2008 the Administrative Court of Appeal decided in our favor, and since the Swedish tax authorities did not file an appeal against this decision before February 19, 2009, the decision by the Administrative Court of Appeal has now gained legal force and the case is closed.

Item 4A. Unresolved Staff Comments

Not applicable.

Item 5. Operating and Financial Review and Prospects

You should read this discussion in conjunction with our audited consolidated financial statements and the related notes included in this annual report. Our financial statements are presented in accordance with generally accepted accounting principles in the United States of America, or US GAAP. The discussion below contains forward looking statements that are based upon our current expectations and are subject to uncertainty and changes of circumstances. See "Item 3. Key Information Risk Factors" and "Special Note About Forward Looking Statements".

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Overview

Net income for the full year 2008 was $151.8 million. Net income excluding non-cash charges relating to the mark-to-market of interest rate caps and share based compensation was $197.8 million, down 6% as compared to $210.6 million in 2007. The after-tax charge relating to the mark-to-market of our interest rate caps was $39.6 million and the after-tax charge from share based compensation was $6.4 million. The decrease in net income excluding the non-cash charges was driven primarily by the impact from airline defaults which occurred in 2008, inventory impairments, lower gains from sales and lower other revenue. However, net spread, the difference between basic lease rents and interest expense excluding the mark-to-market of interest rate caps, was $359.6 million for full year 2008, up 19% as compared to 2007. This measure reflects the increase in our leasing income. Total basic and fully diluted earnings per share for the full year 2008 were $1.79. Total basic and fully diluted earnings per share excluding non-cash charges relating to mark-to-market of interest rate caps of $0.46 per share and share based compensation of $0.08 per share were $2.33. The number of outstanding shares is currently 85.0 million.

Major Developments in 2008

During 2008 major developments included:

- We signed a facility agreement with Calyon S.A. and other banks and financial institutions, detailing the terms pursuant to which the ECA have agreed to provide guarantees of up to $1.4 billion of financing. This represents a significant portion of the remaining financing needed for our Airbus A330 order scheduled delivery between 2009 and 2012. The ECA consist of Coface in France, Export Credits Department in the United Kingdom, and Euler-Hermes in Germany. The loans are to be provided by a syndicate of banks led by Calyon acting as global arranger and are subject to customary ECA requirements.

- We closed a $1.0 billion aircraft securitization through ALS II that provides long-term, non-recourse funding for 30 new A320 family aircraft. These aircraft are part of a 70-aircraft order placed by AerVenture.

- We acquired a 19-aircraft portfolio from TUI Travel in a joint venture with Deucalion Aviation Funds. This portfolio contains 11 next generation Boeing 737-800s, six Boeing B757-200s and two Boeing B767-300ERs. The portfolio was financed through a $425.7 million debt facility provided by DVB Bank and $62.8 million of subordinated debt provided by Deucalion Aviation Funds.

- AerVenture closed a $269.2 million credit facility with HSH Nordbank AG to finance the pre-delivery payments for 37 new A320 family aircraft under forward order from Airbus, scheduled for delivery between November 2009 and May 2011.

- We closed a $100 million engine acquisition facility.

- We increased our pre-delivery payment funding facility by $68.4 million. This facility was arranged by Citigroup Inc. and is to be used to finance the pre-delivery payments relating to A330 aircraft under forward order with Airbus, scheduled for delivery between January and April 2010.

Recent Developments

- In February 2009, we entered into a $86.3 million facility with a European financial institution to finance the pre-delivery payments in connection with the delivery of three A330 aircraft pursuant to a purchase agreement signed with Airbus in December 2006.

In March 2009, AerVenture signed a $846.0 million export credit facility with a syndicate of commercial banks led by Calyon S.A. to finance up to 20 Airbus A320 aircraft. Repayment under the credit facility is guaranteed by the ECA. No aircraft have yet been financed under this facility.

In March 2009, LoadAir failed to make $80.0 million in required capital contributions to AerVenture, and as a result, LoadAir lost its voting rights and economic rights in AerVenture with the exception of certain rights to limited residual payments upon liquidation of AerVenture. AerVenture is now a wholly-owned subsidiary. As a result of LoadAir's failure to make the required equity contributions, we will be required to invest additional equity in AerVenture so that it will have sufficient cash available to fund the equity portion of the purchase price for its upcoming aircraft deliveries. To provide additional funding to us following the failure by LoadAir to fund its capital commitments, we signed a term sheet with a bank for a new financing transaction. The financing that would be provided upon closing of the transaction to which the term sheet relates would provide us with pre-delivery financing for certain A330 aircraft subject to forward purchase commitments with Airbus and funding on an owned aircraft. Under the terms of the term sheet, we would be required to purchase a new wide-body aircraft currently on order by LoadAir for which the bank previously provided pre-delivery payment financing. After we purchase the aircraft, we intend to lease it back to LoadAir. As part of this transaction, we expect to give LoadAir an option for a limited period of time to purchase up to 50 percent of the shares in AerVenture which have voting and economic rights, if it meets certain conditions. This transaction, excluding any proceeds from LoadAir, would decrease the amount by which our forward purchase commitments exceed our available cash by approximately $50 million in 2009 and $25 million in 2010.

Liquidity and Access to Capital

Aircraft and engine leasing is a capital intensive business and we have significant capital requirements. In prior years, we have achieved positive consolidated cash flow from operations. We have substantial commitments to purchase aircraft under forward order contracts, including through AerVenture. These commitments include requirements to make pre-delivery payments, as well as the requirement to pay the balance of the purchase price for aircraft on delivery. As of March 31, 2009, our commitments in 2009 and 2010 to make pre-delivery and final delivery payments under our forward purchase commitments exceeded the amounts available under our committed borrowing facilities by $174.5 million and $248.6 million, respectively.

Due to the current ongoing global recession and financial crisis, there has been a significant decrease in the amount of capital available to finance the purchase of aviation assets, including pre-delivery payments on forward purchase commitments, which has made it more challenging and expensive for us to obtain new credit. We have historically relied on sales of aircraft as an integral part of our liquidity strategy in order to meet cash requirements for our operations and committed capital expenditures. As a consequence of the current global recession and financial crisis and the corresponding decrease in capital available to finance the purchase of aviation assets, we have experienced a decrease in demand and offer prices from third-party investors interested in buying our aircraft.

We have also historically generated cash flows by selling equity interests in our aircraft owning subsidiaries and by forming joint ventures. One joint venture, AerVenture, was created in 2005 and LoadAir purchased a 50% equity interest in it in 2006. Under the AerVenture joint venture agreement, LoadAir was required to make $80.0 million in additional capital contributions to AerVenture in March 2009, which it failed to make. As a result of LoadAir's failure to make the required equity contributions, we will be required to invest additional equity in AerVenture so that it will have sufficient cash available to fund the equity portion of the purchase price for its upcoming aircraft

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deliveries. As a result of the additional equity contributions we are now required to make to AerVenture, we will have less cash available to us to fund our other obligations and our liquidity will be materially and adversely affected.

In order to access the required capital to meet our obligations under our forward purchase commitments, we have completed or have undertaken several initiatives as more fully described below under " Liquidity and Capital Resources."

Non Cash Charge for Share based Compensation

The non cash charge for share based compensation, net of tax, was $6.4 million for the full year 2008. The charge relates to restricted shares and share options in entities that own a substantial percentage of our shares and which are held by members of our senior management, independent directors and a consultant and share options in AerCap Holdings N.V. which are held by members of our senior management. The charge did not reduce our net equity.

Non Cash Charge for Mark-to-market of Interest Rate Caps

The non cash charge for mark-to-market of interest rate caps, net of tax and minority interest, was $39.6 million for the full year 2008. We use interest rate caps to hedge against the impact of interest rate increases on variable-rate debt. Our interest rate caps do not qualify for hedge accounting under US GAAP and the periodic mark-to-market gains or losses of our caps is recorded as interest expense.

Aviation Assets

Our total assets and owned portfolio continue to grow. We acquired $1.5 billion of aviation assets including 58 aircraft and 25 engines in 2008. Total assets were $5.4 billion at December 31, 2008. Total assets increased 23% during 2008 which was driven by the acquisition of aviation assets. The increase in flight equipment was the result of a net increase of 32 owned aircraft in our portfolio. The number of aircraft in our portfolio was 297 as of December 31, 2008, consisting of 160 owned aircraft, 53 managed aircraft, 78 aircraft in our order book, four aircraft subject to purchase contract and two aircraft under letter of intent. The number of aircraft decreased by 21 units from 318 since the end of 2007. The decline in aircraft was largely driven by the sale/termination of managed aircraft. The number of engines owned or on contract was 75, an increase of six engines from 69 engines owned at the end of 2007.

Factors Affecting our Results

Our results of operations have been affected by a variety of factors, primarily:

- the number, type, age and condition of the aircraft and engines we own;
- aviation industry market conditions;
- the demand for our aircraft and engines and the resulting lease rates we are able to obtain for our aircraft and engines;
- the availability and cost of debt capital to finance purchases of aircraft and aviation assets;
- the purchase price we pay for our aircraft and engines;
- the number, types and sale prices of aircraft and engines we sell in a period;
- the ability of our lessee customers to meet their lease obligations and maintain our aircraft and engines in airworthy and marketable condition;

the utilization rate of our aircraft and engines;

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the recognition of non-cash share based compensation expense related to the issuance of restricted stock and stock options to our employees and our non-executive directors by the Cerberus Funds which controlled 100% of our stock at the time of the 2005 Acquisition and the issuance by the Company of stock options to our employees; and

interest rates which affect our aircraft lease revenues, our interest on debt expense and the market value of our interest rate derivatives.

Factors Affecting the Comparability of Our Results

Our Acquisition by Cerberus

On June 30, 2005, AerCap Holdings C.V., a Netherlands partnership owned by Cerberus acquired all of AerCap B.V.'s (formerly known as debis AirFinance B.V.) shares and $1.8 billion of liabilities owed by AerCap B.V. to its prior shareholders. In accordance with FAS 141, *Business Combinations*, we allocated the purchase consideration to the assets acquired and liabilities assumed based on their fair values. Since the purchase consideration of $1.4 billion was less than the $1.9 billion combined carrying value of the liabilities and the equity purchased by Cerberus, the purchase price allocation resulted in lower carrying values for our assets after the 2005 Acquisition. The carrying values of our assets and liabilities influence our results of operations and, accordingly, the net decrease in asset carrying values, which resulted from the 2005 Acquisition, has resulted in improved operating performance. The material impacts on our consolidated income statement of the 2005 Acquisition relate to purchase accounting adjustments in our assets which are reflected in lower depreciation expense and lower cost of goods sold due to reduced net book values, and in lower interest on debt expense. Other than the corresponding effect on income from continuing operations before provision for income taxes and net income, the 2005 Acquisition did not materially impact any of the other line items in our consolidated income statement.

AeroTurbine Acquisition

On April 26, 2006, we acquired all of the existing share capital of AeroTurbine, Inc., an engine trading and leasing and part sales company. We acquired AeroTurbine to implement our strategy of managing aircraft profitably throughout their lifecycle, to diversify our investment in aviation assets and to obtain a more significant presence in the market for older aircraft equipment. In accordance with FAS 141, *Business Combinations*, we allocated the purchase price paid to the assets acquired and liabilities assumed based on their fair values. Since the purchase consideration was greater than the combined carrying value of the assets purchased and liabilities assumed by us, the purchase price allocation resulted in higher carrying values for the AeroTurbine assets as well as $25.6 million of intangible assets and goodwill of $6.8 million at the date of the AeroTurbine Acquisition. The inclusion of AeroTurbine in our consolidated results has increased our lease and sales revenue and cost of goods sold through the addition of $317.5 million and $345.1 million of combined flight equipment and inventory in our December 31, 2007 and December 31, 2008 consolidated balance sheets, respectively. In addition, the interest on AeroTurbine's debt has increased our consolidated interest expense and the inclusion of AeroTurbine's operations has increased our selling, general and administrative expenses. More specifically, for the year ended December 31, 2006, we recognized $62.4 million of non cash, share based compensation, net of taxes, in our consolidated selling, general and administrative expenses related to restricted shares granted in connection with the AeroTurbine Acquisition.

