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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to AerCap's 2009 First Quarter Results Conference Call. For your information this conference is being recorded. Presentation accompanying today's call, as well as the earnings Press Release can be found on AerCap's website at www.aercap.com.

I would now like to hand the call over to one of your hosts of today's conference, Mr. Peter Wortel, Vice President of Investor Relations. Mr. Wortel, please go ahead.

Peter Wortel - *AerCap Holdings N.V. - IR Contact*

Thank you very much. Good day, everyone. Welcome to our first quarter 2009 conference call. With me to day are Klaus Heinemann, AerCap CEO and Keith Helming, CFO. As we are hosting this call from our Amsterdam Office today, we will not be holding a lunch presentation in New York, so I would like to mention that investors and analysts, who would like to follow up on this call, can contract me via phone or email to schedule a conference call.

Also, later this month on Tuesday, May 26 we will host an Investor and Analyst Day in New York at the Lexington Avenue W Hotel. If you would like to attend this day, information on how to register for this event can be found on our website under Investor Relations.

Before we begin, I would like to remind you that some statements made during this conference call that are not historical facts may be for forward-looking statements. Forward-looking statements involve risk and uncertainties that may cause actual results or events to differ materially from those expressed or implied in such statements.

In addition, this conference call contains time-sensitive information that reflect management's best judgment only as of the date of the live call. AerCap does not undertake any ongoing obligation, other than that imposed by law to publicly update or revise any forward-looking statements to reflect future events, information or circumstances that arise after this call.

Further information concerning issues that could materially affect performance related to forward-looking statements can be found in AerCap's earnings release dated May 7, 2009. A copy of the earnings release and conference call presentation are available on our website at www.aercap.com. This call is open to the public and is being webcast simultaneously at aercap.com and will be archived for replay.

I will now turn the call over to Klaus Heinemann.

Klaus Heinemann - *AerCap Holdings N.V. - CEO*

Thanks very much, Peter, and as you said we're from Amsterdam so from our side it's goedemorgen and not good morning and thank you for joining us for AerCap's 2009 first quarter earnings call. As you know, the operating environment for this first quarter was one of the most challenging we have seen since the global aviation industry slow down that followed both 9/11 and the outbreak of SARS at the earlier part of this decade.

We have witnessed an unprecedented set of circumstance where the effects of serious global recession have been caused and compounded by turmoil in the credit markets, the effect of which most of our clients and business partners have not been immune to it. We are, therefore, extremely pleased that in spite of this we're able to report that we closed the first quarter with a sound profit and, most importantly, with a new record increase in our leasing net spread, which as you know is the best means of measuring the performance of our lease portfolio of aircraft and air engines.

Furthermore, in terms of most recent trends I would like to point out that our business activity from late March onwards, both in terms of new leases and aircraft sales, has improved and we are increasingly confident that this new upward trend will continue for the remainder of 2009 based on contracts that have been agreed since the quarter end and ongoing sales activities, as we speak.

Much of this renewed level of interest is coming in the form of aircraft lease contracts for 2010 and beyond with letters of intent also signed for deliveries in 2011 and 2012. In other words, the airlines are clearly anticipating here a renewal of growth, as we come out of this year and go into the next decade.

But, difficult times are still ahead. Early signs are favorable and there are no signs that this most recent rebound in interest is receding, which is distinctly different to trends we saw in December and through the end of February of this year.

So far in 2009, we have not experienced any material defaults from our clients but we continue to monitor our most vulnerable clients very closely.

On the funding side we have shown time and again that AerCap is able to procure adequate funding, even in an environment such as this. The latest examples of this in the first quarter are facilities with two European financial institutions to finance the remaining pre-delivery payments in connection with the delivery of four A330 aircraft for a total of $106 million and also an European credit agency backed facility with a syndicate of commercial banks led by Calyon to finance up to 28 to 20 aircraft for a total of $846 million.

