AerCap Holdings N.V.
Form 20-F
March 13, 2013

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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, 2012
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)

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

Wouter M. den Dikken, AerCap House, Stationsplein 965, 1117 CE Schiphol, 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:

6.375% Senior Unsecured Notes due 2017

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

Ordinary Shares, Euro 0.01 par value	**113,363,535**

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

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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 ý	Accelerated filer o	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 o

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" within the meaning of the Private Securities Litigation Reform Act of 1995, 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 purchases, sales and leases, to collect outstanding amounts due and to repossess aircraft under defaulted leases, and to control costs and expenses;
- decreases in the overall demand for commercial aircraft 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", "aim", "estimate", "continue", "anticipate", "intend", "expect" and similar words are intended to identify forward looking statements. Forward looking statements include information concerning our possible or assumed future results of operations, business strategies, financing plans, competitive position, industry environment, potential growth opportunities, the effects of future regulation and the effects of competition. Forward looking statements speak only as of the date they were made and we undertake no obligation to update publicly or to revise any forward looking statements because of new information, future events or other factors. In light of the risks and uncertainties described above, the forward looking events and circumstances described in this annual report might not occur and are not guarantees of future performance.

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PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

AerCap Holdings N.V. was formed as a Netherlands public limited liability company ("*naamloze vennootschap*" *or* "*N.V.*") on July 10, 2006. 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 20.0 million additional ordinary shares on the New York Stock Exchange. On March 25, 2010, the all-share acquisition of Genesis (the "Genesis Transaction") was completed and increased our outstanding ordinary shares by 34.3 million. On November 11, 2010, we completed a transaction with Abu Dhabi-based investment holding company Waha Capital PJSC (the "Waha Transaction"). As part of this transaction our outstanding ordinary shares increased by 29.8 million. On October 7, 2011, we closed on the sale of AeroTurbine to International Lease Finance Corp ("ILFC"). On November 14, 2012 we sold our equity interest in Aircraft Lease Securitisation Limited ("ALS") to a subsidiary of Guggenheim Partners, LLC ("Guggenheim"). During 2011 and 2012 we repurchased 35.9 million of our ordinary shares in the market under our share repurchase programs. These shares have all been cancelled. As of December 31, 2012, we had 113.4 million shares issued and outstanding.

Selected financial data.

The following table presents AerCap Holdings N.V.'s selected consolidated financial data for each of the periods indicated, prepared in accordance with US GAAP. This information should be read in conjunction with AerCap Holdings N.V.'s audited consolidated financial statements and related notes and "Item 5. Operating and Financial Review and Prospects". The financial information presented as of December 31, 2011 and 2012 and for the years ended December 31, 2008, 2009, 2010, 2011 and 2012 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, 2008, 2009 and 2010 was derived from AerCap Holdings N.V. audited consolidated financial statements not included in this annual report.

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Consolidated Balance Sheets Data:

	As of December 31,				
	2008	2009	2010	2011	2012
	(US dollars in thousands)				
Assets					
Cash and cash equivalents	$ 193,563	$ 182,617	$ 404,450	$ 411,081	$ 520,401
Restricted cash	113,397	140,746	222,464	237,325	279,843
Flight equipment held for operating leases, net	3,989,629	5,230,437	8,061,260	7,895,874	7,261,899
Notes receivable	134,067	138,488	15,497	5,200	78,163
Prepayments on flight equipment	448,945	527,666	199,417	95,619	53,594
Other assets	531,225	549,547	697,519	462,533	387,518
Total assets	**$ 5,410,826**	**$ 6,769,501**	**$ 9,600,607**	**$ 9,107,632**	**$ 8,581,418**
Debt	3,790,487	4,846,664	6,566,163	6,111,165	5,803,499
Other liabilities	494,284	509,505	817,047	713,150	655,013
Total liabilities	4,284,771	5,356,169	7,383,210	6,824,315	6,458,512
AerCap Holdings N.V. shareholders' equity	1,109,037	1,258,009	2,211,350	2,277,236	2,122,038
Non-controlling interest	17,018	155,323	6,047	6,081	868
Total equity	1,126,055	1,413,332	2,217,397	2,283,317	2,122,906
Total liabilities and equity	**$ 5,410,826**	**$ 6,769,501**	**$ 9,600,607**	**$ 9,107,632**	**$ 8,581,418**

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Consolidated Income Statement Data:

	Year ended December 31,				
	2008(1)(2)	2009(1)(2)	2010(1)(2)(4)	2011	2012
	(US dollars in thousands except share and per share amounts)				
Revenues					
Lease revenue	$ 541,455	$ 581,134	$ 902,320	$ 1,050,536	$ 997,147
Net gain (loss) on sale of assets	77,107	40,243	36,204	9,284	(46,421)
Management fee revenue	11,749	12,964	12,975	19,059	17,311
Interest revenue	18,018	9,459	3,913	2,761	2,471
Other revenue	4,113	3,692	3,866	12,283	2,012
Total revenues	**652,442**	**647,492**	**959,278**	**1,093,923**	**972,520**
Expenses					
Depreciation	154,130	194,161	307,706	361,210	357,347
Asset impairment	5,282	18,833	10,905	15,594	12,625
Interest on debt	208,914	86,193	233,985	292486	286,019
Other expenses	59,843	68,067	67,829	73,836	78,241
Selling, general and administrative expenses(3)	85,630	76,628	80,627	120,746	83,409
Total expenses	**513,799**	**443,882**	**701,052**	**863,872**	**817,641**
Income from continuing operations before income taxes and income of investments accounted for under the equity method	**138,643**	**203,610**	**258,226**	**230,051**	**154,879**
Provision for income taxes	833	(953)	(22,194)	(15,460)	(8,067)
Net income of investments accounted for under the equity method		983	3,713	10,904	11,630
Net income from continuing operations	**139,476**	**203,640**	**239,745**	**225,495**	**158,442**
Income (loss) from discontinued operations (AeroTurbine, including loss on disposal), net of tax	1,447	2,731	(3,199)	(52,745)	
Bargain purchase gain ("Amalgamation gain"), net of transaction expenses			274		
Net Income	**$ 140,923**	**$ 206,371**	**$ 236,820**	**$ 172,750**	**$ 158,442**
Net loss (income) attributable to non-controlling interest, net of tax	10,883	(41,205)	(29,247)	(526)	5,213
Net income attributable to AerCap Holdings N.V.	**$ 151,806**	**$ 165,166**	**$ 207,573**	**$ 172,224**	**$ 163,655**
Total earnings per share, basic and diluted	$ 1.79	$ 1.94	$ 1.81	$ 1.17	$ 1.24
Earnings (loss) per share from discontinued operations, basic and diluted	$ 0.02	$ 0.03	$ (0.03)	$ (0.36)	
Earnings per share from continued operations attributable to AerCap Holdings N.V., basic and diluted	$ 1.77	$ 1.91	$ 1.84	$ 1.53	$ 1.24
Weighted average shares outstanding, basic and diluted	85,036,957	85,036,957	114,952,639	146,587,752	131,492,057

(1) As a result of the sale of AeroTurbine and based on ASC 205-20, which governs financial statements for discontinued operations, the results of AeroTurbine have been reclassified to discontinued operations.

(2) Certain reclassifications have been made to prior years consolidated income statements to reflect the current year presentation.

(3) Includes share based compensation of $6.6 million ($5.8 million, net of tax), $3.0 million ($2.6 million, net of tax), $2.9 million ($2.5 million, net of tax), $6.2 million ($5.4 million, net of tax) and $7.1 million ($6.3 million, net of tax) in the years ended December 31, 2008, 2009, 2010, 2011 and 2012 respectively.

(4) Includes the results of Genesis for the period from March 25, 2010 (date of acquisition) to December 31, 2010.

RISK FACTORS

Risks Related to Our Business

We require significant capital to fund our obligations under our forward purchase commitments.

As of December 31, 2012, we had 45 new aircraft on order, which included five A330 purchase and leaseback aircraft, six A320 aircraft (including two aircraft under a purchase and leaseback arrangement that had been cancelled as of the date of this report), 34 Boeing 737 aircraft (including 11 American Airlines purchase and leaseback aircraft that are expected to be evaluated on an aircraft by aircraft basis if we do not enter into a firm commitment for such aircraft with American Airlines and five purchase rights as part of a Boeing order). In addition, we had a call option on five A320NEO purchase and leaseback aircraft. In order to meet our commitments under our forward purchase contracts, and to maintain an adequate level of unrestricted cash we will need to raise additional funds through a combination of accessing committed debt facilities and securing additional financing for pre-delivery and final delivery payment obligations and we may need to raise additional funds through selling aircraft or other aircraft investments, including participations in our joint ventures, and if necessary, generating proceeds from potential capital market transactions. Our typical sources of funding may not be sufficient to meet our operating requirements and fund our forward purchase commitments 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.

Our business model depends on the continual re-leasing of our aircraft when current leases expire and the leasing of new aircraft on order, and 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 when our current leases expire in order to generate sufficient revenues to finance our operations and pay our debt service obligations. Between December 31, 2012 and December 31, 2015, aircraft leases accounting for 24.8% of our lease revenues for the year ended December 31, 2012, 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 the current leases will need to be extended. In 2012, we generated $83.7 million of revenues from leases that are scheduled to expire in 2013, $69.8 million of revenues from leases that are scheduled to expire in 2014 and $93.5 million of revenues from leases that are scheduled to expire in 2015. Our ability to re-lease our existing aircraft or lease a new aircraft prior to delivery will depend on general market and competitive conditions at the time the leases expire. If we are unable to re-lease an existing aircraft 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 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 2012, we generated the primary portion of our revenue from leases to the aviation industry, and as a result, we are indirectly affected by all the risks facing airlines today. 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;

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- 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 financial 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. 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 deteriorate. If lessees of a significant number of our aircraft default on their leases, our financial results will be adversely affected.

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, we may not be able to re-lease the aircraft promptly at favorable rates, if at all. We 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 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.

In 2012, we incurred significant costs resulting from lease defaults.

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. Our rights upon a lessee default

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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 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 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.

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

During 2012, five of our lessees, leasing nine of our aircraft, defaulted. The total cost of these defaults in terms of lost revenue during off-lease periods, impairments and related technical costs totaled $43.6 million during 2012. As a result of the current economic environment, the highly competitive nature of the airline industry and increasing fuel prices, additional lessees might default on their lease obligations or file for bankruptcy in the future. If we are required to repossess an aircraft 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 security bonds or letters of credit necessary to effect repossession of the aircraft, particularly if the lessee is contesting the proceedings or is in bankruptcy. In addition, during these proceedings the relevant aircraft 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 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.

The business of leasing, financing and selling aircraft has historically experienced prolonged periods of oversupply during which lease rates and aircraft values, relating particularly to older and less fuel efficient aircraft, 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 has experienced prolonged periods of equipment shortages and oversupply. Over recent years the business of leasing, financing and selling aircraft has moved from a market that had been characterized by relative shortage to one of oversupply for certain older, less fuel-efficient aircraft. The oversupply of a specific type of aircraft typically depresses the lease rates for, and the value of, that type of aircraft. The supply and demand for aircraft 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;

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- 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;
- increases in production rates from manufacturers;
- reintroduction into service of aircraft previously in storage; and
- airport and air traffic control infrastructure constraints.

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 aircraft in the marketplace which, along with the factors described above, may produce sharp and prolonged decreases in aircraft lease rates and values, and could have a material adverse effect on our ability to re-lease our aircraft. Any of these factors could materially and adversely affect our financial results.

Over the last three years, 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), Boeing 747-400 Freighters, other older Boeing aircraft and older Airbus A320s. As of December 31, 2012, 1.9% of our owned fleet, by book value, consists of nine older, less fuel-efficient aircraft 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 this slow-down continues, we expect further decreases in lease rates for older less fuel-efficient aircraft. These decreases would adversely affect our financial results.

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

Aircraft 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, including:

- the particular maintenance, operating history and documentary records of the aircraft;

the number of operators using that type of aircraft;

the regulatory authority under which the aircraft is operated;

whether the aircraft is subject to a lease and, if so, whether the lease terms are favorable to the lessor;

the age of our aircraft;

any renegotiation of a lease on less favorable terms;

the negotiability of clear title free from mechanics liens and encumbrances;

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- 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; and
- the availability of spare parts.

Any decrease in the value and lease rates of aircraft which may result from the above factors or other factors not mentioned above, may have a material adverse effect on our financial results.

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

During the recent global recession, the airline industry substantially curtailed capacity. As traffic demand recovered from late 2009, the continued capacity control resulted in a substantial recovery in financial performance of the airline industry. Because year on year growth rates are diminishing after the initial recovery while aircraft manufacturers are gradually increasing production rates the risk of renewed overcapacity in the market is increasing. The potential for deteriorating financial performance of the airline industry as a result of capacity growth exceeding traffic demand growth could result in lower demand for our aircraft. As a result values and lease rates for our aircraft might be negatively impacted.

In addition, the decrease in capital available to finance the purchase price of aviation assets resulting from the recent global financial crisis has reduced the level of activity in the secondary trading market for such aircraft 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.

We were required to write-down the value of some of our assets during 2010, 2011 and 2012 and if economic conditions worsen again or further worsen, we may be required to make additional 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. We performed an impairment analysis of our long-lived assets during the year 2012 and as of December 31, 2012. 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 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. The impairment analysis resulted in an impairment charge of $12.6 million in the year ended December 31, 2012. The impairment charge recognized related to four older A320 aircraft and one Boeing 737 classic. In the years ended December 31, 2010 and 2011, we recognized impairment charges of $10.9 million and $15.6 million, respectively.

If conditions again worsen significant uncertainties may cause a potential adverse impact on our business. In particular, our estimates and assumptions regarding forecasted cash flows from our long-lived assets would need to be reassessed. This includes the duration of the economic downturn along with the timing and strength of the pending recovery, both of which are important variables for purposes of our long-lived asset impairment tests. Any of our assumptions may prove to be inaccurate

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which could adversely impact forecasted cash flows of certain long-lived assets, especially for aircraft older than 15 years. If so, it is possible that an impairment may be triggered for other long-lived assets in 2013 and that any such impairment amounts may be material. As of December 31, 2012, nine aircraft were older than 15 years of age, with a net book value of $134.1 million which represented 1.9% of our total flight equipment held for operating lease.

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 AerCap Partners I & II, AerDragon and AerLift. Under the 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.

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. As of December 31, 2011 and December 31, 2012, we had $4.2 billion and $3.5 billion, respectively, of floating rate indebtedness outstanding. We incurred floating rate interest expense of $95.9 million in the year ended December 31, 2012. 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 increases on a portion of our floating-rate liabilities by entering into derivative contracts, such as interest rate caps and interest rate swaps. However, we remain exposed to changes in interest rates to the extent that our derivative contracts are not correlated to our financial liabilities (Please refer to pages 117 through 118 for details regarding our interest rate derivatives). 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 interest revenue on cash deposits as well as lease revenues generated from leases with lease rates tied to floating interest rates. In the year ended December 31, 2012, 13.3% of our basic 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, 2012, 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 $31.1 million on an annualized basis, including the offsetting benefits of interest rate caps and swaps currently in effect, which would be partially offset by an increase in our interest revenue of approximately $4.0 million and lease revenue by approximately $9.0 million on an annualized basis. A decrease in interest rates would result in a saving in our interest expense, which would be partially offset by a reduction in the interest revenue and lease revenue.

