# AerCap Holdings N.V. Dutch GAAP Annual Report

## For the year ended December 31, 2017

# INDEX TO ANNUAL REPORT

## AerCap Holdings N.V. Annual Report 2017

## TABLE OF DEFINITIONS

| | |
|---|---|
| ACSAL | Acsal Holdco, LLC |
| AeroTurbine | AeroTurbine, Inc. |
| AerCap, we, us or the Company | AerCap Holdings N.V. and its subsidiaries |
| AerCap Ireland | AerCap Ireland Limited |
| AerCap Trust | AerCap Global Aviation Trust |
| AerDragon | AerDragon Aviation Partners Limited and Subsidiaries |
| AerLift | AerLift Leasing Limited and Subsidiaries |
| AICDC | AerCap Ireland Capital Designated Activity Company (formerly registered as AerCap Ireland Capital Limited), a designated activity company with limited liability incorporated under the laws of Ireland |
| AIG | American International Group, Inc. |
| Airbus | Airbus S.A.S. |
| ALS II | Aircraft Lease Securitisation II Limited |
| Boeing | The Boeing Company |
| ECA | Export Credit Agency |
| ECAPS | Enhanced Capital Advantaged Preferred Securities |
| Embraer | Embraer S.A. |
| EOL | End of lease |
| EPS | Earnings per share |
| Ex-Im | Export-Import Bank of the United States |
| GECC | General Electric Capital Corporation |
| ILFC | International Lease Finance Corporation |
| ILFC Transaction | The purchase by AerCap and AerCap Ireland Limited, a wholly-owned subsidiary of AerCap, of 100% of ILFC's common stock from AIG on May 14, 2014 |
| Junior Subordinated Notes | $500 million of junior subordinated notes due 2045 |
| LIBOR | London Interbank Offered Rates |
| MR | Maintenance reserved |
| Part-out | Disassembly of an aircraft for the sale of its parts |
| PB | Primary beneficiary—when the Company controls and has the ability to affect returns through its power over the investee. |
| Peregrine | Peregrine Aviation Company Limited and Subsidiaries |
| SEC | U.S. Securities and Exchange Commission |

| | |
|---|---|
| Share Repurchase from AIG . . . . . . . | The repurchase by AerCap of 15,698,588 of its ordinary shares from AIG for consideration equal to $750 million on June 9, 2015 |
| SPE . . . . . . . . . . . . . . . . . . . . . . . . . | Special purpose entity |
| Waha . . . . . . . . . . . . . . . . . . . . . . . . | Waha Capital PJSC |

## REPORT OF THE BOARD OF DIRECTORS

### History and development of the Company

AerCap Holdings N.V. was incorporated in the Netherlands as a public limited liability company ("*naamloze vennootschap*" *or* "*N.V.*") on July 10, 2006. On November 27, 2006, we completed the initial public offering of 26.1 million of our ordinary shares on the New York Stock Exchange (the "NYSE"). On August 6, 2007, we completed the secondary offering of 20.0 million additional ordinary shares on the NYSE. Our headquarters is located in Dublin, and we have offices in Shannon, Los Angeles, Singapore, Amsterdam, Fort Lauderdale, Shanghai and Abu Dhabi. We also have representative offices at the world's largest aircraft manufacturers, Boeing in Seattle and Airbus in Toulouse.

As of December 31, 2017, we had 167,847,345 ordinary shares issued, including 152,992,101 ordinary shares issued and outstanding, and 14,855,244 ordinary shares held as treasury shares. Our issued and outstanding ordinary shares included 3,007,752 shares of unvested restricted stock.

### Description of business

We are a global leader in aircraft leasing. We focus on acquiring in-demand aircraft at attractive prices, funding them efficiently, hedging interest rate risk prudently and using our platform to deploy these assets with the objective of delivering superior risk-adjusted returns. We believe that by applying our expertise, 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 an independent aircraft lessor, and, as such, we are not affiliated with any airframe or engine manufacturer. This independence provides us with purchasing flexibility to acquire aircraft or engine models regardless of the manufacturer.

We lease most of our aircraft to airlines under operating leases. Under these leases, 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.

We have the infrastructure, expertise and resources to execute a large number of diverse aircraft transactions in a variety of market conditions. During the year ended December 31, 2017, we executed 402 aircraft transactions. Our teams of dedicated marketing and asset trading professionals have been successful in leasing and managing our aircraft portfolio. During the year ended December 31, 2017, our weighted average owned aircraft utilization rate was 99.1%, calculated based on the number of days each aircraft was on lease during the year, weighted by the net book value of the aircraft.

**Our business strategy**

We develop our aircraft leasing business by executing on our focused business strategy, the key components of which are as follows:

***Manage the profitability of our aircraft portfolio***

Manage the long-term profitability of our aircraft portfolio by selectively:

- purchasing aircraft directly from manufacturers;
- entering into purchase and leaseback transactions with aircraft operators;
- using our global customer relationships to obtain favorable lease terms for aircraft and maximizing aircraft utilization;
- maintaining diverse sources of global funding;
- optimizing our portfolio by selling select aircraft; and
- providing management services to securitization vehicles, our joint ventures and other aircraft owners at limited incremental cost to us.

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

***Efficiently manage our liquidity***

Our management analyzes sources of financing based on pricing and other terms and conditions in order to optimize the return on our investments. We have the ability to access a broad range of liquidity sources globally. In 2017, we raised approximately $12.6 billion of financing, including through bank debt, revolving credit facilities and note issuances in the debt capital markets.

We have access to liquidity in the form of our revolving credit facilities and our term loan facilities, which provide us with flexibility in raising capital and enable us to deploy capital rapidly to accretive purchasing opportunities that arise in the market. As of December 31, 2017, we had approximately $6.7 billion of undrawn lines of credit available under our credit and term loan facilities and $1.7 billion of unrestricted cash. We strive to maintain a diverse financing strategy, both in terms of capital providers and structure, through the use of bank debt, note issuance and export credit, including ECA guaranteed loans, in order to maximize our financial flexibility. We also leverage our longstanding relationships with the major aircraft financers and lenders to secure access to capital. In addition, we attempt to maximize our operating cash flows and continue to pursue the sale of aircraft to generate additional cash flows. Please refer to Note 14—*Debt* to our Consolidated Financial Statements included in this Annual Report for a detailed description of our outstanding indebtedness.

*Manage our aircraft portfolio*

We intend to maintain an attractive portfolio of in-demand aircraft by acquiring new aircraft directly from aircraft manufacturers, executing purchase and leasebacks with airlines, assisting airlines with refleetings, and through other opportunistic transactions. We rely on our experienced team of portfolio management professionals to identify and purchase assets we believe are being sold at attractive prices or that we believe will experience an increase in demand and value over a prolonged period of time. In addition, we intend to continue to rebalance our aircraft portfolio through sales to maintain the appropriate mix of aviation assets by customer concentration, age and aircraft type.

*Maintain a diversified and satisfied customer base*

We currently lease our owned and managed aircraft to approximately 200 customers in approximately 80 countries. We monitor our exposure concentrations by both lessee and country jurisdiction and intend to maintain a well-diversified customer base. We believe we offer a quality product, both in terms of asset and customer service, to all of our customers. We have successfully worked with many airlines to find mutually beneficial solutions to operational and financial challenges. We believe we maintain excellent relations with our customers. We have been able to achieve a high utilization rate on our aircraft assets as a result of our customer reach, quality product offering and strong portfolio management capabilities.

**Joint ventures and participations**

We conduct some of our business through joint ventures and participations. These arrangements allow us to:

- increase the geographical and product diversity of our portfolio;
- obtain stable servicing revenues; and
- diversify our exposure to the economic risks related to aircraft.

Please refer to Note 26—*Special purpose entities* to our Consolidated Financial Statements included in this Annual Report for a detailed description of our joint ventures and participations.

**Relationship with Airbus and Boeing and other manufacturers**

We are one of the largest customers of Airbus and Boeing measured by deliveries of aircraft through 2017 and our order backlog. We are also the launch customer of the Embraer E2 program, with an order for 50 E-Jets E2 aircraft which are scheduled for entry into service in 2018. We are also among the largest purchasers of engines from each of CFM International, GE Aviation, International Aero Engines, Pratt & Whitney and Rolls-Royce. These extensive manufacturer relationships and the scale of our business enable us to place large orders with favorable terms and conditions, including pricing and delivery terms. In addition, these strategic relationships with manufacturers and market knowledge allow us to participate in new aircraft designs, which gives us increased confidence in our airframe and engine selections. AerCap cooperates broadly with manufacturers seeking mutually beneficial opportunities, including additional orders, purchasing selective new aircraft on short notice, and facilitating manufacturer targets by purchasing used aircraft from airlines seeking to renew their fleets.

**Risk management and control framework**

Our management is responsible for designing, implementing and operating an adequate functioning internal risk management and control framework. 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. Supervision is exercised by our Audit Committee, as described in the "Committees of the Board of Directors" section included in this Annual Report. Our internal risk management and control framework is based on the COSO framework developed by the Committee of Sponsoring Organizations of the Treadway Commission (2013). 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.

***Risk appetite***

Pursuing business strategy objectives inevitably leads to taking risks. Risks can jeopardize those objectives in various ways. Risks are addressed in a manner and with the intensity that matches the nature and size of the risk in relation to the Company's risk appetite. The risk appetite is the total residual impact of risks that we are willing to accept in the pursuit of our objectives. Effective risk management is a key success factor for realizing the Company's strategic objectives. Risk areas with a low-risk appetite and thus a low acceptable residual risk require strong risk management and strong internal controls. Risk areas with a high-risk appetite require relatively less risk management and internal control effort.

***Primary risks and mitigating controls***

Our business is subject to various risks relating to changing competitive, economic, political, regulatory, legal, social, industrial, business and financial conditions. The following table includes our primary risks which could harm the realization of our strategic business objectives, our financial condition and operating results, adversely affect our revenues and profitability, and possibly impact our share price, and their mitigation controls. For other risks that may affect us, we refer to our filings with the SEC which are accessible through our website www.aercap.com.

| Risks | Mitigating Controls |
|---|---|
| *Industry Specific Risks* | |
| Cyclical movements in the aircraft leasing industry and lease rates | • Highly diversified customer base<br>• Security deposit and maintenance reserves<br>• Proactive risk management |
| Aircraft valuation | • Focus on in-demand liquid aircraft types<br>• Continually optimize portfolio through aircraft acquisitions and disposals |
| *Funding / Capital Structure Risks* | |
| Availability of cost effective funds | • Focus on highly diversified, long-term funding to match fund long-term assets<br>• Appropriate mix of funding in capital markets and secured debt markets<br>• Long-standing relationships with the major aircraft financiers and lenders<br>• Flexible repayment profiles<br>• Conservative leverage |
| *Interest Rate Exposure* | |
| Increased cost of borrowing and changes in interest rates | • Hedge through a mix of interest rate caps, swaps and fixed-rate loans to benefit from decreasing interest rates, while protecting against increasing interest rates |

*Risk that materialized in 2017*

We believe that our primary risks are sufficiently mitigated by the above mentioned mitigating controls. None of these risks materialized in such a way that it had a material impact on our 2017 results. In addition, we believe that this report provides sufficient insight into the design and effectiveness, and exceptions to the effectiveness, of our internal risk management and control framework. Based on the current state of affairs, our financial statements are prepared on a going concern basis. This report states those material risks and uncertainties that are relevant to the expectation of the Company's continuity for the period of 12 months after the preparation of this report.

Other elements of our internal risk management and control framework include:

*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, operational reviews and financial reporting.

*Risk management and internal controls*

We have developed 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 of 2002, as amended (the "Sarbanes-Oxley Act"). 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 Sarbanes-Oxley Act 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. Employees working in our finance or accounting functions are subject to a separate Finance Code of Ethics.

*Controls and procedures statement under the Sarbanes-Oxley Act*

As of December 31, 2017, 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 our disclosure controls and procedures and our internal control over financial reporting pursuant to the Sections 302 and 404 of the Sarbanes-Oxley Act and Rules 13a-15(e) and 13a-15(f) of the Exchange Act of 1934, as amended (the "Exchange Act"). Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of December 31, 2017, 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 Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC.

***Disclosure controls and procedures***

The Disclosure Committee assists 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 Dutch law and regulatory requirements. The Disclosure Committee obtains information for its recommendations from the operational and financial reviews, letters of representation which include a risk and internal controls self-assessment, 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.

***Code of Conduct and Whistleblower Policy***

Our Code of Conduct is published on our website and 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. We believe the Code of Conduct is effective and complied with in practice. 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***

AerCap has various procedures and programs in place designed to ensure compliance with relevant laws and regulations, including anti-insider trading procedures, anti-bribery procedures, anti-fraud procedures, economic sanctions and export control compliance procedures, anti-money laundering procedures and anti-trust procedures. Our compliance programs are maintained and supervised by the Chief Compliance Officer, and they include annual training in key compliance areas and annual certifications. The procedures are subject to regular audits by, or on behalf of, the internal audit function.

**2017 financial and operating review**

***Major developments in 2017***

- In January 2017, AerCap executed the placement of 20 new Airbus A320neo aircraft with Chinese carrier Loong Air.

- In January 2017, AerCap Trust and AICDC co-issued $600 million aggregate principal amount of 3.50% senior unsecured notes due 2022.

- In February 2017, AerCap was upgraded to investment grade rating by Moody's, resulting in AerCap having investment grade ratings from all three major rating agencies.

- In February 2017, AerCap's Board of Directors approved a new $350 million share repurchase program. This share repurchase program was completed on June 12, 2017.

- In May 2017, AerCap's Board of Directors approved a new $300 million share repurchase program. This share repurchase program was completed on September 26, 2017.

- In June 2017, AerCap and Boeing announced an order for 30 Boeing 787-9 Dreamliners, making AerCap the largest customer for the 787 Dreamliner.

- In July 2017, AerCap executed the placement of ten Airbus A321neo LR aircraft to North American carrier Air Transat. The airline will become the first North American operator of the Airbus A321neo LR when the aircraft enter into service starting in 2019.

- In July 2017, AerCap Trust and AICDC co-issued $1.0 billion aggregate principal amount of 3.65% senior unsecured notes due 2027.

- In July 2017, AerCap's Board of Directors approved a new $250 million share repurchase program. This share repurchase program was completed on December 14, 2017.

- In August 2017, AerCap executed the placement of five Embraer E190-E2 Jets to Air Astana, the national carrier of Kazakhstan.

- In October 2017, AerCap's Board of Directors approved a new $200 million share repurchase program. This share repurchase program was completed on February 21, 2018.

- In November 2017, AerCap and Egyptian carrier EgyptAir reached agreement on the placement of 15 Airbus A320neo aircraft and six Boeing 787-9 aircraft.

- In November 2017, AerCap Trust and AICDC co-issued $800 million aggregate principal amount of 3.50% senior unsecured notes due 2025.

- In December 2017, AerCap exercised options to purchase 50 Airbus A320neo Family aircraft from Airbus, with deliveries starting from 2022.

- In December 2017, AerCap announced an agreement to invest in Peregrine, a vehicle established by NCB Capital for the purpose of acquiring a portfolio of 21 aircraft from AerCap. AerCap will have a 9.5% participation in Peregrine.

- During 2017, AerCap executed aggregate sales of approximately $2.4 billion of older and mid-life aircraft.

***Results of operations***

Net income attributable to equity holders of AerCap Holdings N.V. for the year ended December 31, 2017 was $1,021.5 million, as compared to $914.5 million for the year ended December 31, 2016. Our total revenues and other income increased by $17.0 million, or 0.3%, to $5,128.1 million for the year ended December 31, 2017 from $5,111.1 million for the year ended December 31, 2016. For the year ended December 31, 2017, diluted earnings per share was $6.11, and the weighted average number of diluted shares outstanding was 167,287,508.

***Aviation assets***

During the year ended December 31, 2017, we acquired $5.3 billion of aviation assets, primarily related to the acquisition of 58 aircraft. As of December 31, 2017, we owned 980 aircraft, including 913 aircraft under operating leases and 67 aircraft under finance and sales-type leases. In addition, we managed 113 aircraft. As of December 31, 2017, the average age of our 980 owned aircraft fleet, weighted by net book value, was 6.8 years and as of December 31, 2016, the average age of our 1,022 owned aircraft fleet, weighted by net book value, was 7.4 years. We operate our business on a global basis and as of December 31, 2017, 954 of our 980 owned aircraft were on lease to 173 customers in 73 countries, with no lessee accounting for more than 10% of total lease revenue for the year ended December 31, 2017. As of December 31, 2017, our owned aircraft portfolio included 26 aircraft that were off-lease. As of March 2, 2018, 23 of the off-lease aircraft were re-leased or under commitments for re-lease and three aircraft were designated for sale or part-out.

As of December 31, 2017, we also had 438 new aircraft on order, including 222 Airbus A320neo Family aircraft, 104 Boeing 737MAX aircraft, 53 Boeing 787 aircraft, 50 Embraer E-Jets E2 aircraft, and nine Airbus A350 aircraft.

***Liquidity and capital resources***

Our cash balance as of December 31, 2017 was $2.0 billion, including unrestricted cash of $1.7 billion. As of December 31, 2017, we had approximately $6.7 billion of undrawn lines of credit available under our credit and term loan facilities. Our total available liquidity, including undrawn lines of credit, unrestricted cash, cash flows from contracted asset sales and other sources of funding, was $9.6 billion as of December 31, 2017. Our debt, including fair value adjustments of $0.3 billion and net of debt issuance costs and debt discounts of $0.2 billion, was $28.4 billion as of December 31, 2017, and our average cost of debt, excluding the effect of mark-to-market movements on our interest rate caps and swaps, was 3.9% during the year ended December 31, 2017. Our adjusted debt to equity ratio was 2.9 to 1 as of December 31, 2017. Adjusted debt to equity ratio is obtained by dividing adjusted debt by adjusted equity. Adjusted debt represents consolidated total debt less cash and cash equivalents, and less a 50% equity credit with respect to $1.5 billion of long-term subordinated debt. Adjusted equity represents total equity, plus the 50% equity credit with respect to the long-term subordinated debt.

Our existing sources of liquidity of $12.8 billion as of December 31, 2017, were sufficient to operate our business and cover at least 1.2x of our debt maturities and contracted capital requirements for the next 12 months. Our sources of liquidity for the next 12 months include undrawn lines of credit, unrestricted cash, estimated operating cash flows, cash flows from contracted asset sales and other sources of funding.

***Interest rate risk***

The following tables present the average notional amounts and weighted average interest rates which are contracted for the specified year for our derivative financial instruments that are sensitive to changes in interest rates, including our interest rate caps and swaps, as of December 31, 2017. Notional amounts are used to calculate the contractual payments to be exchanged under the contract. Under our interest rate caps, we will receive the excess, if any, of LIBOR, reset monthly or quarterly on an actual/360 adjusted basis, over the strike rate of the relevant cap. For our interest rate swaps, pay rates are based on the fixed rate which we are contracted to pay to our swap counterparty.

| | 2018 | 2019 | 2020 | 2021 | 2022 | Thereafter | Fair value |
|---|---|---|---|---|---|---|---|
| | | | (U.S. Dollars in millions) | | | | |
| **Interest rate caps** | | | | | | | |
| Average notional amounts | $ 2,715.4 | $ 2,129.1 | $ 1,826.5 | $ 1,300.5 | $ 763.3 | $ 7.1 | $ 25.0 |
| Weighted average strike rate | 2.3% | 2.2% | 2.2% | 2.3% | 2.2% | 3.3% | |

| | 2018 | 2019 | 2020 | 2021 | 2022 | Thereafter | Fair value |
|---|---|---|---|---|---|---|---|
| | | | (U.S. Dollars in millions) | | | | |
| **Interest rate swaps** | | | | | | | |
| Average notional amounts | $ 1,873.0 | $ 1,884.8 | $ 1,712.8 | $ 926.7 | $ 208.3 | $ — | $ 23.9 |
| Weighted average pay rate | 1.8% | 1.8% | 1.8% | 1.9% | 1.9% | —% | |

The variable benchmark interest rates associated with these instruments ranged from one- to three-month U.S. dollar LIBOR.

***Personnel***

As of December 31, 2017, we had 407 permanent employees relating to our aircraft leasing business, including two part-time employees. As of December 31, 2016, we had 398 permanent employees relating to our aircraft leasing business, including ten part-time employees. We expect that the number of personnel will remain relatively constant throughout 2018.

In addition, as of December 31, 2017 and 2016, we had nil and 160 employees, respectively, relating to our AeroTurbine subsidiary.

***Financial outlook***

As presented at our investor day on November 13, 2017, our financial outlook for the year 2018 is diluted earnings per share of $5.30 - $5.50. This outlook could be subject to change, in light of highly fluid market conditions and other factors.

For 2018, we have committed to $6.1 billion of aircraft purchases. We expect to source new debt finance for these capital expenditures through access to capital markets, including the unsecured and secured bond markets, the commercial bank market, export credit and the asset-backed securities market.

*Factors affecting our results*

Our results of operations are affected by a variety of other factors, primarily:

- the number, type, age and condition of the aircraft we own;
- aviation industry market conditions, including general economic and political conditions;
- the demand for our aircraft and the resulting lease rates we are able to obtain for our aircraft;
- the availability and cost of debt capital to finance purchases of aircraft and aviation assets;
- the purchase price we pay for our aircraft;
- the number, type and sale price of aircraft, or parts in the event of a part-out of an aircraft, we sell in a period;
- the ability of our lessees to meet their lease obligations and maintain our aircraft in airworthy and marketable condition;
- the utilization rate of our aircraft;
- the recognition of non-cash share-based compensation expense related to the issuance of restricted stock units or restricted stock;
- our expectations of future maintenance reimbursements and lessee maintenance contributions;
- interest rates, which affect our aircraft lease revenues, our financial expense and the market value of our interest rate derivatives; and
- our ability to fund our business.

**Culture and values**

At AerCap, we strive to conduct our business with integrity and in an honest and responsible manner and to build and maintain long-term, mutually beneficial relationships with our customers, suppliers, shareholders, employees and other stakeholders. We shall similarly respect the legitimate interests of those with whom we have relationships. In our business dealings we expect our partners to adhere to business principles consistent with our own. These values are further specified in our code of conduct and our ethics-related compliance policies, procedures, trainings and programs. Ethical behavior is strongly promoted by the management team. The Company has an excellent track record in relation to ethics and compliance. These ethical values are reflected in the Company's long-term strategy and our way of doing business.

## Sustainability and community

During 2017, the Board discussed and reviewed our approach to corporate social responsibility ("CSR") related topics and other values that contribute to a culture focused on long-term value creation. Renewing our aircraft portfolio through the acquisition of new, modern technology aircraft while disposing of older aircraft has a positive impact on the environment, as these new technology aircraft are more fuel-efficient and generate significantly less pollution and noise than older aircraft and engines. AerCap is committed to the efficient use of resources and the reduction of unnecessary waste. Our head office in Dublin has been certified for sustainability pertaining to such matters as building materials, energy and water use and accessibility. Our office buildings in Los Angeles and Singapore hold similar green building certifications.

AerCap participates in a number of charitable events and industry related educational schemes. We have established a CSR Steering Committee to oversee the selection of charitable themes and charity partners, and the implementation of charitable donations. A number of charitable donations involve the matching of funds raised through AerCap employee team efforts for the benefit of local community projects. The Company, along with other major aircraft leasing companies, is a sponsor of a prestigious master's in aviation finance program at a renowned university. In addition to the sponsorship, this program involves lectures by some of our key employees and internships provided by the Company to a number of international students from the program, in line with the global nature and identity of the Company and our business.

## Corporate governance

At AerCap, we are committed to good corporate governance, which helps us to continue our success and long-term value creation. We believe that our organizational documents and policies and procedures provide an effective governance framework to serve the interests of the Company, our shareholders and other stakeholders. We endeavor to ensure compliance with U.S., Dutch and other applicable corporate governance requirements, to the extent possible and desirable.

As we are listed on the NYSE and incorporated in the Netherlands as a 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 the NYSE, the SEC and the 2016 Dutch Corporate Governance Code (the "Code"). We have elected to be exempt from the NYSE rules on directors' independence as a foreign private issuer.

Corporate governance related documents, including our articles of association, the Rules for the Board of Directors including its Committees (also referred to herein as the "Board Rules"), the Code of Conduct, the Whistleblower Procedure and our Insider Trading Rules, are available on our website.

## Board of Directors

### *Responsibilities*

Under our articles of association, the Board Rules, and Dutch corporate law, the members of the Board of Directors are collectively responsible for the management, general and financial affairs, policy, and strategy of our Company.

Our Board of Directors has a one-tier structure and currently consists of eleven directors, including 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 Board Rules. 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 Dutch law, take into account the relevant interests of our shareholders and other stakeholders in AerCap. The Board has appointed from among its non-executive directors the Chairman and the Vice Chairman of the Board of Directors.

The Chairman of the 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 temporarily or permanently incapacitated or prevented from acting. The internal affairs of the Board of Directors are governed by our Board Rules.

Our current directors are:

| **Name** | **Age** | **Nationality** | **Gender** | **Position** | **Initial Appointment** | **End of Current Term (a)** |
|---|---|---|---|---|---|---|
| Pieter Korteweg | 76 | The Netherlands | M | Non-Executive Chairman of the Board of Directors | 2006 | 2018 |
| Aengus Kelly | 44 | Ireland | M | Executive Director and Chief Executive Officer | 2011 | 2019 |
| Salem Al Noaimi | 42 | United Arab Emirates | M | Non-Executive Director | 2011 | 2018 |
| Homaid Al Shimmari | 50 | United Arab Emirates | M | Non-Executive Director | 2011 | 2018 |
| James (Jim) Chapman | 55 | United States | M | Non-Executive Director | 2006 | 2018 |
| Paul Dacier | 60 | United States | M | Non-Executive Director and Vice Chairman | 2010 | 2018 |
| Richard (Michael) Gradon | 58 | United Kingdom | M | Non-Executive Director | 2010 | 2018 |
| Marius Jonkhart | 67 | The Netherlands | M | Non-Executive Director | 2006 | 2018 |
| James (Jim) Lawrence | 65 | United States | M | Non-Executive Director | 2017 | 2021 |
| Michael Walsh | 51 | Ireland | M | Non-Executive Director | 2017 | 2021 |
| Robert (Bob) Warden | 45 | United States | M | Non-Executive Director | 2006 | 2018 |

(a) The term for each director ends at the Annual General Meeting of Shareholders ("AGM") typically held in April or May of each year.

***Pieter Korteweg.*** Mr. Korteweg has been a Director of AerCap since September 27, 2006. He serves as Vice Chairman of Cerberus Global Investment Advisors, LLC (New York). In addition, he serves as Chairman of Cerberus Global Investments B.V. (Baarn) and Chairman of the Supervisory Boards of Bawag Holding AG and Bawag PSK Bank AG (Vienna). Mr. Korteweg previously served, amongst others, as Non-Executive Member of the Board of Haya Real Estate S.L.U. (Madrid), Chairman of the Board of Capital Home Loans Ltd., Member of the Supervisory Board of Mercedes Benz Nederland B.V., 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 Robeco Group in Rotterdam. From 1981 to 1986, he was Treasurer General of the Dutch Ministry of Finance. Mr. Korteweg was a professor of economics from 1971 to 1998 at Erasmus University Rotterdam in the Netherlands. He holds a Ph.D. in Economics from Erasmus University Rotterdam.

***Aengus Kelly.*** Mr. Kelly was appointed Executive Director and Chief Executive Officer of AerCap on May 18, 2011. Previously he served as Chief Executive Officer of AerCap's U.S. operations from January 2008 to May 2011. Mr. Kelly served as AerCap's Group Treasurer from 2005 through December 31, 2007. He started his career in the aviation leasing and financing business with GPA in 1998 and continued working with its successors AerFi in Ireland and debis AirFinance and AerCap in Amsterdam. Prior to joining GPA in 1998, he spent three years with KPMG in Dublin. Mr. Kelly is a Chartered Accountant and holds a Bachelor's degree in Commerce and a Master's degree in Accounting from University College, Dublin.

***Salem Al Noaimi.*** Mr. Al Noaimi has been a Director of AerCap since May 18, 2011. Mr. Al Noaimi is also Waha Capital's Chief Executive Officer and Managing Director, responsible for leading the company's overall strategy across its business lines. Mr. Al Noaimi has served as Waha's CEO over the past eight years, with previous roles including Deputy CEO of Waha, and CEO of Waha Leasing. Earlier in his career, Mr. Al Noaimi held various positions at Dubai Islamic Bank, the UAE Central Bank, the Abu Dhabi Fund for Development and Kraft Foods. He chairs and sits on the Board of a number of companies, including Abu Dhabi Ship Building, Dunia Finance, Anglo Arabian Healthcare, Al Dhafra Insurance Company and Bahrain's ADDAX Bank. Mr. Al Noaimi is an UAE national with a degree in Finance and International Business from Northeastern University in Boston.

***Homaid Al Shimmari.*** Mr. Al Shimmari has been a Director of AerCap since May 18, 2011. Mr. Al Shimmari is also Chief Executive Officer of Mubadala Aerospace & Engineering Services and member of the Investment Committee at Mubadala. He holds prominent roles with key aerospace, communications technology, defense and energy companies and organizations, including Chairman of Emirates Defence Industries Company (EDIC), Maximus Air Cargo, Abu Dhabi Autonomous Systems Investment (ADASI) and Abu Dhabi Ship Building, and currently holds board positions with Mubadala Petroleum, Masdar, Global Foundries, Abu Dhabi Aviation, Royal Jet, du - Emirates Integrated Telecommunications Company PJSC and SR Technics Holdco 1 GmbH. Mr. Al Shimmari is also a Board Member of the UAE University Board of Trustees and Chairman of the Advisory Board of Etihad Airways Engineering LLC. Before joining Mubadala, Mr. Al Shimmari was a Lieutenant Colonel in the UAE Armed Forces serving in the areas of military aviation, maintenance, procurement and logistics. Mr. Al Shimmari holds a Bachelor of Science in Aeronautical Engineering from Embry Riddle Aeronautical University in Daytona Beach, Florida, and holds a black belt in Six Sigma from General Electric, a highly disciplined leadership program.

***James (Jim) Chapman.*** Mr. Chapman has been a Director of AerCap since July 26, 2006. Mr. Chapman serves as a Non-Executive Advisory Director of SkyWorks Capital, LLC, an aviation and aerospace management consulting 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. Prior to Renco, Mr. Chapman worked in the financial services industry at Fieldstone Private Capital Group from 1990 through 1996 and Bankers Trust Company from 1985 through 1990. Presently, Mr. Chapman serves as a member of the Board of Directors of Arch Coal, Inc. and Tower International, Inc. Mr. Chapman received an MBA with distinction from Dartmouth College and was elected as an Edward Tuck Scholar. He received his B.A., with distinction, magna cum laude, from Dartmouth College and was elected to Phi Beta Kappa, in addition to being a Rufus Choate Scholar.

***Paul Dacier.*** Mr. Dacier has been a Director of AerCap since May 27, 2010. He is also currently the general counsel at Indigo Agriculture, a privately held start-up company. Presently, Mr. Dacier serves as a Non-Executive Director of GTY Technology Holdings Inc. (a technology holding company), and he is on the Board of Directors of Progress Software Inc. (a software application development company). Until 2016, Mr. Dacier was Executive Vice President and General Counsel of EMC Corporation (an information infrastructure technology and solutions company), where he worked in various positions from 1990. He was a Non-Executive Director of Genesis from November 2007 until the date of the amalgamation with AerCap International Bermuda Limited. Prior to joining EMC, Mr. Dacier was an attorney with Apollo Computer Inc. (a computer work station company) from 1984 to 1990. Mr. Dacier received a B.A. in history and a J.D. in 1983 from Marquette University. He is admitted to practice law in the Commonwealth of Massachusetts and the state of Wisconsin.

***Richard (Michael) Gradon.*** Mr. Gradon has been a Director of AerCap since May 27, 2010. He is also currently a Non-Executive Director of Exclusive Hotels, and is on the Board of Directors of The All England Lawn Tennis Ground PLC, The All England Lawn Tennis Club and The Wimbledon Championships. He was a Non-Executive Director of Genesis from November 2007 until the date of the amalgamation with AerCap International Bermuda Limited. He practiced law at Slaughter & May before joining the UK FTSE 100 company The Peninsular & Oriental Steam Navigation Company (P&O) where he was a main Board Director from 1998 until its takeover in 2006. His roles at P&O included the group commercial & legal director function and he served as Chairman of P&O's property division. In addition, Mr. Gradon served as Chairman of La Manga Club, Spain, and Chief Executive Officer of the London Gateway projects. Mr. Gradon holds an M.A. degree in law from Cambridge University.

***Marius Jonkhart.*** Mr. Jonkhart has been a Director of AerCap since July 26, 2006. He is also currently a member of the Supervisory Boards of Ecorys Holding and Tata Steel Nederland. He was previously Chief Executive Officer of De Nationale Investeringsbank (NIBC) and the Chief Executive Officer of NOB Holding. 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 BAWAG PSK Bank, Staatsbosbeheer, Connexxion Holding, European Investment Bank, Bank Nederlandse Gemeenten, Postbank, NPM Capital, Kema, AM Holding and De Nederlandsche Bank. He has also served as a Non-Executive Director of Aozora Bank, and 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 Ph.D. in Economics from Erasmus University Rotterdam.

***James (Jim) Lawrence.*** Mr. Lawrence has been a Director of AerCap since May 5, 2017. He is currently Chairman of Great North Star LLC, a private investment firm. Previously, Mr. Lawrence served as Chairman of Rothschild North America and earlier as Chief Executive Officer of Rothschild North America and as co-head of global investment banking at Rothschild from 2010 to 2015. Prior to Rothschild, Mr. Lawrence was Chief Financial Officer of Unilever and he served as Executive Director on the boards of Unilever NV and Unilever PLC. He joined Unilever in 2007 after serving as the Vice Chairman and Chief Financial Officer of General Mills for nine years. Prior to General Mills, Mr. Lawrence was Executive Vice President and Chief Financial Officer of Northwest Airlines from 1996 to 1998, and before that Mr. Lawrence was a division President at PepsiCo, serving as CEO of Pepsi-Cola Asia, Middle East, Africa from 1992 to 1996. In 1983, he cofounded The LEK Partnership, a corporate strategy and merger/acquisition firm, headquartered in London. Before that he was a Partner of Bain and Company, having opened their London and Munich offices. Prior to that, he worked for The Boston Consulting Group. Mr. Lawrence is currently a Non-Executive Director of Avnet Inc., Smurfit Kappa Group and, until 2018, IAG (International Consolidated Airlines Group). His aviation industry experience dates from 1990, and it includes, in addition to being the Chief Financial Officer of Northwest Airlines, serving on the boards of Continental Airlines, TWA, Mesaba and British Airways. Since 1990, Mr. Lawrence has served on 16 public company boards, several private company boards and numerous non-profit boards. Mr. Lawrence earned a Bachelor of Arts in Economics from Yale University and an M.B.A. with distinction from Harvard Business School.

***Michael Walsh.*** Mr. Walsh has been a Director of AerCap since May 5, 2017. He is also currently a Non-Executive Director of NS Financial Services (Holdings) Limited, an international train leasing and financing company, which is a wholly owned subsidiary of NS Groep, the state railway company of the Netherlands. He previously served as a Non-Executive Director, including Chairman, of a number of companies that finance and lease aircraft and trains throughout the world. Mr. Walsh has over 25 years' experience as a Non-Executive Director, senior executive and commercial lawyer in the aircraft leasing and financing industry. In 1989, he joined GPA Group plc, the aircraft leasing and financing company, and held a number of senior management positions, including General Counsel. Following the acquisition of GPA by debis AirFinance in 2000, Mr. Walsh was appointed General Counsel of debis AirFinance and held that position until 2002. From 2003 to 2005, he served as Chief Legal Officer of Bord Gais Eireann, the Irish gas utility. From 1986 to 1989, he was a diplomat in the Irish Diplomatic Service. Mr. Walsh is a barrister and a law graduate of University College, Cork, Ireland.