As a little aside here, I think also the more recent issues associated with our competitors, ILFC and Royal Bank of Scotland Aviation, who previously had the benefit of utilizing the strong fund raising capabilities of their parental side shows that as an important part of an operating-lease franchise is the ability to construct, even in times like this, a liability side that works for our business and AerCap very clearly has had that and continues to perform under that, as part of its core franchise.

In the first quarter 2009 AerCap executed lease agreements or letters of intent for eight new aircraft, delivered 13 aircraft and eight engines to lessees, purchased 10 aircraft and four engines and sold four engines. The number of aircraft in our owned and to be delivered portfolio is now 295.

We continue to make good progress with regard to the placement of our A320 and A334 with orders. Of the 100 aircraft in our forward order we have delivered by now 25. We have lease agreements for 39 and LOIs for 14. We have sold nine so there are only six aircraft that are left to be placed and I'm very confident that these placements will happen throughout the remainder of this quarter because the discussions that are going on are no longer discussions of "Would you kindly take the aircraft?" They are now discussions where we re-optimize the lease rentals, i.e. we're seeking among a number of opportunities those where the terms and conditions are most favorable to us. This is a very, very significant change of circumstance from what we've seen in the last few months.

As we reported now 20-F filing for 2008, our AerVenture joint venture partner was unable in March to make the required equity contribution due this year. Under the terms of the agreement our joint venture partner lost his voting and economic rights in AerVenture. Through our own cash reserves we were able to successfully bridge the shortfall that this caused. We are currently in discussions with interested parties who have approached us to replace our joint venture partner if that should be necessary and economically advantageous for our shareholders.

To conclude my introduction, our first quarter results reaffirms that we are in a shape under the current economic circumstance and our shareholders have the advantage of having invested in a Company with a strong balance sheet. Long-term contracted revenues and strong cash flows, a proven track record of raising funding, even in the most hostile environment, fast growing asset base that is contracted and largely consists of the most efficient and most modern aircraft available in today's market, the airbus A320 family, the Boeing 737 and G family and the A330's mid-size wide bodies.

We maintain and build on our solid global client base made up of low individual customer concentrations in our portfolio, so the ingredients are in place for AerCap and its shareholders to benefit from the upturn that we all anticipate to see kicking in later this year and accelerating from 2010 onwards.

With that, I would like to hand over to Keith to take you through the financial and operating performance.

Keith Helming - *AerCap Holdings N.V. - CFO*

Great thanks, Klaus. Good morning, everyone. I'll stick to the US version of the greeting. I'll take you through the highlights of our first quarter 2009 financial performance.

Our total net income in first quarter 2009 was $30 million. Our net income excluding non-cash charges relating to the mark-to-market variances rate caps and share-based compensation was $31.5 million in first quarter 2009.

The next chart outlines the key drivers and the change in net income in first quarter 2009 as compared to first quarter 2008. All the numbers you see on this chart are post-tax amounts. In first quarter 2009, the gain from the sale of assets was $7.7 million, a decrease of $22.3 million as compared to the same period in 2008.

During first quarter 2009 there were no aircraft sales. However, we did complete the sale of two A321 aircraft in April 2009. Also, in first quarter 2009 we incurred impairment charges of $6.8 million related to three older A320 aircraft. These impairment charges were expected and were triggered by the receipt of end-of-lease compensation and other related payments received from the lessees. I have a chart, which outlines the topic in more detail later in the presentation.

The impact in first quarter 2009 relating to the airline defaults, which occurred in 2008, was a negative $6.4 million. The net impact of all other items in first quarter 2009 resulted in $37 million of income, an increase of 24% over first quarter 2008.

Total earnings per share were $0.35 in first quarter 2009 including all items. Earnings per share were $0.37 during this period excluding the non-cash charges relating to the mark-to-market interest rate caps and share-based compensation.

Total revenue in first quarter 2009 was $209 million, down from $295 million in first quarter 2008. The decrease in total revenue was driven by lower sales revenue, as you can see. Basic rents increased to $142 million in first quarter 2009 up 12% over first quarter 2008.

