FORM 20−F

AerCap Holdings N.V. − AER

Filed: March 22, 2007 (period: December 31, 2006)

Registration of securities of foreign private issuers pursuant to section 12(b) or (g)

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 20−F

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2006

Commission file number

AerCap Holdings N.V.

(Exact name of Registrant as specified in its charter)

The Netherlands
(Jurisdiction of incorporation or organization)
Evert van de Beekstraat 312
1118 CX Schiphol Airport
The Netherlands
+ 31 20 655 9655
(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Ordinary Shares	The New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

Ordinary Shares, Euro 0.01 par value **85,036,957**

Indicate by check mark if the registrant is a well−known seasoned issuer, as defined in Rule 405 of the Securities Act. ☐ Yes ☒ No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. ☐ Yes ☒ No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non−accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b−2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☐ Non−accelerated filer ☒

Indicate by check mark which financial statement item the registrant has elected to follow. ☐ Item 17 ☒ Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b−2 of the Exchange Act). ☐ Yes ☒ No

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SPECIAL NOTE ABOUT FORWARD LOOKING STATEMENTS

This annual report includes forward looking statements, principally under the captions “Item 3. Key Information—Risks Related to our Business”, “Item 4. Information on the Company” and “Item 5. Operating and Financial Review and Prospects”. We have based these forward looking statements largely on our current beliefs and projections about future events and financial trends affecting our business. Many important factors, in addition to those discussed in this annual report, could cause our actual results to differ substantially from those anticipated in our forward looking statements, including, among other things:

- our ability to successfully negotiate aircraft and engine purchases, sales and leases, to collect outstanding amounts due and to repossess aircraft and engines under defaulted leases, and to control costs and expenses,
- our ability to integrate AeroTurbine’s engine and parts business with our aircraft business,
- decreases in the overall demand for commercial aircraft and engine leasing and aircraft management services,
- the economic condition of the global airline and cargo industry,
- the ability of our lessees and potential lessees to make operating lease payments to us,
- competitive pressures within the industry,
- changes in interest rates and availability of capital to us and to our customers,
- the negotiation of aircraft management services contracts,
- regulatory changes affecting commercial aircraft operators, aircraft maintenance, engine standards, accounting standards and taxes, and
- the risks set forth in “Item 3. Key Information—Risk Factors” included in this annual report.

The words “believe”, “may”, “will”, “aim”, “estimate”, “continue”, “anticipate”, “intend”, “expect” and similar words are intended to identify forward looking statements. Forward looking statements include information concerning our possible or assumed future results of operations, business strategies, financing plans, competitive position, industry environment, potential growth opportunities, the effects of future regulation and the effects of competition. Forward looking statements speak only as of the date they were made and we undertake no obligation to update publicly or to revise any forward looking statements because of new information, future events or other factors. In light of the risks and uncertainties described above, the forward looking events and circumstances described in this annual report might not occur and are not guarantees of future performance.

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

Selected financial data.

The following table presents AerCap Holdings N.V.'s (the successor company) and AerCap B.V.'s (the predecessor company) selected consolidated financial data for each of the periods indicated, prepared in accordance with US GAAP. You should read this information in conjunction with AerCap Holdings N.V.'s audited consolidated financial statements and related notes and "Item 5. Operating and Financial Review and Prospects".

AerCap Holdings N.V. was formed as a Netherlands public limited liability company ("*naamloze vennootschap*") on July 10, 2006 and acquired all of the assets and liabilities of AerCap Holdings C.V., a Netherlands limited partnership on October 27, 2006. There was no change in accounting basis resulting from this transaction. Since AerCap Holdings C.V. and AerCap Holdings N.V. are entities organized under common control, the historical consolidated financial statements of AerCap Holdings C.V. became the historical consolidated financial statements of AerCap Holdings N.V. AerCap Holdings C.V. was formed on June 27, 2005 for the purpose of acquiring all of the shares and certain liabilities of AerCap B.V. (formerly known as debis Air Finance B.V.), in connection with our acquisition by funds and accounts affiliated with Cerberus Capital Management, L.P., or the 2005 Acquisition. Our consolidated financial data is presented as if AerCap Holdings N.V. had been the acquiring entity of AerCap B.V. on June 30, 2005. The financial information presented as of December 31, 2005 and 2006 and for the fiscal years ended December 31, 2004 and 2006, and the six months ended June 30, 2005 and December 31, 2005, was derived from AerCap Holdings N.V.'s audited consolidated financial statements included in this annual report. The financial information presented as of and for the fiscal years ended December 31, 2002 and 2003 was derived from AerCap B.V.'s unaudited consolidated financial statements. The financial information presented includes the results of AeroTurbine from the date of its acquisition on April 26, 2006 to December 31, 2006, referred to herein as the AeroTurbine Acquisition.

Consolidated Income Statement Data:

	AerCap B.V.				AerCap Holdings N.V.(1)	
	Year ended December 31,			Six months ended June 30,	Six months ended December 31,	Year ended December 31,
	2002(2)	2003(2)	2004	2005	2005(3)	2006(4)
	(In thousands, except share and per share amounts)					
Revenues						
Lease revenue	$ 459,115	$ 343,045	$ 308,500	$ 175,333	$ 173,568	$ 443,925
Sales revenue	13,105	7,499	32,050	79,574	12,489	301,405
Management fee revenue	7,160	13,400	15,009	6,512	7,674	14,072
Interest revenue	28,468	22,432	21,641	13,130	20,335	34,681
Other revenue	1,826	84,568	13,667	3,459	1,006	20,336
Total revenues	**509,674**	**470,944**	**390,867**	**278,008**	**215,072**	**814,419**
Expenses						
Depreciation	202,395	143,303	125,877	66,407	45,918	102,387
Cost of goods sold	11,012	6,657	18,992	57,632	10,574	220,277
Interest on debt	267,228	123,435	113,132	69,857	44,742	166,219
Impairments(5)	170,498	6,066	134,671	—	—	—
Other expenses	54,734	87,079	66,940	26,726	26,656	72,440
Selling, general and administrative expenses	40,472	39,267	36,449	19,559	26,949	149,364 (a)
Total expenses	**746,339**	**405,807**	**496,061**	**240,181**	**154,839**	**710,687**
(Loss) income from continuing operations before income taxes, minority interest and cumulative effect of change in accounting principle	**(236,665)**	**65,137**	**(105,194)**	**37,827**	**60,233**	**103,732**
Provision for income taxes	58,569	(28,222)	(168)	(4,127)	(10,570)	(16,324)
Minority interest, net of tax	—	—	—	—	—	588
Cumulative effect of change in accounting principle, net of tax	(99,491)	—	—	—	—	—
Net (loss) income	**$ (277,587)**	**$ 36,915**	**$ (105,362)**	**$ 33,700**	**$ 49,663**	**$ 87,996**
(Loss) earnings per share, basic and diluted	$ (377.05)	$ 50.14	$ (143.12)	$ 45.78	$ 0.63	$ 1.11
Weighted average shares outstanding, basic and diluted	736,203	736,203	736,203	736,203	78,236,957	78,992,513

(a) Includes share−based compensation of $78.6 million.

Consolidated Statements of Cash Flows Data:

	AerCap B.V.				AerCap Holdings N.V.(1)	
	Year ended December 31,			Six months ended June 30,	Six months ended December 31,	Year ended December 31,
	2002(2)	2003(2)	2004	2005	2005(3)	2006(4)
	(US dollars in thousands)					
Net cash provided by operating activities	$ 220,234	$ 123,614	$ 91,933	$ 107,275	$ 109,238	$ 348,379
Net cash (used in) provided by investing activities	(676,619)	(316,170)	(218,481)	14,525	(1,431,259)	(843,289)
Net cash provided by (used in) financing activities	389,839	237,901	136,546	(142,005)	1,505,472	443,558
Other Data (unaudited):						
EBITDA(6)	$ 232,958	$ 331,875	$ 133,815	$ 174,091	$ 150,893	$ 372,926

Consolidated Balance Sheets Data:

	AerCap B.V.				AerCap Holdings N.V.(1)
	As of December 31,				
	2002(2)	2003(2)	2004	2005	2006
	(US dollars in thousands)				
Assets					
Cash and cash equivalents	$ 86,121	$ 131,268	$ 143,640	$ 183,554	$ 131,201
Restricted cash	243,336	206,572	118,422	157,730	112,277
Flight equipment held for operating leases, net	3,476,501	2,484,850	2,748,347	2,189,267	2,966,779
Notes receivable, net of provisions	195,236	188,616	250,774	196,620	167,451
Prepayments on flight equipment	157,198	160,624	135,202	115,657	166,630
Other assets	343,685	305,498	218,565	218,405	378,654
Total assets	**$ 4,502,077**	**$ 3,477,428**	**$ 3,614,950**	**$ 3,061,233**	**$ 3,922,992**
Debt	3,571,178	2,763,666	3,115,492	2,172,995	2,555,139
Other liabilities	835,255	581,202	472,443	468,575	637,942
Shareholders' equity	95,644	132,560	27,015	419,663	729,911
Total liabilities and shareholders' equity	**$ 4,502,077**	**$ 3,477,428**	**$ 3,614,950**	**$ 3,061,233**	**$ 3,922,992**

(1) AerCap Holdings N.V. is a Netherlands public limited liability company ("*naamloze vennootschap*") formed on July 10, 2006 for the purpose of acquiring all of the assets and liabilities of AerCap Holdings C.V. AerCap Holdings C.V. is a limited partnership ("*commanditaire vennootschap*") formed under the laws of The Netherlands on June 27, 2005 for the purposes of acquiring the share capital, subordinated debt and senior debt of debis AirFinance B.V. ("AerCap B.V."), which occurred on June 30, 2005. In anticipation of our initial public offering, which closed on November 27, 2006, we changed our corporate structure from a Netherlands partnership to a Netherlands public limited liability company. This change was effected through the acquisition 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. Additionally, these consolidated financial data are presented as if AerCap Holdings N.V. had been the acquiring entity of AerCap B.V. on June 30, 2005.

(2) Includes the results of operations and cash flows for AerCo during 2002 and the three months ended March 31, 2003. On March 31, 2003, we sold a portion of our interest in AerCo and then deconsolidated it from our accounts because it was determined that we were no longer the primary beneficiary of AerCo as of March 31, 2003. The amount of total revenue attributable to AerCo in the three months ended March 31, 2003 was $106.4 million (including $72.2 million of other income).

(3) We were formed on June 27, 2005; however, we did not commence operations until June 30, 2005, when we acquired all of the shares and certain of the liabilities of AerCap B.V. Our initial accounting period was from June 27, 2005 to December 31, 2005, but we generated no material revenue or expense between June 27, 2005 and June 30, 2005 and did not have any material assets before the 2005 Acquisition. For convenience of presentation only, we have labeled our initial accounting period in the table headings in this annual report as the six months ended December 31, 2005.

(4) Includes the results of AeroTurbine for the period from April 26, 2006 (date of acquisition) to December 31, 2006.

(5) Includes aircraft impairment, investment impairment and goodwill impairment.

(6) We define EBITDA as income (loss) from continuing operations before provision for income taxes, interest on debt and depreciation and amortization. We use EBITDA to assess our consolidated financial and operating performance, and we believe this non−US GAAP measure is helpful in identifying trends in our performance. In addition, EBITDA is a measure that is required by one of our debt lenders to calculate our compliance with certain covenants. EBITDA provides us with a useful measure of our operating performance because it assists us in comparing our operating performance in different periods without the impact of our capital structure (primarily interest charges on our outstanding debt) and non−cash expenses related to our long−lived asset base (primarily depreciation and amortization). This measure provides an assessment of controllable revenue and expenses and enhances our ability to make decisions with respect to resource allocation and whether we are meeting established financial goals. Accordingly, EBITDA measures our financial performance based on operational factors that management can impact in the short−term, such as our cost structure or expenses, and on a more medium−term basis, our revenues.

EBITDA has limitations as an analytical tool and should not be viewed in isolation. EBITDA is a measure of operating performance that is not calculated in accordance with US GAAP. EBITDA should not be considered a substitute for net income, income from operations or cash flows provided by or used in operations, as determined in accordance with US GAAP. For more detailed discussion, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Management’s Use of EBITDA”.

RISK FACTORS

Risks Related to Our Business

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

Our business model depends on the continual re−leasing of our aircraft and engines when our current leases expire in order to generate sufficient revenues to finance our growth and operations and pay our debt service obligations. Between December 31, 2006 and December 31, 2009, aircraft leases accounting for approximately 44.7% of our lease revenues for the year ended December 31, 2006, are scheduled to expire and the aircraft subject to those leases will need to be re−leased or extended. In addition, nearly all of our engines are subject to short−term leases, which are generally less than 180 days. Our ability to re−lease our aircraft and engines will depend on general market and competitive conditions at the time the leases expire. The general market and competitive conditions may be affected by many factors which are outside of our control.

In 2006, we generated $35.7 million of revenues from leases that were scheduled to expire, in 2007, $61.8 million of revenues from leases that were scheduled to expire in 2008 and $100.9 million of revenues from leases that were scheduled to expire in 2009. Since we lease most of our engines under short−term leases (90 to 180 days), we generally re−lease our engines at least once a year. If we are unable to re−lease an aircraft or engine on acceptable terms, our lease revenue may decline and we may need to sell the aircraft or engines at unfavorable prices to provide adequate funds for our debt service obligations and to otherwise finance our growth and operations.

If we are unable to successfully integrate AeroTurbine, we may not be able to implement our business strategy.

We acquired AeroTurbine in April 2006. Our inability to integrate AeroTurbine would adversely affect a critical component of our business strategy which is focused on leveraging our ability to manage aircraft profitably throughout their lifecycle. AeroTurbine's engine leasing business, airframe and engine disassembly business and its MRO capabilities are critical components of this strategy because we believe that these businesses and capabilities broaden our ability to extract value from a wide range of aircraft assets, particularly older aircraft, and to lower our maintenance costs. Our ability to successfully integrate AeroTurbine will depend, in part, on the efforts of the former owners of AeroTurbine who are currently its Chief Executive Officer and Chief Operating Officer. If we are unable to successfully integrate AeroTurbine, we may acquire aircraft and engines that we may not be able to lease at attractive rates, if at all, or profitably disassemble for sale by our parts business. As a result, we may overpay for new aircraft or engines that we acquire. AeroTurbine has different management information and accounting systems than we do, which will need to be integrated into our systems. As we integrate these systems we may discover weaknesses or limitations in AeroTurbine's management information and accounting systems and internal controls. We may be required to hire additional personnel at AeroTurbine as it transitions to becoming part of our consolidated group. In addition, even if we are able to successfully integrate AeroTurbine, we may be required to incur increased or unanticipated costs. If we are unable to successfully integrate AeroTurbine or if we experience increased costs in integrating AeroTurbine, we may not be able to implement our business strategy, our financial results and growth prospects may be materially and adversely affected, and we may fail to benefit from the synergies we expect to result from the AeroTurbine Acquisition.

Changes in interest rates may adversely affect our financial results and growth prospects.

We use floating rate debt to finance the acquisition of a significant portion of our aircraft and engines. All of our revolving credit facilities have floating interest rates. As of December 31, 2005 and December 31, 2006, we had $1.8 billion and $2.3 billion, respectively, of indebtedness outstanding that was

floating rate debt. We incurred floating rate interest expense of $135.0 million in the year ended December 31, 2006. If interest rates increase, we would be obligated to make higher interest payments to our lenders. Our practice has been to hedge the expected future interest payments on a portion of our floating−rate liabilities by entering into derivative contracts. However, we remain exposed to changes in interest rates to the extent that our hedges are not perfectly correlated to our financial liabilities. In addition, if we incur significant fixed rate debt in the future, increased interest rates prevailing in the market at the time of the incurrence or refinancing of such debt will also increase our interest expense.

Changes in interest rates may also adversely affect our lease revenues generated from leases with lease rates tied to floating interest rates. In the year ended December 31, 2006, 30.7% of our lease revenue was attributable to leases tied to floating interest rates. Therefore, if interest rates were to decrease, our lease revenue would decrease. In addition, because our fixed rate leases are based, in part, on prevailing interest rates at the time we enter into the lease; if interest rates decrease, new leases we enter into will be at lower lease rates and our lease revenue will be adversely affected. As of December 31, 2006, if interest rates were to increase by 1%, we would expect to incur an increase in interest expense on our floating rate indebtedness of approximately $5.6 million on an annualized basis, excluding the offsetting benefits of interest rate hedges currently in effect, and, if interest rates were to decrease by 1%, we would expect to generate $11.0 million less lease revenue on an annualized basis.

Leasing, financing and sales of aircraft, engine, and parts has historically experienced prolonged periods of oversupply during which lease rates and aircraft values have declined, and any future oversupply could materially and adversely affect our financial results and growth prospects.

In the past, the aircraft and engine leasing, buying and selling businesses have experienced prolonged periods of aircraft and engine oversupply. The oversupply of a specific type of aircraft or engine is likely to depress the lease rates for and the value of that type of aircraft or engine. The supply and demand for aircraft and engines is affected by various cyclical and non−cyclical factors that are outside of our control, including:

- passenger and air cargo demand;
- fuel costs and general economic conditions;
- geopolitical events, including war, prolonged armed conflict and acts of terrorism;
- outbreaks of communicable diseases and natural disasters;
- governmental regulation;
- interest rates;
- the availability of credit;
- airline restructurings and bankruptcies;
- manufacturer production levels and technological innovation;
- manufacturers merging or exiting the industry or ceasing to produce aircraft types;
- retirement and obsolescence of aircraft models;
- reintroduction into service of aircraft previously in storage; and
- airport and air traffic control infrastructure constraints.

These factors may produce sharp and prolonged decreases in aircraft and engine lease rates and values, and have a material adverse effect on our ability to re−lease our aircraft and engines and/or sell our

aircraft engines and parts at acceptable prices. Any of these factors could materially and adversely affect our financial results and growth prospects.

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

Our financial condition depends on the financial strength of our lessees, our ability to diligence and appropriately assess the credit risk of our lessees and the ability of lessees to perform under their leases. In 2006, we generated 54.5% of our revenues from leases to the airline industry, and as a result, we are indirectly affected by all the risks facing airlines today. The ability of our lessees to perform their obligations under our leases will depend primarily on the lessee's financial condition and cash flow, which may be affected by factors outside our control, including:

- competition;
- fare levels;
- passenger and air cargo rates;
- passenger and air cargo demand;
- geopolitical and other events, including war, acts of terrorism, outbreaks of epidemic diseases and natural disasters;
- increases in operating costs, including the price and availability of jet fuel and labor costs;
- labor difficulties;
- economic conditions and currency fluctuations in the countries and regions in which the lessee operates; and
- governmental regulation and associated fees affecting the air transportation business.

Generally, airlines with high debt leverage are more likely than airlines with stronger balance sheets to seek operating leases. As a result, many of our existing lessees are in a weakened financial condition and may suffer liquidity problems, and, at any point in time, may experience lease payment difficulties or be significantly in arrears in their obligations under our operating leases. Some lessees encountering financial difficulties may seek a reduction in their lease rates or other concessions, such as a decrease in their contribution toward maintenance obligations. Any future downturns in the airline industry could greatly exacerbate the weakened financial condition and liquidity problems of some of our lessees and further increase the risk of delayed, missed or reduced rental payments. We may not correctly assess the credit risk of each lessee or charge lease rates which correctly reflect the related risks and our lessees may not be able to continue to meet their financial and other obligations under our leases in the future. A delayed, missed or reduced rental payment from a lessee decreases our revenues and cash flow. Our default levels may increase over time if economic conditions deteriorate. If lessees of a significant number of our aircraft or engines default on their leases, our financial results and growth prospects will be adversely affected.

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

Aircraft and engine values and lease rates have historically experienced sharp decreases due to a number of factors including, but not limited to, decreases in passenger and air cargo demand, increases in fuel costs, government regulation and increases in interest rates. In addition to factors linked to the aviation industry generally, many other factors may affect the value and lease rates of our aircraft and engines, including:

- the particular maintenance, operating history and documentary records of the aircraft or engine;
- the number of operators using that type of aircraft or engine;
- the regulatory authority under which the aircraft or engine is operated;
- whether the aircraft or engine is subject to a lease and, if so, whether the lease terms are favorable to the lessor;
- any renegotiation of a lease on less favorable terms;
- the negotiability of clear title free from mechanics liens and encumbrances;
- any regulatory and legal requirements that must be satisfied before the aircraft can be purchased, sold or re−leased;
- compatibility of our aircraft configurations or specifications with other aircraft owned by operators of that type;
- comparative value based on newly manufactured competitive aircraft or engines; and
- the availability of spare parts.

Any decrease in the value and lease rates of aircraft or engines which may result from the above factors or other unanticipated factors, may have a material adverse effect on our financial results and growth prospects.

The concentration of some aircraft and engine models in our aircraft and engine portfolios could adversely affect our business and financial results should any problems specific to these particular models occur.

Due to the high concentration of Airbus A320 family aircraft and CFM56 family engines in our aircraft and engine portfolios, our financial results and growth prospects may be adversely affected if the demand for these aircraft or engine models declines, if they are redesigned or replaced by their manufacturer or if these aircraft or engine models experience design or technical problems. As of December 31, 2006, 85.4% of the net book value of our aircraft portfolio was represented by Airbus aircraft. Our owned aircraft portfolio included 13 aircraft types, the three highest concentrations of which together represented 73.4% of our aircraft by net book value. The three highest concentrations were Airbus A320 aircraft, representing 35.5% of the net book value of our aircraft portfolio, Airbus A321 aircraft, representing 22.7% of the net book value of our aircraft portfolio, and Airbus A330 aircraft, representing 15.2% of the net book value of our aircraft portfolio, as of December 31, 2006. No other aircraft type represented more than 10% of our portfolio by net book value. In addition to our significant number of existing Airbus aircraft, we have 79 new Airbus A320 family aircraft on order either directly or indirectly through our consolidated joint venture, AerVenture, and have 20 new Airbus A330−200 widebody aircraft on order. We also have a significant concentration of CFM56 engines in our engine portfolio. As of December 31, 2006, 86.6% of the net book value of our engine portfolio was represented by CFM56 engines and 8.6% was represented by CF6 engines.

Should any of these aircraft or engine types or aircraft manufactured by Airbus in general encounter technical or other problems, the value and lease rates of those aircraft or engines will likely decline, and we may be unable to lease the aircraft or engines on favorable terms, if at all. Any significant technical problems with any such aircraft or engine models could result in the grounding of the aircraft or engines.

In addition, if Airbus experiences further financial difficulty or if its restructuring plan is unsuccessful, we could be adversely affected. Airbus has announced that production delays on Airbus's A380 megajet are expected to reduce profits from 2007 to 2010 by $6 billion. Airbus has also announced that it will need to spend up to $13 billion to redesign its A350 aircraft and that the service entry of its A350 XWB aircraft would be delayed by approximately one year to 2013.

In response to the developments, in February 2007 Airbus presented the details of its Power8 restructuring plan, which is designed to address the challenges of the weak US dollar, increased competitive pressure, the financial costs related to the A380 delays and the need to meet Airbus future investment requirements. As part of Power8, Airbus management is expected to implement stringent cost reduction measures, including the reduction of up to 10,000 positions across the Airbus partner countries. Certain of Airbus' labor unions have threatened to strike if the restructuring plan is implemented.

If Airbus experiences further financial and other difficulties and is unable to deliver the aircraft we have ordered from it on time or at all, we could lose the benefit of the terms of our purchase contract for 20 A330 aircraft and AerVenture's purchase contract and we may be unable to obtain replacement aircraft on comparable terms, or at all, which could materially and adversely affect our results of operations and growth prospects. If Airbus were to enter into reorganization or bankruptcy, we could in addition lose payments made towards aircraft not yet delivered.

Any decrease in the value and lease rates of our aircraft and engines may have a material adverse effect on our financial results and growth prospects.

We are indirectly subject to many of the economic and political risks associated with emerging markets, which could adversely affect our financial results and growth prospects.

A significant number of our aircraft and engines are leased to airlines in emerging market countries. As of December 31, 2006, we leased 57.7% of our aircraft and 47.1% of our engines, weighted by net book value, to airlines in emerging market countries. The emerging markets in which our aircraft are operated include Thailand, India, Taiwan, Sri Lanka, El Salvador, Jamaica, Malaysia, Colombia, Mexico, Nepal, Turkey, Hungary, Trinidad and Tobago, Russia, Brazil, the Slovak Republic and Indonesia.

Emerging market countries have less developed economies that are more vulnerable to economic and political problems and may experience significant fluctuations in gross domestic product, interest rates and currency exchange rates, as well as civil disturbances, government instability, nationalization and expropriation of private assets and the imposition of taxes or other charges by government authorities. The occurrence of any of these events in markets served by our lessees and the resulting economic instability that may arise could adversely affect the value of our ownership interest in aircraft or engines subject to lease in such countries, or the ability of our lessees which operate in these markets to meet their lease obligations. As a result, lessees which operate in emerging market countries may be more likely to default than lessees that operate in developed countries. In addition, legal systems in emerging market countries may be less developed, which could make it more difficult for us to enforce our legal rights in such countries. For these and other reasons, our financial results and growth prospects may be materially and adversely affected by adverse economic and political developments in emerging market countries.

If our lessees encounter financial difficulties and we decide to restructure our leases, the restructuring would likely result in less favorable leases which could adversely affect our financial results and growth prospects.

If a lessee is late in making payments, fails to make payments in full or in part under a lease or has advised us that it will fail to make payments in full or in part under a lease in the future, we may elect or be required to restructure the lease, which could result in less favorable terms or termination of a lease without receiving all or any of the past due amounts. We may be unable to agree upon acceptable terms for some or all of the requested restructurings and as a result may be forced to exercise our remedies under those leases. If we, in the exercise of our remedies, repossess an aircraft or engine, we may not be able to re−lease the aircraft or engine promptly at favorable rates, if at all. You should expect that restructurings and/or repossessions with some lessees will occur in the future. The terms and conditions of possible lease restructurings may result in a significant reduction of lease revenue, which may adversely affect our financial results and growth prospects.

If we or our lessees fail to maintain our aircraft or engines, their value may decline and we may not be able to lease or re−lease our aircraft and engines at favorable rates, if at all, which would adversely affect our financial results and growth prospects.

We may be exposed to increased maintenance costs for our leased aircraft and engines associated with a lessee's failure to properly maintain the aircraft or engine or pay supplemental maintenance rent. If an aircraft or engine is not properly maintained, its market value may decline which would result in lower revenues from its lease or sale. Under our leases, our lessees are primarily responsible for maintaining the aircraft and engines and complying with all governmental requirements applicable to the lessee and the aircraft and engines, including operational, maintenance, government agency oversight, registration requirements and airworthiness directives. Although we require many of our lessees to pay us a supplemental maintenance rent, failure of a lessee to perform required maintenance during the term of a lease could result in a decrease in value of an aircraft or engine, an inability to re−lease an aircraft or engine at favorable rates, if at all, or a potential grounding of an aircraft or engine. Maintenance failures by a lessee would also likely require us to incur maintenance and modification costs upon the termination of the applicable lease, which could be substantial, to restore the aircraft or engine to an acceptable condition prior to sale or re−leasing. Supplemental maintenance rent paid by our lessees may not be sufficient to fund our maintenance costs. Our lessees' failure to meet their obligations to pay supplemental maintenance rent or perform required scheduled maintenance or our inability to maintain our aircraft or engines may materially and adversely affect our financial results and growth prospects.

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

The aircraft and engine leasing industry is highly competitive. Our competition is comprised of major aircraft leasing companies including GE Commercial Aviation Services, International Lease Finance Corp., CIT Group, Aviation Capital Group, Pegasus Aviation, GATX Air, Air Castle Limited, RBS Aviation Capital, AWAS, Babcock & Brown, Boeing Capital Corp., Pembroke Group Ltd. and Singapore Aircraft Leasing Enterprise, and six major engine leasing companies, including GE Engine Leasing, Engine Lease Finance Corporation, Pratt & Whitney Engine Leasing LLC, Willis Lease Finance Corporation, Rolls−Royce and Partners Finance and Shannon Engine Support Ltd. Some of our competitors are significantly larger and have greater resources or lower cost of capital than us; accordingly, they may be able to compete more effectively in one or more of our markets. On October 18, 2006, GE Commercial Aviation Services completed the acquisition of The Memphis Group, Inc., an aircraft parts trading company. This acquisition could provide competition to our integrated business strategy.

In addition, we may encounter competition from other entities such as:

- airlines;
- aircraft manufacturers and MRO organizations;
- financial institutions, including those seeking to dispose of re−possessed aircraft at distressed prices;
- aircraft brokers;
- public and private partnerships, investors and funds with more capital to invest in aircraft and engines; and
- other aircraft and engine leasing companies and MRO organizations that we do not currently consider our major competitors.

Some of these competitors have greater operating and financial resources and access to lower capital costs than us. We may not always be able to compete successfully with such competitors and other entities, which could materially and adversely affect our financial results and growth prospects.

We are exposed to significant regional political and economic risks due to the concentration of our lessees in certain geographical regions which could adversely affect our financial results and growth prospects.

Through our lessees, we are exposed to local economic and political conditions. Such adverse economic and political conditions include additional regulation or, in extreme cases, requisition of our aircraft or engines. The effect of these conditions on payments to us will be more or less pronounced, depending on the concentration of lessees in the region with adverse conditions. The airline industry is highly sensitive to general economic conditions. A recession or other worsening of economic conditions or a terrorist attack, particularly if combined with high fuel prices or a weak Euro or other local currency, may have a material adverse effect on the ability of our lessees to meet their financial and other obligations under our leases.

Lease rental revenues from lessees based in Asia accounted for 43.5% of our lease revenues in 2006. The outbreak of SARS in 2003 had a significant negative effect on the Asian economy, particularly in China, Hong Kong and Taiwan. The Asian airline industry has since recovered and is currently experiencing strong growth; however, a recurrence of SARS or the outbreak of another epidemic disease, such as avian influenza, which many experts believe would originate in Asia, could materially and adversely affect the Asian airline industry.

Lease rental revenues from lessees based in Europe accounted for 34.9% of our lease revenues in 2006. Commercial airlines in Europe face, and can be expected to continue to face, increased competitive pressures, in part as a result of the deregulation of the airline industry by the European Union and the resulting expansion of low−cost carriers. European countries generally have relatively strict environmental regulations and traffic constraints that can restrict operational flexibility and decrease aircraft productivity, which could significantly increase operating costs of all aircraft, including our aircraft, thereby adversely affecting our lessees.

Lease rental revenues from lessees based in North America accounted for 12.8% of our lease revenues in 2006. During the past 15 years, a number of North American passenger airlines filed for bankruptcy and several major U.S. airlines ceased operations altogether. The outbreak of SARS, the war and prolonged conflict in Iraq and the September 11, 2001 terrorist attacks in the United States have imposed additional financial burdens on most U.S. airlines as a result of increased expenses due to tightened security requirements and have in certain cases led to a temporary reduction in demand for air travel. Lease revenues from lessees based in the Caribbean, accounted for 2.2% of our lease revenues in 2006.

Lease revenues from lessees based in Latin America account for 6.6% of our lease revenues in 2006. The economies of Latin American countries are generally characterized by lower levels of foreign investment when compared to industrialized countries and greater economic volatility. Any economic downturn in the Latin American or the Caribbean economies may adversely affect the operations of our lessees in these regions.

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

As of December 31, 2006, our consolidated indebtedness was $2.6 billion and our interest expense (including the impact of hedging activities) was $166.2 million in 2006. Due to the capital intensive nature of our business and our strategy of expanding our aircraft and engine portfolios, we expect that we will incur additional indebtedness in the future and continue to maintain high levels of indebtedness. We currently have 79 new A320 family aircraft and 20 new A330−200 widebody aircraft on order from Airbus. When we acquire all 99 of the Airbus aircraft, over the next four years, we expect to incur in excess of $4.0 billion of indebtedness to finance the purchase price of the aircraft. High levels of indebtedness may limit our cash flow available for capital expenditures, acquisitions and other general corporate purposes and may have a material adverse effect on our earnings and growth prospects.

In addition, covenants in some of the indebtedness incurred by our subsidiaries prevent our subsidiaries from paying dividends to us if we or the relevant subsidiary do not meet specified financial ratios. In addition, the terms of the Aircraft Lease Securitisation indebtedness allow for distributions on the subordinated notes held by us only after the senior classes of notes are repaid.

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

As our aircraft age, they will depreciate and generally the aircraft will generate lower revenues and cash flows. If we do not replace our older depreciated aircraft with newer aircraft, our ability to maintain or increase our revenues and cash flows will decline. In addition, since we depreciate our aircraft for accounting purposes on a straight line basis to the aircraft's estimated residual value over its estimated useful life, if we dispose of an aircraft for a price that is less than the depreciated book value of the aircraft on our balance sheet, we will recognize a loss on the sale.

Our failure to maintain effective internal controls could have a material adverse effect on our business in the future and on our access to the capital markets.

Any failure to maintain adequate internal control over financial reporting or to implement required, new or improved controls, or difficulties encountered in their implementation, could cause us to report material weaknesses or other deficiencies in our internal control over financial reporting and could result in a more than remote possibility of errors or misstatements in our consolidated financial statements that would be material. Although we are not currently subject to the requirements of Section 404 of the Sarbanes−Oxley Act of 2002, we are in the process of documenting and testing our internal controls in order to enable us to satisfy those requirements as of December 31, 2007. Beginning with our next annual report on Form 20−F, pursuant to Section 404 of the Sarbanes−Oxley Act, our management will be required to assess the effectiveness of our internal control over financial reporting, and we will be required to have our independent registered public accounting firm audit management's assessment and the operating effectiveness of our internal control over financial reporting. If our management or our independent registered public accounting firm were to conclude that our internal control over financial reporting was not effective, investors could lose confidence in our reported financial information and the value of our ordinary shares could be adversely impacted. Our failure to achieve and maintain effective internal controls could have a material adverse effect on our business in the future and on our access to the capital

markets. In addition, in connection with our compliance with Section 404 and the other applicable provisions of the Sarbanes−Oxley Act, our management and other personnel will need to devote a substantial amount of time, and may need to hire additional accounting and financial staff, to assure that we comply with these requirements. Compliance may also make some of our activities more time−consuming and costly. For example, we expect these rules and regulations to make it more difficult and more expensive for us to obtain director and other liability insurance, and we may be required to incur substantial costs to maintain current levels of coverage. The additional management attention and costs relating to compliance with the Sarbanes−Oxley Act could materially and adversely affect our growth and financial results.

The advanced age of some of our aircraft may cause us to incur higher than anticipated maintenance expenses, which could adversely affect our financial results and growth prospects.

As of December 31, 2006, we owned 64 aircraft that were over ten years of age, representing 29.7% of the net book value of our aircraft portfolio. In general, the costs of operating an aircraft, including maintenance expenditures, increase as they age. In addition, older aircraft are typically less fuel−efficient, noisier and produce higher levels of emissions, than newer aircraft and may be more difficult to re−lease or sell. In a depressed market, the value of older aircraft may decline more rapidly than the values of newer aircraft and our operating results may be adversely affected. Increased variable expenses like fuel, maintenance and increased governmental regulation could make the operation of older aircraft or engines less profitable and may result in increased lessee defaults. Incurring higher than anticipated maintenance expenses associated with the advanced age of some of our aircraft or our inability to sell or re−lease such older aircraft would materially and adversely affect our financial results and growth prospects.

The advent of superior aircraft and engine technology could cause our existing aircraft and engine portfolio to become outdated and therefore less desirable, which could adversely affect our financial results and growth prospects.

As manufacturers introduce technological innovations and new types of aircraft and engines, some of the aircraft and engines in our aircraft and engine portfolios may become less desirable to potential lessees. In addition, the imposition of increased regulation regarding stringent noise or emissions restrictions may make some of our aircraft and engines less desirable in the marketplace. Any of these risks may adversely affect our ability to lease or sell our aircraft or engines on favorable terms, if at all, which would have a material adverse effect on our financial results and growth prospects.

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

While we do not directly control the operation of any of our aircraft or engines, by virtue of holding title to aircraft, directly or indirectly, in certain jurisdictions around the world, we could be held strictly liable for losses resulting from the operation of our aircraft and engines, or may be held liable for those losses on other legal theories. We require our lessees to obtain specified levels of insurance and indemnify us for, and insure against, liabilities arising out of their use and operation of the aircraft.

However, following the terrorist attacks of September 11, 2001, aviation insurers significantly reduced the amount of insurance coverage available to airlines for liability to persons other than employees or passengers for claims resulting from acts of terrorism, war or similar events. At the same time, aviation insurers significantly increased the premiums for third−party war risk and terrorism liability insurance and coverage in general. As a result, the amount of third−party war risk and terrorism liability insurance that is commercially available at any time may be below the amount stipulated in our leases.

Our lessees' insurance or other coverage may not be sufficient to cover all claims that may be asserted against us arising from the operation of our aircraft and engines by our lessees. Inadequate insurance coverage or default by lessees in fulfilling their indemnification or insurance obligations will reduce the proceeds that would be received by us in the event we are sued and are required to make payments to claimants, which could materially and adversely affect our financial results and growth prospects.

If we incur significant costs resulting from lease defaults it could adversely affect our financial results and growth prospects.

If we are required to repossess an aircraft or engine after a lessee default, we may be required to incur significant unexpected costs. Those costs include legal and other expenses of court or other governmental proceedings, including the cost of posting surety bonds or letters of credit necessary to effect repossession of aircraft or engine, particularly if the lessee is contesting the proceedings or is in bankruptcy. In addition, during these proceedings the relevant aircraft or engine is not generating revenue. We may also incur substantial maintenance, refurbishment or repair costs that a defaulting lessee has failed to pay and that are necessary to put the aircraft or engine in suitable condition for re−lease or sale. It may also be necessary to pay off liens, taxes and other governmental charges on the aircraft to obtain clear possession and to remarket the aircraft effectively, including, in some cases, liens that the lessee may have incurred in connection with the operation of its other aircraft. We may also incur other costs in connection with the physical possession of the aircraft or engine.

We may also suffer other adverse consequences as a result of a lessee default and the related termination of the lease and the repossession of the related aircraft or engine. Our rights upon a lessee default vary significantly depending upon the jurisdiction and the applicable law, including the need to obtain a court order for repossession of the aircraft and/or consents for de−registration or re−export of the aircraft. When a defaulting lessee is in bankruptcy, protective administration, insolvency or similar proceedings, additional limitations may apply. Certain jurisdictions give rights to the trustee in bankruptcy or a similar officer to assume or reject the lease or to assign it to a third party, or entitle the lessee or another third party to retain possession of the aircraft or engine without paying lease rentals or performing all or some of the obligations under the relevant lease. In addition, certain of our lessees are owned in whole, or in part, by government−related entities, which could complicate our efforts to repossess our aircraft or engines in that government's jurisdiction. Accordingly, we may be delayed in, or prevented from, enforcing certain of our rights under a lease and in re−leasing the affected aircraft or engine.

If we repossess an aircraft or engine, we will not necessarily be able to export or de−register and profitably redeploy the aircraft or engine. For instance, where a lessee or other operator flies only domestic routes in the jurisdiction in which the aircraft or engine is registered, repossession may be more difficult, especially if the jurisdiction permits the lessee or the other operator to resist de−registration. We may also incur significant costs in retrieving or recreating aircraft or engine records required for registration of the aircraft or engine, and in obtaining the certificate of airworthiness for an aircraft. If we incur significant costs repossessing our aircraft or engines, are delayed in repossessing our aircraft or engines or are unable to obtain possession of our aircraft or engines as a result of lessee defaults, our financial results and growth prospects may be materially and adversely affected.

If we provide MRO services to third−parties, we may lose some of our existing MRO service provider customers who lease our engines and purchase our parts.

A significant portion of our short−term engine leases are to engine MRO service providers, which in turn use the engines to provide their customers with spare engines while the MRO service provider repairs the customer's engines. Also, a significant portion of our engine parts are sold directly to our engine MRO service provider customers. If we provide MRO services directly to third parties we would compete directly with some of our MRO service provider customers. Some of these MRO service provider customers may choose to lease engines and purchase parts from our competitors with whom they do not directly compete in their MRO business.

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

In the normal course of their business, our lessees are likely to incur aircraft and engine liens that secure the payment of airport fees and taxes, custom duties, air navigation charges, including charges imposed by Eurocontrol, landing charges, crew wages, repairer's charges, salvage or other liens that may attach to our aircraft or engine. These liens may secure substantial sums that may, in certain jurisdictions or for certain types of liens, particularly liens on entire fleets of aircraft, exceed the value of the particular aircraft or engine to which the liens have attached. Aircraft and engines may also be subject to mechanical liens as a result of routine maintenance performed by third parties on behalf of our customers. Although the financial obligations relating to these liens are the responsibility of our lessees, if they fail to fulfill their obligations, the liens may attach to our aircraft or engines and ultimately become our responsibility. In some jurisdictions, aircraft and engine liens may give the holder thereof the right to detain or, in limited cases, sell or cause the forfeiture of the aircraft or engine.

Until they are discharged, these liens could impair our ability to repossess, re−lease or sell our aircraft or engines. Our lessees may not comply with their obligations under their leases to discharge aircraft liens arising during the terms of their leases. If they do not, we may find it necessary to pay the claims secured by such aircraft liens in order to repossess the aircraft or engine. Such payments would materially and adversely affect our financial results and growth prospects.

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

Under our leases, we may be required in some instances to obtain specific licenses, consents or approvals for different aspects of the leases. These required items include consents from governmental or regulatory authorities for certain payments under the leases and for the import, re−export or deregistration of the aircraft and engines. Subsequent changes in applicable law or administrative practice may increase such requirements. In addition, a governmental consent, once given, might be withdrawn. Furthermore, consents needed in connection with future re−leasing or sale of an aircraft or engine may not be forthcoming. To perform some of our cash management services and insurance services from Ireland under our management arrangements with our joint ventures and securitization entities, we require a license from the Irish regulatory authorities, which we have obtained. In addition, to meet our MRO customers' requirements to maintain certain flight certifications, AeroTurbine requires certificates from the Federal Aviation Administration, or FAA, and European Aviation Safety Agency, or EASA, which it has obtained. A failure to maintain these licenses or certificates or obtain any required license or certificate, consent or approval, or the occurrence of any of the foregoing events, could adversely affect our ability to provide qualifying services or re−lease or sell our aircraft or engines, 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.

Many countries restrict or control foreign investments to varying degrees, and additional or different restrictions or policies adverse to us may be imposed in the future. These restrictions and controls have limited, and may in the future restrict or preclude, our investment in joint ventures or the acquisition of businesses outside of the United States, or may increase the cost to us of entering into such transactions. Various governments, particularly in the Asia/Pacific region, require governmental approval before foreign persons may make investments in domestic businesses and also limit the extent of any such investments. Furthermore, various governments may require governmental approval for the repatriation of capital by, or the payment of dividends to, foreign investors. Restrictive policies regarding foreign investments may increase our costs of pursuing growth opportunities in foreign jurisdictions, which could materially and adversely affect our financial results and growth prospects.

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

The supply of commercial jet aircraft is dominated by two airframe manufacturers, Boeing and Airbus, and three engine manufacturers, GE Aircraft Engines, Rolls−Royce plc and Pratt & Whitney. As a result, we are dependent on these manufacturers' success in remaining financially stable, producing products and related components which meet the airlines' demands and fulfilling their contractual obligations to us. Airbus has recently made a series of announcements relating to significant delays and cost overruns in the manufacturing process for the new commercial jet it is developing, the A380 megajet. These delays and cost overruns have resulted in several changes of Airbus's top management and could lead to Airbus customers canceling existing orders, which would aggravate Airbus's economic difficulties.

Further, competition between Airbus and Boeing for market share is escalating and may cause instances of deep discounting for certain aircraft types, which could adversely affect our ability to obtain an attractive price when we attempt to sell our aircraft in the aftermarket. Should the manufacturers fail to respond appropriately to changes in the market environment or fail to fulfill their contractual obligations, we may experience:

- missed or late delivery of aircraft and engines ordered by us and an inability to meet our contractual obligations to our customers, resulting in lost or delayed revenues, lower growth rates and strained customer relationships;
- an inability to acquire aircraft and engines and related components on terms which will allow us to lease those aircraft and engines to customers at a profit, resulting in lower growth rates or a contraction in our aircraft portfolio;
- a market environment with too many aircraft and engines available, creating downward pressure on demand for the aircraft and engines in our fleet and reduced market lease rates and sale prices;
- poor customer support from the manufacturers of aircraft, engines and components resulting in reduced demand for a particular manufacturer's product, creating downward pressure on demand for those aircraft and engines in our fleet and reduced market lease rates and sale prices for those aircraft and engines; and
- reduction in our competitiveness due to deep discounting by the manufacturers, which may lead to reduced market lease rates and sale prices and may affect our ability to remarket or sell some of the aircraft and engines in our portfolio.

We will need additional capital to finance our growth, and we may not be able to obtain it on terms acceptable to us, if at all, which may limit our ability to grow and compete in the aircraft and engine leasing and trading markets.

We will need additional capital to continue to expand our business by acquiring additional aircraft, engines and other aviation assets, and financing may not be available to us or may be available to us only on terms that are not favorable. We initially finance the acquisition of aircraft through a combination of medium−term revolving credit facilities and long−term debt structures. Once we obtain a sufficient number and diversity of aircraft financed with medium−term revolving credit facilities, we generally refinance these facilities with long−term debt structures, including securitizations, tax advantaged structures and bank loans. As a result, we are subject to the risk that we will not be able to acquire, during the period that our credit facilities are available, a sufficient amount of eligible aircraft and engines to allow for an issuance of long−term debt. If we are unable to raise additional funds or obtain capital on terms acceptable to us, we may have to delay, modify or abandon some or all of our growth strategies. Further, if additional capital is raised through the issuance of additional equity securities, the percentage ownership of our then current shareholders would be diluted. Newly issued equity securities may have rights, preferences or privileges senior to those of our ordinary shares. See “Item 10. Additional Information—Memorandum and articles of association”.

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

Governmental regulations regarding aircraft and engine noise and emissions levels apply based on where the relevant airframe is registered, and where the aircraft is operated. For example, jurisdictions throughout the world have adopted noise regulations which require all aircraft to comply with noise level standards. In addition to the current requirements, the United States and the International Civil Aviation Organization, or ICAO, have adopted a new, more stringent set of standards for noise levels which will apply to engines manufactured or certified beginning in 2006. Currently, United States regulations would not require any phase−out of aircraft that qualify with the current standards, but the European Union has established a framework for the imposition of operating limitations on aircraft that do not comply with the new standards. These regulations could limit the economic life of our aircraft and engines, reduce their value, limit our ability to lease or sell the non−compliant aircraft and engines or, if engine modifications are permitted, require us to make significant additional investments in the aircraft and engines to make them compliant.

In addition to more stringent noise restrictions, the United States and other jurisdictions are beginning to impose more stringent limits on the emission of nitrogen oxide, carbon monoxide and carbon dioxide emissions from engines, consistent with current ICAO standards. These limits generally apply only to engines manufactured after 1999. None of our 61 aircraft engines were manufactured after 1999. Concerns over global warming could result in more stringent limitations on the operation of aircraft powered by older, non−compliant engines.

Our operations are subject to various federal, state and local environmental, health and safety laws and regulations in the United States, including those relating to the discharge of materials into the air, water and ground, the generation, storage, handling, use, transportation and disposal of hazardous materials, and the health and safety of its employees. A violation of these laws and regulations or permit conditions can result in substantial fines, permit revocation or other damages. Many of these laws impose liability for clean−up of contamination that may exist at our facilities (even if we did not know of or were not responsible for the contamination) or related personal injuries or natural resource damages or costs relating to contamination at third−party waste disposal sites where we have sent or may send waste. We cannot assure you that we will be at all times in complete compliance with these laws, regulations or permits. We may have liability under environmental laws or be subject to legal actions brought by

governmental authorities or other parties for actual or alleged violations of, or liability under, environmental, health and safety laws, regulations or permits.

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.

We are the aircraft manager for various securitization vehicles, joint ventures and third parties and receive annual fees for these services. In 2006, we generated revenue of $14.1 million from providing aircraft management services to non−consolidated securitization vehicles and joint ventures and third parties. We may be removed as manager by the affirmative vote of a requisite number of holders of the securities issued by the securitization vehicles upon the occurrence of specified events and at specified times under our joint venture agreements. If we are removed, in the case of our consolidated securitization vehicles and joint ventures, our expenses would increase since such securitization vehicles or joint ventures would have to hire an outside aircraft manager and, in the case of non−consolidated securitization vehicles, joint ventures and third parties, our revenues would decline as a result of the loss of our fees for providing management services to such entities. If we are removed as aircraft manager for any securitization vehicle or joint venture that generates a significant portion of our management fees, our financial results and growth prospects could be materially and adversely affected.

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

We are currently joint venture partners in several joint ventures, including AerVenture, a consolidated joint venture which has entered into a purchase agreement with Airbus for the purchase of up to 70 A320 family aircraft, and it is our strategy to enter into additional joint ventures in the future. Under the AerVenture joint venture agreement, we share control over significant decisions with our joint venture partner. For example, we may not, without the consent of our AerVenture joint venture partner, cause AerVenture to incur any debt outside the ordinary course of business, buy or sell assets or pay dividends to us. Since we have limited control over AerVenture and certain of our other joint ventures and may not be able to exercise control over any future joint venture, we may not be able to require AerVenture or such other joint ventures to take actions that we believe are necessary to implement our business strategy. Accordingly, this limited control could have a material adverse effect on our financial results and growth prospects.

The departure of senior managers could adversely affect our financial results and growth prospects.

Our future success depends, to a significant extent, upon the continued service of our senior management personnel. For a description of the senior management team, see “Item 6. Directors, Senior Management and Employees”. The departure of senior management personnel could have a material adverse effect on our ability to achieve our business strategy, including the integration of AeroTurbine.

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.

In some jurisdictions, an engine affixed to an aircraft may become an accession to the aircraft, so that the ownership rights of the owner of the aircraft supersede the ownership rights of the owner of the engine. If an aircraft is security for the owner’s obligations to a third party, the security interest in the aircraft may supersede our rights as owner of the engine. This legal principle could limit our ability to repossess an engine in the event of an engine lease default while the aircraft with our engine installed remains in such jurisdiction. We would suffer a substantial loss if we were not able to repossess engines leased to lessees in these jurisdictions, which would materially and adversely affect our financial results and growth prospects.

Risks Related to the Aviation Industry

As high fuel prices continue to affect the profitability of the aviation industry, our lessees might not be able to meet their lease payment obligations, which would adversely affect our financial results and growth prospects.

Fuel costs represent a major expense to companies operating in the aviation industry. Fuel prices fluctuate widely depending primarily on international market conditions, geopolitical and environmental events and currency/exchange rates. As a result, fuel costs are not within the control of lessees and significant increases in fuel costs would materially and adversely affect their operating results.

Factors such as natural disasters can significantly affect fuel availability and prices. In August and September 2005, Hurricanes Katrina and Rita inflicted widespread damage along the Gulf Coast of the United States, causing significant disruptions to oil production, refinery operations and pipeline capacity in the region, and to oil production in the Gulf of Mexico. These disruptions resulted in decreased fuel availability and higher fuel prices.

Fuel prices currently remain at historically high levels. The continuing high cost of fuel has had, and sustained high costs in the future may continue to have, a material adverse affect on airlines' profitability, including our lessees. Due to the competitive nature of the aviation industry, operators have been and may continue to be unable to pass on increases in fuel prices to their customers by increasing fares in a manner that fully off−sets the increased fuel costs they have incurred. In addition, they may not be able to manage this risk by appropriately hedging their exposure to fuel price fluctuations. If fuel prices remain at historically high levels or increase further due to future terrorist attacks, acts of war, armed hostilities, natural disasters or for any other reason, they are likely to cause our lessees to incur higher costs and/or generate lower revenues, resulting in an adverse affect on their financial condition and liquidity. Consequently, these conditions may adversely affect our lessees' ability to make rental and other lease payments, result in lease restructurings and/or aircraft and engine repossessions, increase our costs of servicing and marketing our aircraft and engines, impair our ability to re−lease them or otherwise dispose of them on a timely basis at favorable rates or terms, if at all, and reduce the proceeds received for such assets upon any disposition. Any of these events could adversely affect our financial results and growth prospects.

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

As a result of the September 11, 2001 terrorist attacks in the United States and subsequent terrorist attacks abroad, notably in the Middle East, Southeast Asia and Europe, increased security restrictions were implemented on air travel, costs for aircraft insurance and security measures have increased, passenger and cargo demand for air travel decreased and operators have faced and continue to face increased difficulties in acquiring war risk and other insurance at reasonable costs. In addition, war or armed hostilities, or the fear of such events could further exacerbate many of the problems experienced as a result of terrorist attacks. Uncertainty regarding the situation in Iraq and tension over Iran's and North Korea's nuclear programs, may lead to further instability in the Middle East. Future terrorist attacks, war or armed hostilities, or the fear of such events, could further adversely affect the aviation industry and may have an adverse effect on the financial condition and liquidity of our lessees, aircraft and engine values and rental rates, and may lead to lease restructurings or repossessions, all of which could adversely affect our financial results and growth prospects.

Terrorist attacks and adverse geopolitical conditions have adversely affected the aviation industry and concerns about such events could also result in:

- higher costs to the airlines due to the increased security measures;
- decreased passenger demand and revenue due to the inconvenience of additional security measures;

- uncertainty of the price and availability of jet fuel and the cost and practicability of obtaining fuel hedges under current market conditions;
- higher financing costs and difficulty in raising the desired amount of proceeds on favorable terms, if at all;
- significantly higher costs of aviation insurance coverage for future claims caused by acts of war, terrorism, sabotage, hijacking and other similar perils, and the extent to which such insurance has been or will continue to be available;
- inability of airlines to reduce their operating costs and conserve financial resources, taking into account the increased costs incurred as a consequence of terrorist attacks and geopolitical conditions, including those referred to above; and
- special charges recognized by some operators, such as those related to the impairment of aircraft and engines and other long lived assets stemming from the grounding of aircraft as a result of terrorist attacks, the economic slowdown and airline reorganizations.

Future terrorist attacks, acts of war or armed hostilities may cause certain aviation insurance to become available only at significantly increased premiums, which may be for reduced amounts of coverage that are insufficient to comply with the levels of insurance coverage currently required by aircraft and engine lenders and lessors or by applicable government regulations, or to be not available at all.

Although the Aircraft Transportation Safety and System Stabilization Act adopted in the United States on September 22, 2001 and similar programs instituted by the governments of other countries provide for limited government coverage under government programs for specified types of aviation insurance, these programs may not continue and governments may not pay under these programs in a timely fashion.

Future terrorist attacks, acts of war or armed hostilities are likely to cause our lessees to incur higher costs and to generate lower revenues, which could result in an adverse effect on their financial condition and liquidity. Consequently, these conditions may affect their ability to make rental and other lease payments to us or obtain the types and amounts of insurance required by the applicable leases, which may in turn lead to aircraft groundings, may result in additional lease restructurings and repossessions, may increase our cost of re−leasing or selling the aircraft and may impair our ability to re−lease or otherwise dispose of them on a timely basis at favorable rates or on favorable terms, if at all, and may reduce the proceeds received for our aircraft and engines upon any disposition. These results could adversely affect our financial results and growth prospects.

The effects of SARS or other epidemic diseases may adversely affect the airline industry in the future, which might cause our lessees to not be able to meet their lease payment obligations to us, which would adversely affect our financial results and growth prospects.

The linking of the 2003 outbreak of SARS to air travel materially and adversely affected passenger demand for air travel at that time. While the World Heath Organization's travel bans related to SARS were lifted, SARS had a continuing negative affect on the aviation industry, which was evidenced by a sharp reduction in passenger bookings and the cancellation of many flights after the air travel bans had been lifted. While these effects were felt most acutely in Asia, the effect of SARS on the aviation industry also adversely affected other areas, including North America.

Since 2003, there have been several outbreaks of avian influenza, beginning in Asia and, most recently, spreading to certain parts of Africa and Europe. Although human cases of avian influenza so far have been limited in number, the World Health Organization has expressed serious concern that a human influenza pandemic could develop from the avian influenza virus. In such an event, numerous responses,

including travel restrictions, might be necessary to combat the spread of the disease. Additional outbreaks of SARS or other diseases, such as avian influenza, or the fear of such events, could adversely affect passenger demand for air travel and the aviation industry. These consequences could result in our lessees' inability to satisfy their lease payment obligations to us, which in turn would adversely affect our financial results and growth prospects.

The passenger aviation industry is inherently cyclical and a significant downturn in the industry would adversely impact our lessees' ability to make payments to us, which would adversely affect our financial results and growth prospects.

The years 2001 through 2004 were characterized by falling demand and rising costs. This industry downturn was exacerbated by the terrorist attacks on 9/11, prolonged military action in Iraq and Afghanistan, rising fuel prices, SARS and avian influenza. As a result, the global airline industry experienced significant financial losses. Many airlines, including some of our lessees, announced or implemented reductions in capacity, service and workforce. Additionally, many airlines sought protection under bankruptcy laws. The airline bankruptcies and the reduction in demand led to the grounding of significant numbers of aircraft and engines and the negotiation of reductions in lease rental rates, which depressed aircraft and engine market values.

While the down cycle has ended and the world's airlines are currently generally performing well, an industry downturn is likely to occur again in the future and the impact could be similar to the impact of the prior downturn. Such a downturn would likely place already financially weakened lessees under further duress, once again putting downward pressure on lease rates. As in the previous downturn, the grounding of undesirable older aircraft would also play a role in depressing aircraft and engine market values.

Risks Related to Our Organization and Structure

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

Funds and accounts affiliated with Cerberus Capital Management, L.P., or Cerberus, have voting control over approximately 69.3% of our ordinary shares, including shares or options held by members of our senior management, our non−executive directors and a consultant in Bermuda holding companies which are our indirect shareholders. As a result, Cerberus is able to control fundamental corporate matters and transactions, including the appointment of a majority of our directors, mergers, amalgamations, consolidations or acquisitions, the sale of all or substantially all of our assets, the amendment of our articles of association and our dissolution. This concentration of ownership may delay, deter or prevent acts that would be favored by our other shareholders, such as a change of control transaction that would result in the payment of a premium to our other shareholders. In addition, this concentration of share ownership may adversely affect the trading price of our ordinary shares if the perception among investors exists that owning shares in a company with a significant shareholder is not desirable.

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

We were formed under the laws of The Netherlands and, as such, the rights of holders of our ordinary shares and the civil liability of our directors will be governed by the laws of The Netherlands and our articles of association. The rights of shareholders under the laws of The Netherlands may differ from the rights of shareholders of companies incorporated in other jurisdictions. Some of the named experts referred to in this annual report are not residents of the United States, and most of our directors and our executive officers and most of our assets and the assets of our directors are located outside the

United States. In addition, under our articles of association, all lawsuits against us and our directors and executive officers shall be governed by the laws of The Netherlands and must be brought exclusively before the Courts of Amsterdam, The Netherlands. As a result, you may not be able to serve process on us or on such persons in the United States or obtain or enforce judgments from U.S. courts against them or us based on the civil liability provisions of the securities laws of the United States. There is doubt as to whether Netherlands courts would enforce certain civil liabilities under U.S. securities laws in original actions and enforce claims for punitive damages.

Under our articles of association, we indemnify and hold our directors, officers and employees harmless against all claims and suits brought against them, subject to limited exceptions. Under our articles of association, to the extent allowed by law, the rights and obligations among or between us, any of our current or former directors, officers and employees and any current or former shareholder shall be governed exclusively by the laws of The Netherlands and subject to the jurisdiction of the Netherlands courts, unless such rights or obligations do not relate to or arise out of their capacities listed above. Although there is doubt as to whether U.S. courts would enforce such provision in an action brought in the United States under U.S. securities laws, such provision could make enforcing judgments obtained outside of The Netherlands more difficult to enforce against our assets in The Netherlands or jurisdictions that would apply Netherlands law.

Our international operations expose us to economic and legal risks associated with a global business.

We conduct our business in many countries, and we anticipate that revenue from our international operations, particularly from the Asia/Pacific region, will continue to account for a significant amount of our future revenue. There are risks inherent in conducting our business internationally, including:

- general political and economic instability in international markets;
- limitations in the repatriation of our assets, including cash;
- expropriation of our international assets;
- different liability standards and less developed legal systems that may be less predictable than those in the United States; and
- intellectual property laws of countries that do not protect our international rights to the same extent as the laws of the United States.

These factors may have a material adverse effect on our financial results and growth prospects.

If our subsidiaries do not make distributions to us we will not be able to pay dividends.

Substantially all of our assets are held by and our revenues are generated by our subsidiaries. We will be limited in our ability to pay dividends unless we receive dividends or other cash flow from our subsidiaries. Substantially all of our owned aircraft are held through special purpose subsidiaries or finance structures which borrow funds to finance or refinance the aircraft. The terms of such financings place restrictions on distributions of funds to us. If these limitations prevent distributions to us or our subsidiaries do not generate positive cash flows, we will be limited in our ability to pay dividends and may be unable to transfer funds between subsidiaries if required to support our subsidiaries.

Risks Related to Taxation

We may become a passive foreign investment company, or PFIC, for U.S. federal income tax purposes.

We do not believe we are currently a PFIC and we intend to conduct our affairs in a manner that will reduce the likelihood of our being a PFIC. The determination as to whether a foreign corporation is a

PFIC is a complex determination based on all of the relevant facts and circumstances and depends on the classification of various assets and income under PFIC rules. In our case, the determination is further complicated by the application of the PFIC rules to leasing companies and to joint ventures and financing structures common in the aircraft leasing industry. If we are or become a PFIC, U.S. shareholders may be subject to increased U.S. federal income taxes on a sale or other disposition of our ordinary shares and on the receipt of certain distributions and will be subject to increased U.S. federal income tax reporting requirements. See "Item 10. Additional Information—U.S. Tax Considerations" for a more detailed discussion of the consequences to you if we are treated as a PFIC and a discussion of certain elections that may be available to mitigate the effects of that treatment. We urge you to consult your own tax advisors regarding the application of the PFIC rules to your particular circumstances.

We may become subject to income or other taxes in jurisdictions which would adversely affect our financial results and growth prospects.