***Robert (Bob)Warden.*** Mr. Warden has been a Director of AerCap since July 26, 2006. He is also currently a Partner at Pamplona Capital Management, a private equity investment firm, which he joined in August 2012. Mr. Warden serves as a director for several private companies affiliated with Pamplona. Prior to joining Pamplona, Mr. Warden was Managing Director at Cerberus Capital Management, L.P. from February 2003 to August 2012, 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 A.B. 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 may pass resolutions only if a quorum of four directors, including our Chief Executive Officer and the Chairman, or, in his absence, the Vice Chairman, are present at the meeting. Resolutions must be passed by a majority of the votes cast. If there is a tie, the matter will be decided by the Chairman of our Board of Directors, or in his absence, the Vice Chairman. Subject to Dutch law, resolutions of the Board of Directors may be passed in writing by a majority of the directors in office. Pursuant to Dutch laws and the Board Rules, a director may not participate in discussions or the decision making process on a transaction or subject in relation to which he or she has a conflict of interest with us. Resolutions to enter into such transactions must be approved by our Board of Directors, excluding such interested director or directors.

In 2017, the Board of Directors met on nine occasions. Throughout the year, the Chairman of the Board and individual non-executive directors were in close contact with our Chief Executive Officer and the other Group Executive Committee members. During its meetings and contacts with the Chief Executive Officer and the other Group Executive Committee members, the Board discussed such topics as AerCap's annual reports and annual accounts for the financial year 2016, topics for the AGM 2017, secured and unsecured financing transactions and AerCap's liquidity position, AerCap's hedging policies, optimization of AerCap's portfolio of aircraft, global and regional macroeconomic, monetary and political developments and impact on the industry, AerCap key customer developments, competitive landscape, aircraft valuations, AerCap's backlog of new technology orders with aircraft and engine manufacturers, AerCap shareholder value, AerCap key shareholder developments, capital allocation strategies and share repurchases, AerCap's corporate and tax structure, completion of the AeroTurbine downsizing, reports from the various Board committees, budgeting and financial planning, remuneration and compensation, directors' and officers' succession planning, regulatory compliance, culture and values, sustainability and community, governance and risk management and control.

None of the non-executive members of the Board was frequently absent during the meetings held in 2017. The table below outlines the attendance at Board and committee meetings during 2017:

| Name | Full board | % Attendance | Audit Committee | % Attendance | Nomination and Compensation Committee | % Attendance |
|---|---|---|---|---|---|---|
| Pieter Korteweg | 9 | 100% | — | — | 4 | 100% |
| Aengus Kelly | 9 | 100% | — | — | — | — |
| Salem Al Noaimi | 9 | 100% | — | — | 4 | 100% |
| Homaid Al Shimmari | 8 | 89% | — | — | — | — |
| James (Jim) Chapman | 9 | 100% | 7 | 100% | — | — |
| Paul Dacier | 8 | 89% | — | — | 4 | 100% |
| Richard (Michael) Gradon | 9 | 100% | 7 | 100% | — | — |
| Marius Jonkhart | 8 | 89% | 7 | 100% | — | — |
| James (Jim) Lawrence (a) | 7 | 100% | 3 | 100% | — | — |
| Michael Walsh (a) | 7 | 100% | — | — | — | — |
| Robert (Bob) Warden | 9 | 100% | — | — | 4 | 100% |

(a) Appointed to the Board during 2017.

In 2017, the non-executive directors of the Board also performed a self-assessment of the Board's performance. It assessed its own functioning and that of its individual members, and the functioning of its committees, at a Board meeting. The outcome of the self-assessment was that the Board, its committees and its individual members functioned and continue to function satisfactorily. Possible improvement opportunities were documented and will be monitored through to implementation. The Board maintains an introduction program for new non-executive directors with the purpose to familiarize them with the relevant AerCap business, values, governance and compliance aspects. The Board has determined a profile for its non-executive directors which has been made available on the Company's website.

***Conflicts of interest***

In accordance with Board rules, 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. Also, 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 and its enterprise.

***Appointment, suspension and dismissal***

The directors are appointed by the General Meeting of Shareholders. Our directors may be appointed by the vote of a majority of votes cast at a General Meeting of Shareholders provided that our Board of Directors has proposed the appointment. Without a Board of Directors proposal, directors may also be appointed 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.

***Committees of the Board of Directors***

In order to more efficiently fulfill its role, the Board has established 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.

*Audit 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, among others. The Audit Committee is comprised of non-executive directors who are "independent" as defined by Rule 10A-3 under the Exchange Act. At least one of them shall have the necessary financial qualifications. As of December 31, 2017, the members of our Audit Committee were James (Jim) Chapman (Chairman), Marius Jonkhart, Richard (Michael) Gradon and James (Jim) Lawrence. Our Board of Directors has determined that James (Jim) Chapman, Marius Jonkhart and James (Jim) Lawrence are "audit committee financial experts," as that term is defined by SEC rules and Dutch law.

In 2017, the Audit Committee met on seven occasions. Throughout the year, the members of the Audit Committee were in close contact with our Chief Executive Officer, our Chief Financial Officer, internal auditors as well as the external auditors. Principal items discussed and reviewed during these Audit Committee meetings and with our Chief Executive Officer and our Chief Financial Officer included the annual and quarterly financial statements and disclosures, external auditor's reports, external auditor's independence and rotation, activities and results in respect of our continued compliance with the Sarbanes-Oxley Act, the external auditor's audit plan for 2017, approval of other services rendered by the external auditor, internal audit reports, the internal auditor's audit plan for 2018, the Company's compliance, risk management policies and integrity and fraud, the expenses incurred by the Company's most senior officers in carrying out their duties, the Company's tax planning policies, the functioning of the Audit Committee, the audit committee charter and the audit committee cycle. The Audit Committee had several separate sessions with the external auditor without management being present.

*Nomination and Compensation Committee*

Our Nomination and Compensation Committee selects and recruits candidates for the positions of Chief Executive Officer, non-executive director and Chairman of the Board of Directors and recommends their remuneration, bonuses and other terms of employment or engagement to the Board of Directors. In addition, our Nomination and Compensation Committee approves the remuneration, bonuses and other terms of employment of the Group Executive Committee and certain other officers and appoints members of the Group Executive Committee, the Group Portfolio and Investment Committee, the Group Treasury and Accounting 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 further comprised of up to three non-executive directors appointed by the Board of Directors. As of December 31, 2017, the members of our Nomination and Compensation Committee were Pieter Korteweg (Chairman), Salem Al Noaimi, Paul Dacier and Robert (Bob) Warden.

In 2017, the Nomination and Compensation Committee met on four occasions. At these meetings it discussed and approved succession planning and compensation related occurrences and developments within the framework of the Board and Committee Rules and our remuneration policy. In addition, various resolutions were adopted outside of these meetings.

None of our Nomination and Compensation Committee members or our officers has a relationship that would constitute an interlocking relationship with officers or directors of another entity or insider participation in compensation decisions.

***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. The Board members are from diverse professional backgrounds and combine a broad spectrum of experience and expertise with a reputation for integrity. The Board as a whole possesses the core competencies, professional backgrounds and skill sets as outlined in the Board profile, which is determined by the Board each year. The profile sets out the Board's policy in relation to Board composition and diversity. The highlights of such policy include that the Board shall aim for a diverse composition, in line with the global nature and identity of the Company and its business, in terms of such factors as nationality, background, gender and age. It is our objective to increase female representation on our Board, as we believe that greater gender diversity of the Board will have a positive impact. Candidate directors will be primarily selected on the basis of core competencies, professional backgrounds and skill sets as outlined in the profile. The Board comprises at least one financial expert. The diversity principles are similarly applied, to the extent applicable, to the composition of the Group Executive Committee. In 2017, the Board carried out an assessment and determined that the requirements of the profile of the non-executive directors continue to be met. The profile is available on the website of the Company.

**Officers**

As described above, the Chief Executive Officer is primarily responsible for managing our day-to-day affairs as well as other duties that have been delegated to the executive director in accordance with our articles of association and the Board Rules.

We maintain a Group Executive Committee, which is tasked with assisting the Chief Executive Officer with regards to the operational management of the Company, subject to the Chief Executive Officer's ultimate responsibility. It is chaired by our Chief Executive Officer and is comprised of officers appointed by the Nomination and Compensation Committee. As of December 31, 2017, the members of our Group Executive Committee were Aengus Kelly (Chief Executive Officer), Wouter (Erwin) den Dikken (Chief Operating Officer), Peter Juhas (Chief Financial Officer) and Philip Scruggs (President & Chief Commercial Officer). The members of the Group Executive Committee assist the Chief Executive Officer in performing his duties and as such have managerial and policy making functions within the Company in their respective areas of responsibility. Members of the Group Executive Committee regularly attend Board meetings.

Our current officers (in addition to Aengus Kelly who is our executive director and Chief Executive Officer, as described above) are:

| Name | Age | Nationality | Gender | Position |
|---|---|---|---|---|
| Wouter (Erwin) den Dikken | 50 | The Netherlands | M | Chief Operating Officer and Chief Legal Officer |
| Peter Juhas | 46 | United States | M | Chief Financial Officer |
| Philip G. Scruggs | 53 | United States | M | Chief Commercial Officer and President |
| Peter Anderson | 42 | Australia | M | Head of Asia Pacific |
| Brian Canniffe | 45 | Ireland | M | Group Treasurer |
| Tom Kelly | 54 | Ireland | M | Chief Executive Officer, AerCap Ireland Limited |
| Theresa Murray | 50 | Ireland | F | Head of Human Resources |
| Edward (Ted) O'Byrne | 46 | France | M | Chief Investment Officer |
| Martin Olson | 55 | United States | M | Head of OEM Relations |
| Sean Sullivan | 49 | United States | M | Head of Americas |
| Joe Venuto | 58 | United States | M | Chief Technical Officer |
| Kenneth Wigmore | 49 | United States | M | Head of EMEA |

***Wouter (Erwin) den Dikken.*** Mr. den Dikken was appointed Chief Operating Officer of AerCap in 2010, in addition to his role as Chief Legal Officer to which he was appointed in 2005. Mr. den Dikken also previously served as Chief Executive Officer of AerCap's Irish operations. He joined the AerCap legal department in 1998. Prior to joining AerCap, Mr. den Dikken worked for an international packaging company in Germany as Senior Legal Counsel where he focused on mergers and acquisitions. Mr. den Dikken holds a law degree from Utrecht University. On February 2, 2018, we announced through a press release that Vincent Drouillard will become our General Counsel in June 2018. Mr. den Dikken will remain with AerCap through May 2018.

***Peter Juhas.*** Mr. Juhas was appointed Chief Financial Officer of AerCap in April 2017, following his appointment as Deputy Chief Financial Officer in September 2015. Prior to joining AerCap, Mr. Juhas was Global Head of Strategic Planning at AIG, where he led the development of the company's strategic and capital plans, as well as mergers, acquisitions and other transactions, including the sale of ILFC to AerCap. Prior to joining AIG in 2011, Mr. Juhas was Managing Director in the Investment Banking Division of Morgan Stanley from 2000 to 2011. While at Morgan Stanley, he led the IPO of AerCap in 2006 and was the lead advisor to the Federal Reserve Bank and the U.S. Treasury on the AIG restructuring and the placement of the U.S. government-sponsored enterprises Fannie Mae and Freddie Mac into conservatorship in 2008. Prior to joining Morgan Stanley, Mr. Juhas was an attorney in the Mergers and Acquisitions group at Sullivan & Cromwell LLP, the New York law firm. Mr. Juhas received his A.B. from Harvard College and his J.D. from Harvard Law School.

***Philip Scruggs.*** Mr. Scruggs assumed the position of President and Chief Commercial Officer of AerCap in May 2014, previously serving in the role of Executive Vice President and Chief Marketing Officer at ILFC, where he had a 20-year career. Mr. Scruggs oversees AerCap's worldwide leasing business, including the marketing, pricing, credit, and commercial execution. Prior to joining ILFC, Mr. Scruggs was an attorney at the Los Angeles-based law firm Paul, Hastings, Janofsky and Walker, where he specialized in leasing and asset-based finance. Mr. Scruggs received his B.A. from the University of California, Berkeley, and his J.D. from The George Washington University. Mr. Scruggs is an instrument rated private pilot.

***Peter Anderson.*** Mr. Anderson assumed the position of Head of Asia Pacific, following the acquisition of ILFC by AerCap, having previously served in the role of Vice President Marketing and Deputy Head of APAC at ILFC. Mr. Anderson was responsible for managing ILFC's relationships with key airline customers in South East Asia, Japan and Korea. Prior to ILFC, Mr. Anderson was Asia Pacific Director of Sales and Marketing for Hong Kong Aviation Capital (HKAC), transitioning the Allco Finance Group Ltd. aviation assets into the HKAC business and managing those assets across Asia. Prior to HKAC, Mr. Anderson spent eight years at Allco Finance Group Ltd. in both Sydney and London, specializing in aircraft leasing, structured finance (for aviation assets) and mortgage and equipment lease securitization. Mr. Anderson earned his Master of Applied Finance and Investment from the Securities Institute of Australia, and his B.A. from the University of Technology Sydney.

***Brian Canniffe.*** Mr. Canniffe was appointed Group Treasurer of AerCap in January 2018, previously serving as Head of Investor Relations since joining the Company in October 2016. He has over 20 years' experience in banking, lending and the capital markets. Prior to joining AerCap, Mr. Canniffe served as Managing Director and Head of Global Markets Financing for Bank of America Merrill Lynch in Hong Kong and Tokyo, where he led a division that was responsible for providing secured financing, trading, clearing, reporting and various treasury functions in the Asia Pacific region. Prior to joining Bank of America Merrill Lynch, he held roles within the financing divisions at Nomura Securities and Bankers Trust International.

***Tom Kelly.*** Mr. Kelly was appointed Chief Executive Officer of AerCap Ireland in 2010. Mr. Kelly previously served as Chief Financial Officer of AerCap's Irish operations and has a substantial aircraft leasing and financial services background. Previously, Mr. Kelly spent ten years with GECAS where his last roles were as Chief Financial Officer and director of GE Capital Aviation Services (GECAS) Limited, GECAS's Irish operation. Mr. Kelly also served as global controller for GECAS in his role as Senior Vice President & Controller. Prior to joining GECAS in 1997, Mr. Kelly spent over eight years with KPMG in their London office, as Senior Manager in their financial services practice. Mr. Kelly is a Chartered Accountant and holds a Bachelor of Commerce degree from University College, Dublin.

***Theresa Murray.*** Ms. Murray was appointed Head of Human Resources in October 2016. She has over 25 years' experience across all HR disciplines. Prior to joining AerCap she held the position of International HR Director at Nuance Communications. Throughout her career she has held a variety of HR and management roles including senior positions at Telefonica and Lucent Technologies.

***Edward (Ted) O'Byrne.*** Mr. O'Byrne was appointed Chief Investment Officer in January 2011. Previously he held the position of Head of Portfolio Management overseeing aircraft trading, OEM relationships and portfolio management activities. Mr. O'Byrne joined AerCap in July 2007 as Vice President Portfolio Management and Trading. Prior to joining AerCap, he worked as Airline Marketing Manager at Airbus North America and later as Director, Sales Contracts for Airbus Leasing Markets in Toulouse, France. Mr. O'Byrne received his M.B.A. from the University of Chicago Booth School of Business and his B.A. from EuroMed in France.

***Martin Olson.*** Mr. Olson assumed the position of Head of OEM Relations following the acquisition of ILFC by AerCap. He previously served in the role of Senior Vice President at ILFC. Mr. Olson heads AerCap's OEM Relations Department, responsible for purchasing new aircraft and engines. He joined ILFC in 1995 after ten years with McDonnell Douglas Aircraft Corporation. Mr. Olson is a graduate of California State University, Fullerton. He holds a Master's degree in Business Administration from the University of Southern California.

***Sean Sullivan.*** Mr. Sullivan assumed the position of Head of Americas following the acquisition of ILFC by AerCap, previously serving in the role of Senior Vice President and Head of ILFC Americas. In this role, Mr. Sullivan was involved in ILFC's purchase and leaseback business, including strategic direction of the business, pricing and analysis tools, critical support, and customer evaluation and processes. Mr. Sullivan has more than 20 years' experience in negotiating and managing complicated transactions. Prior to ILFC, Mr. Sullivan was Director of Allco Aviation, where he oversaw strategic direction and creation of the business plan, focused on growth through purchase and leaseback transactions. Previously, he held the position of Vice President at Bank of America in the Leasing and Capital group, focused on aviation finance.

***Joe Venuto.*** Mr. Venuto was appointed Chief Technical Officer of AerCap in February 2012. He previously served in the role of Senior Vice President Operations for the Americas at AerCap for four years. From 2004 to 2008, he held the role of Senior Vice President Operations at AeroTurbine, responsible for all technical issues. Prior to joining AeroTurbine, Mr. Venuto held the role of Senior Director Maintenance at several airlines including Trump Shuttle, Laker Airways and Amerijet International. He has over 30 years' experience in the aviation industry and he commenced his aviation career as an Airplane and Powerplant technician for Eastern Airlines. Mr. Venuto is a graduate of the College of Aeronautics and a licensed FAA Airframe and Powerplant Technician.

***Kenneth Wigmore.*** Mr. Wigmore assumed the position of Head of EMEA following the acquisition of ILFC by AerCap. Previously, he held the positions of Chief Marketing Officer, and Head of Marketing for the Americas, overseeing customer relationships in North and South America from January 2008. Mr. Wigmore joined AerCap in April 2003 as Vice President Airline Marketing. Prior to joining AerCap, he worked as Airline Analyst and later as Sales Director, China over a 9 year period with the aircraft manufacturer Fairchild Dornier. Mr. Wigmore holds a Bachelor of Science degree from Mount Saint Mary's University in Maryland.

***Officer compensation***

The aircraft leasing business is highly competitive. As a global leader in aircraft leasing, we seek to attract and retain the most talented and successful officers to manage our business and to motivate them with appropriate incentives to execute our strategy and to promote and encourage continued superior performance over a prolonged period of time, in support of achieving the objectives of long-term value creation and appropriate risk-taking. We have designed our compensation plans to meet these objectives.

| Compensation goal | How goal is accomplished |
|---|---|
| Attract and retain leading executive talent | • Design compensation elements to enable us to compete effectively for executive talent<br>• Selectively retain executives acquired through business transactions considering industry and functional knowledge, leadership abilities and fit with Company culture<br>• Perform market analysis to stay informed of compensation trends and practices |
| Align executive pay with shareholder interests | • Concentrate executive pay heavily in equity compensation<br>• Require robust equity ownership and retention<br>• Motivate senior executives with meaningful incentives to generate long-term returns |
| Pay for performance | • Pay annual bonuses based on performance against one-year budgeted target set by the Nomination and Compensation Committee<br>• Reward long-term growth and value creation<br>• Tie long-term incentive program awards to the achievement of multi-year earnings per share targets set by the Nomination and Compensation Committee<br>• Reward high-performers with above-target pay when predetermined goals are exceeded |
| Manage risk | • Prohibit hedging of Company securities and pledging of AerCap equity prior to vesting<br>• Emphasize long-term performance by designing equity award opportunities to minimize short-term focus and influence on compensation payouts<br>• Incentive compensation for the executive director is subject to clawback provisions under Dutch law |

The compensation packages of our Group Executive Committee members (other than our Chief Executive Officer) and certain other officers, consisting of base salary, annual bonus and, for some officers, annual stock bonus, along with other benefits, are determined by the Nomination and Compensation Committee upon the recommendation of the Chief Executive Officer (other than with respect to his own compensation) on an annual basis. In addition, upon the recommendation of the Chief Executive Officer (other than with respect to his own equity awards), the Nomination and Compensation Committee may grant long-term equity incentive awards to our officers on a non-recurring basis under our equity incentive plans, as further outlined below. The compensation package of our Chief Executive Officer, consisting of base salary, annual bonus, annual stock bonus and a long-term equity incentive award, along with other benefits, is determined by the Board of Directors, upon recommendation of the Nomination and Compensation Committee, in accordance with the remuneration policy approved by the General Meeting of Shareholders.

The amount of the annual bonus and, if applicable, the amount of the annual stock bonus granted to our Group Executive Committee members and other participating officers are determined by the Nomination and Compensation Committee (or, in the case of our Chief Executive Officer, the Board of Directors, upon recommendation of the Nomination and Compensation Committee) based on the Company's performance relative to the U.S. GAAP EPS budget for the relevant year and the personal performance of the individual Group Executive Committee member or other officer involved. The Company's U.S. GAAP EPS budget and target bonus levels are determined before the beginning of the relevant year. The actual annual bonus amounts and the actual annual stock bonuses are determined and paid or granted, as the case may be, after the end of the relevant year. As a matter of policy, actual bonus amounts will be below target level in years that the EPS target is not met, unless specific circumstances require otherwise which, if any, will be disclosed in this Annual Report. The annual stock bonuses vest after three years, or, if earlier, at the end of the officer's employment term.

Our long-term equity incentive program is designed to retain our most talented and successful officers and to incentivize continued superior performance, in accordance with the Company's long-term objectives, for the benefit of our shareholders and other stakeholders. The majority of the long-term equity awards have vesting periods ranging between three years and five years, and the vesting of 66.67% of each award is conditional upon the achievement of the Company's U.S. GAAP EPS budget over the multi-year vesting period, as determined by the Board of Directors at the beginning of the vesting period (33.33% of each award is subject to time-based vesting). The awards will cliff vest, subject to meeting the vesting conditions, at the end of the vesting period, i.e., there will be no vesting in the interim, and all shares will remain at risk until the end of the vesting period. If the EPS target is not met, then none or only a portion of the performance-based shares will vest, with the remaining performance-based shares being forfeited. None of the performance-based shares will vest if 84% or less of the EPS target is met, which indicates the stringency of the program. A portion of the performance-based shares will vest, as specified in the award agreements, if between 84% and 100% of the EPS target is met, and all performance-based shares will vest if the EPS target is met or exceeded. In the event of a change of control of the Company, the shares will immediately vest. We believe that the design of our long-term equity incentive program promotes and encourages continued superior performance over a prolonged period of time in support of achieving the objectives of long-term value creation and appropriate risk-taking.

Severance payments are part of the employment agreements with our Group Executive Committee members. The amount of the pre-agreed severance is based upon calculations in accordance with their respective age and years of service.

The Company is subject to the Netherlands' Clawback of Bonuses Act. Pursuant to this legislation, bonuses paid to the executive director (and other directors, as defined under the articles of association, provided they are in charge of day-to-day management) may be clawed back if awarded on the basis of incorrect information. In addition, any bonus that has been awarded to the executive director (and other directors, as defined under the articles of association, provided they are in charge of day-to-day management) may be reduced if, under the circumstances, payment of the bonus would be unacceptable. As of December 31, 2017, we did not have any directors other than the executive director who were in charge of day-to-day management.

**AerCap equity incentive plans**

Under our equity incentive plans, we have granted restricted stock units, restricted stock and stock options, to directors, officers and employees to attract and retain them on competitive terms, and to incentivize superior performance with a view to creating long-term value for the benefit of the Company, its shareholders and other stakeholders.

We require our Group Executive Committee members to own Company ordinary shares having a value equal to at least ten times their annual base salary, in order to further align their interests with the long-term interests of our shareholders. This threshold amount includes ordinary shares owned outright, vested stock-based equity awards, time-based restricted stock and time-based restricted stock units, whether or not vested, and any stock-based equity that the executive has elected to defer. New Group Executive Committee members have a five year grace period to meet this threshold. In addition, each Group Executive Committee member is required to hold, post vesting, 50% of the net shares (after satisfaction of any exercise price or tax withholding obligations) delivered to him or her pursuant to Company equity awards since January 1, 2007, for so long as such member remains employed by the Company (or, if earlier, until such member reaches 65 years of age). Sales of Company ordinary shares are conducted with a view to avoiding undue impact on the Company ordinary share price and in compliance with laws and regulations. Each executive must consult with the Chairman before executing any sale of the Company's ordinary shares.

Our policies prohibit our directors, officers and employees from trading in Company securities on the basis of material non-public information, or engaging in hedging and other "short" transactions involving Company securities. In addition, our directors, officers and employees are prohibited from pledging equity incentive awards prior to vesting.

Please refer to Note 20—*Personnel expenses* to our Consolidated Financial Statements included in this Annual Report for more details on our equity incentive plans.

**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 Board of Directors and the Audit Committee of our Board of Directors. 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. In accordance with applicable regulations, the partner of the external audit firm in charge of the audit activities is subject to rotation requirements.

## Internal auditors

We have an internal audit function in place to provide assurance to the Audit Committee, on behalf of the Board of Directors, and to AerCap's executive officers, with respect to AerCap's key processes. 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 AerCap's executive officers and is considered a valuable part of AerCap's system of control and risk management.

## Ordinary share capital

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 AerCap, subject to provisions stemming from private international law. Our ordinary shares are, in general, freely transferable.

### *Regulatory obligations regarding certain share transactions*

AerCap Cash Manager II Limited, which is a member of AerCap, is subject to regulation by the Central Bank of Ireland. As a result, the acquisition or disposal directly or indirectly of interests in AerCap shares or similar interests may be subject to regulatory requirements involving the Central Bank of Ireland as set out below. The following disclosure is for information purposes only and AerCap cannot provide Irish legal advice to actual or potential investors. Actual or potential investors in AerCap must obtain their own legal advice in relation to their position.

Under the European Union (Markets in Financial Instruments) Regulations 2017 (as amended) (the "MiFID II Regulations"), a person or a group of persons acting in concert proposing to acquire a direct or indirect holding of ordinary shares or other similar interests in AerCap must give the Central Bank of Ireland prior written notice of such proposed acquisition if the acquisition would directly or indirectly *(i)* represent 10% or more of the capital or voting rights in AerCap; *(ii)* result in the proportion of capital or voting rights in AerCap held by such person or persons reaching or exceeding 10%, 20%, 33% or 50% of the capital or voting rights in AerCap; or *(iii)* in the opinion of the Central Bank of Ireland, make it possible for that person or those persons to control or exercise a significant influence over the management of AerCap Cash Manager II Limited. Any such proposed acquisition shall not proceed until *(a)* the Central Bank of Ireland has informed such proposed acquirer or acquirers that it approves such acquisition or *(b)* the period prescribed in Regulation 21 of the MiFID II Regulations has elapsed without the Central Bank of Ireland having given notice in writing that it opposes such acquisition. It is important in this regard to note that the validity as a matter of Irish law of affected transactions, if completed without prior notification to, or assessment by, the Central Bank of Ireland will not be recognized in Ireland. Corresponding provisions apply to the disposal of direct and indirect shareholdings in AerCap except that, in such case, no approval is required, but prior notice of the disposal must be given to the Central Bank of Ireland. AerCap Cash Manager II Limited is required under the MiFID II Regulations to notify the Central Bank of Ireland of relevant acquisitions and/or disposals of which it becomes aware.

*Issuance of ordinary shares*

The General Meeting of Shareholders can resolve upon the issuance of ordinary shares or the granting of rights to subscribe for ordinary shares, but only upon a proposal by the Board of Directors specifying the price and further terms and conditions. The General Meeting of Shareholders may designate our Board of Directors as the authorized corporate body for this purpose. Such designation 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 AGM held in 2017, our shareholders resolved to authorize the Board of Directors, for a period of 18 months, to issue ordinary shares or grant rights to subscribe for ordinary shares *(i)* up to ten percent of the Company's issued share capital; and *(ii)* up to an additional ten percent of the Company's issued share capital, provided that the shares that may be issued and rights that may be granted pursuant to this second authorization may only be used for mergers and/or the acquisition of a business or a company.

These resolutions together authorize the Board of Directors to issue ordinary shares, and grant rights to subscribe for such shares, up to a maximum of 20% of the Company's issued share capital, subject to the conditions described in these resolutions.

*Preemptive rights*

Unless limited or excluded by the General Meeting of Shareholders or Board of Directors as described below, holders of ordinary shares have a pro rata preemptive right to subscribe for ordinary shares that we issue, except for ordinary shares issued for non-cash consideration (contribution in kind) or ordinary shares issued to our employees.

The General Meeting of Shareholders may limit or exclude preemptive rights and also designate our Board of Directors as the authorized corporate body for this purpose. At the AGM held in 2017, our shareholders resolved to authorize the Board of Directors to limit or exclude preemptive rights in respect of any issuance of shares or granting of rights to subscribe for shares pursuant to the authorizations described above in the paragraph Issuance of ordinary shares, which authorization is valid for a period of 18 months.

*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:

- the 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 such part of our issued share capital as set by law from time to time.

At the AGM held in 2017, our shareholders resolved to authorize the Board of Directors for a period of 18 months *(i)* to repurchase ordinary shares up to ten percent of the Company's issued share capital; and *(ii)* to repurchase ordinary shares up to an additional ten percent of the Company's issued share capital, subject to the condition that the number of ordinary shares which the Company may at any time hold in its own capital will not exceed ten percent of the Company's issued share capital, and certain other conditions described in these resolutions.

***Capital reduction and cancellation***

The General Meeting of Shareholders may reduce our issued share capital either by cancelling ordinary shares held in treasury or by amending our articles of association to reduce the par value of the ordinary shares. A resolution to reduce our capital requires the approval of at least an absolute majority of the votes cast and, if less than one half of the share capital is represented at a meeting at which a vote is taken, the approval of at least two-thirds of the votes cast.

At the AGM held in 2017, our shareholders resolved to cancel the Company's ordinary shares that may be acquired under the repurchase authorizations described above or otherwise, subject to determination by our Board of Directors of the exact number of ordinary shares to be cancelled. During 2017, we cancelled 20,000,000 ordinary shares that we had repurchased. In January 2018, we cancelled 5,000,000 ordinary shares and in March 2018, we cancelled a further 6,000,000 ordinary shares, which were acquired through the share repurchase programs in accordance with the authorizations obtained from the Company's shareholders.

***General Meetings of Shareholders***

Our articles of association determine how our AGM and any extraordinary General Meeting of Shareholders are convoked. At least one AGM must be held every year. Shareholders can exercise their voting rights by submitting their proxy forms or equivalent means prior to a set date in accordance with the procedures indicated in the notice and agenda of the applicable general meeting of shareholders. Shareholders may exercise their meeting rights in person after notifying us prior to a set date and providing us with appropriate evidence of ownership of the shares and authority to vote prior to a set date in accordance with the procedures indicated in the notice and agenda of the applicable general meeting of shareholders.

The rights of shareholders may only be changed by amending our articles of association. A resolution to amend our articles of association is valid if the Board of Directors makes a proposal amending the articles of association and such proposal is adopted by a simple majority of votes cast.

The following resolutions require a two thirds majority vote if less than half of the issued share capital is present or represented at the general meeting of shareholders:

- capital reduction;
- exclusion or restriction of preemptive rights, or designation of the Board of Directors as the authorized corporate body for this purpose; and
- legal merger or legal demerger within the meaning of Title 7 of Book 2 of The Dutch Civil Code ("Boek 2 van het Burgerlijk Wetboek").

If a proposal to amend the articles of association will be considered at the meeting, we will make available a copy of that proposal, in which the proposed amendments will be stated verbatim.

An agreement of AerCap to enter into a *(i)* statutory merger whereby AerCap is the acquiring entity; or *(ii)* a legal demerger, with certain limited exceptions, must be approved by the shareholders.

The AGM was held on May 5, 2017. The AGM adopted the 2016 annual accounts and voted for all other items which required a vote.

***Voting rights***

Each ordinary share represents the right to cast one vote at a general meeting of shareholders. All resolutions must be passed with an absolute majority of the votes validly cast except as set forth above. We are not allowed to exercise voting rights for ordinary shares we hold directly or indirectly.

Any major change in the identity or character of AerCap or its business must be approved by our shareholders, including:

- the sale or transfer of substantially all our business or assets;
- the commencement or termination of certain major joint ventures and our participation as a general partner with full liability in a limited partnership ("commanditaire vennootschap") or general partnership ("vennootschap onder firma"); and
- the acquisition or disposal by us of a participating interest in a company's share capital, the value of which amounts to at least one third of the value of our assets.

***Liquidation rights***

If we are dissolved or wound up, the assets remaining after payment of our liabilities will be first applied to pay back the amounts paid up on the ordinary shares. Any remaining assets will be distributed among our shareholders, in proportion to the par value of their shareholdings. All distributions referred to in this paragraph shall be made in accordance with the relevant provisions of the laws of the Netherlands.

***Dutch statutory squeeze-out proceedings***

If a person or a company or two or more group companies within the meaning of Article 2:24b of the Dutch Civil Code acting in concert holds in total 95% of a Dutch public limited liability company's issued share capital by par value for their own account, the laws of the Netherlands permit that person or company or those group companies acting in concert to acquire the remaining ordinary shares in the company by initiating statutory squeeze out proceedings against the holders of the remaining shares. The price to be paid for such shares will be determined by the Enterprise Chamber of the Amsterdam Court of Appeal.

***Adoption of annual accounts and discharge of management liability***

Each year, our Board of Directors must prepare annual accounts within four months after the end of our financial year. The annual accounts must be made available for inspection by shareholders at our offices within the same period. The annual accounts must be accompanied by an auditor's certificate, a report of the Board of Directors and certain other mandatory information. The shareholders shall appoint an accountant, as referred to in Article 393 of Book 2 of the Dutch Civil Code, to audit the annual accounts. The annual accounts are adopted by our shareholders.

The adoption of the annual accounts by our shareholders does not release the members of our Board of Directors from liability for acts reflected in those documents. Any such release from liability requires a separate shareholders' resolution.

**Registrar and transfer agent**

A register of holders of the ordinary shares will be maintained by Broadridge in the United States who also serves as our transfer agent. The telephone number of Broadridge is 1-800-733-1121.

**Protective measures**

There are no protective devices against takeovers in place.

**Dutch Corporate Governance Code**

The Code contains principles and best practices for Dutch companies with publicly listed shares, and requires companies to either comply with the best practice provisions of the Code or to explain why they deviate from these best practice provisions. For further information and the full text of the Code please refer to: *www.commissiecorporategovernance.nl*. AerCap is committed to good corporate governance. As such, AerCap complies with the Sarbanes-Oxley Act and certain corporate governance requirements and best practices set out by the NYSE and the SEC. In addition, AerCap complies with applicable principles and best practice provisions of the Code, which are based on a "comply or explain" principle, except for the following:

- *Best practice provision 2.3.2 and 2.3.4.* The Code requires the Board to have three committees: an audit committee, a remuneration committee and a selection and appointment committee. For efficiency reasons, including the fact that we have only one executive director, we have combined the functions of the remuneration committee with those of the selection and appointment committee into one Nomination and Compensation Committee. Under the Code, the Chairman of the Board shall not chair the remuneration committee; he may, however, chair the selection and appointment committee. Given 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.

- *Best practice provision 2.1.7 section iii. and 2.1.8 section vii.* Two of our non-executive directors (out of a total of ten) are affiliated with Waha. However, we believe the current composition of the Board enables it to operate effectively and independently, also considering the fact that the non-executive directors are carefully selected based upon their combined experience and expertise.

- *Best practice provision 4.3.3.* This provision was not applied by the Company in so far as it deals with the lifting of quorum requirements related to proposed directors' dismissals, due to the fact that it is written for general meetings with a high degree of absenteeism, whereas absenteeism at the Company's shareholders' meetings is relatively low.

- *Best practice provision 3.3.2.* Although strictly not in line with the best practice provisions of the Code, we believe that the equity awards to our non-executive directors, as set forth in these annual accounts, are an effective means to further complement our non-executive directors' remuneration in accordance with the conducted market compensation analysis, whereas they do not go against the spirit of the corresponding provision in the Code. None of the equity awards to our non-executive directors are subject to performance-based vesting criteria. In addition, it should be noted that granting equity awards to non-executive directors is consistent with corporate practice in the United States, the jurisdiction where our shares are publicly listed which, to a certain extent, drives our corporate governance in addition to Dutch corporate governance rules.

**Remuneration Report**

This Remuneration Report is based on the remuneration policy for members of our Board of Directors, as adopted by the General Meeting of Shareholders on May 2, 2013. The remuneration policy is posted on our website.