The growth in our net spread in first quarter 2009 was 31% over first quarter 2008. As a reminder, net spread is a difference between basic lease rents and interest expense, excluding the non-cash charges relating to the mark-to-market of our interest rate caps.

Basic rate rents increased in first quarter 2009 versus the prior year, as mentioned, while interest expense, excluding the non-cash mark-to-market charge, decreased 29%. At the same time our debt balance increased 36%. This resulted in a net spread of $113 million in first quarter 2009 as compared to $86 million in first quarter 2008. The 31% growth in that spread compares favorably to the 26% growth in average lease assets over the same period resulting in an improvement in annualized margin of 50 basis points to 10.9%.

Total sale revenue in the first quarter 2009 was $42 million. As mentioned previously, there were no sales of aircraft during the first quarter 2009. Revenues relating to the sale of engines was $11 million and parts sales were $31 million in first quarter 2009, up 24% over the same period in 2008. Total gain from sales in first quarter 2009 was $8 million as compared to $32 million in first quarter 2008.

AerCap's leasing expenses and in SG&A for first quarter 2009 was $49.7 million as compared to $40.6 million in first quarter 2008. These amounts exclude the cost for share based compensation. Leasing expenses were much higher in first quarter 2009, as compared to the same period in 2008, and was driven primarily by costs relating to the airline defaults, which occurred in 2008 plus higher transition costs and higher lesser contributions from maintenance events. These higher costs, again, were the result of the timing of lease rollovers and maintenance events.

SG&A costs decreased 11% in first quarter 2009 as compared to the same period in 2008. SG&A expenses in first quarter 2009 included a $2.8 million charge, non-cash charge, relating to the mark-to-market of a currency hedge. Excluding this non-cash charge, SG&A would have been 20% lower in first quarter 2009, as compared to the same period in 2008.

As already mentioned, we incurred an impairment charge in first quarter 2009 relating to three older A320 aircraft. This chart outlines how the impairment calculation is performed. At December 31st, 2008, which is the column on the left, the future cash flows expected to be generated by these aircraft was $36.2 million. This amount included $7.2 million relating to the end of lease payments from lessees, which are required to bring the aircraft back to the condition, as contracted in our leases.

The net book value at of December 31st, 2008 was $32.9 million, which was $3.3 million below the expected future cash flows so the aircraft were not considered impaired based on US GAAP accounting rules. However, the receipt of these large payments during the first quarter 2009 triggered an impairment. As a result, the net book value decreased by $7.6 million during the first quarter of 2009, which consisted of normal depreciation charges of $0.4 million and an impairment of $7.2 million.

The impairment charge is effectively accelerated depreciation but was essentially offset by revenue generated by the receipt of the payments from the lessees. As you can see, the $25.3 million dollars net book value of the aircraft at March 31st, 2009 is still $3 million below the future cash flows expected to be generated by these aircrafts so net book value is again fairly stated after recording the impairment charge.

During first quarter 2009 we incurred a negative $8 million impact relating to airline defaults, which occurred in 2008. This was in the form of lower basic lease rents and higher leasing expense. In the remaining quarters in 2009 we expect a negative impact from airline defaults to approximate another $10 million.

Just as a reminder, the accounting specifics surrounding airline defaults works as follows; any security deposits we hold will be applied to past due rents, if any, which helps to partially offset the impact from lost lease rents during the transition period. In addition, any cash we still owe as a result of maintenance rent previously collected from the airline becomes our cash upon termination of the lease.

The accounting requirement is to record this amount as revenue upon lease termination. The cost related to this default, which typically occur in months following the default are required to be expensed when actually incurred.

Our blended tax rate for the quarter, first quarter 2009, was a charge of 5.2%. The tax rate for our aircraft assets with a charge of 2.3% and the tax rate was at a charge of 34.8% on our engines and parts asset. The positive tax rates, which occur in 2008, resulted because the most significant portion of the charges relating to airline defaults and inventory impairments occurred in the higher tax rate jurisdictions and the most significant portion of pre tax earnings occurred in the lower tax rate jurisdictions.

