AerCap Holdings N.V. Dutch GAAP Annual Report

for the year ended December 31, 2011

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AerCap Holdings N.V. Annual Report 2011, Amsterdam

DIRECTORS' REPORT

Description of business

We are an independent aircraft leasing company with a leading market position. It is our strategy to acquire aviation assets at attractive prices, lease the assets to suitable lessees, and manage the funding and other lease related costs efficiently. We also provide aircraft management services. We believe that by applying our expertise through our business model, we will be able to identify and execute on a broad range of market opportunities that we expect will generate attractive returns for our shareholders. We are headquartered in The Netherlands and have offices in Ireland, the United States, Singapore, China, and the United Arab Emirates, with a total of 153 employees, as of December 31, 2011.

We operate our business on a global basis, providing aircraft to customers in every major geographical region. As of December 31, 2011, we owned 251 aircraft and seven engines, managed 42 aircraft, had 27 new aircraft on order (including five Boeing 737 purchase rights), had entered into sales contracts for five aircraft and had an executed letter of intent to sell one aircraft.

We lease most of our aircraft to airlines under operating leases. Under an operating lease, the lessee is responsible for the maintenance and servicing of the equipment during the lease term and the lessor receives the benefit, and assumes the risk of the residual value of the equipment at the end of the lease. As of December 31, 2011, our owned and managed aircraft were leased to 104 commercial airline and cargo operator customers in 50 countries.

We have the infrastructure, expertise and resources to execute a large number of diverse aircraft transactions in a variety of market conditions. From January 1, 2009 to December 31, 2011, we executed over 300 aircraft transactions. Our teams of dedicated marketing and asset trading professionals have been successful in leasing and trading our aircraft portfolio. Between January 1, 2009 and December 31, 2011, our weighted average owned aircraft utilization rate was 98.3%. Our utilization rate for aircraft is calculated based on the average number of months the aircraft are on lease each year. The utilization rate is weighted proportionate to the net book value of the aircraft at the end of the period measured.

We were formed as a Netherlands public limited liability company ("*naamloze vennootschap or N.V.*") on July 10, 2006. On November 27, 2006, we completed the initial public offering of 26.1 million of our ordinary shares on the New York Stock Exchange. On August 6, 2007 we completed the secondary offering of 20.0 million additional ordinary shares on the New York Stock Exchange. On March 25, 2010, the all-share acquisition of Genesis was completed and increased our outstanding ordinary shares by 34.3 million. On November 11, 2010, we completed a transaction with Abu Dhabi-based investment holding company Waha. As part of this transaction our outstanding ordinary shares increased by 29.8 million. On October 7, 2011, we closed on the sale of AeroTurbine to International Lease Finance Corp ("ILFC"). As of December 31, 2011, we had 149.2 million shares issued and outstanding of which 9.3 million ordinary shares are held as treasury stock.

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

Our Business strategy

We intend to pursue the following business strategies:

Manage the Profitably of our Aircraft Portfolio by selectively:

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

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

Efficiently Manage our Liquidity. As of December 31, 2011, we had access to $1.0 billion of committed undrawn credit facilities. We strive to maintain a diverse financing strategy, both in terms of capital providers and structure, through the use of bank debt, securitization structures and export/import financings including European Export Credit Agencies ("ECA")- guaranteed loans, in order to maximize our financial flexibility. We also leverage our long-standing relationships with the major aircraft financers and lenders to secure access to capital. In addition, we attempt to maximize the cash flows and continue to pursue the sale of aircraft to generate additional cash flows.

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

Maintain a Diversified and Satisfied Customer Base. We currently lease our owned and managed aircraft to 104 different airlines in 50 different countries. We monitor our exposure concentrations by both lessee and country jurisdiction and intend to maintain a well diversified customer base. We believe we offer a quality product, both in terms of asset and customer service, to all of our customers. We have successfully worked with many airlines to find mutually beneficial solutions to operational and financial challenges. We believe we maintain excellent relations with our customers. We have been able to achieve a high utilization rate on our aircraft assets as a result of our customer reach and quality product offering.

Selectively Pursue Acquisitions. We intend to selectively pursue acquisitions that we believe will provide us with benefits currently not available to us, such as the Genesis and Waha Transactions. The synergies, economies of scale and operating efficiencies we expect to derive from our acquisitions will allow us to strengthen our competitive advantages and diversify our sources of revenue.

Risk factors

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

Risks Related to Our Business

- We require significant capital to fund our obligations under our forward purchase commitments.
- Our business model depends on the continual re-leasing of our aircraft and engines when current leases expire and the leasing of new aircraft on order, and we may not be able to do so on favorable terms, if at all.
- Our financial condition is dependent, in part, on the financial strength of our lessees; lessee defaults, bankruptcies and other credit problems could adversely affect our financial results.
- If our lessees encounter financial difficulties and we decide to restructure our leases, the restructuring would likely result in less favorable leases which could adversely affect our financial results.
- In 2011, we incurred significant costs resulting from lease defaults.
- The business of leasing, financing and selling aircraft has historically experienced prolonged periods of oversupply during which lease rates and aircraft values have declined, and any future oversupply could materially and adversely affect our financial results.
- The value and lease rates of our aircraft could decline and this would have a material adverse effect on our financial results.
- The recent changes in demand and supply of aircraft could depress lease rates and the value of our aircraft portfolio.
- We were required to write-down the value of some of our assets during 2010 and 2011 and if conditions worsen again or further worsen, we may be required to make additional significant write-downs.
- Our limited control over our joint ventures may delay or prevent us from implementing our business strategy which may adversely affect our financial results.
- Changes in interest rates may adversely affect our financial results.
- Our substantial indebtedness incurred to acquire our aircraft requires significant debt service payments.
- The concentration of some aircraft models in our aircraft portfolio could adversely affect our business and financial results should any problems specific to these particular models occur.
- We are indirectly subject to many of the economic and political risks associated with emerging markets, which could adversely affect our financial results.
- We are exposed to significant regional political and economic risks due to the concentration of our lessees in certain geographical regions which could adversely affect our financial results.
- If we or our lessees fail to maintain our aircraft, their value may decline and we may not be able to lease or re-lease our aircraft at favorable rates, if at all, which would adversely affect our financial results.
- Strong competition from other aircraft lessors could adversely affect our financial results.
- Aircraft have limited economically useful lives and depreciate over time, which can adversely affect our financial condition.
- The advanced age of some of our aircraft may cause us to incur higher than anticipated maintenance expenses, which could adversely affect our financial results.
- The advent of superior aircraft and engine technology or the introduction of a new line of aircraft could cause our existing aircraft portfolio to become outdated and therefore less desirable, which could adversely affect our financial results.

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

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

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

- In certain countries, an engine affixed to an aircraft may become an accession to the aircraft and we may not be able to exercise our ownership rights over the engine.

- Failure to obtain certain required licenses, certificates and approvals could adversely affect our ability to re-lease or sell aircraft, our ability to perform maintenance services or to provide cash management services, which would materially and adversely affect our financial condition and results of operations.

- Our ability to operate in some countries is restricted by foreign regulations and controls on investments.

- There are a limited number of aircraft and engine manufacturers and the failure of any manufacturer to meet its aircraft and engine delivery obligations to us could adversely affect our financial results.

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

- We are the manager for several securitization vehicles and joint ventures and our financial results would be adversely affected if we were removed from these positions.

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

Risks Related to the Aviation Industry

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

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

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

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

- If the effects of terrorist attacks and geopolitical conditions continue to adversely affect the financial condition of the airlines, our lessees might not be able to meet their lease payment obligations, which would adversely affect our financial results.

- The effects of epidemic diseases and natural disasters, such as extreme weather conditions, floods, earthquakes and volcano eruptions may adversely affect the airline industry in the future, which might cause our lessees to not be able to meet their lease payment obligations to us, which would adversely affect our financial results.

Risks Related to Our Organization and Structure

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

- We are a Netherlands public limited liability company ("naamloze vennootschap or N.V.") and it may be difficult to obtain or enforce judgments against us or our executive officers, some of our directors and some of our named experts in the United States.

- Our international operations expose us to geopolitical, economic and legal risks associated with a global business.
- If our subsidiaries do not make distributions to us we will not be able to pay dividends.
- Our financial reporting for lease revenue may be significantly impacted by a proposed new accounting standard for lease accounting.

Risks Related to Taxation

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

2011 Financial and Operating Review

- We acquired $0.9 billion of aviation assets including 13 aircraft in 2011.
- On June 10, 2011, we amended our $775 million non-recourse facility, established in 2006 and arranged by UBS Securities LLC, to allow for an additional two year revolving period with a three year term-out period, extending the transaction to June 2016;
- On July 15, 2011, we entered into a purchase-leaseback arrangement with American Airlines to finance up to 35 Boeing 737-800 Next Generation aircraft scheduled to be delivered to American Airlines. On November 29, 2011, American Airlines filed for voluntary Chapter 11 bankruptcy protection and as a result our remaining obligations for the 31 deliveries under the purchase and leaseback contract automatically terminated.We have agreed with American Airlines to continue funding new aircraft on a one-by-one basis under the previously agreed lease terms until such time as we agree to re-instate the original contract. Since the bankruptcy filing we took delivery of another four aircraft. As of March 23, 2012, we have taken delivery of eight of the 35 aircraft.; and
- On October 7, 2011, we closed on the sale of AeroTurbine to ILFC.

Results of operations

Net income attributable to AerCap Holdings N.V. for the full year 2011 was $172.3 million. Adjusted net income was $299.4 million, up 41% as compared to $211.7 million in 2010. Adjusted net income excludes non-cash charges relating to the mark-to-market of interest rate caps and share based compensation, a one-time charge relating to the buy-out of the Genesis portfolio servicing rights and excludes a loss from discontinued operations. The increase in adjusted net income was driven primarily by the deliveries of forward order aircraft and the purchase of the remaining 50% investment in AerVenture. Total basic and fully diluted earnings per share for the full year 2011 were $1.18. Adjusted earnings per share were $2.04. The average number of outstanding shares was 146.6 million for the year ended December 31, 2011.

Non-Cash Charge for Share-based Compensation

The non-cash charge for share-based compensation, net of tax, was $6.5 million for the full year 2011. The charge relates to restricted shares and share options in entities that own a substantial percentage of our shares and which are held by members of our senior management, independent directors and a consultant and share options in AerCap Holdings N.V. which are held by members of our senior management. The charge did not reduce our net equity.

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

The non-cash charge for mark-to-market of interest rate caps, net of tax and minority interest, was $51.3 million for the full year 2011. We use interest rate caps to hedge against the impact of interest rate increases on variable-rate debt. Our interest rate caps do not qualify for hedge accounting under Dutch GAAP and the periodic mark-to-market gains or losses of our caps is recorded as interest expense.

AeroTurbine Transaction

On October 7, 2011, we completed the sale of AeroTurbine to ILFC for $228.0 million. As a result of the sale we recognized a loss from discontinued operations of $47.9 million in the year ended December 31, 2011. The loss consisted of: (1) $22.5 million of bank fees, legal fees and contractual incentive payments to AeroTurbine management, (2) a $8.7 million deferred tax asset write-off as a result of the transfer of tax losses to the buyer; and (3) a $16.7 million book loss.

Buy-out of Genesis Portfolio Servicing Rights

In 2011, we completed the buy-out of the Genesis portfolio servicing rights. The buy-out resulted in a $21.4 million one-time charge, net of tax, which has been recognized in selling, general and administrative expenses. We expect the buy-out to generate savings of approximately $6.0 million per annum.

The following is a reconciliation of adjusted net income to net income attributable to AerCap Holdings N.V. for the years ended December 31, 2011 and 2010:

	Year ended December 31, 2010	**Year ended December 31, 2011**
	(US dollars in millions)	
Net income	$195.4	$172.3
Plus: Non-cash charges relating to the mark-to-market of interest rate caps, net of tax	13.5	51.3
Non-cash charges related to share-based compensation, net of tax	2.8	6.5
Net income excluding non-cash charges related to mark-to-market of interest rate caps and share-based compensation	**$211.7**	**$230.1**
Plus: Loss on discontinued operations (AeroTurbine)	—	47.9
Buy-out of Genesis portfolio servicing rights	—	21.4
Adjusted net income	**$211.7**	**$299.4**

Aviation Assets

We acquired $0.9 billion of aviation assets including 13 aircraft in 2011. Total assets were $9.1 billion at December 31, 2011. Total assets decreased 5% during 2011 which was driven primarily by the sale of AeroTurbine and the sale of our 50% interest in a joint venture containing three A330 aircraft. The number of aircraft in our portfolio was 350 as of December 31, 2011, consisting of 251 owned aircraft, 42 managed aircraft, 27 aircraft on order (including five Boeing 737 purchase rights), 31 Boeing 737 purchase and leaseback aircraft with American Airlines, five A320NEO purchase and leaseback aircraft and six aircraft subject to a sale agreement/letter of intent.

Liquidity and Access to Capital

Our cash balance at the end of 2011 was $648.4 million including restricted cash of $237.3 million and our operating cash flow was $621.6 million for the full year. The available lines of credit at December 31, 2011 were approximately $1.0 billion. Our debt balance at December 31, 2011 was $6.0 billion and the average annual interest rate on our debt in 2011 was 3.6%. Our debt to equity ratio stood at 2.6 to 1 as of December 31, 2011. We completed several financings during 2011.

The table below provides information as of December 31, 2011 regarding our derivative financial instruments that are sensitive to changes in interest rates on our borrowing, including our interest rate caps and floors. The table presents the average notional amounts and weighted average interest rates which are contracted for the specified year. Notional amounts are used to calculate the contractual payments to be exchanged under the contract. Weighted average variable rates are based on implied forward rates in the yield curve at the applicable date.

	2012	2013	2014	2015	2016	2017	Thereafter	Fair value
				(US Dollars in millions)				
Interest rate caps								
Notional amounts	$2,378	$1,893	$1,397	$1,115	$747	$467	$80	$21.0
Weighted average strike rate	3.02%	2.50%	2.81%	2.99%	3.37%	3.34%	3.84%	

	2012	2013	2014	2015	2016	2017	Thereafter	Fair value
				(US Dollars in millions)				
Interest rate swaps								
Notional amounts	$720	$509	$233	$31	—	—	—	$(13.5)
Weighted average pay rate	1.55%	1.31%	1.48%	2.23%	—	—	—	

	2012	2013	2014	2015	2016	2017	Thereafter	Fair value
				(US Dollars in millions)				
Interest rate floors								
Notional amounts	$107	$70	$45	$27	—	—	—	$(6.0)
Weighted average pay rate	3.00%	3.00%	3.00%	3.00%	—	—	—	

The variable benchmark interest rates associated with these instruments ranged from one to six-month LIBOR.

Personnel

We had 153 (2010: 356) employees as of December 31, 2011. We expect that the number of personnel will remain relatively constant throughout 2011.

Financial outlook

AerCap expects to grow earnings based on the committed aircraft purchases despite the continued uncertainties of the global economic environment. Nor withstanding the foregoing, set forth below are the anticipated drivers for AerCap's 2012 financial performance, which are subject to change, in light of the highly fluid market conditions. Purchases of aviation assets in 2012 is expected to be approximately $1.0 billion. The amount of basic lease revenue is expected to increase approximately 2 to 5% when compared to 2011, excluding the impact of the AeroTurbine Transaction. The cost of debt in 2012 is expected to be approximately 3.5 to 4.0%. We expect our effective tax rate to be 8.5 – 9.0% and return on equity to be approximately 10%.

Corporate Governance

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

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

The Dutch Corporate Governance Code (also referred to herein as the "Code") contains principles and best practices for Dutch companies with listed shares. The Dutch Corporate Governance Code requires companies to either comply with the best practice provisions of the Code or to explain why they deviate from these best practice provisions.

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

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

Board of Directors

Responsibilities

Under our Articles of Association, under the Rules for the Board of Directors including its Committees and under Netherlands corporate law, the members of the Board of Directors are collectively responsible for the management, general and financial affairs and policy and strategy of our company.

Our Board of Directors consists of 10 Directors from which the Board shall appoint one Executive Director. The Executive Director is our Chief Executive Officer, who is primarily responsible for managing our day-to-day affairs as well as other responsibilities that have been delegated to the Executive Director in accordance with our Articles of Association and our internal rules Rules for the Board of Directors. The Non-Executive Directors supervise the Chief Executive Officer and our general affairs and provide general advice to our Chief Executive Officer. In performing their duties, the Non-Executive Directors are guided by the interests of the company and shall, within the boundaries set by relevant Netherlands law, take into account the relevant interests of our shareholders and other stakeholders in the Company. The Board has appointed from among its Non-Executive Directors the Chairman and the Vice-Chairman of the Board of Directors. The Chairman of our Board of Directors is obligated to ensure, among other things, that (i) each Director receives all information about matters that he or she may deem useful or necessary in connection with the proper performance of his or her duties, (ii) each Director has sufficient time for consultation and decision making, and (iii) the Board of Directors and the Board Committees are properly constituted and functioning. The Vice-Chairman of the Board of Directors shall be charged with the Chairman's tasks, should the latter become temporarily or permanently incapacitated or prevented from acting. The internal affairs of the Board of Directors are governed by our Rules for the Board of Directors.

The current Directors are:

Name	Age	Nationality	Gender	Position
Directors				
Pieter Korteweg	70	The Netherlands	M	Non-Executive Chairman
Aengus Kelly	38	Ireland	M	Executive Director and Chief Executive Officer
Salem Al Noaimi	36	United Arab Emirates	M	Non-Executive Director
Homaid Al Shemmari	44	United Arab Emirates	M	Non-Executive Director
James (Jim) Chapman	49	USA	M	Non-Executive Director
Paul Dacier	54	USA	M	Non-Executive Director
Richard (Michael) Gradon	52	United Kingdom	M	Non-Executive Director
Marius Jonkhart	62	The Netherlands	M	Non-Executive Director
Gerald (Liam) Strong	67	United Kingdom	M	Non-Executive Director, Vice Chairman
Robert (Bob) Warden	39	USA	M	Non-Executive Director

Pieter Korteweg. Mr. Korteweg has been a Director of our company since September 20, 2005. He serves as Vice Chairman of Cerberus Global Investment Advisors, LLC, and Director of Cerberus entities in the Netherlands. In addition, he serves as Non-Executive Member of the Board of Showa Jisho Co. Ltd (Tokyo), Member of the Supervisory Board of BawagPSK Bank (Vienna) and Non-Executive Member of the Board of LucidaPlc. (London). He currently also serves as Member of the Supervisory Board of Mercedes Benz Nederland BV and as senior advisor to Anthos B.V. Mr. Korteweg previously served as Non-Executive Member of the Board of Aozora Bank Ltd., (Tokyo), Chairman of the Supervisory Board of Pensions and Insurance Supervisory Authority of The Netherlands, Chairman of the Supervisory Board of the Dutch Central Bureau of Statistics and Vice-Chairman of the Supervisory Board of De Nederlandsche Bank. From 1987 to 2001, Mr. Korteweg was President and Chief Executive Officer of the Group Executive Committee of Robeco Group in Rotterdam. From 1981 to 1986, he was Treasurer-General at The Netherlands Ministry of Finance. In addition, Mr. Korteweg was a professor of economics from 1971 to 1998 at Erasmus University Rotterdam in The Netherlands. Mr. Korteweg holds a PhD in Economics from Erasmus University Rotterdam.

Aengus Kelly. Mr. Kelly was appointed Executive Director and Chief Executive Officer of our company on May, 18th 2011. Previously he served as Chief Executive Officer of our U.S. operations since January 2008 and he was our Group Treasurer from 2005 through December 31, 2007. He started his career in the aviation leasing and financing business with

Guinness Peat Aviation in 1998 and has 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 and Finance from University College Dublin.

Salem Al Noaimi. Mr. Salem Rashid Al Noaimi is the CEO of Waha Capital PJSC. Prior to his current role, Al Noaimi served as Deputy CEO of Waha Capital and CEO of its wholly-owned leasing subsidiary, Waha Leasing. Earlier in his career, Mr. Al Noaimi held several roles in the banking and financial industry, including leadership positions at Dubai Islamic Bank, the UAE Central Bank, and the Abu Dhabi Fund for Development. He chairs and sits on the board of a number of companies, including Abu Dhabi Ship Building, Dunia Finance, Siraj Finance, the MENA Infrastructure Fund, Bahrain's ADDAX Bank, and Aercap (Netherlands). Mr. Al Noaimi is a UAE national and holds a Bachelor's degree in Finance and International Business from Northeastern University in Boston, USA.