***Remuneration Policy***

The objective of our remuneration policy is to recruit and retain highly qualified members of our Board of Directors, who possess the required core competencies, professional backgrounds and skill sets in line with the global nature and identity of the Company and its business in support of the objective of long-term value creation. The remuneration policy is determined by the General Meeting of Shareholders upon proposal by the Board of Directors. 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.

Our Equity Incentive Plan 2014, which was approved by the General Meeting of Shareholders on February 13, 2014, provides for the grant of equity awards in the form of shares, share options, restricted stocks, restricted stock units or other equity instruments to our directors and other potential participants. The Equity Incentive Plan 2014 states the maximum number of shares, stock options, restricted stocks, restricted stock units or other equity instruments available under the plan and the criteria that apply to the granting or altering of such arrangements.

For further details regarding the remuneration of our directors, reference is made to the remuneration policy as referred to above (available on our website), to the paragraph AerCap equity incentive plans earlier in this Annual Report, to Note 20—*Personnel expenses* to our Consolidated Financial Statements included in this Annual Report and to Note 30—*Directors' Remuneration* to our Consolidated Financial Statements included in this Annual Report.

***Executive director***

The compensation package for Mr. Aengus Kelly, our only executive director, was determined in 2014, concurrent with his re-appointment as executive director and following approval by the general meeting of shareholders, taking into consideration comparable compensation packages for chief executive officers of companies of similar size and profitability in the aircraft leasing industry and other relevant industries, scenario analyses, and other relevant benchmarks.

During 2017, we paid Mr. Kelly a total remuneration of approximately $2.5 million, consisting of an annual base salary of approximately $0.9 million, an annual cash bonus of approximately $1.3 million, which is based on specific targets that were met, and approximately $0.3 million as contributions to his defined benefit pension plan and other employment benefits. In addition, during 2017, we recognized approximately $28.0 million of expenses related to AerCap equity awards that were granted to him in 2017 and prior years. Mr. Kelly's annual cash bonus and annual stock bonus are paid in arrears. The bonus actual amounts are determined by the Board of Directors, upon recommendation of the Nomination and Compensation Committee, based on the Company's performance relative to the U.S. GAAP EPS budget for the relevant year and Mr. Kelly's personal performance during that year. The Company's U.S. GAAP EPS budget is determined by the Board of Directors before the beginning of the relevant year. As a matter of policy, the actual bonuses will be below target bonus level in years that our EPS target is not met, unless specific circumstances require otherwise which, if any, will be disclosed in this Annual Report. The annual stock bonus vests after three years, or if earlier, the end of his employment term. 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 the Company's objectives.

The table below indicates the stock bonus the Company granted to Mr. Kelly and his equity awards that vested in 2017:

| | 2017 Granted | 2017 Vested |
|---|---|---|
| Aengus Kelly (CEO) | 19,358 (a) | 14,692 (b) |

(a) Grant of 29,682 shares of restricted stock, of which 10,324 were withheld to pay taxes incurred by Mr. Kelly in connection with the grant.
(b) Vesting of shares of restricted stock.

In addition, Mr. Kelly participates in the Company's long-term equity incentive scheme. As noted, the long-term incentive program is designed to retain our most talented and successful officers and to encourage continued superior performance for the benefit of the Company and its shareholders and other stakeholders. Mr. Kelly's current long-term equity award has a five year vesting period (four years for a portion of the award). The vesting of 66.67% of the award is conditional upon the achievement of the Company's U.S. GAAP EPS budget over the vesting period, as determined by the Board of Directors at the beginning of the vesting period (the vesting of 33.33% of the award is subject to time-based vesting). The award will cliff vest, subject to meeting the vesting conditions, at the end of the respective vesting period, i.e., there will be no vesting in the interim, and all shares will remain at risk until the end of the respective vesting period. If the EPS target is not met, then none or only a portion of the performance-based shares will vest, with the remaining shares being forfeited. None of the performance-based shares will vest if 85% or less of the EPS target is met, which indicates the stringency of the award. A portion of the performance-based shares will vest, as specified in the award agreement, if between 85% and 100% of the EPS target is met, and all performance-based shares will vest if the EPS target is met or exceeded. In the event of a change of control of the Company, the shares will immediately vest. We believe that the design of Mr. Kelly's long-term equity award promotes and encourages good performance over a prolonged period of time in support of the objectives of long-term value creation and appropriate risk-taking.

The table below indicates the years in which Mr. Kelly's equity awards in the form of restricted stock held as of December 31, 2017, are due to vest, subject to meeting the applicable vesting criteria.

| | 2018 | 2019 |
|---|---|---|
| Aengus Kelly (CEO) | 1,074,078 | 571,455 |

As noted, Mr. Kelly is required to own Company ordinary shares having a value equal to at least ten times his annual base salary, in order to further align his interests with the long-term interests of our shareholders. This threshold amount includes ordinary shares owned outright, vested stock-based equity awards, time-based restricted stock and time-based restricted stock units, whether or not vested, and any stock-based equity that Mr. Kelly has elected to defer. In addition, Mr. Kelly is required to hold, post vesting, 50% of the net shares (after satisfaction of any exercise price or tax withholding obligations) delivered to him pursuant to Company equity awards since January 1, 2007, for so long as he remains employed by the Company (or, if earlier, until he reaches 65 years of age). Sales of Company ordinary shares are conducted with a view to avoiding undue impact on the Company ordinary share price and in compliance with laws and regulations. Prior consultation with the Chairman is required before executing any sale of the Company's ordinary shares.

Mr. Kelly's employment contract expires on the day following the 2019 AGM, scheduled to be held in April or May 2019. His employment contract includes a severance clause with a pre-agreed severance amount, which is deemed reasonable in view of his long term employment history with the Company. The severance will be paid in the event that his employment is not renewed at expiration or is terminated without cause or in case of voluntarily leaving for good reason (as such terms are defined in the employment agreement).

As noted, the Company is subject to the Netherlands' Clawback of Bonuses Act. Pursuant to this legislation, bonuses paid to the executive director (and other directors, as defined under the articles of association, provided they are in charge of day to day management) may be clawed back if awarded on the basis of incorrect information. In addition, any bonus that has been awarded to the executive director (and other directors, as defined under the articles of association, provided they are in charge of day to day management) may be reduced if, under the circumstances, payment of the bonus would be unacceptable. As of December 31, 2017, we did not have any directors other than the executive director who were in charge of day to day management.

***Pay ratio***

The pay ratio of our Chief Executive Officer's cash compensation compared with the cash compensation of the median employee is 18:1 (2016: 18:1).

***Non-executive directors***

We currently pay each non-executive director an annual fee of €95,000 (€200,000 for the Chairman of our Board of Directors and €115,000 for the Vice Chairman) and pay each of these directors an additional €4,000 per meeting attended in person or €1,000 per meeting attended by phone. In addition, we pay the chair of the Audit Committee an annual fee of €25,000 and each Audit Committee member will receive an annual fee of €15,000 and a fee of €4,000 per committee meeting attended in person or €1,000 per committee meeting attended by phone. We further pay the non-executive chair of each of the Nomination and Compensation Committee, the Group Treasury and Accounting Committee and the Group Portfolio and Investment Committee an annual fee of €15,000 and each such committee member will receive an annual fee of €10,000 and a fee of €4,000 per committee meeting attended in person or €1,000 per committee meeting attended by phone.

In addition, our non-executive directors receive an annual equity award as provided for in AerCap's remuneration policy for members of the Board of Directors and in accordance with the terms of the Equity Incentive Plan 2014. The size of the annual equity award to our non-executive directors increased, effective as of December 31, 2015, following a market compensation analysis conducted by an independent benefits advisory firm and in accordance with the terms of the Equity Incentive Plan 2014. As of December 31, 2017, our non-executive directors held 45,382 restricted stock units, 15,753 shares of restricted stock and options to acquire a total of 22,941 AerCap ordinary shares; these equity awards have been granted under the AerCap equity incentive plans, as further described below. All members of the Board of Directors are reimbursed for reasonable costs and expenses incurred in attending meetings of our Board of Directors.

The table below indicates the total remuneration paid to our non-executive directors during the years ended December 31, 2017 and 2016, and the share-based compensation expense recognized in those years related to AerCap equity instruments that were granted to the non-executive directors in 2017 and prior years:

| | Year Ended December 31, | | | |
|---|---|---|---|---|
| | 2017 | | 2016 | |
| | Remuneration paid | Share-based compensation expense | Remuneration paid | Share-based compensation expense |
| Pieter Korteweg | $ 292 | $ 333 | $ 281 | $ 168 |
| Salem Al Noaimi | 181 | 145 | 182 | 102 |
| Homaid Al Shimmari | 118 | — | 123 | — |
| James (Jim) Chapman | 211 | 248 | 197 | 160 |
| Paul Dacier | 191 | 173 | 174 | 90 |
| Richard (Michael) Gradon | 173 | 196 | 171 | 93 |
| Marius Jonkhart | 202 | 213 | 207 | 141 |
| James (Jim) Lawrence | 109 | — | — | — |
| Michael Walsh | 102 | — | — | — |
| Robert (Bob) Warden | 191 | 133 | 176 | 71 |
| **Total** | **$ 1,770** | **$ 1,441** | **$ 1,511** | **$ 825** |

In 2017, we paid our former non-executive director Walter McLallen a total remuneration amount of approximately $0.2 million.

***AerCap Equity Incentive Plans***

Please refer to AerCap Equity Incentive Plans earlier in this Annual Report, and to Note 20—*Personnel expenses* to our Consolidated Financial Statements included in this Annual Report for more details on our equity incentive plans.

Dublin, March 9, 2018

Pieter Korteweg

Aengus Kelly

Salem Al Noaimi

Homaid Al Shimmari

James (Jim) Chapman

Paul Dacier

Richard (Michael) Gradon

Marius Jonkhart

James (Jim) Lawrence

Michael Walsh

Robert (Bob) Warden

**AerCap Holdings N.V. and Subsidiaries**

**Consolidated Balance Sheets**

**As of December 31, 2017 and 2016**

| | Note | As of December 31, 2017 | As of December 31, 2016 |
|---|---|---|---|
| | | (U.S. Dollars in thousands) | |
| **ASSETS** | | | |
| ***Fixed assets*** | | | |
| **Intangible fixed assets** | | | |
| Maintenance rights intangible and lease premium, net | 4 | $ 1,501,858 | $ 2,167,925 |
| Other intangibles, net | 5 | 367,575 | 414,410 |
| **Total intangible fixed assets** | | **1,869,433** | **2,582,335** |
| **Tangible fixed assets** | | | |
| Flight equipment held for operating leases, net | 6 | 32,938,294 | 31,552,935 |
| Prepayments on flight equipment | 28 | 2,930,303 | 3,265,979 |
| Other tangible fixed assets, net | | 31,114 | 36,427 |
| **Total tangible fixed assets** | | **35,899,711** | **34,855,341** |
| **Financial fixed assets** | | | |
| Net investment in finance and sales-type leases | 7 | 995,689 | 755,882 |
| Deferred income tax assets | 24 | 189,520 | 250,522 |
| Other financial fixed assets | 8, 9, 10 | 405,312 | 360,028 |
| **Total financial fixed assets** | | **1,590,521** | **1,366,432** |
| ***Total fixed assets*** | | **39,359,665** | **38,804,108** |
| ***Current assets*** | | | |
| **Receivables** | | | |
| Trade receivables | | 73,877 | 64,923 |
| Other receivables | 11 | 511,967 | 349,051 |
| **Total receivables** | | **585,844** | **413,974** |
| **Cash** | | | |
| Cash and cash equivalents | | 1,659,669 | 2,035,447 |
| Restricted cash | 12 | 364,456 | 329,180 |
| **Total cash** | | **2,024,125** | **2,364,627** |
| ***Total current assets*** | | **2,609,969** | **2,778,601** |
| **Total Assets** | | **$ 41,969,634** | **$ 41,582,709** |

The accompanying notes are an integral part of these Consolidated Financial Statements.

**AerCap Holdings N.V. and Subsidiaries**

**Consolidated Balance Sheets**

**As of December 31, 2017 and 2016**

| | Note | As of December 31, 2017 | As of December 31, 2016 |
|---|---|---|---|
| | | (U.S. Dollars in thousands) | |
| **GROUP EQUITY AND LIABILITIES** | | | |
| **Group equity** | | | |
| Total AerCap Holdings N.V. shareholders' equity | 13 | $ 8,162,452 | $ 8,161,888 |
| Non-controlling interest | 13 | 59,104 | 57,817 |
| **Total group equity** | | **8,221,556** | **8,219,705** |
| **Provisions** | | | |
| Deferred income tax liabilities | 24 | 621,345 | 530,152 |
| **Total provisions** | | **621,345** | **530,152** |
| **Liabilities** | | | |
| Debt | 14 | 28,389,202 | 27,683,299 |
| Accrued maintenance liability | 15 | 2,882,626 | 3,137,904 |
| Lessee deposit liability | | 827,470 | 859,099 |
| Negative goodwill | | 10,061 | 20,014 |
| Accounts payable, accrued expenses and other liabilities | 16 | 1,017,374 | 1,132,536 |
| **Total liabilities** | | **33,126,733** | **32,832,852** |
| **Total Group Equity and Liabilities** | | **$ 41,969,634** | **$ 41,582,709** |

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, 2017 and 2016**

| | Note | Year Ended December 31, 2017 | Year Ended December 31, 2016 |
|---|---|---|---|
| | | (U.S. Dollars in thousands, except share and per share data) | |
| **Revenues and other income** | | | |
| Lease revenue | 17, 18 | $ 4,736,776 | $ 4,867,623 |
| Net gain on sale of assets | | 321,333 | 148,279 |
| Other income | 19 | 69,966 | 95,215 |
| **Total revenues and other income** | | **5,128,075** | **5,111,117** |
| **Expenses** | | | |
| Leasing expenses | | (663,689) | (689,842) |
| Personnel expenses | 20 | (264,445) | (252,348) |
| Depreciation and amortization | 5, 6 | (1,752,584) | (1,796,581) |
| Asset impairment and reversal | 21 | (83,747) | (121,302) |
| Other expenses | 22, 23 | (98,451) | (152,053) |
| **Total expenses** | | **(2,862,916)** | **(3,012,126)** |
| **Operating profit** | | **2,265,159** | **2,098,991** |
| Financial income | | 24,632 | 50,771 |
| Financial expense | 14 | (1,112,391) | (1,091,861) |
| **Profit before taxes** | | **1,177,400** | **1,057,901** |
| Income taxes | 24 | (160,945) | (163,168) |
| Result from participations | 9 | 9,199 | 12,616 |
| **Group profit** | | **1,025,654** | **907,349** |
| Result non-controlling interest | 13 | (4,202) | 7,114 |
| **Net income attributable to equity holders of AerCap Holdings N.V.** | | **$ 1,021,452** | **$ 914,463** |
| Basic earnings per share | 25 | $ 6.34 | $ 4.93 |
| Diluted earnings per share | 25 | $ 6.11 | $ 4.82 |
| Weighted average shares outstanding - basic | | 161,059,552 | 185,514,370 |
| Weighted average shares outstanding - diluted | | 167,287,508 | 189,682,036 |

The accompanying notes are an integral part of these Consolidated Financial Statements.

**AerCap Holdings N.V. and Subsidiaries**

**Statement of Total Results of the Group**

**For the Years Ended December 31, 2017 and 2016**

| | Year Ended December 31, 2017 | Year Ended December 31, 2016 |
|---|---|---|
| | (U.S. Dollars in thousands) | |
| **Group profit** | **$ 1,025,654** | **$ 907,349** |
| Net change in fair value of derivatives (Note 10), net of tax of $(2,131) and $(856), respectively | 14,918 | 5,990 |
| Actuarial gain (loss) on pension obligations, net of tax of $(257) and $200, respectively | 1,125 | (1,452) |
| Total direct movements in group equity | 16,043 | 4,538 |
| **Total result of the group** | **$ 1,041,697** | **$ 911,887** |

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, 2017 and 2016

| | Note | Year Ended December 31, 2017 | Year Ended December 31, 2016 |
|---|---|---|---|
| | | (U.S. Dollars in thousands) | |
| Group profit | | $ 1,025,654 | $ 907,349 |
| **Adjustments to reconcile group profit to net cash provided by operating activities:** | | | |
| Depreciation and amortization | 5, 6 | 1,752,584 | 1,796,581 |
| Asset impairment and reversal | 21 | 83,747 | 121,302 |
| Amortization of debt issuance costs and debt discount | 14 | 65,420 | 55,768 |
| Amortization of lease premium intangibles | 4 | 13,632 | 19,836 |
| Amortization of fair value adjustments on debt | 14 | (194,728) | (335,998) |
| Accretion of fair value adjustments on deposits and maintenance liabilities | 15 | 31,360 | 55,210 |
| Maintenance rights write-off (a) | 4 | 539,772 | 652,111 |
| Maintenance liability release to income | 15 | (325,382) | (421,332) |
| Net gain on sale of assets | | (321,333) | (148,279) |
| Deferred income taxes | 24 | 153,248 | 151,012 |
| Restructuring related expenses | 23 | 5,097 | 33,588 |
| Other | | 120,489 | 121,700 |
| **Changes in operating assets and liabilities:** | | | |
| Trade receivables | | (10,567) | 40,065 |
| Other receivables and other assets | 8, 9, 10, 11 | 55,309 | 257,190 |
| Accounts payable, accrued expenses and other liabilities | 16 | 145,915 | 75,129 |
| **Net cash provided by operating activities** | | **3,140,217** | **3,381,232** |
| Purchase of flight equipment | 6 | (3,956,671) | (2,892,731) |
| Proceeds from sale or disposal of assets | 6 | 1,779,321 | 2,366,242 |
| Prepayments on flight equipment | 28 | (1,268,585) | (947,419) |
| Collections of finance and sales-type leases | 7 | 91,918 | 74,207 |
| Movement in restricted cash | 12 | (35,276) | 90,267 |
| Other | | (38,102) | (21,678) |
| **Net cash used in investing activities** | | **(3,427,395)** | **(1,331,112)** |
| Issuance of debt | 14 | 5,596,402 | 3,642,166 |
| Repayment of debt | 14 | (4,695,453) | (5,213,724) |
| Debt issuance costs paid | 14 | (81,396) | (34,687) |
| Maintenance payments received | 15 | 756,314 | 794,711 |
| Maintenance payments returned | 15 | (523,403) | (505,407) |
| Security deposits received | | 187,378 | 201,970 |
| Security deposits returned | | (188,362) | (270,575) |
| Dividend paid to non-controlling interest holders | 13 | (266) | (10,501) |
| Repurchase of shares and tax withholdings on share-based compensation | 13 | (1,138,782) | (1,021,119) |
| **Net cash used in financing activities** | | **(87,568)** | **(2,417,166)** |
| Net (decrease) increase in cash and cash equivalents | | (374,746) | (367,046) |
| Effect of exchange rate changes | | (1,032) | (605) |
| Cash and cash equivalents at beginning of period | | 2,035,447 | 2,403,098 |
| **Cash and cash equivalents at end of period** | | **$ 1,659,669** | **$ 2,035,447** |

The accompanying notes are an integral part of these Consolidated Financial Statements.

**AerCap Holdings N.V. and Subsidiaries**

**Consolidated Statements of Cash Flows (Continued)**

**For the Years Ended December 31, 2017 and 2016**

| | Year Ended December 31, | |
|---|---|---|
| | 2017 | 2016 |
| | (U.S. Dollars in thousands) | |
| **Supplemental cash flow information:** | | |
| Interest paid, net of amounts capitalized | $ 1,231,539 | $ 1,339,095 |
| Income taxes paid, net | 18,957 | 61,834 |

(a) Maintenance rights write-off consisted of the following:

| | | |
|---|---|---|
| EOL and MR contract maintenance rights expense | $ 355,845 | $ 381,637 |
| EOL contract maintenance rights write-off due to cash receipt | 106,433 | 96,503 |
| MR contract maintenance rights write-off due to maintenance liability release | 77,494 | 173,971 |
| **Maintenance rights write-off** | **$ 539,772** | **$ 652,111** |

The accompanying notes are an integral part of these Consolidated Financial Statements.

**AerCap Holdings N.V. and Subsidiaries**

**Consolidated Statements of Cash Flows (Continued)**

**For the Years Ended December 31, 2017 and 2016**

*Non-Cash Investing and Financing Activities*

Year ended December 31, 2017:

Flight equipment held for operating leases in the amount of $332.2 million was reclassified to net investment in finance and sales-type leases.

Flight equipment held for operating leases in the amount of $20.6 million was reclassified to inventory, which is included in other assets.

Net investment in finance and sales-type leases in the amount of $1.5 million was reclassified to flight equipment held for operating leases.

Accrued maintenance liability in the amount of $344.8 million was settled with buyers upon sale or disposal of assets.

Year ended December 31, 2016:

Flight equipment held for operating leases in the amount of $442.2 million was reclassified to net investment in finance and sales-type leases.

Flight equipment held for operating leases in the amount of $87.8 million was reclassified to inventory, which is included in other assets.

Net investment in finance and sales-type leases in the amount of $63.3 million was reclassified to flight equipment held for operating leases.

Accrued maintenance liability in the amount of $350.9 million was settled with buyers upon sale or disposal of assets.

The accompanying notes are an integral part of these Consolidated Financial Statements.

**AerCap Holdings N.V. and Subsidiaries**

**Notes to the Consolidated Financial Statements**

**(U.S. Dollars in thousands or as otherwise stated, except share and per share data)**

## 1. General

### The Company

We are a global leader in aircraft leasing with total assets of $42.0 billion, primarily consisting of 980 owned aircraft as of December 31, 2017. Our ordinary shares are listed on the New York Stock Exchange (AER). Our headquarters is located in Dublin, and we have offices in Shannon, Los Angeles, Singapore, Amsterdam, Fort Lauderdale, Shanghai and Abu Dhabi. We also have representative offices at the world's largest aircraft manufacturers, Boeing in Seattle and Airbus in Toulouse.

The Consolidated Financial Statements presented herein include the accounts of AerCap Holdings N.V. and its subsidiaries. AerCap Holdings N.V. is a public limited liability company (*"naamloze vennootschap" or "N.V."*) incorporated in the Netherlands on July 10, 2006.

The Chamber of Commerce registration number for AerCap Holdings N.V. is 34251954 and the corporate seat is Amsterdam.

### Risks and uncertainties

Aircraft leasing is a capital intensive business and we have significant capital requirements. In order to meet our forward purchase commitments, we will need to access committed debt facilities, secure additional financing for pre-delivery payment obligations, use our existing available cash balances, cash generated from aircraft leasing and sales, and, if necessary, the proceeds from potential capital market transactions. If we cannot meet our obligations under our forward purchase commitments, we will not recover the value of prepayments on flight equipment on our Consolidated 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. Although the aviation market recovered significantly from late 2009, a deterioration of economic conditions could cause our lessees 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 in our Consolidated Balance Sheets, flight equipment held for operating leases, is subject to fluctuations in values of commercial aircraft worldwide. A material decrease in aircraft 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.

The values of trade receivables, notes receivables and intangible lease premium assets 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 deferred tax assets in our Consolidated Balance Sheets. The recoverability of these deferred tax 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 deferred tax assets and a tax charge will be required.

## 1. General (Continued)

We periodically perform reviews of the carrying values of our aircraft, customer receivables and 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 9—*Participations,* Note 19—*Other income*, Note 26—*Special purpose entities* and Note 27—*Related party transactions* are considered to be related parties. Transactions between group companies are eliminated upon consolidation.

### Note to the Consolidated Statements of Cash Flows

The Consolidated Statements of Cash Flows have been prepared using the indirect method. The cash and cash equivalents in our Consolidated Statements of Cash Flows comprise the Consolidated Balance Sheet item cash and cash equivalents. Cash flows denominated in currencies other than U.S. dollars are translated at average exchange rates.

Receipts and payments of interest, dividends received and income taxes paid are included in cash flow provided by operating activities.

## 2. Basis of presentation

### General

Our Consolidated Financial Statements were prepared in accordance with the statutory provisions of Part 9, Book 2, of the Dutch 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 U.S. dollars, which is our functional and reporting currency.

Certain formatting changes were made to the Consolidated Balance Sheet as of December 31, 2016 and the Consolidated Income Statement for the year ended December 31, 2016 to conform with Dutch law.

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 Consolidated Balance Sheets, Consolidated Income Statements and Consolidated Statements of Cash Flows include references to the notes.

The principles of valuation and determination of result remain unchanged compared to the prior year.

Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

**2. Basis of presentation (Continued)**

**Use of estimates**

The preparation of Consolidated Financial Statements in conformity with generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses, and related disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The use of estimates is or could be a significant factor affecting the reported carrying values of flight equipment, intangibles, participations, trade and notes receivables, deferred income tax assets and accruals and reserves. Actual results may differ from our estimates under different conditions, sometimes materially.

**3. Summary of significant accounting policies**

**Foreign currency**

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. Monetary items denominated in foreign currency are remeasured into U.S. dollars at the exchange rate prevailing at the balance sheet date. Translation differences on non-monetary items held at cost are recognized using the exchange rates prevailing at the dates of the transactions (or the approximated rates). All resulting exchange gains and losses are recorded in other expenses in our Consolidated Income Statements. 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. Non-controlling 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 entities were changed where necessary, in order to align them to the prevailing group accounting policies.

**3. Summary of significant accounting policies (Continued)**

Since the income statement for year ended December 31, 2017 of AerCap Holdings N.V. is included in our Consolidated Financial Statements, an abridged income statement has been disclosed (in the Company Financial Statements) in accordance with Section 402, Book 2, of the Dutch Civil Code.

For a listing of consolidated companies and participations, please refer to Note 31—*Subsidiary undertakings*.

**Intangible fixed assets**

We recognize intangible assets acquired in a business combination at fair value on the date of acquisition. The rate of amortization of intangible fixed assets is calculated based on the period over which we expect to derive economic benefits from such assets.

***Maintenance rights intangible and lease premium, net***

Maintenance rights intangible assets are recognized when we acquire aircraft subject to existing leases. These intangible assets represent the contractual right to receive the aircraft in a specified maintenance condition at the end of the lease under EOL contracts or our right to receive an aircraft in better maintenance condition due to our obligation to contribute towards the cost of the maintenance events performed by the lessee either through reimbursement of maintenance deposit rents held under MR contracts, or through a lessor contribution to the lessee.

For EOL contracts, upon lease termination, we recognize receipts of EOL cash compensation as lease revenue in our Consolidated Income Statements to the extent those receipts exceed the EOL contract maintenance rights intangible asset and we recognize leasing expenses in our Consolidated Income Statements when the EOL contract maintenance rights intangible asset exceeds the EOL cash receipts. For MR contracts, we recognize maintenance rights expense at the time the lessee submits a reimbursement claim and provides the required documentation related to the cost of a qualifying maintenance event that relates to pre-acquisition usage.

Lease premium assets represent the value of an acquired lease where the contractual rental payments are above the market rate. We amortize the lease premium assets on a straight-line basis over the term of the lease as a reduction of lease revenue in our Consolidated Income Statements.

***Other intangible fixed assets, net (including goodwill)***

Other intangible fixed assets primarily consist of customer relationships recorded at fair value on the ILFC Transaction closing date and goodwill. These intangible assets are amortized over the period which we expect to derive economic benefits from such assets. The associated benefit from goodwill is expected to be realized over a 17 year period based upon forecasted cash flows and is as such amortized over 17 years. The amortization expense is recorded in depreciation and amortization in our Consolidated Income Statements. We evaluate all definite-lived intangible assets for impairment when events or changes in circumstances indicate that the carrying value of the asset may not be recoverable.

**3. Summary of significant accounting policies (Continued)**

**Tangible fixed assets**

***Flight equipment held for operating leases, net***

Flight equipment held for operating leases is stated at cost less accumulated depreciation and impairment. Flight equipment is depreciated to its estimated residual value on a straight-line basis over the useful life of the aircraft, which is generally 25 years from the date of manufacture, or a different period depending on the disposition strategy. The costs of improvements to flight equipment are normally recorded as leasing expenses unless the improvement increases the long-term value or extends the useful life of the flight equipment. The capitalized improvement cost is depreciated over the estimated remaining useful life of the aircraft. The residual value of our flight equipment is generally 15% of estimated industry standard price, except where more relevant information indicates a different residual value is more appropriate.

We periodically review the estimated useful lives and residual values of our flight equipment based on our knowledge of the industry, external factors, such as current market conditions, and changes in our disposition strategies, to determine if they are appropriate, and record adjustments to depreciation rates prospectively on an aircraft by aircraft basis, as necessary.

We perform an impairment test on our long-lived assets when events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. The review of recoverability includes an assessment of the estimated future cash flows associated with the use of an asset and its eventual disposal. The assets are grouped at the lowest level for which identifiable cash flows are largely independent of other groups of assets, which includes the individual aircraft and the lease-related assets and liabilities of that aircraft (the “Cash Generating Unit”). If the sum of the expected discounted future cash flows is less than the aggregate net book value of the Cash Generating Unit, an impairment loss is recognized. The loss is measured as the excess of the carrying amount of the impaired Cash Generating Unit over its estimated recoverable amount.

Recoverable amount reflects the present value of the future cash flows expected to be generated from the aircraft, including its expected residual value, discounted at a rate commensurate with the associated risk. Future cash flows are assumed to occur under the 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 and industry trends.

***Capitalization of interest***

We capitalize interest on prepayments of forward order flight equipment and add such amount to prepayments on flight equipment. The amount of interest capitalized is the actual interest costs incurred on the debt specific to the prepayments, if any, or the amount of interest costs which could have been avoided in the absence of such prepayments.

**3. Summary of significant accounting policies (Continued)**

***Other tangible fixed assets***

Other tangible fixed assets consist primarily of leasehold improvements, computer equipment and office furniture, and are valued at acquisition cost and depreciated at various rates over the asset's estimated useful life on a straight-line basis. Depreciation expense on other tangible fixed assets is recorded in depreciation and amortization in our Consolidated Income Statements.

**Financial fixed assets**

***Net investment in finance and sales-type leases***

If a lease meets specific criteria, we recognize the lease in net investment in finance and sales-type leases in our Consolidated Balance Sheets and de-recognize the aircraft from flight equipment held for operating leases. For sales-type leases, we recognize the difference between the aircraft carrying value and the amount recognized in net investment in finance and sales-type leases in net gain on sale of assets in our Consolidated Income Statements. The amounts recognized for finance and sales-type leases consist of lease receivables and the estimated unguaranteed residual value of the flight equipment on the lease termination date, less the unearned income. Expected unguaranteed residual values are based on our assessment of the values of the flight equipment at expiration of the lease. The unearned income is recognized as lease revenue in our Consolidated Income Statements over the lease term, in a manner that produces a constant rate of return on the lease.

***Deferred income tax assets and liabilities***

We report deferred income tax assets and liabilities resulting from the temporary differences between the book values and the tax values of assets and liabilities using the liability method. The differences are calculated at nominal value using the enacted tax rate applicable at the time the temporary difference is expected to reverse.

***Other financial fixed assets***

Other financial fixed assets consist of lease incentives, participations, derivative financial instruments and straight-line rents.

*Lease incentives*

We capitalize amounts paid or value provided to lessees as lease incentives. We amortize lease incentives on a straight-line basis over the term of the related lease as a reduction in lease revenue in our Consolidated Income Statements.

*Participations*

Participations over which we have significant influence are valued according to the net asset value method. Under the net asset value method, we recognize our share of earnings and losses of such participations in result from participations in our Consolidated Income Statements.

**3. Summary of significant accounting policies (Continued)**

*Derivative financial instruments*

We use derivative financial instruments to manage our exposure to interest rate risks. We recognize derivatives in our Consolidated Balance Sheets at fair value.

When cash flow hedge accounting treatment is applied, the changes in fair values related to the effective portion of the derivatives are recorded in revaluation reserves, and the ineffective portion is recognized immediately in financial expense. Amounts reflected in revaluation reserves related to the effective portion are reclassified into financial expense in the same period or periods during which the hedged transaction affects financial expense.

We discontinue hedge accounting prospectively when *(i)* we determine that the derivative is no longer effective in offsetting changes in the fair value or cash flows of the hedged item; *(ii)* the derivative expires or is sold, terminated, or exercised; or *(iii)* management determines that designating the derivative as a hedging instrument is no longer appropriate. In all situations in which hedge accounting is discontinued and the derivative remains outstanding, we recognize the changes in the fair value in current-period earnings. The remaining balance in revaluation reserves at the time we discontinue hedge accounting is not recognized in our Consolidated Income Statements unless it is probable that the forecasted transaction will not occur. Such amounts are recognized in financial expense when the hedged transaction affects financial expense.

When cash flow hedge accounting treatment is not applied, the changes in fair values related to interest rate related derivatives between periods are recognized in financial expense in our Consolidated Income Statements.

Net cash received or paid under derivative contracts in any reporting period is classified as operating cash flows in our Consolidated Statements of Cash Flows.

**Receivables**

***Trade receivables***

Trade receivables represent unpaid, current lessee obligations under existing lease contracts. An allowance for credit losses on trade receivables is established when the risk of non-recovery is probable. 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. The allowance for credit losses is classified as leasing expenses in our Consolidated Income Statements.

***Other receivables***

Other receivables consist of inventory, notes receivables, prepaid expenses and other.

**3. Summary of significant accounting policies (Continued)**

*Inventory*

Inventory consists primarily of engine and airframe components and piece parts. We value our inventory at the lower of cost and net realizable value. Generally, inventory that is held for more than four years is considered excess inventory and its carrying value is reduced to zero.

*Notes receivables*

Notes receivables represent amounts advanced in the normal course of our operations and also arise from the restructuring and deferral of trade receivables from lessees experiencing financial difficulties. An allowance for credit losses on notes receivables is established when the risk of non-recovery is probable. The assessment of the risk of non-recovery where lessees are experiencing financial difficulties 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 the debtor and the economic conditions persisting in the debtor's operating environment.

**Cash**

***Cash and cash equivalents***

Cash and cash equivalents include cash and highly liquid investments with original maturities of three months or less.

***Restricted cash***

Restricted cash includes cash held by banks that is subject to withdrawal restrictions. Such amounts are typically restricted under secured debt agreements and can be used only to maintain the aircraft securing the debt and to provide debt service payments of principal and interest.

**Shareholders' equity**

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

**Non-controlling interest**

The non-controlling 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 non-controlling 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 non-controlling interest. Transactions between AerCap and its non-controlling interests are eliminated. Gains and losses arising from acquisitions and disposals of non-controlling interests are recognized through shareholders' equity.

**3. Summary of significant accounting policies (Continued)**

**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 of 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 in our Consolidated Balance Sheets if it is likely to be received upon settlement of the obligation.

**Liabilities**

***Debt and deferred debt issuance costs***

Long-term debt is carried at the principal amount borrowed, including unamortized discounts and premiums, fair value adjustments and debt issuance costs, where applicable. The fair value adjustments reflect the application of the acquisition method of accounting to the debt assumed as part of the ILFC Transaction. We amortize the amount of discounts or premiums and fair value adjustments over the period the debt is outstanding using the effective interest method. The costs we incur for issuing debt are capitalized and amortized as an increase to financial expense over the life of the debt using the effective interest method.

***Accrued maintenance liability***

Under our aircraft leases, the lessee is responsible for maintenance and repairs and other operating expenses related to the flight equipment during the term of the lease. In certain instances, such as when an aircraft is not subject to a lease, we may incur maintenance and repair expenses for our aircraft. Maintenance and repair expenses are recorded in leasing expenses in our Consolidated Income Statements, to the extent such expenses are incurred by us.

We may be obligated to make additional payments to the lessee for maintenance-related expenses, primarily related to usage of major life-limited components existing at the inception of the lease ("lessor maintenance contributions"). For all lease contracts, we expense planned major maintenance activities, such as lessor maintenance contributions, when incurred. The expense is recorded in leasing expenses in our Consolidated Income Statements. In the case we have established an accrual as an assumed liability for such payment in connection with the purchase of an aircraft with a lease attached, such payments are charged against the existing accrual.

For all lease contracts acquired as part of the ILFC Transaction, we determined the fair value of our maintenance liability, including lessor maintenance contributions, using the present value of the expected cash outflows. The discounted amounts are accreted in subsequent periods to their respective nominal values up until the expected maintenance event dates using the effective interest method. The accretion amounts are recorded as increases to financial expense in our Consolidated Income Statements.