Our level of indebtedness requires significant debt service payments.

As of December 31, 2012, our consolidated indebtedness was $5.8 billion and represented 68% of our total assets as of that date and our interest expense (including the impact of hedging activities) was $286 million for the year ended December 31, 2012. Due to the capital intensive nature of our business and our strategy of expanding our aircraft portfolio, we expect that we will incur additional indebtedness in the future and continue to maintain 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 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;
- 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 concentration of some aircraft models in our aircraft portfolio 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 and A330 aircraft in our aircraft portfolio, our financial results may be adversely affected if the demand for these aircraft models declines, if they are redesigned or replaced by their manufacturer or if these aircraft models experience design or technical problems. As of December 31, 2012, 73.5% of the net book value of our aircraft portfolio was represented by Airbus aircraft. Our owned aircraft portfolio included 10 aircraft types, the five highest concentrations of which together represented 95.9% of our aircraft by net book value. The four highest concentrations were Airbus A320 aircraft, representing 35.5% of the net book value of our aircraft portfolio, Airbus A330 aircraft, representing 25.4% of the net book value of our aircraft portfolio, Boeing 737 aircraft, representing 22.5% of the net book value of our aircraft portfolio, and Airbus A319 aircraft, representing 8.7% of the net book value of our aircraft portfolio. No other aircraft type represented more than 5% of our portfolio by net book value. In addition to our significant number of existing Airbus aircraft, as of December 31, 2012, we had 45 new aircraft on order, which included five A330 purchase and leaseback aircraft, six A320 aircraft (including two aircraft under a purchase and leaseback arrangement that had been cancelled as of the date of this report), and 34 Boeing 737 aircraft (including 11 American Airlines purchase and leaseback aircraft that are expected to be evaluated on an aircraft by aircraft basis if we do not enter into a firm commitment for such aircraft with American Airlines and five purchase rights as part of a Boeing order). In addition, we had a call option on five A320NEO purchase and leaseback aircraft, and had entered into sales contracts for four aircraft and executed a letter of intent to sell five aircraft.

Should any of these aircraft types in general encounter technical or other problems, the value and lease rates of those aircraft will likely decline, and we may be unable to lease the aircraft on favorable terms, if at all. Any significant technical problems with any such aircraft models could result in the grounding of the aircraft. Any decrease in the value and lease rates of our aircraft 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 are leased to airlines in emerging market countries. As of December 31, 2012, we leased 49.6% of our aircraft, weighted by net book value, to airlines in emerging market countries. The emerging markets in which our aircraft are operated are Brazil, Bulgaria, Chile, China, Czech Republic, Ecuador, Egypt, El Salvador, Hungary, India, Indonesia, Jordan, Mexico, Pakistan, Philippines, Poland, Republic of Korea, Russia, Slovenia, Taiwan, Thailand,

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Tunisia, Turkey, Ukraine, United Arab Emirates and Vietnam. We also may lease aircraft 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 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.

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. 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 Europe accounted for 39% of our lease revenues in 2012. 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. While European passenger traffic growth in 2012 was relatively strong considering the European economic environment, the region did suffer several airline bankruptcies, including Spanair and Malev, during 2012. According to International Air Transport Association ("IATA"), airline passenger traffic in Europe grew by 5.1% and freight traffic contracted by 2.9% in 2012 compared to 2011. The substantial risk of another economic recession in Europe in 2013 could adversely impact the financial health of some European airlines including our lessees. A reduction in traffic growth in Europe could lower demand and lease rates and our ability to lease and release our aircraft in Europe.

Lease rental revenues from lessees based in Asia/Pacific/Russia accounted for 36% of our lease revenues in 2012. 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. According to IATA, Asian/Pacific airline passenger traffic in 2012 increased by 6% compared to 2011. While overall passenger traffic in the Asia Pacific region continued to expand faster than the 5.3% growth rate recorded by IATA for world passenger traffic in 2012, some segments in the Asian Pacific market show significant weakness. For example cargo traffic and Indian domestic passenger traffic were particularly weak in 2012. Indian domestic passenger traffic contracted by 2.1% in 2012, in stark contrast to the 16.4% growth achieved in 2011. Kingfisher Airlines ceased operations in 2012 also drastically reducing capacity growth in the Indian domestic market, which was limited to 0.3% in 2012. However if downturn in air travel in India continues, while the remaining Indian airlines continue to rapidly expand, the financial health of Indian airlines could be adversely impacted, including that of our lessees. Many airlines in the Asia Pacific region generate a relatively large portion of their revenues from cargo traffic, which contracted by 5.5% in 2012 and 1.5% globally. As a result if the downturn in the air freight market persists, it could adversely impact individual airline financial performance, including that of our lessees and it could adversely impact cargo aircraft demand and lease rates and our ability to lease and release our freighter aircraft.

Lease rental revenues from lessees based in North America, accounted for 14% of our lease revenues in 2012. According to IATA, passenger traffic increased by 1% compared to 2011 and freight traffic increased by 0.5% in 2012. The lack of growth in the North American market has been offset by capacity discipline among North American airlines, which increased by only 0.3% in 2012. However the order backlog for North American carriers has increased substantially in recent years, creating the potential for accelerated capacity growth. Continuing slow traffic growth in North America in combination with accelerated capacity growth in 2013 could adversely affect the financial health of some airlines in the region, including our lessees, which also 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 7% of our lease revenues in 2012. The economies of Latin American countries are generally characterized by lower levels of foreign investment and greater economic volatility when compared to industrialized countries. Although Latin American airlines saw passenger traffic grow by 7.7% during 2012 according to IATA, the competitive environment and worsening economic conditions could still negatively impact the financial health of some Latin American airlines, including our lessees.

Lease rental revenues from lessees based in Africa/Middle East accounted for 4% of our lease revenues in 2012. In recent years 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 rapid traffic growth in the Middle East continued in 2012 with passenger traffic growing 12.6% year on year while cargo traffic increased by 14.7% according to IATA. Due to the region's substantial aircraft order backlog, continued high paced growth is required to prevent overcapacity. As such the scheduled capacity growth committed by airlines in this region through aircraft orders could have an adverse impact on the financial health of some Middle Eastern airlines, including our lessees.

If we or our lessees fail to maintain our aircraft, their value may decline and we may not be able to lease or re-lease our aircraft 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 associated with a lessee's failure to properly maintain the aircraft or pay supplemental maintenance rent. If an aircraft 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 complying with all governmental requirements applicable to the lessee and the aircraft, 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, an inability to re-lease an aircraft at favorable rates, if at all, or a potential grounding of an aircraft. 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 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

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maintenance or our inability to maintain our aircraft may materially and adversely affect our financial results.

Strong competition from other aircraft lessors could adversely affect our financial results.

The aircraft leasing industry is highly competitive. Our competition is comprised of major aircraft leasing companies including GE Capital Aviation Services ("GECAS"), ILFC, CIT Aerospace, Aviation Capital Group, Air Lease Corporation, SMBC Aviation Capital, AWAS Aviation Capital Limited, FLY Leasing Limited, BOC Aviation and AirCastle Ltd.

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

- airlines;
- aircraft manufacturers;
- 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
- other aircraft leasing companies that we do not currently consider our major competitors.

Some of these competitors have greater operating and financial resources 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.

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 31, 2012, 1.9% 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, 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.

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 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.

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The advent of superior aircraft and engine technology or the introduction of a new line of aircraft could cause our existing aircraft 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 portfolio 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 on favorable terms, if at all, which would have a material adverse effect on our financial results.

New aircraft manufacturers, such as Mitsubishi Aircraft Corporation in Japan, Sukhoi Company (JSC) in Russia and Aviation Industries in China could someday produce aircraft that compete with current offerings from Airbus, ATR, Boeing, Bombardier and Embraer. Additionally, new manufacturers may develop a narrowbody aircraft that competes with established aircraft types from Boeing and Airbus, and the new products could put downward price pressure on and decrease the marketability for aircraft from Boeing and Airbus. New aircraft types that are introduced into the market could be more attractive for the target lessees of our aircraft.

Additionally, the market may not be able to absorb the scheduled production increases by Airbus and Boeing. If the additional capacity scheduled to be produced by the manufacturers exceeds the additional future requirement for capacity the resultant over capacity could have a negative effect on aircraft values and lease rates. Also the financial community would be required to increase their lending volume to match the increase in aircraft production. As a result of the increased funding requirement for new deliveries, the cost of lending or the ability to obtain debt could be negatively affected if lending capacity does not increase in line with the increased aircraft production.

Airbus and Boeing have launched new engine variants available for the A320 family aircraft and Boeing 737 family aircraft respectively, which could decrease the value and lease rates of aircraft we acquire.

In December 2010, Airbus announced the launch of the NEO program, which involves the offering of two new engine types one from Pratt & Whitney, a division of United Technologies Corporation, and the other from CFM International, Inc. on certain Airbus A320 family aircraft delivering from 2015 and thereafter. In August 2011, Boeing announced the Boeing 737 Max program which will be equipped with CFM International Leap 1-B engines. The engine is scheduled for entry into service in 2017. Airbus and Boeing propose to charge a price premium for the aircraft equipped with these new engines. The availability of A320 and Boeing 737 family aircraft with these new engine types may have an adverse effect on residual value and future lease rates on current A320 and Boeing 737 family aircraft. The development of these new engine options could decrease the desirability of the current A320 and Boeing 737 family aircraft that are not equipped with these new engines and thereby increase the supply of this type of aircraft in the marketplace. This increase in supply could, in turn, reduce both future residual values and lease rates for these type of aircraft.

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, 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, 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.

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 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.

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.

If our lessees fail to appropriately discharge aircraft liens, we may be obligated to pay to discharge 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. 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 to which the liens have attached. Aircraft 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 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.

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. 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. As of December 31, 2012, less than 1% of our flight equipment held for operating leases, by net book value, related to engines.

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Failure to obtain certain required licenses, certificates and approvals could adversely affect our ability to re-lease or sell aircraft, 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. 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 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. 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, 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 has 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, 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;

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- 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 and/or reputational damage 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 or indirect taxation. 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. In the US similar legislation is currently being proposed. Limitations on emissions such as the one in the European Union could favor younger more fuel efficient aircraft since they generally produce lower levels of emissions per passenger, which could adversely affect our ability to re-lease or otherwise dispose of less efficient aircraft on a timely basis, at favorable terms, or at all. This is an area of law that is rapidly changing and as of yet remains specific to certain jurisdictions. 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

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damages or costs relating to contamination at third party waste disposal sites where we have sent or may send waste. We cannot assure that we will be in complete compliance with these laws, regulations or permits at all times. 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 2012, we generated revenue of $17.3 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 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.

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.

The global sovereign debt crisis could result in higher borrowing costs and more limited availability of credit, as well as impact the overall airline industry and the financial health of our lessees.

On August 5, 2011, Standard & Poor's Ratings Group, Inc., or Standard & Poor's, lowered its long-term sovereign credit rating on the United States of America from AAA to AA+. While U.S. lawmakers reached an agreement to raise the federal debt ceiling on August 2, 2011, the downgrade reflected Standard & Poor's view that the fiscal consolidation plan within that agreement fell short of what would be necessary to stabilize the U.S. government's medium term debt dynamics. In addition, significant concerns regarding the sovereign debt of numerous other countries have developed and required some of these countries to seek emergency financing. Specifically, the debt crisis in certain European countries could cause the value of the Euro to deteriorate, thus reducing the purchasing power of our European customers. Many of the structural issues facing the Eurozone remain and problems could resurface which could have significant adverse effects on our business, results of operations, financial condition and liquidity, particularly if they lead to sovereign debt default, significant bank failures or defaults and/or the exit of one or more countries from the European

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Monetary Union (the "EMU"). However, financial market conditions could materially worsen if, for example, consecutive Eurozone countries were to default on their sovereign debt, significant bank failures or defaults in these countries were to occur, and/or one or more of the members of the Eurozone were to exit the EMU. Further, the effects of the Eurozone debt crisis could be even more significant if they lead to a partial or complete break-up of the EMU. The partial or full break-up of the EMU would be unprecedented and its impact highly uncertain. The exit of one or more countries from the EMU or the dissolution of the EMU could lead to redenomination of certain obligations of obligors in exiting countries. Any such exit and redenomination would cause significant uncertainty with respect to outstanding obligations of counterparties and debtors in any exiting country, whether sovereign or otherwise, and lead to complex and lengthy disputes and litigation.

The downgrade of the U.S. credit rating and the ongoing European debt crisis have contributed to the instability in global credit markets. The sovereign debt crisis could adversely impact the financial health of the global banking system, not only due to its exposure to the sovereign debt, but also by the imposition of stricter capital requirements, which could limit availability of credit. Further, the sovereign debt crisis could lower consumer confidence, which could impact global financial markets and economic conditions in the United States and throughout the world. As a result, any combination of lower consumer confidence, disrupted global capital markets and/or reduced economic conditions could have a material adverse effect on our business, financial condition and liquidity.

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 2011 and 2012, certain airlines 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. The perception of a structural shortage in oil supplies resulted in the 2008 oil price boom, and saw fuel prices increase to historical highs before declining substantially as a result of the 2008-09 global recession, the subsequent political unrest in North Africa and the fear of political unrest spreading to the large oil exporting countries in the Middle East resulted in rising fuel prices thereafter. As a result the 2012 average jet fuel prices reached a new annual high according to IATA. The current high fuel price environment in combination with a potential disruption of global oil supply if political unrest spreads to any of the larger oil exporting countries in the Middle East, or due to escalation of political tensions between Iran and the U.S., the EU and Israel regarding the Iranian nuclear program could send oil prices substantially above their 2008 peak levels.

A return to 2008 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 repossessions, increase our costs of servicing and marketing our aircraft, 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.

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, tension over the nuclear programs of Iran and North Korea, political instability in North Africa and the Middle East, and the dispute between Japan and China may lead to further instability in these regions. Future terrorist attacks, war or armed hostilities, or the fear of such events in the above or any other region, could further adversely affect the aviation industry and may have an adverse effect on the financial condition and liquidity of our lessees, aircraft 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;

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- 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 lenders and lessors or by applicable government regulations, or to not be available at all.

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

Future terrorist attacks, acts of war or armed hostilities are likely to cause our lessees to incur higher costs and to generate lower revenues, which could result in an adverse effect on their financial condition and liquidity. Consequently, these conditions may affect their ability to make rental and other lease payments to us or obtain the types and amounts of insurance required by the applicable leases, which may in turn lead to aircraft groundings, may result in additional lease restructurings and repossessions, may increase our cost of re-leasing or selling the aircraft and may impair our ability to re-lease or otherwise dispose of them on a timely basis at favorable rates or on favorable terms, if at all, and may reduce the proceeds received for our aircraft upon any disposition. These results could adversely affect our financial results.

