AerCap Holdings N.V. Dutch GAAP Annual Report

for the year ended December 31, 2009

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AerCap Holdings N.V. Annual Report 2009, Amsterdam

DIRECTORS' REPORT

Description of business

We are an integrated global aviation company with a leading market position in aircraft and engine leasing, trading and parts sales. We possess extensive aviation expertise that permits us to extract value from every stage of an aircraft's lifecycle across a broad range of aircraft and engine types. It is our strategy to acquire aviation assets at attractive prices, lease the assets to suitable lessees, and manage the funding and other lease related costs efficiently. We also provide aircraft management services and perform aircraft and limited engine maintenance, repair and overhaul ("MRO") services and aircraft disassemblies through our certified repair stations. We believe that by applying our expertise through an integrated business model, we will be able to identify and execute on a broad range of market opportunities that we expect will generate attractive returns for our shareholders. We are headquartered in The Netherlands and have offices in Ireland, the United States, Singapore, China and the United Kingdom, with a total of 345 employees, as of December 31, 2009.

We operate our business on a global basis, providing aircraft, engines and parts to customers in every major geographical region. As of December 31, 2009, we owned 180 aircraft and 85 engines, managed 45 aircraft, had 53 new aircraft and one new engine on order, had entered into purchase contracts for two aircraft and had executed letters of intent to purchase 11 aircraft and six engines. We also had entered into sales contracts for five forward order aircraft.

We lease most of our aircraft to airlines under operating leases. Under an operating lease, the lessee is responsible for the maintenance and servicing of the equipment during the lease term and the lessor receives the benefit, and assumes the risk of the residual value of the equipment at the end of the lease. As of December 31, 2009, our owned and managed aircraft and engines were leased to 91 commercial airline and cargo operator customers in 42 countries and managed from our offices in The Netherlands, Ireland, the United States, Singapore, China and the United Kingdom.

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, 2007 to December 31, 2009, we have executed over 800 aircraft and engine transactions, including 249 aircraft leases, 140 engine leases, 234 aircraft purchase or sale transactions, 92 engine purchase or sale transactions and the disassembly of 29 aircraft, 14 airframes and 61 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, 2007 and December 31, 2009, our weighted average owned aircraft utilization rate was 98.1%.

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

Genesis Lease Limited, AerCap and AerCap International Bermuda Limited, a wholly-owned subsidiary of AerCap Holdings N.V., entered into an Agreement and Plan of Amalgamation dated as of September 17, 2009 (as amended, the "Amalgamation Agreement"), pursuant to which Genesis Lease Limited will amalgamate with AerCap International Bermuda Limited in an all share-for-share transaction (the "Amalgamation"). Under the terms of the Amalgamation Agreement, Genesis shareholders will receive one AerCap ordinary share for every Genesis common share they own. The transaction is subject to approval by Genesis shareholders and satisfaction of customary closing conditions. All regulatory approvals have been obtained and the registration statement was declared effective by the Securities and Exchange Commission ("SEC") on February 3, 2010. The Genesis shareholders are scheduled to vote on the Amalgamation on March 23, 2010. We expect to close the transaction on March 25, 2010.

Our principal executive offices are located at AerCap House, Stationsplein 965, 1117 CE Schiphol, The Netherlands, and our general telephone number is +31 20 655-9655. Our website address is *www.aercap.com*. Information contained on our website does not constitute a part of this annual report.

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

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

Efficiently Manage our Liquidity. As of December 31, 2009, we had access to $3.1 billion of committed undrawn credit facilities. However, in response to the global recession, we continue to seek new sources of liquidity and maintain and safeguard our existing cash balances. We strive to maintain a diverse financing strategy, both in terms of capital providers and structure, through the use of bank debt, securitization structures and export/import financings including European Export Credit Agencies (“ECA”)-guaranteed loans, in order to maximize our financial flexibility. We also leverage our long-standing relationships with the major aircraft financers and lenders to secure access to capital. In addition, we attempt to maximize the cash flows from our restricted cash entities to those entities which are not cash restricted and continue to pursue the sale of aircraft to generate additional cash flows.

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

Maintain a Diversified and Satisfied Customer Base. We currently lease our 180 owned aircraft to 56 different airlines in 34 different countries. We monitor our exposure concentrations by both lessee and country jurisdiction and intend to maintain a well diversified customer base. We believe we offer a quality product, both in terms of asset and customer service, to all of our customers. We have successfully worked with many airlines to find mutually beneficial solutions to operational and financial challenges. We believe we maintain excellent relations with our customers. We have been able to achieve a high utilization rate on our aircraft and engine assets as a result of our customer reach and quality product offering.

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

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

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

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 condition 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

- We require significant capital in 2010 and 2011 to fund our obligations under our forward purchase commitments. The global recession and financial crisis may decrease the amount of capital available to us and may adversely impact the operating cash flows we would use to fund these obligations.

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

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

- 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.

- In 2009, we incurred significant costs resulting from lease defaults and if the global recession continues, we expect lease defaults to increase in 2010 which could adversely affect our financial results.

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

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

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

- We were required to write-down the value of some of our assets during 2009 due to the global recession and financial crisis and a prolongation or worsening of these conditions could require us to make additional significant write-downs.

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

- Changes in interest rates may adversely affect our financial results.

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

- 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.

- 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.

- 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.

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

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

- 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.

- 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 .

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

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

- In 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.

- 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 .

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

- 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.

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

Risks Related to the Aviation Industry

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

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

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

- 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.

- The effects of H1N1 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.

Risks Related to Our Organization and Structure

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

- We are a Netherlands public limited liability company ("naamloze vennootschap or N.V.") 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 geopolitical, 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 .

- 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.

2009 Financial and Operating Review

The industry environment in 2009 was characterized by the the economic downturn. Overall, the industry international passenger traffic declined. 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 2009:

- AerCap purchased 41 aircraft and 25 engines for a total value of $1.9 billion and sold 15 aircraft and 15 engines from our owned portfolio increasing total assets at December 31, 2009 to $6.8 billion from $5.5 billion at December 31, 2008, an increase of 24%;

- AerCap Holdings N.V. and Genesis Lease Limited signed a definitive amalgamation agreement relating to an all share transaction;

- AerCap signed a joint-venture agreement with Waha Capital for a 50/50 joint investment in AerVenture;

- AerVenture, signed a $846 million export credit facility with a syndicate of commercial banks led by Crédit Agricole S.A. to finance up to 20 Airbus A320 aircraft. Repayment under the credit facility is guaranteed by the ECA.aviation industry market conditions;

- AerVenture closed on the fundings for 22 A320 aircraft into the ALS II facility. The ALS II facility has the capacity to fund a total of 30 A320 aircraft.

- AerCap signed several facility agreements for pre-delivery financing of A330 aircraft.

Results of operations

Net income for the full year 2009 was $148.7 million. Net income excluding non-cash charges relating to the mark-to-market of interest rate caps and share-based compensation was $133.7 million, down 27% as compared to $183.4 million in 2008. The after-tax gain relating to the mark-to-market of our interest rate caps was $18.2 million and the after-tax charge from share-based compensation was $3.2 million. The decrease in net income excluding the non-cash charges was driven primarily by a reduction in the gain on sale of assets, the impact from airline defaults which occurred in 2008, and cumulative adjustment in 2008 for maintenance income relating to a change in estimate. Net spread, the difference between basic lease rents and interest expense excluding the mark-to-market of interest rate caps, was $466.0 million for full year 2009, up 30% as compared to 2008. This measure reflects the increase in leasing income. Total basic and fully diluted earnings per share for the full year 2009 were $1.75. Total basic and fully diluted earnings per share excluding non-cash charges relating to mark-to-market of interest rate caps of $0.21 per share and share based compensation of $0.04 per share were $1.58. The number of outstanding shares is currently 85.0 million.

Earnings Per Share

Total basic and fully-diluted earnings per share for the full year 2009 was $1.75. Total basic and fully-diluted earnings per share excluding non-cash charges relating to mark-to-market of interest rate caps of $0.21 per share and share-based compensation of $0.04 per share was $1.58. 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 $3.2 million for the full year 2008. The charge relates to restricted shares and share options in entities that own a substantial percentage of our shares and which are held by members of our senior management, independent directors and a consultant and share options in AerCap Holdings N.V. which are held by members of our senior management. The charge did not reduce our net equity.

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

The non-cash gain for mark-to-market of interest rate caps, net of tax and minority interest, was $18.2 million for the full year 2009. We use interest rate caps to hedge against the impact of interest rate increases on variable-rate debt. Our interest rate caps do not qualify for hedge accounting under Dutch GAAP and the periodic mark-to-market gains or losses of our caps is recorded as interest expense.

Aviation Assets

Our total assets and owned portfolio continue to grow. We acquired $1.9 billion of aviation assets including 41 aircraft and 25 engines in 2009. Total assets on the balance sheet were $6.8 billion at December 31, 2008. Total assets increased 24% during 2009 which was driven by the acquisition of aviation assets. The increase in flight equipment was the result of a net increase of 26 owned aircraft in our portfolio. The increase in flight equipment was the result of a net increase of 26 owned aircraft in our portfolio. The number of aircraft in our portfolio was 291 as of December 31, 2009, consisting of 180 owned aircraft, 45 managed aircraft, 53 aircraft in our order book, two aircraft subject to purchase contract and 11 aircraft under letter of intent. The number of aircraft decreased by six units from 297 since the end of 2008. The decline in aircraft was largely driven by the sale/termination of managed aircraft and the replacement of older aircraft. The number of engines owned or on contract was 92, an increase of 17 engines from 75 engines owned at the end of 2008.

Liquidity and Access to Capital

Our cash balance at the end of 2009 was $323.4 million including restricted cash of $140.8 million and our operating cash flow was $481.3 million for the full year. The available lines of credit at December 31, 2009 were approximately $3.1 billion. Our debt balance at December 31, 2009 was $4.6 billion and the average annual interest rate on our debt in 2009 was 2.5%. Our debt to equity ratio stood at 3.6 to 1 as of December 31, 2009. We completed several financings during 2009.

The table below provides information as of December 31, 2009 regarding our derivative financial instruments that are sensitive to changes in interest rates on our borrowing, including our interest rate caps and floors. The table presents the average notional amounts and weighted average interest rates which are contracted for the specified year. 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.

	2010	2011	2012	2013	2014	2015	Thereafter	Fair value
				(US Dollars in millions)				
Interest rate caps								
Average Notional amounts	$2,357	$2,014	$1,490	$1,061	$780	$585	$539	$44,865
Weighted average strike rate.................	4.03%	4.06%	4.59%	4.79%	4.85%	5.10%	5.11%	—

	2010	2011	2012	2013	2014	2015	Thereafter	Fair value
				(US Dollars in millions)				
Interest rate floors								
Notional amounts..................................	$166	$141	$107	$70	$45	$27	—	$(7,681)
Weighted average pay rate.....................	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	—	—

As of December 31, 2009, the interest rate caps and floors had notional amounts of $2.9 billion and a fair value of $44.9 million. As of December 31, 2009, the interest rate floors had notional amounts of $166 million and a fair value of ($7.7million). The variable benchmark interest rates associated with these instruments ranged from one to six—month LIBOR.

Personnel

We had 382 and 345 persons in employment as at December 31, 2008 and 2009, respectively. The decrease in numbers of employees between the periods is primarily the result of an employee workforce reduction and the deconsolidation of AerData. We expect that the number of personnel will remain relatively constant throughout 2010.

Financial outlook

The financial markets and access to capital remain uncertain and volatile. As a result, AerCap's 2010 financial outlook is less certain than in years past, particularly given the increasing stresses imposed by the global economic climate on the financial conditions of many of our business partners, competitors and contract counterparties. Notwithstanding the foregoing, set forth below are the anticipated drivers for AerCap's 2010 financial performance, which are subject to change, in light of the highly fluid market conditions. Purchase of aviation assets is expected to be approximately $3.6 billion, which includes the acquisition of the Genesis portfolio. The amount of lease revenue as a percent of total revenue is expected to be higher than 2009. The cost of debt in 2010 is expected to be higher than in 2009 due to the expected higher interest rates as compared to the extremely low interest rates of 2009. We expect our effective tax rate to be approximately 8%. Return on equity is expected to be similar to 2009.

Corporate Governance

As we are listed on the NYSE and are a Netherlands public limited company ("naamloze vennootschap or N.V.") 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 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 standard in corporate governance and ethic 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 requirements of applicable law and modern standards of corporate governance. We endeavour to ensure 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.

Corporate Governance related documents are available on our website, including our Articles of Association, the Board Rules, the Audit Committee Charter, the Nomination and Compensation Committee Rules, the Code of Conduct, the Whistleblower Procedure and our Insider Trading Rules.

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 including its Committees 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.

Our Board of Directors consists 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 internal rules Rules for the Board of Directors. 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 Board has appointed among its Non-Executive Directors the Chairman and the Vice-Chairman of the Board of Directors. The Chairman of our Board of Directors 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. The Vice-Chairman of the Board of Directors shall be charged with the Chairman's tasks, should the latter become permanently incapacitated or prevented from acting. 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
Directors			
Pieter Korteweg	68	The Netherlands	Non-Executive Chairman of the Board of Directors
Ronald J. Bolger	62	Ireland	Non-Executive Director, Vice Chairman
James N. Chapman	47	USA	Non-Executive Director
Klaus W. Heinemann	58	Germany	Executive Director, Chief Executive Officer
W. Brett Ingersoll	46	USA	Non-Executive Director
Marius J.L. Jonkhart	59	The Netherlands	Non-Executive Director
Gerald P. Strong	65	United Kingdom	Non-Executive Director
David J. Teitelbaum	38	USA	Non-Executive Director
Robert G. Warden	37	USA	Non-Executive Director

Pieter Korteweg. Mr. Korteweg has been a director of our company since September 20, 2005. He serves as Vice Chairman of Cerberus Global Investment Advisors,LLC, and Director of Cerberus entities in the Netherlands. In addition, he serves as Non-executive Member of the Board of Showa Jisho Co. Ltd (Tokyo), Member of the Supervisory Board of BawagPSK Bank (Vienna) and Non-executive Member of the Board of LucidaPlc. (London). He currently also serves as Member of the Supervisory Board of Mercedes Benz Nederland BV and as senior advisor to Anthos B.V. Mr. Korteweg previously served as Non-executive Member of the Board of Aozora Bank Ltd., (Tokyo), 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 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 our company since October 11, 2005. 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 Fine Grain Property Consortium. 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 our company since December 7, 2005. 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, an investment advisor based in Boston specializing in high yield investments, which he joined in January 2003. 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 American Media, Inc., Hayes-Lemmerez International, Inc., LNR Property Corporation, MXenrgy, Inc., Scottish Re Group Ltd. 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 our company since April 2003 and has over 25 years of experience in the aviation financing industry. Mr. Heinemann has been a director of our company since 2002. 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 our company since September 20, 2005. 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 IAP Worldwide Services, Inc., Talecris Bio Therapeutics, Inc., Entrecap LLC and Endura Care, LLC. Prior to joining Cerberus in 2002, Mr. Ingersoll was a Partner at JP Morgan 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 our company since October 11, 2005. He is currently also a member of the Supervisory Boards of BAWAG P.S.K. AG, Corus Nederland N.V., Orco Bank International N.V. and Staatsbosbeheer, and a non-executive director of Aozora Bank. Mr. Jonkhart is an advisor to Cerberus Global Investment Advisors, LLC. Mr Jonkhart is an independent consultant. He was previously the Chief Executive Officer of De Nationale Investerings Bank N.V.and the Chief Executive Officer of NOB Holding N.V. He also served as the director of monetary affairs of the Dutch Ministry of finance. In addition, he has been 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 Connexxion Holding N.V.,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 Partner of Cerberus UK Advisors running 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 Focus Ltd., Chairman of Torex Ltd 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 company since September 20, 2005. 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 our company since September 20, 2005. 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, Equable Ascent Financial, 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.