**3. Summary of significant accounting policies (Continued)**

***Lessee security deposits***

For all lessee deposits assumed as part of the ILFC Transaction, we discounted the lessee security deposit amounts to their respective present values. We accrete the discounted security deposit amounts to their respective nominal values over the period we expect to refund the security deposits to each lessee, using the effective interest method, recognizing an increase in financial expense.

***Negative goodwill***

Negative goodwill arising from the acquisition of subsidiaries is recognized as a liability in our Consolidated Balance Sheets. Negative goodwill is released to income in accordance with the weighted average remaining life of the depreciable or amortizable 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 our Consolidated Income Statements.

***Accounts payable, accrued expenses and other liabilities***

On initial recognition accounts payable, accrued expenses and other liabilities are recognized at fair value. After initial recognition they are recognized at amortized cost price. This usually is the nominal value.

**Guarantees**

We have potential obligations under guarantee contracts that we have entered into with third parties. See Note 28—*Commitments and contingencies*. We initially recognize guarantees at fair value. Subsequently, if it becomes probable that we will be required to perform under a guarantee, we accrue a liability based on an estimate of the loss we will incur to perform under the guarantee. The loss estimate is generally measured as the amount by which the contractual guaranteed value exceeds the fair market value or future lease cash flows of the underlying aircraft.

**Revenue recognition**

We lease flight equipment principally under operating leases and recognize rental income on a straight-line basis over the life of the lease. At lease inception, we review all necessary criteria to determine proper lease classification. We account for lease agreements that include uneven rental payments on a straight-line basis. The difference between rental revenue recognized and cash received is included in our Consolidated Balance Sheets in other financial fixed assets, or in the event it is a liability, in accounts payable, accrued expenses and other liabilities. In certain cases, leases provide for rentals contingent on usage. The usage may be calculated based on hourly usage or on the number of cycles operated, depending on the lease contract. Revenue contingent on usage is recognized at the time the lessee reports the usage to us.

Lease agreements for which base rent is based on floating interest rates are included in minimum lease payments based on the floating interest rate that existed at the inception of the lease; and any increases or decreases in lease payments that result from subsequent changes in the floating interest rate are considered contingent rentals and are recorded as increases or decreases in lease revenue in the period of the interest rate change.

**3. Summary of significant accounting policies (Continued)**

Our lease contracts normally include default covenants, which generally obligate the lessee to pay us damages to put us in the position we would have been in had the lessee performed under the lease in full. There are no additional payments required which would increase the minimum lease payments. We cease revenue recognition on a lease contract when the collectability of such rentals is no longer reasonably assured. For past-due rentals that exceed related security deposits held, which have been recognized as revenue, we establish provisions on the basis of management's assessment of collectability. Such provisions are recorded in leasing expenses in our Consolidated Income Statements.

Revenue from net investment in finance and sales-type leases is recognized using the interest method to produce a constant yield over the life of the lease and is included in lease revenue in our Consolidated Income Statements.

Most of our lease contracts require rental payments in advance. Rental payments received but unearned under these lease agreements are recorded as deferred revenue in accounts payable, accrued expenses and other liabilities in our Consolidated Balance Sheets.

Under our aircraft leases, the lessee is responsible for maintenance, repairs and other operating expenses during the term of the lease. Under the provisions of many of our leases, the lessee is required to make payments of supplemental maintenance rents which are calculated with reference to the utilization of the airframe, engines and other major life-limited components during the lease. We record as lease revenue all supplemental maintenance rent receipts not expected to be reimbursed to lessees. We estimate the total amount of maintenance reimbursements for the entire lease and only record revenue after we have received sufficient maintenance rents under a particular lease to cover the total amount of estimated maintenance reimbursements during the remaining lease term.

In most lease contracts not requiring the payment of supplemental maintenance rents, and to the extent that the aircraft is redelivered in a different condition than at acceptance, we generally receive EOL cash compensation for the difference at redelivery. Upon lease termination, we recognize receipts of EOL cash compensation as lease revenue in our Consolidated Income Statements to the extent those receipts exceed the EOL contract maintenance rights intangible asset and we recognize leasing expenses in our Consolidated Income Statements when the EOL contract maintenance rights intangible asset exceeds the EOL cash receipts.

The accrued maintenance liability existing at lease termination is recognized as lease revenue net of the MR contract maintenance rights intangible asset. When flight equipment is sold, the portion of the accrued maintenance liability not specifically assigned to the buyer is released net of any maintenance rights intangible asset balance and is included in net gain on sale of assets in our Consolidated Income Statements.

Net gain or loss on sale of assets is recognized when we sell aircraft and engines. The sale is recognized when the relevant asset is delivered, the risk of loss has transferred to the buyer, and we no longer have significant ownership risk in the asset sold.

**3. Summary of significant accounting policies (Continued)**

Other income consists of management fee revenue, lease termination penalties, inventory part sales, insurance proceeds, and other miscellaneous activities. Management fee revenue is recognized as income as it accrues over the life of the contract. Income from the receipt of lease termination penalties is recorded at the time cash is received or when the lease is terminated, if revenue recognition criteria are met.

**Pension**

We operate defined benefit pension plans for a small number of our employees. As required by ASC 715 under U.S. GAAP, we recognize net periodic pension costs associated with these plans in personnel expenses and recognize the unfunded status of the plan, if any, in accounts payable, accrued expenses and other liabilities. The change in fair value of the funded pension liability that is not related to the net periodic pension cost is recorded in revaluation reserves. The projection of benefit obligation and fair value of plan assets require the use of assumptions and estimates, including discount rates. Actual results could differ from those estimates. Furthermore, we operate defined contribution plans for the employees who do not fall under the defined benefit pension plans. We recognize an expense for contributions to the defined contribution plans in personnel expenses in the period the contributions are made.

**Share-based compensation**

Employees may receive AerCap share-based awards, consisting of restricted stock units or restricted stock. Share-based compensation expense is determined by reference to the fair value of the restricted stock units or restricted stock on the grant date and is recognized on a straight-line basis over the requisite service period. Share-based compensation expense is recognized in personnel expenses in our Consolidated Income Statements.

**Income taxes**

Tax on the result is calculated based on the result before tax in the income statement, taking account of the losses available for set-off from previous financial years (to the extent that they have not already been included in the deferred tax assets) and exempt profit components and after the addition of non-deductible costs. We recognize an uncertain tax benefit only to the extent that it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position.

**Earnings per share**

Basic EPS is computed by dividing income available to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. For the purposes of calculating diluted EPS, the denominator includes both the weighted average number of ordinary shares outstanding during the period and the weighted average number of potentially dilutive ordinary shares, such as restricted stock units, restricted stock and stock options.

**3. Summary of significant accounting policies (Continued)**

**Reportable segments**

We manage our business and analyze and report our results of operations on the basis of one business segment: leasing, financing, sales and management of commercial aircraft and engines.

**Fair value measurements**

Fair value is defined as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 29—*Fair values of financial instruments*.

**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, from time to time, 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, from time to time, we enter into forward exchange contracts.

The following discussion should be read in conjunction with Note 10—*Derivative assets* and Note 14—*Debt* which provide further information on our derivative financial instruments and debt.

***Interest rate risk***

Interest rate risk is the exposure to changes in the level of interest rates and the spread between different interest rates. Interest rate risk is highly sensitive to many factors, including government monetary policies, global economic factors and other factors beyond our control.

We enter into leases with rents that are based on fixed and variable interest rates, and we fund our operations primarily with a mixture of fixed and floating rate debt. Interest rate exposure arises when there is a mismatch between terms of the associated debt and interest earning assets, primarily between floating rate debt and fixed rate leases. We manage this exposure primarily through the use of interest rate caps, interest rate swaps 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, we will receive the excess, if any, of LIBOR, reset monthly or quarterly on an actual/360 adjusted basis, over the strike rate of the relevant cap. For our interest rate swaps, pay rates are based on the fixed rate which we are contracted to pay to our swap counterparty.

Our Board of Directors is responsible for reviewing our overall interest rate management policies. Our counterparty risk is monitored on an ongoing basis, but is mitigated by the fact that the majority of our interest rate derivative counterparties are required to collateralize in the event of their downgrade by the rating agencies below a certain level.

**3. Summary of significant accounting policies (Continued)**

***Foreign currency risk and foreign operations***

Our functional currency is U.S. dollars. Foreign exchange risk arises from our and our lessees' operations in multiple jurisdictions. All of our aircraft purchase agreements are negotiated in U.S. dollars, we currently receive substantially all of our revenue in U.S. dollars and we pay our expenses primarily in U.S. dollars. We currently have a limited number of leases denominated in foreign currencies, maintain part of our cash in foreign currencies, pay taxes in foreign currencies, and incur some of our expenses in foreign currencies, primarily the euro. A decrease in the U.S. dollar in relation to foreign currencies increases our lease revenue received from foreign currency denominated leases and our expenses paid in foreign currencies. An increase in the U.S. dollar in relation to foreign currencies decreases our lease revenue received from foreign currency denominated leases and our expenses paid in foreign currencies. Because we currently receive most of our revenues in U.S. dollars and pay most of our expenses in U.S. dollars, a change in foreign exchange rates would not have a material impact on our results of operations or cash flows. We do not have any restrictions or repatriation issues associated with our foreign cash accounts.

***Credit risk***

The values of trade receivables and notes receivables 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 creditworthiness of significant lessees to minimize the cost to us of lessee defaults.

***Inflation***

Inflation generally affects our costs. We do not believe that our financial results have been, or will be in the near future, materially and adversely affected by inflation.

***Liquidity***

Our cash balance as of December 31, 2017 was $2.0 billion, including unrestricted cash of $1.7 billion. As of December 31, 2017, we had approximately $6.7 billion of undrawn lines of credit available under our credit and term loan facilities. Our total available liquidity, including undrawn lines of credit, unrestricted cash, cash flows from contracted asset sales and other sources of funding, was $9.6 billion as of December 31, 2017. Including estimated operating cash flows for the next 12 months, our total sources of liquidity were $12.8 billion as of December 31, 2017. As of December 31, 2017, the principal amount of our outstanding indebtedness, which excludes fair value adjustments of $0.3 billion and debt issuance costs and debt discounts of $0.2 billion, totaled $28.3 billion and primarily consisted of senior unsecured, subordinated and senior secured notes, export credit facilities, commercial bank debt, revolving credit debt, securitization debt and capital lease structures.

Our existing sources of liquidity of $12.8 billion as of December 31, 2017, were sufficient to operate our business and cover at least 1.2x of our debt maturities and contracted capital requirements for the next 12 months. Our sources of liquidity for the next 12 months include undrawn lines of credit, unrestricted cash, estimated operating cash flows, cash flows from contracted asset sales and other sources of funding.

(U.S. Dollars in thousands or as otherwise stated, except share and per share data)

## 4. Maintenance rights intangible and lease premium, net

Maintenance rights intangible and lease premium consisted of the following as of December 31, 2017 and 2016:

| | As of December 31, | |
|---|---|---|
| | 2017 | 2016 |
| Maintenance rights intangible | $ 1,464,599 | $ 2,117,034 |
| Lease premium, net | 37,259 | 50,891 |
| | **$ 1,501,858** | **$ 2,167,925** |

Movements in maintenance rights intangible during the years ended December 31, 2017 and 2016 were as follows:

| | Year Ended December 31, | |
|---|---|---|
| | 2017 | 2016 |
| Maintenance rights intangible at beginning of period | $ 2,117,034 | $ 3,068,318 |
| EOL and MR contract maintenance rights expense | (355,845) | (381,637) |
| MR contract maintenance rights write-off due to maintenance liability release | (77,494) | (173,971) |
| EOL contract maintenance rights write-off due to cash receipt | (106,433) | (96,503) |
| EOL and MR contract intangible write-off due to sale of aircraft | (112,663) | (284,411) |
| Transfer to other assets | — | (17,162) |
| Additions due to aircraft acquisitions | — | 2,400 |
| **Maintenance rights intangible at end of period** | **$ 1,464,599** | **$ 2,117,034** |

(U.S. Dollars in thousands or as otherwise stated, except share and per share data)

**4. Maintenance rights intangible and lease premium, net (Continued)**

Movements in lease premium and related accumulated amortization during the years ended December 31, 2017 and 2016 were as follows:

| | Year Ended December 31, | |
|---|---|---|
| | **2017** | **2016** |
| ***Balance at beginning of period*** | | |
| Historical costs | $ 94,959 | $ 107,140 |
| Cumulative amortization | (44,068) | (36,413) |
| **Net carrying amount** | **50,891** | **70,727** |
| ***Movements*** | | |
| Disposals | (16,982) | (12,181) |
| Amortization | (13,632) | (19,836) |
| Amortization of disposals | 16,982 | 12,181 |
| **Total movements** | **(13,632)** | **(19,836)** |
| ***Balance at end of period*** | | |
| Historical costs | 77,977 | 94,959 |
| Cumulative amortization | (40,718) | (44,068) |
| **Net carrying amount** | **$ 37,259** | **$ 50,891** |
| **Remaining weighted-average amortization period (in years)** | **3.6** | **3.8** |

Lease premiums that are fully amortized are removed from the gross carrying amount and accumulated amortization columns in the table above.

As of December 31, 2017, the estimated future amortization expense for lease premium was as follows:

| | Estimated amortization expense |
|---|---|
| 2018 | $ 11,219 |
| 2019 | 10,466 |
| 2020 | 7,727 |
| 2021 | 5,394 |
| 2022 | 914 |
| Thereafter | 1,539 |
| | **$ 37,259** |

(U.S. Dollars in thousands or as otherwise stated, except share and per share data)

## 5. Other intangibles, net

Other intangibles consisted of the following as of December 31, 2017 and 2016:

| | As of December 31, | |
|---|---|---|
| | 2017 | 2016 |
| Goodwill, net | $ 70,157 | $ 75,403 |
| Customer relationships, net | 283,118 | 304,294 |
| Contractual vendor intangible assets | 10,606 | 21,019 |
| Tradename, net | 3,694 | 13,694 |
| | **$ 367,575** | **$ 414,410** |

Movements in goodwill, customer relationships and tradename and related accumulated amortization during the year ended December 31, 2017 were as follows:

| | Year Ended December 31, 2017 | | | |
|---|---|---|---|---|
| | Goodwill | Customer relationships | Tradename | Total other intangibles |
| ***Balance at beginning of period*** | | | | |
| Historical costs | $ 89,172 | $ 360,000 | $ 40,000 | $ 489,172 |
| Cumulative impairment losses and amortization | (13,769) | (55,706) | (26,306) | (95,781) |
| **Net carrying amount** | **75,403** | **304,294** | **13,694** | **393,391** |
| ***Movements*** | | | | |
| Amortization | (5,246) | (21,176) | (10,000) | (36,422) |
| **Total movements** | **(5,246)** | **(21,176)** | **(10,000)** | **(36,422)** |
| ***Balance at end of period*** | | | | |
| Historical costs | 89,172 | 360,000 | 40,000 | 489,172 |
| Cumulative impairment losses and amortization | (19,015) | (76,882) | (36,306) | (132,203) |
| **Net carrying amount** | **$ 70,157** | **$ 283,118** | **$ 3,694** | **$ 356,969** |
| **Remaining weighted-average amortization period (in years)** | 13.4 | 13.4 | 0.4 | |

During the year ended December 31, 2016, we recognized impairment charges of $14.9 million of other intangible assets related to the downsizing of AeroTurbine. The impairment was recorded in other expenses in our Consolidated Income Statement. Please refer to Note 23—*Restructuring related expenses* for further details.

During the years ended December 31, 2017 and 2016, we utilized $10.4 million and $17.8 million, respectively, of contractual vendor intangible assets to reduce the cash outlay related to purchases of goods and services from our vendors.

(U.S. Dollars in thousands or as otherwise stated, except share and per share data)

### 5. Other intangibles, net (Continued)

As of December 31, 2017 the estimated future amortization expense for goodwill, customer relationships and tradename was as follows:

| | Estimated amortization expense |
|---|---|
| 2018 | $ 30,115 |
| 2019 | 26,421 |
| 2020 | 26,421 |
| 2021 | 26,421 |
| 2022 | 26,421 |
| Thereafter | 221,170 |
| | **$ 356,969** |

### 6. Flight equipment held for operating leases, net

Movements in flight equipment held for operating leases during the years ended December 31, 2017 and 2016 were as follows:

| | Year Ended December 31, | |
|---|---|---|
| | 2017 | 2016 |
| Net book value at beginning of period | $ 31,552,935 | $ 32,282,408 |
| Additions | 5,276,715 | 3,863,905 |
| Depreciation | (1,717,201) | (1,759,415) |
| Impairment and reversal (Note 21) | (83,747) | (121,302) |
| Restructuring related expenses (Note 23) | (2,662) | (15,392) |
| Disposals | (1,736,500) | (2,230,489) |
| Transfers (to) from net investment in finance and sales-type leases/ inventory | (351,246) | (466,780) |
| **Net book value at end of period** | **$ 32,938,294** | **$ 31,552,935** |
| Accumulated depreciation as of December 31, 2017 and 2016, respectively | $ (6,103,431) | $ (5,124,545) |

(U.S. Dollars in thousands or as otherwise stated, except share and per share data)

## 7. Net investment in finance and sales-type leases

Movements in net investment in finance and sales-type leases during the years ended December 31, 2017 and 2016 were as follows:

| | Year Ended December 31, | |
|---|---|---|
| | 2017 | 2016 |
| Net book value at beginning of period | $ 755,882 | $ 469,198 |
| Additions | 350,688 | 438,250 |
| Principal repayments | (91,918) | (74,207) |
| Disposals | (17,494) | (100) |
| Transfers to flight equipment held for operating leases/inventory | (1,469) | (66,113) |
| Write-off for credit losses | — | (11,146) |
| **Net book value at end of period** | **$ 995,689** | **$ 755,882** |

Components of net investment in finance and sales-type leases as of December 31, 2017 and 2016 were as follows:

| | December 31, 2017 | |
|---|---|---|
| | 2017 | 2016 |
| Future minimum lease payments to be received | $ 865,456 | $ 708,934 |
| Estimated residual values of leased flight equipment (unguaranteed) | 498,894 | 321,739 |
| Less: Unearned income | (368,661) | (274,791) |
| | 995,689 | 755,882 |
| Less: Allowance for credit losses | — | — (a) |
| | **$ 995,689** | **$ 755,882** |

(a) During the year ended December 31, 2016, we recognized a direct write-off for credit losses on four finance leases of $11.1 million, which was recorded in leasing expenses in our Consolidated Income Statement.

(U.S. Dollars in thousands or as otherwise stated, except share and per share data)

**7. Net investment in finance and sales-type leases (Continued)**

As of December 31, 2017, future minimum lease payments to be received on finance and sales-type leases were as follows:

| | Future minimum lease payments to be received |
|---|---|
| 2018 | $ 151,644 |
| 2019 | 137,789 |
| 2020 | 117,149 |
| 2021 | 103,243 |
| 2022 | 82,958 |
| Thereafter | 272,673 |
| | **$ 865,456** |

**8. Other financial fixed assets**

Other financial fixed assets consisted of the following as of December 31, 2017 and 2016:

| | Year Ended December 31, | |
|---|---|---|
| | 2017 | 2016 |
| Lease incentives | $ 213,684 | $ 177,128 |
| Participations (Note 9) | 122,946 | 118,783 |
| Derivative assets (Note 10) | 48,896 | 37,187 |
| Straight-line rents | 19,786 | 26,930 |
| | **$ 405,312** | **$ 360,028** |

**9. Participations**

Participations accounted for under the net asset value method of accounting consisted of the following as of December 31, 2017 and 2016:

| | Ownership as of December 31, 2017 (%) | As of December 31, | |
|---|---|---|---|
| | | 2017 | 2016 |
| AerDragon | 16.7 | $ 61,706 | $ 60,124 |
| AerLift | 39.3 | 44,930 | 45,087 |
| ACSAL | 19.4 | 14,197 | 13,566 |
| | | **$ 120,833** | **$ 118,777** |

(U.S. Dollars in thousands or as otherwise stated, except share and per share data)

**9. Participations (Continued)**

Movements in participations accounted for under the net asset value method of accounting during the years ended December 31, 2017 and 2016 were as follows:

| | Year Ended December 31, | |
|---|---|---|
| | 2017 | 2016 |
| Balance at beginning of period | $ 118,777 | $ 114,711 |
| Share in undistributed earnings | 9,199 | 12,616 |
| Dividend | (8,305) | (9,136) |
| Capital contributions and other | 1,162 | 586 |
| **Balance at end of period** | **$ 120,833** | **$ 118,777** |

Our share of undistributed earnings of participations in which our ownership interest is less than 50% was $40.2 million and $38.4 million as of December 31, 2017 and 2016, respectively. We also have a participation in Peregrine of $2.1 million as of December 31, 2017, that is accounted for in accordance with the cost method of accounting. Please refer to Note 26—*Special purpose entities* for further details.

**10. Derivative assets**

We have entered into interest rate derivatives to hedge the current and future interest rate payments on our variable rate debt. These derivative financial instruments can include interest rate swaps, caps, floors, options and forward contracts.

As of December 31, 2017, we had interest rate caps and swaps outstanding, with underlying variable benchmark interest rates ranging from one to three-month U.S. dollar LIBOR.

Some of our agreements with derivative counterparties require a two-way cash collateralization of derivative fair values. As of December 31, 2017 and 2016, we had cash collateral of $3.7 million and $8.6 million, respectively, from various counterparties and the obligation to return such collateral was recorded in accounts payable, accrued expenses and other liabilities. We had not advanced any cash collateral to counterparties as of December 31, 2017 or 2016.

The counterparties to our interest rate derivatives are primarily major international financial institutions. We continually monitor our positions and the credit ratings of the counterparties involved and limit the amount of credit exposure to any one party. We could be exposed to potential losses due to the credit risk of non-performance by these counterparties. We have not experienced any material losses to date.

(U.S. Dollars in thousands or as otherwise stated, except share and per share data)

**10. Derivative assets (Continued)**

Our derivative assets are recorded in other financial fixed assets in our Consolidated Balance Sheets. The following table presents notional amounts and fair values of derivatives outstanding as of December 31, 2017 and 2016:

| | As of December 31, | | | |
|---|---|---|---|---|
| | 2017 | | 2016 | |
| | Notional amount(a) | Fair value | Notional amount(a) | Fair value |
| Derivative assets not designated as hedges: | | | | |
| Interest rate caps | $ 2,721,000 | $ 25,021 | $ 2,911,220 | $ 30,362 |
| Derivative assets designated as cash flow hedges: | | | | |
| Interest rate swaps | $ 1,830,785 | $ 23,875 | $ 425,612 | $ 6,825 |
| **Total derivative assets** | | **$ 48,896** | | **$ 37,187** |

(a) The notional amount is recorded as nil where caps and swaps are not yet effective.

We recorded the following in revaluation reserves related to derivative financial instruments for the years ended December 31, 2017 and 2016:

| | Year Ended December 31, | |
|---|---|---|
| | 2017 | 2016 |
| ***Gain (Loss)*** | | |
| Effective portion of change in fair market value of derivatives designated as cash flow hedges: | | |
| Interest rate swaps | $ 17,049 | $ 6,846 |
| Income tax effect | (2,131) | (856) |
| **Net changes in cash flow hedges, net of tax** | **$ 14,918** | **$ 5,990** |

The following table presents the effect of derivatives recorded in financial expense in our Consolidated Income Statements for the years ended December 31, 2017 and 2016:

| | Year Ended December 31, | |
|---|---|---|
| | 2017 | 2016 |
| ***Gain (Loss)*** | | |
| Derivatives not designated as hedges: | | |
| Interest rate caps and swaps | $ (14,178) | $ (1,628) |
| **Effect from derivatives** | **$ (14,178)** | **$ (1,628)** |

(U.S. Dollars in thousands or as otherwise stated, except share and per share data)

## 11. Other receivables

Other receivables consisted of the following as of December 31, 2017 and 2016:

| | As of December 31, | |
|---|---|---|
| | 2017 | 2016 |
| Inventory | $ 38,972 | $ 52,673 |
| Other receivables | 351,925 | 188,759 |
| Notes receivables | 22,497 | 23,359 |
| Prepaid expenses and other | 98,573 | 84,260 |
| | **$ 511,967** | **$ 349,051** |

## 12. Restricted cash

Our restricted cash balance was $364.5 million and $329.2 million as of December 31, 2017 and 2016, respectively, and was primarily related to our ECA financings, our Ex-Im financings, our AerFunding revolving credit facility and other debt. See Note 14—*Debt*.

## 13. Equity

In February 2016, our Board of Directors approved a share repurchase program authorizing total repurchases of up to $400 million of AerCap ordinary shares through June 30, 2016. We completed this share repurchase program on June 1, 2016.

In May 2016, our Board of Directors approved a share repurchase program authorizing total repurchases of up to $250 million of AerCap ordinary shares through September 30, 2016. We completed this share repurchase program on September 7, 2016.

In August 2016, our Board of Directors approved a share repurchase program authorizing total repurchases of up to $250 million of AerCap ordinary shares through December 31, 2016. We completed this share repurchase program on December 8, 2016.

In November 2016, our Board of Directors approved a share repurchase program authorizing total repurchases of up to $250 million of AerCap ordinary shares through March 31, 2017. We completed this share repurchase program on March 6, 2017.

In February 2017, our Board of Directors approved a share repurchase program authorizing total repurchases of up to $350 million of AerCap ordinary shares through June 30, 2017. We completed this share repurchase program on June 12, 2017.

In May 2017, our Board of Directors approved a share repurchase program authorizing total repurchases of up to $300 million of AerCap ordinary shares through September 30, 2017. In July 2017, this share repurchase program was extended to run through December 31, 2017. We completed this share repurchase program on September 26, 2017.

In July 2017, our Board of Directors approved a share repurchase program authorizing total repurchases of up to $250 million of AerCap ordinary shares through December 31, 2017. In October 2017, this share repurchase program was extended to run through March 31, 2018. We completed this share repurchase program on December 14, 2017.

**(U.S. Dollars in thousands or as otherwise stated, except share and per share data)**

**13. Equity (Continued)**

In October 2017, our Board of Directors approved a share repurchase program authorizing total repurchases of up to $200 million of AerCap ordinary shares through March 31, 2018. We completed this share repurchase program on February 21, 2018.

In February 2018, our Board of Directors approved a share repurchase program authorizing total repurchases of up to $200 million of AerCap ordinary shares through June 30, 2018. As of March 2, 2018, the dollar amount remaining under this share repurchase program was $145.7 million. Please refer to Note 32—*Subsequent events* for further details.

During the year ended December 31, 2017, we repurchased an aggregate of 23,732,835 of our ordinary shares under our share repurchase programs at an average price, including commissions, of $47.39 per ordinary share.

Between January 1, 2018 and March 2, 2018, we repurchased an aggregate of 4,076,603 of our ordinary shares under our share repurchase programs at an average price, including commissions, of $52.40 per ordinary share.

During the year ended December 31, 2017, our Board of Directors cancelled 20,000,000 ordinary shares which were acquired through the share repurchase programs in accordance with the authorizations obtained from the Company's shareholders.

In January 2018, we cancelled 5,000,000 ordinary shares and in March 2018, we cancelled a further 6,000,000 ordinary shares, which were acquired through the share repurchase programs in accordance with the authorizations obtained from the Company's shareholders.

Movements in non-controlling interest during the years ended December 31, 2017 and 2016 were as follows:

| | Year Ended December 31, | |
|---|---|---|
| | 2017 | 2016 |
| Balance at beginning of period | $ 57,817 | $ 76,846 |
| Result non-controlling interest | 4,202 | (7,114) |
| Dividends paid | (2,915) | (11,915) |
| **Balance at end of period** | **$ 59,104** | **$ 57,817** |

**14. Debt**

As of December 31, 2017, the principal amount of our outstanding indebtedness totaled $28.3 billion, which excluded fair value adjustments of $0.3 billion and debt issuance costs and debt discounts of $0.2 billion. As of December 31, 2017, our undrawn lines of credit were approximately $6.7 billion, subject to certain conditions, including compliance with certain financial covenants. As of December 31, 2017, we remained in compliance with the respective financial covenants across our various debt obligations.

(U.S. Dollars in thousands or as otherwise stated, except share and per share data)

## 14. Debt (Continued)

The following table provides a summary of our indebtedness as of December 31, 2017 and 2016:

| | As of December 31, | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2017 | | | | | | 2016 |
| **Debt Obligation** | **Collateral (Number of aircraft)** | **Commitment** | **Undrawn amounts** | **Outstanding** | **Weighted average interest rate (a)** | **Maturity** | **Outstanding** |
| **Unsecured** | | | | | | | |
| ILFC Legacy Notes | | $ 5,670,000 | $ — | $ 5,670,000 | 6.32% | 2018 - 2022 | $ 7,670,000 |
| AerCap Aviation Notes | | — | — | — | — | — | 300,000 |
| AerCap Trust & AICDC Notes | | 8,399,864 | — | 8,399,864 | 4.12% | 2019 - 2027 | 6,399,864 |
| Asia Revolving Credit Facility | | 600,000 | 300,000 | 300,000 | 3.44% | 2020 | — |
| Citi Revolving Credit Facility | | 3,895,000 | 3,895,000 | — | — | 2021 | — |
| AIG Revolving Credit Facility | | 200,000 | 200,000 | — | — | 2019 | — |
| Other unsecured debt | | 550,000 | — | 550,000 | 3.11% | 2020 - 2021 | — |
| *Fair value adjustment* | | NA | NA | 286,426 | NA | NA | 430,348 |
| **TOTAL UNSECURED** | | **19,314,864** | **4,395,000** | **15,206,290** | | | **14,800,212** |
| **Secured** | | | | | | | |
| Export credit facilities | 71 | 1,241,262 | — | 1,241,262 | 2.59% | 2018 - 2027 | 1,722,376 |
| Senior Secured Notes | 81 | 1,275,000 | — | 1,275,000 | 7.13% | 2018 | 1,275,000 |
| Institutional secured term loans & secured portfolio loans | 239 | 6,943,431 | 690,000 | 6,253,431 | 3.55% | 2020 - 2030 | 5,028,623 |
| ALS II debt | | — | — | — | — | — | 17,746 |
| AerFunding Revolving Credit Facility | 18 | 2,500,000 | 1,621,576 | 878,424 | 3.43% | 2022 | 596,819 |
| AeroTurbine Revolving Credit Agreement | | — | — | — | — | — | 125,000 |
| Other secured debt | 94 | 2,139,360 | — | 2,139,360 | 3.66% | 2018 - 2035 | 2,670,325 |
| *Fair value adjustment* | | NA | NA | 31,482 | NA | NA | 82,251 |
| **TOTAL SECURED** | | **14,099,053** | **2,311,576** | **11,818,959** | | | **11,518,140** |
| **Subordinated** | | | | | | | |
| ECAPS Subordinated Notes | | 1,000,000 | — | 1,000,000 | 4.47% | 2065 | 1,000,000 |
| Junior Subordinated Notes | | 500,000 | — | 500,000 | 6.50% | 2045 | 500,000 |
| Subordinated debt joint ventures partners | | 55,780 | — | 55,780 | 2.26% | 2022 | 55,780 |
| *Fair value adjustment* | | NA | NA | (229) | NA | NA | (232) |
| **TOTAL SUBORDINATED** | | **1,555,780** | **—** | **1,555,551** | | | **1,555,548** |
| Debt issuance costs and debt discounts | | NA | NA | (191,598) | NA | NA | (190,601) |
| | **503** | **$ 34,969,697** | **$ 6,706,576** | **$ 28,389,202** | | | **$ 27,683,299** |

(a) The weighted average interest rate for our floating rate debt is calculated based on the U.S. dollar LIBOR rate as of the last interest payment date of the respective debt, and excludes the impact of related derivative financial instruments which we hold to hedge our exposure to floating interest rates, as well as any amortization of debt issuance costs and debt discounts.

(U.S. Dollars in thousands or as otherwise stated, except share and per share data)

**14. Debt (Continued)**

As of December 31, 2017, all debt was guaranteed by us with the exception of the AerFunding revolving credit facility and the Glide Funding term loan facility. As of December 31, 2017, a further $166.1 million included in other secured debt was limited recourse in nature.

Maturities of our debt financings (excluding fair value adjustments, debt issuance costs and debt discounts) as of December 31, 2017 were as follows:

| | Maturities of debt financing |
|---|---|
| 2018 | $ 3,177,358 |
| 2019 | 4,191,915 |
| 2020 | 4,201,661 |
| 2021 | 3,671,914 |
| 2022 | 6,315,915 |
| Thereafter | 6,704,358 |
| | **$ 28,263,121** |

During the years ended December 31, 2017, 2016 and 2015, we recorded amortization expense for debt issuance costs and debt discounts of $65.4 million, $55.8 million and $45.6 million, respectively. The unamortized debt issuance costs and debt discounts as of December 31, 2017 are expected to be amortized through 2045.

**ILFC Legacy Notes**

As of December 31, 2017, we had an aggregate outstanding principal amount of senior unsecured notes of $5.7 billion issued by ILFC prior to the ILFC Transaction (the "ILFC Legacy Notes"). The ILFC Legacy Notes have maturities ranging through 2022. The fixed rate notes bear interest at rates ranging from 3.875% to 8.625%. The notes are not subject to redemption prior to their stated maturity and there are no sinking fund requirements.

The indentures governing the ILFC Legacy Notes contain customary covenants that, among other things, restrict our, and our restricted subsidiaries', ability to *(i)* incur liens on assets; *(ii)* declare or pay dividends or acquire or retire shares of our capital stock during certain events of default; *(iii)* designate restricted subsidiaries as unrestricted subsidiaries or designate unrestricted subsidiaries; *(iv)* make investments in or transfer assets to unrestricted subsidiaries; and *(v)* consolidate, merge, sell, or otherwise dispose of all or substantially all of our assets. The indentures also provide for customary events of default, including, but not limited to, the failure to pay scheduled principal and interest payments on the notes, the failure to comply with covenants and agreements specified in the indentures, the acceleration of certain other indebtedness resulting from non-payment of that indebtedness and certain events of insolvency. If any event of default occurs, any amount then outstanding under the indentures may immediately become due and payable.

Upon consummation of the ILFC Transaction, AerCap Trust became the successor issuer under the ILFC Legacy Notes indentures. ILFC also agreed to continue to be co-obligor. In addition, AerCap Holdings N.V. and certain of its subsidiaries became guarantors of the ILFC Legacy Notes.

(U.S. Dollars in thousands or as otherwise stated, except share and per share data)

**14. Debt (Continued)**

**AerCap Aviation Notes**

In May 2012, AerCap Aviation Solutions B.V. issued $300.0 million of 6.375% senior unsecured notes due 2017 (the "AerCap Aviation Notes"). The AerCap Aviation Notes were guaranteed by AerCap Holdings N.V. and AerCap Ireland. In May 2017 we repaid the AerCap Aviation Notes in full.

**AerCap Trust & AICDC Notes**

From time to time since the completion of the ILFC Transaction, AerCap Trust and AICDC have co-issued additional senior unsecured notes (the "AGAT/AICDC Notes"). The proceeds from these offerings have been used for general corporate purposes.

The following table provides a summary of the outstanding AGAT/AICDC Notes as of December 31, 2017:

| | As of December 31, 2017 | | |
|---|---|---|---|
| | Amount outstanding | Interest rate | Maturity |
| May 2014 Notes | $ 2,199,864 | 3.75% - 4.50% | 2019 - 2021 |
| September 2014 Notes | 800,000 | 5.00% | 2021 |
| June 2015 Notes | 1,000,000 | 4.25% - 4.625% | 2020 - 2022 |
| October 2015 Notes | 1,000,000 | 4.63% | 2020 |
| May 2016 Notes | 1,000,000 | 3.95% | 2022 |
| January 2017 Notes | 600,000 | 3.50% | 2022 |
| July 2017 Notes | 1,000,000 | 3.65% | 2027 |
| November 2017 Notes | 800,000 | 3.50% | 2025 |
| **Total** | **$ 8,399,864** | | |

In January 2018, AerCap Trust and AICDC co-issued $600 million aggregate principal amount of 3.30% senior notes due 2023 and $550 million aggregate principal amount of 3.875% senior notes due 2028. The proceeds from the offering were used for general corporate purposes.