Prior to the AeroTurbine Acquisition, we operated our business as one reportable segment: leasing, financing, sales and management of commercial aircraft. From the date of the AeroTurbine Acquisition, we manage our business and analyze and report our results on the basis of two business segments: leasing, financing, sales and management of commercial aircraft ("Aircraft") and leasing, financing and sales of engines and parts ("Engines and Parts").

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Stock Compensation Expenses

Our financial results for the year ended December 31, 2006 include a charge of $68.3 million, net of tax of $10.3 million for non-cash, share based compensation expense related to the vesting of options and restricted stock previously granted or sold by the Cerberus Funds to the owners of AeroTurbine at the time of its acquisition by us and to members of our senior management, our non-executive directors and one consultant primarily in connection with the 2005 Acquisition. While we continue to recognize some additional non-cash, share based compensation in connection with these restricted stock and options, as well as options issued in 2007 and 2008 by AerCap Holdings N.V., future charges are not expected to be of a similar magnitude as those recognized in 2006. Our financial results for the year ended December 31, 2008 include a charge for share based compensation of $7.5 million ($6.4 million net of tax).

Critical Accounting Policies Applicable to Us

Our Management's Discussion and Analysis of Financial Condition and Results of Operations is based upon our consolidated financial statements, which have been prepared in accordance with US GAAP, and require us to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The use of estimates is or could be a significant factor affecting the reported carrying values of flight equipment, investments, trade and notes receivable, deferred tax assets and accruals and reserves. Our estimates and assumptions are based on historical experiences and currently available information. We utilize professional appraisers and valuation experts, where possible, to support our estimates, particularly with respect to flight equipment. Despite our best efforts, actual results may differ from our estimates under different conditions, sometimes materially. A summary of our significant accounting policies is presented in Note 2 to our audited consolidated financial statements included elsewhere in this annual report. Critical accounting policies and estimates are defined as those that are both most important to the portrayal of our financial condition and results of operations and require our most subjective judgments, estimates and assumptions. Our most critical accounting policies and estimates are described below.

Lease Revenue Recognition

We lease flight equipment principally under operating leases and report rental income on a straight-line basis over the life of the lease as it is earned. Virtually all of our lease contracts require payment in advance. Rents collected in advance of when they are earned are recorded as deferred revenue on our balance sheet and recorded as lease revenue as they are earned. Provisions for doubtful notes and accounts receivables are recorded in the income statement when rentals become past-due and the rentals exceed security deposits held, except where it is anticipated that the lease will end in repossession and then provisions are made regardless of the level of security deposits. Our management monitors the status of customers and the collectability of their receivables based on factors such as the customer's credit worthiness, payment performance, financial condition and requests for modifications of lease terms and conditions. Customers for whom collectability is not reasonably assured are placed on non-accrual status and revenue is recorded on a cash basis. When our management deems the collectability to be reasonably assured, based on the above factors, the customer is removed from non-accrual status and revenue is recognized on an accrual basis. As described below, revenue from supplemental maintenance rent is recognized when we no longer expect to reimburse maintenance rent to lessees.

Depreciation and Amortization

Flight equipment held for operating leases, including aircraft, is recorded on our balance sheet at cost less accumulated depreciation and impairment. Aircraft are depreciated over the assets' useful life, which is 25 years from the date of manufacture for substantially all of our aircraft, using the straight-line method to estimated residual values. Estimated residual values are generally determined to be approximately 15% of the manufacturer's price.

For older engines purchased primarily for short-term leasing through our AeroTurbine operations, we depreciate current production model engines on a straight-line basis over a 15-year period from the acquisition date to an estimated residual value. We estimate residual values of current production model engines based on observed current market prices and management expectations of value trends. Out-of-production engines are depreciated on a straight-line basis over an estimated useful life ranging from five to seven years to an estimated residual value. For newer engines purchased primarily for longer-term leases, we depreciate over a 30-year period to a residual of 10% of cost. The carrying value of flight equipment that we designate for disassembly is transferred to our inventory pool and is held for sale at the time of such designation. We discontinue the depreciation of our flight equipment when it is held as inventory. Differences between our estimates of useful lives and residual values and actual experience may result in future impairments of aircraft or engines and/or additional gains or losses upon disposal. We review residual values of aircraft and engines periodically based on our knowledge of current residual values and residual value trends to determine if they are appropriate and record adjustments as necessary.

Intangibles assets related to customer relationships are amortized over ten years, which is the length of time that we expect to benefit from existing customer relationships. The amortization in each year is based on the anticipated sales in each year which benefit from such relationships. Our FAA certificate is amortized straight-line over 15 years, the remaining estimated useful life of the engine type to which the repair station certificate relates.

Inventory

Inventory, which consists exclusively of finished goods, is valued at the lower of cost or market. Cost is primarily determined using the specific identification method for individual part purchases and whole engines and on an allocated basis for dismantled engines, aircraft, and bulk inventory purchases using the relationship of the cost of the dismantled engine, aircraft or bulk inventory purchase to estimated market value at the time of purchase. We estimate market value for this purpose based on internal estimates of sales values and recent sales activity of similar inventory. We charge the cost of sold inventory to cost of goods sold based on the ratio of remaining cost to the market value of such inventory. We evaluate this ratio periodically and make prospective adjustments in connection with updated market values. Any inventory identified with a market value lower than cost is reduced to market value at the time of the review.

Impairments

In accordance with FAS 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, our flight equipment held for operating lease and definite lived intangible assets are evaluated for impairment when events and circumstances indicate that the carrying amounts of those assets may not be recoverable. The review for recoverability includes an assessment of the estimated future cash flows associated with the use of an asset and its eventual disposition. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset, an impairment loss is recognized. The loss is measured as the excess of the carrying amount of the impaired asset over its fair value. Fair value reflects the present value of cash expected to be received from the asset in the future, including its expected residual value discounted at a rate commensurate with the associated risk. Future cash flows are assumed to occur under then current market conditions and assume adequate time for a sale between a willing buyer and a willing seller. Expected future lease rates are based on all relevant information available, including current contracted rates for similar assets, appraisal data and industry trends. Residual value assumptions generally reflect an asset's booked residual, except where more recent industry information indicates a different value is appropriate.

In accordance with FAS 142, *Goodwill and Other Intangible Assets*, we evaluate any goodwill and indefinite lived intangible assets for impairment at the reporting unit level each year and upon the occurrence of events or circumstances that indicate that the asset may be impaired. We determine the fair value of our reporting units using discounted cash flow and earnings multiples approaches. When our valuation suggests that the fair value of our reporting unit is less than our net equity, we determine the amount of implied goodwill by allocating the fair value of the reporting unit to our assets and liabilities as we would in purchase accounting and adjust our goodwill to its implied value through an impairment entry. If we fail to meet our forecasted future cash flows or if weak economic conditions prevail in our primary markets, the estimated fair values of our reporting unit may be adversely affected, resulting in impairment charges.

Allocation of Purchase Price to Acquired Assets

We account for business combinations in accordance with FAS 141, *Business Combinations.* We apply the purchase price of all acquisitions to the fair value of acquired assets and liabilities, including identifiable intangible assets and liabilities. To determine fair value, we utilize a combination of third party appraisers, our own recent experience in the market place and discounted cash flow analyses. Our discounted cash flow analyses require us to make estimates and assumptions of the future use of these assets and their impact on our financial position. We apply a discount rate to each different asset or liability based on prevailing interest rates and the underlying credit of the obligor.

Accrued Maintenance Liability

In all of our leases, the lessees are responsible for maintenance and repairs of our flight equipment and related expenses during the term of the lease. In some instances, we may incur maintenance and repair expenses for off-lease aircraft. We recognize leasing expenses in our income statement for all such expenditures. In many operating lease and finance lease contracts, the lessee has the obligation to make a periodic payment of supplemental maintenance rent which is calculated with reference to the utilization of airframes, engines and other major life-limited components during the lease. Up to 2008, we did not recognize such supplemental rent received as revenue, but as an accrued maintenance liability. In 2008, we changed the methodology we employ to estimate of the amount of maintenance rent we expect to reimburse lessees. The change in estimate arose from the implementation of a new model used to forecast future maintenance reimbursements.

We record as revenue all maintenance rent receipts not expected to be repaid to lessees. In these leases, upon lessee presentation of invoices evidencing the completion of qualifying maintenance on the aircraft or engine, we make a payment to the lessee to help compensate for the cost of the maintenance, up to the maximum of the supplemental maintenance rental payments made with respect to the lease contract. In shorter-term lease contracts (primarily engine lease contracts) where the terms of the lease are designed specifically to allow us to directly manage the occurrence, timing and associated cost of qualifying maintenance work on the flight equipment, supplemental rents collected during the lease are recognized as lease revenue. For flight equipment subject to these shorter-term contracts, we record a charge to leasing expenses at the time maintenance work is performed on the flight equipment.

In most lease contracts not requiring the payment of supplemental rents, the lessee is required to re-deliver the aircraft in a similar maintenance condition (normal wear and tear excepted) as when accepted under the lease, with reference to major life-limited components of the aircraft. To the extent that such components are redelivered in a different condition than at acceptance, there is normally an end-of-lease compensation adjustment for the difference at redelivery. We recognize receipts of end-of-lease compensation adjustments as lease revenue when received and payments of end-of-lease adjustments as leasing expenses when paid.

In addition, in both types of contracts, we may be obligated to make additional payments to the lessee for maintenance related expenses (lessor maintenance contributions or top-ups) primarily related to usage of major life-limited components occurring prior to the lease. We record a charge to leasing expenses at the time of the occurrence of a lessor contribution or top-up payment, except in instances where we have established an accrual as an assumed liability for such payment in connection with the purchase of an aircraft with a lease attached, in which case such payments are charged against the existing accrual.

For all of our lease contracts, any amounts of accrued maintenance liability existing at the end of a lease are released and recognized as lease revenue at lease termination. When flight equipment is sold, the portion of the accrued maintenance liability which is not specifically assigned to the buyer is released from the balance sheet and recognized as sales revenue from the sale of the flight equipment.

Consolidation

We consolidate all companies in which we have direct or indirect legal or effective control and all variable interest entities for which we are deemed the primary beneficiary under FIN 46R. Consolidated entities include certain joint ventures such as our AerVenture and AerCap Partners joint ventures, our aircraft lease securitization vehicles, and our AerFunding financing vehicle, but exclude AerDragon. The determination of which entities are variable interest entities and of which variable interest entities we are the primary beneficiary involves the use of significant estimates, including whether the entity has sufficient equity to finance its activities without additional subordinated financial support and the expected cash flows to the entity and distributions of those cash flows in the future. We estimate expected cash flows based on the variable interest entities' contractual rights and obligations as well as reasonable expectations for future business developments. We then adjust these cash flow estimates to simulate possible changes in economic trends which could impact the variable interest entity to determine which entity will absorb a majority of the variability in order to determine if we are the primary beneficiary of the variable interest entity.

Deferred Income Taxes

We provide for income taxes according to FAS 109, *Accounting for Income Taxes*. We have significant tax loss carryforwards in certain of our subsidiaries. We evaluate valuation allowances for tax losses at the individual company level or consolidated tax group level in accordance with the tax law in the specific jurisdiction. We evaluate the potential for recovery of our tax losses by estimating the future taxable profits expected from each subsidiary and considering prudent and feasible tax planning strategies. In estimating future taxable profits, we consider all current contracts and assets of the business, as well as a reasonable estimation of future taxable profits achievable by us. If we are not able to achieve the level of projected taxable profits used in our assessment, and no tax planning strategies are available to us, an additional valuation allowance may be required against our tax assets with a corresponding charge to our income statement in the future.