Board Meetings

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 can only pass resolutions if a quorum of four directors, comprising of at least the Chairman, or -in his absence- the Vice-Chairman, and the Executive Officer, participate in a 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, or -in his absence- the Vice-Chairman,. Resolutions of the Board of Directors may, instead of in a meeting, be passed in writing by a majority of the Directors in office.

In 2009, the Board of Directors met on twelve 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 annual reports and annual accounts for the financial year 2008, the investment by Waha in AerVenture, the acquisition of Genesis Lease Limited, the Company's hedging strategies, the long term financing of the AerVenture A320 FAM forward order, the credit crisis that started during 2008, the downturn of the world economy that followed and the risks and impact on the Company, the liquidity position, remaining funding requirements and alternatives for funding sources, review and discussion of reports from the various Board committees, strategic alternatives, the budget for 2010, remuneration and compensation, Board rotation schedule, governance and risk management and control, including compliance with the Sarbanes Oxley Act.

The Non-Executive Directors of the Board also met to perform a self-assessment of the Board's performance. It assessed its own functioning and that of its individual members and the outcome was that Board and its individual members functioned satisfactorily. The Board has decided to design 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 which has been 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 of the Board of Directors. The Director with such conflict of interests shall in such case provide the Chairman with all information relevant to the conflict. A director may not participate in the discussions and/or the decision making process on a transaction or subject in relation to which he or she has a conflict of interest with the Company. Resolutions to enter into such transactions must be approved by an absolute majority of the votes cast, excluding such interested director or directors. During the year, there were no conflicts of interests reported.

Appointment, suspension and dismissal

The Directors are appointed by the general meeting of 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. The Company does not apply provision IV.1.1 in so far it deals with the lifting of quorum requirements related to proposed Directors' dismissals, since this provision is written for general meetings with a high degree of absenteeism, whereas at shareholders' meetings of the Company absenteeism is relatively low.

All non-executive Directors were appointed in 2006 for an indefinite period. At the 2007 annual general meeting of shareholders, the general meeting of shareholders confirmed that the initial term of appointment of all our Directors was four years, ending on the day of our 2010 annual general meeting of shareholders, such in conformity with our articles of association. The Board of Directors has introduced a rotation schedule, which is available on the Company's website, in order to ensure that the terms of the Directors would not all end at the same time. For this purpose, at the 2008 annual general meeting of shareholders, the general meeting of shareholders has reappointed Mr. Pieter Korteweg and Mr. Ron Bolger as Directors and their renewed term of appointment will end on the day of our 2012 annual general meeting of shareholders. At the 2009 annual general meeting of shaeholders, the general meeting of shareholders has reappointed Mr. James Norris Chapman, Mr. Marius J.L. Jonkhart and Mr. David J. Teitelbaum as Directors and their renewed term of appointment will end on the day of our 2013 annual general meeting of shareholders.

Remuneration

The general policy for the remuneration of our Board of Directors is determined by the general meeting of shareholders upon proposal by our Nomination and Compensation Committee of the Board of Directors. This remuneration policy is posted on our website. The remuneration of Directors is determined by our Board of Directors in accordance with the general remuneration policy upon proposal by the Nomination and Compensation Committee. With regard to arrangements concerning remuneration in the form of 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 shares or share options that may be granted to Directors and the criteria that apply to the granting of the shares or share options or the alteration of such arrangements. It is noted that the shareholders have approved, on October 31, 2006, prior to the listing of the shares in our Company on the New York Stock Exchange, an incentive plan for that is designed to promote the Company's interests by granting remuneration in the form of, amongst others, share or share options to directors, employees, consultants and advisors with a view to align their interests with the Company's (the "AerCap Holdings N.V. Equity Incentive Plan"). So far, no equity grants have been made to Directors under this plan.

The revised Dutch Corporate Governance Code, effective as of January 1, 2009, contains specific principles and best practice provisions with respect to Directors' remuneration and the disclosure thereof. Some of the new remuneration related provisions are not applied due to pre-existing contractual arrangements. As regards disclosure, we believe that our way of disclosing Directors' remuneration in this report is clear, transparent and in line with the intention and spirit of the Dutch Corporate Governance Code, taking into account the Company's governance structure, a one-tier Board with only one Executive Director and the remaining members being Non-Executive Directors.

For information regarding the remuneration of our Directors, reference is made to the remuneration policy as referred to above (available on our website), the Remuneration Report 2009 included in this Annual Report and Note 28 ''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 arrangement is a legacy of an arrangement previously entered into by one of our predecessors, AerCap B.V., which is now one of our subsidiary companies, and continues to be part of the current arrangement with our Executive Director.

Some of our Non-Executive Directors and our Executive Director have, prior to the listing of the shares in our Company on the New York Stock Exchange, received from one large (indirect) shareholder of the Company options to acquire shares in the capital of that (indirect) shareholder. In 2008 these options have been exchanged for options to purchase from a subsidiary of that (indirect) shareholder shares in our Company. Note that these options were not granted by the Company.

Independence

In 2009 our Board of Directors has assessed its independence under the independence definition of III.2.2 of the Code and it has determined that these independence criteria are met.

Committees of the Board of Directors

In order to more efficiently fulfill its role, and in compliance with the Dutch Corporate Governance Code, the Board has created committees including: 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. For efficiency reasons, including the fact that we have only one Executive Director, we have combined the functions of the compensation committee with those of the nomination committee into one Nomination and Compensation Committee. 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 our 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 Exchange Act of 1934, as amended, as well as under The Netherlands Corporate Governance Code. The current members of our Audit Committee are Ron Bolger (in the Chair), Marius Jonkhart and James Chapman.

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 twelve times during 2009 in regular meetings. 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 2009, and the activities and results in respect of our continued Sarbanes Oxley compliance, the results of the Company's operations during the year and the outlook for future periods and the independent auditor's audit plan for 2009.

Our Nomination and Compensation Committee selects and recruits candidates for the positions of the Chief Executive Officer, Non-Executive Director and Chairman of the Board of Directors and makes recommendations in respect of their remuneration, bonuses and other terms of employment. In addition the Nomination and Compensation Committee 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 Pieter Korteweg (in the Chair), Brett Ingersoll and Marius Jonkhart.

Our Nomination and Compensation Committee met three times during 2009. During such meetings it discussed and approved occurrences and developments under the Company's bonus and incentive plans, salaries and bonuses of members of the Group Executive Committee, certain changes with respect to certain Executive Officers, the granting of options and other compensation to certain Executive Officers, all within the limits of our remuneration policy. In line with the Dutch Corporate Governance Code, the Company has included the 2009 remuneration report in this Annual Report.

Profile of the Board

Our Board of Directors maintains a profile of the Non-Executive Directors containing guidance and requirements with respect to composition of the Board and competences and experience of its non-executive members. The profile is available on the website of the Company. In 2009 the Board has carried out an assessment on the basis of which it has determined that the requirements of the profile of the Non-Executive Directors continue to be met. In addition, any Non-Executive Director's (re)appointment to the Board shall be based on consistency with the profile.

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.

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 2009, we have further 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, 2009, 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, 2009, 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 Committee 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, 2009 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 2009 and no material weaknesses were detected; and
- there are no indications that the Company's internal controls over financial reporting will not operate effectively in 2010.

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.

Disclosure Controls and Procedures

The Disclosure Committee assists of our Chief Executive Officer and Chief Financial Officer in overseeing our financial and non-financial 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 along with various business reports. 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.

Code of Conduct and Whistleblower Procedure

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, if so wished on an anonymous basis, of alleged violations of the Code of Conduct, alleged irregularities of a financial nature by our employees, Directors or other stakeholders, alleged violations of our compliance procedures and other alleged irregularities without any fear of reprisal against the individual that reports the violation or irregularity.

Compliance Procedures

The Company has various procedures and programs in place to ensure compliance with relevant laws and regulations, including anti insider trading procedures, anti-bribery procedures, anti-fraud procedures and export control procedures. The Company's compliance officer is responsible for the design and effective operation of the compliance procedures and programs.

Corporate Social Responsibility

During 2009 the Board has discussed and reviewed the Company's corporate social responsibility (CSR) objectives and activities. Although it is acknowledged that the Company's aircraft and engines are generally used for high impact activities when it comes to the environment, we maintain a fleet of young and fuel efficient aircraft and engines that are relatively less pollutive in comparison with other, older aircraft and engines that use more fuel and produce higher noise levels. In addition the Board has discussed and reviewed the Company's activities and conduct as it relates to ethics, labor environment, citizenship and transparency and financial reporting.

External 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, in line with Dutch laws and regulationts, that when the responsible partner of the external audit firm has been in charge of the audit activities during a continuous period of five years without rotation, he will have a conflict of interest with the Company. The current responsible partner has been appointed in the year 2006 for the first time.

Internal Auditors

We have an internal audit function in place to provide assurance, to the Audit Committee and the Company's executive officers, with respect to the Company's key processes, to the extent not already covered by the external auditors and/or the Sox 404 auditors. The internal audit function independently and objectively carries out audit assignments in accordance with the annual internal audit plan, as approved by the Audit Committee. The head of the internal audit function reports, in line with professional standards of the Institute of Internal Auditors, to the Audit Committee (functional reporting line) and to our Chief Executive Officer (administrative reporting line). The work of the internal audit department is fully endorsed by the Audit Committee and the Company's executive officers and is considered a valuable part of the Company's system of control and risk management.

Ordinary Share Capital

As of December 31, 2009, we had 200,000,000 authorized ordinary shares, par value €0.01 per share, of which 85,036,957 were issued and outstanding.

Pursuant to our Articles of Association, our ordinary shares may only be held in registered form. All of our ordinary shares are registered in a register kept by us or on our behalf by our transfer agent. Transfer of registered shares requires a written deed of transfer and the acknowledgment by the Company. Our ordinary shares are freely transferable.

Issuance of Ordinary Shares

A general meeting of shareholders can approve the issuance of ordinary shares or rights to subscribe for ordinary shares, but only in response to a proposal for such issuance submitted by the Board of Directors specifying the price and further terms and conditions. In the alternative, the shareholders may designate to our Board of Directors' authority to approve the issuance and price of issue of ordinary shares. The delegation may be for any period of up to five years and must specify the maximum number of ordinary shares that may be issued.

At the Annual General Meeting held in 2008, pursuant to our Articles of Association, our shareholders delegated to our Board of Directors, for a period of five years, the power to issue and/or grant rights to subscribe for ordinary shares up to the maximum amount of our authorized share capital which, as of the date of this annual report was 200 million ordinary shares.

Preemptive Rights

Unless limited or excluded by our shareholders or Board of Directors as described below, holders of ordinary shares have a pro rata preemptive right to subscribe for any ordinary shares that we issue, except for ordinary shares issued for non-cash consideration or ordinary shares issued to our employees.

Shareholders may limit or exclude preemptive rights. Shareholders may also delegate the power to limit or exclude preemptive rights to our Board of Directors with respect to ordinary shares, the issuance of which has been authorized by our shareholders. At the Annual General Meeting held in 2008, pursuant to our Articles of Association, our shareholders delegated to our Board of Directors, for a period of five years, the power to limit or exclude preemptive rights.

Repurchase of Our Ordinary Shares

We may acquire our ordinary shares, subject to certain provisions of the laws of The Netherlands and of our Articles of Association, if the following conditions are met:

- a General Meeting of Shareholders has authorized our Board of Directors to acquire the ordinary shares, which authorization may be valid for no more than 18 months;

- our equity, after deduction of the price of acquisition, is not less than the sum of the paid-in and called-up portion of the share capital and the reserves that the laws of The Netherlands or our Articles of Association require us to maintain; and

- we would not hold after such purchase, or hold as pledgee, ordinary shares with an aggregate par value exceeding one-tenth of our issued share capital.

At the Annual General Meeting held in 2009, pursuant to our articles of association our shareholders authorized our Board of Directors to acquire ordinary shares, which authorization is valid for 18 months.

Annual General Meeting of Shareholders

A general meeting of shareholders is held each year to, amongst others, discuss the annual report and to adopt the annual accounts. Extraordinary meetings will be held as often as the Board of Directors deems desirable. Due to the fact that the Company is a Dutch company incorporated in The Netherlands with a listing at the NYSE, we must comply with both US and Dutch rules and regulations. We also strive to harmonize prevailing U.S. and Dutch practices, to the extent practically possible. With regard to the registration or record date for determining the shareholders who are entitled to vote at a shareholders meeting, the Dutch Corporate Governance Code stipultes 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, it is practice among publicly traded U.S. corporations 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. Our articles of association stipulate that the record date can be set up to 30 days prior to the meeting, the maximum allowed pursuant to the Dutch Civil Code, to harmonize to the extent possible the Dutch and U.S. corporate governance practices. Resolutions to amend our Articles of Association are valid if adopted by the General Meeting of Shareholders by a simple majority of the votes cast upon proposal by the Board of Directors.

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 November 16, 2006.