We and our subsidiaries are subject to the income tax laws of Ireland, The Netherlands, Sweden and the United States and other jurisdictions in which our subsidiaries are incorporated or based. In addition, we or our subsidiaries may be subject to additional income or other taxes in these and other jurisdictions by reason of the management and control of our subsidiaries, our activities and operations, where our aircraft operate or where the lessees of our aircraft (or others in possession of our aircraft) are located. Although we have adopted guidelines and operating procedures to ensure our subsidiaries are appropriately managed and controlled to reduce the exposure to such additional taxation, no assurance can be given that we will not be subject to such taxes in the future and that such taxes will not be substantial. The imposition of such taxes could have a material adverse effect on our financial results and growth prospects.

We may incur current tax liabilities in our primary operating jurisdictions in the future.

While we have not incurred material income tax liabilities in our primary operating jurisdictions in the past due to, among other things, accelerated tax depreciation, deductible financing expenses and intercompany servicing arrangements, we may incur material income tax liabilities in those jurisdictions in the future. Due to the AeroTurbine Acquisition, we expect to pay U.S. income taxes in the future. If we become subject to material income taxes in any of our other primary operating jurisdictions, our increased tax liabilities could adversely affect our cash flows and have a material adverse effect on our financial results and growth prospects.

We may become subject to additional Irish taxes based on the extent of our operations carried on in Ireland.

Our Irish tax resident subsidiaries are currently subject to Irish corporate income tax on trading income at a rate of 12.5%, on capital gains at 20%, and on other income at 25%. We expect that substantially all of our Irish income will be treated as trading income for tax purposes in future periods. As of December 31, 2006, we had $355.7 million of Irish tax losses available to carry forward against our trading income. The continued application of the 12.5% tax rate to trading income generated in our Irish tax resident subsidiaries and the ability to carry forward Irish tax losses to shelter future taxable trading income depends in part on the extent and nature of activities carried on in Ireland both in the past and in the future. AerCap Ireland and its Irish tax resident subsidiaries intend to carry on their activities in Ireland so that the 12.5% rate of tax applicable to trading income will apply and that they will be entitled to shelter future income with tax losses that arose from the same trading activity. There can be no assurance that we will continue to be entitled to apply our loss carryforwards against future taxable trading income in Ireland.

We may fail to qualify for benefits under one or more tax treaties.

We do not expect that our subsidiaries located outside of the United States will have any material U.S. federal income tax liability by reason of activities we carry out in the United States and the lease of assets to lessees that operate in the United States. However, this conclusion will depend, in part, on continued qualification for the benefits of income tax treaties between the United States and other countries in which we are subject to tax (particularly The Netherlands and Ireland). That in turn will depend for the most part on the nature and level of activities carried on by our subsidiaries in each jurisdiction.

There can be no assurance that the nature of our activities will be such that our subsidiaries will continue to qualify for the benefits of the income tax treaties with the United States or that we will otherwise qualify for treaty benefits. Failure to so qualify could result in the imposition of U.S. federal taxes which could have a material adverse effect on our financial results and growth prospects.

Item 4. Information on the Company

We are an integrated global aviation company with a leading market position in aircraft and engine leasing, trading and parts sales. We possess extensive aviation expertise that permits us to extract value from every stage of an aircraft's lifecycle across a broad range of aircraft and engine types. It is our strategy to acquire aviation assets at attractive prices, lease the assets to suitable lessees, and manage the funding and other lease related costs efficiently. We also provide aircraft management services and perform aircraft and engine MRO services and aircraft disassemblies through our certified repair stations. We believe that by applying our expertise through an integrated business model, we will be able to identify and execute on a broad range of market opportunities that we expect will generate attractive returns for our shareholders. We are headquartered in Amsterdam and have offices in Ireland, Florida and Arizona with a total of 351 people.

We operate our business on a global basis, providing aircraft, engines and parts to customers in every major geographical region. As of December 31, 2006, we owned 131 aircraft and 51 engines, managed 103 aircraft, had 99 new aircraft and 6 new engines on order, had entered into a purchase contract for one aircraft and had executed letters of intent to purchase an additional 10 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, 2006, our owned and managed aircraft and engines were leased to 106 commercial airline and cargo operator customers in 47 countries and are managed from our offices in The Netherlands, Ireland and the United States. We expect to expand our leasing activity in Asia and in China in particular through our AerDragon joint venture with China Aviation Supplies Import & Export Group Corporation, which commenced operations in October 2006.

We have the infrastructure, expertise and resources to execute a large number of diverse aircraft and engine transactions in a variety of market conditions. From January 1, 2004 to December 31, 2006, we have executed over 800 aircraft and engine transactions, including 231 aircraft leases, 214 engine leases, 126 aircraft purchase or sale transactions, 130 engine purchase or sale transactions and the disassembly of 36 aircraft and 99 engines. Our teams of dedicated marketing and asset trading professionals have been successful in leasing and trading our aircraft and engine portfolios. Between January 1, 2004 and December 31, 2006, our weighted average owned aircraft utilization rate was 99.1%.

We were formed as a Netherlands public limited liability company ("*naamloze vennootschap*") on July 10, 2006 to acquire all of the assets and liabilities of AerCap Holdings C.V. a Netherlands limited partnership. AerCap Holdings C.V. was formed on June 27, 2005 for the purpose of acquiring all of the shares and certain liabilities of AerCap B.V. (formerly known as debis AirFinance B.V.). On June 30, 2005, AerCap Holdings C.V. acquired all of AerCap B.V.'s shares and the liabilities owed by AerCap B.V. to its prior shareholders for a total consideration of $1.37 billion, $370.0 million of which was funded with equity contributions from funds and accounts affiliated with Cerberus Capital Management, L.P., or Cerberus. On April 26, 2006, we acquired all of the existing share capital of AeroTurbine, Inc. an engine trading and leasing and parts sales company. On October 27, 2006, AerCap Holdings N.V. acquired all of the assets and liabilities of AerCap Holdings C.V. On November 27, 2006, we completed the initial public offering of 6.8 million of our ordinary shares on The New York Stock Exchange.

Our principal executive offices are located at Evert van de Beekstraat 312, 1118 CX Schiphol Airport, The Netherlands, and our general telephone number is +31 20 655−9655. Our website address is www.aercap.com. Information contained on our website does not constitute a part of this annual report. Puglisi & Associates is our authorized representative in the United States. The address of Puglisi & Associates is 850 Liberty Avenue, Suite 204, Newark, DE 19711 and their general telephone number is (302) 738−6680.

Our Business Strategy

We intend to pursue the following business strategies:

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

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

Our ability to profitably manage aircraft throughout their lifecycle depends in part on our successful integration of AeroTurbine, which we acquired in April 2006, our ability to successfully lease aircraft and engines at profitable rates and our ability to source acquisition opportunities of new and used aircraft at favorable prices.

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

Focus on High Growth Markets. Although we maintain a geographically diverse portfolio, we focus on high growth airline markets such as the Asia/Pacific market. In May 2006, we entered into a joint venture with China Aviation Supplies Import & Export Group Corporation, a state−owned aviation

service engaged in the import and export of civil aviation products and the leasing and maintenance of aircraft, engines and aviation parts. This joint venture enhances our presence in the increasingly important China market and will enhance our ability to lease our aircraft and engines throughout the entire Asia/Pacific region.

Enter into Joint Ventures to Obtain Economies of Scale. We intend to continue to leverage our leading market position, extensive knowledge of the aircraft and engine leasing markets and aircraft and engine management capabilities by entering into joint ventures that increase our purchasing power and our ability to obtain price discounts on large aircraft orders. For example, by recently structuring a large aircraft purchase from Airbus through a 50% owned consolidated joint venture, we were able to increase the number of aircraft we ordered from 35 to 70 and obtained significantly more favorable terms than would otherwise have been available to us. We expect to generate fees from our joint ventures by providing them with aircraft management services.

Obtain Maintenance Cost Savings. We intend to lower our aircraft and engine maintenance costs by using aircraft and engine parts we obtain from the selective disassembly of acquired and existing airframes and engines. We intend to achieve further maintenance cost savings by using our FAA and EASA certified repair station to perform a variety of value−added MRO services on our aircraft and engines that would otherwise be outsourced at significantly higher costs.

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

Aircraft

Overview

We operate our aircraft business on a global basis. As of December 31, 2006, we owned and managed 234 aircraft. We owned 127 aircraft in our aircraft business, managed 103 aircraft and had an additional 4 aircraft which we intend to disassemble for the sale of their parts or sell at the end of their leases. As of December 31, 2006, we leased these aircraft to 88 commercial airline and cargo operator customers in 45 countries. In addition, as of December 31, 2006, we had 79 new narrowbody aircraft on order, including 9 directly and 70 through our consolidated joint venture, AerVenture, 20 new widebody aircraft on order, had entered into a purchase contract for one aircraft and had executed letters of intent for the purchase of 10 additional aircraft. Including all owned and managed aircraft, aircraft under contract or letter of intent and aircraft in our order book, our portfolio totals 344 aircraft.

Over the life of the aircraft, we seek to increase the returns on our investments by managing our aircraft's lease rates, time off−lease, financing costs and maintenance costs, and by carefully timing their sale or disassembly. 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. Rather than purchase their aircraft, many airlines operate their aircraft under operating leases because operating leases reduce their capital requirements and costs and allow them to manage their fleet more efficiently. Over the past 20 years, the world's airlines have increasingly turned to operating leases to meet their aircraft needs.

Our contract lease terms generally range from 12 months to 120 months. By varying our lease terms, we mitigate the effects of changes in cyclical market conditions at the time aircraft become eligible for re−lease. In periods of strong aircraft demand, we seek to enter into medium and long−term leases to lock−in the generally higher market lease rates during those periods, while, in periods of low aircraft

demand we seek to enter into short−term leases to mitigate the effects of the generally lower market lease rates during those periods. In addition, we generally seek to reduce our leasing transition costs by entering into lease extensions rather than taking re−delivery of the aircraft and leasing it to a new customer. The terms of our lease extensions reflect the market conditions at the time the lease extension is signed and typically contain different terms than the original lease.

Upon expiration of an operating lease, we extend the lease term, take redelivery of the aircraft, remarket and re−lease it to new lessees, sell the aircraft, or transfer the aircraft to our disassembly business for sale of its parts. Typically, we re−lease our leased aircraft well in advance of the expiration of the then current lease and deliver the aircraft to a new lessee in less than two months following redelivery by the prior lessee. During the period in which an aircraft is in between leases, we typically perform routine inspections and the maintenance necessary to place the aircraft in the required condition for delivery and, in some cases, make modifications requested by our next lessee.

Our extensive experience, global reach and operating capabilities allow us to rapidly complete numerous aircraft transactions, which enables us to increase the returns on our aircraft investments and reduce the time that our aircraft are not generating revenue for us. We successfully executed 376 aircraft transactions between January 1, 2004 and December 31, 2006.

The following tables set forth information regarding the aircraft transactions we have executed between January 1, 2004 and December 31, 2006, the number of initial leases and re−leases we entered into, the number of leases we extended, the number of leases we restructured, the number of aircraft we purchased and the number of aircraft we sold. The trends shown in the table reflect the execution of the various elements of our leasing strategy for our owned and managed portfolio, as described further below.

	Owned Aircraft			
Activity	**2004**	**2005**	**2006**	**Total/ Average**
New leases	5	11	15	**31**
Re−leases	28	9	16	**53**
Extensions of lease contracts	7	28	15	**50**
Average lease term for new leases (months)(1)	61.2	68.7	103.2	**84.2**
Average lease term for re−leases (months)(1)	38.1	50.6	58.7	**46.5**
Average lease term for lease extensions (months)(2)	24.9	23.0	22.3	**23.1**
Lease restructurings	9	6	1	**16**
Aircraft purchases	9	6	41	**56**
Aircraft sales	9	21	17	**47**
Average aircraft utilization rates(3)	99.3 %	99.1 %	98.9 %	**99.1 %**

(1) Average lease term of new leases and re−leases contracted during the period. The average lease term for new leases and re−leases is calculated by reference to the period between the date of contractual delivery to the date of contractual redelivery of the aircraft.

(2) Average lease term for aircraft extensions contracted during the period. The average lease term for lease extensions is calculated by reference to the period between the date of the original expiration of the lease and the new expiration date.

(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.

	Managed Aircraft			
Activity	2004	2005	2006	Total/ Average
New leases	1	—	—	**1**
Re−leases	19	23	9	**51**
Extensions of lease contracts	10	21	14	**45**
Average lease term for new leases (months)(1)	72.0	—	—	**72.0**
Average lease term for re−leases (months)(1)	47.3	36.4	40.9	**41.3**
Average lease term for lease extensions (months)(2)	20.2	30.7	21.5	**25.5**
Lease restructurings	1	1	1	**3**
Aircraft purchases	—	1	—	**1**
Aircraft sales	—	9	13	**22**

(1) Average lease term of new leases and re−leases contracted during the period. The average lease term for new leases and re−leases is calculated by reference to the period between the date of contractual delivery to the date of contractual redelivery of the aircraft.

(2) Average lease term for aircraft lease extensions contracted during the period. The average lease term for lease extensions is calculated by reference to the period between the date of the original expiration of the lease and the new expiration date.

The tables above illustrate how we have implemented our leasing strategies in response to changing trends in the aircraft leasing market. For example, in 2004 in response to changing market conditions, several airlines reduced their excess capacity by not renewing their aircraft operating leases. We were able to lessen the effects of the low number of lease extensions by identifying airlines that were increasing their capacity, including low cost carriers, and re−leasing our aircraft to those airlines. In addition, since aircraft lease rates were relatively low in 2004, we shortened the terms of our leases to position our portfolio to take advantage of an expected upturn in the aircraft leasing market which would result in higher lease rates in the future. In contrast, in 2005, as the commercial airline sector strengthened, we lengthened the terms of our owned aircraft leases to lock−in the generally higher lease rates prevailing in the market at the time. Leases of new aircraft generally have longer terms than used aircraft which are re−leased. The average lease term for new leases increased significantly in 2006 due to the fact that we contracted to lease six aircraft from our order book to one customer, each for nine years. We have experienced a lower level of lease extension activity in 2006 as we had fewer aircraft requiring remarketing because of the high number of aircraft we leased in 2005 that were scheduled to come off lease in 2006 and 2007. For our managed aircraft, the average term of the extensions decreased in the year ended December 31, 2006 mainly due to two short extensions for Fokker aircraft.

Before making any decision to lease an aircraft, we perform a review of the prospective lessee, which generally includes reviewing financial statements, business plans, cash flow projections, maintenance records, operational performance histories, hedging arrangements for fuel, foreign currency and interest rates and relevant regulatory approvals and documentation. We also typically perform on−site credit reviews for new lessees which typically includes extensive discussions with the prospective lessee’s management before we enter into a new lease. Depending on the credit quality and financial condition of the lessee, we may require the lessee to obtain guarantees or other financial support from an acceptable financial institution or other third parties.

We require our aircraft lessees to provide us with security deposits in order to protect the value of our assets. We require all of our lessees to provide a security deposit for their performance under their leases, including the return of the aircraft in the specified condition at the expiration of the lease. The size of the security deposit is typically equal to two months’ rent.

All of our lessees are responsible for their maintenance costs during the lease term. Based on the credit quality of the lessee, we require some of our lessees to pay supplemental maintenance rent to cover scheduled major component maintenance costs. If a lessee pays the supplemental maintenance rent we reimburse them for their maintenance costs up to the amount of their supplemental maintenance rent payments. Under the terms of our leases, at lease expiration to the extent that a lessee has paid us more supplemental maintenance rent than we have reimbursed them for their maintenance costs, we retain the excess rent. As of December 31, 2006, 45 of our owned aircraft lessees provided for the payment of supplemental maintenance rent. Whether a lessee pays supplemental maintenance rent or not, we typically agree to compensate a lessee for scheduled maintenance on airframe and engines related to the prior utilization of the aircraft. For this prior utilization, we have typically received compensation from prior lessees.

In all cases, we require the lessee to reimburse us for any costs we incur if the aircraft is not in the required condition upon redelivery, and we compensate the lessee to the extent the aircraft is returned in a better condition than required upon redelivery. All of our leases contain extensive provisions regarding our remedies and rights in the event of a default by the lessee, and specific provisions regarding the required condition of the aircraft upon its redelivery.

Our lessees are also responsible for compliance with all applicable laws and regulations governing the leased aircraft and all related costs. We require our lessees to comply with either the FAA, EASA or their foreign equivalent standards.

During the term of our leases, some of our lessees have experienced financial difficulties resulting in the need to restructure their leases. Generally, our restructurings have involved a number of possible changes to the lease's terms, including the voluntary termination of leases prior to their scheduled expiration, the arrangement of subleases from the primary lessee to a sublessee, the rescheduling of lease payments and the exchange of lease payments for other consideration, including convertible bonds, warrants, shares and promissory notes. We generally seek to receive these and other marketable securities from our restructured leases, rather than deferred receivables. In some cases, we have been required to repossess a leased aircraft and in those cases, we have typically exported the aircraft from the lessee's jurisdiction to prepare it for remarketing. In the majority of these situations, we have obtained the lessee's cooperation and the return and export of the aircraft was completed without significant delay, generally within two months. In some situations, however, our lessees have not cooperated in returning aircraft and we have been required to take legal action. In connection with the repossession of an aircraft, we may be required to settle claims on the aircraft or to which the lessee is subject, including outstanding liens on the repossessed aircraft. Since our inception in 1995, we have repossessed 44 aircraft under defaulted leases with 19 different lessees in 14 jurisdictions.

Aircraft Portfolio and Existing Lessees

Our aircraft portfolio consists primarily of modern, technologically advanced and fuel−efficient narrowbody aircraft, with a particular concentration of Airbus A320 family. As of December 31, 2006, we owned and managed 234 aircraft. We owned 127 aircraft, managed 103 aircraft and had an additional four aircraft, which we intend to disassemble for the sale of their parts or sell at the end of their leases. Of the 234 aircraft, 202 were on operating lease, which does not include the four aircraft we intend to disassemble or sell, and 28 were off−lease (four owned and 24 managed). Of the 28 aircraft off lease, seven were subject to our regular remarketing efforts. With respect to the other 21 aircraft (all Fairchild Dornier 328s), we have been instructed by the client to market the aircraft for sale, rather than seek to re−lease them. As of December 31, 2006, we leased the 202 aircraft on operating leases to 88 commercial airline and cargo operator customers in 45 countries. The weighted average age of our 127 owned aircraft was 7.6 years as of December 31, 2006.

The following table provides details regarding our aircraft portfolio by type of aircraft as of December 31, 2006:

Aircraft type	Owned portfolio		Managed portfolio			
	Number of aircraft owned	Percentage of total net book value	Number of aircraft	Number of aircraft on order	Number of aircraft under purchase contract	Total owned, managed and ordered aircraft
Airbus A300 Freighter	2	2.4%	—	—	—	2
Airbus A319	8	8.3%	—	26	—	34
Airbus A320	48	35.5%	12	51	1	112
Airbus A321	21	22.7%	1	2	—	24
Airbus A330	10	15.2%	1	20	—	31
Airbus A340	1	1.3%	2	—	—	3
Boeing 737	19	9.6%	30	—	—	49
Boeing 767	1	1.1%	2	—	—	3
Boeing 757	2	1.3%	3	—	—	5
DHC Dash 8	1	—	—	—	—	1
Fokker 100	12	1.2%	4	—	—	16
Fokker 70	—	—	2	—	—	2
MD−11 Freighter	1	1.2%	1	—	—	2
MD−83	1	0.2%	9	—	—	10
MD 82	—	—	11	—	—	11
Fairchild Dornier 328	—	—	25	—	—	25
Total	**127**	**100%**	**103**	**99**	**1**	**330**

Aircraft on Order or Subject to Letters of Intent.

We have a large number of new aircraft on order, either directly or indirectly through our consolidated joint venture, AerVenture, and have signed letters of intent for the purchase of a number of additional aircraft.

Aircraft on Order. In 1999, we signed an aircraft purchase order with Airbus for the purchase of 32 new A320 family aircraft. As of December 31, 2006, nine aircraft remained to be delivered under the agreement. The remaining aircraft consist of three A319 aircraft, four A320 aircraft and two A321 aircraft. All of these aircraft are schedule to be delivered before the end of 2007.

In January 2006, our consolidated joint venture, AerVenture, placed an order with Airbus for the purchase of 70 new A320 family aircraft. As of December 31, 2006, all 70 of the aircraft remained to be delivered under the agreement. The AerVenture order consists of 23 A319 aircraft and 47 A320 aircraft. The initial delivery schedule for the AerVenture aircraft includes 12 aircraft to be delivered before the end of 2008 and 58 aircraft to be delivered before the end of 2010.

In December 2006, we placed an order with Airbus to acquire 20 new A330−200 widebody aircraft. The delivery schedule for the A330−200 aircraft order includes ten aircraft to be delivered in 2009 and ten aircraft to be delivered in 2010.

Aircraft Subject to Purchase Agreements or Letters of Intent. In December, 2006, we entered into a contract to sell two Fokker 100 aircraft to an airline. These aircraft were sold in January 2007.

In addition, in November 2006, we entered into a letter of intent with Air Castle for the sale of an A330 aircraft. This aircraft was sold in February 2007.

The table below summarizes our currently outstanding letters of intent to purchase and sell new and used aircraft. Although we expect to be able in each case to negotiate final purchase documentation with respect to our letters of intent, we may not be able to do so and therefore these purchases and sales may not in fact occur.

Letters of Intent

Aircraft type	Number of aircraft	New/Used
Purchases		
B737−800	2	New
Total	**2**	
Sales		
A320	1	Used
Total	**1**	

Lessees

The following table provides information regarding the percentage of lease revenue arising from leases of aircraft to the indicated lessees of our owned aircraft portfolio for the year ended December 31, 2006.

Lessee	Percentage of 2006 lease revenue
Tombo Capital Corporation	9.4 %
Thai Airways International Public Co., Ltd.	6.6 %
My Travel Airways PLC	4.7 %
Wizz Air Hungary Ltd.	4.6 %
Asiana Airlines Inc.	4.0 %
Korean Air Lease & Finance Co., Ltd.	4.0 %
Air Canada	3.9 %
Kingfisher Airlines Ltd.	3.8 %
Indian Airlines Ltd.	3.7 %
British Midland Airways Ltd.	3.4 %
SN Brussels Airlines(1)	3.3 %
Bangkok Airways Co.	3.2 %
Gemini Air Cargo Inc.	3.1 %
Sri Lankan Airlines Ltd.	2.5 %
British Mediterranean Airways Ltd.	2.1 %
Société Air France	2.0 %
America West Airlines	2.0 %
Other(2)	33.7 %
Total	**100.0 %**

(1) Commercial name for Delta Air Transport N.V./S.A.

(2) No other lessee accounted for more than 2.0% of our lease revenue in 2006.

We lease our aircraft to lessees located in numerous and diverse geographical regions and have focused our leasing efforts on the fast growing Asia/Pacific market.

The following table sets forth the percentage of our total lease revenue by country in which we lease our owned aircraft for the year ended December 31, 2006.

Country	Percentage of 2006 lease revenue
United Kingdom	11.6 %
Thailand	9.8 %
Japan	9.5 %
India	8.9 %
United States of America	8.8 %
Republic of Korea	8.0 %
Hungary	4.6 %
Canada	4.0 %
Belgium	3.6 %
France	3.4 %
Brazil	2.7 %
Sri Lanka	2.5 %
Turkey	2.3 %
Indonesia	2.0 %
El Salvador	1.8 %
Germany	1.8 %
Iceland	1.7 %
Spain	1.6 %
Jamaica	1.1 %
British Virgin Islands	1.1 %
Mexico	1.1 %
Other(1)	8.1 %
Total	**100.0 %**

(1) No other country accounted for more than 1.0% of our lease revenue in 2006.

As of December 31, 2006, leases representing approximately 44.7% of our lease revenues in 2006 were scheduled to expire before December 31, 2009. As of December 31, 2006, our 123 owned aircraft which are on lease (excluding the four aircraft that we intend to disassemble or sell at the end of their leases) had an average remaining lease period per aircraft of 31.5 months.

The following table sets forth as of December 31, 2006 the number of leases that were scheduled to expire between December 31, 2006 and December 31, 2015 as a percentage of our 2006 lease revenue.

Year	Percentage of 2006 lease revenue(1)	Number of aircraft with leases expiring
2007	8.1 %	17
2008	13.9 %	34
2009	22.7 %	30
2010	12.3 %	16
2011	11.4 %	11
2012	8.9 %	13
2013	0.0 %	1
2014	0.0 %	—
2015	1.5 %	1
Total	**78.8 %**	**123**

(1) The percentage of lease revenue reflected in the table above does not sum to 100% because it does not include lease revenue from our owned aircraft that were sold in 2006 (2.0%), lease revenue from

our four aircraft that were off lease as of December 31, 2006 (7.2%), lease revenue from our managed aircraft that were subject to our lease−in and lease−out transactions in 2006 (5.3%) and engine lease revenue (6.7%).

(2) On December 31, 2006, we had four aircraft off lease. We have excluded four aircraft which we intend to disassemble for the sale of their parts or otherwise sell at the end of their leases.

Aircraft Acquisitions and Dispositions

From January 1, 2004 to December 31, 2006, we purchased 56 aircraft and sold 47 aircraft, excluding our managed aircraft (57 and 69 aircraft, respectively, including our managed aircraft). In addition, we have negotiated and entered into contracts to purchase an additional 99 new aircraft, 29 directly and 70 through a joint venture, entered into a purchase contract to purchase one aircraft and have executed letters of intent to purchase an additional ten aircraft. By selling our subordinated interests in securitization vehicles at two different occasions in past years, we also disposed of two large portfolios of aircraft totaling 272 aircraft. We have a portfolio management team of 20 professionals who are dedicated to sourcing, analyzing and executing aircraft and engine acquisition and disposition opportunities.

Due to the AeroTurbine Acquisition and our large order book of aircraft, we believe that we are well positioned to take advantage of trading opportunities and expand our aircraft portfolio. We believe that our global network of strong relationships with airlines, aircraft manufacturers, MRO service providers and commercial and financial institutions gives us a competitive advantage in sourcing and executing transactions.

We purchase new and used aircraft directly from aircraft manufacturers, airlines, financial investors, other aircraft leasing and finance companies. The aircraft we purchase are both on−lease and off−lease, depending on market conditions and the composition of our portfolio. We believe there are additional opportunities to purchase aircraft at attractive prices from other investors in aircraft assets who lack the infrastructure to manage their aircraft throughout their lifecycle. The buyers of our aircraft include airlines, investors and other aircraft leasing companies. We primarily acquire aircraft at attractive prices in two ways: by purchasing large quantities of aircraft directly from manufacturers to take advantage of volume discounts, and by purchasing portfolios consisting of aircraft of varying types and ages. In addition, we also opportunistically purchase individual aircraft that we believe are being sold at attractive prices, or that we expect will increase in demand and or residual value. Through our airline marketing team, which is in frequent contact with airlines worldwide, we are also able to identify attractive acquisition and disposition opportunities. We sell our aircraft when we believe the market price for the type of aircraft has reached its peak, or to rebalance the composition of our portfolio to meet changing customer demands.

Our dedicated, full−time portfolio management group consists of marketing, financial, engineering, technical and credit professionals. Prior to a purchase, this group analyzes the aircraft's price, fit in our portfolio, specification/configuration, maintenance history and condition, the existing lease terms, financial condition and credit worthiness of the existing lessee, the jurisdiction of the lessee, industry trends, financing arrangements and the aircraft's redeployment potential and values, among other factors.

Our revolving credit facilities are designed to allow us to rapidly execute our trading strategies by providing us with large−scale committed funding to acquire new and used aircraft, engines and parts. As of December 31, 2006, we had $735.4 million of committed undrawn credit facilities that allow us to purchase aircraft of up to 15 years of age and $154.3 million of committed undrawn credit facilities that allow us to purchase a broad variety of aircraft engine and part types of any age. In addition, we have $386.0 million of undrawn amounts under a borrowing facility with commercial banks, which is guaranteed by European export credit agencies.

Joint Ventures

We expect to conduct an increasing portion of our business in the future through joint ventures. Entering into joint venture arrangements allows us to:

- order new aircraft and engines in larger quantities to increase our buying power and economic leverage;
- increase the diversity of our portfolio;
- obtain stable servicing revenues; and
- diversify our exposure to the economic risks related to aircraft and engine purchases.

AerVenture. In December 2005, we established AerVenture. In January 2006, LoadAir, an investment and construction company based in Kuwait City, purchased a 50% equity interest in AerVenture. We have invested $25.0 million in AerVenture and LoadAir has invested $25.0 million in AerVenture. We have each agreed to make additional equity contributions of up to $90.0 million. We consolidate AerVenture's financial results in our financial statements. We have developed AerVenture as a joint venture because this structure allows us to leverage our buying power to achieve more favorable aircraft acquisition terms. We have entered into exclusive agreements to provide management and marketing services to AerVenture in return for aircraft management fees and specified incentive fees which are tied to the profitability of AerVenture. Payments under these agreements will not provide any additional revenues as a result of consolidation. These agreements may be terminated by AerVenture in 2014.

In January 2006, AerVenture placed an order with Airbus for up to 70 new A320 family aircraft which will be delivered between 2007 and 2010. AerVenture closed a credit facility for a total amount of $119.0 million that will finance the pre−delivery payments on the first 30 aircraft to be delivered. Upon delivery of the aircraft, AerVenture will be required to arrange financing to cover the entire purchase price, including refinancing the predelivery payments, which is not covered by the joint venture's equity contributions. The initial delivery schedule includes 12 aircraft to be delivered before the end of 2008 and 58 aircraft to be delivered before the end of 2010.

AerDragon. In May 2006, we signed a joint venture agreement with China Aviation Supplies Import & Export Group Corporation and affiliates of Calyon establishing AerDragon. AerDragon consists of two companies, Dragon Aviation Leasing Company limited, based in Beijing with a registered capital of $10.0 million and AerDragon Aviation Partners Limited, based in Ireland with a registered capital of $50.0 million. AerDragon is 50% owned by China Aviation and 25% owned by each of us and Calyon. Following receipt of the local Chinese approvals required for it to begin operations, AerDragon commenced operations in October 2006. We will act as the exclusive aircraft manager for the joint venture. This contract may be terminated upon the earlier to occur of either July 1, 2009, or the occurrence of specified events, such as AerDragon developing the expertise to manage its own aircraft. In the future, one of the main sources of aircraft for AerDragon is likely to be the acquisition of aircraft through sale leaseback transactions with Chinese airlines. This joint venture enhances our presence in the increasingly important China market and will enhance our ability to lease our aircraft and engines throughout the entire Asia/Pacific region. As of December 31, 2006, we do not consolidate AerDragon's financial results in our financial statements. AerDragon acquired its first aircraft, an Airbus A320 aircraft in February 2007. This aircraft was acquired directly from Airbus through an assignment of our purchase right under our 1999 agreement with Airbus.

Annabel and Bella. In 2005, we signed a joint venture agreement with Deucalion Capital Limited to form the Annabel joint venture in which we hold a 25% equity interest. Annabel purchased a used A340 aircraft in 2005. The aircraft is on lease to Sri Lanka Airlines through 2008. In 2006, we signed a

joint venture agreement with Deucalion to form the Bella joint venture in which we hold a 50% equity interest. Bella purchased two used Airbus A330−322 aircraft in April 2006, one of which is on lease through 2009 and one of which is being remarketed. We receive fee income for providing aircraft management services to both Annabel and Bella. We do not consolidate Annabel's financial results in our financial statements but consolidate Bella's financial results in our financial statements. We do not expect these joint ventures to acquire any more aircraft.

Relationship with Airbus

We have a close and longstanding mutually advantageous relationship with Airbus. Our relationship dates back to our formation, when DaimlerChrysler AG (formerly known as Daimler−Benz AG), a principal shareholder of European Aeronautic Defense & Space Company—EADS N.V., an 80% shareholder of Airbus, was one of our founding shareholders. In the last 10 years, we, directly or through our joint ventures, have contracted to purchase over 100 new commercial jet aircraft from Airbus and 24 used aircraft from Airbus. We maintain a wide−ranging dialogue with Airbus seeking mutually beneficial opportunities such as taking delivery of new aircraft on short notice and purchasing used aircraft from airlines seeking to renew their fleet with Airbus aircraft.

Aircraft Services

We are one of the aircraft industry's leading providers of aircraft asset management and corporate services to securitization vehicles, joint ventures and other third parties. As of December 31, 2006, we had aircraft management and administration service contracts with 14 parties covering over 350 aircraft (including the 70 aircraft on order by AerVenture), two of which accounted for 75% of our aircraft services revenue in 2006. We categorize our aircraft services into aircraft asset management, administrative services and cash management services. Since we have an established operating system to provide these services to manage our own aircraft assets, the incremental cost of providing aircraft management services to securitization vehicles, joint ventures and third parties is limited. Our primary aircraft asset management activities are:

- remarketing aircraft;
- collecting rental and maintenance payments, monitoring aircraft maintenance, monitoring and enforcing contract compliance and accepting delivery and redelivery of aircraft;
- conducting ongoing lessee financial performance reviews;
- periodically inspecting the leased aircraft;
- coordinating technical modifications to aircraft to meet new lessee requirements;
- conducting restructurings negotiations in connection with lease defaults;
- repossessing aircraft;
- arranging and monitoring insurance coverage;
- registering and de−registering aircraft;
- arranging for aircraft and aircraft engine valuations; and
- providing market research.

We charge fees for our aircraft management services based primarily on a mixture of fixed retainer amounts, but we also receive performance−based fees related to the managed aircrafts' lease revenue or sale proceeds, or specific upside sharing arrangements.

We provide cash management and administrative services to securitization vehicles and joint ventures. As of December 31, 2006, we had four cash management agreements with clients holding an aggregate of 270 aircraft in their portfolios and five administrative agency agreements with clients holding an aggregate of 312 aircraft in their portfolios. Cash management services consist of treasury services such as the financing, refinancing, hedging and on going cash management of these vehicles. Our administrative services consist primarily of accounting and secretarial services, including the preparation of budgets and financial statements, and liaising with, in the case of securitization vehicles, the rating agencies.

Engine and Parts

Overview

On April 26, 2006, we acquired all of the share capital of AeroTurbine. AeroTurbine was established in 1997 and is engaged in engine trading and leasing and the disassembly of airframes and engines for the sale of their component parts to the global aviation industry. We acquired AeroTurbine to:

- implement our strategy of profitably managing aircraft throughout their lifecycle,
- diversify our investments in aviation assets,
- obtain a more significant presence in the market for older aircraft equipment and
- take advantage of its broad customer base.

To facilitate the integration of AeroTurbine, we have entered into three year employment contracts with key members of its senior management. In addition, our indirect shareholders granted key members of AeroTurbine's senior management indirect equity interests in us, so that they share a vested interest in achieving the successful integration of our aircraft business with AeroTurbine's engine and parts business.

Engine Acquisitions and Dispositions

Engine sales and purchases is a core part of our engine and parts business. We believe that our market insight and recurring customer relationships have been the key factors underlying our success in this business. In addition, we opportunistically acquire engines that require maintenance work and refurbish those engines in our MRO operations. By pursuing these acquisition strategies, we believe we have been able to acquire our engines at attractive prices.

We purchase engines for which there is high market demand or for which we believe demand will increase in the future. We opportunistically sell and exchange engines when we believe that the realizable value from a sale or exchange will equal or exceed the realizable value that we would expect to receive from leasing or disassembling the engine for the sale of its parts.

In determining whether to purchase or sell an engine, we assess the value of each engine according to a number of factors, including its hardware composition, airworthiness directive compliance and service bulletin status, life−limited parts thresholds, historical maintenance documentation, performance data and material certifications.

Our extensive experience buying, selling, leasing, repairing and disassembling engines for their parts has provided us with in−depth trading and management expertise across the most popular commercial product lines manufactured by General Electric, CFM International, Pratt & Whitney, Rolls−Royce and International Aero Engines. We conduct extensive technical and maintenance records due diligence before we purchase each engine. Our experienced team of dedicated acquisition and maintenance professionals is composed of 75 licensed aircraft and engine mechanics and 11 aircraft maintenance record specialists who track and document the maintenance history of each engine that is to be acquired. We are frequently able to correct or reconstruct engine maintenance records, which can lower the maintenance and acquisition

cost of our engines and aircraft. Since commencing operations in 1997, AeroTurbine has sold over 300 engines, generating revenues in excess of $250 million.

We typically finance the purchase of engines with borrowed funds and internally generated cash flows. We have a $220.0 million committed revolving facility which we can use to fund acquisitions of aircraft, engines and aircraft parts. We believe that we are able to react more rapidly to engine acquisition opportunities than most of our competitors because we have substantial committed financing and can often identify, conduct due diligence and close on prospective acquisitions in less than one week. As of December 31, 2006, we had $154.3 million of funds available under our revolving facility.

Engine Portfolio

We maintain a diverse inventory of high−demand, modern and fuel−efficient engines. As of December 31, 2006, we owned 51 engines and had 6 new engines on order through AerVenture. Our engine portfolio consists primarily of CFM56 series engines, one of the most widely used engines in the commercial aviation market. As of December 31, 2006, 42 of our 51 engines were CFM56 series engines manufactured by CFM International. In August 2006, AerVenture entered into a contract with CFM International to acquire four new spare CFM 56−5B and two new spare CFM 56−7B engines. These engines are scheduled to be delivered over the next 24 months and will be either leased or sold.

We expect to expand and further diversify our engine portfolio in the future through engine acquisitions and aircraft disassemblies. As our aircraft portfolio ages, and specific aircraft become suitable for disassembly, we intend to disassemble such aircraft and remove high demand engines for addition to our engine portfolio, while the remaining airframes and engines will be disassembled for sale of their component parts.

We have the ability to perform limited MRO services on CFM56 series engines, which comprise most of the engines in our engine portfolio. As we obtain sufficient numbers of other engine models, we intend to further develop additional in−house MRO capabilities to achieve greater cost advantages.

Airframe and Engine Disassembly and Parts Sales

Over time, the combined value of a typical aircraft's parts will eventually exceed the value of the aircraft as a whole operating asset, at which time the aircraft may be retired from service. Traditional aircraft lessors and airlines often retire their aircraft by selling or consigning them to companies that specialize in aircraft and engine disassembly. The AeroTurbine Acquisition has allowed us to incorporate this valuable revenue source into our integrated business model, which is focused on managing aircraft and engines throughout their lifecycle.

We sell airframe parts primarily to aircraft parts distributors and MRO service providers. Airframe parts comprise a broad range of aircraft sub−component groups, including avionics, hydraulics and pneumatic systems, auxiliary power units, landing gear, interiors, flight control surfaces, windows and panels. We have disassembled 62 aircraft for the sale of their parts and we believe that we were among the first to voluntarily and strategically disassemble Boeing 737−300 and Airbus A320 family aircraft. Our aircraft disassembly operations are focused on the strategic acquisition of aircraft with engines that are among the most sought after in the secondary market.

We are focused on developing long−term supply relationships with clients that perform MRO services on aircraft and engines. Parts sales allow us to increase the value of our aircraft and engine assets by putting each sub−component (engines, airframes and related parts) to its most profitable use (sale, lease, and/or disassembly for parts sales). In addition, this capability provides us with an additional cost advantage over our non−integrated competitors by providing us with a critical source of low cost replacement engines and parts to support the maintenance of our aircraft and engine portfolios.

Prior to the acquisition of our Goodyear facility described below, we outsourced the physical disassembly of our airframes into parts, but sold the airframe parts ourselves.

Engine Leasing

Generally, it is uneconomical for aircraft operators with small aircraft fleets to own the quantity of spare engines required to adequately cover their operational requirements. As a result, aircraft operators often lease spare engines when they send out their engines for off−site MRO. Spare engines are generally leased either directly from engine lessors like us, or from the MRO service provider that is repairing the aircraft operator's engine. To meet their clients' needs, MRO service providers often lease engines from engine lessors. We are focused on the short−term engine lease market with a typical lease term of 60 to 180 days. Short−term engine leases tend to have higher lease rates than long−term leases, because lessees require the engines on short notice and are willing to pay a premium for the flexibility of a short−term lease. Engines subject to short−term leases typically spend more time off−lease, while they are released with greater frequency.

The short−term engine leasing market has also developed in part in response to airlines' need to rapidly place aircraft back in service in the event of an unexpected engine problem. Short−term engine leases provide an alternative to owning spare engines or entering into long−term leases, where the engines can needlessly sit idle for long periods. To meet clients' urgent engine leasing needs, we typically maintain a substantial inventory of ready−to−lease engines in our off lease inventory. We believe that our ability to modify and configure most of our lease portfolio engines is an important competitive advantage, since it can facilitate the rapid installation of our engines onto our customers' aircraft. In addition, we have the capability to provide limited on−site maintenance and repair for most of our leased engines which, in some circumstances, enables us to facilitate the return to service of our customers' grounded aircraft.

Our engine leasing customer base is comprised of a wide variety of airlines and cargo and charter operators, in addition to MRO service providers, and other aircraft and engine leasing companies. As of December 31, 2006, we had engines on lease to 24 customers located in 19 countries.

We generally receive a fixed rental payment for our leased engines plus a variable rental payment based on the use of the engine. We typically receive monthly rent for our engines in advance, and additional rent for actual engine operation in arrears to compensate us for the anticipated future maintenance costs of such engines. Our engine lessees generally provide us with a security deposit in the amount of two months rent, in addition to which we receive the first month's rental payment in advance.

On a few occasions, our engine lessees have experienced financial difficulties, requiring us to terminate or restructure our engine leases with the lessee. Over the past eight years, we have only had to resort to legal action for the repossession of engines with two of our lease customers.

Airframe MRO Capability

On August 4, 2006, we leased an aircraft MRO facility located in Goodyear, Arizona, acquired certain assets and hired 74 of the employees working at the facility. In connection with this lease, we acquired an additional certified repair station which is certified by the FAA and EASA and associated equipment which permits us to perform a variety of MRO services on commercial transport aircraft, including aircraft heavy maintenance, limited powerplant repair to engine and line components, which includes starters, generators, hydraulic pumps, and quick engine changes installation. The Goodyear facility includes a 226,000 square foot hangar with the ability to house up to four widebody aircraft, or eight narrowbody aircraft for the purpose of performing heavy maintenance repairs, aircraft disassemblies and engine changes. The ramp area outside of the hangar can facilitate both short and long term storage of up to 14 aircraft. In addition to the hangar and ramp space, there is a significant storage field capable of storing

over 100 aircraft. This transaction was primarily made to reduce our cost of aircraft disassembly and to support the expansion of our airframe parts distribution business.

Financing

Our management analyzes sources of financing based on the pricing and other terms and conditions in order to optimize the return on our investments. We have the ability to access the bank, governmental secured debt, securitization and debt capital markets. We generally do not engage in financing transactions for individual aircraft or engines. In April 2006, we entered into a $1.0 billion revolving credit facility with a syndicate of banks led by UBS to facilitate our growth strategy and the acquisition of aircraft up to 15 years of age. Simultaneously with the AeroTurbine Acquisition and the closing of the UBS facility, we put in place a $171.0 million facility which was later increased to $220.0 million that enables us to acquire eligible aircraft engines and parts of any age. These facilities provide us with large scale committed financing that will allow us to rapidly execute aircraft portfolio purchases.

Once we obtain sufficient aircraft through our revolving credit facilities, we generally leverage our extensive financing experience and access to the securitization and other long−term debt markets to obtain long−term, lower cost non−recourse financing. Since 1996, we have raised over $18 billion of funding in the global financial markets including over $9 billion of funds through initial issuances and refinancings in the aircraft securitization market. Most recently, in September 2005, we completed a $1.0 billion securitization of 42 aircraft subject to operating leases.

Employees

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

Location	December 31, 2004	December 31, 2005	December 31, 2006
Amsterdam, The Netherlands	80	71	71
Shannon, Ireland	23	27	37
Fort Lauderdale, FL	10	11	13
Miami, FL(1)	99	124	163
Goodyear, AZ(2)	—	—	67
Total	**212**	**233**	**351**

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

(2) On August 4, 2006 we leased an aircraft MRO facility located in Goodyear, Arizona and hired 74 of the employees working at the facility.

None of our employees are covered by a collective bargaining agreement and we believe that we maintain excellent employee relations. Although by law we are required to have a works council for our operations in The Netherlands, our employees have not elected to date to organize a works council. Recently an employee solicited other employees' interest in setting up a works council. A works council is a council composed of employees with the task of promoting our interests and the interests of our employees.

Organizational Structure

AerCap Holdings N.V. is a holding company which holds directly and indirectly consolidated investments in four main operating companies which in turn own special purpose entities which hold our aircraft and engine assets. Within the group, we also have several inactive subsidiaries or subsidiaries which

are in the process of being liquidated. The four principal operating subsidiaries, their share ownership and the identity of their significant asset−owning subsidiaries is detailed below.

AerCap B.V. is owned 100% by AerCap Holdings N.V. AerCap B.V. is located in Amsterdam, Netherlands, employed 71 people as of December 31, 2006 and owns 34% of the share capital of AerCap Ireland Limited. AerCap B.V., through its special purpose subsidiaries, owns the economic interests in 54 aircraft.

AerCap Ireland Limited is owned 34% by AerCap B.V. and 66% by AerCap Holdings N.V. AerCap Ireland Limited is located in Shannon, Ireland, employed 37 people as of December 31, 2006 and holds our economic interests in the following consolidated groups or joint ventures: Aircraft Lease Securitisation (42 aircraft); AerFunding 1 Limited (13 aircraft); AerVenture (70 aircraft on order); and Bella (two aircraft). In addition, AerCap Ireland Limited owns 15 aircraft directly or through single aircraft−owning special purpose entities. AerCap Ireland Limited is also the holder of our joint venture investment in AerDragon (one aircraft) and owns 100% of the share capital in AerCap, Inc.

AerCap, Inc. is owned 100% by AerCap Ireland Limited. AerCap, Inc. is located in Ft. Lauderdale, Florida and employed 13 people as of December 31, 2006. AerCap, Inc. and its wholly−owned subsidiaries (excluding AeroTurbine, Inc.) are the lessees under our 11 lease−in, lease−out transactions and own one aircraft. AerCap, Inc. owns 100% of the share capital of AeroTurbine, Inc.

AeroTurbine, Inc is owned 100% by AerCap, Inc. AeroTurbine, Inc. is located in Miami, Florida, has an office in Goodyear, Arizona and employed 230 people as of December 31, 2006. AeroTurbine, Inc, owns 51 engines, four aircraft which are designated for disassembly and part−out and an inventory of aircraft and engine parts for sale.

Competition

The aircraft leasing and sales business is highly competitive. We face competition from aircraft manufacturers, financial institutions, other leasing companies, aircraft brokers and airlines. Competition for a leasing transaction is based on a number of factors, including delivery dates, lease rates, term of lease, other lease provisions, aircraft condition and the availability in the market place of the types of aircraft that can meet the needs of the customer. As a result of our geographical reach, diverse aircraft portfolio and success in remarketing our aircraft, we believe we are a strong competitor in all of these areas; however, some of our competitors such as GE Commercial Aviation Service and International Lease Finance Corporation, have significantly larger and more diversified aircraft portfolios and greater access to financing than we do. As of December 2006, GE Commercial Aviation Service and International Lease Finance Corporation together, according to Airclaims Client Aviation System Enquiry Database, represent approximately 44.3% of the operating lease market and 53.8% of the orders from Boeing and Airbus held by operating lessors.

The engine leasing industry is fragmented and is also highly competitive. The engine leasing industry is generally divided into two principal competitive segments: short−term engine lessors that focus on providing temporary spare engine support while a customer's engine requires off−site MRO (typical 60 to 90 day lease periods) and long−term engine lessors that focus on providing spare or primary engines to operators as an alternative to ownership of the engine by the lessee (typical lease periods of over one year). Though we are much more active in the short−term engine leasing segment, we compete in both lease segments. The engine leasing market is primarily comprised of six major engine leasing companies, including ourselves. We believe we are a strong competitor, particularly in the short−term engine leasing segment, due to our rapid response in−house MRO capabilities; however, some of our competitors such as GE Engine Leasing, Shannon Engine Support, Engine Lease Finance, Pratt & Whitney Engine Leasing LLC, Rolls Royce and Partners Finance and Willis Lease Finance, have significantly larger and more diversified engine portfolios and greater access to financing than we do. We also encounter competition

from airlines, financial institutions, engine brokers, consignment agencies and special purpose entities with investment objectives similar to ours.

The aircraft parts market is generally divided into two principal segments, consisting of (i) airframe parts sales and (ii) engine parts sales specialists. While we compete in both markets with a few large companies, we also separately compete with numerous other parts sales organizations, MRO service providers, original equipment manufacturers, commercial airlines and many smaller competitors primarily in the U.S. and Europe. Additionally, there are numerous small brokers and traders that generally sell from limited inventories and participate in niche markets. Competition in the aircraft and engine parts markets is based on quality, ability to provide a timely and consistent source of materials, ability to provide a multiple range of desirable products, speed of delivery and pricing.

Insurance

Our lessees are required under our leases to bear responsibility, through an operational indemnity subject to customary exclusions, and to carry insurance for, any liabilities arising out of the operation of our aircraft or engines, including any liabilities for death or injury to persons and damage to property that ordinarily would attach to the operator of the aircraft or engine. In addition, our lessees are required to carry other types of insurance that are customary in the air transportation industry, including hull all risks insurance for both the aircraft and each engine whether or not installed on our aircraft, hull war risks insurance covering risks such as hijacking, terrorism, confiscation, expropriation, nationalization and seizure (in each case at a value stipulated in the relevant lease which typically exceeds the net book value by 10%, subject to adjustment in certain circumstances) and aircraft spares insurance and aircraft third party liability insurance, in each case subject to customary deductibles. We are named as an additional insured on liability insurance policies carried by our lessees, and we and/or our lenders are designated as a loss payee in the event of a total loss of the aircraft or engine. We monitor the compliance by our lessees with the insurance provisions of our leases by securing confirmation of coverage from the insurance brokers. We also purchase insurance which provides us with coverage when our aircraft or engines are not subject to a lease or where a lessee's policy lapses for any reason. In addition we carry customary insurance for our property and parts inventory, and we also maintain customary product liability insurance covering liabilities arising from our aircraft, engine and aviation parts trading activities. Insurance experts advise and make recommendations to us as to the appropriate amount of insurance coverage that we should obtain.

Regulation

While the air transportation industry is highly regulated, since we do not operate aircraft, we generally are not directly subject to most of these regulations. However, our lessees are subject to extensive regulation under the laws of the jurisdiction in which they are registered and in which they operate. These regulations, among other things, govern the registration, operation and maintenance of our aircraft and engines. Most of our aircraft are registered in the jurisdiction in which the lessee of the aircraft is certified as an air operator. Both our aircraft and engines are subject to the airworthiness and other standards imposed by our lessees' jurisdictions of operation. Laws affecting the airworthiness of aviation assets are generally designed to ensure that all aircraft, engines and related equipment are continuously maintained in proper condition to enable safe operation of the aircraft. Most countries' aviation laws require aircraft and engines to be maintained under an approved maintenance program having defined procedures and intervals for inspection, maintenance and repair.

In addition, under our leases, we may be required in some instances to obtain specific licenses, consents or approvals for different aspects of the leases. These required items include consents from governmental or regulatory authorities for certain payments under the leases and for the import, re−export or deregistration of the aircraft and engines. Also, to perform some of our cash management services and

insurance services from Ireland under our management arrangements with our joint ventures and securitization entities, we are required to have a license from the Irish regulatory authorities which we have obtained.

With regard to our MRO activities, we maintain FAA and EASA certifications to conduct limited repair station tasks on engines. These certifications are subject to periodic review, and involve regulatory oversight and audit of the respective personnel and procedures utilized to conduct MRO services to aircraft, engines and components thereof, so as to ensure that our repair station managers and mechanics are properly qualified to perform the work for which we are certified. In addition, our MRO facility is subject to environmental regulation regarding, among other things, the use, storage and disposal of certain hazardous material.

Facilities

We lease our 30,000 square foot headquarters in Amsterdam, The Netherlands under a six year lease which began January 1, 2004. We also lease a 31,000 square foot facility in Shannon, Ireland where we conduct our aircraft management business. We lease our Shannon facility under a 20 year lease which began January 26, 2000 and have an option to terminate after ten years. In addition, we lease an 8,000 square foot facility in Fort Lauderdale, Florida under a ten year lease which began in February 1999. We believe that our facilities in Amsterdam, Ireland and Fort Lauderdale are sufficient for our operations.

We have a seven year lease for a 150,000 square foot complex located near the Miami International Airport that we use as an office, distribution center and repair station. Our Goodyear facility includes a 226,000 square foot hangar and substantial additional space for aircraft outdoor storage. We have a sublease expiring in April 2007 upon which the sublessor of the facility has agreed to assign its lease interest to us.

Trademarks

We have registered the “AerCap” name with WIPO International (Madrid) Registry and the Benelux−Merkenbureau. We have made an application to register the “AerCap” name with the United States Patent and Trademark Office. The application is currently pending. We have registered the “AeroTurbine” name with the United States Patent and Trademark Office.

Litigation

In the ordinary course of our business, we are a party to various legal actions, which we believe are incidental to the operation of our business. Except as disclosed below, we believe that the outcome of the proceedings to which we are currently a party will not have a material adverse effect on our financial position, results of operations and cash flows.

VASP Litigation

We leased 13 aircraft and three spare engines to Viacao Aerea de Sao 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. 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.

We are currently pursuing claims for damages in the English courts against VASP based on the damages we incurred as a result of the default by VASP on its lease obligations. In October 2006, the English Courts approved our motion to serve process upon VASP in Brazil. VASP will be served process in Brazil, by means of a rogatory letter which is currently being processed before the Brazilian Superior Court of Justice. Our management, based on the advice of external legal counsel, has determined that it is not necessary to make any provisions for this litigation.

Swedish Tax Dispute

In 2001, Swedish tax authorities challenged the position we took in tax returns we filed for the years 1999 and 2000 with respect to certain deductions. In accordance with Swedish law, we made a guaranty payment to the tax authority of $16.8 million in 2003. We appealed the decision of the tax authorities, and, in August 2004, a Swedish Court issued a ruling in our favor which resulted in a tax refund of $19.9 million (which included interest and the effect of foreign exchange movements for the intervening period). In September 2004, the Swedish tax authorities appealed the decision of the Court and filed an appeal with the Administrative Court of Appeal in Sweden. We have responded to this appeal and have requested an oral hearing on the matter. The Court has responded that they would schedule an oral hearing, but we have not yet received notice of the timing of such hearing. Our management, based on the advice of our tax advisors, has determined that it is not necessary to make any provisions for this tax dispute.

Item 4A. Unresolved Staff Comments

Not applicable.

Item 5. Operating and Financial Review and Prospects

You should read this discussion in conjunction with our audited consolidated financial statements and the related notes included in this annual report. Our financial statements are presented in accordance with generally accepted accounting principles in the United States of America, or US GAAP. The discussion below contains forward looking statements that are based upon our current expectations and are subject to uncertainty and changes of circumstances. See "Item 3. Key Information—Risk Factors" and "Special Note About Forward−Looking Statements".

Overview

The industry environment in 2006 was characterized by strong demand and tight supply for aircraft, with airline passenger growth exceeding 5.9%. Overall, the industry saw the strong growth of airlines in emerging markets, growth of low cost carriers globally, and a strengthening of the U.S. airline industry. With the growth of the industry, we have also experienced increased competition from other aircraft lessors in the market. We see no slowdown in 2007 with respect to the growth trends that dominated 2006. We have the infrastructure, expertise and resources to execute a large number of diverse aircraft and engine transactions in a variety of market conditions. From January 1, 2004 to December 31, 2006, we have executed over 800 aircraft and engine transactions, including 231 aircraft leases, 214 engine leases, 126 aircraft purchase or sale transactions, 130 engine purchase or sale transactions and the disassembly of 36 aircraft and 99 engines. Our teams of dedicated marketing and asset trading professionals have been successful in leasing and trading our aircraft and engine portfolios, and between January 1, 2004 and December 31, 2006, our weighted average owned aircraft utilization rate was 99.1%.

Major Developments in 2006

- We completed our initial public offering of 26.1 million common shares on November 27, 2006 at a price of $23 per share generating net proceeds of $143.0 million retained by us. We used these proceeds primarily to pay down indebtedness incurred in the AeroTurbine Acquisition.
- We acquired AeroTurbine in April 2006 as part of our strategy of managing aircraft profitably throughout their lifecycle.
- We purchased $973.2 million of additional aviation assets in 2006. Total consolidated assets at December 31, 2006 was $3.9 billion.
- We signed an agreement on December 11, 2006 with Airbus for a firm order of 20 new A330−200 aircraft to be delivered between 2008 and 2010. These contracted purchases, along with previous orders, provide us with a strong investment pipeline for the future and will help us to meet the needs of our diverse customer base in varying geographic regions.
- We launched AerDragon, our Chinese aircraft leasing joint venture on October 26, 2006 with China Aviation Supplies Import & Export Group Corporation and Calyon Airfinance as partners. China Aviation Supplies Import & Export Group Corporation is a Chinese government organization that supports the flow of aircraft into the Chinese airlines and we believe this gives us additional access to the Chinese market beyond our current customer base. AerDragon took delivery of its first aircraft (an Airbus A320 aircraft) on lease to a Chinese airline in February 2007.

Results of Operations

Net income for the full year 2006 was $88.0 million. Net income includes charges for share−based compensation of $68.3 million. Our result was driven by a number of factors. Our portfolio has grown through purchases of aircraft and other aviation assets, and we have higher sale activity coming from both the AeroTurbine Acquisition and the sale of aircraft driven by portfolio balancing. Additionally, we benefited from improved lease rates and the leveraging of our cost base. Our financial performance in 2006 reflects the strength and flexibility of our business model and demonstrates our continuing focus on investing strategically to grow our business.

Charge for Share−Based Compensation

The charge for share−based compensation, net of tax, was $68.3 million for full year 2006. The majority of this charge was triggered in connection with our initial public offering, and relates to the restricted shares and share options in entities that have a controlling interest in us which are held by members of our senior management team, independent directors and a consultant. The charge was a non−cash charge and did not reduce our net equity.

Earnings Per Share

Total earnings per share for the full year 2006 was $1.11. Included in our earnings per share is a charge of $0.87 per share related to charges for share−based compensation. The number of outstanding shares is currently at 85.0 million. The amount of shares increased 6.8 million during the fourth quarter as a result of our initial public offering, and the average shares outstanding were 79.0 million for the full year.

Aviation Assets

Our total assets and portfolio continue to grow. Total assets on the balance sheet were $3.9 billion at December 31, 2006. Total assets increased 28% during 2006 which was driven by a net increase of 26 owned aircraft in our portfolio, along with the AeroTurbine Acquisition. The number of aircraft in our

portfolio was 344 as of December 31, 2006, consisting of 131 owned aircraft, 103 managed aircraft, 99 aircraft in our order book, one aircraft subject to a separate purchase contract and 10 aircraft under letter of intent. This represents an increase of more than 100 aircraft since the end of 2005. The number of engines owned or on contract is 57, an increase of 53 engines from four engines owned at the end of 2005 which highlights the impact of the AeroTurbine Acquisition. We acquired $522.8 million of aviation assets including 28 aircraft. These amounts included the purchase of an aircraft portfolio from GATX Corporation and six Boeing aircraft from ILFC. The amount of closed deals in the fourth quarter of 2006 brought the total amount of aviation asset purchases to $973.2 million for the full year 2006, including 41 aircraft.

Liquidity and Access to Capital

Our cash balance at the end of 2006 was $243.5 million including restricted cash and our operating cash flow was $348.4 million for the full year. The available lines of credit at December 31, 2006 were approximately $1.4 billion. As these amounts suggest, we have significant access to capital for growth through our cash and available lines of credit, along with our ability to access the capital markets. Our debt balance at December 31, 2006 was $2.6 billion and the average annual interest rate on our debt in 2006 was 6.8%. Our debt to equity ratio stood at 3.5 to 1 as of December 31, 2006. We completed several financings during 2006. The net proceeds from our initial public offering were used primarily to pay down debt relating to the AeroTurbine Acquisition. Additionally, a revolving line of credit for AeroTurbine was amended and increased to $220.0 million. We also signed a $248.0 million financing with a bank syndicate to fund the purchase of an aircraft portfolio from GATX Corporation and established a pre−delivery payments facility for our AerVenture joint venture.

Factors Affecting our Results

Our results of operations have been affected by a variety of factors, primarily:

- the number, type, age and condition of the aircraft and engines we own;
- aviation industry market conditions;
- the demand for our aircraft and engines and the resulting lease rates we are able to obtain for our aircraft and engines;
- the purchase price we pay for our aircraft and engines;
- the number, types and sale prices of aircraft and engines we sell in a period;
- the ability of our lessee customers to meet their lease obligations and maintain our aircraft and engines in airworthy and marketable condition;
- the utilization rate of our aircraft and engines;
- the recognition of non−cash stock−based compensation expense related to the issuance by our Bermuda Parents of restricted stock and stock options to our employees and our non−executive directors; and
- interest rates which affect our aircraft lease revenues and our interest on debt expense.

Factors Affecting the Comparability of Our Results

Our Acquisition by Cerberus

On June 30, 2005, AerCap Holdings C.V., a Netherlands partnership owned by Cerberus acquired all of AerCap B.V.’s (formerly known as debis AirFinance B.V.) shares and $1.8 billion of liabilities owed by

AerCap B.V. to its prior shareholders. AerCap Holdings C.V. paid total consideration of $1.4 billion for AerCap B.V.; $370 million of the total consideration paid by AerCap Holdings C.V. was funded through equity contributions by Cerberus and $1.0 billion was funded through a term loan. The 2005 Acquisition resulted in a net decrease of $802.0 million of indebtedness on our balance sheet—the difference between the $1.8 billion of intercompany liabilities and the indebtedness incurred to fund the acquisition. In accordance with FAS 141, *Business Combinations*, we allocated the purchase consideration to the assets acquired and liabilities assumed based on their fair values. Since the purchase consideration of $1.4 billion was less than the $1.9 billion combined carrying value of the liabilities and the equity purchased by Cerberus, the purchase price allocation resulted in lower carrying values for our assets after the 2005 Acquisition. The carrying values of our assets and liabilities influence our results of operations and, accordingly, the net decrease in asset carrying values, which resulted from the 2005 Acquisition, has resulted in improved operating performance when compared to periods prior to the 2005 Acquisition.