Revenues

Our revenues consist primarily of lease revenue from aircraft and engine leases, sales revenue, management fee revenue and interest revenue.

Lease Revenue.

Nearly all of our aircraft and engine lease agreements provide for the payment of a fixed, periodic amount of rent or a floating, periodic amount of rent tied to interest rates during the term of the lease.

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In the year ended December 31, 2008, 16.7% of our lease revenue was attributable to leases tied to floating interest rates. In limited circumstances, our leases may require a basic rental payment based partially or exclusively on the amount of usage during a period. In addition, many of our leases require the payment of supplemental maintenance rent based on aircraft or engine utilization and lease term, or an end-of-lease compensation amount calculated with reference to the technical condition of the aircraft or engine at lease expiration. The amount of lease revenue we recognize is primarily influenced by five factors:

- the contracted lease rate, which is highly dependent on the age, condition and type of the leased equipment;
- for leases with rates tied to floating interest rates, interest rates during the term of the lease;
- the number, type, condition and age of flight equipment subject to lease contracts;
- the lessee's performance of their lease obligations; and
- the amount of end-of-lease compensation payments we receive and the amount of accrued maintenance liabilities released to revenue during and at the end of a lease.

In addition to aircraft or engine specific factors such as the type, condition and age of the asset, the lease rates for our leases with fixed rental payments are determined in part by reference to the prevailing interest rate for a debt instrument with a term similar to the lease term and with a similar credit quality as the lessee at the time we enter into the lease. Many of the factors described in the bullet points above are influenced by global and regional economic trends, airline market conditions, the supply/demand balance for the type of flight equipment we own and our ability to remarket flight equipment subject to expiring lease contracts under favorable economic terms.

We operate our business on a global basis. As of December 31, 2008, we had 160 owned aircraft on lease to 56 customers in 34 countries, with no lessee accounting for more than 10% of lease revenue for the year ended December 31, 2008. The following table shows the regional profile of our lease revenue for the periods indicated:

	AerCap Holdings N.V.		
	Year ended December 31, 2006	**Year ended December 31, 2007**	**Year ended December 31, 2008**
Asia/Pacific	43%	33%	28%
Europe	35	39	42
North America/ Caribbean	15	17	18
Latin America	7	10	10
Africa/Middle East		1	2
Total	**100%**	**100%**	**100%**

The geographical concentration of our customer base has varied historically, reflecting the opportunities available in particular markets at a given time.

Sales Revenue.

Our sales revenue is generated from the sale of our aircraft, engines, and inventory. The price we receive for our aircraft, engines and inventory is largely dependent on the condition of the asset being sold, prevailing interest rates, airline market conditions and the supply/demand balance for the type of asset we are selling. The timing of the closing of aircraft and engine sales is often uncertain, as a sale may be concluded swiftly or negotiations may extend over several weeks or months. As a result, even if sales are comparable over a long period of time, during any particular fiscal quarter or other reporting period we may close significantly more or fewer sale transactions than in other reporting periods.

Accordingly, sales revenue recorded in one fiscal quarter or other reporting period may not be comparable to sales revenue in other periods.

Management Fee Revenue.

We generate management fee revenue through a variety of management services that we provide to non-consolidated aircraft securitization vehicles and joint ventures and third party owners of aircraft. Our management services include leasing and remarketing services, cash management and treasury services, technical advisory services and accounting and administrative services. We currently generate almost three quarters of our management fee income from services we provide to two securitization vehicles, Airplanes Group and AerCo. Since ALS I's results are consolidated in our financial statements, we do not generate any accounting revenue from the services we provide to it.

Interest Revenue.

Our interest revenue is derived primarily from deposit interest on unrestricted and restricted cash balances, interest earned on assets supporting defeased liabilities and interest recognized on financial instruments we hold, such as notes issued by lessees in connection with lease restructurings and subordinated debt investments in unconsolidated securitization vehicles or affiliates. The amount of interest revenue we recognize in any period is influenced by the amount of free or restricted cash balances, the scheduled amortization of defeased liabilities, the principal balance of financial instruments we hold, contracted or effective interest rates, and movements in provisions for financial instruments which can affect adjustments to valuations or provisions.

Other Revenue.

Our other revenue includes net gains or losses we generate from the sale of aircraft related investments, and reversals of provisions on such investments such as our subordinated interests in securitization vehicles and notes, warrants or convertible securities issued by our lessees, which we receive from lessees as compensation for amounts owed to us in connection with lease restructurings. The amount of other revenue recognized in any period is influenced by the number of saleable financial instruments we hold, the credit profile of the obligor and the demand for such investments in the market at the time. Since there is limited or no market liquidity for some of the securities we receive in connection with lease restructurings, making the securities difficult to value, and because many of the issuers of the securities are in a distressed financial condition, we may experience volatility in our revenues when we sell our aircraft related investments due to significant changes in their value.

Operating Expenses

Our primary operating expenses consist of depreciation, interest on debt, other operating expenses, and selling, general and administrative expenses.

Depreciation.

Our depreciation expense is influenced by the adjusted gross book values of our flight equipment, the depreciable life of the flight equipment and the estimated residual value of the flight equipment. Adjusted gross book value is the original cost of our flight equipment, including purchase expenses, adjusted for subsequent capitalized improvements, impairments, and accounting basis adjustments associated with business combinations.

Cost of Goods Sold.

Our cost of goods sold consists of the net book value of flight equipment, including inventory, sold to third parties at the time of the sale.

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Interest on Debt.

Our interest on debt expense arises from a variety of funding structures and related derivative instruments as described in " Indebtedness". Interest on debt expense in any period is primarily affected by contracted interest rates, principal amounts of indebtedness, including notional values of derivative instruments and unrealized mark-to-market gains or losses on derivative instruments.

Other Operating Expenses.

Our other operating expenses consist primarily of operating lease-in costs, leasing expenses and provision for doubtful notes and accounts receivable.

Our operating lease-in costs relate to our lease obligations for aircraft we lease from financial investors and sublease to aircraft operators. We entered into all of our lease-in transactions between 1988 and 1992 and the leases on the remaining four aircraft at December 31, 2008 expire between 2010 and 2014. As described in Note 15 to our consolidated financial statements included in this annual report, we have established an onerous contract accrual equal to the difference between the present value of our lease expenses and the sublease revenue we receive, discounted at appropriate discount rates. This amount is amortized monthly as a reduction of operating lease-in costs on a constant yield basis as we meet our obligations to the aircrafts' legal owners under the applicable leases.

Our leasing expenses consist primarily of maintenance expenses on our flight equipment, which we incur when our flight equipment is off-lease, lessor maintenance contribution expenses, technical expenses we incur to monitor the maintenance condition of our flight equipment during a lease, end-of-lease payments, expenses to transition flight equipment from an expired lease to a new lease contract and non-capitalizable flight equipment transaction expenses.

Our provision for doubtful notes and accounts receivable consists primarily of provisions we establish to reduce the carrying value of our notes and accounts receivables to estimated collectible levels.

The primary factors affecting our other operating expenses are:

- lessee defaults, which may result in additional provisions for doubtful notes and accounts receivable, material expenses to repossess flight equipment and restore it to an airworthy and marketable condition, unanticipated lease transition costs, and an increase to our onerous contract accrual;

- the frequency of lease transitions and the associated costs; and

- the frequency and amount of lessor maintenance contribution expenses.

Selling, General and Administrative Expenses.

Our principal selling, general and administrative expenses consist of personnel expenses, including salaries benefits, charges for share based compensation, professional and advisory costs and office and travel expenses as summarized in Note 20 to our audited consolidated financial statements included in this annual report. The level of our selling, general and administrative expenses is influenced primarily by our number of employees and the extent of transactions or ventures we pursue which require the assistance of outside professionals or advisors. Our selling, general and administrative expenses also include the mark-to-market gains and losses for our foreign exchange rate hedges related to our Euro denominated selling, general and administrative expenses.

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Provisions for Income Taxes

Our operations are taxable primarily in four main jurisdictions in which we manage our business: The Netherlands, Ireland, the United States and Sweden. Deferred income taxes are provided to reflect the impact of temporary differences between our US GAAP income from continuing operations before income taxes and minority interests and our taxable income. Our effective tax rate has varied significantly year to year from 2006 to 2008. The primary source of temporary differences is the availability of accelerated tax depreciation in our primary operating jurisdictions. Our effective tax rate in any year depends on the tax rates in the jurisdictions from which our income is derived along with the extent of permanent differences between US GAAP income from continuing operations before income taxes and minority interests and taxable income.

We have substantial tax losses in certain jurisdictions which can be carried forward, which we recognize as tax assets. We evaluate the recoverability of tax assets in each jurisdiction in each period based upon our estimates of future taxable income in those jurisdictions. If we determine that we are not likely to generate sufficient taxable income in a jurisdiction prior to expiration, if any, of the availability of tax losses, we establish a valuation allowance against the tax loss to reduce the tax asset to its recoverable value. We evaluate the appropriate level of valuation allowances annually and make adjustments as necessary. Increases or decreases to valuation allowances can affect our provision for income taxes on our consolidated income statement and consequently may affect our effective tax rate in a given year.

Comparative Results of Operations

Results of Operations for the Year Ended December 31, 2008 Compared to the Year Ended December 31, 2007

	Year ended December 31, 2007	Year ended December 31, 2008
	(US dollars in millions)	
Revenues		
Lease revenue	$ 554.2	$ 605.3
Sales revenue	558.3	616.6
Management fee revenue	14.3	11.7
Interest revenue	29.7	18.5
Other revenue	20.0	4.2
Total revenues	**1,176.5**	**1,256.3**
Expenses		
Depreciation	141.1	169.4
Asset Impairment		18.8
Cost of goods sold	432.2	506.3
Interest on debt	234.8	219.2
Operating lease in costs	20.2	14.5
Leasing expenses	18.8	55.6
Provision for doubtful notes and accounts receivable	0.7	3.7
Selling, general and administrative expenses	116.3	128.3
Total expenses	**964.1**	**1,115.8**
Income from continuing operations before income taxes and minority interest	212.4	140.5
Provision for income taxes	(25.1)	0.4
Minority interest net of taxes	1.2	10.9
Net income	**$ 188.5**	**$ 151.8**

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Revenues. Our total revenues increased by $79.8 million, or 6.8%, to $1,256.3 million in the year ended December 31, 2008 from $1,176.5 million in the year ended December 31, 2007. In the year ended December 31, 2008, we generated $1,069.8 million of revenue in our aircraft segment and $186.4 million of revenue in our engine and parts segment, and, in the year ended December 31, 2007, we generated $980.0 million of revenue in our aircraft segment and $196.5 million in our engine and parts segment. The principal categories of our revenue and their variances were:

	Year ended December 31, 2007	Year ended December 31, 2008	Increase/ (decrease)	Percentage Difference
		(US dollars in millions)		
Lease revenue				
Basic rents	$ 494.2	$ 520.8	$ 26.6	5.4%
Maintenance rents and end of lease compensation	$ 60.0	$ 84.5	$ 24.5	40.8%
Sales revenue	558.3	616.6	58.3	10.4%
Management fee revenue	14.3	11.7	(2.6)	(18.2)%
Interest revenue	29.7	18.5	(11.2)	(37.7)%
Other revenue	20.0	4.2	(15.8)	(79.0)%
Total	**$ 1,176.5**	**$ 1,256.3**	**$ 79.8**	**6.8%**

Basic rents increased by $26.6 million, or 5.4%, to $520.8 million in the year ended December 31, 2008 from $494.2 million in the year ended December 31, 2007. The increase in basic rents was attributable primarily to:

the acquisition between January 1, 2007 and December 31, 2008 of 98 aircraft for leasing with an aggregate net book value of $2.3 billion at the date of acquisition, partially offset by the sale of 50 aircraft, during the same period, with an aggregate net book value of $0.9 billion at the date of sale. The net increase in our aircraft portfolio resulted in a $44.1 million increase in basic rents; and

an increase of $9.0 million in basic rents resulting from the increase in our engine lease activities;

partially offset by

a decrease in payments from leases with lease rates tied to floating interest rates in the year ended December 31, 2008 due to decreases in market interest rates, which resulted in a $14.3 million decrease in basic rents; and

a decrease in basic rents of $12.2 million in the year ended December 31, 2008 as a result of airline defaults.