This remuneration report is applicable to members of our Board of Directors. The remuneration for our Non-Executive Directors consists of annual fees for membership on the Board of Directors, annual fees for membership or chair activities of the committees of the Board and attendance fees, as further specified in the remuneration policy. The remuneration of our sole Executive Director consists of base salary, annual incentive bonus, long-term incentives (restricted share or share option plans) pension and other arrangements. In addition, Directors' remuneration may include grants in the Company's equity, as the Directors participate in the Company's incentive plan for that is designed to promote the Company's interests by granting remuneration in the form of, amongst others, share or share options to directors, employees, consultants and advisors with a view to align their interests with the Company's (the "AerCap Holdings N.V. Equity Incentive Plan"), as approved by our shareholders on October 31, 2006, prior to the listing of the shares in our Company on the New York Stock Exchange. So far, no equity grants have been made to Directors under this plan. Reference is made to note 28 to the Consolidated Financial Statements for further details.

Non-Executive Directors

We currently pay each Non-Executive Director who is not affiliated with Cerberus an annual fee of EUR 75,000 and pay each of these directors an additional EUR 2,000 per meeting. We pay our Chairman of our Board of Directors EUR 150,000 per year. In addition, we pay the chairs of the Audit Committee and Nomination and Compensation Committee an annual fee of EUR 18,000 and each Committee member will receive an annual fee of EUR 6,000 and a fee of EUR 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 2009, we paid Mr. Heinemann, our only executive director, an annual base salary and we accrued for the payment of an annual discretionary bonus. 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 health insurance and a company car allowance. Mr. Heinemann's employment contract expires on the day following the 2011 annual general meeting of shareholders, scheduled to be held in May 2011. His employment contract includes a severance clause that grants him 18-months of base salary, benefits (based on 2008 amounts) and bonus (based on the average of his bonuses in the three years prior to 2008) payments in the event that he does not renew his employment is not renewed at expiration or is terminated without cause or in case of voluntarily leave for good reason (as such terms are defined in the employment agreement). As described below, Mr. Heinemann has been granted share options on our shares owned by one of our indirect shareholders.

Share Options

Funds and accounts affiliated with Cerberus Capital Management, L.P., which are significant indirect shareholders of AerCap (the "Cerberus Funds"), issued stock options to certain of our Non-Executive Directors and our Executive Director. For those options issued subject to vesting criteria, all such criteria were satisfied in connection with our initial public offering in 2006 and all options have been exercisable since that date. Any shares acquired through the exercise of such options, however, were subject to repurchase by the Cerberus Funds in certain circumstances through November 27, 2008. No options were exercised and therefore, the Cerberus Funds repurchase right was never exercised prior to November 27, 2008, when the repurchase right lapsed. In connection with exchange rights granted by the Cerberus Funds at the time of our initial public offering, all options in the Cerberus Funds held by our Non-Executive Directors and our Executive Directors have now been exchanged for options exercisable for AerCap shares directly which are held by the Cerberus Funds. All of the options referred to above expires on June 30, 2015.

Amsterdam, March 15, 2010

Pieter Korteweg

Ronald J. Bolger

James N. Chapman

Klaus W. Heinemann

W. Brett Ingersoll

Marius J.L. Jonkhart

Gerald P. Strong

David J. Teitelbaum

Robert G. Warden

AerCap Holdings N.V. and Subsidiaries

Consolidated Balance Sheets

As of December 31, 2008 and 2009

(After proposed profit appropriation)

	Note	As of December 31, 2008	As of December 31, 2009
		(US dollars in thousands except share and per share amounts)	
Assets			
Cash and cash equivalents		$193,563	$182,617
Restricted cash	3	113,397	140,746
Trade receivables, net of provisions of $11,983 and $3,392	4	43,649	48,070
Flight equipment held for operating leases, net	5	4,168,972	5,366,071
Net investment in direct finance leases		30,571	37,128
Notes receivable, net of provisions, of nil and nil	6	7,766	7,825
Prepayments on flight equipment	7	448,945	527,666
Investments	8	18,678	21,031
Goodwill	9	3,917	3,599
Intangibles	9	49,673	31,399
Inventory	10	102,879	102,538
Derivative assets	11	19,352	44,866
Deferred income taxes	16	186,079	178,321
Other assets	12	80,264	65,327
Total Assets		$5,467,705	$6,757,204
Liabilities and Shareholders' Equity			
Accounts payable		$7,510	$11,832
Accrued expenses and other liabilities	13	104,750	80,399
Accrued maintenance liability		251,325	278,548
Lessee deposit liability		98,584	126,093
Debt	14	3,564,700	4,601,091
Provision for onerous contracts	15	33,306	22,363
Deferred revenue		34,922	33,011
Derivative liabilities	11	12,378	7,801
Negative goodwill	32	142,764	115,853
Commitments and contingencies	26	—	—
Total Liabilities		4,250,239	5,276,991
Minority interest, net of taxes	17	85,048	215,303
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		609,327	613,237
Accumulated retained earnings		522,392	650,974
Total Shareholders' Equity		1,132,418	1,264,910
Total Liabilities and Shareholders' Equity		$5,467,705	$6,757,204

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, 2008 and 2009

	Note	Year ended December 31, 2008	Year ended December 31, 2009
		(US dollars in thousands, except share and per share amounts)	
Revenues			
Lease revenue	20	$594,152	$647,327
Sales revenue		616,554	324,781
Management fee revenue		11,749	12,074
Interest revenue		8,265	3,082
Other revenue	13	4,181	5,703
Total Revenues		1,234,901	992,967
Expenses			
Depreciation	5	172,315	220,174
Asset impairment	23	18,789	42,074
Goodwill impairment and amortization	9	318	318
Cost of goods sold		516,886	251,737
Interest on debt	14	208,922	85,129
Operating lease-in costs	15	14,512	13,090
Leasing expenses		59,480	67,215
Provision for doubtful accounts receivable	4	3,746	963
Selling, general and administrative expenses (a)	21	128,268	116,201
Other expenses	22	—	2,965
Total Expenses		1,123,236	799,866
Income from operations before income taxes and minority interest		111,665	193,101
Provision for income taxes	16	14,877	(11,260)
Minority interest, net of taxes	17	10,883	(33,155)
Net Income		$137,425	$148,686
Basic and diluted earnings per share	24	$1.62	$1.75
Weighted average shares outstanding, basic and diluted		85,036,957	85,036,957

(a) Selling, general and administrative expenses include $7,538 ($6,371, net of tax) and $3,910 ($3,186, net of tax) of share-based compensation in the years ended December 31, 2008 and 2009, 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, 2008 and 2009

	Note	Year ended December 31, 2008	2009
		(US dollars in thousands)	
Net income	20	$137,425	$148,686
Adjustments to reconcile net income to net cash provided by operating activities:			
Minority interest	17	(10,883)	33,155
Depreciation	5	172,315	220,174
Asset impairment	23	18,789	42,074
Amortization of debt issuance costs	14	16,239	16,364
Amortization of intangibles	9	25,716	18,275
Goodwill impairment and amortization	9	318	318
Gain on discounted purchase of securitized bonds		(2,783)	—
Provision for doubtful notes and accounts receivable	4	3,746	1,364
Capitalized interest on pre-delivery payments	7	(2,098)	(1,106)
Gain on disposal of assets		(69,767)	(33,167)
Mark-to-market of non-hedged derivatives	11	51,646	(18,929)
Deferred taxes	16	(15,088)	9,594
Share-based compensation	21	6,858	3,910
Changes in assets and liabilities:			
Trade receivables and notes receivable, net	4	(5,208)	(6,686)
Inventories	10	(5,469)	35,238
Other assets and derivative assets	11,12	(48,581)	(7,236)
Accounts payable and accrued expenses, including accrued maintenance liability, lessee deposits	13	(24,090)	20,882
Deferred revenue		1,348	(1,613)
Net cash provided by operating activities		250,433	481,297
Purchase of flight equipment	5	(1,302,157)	(1,264,446)
Proceeds from sale/disposal of assets	5	487,475	153,481
Prepayments on flight equipment	7	(339,422)	(453,305)
Receipt of notes receivable in defeasance structures	6	44,157	—
Purchase of investments	8	(17,550)	—
Sale of investments	8	6,234	—
Purchase of intangibles	9	(21,410)	—
Movement in restricted cash	3	(18,325)	(27,349)
Net cash (used in) provided by investing activities		(1,160,998)	(1,591,619)
Issuance of debt	14	1,642,784	2,431,839
Repayment of debt	14	(742,258)	(1,414,456)
Debt issuance costs paid	14	(44,933)	(32,723)
Capital contributions from minority interests	17	5,000	111,700
Net cash provided by (used in) financing activities		860,593	1,096,360
Net increase (decrease) in cash and cash equivalents		(49,972)	(13,962)
Effect of exchange rate changes		1,799	3,016
Cash and cash equivalents at beginning of period		241,736	193,563
Cash and cash equivalents at end of period		$193,563	$182,617
Supplemental cash flow information:			
Interest paid	14	141,330	100,012
Taxes paid (refunded)		631	(3,446)

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

AerCap Holdings N.V. and Subsidiaries

Consolidated Statements of Shareholders' Equity

For the Years Ended December 31, 2008 and 2009

	Number of Shares	Share capital	Additional paid-in capital	Retained (loss) earnings	Total shareholders' equity
	(US dollars in thousands, except share amounts)				
Year ended December 31, 2008					
Balance at January 1, 2008	85,036,957	$699	$602,469	$384,967	$988,135
Share-based compensation	—	—	6,858	—	6,858
Net income for the period	—	—	—	137,425	137,425
Balance at December 31, 2008	85,036,957	$699	$609,327	$522,392	$1,132,418
Year ended December 31, 2009					
Balance at January 1, 2008	85,036,957	$699	$609,327	$522,392	$1,132,418
Default AerVenture partner (a)	—	—	—	25,078	25,078
Sale to new AerVenture partner (b)	—	—	—	(45,182)	(45,182)
Share-based compensation	—	—	3,910	—	3,910
Net income for the period	—	—	—	148,686	148,686
Balance at December 31, 2009	85,036,957	$699	$613,237	$650,974	$1,264,910

(a) In March 2009, LoadAir failed to make $80.0 million in required capital contributions to AerVenture Ltd, and as a result, LoadAir lost its voting rights and economic rights in AerVenture with the exception of certain rights to limited residual payments upon liquidation of AerVenture. As of March 31, 2009 AerVenture was a wholly owned subsidiary. The default of LoadAir increased AerCap Holdings N.V. Shareholders' Equity by $25,078, through the elimination of the related minority interest.

(b) In June 2009, we sold 50% of AerVenture to Waha Capital. The sale to Waha Capital decreased AerCap Holdings N.V.; Shareholders' Equity by $45,182, through the establishment of the related minority interest.

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 The Netherlands and have offices in Ireland, the United States, Singapore, China and the United Kingdom with a total of 345 employees, as of December 31, 2009.

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 or N.V.*") 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. Additionally, these consolidated financial statements are presented as if AerCap Holdings N.V. had been the acquiring entity of AerCap B.V. on June 30, 2005. On November 27, 2006, we completed an initial public offering of 6,800,000 of our common shares at $23 per share (Note 17) generating net proceeds of $143,017 which we used to repay debt.

Genesis Lease Limited, AerCap and AerCap International Bermuda Limited, a wholly-owned subsidiary of AerCap Holdings N.V., entered into an Agreement and Plan of Amalgamation dated as of September 17, 2009 (as amended, the "Amalgamation Agreement"), pursuant to which Genesis Lease Limited will amalgamate with AerCap International Bermuda Limited in an all share-for-share transaction (the "Amalgamation"). Under the terms of the Amalgamation Agreement, Genesis shareholders will receive one AerCap ordinary share for every Genesis common share they own. The transaction is subject to approval by Genesis shareholders and satisfaction of customary closing conditions. All regulatory approvals have been obtained and the registration statement was declared effective by the Securities and Exchange Commission ("SEC") on February 3, 2010. The Genesis shareholders are scheduled to vote on the Amalgamation on March 23, 2010. We expect to close the transaction on March 25, 2010.

Special purpose entities

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 had contracted with Airbus for the delivery of up to 70 A320 family aircraft, including five aircraft subject to reconfirmation rights, with the intent of leasing these aircraft to third parties. The joint venture agreement required us to make certain specified equity contributions and additional equity capital available to AerVenture depending on capital needs in the future. 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 continued to consolidate AerVenture in our accounts since its inception date. In March 2009, LoadAir failed to make $80.0 million in required capital contributions to AerVenture, and as a result, LoadAir lost its voting rights and economic rights in AerVenture. In addition, all of the directors appointed by LoadAir were automatically removed. In June 2009, the 50% investment of LoadAir was redeemed by AerVenture in conjunction with the sale of a 50% equity interest in AerVenture to a new joint venture partner, Waha Capital PJSC ("Waha Capital").

AerVenture also holds an equity and subordinated debt investments in ALS II. ALS II is a special purpose company for which AerVenture exercizes control and as such consolidates the accounts of ALS II in its accounts. We have determined that AerVenture, including ALSII, continues to be a special purpose entity for which we exercise control. As such, we continue to consolidate AerVenture in our accounts.

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

In May 2006, we signed a joint venture agreement with China Aviation Supplies Holding Company ("China Aviation") and affiliates of Crédit Agricole establishing AerDragon. AerDragon is 50% owned by China Aviation and 25% owned by each of us and Crédit Agricole. The joint venture owned nine aircraft at December 31, 2009, 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 provide certain aircraft and accounting related services to the joint venture. As of December 31, 2009, 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, 2009, our maximum exposure to losses incurred by AerDragon consists of the carrying amount of our equity investment, of $20.0 million, and the face value of the debt guaranteed, of $28.0 million, totaling $48.0 million.

In June 2008, AerCap Partners I Holding Limited, or AerCap Partners, a 50% joint venture entered into between us and Deucalion Aviation Funds, acquired a portfolio of 19 aircraft from TUI Travel. The aircraft acquired are leased back to TUI Travel for varying terms. The aircraft portfolio was financed through a $425.7 million senior debt facility and $125.6 million of subordinated debt consisting of $62.8 million from us and $62.8 million from our joint venture partner. Under certain circumstances and at certain times, if the joint venture cannot meet its obligations under the senior debt facility, and the joint venture partners do not make additional subordinated capital available to the joint venture, AerCap can be required to purchase the aircraft from the joint venture for a price equal to the outstanding senior debt facility balance plus certain expenses and taxes in connection with the purchase. We have also entered into agreements to provide management and marketing services to AerCap Partners. We have determined that AerCap Partners is a special purpose entity for which we exercise control. As such, we have consolidated AerCap Partners in our accounts.