The material impacts on our consolidated income statement of the 2005 Acquisition relate to purchase accounting adjustments in our assets which are reflected in lower depreciation expense and lower cost of goods sold due to reduced net book values, and in lower interest on debt expense due to the elimination of $802.0 million of debt as described in the preceding paragraph. Other than the corresponding effect on income from continuing operations before provision for income taxes and net income, the 2005 Acquisition did not materially impact any of the other line items in our consolidated income statement.

AeroTurbine Acquisition

On April 26, 2006, we acquired all of the existing share capital of AeroTurbine, Inc. an engine trading and leasing and part sales company. We acquired AeroTurbine to implement our strategy of managing aircraft profitably throughout their lifecycle, to diversify our investment in aviation assets and to obtain a more significant presence in the market for older aircraft equipment. The total payment for the AeroTurbine shares of $144.7 million, including acquisition expenses, was funded through cash from our operations of $70.9 million and $73.8 million of cash raised from a refinancing of AeroTurbine's existing debt. The new financing totaled $175.0 million and included $160.0 million of senior secured debt and a $15.0 million subordinated loan guaranteed by AerCap B.V. As discussed earlier, we used the net proceeds from our initial public offering to pay−off the senior and subordinated debt at AeroTurbine.

In accordance with FAS 141, *Business Combinations*, we allocated the purchase price paid to the assets acquired and liabilities assumed based on their fair values. Since the purchase consideration of $144.7 million was greater than the $82.1 million combined carrying value of the assets purchased and liabilities assumed by us, the purchase price allocation resulted in higher carrying values for the AeroTurbine assets as well as $25.6 million of intangible assets and goodwill of $6.8 million. The inclusion of AeroTurbine in our consolidated results has increased our lease and sales revenue and cost of goods sold through the addition of $249.5 million of combined flight equipment and inventory in our December 31, 2006 consolidated balance sheet. In addition, the interest on AeroTurbine's debt has increased our consolidated interest expense and the inclusion of AeroTurbine's operations has increased our selling, general and administrative expenses. More specifically, we recognized $62.4 million of share−based compensation, net of taxes, in our consolidated selling, general and administrative expenses related to restricted shares granted in connection with the AeroTurbine Acquisition.

Prior to the AeroTurbine Acquisition, we operated our business as one reportable segment: leasing, financing, sales and management of commercial aircraft. From the date of the AeroTurbine Acquisition, we manage our business and analyze and report our results on the basis of two business segments: leasing, financing, sales and management of commercial aircraft ("Aircraft") and leasing, financing and sales of engines and parts ("Engines and Parts").

Stock Compensation Expenses

Our financial results for the year ended December 31, 2006 include a charge of $68.3 million, net of tax of $10.3 million for non−cash share−based compensation expense related to the vesting of options and restricted stock previously granted or sold to the owners of AeroTurbine at the time of its acquisition by us and to members of our senior management, our non−executive directors and one consultant primarily in connection with the 2005 Acquisition. While we will continue to recognize some additional non−cash, share−based compensation in connection with these options and restricted shares (excluding the shares sold to the owners of AeroTurbine), those charges are not expected to be of a similar magnitude as those recognized in 2006.

Goodwill Impairment

In 2004, we recorded an impairment of all of our existing goodwill of $132.4 million as a result of our annual goodwill impairment test. We calculated our valuation using a discounted cash flow approach that considered all of our existing assets and liabilities as well as our business plans. Based on the factors described below, in 2004 our goodwill impairment analysis resulted in the impairment of all of our then existing goodwill. In years prior to the 2005 Acquisition, our ability to grow and make additional aviation investments was primarily controlled by our prior shareholders who were also our primary source of debt funding. In 2004, we signed a new $1.6 billion facility agreement with our prior shareholders to refinance all of our previous senior debt contracted with them. The new facility agreement included significant constraints on our operations and our ability to make additional investments and required that a substantial amount of internally generated cash from asset sales be used to pre−pay our obligations under the facility agreement. In 2004, our shareholders also indicated that they were not willing to invest additional equity capital in us. We revised our discounted cash flow projection downward in 2004 to reflect these factors. In addition, we were aware that our shareholders were in discussions to sell their stake in us for consideration significantly less than our net equity value. As a result of our analysis, we recorded a $132.4 million impairment to write down all of our then existing goodwill in 2004.

Critical Accounting Policies Applicable to Us

Our Management's Discussion and Analysis of Financial Condition and Results of Operations is based upon our consolidated financial statements, which have been prepared in accordance with US GAAP, and require us to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The use of estimates is or could be a significant factor affecting the reported carrying values of flight equipment, investments, trade and notes receivable, deferred tax assets and accruals and reserves. Our estimates and assumptions are based on historical experiences and currently available information. We utilize professional appraisers and valuation experts, where possible, to support our estimates, particularly with respect to flight equipment. Despite our best efforts, actual results may differ from our estimates under different conditions, sometimes materially. A summary of our significant accounting policies is presented in Note 2 to our audited consolidated financial statements included elsewhere in this annual report. Critical accounting policies and estimates are defined as those that are both most important to the portrayal of our financial condition and results of operations and require our most subjective judgments, estimates and assumptions. Our most critical accounting policies and estimates are described below.

Lease Revenue Recognition

We lease flight equipment principally under operating leases and report rental income on a straight−line basis over the life of the lease as it is earned. Virtually all of our lease contracts require payment in advance. Rents collected in advance of when they are earned are recorded as deferred revenue on our balance sheet and recorded as lease revenue as they are earned. Provisions for doubtful notes and

accounts receivables are recorded in the income statement when rentals become past−due and the rentals exceed security deposits held, except where it is anticipated that the lease will end in repossession and then provisions are made regardless of the level of security deposits. Our management monitors the status of customers and the collectability of their receivables based on factors such as the customer's credit worthiness, payment performance, financial condition and requests for modifications of lease terms and conditions. Customers for whom collectability is not reasonably assured are placed on non−accrual status and revenue is recorded on a cash basis. When our management deems the collectability to be reasonably assured, based on the above factors, the customer is removed from non−accrual status and revenue is recognized on an accrual basis. As described below, revenue from supplemental maintenance rent is recognized when we are no longer legally obligated to refund such rent to our customer, which normally coincides with lease termination or where the terms of the lease allow us to control the occurrence, timing or amount of such reimbursement.

Depreciation and Amortization

Flight equipment held for operating leases, including aircraft, is recorded on our balance sheet at cost less accumulated depreciation and impairment. Aircraft are depreciated over the assets' useful life, which is 25 years from the date of manufacture for substantially all of our aircraft, using the straight−line method to estimated residual values. Estimated residual values are generally determined to be approximately 15% of the manufacturer's price.

We depreciate current production model engines on a straight−line basis over a 15−year period from the acquisition date to an estimated residual value. We estimate residual values of current production model engines based on observed current market prices and management expectations of value trends. Out−of−production engines are depreciated on a straight−line basis over an estimated useful life ranging from five to seven years to an estimated residual value. The carrying value of flight equipment that we designate for disassembly is transferred to our inventory pool and is held for sale at the time of such designation. We discontinue the depreciation of our flight equipment when it is held as inventory. Differences between our estimates of useful lives and residual values and actual experience may result in future impairments of aircraft or engines and/or additional gains or losses upon disposal. We review residual values of aircraft and engines periodically based on our knowledge of current residual values and residual value trends to determine if they are appropriate and record adjustments as necessary.

Intangibles related to customer relationships are amortized over ten years, which is the length of time that we expect to benefit from existing customer relationships. The amortization in each year is based on the anticipated sales in each year which benefit from such relationships. Our FAA certificate is amortized straight−line over 15 years, the remaining estimated useful life of the engine type to which the repair station certificate relates. Amortization of the non−compete agreement is straight−line over six years, which is the sum of the term of the employment agreements of the related individuals and the term of the non−compete agreements.

Inventory

Inventory, which consists exclusively of finished goods, is valued at the lower of cost or market. Cost is primarily determined using the specific identification method for individual part purchases and whole engines and on an allocated basis for dismantled engines, aircraft, and bulk inventory purchases using the relationship of the cost of the dismantled engine, aircraft or bulk inventory purchase to estimated remaining sales value at the time of purchase. We evaluate the carrying value of inventory on a regular basis in order to account for any permanent impairment in values. We estimate market value for this purpose based on internal estimates of sales values and recent sales activity of similar inventory.

Impairments

In accordance with FAS 144, *Accounting for the Impairment or Disposal of Long−Lived Assets*, our flight equipment held for operating lease and definite lived intangible assets are evaluated for impairment when events and circumstances indicate that the carrying amounts of those assets may not be recoverable. The review for recoverability includes an assessment of the estimated future cash flows associated with the use of an asset and its eventual disposition. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset, an impairment loss is recognized. The loss is measured as the excess of the carrying amount of the impaired asset over its fair value. Fair value reflects the present value of cash expected to be received from the asset 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 assets, appraisal data and industry trends. Residual value assumptions generally reflect an asset's booked residual, except where more recent industry information indicates a different value is appropriate.

In accordance with FAS 142, *Goodwill and Other Intangible Assets*, we evaluate any goodwill and indefinite−lived intangible assets for impairment at the reporting unit level each year and upon the occurrence of events or circumstances that indicate that the asset may be impaired. We determine the fair value of our reporting units using discounted cash flow and earnings multiples approaches. When our valuation suggests that the fair value of our reporting unit is less than our net equity, we determine the amount of implied goodwill by allocating the fair value of the reporting unit to our assets and liabilities as we would in purchase accounting and adjust our goodwill to its implied value through an impairment entry. If we fail to meet our forecasted future cash flows or if weak economic conditions prevail in our primary markets, the estimated fair values of our reporting unit may be adversely affected, resulting in impairment charges.

Allocation of Purchase Price to Acquired Assets

We account for business combinations in accordance with FAS 141, *Business Combinations.* We apply the purchase price of all acquisitions to the fair value of acquired assets and liabilities, including identifiable intangible assets and liabilities. To determine fair value, we utilize a combination of third−party appraisers, our own recent experience in the market place and discounted cash flow analyses. Our discounted cash flow analyses require us to make estimates and assumptions of the future use of these assets and their impact on our financial position. We apply a discount rate to each different asset or liability based on prevailing interest rates and the underlying credit of the obligor.

Accrued Maintenance Liability

In all of our 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. In most such contracts, upon lessee presentation of invoices evidencing the completion of qualifying maintenance on the aircraft or engine, we make a contribution to the lessee to help 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 other contracts without supplemental maintenance rent obligations, to the extent that the aircraft or engine is redelivered in a different condition than at acceptance, there is normally an end−of−lease compensation adjustment for the difference at re−delivery. In addition, in both types of contracts, we may

be obligated to contribute to the cost of specified maintenance events expected to occur during the term of the lease (lessor contributions) which result from utilization of the aircraft or engine prior to the subject 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.

In the majority of our leases where the lessee is required to make supplemental rent payments, we do not recognize such supplemental rent as revenue during the lease, but we record supplemental rent received from the lessee as accrued maintenance liability. Reimbursements to the lessee upon the receipt of evidence of qualifying maintenance work are charged against the existing accrued maintenance liability. In shorter−term lease contracts (primarily engine lease contracts) where the terms of the lease are designed specifically to allow us to directly manage the occurrence, timing and associated cost of qualifying maintenance work on the flight equipment, supplemental rents collected during the lease are recognized as lease revenue. For flight equipment subject to these shorter−term contracts, we record a charge to leasing expenses at the time maintenance work is performed on the flight equipment.

Consolidation

We consolidate all companies in which we have direct or indirect legal or effective control and all variable interest entities for which we are deemed the primary beneficiary under FIN 46R. Consolidated entities include certain joint ventures such as our AerVenture and Bella joint ventures, our Aircraft Lease Securitisation vehicle, and our AerFunding financing vehicle, but exclude our investments in AerDragon and Annabel. The determination of which entities are variable interest entities and of which variable interest entities we are the primary beneficiary involves the use of significant estimates, including whether the entity has sufficient equity to finance its activities without additional subordinated financial support and the expected cash flows to the entity and distributions of those cash flows in the future. We estimate expected cash flows based on the variable interest entities' contractual rights and obligations as well as reasonable expectations for future business developments. We then adjust these cash flow estimates to simulate possible changes in economic trends which could impact the variable interest entity to determine which entity will absorb a majority of the variability in order to determine if we are the primary beneficiary of the variable interest entity.

Deferred Income Taxes

We provide for income taxes according to FAS 109, *Accounting for Income Taxes*. We have significant tax loss carryforwards in certain of our subsidiaries. We evaluate valuation allowances for tax losses at the individual company level or consolidated tax group level in accordance with the tax law in the specific jurisdiction. We evaluate the potential for recovery of our tax losses by estimating the future taxable profits expected from each subsidiary and considering prudent and feasible tax planning strategies. In estimating future taxable profits, we consider all current contracts and assets of the business, as well as a reasonable estimation of future taxable profits achievable by us. If we are not able to achieve the level of projected taxable profits used in our assessment, and no tax planning strategies are available to us, an additional valuation allowance may be required against our tax assets with a corresponding charge to our income statement in the future.

Financial Period Convention

AerCap Holdings C.V. (the predecessor to AerCap Holdings N.V.) was formed on June 27, 2005; however, it did not commence operations until June 30, 2005, when it acquired all of the shares and certain of the liabilities of AerCap B.V. AerCap Holdings C.V.'s initial accounting period is from June 27, 2005 to December 31, 2005 but it generated no material revenue or expense between June 27, 2005 and June 30,

2005, and did not have any material assets before the 2005 Acquisition. For convenience of presentation only, we have labeled AerCap Holding C.V.'s initial accounting period in table headings in this annual report as the six months ended December 31, 2005. In addition, for presentation purposes in this Management's Discussion and Analysis of Financial Condition and Results of Operations, we have combined the six months ended June 30, 2005 of AerCap B.V., our predecessor, with AerCap Holding C.V.'s initial accounting period into a 12 month period ended December 31, 2005. The financial information presented for this combined period reflects the addition, with no adjustments, of the results of AerCap B.V. for the six months ended June 30, 2005 and for AerCap Holdings C.V.'s initial accounting period ended December 31, 2005. The combined period information is included as a combined presentation since it is the way our management analyzes our business results. This combined presentation, however, is not in accordance with US GAAP and should be considered as supplemental information only.

Revenues

Our revenues consist primarily of lease revenue from aircraft and engine leases, sales revenue, management fee revenue and interest revenue.

Lease Revenue.

Nearly all of our aircraft and engine lease agreements provide for the payment of a fixed, periodic amount of rent or a floating, periodic amount of rent tied to interest rates during the term of the lease. In limited circumstances, our leases may require a basic rental payment based partially or exclusively on the amount of usage during a period. In addition, many of our leases require the payment of supplemental maintenance rent based on aircraft or engine utilization and lease term, or an end−of−lease compensation amount calculated with reference to the technical condition of the aircraft or engine at lease expiration. The amount of lease revenue we recognize is primarily influenced by five factors:

- the contracted lease rate, which is highly dependent on the age, condition and type of the leased equipment;
- for leases with rates tied to floating interest rates, interest rates during the term of the lease;
- the number, type, condition and age of flight equipment subject to lease contracts;
- the lessee's performance of their lease obligations; and
- the amount of supplemental maintenance rent including receipt of end−of−lease compensation adjustments we receive in excess of amounts we are required to reimburse to lessees during the lease term and any reductions we make to our accrued maintenance liability based on estimates of our contractual obligations in our current lease contracts.

In addition to aircraft or engine specific factors such as the type, condition and age of the asset, the lease rates for our leases with fixed rental payments are determined in part by reference to the prevailing interest rate for a debt instrument with a term similar to the lease term and with a similar credit quality as the lessee at the time we enter into the lease. Many of the factors described in the bullet points above are influenced by global and regional economic trends, airline market conditions, the supply/demand balance for the type of flight equipment we own and our ability to remarket flight equipment subject to expiring lease contracts under favorable economic terms.

We operate our business on a global basis. As of December 31, 2006, we had 131 aircraft on lease (excluding the four aircraft that we intend to disassemble or sell at the end of their leases) to 58 customers in 37 countries, with no lessee accounting for more than 10% of lease revenue for the year ended December 31, 2006. The following table shows the regional profile of our lease revenue for the periods indicated:

	AerCap B.V.			AerCap Holdings N.V.	
	Year ended December 31, 2003	Year ended December 31, 2004	Six months ended June 30, 2005	Six months ended December 31, 2005	Year ended December 31, 2006
Asia/Pacific	34 %	35 %	43 %	44 %	43 %
Europe	33	36	33	33	35
North America/ Caribbean	18	21	18	18	15
Latin America	12	7	6	5	7
Africa/Middle East	3	1	—	—	—
Total	**100 %**	**100 %**	**100 %**	**100 %**	**100 %**

The geographical concentration of our customer base has varied historically, reflecting the opportunities available in particular markets at a given time. The current recent concentration in the Asia/Pacific region reflects high growth in demand for air travel in this developing market.

Sales Revenue.

Our sales revenue is generated from the sale of our aircraft, engines, and inventory. The price we receive for our aircraft, engines and inventory is largely dependent on the condition of the asset being sold, prevailing interest rates, airline market conditions and the supply/demand balance for the type of asset we are selling. The timing of the closing of aircraft and engine sales is often uncertain, as a sale may be concluded swiftly or negotiations may extend over several weeks or months. As a result, even if sales are comparable over a long period of time, during any particular fiscal quarter or other reporting period we may close significantly more or fewer sale transactions than in other reporting periods. Accordingly, sales revenue recorded in one fiscal quarter or other reporting period may not be comparable to sales revenue in other periods.

Management Fee Revenue.

We generate management fee revenue through a variety of management services that we provide to non−consolidated aircraft securitization vehicles and joint ventures and third−party owners of aircraft. Our management services include leasing and remarketing services, cash management and treasury services, technical advisory services and accounting and administrative services. We currently generate almost three−quarters of our management fee income from services we provide to two securitization vehicles, Airplanes Group and AerCo. Since Aircraft Lease Securitisation’s results are consolidated in our financial statements, we do not generate any accounting revenue from the services we provide to it.

Interest Revenue.

Our interest revenue is derived primarily from deposit interest on unrestricted and restricted cash balances and interest recognized on financial instruments we hold, such as notes issued by lessees in connection with lease restructurings and subordinated debt investments in unconsolidated securitization vehicles or affiliates. The amount of interest revenue we recognize in any period is influenced by the amount of free or restricted cash balances, the principal balance of financial instruments we hold, contracted or effective interest rates, and movements in provisions for financial instruments which can affect adjustments to valuations or provisions.

Other Revenue.

Our other revenue includes net gains or losses 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. The amount of other revenue recognized in any period is influenced by the number of saleable financial instruments we hold, the credit profile of the obligor and the demand for such investments in the market at the time. Since there is limited or no market liquidity for some of the securities we receive in connection with lease restructurings, making the securities difficult to value, and because many of the issuers of the securities are in a distressed financial condition, we may experience volatility in our revenues when we sell our aircraft−related investments due to significant changes in their value.

Operating Expenses

Our primary operating expenses consist of depreciation, interest on debt, other operating expenses, selling, general and administrative expenses and share−based compensation expense.

Depreciation.

We depreciate our aircraft on a straight−line basis over the asset's useful life, which is 25 years from the date of manufacture for substantially all or our aircraft, to an estimated residual value. We depreciate current production model engines on a straight−line basis over a 15−year period from the acquisition date to an estimated residual value. Out−of−production engines are depreciated on a straight−line basis over an estimated useful life ranging from five to seven years to an estimated residual value. Our depreciation expense is influenced by the adjusted gross book values of our flight equipment, the depreciable life of the flight equipment and the estimated residual value of the flight equipment. Adjusted gross book value is the original cost of our flight equipment, including purchase expenses, adjusted for subsequent capitalized improvements, impairments, and accounting basis adjustments associated with business combinations.

Cost of Goods Sold.

Our cost of goods sold consists of the net book value of flight equipment, including inventory, sold to third parties at the time of the sale.

Interest on Debt.

Our interest on debt expense arises from a variety of funding structures and related derivative instruments as described in "—Indebtedness". Interest on debt expense in any period is primarily affected by contracted interest rates, principal amounts of indebtedness, including notional values of derivative instruments and unrealized mark−to−market gains or losses on derivative instruments.

Other Operating Expenses.

Our other operating expenses consist primarily of operating lease−in costs, leasing expenses and provision for doubtful notes and accounts receivable.

Our operating lease−in costs relate to our lease obligations for aircraft we lease from financial investors and sublease to aircraft operators. We entered into all of our lease−in transactions between 1988 and 1992 and these leases expire between 2008 and 2012. As described in Note 16 to our consolidated financial statements included in this annual report, we have established an onerous contract accrual equal to the difference between the present value of our lease expenses and the sublease revenue we receive, discounted at appropriate discount rates. The amount of this liability amortizes monthly as a reduction of

operating lease−in costs on a constant yield basis as we meet our obligations to the aircrafts' legal owners under the applicable leases.

Our leasing expenses consist primarily of maintenance expenses on our flight equipment, which we incur when our flight equipment is off−lease, technical expenses we incur to monitor the maintenance condition of our flight equipment during a lease, end−of−lease payments, expenses to transition flight equipment from an expired lease to a new lease contract and non−capitalizable flight equipment transaction expenses. In addition, we recognize leasing expenses when we contractually agree to contribute our own funds to maintenance events during a lease or increase our accrued maintenance liability based on estimates of our contractual obligations in current lease contracts.

Our provision for doubtful notes and accounts receivable consists primarily of provisions we establish to reduce the carrying value of our notes and accounts receivables to estimated collectible levels.

The primary factors affecting our other operating expenses are:

- lessee defaults, which may result in additional provisions for doubtful notes and accounts receivable, material expenses to repossess flight equipment and restore it to an airworthy and marketable condition, unanticipated lease transition costs, and an increase to our onerous contract accrual, and
- the frequency of lease transitions and the associated costs.

Selling, General and Administrative Expenses.

Our principal selling, general and administrative expenses consist of personnel expenses, including salaries benefits, charges for share−based compensation, professional and advisory costs and office and travel expenses as summarized in Note 23 to our audited consolidated financial statements included in this annual report. The level of our selling, general and administrative expenses is influenced primarily by our number of employees and the extent of transactions or ventures we pursue which require the assistance of outside professionals or advisors. Our selling, general and administrative expenses also include the mark−to−market gains and losses for our foreign exchange rate hedges related to our Euro denominated selling, general and administrative expenses.

Provisions for Income Taxes

Our operations are taxable primarily in four main jurisdictions in which we manage our business: The Netherlands, Ireland, the United States and Sweden. Deferred income taxes are provided to reflect the impact of temporary differences between our US GAAP income from continuing operations before income taxes and minority interests and our taxable income. Our effective tax rate has varied significantly year to year from 2003 to 2006. The primary source of temporary differences is the availability of accelerated tax depreciation in our primary operating jurisdictions. As a result of the temporary differences, we have not incurred any material current net income tax liability since our inception. Our effective tax rate in any year depends on the tax rates in the jurisdictions from which our income is derived along with the extent of permanent differences between US GAAP income from continuing operations before income taxes and minority interests and taxable income.

We have substantial tax losses in certain jurisdictions which can be carried forward, which we recognize as tax assets. We evaluate the recoverability of tax assets in each jurisdiction in each period based upon our estimates of future taxable income in those jurisdictions. If we determine that we are not likely to generate sufficient taxable income in a jurisdiction prior to expiration, if any, of the availability of tax losses, we establish a valuation allowance against the tax loss to reduce the tax asset to its recoverable value. We evaluate the appropriate level of valuation allowances annually and make adjustments as

necessary. Increases or decreases to valuation allowances can affect our provision for income taxes on our consolidated income statement and consequently may affect our effective tax rate in a given year.

Results of Operations

Results of Operations for the Year Ended December 31, 2006 Compared to the Year Ended December 31, 2005

	Year ended December 31, 2005	Year ended December 31, 2006
	Aggregate non−GAAP	AerCap Holdings N.V.
	(US dollars in millions)	
Revenues		
Lease revenue	$ 348.9	$ 443.9
Sales revenue	92.1	301.4
Management fee revenue	14.2	14.1
Interest revenue	33.4	34.7
Other revenue	4.5	20.3
Total revenues	**493.1**	**814.4**
Expenses		
Depreciation	112.4	102.4
Cost of goods sold	68.2	220.3
Interest on debt	114.6	166.2
Operating lease in costs	25.3	25.2
Leasing expenses	21.9	47.4
Provision for doubtful notes and accounts receivable	6.2	(0.2)
Selling, general and administrative expenses	46.4	149.4
Total expenses	**395.0**	**710.7**
Income from continuing operations before income taxes and minority interest	**98.1**	**103.7**
Provision for income taxes	(14.7)	(16.3)
Minority interest net of taxes	—	0.6
Net income	**$ 83.4**	**$ 88.0**

Our results of operations for the year ended December 31, 2005 represent an aggregation of the results of operations for AerCap B.V. from January 1, 2005 to June 30, 2005 when it was owned by our prior shareholders and the results of operations for AerCap Holdings N.V. from June 27, 2005 (inception of AerCap Holdings C.V.) to December 31, 2005 following the 2005 Acquisition on June 30, 2005. These results have been aggregated to provide investors with information related to our operating results for the full year of 2005 on the same basis our management uses to analyze our business results and to provide a basis for comparing our results of operations in 2005 with prior periods. Results of operations for AerCap Holdings N.V. after the 2005 Acquisition include the effects of purchase accounting related to the 2005 Acquisition and, therefore, are not directly comparable to the results of operation for AerCap B.V. in the prior periods. The material impacts on our consolidated income statement of the 2005 Acquisition are reflected in lower depreciation expense due to reduced net book values, which resulted in a $20.9 million decrease in depreciation expense in 2005, and in lower interest on debt expense due to the elimination of certain debt, which resulted in a $19.6 million decrease in interest on debt expense in 2005. Other than the corresponding effect on income from continuing operations before income taxes and net income, the 2005 Acquisition did not materially impact any of the other line items in our consolidated income statement. We have included a reconciliation of our 2005 aggregate period results to our consolidated income statements prepared in accordance with US GAAP in the table below:

	AerCap B.V.	AerCap Holdings N.V.	Aggregate non−GAAP
	Six months ended June 30, 2005	Six months ended December 31, 2005	Year ended December 31, 2005
		(US dollars in millions)	
Lease revenue	$ 175.3	$ 173.6	$ 348.9
Sales revenues	79.6	12.5	92.1
Management fee revenue	6.5	7.7	14.2
Interest revenue	13.1	20.3	33.4
Other revenue	3.5	1.0	4.5
Total revenue	**278.0**	**215.1**	**493.1**
Depreciation	66.4	46.0	112.4
Cost of goods sold	57.6	10.6	68.2
Interest on debt	69.9	44.7	114.6
Operating lease−in costs	13.9	11.4	25.3
Leasing expenses	9.7	12.2	21.9
Provisions for doubtful notes and accounts receivable	3.2	3.0	6.2
Selling, general and administrative expenses	19.5	26.9	46.4
Total expenses	**240.2**	**154.8**	**395.0**
Income from continuing operations before income taxes	**37.8**	**60.3**	**98.1**
Provisions for income taxes	(4.1)	(10.6)	(14.7)
Net income	**$ 33.7**	**$ 49.7**	**$ 83.4**

The aggregation of the results of operations data for 2005 is not in accordance with US GAAP. Since AerCap Holdings N.V is a different reporting entity for accounting purposes from AerCap B.V., the aggregated information should be considered as supplemental information only. The financial information presented for this combined period reflects the addition, with no adjustments, of the results of AerCap B.V. for the six months ended June 30, 2005 and the results of AerCap Holdings N.V. for the initial accounting period ended December 31, 2005.

Revenues. Our total revenues increased by $321.3 million, or 65.2%, to $814.4 million in the year ended December 31, 2006 from $493.1 million in the year ended December 31, 2005. In the year ended December 31, 2006, we generated $689.2 million of revenue in our aircraft segment and $125.2 million of revenue in our engine and parts segment, and, in the year ended December 31, 2005, we generated $374.0 million of revenue in our aircraft segment and no revenue in our engine and parts segment since we had not yet acquired AeroTurbine. The principle categories of our revenue and their variances were:

	Year ended December 31, 2005	Year ended December 31, 2006	Increase/ (decrease)	Percentage Difference
	(US dollars in millions)			
Lease revenue	$ 348.9	$ 443.9	$ 95.0	27.2 %
Sales revenue	92.1	301.4	209.3	227.3 %
Management fee revenue	14.2	14.1	(0.1)	(0.7)%
Interest revenue	33.4	34.7	1.3	3.9 %
Other revenue	4.5	20.3	15.8	351.1 %
Total	**$ 493.1**	**$ 814.4**	**321.3**	**65.2 %**

The increase in lease revenue was attributable primarily to:

- the AeroTurbine Acquisition on April 26, 2006, which resulted in a $29.0 million increase in lease revenue in the year ended December 31, 2006;
- the acquisition between January 1, 2005 and December 31, 2006 of 47 aircraft for leasing with an aggregate net book value of $1.2 billion at the date of acquisition, partially offset by the sale of 40 aircraft, (primarily older Fokker aircraft) during such period, with an aggregate net book value of $250.2 million at the date of sale, which resulted in a $28.9 million increase in lease revenue;
- an increase of $20.4 million in maintenance reserves revenue in the year ended December 31, 2006 from $21.2 million in the year ended December 31, 2005 to $41.6 million in the year ended December 31, 2006. The increase is a result of maintenance revenue recognized at the termination of leases on several A321 aircraft in 2006 whereas the revenue in 2005 was primarily the result of lease terminations on Fokker aircraft which have lower levels of related accrued maintenance; and
- an increase in payments from leases with lease rates tied to floating interest rates in the year ended December 31, 2006 due to increases in market interest rates, which resulted in a $16.4 million increase in lease revenue.

The increase in sales revenue was attributable primarily to:

- an increase in average sales price to $12.2 million (19 aircraft) in the year ended December 31, 2006 from $4.4 million (21 aircraft) in the year ended December 31, 2005. The increase of the average sales price is mainly a result of the mix of aircraft types sold and increased demand for the sold aircraft. In the year ended December 31, 2006, we sold four A320 aircraft and two Boeing 757 aircraft in addition to 13 Fokker 100 aircraft where in the prior period we sold Fokker 50 and Fokker 100 aircraft and we only sold one A320 aircraft; and
- the AeroTurbine Acquisition on April 26, 2006. In the period from April 26, 2006 to December 31, 2006, AeroTurbine generated $93.7 million of sales revenue.

Management fee revenue did not materially change in the year ended December 31, 2006 compared to the year ended December 31, 2005.

Interest revenue did not materially change in the year ended December 31, 2006 compared to the year ended December 31, 2005.

The increase in other revenue was due to the increase in revenue from the sale of financial assets in the year ended December 31, 2006 compared to the year ended December 31, 2005. In the year ended December 31, 2006, we sold four unsecured notes receivable for a gain of $15.8 million, received $2.1 million from an investment in liquidation, sold notes secured by aircraft for a gain of $0.7 million and received $1.7 million from an insurance claim on an engine. In the year ended December 31, 2005, we sold our AerCo Series D Note for a gain of $4.6 million which was partially offset by our sale of notes secured by aircraft for a loss of $0.1 million.

Depreciation. Depreciation decreased by $10.0 million, or 8.9%, to $102.4 million in the year ended December 31, 2006 from $112.4 million in the year ended December 31, 2005 due primarily to the reduction of our asset values in connection with the 2005 Acquisition. The decrease was partially offset by the acquisition of 41 new aircraft between December 31, 2005 and December 31, 2006 with a book value at the time of the acquisition of $973.2 million and the increased depreciation resulting from the AeroTurbine Acquisition.

Cost of Goods Sold. Cost of goods sold increased by $152.1 million, or 223.0%, to $220.3 million in the year ended December 31, 2006 from $68.2 million in the year ended December 31, 2005 due primarily to:

- an increase in average cost of goods sold for each aircraft. The average cost of goods sold for each aircraft increased to $9.1 million in the year ended December 31, 2006 from $3.2 million in the year ended December 31, 2005. The increase of the average cost of goods sold is a result of the mix of aircraft types sold, which included four A320 aircraft in 2006;
- the AeroTurbine Acquisition on April 26, 2006, which resulted in a $66.3 million increase in cost of goods sold.

Interest on Debt. Our interest on debt increased by $51.6 million, or 45.0%, to $166.2 million in the year ended December 31, 2006 from $114.6 million in the year ended December 31, 2005. The increase in interest on debt was principally caused by:

- a $24.5 million decrease in the recognition of mark−to−market gains on derivatives to $7.9 million in the year ended December 31, 2006 from $32.4 million in the year ended December 31, 2005;
- the AeroTurbine Acquisition on April 26, 2006, which resulted in a $17.3 million increase in interest on debt; and
- an increase in the average interest rate on our debt in the year ended December 31, 2006 to 6.4% from 6.2% in the year ended December 31, 2005 due to the increase in market interest rates and the fact that we refinanced low interest rate indebtedness owed to our prior shareholder with higher interest rate debt with a longer maturity.

Other Operating Expenses. Our other operating expenses increased by $19.0 million, or 35.6%, to $72.4 million in the year ended December 31, 2006 from $53.4 million in the year ended December 31, 2005. The principal categories of our other operating expenses and their variances were as follows:

	Year ended December 31, 2005	Year ended December 31, 2006	Increase/ (decrease)	Percentage difference
		(US$ in millions)		
Operating lease in costs	$ 25.3	$ 25.2	$ (0.1)	(0.4)%
Leasing expenses	21.9	47.4	25.5	116.4 %
Provision for doubtful notes and accounts receivable	6.2	(0.2)	(6.4)	(103.2)%
Total	**$ 53.4**	**$ 72.4**	**$ 19.0**	**35.6 %**

Our leasing expenses increased in the year ended December 31, 2006 primarily because of an increase of $24.9 million in the recognition of accrued maintenance liability for lease transitions primarily on ten aircraft. On the same ten aircraft we recorded $28.0 million of supplemental maintenance rent income, which is recorded as lease revenue, from payments to us by the prior lessees of the aircraft.

Our provision for doubtful notes and accounts receivable was lower in the year ended December 31, 2006 when compared to the year ended December 31, 2005 due to the decrease in lessee defaults in the year ended December 31, 2006 and the impact of some recoveries of provisioned receivables in the year ended December 31, 2006.

Selling, General and Administrative Expenses. Our selling, general and administrative expenses increased by $102.9 million, or 221.8%, to $149.3 million in the year ended December 31, 2006 from $46.4 million in the year ended December 31, 2005, due primarily to (i) charges for share−based compensation in the amount of $78.6 million in 2006 which did not occur in 2005, (ii) the AeroTurbine Acquisition on April 26, 2006, which resulted in a $21.5 million increase in selling, general and administrative expenses and (iii) start−up costs for our two consolidated joint ventures, AerVenture and Bella, which totaled $3.8 million.

Net Income From Continuing Operations Before Income Taxes and Minority Interests. For the reasons explained above, our income from continuing operations before income taxes and minority interests increased by $5.6 million, or 5.7%, to $103.7 million in the year ended December 31, 2006 from $98.1 million in the year ended December 31, 2005.

Provision for Income Taxes. Our provision for income taxes increased by $1.6 million or 10.9% to $16.3 million in the year ended December 31, 2006 from $14.7 million in the year ended December 31, 2005. Our effective tax rate for the year ended December 31, 2005 was 15.0% and was 15.7% for the year ended December 31, 2006. The effective tax rate in 2006 was impacted by (i) charges for share−based compensation in the U.S., only a portion of which are tax−deductible, (ii) a reduction in the Netherlands corporate tax rate which resulted in a reduction of our Netherlands deferred tax assets and (iii) the reduction of a valuation allowance against our Swedish tax assets.

Net Income. For the reasons explained above, our net income increased by $4.6 million, or 5.5%, to $88.0 million in the year ended December 31, 2006 from $83.4 million in the year ended December 31, 2005.

Results of Operations for 2005 Compared to 2004

Our results of operations for the year ended December 31, 2005 represent an aggregation of the results of operations for AerCap B.V. from January 1, 2005 to June 30, 2005 when it was owned by our prior shareholders and the results of operations for AerCap Holdings N.V. from June 27, 2005 (inception of AerCap Holdings C.V.) to December 31, 2005 following the 2005 Acquisition on June 30, 2005. These results have been aggregated to provide investors with information related to our operating results for the full year of 2005 on the same basis our management uses to analyze our business results and to provide a basis for comparing our results of operations in 2005 with prior periods. Results of operations for AerCap Holdings N.V. after the 2005 Acquisition include the effects of purchase accounting related to the 2005 Acquisition and, therefore, are not directly comparable to the results of operation for AerCap B.V. in the prior periods. The material impacts on our consolidated income statement of the 2005 Acquisition are reflected in lower depreciation expense due to reduced net book values, which resulted in a $20.9 million decrease in depreciation expense in 2005, and in lower interest on debt expense due to the elimination of certain debt, which resulted in a $19.6 million decrease in interest on debt expense in 2005. Other than the corresponding effect on income from continuing operations before income taxes and net income, the 2005 Acquisition did not materially impact any of the other line items in our consolidated income statement. We have included a reconciliation of our 2005 aggregate period results to our consolidated income statements prepared in accordance with US GAAP in the table below:

Results of Operations

	AerCap B.V.	AerCap Holdings N.V.	Aggregate non−GAAP
	Six months ended June 30, 2005	Six months ended December 31, 2005	Year ended December 31, 2005
		(US dollars in millions)	
Lease revenue	$ 175.3	$ 173.6	$ 348.9
Sales revenues	79.6	12.5	92.1
Management fee revenue	6.5	7.7	14.2
Interest revenue	13.1	20.3	33.4
Other revenue	3.5	1.0	4.5
Total revenue	**278.0**	**215.1**	**493.1**
Depreciation	66.4	46.0	112.4
Cost of goods sold	57.6	10.6	68.2
Interest on debt	69.9	44.7	114.6
Operating lease−in costs	13.9	11.4	25.3
Leasing expenses	9.7	12.2	21.9
Provisions for doubtful notes and accounts receivable	3.2	3.0	6.2
Selling, general and administrative expenses	19.5	26.9	46.4
Total expenses	**240.2**	**154.8**	**395.0**
Income from continuing operations before income taxes	**37.8**	**60.3**	**98.1**
Provisions for income taxes	(4.1)	(10.6)	(14.7)
Net income	**$ 33.7**	**$ 49.7**	**$ 83.4**

The aggregation of the results of operations data for 2005 is not in accordance with US GAAP. Since AerCap Holdings N.V. is a different reporting entity for accounting purposes from AerCap B.V., the aggregated information should be considered as supplemental information only. The financial information presented for this combined period reflects the addition, with no adjustments, of the results of

AerCap B.V. for the six months ended June 30, 2005 and the results of AerCap Holdings N.V. for the initial accounting period ended December 31, 2005.

Revenues. Our total revenues increased by $102.2 million, or 26.1%, from $390.9 million in 2004 to $493.1 million in 2005. The principal categories of our revenue and their year over year variances were:

	2004	2005	Increase/ (decrease)	Percentage difference
		(US dollars in millions)		
Lease revenue	$ 308.5	$ 348.9	$ 40.4	13.1 %
Sales revenue	32.1	92.1	60.0	186.9 %
Management fee revenue	15.0	14.2	(0.8)	(5.3)%
Interest revenue	21.6	33.4	11.8	54.6 %
Other revenue	13.7	4.5	(9.2)	(67.2)%
Total	**$ 390.9**	**$ 493.1**	**$ 102.2**	**26.1 %**

The increase in lease revenue was attributable primarily to:

- the recognition of supplemental maintenance rent from lease terminations and reductions in our estimated accrued maintenance liability, which resulted in a $21.2 million increase in lease revenue;
- an increase in lease revenue due to the acquisition of 15 aircraft between January 1, 2004 and December 31, 2005 with a cumulative net book value of $656.8 million at the date of acquisition, partially offset by the sale of 30 primarily older Fokker aircraft during such period with a cumulative net book value of $83.5 million at the date of sale, which resulted in a $16.2 million increase in lease revenue;
- an increase in payments under leases with lease rates tied to floating interest rates due to increases in market interest rates, which resulted in a $13.2 million increase in lease revenue;

partially offset by:

- the absence of voluntary lease termination penalties collected in 2005, which generated $6.2 million in revenue in 2004;
- the amortization of the intangible lease premium generated at the time of the 2005 Acquisition, which resulted in a $3.3 million decrease in lease revenue; and
- a decrease in lease revenue from the expiration of older, longer−term leases and the entry into new leases at lower rates, which decreased lease revenue by $1.1 million.

The increase in sales revenue to $92.1 million in 2005 from $32.1 million in 2004 reflects an increase in the number of aircraft sold in 2005 (21 aircraft) as compared to those sold in 2004 (nine aircraft). The average sales price per aircraft in 2005 was $4.3 million compared to $3.5 million in 2004. The number of aircraft sold in 2005 increased as our management decided to take advantage of favorable market conditions by selling some of our older, less desirable aircraft, including 16 of our Fokker aircraft.

Management fee revenue decreased slightly between 2004 and 2005 primarily because of a reduction in AerCo fees due to lower AerCo cashflows. In 2005, we generated 39.2% of our management fee revenue from Airplanes Group and 34.9% of our management fee revenue from AerCo. In 2004, we generated 39.0% of our management fee revenue from Airplanes Group and 36.0% of our management fee revenue from AerCo.

The increase in interest revenue in 2005 compared with 2004 was due to:

- an increase in our average cash and cash equivalents and restricted cash balances to $303.9 million in 2005 compared to $295.6 million in 2004, and an increase in the average interest rates to 2.41% in 2005 from 1.09% in 2004 on those balances, which resulted in a $4.1 million increase in interest revenue; and
- the accretion of purchase price adjustments on our interest−bearing financial assets written down in connection with the 2005 Acquisition, which resulted in a $6.1 million increase in interest revenue.

The decrease in other revenue primarily reflects the net gain on sale of a claim which we sold in 2004, which originated from the bankruptcy of one of our lessees. The gain recognized was $8.2 million. We recognized a gain on the sale of our AerCo Series D notes in 2005 of $4.6 million and a similar amount of other revenue in 2004 from penalty fees received from a lessee in connection with a lease restructuring.

Depreciation. Depreciation decreased by $13.5 million, or 12.0%, to $112.4 million in 2005 from $125.9 million in 2004 due primarily to the reduction of our asset values in connection with the 2005 Acquisition. The decrease was partially offset by an increase in depreciation related to increased aggregate book values of our assets resulting from the acquisition of six new aircraft with a net book value of $250.3 million and the sale of 19 aircraft (18 of which were older aircraft) with an aggregate net book value of $67.4 million during 2005.

Cost of Goods Sold. The increase in cost of goods sold in 2005 reflected the increase in the number of aircraft sold to 21 with an average carrying value of $3.2 million in 2005 from nine with an average carrying value of $2.1 million in 2004.

Interest on Debt. Our interest on debt increased by $1.5 million, or 1.3%, to $114.6 million in 2005 from $113.1 million in 2004. Our interest on debt expense was principally affected by:

- an increase in our average interest rate in 2005 to 5.9% from 5.2% in 2004 due to increases in market interest rates and the fact that we refinanced low interest rate indebtedness owed to our prior shareholders with higher interest rate debt with a longer maturity;

largely offset by:

- a $210.2 million decrease in our average outstanding indebtedness balance which was $2,490.9 million in 2005 compared to $2,701.1 million in 2004; and
- a $12.5 million increase in the recognition of mark−to−market gains on derivatives to $32.4 million in 2005 from $19.9 million in 2004.

Our average outstanding indebtedness declined primarily due to the 2005 Acquisition. This decrease as a result of the 2005 Acquisition was only partially offset by our incurrence of $1.0 billion of indebtedness to pay a portion of the 2005 Acquisition purchase price and $221.0 million of indebtedness which was incurred in connection with the acquisition of new aircraft in 2005.

Impairments. In 2004, we recorded a $132.4 million impairment for all of our existing goodwill as a result of our annual goodwill impairment test described in "—Factors Affecting the Comparability of our Results—Goodwill Impairment". We did not record any impairments in 2005.

Other Operating Expenses. Our other operating expenses decreased by $13.5 million, or 20.2%, to $53.4 million in 2005 from $66.9 million in 2004. The principal categories of our other operating expenses and their year over year variances were as follows:

	2004	2005	Increase/ (decrease)	Percentage difference
		(US dollars in millions)		
Operating lease−in costs	$ 35.8	$ 25.3	$ (10.5)	(29.3)%
Leasing expenses	30.5	21.9	(8.6)	(28.2)%
Provision for doubtful notes and accounts receivable	0.6	6.2	5.6	933.3%
Total	**$ 66.9**	**$ 53.4**	**$ (13.5)**	**(20.2)%**

Our operating lease−in costs decreased due primarily to the repurchase of an aircraft previously leased−in and the termination of our lease obligation to the prior legal owner of the aircraft and an amendment to the lease on one of our other leased−in aircraft which lowered our lease obligations.

Our leasing expenses decreased in 2005 primarily because we incurred lower maintenance expenses due to fewer lessee defaults than in 2004. Leasing expenses in 2004 reflected lease transition costs totaling $7.2 million related to the transition of six A320 aircraft, which we had repossessed in 2003, from two defaulting lessees to new lessees.

Our provision for doubtful notes and accounts receivable was lower in 2004 when compared to 2005 due to the collection in 2004 of $9.5 million of receivables for which we had previously taken a reserve.

Selling, General and Administrative Expenses. Our selling, general and administrative expenses increased by $10.1 million, or 27.7%, to $46.5 million in 2005 from $36.4 million in 2004, due primarily to increased personnel costs of $5.1 million in 2005 mainly arising from the hiring of new employees, an increase in professional fees of $1.9 million and an increase in foreign exchange losses of $3.9 million in 2005. We recognized an increase in net foreign exchange losses between 2004 and 2005 as a result of losses on our mark−to−market foreign exchange hedges, which are used to partially hedge our euro expense against changes in the euro/US dollar exchange rate.

Income From Continuing Operations Before Income Taxes and Minority Interests. For the reasons explained above, our income from continuing operations before income taxes and minority interests increased by $203.2 million to an income from continuing operations before income taxes and minority interests of $98.1 million in 2005 from a loss on income from continuing operations before income taxes and minority interests of $105.2 million in 2004.

Provision for Income Taxes. Our provision for income taxes increased by $14.5 million to $14.7 million in 2005 from $0.2 million in 2004 primarily due to our increased income from continuing operations before income taxes and minority interests. The effect of our increase in income from continuing operations before income taxes and minority interests was partially offset by a decrease in our average effective tax rate below the statutory tax rates as a result of the effects of the 2005 Acquisition structure described above and the reduction in non−taxable permanent differences between our US GAAP income from continuing operations before income taxes and minority interests and taxable income. In 2004, we had a net tax charge despite recording a net loss primarily as a result of the goodwill impairment charge of $132.4 million which was not tax deductible in The Netherlands. Our 2005 tax rate was reduced below the average enacted tax rates in the relevant jurisdictions producing income in that year because we were able to deduct interest expenses in The Netherlands on AerCap B.V.'s debts to its parent, AerCap Holdings N.V. while the corresponding interest income for AerCap Holdings N.V. was not subject to taxes in any jurisdiction.

Net Income. For the reasons explained above, our net income increased by $188.8 million to a net income of $83.4 million in 2005 from a net loss of $105.4 million in 2004.

Liquidity and Capital Resources

We satisfy our liquidity requirements through several sources, including:

- lines of credit and other secured borrowings;
- aircraft and engine lease revenues;
- sales of aircraft, engines and parts;
- supplemental maintenance rent and security deposits provided by our lessees; and
- management fee revenue.

Aircraft leasing and trading is a capital intensive business. We believe that our existing cash balance and anticipated future operating cash flows, including proceeds arising from the sale of aircraft, engines and parts, will be sufficient to satisfy the operating requirements of our business through 2007. In the longer term, we expect to fund the growth of our business, including the acquisition of aircraft and engines, through internally generated cash flows, the incurrence of bank debt and the issuance of debt and equity securities. For additional information on the availability of funding under our revolving credit facilities see "—Indebtedness".

The acquisition of aircraft and engines drives our growth and fuels our long−term need for liquidity. It is our intention to fund future aircraft and engines acquisitions initially through cash flows from our operations, borrowings under credit facilities and government guaranteed debt issuances, and to repay all or a portion of the borrowings from time to time with the net proceeds from a variety of capital market and bank sources, including securitizations and from aircraft and engine sale proceeds. Therefore, our ability to execute our business strategy, particularly the growth of our business, depends to a significant degree on our ability to secure additional financing. Whether we will be able to obtain financing will depend upon a number of factors, such as our historical and expected performance, industry and market trends, the availability of capital and the relative attractiveness of alternative investments. We believe that funds will be available to support our growth strategy. However, future deterioration in our performance or our markets could limit our ability to obtain financing and/or increase our cost of capital, which may negatively affect our ability to raise additional funds and grow our business.

Our liquidity also depends on the ability of our subsidiaries to distribute cash to us in the form of interest and principal payments or the return of subordinated investments. Substantially, all of our owned aircraft are held through special purpose subsidiaries, consolidated joint ventures or finance structures which borrow funds to finance or refinance the aircraft. Most of the commercial bank loans and export credit facility financings restrict the payment of dividends in the event that the borrower is in default under the applicable loan, which can include the failure to meet financial ratios or tests. Our revolving credit facility with a syndicate of banks led by affiliates of UBS Real Estate Securities Inc. permits limited distributions to us by the relevant subsidiary borrower during the first two years provided specified principal payments are made. AeroTurbine's revolving credit facility with a syndicate of banks led by affiliates of Calyon permits distributions to us provided that specified financial ratios are met. The securitization of Aircraft Lease Securitisation allows distributions on the subordinated notes to us after the senior classes of notes are repaid. We believe we are in compliance with the financial covenants in all of our indebtedness. For more information on our indebtedness, see "—Indebtedness".

From time to time, we enter into intercompany funding arrangements with our subsidiaries and/or provide capital contributions to them to ensure that our subsidiaries have sufficient liquidity to satisfy their contractual and operational requirements.

Cash Flows

	Aggregate Non−GAAP	AerCap Holdings N.V.
	Year ended December 31, 2005	Year ended December 31, 2006
	(US dollars in millions)	
Net cash flow provided by operating activities	$ 216.5	$ 348.4
Net cash flow used in investing activities	(1,416.7)	(843.3)
Net cash flow provided by financing activities	1,363.5	443.6

Year ended December 31, 2006 compared to year ended December 31, 2005. Our cash flows for the year ended December 31, 2005 represent the cash flows for AerCap B.V. from January 1, 2005 to June 30, 2005, when it was owned by our prior shareholders, and the cash flows for AerCap Holdings N.V. from June 27, 2005 (inception of AerCap Holdings C.V.) to December 31, 2005, following the 2005 Acquisition on June 30, 2005. For the period from June 27, 2005 to June 30, 2005, we did not generate any cash flows. The cash flows have been aggregated to provide investors with data for year ended December 31, 2005 on the same basis our management uses to analyze our business results and to provide a basis for comparing our cash flows for the year ended December 31, 2006 to cash flows for prior periods. We have included a reconciliation of the aggregate year ended December 31, 2005 cash flows to the consolidated statements of cash flows prepared in accordance with US GAAP in the table below:

	AerCap B.V.	AerCap Holdings N.V.	Aggregate Non−GAAP
	Six months ended June 30, 2005	Six months ended December 31, 2005	Year ended December 31, 2005
		(US dollars in millions)	
Net cash flow provided by operating activities	$ 107.3	$ 109.2	$ 216.5
Net cash flow provided by (used in) investing activities	14.5	(1,431.2)	(1,416.7)
Net cash flow (used in) provided by financing activities	(142.0)	1,505.5	1,363.5

The aggregation of cash flow data for the year ended December 31, 2005 is not in accordance with US GAAP, as AerCap Holdings N.V. is a different reporting entity for accounting purposes from AerCap B.V. and the periods presented are not directly comparable because the cash flow information for the six months ended December 31, 2005 includes the effects of the 2005 Acquisition. The AerCap Holdings N.V. cash flow information for the year ended December 31, 2005 reflects the addition, without adjustment, of the cash flows of AerCap B.V. for the six months ended June 30, 2005 and of AerCap Holdings N.V. for the six months ended December 31, 2005. The aggregated cash flow information should be considered as supplemental information only.

Cash Flows From Operating Activities. Our cash flows provided by operating activities increased by $131.9 million, or 60.9%, to $348.4 million in the year ended December 31, 2006 from $216.5 million in the year ended December 31, 2005. This increase is due primarily to (i) a $120.0 million increase in the change in accounts payable and accrued expenses, including maintenance liabilities and lessee deposits, which is due primarily to the increase in accrued maintenance liabilities and lessee deposits from the purchase of 24 used aircraft subject to leases during 2006 and (ii) a $61.0 million increase in net income after giving effect to all non−cash add−backs or deductions to net income on the consolidated statements of cash flows. These increases are partially offset by the use of $24.2 million in the year ended December 31, 2006 for the purchase of inventory, which did not occur in the year ended December 31, 2005 and a $38.6 million increase in the change to accounts and notes receivable, both of which result primarily from the addition of AeroTurbine's operations.

Cash Flows Used in Investing Activities. Our cash flows used in investing activities decreased by $573.4 million, or 40.5%, to $843.3 million in the year ended December 31, 2006 from $1,416.7 million in the year ended December 31, 2005. The principal reason for the decrease in cash used in investing activities was the consideration paid in 2005, net of cash acquired, of $1,245.6 million to acquire AerCap B.V., which was partially offset by a $579.4 million, or 412.1% increase in net cash used from buying and selling of flight equipment and additional pre−delivery payments made under our aircraft purchase agreement with Airbus to $720.0 million in the year ended December 31, 2006 from $140.6 million in the year ended December 31, 2005.

Cash Flows Provided by Financing Activities. Our cash flows provided by financing activities decreased by $919.9 million, or 67.5%, to $443.6 million in the year ended December 31, 2006 from $1,363.5 million in the year ended December 31, 2005. This decrease in cash flows provided by financing activities was due primarily to (i) a decrease of $873.2 million of borrowings, net of repayments, to $300.4 million in the year ended December 31, 2006 from $1,173.5 million in the year ended December 31, 2006 which is primarily attributable to the $1,000.0 million term loan contracted in connection with the 2005 Acquisition and (ii) a $261.4 million decrease in the amount of additional equity investments. In the year ended December 31,2005 we received additional equity investments of $405.0 million in connection with the 2005 Acquisition whereas in the year ended December 31, 2006 we received net additional equity investments of $143.6 million related to our initial public offering.

Indebtedness

As of December 31, 2006, our outstanding indebtedness totaled $2.6 billion and primarily consisted of export credit facilities, Japanese operating lease financings, commercial bank debt, revolving credit debt, securitization debt and capital lease structures.

The following table provides a summary of our indebtedness at December 31, 2006:

Debt Obligation	Collateral	Commitment	Outstanding	Undrawn amounts	Weighted average interest rate	Final stated Maturity
		(US dollars in thousands)				
Export credit facilities—guaranteed financings	17 aircraft	$ 953,900	$ 567,900	$ 386,000	5.49%	2018
Japanese operating lease financings	3 aircraft	100,261	100,261	—	5.64%	
Pre−delivery payment facility		118,900	8,130	110,770	7.00%	2010
UBS revolving credit facility	8 aircraft	970,000	234,577	735,423	7.84%	2012
AT revolving credit facility	49 engines	220,000	65,688	154,312	6.87%	2011
GATX portfolio acquisition facility	24 aircraft	228,229	218,399	9,830	6.79%	2013
Commercial bank debt	10 aircraft	353,725	353,725	—	6.41%	2019
Aircraft Lease Securitisation debt	42 aircraft	844,308	844,308	—	6.33%	2016
Capital lease obligations under defeasance structures	4 aircraft	162,151	162,151	—	5.72%	2010
Total		**$ 3,951,474**	**$ 2,555,139**	**$ 1,396,335**		

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

See "—Indebtedness" for more information regarding our indebtedness.

Contractual Obligations

Our contractual obligations consist of principal and interest payments on debt, executed purchase agreements to purchase aircraft, operating lease rentals on aircraft under lease in/lease out structures and rent payments pursuant to our office leases. We intend to fund our contractual obligations through our lines of credit and other borrowings as well as internally generated cash flows. We believe that our sources of liquidity will be sufficient to meet our contractual obligations.

The following table sets forth our contractual obligations and their maturity dates as of December 31, 2006:

Payments Due By Period as of December 31, 2006

Contractual Obligations	Less than one year	One to three years	Three to five years	Thereafter	Total
			(U.S. dollars in thousands)		
Debt(1)	$ 541,838	$ 771,980	$ 636,799	$ 1,413,974	$ 3,364,591
Purchase obligations(2)(4)	572,954	2,428,806	1,554,439	—	4,556,199
Operating leases(3)	42,904	69,271	54,207	24,289	190,671
Derivative obligations	(3,386)	(7,740)	(3,162)	(3,281)	(17,569)
Total(4)	**$ 1,154,310**	**$ 3,262,317**	**$ 2,242,283**	**$ 1,434,982**	**$ 8,093,892**

(1) Includes estimated interest payments based on one−month LIBOR as of December 31, 2006, which was 5.32%.

(2) At December 31, 2006 there were nine aircraft remaining to be delivered under our 1999 aircraft purchase agreement with Airbus. We also had 20 new A330−200 widebody aircraft on order from Airbus. In addition, AerVenture had 47 Airbus A320, 23 Airbus A319 aircraft and six engines on order.

(3) Represents contractual operating lease rentals on aircraft under lease in/lease out structures and contractual payments on our office and facility leases in Amsterdam, The Netherlands, Miami, Florida, Fort Lauderdale, Florida, Goodyear, Arizona and Shannon, Ireland.

(4) Does not include our capital contributions to AerVenture required in connection with the acquisition of aircraft, which amounts are consolidated in "purchase obligations".

Under the AerDragon joint venture agreement, we have contributed $15.0 million of equity to fund AerDragon's initial aircraft and engine purchases.

Capital Expenditures

Our primary capital expenditure is the purchase of aircraft, including pre−delivery payments under our 1999 aircraft purchase agreement with Airbus. The table below sets forth our capital expenditures for the historical periods indicated.

	Year ended December 31,		
	2004	2005	2006
	(US dollars in thousands)		
Capital expenditures	$ 313,213	$ 198,870	$ 879,497
Pre−delivery payments	33,366	46,315	93,708

In 2004, our principal capital expenditures were for five A320 aircraft, three A321 aircraft and one MD−11F aircraft which we previously leased−in under an operating lease and pre−delivery payments for nine aircraft. In 2005, our principal capital expenditures were for five A320 aircraft and one A319 aircraft and pre−delivery payments for 12 aircraft. In 2006, our principal capital expenditures were for three A319 and three A320 aircraft delivered under our 1999 forward order agreement and 17 A320s, one A319, three 737−700/800s; six 737−300/400s, four 757s and one 767 purchased in portfolio or single aircraft purchase transactions.

The table below sets forth our expected capital expenditures for future periods indicated based on contracted commitments as of December 31, 2006.

	2007	2008	2009	2010
	(US dollars in thousands)			
Capital expenditures	$ 456,158	$ 413,497	$ 1,234,867	$ 1,462,116
Pre−delivery payments	116,796	383,409	397,033	92,323
Total	**$ 572,954**	**$ 796,906**	**$ 1,631,900**	**$ 1,554,439**

In 2007, we expect to make capital expenditures related to final delivery payments on nine A320 family aircraft under our 1999 Airbus purchase contract. We expect to make capital expenditures related to the 47 A320 aircraft and 23 A319 aircraft on order by AerVenture between 2007 and 2010. As we implement our growth strategy and expand our aircraft and engine 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.

Off−Balance Sheet Arrangements

We are obligated to make sublease payments under 11 aircraft operating leases of aircraft which mature between 2008 and 2012. We lease these 11 aircraft to aircraft operators. Since we are not fully exposed to the risks and rewards of ownership of these aircraft, we do not include these aircraft on our balance sheet. In addition, we do not recognize a financial liability for our operating lease obligations under the leases on our balance sheet. Due to the fact that sublease receipts related to these 11 aircraft are insufficient to cover our lease obligations, we have recognized an onerous contract accrual on our balance sheet which is equal to the difference between the present value of the lease expenses and the present value of the sublease income discounted at appropriate discount rates. This accounting treatment, however, does not result in the same presentation as if we accounted for these aircraft as owned assets and the related operating lease obligations as debt liabilities. Note 16 of our consolidated financial statements included in this annual report includes more information on this arrangement, including a table of future lease obligations by year. In March 2007, we purchased four of the 11 aircraft that had been subject to operating leases and terminated the operating leases as described in Note 29 to our consolidated financial statements included herein.

We continue to have an economic interest in AerCo. This interest is not assigned any value on our balance sheet because we do not expect to realize any value for our investment.

We have other investments in companies or ventures in the airline industry which we obtain primarily through restructurings in our leasing business. The value of these investments are immaterial to our financial position. We do not consolidate such companies on our balance sheet because the investments do not meet the requirements for consolidation.

As discussed above, we have entered into two joint ventures, (Annabel and AerDragon) that do not qualify for consolidated accounting treatment. The assets and liabilities of these joint ventures are off our balance sheet and we only record our net investment under the equity method of accounting.

Management's Use of EBITDA

We define EBITDA as income (loss) from continuing operations before provision for income taxes, interest on debt and depreciation and amortization. We use EBITDA to assess our consolidated financial and operating performance, and we believe this non−US GAAP measure is helpful in identifying trends in our performance. In addition, EBITDA is a measure that is required by one of our debt lenders to calculate our compliance with certain covenants. EBITDA provides us with a useful measure of our operating performance because it assists us in comparing our operating performance in different periods without the impact of our capital structure (primarily interest charges on our outstanding debt) and non−cash expenses related to our long−lived asset base (primarily depreciation and amortization). This measure provides an assessment of controllable revenue and expenses and enhances our ability to make decisions with respect to resource allocation and whether we are meeting established financial goals. Accordingly, EBITDA measures our financial performance based on operational factors that management can impact in the short−term, such as our cost structure or expenses, and on a more medium−term basis, our revenues.