AerCap's total assets have grown 26% in first quarter 2009 as compared to first quarter 2008. Total assets on the balance sheet are $5.8 billion at the end of first quarter 2009. The number of aircraft in our portfolio is 295 including owned aircraft, managed aircraft and the aircraft on order, under contract or subject to LOI.

The decrease in units since the end of first quarter 2008 is largely driven by sales of older aircraft, including managed aircraft, and the expiration of five options from our forward order of aircraft. The number of engines owned or under contract was 78 at the end of first quarter 2009.

We completed $343 million of purchases of aviation assets in first quarter 2009, including the purchase of 10 aircraft. For full year 2009 we have nearly $1.0 billion of committed purchases of aviation assets. The number of aircraft purchases for full-year 2009 is expected to be 37, which relates to the forward order aircraft.

The net book value of our leasing assets, purchase price of our forward ordered aircraft is now $6.9 billion. This amount is still approximately $1.4 billion below current market values based on data provided by external appraisers as of March 31st, 2009. 95% of our portfolio consists of the A320 family aircraft, A330s, and 737 new gens. From this group of aircraft the difference in our net book value and price paid versus the appraiser values is 17% of the appraiser value.

For the rest of our portfolio, 3% is 757s, 767s and A300s and the percentage difference versus appraiser values is 15%. In addition, 2% of our portfolio value is 737 classics or MD80s and the percentage difference here versus the appraiser values is 11%.

The utilization rate was 97.8% for first quarter 2009, still at a very high level despite the more challenging environment. The yield generated by our aircraft lease portfolio was 15.6% for first quarter 2009. Part of the decrease versus full-year 2008 was a result of airline defaults plus a delivery of new aircraft, which initially have a lower yield.

The average lease term, the average term of new leases for new aircraft entered into during the first quarter 2009, inclusive of letters of intent, was 120 months. The average term entered into during first quarter 2009 for new leases on existing portfolio was 45 months. At the end of first quarter 2009 AerCap's debt balance was $4.1 billion and our debt to equity ratio was 3.6 to one. Our book equity amount is nearly $1.2 billion. The average cost of our debt in first quarter 2009 was 2.8% and was 260 basis points lower across our entire portfolio as compared to first quarter 2008. Again, this decreasing cost of funding is reflective of the lower interest rate environment and the use of interest rate caps for hedging purposes in past years.

We continue to be successful in raising capital, despite the tough environments Klaus mentioned. Some recent deals and the initiatives included the closing in first quarter 2009 of an $846 million funding arrangement utilizing European expert credit agency guarantees to finance 28 320 aircraft delivering in 2009 thru 2011. We also closed $106 million of financing for pre-delivery payments on four A330 aircraft in first quarter 2009.

In addition, we signed a term sheet in March 2009 with a bank partner that is expected to provide $75 million of additional liquidity to the financing of pre-delivery payments on 11 A330 aircraft and the refinancing of one aircraft in our existing fleet.

As mentioned, we sold two A320 aircraft in April 2009, which generated $11 million of additional unrestricted cash. AerCap's unrestricted cash balance at the end of the first quarter 2009 was $175 million. Our total cash balance, including restricted cash, was $320 million at the end of first quarter 2009. Operating cash flows were $111 million for first quarter 2009.

The remaining capital needs, including both the collateralized term debt and the cash portion needed for committed purchases, is approximately $3.2 billion for 2009 and 2010. Of this amount, over 95% is already committed or being accessed through the execution of current cash initiatives. The remaining amount of $140 million relates primarily to the latter part of 2010 and several sources are already being evaluated and pursued to generate this amount.