Homaid Al Shemmari. Mr. Al Shemmari is the Executive Director of Mubadala Aerospace. He serves as Chairman of Abu Dhabi Aircraft Technologies (ADAT), Strata Composite Manufacturing, Horizon Flight Academy, Advance Military Maintenance Repair and overhaul Centre (AMMROC), Abu Dhabi Autonomous Systems Integration (ADASI) and Abu Dhabi Ship Building (ADSB) PJSC. He is also a Board member of Piaggio Aero, Yahsat and YahAdvanced. Before joining Mubadala, Mr. Al Shemmari was a Lieutenant Colonel in the UAE Armed Forces serving military aviation, maintenance, procurement and logistics. Mr. Al Shemmari holds a Bachelor's degree in Aeronautical Engineering from Embry Riddle Aeronautical University in Daytona Beach, USA, and holds a black belt six sigma from General Electric.

James N. Chapman. Mr. Chapman has been a Director of our company since December 7, 2005. 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. Presently, Mr. Chapman serves as a member of the Board of Directors of Tembec Inc. and Tower International, Inc., as well as a number of private companies. Mr. Chapman received an MBA with distinction from Dartmouth College and was elected as an Edward Tuck Scholar. He received his BA, with distinction, magna cum laude, from Dartmouth College and was elected to Phi Beta Kappa, in addition to being a Rufus Choate Scholar.

Paul T. Dacier. Mr. Dacier has been a Director of our company since May 27, 2010. He is also currently Executive Vice President and General Counsel of EMC Corporation (an information infrastructure technology and solutions company). He joined EMC as Corporate Counsel in 1990 and was promoted to General Counsel in 1992, Vice President in 1993, Senior Vice President in 2000 and Executive Vice President in 2006. 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 BA in history and a JD 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 our company since May 27, 2010. He is also currently a Non-Executive Director of Grosvenor Limited, Exclusive Hotels, Modern Water plc, and he is on the Board of Directors of The All England Lawn Tennis Ground PLC, The All England Lawn Tennis Club and, 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 MA degree in law from Cambridge University.

Marius J.L. Jonkhart. Mr. Jonkhart has been a Director of our company since October 11, 2005. He is currently also a member of the Supervisory Boards of BAWAG P.S.K. AG, Tata Steel Nederland B.V., Orco Bank International N.V. and Staatsbosbeheer, and a Non-Executive Director of Aozora Bank. Mr. Jonkhart is an advisor to Cerberus Global Investment Advisors, LLC. Mr. Jonkhart is an independent consultant. He was previously the Chief Executive Officer of De Nationale Investerings Bank N.V. and the Chief Executive Officer of NOB Holding N.V. He also served as the Director of monetary affairs of the Dutch Ministry of finance. In addition, he has been a professor of finance at Erasmus University Rotterdam. He has served as a member of a number of supervisory boards, including the Supervisory Boards of the

Connexxion Holding N.V., European Investment Bank, Bank Nederlandse Gemeenten N.V., Postbank N.V., NPM Capital N.V., Kema N.V., AM Holding N.V. and De Nederlandsche Bank N.V. He has also served as Chairman of the Investment Board of ABP Pension Fund and several other funds. Mr. Jonkhart holds a Master's degree in Business Administration, a Master's degree in Business Economics and a PhD in Economics from Erasmus University Rotterdam.

Gerald P. (Liam) Strong. Mr. Strong has been a Director of our company since July 26, 2006. He currently is a Partner and CEO of Cerberus European Capital Advisors LLP running operations in Europe. Mr. Strong has extensive senior experience in a number of industries, including airlines, global communications, retailing, and consumer products. He has served senior roles in the restructuring and building of a number of international businesses in his career including B.A., Sears and Reckitt & Colman. Mr. Strong was Chairman of the Advisory Board on Telecom Security to the government of the United Kingdom from 2002 to 2005 and President and Chief Executive Officer of Teleglobe International Holdings Limited, 2002-2006. He is also a member of the Governing Council of the Ashridge Business School, a director of the Faculty of Public Heath for the UK. Chairman of Torex Ltd and Chairman of Virtual IT. Mr. Strong received his BA with honors from Trinity College, Dublin.

Robert G. (Bob) Warden. Mr. Warden has been a Director of our company since September 20, 2005. He is also currently a Managing Director of Cerberus Capital Management, L.P., which he joined in February 2003. Mr. Warden is also currently a Director of various public and private companies, including BlueLinx Corporation, Equable Ascent Financial, LLC and Four Points Media Group LLC. Prior to joining Cerberus, Mr. Warden was a Vice President at J.H. Whitney from May 2000 to February 2003, a Principal at Cornerstone Equity Investors LLC from July 1998 to May 2000 and an Associate at Donaldson, Lufkin & Jenrette from July 1995 to July 1998. Mr. Warden received his AB from Brown University.

Board Meetings

Each Director has the right to cast one vote and may be represented at a meeting of the Board of Directors by a fellow Director. The Board of Directors can only pass resolutions if a quorum of four Directors, comprising of at least the Chairman, or -in his absence- the Vice-Chairman, and the Executive Officer, participate in a meeting. All resolutions must be passed by an absolute majority of the votes cast. If there is a tie, the matter will be decided by the Chairman, or -in his absence- the Vice-Chairman. Resolutions of the Board of Directors may, instead of in a meeting, be passed in writing by a majority of the Directors in office.

In 2011, the Board of Directors met on eight occasions. Throughout the year, the Chairman of the Board and individual Non-Executive Directors were in close contact with our Executive Officers. During its meetings and contacts with the Executive Officers, the Board discussed such topics as the Company's annual reports and annual accounts for the financial year 2010, the sale of AeroTurbine, the purchase and lease back transaction with American Airlines in respect of up to 35 B737-800 aircraft, the Company's liquidity position, remaining funding requirements and funding sources, the Company's hedging policies, topics for the AGM 2011, the company's overall strategy, macro economic and monetary developments in the world and in Europe in particular, the Company's share repurchase program, industry developments, review and discussion of reports from the various Board committees, shareholder value, the budget for 2012, remuneration and compensation, Board rotation, governance and risk management and control, including but not limited to compliance with the Sarbanes Oxley Act.

The Non-Executive Directors of the Board also met to perform a self-assessment of the Board's performance. It assessed its own functioning and that of its individual members and the outcome was that Board and its individual members functioned satisfactorily. The Board maintains an introduction program for new Non-Executive Directors with the purpose to familiarize them with relevant AerCap business, governance and compliance aspects. In 2011 Mr. Al Noaimi and Mr. Al Shemmari participated in this program. The Board has determined a profile for its Non-Executive Directors which has been made available on the Company's website.

Conflicts of interest

As per Best Practice Provision II.3.2 of the Dutch Corporate Governance Code each Director shall immediately report any potential conflict of interest concerning a Director to the Chairman of the Board of Directors. The Director with such conflict of interests shall in such case provide the Chairman with all information relevant to the conflict. A Director may not participate in the discussions and/or the decision making process on a transaction or subject in relation to which he or she has a conflict of interest with the Company. Resolutions to enter into such transactions must be approved by an absolute majority of the votes cast, excluding such interested Director or Directors. During the year, there were no conflicts of interests reported.

Appointment, suspension and dismissal

The Directors are appointed by the general meeting of shareholders. Our Directors may be elected by the vote of a majority of votes cast at a general meeting of shareholders provided that our Board of Directors has proposed the election. Without a Board of Directors proposal, Directors may also be elected by the vote of a majority of the votes cast at a general meeting of shareholders if the majority represents at least one-third of our issued capital. Shareholders may remove or suspend a Director by the vote of a majority of the votes cast at a general meeting of shareholders provided that our Board of Directors has proposed the removal. Our shareholders may also remove or suspend a Director, without there being a proposal by the Board of Directors, by the vote of a majority of the votes cast at a general meeting of shareholders if the majority represents at least one-third of our issued capital. The Company does not apply provision IV.1.1 of the Dutch Corporate Governance Code in so far it deals with the lifting of quorum requirements related to proposed Directors' dismissals, since this provision is written for general meetings with a high degree of absenteeism, whereas at shareholders' meetings of the Company absenteeism is relatively low.

The Non-Executive Directors who were appointed in 2006 have been appointed for an indefinite period of time. At the 2007 annual general meeting of shareholders, the general meeting of shareholders confirmed that the initial term of their appointment was four years, ending on the day of our annual general meeting of shareholders in 2010, such in conformity with our articles of association. The Board of Directors has introduced a rotation schedule, which is available on the Company's website, in order to ensure that the terms of the Directors would not all end at the same time. For this purpose, at the 2008 annual general meeting of shareholders, the general meeting of shareholders has reappointed Mr. Korteweg and Mr. Bolger as Directors and their renewed term of appointment will end on the day of our 2012 annual general meeting of shareholders. At the 2009 annual general meeting of shareholders, the general meeting of shareholders has reappointed Mr. Chapman, Mr. Jonkhart and Mr. Teitelbaum as Directors and their renewed term of appointment will end on the day of our 2013 annual general meeting of shareholders. At the 2010 annual general meeting of shareholders, the general meeting of shareholders has reappointed Mr. Ingersoll, Mr. Warden and Mr. Strong as Directors and their renewed term of appointment will end on the day of our 2014 annual general meeting of shareholders. Furthermore, at the 2010 annual general meeting of shareholders, the general meeting of shareholders has reappointed Mr. Heinemann as Director for an additional term of 1 year and his renewed term of appointment ended on the day of our 2011 annual general meeting of shareholders. In addition, at the 2010 annual general meeting of shareholders, the general meeting of shareholders has appointed, in connection with the amalgamation with Genesis Lease Limited that took place on 25 March 2010, Mr. Dacier, Mr. Greene and Mr. Gradon as Directors for a term of four years and their term of appointment will end on the day of our 2014 annual general meeting of shareholders. At the 2011 annual general meeting of shareholders, the general meeting of shareholders has reappointed Mr. P. Korteweg and his renewed term of appointment will end on the day of our 2015 annual general meeting of shareholders. Furthermore, at the 2011 annual general meeting of shareholders, the general meeting of shareholders has appointed, in connection with the Waha transaction which closed on 11 November 2010, Mr. Al Shemmari and Mr. Al Naomi and their term of appointment will end on the day of our 2015 annual general meeting of shareholders. In addition, Mr. R.J. Bolger, Mr. W.B. Ingersoll, Mr. D.J. Teitelbaum and Mr. N.B. Greene have voluntarily resigned, before the end of their term of appointment, as Non-Executive Directors effective as of the day that our 2011 annual general meeting of shareholders has been held.

Directors Remuneration

The general policy for the remuneration of our Board of Directors is determined by the general meeting of shareholders upon proposal by our Nomination and Compensation Committee of the Board of Directors. This remuneration policy is posted on our website. The remuneration of Directors is determined by our Board of Directors in accordance with the general remuneration policy upon proposal by the Nomination and Compensation Committee. With regard to arrangements concerning remuneration in the form of shares or share options, the Board of Directors must submit a proposal to the shareholders for approval. This proposal must, at a minimum, state the number of shares or share options that may be granted to Directors and the criteria that apply to the granting of the shares or share options or the alteration of such arrangements. It is noted that the shareholders have approved, on October 31, 2006, prior to the listing of the shares in our Company on the New York Stock Exchange, an incentive plan for that is designed to promote the Company's interests by granting remuneration in the form of, amongst others, share or share options to Directors, employees, consultants and advisors with a view to align their interests with the Company's (the "AerCap Holdings N.V. Equity Incentive Plan"). As per December 31, 2011 our Non-Executive Directors hold options to acquire a total of 33,551 shares in the Company, which have been granted under this plan,as further specified below in this report.

The revised Dutch Corporate Governance Code, effective as of January 1, 2009, contains specific principles and best practice provisions with respect to Directors' remuneration and the disclosure thereof. Some of the new remuneration related provisions are not applied due to pre-existing contractual arrangements. As regards disclosure, we believe that our way of disclosing Directors' remuneration in this report is clear, transparent and in line with the intention and spirit of the Dutch

Corporate Governance Code, taking into account the Company's governance structure, a one-tier Board with only one Executive Director and the remaining members being Non-Executive Directors.

For information regarding the remuneration of our Directors, reference is made to the remuneration policy as referred to above (available on our website), the Remuneration Report 2011 included in this Annual Report and Note 27 ''Board Remuneration'' of our Annual Report.

Some of our Non-Executive Directors have, prior to their appointment, acquired shares in our Company through conversion of their equity instruments (ADR's) in Genesis Leasing Limited into the Company's ordinary shares in connection with the amalgamation with Genesis on 25 March 2010.

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

Board Independence

In 2011 our Board of Directors has assessed its independence under the independence definition of III.2.2 of the Code and it has determined that these independence criteria are met.

Committees of the Board of Directors

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

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

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

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

Our Audit Committee met seven times during 2011 in regular meetings. Throughout the year, the members of the audit committee were in close contact with our Executive Officers. Principal items discussed during the meetings and through contacts with our Executive Officers included the review of annual and quarterly financial statements and disclosures, review of external auditor's reports, review of activities and results in respect of our continued Sarbanes Oxley compliance, review of the external auditor's audit plan for 2011, review of internal audit reports, the functioning of the internal audit function and the internal auditor's audit plan for 2012, review of the Company's compliance and risk management policies, review of the Company's tax planning policies, review of the functioning of the audit committee, the audit committee charter and the audit committee cycle.

Our Nomination and Compensation Committee selects and recruits candidates for the positions of the Chief Executive Officer, Non-Executive Director and Chairman of the Board of Directors and makes recommendations in respect of their remuneration, bonuses and other terms of employment. In addition the Nomination and Compensation Committee approves the remuneration, bonuses and other terms of employment and appoints the members of the Group Portfolio and Investment Committee, the Group Treasury and Accounting Committee and the Group Executive Committee and recommends candidates for the Audit Committee and plans the succession within the Board of Directors and committees. It is chaired by the Chairman of our Board of Directors and is further comprised of up to three Non-Executive Directors appointed by the Board of Directors. The current members of our Nomination and Compensation Committee are Mr. Korteweg (in the Chair), Mr. Warden, Mr. Jonkhart and Mr. Dacier.

The Dutch Corporate Governance Code (the "Code") requires the Board to have three committees: an audit committee, a compensation committee and a nomination committee. For efficiency reasons, including the fact that we have only one Executive Director, we have combined the functions of the compensation committee with those of the nomination committee into one Nomination and Compensation Committee. Under the Code, the Chairman of the Board shall not chair the compensation committee; he may, however, chair the nomination committee. Given the fact that we have combined both committees and also having regard to the fact that the Chairman of the Board is very familiar with international executive compensation, we believe that the Chairman of the Board is the best person to chair our Nomination and Compensation Committee.

Our Nomination and Compensation Committee met five times during 2011. During such meetings it discussed and approved occurrences and developments under the Company's bonus and incentive plans, salaries and bonuses of members of the Group Executive Committee, certain changes with respect to certain Executive Officers, succession planning, the granting of options and other compensation to certain Executive Officers, all within the limits of our remuneration policy. In line with the Dutch Corporate Governance Code, the Company has included the 2011 remuneration report in this Annual Report.

Profile of the Board

Our Board of Directors maintains a profile of the Non-Executive Directors containing guidance and requirements with respect to composition of the Board and competences and experience of its Non-Executive members. The profile is available on the website of the Company. In 2011 the Board has carried out an assessment on the basis of which it has determined that the requirements of the profile of the Non-Executive Directors continue to be met. In addition, any Non-Executive Director's (re)appointment to the Board shall be based on consistency with the profile.

Executive Officers

Pursuant to our Articles and Board Rules the Executive Director is the Chief Executive Officer of the Company. He is responsible for managing the operational running of the AerCap group of companies and he is assisted by the Group Executive Committee.

The current Executive Officers (in addition to Mr. Kelly who is our Executive Director and Chief Executive Officer, as described above) are:

Name	Age	Nationality	Gender	Position
Executive Officers				
Wouter (Erwin) den Dikken	44	The Netherlands	M	Chief Operating Officer & Chief Legal Officer
Keith Helming	53	USA	M	Chief Financial Officer
Tom Kelly	48	Ireland	M	Chief Executive Officer, AerCap Ireland
Edward (Ted) O'Byrne	40	France	M	Chief Investment Officer
Paul Rofe	52	United Kingdom	M	Group Treasurer
Joe Venuto	54	USA	M	Chief Technical Officer
Kenneth Wigmore	43	USA	M	Chief Marketing Officer

Wouter M. (Erwin) den Dikken. Mr. den Dikken was appointed as our Chief Operating Officer in 2010 in addition to his role as Chief Legal Officer to which role he was appointed in 2005. Mr. den Dikken also previously served as the Chief Executive Officer of our Irish operations. He joined our legal department in 1998. Prior to joining us, 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.

Keith A. Helming. Mr. Helming assumed the position of Chief Financial Officer of AerCap in 2006. Prior to joining us, he was a long standing executive at GE Capital Corporation, including serving recently for five years as Chief Financial Officer at aircraft lessor GECAS. He was with General Electric Company for over 25 years, beginning with their Financial Management Program in 1981. In addition to the GECAS role, Mr. Helming served as the Chief Financial Officer of GE Corporate Financial Services, GE Fleet Services and GE Consumer Finance in the United Kingdom, and also held a variety of other financial positions throughout his career at GECC. Mr. Helming holds a Bachelor of Science degree in Finance from Indiana University.

Tom Kelly. Mr. Kelly was appointed Chief Executive Officer of AerCap Ireland in 2010. Mr. Kelly previously served as Chief Financial Officer of our 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 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, acting as a Senior Manager in their financial services practice. Mr. Kelly is a Chartered Accountant and holds a Bachelor of Commerce degree from University College Dublin.

Edward (Ted) O'Byrne. Mr. O'Byrne has been 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. He also currently serves as Chairman of the Board of AerCap's subsidiary AerVenture. Mr. O'Byrne joined AerCap in July 2007 as Vice President of 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 MBA from the University of Chicago Booth School of Business and his BA from EuroMed in France.

Paul Rofe. Mr. Rofe was appointed the Group Treasurer of AerCap in January 2008, previously serving in the role of Vice President Corporate Group Treasury, since joining the company in September of 2006. He began his career in the aviation leasing and financing business with a Kleinwort Benson subsidiary in 1995, and then moved to BAE Systems for seven years, where he held the positions of Director Asset Management and General Manager—Portfolio Management. Mr. Rofe qualified as an accountant in 1986 in the United Kingdom.

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 was the Senior Vice President Operations at AeroTurbine responsible for all technical related issues. Prior to joining AeroTurbine, Joe 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 & Powerplant technician for Eastern Airlines. Joe Venuto is a graduate of the College of Aeronautics and a licensed FAA Airframe and Powerplant Technician.

Kenny Wigmore. Mr. Wigmore was appointed Chief Marketing Officer for AerCap in September 2011. Previously he held the position of Head of Marketing for the Americas, overseeing customer relationships in North and South America since January 2008. Mr. Wigmore joined AerCap in April 2003 as Vice President Airline Marketing. Prior to joining AerCap, he worked as an Airline Analyst and later as Sales Director-China over a nine-year period with the aircraft manufacturer Fairchild Dornier. Mr.Wigmore holds a Bachelor of Science degree from Mount Saint Mary's University in Maryland, USA.

Executive Officer Compensation

In 2011, we paid an aggregate of approximately $9.2 million in cash (base salary and bonuses) and benefits as compensation to our seven Executive Officers during the year.

Compensation packages of our Executive Officers, consisting of base salary and bonuses and, for some executive officers, annual grants of AER restricted share units (along with other benefits), are determined by the Nomination and Compensation Committee upon recommendation of the Chief Executive Officer on an annual basis. The annual compensation package of our Chief Executive Officer, consisting of base salary, bonus and annual grants of AER restricted share units (along with other benefits), is determined by the Board of Directors, upon recommendation of the Nomination and Compensation Committee. In addition, equity awards may be granted by the Nomination and Compensation Committee under our equity incentive plan, as further outlined below.

