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.

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.

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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

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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

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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 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 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

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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 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.

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				