For the five-year period from 2009 to 2013 the remaining capital needs are approximately $4 billion of which just under $1 billion is yet to be accessed. Of this amount approximately $700 million relate to term debt needed for aircraft delivering in 2011 through 2013 and $140 million related to the cash requirements during those same periods.

With regard to our 2009 financial outlook, committed purchases of aviation assets for the full-year 2009 are $1.8 billion, as previously mentioned. The growth in basic lease rents is expected to increase 15% or more. We expect gains from this aircraft sales in 2009 to be 30% or more lower than 2008. The average cost of debt in 2009 is now expected to be approximately 3% or lower and the 2009 blended tax rate is expected to be approximately 6%.

Return on equity for the full-year 2009 is still expected to be around 15% lower than in previous years, primarily as a result of lower gain on sales and the impact of airline defaults.

Those are the financial highlights for the first quarter 2009, so I will turn it back over to Klaus.

Klaus Heinemann - *AerCap Holdings N.V. - CEO*

Thanks very much, Keith. As I said I think a very respectable set of results showing that our franchise is working in all aspects on the asset and liability side. We are optimistic on the market starting to turn. The sweet spot for lessors is typically the early part of the recovery, where airlines rebuilding capacity that they've previously cut typically lean on operating lessors to do that before the manufacturers are able to crank up their production capacity. So the sweet spot for the lessors is typically at the early part of the recovery and we anticipate to a parts taken that was all our ability and, as you can see, the growth of revenue, the growth of earnings that we anticipate moving forward is contracted, is funded and will be strong. So we are optimistic as far as the future is concerned.

Just one last remark for those of you and I happen to be one of them, who believe that the extreme monetary easing that we've seen over the last few months will eventually lead to some form of increased inflation. Aircraft historically have correlated extremely well to inflation and, therefore, we believe that investments in modern aircraft are superb inflation hedge if one believes that increased average inflation might be a result of the monetary easing that we are monitoring at this moment.

So, with that, I would like to open to the Q and A session.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). We will now take our first question from Mr. Andrew Light of Citi.

Andrew Light - *Citigroup - Analyst*

Klaus, when you say there's been a pick up in activity regarding aircraft sales and lease rates, approximately at what percentage discount would you say that is at compared to say last year? Can you quantify it in some way?

Klaus Heinemann - *AerCap Holdings N.V. - CEO*

If I look at the lower interest cost I don't see for brand new equipment any discount at all. For older equipment the discount is depending on the equipment in the neighborhood of 10% to 20% but on the core of our new placement activity, as you can see from the forward order chart that took place over the last few weeks since we published the first quarter activity report, post adjustment for lower interest rates, we don't see any decline of margin at all.

Andrew Light - *Citigroup - Analyst*

And would that apply -- so that applies to both lease rates and aircraft values would you say more or less?

Klaus Heinemann - *AerCap Holdings N.V. - CEO*

Yes.

Klaus Heinemann - *AerCap Holdings N.V. - CEO*

And again, please don't misunderstand that, Andrew. That is not the case for older aircraft. What I am talking about are brand new aircraft, in particular the narrow bodies and the small to mid-sized wide bodies that come from the production line.

Andrew Light - *Citigroup - Analyst*

Right and second question, regarding your outstanding order, obviously you've made a lot of progress there and I think Keith said in the last call that if it wasn't fully placed you would consider deferring. Is that now off the agenda?

Klaus Heinemann - *AerCap Holdings N.V. - CEO*

Yes.

Andrew Light - *Citigroup - Analyst*

And secondly, the number of airlines are trying to defer their aircraft orders with Airbus and Boeing and I am thinking particularly the Indian Airlines and I also read Aeroflot is doing the same. Are they putting pressure -- are these kinds of airlines putting pressure on you to defer your deliveries to them or was it purely just for the manufacturers directly?