Risks and uncertainties

Aircraft and engine leasing is a capital intensive business and we have significant capital requirements. In order to meet our commitments under our forward order contracts, we will need to (i) access committed debt facilities and/or; (ii) secure additional financing for pre-delivery payment obligations and/or (iii) use our existing available cash balances, cash generated from aircraft leasing and sales, and, if necessary, the proceeds from potential capital market transactions. There has been a significant decrease in the amount of capital available to finance the purchase of aviation assets, including pre-delivery payments on forward order commitments, which has made it more challenging and expensive for us to obtain new credit. In addition, for part of our funding sources, we have traditionally also relied on sales of aircraft to generate cash to fund our operations and committed capital expenditures. However, as a consequence of the current global recession and financial crisis and the corresponding decrease in capital available to finance the purchase price of aviation assets, we have experienced a decrease in demand and offer prices from third-party investors interested in buying our aircraft. If we cannot meet our obligations under our forward purchase commitment, 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 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. As a result of the global recession and financial crisis, passenger traffic has decreased in many aviation markets worldwide. The resulting strain on our lessees could cause them to default under their leases with us, which could negatively impact our cash flows and results of operations. Furthermore, 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 provision 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 subsidiaries, which are recognized as tax assets on our balance sheets. The recoverability of these assets is dependent upon the ability of the related 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 periodically perform reviews of the carrying values of our aircraft and customer receivables, inventory, 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 and related parties mentioned in Note 24 and Note 29 are considered to be related parties. Transactions between group companies are eliminated upon consolidation.

Note 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.

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 (except for group equity) 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.

The principles of valuation and determination of result remain unchanged compared to the prior year, except for:

Until 2008 we accounted for share based compensation in accordance with SFAS 123(R). In 2009, we have applied the new guideline RJ 275 to account for share based compensation. We are of the opinion that measumrement of share based compensation at fair value provides a true and fair view of our financial statements. For this reason, we have adopted RJ 275, which allows fair value measurement of share based compensation under Dutch GAAP as of January 2009. There are no effects recognized on equity and profit as the application of FAS 123(R) and RJ 275 result in the same outcome, for both years ended December 31, 2008 and 2009.

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, intangibles, goodwill, investments, trade and notes receivable, deferred tax assets and accruals and reserves. Management considers information available from professional appraisers, 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.

In the year ended December 31, 2009, we changed our estimates of useful lives and residual values of certain older aircraft which are designated for part-out during the next three years. The change in estimates is a result of the current market conditions that have negatively affected the useful lives and residual values for older fuel-inefficient aircraft. In the year ended December 31, 2009, an additional charge of $14.9 million was recorded as depreciation as a result of the change in estimate. The effect on net income from continuing operations was to reduce net income by $12.1 million, or $0.14 basic and diluted per share.

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. All group companies have the U.S. dollar as their functional currency, given the nature of the business.

Consolidation

The consolidation includes the financial information of AerCap Holdings N.V., its group companies and other entities in which it exercises control or whose central management it conducts. Group companies are entities in which AerCap Holdings N.V. exercises direct or indirect dominant control based on a shareholding of more than one half of the voting rights, or whose financial and operating policies it otherwise has the power to govern. Potential voting rights that can directly be exercised at the balance sheet date are also taken into account.

Group companies and other entities in which AerCap Holdings N.V. exercises control or whose central management it conducts are consolidated in full. Companies 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.

Since the income statement for 2009 of AerCap Holdings N.V. is included in the consolidated financial statements, an abridged income statement has been disclosed (in the company financial statements) in accordance with Section 402, Book 2, of the Netherlands Civil Code.

For a listing of the consolidated companies refer to note 29.

Cash and cash equivalents

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

Restricted cash

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

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 or term of the related lease. 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 recognized as an intangible lease premium which 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.

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 of approximately 60% of cost, if the intention is to keep the engine in the lease pool. 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 of approximately 54% of cost. 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.

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. We generally focus our impairment assessment on older aircraft as the cash flows supporting the carrying value of such older aircraft are more dependent upon current lease contracts, which leases are more sensitive to weaknesses in the global economic environment. We review and stress our key assumptions to reflect any observed weakness in the global economic environment. Further deterioration of the global economic environment and a further decrease of aircraft values might have a negative effect on the undiscounted cash flows of older aircraft and might triggering further impairments.

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 sales 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.

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 depreciable or amortisable assets acquired. In 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.

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

Inventory

Inventory, which consists primarily of engines parts, is valued at the lower of cost or market value. For purchases of individual parts and whole engines, the cost is the total cost paid to acquire an engine or aircraft as a whole and is then primarily determined using the specific identification method. For purchases of dismantled engines, aircraft and bulk inventory, cost is determined using a ratio calculated based on the relationship of the cost of the dismantled engine, aircraft or bulk inventory at the time of purchase to the total estimated sales value of the dismantled engine, aircraft or bulk inventory at the time of purchase. At the time of sale, this ratio is applied to the sale price of each individual part to determine its cost. We evaluate this ratio on a quarterly basis and if necessary we update sales estimates and make prospective adjustments to this ratio. Any inventory identified with an estimated sales value lower than the carrying value is reduced to the estimated sales 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.

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 receivables from aircraft manufacturers, prepayments, interest and other receivables and other tangible fixed assets. 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 a constructive actual obligation, and are capable, to clear the losses. As soon as the net asset value of the group company is positive again, profits are again allocated to the minority interest. Transactions between the AerCap and it's minority interests are eliminated. Gains and losses arising from acquisitions and disposals of minority interests are recognized through shareholder's equity.

Dividends

Dividend distributions to our shareholders are recognized as a liability in our financial statements in the period in which the dividends are approved by our shareholders. Dividend income is recognized 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.

Provision for onerous contracts—We make an provision 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.

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 a periodic payment of supplemental maintenance rent which is calculated with reference to the utilization of airframes, engines and other major life-limited components during the lease. Up to July 2008 we did not recognize such supplemental rent received as revenue, but as an accrued maintenance liability until the end of the lease, at which point the supplemental rents was recognized as lease revenue. From July 1, 2008 forward the Company changed the estimate of the amount of maintenance rent expected to be reimbursed to lessees. The change in estimate arose from the implementation of an improved model used to forecast future maintenance reimbursements. AerCap records as revenue all maintenance rent receipts not expected to be repaid to lessees. In these leases, upon lessee presentation of invoices evidencing the completion of qualifying maintenance on the aircraft or engine, we make a payment to the lessee to compensate for the cost of the maintenance, up to the maximum of the supplemental maintenance rental payments made with respect to the lease contract. In shorter-term lease contracts (primarily engine lease contracts) where the terms of the lease are designed specifically to allow us to directly manage the occurrence, timing and associated cost of qualifying maintenance work on the flight equipment, supplemental rents collected during the lease are recognized as lease revenue. For flight equipment subject to these shorter-term contracts, we record a charge to leasing expenses at the time maintenance work is performed on the flight equipment.

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

In addition, we may be obligated to make additional payments to the lessee for maintenance related expenses (lessor maintenance contributions or top-ups) primarily related to usage of major life-limited components occurring prior to the lease. 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

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

Debt

Term debt is initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, being the amount received taking account of any premium or discount, less transaction costs.

Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

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. Valuation techniques include using recent arm’s length market transactions between knowledgeable, willing parties, if available, reference to the current market value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models, making allowance for entity-specific inputs.

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 unrealized changes in fair value of derivative financial instruments that have not been designated as hedges. No hedge accounting is applied as of December 31, 2009.

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 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.

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.

Financial instruments and risk management

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 floors 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.

Under our interest rate caps and floors, we will receive or pay 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 ALS I'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.

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:

	2008	2009
Cash securing our obligations under ALS I debt	$33,244	$38,861
Cash securing our obligations under ALS II debt	6,032	11,925
Cash securing our obligations under AerFunding debt	41,987	44,447
Cash securing our obligations under Crédit Agricole debt	3,632	1,815

Cash securing our obligations under TUI debt	8,555	10,692
Cash securing our obligations under other debt	10,144	15,874
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)	6,837	6,837
Cash securing our obligations under derivative instruments	1,530	5,880
Other	1,436	4,415
	$113,397	$140,746

The cash securing our obligations under all our debt facilities is restricted and can only be used to pay for operating expenses incurred by the respective financing vehicle and to pay for interest and debt amortization of the respective debt. The majority of the restricted cash represents collections of these structures in the previous period, which will be paid as interest and debt amortization at the next payment date.

4. Trade receivables, net of provisions

Trade receivables consist of the following at December 31:

	2008	2009
Trade receivables	$55,632	$51,462
Allowance for doubtful accounts	(11,983)	(3,392)
	$43,649	$48,070

Trade receivables include amounts invoiced to lessees in respect of lease rentals and maintenance reserves. As of December 31, 2009, we did not have any trades receivables recorded in relation to lessee defaults.

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

	Year ended December 31,	
	2008	2009
Provision at beginning of period	$4,088	$11,983
(Recoveries) Expense for doubtful accounts receivable	3,746	963
Other(a)	4,149	(9,554)
Provision at the end of period	$11,983	$3,392

(a) Other includes direct write offs and cash accounting for certain trade receivables.

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,	
	2008	2009
Net book value at beginning of period	$3,258,494	$4,168,972
Additions	1,445,321	1,649,520
Depreciation	(167,352)	(227,782)
Impairment (See note 23)	(7,278)	(52,740)
Disposals	(330,367)	(130,488)
Transfers to direct finance leases/flight equipment held for sale	(11,834)	-
Transfer to inventory	(14,867)	(41,411)
Other(a)	(3,145)	-
Net book value at end of period	$4,168,972	$5,366,071
Accumulated depreciation/impairment at December 31, 2008 and 2009	$(364,599)	$(645,121)

(a) As discussed further in Note 15, we settled onerous contract provision at a discount of $3,145 in 2008. These discounts were applied to reduce the net book value of the related aircraft.

At December 31, 2009 we owned 180 aircraft, which we leased under operating leases to 56 lessees in 34 countries and we owned 85 engines, which we leased under operating leases to 34 lessees in 20 countries. The geographic concentrations of leasing revenues are set out in Note 20.

Prepayments on flight equipment (including related capitalized interest) $140,414 and $375,690 have been applied against the purchase of aircraft during the years ended December 31, 2008 and 2009, respectively.

The following table indicates our contractual commitments for the prepayment and purchase of flight equipment in the periods indicated as of December 31, 2009:

	2010	2011	2012	Thereafter
Capital expenditures	$1,409,981	$625,048	$435,676	$138,429
Pre-delivery payments	125,861	44,050	34,227	2,203
	$1,535,842	**$669,098**	**$469,903**	**$140,632**

Our current operating lease agreements expire over the next twelve years. The contracted minimum future lease payments receivable from lessees for equipment on non-cancelable operating leases at December 31, 2009 are as follows:

	Contracted minimum future lease receivables
2010	$ 593,627
2011	561,794
2012	484,664
2013	403,613
2014	320,960
Thereafter	849,251
	$3,213,909

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:

	2008	2009
Secured notes receivable	$6,439	$5,763
Notes receivable from lessee restructurings	1,327	2,062
	$7,766	$7,825

The minimum future receipts under notes receivable at December 31, 2009 are as follows:

	Minimum future notes receivable
2010	$3,306
2011	586
2012	3,468
2013	465
2014	—
Thereafter	—
	$7,825

7. Prepayments on flight equipment

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, including five aircraft subject to reconfirmation rights. ("2005 Forward Order"). During 2008 and the first two months of 2009, AerVenture notified Airbus that AerVenture will not take delivery of the five aircraft subject to reconfirmation rights. In 2009 AerVenture added four additional aircraft to it's forward order. As of December 31, 2009, 28 aircraft had been delivered, three aircraft were transferred to AerCap, six aircraft were sold and 32 aircraft remain to be delivered under the agreement. As of December 31, 2009, the 32 remaining aircraft consist of five A319 aircraft, 24 A320 aircraft and three A321 aircraft. The remaining 32 aircraft are scheduled to be delivered between 2010 through 2013. Included in the 32 aircraft are two delivery positions which have been sold to a third party. As discussed above, we consolidate the accounts of AerVenture.

In December 2006, we placed an order with Airbus to acquire 20 new A330-200 wide-body aircraft ("A330 Forward Order"). In May 2007, we added an additional ten A330-200 aircraft to this order. The original delivery schedule for the 30 A330-200 aircraft order included delivery of two aircraft in 2008, delivery of eight aircraft in 2009, ten in 2010, four in 2011 and six in 2012. In 2008 two A330 aircraft were delivered of which one was subsequently sold. In 2009 nine A330 aircraft were delivered and two additional A330 aircraft were added to the forward order. As of December 31, 2009, 21 of the aircraft remained to be delivered pursuant to the agreement. Included in the 21 aircraft are three forward order aircraft which have been sold to a third party.

In connection with the 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 $13,582 and $23,001 was capitalized with respect to these payments for the years ended December 31, 2008 and 2009, respectively. As described in Note 15, because the contracted purchase prices of 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 provision 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, 2008 and 2009:

	Year ended December 31, 2008	2009
Net book value at beginning of period	$247,839	$448,945
Prepayments made	327,938	431,410
Prepayments applied against the purchase of flight equipment	(140,414)	(375,690)
Interest capitalized	13,582	23,001
Net book value at end of period	$448,945	$527,666

8. Investments

Investments consist of the following at December 31:

	2008	2009
25% equity investment in unconsolidated joint venture (AerDragon)	$18,678	$19,986
49% equity investment in unconsolidated joint venture (AerData)	—	1,045
	$18,678	$21,031

Our equity investment in our unconsolidated joint ventures, AerDragon and AerData, are accounted for under the net asset value. During 2007, we sold two aircraft to our joint venture AerDragon. The gain relating to the sale of these aircraft has been credited to the investment in AerDragon in 2007. In 2008 we invested an additional $10,000 in our joint venture AerDragon. As of December 31, 2009 we still hold a 25% equity investment.