The amount of the annual bonus and, if applicable, annual AER restricted share units (RSU) grant, for each Executive Officer and our Chief Executive Officer, determined by our Nomination and Compensation Committee and the Board of Directors, respectively, as set out above, is dependent on the target bonus level, pre-established for each individual Executive Officer and the Chief Executive Director by the Nomination and Compensation Committee and the Board of Directors, respectively, in combination with our actual performance relative to our internal budget for the past financial year, as approved by the Board of Directors each year, and the personal performance of the individual Executive Officer and the Chief Executive Officer, respectively. The annual bonuses are paid in arrears. Actual bonuses will not exceed target bonus levels as long as our budget for the relevant year has not been met, subject to exceptions which, if so, will be disclosed in this annual report. As a matter of policy, actual bonuses will be determined below target level in years that our budget is not met, unless specific circumstances require otherwise. The annual RSU awards are granted in arrears; these RSU's are time based with a three-year vesting period.

Equity awards granted to our Executive Officers under our equity incentive plan are subject to vesting criteria related to our performance relative to our internal budget or multiple-year planning, as approved by the Board of Directors each year, except the share options granted in December 2008 which are solely subject to time-based vesting criteria in view of the unpredictable global economic situation at the time of granting those particular option awards.

The restricted share units granted to our Executive Officers in 2010 and 2011 are all subject to vesting criteria related to our average performance over a number of years in order to promote and encourage good performance over a prolonged period of time. All equity awards contain change of control provisions causing immediate vesting of all equity awards, to the extent not yet forfeited, in case of a change of control as defined in the respective equity award agreements as per customary practice.

Severance payments are part of the employment agreements with three of our executive officers, including the Chief Executive Officer. The amount of the pre-agreed severance is based upon calculations in accordance with the so called cantonal court termination formula, as customarily applied in the Netherlands labor practice.

Equity Incentive Plans

Equity Incentives issued by the Cerberus Funds

In connection with the 2005 Acquisition and again during 2006, the Cerberus Funds, our indirect shareholders, issued restricted shares and share options to certain of our employees, directors and a consultant to retain such individuals and motivate them to achieve our primary long-term performance goals. Since their issuance, restrictions on all restricted shares have lapsed and restricted shares in the Cerberus Funds have been exchanged for AerCap shares, and all vesting criteria on options issued have either been fully satisfied or have lapsed. The indirect and direct ownership in our ordinary shares represented by the grants of shares and options discussed above are reflected in the table under "—Share Ownership".

AerCap Holdings N.V. Equity Incentive Plan

On October 31, 2006, we implemented an equity incentive plan that is designed to promote our interests by enabling us to attract, retain and motivate Directors, employees, consultants and advisors and align their interests with ours. This equity incentive plan provides for the grant of nonqualified share options, incentive share options, share appreciation rights, restricted share, restricted share units and other share awards ("NV Equity Grants") to participants of the plan selected by the Nomination and Compensation Committee of our Board of Directors. Subject to certain adjustments, the maximum number of equity awards available to be granted under the plan is equivalent to 4,251,848 of our shares.

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

In 2007 a total of 2,400,000 of non-qualified share options were issued under the equity incentive plan to certain employees of the Company. All options issued vest over a period of four years based on both time and performance based criteria. The options are exercisable at a strike prices of $24.63 per share option. As of December 31, 2011 1,162,500 of these options remain outstanding, all of which are vested, with the remainder having been forfeited due to not-meeting performance based criteria or otherwise.

In June 2008, a total of 100,000 of non-qualified share options were issued under the equity incentive plan to a certain employee of the Company. All options issued vest over a period of four years based on both time and performance based criteria. The options are exercisable at a strike price of $15.03 per share option. As of December 31, 2011, none of these options remain outstanding with the remainder having been forfeited due to not meeting performance based criteria or otherwise.

In December 2008, a total of 700,000 non-qualified share options were issued under the equity incentive plan to certain employees of the Company. All options issued are time-based only and vested on December 31, 2011 subject to certain conditions and all options are exercisable at a strike price of $2.95 per share option. As of December 31, 2011 550,000 of these options remain outstanding with the remainder having been exercised or forfeited.

In 2009, no additional awards were granted under the AerCap Holdings N.V. equity incentive plan.

In 2010 a total of 725,000 restricted share units were issued under the equity incentive plan to certain employees of the Company. 200,000 of these restricted share units will vest on May 31, 2013 based on both time and performance based criteria. 100,000 of these restricted share units will vest on February 28, 2015 based on both time and performance based criteria. The remaining 425,000 share units will vest on May 31, 2015 based on both time and performance based criteria. The performance criteria related to these restricted share units take into account the Company's average performance over a number of years with a view to promote and encourage good performance over a prolonged period of time. As of December 31, 2011, all restricted share units remain outstanding.

In December 2010, a total of 21,287 non-qualified share options were issued under the equity incentive plan to the Non-Executive Directors of the Company. All options issued are time-based only and vest at January 1, 2014 and all options are exercisable at a strike price of $14.12 per share option. As of December 31, 2011 all of these options remain outstanding.

In 2011 a total of 1,035,000 restricted share units were issued under the equity incentive plan to certain officers and employees of the Company. 500,000 of these restricted share units were issued to our Chief Executive Officer and they will vest in May 2015 based on both time and performance based criteria. 100,000 of these restricted share units will vest on May 31, 2014 based on both time and performance based criteria. It is noted that the performance criteria related to both grants of restricted share units take into account the Company's average performance over a number of years with a view to promote and encourage good performance over a prolonged period of time. The remaining 435,000 restricted share units were issued to certain employees of the Company not including the above-mentioned officers. These restricted share units will vest on March 31, 2015 and they are time-based only. As of December 31, 2011 all of these options remain outstanding.

In December 2011, a total of 23,662 non-qualified share options were issued under the equity incentive plan, of which 19,360 to the Non-Executive Directors of the Company and 4,302 to two non-executive directors of the Company's subsidiary company AerCap Ireland Limited. All options issued are time-based only and vest at January 1, 2015 and all options are exercisable at a strike price of $11.29 per share option. As of December 31, 2011 all of these options remain outstanding.

In March 2012, the Board of Directors approved a new Equity Incentive Plan for officers and employees and approved an increase in the compensation package of the Chief Executive Officer.

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. Our internal risk management and control framework is based on the COSO framework developed by the Committee of Sponsoring Organizations of the Treadway Commission (1992). The COSO framework aims to provide reasonable assurance regarding effectiveness and efficiency of an entity's operations, reliability of financial reporting, prevention of fraud and compliance with laws and regulations.

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

Planning and control cycle

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

Risk Management and Internal Controls

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

During 2011, we have further expanded our risk management policies, internal control documentation and assessment of such internal controls to provide further assurance regarding the reliability of our financial reporting. As of December 31, 2011, 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. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of December 31, 2011, such disclosure controls and procedures were effective to provide reasonable assurance that financial information required to be disclosed by us is free of material misstatement. The results of these assessments have been discussed with our Audit Committee and Disclosure Committee. Based on an evaluation and recommendation by the Disclosure Committee, the Chief Executive Officer and the Chief Financial Officer, we have concluded that:

- the financial statements as of and for the year ended December 31, 2011 provide reasonable assurance that the financial statements are free of material misstatement;
- the internal risk management and control systems with respect to financial reporting have operated effectively in 2011 and no material weaknesses were detected; and
- there are no indications that the Company's internal controls over financial reporting will not operate effectively in 2012.

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

Controls and Procedures Statement Under the Sarbanes-Oxley Act

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

Disclosure Controls and Procedures

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

Code of Conduct and Whistleblower Procedure

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

Compliance Procedures

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

Corporate Social Responsibility

During 2011 the Board has discussed and reviewed our corporate social responsibility (CSR) objectives and activities. Although it is acknowledged that our aircraft are generally used for high impact activities when it comes to the environment, we maintain a fleet of young and fuel efficient aircraft and engines that are relatively less pollutive in comparison with other, older aircraft and engines that use more fuel and produce higher noise levels. In addition the Board has discussed and reviewed our activities and conduct as it relates to ethics, labor environment, citizenship and transparency and financial reporting.

External Auditors

Our external auditor is responsible for auditing the financial statements. Following the recommendation by the Audit Committee and upon proposal by the Board of Directors, the General Meeting of Shareholders appoints each year the auditor to audit the financial statements of the current financial year. The external auditor reports to our 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 during a continuous period of five years will rotate off. The current responsible partner was appointed in the year 2010 for the first time.

Internal Auditors

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

Ordinary Share Capital

As of December 31, 2011, our authorized capital amounts to 250,000,000 authorized ordinary shares, par value €0.01 per share, of which 149,232,426 were issued and outstanding inclusive of 9,332,982 treasury shares acquired through the Company's share buy back program that was executed during 2011.

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

Issuance of Ordinary Shares

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

At the Annual General Meeting held in 2011, pursuant to our Articles of Association, our shareholders delegated to our Board of Directors, for a period of five years, the power to issue and/or grant rights to subscribe for ordinary shares up to the maximum amount of our authorized share capital which, as of the date of this annual report was 250 million ordinary shares.

Preemptive Rights

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

Shareholders may limit or exclude preemptive rights. Shareholders may also delegate the power to limit or exclude preemptive rights to our Board of Directors with respect to ordinary shares, the issuance of which has been authorized by our shareholders. At the Annual General Meeting held in 2011, pursuant to our Articles of Association, our shareholders delegated to our Board of Directors, for a period of five years, the power to limit or exclude preemptive rights.

Repurchase of Our Ordinary Shares

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

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

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

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

At the Annual General Meeting held in 2011, pursuant to our articles of association our shareholders authorized our Board of Directors to acquire ordinary shares, which authorization is valid for 18 months.

In 2011 we repurchased ordinary shares and as per December 31, 2011 we hold 9,332,982 ordinary shares as treasury stock.

Annual General Meeting of Shareholders

A general meeting of shareholders is held each year to, amongst others, discuss the annual report and to adopt the annual accounts. Extraordinary meetings will be held as often as the Board of Directors deems desirable. Due to the fact that the Company is a Dutch company incorporated in The Netherlands with a listing at the NYSE, we must comply with both U.S. and Dutch rules and regulations. We also strive to harmonize prevailing U.S. and Dutch practices, to the extent practically possible. With regard to the registration or record date for determining the shareholders who are entitled to vote at a shareholders meeting, the Dutch Corporate Governance Code stipulates that Dutch listed companies should determine a record date for the exercise of voting rights by shareholders at a general meeting. Pursuant to section 2:119 sub 2 of Dutch Civil Code such record date must be on the 28^{th} day before the meeting, which provision we shall apply in relation to our annual general meeting of shareholders to be held in 2012. Resolutions to amend our Articles of Association are valid if adopted by the General Meeting of Shareholders by a simple majority of the votes cast upon proposal by the Board of Directors.

Protective Measures

There are no protective devices against takeovers in place.

Remuneration Report

This remuneration report is based on the remuneration policy of AerCap Holdings N.V. The remuneration policy was adopted by the Board of Directors and approved by the shareholders meeting on November 16, 2006. This remuneration report is applicable to members of our Board of Directors.

Non-Executive Directors

We currently pay each Non-Executive Director an annual fee of €75,000 and pay each of these Directors an additional €4,000 per meeting attended in person or €1,000 per meeting attended by phone. We pay our Chairman of our Board of Directors €150,000 per year. In addition, we pay the chair of the Audit Committee an annual fee of €25,000 and each 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 chair of the Nomination and Compensation Committee an annual fee of € 15,000 and each 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. Furthermore we pay Non-Executive Directors who are a member of the Group Treasury and Accounting Committee and/or the Group Portfolio and Investment Committee 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 grant of options to acquire shares in the Company, as provided for in the Company's remuneration policy for members of the Board of Directors and in accordance with the terms of the Company's share option plan. This plan is designed to promote the Company's interests by granting remuneration in the form of, amongst others, share or share options to Directors, employees, consultants and advisors with a view to align their interests with the Company's (the "AerCap Holdings N.V. Equity Incentive Plan"), as approved by our shareholders on October 31, 2006, prior to the listing of the shares in our Company on the New York Stock Exchange. On December 31, 2010 options to acquire a total of 21,287 shares in the Company have been granted under this plan to our Non-Executive Directors. All options issued are time-based only and vest at January 1, 2014 and all options are exercisable at a strike price of $14.12 per share option. On December 2011, options to acquire a total of 23,662 shares in the Company have been granted under this plan to our Non-Executive Directors. All options issued are time-based only and vest at January 1, 2015 and all options are exercisable at a strike price of $11.29 per share option. Although strictly not in line with the best practice provisions of the Dutch Corporate Governance Code, we believe these relatively small numbers of options are an effective means to further complement our Non-Executive Directors' remuneration, whereas they do not go against the spirit of the corresponding provision in the Code. All members of the Board of Directors are reimbursed for reasonable costs and expenses incurred in attending meetings of our Board of Directors.

Executive Director

During 2011, we paid Mr. Kelly, our only Executive Director, an annual base salary and we accrued for the payment of an annual discretionary bonus. In addition we granted Mr. Kelly with restricted share units. Mr. Kelly's compensation package was derived based on our understanding of comparable compensation packages for similar-sized competitors in our industry. Mr. Kelly's compensation package has been disclosed in the proxy materials for the annual general meeting of shareholders held in 2011, at which meeting Mr. Kelly has been appointed as Executive Director of the Company. We believe that the ratio of fixed and variable/incentive compensation is reasonable and provides an appropriate level of incentive compensation to promote the achievement of established targets. The targets established in relation to the incentive compensation relate primarily to the achievement of full-year net income targets. The restricted share units granted to Mr. Kelly are based on both time and performance based criteria. The performance criteria take into account the Company's average performance over a number of years with a view to promote and encourage good performance over a prolonged period of time. In addition, Mr. Kelly participates in the Company's defined benefit pension plan. Mr. Kelly also receives other employment benefits such as health insurance and a company car allowance. Mr. Kelly's employment contract expires on the day following the 2015 annual general meeting of shareholders, scheduled to be held in May 2015. His employment contract includes a severance clause with a pre-agreed severance amount based upon calculations in accordance with the so called cantonal court termination formula, as customarily applied in the Netherlands labor practice, which is deemed reasonable in view of his long term employment history with the Company. The serverance will be paid in the event that his employment is not renewed at expiration or is terminated without cause or in case of voluntarily leave for good reason (as such terms are defined in the employment agreement). As described in this report, Mr. Kelly has also been granted share options on our shares owned by one of our indirect shareholders. For further details on Mr. Kelly's remuneration we refer to note 27 to the consolidated financial statements in this report.

Shareholders Share Plan

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

AerCap Holdings N.V. Equity Incentive Plan

Reference is made to the paragraph in respect of the AerCap Holdings N.V. Equity Incentive Plan under the Executive Officers section in this report.

Amsterdam, March 23, 2012

Pieter Korteweg
Aengus Kelly
Salem Al Noaimi
Homaid Al Shemmari
James (Jim) Chapman
Paul Dacier
Richard (Michael) Gradon
Marius Jonkhart
Gerald (Liam) Strong
Robert (Bob) Warden

AerCap Holdings N.V. and Subsidiaries

Consolidated Balance Sheets

As of December 31, 2010 and 2011

(After proposed profit appropriation)

	Note	As of December 31, 2010 (1)	2011
		(US dollars in thousands except share and per share amounts)	
Assets			
Cash and cash equivalents		$404,450	$411,081
Restricted cash	3	222,464	237,325
Trade receivables, net of provisions of $2,606 and $3,530	4	49,055	16,063
Flight equipment held for operating leases, net	5	8,173,575	7,983,544
Net investment in direct finance leases		32,028	26,532
Notes receivable, net of provisions, of nil and nil	6	15,497	5,200
Prepayments on flight equipment	7	199,417	95,619
Investments	8	72,985	84,079
Goodwill	9	3,281	—
Intangibles	9	58,637	29,677
Inventory	10	121,085	13,953
Derivative assets	11	55,211	21,050
Deferred income taxes	16	174,200	169,496
Other assets	12	57,140	32,684
Total Assets		**$9,639,025**	**$9,126,303**
Liabilities and Shareholders' Equity			
Accounts payable		$16,045	$4,142
Accrued expenses and other liabilities	13	121,389	74,458
Accrued maintenance liability		465,229	492,361
Lessee deposit liability		130,031	102,844
Debt	14	6,414,162	5,962,490
Provision for onerous contracts	15	12,928	3,971
Deferred revenue		60,061	47,994
Derivative liabilities	11	55,769	27,159
Negative goodwill	32	102,419	83,882
Total Liabilities		7,378,033	6,799,301
Ordinary share capital, €0.01 par value (250,000,000 ordinary shares authorized, 149,232,426 ordinary shares issued and outstanding)	18	1,570	1,570
Additional paid-in capital		1,297,750	1,297,750
Treasury stock (9,332,982 ordinary shares)		—	(100,000)
Revaluation reserves	11	5,005	(8,513)
Accumulated retained earnings		950,620	1,130,114
Total Shareholders' Equity		2,254,945	2,320,921
Minority interest, net of taxes	17	6,047	6,081
Total Equity		2,260,992	2,327,002
Total Liabilities and Equity		**$9,639,025**	**$9,126,303**

(1) In accordance with RJ240.210, we made a reclassification of $103,161 from additional paid-in capital to retained earnings relating to share-based compensation.

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, 2010 and 2011

	Note	Year ended December 31, 2010 (1) (2) (3)	Year ended December 31, 2011 (1)
		(US dollars in thousands, except share and per share amounts)	
Revenues			
Lease revenue		$960,174	$1,106,541
Net gain on sale of assets		64,871	52,307
Management fee revenue		11,815	17,739
Interest revenue		4,269	3,096
Other revenue	13	3,819	12,283
Total Revenues	20	**1,044,948**	**1,091,966**
Expenses			
Depreciation	5	335,557	387,862
Asset impairment	22	22,844	28,250
Goodwill impairment and amortization	9	318	—
Interest on debt	14	240,258	300,917
Operating lease-in costs	15	12,332	12,069
Leasing expenses		61,965	67,128
Provision for doubtful accounts receivable	4	1,167	6,241
Selling, general and administrative expenses	21	120,228	159,907
Total Expenses		**794,669**	**962,374**
Income from continuing operations before income taxes and income of investments accounted for under the equity method		**250,279**	**229,592**
Provision for income taxes	16	(40,732)	(19,733)
Net income of investments accounted for under the equity method		3,713	10,904
Net Income from continuing operations		**$213,260**	**$220,763**
Income (loss) from discontinued operations (AeroTurbine), net of tax		—	(47,923)
Bargain purchase gain ("Amalgamation gain"), net of transaction expenses		274	—
Minority interest, net of taxes	17	(18,126)	(526)
Net Income		**$195,408**	**$172,314**
Total earnings per share, basic and diluted	23	$1.70	$1.18
Earnings (loss) per share from discontinued operations, basic and diluted		$—	$(0.33)
Earnings per share from continued operations, basic and diluted		$1.70	$1.51
Weighted average shares outstanding, basic and diluted		114,952,639	146,587,752

(1) Includes the results of AeroTurbine up to the closing date of the AeroTurbine transaction, October 7, 2011.

(2) Includes the results of Genesis Lease Limited ("Genesis") for the period from March 25, 2010 (date of acquisition) to December 31, 2010 and the issue of shares to Genesis and Waha Capital PJSC ("Waha") (Note 1).

(3) Certain reclassifications have been made to prior years' Consolidated Income Statements to reflect the current year presentation.

