AerCap Holdings N.V. Dutch GAAP Annual Report

for the year ended December 31, 2007

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AerCap Holdings N.V. Annual Report 2007, Amsterdam

DIRECTORS' REPORT

Description of business

AerCap is a global aviation company that purchases, leases and sells aircraft, engines and parts. We also provide a wide range of aircraft management services to other owners of aircraft. We possess extensive aviation expertise that permits us to extract value from every stage of an aircraft's lifecycle across a broad range of aircraft and engine types. It is our strategy to acquire aviation assets at attractive prices, lease the assets to suitable lessees, and manage the funding and other lease related costs efficiently. We believe that by applying our expertise through an integrated business model, we will be able to identify and execute on a broad range of market opportunities that we expect will generate attractive returns for our shareholders. We are headquartered in Amsterdam and have offices in Ireland, the United Kingdom, China, Florida and Arizona with a total of 402 people.

We operate our business on a global basis, providing aircraft, engines and parts to customers in every major geographical region. As of December 31, 2007, we owned 136 aircraft and 67 engines, managed 68 aircraft, had 98 new aircraft and two new engines on order, had entered into a purchase contracts for 13 aircraft, had entered into sales contracts for two aircraft and had executed letters of intent to purchase an additional three aircraft and sell three aircraft from our owned portfolio.

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, 2007, our owned and managed aircraft and engines were leased to 101 commercial airline and cargo operator customers in 48 countries and are managed from our offices in The Netherlands, Ireland, the United Kingdom, China and the United States. We expect to expand our leasing activity in Asia and in China in particular through our AerDragon joint venture with China Aviation Supplies Import & Export Group Corporation, which commenced operations in October 2006.

We have the infrastructure, expertise and resources to execute a large number of diverse aircraft and engine transactions in a variety of market conditions. From January 1, 2005 to December 31, 2007, we have executed over 750 aircraft and engine transactions, including 223 aircraft leases, 134 engine leases, 201 aircraft purchase or sale transactions, 108 engine purchase or sale transactions and the disassembly of 37 aircraft and 64 engines. Our teams of dedicated marketing and asset trading professionals have been successful in leasing and trading our aircraft and engine portfolios. Between January 1, 2005 and December 31, 2007, our weighted average owned aircraft utilization rate was 98.8%.

We were formed as a Netherlands public limited liability company ("*naamloze vennootschap*") on July 10, 2006 to acquire all of the assets and liabilities of AerCap Holdings C.V. a Netherlands limited partnership. AerCap Holdings C.V. was formed on June 27, 2005 for the purpose of acquiring all of the shares and certain liabilities of AerCap B.V. (formerly known as debis AirFinance B.V.). On June 30, 2005, AerCap Holdings C.V. acquired all of AerCap B.V.'s shares and the liabilities owed by AerCap B.V. to its prior shareholders for a total consideration of $1.4 billion, $370.0 million of which was funded with equity contributions from funds and accounts affiliated with Cerberus Capital Management, L.P., or Cerberus. On April 26, 2006, we acquired all of the existing share capital of AeroTurbine, Inc. an engine trading and leasing and parts sales company. On October 27, 2006, AerCap Holdings N.V. acquired all of the assets and liabilities of AerCap Holdings C.V. On November 27, 2006, we completed the initial public offering of 6.8 million of our ordinary shares on the New York Stock Exchange.

Our principal executive offices are located at Evert van de Beekstraat 312, 1118 CX Schiphol Airport, The Netherlands, and our general telephone number is +31 20 655-9655. Our website address is www.aercap.com.

Our business strategy

We intend to pursue the following business strategies:

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

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

Our ability to profitably manage aircraft throughout their lifecycle depends in part on our ability to successfully lease aircraft and engines at profitable rates and our ability to source acquisition opportunities of new and used aircraft at favorable prices.

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

Focus on High Growth Markets. Although we maintain a geographically diverse portfolio, we focus on high growth airline markets such as the Asia/Pacific market. In May 2006, we entered into a joint venture with China Aviation Supplies Import & Export Group Corporation, a state-owned aviation service engaged in the import and export of civil aviation products and the leasing and maintenance of aircraft, engines and aviation parts. This joint venture enhances our presence in the increasingly important China market and will enhance our ability to lease our aircraft and engines throughout the entire Asia/Pacific region.

Enter into Joint Ventures. We intend to continue to leverage our leading market position, extensive knowledge of the aircraft and engine leasing markets and aircraft and engine management capabilities by entering into joint ventures that increase our purchasing power and our ability to obtain price discounts on large aircraft orders. For example, by recently structuring a large aircraft purchase from Airbus through a 50% owned consolidated joint venture, we were able to increase the number of aircraft we ordered from 35 to 70 and obtained significantly more favorable terms than would otherwise have been available to us. We also enter into joint ventures for diversification and risk management purposes. We expect to benefit from greater geographical and product diversity of our entire portfolio through this larger order which was facilitated by our joint venture structure. We expect to generate fees from our joint ventures by providing them with aircraft management services.

Obtain Maintenance Cost Savings. We intend to lower our aircraft and engine maintenance costs by using aircraft and engine parts we obtain from the selective disassembly of acquired and existing airframes and engines. We intend to achieve further maintenance cost savings by using our FAA and

EASA certified repair station to perform a variety of value-added MRO services on our aircraft and engines that would otherwise be outsourced at significantly higher costs.

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

Risk factors

Our business is subject to various risks relating to changing competitive, economic, political, regulatory, legal, social, industrial, business and financial conditions. These conditions are described below. The following risk factors could harm our business, financial conditions and operating results, adversely affect our revenues and profitability, and possibly lead to a drop in the trading price of our shares. See our Annual Report on form 20-F for a detailed description of the following risk factors:

Risks Related to Our Business

- Our business model depends on the continual re-leasing of our aircraft and engines when current leases expire, and we may not be able to do so on favorable terms, if at all.
- Turmoil in US financial markets initiated during mid-2007 by losses related to sub-prime lending and gradually spreading to global financial markets and impacting most classes of lending has caused banks and financial institutions to decrease the amount of capital available for lending and has significantly increased the risk premium of such borrowings. We will need additional capital to finance our obligations under forward purchase commitments and to finance additional growth, and we may not be able to obtain it on terms acceptable to us, if at all, which may cause us to not meet our obligations under forward purchase commitments and restrict our ability to grow and compete in the aircraft and engine leasing and trading markets.
- Our substantial indebtedness incurred to acquire our aircraft and engines requires significant debt service payments.
- Default by joint venture partners in joint venture agreements may trigger liquidity and financial difficulties in our joint venture vehicles and may require us to contribute additional financial resources to support the value of our investments in such vehicles.
- Changes in interest rates may adversely affect our financial results and growth prospects.
- The business of leasing, financing and sales of aircraft, engine, and parts has historically experienced prolonged periods of oversupply during which lease rates and aircraft values have declined, and any future oversupply could materially and adversely affect our financial results and growth prospects.
- Our financial condition is dependent, in part, on the financial strength of our lessees; lessee defaults and other credit problems could adversely affect our financial results and growth prospects.
- The value and lease rates of our aircraft and engines could decline and this would have a material adverse effect on our financial results and growth prospects.
- The concentration of some aircraft and engine models in our aircraft and engine portfolios could adversely affect our business and financial results should any problems specific to these particular models occur.
- We are indirectly subject to many of the economic and political risks associated with emerging markets, which could adversely affect our financial results and growth prospects.

- 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 and growth prospects.
- If we or our lessees fail to maintain our aircraft or engines, their value may decline and we may not be able to lease or re-lease our aircraft and engines at favorable rates, if at all, which would adversely affect our financial results and growth prospects.
- Competition from other aircraft or engine lessors with greater resources or a lower cost of capital than us could adversely affect our financial results and growth prospects.
- 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 and growth prospects.
- Aircraft have limited economically useful lives and depreciate over time, which can adversely affect our financial condition and growth prospects.
- 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 and growth prospects.
- The advent of superior aircraft and engine technology could cause our existing aircraft and engine portfolio to become outdated and therefore less desirable, which could adversely affect our financial results and growth prospects.
- If our lessees' insurance coverage is insufficient, it could adversely affect our financial results and growth prospects.
- If we incur significant costs resulting from lease defaults it could adversely affect our financial results and growth prospects.
- If our lessees fail to appropriately discharge aircraft liens, we may be obligated to pay the aircraft liens, which could adversely affect our financial results and growth prospects.
- Failure to obtain certain required licenses, certificates and approvals could adversely affect our ability to re-lease or sell aircraft and engines, our ability to perform maintenance services or to provide cash management services, which would materially and adversely affect our financial condition and results of operations.
- Our ability to operate in some countries is restricted by foreign regulations and controls on investments.
- 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 and growth prospects.
- We are subject to various environmental regulations that may have an adverse impact on our financial results and growth prospects.
- 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.
- Our limited control over our joint ventures may delay or prevent us from implementing our business strategy which may adversely affect our financial results and growth prospects.
- The departure of senior managers could adversely affect our financial results and growth prospects.
- 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.

Risks Related to the Aviation Industry

- As high fuel prices continue to affect the profitability of the aviation industry, our lessees might not be able to meet their lease payment obligations, which would adversely affect our financial results and growth prospects.
- 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 and growth prospects.
- The effects of SARS or other epidemic diseases may adversely affect the airline industry in the future, which might cause our lessees to not be able to meet their lease payment obligations to us, which would adversely affect our financial results and growth prospects.
- The passenger aviation industry is inherently cyclical and a significant downturn in the industry would adversely impact our lessees' ability to make payments to us, which would adversely affect our financial results and growth prospects.

Risks Related to Our Organization and Structure

- If the ownership of our ordinary shares continues to be highly concentrated, it may prevent you and other minority shareholders from influencing significant corporate decisions and may result in conflicts of interest.
- We are a Netherlands public limited liability company (naamloze vennootschap) and it may be difficult for you to obtain or enforce judgments against us or our executive officers, some of our directors and some of our named experts in the United States.
- Our international operations expose us to economic and legal risks associated with a global business.
- If our subsidiaries do not make distributions to us we will not be able to pay dividends.

Risks Related to Taxation

- We may become a passive foreign investment company, or PFIC, for U.S. federal income tax purposes.
- We may become subject to income or other taxes in jurisdictions which would adversely affect our financial results and growth prospects.
- We may incur current tax liabilities in our primary operating jurisdictions in the future.
- We may become subject to additional Irish taxes based on the extent of our operations carried on in Ireland.
- We may fail to qualify for benefits under one or more tax treaties.

2007 Financial and Operating Review

Environment

The industry environment in 2007 was characterized by strong demand and tight supply for aircraft, with airline passenger growth exceeding 7.4%. Overall, the industry saw the strong growth of airlines in emerging markets, particularly in markets such as China, the Middle East and Latin America and a significantly improved financial performance of the U.S. airline industry. With the growth of the industry, we have also experienced increased competition from other aircraft lessors in the market. We have the infrastructure, expertise and resources to execute a large number of diverse aircraft and engine transactions in a variety of market conditions.

- During 2007, we purchased 40 aircraft and 18 engines for a total value of $788 million and sold 24 aircraft and 22 engines from our owned portfolio, increasing total assets at December 31, 2007 to $4.5 billion from $4.0 billion at December 31, 2006—an increase of 13%.
- We signed an agreement for the purchase of an additional 10 new A330-200 aircraft with Airbus, bringing our total forward order commitment for A330-200 aircraft to 30.
- We closed a secondary offering of 20 million of our shares, increasing the percentage of our shares held by public investors from 31% to 54%.
- We closed a refinancing of debt on 70 aircraft on May 8, 2007 through the issuance of $1.66 billion of securitized bonds as further described below.
- We extended the term of our $1 billion warehouse facility with UBS from May 2013 to May 2014.
- We increased committed funding throughout the AerCap group by $440 million, including an amendment and extension to our AeroTurbine debt facility, an amendment and extension to an existing facility for the purchase of a broad range of aircraft types and ages and a pre-delivery payment funding facility in relation to our A330-200 forward order with Airbus.
- Completed a corporate tax restructuring which reduced our overall effective tax rate to 11.8% for 2007 and which will lead to tax savings in future years.

Results of Operations

Net Income for the full year 2007 was $228.4 million. Net income excluding non-cash charges relating to share-based compensation was $237.9 million. The after-tax charge relating to share-based compensation was $9.5 million. Our net income for the full year 2007 also includes a charge of $24.0 million, net of tax, related to the refinancing of securitized bonds in Aircraft Lease Securitisation. Our result was driven by a number of factors. Our portfolio has grown through purchases of aircraft and other aviation assets, We continue to benefit from improved lease rates and the leveraging of our cost base in relation to our owned aircraft. We have benefitted from interest savings as a result of the $1.66 billion refinancing, which reduced the margin on the debt which was refinanced. In addition, our use of interest rate caps has allowed us to benefit from the reduction in interest rates generally during 2007 and provides us with protection in the event of rising interest rates over the next several years. Our results have also been positively impacted by the inclusion of a full year of operations at AeroTurbine. We have generated net profits from the sale of aircraft assets as we continue to optimize and rebalance our portfolio of aviation assets. Our financial performance in 2007 reflects the strength and flexibility of our business model and demonstrates our continuing focus on investing strategically to grow our business.

Earnings Per Share

Total basic and fully-diluted earnings per share for the full year 2007 was $2.69. Included in our earnings per share is a charge of $0.11 per share related to charges for share-based compensation. The number of outstanding shares is currently at 85.0 million.

Non-Cash Charge for Share-based Compensation

The non-cash charge for share-based compensation, net of tax, was $9.5 million for the full year 2007. The charge relates to restricted shares and share options in entities that own a substantial percentage of our shares and which are held by members of our senior management, independent directors and a consultant and share options in AerCap Holdings N.V. which are held members of our senior management. The charge was a non-cash charge and did not reduce our net equity.

Refinancing of securitized bonds

On May 8, 2007, ALS, a lease securitization special purpose entity that we consolidate in our financial statements, completed a refinancing through the issuance of $1.66 billion of AAA-rated class G-3 floating rate notes. The proceeds from the issuance of these notes were used to redeem all of the outstanding ALS debt, other than the most junior class of notes, to refinance the indebtedness that had been incurred to purchase 24 previously acquired aircraft, and to finance the purchase of four additional new aircraft, increasing ALS's aircraft portfolio size to 70 aircraft. The class G-3 notes bear an interest rate of one-month LIBOR plus 26 basis points, resulting in annual savings of approximately $16 million. Concurrently with the ALS refinancing, our revolving credit facility was amended and restated, resulting in a reduced interest rate spread and a two-year extension of the revolving period to May 2010. The size of our revolving credit facility remains $1.0 billion. As a result of the ALS refinancing, we reported a non-recurring expense in the second quarter of 2007 of $24.0 million, net of tax for the write-off of unamortized debt issuance costs related to the refinanced debt, costs related to the prepayment of the prior ALS notes and other related fees. The majority of this non-recurring expense was non-cash.

Aviation Assets

Our total assets and owned portfolio continue to grow. We acquired $788.0 million of aviation assets including 40 aircraft and 18 engines in 2007. Total assets on the balance sheet were $4.5 billion at December 31, 2007. Total assets increased 13% during 2007 which was driven by an increase in cash and cash equivalents of $110.5 million, an increase in flight equipment of $219.5 million and an increase in all other assets of $146.2 million. The increase in flight equipment was the result of a net increase of 16 owned aircraft in our portfolio. The number of aircraft in our portfolio was 318 as of December 31, 2007, consisting of 136 owned aircraft, 68 managed aircraft, 98 aircraft in our order book, 13 aircraft subject to purchase contract and three aircraft under letter of intent. The number of aircraft decreased by 26 units from 344 since the end of 2006. The decline in aircraft was largely driven by sales of owned Fokker aircraft and older, managed aircraft. The number of engines owned or on contract was 69, an increase of 12 engines from 57 engines owned at the end of 2006.

Liquidity and Access to Capital

Our cash balance at the end of 2007 was $336.8 million including restricted cash of $95.1 million and our operating cash flow was $205.9 million for the full year. The available lines of credit at December 31, 2007 were approximately $2.1 billion. As these amounts suggest, we have significant access to capital for growth through our cash and available lines of credit. Our debt balance at December 31, 2007 was $2.6 billion and the average annual interest rate on our debt in 2007 was 6.7%. Our debt to equity ratio stood at 2.7 to 1 as of December 31, 2007. We completed several financings during 2007.

The table below provides information as of December 31, 2007 regarding our derivative financial instruments that are sensitive to changes in interest rates on our borrowing, including our interest rate swaps and caps. The table presents the notional amounts and weighted average interest rates by contracted maturity dates. Notional amounts are used to calculate the contractual payments to be exchanged under the contract. Weighted average variable rates are based on implied forward rates in the yield curve at the applicable date.

	2008	2009	2010	2011	2012	2013	Thereafter	Fair value
	(US Dollars in millions)							
Interest rate caps								
Average Notional amounts	$2,057.9	$1,908.0	$1,261.3	$880.3	$584.1	$466.8	$919.0	$21.9
Weighted average strike rate	4.71%	5.12%	5.39%	5.44%	5.56%	5.62%	5.61%	—

	2008	2009	2010	2011	2012	2013	Thereafter	Fair value
	(US Dollars in millions)							
Interest rate swaps								
Notional amounts	$60.0	$ —	$ —	$ —	$ —	$ —	$ —	$(0.4)
Weighted average pay rate	5.38%	—	—	—	—	—	—	—

As of December 31, the interest rate swaps and caps had notional amounts of $2.4 billion and a fair value of $21.5 million. The variable benchmark interest rates associated with these instruments ranged from one to six-month LIBOR. The swap above is with our AeroTurbine operation.

Personnel

We had 351 and 402 persons in employment as at December 31, 2006 and 2007, respectively. The increase in numbers of employees between the periods is primarily the result of additional personnel hired at AeroTurbine, additional personnel hired in several different departments to support our growth and our enhanced internal control framework and additional personnel hired to support our portfolio management and risk function. We expect that the number of personnel will remain relatively constant throughout 2008, unless we acquire additional complimentary businesses.

Financial Outlook

On the assumption that there will be no major disruptions in our markets, our views as to the financial outlook for 2008 are that our cash and available lines of credit are expected to allow for purchases in 2008 to be comparable and may potentially exceed that achieved in 2007. The amount of lease revenue as a percent of total revenue is expected to be higher than 2007. The cost of debt in 2008 is expected to be lower than in 2007 due to the effect of our interest rate caps and lower overall interest rates. We expect our effective tax rate to be equal to or lower than in 2007. Return on equity is expected to be close to 20 percent. In summary, we achieved strong growth and a solid operating performance in 2007 and believe that we are well-positioned for 2008.

Corporate Governance

As we are listed on the NYSE and are a Netherlands public limited liability company ("naamloze vennootschap") we are required to comply with the Sarbanes-Oxley Act and certain corporate governance requirements and best practices set out by NYSE, the U.S.Securities and Exchange Commission (SEC) and the Dutch Corporate Governance Code. We have elected to be exempt from the NYSE rules on directors independence as a foreign private issuer.

At AerCap, we are committed to upholding the highest standards in corporate governance and ethics practices. We believe our numerous internal policies and procedures provide a structure for the operation of the Company that is consistent with the best interests of our shareholders and customers as well as the requirements of applicable law and modern standards of corporate governance. We endeavour to ensure that our policies and procedures comply with both U.S. and Dutch corporate governance requirements, to the extent possible and desirable. In this report, we discuss our corporate governance structure.

The Dutch Corporate Governance Code contains principles and best practices for Dutch companies with listed shares. The Dutch Corporate Governance Code requires companies to either comply with the best practice provisions of the Code or to explain why they deviate from these best practice provisions. Our corporate governance policies with respect to the implementation of the Dutch Corporate Governance Code will be discussed with our shareholders at the 2007 Annual General Meeting of Shareholders, including those best practice provisions that we did not comply with.

In the future, we will discuss any material changes in our corporate governance structure in the Annual General Meeting of Shareholders. Corporate Governance related documents are available on our website, including the Board Rules, the Audit Committee Charter, the Nomination and Compensation Committee Charter, the Code of Conduct, the Whistleblower Procedure and our Insider Trading Policy.

In the following, we discuss our corporate governance, to the extent not already addressed elsewhere in this report:

Board of Directors

Responsibilities

Under our Articles of Association, the rules for the Board of Directors and the board committees and Netherlands corporate law, the members of the Board of Directors are collectively responsible for the management, general and financial affairs and policy and strategy of our Company.

The Board shall consist of nine directors from which the Board shall appoint one executive director. The executive director is our Chief Executive Officer, who is primarily responsible for managing our day-to-day affairs as well as other responsibilities that have been delegated to the executive director in accordance with our Articles of Association and our Board rules, that also comprise the rules applicable to the committees of the Board. The non-executive directors supervise the Chief Executive Officer and our general affairs and provide general advice to our Chief Executive Officer. In performing their duties, the non-executive directors are guided by the interests of the company and shall, within the boundaries set by relevant Netherlands law, take into account the relevant interests of our shareholders. The internal affairs of the Board of Directors are governed by our rules for the Board of Directors.