Maintenance rents and end-of-lease compensation increased by $24.5 million, or 40.8%, to $84.5 million in the year ended December 31, 2008 from $60.0 million in the year ended December 31, 2007. The increase in maintenance rents is attributable, in part, to a change in the estimate of the amount of maintenance rent expected to be reimbursed to lessees. The change in estimate is due to the implementation of a new model used to forecast future maintenance reimbursements, which was implemented on July 1, 2008. AerCap records as revenue all maintenance rent receipts not expected to be repaid to lessees. In the six month period between July 1, 2008 and December 31, 2008, AerCap recorded $20.8 million as maintenance revenue as a result of the change in estimate. Of the $20.8 million, $12.9 million was recorded on July 1, 2008 as a cumulative adjustment relating to all prior periods and $7.8 million was recognized in relation to maintenance rents collected from lessees during the six months between July 1, 2008 and December 31, 2008. The remaining increase was largely due to the termination of leases due to airline defaults which resulted in the recording of maintenance rents.

Sales revenue increased by $58.3 million, or 10.4%, to $616.6 million in the year ended December 31, 2008 from $558.3 million in the year ended December 31, 2007. The increase in sales revenue is mainly a result of the mix of aircraft types sold. In the year ended December 31, 2008, we sold three A330 aircraft, three A321 aircraft, eight A320 aircraft, two Boeing 737 aircraft, one MD83 aircraft, six MD82 aircraft, one DC8 aircraft and two Fokker 100 aircraft, whereas in the year ended December 31, 2007, we sold four A330 aircraft, two A321 aircraft, one A300 aircraft, two Boeing 737 aircraft, one Boeing 767 aircraft, one Boeing 757 aircraft, one MD87 aircraft, one DHC8 aircraft and ten Fokker 100 aircraft.

Management fee revenue decreased by $2.6 million, or 18.2%, to $11.7 million in the year ended December 31, 2008 from $14.3 million in the year ended December 31, 2007. The decrease in management fee revenue was attributable primarily to the expiry of a management fee agreement when we sold the last remaining aircraft under management on behalf of the aircraft owner.

Interest revenue decreased by $11.2 million, or 37.7%, to $18.5 million in the year ended December 31, 2008 from $29.7 million in the year ended December 31, 2007. The decrease was mainly caused by (i) the loss of interest income from a subordinated investment in an aircraft securitization (AerCo) which ceased paying interest on such subordinated investment in the first quarter of 2007, (ii) the elimination of a fair value adjustment which was amortizing to interest income when we extinguished the underlying guarantee liability at a discount to its carrying value, and (iii) a decrease in deposit rates of interest.

Other revenue decreased by $15.8 million, or 79.0%, to $4.2 million in the year ended December 31, 2008 from $20.0 million in the year ended December 31, 2007. In the year ended December 31, 2008, we sold an A340 aircraft held in a joint venture which was 27% owned. The sale resulted in other revenue of $3.2 million. The remaining $1.0 million of other revenue recognized in the year ended December 31, 2008 was related to the recovery of bankruptcy claims. In the year ended December 31, 2007, we recognized a gain of $10.7 million when we extinguished a guarantee liability in relation to the purchase of a portfolio of nine aircraft and three engines and a gain of $9.1 million upon the sale of the rights associated with a claim from a lessee.

Depreciation. Depreciation increased by $28.3 million, or 20.0%, to $169.4 million in the year ended December 31, 2008 from $141.1 million in the year ended December 31, 2007 due primarily to the acquisition of 98 new aircraft between January 1, 2007 and December 31, 2008 with a book value at the time of the acquisition of $2.3 billion. The increase was partially offset by the sale of 50 aircraft during the same period with a book value at the time of sale of $0.9 billion.

Asset impairment. Asset impairment was $18.8 million in the year ended December 31, 2008. Asset impairment was caused primarily by the decrease in fair values of inventory parts, older fuel-inefficient aircraft and engines. In the year ended December 31, 2008 we impaired four MD82 aircraft, six engines which were off-lease and our parts inventory.

Cost of Goods Sold. Cost of goods sold increased by $74.2 million, or 17.2%, to $506.3 million in the year ended December 31, 2008 from $432.1 million in the year ended December 31, 2007. The increase in cost of goods sold is mainly a result of the mix of aircraft types sold described above.

Interest on Debt. Our interest on debt decreased by $15.6 million, or 6.6%, to $219.2 million in the year ended December 31, 2008 from $234.8 million in the year ended December 31, 2007. The majority of the decrease in interest on debt was caused by:

- a $27.4 million non-recurring expense in the year ended December 31, 2007, related to the write-off of unamortized debt issuance costs at the time of the ALS I refinancing; and

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a decrease in our average costs of debt by 2.1 percentage points to 4.6% in the year ended December 31, 2008 from 6.7% in the year ended December 31, 2007. The decrease in our average cost of debt results from the use of caps as part of our hedging strategy in combination with a decrease in interest rates. This resulted in a $58.3 million decrease in our interest on debt. Our average cost of debt for the year ended December 31, 2008 includes a credit of $2.8 million resulting from the discounted purchase of ALS I securitized bonds;

partially offset by

an increase in the average outstanding debt balance to $3.3 billion in the year ended December 31, 2008 from $2.8 billion in the year ended December 31, 2007, resulting in a $25.6 million increase in our interest on debt; and

a $43.8 million increase in the recognition of non cash mark-to-market charges on derivatives to $58.2 million in the year ended December 31, 2008 from $14.4 million in the year ended December 31, 2007.

Other Operating Expenses. Our other operating expenses increased by $34.1 million, or 85.9%, to $73.8 million in the year ended December 31, 2008 from $39.7 million in the year ended December 31, 2007. The principal categories of our other operating expenses and their variances were as follows:

	Year ended December 31, 2007	**Year ended December 31, 2008**	**Increase/ (decrease)**	**Percentage difference**
		(US$ in millions)		
Operating lease in costs	$ 20.2	$ 14.5	(5.7)	(28.2)%
Leasing expenses	18.8	55.6	36.8	195.7%
Provision for doubtful notes and accounts receivable	0.7	3.7	3.0	428.6%
Total	**$ 39.7**	**$ 73.8**	**34.1**	**85.9%**

Our operating lease in costs decreased primarily due to the purchase of four aircraft in the year ended December 31, 2008 and four aircraft in the year ended December 31, 2007, which were previously subject to head leases and the termination of those leases.

Our leasing expenses increased by $36.8 million, or 195.7%, to $55.6 million in the year ended December 31, 2008 from $18.8 million in the year ended December 31, 2007. The increase is primarily due to more transitions of aircraft from expiring leases to new leases and three airline defaults involving nine of our aircraft in 2008. In the year ended December 31, 2008, we incurred leasing expenses totaling approximately $15 million related to the three lessee defaults.

Our provision for doubtful notes and accounts receivable increased by $3.0 million, or 428.6%, to $3.7 million in the year ended December 31, 2008 from $0.7 million in the year ended December 31, 2007. The increase is primarily due to more airline defaults in 2008 as compared to 2007.

Selling, General and Administrative Expenses. Our selling, general and administrative expenses increased by $12.0 million, or 10.3%, to $128.3 million in the year ended December 31, 2008 from $116.3 million in the year ended December 31, 2007, due primarily to (i) the increase in the US Dollar/Euro exchange rate, which resulted in a $5.4 million increase and (ii) severance payments of $2.9 million made as a result of redundancies of senior executives.

Net Income From Continuing Operations Before Income Taxes and Minority Interests. For the reasons explained above, our income from continuing operations before income taxes and minority interests decreased by $71.9 million, or 33.9%, to $140.5 million in the year ended December 31, 2008 from $212.4 million in the year ended December 31, 2007.

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Minority interest net of taxes. Our minority interest net of tax increased by $9.7 million to $10.9 million in the year ended December 31, 2008 from $1.2 million in the year ended December 31, 2007, due primarily to a $21.7 million recognition of non cash mark-to-market charges on derivatives in our 50% joint ventures AerCap Partners and AerVenture.

Provision for Income Taxes. Our provision for income taxes decreased by $25.6 million to a benefit of $0.4 million in the year ended December 31, 2008 from a charge $25.1 million in the year ended December 31, 2007. Our effective tax rate was positive 0.3% (income) for the year ended December 31, 2008 and was negative 11.8% (a charge) for the year ended December 31, 2007. Our effective tax rate in any year is impacted by the mix of operations among our different tax jurisdictions. In the fourth quarter of the year ended December 31, 2007, we completed a corporate tax restructuring that resulted in more deductible expenses in one of our higher tax rate jurisdictions which positively impacted the mix of our profits for income tax purposes in the year ended December 31, 2008. In addition, the most significant portion of charges related to airline defaults and impairments occurred in higher tax rate jurisdictions and the most significant portion of pre-tax earnings occurred in lower tax rate jurisdictions.

Net Income. For the reasons explained above, our net income decreased by $36.7 million, or 19.4%, to $151.8 million in the year ended December 31, 2008 from $188.5 million in the year ended December 31, 2007.

Results of Operations for the Year Ended December 31, 2007 Compared to the Year Ended December 31, 2006

	Year ended December 31, 2006	Year ended December 31, 2007
	(US dollars in millions)	
Revenues		
Lease revenue	$ 443.9	$ 554.2
Sales revenue	301.4	558.3
Management fee revenue	14.1	14.3
Interest revenue	34.7	29.7
Other revenue	20.3	20.0
Total revenues	**814.4**	**1,176.5**
Expenses		
Depreciation	102.4	141.1
Cost of goods sold	220.3	432.2
Interest on debt	166.2	234.8
Operating lease in costs	25.2	20.2
Leasing expenses	21.5	18.8
Provision for doubtful notes and accounts receivable	(0.2)	0.7
Selling, general and administrative expenses	149.4	116.3
Total expenses	**684.8**	**964.1**
Income from continuing operations before income taxes and minority interest	129.6	212.4
Provision for income taxes	(21.2)	(25.1)
Minority interest net of taxes	0.6	1.2
Net income	**$ 109.0**	**$ 188.5**

Revenues. Our total revenues increased by $362.1 million, or 44.5%, to $1,176.5 million in the year ended December 31, 2007 from $814.4 million in the year ended December 31, 2006. In the year ended December 31, 2007, we generated $980.0 million of revenue in our aircraft segment and

$196.5 million of revenue in our engine and parts segment, and, in the year ended December 31, 2006, we generated $689.2 million of revenue in our aircraft segment and $125.2 million in our engine and parts segment. The principal categories of our revenue and their variances were:

	Year ended December 31, 2006	Year ended December 31, 2007	Increase/ (decrease)	Percentage Difference
	(US dollars in millions)			
Lease revenue	$ 443.9	$ 554.2	$ 110.3	24.8%
Sales revenue	301.4	558.3	256.9	85.2%
Management fee revenue	14.1	14.3	0.2	1.4%
Interest revenue	34.7	29.7	(5.0)	(14.4)%
Other revenue	20.3	20.0	(0.3)	(1.5)%
Total	**$ 814.4**	**1,176.5**	**362.1**	**44.5%**

The increase in lease revenue was attributable primarily to:

the acquisition between January 1, 2006 and December 31, 2007 of 83 aircraft for leasing with an aggregate net book value of $1.7 billion at the date of acquisition, partially offset by the sale of 42 aircraft, during such period, with an aggregate net book value of $536.9 million at the date of sale, which resulted in a $82.9 million increase in lease revenue; and

an increase of $29.9 million as a result of the AeroTurbine acquisition which occurred on April 26, 2006. The results of operations for the year ended December 31, 2006 include the results of operations of AeroTurbine from the date of our acquisition, whereas the results of operations for the year ended December 31, 2007 include a full year of AeroTurbine operations.