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, 2010 and 2011

	Note	Year ended December 31, 2010 (1) (2) (3)	2011
		(US dollars in thousands)	
Net income	20	$195,408	$172,314
Adjustments to reconcile net income to net cash provided by operating activities:			
Amalgamation gain (2)	1	(31,023)	—
Minority interest	17	18,126	526
Depreciation	5	335,558	387,862
Asset impairment	22	22,844	28,250
Amortization of debt issuance costs	14	26,410	33,001
Amortization of intangibles	9	22,070	17,319
Goodwill impairment and amortization	9	318	—
Provision for doubtful notes and accounts receivable	4	1,312	4,843
Capitalized interest on pre-delivery payments	7	(590)	(675)
Gain on disposal of assets		(37,203)	(12,681)
Loss on discontinued operations (AeroTurbine)		—	45,553
Mark-to-market of non-hedged derivatives	11	769	23,167
Deferred taxes	16	36,123	24,635
Share-based compensation	21	3,402	6,236
Changes in assets and liabilities:			
Trade receivables and notes receivable, net	4	(371)	(16,434)
Inventories	10	3,183	(18,100)
Other assets and derivative assets	11,12	(8,320)	(40,301)
Other liabilities	13	39,573	(23,135)
Deferred revenue		14,182	(9,289)
Net cash provided by operating activities		**641,771**	**621,581**
Purchase of flight equipment	5	(1,939,874)	(763,159)
Proceeds from sale/disposal of assets	5	664,059	140,760
Prepayments on flight equipment	7	(140,094)	(47,077)
Purchase of subsidiaries, net of cash acquired(*)		103,691	—
Purchase of investments	8	(7,500)	(2,500)
Proceeds from the disposal of subsidiaries, net of cash disposed		—	119,917
Purchase of intangibles	9	(9,006)	—
Movement in restricted cash	3	(50,262)	(15,831)
Net cash (used in) investing activities		**(1,378,986)**	**(567,890)**
Issuance of debt	14	2,324,609	1,672,089
Repayment of debt	14	(1,485,690)	(1,626,556)
Debt issuance costs paid	14	(60,889)	(37,306)
Maintenance payments received		90,165	110,358
Maintenance payments returned		(42,250)	(54,751)
Security deposits received		29,535	20,135
Security deposits returned		(39,710)	(37,190)
Repurchase of shares		—	(100,000)
Issuance of equity interests (**)		110,243	—
Capital contributions from minority interests	17	32,375	—
Net cash provided by (used in) financing activities		**958,388**	**(53,221)**
Net increase in cash and cash equivalents		221,173	470
Effect of exchange rate changes		660	6,161
Cash and cash equivalents at beginning of period		182,617	404,450
Cash and cash equivalents at end of period		**$404,450**	**$411,081**

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, 2010 and 2011

	Note	Year ended December 31, 2010 (1) (2) (3)	2011
		(US dollars in thousands)	
*** Purchase of subsidiaries, net of cash acquired:**			
Consideration paid (34.4 million shares issued at a share price of $10.83)		$372,327	$—
Fair value of net assets acquired		(403,350)	—
Amalgamation gain (2)		31,023	—
Cash acquired		103,691	—
Purchase of subsidiaries, net of cash acquired	1	**$103,691**	$—
****The issuance of equity interest is a net presentation of the following items:**			
Consideration paid (29.8 million shares issued at a share price of $13.85)		$413,376	$—
Purchase of minority interests		(262,092)	—
Purchase of investments		(41,041)	—
Issuance of equity interests (net cash received)	1	**$110,243**	$—
Supplemental cash flow information:			
Interest paid	14	185,106	224,129
Taxes paid (refunded)		641	135

(1) Includes the results of Genesis for the period from March 25, 2010 (date of acquisition) to December 31, 2010 and the issue of shares to Genesis and Waha.

(2) The Amalgamation gain, net of transaction expenses of $274, as presented in the consolidated income statement, consists of the Amalgamation gain of $31,023, as presented in the consolidated statement of cash flow and transaction expenses of $30,749 (Note 1).

(3) Certain reclassifications have been made to prior years' Consolidated Statements of Cash Flows to reflect the current year presentation.

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

AerCap Holdings N.V. and Subsidiaries

Consolidated Statements of Shareholders' Equity

For the Years Ended December 31, 2010 and 2011

	Number of Shares	Share capital	Additional paid-in capital	Treasury stock	Retained (loss) earnings	Revaluation reserves	Total shareholders' equity
			(US dollars in thousands, except share amounts)				
Year ended December 31, 2010							
Balance at January 1, 2010	85,036,957	$699	$512,918	$—	$751,293	$—	$1,264,910
Share-based compensation	—	—	—	—	2,842	—	2,842
Issuance of equity capital	64,195,469	871	784,832	—	—	—	785,703
Purchase of minority interests (1)	—	—	—	—	(995)	—	(995)
Sale to joint venture partner	—	—	—	—	2,072	—	2,072
Comprehensive income:							
Net change in fair value of derivatives, net of $715 tax (2)	—	—	—	—	—	5,005	5,005
Net income for the period	—	—	—	—	195,408	—	195,408
Comprehensive income	—	—	—	—	195,408	5,005	200,413
Balance at December 31, 2010	**149,232,426**	**$1,570**	**$1,297,750**	**$—**	**$950,620**	**$5,005**	**$2,254,945**
Year ended December 31, 2011							
Balance at January 1, 2011	149,232,426	$1,570	$1,297,750	$—	$950,620	$5,005	$2,254,945
Share-based compensation	—	—	—	—	7,180	—	7,180
Purchase of treasury stock	—	—	—	(100,000)	—	—	(100,000)
Comprehensive income:							
Net change in fair value of derivatives, net of $1,913 tax (2)	—	—	—	—	—	(13,518)	(13,518)
Net income for the period	—	—	—	—	172,314	—	172,314
Comprehensive income	—	—	—	—	172,314	(13,518)	158,796
Balance at December 31, 2011	**149,232,426**	**$1,570**	**$1,297,750**	**$(100,000)**	**$1,130,114**	**$(8,513)**	**$2,320,921**

(1) In November 2010, we repurchased Waha's 50% equity interest in AerVenture. The purchase is accounted for as an equity transaction and no gain or loss was recognized but decreased shareholders' equity by $995, through the elimination of the related minority interest.

(2) In 2010 and 2011 we entered into interest rate swaps for which we achieved cash flow hedge accounting treatment. During 2011 and 2010 no amounts were reclassified from revaluation reserves to the income statement.

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

AerCap Holdings N.V. and Subsidiaries

Notes to the Consolidated Financial Statements

(US dollars in thousands)

1. General

The Company

We are an independent aircraft leasing company with $9.1 billion of total assets on our balance sheet mainly consisting of 251 aircraft. We are a New York Stock Exchange-listed company (AER) headquartered in The Netherlands with offices in Ireland, the United States, China, Singapore, and the United Arab Emirates.

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

Special purpose entities

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

In May 2006, we signed a joint venture agreement with China Aviation Supplies Holding Company ("China Aviation") and affiliates of Crédit Agricole establishing AerDragon ("AerDragon"). AerDragon is 50% owned by China Aviation and 25% owned by us and Crédit Agricole. The joint venture owned 17 aircraft as of December 31, 2011. We act as guarantor to the lenders of AerDragon related to debt secured by the aircraft which AerDragon purchased directly from us. We provide certain aircraft and accounting related services to the joint venture. We have determined that we exercise significant influence but do not exercise control over AerDragon and accordingly, we account for our investment in AerDragon according to the net asset value. With the exception of debt for which we act as guarantor, the obligations of AerDragon are non-recourse to us. At December 31, 2011, our maximum exposure to losses incurred by AerDragon consists of the carrying amount of our equity investment of $36.5 million and the face value of the debt guaranteed of $21.8 million, totaling $58.3 million.

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

In 2010, we entered into three 50% joint ventures with three separate joint venture partners. The three joint ventures collectively own ten aircraft, consisting of three A330 aircraft, three A320 aircraft and four CRJ aircraft (joint venture with Waha). On June 1, 2011 we sold our 50% interest in three A330 aircraft that had been part of a joint venture. We have determined that the remaining two joint ventures are special purpose entities for which we exercise control. As such, we have consolidated these two joint ventures in our accounts. In 2010, we also entered into a 40% joint venture with Waha, which owned 10 aircraft as of December 31, 2011. We have determined that the 40% joint venture is a special purpose entity.

AerCap further determined that do not exercise control on the 40% joint venture and accordingly, we account for our investment in the 40% joint venture at net asset value.

Genesis Transaction

The Genesis Transaction completed on March 25, 2010 is fully reflected in all AerCap Holdings N.V. 2010 consolidated financial statements except for the first quarter 2010 income statement (including the number of outstanding shares used for earnings per share calculations) and cash flow statement. The amalgamation gain of $274 (net of transaction expenses) is reflected in one line item in the income statement and the impact of the Genesis Transaction on the cash flow statement was also reflected in a one line item (purchase of subsidiaries, net of cash acquired).

One important factor that led us to undertake the Genesis Transaction included the ability to achieve several key strategic and financial objectives in a single transaction, such as access to a significant amount of unrestricted cash without the dilutive impact on earnings per share as compared to other alternatives, the combination of Genesis' expected unrestricted cash generation with our growth outlook, the improvement of our quality of earnings, the increase in our global client base, significant cost synergies and improved share trading liquidity for shareholders. We believe that the Genesis Transaction helped to create a company that is a leading participant in the aircraft leasing businesses, with a strong balance sheet and diversified and profitable business lines.

The significant amalgamation gain resulted from the difference between the consideration paid and the fair value of net assets acquired as of March 25, 2010. The consideration for Genesis consisted of a fixed number of shares (one for one), which was agreed upon on September 18, 2009. The trading price of our shares and Genesis' shares was $8.81 and $8.45, respectively, on September 17, 2009. Due to the market conditions, both AerCap's and Genesis' share prices were trading at distressed levels and significantly below the book value of the shares. Subsequently, the consideration paid was determined by the trading price of our shares on the closing date of the transaction (March 25, 2010), multiplied by the agreed upon fixed number of shares. On March 25, 2010, the trading price of our shares was $10.83, which remained lower than the book value of our shares. This distressed share price multiplied by the fixed number of shares, resulted in a consideration paid of $372.3 million, which was significantly less than the fair market value of the net assets acquired of $403.4 million.

Waha Transaction

On November 11, 2010, we completed a transaction with Waha. As part of this transaction, we issued approximately 29.8 million new shares to Waha. In exchange, we received $105 million in cash, Waha's 50% interest in the joint venture company AerVenture, a 40% interest in Waha's 10-aircraft portfolio and a 50% interest in Waha's 4-aircraft portfolio. As of December 31, 2010, AerVenture is wholly owned subsidiary of AerCap.

AeroTurbine Transaction

On October 7, 2011, we completed the sale of AeroTurbine to ILFC for $228.0 million. As a result of the sale we recognized a loss from discontinued operations of $47.9 million in the year ended December 31, 2011. The loss consisted of: (1) $22.5 million of bank fees, legal fees and contractual incentive payments to AeroTurbine management, (2) a $8.7 million deferred tax asset write-off as a result of the transfer of tax losses to the buyer; and (3) a $16.7 million book loss. The sale resulted in a $119.9 million increase of our cash position, net of incentive payments and net of AeroTurbine's cash held at the transaction date.

The results of AeroTurbine can be summarized as follows:

	Period ended	
	December 31, 2010	**October 7, 2011**
Total revenues	$89,861	$98,798
Income (loss) before taxes	(3,077)	5,900
Provision for income taxes	(122)	(3,530)
Income (loss), net of tax	(3,199)	2,370

The carrying amounts of major classes of assets and liabilities of AeroTurbine as of December 31, 2010 are:

	As of December 31, 2010
Assets	
Flight equipment held for operating leases, net	$311,643
Inventory	103,363
Trade receivables, net of provisions	35,051
Cash and cash equivalents	35,362
Other assets	14,363
Liabilities	
Debt	$291,628
Accrued expenses and other liabilities	16,313
Accounts payable	12,423
Accrued maintenance liability	8,306

As of December 31, 2011 we did not have any assets or liabilities from discontinued operations in our Consolidated Balance Sheet.

Cash flows provided by operating activities from discontinued operations were $19.6 million, cash flows used in investing activities from discontinued operations were $32.7 million and cash flows provided by financing activities from discontinued operations were $16.0 million for the period ended October 7, 2011.

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 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 and the current increase in oil prices 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 on our balance sheet—flight equipment held for operating leases—is subject to fluctuations in the 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 receivable, intangible lease premium assets and the provision for onerous contracts are dependent upon the financial viability of related lessees, which is directly tied to the health of the commercial aviation market worldwide.

We have significant tax losses carried forward in some of our subsidiaries, which are recognized as tax assets on our balance sheet. The recoverability of these assets is dependent upon the ability of the related entities to generate a certain level of taxable income in the future. If those entities cannot generate such taxable income, we will not realize the value of those tax assets and a corresponding valuation allowance and tax charge will be required.

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

Related parties

All group companies and related parties mentioned in Note 25 and Note 29 are considered to be related parties. Transactions between group companies are eliminated upon consolidation.

Note to the cash flow statement

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

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

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

2. Summary of significant accounting policies

Basis for presentation

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

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

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

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

Use of estimates

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

In the year ended December 31, 2011, we changed our estimates of useful lives and residual values of certain older aircraft. The change in estimates is a result of the current market conditions that have negatively affected the useful lives and residual values for such aircraft. The effect on net income from continuing operations for the year ended December 31, 2011 was to reduce net income by $7.6 million, or $0.05 basic and diluted earnings per share.

Change in accounting policy

Gain on sale of assets—We have historically presented our gain on sale of assets on a net basis, with the net book value of the asset being sold and related direct selling costs netted against sales consideration as gain on sale of assets. As a result of the acquisition of AeroTurbine, effective January 1, 2006, we changed our presentation of sales of aircraft on a gross basis in our Consolidated Income Statements. As a result of the disposal of AeroTurbine in the fourth quarter of 2011, and to align with the presentation of our competitors in the industry, we changed our presentation back to as it was before the AeroTurbine acquisition. This presentation has also been applied retrospectively in our Consolidated Income Statements to provide the reader with meaningful and comparable information. If we would have applied the prior year gross presentation our revenues and costs would been $785.2 million and $262.3 million higher in the years ended December31, 2010 and 2011, respectively.

Reclassifications

Cashflow—The Consolidated Statement of Cashflows for the year ended December 31, 2010 includes a reclassification, as compared to the 2010 Dutch GAAP Annual Report, of $59.2 million from net cash provided by financing activities to net cash provided by operating activities, to better reflect the operating income derived from maintenance receipts. There were no changes to the Consolidated Balance Sheet, Net Income or Total Equity as a result of this reclassification in the period.

Foreign currencies

Foreign currency transactions are translated into U.S. dollars, which is the currency of the primary economic environment in which the group operates, at the exchange rate prevailing at the time the transaction took place or at the rates of exchange under related forward contracts where such contracts exist. Subsequent receivables or payables resulting from such foreign currency transactions are translated into U.S. dollars at the exchange rate prevailing at each balance sheet date. Translation differences on non-monetary assets held at cost are recognised using the exchange rates prevailing at the dates of the transactions (or the approximated rates). All resulting exchange gains and losses are taken to the income statement under selling, general and administrative expenses. All group companies have the U.S. dollar as their functional currency, given the nature of the business.

Consolidation

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

Group companies and other entities in which AerCap Holdings N.V. exercises control or whose central management it conducts are consolidated in full. Companies are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. Minority interests in group equity and group profit are disclosed separately.

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

Since the income statement for 2011 of AerCap Holdings N.V. is included in the consolidated financial statements, an abridged income statement has been disclosed (in the company financial statements) in accordance with Section 402, Book 2, of the Netherlands Civil Code.

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

Cash and cash equivalents

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

Restricted cash

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

Trade receivables

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

Flight equipment held for operating leases, net

Flight equipment held for operating leases, including aircraft, is stated at cost less accumulated depreciation and impairment. Costs incurred in the acquisition of aircraft or related leases are included in the cost of the flight equipment and depreciated over the useful life of the equipment or term of the related lease. In instances where the purchase price includes additional consideration which can be allocated to the value of an acquired lease containing above market terms, such allocated cost is recognized as an intangible lease premium which is amortized over the term of the related lease. The cost of improvements to flight equipment are normally expensed unless the improvement materially increases the long-term value of the flight equipment or extends the useful life of the flight equipment. In instances where the increased value benefits the existing lease, such capitalized cost is depreciated over the life of the lease. Otherwise, the capitalized cost is depreciated over the remaining useful life of the aircraft. Flight equipment acquired is depreciated over the assets' useful life, based on 25 years from the date of manufacture, using the straight-line method to the estimated residual value. The current estimates for residual (salvage) values for most aircraft types are 15% of original manufacture cost. Differences between our estimates of useful lives and residual values and actual experience may result in future impairments of aircraft and/or additional gains or losses upon disposal. We review residual values of aircraft periodically based on our knowledge of current residual values and residual value trends to determine if they are appropriate and record adjustments as necessary.

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

Net realizable value is determined based on appraisers data and reference to an active market. Value in use, is determined as the present value of cash expected to be received from the aircraft in the future, including its expected residual value discounted at a rate commensurate with the associated risk. Future cash flows are assumed to occur under then current market conditions and assume adequate time for a sale between a willing buyer and a willing seller. Expected future lease rates are based on all relevant information available, including current contracted rates for similar aircraft, appraisal data and industry trends. Residual (salvage) value assumptions generally reflect an aircraft's booked residual, except where more recent industry information indicates a different value is appropriate. We generally focus our impairment assessment on older aircraft as the cash flows supporting the carrying value of such older aircraft are more dependent upon current lease contracts, which leases are more sensitive to weaknesses in the global economic environment. We review and stress our key assumptions to reflect any observed weakness in the global economic environment. Further deterioration of the global economic environment and a further decrease of aircraft values might have a negative effect on the discounted cash flows of older aircraft and might triggering further impairments.

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

Leases

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

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

Notes receivable

Notes receivable arise primarily from the restructuring and deferring of trade receivables from lessees experiencing financial difficulties. Allowances are made for doubtful accounts where there is a significant risk of non-recovery of the note receivable. The assessment of the risk of non-recovery is primarily based on the extent to which amounts outstanding exceed the value of security held, together with an assessment of the financial strength and condition of a debtor and the economic conditions persisting in the debtor's operating environment.

Capitalization of interest

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

Investments

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

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

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

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

Goodwill/Negative goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries over the fair value of identifiable net assets at the dates of acquisition. Goodwill is amortized on a straight line basis over the estimated useful life with a maximum of 20 years and is tested for impairment annually or more often when events or circumstances indicate that there may have been impairment. Negative goodwill is released to income in accordance with the weighted average remaining life of the depreciable or amortisable assets acquired. In the event of a disposal of an asset a relative portion of the negative goodwill based on the weighted average book value of the acquired asset is released to the income statement.

Intangible assets

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

Inventory

Inventory, which consists primarily of engine and airframe parts, is valued at the lower of cost or net realizable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Deferred income taxes (assets and liabilities)

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

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

Other assets

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

Shareholders' equity

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

Minority interest

The minority interest in group equity is carried at the amount of the net interest in the group companies concerned. Insofar as the group company concerned has a negative net asset value, the negative value and other future losses are not allocated to the minority interest, unless the third party shareholders have a constructive actual obligation, and are capable, to clear the losses. As soon as the net asset value of the group company is positive again, profits are again allocated to the minority interest. Transactions between the AerCap and it's minority interests are eliminated. Gains and losses arising from acquisitions and disposals of minority interests are recognized through shareholder's equity.

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 on the balance sheet if it is likely to be received upon settlement of the obligation.

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

Accrued maintenance liability

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

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

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

In addition, we may be obligated to make additional payments to the lessee for maintenance related expenses (lessor maintenance contributions or top-ups) primarily related to usage of major life-limited components occurring prior to entering into the lease. In all lease contracts where we agree to make lessor contributions to compensate for qualifying maintenance work during the lease, we record an accrued maintenance liability through a charge to leasing expenses at the commencement of the lease based on our estimate of maintenance events which will occur during the lease.

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

Debt

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

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

Derivative financial instruments

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

All derivatives are recognized on the balance sheet at their fair value (market value). Market value is the amount at which an asset can be traded or a liability settled between knowledgeable, willing parties in an arm’s length transaction. If no market value can be readily and reliably established, market value is approximated by deriving it from the market value of components or of a comparable financial instrument, or by approximating market value using valuation models and valuation techniques. Valuation techniques include using recent arm’s length market transactions between knowledgeable, willing parties, if available, reference to the current market value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models, making allowance for entity-specific inputs.

When cash flow hedge accounting treatment is achieved, 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 income. Changes in fair value related to the effective portion of the derivatives are reclassified out of revaluation reserves into income for any ineffective portion of the derivative contract which is calculated at each quarter end. Amounts reflected in revaluation reserves related to the effective portion are reclassified into earnings in the same period or periods during which the hedged transactions affects earnings.

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 a hedged item; (ii) the derivative expires or is old, 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 carry the derivative at its fair value on the balance sheet, recognizing 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 the income statement unless it is probable that the forecasted transaction will not occur. Such amounts are recognized in earnings when earnings are affected by the hedged transaction.

When cash flow hedge accounting treatment is not achieved, the changes in fair values between periods are recognized as a reduction or increase of interest expense on the income statement in accordance with RJ 290.