The AGAT/AICDC Notes are registered with the SEC. The AGAT/AICDC Notes are jointly and severally and fully and unconditionally guaranteed by AerCap Holdings N.V. (the "Parent Guarantor") and by AerCap Ireland, AerCap Aviation Solutions, ILFC and AerCap U.S. Global Aviation LLC. Except as described below, the AGAT/AICDC Notes are not subject to redemption prior to their stated maturity and there are no sinking fund requirements. We may redeem each series of the AGAT/AICDC Notes in whole or in part, at any time, at a price equal to 100% of the aggregate principal amount plus the applicable "make-whole" premium plus accrued and unpaid interest, if any, to the redemption date. The "make-whole" premium is the excess of:

*(i)* the sum of the present value at such redemption date of all remaining scheduled payments of principal and interest on such note through the stated maturity date of the notes (excluding accrued but unpaid interest to the redemption date), discounted to the date of redemption using a discount rate equal to the treasury rate plus 50 basis points; over

*(ii)* the principal amount of the notes to be redeemed.

**14. Debt (Continued)**

The indentures governing the AGAT/AICDC Notes contain customary covenants that, among other things, restrict our, and our restricted subsidiaries', ability to incur liens on assets and to consolidate, merge, sell, or otherwise dispose of all or substantially all of our assets. The indentures also provide for customary events of default, including, but not limited to, the failure to pay scheduled principal and interest payments on the AGAT/AICDC Notes, the failure to comply with covenants and agreements specified in the indentures, the acceleration of certain other indebtedness resulting from non-payment of that indebtedness and certain events of insolvency. If any event of default occurs, any amount then outstanding under the indentures may immediately become due and payable.

**Asia Revolving Credit Facility**

In December 2015, AerCap Holdings N.V. entered into a $575.0 million unsecured revolving and term loan agreement (the "Asia Revolver"). In 2016, the facility was increased to $600.0 million. The Asia Revolver is a five-year facility, split between a three-year revolving period followed by a two-year term loan. The interest rate for borrowings under the Asia Revolver is LIBOR plus a margin of 1.95% during the revolving period, with the margin increasing to 2.25% during the first year of the term loan and increasing to 2.50% during the second year of the term loan.

The outstanding principal amount of any loans under the Asia Revolver at the end of the three-year revolving period will be amortized over the remaining two-year term out period of the facility. One-third of the balance is to be repaid in December 2019 and the remaining two-thirds must be repaid in December 2020.

All borrowings under the Asia Revolver are subject to the satisfaction of customary conditions precedent. We have the right to terminate or cancel, in whole or in part, the unused portion of the commitment amount.

The Asia Revolver contains covenants customary for unsecured financings, including financial covenants that require us to maintain compliance with a maximum ratio of consolidated indebtedness to shareholders' equity, a minimum fixed charges coverage ratio and a maximum ratio of unencumbered assets to certain financial indebtedness.

**Citi Revolving Credit Facility**

In March 2014, AICDC entered into a $2.75 billion four-year senior unsecured revolving credit facility (the "Citi Revolver"), which became effective upon completion of the ILFC Transaction. The facility has an accordion feature permitting increases to a maximum size of $4.0 billion. The obligations under the Citi Revolver are guaranteed by AerCap Holdings N.V. and certain of its subsidiaries.

**14. Debt (Continued)**

In February 2017, the facility was upsized to \$3.75 billion and the maturity of the facility was extended to February 2021. The interest rate for borrowings under the Citi Revolver was reduced from a base rate of LIBOR plus a margin of 2.0% for drawn facilities to a margin of 1.50%. In September 2017, the facility was upsized to \$3.895 billion and in February 2018, the facility was further upsized to \$4.0 billion, in each case with the same pricing levels. All borrowings under the facility are subject to the satisfaction of customary conditions precedent. We have the right to terminate or cancel, in whole or in part, the unused portion of the commitment amount.

The Citi Revolver contains covenants customary for unsecured financings, including financial covenants that require us to maintain compliance with a maximum ratio of consolidated indebtedness to shareholders' equity, a minimum interest coverage ratio and a maximum ratio of unencumbered assets to certain financial indebtedness. The facility also contains covenants that, among other things, restrict, subject to certain exceptions, the ability of AerCap to sell assets, make certain restricted payments and incur certain liens.

**AIG Revolving Credit Facility**

In December 2013, AICDC entered into a \$1.0 billion five-year senior unsecured revolving credit facility (the "AIG Revolver"), with AIG as lender and administrative agent, which became effective upon completion of the ILFC Transaction. The interest rate for borrowings under the facility is, at our option, either *(i)* LIBOR plus 3.75%; or *(ii)* 2.75% plus the greatest of *(x)* the U.S. federal funds rate plus 0.50%; *(y)* the rate of interest publicly announced from time to time by Citibank, N.A. as its "base rate;" and *(z)* one-month LIBOR plus 1.00%. The obligations under the AIG Revolver are guaranteed by AerCap Holdings N.V. and certain of its subsidiaries.

In June 2015, the amount available under the AIG revolving credit facility was reduced from \$1.0 billion to \$500.0 million upon the issuance of the Junior Subordinated Notes.

In December 2017, the amount available under the AIG revolving credit facility was reduced from \$500.0 million to \$200.0 million and the maturity of the facility was extended from May 2019 to October 2019. All other terms remain unchanged.

All borrowings under the facility are subject to the satisfaction of customary conditions precedent. We have the right to terminate or cancel, in whole or in part, the unused portion of the commitment amount.

The AIG Revolver contains covenants customary for unsecured financings, including financial covenants that require us to maintain compliance with a maximum ratio of consolidated indebtedness to shareholders' equity, a minimum interest coverage ratio and a maximum ratio of unencumbered assets to certain financial indebtedness. The facility also contains covenants that, among other things, restrict, subject to certain exceptions, the ability of AerCap to sell assets, make certain restricted payments and incur certain liens.

(U.S. Dollars in thousands or as otherwise stated, except share and per share data)

**14. Debt (Continued)**

**Export credit facilities**

The net book value of aircraft pledged under the export credit facilities was approximately $3.0 billion as of December 31, 2017.

The following table provides details regarding the terms of our outstanding export credit facilities:

| | As of December 31, 2017 | | | | |
|---|---|---|---|---|---|
| | Collateral (Number of aircraft) | Amount outstanding | Tranche | Weighted average interest rate | Maturity |
| 2003 Airbus ECA facility | 11 | $ 85,961 | Floating Rate | Three month LIBOR + 0.43% | 2018-2020 |
| 2004 Airbus ECA facility | 23 | 159,856 | Floating Rate | Six month LIBOR + 1.49% | 2018-2019 |
| | 8 | 52,412 | Fixed Rate | 3.85% | 2018-2020 |
| 2008 Airbus ECA facility | 2 | 73,118 | Floating Rate | Three month LIBOR + 0.97% | 2022-2023 |
| | 11 | 241,682 | Fixed Rate | 2.70% | 2021-2023 |
| 2009 Airbus ECA facility | 2 | 30,602 | Floating Rate | Three month LIBOR + 1.11% | 2022 |
| | 2 | 30,194 | Fixed Rate | 4.60% | 2021-2022 |
| Airbus ECA capital markets facilities | 3 | 89,806 | Fixed Rate | 3.60% | 2021 |
| Other Airbus ECA facilities | 5 | 281,458 | Fixed Rate | 2.38% | 2024-2027 |
| 2010 Ex-Im facilities | 2 | 23,923 | Fixed Rate | 2.95% | 2022 |
| 2012 Ex-Im capital markets facility | 2 | 172,250 | Fixed Rate | 1.49% | 2025 |
| **Total** | **71** | **$ 1,241,262** | | | |

In February 2018, the 2004 Airbus ECA facility was fully repaid and terminated.

The principal amounts under the export credit facilities amortize over ten to 12-year terms. The export credit facilities require that SPEs controlled by the respective borrowers hold legal title to the financed aircraft. The export credit facilities obligations are secured by, among other things, a pledge of the shares of the SPEs.

The export credit facilities contain affirmative covenants customary for secured financings, in addition to customary events of default and restrictive covenants. The facilities also contain net worth financial covenants. As of December 31, 2017, AerCap was in compliance with its covenants under the export credit facilities.

The obligations under export credit facilities are guaranteed by AerCap Holdings N.V. and certain of its subsidiaries, as well as various export credit agencies.

**14. Debt (Continued)**

**Senior Secured Notes**

In August 2010, ILFC issued $3.9 billion of senior secured notes (the "Senior Secured Notes"), with $1.35 billion that matured in September 2014 and bore interest of 6.5%, $1.275 billion that matured in September 2016 and bore interest of 6.75%, and $1.275 billion maturing in September 2018 and bearing interest of 7.125%. Upon consummation of the ILFC Transaction, AerCap Trust became the successor issuer under the indenture governing the Senior Secured Notes. ILFC also agreed to continue to be a co-obligor. We can redeem the Senior Secured Notes at any time prior to their maturity, subject to a penalty of the greater of 1.00% of the outstanding principal amount and a "make-whole" premium based on the relevant U.S. Treasury Rate plus 50 basis points. There is no sinking fund for the Senior Secured Notes.

The obligations of the subsidiary borrower are guaranteed by AerCap Holdings N.V. and certain of its subsidiaries.

The Senior Secured Notes are secured by a designated pool of aircraft and cash collateral when required. In addition, two of our subsidiaries, which either own or hold leases attached to the aircraft included in the pool securing the Senior Secured Notes, have guaranteed the notes.

The indenture and the aircraft mortgage and security agreement governing the Senior Secured Notes contain customary covenants that, among other things, restrict our, and our restricted subsidiaries', ability to *(i)* create liens; *(ii)* sell, transfer or otherwise dispose of the assets serving as collateral for the Senior Secured Notes; *(iii)* declare or pay dividends or acquire or retire shares of our capital stock during certain events of default; *(iv)* designate restricted subsidiaries as unrestricted subsidiaries or designate unrestricted subsidiaries; and *(v)* make investments in or transfer assets to unrestricted subsidiaries.

The indenture restricts our, and the subsidiary guarantors', ability to consolidate, merge, sell or otherwise dispose of all, or substantially all, of our assets. The indenture also provides for customary events of default, including, but not limited to, the failure to pay scheduled principal and interest payments on the Senior Secured Notes, the failure to comply with covenants and agreements specified in the indenture, the acceleration of certain other indebtedness resulting from non-payment of that indebtedness, and certain events of insolvency. If any event of default occurs, any amount then outstanding under the Senior Secured Notes may immediately become due and payable.

**Institutional secured term loans & secured portfolio loans**

***Hyperion facility***

In March 2014, one of ILFC's indirect wholly-owned subsidiaries entered into a secured term loan agreement in the amount of $1.5 billion. In January 2017, the facility was amended to extend the maturity to October 2023 and to reduce the margin above LIBOR from 2.75% to 2.25%. In August 2017, the facility was amended to reduce the margin above LIBOR to 2.00%. The facility was amended again in March 2018 to further reduce the margin above LIBOR to 1.75%. We can voluntarily prepay the loan at any time, subject to certain conditions.

**14. Debt (Continued)**

The obligations of the subsidiary borrower are guaranteed by AerCap Holdings N.V. and certain of its subsidiaries.

The loan is secured by the equity interests in the borrower and certain SPE subsidiaries of the borrower. The SPEs hold title to 81 aircraft with an appraised value of approximately $2.23 billion as of December 31, 2017, representing a loan-to-value ratio of approximately 67%. The loan requires a loan-to-value ratio of no more than 70%. If the maximum loan-to-value ratio is exceeded, we will be required to prepay portions of the outstanding loans, deposit an amount in the cash collateral account or transfer additional aircraft to SPEs, subject to certain concentration criteria, so that the ratio is equal to or less than 70%.

The loan contains customary covenants and events of default, including covenants that limit the ability of the subsidiary borrower and its subsidiaries to incur additional indebtedness and create liens, and covenants that limit the ability of the guarantors, the subsidiary borrower and its subsidiaries to consolidate, merge or dispose of all or substantially all of their assets and enter into transactions with affiliates.

***Vancouver facility***

In February 2012, one of ILFC's indirect wholly-owned subsidiaries entered into a secured term loan agreement in the amount of $900.0 million. In April 2013, ILFC amended the agreement and simultaneously prepaid $150.0 million of the outstanding principal amount, reducing the amount outstanding to $750.0 million. In December 2016, the facility was amended to extend the maturity to October 2022 and to reduce the margin above LIBOR from 2.75% to 2.25%. In August 2017, the facility was amended to reduce the margin above LIBOR to 2.00%. The facility was amended again in February 2018 to further reduce the margin above LIBOR to 1.75%. We can voluntarily prepay the loan at any time, subject to certain conditions.

The obligations of the subsidiary borrower are guaranteed by AerCap Holdings N.V. and certain of its subsidiaries.

The loan is secured by the equity interests in certain SPEs of the subsidiary borrower. As of December 31, 2017, the SPEs collectively own a portfolio of 51 aircraft with an appraised value of approximately $1.31 billion, equaling a loan-to-value ratio of approximately 57%. The loan requires a loan-to-value ratio of no more than 63%. If the maximum loan-to-value ratio is exceeded, we will be required to prepay a portion of the outstanding loan, deposit an amount in the cash collateral account or transfer additional aircraft to SPEs, subject to certain concentration criteria, so that the ratio is equal to or less than 63%.

The loan contains customary covenants and events of default, including covenants that limit the ability of the subsidiary borrower and its subsidiaries to incur additional indebtedness and create liens, and covenants that limit the ability of the guarantors, the subsidiary borrower and its subsidiaries to consolidate, merge or dispose of all or substantially all of their assets and enter into transactions with affiliates.

**14. Debt (Continued)**

***Temescal facility***

In March 2011, one of ILFC's indirect wholly-owned subsidiaries entered into a secured term loan agreement with lender commitments in the amount of approximately $1.3 billion, which was subsequently increased to approximately $1.5 billion. As of December 31, 2017, approximately $773.7 million was outstanding. In February 2017, AerCap extended the maturity of the Temescal facility from March 2021 to March 2023 and reduced the margin above LIBOR from 2.00% to 1.95%. We can voluntarily prepay the loan at any time, subject to certain conditions.

The obligations of the subsidiary borrower are guaranteed by AerCap Holdings N.V. and certain of its subsidiaries.

The loan is secured by a portfolio of 50 aircraft and the equity interests in certain SPEs that own the pledged aircraft. As of the latest loan-to-value ratio determination date, the appraised value of the pledged aircraft was $1.59 billion, resulting in a loan-to-value ratio of approximately 52%. The subsidiary borrower is required to maintain compliance with a maximum loan-to-value ratio, which was 54% as of the latest loan-to-value ratio determination date. The maximum loan-to value ratio declines over time, as set forth in the term loan agreement. If the maximum loan-to-value ratio is exceeded, we will be required to prepay portions of the outstanding loans, deposit an amount in the cash collateral account or transfer additional aircraft to the SPEs, subject to certain concentration criteria, so that the ratio is equal to or less than the maximum loan-to-value ratio. As of December 31, 2017, we were in compliance with this ratio.

The loan facility contains customary covenants and events of default, including covenants that limit the ability of the subsidiary borrower and its subsidiaries to incur additional indebtedness and create liens, and covenants that limit the ability of the guarantors, the subsidiary borrower and its subsidiaries to consolidate, merge or dispose of all or substantially all of their assets and enter into transactions with affiliates.

***Glide Funding facility***

Glide Funding Limited ("Glide Funding") is a SPE that is a wholly-owned subsidiary of AerCap Ireland. Glide Funding is a consolidated subsidiary formed for the purpose of acquiring and financing aircraft assets. In December 2015, Glide Funding entered into a non-recourse term loan credit facility in the aggregate amount of up to $500.0 million with a term of five years, which would be used to finance the acquisition of up to nine specified aircraft under the facility.

As of December 31, 2017, Glide Funding had $436.3 million of loans outstanding, relating to nine aircraft. Borrowings under the Glide Funding term loan facility bear interest at a rate equal to one-month LIBOR plus 1.60%. Principal may be prepaid without penalty upon notice, subject to certain conditions. Mandatory partial prepayments of borrowings under the facility are required in certain circumstances, including upon removal of an aircraft from the facility, unless an acceptable substitute aircraft is added to the facility. The loan obligations are secured by, among other things, security interests in the equity ownership and beneficial interest in all of the subsidiaries of Glide Funding that own or lease its financed aircraft, and their interests in the leases of the financed aircraft.

**14. Debt (Continued)**

The facility contains customary covenants and events of default, including covenants that limit the ability of Glide Funding and its subsidiaries to incur additional indebtedness and create liens, to consolidate, merge or dispose of all or substantially all of their assets and to enter into transactions with affiliates.

***Celtago facility***

Celtago Funding Limited ("Celtago") is a wholly-owned subsidiary of AerCap Ireland. Celtago was formed for the purpose of acquiring and financing aircraft assets. In December 2015, Celtago entered into a secured term loan agreement with lender commitments in the amount of $817.0 million, which is being used to finance 13 aircraft, with a maturity date of December 2024.

Borrowings under the term loan facility bear interest at three-month LIBOR plus a margin of 1.50%, or, if applicable, a base rate plus a margin of 1.50%. The loans can be voluntarily prepaid at any time, subject to certain conditions. Celtago's obligations under the term loan facility are guaranteed by AerCap Holdings N.V. and certain of its subsidiaries. As of December 31, 2017, Celtago had $718.1 million of loans outstanding relating to 13 aircraft.

The term loan facility contains customary covenants and events of default, including covenants that limit the ability of Celtago and its subsidiaries to incur additional indebtedness and create liens, and covenants that limit the ability of the guarantors and Celtago and its subsidiaries to consolidate, merge or dispose of all or substantially all of their assets or enter into transactions with affiliates.

***BlowfishFunding facility***

BlowfishFunding B.V. ("Blowfish") is a wholly-owned subsidiary of AerCap B.V. Blowfish was formed for the purpose of financing aircraft assets. In April 2016, Blowfish entered into a new secured term loan agreement with lender commitments in the amount of $650.0 million, which is being used to finance nine aircraft. The loan has a maturity date of December 2022.

Borrowings under the term loan facility bear interest at three-month LIBOR plus a margin of 1.65%, or, if applicable, a base rate plus a margin of 1.65%. The loans can be voluntarily prepaid at any time, subject to certain conditions. Blowfish's obligations under the term loan facility are guaranteed by AerCap Holdings N.V. and certain of its subsidiaries. As of December 31, 2017, Blowfish had $580.1 million of loans outstanding relating to nine aircraft.

The term loan facility contains customary covenants and events of default, including covenants that limit the ability of Blowfish and its subsidiaries to incur additional indebtedness and create liens, and covenants that limit the ability of the guarantors and Blowfish and its subsidiaries to consolidate, merge or dispose of all or substantially all of their assets or enter into transactions with affiliates.

**14. Debt (Continued)**

***Celtago II facility***

Celtago II Funding Limited ("Celtago II") is a wholly-owned subsidiary of AerCap Ireland. Celtago II was formed for the purpose of acquiring and financing aircraft assets. In July 2016, Celtago II entered into a new secured term loan agreement with lender commitments in the amount of $684.0 million, which is being used to finance 13 aircraft. The loan has a maturity date of November 2022.

Borrowings under the term loan facility bear interest at three-month LIBOR plus a margin of 1.75%, or, if applicable, a base rate plus a margin of 1.75%. The loans can be voluntarily prepaid at any time, subject to certain conditions. Celtago II's obligations under the term loan facility are guaranteed by AerCap Holdings N.V. and certain of its subsidiaries. As of December 31, 2017, Celtago II had $629.8 million of loans outstanding relating to 13 aircraft.

The term loan facility contains customary covenants and events of default, including covenants that limit the ability of Celtago II and its subsidiaries to incur additional indebtedness and create liens, and covenants that limit the ability of the guarantors and Celtago II and its subsidiaries to consolidate, merge or dispose of all or substantially all of their assets or enter into transactions with affiliates.

***Iridium facility***

Iridium Funding Limited ("Iridium") is a wholly-owned subsidiary of AerCap Ireland. Iridium was formed for the purpose of acquiring and financing aircraft assets. In November 2016, Iridium entered a new secured term loan agreement with lender commitments in the amount of $595.0 million, which is being used to finance eight aircraft. The loan has a maturity date of May 2024.

Borrowings under the term loan facility bear interest at three-month LIBOR plus a margin of 1.75%, or, if applicable, a base rate plus a margin of 1.75%. The loans can be voluntarily prepaid at any time, subject to certain conditions. Iridium's obligations under the term loan facility are guaranteed by AerCap Holdings N.V. and certain of its subsidiaries. As of December 31, 2017, Iridium had $559.3 million of loans outstanding relating to eight aircraft.

The term loan facility contains customary covenants and events of default, including covenants that limit the ability of Iridium and its subsidiaries to incur additional indebtedness and create liens, and covenants that limit the ability of the guarantors and Iridium and its subsidiaries to consolidate, merge or dispose of all or substantially all of their assets or enter into transactions with affiliates.

***Scandium facility***

Scandium Funding Limited ("Scandium") is a wholly-owned subsidiary of AerCap Ireland. Scandium was formed for the purpose of acquiring and financing aircraft assets. In December 2017, Scandium entered a new secured term loan agreement with lender commitments in the amount of $805.0 million, which is being used to finance up to 11 aircraft. The loan has a maturity date of May 2025.

**14. Debt (Continued)**

Borrowings under the term loan facility bear interest at three-month LIBOR plus a margin of 1.60%, or, if applicable, a base rate plus a margin of 1.60%. The loans can be voluntarily prepaid at any time, subject to certain conditions. Scandium's obligations under the term loan facility are guaranteed by AerCap Holdings N.V. and certain of its subsidiaries. As of December 31, 2017, Scandium had $113.5 million of loans outstanding relating to one aircraft.

The term loan facility contains customary covenants and events of default, including covenants that limit the ability of Scandium and its subsidiaries to incur additional indebtedness and create liens, and covenants that limit the ability of the guarantors and Scandium and its subsidiaries to consolidate, merge or dispose of all or substantially all of their assets or enter into transactions with affiliates.

**ALS II debt**

In June 2008, we completed a securitization in which ALS II, a SPE formed for the purpose of the securitization, issued securitized class A-1 notes and class A-2 notes, representing interests in certain lease receivables, to holders who committed to advance funds in connection with the purchase of certain aircraft. The ALS II senior Class A notes were repaid in full in January 2017.

**AerFunding Revolving Credit Facility**

AerFunding 1 Limited ("AerFunding") is a SPE whose share capital is owned 95% by a charitable trust and 5% by AerCap Ireland. AerFunding is a consolidated subsidiary formed for the purpose of acquiring aircraft assets. In April 2006, AerFunding entered into a non-recourse senior secured revolving credit facility in the aggregate amount of up to $1.0 billion.

In August 2017, the facility was amended to allow for a three-year revolving period, effective December 11, 2017 and on December 11, 2017, the maximum facility size increased to $2.5 billion. Following the revolving credit period,there is a two year term out period to December 2022. The maturity date of the AerFunding revolving credit facility is December 10, 2022.

The net book value of aircraft pledged to lenders under the credit facility was $1.1 billion as of December 31, 2017.

Borrowings under the AerFunding revolving credit facility can be used to finance between 73.5% and 80.0% of the lower of the purchase price and the appraised value of the eligible aircraft. Eligible aircraft include Airbus A320 Family, Airbus A330 and Airbus A350 aircraft, Boeing 737-700, 800, 900ER and MAX aircraft, Boeing 777 aircraft, Boeing 787 aircraft, and Embraer E190 and E195 aircraft. In addition, value enhancing expenditures and required liquidity reserves are also funded by the lenders. All borrowings under the AerFunding 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. The borrowing period during which new advances may be made under the facility will expire in December 2020.

(U.S. Dollars in thousands or as otherwise stated, except share and per share data)

**14. Debt (Continued)**

Borrowings under the AerFunding revolving credit facility bear interest based on the Eurodollar rate plus the applicable margin. The following table presents the applicable margin for the borrowings under the AerFunding revolving credit facility during the periods specified:

| | Applicable margin |
|---|---|
| Borrowing period (a) | 2.00% |
| Period from December 11, 2020 to December 10, 2021 | 2.75% |
| Period from December 11, 2021 to December 10, 2022 | 3.50% |

(a) The borrowing period is until December 10, 2020, after which the loan converts to a term loan.

Additionally, we are subject to *(i)* a 0.375% fee on any portion of the unused loan commitment if the average facility utilization is greater than 50% during a period; or *(ii)* a 0.50% fee on any unused portion of the unused loan commitment if the average facility utilization is less than 50% during a period.

Interest on the loans is due on a monthly basis. Principal on the loans amortizes on a monthly basis to the extent funds are available. All outstanding principal not paid during the term is due on the maturity date.

Advances under the AerFunding revolving credit facility may be prepaid without penalty upon notice, subject to certain conditions. Mandatory partial prepayments of borrowings under the AerFunding revolving credit facility are required:

- Upon the sale of certain assets by the borrower, including any aircraft or aircraft engines financed or refinanced with proceeds from the AerFunding revolving credit facility;

- Upon the occurrence of an event of loss with respect to an aircraft or aircraft engine financed with proceeds from the AerFunding revolving credit facility from the proceeds of insurance claims; and

- Upon the securitization of any interests or leases with respect to aircraft or aircraft engines financed with proceeds from the AerFunding revolving credit facility.

AerFunding is required to maintain up to 5.0% of the borrowing value of the aircraft in reserve for the benefit of the lenders. Amounts held in reserve for the benefit of the lenders are available to the extent that there are insufficient funds to pay required expenses, hedge payments, or principal of or interest on the loans on any payment date. The amounts on reserve are funded by the lenders. Borrowings under the AerFunding 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.

(U.S. Dollars in thousands or as otherwise stated, except share and per share data)

**14. Debt (Continued)**

**AeroTurbine Revolving Credit Agreement**

In November 2014, AeroTurbine entered into an amended and restated credit facility providing for a maximum aggregate available amount of $550.0 million, subject to availability determined by a calculation utilizing AeroTurbine's aircraft assets and accounts receivable. In February 2017, the facility was fully repaid and terminated.

**Other secured debt**

AerCap Holdings N.V. has entered into various other commercial bank financings to fund the purchase of aircraft and for general corporate purposes. The following table provides details regarding the terms of these financings:

| | As of December 31, 2017 | | | | |
|---|---|---|---|---|---|
| | Collateral (Number of aircraft) | Amount outstanding | Tranche | Weighted average interest rate | Maturity |
| SkyFunding I facility | 7 | $ 126,617 | Floating rate | 3 month LIBOR plus 2.85% | 2021-2022 |
| | 5 | 90,140 | Fixed rate | 4.56% | 2021-2022 |
| Camden facility | 7 | 144,894 | Fixed rate | 3.90% | 2022 |
| AerCap Partners I facility | 7 | 59,851 | Floating rate | 3 month LIBOR plus 1.65% | 2020 |
| StratusFunding facility | 2 | 143,482 | Floating rate | 3 month LIBOR plus 1.95% | 2026 |
| | 2 | 142,988 | Fixed rate | 3.93% | 2021-2026 |
| CieloFunding facility | 1 | 35,968 | Floating rate | 3 month LIBOR plus 2.60% | 2020 |
| | 2 | 56,862 | Fixed rate | 3.68% | 2020 |
| CieloFunding II facility | 1 | 25,122 | Floating rate | 3 month LIBOR plus 2.10% | 2020 |
| | 1 | 26,840 | Fixed rate | 3.14% | 2020 |
| CloudFunding facilities | 15 | 200,781 | Fixed rate | 4.00% | 2022-2026 |
| Secured commercial bank financings | 32 (a) | 855,916 | Floating rate | LIBOR plus 2.10% | 2018-2026 |
| | 12 | 229,899 | Fixed rate | 4.13% | 2018-2035 |
| **Total** | **94** | **$ 2,139,360** | | | |

(a) 22 engines are pledged as collateral in addition to the aircraft.

In January 2018, the SkyFunding I facility was fully repaid and terminated.

The majority of the financings are secured by, among other things, a pledge of the shares of the subsidiaries owning the related aircraft, a guarantee from AerCap Holdings N.V. and, in certain cases, a mortgage on the applicable aircraft. All of our financings contain affirmative covenants customary for secured financings.

**14. Debt (Continued)**

**ECAPS Subordinated Notes**

In December 2005, ILFC issued two tranches of subordinated notes in an aggregate principal amount of $1.0 billion. The $400.0 million tranche had a call option date of December 21, 2015 and had a fixed interest rate of 6.25% until the 2015 call option date. We did not exercise the call option. After the call option date, the interest rate changed to a floating rate, with a margin of 1.80% plus the highest of three-month LIBOR, ten-year constant maturity treasury, and 30-year constant maturity treasury. The interest rate on the $600.0 million tranche is a floating rate with a margin of 1.55% plus the highest of three-month LIBOR, ten-year constant maturity treasury, and 30-year constant maturity treasury. We can call either tranche at any time and the interest rate resets quarterly.

In July 2013, ILFC amended the financial tests in both tranches of notes by changing the method of calculating the ratio of equity to total managed assets and the minimum fixed charge coverage ratio. Failure to comply with these financial tests will result in a "mandatory trigger event." If a mandatory trigger event occurs and we are unable to raise sufficient capital in a manner permitted by the terms of the subordinated debt to cover the next interest payment on the subordinated debt, a "mandatory deferral event" will occur, requiring us to defer all interest payments and prohibiting the payment of cash dividends on AerCap Trust's or ILFC's capital stock or its equivalent until both financial tests are met or we have raised sufficient capital to pay all accumulated and unpaid interest on the subordinated debt. Mandatory trigger events and mandatory deferral events are not events of default under the indenture governing the subordinated debt.

Upon consummation of the ILFC Transaction, the subordinated notes were assumed by AerCap Trust, and AerCap Holdings N.V. and certain of its subsidiaries became guarantors. ILFC remains a co-obligor under the indentures governing the subordinated notes.

**Junior Subordinated Notes**

In June 2015, AerCap Trust issued $500.0 million of junior subordinated notes due 2045. The Junior Subordinated Notes initially bear interest at a fixed interest rate of 6.50%, and beginning in June 2025, will bear interest at a floating rate of three-month LIBOR plus 4.30%. The notes were issued to AIG as payment for a portion of the Share Repurchase from AIG. The amount available under the AIG revolving credit facility was reduced from $1.0 billion to $500.0 million upon the issuance of the Junior Subordinated Notes. AIG no longer holds any of the Junior Subordinated Notes.

We may defer any interest payments on the Junior Subordinated Notes for up to five consecutive years for one or more deferral periods. At the end of five years following the commencement of any deferral period, we must pay all accrued and unpaid deferred interest, including compounded interest. During a deferral period, interest will continue to accrue on the Junior Subordinated Notes and deferred interest will bear additional interest, compounded on each interest payment date. If we have paid all deferred interest (including compounded interest thereon) on the Junior Subordinated Notes, then we may again defer interest payments.

The Junior Subordinated Notes are guaranteed by AerCap Holdings N.V. and certain of its subsidiaries.

**14. Debt (Continued)**

We may at our option redeem the Junior Subordinated Notes before their maturity *(i)* in whole or in part, at any time and from time to time, on or after June 15, 2025 at 100% of their principal amount plus any accrued and unpaid interest thereon; *(ii)* in whole, but not in part, before June 15, 2025 at the make-whole redemption price, if an applicable rating agency makes certain changes to the equity credit criteria for securities such as the Junior Subordinated Notes; *(iii)* in whole, but not in part, at any time at 100% of their principal amount plus any accrued and unpaid interest thereon in the event that we become or would become obligated to pay any additional amounts as a result of a change in tax laws, regulations or official interpretations; or *(iv)* in whole, but not in part, at 101% of their principal amount plus any accrued and unpaid interest thereon within 60 days after the occurrence of a "change of control triggering event" consisting of a change of control and a decline in the rating of our senior unsecured debt securities by two applicable rating agencies. In the event that we do not redeem the Junior Subordinated Notes in connection with a change of control triggering event, the then-applicable annual interest rate borne by the Junior Subordinated Notes will increase by 5.00%.

The Junior Subordinated Notes are junior subordinated unsecured obligations, rank equally with all of AerCap Trust's future equally ranking junior subordinated indebtedness, if any, and are subordinate and junior in right of payment to all of AerCap Trust's existing and future senior indebtedness.

**Subordinated debt in joint venture partners**

In 2008 and 2010, AerCap Holdings N.V. and our joint venture partners each subscribed a total of approximately $64.3 million of subordinated loan notes. The subordinated debt held by AerCap Holdings N.V. is eliminated in consolidation of the joint ventures. Interest on the subordinated loan notes accrues at a rate of 15.00% per annum in the case of the AerCap Partners II joint venture. In the case of the AerCap Partners I and AerCap Partners 767 joint ventures, interest originally accrued on the subordinated loan notes at a rate of 20.00% per annum, and following an amendment entered into in June 2013, the interest rate was reduced to 0% effective as of January 1, 2013. Where *(i)* the amount which, pursuant to the terms of the senior facility, is available to the joint ventures 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 the joint venture partners must pay the maximum amount of interest that can properly be paid to the note holders on the relevant interest payment date and the unpaid interest carries interest at a rate of 19.50% per annum until paid.

The collateral granted in respect of the subordinated loan notes also secures the senior facility. 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. The subordinated loan notes are fully subordinated in all respects including in priority of payment to, amongst other debts of the joint ventures, a senior debt facility. As is the case in respect of the senior facility, the obligation of the joint ventures to make payments in respect of the subordinated loan notes is limited in recourse to certain amounts actually received by the joint ventures.

Subject to certain conditions, including (while the senior facility security remains outstanding) the consent of the collateral trustee, the joint venture partners may at any time redeem all or any of the outstanding subordinated loan notes.

(U.S. Dollars in thousands or as otherwise stated, except share and per share data)

## 15. Accrued maintenance liability

Movements in accrued maintenance liability during the years ended December 31, 2017 and 2016 were as follows:

| | Year Ended December 31, | |
|---|---|---|
| | 2017 | 2016 |
| Accrued maintenance liability at beginning of period | $ 3,137,904 | $ 3,475,567 |
| Maintenance payments received | 756,314 | 794,711 |
| Maintenance payments returned | (523,403) | (505,407) |
| Release to income upon sale | (344,824) | (350,918) |
| Release to income other than upon sale | (325,382) | (421,332) |
| Lessor contribution, top ups and other | 168,316 | 115,627 |
| Interest accretion | 13,701 | 26,563 |
| Additions due to aircraft acquisitions | — | 3,093 |
| **Accrued maintenance liability at end of period** | **$ 2,882,626** | **$ 3,137,904** |

## 16. Accounts payable, accrued expenses and other liabilities

Accounts payable, accrued expenses and other liabilities consisted of the following as of December 31, 2017 and 2016:

| | As of December 31, | |
|---|---|---|
| | 2017 | 2016 |
| Accounts payable and accrued expenses | $ 307,391 | $ 330,437 |
| Deferred revenue | 452,846 | 463,090 |
| Accrued interest | 254,865 | 287,205 |
| Guarantees (Note 28) | 2,272 | 51,804 |
| | **$ 1,017,374** | **$ 1,132,536** |

## 17. Lease revenue

Our current operating lease agreements expire up to and over the next 14 years. The contracted minimum future lease payments receivable from lessees for flight equipment on non-cancelable operating leases for our owned aircraft and engines as of December 31, 2017 were as follows:

| | Contracted minimum future lease payments receivable |
|---|---|
| 2018 | $ 3,964,268 |
| 2019 | 3,497,545 |
| 2020 | 3,021,796 |
| 2021 | 2,704,523 |
| 2022 | 2,408,034 |
| Thereafter | 8,546,457 |
| | **$24,142,623** |

(U.S. Dollars in thousands or as otherwise stated, except share and per share data)

## 18. Geographic information

The following table presents *(i)* the percentage of lease revenue attributable to individual countries representing at least 10% of our total lease revenue in any year presented; and (*ii)* the percentage of lease revenue attributable to Ireland, our country of domicile, based on each lessee's principal place of business, for the years ended December 31, 2017 and 2016:

| | Year Ended December 31, | | | |
|---|---|---|---|---|
| | 2017 | | 2016 | |
| | Amount | % | Amount | % |
| China (a) | $ 648,343 | 13.7% | $ 669,859 | 13.8% |
| United States | 568,999 | 12.0% | 535,526 | 11.0% |
| Ireland | 120,500 | 2.5% | 117,259 | 2.4% |
| Other countries (b) | 3,398,934 | 71.8% | 3,544,979 | 72.8% |
| **Total** | **$ 4,736,776** | **100.0%** | **$ 4,867,623** | **100.0%** |

(a) Includes mainland China, Hong Kong and Macau.
(b) No individual country within this category accounts for more than 10% of our lease revenue.