Limitations of EBITDA

EBITDA has limitations as an analytical tool and should not be viewed in isolation. EBITDA is a measure of operating performance that is not calculated in accordance with US GAAP. EBITDA should not be considered a substitute for net income, income from continuing operations or cash flows provided by or used in operations, as determined in accordance with US GAAP. Material limitations in making the adjustments to our earnings to calculate EBITDA, and using this non−GAAP financial measure as compared to GAAP net income (loss), include:

- depreciation, though not directly affecting our current cash position, represents the wear and tear and/or reduction in value of our aircraft, which affects the aircraft's availability for use and may be indicative of future needs for capital expenditures or reduced revenue generation in the future; and
- the cash portion of income tax (benefit) provision generally represents charges (gains), which may significantly affect our financial results.

We strongly urge you to review the reconciliation of EBITDA to GAAP net income (loss) in the table below, along with our audited consolidated financial statements included in this annual report. We also strongly urge you to not rely on any single financial measure to evaluate our business. In addition, because EBITDA is not a measure of financial performance under GAAP and is susceptible to varying calculations, this measure, as presented in this annual report, may differ from and may not be directly comparable to similarly titled measures used by other companies. The table below shows the reconciliation of net income (loss) to EBITDA for the years ended December 31, 2003, 2004 the six months ended June 30, 2005, the six months ended December 31, 2005 and the year ended December 31, 2006.

	AerCap, B.V.		AerCap Holdings N.V.			
	Year ended December 31,		Six months ended June 30,	Six months ended December 31,	Aggregated Year ended December 31,	Year ended December 31,
	2003	2004	2005	2005	2005	2006
	(US dollars in thousands)					
Net income (loss)	$ 36,915	$ (105,362)	$ 33,700	$ 49,663	$ 83,363	$ 87,996
Depreciation	143,303	125,877	66,407	45,918	112,325	102,387
Interest on debt	123,435	113,132	69,857	44,742	114,599	166,219
Provision for income taxes	28,222	168	4,127	10,570	14,697	16,324
EBITDA	**$ 331,875**	**$ 133,815**	**$ 174,091**	**$ 150,893**	**$ 324,984**	**$ 372,926**

Recent Accounting Pronouncements

In February 2006, the FASB issued SFAS No.155, *"Accounting for Certain Hybrid Financial Instruments—an amendment of SFASB statements No. 133 and 140"*. This statement permits fair value measurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation. This statement is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006 (January 1, 2007 for us). Earlier adoption is permitted as of the beginning of an entity's fiscal year, provided that no interim period financial statements have been issued for the financial year. We do not anticipate that the adoption of SFAS 155 will have a material effect on our financial statements or our results of operations.

In March 2006, the FASB issued SFAS No. 156, "*Accounting for Servicing of Financial Assets"*. SFAS No. 156 amends SFAS No.140. SFAS No. 156 requires that all separately recognized servicing assets and servicing liabilities be initially measured at fair value. For subsequent measurements, SFAS No. 156 permits companies to choose between using an amortization method or a fair value measurement method for reporting purposes. SFAS No. 156 is effective as of the beginning of a company's first fiscal year that begins after September 15, 2006. We do not anticipate that SFAS No. 156 will have a material impact on our financial position or our results of operations.

In April 2006, the FASB issued FSP No. FIN 46(R)−6, "*Determining the Variability to Be Considered in Applying SFASB Interpretation No. 46(R)*". The FSP addresses how a reporting enterprise should determine the variability to be considered in applying FIN 46(R). The variability that is considered in applying FIN 46(R) affects the determination of (a) whether an entity is a VIE, (b) which interests are "variable interests" in the entity, and (c) which party, if any, is the primary beneficiary of the VIE. That variability affects any calculation of expected losses and expected residual returns, if such a calculation is necessary. FSP No. FIN 46(R)−6 must be applied prospectively to all entities (including newly created entities) and to all entities previously required to be analyzed under FIN 46(R) when a "reconsideration event" has occurred, in the first reporting period beginning after June 15, 2006. We will evaluate the impact of this FSP at the time any such "reconsideration event" occurs and for any new entities created.

In July 2006, the FASB released FASB Interpretation No. 48, "*Accounting for Uncertainty in Income Taxes—an Interpretation of SFASB Statement 109"*. FIN 48 is applicable to all uncertain positions for taxes accounted for under SFAS 109, "*Accounting for Income Taxes"*. FIN 48 prescribes a comprehensive model for how a company should recognize, measure, present, and disclose in its financial statements uncertain tax positions taken or expected to be taken on a tax return (including a decision whether to file or not to file a return in a particular jurisdiction). Under the Interpretation, the financial statements will reflect expected future tax consequences of such positions presuming the taxing authorities' full knowledge of the position and all relevant facts, but without considering time values. The new accounting model for uncertain tax positions is effective for annual periods beginning after December 15, 2006. We do not expect that the adoption of FIN 48 will have a material impact on our financial statements, if any.

In September 2006, the FASB issued FSP No. AUG AIR−1 "*Accounting for Planned Major Maintenance Activities*." This FSP amends certain provisions in the AICPA Industry Audit guide, "Audits of Airlines" to prohibit the use of the accrue−in−advance method of accounting for planned major maintenance activities in annual and interim financial reporting periods and makes this guidance applicable to entities in all industries. The FSP is effective for the first fiscal year beginning after December 15, 2006 and requires retrospective application for all fiscal years presented in the financial statements upon adoption. Early adoption as of the beginning of an entity's fiscal year is permitted. We are in the process of evaluating the effects, if any, of the FSP on our consolidated financial statements and will conclude on this topic before the filing of our first quarter 2007 results.

In September 2006, the FASB issued SFAS No. 157, "*Fair Value Measurements"*. SFAS 157 prescribes a single definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS 157 is effective for us beginning as of January 1, 2008. We do not anticipate that the adoption of SFAS 157 will have a material effect on our financial statements or our results of operations.

In February 2007, the FASB issued SFAS 159, "*The Fair Value Option for Financial Assets and Financial Liabilities*". SFAS 159, which is expected to expand fair value measurement, permits entities to choose to measure many financial instruments and certain other items at fair value. FAS 159 is effective for us beginning in the first quarter of 2008. We are currently assessing the impact FAS 159 may have on our financial statements.

INDEBTEDNESS

Export Credit Facility Financings

General. In April 2003, we entered into an $840.0 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 European export credit agencies. In January 2006, the export credit facility was amended and extended to cover an additional nine aircraft and its size increased to a maximum of $1.215 billion. The terms of the lending commitment in the export credit facility are such that the export credit agencies only approve funding for aircraft that are due for delivery on a six−months rolling basis and have no obligation to fund deliveries beyond that period. At December 31, 2006, we had financed 16 aircraft under the April 2003 export credit facility, plus one aircraft under prior export credit facilities. We had $578.1 million of loans outstanding under our April 2003 export credit facility and the previous export credit facilities as of December 31, 2006.

Interest Rate. Set forth below are the interest rates for our export credit facilities.

	Amount outstanding at December 31, 2006	Interest rate
	(US dollars in thousands)	
Floating Rate Tranches:	$ 97,532	Three−month LIBOR plus 0.12%
	396,087	Three−month LIBOR plus 0.25%
	47,453	Three−month LIBOR plus 0.30%
	12,604	Six−month LIBOR plus 0.80%
Fixed Rate Tranche:	24,467	Average fixed rate of 6.67%
Purchase accounting fair value adjustments	(10,243)	
Total:	**$ 567,900**	

Maturity Date. We are obligated to repay principal on the export credit facility over a 12−year term.

Collateral. 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 have entered 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 AerCap Holdings N.V.

Certain Covenants. The export credit facilities contain affirmative covenants customary for secured financings. The facilities also contain net worth financial covenants. In addition, loans under the 2003 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, which was obtained in connection with the 2005 Acquisition. A change of control occurs under our April 2003 export credit facility if our shares cease to be listed on The New York Stock Exchange unless, at the time our shares cease to be listed on The New York Stock Exchange, at least 66.66% of our ordinary shares are owned and controlled by one or more shareholders rated at least BBB− by Standard & Poor's Ratings Services and Baa3 or more by Moody's Investors Service, Inc.

Aircraft Lease Securitisation

General. On September 15, 2005, we completed an aircraft lease portfolio securitization. Under the terms of the transaction, Aircraft Lease Securitisation issued $1.0 billion of indebtedness in four subclasses of notes to investors and certain equity securities to us. The proceeds of the sale of the notes were used by Aircraft Lease Securitisation to acquire 42 aircraft from us and to pay the expenses relating to the securitization. The proceeds were also used to make payments on certain loans made by us to subsidiaries of Aircraft Lease Securitisation and to fund cash reserves that provide a source of liquidity to pay interest on the notes. The primary source of payments on the notes is lease payments on the aircraft owned by the subsidiaries of Aircraft Lease Securitisation. We retain the most junior class of notes (E notes) in the securitization as well as a portion ($0.8 million) of the notes immediately senior to the class E notes, and we consolidate Aircraft Lease Securitisation results with our financial results.

MBIA Insurance Corporation issued a financial guaranty insurance policy to support the payment of interest when due and principal on the final maturity on two subclasses of notes, the class G−1A and G−2A notes. The class G−1A and G−2A notes are rated Aaa and AAA by Moody's Investors Service and Standard & Poor's Ratings Services, respectively. The class C−1 notes are rated Baa2 and BBB+ by Moody's and Standard & Poor's, respectively, and the class D−1 notes are rated BB+ by Standard & Poor's.

Liquidity. Calyon provided a liquidity facility in the amount of $67.0 million, which may be drawn upon to pay expenses of Aircraft Lease Securitisation and its subsidiaries, senior swap payments and interest on the class G−1A and G−2A notes. Aircraft Lease Securitisation and its subsidiaries also maintain up to $10.0 million of cash reserves to provide a source of liquidity to pay interest on the class C−1 notes (or any subclass of class C notes that Aircraft Lease Securitisation may issue in the future) and up to $5.0 million of cash reserves to provide a source of liquidity to pay interest on the class D−1 notes (or any subclass of class D notes that Aircraft Lease Securitisation may issue in the future).

Interest Rate. Set forth below are the interest rates for our classes of notes.

	Amount outstanding at December 31, 2006	Interest rate
	(US dollars in thousands)	
G1 A notes	$ 648,534	One month LIBOR plus 0.40%
G 2A notes	86,029	One month LIBOR plus 0.45%
C 1 notes	65,518	One month LIBOR plus 3.75%
D 1 notes	44,227	One month LIBOR plus 6.50%
Total	**$ 844,308**	

Aircraft Management Services. We provide lease and aircraft management and re−leasing and remarketing services for Aircraft Lease Securitisation's aircraft for which we receive a retainer fee of 0.212% per year of the initial appraised value of the aircraft, which was $1.4 billion, a monthly fee equal to 1.0% of the aggregate rent actually paid each month, and a sales based incentive fee of 1.25% of the specified target sales prices for the sale or insured loss of an aircraft. The target sales price for an aircraft is 90% of the appraised value of the aircraft, which is adjusted annually. We also provide insurance services for which we receive an annual fee of $50,000 and administrative services for which we receive a monthly fee of $1,380 for each aircraft, subject to annual adjustments for inflation and a minimum of $0.2 million per year.

We may be terminated as manager and administrative agent by Aircraft Lease Securitisation or MBIA Insurance Corporation if we default on our obligations as manager or administrative agent or become insolvent. In addition, we may be terminated as manager if:

- at the time of an event of default under the trust indenture for the securitization, at least 12 aircraft are not subject to leases and have been off−lease and reasonably available for re−lease for the previous three months,
- an event of default arises under the trust indenture as a result of our failure as manager to perform certain covenants in the trust indenture and the failure affects more than 10% of the Aircraft Lease Securitisation aircraft (based on the most recent appraised value of the aircraft at that time), or
- we, as manager, cease to be actively involved in the aircraft advisory and management business.

We, as manager, may not be removed or resign prior to the expiration of the servicing agreement unless a replacement manager has been appointed.

Payment Terms. The interest and principal payments on the notes are due on a monthly basis. The scheduled payments of principal have been calculated such that the principal balance of the notes will be equal to a certain scheduled percentage, different for each subclass of notes, of the appraised value of the aircraft, as such appraised value is decreased over time by an assumed amount of depreciation. On the first payment date, the scheduled percentage was 54.1361% for the class G−1A notes, which decreases gradually to 0.0% in August 2016. On the first payment date, the scheduled percentage was 6.9394% for the class G−2A notes and 4.8570% for the class C−1 notes, which in each case decreases a total of approximately one percent until September 2020, and will become 0.0% beginning in October 2020. On the first payment

date, the scheduled percentage was 3.1357% for the class D−1 notes, which increases gradually to 3.3890% in September 2007 and will remain that percentage until October 2020, when the scheduled percentage will become 0.0%.

Aircraft Lease Securitisation may voluntarily redeem any subclass of the notes at a price that equals the outstanding principal balance of the applicable notes multiplied by a scheduled percentage. On the closing date of the securitization, the scheduled percentage was 101% for the class G−1A and G−2A notes, 103% for the class C−1 notes and 105% for the class D−1 notes, and each percentage decreases gradually until September 15, 2008. On that date, the redemption price of the notes will equal the outstanding principal balance of the notes. In addition, Aircraft Lease Securitisation must pay any accrued but unpaid interest on the notes and any premium due to MBIA Insurance Corporation upon redemption of the notes. Aircraft Lease Securitisation 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 Aircraft Lease Securitisation may only redeem the notes in whole.

Maturity Date. The final maturity date of the notes will be September 9, 2030.

Collateral. The property of Aircraft Lease Securitisation includes the rights under the financial guaranty insurance policy. The notes are secured by security interests in and pledges or assignments of equity ownership and beneficial interests in the subsidiaries of Aircraft Lease Securitisation, as well as by the interests of Aircraft Lease Securitisation'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 Aircraft Lease Securitisation aircraft will be placed in a collection account and paid out according to a priority of payments.

UBS Revolving Credit Facility

General. On April 26, 2006, our consolidated subsidiary, AerFunding 1 Limited entered into a non recourse senior secured revolving credit facility in the aggregate amount of up to $1.0 billion with UBS Real Estate Securities Inc., UBS Securities Inc., Deutsche Bank Trust Company Americas and certain other financial institutions. The revolving loans under the UBS revolving credit facility are divided into three classes: class A loans, which have a maximum advance limit of $715.0 million, class B loans, which have a maximum advance limit of $180.0 million, and class C loans, which have a maximum advance limit of $105.0 million. As of December 31, 2006, we had $234.6 million of loans outstanding under the UBS revolving credit facility. Borrowings under the UBS revolving credit facility can be used to finance between 72% and 84% of the appraised value of the acquired aircraft or, in the case of Boeing 737NG and Airbus A320 family aircraft, between 85% and 86% of the lower of the purchase price and the appraised value of the acquired aircraft. In addition, value enhancing expenditures and required liquidity reserves are also funded by the lenders. All borrowings under the UBS 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. Notwithstanding these restrictions, we believe that the UBS revolving credit facility provides us with significant flexibility to purchase and finance aircraft.

Interest Rate. Borrowings under the UBS revolving credit facility bear interest (a) in the case of class A loans, based on the eurodollar rate plus the class A applicable margin, (b) in the case of class B loans, based on the eurodollar rate plus the class B applicable margin or (c) in the case of class C loans, based on the eurodollar rate plus the class C applicable margin. The following table sets forth the applicable margin for the three classes of the UBS revolving credit facility during the periods specified:

	Class A	Class B	Class C
Borrowing period(1)	1.75 %	4.25 %	6.00 %
First 180 days following conversion	2.50 %	5.00 %	6.75 %
From 181 days to 360 days following conversion	3.00 %	5.50 %	7.25 %
From 361 days to 450 days following conversion	3.25 %	5.75 %	7.50 %
From 450 days to 541 days following conversion	3.50 %	6.00 %	7.75 %
Thereafter	3.75 %	6.25 %	8.00 %

(1) The borrowing period is two years after which the loan converts to a term loan.

Additionally, we are subject to (a) a 0.22% fee on any unused portion of the unused class A loan commitment (b) a 0.37% fee on any unused portion of the unused class B loan commitment and (c) a 0.50% fee on any unused portion of the unused class C loan commitment.

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

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

- upon the sale of certain assets by a borrower, including any aircraft or aircraft engines financed or refinanced with proceeds from the UBS revolving credit facility;
- upon the occurrence of an event of loss with respect to an aircraft or aircraft engine financed with proceeds from the UBS revolving credit facility from the proceeds of insurance claims; and
- upon the securitization of any interests or leases with respect to aircraft or aircraft engines financed with proceeds from the UBS revolving credit facility.

Maturity Date. The maturity date of the UBS revolving credit facility is April 26, 2012.

Cash Reserve. AerFunding is required to maintain up to (a) 6.0% of the borrowing value of the aircraft in reserve for the benefit of the class A and B lenders and (b) 0.40% of the borrowing value of the aircraft in reserve for the benefit of the class C lenders. Amounts held in reserve for the benefit of the class A and B lenders are available to the extent there are insufficient funds to pay required expenses, hedge payments or principal of or interest on the class A and B loans on any payment date. Amounts held in reserve for the benefit of the class C lenders are available to the extent there are insufficient funds to pay principal of and interest on the class C loans on any payment date. The amounts on reserve are funded by the lenders.

Collateral. Borrowings under the UBS 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.

Certain Covenants. The UBS revolving credit facility contains covenants that, among other things, restrict, subject to certain exceptions, the ability of AerFunding and its subsidiaries to:

- sell assets;
- incur additional indebtedness;
- create liens on assets, including assets financed with proceeds from the UBS revolving credit facility;
- make investments, loans, guarantees or advances;
- declare any dividends or other asset distributions other than to distribute funds paid to us out of the flow of funds under the UBS revolving credit facility;
- make certain acquisitions;
- engage in mergers or consolidations;
- change the business conducted by the borrowers and their respective subsidiaries;
- make specified capital expenditures, other than those related to the purchase, maintenance or conversion of assets financed with proceeds from the UBS revolving credit facility;
- own, operate or lease assets financed with proceeds from the UBS revolving credit facility; and
- enter into a securitization transaction involving assets financed with proceeds from the UBS revolving credit facility unless certain conditions are met.

AeroTurbine Calyon Revolving Loan Facility

General. On December 13, 2006, AeroTurbine entered into an amended and restated senior credit agreement with Calyon and certain other financial institutions identified therein. Pursuant to this agreement, the total commitment of the revolving loan facility under the original senior credit agreement increased from $171.0 million to $220.0 million, and AeroTurbine repaid in full the senior secured term loan amounts outstanding under that agreement, as well as the junior secured term loan amounts outstanding under the related junior credit agreement. As of December 31, 2006, AeroTurbine had $65.7 million outstanding under the Calyon revolving loan facility.

Interest Rate. Under the Calyon revolving loan facility, AeroTurbine can borrow revolving loans based on either LIBOR or ABR (which is a rate per annum equal to the greater of the prime rate in effect on such day and the federals funds effective rate in effect on such day plus ½ of 1%). Interest rates depend on the type of loan borrowed and AeroTurbine's debt−to−earnings ratio at the time of borrowing. Set forth below are the interest rates for the Calyon revolving loan facility.

	Amount outstanding at December 31, 2006		Interest rate	
	(US dollars in thousands)		ABR Loans	LIBOR Loans
Revolving Loan Facility	**$ 65,688**	When AeroTurbine's Consolidated Leverage Ratio is less than 3.5:1	ABR + 0.0 %	LIBOR + 1.5 %
		When AeroTurbine's Consolidated Leverage Ratio is equal to or greater than 3.5:1	ABR + 0.5 %	LIBOR + 2.0 %
Total	**$ 65,688**			

Prepayment. Advances under the Calyon revolving loan facility may be prepaid without prepayment penalty. Mandatory prepayments of the Calyon revolving loan facility are required:

- if the aggregate principal amount of loans under the revolving loan facility exceeds the borrowing base; and
- upon the receipt of proceeds of any property or casualty insurance claim or any condemnation proceeding relating to any asset of the AeroTurbine or its subsidiaries.

Payment Terms. Payments of interest under the revolving loan facility are due quarterly (or, if the interest period is less than three months for a LIBOR loan, the last day of the interest period for that loan). Payments of principal on the revolving loan facility are due on the maturity date. All outstanding loans not paid during the term shall be due on the maturity date.

Maturity Date. The maturity date of the Calyon revolving loan facility is December 13, 2011.

Collateral. Borrowings under the Calyon revolving loan facility are secured by security interests in and pledges or assignments of all the shares and other ownership interests in AeroTurbine and its subsidiaries, as well as by all assets of AeroTurbine and its subsidiaries.

Certain Covenants. The Calyon revolving loan facility contains a number of covenants that, among other things, restrict, subject to certain exceptions, the ability of AeroTurbine to:

- incur additional indebtedness;
- create liens on assets, including assets financed with proceeds from the Calyon revolving loan facility;
- make advances, loans, extensions of credit, guarantees, capital contributions or other investments;
- declare or pay any dividends or other asset distributions;
- engage in mergers or consolidations;
- engage in certain sale−leaseback transactions;
- change the business conducted by AeroTurbine and its subsidiaries; and
- make certain capital expenditures.

In addition, the Calyon revolving loan facility requires AeroTurbine to maintain certain minimum debt−to−earnings and earnings−to−expenses ratios.

Japanese Operating Lease Financings

General. We entered into several Japanese operating lease financing structures to finance aircraft acquisitions. Funding under these structures is provided through a combination of senior commercial bank debt and subordinated loans from Japanese investors. At December 31, 2006, we had financed three aircraft under Japanese operating lease financings. The aggregate principal amount of the loans outstanding under Japanese operating leases financings was $100.3 million as of December 31, 2006.

Interest Rate. Set forth below are the interest rates for our senior loans and subordinated debt.

	Amount outstanding at December 31, 2006 (US dollars in thousands)	Average interest rates
Senior debt	$ 70,409	Three month LIBOR plus 0.95%
Subordinated debt	29,851	Fixed rates 4.03%
Total	**$ 100,260**	

Collateral. Our Japanese operating leases financings require legal title to the aircraft be transferred to and held by a special purpose company controlled by the respective lenders. We have entered into lease agreements on the subject aircraft which transfer the risk and rewards of ownership of the aircraft to us. The obligations outstanding under our Japanese operating leases financings are secured by 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 AerCap Holdings N.V.

Certain Covenants. Our Japanese operating leases financings contain affirmative covenants customary for secured financings.

AerVenture Pre−delivery Payment Facility

General. In November 2005, AerVenture signed a letter of intent to purchase up to 70 Airbus A320 family aircraft. A purchase agreement for the aircraft was signed in January 2006. The aircraft are scheduled to be delivered between November 2007 and August 2010. Under the purchase agreement, AerVenture agreed to make scheduled pre−delivery payments to Airbus prior to the physical delivery of each aircraft. In connection with the scheduled delivery of the first 30 aircraft before the end of 2009, AerVenture and Calyon entered into a facility on November 3, 2006 in which Calyon has arranged a credit facility, the AerVenture facility, to finance a portion of the pre−delivery payments to Airbus in an amount up to $118.9 million. Prior to drawing on the AerVenture facility, AerVenture will pay, on average, 54% of the pre−delivery payment amount owed for each aircraft to be delivered in 2007, 60% of such amounts for each aircraft to be delivered in 2008 and 42% of such amount for each aircraft to be delivered in 2009. AerVenture must repay the lenders for the amounts drawn for the pre−delivery payment for each aircraft at the delivery date of that aircraft or, if the aircraft is not delivered on the scheduled delivery date, within three months of the scheduled delivery date. We agreed with Calyon that we will invest at least an additional $25 million in AerVenture, subject to limited exceptions. The aggregate principal amount of the loans outstanding under the AerVenture pre−delivery payment facility was $8.1 million as of December 31, 2006.

Interest Rate. Borrowings under the AerVenture facility will bear interest at a floating interest rate of one−month LIBOR plus a margin of 1.65%, payable monthly in arrears after the initial drawing on the AerVenture facility.

Prepayment. Borrowings under the AerVenture facility may be prepaid without penalty, except for break funding costs if payment is made on a day other than an interest payment date. AerVenture will be required to repay the pre delivery payment financing relating to an aircraft on the date the aircraft is delivered to AerVenture.

Maturity Date. The maturity date of the AerVenture facility will be November 3, 2009, however, in the event of delayed delivery of the aircraft, the maturity date may be extended up to the earlier of (i) the delayed delivery date of the aircraft and (ii) January 31, 2010, for the repayment of the indebtedness financing the pre−delivery payments of the delayed aircraft.

Collateral. Borrowings under the AerVenture facility are secured by, among other things, the partial assignment of the airframe and engine purchase agreements in respect of the 30 aircraft covered by the facility, including the right to take delivery of the aircraft where Calyon has provided the pre delivery payments and the aircraft remains undelivered.

Certain Covenants. The AerVenture facility contains customary affirmative and financial covenants for secured financings. We have agreed to maintain a minimum of 25% of the shares of AerVenture until the AerVenture facility is fully repaid. AerVenture is required to maintain a minimum net worth and a debt to equity ratio below a specified threshold.

Bella Term Loans

General. On each of April 21, 2006 and May 10, 2006, our 50% owned consolidated joint venture, Bella Aircraft Leasing 1 Limited, entered into a loan agreement with DVB Bank AG, London Branch to provide for two term loans of up to $31.2 million and $28.0 million, each to finance the purchase of an aircraft. The maturity dates of the loans are February 27, 2009 and May 11, 2011, respectively. Borrowings under the loans are secured by security interests in and pledges of all shares in the borrower, the accounts to which lease payments are made, the aircraft, and certain of the borrower's rights under the lease and the loan documents. As of December 31, 2006, the amount outstanding under each loan was $29.2 million and $26.5 million, respectively.

Interest Rate. Borrowings under the April 21, 2006 loan agreement bear interest at a fixed rate of 7.32%. Borrowings under the May 10, 2006 loan agreement bear interest at a fixed rate of 7.70%.

Certain Covenants. The loans include general and operating covenants that restrict the borrower from incurring additional indebtedness and other limitations which are customary for such credit facilities.

GATX Aircraft Calyon Facility

General. On October 12, 2006, a wholly owned subsidiary entered into a senior secured loan facility in the aggregate amount of up to $248.0 million with Calyon and certain other financial institutions in order to finance the purchase of up to 25 aircraft from GATX. Borrowings under the senior facility can be used to finance the lesser of 70% of the purchase price of each aircraft and a scheduled percentage of the loan amount allocated to such aircraft. Concurrently with this facility, we will provide junior and subordinated debt to finance the balance of the purchase price. This subsidiary will enter into (a) a junior loan facility with us in an aggregate amount of up to $30.5 million to finance a portion of the purchase price of each aircraft not financed under the senior facility and (b) a subordinated note purchase agreement to finance the portion of the purchase price of each such aircraft not financed under the senior facility or the junior facility. Initially, we or one of our wholly owned subsidiaries will provide the junior loan facility and the subordinated note financing. As of December 31, 2006, the amount outstanding under the senior facility was $218.4 million.

Interest Rate. Borrowings under the senior facility bear interest at a rate of one month LIBOR plus 1.75% per annum for the first five years of the term, and at a rate of one month LIBOR plus 2.25% per annum for the remainder of the term.

Prepayment. After full repayment of amounts outstanding under the liquidity facility described below, prepayment of borrowings under the senior facility is permitted with notice, subject to a prepayment fee during the initial two years of the senior facility. Mandatory prepayments of borrowings related to a particular aircraft are required:

- upon the sale or other disposal of a financed aircraft;
- upon the total loss of a financed aircraft; and
- if any document granting a security interest to the senior and junior lenders and other secured parties ceases to be in full force and effect.

Payment Terms. Payments of principal and interest under the loan are due on a monthly basis, and all outstanding principal not paid during the term is due on the final maturity date.

Maturity Date. The final maturity date of the loans is October 12, 2013.

Put to AerCap. If the junior and senior loans attributable to any financed aircraft are not paid by the earlier of (a) the 21st anniversary of the date of manufacture of such aircraft and (b) the final maturity date of the loans, then the collateral agent for the lenders may cause such aircraft to be sold to our wholly

owned subsidiary, AerCap B.V., for a purchase price equal to the outstanding principal amount of the junior and senior loans attributable to such aircraft together with breakage costs plus a pro rata portion of any amounts outstanding under the liquidity facility and taxes and expenses.

Liquidity Facility. Calyon will provide a liquidity facility in the amount of $27.0 million through December 2006 (or February 2007 subject to certain conditions); thereafter the liquidity facility will be available in an amount equal to the greater of (i) $10.0 million and (ii) $27.0 million multiplied by a fraction, the numerator of which is the aggregate outstanding principal amount under the senior and junior facilities and the denominator of which is the aggregate amounts committed under the senior and junior facilities. The liquidity facility may be drawn upon to finance any shortfall in certain amounts owed on any repayment date, including, minimum principal payments, payments of interest due under the senior or junior facility and certain expenses.

Aircraft Management Services. We will provide aircraft management services in respect of the financed aircraft, for which we will receive a fee.

Collateral. Borrowings under the senior facility are secured by mortgages on the aircraft and security interest in and pledges or assignments of all the shares and other ownership interests in the borrower and its subsidiaries, as well as their bank accounts and lease interests.

Certain Covenants. The loans include general and operating covenants that restrict the borrower from incurring additional indebtedness and other limitations which are customary for such credit facilities.

Other Commercial Bank Financings

We have entered into various commercial bank financings to fund the purchase of aircraft. The financings mature at various dates through 2019. The interest rates are LIBOR based with spreads ranging from 0.95% to 1.80%. 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. The aggregate principal amount of the loans outstanding under the commercial bank financings was $298 million as of December 31, 2006.

All of our financings contain affirmative covenants customary for secured financings. Four of the commercial bank financings contain change of control provisions that grant the lenders the right to prepayment of their loans in the event of a change of control, unless the lenders consent to the change of control.

Item 6. Directors, Senior Management and Employees

Directors and senior management.

Name	Age	Position
Directors		
Pieter Korteweg	65	Non−Executive Chairman of the Board of Directors
Ronald J. Bolger	59	Non−Executive Director
James N. Chapman	44	Non−Executive Director
Klaus W. Heinemann	55	Executive Director, Chief Executive Officer
W. Brett Ingersoll	43	Non−Executive Director
Marius J.L. Jonkhart	57	Non−Executive Director
Gerald P. Strong	62	Non−Executive Director
David J. Teitelbaum	35	Non−Executive Director
Robert G. Warden	34	Non−Executive Director
Executive Officers		
Wouter M. (Erwin) den Dikken	39	Chief Legal Officer
Patrick P. den Elzen	41	Head of Trading
Soeren E. Ferré	39	Head of Europe, Middle East, Africa & Asia/Pacific Regions
Nicolas Finazzo	40	AeroTurbine Chief Executive Officer
Keith A. Helming	48	Chief Financial Officer
Aengus Kelly	33	Group Treasurer
Heinrich H. Loechteken	45	Chief Investment Officer
Anil Mehta	57	Executive Vice President of Americas
Robert B. Nichols	50	AeroTurbine Chief Operating Officer
Cole T. Reese	42	Chief Tax & Accounting Officer
Reynoud K. Simonis	43	Chief Technical Officer

Directors

Pieter Korteweg. Mr. Korteweg has been a director of our company since September 20, 2005. He serves in various positions in numerous organizations including as Chairman of the Supervisory Board of a number of Cerberus companies in the Netherlands, including Aozora Bank Ltd., consultant to and Vice Chairman of Cerberus Global Investment Advisors, LLC and member of the Supervisory Boards of DaimlerChrysler Netherlands B.V. and Hypo Real Estate Holding AG. He also serves as senior advisor to Anthos B.V. Mr. Korteweg previously served as Chairman of the Supervisory Board of Pensions and Insurance Supervisory Authority of The Netherlands, Chairman of the Supervisory Board of the Dutch Central Bureau of Statistics and Vice−Chairman of the Supervisory Board of De Nederlandsche Bank from 2002 to 2004. From 1987 to 2001, Mr. Korteweg was President and Chief Executive Officer of the Group Executive Committee of Robeco Group in Rotterdam. From 1981 to 1986, he was Treasurer−General at The Netherlands Ministry of Finance. In addition, Mr. Korteweg was a professor of economics from 1971 to 1998 at Erasmus University Rotterdam in The Netherlands. Mr. Korteweg holds a PhD in Economics from Erasmus University Rotterdam.

Ronald J. Bolger. Mr. Bolger has been a director of our company since October 11, 2005. Mr. Bolger currently serves as a member of the board of directors of a number of companies including Ely Capital Ltd., Irish Food Processors, C & D Foods Ltd., Galway Clinic Doughiska Ltd. and Global Shares Plc. He is a former Managing Partner of KPMG Ireland and has wide experience in the financial services industry. He served on the Irish Prime Minister's Committee for Dublin's International Financial Services Centre from 1987 to 2002. Mr. Bolger was appointed Honorary Consul General of Singapore in

Ireland in 2000. Mr. Bolger is a Chartered Accountant and holds a BA in Economics from University College Dublin.

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

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

W. Brett Ingersoll. Mr. Ingersoll has been a director of our company since September 20, 2005. He is currently a Managing Director of Cerberus Capital Management, L.P., a senior member of its Private Equity Practice and a member of its Investment Committee. Mr. Ingersoll is also a director of ACE Aviation Holdings Inc. and a member of the Audit, Finance and Risk Committee and the Human Resources and Compensation Committee of ACE Aviation Holdings Inc. In addition, Mr. Ingersoll is a director of various public and private companies, including Coram Health Care, IAP Worldwide Services, Inc., Aeroplan (AER TO), Pitney Bowes, Talecris Bio Therapeutics, Inc. and Endura Care, LLC. Prior to joining Cerberus in 2002, Mr. Ingersoll was a Partner at JP Morgan Partners (formerly Chase Capital Partners) from 1993 to 2002. Mr. Ingersoll received his MBA from Harvard Business School and his BA from Brigham Young University.

Marius J.L. Jonkhart. Mr. Jonkhart has been a director of our company since October 11, 2005. Mr. Jonkhart is currently the Chief Executive Officer of NOB Holding N.V. He is currently also a member of the Supervisory Boards of Connexxion Holding N.V., Corus Netherland N.V. and Staatsbosbeheer, Chairman of the Supervisory Board of Ruimte voor Ruimte Beheer B.V. and a non−executive director of Aozora Bank. Mr. Jonkhart is an advisor to Cerberus Global Investment Advisors, LLC. Mr Jonkhart was previously the Chief Executive Officer of De Nationale Investerings Bank N.V. and also served as the director of monetary affairs of the Dutch Ministry of finance. He was also a professor of finance at Erasmus University Rotterdam. He has served as a member of a number of supervisory boards, including the Supervisory Boards of the European Investment Bank, Bank Nederlandse Gemeenten N.V., Postbank N.V., NPM Capital N.V., Kema N.V., AM Holding N.V. and De Nederlandsche Bank N.V. He has also served as chairman of the Investment Board of ABP Pension Fund and several other funds. Mr. Jonkhart holds a Master’s degree in Business Administration, a Master’s degree in Business Economics and a PhD in Economics from Erasmus University Rotterdam.

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

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

Robert G. Warden. Mr. Warden has been a director of our company since September 20, 2005. He is also currently a Managing Director of Cerberus Capital Management, L.P., which he joined in February 2003. Mr. Warden is also currently a director of Aeroplan and Bluelinx Corporation. 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.

Executive Officers

Wouter M. (Erwin) den Dikken. Mr. den Dikken was appointed as our Chief Legal Officer in 2005 and has served as the Head of the Group Legal Services department since 2004. 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.

Patrick P. den Elzen. Mr. den Elzen was appointed as the Head of Trading in 2005 and he served as the Vice President of Financial Engineering of our company prior to this appointment. Prior to joining us in October 2003, Mr. den Elzen worked as the Senior Vice President of Corporate Development with IEM Airfinance for two years, and before that, he worked in various capacities with ING Bank and ING Lease for eight years. Mr. den Elzen holds a Master's degree from the University of Amsterdam in Business Administration and International Financial Markets.

Soeren E. Ferré. Mr. Ferré has been the Head of Europe, Middle East, Africa & Asia/Pacific Region of our company since June 2006. He joined our company in September 2003 as Vice President of Marketing for the Asia/Pacific region. In July 2004, he was appointed as the Head of Sales and Marketing for the Asia/Pacific region. He started his career at Airbus in 1990 and was based in Toulouse, France. In 1995, he moved to China and became the head of the marketing team covering China, Hong Kong and Macau for Airbus prior to becoming a Sales Director in 1999 in charge of the major Chinese airlines. In 2001, Mr. Ferré moved to Sydney to become the Director of Sales for the Pacific region for Airbus where he was in charge of the major airlines in that region. Mr. Ferré holds a Bachelor's degree in Engineering from the ENAC—Ecole National de l'Aviation Civile.

Nicolas Finazzo. Mr. Finazzo is the Chief Executive Officer of AeroTurbine, which he co−founded in 1997. He has been active in the aviation industry for over 25 years. In 1982 he founded Air Florida commuter carrier Southern Express Airways. In 1987 Mr. Finazzo joined Miami−based Greenwich Air Services as Vice President—Contracts. In 1992 he became Vice President & General Counsel to

Miami−based International Air Leases, and in 1997, he accepted a similar position at Miami−based AeroThrust Corp. Mr. Finazzo earned a JD from the University of Miami School of Law and a BS in Political Science from the University of Michigan. He is a member of the Florida Bar and also holds an Airframe & Powerplant license issued by the Federal Aviation Administration.

Keith A. Helming. Mr. Helming assumed the position of Chief Financial Officer of AerCap effective August 21, 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 GE Commercial Aviation Services (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.

Aengus Kelly. Mr. Kelly has been the Group Treasurer of our company since 2005. 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.

Heinrich H. Loechteken. Mr. Loechteken has been the Chief Investment Officer of our company since August 2006. Prior to serving as our Chief Investment Officer, Mr. Loechteken served as our Chief Financial Officer between September 2002 and August 2006. Prior to his employment with us, Mr. Loechteken served as the Chief Financial Officer of DaimlerChrysler Capital Services in Norwalk, Connecticut, where he was responsible for the financial operations of the non−automotive finance activities of DaimlerChrysler in North America, Europe and Asia. He also served as the Chief Credit Officer for DaimlerChrysler Services in Berlin, Germany prior to his appointment as Chief Financial Officer. Before joining DaimlerChrysler in 1996, he worked for six years in various positions in corporate finance, credit analysis and credit risk management at Deutsche Bank. Mr. Loechteken holds the degree of Diplom−Kaufmann from the University of Muenster where he majored in Finance and Bank Controlling.

Anil Mehta. Mr. Mehta has been the Executive Vice President of Americas for our company since June 2006. Prior to serving in this capacity, he was the Head of Europe, Middle East, Africa & Indian Subcontinent Region since 2004. Mr. Mehta joined our company in 1997 in the Marketing and Sales Department and was promoted to become the Executive Vice President of Marketing and a Member of the Group Executive Committee in 2003. Mr. Mehta has over 30 years of experience in the aviation industry. Mr. Mehta has served in various capacities at Fokker Aircraft based in Amsterdam, holding various positions in Flight Test, Performance Engineering, Marketing and Sales. In 1989 he moved to the United States to serve as Regional Sales Director. Anil Mehta has a Bachelor's Degree in Engineering from Birla Institute of Technology & Science in Pilani, India.

Robert B. Nichols. Mr. Nichols is the Chief Operating Officer for AeroTurbine and co−founded AeroTurbine in 1997. He has been active in the aviation industry for over 20 years. He joined Aviall in 1982 and assumed various roles in the administration of JT8D & CFM56−3 power plant maintenance. Mr. Nichols joined Braniff Airways in 1988 as Manager of Powerplant & Warranty Administration and participated in the oversight of outsourced powerplant maintenance covering JT8D, V2500 and Tay−650 engines. When Braniff ceased operations, Mr. Nichols joined Greenwich Air Services in 1989 as Director of Engine Maintenance Sales. In 1990 he joined AeroThrust Corp. where he became Vice President of Engine Sales & Leasing. Mr. Nichols is a graduate of the University of Texas where he earned a BS in Business Administration.

Cole T. Reese. Mr. Reese has been the Chief Tax and Accounting Officer of our company since September 2002. Prior to joining AerCap, Mr. Reese worked for nine years for MCC Financial Corporation, a turboprop operating lessor in Washington D.C., where he ultimately became Chief Financial Officer. Mr. Reese also worked for three years with Ernst & Young. He is a U.S. certified public accountant and holds a Master's degree in Accountancy and a BS in Accounting from Brigham Young University.

Reynoud K. Simonis. Mr. Simonis has been the Chief Technical Officer of our company since 2005. Mr. Simonis joined our company in 1998 as Technical Manager and was eventually promoted to become Senior Vice President of the Technical department. Mr. Simonis started his career in 1989 at the Schreiner Aviation Group where he held various positions in technical management, quality management and material management, and was based in The Netherlands as well as Lagos, Nigeria. In 1996, he joined Transavia Airlines as Quality Manager. Mr. Simonis holds a Master's degree in Aerospace Engineering from the Delft University of Technology.

Compensation of Non−Employee Directors

We currently pay each non−executive director who is not affiliated with Cerberus an annual fee of €75,000 and pay each of these directors an additional €2,000 per meeting. We pay our Chairman of our Board of Directors €150,000 per year. In addition, we pay the chairs of the Audit Committee and Nomination and Compensation Committee an annual fee of € 18,000 and each committee member will receive an annual fee of €6,000 and a fee of €2,000 per committee meeting. All members of the Board of Directors are reimbursed for reasonable costs and expenses incurred in attending meetings of our Board of Directors.

Executive Officer Compensation

In 2006, we paid an aggregate of approximately €9.1 million in cash and benefits as compensation to our 14 executive officers during the year. In 2006, we paid our executive officers three types of bonuses: annual target bonuses, major transaction bonuses and loyalty bonuses. The amount of the annual target bonus is based on the achievement of personal targets, as set out in a personal target agreement. Major transaction bonuses are paid to members of our management team for the completion of major transactions, such as significant debt and equity financings and merger and acquisition activities. The loyalty bonuses are paid to retain executive officers and to retain key members of our staff. All bonuses are determined by our Chief Executive Officer with approval from the Nomination and Compensation Committee, and the Nomination and Compensation Committee determines the amount of any bonuses paid to our Chief Executive Officer.

Equity Incentive Plan

Bermuda Parents Equity Incentive Plan

The Bermuda Parents, our indirect shareholders, have implemented an equity incentive plan that is designed to motivate and retain individuals who are responsible for the attainment of our primary long−term performance goals. The plan provides for the grant of nonqualified stock options, incentive stock options for shares of common stock and restricted shares of common stock of the Bermuda Parents to participants of the plan selected by the boards of directors of the Bermuda Parents or a committee of each of their respective boards of directors or the administrator of the plan. Subject to certain adjustments, the maximum number of shares available to be granted under the plan is equal to 25% of the outstanding common shares of the Bermuda Parents. As of December 2006, common shares or options to purchase common shares of the Bermuda Parents, representing indirectly 12.5% of our ordinary shares on a fully diluted basis, were issued and are outstanding under the plan.

All shares and options granted under the Bermuda Parents equity incentive plan vested after completion of our initial public offering in November 2006 or as of December 31, 2006, except for options outstanding to three members of management representing indirectly 0.7% of our ordinary shares. Even after vesting, pursuant to a shareholders agreement, all vested common shares and options to purchase common shares of the Bermuda Parents issued under the plan (other than common shares held by the former AeroTurbine owners and our directors) are subject to repurchase by the Bermuda Parents in the event the manager leaves his position without good cause or is terminated by us with cause, at a price equal to the lower of the cost or fair value until the termination of the two−year lock−up period described below. All common shares and options to purchase common shares are also subject to repurchase at fair value if the manager leaves for any other reason. The common shares of the Bermuda Parents are also subject to Cerberus's drag−along rights and the plan participant's tag−along rights in the event of certain transactions involving sales of the common shares of the Bermuda Parents.

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

The indirect ownership in our ordinary shares represented by the grants of shares and options discussed above are reflected in the table under "—Share Ownership".

New 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. Our new equity incentive plan provides for the grant of nonqualified stock options, incentive stock options, stock appreciation rights, restricted stock, restricted stock units and other stock awards to participants of the plan selected by the Nomination and Compensation Committee of our Board of Directors. Subject to certain adjustments, the maximum number of shares available to be granted under the plan is equal to 5% of our outstanding shares. No shares have been issued and none are outstanding under the plan.

The terms and conditions of awards, including vesting provisions for stock options, are determined by the Nomination and Compensation Committee, except that, unless otherwise determined by the Nomination and Compensation Committee, or as set forth in an award agreement: (a) each stock 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 stock option period may extend beyond ten years from the date of grant; (b) the option price per share may not be less than 100% of the fair market value of the ordinary shares except that the option price per share for a key employee may not be less than 110% of the fair market value of the ordinary shares at the time the incentive stock option is granted; and (c) incentive stock options may only be issued to the extent the aggregate fair market value of shares with respect to the exercise of the incentive stock options for the first

time by an option holder during any calendar year is $100,000 or less, with any additional stock options being treated as nonqualified stock options.

Board Practices

General

Our Board of Directors currently consists of nine directors, eight of whom are non executive directors and are independent under the independence definition in The Netherlands Corporate Governance Code. As a foreign private issuer, as defined by the Securities Exchange Act of 1934, as amended, we are not required to have a majority independent board of directors under applicable New York Stock Exchange rules.

We apply the Netherlands Corporate Governance Code independence criteria. According to these criteria, to be considered "independent", a director (and his or her spouse and immediate relatives) may not, among other things, (i) in the five years prior to his or her appointment, have been an employee or executive director of us or any Dutch public company affiliated with us, (ii) in the year prior to his or her appointment, have had an important business relationship with us or any Netherlands public company affiliated with us, (iii) receive any financial compensation from us other than for the performance of his or her duties as a director or other than in the ordinary course of business, (iv) hold 10% or more of our ordinary shares (including ordinary shares subject to any shareholder's agreement), (v) be a member of the management or supervisory board of a company owning 10% or more of our ordinary shares, and (vi) in the year prior to his or her appointment, has temporarily managed our day−to−day affairs while the executive director was unable to discharge his or her duties.

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

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

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

The 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 for the Board of Directors. The non−executive directors supervise the Chief Executive Officer and our general affairs and provide general advice to our Chief Executive Officer. In performing their duties, the non−executive directors are guided by the interests of the company and shall, within the boundaries set by relevant Netherlands law, take into account the relevant interests of our shareholders. The internal affairs of the Board of Directors are governed by our rules for the Board of Directors.

The Chairman of the Board is obligated to insure, among other things, that (i) each director receives all information about matters that he or she may deem useful or necessary in connection with the proper performance of his or her duties, (ii) each director has sufficient time for consultation and decision

making, and (iii) the Board of Directors and the board committees are properly constituted and functioning.

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

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

Committees of the Board of Directors

The Board of Directors has established 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.

Our Group Executive Committee is responsible for our operational management. It is chaired by our Chief Executive Officer and is comprised of ten current members of our senior management. The current members of our Group Executive Committee are Klaus Heinemann, Heinrich Loechteken, Keith Helming, Aengus Kelly, Patrick den Elzen, Erwin den Dikken, Reynoud Simonis, Cole Reese, Soeren Ferré and Anil Mehta.

Our Group Portfolio and Investment Committee has authority to enter into and is responsible for transactions relating to the acquisition and disposal of aircraft, engines and financial assets that are in excess of $100 million but less than $500 million. It is chaired by our Chief Investment Officer and is comprised of members of the Group Executive Committee and non−executive directors or any other person appointed by the Board of Directors upon recommendation of the Nomination and Compensation Committee. The current members of our Group Portfolio and Investment Committee are Keith Helming, Soeren Ferré, Heinrich Loechteken, Klaus Heinemann, Robert Warden, Oliver Brown, Patrick den Elzen, and Reynoud Simonis.

Our Group Treasury and Accounting Committee has authority and is responsible for committing debt funding in excess of $100 million but not exceeding $500 million per transaction. It is chaired by our Chief Financial Officer and is comprised of certain members of the Group Executive Committee and certain non−executive directors or any other person appointed by the Board of Directors upon recommendation of the Nomination and Compensation Committee. The current members of our Group Treasury and Accounting Committee are Keith Helming, Cole Reese, David Teitelbaum, Klaus Heinemann, Aengus Kelly, Heinrich Loechteken and Robert Warden.

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

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

Nomination and Compensation Committee Interlocks and Insider Participation

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

Employees

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

Location	December 31, 2004	December 31, 2005	December 31, 2006
Amsterdam, The Netherlands	80	71	71
Shannon, Ireland	23	27	37
Fort Lauderdale, FL	10	11	13
Miami, FL(1)	99	124	163
Goodyear, AZ(2)	—	—	67
Total	**212**	**233**	**351**

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

(2) On August 4, 2006 we leased an aircraft MRO facility located in Goodyear, Arizona and hired 74 of the employees working at the facility.

None of our employees are covered by a collective bargaining agreement and we believe that we maintain excellent employee relations. Although by law we are required to have a works council for our operations in The Netherlands, our employees have not elected to date to organize a works council. Recently an employee solicited other employees' interest in setting up a works council. A works council is a council composed of employees with the task of promoting our interests and the interests of our employees.

Share ownership.

The following table sets forth beneficial ownership of our shares which are held by members of our senior management team and our non−executive directors:

	Ordinary shares beneficially owned(1)	Ordinary shares underlying vested, but unexercised options—no strike price(2)	Ordinary shares underlying vested, but unexercised options(2)(3)	Ordinary shares underlying unvested options(2)(3)	Fully Diluted Ownership Percentage
Directors:					
Ronald J. Bolger	—	—	42,098	—	*
James N. Chapman	—	—	84,196	—	*
Pieter Korteweg	—	—	84,196	—	*
W. Brett Ingersoll(4)	—	—	—	—	—
Klaus W. Heinemann(5)	381,082	1,405,690	—	—	2.1 %
Marius J. L. Jonkhart	—		42,098	—	*
Gerald P. Strong(4)	—	—	—	—	—
David J. Teitelbaum(4)	—	—	—	—	—
Robert G. Warden(4)	—	—	—	—	—
Executive Officers:					
Wouter M. (Erwin) den Dikken	243,292	—	32,439	48,658	*
Patrick den Elzen	220,127	—	—	—	*
Soeren E. Ferré	254,044	—	—	—	*
Nicolas Finazzo	1,879,264	—	—	—	2.2 %
Keith A. Helming	—	—	294,685	442,027	*
Aengus Kelly	417,608	—	64,878	97,317	*
Heinrich H. Loechteken	1,823,154	—	—	—	2.1 %
Anil Mehta	120,035	—	—	—	*
Robert B. Nichols	1,879,264	—	—	—	2.2 %
Cole T. Reese	317,586	—	—	—	*
Reynoud K. Simonis	37,221	129,756	—	—	*
All our directors and executive officers as a group (21 persons)(8)	7,572,677	1,535,446	644,590	588,002	12.2 %

* Less than 1.0%.

(1) All shareholdings reflected in the table above reflect indirect beneficial ownership of AerCap Holdings N.V. held through ownership of common shares or options to acquire common shares of indirect Bermuda holding companies, or the Bermuda Parents 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 the options is equivalent to $7.00 per ordinary share.

(4) Mssrs. Ingersoll and Warden are each a Managing Director of Cerberus Capital Management, L.P. and Mssrs. Strong and Teitelbaum are Managing Directors of affiliates of Cerberus Capital Management, L.P.

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

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., Evert van de Beekstraat 312, 1118 CX Schiphol Airport, The Netherlands.

Item 7. Major Shareholders and Related Party Transactions

The table below indicates the beneficial holders of 5% or more of our common outstanding shares as of March 21, 2007 to the best of our knowledge:

	Ordinary shares beneficially owned	
	Number	Percent
5% or Greater Beneficial Share Owner:		
Stephen Feinberg(1)(2)	48,325,916	56.8 %

(1) Cerberus beneficially owns 56.8% of our ordinary shares on a fully−diluted basis assuming the vesting and exercise of all outstanding Bermuda holding company options. All of these shares have the same rights as our other ordinary shares. Stephen Feinberg exercises sole voting and investment authority over all of our ordinary shares owned by Cerberus. Thus, pursuant to Rule 13d−3 under the Exchange Act, Stephen Feinberg is deemed to beneficially own 57.5% of our ordinary shares. The address for Mr. Feinberg is c/o Cerberus Capital Management, L.P., 299 Park Avenue, New York, New York 10171.

(2) Prior to our initial public offering which closed on November 27, 2006, Cerberus beneficially owned 82% of our ordinary shares on a fully−diluted basis assuming the vesting and exercise of all outstanding Bermuda holding company options.

As of December 31, 2006, none of our ordinary shares were held by record holders in the Netherlands. All of our ordinary shares have the same voting rights.

Related Party Transactions

The following is a summary of material provisions of various transactions we have entered into with related parties since January 1, 2004.

Related Party Transactions with Current Affiliates

AerCo is an aircraft securitization vehicle from which we hold all of the most junior class of subordinated notes and some notes immediately senior to those junior notes. We do not recognize value for the AerCo notes which we still hold on our consolidated balance sheets. Through March 2003 we consolidated AerCo, but we deconsolidated the vehicle in accordance with FIN 46 at that time. Subsequent to the deconsolidation of AerCo, we have received interest from AerCo on its D note investment of $8.5 million, $1.7 million, $0.8 million and $1.7 million for the year ended December 31, 2004, the six months ended June 30, 2005, the period from June 27, 2005 to December 31, 2005 and for the year ended December 31, 2006, respectively. In addition, we provide a variety of management services to AerCo for which we received fees of $5.4 million, $2.4 million, $2.4 million and $5.2 million for the year ended December 31, 2004, the six months ended June 30, 2005, the period from June 27, 2005 to December 31, 2005 and for the year ended December 31, 2006, respectively.

We have made payments to Cerberus and third parties on behalf of Cerberus totaling approximately $1.2 million since the 2005 Acquisition. The payments to Cerberus represent reimbursement of consulting fees paid by Cerberus to individuals who have assisted us in the evaluation of portfolio or company purchases, including our AeroTurbine Acquisition. In addition, this amount also includes approximately $0.2 million of reimbursements for consulting services incurred by Cerberus in connection with Cerberus's

evaluation of the 2005 Acquisition. We are currently establishing agreements directly with the consultants who we expect to retain for similar services instead of working with them through Cerberus. If we accept services from individuals employed by or contracted through Cerberus in the future, we expect these arrangements to reflect arms' length negotiations that will not be more favorable than the terms we could negotiate with an independent party. Payments to third parties on behalf of Cerberus consist of payments to advisors engaged by Cerberus in connection with the 2005 Acquisition.

We lease two A320−200 model aircraft to Air Canada. One lease began on April 23, 2002 and extends for a term of six years. The other lease began on May 29, 2002 and extends for a term of ten years. Cerberus indirectly controls 11% of the equity of Air Canada and has a majority equity interest in AerCap Holdings N.V. Cerberus did not hold such equity interest in Air Canada and AerCap Holdings N.V. at the time we entered into the leases with Air Canada.

In February 2006, we entered into a guarantee arrangement with DvB Bank AG and Aozora Bank Limited, an entity that is majority−owned by Cerberus. In addition, Pieter Korteweg, the Chairman of our Board of Directors, and Marius Jacques Leonard Jonkhart, a non−executive director, are also on the board of directors of Aozora Bank. The guarantee supports certain of our obligations to a Japanese operating lessor of up to $13.8 million in connection with a JOL financing. The Japanese operating lessor required the guarantee as additional credit support following the 2005 Acquisition. We leased the A320 aircraft from the Japanese operating lessor under a lease and then subleased the aircraft to an aircraft operator. In the event we fail to make certain payments related to JOL financing, DvB Bank will make the payment on our behalf but will be reimbursed by Aozora Bank for any payments made. We have agreed to indemnify Aozora Bank for any payments it makes under the guarantee arrangement. The guarantee expires in February 2008. Under the terms of the guarantee arrangement, we are required to provide cash collateral to Aozora Bank if we breach certain financial covenants. Currently we are not in breach of any of these covenants and have not provided any cash collateral. In connection with the guarantee arrangement, we pay Aozora Bank a guarantee fee of 4.1% per annum of the amount guaranteed and have provided Aozora Bank with a second priority share pledge over the shares of the entity that entered into the financing from the Japanese operating lessor.

In April 2006, we entered into a senior secured revolving credit facility in the aggregate amount of up to $1.0 billion with UBS Real Estate Securities Inc., UBS Securities Inc., Deutsche Bank Trust Company Americas and certain other financial institutions. Aozora Bank is a syndicate member under the facility and participated in up to $50.0 million of the Class A loans and up to $25.0 million of the Class B loans issued thereunder, representing 7.0% of the Class A loans and 13.9% of the Class B loans. As of December 31, 2006, we had drawn and there remained outstanding $172.2 million of the class A loans and $40.6 million of the class B loans.

We lease our office and warehouse located in Miami, Florida from an entity owned by the Chief Executive Officer and Chief Operating Officer of AeroTurbine. The lease for this facility expires on December 31, 2013. The lease was amended in March 2006 to adjust the rent to current market rates commencing on January 2007.

In 2004, we entered into leases for six A320 aircraft with WizzAir Hungary Limited. As part of a subsequent restructuring of amounts outstanding, WizzAir agreed to issue us shares of their equity representing 17.4% of their equity as of November 2004. In 2005, we agreed with WizzAir's other shareholders and creditors to enter into a Shareholders' and Noteholders' Agreement under which we agreed to convert trade receivables into an unsecured, non−amortizing € 7.8 million note, convertible into approximately 26% of WizzAir's outstanding shares on a fully diluted basis as of February 2005). Under the terms of the Shareholders' and Noteholders' Agreement we were able to appoint a director of WizzAir between February 2005 and June 2005. The convertible notes were carried on our balance sheet at December 31, 2005 at $1.8 million. We sold all of our WizzAir convertible notes in September 2006.

Related Party Transactions with Affiliates of our Prior Shareholders

Until the 2005 Acquisition, the Previous Shareholder Lenders had provided us with subordinated loans for a total of $350.6 million as at December 31, 2004. The interest rates on these loans were variable and are calculated on the basis of six−month LIBOR. Interest of $10.9 million and $7.4 million was included in interest on indebtedness for the year ended December 31, 2004 and the six months ended June 30, 2005, respectively. These loans were acquired at the 2005 Acquisition by AerCap Holdings C.V. and are eliminated in consolidation in these consolidated accounts.

The Previous Shareholder Lenders also participated in our senior credit agreements prior to the 2005 Acquisition. A total of $1,516.6 million was outstanding under these credit agreements at December 31, 2004. The interest rate on the credit facility is variable and is calculated on the basis of LIBOR. Interest on the senior debt of $61.6 million and $34.8 million is included in interest on debt for the year ended December 31, 2004 and for the six months ended June 30, 2005, respectively.

Wings is a wholly−owned subsidiary of DASA, who is wholly−owned by one of our Previous Shareholder Lenders. We provide aircraft lease management and remarketing services to Wings for which we received fees of $1.6 million and $0.7 million for the year ended December 31, 2004 and the six months ended June 30, 2005, after which Wings is no longer a related party due to the sale of our shares by our Previous Shareholder Lenders.

Item 8. Financial Information

Consolidated Statements and Other Financial Information.

Please refer to Item 18. Financial Statements and to pages F−1 through F−59 of this annual report.

Item 9. The Offer and Listing.

Offer and listing details.

Not applicable.

Markets.

The Company’s shares are traded on the New York Stock Exchange under the symbol “AER”.

Trading on the New York Stock Exchange

The following table shows, for the periods indicated, the high and low sales prices per ordinary share as reported on the New York Stock Exchange Composite Tape.

	Price Per AerCap Holdings N.V. Ordinary Share(1)	
	High	Low
	($)	($)
Annual highs and lows		
2006	25.10	21.85
Quarterly highs and lows		
2006	25.10	21.85
Monthly highs and lows		
2006		
November	25.10	21.85
December	23.46	22.10
2007		
January	28.00	22.75
February	28.02	25.25
March (through March 20, 2007)	27.85	25.85

(1) Share prices provided are intra−day prices through December 31, 2006, and closing prices for all periods presented since November 21, 2006 (the first day of trading of our ordinary shares on the New York Stock Exchange).

On March 20, 2007, the closing sales price for our ordinary shares on the New York Stock Exchange as reported on the NYSE Composite Tape was $27.15.

Item 10. Additional Information.

Memorandum and articles of association.

Set out below is a summary description of our ordinary shares and related material provisions of our articles of association and of Book 2 of The Netherlands Civil Code (Boek 2 van het Burgerlijk Wetboek), which governs the rights of holders of our ordinary shares.

Ordinary Share Capital

As of December 31, 2006, we had 200,000,000 authorized ordinary shares, par value €0.01 per share, of which 85,036,957 were issued and outstanding.

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

Issuance of Ordinary Shares

A general meeting of shareholders can approve the issuance of ordinary shares or rights to subscribe for ordinary shares, but only in response to a proposal for such issuance submitted by the Board of Directors specifying the price and further terms and conditions. In the alternative, the shareholders may designate to our Board of Directors' authority to approve the issuance and price of issue of ordinary

shares. The delegation may be for any period of up to five years and must specify the maximum number of ordinary shares that may be issued.

Prior to our initial public offering in November 2006, pursuant to our articles of association, our shareholders delegated to our Board of Directors for a period of five years, the power to issue and/or grant rights to subscribe for ordinary shares up to the maximum amount of our authorized share capital which, as of the date of this annual report was 200.0 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. Prior to our initial public offering in November 2006, pursuant to our articles of association, the power to limit or exclude preemptive rights has been delegated to our Board of Directors for a period of five years.

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.

Capital Reduction; Cancellation

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

A partial repayment of ordinary shares under the laws of The Netherlands is only allowed upon the adoption of a resolution to reduce the par value of the ordinary shares. The repayment must be made pro rata on all ordinary shares. The pro rata requirement may be waived with the consent of all affected shareholders. In some circumstances, our creditors may be able to prevent a resolution to reduce our share capital from taking effect.