Net cash received or paid under derivative contracts, where material in any reporting period, is classified as operating cash flow in our consolidated cash flow statements.

Revenue recognition

As lessor, we lease flight equipment principally under operating leases and report rental income ratably over the life of the lease as it is earned. We account for lease agreements that include step rent clauses on a straight line basis. Lease agreements for which base rent is based on floating interest rates are included in minimum lease payments based on the floating interest rate existing at the inception of the lease; any increases or decreases in lease payments that result from subsequent changes in the floating interest rate are contingent rentals and are recorded as increases or decreases in lease revenue in the period of the interest rate change. In certain cases, leases provide for rentals based on usage. The usage may be calculated based on hourly usage or on the number of cycles operated, depending on the lease contract. We cease revenue recognition on a lease contract when the collectibility of such rentals is no longer reasonably assured. For past-due rentals which have been recognized as revenue, provisions are established on the basis of management's assessment of collectibility and to the extent such rentals exceed related security deposits held, and are recorded as expenses on the income statement.

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

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

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

Revenue from secured loans, notes receivables and other interest bearing instruments is recognized on an effective yield basis as interest accrues under the associated contracts. Revenue from lease management fees is recognized as income as it accrues over the life of the contract. Revenue from the receipt of lease termination penalties is recorded at the time cash is received or when the lease is terminated, if collection is reasonably assured. Other revenue includes any net gains we generate from the sale of aircraft related investments, such as our subordinated interests in securitization vehicles and notes, warrants or convertible securities issued by our lessees, which we receive from lessees as compensation for amounts owed to us in connection with lease restructurings.

Interest income and expense

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

Exchange rate differences

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

Personnel remuneration

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

Share-based compensation

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

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

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

Tax on profit/(loss) on ordinary activities

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

Earnings Per Share

Earnings per share is computed by dividing income available to ordinary shareholders by the weighted-average number of ordinary shares outstanding during the period. For the purposes of calculating diluted earnings per share, 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 share options.

Segment Reporting

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

Financial instruments and risk management

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

The following discussion should be read in conjunction with Notes 2, 3 and 11 to the audited consolidated financial statements which provide further information on our derivative instruments.

Interest Rate Risk—The rentals we receive under our leases are based on fixed and variable interest rates. We fund our operations with a mixture of fixed and floating rate debt and finance lease obligations. An interest rate exposure arises to the extent that the mix of these obligations are not matched with our assets. This exposure is primarily managed through the use of interest rate caps, 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 and floors, we will receive or pay the excess, if any, of LIBOR, reset monthly or quarterly on an actual/360 adjusted basis, over the strike rate of the relevant cap.

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

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

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

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

3. Restricted cash

Restricted cash consists of the following at December 31:

	2010	2011
Cash securing our obligations under ECA-guaranteed financings	$36,703	$38,365
Cash securing our obligations under ALS I debt	39,770	39,331
Cash securing our obligations under ALS II debt	13,982	14,941
Cash securing our obligations under UBS revolving credit facility debt	56,594	58,591
Cash securing our obligations under Genesis Funding Limited ("GFL") securitization debt	18,526	24,564
Cash securing our obligations under TUI portfolio acquisition facility debt	11,608	11,747
Cash securing our obligations under other debt	47,745	54,742
Cash securing our obligations under the LILO head leases (Note 15) and cash securing the guarantee of lease obligations/indebtedness of a LILO sublessee (Note 13)	6,837	—
Cash securing our obligations under derivative instruments (Note 11)	(11,380)	(7,170)
Other	2,079	2,214
	$222,464	**$237,325**

The cash securing our obligations under all our debt facilities is restricted and can only be used to pay for operating expenses incurred by the respective financing vehicle and to pay for interest and debt amortization of the respective debt. The majority of the restricted cash represents collections of these structures in the previous period, which will be paid as interest and debt amortization at the next payment date. The cash securing our rights and obligations under derivative instruments relates to interest rate caps and swaps for which we had to pay cash into restricted cash accounts for the benefit of our counterparties or for which we received cash into restricted cash accounts from our counterparties for our benefit.

4. Trade receivables, net of provisions

Trade receivables consist of the following at December 31:

	2010	2011
Trade receivables	$51,661	$19,593
Provision for doubtful accounts	(2,606)	(3,530)
	$49,055	**$16,063**

Trade receivables include amounts invoiced to lessees in respect of lease rentals and maintenance reserves. As of December 31, 2011, we did not have any trades receivables recorded in relation to lessee defaults. All trade receivables are due within one year.

The change in the provision for doubtful accounts is set forth below:

	Year ended December 31,	
	2010	2011
Provision at beginning of period	$3,392	$2,606
Expense for doubtful accounts	1,167	6,241
Sale of AeroTurbine	—	(5,473)
Other(1)	(1,953)	156
Provision at the end of period	**$2,606**	**$3,530**

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

5. Flight equipment held for operating leases, net

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

	Year ended December 31,	
	2010	2011
Net book value at beginning of period	$5,366,071	$8,173,575
Fair value of flight equipment acquired in acquisitions	1,337,412	—
Additions	2,531,719	882,625
Depreciation	(340,823)	(386,158)
Impairment (note 22)	(23,899)	(27,077)
Disposals	(646,841)	(333,140)
Transfers to direct finance leases/flight equipment held for sale	(3,550)	—
Transfer to inventory	(46,514)	(11,430)
Sale of AeroTurbine	—	(314,851)
Net book value at end of period	**$8,173,575**	**$7,983,544**
Accumulated depreciation/impairment at December 31, 2010 and 2011	$(1,009,843)	$(1,066,422)

At December 31, 2011, 245 out of our 251 owned aircraft and seven owned engines were on lease under operating leases to 89 lessees in 46 countries. The geographic concentrations of leasing revenues are set out in Note 19.

Prepayments on flight equipment (including related capitalized interest) of $468,933 and $151,550 have been applied against the purchase of aircraft during the years ended December 31, 2010 and 2011, respectively.

The following table indicates our contractual commitments for the prepayment and purchase of flight equipment in the periods indicated as of December 31, 2011:

	2012	2013	2014	Thereafter
Capital expenditures	$466,231	$220,648	$—	$294,793
Pre-delivery payments	31,320	57,742	91,119	18,224
	$497,551	**$278,390**	**$91,119**	**$313,017**

As of December 31, 2011, we expect to make capital expenditures related to five A330, seven A320 aircraft and ten Boeing 737 aircraft (excluding the remaining 31 American Airlines purchase-leaseback Boeing 737 aircraft) in 2012 and thereafter. As we implement our growth strategy, currently focused on the mid- to long-term, and expand our aircraft portfolio, we expect our capital expenditures to increase in the future. We anticipate that we will fund these capital expenditures through internally generated cash flows, draw downs on our committed revolving credit facilities and the incurrence of bank debt, and other debt and equity issuances.

Our current operating lease agreements expire over the next twelve years. The contracted minimum future lease payments receivable from lessees for equipment on non-cancelable operating leases at December 31, 2011 are as follows:

	Contracted minimum future lease receivables
2012	$942,212
2013	891,168
2014	762,176
2015	646,514
2016	524,857
Thereafter	1,465,597
	$5,232,524

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

6. Notes receivable

Notes receivable consist of the following at December 31:

	2010	2011
Secured notes receivable	$5,114	$4,794
Notes receivable from lessee restructurings	10,383	406
	$15,497	**$5,200**

The minimum future receipts under notes receivable at December 31, 2011 are as follows:

	Minimum future notes receivable
2012	$4,289
2013	911
	$5,200

7. Prepayments on flight equipment

In December 2005, we placed an order with Airbus for the forward purchase of 70 aircraft, including five aircraft subject to reconfirmation rights. (“2005 Forward Order”). During 2008 and the first two months of 2009, we notified Airbus that we would not take delivery of the five aircraft subject to reconfirmation rights. In 2009 four additional aircraft were added to the forward order. As of December 31, 2011, 52 aircraft had been delivered and 12 aircraft were sold. The remaining five A320 aircraft to be delivered as of December 31, 2011, are scheduled to be delivered between 2012 through 2013.

In December 2006, we placed an order with Airbus to acquire 20 new A330 wide-body aircraft. In May 2007, we added an additional ten A330 aircraft to this order. In 2009, two additional A330 aircraft were added to the forward order. As of December 31, 2011, 27 aircraft had been delivered of which eight aircraft were sold and five aircraft remained to be delivered pursuant to the agreement. The remaining five aircraft are scheduled to be delivered in 2012.

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

In connection with the current forward order contracts, we are required to make scheduled prepayments toward these future deliveries (Note 5). A total amount of interest of $7,978 and $4,439 was capitalized with respect to these payments for the years ended December 31, 2010 and 2011, respectively.

Following is a summary of the movements in prepayments on flight equipment during the years ended December 31, 2010 and 2011:

	Year ended December 31, 2010	Year ended December 31, 2011
Net book value at beginning of period	$527,666	$199,417
Prepayments made	132,706	43,313
Prepayments applied against the purchase of flight equipment	(468,933)	(151,550)
Interest capitalized	7,978	4,439
Net book value at end of period	**$199,417**	**$95,619**

8. Investments

Investments consist of the following at December 31:

	2010	2011
25% equity investment in unconsolidated joint venture (AerDragon)	$30,332	$36,473
40% equity investment in unconsolidated joint venture (AerLift)	41,662	46,456
43% equity investment in unconsolidated joint venture (AerData)	991	1,150
	$72,985	**$84,079**

Our equity investment in our unconsolidated joint ventures, AerDragon, AerLift and AerData, are accounted for at net asset value.

9. Intangible assets

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

	As of December 31, 2010		
	Gross	Accumulated amortization	Net
Lease premiums	$73,673	$(27,448)	$46,225
Customer relationships—parts	19,800	(9,229)	10,571
Customer relationships—engines	3,600	(2,516)	1,084
FAA certificate at AeroTurbine	1,100	(343)	757
Non-compete agreement	1,100	(1,100)	—
Net book value at end of period	**$99,273**	**$(40,636)**	**$58,637**

	As of December 31, 2011		
	Gross	Accumulated amortization	Net
Lease premiums	$67,882	$(38,204)	$29,677
Net book value at end of period	**$67,882**	**$(38,204)**	**$29,677**

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

	Year ending December 31, 2010	Year ending December 31, 2011
Net carrying value at beginning of period	$31,399	$58,637
Fair value of intangibles acquired in acquisitions	42,975	—
Sale of AeroTurbine	—	(10,468)
Purchases of intangible lease premiums	9,006	—
Amortization	(22,070)	(17,319)
Impairment (Note 22)	(2,673)	(1,173)
Net carrying value at end of period	**$58,637**	**$29,677**

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

	Amortization of intangible assets
2012	$11,578
2013	8,431
2014	6,137
2015	3,107
2016	424
	$29,677

The remaining weighted average amortization period for the amortizable intangible assets is 37 months (2010: 49 months). Please refer to Note 22 for the impairment analysis of intangible assets.

10. Inventory

Following are the major classes of inventory at December 31,

	2010	2011
Engine and airframe parts	$119,440	$13,953
Work-in-process	1,645	—
	$121,085	**$13,953**

The decrease in inventory in the year ended December 31, 2011 is mainly caused by the AeroTurbine Transaction.

11. Derivative assets and liabilities

The objective of our hedging policy is to adapt a risk adverse position with respect to changes in interest rates and foreign currencies. We have entered into a number of interest rate derivatives to hedge the current and future interest rate payments on our variable rate debt. Furthermore we have entered into a number of foreign currency derivatives to hedge the current and future Euro - US Dollar exposure to our business. These derivative products can include interest rate caps, floors, options and forward contracts.

As of December 31, 2011, we had interest rate swaps, caps and floors and several foreign currency forward contracts with combined notional amounts of $3.8 billion (2010: $4.2 billion) and a combined negative fair value of $6.1 million (2010: $0.6 million negative). The variable benchmark interest rates associated with these instruments ranged from one to six-month LIBOR.

We have not applied hedge accounting to any of the above derivatives. The change in fair value of the derivatives, therefore, is recorded in the income statement as an increase of interest expense as specified below:

	Year ended December 31, 2010	2011
Change in fair value of interest rate caps and floors	$27,720	$59,312
Change in fair value of interest rate swaps acquired in Genesis Transaction	(22,947)	(39,536)
	$4,773	**$19,776**

As of December 31, 2011 we had four interest rate swaps for which we achieved cash flow hedge accounting treatment. The four interest rate swaps had a combined notional amount of $0.5 billion and a combined negative fair value of $9.8 million as of December 31, 2011. As of December 31, 2010 we had two interest rate swaps for which we achieved cash flow hedge accounting treatment. The two interest rate swaps had a combined notional amount of zero and a combined positive fair value of $5.7 million as of December 31, 2010. The change in fair value related to the effective portion of these four interest rate swaps is recorded, net of tax, in revaluation reserve. We do not expect to reclassify amounts from revaluation reserves to net interest over the next 12 months.

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

Counterparties to currency exchange and interest rate derivatives consist of major international financial institutions. The Company continually monitors its positions and the credit ratings of the counterparties involved and limits the amount of credit exposure to any one party. While the Company may be exposed to potential losses due to the credit risk of non-performance by these counterparties, losses are not anticipated. The Company closely monitors the credit risk associated with its counterparties and customers and to date has not experienced material losses.

The maximum time period for which we hedge our exposure to forecasted transaction cash flow is 12 years, excluding the variability related to the payment of interest on floating rate debt obligations.

12. Other assets

Other assets consist of the following at December 31:

	2010	2011
Other tangible fixed assets	$9,634	$3,802
Receivables from aircraft manufacturer	18,281	12,990
Prepaid expenses	5,539	4,601
Other receivables	23,686	11,291
	$57,140	**$32,684**

13. Accrued expenses and other liabilities

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

	2010	2011
Guarantee liability	$1,251	$—
Accrued expenses	73,691	29,682
Accrued interest	24,137	26,702
Lease deficiency	22,310	18,074
	$121,389	**$74,458**

Lease deficiency—Lease deficiency represents lease rates for current lease contracts which are below current market rentals for the applicable aircraft at the time of purchase. The lease deficiency amortizes over the remaining term of the related lease agreements as a non-cash increase in lease revenue. The remaining weighted average amortization period for the lease deficiency is 109 months.

14. Debt

Debt consists of the following as of December 31:

	2010	2011 (1)	Weighted average interest rate December 31, 2011 (2)	Maturity
ECA-guaranteed financings	$1,577,325	$1,662,810	2.48%	2023
ALS I debt	806,574	640,332	0.53%	2032
ALS II debt	803,852	693,180	2.13%	2038
Revolving credit facility	591,676	461,421	3.18%	2016
GFL securitization debt	627,704	624,973	0.52%	2032
TUI portfolio acquisition facility	313,223	262,302	1.93%	2015
Skyfunding B737-800 acquisition facility	—	133,669	3.86%	2021
AT revolving credit facility	291,628	—	—	—
Subordinated debt joint ventures partners(3)	87,568	64,280	19.35%	2022
Other debt	1,466,613	1,568,198	4.19%	2023
Debt issuance costs	(152,001)	(148,675)		
	$6,414,162	**$5,962,490**		

1. As of December 31, 2011, we remain in compliance with the respective financial covenants across the Company's various debt obligations.

2. The weighted average interest rate in the table above excludes the impact of derivative instruments, interest rate caps and interest rate swaps, which we hold to hedge our exposure to interest rates.

3. Subordinated debt issued to two of our joint venture partners in 2008 and 2010.

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

	Debt maturing
2012	$800,861
2013	731,267
2014	739,025
2015	1,093,315
2016	909,666
Thereafter	1,837,031
	$6,111,165

ECA-guaranteed financings – A320 aircraft —In April 2003, we entered into an $840.0 million export credit facility ("ECA Facility") for the financing of up to 20 A320 Airbus Family aircraft up to December 31, 2005. Funding under the facility is provided by commercial banks, but the repayment is guaranteed by the ECA. In January 2006, the ECA Facility was amended and extended to cover an additional nine aircraft and its size increased to a maximum of $1.2 billion. In November 2008, the export credit facility was further amended to cover an additional aircraft and the maximum amount of the facility remained unchanged. The terms of the lending commitment in the ECA Facility are such that the ECA only approve funding for aircraft that are due for delivery on a six-month rolling basis and have no obligation to fund deliveries beyond that time frame. The margin over three-month LIBOR ranges from 0.12% to 0.90%. We are obligated to repay principal on ECA loans over a ten or 12-year term. The ECA Facility contains certain net worth financial covenants, a breach of which would cause us to lose some of our operational flexibility under our leases, such as a requirement to grant pledges over certain bank accounts to the respective lenders. In addition, all loans under the ECA Facility contain change of control provisions that grant the lenders the right to prepayment of their loans in the event of a change of control, unless the lenders consent to the change of control.

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

ECA-guaranteed financings 2008—Airbus A330 and A320 family aircraft — In December 2008, we entered into a $1.4 billion export credit facility for the financing of up to 15 Airbus A330 aircraft. From time to time since 2008, the export credit facility has been further amended to cover certain additional Airbus A330 and A320 family aircraft and an ECA capital markets transaction in relation to three A330 aircraft. The maximum size of the facility was increased to $1.6 billion.

Funding under the facility is provided by commercial banks, but the repayment is guaranteed by the ECA. The margin over three-month LIBOR is 1.47%, and a significant tranche of this ECA debt has been fixed at a weighted average rate of 3.02%. The interest rates for the remaining loans will be agreed on a rolling basis. We are obligated to repay principal on ECA loans over a ten or 12-year term. The export credit facilities contain affirmative covenants customary for secured financings. The facilities also contain net worth financial covenants. In addition, loans under the 2008 export credit facilities contain change of control provisions that grant the lenders the right to prepayment of their loans in the event of a change of control, unless the lenders consent to the change of control.

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

ECA-guaranteed financings 2009 – A320 aircraft— In March 2009, we entered into a $846.0 million export credit facility for the financing of up to 20 Airbus A320 aircraft. Funding under the facility is provided by commercial banks, but the repayment is guaranteed by the ECA. The interest rate for the aircraft financed as of December 31, 2011, is fixed and floating, with the fixed rate tranche bearing a weighted average interest cost of 4.23%, and the floating rate tranche bearing an average margin of 1.11% over three month USD LIBOR. We are obligated to repay principal on ECA loans over a ten or 12-year term. The export credit facilities contain affirmative covenants customary for secured financings. The facilities also contain net worth financial covenants. In addition, loans under the 2009 export credit facilities contain change of control provisions that grant the lenders the right to prepayment of their loans in the event of a change of control, unless the lenders consent to the change of control.

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

As of December 31, 2011, five A320 family aircraft under this facility have been delivered from the manufacturer. Following the redemption of shares issued by AerVenture such that AerCap AerVenture Holding NV became the 100% owner of the issued share capital in AerVenture, this facility will no longer be utilized. Only the Export Credit 2008 facility will be available for the financing of future contracted Airbus deliveries subject to customary ECA conditions.

At December 31, 2011, we had financed 44 aircraft under ECA-guaranteed financings. The net book value of aircraft pledged to the ECA was $2.0 billion at December 31, 2011.

ALS I debt—Aircraft Lease Securitisation Limited ("ALS I") is a special purpose company incorporated with limited liability in Jersey, Channel Islands, on August 10, 2005. The share capital of ALS I is owned 95.1% by Jersey charitable trusts and 4.9% by AerCap Ireland and is a consolidated subsidiary. ALS I was formed for the purpose of raising securitized debt financing on 42 of our aircraft which were not then subject to other secured financings. On May 8, 2007, we completed a refinancing of ALS I with the issuance of $1.7 billion of securitized notes in one class of AAA-rated class G-3 floating rate notes. The proceeds from the refinancing were used to redeem all outstanding ALS I debt, other than the most junior class of notes, to refinance the indebtedness that had been incurred to purchase 24 previously acquired aircraft, and to finance the purchase of four additional new aircraft, increasing ALS I's aircraft portfolio size to 70 aircraft. As a result of the refinancing, in 2007, we recorded additional interest expense of $27.4 million related to the write-off of unamortized debt issuance costs. Following a number of aircraft sales, there are 51 aircraft in the ALS I portfolio as of December 31, 2011.

The primary source of payments on the notes is lease payments on the aircraft owned by the subsidiaries of ALS I. We retained the most junior class of notes in the securitization, as a result of which we still consolidate ALS I's results in our financial statements. The net book value of the remaining 51 aircraft pledged as collateral for the securitization debt was $1.1 billion at December 31, 2011.