The following table presents *(i)* the percentage of long-lived assets, including flight equipment held for operating leases, net investment in finance and sales-type leases and maintenance rights intangible assets, attributable to individual countries representing at least 10% of our total long-lived assets in any year presented, and *(ii)* the percentage of long-lived assets attributable to Ireland, our country of domicile, based on each lessee's principal place of business, as of December 31, 2017 and 2016:

| | As of December 31, | | | |
|---|---|---|---|---|
| | 2017 | | 2016 (c) | |
| | Amount | % | Amount | % |
| China (a) | $ 5,217,284 | 14.8% | $ 4,962,336 | 14.5% |
| United States | 4,814,462 | 13.6% | 4,751,496 | 13.9% |
| Ireland | 1,141,992 | 3.2% | 703,635 | 2.1% |
| Other countries (b) | 24,145,107 | 68.4% | 23,803,362 | 69.5% |
| **Total** | **$35,318,845** | **100.0%** | **$34,220,829** | **100.0%** |

(a) Includes mainland China, Hong Kong and Macau.
(b) No individual country within this category accounts for more than 10% of our long-lived assets.
(c) Excludes AeroTurbine long-lived assets of $105.7 million as of December 31, 2016.

We lease and sell aircraft to airlines and others throughout the world and our trade and notes receivables are from entities located throughout the world. During the years ended December 31, 2017 and 2016, we had no lessees that represented more than 10% of total lease revenue.

(U.S. Dollars in thousands or as otherwise stated, except share and per share data)

## 19. Other income

Other income consisted of the following for the years ended December 31, 2017 and 2016:

| | Year Ended December 31, 2017 | Year Ended December 31, 2016 |
|---|---|---|
| Management fees | $ 13,426 | $ 18,298 |
| Other | 56,540 (a) | 76,917 (b) |
| | **$ 69,966** | **$ 95,215** |

(a) Includes income from lease terminations of $46.5 million.

(b) Includes income from lease terminations of $63.2 million and net insurance proceeds of $54.2 million. In addition, we incurred an expense of $36.0 million related to a lower of cost or market adjustment of AeroTurbine's parts inventory as a result of the AeroTurbine downsizing. Please refer to Note 23—*Restructuring related expenses.*

## 20. Personnel expenses

Personnel expenses consisted of the following for the years ended December 31, 2017 and 2016:

| | Year Ended December 31, 2017 | Year Ended December 31, 2016 |
|---|---|---|
| Salary, bonus and other benefits | $ 137,712 | $ 132,730 |
| Share-based compensation | 107,719 | 102,843 |
| Social securities | 13,005 | 8,892 |
| Pensions | 6,009 | 7,883 |
| | **$ 264,445** | **$ 252,348** |

### *Share-based compensation*

Under our equity incentive plans, we have granted restricted stock units, restricted stock and stock options to directors, officers and employees to attract and retain them on competitive terms, and to incentivize superior performance with a view to creating long-term value for the benefit of the Company, its shareholders and other stakeholders.

### AerCap Holdings N.V. Equity Grants

In March 2012, we implemented an equity incentive plan (the "Equity Incentive Plan 2012") which provides for the grant of stock options, non-qualified stock options, restricted stock, restricted stock units, stock appreciation rights and other stock awards to participants of the plan selected by the Nomination and Compensation Committee of our Board of Directors. Effective May 14, 2014, the Equity Incentive Plan 2012 was expanded and the maximum number of shares available under the plan is equivalent to 8,064,081 Company shares. The Equity Incentive Plan 2012 is not open for equity awards to our directors.

**20. Personnel expenses (Continued)**

On May 14, 2014, we implemented an equity incentive plan (the "Equity Incentive Plan 2014") which provides for the grant of equity awards to participants of the plan selected by the Nomination and Compensation Committee of our Board of Directors. The maximum number of shares available under the plan is equivalent to 4,500,000 Company shares. The Equity Incentive Plan 2014 is open for equity awards to our directors.

The Equity Incentive Plan 2014 replaced an equity incentive plan that was implemented in October 2006 (the "Equity Incentive Plan 2006"). The Equity Incentive Plan 2014, Equity Incentive Plan 2012 and Equity Incentive Plan 2006 are collectively referred to herein as "AerCap Holdings N.V. Equity Plans." Prior awards remain in effect pursuant to their terms and conditions. The terms and conditions of the Equity Incentive Plan 2006 and the Equity Incentive Plan 2014 are substantially the same.

The terms and conditions, including the vesting conditions, of the equity awards granted under AerCap Holdings N.V. Equity Plans are determined by the Nomination and Compensation Committee and, for our directors, by the Board of Directors in line with the remuneration policies approved by the General Meeting of Shareholders. The vesting periods of the majority of equity awards range between three years and five years. Our long-term equity awards are subject to long-term performance vesting criteria, based on the Company's U.S. GAAP EPS budget over the specified periods, in order to promote and encourage superior performance over a prolonged period of time. Some of our officers receive annual equity awards as part of their compensation package. Annual equity awards are granted after the year end and the number of awards granted is dependent on the Company's actual performance relative to the U.S. GAAP EPS budget and the respective officer's personal performance during the previous financial year. All outstanding awards of restricted stock units are convertible into ordinary shares of the Company at a ratio of one-to-one, prior to deduction for payroll withholding taxes. Shares subject to outstanding equity awards, which are not issued or delivered by reason of, amongst others, the cancellation or forfeiture of such awards or the withholding of such shares to settle tax obligations, shall again be available under the AerCap Holdings N.V. Equity Plans.

(U.S. Dollars in thousands or as otherwise stated, except share and per share data)

**20. Personnel expenses (Continued)**

The following table presents movements in the outstanding restricted stock units and restricted stock under the AerCap Holdings N.V. Equity Plans during the year ended December 31, 2017:

| | Year Ended December 31, 2017 | | | |
|---|---|---|---|---|
| | Number of time-based restricted stock units and restricted stock | Number of performance-based restricted stock units and restricted stock | Weighted average grant date fair value of time-based grants ($) | Weighted average grant date fair value of performance-based grants ($) |
| **Number at beginning of period** | **3,579,834** | **5,512,342** | **$ 42.78** | **$ 46.19** |
| Granted (a) | 740,690 | 1,079,416 | 50.68 | 51.49 |
| Vested (b) | (859,033) | (440,064) | 33.59 | 46.59 |
| Cancelled | (85,404) | (29,445) | 44.08 | 42.10 |
| **Number at end of period** | **3,376,087** | **6,122,249** | **$ 46.85** | **$ 47.12** |

(a) Includes 451,070 shares of restricted stock granted under the AerCap Holdings N.V. Equity Plans, of which 279,697 shares of restricted stock were issued with the remaining 171,373 shares being withheld and applied to pay the taxes involved. As part of the 171,373 shares withheld to pay for taxes, 64,771 shares were treated as granted and subsequently vested on the grant date under specific Irish tax legislation. As a result, we recognized an expense of $3.4 million on the grant dates associated with these shares.

(b) 296,201 restricted stock units, which were previously granted under the AerCap Holdings N.V. Equity Plans, vested. In connection with the vesting of the restricted stock units, the Company issued, in full satisfaction of its obligations, 187,096 ordinary shares to the holders of these restricted stock units, with the remainder being withheld and applied to pay the taxes in respect of those awards. Restrictions on 938,125 shares of restricted stock (655,207 shares of restricted stock net of withholding for taxes) lapsed during the period. In addition, 64,771 shares were treated as granted and subsequently vested on the grant dates as described in (a) above.

Included in the numbers of outstanding restricted stock units and restricted stock under the AerCap Holdings N.V. Equity Plans during the year ended December 31, 2017, as shown in the table above, are a significant number of awards granted in December 2017 to replace awards which were granted in connection with the ILFC acquisition in 2014 and which are due to vest during the first half of 2018. As a result, the number of outstanding restricted stock units and restricted stock awards as of December 31, 2017 reflects an overlap between previous awards that are due to vest in 2018 (approximately 6.5 million awards are due to vest in 2018) and the recent replacement awards that have the objective of retaining and incentivizing the recipients for future periods. As a result, we expect the total number of outstanding equity awards to become lower following the vesting of awards in 2018.

**20. Personnel expenses (Continued)**

The following table presents movements in the outstanding stock options under the Equity Incentive Plan 2006 (no options were granted under the Equity Incentive Plan 2012 or Equity Incentive Plan 2014) and the stock options that rolled over from the amalgamation of Genesis in 2010 during the year ended December 31, 2017. All of the outstanding Genesis amalgamation related options have vested and been exercised. All outstanding options under the Equity Incentive Plan 2006 have vested.

| | Year Ended December 31, 2017 | |
|---|---|---|
| | Number of options | Weighted average exercise price ($) |
| **Options outstanding at beginning of period (a)** | **140,045** | **$ 6.02** |
| Exercised (a) | (102,100) | 3.41 |
| **Options outstanding at end of period** | **37,945** | **$ 13.02** |

(a) Includes 2,100 AER options granted to former Genesis directors and employees at the closing of the amalgamation with Genesis on March 25, 2010. These options were issued pursuant to a separate board resolution, and not under any of the AerCap Holdings N.V. Equity Plans. They have all vested as of December 31, 2017.

The amount of share-based compensation expense is determined by reference to the fair value of the restricted stock units or restricted stock on the grant date, based on the trading price of the Company's shares on the grant date and reflective of the probability of vesting. All outstanding options have been fully expensed.

We recognized share-based compensation expense of $107.7 million and $102.8 million during the years ended December 31, 2017 and 2016 , respectively. The following table presents our expected share-based compensation expense based on existing grants, assuming that the established performance criteria are met and that no forfeitures occur:

| | Expected share-based compensation expense |
|---|---|
| | (U.S. Dollars in millions) |
| 2018 | $ 75.5 |
| 2019 | 36.0 |
| 2020 | 19.0 |
| 2021 | 4.7 |

***Pension***

We operate defined benefit plans and defined contribution pension plans for our employees. All of these plans, individually or on an aggregate basis, do not have a material impact on our Consolidated Balance Sheets or Consolidated Income Statements.

(U.S. Dollars in thousands or as otherwise stated, except share and per share data)

**20. Personnel expenses (Continued)**

***Employees***

The following table presents the number of employees relating to our aircraft leasing business at each of our principal geographic locations as of December 31, 2017 and 2016:

| Location | As of December 31, 2017 | As of December 31, 2016 |
|---|---|---|
| Dublin, Ireland | 205 | 159 |
| Shannon, Ireland | 75 | 70 |
| Los Angeles, California | 54 | 60 |
| Singapore | 43 | 45 |
| Amsterdam, the Netherlands | 7 | 44 |
| Other (a) | 23 | 20 |
| **Total (b)** | **407** | **398** |

(a) Includes employees located in China, France, the United Kingdom, the United Arab Emirates and throughout the United States.

(b) Includes two and ten part-time employees, respectively, and excludes nil and 160 employees, respectively, relating to our AeroTurbine subsidiary, as of December 31, 2017 and 2016.

**21. Asset impairment and reversal**

Asset impairment and reversal consisted of the following for the years ended December 31, 2017 and 2016:

| | Year Ended December 31, 2017 | Year Ended December 31, 2016 |
|---|---|---|
| Impairment of flight equipment held for operating leases (Note 6) | $ 123,454 | $ 152,535 |
| Reversal of impairment of flight equipment held for operating leases (Note 6) | (39,707) | (31,233) |
| | **$ 83,747** | **$ 121,302** |

Our long-lived assets include flight equipment and intangible fixed assets. We test long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable from its discounted cash flows.

(U.S. Dollars in thousands or as otherwise stated, except share and per share data)

**21. Asset impairment and reversal (Continued)**

The following assumptions drive the discounted cash flows for flight equipment: contracted lease rents per aircraft through current lease expiry, subsequent re-lease rates based on current marketing information, the discount rate (2017: 5.6%, 2016: 5.7%) and residual values based on current market transactions. We review and stress test our key assumptions to reflect any observed weakness in the global economic environment. Deterioration of the global economic environment and a decrease of aircraft values might have a negative effect on the discounted cash flows of older aircraft and might trigger impairments. There can be no assurance that the Company's estimates and assumptions regarding the economic environment, 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.

During the year ended December 31, 2016, we also recognized impairment charges for certain AeroTurbine intangible assets and leased engines. Please refer to Note 23—*Restructuring related expenses* for further details.

**22. Other expenses**

Other expenses consisted of the following for the years ended December 31, 2017 and 2016:

| | Year Ended December 31, | |
|---|---|---|
| | **2017** | **2016** |
| Travel expenses | $ 19,774 | $ 21,201 |
| Professional services | 28,585 | 30,983 |
| Office expenses | 16,105 | 20,703 |
| Directors' expenses | 3,345 | 3,051 |
| Other expenses | 16,037 | 22,725 |
| Restructuring related expenses (Note 23) | 14,605 | 53,389 |
| | **$ 98,451** | **$ 152,052** |

(U.S. Dollars in thousands or as otherwise stated, except share and per share data)

## 23. Restructuring related expenses

At the end of 2015, we decided to restructure and downsize the AeroTurbine business. Since we made this decision, AeroTurbine has been actively reducing its debt and total assets by disposing of engines from its engine leasing portfolio as well as parts from its inventory.

In connection with the downsizing, during 2015, we performed recoverability assessments of AeroTurbine's long-lived assets and we recognized impairments on some of these long-lived assets. During 2015, we also recognized a lower of cost or market adjustment in other income related to AeroTurbine's parts inventory.

During 2016, AeroTurbine entered into a letter of intent to sell its storage and maintenance facility located in Goodyear, Arizona, which resulted in a write-down of assets and associated intangible assets. We also completed a review of AeroTurbine's engine leasing portfolio and identified specific engines for longer-term use and support of AerCap's core aircraft leasing business, as well as the specific engines to be sold by AeroTurbine to third parties. As a result, we recognized impairments related primarily to older, out-of-production engines. The sale of the Goodyear operations and the engine portfolio review, together, triggered our decision in the second half of 2016, to accelerate the final phase of the AeroTurbine downsizing. We performed a review of AeroTurbine's parts inventory, and during 2016, we recognized a lower of cost or market adjustment of $36.0 million based on current available market information. Please refer to Note 19—*Other income*.

During 2017, AeroTurbine completed the sale of its Goodyear operations and the AeroTurbine revolving credit facility was fully repaid and terminated. In addition, AeroTurbine executed an amendment to the existing lease agreement for its facility in Florida and, as a result, we recognized lease termination fees of $7.6 million.

We recorded the following charges in other expenses in our Consolidated Income Statements during the years ended December 31, 2017 and 2016:

| | Year Ended December 31, | |
|---|---|---|
| | 2017 | 2016 |
| Lease termination fees | $ 7,645 | $ — |
| Severance expenses and other | 4,298 | 19,801 |
| Leased engines impairment | 2,662 | 15,392 |
| Other intangible assets impairment | — | 14,868 |
| Write-down of fixed assets and consumable inventory | — | 3,328 |
| | **$ 14,605** | **$ 53,389** |

(U.S. Dollars in thousands or as otherwise stated, except share and per share data)

## 24. Income taxes

Our subsidiaries are subject to taxation in a number of tax jurisdictions, principally Ireland, the United States, and the Netherlands. As of February 1, 2016, AerCap Holdings N.V. became a tax resident in Ireland and as a result is subject to corporate income tax in Ireland.

The following table presents our income taxes by tax jurisdiction for the years ended December 31, 2017 and 2016:

| | Year Ended December 31, 2017 | Year Ended December 31, 2016 |
|---|---|---|
| **Deferred tax expense (benefit)** | | |
| Ireland | $ 141,304 | $ 131,160 |
| United States | 27,503 | 12,893 |
| The Netherlands | (15,167) | 5,935 |
| Other | (392) | 1,024 |
| | **153,248** | **151,012** |
| **Current tax expense (benefit)** | | |
| Ireland | 5,606 | 4,730 |
| United States | (1,659) | 3,166 |
| The Netherlands | 717 | 1,164 |
| Other | 3,033 | 3,096 |
| | **7,697** | **12,156** |
| **Income taxes** | **$ 160,945** | **$ 163,168** |

The following table provides a reconciliation of the statutory income tax expense to income taxes for the years ended December 31, 2017 and 2016:

| | Year Ended December 31, 2017 | Year Ended December 31, 2016 |
|---|---|---|
| Income tax expense at statutory income tax rate of 12.5% | $ 147,175 | $ 132,238 |
| Permanent differences | 26,861 (a) | 34,520 (b) |
| Foreign rate differential | (13,091) | (3,590) |
| | **13,770** | **30,930** |
| **Income taxes** | **$ 160,945** | **$ 163,168** |

(a) The 2017 permanent differences included non-deductible share-based compensation in Ireland and in the Netherlands and impacts of the change in tax rate in the United States.

(b) The 2016 permanent differences included non-deductible share-based compensation in Ireland and in the Netherlands and a non-deductible intercompany interest allocated to the United States.

(U.S. Dollars in thousands or as otherwise stated, except share and per share data)

## 24. Income taxes (Continued)

The following tables provide details regarding the principal components of our deferred income tax liabilities and assets by jurisdiction as of December 31, 2017 and 2016:

| | As of December 31, 2017 | | | | |
|---|---|---|---|---|---|
| | Ireland | United States | The Netherlands | Other | Total |
| Depreciation/impairment | $ (1,295,596) | $ 1,553 | $ 7,771 | $ 327 | $ (1,285,945) |
| Intangibles | (5,667) | (5,341) | — | — | (11,008) |
| Financial expense | — | (166) | — | — | (166) |
| Accrued maintenance liability | 48,241 | 4,055 | — | — | 52,296 |
| Obligations under capital leases and debt obligations | (4,691) | — | — | — | (4,691) |
| Participations | — | (8,095) | — | — | (8,095) |
| Deferred losses on sale of assets | — | 32,119 | — | — | 32,119 |
| Accrued expenses | — | 7,338 | — | — | 7,338 |
| Losses and credits forward | 847,846 | (723) | 7,807 | 2,024 | 856,954 |
| Other | (70,042) | (2,543) | (542) | 2,500 | (70,627) |
| **Net deferred income tax (liabilities) assets** | **$ (479,909)** | **$ 28,197** | **$ 15,036** | **$ 4,851** | **$ (431,825)** |

| | As of December 31, 2016 | | | | |
|---|---|---|---|---|---|
| | Ireland | United States | The Netherlands | Other | Total |
| Depreciation/impairment | $ (989,162) | $ (16,322) | $ 4,049 | $ (63) | $ (1,001,498) |
| Intangibles | (8,517) | (16,242) | — | — | (24,759) |
| Financial expense | — | (588) | — | — | (588) |
| Accrued maintenance liability | 41,978 | 12,810 | 821 | — | 55,609 |
| Obligations under capital leases and debt obligations | (3,151) | — | — | — | (3,151) |
| Participations | — | (12,641) | — | — | (12,641) |
| Deferred losses on sale of assets | — | 66,119 | — | — | 66,119 |
| Accrued expenses | — | 13,942 | — | — | 13,942 |
| Losses and credits forward | 664,652 | 3,085 | 1 | 10,782 | 678,520 |
| Other | (46,133) | 5,539 | (4,399) | (6,190) | (51,183) |
| **Net deferred income tax (liabilities) assets** | **$ (340,333)** | **$ 55,702** | **$ 472** | **$ 4,529** | **$ (279,630)** |

The net deferred income tax liabilities as of December 31, 2017 of $431.8 million were recognized in our Consolidated Balance Sheet as deferred income tax assets of $189.5 million and as deferred income tax liabilities of $621.3 million.

The net deferred income tax liabilities as of December 31, 2016 of $279.6 million were recognized in our Consolidated Balance Sheet as deferred income tax assets of $250.5 million and as deferred income tax liabilities of $530.1 million.

**24. Income taxes (Continued)**

As of December 31, 2017 and 2016, we had $31.0 million and $29.8 million, respectively, of unrecognized tax benefits. Substantially all of the unrecognized tax benefits as of December 31, 2017, if recognized, would affect our effective tax rate. Although it is reasonably possible that a change in the balance of unrecognized tax benefits may occur within the next 12 months, based on the information currently available, we do not expect any change to be material to our consolidated financial condition.

Our primary tax jurisdictions are Ireland, the United States and the Netherlands. Our tax returns are open for examination in Ireland from 2013 forward, in the United States from 2014 forward and in the Netherlands from 2012 forward. In the United States, the 2014 and 2015 audits of the federal income tax returns of some of our U.S. resident subsidiaries closed without adjustment in 2017.

Our policy is to recognize accrued interest on the underpayment of income taxes as a component of financial expense and penalties associated with tax liabilities as a component of income taxes.

***Ireland***

Since 2006, the enacted Irish corporate income tax rate has been 12.5%. Some of our Irish tax-resident operating subsidiaries have significant losses carry forward as of December 31, 2017 which give rise to deferred income 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 entitled to accelerated aircraft depreciation for tax purposes and shelter net taxable income with the surrender of losses on a current year basis within the Irish tax group. Based on projected taxable profits in our Irish subsidiaries, we expect to recover the majority of the value of our Irish tax assets.

***United States***

Our U.S. subsidiaries are assessable to federal and state U.S. taxes. Since the ILFC Transaction, we no longer file one consolidated federal income tax return. We have two distinct groups of U.S. companies that file consolidated returns. The blended federal and state tax rate applicable to our combined U.S. group was 35.7% for the year ended December 31, 2017. Due to a restructuring of activities in the U.S. AeroTurbine group, which started in late 2015, we do not expect to generate sufficient sources of taxable income to realize our deferred income tax asset in the United States. Additionally, certain tax attributes are subject to an annual limitation as a result of the change in ownership in 2015 as defined under Internal Revenue Code Section 382. Our U.S. federal net operating losses expire between 2026 and 2037.

On December 22, 2017, the United States enacted new tax legislation (the "Tax Legislation") that significantly revises the Internal Revenue Code of 1986, as amended. The Tax Legislation included, among other things, a reduction of the U.S. corporate income tax rate from 35% to 21% effective January 1, 2018. As a result of the Tax Legislation, we reassessed our deferred tax assets and liabilities and recorded a tax expense in 2017 of approximately $22 million.

***The Netherlands***

The majority of our Dutch subsidiaries are part of two Dutch fiscal unities and are included in consolidated tax filings. Current tax expenses are limited with respect to the Dutch subsidiaries due to the existence of interest bearing intercompany liabilities. Deferred income tax is calculated using the Dutch corporate income tax rate (25.0%). Tax losses in the Netherlands can generally be carried back one year and carried forward nine years before expiry.

(U.S. Dollars in thousands or as otherwise stated, except share and per share data)

## 25. Earnings per share

Basic EPS is calculated by dividing net income by the weighted average number of our ordinary shares outstanding, which excludes 3,007,752 and 3,426,810 shares of unvested restricted stock as of December 31, 2017 and 2016, respectively. For the calculation of diluted EPS, the weighted average of our ordinary shares outstanding for basic EPS is adjusted by the effect of dilutive securities, including awards under our equity compensation plans. The number of shares excluded from diluted shares outstanding was 509,677 and 152,314 for the years ended December 31, 2017 and 2016, respectively, because the effect of including those shares in the calculation would have been anti-dilutive.

The computations of basic and diluted EPS for the years ended December 31, 2017 and 2016 were as follows:

| | Year Ended December 31, | |
|---|---|---|
| | 2017 | 2016 |
| Net income for the computation of basic EPS | $ 1,021,452 | $ 914,463 |
| Weighted average ordinary shares outstanding - basic | 161,059,552 | 185,514,370 |
| **Basic EPS** | **$ 6.34** | **$ 4.93** |

| | Year Ended December 31, | |
|---|---|---|
| | 2017 | 2016 |
| Net income for the computation of diluted EPS | $ 1,021,452 | $ 914,463 |
| Weighted average ordinary shares outstanding - diluted | 167,287,508 | 189,682,036 |
| **Diluted EPS** | **$ 6.11** | **$ 4.82** |

The computations of ordinary shares outstanding, excluding shares of unvested restricted stock, as of December 31, 2017 and 2016 were as follows:

| | As of December 31, | |
|---|---|---|
| | 2017 | 2016 |
| | Number of ordinary shares | |
| Ordinary shares issued | 167,847,345 | 187,847,345 |
| Treasury shares | (14,855,244) | (11,600,191) |
| **Ordinary shares outstanding** | **152,992,101** | **176,247,154** |
| Shares of unvested restricted stock | (3,007,752) | (3,426,810) |
| **Ordinary shares outstanding, excluding shares of unvested restricted stock** | **149,984,349** | **172,820,344** |

## 26. Special purpose entities

Our leasing and financing activities require us to use many forms of entities to achieve our business objectives and we have participated to varying degrees in the design and formation of these entities. Our involvement in SPEs varies and includes being a passive investor in the SPE with involvement from other parties, managing and structuring all the SPE's activities, or being the sole shareholder of the SPE.

During the year ended December 31, 2017, we did not provide any financial support to any of our SPEs that we were not contractually obligated to provide.

### Consolidated SPEs

As of December 31, 2017 and 2016, substantially all assets and liabilities presented in our Consolidated Balance Sheets were held in consolidated SPEs. Further details of debt held by our consolidated SPEs are disclosed in Note 14—*Debt*.

#### *Wholly-owned ECA and Ex-Im financing vehicles*

We have created certain wholly-owned subsidiaries for the purpose of purchasing aircraft and obtaining financing secured by such aircraft. The secured debt is guaranteed by the European ECAs and the Export-Import Bank of the United States. These entities meet the definition of a SPE because they do not have sufficient equity to operate without subordinated financial support from us in the form of intercompany notes. We have determined that we are the PB of these entities because we control and manage all aspects of these entities, including directing the activities that most significantly affect the entities' economic performance, we absorb the majority of the risks and rewards of these entities and we guarantee the activities of these entities.

#### *Other secured financings*

We have created a number of wholly-owned subsidiaries for the purpose of obtaining secured financings. These entities meet the definition of a SPE because they do not have sufficient equity to operate without subordinated financial support from us in the form of intercompany notes. We have determined that we are the PB of these entities because we control and manage all aspects of these entities, including directing the activities that most significantly affect the entities' economic performance, we absorb the majority of the risks and rewards of these entities and we guarantee the activities of these entities.

#### *Wholly-owned leasing entities*

We have created wholly-owned subsidiaries for the purpose of facilitating aircraft leases with airlines. These entities meet the definition of a SPE because they do not have sufficient equity to operate without subordinated financial support from us in the form of intercompany notes, which serve as equity. We have determined that we are the PB of these entities because we control and manage all aspects of these entities, including directing the activities that most significantly affect the entities' economic performance, we absorb the majority of the risks and rewards of these entities and we guarantee the activities of these entities.

**26. Special purpose entities (Continued)**

***Limited recourse financing structures***

We have established entities to obtain secured financings for the purchase of aircraft in which we have variable interests. These entities meet the definition of a SPE because they do not have sufficient equity to operate without subordinated financial support from us in the form of intercompany notes. The loans of these entities are non-recourse to us except under limited circumstances. We have determined that we are the PB of these entities because we control and manage all aspects of these entities, including directing the activities that most significantly affect the entities' economic performance, and we absorb the majority of the risks and rewards of these entities.

***AerCap Partners I***

AerCap Partners I Holding Limited ("AerCap Partners I") is a 50%-50% joint venture owned by us and Deucalion Aviation Funds. We provide lease management, insurance management and aircraft asset management services to AerCap Partners I for a fee. We have determined that we are the PB of the entity because we direct the activities that most significantly affect the economic performance of the entity and we absorb a significant portion of the risks and rewards of the entity.

As of December 31, 2017, AerCap Partners I had a portfolio consisting of seven Boeing 737NG aircraft. As of December 31, 2017, AerCap Partners I had $59.9 million outstanding under a senior debt facility, which is guaranteed by us, and $63.8 million of subordinated debt outstanding, consisting of $31.9 million from us and $31.9 million from our joint venture partner.

***AerCap Partners II***

AerCap Partners 2 Holding Limited ("AerCap Partners II") is a 50%-50% joint venture owned by us and Deucalion Aviation Funds. We provided lease management, insurance management and aircraft asset management services to AerCap Partners II for a fee. We have determined that we continue to be the PB of the entity because we direct the activities that most significantly affect the economic performance of the entity and we absorb a significant portion of the risks and rewards of the entity.

As of December 31, 2017, AerCap Partners II did not own any aircraft. As of December 31, 2017, AerCap Partners II had $16.8 million of subordinated debt outstanding, consisting of $8.4 million from us and $8.4 million from our joint venture partner. The ECA senior debt facility was repaid in full in December 2017. The $16.8 million of subordinated debt was repaid in full in February 2018.

***AerCap Partners 767***

AerCap Partners 767 Limited ("AerCap Partners 767") is a 50%-50% joint venture owned by us and Deucalion Aviation Funds. We provide lease management, insurance management and aircraft asset management services to AerCap Partners 767 for a fee. We have determined that we are the PB of the entity because we direct the activities that most significantly affect the economic performance of the entity and we absorb a significant portion of the risks and rewards of the entity.

(U.S. Dollars in thousands or as otherwise stated, except share and per share data)

**26. Special purpose entities (Continued)**

As of December 31, 2017, AerCap Partners 767 had a portfolio consisting of two Boeing 767-300ER aircraft. As of December 31, 2017, AerCap Partners 767 had $11.5 million outstanding under a senior debt facility, which is limited recourse to us and $31.0 million of subordinated debt outstanding, consisting of $15.5 million from us and $15.5 million from our joint venture partner.

***ALS II***

The ALS II senior Class A notes were repaid in full in January 2017. Prior to May 31, 2017, we held a 5% equity investment in ALS II and provided lease management, insurance management and aircraft asset management services to ALS II for a fee. On May 31, 2017, the ALS II structure was unwound and we became owner of 100% of the equity and we continue to hold 100% of the subordinated fixed rate deferrable interest asset-backed notes ("ALS II Class E-1 Notes") in ALS II. We have determined that we continue to be the PB of the entity because we continue to direct the activities that most significantly affect the economic performance of the entity and to absorb the majority of the risks and rewards of the entity.

As of December 31, 2017, ALS II had a portfolio consisting of 25 Airbus A320 Family aircraft. As of December 31, 2017, ALS II had $350.0 million of senior ALS II Class E-1 Notes outstanding due to us.

***AerFunding***

We hold a 5% equity investment and 100% of the subordinated fixed rate deferrable interest asset-backed notes ("AerFunding Class E-1 Notes") in AerFunding. We provide lease management, insurance management and aircraft asset management services to AerFunding for a fee. We have determined that we are the PB of the entity because we direct the activities that most significantly affect the economic performance of the entity and we absorb the majority of the risks and rewards of the entity.

As of December 31, 2017, AerFunding had a portfolio consisting of four Airbus A320 Family aircraft, two Airbus A320neo Family aircraft, one Airbus A330 aircraft, one Airbus A350 aircraft, six Boeing 737NG aircraft and four Boeing 787 aircraft. As of December 31, 2017, AerFunding had $878.4 million outstanding under a secured revolving credit facility and $272.8 million of AerFunding Class E-1 Notes outstanding due to us.

**Non-consolidated participations**

The following table presents our maximum exposure to loss in participations as of December 31, 2017 and 2016:

| | As of December 31, | |
|---|---|---|
| | 2017 | 2016 |
| Carrying value of participations (Note 9) | $ 122,946 | $ 118,783 |
| Debt guarantees | 104,867 | 125,429 |
| **Maximum exposure to loss** | **$ 227,813** | **$ 244,212** |

**26. Special purpose entities (Continued)**

The maximum exposure to loss represents the amount that would be absorbed by us in the event that all of our assets held in the participations, for which we are not the PB, had no value and outstanding debt guarantees were called upon in full.

***AerDragon***

AerDragon is a joint venture with 50% owned by China Aviation Supplies Holding Company and the other 50% owned equally by us, affiliates of Crédit Agricole Corporate and Investment Bank, and East Epoch Limited. This joint venture enhances our presence in the Chinese market and our ability to lease our aircraft and engines throughout the entire Asia/Pacific region. We provide accounting related services to AerDragon, and guaranteed debt previously secured by certain aircraft which AerDragon purchased directly from us for a fee. As of December 31, 2017 and 2016, we guaranteed debt of nil and $3.4 million, respectively, for AerDragon. The guaranteed debt was repaid in full in August 2017, and therefore the obligations of AerDragon are non-recourse to us.

As of December 31, 2017, AerDragon had 29 narrowbody aircraft on lease to ten airlines.

We have determined that AerDragon is a participation, in which we do not have control and therefore we are not the PB. We do have significant influence and, accordingly, we account for our participation in AerDragon under the net asset value method.

***AerLift***

AerLift is a joint venture in which we have a 39% interest. We provide asset and lease management, insurance management and cash management services to AerLift for a fee. As of December 31, 2017 and 2016, we guaranteed debt of $104.9 million and $122.0 million, respectively, for AerLift. Other than the debt for which we act as a guarantor, the debt obligations of AerLift are non-recourse to us.

As of December 31, 2017, AerLift owned four widebody aircraft.

We have determined that AerLift is a participation in which we do not have control and therefore we are not the PB. We do have significant influence and, accordingly, we account for our participation in AerLift under the net asset value method.

***ACSAL***

In June 2013, we completed a transaction under which we sold eight Boeing 737-800 aircraft to ACSAL, an affiliate of Guggenheim, in exchange for cash, and we made a capital contribution to ACSAL in exchange for 19% of its equity. We provide aircraft asset and lease management services to ACSAL for a fee. As of December 31, 2017, ACSAL continued to own the eight aircraft.

We have determined that ACSAL is a participation in which we do not have control and therefore we are not the PB. We do have significant influence and, accordingly, we account for our participation in ACSAL under the net asset value method.

**26. Special purpose entities (Continued)**

***Peregrine***

In December 2017, we invested in Peregrine, a vehicle established by NCB Capital for the purpose of acquiring a portfolio of 21 aircraft from us. We will have a 9.5% participation in Peregrine. We provide asset and lease management, insurance management, accounting and cash management services to Peregrine for a fee.

As of December 31, 2017, Peregrine had completed the acquisition of four of the 21 aircraft. The 17 remaining aircraft are expected to be acquired during early 2018.

We have determined that Peregrine is a participation in which we do not have control and therefore we are not the PB. We account for our participation in Peregrine under the cost method.

***Other non-consolidated entities***

We have variable interests in other entities in which we have determined we are not the PB because we do not have the power to direct the activities that most significantly affect the entities' economic performance. Our variable interest in these entities consists of servicing fees that we receive for providing aircraft management services.

**27. Related party transactions**

**AerDragon**

We provide accounting related services to, and guaranteed debt of AerDragon. We charged AerDragon a fee for these services of $0.5 million and $0.6 million during the years ended December 31, 2017 and 2016, respectively. In addition, we received a dividend of $3.3 million and $1.7 million from AerDragon during the years ended December 31, 2017 and 2016, respectively.

**ACSAL**

We provide aircraft asset and lease management services to ACSAL, for which we received a fee of $0.5 million and $0.5 million for the years ended December 31, 2017 and 2016, respectively. In addition, we received a dividend of $1.9 million and nil from ACSAL during the years ended December 31, 2017 and 2016, respectively.