The increase in sales revenue was attributable primarily to:

an increase in average sales price to $18.2 million (23 aircraft) in the year ended December 31, 2007 from $12.2 million (19 aircraft) in the year ended December 31, 2006. The increase of the average sales price is mainly a result of the mix of aircraft types sold and increased demand for the aircraft sold. In the year ended December 31, 2007, we sold four A330 aircraft, two A321 aircraft, one A300 aircraft, one Boeing 757 aircraft, one Boeing 767 aircraft, two Boeing 737 aircraft, one DHC8 aircraft and one MD87 aircraft in addition to ten Fokker 100 aircraft where in the prior period we sold four A320 aircraft, two Boeing 757 aircraft and 13 Fokker 100 aircraft; and

an increase of $49.1 million as a result of the AeroTurbine acquisition which occurred on April 26, 2006. The results of operations for the year ended December 31, 2006 include the results of operations of AeroTurbine from the date of our acquisition, whereas the results of operations for the year ended December 31, 2007 include a full year of AeroTurbine operations; and

the sale of three spare engines by AerVenture, which resulted in a $22.1 million increase in sales revenue in the year ended December 31, 2007. No engines were sold by AerVenture in 2006.

Management fee revenue did not materially change in the year ended December 31, 2007 compared to the year ended December 31, 2006.

Interest revenue decreased by $5.0 million, or 14.4%, to $29.7 million in the year ended December 31, 2007 from $34.7 million in the year ended December 31, 2006. The decrease was mainly caused by (i) the loss of interest income from a subordinated investment in an aircraft securitization which defaulted, (ii) the sale of interest bearing notes receivable in late 2006 and early 2007 and (iii) the elimination of a fair value adjustment which was amortizing to interest income when we

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extinguished the underlying guarantee liability at a discount to its carrying value, partially offset by an increase in cash balances and an increase in deposit rates of interest.

Other revenue did not materially change in the year ended December 31, 2007 compared to the year ended December 31, 2006. In the year ended December 31, 2007, we sold the rights associated with a claim from a lessee bankruptcy for a gain of $9.1 million and we recognized a gain of $10.7 million when we extinguished a guarantee liability in relation to the purchase of a portfolio of nine aircraft and three spare engines (see interest revenue). In the year ended December 31, 2006, we sold four unsecured notes receivable for a gain of $15.8 million, received $2.1 million from an investment in liquidation, sold notes secured by aircraft for a gain of $0.7 million and received $1.7 million from an insurance claim on an engine.

Depreciation. Depreciation increased by $38.7 million, or 37.8%, to $141.1 million in the year ended December 31, 2007 from $102.4 million in the year ended December 31, 2006 due primarily to the acquisition of 83 new aircraft between January 1, 2006 and December 31, 2007 with a book value at the time of the acquisition of $1.7 billion. The increase was partially offset by the sale of 43 aircraft with a book value at the time of sale of $536.9 million.

Cost of Goods Sold. Cost of goods sold increased by $211.9 million, or 96.2%, to $432.2 million in the year ended December 31, 2007 from $220.3 million in the year ended December 31, 2006 due primarily to:

- an increase in average cost of goods sold for each aircraft. The average cost of goods sold for each aircraft increased to $13.6 million in the year ended December 31, 2007 from $9.1 million in the year ended December 31, 2006. The increase of the average cost of goods sold is a result of the mix of aircraft types sold. In the year ended December 31, 2007, we sold four A330 aircraft, two A321 aircraft, one A300 aircraft, one Boeing 757 aircraft, one Boeing 767 aircraft, two Boeing 737 aircraft, one DHC8 aircraft and one MD87 aircraft in addition to 10 Fokker 100 aircraft where in the prior period we sold four A320 aircraft, two Boeing 757 aircraft and 13 Fokker 100 aircraft;

- the AeroTurbine Acquisition on April 26, 2006, which resulted in a $42.0 million increase in cost of goods sold. The results of operations for the year ended December 31, 2006 include the results of operations of AeroTurbine from the date of our acquisition, whereas the results of operations for the year ended December 31, 2007 include a full year of AeroTurbine operations; and

- the sale of three spare engines by AerVenture, which resulted in a $21.9 million increase in cost of goods sold in the year ended December 31, 2007. No engines were sold by AerVenture in 2006.

Interest on Debt. Our interest on debt increased by $68.6 million, or 41.3%, to $234.8 million in the year ended December 31, 2007 from $166.2 million in the year ended December 31, 2006. The majority of the increase in interest on debt was principally caused by:

- a $27.6 million non-recurring expense in the year ended December 31, 2007, related to the write-off of unamortized debt issuance costs at the time of the ALS I refinancing;

- an increase in the average outstanding debt to $2.8 billion in the year ended December 31, 2007 from $2.5 billion in the year ended December 31, 2006, resulting in a $20.1 million increase; and

- a $22.5 million decrease in the non cash recognition of mark-to-market gains on derivatives to a $14.6 million loss in the year ended December 31, 2007 from a $7.9 million gain in the year ended December 31, 2006.

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Other Operating Expenses. Our other operating expenses decreased by $6.8 million, or 14.6%, to $39.7 million in the year ended December 31, 2007 from $46.5 million in the year ended December 31, 2006. The principal categories of our other operating expenses and their variances were as follows:

	Year ended December 31, 2006	Year ended December 31, 2007	Increase/ (decrease)	Percentage difference
		(US$ in millions)		
Operating lease in costs	$ 25.2	$ 20.2	(5.0)	(19.8)%
Leasing expenses	21.5	18.8	(2.7)	(12.6)%
Provision for doubtful notes and accounts receivable	(0.2)	0.7	0.9	N/A%
Total	**$ 46.5**	**$ 39.7**	**(6.8)**	**(14.6)%**

Our operating lease in costs decreased primarily due to the purchase of four aircraft which were previously subject to head leases and the termination of those leases.

Our leasing expenses decreased by $2.7 million, or 12.6%, to $18.8 million in the year ended December 31, 2007 from $21.5 million in the year ended December 31, 2006. The decrease is primarily due to fewer transitions of aircraft from expiring leases to new leases in 2007 compared to 2006 and particularly significant transition expenses in 2006 related to several A321 aircraft which were redelivered from an Asian carrier and leased to another airline.

Our provision for doubtful notes and accounts receivable did not materially change in the year ended December 31, 2007 compared to the year ended December 31, 2006. We did not have any significant defaults in the years ended December 31, 2006 and 2007.

Selling, General and Administrative Expenses. Our selling, general and administrative expenses decreased by $33.3 million, or 22.3%, to $116.3 million in the year ended December 31, 2007 from $149.4 million in the year ended December 31, 2006, due primarily to a decrease of $67.6 million in charges for share based compensation to $10.9 million in the year ended December 31, 2007 from $78.6 million in the year ended December 31, 2006, partially offset by (i) the AeroTurbine Acquisition, which resulted in a $15.2 million increase, (ii) expenses in relation to the implementation of Sarbanes Oxley Act requirements and our secondary public offering, which resulted in a $5.9 million increase, (iv) an increase in salaries and benefit expenses associated with the growth in the number of our employees to 402 at December 31, 2007 from 351 at December 31, 2006, which resulted in an $8.0 million increase and (v) the increase in EUR compared to USD, which resulted in a $4.2 million increase.

Net Income From Continuing Operations Before Income Taxes and Minority Interests. For the reasons explained above, our income from continuing operations before income taxes and minority interests increased by $82.8 million, or 63.9%, to $212.4 million in the year ended December 31, 2007 from $129.6 million in the year ended December 31, 20056.

Provision for Income Taxes. Our provision for income taxes increased by $3.9 million or 18.4% to $25.1 million in the year ended December 31, 2007 from $21.2 million in the year ended December 31, 2006. Our effective tax rate for the year ended December 31, 2006 was 16.4% and was 11.8% for the year ended December 31, 2007. Our effective tax rate in any year is impacted by the mix of operations among our different tax jurisdictions. In 2007, we completed a corporate tax restructuring that resulted in more deductible expenses in one of our higher tax rate jurisdictions, which positively impacted the mix of our profits for income tax purposes.

Net Income. For the reasons explained above, our net income increased by $79.5 million, or 72.9%, to $188.5 million in the year ended December 31, 2007 from $109.0 million in the year ended December 31, 2006.

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Liquidity and Capital Resources

Aircraft and engine leasing is a capital intensive business and we have significant capital requirements. In prior years, we have achieved positive consolidated cash flow from operations. However, as discussed below, a large portion of our operating cash flows and the net proceeds from aircraft sales are restricted in restricted cash entities designed to repay indebtedness related to assets included in such structures. Our restricted cash entities include ALS I, ALS II and AeroTurbine. Since a significant portion of our capital requirements are not in restricted cash entities, our management analyzes our cash flow at both the consolidated and unconsolidated levels to determine if we have sufficient cash flow available to finance our capital needs in our restricted cash entities and outside our restricted cash entities. Our ability to increase our unconsolidated cash flow depends upon the cash flow from operations at the holding company level, non-restricted cash entities and the various restricted cash entities, and also upon the restrictions in the borrowing documents of the restricted cash entities.

Historically, we have satisfied our liquidity requirements through several sources, including:

- lines of credit and other secured borrowings;
- sales of aircraft, engines and parts;
- aircraft and engine lease revenues;
- contributions from joint venture partners;
- supplemental maintenance rent and security deposits provided by our lessees;
- management fee revenue; and
- capital markets transactions (debt and equity offerings).

We have substantial commitments to purchase aircraft under forward order contracts, including through AerVenture. These commitments include requirements to make pre-delivery payments, as well as the requirement to pay the balance of the purchase price for aircraft on delivery. As of March 31, 2009, we had 73 aircraft under forward purchase commitments, with 28 scheduled to be delivered in the remainder of 2009 and 33 scheduled to be delivered in 2010. In addition, as of March 31, 2009, we had entered into sales contracts for seven of the A320 family aircraft scheduled to be delivered in the remainder of 2009. As of March 31, 2009, our commitments in 2009 and 2010 to make pre-delivery and final delivery payments under our forward purchase commitments exceeded the amounts available under our committed borrowing facilities by $174.5 million and $248.6 million, respectively.

As a result, we will need to raise additional funds though a combination of (i) accessing committed debt facilities, (ii) securing additional financing for pre-delivery and final delivery payment obligations, (iii) selling aircraft or other aircraft investments, including participations in our joint ventures, (iv) accessing restricted cash in our cash restricted entities, and (v) if necessary, generating proceeds from potential capital market transactions.

Due to the current ongoing global recession and financial crisis, there has been a significant decrease in the amount of capital available to finance the purchase of aviation assets, including pre-delivery payments on forward purchase commitments, which has made it more challenging and expensive for us to obtain new credit. In addition, the failure of our AerVenture joint venture partner to make $80.0 million of required capital contributions to AerVenture has reduced the amount of equity capital available to AerVenture and to us and thus increased our capital needs.

We have historically relied on sales of aircraft as an integral part of our liquidity strategy in order to meet cash requirements for our operations and committed capital expenditures. In each of 2007 and 2008, we generated approximately $110 million of cash from the sale of aircraft outside our restricted

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cash entities. As a consequence of the current global recession and financial crisis and the corresponding decrease in capital available to finance the purchase of aviation assets, we have experienced a decrease in demand and offer prices from third-party investors interested in buying our aircraft. In addition, insolvencies of aircraft operators and sales of aircraft portfolios by aircraft lessors have and are expected to increase the supply of aircraft available for sale, negatively affecting prices for aircraft. In this challenging market, we may experience a significant decrease in aircraft sales revenue which could adversely affect our liquidity and the cash available to fund our obligations under our forward purchase commitments.