ALS I is bankruptcy-remote from us and the lenders to ALS I may only look to proceeds derived from the 57 ALS I aircraft for repayment. The indenture agreement, which governs the securitized notes, require that ALS I hold a designated amount of cash aside in restricted accounts for future cash flow requirements of ALS I. All cash held by ALS I is recorded as restricted cash on our balance sheets. The indenture also requires ALS I to comply with a number of general and operating covenants.

ALS II debt—On June 26, 2008, we completed a securitization in which Aircraft Lease Securitisation II Limited ("ALS II") issued securitized class A-1 notes and class A-2 notes, rated A+ by Standard & Poor's and A1 by Moody's. At closing in June 2008, the class A-1 notes each had an outstanding principal balance of zero, and were issued to commitment holders. The commitment holders committed to advance funds, subject to certain conditions.

The principal balance of the class A-1 notes increased in an amount equal to the amount advanced by each commitment holder. Funded class A-1 notes may be exchanged for class A-2 notes subject to certain conditions. The class A-1 notes are ranked pari passu with the class A-2 notes.

The advances made by the commitment holders were applied to purchase 30 aircraft from AerVenture Leasing 1 Limited, a subsidiary of AerVenture Limited (our consolidated joint venture). All 30 aircraft have been delivered to the transaction and the 30th aircraft was delivered in May 2010. The 30 aircraft are among the 70 aircraft being delivered by Airbus to AerVenture Limited between 2007 and 2011. The primary source of payments on the notes will be lease payments on the aircraft owned by subsidiaries of ALS II. The final maturity date of the notes will be June 26, 2038. During the year, a portion of A-1 notes were exchanged for A-2 notes.

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

At December 31, 2011 30 aircraft were financed in ALS II. The net book value of 30 aircraft pledged as collateral for the securitization debt was $1.1 billion at December 31, 2011.

Revolving credit facility—AerFunding 1 Limited ("AerFunding") is a special purpose company incorporated with limited liability in Bermuda. The share capital of AerFunding is owned 95% by a charitable trust and 5% by AerCap Ireland; AerFunding is a consolidated subsidiary. AerFunding was formed for the purpose of acquiring used aircraft assets which we acquire in the market. AerFunding entered into a non recourse senior secured revolving credit facility during 2006 in the aggregate amount of up to $1.0 billion with a syndicate of financial institutions led by UBS.

On June 10, 2010, the facility was amended and the revolving loans under the UBS revolving credit facility, which are divided into two classes, were amended. The maximum advance limit on class A loans was amended to $705.5 million from $830.0 million and the maximum advance limit on class B loans was amended to $144.5 million from $170.0 million. The borrowing period during which new advances may be made under the facility expired on May 9, 2011.

On June 9, 2011, the facility was amended to allow for an additional two year revolving period with a three year term-out period, extending the transaction to June 2016. The maximum facility size was amended to $775.0 million and the commitment and borrowings were amended to a single class of loans. In addition to UBS Securities LLC, lenders to the transaction are Credit Suisse AG, Citibank N.A, Nomura Global Financial Products Inc. and Scotiabank Europe plc.

In addition to borrowings under the revolving credit facilities, AerFunding has also issued subordinated notes to us at each aircraft purchase. Borrowings under the revolving credit facility can be used to finance between 73% and 78% of the lower of the purchase price and the appraised value of the eligible aircraft. In addition, value enhancing expenditures and required liquidity reserves are also funded by the lenders.

All borrowings under the revolving credit facility are subject to the satisfaction of customary conditions and restrictions on the purchase of aircraft that would result in our portfolio becoming too highly concentrated, with regard to both aircraft type and geographical location. Borrowings under the revolving credit facility are secured by, among other things, security interests in and pledges or assignments of equity ownership and beneficial interests in all of the subsidiaries of AerFunding, as well as by AerFunding's interests in the leases of its assets. Creditors of AerFunding may only look to the assets of AerFunding and its subsidiaries for repayment—the obligations of AerFunding 1 Limited are non-recourse to us.

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

At December 31, 2011, we had financed 18 aircraft under the UBS revolving credit facility. The net book value of aircraft pledged to lenders under the credit facility was $0.6 billion at December 31, 2011.

Genesis securitization debt— On December 19, 2006, Genesis Funding Limited, or GFL, completed a securitization and issued a single class of AAA-rated G-1 floating rate notes. The proceeds of the transaction were used by GFL to finance the acquisition of a portfolio of 41 aircraft. Following a number of sales, there are 38 aircraft in the GFL portfolio as of December 31, 2011. The primary source of payments on the notes is the lease payments on the aircraft owned by the subsidiaries of GFL. The notes have the benefit of a financial guaranty insurance policy issued by Financial Guaranty Insurance Company, or FGIC, which has issued a financial guaranty insurance policy to support the payment of interest when due on the notes and the payment of the outstanding principal balance of the notes on the final maturity date of the notes and, under certain other circumstances, prior thereto.

The notes initially were rated Aaa and AAA by Moody's Investors Service, Inc., or Moody's, and Standard & Poor's Rating Services or S&P, respectively. This rating was based on FGIC's rating. FGIC has suffered significant downgrades of its ratings since the issuance of the notes and is currently unrated by Moody's and S&P. As a result, Moody's and S&P have published stand-alone ratings of the G-1 notes of A3 and A-, respectively.

Credit Agricole provides a liquidity facility in the amount of $60.0 million, which may be drawn upon to pay expenses of GFL and its subsidiaries, senior hedge payments and interest on the notes. The final maturity date of the notes is December 22, 2032.

Interest on the notes are due and payable on a monthly basis. Scheduled monthly principal payments on the notes commenced in December 2009 and, subject to satisfying certain debt service coverage ratios and other covenants, will continue until December 2011. Since December 19, 2011, all revenues collected during each monthly period are applied to repay the outstanding principal balance of the notes, after the payment of certain expenses and other liabilities, including the fees of the servicer, the liquidity facility provider and the policy provider, interest on the notes and interest rate swap payments, all in accordance with the priority of payments set forth in the indenture.

GFL may voluntarily redeem the new notes for a redemption price of the notes equal to the outstanding principal balance of the notes. In addition, GFL must pay any accrued but unpaid interest on the notes and any premium due to FGIC upon redemption of the notes. GFL may redeem the notes in whole or in part, provided that if a default notice has been given under the trust indenture or the maturity of any notes has been accelerated then GFL may only redeem the notes in whole.

The notes are secured by first priority, perfected security interests in and pledges or assignments of equity ownership and beneficial interests in the subsidiaries of GFL, their interests in the leases of the aircraft they own, cash held by or for them and by their rights under agreements with GECAS, the initial liquidity facility provider, hedge counterparties and the policy provider. The notes are also secured by a lien or similar interest in any of the aircraft in the portfolio that are registered in the United States or Ireland.

At December 31, 2011 38 aircraft were financed in the GFL securitization. The net book value of 38 aircraft pledged as collateral for the securitization debt was $0.9 billion at December 31, 2011.

TUI portfolio acquisition facility—In June 2008, AerCap Partners I Holding Limited, or AerCap Partners I, a 50% joint venture established between us and Deucalion Aviation Funds, entered into a sale and leaseback transaction pursuant to which it agreed to purchase 11 Boeing 737-800, six Boeing 757-200 and two Boeing 767-300 aircraft from the TUI Travel Group, or TUI, and lease the aircraft back to TUI.

To finance the purchase of the 19 aircraft, a subsidiary of AerCap Partners I entered into a senior facility in an amount of up to $448.6 million with Crédit Agricole, KfW IPEX-Bank GmbH, Deutsche Bank AG London Branch and HSH Nordbank AG which was arranged by Crédit Agricole and KfW IPEX-Bank GmbH. The senior facility is divided into two tranches, the first being used to finance the purchase of the 11 Boeing 737-800 aircraft and the second to finance the purchase of the other eight aircraft. AerCap Partners I must repay the lenders for the amounts drawn on the senior facility in monthly installments starting on July 1, 2008 and the first day of each month thereafter (each a repayment date). The principal amount outstanding under the loan in relation to the first tranche must be repaid in full on April 1, 2015 and the principal amount outstanding under the loan in relation to the second tranche on April 1, 2012.

The aggregate principal amount of the loans outstanding under the senior facility as of December 31, 2011 was $262.3 million. Following drawdown of the amounts in relation to the 19 aircraft, the remaining commitment under the facility was cancelled subsequent to June 30, 2008.

Borrowings under the first tranche of the senior facility bear interest at a floating interest rate of one month LIBOR plus a margin of 1.58% until April 1, 2013 and a margin of 1.75% thereafter. Borrowings under the second tranche of the senior facility bear interest at a floating interest rate of one month LIBOR plus a margin of 2.00%. Interest under the senior facility is payable monthly in arrears on each repayment date. Borrowings under the AerCap Partners I facilities may be prepaid without penalty, except for break funding costs if payment is made on a day other than a repayment date. The maturity date of the senior facility will be, in respect of the first tranche, April 1, 2015, and, in respect of the second tranche, April 1, 2012. We are currently in the process of re-financing the second tranche of this facility.

If AerCap Partners I is the owner of the aircraft on the relevant maturity date of the senior facility (put option date) relating to the 15 aircraft (April 1, 2015 with respect to the 11 Boeing 737-800 aircraft and April 1, 2012 with respect to the remaining four aircraft) and amounts under the facility remain outstanding with respect to those aircraft on that maturity date of the senior facility (put option date), Crédit Agricole can require AerCap Holdings N.V. (i) to purchase those aircraft, (ii) to purchase those aircraft and the shares of the relevant lessor of those aircraft or (iii) to purchase the beneficial interest that AerCap Partners I has in those aircraft. Crédit Agricole can, subject to certain provisions including cure rights of Deucalion Aviation Funds, also exercise the put option on an AerCap Holdings N.V. insolvency event.

Borrowings under the senior facility are secured by, among other things, charges over the shares in AerCap Partners I, AerCap Partners I Holding Limited and Lantana Aircraft Leasing Limited, charges over various bank accounts, mortgages over the financed aircraft and security assignments of, inter alia, the lease agreements and letters of credit provided to AerCap Partners I by Royal Bank of Scotland plc. The senior facility contains customary covenants for secured financings through special purpose companies. AerCap Partners I is also subject to covenants included in the senior facility (a) to provide loan-to-value ratio appraisals to the agent on agreed dates and (b) that the ratio of tranche 1 aircraft to all financed aircraft must be at least 43%. The net book value of 15 aircraft pledged to lenders under the credit facility was $0.4 billion at December 31, 2011.

SkyFunding Facility

General. On October 24, 2011, SkyFunding Limited, a wholly owned subsidiary of AerCap Ireland Limited, entered into a $402.0 million credit facility, which was co-arranged by Crédit Agricole Corporate and Investment Bank, Norddeutsche Landesbank Girozentrale, Commonwealth Bank of Australia, Landesbank Hessen-Thüringen Girozentrale and DVB Bank SE. Crédit Agricole Corporate and Investment Bank acted as co-ordinating bank and senior agent.

The ten-year credit facility will provide long-term financing for up to 12 Boeing 737-800 NG aircraft subject to leases with American Airlines Inc.

The loans under the facility are divided into senior loans and subordinated loans. Each senior lender will participate in senior loans with respect to the aircraft allocated to such senior lender in an amount equal to its senior commitment. AerCap Ireland Limited, as subordinated lender, would participate in each subordinated loan in an amount to be agreed between SkyFunding Limited and AerCap Ireland Limited from time to time.

As of December 31, 2011, four of the 12 aircraft have been delivered and financed under the facility, the aggregate principal amount of the senior loans outstanding under the facility was $133.7 million and the undrawn senior commitment available for drawdown under the facility was $268.0 million. Each senior loan for an undelivered aircraft is available for drawdown up to three months after the end of the scheduled delivery month for such undelivered aircraft. Since the bankruptcy filing of American Airlines, as of March 23, 2012 we took delivery of another four aircraft of the remaining 31 aircraft. As of March 23, 2012, eight aircraft have been financed under the facility.

All borrowings under the facility are subject to the satisfaction of customary conditions precedent.

The senior loans bear interest at a floating interest rate of one month LIBOR plus a margin of 2.85%, payable quarterly in arrears on each repayment date. SkyFunding Limited has fixed the debt on a number of aircraft with a weighted average interest cost of 4.39%, and has also entered into certain interest rate caps.

All borrowings under the facility may be voluntarily prepaid, subject to minimum payment amounts and notice provisions, and subject to a prepayment fee of 2.00% of the amount prepaid if the voluntary prepayment is made before the first anniversary of the drawdown, a prepayment fee of 1.50% of the amount prepaid if the voluntary prepayment is made on or after the first and before the second anniversary of the drawdown and a prepayment fee of 1.00% of the amount prepaid if the voluntary prepayment is made on or after the second and before the third anniversary of the drawdown. There are no prepayment penalties for any voluntary prepayments made on or after the third anniversary of the drawdown.

Mandatory prepayments of borrowings under the facility are required under a number of circumstances, including: (a) upon the occurrence of a total loss with respect to a financed aircraft (in which case mandatory prepayment shall apply to such affected aircraft), (b) if, as a result of a change in law, any of the security documents ceases to be valid or enforceable, (c) in respect of any loan, any of the insurances relating to the applicable aircraft are not obtained or maintained in accordance with the requirements of the facility or such aircraft is operated in a place excluded from the insurance coverage (unless such aircraft is covered by contingent insurance policies taken out by the AerCap group) and (d) in respect of any loan, SkyFunding Limited enters into a replacement lease in respect of the related aircraft which does not comply with the requirements of the facility.

We are obligated to repay the principal over a ten year term from the initial drawdown date of each loan. Borrowings under the senior facility are secured by, among other things, mortgages on the aircraft, assignments of SkyFunding Limited's beneficial interest in the owner trust relating to each aircraft and SkyFunding Limited's and the relevant owner trustee's interests in the lease documentation relating to each aircraft. The facility contains customary covenants for secured financings, including general and operating covenants.

At December 31, 2011, we had financed four aircraft under the Skyfunding facility. The net book value of aircraft pledged to lenders under the facility was $0.2 billion at December 31, 2011.

Other debt—We have entered into various other commercial bank financings to fund the purchase of individual or small groups of aircraft and for general corporate purposes in respect of which the aggregate principal outstanding as of December 31, 2011 was $1.6 billion. These financings include:

	Amount outstanding at December 31, 2011
	(US dollars in thousands)
Pre-delivery payment facilities	$47,436
Secured aircraft portfolio transactions	232,614
Secured aircraft financings	1,000,302
Facilities for general corporate purposes	170,000
Japanese operating lease	75,011
Other financings	42,835
Total	**$1,568,198**

The financings mature at various dates through 2023. The interest rates are based on fixed or floating LIBOR rates, with spreads on the floating rate transactions ranging up between 0.24% and 5.50% or fixed rate between 1.38% and 12.00%. 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 us and, in certain cases, a mortgage on the applicable aircraft. All of our financings contain affirmative covenants customary for secured financings. At December 31, 2011, we had financed 51 aircraft and seven engines under other debt. The net book value of the aircraft pledged to other commercial bank financings was $1.7 billion at December 31, 2011.

15. Provision for onerous contracts

Provision for onerous contracts relates to the following item:

	2010	2011
Lease-in, lease-out transactions	$12,928	$3,971

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

	2010	2011
Balance January 1,	$22,363	$12,928
Movements		
Release to operating lease-in costs	(9,435)	(8,957)
	$12,928	**$3,971**

Accrual for onerous contracts relates to lease-in, lease-out transactions ("LILO"). At December 31, 2011, we leased-in four aircraft from two different lessors under operating head leases that mature between 2012 and 2013. At December 31, 2011, we had entered into sublease agreements with several different customers covering these same aircraft. For all four aircraft, the lease termination dates of the subleases are matched to the lease termination dates under the head leases. The contracted sublease receipts are insufficient to cover our monthly obligations under the head leases. These transactions are recorded at their net present value.

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

Following is a summary of the undiscounted contracted minimum lease payments under the respective head leases and subleases at December 31, 2011:

	Head lease payments	Sublease receipts
2012	$11,822	$7,550
2013	—	510
	$11,822	**$8,060**

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

16. Income taxes

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

	Year ended December 31, 2010	2011
Deferred tax expense (benefit)		
The Netherlands	$25,102	$5,065
Ireland	18,087	6,668
United States of America	(2,494)	7,847
Sweden	6	633
	40,701	20,213
Current tax expense (benefit)		
United States of America	(764)	(1,730)
The Netherlands	673	1,250
	(91)	(480)
Income tax expense (benefit)	**$40,610**	**$19,733**

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

	Year ended December 31, 2010	2011
Income tax expense at statutory income tax rate(a)	$63,339	$57,398
Valuation allowance	27,400	9,661
Tax on global activities(b)	(50,129)	(47,326)
	(22,729)	(37,665)
Actual income tax expense (benefit)	**$40,610**	**$19,733**

(a) The statutory income tax rate in the Netherlands was 25.0% for the year ended December 31, 2010 and 2011.

(b) The tax variance as a result of global activities is mainly caused by our operations in countries with a lower statutory tax rate than the statutory tax rate in The Netherlands.

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

The following tables describe the principal components of our deferred tax assets and liabilities by jurisdiction:

	December 31, 2010			
	The Netherlands	Ireland	U.S.	Sweden
Depreciation/Impairment	$(95,105)	$80,883	$33,029	$—
Debt	—	18,662	—	—
Share-based compensation	—	—	(778)	—
Inventory	—	—	(6,575)	—
Intangibles	—	3,800	4,581	—
Lessee receivables	—	—	(611)	—
Loss-making contracts	—	—	(481)	—
Interest expense	—	—	(12,936)	—
Accrued maintenance liability	(5,682)	(788)	(6,804)	—
Obligations under capital leases and debt obligations	—	(6,484)	—	—
Investments	—	(2,500)	—	—
Losses and credits forward	(64,346)	(126,049)	(15,745)	(8,471)
Other	(4,610)	1,571	(3,457)	—
Valuation allowance on tax assets	44,696	—	—	—
Net deferred tax (asset) liability	**$(125,047)**	**$(30,905)**	**$(9,777)**	**$(8,471)**

	December 31, 2011			
	The Netherlands	Ireland	U.S.	Sweden
Depreciation/Impairment	$(94,538)	$152,948	$(1,058)	$—
Debt	—	16,516	—	—
Share-based compensation	—	—	(132)	—
Intangibles	(996)	2,452	—	—
Loss-making contracts	—	—	1,828	—
Interest expense	—	—	(8,174)	—
Accrued maintenance liability	(2,741)	(6,742)	(1,731)	—
Obligations under capital leases and debt obligations	—	(6,064)	—	—
Investments	—	(2,500)	—	—
Losses and credits forward	(73,861)	(186,477)	(6,058)	(7,316)
Other	(1,368)	1,158	946	55
Valuation allowance on tax assets	54,357	—	—	—
Net deferred tax (asset) liability	**$(119,147**	**$(28,709)**	**$(14,379)**	**$(7,261)**

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

	Year ended December 31,	
	2010	2011
Valuation allowance at beginning of period	$17,296	$44,696
Increase of allowance to income tax provision	27,400	9,661
Valuation allowance at end of period	**$44,696**	**$54,357**

We did not have any unrecognized tax benefits at December 31, 2010 and 2011.

Our primary tax jurisdictions are the Netherlands, United States, Ireland and Sweden. Our tax returns in The Netherlands are open for examination from 2006 forward, in Ireland from 2007 forward, in Sweden from 2006 forward and in the United States from 2008 forward. None of our tax returns are currently subject to examination.

Our policy is that we recognize accrued interest on the underpayment of income taxes as a component of interest expense and penalties associated with tax liabilities as a component of income tax expense. During 2011, we did not incur any interest on tax payments. There was no accrued interest or accrued penalties on tax payments at either January 1, 2011 or December 31, 2011.

The Netherlands

The majority of our Netherlands subsidiaries are part of a single Netherlands fiscal unity and are included in a consolidated tax filing. Due to the existence of interest bearing intercompany liabilities, current tax expenses are limited with respect to the Netherlands subsidiaries. The losses and credits forward expire with time which triggers the valuation allowance. Deferred income tax is calculated using the Netherlands corporate income tax rate (25%) legislated to be in effect when the temporary differences reverse.