9. Intangible assets

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

	As of December 31, 2008		
	Gross	Accumulated amortization	Net
Lease premiums	$104,602	$(72,655)	$31,947
Customer relationships—parts	19,800	(4,534)	15,266
Customer relationships—engines	3,600	(2,183)	1,417
FAA certificate	1,100	(197)	903
Non-compete agreement	1,100	(960)	140
Net book value at end of period	$130,202	$(80,529)	$49,673

	As of December 31, 2009		
	Gross	Accumulated amortization	Net
Lease premiums	$104,602	$(88,173)	$16,429
Customer relationships—parts	19,800	(6,829)	12,971
Customer relationships—engines	3,600	(2,431)	1,169
FAA certificate	1,100	(270)	830
Non-compete agreement	1,100	(1,100)	—
Net book value at end of period	$130,202	$(98,803)	$31,399

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

	Year ending December 31, 2008	2009
Net carrying value at beginning of period	$55,530	$49,673
Purchases of intangible lease premiums	21,410	—
Amortization	(25,716)	(18,274)
Disposals	(1,551)	—
Net carrying value at end of period	$49,673	$31,399

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

	Amortization of intangible assets
2010	$10,449
2011	6,406
2012	4,713
2013	3,734
2014	2,942
Thereafter	3,155
	$31,399

The remaining weighted average amortization period for the amortizable intangible assets is 56 months. Please refer to Note 21 for the impairment analysis of intangible assets.

We recognized goodwill of $38,199 in the acquisition of AeroTurbine on April 26, 2006. As a result of the AeroTurbine 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 $1,166 during the year ended December 31, 2006, 2007, 2008 and 2009.

Goodwill is tested for impairment on an annual basis, and more frequently if indicators of potential impairment exist, such as a decline in company's stock price, using a fair-value based approach. The valuation for impairment is generally based on valuation models that incorporate internal projections of expected future cash flows and operating plans. The annual impairment tests are performed as of December 31, 2009.

AeroTurbine was tested for impairment due to adverse conditions in the aviation industry. Based on our outlook, the recoverable value of the AeroTurbine, as determined using the estimated present value of future cash flows, exceeded the recorded goodwill of $3,599.

10. Inventory

Following are the major classes of inventory at December 31,

	2008	2009
Engine and airframe parts	$69,966	$98,060
Work-in-process	13,218	2,323
Airframes	5,404	—
Engines	14,291	2,155
	$102,879	$102,538

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, floors, options and forward contracts.

As of December 31, 2009, we had interest rate caps and floors and several foreign currency forward contracts with combined notional amounts of $3.1 billion and a fair value of $37,065. 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 the income statement as an increase of interest expense as specified below:

	Year ended December 31, 2008	Year ended December 31, 2009
Change in fair value of derivatives	$(58,153)	$23,692

Some of our agreements with derivative counterparties require a two-way cash collateralization of derivative fair values. Cash 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 12 years.

12. Other assets

Other assets consist of the following at December 31:

	2008	2009
Other tangible fixed assets	$16,313	$11,242
Receivables from aircraft manufacturer	25,912	22,250
Prepaid expenses	7,428	7,532
Current tax receivable	5,356	—
Other receivables	25,255	24,303
	$80,264	$65,327

13. Accrued expenses and other liabilities

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

	2008	2009
Guarantee liability	$3,219	$2,342
Accrued expenses	57,851	52,265
Accrued interest	13,608	9,515
Lease deficiency	12,574	13,009
Deposits under forward sale agreements	17,498	3,268
	$104,750	$80,399

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, 2009, 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 2010 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.

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 49 months.

Deposits under forward sale agreements—In 2007, AerVenture. entered into an amendment under its Airbus contract pursuant to which delivery positions for seven aircraft under the contract were effectively transferred to a third party buyer. 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. As of December 31, 2009, five of the seven aircraft were delivered to the third-party buyer. The remaining two aircraft are scheduled to be delivered in February 2010.

14. Debt

Debt consists of the following as of December 31:

	2008	2009 (1)	Weighted average interest rate December 31, 2009 (2)	Maturity
Export credit facilities—A320 financings	$636,813	$537,733	0.59%	2020
Export credit facilities—A330 financings	—	642,908	2.83%	2022
Export credit facilities— AerVenture A320 financings	—	35,221	4.55%	2023
UBS revolving credit facility	477,277	343,196	2.00%	2014
A320 and A330 Pre-delivery payment facility	285,568	404,562	2.14%	2012
ALS I debt	1,120,516	973,513	0.49%	2032
ALS II debt	—	634,059	2.08%	2038
AeroTurbine revolving credit facility	194,188	311,497	1.75%	2012
Crédit Agricole Aircraft Acquisition facility	211,346	122,475	1.98%	2013
TUI Portfolio Acquisition facility	407,804	370,383	1.81%	2015
TUI Portfolio Subordinated debt	61,921	63,317	20.00%	2015
Engine Acquisition facility	53,300	52,762	1.98%	2013
Japanese operating lease financings	91,095	86,059	0.90%	2015
Commercial bank debt	124,358	132,426	2.97%	2019
Natixis Bond Facility	—	5,890	0.49%	2011
Debt issuance costs	(99,486)	(114,910)		
	$3,564,700	$4,601,091		

1. As of December 31, 2009, we remain in compliance with the respective financial covenants across the Company's various debt obligations.

2. 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.

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

	Debt maturing
2010	$883,452
2011	528,105
2012	897,048
2013	431,932
2014	690,354
Thereafter	1,285,110
	$4,716,001

ECA credit facilities – A320 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 the ECA. 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. In December 2008, the export credit facility was further amended to cover an additional one aircraft and the maximum amount of the facility remained unchanged. The terms of the lending commitment in the ECA Facility are such that the ECA 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 0.12% to 0.90%. We are obligated to repay principal on ECA loans over a 10 or 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, 2009, we had financed 18 aircraft under the ECA Facility. The net book value of aircraft pledged to the ECA under the ECA Facility and the previous ECA loans was $623,918 at December 31, 2009.

ECA credit facilities – A330 financings— In December 2008, we entered into a $1.41 billion export credit facility for the financing of up to 15 Airbus A330 aircraft. Funding under the facility is provided by commercial banks, but the repayment is guaranteed by the ECA. The margin over three-month LIBOR ranges from 0.35% to 0.80% for the first four export credit facilities. The interest rates for the remaining loans will be agreed on a rolling basis. We are obligated to repay principal on ECA loans over a 10 or 12-year term. The export credit facilities contain affirmative covenants customary for secured financings. The facilities also contain net worth financial covenants. In addition, loans under the 2008 export credit facilities contain change of control provisions that grant the lenders the right to prepayment of their loans in the event of a change of control, unless the lenders consent to the change of control.

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

At December 31, 2009, we had financed nine aircraft under the ECA Facility. The net book value of aircraft pledged to the ECA under the A330 ECA Facility was $741,077 at December 31, 2009.

ECA credit facilities – AerVenture A320 financings— In December 2008, we entered into a $846.0 million export credit facility for the financing of up to 20 Airbus A320 aircraft. Funding under the facility is provided by commercial banks, but the repayment is guaranteed by the ECA. The interest rate for the aircraft financed as of December 31, 2009, is 4.55%. We are obligated to repay principal on ECA loans over a 10 or 12-year term. The export credit facilities contain affirmative covenants customary for secured financings. The facilities also contain net worth financial covenants. In addition, loans under the 2009 export credit facilities contain change of control provisions that grant the lenders the right to prepayment of their loans in the event of a change of control, unless the lenders consent to the change of control.

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

At December 31, 2009, we had financed one aircraft under the ECA Facility.

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 and is a consolidated subsidiary. 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 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, 2009, we had financed 11 aircraft under the UBS revolving credit facility. The net book value of aircraft pledged to lenders under the credit facility was $418,894 at December 31, 2009.

JOL Financings—In 2004 we 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, 2009, we had financed three aircraft under JOL structures. The net book value of aircraft pledged to JOL financings was $79,450 at December 31, 2009.

A320 and A330 Pre-delivery Payment Facility— In January 2006, AerVenture signed a purchase agreement for the purchase of up to 70 aircraft from Airbus. As of December 31, 2009, there are 30 aircraft remaining to be delivered to AerVenture and are scheduled for delivery up to November 2013. 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 ten additional aircraft. As of December 31, 2009, 11 of the aircraft had been delivered and the remaining aircraft are scheduled to be delivered prior to the end of 2012. In connection with the scheduled delivery of these A320 and A330 aircraft, the following facilities have been entered into to finance a portion of these required payments to Airbus:

- AerVenture entered into a facility agreement in April 2008 with HSH Nordbank AG to finance a portion of the required pre-delivery payments to Airbus in an amount up to $269.2 million relating to 37 A320 family aircraft. As of December 31, 2009, there were 26 aircraft remaining to be delivered under this facility up to May 2011;

- AerCap Ireland entered into entered into a facility in April 2008 with a syndicate of banks, arranged by Citigroup Global Markets Limited to finance up to $68.4 million of the pre-delivery payments to Airbus relating to three A330 aircraft. As of December 31, 2009, there were two aircraft remaining to be delivered under this facility up to April 2010;

- AerCap Ireland entered into a facility in February 2009 with a European financial institution to finance the pre-delivery payments to Airbus in an amount up to $86.3 million relating to three A330 aircraft. As of December 31, 2009, all three aircraft were remaining to be delivered under this facility up to May 2010;

- In connection with the scheduled delivery of ten A330 aircraft between October 2009 and May 2012, AerCap Ireland Limited entered into a Euro facility in June 2009 with HSH Nordbank AG to finance up to the Euro equivalent of $221.2 million of the pre-delivery payments to Airbus. As of December 31, 2009, pre-delivery payments relating to five aircraft were financed in this facility;

- In connection with the scheduled delivery of one further A330 aircraft in September 2010, AerCap Ireland Limited entered into a US dollar facility in March 2009 with HSH Nordbank AG to finance up to $20.1 million of the pre-delivery payments to Airbus. As of December 31, 2009, pre-delivery payments relating to one aircraft was financed in this facility;

- In connection with the scheduled delivery of four A330 aircraft during 2010 and 2011, AerCap Ireland Limited entered into two facilities in November 2009 with China Development Bank Corporation to finance and refinance up to $86.1 million of the pre-delivery payments made or to be made to Airbus. As of December 31, 2009, pre-delivery payments relating to four aircraft were financed in this facility.

Borrowings under each of the facilities bear floating rate interest and margins as set out in the table below. The aggregate principal amount of the loans outstanding under the Pre-delivery payment facilities was $404.6 million as of December 31, 2009.

	Number of aircraft	Amount outstanding at December 31, 2009	Interest rates
		(US dollars in thousands)	
AerVenture A320 HSH Nordbank AG Facility	26	$173,564	One month LIBOR plus 1.20%
AerCap Ireland A330 Citigroup Facility	2	45,629	One month LIBOR plus 1.00%
AerCap Ireland A330 European financial institution facility	3	83,459	One month LIBOR plus 1.20%
AerCap Ireland A330 US Dollar facility	1	15,131	One month LIBOR plus 4.00%
AerCap Ireland A330 Euro facility	5	30,797	One month EURIBOR plus 5.50%
AerCap Ireland A330 China Development Bank Facility	4	55,982	Three month LIBOR plus 3.30%
Total		**$404,562**	

Borrowings under each of the pre-delivery payment facilities may be prepaid (subject to minimum payment and notice provisions) without penalty, except for break funding costs if payment is made on a day other than an interest payment date. The maturity date of the each Pre-delivery payment facility will be the earlier of (a) the delivery date for the final aircraft to be delivered and (b) the Maturity Date. Borrowings under the pre-delivery payment facilities are secured by, among other things, the partial assignment of the airframe and engine purchase agreements in respect of the A320 and A330 aircraft covered by each facility, including the right to take delivery of the aircraft where the lenders have provided the pre-delivery payments and the aircraft remains undelivered. The facilities contain customary covenants for secured pre-delivery payment financings.

In connection with the Euro facility entered into with HSH Nordbank AG, the continued availability of this financing under the Facility Agreement dated June 30, 2009, between AerCap as Borrower and HSH as Lender, Agent and Security Trustee was contractually conditioned on AerCap Ireland Limited or an affiliate acquiring one Boeing 747-400 ERF aircraft or another solution acceptable to HSH on or before March 31, 2010. Under this agreement, the failure to make such a purchase or reach another acceptable solution, accelerates the final repayment date to May 31, 2010. AerCap did not and does not expect to purchase the aircraft. AerCap does not, however, expect to be obliged to repay all amounts outstanding on May 31, 2010. AerCap expects the repayment of the debt will follow the original anticipated repayment schedule which is at the time of each aircraft delivery.

ALS Securitisation I Debt—Aircraft Lease Securitisation Limited ("ALS I") is a special purpose company incorporated with limited liability in Jersey, Channel Islands, on August 10, 2005. The share capital of ALS I is owned 95.1% by Jersey charitable trusts and 4.9% by AerCap Ireland and is a consolidated subsidiary. ALS I 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 ALS I with the issuance of $1.66 billion of securitized notes in one class of AAA-rated class G-3 floating rate notes. The proceeds from the refinancing were used to redeem all outstanding ALS I debt, other than the most junior class of notes, to refinance the indebtedness that had been incurred to purchase 24 previously acquired aircraft, and to finance the purchase of four additional new aircraft, increasing ALS I's aircraft portfolio size to 70 aircraft. As a result of the refinancing, in 2007, we recorded additional interest expense of $27,402 related to the write-off of unamortized debt issuance costs. Since the refinancing, ALS I has sold 8 aircraft, resulting in an aircraft portfolio size of 62 aircraft at December 31, 2009.

The primary source of payments on the notes is lease payments on the aircraft owned by the subsidiaries of ALS I. We retained the most junior class of notes in the securitization, as a result of which we still consolidate ALS I's results in our financial statements. The net book value of the remaining 62 aircraft pledged as collateral for the securitization debt was $1,282,684 at December 31, 2009.

ALS I is bankruptcy-remote from us and the lenders to ALS I may only look to proceeds derived from the 62 ALS I aircraft for repayment. The indenture agreement, which governs the securitized notes, require that ALS I hold a designated amount of cash aside in restricted accounts for future cash flow requirements of ALS I. All cash held by ALS I is recorded as restricted cash on our balance sheets. The indenture also requires ALS I 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.