The effects of epidemic diseases and natural disasters, such as extreme weather conditions, floods, earthquakes and volcano eruptions 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 outbreak of epidemic diseases, such as previously experienced with SARS and H1N1, could materially and adversely affect passenger demand for air travel. Similarly the lack of air travel demand and/or the inability of airlines to operate to or from certain regions due to severe weather conditions and natural disasters including floods, earthquakes and volcano eruptions could impact the financial health of certain airlines including our lessees. 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. Additionally the potential reduction in air travel demand could result in lower demand for aircraft and consequently lower market values that would adversely affect our ability to sell certain of our aircraft or re-lease other aircraft at favorable rates.

Risks Related to Our Organization and Structure

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

Our larger shareholders include Waha Capital PJSC ("Waha") which owns 26.3% of our ordinary shares and Cerberus Capital Management, L.P. ("Cerberus"), which owns 7.3% of our ordinary shares. Waha and/or Cerberus may be able to significantly influence fundamental corporate matters and transactions, including the appointment 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" or "N.V.") and it may be difficult 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 incorporated 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 legal systems that may be less developed and less predictable than those in the United States; and
- laws of countries that do not protect our intellectual property and 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.

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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. While we do not currently, or intend to, pay dividends, 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.

Our financial reporting for lease revenue may be significantly impacted by a proposed new accounting standard for lease accounting.

In August 2010, the Financial Accounting Standards Board ("FASB") issued an Exposure Draft that proposes substantial changes to existing lease accounting. A revised Exposure Draft is anticipated in the second quarter of 2013.

The Exposure Draft sets out new accounting standards for lessee accounting under which a lessee would recognize a "right-of-use" asset representing its right to use the underlying asset and a liability representing its obligation to pay lease rentals over the lease term. The Exposure Draft sets out two alternative accounting standards for lessors, a "performance obligation" approach and a "de-recognition approach". If a lessor retains exposure to significant risks and benefits associated with the underlying asset, then it would apply the performance obligation approach to the lease of the asset. If a lessor does not retain such an exposure, then it would adopt the de-recognition approach to the lease of the asset. The proposal does not contain an effective date for the proposed changes, and it is possible that an alternative approach may be developed. At present we are unable to assess the effects the adoption of the new lease standard will have on our financial statements. If adopted, we believe the presentation of our financial statements, and those of our lessees, will be materially impacted.

Risks Related to Taxation

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

We cannot yet determine whether we will be classified as a PFIC for the 2013 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. Our effective tax rate in any period is impacted by the source and the amount of earnings among our different tax jurisdictions. A change in the division of our earnings among our tax jurisdictions could have a material impact on our effective tax rate and our financial results. 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, 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 33% (a rate of 30% was applied up to December 5, 2012), 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, 2012, we had significant 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 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, among others, 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.

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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.

Item 4. Information on the Company

We are an integrated global aviation company with a leading market position in aircraft leasing. 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. 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 The Netherlands and have offices in Ireland, the United States, Singapore, China and the United Arab Emirates, with a total of 159 employees, as of December 31, 2012.

We operate our business on a global basis, providing aircraft to customers in every major geographical region. As of December 31, 2012, we owned 212 aircraft and seven engines, managed 80 aircraft, had 45 new aircraft on order, which included five A330 purchase and leaseback aircraft, six A320 aircraft (including two aircraft under a purchase and leaseback arrangement that had been cancelled as of the date of this report), and 34 Boeing 737 aircraft (including 11 American Airlines purchase and leaseback aircraft that are expected to be evaluated on an aircraft by aircraft basis if we do not enter into a firm commitment for such aircraft with American Airlines and five purchase rights as part of a Boeing order). In addition, we had a call option on five A320NEO purchase and leaseback aircraft, and had entered into sales contracts for four aircraft and executed a letter of intent to sell five aircraft. In addition, we have a 25% ownership in a joint venture that owned 17 aircraft as of December 31, 2012, which was not included in the above.

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, 2012, our owned and managed aircraft were leased to 100 commercial airline and cargo operator customers in 50 countries and managed from our offices in The Netherlands, Ireland, the United States, Singapore, China and the United Arab Emirates.

We have the infrastructure, expertise and resources to execute a large number of diverse aircraft transactions in a variety of market conditions. From January 1, 2010 to December 31, 2012, we executed over 380 aircraft transactions. Our teams of dedicated marketing and asset trading professionals have been successful in leasing and trading our aircraft portfolio. Between January 1, 2010 and December 31, 2012, our weighted average owned aircraft utilization rate was 98.4%. Our utilization rate for aircraft is calculated based on the average number of months the aircraft are on lease each year. The utilization rate is weighted proportionate to the net book value of the aircraft at the end of the period measured.

We were formed as a Netherlands public limited liability company ("*naamloze vennootschap or N.V.*") on July 10, 2006. 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 20.0 million additional of our ordinary shares on the New York Stock Exchange. On March 25, 2010, the all-share acquisition of Genesis was completed and increased our outstanding ordinary shares by 34.3 million. On November 11, 2010, we completed a transaction with Abu Dhabi-based investment holding company Waha. As part of this transaction our outstanding ordinary shares increased by 29.8 million. During 2011 and 2012 we repurchased 35.9 million of our ordinary shares in the market under our share repurchase programs. These shares have all been cancelled. As of December 31, 2012, we had 113.4 million shares issued and outstanding.

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Our principal executive offices are located at AerCap House, Stationsplein 965, 1117 CE Schiphol, 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 +1 (302) 738-6680.

Our Business Strategy

Manage the Profitability of our Aircraft Portfolio by selectively:

- purchasing aircraft directly from manufacturers;
- entering into sale-leaseback transactions with aircraft operators;
- using our global customer relationships to obtain favorable lease terms for aircraft and maximizing aircraft utilization;
- maintaining diverse sources of global funding;
- optimizing our portfolio by selling select aircraft; 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 at profitable rates, minimize downtime between leases and associated technical expenses and opportunistically sell aircraft.

Efficiently Manage our Liquidity. As of December 31, 2012, we had access to $0.8 billion of committed undrawn credit facilities. We strive to maintain a diverse financing strategy, both in terms of capital providers and structure, through the use of bank debt, securitization structures, note issuance and export/import financings including European Export Credit Agencies ("ECA") 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 and continue to pursue the sale of aircraft to generate additional cash flows.

Expand Our Aircraft Portfolio. We intend to grow our portfolio of aircraft through new aircraft purchases, sale-leasebacks, airline refleetings, acquisitions and other opportunistic transactions that increase our aircraft portfolio. We will rely on our experienced team of aircraft 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 portfolio through acquisitions and sales to maintain the appropriate mix of aviation assets to meet our customers' needs.

Maintain a Diversified and Satisfied Customer Base. We currently lease our owned and managed aircraft to 100 different airlines in 50 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 assets as a result of our customer reach and quality product offering.

Selectively Pursue Acquisitions. We intend to selectively pursue acquisitions that we believe will provide us with benefits currently not available to us, such as the Genesis and Waha Transactions. The

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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 Portfolio

Our aircraft portfolio consists primarily of modern, technologically advanced and fuel-efficient narrowbody aircraft, with a particular concentration of Airbus A320 family. As of December 31, 2012, we owned 212 aircraft and managed 80 aircraft. In addition, we have a 25% ownership in a joint venture that owned 17 aircraft as of December 31, 2012, which was not included in the above. The weighted average age of our 212 owned aircraft was 5.1 years as of December 31, 2012. We believe that we own one of the youngest aircraft fleets in the world. We operate our aircraft business on a global basis and as of December 31, 2012, 211 out of our 212 owned aircraft were on lease to 72 commercial airline and cargo operator customers in 41 countries. The aircraft off-lease as of December 31, 2012 was subject to a letter of intent as of December 31, 2012.

The following table provides details regarding our aircraft portfolio by type of aircraft as of December 31, 2012:

	Owned portfolio		Managed portfolio			
Aircraft type	**Number of Aircraft owned**	**Percentage of total net book value**	**Number of aircraft**	**Number of aircraft on order(1)**	**Number of aircraft under Purchase/sale contract or letter of intent**	**Total owned, Managed and ordered aircraft**
Airbus A300 Freighter			1			1
Airbus A319	24	8.7%	6			30
Airbus A320	88	35.5%	20	6		114
Airbus A320NEO					5	5
Airbus A321	8	3.9%	14			22
Airbus A330	24	25.4%	4	5	(3)	30
Boeing 737 Classics	2	0.2%	20		(4)	18
Boeing 737(NG)	54	22.3%	7	34	(1)	94
Boeing 747 Freighter	2	0.9%				2
Boeing 757			2			2
Boeing 767	3	1.6%	3		(1)	5
Boeing 777			2			2
CRJ 705			1			1
CRJ 900	4	0.9%				4
MD 11 Freighter	1	0.3%				1
ERJ 170	2	0.3%				2
Total	**212**	**100.0%**	**80**	**45**	**(4)**	**333**

(1) Includes 17 Boeing 737 aircraft to be delivered by American Airlines pursuant to the purchase and leaseback transaction for 35 aircraft entered into in 2011. On November 29, 2011, after delivery of four aircraft, American Airlines filed for voluntary Chapter 11 bankruptcy protection and as a result our remaining obligations under the purchase and leaseback contract, which was structured as a financial accommodation rather than an executory contract that could be assumed in bankruptcy, automatically terminated. On August 29, 2012, we signed an agreement with American Airlines for the firm delivery of 11 aircraft. As of December 31, 2012 five aircraft were delivered and six were to be delivered under this agreement. The remaining 11 unconfirmed aircraft as of December 31, 2012 are expected to be evaluated on an aircraft by aircraft basis if we do not enter into a firm commitment for such aircraft with American Airlines.

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Aircraft on Order

As of December 31, 2012, we had 45 new aircraft on order, which included five A330 purchase and leaseback aircraft, six A320 aircraft (including two aircraft under a purchase and leaseback arrangement that had been cancelled as of the date of this report), 34 Boeing 737 aircraft (including 11 American Airlines purchase and leaseback aircraft that are expected to be evaluated on an aircraft by aircraft basis if we do not enter into a firm commitment for such aircraft with American Airlines and five purchase rights as part of a Boeing order). In addition, we had a call option on five A320NEO purchase and leaseback aircraft.

In 2011, we entered into a purchase and leaseback transaction with American Airlines for 35 Boeing 737-800 aircraft, of which 18 aircraft have been delivered as of December 31, 2012. On November 29, 2011, after delivery of four aircraft, American Airlines filed for voluntary Chapter 11 bankruptcy protection and as a result our remaining obligations for 31 deliveries, as of then, under the purchase and leaseback contract automatically terminated. We agreed with American Airlines to continue funding new aircraft on an aircraft by aircraft basis under the previously agreed lease terms. On August 29, 2012, we signed an agreement with American Airlines for the firm delivery of 11 aircraft. As of December 31, 2012 five aircraft were delivered and six were to be delivered under this agreement. The remaining 11 unconfirmed aircraft as of December 31, 2012 are expected to be evaluated on an aircraft by aircraft basis if we do not enter into a firm commitment for such aircraft with American Airlines.

Due to our order book of aircraft, we believe that we are well positioned to take advantage of trading opportunities and expand our aircraft portfolio. We believe that our global network of strong relationships with airlines, aircraft manufacturers, maintenance, repair and overhaul service providers and commercial and financial institutions gives us a competitive advantage in sourcing and executing transactions. Our revolving credit facilities are designed to allow us to rapidly execute our portfolio management strategies by providing us with large scale committed funding to acquire new and used aircraft.

As of December 31, 2012, we had $0.8 billion of committed undrawn credit facilities. The remaining A320 family aircraft are scheduled to deliver in 2013, and are expected to be financed in the AerFunding revolving credit facility or commercial bank facilities., Three of the remaining five A330 aircraft to be delivered as of December 31, 2012 are subject to sale agreements and we expect to finance the remaining two through commercial bank facilities. The remaining Boeing B737 aircraft are expected to be financed through the SkyFunding II facility (two aircraft) and commercial bank facilities.

Aircraft Subject to Sale Agreements and Letters of Intent

As of December 31, 2012, we had entered into sale contracts to sell four new aircraft (including two which will be sold to a related party) and have an executed letter of intent to sell five aircraft. The following table provides information regarding the agreements and letter of intent in place and executed for the sale of nine aircraft as of December 31, 2012.

Aircraft type	**Number of aircraft**	**Letter of Intent or Agreement**	**New/Used**	**Owned/Managed**
Airbus A330-300	3	Sale agreement	New	Owned
Boeing 737-300	2	Letter of intent	Used	Managed
Boeing 737-400	2	Letter of intent	Used	Managed
Boeing 737-800	1	Sale agreement	New	Owned
Boeing 767-300ER	1	Letter of intent	Used	Managed

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Although we expect to be able to negotiate and agree on final documentation with respect aircraft subject to letters of intent, we may not be able to do so and therefore such transactions might not in fact occur.

Aircraft Acquisitions and Dispositions

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

Our dedicated portfolio management group consists of marketing, financial, engineering, technical and credit professionals. Prior to a purchase, this group analyzes the aircraft's price, fit in our portfolio, specification/configuration, maintenance history and condition, the existing lease terms, financial condition and credit worthiness of the existing lessee, the jurisdiction of the lessee, industry trends, financing arrangements and the aircraft's redeployment potential and value, among other factors. From January 1, 2010 to December 31, 2012, we purchased 88 aircraft and sold 119 aircraft, which included or related to the following significant historical transactions:

In December 2005, we placed an order with Airbus for the forward purchase of 70 aircraft, including eight aircraft subject to reconfirmation rights. During 2008 and the first two months of 2009, we notified Airbus that we would not take delivery of the eight aircraft subject to reconfirmation rights. In 2009 four additional aircraft were added to the forward order. As of December 31, 2012, 50 aircraft had been delivered and 12 aircraft were sold. The remaining four A320 aircraft to be delivered as of December 31, 2012, are scheduled to be delivered in 2013.

In December 2006, we placed an order with Airbus to acquire 20 new A330 wide-body aircraft. In May 2007, we added an additional ten A330 aircraft to this order. In 2009, two additional A330 aircraft were added to the forward order. As of December 31, 2012, all 32 aircraft had been delivered, 11 of which were subsequently sold.

In 2010, we signed an agreement with Boeing covering the purchase of up to 15 Boeing 737-800 aircraft, consisting of ten firm aircraft delivering in 2015 and five purchase rights.

In 2011, we entered into a purchase and leaseback transaction with American Airlines for 35 Boeing 737-800 aircraft, of which 18 aircraft have been delivered as of December 31, 2012. On November 29, 2011, after delivery of four aircraft, American Airlines filed for voluntary Chapter 11 bankruptcy protection and as a result our remaining obligations for 31 deliveries, as of then, under the purchase and leaseback contract automatically terminated. On August 29, 2012, we signed an agreement with American Airlines for the firm delivery of 11 aircraft. As of December 31, 2012 five aircraft were delivered and six were to be delivered under this agreement. The remaining 11

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unconfirmed aircraft as of December 31, 2012 are expected to be evaluated on an aircraft by aircraft basis if we do not enter into a firm commitment for such aircraft with American Airlines.