Ireland

Since 2006, the enacted Irish tax rate is 12.5%. Our principal Irish tax-resident operating subsidiary has significant losses carry forward at December 31, 2011 which give rise to deferred tax assets. The availability of these losses does not expire with time. In addition, the vast majority of all of our Irish tax-resident subsidiaries are entitled to accelerated aircraft depreciation for tax purposes and offset net taxable income and loss within our Irish tax group of companies within a given tax year. Accordingly, no Irish tax charge arose during the year. Based on projected taxable profits in our Irish subsidiaries, including our principal Irish tax-resident operating subsidiary where we hold significant Irish tax losses, we expect to recover the full value of our Irish tax assets and have not recognized a valuation allowance against such assets at December 31, 2011.

United States of America

Our U.S. subsidiaries are assessable to federal and state U.S. taxes. Beginning with the tax year ending December 31, 2006, we filed a consolidated federal income tax return in the U.S. which includes the accounts of AeroTurbine until the date the shares of AeroTurbine were sold (October 7, 2011). The blended federal and state tax rate applicable to our consolidated U.S. group is 37.6% for the year ended December 31, 2011. Due to the existence of tax losses, which expire over time, no current tax expense arose in the U.S. in 2011. Based on projected taxable profits in our U.S. subsidiaries, we expect to recover the full value of our U.S. tax assets and have not recognized a valuation allowance against such assets at December 31, 2011.

Sweden

The Swedish entity has significant losses carry forward at December 31, 2011, which give rise to deferred tax assets. The availability of these losses does not expire with time. Accordingly, no Swedish current tax charge arose during the year. Based on projected taxable profits in our Swedish subsidiaries we expect to recover the full value of our Swedish tax assets and have not recognized a valuation allowance at December 31, 2011.

17. Minority interest, net of tax

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

	2010	2011
Balance January 1,	$215,303	$6,047
Movements		
Capital contributions from minority interests	37,988	—
Sale to joint venture partner	(2,072)	—
Purchase of minority interest (1)	(263,298)	—
Sale of minority interest	—	(492)
Minority interest income for the year	18,126	526
Balance December 31,	**$6,047**	**$6,081**

(1) In November 2010, we repurchased Waha's 50% equity interest in AerVenture. The purchase is accounted for as an equity transaction and no gain or loss was recognized. The purchase decreased shareholders' equity by $995, through the elimination of the related minority interest.

18. Share capital

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

On November 27, 2006, we sold 6,800,000 shares at $23 per share in an initial public offering. We received net proceeds of $143,017 after deducting underwriting discounts and commissions and offering expenses payable by us. We used the net proceeds from the initial public offering plus existing cash to retire $168,600 of senior and subordinated debt of AeroTurbine. In connection with the early retirement of this debt, we wrote off $3,300 of debt issuance costs and paid prepayment penalties of $1,686. On November 27, 2006, we completed the initial public offering of 26,100,000 (including the above mentioned 6,800,000 shares) of our ordinary shares on The New York Stock Exchange and on August 6, 2007 we completed the secondary offering of 20,000,000 additional ordinary shares on The New York Stock Exchange. On March 25, 2010, the all-share acquisition of Genesis was completed and increased our outstanding ordinary shares by 34,348,858. On November 11, 2010, we completed a transaction with Abu Dhabi-based investment holding company Waha. As part of this transaction our outstanding ordinary shares increased by 29,846,611. On August 5, 2011 and September 19, 2011, we announced that AerCap's Board of Directors approved a share repurchase program. On November 2, 2011 we completed the share repurchase program for 2011. In total we acquired 9,402,663 ordinary shares for a consideration of $100.0 million with an average share price of $10.64.

As of December 31, 2011, our authorized share capital consists of 250,000,000 ordinary shares with a par value of €0.01. Our outstanding ordinary share capital as per December 31, 2011 included 149,232,426 ordinary shares of which 9,332,982 ordinary shares are held as treasury stock.

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

19. Share-based compensation

Cerberus Funds Equity Grants

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

In addition to formal vesting restrictions, the terms of the Cerberus Funds Equity Grants contained provisions which allowed the Cerberus Funds to repurchase any restricted shares or shares obtained through the exercise of options upon the occurrence of certain employment termination events or cessation of service on the board of directors for share options issued to our independent directors. All holders of Cerberus Fund Equity Grants signed a Share Agreement in connection with our initial public offering which gives each of them the right to exchange their Cerberus Fund shares or share options for our shares or options on our shares directly with the Cerberus Funds and which limited the repurchase right of the Cerberus Funds to the period prior to November 27, 2008. The exchange right was exercisable as of November 27, 2008 and is valid for a period of three years from that date, and was subsequently extended with two years until November 27, 2013. As of November 27, 2008, the participants are no longer restricted from selling their vested interests in our shares and the Cerberus Funds' rights to repurchase restricted shares or shares obtained through the exercise of options upon certain employment termination rights has lapsed. All share options granted under the Cerberus Funds Equity Plan are exercisable for a period of ten years from the date of issuance.

Since all of the Cerberus Fund Equity Grants issued are shares or share options in the Cerberus Funds and since the right of the holders of the Cerberus Funds Equity Grants to exchange their shares in the Cerberus Funds for our shares starting November 27, 2008 is not directly with us, the existence of the restricted share and share options is not dilutive to our share ownership.

The fair values of all shares and share options issued with a zero strike price (all of which were issued prior to our initial public offering in 2006), were calculated on their respective grant dates based on the value of our underlying shares at the time of our initial public offering. To this value, a discount for lack of marketability was applied to reflect the fact that (i) the shares being valued represent an illiquid minority interest in a closely-held indirect holding company without access to a recognized market and (ii) the shares are subject to significant restrictions which prevent their transfer or pledge. The amount of compensation expense recognized for restricted shares is derived with reference to the excess of fair market value of the shares at the date of grant over the price paid, if any. The restricted shares granted to the Cerberus employee are subject to mark-to-market valuations at each reporting period.

The amount of expense recognized with respect to share options with a strike price is based on the fair value of the option using a Black-Scholes option pricing model. The value of each of the Cerberus Funds Equity Grants is recognized on a straight-line basis over the applicable vesting periods.

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

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

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

A summary of activity during the years ended December 31, 2010 and 2011 for all issuances under the Cerberus Funds Equity Plan is set forth below. Because the number of shares and share options under the Cerberus Funds Equity Plan are shares and share options of the Cerberus Funds, ownership interests in the table below have been stated as the equivalent number of our shares which are represented by the Cerberus Funds shares.

	Number of Restricted Shares/Options
Beginning outstanding January 1, 2010	2,211,360
Exercises of Cerberus Funds shares/options for direct holdings of AerCap shares	(1,465,395)
Ending outstanding December 31, 2010	745,965
Beginning outstanding January 1, 2011	745,965
Forfeitures	—
Ending outstanding December 31, 2011	745,965

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

AerCap Holdings NV Equity Grants

On October 31, 2006, we implemented an equity incentive plan that is designed to promote our interests by enabling us to attract, retain and motivate directors, employees, consultants and advisors and align their interests with ours ("NV Equity Plan"). The NV Equity Plan provides for the grant of nonqualified share options, incentive share options, share appreciation rights, restricted share, restricted share units and other share awards ("NV Equity Grants") to participants of the plan selected by the Nomination and Compensation Committee of our Board of Directors. Subject to certain adjustments, the maximum number of equity awards available to be granted under the plan is equivalent to 4,251,848 Company's shares.

The terms and conditions of NV Equity Grants, including vesting provisions for share options, are determined by the Nomination and Compensation Committee, except that, unless otherwise determined by the Nomination and Compensation Committee, or as set forth in an award agreement: (a) each NV Equity Grant is granted for ten years from the date of grant, or, in the case of certain key employees, (i.e., employees owning more than 10% of our ordinary shares), for five years from the date of grant; provided, however, no share option period may extend beyond ten years from the date of grant; (b) the option price per share for incentive share options may not be less than 100% of the fair market value of the ordinary shares except that the option price per share for a key employee may not be less than 110% of the fair market value of the ordinary shares at the time the incentive share option is granted; and (c) incentive share options may only be issued to the extent the aggregate fair market value of shares with respect to the exercise of the incentive share options for the first time by an option holder during any calendar year is $100,000 or less, with any additional share options being treated as nonqualified share options. As of December 31, 2011, we have 2,012,254 share options outstanding under the NV Equity Plan which have been granted to certain of our current and – by now- former employees. In addition, as of December 31, 2011, we have 44,949 share options outstanding under the NV Equity Plan which have been granted to certain of our current and –by now- former Non-Executive Directors.

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

	Number of Options	Weighted Average Exercise Price
Options outstanding at January 1, 2010	2,575,000	NA
Forfeitures	(612,500)	NA
Options issued during year	321,041	22.54
Options outstanding at December 31, 2010	2,283,541	NA
Options outstanding at January 1, 2011	2,283,541	NA
Forfeitures	(150,000)	NA
Options exercised during year	(100,000)	2.95
Options issued during year	23,662	11.29
Options outstanding at December 31, 2011	2,057,203	NA

The weighted average remaining contractual term of the 2.1 million options outstanding at December 31, 2011 is 6.1 years. The weighted average grant date fair value for options issued in 2008 is $1.52 per option. Total share-based compensation recognized for the above options was $2,339 and $1,431 for the years ending December 31, 2010 and 2011, respectively. In light of the difficult economic environment prevailing at the end of 2008, the Nomination and Compensation Committee adjusted the performance criteria for the performance tranches relating to fiscal years 2009, 2010 and 2011. This change has been accounted for as a modification to the NV Equity Plan with respect to the performance-based options for those years and the weighted average fair values above for issuances which include the tranches subject to the modification include the fair values as of the date of modification. For both the original and modified award, vesting criteria were not probable of being met at the time of the modification, therefore no additional expense was recognized as a result of the modification. As of December 31, 2011, we have completely recognized the share-based compensation expenses related to NV Equity Grants. There are no remaining share options which are still subject to future vesting criteria.

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

Volatility	33.92%-38.42%
Expected life	5.33-6.53 years
Risk-free interest rate	1.89%-4.20%
Dividend yield rate	0.00%

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

In addition to the share options, as of December 31, 2011 a total number of 1,760,000 AER restricted share units are outstanding under the NV Equity Plan which have been granted to certain of our employees. All restricted share units are subject to vesting conditions. 925,000 of these restricted share units will vest, subject to the vesting conditions, on May 31, 2015. 435,000 of these restricted share units will vest, subject to the vesting conditions, on March 31, 2015. 100,000 of these restricted share units will vest, subject to the vesting conditions, on February 28, 2015. 100,000 of these restricted share units will vest, subject to the vesting conditions, on May 31, 2014. The remaining 200,000 share units will vest, subject to the vesting conditions, on May 31, 2013. Assuming that established performance criteria are met and that no forfeitures occur, we expect to recognize share-based compensation related to NV restricted share units of approximately $5.6 million during 2012, $5.2 million during 2013, $4.8 million during 2014 and $1.7 million in 2015.

20. Segment information

Reportable Segments

Following the sale of AeroTurbine we manage our business, analyze and report our results of operations on the basis of one business segment—leasing, financing, sales and management of commercial aircraft. The leasing, financing and sales of engines and parts (“Engine and parts”) is included in this segment as this constitutes an insignificant part of our business after the sale of AeroTurbine.

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

	2010	2011
Russia	10.8%	9.8%
Germany	11.4%	9.7%

The following table sets forth the percentage of long-lived assets (flight equipment and intangible assets) attributable to individual countries representing at least 10% of total long-lived assets in 2011 based on each airline’s principal place of business for the years indicated:

	2011
Russia	10.7%

The following table sets forth the lease revenue per individual country based on each airline’s principal place of business for the year indicated:

Country	2010 lease revenue	2011 lease revenue
Russia	$103,305	$108,466
United States of America	76,505	106,918
Germany	109,783	97,975
UK	32,719	73,808
China	42,941	69,555
Korea	29,461	45,555
India	38,376	45,096
Indonesia	49,540	39,875
Italy	26,970	39,399
Hungary	22,674	38,016
France	35,059	36,530
Brazil	20,578	29,329
Portugal	28,071	25,971
Canada	13,701	25,872
Turkey	23,740	22,886
Thailand	19,727	21,295
Other	287,024	279,995
Total	**$960,174**	**$1,106,541**

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

21. Selling, general and administrative expenses

We had 356 (including 208 employed by AeroTurbine) and 153 persons in employment as of December 31, 2010 and 2011, respectively.

Selling, general and administrative expenses include the following expenses:

	Year ended December 31, 2010	Year ended December 31, 2011
Personnel expenses (1) (3)	$55,623	$69,176
Social securities	4,308	4,257
Pensions	1,967	2,089
Other personnel expenses	3,062	3,002
Travel expenses	7,812	8,691
Professional services	6,893	17,007
Office expenses	10,047	9,661
Directors expenses	4,789	5,582
Aircraft management fee (2)	6,395	26,841
Mark-to-market on derivative instruments and foreign currency results	(1,651)	2,811
Other expenses	10,983	10,790
	$120,228	**$159,907**

(1) Includes share-based compensation of $3.4 million and $7.9 million in the years ended December 31, 2010 and 2011, respectively.

(2) Includes a one-off charge of $24.5 million relating to the buy-out of the Genesis portfolio servicing rights in the year ended December 31, 2011.

(3) Includes termination and severance payments of $5.2 million in the year ended December 31, 2011.

We incur Euro-denominated expenses in connection with our offices in The Netherlands and Ireland. For the year ended December 31, 2011, our aggregate expenses denominated in currencies other than the US dollar, such as payroll and office costs and professional advisory costs, were $52.3 million in US dollar equivalents and represented 32.7% of total selling, general and administrative expenses.

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

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

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

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

22. Asset impairment

Asset impairment includes the following expenses:

	2010	2011
Impairment of flight equipment	$22,631	$35,848
Reversal of impairment of flight equipment	(2,460)	(8,771)
Intangible lease premium	2,673	1,173
	$22,844	**$28,250**

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

We performed an impairment analysis of our long-lived assets during the year 2011 and as of December 31, 2011. In this impairment analysis, we focused on aircraft older than 15 years, since the cash flows supporting our carrying values of those aircraft are more dependent upon current lease contracts, which leases are more sensitive. In addition, we believe that residual values of older aircraft are more exposed to non-recoverable declines in value in the current economic environment. If conditions again worsen, significant uncertainties may cause a potential adverse impact on our business. In particular, our estimates and assumptions regarding forecasted cash flows from our long-lived assets would need to be reassessed. This includes the duration of the economic downturn along with the timing and strength of the pending recovery, both of which are important variables for purposes of our long-lived asset impairment tests. Any of our assumptions may prove to be inaccurate which could adversely impact forecasted cash flows of certain long-lived assets, especially for aircraft older than 15 years.

Based on our estimate of fair value as of December 31, 2011, we recorded an impairment on our flight equipment of $35.8 million and a reversal of $8.8 million. Our impairment analysis also resulted in an impairment on our finite-lived intangible assets of $1.2 million, which was triggered by renegotiated contracts.

The following assumptions drive the discounted cash flows: contracted lease rents per aircraft through current lease expiry, subsequent re-lease rates based on current marketing information and residual values based on current market transactions. We review and stress test our key assumptions to reflect any observed weakness in the global economic environment. Further deterioration of the global economic environment and a further decrease of aircraft values might have a negative effect on the discounted cash flows of older aircraft and might trigger further 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. A deterioration in the global economic environment and a decrease of appraised values will have a negative effect on fair values, which might then trigger further impairments on our assets.

23. Earnings per ordinary share

Basic and diluted earnings per share (EPS) is calculated by dividing net income by the weighted average of our ordinary shares outstanding. As disclosed in Note 19, there are 3.8 million share options and restricted shares outstanding under the NV Equity Plan, however the diluted earnings per ordinary share is insignificant and therefore not different from the basic earnings per ordinary share. The computations of basic and diluted earnings per ordinary share for the periods indicated below are shown in the following table:

	Year ended December 31, 2010	**Year ended December 31, 2011**
Net income for the computation of basic and diluted earnings per share	$195,408	$172,314
Weighted average ordinary shares outstanding..	114,952,639	146,587,752
Basic and diluted (loss) earnings per ordinary share...............................	**$1.70**	**$1.18**

24. Related party transactions

AerDragon consists of two joint venture companies Dragon Aviation Leasing Company Limited, or Dragon, based in China and AerDragon Aviation Partners Limited or AerDragon, based in Ireland. Both companies are owned 50% by China Aviation Supplies Holding Company, 25% by affiliates of Crédit Agricole and 25% by AerCap. In 2007, AerCap assigned a purchase right it had with Airbus under AerCap's 1999 forward order agreement relating to an A320 aircraft which was then directly acquired by AerDragon. In addition, during 2007 AerCap sold an A320 aircraft that was subject to a lease with an airline to AerDragon and guaranteed AerDragon's performance under the debt which was assumed by AerDragon from AerCap in the transaction. Both of these transactions were executed at terms, which we believe reflected market conditions at the time. AerCap provides lease management, insurance management and aircraft asset management services to AerDragon. AerCap charged AerDragon a total of $0.7 million as a guarantee fee and for these management services during 2011. We apply net asset value for our 25% investment in both joint venture companies. Accordingly, the income statement effects of all transactions with either of the joint venture companies are eliminated in our financial statements.

AerCo is an aircraft securitization vehicle from which we hold all of the most junior class of subordinated notes and some notes immediately senior to those junior notes. We do not recognize value for the AerCo notes which we still hold on our consolidated balance sheets. Through March 2003 we consolidated AerCo, but we deconsolidated the vehicle in accordance with GAAP at that time. Subsequent to the deconsolidation of AerCo, we have received interest from AerCo on its D note investment of $1.7 million, $0.8 million, $1.7 million and $0.4 million for the six months ended June 30, 2005, the period from June 27, 2005 to December 31, 2005, the year ended December 31, 2006 and the year ended December 31, 2007, respectively. In addition, we provide a variety of management services to AerCo for which we received fees of $4.1 and $3.3 million the years ended December 31, 2010 and 2011, respectively.

On November 11, 2010 we issued approximately 29.8 million new shares to Waha. In exchange, we received $105 million in cash, Waha's 50% interest in the joint venture company, a 40% interest in Waha's 10-aircraft portfolio and a 50% interest in four CRJ aircraft.

25. Commitments and contingencies

Property and other rental commitments

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

2012	2,084
2013	1,199
2014	915
2015	923
2016	600
Thereafter	713
	$6,434

Legal proceedings

VASP litigation

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

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

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

In addition to the claim in the English courts we have also commenced proceedings in the Irish courts against VASP based on the damages we incurred as a result of the default of VASP under nine lease obligations where the leases were governed by Irish law. The Irish courts have granted an order for service of process, however VASP is currently opposing this service of process in Brazil. The Brazilian Superior Court of Justice ruled that service of process on VASP has been completed, however VASP have appealed that decision and pending the outcome of that appeal we cannot make an application to the Irish courts.

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

Transbrasil litigation

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

Transbrasil brought a lawsuit against the Lessors in February 2001, claiming that the Notes had in fact been paid at the time GECC brought the enforcement action. In 2007, the trial judge ruled in favor of Transbrasil. That decision was appealed. In April 2010, the appellate court published a judgment (the "2010 Judgment") rejecting the Lessors' appeal, ordering them to pay Transbrasil a statutory penalty equal to double the face amount of the Notes (plus interest and monetary adjustments), and awarding Transbrasil damages for any losses incurred as a result of its bankruptcy. The 2010 Judgment provided that the amount of such losses would be calculated in separate proceedings in the trial court. In June 2010, the AerCap Lessors and the GE Lessors separately, filed special appeals before a federal appeals court in Brazil. These special appeals have since been admitted for hearing. AerCap's Brazilian counsel believes AerCap's special appeal is well-grounded and has a reasonable chance of success. In July 2011, Transbrasil sued for provisional enforcement of the 2010 Judgment and submitted its alleged calculation of the statutory penalty which, according to Transbrasil, amounted to approximately $210 million in the aggregate with interest and monetary adjustments. The 2010 Judgment did not determine if there was joint and several liability among the Lessors. AerCap contends that, based on its interest in the Notes, its proportionate share of any statutory penalty is approximately seven percent. AerCap filed a motion opposing provisional enforcement of the 2010 judgment, arguing, among other things, that Transbrasil's calculations are incorrect and that it had failed to differentiate among the amounts owed by each defendant. These arguments, and the question of whether the AerCap Lessors have any liability to TransBrasil will be determined in other proceedings. Transbrasil also initiated proceedings to determine the amount for which each of the Lessors is allegedly liable as a result of the Transbrasil bankruptcy. The court appointed an expert to determine this amount and the AerCap Lessors appointed an assistant expert. We believe we have strong arguments to convince the expert and the court that the AerCap Lessors are not liable for any damages as a result of Transbrasil's bankruptcy because, among other reasons, it was not the AerCap Lessors, but GECC alone, who brought the involuntary bankruptcy action against Transbrasil.