**AerLift**

We provide a variety of management services to, and guarantee certain debt of, AerLift, for which we received a fee of $1.8 million and $2.9 million during the years ended December 31, 2017 and 2016, respectively. In addition, we received dividends of $3.0 million and $7.5 million from AerLift during the years ended December 31, 2017 and 2016, respectively.

(U.S. Dollars in thousands or as otherwise stated, except share and per share data)

## 28. Commitments and contingencies

### Aircraft on order

As of December 31, 2017, we had commitments to purchase 438 new aircraft scheduled for delivery through 2024. These commitments are based upon purchase agreements with Boeing, Airbus and Embraer. These agreements establish the pricing formulas (including adjustments for certain contractual escalation provisions) and various other terms with respect to the purchase of aircraft. Under certain circumstances, we have the right to alter the mix of aircraft types ultimately acquired. As of December 31, 2017, we had made non-refundable deposits on these purchase commitments (exclusive of capitalized interest and fair value adjustments) of approximately $899.5 million, $718 million and $13.5 million with Boeing, Airbus and Embraer, respectively.

Management anticipates that a portion of the aggregate purchase price for the acquisition of aircraft will be funded by incurring additional debt. The amount of the indebtedness to be incurred will depend on the final purchase price of the aircraft, which can vary due to a number of factors, including inflation.

The amount of interest capitalized is the actual interest costs incurred on the debt specific to the prepayments, if any, or the amount of interest costs which could have been avoided in the absence of such prepayments. Our average cost of debt, excluding the effect of mark-to-market movements on our interest rate caps and swaps, was 3.9% during the year ended December 31, 2017.

Movements in prepayments on flight equipment during the years ended December 31, 2017 and 2016 were as follows:

| | Year Ended December 31, | |
|---|---|---|
| | 2017 | 2016 |
| Prepayments on flight equipment at beginning of period | $ 3,265,979 | $ 3,300,426 |
| Prepayments made during the period | 1,162,884 | 837,776 |
| Interest paid and capitalized during the period | 107,364 | 107,688 |
| Prepayments and capitalized interest applied to the purchase of flight equipment | (1,605,924) | (979,911) |
| **Prepayments on flight equipment at end of period** | **$ 2,930,303** | **$ 3,265,979** |

The following table presents our contractual commitments for the purchase of flight equipment as of December 31, 2017:

| | 2018 | 2019 | 2020 | 2021 | 2022 | Thereafter | Total |
|---|---|---|---|---|---|---|---|
| Purchase obligations (a) | $ 6,065,084 | $ 5,723,097 | $ 4,742,181 | $ 3,714,523 | $ 2,405,676 | $ 1,662,286 | $ 24,312,847 |

(a) Includes commitments to purchase 426 aircraft and 12 purchase and leaseback transactions.

(U.S. Dollars in thousands or as otherwise stated, except share and per share data)

**28. Commitments and contingencies (Continued)**

**Leases**

We have operating lease agreements with third parties for office space, company cars and office equipment. As of December 31, 2017, minimum payments under the lease agreements for office space were as follows:

| | Future minimum lease payments |
|---|---|
| 2018 | $ 10,211 |
| 2019 | 7,692 |
| 2020 | 7,593 |
| 2021 | 7,670 |
| 2022 | 7,750 |
| Thereafter | 44,388 |
| | **$ 85,304** |

**Asset value guarantees**

We have potential obligations under contracts that guarantee a portion of the residual value of aircraft owned by third parties. These guarantees expire at various dates through 2023 and generally obligate us to pay the shortfall between the fair market value and the guaranteed value of the aircraft and, in certain cases, provide us with an option to purchase the aircraft for the guaranteed value. During 2017, we settled one asset value guarantee and, as a result, we recognized a $3.2 million gain in other income. Additionally, one asset value guarantee was exercised and two asset value guarantees expired unexercised. As of December 31, 2017, four guarantees were outstanding.

We regularly review the underlying values of the aircraft collateral to determine our exposure under these asset value guarantees. We did not record any asset value guarantee loss provisions during the years ended December 31, 2017 or 2016.

As of December 31, 2017 and 2016, the carrying value of the asset value guarantee liability was nil and $37.5 million, respectively, and was included in accounts payable, accrued expenses and other liabilities in our Consolidated Balance Sheets. As of December 31, 2017, the maximum aggregate potential commitment that we were obligated to pay under these guarantees, without any offset for the projected value of the aircraft or other contractual features that may limit our exposure, was approximately $66.5 million.

## 28. Commitments and contingencies (Continued)

### Other guarantees

We previously guaranteed the future re-lease or extension rental rates and other costs of four sold aircraft, up to agreed maximum amounts for each aircraft. During 2017, all four of these guarantees were settled. As of December 31, 2017 and 2016, the carrying value of these guarantees was nil and $11.4 million, respectively, and was included in accounts payable, accrued expenses and other liabilities in our Consolidated Balance Sheets. Subsequent to the settlement, we have no further exposure to these guarantees.

We guarantee the replacement lease rental cash flows of sold aircraft, in the event of a default and lease termination by the current lessees, up to agreed maximum amounts for each aircraft. These guarantees expire in 2020. We are obligated to perform under these guarantees in the event of a default and lease termination by the current lessees, and if the contracted net replacement lease rental rates do not equal or exceed the rental amounts in the current lease contracts. During 2017, we settled one of these guarantees. As of December 31, 2017, two of these guarantees were outstanding. As of December 31, 2017 and 2016, the carrying value of these guarantees was $2.3 million and $2.9 million, respectively, and was included in accounts payable, accrued expenses and other liabilities in our Consolidated Balance Sheets. As of December 31, 2017, the maximum undiscounted aggregate future guarantee payments that we could be obligated to make under these guarantees, without offset for the projected net future re-lease or extension rates, were approximately $10.5 million.

### Legal proceedings

#### *General*

In the ordinary course of our business, we are a party to various legal actions, which we believe are incidental to the operations of our business. The Company regularly reviews the possible outcome of such legal actions, and accrues for such legal actions at the time a loss is probable and the amount of the loss can be estimated. In addition, the Company also reviews indemnities and insurance coverage, where applicable. Based on information currently available, we believe the potential outcome of those cases where we are able to estimate reasonably possible losses, and our estimate of the reasonably possible losses exceeding amounts already recognized, on an aggregated basis, is immaterial to our Consolidated Financial Statements.

**28. Commitments and contingencies (Continued)**

***VASP litigation***

We leased 13 aircraft and 3 spare engines to Viação Aerea de São Paulo ("VASP"), a Brazilian airline. In 1992, VASP defaulted on its lease obligations and we commenced litigation against VASP to repossess our equipment. In 1992, we obtained a preliminary injunction for the repossession and export of 13 aircraft and three spare engines from VASP. We repossessed and exported the aircraft and engines in 1992. VASP appealed this decision. In 1996, the Appellate Court of the State of São Paulo ("TJSP") 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 Appellate Court also granted VASP the right to seek damages in lieu of the return of the aircraft and engines. Since 1996 we have defended this case in the Brazilian courts through various motions and appeals. On March 1, 2006, the Superior Tribunal of Justice (the "STJ") dismissed our then-pending appeal and on April 5, 2006, a special panel of the STJ confirmed this decision. On May 15, 2006 we filed an extraordinary appeal with the Federal Supreme Court. In September 2009 the Federal Supreme Court requested an opinion on our appeal from the office of the Attorney General. This opinion was provided in October 2009. The Attorney General recommended that AerCap's extraordinary appeal be accepted for trial and that the case be subject to a new judgment before the STJ. The Federal Supreme Court is not bound by the opinion of the Attorney General. While we have been advised that it would be normal practice to take such an opinion into consideration, there are no assurances that the Federal Supreme Court will rule in accordance with the Attorney General opinion or, if it did, what the outcome of the judgment of the STJ would be.

On February 23, 2006, VASP commenced a procedure to calculate its alleged damages and since then we, VASP and the court have appointed experts to assist the court in calculating damages. Our appointed expert has concluded that no damages were incurred. The VASP-appointed expert has concluded that substantial damages were incurred, and has claimed that such damages should reflect monetary adjustments and default interest for the passage of time. The court-appointed expert has also concluded that no damages were incurred. Different public prosecutors have issued conflicting opinions. The first public prosecutor had filed an opinion that supports the view of the VASP-appointed expert. In response to that opinion, the court-appointed expert reaffirmed his conclusion. A subsequently-appointed public prosecutor subsequently filed a new opinion that is less supportive of the VASP-appointed expert's opinion, but the original public prosecutor then issued a third opinion consistent with the first one. On October 30, 2017, the court decided that VASP had suffered no damages. VASP has certain rights of appeal and review of the decision. We believe, however, and we have been advised, that it is not probable that VASP will ultimately be able to recover damages from us even if VASP prevails on the issue of liability. The outcome of the legal process is, however, uncertain. The ultimate amount of damages, if any, payable to VASP cannot reasonably be estimated at this time. We continue to actively pursue all courses of action that may reasonably be available to us and intend to defend our position vigorously.

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

**28. Commitments and contingencies (Continued)**

In September 2008, the bankruptcy court in Brazil ordered the bankruptcy of VASP. VASP appealed this decision. In December 2008, we filed with the English court an application for default judgment, seeking damages plus accrued interest pursuant to seven lease agreements. On March 16, 2009, we obtained a default judgment in which we were awarded approximately $40 million in damages plus accrued interest. We subsequently applied to the STJ for an order ratifying the English judgment, so that it might be submitted in the VASP bankruptcy. The STJ granted AerCap's application and entered an order ratifying the English judgment. Although VASP appealed that order, it is fully effective pending a resolution of VASP's appeal of the order ratifying the English judgment.

In addition to our claim in the English courts, AerCap has also brought actions against VASP in the Irish courts to recover damages incurred as a result of VASP's default under nine leases governed by Irish law. The Irish courts granted an order for service of process, and although VASP opposed service in Brazil, the STJ ruled that service of process had been properly completed. After some additional delay due to procedural issues related to VASP's bankruptcy, the Irish action went forward. Upon VASP's failure to appear, the High Court entered default judgment in favor of AerCap, finding VASP liable for breach of its obligations under the leases. On October 24, 2014, the High Court entered two judgments in favor of AerCap, awarding us aggregate damages in the amount of approximately $36.9 million. We subsequently applied to the STJ for an order ratifying the Irish judgments, so that they might be submitted in the VASP bankruptcy. The STJ granted AerCap's application and ratified the Irish judgments.

AerCap has submitted both the Irish and the English judgments in the VASP bankruptcy; the bankruptcy court has required that the claims submitted limit interest on the judgments to that accrued on or before the commencement of VASP's bankruptcy, which has resulted in claims of approximately $40 million for the English judgments and approximately $24 million for the Irish judgments.

On November 6, 2012, the STJ ruled in favor of VASP on its appeal from the order placing it in bankruptcy. Acting alone, the reporting justice of the appellate panel ordered the bankruptcy revoked and the matter converted to a judicial reorganization. Several creditors of VASP appealed that ruling to the full panel of the STJ. On December 17, 2012, the Special Court of the STJ reversed the ruling of the reporting justice and upheld the order placing VASP in bankruptcy. The decision was published on February 1, 2013. On February 25, 2013, the lapse of time for appeal (res judicata) was certified.

***Transbrasil litigation***

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

**28. Commitments and contingencies (Continued)**

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

In July 2011, Transbrasil brought three actions for provisional enforcement of the 2010 Judgment (the "Provisional Enforcement Actions"): one to enforce the award of statutory penalties; a second to recover attorneys' fees related to that award, and a third to enforce the Indemnity Claim. Transbrasil submitted its alleged calculation of statutory penalties, which, according to Transbrasil, amounted to approximately $210 million in the aggregate against all defendants, including interest and monetary adjustments. AerCap and its co-defendants opposed provisional enforcement of the 2010 judgment, arguing, among other things, that Transbrasil's calculations were greatly exaggerated.

Transbrasil also initiated proceedings to determine the amount of its alleged Indemnity Claim. The court appointed an expert to determine the measure of damages and the defendants appointed an assistant expert. We believe we have strong arguments to convince the expert and the court that Transbrasil suffered no damage as a result of the defendants' attempts to collect on the Notes.

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

In October 2013, the STJ granted the special appeals filed by GECAS and its related parties, effectively reversing the 2010 Judgment in most respects as to all of the Lessors.

In February 2014, Transbrasil appealed the STJ's ruling of October 2013 to another panel of the STJ. The appellate panel rejected Transbrasil's appeal in November 2016, preserving the October 2013 order. The parties have the right to seek further appellate review of the appellate panel's November 2016 order.

In light of the STJ's ruling of October 2013, the trial court has ordered the dismissal of two of Transbrasil's Provisional Enforcement Actions—those seeking statutory penalties and attorneys' fees. The TJSP has since affirmed the dismissals of those actions and Transbrasil has appealed that order. Transbrasil's Provisional Enforcement Action with respect to the Indemnity Claim remains pending; however, the action has currently been stayed pending a final decision in the Transbrasil Lawsuit.

**28. Commitments and contingencies (Continued)**

***Yemen Airways-Yemenia litigation***

ILFC is named in a lawsuit in connection with the 2009 crash of an Airbus A310-300 aircraft owned by ILFC and on lease to Yemen Airways-Yemenia, a Yemeni carrier ("Hassanati Action"). The Hassanati plaintiffs are families of deceased occupants of the flight and seek unspecified damages for wrongful death, costs, and fees. The Hassanati Action commenced in January 2011 and was pending in the United States District Court for the Central District of California. On February 18, 2014, the district court granted summary judgment in ILFC's favor and dismissed all of the Hassanati plaintiffs' remaining claims. The Hassanati plaintiffs appealed. On March 22, 2016, the appellate court rejected the appeal. On April 22, 2016, the Hassanati plaintiffs refiled their action at the trial court. The trial court granted ILFC's motion to dismiss the Hassanati plaintiffs' second complaint on November 22, 2016. The Hassanati plaintiffs have appealed this order. On August 29, 2014, a new group of plaintiffs filed a lawsuit against ILFC in the United States District Court for the Central District of California (the "Abdallah Action"). The Abdallah Action claims unspecified damages from ILFC on the same theory as does the Hassanati Action. On June 30, 2017, the parties to the Abdallah action executed a Master Settlement Agreement setting forth terms on which Yemenia's insurance carrier proposes to settle the case with each claimant family. Upon the claimant families' execution of individual release and discharge agreements and upon ILFC's and Yemenia's confirmation of a sufficient number of participating claimants, the claims by such participating claimants against ILFC and Yemenia in the Abdallah Action will be dismissed in exchange for payment from Yemenia's insurance carrier. We believe that ILFC has substantial defenses on the merits and is adequately covered by available liability insurance in respect of both the Hassanati Action and the Abdallah Action.

**29. Fair values of financial instruments**

The fair value of a financial instrument is 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.

The fair value of restricted cash and cash and cash equivalents approximates their carrying value because of their short-term nature. The fair value of notes receivables approximates its carrying value. The fair value of our long-term unsecured debt is estimated using quoted market prices for similar or identical instruments, depending on the frequency and volume of activity in the market. The fair value of our long-term secured debt is estimated using a discounted cash flow analysis based on current market interest rates and spreads for debt with similar characteristics. Derivatives are recognized in our Consolidated Balance Sheets at their fair value. The fair value of derivatives is based on dealer quotes for identical instruments. We have also considered the credit rating and risk of the counterparties of the derivative contracts based on quantitative and qualitative factors. The fair value of guarantees is determined by reference to the fair market value or future lease cash flows of the underlying aircraft and the guaranteed amount.

(U.S. Dollars in thousands or as otherwise stated, except share and per share data)

**29. Fair values of financial instruments (Continued)**

The carrying amounts and fair values of our most significant financial instruments as of December 31, 2017 and 2016 were as follows:

| | December 31, 2017 | |
|---|---|---|
| | Carrying value | Fair value |
| **Assets** | | |
| Cash and cash equivalents | $ 1,659,669 | $ 1,659,669 |
| Restricted cash | 364,456 | 364,456 |
| Derivative assets | 48,896 | 48,896 |
| Notes receivables | 22,497 | 22,497 |
| | **$ 2,095,518** | **$ 2,095,518** |
| **Liabilities** | | |
| Debt | $ 28,580,800 (a) | $ 29,074,375 |
| Guarantees | 2,272 | 2,272 |
| | **$ 28,583,072** | **$ 29,076,647** |

(a) Excludes debt issuance costs and debt discounts.

| | December 31, 2016 | |
|---|---|---|
| | Carrying value | Fair value |
| **Assets** | | |
| Cash and cash equivalents | $ 2,035,447 | $ 2,035,447 |
| Restricted cash | 329,180 | 329,180 |
| Derivative assets | 37,187 | 37,187 |
| Notes receivables | 23,359 | 23,359 |
| | **$ 2,425,173** | **$ 2,425,173** |
| **Liabilities** | | |
| Debt | $ 27,873,900 (a) | $ 28,203,635 |
| Guarantees | 51,804 | 51,804 |
| | **$ 27,925,704** | **$ 28,255,439** |

(a) Excludes debt issuance costs and debt discounts.

(U.S. Dollars in thousands or as otherwise stated, except share and per share data)

## 30. Directors' remuneration

Our remuneration policy for non-executive and executive directors can be found in our Remuneration Policy, which is available on our website, and in the Remuneration Report included in this Annual Report.

The table below indicates the total remuneration paid to our non-executive directors during the years ended December 31, 2017 and 2016, and the share-based compensation expense recognized in those years related to AerCap equity instruments that were granted to the non-executive directors in 2017 and prior years:

| | Year Ended December 31, | | | |
|---|---|---|---|---|
| | 2017 | | 2016 | |
| | Remuneration paid | Share-based compensation expense | Remuneration paid | Share-based compensation expense |
| Pieter Korteweg | $ 292 | $ 333 | $ 281 | $ 168 |
| Salem Al Noaimi | 181 | 145 | 182 | 102 |
| Homaid Al Shimmari | 118 | — | 123 | — |
| James (Jim) Chapman | 211 | 248 | 197 | 160 |
| Paul Dacier | 191 | 173 | 174 | 90 |
| Richard (Michael) Gradon | 173 | 196 | 171 | 93 |
| Marius Jonkhart | 202 | 213 | 207 | 141 |
| James (Jim) Lawrence | 109 | — | — | — |
| Michael Walsh | 102 | — | — | — |
| Robert (Bob) Warden | 191 | 133 | 176 | 71 |
| **Total** | **$ 1,770** | **$ 1,441** | **$ 1,511** | **$ 825** |

In 2017, we paid our former non-executive director Walter McLallen a total remuneration amount of approximately $0.2 million.

Under our equity incentive plans, we have granted restricted stock units, restricted stock and stock options, to directors, officers and employees to attract and retain them on competitive terms, and to incentivize superior performance with a view to creating long-term value for the benefit of the Company, its shareholders and other stakeholders. Our non-executive directors receive an annual equity award as provided for in AerCap's remuneration policy for members of the Board of Directors and in accordance with the terms of the Equity Incentive Plan 2014.

We paid Mr. Kelly, our only executive director and Chief Executive Officer, a total remuneration of approximately $2.5 million, consisting of an annual base salary of approximately $0.9 million, an annual cash bonus of approximately $1.3 million, which is based on specific targets that were met, and approximately $0.3 million as contributions to his defined benefit pension plan and other employment benefits, during the year ended December 31, 2017. In addition, during the year ended December 31, 2017, we recognized approximately $28.0 million of expenses related to AerCap equity instruments that were granted to him in 2017 and prior years.

(U.S. Dollars in thousands or as otherwise stated, except share and per share data)

**30. Directors' remuneration (Continued)**

The following table presents beneficial ownership of our shares which are held by our directors as of December 31, 2017:

| | Ordinary shares (unrestricted) | Restricted stock (a) | Restricted stock units (a)(b) | Ordinary shares underlying options (c) | Fully diluted ownership percentage (d) |
|---|---|---|---|---|---|
| Pieter Korteweg (Chairman) | 21,012 | 4,545 | 12,025 | — | * |
| Aengus Kelly (CEO) (e) . . . | 605,700 | 1,645,533 | — | — | 1.5% |
| Salem Al Noaimi . . . . . . . . | 2,959 | 376 | 2,253 | 3,954 | * |
| Homaid Al Shimmari . . . . . | — | — | — | — | * |
| James (Jim) Chapman . . . . | 10,619 | 642 | 3,965 | 1,803 | * |
| Paul Dacier . . . . . . . . . . . . | 11,001 | 3,596 | 6,193 | 5,728 | * |
| Richard (Michael) Gradon . | — | 3,380 | 7,155 | — | * |
| Marius Jonkhart . . . . . . . . . | 16,178 | 427 | 3,394 | 5,728 | * |
| James (Jim) Lawrence . . . . | 100,000 | — | 3,394 | — | * |
| Michael Walsh . . . . . . . . . . | 500 | — | 2,253 | — | * |
| Robert (Bob) Warden . . . . . | 733 | 2,787 | 4,750 | 5,728 | * |
| **Total Directors** . . . . . . . . . . | **768,702** | **1,661,286** | **45,382** | **22,941** | |

* Less than 1.0%.

(a) All restricted stock and restricted stock units are subject to time-based or performance-based vesting conditions. Of these restricted stock and restricted stock units, subject to the vesting conditions, 4,319 will vest on January 1, 2018, 21,739 will vest on February 17, 2018, 1,103,508 will vest on May 31, 2018 (or the date of the AGM in 2018, whichever is the earlier), 20,347 will vest on February 19, 2019, 551,108 will vest on May 31, 2019 (or the date of the AGM in 2019, whichever is the earlier) and 5,647 will vest on January 1, 2021.

(b) Payroll tax will be withheld and deducted from the shares to be delivered at the vesting of restricted stock units, as applicable.

(c) 5,322 of these options expire on December 31, 2020 and carry a strike price of $14.12 per option. 8,604 of these options expire on December 31, 2021 and carry a strike price of $11.29 per option. The remaining 9,015 options expire on December 31, 2022 and carry a strike price of $13.72 per option.

(d) Percentage amount assumes the vesting and exercise of all time-based and performance-based equity awards at target in this table, and no vesting or exercise of any other equity awards.

(e) Mr. Kelly is our Chief Executive Officer and an Executive Director of the Board.

The table below indicates the stock bonus the Company granted to Mr. Kelly and his equity awards that vested in 2017:

| | 2017 Granted | 2017 Vested |
|---|---|---|
| Aengus Kelly (CEO) . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | 19,358 (a) | 14,692 (b) |

(a) Grant of 29,682 shares of restricted stock, of which 10,324 were withheld to pay taxes incurred by Mr. Kelly in connection with the grant.

(b) Vesting of shares of restricted stock.

All of our ordinary shares have the same voting rights.

The address for all of our directors and officers is c/o AerCap Holdings N.V., AerCap House, 65 St. Stephen's Green, Dublin 2, Ireland.

## 31. Subsidiary undertakings

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

| Consolidated | |
|---|---|
| ILFC Aruba A.V.V. | Aruba |
| ILFC Australia Holdings Pty. Ltd. | Australia |
| ILFC Australia Pty. Ltd. | Australia |
| Wombat 3495 Leasing Pty Ltd | Australia |
| Wombat 3547 Leasing Pty Ltd | Australia |
| Wombat 3668 Leasing Pty Ltd | Australia |
| Wombat V Leasing Pty Ltd | Australia |
| AerCap Holdings (Bermuda) Limited | Bermuda |
| AerCap International Bermuda Limited | Bermuda |
| AerCap Leasing 3034 (Bermuda) Limited | Bermuda |
| AerCap Leasing MSN 2413 (Bermuda) Limited | Bermuda |
| AerFunding 1 Limited (5%) | Bermuda |
| AerFunding Bermuda Leasing Limited | Bermuda |
| AeroTurbine (Bermuda) 1 Ltd. | Bermuda |
| Aircraft Lease Securitisation II Limited | Bermuda |
| Aquarius Aircraft Leasing Limited | Bermuda |
| Ararat Aircraft Leasing Limited | Bermuda |
| Belmar Bermuda Leasing Limited | Bermuda |
| CloudFunding III Limited | Bermuda |
| Copperstream Aircraft Leasing Limited | Bermuda |
| Flotlease 973 (Bermuda) Limited | Bermuda |
| Flying Fortress Bermuda Leasing Ltd. | Bermuda |
| Genesis Portfolio Funding I Limited | Bermuda |
| GLS Atlantic Alpha Limited | Bermuda |
| Goldstream Aircraft Leasing Limited | Bermuda |
| ILFC (Bermuda) 5, Ltd. | Bermuda |
| ILFC (Bermuda) III, Ltd. | Bermuda |
| International Lease Finance Corporation, Limited | Bermuda |
| Lare Leasing Limited | Bermuda |
| LC (BERMUDA) NO 2 L.P. | Bermuda |
| LC (BERMUDA) NO. 2 LTD | Bermuda |
| Poseidon Leasing (Bermuda) Limited | Bermuda |
| Roselawn Leasing Limited | Bermuda |
| Ross Leasing Limited | Bermuda |
| Sierra Leasing Limited | Bermuda |
| Silverstream Aircraft Leasing Limited | Bermuda |
| Skylease Bermuda Limited | Bermuda |
| Wahaflot Leasing 3699 (Bermuda) Limited | Bermuda |
| Westpark 1 Aircraft Leasing Limited | Bermuda |

(U.S. Dollars in thousands or as otherwise stated, except share and per share data)

**31. Subsidiary undertakings (Continued)**

| | |
|---|---|
| Whitestream Aircraft Leasing Limited | Bermuda |
| Whitney Leasing Limited | Bermuda |
| AerCap Aircraft Purchase Limited | Cayman Islands |
| AerCap HK-320-A Limited | Cayman Islands |
| AerCap HK-320-B Limited | Cayman Islands |
| AerCap HK-320-C Limited | Cayman Islands |
| ILFC Cayman Limited | Cayman Islands |
| Eaststar Limited | China |
| North Star Company Limited | China |
| Southstar Limited | China |
| Sunstar Limited | China |
| AerCap Partners France SARL (50%) | France |
| Calais Location S.A.R.L. | France |
| Grenoble Location S.A.R.L. | France |
| ILFC France S.A.R.L. | France |
| Mulhouse Location S.A.R.L. | France |
| Nancy Location S.A.R.L. | France |
| Strasbourg Location S.A.R.L. | France |
| Whitney France Leasing S.A.R.L. | France |
| AerBorne Funding Limited | Ireland |
| AerCap A330 Holdings Limited | Ireland |
| AerCap Administrative Services Limited | Ireland |
| AerCap Aircraft 73B-30661 Limited | Ireland |
| AerCap Aircraft 73B-32841 Limited | Ireland |
| AerCap Aircraft 77B-32717 Limited | Ireland |
| AerCap Asset Finance Limited | Ireland |
| AerCap Cash Manager II Limited | Ireland |
| AerCap Cash Manager Limited | Ireland |
| AerCap Celtavia 4 Limited | Ireland |
| AerCap Celtavia 5 Limited | Ireland |
| AerCap Engine Leasing Limited | Ireland |
| AerCap Finance Limited | Ireland |
| AerCap Financial Services (Ireland) Limited | Ireland |
| AerCap Holding & Finance Limited | Ireland |
| AerCap Ireland Asset Investment 1 Limited | Ireland |
| AerCap Ireland Asset Investment 2 Limited | Ireland |

**(U.S. Dollars in thousands or as otherwise stated, except share and per share data)**

**31. Subsidiary undertakings (Continued)**

| | |
|---|---|
| AerCap Ireland Capital Designated Activity Company (As Regular Trustee) | Ireland |
| AerCap Ireland Funding 1 Limited | Ireland |
| AerCap Ireland Limited | Ireland |
| AerCap Irish Aircraft Leasing 2 Limited | Ireland |
| AerCap Leasing 3034 Limited | Ireland |
| AerCap Leasing 8 Limited | Ireland |
| AerCap Leasing 946 Limited | Ireland |
| AerCap Note Purchaser Limited | Ireland |
| AerCap Partners 2 Holding Limited (50%) | Ireland |
| AerCap Partners 2 Limited (50%) | Ireland |
| AerCap Partners 3 Holding Limited (50%) | Ireland |
| AerCap Partners 767 Holdings Limited (50%) | Ireland |
| AerCap Partners 767 Limited (50%) | Ireland |
| AerCap Partners I Holding Limited (50%) | Ireland |
| AerCap Partners I Limited (50%) | Ireland |
| AerFi Group Limited | Ireland |
| AerVenture Export Leasing Limited | Ireland |
| AerVenture Limited | Ireland |
| Aircraft Portfolio Holding Company Limited | Ireland |
| Aircraft Portfolio Holding Company No. 2 Limited (5%) | Ireland |
| Andes Aircraft Leasing Limited | Ireland |
| Andromeda Aircraft Leasing Limited | Ireland |
| Annamite Aircraft Leasing Limited | Ireland |
| Artemis (Delos) Limited | Ireland |
| Artemis Aircraft 32A-3309 Limited | Ireland |
| Artemis Aircraft 32A-3385 (Ireland) Limited | Ireland |
| Artemis Aircraft 32A-3388 (Ireland) Limited | Ireland |
| Artemis Aircraft 77B-32725 Limited | Ireland |
| Artemis Ireland Leasing Limited | Ireland |
| Ballymoon Aircraft Solutions Limited | Ireland |
| Ballysky Aircraft Ireland Limited | Ireland |
| Ballystar Aircraft Solutions Limited | Ireland |
| BlowfishFunding Limited | Ireland |
| Burgundy Aircraft Leasing Limited | Ireland |
| Calliope Limited | Ireland |
| Camden Aircraft Leasing Limited | Ireland |
| Castletroy Leasing Limited | Ireland |
| CelestialFunding Limited | Ireland |
| Celtago Funding Limited | Ireland |
| Celtago II Funding Limited | Ireland |
| Charleville Aircraft Leasing Limited | Ireland |
| CieloFunding Holdings Limited | Ireland |
| CieloFunding II Limited | Ireland |
| CieloFunding Limited | Ireland |

(U.S. Dollars in thousands or as otherwise stated, except share and per share data)

**31. Subsidiary undertakings (Continued)**

| | |
|---|---|
| Clarity Leasing Limited | Ireland |
| CloudFunding II Limited | Ireland |
| CloudFunding Limited | Ireland |
| CuttlefishFunding Limited | Ireland |
| Danang Aircraft Leasing Limited | Ireland |
| Danang Aircraft Leasing No. 2 Limited | Ireland |
| DartfishFunding Designated Activity Company | Ireland |
| Delos Aircraft 76B-29387 Designated Activity Company | Ireland |
| Delos Aircraft Limited | Ireland |
| Eden Aircraft Holding No. 2 Limited | Ireland |
| Electra Funding Ireland Limited | Ireland |
| Eris Aircraft Limited | Ireland |
| Excalibur Aircraft Leasing Limited | Ireland |
| Fansipan Aircraft Leasing Limited | Ireland |
| Flotlease MSN 3699 Limited | Ireland |
| Flotlease MSN 973 Limited | Ireland |
| FlyFunding Limited | Ireland |
| Flying Fortress Ireland Leasing Limited | Ireland |
| Fortress Aircraft 33A-0366 Limited | Ireland |
| Fortress Aircraft 76B-29383 Designated Activity Company | Ireland |
| Fortress Aircraft 78B-38761 Limited | Ireland |
| Fortress Ireland Leasing Limited | Ireland |
| Geministream Aircraft Leasing Limited | Ireland |
| Geneva Triple Sept Leasing Limited | Ireland |
| Glide Aircraft 35A-29 Ltd | Ireland |
| Glide Aircraft 73B-41815 Limited | Ireland |
| Glide Aircraft 78B-38765 Limited | Ireland |
| Glide Funding Limited | Ireland |
| Gunung Leasing Limited | Ireland |
| Harmonic Aircraft Leasing Limited | Ireland |
| Hyperion Aircraft Financing Limited | Ireland |
| Hyperion Aircraft Limited | Ireland |
| ILFC Aircraft 32A-1808 Limited | Ireland |
| ILFC Aircraft 32A-1884 Limited | Ireland |
| ILFC Aircraft 32A-1901 Limited | Ireland |
| ILFC Aircraft 32A-1905 Limited | Ireland |
| ILFC Aircraft 32A-2064 Limited | Ireland |
| ILFC Aircraft 32A-2076 Limited | Ireland |
| ILFC Aircraft 32A-2279 Limited | Ireland |
| ILFC Aircraft 32A-2707 Limited | Ireland |
| ILFC Aircraft 32A-2726 Limited | Ireland |
| ILFC Aircraft 32A-2797 Limited | Ireland |
| ILFC Aircraft 32A-3065 Limited | Ireland |
| ILFC Aircraft 32A-3070 Limited | Ireland |

(U.S. Dollars in thousands or as otherwise stated, except share and per share data)

**31. Subsidiary undertakings (Continued)**

| | |
|---|---|
| ILFC Aircraft 32A-3114 Limited | Ireland |
| ILFC Aircraft 32A-3116 Limited | Ireland |
| ILFC Aircraft 32A-3124 Limited | Ireland |
| ILFC Aircraft 32A-427 Limited | Ireland |
| ILFC Aircraft 32A-4619 Limited | Ireland |
| ILFC Aircraft 32A-550 Limited | Ireland |
| ILFC Aircraft 32A-591 Limited | Ireland |
| ILFC Aircraft 32A-661 Limited | Ireland |
| ILFC Aircraft 32A-666 Limited | Ireland |
| ILFC Aircraft 33A-1284 Limited | Ireland |
| ILFC Aircraft 33A-253 Limited | Ireland |
| ILFC Aircraft 33A-272 Limited | Ireland |
| ILFC Aircraft 33A-432 Limited | Ireland |
| ILFC Aircraft 33A-444 Limited | Ireland |
| ILFC Aircraft 33A-454 Limited | Ireland |
| ILFC Aircraft 33A-469 Limited | Ireland |
| ILFC Aircraft 33A-822 Limited | Ireland |
| ILFC Aircraft 33A-911 Limited | Ireland |
| ILFC Aircraft 73B-29344 Limited | Ireland |
| ILFC Aircraft 73B-29368 Limited | Ireland |
| ILFC Aircraft 73B-29369 Limited | Ireland |
| ILFC Aircraft 73B-30658 Limited | Ireland |
| ILFC Aircraft 73B-30665 Limited | Ireland |
| ILFC Aircraft 73B-30667 Limited | Ireland |
| ILFC Aircraft 73B-30669 Limited | Ireland |
| ILFC Aircraft 73B-30672 Limited | Ireland |
| ILFC Aircraft 73B-30673 Limited | Ireland |
| ILFC Aircraft 73B-30694 Limited | Ireland |
| ILFC Aircraft 73B-30695 Limited | Ireland |
| ILFC Aircraft 73B-30696 Limited | Ireland |
| ILFC Aircraft 73B-30701 Limited | Ireland |
| ILFC Aircraft 73B-35275 Limited | Ireland |
| ILFC Aircraft 73B-38828 Limited | Ireland |
| ILFC Aircraft 73B-41784 Limited | Ireland |
| ILFC Aircraft 73B-41785 Limited | Ireland |
| ILFC Aircraft 73B-41789 Limited | Ireland |
| ILFC Aircraft 73B-41790 Limited | Ireland |
| ILFC Aircraft 73B-41791 Limited | Ireland |
| ILFC Aircraft 73B-41792 Limited | Ireland |
| ILFC Aircraft 73B-41793 Limited | Ireland |
| ILFC Aircraft 73B-41795 Limited | Ireland |
| ILFC Aircraft 73B-41802 Limited | Ireland |
| ILFC Aircraft 73B-41803 Limited | Ireland |
| ILFC Aircraft 75B-26254 Limited | Ireland |

(U.S. Dollars in thousands or as otherwise stated, except share and per share data)