Klaus Heinemann - *AerCap Holdings N.V. - CEO*

No in some cases quite the opposite is true. They are deferring with the manufacturers and increasing the take from lessors, the reason for that being that that reduces their capital outflows and most of them are at this moment guarding their cash position with extreme care. So we have not had any requests for deferrals with the exception of in our Chinese joint venture for two aircraft in the JV Company. That has been dealt with and these aircraft have been placed elsewhere and our own portfolio none, quite to the contrary there have been a number of requests from airlines who are deferring with the manufacturers if we could fill the deferred positions with lease aircraft.

Andrew Light - *Citigroup - Analyst*

Oh okay great. Thanks very much indeed for that.

Operator

Brandon Oglensky of Barclays Bank.

Brandon Oglensky - *Barclays Bank - Analyst*

Very quickly on the leasing expenses you said that you'd spent about $10 million over the -- I believe the course of the year in default expenses this year. Is that per quarter or did I hear it right that it's for the remainder of the year?

Keith Helming - *AerCap Holdings N.V. - CFO*

The $10 million relates to the remaining quarters of the year and that relates -- and that cost is the impact from the 2008 default. That will probably be incurred primarily in second and third quarters and then we'll have additional leasing expenses, which are just normal transition expenses for lease rollovers and also for certain maintenance events that are scheduled.

Brandon Oglensky - *Barclays Bank - Analyst*

Okay so I think, given that leasing expenses should be a little bit lower than what we've seen in first quarter.

Keith Helming - *AerCap Holdings N.V. - CFO*

Yes I would say, you know, they're roughly $20 million this quarter. They'll probably average $15 million per quarter going forward.

Brandon Oglensky - *Barclays Bank - Analyst*

Okay great and then in regards to the AerVenture JV, how is that going to impact minority interests in the remaining quarters and specifically associated with the six forward A320 sales that you have this year?

Klaus Heinemann - *AerCap Holdings N.V. - CEO*

Well, as you know, AerVenture has always been fully consolidated on our books so the minority interest position in the past effectively took out the earnings or the associated loss of our joint venture partner. As you know, there has been a change in how minority interests are actually treated on the balance sheet. It's now part of the equity account, although it's still spelled out specifically in a particularly line. But effectively that minority interest piece or that what is now referred to as not controlling piece, effectively will be a lot lower now that our joint venture partner is gone.

Brandon Oglensky - *Barclays Bank - Analyst*

I was just wondering if --

Klaus Heinemann - *AerCap Holdings N.V. - CEO*

And referring to the earnings from the six or seven aircraft sale actually, those earnings, which previously would have been split between us and the JV partner, now are all going into our earnings.

Brandon Oglensky - *Barclays Bank - Analyst*

Okay that's really what I was getting at. If they still had interests in that sale.

Keith Helming - *AerCap Holdings N.V. - CFO*

No, no they don't.

Brandon Oglensky - *Barclays Bank - Analyst*

And I guess you guys had said that you're looking at numerous parties potentially filling the AerVenture JV as well and I guess that's relating to the $280 million gap you're speaking to in the presentation. Can you just give us a little bit more information on where we are in that process and when you expect that to close? Or if?

Klaus Heinemann - *AerCap Holdings N.V. - CEO*

Yes we did not anticipate that this process would kick in this early. We were approached by parties indicating an interest to talk to us. The reason for that being that while there is availability of equity in the market that believes that for brand new aircraft that are placed, there is a long-term positive value proposition. They still find it difficult in this environment to find leverage that doesn't materially reduce or even destroy the returns on these investments.

The advantage of AerVenture is that it is practically fully placed. It is fully funded and, therefore, any equity investor has a great degree of certainty with respect to funding risk and earnings risk because practically everything on the asset and liability side is contracted and that attracted more interest than we anticipated. We are with one specific party who is of undoubted cash capacity in an advanced discussion that could lead to an executed LOI as early as the end of this month. But we are, as I said in my earlier remarks, we are looking at a variety of options at this moment to see how we can best benefit from this position.

Brandon Oglensky - *Barclays Bank - Analyst*

And if that LOI were to be executed, would that essentially address the entire $280 million gap or is this just looking towards $140 million coming due by 2010?