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

26. Fair values of financial instruments

The fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Fair values of financial instruments have been determined with reference to available market information. However, considerable management judgment is required in interpreting market data to arrive at estimates of fair values. Accordingly, the estimates presented herein may not be indicative of the amounts that we could realize in a current market exchange. The carrying amounts and fair values of our most significant financial instruments at December 31, 2010 and 2011 are as follows:

	December 31, 2010		December 31, 2011	
	Book value	**Fair value**	**Book value**	**Fair value**
Assets				
Restricted cash	$222,464	$222,464	$237,325	$237,325
Derivative assets	55,211	55,211	21,050	21,050
Cash and cash equivalents	404,450	404,450	411,081	411,081
	$682,125	**$682,125**	**$669,456**	**$669,456**
Liabilities				
Debt	$6,414,162	$6,177,381	$5,962,490	$5,710,399
Derivative liabilities	55,769	55,769	27,159	27,159
	$6,621,932	**$6,233,150**	**$6,138,324**	**$5,737,558**

27. Directors' remuneration

Our remuneration policy for Non-Executive and executive directors can be found in our Remuneration Policy (available on our website) and in the Remuneration Report 2011 included in this Annual Report. The table below indicates the total remuneration paid to or earned by the persons who are Non-Executive directors as per December 31, 2011:

	Directors fee (EUR *1,000)
Mr. P. Korteweg	205.0
Mr. M. Jonkhart	173.0
Mr. J. Chapman	136.2
Mr. P. Dacier	116.0
Mr. M. Gradon	116.3
Mr. R. Warden	124.2
Mr. G.P. Strong	94.0
Mr. S.R. Al Noaimi	75.0
Mr. H.A. Al Shemmari	57.6
Total	**1,097.3**

We paid Mr. Kelly, our only executive director and chief executive officer, an annual base salary of EUR500.0 and we accrued for the payment of an annual bonus of EUR450.0. In addition to the remuneration above, Mr. Kelly received contributions to his defined benefit plan and other employment benefits such as health insurance and a company car allowance which were not material to his total remuneration in 2011.

In March 2012, the Board of Directors approved an increase in the compensation package of the executive director including an annual grant of AER restricted share units.

We paid Mr. Heinemann, our former chief executive officer (until after the AGM in May 2011), a base salary of EUR156.0, a bonus of EUR400.0 and a severance payment of EUR1,689.9. In addition to the remuneration above, Mr. Heinemann received contributions to his defined benefit plan and other employment benefits such as health insurance and a company car allowance which were not material to his total remuneration in 2011.

The table below shows Directors' equity interest in the Company as of December 31, 2011. As regards equity awards granted under the Bermuda Parent plan, the share numbers in the table represent the equivalent number of our shares into which the Bermuda Parent shares and share options are exercisable.

	Cerberus Fund Options(1)	**AerCap Holdings N.V. Options/Shares/Restricted Share Units**					
	Ordinary shares underlying vested, but unexercised options(2)(3)	**Ordinary shares underlying options(4)**	**Restricted share units (9)**	**Ordinary shares acquired through exercise of Cerberus Fund exchange right(8)**	**Ordinary shares acquired through conversion of Genesis shares (9)**	**Ordinary shares acquired through open market purchases**	**Fully Diluted Ownership Percentage(5)**
Directors:							
Salem Al Noaimi	—	2,151	—	—	—	—	*
Homaid Al Shemmari	—	—	—	—	—	—	*
James N. Chapman	55,300	3,925	—	—	—	3,000	*
Paul T. Dacier	—	3,925	—	—	2,609	7,500	*
Michael Gradon	—	3,925	—	—	2,609	—	*
Aengus Kelly(7)	122,015	625,000	500,000	252,791	—	12,000	*
Pieter Korteweg	—	7,850	—	27,230	—	—	*
Marius J. L. Jonkhart	27,734	3,925	—	—	—	15,000	*
Gerald P. Strong(6)	—	3,925	—	—	—	—	*
Robert G. Warden(6)	—	3,925	—	—	—	—	*

* Less than 1.0%.

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

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

(3) The exercise price of these options is equivalent to $7.00 per ordinary share.

(4) 21,287 options expire on December 31, 2020 and carry a strike price of $14.12 per option; 23,662 options expire on December 31, 2021 and carry a strike price of $11.29 per option; the remaining 625,000 options consist of 250,000 options that expire on December 11, 2018 with a strike price of $2.95 per option and 375,000 options that expire on September 13, 2017 with a strike price of $24.63.

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

(6) Mr. Warden is a Managing Director of Cerberus Capital Management, L.P. and Mr. Strong is Managing Directors of affiliates of Cerberus Capital Management, L.P.

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

(8) After disposal of shares to satisfy personal income tax, as applicable.

(9) Acquired through conversion of ADR's in Genesis Leasing Limited into the Company's ordinary shares in connection with the amalgamation with Genesis on March 25, 2010.

All of our ordinary shares have the same voting rights. The address for all our officers and directors is c/o AerCap Holdings N.V., AerCap House, Stationsplein 965, 1117 CE Schiphol, The Netherlands.

28. Subsidiary undertakings

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

The Netherlands

AerCap AerVenture Holding B.V.
AerCap B.V.
AerCap Group Services B.V.
AerCap Dutch Aircraft Leasing I B.V.
AerCap Dutch Aircraft Leasing IV B.V.
AerCap A330 Holdings B.V.
AerData B.V. (42%)
AerCap Leasing XIII B.V.
AerCap Leasing XIV B.V.
AerCap Leasing XVI B.V.
AerCap Leasing XXIX B.V.
AerCap Dutch Aircraft Leasing VII B.V.
AerCap Leasing XXX B.V.
AerCap Netherlands B.V.
AerCap Dutch Aircraft Leasing VIII B.V.
AMS AerCap B.V.
AerCap Funding I B.V.
AerCap Funding II B.V.
Clearstream Aircraft Leasing B.V.
GFL Aircraft Leasing Netherlands B.V.

Sweden

AerFi Sverige AB
Genesis Funding Sweden 1 AB

France

Lille Location S.A.R.L
Metz Location S.A.R.L.
Toulouse Location S.A.R.L.
Biarritz Location S.A.R.L.
Nice Location S.A.R.L.
Genesis Funding France 1 S.A.R.L.
Genesis Funding France 2 S.A.R.L.

U.K

AerCap UK Limited

Norway

Genesis Funding Norway 1 A/S
GLS Norway Alpha A/S

Ireland

AerCap Irish Aircraft Leasing 1 Limited
AerCap Celtavia 4 Limited
AerCap Celtavia 5 Limited
AerCap Celtavia 6 Limited
AerCap Administrative Services Limited
AerCap Cash Manager Limited
AerCap Cash Manager II Limited
AerCap Financial Services (Ireland) Limited
AerCap Fokker Limited
AerCap Ireland Limited
Air Maple Limited (in liquidation)
GPA Group Limited
GPA Aero Citra Limited (In Liquidation)
AerFi Group Limited
Irish Aerospace Limited (in liquidation)
AerCap Jetprop Limited (in liquidation)
Skyscape Limited
Sunflower Aircraft Leasing Limited
Jasmine Aircraft Leasing Limited
Jasper Aircraft Leasing Limited
AerCap A330 Limited
AerCap Engine Leasing Limited
Rosso Aircraft Leasing Limited
Azzurro Aircraft Leasing Limited
AerCap Partners 2 Holding Limited and subsidiary (50%)
AerCap Partners I Holding Limited and Subsidiaries (50%)
AerCap Note Purchaser Limited

Ireland

AerCap A330 Holdings Limited
AerCap A330 Ireland Limited
AerCap Partners 3 Holding Limited and Subsidiaries (50%)
Stellastream Aircraft Leasing Limited
Surestream Aircraft Leasing Limited
Leostream Aircraft Leasing Limited
Geministream Aircraft Leasing Limited
Peony Aircraft Holdings Limited
Peony Aircraft Leasing Limited
Triple Eight Aircraft Holdings Limited
Triple Eight Aircraft Leasing Limited
Librastream Aircraft Leasing Limited
Streamline Aircraft Leasing Limited
Virgostream Aircraft Leasing Limited
AerCap Holding & Finance Limited
AerCap Ireland Asset Investment 1 Limited
AerCap Ireland Asset Investment 2 Limited
AerCap Ireland Funding 1 Limited
AerVenture Export Leasing Limited
Andes Aircraft Leasing Limited
Harmonic Aircraft Leasing Limited
Upstream Aircraft Leasing Limited

Ireland
Lishui Aircraft Leasing Limited
Berlin Aircraft Leasing Limited
Pirlo Aircraft Leasing Limited
Jade Aircraft Leasing Limited
AerVenture Limited (and subsidiaries)
AerDragon Aviation Partners Limited and Subsidiaries (25%)
Castletroy Leasing Limited
SkyFunding Limited
SkyFunding MSN 31133 Limited
Polyphonic Aircraft Leasing Limited
Burgundy Aircraft Leasing Limited
Melodic Aircraft Leasing Limited
Next Generation Aircraft Leasing Limited
AerCap Irish Aircraft Leasing 1 Limited
AerCap Asset Finance Limited

Ireland
Mainstream Aircraft Leasing Limited
Rouge Aircraft Leasing Limited
Symphonic Aircraft Leasing Limited
Genesis Ireland Aviation Trading 1 Limited
Genesis Ireland Aviation Trading 2 Limited
Genesis Ireland Aviation Trading 3 Limited
Genesis Ireland Aviation Trading 4 Limited
Flotlease MSN 973 Limited
Danang Aircraft Leasing Limited
Danang Aircraft Leasing No 2 Limited
Fansipan Aircraft Limited
AerVenture Leasing 1 Limited

Bermuda
AerCap (Bermuda) No.3 Limited
AerCap Holdings (Bermuda) Limited
LC Bermuda No. 2 Limited
LC Bermuda No. 2 L.P.
AerCap Bermuda A330 Limited
Flotlease 973 (Bermuda) Limited
AerFunding 1 Limited and subsidiaries (5%)
AerCap International Bermuda Limited
Copperstream Aircraft Leasing Limited
Goldstream Aircraft Leasing Limited
Silverstream Aircraft Leasing Limited
Wahaflot Leasing 3699 (Bermuda) Limited
Whitestream Aircraft Leasing Limited
Ararat Aircraft Leasing Limited
Genesis Funding Limited
Genesis China Leasing 1 Limited
Genesis China Leasing 2 Limited
Genesis Funding Atlantic 1 Limited
Genesis Acquisition Atlantic 1 Limited
Genesis Acquisition Limited
Genesis Atlantic 1 Limited
Genesis Portfolio Funding I Limited
GLS Atlantic Alpha Limited
Lare Leasing Limited
Roselawn Leasing Limited
Ross Leasing Limited
Westpark 1 Aircraft Leasing Limited
Aircraft Lease Securitisation II Ltd. and subsidiaries (5% owned by AerCap Ireland Limited.)

Cayman Islands
AerCap HK-320-A Limited
AerCap HK-320-B Limited
AerCap HK-320-C Limited
AerCap Aircraft Purchase Limited

US
AerCap Group Services ,Inc
AerCap, Inc.
AerCap Leasing USA I, Inc
AerCap Leasing USA II, Inc
Genesis Leasing USA Inc.

Isle of Man
AerCap International (IOM) Limited
AerCap Holding (I.O.M.) Limited
Acorn Aviation Limited
Crescent Aviation Limited
Stallion Aviation Limited
AerCap Note Purchaser (IOM) Limited
AerLift Leasing Jet Limited (50%)
AerLift Leasing Limited and susidiaries (40%)

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

Cyprus
Wahaflot Leasing 3 Limited

Company Financial Statements

AerCap Holdings N.V.

Company Balance Sheets

As of December 31, 2010 and 2011 (after proposed profit appropriation)

		December 31,	
		2010 (1) (2)	2011
		(US dollars in thousands except share and per share amounts)	
Assets	Note		
Cash and cash equivalents		$705	$173,839
Restricted cash		1,283	—
Investments	30	2,786,583	2,651,840
Other assets		2,097	6,654
Total Assets		**$2,790,668**	**$2,832,333**
Liabilities and Shareholders' Equity			
Accrued expenses and other liabilities		$6,288	$6,226
Payable to subsidiary		427,016	421,304
Negative goodwill	31	102,419	83,882
Total Liabilities		535,723	511,412
Ordinary share capital, €0.01 par value (250,000,000 ordinary shares authorized, 149,232,426 ordinary shares issued and outstanding		1,570	1,570
Additional paid-in capital		1,474,008	1,474,008
Revaluation reserves		5,005	(8,513)
Treasury stock (9,332,982 ordinary shares)		—	(100,000)
Accumulated retained earnings		774,362	953,856
Total Shareholders' Equity	32	2,254,945	2,320,921
Total Liabilities and Shareholders' Equity		**$2,790,668**	**$2,832,333**

(1) Certain reclassifications have been made to prior years' Company Balance Sheets to reflect the current year presentation.

(2) In accordance with RJ240.210, we made a reclassification of $103,161 from additional paid-in capital to retained earnings relating to share-based compensation.

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

Company Financial Statements

AerCap Holdings N.V.

Condensed Income Statements

For Year Ended December 31, 2010 and 2011

	Note	Year ended December 31, 2010	Year ended December 31, 2011
Result from participation after taxation	30	$176,974	$148,777
Other income and expenses after taxation		18,434	23,537
Net Income		**$195,408**	**$172,314**

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

29. Summary of significant accounting policies

General

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

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

The financial statements of the Company are presented in accordance with accounting principles generally accepted in the Netherlands. The income statement is presented in accordance with Part 9, Book 2, Art 402 of the Netherlands Civil Code.

Investments

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

30. Investments

The movement in investments can be summarized as follows:

	Total
Balance as of January 1, 2010	$1,530,359
Movements	
Share-based compensation	2,842
Investments in subsidiaries	1,076,408
Result of subsidiaries	176,974
Balance as of December 31, 2010	**$2,786,583**

	Total
Balance as of January 1, 2011	$2,786,583
Movements	
Share-based compensation	7,180
Dividend	(290,700)
Result of subsidiaries	148,777
Balance as of December 31, 2011	**$2,651,840**

31. Negative goodwill

The movement in negative goodwill can be summarized as follows:

	Total
Balance as of January 1, 2010	$115,853
Movements	
Release to the income statement	(13,434)
Balance as of December 31, 2010	**$102,419**

	Total
Balance as of January 1, 2011	$102,419
Movements	
Release to the income statement	(18,537)
Balance as of December 31, 2011	**$83,882**

32. Shareholders' Equity

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

	Number of Shares	Share capital	Additional paid-in capital	Retained (loss) earnings	Treasury stock	Revaluation reserves	Total shareholders' equity
	(US dollars in thousands, except share amounts)						
Year ended December 31, 2010							
Balance at January 1, 2010	85,036,957	$699	$686,334	$577,877	$—	$—	1,264,910
Share-based compensation	—	—	—	2,842	—	—	2,842
Issuance of equity capital	64,195,469	871	784,832	—	—	—	785,703
Purchase of minority interests (1)	—	—	—	(995)	—	—	(995)
Sale to joint venture partner	—	—	—	2,072	—	—	2,072
Comprehensive income:							
Net change in fair value of derivatives, net of $715 tax (2)	—	—	—	—	—	5,005	5,005
Net income for the period	—	—	—	195,408	—	—	195,408
Comprehensive income	—	—	—	195,408	—	5,005	200,413
Balance at December 31, 2010	**149,232,426**	**$1,570**	**$1,471,166**	**$777,204**	$—	**$5,005**	**$2,254,945**
Year ended December 31, 2011							
Balance at January 1, 2011	149,232,426	$1,570	$1,471,166	$777,204	$—	$5,005	$2,254,945
Share-based compensation	—	—	—	7,180	—	—	7,180
Purchase of treasury stock	—	—	—	—	(100,000)	—	(100,000)
Comprehensive income:							
Net change in fair value of derivatives, net of $1,913 tax (2)	—	—	—	—	—	(13,518)	(13,518)
Net income for the period	—	—	—	172,314	—	—	172,314
Comprehensive income	—	—	—	172,314	—	(13,518)	158,796
Balance at December 31, 2011	**149,232,426**	**$1,570**	**$1,471,166**	**$956,698**	**$(100,000)**	**$(8,513)**	**$2,320,921**

(1) In November 2010, we repurchased Waha's 50% equity interest in AerVenture (Note 1). The purchase is accounted for as an equity transaction and no gain or loss was recognized but decreased shareholders' equity by $995, through the elimination of the related minority interest.

(2) In 2010 and 2011 we entered into interest rate swaps for which we achieved cash flow hedge accounting treatment. During 2011 and 2010 no amounts were reclassified from revaluation reserves to the income statement.

33. Employees

AerCap Holdings N.V. had 30 employees at December 31, 2011 (2010: 12 employees). The disclosure on Directors' remuneration is included in note 27.

34. Audit fees

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

	2010	2011
	(U.S. dollars in thousands)	
Audit of the financial statements	$1,967	$1,374
Other audit related services	—	49
Tax services	—	42
Other non audit services	—	—
Total	**$1,967**	**$1,465**

The fees listed above relate only to the procedures applied to the Company and its consolidated group entities by accounting firms and external auditors as referred to in Section 1(1) of the Dutch Accounting Firms Oversight Act (Dutch acronym: Wta). The total audit fees include an amount of $1,617 and $1,163, charged by PricewaterhouseCoopers Accountants N.V., for the years ended December 31, 2010 and 2011, respectively.

35. Fiscal unity

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

36. Declaration of liability

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

Amsterdam, March 23, 2012

Pieter Korteweg
Aengus Kelly
Salem Al Noaimi
Homaid Al Shemmari
James (Jim) Chapman
Paul Dacier
Richard (Michael) Gradon
Marius Jonkhart
Gerald (Liam) Strong
Robert (Bob) Warden

AerCap Holdings N.V.
AerCap House
Stationsplein 965
1117 CE Schiphol
The Netherlands

Other information

37. Subsequent events

In 2012, we took delivery of additional four American Airlines aircraft of the remaining 31 aircraft. As of March 23, 2012, eight of the 35 aircraft have been financed under the Skyfunding facility.

In 2012, we terminated the leases of three A320 aircraft and one A321 aircraft with one of our lessees, Kingfisher Airlines.

In 2012, we have been assigned an investment grade corporate credit rating of BBB- with a stable outlook by Standard and Poor's Ratings Services.

38. Profit appropriation

According to article 26 of the Articles of Association, the Board of Directors determines which amounts from the Company’s annual profits are reserved. The Board of Directors has determined that the entire 2011 profits shall be reserved and that no profits shall be distributed as dividends to the shareholders. Thus, the result for the year ended December 31, 2011 a gain of $172.3 million, will be included in the retained earnings.

Independent auditor's report

To the Board of Directors and Shareholders of AerCap Holdings N.V.

Report on the financial statements

We have audited the accompanying financial statements 2011 as set out on pages 24 to 72 of AerCap Holdings N.V., Amsterdam, which comprise the consolidated and company balance sheet as at 31 December 2011, the consolidated and company profit and loss account for the year then ended and the notes, comprising a summary of accounting policies and other explanatory information.

Board of Directors' responsibility

The board of directors are responsible for the preparation and fair presentation of these financial statements and for the preparation of the directors' report, both in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the board of directors are responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of AerCap Holdings N.V. as at 31 December 2011, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2: 393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the directors' report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2: 392 sub 1 at b-h has been annexed. Further we report that the directors' report, to the extent we can assess, is consistent with the financial statements as required by Section 2: 391 sub 4 of the Dutch Civil Code.

Amsterdam, 23 March 2011
PricewaterhouseCoopers Accountants N.V.

P.C. Dams RA