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.

Code of Conduct and Whistleblower Policy

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

Disclosure Controls and Procedures

The Disclosure Committee assists management in overseeing our disclosure activities and to ensure compliance with applicable disclosure requirements arising under U.S. and Netherlands law and regulatory requirements. The Disclosure Committee obtains information for its recommendations from the operational and financial reviews, letters of representation which include a risk and internal control self assessment, input from the documentation and assessment of our internal controls over financial reporting and input from risk management activities during the year. The Disclosure Committee comprises various members of senior management.

Risk Management and Internal Controls

We have implemented financial policies and procedures, including accounting policies, and non−financial policies and procedures to ensure control by the Management Board over our operations. Managing directors and finance directors of our main subsidiaries annually sign a detailed letter of representation with regard to financial reporting, internal controls and ethical principles.

We are currently expanding our risk management policies, internal control documentation and assessment of such internal controls to provide further assurance regarding the reliability of our financial reporting. We are assessing our internal controls over financial reporting to comply with Section 404 of the Sarbanes−Oxley Act, beginning with our Annual Report on Form 20−F for the year ending December 31, 2007. Accordingly, we are documenting, evaluating, and expanding as necessary our internal control systems over financial reporting to enable us to comply by December 31, 2007. The internal assessment of our internal controls over financial reporting to comply with Section 404 of the Sarbanes−Oxley Act must be attested by our independent registered public accounting firm.

We have further enhanced our identification and assessment of our strategic, operational, financial, financial reporting, and compliance risks and are in the process of rolling these processes out to our operating entities and embedding them in our standard business processes. This includes our AeroTurbine business, although, we are less advanced in our efforts with this subsidiary than other segments of the

AerCap business due to the recent nature of this acquisition. The results of these assessments, thus far, have been discussed with our Audit Committee.

Controls and Procedures Statement Under the Sarbanes−Oxley Act

As discussed above, we have undertaken significant steps to improve the adequacy and effectiveness of our internal controls over financial reporting and the documentary evidence thereof in preparation for compliance with the requirements of section 404 of the Sarbanes−Oxley Act of 2002. The scope of this project includes assessment of and, where necessary, strengthening of our policies, procedures, systems and personnel with respect to financial reporting under both Dutch and US GAAP.

As of December 31, 2006, our management (with the participation of our Chief Executive Officer and Chief Financial Officer) conducted an evaluation pursuant to section 302 of the US Sarbanes−Oxley Act and Rule 13a−15 promulgated under the US Securities Exchange Act of 1934, as amended of the effectiveness of the design and operation of the our disclosure controls and procedures. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of December 31, 2006, such disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in reports we file or submit under the US Securities Exchange Act on 1934, as amended is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission.

Our Auditors

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

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

Remuneration of Our Board of Directors

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

General Meetings of Shareholders

At least one general meeting of shareholders must be held every year. The rights of shareholders may only be changed by amending our articles of association. A resolution to amend our articles of association is valid if the Board of Directors makes a proposal amending the articles of association and such proposal is adopted by a simple majority of votes cast.

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

- capital reduction;
- exclusion or restriction of pre emptive rights, or designation of the Board of Directors as the authorized corporate body for this purpose;
- merger or demerger.

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

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

Voting Rights

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

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

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

Adoption of Annual Accounts and Discharge of Management Liability

Each year, our Board of Directors must prepare annual accounts within five months after the end of our financial year, unless the shareholders have approved an extension of this period for up to six additional months due to certain special circumstances recognized as such under the laws of The Netherlands. The annual accounts must be made available for inspection by shareholders at our offices within the same period. The annual accounts must be accompanied by an auditor's certificate, an annual report and certain other mandatory information. The shareholders shall appoint an accountant as referred to in Article 393 of Book 2 of The Netherlands Civil Code, to audit the annual accounts. The annual accounts are adopted by our shareholders.

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

Liquidation Rights

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

Limitations on Non−Residents and Exchange Controls

There are no limits under the laws of The Netherlands or in our articles of association on non−residents of The Netherlands holding or voting our ordinary shares. Currently, there are no exchange controls under the laws of The Netherlands on the conduct of our operations or affecting the remittance of dividends.

Disclosure of Insider Transactions

Members of our Board of Directors and other insiders within the meaning of Section 47a of The Netherlands Securities Act must report to The Netherlands Authority for the Financial Markets if they carry out or cause to be carried out, for their own account, a transaction in our ordinary shares or in securities whose value is at least in part determined by the value of our ordinary shares.

Netherlands Squeeze−out Proceedings

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

Choice of Law and Exclusive Jurisdiction

Under our articles of association, to the extent allowed by law, the rights and obligations among or between us, any of our current or former directors, officers and employees and any current or former shareholder shall be governed exclusively by the laws of The Netherlands, unless such rights or obligations do not relate to or arise out of the capacities above. Any lawsuit or other legal proceeding by and between those persons relating to or arising out of their capacities listed above shall be exclusively submitted to the courts of The Netherlands. All of our current and former directors and officers must agree in connection with any such lawsuit or other legal proceeding to submit to the exclusive jurisdiction of The Netherlands courts, waive objections to such lawsuit or other legal proceeding being brought in such courts, agree that a judgment in any such legal action brought in The Netherlands courts is binding upon them and may be enforced in any other jurisdiction, and elect domicile at our offices in Amsterdam, The Netherlands for the service of any document relating to such lawsuit of other legal proceedings.

Registrar and Transfer Agent

A register of holders of the ordinary shares will be maintained by American Stock Transfer & Trust Company in the United States who will also serve as the transfer agent. The telephone number of American Stock Transfer & Trust Company is 1−800−937−5449.

Material contracts.

Aircraft Purchase Agreement, dated December 30, 2005, between Airbus S.A.S. and AerVenture Limited. Pursuant to this agreement, AerVenture, our consolidated joint venture, placed an order with Airbus for the purchase of 70 new A320 family aircraft. As of December 31, 2006, all 70 of the aircraft remained to be delivered under the agreement. The AerVenture order consists of 23 A319 aircraft and 47 A320 aircraft. The initial delivery schedule for the AerVenture aircraft includes 12 aircraft to be delivered before the end of 2008 and 58 aircraft to be delivered before the end of 2010.

Aircraft Purchase Agreement, dated December 11, 2006, between Airbus S.A.S. and AerCap Ireland Limited. Pursuant to this agreement, AerCap Ireland Limited placed an order with Airbus for the purchase of 20 new A330−200 aircraft. As of December 31, 2006, all 20 of the aircraft remained to be delivered under the agreement. The initial delivery schedule for the aircraft includes 10 aircraft to be delivered in 2009 and 10 aircraft to be delivered in 2010.

Joint Venture Agreement, dated December 30, 2005, among AerCap Ireland Limited, International Cargo Airlines Company KSC and AerVenture Limited. The joint venture agreement established our AerVenture joint venture. In January 2006, LoadAir, an investment and construction company based in Kuwait City, purchased a 50% equity interest in AerVenture.

Stock Purchase Agreement, dated March 16, 2006, among AerCap, Inc. and Nicolas Finazzo, Rose Ann Finazzo and Robert B. Nichols. Pursuant to the Stock Purchase Agreement, in April 26, 2006, we acquired all of the existing share capital of AeroTurbine. The purchase price for the AeroTurbine shares was $144.7 million.

Sale and Purchase Agreement for the acquisition of all shares in and certain loans and facilities granted to Debis AirFinance B.V. by and between DaimlerChrysler Services AG, DaimlerChrysler Aerospace AG, DaimlerChrysler AG, Bayerische Hypo− und Vereinsbank AG, HVB Banque Luxembourg SA, Bayerische Landesbank, BLB Beteiligungsgesellschaft Beta mbH, Dresdner Bank AG, DZ Bank AG Deutsche Zentral−Genossenschaftsbank, DZ Beteiligungsgesellschaft mbH Nr. 6, KfW and FERN S.a r.l. as amended by the Amendment Agreement dated June 29, 2005 by and between the DaimlerChrysler Services AG, DaimlerChrysler Aerospace AG, DaimlerChrysler AG, Bayerische Hypo− und Vereinsbank AG, HVB Banque Luxembourg SA, Bayerische Landesbank, BLB Beteiligungsgesellschaft Beta mbH, Dresdner Bank AG, DZ Bank AG Deutsche Zentral−Genossenschaftsbank, DZ Beteiligungsgesellschaft mbH Nr. 6, KfW, FERN S.a r.l., FERN GP S.a r.l. and AerCap Holdings C.V. Pursuant to the Sale and Purchase Agreement, on June 30, 2005, AerCap Holdings C.V acquired all of AerCap B.V.'s (formerly known as debis AirFinance B.V.) shares and $1.8 billion of liabilities owed by AerCap B.V. to its prior shareholders. AerCap Holdings C.V. paid total consideration of $1.37 billion for AerCap B.V..

In addition, we have entered into several credit facilities and other financing arrangements to fund our acquisition of our aircraft. See "Item 5—Indebtedness" for more information regarding the credit facilities and financing arrangements.

Exchange Controls

Not applicable.

Taxation.

Netherlands Tax Considerations

The following is a summary of Netherlands tax consequences of the holding and disposal of ordinary shares. This summary does not purport to describe all possible tax considerations or consequences that may be relevant to a holder or prospective holder of ordinary shares. Holders should consult with their tax advisors with regards to the tax consequences of investing in the ordinary shares in their particular circumstances. The discussion below is included for general information purposes only.

Please note that this summary does not describe the tax considerations for holders of ordinary shares if such holders, and in the case of individuals, his/her partner or certain of their relatives by blood or marriage in the direct line (including foster children), have a substantial interest or deemed substantial interest in us as defined in The Netherlands Income Tax Act 2001. Generally speaking, a holder of securities in a company is considered to hold a substantial interest in such company, if such holder alone or, in the case of individuals, together with his/her partner (statutorily defined term), directly or indirectly,

holds (i) an interest of 5% or more of the total issued and outstanding capital of that company or of 5% or more of the issued and outstanding capital of a certain class of shares of that company; or (ii) holds rights to acquire, directly or indirectly, such interest; or (iii) holds certain profit sharing rights in that company that relate to 5% or more of the company's annual profits and/or to 5% or more of the company's liquidation proceeds. A deemed substantial interest arises if a substantial interest (or part thereof) in a company has been disposed of, or is deemed to have been disposed of, on a non−recognition basis. Furthermore, this summary does not describe the tax considerations for holders of ordinary shares if the holder has an interest in us that qualifies for the participation exemption as laid down in The Netherlands Corporate Income Tax Act 1969. A participation as laid down in the Netherlands Corporate Income Tax Act 1969 generally exists in case of a shareholding of at least 5% of the company's paid−up share capital.

Except as otherwise indicated, this summary only addresses Netherlands national tax legislation and regulations, as in effect on the date hereof and as interpreted in published case law on the date hereof and is subject to change after such date, including changes that could have retroactive effect.

Withholding Tax

Dividends distributed by us generally are subject to Netherlands dividend withholding tax at a rate of 25%. The expression "dividends distributed" includes, among others:

- distributions in cash or in kind;
- liquidation proceeds, proceeds of redemption of ordinary shares, or proceeds of the repurchase of ordinary shares by us or one of our subsidiaries or other affiliated entities to the extent such proceeds exceed the average paid−in capital of those ordinary shares as recognized for the purposes of Netherlands dividend withholding tax;
- an amount equal to the par value of ordinary shares issued or an increase of the par value of ordinary shares, to the extent that it does not appear that a contribution, recognized for the purposes of Netherlands dividend withholding tax, has been made or will be made; and
- partial repayment of the paid−in capital, recognized for the purposes of Netherlands dividend withholding tax, if and to the extent that we have net profits (in Dutch, "*zuivere winst*"), unless the holders of ordinary shares have resolved in advance at a general meeting to make such repayment and the par value of the ordinary shares concerned has been reduced by an equal amount by way of an amendment of our articles of association.

If a holder of ordinary shares is resident in a country other than The Netherlands and if a double taxation convention is in effect between The Netherlands and such other country, such holder of ordinary shares may, depending on the terms of that double taxation convention, be eligible for a full or partial exemption from, or refund of, Netherlands dividend withholding tax.

A U.S. Holder, as defined below, generally will be entitled to the benefits of the convention between The Netherlands and the United States for the avoidance of double taxation ("Netherlands−U.S. Treaty") if such U.S. holder is (i) the beneficial owner of the ordinary shares (and of dividends paid with respect thereto), (ii) an individual resident in the United States or a U.S. corporation, (iii) not resident in The Netherlands for Netherlands tax purposes, and (iv) not subject to an anti−treaty shopping rule. In contrast a U.S. holder generally will not be eligible for the benefits of The Netherlands−U.S. Treaty if such U.S. holder holds ordinary shares in connection with either the conduct of business through a permanent establishment or the performance of services through a fixed base in The Netherlands.

In order to qualify for a reduction of Netherlands withholding tax under The Netherlands−U.S. Treaty, a U.S. Holder must fill out a certificate of residence (using Form IB 92 USA) and have it certified by a qualifying financial institution (generally the entity that holds the ordinary shares as custodian for the U.S. Holder). If we receive the required documentation prior to the relevant dividend payment date, then

we may apply the reduced withholding rate at the source. If the U.S. Holder fails to satisfy these requirements prior to the payment of a dividend, then the U.S. Holder may claim a refund of the excess of the amount withheld over the tax treaty rate by filing form IB 92 USA, along with a supplemental statement, with The Netherlands tax authorities. Qualifying tax−exempt pension trusts must file form IB 96 USA for the application of relief at source from or refund of dividend withholding tax. Qualifying tax−exempt U.S. organizations are not entitled under the Netherlands−U.S. Treaty to claim benefits at source, and instead must file claims for refund by filing form IB 95 USA.

Individuals and corporate legal entities who are resident or deemed to be resident in The Netherlands for Netherlands tax purposes ("Netherlands resident individuals" and "Netherlands resident entities," as the case may be), including individuals who have made an election for the application of the rules of The Netherlands Income Tax Act 2001 as they apply to residents of The Netherlands, can generally credit The Netherlands dividend withholding tax against their income tax or corporate income tax liability. The same generally applies to holders of ordinary shares that are neither resident nor deemed to be resident of The Netherlands if the ordinary shares are attributable to a Netherlands permanent establishment of such non−resident holder.

In general, we will be required to remit all amounts withheld as Netherlands dividend withholding tax to the Netherlands tax authorities. However, under certain circumstances, we are allowed to reduce the amount to be remitted to the Netherlands tax authorities by the lesser of:

- 3 percent of the portion of the distribution paid by us that is subject to Netherlands dividend withholding tax; and,
- 3 percent of the dividends and profit distributions, before deduction of foreign withholding taxes, received by us from qualifying foreign subsidiaries in the current calendar year (up to the date of the distribution by us) and the two preceding calendar years, as far as such dividends and profit distributions have not yet been taken into account for purposes of establishing the above mentioned deductions.

Although this reduction reduces the amount of Netherlands dividend withholding tax that we are required to pay to the Netherlands tax authorities, it does not reduce the amount of tax that the we are required to withhold from dividends.

Pursuant to legislation to counteract "dividend stripping", a reduction, exemption, credit or refund of Netherlands dividend withholding tax is denied if the recipient of the dividend is not the beneficial owner. This legislation generally targets situations in which shareholders retain their economic interest in shares but reduce the withholding tax cost on dividends by a transaction with another party. For application of these rules it is not a requirement that the recipient of the dividends is aware that a dividend stripping transaction took place. The Netherlands State Secretary of Finance takes the position that the definition of beneficial ownership introduced by this legislation will also be applied in the context of a double taxation convention.

Taxes on Income and Capital Gains

Non−residents of The Netherlands. A holder of ordinary shares will not be subject to Netherlands taxes on income or on capital gains in respect of any payment under the ordinary shares or any gain realized on the disposal or deemed disposal of the ordinary shares, provided that:

(i) such holder is neither a resident nor deemed to be resident in The Netherlands for Netherlands tax purposes and, if such holder is an individual, such holder has not made an election for the application of the rules of The Netherlands Income Tax Act 2001 as they apply to residents of The Netherlands;

(ii) such holder does not have an interest in an enterprise or a deemed enterprise which, in whole or in part, is either effectively managed in The Netherlands or is carried out through a permanent

establishment, a deemed permanent establishment (statutorily defined term) or a permanent representative in The Netherlands and to which enterprise or part of an enterprise the ordinary shares are attributable; and

(iii) in the event such holder is an individual, such holder does not carry out any activities in The Netherlands with respect to the ordinary shares that exceed ordinary active asset management (in Dutch, "*normaal vermogensbeheer*") and does not derive benefits from the ordinary shares that are (otherwise) taxable as benefits from other activities in The Netherlands (in Dutch, "*resultaat uit overige werkzaamheden*").

Netherlands resident individuals. If a holder of ordinary shares is a Netherlands resident individual (including the non−resident individual holder who has made an election for the application of the rules of The Netherlands Income Tax Act 2001 as they apply to residents of The Netherlands), any benefit derived or deemed to be derived from the ordinary shares is taxable at the progressive income tax rates (with a maximum of 52%), if:

(a) the ordinary shares are attributable to an enterprise from which The Netherlands resident individual derives a share of the profit, whether as an entrepreneur or as a person who has an equity interest in such enterprise, without being an entrepreneur or a shareholder, as defined in The Netherlands Income Tax Act 2001; or

(b) the holder of the ordinary shares is considered to perform activities with respect to the ordinary shares that exceed ordinary active asset management (in Dutch, "*normaal vermogensbeheer*") or derives benefits from the ordinary shares that are (otherwise) taxable as benefits from other activities (in Dutch, "*resultaat uit overige werkzaamheden*").

If the above−mentioned conditions (a) and (b) do not apply to an individual holder of ordinary shares, the ordinary shares are recognized as investment assets and included as such in such holder's net investment asset base (in Dutch, "*rendementsgrondslag*"). Such holder will be taxed annually on a deemed income of 4% of the aggregate amount of his or her net investment assets for the year at an income tax rate of 30%. The aggregate amount of the net investment assets for the year is the average of the fair market value of the investment assets less the allowable liabilities at the beginning of that year and the fair market value of the investment assets less the allowable liabilities at the end of that year. A tax free allowance may be available. Actual benefits derived from the ordinary shares are as such not subject to Netherlands income tax.

Netherlands resident entities. Any benefit derived or deemed to be derived from the ordinary shares held by Netherlands resident entities, including any capital gains realized on the disposal thereof, will generally be subject to Netherlands corporate income tax at a rate of 25.5% (a corporate income tax rate of 20% applies with respect to taxable profits up to €25,000 and 23.5% over the following €35,000, the first two brackets for 2007).

A Netherlands qualifying pension fund is, in principle, not subject to Netherlands corporate income tax. A qualifying Netherlands resident investment fund (in Dutch, "*fiscale beleggingsinstelling*") is subject to Netherlands corporate income tax at a special rate of 0%.

Gift, Estate and Inheritance Taxes

Non−residents of The Netherlands. No Netherlands gift, estate or inheritance taxes will arise on the transfer of the ordinary shares by way of a gift by, or on the death of, a holder of ordinary shares who is neither resident nor deemed to be resident in The Netherlands, unless:

(i) such holder at the time of the gift has or at the time of his /her death had an enterprise or an interest in an enterprise that, in whole or in part, is or was either effectively managed in The Netherlands

or carried out through a permanent establishment or a permanent representative in The Netherlands and to which enterprise or part of an enterprise the ordinary shares are or were attributable; or

(ii) in the case of a gift of the ordinary shares by an individual who at the date of the gift was neither resident nor deemed to be resident in The Netherlands, such individual dies within 180 days after the date of the gift, while being resident or deemed to be resident in The Netherlands.

Residents of The Netherlands. Gift, estate and inheritance taxes will arise in The Netherlands with respect to a transfer of the ordinary shares by way of a gift by, or, on the death of, a holder of ordinary shares who is resident or deemed to be resident in The Netherlands at the time of the gift or his/her death.

For purposes of Netherlands gift, estate and inheritance taxes, amongst others, a person that holds The Netherlands nationality will be deemed to be resident in The Netherlands if such person has been resident in The Netherlands at any time during the ten years preceding the date of the gift or the death of this person. Additionally, for purposes of Netherlands gift tax, a person not holding the Netherlands nationality will be deemed to be resident in The Netherlands if such person has been resident in The Netherlands at any time during the 12 months preceding the date of the gift. Applicable tax treaties may override deemed residency.

Other Taxes and Duties

No Netherlands registration tax, customs duty, stamp duty or any other similar documentary tax or duty will be payable by a holder of ordinary shares in connection with holding the ordinary shares or the disposal of the ordinary shares.

U.S. Tax Considerations

Subject to the limitations and qualifications stated herein, this discussion sets forth the material U.S. federal income tax consequences of the purchase, ownership and disposition of the ordinary shares. The discussion of the holders' tax consequences addresses only those persons that hold those ordinary shares as capital assets and does not address the tax consequences to any special class of holder, including without limitation, holders of (directly, indirectly or constructively) 5% or more of the ordinary shares, dealers in securities or currencies, banks, tax−exempt organizations, life insurance companies, financial institutions, broker−dealers, regulated investment companies, real estate investment trusts, traders in securities that elect the mark−to−market method of accounting for their securities holdings, persons that hold securities that are a hedge or that are hedged against currency or interest rate risks or that are part of a straddle, conversion or "integrated" transaction, certain U.S. expatriates, partnerships or other entities classified as partnerships for U.S. federal income tax purposes and U.S. Holders whose functional currency for U.S. federal income tax purposes is not the U.S. dollar. This discussion does not address the effect of the U.S. federal alternative minimum tax or any state, local or foreign tax laws on a holder of ordinary shares. The discussion is based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as currently in effect and all subject to change at any time, possibly with retroactive effect.

For purposes of this discussion, a "U.S. Holder" means a beneficial owner of ordinary shares that is for U.S. federal income tax purposes an individual citizen or resident of the U.S.; a U.S. corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States or any political subdivision thereof; a trust if the trust (i) is subject to the primary supervision of a U.S. court and one or more U.S. persons are able to control all substantial decisions of the trust or (ii) has elected to be treated as a U.S. person; or an estate the income of which is subject to U.S. federal income tax regardless of its source. A "non−U.S. Holder" is a beneficial owner of our ordinary shares that is not a U.S. Holder.

Cash Dividends and Other Distributions

A U.S. Holder of ordinary shares generally will be required to treat distributions received with respect to such ordinary shares (including any amounts withheld pursuant to Netherlands tax law) as dividend income to the extent of AerCap's current or accumulated earnings and profits (computed using U.S. federal income tax principles), with the excess treated as a non−taxable return of capital to the extent of the holder's adjusted tax basis in the ordinary shares and, thereafter, as capital gain, subject to the passive foreign investment company ("PFIC") rules discussed below. Dividends paid to a U.S. Holder that is a corporation are not eligible for the dividends received deduction available to corporations. Current tax law provides for a maximum 15% U.S. tax rate on the dividend income of an individual U.S. Holder with respect to dividends paid by a domestic corporation or "qualified foreign corporation" if certain holding period requirements are met. A qualified foreign corporation generally includes a foreign corporation (other than a PFIC) if (i) its ordinary shares are readily tradable on an established securities market in the United States or (ii) it is eligible for benefits under a comprehensive U.S. income tax treaty. The ordinary shares are expected to be readily traded on the New York Stock Exchange. As a result, assuming we are not treated as a PFIC, we should be treated as a qualified foreign corporation with respect to dividends paid on our ordinary shares and, therefore, dividends paid to an individual U.S. Holder with respect to ordinary shares for which the requisite holding period is satisfied should be taxed at a maximum federal tax rate of 15%. The maximum 15% federal tax rate is scheduled to expire for taxable years commencing after December 31, 2010.

Distributions to U.S. Holders of additional ordinary shares or preemptive rights with respect to ordinary shares that are made as part of a pro rata distribution to all of our shareholders generally will not be subject to U.S. federal income tax, but in other circumstances may constitute a taxable dividend.

Distributions paid in a currency other than U.S. dollars will be included in a U.S. Holder's gross income in a U.S. dollar amount based on the spot exchange rate in effect on the date of actual or constructive receipt whether or not the payment is converted into U.S. dollars at that time. The U.S. Holder will have a tax basis in such currency equal to such U.S. dollar amount, and any gain or loss recognized upon a subsequent sale or conversion of the foreign currency for a different U.S. dollar amount will be U.S. source ordinary income or loss. If the dividend is converted into U.S. dollars on the date of receipt, a U.S. Holder generally should not be required to recognize foreign currency gain or loss in respect of the dividend income.

Subject to applicable limitations that may vary depending upon the circumstances, foreign taxes withheld from dividends on ordinary shares, to the extent the taxes do not exceed those taxes that would have been withheld had the holder been eligible for and actually claimed the benefits of any reduction in such taxes under applicable law or tax treaty, will be creditable against the U.S. Holder's federal income tax liability. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. The rules governing foreign tax credits are complex and, therefore, prospective purchasers of ordinary shares should consult their own tax advisor regarding the availability of foreign tax credits in their particular circumstances. Instead of claiming a credit, a U.S. Holder may, at his election, deduct such otherwise creditable foreign taxes in computing his taxable income, subject to generally applicable limitations under U.S. law.

A non−U.S. Holder generally will not be subject to U.S. federal income or withholding tax on dividends paid with respect to ordinary shares unless such income is effectively connected with the conduct by the non−U.S. Holder of a trade or business within the United States.

Sale or Disposition of Ordinary Shares

A U.S. Holder generally will recognize gain or loss on the taxable sale or exchange of the ordinary shares in an amount equal to the difference between the U.S. dollar amount realized on such sale or

exchange (determined in the case of shares sold or exchanged for currencies other than U.S. dollars by reference to the spot exchange rate in effect on the date of the sale or exchange or, if the ordinary shares sold or exchanged are traded on an established securities market and the U.S. Holder is a cash basis taxpayer or an electing accrual basis taxpayer, the spot exchange rate in effect on the settlement date) and the U.S. Holder's adjusted tax basis in the ordinary shares determined in U.S. dollars. The initial tax basis of the ordinary shares to a U.S. Holder will be the U.S. Holder's U.S. dollar purchase price for the shares (determined by reference to the spot exchange rate in effect on the date of the purchase, or if the shares purchased are traded on an established securities market and the U.S. Holder is a cash basis taxpayer or an electing accrual basis taxpayer, the spot exchange rate in effect on the settlement date). Assuming that the Company is not a PFIC and has not been treated as a PFIC during your holding period for our ordinary shares, such gain or loss will be capital gain or loss and will be long−term gain or loss if the ordinary shares have been held for more than one year. With respect to sales occurring in taxable years commencing before January 1, 2011, the maximum long−term capital gain tax rate for an individual U.S. Holder is 15%. For sales beginning in taxable years after December 31, 2010, under current law the long−term capital gain rate for an individual U.S. Holder is 20%. The deductibility of capital losses is subject to limitations. Capital gain or loss, if any, recognized by a U.S. Holder generally will be treated as U.S. source income or loss for U.S. foreign tax credit purposes.

A non−U.S. Holder of ordinary shares will not be subject to United States income or withholding tax on gain from the sale or other disposition of ordinary shares unless (i) such gain is effectively connected with the conduct of a trade or business within the United States or (ii) the non−U.S. Holder is an individual who is present in the United States for at least 183 days during the taxable year of the disposition and certain other conditions are met.

Potential Application of Passive Foreign Investment Company Provisions

We do not expect to be classified as a PFIC for the current year. In general, a non−U.S. corporation will be classified as a PFIC for U.S. federal income tax purposes in any taxable year in which, after applying certain look−through rules, either (1) at least 75% of its gross income is "passive income" or (2) at least 50% of the average value of its gross assets is attributable to assets that produce "passive income" or are held for the production of "passive income". Passive income for this purpose generally includes dividends, interest, royalties, rents and gains from commodities, foreign currency and securities transactions. Certain exceptions are provided, however, for rental income derived in the active conduct of a business.

Our belief that we will not be classified as a PFIC for the current taxable year is based on (i) our financial statements and (ii) our current plans, expectations and projections regarding the use of the net proceeds of the offering, the value and nature of our assets and the sources and nature of our income. However, the determination as to whether a foreign corporation is a PFIC is a complex determination that is based on all of the relevant facts and circumstances and that depends on the classification of various assets and income under the rules that apply in determining whether a foreign corporation is a PFIC. It is unclear how some of these rules apply to us. Further, this determination must be tested annually at the end of the taxable year and, while we intend to conduct our affairs in a manner that will reduce the likelihood of our becoming a PFIC, our circumstances may change or our business plan may result in our engaging in activities that could cause us to become a PFIC. Accordingly, there can be no assurance that we will not be classified as a PFIC for the current taxable year or any future taxable year.

If we are or become a PFIC in a taxable year in which we pay a dividend or the prior taxable year, the 15% dividend rate discussed above with respect to dividends paid to non−corporate holders would not apply. If we are a PFIC, subject to the discussion of the qualified electing fund election below, a U.S. Holder of ordinary shares will be subject to additional tax and an interest charge on "excess distributions" received with respect to the ordinary shares or gains realized on the disposition of such ordinary shares. Such a U.S. Holder will have an excess distribution if distributions during any tax year exceed 125% of the average amount received during the three preceding tax years (or, if shorter, the U.S. Holder's holding period). A U.S. Holder may realize gain on an ordinary share not only through a sale or other disposition, but also by pledging the ordinary share as security for a loan or entering into certain constructive disposition transactions. To compute the tax on an excess distribution or any gain, (i) the excess distribution or gain is allocated ratably over the U.S. Holder's holding period, (ii) the amount allocated to the current tax year and amounts allocated to any year before the first year in which we are a PFIC is taxed as ordinary income in the current tax year, and (iii) the amount allocated to each previous tax year (other than the any year before the first year in which we are a PFIC) is taxed at the highest applicable marginal rate in effect for that year and an interest charge is imposed to recover the deemed benefit from the deferred payment of the tax. These rules effectively prevent a U.S. Holder from treating the gain realized on the disposition of an ordinary share as capital gain.

If we are a PFIC and our ordinary shares are "regularly traded" on a "qualified exchange," a U.S. Holder may make a mark−to−market election, which may mitigate the adverse tax consequences resulting from the Company's PFIC status. The ordinary shares will be treated as "regularly traded" in any calendar year during which more than a *de minimis* quantity of ordinary shares are traded on a qualified exchange on at least 15 days during each calendar quarter. The New York Stock Exchange on which the ordinary shares are expected to be regularly traded is a qualified exchange for U.S. federal income tax purposes.

If a U.S. Holder makes the mark−to−market election, for each year in which we are a PFIC the holder generally will include as ordinary income the excess, if any, of the fair market value of the ordinary shares at the end of the taxable year over their adjusted basis, and will be permitted an ordinary loss in respect of the excess, if any, of the adjusted basis of the ordinary shares over their fair market value at the end of the taxable year (but only to the extent of the net amount of previously included income as a result of the mark−to−market election). If a U.S. Holder makes the election, his basis in the ordinary shares will be adjusted to reflect any such income or loss amounts. Any gain recognized on the sale or other disposition of ordinary shares, for which the mark−to−market election has been made, will generally be treated as ordinary income.

Alternatively, if we become a PFIC in any year, a U.S. Holder of ordinary shares may wish to avoid the adverse tax consequences resulting from our PFIC status by making a qualified electing fund ("QEF") election with respect to our ordinary shares in such year. If a U.S. Holder makes a QEF election, the holder will be required to include in gross income each year (i) as ordinary income, its pro rata share of our earnings and profits in excess of net capital gains and (ii) as long−term capital gains, its pro rata share of our net long−term capital gains, in each case, whether or not cash distributions are actually made. The amounts recognized by a U.S. Holder making a QEF election generally are treated as income from sources outside the U.S. If, however, U.S. Holders hold at least half of the ordinary shares, a percentage of our income equal to the proportion of our income that we receive from U.S. sources will be U.S. source income for the U.S. Holders of ordinary shares. Because a U.S. Holder of shares in a PFIC that makes a QEF election is taxed currently on its pro rata share of our income, the amounts recognized will not be subject to tax when they are distributed to the U.S. Holder. An electing U.S. Holder's basis in the ordinary shares will be increased by any amounts included in income currently as described above and decreased by any amounts not subjected to tax at the time of distribution. If we are or become a PFIC, a U.S. Holder would make a QEF election in respect of its ordinary shares by attaching a properly completed

IRS Form 8621 in respect of such shares to the holder's timely filed U.S. federal income tax return. For any taxable year that we determine that we are a PFIC, we will (i) provide notice of our status as a PFIC as soon as practicable following such taxable year and (ii) comply with all reporting requirements necessary for U.S. Holders to make QEF elections, including providing to shareholders upon request the information necessary for such an election.

Although a U.S. Holder normally is not permitted to make a retroactive QEF election, a retroactive election (a "retroactive QEF election") may be made for a taxable year of the U.S. Holder (the "retroactive election year") if the U.S. Holder (i) reasonably believed that, as of the date the QEF election was due, the foreign corporation was not a PFIC for its taxable year that ended during the retroactive election year and (ii) to the extent provided for in applicable Treasury Regulations, filed a protective statement with respect to the foreign corporation, applicable to the retroactive election year, in which the U.S. Holder described the basis for its reasonable belief and extended the period of limitation on the assessment of taxes for all taxable years of the shareholder to which the protective statement applies. If required to be filed to preserve the U.S. Holder's ability to make a retroactive QEF election, the protective statement must be filed by the due date of the investor's return (including extensions) for the first taxable year to which the statement is to apply. U.S. Holders should consult their own tax advisor regarding the advisability of filing a protective statement.

As discussed above, if we are a PFIC, a U.S. Holder of ordinary shares that makes a QEF election (including a proper retroactive QEF election) will be required to include in income currently its pro rata share of our earnings and profits whether or not we actually distribute earnings. The use of earnings to fund reserves or pay down debt or to fund other investments could result in a U.S. Holder of ordinary shares recognizing income in excess of amounts it actually receives. In addition, our income from an investment for U.S federal income tax purposes may exceed the amount we actually receive. If we are a PFIC and a U.S. Holder makes a valid QEF election in respect of their ordinary shares, such holder may be able to elect to defer payment, subject to an interest charge for the deferral period, of the tax on income recognized on account of the QEF election. Prospective purchasers of ordinary shares should consult their tax advisors about the advisability of making a QEF election, protective QEF election and deferred payment election.

Miscellaneous itemized deductions of an individual U.S. person can only be deducted to the extent that all of such person's miscellaneous itemized deductions exceed 2% of their adjusted gross income. In addition, an individual's miscellaneous itemized deductions are not deductible for purposes of computing the alternative minimum tax. Certain expenses of the Company might be a miscellaneous itemized deduction if incurred by an individual. A U.S. person that owns an interest in a "pass−through entity" is treated as recognizing income in an amount corresponding to its share of any item of expense that would be a miscellaneous itemized deduction and as separately deducting that item subject to the limitations described above. If it is determined that we are a PFIC, the IRS could take the position that we are a "pass−through entity" with respect to a U.S. Holder of ordinary shares that makes a QEF election.

Special rules apply to determine the foreign tax credit with respect to withholding taxes imposed on distributions on shares in a PFIC. If a U.S. Holder owns ordinary shares during any year in which we are a PFIC, such Holder must file Internal Revenue Service Form 8621.

We urge prospective purchasers of ordinary shares to consult their tax advisers concerning the tax considerations relevant to an investment in a PFIC, including the availability and consequences of making the mark−to−market election and QEF election discussed above.

Information Reporting and Backup Withholding

Information reporting to the U.S. Internal Revenue Service generally will be required with respect to payments on the ordinary shares and proceeds of the sale of the ordinary shares paid to holders that are

U.S. taxpayers, other than corporations and other exempt recipients. A 28% “backup” withholding tax may apply to those payments if such a holder fails to provide a taxpayer identification number to the paying agent and to certify that no loss of exemption from backup withholding has occurred. Holders that are not subject to U.S. taxation may be required to comply with applicable certification procedures to establish that they are not U.S. taxpayers in order to avoid the application of such information reporting requirements and backup withholding. The amounts withheld under the backup withholding rules are not an additional tax and may be refunded, or credited against the holder’s U.S. federal income tax liability, if any, provided the required information is furnished to the U.S. Internal Revenue Service.

THE ABOVE DISCUSSION IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR IS STRONGLY URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN THE ORDINARY SHARES.

Dividends.

Dividends may in principle only be paid out of profit as shown in the adopted annual accounts. We will only have power to make distributions to shareholders and other persons entitled to distributable profits to the extent our equity exceeds the sum of the paid and called up portion of the ordinary share capital and the reserves that must be maintained in accordance with provisions of the laws of The Netherlands or our articles of association. The profits must first be used to set up and maintain reserves required by law and must then be set off against certain financial losses. We may not make any distribution of profits on ordinary shares that we hold. Our Board of Directors determines whether and how much of the remaining profit they will reserve, the manner and date of such distribution and notifies shareholders.

All calculations to determine the amounts available for dividends will be based on our annual Netherlands GAAP statutory accounts, which may be different from our consolidated financial statements under US GAAP, such as those included in this form 20−F. Our statutory accounts have to date been prepared, and will continue to be prepared, under Netherlands GAAP and are deposited with the Commercial Register in Amsterdam, The Netherlands. Our net income for the 12 months ended December 31, 2006 and our equity as of December 31, 2006 as set forth in our annual statutory accounts were $106.9 million and $748.8 million, respectively. We are dependent on dividends or other advances from our operating subsidiaries to fund any dividends we may pay on our ordinary shares.

Documents on display.

You may read and copy the reports and other information we file with the Securities and Exchange Commission, including this annual report and the exhibits thereto, at the Commission’s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549 and at the Commission’s regional offices at 175 W. Jackson Boulevard, Suite 900, Chicago, Illinois 60604, and 3 World Financial Center, Room 4300, New York, New York 10281. You may also obtain copies of these materials by mail from the Public Reference Room of the Commission at 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates. You may obtain information on the operation of the Commission’s Public Reference Room by calling the Commission in the United States at 1−800−SEC−0330. You may also access our annual reports and some of the other information we file with or submit to the Commission electronically through the Commission’s website at www.sec.gov. In addition, you may inspect material we file at the offices of the New York Stock Exchange at 20 Broad Street, New York, New York 10005.

Item 11. Quantitative and Qualitative Disclosures About Market Risk.

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

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

Interest Rate Risk

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

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

The table below provides information as of December 31, 2006 regarding our derivative financial instruments that are sensitive to changes in interest rates on our borrowing, including our interest rate swaps and caps. The table presents the notional amounts and weighted average interest rates by contracted maturity dates. Notional amounts are used to calculate the contractual payments to be exchanged under the contract. Weighted average variable rates are based on implied forward rates in the yield curve at the applicable date.

	2007	2008	2009	2010	2011	Thereafter	Total	Fair value
	(US Dollars in thousands)							
Interest rate caps								
Notional amounts	$75,000	$575,000	$575,000	$355,000	$200,000	$616,000	$2,396,000	$17,357
Weighted average strike rate	4.90%	5.59%	5.09%	5.31%	5.78%	5.78%	5.47%	

	2007	2008	2009	2010	2011 Thereafter	Total	Fair value
	(US Dollars in thousands)						
Interest rate swaps							
Notional amounts	$ —	$ 60,000	$ —	$ —	$ —	$ 60,000	$ 212
Weighted average pay rate	—	5.38%	—	—	—	5.38%	—
Weighted average receive rate	—	5.36%	—	—	—	5.36%	—

As of December 31, the interest rate swaps and caps had notional amounts of $2.5 billion and a fair value of $17.6 million. The variable benchmark interest rates associated with these instruments ranged from one to six—month LIBOR.

Our Board of Directors is responsible for reviewing and approving our overall interest rate management policies and transaction authority limits. Specific hedging contracts are approved by the treasury committee acting within the overall policies and limits. Our counterparty risk is monitored on an ongoing basis, but is mitigated by the fact that all of our interest rate derivatives, except Aircraft Lease Securitisation'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. As of December 31, 2006, all of our aircraft leases and all of our engine leases were payable in U.S. dollars. We incur Euro−denominated expenses in connection with our offices in The Netherlands and Ireland. For the year ended December 31, 2006, our aggregate expenses denominated in currencies other than the U.S. dollar, such as payroll and office costs and professional advisory costs, were $38.0 million in U.S. dollar equivalents and represented 25.5% of total selling, general and administrative expenses. We enter into foreign exchange contracts based on our projected exposure to foreign currency risks in order to protect ourselves from the effect of period over period exchange rate fluctuations. Mark−to−market gains or losses on such contracts are recorded as part of selling, general and administrative expenses since most of our non−US denominated payments relate to such expenses. Since we currently receive substantially all of our revenues in US dollars and we hedge a material portion of our non−dollar denominated expenditures, we do not believe that a change in foreign exchange rates will have material impact on our results of operations. However, the portion of our business conducted in foreign currencies could increase in the future, which could increase our exposure to losses arising from currency fluctuations.

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.

Item 12. Description of Securities Other than Equity Securities.

Not applicable.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies.

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds.

Not applicable.

Item 15. Controls and Procedures.

Disclosure Controls and Procedures.

Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in this report is recorded, processed, summarized and reported on a timely basis. Our management, with the participation of the chairman of our board of directors and the members of our Disclosure committee, has evaluated, as of December 31, 2006, our disclosure controls and procedures, as such term is defined under Rules 13a−15(e) and Rule 15d−15(e) under the Securities Exchange Act of 1934. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2006, our disclosure controls and procedures are effective to achieve their intended objectives.

Management's Annual Report on Internal Control Over Financial Reporting

This annual report does not include a report of management's assessment regarding internal control over financial reporting or an attestation report of the company's registered public accounting firm due to a transition period established by rules of the Securities and Exchange Commission for newly public companies.

Changes in Internal Control Over Financial Reporting

We continue to focus significant efforts on improving the system of internal controls which effect our financial reporting processes. The following specific changes have been implemented or are in progress:

(i) We have hired additional accounting and finance personnel at our locations in the Netherlands, Ireland and at AeroTurbine. Many of these additional personnel are involved in the identification, documentation and design of key controls as prescribed in Section 404 of the Sarbanes−Oxley Act.

(ii) We have recently recruited an additional person in our internal audit department and our internal audit function as a whole is more firmly established in the Company and working on a defined list of internal audits as agreed directly with our audit committee.

(iii) Senior management across all significant departments are involved in the documentation and design of enhanced internal controls in accordance with the Company's timeline for end of 2007 compliance with Section 404 of the Sarbanes−Oxley Act.

(iv) We have established an increased financial analysis capability both at our headquarter offices in Amsterdam and at AeroTurbine to help senior management better analyze group and subsidiary results and to identify potential internal control deficiencies.

We believe that these measures along with other measures already implemented have led to an improvement in our systems of internal control over financial reporting.

Item 16. [Reserved]

Item 16A. Audit committee financial expert.

Our board of directors has determined that Ronald Bolger is an "audit committee financial expert" as that term is defined by SEC rules, and that he is "independent" as that term is defined under applicable New York Stock Exchange listing standards.

Item 16B. Code of Conduct.

Our board of directors has adopted our code of conduct, a code that applies to members of the board of directors including its chairman and other senior officers, including the Chief Financial Officer and the Chief Accounting Officer. This code is publicly available on our website at www.aercap.com.

Item 16C. Principal Accountant Fees and Services.

In January 2003, the SEC adopted rules requiring disclosure of fees billed by a public company's independent auditors in each of the company's two most recent fiscal years. Our auditors charged the following fees for professional services rendered for the years ended December 31, 2005 and December 31, 2006:

	2005	2006
	(Euros in thousands)	
Audit fees	€ 1,471	€ 3,074
Audit−related fees	—	200
Total	**€ 1,471**	**€ 3,274**

Audit Fees are defined as the standard audit work that needs to be performed each year in order to issue opinions on our consolidated financial statements and to issue reports on our local statutory financial statements. Also included are services that can only be provided by our auditor, such as auditing of nonrecurring transactions and implementation of new accounting policies, reviews of quarterly financial results, consents and comfort letters and any other audit services required for US Securities and Exchange Commission or other regulatory filings.

Audit−Related Fees include those other assurance services provided by the independent auditor but not restricted to those that can only be provided by the auditor signing the audit report. These fees comprise amounts for services for Sarbanes−Oxley 404 controls design effectiveness review.

During the 12−month periods ended December 31, 2005 and December 31, 2006, our auditors were not engaged to perform any services that are defined as tax fees or for any other type of services.

Policy on Pre−Approval of Audit and Non−Audit Services of Independent Auditors

The Audit Committee's policy is to pre−approve all audit and non−audit services provided by our auditor. These services may include audit services, audit−related services, tax services and other services, as described above. Pre−approval is detailed as to the particular service or categories of services, and is subject to a specific budget. Our management and our auditor report to the Audit Committee regarding the extent of services provided in accordance with this pre−approval and the fees for the services performed to date on an annual basis. The Audit Committee may also pre−approve additional services on a case−by−case basis.

Item 16D. Exemptions from the Listing Standards for Audit Committees.

Not applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers.

Not applicable.

Item 17. Financial Statements

Not applicable.

PART III

Item 18. Financial Statements.

Please refer to pages F−1 through F−59 of this annual report.

Item 19. Exhibits.

We have filed the following documents as exhibits to this annual report:

Exhibit Number	Description of Exhibit
1.1	Articles of Association†
2.1	Aircraft Purchase Agreement, dated December 30, 2005, between Airbus S.A.S. and AerVenture Limited(1)†
2.2	Credit Agreement, dated April 26, 2006, among AerFunding 1 Limited, AerCap Ireland Limited, UBS Real Estate Securities Inc. and other financial institutions named as Class A Lenders, Class B Lenders, and Class C Lenders, UBS Securities LLC, the other Funding Agents named therein and Deutsche Bank Trust Company Americas†
2.3	Security Trust Agreement, dated April 26, 2006, among AerFunding 1 Limited, the additional grantors referred to therein as grantors, UBS Securities LLC and Deutsche Bank Trust Company Americas†
2.4	Guarantee and Collateral Agreement, dated April 26, 2006, among AeroTurbine, Inc., The Subsidiary Guarantors of AeroTurbine, Inc., the borrower's party thereto and Calyon New York Branch†
2.5	Aircraft Asset Security Agreement, dated April 26, 2006, among AeroTurbine, Inc. The Subsidiary Guarantors of AeroTurbine, Inc., the borrower's party thereto, the trusts party thereto, as trusts and Calyon New York Branch†
2.6	Amended and Restated Senior Credit Agreement, dated as of December 13, 2006, among AeroTurbine, Inc., as Borrower, the Several Lenders from time to time as Parties thereto, Calyon New York Branch, as Administrative Agent, HSH Nordbank AG, as Syndication Agent and Wachovia Bank N.A. and National City Bank, as Co−Documentation Agents†
2.7	Pledge Agreement, dated April 26, 2006, between AerCap, Inc., and Calyon New York Branch†
2.8	Joint Venture Agreement, dated December 30, 2005, among AerCap Ireland Limited, International Cargo Airlines Company KSC and AerVenture Limited†
2.9	Stock Purchase Agreement, dated March 16, 2006, among AerCap, Inc. and Nicolas Finazzo, Rose Ann Finazzo and Robert B. Nichols†
2.10	Facility Agreement, dated April 23, 2003, among the Banks and Financial Institutions named therein as ECA Lenders, the Banks and Financial Institutions named therein as Mismatch Lenders, Credit Lyonnais, Kreditanstalt Für Wiederaufbau, Sunrise Leasing Limited, Sundance Leasing Limited, Sunray Leasing Limited, Sunshine Leasing Limited, Sunglow Leasing Limited, Sunflower Aircraft Leasing Limited, Debis Aircraft Leasing XXX B.V. and Debis AirFinance B.V.†

2.11	Senior Facility Agreement, dated October 12, 2006, between AerCap Dutch Aircraft Leasing I B.V., Calyon and the financial institutions named therein†
2.12	Sale and Purchase Agreement regarding the acquisition of all shares in and certain loans and facilities granted to debis AirFinance B.V. by and between DaimlerChrysler Services AG, DaimlerChrysler Aerospace AG, DaimlerChrysler AG, Bayerische Hypo− und Vereinsbank AG, HVB Banque Luxembourg SA, Bayerische Landesbank, BLB Beteiligungsgesellschaft Beta mbH, Dresdner Bank AG, DZ Bank AG Deutsche Zentral−Genossenschaftsbank, DZ Beteiligungsgesellschaft mbH Nr. 6, KfW and FERN S.a r.l. as amended by the Amendment Agreement dated June 29, 2005 by and between the DaimlerChrysler Services AG, DaimlerChrysler Aerospace AG, DaimlerChrysler AG, Bayerische Hypo− und Vereinsbank AG, HVB Banque Luxembourg SA, Bayerische Landesbank, BLB Beteiligungsgesellschaft Beta mbH, Dresdner Bank AG, DZ Bank AG Deutsche Zentral−Genossenschaftsbank, DZ Beteiligungsgesellschaft mbH Nr. 6, KfW, FERN S.a r.l., FERN GP S.a r.l. and AerCap Holdings C.V.†
2.13	AerCap Holdings N.V. 2006 Equity Incentive Plan (including form of Stock Option Agreement)†
2.14	Facility Agreement, dated November 3, 2006, between AerVenture Limited, as Borrower, and Calyon s.A., as Lender, Security Trustee and Agent†
2.15	Aircraft Purchase Agreement, dated December 11, 2006, between Airbus S.A.S. and AerCap Ireland Limited††
8.1	List of Significant Subsidiaries of AerCap N.V.†
12.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002
12.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002
12.3	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002

†	Previously filed with Registration Statement on Form F−1, File No. 333−138381
††	Portions of this exhibit have been omitted pursuant to a request for confidential treatment submitted to the Securities and Exchange Commission under separate cover.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20−F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

AERCAP HOLDINGS N.V.
/S/ KLAUS HEINEMANN
KLAUS HEINEMANN
Chief Executive Officer

Date: March 21, 2007

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REPORTS OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheets of AerCap Holdings N.V. and its subsidiaries as of December 31, 2006 and 2005 and the related consolidated statements of income, shareholders' equity and cash flows for the year ended December 31, 2006 and for the period from June 27, 2005 to December 31, 2005. In connection with our audits of the consolidated financial statements, we have also audited the related financial statement Schedule I. These financial statements and the financial statement Schedule I are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and the financial statement Schedule I based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of AerCap Holdings N.V. and its subsidiaries, at December 31, 2006 and 2005, and the results of their operations and cash flows for the year ended December 31, 2006 and for the period June 27, 2005 to December 31, 2005 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the related financial statement Schedule I presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

Rotterdam, March 21, 2007
PricewaterhouseCoopers Accountants N.V.

/s/ A Tukker RA

Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated statements of income, shareholders' equity and cash flows of debis AirFinance B.V. ("AerCap B.V.") and its subsidiaries for the period from January 1, 2005 to June 30, 2005 and for the year ended December 31, 2004. In connection with our audits of the consolidated financial statements, we have also audited the related financial statement Schedule I. These financial statements and financial statement Schedule I are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and the financial statement Schedule I based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statements of income, shareholders' equity and cash flows are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statements of income, shareholders' equity and cash flows. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall income, shareholders' equity and cash flow statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated statements of income, shareholders' equity and cash flows referred to above present fairly, in all material respects, the results of their operations, cash flows and other data shown therein of debis AirFinance B.V. and its subsidiaries for the period January 1, 2005 to June 30, 2005 and for the year ended December 31, 2004 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the related financial statement Schedule I presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

Rotterdam, March 21, 2007
PricewaterhouseCoopers Accountants N.V.

/s/ A Tukker RA

AerCap Holdings N.V. and Subsidiaries
Consolidated Balance Sheets
as of December 31, 2005 and 2006

	Note	December 31, 2005	December 31, 2006
		(US dollars in thousands except share and per share amounts)	
Assets			
Cash and cash equivalents		$ 183,554	$ 131,201
Restricted cash	3	157,730	112,277
Trade receivables, net of provisions of $3,405 and $2,496	4	6,575	25,058
Flight equipment held for operating leases, net	5	2,189,267	2,966,779
Net investment in direct finance leases	6	1,072	—
Notes receivable, net of provisions, of $2,563 and nil	7	196,620	167,451
Prepayments on flight equipment	8	115,657	166,630
Investments	9	3,000	18,000
Goodwill	10	—	6,776
Intangibles	10	38,571	34,229
Inventory	11	—	82,811
Derivative assets	12	18,420	17,871
Deferred income taxes	17	99,346	101,477
Other assets	13	51,421	92,432
Total Assets		$ 3,061,233	$ 3,922,992
Liabilities and Shareholders' Equity			
Accounts payable		$ 2,575	$ 6,958
Accrued expenses and other liabilities	14	76,562	92,466
Accrued maintenance liability		150,322	285,788
Lessee deposit liability		56,386	77,686
Debt	15	2,172,995	2,555,139
Accrual for onerous contracts	16	152,634	111,333
Deferred revenue		22,009	28,391
Derivative liabilities	12	8,087	—
Deferred income taxes	17	—	3,383
Commitments and contingencies	26	—	—
Total Liabilities		2,641,570	3,161,144
Minority interest, net of taxes		—	31,937
Ordinary share capital, €.01 par value (200,000,000 ordinary shares authorized, 78,236,957 and 85,036,957 ordinary shares issued and outstanding, respectively)	18	646	699
Additional paid−in capital		369,354	591,553
Accumulated retained earnings		49,663	137,659
Total Shareholders' Equity		419,663	729,911
Total Liabilities and Shareholders' Equity		$ 3,061,233	$ 3,922,992

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

AerCap Holdings N.V. and Subsidiaries
Consolidated Income Statements
For the Year Ended December 31, 2004, the Six Months Ended June 30, 2005, the Period From June 27, 2005 to December 31, 2005 and the Year Ended December 31, 2006

		AerCap B.V.		AerCap Holdings N.V.	
	Note	Year ended December 31, 2004	Six months ended June 30, 2005	June 27, 2005 to December 31, 2005	Year ended December 31, 2006
		(US dollars in thousands, except share and per share amounts)			
Revenues					
Lease revenue	20	$ 308,500	$ 175,333	$ 173,568	$ 443,925
Sales revenue		32,050	79,574	12,489	301,405
Management fee revenue		15,009	6,512	7,674	14,072
Interest revenue		21,641	13,130	20,335	34,681
Other revenue		13,667	3,459	1,006	20,336
Total Revenues		390,867	278,008	215,072	814,419
Expenses					
Depreciation	5	125,877	66,407	45,918	102,387
Cost of goods sold		18,992	57,632	10,574	220,277
Goodwill impairment	21	132,411	—	—	—
Impairment of investments	22	2,260	—	—	—
Interest on debt	15	113,132	69,857	44,742	166,219
Operating lease in costs	16	35,770	13,877	11,441	25,232
Leasing expenses		30,536	9,688	12,213	47,394
Provision for doubtful notes and accounts receivable	4,7	634	3,161	3,002	(186)
Selling, general and administrative expenses	23	36,449	19,559	26,949	149,364 (a)
Total Expenses		496,061	240,181	154,839	710,687
(Loss) income from continuing operations before income taxes and minority interest		(105,194)	37,827	60,233	103,732
Provision for income taxes	17	(168)	(4,127)	(10,570)	(16,324)
Minority interest, net of taxes		—	—	—	588
Net (Loss) Income		$ (105,362)	$ 33,700	$ 49,663	$ 87,996
Basic and diluted (loss) earnings per share	24	$ (143.12)	$ 45.78	$ 0.63	$ 1.11
Weighted average shares outstanding, basic and diluted		736,203	736,203	78,236,957	78,992,513

(a) —Includes share−based compensation of $78,635

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 Year Ended December 31, 2004, the Six Months Ended June 30, 2005, the Period From June 27, 2005 to December 31, 2005 and the Year Ended December 31, 2006

	AerCap B.V.		AerCap Holdings N.V.	
	Year ended December 31, 2004	Six months ended June 30, 2005	June 27, 2005 to December 31, 2005	Year ended December 31, 2006
	(US dollars in thousands)			
Net (loss) income	$ (105,362)	$ 33,700	$ 49,663	$ 87,996
Adjustments to reconcile net (loss) income to net cash provided by operating activities:				
Minority interest				(588)
Depreciation	125,877	66,407	45,918	102,387
Amortization of debt issuance costs	835	885	566	11,777
Amortization of intangibles	—	—	6,563	10,132
Goodwill impairment	132,411	—	—	—
Provision for doubtful notes and accounts receivable	634	3,161	3,002	(186)
Capitalized interest on pre−delivery payments	(7,850)	(3,084)	(2,767)	(4,888)
Release of provision against debt	—	—	—	(4,139)
Gain on disposal of assets	(21,311)	(24,906)	(2,645)	(67,720)
Mark−to−market of non−hedged derivatives	(22,708)	(11,783)	(19,028)	(9,166)
Deferred taxes	(1,799)	3,505	10,101	16,089
Share−based compensation	—	—	—	78,635
Changes in assets and liabilities:				
Trade receivables and notes receivable, net	16,842	59,023	9,846	30,299
Inventories	—	—	—	(24,216)
Other assets and derivative assets	13,347	(18,986)	(57)	(7,990)
Accounts payable and accrued expenses, including accrued maintenance liability, lessee deposits	(42,059)	(909)	5,727	124,853
Deferred revenue	3,076	262	2,349	5,104
Net cash provided by operating activities	91,933	107,275	109,238	348,379
Purchase of flight equipment	(313,213)	(74,679)	(124,191)	(879,497)
Proceeds from sale/disposal of assets	16,379	91,863	12,718	253,199
Principle repayments from investments	9,821	—	—	—
Prepayments on flight equipment	(33,366)	(19,711)	(26,604)	(93,708)
Purchase of subsidiaries, net of cash acquired	5,769	—	(1,245,609)	(143,100)
Purchase of investments	(2,260)	(3,000)	—	(15,000)
Purchase of intangibles	—	—	—	(10,636)
Movement in restricted cash	98,389	20,052	(47,573)	45,453
Net cash (used in) provided by investing activities	(218,481)	14,525	(1,431,259)	(843,289)
Issuance of debt	303,170	63,085	2,231,633	908,077
Repayment of debt	(160,842)	(239,369)	(1,058,095)	(607,721)
Debt issuance costs paid	(5,782)	(772)	(38,066)	(32,940)
Issuance of equity interests	—	35,051	370,000	143,617
Dividends paid to minority interests	—	—	—	(225)
Capital contributions from minority interests	—	—	—	32,750
Net cash provided by (used in) financing activities	136,546	(142,005)	1,505,472	443,558
Net increase (decrease) in cash and cash equivalents	9,998	(20,205)	183,451	(51,352)
Effect of exchange rate changes	2,374	233	103	(1,001)
Cash and cash equivalents at beginning of period	131,268	143,640	—	183,554
Cash and cash equivalents at end of period	$ 143,640	$ 123,668	$ 183,554	131,201
Supplemental cash flow information:				
Interest paid	$ 124,210	$ 77,042	$ 54,980	145,793
Taxes (refunded) paid	1,734	55	(605)	267
Fair values of assets acquired and liabilities assumed in purchase acquisitions				
	Ancla		**AerCap B.V.**	**AeroTurbine**
Assets acquired	$ 139,114		$ 2,838,918	$ 305,321
Liabilities assumed	(132,903)		(1,469,641)	(160,619)
Cash paid	$6,211		$ 1,369,277	$ 144,702

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 Year Ended December 31, 2004, the Six Months Ended June 30, 2005, the Period From June 27, 2005 to December 31, 2005 and the Year Ended December 31, 2006.

	Number of Shares	Share capital	Additional paid−in capital	Accumulated other comprehensive loss	Retained (loss) earnings	Total shareholders' equity
			(US dollars in thousands, except share amounts)			
AerCap B.V.						
Year ended December 31, 2004						
Balance at January 1, 2004	736,203	333,780	—	—	(201,222)	132,558
Comprehensive income:						
Net loss for the year	—	$ —	—	$ —	$ (105,362)	$ (105,362)
Other comprehensive income:						
Other	—	—	—	(181)	—	(181)
Comprehensive income					—	(105,543)
Balance at December 31, 2004	736,203	$ 333,780	$ —	$ (181)	$ (306,584)	$ 27,015
Six months ended June 30, 2005						
Balance at January 1, 2005	736,203	$ 333,780	—	$ (181)	$ (306,584)	$ 27,015
Issuance of equity capital	63,797	35,051	—	—	—	35,051
Comprehensive income:						
Net income for the period	—	—	—	—	33,700	33,700
Comprehensive income						33,700
Balance at June 30, 2005	800,000	$ 368,831	$ —	$ (181)	$ (272,884)	$ 95,766
AerCap Holdings N.V.						
Period from June 27, 2005 to December 31, 2005						
Balance at June 27, 2005	—	—	—	—	—	—
Issuance of equity capital	78,236,957	$ 646	$ 369,354			$ 370,000
Comprehensive income:						
Net income for the period	—	—	—	—	49,663	49,663
Comprehensive income						49,663
Balance at December 31, 2005	78,236,957	$ 646	$ 369,354	$ —	$ 49,663	$ 419,663
Year ended December 31, 2006						
Balance at January 1, 2006	78,236,957	$ 646	$ 369,354	—	$ 49,663	$ 419,663
Issuance of equity capital in public offering	6,800,000	53	143,564			143,617
Share−based compensation	—	—	78,635	—	—	78,635
Comprehensive income:						
Net income for the period	—	—	—	—	87,996	87,996
Comprehensive income						87,996
Balance at December 31, 2006	85,036,957	$ 699	$ 591,553	$ —	$ 137,659	$ 729,911

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

1. General

The Company

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

These consolidated financial statements include the accounts of AerCap Holdings N.V. and its subsidiaries. AerCap Holdings N.V. is a Netherlands public limited liability company ("*naamloze vennootschap*") formed on July 10, 2006 for the purpose of acquiring all of the assets and liabilities of AerCap Holdings C.V. AerCap Holdings C.V. is a limited partnership ("*commanditaire vennootschap*") formed under the laws of The Netherlands on June 27, 2005 for the purposes of acquiring the share capital, subordinated debt and senior debt of debis AirFinance B.V. ("AerCap B.V."), which occurred on June 30, 2005. 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. In accordance with Statement of Financial Accounting Standards ("SFAS") 141, *"Business Combinations"*, this acquisition was a transaction under common control and accordingly, AerCap Holdings N.V. recognized the acquisition of the assets and liabilities of AerCap Holdings C.V. at their carrying values and no goodwill or other intangible assets were recognized. Additionally in accordance with SFAS 141, these consolidated financial statements are presented as if AerCap Holdings N.V. had been the acquiring entity of AerCap B.V. on June 30, 2005. On November 27, 2006, we completed an initial public offering of 6,800,000 of our common shares at $23 per share (Note 18) generating net proceeds of $143,017 which we used to repay debt.