Aircraft Lease Securitisation II Debt—On June 26, 2008, we completed a securitization in which Aircraft Lease Securitisation II Limited ("ALS II") issued securitized class A-1 notes and class A-2 notes, rated A+ by Standard & Poor's and A1 by Moody's. The class A-1 notes each had an outstanding principal balance of zero, and were issued to commitment holders. The commitment holders have committed to advance funds, subject to certain conditions, up to an aggregate amount of $1 billion in connection with the purchase of aircraft by ALS II. The principal balance of the class A-1 notes will increase in an amount equal to the amount advanced by each commitment holder. Funded class A-1 notes may be exchanged for class A-2 notes subject to certain conditions. The aggregate principal balance of the class A-1 notes together with the class A-2 notes will not exceed $1 billion. The class A-1 notes are ranked pari passu with the class A-2 notes.

The advances made by the commitment holders will be applied to purchase 30 aircraft from AerVenture Leasing 1 Limited, a subsidiary of AerVenture Limited (our consolidated joint venture). The first aircraft delivery to ALS II occured in May 2009. The 30 aircraft are among the 70 aircraft being delivered by Airbus to AerVenture Limited between 2007 and 2011. The primary source of payments on the notes will be lease payments on the aircraft owned by subsidiaries of ALS II. The final maturity date of the notes will be June 26, 2032.

The notes are secured by security interests in and pledges or assignments of equity ownership and beneficial interests in the subsidiaries of ALS II as well as by ALS II's subsidiaries' interests in leases of the aircraft they own, by cash held by or for them and by their rights under agreements with the service providers. Rentals and reserves paid under leases of the ALS II aircraft will be placed in a collection account and paid out according to a priority of payments.

At December 31, 2009 22 aircraft were financed in ALS II. The net book value of the 22 aircraft pledged as collateral for the securitization debt was $820,555 at December 31, 2009.

AeroTurbine Revolving Loan Facility—In connection with the prepayment of the existing senior and subordinated debt with Crédit Agricole 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 $590,772 at December 31, 2009 are pledged as collateral for the revolving loan facility.

Crédit Agricole Aircraft 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 Crédit Agricole 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 Crédit Agricole and certain other 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 appraised 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, 2009, we had financed 19 aircraft under the original loan facility. The net book value of the aircraft pledged to lenders under the loan facility was $185,177 at December 31, 2009.

TUI Portfolio Acquisition Facility—In June 2008, AerCap Partners I Holding Limited, or AerCap Partners, a 50% joint venture established between us and Deucalion Aviation Funds, entered into a sale and leaseback transaction pursuant to which it agreed to purchase 11 Boeing B737-800, six Boeing B757-200 and two Boeing B767-300 aircraft from the TUI Travel Group, or TUI, and lease the aircraft back to TUI. To finance the purchase of the 19 aircraft, a subsidiary of AerCap Partners entered into a senior facility in an amount of up to $448.6 million with Crédit Agricole, KfW IPEX-Bank GmbH, Deutsche Bank AG London Branch and HSH Nordbank AG which was arranged by Crédit Agricole and KfW IPEX-Bank GmbH. The senior facility is divided into two tranches, the first being used to finance the purchase of the 11 Boeing B737-800 aircraft and the second to finance the purchase of the other eight aircraft. AerCap Partners must repay the lenders for the amounts drawn on the senior facility in monthly installments starting on July 1, 2008 and the first day of each month thereafter (each a repayment date). The principal amount outstanding under the loan in relation to the first tranche must be repaid in full on April 1, 2015 and the principal amount outstanding under the loan in relation to the second tranche on April 1, 2012. The aggregate principal amount of the loans outstanding under the senior facility as of December 31, 2009 was $370.4 million. Following drawdown of the amounts in relation to the 19 aircraft, the remaining commitment under the facility was cancelled subsequent to June 30, 2008.

Borrowings under the first tranche of the senior facility bear interest at a floating interest rate of one month LIBOR plus a margin of 1.575% until April 1, 2013 and a margin of 1.75% thereafter. Borrowings under the second tranche of the senior facility bear interest at a floating interest rate of one month LIBOR plus a margin of 1.575% until April 1, 2010 and 2.00% thereafter. Interest under the senior facility is payable monthly in arrears on each repayment date. Borrowings under the AerCap Partners facilities may be prepaid without penalty, except for break funding costs if payment is made on a day other than a repayment date. The maturity date of the senior facility will be, in respect of the first tranche, April 1, 2015, and, in respect of the second tranche, April 1, 2012. If AerCap Partners 1 Limited is the owner of the aircraft on the relevant put option date relating to one of the 19 aircraft (April 1, 2015 in respect of the B737-800 aircraft and April 1, 2012 in respect of each other aircraft) and amounts under the facility remain outstanding with respect to that aircraft on that put option date, Crédit Agricole can require AerCap Holdings N.V. (i) to purchase that aircraft, (ii) to purchase that aircraft and the shares of the relevant lessor of that aircraft or (iii) to purchase the beneficial interest that AerCap Partners 1 Limited has in that aircraft. Crédit Agricole can, subject to certain provisions including cure rights of Deucalion Aviation Funds, also exercise the put option on an AerCap Holdings N.V. insolvency event.

Borrowings under the senior facility are secured by, among other things, charges over the shares in AerCap Partners, AerCap Partners I Holding Limited and Lantana Aircraft Leasing Limited, charges over various bank accounts, mortgages over the financed aircraft and security assignments of, inter alia, the lease agreements and letters of credit provided to AerCap Partners by Royal Bank of Scotland plc. The senior facility contains customary covenants for secured financings through special purpose companies. AerCap Partners also covenants in the senior facility (a) to provide loan-to-value ratio appraisals to the agent on agreed dates and (b) that the ratio of tranche 1 aircraft to all financed aircraft must be at least 43%. The net book value of aircraft pledged to lenders under the credit facility was $484,226 at December 31, 2009.

TUI Portfolio Subordinated Debt—On June 20, 2008, AerCap and our joint venture partner in the TUI portfolio acquisition each subscribed $62.8 million of 20% fixed rate subordinated loan notes, or subordinated loan notes, issued by AerCap Partners. The subordinated debt held by AerCap is eliminated in consolidation of the joint venture, AerCap Partners, a consolidated subsidiary. The subordinated loan notes are fully subordinated in all respects including in priority of payment to, amongst other debts of AerCap Partners, the senior facility. As is the case in respect of the senior facility, the obligation of AerCap Partners to make payments in respect of the subordinated loan notes is limited in recourse to certain amounts actually received by AerCap Partners.

Interest accrues on the subordinated loan notes at a rate of 20% per annum. Subject to certain exceptions, interest is payable quarterly in arrears on the tenth business day after March 31, June 30, September 30 and December 31. Where (i) the amount which, pursuant to the terms of the senior facility, is available to AerCap Partners to make payments in respect of, amongst other things, the subordinated loan notes is insufficient to meet the interest payments or (ii) the terms of the senior facility prohibit the payment in full of interest on the relevant payment date, then AerCap Partners must pay the maximum amount of interest that can properly be paid to the noteholder on the relevant interest payment date and the unpaid interest carries interest at a rate of 20% per annum until paid. Outstanding subordinated loan notes must be redeemed by the later of December 31, 2015 and the date falling six months after the later of the senior facility tranche 1 maturity date and the senior facility tranche 2 maturity date. Subject to certain conditions, including (while the senior facility security remains outstanding) the consent of the collateral trustee, AerCap Partners may at any time redeem all or any of the outstanding subordinated loan notes. The collateral granted in respect of the senior facility also secures the debt constituted by the subordinated loan notes. However, the rights of the holders of subordinated loan notes in respect of this security are subordinated to the rights of the senior facility lenders, amongst others.

AerCap Engine Leasing Limited Credit Agreement—On June 25, 2008, AerCap Engine Leasing Limited, a wholly owned subsidiary, entered into a credit agreement with Citibank, N.A. and certain other financial institutions to finance the acquisition of aircraft engines. Pursuant to this agreement, the total commitment of the credit agreement was $100.0 million. The borrowing period is two years from June 25, 2008 after which the loan converts to a term loan. The aggregate principal amount of the loans outstanding under AerCap Engine Leasing Limited was $52.8 million as of December 31, 2009. Under the Citibank credit agreement, AerCap Engines can borrow loans based on LIBOR plus 1.725% up to the total commitment. The maturity date of the Citibank credit agreement is June 25, 2010. AerCap Engine Leasing Limited has elected to extend the maturity date by an additional three years (the "Extension Term") to June 25, 2013, subject to certain conditions, including but not limited to AerCap Engine Leasing Limited posting cash collateral in an amount equal to 2.5% of the then aggregate outstanding principal amount of the loans. Borrowings under the Citibank credit agreement are secured by security interests in and pledges or assignments of all the shares and other ownership interests in AerCap Engine Leasing Limited and its subsidiaries, as well as by all assets of AerCap Engine Leasing Limited and its subsidiaries.

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 1.50%. 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, 2009, we had financed 5 aircraft under commercial bank financings. The net book value of the aircraft pledged to commercial bank financings was $166,885 at December 31, 2009.

At December 31, 2009, we had available collateralized credit facilities of $3.1 billion and an on-demand overdraft facility of $10 million, which were undrawn.

A total amount of capitalized interest of $13,582 and $23,001 reduced interest expense in respect of the prepayments on flight equipment (Note 7) for the years ended December 31, 2008 and 2009, respectively.

Amortization of debt issuance costs was $16,239 and 16,364 for the years ended December 31, 2008 and 2009 respectively. The unamortized debt issuance costs at December 31, 2009 amortize annually from 2010 through 2038.

15. Provision for onerous contracts

Provision for onerous contracts relates to the following item:

	2008	2009
Lease-in, lease-out transactions	$33,306	$22,363
	$33,306	$22,363

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

	2008	2009
Balance January 1,	$46,411	$33,306
Movements		
Release to operating lease-in costs	(9,960)	(10,943)
Release to flight equipment held for operating lease	(3,145)	-
	$33,306	$22,363

Lease-in, Lease-out transactions— At December 31, 2009, we leased-in four aircraft from two different lessors under operating head leases that mature between 2010 and 2013. At December 31, 2009, we had entered into sublease agreements with several different customers covering these same aircraft. For all four aircraft, the lease termination dates of the subleases are matched to the lease termination dates under the head leases. 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.

Following is a summary of the undiscounted contracted minimum lease payments under the respective head leases and subleases at December 31, 2009:

	Head lease payments	Sublease Receipts
2010	$21,767	$12,660
2011	21,026	12,660
2012	10,641	7,860
2013	—	555
Thereafter	—	—
	$53,434	$33,735

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.

In 2008 we purchased two aircraft, which were all previously subject to head leases, and terminated the related head leases. The purchase consideration represented a discount of $3,145 in 2008, to the carrying value of the related onerous contract provision. The amount of the discount has been applied to reduce the net book value of the related aircraft.

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, 2008	Year ended December 31, 2009
Deferred tax expense (benefit)		
The Netherlands	$(12,451)	$(12,095)
Ireland	7,113	20,711
United States of America	(10,121)	(982)
Sweden	370	171
Other	—	(47)
	(15,089)	7,758
Current tax expense (benefit)		
United States of America	212	3,502
The Netherlands	—	—
	212	3,502
Income tax expense (benefit)	$(14,877)	$11,260

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

	Year ended December 31, 2008	Year ended December 31, 2009
Income tax expense at statutory income tax rate(a)	$28,475	$49,241
Valuation allowance	—	14,746
Tax on global activities	(43,352)	(52,727)
	(43,352)	(37,981)
Actual income tax expense (benefit)	$(14,877)	$11,260

(a) The statutory income tax rate in the Netherlands was 25.5% for the years ended December 31, 2008 and December 31, 2009.

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, 2008 and 2009.

	December 31, 2008			
	The Netherlands	Ireland	U.S.	Sweden
Depreciation/Impairment	$(118,385)	$9,462	$27,512	$—
Share-based compensation	1,412	—	—	—
Inventory	—	—	(3,770)	—
Intangibles	(370)	—	6,666	—
Lessee receivables	—	—	(3,406)	—
Loss-making contracts	—	—	(9,122)	—
Interest expense	—	—	(8,808)	—
Accrued maintenance liability	1,826	7,278	(2,945)	—
Obligations under capital leases and debt obligations	—	(7,230)	—	—
Investments	—	(2,500)	—	—
Losses and credits forward	(19,931)	(44,030)	(8,925)	(8,224)
Other	(1,356)	(976)	(2,807)	—
Valuation allowance on tax assets	2,550	—	—	—
Net deferred tax (asset) liability	$(134,254)	$(37,996)	$(5,605)	$(8,224)

	December 31, 2009			
	The Netherlands	Ireland	U.S.	Sweden
Depreciation/Impairment	$(114,577)	$30,975	$25,548	$—
Share-based compensation	651	—	(1,041)	—
Inventory	—	—	(3,106)	—
Intangibles	—	—	5,532	—
Lessee receivables	—	—	(1,001)	—
Loss-making contracts	—	—	(3,958)	—
Interest expense	—	—	(8,843)	—
Accrued maintenance liability	(4,172)	5,303	(2,705)	—
Obligations under capital leases and debt obligations	—	(6,869)	—	—
Investments	—	(2,500)	—	—
Losses and credits forward	(42,049)	(44,070)	(14,813)	(7,745)
Other	(3,498)	(124)	(2,555)	—
Valuation allowance on tax assets	17,296	—	—	—
Net deferred tax (asset) liability	$(146,349)	$(17,285)	$(6,942)	$(7,745)

The change in the valuation allowance for the deferred tax asset has been as follows:

	Year ended December 31,	
	2008	2009
Valuation allowance at beginning of period	$2,550	$2,550
Increase of allowance to income tax provision	—	14,746
Valuation allowance at end of period	$2,550	$17,296

We did not have any unrecognized tax benefits at December 31, 2008 and 2009.

Our primary tax jurisdictions are the Netherlands, United States, Ireland and Sweden. Our tax returns in The Netherlands are open for examination from 2006 forward, in Ireland from 2005 forward, in Sweden from 2004 forward and in the United States from 2006 forward. None of our tax returns are currently subject to examination.

Our policy is that we recognize accrued interest on the underpayment of income taxes as a component of interest expense and penalties associated with tax liabilities as a component of income tax expense. During 2009, we did not incur any interest on tax payments. There was no accrued interest or accrued penalties on tax payments at either January 1, 2009 or December 31, 2009.

The Netherlands

The majority of our Netherlands subsidiaries are part of a single Netherlands fiscal unity and are included in a consolidated tax filing. The losses and credits forward expire in nine years. 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 carryforward at December 31, 2009 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 charge 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, 2009.