We currently generate significant cash flows from our aircraft and engine leasing business; however, since most of our owned aircraft are held through restricted cash entities (40% of the net book value of our aircraft as of December 31, 2008) including consolidated joint ventures or finance structures which borrow funds to finance or refinance the aircraft, the net cash (the cash generated after we pay the interest costs associated with the aircraft), available from our restricted cash entities is limited. Most of the net cash flow we generated in 2008 and expect to generate in 2009 from our aircraft and engine leasing businesses was, or will be, used to repay indebtedness in our restricted cash entities. The provisions of our aircraft securitization vehicles, ALS I and ALS II, prohibit distributions on the subordinated notes to us until such time as the senior classes of notes are repaid in full. Additionally, AeroTurbine's revolving credit facility limits dividend payments to us to a maximum of $10.0 million per year. However, under limited circumstances, we are able to receive cash from AeroTurbine through the sale to it of assets at arms-length prices. These assets are typically older generation aircraft which are scheduled to be disassembled by AeroTurbine. AeroTurbine generally funds these purchases by drawing on its revolving credit facility. Additionally, our revolving warehouse credit facility with a syndicate of banks led by affiliates of UBS Real Estate Securities Inc., or "warehouse facility," permits limited distributions to us by the relevant subsidiary borrower during the first two years provided specified principal payments are made. Furthermore, most of our commercial bank loans and export credit facility financings restrict the payment of dividends in the event that the borrower is in default under the applicable loan, which can include the failure to meet financial ratios or tests. In some cases we have provided our restricted cash entities with subordinated loans in connection with their original senior financing or we hold some of their senior debt. As a result, our liquidity also depends on the ability of our subsidiaries to distribute cash to us as dividends and in the form of other distributions, including in the form of interest and principal payments and the return of subordinated investments.

We have also historically generated cash flow by selling equity interests in our aircraft owning subsidiaries and by forming joint ventures. One joint venture, AerVenture, was created in 2005 and LoadAir purchased a 50% equity interest in it in 2006. Prior to March, 2009, LoadAir had made equity contributions to AerVenture of $30.0 million. In addition, we had provided $70.0 million to AerVenture in the form of a convertible loan note. Thirty-five million of the convertible loan note was scheduled to be repaid by AerVenture in March 2009 using proceeds from LoadAir's required capital contributions. Under the AerVenture joint venture agreement, LoadAir was required to make $80.0 million in additional capital contributions to AerVenture in March 2009, which it failed to make. In addition to the March 2009 capital contributions, LoadAir was obligated to make additional capital contributions of $10.3 million in 2010. As a result of LoadAir's failure to make the required equity contributions, we will be required to invest additional equity in AerVenture so that it will have sufficient cash available to fund the equity portion of the purchase price for its upcoming aircraft deliveries. As of March 31, 2009, AerVenture's commitments in 2009 and 2010 to make pre-delivery and final delivery payments under its forward purchase commitments exceeded the amounts available under its committed borrowing facilities by $57.6 million and $82.1 million, respectively. These amounts are included in the $174.5 million and $248.6 million for 2009 and 2010, respectively, by which AerCap's commitments in 2009 and 2010 to make pre-delivery and final delivery payments under its forward purchase commitments exceed the amounts available under its committed borrowing facilities discussed above.

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As a result of the additional equity contributions we are now required to make to AerVenture, we will have less cash available to us to fund our other obligations and our liquidity will be materially and adversely affected.

In order to access the required capital to meet our other obligations under our forward purchase commitments, we have completed or have undertaken the following initiatives:

In March 2009, we completed the intercompany sale of an investment to a group company which released $63.0 million of otherwise restricted cash. The purchase was financed by drawing on an existing credit facility.

We have signed a term sheet with a bank to obtain pre-delivery financing, for a new financing transaction, for certain A330 aircraft subject to forward purchase commitments with Airbus and secured funding on an owned aircraft. As part of the transaction, we would be required to purchase a new wide-body aircraft currently on order by LoadAir for which the bank previously provided pre-delivery payment financing. After we purchase the aircraft, we intend to lease it back to LoadAir. As part of this transaction, we expect to give LoadAir an option for a limited period of time to purchase up to 50 percent of the shares in AerVenture which have voting and economic rights, if it meets certain conditions. This transaction, excluding any proceeds from LoadAir, would decrease the amount by which our forward purchase commitments exceed our available cash by approximately $50 million in 2009 and $25 million in 2010.

We have signed a letter of intent for the sale of two aircraft by a non-restricted cash entity, which, if the transaction closes, will generate unrestricted cash proceeds of approximately $11 million in the second or third quarter of 2009.

We are negotiating a term sheet with a bank for additional final delivery financing for one A330 aircraft under a forward purchase commitment, which, if completed, would provide to us approximately $70 million of additional funds in 2010.

We believe that the expected cash generated from the first three transactions above combined with cash balances in our unrestricted cash entities of $150 million as of March 31, 2009, which includes the proceeds from the intercompany sale of an investment as described above, should be sufficient to meet our cash obligations in 2009 and maintain an adequate level of unrestricted cash balances. However, our pending transactions may not close, and if we are unable to obtain an alternative source of funding our liquidity would be materially and adversely affected in 2009. As mentioned above, our 2010 forward purchase commitments exceed the amounts available to us under our borrowing facilities and we are relying on these and other potential initiatives to fund our liquidity requirements in 2010. We are pursuing, and will pursue in the future, a variety of transactions in addition to the specific transactions noted above, including possible sales of a portion of our investments in joint ventures and other special purpose entities, sales of owned aircraft, transactions that could involve both permanent and temporary reductions of our cash commitments under forward purchase commitments and possible issuance of new equity or equity-linked securities to support our liquidity requirements in 2009 and 2010.

In the longer term, we expect to fund the growth of our business, including the acquisition of aircraft and engines, through internally generated cash flows, the incurrence of new bank debt, the refinancing of existing bank debt and other capital raising initiatives. For additional information on the availability of funding under our contracted credit facilities see " Indebtedness".

Consolidated Cash Flows

The following table presents our consolidated cash flows for 2007 and 2008. As described above, since substantially all of our owned aircraft are held through restricted cash entities and a significant portion of our capital requirements are outside our restricted cash entities, our management analyzes our cash flow at both consolidated and unconsolidated levels to make sure that we have sufficient cash

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flows available to finance our capital needs in our restricted cash entities and outside our restricted cash entities. Therefore, you should read the following table and analysis in conjunction with the overview provided in the introduction to this section on Liquidity and Capital Resources.

	2007	**2008**
	(US dollars in millions)	
Net cash flow provided by operating activities	$ 205.9	$ 253.2
Net cash flow used in investing activities	(415.8)	(1,163.8)
Net cash flow provided by financing activities	321.1	860.6

Year ended December 31, 2008 compared to year ended December 31, 2007.

Cash Flows Provided by Operating Activities. Our cash flows provided by operating activities increased by $47.3 million, or 23.0%, to $253.2 million for the year ended December 31, 2008 from $205.9 million for the year ended December 31, 2007 primarily due to: (i) the receipt of $17.5 million of deposits under forward sale agreements in the year ended December 31, 2008 which did not occur in the year ended December 31, 2007. A significant portion of our operating cash flows stated above, including nearly all of our cash flows from our leasing operations originate within restricted cash entities, where the financing structures in such restricted cash entities do not allow use of such cash flows to fund general operations or to fund obligations of other group entities.

Cash Flows Used in Investing Activities. Our cash flows used in investing activities increased by $748.0 million, or 179.9%, to $1,163.8 million in the year ended December 31, 2008 from $415.8 million in the year ended December 31, 2007, primarily due to: (i) an increase of $570.0 million in the net cash used in aircraft purchase and sale activity (including purchases of intangible lease premiums) in the year ended December 31, 2008 as compared to the year ended December 31, 2007 and (ii) an increase of $175.3 million in the amount of pre-delivery payments made in the year ended December 31, 2008 as compared to the year ended December 31, 2007. Aircraft purchased in 2008 included the acquisition of the TUI portfolio for $520.7 million.

Cash Flows Provided by Financing Activities. Our cash flows provided by financing activities increased by $539.5 million, or 168.0%, to $860.6 million in the year ended December 31, 2008 from $321.1 million in the year ended December 31, 2007. This increase in cash flows provided by financing activities was due primarily to attributable to an increase of $529.9 million in new financing proceeds, net of repayments in the year ended December 31, 2008 as compared to the year ended December 31, 2007 due primarily to the $448.6 million borrowing to fund the acquisition of the TUI portfolio.

Indebtedness

As of December 31, 2008, our outstanding indebtedness totaled $3.8 billion and primarily consisted of export credit facilities, Japanese operating lease financings, commercial bank debt, revolving credit debt, securitization debt and capital lease structures.

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The following table provides a summary of our indebtedness at December 31, 2008:

Debt Obligation	Collateral	Commitment	Outstanding	Undrawn amounts	Weighted average interest rate	Final stated Maturity
		(US dollars in thousands)				
Export credit facilities A320 financings	20 aircraft	$ 671,778	$ 636,813	$ 34,965	3.34%	2020
Export credit facilities A330 financings		1,410,000		1,410,000		
Japanese operating lease financings	3 aircraft	91,095	91,095		2.64%	2015
AerVenture A320 Pre-delivery payment facility Calyon facility		120,761	96,432	24,329	4.18%	2010
AerVenture A320 Pre-delivery payment facility HSH facility		261,860	68,109	193,751	3.70%	2012
Airbus A330 Pre-delivery payment facility		206,190	121,027	85,163	1.24%	2010
UBS revolving credit facility	14 aircraft	1,000,000	477,277	522,723	3.47%	2014
AeroTurbine revolving credit facility	6 aircraft & 61 engines	328,000	194,188	133,812	5.22%	2011
ALS II debt		1,000,000		1,000,000		2038
ALS I debt	62 aircraft	1,120,516	1,120,516		2.15%	2032
TUI Portfolio Acquisition facility	19 aircraft	407,804	407,804		3.48%	2015
TUI Portfolio Subordinated debt*		61,921	61,921		20.00%	2015
Engine Acquisition facility	6 engines	100,000	53,300	46,700	3.16%	2010
Calyon Aircraft Acquisition facility	29 aircraft	214,779	211,346	3,433	2.52%	2013
Commercial bank debt	5 aircraft	124,358	124,358		4.04%	2019
Capital lease obligations under defeasance structures	3 aircraft	126,301	126,301			2010
Total		**$ 7,245,363**	**$ 3,790,487**	**$ 3,454,876**		

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* Subordinated debt issued to our joint venture partner relating to the TUI portfolio acquisition.

In February 2009, we entered into a $86.3 million facility with a European financial institution to finance the pre-delivery payments in connection with the delivery of three A330 aircraft pursuant to a purchase agreement signed with Airbus in December 2006, and amended in May 2007.

In March 2009, AerVenture closed a $846.0 million export credit facility with a syndicate of commercial banks to finance up to 20 Airbus A320 aircraft. Repayment under the credit facility is guaranteed by the ECA. Currently no aircraft have been financed under this facility.

The weighted average interest rate in the table above excludes the impact of related derivative instruments which we hold to hedge our exposure to interest rates.

See " Indebtedness" for more information regarding our indebtedness and see "Interest Rate Risk" for more information on our portfolio of derivative financial instruments.

Contractual Obligations

Our contractual obligations consist of principal and interest payments on debt, executed purchase agreements to purchase aircraft, operating lease rentals on aircraft under lease in/lease out structures and rent payments pursuant to our office leases. We intend to fund our contractual obligations through our lines of credit and other borrowings as well as internally generated cash flows. We believe that our sources of liquidity will be sufficient to meet our contractual obligations.