Acquisition of AeroTurbine, Inc.

On April 26, 2006 we purchased all of the existing share capital of AeroTurbine, Inc (''AT''). AT has been included in our consolidated financial statements from April 26, 2006. AT is engaged primarily in the distribution of turbojet aircraft, aircraft engines, and aircraft parts as well as the sale, lease and overhaul management of engines to the commercial aviation industry worldwide. AT is headquartered in Miami, Florida and has a location in Goodyear, Arizona. We acquired AT in order to diversify our investments in aviation assets and to give us a more significant presence in the market for older equipment. The total cash payment for the purchase was $144,702 including acquisition expenses. The consideration for the purchase was funded through cash from our operations of $70,946 and $73,756 of cash raised from refinancing AT's existing debt. The new financing totaled $175,000 and included $160,000 of senior unsecured debt, $15,000 of subordinated debt and a revolving credit facility of $171,000 to fund future growth. As discussed further in Note 18, we used the net proceeds from our initial public offering plus group cash to fully pre−pay the AT senior and subordinated debt. At the time of the prepayment of the AT senior and suborbinated debt, we amended and restated the terms of the senior and subordinated facility and increased the availability under the revolving credit facility to $220,000.

(US dollars in thousands)

1. General (Continued)

We have allocated the purchase price to the assets acquired and liabilities assumed as of the date of the acquisition as indicated in the table below:

	Fair Values Acquired
Cash and cash equivalents	$ 1,601
Equipment held for operating lease, net	158,820
Inventory	49,874
Intangible assets	25,600
Goodwill	38,199
Property and equipment	7,896
Other	23,331
Total assets	305,321
Debt	93,104
Deferred taxes	46,315
Other	21,200
Total liabilities	160,619
Total consideration paid	$ 144,702

The total amount of goodwill has been allocated to the Engine and Parts segment and is not tax deductible. A summary of the intangible assets acquired is as follows:

	Estimated fair value	Estimated useful lives in years
Customer relationship—parts	$ 19,800	10
Customer relationship—engines	3,600	10
FAA certificate	1,100	15
Non−compete agreement	1,100	6

Amortization of the customer relationship intangibles is based on the anticipated sales in the periods after the AT acquisition of both parts and engines which benefit from such relationships. Amortization of the FAA certificate is straight−line over 15 years, the remaining estimated useful life of the engine type to which the repair station certificate relates. Amortization of the non−compete agreement is straight−line over six years, which is the sum of the term of the employment agreements of the related individuals and the term of the non−compete agreements. The following pro forma condensed consolidated information for the year ended December 31, 2006 gives effect to our acquisition of AT as if it had occurred on January 1, 2006. The pro forma condensed consolidated information for the year ended December 31, 2005 gives effect to our acquisition by Cerberus (discussed below) and our acquisition of AT, as if they had both occurred on January 1, 2005:

	Year ended December 31, 2005 (unaudited)	Year ended December 31, 2006 (unaudited)
Revenues	$ 617,583	$ 868,056
Net income	53,588	90,959
Earnings per share, basic and diluted	0.69	1.15
Outstanding shares, basic and diluted	78,236,957	78,992,513

(US dollars in thousands)

1. General (Continued)

Acquisition of AerCap B.V.

On June 30, 2005, Cerberus purchased all of the share capital of AerCap B.V. from DaimlerChrysler Coordination Center SCS, DaimlerChrysler Aerospace AG, Bayerische Landesbank Girozentrale, DZ BANK AG Deutsche−Zentral−Genossenschaftsbank, Dresdner Bank AG in Frankfurt am Main, HVB Banque Luxembourg Société Anonyme (collectively, the "Previous Shareholders") and Kreditanstalt für Wiederaufbau (collectively with the Previous Shareholders, the "Previous Shareholder Lenders"), as well as the rights and obligations of the Previous Shareholder Lenders under certain subordinated and senior debt instruments under which AerCap B.V. was obligated (the "2005 Acquisition").

The 2005 Acquisition was effected through an all−cash payment of $1,291,493 to the Previous Shareholder Lenders. $1,000,000 of the purchase price was financed through a term loan from a syndicate of lenders and arranged by a US investment bank. The remainder was financed from equity capital contributed by Cerberus.

The 2005 Acquisition by Cerberus and its affiliates is accounted for as a purchase in conformity with SFAS 141.

The sources and uses of funds in connection with the 2005 Acquisition are summarized below:

Sources:		
Proceeds from secured term loan	$	1,000,000
Proceeds from equity capital invested		370,000
Total sources		1,370,000
Uses:		
Payment to Previous Shareholder Lenders		(1,291,493)
Transaction costs		(42,733)
Additional equity contribution to AerCap B.V.		(35,051)
		(1,369,277)
Remaining cash	$	723

(US dollars in thousands)

1. General (Continued)

We have allocated the purchase price to the assets acquired and liabilities assumed as of the date of the acquisition as indicated in the table below:

	Fair Values Acquired
Flight equipment held for operating lease	$ 2,085,221
Prepayments on flight equipment	119,200
Intangible lease premium	45,134
Deferred tax asset	109,447
Cash and cash equivalents	123,668
Other	359,019
Total assets	2,841,689
Accrued maintenance liability	135,114 (a)
Debt	999,457
Other	337,841
Total liabilities	1,472,412
Cash paid	$ 1,369,277

(a) Represents the present value effect of our legal obligation to: (i) release supplemental rent collected by the lessor for maintenance incurred; and (ii) contribute to lessor maintenance obligations.

Acquisition of Ancla Ireland Limited

We acquired all the shares in an Irish incorporated company (“Ancla”) which owned one MD11 aircraft under finance lease on October 18, 2004. The results of operations for Ancla are included in our consolidated financial statements from the date of the acquisition. A summary of the fair value of assets acquired and liabilities assumed is as follows:

	Fair values acquired
Net investment in direct finance lease	$ 127,134
Cash	11,980
Total assets	139,114
Debt	126,716
Deferred tax liability	6,187
Total liabilities	132,903
Cash paid	$ 6,211

Variable interest entities

In January 2006, we sold a 50% equity interest in AerVenture Ltd. (‘‘AerVenture’’), previously a wholly−owned entity, to LoadAir, a subsidiary of Al Fawares, an investment and construction company based in Kuwait. AerVenture has contracted with Airbus for the delivery of up to 70 A320 family aircraft between November 2007 and August 2010, with the intent of leasing these aircraft to third parties. The joint venture agreement requires us to make certain specified equity contributions and additional equity

1. General (Continued)

capital available to AerVenture depending on capital needs in the future. We have entered into agreements to provide management and marketing services to AerVenture in return for management fees. We have determined that AerVenture is a variable interest entity for which we are the primary beneficiary. As such, we have continued to consolidate AerVenture in our accounts.

In April 2006, we signed a joint venture agreement with Deucalion to form the Bella joint venture in which we hold a 50% equity interest. Bella was formed to purchase two used Airbus A330−322 aircraft for leasing. These aircraft were purchased in April and May 2006 and have subsequently been leased to third parties. We have entered into agreements to provide to Bella aircraft management and marketing services in return for management fees. We have determined that Bella is a variable interest entity for which we are the primary beneficiary. As such, we have consolidated Bella in our accounts.

As further discussed in Note 15, we hold equity and subordinated debt investments in ALS and AerFunding. ALS and AerFunding are variable interest entities and we, as their primary beneficiaries under FIN 46(R), consolidate the accounts of ALS and AerFunding in our accounts since their inception dates.

Investments in unconsolidated joint ventures

In May 2006, we signed a joint venture agreement with China Aviation Supplies Import and Export Group Corporation and affiliates of Calyon establishing AerDragon. AerDragon is 50% owned by China Aviation and 25% owned by each of us and Calyon. The joint venture did not own any aircraft at December 31, 2006, but purchased an aircraft from Airbus in February 2007 through an assignment of our purchase right under our 1999 Forward Order. We provide aircraft management services to AerDragon in return for fees. As of December 31, 2006, we have determined that AerDragon is not a variable interest entity and accordingly, we account for our investment in AerDragon according to the equity method.

Risks and uncertainties

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

1. General (Continued)

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

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

We expect to fund a significant portion of our forward order delivery obligations (Note 8) through borrowings secured by the related aircraft. The unavailability to us of such secured borrowings at the time of delivery could have a material impact on our ability to meet our obligations under the forward order contract. If we cannot meet our obligations under such contract, we will not recover the value of prepayments on flight equipment on our balance sheets and may be subject to other contract breach damages.

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

2. Summary of significant accounting policies

Basis for presentation

Our financial statements are presented in accordance with accounting principles generally accepted in the United States of America.

We consolidate all companies in which we have a direct and indirect legal or effective control and all variable interest entities for which we are deemed the primary beneficiary under FIN 46R. All intercompany balances and transactions with consolidated subsidiaries have been eliminated. The results of consolidated entities are included from the effective date of control or, in the case of variable interest entities, from the date that we are or become the primary beneficiary. The results of subsidiaries sold or otherwise deconsolidated are excluded from the date that we cease to control the subsidiary or, in the case of variable interest entities, when we cease to be the primary beneficiary.

Certain reclassifications have been made to prior years to reflect the current year presentation.

Other investments in which we have the ability to exercise significant influence and joint ventures are accounted for under the equity method of accounting.

The consolidated financial statements are stated in United States dollars, which is our functional currency.

2. Summary of significant accounting policies (Continued)

As a result of the 2005 Acquisition, the assets and liabilities of AerCap B.V. are stated at their fair values at the acquisition date. The consolidated financial statements of the predecessor reflect historical cost. The consolidated financial statements show both the predecessor accounts and successor accounts. Due to these different bases of accounting, predecessor and successor amounts are not directly comparable.

Use of estimates

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

Cash and cash equivalents

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

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. In instances where the purchase price includes additional consideration which can be allocated to the value of an acquired lease containing above market terms, such allocated cost is amortized over the term of the related lease. The cost of improvements to flight equipment are normally expensed unless the improvement materially increases the long−term value of the flight equipment or extends the useful life of the flight equipment. In instances where the increased value benefits the existing lease, such capitalized cost is depreciated over the

2. Summary of significant accounting policies (Continued)

life of the lease. Otherwise, the capitalized cost is depreciated over the remaining useful life of the aircraft. Flight equipment acquired is depreciated over the assets' useful life, based on 25 years from the date of manufacture, using the straight−line method to the estimated residual value. The current estimates for residual (salvage) values for most aircraft types are 15% of original manufacture cost.

The estimates of useful lives are as follows:

Stage III Aircraft	20−25 years
Turboprop Aircraft	20 years

We depreciate current production model engines on a straight−line basis over a 15−year period from the acquisition date to an estimated residual value. Out−of−production engines are depreciated on a straight−line basis over an estimated useful life ranging from five to seven years to an estimated residual value. The carrying value of flight equipment that is designated for part−out is transferred to the inventory pool.

We apply SFAS 144, *Accounting for the Impairment or Disposal of Long−Lived Assets*, which addresses financial accounting and reporting for the impairment of long−lived assets and for long−lived assets to be disposed of and requires that all long−lived assets be evaluated for impairment where circumstances indicate that the carrying amounts of such assets may not be recoverable. The review for recoverability includes an assessment of the estimated future cash flows associated with the use of an asset and its eventual disposition. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset, an impairment loss is recognized. The loss is measured as the excess of the carrying amount of the impaired asset over its fair value.

Fair value reflects 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.

Net investment in direct finance leases

Net investment in direct finance leases 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.

2. Summary of significant accounting policies (Continued)

Notes receivable

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

Capitalization of interest

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

Investments

We may hold debt and equity interests in third parties, including interests in asset securitization vehicles. In instances where those interests are in the form of debt securities or equity securities that have readily determinable fair values, we apply the provisions of SFAS 115, *Accounting for Certain Investments in Debt and Equity Securities* and designate each security as either held to maturity or available for sale securities.

We report equity investments where the fair value is not readily determinable at cost, reduced for any other than temporary impairment.

We evaluate our investments in all debt and equity instruments regularly for other than temporary impairments in their carrying value and record a write−down to estimated fair market value as appropriate.

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 not amortized, but is tested for impairment annually or more often when events or circumstances indicate that there may have been impairment.

Definite−lived intangible assets

We recognize intangible assets acquired in a business combination in accordance with the principles of SFAS 141. The identified intangible assets are recorded at fair value on the date of acquisition. The rate of amortization of definite−lived intangible assets is calculated with reference to the period over which we expect to derive economic benefits from such assets. 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

2. Summary of significant accounting policies (Continued)

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 definite−lived intangible assets for impairment in accordance with SFAS 144.

Inventory

Inventory, which consists exclusively of finished goods, is valued at the lower of cost or market. Cost is primarily determined using the specific identification method for individual part purchases and whole engines and on an allocated basis for dismantled engines, aircraft, and bulk inventory purchases using the relationship of the cost of the dismantled engine, aircraft or bulk inventory purchase to estimated remaining sales value at the time of purchase. Inventories are comprised primarily of engines, aircraft and engine parts, rotables and expendables. Expenditures required for the recertification or betterment of flight equipment are capitalized in inventory and are expensed as the parts associated with such costs are sold. Inventory acquired in the purchase of a subsidiary is accounted for in accordance with SFAS 141 at estimated selling prices less the sum of (a) costs of disposal and (b) a reasonable profit allowance for the selling effort of the acquiring entity.

Derivative financial instruments

We use derivative financial instruments to manage our exposure to interest rate risks and foreign currency risks. Derivatives are accounted for in accordance with SFAS 133, *Accounting for Derivative Instruments and Hedging Activities*.

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

Deferred income taxes (assets and liabilities)

We report deferred taxes of our taxable subsidiaries resulting from the temporary differences between the book values and the tax values of assets and liabilities using the liability method. The differences are calculated at nominal value using the enacted tax rate applicable at the time the temporary difference is expected to reverse. Deferred tax assets attributable to unutilized losses carried forward or other timing differences are reduced by a valuation allowance if it is more likely than not that such losses will not be utilized to offset future taxable income.

2. Summary of significant accounting policies (Continued)

Other assets

Other assets consist of prepayments, debt issuance costs, 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. We capitalize costs incurred in arranging financing as debt issuance costs. Debt issuance costs are amortized to interest expense over the term of the related financing.

Accrued maintenance liability

In all of our leases, the lessees are responsible for maintenance and repairs of our flight equipment and related expenses during the term of the lease. In some instances, we may incur maintenance and repair expenses for off−lease aircraft. We recognize leasing expenses in our income statement for all such expenditures. In many operating lease and finance lease contracts, the lessee has the obligation to make periodic payments of supplemental rent which are calculated with reference to the utilization of airframes, engines and other major life−limited components during the lease. In most such contracts, upon lessee presentation of invoices evidencing the completion of qualifying maintenance on the flight equipment, we make a contribution to the lessee to help compensate for the cost of the maintenance, up to the amount of supplemental rents collected. In other contracts where supplemental rents are not paid, the lessee is required to re−deliver the aircraft in a similar maintenance condition (normal wear and tear excepted) as when accepted under the lease, with reference to major life−limited components of the aircraft. To the extent that such components are redelivered in a different condition than at acceptance, there is normally an end−of−lease compensation adjustment for the difference at redelivery. In addition, in both types of contracts, we may be obligated to make contributions to the lessee for maintenance related expenses (lessor contributions) on flight equipment during the term of the lease. In all lease contracts where we agree to make lessor contributions to compensate for qualifying maintenance work during the lease, we record an accrued maintenance liability through a charge to leasing expenses at the commencement of the lease based on our estimate of maintenance events which will occur during the lease.

In the majority of our leases where the lessee is required to make supplemental rent payments, we do not recognize such supplemental rent as revenue during the lease, but we record supplemental rent received from the lessee as accrued maintenance liability. Reimbursements to the lessee upon the receipt of evidence of qualifying maintenance work are charged against the existing accrued maintenance liability. In shorter−term lease contracts (primarily engine lease contracts) where the terms of the lease are designed specifically to allow us to directly manage the occurrence, timing and associated cost of qualifying maintenance work on the flight equipment, supplemental rents collected during the lease are recognized as lease revenue. For flight equipment subject to these shorter−term contracts, we record a charge to leasing expenses at the time maintenance work is performed on the flight equipment.

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

2. Summary of significant accounting policies (Continued)

the accrued maintenance liability which is not specifically assigned to the buyer is released from the balance sheet and recognized as sales revenue as part of the sale of the flight equipment.

Accrual for onerous contracts

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

Revenue recognition

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

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

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

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

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

2. Summary of significant accounting policies (Continued)

Pensions

We operate a number of non−contributory defined benefit plans and defined contribution schemes for substantially all of our employees. Defined benefit plan obligations and contributions are determined periodically by qualified actuaries. We recognize pension liabilities and prepaid pension costs in accordance with SFAS No. 158, ‘‘*Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of SFASB Statements No. 87, 88, 106, and 132 (R)”*.

Share−based compensation

We account for share−based compensation in accordance with FAS 123R, *Share−based payment*. Accordingly, 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.

Foreign currencies

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

Variable interest entities

We account for investment in variable interest entities in accordance with Revised Interpretation No. 46 (“FIN 46(R)”), *Consolidation of Variable Interest Entities* and its predecessor, Interpretation 46 (“FIN 46”), *Consolidation of Variable Interest Entities, an interpretation of ARB No. 51*. We adopted FIN 46 in January 2003 and FIN 46(R) in January 2005.

Earnings Per Share

Earnings per share is presented in accordance with SFAS 128, *Earnings Per Share* which requires the presentation of “basic” earnings per share and “diluted” earnings per share. Basic earnings per share is computed by dividing income available to common shareholders by the weighted−average shares of common stock outstanding during the period. For the purposes of calculating diluted earnings per share, the denominator includes both the weighted average number of shares of common stock outstanding during the period and the weighted average number of potential common stock, such as stock options.

(US dollars in thousands)

3. Restricted cash

Restricted cash consists of the following at December 31:

	2005	2006
Cash received under lease agreements restricted per the terms of the relevant lease and cash securing our obligations under debt and derivative instruments	$ 105,060	$ 72,523
Cash securing our obligations under the LILO head leases (Note 16) and cash securing the guarantee of lease obligations/indebtedness of a LILO sublessee (Note 14)	49,710	38,074
Other	2,960	1,680
	$ 157,730	$ 112,277

Restricted cash securing our obligations under debt includes amounts related to the ALS securitization debt (Note 15), which requires that cash be placed in liquidity reserves.

4. Trade receivables, net of provisions

Trade receivables consist of the following at December 31:

	2005	2006
Trade receivables	$ 9,980	$ 27,554
Allowance for doubtful accounts	(3,405)	(2,496)
	$ 6,575	$ 25,058

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

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

	AerCap B.V.		AerCap Holdings N.V.	
	Year ended December 31, 2004	Six months ended June 30, 2005	Period from June 27, 2005 to December 31, 2005	Year ended December 31, 2006
Provision at beginning of period	$ 20,535	$ 23,255	$ —	$ 3,405
Expense for doubtful accounts receivable	636	(5,906)	1,225	320
Reclassification to notes receivable allowance		(9,961)	—	(2,326)
Other(a)	2,084	(4,596)	2,180	1,097
Provision at the end of period	$ 23,255	$ 2,792	$ 3,405	$ 2,496

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

(US dollars in thousands)

5. Flight equipment held for operating leases, net

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

	AerCap B.V.		AerCap Holdings N.V.	
	Year ended December 31, 2004	Six months ended June 30, 2005	Period from June 27, 2005 to December 31, 2005	Year ended December 31, 2006
Net book value at beginning of period	$ 2,484,850	$ 2,748,347	$ —	$ 2,189,267
Fair value of flight equipment acquired in business combinations	—	—	2,085,221	158,820
Additions	406,406	93,244	157,104	928,468
Depreciation	(124,454)	(65,963)	(45,537)	(106,240)
Disposals	(8,784)	(52,783)	(7,521)	(195,273)
Transfers to/from direct finance leases	(9,671)	(4,748)	—	—
Other(a)	—	—	—	(8,263)
Net book value at end of period	$ 2,748,347	$ 2,718,097	$ 2,189,267	$ 2,966,779
Accumulated depreciation/impairment at December 31, 2004, 2005 and 2006	$ (970,565)	—	$ (45,537)	$ (151,958)

(a) As discussed further in Note 15, we settled a capital lease obligation at a discount of $8,263. The discount was applied to reduce the net book value of the related aircraft.

At December 31, 2006 we owned 131 aircraft and 51 engines, which we leased under operating leases to 79 lessees in 41 countries. The geographic concentrations of leasing revenues are set out in Note 20.

Prepayments on flight equipment (including related capitalized interest) of $66,638, $18,564, $32,914 and $48,971 have been applied against the purchase of aircraft during the year ended December 31, 2004, the six months ended June 30, 2005, the period from June 27 to December 31, 2005 and the year ended December 31, 2006, respectively.

The following table indicates our contractual commitments for the prepayment and purchase of flight equipment in the periods indicated as of December 31, 2006:

	2007	2008	2009	2010
Capital expenditures	$ 456,158	$ 413,497	$ 1,234,867	$ 1,462,116
Pre−delivery payments	116,796	383,409	397,033	92,323
	$ 572,954	$ 796,906	$ 1,631,900	$ 1,554,439

(US dollars in thousands)

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

Our current operating lease agreements expire over the next eight years. The contracted minimum future lease payments receivable from lessees for equipment on non−cancelable operating leases at December 31, 2006 are as follows:

	Contracted minimum future lease receivables
2007	$ 427,002
2008	402,915
2009	289,095
2010	204,586
2011	152,558
Thereafter	285,019
	$ 1,761,175

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. Net investment in direct finance leases

Net investment in direct finance leases consists of the following at December 31, 2005:

	2005
Gross finance lease rentals receivable	$ 1,123
Unearned income	(51)
Net investment in direct finance leases	$ 1,072

The entire amount of finance lease rentals receivable at December 31, 2005 was received in 2006.

7. Notes receivable

Notes receivable consist of the following at December 31:

	2005	2006
Secured notes receivable	$ 4,146	$ 1,092
Notes receivable in defeasance structures	146,772	162,808
Notes receivable from lessee restructurings	48,265	3,551
Allowance for doubtful accounts	(2,563)	—
	$ 196,620	$ 167,451

(US dollars in thousands)

7. Notes receivable (Continued)

The minimum future receipts under notes receivable at December 31, 2006 are as follows:

	Minimum future notes receivable
2007	$ 15,070
2008	43,080
2009	5,249
2010	104,052
	$ 167,451

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

	AerCap B.V.		AerCap Holdings N.V.	
	Year ended December 31, 2004	Six months ended June 30, 2005	Period from June 27, 2005 to December 31, 2005	Year ended December 31, 2006
Provision at beginning of period	$ 51,291	$ 51,500	$ —	$ 2,563
Expense for doubtful notes receivable	(2)	9,066	1,777	(506)
Reclassification from trade receivable allowance	—	9,961	—	2,326
Other(a)	211	—	786	(4,383)
Provision at the end of period	$ 51,500	$ 70,527	$ 2,563	$ —

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

8. Prepayments on flight equipment

In 1999, we signed a forward order contract with Airbus for the acquisition of up to 32 new aircraft between 2004 and 2009 (“1999 Forward Order”). Of that original order, one aircraft delivery was cancelled pursuant to cancellation rights granted by Airbus and 16 aircraft have been delivered through December 31, 2006. In January 2006, we exercised cancellation rights on a further six aircraft deliveries originally scheduled for delivery in 2008 and 2009, leaving nine firm aircraft remaining under the contract to be delivered in 2007.

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

In December 2006, we placed an order with Airbus to acquire 20 new A330−200 widebody aircraft (“A330 Forward Order”). The delivery schedule for the A330 Forward Order includes ten aircraft to be delivered in 2009 and ten aircraft to be delivered in 2010.

(US dollars in thousands)

8. Prepayments on flight equipment (Continued)

In connection with all three forward order contracts, we are required to make scheduled prepayments toward these future deliveries (see table in Note 5). A total amount of interest of $7,850, $3,084, $2,767 and $6,236 was capitalized with respect to these payments for the year ended December 31, 2004, the six months ended June 30, 2005, the period from June 27, 2005 to December 31, 2005 and the year ended December 31, 2006, respectively. As described in Note 16, because the contracted purchase prices of the aircraft at delivery under the 1999 Forward Order are in excess of the anticipated fair market value of the aircraft at delivery, we have recognized an accrual for onerous contracts with respect to this forward order at the 2005 Acquisition.

Following is a summary of the movements in prepayments on flight equipment during the year ended December 31, 2004, the six months ended June 30, 2005, the period from June 27, 2005 to December 31, 2005 and the year ended December 31, 2006:

	AerCap B.V.		AerCap Holdings N.V.	
	Year ended December 31, 2004	Six months ended June 30, 2005	Period from June 27 to December 31, 2005	Year ended December 31, 2006
Net book value at beginning of period	$ 160,624	$ 135,202	$ —	$ 115,657
Fair value of acquired prepayments	—	—	119,200	—
Prepayments made	33,366	19,711	26,604	93,708
Prepayments applied against the purchase of flight equipment	(66,638)	(18,564)	(32,914)	48,971)
Interest capitalized	7,850	3,084	2,767	6,236
Net book value at end of period	$ 135,202	$ 139,433	$ 115,657	$ 166,630

9. Investments

Investments consist of the following at December 31:

	2005	2006
Subordinated debt investment in single aircraft owning company	$ 3,000	$ 3,000
25% equity investment in unconsolidated joint venture (AerDragon)	—	15,000
	$ 3,000	$ 18,000

Our subordinated debt investment in a single aircraft owning company is accounted for at cost. Our 25% equity investment in an unconsolidated joint venture is accounted for under the equity method.

(US dollars in thousands)

10. Intangible assets

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

	As of December 31, 2005			
	Gross	Accumulated amortization	Other	Net
Lease premiums	$ 45,134	$ (6,563)	$ —	$ 38,571

	As of December 31, 2006			
	Gross	Accumulated amortization	Other (Note 17)	Net
Lease premiums	$56,510	$(16,869)(a)	$(29,064)(b)	$10,577
Customer relationships—parts	19,800	(890)	—	18,910
Customer relationships—engines	3,600	(883)	—	2,717
FAA certificate	1,100	(50)	—	1,050
Non−compete agreement	1,100	(125)	—	975
Net book value at end of period	$82,110	$(18,817)	$(29,064)	$34,229

(a) Includes ($1,382) from the write−off of lease premium in connection with the sale of related aircraft.

(b) Reduction of $17,431 and $5,386 inclusive of deferred tax effect determined through an iterative calculation due to elimination of valuation allowances in Ireland and the U.S., respectively existing at the date of the 2005 Acquisition (Note 17).

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

	Period from June 27, 2005 to December 31, 2005 (c)	Year ended December 31, 2006
Net carrying value at beginning of period	$ —	$ 38,571
Lease premiums acquired in 2005 Acquisition	45,134	—
Intangible assets acquired in AT Acquisition	—	25,600
Purchases of intangible lease premiums	—	11,376
Amortization	(6,563)	(10,872)
Disposals	—	(1,382)
Write−off of intangibles from decrease in tax valuation allowance (note 17)	—	(29,064)
Net carrying value at end of period	$ 38,571	$ 34,229

(c) No intangible assets existed prior to this period.

(US dollars in thousands)

10. Intangible assets (Continued)

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

	Amortization of intangible assets
2007	$ 5,930
2008	5,791
2009	5,842
2010	4,012
2011	2,716
Thereafter	9,938
	$ 34,229

The remaining weighted average amortization period for the amortizable intangible assets is 90 months.

We recognized goodwill of $38,199 in the AT Acquisition. As described below in Note 17, as a result of the AT acquisition, we reduced goodwill by $31,423 in connection with the reduction of a valuation allowance against our US tax assets.

11. Inventory

We had no inventory at December 31, 2005. Following are the major classes of inventory at December 31, 2006:

Engine and airframe parts	66,486
Work−in−process	3,971
Airframes	2,005
Engines	10,349
	$ 82,811

12. Derivative assets and liabilities

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

As of December 31, 2006 the interest rate swaps and caps had notional amounts of $2,500,000 and a fair value of $17,569. The variable benchmark interest rates associated with these instruments ranged from one to six−month LIBOR.

(US dollars in thousands)

12. Derivative assets and liabilities (Continued)

We have not applied hedge accounting under SFAS 133, *Accounting for Derivatives*, to any of the above derivatives. The change in fair value of the derivatives, therefore, is recorded in income from continuing operations before income taxes and minority interests as a reduction of interest expense as specified below:

	AerCap B.V.		AerCap Holdings N.V.	
	Year ended December 31, 2004	Six months ended June 30, 2005	June 27 to December 31, 2005	Year ended December 31, 2006
Change in fair value of derivatives	$ 19,913	$ 11,592	$ 20,813	$ 7,874

Our agreement with the derivative counterparties requires a two−way cash collateralization of derivative fair values, except for those owned by ALS. Cash paid and received under such arrangements is included in restricted cash (note 3).

The maximum length of time over which we are hedging our exposure to the variability in future cash flows for forecasted transactions, excluding those forecasted transactions related to the payment of variable interest on existing financial instruments, is 2016.

13. Other assets

Other assets consist of the following at December 31:

	2005	2006
Debt issuance costs	$ 36,510	$ 56,628
Other tangible fixed assets	2,431	12,437 (a)
Receivables from aircraft manufacturer	5,884	4,228
Prepaid expenses	2,711	5,491
Other receivables	3,885	13,647
	$ 51,421	$ 92,431

(a) The increase in other tangible fixed assets and other receivables between 2005 and 2006 is due primarily to the acquisition of AeroTurbine.

Amortization of debt issuance costs was $835, $885, $566 and $11,777 for the year ended December 31, 2004, the six months ended June 30, 2005, the period from June 27 to December 31, 2005 and the year ended December 31, 2006, respectively. The unamortized debt issuance costs at December 31, 2006 amortize annually from 2007 through 2018.

(US dollars in thousands)

14. Accrued expenses and other liabilities

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

	2005	2006
Guarantee liability	$ 18,798	$ 15,668
Accrued expenses	31,294	42,681
Accrued interest	11,776	14,373
Lease deficiency	14,694	19,744
	$ 76,562	$ 92,466

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

In addition to the sublease assignments, we also issued guarantees to the head lessors covering the sublessee's obligations to the head lessors under the assigned subleases. We would be required to make payments under the guarantees if the sublessee were to default under the lease agreements with the head lessors. At December 31, 2006, the maximum amount which we could be required to pay is estimated at $31,074. The subleases and our obligations under the guarantees expire between the years 2007 and 2012. As referenced in Note 3, our potential obligations under the guarantees are secured by cash held in restricted bank accounts. This restricted cash is released back to us according to a set schedule as the sublessee fulfills its obligations under the leases.

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

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

(US dollars in thousands)

15. Debt

Debt consists of the following as of December 31:

	2005	2006	Weighted average interest rate December 31, 2006	Maturity
ECA−guaranteed financings	$ 570,950	$ 567,900	5.49 %	2007−2018
JOL financings	149,037	100,261	5.64 %	2007−2015
Pre−delivery payment facility	—	8,130	7.00 %	2007−2010
UBS revolving credit facility	—	234,577	7.84 %	2007−2012
AT revolving credit facility	—	65,688	6.87 %	2007−2011
GATX portfolio acquisition facility	—	218,399	6.79 %	2007−2013
ALS securitization debt (G1, G2, C and D classes)	946,047	844,308	6.33 %	2007−2016
Commercial bank debt	335,583	353,725	6.41 %	2007−2019
Capital lease obligations	24,606	—	—	—
Capital lease obligations under defeasance structures	146,772	162,151	5.72 %	2007−2010
	$ 2,172,995	$ 2,555,139		

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

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

	Debt maturing
2007	$ 390,945
2008	277,676
2009	241,931
2010	316,128
2011	145,007
Thereafter	1,183,452
	$ 2,555,139

ECA−guaranteed financings—In April 2003, we entered into an $840,000 export credit facility (“ECA Facility”) for the financing of up to 20 A320 Airbus Family aircraft up to December 31, 2005. Funding under the facility is provided by commercial banks, but the repayment is guaranteed by European export credit agencies (“ECAs”). In January 2006, the ECA Facility was amended and extended to cover an additional nine aircraft and its size increased to a maximum of $1,215,000 for a further three years. The terms of the lending commitment in the ECA Facility are such that the ECAs only approve funding for aircraft that are due for delivery on a six−month rolling basis and have no obligation to fund deliveries beyond that time frame. The margin over three−month Libor ranges from 0.25% for aircraft delivered under the original facility and 0.12% for those aircraft delivered subsequently to the January 2006

15. Debt (Continued)

amendment. We are obligated to repay principal on ECA loans over a 12−year term. The ECA Facility contains certain net worth financial covenants, a breach of which would cause us to lose some of our operational flexibility under our leases, such as a requirement to grant pledges over certain bank accounts to the respective lenders. In addition, all loans under the ECA Facility contain change of control provisions that grant the lenders the right to prepayment of their loans in the event of a change of control, unless the lenders consent to the change of control.

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

At December 31, 2006, we had financed 17 aircraft under the ECA Facility, plus four aircraft financed under ECA financings prior to the April 2003 facility agreement. The net book value of aircraft pledged to the ECAs under the ECA Facility and the previous ECA loans was $598,366 at December 31, 2006.

JOL Financings—We have entered into several Japanese operating lease (“JOL “) finance structures to finance aircraft acquisitions. Funding under these structures is provided through a combination of senior commercial bank debt and subordinated loans from Japanese investors. The interest rate on the subordinated loans is fixed and the interest rate on the senior loans are variable based on three− and six−month LIBOR with spreads ranging from 0.25% to 1.35%. The security structures of the JOL financings require that legal title to the aircraft be transferred to and held by a special purpose company controlled by the respective lenders. We have entered into head lease agreements on the subject aircraft which transfer the risk and rewards of ownership of the aircraft to us. Aircraft subject to these structures are recorded as flight equipment held for operating lease on our balance sheets. The obligations outstanding under the JOL financings are secured by a pledge of our shares to the lenders which hold legal title to the aircraft financed under the respective financing. The obligations of each of our aircraft−owning subsidiaries under the JOL financings are guaranteed by us. All loans under the JOL financings contain change of control provisions that grant the lenders the right to prepayment of their loans in the event of a change of control, unless the lenders consent to the change of control. At December 31, 2006, we had financed three aircraft under JOL structures. The net book value of aircraft pledged to JOL financings was $89,671 at December 31, 2006.

Pre−delivery Payment Facility—Our consolidated joint venture vehicle, AerVenture, has entered into a credit facility during 2006 with Calyon to finance a portion of the pre−delivery payments to Airbus in an amount up to $118,900 (“AerVenture Facility”). Prior to drawing on the facility, AerVenture will pay, on average, 54% of the pre−delivery payment amount owed for each aircraft to be delivered in 2007, 60% of such amounts for each aircraft to be delivered in 2008 and 42% of such amount for each aircraft to be delivered in 2009. AerVenture must repay the lenders for the amounts drawn for the pre−delivery payment for each aircraft at the delivery date of that aircraft or, if the aircraft is not delivered on the scheduled delivery date, within three months of the scheduled delivery date. Borrowings under the AerVenture Facility are secured by, among other things, the partial assignment of the airframe and engine purchase

15. Debt (Continued)

agreements in respect of the 30 aircraft covered by the facility, including the right to take delivery of the aircraft where Calyon has provided the pre−delivery payments and the aircraft remains undelivered. The AerVenture Facility contains customary affirmative and financial covenants for secured financings. We have agreed to maintain a minimum of 25% of the shares of AerVenture until the AerVenture Facility is fully repaid. AerVenture is required to maintain a minimum net worth and a debt to equity ratio below a specified threshold.

UBS Revolving Credit Facility—AerFunding 1 Limited ("AerFunding") is a special purpose company incorporated with limited liability in Bermuda. The share capital of AerFunding is owned 95% by a charitable trust and 5% by AerCap Ireland. AerFunding was formed for the purpose of acquiring used aircraft assets which we acquire in the market. AerFunding entered into a non recourse senior secured revolving credit facility during 2006 in the aggregate amount of up to $1,000,000 with a syndicate of financial institutions led by UBS. The revolving loans under the credit facility are divided into three classes: class A loans, which have a maximum advance limit of $715,000, class B loans, which have a maximum advance limit of $180,000, and class C loans, which have a maximum advance limit of $105,000. In addition to borrowings under the revolving credit facilities, AerFunding has also issued subordinated notes to us at each aircraft purchase. Borrowings under the revolving credit facility can be used to finance between 72% and 84% of the appraised value of the acquired aircraft or, in the case of Boeing 737NG and Airbus A320 family aircraft, between 85% and 86% of the lower of the purchase price and the appraised value of the acquired aircraft. In addition, value enhancing expenditures and required liquidity reserves are also funded by the lenders. All borrowings under the revolving credit facility are subject to the satisfaction of customary conditions and restrictions on the purchase of aircraft that would result in our portfolio becoming too highly concentrated, with regard to both aircraft type and geographical location. Borrowings under the revolving credit facility are secured by, among other things, security interests in and pledges or assignments of equity ownership and beneficial interests in all of the subsidiaries of AerFunding, as well as by AerFunding's interests in the leases of its assets.

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, 2006, we had financed ten aircraft under the UBS revolving credit facility. The net book value of the ten aircraft pledged to lenders under the credit facility was $295,191 at December 31, 2006.

AeroTurbine Revolving Loan Facility—In connection with the prepayment of the existing senior and subordinated debt with Calyon with the proceeds of our initial public offering, we amended and restated our AeroTurbine credit facilities and increased the capacity under the revolving loan facility to $220,000. Borrowings under the revolving loan facility are secured by security interests in and pledges or assignments of all the shares and other ownership interests in AeroTurbine and its subsidiaries, as well as by all assets of AeroTurbine and its subsidiaries. The revolving loan facility contains a number of covenants that, among other things, restrict, subject to certain exceptions, the ability of AeroTurbine to incur additional indebtedness; create liens on assets, including assets financed with proceeds from the revolving loan facility; make advances, loans, extensions of credit, guarantees, capital contributions or other investments; engage in mergers or consolidations; engage in certain sale−leaseback transactions; change the business conducted by AeroTurbine and its subsidiaries; and make certain capital expenditures.

15. Debt (Continued)

Additionally, the revolving loan facility includes a restriction in AeroTurbine's ability to declare or pay dividends or other asset distributions to other group companies above a certain defined threshold. The revolving loan facility also requires AeroTurbine to maintain certain minimum debt−to−earnings and earnings−to−expenses ratios. All of AeroTurbine's tangible assets of approximately $328,332 at December 31, 2006 are pledged as collateral for the revolving loan facility.

GATX Portfolio Acquisition Facility—In connection with the purchase of a portfolio of up to 25 aircraft from GATX, our consolidated subsidiary entered into a senior secured loan facility in the aggregate amount of up to $248,000 with Calyon and certain other financial institutions. Borrowings under the senior facility can be used to finance the lesser of 70% of the purchase price of each aircraft and a scheduled percentage of loan amounts related to such aircraft. Borrowings under the senior facility are secured by mortgages on the aircraft and security interests in and pledges or assignments of all the shares and other ownership interests in the borrower and its subsidiaries, as well as their bank accounts and lease interests. The loans include general and operating covenants that restrict the borrower from incurring additional indebtedness and other limitations which are customary for such credit facilities. At December 31, 2006, we had financed 24 aircraft under the loan facility. The net book value of the 24 aircraft pledged to lenders under the loan facility was $316,793 at December 31, 2006.

ALS Securitization Debt—ALS is a special purpose company incorporated with limited liability in Jersey, Channel Islands, on August 10, 2005. The share capital of ALS is owned 95% by Jersey charitable trusts and 5% by AerCap Ireland. ALS was formed for the purpose of raising securitized debt financing on 42 of our aircraft which were not then subject to other secured financings. On September 15, 2005, ALS issued five subclasses (G−1A, G−2A, C−1, D−1 and E−1) of securitized notes secured by the 42 aircraft. The class G−1A, class G−2A and class C notes and a portion of the class D notes were issued to public investors for cash upon closing. The remaining class D notes ($773) and the class E notes are held by us. The net book value of the 42 aircraft pledged as collateral for the securitization debt was $949,474 at December 31, 2006.

ALS is bankruptcy−remote from us and the lenders to ALS may only look to proceeds derived from the 42 ALS aircraft for repayment. The indenture agreement, which governs the securitized notes, require that ALS hold a designated amount of cash aside in restricted accounts for future cash flow requirements of ALS. All cash held by ALS is recorded as restricted cash on our balance sheets. The indenture also requires ALS to comply with a number of general and operating covenants including, but not limited to the following:

Limitations on aircraft modifications, acquisition and disposals.

Limitation on transactions with us and our affiliates.

Maintenance of separate existence.

Compliance with concentration limits with regard to financial strength, regional location and specific country of lessees.

(US dollars in thousands)

15. Debt (Continued)

Commercial Bank Debt—We have entered into various commercial bank financings to fund the purchase of individual or small groups of aircraft. The financings mature at various dates through 2019. The interest rates are a mix of one−, three− and six−month LIBOR−based with spreads ranging from 0.95% to 1.80%. The financings are secured by a pledge of the shares of the subsidiaries owning the related aircraft and a guarantee from us. Most of our commercial bank debt contain affirmative covenants customary for secured financings, such as the regular provision of financial information and disclosure of material events affecting us, among others. At December 31, 2006, we had financed 14 aircraft under commercial bank financings. The net book value of the 14 aircraft pledged to commercial bank financings was $438,634 at December 31, 2006.

Capital Lease Obligations—We are obligated under capital lease agreements involving four aircraft that originated from sale−leaseback transactions. Our obligations under these capital leases are defeased through interest bearing receivables held by the lenders to the sale−leaseback structures. We have also placed additional commercial debt financing of $108,929 at December 31, 2006 on these four aircraft. The net book value at December 31, 2006 of the four aircraft securing the capital lease obligations was $144,325, which is also included in the net book value of aircraft securing commercial bank debt above. Depreciation of $8,858, $3,084, $4,429 and $6,169 have been charged on these assets during the year ended December 31, 2004, the six months ended June 30, 2005, the period from June 27, 2005 to December 31, 2005 and the year ended December 31, 2006. The future minimum lease payments under the capital leases, together with the scheduled return of principal amounts in related defeased structures are as follows:

	Rental commitments	Defeased notes receivable	Net rental Commitments
2007	$ 11,456	$ 11,456	—
2008	50,865	50,865	—
2009	6,154	6,154	—
2010	121,653	121,653	—
	190,128	190,128	—
Less amount representing interest	(27,977)	(27,977)	—
Present value of minimum payments	$ 162,151	$ 162,151	—

During 2006, we purchased an aircraft that was previously subject to a capital lease and terminated the capital lease obligation. The purchase consideration represented a discount of $8,263 to the carrying value of our capital lease obligation. In accordance with FIN 26, *Accounting for Purchase of a Leased Asset by the Lessee during the Term of the Lease an interpretation of FASB Statement No. 13*, the amount of the discount has been applied to reduce the net book value of the related aircraft.

At December 31, 2006, we had also issued letters of credit in an amount of $44,556 in support of certain obligations. All issued letters of credit are fully cash collateralized with restricted cash. In addition, at December 31, 2006, we had committed credit facilities of $922,300 and an on−demand overdraft facility of $10,000, which were undrawn.

(US dollars in thousands)

15. Debt (Continued)

A total amount of capitalized interest of $7,850, $3,084, $2,767 and $4,888 reduced interest expense in respect of the prepayments on flight equipment (Note 8) for the year ended December 31, 2004, the six months ended June 30, 2005, the period from June 27, 2005 to December 31, 2005 and the year ended December 31, 2006, respectively.

16. Accrual for onerous contracts

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

	2005	2006
Lease−in, lease−out transactions	$ 86,148	$ 72,959
1999 Forward Order	66,486	38,374
	$ 152,634	$ 111,333

Lease−in, Lease−out transactions—At December 31, 2006, we leased in 11 aircraft from several different lessors under operating head leases that mature between 2008 and 2012. We have entered into sublease agreements with several different customers covering these same 11 aircraft. In all cases, the lease termination dates of the subleases are matched to the lease termination dates under the head leases. The contracted sublease receipts, however, are insufficient to cover our monthly obligations under the head leases. These transactions are recorded at their net present value as a result of purchase accounting.

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

Following is a summary of the undiscounted contracted minimum lease payments under the respective head leases and subleases:

	Head lease payments	Sublease Receipts
2007	$ 39,129	$ 23,748
2008	34,640	20,368
2009	28,339	15,858
2010	25,652	15,708
2011	24,911	15,708
Thereafter	21,745	10,573
	$ 174,416	$ 101,963

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.

(US dollars in thousands)

16. Accrual for onerous contracts (Continued)

Forward order contract—As indicated in Note 8, we are committed for the purchase of nine firm aircraft under the 1999 Forward Order contract for delivery in 2007. The purchase price of these aircraft will be determined at the date of delivery. The final price depends upon the specification of the aircraft and the level of escalation applied to the contracted price which is dependent upon economic indices. An amount of $63,433, exclusive of capitalized interest, is prepaid in respect of delivery of these aircraft at December 31, 2006. Because the contracted purchase prices of the aircraft at delivery are in excess of the anticipated fair market value of the aircraft at delivery, we have recognized an accrual for onerous contracts with respect to the forward order. The accrual was recognized at the date of the Acquisition as the excess of the net present value of costs to be incurred under the contract over the estimated fair value of the aircraft at delivery.

17. 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.

	AerCap B.V.		AerCap Holdings N.V.	
	Year ended December 31, 2004	Six months ended June 30, 2005	June 27 to December 31, 2005	Year ended December 2006
Deferred tax expense (benefit)				
The Netherlands	$ (11,825)	$ 705	$ 9,802	$ 22,664
Ireland	11,504	3,190	890	9,399
United States of America	—	—	—	(8,044)
Sweden	—	—	—	(9,010)
Other	495	324	(83)	(115)
	174	4,219	10,609	14,894
Current tax (benefit) expense				
United States of America	(6)	(92)	(39)	1,430
Income tax expense	$ 168	$ 4,127	$ 10,570	$ 16,324

(US dollars in thousands)

17. Income taxes (Continued)

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

	AerCap B.V.		AerCap Holdings N.V.	
	Year ended December 31, 2004	Six months ended June 30, 2005	June 27 to December 31, 2005	Year ended December 2006
Income tax (benefit) expense at statutory income tax rate(a)	$ (31,559)	$ 11,197	$ 17,829	$ 30,705
Increase (reduction) in tax resulting from:				
Tax exempt (income) expense	39,724	—	—	18,813
Reduction of Netherlands corporate tax rate(b)	—	—	—	6,158
Non−taxable results of limited partnership operations	—	—	(6,123)	(12,421)
Reduction in Swedish valuation allowance	—	—	—	(9,010)
Tax on global activities	(7,997)	(7,070)	(1,136)	(17,921)
	31,727	(7,070)	(7,259)	(14,381)
Actual income tax expense	$ 168	$ 4,127	$ 10,570	$ 16,324

(a) The statutory income tax rates in the Netherlands were 34.5% for the year ended December 31, 2004, 31.5% for the six months ended June 30, 2005 and the period from June 27, 2005 to December 31, 2005 and 29.6% for the year ended December 31, 2006.

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

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 16 and timing differences with respect to capitalized expenses.

(US dollars in thousands)

17. Income taxes (Continued)

The following tables describe the principal components of our deferred tax assets and liabilities by jurisdiction at December 31, 2005 and 2006.

	December 31, 2005			
	The Netherlands	Ireland	U.S.	Sweden
Depreciation/Impairment	$ (57,608)	$ (155)	$ (1,566)	—
Prepayments on flight equipment	(4,297)	—	—	—
Lease premium asset	9,131	1,017	—	—
Lessee receivables	—	—	8,130	—
Loss−making contracts	(21,401)	—	(29,068)	—
Obligations under capital leases and debt obligations	—	(8,136)	—	—
Capitalized expenses	—	—	(1,229)	—
Investments	39,827	(2,500)	—	—
Losses and credits forward	(22,072)	(50,925)	(5,616)	$ (8,829)
Other	1,953	(1,611)	(4,823)	—
Valuation allowance on tax assets	—	17,431	34,172	8,829
Net deferred tax (asset) liability	$ (54,467)	$ (44,879)	$ —	$ —

	December 31, 2006			
	The Netherlands	Ireland	U.S.	Sweden
Depreciation/Impairment	$ (42,507)	$ 2,922	$ 27,242	$ —
Prepayments on flight equipment	(2,503)	—	—	—
Intangibles	—	—	8,927	—
Lessee receivables	—	—	(1,807)	—
Inventory	—	—	2,145	—
Loss−making contracts	(9,785)	—	(21,097)	—
Obligations under capital leases and debt obligations	—	(7,881)	—	—
Capitalized expenses	—	—	(1,275)	—
Investments	25,389	(2,500)	—	—
Losses and credits forward	(7,098)	(44,303)	(7,236)	(9,010)
Other	(3,287)	(710)	(3,720)	—
Valuation allowance on tax assets	—	—	—	—
Net deferred tax (asset) liability	$ (39,791)	$ (52,472)	$ 3,179	$ (9,010)

(US dollars in thousands)

17. Income taxes (Continued)

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

	AerCap B.V.	AerCap Holdings N.V.	
	Six months ended June 30, 2005	June 27 to December 31, 2005	Year ended December 31, 2006
Valuation allowance at beginning of period	$ 83,697	$ 64,138	$ 60,432
Reduction of allowance to income tax provision	(19,559)	(3,706)	(9,010)
Reduction of allowance to intangible assets	—	—	(22,817)
Reduction of allowance to goodwill	—	—	(30,058)
Increase of allowance to income tax provision	—	—	1,453
Valuation allowance at end of period	$ 64,138	$ 60,432	—

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 losses forward and accelerated tax depreciation, no current tax expense arises with respect to the Netherlands subsidiaries. Deferred income tax is calculated using the Netherlands corporate income tax rate legislated to be in effect when the temporary differences reverse of 25.5%.

Ireland

Our aircraft owning and principal operating Irish resident subsidiaries enjoyed the benefit of a 10% rate of corporate tax on qualifying trading activities until December 31, 2005. After December 2005, the enacted tax rate is 12.5%. Some of the Irish entities have significant losses forward at December 31, 2006 which give rise to deferred tax assets. The availability of these losses does not expire with time. Accordingly, no Irish tax charge arose during the year. Based on projected taxable profits in our Irish subsidiaries, including the anticipated interest income to be received from ALS securitization notes which we hold and the interest to be received by our Irish subsidiaries on loans transferred to Ireland in connection with our change in corporate structure described in Note 1, we expect to recover the full value of our Irish tax assets and have eliminated the previous valuation allowance at December 31, 2006. In accordance with SFAS 109, *Accounting for Income Taxes*, the offsetting entry to the reduction in the valuation allowance which was established at the 2005 Acquisition, reduced the intangible lease premium asset that was recognized at the time of the 2005 Acquisition.

United States of America

Our U.S. subsidiaries are assessable to federal and state U.S. taxes. Prior to our acquisition of AeroTurbine, our U.S. subsidiaries had significant timing differences available to offset future federal taxable profits and no current tax charge arose in periods prior to the AeroTurbine acquisition. Following a change of ownership of the U.S. Company in November 2000, and the change of control at the 2005 Acquisition, certain restrictions, under Section 382 of the IRS tax code, were imposed on the utilization of the net losses in existence at those dates and no tax asset had been recognized for these losses occurring prior to these changes of control. As of December 31, 2005, $5,616 of net losses occurring subsequent to the 2005 Acquisition existed, which would begin to expire in 2025. Based on projections of taxable income

17. Income taxes (Continued)

in the U.S. at December 31, 2005, however, the realizability of any portion of these deferred tax assets was unlikely and a valuation allowance had been established to cover the entire amount.

As a result of the AeroTurbine acquisition, our projections of future taxable income of the U.S. group indicate we will generate sufficient taxable income to recover the full value of all tax assets in the U.S. group, including net operating losses which begin to expire in 2025 which are not otherwise restricted under Section 382. Based on these projections, we have eliminated our U.S. valuation allowance at December 31, 2006. In accordance with SFAS 109, the offsetting entry to the reduction in the valuation allowance which was established at the 2005 Acquisition, reduced the remaining intangible lease premium asset of $5,386 recognized at the time of the 2005 Acquisition and then reduced goodwill recognized in the AeroTurbine Acquisition of $30,058.

Beginning with the tax year ending December 31, 2006, we will file a consolidated federal income tax return in the U.S. which will include the accounts of AeroTurbine. Section 384 of the IRS code restricts the use of net operating losses of an acquiring entity to offset recognized built−in gains of an acquired entity in certain circumstances. As a result of recognized built−in gains from the operations of AeroTurbine in the period between the AeroTurbine Acquisition and December 31, 2006 which exceed the losses of the consolidated U.S. group during the same period, we expect to pay current federal and state income taxes of $1,430 related to 2006.

Sweden

The Swedish entities have significant losses forward at December 31, 2006 which give rise to deferred tax assets. The availability of these losses does not expire with time. Accordingly, no Swedish tax charge arose during the year. Based on projected taxable profits in our Swedish subsidiaries we expect to recover the full value of our Swedish tax assets and have eliminated the previous valuation allowance at December 31, 2006. As the intangible lease premium asset that was recognized at the time of the 2005 Acquisition was completely reduced by the release of the Irish and U.S. valuation allowance, the offsetting entry to the reduction in the Swedish valuation allowance which was established at the 2005 Acquisition, reduced the provision for income taxes in accordance with SFAS 109, *Accounting for Income Taxes*,

18. Share capital

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

18. Share capital (Continued)

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

As of December 31, 2006, our authorized share capital consists of 200,000,000 common shares with a par value of €.01 with 85,036,957 issued and outstanding.

As described in Note 15, the ability of our wholly−owned subsidiary, AeroTurbine, to declare and pay dividends to us of cash or other assets, above a certain threshold is restricted under the terms of its revolving loan facility. Our consolidated shareholders' equity includes shareholders' equity attributable to AeroTurbine of $258,483.

19. Share−based compensation

Effective June 30, 2005, Bermuda holding companies ("Bermuda Parents") which indirectly owned 100% of our equity interests put into place an Equity Incentive Plan ("Equity Plan") under which members of our senior management, Board of Directors and a consultant (the "participants") can be granted either restricted shares or share options ("Equity Grants") in the Bermuda Parents. The Bermuda Parents from which the restricted shares and share options have been granted were formed with identical capital structures (95% preferred shares and 5% common shares) and each have an equal percentage indirect ownership interest in us, representing 100% of our ownership interests in aggregate prior to our initial public offering and 69.3% after our initial public offering. The Bermuda Parents do not own any other significant assets or conduct any other significant activities outside of their indirect investment in us and the value of the Bermuda Parents is derived exclusively with reference to the value of our shares.

We apply the provisions of SFAS 123(R), *"Share−based payments"* in accounting for the Equity Grants. In addition to formal vesting restrictions, the terms of the Equity Grants contain provisions which allow the Bermuda Parents to repurchase any restricted shares or shares obtained through the exercise of options at 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 Equity Grants signed a Share Agreement in connection with our public offering which gives each of them the right to exchange their Bermuda Parent shares or share options for our shares or options on our shares directly with the Bermuda Parents. Such right is not exercisable until two years from our initial public offering date. The Share Agreement also restricts all such holders from selling or pledging their interests in the Bermuda Parents. At the expiration of the two−year period, the participants will not be restricted from selling their interests in our shares.

In December 2005, restricted shares and share options were issued to members of our senior management and a consultant. The terms of the Equity Grants contain provisions which allow the Bermuda Parents to repurchase any restricted shares or shares obtained through the exercise of options at no cost at the occurrence of certain employment termination events. According to the terms of the Equity Grants issued at that time, the options were to vest and certain restrictions on the restricted shares were to

19. Share−based compensation (Continued)

lapse during the period from June 2005 to December according to certain time and performance criteria. As set forth in the restricted share and option agreements, all share options vested and all restrictions on restricted shares lapsed (other than the repurchase rights referred to above), upon the closing of our initial public offering. The fair value of the shares and options issued in December 2005 were calculated with reference to the transaction price for the 2005 Acquisition on June 30, 2005 and considered all factors effecting the value between that date and the grant date. For all shares and share options except those held by a consultant, expense recognition under SFAS 123(R) is based on the grant date fair value. The share−based compensation for the consultant is based on the mark−to−market value of the underlying shares at each reporting date. Despite the formal vesting of these restricted shares and share options at the date of our initial public offering, expense recognition of these Equity Grants will be recognized between the date of our initial public offering and two years from that date, which is the date that the holders can exchange their Bermuda holding company shares for shares in our company and sell them in the market. This period of two years represents the period of "substantial vesting" under SFAS 123(R).

On April 26, 2006, (the date of the AT Acquisition) the selling shareholders of AT purchased restricted shares in the Bermuda Parents. These restricted shares were subject to certain time and performance criteria similar to the December 2005 grants. The agreements which govern the restricted shares, allow the Bermuda Parents to call the restricted shares and allow the employees to put their shares back to the Bermuda Parents at fair market value upon the occurrence of certain employment termination events. In connection with our initial public offering, all restrictions on these restricted shares, other than the put and call rights referred to above, lapsed.

On August 21, 2006 and September 5, 2006 the Bermuda Parents issued stock options under the Equity Plan to three members of the Company's senior management. The options vest over a four−year period of time according to both time and performance−based criteria. Twenty−percent of the options vested upon our initial public offering and another 20% vested on December 31, 2006 based on achievement of performance measures. All of these options issued vest upon a change of control, excluding an initial public offering of our shares. The option agreements contain provisions which allow the Bermuda Parents to repurchase any shares obtained through the exercise of options at the lower of fair market value or the exercise price paid at the occurrence of certain employment termination events.

On September 5, 2006, the Bermuda Parents granted options under the Equity Plan to four non−executive directors of the Company. The options granted to the directors are not subject to vesting criteria and are exercisable for a period of ten years. The Bermuda Parents have the right to repurchase any shares acquired through the exercise of options at fair market value within 90 days of the conclusion of any director's term on the board of directors.

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

The fair values of all shares and share options granted in 2006 as described above were calculated assuming the midpoint valuation of our shares held by the Bermuda Parents in connection with the public offering of our shares. To this value, a discount for lack of marketability (''DLOM'') was applied to reflect

(US dollars in thousands)

19. Share−based compensation (Continued)

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 application of a DLOM was supported by empirical data from studies of restricted shares and pre−IPO studies of share prices. In addition, the DLOM was supported by a ‘‘put−option’’ analysis which calculates the inherent difference in value between a freely traded share and an illiquid, restricted share.

With the exception of 25% of the restricted shares purchased by the AT executive, a DLOM of 20% was applied in the April 2006 valuation supporting the issuance of shares to the two AT executives. Because the AT executives had control over an employment termination right that would allow them to put the shares at fair market value to the Bermuda Parents immediately upon vesting, 25% of the shares purchased qualified as a liability award and the value of those shares was subject to mark−to−market movements until September 19, 2006, when the put right was modified through an amendment to the restricted share purchase agreement. A DLOM of 10% was applied to the valuation supporting the issuances in August and September 2006 and the 25% tranche held by the AT executives. The decrease to the DLOM between the two valuation dates reflects the increased probability of a successful public offering of our shares and the resulting closer proximity to a liquid market for shares in the Bermuda Parents.

In accordance with SFAS 123R, 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 (or the date of the amendment related to the 25% fourth tranche held by the AT executives) 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 above 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.

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, 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 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 volatilities and interest rates used result from the differences in expected life among the different tranches of stock options valued.

(US dollars in thousands)

19. Share−based compensation (Continued)

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 ($10,291) related to the tax deductible portion of share−based compensation charges.

A summary of issuances under the Equity Plan at December 31, 2006 is set forth below. Because the number of shares and share options under the Equity Plan are shares and share options of the Bermuda Parents, ownership interests in the table below have been stated as the equivalent number of our shares which are represented by the Bermuda holding company shares at December 31, 2006.

	Grant Date	Shares(a)(b)	Options(a)	Grant Date Fair Value	Expense recognized in the year ended December 31, 2006 (f)
December 2005 Grant (executives)	December 29, 2005	3,898,085	1,535,446	$ 3,056(c)	$ 3,134
AT Executive Issuance	April 26, 2006	3,758,529	—	70,125	70,125
Senior Management Issuance	August 21 / September 5, 2006	—	980,004(e)	9,712(d)	1,453
Independent Director Issuance	September 5, 2006	—	252,587(e)	3,923	3,923
		7,656,614	2,768,037	$ 86,816	$ 78,635

(a) On a fully−diluted basis assuming all options vest and are exercised.

(b) In addition to shares granted under the Equity Plan, members of management have purchased Bermuda holding company shares indirectly representing 186,389 of our common shares.

(c) Excludes the fair value of 270,325 indirect shares owned by a consultant whose value is determined under FAS 123(R) based on the mark−to−market value at each reporting date.

(d) Excludes the fair value of 367,502 indirect options where vesting is determined with respect to future performance criteria which has not yet been established. The share−based compensation charges for these options will be determined when those criteria are formally established.

(e) These indirect options are subject to an exercise price of $7.00 per share.

(f) For those shares and share options which have a grant date under SFAS 123(R) (excluding options which vest according to yet−to−be established performance criteria and restricted shares held by a consultant), we expect to record share−based compensation of $5,190, $4,716 and $347 in 2007, 2008 and 2009, respectively.

(US dollars in thousands)

Following is a summary of the issuances of new restricted shares and share options under the Equity Plan and the substantive vesting of such restricted shares and share options during the year ended December 31, 2006. All share numbers are calculated on a fully−diluted basis assuming the vesting, exercise and conversion to shares of AerCap Holdings N.V.