Aircraft Leases and Transactions

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. 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.

Our contract lease terms generally range from 12 months to 144 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 or sell the aircraft. 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 over 380 aircraft transactions between January 1, 2010 and December 31, 2012.

The following tables set forth information regarding the aircraft transactions we have executed between January 1, 2010 and December 31, 2012, 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

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of the various elements of our leasing strategy for our owned and managed portfolio, as described further below.

	Owned Aircraft			
Activity	**2010**	**2011**	**2012**	**Total/ Average**
New leases on new aircraft	6	14	27	47
New leases on used aircraft	18	16	19	53
Extensions of lease contracts	26	19	10	55
Average lease term for new leases (months)(1)	138.0	133.7	149.3	140.3
Average lease term for re-leases (months)(1)	61.6	80.8	61.9	68.1
Average lease term for lease extensions (months)(2)	35.5	30.5	35.2	33.7
Aircraft purchases	55	13	20	88
Aircraft sales	16	21	59	96
Average aircraft utilization rates(3)	98.3%	98.5%	98.5%	98.4%

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

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

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

	Managed Aircraft			
Activity	**2010**	**2011**	**2012**	**Total/ Average**
New leases on new aircraft				
New leases on used aircraft	2	1	1	4
Extensions of lease contracts	4	3	8	15
Average lease term for re-leases (months)(1)	32.0	20.0	72.0	41.3
Average lease term for lease extensions (months)(2)	33.8	27.0	27.3	29.4
Aircraft purchases				
Aircraft sales	4	8	11	23

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

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

Leases of new aircraft generally have longer terms than used aircraft which are re-leased. In addition, leases of more expensive aircraft generally have longer lease terms than less expensive aircraft. Lease terms for owned aircraft tend to be longer than for managed aircraft because the average age of our owned fleet is lower than that of our managed fleet.

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

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

All of our lessees are responsible for their maintenance costs during the lease term. Based on the credit quality of the lessee, we require some of our lessees to pay supplemental maintenance rent to cover scheduled major component maintenance costs. If a lessee pays the supplemental maintenance rent, we reimburse them for their maintenance costs up to the amount of their supplemental maintenance rent payments. Under the terms of our leases, at lease expiration, to the extent that a lessee has paid us more supplemental maintenance rent than we have reimbursed them for their maintenance costs, we retain the excess rent. In most lease contracts not requiring the payment of supplemental rents, the lessee is required to redeliver the aircraft in a similar maintenance condition as when accepted under the lease. To the extent that the redelivery condition is different from the acceptance condition, there is normally an end of lease compensation adjustment for the difference at re delivery. As of December 31, 2012, 114 of our 212 owned aircraft provided for the payment of supplemental maintenance rent. Whether a lessee pays supplemental maintenance rent or not, we usually agree to compensate a lessee for scheduled maintenance on airframe and engines related to the prior utilization of the aircraft. For this prior utilization, we have normally received cash compensation from prior lessees of the aircraft, which was recognized as income at the end of the prior lease.

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

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

During the term of our leases, some of our lessees have experienced financial difficulties resulting in the need to restructure their leases. Generally, our restructurings have involved a number of possible changes to the lease's terms, including the voluntary termination of leases prior to their scheduled expiration, the arrangement of subleases from the primary lessee to a sublessee, the rescheduling of lease payments and the exchange of lease payments for other consideration, including convertible bonds, warrants, shares and promissory notes. We generally seek to receive these and other marketable securities from our restructured leases, rather than deferred receivables. In some cases, we have been required to repossess a leased aircraft and in those cases, we have usually exported the aircraft from the lessee's jurisdiction to prepare it for remarketing. In the majority of these situations, we have obtained the lessee's cooperation and the return and export of the aircraft was completed without significant delay, generally within two months. In some situations, however, our lessees have not cooperated in returning aircraft and we have been required to take legal action. In connection with the repossession of an aircraft, we may be required to settle claims on the aircraft or to which the lessee is subject, including outstanding liens on the repossessed aircraft. Since our inception in 1995, we have repossessed 82 aircraft under defaulted leases with 40 different lessees in 27 jurisdictions.

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The following table provides information regarding the percentage of lease revenue arising from leases of aircraft to the indicated lessees of our owned aircraft portfolio for the year ended December 31, 2012.

Lessee	**Percentage of 2012 lease revenue**
Aeroflot Russian Airlines	7.2%
TUI Aviation	5.4%
American Airlines	4.9%
Asiana Airlines	4.6%
Virgin Atlantic Airways	4.6%
Alitalia	3.4%
Air Berlin	3.0%
Air France	2.9%
Garuda	2.8%
TAP (Transporte Aéreos Portugueses)	2.6%
Sichuan Airlines	2.3%
VRG Linhas Aereas	2.2%
Wizz Air Ltd.	2.0%
Other(1)	52.1%
Total	**100**%

(1) Consists of 90 individual lessees. No other lessee accounted for more than 2.0% of our lease revenue in 2012.

We lease our aircraft to lessees located in numerous and diverse geographical regions and have focused our leasing efforts on the fast growing Asia/Pacific market. The following table sets forth the percentage of our total lease revenue by country of lessee in which we lease our owned aircraft for the year ended December 31, 2012.

Country	**Percentage of 2012 lease revenue**
United States of America	12.1%
Russia	9.4%
Germany	9.0%
UK	8.6%
China	7.2%
Italy	4.7%
Korea	4.6%
France	3.1%
Indonesia	2.9%
Thailand	2.8%
Brazil	2.8%
Portugal	2.6%
Turkey	2.5%
India	2.3%
Hungary	2.0%
Other(1)	23.4%
Total	**100**%

(1) No other country accounted for more than 2.0% of our lease revenue in 2012.

As of December 31, 2012, leases representing approximately 24.4% of our lease revenues in 2012 were scheduled to expire before December 31, 2015. As of December 31, 2012, of our 212 owned

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aircraft, 211 aircraft were on lease and had a weighted average remaining lease period per aircraft of 82.8 months and one aircraft was off-lease. The aircraft off-lease was subject to a letter of intent as of December 31, 2012.

The following table sets forth as of December 31, 2012 the number of leases that were scheduled to expire between December 31, 2012 and December 31, 2026 as a percentage of our 2012 lease revenue.

Year	Percentage of 2012 lease revenue(1)	Number of aircraft with leases expiring
2013	7.99%	18
2014	7.01%	21
2015	9.38%	31
2016	8.08%	21
2017	4.37%	11
2018	6.86%	21
2019	8.64%	15
2020	10.66%	20
2021	4.07%	9
2022	6.34%	15
2023	5.43%	7
2024	1.17%	4
2025	1.64%	4
2026	2.70%	14
Total	**84.27%**	**211**

(1) The percentage of lease revenue reflected in the table above does not sum to 100% because it does not include lease revenue from our owned aircraft that were sold in 2012 (14.0%), revenue from the off-lease aircraft (0.4%),revenue from the leasing of engines (0.5%) and lease revenue from the aircraft subject to lease-in lease-out transactions (0.8%).

The following table sets forth the percentage of lease revenue attributable to individual countries representing at least 10% of total lease revenue in any year based on each airline's principal place of business for the years indicated:

	2010	2011	2012
United States of America	8.4%	8.8%	12.1%
Russia	11.3%	10.3%	9.4%
Germany	12.0%	9.3%	9.0%

The following table sets forth the percentage of long-lived assets (flight equipment and intangible assets) attributable to individual countries representing at least 10% of total long-lived assets in 2012 based on each airline's principal place of business for the years indicated:

	2012
United States of America	16.6%
Russia	11.4%

During the years ended December 31, 2010, 2011 and 2012, no lease revenue and no long-lived assets were attributable to The Netherlands, our country of domicile.

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Financing

Our management analyzes sources of financing based on the pricing and other terms and conditions in order to optimize the return on our investments. We have the ability to access a broad range of liquidity sources globally, and since 2006, we have raised in excess of $13.5 billion of new financings, including bank debt, governmental secured debt, securitization and debt capital markets.

Revolving Credit Facilities.

In April 2006, we entered into a $1.0 billion revolving credit facility with a syndicate of banks led by UBS to facilitate our growth strategy and the acquisition of a broad range of aircraft. In June 2011, we amended this credit facility to allow for an additional two year revolving period with a three year term-out period, extending the facility to June 2016, and amending the facility size to $775.0 million. The facility size was increased to $800.0 million in 2012. This facility provides us with large scale committed financing allowing us to rapidly execute aircraft portfolio purchases.

In November 2012, we entered into a $285.0 million unsecured revolving credit facility for general corporate purposes. Citigroup Global Markets Inc., Crédit Agricole Corporate and Investment Bank and RBS Securities Inc. were joint lead arrangers of the transaction. This facility provides us with additional flexibility allowing us to rapidly capitalize on opportunities in the market.

Securitizations.

Once we obtain sufficient aircraft through our revolving credit facilities, we generally leverage our extensive financing experience and access to the securitization and other long-term debt markets to obtain long-term, lower cost non-recourse financing.

Since 1996, we have raised over $30 billion of funding in the global financial markets including over $11 billion of funds through initial issuances and refinancings in the aircraft securitization market.

- In May 2007, we completed a $1.7 billion securitization of 70 aircraft subject to operating leases. This securitization was a refinancing of our 2005 securitization. In the refinancing, we added 28 aircraft to the structure; and

- In June 2008, our consolidated subsidiary ALS II closed a $1 billion aircraft securitization. The securitization provides long-term non-recourse funding for 30 A320 family aircraft which are part of the 70 aircraft order placed by us.

Export Credit Facilities.

As of December 31, 2012, 13 A330 aircraft, 33 A320 family, two Boeing 737-800 aircraft and four CRJ aircraft have been financed in export credit facilities with banks and financial institutions, which contained the negotiated terms pursuant to which the European Export Credit Agencies (ECAs), the Export-Import Bank of the United States (U.S. Ex-Im Bank) and Export Development Canada (EDC) agreed to provide guarantees. From time to time, the ECA facilities have been amended to cover certain additional aircraft and an ECA capital markets transaction in relation to three A330 aircraft was completed.

Transactions

During 2010, we signed financing facilities in the amount of $1.6 billion, including the following:

- fixed rate facilities for general corporate purposes with a total of $170.0 million;

- long-term bank debt with banks and financial institutions for new and used aircraft with a total of $524.3 million;

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- a facility guaranteed by US Export Import Bank with a total of $55.3 million;
- amendments to the existing ECA facilities with AerCap Ireland and AerVenture, and the AeroTurbine revolving credit facility with a total of $760.0 million; and
- other secured financing facilities with a total of $75.0 million.

During 2011, we signed financing facilities in the amount of $1.5 billion, including the following:

- long-term secured debt with banks to finance up to 12 Boeing 737-800 aircraft to be delivered to American Airlines with a total of $402.0 million;
- amendment and extension of our Aerfunding revolving credit facility with a total of $775.0 million; and
- other secured financings with a total of $360.0 million.

During 2012, we signed financing facilities in the amount of $1.5 billion, including the following:

- unsecured facilities, including a $300.0 million unsecured notes issuance and a $285.0 million unsecured revolving facility, with a total of $585.0 million;
- additional ECA guaranteed facilities with a total of $246.0 million;
- long-term secured debt with banks to finance up to six Boeing 737-800 aircraft to be delivered to American Airlines with a total of $192.0 million;
- a pre-delivery payment facility in order to partially finance the pre-delivery payment amounts on ten of our Boeing 737-800 forward order with a total of $200.0 million; and
- other secured financings with a total of $307.0 million.

Joint Ventures

We have conducted some of our business through joint ventures. The joint venture arrangements allowed us to:

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

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

AerDragon. In May 2006, we signed a joint venture agreement with China Aviation Supplies Holding Company ("CAS") and affiliates of Crédit Agricole Corporate and Investment Bank ("CA-CIB) establishing AerDragon ("AerDragon"). AerDragon consists of two companies, Dragon Aviation Leasing Company Limited, based in Beijing with a registered capital of $10.0 million and AerDragon Aviation Partners Limited, based in Ireland with initial registered capital of $50.0 million. The registered capital of AerDragon was increased to $120.0 million in 2010, to $130.0 million in 2011 and to $140.0 million in January 2013. AerDragon is 50% owned by China Aviation and 25% owned by each of us and Crédit Agricole. Following receipt of the local Chinese approvals required for it to begin operations, AerDragon commenced operations in October 2006. We provide certain aircraft and accounting related services to the joint venture, and act as guarantor to the lenders of AerDragon related to debt secured by the aircraft which AerDragon purchased directly from us. In the future, one of the main sources of aircraft for AerDragon is likely to be the acquisition of aircraft through sale leaseback transactions with airlines. This joint venture enhances our presence in the increasingly important Chinese market and will enhance our ability to lease our aircraft and engines throughout the entire Asia/Pacific region. As of December 31, 2012, we have not and do not plan to consolidate

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AerDragon's financial results in our consolidated financial statements. AerDragon had 17 aircraft on lease to 7 airlines as of December 31, 2012.

AerCap Partners I. In June 2008, AerCap Partners I Holding Limited, or AerCap Partners I, a 50% joint venture entered into between us and Deucalion Aviation Funds, acquired a portfolio of 19 aircraft from TUI Travel. The aircraft acquired were leased back to TUI Travel for varying terms. As of December 31, 2012, six Boeing 757-200 aircraft have been sold, and 11 Boeing 737-800 and two Boeing 767-300ER remain in the portfolio. The aircraft portfolio was financed through a $425.7 million senior debt facility and $125.6 million of subordinated debt consisting of $62.8 million from us and $62.8 million from our joint venture partner. On the applicable maturity date under the senior debt facility, which for the first tranche is April 2015 and for the second tranche was April 2012, or, if earlier, in case of an AerCap insolvency, if the joint venture partners do not make additional subordinated capital available to the joint venture, AerCap can be required to purchase the aircraft from the joint venture for a price equal to the outstanding senior debt facility balance plus certain expenses and taxes related to the purchase. We have also entered into agreements to provide management and marketing services to AerCap Partners I.

The second tranche of senior debt was refinanced in April 2012, and as part of the refinancing, AerCap Partners 767 Limited, or AerCap Partners 767, was incorporated. AerCap Partners 767 acquired two Boeing 767 aircraft with leases attached (from AerCap Partners I) which were financed through a $36.0 million senior debt facility and $30.9 million of subordinated debt consisting of $15.45 million from us and $15.45 million from our joint venture partner. $30.9 million of AerCap Partners I's subordinated debt was redeemed upon sale of the two Boeing 767 aircraft to AerCap Partners Boeing 767. We consolidate AerCap Partners I's and AerCap Partners 767's financial results in our consolidated financial statements.