The current directors are:

Name	Age	Nationality	Position	Expiration of Term
Mr. Pieter Korteweg	66	Netherlands	Non-Executive Chairman of the Board of Directors	2010 Annual General Meeting of Shareholders
Mr. Ronald J. Bolger . . .	60	Ireland	Non-Executive Director	2010 Annual General Meeting of Shareholders
Mr. James N. Chapman .	45	USA	Non-Executive Director	2010 Annual General Meeting of Shareholders
Mr. Klaus W. Heinemann .	56	Germany	Executive Director, Chief Executive Officer	2010 Annual General Meeting of Shareholders
Mr. W. Brett Ingersoll . . .	44	USA	Non-Executive Director	2010 Annual General Meeting of Shareholders
Mr. Marius J.L. Jonkhart	58	Netherlands	Non-Executive Director	2010 Annual General Meeting of Shareholders
Mr. Gerald P. Strong	63	UK	Non-Executive Director	2010 Annual General Meeting of Shareholders
Mr. David J. Teitelbaum .	36	USA	Non-Executive Director	2010 Annual General Meeting of Shareholders
Mr. Robert G. Warden . .	35	USA	Non-Executive Director	2010 Annual General Meeting of Shareholders

Each director listed above has been appointed for a term of four years from the 2007 Annual General Meeting of Shareholders expiring on the date indicated above.

Pieter Korteweg. Mr. Korteweg has been a director of AerCap B.V. from September 20, 2005 until November 10, 2006 and of AerCap Holdings N.V. since July 26, 2006. He serves as Vice Chairman of Cerberus Global Investment Advisors, LLC, and Director of Cerberus entities in the Netherlands. In addition, he serves as member of the Board of Directors of Aozora Bank Ltd (Tokio) and Member of the Supervisory Board of BawagPSK Bank (Vienna). He currently serves as Member of the Supervisory Board of Mercedes Benz Nederland BV and of Hypo Real Estate Holding AG (Munich). He also serves as senior advisor to Anthos B.V. Mr. Korteweg previously served as Chairman of the Supervisory Board of Pensions and Insurance Supervisory Authority of The Netherlands, Chairman of the Supervisory Board of the Dutch Central Bureau of Statistics and Vice-Chairman of the Supervisory Board of De Nederlandsche Bank from 2002 to 2004. From 1987 to 2001, Mr. Korteweg was President and Chief Executive Officer of the Group Executive Committee of Robeco Group in Rotterdam. From 1981 to 1986, he was Treasurer-General at The Netherlands Ministry of Finance. In addition, Mr. Korteweg was a professor of economics from 1971 to 1998 at Erasmus University Rotterdam in The Netherlands. Mr. Korteweg holds a PhD in Economics from Erasmus University Rotterdam.

Ronald J. Bolger. Mr. Bolger has been a director of AerCap B.V. from October 11, 2005 until November 10, 2006 and of AerCap Holdings N.V. since July 26, 2006. Mr. Bolger currently serves as a member of the board of directors of a number of companies including Ely Capital Ltd., Irish Food Processors, C & D Foods Ltd., Galway Clinic Doughiska Ltd. and Global Shares Plc. He is a former Managing Partner of KPMG Ireland and has wide experience in the financial services industry. He served on the Irish Prime Minister's Committee for Dublin's International Financial Services Centre from 1987 to 2002. Mr. Bolger was appointed Honorary Consul General of Singapore in Ireland in 2000. Mr. Bolger is a Chartered Accountant and holds a BA in Economics from University College Dublin.

James N. Chapman. Mr. Chapman has been a director of AerCap B.V. from December 7, 2005 until November 10, 2006 and of AerCap Holdings N.V. since July 26, 20065. Mr. Chapman is non-executive Vice Chairman and Director of SkyWorks Leasing, LLC, an aircraft management services company based in Greenwich, Connecticut, which he joined in December 2004. Prior to SkyWorks, Mr. Chapman joined Regiment Capital Advisors, LLC in January 2003, a high-yield hedge fund based in Boston. Prior to Regiment, Mr. Chapman was a capital markets and strategic planning consultant and worked with private and public companies as well as hedge funds (including Regiment) across a range of industries. Mr. Chapman was affiliated with The Renco Group, Inc. from December 1996 to December 2001. Presently, Mr. Chapman serves as a member of the board of directors of Scottish Re Group Ltd., Chrysler LLC and Tembec, Inc. as well as a number of private companies. Mr. Chapman received an MBA with distinction from Dartmouth College and was elected as an Edward Tuck Scholar. He received his BA, with distinction, *magna cum laude*, from Dartmouth College and was elected to *Phi Beta Kappa*, in addition to being a Rufus Choate Scholar.

Klaus W. Heinemann. Mr. Heinemann has been the Chief Executive Officer of first AerCap B.V. and subsequently AerCap Holdings N.V. since April 2003 and has over 25 years of experience in the aviation financing industry. Mr. Heinemann has been a director of AerCap B.V. since 2002 and of AerCap Holdings N.V. since July 26, 2006. Mr. Heinemann joined our company in October 2002 from DVB Bank, where he was a Member of the Executive Board. In 1988 he joined the Long-Term Credit Bank of Japan in London as Deputy General Manager and Head of the Aviation Group. He was later appointed as Joint General Manager of the Head Office at the Long-Term Credit Bank of Japan, where he was responsible for the Transportation Finance division before this division was sold to DVB Bank in 1998. Mr. Heinemann started his career with Bank of America in 1976, where he helped to build up its Aviation Finance department in Europe. Mr. Heinemann holds the degree of Diplom-Kaufmann (Bachelor of Commerce) from the University of Hamburg.

W. Brett Ingersoll. Mr. Ingersoll has been a director of AerCap B.V. from September 20, 2005 until November 10, 2006 and of AerCap Holdings N.V. since July 26, 2006. He is currently a Managing Director of Cerberus Capital Management, L.P., Co-Head of its Private Equity Practice and a member of its Investment Committee. Mr. Ingersoll is also a director of ACE Aviation Holdings Inc. and a member of the Audit, Finance and Risk Committee and the Human Resources and Compensation Committee of ACE Aviation Holdings Inc. In addition, Mr. Ingersoll is a director of various public and private companies, including Chrysler, LLC,, IAP Worldwide Services, Inc., Entrecap, LLC, Talecris Bio Therapeutics, Inc. and Endura Care, LLC. Prior to joining Cerberus in 2002, Mr. Ingersoll was a Partner at JP Morgan Partners (formerly Chase Capital Partners) from 1993 to 2002. Mr. Ingersoll received his MBA from Harvard Business School and his BA from Brigham Young University.

Marius J.L. Jonkhart. Mr. Jonkhart has been a director of AerCap B.V. from October 11, 2005 until November 10, 2006 and of AerCap Holdings N.V. since July 26, 2006. He is currently also a member of the Supervisory Boards of BAWAG P.S.K. AG, Connexxion Holding N.V., Corus

Nederland N.V., Orco Bank International N.V. and Staatsbosbeheer, Chairman of the Supervisory Board of Ruimte voor Ruimte Beheer B.V and a non-executive director of Aozora Bank. Mr. Jonkhart is an advisor to Cerberus Global Investment Advisors, LLC. Mr Jonkhart is currently Chief Executive Officer of NOB Holding N.V. and was previously the Chief Executive Officer of De Nationale Investerings Bank N.V. and also served as the director of monetary affairs of the Dutch Ministry of finance. He was also a professor of finance at Erasmus University Rotterdam. He has served as a member of a number of supervisory boards, including the Supervisory Boards of the European Investment Bank, Bank Nederlandse Gemeenten N.V., Postbank N.V., NPM Capital N.V., Kema N.V., AM Holding N.V. and De Nederlandsche Bank N.V. He has also served as chairman of the Investment Board of ABP Pension Fund and several other funds. Mr. Jonkhart holds a Master's degree in Business Administration, a Master's degree in Business Economics and a PhD in Economics from Erasmus University Rotterdam.

Gerald P. Strong. Mr. Strong has been a director of our company since July 26, 2006. He currently is a Managing Director of Cerberus Capital Partners' operations in Europe. Mr. Strong has extensive senior experience in a number of industries, including airlines, global communications, retailing, and consumer products. He has served senior roles in the restructuring and building of a number of international businesses in his career. Mr. Strong was Chairman of the Advisory Board on Telecom Security to the government of the United Kingdom from 2002 to 2005 and President and Chief Executive Officer of Teleglobe International Holdings Limited. He is also a member of the Governing Council of the Ashridge Business School, a Director of NewPage Corporation and Chairman of Virtual IT. Mr. Strong received his BA with honors from Trinity College, Dublin.

David J. Teitelbaum. Mr. Teitelbaum has been a director of our AerCap B.V. from September 20, 2005 until November 10, 2006 and of AerCap Holdings N.V. since July 26, 2006. Mr. Teitelbaum is a Managing Director of Cerberus Capital Management, LLC and has worked for Cerberus and/or its affiliates since 1997. Prior to joining Cerberus, Mr. Teitelbaum worked in the investment banking department of Donaldson, Lufkin & Jenrette. Mr Teitelbaum holds a BS in Business Administration from the University of California, Berkeley.

Robert G. Warden. Mr. Warden has been a director of AerCap B.V. from September 20, 2005 until November 10, 2006 and of AerCap Holdings N.V. since July 26, 2006. He is also currently a Managing Director of Cerberus Capital Management, L.P., which he joined in February 2003. Mr. Warden is also currently a director of various public and private companies, including Bluelinx Corporation, Chrysler LLC and Four Points Media Group LLC. Prior to joining Cerberus, Mr. Warden was a Vice President at J.H. Whitney from May 2000 to February 2003, a Principal at Cornerstone Equity Investors LLC from July 1998 to May 2000 and an Associate at Donaldson, Lufkin & Jenrette from July 1995 to July 1998. Mr. Warden received his AB from Brown University.

The Chairman of the Board is obligated to ensure, among other things, that (i) each director receives all information about matters that he or she may deem useful or necessary in connection with the proper performance of his or her duties, (ii) each director has sufficient time for consultation and decision making, and (iii) the Board of Directors and the board committees are properly constituted and functioning.

Each director has the right to cast one vote and may be represented at a meeting of the Board of Directors by a fellow director. The Board of Directors may pass resolutions only if a quorum of four directors, including our Chief Executive Officer, the Chairman or Vice Chairman is present at the meeting. All resolutions must be passed by an absolute majority of the votes cast. If there is a tie, the matter will be decided by the Chairman of our Board of Directors or in his or her absence, the Vice Chairman.

Subject to Netherlands law, resolutions may be passed in writing by a majority of the directors in office. Pursuant to the internal rules for our Board of Directors, a director may not participate in discussions or the decision making process on a transaction or subject in relation to which he or she has a conflict of interest with us. Resolutions to enter into such transactions must be approved by a majority of our Board of Directors, excluding such interested director or directors.

In 2007, the Board met on ten occasions. Throughout the year, the Chairman of the Board and individual non-executive directors were in close contact with our Executive Officers. During its meetings and contacts with the Executive Officers, the Board discussed such topics as the Company's secondary public offering registration statement, the strategy of the Company and the associated risks, our contract with Airbus for the purchase of an additional ten A330 aircraft, the tax restructuring of the group, the financial results achieved at various times during the year and the outlook for future periods, reviewed reports on risk management from the audit committee and the internal risk management and control function, including compliance with the Sarbanes Oxley Act.

The non-executive directors of the Board also meet once per year to perform a self-assessment of the Board's performance. It assesses its own functioning and that of its individual members. Because the board has been appointed in October 2006 the first assessment of the Board's performance took place during the fiscal year 2007 and the conclusion was that Board and its individual members functioned satisfactorily.

Given its recent appointment, the Board has decided to introduce an introduction program required only prior to any new non-executive director being appointed. The Board has determined a profile for its non-executive directors during 2007 which will be made available on the Company's website.

Conflicts of interest

As per Best Practice Provision II.3.2. of the Dutch Corporate Governance Code each Director shall immediately report any potential conflict of interest concerning a Director to the Chairman. The Director with such conflict of interests shall in such case provide the Chairman of the Board with all information relevant to the conflict. During the year, there were no conflicts of interests reported.

Appointment, suspension and dismissal

The directors are appointed at the general meeting of the shareholders. Our directors may be elected by the vote of a majority of votes cast at a general meeting of shareholders provided that our Board of Directors has proposed the election. Without a Board of Directors proposal, directors may also be elected by the vote of a majority of the votes cast at a general meeting of shareholders if the majority represents at least one-third of our issued capital.

Shareholders may remove or suspend a director by the vote of a majority of the votes cast at a general meeting of shareholders provided that our Board of Directors has proposed the removal. Our shareholders may also remove or suspend a director, without there being a proposal by the Board of Directors, by the vote of a majority of the votes cast at a general meeting of shareholders if the majority represents at least one-third of our issued capital.

All non-executive Directors are appointed for a period of four years from the date of the 2006 Annual General Meeting of Shareholders until the date of the 2010 Annual General Meeting of Shareholders. Future new appointments to the Board will follow the recommended four year term. The Board has determined a limited rotation schedule and two of our non-executive directors will be proposed for re-appointment at the Annual General Meeting of Shareholders of the Company for the year 2007. The rotation schedule will be made available on the Company's website.

Remuneration

The general policy for the remuneration of our Board of Directors will be determined by our Nomination and Compensation Committee. The remuneration of directors will be set by our Board of Directors in accordance with our remuneration policy and the recommendation of the Nomination and Compensation Committee. With regard to arrangements concerning remuneration in the form of ordinary shares or share options, the Board of Directors must submit a proposal to the shareholders for approval. This proposal must, at a minimum, state the number of ordinary shares or share options that may be granted to directors and the criteria that apply to the granting of the ordinary shares or share options or the alteration of such arrangements.

For information regarding the remuneration of members of the Board, reference is made to the Remuneration Policy (available on our website), the Remuneration Report 2007 included in this Annual Report and Note 26 "Board Remuneration" of our Annual Report.

Our Executive Director will upon, not for cause, non-voluntary, termination of his employment arrangement by his employer, AerCap Holdings N.V., receive a compensation of 18 months base salary and other benefits, including a bonus, the value of which is equivalent to 1.5 times the average annual bonus of the three years prior to such termination. Although this is in excess of what the Code recommends, this employment arrangement has been entered into prior to our establishment by one of our predecessors, AerCap B.V., which is now one of our subsidiary companies, and the Company wished to respect these existing arrangements.

Some of our Non-Executive Directors have, prior to the listing of the shares in our Company on the New York Stock Exchange, received options to purchase shares in our Company. See the Remuneration Policy for a more detailed description of these stock options.

In connection with the acquisition of AerCap B.V., one of our predecessors, by AerCap Holdings C.V. our Executive Director has, in 2005, received options in our indirect shareholders in Bermuda. These options have fully vested and can be exercised as from 27 November 2008 and our Executive Director has the right, subject to certain limitations, to exchange these shares in our indirect shareholders in Bermuda, for ordinary shares in our Company. These options were not granted by the Company and the Company wishes to respect existing arrangements. See the Remuneration Policy for a more detailed description of these stock options.

Independence

Our Board of Directors currently consists of nine directors, eight of whom are non-executive directors and are independent under the independence definition III.2.2 of the Code.

Committees of the Board of Directors

In order to more efficiently fulfil its role, and in compliance with the Dutch Corporate Governance Code, the Board has created the following committees: a Group Executive Committee, a Group Portfolio and Investment Committee, a Group Treasury and Accounting Committee, an Audit Committee and a Nomination and Compensation Committee. What follows is is more detailed description of the Audit Committee and the Nomination and Compensation Committee.

The Code requires the Board to have three committees: an audit committee, a compensation committee and a nomination committee. We have combined the functions of the compensation committee with those of the nomination committee. We have only one executive director. Having a compensation committee with respect to the remuneration of only that one executive director would be inefficient and unnecessary costly. Under the Code, the Chairman of the Board shall not chair the compensation committee; he may, however, chair the nomination committee. Given the fact that we have combined both committees and also having regard to the fact that the Chairman of the Board is very familiar with international executive compensation, we believe that the Chairman of the Board is the best person to chair the Nomination and Compensation committee.

Our *Audit Committee* assists the Board of Directors in fulfilling its responsibilities relating to the integrity of our financial statements, our risk management and internal control arrangements, our compliance with legal and regulatory requirements, the performance, qualifications and independence of external auditors, and the performance of the internal audit function. The Audit Committee is chaired by a person with the necessary qualifications who is appointed by the Board of Directors and is comprised of three non-executive directors who are "independent" as defined by Rule 10A-3 of the Securities Exchange Act of 1934, as amended, as well as under The Netherlands Corporate Governance Code. The current members of our Audit Committee are Marius Jonkhart, James Chapman and Ronald Bolger.

The Audit Committee meets periodically to nominate a firm to be appointed as independent auditors to audit the financial statements and to perform services related to the audit, review the scope and results of the audit with the independent auditors, review with management and the independent auditors our annual operating results and consider the adequacy of the internal accounting procedures and the effect of the procedures relating to the auditor's independence.

As recommended by the Sarbanes-Oxley Act and the Dutch Corporate Governance Code, we intend for the Audit Committee to include at least one Financial Expert, who must have in-depth experience and knowledge of financial statements, international accounting principles and internal controls and procedures for financial reporting. The Board has concluded that Mr. Ron Bolger meets these requirements.

Our Audit Committee met ten times during 2007 in regular meetings. In addition, members of the audit committee met a number of times on an ad-hoc basis to discuss a whistleblower complaint. Throughout the year, the members of the audit committee were in close contact with our Executive Officers. Principal items discussed during the meetings and through contacts with our Executive Officers included, the functioning of the audit committee, the audit committee charter and the audit committee cycle, the functioning of the internal audit function and its priorities for 2007, and the progress towards Sarbanes Oxley compliance, a whistleblower complaint which was determined to be without foundation, the results of the Company's operations during the year and the outlook for future periods and the independent auditor's audit plan for 2007.

Our *Nomination and Compensation Committee* selects, recruits and determines the remuneration, bonuses and other terms of employment of candidates for the positions of the Chief Executive Officer, non-executive director and Chairman of the Board of Directors, approves the remuneration, bonuses and other terms of employment and appoints the members of the Group Portfolio and Investment Committee, the Group Treasury and Accounting Committee and the Group Executive Committee and recommends candidates for the Audit Committee and plans the succession within the Board of Directors and committees. It is chaired by the Chairman of our Board of Directors and is comprised of two non-executive directors appointed by the Board of Directors. The current members of our Nomination and Compensation Committee are Brett Ingersoll, Marius Jonkhart and Pieter Korteweg.

Our Nomination and Compensation Committee met two times during 2007. During such meetings it discussed and approved changes to the Company's bonus and incentive plans and, the 2008 Salary and Bonus scheme for members of the Group Executive Committee, all within the limits of our remuneration policy. As per best practice II.2.13 of the Dutch Corporate Governance Code, the Company has included the 2007 remuneration report in this Annual Report. See the Corporate Governance Report for a more detailed description of the Nomination and Compensation Committee.

Reporting of trading in Dutch listed companies.

The members of our Board are aware of the limitations under Dutch and U.S. law that apply to trading in listed securities when one is in the possession of material non-public information. As per our policies there is quarterly internal reporting by these persons of all trading in securities of all Dutch listed companies. This policy has been in place since September 27, 2006 as part of our Board Rules and the members of the board have reported their trading in securities of Dutch listed companies for 2007 to the compliance officer.

Profile of the Board.

A profile for the non-executive directors of the Board has been prepared during 2007 and is available on the website of the Company. Any (re)appointment to the Board shall be based on consistency with such Board Profile. On reappointment, account must be taken of the candidate's performance in the past period. A Board member who is available for reappointment must be interviewed by the chairman of the Nomination and Compensation Committee. Any new Board members will serve a maximum four-year term and Board members may not serve for longer than twelve years in the aggregate.

Internal Risk Management and Control Framework

Management is responsible for designing, implementing and operating an adequate functioning internal risk management and control framework in the Company. The purpose of this framework is to identify and manage the strategic, operational, financial and compliance risks to which we are exposed, to promote effectiveness and efficiency of our operations, to promote reliable financial reporting and to promote compliance with laws and regulations. Our internal risk management and control framework is based on the COSO framework developed by the Committee of Sponsoring Organizations of the Treadway Commission (1992). The COSO framework aims to provide reasonable assurance regarding effectiveness and efficiency of an entity's operations, reliability of financial reporting, prevention of fraud and compliance with laws and regulations.

Our internal risk management and control framework has the following key components:

Planning and control cycle

The planning and control cycle consists of an annual budget and business plan prepared by management and approved by our Board of Directors, quarterly forecasts and operational reviews and monthly financial reporting.

Code of Conduct and Whistleblower Policy

Our Code of Conduct is applicable to all our employees, including the Chief Executive Officer, Chief Financial Officer and controllers. It is designed to promote honest and ethical conduct and timely and accurate disclosure in our periodic financial results. Our Whistleblower Policy provides for the reporting of alleged violations of the Code of Conduct and alleged irregularities of a financial nature by our employees or other stakeholders without any fear of reprisal against the individual that reports the violation or irregularity.

Disclosure Controls and Procedures

The Disclosure Committee assists management in overseeing our disclosure activities and to ensure compliance with applicable disclosure requirements arising under U.S. and Netherlands law and regulatory requirements. The Disclosure Committee obtains information for its recommendations from the Company's operational and financial reviews, internal letters of representation, input from the documentation and assessment of our internal controls over financial reporting and input from risk management activities during the year. The Disclosure Committee comprises various members of senior management and makes recommendations to our Chief Executive Officer and Chief Financial Officer relating to their certification obligations under Section 302 of the Sarbanes-Oxley Act.

Risk Management and Internal Controls

We have developed a system of policies and procedures for all areas of our operations, both financial and non-financial, that constitutes a broad system of internal control. This system of internal control has been developed through a risk-based approach and enhanced with a view to achieving and maintaining full compliance with the requirements of section 404 of the Sarbanes-Oxley Act ("SOX"). Our system of internal control is embedded in our standard business practices and is validated through audits performed by our internal auditors and through management testing of SOX controls, which is performed with the assistance of external advisors. In addition, senior management personnel and finance managers of our main operating subsidiaries annually sign a detailed letter of representation with regard to financial reporting, internal controls and ethical principles. All of our employees working in finance or accounting functions are subject to a separate Finance Code of Ethics.