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The following table sets forth our contractual obligations and their maturity dates as of December 31, 2008:

Payments Due By Period as of December 31, 2008

Contractual Obligations	Less than one year	One to three years	Three to five years	Thereafter	Total
	(U.S. dollars in thousands)				
Debt(1)	$ 608,991	$1,055,792	$ 964,459	$1,425,117	$4,054,359
Purchase obligations(2)	1,750,310	1,874,740	349,614		3,974,664
Operating leases(3)	26,146	50,492	16,182	8,944	101,764
Derivative obligations	3,437	442	(2,636)	(3,414)	(2,171)
Total	**2,388,884**	**2,981,466**	**1,327,619**	**1,430,647**	**8,128,616**

(1) Includes estimated interest payments based on one-month LIBOR as of December 31, 2008, which was 0.436%.

(2) Includes 28 new A330 wide-body aircraft on order from Airbus and 50 Airbus A320 family aircraft on order from Airbus by AerVenture.

(3) Represents contractual operating lease rentals on aircraft under lease in/lease out structures and contractual payments on our office and facility leases in Amsterdam, The Netherlands, Miami, Florida, Fort Lauderdale, Florida, Goodyear, Arizona and Shannon, Ireland.

The table below provides information as of December 31, 2008 regarding our debt and interest (includes estimated interest payments based on one-month LIBOR as of September 30, 2008, which was 0.436%) obligations per facility type:

	Less than one year	One to three years	Three to five years	Thereafter	Total
	(US dollars in thousands)				
Pre-delivery payment facilities(1)	$200,215	$ 88,750	$	$	$ 288,965
Non-recourse debt facilities(2)	239,088	492,111	418,374	749,061	1,898,634
Joint venture facilities(3)	57,631	116,228	156,141	254,529	584,529
Capital lease obligations under defeasance structures(4)	6,515	119,786			126,301
Other facilities	105,542	238,917	389,944	421,527	1,155,930
Total	**$608,991**	**$1,055,792**	**$964,459**	**$1,425,117**	**$4,054,359**

(1) Repayment of debt owed on pre-delivery payment facilities is essentially offset by proceeds received from aircraft purchase debt facilities.

(2) Debt repayment is due only to the extent that cash is available in non-recourse facilities.

(3) Joint venture partners share in the debt repayment responsibilities.

(4) Obligations are defeased through an offsetting notes receivable amount.

Under the AerDragon joint venture agreement, we have contributed $25.0 million of equity to fund AerDragon's initial aircraft and engine purchases.

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Capital Expenditures

Our primary capital expenditure is the purchase of aircraft, including pre-delivery payments under our 1999 aircraft purchase agreement with Airbus. The table below sets forth our capital expenditures for the historical periods indicated.

	Year ended December 31,		
	2006	**2007**	**2008**
	(US dollars in thousands)		
Capital expenditures	$879,497	$720,336	$1,302,157
Pre-delivery payments	93,708	164,074	339,422

In 2006, our principal capital expenditures were for three A319 and three A320 aircraft delivered under our 1999 forward order agreement and 17 A320s, one A319, three 737-700/800s, six 737-300/400s, four 757s and one 767 purchased in portfolio or single aircraft purchase transactions. In 2007, our principal capital expenditures were for five A319, three A320 and two A321 aircraft delivered under our forward order agreements and ten A320s, four 737-700/800s, two 737-200/300/400s, two 757s, one 767, six MD82s, one MD83, one DC8, two Bombardier CRJ-100s and one Canadair CL600 purchased in portfolio or single aircraft purchase transactions. In 2008, our principal capital expenditures were for three A319, nine A320 and two A330 aircraft delivered under our forward order agreements and 10 A320, 11 B737-800, six B737-300, seven B757, two B767, four MD 82 and four MD 83 aircraft purchased in portfolio or single aircraft transactions.

The table below sets forth our expected capital expenditures for future periods indicated based on contracted commitments as of December 31, 2008.

	2009	**2010**	**2011**	**Thereafter**
	(US dollars in thousands)			
Capital expenditures	$1,322,820	1,403,354	212,658	301,076
Pre-delivery payments	427,490	159,586	99,142	48,537
Total	**$1,750,310**	**1,562,940**	**311,800**	**349,613**

As of December 31, 2008, we expect to make capital expenditures related to the 28 A330, three A321 aircraft, 39 A320 aircraft and eight A319 aircraft on order by AerVenture in 2009 and thereafter. As we implement our growth strategy, currently focused on the mid- to long-term, and expand our aircraft and engine portfolio, we expect our capital expenditures to increase in the future. We anticipate that we will fund these capital expenditures through internally generated cash flows, draw downs on our committed revolving credit facilities and the incurrence of bank debt, and other debt and equity issuances.

Off-Balance Sheet Arrangements

As of December 31, 2007, we were obligated to make sublease payments under six aircraft operating leases of aircraft with lease expiration dates between 2009 and 2013. In February 2008, we purchased two of the six aircraft that had been subject to operating leases and terminated the operating leases as described in Note 15 to our consolidated financial statements included herein. As of December 31, 2008, we were obligated to make sublease payments under four aircraft operating leases of aircraft with lease expiration dates between 2009 and 2013. We lease these four aircraft to aircraft operators. Since we are not fully exposed to the risks and rewards of ownership of these aircraft, we do not include these aircraft on our balance sheet. In addition, we do not recognize a financial liability for our operating lease obligations under the leases on our balance sheet. Due to the fact that sublease receipts related to these four aircraft are insufficient to cover our lease obligations, we have recognized an onerous contract accrual on our balance sheet which is equal to the difference between the present value of the lease expenses and the present value of the sublease income discounted at appropriate discount rates. This accounting treatment, however, does not result in the same presentation as if we accounted for these aircraft as owned assets and the related operating lease obligations as debt liabilities. Note 15 of our consolidated financial statements included in this annual report includes more information on this arrangement, including a table of future lease obligations by year.

We continue to have an economic interest in AerCo. This interest is not assigned any value on our balance sheet because we do not expect to realize any value for our investment.

We have other investments in companies or ventures in the airline industry which we obtain primarily through restructurings in our leasing business. The value of these investments are immaterial to our financial position. We do not consolidate such companies on our balance sheet because the investments do not meet the requirements for consolidation.

As discussed above, we have entered into a joint venture, AerDragon, that does not qualify for consolidated accounting treatment. This joint venture's assets and liabilities are off our balance sheet and we only record our net investment under the equity method of accounting.

Management's use of "net income excluding non-cash charges relating to the mark-to-market of our interest rate caps and share based compensation"

The following is a definition of a non-GAAP measure used in this report on Form 20-F and a reconciliation of such measure to the most closely related GAAP measure:

Net income excluding non-cash charges relating to the mark-to-market of our interest rate caps and share based compensation. This measure is determined by adding non-cash charges related to the mark-to-market losses on our interest rate caps and share based compensation during the applicable period, net of related tax benefits, to GAAP net income. We believe this measure provides investors with a more meaningful view of our operational performance and allows investors to better understand its operational performance in relation to past and future reporting periods. We use interest rate caps to allow us to benefit from decreasing interest rates and protect against the negative impact of rising interest rates on its floating rate debt. Management determines the appropriate level of caps in any period with reference to the mix of floating and fixed cash inflows from our lease and other contracts. We do not apply hedge accounting to our interest rate caps. As a result, we are required to recognize the change in fair value of the interest rate caps in our income statement during each period. The following is a reconciliation of net income excluding non-cash charges relating to the mark-to-market of interest rate caps and share based compensation to net income for the years ended December 31, 2008 and 2007:

	Year ended December 31, 2007	Year ended December 31, 2008
	(US dollars in millions)	
Net income	$ 188.5(1)	$ 151.8
Plus: Non-cash charges relating to the mark-to-market of interest rate caps, net of tax	12.6	39.6
Non-cash charges related to share-based compensation, net of tax	9.5	6.4
Net income excluding non-cash charges related to mark-to-market of interest rate caps and share-based compensation	**$ 210.6**	**$ 197.8**

(1) Includes a charge to interest expense from refinancing of securitized bonds of $24.0 million, net of tax.

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Management's use of "net spread"

Net spread. This measure is the difference between basic lease rents and interest expense excluding the impact from the mark-to-market of interest rate caps and non-recurring charges. We believe this measure provides investors a better way to understand 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, utilization rates, as well as the impact from the use of interest rate caps instead of swaps for hedging purposes. The following is a reconciliation of net spread to basic rents for the year ended December 31, 2008 and 2007:

	Year ended December 31, 2007	Year ended December 31, 2008
	(US dollars in millions)	
Basic rents	**$ 494.2**	**$ 520.7**
Interest on debt	234.8	219.2
Plus: mark-to-market of interest rate caps	(14.4)	(58.1)
Less: Non-recurring charges from refinancing of securitized bonds	(27.4)	
Interest on debt excluding the impact of mark-to-market of interest rate caps and non-recurring charges from refinancing of securitized bonds	193.0	161.1
Net spread	$ **301.2**	**$ 359.6**

Recent Accounting Pronouncements

SFAS 141(R)

In December 2007, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 141(R), *Business Combinations* ("SFAS 141(R)"). SFAS 141(R) establishes requirements for an acquirer to record the assets acquired, liabilities assumed, and any related noncontrolling interest related to the acquisition of a controlled subsidiary, measured at fair value as of the acquisition date. The Company is required to adopt SFAS 141(R) in the first quarter of 2009. The Company does not currently expect that the implementation of SFAS 141(R) will have a material effect on the Company's results of operations and financial position.

SFAS 157

In September 2006, the FASB issued SFAS No. 157, "*Fair Value Measurements*" ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures regarding fair value measurement but does not change existing guidance about whether an asset or liability is carried at fair value. The application of SFAS 157 for financial instruments which are periodically measured at fair value did not have a material effect on the Company's results of operations or financial position (See Note 4 Fair value measurements). For non-financial assets and liabilities which are not periodically recognized or disclosed at fair value, the effective date for SFAS 157 has been deferred one year.

SFAS 159

In February 2007, the FASB issued SFAS No. 159, "*The Fair Value Option for Financial Assets and Financial Liabilities*" ("SFAS 159"). SFAS 159 permits entities to choose to measure at fair value many financial instruments and certain other items that are not currently required to be measured at fair value. Subsequent changes in fair value for designated items will be required to be reported in income. SFAS 159 also establishes presentation and disclosure requirements for similar types of assets and

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liabilities measured at fair value. SFAS 159 permits the fair value option election on an instrument-by-instrument basis for eligible items existing at the adoption date and at initial recognition of an asset or liability or upon an event that gives rise to a new basis of accounting for that instrument. The Company adopted this standard at January 1, 2008, its required effective date. The adoption of this standard did not have any effect on our consolidated financial condition, results of operations or cash flows, since we did not choose to fair value any financial instruments or other items not currently measured at fair value.

SFAS 160

In December 2007, the FASB issued SFAS No. 160, "*Non-controlling Interests in Consolidated Financial Statements*, *an amendment of Accounting Research Bulletin No. 51*" ("SFAS 160"). SFAS re-characterizes minority interests in consolidated subsidiaries as non-controlling interests and requires the classification of minority interests as a component of equity. Under SFAS 160, a change in control will be measured at fair value, with any gain or loss recognized in earnings. The effective date for SFAS 160 is for fiscal periods beginning on or after December 15, 2008. Early adoption and retroactive application of SFAS 160 to years preceding the effective date are not permitted. We are currently evaluating the impact, if any, of SFAS 160.

SFAS 161

In March 2008, the FASB issued SFAS No. 161, "*Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133*" ("SFAS 161"). SFAS 161 requires enhanced disclosures about an entity's derivative and hedging activities and thereby improves the transparency of financial reporting. This Statement is effective for us in the first quarter of 2009. We are currently evaluating the impact of SFAS 161.