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. The losses and credits forward expire with time. 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 U.S. group is 37.3% for the year ended December 31, 2009.

Sweden

The Swedish entities have significant losses carryforward at December 31, 2009, which give rise to deferred tax assets. The availability of these losses does not expire with time. Accordingly, no Swedish current 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, 2009.

17. Minority interest, net of tax

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

	2008	2009
Balance January 1,	$98,812	$85,048
Movements		
Capital contributions from minority interests	5,000	47,600
Default AerVenture partner (a)	—	(25,078)

Sale to new AerVenture partner (b)	—	74,578
Minority interest income (loss) for the year	(10,883)	33,155
Purchase of minority interest	(7,881)	—
Balance December 31,	$85,048	$215,303

(a) In March 2009, LoadAir failed to make $80.0 million in required capital contributions to AerVenture, and as a result, LoadAir lost its voting rights and economic rights in AerVenture with the exception of certain rights to limited residual payments upon liquidation of AerVenture. As of March 31, 2009 AerVenture was a wholly owned subsidiary. The default of LoadAir increased AerCap Holdings N.V. Shareholders' Equity by $25,078, through the elimination of the related minority interest.

(b) In June 2009, we sold 50% of AerVenture to Waha Capital. The sale to Waha Capital decreased AerCap Holdings N.V. Shareholders' Equity by $45,182, through the establishment of the related minority interest.

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 27, 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.

On November 27, 2006, we completed the initial public offering of 26.1 million (including the above mentioned 6.8 million shares) of our ordinary shares on The New York Stock Exchange and on August 6, 2007 we completed the secondary offering of 20 million additional ordinary shares on The New York Stock Exchange.

As of December 31, 2009, 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.

19. Share-based compensation

Cerberus Funds Equity Grants

Effective June 30, 2005, companies controlled by Cerberus ("Cerberus Funds") which indirectly owned 100% of our equity interests put into place an Equity Incentive Plan ("Cerberus Funds Equity Plan") under which members of our senior management, Board of Directors and an employee of Cerberus (the "participants") were granted either restricted shares or share options ("Cerberus Funds Equity Grants") in such companies. The value of the Cerberus Funds Equity Grants is derived exclusively with reference to the value of our shares.

In addition to formal vesting restrictions, the terms of the Cerberus Funds Equity Grants contained provisions which allowed the Cerberus Funds 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 Cerberus Fund Equity Grants signed a Share Agreement in connection with our initial public offering which gives each of them the right to exchange their Cerberus Fund shares or share options for our shares or options on our shares directly with the Cerberus Funds and which limited the repurchase right of the Cerberus Funds to the period prior to November 27, 2008. The exchange right is exercisable as of November 27, 2008 and is valid for a period of three years from that date. As of November 27, 2008, the participants are no longer restricted from selling their vested interests in our shares and the Cerberus Funds' rights to repurchase restricted shares or shares obtained through the exercise of options upon certain employment termination rights has lapsed. All share options granted under the Cerberus Funds Equity Plan are exercisable for a period of ten years from the date of issuance.

Since all of the Cerberus Fund Equity Grants issued are shares or share options in the Cerberus Funds and since the right of the holders of the Cerberus Funds Equity Grants to exchange their shares in the Cerberus Funds for our shares starting November 27, 2008 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 with a zero strike price (all of which were issued prior to our initial public offering in 2006), 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 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. 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 restricted shares granted to the Cerberus employee are subject to mark-to-market valuations at each reporting period.

The amount of expense recognized with respect to share options with a strike price is based on the fair value of the option using a Black-Scholes option pricing model. The value of each of the Cerberus Funds 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.

A summary of activity during the years ended December 31, 2008 and 2009 for all issuances under the Cerberus Funds Equity Plan is set forth below. Because the number of shares and share options under the Cerberus Funds Equity Plan are shares and share options of the Cerberus Funds, ownership interests in the table below have been stated as the equivalent number of our shares which are represented by the Cerberus Funds shares.

	Number of Restricted Shares/Options
Beginning outstanding January 1, 2008	7,198,588
Exercises and exchanges of Cerberus Funds shares/options for direct holdings of AerCap shares	(4,741,490)
Ending outstanding December 31, 2008	2,457,098
Beginning outstanding January 1, 2009	2,457,098
Forfeitures	(245,738)
Ending outstanding December 31, 2009	2,211,360

Exercisable, December 31, 2009	2,211,360
Share-based compensation expense for the year ended December 31, 2009	$347

There are no remaining share options which are still subject to future vesting criteria.

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. To date we have granted 3,200,000 share options under the NV Equity Plan to certain of our employees. Note that so far no NV Equity Grants have been granted to Directors or other participants under the NV Equity Plan.

Following is a summary of issuances to-date under the NV Equity Plan:

	Number of Options	Weighted Average Exercise Price
Options outstanding at January 1, 2008	2,400,000	$24.63
Forfeitures	(312,500)	NA
Options issued during year	800,000	$4.46
Options outstanding at December 31, 2008	2,887,500	NA
Options outstanding at January 1, 2009	2,887,500	NA
Forfeitures	(312,500)	NA
Options outstanding at December 31, 2009	2,575,000	NA

The weighted average remaining contractual term of the 2.6 million options outstanding at December 31, 2009 is 8.1 years. The weighted average grant date fair value for options issued in 2007 is $7.19 per option and is $1.52 per option for options issued in 2008. Total stock-based compensation recognized for the above options was $3,284 and $3,563 for the years ending December 31, 2008 and 2009, respectively. In light of the difficult economic environment prevailing at the end of 2008, the Nomination and Compensation Committee adjusted the performance criteria for the performance tranches relating to fiscal years 2009, 2010 and 2011. This change has been accounted for as a modification to the NV Equity Plan with respect to the performance-based options for those years and the weighted average fair values above for issuances which include the tranches subject to the modification include the fair values as of the date of modification. For both the original and modified award, vesting criteria were not probable of being met at the time of the modification, therefore no additional expense was recognized as a result of the modification. 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 $3.6 million during 2010 and $2.7 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%-38.42%

Expected life	5.33-6.35 years
Risk-free interest rate	1.89%-4.20%
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 differing fair value dates among the different tranches (time-based vs. performance- based).

20. Segment information

Reportable Segments

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:

	Year ended December 31, 2008		
	Aircraft	**Engines and parts**	**Total**
Revenues from external customers	$1,048,485	$186,416	$1,234,901
Profit (loss)	139,935	(2,510)	137,425
Flight equipment held for operating lease	3,930,757	238,215	4,168,972
Assets	4,972,428	495,277	5,467,705
Liabilities	4,003,842	246,397	4,250,239
Investments in intangible fixed assets	31,947	17,726	49,673
Depreciation	158,842	13,473	172,315

	Year ended December 31, 2009		
	Aircraft	**Engines and parts**	**Total**
Revenues from external customers	$770,053	$222,914	$992,967
Profit (loss)	141,914	6,772	148,686
Flight equipment held for operating lease	5,087,041	279,030	5,366,071
Assets	6,258,919	498,285	6,757,204
Liabilities	4,917,394	359,597	5,276,991
Investments in intangible fixed assets	16,429	14,970	31,399
Depreciation	204,226	15,948	220,174

The following sets forth significant information from our reportable segments:

	2008	**2009**
Europe	42%	50%
Asia/Pacific	28%	25%
Latin America	10%	6%
North America and Caribbean	18%	14%
Africa/Middle East	2%	5%
	100%	100%

One lessee accounted for more than 10% of lease revenue in the year ended December 31, 2009. Sales revenue is comprised of 46% from our aircraft segment and 54% 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.

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 of December 31, 2008 and December 31, 2009:

	2008	2009
Europe	56%	55%
Asia/Pacific	23%	24%
Latin America	8%	5%
North America and Caribbean	11%	9%
Africa/Middle East	2%	7%
	100%	100%

21. Selling, general and administrative expenses

We had 382 and 345 persons in employment as at December 31, 2008 and 2009, respectively. Selling, general and administrative expenses include the following expenses:

	Year ended December 31,	
	2008	2009
Personnel expenses(a)	$65,573(a) (b)	$57,838(a)
Social securities	1,816	1,665
Pensions	2,989	2,726
Other personnel expenses	3,115	1,972
Travel expenses	9,059	7,090
Professional services	21,588	15,808
Office expenses	9,911	9,243
Directors expenses	3,473	3,382
Other expenses	10,744	16,477
	$128,268	$116,201

(a) Includes share-based compensation of $7,538 and $3,910 in the years ended December 31, 2008 and 2009, respectively

(b) Personnel expenses includes severance payments of $2.9 million

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

Location	December 31, 2008	December 31, 2009
Amsterdam, The Netherlands	87	74
Shannon, Ireland	44	50
Fort Lauderdale, FL	17	18
Miami, FL(1)	128	120
Goodyear, AZ(1)	83	46
Other (2)	23	37
Total	**382**	**345**

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

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

Audit fees

The following audit fees were expensed in the income statement in the reporting period:

	2008	2009
	(U.S. dollars in thousands)	
Audit of the financial statement	$2,586	$2,633
Other audit procedures	—	—
Tax services	—	—
Other non audit services	—	—
Total	**$2,586**	**$2,633**

The fees listed above relate only to the procedures applied to the Company and its consolidated group entities by accounting firms and external auditors as referred to in Section 1(1) of the Dutch Accounting Firms Oversight Act (Dutch acronym: Wta). The total audit fees include an amount of $1,219 and $1,485, charged by PricewaterhouseCoopers Accountants N.V., for the years ended December 31, 2008 and 2009, respectively.

22. Other expenses

Our other expenses of $3.0 million in the year ended December 31, 2009, reflect an accrual for the costs incurred by the Company in connection with the proposed all share Amalgamation between AerCap Holdings N.V. and Genesis Lease Limited.

23. Asset impairment

Asset impairment includes the following expenses:

	2008	2009
Flight equipment	$7,278	$42,074
Inventory parts	11,511	-
	$18,789	$42,074

Our long-lived assets, excluding goodwill, include: flight equipment, inventory and finite-lived intangible assets. We test long-lived assets for impairment whenever events or changes in circumstances indicate that the assets' carrying amount is not recoverable from its fair value.

As a result of the current economic environment, AerCap performed impairment analysis of its long-lived assets during the year 2009. Based on AerCap's estimate of fair value as of December 31, 2009, we recorded an impairment on our flight equipment of $42,074. Our impairment analysis did not reveal impairments on our finite-lived intangible assets.

Given the current macro economic environment and the uncertainties regarding the potential impact on the Company's business, there can be no assurance that the Company's estimates and assumptions regarding the duration of the ongoing economic downturn, or the period or strength of recovery, made for purposes of the long-lived asset impairment tests will prove to be accurate predictions of the future. A further deterioration in the global economic environment and a further decrease of appraised values will have a negative effect on fair values, which might then trigger further impairments on our assets.

24. 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. As disclosed in Note 18, there are 2.6 million share options outstanding under the NV Equity Plan, however the diluted earnings per common share is not different from the basic earnings per common share. 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, 2008	Year ended December 31, 2009
Net income for the computation of basic and diluted earnings per share	$137,425	$148,686
Weighted average common shares outstanding	85,036,957	85,036,957
Basic and diluted (loss) earnings per common share	$1.62	$1.75

25. Related party transactions

AerDragon consists of two joint venture 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 Holding Company, 25% by affiliates of Crédit Agricole 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 AerDragon's performance under the 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 $0.8 million as a guarantee fee and for these management services during 2009. We apply equity accounting for our 25% investment in both joint venture companies. Accordingly, the income statement effects of all transactions with either of the joint venture companies are eliminated in our financial statements.

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 in accordance with FIN 46 at that time. Subsequent to the deconsolidation of AerCo, we have received interest from AerCo on its D note investment of $1.7 million, $0.8 million, $1.7 million and $0.4 million for the six months ended June 30, 2005, the period from June 27, 2005 to December 31, 2005, the year ended December 31, 2006 and the year ended December 31, 2007, respectively. In addition, we provide a variety of management services to AerCo for which we received fees of $2.4 million, $2.4 million, $5.2 million, $4.8 million, $4.6 million and $4.6 million for the six months ended June 30, 2005, the period from June 27, 2005 to December 31, 2005, the years ended December 31, 2006, 2007, 2008 and 2009, respectively.

We have made payments to Cerberus and third parties on behalf of Cerberus totaling $1.2 million in 2005 and 2006. The payments to Cerberus represent reimbursement of consulting fees paid by Cerberus to individuals who have assisted us in the evaluation of portfolio or company purchases, including our AeroTurbine Acquisition. In addition, this amount also includes $0.2 million of reimbursements for consulting services incurred by Cerberus in connection with Cerberus's evaluation of the 2005 Acquisition. If we accept services from individuals employed by or contracted through Cerberus in the future, we will establish consulting agreements directly with such individuals instead of working with them through Cerberus. We expect these arrangements to reflect arms' length negotiations that will not be more favorable than the terms we could negotiate with an independent party. Payments to third parties on behalf of Cerberus consist of payments to advisors engaged by Cerberus in connection with the 2005 Acquisition.

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 and or were also on the board of directors of Aozora Bank. The guarantee supports certain of our obligations to a Japanese operating lessor of up to $13.8 million 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 $1.0 billion 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 $50.0 million of the Class A loans and up to $25.0 million 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, 2009, we had drawn and there remained outstanding $284.0 million of the class A loans and $59.2 million of the class B loans.

In 2008, we acquired one A320-200, two Boeing 737s, Boeing 757 and six MD80s from EntreCap, an entity controlled by Cerberus. The purchase price of these aircraft was approximately $67 million.