Joint ventures with Waha. In 2010, we entered into two joint ventures with Waha, with us owning 50% in AerLift Leasing Jet Ltd. ("AerLift Jet") and 40% in AerLift Leasing Ltd. ("AerLift"). AerLift Jet owned four CRJ aircraft, and AerLift owned nine aircraft as of December 31, 2012. We consolidate the financial results of AerLift Jet in our consolidated financial statements, and do not consolidate the financial results of AerLift in our consolidated financial statements.

Other joint ventures. In 2010, we entered into two 50% joint ventures with two separate joint venture partners. The two joint ventures collectively owned six aircraft, consisting of three A330 and three A320 aircraft. On June 1, 2011 we sold our 50% interest in three A330 aircraft that had been part of a joint venture. We consolidate the financial results of the remaining joint venture in our consolidated financial statements.

We also own 43% of AerData, an integrated software solution provider for the aircraft leasing industry, which provides and manages our main corporate management system ("CMS"). AerData's impact to our financial results is not material.

Relationship with Airbus

We have a close and longstanding mutually advantageous relationship with Airbus. Our relationship dates back to our formation, when Daimler AG (formerly known as Daimler-Benz AG and DaimlerChrysler AG), a principal shareholder of European Aeronautic Defense & Space Company EADS N.V., an 80% shareholder of Airbus, was one of our founding shareholders. In the last ten years, we, directly or through our joint ventures, have contracted to purchase over 100 commercial jet aircraft from Airbus. We maintain a wide-ranging dialogue with Airbus seeking mutually beneficial opportunities such as taking delivery of new aircraft on short notice and purchasing used aircraft from airlines seeking to renew their fleet with Airbus aircraft.

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Relationship with Boeing

In 2010, we signed an agreement with Boeing covering the purchase of up to 15 Boeing 737-800 aircraft, consisting of ten firm aircraft and five purchase rights. In recognition that our customers operate and often seek aircraft alternatives from both Airbus and Boeing, the recent Boeing order is a direct result to respond to the needs/interests of our customers.

Aircraft Services

We are one of the aircraft industry's leading providers of aircraft asset management and corporate services to securitization vehicles, joint ventures and other third parties. As of December 31, 2012, we had aircraft management and administration and cash management service contracts with 13 parties covering over 241 aircraft, three of which accounted for 90% of our aircraft services revenue in 2012. We categorize our aircraft services into aircraft asset management, administrative services and cash management services. Since we have an established operating system to provide these services to manage our own aircraft assets, the incremental cost of providing aircraft management services to securitization vehicles, joint ventures and third parties is limited. Our primary aircraft asset management activities are:

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

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

We provide cash management and administrative services to securitization vehicles and joint ventures. Cash management services consist of treasury services such as the financing, refinancing, hedging and on going cash management of these vehicles. Our administrative services consist primarily of accounting and secretarial services, including the preparation of budgets and financial statements, and liaising with, in the case of securitization vehicles, the rating agencies.

Subsidiaries

AerCap Holdings N.V.'s major subsidiaries as of December 31, 2012, were AerCap Ireland Ltd., Aircraft Lease Securitisation II Ltd., AerFunding I Ltd., SkyFunding Ltd., Genesis Funding Ltd., Streamline Aircraft Leasing Ltd. and AerCap Partners I Ltd., AerCap Holdings N.V. has numerous other subsidiaries, none of which contribute more than 5% of our consolidated revenues or represent more than 5% of our total assets.

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Employees

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

Location	December 31, 2010(1)	December 31, 2011	December 31, 2012
Amsterdam, The Netherlands	70	74	77
Shannon, Ireland	55	54	54
Fort Lauderdale, FL	17	15	17
Miami, FL(1)	126		
Goodyear, AZ(1)	44		
Other(1)(2)	44	10	11
Total	**356**	**153**	**159**

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(1) For the year ended December 31, 2010 these locations included employees of AeroTurbine which we acquired in 2006 and sold in October 2011.

(2) We lease small offices in Shanghai (China), the United Arab Emirates and Singapore.

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

Organizational Structure

AerCap Holdings N.V. is a holding company which holds directly and indirectly consolidated investments in four main operating companies, most of which in turn own special purpose entities which hold our aircraft assets. AerCap Holdings N.V. employs 30 people and does not own significant assets outside of its investments in its subsidiaries. Within the group, we also have several inactive subsidiaries or subsidiaries which are in the process of being liquidated. In addition to AerCap Holdings N.V.'s ownership in our principal operating subsidiaries, it holds our 50% economic interests in AerCap Partners II (three aircraft) and a 50% ownership in a joint venture with Waha (four aircraft). The four principal operating subsidiaries, their share ownership and the identity of their significant asset owning subsidiaries are detailed below.

AerCap B.V. is owned 100% by AerCap Holdings N.V. AerCap B.V. is located in Amsterdam, The Netherlands, and through its special purpose subsidiaries, owns the economic interests in 17 aircraft. AerCap B.V. does not employ any personnel.

AerCap Group Services B.V. is owned 100% by AerCap Holdings N.V. AerCap Group Services, B.V. is located in Amsterdam, The Netherlands and had 47 employees as of December 31, 2012. AerCap Group Services B.V. does not own significant assets, but provides a range of management services to other asset owning companies in the AerCap group of companies.

AerCap Ireland Limited is indirectly owned 100% by AerCap Holdings N.V. AerCap Ireland Limited is located in Shannon, Ireland and holds our economic interests in Aircraft Lease Securitisation II Limited ("ALS II"), which owns 30 aircraft and in Genesis Funding Ltd ("GFL"), which owns 38 aircraft and it holds our 50% economic interests in AerCap Partners I (11 aircraft). In addition, AerCap Ireland Limited owns 73 aircraft and seven engines directly or through single aircraft owning special purpose entities and holds the economic interests in AerFunding (21 aircraft). AerCap

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Ireland Limited is also the holder of our joint venture investment in AerDragon. AerCap Ireland Limited had 54 employees as of December 31, 2012.

AerCap, Inc. is owned 100% by AerCap Holdings N.V. AerCap, Inc. is located in Ft. Lauderdale, Florida. AerCap, Inc. does not employ any personnel. AerCap, Inc. owns 100% of AerCap Group Services, Inc., which had 17 employees as of December 31, 2012 and provides a range of services to other asset owning companies in the AerCap group of companies. AerCap, Inc. and its wholly owned subsidiaries are the lessees under three lease-in, lease-out transactions.

Competition

The aircraft leasing and sales business is highly competitive. We face competition from aircraft manufacturers, financial institutions, other leasing companies, aircraft brokers and airlines. Competition for a leasing transaction is based on a number of factors, including delivery dates, lease rates, term of lease, other lease provisions, aircraft condition and the availability in the market place of the types of aircraft that can meet the needs of the customer. As a result of our geographical reach, diverse aircraft portfolio and success in remarketing our aircraft, we believe we are a strong competitor in all of these areas. Our competition is comprised of major aircraft leasing companies including GE Capital Aviation Services ("GECAS"), ILFC, CIT Aerospace, Aviation Capital Group, Air Lease Corporation, SMBC Aviation Capital, AWAS Aviation Capital Limited, FLY Leasing Limited, BOC Aviation and AirCastle Ltd.

Insurance

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

Regulation

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

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aviation laws require aircraft and engines to be maintained under an approved maintenance program having defined procedures and intervals for inspection, maintenance and repair.

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

Facilities

We lease a 37,000 square foot office facility in Amsterdam, The Netherlands. The lease runs through March 31, 2018. We lease our Shannon, Ireland facility under a 21-year lease (10,000 square feet) and a 19 year lease (6,000 square feet) which began March 28, 2008 and June 18, 2010 respectively and have options to terminate both leases in 2018 and in 2024.

In addition to the above facilities, we also lease small offices in Fort Lauderdale (Florida), Shanghai (China), the United Arab Emirates and Singapore.

Trademarks

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

Litigation

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

VASP Litigation

We leased 13 aircraft and three spare engines to Viação Aerea de São Paulo ("VASP"), a Brazilian airline. In 1992, VASP defaulted on its lease obligations and we commenced litigation against VASP to repossess our equipment. In 1992, we obtained a preliminary injunction for the repossession and export of 13 aircraft and three spare engines from VASP. We repossessed and exported the aircraft and engines in 1992. VASP appealed this decision. In 1996, the High Court of the State of Sao Paulo ruled in favor of VASP on its appeal. We were instructed to return the aircraft and engines to VASP for lease under the terms of the original lease agreements. The High Court also granted VASP the right to seek damages in lieu of the return of the aircraft and engines. Since 1996 we have defended this case in the Brazilian courts through various motions and appeals. On March 1, 2006, the Superior Tribunal of Justice (the "STJ") dismissed our then-pending appeal and on April 5, 2006 a special panel of the STJ confirmed this decision. On May 15, 2006 we filed an extraordinary appeal with the Federal Supreme Court. In September 2009 the Federal Supreme Court requested an opinion on our appeal from the office of the Attorney General. This opinion was provided in October 2009. The Attorney General recommended that AerCap's extraordinary appeal be accepted for trial and that the case be subject to a new judgment before the STJ. The Federal Supreme Court is not bound by the opinion of the Attorney General. However, our external legal counsel informed us that it would be normal practice to take such an opinion into consideration. There are no assurances though whether the

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Federal Supreme Court will rule in accordance with the Attorney General opinion or, if it did, what the outcome of the judgment of the STJ would be.

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

In July 2006, we brought a claim for damages against VASP in the English courts, seeking damages incurred by AerCap as a result of VASP's default under seven leases that were governed by English law. VASP was served with process in Brazil in October 2007 and in response filed an application challenging the jurisdiction of the English court, which we opposed. VASP also applied to the court to adjourn the hearing on its jurisdictional challenge pending the sale of some of its assets in Brazil. We opposed this application and by an order dated March 6, 2008 the English court dismissed VASP's applications.

In September 2008, the bankruptcy court in Brazil ordered the bankruptcy of VASP. VASP appealed this decision. In December 2008, we filed with the English court an application for default judgment, seeking damages plus accrued interest pursuant to seven lease agreements. On March 16, 2009 we obtained a default judgment in which we were awarded approximately $40.0 million in damages plus accrued interest. We subsequently applied to the STJ for an order ratifying the English judgment, so that it might be enforced in Brazil. The STJ granted AerCap's application and entered an order ratifying the English judgment. VASP appealed that order; however, the order is fully effective pending a resolution of VASP's appeal of the order ratifying the English judgment.

On November 6, 2012, the STJ ruled in favor of VASP on its appeal from the order placing it in bankruptcy. Acting alone, the reporting justice of the appellate panel ordered the bankruptcy revoked and the matter converted to a judicial reorganization. Several creditors of VASP have appealed this ruling to the full panel of the STJ. Our counsel expect a ruling on these appeals in the course of this year. However, in the interim, there is uncertainty regarding (a) the legal representation of VASP and (b) the proper venue in which to bring AerCap's claim based on the English judgment. While VASP was in bankruptcy, its legal representative was the bankruptcy trustee. At present, however, the trustee has no legal capacity to represent VASP and it is unclear who does have such capacity. AerCap is presently awaiting a resolution of these issues. In the event the bankruptcy is reinstated, AerCap will have the right to file a claim in the bankruptcy proceeding seeking (a) damages and/or (b) an offset against any award VASP may win on its claims against AerCap. We cannot provide any assurance as to the outcome of this claim.

In addition to its claim in the English courts, AerCap has also brought an action against VASP in the Irish courts to recover damages incurred as a result of VASP's default under nine leases governed by Irish law. The Irish courts have granted an order for service of process, VASP opposed service in Brazil, but the STJ ruled that service of process on VASP had been properly completed. However, the revocation of VASP's bankruptcy and the trustee's resulting loss of capacity to act for VASP have delayed AerCap's attempts to enforce its Irish claims.

Our management, based on the advice of external legal counsel, has determined that it is not necessary to make any provision for this litigation because we do not believe the outcome of this case will have a material effect on our consolidated financial condition, results of operations or cash flows.

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Transbrasil litigation

In the early 1990's, two AerCap-related companies (the "AerCap Lessors") leased an aircraft and two engines to Transbrasil S/A Linhas Areas ("Transbrasil"), a now defunct Brazilian airline. By 1998, Transbrasil had defaulted on various obligations under its leases with AerCap, along with other leases it had entered into with General Electric Capital Corporation ("GECC") and certain of its affiliates ("GE affiliates" and collectively with GECC, the "GE Lessors"). GECAS was the servicer for all these leases at the time. Subsequently, Transbrasil issued promissory notes (the "Notes") to the AerCap lessors and GE Lessors (collectively the "Lessors") in connection with restructurings of the leases. Transbrasil defaulted on the Notes and GECC brought an enforcement action on behalf of the Lessors in 2001. Concurrently, GECC filed an action for the involuntary bankruptcy of Transbrasil.

Transbrasil brought a lawsuit against the Lessors in February 2001, claiming that the Notes had in fact been paid at the time GECC brought the enforcement action. In 2007, the trial judge ruled in favor of Transbrasil. That decision was appealed. In April 2010, the appellate court published a judgment (the "2010 Judgment") rejecting the Lessors' appeal, ordering them to pay Transbrasil a statutory penalty equal to double the face amount of the Notes (plus interest and monetary adjustments), and awarding Transbrasil damages for any losses incurred as a result of the attempts to collect on the Notes. The 2010 Judgment provided that the amount of such losses would be calculated in separate proceedings in the trial court. In June 2010, the AerCap Lessors and the GE Lessors separately filed special appeals before the STJ in Brazil. These special appeals have since been admitted for hearing. AerCap's Brazilian attorneys believe AerCap's special appeal is well-grounded and has a reasonable chance of success.

In July 2011, Transbrasil sued for provisional enforcement of the 2010 Judgment and submitted its alleged calculation of the statutory penalty, which, according to Transbrasil, amounted to approximately $210 million in the aggregate against all defendants, including interest and monetary adjustments. AerCap and its co-defendants have opposed provisional enforcement of the 2010 judgment, arguing, among other things, that Transbrasil's calculations are greatly exaggerated. These arguments, and the defendants' appeals on the merits of the case, will be determined on appeal.

Transbrasil has also initiated proceedings to determine the amount of damages that it allegedly suffered due to the defendants' attempts to collect on the Notes. The court has appointed an expert to determine the amount of such damages and the AerCap Lessors have appointed an assistant expert. We believe we have strong arguments to convince the expert and the court that Transbrasil suffered no damage as a result of the defendants' attempts to collect on the Notes.

In February 2012, AerCap brought a civil complaint against GECAS and GECC in the State of New York (the "New York Action"), alleging, among other things, that GECAS and GECC had violated certain duties to AerCap in connection with (a) their attempts to enforce the Notes and (b) the defense of Transbrasil's lawsuit. In November 2012, AerCap, GECAS, and the GE Lessors entered into a settlement agreement resolving all of the claims raised in the New York Action. The terms of the settlement agreement are confidential.

Our management, based on the facts and the advice of external legal counsel, has determined that is not necessary to make any provision for this litigation because we do not believe the outcome of this case will have a material effect on our consolidated financial condition, results of operations or cash flows.