Keith Helming - *AerCap Holdings N.V. - CFO*

This would primarily deal with 2009, 2010 -- well actually 2010 so, again, there's another $140 million cash needed for 2011 to 2013, which can come from a myriad of sources, including obviously operating cash flows.

Klaus Heinemann - *AerCap Holdings N.V. - CEO*

And this gap, as disclosed in the 20-F is on the assumption that there are zero asset sales, which is actually an unrealistic assumption because, you know, if I can sell, as I did in April, aircraft in this environment and generate cash with that, I am confident that between now and 2011 I can continue to do that. And, indeed, there are a number of future sales discussions underway that indicate to us that the volumes that we've seen in the past might be achievable again as we go into 2010, 2011 because if interest picks up, it is picking up rapidly. Where is the interest coming from? It is coming from at this moment in particular from Middle Eastern and Far Eastern investors, who like the asset class, who understand the asset class correlates well to inflation and who are concerned about inflationary impacts. These people are interested in this asset class as an investment and we are talking to them.

Keith Helming - *AerCap Holdings N.V. - CFO*

And, as it relates to the term debt that's still needed in 2011 through 2013 we're under discussion with a number of parties, again, developing term sheets, even though again this funding is not needed until 2011 and beyond.

Klaus Heinemann - *AerCap Holdings N.V. - CEO*

And please bear in mind that the fallback position is always the expert credit agency guaranteed debt if we should not be able to deal with this in any other way, shape or form.

Brandon Oglensky - *Barclays Bank - Analyst*

And that $700 million that you relate to, that would be ECA eligible?

Keith Helming - *AerCap Holdings N.V. - CFO*

Yes.

Klaus Heinemann - *AerCap Holdings N.V. - CEO*

Yes because all of it relates to CapEx that is brand new from Airbus, all of it is eligible.

Brandon Oglensky - *Barclays Bank - Analyst*

Thank you very much, gentlemen.

Operator

Scott Valentin, FBR Markets.

Scott Valentin - *FBR Markets - Analyst*

Just in terms of your tone you sound, Klaus, a lot more positive on the outlook and I guess the news maybe has been less negative lately but definitely has not turned. I was trying to see maybe if you're seeing something, maybe those in different markets but what makes you sound more positive or maybe I am just misinterpreting?

Klaus Heinemann - *AerCap Holdings N.V. - CEO*

Well, first of all, we are forward-looking. We are dealing with the anticipation of airlines of what they see with respect to capacity needs in 2010 and beyond. Where is the significant change coming from? First and foremost, from the Far Eastern market, in particular China; you may have seen that domestic Chinese passenger numbers in the first quarter had double-digit increases. We see pockets of demand interestingly enough in the domestic US market and in that market very much among the LCC carriers, who at this moment tend to perform better than the main line carriers. That is the first time that we see that demand and then we see also a specific niche demand here in the European environment, mostly on the leisure side where there is renewed interest in capacity. And bear in mind a lot of that demand is not for growth capacity, it's simply for capacity of replacing older aging aircraft that will leave the fleet.

So most of the fleet planning discussions that we have with airlines, whatever we contract with them is not to facilitate growth in their fleet, it is either to facilitate old aircraft that are being retired, i.e. to maintain level capacity, or alternatively to replace what was anticipated to be bought equipment from the manufacturers, which they defer with leased equipment from the lessors caused by their aim to minimize their CapEx for 2009, 2010.

But that's where the demand is coming from but you can read it if you look at the last published number of open positions in our order book of over 20 to where we are now with six and all of that happened in an environment of six to eight weeks. So there is a very distinct change of mood in the market. It's there's no other way to describe it.

Scott Valentin - *FBR Markets - Analyst*

That's very helpful. Thank you very much.

Operator

(Operator Instructions). Gary Liebowitz, Wachovia Securities.