	Unvested Restricted Shares/Options Not Subject to a Strike Price	Unvested Options Subject to a $7.00 Strike Price
Balance at January 1, 2006	5,433,531	—
Issuance of restricted shares in connection with AeroTurbine Acquisition	3,758,529	—
Issuance to senior management		980,004
Substantive vesting during year	(5,645,100)	(392,002)
Balance at December 31, 2006	3,546,960	588,002

19. Share−based compensation (Continued)

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. Our new equity incentive plan provides for the grant of nonqualified stock options, incentive stock options, stock appreciation rights, restricted stock, restricted stock units and other stock awards to participants of the plan selected by the Nomination and Compensation Committee of our Board of Directors. Subject to certain adjustments, the maximum number of shares available to be granted under the plan is equal to 5% of our outstanding shares. No shares have been issued and none are outstanding under the plan. The terms and conditions of awards, including vesting provisions for stock options, are determined by the Nomination and Compensation Committee, except that, unless otherwise determined by the Nomination and Compensation Committee, or as set forth in an award agreement: (a) each stock 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 stock option period may extend beyond ten years from the date of grant; (b) the option price per share may not be less than 100% of the fair market value of the ordinary shares except that the option price per share for a key employee may not be less than 110% of the fair market value of the ordinary shares at the time the incentive stock option is granted; and (c) incentive stock options may only be issued to the extent the aggregate fair market value of shares with respect to the exercise of the incentive stock options for the first time by an option holder during any calendar year is $100,000 or less, with any additional stock options being treated as nonqualified stock options.

20. Segment information

Reportable Segments

Prior to the acquisition of AT, we operated in one reportable segment—leasing, financing and management of commercial aircraft. From the date of the acquisition of AT, we manage our business, analyze and report our results of operations on the basis of two business segments—leasing, financing, sales and management of commercial aircraft (“Aircraft”) and leasing, financing and sales of engines and parts (“Engine and Parts”).

(US dollars in thousands)

The following sets forth significant information from our reportable segments:

	AerCap B.V. Year ended December 31, 2004		
	Aircraft	Engines and parts	Total
Revenues from external customers	$ 390,867	—	$ 390,867
Segment loss	(105,362)	—	(105,362)
Segment assets	3,614,950	—	3,614,950
Depreciation	125,877	—	125,877

20. Segment information (Continued)

	AerCap B.V. Six months ended June 30, 2005		
	Aircraft	Engines and parts	Total
Revenues from external customers	$ 278,008	—	$ 278,008
Segment profit	33,700	—	33,700
Segment assets	2,841,689	—	2,841,689
Depreciation	66,407	—	66,407

	AerCap Holdings N.V. June 27, 2005 to December 31, 2005		
	Aircraft	Engines and parts	Total
Revenues from external customers	$ 215,072	—	$ 215,072
Segment profit	49,663	—	49,663
Segment assets	3,061,233	—	3,061,233
Depreciation	45,918	—	45,918

	AerCap Holdings, N.V. Year ended December 31, 2006		
	Aircraft	Engines and parts (a)	Total
Revenues from external customers	$ 689,226	$ 125,193	$ 814,419
Segment profit (loss)	145,801	(57,805)	87,996
Segment assets	3,532,809	390,183	3,922,992
Depreciation	95,933	6,454	102,387

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

Geographical Information

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

	Year ended December 31, 2004	Six months ended June 30, 2005	June 27 to December 31, 2005	Year ended December 31, 2006
Europe	36%	33%	33%	35%
Asia/Pacific	35%	43%	44%	43%
Latin America	7%	6%	5%	7%
North America and Caribbean	21%	18%	18%	15%
Africa/Middle East	1%	—	—	—
	100%	100%	100%	100%

(US dollars in thousands)

No lessee accounted for more than 10% of lease revenue in any of the periods indicated above. Sales revenue is comprised of 69% from our aircraft segment and 31% from our engine and parts segment. We have not provided a geographical breakdown of sales revenue because a material percentage of our sales are of movable flight equipment and are to buyers that have multiple locations. In addition, we have not provided a breakdown of management fee revenue, interest revenue or other revenue because amounts are

20. Segment information (Continued)

less material than lease and sales revenue and we do not believe a geographical breakdown of such revenues is helpful in identifying geographical concentration risks to our business.

The following table indicates the percentage of long−lived assets (flight equipment and intangible assets) that are leased to or associated with customers in the indicated regions as at December 31, 2005 and December 31, 2006:

	2005	2006
Europe	46%	41%
Asia/Pacific	37%	35%
Latin America	3%	6%
North America and Caribbean	14%	18%
Africa/Middle East	—	—
	100%	100%

21. Goodwill impairment

We recorded an impairment of all existing goodwill $132,411 as a result of our annual goodwill impairment test in 2004. The valuation of our single reporting unit was calculated through a discounted cash flow approach and considered all of our then−existing assets and liabilities. In years prior to 2004, our ability to grow and make additional aviation investments was primarily controlled by the Previous Shareholder Lenders. Our strategic growth plans were based on an assumed easing of operational restrictions placed on us through our loans with the Previous Shareholder Lenders and an infusion of equity capital. We were not able to achieve such measures in 2004 and reforecasted our estimated cash flows, which were substantially less than the projected cashflows in previous years. Further, we became aware that the Previous Shareholder Lenders intended to sell us for a price below our book equity value.

22. Impairment on investment

During 2004, we accepted common shares in one of our lessees in lieu of cash in satisfaction of the lessee’s obligation for security deposits under the related leases. At the time of receipt of the shares, we recorded the fair value of the shares as investment on the balance sheet. Later in 2004, due to liquidity problems and financial uncertainty of the lessee, we recorded an impairment charge on the entire carrying amount of the investment in recognition of a permanent impairment in value of the shares.

(US dollars in thousands)

23. Selling, general and administrative expenses

Selling, general and administrative expenses include the following expenses:

	AerCap B.V.		AerCap Holdings N.V.	
	Year ended December 31, 2004	Six months ended June 30, 2005	June 27 to December 31, 2005	Year ended December 31, 2006
Personnel expenses	$ 17,678	$ 9,360	$ 13,417	$ 114,463 (a)
Travel expenses	3,381	1,277	1,270	4,635
Professional services	9,488	4,702	6,662	19,415
Office expenses	3,865	1,474	1,571	4,590
Other expenses	2,037	2,746	4,029	6,261
	$ 36,449	$ 19,559	$ 26,949	$ 149,364

(a) Includes share−based compensation of $78,635

We had 100 and 351 persons in employment as at December 31, 2005 and 2006, respectively. The increase in numbers of employees between the periods is primarily the result of the acquisition of AeroTurbine and employees hired at our leased facility in Goodyear, Arizona.

24. Earnings per common share

Basic and diluted earnings per share (EPS) is calculated by dividing net income by the weighted average of our common shares outstanding. We have no dilutive shares or share options. The computations of basic and diluted earnings per common share for the periods indicated below are shown in the following table:

	Year ended December 31, 2004	Six months ended June 30, 2005	June 27 to December 31, 2005	Year ended December 31, 2006
Net (loss) income for the computation of basic and diluted earnings per share	$ (105,362)	$ 33,700	$ 49,663	$ 87,996
Weighted average common shares outstanding	736,203	736,203	78,236,957	78,992,513
Basic and diluted (loss) earnings per common share	$ (143.12)	$ 45.78	$ 0.63	$ 1.11

25. Related party transactions

Until the 2005 Acquisition, the Previous Shareholder Lenders had provided us with subordinated loans for a total of $350,650 as at December 31, 2004. The interest rates on these loans were variable and are calculated on the basis of six−month LIBOR. Interest of $10,866 and $7,373 was included in interest on indebtedness for the year ended December 31, 2004 and the six months ended June 30, 2005, respectively. These loans were acquired at the 2005 Acquisition by AerCap Holdings C.V. and are eliminated in consolidation in these consolidated accounts.

The Previous Shareholder Lenders also participated in our senior credit agreements prior to the B.V. Acquisition. A total of $1,516,604 was outstanding under these credit agreements at December 31, 2004.

25. Related party transactions (Continued)

The interest rate on the credit facility is variable and is calculated on the basis of LIBOR. Interest on the senior debt of $61,634 and $34,842 is included in interest on debt for the year ended December 31, 2004 and for the six months ended June 30, 2005, respectively.

Wings is a wholly−owned subsidiary of DASA, who is wholly−owned by one of our Previous Shareholder Lenders. We provide aircraft lease management and remarketing services to Wings for which we received fees of $1,623 and $685 for the year ended December 31, 2004 and the six months ended June 30, 2005, after which Wings is no longer a related party due to the sale of our shares by our Previous Shareholder Lenders.

AerCo is an aircraft securitization vehicle from which we hold all of the most junior class of subordinated notes and some notes immediately senior to those junior notes. We do not recognize value for the AerCo notes which we still hold on our consolidated balance sheets. Through March 2003 we consolidated AerCo, but we deconsolidated the vehicle in accordance with FIN 46 at that time. Subsequent to the deconsolidation of AerCo, we have received interest from AerCo on its D note investment of $8,500, $1,733, $850 and $1,700 for the year ended December 31, 2004, the six months ended June 30, 2005, the period from June 27, 2005 to December 31, 2005 and for the year ended December 31, 2006, respectively. In addition, we provide a variety of management services to AerCo for which we received fees of $5,400, $2,358,$2,440 and $5,208 for the year ended December 31, 2004, the six months ended June 30, 2005, the period from June 27, 2005 to December 31, 2005 and for the year ended December 31, 2006, respectively

We have made payments to Cerberus and third parties on behalf of Cerberus totaling $1,203 since the 2005 Acquisition. The payments to Cerberus represent reimbursement of consulting fees paid by Cerberus to individuals who have assisted us in the evaluation of portfolio or company purchases, including our acquisition of AeroTurbine. In addition, this amount also includes approximately $200 of reimbursements for consulting services incurred by Cerberus in connection with Cerberus's evaluation of the 2005 Acquisition. If we accept services from individuals employed by or contracted through Cerberus in the future, we expect these arrangements to reflect arms' length negotiations that will not be less favorable than the terms we could negotiate with an independent party. Payments to third parties on behalf of Cerberus consist of payments to advisors engaged by Cerberus in connection with the 2005 Acquisition.

We lease two A320−200 model aircraft to Air Canada. One lease began on April 23, 2002 and extends for a term of six years. The other lease began on May 29, 2002 and extends for a term of ten years. Cerberus indirectly controls 11% of the equity of Air Canada as from September 30, 2004 and has a majority equity interest in AerCap Holdings N.V. as from June 30, 2005. Cerberus did not hold such equity interest in Air Canada and AerCap Holdings N.V. at the time we entered into the leases with Air Canada.

In February 2006, we entered into a guarantee arrangement with DvB Bank AG and Aozora Bank Limited, an entity that is majority−owned by Cerberus. In addition, Pieter Korteweg, the Chairman of our Board of Directors, and Marius Jacques Leonard Jonkhart, a non−executive director, are also on the board of directors of Aozora Bank. The guarantee supports certain of our obligations to a Japanese operating lessor of up to $13,800 in connection with a JOL financing. The Japanese operating lessor required

25. Related party transactions (Continued)

the guarantee as additional credit support following the 2005 Acquisition. We leased the A320 aircraft from the Japanese operating lessor under a lease and then subleased the aircraft to an aircraft operator. In the event we fail to make certain payments related to JOL financing, DvB Bank will make the payment on our behalf but will be reimbursed by Aozora Bank for any payments made. We have agreed to indemnify Aozora Bank for any payments it makes under the guarantee arrangement. The guarantee expires in February 2008. Under the terms of the guarantee arrangement, we are required to provide cash collateral to Aozora Bank if we breach certain financial covenants. Currently we are not in breach of any of these covenants and have not provided any cash collateral. In connection with the guarantee arrangement, we pay Aozora Bank a guarantee fee of 4.1% per annum of the amount guaranteed and have provided Aozora Bank with a second priority share pledge over the shares of the entity that entered into the financing from the Japanese operating lessor.

In April 2006, we entered into a senior secured revolving credit facility in the aggregate amount of up to $1,000,000 with UBS Real Estate Securities Inc., UBS Securities Inc., Deutsche Bank Trust Company Americas and certain other financial institutions. Aozora Bank is a syndicate member under the facility and participated in up to $50,000 the Class A loans and up to $25,000 of the Class B loans issued thereunder, representing 7.0% of the Class A loans and 13.9% of the Class B loans. As of December 31, 2006, we had drawn and there remained outstanding $172,243 of the class A loans and $40,625 of the class B loans.

We lease our office and warehouse located in Miami, Florida from an entity owned by the Chief Executive Officer and Chief Operating Officer of AeroTurbine. The lease for this facility expires on December 31, 2013. The lease was amended in March 2006 to adjust the rent to current market rates commencing on January 2007.

In 2004, we entered into leases for six A320 aircraft with WizzAir Hungary Limited. As part of a subsequent restructuring of amounts outstanding, WizzAir agreed to issue us shares of their equity representing 17.4% of their equity as of November 2004. In 2005, we agreed with WizzAir's other shareholders and creditors to enter into a Shareholders' and Noteholders' Agreement under which we agreed to convert trade receivables into an unsecured, non−amortizing €7,800 note, convertible into approximately 26% of WizzAir's outstanding shares on a fully diluted basis as of February 2005. Under the terms of the Shareholders' and Noteholders' Agreement we were able to appoint a director of WizzAir between February 2005 and June 2005. The convertible notes were carried on our balance sheet at December 31, 2005 at $1,800. We sold all of our WizzAir convertible notes in September 2006.

(US dollars in thousands)

26. Commitments and contingencies

Property and other rental commitments

We have entered into property rental commitments with third parties, which expire in 2011, amounting to $7,499 and $16,255 as of December 31, 2005 and 2006, respectively. We also have lease arrangements with respect to company cars and office equipment. Minimum payments under the property rental agreements are as follows:

2007	$	3,775
2008		3,220
2009		3,072
2010		1,822
2011		1,822
Thereafter		2,544
	$	16,255

Legal proceedings

VASP litigation

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

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

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

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

(US dollars in thousands)

26. Commitments and contingencies (Continued)

Swedish tax dispute

In 2001, the Swedish tax authorities challenged our position in tax returns filed for the years 1999 and 2000 with respect to certain deductions. In accordance with Swedish law, we made a guarantee payment to the tax authority of $16,792 in 2003, which was recorded as a receivable in anticipation that we would prevail in our arguments. We appealed the decision of the tax authorities and in August 2004, a Swedish court ruled in our favor, which resulted in a tax refund of $19,887 (which included interest and the effect of foreign exchange movements for the intervening period) to us, which was offset against the receivable established. In September 2004, the Swedish tax authorities appealed the decision of the Court and filed an appeal with the Administrative Court of Appeal in Sweden. We have responded to this appeal and have requested an oral hearing on the matter. The Court has responded that they would schedule an oral hearing, but we have not yet received notice of the timing of such hearing. Management, based on the advice of our tax advisors, has determined that it is not necessary to make any provisions for this tax dispute.

27. Fair values of financial instruments

Statement of Financial Accounting Standards No. 107 “Disclosures about Fair Value of Financial Instruments” defines the fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Fair values of financial instruments have been determined with reference to available market information. However, considerable management judgment is required in interpreting market data to arrive at estimates of fair values. Accordingly, the estimates presented herein may not be indicative of the amounts that we could realize in a current market exchange.

	December 31, 2005		December 31, 2006	
	Book value	Fair value	Book value	Fair value
Assets				
Investments	$ 3,000	$ 3,000 (a)	$ 3,000	$ 3,000 (a)
Notes receivable	196,620	196,620	167,451	167,451
Restricted cash	157,730	157,730	112,277	112,277
Derivative assets	18,420	18,420	17,871	17,871
Cash and cash equivalents	183,554	183,554	131,201	131,201
	$ 559,324	$ 559,324	$ 431,800	$ 431,800
Liabilities				
Debt	$ 2,172,995	$ 2,185,739	$ 2,555,139	$ 2,555,139
Derivative liabilities	8,087	8,087	—	—
Guarantees	18,798	18,798	15,668	15,668
	$ 2,199,880	$ 2,212,624	$ 2,570,807	$ 2,570,807

(a) This represents an investment of 12 percent in a class of subordinated debt of a private company. We do not believe it is practicable to estimate the fair value of this investment and have listed its fair value as equal to our carrying value, which equals its historical cost.

28. Recent Accounting Pronouncements

In February 2006, the FASB issued SFAS No.155, *"Accounting for Certain Hybrid Financial Instruments—an amendment of SFASB statements No. 133 and 140"*. This statement permits fair value measurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation. This statement is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006 (January 1, 2007 for us). Earlier adoption is permitted as of the beginning of an entity's fiscal year, provided that no interim period financial statements have been issued for the financial year. We do not anticipate that the adoption of SFAS 155 will have a material effect on our financial statements or our results of operations.

In March 2006, the FASB issued SFAS No. 156, "*Accounting for Servicing of Financial Assets"*. SFAS No. 156 amends SFAS No.140. SFAS No. 156 requires that all separately recognized servicing assets and servicing liabilities be initially measured at fair value. For subsequent measurements, SFAS No. 156 permits companies to choose between using an amortization method or a fair value measurement method for reporting purposes. SFAS No. 156 is effective as of the beginning of a company's first fiscal year that begins after September 15, 2006. We do not anticipate that SFAS No. 156 will have a material impact on our financial position or our results of operations.

In April 2006, the FASB issued FSP No. FIN 46(R)−6, "*Determining the Variability to Be Considered in Applying SFASB Interpretation No. 46(R)*". The FSP addresses how a reporting enterprise should determine the variability to be considered in applying FIN 46(R). The variability that is considered in applying FIN 46(R) affects the determination of (a) whether an entity is a VIE, (b) which interests are "variable interests" in the entity, and (c) which party, if any, is the primary beneficiary of the VIE. That variability affects any calculation of expected losses and expected residual returns, if such a calculation is necessary. FSP No. FIN 46(R)−6 must be applied prospectively to all entities (including newly created entities) and to all entities previously required to be analyzed under FIN 46(R) when a "reconsideration event" has occurred, in the first reporting period beginning after June 15, 2006. We will evaluate the impact of this FSP at the time any such "reconsideration event" occurs and for any new entities created.

In July 2006, the FASB released FASB Interpretation No. 48, "*Accounting for Uncertainty in Income Taxes—an Interpretation of SFASB Statement 109"*. FIN 48 is applicable to all uncertain positions for taxes accounted for under SFAS 109, "*Accounting for Income Taxes"*. FIN 48 prescribes a comprehensive model for how a company should recognize, measure, present, and disclose in its financial statements uncertain tax positions that we have taken or expect to take on a tax return (including a decision whether to file or not to file a return in a particular jurisdiction). Under the Interpretation, the financial statements will reflect expected future tax consequences of such positions presuming the taxing authorities' full knowledge of the position and all relevant facts, but without considering time values. The new accounting model for uncertain tax positions is effective for annual periods beginning after December 15, 2006. We do not expect that the adoption of FIN 48 will have a material impact on our financial statements, if any.

In September 2006, the FASB issued FSP No. AUG AIR−1 ''*Accounting for Planned Major Maintenance Activities*.'' This FSP amends certain provisions in the AICPA Industry Audit guide, ''Audits of Airlines'' to prohibit the use of the accrue−in−advance method of accounting for planned major maintenance activities in annual and interim financial reporting periods and makes this guidance applicable to entities in all industries. The FSP is effective for the first fiscal year beginning after

28. Recent Accounting Pronouncements (Continued)

December 15, 2006 and requires retrospective application for all fiscal years presented in the financial statements upon adoption. Early adoption as of the beginning of an entity's fiscal year is permitted. We are in the process of evaluating the effects, if any, of the FSP on our consolidated financial statements and will conclude on this topic before the filing of our first quarter 2007 results.

In September 2006, the FASB issued SFAS No. 157, ''*Fair Value Measurements*''. SFAS 157 prescribes a single definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS 157 is effective for us beginning as of January 1, 2008. We do not anticipate that the adoption of SFAS 157 will have a material effect on our financial statements or our results of operations.

In February 2007, the FASB issued SFAS 159, "*The Fair Value Option for Financial Assets and Financial Liabilities*". SFAS 159, which is expected to expand fair value measurement, permits entities to choose to measure many financial instruments and certain other items at fair value. FAS 159 is effective for us beginning in the first quarter of 2008. We are currently assessing the impact FAS 159 may have on our financial statements.

29. Subsequent Events

In March 2007, we purchased a portfolio of nine aircraft and three spare engines. We were previously the lessee under a lease−in, lease−out structure for four of the nine aircraft for which we have recognized an onerous contract accrual (Note 16). The purchase economics reflected a discounted settlement of our onerous contract accrual. We have applied the principles in FIN 26 to the accounting for this transaction and reduced the net book value of the four purchased aircraft by the amount of the discount on the settlement of onerous contract accrual. At December 31, 2006 we had recognized a guarantee liability of $10,511 in relation to a guarantee we had given on the leases of these five aircraft to a U.S. airline. In connection with the purchase of the portfolio, our guarantee liability has been extinguished and we will recognize the $10,511 as other income in our 2007 consolidated income statement.

Additional Information—Financial Statements
Schedule I

AerCap Holdings N.V.
Condensed Balance Sheets
As of December 31, 2005 and 2006

	December 31,	
	2005	2006
	(US dollars in thousands except share and per share amounts)	
Assets		
Cash and cash equivalents	$ 720	$ 792
Investments	540,431	729,566
Other assets	9,775	—
Total Assets	$ 550,926	$ 730,358
Liabilities and Shareholders' Equity		
Accrued expenses and other liabilities	350	447
Payable to subsidiary	130,913	—
Total Liabilities	131,263	447
Ordinary share capital, €.01 par value (200,000,000 ordinary shares authorized, 78,236,957 and 85,036,957 ordinary shares issued and outstanding, respectively)	646	699
Additional paid−in capital	369,354	591,553
Accumulated retained earnings	49,663	137,659
Total Shareholders' Equity	419,663	729,911
Total Liabilities and Shareholders' Equity	$ 550,926	$ 730,358

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

Additional Information—Financial Statements
Schedule I

AerCap Holdings N.V.
Condensed Income Statements

For the Year Ended December 31, 2004, the Six Months Ended June 30, 2005, the Period from June 27, 2005 to December 31, 2005 and the Year Ended December 31, 2006

	AerCap B.V.		AerCap Holdings N.V.	
	Year ended December 31, 2004	Six months ended June 30, 2005	June 27, 2005 to December 31, 2005	Year ended December 31, 2006
	(US dollars in thousands, except share and per share amounts)			
Revenues				
Lease revenue	$ 12,917	$ 6,904	$ —	$ —
Sales revenue	11,982	96,946	—	—
Management fee revenue	1,052	173	—	—
Interest revenue	1,587	2,034	—	—
Other revenue	2,135	223	—	—
Total Revenues	29,673	106,280	—	—
Expenses				
Depreciation	5,971	2,317	—	—
Cost of goods sold	7,200	107,060	—	—
Goodwill impairment	1,289	—	—	—
Interest on debt	63,039	36,535	16,128	—
Leasing expenses	10,661	3,297	—	—
Provision for doubtful notes and accounts receivable	(4,702)	(30)	—	—
Selling, general and administrative expenses	14,560	10,098	845	833
Total Expenses	98,018	159,277	16,973	833
Loss from continuing operations before income taxes and equity in (loss) profit of subsidiaries	(68,345)	(52,997)	(16,973)	(833)
Provision for income taxes	20,845	15,687	—	212
Equity in (loss) profit of subsidiaries	(57,862)	71,010	66,636	88,617
Net (Loss) Income	$ (105,362)	$ 33,700	$ 49,663	$ 87,996
Basic and diluted (loss) earnings per share	$ (143.12)	$ 45.78	$ 0.63	$ 1.11
Weighted average shares outstanding, basic and diluted	736,203	736,203	78,236,957	78,992,513

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

Additional Information—Financial Statements
Schedule I

AerCap Holdings N.V.
Condensed Statements of Cash Flows

For the Years Ended December 31, 2004, the Six Months Ended June 30, 2005, the Period from June 27, 2005 to December 31, 2005 and the Year Ended December 31, 2006

	AerCap B.V.		AerCap Holdings N.V.	
	Year ended December 31, 2004	Six months ended June 30, 2005	June 27, 2005 to December 31, 2005	Year ended December 31, 2006
	(US dollars in thousands)			
Net cash used in operating activities	$ (35,040)	$ (46,672)	$ (16,973)	$ (833)
Net cash provided by (used in) investing activities	201,710	180,425	(352,307)	(142,712)
Net cash (used in) provided by financing activities	(87,990)	(157,049)	370,000	143,617
Net increase (decrease) in cash and cash equivalents	78,680	(23,296)	720	72
Cash and cash equivalents at beginning of period	47,307	125,987	—	720
Cash and cash equivalents at end of period	$ 125,987	$ 102,691	$ 720	$ 792

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

Additional Information—Financial Statements
Schedule I

AerCap Holdings N.V.
Notes to the Condensed Financial Statements
(US dollars in thousands)

1. General

The Company

AerCap Holdings N.V. is the parent company of a group that operates as an integrated global aviation company, conducting aircraft and engine leasing and trading and parts sales. AerCap Holdings N.V. is a holding company, whose principal purpose is to hold the shares in operating companies through which the AerCap group conducts is activities.

AerCap Holdings N.V. is a Netherlands public limited liability company ("naamloze vennootschap") formed on July 10, 2006 for the purpose of acquiring all of the assets and liabilities of AerCap Holdings C.V. AerCap Holdings C.V. is a limited partnership ("*commanditaire vennootschap*") formed under the laws of The Netherlands on June 27, 2005 for the purposes of acquiring the share capital, subordinated debt and senior debt of debis AirFinance B.V. ("AerCap B.V."), which occurred on June 30, 2005. In anticipation of our initial public offering, the Company changed its holding company 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. Because our conversion from a Netherlands limited partnership to a Netherlands public limited liability company was accomplished in a common control transaction, these financial statements are presented as if our public limited liability holding company structure led by AerCap Holdings N.V. had existed as of June 27, 2005 (the formation date of AerCap Holdings C.V.) with total shares outstanding of 78,236,957. On November 27, 2006, we completed an initial public offering of 6,800,000 of our common shares at $23 per share generating net proceeds of $143,017 which we used to make additional equity investments in a subsidiary for the purpose of debt repayment at our subsidiary level.

The income statements and statements of cash flows for AerCap B.V. are presented to align with the financial statement presentation in our consolidated financial statements. These financial statements are not comparable to the Company's financial statements. As noted above, the Company acquired the shares in AerCap B.V., an operating company, on June 30, 2005.

2. Summary of significant accounting policies

Basis for presentation

The accompanying condensed financial statements are presented in accordance with accounting principles generally accepted in the United States of America.

The Company records its investment in its subsidiaries under the equity method of accounting as prescribed in APB Opinion No. 18, "The Equity Method of Accounting for Investments in Common Stock". Such investment is presented on the balance sheet as "Investment" and our portion of the subsidiaries' profit or loss as "Equity in (loss) profit of subsidiaries" on the income statements.

The subsidiaries of the Company did not pay any dividends to the Company for the periods presented.

Additional Information—Financial Statements
Schedule I

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. The footnote disclosures contain supplemental information relating to the operations of the Company., as such, these statements should be read in conjunction with the notes to the consolidated financial statements of AerCap Holdings N.V.

3. Commitments and contingencies

The Company has issued a declaration of liability as referred to in Article 403 of the Netherlands Civil Code in respect of its subsidiary, AerCap B.V. Such declaration operates as a full guarantee of all the obligations of AerCap B.V. to third parties.

The Company has guaranteed the re−payment of loans issued by some of its subsidiaries under commercial bank debt which is guaranteed by European credit agencies as further described in our consolidated financial statements. Amounts outstanding under these loans are $567,900.

Exhibit 2.6

EXECUTION COPY

AMENDED AND RESTATED

SENIOR CREDIT AGREEMENT

dated as of December 13, 2006

among

AeroTurbine, Inc.,
as Borrower

The Several Lenders from Time to Time Parties Hereto,

CALYON New York Branch,
as Administrative Agent,

HSH Nordbank AG,
as Syndication Agent;

and

Wachovia Bank, National Association
and
National City Bank,
as Co−Documentation Agents

CALYON New York Branch,
as Lead Arranger and Bookrunner

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K Form of Borrowing Base Report
L Intentionally Omitted

THIS AMENDED AND RESTATED SENIOR CREDIT AGREEMENT (this "**Agreement**"), dated as of December 13, 2006, among AeroTurbine, Inc., a Delaware corporation (the "**Borrower**"), the several banks and other financial institutions or entities from time to time parties to this Agreement (the "**Lenders**"), CALYON New York Branch, as administrative agent for the Lenders as provided herein (the "**Administrative Agent**"), HSH Nordbank AG, as Syndication Agent, and Wachovia Bank, National Association and National City Bank, as Co−Documentation Agents.

WHEREAS, the Borrower (as successor by merger to AerCap AT, Inc.) entered into that certain Senior Credit Agreement, dated as of April 26, 2006, as heretofore amended (the **"Original Credit Agreement"**), with certain financial institutions party thereto, the Administrative Agent, the Syndication Agent and the Co−Documentation Agents;

WHEREAS, the Borrower desires to repay the Tranche A Term Loans borrowed pursuant to the Original Credit Agreement and to increase each Lender's Revolving Commitment;

WHEREAS, the Borrower desires to repay the Tranche B Term Loans (as defined in the Junior Credit Agreement) borrowed pursuant to that certain Junior Credit Agreement, dated as of April 26, 2006, among the Borrower and CALYON, Head Office (the "**Junior Credit Agreement**");

NOW THEREFORE, the parties hereto agree to amend and restate the Original Credit Agreement, effective as of the Effective Date, in its entirety as follows:

Section 1. Definitions.

1.1 Defined Terms. As used in this Agreement, the terms listed in Appendix I or any Security Document shall have the respective meanings set forth in such Appendix or Security Document. Any reference in Appendix I to a Section, Annex, Schedule or Exhibit without designation as to the particular agreement to which the same relates shall be deemed a reference to the related Section, Annex, Schedule or Exhibit hereof or hereto, including any such Section, Annex, Schedule or Exhibit incorporated herein by reference.

1.2 Other Definitional Provisions. (a) Unless otherwise specified therein, all terms defined in this Agreement shall have the defined meanings when used in the other Loan Documents or any certificate or other document made or delivered pursuant hereto or thereto.

(b) As used herein and in the other Loan Documents, and any certificate or other document made or delivered pursuant hereto or thereto, (i) accounting terms relating to Borrower or any of its Subsidiaries not defined in Section 1.1 and accounting terms partly defined in Section 1.1, to the extent not defined, shall have the respective meanings given to them under GAAP, (ii) the words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation", (iii) the word "incur" shall be construed to mean incur, create, issue, assume, become liable in respect of or suffer to exist (and the words "incurred" and "incurrence" shall have correlative meanings), (iv) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, Capital Stock, securities, revenues,

accounts, leasehold interests and contract rights, and (v) references to agreements or other Contractual Obligations shall, unless otherwise specified, be deemed to refer to such agreements or Contractual Obligations as amended, supplemented, restated or otherwise modified from time to time.

(c) The words "hereof", "herein" and "hereunder" and words of similar import, when used in this Agreement, shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section, Schedule and Exhibit references are to this Agreement unless otherwise specified.

(d) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

Section 2. Amount and Terms of Commitments.

2.1 [Intentionally Omitted]

2.2 [Intentionally Omitted]

2.3 Swing Line Loans; Swing Line Commitment. (a) During the Revolving Commitment Period, subject to the terms and conditions hereof, the Swing Line Lender hereby agrees to make Swing Line Loans to the Borrower in the aggregate amount up to but not exceeding the Swing Line Commitment; provided that, after giving effect to the making of any Swing Line Loan, in no event shall the Total Revolving Extensions of Credit exceed the Total Revolving Commitments. Amounts borrowed pursuant to this Section 2.3 which are repaid may be reborrowed during the Revolving Commitment Period. The Swing Line Loans may only be ABR Loans.

(b) (i) Swing Line Loans shall be made in an amount not less than $500,000.

(ii) Whenever the Borrower desires that the Swing Line Lender make a Swing Line Loan, the Borrower shall deliver to the Administrative Agent a Notice of Borrowing no later than 12:00 p.m. (New York City time) on the date the Borrower requests in such Notice of Borrowing for the Swing Line Loan to be available. A Notice of Borrowing delivered under this Section 2.3(b)(ii) shall constitute a "Notice of Borrowing" under Section 2.5 for a LIBOR Loan (unless otherwise specified by the Borrower), with a Borrowing Date occurring on the date that is three Business Days after the date of such Notice of Borrowing, in a principal amount equal to the Swing Line Loan requested with an Interest Period of three months (or such other Interest Period specified in such Notice of Borrowing) commencing three Business Days after the date the Swing Line Lender makes the Swing Line Loan available. The Administrative Agent and each Lender shall comply with their respective obligations under Section 2.5 in respect of such LIBOR Loan and the proceeds of such LIBOR Loan shall be applied by the Administrative Agent to repay the Swing Line Loan in full.

(iii) The Swing Line Lender shall make the amount of its Swing Line Loan available to the Administrative Agent not later than 2:00 p.m. (New York City

time) on the applicable Borrowing Date by wire transfer of same day funds in Dollars at Administrative Agent's Principal Office. Except as provided herein, upon satisfaction or waiver of the conditions precedent specified herein, the Administrative Agent shall make the proceeds of such Swing Line Loans available to Borrower on the same date by causing an amount of same day funds in Dollars equal to the proceeds of such Swing Line Loans received by the Administrative Agent from the Swing Line Lender to be credited to such account as may be designated in writing to the Administrative Agent by the Borrower.

(iv) Notwithstanding anything contained herein to the contrary, (1) each Lender's obligation to make Revolving Loans for the purpose of repaying any Swing Line Loan shall be absolute and unconditional and shall not be affected by any circumstance, including (A) any set−off, counterclaim, recoupment, defense or other right that such Lender may have against the Swing Line Lender, any Loan Party or any other Person for any reason whatsoever; (B) the occurrence or continuation of a Default or Event of Default; (C) any adverse change in the business, operations, properties, assets, condition (financial or otherwise) or prospects of any Loan Party; (D) any breach of this Agreement or any other Loan Document by any party thereto; or (E) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing; provided that, such obligations of each Lender are subject to the condition that the Swing Line Lender believed in good faith that all conditions under Section 5.2 to the making of such Swing Line Loan, were satisfied at the time such Swing Line Loan was made, or the satisfaction of any such condition not satisfied had been waived by the Required Lenders prior to or at the time such Swing Line Loan was made; and (2) the Swing Line Lender shall not be obligated to make any Swing Line Loans if it has elected not to do so after the occurrence and during the continuation of a Default or Event of Default, or (B) at a time when a Lender has defaulted in its obligations under Section 2.5 hereof unless the Swing Line Lender has entered into arrangements satisfactory to it and the Borrower to eliminate the Swing Line Lender's risk with respect to the defaulting Lender's participation in such Swing Ling Loan, including by cash collateralizing such defaulting Lender's pro rata share of the outstanding Swing Line Loans.

(v) Swing Line Loans may only be borrowed by the Borrower for the purpose set forth in Section 2.4(b)(y) hereof.

2.4 Revolving Commitments. (a) Subject to the terms and conditions hereof, each Lender severally agrees to make revolving credit loans ("**Revolving Loans**") to the Borrower from time to time during the Revolving Commitment Period in an aggregate principal amount at any one time outstanding which does not exceed the amount of such Lender's Revolving Commitment. During the Revolving Commitment Period the Borrower may use the Revolving Commitments by borrowing, prepaying the Revolving Loans in whole or in part, and reborrowing, all in accordance with the terms and conditions hereof. The Revolving Loans may from time to time be LIBOR Loans or ABR Loans, as provided herein.

(b) Revolving Loans may be borrowed by the Borrower only (x) to repay Swing Line Loans as provided in Section 2.3(b)(ii) or (y) in connection with its acquisition (or refinancing the acquisition) of Eligible Equipment or the refinancing of Returned Equipment (to

the extent of any previous reduction in the Borrowing Base Value of such Returned Equipment pursuant to the proviso to Section 3.2(h)) and, in either case, the Revolving Loans made in respect thereof shall not exceed (i) 100% of the Purchase Price or Appraisal Value therefor from the Effective Date to the date of the first mandatory prepayment pursuant to Section 2.9(a) occurring after the Effective Date; and (ii) thereafter, the Advance Rate therefor.

(c) The Borrower shall repay all outstanding Revolving Loans on the Maturity Date.

2.5 Procedure for Revolving Loan Borrowing. The Borrower may borrow under the Revolving Commitments during the Revolving Commitment Period on any Business Day, provided that the Administrative Agent shall have received a Notice of Borrowing prior to 12:00 Noon, New York City time, three Business Days prior to the requested Borrowing Date, in the case of LIBOR Loans, or two Business Days prior to the requested Borrowing Date, in the case of ABR Loans (such Notice of Borrowing may be accompanied by a Notice of Conversion under Section 2.10(a)(ii)). Each borrowing under the Revolving Commitments shall be in an amount equal to not less than $500,000. Upon receipt of any such notice from the Borrower, the Administrative Agent shall promptly notify each Lender thereof. Each Lender will make the amount of its pro rata share of each borrowing available to the Administrative Agent for the account of the Borrower at the Funding Office prior to 12:00 Noon, New York City time, on the Borrowing Date requested by the Borrower in funds immediately available to the Administrative Agent. Such borrowing will then be made available to the Borrower by the Administrative Agent crediting the account of the Borrower on the books of such office with the aggregate of the amounts made available to the Administrative Agent by the Lenders and in like funds as received by the Administrative Agent. The Borrower may, by notice given to the Administrative Agent (which notice may be given by telecopy or by email attaching a copy of a notice as a printable file) not later than 4:00 p.m., New York City time, on the initially requested Borrowing Date, postpone the Borrowing Date by not more than five Business Days, provided, that (i) all amounts received by the Administrative Agent with respect to the initially requested Borrowing Date shall be deposited in the Restricted Account, (ii) subject to the terms and conditions hereof, such amounts will be made available to the Borrower by the Administrative Agent on any day during such five Business Day period upon notice from the Borrower given to the Administrative Agent (which notice may be given by telecopy or by email attaching a copy of a notice as a printable file) not later than 10:00 a.m., New York City time, on the date requested, (iii) interest on such Loan shall accrue commencing on the initially requested Borrowing Date and (iv) if the Borrower fails to borrow such amounts by the end of business on the fifth Business Day after the originally requested Borrowing Date, the Administrative Agent shall return such amounts to the respective Lenders on the next Business Day and the Borrower shall pay to the Administrative Agent, for distribution to the Lenders, interest on such funds at LIBOR Rate or the ABR Rate, as applicable, plus the Applicable Margin (less any amounts earned with respect to such funds by the Administrative Agent pursuant to Section 6(a)(iii) of the Guarantee and Collateral Agreement) together with amounts payable under Section 2.15, if any.

2.6 Commitment Fees, etc. (a) The Borrower agrees to pay to the Administrative Agent for account of each Lender a commitment fee for the period from and including the date hereof to the Maturity Date (or, if earlier, the date the Revolving Loans shall have been paid in full and the Total Revolving Commitments shall have been reduced to zero or otherwise

terminated), computed at the Commitment Fee Rate on the average daily amount of the Available Revolving Commitment of such Lender during the period for which payment is made, payable on each quarterly Interest Payment Date specified in clause (a)(i) in the definition thereof and on the Maturity Date (or, if earlier, the date the Revolving Loans shall have been paid in full and the Total Revolving Commitments shall have been reduced to zero or otherwise terminated), commencing on the first of such dates to occur after the date hereof.

(b) The Borrower agrees to pay to CALYON New York Branch the fees in the amounts and on the dates specified in the Fee Letter.

2.7 Termination or Reduction of Revolving Commitments. The Borrower shall have the right, upon not less than three Business Days' notice to the Administrative Agent, to terminate the Total Revolving Commitments or, from time to time, to reduce the amount of the Total Revolving Commitments or the Swing Line Commitment; provided that no such termination or reduction of Total Revolving Commitments shall be permitted if, after giving effect thereto and to any prepayments of the Revolving Loans made on the effective date thereof, the aggregate outstanding amount of Loans would exceed the Total Revolving Commitments. Any such reduction shall be in an amount equal to $1,000,000, or a whole multiple thereof, and shall reduce permanently the Revolving Commitments and/or the Swing Line Commitment, as applicable, then in effect on a pro−rata basis.

2.8 Optional Prepayments. The Borrower may at any time and from time to time prepay the Loans, in whole or in part, without premium or penalty, upon revocable notice delivered to the Administrative Agent at least three Business Days prior thereto, in which notice shall specify the date and amount of prepayment; provided, that if a LIBOR Loan is prepaid on any day other than the last day of the Interest Period applicable thereto, the Borrower shall also pay any amounts owing pursuant to Section 2.15. Upon receipt of any such notice the Administrative Agent shall promptly notify each relevant Lender thereof. If any such notice is given, the amount specified in such notice shall be due and payable on the date specified therein, together with accrued interest to such date on the amount prepaid, provided, however, that if the Borrower shall notify the Administrative Agent on or prior to 4:00 p.m., New York City time, on the date specified for the prepayment that the Borrower has revoked its election to prepay, the Borrower shall not be required to make such prepayment, provided, further, that if such notice with respect to any LIBOR Loan is delivered to the Administrative Agent less than three Business Days prior to the date specified for prepayment, the Borrower shall pay to the Administrative Agent on demand any amounts payable under Section 2.15. For the avoidance of doubt if, with respect to a LIBOR Loan, such notice is delivered to the Administrative Agent less than three Business Days prior to the date specified for prepayment, "LIBOR" for such amount not prepaid for the remaining portion of the Interest Period commencing on the date of scheduled prepayment shall be the amount the Administrative Agent shall reasonably determine, in consultation with the Lenders, as the rate which compensates the Lenders for their cost of funding for such period. Partial prepayments of Revolving Loans shall be in an aggregate principal amount of $1,000,000 or a whole multiple thereof.

2.9 Mandatory Prepayments and Commitment Reductions. (a) If, as at any Report Date, the aggregate outstanding principal amount of Revolving Loans exceeds the Borrowing Base as at such date, the Borrower shall on the last day of the Interest Period including such

Report Date prepay the Revolving Loans in such amount as shall allow the aggregate outstanding principal amount of the Revolving Loans not to exceed the Borrowing Base.

(b) All proceeds received with respect to the Key Man Insurance shall be deposited in the Restricted Account and, on the earlier of the last day of the Interest Period during which such proceeds were received or, at the election of the Borrower, on a date specified by the Borrower by notice delivered to the Administrative Agent at least three Business Days prior to such date, such proceeds shall be applied (together with interest accrued thereon pursuant to Section 6(a)(iii) of the Guarantee and Collateral Agreement), to the prepayment of the Revolving Loans. Any prepayment of the Revolving Loans pursuant to this Section 2.9(b) shall permanently reduce the Total Revolving Commitments by the amount of such prepayment.

(c) All Net Cash Proceeds received from any Recovery Event shall be deposited in the Restricted Account and, on the earlier of the last day of the Interest Period during which such Net Cash Proceeds were received or, at the election of the Borrower, on a date specified by the Borrower by notice delivered to the Administrative Agent at least three Business Days prior to such date, shall be applied (together with interest accrued thereon pursuant to Section 6(a)(iii) of the Guarantee and Collateral Agreement) to the prepayment of the Revolving Loans; provided, that, notwithstanding the foregoing, any such prepayment may be deferred until the aggregate Net Cash Proceeds of Recovery Events theretofore received (and as to which no prepayment has been made) exceeds $250,000.

(d) If, as at any date on which the Borrowing Base Value of an Aircraft Asset is reduced pursuant to the proviso to Section 3.2(h), the aggregate outstanding principal amount of Revolving Loans exceeds the Borrowing Base as at such date, the Borrower shall, within five Business Days of such date deposit in the Restricted Account an amount equal to the difference between the Borrowing Base Value as of such date and the aggregate outstanding Revolving Loans at that date and, on the earlier of the last day of the Interest Period during which such deposit was made or, at the election of the Borrower, on a date specified by the Borrower by notice delivered to the Administrative Agent at least three Business Days prior to such date, shall be applied (together with interest accrued thereon pursuant to Section 6(a)(iii) of the Guarantee and Collateral Agreement) to the prepayment of the Revolving Loans.

(e) Each prepayment of the Loans under this Section 2.9 shall be (i) made, first, to ABR Loans and, second, to LIBOR Loans and (ii) accompanied by accrued interest to the date of such prepayment on the amount prepaid, together (in the case of LIBOR Loans) with amounts payable under Section 2.15 if such prepayment was made on a date other than the last day of an Interest Period, but without premium or penalty.

2.10 Conversion Options; Continuation; Interest Rates and Payment Dates.

(a) Conversion Options; Continuation.

(i) The Borrower may elect from time to time to convert a Loan from a LIBOR Loan to an ABR Loan by giving the Administrative Agent at least three Business Days prior irrevocable notice of such election.

(ii) The Borrower may elect from time to time to convert a Loan (other than a Swing Line Loan) from an ABR Loan to a LIBOR Loan by giving the Administrative Agent at least three Business Days prior irrevocable notice of such election (a "Notice of Conversion"). Upon receipt of any such irrevocable notice the Administrative Agent shall promptly notify each relevant Lender thereof.

(iii) The Borrower may continue any LIBOR Loan as such upon the expiration of the then current Interest Period with respect thereto (the "Existing Interest Period") by giving irrevocable notice to the Administrative Agent at least three Business Days prior to the expiration of the Existing Interest Period, which notice shall specify the next Interest Period for such LIBOR Loan, provided, that if the Borrower does not provide the Administrative Agent with the notice described in this paragraph, upon the expiration of the Existing Interest Period, such LIBOR Loan shall automatically continue as a LIBOR Loan and shall have an Interest Period of three months.

(b) Interest Rates and Payment Dates.

(i) Each LIBOR Loan shall bear interest for each day during each Interest Period with respect thereto at a rate per annum equal to the LIBOR Rate determined for such day plus the Applicable Margin. Each ABR Loan shall bear interest at a rate per annum equal to the ABR in effect from time to time plus the Applicable Margin. With respect to any Loan, from and after the Effective Date, and until the day prior to the date of delivery by the Borrower of the Compliance Certificate for the first fiscal quarter of 2007 (the "Adjustment Date") pursuant to Section 6.2(a) hereof, the Applicable Margin with respect to any ABR Loan or Swing Line Loan shall be zero percent (0.0%) per annum and the Applicable Margin with respect to any LIBOR Loan shall be one and one−half (1.50%) percent per annum and, on and after the Adjustment Date, the Applicable Margin shall be, with respect to any Loan, a percentage, per annum, determined by reference to the Consolidated Leverage Ratio in effect from time to time as set forth in the definition of Applicable Margin on Annex A hereto. Adjustments, if any, to the Applicable Margin for all Loans shall be implemented quarterly on a prospective basis commencing on the required date of delivery by the Borrower to the Administrative Agent of the initial Compliance Certificate (as provided above) and any subsequent Compliance Certificate required by Section 6.2(a) of this Agreement, evidencing the basis for an adjustment thereto.

(ii) (x) If all or a portion of the principal amount of any Loan shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), such overdue amount shall bear interest at a rate per annum equal to in the case of the Loans, the rate that would otherwise be applicable thereto pursuant to the foregoing provisions of this Section plus 2% and (y) if all or a portion of any interest payable on any Loan or any commitment fee or other amount payable hereunder shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), such overdue amount shall bear interest at a rate per annum equal to the rate then applicable to the Loans plus 2%, in each case, with respect to clauses (x) and (y) above, from the date of such non−payment until such amount is paid in full (as well after as before judgment).

(c) Interest shall be payable in arrears on (i) each Interest Payment Date and (ii) the date of any repayment or prepayment made in respect of the principal amount of any LIBOR Loan; provided that interest accruing pursuant to paragraph (b)(ii) of this Section shall be payable from time to time on demand.

2.11 Computation of Interest and Fees. (a) Interest and fees payable pursuant hereto shall be calculated on the basis of a 360−day year for the actual days elapsed, except that, with respect to ABR Loans the rate of interest on which is calculated on the basis of the Prime Rate, the interest thereon shall be calculated on the basis of a 365− (or 366−, as the case may be) day year for the actual days elapsed. The Administrative Agent shall promptly notify the Borrower and the relevant Lenders of each determination of a LIBOR Rate. Any change in the interest rate on a Loan resulting from a change in the ABR shall become effective as of the opening of business on the day on which such change becomes effective. The Administrative Agent shall as soon as practicable notify the Borrower and the relevant Lenders of the effective date and the amount of each such change in interest rate.

(b) Each determination of an interest rate by the Administrative Agent pursuant to any provision of this Agreement shall be conclusive and binding on the Borrower and the Lenders in the absence of manifest error. The Administrative Agent shall, at the request of the Borrower, deliver to the Borrower a statement showing the quotations used by the Administrative Agent in determining any interest rate pursuant to Section 2.11(a).

2.12 Pro Rata Treatment and Payments. (a) Each payment by the Borrower on account of any commitment fee and any reduction of the Commitments of the Lenders shall be made to the Administrative Agent and the Administrative Agent shall distribute such payments to the Lenders pro rata according to their respective Revolving Percentage.

(b) [Intentionally Omitted]

(c) Each payment (including each prepayment) by the Borrower on account of principal of and interest on the Revolving Loans shall be made to the Administrative Agent and the Administrative Agent shall distribute such payments to the Lenders pro rata according to the respective outstanding principal amounts of the Revolving Loans then held by the Lenders.

(d) All payments (including prepayments) to be made by the Borrower hereunder, whether on account of principal, interest, fees or otherwise, shall be made without setoff or counterclaim and shall be made prior to 12:00 Noon, New York City time, on the due date thereof to the Administrative Agent, for the account of the Lenders, at the Funding Office, in Dollars and in immediately available funds. The Administrative Agent shall distribute such payments to the Lenders promptly upon receipt in like funds as received. If any payment hereunder becomes due and payable on a day other than a Business Day, such payment shall be extended to the next succeeding Business Day unless the result of such extension would be to extend such payment into another calendar month, in which event such payment shall be made on the immediately preceding Business Day. In the case of any extension of any payment of principal pursuant to the preceding sentence, interest thereon shall be payable at the then applicable rate during such extension.

(e) Unless the Administrative Agent shall have been notified in writing by any Lender prior to a borrowing that such Lender will not make the amount that would constitute its share of such borrowing available to the Administrative Agent, the Administrative Agent may assume that such Lender is making such amount available to the Administrative Agent, and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower a corresponding amount. If such amount is not made available to the Administrative Agent by the required time on the Borrowing Date therefor, such Lender shall pay to the Administrative Agent, on demand, such amount with interest thereon at a rate equal to the daily average Federal Funds Effective Rate for the period until such Lender makes such amount immediately available to the Administrative Agent. A certificate of the Administrative Agent submitted to any Lender with respect to any amounts owing under this paragraph shall be conclusive in the absence of manifest error.

(f) Unless the Administrative Agent shall have been notified in writing by the Borrower prior to the date of any payment due to be made by the Borrower hereunder that the Borrower will not make such payment to the Administrative Agent, the Administrative Agent may assume that the Borrower is making such payment, and the Administrative Agent may, but shall not be required to, in reliance upon such assumption, make available to the Lenders their respective pro rata shares of a corresponding amount. If such payment is not made to the Administrative Agent by the Borrower within three Business Days after such due date, the Administrative Agent shall be entitled to recover, on demand, from each Lender to which any amount which was made available pursuant to the preceding sentence, such amount with interest thereon at the rate per annum equal to the daily average Federal Funds Effective Rate. Nothing herein shall be deemed to limit the rights of the Administrative Agent or any Lender against the Borrower.

2.13 Requirements of Law. (a) If the adoption of or any change in any Requirement of Law or in the interpretation or application thereof or compliance by any Lender with any request or directive (whether or not having the force of law) from any central bank or other Governmental Authority made subsequent to the date hereof:

(i) shall subject any Lender to any Tax of any kind whatsoever with respect to this Agreement or any LIBOR Loan made by it, or change the basis of taxation of payments to such Lender in respect thereof (except for Non−Excluded Taxes covered by Section 2.14 and changes in the rate of tax on the overall net income of such Lender);

(ii) shall impose, modify or hold applicable any reserve, special deposit, compulsory loan or similar requirement against assets held by, deposits or other liabilities in or for the account of, advances, loans or other extensions of credit by, or any other acquisition of funds by, any office of such Lender; or

(iii) shall impose on such Lender any other condition;

and the result of any of the foregoing is to increase the cost to such Lender, by an amount that such Lender deems to be material, of making, converting into, continuing or maintaining LIBOR Loans, or to reduce any amount receivable hereunder in respect thereof, then, in any such case, the Borrower shall promptly pay such Lender, upon its demand, any additional amounts

necessary to compensate such Lender for such increased cost or reduced amount receivable. If any Lender becomes entitled to claim any additional amounts pursuant to this paragraph, it shall promptly notify the Borrower (with a copy to the Administrative Agent) (which notice shall be accompanied by a certificate setting forth the basis for such demand and a calculation of the amount thereof but not including any matters which that Lender regards as confidential in relation to its funding arrangements) of the event by reason of which it has become so entitled.

(b) If any Lender shall have determined that the adoption of or any change in any Requirement of Law regarding capital adequacy or in the interpretation or application thereof (including the implementation of regulations in respect of the capital adequacy regime commonly known as Basle II) or compliance by such Lender or any corporation controlling such Lender with any request or directive regarding capital adequacy (whether or not having the force of law) from any Governmental Authority made subsequent to the date hereof shall have the effect of reducing the rate of return on such Lender's or such corporation's capital as a consequence of its obligations hereunder to a level below that which such Lender or such corporation could have achieved but for such adoption, change or compliance (taking into consideration such Lender's or such corporation's policies with respect to capital adequacy) by an amount deemed by such Lender to be material, then from time to time, after submission by such Lender to the Borrower (with a copy to the Administrative Agent) of a written request therefor (which request shall be accompanied by a certificate setting forth the basis for such demand and a calculation of the amount thereof but not including any matters which that Lender regards as confidential in relation to its funding arrangements), the Borrower shall pay to such Lender such additional amount or amounts as will compensate such Lender or such corporation for such reduction.

(c) A certificate as to any additional amounts payable pursuant to this Section submitted by any Lender to the Borrower (with a copy to the Administrative Agent) shall be conclusive in the absence of manifest error. The obligations of the Borrower pursuant to this Section shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

(d) Notwithstanding the foregoing, the Borrower shall not be required to compensate a Lender pursuant to this Section 2.13 for (i) any amounts incurred more than six months prior to the date that such Lender notifies the Borrower of such Lender's intention to claim compensation therefor; and provided further that, if the circumstances giving rise to such claim have a retroactive effect, then such six−month period shall be extended to include the period of such retroactive effect or (ii) any amounts incurred by such Lender as a result of a decline in the credit rating of such Lender.

2.14 Taxes. (a) All payments made by the Borrower under this Agreement shall be made free and clear of, and without deduction or withholding for or on account of, any Taxes, now or hereafter imposed, levied, collected, withheld or assessed by any Governmental Authority, excluding net income, net receipts, capital, franchise, net worth, or other similar "doing business" Taxes imposed on the Administrative Agent or any Lender as a result of a present or former connection between the Administrative Agent or such Lender and the jurisdiction of the Governmental Authority imposing such Tax or any political subdivision or taxing authority thereof or therein (other than any such connection arising solely from the

Administrative Agent or such Lender having executed, delivered or performed its obligations or received a payment under, or enforced, this Agreement or any other Loan Document). If any such non−excluded Taxes, ("**Non−Excluded Taxes**") or Other Taxes are required to be withheld from any amounts payable to the Administrative Agent or any Lender hereunder, the amounts so payable to the Administrative Agent or such Lender shall be increased to the extent necessary to yield to the Administrative Agent or such Lender (after payment of all Non−Excluded Taxes and Other Taxes) interest or any such other amounts payable hereunder at the rates or in the amounts specified in this Agreement, provided, however, that the Borrower shall not be required to increase any such amounts payable to any Lender with respect to any Non−Excluded Taxes (i) to the extent imposed as a result of such Lender's failure to comply with the requirements of paragraph (d) or (e) of this Section 2.14 or (ii) that are United States withholding Taxes imposed on amounts payable to such Lender at the time such Lender becomes a party to this Agreement, except to the extent that such Lender's assignor (if any) was entitled, at the time of assignment, to receive additional amounts from the Borrower with respect to such Non−Excluded Taxes pursuant to this paragraph.

(b) In addition, the Borrower shall pay any and all Other Taxes to the relevant Governmental Authority in accordance with applicable law, and shall indemnify the Administrative Agent and Lenders, on demand for any failure to do so.

(c) Whenever any Non−Excluded Taxes or Other Taxes are payable by the Borrower, as promptly as possible thereafter the Borrower shall send to the Administrative Agent for its own account or for the account of the relevant Lender, as the case may be, a certified copy of an original official receipt received by the Borrower showing payment thereof, if any, or other evidence of payment reasonably acceptable to such Person. If the Borrower fails to pay any Non−Excluded Taxes or Other Taxes when due to the appropriate Governmental Authority or fails to remit to the Administrative Agent the required receipts or other required documentary evidence, the Borrower shall indemnify the Administrative Agent and the Lenders on demand for any incremental Taxes, interest or penalties that may become payable by the Administrative Agent or the Lenders as a result of any such failure.

(d) Each Lender (or Transferee) that is not a "U.S. Person" as defined in Section 7701(a)(30) of the Code (a "**Non−U.S. Lender**") shall deliver to the Borrower and the Administrative Agent (or, in the case of a Participant, to the Lender from which the related participation shall have been purchased) two copies of either U.S. Internal Revenue Service Form W−8BEN, W−8ECI, W−8IMY (with appropriate documentation), or W−8EXP or, in the case of a Non−U.S. Lender claiming exemption from U.S. federal withholding Tax under Section 871(h) or 881(c) of the Code with respect to payments of "portfolio interest", a statement substantially in the form of Exhibit H and a Form W−8BEN, or any subsequent versions thereof or successors thereto, properly completed and duly executed by such Non−U.S. Lender claiming complete exemption from, or a reduced rate of, U.S. federal withholding Tax on all payments by the Borrower under this Agreement. Such forms shall be delivered by each Non−U.S. Lender on or before the date it becomes a party to this Agreement (or, in the case of any Participant, on or before the date such Participant purchases the related participation). In addition, each Non−U.S. Lender shall deliver such forms promptly upon the obsolescence or invalidity of any form previously delivered by such Non−U.S. Lender. Each Non−U.S. Lender shall promptly notify the Borrower at any time it determines that it is no longer in a position to provide any previously

delivered certificate to the Borrower (or any other form of certification adopted by the U.S. Governmental Authorities for such purpose). Notwithstanding any other provision of this paragraph, a Non−U.S. Lender shall not be required to deliver any form pursuant to this paragraph that such Non−U.S. Lender is not legally able to deliver.

(e) At the reasonable request of the Borrower, each Lender that is entitled to an exemption from or reduction of non−U.S. withholding Tax under the law of any jurisdiction (other than the United States), or any treaty to which such jurisdiction is a party with respect to payments under this Agreement shall deliver to the Borrower (with a copy to the Administrative Agent), at the time or times prescribed by applicable law or reasonably requested by the Borrower, such properly completed and executed documentation prescribed by applicable law as will permit such payments to be made without withholding or at a reduced rate, provided that such Lender is legally entitled to complete, execute and deliver such documentation and in such Lender's sole judgment such completion, execution or submission would not prejudice the legal position of such Lender, including its lending office(s), or cause such Lender or its lending office(s) to suffer any economic, legal, or regulatory disadvantage.

(f) If a Lender actually receives a permanent benefit of a Tax credit or refund which the Borrower has paid or reimbursed such Lender pursuant to this Section 2.14 or if a Lender actually realizes an allowance of or deduction in Taxes as a result of any amount or additional amount paid by the Borrower pursuant to this Section 2.14, such Lender shall pay to the Borrower such refund or the amount of such reduction in Taxes, but only to the extent of the amounts paid by the Borrower pursuant to this Section 2.14 with respect to the Taxes, provided, however, (x) no Lender shall be obliged to disclose to the Borrower or any other Person information regarding its tax affairs or computations, or tax books or records, (y) the Borrower hereby acknowledges that the order and manner in which a Lender claims credits, refunds, allowances, and deductions available to it is a matter which will be determined in accordance with the Lender's taxation and accounting policies and practices and that any credits, refunds, allowances or deductions resulting from amounts or additional amounts paid pursuant to this Section 2.14 shall not receive any preferential treatments, and (z) no Lender shall be required to take any action which in its reasonable opinion would or may prejudice its ability to benefit from any other refund, credit, allowance or deduction to which it may be entitled.

(g) Where the Borrower has an obligation to indemnify or reimburse the Administrative Agent or a Lender for a Tax under this Section 2.14, the calculation of the amount payable by way of indemnity or reimbursement shall be based upon the Tax treatment in the hands of the Administrative Agent or such Lender (as determined by such Person acting in good faith) of the amount payable by way of indemnity or reimbursement and of the Tax in respect of which the amount is payable so as to leave the Administrative Agent or Lender, as the case may be, in the same after−Tax position it would have been in had the payment made to such Person not given rise to a liability to Tax.