26. Commitments and contingencies

Property and other rental commitments

We have entered into property rental commitments with third parties also have lease arrangements with respect to company cars and office equipment. Minimum payments under the property rental agreements are as follows:

2010	$5,162
2011	4,617
2012	3,829
2013	2,933
2014	801
Thereafter	9,207
	$26,549

Legal proceedings

VASP litigation

We leased 13 aircraft and three spare engines to Viação Aērea de São Paulo, or VASP, a Brazilian airline. In 1992, VASP defaulted on its lease obligations and we commenced litigation against VASP to repossess our aircraft. In 1992, we obtained a preliminary injunction for the repossession and export of 13 aircraft and three spare engines from VASP. We repossessed and exported the aircraft and engines in 1992. VASP appealed this decision. In 1996, the High Court of the State of Sao Paulo ruled in favor of VASP on its appeal. We were instructed to return the aircraft and engines to VASP for lease under the terms of the original lease agreements. The High Court also granted VASP the right to seek damages in lieu of the return of the aircraft and engines. Since 1996 we have pursued this case in the Brazilian courts through various motions and appeals. On March 1, 2006, the Superior Court of Justice dismissed our most recent appeal and on April 5, 2006 a special panel of the Superior Court of Justice confirmed the Superior Court of Justice decision. On May 15, 2006 we appealed this decision to the Federal Supreme Court. In September 2009 the Federal Supreme Court of Justice presiding over the case ordered an opinion on our appeal from the office of the Attorney General. This opinion was provided in October 2009. The Attorney General recommends that the extraordinary appeal should be accepted for trial and that the case would be subjected to a new judgment, before the Superior Court of Justice. The Federal Supreme Court is not bound by the opinion of the Attorney General. However, our external legal counsel informed us that it would be normal practice to take this opinion into consideration. There are no assurances though whether the Federal Supreme court would rule in accordance with the Attorney General opinion or, if it did, what the outcome of the judgment of the Superior Court of Justice would be.

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

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

In addition to the claim in the English courts we have also commenced proceedings in the Irish courts against VASP based on the damages we incurred as a result of the default of VASP under nine lease obligations where the leases were governed by Irish law. The Irish courts have granted an order for service of process, however VASP is currently opposing this service of process in Brazil.

27. 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, 2008		December 31, 2009	
	Book value	**Fair value**	**Book value**	**Fair value**
Assets				
Notes receivable	$7,766	$7,766	$7,825	$7,825
Restricted cash	113,397	113,397	140,746	140,746
Derivative assets	19,352	19,352	44,866	44,866
Cash and cash equivalents	193,563	193,563	182,617	182,617
	$334,078	$334,078	$376,054	$376,054
Liabilities				
Debt	$3,564,700	$3,146,564	$4,601,091	$4,229,465
Derivative liabilities	12,378	12,378	7,801	7,801
Guarantees	3,219	3,219	2,342	2,342
	$3,580,297	$3,162,161	$4,611,234	$4,239,608

28. 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 2009 included in this Annual Report. The table below indicates the total remuneration paid to our non-executive directors during 2009:

	Directors fee (EUR)
P. Korteweg	198.0
J. Chapman	137.0
M. Jonkhart	147.0
R. Bolger	137.0

During 2009, we paid Mr. Heinemann, our only executive director, an annual base salary of EUR375.0 and we accrued for the payment of an annual bonus of EUR345.0. Mr. Heinemann's base salary for 2010 is set at EUR375.0 and his 2010 target bonus is EUR375.0. The Company made contributions to the defined benefit plan in 2009 for Mr. Heinemann of EUR89.7. In addition to the remuneration above, Mr. Heinemann received other employment benefits such as health insurance and a company car allowance which were not material to his total remuneration in 2009.

The table below includes a summary of Bermuda Parent shares and share options outstanding at December 31, 2008. The share numbers in the table represent the equivalent number of our shares into which the Bermuda Parent shares and share options are exercisable.

	Cerberus Fund Options(1)	**AerCap Holdings N.V. Options/Shares**	
	Ordinary shares underlying vested, but unexercised options(2)(3)	**Ordinary shares acquired through open market purchases**	**Fully Diluted Ownership Percentage (4)**
Directors:			
Ronald J. Bolger	27,734	—	*
James N. Chapman	55,300	2,000	*
Pieter Korteweg	55,469	—	*
W. Brett Ingersoll(5)	—	—	—

Klaus W. Heinemann(6)	1,409,926	35,000	1.7%
Marius J. L. Jonkhart	27,734	10,000	*
Gerald P. Strong(5)	—	—	—
David J. Teitelbaum(5)	—	—	—
Robert G. Warden(5)	—	—	—

* Less than 1.0%.

(1) Shareholdings reflect indirect beneficial ownership of AerCap Holdings N.V. held through ownership of restricted common shares or options issued by the Cerberus Funds to acquire common shares of the Cerberus Funds or common shares of AerCap Holdings N.V. owned by the Cerberus Funds on a fully-diluted basis, assuming the vesting and exercise of all outstanding share options.

(2) All options outstanding expire on June 30, 2015.

(3) The exercise price of options held by Mssrs. Heinemann is $0.00. The exercise price of all other options is equivalent to $7.00 per ordinary share.

(4) Percentage amount assumes the exercise by such persons of all options to acquire shares exercisable within 60 days and no exercise of options by any other person

(5) Mssrs. Ingersoll and Warden are each a Managing Director of Cerberus Capital Management, L.P. and Mr. Strong is a Partner and Mr.Teitelbaum is a Managing Director of an affiliate of Cerberus Capital Management, L.P.

(6) Mr. Heinemann is both a member of our Board of Directors and our Chief Executive Officer.

29. 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 AerVenture Holding 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 Dutch Aircraft Leasing IV B.V.
AerCap A330 Holdings B.V.
AerData B.V. (49%)
AerCap Leasing XIII B.V.
AerCap Leasing XIV B.V.
AerCap Leasing XVI B.V.
AerCap Leasing XVII B.V.

The Netherlands

AerCap Leasing XVIII B.V.
AMS AerCap B.V.
AerCap Leasing XXIX B.V.
AerCap Leasing XXX B.V.
AerCap Netherlands B.V.
AeroTurbine B.V.
Brazilian Aircraft Finance XIII B.V.
Brazilian Aircraft Finance XIV B.V.
Brazilian Aircraft Finance XV B.V
Clearstream Aircraft Leasing B.V.
Moonlight Aircraft Leasing B.V.
Stockholm Aircraft Finance III B.V.
Stockholm Aircraft finance IV B.V.

Ireland

AeroTurbine Ireland Limited
AerCap Celtavia 4 Limited
AerCap Celtavia 5 Limited
AerCap Celtavia 6 Limited
Air Tara Limited
AerCap Administrative Services Limited
AerCap Cash Manager Limited
AerCap Cash Manager II Limited
AerCap Financial Services (Ireland) Limited
AerCap Fokker Limited
AerCap Ireland Limited
Deasnic Aircraft Leasing Limited
Air Maple Limited
GPA Group Limited
GPA Aero Citra Limited
AerFi Group Limited
Irish Aerospace Limited
Irish Aerospace Leasing Limited
AerCap Jetprop Limited
Skyscape Limited

Ireland

Sunflower Aircraft Leasing Limited
Jasmine Aircraft Leasing Limited
Jasper Aircraft Leasing Limited
AerCap A330 Limited
AerCap Engine Leasing Limited
Rosso Aircraft Leasing Limited
Azzurro Aircraft Leasing Limited
Flotlease MSN 963 Limited
AerCap Partners I Holding Limited and Subsidiary 50%)
AerCap Note Purchaser Limited
Lishui Aircraft Leasing Limited
Berlin Aircraft Leasing Limited
Pirlo Aircraft Leasing Limited
Jade Aircraft Leasing Limited
AerVenture Limited (50%)
Bella Aircraft Leasing 1 Limited
AerDragon Aviation Partners Limited and Subsidiaries (25%)
AerCap A330 Holdings Limited
AerCap A330 Ireland Limited

Ireland

Surestream Aircraft Leasing Limited
Aureastream Aircraft Leasing Limited
Cometstream Aircraft Leasing Limited
Leostream Aircraft Leasing Limited
Geministream Aircraft Leasing Limited
Peony Aircraft Holdings Limited
Peony Aircraft Leasing Limited
Triple Eight Aircraft Holdings Limited
Triple Eight Aircraft Leasing Limited
Librastream Aircraft Leasing Limited
Piscesstream Aircraft Leasing Limited
Stellastream Aircraft Leasing Limited
Streamline Aircraft Leasing Limited
Virgostream Aircraft Leasing Limited
XLease MSN 3008 Limited
XLease MSN 3420 Limited
XLease MSN 4137 Limited

France

Lyon Location S.A.R.L
Lille Location S.A.R.L
Metz Location S.A.R.L.
Toulouse Location S.A.R.L.
Biarritz Location S.A.R.L.
Nice Location S.A.R.L.

UK

AerCap UK Limited

Norway

Asset Management A/S

Cayman Islands

AerCap HK-320-A Limited
AerCap HK-320-B Limited
AerCap HK-320-C Limited

Sweden

AerCap Sverige Aircraft Leasing AB
AerFi Sverige AB

Cyprus

Wahaflot leasing 3 Limited

Bermuda

AerCap (Bermuda) No.3 Limited
AerCap Holdings (Bermuda) Limited
LC Bermuda No. 2 Limited
LC Bermuda No. 2 L.P.
AerCap Bermuda A330 Limited
Flotlease 973 (Bermuda) Limited
AerFunding 1 Limited and subsidiaries (5%)
AerCap International Bermuda Limited
Copperstream Aircraft Leasing Limited
Goldstream Aircraft Leasing Limited
Novastream Aircraft Leasing Limited
Slipstream Aircraft Leasing Limited
Whitestream Aircraft Leasing Limited
Aircraft Lease Securitisation II Ltd. and subsidiaries
(5% owned by AerVenture Leasing 1 Ltd., a subsidiary of AerVenture Ltd.)

US

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 Holding (I.O.M.) Limited
Acorn Aviation Limited
Crescent Aviation Limited
Stallion Aviation Limited
AerCap Note Purchaser (IOM) 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, 2008 and 2009

		December 31,	
		2008	2009
		(US dollars in thousands except share and per share amounts)	
Assets	Note		
Cash and cash equivalents		$ 25,710	$13,553
Restricted cash		1,533	-
Investments	31	1,411,791	1,530,359
Other assets		1,988	2,601
Total Assets		$1,441,022	$1,546,513
Liabilities and Shareholders' Equity			
Accrued expenses and other liabilities		$4,109	$8,005
Payable to subsidiary		161,731	125,046
Debt		-	32,699
Negative goodwill	32	142,764	115,853
Total Liabilities		308,604	281,603
Ordinary share capital, €.01 par value (200,000,000 ordinary shares authorized, 78,236,957 and 85,036,957 ordinary shares issued and outstanding, respectively)		699	699
Additional paid-in capital		782,743	786,653
Accumulated retained earnings		348,976	477,558
Total Shareholders' Equity	33	1,132,418	1,264,910
Total Liabilities and Shareholders' Equity		$1,441,022	1,546,513

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

Company Financial Statements

AerCap Holdings N.V.

Condensed Income Statements

For Year Ended December 31, 2008 and the Year Ended December 31, 2009

	Note	Year ended December 31, 2008	Year ended December 31, 2009
Result from participation after taxation.	31	$117,032	$114,658
Other income and expenses after taxation		20,393	34,028
Net Income		$137,425	$148,686

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

30. Summary of significant accounting policies

General

The company financial statements have been prepared in accordance with the statutory provisions of Part 9, Book 2, of the Netherlands Civil Code and the firm pronouncements in the Guidelines for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board.

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 the AerCap Holdings N.V. is able to exercise control are stated in principle at net asset value. The net asset value of majority participating interests is determined in accordance with the principles underlying these consolidated financial statements.

31. Investments

The movement in investments can be summarized as follows:

	Total
Balance as at January 1, 2008	$ 1,225,074
Movements	
Share-based compensation	6,858
Investments in subsidiaries	62,827
Result of subsidiaries	117,032
Balance as at December 31, 2008	$1,411,791

	Total
Balance as at January 1, 2009	$ 1,411,791
Movements	
Share-based compensation	3,910
Investments in subsidiaries	-
Result of subsidiaries	114,658
Balance as at December 31, 2009	$1,530,359

32. Negative goodwill

The movement in negative goodwill can be summarized as follows:

	Total
Balance as at January 1, 2008	$ 181,878
Movements	
Release to the income statement	(39,114)
Balance as at December 31, 2008	$ 142,764

	Total
Balance as at January 1, 2009	$ 142,764
Movements	
Release to the income statement	(26,911)

Balance as at December 31, 2009	$ 115,853

33. 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 as at January 1, 2008	85,036,957	$ 699	$775,885	$ 211,551	$988,135
Share-based compensation			6,858		6,858
Net income for the period				137,425	137,425
Balance at December 31, 2008	85,036,957	$ 699	$782,743	$348,976	$1,132,418

	Number of shares	Share capital	Additional paid-in capital	Retained (loss) Earnings	Total shareholders' equity
Balance as at January 1, 2009	85,036,957	$ 699	$782,743	$ 348,976	$1,132,418
Share-based compensation			3,910		3,910
Default AerVenture partner (a)				25,078	25,078
Sale to new AerVenture partner (b)				(45,182)	(45,182)
Net income for the period				148,686	148,686
Balance at December 31, 2009	85,036,957	$ 699	$786,653	$477,558	$1,264,910

(a) In March 2009, LoadAir failed to make $80.0 million in required capital contributions to AerVenture Ltd, and as a result, LoadAir lost its voting rights and economic rights in AerVenture with the exception of certain rights to limited residual payments upon liquidation of AerVenture. As of March 31, 2009 AerVenture was a wholly owned subsidiary. The default of LoadAir increased AerCap Holdings N.V. Shareholders' Equity by $25,078, through the elimination of the related minority interest.

(b) In June 2009, we sold 50% of AerVenture to Waha Capital. The sale to Waha Capital decreased AerCap Holdings N.V. Shareholders' Equity by $45,182, through the establishment of the related minority interest.

34. Employees

AerCap Holdings N.V. had 15 employees at December 31, 2009 (2008: 19 employees). The disclosure on Directors' remuneration is included in note 28.

35. 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.

36. 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.

37. Other commitments

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

Amsterdam, March 15, 2010

Pieter Korteweg

Ronald J. Bolger

James N. Chapman

Klaus W. Heinemann

W. Brett Ingersoll

Marius J.L. Jonkhart

Gerald P. Strong

David J. Teitelbaum

Robert G. Warden

Other information

38. Subsequent events

No subsequent events have occurred as of March 15, 2010.

39. 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 2009 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, 2009, a gain of US$ 148.7 million, will be included in the retained earnings.

Auditor’s Report

Report on the financial statements

We have audited the accompanying financial statements 2009 of AerCap Holdings N.V., Amsterdam as set out on pages 20 to 67, which comprise the consolidated and company balance sheet as at December 31, 2009, 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 entity’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 entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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 December 31, 2009, 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 f 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, March 15, 2010
PricewaterhouseCoopers Accountants N.V.

dr. H.F.M. Gertsen RA