During 2007, we expanded our risk management policies, internal control documentation and assessment of such internal controls to provide further assurance regarding the reliability of our financial reporting. As of December 31, 2007, our management (with the participation of our Chief Executive Officer and Chief Financial Officer) conducted an evaluation of the effectiveness of the design and operation of the our disclosure controls and procedures. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of December 31, 2007, such disclosure controls and procedures were effective to provide reasonable assurance that financial information required to be disclosed by us is free of material misstatement. The results of these assessments have been discussed with our Audit and Disclosure Committee.

Based on an evaluation and recommendation by the Disclosure Committee, the Chief Executive Officer and the Chief Financial Officer, we have concluded that:

- the financial statements as of and for the year ended December 31, 2007 provide reasonable assurance that the financial statements are free of material misstatement;
- the internal risk management and control systems with respect to financial reporting have operated effectively in 2007 and no material weakenesses were detected; and
- there are no indications that the Company's internal controls over financial reporting will not operate effectively in 2008.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements, inaccuracies, errors, fraud and non-compliance with law and regulation. Therefore, even those systems determined to be effective can only provide reasonable assurance with respect to financial statement preparation and presentation.

Controls and Procedures Statement Under the Sarbanes-Oxley Act

As of the end of the period covered by this report, our management (with the participation of our Chief Executive Officer and Chief Financial Officer) conducted an evaluation pursuant to section 302 of the US Sarbanes-Oxley Act and Rule 13a-15 promulgated under the US Securities Exchange Act of 1934, as amended of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of the end of the period covered by this report, such disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in reports we file or submit under the US Securities Exchange Act on 1934, as amended is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission.

Our Auditors

Our external auditor is responsible for auditing the financial statements. Following the recommendation by the Audit Committee and upon proposal by the Board of Directors, the General Meeting of Shareholders appoints each year the auditor to audit the financial statements of the current financial year. The external auditor reports to our Audit Committee. The external auditor is present at the meetings of the Audit Committee when our quarterly and annual results are discussed.

At the request of the Board of Directors and the Audit Committee, the Chief Financial Officer and the Internal Audit department review, in advance, each service to be provided by the auditor to identify any possible breaches of the auditor's independence. The Audit Committee pre-approves every engagement of our external auditor.

Our Board rules determine that when the responsible partner of the external audit firm has been in charge of the audit activities during a four year period without rotation, will have a conflict of interest with the Company. The current responsible partner has been appointed in the year 2006 for the first time.

Annual General Meeting of Shareholders

A general meeting of shareholders is held each year to discuss the annual report and to adopt the annual accounts. Extraordinary meetings will be held as often as the Board of Directors deems desirable.

We foresee a practical problem in harmonizing the prevailing U.S. and Dutch practices with regard to the registration or record date for determining the shareholders who are entitled to vote at a shareholders meeting. Best practice provision IV.1.7 of the Dutch Corporate Governance Code provides that Dutch listed companies should determine a record date for the exercise of voting rights by shareholders at a general meeting. Pursuant to section 2:119 sub 2 of Dutch Civil Code such record date may not be set earlier than 30 days prior to the meeting. However, the U.S. corporate law requirement, and the universal practice among publicly traded U.S. corporations, is to establish a record date longer in advance of the meeting date for purposes of determining the shareholders entitled to notice of, and to attend and vote at, such meeting. In 2007, we have amended our articles of association such that the record date can now be set 30 days prior to the meeting, the maximum allowed pursuant to the Dutch Civil Code, from seven days prior to the amendment of our articles of association to harmonize to the extent possible the Dutch and U.S. corporate governance practices.

Protective Measures

There are no protective devices against takeovers in place.

Remuneration Report

This remuneration report is based on the remuneration policy of AerCap Holdings N.V. The remuneration policy was adopted by the Board of Directors and approved by the shareholders meeting on 16 November 2006. This remuneration report is applicable to members of our Board of Directors. The remuneration for non-executive directors consists of annual fees for membership on the boards and annual fees for membership or chair activities of the committees of the Board of Directors. The remuneration of our one executive director consists of base salary, annual incentive bonus, long-term incentives (restricted share or share option plans) pension and other arrangements.

Non-Executive Directors

We currently pay each non-executive director who is not affiliated with Cerberus an annual fee of €75,000 and pay each of these directors an additional €2,000 per meeting. We pay our Chairman of our Board of Directors €150,000 per year. In addition, we pay the chairs of the Audit Committee and Nomination and Compensation Committee an annual fee of €18,000 and each committee member will receive an annual fee of €6,000 and a fee of €2,000 per committee meeting. All members of the Board of Directors are reimbursed for reasonable costs and expenses incurred in attending meetings of our Board of Directors. Certain of our board members have been granted options in holding companies which have a majority stake in our shares as described below.

Executive Director

During 2007, we paid Mr. Heinemann, our only executive director, an annual base salary and we accrued for the payment of an annual discretionary bonus which was paid in February 2008. Mr. Heinemann's compensation package was derived based on our understanding of comparable compensation packages for similar-sized competitors in our industry. We believe that the ratio of fixed and variable/incentive compensation is reasonable and provides an appropriate level of incentive compensation to promote the achievement of established targets. The targets established in relation to the incentive compensation relate primarily to the achievement of full-year net income targets. In addition to base salary and bonus compensation, Mr. Heinemann participates in the Company's defined benefit pension plan. Mr. Heinemann also receives other employment benefits such as a health benefits and a company car allowance. Mr. Heinemann's employment contract expires the date of our 2010 annual general meeting of shareholders. His employment contract includes a severance clause that grants him 18-months of base salary, benefits and bonus (based on the average of the three prior year bonuses) payments in the event that he does not renew his employment contract at its expiration or is terminated without cause or voluntarily leaves for good reason (as such terms are defined in the employment agreement). As described below, Mr. Heinemann has been granted share options in holding companies which own our shares.

Restricted Shares and Share Options

Bermuda holding companies (the "Bermuda Parents") which indirectly hold our shares have implemented an equity incentive plan that is designed to motivate and retain individuals who are responsible for the attainment of our primary long-term performance goals. The plan provides for the grant of nonqualified stock options, incentive stock options for shares of common stock and restricted shares of common stock of the Bermuda Parents to participants of the plan selected by the boards of directors of the Bermuda Parents or a committee of each of their respective boards of directors or the administrator of the plan. Subject to certain adjustments, the maximum number of shares available to be granted under the plan is equal to 25% of the outstanding common shares of the Bermuda Parents. All options issued under the plan are exercisable for a period of ten years from their issuance.

All shares and options granted under the Bermuda Parents equity incentive plan vested after completion of our initial public offering in November 2006, except for options outstanding to three members of management issued originally in August and September of 2006. Even after vesting, pursuant to a shareholders agreement, all vested common shares and options to purchase common shares of the Bermuda Parents issued under the plan (other than common shares held by the former AeroTurbine owners and our directors) are subject to repurchase by the Bermuda Parents in the event the manager or director leaves his or her position without good cause or is terminated by us with cause, at a price equal to the lower of the cost or fair value until the termination of the two-year lock-up period described below. All common shares and options to purchase common shares are also subject to repurchase at fair value if the manager or director leaves for any other reason. The common shares of the Bermuda Parents are also subject to Cerberus's drag-along rights and the plan participant's tag-along rights in the event of certain transactions involving sales of the common shares of the Bermuda Parents.

In connection with our initial public offering, the members of our senior management and directors who have received shares or options to purchase shares of the Bermuda Parents under the Bermuda Parents equity incentive plan agreed not to offer, sell, contract to sell, pledge, grant any option to purchase, make any short sale or otherwise dispose of any of our ordinary shares directly held by them or indirectly held through the Bermuda Parents. Subject to limited exceptions, the lock-up is for a period of two years from the date our initial public offering was consummated. In addition, the members of our senior management and directors holding common shares of the Bermuda Parents also have received the right, beginning on the second anniversary of the consummation of this offering and ending on the fifth anniversary, to exchange Bermuda Parents common shares for our ordinary shares held by the selling shareholders in amounts representing their indirect interest in us held through the Bermuda Parents. To assist our management and directors in the resale of our ordinary shares to be held by them upon such exchange, we have agreed to file a registration statement and use commercially reasonable efforts to keep the registration statement continuously effective until all applicable ordinary shares have been sold or can be sold without registration under Rule 144(k) under the Securities Act.

Amsterdam, March 18, 2008

Pieter Korteweg	/s/ PIETER KORTEWEG
Ronald J. Bolger	/s/ RONALD J. BOLGER
James N. Chapman	/s/ JAMES N. CHAPMAN
Klaus W. Heinemann	/s/ KLAUS W. HEINEMANN
W. Brett Ingersoll	/s/ W. BRETT INGERSOLL
Marius J.L. Jonkhart	/s/ MARIUS J.L. JONKHART
Gerald P. Strong	/s/ GERALD P. STRONG
David J. Teitelbaum	/s/ DAVID J. TEITELBAUM
Robert G. Warden	/s/ ROBERT G. WARDEN

AerCap Holdings N.V. and Subsidiaries

Consolidated Balance Sheets

as of December 31, 2006 and 2007
(After proposed profit appropriation)

	Note	December 31, 2006	December 31, 2007
		(US dollars in thousands except share and per share amounts)	
Assets			
Cash and cash equivalents		$ 131,201	$ 241,736
Restricted cash	3	112,277	95,072
Trade receivables, net of provisions of $2,496 and $4,088	4	25,058	35,591
Flight equipment held for operating leases, net	5	3,273,329	3,258,494
Flight equipment held for sale		—	159,605
Notes receivable, net of provisions, of $2,563 and nil	6	5,300	6,944
Prepayments on flight equipment	7	166,630	247,839
Investments	8	18,000	11,678
Goodwill	9	4,553	4,235
Intangibles	9	58,890	55,530
Inventory	10	82,811	90,726
Derivative assets	11	17,871	21,763
Deferred income taxes	16	47,752	174,564
Other assets	12	35,804	75,095
Total Assets		$3,979,476	$4,478,872
Liabilities and Shareholders' Equity			
Accounts payable		$ 6,958	$ 16,376
Accrued expenses and other liabilities	13	92,466	81,379
Accrued maintenance liability		285,788	300,115
Lessee deposit liability		77,686	83,628
Debt	14	2,336,360	2,645,140
Accrual for onerous contracts	15	111,333	46,411
Deferred revenue		28,391	33,574
Deferred income taxes	16	21,998	3,425
Negative goodwill	30	237,762	181,877
Commitments and contingencies	23	—	—
Total Liabilities		3,198,742	3,391,925
Minority interest, net of taxes	17	31,937	98,812
Ordinary share capital, €0.01 par value (200,000,000 ordinary shares authorized, 85,036,957 ordinary shares issued and outstanding)	18	699	699
Additional paid-in capital		591,553	602,469
Accumulated retained earnings		156,545	384,967
Total Shareholders' Equity		748,797	988,135
Total Liabilities and Shareholders' Equity		$3,979,476	$4,478,872

The accompanying notes are an integral part of these consolidated financial statements.

AerCap Holdings N.V. and Subsidiaries

Consolidated Income Statements

For the Years Ended December 31, 2006 and December 31, 2007

	Note	Year ended December 31, 2006	Year ended December 31, 2007
		(US dollars in thousands except share and per share amounts)	
Revenues			
Lease revenue	20	$ 440,609	$ 543,240
Sales revenue	20	301,405	560,031
Management fee revenue	20	14,072	14,343
Interest revenue	20	25,834	20,148
Other revenue	20	20,336	19,947
Total Revenues		802,256	1,157,709
Expenses			
Depreciation	5	102,387	144,894
Cost of goods sold		225,333	447,276
Goodwill impairment and amortization	9	212	318
Interest on debt	14	157,372	225,176
Operating lease in costs	15	25,232	20,176
Leasing expenses		47,394	39,124
Provision for doubtful notes and accounts receivable	4,6	(186)	745
Selling, general and administrative expenses (a)	21	149,364	116,328
Total Expenses		707,108	994,037
Operating income from continuing operations before income taxes and minority interest		95,148	163,672
Income tax benefit	16	11,146	131,625
Minority interest, net of taxes		588	(66,875)
Net Income		$ 106,882	$ 228,422
Basic and diluted earnings per share	22	$ 1.35	$ 2.69
Weighted average shares outstanding, basic and diluted		78,992,513	85,036,957

(a) Selling, general and administrative expenses include $78,635 ($69,133, net of tax) and $10,916 ($9,477, net of tax) of share-based compensation in the years ended December 31, 2006 and 2007, respectively.

The accompanying notes are an integral part of these consolidated financial statements.

AerCap Holdings N.V. and Subsidiaries

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2006 and December 31, 2007

	Year ended December 31, 2006	Year ended December 31, 2007
	(US dollars in thousands)	
Net income	$ 106,882	$ 228,422
Adjustments to reconcile net income to net cash provided by operating activities:		
Minority interest	(588)	66,875
Depreciation	102,387	144,876
Amortization of debt issuance costs	11,777	38,156
Amortization of intangibles	12,241	21,786
Goodwill impairment and amortization	212	318
Gain on elimination of fair value guarantee	—	(10,736)
Provision for doubtful notes and accounts receivable	(186)	745
Capitalized interest on pre-delivery payments	(4,888)	(5,968)
Release of provision against debt	(4,139)	—
Gain on disposal of assets	(62,664)	(88,322)
Mark-to-market of non-hedged derivatives	(9,166)	(3,892)
Deferred taxes	(10,147)	(142,819)
Share-based compensation	78,635	10,916
Changes in assets and liabilities:		
Trade receivables and notes receivable, net	30,299	(28,647)
Inventories	(24,216)	8,460
Derivative assets and other assets	(8,017)	(16,041)
Accounts payable and accrued expenses, including accrued maintenance liability, lessee deposits	124,853	(23,373)
Deferred revenue	5,104	5,182
Net cash provided by operating activities	348,379	205,938
Purchase of flight equipment	(879,497)	(699,807)
Proceeds from sale/disposal of assets	253,199	449,313
Prepayments on flight equipment	(93,708)	(164,074)
Purchase of subsidiaries, net of cash acquired	(143,100)	—
Purchase of investments	(15,000)	—
Purchase of intangibles	(10,636)	(18,427)
Movement in restricted cash	45,453	17,205
Net cash (used in) provided by investing activities	(843,289)	(415,790)
Issuance of debt	908,077	2,395,956
Repayment of debt	(607,721)	(2,025,298)
Debt issuance costs paid	(32,940)	(49,579)
Issuance of equity interests	143,617	—
Dividends paid to minority interests	(225)	—
Capital contributions from minority interests	32,750	—
Net cash provided by (used in) financing activities	443,558	321,079
Net increase (decrease) in cash and cash equivalents	(51,352)	111,227
Effect of exchange rate changes	(1,001)	(692)
Cash and cash equivalents at beginning of period	183,554	131,201
Cash and cash equivalents at end of period	$ 131,201	$ 241,736
Supplemental cash flow information:		
Interest paid	$ 145,793	167,306
Taxes paid (refunded)	267	17,691

Fair values of assets acquired and liabilities assumed in purchase acquisitions	AeroTurbine
Assets acquired	$ 305,321
Liabilities assumed	(160,619)
Cash paid	$ 144,702

AerCap Holdings N.V. and Subsidiaries

Consolidated Statements of Shareholders' Equity

For the Years Ended December 31, 2006 and December 31, 2007

	Number of Shares	Share capital	Additional paid-in capital	Accumulated other comprehensive loss	Retained (loss) earnings	Total shareholders' equity
		(US dollars in thousands, except number of shares)				
Year ended December 31, 2006						
Balance at January 1, 2006	78,236,957	$646	$369,354	—	$ 49,663	$419,663
Issuance of equity capital in public offering	6,800,000	53	143,564			143,617
Share-based compensation	—	—	78,635	—	—	78,635
Total result:						
Net income for the period	—	—	—	—	106,882	106,882
Total result						106,882
Balance at December 31, 2006	85,036,957	$699	$591,553	$ —	$156,545	$748,797
Year ended December 31, 2007						
Balance at January 1, 2007	85,036,957	$699	$591,553	—	$156,545	$748,797
Share-based compensation	—	—	10,916	—	—	10,916
Total result:						
Net income for the period	—	—	—	—	228,422	228,422
Total result						228,422
Balance at December 31, 2007	85,036,957	$699	$602,469	$ —	$384,967	$988,135

The accompanying notes are an integral part of these consolidated financial statements.

1. General

The Company

We are an integrated global aviation company, conducting aircraft and engine leasing and trading and parts sales. We also provide a wide range of aircraft management services to other owners of aircraft. We are headquartered in Amsterdam, The Netherlands, with principal offices in Shannon, Ireland, Ft. Lauderdale and Miami, Florida and Goodyear, Arizona.

These consolidated financial statements include the accounts of AerCap Holdings N.V. and its subsidiaries. AerCap Holdings N.V. is a Netherlands public limited liability company ("*naamloze vennootschap*") formed on July 10, 2006 for the purpose of acquiring all of the assets and liabilities of AerCap Holdings C.V. AerCap Holdings C.V. is a limited partnership ("*commanditaire vennootschap*") formed under the laws of The Netherlands on June 27, 2005 for the purposes of acquiring the share capital, subordinated debt and senior debt of debis AirFinance B.V. ("AerCap B.V."), which occurred on June 30, 2005 (the "2005 Acquisition"). In anticipation of our initial public offering, we changed our corporate structure from a Netherlands partnership to a Netherlands public limited liability company. This change was effected through the acquisition of all of the assets and liabilities of AerCap Holdings C.V. by AerCap Holdings N.V. on October 27, 2006. This acquisition was a transaction under common control and accordingly, AerCap Holdings N.V. recognized the acquisition of the assets and liabilities of AerCap Holdings C.V. at their carrying values and no goodwill or other intangible assets were recognized.

On November 27, 2006, we completed an initial public offering of 6,800,000 of our common shares at $23 per share (Note 18) generating net proceeds of $143,017 which we used to repay debt.

Acquisition of AeroTurbine, Inc.

On April 26, 2006 we purchased all of the existing share capital of AeroTurbine, Inc. ("AT" and the "AT Acquisition"). AT has been included in our consolidated financial statements from April 26, 2006. AT is engaged primarily in the distribution of turbojet aircraft, aircraft engines, and aircraft parts as well as the sale, lease and overhaul management of engines to the commercial aviation industry worldwide. AT is headquartered in Miami, Florida and has a location in Goodyear, Arizona. We acquired AT in order to diversify our investments in aviation assets and to give us a more significant presence in the market for older equipment.

Consolidation

In January 2006, we sold a 50% equity interest in AerVenture Ltd. ("AerVenture"), previously a wholly-owned entity, to LoadAir, a subsidiary of Al Fawares, an investment and construction company based in Kuwait. AerVenture has contracted with Airbus for the delivery of up to 70 A320 family aircraft between November 2007 and August 2011, with the intent of leasing these aircraft to third parties. The agreement requires us to make certain specified equity contributions and additional equity capital available to AerVenture depending on capital needs in the future. Other than with respect to such equity contributions, we are not obligated to support the activities of AerVenture and creditors of AerVenture have no recourse to us. We have entered into agreements to provide management and marketing services to AerVenture in return for management fees. We have determined that AerVenture is a special purpose entity for which we exercise control. As such, we have continued to consolidate AerVenture in our accounts.

In April 2006, we signed an agreement with Deucalion to form the Bella investment in which we hold a 50% equity interest. Bella was formed to purchase two used Airbus A330-322 aircraft for

1. General (Continued)

leasing. These aircraft were purchased in April and May 2006 and have subsequently been leased to third parties. We have entered into agreements to provide to Bella aircraft management and marketing services in return for management fees. We have determined that Bella is a special purpose entity for which we exercise control. As such, we have consolidated Bella in our accounts. The obligations of Bella are non-recourse to us.

As further discussed in Note 14, we hold equity and subordinated debt investments in ALS and AerFunding. ALS and AerFunding are special purpose entities over which we exercise control. As a result, we consolidate the accounts of ALS and AerFunding in our accounts since their inception dates.

In May 2006, we signed an agreement with China Aviation Supplies Import and Export Group Corporation and affiliates of Calyon establishing AerDragon. AerDragon is 50% owned by China Aviation and 25% owned by each of us and Calyon. The investment owned two aircraft at December 31, 2007, one of which it purchased from Airbus through an assignment of our purchase right under our 1999 Forward Order and one which it purchased directly from us. We act as guarantor to the lenders of AerDragon related to debt secured by the aircraft which AerDragon purchased directly from us. We provide aircraft management services to AerDragon in return for fees. As of December 31, 2007, we have determined that we exercise significant influence but do not exercise control over AerDragon and accordingly, we account for our investment in AerDragon according to the net asset value. With the exception of debt for which we act as guarantor, the obligations of AerDragon are non-recourse to us. At December 31, 2007, our maximum exposure to losses incurred by AerDragon consists of the carrying amount of our equity investment and the face value of the debt guaranteed, totaling $39.8 million.