SFAS 162

In May 2008, the FASB issued SFAS No. 162, The Hierarchy of Generally Accepted Accounting Principles ("SFAS No. 162"). The new standard is intended to improve financial reporting by identifying a consistent framework, or hierarchy, for selecting accounting principles to be used in preparing financial statements that are presented in conformity with U.S. GAAP for nongovernmental entities. SFAS No. 162 will become effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board amendments to AU Section 411, "The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles." The adoption of SFAS No. 162 will have no material impact on our consolidated financial statements.

EITF Issue No. 08-6

In November 2008, the Emerging Issues Task Force issued EITF No. 08-6, *Equity Method Investment Accounting Considerations* (EITF 08-6) that addresses how the initial carrying value of an equity method investment should be determined, how an impairment assessment of an underlying indefinite-lived intangible asset of an equity method investment should be performed, how an equity method investee's issuance of shares should be accounted for, and how to account for a change in an investment from the equity method to the cost method. EITF 08-6 shall be effective in fiscal years beginning on or after December 15, 2008, and interim periods within those fiscal years. EITF 08-6 shall be applied prospectively with early application prohibited. The impact of adopting EITF 08-6 is not expected to have a material impact on our consolidated financial condition or results of operations.

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FSP FAS No. 142-3

In April 2008, the FASB issued FSP No. FAS 142-3, *Determination of the Useful Life of Intangible Assets* (FSP FAS 142-3). FSP FAS 142-3 amends the factors that should be considered in developing a renewal or extension assumptions used for purposes of determining the useful life of a recognized intangible asset under SFAS No. 142, *Goodwill and Other Intangible Assets* (SFAS 142). FSP FAS 142-3 is intended to improve the consistency between the useful life of a recognized intangible asset under SFAS 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS 141(R) and other GAAP. FSP FAS 142-3 is effective for fiscal years beginning after December 15, 2008. Earlier application is not permitted. We believe the impact of adopting FSP FAS 142-3 will not have a material effect on our consolidated financial condition or results of operations.

INDEBTEDNESS

Export Credit Facility Financings Airbus A320 aircraft

General. In April 2003, we entered into an $840.0 million export credit facility for the financing of up to 20 Airbus A320 aircraft. Funding under the facility is provided by commercial banks, but the repayment is guaranteed by the ECA. In January 2006, the export credit facility was amended and extended to cover an additional nine aircraft and its size increased to a maximum of $1.215 billion. In November 2008, the export credit facility was further amended to cover an additional one aircraft and the maximum amount of the facility remained unchanged. The terms of the lending commitment in the export credit facility are such that the export credit agencies only approve funding for aircraft that are due for delivery on a six-months rolling basis and have no obligation to fund deliveries beyond that period. At December 31, 2008, we had financed 20 aircraft under this facility. We had $636.8 million of loans outstanding under our export credit facilities as of December 31, 2008.

Interest Rate. Set forth below are the interest rates for our export credit facilities.

	Amount outstanding at December 31, 2008 (US dollars in thousands)	Interest rate
Floating Rate Tranches:	$ 254,360	Three-month LIBOR plus 0.12%
	194,238	Three-month LIBOR plus 0.25%
	68,253	Three-month LIBOR plus 0.27%
	22,032	Three-month LIBOR plus 0.30%
	102,321	Three-month LIBOR plus 0.90%
Purchase accounting fair value adjustments	(4,391)	
Total:	$ 636,813	

Maturity Date. We are obligated to repay principal on the export credit facility over a 10 or 12-year term.

Collateral. The export credit facilities require legal title to the aircraft be transferred to and held by a special purpose company controlled by the respective lenders. We have entered into lease agreements on these aircraft which transfer the risk and rewards of ownership of the aircraft to AerCap. The obligations outstanding under the export credit facilities are secured by, among other things, a pledge of the shares of the company which holds legal title to the aircraft financed under the facility. Each subsidiary's obligations under the financings are guaranteed by AerCap Holdings N.V.

Certain Covenants. The export credit facilities contain affirmative covenants customary for secured financings. The facilities also contain net worth financial covenants. In addition, loans under the 2003

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export credit facilities contain change of control provisions that grant the lenders the right to prepayment of their loans in the event of a change of control, unless the lenders consent to the change of control, which was obtained in connection with the 2005 Acquisition. A change of control occurs under our April 2003 export credit facility if our shares cease to be listed on The New York Stock Exchange unless, at the time our shares cease to be listed on The New York Stock Exchange, at least 66.66% of our ordinary shares are owned and controlled by one or more shareholders rated at least BBB- by Standard & Poor's Ratings Services and Baa3 or more by Moody's Investors Service, Inc.

Export Credit Facility Financings Airbus A330 aircraft

General. In December 2008, we entered into a $1.41 billion export credit facility for the financing of up to 15 Airbus A330 aircraft. Funding under the facility is provided by commercial banks, but the repayment is guaranteed by the ECA. As of December 31, 2008, no aircraft under this facility have been delivered from the manufacturer.

Interest Rate. Set forth below are the interest rates for the first and the subsequent three of our export credit facilities. The interest rates for the remaining loans will be agreed on a rolling basis.

	Amount outstanding at December 31, 2008 (US dollars in thousands)	Interest rate
Floating rate tranches		Three-month LIBOR plus 0.80%
		Three-month LIBOR plus 0.35%

Maturity Date. We are obligated to repay principal on the export credit facility over a 10 or 12 year term.

Collateral. The export credit facilities require legal title to the aircraft be transferred to and held by a special purpose company controlled by the respective lenders. We will enter into lease agreements on these aircraft which transfer the risk and rewards of ownership of the aircraft to AerCap. The obligations outstanding under the export credit facilities are secured by, among other things, a pledge of the shares of the company which holds legal title to the aircraft financed under the facility. Each subsidiary's obligations under the financings are guaranteed by AerCap Holdings N.V.

Certain Covenants. The export credit facilities contain affirmative covenants customary for secured financings. The facilities also contain net worth financial covenants. In addition, loans under the 2008 export credit facilities contain change of control provisions that grant the lenders the right to prepayment of their loans in the event of a change of control, unless the lenders consent to the change of control. A change of control occurs under our December 2008 export credit facility if:

(i) AerCap Holdings N.V.'s shares cease to be listed on The New York Stock Exchange unless, at the time our shares cease to be listed on The New York Stock Exchange, at least 66.66% of our issued shares and voting rights are owned and controlled by one or more shareholders rated at least BBB- by Standard & Poor's Ratings Services and Baa3 or more by Moody's Investors Service, Inc.;

(ii) AerCap Holdings N.V. ceases to own and control 100% of the shares in AerCap A330 Holdings B.V., AerCap B.V. or AerCap Ireland Limited; or

(iii) AerCap A330 Holdings B.V. ceases to own and control and least 51% of the shares in AerCap A330 Holdings Limited.

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Export Credit Facility Financings AerVenture A320 aircraft

General. In March 2009, AerVenture, entered into a $846.0 million export credit facility for the financing of up to 20 Airbus A320 aircraft. Funding under the facility is provided by commercial banks, but the repayment is guaranteed by the ECA. As of this date, currently no aircraft under this facility have been financed.

Interest Rate. The interest rates for the loans will be agreed on a rolling basis.

Maturity Date. We are obligated to repay principal on the export credit facility over a 10 or 12 year term.

Collateral. The export credit facilities require legal title to the aircraft be transferred to and held by a special purpose company controlled by the respective lenders. We will enter into lease agreements on these aircraft which transfer the risk and rewards of ownership of the aircraft to AerVenture. The obligations outstanding under the export credit facilities are secured by, among other things, a pledge of the shares of the company which holds legal title to the aircraft financed under the facility. Each subsidiary's obligations under the financings are guaranteed by AerVenture and AerCap Holdings N.V.

Certain Covenants. The export credit facilities contain affirmative covenants customary for secured financings. The facilities also contain net worth financial covenants. In addition, loans under the 2009 export credit facilities contain change of control provisions that grant the lenders the right to prepayment of their loans in the event of a change of control, unless the lenders consent to the change of control. A change of control occurs under our March 2009 export credit facility if:

(i) AerCap Holdings N.V.'s shares cease to be listed on The New York Stock Exchange unless, at the time our shares cease to be listed on The New York Stock Exchange, at least 66.66% of our issued shares and voting rights are owned and controlled by one or more shareholders rated at least BBB- by Standard & Poor's Ratings Services and Baa3 or more by Moody's Investors Service, Inc.;

(ii) AerCap Holdings N.V. ceases to own and control (directly or indirectly) 100% of the relevant servicer;

(iii) AerCap Holdings N.V. ceases to own and control 100% of the shares in AerCap AerVenture Holding B.V.;

(iv) AerCap AerVenture Holding B.V. ceases to own and control at least 50% of the shares in AerVenture;

(v) AerVenture ceases to own and control (directly or indirectly) 100% of the export lessees.

Aircraft Lease Securitisation I

General. On May 8, 2007, we completed a refinancing of our securitization of ALS I with the issuance of $1.66 billion of securitized notes in one class of AAA-rated class G-3 floating rate notes. The proceeds from the refinancing were used to redeem all outstanding ALS I debt, other than the most junior class of notes, to refinance the indebtedness that had been incurred to purchase 24 previously acquired aircraft, and to finance the purchase of four additional new aircraft, increasing ALS I's aircraft portfolio size to 70 aircraft. Following a number of aircraft sales, there are 62 aircraft in the ALS I portfolio as of December 31, 2008. The primary source of payments on the notes is lease payments on the aircraft owned by the subsidiaries of ALS I. We retained the most junior class of notes in the securitization, as a result of which we still consolidate ALS I's results in our financial statements.

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MBIA Insurance Corporation issued a financial guaranty insurance policy to support the payment of interest when due and principal on the final maturity on the new notes, which are currently rated Baa1 and AA by Moody's Investors Service and Standard & Poor's Ratings Services, respectively.

Liquidity. Calyon provided a liquidity facility in the amount of $72.0 million, which may be drawn upon to pay expenses of ALS I and its subsidiaries, senior hedge payments and interest on the new senior class of notes.

Interest Rate. Set forth below is the interest rate for the Class G-3 note:

	Amount outstanding at December 31, 2008 (US dollars in thousands)	Interest rate
Class G3 notes	$ 1,120,516	One month LIBOR plus 0.26%

Aircraft Management Services. We provide lease and aircraft management and re-leasing and remarketing services for ALS I's aircraft, for which we receive a retainer fee of 0.212% per year of the initial appraised value of the aircraft, which was $2.1 billion, a monthly fee equal to 1.0% of the aggregate rent actually paid each month, and a sales based incentive fee of 1.25% of the specified target sales prices for the sale or insured loss of an aircraft. The target sales price for an aircraft is 90% of the appraised value of the aircraft, which is adjusted annually. We also provide insurance services for which we receive an annual fee of $50,000 and administrative services for which we receive a monthly fee of $1,380 for each aircraft, subject to annual adjustments for inflation and a minimum of $0.2 million per year.

We may be terminated as manager and administrative agent by ALS I or MBIA Insurance Corporation if we default on our obligations as manager or administrative agent or become insolvent. In addition, we may be terminated as manager if:

- at the time of an event of default under the trust indenture for the securitization, at least 12 aircraft are not subject to leases and have been off-lease and reasonably available for re-lease for the previous three months,

- an event of default arises under the trust indenture as a result of our failure as manager to perform certain covenants in the trust indenture and the failure affects more than 10% of the ALS I aircraft (based on the most recent appraised value of the aircraft at that time), or we, as manager, cease to be actively involved in the aircraft advisory and management business, or

- we, as manager, cease to be actively involved in the aircraft advisory and management business.

We, as manager, may not be removed or resign prior to the expiration of the servicing agre