**31. Subsidiary undertakings (Continued)**

| | |
|---|---|
| ILFC Aircraft 75B-26330 Limited | Ireland |
| ILFC Aircraft 75B-27208 Designated Activity Company | Ireland |
| ILFC Aircraft 75B-29381 Limited | Ireland |
| ILFC Aircraft 76B-27610 Limited | Ireland |
| ILFC Aircraft 76B-27616 Limited | Ireland |
| ILFC Aircraft 76B-27958 Limited | Ireland |
| ILFC Aircraft 76B-28111 Limited | Ireland |
| ILFC Aircraft 76B-28207 Limited | Ireland |
| ILFC Aircraft 76B-29435 Limited | Ireland |
| ILFC Aircraft 77B-29908 Limited | Ireland |
| ILFC Aircraft 78B-38785 Limited | Ireland |
| ILFC Ireland 2 Limited | Ireland |
| ILFC Ireland 3 Limited | Ireland |
| ILFC Ireland Leasing Limited | Ireland |
| ILFC Ireland Limited | Ireland |
| Iridium Funding Limited | Ireland |
| Jade Aircraft Leasing Limited | Ireland |
| Jasmine Aircraft Leasing Limited | Ireland |
| Jasper Aircraft Leasing Limited | Ireland |
| Leostream Aircraft Leasing Limited | Ireland |
| Librastream Aircraft Leasing Limited | Ireland |
| Limelight Funding Limited | Ireland |
| Lishui Aircraft Leasing Limited | Ireland |
| Mainstream Aircraft Leasing Limited | Ireland |
| Melodic Aircraft Leasing Limited | Ireland |
| Menelaus I Limited | Ireland |
| Menelaus II Designated Activity Company | Ireland |
| Menelaus III Limited | Ireland |
| Menelaus IV Limited | Ireland |
| Menelaus V Limited | Ireland |
| Menelaus VI Limited | Ireland |
| Menelaus VII Limited | Ireland |
| Menelaus VIII Limited | Ireland |
| Mentes I Ireland Leasing Limited | Ireland |
| Mentes II Ireland Leasing Limited | Ireland |
| Mentes III Ireland Leasing Limited | Ireland |
| Mentes IV Ireland Leasing Limited | Ireland |
| Mentes V Ireland Leasing Limited | Ireland |
| Mentes VI Ireland Leasing Limited | Ireland |
| Mentes VII Ireland Leasing Limited | Ireland |
| Monophonic Aircraft Leasing Limited | Ireland |
| Moonlight Aircraft Leasing (Ireland) Limited | Ireland |
| NimbusFunding Limited | Ireland |
| Philharmonic Aircraft Leasing Limited | Ireland |

(U.S. Dollars in thousands or as otherwise stated, except share and per share data)

**31. Subsidiary undertakings (Continued)**

| | |
|---|---|
| Polyphonic Aircraft Leasing Limited | Ireland |
| Quadrant MSN 5719 Limited (5%) | Ireland |
| Quadrant MSN 5802 Limited (5%) | Ireland |
| Quadrant MSN 5869 Limited | Ireland |
| RainbowFunding Limited | Ireland |
| Riggs Leasing Limited | Ireland |
| Rouge Aircraft Leasing Limited | Ireland |
| Scandium Funding Limited | Ireland |
| Scarlet Aircraft Leasing Limited | Ireland |
| Shrewsbury Aircraft Leasing Limited | Ireland |
| SkyFunding II Holdings Limited | Ireland |
| SkyFunding II Limited | Ireland |
| SkyFunding Leasing 1 Limited (5%) | Ireland |
| SkyFunding Limited | Ireland |
| Skylease MSN (3365) Limited | Ireland |
| Skylease MSN (3392) Limited | Ireland |
| Skylease MSN 3545 Limited | Ireland |
| Skylease MSN 3564 Limited | Ireland |
| Skylease MSN 3574 Limited | Ireland |
| Skylease MSN 3711 Limited | Ireland |
| Skylease MSN 3778 Limited | Ireland |
| Skylease MSN 3825 Limited | Ireland |
| Skylease MSN 3859 Limited | Ireland |
| Skylease MSN 4168 Limited | Ireland |
| Skylease MSN 4241 Limited | Ireland |
| Skylease MSN 4254 Limited | Ireland |
| Skylease MSN 4267 Limited | Ireland |
| Skyscape Limited | Ireland |
| SoraFunding Limited | Ireland |
| StratocumulusFunding Limited | Ireland |
| StratusFunding Limited | Ireland |
| Streamline Aircraft Leasing Limited | Ireland |
| Sunflower Aircraft Leasing Limited | Ireland |
| Symphonic Aircraft Leasing Limited | Ireland |
| Synchronic Aircraft Leasing Limited | Ireland |
| Temescal Aircraft 32A-2383 Limited | Ireland |
| Temescal Aircraft 33A-0758 Limited | Ireland |
| TetraFunding Limited | Ireland |
| Transversal Aircraft Holdings Limited | Ireland |
| Transversal Aircraft Leasing II Limited | Ireland |
| Transversal Aircraft Leasing Limited | Ireland |
| Triple Eight Aircraft Holdings Limited | Ireland |
| Triple Eight Aircraft Leasing Limited | Ireland |
| Verde Aircraft Finance Limited | Ireland |

**31. Subsidiary undertakings (Continued)**

| | |
|---|---|
| Verde Aircraft Investment Limited | Ireland |
| Virgostream Aircraft Leasing Limited | Ireland |
| Whitney Ireland Leasing Limited | Ireland |
| XLease MSN 3008 Limited | Ireland |
| XLease MSN 3420 Limited | Ireland |
| Acorn Aviation Limited | Isle of Man |
| AerCap Holding (IOM) Limited | Isle of Man |
| AerCap International (Isle of Man) Limited | Isle of Man |
| AerCap IOM 2 Limited | Isle of Man |
| AerCap Note Purchaser (IOM) Limited | Isle of Man |
| CRESCENT AVIATION LIMITED | Isle of Man |
| Stallion Aviation Limited | Isle of Man |
| AerCap Jet Limited | Jersey |
| Delos Finance S.a.r.l. | Luxembourg |
| ILFC Labuan ECA Ltd. | Malaysia |
| ILFC Labuan Ltd. | Malaysia |
| AerCap A330 Holdings B.V. | Netherlands |
| AerCap AerVenture Holding B.V. | Netherlands |
| AerCap Aircraft 73B-30645 B.V. | Netherlands |
| AerCap Aircraft 73B-30661 B.V. | Netherlands |
| AerCap Aviation Solutions B.V. | Netherlands |
| AerCap B.V. | Netherlands |
| AerCap Dutch Aircraft Leasing I B.V. | Netherlands |
| AerCap Dutch Aircraft Leasing IV B.V. | Netherlands |
| AerCap Dutch Aircraft Leasing VII B.V. | Netherlands |
| AerCap Dutch Global Aviation B.V. | Netherlands |
| AerCap Group Services B.V. | Netherlands |
| AerCap International B.V. | Netherlands |
| AerCap Leasing XIII B.V. | Netherlands |
| AerCap Leasing XXX B.V. | Netherlands |
| AerCap Netherlands B.V. | Netherlands |
| Annamite Aircraft Leasing B.V. | Netherlands |
| BlowfishFunding B.V. | Netherlands |
| Clearstream Aircraft Leasing B.V. | Netherlands |
| FodiatorFunding B.V. | Netherlands |
| Harmony Funding B.V. | Netherlands |
| Harmony Funding Holdings B.V. | Netherlands |
| ILFC Aviation Services (Europe) B.V. | Netherlands |
| NimbusFunding B.V. | Netherlands |
| Sapa Aircraft Leasing 2 B.V. | Netherlands |
| Sapa Aircraft Leasing B.V. | Netherlands |
| StratocumulusFunding B.V. | Netherlands |

(U.S. Dollars in thousands or as otherwise stated, except share and per share data)

**31. Subsidiary undertakings (Continued)**

| | |
|---|---|
| Worldwide Aircraft Leasing B.V. | Netherlands |
| AerCap Singapore Pte. Ltd. | Singapore |
| AeroTurbine Asia Pte. Ltd. | Singapore |
| ILFC Singapore Pte. Ltd. | Singapore |
| AerFi Sverige AB | Sweden |
| International Lease Finance Corporation (Sweden) AB | Sweden |
| AerCap UK Limited | United Kingdom |
| AeroTurbine Europe Limited | United Kingdom |
| Aircraft 32A-3424 Limited | United Kingdom |
| Aircraft 32A-3454 Limited | United Kingdom |
| Archytas Aviation Limited | United Kingdom |
| ILFC UK Limited | United Kingdom |
| Temescal UK Limited | United Kingdom |
| Whitney UK Leasing Limited | United Kingdom |
| AerCap Global Aviation Trust | United States |
| AerCap Group Services, Inc | United States |
| AerCap Hangar 52, Inc. | United States |
| AerCap Leasing USA I, Inc. | United States |
| AerCap Leasing USA II, Inc. | United States |
| AerCap U.S. Global Aviation LLC | United States |
| AerCap, Inc. | United States |
| AeroTurbine, Inc. | United States |
| Aircraft 32A-1658 Inc. | United States |
| Aircraft 32A-1695 Inc. | United States |
| Aircraft 32A-1905 Inc. | United States |
| Aircraft 32A-1946 Inc. | United States |
| Aircraft 32A-2024 Inc. | United States |
| Aircraft 32A-2594 Inc. | United States |
| Aircraft 32A-2731 Inc. | United States |
| Aircraft 32A-585 Inc. | United States |
| Aircraft 32A-645 Inc. | United States |
| Aircraft 32A-726 Inc. | United States |
| Aircraft 32A-760 Inc. | United States |
| Aircraft 32A-775 Inc. | United States |
| Aircraft 32A-782 Inc. | United States |
| Aircraft 32A-987 Inc. | United States |
| Aircraft 32A-993, Inc. | United States |
| Aircraft 33A-132, Inc. | United States |
| Aircraft 33A-358 Inc. | United States |
| Aircraft 34A-152 Inc. | United States |
| Aircraft 34A-216 Inc. | United States |
| Aircraft 34A-395 Inc. | United States |
| Aircraft 34A-48 Inc. | United States |
| Aircraft 34A-93 Inc. | United States |

(U.S. Dollars in thousands or as otherwise stated, except share and per share data)

**31. Subsidiary undertakings (Continued)**

| | |
|---|---|
| Aircraft 73B-25374 Inc. | United States |
| Aircraft 73B-25375 Inc. | United States |
| Aircraft 73B-26315 Inc. | United States |
| Aircraft 73B-26317 Inc. | United States |
| Aircraft 73B-26323 Inc. | United States |
| Aircraft 73B-28249 Inc. | United States |
| Aircraft 73B-28252 Inc. | United States |
| Aircraft 73B-30036 Inc. | United States |
| Aircraft 73B-30646 Inc. | United States |
| Aircraft 73B-30661 Inc. | United States |
| Aircraft 73B-30671 Inc. | United States |
| Aircraft 73B-30730 Inc. | United States |
| Aircraft 73B-31127 Inc. | United States |
| Aircraft 73B-32796 Inc. | United States |
| Aircraft 73B-32841 Inc. | United States |
| Aircraft 73B-33220 Inc. | United States |
| Aircraft 73B-38821 Inc. | United States |
| Aircraft 73B-41794 Inc. | United States |
| Aircraft 73B-41796 Inc. | United States |
| Aircraft 73B-41806 Inc. | United States |
| Aircraft 73B-41815 Inc. | United States |
| Aircraft 74B-27602 Inc. | United States |
| Aircraft 75B-28834 Inc. | United States |
| Aircraft 75B-28836 Inc. | United States |
| Aircraft 76B-26261 Inc. | United States |
| Aircraft 76B-26327 Inc. | United States |
| Aircraft 76B-26329 Inc. | United States |
| Aircraft 76B-27597 Inc. | United States |
| Aircraft 76B-27600 Inc. | United States |
| Aircraft 76B-27613 Inc. | United States |
| Aircraft 76B-27615 Inc. | United States |
| Aircraft 76B-28132 Inc. | United States |
| Aircraft 76B-28206 Inc. | United States |
| Aircraft 77B-29404 Inc. | United States |
| Aircraft 77B-29908 Inc. | United States |
| Aircraft 77B-32717 Inc. | United States |
| Aircraft 77B-32723 Inc. | United States |
| Aircraft A330 143 Inc. | United States |
| Aircraft A330 72 Inc. | United States |
| Aircraft A330 98 Inc. | United States |
| Aircraft Andros Inc. | United States |
| Aircraft B757 29377 Inc. | United States |
| Aircraft B757 29382 Inc. | United States |
| Aircraft B767 29388 Inc. | United States |

**31. Subsidiary undertakings (Continued)**

| | |
|---|---|
| Aircraft Lotus Inc. | United States |
| Aircraft SPC-12, LLC | United States |
| Aircraft SPC-14, Inc. | United States |
| Aircraft SPC-3, Inc. | United States |
| Aircraft SPC-4, Inc. | United States |
| Aircraft SPC-8, Inc. | United States |
| Aircraft SPC-9, LLC | United States |
| Apollo Aircraft Inc. | United States |
| Artemis US Inc. | United States |
| Brokat Leasing, LLC | United States |
| CABREA, Inc. | United States |
| Camden Aircraft Leasing Trust | United States |
| Charmlee Aircraft Inc. | United States |
| Cloudbreak Aircraft Leasing Inc. | United States |
| Delos Aircraft Inc. | United States |
| Doheny Investment Holding Trust | United States |
| Euclid Aircraft, Inc. | United States |
| Fleet Solutions Holdings Inc. | United States |
| Flying Fortress Financing, LLC | United States |
| Flying Fortress Holdings, LLC | United States |
| Flying Fortress Investments, LLC | United States |
| Flying Fortress US Leasing Inc. | United States |
| Grand Staircase Aircraft, LLC | United States |
| Hyperion Aircraft Financing Inc. | United States |
| Hyperion Aircraft Inc. | United States |
| ILFC Aviation Consulting, Inc. | United States |
| ILFC Dover, Inc. | United States |
| ILFC Volare, Inc. | United States |
| Interlease Aircraft Trading Corporation | United States |
| Interlease Management Corporation | United States |
| International Lease Finance Corporation | United States |
| Klementine Holdings, Inc. | United States |
| Klementine Leasing, Inc. | United States |
| Maiden Leasing, LLC | United States |
| Park Topanga Aircraft, LLC | United States |
| Pelican 35302, Inc. | United States |
| Romandy Triple Sept LLC | United States |
| States Aircraft, Inc. | United States |
| Temescal Aircraft, LLC | United States |
| Top Aircraft, Inc. | United States |
| Whitney US Leasing, Inc. | United States |

**31. Subsidiary undertakings (Continued)**

| Participations | |
|---|---|
| AerDragon Aviation Partners Limited and Subsidiaries (16.7%) | Ireland |
| Peregrine Aviation Company Limited and Subsidiaries (9.5%) | Ireland |
| AerLift Leasing Limited and Subsidiaries (39.3%) | Isle of Man |
| Acsal Holdco LLC (19.4%) | United States |

**32. Subsequent events**

In January 2018, AerCap Trust and AICDC co-issued $600 million aggregate principal amount of 3.30% senior notes due 2023 and $550 million aggregate principal amount of 3.875% senior notes due 2028. The proceeds from the offering were used for general corporate purposes.

In February 2018, our Board of Directors approved a share repurchase program authorizing total repurchases of up to $200 million of AerCap ordinary shares through June 30, 2018. As of March 2, 2018, the dollar amount remaining under this share repurchase program was $145.7 million. Repurchases under the program may be made through open market purchases or privately negotiated transactions in accordance with applicable U.S. federal securities laws. The timing of repurchases and the exact number of common shares to be purchased will be determined by the Company's management, in its discretion, and will depend upon market conditions and other factors. The program will be funded using the Company's cash on hand and cash generated from operations. The program may be suspended or discontinued at any time.

**AerCap Holdings N.V.**

**Company Balance Sheets**

**For the Years Ended December 31, 2017 and 2016**

**(After proposed profit appropriation)**

| | Note | As of December 31, 2017 | As of December 31, 2016 |
|---|---|---|---|
| | | (U.S. Dollars in thousands) | |
| **ASSETS** | | | |
| *Fixed assets* | | | |
| **Financial fixed assets** | | | |
| Subsidiaries | 34 | $ 9,225,116 | $ 8,968,338 |
| ***Total fixed assets*** | | **9,225,116** | **8,968,338** |
| *Current assets* | | | |
| **Receivables** | | | |
| Receivable from subsidiaries | | 129,067 | 105,949 |
| Other receivables | | 95,402 | 103,601 |
| **Total receivables** | | **224,469** | **209,550** |
| Cash and cash equivalents | | 21,079 | 3,583 |
| ***Total current assets*** | | **245,548** | **213,133** |
| **Total Assets** | | **$ 9,470,664** | **$ 9,181,471** |
| **EQUITY AND LIABILITIES** | | | |
| *Equity* | | | |
| Ordinary share capital | | $ 2,058 | $ 2,282 |
| Additional paid-in capital | | 3,694,986 | 4,555,310 |
| Treasury shares, at cost | | (731,442) | (490,092) |
| Revaluation reserves | | 14,274 | (1,769) |
| Accumulated retained earnings (a) | | 5,182,576 | 4,096,157 |
| ***Total Equity*** | 36 | **8,162,452** | **8,161,888** |
| *Liabilities* | | | |
| Negative goodwill | 35 | 10,061 | 20,014 |
| Payable to subsidiaries | | 1,276,815 | 977,779 |
| Accounts payable, accrued expenses and other liabilities | | 21,336 | 21,790 |
| ***Total liabilities*** | | **1,308,212** | **1,019,583** |
| **Total Equity and Liabilities** | | **$ 9,470,664** | **$ 9,181,471** |

(a) Includes $40.2 million and $38.4 million of legal reserves as of December 31, 2017 and 2016, respectively, which are not free to distribute.

The accompanying notes are an integral part of these Company Financial Statements.

## AerCap Holdings N.V.

## Company Income Statements

## For the Years Ended December 31, 2017 and 2016

| | Note | Year Ended December 31, 2017 | 2016 |
|---|---|---|---|
| | | (U.S. Dollars in thousands) | |
| Net income from subsidiaries | 34 | $ 1,064,015 | $ 962,191 |
| Other income and expenses after taxation | | (42,563) | (47,728) |
| **Net income** | | **$ 1,021,452** | **$ 914,463** |

The accompanying notes are an integral part of these Company Financial Statements.

(U.S. Dollars in thousands or as otherwise stated, except share and per share data)

## 33. 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 Dutch Civil Code and the firm pronouncements in the Dutch Accounting Standards for annual reporting in the Netherlands as issued by the Dutch Accounting Standards Board. The Company Income Statements are presented in accordance with Part 9, Book 2, Art. 402 of the Dutch Civil Code.

For the Company Financial Statements, we have followed the same presentation as in our Consolidated Financial Statements for consistency purposes.

The principles of valuation and determination of result for AerCap Holdings N.V. and the Consolidated Financial Statements are the same. For these principles, refer to the Consolidated Financial Statements.

### Subsidiaries

Subsidiaries are stated at net asset value as we effectively exercise influence over the operational and financial activities of these subsidiaries. The net asset value is determined in accordance with the accounting policies used for the Consolidated Financial Statements. If the valuation of a subsidiary based on the net asset value is negative, it will be stated at nil. If and insofar as AerCap Holdings N.V. can be held fully or partially liable for the debts of the subsidiary, or has the firm intention of enabling the subsidiary to settle its debts, a provision is recognized for this.

### Share-based compensation

Prior to the ILFC Transaction, certain of our employees participated in the parent company's share-based compensation plans, with the associated expenses reflected in the parent company's financial statements. Subsequent to the ILFC Transaction, the share-based compensation expenses related to certain of our employees are being pushed down from the parent company and recognized as a capital contribution from the parent.

## 34. Subsidiaries

Movements in subsidiaries during the years ended December 31, 2017 and 2016 were as follows:

| | Year Ended December 31, | |
|---|---|---|
| | 2017 | 2016 |
| Balance at beginning of period | $ 8,968,338 | $ 8,113,365 |
| Share-based compensation | 29,583 | 39,775 |
| Capital contributions and direct equity movements of subsidiaries | 16,043 | 4,538 |
| Redemptions and dividends received | (852,863) | (151,531) |
| Net income from subsidiaries | 1,064,015 | 962,191 |
| **Balance at end of period** | **$ 9,225,116** | **$ 8,968,338** |

(U.S. Dollars in thousands or as otherwise stated, except share and per share data)

### 34. Subsidiaries (Continued)

The redemptions and dividends received during the years ended December 31, 2017 and 2016 were related to intercompany restructuring transactions within the group.

### 35. Negative goodwill

Movements in negative goodwill during the years ended December 31, 2017 and 2016 were as follows:

| | Year Ended December 31, | |
|---|---|---|
| | 2017 | 2016 |
| Balance at beginning of period | $ 20,014 | $ 26,540 |
| Release to income, net | (9,953) | (6,526) |
| **Balance at end of period** | **$ 10,061** | **$ 20,014** |

### 36. Equity

As of December 31, 2017 and 2016, the authorized share capital of AerCap Holdings N.V. amounts to ordinary share capital of €0.01 par value and 350,000,000 ordinary shares authorized. As of December 31, 2017 and 2016, issued share capital consists of 167,847,345 and 187,847,345 ordinary shares issued and 152,992,101 and 176,247,154 ordinary shares outstanding (including 3,007,752 and 3,426,810 shares of unvested restricted stock), respectively.

As of December 31, 2017 and 2016, treasury shares at cost were 14,855,244 and 11,600,191 ordinary shares, respectively.

(U.S. Dollars in thousands or as otherwise stated, except share and per share data)

## 36. Equity (Continued)

Movements in equity during the years ended December 31, 2017 and 2016 were as follows:

| | Number of ordinary shares issued | Ordinary share capital | Additional paid-in capital | Treasury shares | Revaluation reserves | Accumulated retained earnings | Total equity |
|---|---|---|---|---|---|---|---|
| **Balance as of December 31, 2015** | **203,411,207** | **$ 2,457** | **$ 5,133,277** | **$ (146,312)** | **$ (6,307)** | **$ 3,135,456** | **$ 8,118,571** |
| Repurchase of shares | — | — | — | (965,982) | — | — | (965,982) |
| Share cancellation | (15,563,862) | (175) | (577,967) | 578,142 | — | — | — |
| Ordinary shares issued, net of tax withholdings | — | — | — | 44,060 | — | (56,605) | (12,545) |
| Share-based compensation | — | — | — | — | — | 102,843 | 102,843 |
| Direct equity movements of subsidiaries | — | — | — | — | 4,538 | — | 4,538 |
| Net income for the period | — | — | — | — | — | 914,463 | 914,463 |
| **Balance as of December 31, 2016** | **187,847,345** | **$ 2,282** | **$ 4,555,310** | **$ (490,092)** | **$ (1,769)** | **$ 4,096,157** | **$ 8,161,888** |
| Repurchase of shares | — | — | — | (1,124,724) | — | — | (1,124,724) |
| Share cancellation | (20,000,000) | (224) | (860,324) | 860,548 | — | — | — |
| Ordinary shares issued, net of tax withholdings | — | — | — | 22,826 | — | (42,752) | (19,926) |
| Share-based compensation | — | — | — | — | — | 107,719 | 107,719 |
| Direct equity movements of subsidiaries | — | — | — | — | 16,043 | — | 16,043 |
| Net income for the period | — | — | — | — | — | 1,021,452 | 1,021,452 |
| **Balance as of December 31, 2017** | **167,847,345** | **$ 2,058** | **$ 3,694,986** | **$ (731,442)** | **$ 14,274** | **$ 5,182,576** | **$ 8,162,452** |

## 37. Employees

AerCap Holdings N.V. had six (2016: eight) employees, all employed outside the Netherlands, as of December 31, 2017. The disclosure on directors' remuneration is included in Note 30—*Directors' remuneration*.

## 38. Audit fees

Our auditors charged the following fees for professional services rendered for the years ended December 31, 2017 and 2016:

| | Year Ended December 31, 2017 | Year Ended December 31, 2016 |
|---|---|---|
| Audit fees | $ 5,667 | $ 5,099 |
| Audit-related fees | — | 36 |
| Tax fees | 554 | 737 |
| All other fees | 103 | 131 |
| **Total** | **$ 6,324** | **$ 6,003** |

**38. Audit fees (Continued)**

The fees listed above relate only to the services provided to AerCap Holdings N.V. 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 fees included $4.3 million and $3.7 million which was charged by PricewaterhouseCoopers Accountants N.V. for the years ended December 31, 2017 and 2016, respectively.

**39. Fiscal unity**

As of February 1, 2016, AerCap Holdings N.V. became a tax resident in Ireland and as a result is subject to corporate income tax in Ireland.

**40. Profit appropriation**

Following the appropriation of result proposed by the Board of Directors, the net income of $1,021.5 million for the year ended December 31, 2017 is added to the accumulated retained earnings and no profits shall be distributed as dividends to the shareholders.

**41. Declaration of liability**

AerCap Holdings N.V. has issued a declaration of liability as referred to in Article 2:403 of the Dutch Civil Code in respect of a significant number of its Dutch subsidiaries.

Dublin, March 9, 2018

Pieter Korteweg
Aengus Kelly
Salem Al Noaimi
Homaid Al Shimmari
James (Jim) Chapman
Paul Dacier
Richard (Michael) Gradon
Marius Jonkhart
James (Jim) Lawrence
Michael Walsh
Robert (Bob) Warden

AerCap Holdings N.V.
AerCap House
65 St. Stephen's Green
Dublin 2
Ireland

### Other information

### Statutory provision

According to article 26 of the articles of association, the Board of Directors determines which amounts from the Company's annual profits are reserved.

**Independent auditor's report**

To: the general meeting and the Board of Directors of AerCap Holdings N.V.

***Report on the financial statements 2017***

***Our opinion***

In our opinion AerCap Holdings N.V.'s financial statements give a true and fair view of the financial position of the Company and the Group as at 31 December 2017, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

*What we have audited*

We have audited the accompanying financial statements 2017 of AerCap Holdings N.V., Amsterdam ('the Company'). The financial statements include the consolidated financial statements of AerCap Holdings N.V. and its subsidiaries (together: 'the Group') and the company financial statements.

The financial statements comprise:

- the consolidated and company balance sheets as at 31 December 2017;
- the consolidated and company income statements for the year then ended; and
- the notes, comprising a summary of the accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is Part 9 of Book 2 of the Dutch Civil Code.

***The basis for our opinion***

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the section 'Our responsibilities for the audit of the financial statements' of our report.

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

*Independence*

We are independent of AerCap Holdings N.V. in accordance with the 'Wet Toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO—Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA—Code of Ethics for Professional Accountants, a regulation with respect to rules of professional conduct).

***Our audit approach***

*Overview and context*

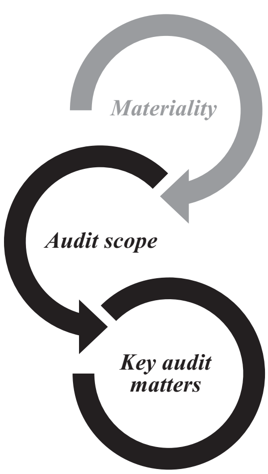
AerCap Holdings N.V. is an independent aircraft leasing company and its results are affected by the cyclical movements in the aircraft leasing industry, lease rates and aircraft valuation as well as availability of funds and cost of borrowing and changes in interest rates. We paid specific attention to the areas of focus driven by the operations of the Group, as set out below.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the Board of Directors made important judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In paragraph 2 of the financial statements the company describes the areas of judgment in applying accounting policies and the key sources of estimation uncertainty. We identified the income from sale of aircraft portfolios as a key audit matter due to the size of the asset disposals and the potential complexity of the accounting related to this. Furthermore, given the significant estimation uncertainty and the related higher inherent risks of material misstatement in the valuation of aircraft, we considered this to be a key audit matter as set out in the section 'Key audit matters' of this report.

Other areas of focus, that were not considered to be key audit matters were amongst others lease revenue recognition, net investment in finance and sales type leases, prepayments on flight equipment, deferred taxation and debt. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by management that may represent a risk of material misstatement due to fraud.

We ensured that the audit team included the appropriate skills and competences which are needed for the audit of an aircraft leasing company. We therefore included specialists in the areas of IT, tax and valuations in our team.

The outline of our audit approach was as follows:




***Materiality***

- Overall materiality: $60M.

***Audit scope***

- We conducted audit work in the Netherlands and Ireland.
- Audit coverage: 100% of consolidated revenue, 100% of consolidated total assets and 98% of consolidated profit before tax.

***Key audit matters***

- Income from sale of aircraft portfolios
- Valuation of aircraft

*Materiality*

The scope of our audit is influenced by the application of materiality which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

Based on our professional judgment, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements as a whole and on our opinion.

| | |
|---|---|
| ***Overall group materiality*** | $60M (2016: $60M). |
| ***How we determined it*** | We used our professional judgment to determine overall materiality. As a basis for our judgment we used 5% of profit before tax based on the US GAAP consolidated financial statements as filed on Form 20-F (US GAAP). |
| ***Rationale for benchmark applied*** | Based on our analysis of the common information needs of users of the financial statements, we believe that profit before tax is an important metric for the financial performance of the company.<br><br>The company uses two accounting frameworks for calculating profit before tax. The financial reporting framework that has been applied in the preparation of the financial statements is Part 9 of Book 2 of the Dutch Civil Code ('Dutch GAAP').The Accounting principles generally accepted in the United States of America (US GAAP) have been applied for the quarterly and annual earnings releases and the financial statements filed with the United States Securities and Exchange Commission and are applied in the daily operational accounting records and are used by most of the stakeholders.<br><br>In our judgement, the users of financial information of the company are primarily interested in the US GAAP financial information. Any user of these financial statements (Dutch GAAP) would likely not review this information in isolation; if users did review this information it would be in supplement to the US GAAP financial information. Therefore, we applied the general accepted auditing practice benchmark of 5% on the profit before tax based on US GAAP for the audit of these financial statements. |

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the Board of Directors that we would report to them misstatements identified during our audit above $3.0M (2016: $2.7M) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

*The scope of our group audit*

AerCap Holdings N.V. is the parent company of a group of entities. The financial information of this group is included in the consolidated financial statements of AerCap Holdings N.V.

The group audit focussed on the significant Aircraft Leasing component. This component includes all the AerCap entities, with the exception of AeroTurbine. AeroTurbine has reduced its debt and total assets significantly in 2016 and 2017, and as such we determined the AeroTurbine component to be inconsequential for our audit.

The Aircraft Leasing component was subjected to an audit of its complete financial information as this component is individually financially significant to the group.

In total, in performing these procedures, we achieved the following coverage on the financial line items:

| | |
|---|---|
| ***Revenue*** | 100% |
| ***Total assets*** | 100% |
| ***Profit before tax*** | 98% |

The group engagement team performed the audit work for the Aircraft Leasing Component, carried out at locations in the Netherlands and Ireland.

By performing the procedures above, we have been able to obtain sufficient and appropriate audit evidence on the Group's financial information, as a whole, to provide a basis for our opinion on the financial statements.

*Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the Board of Directors. The key audit matters are not a comprehensive reflection of all matters that were identified by our audit and that we discussed. In this section, we described the key audit matters and included a summary of the audit procedures we performed on those matters.

The key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide separate opinions on these matters or on specific elements of the financial statements. Any comments or observations we make on the results of our procedures should be read in this context.

No new key audit matters have been identified compared to 2016, as there have been no changes in business activities. The downsizing of the AeroTurbine business in 2016 and the related impairment charges and restructuring charges is no longer a key audit matter in 2017.

| *Key audit matter* | *How our audit addressed the matter* |
|---|---|
| ***Revenue recognition from sales of aircraft portfolios***<br>The net gain on the sale of the assets was $321 million, which includes the net gain on aircraft portfolio sales. The assessment of whether the portfolio sale qualifies for revenue recognition and whether the related gain or loss should be recognized can be complex due to unique elements which could be included in the contract, such as guarantees, performance obligations and retention of an equity stake in the aircraft sold.<br><br>We focussed on this matter because, given the magnitude of the portfolio sales, any incorrect accounting of the elements of such transactions may lead to the financial results being significantly misstated. | We tested the design and operating effectiveness of the specific process controls, which includes contract review for specific GAAP implications that cover the risks associated with net gain on sale of assets. We determined that we could rely on these controls for the purposes of our audit.<br><br>We read all portfolio sales contracts and assessed the appropriate application of GAAP, in particular reviewing the presence and impact of unique elements of the transaction to determine if the sales qualify for revenue recognition and that the related net gains or losses on the sales are appropriately recognized.<br><br>We performed detailed testing procedures on the net gain on sale of individual aircraft included in the portfolio sales. On a sample basis, we have obtained the bills of sale, reconciled the proceeds with invoices, verified the receipts with bank statements, verified the transfer of the aircraft and agreed the net book values to the general ledger. We verified that the accrued maintenance liability associated with the aircraft sold that is not specifically assigned to the buyer is released, net of any maintenance rights intangible asset balance, and recognized as part of the gain or loss on sale. We have recalculated the net gain recorded and agreed it to the general ledger. No material differences were found. |
| ***Valuation of aircraft***<br>*Note 6 and Note 21*<br>Flight equipment held for operating leases amounts to $33 billion at year end 2017 and represents 79% of total assets. We considered the appropriate valuation of such assets as a key audit matter due to the amount of judgment involved in the fair value calculations for aircraft that had an impairment triggering event.<br><br>Management performs trigger-based impairment assessments during each quarter (mainly resulting from sale or repossession of an aircraft), supplemented with an additional annual triggering events analysis, which is based on movements in the valuation of aircraft types compared to previous year as reported by external aircraft valuation companies. In this analysis, significant downward movements in the valuation by external valuation companies are regarded as a trigger to perform an impairment assessment.<br><br>Each impairment assessment is carried out on an individual aircraft level when a trigger is present. The assessment requires a significant number of assumptions and judgement regarding cash flow projections, such as future lease rate assumptions, maintenance cash flow assumptions, residual values, discount rate, and lease terms. In 2017 management recorded an amount of $84 million (net of $40 million impairment reversals) related to impairments of flight equipment. | We tested the design and operating effectiveness of the controls related to the flight equipment impairment process, which includes management's review of the impairment calculation. We determined that we could rely on these controls for the purposes of our audit.<br><br>We have obtained management's quarterly analysis of triggering events and assessed its completeness by comparing the items included in the analysis to recent signed sales agreements, aircraft coming off lease and trends in the market. We checked the additional annual triggering events analysis by reconciling the movements in the valuation of aircraft types to the reports from the external valuation companies.<br><br>Additionally, we assessed the appropriateness of cash flow projections, challenged management's assumptions and inputs in the model such as the future lease rates, discount rates and residual values. We have assessed the appropriateness of management's future lease rate and residual value assumptions by comparing them to signed sales agreements and lease contracts and have performed sensitivity analyses. Our valuation specialists assessed the discount rate used by management and compared this to an independently calculated cross-check which is based on market data and comparable companies and found it to be within a reasonable range.<br><br>We assessed the adequacy of disclosures related to impairment in the notes to the financial statements. |

*Report on the other information included in the annual report*

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the table of definitions;
- Report of the Board of Directors;
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

The Board of Directors is responsible for the preparation of the other information, including the Report of the Board of Directors and the other information in accordance with to Part 9 of Book 2 of the Dutch Civil Code.

*Report on other legal and regulatory requirements*

*Our appointment*

We were appointed as auditors of AerCap Holdings N.V. following the passing of a resolution by the shareholders in 2006 and the appointment has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of 12 years. We have served as the Company's predecessor's auditor since at least 1998. We have not determined the specific year we began serving as auditor of the Company's predecessor.

*Responsibilities for the financial statements and the audit*

*Responsibilities of the Board of Directors for the financial statements*

The Board of Directors is responsible for:

- the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the Board of Directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Board of Directors is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the Board of Directors should prepare the financial statements using the going-concern basis of accounting unless the Board of Directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The Board of Directors should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Board of Directors is responsible for overseeing the company's financial reporting process.

***Our responsibilities for the audit of the financial statements***

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Amsterdam, 9 March 2018
PricewaterhouseCoopers Accountants N.V.

W.J. van der Molen RA

***Appendix to our auditor's report on the financial statements 2017 of AerCap Holdings N.V.***

In addition to what is included in our auditor's report we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

***The auditor's responsibilities for the audit of the financial statements***

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.

- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Concluding on the appropriateness of the Board of Directors' use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the company's consolidated financial statements we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.