Risks and uncertainties

We are dependent upon the viability of the commercial aviation industry, which determines our ability to service existing and future operating leases of our aircraft and engines and our ability to sell aircraft and engines parts. The global airline industry has experienced passenger growth in the last three years, which has led to increased demand for new aircraft and a strengthening of lease rates in most aircraft categories. The continued growth of the global aviation industry is dependent on several factors, most notably sustained global GDP growth and price stability in the oil markets. Substantial increases in jet kerosene prices in recent years has caused a depression in airline earnings and in some cases liquidity shortages. The impact of continued or rising oil prices as well as overcapacity and high levels of competition in some geographical markets may create occasional unscheduled lease returns and possible supply surpluses, which may create pressure on rentals and aircraft and engine values. The value of the largest asset on our balance sheet—flight equipment held for operating leases—is subject to fluctuations in the values of commercial aircraft and engines worldwide. A material decrease in aircraft or engine values could have a downward effect on lease rentals and residual values and may require that the carrying value of our flight equipment be materially reduced. In addition, if we are not able to sell our existing parts and engine inventory, we may be required to reduce the carrying value of such inventory through impairment charges.

The values of trade receivables, notes receivable, intangible lease premium assets and the accrual for onerous contracts are dependent upon the financial viability of related lessees, which is directly tied to the health of the commercial aviation market worldwide.

We have significant tax losses carried forward in some of our Irish and Swedish subsidiaries, which are recognized as tax assets on our balance sheets. The recoverability of these assets is dependent upon

1. General (Continued)

the ability of the Irish and Swedish entities to generate a certain level of taxable income in the future. If those entities cannot generate such taxable income, we will not realize the value of those tax assets and a corresponding valuation allowance and tax charge will be required.

We expect to fund a significant portion of our forward order delivery obligations (Note 7) through borrowings secured by the related aircraft. The unavailability to us of such secured borrowings at the time of delivery could have a material impact on our ability to meet our obligations under the forward order contract. If we cannot meet our obligations under such contracts, we will not recover the value of prepayments on flight equipment on our balance sheets and may be subject to other contract breach damages.

We periodically perform reviews of the carrying values of our aircraft and customer receivables, the recoverable value of deferred tax assets and the sufficiency of accruals and provisions, substantially all of which are sensitive to the above risks and uncertainties.

Related parties

All group companies mentioned in Note 27 are considered to be related parties. Transactions between group companies are eliminated upon consolidation.

Notes to the cash flow statement

The cash flow statement has been prepared applying the indirect method. The cash and cash equivalents in the cash flow statement comprise the balance sheet item cash and cash equivalents.

Receipts and payments of interest, dividends received and corporate income tax are included in the cash flow from operating activities. Dividends paid are included in the cash flow from financing activities.

Investments in group companies are recognized at acquisition cost less cash and cash equivalents available in the company acquired at the time of acquisition.

2. Summary of significant accounting policies

Basis for presentation

The consolidated financial statements were prepared in accordance with the statutory provisions of Part 9, Book 2, of the Netherlands Civil Code and the firm pronouncements in the Dutch Accounting Standards as issued by the Dutch Accounting Standards Board. The annual accounts are denominated in US dollars, which is our functional and reporting currency. The Company income statement is presented in accordance with Part 9 Book 2 Art. 402 of the Netherlands Civil Code.

Based on Part 9 Book 2 Art. 362.4 of the Netherlands Civil Code the Company did not adopt the model formats for the balance sheets, the income statements or the statements of cash flows as prescribed by the Netherlands Civil Code. The current presentation of primary statements is applied by peers and we believe the use of these primary statements is necessary to provide sound judgment on the financial position and results of the Company. This presentation has no impact on the net income or equity of the Company.

In general, assets and liabilities are stated at the amounts at which they were acquired or incurred with exception of derivatives which are measured at fair value. The balance sheet and income statement include references to the notes.

2. Summary of significant accounting policies (Continued)

The principles of valuation and determination of result remain unchanged compared to the prior year. Certain reclassifications have been made to prior years to reflect the current year presentation.

Use of estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. For us, the use of estimates is or could be a significant factor affecting the reported carrying values of flight equipment, inventory, goodwill, investments, trade and notes receivable, deferred tax assets and accruals and reserves. Management utilize professional appraisers and valuation experts, where possible, to support estimates, particularly with respect to flight equipment. Despite management's best efforts to accurately estimate such amounts, actual results could materially differ from those estimates.

Foreign currencies

Foreign currency transactions are translated into U.S. dollars, which is the currency of the primary economic environment in which the group operates, at the exchange rate prevailing at the time the transaction took place or at the rates of exchange under related forward contracts where such contracts exist. Subsequent receivables or payables resulting from such foreign currency transactions are translated into U.S. dollars at the exchange rate prevailing at each balance sheet date. All resulting exchange gains and losses are taken to the income statement.

Consolidation

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. Minority interests in group equity and group profit are disclosed separately.

Intercompany transactions, profits and balances among group companies and other consolidated legal persons are eliminated. Unrealized losses on intercompany transactions are eliminated as well, unless such a loss qualifies as impairment. The accounting policies of group companies and other consolidated legal persons were changed where necessary, in order to align them to the prevailing group accounting policies.

Cash and cash equivalents

Cash and cash equivalents include cash and highly liquid investments with an original maturity of less than twelve months.

Restricted cash

Restricted cash includes cash held by banks that is subject to withdrawal restrictions.

2. Summary of significant accounting policies (Continued)

Trade receivables

Trade receivables represent unpaid, current lease obligations of lessees under existing lease contracts. Allowances are made for doubtful accounts where it is considered that there is a significant risk of non-recovery. The assessment of risk of non-recovery is primarily based on the extent to which amounts outstanding exceed the value of security held, together with an assessment of the financial strength and condition of a debtor and the economic conditions persisting in the debtor's operating environment.

Flight equipment held for operating leases, net

Flight equipment held for operating leases, including aircraft, is stated at cost less accumulated depreciation and impairment. Costs incurred in the acquisition of aircraft or related leases are included in the cost of the flight equipment and depreciated over the useful life of the equipment. In instances where the purchase price includes additional consideration which can be allocated to the value of an acquired lease containing above market terms, such allocated cost is amortized over the term of the related lease. The cost of improvements to flight equipment are normally expensed unless the improvement materially increases the long-term value of the flight equipment or extends the useful life of the flight equipment. In instances where the increased value benefits the existing lease, such capitalized cost is depreciated over the life of the lease. Otherwise, the capitalized cost is depreciated over the remaining useful life of the aircraft. Flight equipment acquired is depreciated over the assets' useful life, based on 25 years from the date of manufacture, using the straight-line method to the estimated residual value. The current estimates for residual (salvage) values for most aircraft types are 15% of original manufacture cost.

The estimates of useful lives are as follows:

Stage III Aircraft	20-25 years
Turboprop Aircraft	20 years

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

2. Summary of significant accounting policies (Continued)

On each balance sheet date, the company tests whether there are any indications of assets being subject to impairment. If any such indications are present, the recoverable amount of the asset is determined. If this proves to be impossible, the recoverable amount of the cash generating unit to which the asset belongs is identified. An asset is subject to impairment if its carrying amount is higher than its recoverable value; the recoverable value is the higher of the net realizable value and the value in use.

Net realizable value is determined based on appraisers data and reference to an active market. Value in use, is determined as the present value of cash expected to be received from the aircraft 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 aircraft, appraisal data and industry trends. Residual (salvage) value assumptions generally reflect an aircraft's booked residual, except where more recent industry information indicates a different value is appropriate.

If it is established that a previously recognized impairment no longer applies or has declined, the increased carrying amount of the assets in question is not set higher than the carrying amount that would have been determined had no asset impairment been recognized.

Leases

Operating leases—Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Net investment in direct finance leases—Net investment in direct finance leases where the Company acts as lessor consists of contracted lease receivables plus the expected residual value on lease termination date of equipment under finance lease less unearned income. Initial unearned income for newly acquired aircraft under finance lease is the amount by which the lease contract receivables plus the expected residual value exceeds the initial investment in the leased equipment at lease inception. In instances where the terms of a new aircraft lease agreement require the classification of the aircraft and related lease from a previous operating lease to a direct finance lease, initial unearned income under the finance lease is the difference between the lease contract receivable and the fair value of the equipment at the time of the new agreement. Unearned income is recognized as lease revenue over the lease term in a manner which produces a constant rate of return on the net investment in the finance lease.

Flight equipment held for sale

We classify flight equipment which is subject to an executed sale agreement or an exercised purchase option as flight equipment held for sale. If at any point in time the expected residual value equal or exceeds the net book value, we cease depreciation in accordance with RJ 212.206.

2. Summary of significant accounting policies (Continued)

Notes receivable

Notes receivable arise primarily from (i) the restructuring and deferring of trade receivables from lessees experiencing financial difficulties and (ii) the sale of aircraft to lessees where we finance a portion of the aircraft purchase price through an interest bearing note secured by a security interest in the aircraft sold. Allowances are made for doubtful accounts where there is a significant risk of non-recovery of the note receivable. The assessment of the risk of non-recovery is primarily based on the extent to which amounts outstanding exceed the value of security held, together with an assessment of the financial strength and condition of a debtor and the economic conditions persisting in the debtor's operating environment.

Capitalization of interest

We capitalize interest related to progress payments made in respect of flight equipment on forward order and add such amount to prepayments on flight equipment. The amount of interest capitalized is the actual interest costs incurred on funding specific to the progress payments or the amount of interest costs which could have been avoided in the absence of such progress payments.

Investments

Group companies and other participating interests in which the company exercises significant influence are stated at net asset value. We are considered to exercise significant influence if we hold at least 20% of the voting rights.

Net asset value is calculated using the accounting policies applied in these consolidated financial statements. Participating interests whose financial information cannot be aligned to these policies are valued based on their own accounting policies. Participating interests with an equity deficit are carried at nil. A provision is formed if and when we are fully or partially liable for the debts of the participating interest, or has the firm intention to allow the participating interest to pay its debts.

Participating interests acquired are initially measured at the fair value of the identifiable assets and liabilities upon acquisition. Any subsequent valuation is based on the accounting policies that apply to these annual accounts, taking into account the initial valuation.

Participating interests in which no significant influence can be exercised are stated at acquisition price. If an asset qualifies as impaired, it is measured at its impaired value; any write offs are disclosed in the income statement.

Goodwill/Negative goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries over the fair value of identifiable net assets at the dates of acquisition. Goodwill is amortized on a straight line basis over the estimated useful life with a maximum of 20 years and is tested for impairment annually or more often when events or circumstances indicate that there may have been impairment. Negative goodwill arising from acquisitions of subsidiaries is recognized as a liability on the balance sheet. Negative goodwill is released to income in accordance with the weighted average remaining life of the acquired assets. In

2. Summary of significant accounting policies (Continued)

the event of a disposal of an asset a relative portion of the negative goodwill based on the weighted average book value of the acquired asset is released to the income statement.

Intangible assets

We recognize intangible assets acquired in a business combination. The identified intangible assets are recorded at fair value on the date of acquisition. The rate of amortization of intangible assets is calculated with reference to the expected useful life. In instances where the purchase of flight equipment or the allocated fair value in a business combination includes consideration which can be allocated to the value of an acquired lease containing above market terms, such allocated costs is recognized as an intangible lease premium asset and amortized on a straight-line basis over the term of the related lease as a reduction of lease revenue. Similarly, we recognize a lease deficiency liability as part of accrued expenses and other liabilities for lease contracts where the terms of the lease contract are unfavorable to market terms and amortize the liability over the term of the related lease as an addition to lease revenue. We consider lease renewals on a lease by lease basis. We generally do not assume lease renewals in the determination of the lease premiums or deficiencies given a market participant would expect the lessee to renegotiate the lease on then market terms. We evaluate all intangible assets for impairment where circumstances indicate a potential impairment.

Inventory

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

Inventories are comprised primarily of engines, aircraft and engine parts, rotables and expendables. Expenditures required for the recertification or betterment of flight equipment are capitalized in inventory and are expensed as the parts associated with such costs are sold. Inventory acquired in the purchase of a subsidiary is accounted for at estimated selling prices less the sum of (a) costs of disposal and (b) a reasonable profit allowance for the selling effort of the acquiring entity.

Deferred income taxes (assets and liabilities)

Deferred tax assets and liabilities are recognized to provide for timing differences between the value of the assets and liabilities for financial reporting purposes on the one hand and for tax purposes on the other. Deferred tax liabilities are calculated based on the tax rate prevailing on the balance sheet date or the rates that will apply in the future, insofar as these have been set down by law.

2. Summary of significant accounting policies (Continued)

Deferred taxes are recognized for timing differences concerning consolidated companies, participating interests and joint ventures, unless we are able to determine the moment of expiry of the timing difference and it is not likely that the timing difference will expire in the foreseeable future. Deferred taxes are recognized at face value.

Other assets

Other assets consist of prepayments, interest and other receivables and other tangible fixed assets and are valued at the lower of historical cost or realizable value. Other tangible fixed assets consist of computer equipment, motor vehicles and office furniture and are valued at acquisition cost and depreciated at various rates between 16% to 33% per annum over the assets' useful lives using the straight-line method.

Shareholders' equity

Expenses directly related to the purchase, sale and/or issue of new shares are directly charged against shareholders' equity, after processing of the relevant profit tax effects. Other direct changes in shareholders' equity are also recognized after processing of the relevant profit tax effects.

Minority interest

The minority interest in group equity is carried at the amount of the net interest in the group companies concerned.

Insofar as the group company concerned has a negative net asset value, the negative value and other future losses are not allocated to the minority interest, unless the third party shareholders have an actual obligation, and are capable, to clear the losses. As soon as the net asset value of the group company is positive again, results are again allocated to the minority interest.

Dividends

Dividend distributions to our shareholders are recognised as a liability in our financial statements in the period in which the dividends are approved by our shareholders. Dividend income is recognised when the right to receive payment is established.

Provisions

Provisions are recognized for legally enforceable or constructive obligations existing on the balance sheet date, the settlement of which is probable to require an outflow of resources whose extent can be reliably estimated. Provisions are measured on the basis of the best estimate of the amounts required to settle the obligations as at the balance sheet date.

Provisions are stated at the present value of the expenditure expected to be required to settle the obligations. If the expenditure to settle obligations is expected to be recovered from third parties, the recovery is carried as an asset on the balance sheet if it is likely to be received upon settlement of the obligation.

2. Summary of significant accounting policies (Continued)

Accrual for onerous contracts—We make an accrual for onerous contracts where the undiscounted costs of performing under a contract or series of related contracts exceed the undiscounted benefits expected to be derived from such contracts. In connection with a purchase business combination, accruals are recorded at the present value of such differences.

Pensions—We operate a number of non-contributory defined benefit plans and defined contribution schemes for substantially all of our employees. Defined benefit plan obligations and contributions are determined periodically by qualified actuaries. We recognize pension liabilities and prepaid pension costs in accordance with RJ 271. The pension liability and expenses related to these plans are immaterial to our financial statements.

Accrued maintenance liability

In all of our aircraft 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 periodic payments of supplemental rent which are calculated with reference to the utilization of airframes, engines and other major life-limited components during the lease. In most such contracts, upon lessee presentation of invoices evidencing the completion of qualifying maintenance on the flight equipment, we make a contribution to the lessee to help compensate for the cost of the maintenance, up to the amount of supplemental rents collected. In other contracts where supplemental rents are not paid, 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. In addition, in both types of contracts, we may be obligated to make contributions to the lessee for maintenance related expenses (lessor contributions) on flight equipment during the term of the lease.

In all lease contracts where we agree to make lessor contributions to compensate for qualifying maintenance work during the lease, we record an accrued maintenance liability through a charge to leasing expenses at the commencement of the lease based on our estimate of maintenance events which will occur during the lease. Our accounting for supplemental rents paid by the lessee during the term of a lease depends upon whether the Company can control the occurrence, timing or amount of any reimbursement of supplemental rents during the lease. In longer-term lease contracts (primarily aircraft lease contracts) where we are not able to control the occurrence, timing or associated cost of qualifying maintenance work, we record supplemental rent paid by the lessee as accrued maintenance liability. In these contracts, we do not recognize such supplemental rent as revenue during the lease and reimbursements to the lessee upon the receipt of evidence of qualifying maintenance work are charged against the existing accrued maintenance liability. In shorter-term lease contracts (primarily engine lease contracts) where the terms of the lease are designed specifically to allow us to control the occurrence, timing and associated cost of qualifying maintenance work on the flight equipment, supplemental rents collected during the lease are recognized as lease revenue. For flight equipment

2. Summary of significant accounting policies (Continued)

subject to these shorter-term contracts, we record a charge to leasing expenses at the time maintenance work is performed on the flight equipment.

For all of our lease contracts, any amounts of accrued maintenance liability at the end of a lease and any amounts received as part of a redelivery adjustment are recorded as lease revenue at lease termination. We regularly review the level of accrued maintenance liability to cover our contractual obligations in current lease contracts and make adjustments as necessary. 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 as part of the sale of the flight equipment.

Term debt

Term debt is carried at amortized cost, being the amount received taking account of any premium or discount, less transaction costs. The difference between the carrying value determined and the ultimate repayment value, together with the interest due, is determined in such a manner that the effective interest is taken to the profit and loss account during the term of the liabilities.

Derivative financial instruments

We use derivative financial instruments to manage our exposure to interest rate risks and foreign currency risks.

All derivatives are recognized on the balance sheet at their fair value (market value). Market value is the amount at which an asset can be traded or a liability settled between knowledgeable, willing parties in an arm's length transaction. If no market value can be readily and reliably established, market value is approximated by deriving it from the market value of components or of a comparable financial instrument, or by approximating market value using valuation models and valuation techniques. For that purpose, use is made of recent similar arm's length transactions, of the DCF method (discounted value of cash flows) and option valuation models, making allowance for specific circumstances.

Changes in fair values between periods are recognized as a reduction or increase of interest expense on the income statement, as we do not currently apply hedge accounting to our derivatives. Net cash received or paid under derivative contracts, where material in any reporting period, is classified as operating cash flow in our consolidated cash flow statements.

Profit or loss is determined taking into account the recognition of unrealised changes in fair value of derivative financial instruments that have not been designated as hedges.

Revenue recognition

As lessor, we lease flight equipment principally under operating leases and report rental income ratably over the life of the lease as it is earned. We account for lease agreements that include step rent clauses on a straight line basis. Lease agreements for which base rent is based on floating interest rates are included in minimum lease payments based on the floating interest rate existing at the inception of the lease; any increases or decreases in lease payments that result from subsequent changes in the

2. Summary of significant accounting policies (Continued)

floating interest rate are contingent rentals and are recorded as increases or decreases in lease revenue in the period of the interest rate change. In certain cases, leases provide for rentals based on usage. The usage may be calculated based on hourly usage or on the number of cycles operated, depending on the lease contract. We cease revenue recognition on a lease contract when the collectibility of such rentals is no longer reasonably assured. For past-due rentals which have been recognized as revenue, provisions are established on the basis of management's assessment of collectibility and to the extent such rentals exceed related security deposits held, and are recorded as expenses on the income statement.

Most of our lease contracts require payment in advance. Rentals received, but unearned under these lease agreements are recorded as deferred revenue on the balance sheet.

Sales revenues originate from the sale of aircraft, engines and parts and are recognized when the delivery of the relevant asset is complete and the risk of loss has transferred to the buyer.

Revenues from direct finance leases are recognized on the interest method to produce a level yield over the life of the finance lease. Expected unguaranteed residual values of leased assets are based on our assessment of residual values and independent appraisals of the values of leased assets remaining at expiration of the lease terms.

Revenue from secured loans, notes receivables and other interest bearing instruments is recognized on an effective yield basis as interest accrues under the associated contracts. Revenue from lease management fees is recognized as income as it accrues over the life of the contract. Revenue from the receipt of lease termination penalties is recorded at the time cash is received or when the lease is terminated, if collection is reasonably assured. Other revenue includes any net gains we generate from the sale of aircraft related 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.

Interest income and expense

Interest income and expense are time apportioned, taking into account the effective interest rate for the relating assets and liabilities. The treatment of interest expenses for loans received takes account of any transaction costs.

Exchange rate differences

Exchange differences arising upon the settlement of monetary items are recognized in the profit and loss account in the period that they arise.

Personnel remuneration

Salaries, wages and social charges are taken to the profit and loss account when due, and in accordance with employment contracts and obligations.

2. Summary of significant accounting policies (Continued)

Share-based compensation

Management of the Company receives share based compensation. We recognize compensation expense when it becomes probable that participants in share-based incentive plans who hold direct or indirect equity interests in our shares or options to acquire such shares will be able to achieve fair value. The amount of such expense is determined by reference to the fair value of the share or share option on the date of grant. The timing of expense recognition is determined with reference to the timing of lapsing of restrictions on restricted shares and vesting on share options, including the lapsing of repurchase rights which allow other parties to repurchase participants' shares at less than fair market value.

The amount of compensation expense recognized for restricted shares is derived with reference to the excess of fair market value of the shares at the date of grant over the price paid. The amount of expense recognized with respect to share options is based on the fair value of the option using the share valuation method described in note 19 and then applying a Black-Scholes option pricing model to the underlying share value. The value of each of the equity grants is recognized on a straight-line basis over the applicable vesting periods.

The offsetting entry for the compensation expense recognized for equity grants is to additional paid-in capital with no resulting effect on total shareholders' equity, other than the positive effect of the deferred tax benefit related to the tax deductible portion of share-based compensation charges.

Tax on profit/(loss) on ordinary activities

Profit tax is calculated on the profit/loss before taxation in the profit and loss account, taking into account any losses carried forward from previous financial years (insofar as these are not included in deferred tax assets), tax exempt items and non deductible expenses. Account is also taken of changes in deferred tax assets and deferred tax liabilities owing to changes in the applicable tax rates.

Earnings Per Share

Earnings per share is computed by dividing income available to common shareholders by the weighted-average shares of common stock outstanding during the period. For the purposes of calculating diluted earnings per share, the denominator includes both the weighted average number of shares of common stock outstanding during the period and the weighted average number of potentially dilutive common stock, such as stock options.

Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risk and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2. Summary of significant accounting policies (Continued)

Financial instruments

Our primary market risk exposure is interest rate risk associated with short and long-term borrowings bearing variable interest rates and lease payments under leases tied to floating interest rates. To manage this interest rate exposure, we enter into interest rate swap and cap agreements. We are also exposed to foreign currency risk, which can adversely affect our operating profits. To manage this risk, we enter into forward exchange contracts.

The following discussion should be read in conjunction with Notes 1, 2 and 11 to the audited consolidated financial statements which provide further information on our derivative instruments.

Interest Rate Risk—The rentals we receive under our leases are based on fixed and variable interest rates. We fund our operations with a mixture of fixed and floating rate US dollar denominated debt and finance lease obligations. An interest rate exposure arises to the extent that the mix of these obligations are not matched with our assets. This exposure is primarily managed through the use of interest rate caps and interest rate swaps using a cash flow based risk management model. This model takes the expected cash flows generated by our assets and liabilities and then calculates by how much the value of these cash flows will change for a given movement in interest rates. Our policy is to seek to ensure that the net worth of our business will not be exposed to more than a $15 million movement from a 1% parallel shift in US dollar interest rates across the yield curve.

Under our interest rate swaps, we pay fixed amounts and receive floating amounts on a monthly basis. The swaps amortize based on a number of factors, including the expiration dates of the leases under which our lessees are contracted to make fixed rate rental payments and the three—or six—month LIBOR reset dates under our floating rate leases. Under our interest rate caps, we will receive the excess, if any, of LIBOR, reset monthly or quarterly on an actual/360 adjusted basis, over the strike rate of the relevant cap.

Our Board of Directors is responsible for reviewing and approving our overall interest rate management policies and transaction authority limits. Specific hedging contracts are approved by the treasury committee acting within the overall policies and limits. Our counterparty risk is monitored on an ongoing basis, but is mitigated by the fact that all of our interest rate derivatives, except Aircraft Lease Securitization's derivatives, require two-way cash collateralization. Our counterparties are subject to the prior approval of the treasury committee.

Foreign Currency Risk and Foreign Operations—Our functional currency is the U.S. dollar. We incur euro-denominated expenses in connection with our offices in The Netherlands and Ireland. We enter into foreign exchange contracts based on our projected exposure to foreign currency risks in order to protect ourselves from the effect of period over period exchange rate fluctuations. Mark-to-market gains or losses on such contracts are recorded as part of selling, general and administrative expenses since most of our non-US denominated payments relate to such expenses. Since we currently receive substantially all of our revenues in US dollars and we hedge a material portion of our non-dollar denominated expenditures, we do not believe that a change in foreign exchange rates will have material impact on our results of operations. However, the portion of our business conducted in foreign currencies could increase in the future, which could increase our exposure to losses arising from currency fluctuations.

(US dollars in thousands)

2. Summary of significant accounting policies (Continued)

Credit risk—The values of trade receivables and notes receivable are dependent upon the financial viability of related lessees, which is directly tied to the health of the commercial aviation market worldwide. We perform a credit evaluation on all lease counterparties with whom we conduct material business. We also actively monitor the credit-worthiness of significant lessees to minimize the cost to us of lessee defaults.

Inflation—Inflation generally affects our costs, including selling, general and administrative expenses and other expenses. However, we do not believe that our financial results have been, or will be, adversely affected by inflation in a material way.

3. Restricted cash

Restricted cash consists of the following at December 31:

	2006	2007
Cash received under lease agreements restricted per the terms of the relevant lease and cash securing our obligations under debt and derivative instruments	$ 72,523	$86,846
Cash securing our obligations under the LILO head leases (Note 15) and cash securing the guarantee of lease obligations/indebtedness of a LILO sublessee (Note 13)	38,074	6,837
Other	1,680	1,389
	$112,277	$95,072

Restricted cash securing our obligations under debt includes amounts related to the ALS securitization debt (Note 14), which requires that cash be placed in liquidity reserves.

4. Trade receivables, net of provisions

Trade receivables consist of the following at December 31:

	2006	2007
Trade receivables	$27,554	39,679
Allowance for doubtful accounts	(2,496)	(4,088)
	$25,058	$35,591

Trade receivables include amounts invoiced to lessees in respect of lease rentals and maintenance reserves.

(US dollars in thousands)

4. Trade receivables, net of provisions (Continued)

The change in the allowance for doubtful trade receivable is set forth below:

	Year ended December 31, 2006	Year ended December 31, 2007
Provision at beginning of period	$ 3,405	$2,496
Expense for doubtful accounts receivable	320	745
Reclassification to notes receivable allowance	(2,326)	—
Other(a)	1,097	847
Provision at the end of period	$ 2,496	$4,088

(a) Other includes direct write offs and reclassifications.

5. Flight equipment held for operating leases, net

Movements in flight equipment held for operating leases during the periods presented were as follows:

	Year ended December 31, 2006	Year ended December 31, 2007
Net book value at beginning of period	$2,537,822	$3,273,329
Fair value of flight equipment acquired in business combinations	158,820	—
Additions	928,468	813,549
Depreciation	(125,858)	(153,446)
Disposals	(217,660)	(399,913)
Transfers to flight equipment held for sale	—	(159,605)
Transfer to inventory	—	(25,966)
Transfer to net asset value accounted investments(a)	—	(73,421)
Other(b)	(8,263)	(16,033)
Net book value at end of period	$3,273,329	$3,258,494
Accumulated depreciation/impairment at December 31, 2006 and 2007	$ (171,576)	$ (242,111)

(a) During 2007 we sold two aircraft to AerDragon. The investment in AerDragon is accounted for at net asset value. The gain relating to the sale of these aircraft has been credited to the investment in AerDragon (see Note 8).

(b) As discussed further in Note 14, we settled a capital lease obligation at a discount of $8,263 in 2006 and settled onerous contract accruals at a discount of $16,033 in 2007. These discounts were applied to reduce the net book value of the related aircraft.

At December 31, 2007 we owned 136 aircraft and 67 engines, which we leased under operating leases to 81 lessees in 41 countries. The geographic concentrations of leasing revenues are set out in Note 19.

(US dollars in thousands)

5. Flight equipment held for operating leases, net (Continued)

Prepayments on flight equipment (including related capitalized interest) of $48,971 and $93,213 have been applied against the purchase of aircraft during the years ended December 31, 2006 and December 31, 2007, respectively.

The following table indicates our contractual commitments for the prepayment and purchase of flight equipment in the periods indicated as of December 31, 2007:

	2008	2009	2010	2011
Capital expenditures	$443,940	1,131,658	1,460,959	248,196
Pre-delivery payments	363,331	442,493	200,030	126,051
	$807,271	1,574,151	1,660,989	374,247

Our current operating lease agreements expire over the next eight years. The contracted minimum future lease payments receivable from lessees for equipment on non-cancelable operating leases at December 31, 2007 are as follows:

	Contracted minimum future lease receivables
2008	499,219
2009	450,458
2010	407,646
2011	355,671
2012	283,158
Thereafter	833,894
	$2,830,046

The titles to certain aircraft leased in the United States are held by a U.S. trust company as required by U.S. law. We are the beneficial owner of these aircraft and the aircraft are recorded under flight equipment held for operating lease on the consolidated balance sheets. The trust company is administered by a bank. The aircraft are segregated from the bank's assets and will not be considered part of the bank's bankruptcy estate in the event of a trustee bankruptcy.

6. Notes receivable

Notes receivable consist of the following at December 31:

	2006	2007
Secured notes receivable	$1,092	6,320
Notes receivable from lessee restructurings	4,208	624
	$5,300	$6,944

In 2007, we sold our rights to a claim against a lessee in bankruptcy for a gain of $9,134 recorded as other revenue.

(US dollars in thousands)

6. Notes receivable (Continued)

The minimum future receipts under notes receivable at December 31, 2007 are as follows:

	Minimum future notes receivable
2008	1,702
2009	1,311
2010	1,311
2011	1,310
2012	1,310
Thereafter	—
	6,944

The change in the allowance for doubtful notes receivable is set forth below:

	Year ended December 31, 2006	Year ended December 31, 2007
Provision at beginning of period	$ 2,563	$ —
Expense for doubtful notes receivable	(506)	—
Reclassification from trade receivable allowance	2,326	—
Other(a)	(4,383)	—
Provision at the end of period	$ —	$ —

(a) Other includes direct write offs and receipt of direct write offs.

7. Prepayments on flight equipment

In 1999, we signed a forward order contract with Airbus for the acquisition of up to 32 new aircraft between 2004 and 2009 ("1999 Forward Order"). Of that original order, seven aircraft deliveries were cancelled pursuant to cancellation rights granted by Airbus and the remaining aircraft have all been delivered as of December 31, 2007.

In 2005, through a wholly-owned special purpose company ("AerVenture"), we signed a letter of intent with Airbus for the forward purchase of 70 aircraft ("2005 Forward Order"). As discussed above, we consolidate the accounts of AerVenture as it is a special purpose entity for which we are the primary beneficiary.

In December 2006, we placed an order with Airbus to acquire 20 new A330-200 widebody aircraft ("A330 Forward Order"). In May 2007, we added an additional ten A330-200 aircraft to this order. The delivery schedule for the 30 A330-200 aircraft order includes two aircraft to be delivered in 2008, eight aircraft in 2009, ten in 2010, four in 2011 and six in 2012.

In connection with all three forward order contracts, we are required to make scheduled prepayments toward these future deliveries (see table in Note 5). A total amount of interest of $6,236 and $10,348 was capitalized with respect to these payments for the years ended December 31, 2006 and December 31, 2007, respectively. As described in Note 15, because the contracted purchase prices of

(US dollars in thousands)

7. Prepayments on flight equipment (Continued)

the aircraft at delivery under the 1999 Forward Order were in excess of the anticipated fair market value of the aircraft at delivery, we recognized an accrual for onerous contracts with respect to this forward order at the 2005 Acquisition.

Following is a summary of the movements in prepayments on flight equipment during the years ended December 31, 2006 and December 31, 2007:

	Year ended December 31, 2006	Year ended December 31, 2007
Net book value at beginning of period	$115,657	$166,630
Fair value of acquired prepayments	—	—
Prepayments made	93,708	164,074
Prepayments applied against the purchase of flight equipment	(48,971)	(93,213)
Interest capitalized	6,236	10,348
Net book value at end of period	$166,630	$247,839

8. Investments

Investments consist of the following at December 31:

	2006	2007
Subordinated debt investment in single aircraft owning company	$ 3,000	$ 3,000
25% equity investment in unconsolidated investment (AerDragon)	15,000	8,678
	$18,000	$11,678

Our subordinated debt investment in a single aircraft owning company is accounted for at cost. Our 25% equity investment in an unconsolidated investment is accounted for at net asset value. During 2007 we sold two aircraft to our investment AerDragon. The gain relating to the sale of these aircraft has been credited to the investment in AerDragon.

9. Intangible assets and goodwill

Intangible assets

The following table presents details of amortizable intangible assets and related accumulated amortization:

	As of December 31, 2006		
	Gross	Accumulated amortization	Net
Lease premiums	$64,765	$(29,527)(a)	$35,238
Customer relationships—parts	19,800	(890)	18,910
Customer relationships—engines	3,600	(883)	2,717
FAA certificate	1,100	(50)	1,050
Non-compete agreement	1,100	(125)	975
Net book value at end of period	$90,365	$(31,475)	$58,890

(US dollars in thousands)

9. Intangible assets and goodwill (Continued)

	As of December 31, 2007		
	Gross	Accumulated amortization	Net
Lease premiums	$ 83,192	$(48,516)	$34,676
Customer relationships—parts	19,800	(2,513)	17,287
Customer relationships—engines	3,600	(1,802)	1,798
FAA certificate	1,100	(123)	977
Non-compete agreement	1,100	(308)	792
Net book value at end of period	$108,792	$(53,262)	$55,530

(a) Includes ($6,439) from the write-off of lease premium in connection with the sale of related aircraft.

The following table presents the changes to amortizable intangible assets during the periods indicated:

	Year ended December 31, 2006	Year ended December 31, 2007
Net carrying value at beginning of period	$ 45,630	$ 58,890
Intangible assets acquired in AT Acquisition	25,600	—
Purchases of intangible lease premiums	11,377	18,427
Amortization	(17,278)	(21,787)
Disposals	(6,439)	—
Net carrying value at end of period	$ 58,590	$ 55,530

Future amortization of the intangible assets over the terms of their useful lives is as follows:

	Amortization of intangible assets
2008	$20,710
2009	12,420
2010	7,871
2011	4,185
2012	2,907
Thereafter	7,437
	$55,530

The remaining weighted average amortization period for the amortizable intangible assets is 56 months.

(US dollars in thousands)

9. Intangible assets and goodwill (Continued)

Goodwill

We recognized goodwill of $38,199 in the AT Acquisition. As a result of the AT acquisition, we reduced goodwill by $33,434 in connection with the recognition of a deferred tax asset in the US in the year ended December 31, 2006 and amortized goodwill for $318 during the year ended December 31, 2007.

10. Inventory

Following are the major classes of inventory at December 31,

	2006	2007
Engine and airframe parts	$66,486	$82,220
Work-in-process	3,971	6,718
Airframes	2,005	239
Engines	10,349	1,548
	$82,811	$90,726

No significant impairment loss provision existed at December 31, 2007.

11. Derivative assets and liabilities

We use a variety of derivative instruments to manage exposure to interest rate and foreign currency risk. These derivative products can include interest rate caps, swaps, options and forward contracts.

As of December 31, 2007, we had 26 interest rate caps, one interest rate swap and several foreign currency forward contracts with combined notional amounts of $2.4 billion and a fair value of $21,763. The variable benchmark interest rates associated with these instruments ranged from one to six-month LIBOR.

We have not applied hedge accounting to any of the above derivatives. The change in fair value of the derivatives, therefore, is recorded in income from continuing operations before income taxes and minority interests as a reduction of interest expense as specified below:

	Year ended December 31, 2006	Year ended December 31, 2007
Change in fair value of derivatives	$7,874	$14,592

Some of our agreements with derivative counterparties require a two-way cash collateralization of derivative fair values. Cash paid and received under such arrangements is included in restricted cash (Note 3).

The maximum length of time over which we are hedging our exposure to the variability in future cash flows for forecasted transactions, excluding those forecasted transactions related to the payment of variable interest on existing financial instruments, is 2019.

(US dollars in thousands)

12. Other assets

Other assets consist of the following at December 31:

	2006	2007
Other tangible fixed assets	$12,437	$13,124
Receivables from aircraft manufacturer	4,228	32,002
Prepaid expenses	5,491	5,923
Current tax receivable	—	3,906
Other receivables	13,648	20,140
	$35,804	$75,095

13. Accrued expenses and other liabilities

Accrued expenses and other liabilities consist of the following at December 31:

	2006	2007
Guarantee liability	$15,668	$ 3,926
Accrued expenses	42,681	49,393
Accrued interest	14,373	14,432
Lease deficiency	19,744	8,201
Deposits under forward sale agreements	—	5,427
	$92,466	$81,379

Guarantee liability—In 1996, we terminated lease agreements with two head lessors covering 12 A320 aircraft under which we were obligated as head-lessee. In connection with this early termination, we assigned our rights as sublessor under sublease agreements covering the 12 aircraft to the respective head lessors.

In addition to the sublease assignments, we also issued guarantees to the head lessors covering the sublessee's obligations to the head lessors under the assigned subleases. We would be required to make payments under the guarantees if the sublessee were to default under the lease agreements with the head lessors. At December 31, 2007, the maximum amount which we could be required to pay is estimated at $6,837. The subleases and our obligations under the guarantees expire between the years 2008 and 2013. As referenced in Note 3, our potential obligations under the guarantees are secured by cash held in restricted bank accounts. This restricted cash is released back to us according to a set schedule as the sublessee fulfills its obligations under the leases.

We have recognized a liability equal to the estimated fair value of the guarantee since the time we became obligated for the guarantee as a result of a previous company acquisition. At the date of the 2005 Acquisition, we adjusted the fair value of the guarantee obligation in connection with the purchase accounting.

In 2007, we purchased five of the original 12 A320 aircraft to which the guarantee related and extinguished a portion of our obligations under the guarantee. We recognized a $10,736 gain, classified

(US dollars in thousands)

13. Accrued expenses and other liabilities (Continued)

as other revenue, at the extinguishment of the guarantee liability and released the associated restricted cash.

Lease deficiency—Lease deficiency represents lease rates for current lease contracts which are below current market rentals for the applicable aircraft at the time of purchase. The lease deficiency amortizes over the remaining term of the related lease agreements as a non-cash increase in lease revenue. The remaining weighted average amortization period for the lease deficiency is 29 months.

Deposits under forward sale agreements—In 2007, AerVenture Ltd., our consolidated investment, entered into an amendment under its Airbus contract pursuant to which delivery positions for seven aircraft under the contract were effectively transferred to a third party buyer. Because retention of the total economic benefit of the transaction to AerVenture is subject to performance criteria by AerVenture and the third party buyer and subject to ultimate delivery of the aircraft to the third-party buyer, sales recognition has been deferred until delivery of each aircraft. Under the contract, AerVenture will receive some payments that will ultimately be re-paid and some payments which it will permanently retain. Amounts collected by AerVenture which will be re-paid are recognized as deposits under forward sales agreements, while amounts received that will be retained will be classified as deferred revenue in periods prior to delivery and recognized as sales revenue upon delivery.

14. Debt

Debt consists of the following as of December 31:

	2006	2007	Weighted average interest rate December 31, 2007	Maturity
ECA-guaranteed financings	$ 567,900	$ 563,835	5.24%	2008-2019
JOL financings	100,261	95,819	5.35%	2008-2015
AerVenture pre-delivery payment facility	8,130	87,007	5.94%	2008-2010
A330- pre-delivery payment facility	—	28,372	5.72%	2008-2010
UBS revolving credit facility	234,577	61,117	6.79%	2008-2014
AT revolving credit facility	65,688	111,238	6.35%	2008-2012
GATX portfolio acquisition facility	218,399	128,443	6.62%	2008-2014
Commercial bank debt	353,725	231,414	6.55%	2008-2019
ALS securitization debt	844,308	1,407,623	5.51%	2008-2032
Debt issuance costs	(56,628)	(69,728)		
	$2,336,360	$2,645,140		

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

(US dollars in thousands)

14. Debt (Continued)

Aggregate maturities of debt and capital lease obligations during the next five years and thereafter are as follows:

	Debt maturing
2008	$ 360,696
2009	285,904
2010	396,887
2011	254,283
2012	259,068
Thereafter	1,158,030
	$2,714,868

At December 31, 2007, we had also issued letters of credit in an amount of $6,838 in support of certain obligations. All issued letters of credit are fully cash collateralized with restricted cash. In addition, at December 31, 2007, we had available credit facilities of $2,083,725 and an on-demand overdraft facility of $10,000, which were undrawn.

ECA-guaranteed financings—In April 2003, we entered into an $840,000 export credit facility ("ECA Facility") for the financing of up to 20 A320 Airbus Family aircraft up to December 31, 2005. Funding under the facility is provided by commercial banks, but the repayment is guaranteed by European export credit agencies ("ECAs"). In January 2006, the ECA Facility was amended and extended to cover an additional nine aircraft and its size increased to a maximum of $1,215,000 for a further three years. The terms of the lending commitment in the ECA Facility are such that the ECAs only approve funding for aircraft that are due for delivery on a six-month rolling basis and have no obligation to fund deliveries beyond that time frame. The margin over three-month Libor ranges from 0.25% for aircraft delivered under the original facility and 0.12% for those aircraft delivered subsequently to the January 2006 amendment. We are obligated to repay principal on ECA loans over a 12-year term. The ECA Facility contains certain net worth financial covenants, a breach of which would cause us to lose some of our operational flexibility under our leases, such as a requirement to grant pledges over certain bank accounts to the respective lenders. In addition, all loans under the ECA Facility contain change of control provisions that grant the lenders the right to prepayment of their loans in the event of a change of control, unless the lenders consent to the change of control.

The security structures of the ECA-guaranteed debt require that legal title to the aircraft be transferred to and held by a special purpose company controlled by the lenders. We have entered into head lease agreements on the subject aircraft which transfer the risk and rewards of ownership of the aircraft to us. Aircraft subject to these structures are recorded as flight equipment held for operating lease on our balance sheets. The obligations outstanding under the ECA financings are secured by a pledge of our shares to the lenders which hold legal title to the aircraft financed under the respective financing. The obligations of each of our aircraft-owning subsidiaries under the ECA Facility are guaranteed by us.

At December 31, 2007, we had financed 17 aircraft under the ECA Facility, plus four aircraft financed under ECA financings prior to the April 2003 facility agreement. The net book value of

14. Debt (Continued)

aircraft pledged to the ECAs under the ECA Facility and the previous ECA loans was $591,180 at December 31, 2007.

JOL Financings—We have entered into several Japanese operating lease ("JOL") finance structures to finance aircraft acquisitions. Funding under these structures is provided through a combination of senior commercial bank debt and subordinated loans from Japanese investors. The interest rate on the subordinated loans is fixed and the interest rate on the senior loans are variable based on three- and six-month LIBOR with spreads ranging from 0.25% to 1.35%. The security structures of the JOL financings require that legal title to the aircraft be transferred to and held by a special purpose company controlled by the respective lenders. We have entered into head lease agreements on the subject aircraft which transfer the risk and rewards of ownership of the aircraft to us. Aircraft subject to these structures are recorded as flight equipment held for operating lease on our balance sheets. The obligations outstanding under the JOL financings are secured by a pledge of our shares to the lenders which hold legal title to the aircraft financed under the respective financing. The obligations of each of our aircraft-owning subsidiaries under the JOL financings are guaranteed by us. All loans under the JOL financings contain change of control provisions that grant the lenders the right to prepayment of their loans in the event of a change of control, unless the lenders consent to the change of control. At December 31, 2007, we had financed three aircraft under JOL structures. The net book value of aircraft pledged to JOL financings was $86,264 at December 31, 2007.