Gary Liebowitz - *Wachovia Securities - Analyst*

Klaus, you mentioned that you're less likely to defer some of your new orders but I noticed that your capital commitments now run out to 2013. I thought that the last delivery in the backlog would have delivered in the very early part of 2012. Did you, in fact, push something out and can you give us some color there?

Klaus Heinemann - *AerCap Holdings N.V. - CEO*

Well, this has to do with a transaction that we have not announced yet but you can see it in the reduction of the yet to be placed aircraft from 20 to six. There is one large placement with a major European carrier in there, which indeed includes a couple of swapping of positions, which has a beneficial effect for us to stretch the CapEx a little bit outwards.

Gary Liebowitz - *Wachovia Securities - Analyst*

And also, one for Keith, the impairment charge that you had had in the quarter that related to some older rates 320s that came off lease. Do you expect more of those in the upcoming quarters? How should we think of impairments going forward?

Keith Helming - *AerCap Holdings N.V. - CFO*

Yes we'll have a limited amount of impairments but it will be these situations where, again, we're expecting the receipt of large payments, typically end of lease compensation payments and once that amount comes in we effectively have to record the offsetting, if you will, depreciation but it's referred to as an impairment in the financial statements. It will be limited, similar to the amounts that you've seen so far.

Klaus Heinemann - *AerCap Holdings N.V. - CEO*

Gary, you have to see this in the context lease aircraft are destined for Goodyear for part out. They are no longer going into lease environment and this is simply somewhat awkward US GAAP way of realizing the first step of three steps of realizing the remaining net book value of the aircraft because the first step is compensation by the airline for the fact that we asked them not to take the aircraft through certain maintenance checks prior to redelivery because obviously, as you intend to take the aircraft apart in our Goodyear facility, that wouldn't make any sense. That would be wasted money, so we take that cash and the totality of that cash plus the cash from the spare sales plus the cash from the engine sales all from the engine entering the lease pool effectively extinguishes the residual net book value of these old aircraft, so it is really part and parcel of translating the residuals of aircraft that leave the lease pool into cash.

Keith Helming - *AerCap Holdings N.V. - CFO*

And in addition to the impairment charge you saw for the quarter, again, we ring fenced a number of these aircraft that fall into the category that Klaus has described and we've increased, starting in first quarter, the rate of depreciation so, again, by having a higher rate of depreciation on a normalized basis, we will limit the amount of impairments you see but, you know, you still will see occasional impairment or two happening based on, again, lumpy payments coming in.

Gary Liebowitz - *Wachovia Securities - Analyst*

And can you remind me when you would start to convert some of these older A320s to freight or aircraft and when that happens does that mean you will not necessarily have to take an impairment charge?

Klaus Heinemann - *AerCap Holdings N.V. - CEO*

Well, first of all, again, the impairment charge has no P&L impact. It is just an awkward way of taking the first step, which is the compensation payment from the last lessee, into income and then impairing accordingly the net book value rather than netting it off, so this is not an impairment charge that reduces net income, first and most important point. The second point is the aircraft that will be induced into the freighter conversion program will go into it in 2011, so this is something that will happen this year and next year for approximately from what I can see between four and six, seven, eight aircraft. Because it wouldn't make sense to park them for two years before we induce them into the conversion program.

Operator

Does that answer your question?

Gary Liebowitz - *Wachovia Securities - Analyst*

Yes I am done.

Operator

As we have no further questions, I would like to turn the call back over to you, Mr. Heinemann, for any additional or closing remarks.

Klaus Heinemann - *AerCap Holdings N.V. - CEO*

Okay well, thank you very much and, as I said, we are very, very hopeful that the environment that we're entering into is now improving I hope to see you all at the Investor Day in New York and hopefully by then we will be able to confirm that the trend that we have described a moment ago is continuing. So I am looking forward to seeing you at the Investor Day in New York. Thank you very much.

Operator

That will conclude today's conference call. Thank you, ladies and gentlemen, for your participation. You may now disconnect.