Item 4A. Unresolved Staff Comments

Not applicable.

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Item 5. Operating and Financial Review and Prospects

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

Overview

Net income attributable to AerCap Holdings N.V. for the full year 2012 was $163.7 million. Adjusted net income was $258.0 million, compared to $303.1 million in 2011. Adjusted net income excludes non-cash charges relating to the mark-to-market of interest rate caps and share based compensation, a one-time charge relating to the buy-out of the Genesis portfolio servicing rights, a loss from discontinued operations, non-recurring charges to interest expense from the early repayment of secured loans and the loss on sale of the ALS portfolio. Please refer to page 71 for the reconciliation of adjusted net income (and adjusted earnings per share) to net income attributable to AerCap Holdings N.V. for the years ended December 31, 2012 and 2011. Total basic and fully diluted earnings per share for the full year 2012 were $1.24. Adjusted earnings per share were $1.96. The average number of outstanding shares was 131.5 million for the year ended December 31, 2012. Net interest margin, or net spread, the difference between basic lease rents and interest expense excluding the mark-to-market of interest rate caps, was $684.2 million for full year 2012.

Major Developments in 2012

- On May 22, 2012, we closed an offering of $300 million aggregate principal amount of 6.375% senior unsecured notes, which will mature on May 30, 2017 and are guaranteed by AerCap Holdings N.V. Part of the proceeds of these notes were used to repay $170 million of outstanding indebtedness;

- On June 5, 2012, we initiated a new share repurchase program which was subsequently amended to include $320 million of shares. The repurchase program was completed in December 2012, resulting in total repurchases of 26.5 million shares which were subsequently cancelled;

- On June 10, 2012, we purchased 5,000,000 of our ordinary shares from Fern S.a.r.l., an indirect subsidiary of Cerberus, which is an affiliate of AerCap. The aggregate price of the shares was $55.9 million. On August 20, 2012, we purchased 10,000,000 of our ordinary shares from Fern S.a.r.l.,. The aggregate price of the shares was $120.0 million. Additionally, on December 6, 2012, we purchased 5,040,000 of our ordinary shares from Fern S.a.r.l. The aggregate price of the shares was $64.1 million. These repurchases were done under the $320 million share repurchase program, and were undertaken on an arms-length basis at fair market value overseen by the management and disinterested directors;

- On November 1, 2012, we signed a new $160 million credit facility with a ten year term for five Boeing 737-800 aircraft, which will be leased to American Airlines as part of the previously-announced transaction with American Airlines for the purchase and leaseback of new Boeing 737-800 aircraft;

- On November 12, 2012, we closed a $285 million senior unsecured revolving credit facility with Citigroup Global Markets Inc., Credit Agricole Corporate and Investment Bank and RBS Securities Inc., who acted as joint lead arrangers for a syndicate of nine banks. The credit facility has a three year term, and will be used for general corporate purposes;

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On November 14, 2012, we completed an agreement with a subsidiary of Guggenheim Partners, LLC, under which we sold our equity interest in Aircraft Lease Securitisation Limited ("ALS"), a portfolio of 50 aircraft, by transferring 100% of our interest in the E-Notes, the equity securities issued by ALS, to Guggenheim. The sale of our ALS securitization portfolio reduces the average age of our portfolio to 5.1 years, and assuming the aircraft portfolio performs as expected, would result in cash generation of approximately $380 million which consists of the initial purchase price received plus forecasted servicing fees and forecasted contingent asset receipts, offset partially by transaction expenses and forecasted coupon payments.

On December 14, 2012, we signed a $200 million facility with DBS Bank Ltd. of Singapore, to finance the pre-delivery payments for ten new Boeing 737-800 aircraft.

Liquidity and Access to Capital

Aircraft leasing is a capital intensive business and we have significant capital requirements. These commitments might include requirements to make pre-delivery payments, in addition to the requirement to pay the balance of the purchase price for aircraft on delivery. As of December 31, 2012, we had 45 new aircraft on order, which included five A330 purchase and leaseback aircraft, six A320 aircraft (including two aircraft under a purchase and leaseback arrangement that had been cancelled as of the date of this report), 34 Boeing 737 aircraft (including 11 American Airlines purchase and leaseback aircraft that are expected to be evaluated on an aircraft by aircraft basis if we do not enter into a firm commitment for such aircraft with American Airlines and five purchase rights as part of a Boeing order). In addition, we had a call option on five A320NEO purchase and leaseback aircraft. As a result, we will need to raise additional funds though a combination of accessing committed debt facilities and securing additional financing for pre-delivery and final delivery payment obligations and we may need to raise additional funds through selling aircraft or other aircraft investments, including participations in our joint ventures, and if necessary, generating proceeds from potential capital market transactions.

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

Non Cash Charge for Share based Compensation

The non cash charge for share based compensation, net of tax, was $6.3 million for the full year 2012. The charge relates to restricted shares and share options in AerCap Holdings N.V. which are held by members of our senior management and independent directors. The charge did not reduce our net equity.

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

The non cash charge for mark-to-market of interest rate caps, net of tax and non-controlling interest, was $12.5 million for the full year 2012. We use interest rate caps to hedge against the impact of interest rate increases on variable-rate debt. Our interest rate caps do not qualify for hedge accounting under US GAAP and the periodic mark-to-market gains or losses of our caps is recorded as interest expense.

Aviation Assets

We acquired $1.1 billion of aviation assets including 20 aircraft in 2012. Total assets were $8.6 billion as of December 31, 2012. Total assets decreased 6% during 2012 which was driven primarily

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by the sale of the ALS portfolio. As of December 31, 2012, we owned 212 aircraft and seven engines, managed 80 aircraft, had 45 new aircraft on order, which included five A330 purchase and leaseback aircraft, six A320 aircraft (including two aircraft under a purchase and leaseback arrangement that had been cancelled as of the date of this report), and 34 Boeing 737 aircraft (including 11 American Airlines purchase and leaseback aircraft that are expected to be evaluated on an aircraft by aircraft basis if we do not enter into a firm commitment for such aircraft with American Airlines and five purchase rights as part of a Boeing order). In addition, we had a call option on five A320NEO purchase and leaseback aircraft, and had entered into sales contracts for four aircraft and executed a letter of intent to sell five aircraft. In addition, we have a 25% ownership in a joint venture that owned 17 aircraft as of December 31, 2012, which was not included in the above.

Factors Affecting our Results

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

- the number, type, age and condition of the aircraft we own;
- aviation industry market conditions;
- the demand for our aircraft and the resulting lease rates we are able to obtain for our aircraft;
- the availability and cost of debt capital to finance purchases of aircraft and aviation assets;
- the purchase price we pay for our aircraft;
- the number, types and sale prices of aircraft we sell in a period;
- the ability of our lessee customers to meet their lease obligations and maintain our aircraft in airworthy and marketable condition;
- the utilization rate of our aircraft;
- the recognition of non-cash share based compensation expense related to the issuance of restricted stock and stock options to our employees and our Non-Executive Directors by the Cerberus Funds which controlled 100% of our stock at the time of the 2005 Acquisition and the issuance by the Company of stock options to our employees; and
- interest rates which affect our aircraft lease revenues, our interest on debt expense and the market value of our interest rate derivatives.

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Factors Affecting the Comparability of Our Results

Genesis Transaction

On March 25, 2010, the all-share acquisition of Genesis was completed. The Genesis aircraft portfolio consisted of 54 aircraft, of which three were subsequently sold. As of December 31, 2012, 51 of those aircraft were in operation on lease to 31 airlines located in 21 countries. The Genesis portfolio includes 45 narrow-body aircraft (Boeing 737-400, 500, 700 and 800, Airbus A319-100, A321-231 and A320-200), two Boeing 747-400 cargo aircraft, two regional jets (ERJ170-100) and two wide-body passenger aircraft (Airbus A330-200 and Boeing 767-300ER). As of June 30, 2011, AerCap, through its Irish subsidiary, AerCap Ireland Limited, replaced GECAS as servicer to the aircraft portfolio acquired through the Genesis acquisition. This includes most services related to leasing the fleet of aircraft, including marketing aircraft for lease and re-lease, collecting rents and other payments from lessees, monitoring maintenance, insurance and other obligations under leases and enforcing rights against lessees. We acquired Genesis to achieve several key strategic and financial objectives in a single transaction, such as access to a significant amount of unrestricted cash without the dilutive impact on earnings per share as compared to other alternatives, the combination of Genesis' expected unrestricted cash generation with our growth outlook, the improvement of our quality of earnings, the increase in our global client base, significant cost synergies and improved stock trading liquidity for shareholders.

The Genesis Transaction is fully reflected in all AerCap Holdings N.V. 2010 consolidated financial statements except for the first quarter 2010 income statement (including the number of outstanding shares used for earnings per share calculations) and cash flow statement. The amalgamation gain of $274 (net of transaction expenses) is reflected in one line item in the income statement and the impact of the Genesis Transaction on the cash flow statement was also reflected in a one line item (purchase of subsidiaries, net of cash acquired).

The amalgamation gain resulted from the difference between the consideration paid and the fair value of net assets acquired as of March 25, 2010. The consideration for Genesis consisted of a fixed number of shares (one for one), which was agreed upon on September 17, 2009. The trading price of our shares and Genesis' shares was $8.81 and $8.45, respectively, on September 17, 2009. Due to the market conditions, both AerCap's and Genesis' share prices were trading significantly below the book value of the shares. Subsequently, the consideration paid was determined by the trading price of our shares on the closing date of the transaction (March 25, 2010), multiplied by the agreed upon fixed number of shares. On March 25, 2010, the trading price of our shares was $10.83, which remained lower than the book value of our shares. This share price multiplied by the fixed number of shares, resulted in a consideration paid of $372.3 million, which was less than the fair market value of the net assets acquired of $403.4 million.

Waha Transaction

On November 11, 2010, we completed a transaction with Waha. As part of this transaction, we issued approximately 29.8 million new shares to Waha. In exchange, we received $105 million in cash, Waha's 50% interest in the joint venture company AerVenture, a 40% interest in AerLift and a 50% interest in AerLift Jet. As of December 31, 2010, AerVenture is wholly owned subsidiary of AerCap.

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AeroTurbine Transaction

On August 2, 2011, we entered into an agreement with International Lease Finance Corporation ("ILFC") for the sale of our wholly-owned subsidiary AeroTurbine, Inc. The AeroTurbine transaction was completed on October 7, 2011. The purchase price for all of the outstanding shares of AeroTurbine was $228.0 million. As a result of the sale we recognized a loss from discontinued operations of $52.8 million in the year ended December 31, 2011. The loss consisted of: (1) $22.5 million of bank fees, legal fees and contractual incentive payments to AeroTurbine management, (2) a $8.7 million deferred tax asset write-off as a result of the transfer of tax losses to the buyer; and (3) a $21.6 million book loss. The sale resulted in a $119.9 million increase of our cash position, net of incentive payments and net of AeroTurbine's cash held at the transaction date. The completion of the sale followed receipt of all necessary regulatory approvals and satisfaction of all other closing conditions. As a result of the agreement with ILFC and based on ASC 205-20, which governs financial statements for discontinued operations, for all periods presented, we have reclassified the results of AeroTurbine into discontinued operations in Consolidated Income Statements.

ALS Transaction

On November 14, 2012, we signed and completed an agreement with an entity incorporated at the direction of Guggenheim Partners, LLC ("Guggenheim") for the sale of our equity interest in Aircraft Lease Securitisation Limited ("ALS") by transferring 100% of our interest in the E-Notes, the equity securities issued by ALS, to Guggenheim. In addition, we obtained financing (the "ALS Coupon Liability") in return for which we received a contingent asset (the "ALS Note Receivable") with the substance of a structured note as described below. The repayments of the ALS Coupon Liability are equal to an 8% coupon of the purchase price annually until the earlier of December 2016 or the month in which the senior securities issued by ALS, the G-Notes, are fully repaid. The ALS Note Receivable will be received following the repayment of the G-Notes and is equal to a maximum of 20% of the portfolio cash flows on a pro-rata basis up to a cap which will be equal to the total ALS Coupon Liability. As a result of the transaction, we concluded that substantial risk of ownership is transferred to Guggenheim. The transaction thus resulted in the sale and deconsolidation of the ALS portfolio, which included 50 aircraft with a net book value of approximately $1.0 billion and debt of approximately $0.5 billion prior to the sale.

The transaction resulted in a loss, net of tax, of $54.6 million, which is recorded in the net gain (loss) on sale of assets in the income statement. The loss includes a loss on book value, transaction expenses and a net loss due to the difference in present values of the ALS Coupon Liability and the ALS Note Receivable that were obtained as part of the transaction. The ALS Coupon Liability of $97.1 million is recorded as debt in our Consolidated Balance Sheets at fair value, using a discount rate of 5.5%. The corresponding ALS Note Receivable of $67.3 million, the contingent asset which is in substance a structured note, is recorded as a note receivable in our Consolidated Balance Sheets at fair value, using a discount rate of 6.8%. The subsequent measurement of both the ALS Coupon Liability and the ALS Note Receivable will follow the method of amortized cost based on retrospective effective interest rate.

Critical Accounting Policies Applicable to Us

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

Lease Revenue Recognition

We lease flight equipment principally under operating leases and report rental income on a straight-line basis over the life of the lease as it is earned. Our lease contracts normally include default covenants, and the effect of a default by a lessee is generally to oblige the lessee to pay damages to the lessor to put the lessor in the position one would have been had the lessee performed under the lease in full. There are no additional payments required which would increase the minimum lease payments under ASC 840-10-25-1. Virtually all of our lease contracts require payment in advance. Rents collected in advance of when they are earned are recorded as deferred revenue on our balance sheet and recorded as lease revenue as they are earned. Provisions for doubtful notes and accounts receivables are recorded in the income statement when rentals become past-due and the rentals exceed security deposits held, except where it is anticipated that the lease will end in repossession and then provisions are made regardless of the level of security deposits. Our management monitors the status of customers and the collectability of their receivables based on factors such as the customer's credit worthiness, payment performance, financial condition and requests for modifications of lease terms and conditions. Customers for whom collectability is not reasonably assured are placed on non-accrual status and revenue is recorded on a cash basis. When our management deems the collectability to be reasonably assured, based on the above factors, the customer is removed from non-accrual status and revenue is recognized on an accrual basis. As described below, revenue from supplemental maintenance rent is recognized when we no longer expect to reimburse maintenance rent to lessees.