AerVenture Pre-delivery Payment Facility—Our consolidated investment vehicle, AerVenture, has entered into a credit facility during 2006 with Calyon to finance a portion of the pre-delivery payments to Airbus in an amount up to $207,500 ("AerVenture Facility"). Prior to drawing on the facility, AerVenture will pay, on average, 15% of the pre-delivery payment amount owed for each aircraft. AerVenture must repay the lenders for the amounts drawn for the pre-delivery payment for each aircraft at the delivery date of that aircraft or, if the aircraft is not delivered on the scheduled delivery date, within three months of the scheduled delivery date. Borrowings under the AerVenture Facility are secured by, among other things, the partial assignment of the airframe and engine purchase agreements in respect of the 30 aircraft covered by the facility, including the right to take delivery of the aircraft where Calyon has provided the pre-delivery payments and the aircraft remains undelivered. The AerVenture Facility contains customary affirmative and financial covenants for secured financings. We have agreed to maintain a minimum of 25% of the shares of AerVenture until the AerVenture Facility is fully repaid. AerVenture is required to maintain a minimum net worth and a debt to equity ratio below a specified threshold.

UBS Revolving Credit Facility—AerFunding 1 Limited ("AerFunding") is a special purpose company incorporated with limited liability in Bermuda. The share capital of AerFunding is owned 95% by a charitable trust and 5% by AerCap Ireland. AerFunding was formed for the purpose of acquiring used aircraft assets which we acquire in the market. AerFunding entered into a non recourse senior secured revolving credit facility during 2006 in the aggregate amount of up to $1,000,000 with a syndicate of financial institutions led by UBS. The revolving loans under the credit facility are divided into two classes: class A loans, which have a maximum advance limit of $830,000 and class B loans, which have a maximum advance limit of $170,000. In addition to borrowings under the revolving credit facilities, AerFunding has also issued subordinated notes to us at each aircraft purchase. Borrowings under the revolving credit facility can be used to finance between 66% and 79% of the appraised value

14. Debt (Continued)

of the acquired aircraft or, in the case of Boeing 737NG and Airbus A320 family aircraft, between 74% and 80% of the lower of the purchase price and the appraised value of the acquired aircraft. In addition, value enhancing expenditures and required liquidity reserves are also funded by the lenders. All borrowings under the revolving credit facility are subject to the satisfaction of customary conditions and restrictions on the purchase of aircraft that would result in our portfolio becoming too highly concentrated, with regard to both aircraft type and geographical location. Borrowings under the revolving credit facility are secured by, among other things, security interests in and pledges or assignments of equity ownership and beneficial interests in all of the subsidiaries of AerFunding, as well as by AerFunding's interests in the leases of its assets. Creditors of AerFunding may only look to the assets of AerFunding and its subsidiaries for repayment—the obligations of AerFunding 1 Limited are non-recourse to us.

The UBS revolving credit facility includes general and operating covenants that restrict additional indebtedness in the AerFunding subsidiaries owning the related aircraft, the payment of dividends and other limitations which are customary for such credit facilities.

At December 31, 2007, we had financed two aircraft under the UBS revolving credit facility. The net book value of the two aircraft pledged to lenders under the credit facility was $66,459 at December 31, 2007.

AeroTurbine (AT) Revolving Loan Facility—In connection with the prepayment of the existing senior and subordinated debt with Calyon with the proceeds of our initial public offering, we amended and restated our AeroTurbine credit facilities and increased the capacity under the revolving loan facility to $220,000. On December 19, 2007, the facility size was increased to $328,000 including the addition of a letter of credit facility in the amount of $10,000 (which amount is included in the total commitment of $328,000). Borrowings under the revolving loan facility are secured by security interests in and pledges or assignments of all the shares and other ownership interests in AeroTurbine and its subsidiaries, as well as by all assets of AeroTurbine and its subsidiaries. The revolving loan facility contains a number of covenants that, among other things, restrict, subject to certain exceptions, the ability of AeroTurbine to incur additional indebtedness; create liens on assets, including assets financed with proceeds from the revolving loan facility; make advances, loans, extensions of credit, guarantees, capital contributions or other investments; engage in mergers or consolidations; engage in certain sale-leaseback transactions; change the business conducted by AeroTurbine and its subsidiaries; and make certain capital expenditures. Additionally, the revolving loan facility includes a restriction in AeroTurbine's ability to declare or pay dividends or other asset distributions to other group companies above a certain defined threshold. The revolving loan facility also requires AeroTurbine to maintain certain minimum debt-to-earnings and earnings-to-expenses ratios. All of AeroTurbine's tangible assets of approximately $383,681 at December 31, 2007 are pledged as collateral for the revolving loan facility.

GATX Portfolio Acquisition Facility—In connection with the purchase of a portfolio of up to 25 aircraft from GATX, our consolidated subsidiary entered into a senior secured loan facility in the aggregate amount of up to $248,000 with Calyon and certain other financial institutions. On December 20, 2007, the original facility was amended and supplemented to allow for an additional senior facility in an aggregate amount of up to $150,000 to be provided by Calyon and certain other

14. Debt (Continued)

financial institutions. This additional facility is available to finance a percentage (calculated by reference to relevant aircraft types and lease status) of the purchase price of a variety of specified aircraft makes and models. Borrowings under the additional facility can be used to finance the lesser of 85% of the purchase price and up to 72.5% of the appraisal value of the aircraft. Borrowings under the senior facility are secured by mortgages on the aircraft and security interests in and pledges or assignments of all the shares and other ownership interests in the borrower and its subsidiaries, as well as their bank accounts and lease interests. The loans include general and operating covenants that restrict the borrower from incurring additional indebtedness and other limitations which are customary for such credit facilities. At December 31, 2007, we had financed 21 aircraft under the original loan facility. The net book value of the 21 aircraft pledged to lenders under the loan facility was $244,593 at December 31, 2007.

ALS Securitization Debt—ALS is a special purpose company incorporated with limited liability in Jersey, Channel Islands, on August 10, 2005. The share capital of ALS is owned 95.1% by Jersey charitable trusts and 4.9% by AerCap Ireland. ALS was formed for the purpose of raising securitized debt financing on 42 of our aircraft which were not then subject to other secured financings. On May 8, 2007, we completed a refinancing of our Aircraft Lease Securitisation securitization with the issuance of $1.66 billion of securitized notes in one class of AAA-rated class G-3 floating rate notes. The proceeds from the refinancing were used to redeem all outstanding Aircraft Lease Securitisation debt, other than the most junior class of notes, to refinance the indebtedness that had been incurred to purchase 24 previously acquired aircraft, and to finance the purchase of four additional new aircraft, increasing Aircraft Lease Securitisation's aircraft portfolio size to 70 aircraft. As a result of the refinancing, we recorded additional interest expense of $27,402 related to the write-off of unamortized debt issuance costs. After the refinancing, Aircraft Lease Securitisation sold five aircraft, resulting in an aircraft portfolio size of 65 aircraft at December 31, 2007.

The primary source of payments on the notes is lease payments on the aircraft owned by the subsidiaries of Aircraft Lease Securitisation. We retained the most junior class of notes in the securitization, as a result of which we still consolidate Aircraft Lease Securitisation's results in our financial statements. The net book value of the remaining 65 aircraft pledged as collateral for the securitization debt was $1,549,203 at December 31, 2007.

ALS is bankruptcy-remote from us and the lenders to ALS may only look to proceeds derived from the 65 ALS aircraft for repayment. The indenture agreement, which governs the securitized notes, require that ALS hold a designated amount of cash aside in restricted accounts for future cash flow requirements of ALS. All cash held by ALS is recorded as restricted cash on our balance sheets. The indenture also requires ALS to comply with a number of general and operating covenants including, but not limited to the following:

- Limitations on aircraft modifications, acquisition and disposals.
- Limitation on transactions with us and our affiliates.
- Maintenance of separate existence.
- Compliance with concentration limits with regard to financial strength, regional location and specific country of lessees.

(US dollars in thousands)

14. Debt (Continued)

A330 Pre-delivery Payment Facility—In December 2006, we signed a purchase agreement to purchase up to 20 Airbus A330 aircraft. In May 2007, the purchase agreement was amended to add 10 additional A330 aircraft. The aircraft are scheduled to be delivered between the first quarter of 2009 and the last quarter of 2012. Under the purchase agreement, we agreed to make scheduled pre-delivery payments to Airbus prior to the physical delivery of each aircraft. In connection with the scheduled delivery of the first 8 aircraft before the end of 2009, we entered into a facility in October 2007, which was arranged by Citigroup Global Markets Limited, to finance a portion of the pre-delivery payments to Airbus in an amount up to $182.6 million. Prior to drawing on the facility, we paid, on average, 10% of the pre-delivery payment amount owed for each aircraft. We must repay the lenders for the amounts drawn for the pre-delivery payment for each aircraft at the delivery date of that aircraft or, if the aircraft is not delivered on the scheduled delivery date, within three months of the scheduled delivery date. The aggregate principal amount of the loans outstanding under this facility was $28.8 million as of December 31, 2007.

Commercial Bank Debt—We have entered into various commercial bank financings to fund the purchase of individual or small groups of aircraft. The financings mature at various dates through 2019. The interest rates are a mix of one-, three- and six-month LIBOR-based with spreads ranging from 0.95% to 1.80%. The financings are secured by a pledge of the shares of the subsidiaries owning the related aircraft and a guarantee from us. Most of our commercial bank debt contain affirmative covenants customary for secured financings, such as the regular provision of financial information and disclosure of material events affecting us, among others. At December 31, 2007, we had financed 13 aircraft and three engines under commercial bank financings. The net book value of the 13 aircraft and three engines pledged to commercial bank financings was $329,426 at December 31, 2007.

A total amount of capitalized interest of $4,888 and $10,398 reduced interest expense in respect of the prepayments on flight equipment (Note 7) for the year ended December 31, 2006 and the year ended December 31, 2007, respectively.

Amortization of debt issuance costs was $11,777 and $38,156 for the period the year ended December 31, 2006 and the year ended December 31, 2007, respectively. The unamortized debt issuance costs at December 31, 2007 amortize annually from 2007 through 2019.

15. Accrual for onerous contracts

Accrual for onerous contracts consist of the following items, which are described below at December 31:

	2006	2007
Lease-in, lease-out transactions	$ 72,959	$46,411
1999 Forward Order	38,374	—
	$111,333	$46,411

(US dollars in thousands)

15. Accrual for onerous contracts (Continued)

The movement in the accrual for onerous contracts can be summarized as follows:

	Lease-in, Lease -out transactions	1999 forward order
Balance at January 1, 2006	$ 86,148	$ 66,486
Movements		
Release to operating lease in costs	(13,189)	—
Release to flight equipment held for operating lease	—	(21,966)
Release to depreciation	—	(6,146)
Balance at December 31, 2006	$ 72,959	$ 38,374

	Lease-in, Lease -out transactions	1999 forward order
Balance at January 1, 2007	$ 72,959	$ 38,374
Movements		
Release to operating lease in costs	(10,515)	
Release to flight equipment held for operating lease	(16,033)	(38,374)
Balance at December 31, 2007	$ 46,411	$ —

Lease-in, Lease-out transactions—At December 31, 2007, we leased in six aircraft from three different lessors under operating head leases that mature between 2009 and 2013. At December 31,2007, we had entered into sublease agreements with several different customers covering these same aircraft. For four aircraft, the lease termination dates of the subleases are matched to the lease termination dates under the head leases. For the other two aircraft, the related subleases had been terminated as of December 31, 2007. The contracted sublease receipts are insufficient to cover our monthly obligations under the head leases. These transactions are recorded at their net present value as a result of purchase accounting.

We have established a liability equal to the difference between the present value of head lease expenses and the present value of sublease revenue, discounted at appropriate discount rates. The amount of this liability amortizes to income monthly on a constant yield basis as we meet our obligations under the head leases.

(US dollars in thousands)

15. Accrual for onerous contracts (Continued)

Following is a summary of the undiscounted contracted minimum lease payments under the respective head leases and subleases at December 31, 2007:

	Head lease payments	Sublease Receipts
2008	31,583	16,348
2009	22,072	13,488
2010	21,651	13,488
2011	21,651	13,488
2012	16,055	7,798
Thereafter	—	555
	113,012	65,165

As referenced in Note 3, we are required, in some instances, to maintain deposits in restricted accounts or to cash-back letters of credit which are security to the respective headlessors for our obligations under the LILO transactions.

During 2007, we purchased five aircraft which previously were subject to head leases and terminated the related head leases. The purchase consideration represented a discount of $16,033 to the carrying value of the related onerous contract accrual. The amount of the discount has been applied to reduce the net book value of the related aircraft.

In addition, in February 2008, we purchased the two aircraft which were not subject to subleases from the head lessor and terminated the head leases.

Forward order contract—As indicated in Note 7, we were committed for the purchase of nine firm aircraft under the 1999 Forward Order contract for delivery in 2007. Because the contracted purchase prices of the aircraft at delivery were expected to be in excess of the anticipated fair market value of the aircraft at delivery, we had recognized an accrual for onerous contracts with respect to the forward order. The accrual was recognized at the date of the Acquisition as the excess of the net present value of costs to be incurred under the contract over the estimated fair value of the aircraft at delivery. At December 31, 2007, the accrual has been offset against the purchase price of the aircraft in connection with the delivery of these aircraft during 2007.

(US dollars in thousands)

16. Income taxes

We have subsidiaries in a number of tax jurisdictions, principally, The Netherlands, Ireland, the United States of America and Sweden. Income tax expense by tax jurisdiction is summarized below for the periods indicated.

	Year ended December 31, 2006	Year ended December 31, 2007
Deferred tax (benefit) expense		
The Netherlands	$ 12,625	$(150,777)
Ireland	(8,032)	6,252
United States of America	(8,044)	(4,328)
Sweden	(9,010)	(463)
Other	(115)	—
	(12,576)	(149,316)
Current tax expense		
United States of America	1,430	9,191
The Netherlands	—	8,500
	1,430	17,691
Income tax benefit	$(11,146)	$(131,625)

Reconciliation of statutory income tax expense to actual income tax expense is as follows:

	Year ended December 31, 2006	Year ended December 31, 2007
Income tax expense at statutory income tax rate(a)	$ 28,164	$ 41,736
Increase (reduction) in tax resulting from:		
Tax exempt expense	18,813	—
Reduction of Netherlands corporate tax rate(b)	(2,290)	—
Non-taxable results of limited partnership operations	(12,421)	
Tax restructuring benefit(c)	—	(136,060)
Valuation allowance (reduction) increase	(26,441)	2,550
Tax on global activities	(16,971)	(39,851)
	(39,310)	(173,361)
Actual income tax benefit	$(11,146)	$(131,625)

(a) The statutory income tax rates in the Netherlands were 29.6% for the year ended December 31, 2006 and 25.5% for the year ended December 31, 2007.

(b) The Netherlands corporate income tax rate dropped to 25.5% effective January 1, 2007. As a result, we recognized a reduction to our related deferred tax asset through a charge to the income tax provision.

(c) We completed a corporate tax restructuring in 2007, which resulted in the recognition of a tax asset associated with an increase in tax basis of some of our forward order aircraft.

(US dollars in thousands)

16. Income taxes (Continued)

The calculation of income for tax purposes differs significantly from book income. Deferred income tax is provided to reflect the impact of temporary differences between the amounts of assets and liabilities for financial reporting purposes and such amounts as measured under tax law in the various jurisdictions. Tax loss carryforwards and accelerated tax depreciation on flight equipment held for operating leases give rise to the most significant timing differences. In addition, the U.S. subsidiaries have significant timing difference in respect of payments and receipts under the lease-in, lease-out transactions described in Note 15 and timing differences with respect to capitalized expenses.

The following tables describe the principal components of our deferred tax assets and liabilities by jurisdiction at December 31, 2006 and 2007.

	December 31, 2006			
	The Netherlands	Ireland	U.S.	Sweden
Depreciation/Impairment	$ 8,180	$ 14,953	$ 29,252	$ —
Prepayments on flight equipment	(2,503)	—	—	—
Intangibles	5,709	1,903	8,927	—
Lessee receivables	—	—	(1,807)	—
Inventory	—	—	2,145	—
Loss-making contracts	(9,785)	—	(21,097)	—
Obligations under capital leases and debt obligations	—	(7,881)	—	—
Capitalized expenses	—	—	(1,275)	—
Investments	25,389	(2,500)	—	—
Losses and credits forward	(7,098)	(44,303)	(7,236)	(9,010)
Other	3,287	710	(3,720)	—
Valuation allowance on tax assets	—	—	—	—
Net deferred tax (asset) liability	$16,605	(38,538)	$ 5,189	$(9,010)

	December 31, 2007			
	The Netherlands	Ireland	U.S.	Sweden
Depreciation/Impairment	$(125,271)	$ 15,882	$ 27,319	$ —
Share based compensation	2,764	—	—	—
Intangibles	(3,811)	—	7,843	—
Lessee receivables	—	—	(1,703)	—
Loss-making contracts	—	—	(13,078)	—
Interest expense	—	—	(6,334)	—
Obligations under capital leases and debt obligations	—	(7,566)	—	—
Investments	—	(2,500)	—	—
Losses and credits forward	(6,256)	(41,095)	(8,558)	(9,473)
Other	119	93	(2,064)	—
Valuation allowance on tax assets	2,550	—	—	—
Net deferred tax (asset) liability	$(129,905)	$(35,186)	$ 3,425	$(9,473)

16. Income taxes (Continued)

Deferred tax assets and liabilities are recognized at nominal value.

The Netherlands

The majority of our Netherlands subsidiaries are part of a single Netherlands fiscal unity and are included in a consolidated tax filing. Due to the existence of interest bearing intercompany liabilities, no current tax expense normally arises with respect to the Netherlands subsidiaries. In 2007, a payment of current tax was made in relation to the settlement of prior year tax returns which were closed in the settlement. Deferred income tax is calculated using the Netherlands corporate income tax rate legislated to be in effect when the temporary differences reverse of 25.5%.

Ireland

Our aircraft owning and principal operating Irish resident subsidiaries enjoyed the benefit of a 10% rate of corporate tax on qualifying trading activities until December 31, 2005. After December 2005, the enacted tax rate is 12.5%. Our principal Irish tax-resident operating subsidiary has significant losses forward at December 31, 2007 which give rise to deferred tax assets. The availability of these losses does not expire with time. In addition, the vast majority of all of our Irish tax-resident subsidiaries are able to deduct accelerated aircraft depreciation for tax purposes and offset net taxable income and loss within our Irish tax group of companies within a given tax year. Accordingly, no Irish tax payable arose during the year. Based on projected taxable profits in our Irish subsidiaries, including our principal Irish tax-resident operating subsidiary where we hold significant Irish tax losses, we expect to recover the full value of our Irish tax assets and have not recognized a valuation allowance against such assets at December 31, 2007.

United States of America

Our U.S. subsidiaries are assessable to federal and state U.S. taxes. Prior to our acquisition of AeroTurbine, our U.S. subsidiaries had significant timing differences available to offset future federal taxable profits and no current tax charge arose in periods prior to the AeroTurbine acquisition. Following a change of ownership of the U.S. Company in November 2000, and the change of control at the 2005 Acquisition, certain restrictions, under Section 382 of the IRS tax code, were imposed on the utilization of the net losses in existence at those dates and no tax asset had been recognized for these losses occurring prior to these changes of control.

Beginning with the tax year ending December 31, 2006, we file a consolidated federal income tax return in the U.S. which includes the accounts of AeroTurbine. The blended federal and state tax rate applicable to our consolidated US group is 37.26% for the year ended December 31, 2007.

Sweden

The Swedish entities have significant losses forward at December 31, 2007 which give rise to deferred tax assets. The availability of these losses does not expire with time. Accordingly, no Swedish tax charge arose during the year. Based on projected taxable profits in our Swedish subsidiaries we expect to recover the full value of our Swedish tax assets and have not recognized a valuation allowance at December 31, 2007.

(US dollars in thousands)

17. Minority interest, net of tax

The movement in minority interest, net of tax, can be summarized as follows:

	2006	2007
Balance at January 1,	$ —	$31,937
Movements		
Capital contributions from minority interests	32,250	—
Minority interest income (loss) for the year	(313)	66,875
Balance at December 31,	$31,937	$98,812

18. Share capital

From the date of our acquisition of AerCap B.V. to just prior to our initial public offering, we were a Netherlands limited partnership under the name of AerCap Holdings C.V. with $370,000 of partnership capital held by four limited partners and one general partner, all located in Luxemburg. In anticipation of our public offering, AerCap Holdings N.V. was formed with 45,000 shares held by the same Luxemburg entities. AerCap Holdings N.V. issued one additional share to acquire all of the assets and liabilities of AerCap Holdings C.V. in a common control transaction after which, AerCap Holdings C.V. was put in liquidation. On November 10, 2006, we effected a 1,738.6 for one stock split resulting in total shares issued and outstanding of 78,236,957 and reduced the par value of each common share from €1.00 to €0.01. Because our conversion from a Netherlands limited partnership to a Netherlands public limited liability company was accomplished in a common control transaction, we have retroactively reflected our capital structure during the period when our group was owned by AerCap Holdings C.V. (limited partnership) as if it were owned by AerCap Holdings N.V. based on 78,236,957 shares outstanding.