Depreciation and Amortization

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

Impairments

In accordance with ASC 360, our flight equipment held for operating lease and definite lived intangible assets are evaluated for impairment when events and circumstances indicate that the carrying amounts of those assets may not be recoverable. We normally evaluate these events and circumstances on an annual basis. However, given current market conditions the evaluation is performed on a quarterly basis. The review for recoverability includes an assessment of the estimated future cash flows associated with the use of an asset and its eventual disposition. The assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other groups of assets. In relation to flight equipment on operating lease, the impairment assessment is performed on each individual aircraft. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset, an impairment loss is recognized. The loss is measured as the excess of the carrying amount of the impaired asset over its fair value. Fair value reflects the present value of cash expected to be received from the asset in the future, including its expected residual value discounted at a rate commensurate with the associated risk. Future cash flows are assumed to occur under then current market conditions and assume adequate time for a sale between a willing buyer and a willing seller. Expected future lease rates are based on all relevant information available, including current contracted rates for similar assets, appraisal data and industry trends. Residual value assumptions generally reflect an asset's booked residual, except where more recent industry information indicates a different value is appropriate. We generally focus our impairment assessment on older aircraft as the cash flows supporting the carrying value of such older aircraft are more dependent upon current lease contracts, which leases are more sensitive to weaknesses in the global economic environment. We have defined a threshold of 10% for aircraft for which the undiscounted cash flows do not substantially exceed the carrying value of the aircraft. The aggregated carrying value of the 10 aircraft that did not substantially exceed our 10% threshold on December 31, 2012 amounted to $240.7 million, and their aggregated net book value was $247.3 million, which represented 3.1% of our total flight equipment held for operating lease.

As of December 31, 2012, we owned 212 aircraft of which nine were older than 15 years. The nine aircraft had a net book value of $134.1 million which represented 1.9% of our total flight equipment held for operating lease and a carrying value $119.1 million. The undiscounted cash flows of the nine aircraft older than 15 years were estimated at $151.3 million, which represents 12.9% excess above net book value. As of December 31, 2012, all nine aircraft passed the recoverability test, including one aircraft that was impaired after the lease was terminated following a lessee default during the year. The nine aircraft passed the recoverability test with undiscounted cash flows exceeding the carrying value of aircraft between 1% and 89%. The following assumptions drive the undiscounted cash flows: contracted lease rents per aircraft through current lease expiry, subsequent re-lease rates based on current marketing information and residual values based on current market transactions. We review and stress test our key assumptions to reflect any observed weakness in the global economic environment. Further deterioration of the global economic environment and a further decrease of aircraft values might have a negative effect on the undiscounted cash flows of older aircraft and might triggering further impairments.

In the year ended December 31, 2012, we recognized an impairment charge of $12.6 million in income from continuing operations. The impairment charge recognized related to four older A320 aircraft and one Boeing 737 classic, four of which are older than 15 years of age as of December 31, 2012.

Accrued Maintenance Liability

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

We record as revenue all maintenance rent receipts not expected to be repaid to lessees. We estimate the total amount of maintenance reimbursements for the entire lease and only record revenue after we have received enough maintenance rent under a particular lease to cover the estimated amount of maintenance reimbursements. In these leases, upon lessee presentation of invoices evidencing the completion of qualifying maintenance on the aircraft or engine, we make a payment to the lessee to help compensate for the cost of the maintenance, up to the maximum of the supplemental maintenance rental payments made with respect to the lease contract.

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

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

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

Consolidation

We consolidate all companies in which we have direct or indirect legal or effective control and all variable interest entities for which we are deemed the primary beneficiary under ASC 810. Consolidated entities include certain joint ventures such as our AerCap Partners joint ventures, our aircraft lease securitization vehicles, and our AerFunding financing vehicle, but exclude AerDragon and AerLift Leasing, the 40% joint venture with Waha. The determination of which entities are variable interest entities and of which variable interest entities we are the primary beneficiary involves the use of significant estimates, including whether we have the power to control, the entity has sufficient equity to finance its activities without additional subordinated financial support and the expected cash flows to the entity and distributions of those cash flows in the future. We estimate expected cash flows based on the variable interest entities' contractual rights and obligations as well as reasonable expectations for future business developments. We then adjust these cash flow estimates to simulate possible changes in economic trends which could impact the variable interest entity to determine which entity will absorb a majority of the variability in order to determine if we are the primary beneficiary of the variable interest entity.

Deferred Income Taxes

We provide for income taxes according to ASC 740. We have significant tax loss carryforwards in certain of our subsidiaries. We evaluate valuation allowances for tax losses at the individual company level or consolidated tax group level in accordance with the tax law in the specific jurisdiction. We evaluate the potential for recovery of our tax losses by estimating the future taxable profits expected from each subsidiary and considering prudent and feasible tax planning strategies. In estimating future taxable profits, we consider all current contracts and assets of the business, as well as a reasonable estimation of future taxable profits achievable by us. If we are not able to achieve the level of projected taxable profits used in our assessment, and no tax planning strategies are available to us, an additional valuation allowance may be required against our tax assets with a corresponding charge to our income statement in the future.

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Revenues

Our revenues consist primarily of lease revenue from aircraft leases, net gain on sale of assets, management fee revenue and interest revenue.

Lease Revenue.

Nearly all of our aircraft lease agreements provide for the payment of a fixed, periodic amount of rent or a floating, periodic amount of rent tied to interest rates during the term of the lease. In the year ended December 31, 2012, 13.3% of our basic aircraft lease revenue was attributable to leases tied to floating interest rates. In limited circumstances, our leases may require a basic rental payment based partially or exclusively on the amount of usage during a period. In addition, many of our leases require the payment of supplemental maintenance rent based on aircraft utilization and lease term, or an end-of-lease compensation amount calculated with reference to the technical condition of the aircraft at lease expiration. The amount of lease revenue we recognize is primarily influenced by five factors:

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

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

We operate our business on a global basis and as of December 31, 2012, 211 out of our 212 owned aircraft and each of our seven owned engines were on lease to 74 customers in 42 countries, with no lessee accounting for more than 10% of lease revenue for the year ended December 31, 2012. The following table shows the regional profile of our lease revenue for the periods indicated:

	AerCap Holdings N.V.		
	Year ended December 31, 2010	**Year ended December 31, 2011**	**Year ended December 31, 2012**
Europe	38%	38%	39%
Asia/Pacific/Russia	37%	39%	36%
North America/Caribbean	14%	12%	14%
Latin America	6%	6%	7%
Africa/Middle East	5%	5%	4%
Total	**100%**	**100%**	100%

Net Gain (Loss) on Sale of Assets.

Our net gain (loss) on sale of assets is generated from the sale of our aircraft, engines, and inventory. The net gain (loss) on sale we achieve on the sale of our aircraft, engines and inventory is

largely dependent on the condition of the asset being sold, prevailing interest rates, airline market conditions and the supply/demand balance for the type of asset we are selling. The timing of the closing of aircraft and engine sales is often uncertain, as a sale may be concluded swiftly or negotiations may extend over several weeks or months. As a result, even if net gain (loss) on sale of assets is comparable over a long period of time, during any particular fiscal quarter or other reporting period we may close significantly more or fewer sale transactions than in other reporting periods. Accordingly, net gain (loss) on sales of assets recorded in one fiscal quarter or other reporting period may not be comparable to net gain (loss) on sales of assets in other periods.

Management Fee Revenue.

We generate management fee revenue through a variety of management services that we provide to non-consolidated aircraft securitization vehicles and joint ventures and third party owners of aircraft. Our management services include leasing and remarketing services, cash management and treasury services, technical advisory services and accounting and administrative services.

Interest Revenue.

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

Other Revenue.

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

Operating Expenses

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

Depreciation.

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

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Interest on Debt.

Our interest on debt expense arises from a variety of funding structures and related derivative instruments as described in " Indebtedness". Interest on debt expense in any period is primarily affected by contracted interest rates, principal amounts of indebtedness, including notional values of derivative instruments and unrealized mark-to-market gains or losses on derivative instruments for which we did not achieve cash flow hedge accounting treatment.

Other Operating Expenses.

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

Our operating lease-in costs relate to our lease obligations for aircraft we lease from financial investors and sublease to aircraft operators. We entered into all of our lease-in transactions between 1988 and 1992 and the leases on the remaining three aircraft as of December 31, 2012 expire in 2013. As described in Note 15 to our consolidated financial statements included in this annual report, we have established an onerous contract accrual equal to the difference between the present value of our lease expenses and the sublease revenue we receive, discounted at appropriate discount rates. This amount is amortized monthly as a reduction of operating lease-in costs on a constant yield basis as we meet our obligations to the aircrafts' legal owners under the applicable leases.

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

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

The primary factors affecting our other operating expenses are:

- lessee defaults, which may result in additional provisions for doubtful notes and accounts receivable, material expenses to repossess flight equipment and restore it to an airworthy and marketable condition, unanticipated lease transition costs, and an increase to our onerous contract accrual;
- the frequency of lease transitions and the associated costs; and
- the frequency and amount of lessor maintenance contribution expenses.

Selling, General and Administrative Expenses.

Our principal selling, general and administrative expenses consist of personnel expenses, including salaries, benefits, charges for share based compensation, severance compensation, professional and advisory costs and office and travel expenses as summarized in Note 21 to our audited consolidated financial statements included in this annual report. The level of our selling, general and administrative expenses is influenced primarily by our number of employees and the extent of transactions or ventures we pursue which require the assistance of outside professionals or advisors. Our selling, general and administrative expenses also include the mark-to-market gains and losses for our foreign exchange rate hedges related to our Euro denominated selling, general and administrative expenses.

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Provisions for Income Taxes

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

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

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Comparative Results of Operations

Results of Operations for the Year Ended December 31, 2012 Compared to the Year Ended December 31, 2011

	Year ended December 31, 2011	Year ended December 31, 2012
	(US dollars in millions)	
Revenues		
Lease revenue	$ 1,050.5	$ 997.2
Net gain on sale of assets	9.3	(46.4)
Management fee revenue	19.1	17.3
Interest revenue	2.7	2.4
Other revenue	12.3	2.0
Total revenues	**1,093.9**	**972.5**
Expenses		
Depreciation	361.2	357.4
Asset Impairment	15.6	12.6
Interest on debt	292.5	286.0
Other operating expenses	73.8	78.2
Selling, general and administrative expenses	120.8	83.4
Total expenses	**863.9**	**817.6**
Income from continuing operations before income taxes and income of investments accounted for under the equity method	**230.0**	**154.9**
Provision for income taxes	(15.4)	(8.1)
Net income of investments accounted for under the equity method	10.9	11.6
Net income from continuing operations	**225.5**	**158.4**
Income (loss) from discontinued operations (AeroTurbine, including loss on disposal), net of tax	(52.8)	
Net income	**172.7**	**158.4**
Net loss (income) attributable to non-controlling interest, net of taxes	(0.5)	5.3
Net income attributable to AerCap Holdings N.V.	**$ 172.2**	**$ 163.7**

Revenues. Our total revenues decreased by $121.4 million, or 11.1%, to $972.5 million in the year ended December 31, 2012 from $1,093.9 million in the year ended December 31, 2011. The principal categories of our revenue and their variances were:

	Year ended December 31, 2011	Year ended December 31, 2012	Increase/ (decrease)	Percentage Difference
	(US dollars in millions)			
Lease revenue				
Basic rents	$ 951.3	$ 931.9	$ (19.4)	(2.0)%
Maintenance rents and end of lease compensation	99.2	65.3	(33.9)	(34.2)%
Net gain (loss) on sale of assets	9.3	(46.4)	(55.7)	(599.0)%
Management fee revenue	19.1	17.3	(1.8)	(9.4)%
Interest revenue	2.7	2.4	(0.3)	(11.1)%
Other revenue	12.3	2.0	(10.3)	(83.7)%
Total	**$ 1,093.9**	**$ 972.5**	**(121.4)**	(11.1)%

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Basic rents decreased by $19.4 million, or 2.0%, to $931.9 million in the year ended December 31, 2012 from $951.3 million in the year ended December 31, 2011. The decrease in basic rents was attributable primarily to:

- a decrease in basic rents of $13.0 million in the year ended December 31, 2012 compared to the year ended December 31, 2011 as a result of the off-lease time following the defaults of five of our lessees (Airblue, Kingfisher, World Airways, Fly Aruba, Windjet and Hello) which occurred in the year ended December 31, 2012 and late 2011;

- a decrease in basic rents of $6.0 million in the year ended December 31, 2012 compared to the year ended December 31, 2011 due to re-leases at lower rates following their scheduled lease expiration coupled with aircraft that were off-lease and therefore not producing rents and being transitioned between lessees. When aircraft come off-lease following their scheduled lease expiration, the contracted lease rates of their new leases tend to be lower than their previous lease rates as the aircraft are older and older aircraft have lower lease rates than newer aircraft; and

- the sale of 80 aircraft between January 1, 2011 and December 31, 2012 with an aggregate net book value of $1.7 billion at the date of sale (including 50 aircraft sold as part of the ALS Transaction) which was partially offset by the acquisition, during such period, of 33 aircraft for lease with an aggregate net book value of $2.0 billion at the date of acquisition. The change in our aircraft portfolio (including those sold as part of the ALS Transaction) resulted in a $0.4 million decrease in basic rents in the year ended December 31, 2012 as compared to the year ended December 31, 2011.

Maintenance rents and other receipts decreased by $33.9 million, or 34.2%, to $65.3 million in the year ended December 31, 2012 from $99.2 million in the year ended December 31, 2011. The decrease was primarily attributable to:

- a decrease of $10.6 million in maintenance revenue and other receipts from airline defaults in the year ended December 31, 2012 compared to the year ended December 31, 2011; and

- a decrease of $32.6 million in maintenance revenue related to restructurings in the year ended December 31, 2012 compared to the year ended December 31, 2011.

offset by

- an increase of $9.3 million in regular maintenance rents in the year ended December 31, 2012 compared to the year ended December 31, 2011.

Net gain (loss) on sale of assets decreased by $55.7 million, or 599.0%, to a $46.4 million loss in the year ended December 31, 2012 from a $9.3 million gain in the year ended December 31, 2011. Net loss on sale of assets of $46.4 million in the year ended December 31, 2012 included a $59.9 million pretax loss as a result of the ALS Transaction. In the year ended December 31, 2012, we sold 35 A320 aircraft, four A330 aircraft, 14 Boeing 737 aircraft and six other aircraft, whereas in the year ended December 31, 2011, we sold three A320, one A330 , six Boeing 737 aircraft, three Boeing 757 aircraft, five MD80 aircraft, and three A330 aircraft through the sale of a 50% interest in a joint venture.

Management fee revenue decreased by $1.8 million, or 9.4%, to $17.3 million in the year ended December 31, 2012 from $19.1 million in the year ended December 31, 2011. The decrease was mainly attributable to the decrease in managed aircraft from 42 aircraft as of December 31, 2011 to 30 aircraft as of December 31, 2012 (excluding the 50 ALS aircraft that started generating management fee revenue from November 2012, as a result of the ALS Transaction).

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Interest revenue decreased by $0.3 million, or 11.1%, to $2.4 million in the year ended December 31, 2012 from $2.7 million in the year ended December 31, 2011.

Other revenue decreased by $10.3 million, or 83.7%, to $2.0 million in the year ended December 31, 2012 from $12.3 million in the year ended December 31, 2011. Other revenue in both periods related primarily to the cash recovery of bankruptcy claims against previous lessees, guarantee fees and one-time payments. The decrease in 2012 was due primarily to a large one-time payment (income) of $8.2 million in 2011.