On November 21, 2006, we sold 6.8 million shares at $23 per share in an initial public offering. We received net proceeds of $143,017 after deducting underwriting discounts and commissions and offering expenses payable by us. We used the net proceeds from the initial public offering plus existing cash to retire $168,600 of senior and subordinated debt of AeroTurbine. In connection with the early retirement of this debt, we wrote off $3,300 of debt issuance costs and paid prepayment penalties of $1,686.

As of December 31, 2007, our authorized share capital consists of 200,000,000 common shares with a par value of €0.01 with 85,036,957 issued and outstanding.

The additional paid-in capital is also acknowledged as paid—in capital for tax purposes.

As described in Note 14, the ability of our wholly-owned subsidiary, AeroTurbine, to declare and pay dividends to us of cash or other assets, above a certain threshold is restricted under the terms of its revolving loan facility. Primarily as result of share-based compensation expenses, our consolidated equity at December 31, 2007 includes losses attributable to AeroTurbine since our acquisition of AeroTurbine.

19. Share-based compensation

Bermuda Equity Grants

Effective June 30, 2005, Bermuda holding companies which indirectly owned 100% of our equity interests put into place an Equity Incentive Plan ("Bermuda Equity Plan") under which members of our senior management, Board of Directors and an employee of Cerberus (the "participants") can be granted either restricted shares or share options ("Bermuda Equity Grants") in such holding companies. The Bermuda holding companies were formed with identical capital structures and each had an equal percentage indirect ownership interest in us, representing an aggregate 100% of our ownership interest in us prior to our initial public offering and 69.3% after our initial public offering and 45.8% at December 31, 2007. Prior to December 31, 2007, all of the interests in our shares held by the four Bermuda holding companies were combined into one holding company ("Bermuda Parent") and all participants' interests in the other Bermuda holding companies were transferred to the remaining Bermuda Parent. The Bermuda Parent does not own any other significant assets or conduct any other significant activities outside of their indirect investment in us and the value of the Bermuda Parent is derived exclusively with reference to the value of our shares.

In addition to formal vesting restrictions, the terms of the Bermuda Equity Grants contain provisions which allow the Bermuda Parent to repurchase any restricted shares or shares obtained through the exercise of options upon the occurrence of certain employment termination events or cessation of service on the board of directors for share options issued to our independent directors. All holders of Bermuda Equity Grants signed a Share Agreement in connection with our initial public offering which gives each of them the right to exchange their Bermuda Parent shares or share options for our shares or options on our shares directly with the Bermuda Parent. Such right is not exercisable until November 27, 2008 and is valid for a period of three years from that date. The Share Agreement also restricts all such holders from selling or pledging their interests in the Bermuda Parents. Beginning November 27, 2008, the participants will not be restricted from selling their interests in our shares and the Bermuda Parent's rights to repurchase restricted shares or shares obtained through the exercise of options upon certain employment termination rights will lapse. All share options granted under the Bermuda Equity Plan are exercisable for a period of ten years from the date of issuance.

December 2005 Issuance—In December 2005, restricted shares and "zero strike price" share options were issued under the Bermuda Equity Plan to members of our senior management and an employee of Cerberus. The terms of the awards contain provisions which allow the Bermuda Parent to repurchase any restricted shares or shares obtained through the exercise of options at no cost upon the occurrence of certain employment termination events. According to the terms of these Bermuda Equity Grants, the options were to vest and certain restrictions on the restricted shares were to lapse during the period from June 2005 to December 2009 according to certain time and performance criteria. All share options vested and all restrictions on restricted shares lapsed (other than the repurchase rights referred to above), upon the closing of our initial public offering. The fair value of the shares and options issued in December 2005 were calculated with reference to the transaction price for the 2005 Acquisition on June 30, 2005 and considered all factors effecting the value between that date and the grant date. For all shares and share options except those held by an employee of Cerberus, expense recognition is based on the grant date fair value. The share-based compensation for the employee of Cerberus is based on the mark-to-market value of the underlying shares at each reporting date. Despite the formal vesting of these restricted shares and share options at the date of our initial public offering,

19. Share-based compensation (Continued)

expense recognition of these Bermuda Equity Grants will be recognized between the date of our initial public offering and two years from that date, which is the date that the holders can exchange their Bermuda holding company shares for shares in our company and sell them in the market. This period of two years represents the period of "substantial vesting".

April 2006 Issuance—On April 26, 2006, (the date of the AT Acquisition) the selling shareholders of AT purchased restricted shares in the Bermuda Parent. These restricted shares were subject to certain time and performance criteria similar to the December 2005 grants. The agreements which govern the restricted shares allow the Bermuda Parent to call the restricted shares and allow the selling shareholders of AT to put their shares back to the Bermuda Parent at fair market value upon the occurrence of certain employment termination events. In connection with our initial public offering, all restrictions on these restricted shares, other than the put and call rights referred to above, lapsed and all remaining unrecognized fair value was recognized as stock-based compensation in our income statement for the year ended December 31, 2006.

Senior Management Issuance—On August 21, 2006 and September 5, 2006, the Bermuda Parent issued stock options under the Bermuda Equity Plan to three members of the Company's senior management. The options vest over a four-year period of time according to both time and performance-based criteria and have a strike price equivalent to $7.00 with reference to our shares. All of the options issued vest upon a change of control. The option agreements contain provisions which allow the Bermuda Parents to repurchase any shares obtained through the exercise of options at the lower of fair market value or the exercise price paid upon the occurrence of certain employment termination events. Twenty-percent of the options vested upon our initial public offering and another 40% have vested as of December 31, 2007 based on achievement of both time and performance measures.

Independent Director Issuance—On September 5, 2006, the Bermuda Parent granted options under the Bermuda Equity Plan to four non-executive directors of the Company. The options granted to the directors are not subject to vesting criteria and have a strike price equivalent to $7.00 with reference to our shares. The Bermuda Parents have the right to repurchase any shares acquired through the exercise of options at fair market value within 90 days of the conclusion of any director's term on the board of directors.

Since all of the Bermuda Equity Grants outstanding are shares or share options in the Bermuda Parents and since the right of the holders of the Bermuda Equity Grants to exchange their shares in the Bermuda Parents for our shares after the two-year period is not directly with us, the existence of the restricted share and share options is not dilutive to our share ownership.

The fair values of all shares and share options issued in 2006 which have a grant date, were calculated on their respective grant dates based on the value of our underlying shares at the time of our initial public offering. To this value, a discount for lack of marketability ("DLOM") was applied to reflect the fact that (i) the shares being valued represent an illiquid minority interest in a closely-held indirect holding company without access to a recognized market and (ii) the shares are subject to significant restrictions which prevent their transfer or pledge.

(US dollars in thousands)

19. Share-based compensation (Continued)

The amount of compensation expense recognized for restricted shares is derived with reference to the excess of fair market value of the shares at the date of grant over the price paid, if any. The amount of expense recognized with respect to share options is based on the fair value of the option using the share valuation method described above and then applying a Black-Scholes option pricing model to the underlying share value. The value of each of the Bermuda Equity Grants is recognized on a straight-line basis over the applicable vesting periods.

For options valued with a Black-Scholes option pricing model, we have used the following Assumptions:

Volatility	38.25% - 39.90%
Expected life	5.00 - 5.93 years
Risk-free interest rate	4.67% - 4.72%
Dividend yield rate	0.00%

Since our shares had not traded in the public market at the time of the valuations, we derived our volatility assumptions by comparison to peer group companies. The expected life represents the period of time the options are expected to be outstanding. The risk free rate is based on the U.S. Treasury yield curve in effect at the time of grant and which has a term equal to the expected life of the options. The expected dividend yield is based on our history of not paying regular dividends in the past and our current intention not to pay regular dividends in the foreseeable future. The differing assumptions used result from the differences in expected life among the different tranches of stock options valued.

The offsetting entry for the compensation expense recognized for Bermuda Equity Grants is to additional paid-in capital with no resulting effect on total shareholders' equity, other than the positive effect of the deferred tax benefit related to the tax deductible portion of share-based compensation charges.

A summary of activity for all issuances under the Bermuda Equity Plan for the years ending December 31, 2005, 2006 and 2007 is set forth below. Because the number of shares and share options under the Bermuda Equity Plan are shares and share options of the Bermuda Parent, ownership

(US dollars in thousands)

19. Share-based compensation (Continued)

interests in the table below have been stated as the equivalent number of our shares which are represented by the Bermuda Parent shares.

	December 2005 Issuance	April 2006 Issuance	Senior Management Issuance	Independent Director Issuance
2005 Activity:				
Beginning outstanding 1/1/2005	—	—	—	—
Shares/options issued	7,644,070	—	—	—
Ending outstanding 12/31/2005	7,644,070(b)	—	—	—
2006 Activity:				
Beginning outstanding 1/1/2006	7,644,070	—	—	—
Shares/options issued	—	5,095,904	1,306,525	335,302
Dilutive effect of other Bermuda Parent issuances	(790,076)	(106,576)	(5,600)	—
Dilutive effect of initial public offering	(1,690,788)	(1,230,800)	(320,920)	(82,714)
Ending outstanding 12/31/2006	5,163,206(b)	3,758,528	980,005	252,588
Exercisable, 12/31/2006	N/A(c)	N/A	392,003	252,588
2007 Activity:				
Beginning outstanding 1/1/07	5,163,206	3,758,528	980,005)	252,588
Shares/options redeemed(a)	(1,597,188)	(1,503,088)	(99,070)	(82,714)
Ending outstanding 12/31/2007	3,566,018(b)	2,255,440	880,935	166,237
Exercisable, 12/31/2007	N/A(c)	N/A	487,753	166,237
Share-based compensation expense for the year ended December 31, 2007(e)	$ 1,352(d)	—	$ 5,945	—

(a) Redemptions result from remaining proceeds from our initial public offering and proceeds from our Secondary Offering.

(b) In addition to restricted shares and zero-strike price options, members of senior management also hold Bermuda Parent shares which were purchased from Cerberus (not granted under the Bermuda Parent Equity Plan) representing 269,722, 186,389 and 230,689 of our shares as of the year ended December 31, 2005, 2006 and 2007, respectively.

(c) All vesting restrictions have lapsed on these interests, but share-based compensation will continue to be recognized on straight-line basis until November 27, 2008.

(d) In addition, an amount of $2,673 was recognized in relation to restricted shares held by an employee of Cerberus, based on the mark-to-market valuation at each reporting date.

(e) Assuming that established performance criteria are met and excluding restricted shares held by an employee of Cerberus which are expensed on a mark-to-market basis, we expect to recognize share-based compensation related to Bermuda Equity Grants of $6,971 and $1,791 during 2008 and 2009, respectively.

(US dollars in thousands)

19. Share-based compensation (Continued)

Following is a summary of the issuances of share options subject still to vesting restrictions during the year ended December 31, 2007. All share numbers are calculated on a fully-diluted basis assuming the vesting, exercise and conversion of all Bermuda Parent interests to shares of AerCap Holdings N.V.

	Unvested Options Subject to a $7.00 Strike Price
Balance at January 1, 2007	588,002
Vesting during year	(196,002)
Effect of disproportionate redemptions in Bermuda Parent	203,140
Balance at December 31, 2007	595,140

AerCap Holdings NV Equity Grants

On October 31, 2006, we implemented an equity incentive plan that is designed to promote our interests by enabling us to attract, retain and motivate directors, employees, consultants and advisors and align their interests with ours (“NV Equity Plan”). The NV Equity Plan provides for the grant of nonqualified stock options, incentive stock options, stock appreciation rights, restricted stock, restricted stock units and other stock awards (“NV Equity Grants”) to participants of the plan selected by the Nomination and Compensation Committee of our Board of Directors. Subject to certain adjustments, the maximum number of shares available to be granted under the plan is equal to 5% of our outstanding shares.

The terms and conditions of NV Equity Grants, including vesting provisions for stock options, are determined by the Nomination and Compensation Committee, except that, unless otherwise determined by the Nomination and Compensation Committee, or as set forth in an award agreement: (a) each NV Equity Grant is granted for ten years from the date of grant, or, in the case of certain key employees, (i.e., employees owning more than 10% of our ordinary shares), for five years from the date of grant; provided, however, no stock option period may extend beyond ten years from the date of grant; (b) the option price per share for incentive stock options may not be less than 100% of the fair market value of the ordinary shares except that the option price per share for a key employee may not be less than 110% of the fair market value of the ordinary shares at the time the incentive stock option is granted; and (c) incentive stock options may only be issued to the extent the aggregate fair market value of shares with respect to the exercise of the incentive stock options for the first time by an option holder during any calendar year is $100,000 or less, with any additional stock options being treated as nonqualified stock options.

In September 2007, a total of 2.4 million non-qualified stock options were issued under the NV Equity Plan to certain employees of the Company. All options issued vest over a period of four years based on both time and performance-based criteria and all are exercisable at $24.63 per share option. All non-qualified stock options issued under the NV Equity Plan remained unvested at December 31, 2007. There are no other NV Equity Grants issued or outstanding under the NV Equity Plan at December 31, 2007. The fair value of the 1.2 million options which vest according to time-based criteria has been calculated at $10.72 per option. The 1.2 million performance-based options were fair valued at per options values between $4.23 and $5.64 depending on the performance year to which they relate.

(US dollars in thousands)

19. Share-based compensation (Continued)

Total stock-based compensation recognized in the year ended December 31, 2007 relating to the NV Equity Grants was $935. Assuming that established performance criteria are met and that no forfeitures occur, we expect to recognize share-based compensation related to NV Equity Grants of approximately $4.6 million during each of 2008, 2009 and 2010 and $3.9 million during 2011.

The value of the options issued under the NV Equity Plan was calculated by a Black-Scholes option pricing model using the following assumptions:

Volatility	33.92% - 36.38%
Expected life	5.33 - 6.25 years
Risk-free interest rate	3.11% - 4.10%
Dividend yield rate	0.00%

Volatility assumptions were derived by comparison to peer group companies due to the lack of significant trading history in our shares. The expected life represents the period of time the options are expected to be outstanding. The risk free rate is based on the U.S. Treasury yield curve in effect at the time of grant and which has a term equal to the expected life of the options. The expected dividend yield is based on our history of not paying regular dividends in the past and our current intention not to pay regular dividends in the foreseeable future. The differing assumptions used result from the differences in expected life among the different tranches (time-based vs. performance-based) of stock options valued.

20. Segment information

Reportable Segments

Prior to the acquisition of AT, we operated in one reportable segment—leasing, financing and management of commercial aircraft. From the date of the acquisition of AT, we manage our business, analyze and report our results of operations on the basis of two business segments—leasing, financing, sales and management of commercial aircraft ("Aircraft") and leasing, financing and sales of engines and parts ("Engine and Parts"). The following sets forth significant information from our reportable segments:

	AerCap Holdings, N.V. Year ended December 31, 2006		
	Aircraft	Engines and parts(a)	Total
Revenues from external customers	$ 677,0633	$125,193	$ 802,2566
Segment profit (loss)	164,687	(57,805)	106,882
Segment flight equipment held for operating lease	2,371,105	166,717	2,537,822
Segment assets	3,589,293	390,183	3,979,476
Segment liabilities	3,067,042	131,700	3,198,742
Segment investments in intangible fixed assets	35,238	23,652	58,890
Depreciation	95,933	6,454	102,387

(US dollars in thousands)

20. Segment information (Continued)

	AerCap Holdings, N.V. Year ended December 31, 2007		
	Aircraft	Engines and parts	Total
Revenues from external customers	961,186	196,523	1,157,709
Segment profit (loss)	217,729	10,693	228,422
Segment flight equipment held for operating lease	3,010,533	226,796	3,273,329
Segment assets	4,054,993	423,879	4,478,872
Segment liabilities	3,211,103	180,823	3,391,926
Segment investments in intangible fixed assets	34,676	20,854	55,530
Depreciation	134,315	10,579	144,894

(a) Reporting for this segment began on April 26, 2006.

Geographical Information

The distribution of our lease revenue by geographic regions is as follows for the periods indicated:

	Year ended December 31, 2006	Year ended December 31, 2007
Europe	35%	39%
Asia/Pacific	43%	33%
Latin America	7%	10%
North America and Caribbean	15%	17%
Africa/Middle East	—	1%
	100%	100%

No lessee accounted for more than 10% of lease revenue in any of the periods indicated above. Sales revenue is comprised of 75% from our aircraft segment and 25% from our engine and parts segment. We have not provided a geographical breakdown of sales revenue because a material percentage of our sales are of movable flight equipment and are to buyers that have multiple locations. In addition, we have not provided a breakdown of management fee revenue, interest revenue or other revenue because amounts are less material than lease and sales revenue and we do not believe a geographical breakdown of such revenues is helpful in identifying geographical concentration risks to our business.

(US dollars in thousands)

20. Segment information (Continued)

The following table indicates the percentage of long-lived assets (flight equipment and intangible assets) that are leased to or associated with customers in the indicated regions as at December 31, 2006 and December 31, 2007:

	2006	2007
Europe	41%	38%
Asia/Pacific	35%	33%
Latin America	6%	7%
North America and Caribbean	18%	21%
Africa/Middle East	—	1%
	100%	100%

21. Selling, general and administrative expenses

Selling, general and administrative expenses include the following expenses:

	Year ended December 31, 2006	Year ended December 31, 2007
Personnel expenses(a)	$110,240(a)	$ 57,943(a)
Social securities	1,335	1,963
Pensions	929	2,271
Other personnel expenses	1,959	3,033
Travel expenses	4,635	6,551
Professional services	19,415	23,454
Office expenses	4,590	8,716
Directors expenses	1,232	2,956
Other expenses	5,029	9,441
	$149,364	$116,328

(a) Includes share-based compensation of $78,635 and $10,916 in the years ended December 31, 2006 and 2007, respectively

(US dollars in thousands)

21. Selling, general and administrative expenses (Continued)

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

Location	December 31, 2005	December 31, 2006	December 31, 2007
Amsterdam, The Netherlands	71	71	88
Shannon, Ireland	27	37	42
Fort Lauderdale, FL	11	13	16
Miami, FL(1)	124	163	172
Goodyear, AZ(1)	—	67	75
Other	—	—	9
Total	**233**	**351**	**402**

(1) Employees located in Miami, Florida and Goodyear, Arizona are employees of AeroTurbine which we acquired in April 2006. In addition, we also lease small offices in Beijing (China), Irvine (TX) and Brighton (UK).

22. Earnings per common share

Basic and diluted earnings per share (EPS) is calculated by dividing net income by the weighted average of our common shares outstanding. We have no dilutive shares or share options. As disclosed in Note 19, there are 2.4 million share options outstanding that could become dilutive in the future. The computations of basic and diluted earnings per common share for the periods indicated below are shown in the following table:

	Year ended December 31, 2006	Year ended December 31, 2007
Net income for the computation of basic and diluted earnings per share	$ 106,882	$ 228,422
Weighted average common shares outstanding	78,962,162	85,036,957
Basic and diluted (loss) earnings per common share	$ 1.35	$ 2.69

As discussed in Note 1 and 18, the shares outstanding in the table above are those of AerCap Holdings N.V. retroactively applied to the period when AerCap Holdings C.V. was the owner of the group.

23. Related party transactions

AerCo is an aircraft securitization vehicle from which we hold all of the most junior class of subordinated notes and some notes immediately senior to those junior notes. We do not recognize value for the AerCo notes which we still hold on our consolidated balance sheets. Through March 2003 we consolidated AerCo, but we deconsolidated the vehicle at that time. Subsequent to the deconsolidation of AerCo, we have received interest from AerCo on its D note investment of $1,700 and $354 for the years ended December 31, 2006 and December 31, 2007, respectively. In addition, we

23. Related party transactions (Continued)

provide a variety of management services to AerCo for which we received fees of $5,208 and $4,793 for the year ended December 31, 2006 and December 31, 2007, respectively.

We lease two A320-200 model aircraft to Air Canada. One lease began on April 23, 2002 and extends for a term of six years. The other lease began on May 29, 2002 and extends for a term of ten years. Cerberus indirectly controls 6.7% of the equity of Air Canada and indirectly controls 45.8% of shares in AerCap Holdings N.V. at December 31, 2007. Cerberus did not hold such equity interest in Air Canada and AerCap Holdings N.V. at the time we entered into the leases with Air Canada.

In February 2006, we entered into a guarantee arrangement with DvB Bank AG and Aozora Bank Limited, an entity that is majority-owned by Cerberus. In addition, Pieter Korteweg, the Chairman of our Board of Directors, and Marius Jacques Leonard Jonkhart, a non-executive director, are also on the board of directors of Aozora Bank. The guarantee supports certain of our obligations to a Japanese operating lessor of up to $13,800 in connection with a JOL financing. The Japanese operating lessor required the guarantee as additional credit support following the 2005 Acquisition. We leased the A320 aircraft from the Japanese operating lessor under a lease and then subleased the aircraft to an aircraft operator. In the event we fail to make certain payments related to JOL financing, DvB Bank will make the payment on our behalf but will be reimbursed by Aozora Bank for any payments made. We have agreed to indemnify Aozora Bank for any payments it makes under the guarantee arrangement. The guarantee expires in March 2010. Under the terms of the guarantee arrangement, we are required to provide cash collateral to Aozora Bank if we breach certain financial covenants. Currently we are not in breach of any of these covenants and have not provided any cash collateral. In connection with the guarantee arrangement, we pay Aozora Bank a guarantee fee of 4.1% per annum of the amount guaranteed and have provided Aozora Bank with a second priority share pledge over the shares of the entity that entered into the financing from the Japanese operating lessor.