Depreciation. Depreciation decreased by $3.8 million, or 1.1%, to $357.4 million in the year ended December 31, 2012 from $361.2 million in the year ended December 31, 2011. The decrease was primarily attributable to a $9.7 million decrease in depreciation as a result of purchases and sales of aircraft between January 1, 2011 and December 31, 2012 which was partially offset by a $5.9 million increase in the year ended December 31, 2012 as a result of our changed estimates of useful lives and residual values of certain older aircraft.

Asset impairment. In the year ended December 31, 2012, we recognized an aggregated impairment charge of $12.6 million, whereas in the year ended December 31, 2011, we recognized an aggregated impairment charge of $15.6 million. The impairment charge recognized in the year ended December 31, 2012, related to four older A320 aircraft, which were repossessed, and one older Boeing 737 aircraft. Upon the lease terminations, the four repossessed A320 aircraft released $12.0 million of maintenance reserves. The impairment charge recognized in the year ended December 31, 2011, related to four older A320 aircraft, one older Boeing 737 aircraft, two engines and an intangible lease premium.

Interest on Debt. Our interest on debt decreased by $6.5 million, or 2.2%, to $286.0 million in the year ended December 31, 2012 from $292.5 million in the year ended December 31, 2011. The majority of the decrease in interest on debt was caused by:

- a $44.9 million decrease in the non-cash recognition of mark-to-market charges on derivatives to a $14.4 million charge in the year ended December 31, 2012 from a $59.3 million charge in the year ended December 31, 2011;

- a decrease in average outstanding debt balance to $6.1 billion in the year ended December 31, 2012 from $6.3 billion in the year ended December 31, 2011, resulting in a $7.3 million decrease in our interest on debt; and

- a decrease of $4.5 million in the amortization of debt issuance expenses to $25.8 million in the year ended December 31, 2012 from $30.2 million in the year ended December 31, 2011.

partially offset by

- non-recurring charges from the early repayment of secured loans of $23.9 million with the proceeds of our unsecured notes offering in the year ended December 31, 2012; and

- an increase in our average cost of debt, excluding the effect of mark-to-market movements and the non-recurring charges from the early repayment of secured loans, to 4.1% in the year ended December 31, 2012 from 3.7% in the year ended December 31, 2011. The increase in our average cost of debt, which is primarily the result of the increased use of fixed rate interest debt, resulted in a $26.3 million increase in our interest on debt.

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Other Operating Expenses. Our other operating expenses increased by $4.4 million, or 6.0%, to $78.2 million in the year ended December 31, 2012 from $73.8 million in the year ended December 31, 2011. The principal categories of our other operating expenses and their variances were as follows:

	Year ended December 31, 2011	Year ended December 31, 2012	Increase/ (decrease)	Percentage difference
		(US$ in millions)		
Operating lease-in costs	$ 12.1	$ 6.1	$ (6.0)	(49.6)%
Leasing expenses	58.4	72.1	13.7	23.5%
Provision for doubtful notes and accounts receivable	3.3		(3.3)	100.0%
Total	**$ 73.8**	**$ 78.2**	**$ 4.4**	**6.0%**

Our operating lease-in costs decreased by $6.0 million, or 49.6%, to $6.1 million in the year ended December 31, 2012 from $12.1 million in the year ended December 31, 2011. The decrease is primarily due to the expiration of one of our lease-in, lease-out transactions.

Our leasing expenses increased by $13.7 million, or 23.5%, to $72.1 million in the year ended December 31, 2012 from $58.4 million in the year ended December 31, 2011. The increase is primarily due to an increase of $10.5 million in expenses relating to airline defaults and restructurings. We recognized expenses of $41.2 million relating to airline defaults and restructurings in the year ended December 31, 2012, which related to defaults and restructurings that occurred in 2011 and 2012. In the year ended December 31, 2011, we recognized expenses of $30.7 million relating to airline defaults and restructurings. Other leasing expenses increased by $3.2 million in the year ended December 31, 2012 as compared to the year ended December 31, 2011.

In the year ended December 31, 2012 none of our leases had defaults that significantly affected the provision for doubtful accounts. In the year ended December 31, 2011 the provision for doubtful accounts was $3.3 million which was caused by the default of two of our lessees.

Selling, General and Administrative Expenses. Our selling, general and administrative expenses decreased by $37.4 million, or 31.0%, to $83.4 million in the year ended December 31, 2012 from $120.8 million in the year ended December 31, 2011. The decrease was primarily caused by a $24.5 million one-off charge relating to the buy-out of the Genesis portfolio servicing rights in the year ended December 31, 2011, a $5.7 million decrease in the mark-to-market of foreign currency hedges, foreign currency cash balances and other derivatives and a $4.5 million decrease in termination and severance payments.

Income From Continuing Operations Before Income Taxes and Income of Investments Accounted for Under the Equity Method. For the reasons explained above, our income from continuing operations before income taxes and income of investments accounted for under the equity method decreased by $75.1 million, or 32.7%, to $154.9 million in the year ended December 31, 2012 from $230.0 million in the year ended December 31, 2011.

Provision for Income Taxes. Our provision for income taxes decreased by $7.4 million to a charge of $8.1 million in the year ended December 31, 2012. Our effective tax rate was 5.2% for the year ended December 31, 2012 and was 6.7% for the year ended December 31, 2011. Our effective tax rate in any period is impacted by the source and the amount of earnings among our different tax jurisdictions.

Net income of Investments Accounted for Under the Equity Method. Our net income of investments accounted for under the equity method increased by $0.7 million, or 6.4% to $11.6 million in the year ended December 31, 2012 from $10.9 million in the year ended December 31, 2011.

Net Income From Continuing Operations. For the reasons explained above, our net income from continuing operations decreased by $67.1 million, or 29.8%, to $158.4 million in the year ended December 31, 2012 from $225.5 million in the year ended December 31, 2011.

Income (Loss) from Discontinued Operations. In the year ended December 31, 2011 we recognized a loss of $52.8 million from discontinued operations as a result of the sale of AeroTurbine.

Net Income. For the reasons explained above, our net income decreased by $14.3 million, or 8.3%, to $158.4 million in the year ended December 31, 2012 from $172.7 million in the year ended December 31, 2011.

Non-controlling interest, net of tax. Net loss attributable to non-controlling interest, net of tax was $5.2 million in the year ended December 31, 2012 compared to net income attributable to non-controlling interest, net of tax of $0.5 million in the year ended December 31, 2011. The net loss attributable to non-controlling interest, net of tax of $5.2 million in year ended December 31, 2012, was caused, amongst other things, by the higher leasing expenses and loss on sale of two Boeing 757 aircraft by our consolidated 50% joint venture AerCap Partners I.

Net Income attributable to AerCap Holdings N.V. For the reasons explained above, our net income attributable to AerCap Holdings N.V. decreased by $8.5 million, or 4.9%, to $163.7 million in the year ended December 31, 2012 from $172.2 million in the year ended December 31, 2011.

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Results of Operations for the Year Ended December 31, 2011 Compared to the Year Ended December 31, 2010

	Year ended December 31, 2010	Year ended December 31, 2011
	(US dollars in millions)	
Revenues		
Lease revenue	$ 902.3	$ 1,050.5
Net gain on sale of assets	36.2	9.3
Management fee revenue	13.0	19.1
Interest revenue	3.9	2.7
Other revenue	3.9	12.3
Total revenues	**959.3**	**1,093.9**
Expenses		
Depreciation	307.7	361.2
Asset Impairment	10.9	15.6
Interest on debt	234.0	292.5
Other operating expenses	67.9	73.8
Selling, general and administrative expenses	80.6	120.8
Total expenses	**701.1**	**863.9**
Income from continuing operations before income taxes and income of investments accounted for under the equity method	**258.2**	**230.0**
Provision for income taxes	(22.2)	(15.4)
Net income of investments accounted for under the equity method	3.7	10.9
Net income from continuing operations	**239.7**	**225.5**
Income (loss) from discontinued operations (AeroTurbine, including loss on disposal), net of tax	(3.2)	(52.8)
Bargain purchase gain ("Amalgamation gain"), net of transaction expenses	0.3	
Net income	**236.8**	**172.7**
Net loss (income) attributable to non-controlling interest, net of taxes	(29.2)	(0.5)
Net income attributable to AerCap Holdings N.V.	**$ 207.6**	**$ 172.2**

Revenues. Our total revenues increased by $134.6 million, or 14.0%, to $1,093.9 million in the year ended December 31, 2011 from $959.3 million in the year ended December 31, 2010. The principal categories of our revenue and their variances were:

	Year ended December 31, 2010	Year ended December 31, 2011	Increase/ (decrease)	Percentage Difference
	(US dollars in millions)			
Lease revenue				
Basic rents	$ 840.4	$ 951.3	$ 110.9	13.2%
Maintenance rents and end of lease compensation	61.9	99.2	37.3	60.3%
Net gain on sale of assets	36.2	9.3	(26.9)	(74.3)%
Management fee revenue	13.0	19.1	6.1	46.9%
Interest revenue	3.9	2.7	(1.2)	(30.8)%
Other revenue	3.9	12.3	8.4	215.4%
Total	**$ 959.3**	**$ 1,093.9**	**$ 134.6**	**14.0%**

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Basic rents increased by $110.9 million, or 13.2%, to $951.3 million in the year ended December 31, 2011 from $840.4 million in the year ended December 31, 2010. The increase in basic rents was attributable primarily to:

- the acquisition between January 1, 2010 and December 31, 2011 of 122 aircraft for lease with an aggregate net book value of $3.4 billion at the date of acquisition (including those acquired through the Genesis Transaction), partially offset by the sale of 37 aircraft, during such period, with an aggregate net book value of $1.0 billion at the date of sale. The net increase in our aircraft portfolio (including those acquired through the Genesis Transaction) resulted in a $135.3 million increase in basic rents in the year ended December 31, 2011 as compared to the year ended December 31, 2010.

reduced by

- a decrease in basic rents of $16.6 million in the year ended December 31, 2011 compared to the twelve months ended December 31, 2010 as a result of re-leases following the scheduled expiry of leases;

- a decrease in basic rents of $8.4 million in the year ended December 31, 2011 compared to the twelve months ended December 31, 2010 as a result of airline defaults and restructurings;

- a decrease in basic rents of $1.4 million from our engine lease activities in the year ended December 31, 2011 compared to the year ended December 31, 2010; and

- a decrease in payments from leases with lease rates tied to floating interest rates of $0.7 million in the year ended December 31, 2011 compared to the year ended December 31, 2010 due to decreases in market interest rates.

Maintenance rents and end-of-lease compensation increased by $37.3 million, or 60.3%, to $99.2 million in the year ended December 31, 2011 from $61.9 million in the year ended December 31, 2010. The increase is mainly attributable to the recognition of a $34.6 million increase in the release of maintenance rents as a result of airline defaults and restructurings in the year ended December 31, 2011 as compared to the year ended December 31, 2010.

Net gain on sale of assets decreased by $26.9 million, or 74.3%, to $9.3 million in the year ended December 31, 2011 from $36.2 million in the year ended December 31, 2010. The decrease in net gain on sale of assets is mainly a result of the age of the aircraft sold. Net gain on sale of assets in the year ended December 31, 2011 was generated from the sale of 18 older aircraft and three A330s through the sale of a 50% interest in a joint venture. In the year ended December 31, 2011, we sold three A320 aircraft, one A330 aircraft, six Boeing 737 aircraft, three Boeing 757 aircraft and five MD80 aircraft, whereas in the year ended December 31, 2010, we sold eight A320 aircraft, four A330 aircraft, two Boeing 757 aircraft and one Boeing 767 aircraft.

Management fee revenue increased by $6.1 million, or 46.9%, to $19.1 million in the year ended December 31, 2011 from $13.0 million in the year ended December 31, 2010. The increase was mainly attributable to the servicing of the joint venture with Waha, which we entered into in November 2010.

Interest revenue decreased by $1.2 million, or 30.8%, to $2.7 million in the year ended December 31, 2011 from $3.9 million in the year ended December 31, 2010. The decrease was mainly caused by the unwinding of our notes receivable in defeasance structures, which earned $1.7 million of interest income in the year ended December 31, 2010.

Other revenue increased by $8.4 million, or 215.4%, to $12.3 million in the year ended December 31, 2011 from $3.9 million in the year ended December 31, 2010. Other revenue in both periods related primarily to the cash recovery of bankruptcy claims against previous lessees and other one-time payments.

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Depreciation. Depreciation increased by $53.5 million, or 17.4%, to $361.2 million in the year ended December 31, 2011 from $307.7 million in the year ended December 31, 2010 due primarily to the acquisition of 122 new aircraft (including those acquired through the Genesis Transaction) between January 1, 2010 and December 31, 2011 with a book value at the time of the acquisition of $3.4 billion. The increase was partially offset by the sale of 37 aircraft between January 1, 2010 and December 31, 2011 with a book value at the time of sale of $1.0 billion.

Asset impairment. Asset impairment was $15.6 million in the year ended December 31, 2011. An impairment of $11.3 million in the year ended December 31, 2011 related to four older A320 aircraft and one Boeing 737 classic. We also recognized an impairment of $4.3 million relating to two engines and an intangible lease premium. Asset impairment was $10.9 million in the year ended December 31, 2010 which related to one older A320 aircraft which was repossessed from a lessee, one A320 aircraft for which the impairment was triggered by the receipt of $9.0 million of end-of-lease payments from the previous lessee and an intangible lease premium write-off on an aircraft acquired through the Genesis Transaction.

Interest on Debt. Our interest on debt increased by $58.5 million, or 25.0%, to $292.5 million in the year ended December 31, 2011 from $234.0 million in the year ended December 31, 2010. The majority of the increase in interest on debt was caused by:

- a $32.0 million increase in the non-cash recognition of mark-to-market charges on derivatives to a $59.3 million charge in the year ended December 31, 2011 from a $27.3 million charge in the year ended December 31, 2010;

- an increase in average outstanding debt balance to $6.3 billion in the year ended December 31, 2011 from $6.1 billion in the year ended December 31, 2010, resulting in a $6.8 million increase in our interest on debt; and

- an increase in our average cost of debt to 3.6% in the year ended December 31, 2011 from 3.3% in the year ended December 31, 2010. The increase in our average cost of debt is primarily the result of an increase in our fixed rate debt. This resulted in an $18.9 million increase in our interest on debt.

Other Operating Expenses. Our other operating expenses increased by $5.9 million, or 8.7%, to $73.8 million in the year ended December 31, 2011 from $67.9 million in the year ended December 31, 2010. The principal categories of our other operating expenses and their variances were as follows:

	Year ended December 31, 2010	Year ended December 31, 2011	Increase/ (decrease)	Percentage difference
		(US$ in millions)		
Operating lease-in costs	$ 12.3	$ 12.1	(0.2)	(1.6)%
Leasing expenses	55.6	58.4	2.8	5.0%
Provision for doubtful notes and accounts receivable		3.3	3.3	
Total	**$ 67.9**	**$ 73.8**	**5.9**	**8.7**