In April 2006, we entered into a senior secured revolving credit facility in the aggregate amount of up to $1,000,000 with UBS Real Estate Securities Inc., UBS Securities Inc., Deutsche Bank Trust Company Americas and certain other financial institutions. Aozora Bank is a syndicate member under the facility and participated in up to $50,000 the Class A loans and up to $25,000 of the Class B loans issued thereunder, representing 7.0% of the Class A loans and 13.9% of the Class B loans. As of December 31, 2006, we had drawn and there remained outstanding $48,824 of the class A loans and $12,294 of the class B loans.

Until November 2007, our AeroTurbine subsidiary leased their office and warehouse located in Miami, Florida from an entity owned by the current Chief Executive Officer and Chief Operating Officer of AeroTurbine. In November 2007, the entity sold the office and warehouse to an unrelated third-party. AeroTurbine continues to occupy the premises under a lease which expires in 2013.

In 2004, we entered into leases for six A320 aircraft with WizzAir Hungary Limited. As part of a subsequent restructuring of amounts outstanding, WizzAir agreed to issue us shares of their equity representing 17.4% of their equity as of November 2004. In 2005, we agreed with WizzAir's other shareholders and creditors to enter into a Shareholders' and Noteholders' Agreement under which we agreed to convert trade receivables into an unsecured, non-amortizing €7,800 note, convertible into approximately 26% of WizzAir's outstanding shares on a fully diluted basis as of February 2005. Under the terms of the Shareholders' and Noteholders' Agreement we were able to appoint a director of

(US dollars in thousands)

23. Related party transactions (Continued)

WizzAir between February 2005 and June 2005. The convertible notes were carried on our balance sheet at December 31, 2005 at $1,800. We sold all of our WizzAir convertible notes in September 2006.

AerDragon consists of two investment companies Dragon Aviation Leasing Company Limited, or Dragon, based in China and AerDragon Aviation Partners Limited or AerDragon, based in Ireland. Both companies are owned 50% by China Aviation Supplies Import & Export Group Corporation, 25% by affiliates of Calyon and 25% by AerCap. In 2007, AerCap assigned a purchase right it had with Airbus under AerCap's 1999 forward order agreement relating to an A320 aircraft which was then directly acquired by AerDragon. In addition, during 2007 AerCap sold an A320 aircraft that was subject to a lease with an airline to AerDragon and guaranteed the performance of AerDragon under debt which was assumed by AerDragon from AerCap in the transaction. Both of these transactions were executed at terms, which we believe reflected market conditions at the time. AerCap provides lease management, insurance management and aircraft asset management services to AerDragon. AerCap charged AerDragon a total of $0.2 million as a guarantee fee and for these management services during 2007. We apply net asset value accounting for our 25% investment in both investment companies. Accordingly, the income statement effects of all transactions with either of the investment companies are eliminated in our financial statements.

24. Commitments and contingencies

Contingent liabilities

At December 31, 2007, we had also issued letters of credit in an amount of $6,838 in support of certain obligations. All issued letters of credit are fully cash collateralized with restricted cash. In addition, at December 31, 2007, we had available credit facilities of $2,083,725 and an on-demand overdraft facility of $10,000, which were undrawn.

Property and other rental commitments

We have entered into property rental commitments with third parties, which expire in 2011, amounting to $16,255 and $24,782 as of December 31, 2006 and 2007, respectively. We also have lease arrangements with respect to company cars and office equipment. Minimum payments under the property rental agreements are as follows:

2008	5,388
2009	4,703
2010	2,830
2011	1,875
2012	1,816
Thereafter	8,170
	$24,782

We are relocating from our current Headquarters in Amsterdam, the Netherlands, to a 37,000 square foot office facility in April 2008. The new office has been contracted under a five year lease

24. Commitments and contingencies (Continued)

which commences on April 1, 2008, but had not yet been signed as of December 31, 2007. Accordingly, the table above does not include the minimum payments under this future lease.

Legal proceedings

VASP litigation

We leased 13 aircraft and three spare engines to Vicao Aerea de Sao Paulo ("VASP"), a Brazilian airline. In 1992, VASP defaulted on its lease obligations and we commenced litigation against VASP to repossess its aircraft. In 1992, we obtained a preliminary injunction for the repossession and export of 13 aircraft and three spare engines (the "Repossessed Assets") from VASP. We repossessed and exported the Repossessed Assets in 1992. VASP appealed this decision.

In 1996, the High Court of the State of São Paulo (the "High Court") found in favor of VASP on its appeal. We were instructed to return the Repossessed Assets to VASP for the lease under the terms of the original lease agreements between us and VASP. The High Court also granted VASP the right to seek damages in lieu of the return of Repossessed Assets. Since 1996, we have pursued in this case in the Brazilian courts through various motions and appeals.

On March 1, 2006, the Superior Court of Justice dismissed our most recent appeal and on April 5, 2006 a special panel of the Superior Court of Justice confirmed the Superior Court of Justice decision. On May 15, 2006, we appealed this decision to the Federal Supreme Court. On February 23, 2006, VASP commenced a procedure for the calculation of the award for damages. Our external legal counsel has advised us that even if we lose on the merits, they do not believe that VASP will be able to demonstrate any damages. In October 2006, the English Courts approved our motion to serve process upon VASP in Brazil.

In July 2006, we commenced a claim for damages in the English courts against VASP based on the damages we incurred as a result of the default by VASP under seven lease obligations. VASP was served process in Brazil in October 2007 and in response has filed an application to challenge the jurisdiction of the English court which we will oppose. VASP have applied to the Court to adjourn the date for the hearing of its application to challenge the jurisdiction of the English Court pending the sale of some of it's assets in Brazil. We have opposed this application and a hearing for this application was held on March 5, 2008, where VASP's application was dismissed.

We continue to actively pursue all courses of action that may be available to us and intend to defend our position vigorously and to pursue each of our claims against VASP based on the damages we incurred as a result of the default by VASP on its lease obligations. Our management, based on the advice of external legal counsel, has determined that it is not necessary to make any provisions for this litigation.

Swedish tax dispute

In 2001, the Swedish tax authorities challenged our position in tax returns filed for the years 1999 and 2000 with respect to certain deductions. In accordance with Swedish law, we made a guarantee payment to the tax authority of $16,792 in 2003, which was recorded as a receivable in anticipation that we would prevail in our arguments. We appealed the decision of the tax authorities and in August 2004,

(US dollars in thousands)

24. Commitments and contingencies (Continued)

a Swedish court ruled in our favor, which resulted in a tax refund of $19,887 (which included interest and the effect of foreign exchange movements for the intervening period) to us, which was offset against the receivable established. In September 2004, the Swedish tax authorities appealed the decision of the Court and filed an appeal with the Administrative Court of Appeal in Sweden. We have responded to this appeal and have requested an oral hearing on the matter. The Court has responded that they would schedule an oral hearing, but we have not yet received notice of the timing of such hearing. Management, based on the advice of our tax advisors, has determined that it is not necessary to make any provisions for this tax dispute.

25. Fair values of financial instruments

The fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Fair values of financial instruments have been determined with reference to available market information. However, considerable management judgment is required in interpreting market data to arrive at estimates of fair values. Accordingly, the estimates presented herein may not be indicative of the amounts that we could realize in a current market exchange.

	December 31, 2006		December 31, 2007	
	Book value	Fair value	Book value	Fair value
Assets				
Investments	$ 3,000	$ 3,000	$ 3,000	$ 8,458
Notes receivable	5,300	5,300	6,944	6,944
Restricted cash	112,277	112,277	95,072	95,072
Derivative assets	17,871	17,871	21,763	21,763
Cash and cash equivalents	131,201	131,201	241,736	241,736
	$ 266,649	$ 269,649	$ 368,515	$ 373,973
Liabilities				
Debt	$2,336,3600	$2,336,3600	$2,645,140	$2,652,488
Derivative liabilities	—	—	—	—
Guarantees	15,668	15,668	3,926	3,926
	$ 2,352,028	$ 2,352,028	$2,649,066	$2,656,414

26. Directors' remuneration

Our remuneration policy for non-executive and executive directors can be found in our Remuneration Policy (available on our website) and in the Remuneration Report 2007 included in this

(US dollars in thousands)

26. Directors' remuneration (Continued)

Annual Report. The table below indicates the total remuneration paid to our non-executive directors during 2007:

	Director Fees
P. Korteweg	€ 194.0
J. Chapman	€ 143.0
M. Jonkhart	€ 149.0
R. Bolger	€ 159.0

During 2007, we paid Mr. Heinemann, our only executive director, an annual base salary of €375.0 and we accrued for the payment of an annual bonus of €500.0 which was paid in February 2008. Mr. Heinemann's base salary for 2008 is set at €375.0 and his 2008 target bonus is €375.0. The Company made contributions to the defined benefit plan in 2007 for Mr. Heinemann of €109.8. In addition to the remuneration above, Mr. Heinemann received other employment benefits such as a health benefits and a company car allowance which were not material to his total remuneration in 2007.

The table below includes a summary of Bermuda Parent shares and share options outstanding at December 31, 2007. The share numbers in the table represent the equivalent number of our shares into which the Bermuda Parent shares and share options are exercisable.

	Restricted Shares(a)	Vested Options Subject to No Strike Price	Vested Options Subject to $7.00 Strike Price	Unvested Options Subject to $7.00 Strike Price
Executive Director:				
K. Heinemann	—	1,409,926(b)	—	—
Non-Executive Directors:				
P. Korteweg	—	—(c)	55,469	—
J. Chapman	—	—(c)	55,300	—
M. Jonkhart	—	—(c)	27,734	—
R. Bolger	—	—(c)	27,734	—
All other employees	4,454,267	109,672(b)	487,753	393,182

(a) These restricted shares were issued in December 2005. All restrictions, other than repurchase restrictions discussed above lapsed in connection with the Company's initial public offering.

(b) These options were issued in December 2005 and vested fully in connection with the Company's initial public offering.

(c) These options were issued in August/September 2006. The vested portion vested in connection with our initial public offering, the satisfaction of certain time-based criteria and the achievement of certain performance criteria. The unvested portion will vest through December 31, 2009 based partially on the satisfaction of time-based criteria and partially based on performance criteria which have been established by the Nomination and Compensation committee.

27. Subsidiary undertakings

The subsidiaries which are taken up in the consolidated financial statements are direct and indirect subsidiaries 100% owned, unless otherwise stated.

The Netherlands

AerCap Aircraft Finance XI B.V.
AerCap Aircraft Finance XII B.V.
AerCap Aircraft Finance XIII B.V.
AerCap Aircraft Finance XVII B.V.
AerCap Aircraft Finance XVIII B.V.
AerCap B.V.
AerCap Group Services B.V.
AerCap Dutch Aircraft Leasing I B.V.
AerCap Leasing I B.V.
AerCap Leasing II B.V.
AerData B.V. (51%)
AerCap Leasing XIII B.V.
AerCap Leasing XIV B.V.
AerCap Leasing XIX B.V.
AerCap Leasing XVI B.V.
AerCap Leasing XVII B.V.
AerCap Leasing XVIII B.V.
AerCap Leasing XXIX B.V.
AerCap Leasing XXX B.V.
AerCap Netherlands B.V.
AeroTurbine B.V.
AMS AerCap B.V.
Brazilian Aircraft Finance X B.V.
Brazilian Aircraft Finance XI B.V.
Brazilian Aircraft Finance XIII B.V.
Brazilian Aircraft Finance XIV B.V.
Brazilian Aircraft Finance XV B.V.
Brazilian Aircraft Finance XVII B.V.
Budapest Aircraft Finance I B.V.
Mexican Aircraft Finance I B.V.
Mexican Aircraft Finance II B.V.
AerCap AerVenture Holding B.V.
Stockholm Aircraft Finance III B.V.
Stockholm Aircraft finance IV B.V.

Ireland

AerCap Irish Aircraft Leasing 1 Limited
AerCap Celtavia 1 Limited
AerCap Celtavia 2 Limited
AerCap Celtavia 3 Limited
AerCap Celtavia 4 Limited
AerCap Celtavia 5 Limited
AerCap Celtavia 6 Limited
Air Tara Limited
AerCap Administrative Services Limited
AerCap Associate Holdings Limited
AerCap Cash Manager Limited
AerCap Cash Manager II Limited
AerCap CNW Finance Limited
AerCap Financial Services (Ireland) Limited
AerCap Fokker Limited
AerCap Fokker100 Finance Limited
AerCap Ireland Limited
AerCap 1041 Limited
Deasnic Aircraft Leasing Limited
Air Maple Limited
GPA Group Limited
GPA Aero Citra Limited (In Liquidation)
AerFi Group Limited
Irish Aerospace Limited
Tyrolean Limited
Irish Aerospace Leasing Limited
AerCap Jetprop Limited
Skyscape Limited
Sunflower Aircraft Leasing Limited
Ancla Ireland Limited
Jasmine Aircraft Leasing Limited
Jasper Aircraft Leasing Limited
AerCap A330 Limited
AerCap Engine Leasing Limited
Rosso Aircraft Leasing Limited
Azzurro Aircraft Leasing Limited
AerCap Note Purchaser Limited
Lishui Aircraft Leasing Limited
Orchid Aircraft Leasing Limited
Berlin Aircraft Leasing Limited
Pirlo Aircraft Leasing Limited
Jade Aircraft Leasing Limited

27. Subsidiary undertakings (Continued)

AerVenture Limited (50%)
Bella Aircraft Leasing 1 Limited (50%)

Sweden

AerCap Sverige Aircraft Leasing AB
AerFi Sverige AB
AerFi Sverige Aircraft AB (In Liquidation)

France

Dijon Location S.A.R.L.
Lyon Location S.A.R.L
Lille Location S.A.R.L
Metz Location S.A.R.L.
Toulouse Location S.A.R.L.

U.K

Elasis Leasing Limited (In Liquidation)
AerCap UK Limited
AerCap International Limited (In Liquidation)

Norway

Asset Management A/S

Bermuda

AerCap (Bermuda) No.3 Limited
AerCap Holdings (Bermuda) Limited
LC Bermuda No. 2 Limited
LC Bermuda No. 2 L.P.
Juan B. Martinez Leasing 1 Limited
Juan B. Martinez Leasing 2 Limited
AerFunding 1 Limited and subsidiaries (5%)
AerCap Bermuda A330 Limited

US

AerCap, Inc
AerCap Group Services,Inc
AerCap Corporation
AerCap Leasing USA I, Inc
AerCap Leasing USA II, Inc
AeroTurbine, Inc

Isle of Man

AerCap International (IOM) Limited
AerCap IOM Limited
AerCap Holding (I.O.M.) Limited
Acorn Aviation Limited
Crescent Aviation Limited
Stallion Aviation Limited

Cayman Islands

AerCap Corvo Limited
Elasis (Cayman Islands) Limited
AerCap 320 Limited
AerCap 320 C Limited
AerCap Leasing 8 Limited
AerCap HK-320-A Limited
AerCap HK-320-B Limited
AerCap HK-320-C Limited
AerCap G Caymans Limited
Air Tara Hong Kong Limited
AerCap A Bordeaux Limited

Jersey

AerCap Jet Limited
Aircraft Lease Securitisation Ltd and subsidiaries (4.9%)

Malaysia

AerCap Asia Limited

Company Financial Statements

AerCap Holdings N.V.

Company Balance Sheets

As of December 31, 2006 and 2007

(After proposed profit appropriation)

	Note	December 31, 2006	December 31, 2007
		(US dollars in thousands except share and per share amounts)	
Assets			
Cash and cash equivalents		$ 792	$ 475
Investments	29	986,214	1,225,074
Total Assets		$987,006	$1,225,549
Liabilities and Shareholders' Equity			
Accrued expenses and other liabilities		447	5,050
Payable to subsidiary		—	50,487
Negative goodwill	30	237,762	181,877
Total Liabilities		238,209	237,414
Ordinary share capital, €.01 par value (200,000,000 ordinary shares authorized, 85,036,957 ordinary shares issued and outstanding, respectively)	31	699	699
Additional paid-in capital	31	764,969	775,885
Accumulated retained earnings	31	(16,871)	211,551
Total Shareholders' Equity		748,797	988,135
Total Liabilities and Shareholders' Equity		$987,006	$1,225,549

The accompanying notes are an integral part of these company financial statements.

Company Financial Statements

AerCap Holdings N.V.

Company Income Statements

For Year Ended December 31, 2006 and December 31, 2007

	Year ended December 31, 2006	Year ended December 31, 2007
Result from participation after taxation	$(21,229)	$189,601
Other income and expenses after taxation	4,358	38,821
Net (Loss) Income	$(16,871)	$228,422

The accompanying notes are an integral part of these company financial statements.

28. Summary of significant accounting policies

General

The principles of valuation and determination of result for AerCap Holdings N.V. and the consolidated financial statements are the same. For these principles we refer to the consolidated financials statements.

The financial statements of the Company are presented in accordance with accounting principles generally accepted in the Netherlands. The income statement is presented in accordance with BW2 Title 9 Art. 402.

Investments

Investments consist of investments in subsidiaries. The majority participating interests (direct and indirect) in which AerCap Holdings N.V. is able to exercise control are stated at net asset value. The net asset value of majority participating interests is determined in accordance with the principles underlying the company financial statements.

29. Investments

The movement in investments can be summarized as follows:

	Total
Balance as at July 10, 2006	$ —
Movements	
Contribution from AerCap Holdings C.V.	802,694
Equity investment in subsidiaries	143,217
Share-based compensation	61,602
Result of subsidiaries	(21,299)
Balance as at December 31, 2006	$ 986,214

	Total
Balance as at January 1, 2007	$ 986,214
Movements	
Share-based compensation	4,774
Investments in subsidiaries	44,485
Result of subsidiaries	189,601
Balance as at December 31, 2007	$1,225,074

30. Negative goodwill

The movement in negative goodwill can be summarized as follows:

	Total
Balance as at July 10, 2006	$ —
Movements	
Contribution from AerCap Holdings C.V.	$ 242,953
Release to the income statement	(5,191)
Balance as at December 31, 2006	$ 237,762
Balance as at January 1, 2007	$ 237,762
Movements	
Release to cost of goods sold	(43,181)
Release to depreciation	(12,704)
Balance as at December 31, 2007	$ 181,877

31. Shareholders' Equity

The movement in shareholders' equity can be summarized as follows:

	Number of shares	Share capital	Additional paid-in capital	Retained (loss) earnings	Total shareholders' equity
Balance at July 10, 2006					
Contribution from AerCap Holdings C.V.	78,236,957	$646	$559,803	$ —	$560,449
Issuance of equity capital in public offering	6,800,000	53	143,564		143,617
Share-based compensation			61,602		61,602
Net income for the period				(16,871)	(16,871)
Balance at December 31, 2006	85,036,957	$699	$764,969	$(16,871)	$748,797

	Number of shares	Share capital	Additional paid-in capital	Retained (loss) earnings	Total shareholders' equity
Balance as at January 1, 2007	85,036,957	$699	$764,969	$(16,871)	$748,797
Share-based compensation			10,916		10,916
Net income for the year				228,422	228,422
Balance at December 31, 2007	85,036,957	$699	$775,885	$211,551	$988,135

As described in Note 14, the ability of our wholly-owned subsidiary, AeroTurbine, to declare and pay dividends to us of cash or other assets, above a certain threshold is restricted under the terms of its revolving credit facility. Primarily as result of share-based compensation expenses, our consolidated equity at December 31, 2007 includes losses attributable to AeroTurbine since our acquisition of AeroTurbine.

32. Employees

AerCap Holdings N.V. had 19 employees at December 31, 2007.

33. Fiscal unity

The company forms a fiscal unity for corporate income tax and turnover tax purposes with AerCap B.V. Under the Tax Collection Act, the company is jointly and severally liable for the taxes payable by the group. The tax expense recognized in the financial statement of AerCap B.V., a subsidiary, is based on its profit for financial reporting purposes. AerCap Holdings N.V. settles its intercompany balances with AerCap B.V. based on the subsidiary's profit for financial reporting purposes.

34. Declaration of liability

AerCap Holdings N.V. has issued a declaration of liability as referred to in Article 403 of the Netherlands Civil Code in respect of its subsidiary AerCap B.V.

35. Other commitments

AerCap Holdings N.V. does not have any other significant commitments.

Amsterdam, March 18, 2008

Pieter Korteweg	/s/ PIETER KORTEWEG
Ronald J. Bolger	/s/ RONALD J. BOLGER
James N. Chapman	/s/ JAMES N. CHAPMAN
Klaus W. Heinemann	/s/ KLAUS W. HEINEMANN
W. Brett Ingersoll	/s/ W. BRETT INGERSOLL
Marius J.L. Jonkhart	/s/ MARIUS J.L. JONKHART
Gerald P. Strong	/s/ GERALD P. STRONG
David J. Teitelbaum	/s/ DAVID J. TEITELBAUM
Robert G. Warden	/s/ ROBERT G. WARDEN

Other information

Profit appropriation

According to article 26 of the Articles of Association, the Board of Directors determines which amounts from the Company's annual profits are reserved. The Board of Directors has determined that the entire 2007 profits shall be reserved and that no profits shall be distributed as dividends to the shareholders. Thus, the result for the year ended December 31, 2007, a gain of US$ 228.4 million, will be included in the retained earnings.

To the General Meeting of Shareholders of AerCap Holdings N.V.

Auditor's report

Report on the consolidated financial statements

We have audited the accompanying financial statements 2007 of AerCap Holdings N.V., Amsterdam as set out on pages 21 to 79 which comprise the consolidated and company balance sheet as at 31 December 2007, the consolidated and company profit and loss account for the year then ended and the notes.

The directors' responsibility

The directors of the company are responsible for the preparation and fair presentation of the financial statements and for the preparation of the directors' report, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of AerCap Holdings N.V. as at 31 December 2007, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the directors' report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Rotterdam, 18 March 2008
PricewaterhouseCoopers Accountants N.V.

A. Tukker RA

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