(h) The agreements in this Section shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

2.15 Indemnity. The Borrower agrees to indemnify each Lender for, and to hold each Lender harmless from, any loss or expense that such Lender may sustain or incur as a

consequence of (a) failure by the Borrower to make a borrowing of LIBOR Loans after the Borrower has given a notice requesting the same in accordance with the provisions of this Agreement, (b) failure by the Borrower to make any prepayment of Loans after the Borrower has given a notice thereof in accordance with the provisions of this Agreement, (c) the making of a prepayment of LIBOR Loans on a day that is not the last day of an Interest Period with respect thereto or (d) the conversion of a LIBOR Loan to an ABR Loan pursuant to Section 2.10(a) on a day that is not the last day of an Interest Period with respect thereto. Such indemnification may include an amount equal to the excess, if any, of (i) the amount of interest that would have accrued on the amount so prepaid, or not so borrowed, for the period from the date of such prepayment or of such failure to borrow, convert or continue to the last day of such Interest Period (or, in the case of a failure to borrow, convert or continue, the Interest Period that would have commenced on the date of such failure) in each case at the applicable rate of interest for such LIBOR Loans provided for herein (excluding, however, the Applicable Margin included therein, if any) over (ii) the amount of interest (as reasonably determined by such Lender) that would have accrued to such Lender on such amount by placing such amount on deposit for a comparable period with leading banks in the London interbank market. A certificate as to any amounts payable pursuant to this Section submitted to the Borrower by any Lender shall be conclusive in the absence of manifest error. This covenant shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

2.16 Change of Lending Office. Each Lender agrees that, upon the occurrence of any event giving rise to the operation of Section 2.13 or 2.14(a) with respect to such Lender, it will, if requested by the Borrower, use reasonable efforts to designate another lending office for any Loans affected by such event with the object of avoiding the consequences of such event or take such actions as the Borrower may reasonably request; provided, that no Lender shall be obligated to take any action that, in the sole judgment of such Lender, would cause such Lender and its lending office(s) to suffer any economic, legal or regulatory disadvantage, and provided, further, that nothing in this Section shall affect or postpone any of the obligations of the Borrower or the rights of any Lender pursuant to Section 2.13 or 2.14(a).

2.17 Replacement of Lenders. The Borrower shall be permitted to replace any Lender that (a) requests reimbursement for amounts owing pursuant to Section 2.13 or 2.14(a) or (b) defaults in its obligation to make Loans hereunder, with a replacement financial institution; provided that (i) such replacement does not conflict with any Requirement of Law, (ii) no Event of Default shall have occurred and be continuing at the time of such replacement, (iii) prior to any such replacement, such Lender shall have taken no action under Section 2.16 so as to eliminate the continued need for payment of amounts owing pursuant to Section 2.13 or 2.14(a), (iv) the replacement financial institution shall purchase, at par, all Loans and other amounts owing to such replaced Lender on or prior to the date of replacement, (v) the Borrower shall be liable to such replaced Lender under Section 2.15 if any Loan owing to such replaced Lender shall be purchased other than on the last day of the Interest Period relating thereto, (vi) the replacement financial institution, if not already a Lender, shall be reasonably satisfactory to the Administrative Agent, (vii) the replaced Lender shall be obligated to make such replacement in accordance with the provisions of Section 10.6 (provided that the Borrower shall be obligated to pay the registration and processing fee referred to therein), (viii) until such time as such replacement shall be consummated, the Borrower shall pay all additional amounts (if any) required pursuant to Section 2.13 or 2.14(a), as the case may be, and (ix) any such replacement

shall not be deemed to be a waiver of any rights that the Borrower, the Administrative Agent or any other Lender shall have against the replaced Lender.

Section 3. Borrowing Base.

3.1 Borrowing Base. As at any Report Date, the aggregate outstanding principal amount of the Revolving Loans shall not exceed the Borrowing Base as of such Report Date; provided that, if such Loans exceed the Borrowing Base on a Report Date, such Loans shall be subject to prepayment as provided in Section 2.9(a) by such excess amount.

3.2 Borrowing Base Definitions.

(a) "**Acceptable Accounts Receivables**": as at the Original Closing Date and at any Quarterly Date, the accounts receivables of the Borrower and its Subsidiaries as at such date calculated in accordance with GAAP, excluding any such accounts receivables that (i) are more than 60 days past due or (ii) are from Aeropostal.

(b) "**Appraisal Value**": as at the Original Closing Date and at any Quarterly Date, the "current market value" (as such term is defined by the International Society of Transport Aircraft Trading (ISTAT)) of the Borrowing Base Assets (other than the accounts receivable) as determined by the Appraiser as of February 28, 2006 with respect to the Appraisal Value as at the Original Closing Date, and with respect to the Appraisal Value as at any Quarterly Date, as of the last day of the previous month to such Quarterly Date. The Appraisal Value with respect to any Quarterly Date shall be calculated utilizing such physical assessments of such assets, maintenance status of such assets, current trading history and other methodologies as are consistent with the methodologies utilized to provide the Baseline Appraisal (provided, that, the appraisal with respect to the June Quarterly Date shall be a "desk−top" appraisal and physical assessments of such assets shall only be performed with respect to the December Quarterly Date) and shall be presented to the parties in an appraisal addressed to both the Borrower and the Administrative Agent.

(c) "**Appraiser**": SH&E, Inc., unless SH&E, Inc. becomes incapable of determining the Appraisal Value with a degree of care recognized in the industry, in which case, such other nationally recognized appraiser selected by the Borrower and not objected to by the Administrative Agent on an unreasonable basis.

(d) "**Baseline Appraisal**": the appraisal furnished by the Appraiser dated April 24, 2006 and addressed to the Borrower and the Administrative Agent.

(e) "**Borrowing Base**": as at the Original Closing Date and at any Quarterly Date, the sum of: (x) the aggregate of Borrowing Base Values of all Borrowing Base Assets, subject to the Borrowing Base Constraints, *plus* (y) the aggregate amount of sales proceeds from the disposition by the Borrower of Eligible Equipment and Eligible Inventory effected within six months of any date of calculation subject to: (i) such proceeds being in the Restricted Account and (ii) such proceeds not exceeding $20,000,000. The Borrowing Base as in effect immediately prior to reduction in the Borrowing Base Value for an Aircraft Asset pursuant to the proviso to Section 3.2(h) shall be reduced by the amount of such reduction and, on the date such Aircraft

Asset ceases to be an Impaired Aircraft Asset or Lease Default Equipment shall be increased by the amount of any reduction in the Borrowing Base Value for such Aircraft Asset.

(f) "**Borrowing Base Assets**": the following categories of assets of the Borrower and its Subsidiaries:

(i) Acceptable Accounts Receivable;

(ii) Eligible Inventory; and

(iii) Eligible Equipment.

(g) "**Borrowing Base Constraints**": in determining the Borrowing Base, the following constraints shall be considered:

(i) Eligible Inventory located at vendors or consignees shall have a Borrowing Base Value of zero;

(ii) if the Eligible Equipment consists of any engine in overhaul (but not an engine sent out for testing preceding any agreement to commence an overhaul or an engine being overhauled by the Borrower or any of its Subsidiaries by its own personnel), such engine shall either be excluded as a Borrowing Base Asset or the estimated cost of the overhaul payable to the overhaul provider shall be deposited in the Restricted Account (which costs shall be subject to withdrawal as provided in Section 6(a) of the Guarantee and Collateral Agreement);

(iii) in respect of Eligible Equipment constituting whole aircraft that are in Advance Category 3, no more than 10% of the Borrowing Base (exclusive of the component thereof constituting Acceptable Accounts Receivables) may be attributable to such type of asset;

(iv) in order for any whole aircraft to be counted as Eligible Equipment (as compared to inventory constituting Eligible Equipment), such aircraft must either (i) be subject to an operating lease with a third party (not an Affiliate of the Borrower) or (ii) if not subject to such an operating lease, become subject to an operating lease within four months (or, such further period beyond such four months not to exceed another two months during which such aircraft is subject to a letter of intent (pursuant to which the prospective lessee has made a non−refundable deposit (in cash or by letter of credit issued by a commercial bank) equal to at least one month's rent, unless the Administrative Agent shall otherwise consent, such consent not to be unreasonably refused) to have it become subject to such an operating lease); if a whole aircraft constituting Eligible Equipment does not satisfy the foregoing tests, it will be treated as Eligible Inventory; and

(v) no more than 50% of the Borrowing Base may be attributable to Eligible Inventory.

(h) "**Borrowing Base Value**" as at the Original Closing Date and at any Quarterly Date: for any Borrowing Base Asset owned by the Borrower or any of its Subsidiaries, a value determined as follows:

(i) in the case of Acceptable Accounts Receivables, 50% of the amount thereof;

(ii) in the case of each item of Eligible Inventory, the percentage of the Appraisal Value or Certified Value, as the case may be, of such item as specified in Annex C for the applicable Advance Category of such item;

(iii) in the case of each item of Eligible Equipment (other than whole aircraft), the percentage of the Appraisal Value or Certified Value, as the case may be, of such item as specified in Annex C for the applicable Advance Category of such item; and

(iv) in the case of each item of Eligible Equipment that is a whole aircraft, the lower of (x) the percentage of the Appraisal Value or Certified Value, as the case may be, and (y) the percentage of the acquisition cost, of such item as specified in Annex C for the applicable Advance Category of such item;

provided, that (x) in the case of any Aircraft Asset that constitutes Lease Default Equipment, but only for so long as it remains Lease Default Equipment, the Borrowing Base Value for such Aircraft Asset shall be:

(1) for the initial period of ninety days commencing on the date such Aircraft Asset became Lease Default Equipment, the Borrowing Base Value for such Aircraft Asset shall be the Borrowing Base Value (the "**Original Borrowing Base Value"**) for such Aircraft Asset as of the Quarterly Date occurring on or immediately prior to the date such Aircraft Asset became Lease Default Equipment;

(2) for the 90 day period commencing immediately after the period referred to in clause (1) above, the Borrowing Base Value for such Aircraft Asset shall be two−thirds (2/3) of the Original Borrowing Base Value for such Aircraft Asset;

(3) for the 90 day period commencing immediately after the period referred to in clause (2) above, the Borrowing Base Value for such Aircraft Asset shall be one−third (1/3) of the Original Borrowing Base Value for such Aircraft Asset; and

(4) thereafter, the Borrowing Base Value for such Eligible Equipment shall be zero;

and (y) in the case of any Aircraft Asset that constitutes an Impaired Aircraft Asset, but only for so long as it remains an Impaired Aircraft Asset, the Borrowing Base Value for such Aircraft Asset shall be zero effective as of the date such Aircraft Asset became an Impaired Aircraft Asset.

In the case of the June and December Quarterly Dates, the Borrowing Base Value shall be adjusted to reflect any change in the Eligible Equipment or Eligible Inventory (e.g., sales, acquisitions and change in status) occurring between the date as of which the Appraisal Values were determined and the Quarterly Date.

(i) "**Certified Value**" of any item of Eligible Equipment or item of Eligible Inventory: the current market value of such item certified by the Borrower based on its good faith and best knowledge assessment of such item based on (i) in respect of non−traded Eligible Equipment and Eligible Inventory, the most recent Appraisal Value, and the Borrower's assessment of any changes in valuation based on asset purchases, sales and trading activity during the quarterly reporting period (ii) in respect of newly acquired Eligible Equipment and Eligible Inventory, the most recent Appraisal Value in respect of comparable equipment and the prices paid by it during such period in respect thereof and (iii) such other factors as the Borrower may reasonably consider to be relevant.

3.3 Borrowing Base Valuations.

(a) The Borrower shall deliver a Borrowing Base Report (in substantially the form of Exhibit K hereto, on the Original Closing Date and not later than 15 days after each Quarterly Date, which shall calculate the Borrowing Base, (i) in respect of the Original Closing Date by reference to the Appraisal Value with respect to the Original Closing Date, (ii) in respect of the Quarterly Dates in June and December of each year, by reference to the Appraisal Value with respect to such Quarterly Dates and (iii) in respect of the Quarterly Dates in September and March of each year, by reference to the Certified Value with respect to such Quarterly Dates.

(b) The Borrower will cooperate with the Appraiser in its due diligence associated with determining any Appraisal Value, and will provide to the Appraiser access to its facilities to determine the Appraisal Value during normal business hours and without any material interruption of the Borrower's business operations, as well as, on a timely basis, all relevant and necessary data required by the Appraiser to determine the Appraisal Value (including disc sheets, inspection reports and records, as applicable).

3.4 Requests to Add Additional Equipment Types. The Borrower may from time to time propose the inclusion of additional types of Aircraft Assets in Annex B and Annex C. Upon receipt of any such proposal, the Administrative Agent agrees to negotiate in good faith whether to add such additional types of Aircraft Assets, the respective Categories such Aircraft Assets would have on Annex B and the respective Borrowing Base Advance Rates for such Aircraft Assets in Annex C, it being understood that the inclusion of different types of Aircraft Assets would require an amendment to this Agreement requiring the consent of the Lenders pursuant to Section 10.1.

Section 4. Representations and Warranties. To induce the Administrative Agent and the Lenders to enter into this Agreement and to make the Loans, the Borrower hereby represents and warrants to the Administrative Agent and each Lender that:

4.1 Financial Condition.

(a) The unaudited pro forma consolidated balance sheet of the Borrower and its consolidated Subsidiaries as at September 30, 2006 (the "**Pro Forma Balance Sheet**"), copies of which have heretofore been furnished to the Administrative Agent, has been prepared giving effect (as if such events had occurred on such date) to (i) the consummation of the Acquisition, (ii) the Loans to be made on the Original Closing Date and the use of proceeds thereof and (iii) the payment of fees and expenses in connection with the foregoing. The Pro Forma Balance Sheet has been prepared based on the best information available to the Borrower as of the date of delivery thereof, and presents fairly on a pro forma basis the estimated financial position of Borrower and its consolidated Subsidiaries as at September 30, 2006, assuming that the events specified in the preceding sentence had actually occurred at such date.

(b) The audited consolidated balance sheet of the Borrower as at December 31, 2005 and the related consolidated statements of income and of cash flows for the fiscal years ended on such dates, reported on by and accompanied by an unqualified report from KPMG, present fairly the consolidated financial condition of the Borrower as at such date, and the consolidated results of its operations and its consolidated cash flows for the respective fiscal years then ended. The unaudited consolidated balance sheet of the Borrower as at September 30, 2006, and the related unaudited consolidated statements of income and cash flows for the nine−month period ended on such date, present fairly the consolidated financial condition of the Borrower as at such date, and the consolidated results of its operations and its consolidated cash flows for the nine−month period then ended (subject to normal year−end audit adjustments). All such financial statements have been prepared in accordance with GAAP applied consistently throughout the periods involved (except as approved by the aforementioned firm of accountants and disclosed therein). Neither the Borrower nor any of its Subsidiaries has any material Guarantee Obligations, contingent liabilities and liabilities for taxes, or any long−term leases or unusual forward or long−term commitments, including any interest rate or foreign currency swap or exchange transaction or other obligation in respect of derivatives, that are not reflected in the most recent financial statements referred to in this paragraph. Since the date of the Pro−Forma Balance Sheet there has been no Disposition by the Borrower or any of its Subsidiaries of any material part of its business or property.

4.2 No Change. Since the date of the Pro Forma Balance Sheet, there has been no development or event that has had or could reasonably be expected to have a Material Adverse Effect.

4.3 Existence; Compliance with Law. The Borrower and each of its Subsidiaries (a) is duly organized, validly existing and (if applicable) in good standing under the laws of the jurisdiction of its organization, (b) has the power and authority, and the legal right, to own and operate its property, to lease the property it operates as lessee and to conduct the business in which it is currently engaged, (c) is duly qualified as a foreign corporation and in good standing (if applicable) under the laws of each jurisdiction where its ownership, lease or operation of

property or the conduct of its business requires such qualification (except to the extent that the failure to be so qualified could not, in the aggregate, reasonably be expected to have a Material Adverse Effect) and (d) is in compliance with all Requirements of Law except to the extent that the failure to comply therewith could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

4.4 Power; Authorization; Enforceable Obligations. The Borrower and each of its Subsidiaries has the power and authority, and the legal right, to make, deliver and perform the Loan Documents to which it is a party and, in the case of the Borrower, to obtain extensions of credit hereunder. The Borrower and each of its Subsidiaries has taken all necessary organizational action to authorize the execution, delivery and performance of the Loan Documents to which it is a party and, in the case of the Borrower, to authorize the extensions of credit on the terms and conditions of this Agreement. No consent or authorization of, filing with, notice to or other act by or in respect of, any Governmental Authority or any other Person is required in connection with the Acquisition and the extensions of credit hereunder or with the execution, delivery, performance, validity or enforceability of this Agreement or any of the Loan Documents, except (i) consents, authorizations, filings and notices described in Schedule 4.4, which consents, authorizations, filings and notices have been obtained or made and are in full force and effect and (ii) the filings contemplated by Section 5. Each Loan Document has been duly executed and delivered on behalf of the Borrower and/or each of its Subsidiaries party thereto. This Agreement constitutes, and each other Loan Document upon execution will constitute, a legal, valid and binding obligation of the Borrower and each of its Subsidiaries party thereto, enforceable against each thereof in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

4.5 No Legal Bar. The execution, delivery and performance of this Agreement and the other Loan Documents, the borrowings hereunder and the use of the proceeds thereof will not violate any Requirement of Law or any Contractual Obligation of Borrower or any of its Subsidiaries and will not result in, or require, the creation or imposition of any Lien on any of their respective properties or revenues pursuant to any Requirement of Law or any such Contractual Obligation (other than the Liens created by the Security Documents). No Requirement of Law or Contractual Obligation applicable to the Borrower or any of its Subsidiaries could reasonably be expected to have a Material Adverse Effect.

4.6 Litigation. No litigation, investigation or proceeding of or before any arbitrator or Governmental Authority is pending or, to the knowledge of the Borrower, threatened by or against Borrower or any of its Subsidiaries or against any of their respective properties or revenues (a) with respect to any of the Loan Documents or any of the transactions contemplated hereby or thereby, or (b) that could reasonably be expected to have a Material Adverse Effect.

4.7 No Default. No Loan Party is in default under or with respect to any of its Contractual Obligations in any respect that could reasonably be expected to have a Material Adverse Effect. No Default or Event of Default has occurred and is continuing.

4.8 Ownership of Property; Liens. Schedule 4.8 lists all real property owned or leased by the Borrower or any of its Subsidiaries.

4.9 Intellectual Property. The Borrower and each of its Subsidiaries owns, or is licensed to use, all Intellectual Property necessary for the conduct of its business as currently conducted. No material claim has been asserted and is pending by any Person challenging or questioning the use of any Intellectual Property or the validity or effectiveness of any Intellectual Property, nor does the Borrower know of any valid basis for any such claim. The use of Intellectual Property by the Borrower and each of its Subsidiaries does not infringe on the rights of any Person in any material respect.

4.10 Taxes. The Borrower and each of its Subsidiaries has filed or caused to be filed all Federal, state and other material Tax returns that are required to be filed and has paid all Taxes shown to be due and payable on said returns or on any assessments made against it or any of its property and all other Taxes, fees or other charges imposed on it or any of its property by any Governmental Authority (other than any the amount or validity of which are currently being contested in good faith by appropriate proceedings and with respect to which reserves in conformity with GAAP have been provided on the books of the relevant Loan Party); and, to the knowledge of the Borrower, no Tax lien has been filed and no claim is being asserted, with respect to any such Tax, fee or other charge.

4.11 Federal Regulations. No part of the proceeds of any Loans, and no other extensions of credit hereunder, will be used for "buying" or "carrying" any "margin stock" within the respective meanings of each of the quoted terms under Regulation U as now and from time to time hereafter in effect or for any purpose that violates the provisions of the Regulations of the Board. If requested by any Lender or the Administrative Agent, the Borrower will furnish to the Administrative Agent and each Lender a statement to the foregoing effect in conformity with the requirements of FR Form G−3 or FR Form U−1, as applicable, referred to in Regulation U.

4.12 Labor Matters. Except as, in the aggregate, could not reasonably be expected to have a Material Adverse Effect: (a) there are no strikes or other labor disputes against Borrower or any of its Subsidiaries pending or, to the knowledge of the Borrower, threatened; (b) hours worked by and payment made to employees of the Borrower and each of its Subsidiaries have not been in violation of the Fair Labor Standards Act or any other applicable Requirement of Law dealing with such matters; and (c) all payments due from Borrower or any of its Subsidiaries on account of employee health and welfare insurance have been paid or accrued as a liability on the books of the relevant Loan Party.

4.13 ERISA. Neither a Reportable Event nor an "accumulated funding deficiency" (within the meaning of Section 412 of the Code or Section 302 of ERISA) has occurred during the five−year period prior to the date on which this representation is made or deemed made with respect to any Plan, and each Plan has complied in all material respects with the applicable provisions of ERISA and the Code. No termination of a Single Employer Plan has occurred, and no Lien in favor of the PBGC or a Plan has arisen, during such five−year period. The present value of all accrued benefits under each Single Employer Plan (based on those assumptions used to fund such Plans) did not, as of the last annual valuation date prior to the date on which this

representation is made or deemed made, exceed the value of the assets of such Plan allocable to such accrued benefits by a material amount. Neither the Borrower nor any Commonly Controlled Entity has had a complete or partial withdrawal from any Multiemployer Plan that has resulted or could reasonably be expected to result in a material liability under ERISA, and neither the Borrower nor any Commonly Controlled Entity would become subject to any material liability under ERISA if the Borrower or any such Commonly Controlled Entity were to withdraw completely from all Multiemployer Plans as of the valuation date most closely preceding the date on which this representation is made or deemed made. No such Multiemployer Plan is in Reorganization or Insolvent.

4.14 Investment Company Act; Other Regulations. Neither the Borrower nor any of its Subsidiaries is an "investment company", or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended. No Loan Party is subject to regulation under any Requirement of Law (other than Regulation X of the Board) that limits its ability to incur Indebtedness.

4.15 Subsidiaries. Except for Subsidiaries created after the Original Closing Date which have become parties to the Guarantee and Collateral Agreement and the Aircraft Asset Security Agreement as provided therein ("**New Subsidiaries**"): (a) Schedule 4.15 sets forth the name and jurisdiction of incorporation of each Subsidiary; and, as to each such Subsidiary and each New Subsidiary, the Borrower owns 100% of each class of Capital Stock issued thereby; and (b) there are no outstanding subscriptions, options, warrants, calls, rights or other agreements or commitments (other than stock options granted to employees or directors and directors' qualifying shares) of any nature relating to any Capital Stock of the Borrower or any such Subsidiary, except as created by the Loan Documents.

4.16 Use of Proceeds. The proceeds of the Revolving Loans shall be used to acquire (or refinance the acquisition cost of) Eligible Equipment or refinance Returned Equipment. The Borrower is the ultimate beneficiary of the Loans being made under this Agreement.

4.17 Environmental Matters. Except as, in the aggregate, could not reasonably be expected to have a Material Adverse Effect:

(a) the facilities and properties owned, leased or operated by Borrower or any of its Subsidiaries (the "Properties") do not contain, and have not previously contained, any Materials of Environmental Concern in amounts or concentrations or under circumstances that constitute or constituted a violation of, or could give rise to liability under, any Environmental Law;

(b) no Loan Party has received or is aware of any notice of violation, alleged violation, non−compliance, liability or potential liability regarding environmental matters or compliance with Environmental Laws with regard to any of the Properties or the business operated by Borrower or any of its Subsidiaries (the "Business"), nor does the Borrower have knowledge or reason to believe that any such notice will be received or is being threatened;

(c) Materials of Environmental Concern have not been transported or disposed of from the Properties in violation of, or in a manner or to a location that could give rise

to liability under, any Environmental Law, nor have any Materials of Environmental Concern been generated, treated, stored or disposed of at, on or under any of the Properties in violation of, or in a manner that could give rise to liability under, any applicable Environmental Law;

(d) no judicial proceeding or governmental or administrative action is pending or, to the knowledge of the Borrower, threatened, under any Environmental Law to which Borrower or any of its Subsidiaries is or will be named as a party with respect to the Properties or the Business, nor are there any consent decrees or other decrees, consent orders, administrative orders or other orders, or other administrative or judicial requirements outstanding under any Environmental Law with respect to the Properties or the Business;

(e) there has been no release or threat of release of Materials of Environmental Concern at or from the Properties, or arising from or related to the operations of Borrower or any of its Subsidiaries in connection with the Properties or otherwise in connection with the Business, in violation of or in amounts or in a manner that could give rise to liability under Environmental Laws;

(f) the Properties and all operations at the Properties are in compliance, and have in the last five years been in compliance, with all applicable Environmental Laws, and there is no contamination at, under or about the Properties or violation of any Environmental Law with respect to the Properties or the Business; and

(g) no Loan Party has assumed any liability of any other Person under Environmental Laws.

4.18 Accuracy of Information, etc. No representation or warranty contained in this Agreement or any other Loan Document or any other document or certificate furnished by or on behalf of Borrower or any of its Subsidiaries to the Administrative Agent or the Lenders, or any of them, for use in connection with the transactions contemplated by this Agreement or the other Loan Documents, taken as a whole, contained as of the date such statement, information, document or certificate was so furnished, any untrue statement of a material fact or omitted to state a material fact necessary to make the statements contained herein or therein, in light of the circumstances under which they were made, not misleading. The projections and pro forma financial information contained in the materials referenced above are based upon good faith estimates and assumptions believed by management of the Borrower to be reasonable at the time made, it being recognized by the Lenders that such financial information as it relates to future events is not to be viewed as fact and that actual results during the period or periods covered by such financial information may differ from the projected results set forth therein by a material amount. As of the Original Closing Date, the representations and warranties of the Borrower contained in the Acquisition Documentation were true and correct in all material respects.

4.19 Security Documents.

(a) The Security Documents are effective to create in favor of the Collateral Administrative Agent, for the benefit of the Lenders, the security interests in the Collateral purported to be created thereby, with such priority and perfected as provided in the Loan Documents.

(b) Schedule 4.19(a) lists all Aircraft Assets and all Aircraft Asset Leases owned by the Borrower or any Subsidiary.

(c) Schedule 4.19(b) lists each location at which the Borrower or any Subsidiary maintains or stores Eligible Equipment (other than any such Equipment subject to an Aircraft Asset Lease) or Eligible Inventory having a aggregate value at any one location of in excess of $1,000,000.

(d) Schedule 4.19(c) lists each bank account or investment account maintained by the Borrower or any of its Subsidiaries;

(e) Schedule 4.19(d) lists all Intellectual Property owned by the Borrower or any of its Subsidiaries.

(f) Notwithstanding the foregoing provisions of this Section 4.19, no representation is made under this Section 4 as to any Exempted Property.

4.20 Solvency. The Borrower and each Subsidiary thereof is Solvent.

4.21 Certain Documents. The Borrower has delivered to the Administrative Agent a complete and correct copy of the Acquisition Documentation, including any amendments, supplements or modifications with respect to any of the foregoing.

4.22 Employment Arrangements. The Borrower has delivered to the Administrative Agent a complete and correct copy of all employment contracts to which the Borrower is a party, a list of which is on Schedule 4.22.

Section 5. Conditions Precedent.

5.1 Effective Date. This Agreement shall be effective when the following conditions precedent have been satisfied:

(a) Loan Documents. The Administrative Agent shall have received the following documents, each duly executed and delivered by the intended parties thereto:

(i) this Agreement; and

(ii) the Omnibus Amendment.

(b) Representations and Warranties. Each of the representations and warranties made by Borrower in Section 4 of this Agreement shall be true and correct on and as of the Effective Date as if made on and as of such date.

(c) No Default. No Default or Event of Default shall have occurred and be continuing on such date.

(d) Tranche A Term Loans, Prepayment Fee and Breakage. The Tranche A Term Loans issued to the Borrower pursuant to the Original Credit Agreement shall have been

prepaid and the Lenders shall have received all fees required to be paid, and all expenses for which invoices have been presented pursuant to Section 2.8 of the Original Credit Agreement with respect to such prepayment.

(e) Tranche B Term Loans. The Tranche B Term Loans issued to the Borrower pursuant to the Junior Credit Agreement shall have been prepaid and the lenders of such Tranche B Term Loans shall have received all fees required to be paid, and all expenses for which invoices have been presented pursuant to Section 2.8 of the Junior Credit Agreement with respect to such prepayment.

(f) The Borrower shall have paid to the Lenders the fees in the amounts agreed to in writing by the Borrower and the Lenders.

(g) Closing Certificates. The Administrative Agent shall have received such documents and certificates as the Administrative Agent or its counsel may reasonably request relating to the organization, existence and good standing (if applicable) of the Borrower and each of its Subsidiaries, the authorization of the transactions contemplated hereby, all in form and substance reasonably satisfactory to the Administrative Agent and its counsel. The Administrative Agent shall have also received a certificate, dated the Effective Date and signed by the President, a Vice President or a Financial Officer of the Borrower confirming compliance with the conditions set forth in paragraph (b) of this Section 5.1.

(h) Legal Opinions. The Administrative Agent shall have received the following executed legal opinions:

(i) the legal opinion of Milbank, Tweed, Hadley & McCloy, special counsel to the Pledgor, the Borrower and its Subsidiaries, in form and substance reasonably satisfactory to the Administrative Agent and its counsel;

(ii) the legal opinion of Vedder, Price, Kaufman & Kammholz, special counsel to the Administrative Agent, in form and substance reasonably satisfactory to the Administrative Agent; and

(iii) the legal opinion of the General Counsel to the Borrower, in form and substance reasonably satisfactory to the Administrative Agent and its counsel.

in each case in form and substance reasonably satisfactory to the Administrative Agent and its counsel.

(i) Key Man Insurance. The Administrative Agent shall have received evidence that the Key Man Insurance complies with Section 6.9(b) hereof.

5.2 Conditions to Each Loan. The agreement of each Lender to make a Revolving Loan or the Swing Line Lender to make a Swing Line Loan requested to be made by it on any date is subject to the satisfaction of the following conditions precedent:

(a) Representations and Warranties. Each of the representations and warranties made by Borrower in Section 4 of this Agreement shall be true and correct on and as

of such date as if made on and as of such date; provided that such representations and warranties shall not include those contained in Sections 4.2, 4.6, 4.12 or 4.17.

(b) No Default. No Default or Event of Default shall have occurred and be continuing on such date or after giving effect to the extensions of credit requested to be made on such date.

(c) Notice of Borrowing. The Administrative Agent shall have received from the Borrower the Notice of Borrowing therefor, duly completed and with all attachments, together with such other evidence as to the Purchase Price of the associated Eligible Equipment or Eligible Inventory as the Administrative Agent may reasonably request.

(d) Equity Contribution. If Section 2.4(b)(ii) is applicable, the Administrative Agent shall have received from the Borrower evidence reasonably satisfactory to the Administrative Agent of the Borrower's provision of the balance of the Purchase Price for the associated Eligible Equipment or Eligible Inventory not attributable to the related Revolving Loan.

(e) Insurance. The Administrative Agent shall have received insurance certificates satisfying the requirements of Section 2.07 of the Aircraft Asset Security Agreement in respect of each Aircraft Asset subject to the Aircraft Asset Security Agreement Supplement delivered on such date.

(f) Aircraft Asset Security Agreement Supplement. The Administrative Agent shall have received from the Borrower a duly executed Aircraft Asset Security Agreement Supplement in respect of any Aircraft Asset and Assignment of Lease in respect of any Aircraft Asset Lease being acquired with the proceeds of such Revolving Loan.

(g) Filings, Registrations and Recordings (Aircraft Assets). In the case of any Aircraft Asset intended to be acquired with the proceeds of such Revolving Loan, the following statements shall be true, and the Administrative Agent shall have received evidence reasonably satisfactory to it (including, with respect to Aircraft Assets which are eligible for registration with the International Registry, a printout of the "priority search certificate" from the International Registry relating to such Aircraft Assets) with respect to each Aircraft Asset and any related Aircraft Asset Lease so acquired to the effect that:

(i) the Borrower or the applicable Subsidiary has good title to such Aircraft Asset and Aircraft Asset Lease, free and clear of Liens other than Permitted Liens, the mortgage, security and international interests created by the Aircraft Asset Security Agreement and the Aircraft Asset Security Agreement Supplement for such Aircraft Asset and Aircraft Asset Lease;

(ii) with respect to each Aircraft Asset (other than an Aircraft Asset which is an Exempted Property), the Borrower is in compliance with Section 2.02 of the Aircraft Asset Security Agreement and, if required by Section 2.02 of the Aircraft Asset Security Agreement, has delivered an opinion referred to in Section 2.02(d) of the Aircraft Asset Security Agreement with respect to such Aircraft Assets (provided, that

any Lessee Consent to Assignment pursuant to clause (b) of the definition thereof shall not be required to be delivered on the Borrowing Date); and

(iii) with respect to each Aircraft Asset (other than an Aircraft Asset which is an Exempted Property), in respect of any Aircraft Asset Lease, the Borrower is in compliance with the provisions of Section 2.04(c) of the Aircraft Asset Security Agreement (provided, that any Lessee Consent to Assignment pursuant to clause (b) of the definition thereof shall not be required to be delivered on the Borrowing Date).

In the event (i) it is not reasonably feasible to file "international interests" anticipated pursuant to Sections 2.02 and 2.04 of the Aircraft Asset Security Agreement, the Borrower shall be deemed in compliance with this clause (g) if "prospective international interests" with respect to such "international interests", if reasonably feasible, are filed and (ii) a Deregistration Power of Attorney or Lessee Consent to Assignment of the type referred to in clause (b) of the definition thereof, in either case, required by Section 2.02 or 2.04 of the Aircraft Asset Security Agreement cannot be obtained on or prior to the date of borrowing, the Borrower shall obtain such Deregistration Power of Attorney or Lessee Consent to Assignment, as the case may be, within 45 days after the Borrowing Date.

Section 6. Affirmative Covenants. The Borrower hereby agrees that, so long as the Commitments remain in effect or any Loan or other amount is owing to any Lender or the Administrative Agent hereunder, the Borrower shall, and shall cause each of its Subsidiaries, to:

6.1 Financial Statements. Furnish to the Administrative Agent on behalf of the Lenders:

(a) as soon as available, but in any event within 120 days after the end of each fiscal year of the Borrower, a copy of the audited consolidated balance sheet of the Borrower and its consolidated Subsidiaries as at the end of such year and the related audited consolidated statements of income and of cash flows for such year, setting forth in each case in comparative form the figures for the previous year, reported on without a "going concern" or like qualification or exception, or qualification arising out of the scope of the audit, by KPMG, Price Waterhouse Coopers or other independent certified public accountants of nationally recognized standing;

(b) as soon as available, but in any event not later than 90 days after the end of each fiscal year of the Borrower, the unaudited consolidated balance sheet of the Borrower and its consolidated Subsidiaries as at the end of such fiscal year and the related unaudited consolidated statements of income and of cash flows for such fiscal year through the end of such quarter, setting forth in each case in comparative form the figures for the previous year; and

(c) as soon as available, but in any event not later than 45 days after the end of each of the first three quarterly periods of each fiscal year of the Borrower, the unaudited consolidated balance sheet of the Borrower and its consolidated Subsidiaries as at the end of such quarter and the related unaudited consolidated statements of income and of cash flows for such quarter and the portion of the fiscal year through the end of such quarter, setting forth in each case in comparative form the figures for the previous year, certified by a Responsible

Officer as being fairly stated in all material respects (subject to normal year−end audit adjustments).

All such financial statements shall be complete and correct in all material respects and shall be prepared in reasonable detail and in accordance with GAAP applied consistently throughout the periods reflected therein and with prior periods (except as approved by such accountants or officer, as the case may be, and disclosed therein and except that unaudited financial statements may not have notes).

6.2 Certificates; Other Information. Furnish to the Administrative Agent on behalf of the Lenders:

(a) concurrently with the delivery of any financial statements pursuant to Section 6.1(a) or 6.1(c), a Compliance Certificate of a Responsible Officer: (i) stating that, to the best of each such Responsible Officer's knowledge, such Responsible Officer has obtained no knowledge of any Default or Event of Default except as specified in such certificate; (ii) in the case of quarterly or annual financial statements, containing all information and calculations necessary for determining compliance by the Borrower and each Subsidiary with Sections 7.1(a) and 7.1(b) as of the last day of the fiscal quarter or fiscal year of the Borrower, as the case may be; and (iii) to the extent not previously disclosed to the Administrative Agent, a listing of any location where the Borrower or any Subsidiary maintains, stores or warehouses Eligible Equipment or Eligible Inventory in an aggregate amount of $1,000,000 or more.

(b) as soon as available, and in any event no later than 45 days after the end of each fiscal year of the Borrower, a consolidated budget for the following fiscal year (including a projected consolidated balance sheet of the Borrower and its Subsidiaries as of the end of the following fiscal year, the related consolidated statements of projected cash flow and projected income and a description of the underlying assumptions applicable thereto), and, as soon as available, significant revisions, if any, of such budget and projections with respect to such fiscal year (collectively, the "**Projections**");

(c) no later than 5 Business Days prior to the effectiveness thereof, copies of substantially final drafts of any proposed amendment, supplement, waiver or other modification with respect to any Acquisition Documentation; and

(d) promptly upon the Administrative Agent's request, such additional financial and other information as may from time to time be required by the Administrative Agent or any Lender in order to comply with any Requirement of Law.

6.3 Payment of Obligations. Pay, discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, all its material obligations of whatever nature, except where the amount or validity thereof is currently being contested in good faith by appropriate proceedings and reserves in conformity with GAAP with respect thereto have been provided on the books of the relevant Loan Party.

6.4 Maintenance of Existence; Compliance. (a) (i) Preserve, renew and keep in full force and effect its organizational existence and (ii) take all reasonable action to maintain all

rights, privileges and franchises necessary or desirable in the normal conduct of its business, except, in each case, as otherwise permitted by Section 7.4 and except, in the case of clause (ii) above, to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect; and (b) comply with all Contractual Obligations and Requirements of Law except to the extent that failure to comply therewith could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

6.5 Maintenance of Property; Insurance. Without limiting its obligations under Section 2.07 of the Aircraft Asset Security Agreement, (a) keep all property useful and necessary in its business in good working order and condition, ordinary wear and tear excepted and (b) maintain with financially sound and reputable insurance companies insurance on all its property in at least such amounts and against at least such risks (but including in any event public liability, product liability and business interruption) as are usually insured against in the same general area by companies engaged in the same or a similar business.

6.6 Inspection of Property; Books and Records; Discussions. (a) Keep proper books of records and account in which full, true and correct entries in conformity with GAAP and all Requirements of Law shall be made of all dealings and transactions in relation to its business and activities and (b) permit representatives of the Administrative Agent to visit and inspect any of its properties and examine and make abstracts from any of its books and records upon reasonable notice and at any reasonable time during normal business hours and not more than once during any fiscal quarter (unless an Event of Default shall have occurred and be continuing) and to discuss the business, operations, properties and financial and other condition of the Loan Parties with officers and employees of the Loan Parties and with their independent certified public accountants provided that, such inspection shall not be materially interruptive to the business of the Borrower.

6.7 Notices. Promptly give notice to the Administrative Agent of:

(a) the occurrence of any Default or Event of Default;

(b) any (i) event of default under any Contractual Obligation of Borrower or any of its Subsidiaries or (ii) litigation, investigation or proceeding that may exist at any time between Borrower or any of its Subsidiaries and any Governmental Authority, that in either case, if not cured or if adversely determined, as the case may be, could reasonably be expected to have a Material Adverse Effect;

(c) any litigation or proceeding affecting Borrower or any of its Subsidiaries (i) in which the amount involved is $5,000,000 or more and not covered by insurance or (ii) which relates to any Loan Document;

(d) the following events, as soon as possible and in any event within 30 days after the Borrower knows of: (i) the occurrence of any Reportable Event with respect to any Plan, a failure to make any required contribution to a Plan, the creation of any Lien in favor of the PBGC or a Plan or any withdrawal from, or the termination, Reorganization or Insolvency of, any Multiemployer Plan or (ii) the institution of proceedings or the taking of any other action by the PBGC or the Borrower or any Commonly Controlled Entity or any Multiemployer Plan with

respect to the withdrawal from, or the termination, Reorganization or Insolvency of, any Plan; and

(e) any Aircraft Asset becoming an Impaired Aircraft Asset or Lease Default Equipment.

Each notice pursuant to this Section 6.7 shall be accompanied by a statement of a Responsible Officer setting forth details of the occurrence referred to therein and stating what action the relevant Loan Party proposes to take with respect thereto.

6.8 Environmental Laws. (a) Comply in all material respects with, and ensure compliance in all material respects by all tenants and subtenants, if any, with, all applicable Environmental Laws, and obtain and comply in all material respects with and maintain, and ensure that all tenants and subtenants obtain and comply in all material respects with and maintain, any and all licenses, approvals, notifications, registrations or permits required by applicable Environmental Laws.

(b) Conduct and complete all investigations, studies, sampling and testing, and all remedial, removal and other actions required under Environmental Laws and promptly comply in all material respects with all lawful orders and directives of all Governmental Authorities regarding Environmental Laws.

6.9 Hedge Agreements; Key Man Insurance.

(a) Keep in full force and effect, and comply with its obligations under, the CALYON Hedge Agreement and keep in full force and effect, and comply with its obligations under, the Existing Hedge Agreements through their respective "Termination Dates".

(b) Keep in full force and effect, and comply with its obligations under, policies of Key Man Insurance in the amount of at least $10,000,000 each with respect to Messrs. Finazzo and Nichols, with the Administrative Agent named as the insured party and loss payee and otherwise containing such terms and conditions as the Administrative Agent may reasonably request.

6.10 Additional Collateral. (a) With respect to any personal property acquired after the Original Closing Date by the Borrower or any of its Subsidiaries (other than (x) any property subject to a Lien expressly permitted by Section 7.3 and (y) any Exempted Property) as to which the Administrative Agent, for the benefit of the Lenders, does not have a perfected Lien, promptly (i) execute and deliver to the Administrative Agent such amendments or supplements to the Guarantee and Collateral Agreement (or, in the case of any Aircraft Asset or Aircraft Asset Lease, the Aircraft Asset Security Agreement and the Assignment of Lease) or such other documents as the Administrative Agent deems necessary or advisable to grant to the Administrative Agent, for the benefit of the Lenders, a security interest in such property and (ii) take all actions necessary or advisable to grant to the Administrative Agent, for the benefit of the Lenders, a perfected first priority security interest in such property, including the filing of Uniform Commercial Code financing statements in such jurisdictions as may be required by the Guarantee and Collateral Agreement or the taking of the actions specified in Section 5.2(g) or as may be reasonably requested by the Administrative Agent.

(b) With respect to any interest in any real property having a value (together with improvements thereof) of at least $500,000 acquired after the Original Closing Date by the Borrower or any of its Subsidiaries, promptly (i) execute and deliver a first priority mortgage, in favor of the Administrative Agent, for the benefit of the Lenders, covering such real property, (ii) if requested by the Administrative Agent, provide the Lenders with (x) title and extended coverage insurance covering such real property in an amount at least equal to the purchase price of such real property (or such other amount as shall be reasonably specified by the Administrative Agent) as well as a current ALTA survey thereof, together with a surveyor's certificate and (y) any consents or estoppels reasonably deemed necessary or advisable by the Administrative Agent in connection with such mortgage, each of the foregoing in form and substance reasonably satisfactory to the Administrative Agent and (iii) if requested by the Administrative Agent, deliver to the Administrative Agent legal opinions relating to the matters described above, which opinions shall be in form and substance, and from counsel, reasonably satisfactory to the Administrative Agent. With respect to any real property leased by Borrower or any of its Subsidiaries after the Original Closing Date, the Borrower shall have obtained from each Person with any interest in the real property and/or the improvements thereon (whether as fee owner, landlord, tenant, ground lessor, mortgagee, leasehold mortgagee, beneficiary of deed of trust, beneficiary of leasehold deed of trust or otherwise), a waiver of any and all right or interest that such Person may otherwise have in the inventory and other Collateral and such Person's consent, if applicable, to access by the Administrative Agent or its representative to the premises in connection with the exercise of any rights or remedies under or pursuant to the Security Documents pursuant to a Landlord Consent and, if in the reasonable opinion of the Administrative Agent, such real property lease is material to the continued operation of the business of the Borrower and its Subsidiaries, the Borrower shall assign such real estate lease to the Administrative Agent pursuant to a Collateral Lease Assignment.

(c) With respect to any new Subsidiary created or acquired after the Original Closing Date by Borrower or any of its Subsidiaries, promptly (i) execute and deliver to the Administrative Agent such amendments to the Guarantee and Collateral Agreement as the Administrative Agent deems necessary or advisable to grant to the Administrative Agent, for the benefit of the Lenders, a perfected first priority security interest in the Capital Stock of such new Subsidiary that is owned by the Borrower or any of its Subsidiaries, (ii) deliver to the Administrative Agent the certificates representing such Capital Stock, together with undated stock powers, in blank, executed and delivered by a duly authorized officer of the relevant Loan Party, (iii) cause such new Subsidiary (A) to become a party to the Guarantee and Collateral Agreement and, if applicable, the Aircraft Asset Security Agreement, (B) to take such actions necessary or advisable to grant to the Administrative Agent for the benefit of the Lenders a perfected first priority security interest in the Collateral described in the Guarantee and Collateral Agreement and the Aircraft Asset Security Agreement with respect to such new Subsidiary, including the filing of Uniform Commercial Code financing statements in such jurisdictions as may be required by the Guarantee and Collateral Agreement or the taking of the actions specified in Section 5.2(g) or the Aircraft Asset Security Agreement, as the case may be, or by law or as may be reasonably requested by the Administrative Agent and (C) to deliver to the Administrative Agent a certificate of such Subsidiary, substantially in the form of Exhibit B to the Guarantee and Collateral Agreement, with appropriate insertions and attachments, and (iv) if requested by the Administrative Agent, deliver to the Administrative Agent legal opinions

relating to the matters described above, which opinions shall be in form and substance, and from counsel, reasonably satisfactory to the Administrative Agent.

(d) With respect to any Deposit Account acquired by the Borrower or any Subsidiary after the Closing, cause an account control agreement substantially in the form of the Account Control Agreement to be duly executed and delivered by the account holder, the account bank/broker and the Administrative Agent.

6.11 Subsidiaries. All Subsidiaries, whether existing on the date hereof or formed or acquired in the future, shall be Wholly Owned Subsidiaries.

6.12 Post Closing Registration of International Interests. If on any Borrowing Date, prospective international interests with respect to an Aircraft Asset or an Aircraft Asset Lease which are eligible for registration with the International Registry were made, within 45 days after such Borrowing Date, the Borrower shall, if feasible, register international interests with respect to such Aircraft Asset or Aircraft Asset Lease with the International Registry and shall deliver to the Administrative Agent a printout of the "priority search certificate" from the International Registry relating thereto showing no registered international interests on the International Registry prior to such international interest or assignment.

Section 7. Negative Covenants. The Borrower hereby agrees that, so long as the Commitments remain in effect, any Loan or other amount is owing to any Lender or the Administrative Agent hereunder, the Borrower shall not, and shall not permit any of its Subsidiaries to, directly or indirectly:

7.1 Financial Condition Covenants.

(a) Consolidated Leverage Ratio. From and after January 1, 2007, permit the Consolidated Leverage Ratio as at the last day of any period of four consecutive fiscal quarters of the Borrower to exceed 4.00:1.

(b) Consolidated Fixed Charge Coverage Ratio. Permit the Consolidated Fixed Charge Coverage Ratio for any period of four consecutive fiscal quarters of the Borrower to be less than 1.25:1. For the purpose of calculating this financial covenant, the one−time non−recurring fees and expenses paid on the Effective Date shall be excluded from the calculation thereof.

(c) One Time Charges. For the purpose of calculating the two preceding financial covenants, the Transaction Costs (as defined in Annex A) shall be excluded from the calculation thereof, so long as such expenses do not exceed the maximum amount specified in the definition thereof.

(d) Cure Rights. For the purposes of ascertaining whether an Event of Default has occurred under Section 8(c)(i) in respect of either of the two preceding financial covenants in clauses (a) and (b) hereof, notwithstanding that either such covenant test is not satisfied, no Event of Default shall exist until:

(i) in the case of clause (a) [*Consolidated Leverage Ratio*], 30 days have elapsed from the date such test has been determined to have not been satisfied during which the Loans shall not have been prepaid in an amount such that, on a pro forma basis (taking into account the resulting Loan balance after giving effect to such prepayment), such covenant test would be satisfied; and

(ii) in the case of clause (b) [*Consolidated Fixed Charge Ratio*], 30 days have elapsed from the date such test has been determined to have not been satisfied during which the Revolving Loans shall not have been prepaid in an aggregate amount equal to $500,000 for every basis point below 1.25:1 that the Consolidated Fixed Charge Ratio is at such date of determination; provided that this "cure" provision for such clause (b) shall be inapplicable if the ratio as at such date of determination is below 1.16:1.

7.2 Indebtedness. Create, issue, incur, assume, become liable in respect of or suffer to exist any Indebtedness, except:

(a) Indebtedness of Borrower or any of its Subsidiaries pursuant to any Loan Document;

(b) Indebtedness of the Borrower to any Subsidiary and of any Subsidiary to the Borrower or any other Subsidiary and Subordinated Indebtedness of the Borrower to the Pledgor;

(c) Guarantee Obligations incurred in the ordinary course of business by the Borrower of obligations of any Subsidiary;

(d) Indebtedness outstanding on the Original Closing Date (excluding the Wachovia Credit Facility) and listed on Schedule 7.2(d) and any refinancings, refundings, renewals or extensions thereof (without increasing, or shortening the maturity of, the principal amount thereof);

(e) Hedge Agreements in respect of Indebtedness otherwise permitted hereby that bears interest at a floating rate, so long as such agreements are not entered into for speculative purposes;

(f) Indebtedness of any Person that becomes a Subsidiary after the date hereof, provided, that such Indebtedness existed immediately prior to the time such Person became a Subsidiary and was not created in contemplation of or in connection with such Person becoming a Subsidiary and after giving effect to such Person becoming a Subsidiary, the Borrower would be in compliance with clauses (a) and (b) of Section 7.1 (assuming such clauses were calculated as of the date such Person became a Subsidiary);

(g) Indebtedness incurred in the acquisition of tooling in the ordinary course of business; and

(h) Other Indebtedness in an aggregate amount not exceeding $4,000,000 at any time outstanding.

7.3 Liens. Create, incur, assume or suffer to exist any Lien upon any of its property, whether now owned or hereafter acquired, except for the following permitted liens ("**Permitted Liens**"):

(a) Liens for taxes not yet due or that are being contested in good faith by appropriate proceedings, provided that adequate reserves with respect thereto are maintained on the books of the Borrower or its Subsidiaries, as the case may be, in conformity with GAAP;

(b) landlords', carriers', warehousemen's, mechanics', materialmen's, repairmen's or other like Liens arising in the ordinary course of business that are not overdue for a period of more than 60 days or that are being contested in good faith by appropriate proceedings;

(c) pledges or deposits in connection with workers' compensation, unemployment insurance and other social security legislation;

(d) deposits to secure the performance of bids, trade contracts (other than for borrowed money), leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;

(e) easements, rights−of−way, restrictions and other similar encumbrances incurred in the ordinary course of business that, in the aggregate, are not substantial in amount and that do not in any case materially detract from the value of the property subject thereto or materially interfere with the ordinary conduct of the business of the Borrower or any of its Subsidiaries;

(f) Liens in existence on the date hereof listed on Schedule 7.3(f), securing Indebtedness permitted by Section 7.2(d), provided that no such Lien is spread to cover any additional property after the Original Closing Date and that the amount of Indebtedness secured thereby is not increased;

(g) Liens created pursuant to the Security Documents and Liens permitted by the Security Documents (including without limitation Section 2.01 of the Asset Security Agreement);

(h) any interest or title of a lessor or a lessee under any lease entered into by the Borrower or any other Subsidiary in the ordinary course of its business and covering only the assets so leased;

(i) Liens of creditors of any person to whom the Borrower's or a Subsidiary's assets are consigned for sale in the ordinary course of the Borrower's or such Subsidiary's business;

(j) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of custom duties in connection with the importation of goods, provided that such custom duties are paid when due and adequate reserves with respect thereto are maintained on the books of the Borrower or its Subsidiaries, as the case may be, in conformity with GAAP;

(k) Liens in favor of collecting or payor banks and other banks providing cash management services, in each case having a right of setoff, revocation, refund or chargeback against money or instruments of the Borrower or any Subsidiary on deposit or in possession of such bank arising for the payment of bank fees and other similar amounts owed in the ordinary course of business;

(l) Judgment and attachment Liens not giving rise to an Event of Default;

(m) Other Liens on assets (other than assets forming part of the Borrowing Base) acquired after the Original Closing Date securing or relating to Indebtedness and other liabilities and obligations not otherwise prohibited by this Agreement or the Security Documents in an aggregate amount not to exceed $4,000,000 at any time outstanding; and

(n) Any renewal or substitution of any Lien described in clause (f), (i) or (m) provided that such Lien is not extended to additional assets.

7.4 Fundamental Changes. Enter into any merger, consolidation or amalgamation, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution), or Dispose of all or substantially all of its property or business, except that:

(a) [Intentionally Omitted]

(b) any Subsidiary of the Borrower may be merged or consolidated with or into the Borrower (provided that the Borrower shall be the continuing or surviving corporation) or with or into any Subsidiary (provided that the Subsidiary shall be the continuing or surviving corporation);

(c) any Subsidiary of the Borrower may Dispose of any or all of its assets to the Borrower or any Subsidiary (upon voluntary liquidation or otherwise); and

(d) any Investment expressly permitted by Section 7.8 may be structured as a merger, consolidation or amalgamation.

7.5 Lines of Business. Enter into any business, either directly or through any Subsidiary, except for those businesses in which the Borrower and its Subsidiaries are engaged on the date of this Agreement or that are reasonably related thereto.

7.6 Restricted Payments. Declare or pay any dividend (other than dividends payable solely in common stock of the Person making such dividend) on, or make any payment on account of, or set apart assets for a sinking or other analogous fund for, the purchase, redemption, defeasance, retirement or other acquisition of, any Capital Stock of the Borrower, whether now or hereafter outstanding, or make any other distribution in respect thereof, either directly or indirectly, whether in cash or property or in obligations of the Borrower (collectively, "**Restricted Payments**"), except that the Borrower may make dividend payment if:

(a) no Default or Event of Default has occurred and is continuing;

(b) the aggregate amount of such dividend payment in any calendar year does not exceed $10,000,000; and

(c) after giving effect to such dividend, the Consolidated Leverage Ratio (calculated for the three month period ending on the date of such dividend) is not more than 3.00:1 and the Consolidated Fixed Charge Coverage Ratio (calculated for the three month period ending on the date of such dividend) is not less than 1.25:1 (provided that, in calculating both ratios, the Consolidated EBITDA component shall be calculated for the twelve−month period ending on the date of such dividend and shall give effect to the making of such dividend);

provided that this Section 7.6 shall not restrict any dividend or other payment made in connection with the Acquisition.

7.7 Capital Expenditures. Make or commit to make any Capital Expenditure in excess of $4,000,000 in the aggregate, except Capital Expenditures by the Borrower and its Subsidiaries of Aircraft Assets or tooling directly related thereto in the ordinary course of business; provided, however, that neither the Borrower nor any of its Subsidiaries may commit to aggregate obligations to make Capital Expenditures for Aircraft Assets (x) more than 18 but less than 24 months in the future if such aggregate obligations would be in excess of $35,000,000 or (y) more 24 or more months in the future if such aggregate obligations (when totaled with any aggregate obligations more than 18 months or less than 24 months in the future) would be in excess of $25,000,000.

7.8 Investments. Make any advance, loan, extension of credit (by way of guaranty or otherwise) or capital contribution to, or purchase any Capital Stock, bonds, notes, debentures or other debt securities of, or any assets constituting a business unit of, or make any other investment in, any Person (all of the foregoing, "**Investments**"), except:

(a) extensions of trade credit in the ordinary course of business and any bond, note, debenture or other security distributed in a bankruptcy proceeding with respect thereto;

(b) investments in Cash Equivalents;

(c) Guarantee Obligations permitted by Section 7.2;

(d) the Acquisition;

(e) intercompany Investments by Borrower or any of its Subsidiaries in the Borrower or any Person that, prior to such investment, is a Subsidiary; and

(f) in addition to Investments otherwise expressly permitted by this Section, Investments by the Borrower or any of its Subsidiaries in an aggregate amount (valued at cost) not to exceed $10,000,000 during the term of this Agreement.

7.9 Synthetic Purchase Agreements. Enter into or be party to, or make any payment under, any Synthetic Purchase Agreement.

7.10 Transactions with Affiliates. Enter into any transaction, including any purchase, sale, lease or exchange of property, the rendering of any service or the payment of any management, advisory or similar fees, with any Affiliate (other than the Borrower or any Subsidiary) unless such transaction is (a) otherwise permitted under this Agreement, (b) (i) in the ordinary course of business of the relevant Loan Party, and (ii) upon fair and reasonable terms no less favorable to the relevant Loan Party than it would obtain in a comparable arm's length transaction with a Person that is not an Affiliate or (c) a written tax sharing agreement or similar arrangement between the Borrower and the Pledgor that requires the payment by the Borrower of its allocable share of any consolidated, combined or unitary tax liability of any group that includes the Borrower and the Pledgor (or any affiliate of the Pledgor), which allocable share shall be no greater than the amount of US federal, state, and local taxes that the Borrower and the Borrower's subsidiaries would have paid had the Borrower and its subsidiaries filed a consolidated, combined or unitary return for a group including only the Borrower and its Subsidiaries.

7.11 Sales and Leasebacks. Enter into any arrangement with any Person providing for the leasing by Borrower or any of its Subsidiaries of real or personal property that has been or is to be sold or transferred by such Loan Party to such Person or to any other Person to whom funds have been or are to be advanced by such Person on the security of such property or rental obligations of such Loan Party.

7.12 Changes in Fiscal Periods. Permit the fiscal year of the Borrower to end on a day other than December 31 or change the Borrower's method of determining fiscal quarters.

7.13 Negative Pledge Clauses. Enter into or suffer to exist or become effective any agreement that prohibits or limits the ability of Borrower or any of its Subsidiaries to create, incur, assume or suffer to exist any Lien upon any of its property or revenues, whether now owned or hereafter acquired, to secure its obligations under the Loan Documents to which it is a party other than (a) this Agreement and the other Loan Documents and (b) any agreements governing any purchase money Liens or Capital Lease Obligations otherwise permitted hereby (in which case, any prohibition or limitation shall only be effective against the assets financed thereby).

7.14 Clauses Restricting Subsidiary Distributions. Enter into or suffer to exist or become effective any consensual encumbrance or restriction on the ability of any Subsidiary of the Borrower to (a) make Restricted Payments in respect of any Capital Stock of such Subsidiary held by, or pay any Indebtedness owed to, the Borrower or any other Subsidiary of the Borrower, (b) make loans or advances to, or other Investments in, the Borrower or any other Subsidiary of the Borrower or (c) transfer any of its assets to the Borrower or any other Subsidiary of the Borrower, except for such encumbrances or restrictions existing under or by reason of (i) any restrictions existing under the Loan Documents and (ii) any restrictions with respect to a Subsidiary imposed pursuant to an agreement that has been entered into in connection with the Disposition of all or substantially all of the Capital Stock or assets of such Subsidiary.

7.15 Amendments to Acquisition Documentation. (a) Amend, supplement or otherwise modify (pursuant to a waiver or otherwise) the terms and conditions of the indemnities and licenses furnished to the Borrower or any of its Subsidiaries pursuant to the Acquisition

Documentation such that after giving effect thereto such indemnities or licenses shall be materially less favorable to the interests of the Loan Parties or the Lenders with respect thereto or (b) otherwise amend, supplement or otherwise modify the terms and conditions of the Acquisition Documentation or any such other documents except for any such amendment, supplement or modification that (i) becomes effective after the Original Closing Date and (ii) could not reasonably be expected to have a Material Adverse Effect.

Section 8. Events Of Default.

If any of the following events shall occur and be continuing:

(a) the Borrower shall fail to pay the principal of or any interest on any Loan, or any fee payable hereunder or under any other Loan Document, within three Business Days after any such principal, interest or fee becomes due in accordance with the terms hereof; or the Borrower shall fail to pay any other amount payable hereunder or under any other Loan Document within five Business Days after the Borrower shall have received notice from the Administrative Agent that same shall be due in accordance with the terms hereof; or

(b) any representation or warranty made or deemed made by any Loan Party herein or in any other Loan Document to which it is a party or that is contained in any certificate, document or financial or other statement furnished by it at any time under or in connection with this Agreement or any such other Loan Document shall prove to have been inaccurate in any material respect on the date made or deemed made and which shall have a Material Adverse Effect on the ability of the Loan Party to comply with its obligations under the Loan Documents; or

(c) the Borrower shall default in the observance or performance of any agreement contained in clause (i) or (ii) of Section 6.4(a), Section 6.7(a) or Section 7 of this Agreement; or

(d) the Borrower shall have failed to deliver a Borrowing Base valuation pursuant to Section 3.3(a) within five Business Days after the same shall be due; or

(e) except as otherwise provided in Section 6.9 hereof and Section 2.10 of the Aircraft Asset Security Agreement, any Loan Party shall default in the observance or performance of any other agreement contained in this Agreement or any other Loan Document (other than as provided in paragraphs (a) through (d) of this Section), and such default shall continue unremedied for a period of 30 days after notice to the Borrower from the Administrative Agent; or

(f) the Borrower or any Subsidiary of the Borrower shall (i) default in making any payment of any principal of or interest on any Indebtedness (including any Guarantee Obligation, but excluding the Loans) beyond the period of grace, if any, provided in the instrument or agreement under which such Indebtedness was created; or (ii) default in the observance or performance of any other agreement or condition relating to any such Indebtedness or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the holder or beneficiary of such Indebtedness (or a

trustee or agent on behalf of such holder or beneficiary) to cause, with the giving of notice if required, such Indebtedness to become due prior to its stated maturity or (in the case of any such Indebtedness constituting a Guarantee Obligation) to become payable; provided, that a default, event or condition described in clause (i) or (ii) of this paragraph (f) shall not at any time constitute an Event of Default unless, at such time, one or more defaults, events or conditions of the type described in clauses (i) and (ii) of this paragraph (f) shall have occurred and be continuing with respect to Indebtedness the outstanding principal amount of which exceeds in the aggregate $4,000,000; or

(g) (i) Borrower or any of its Subsidiaries shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding−up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian, conservator or other similar official for it or for all or any substantial part of its assets, or Borrower or any of its Subsidiaries shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against Borrower or any of its Subsidiaries any case, proceeding or other action of a nature referred to in clause (i) above that (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismissed, undischarged or unbonded for a period of 60 days; or (iii) there shall be commenced against Borrower or any of its Subsidiaries any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets that results in the entry of an order for any such relief that shall not have been vacated, discharged, or stayed or bonded pending appeal within 60 days from the entry thereof; or (iv) Borrower or any of its Subsidiaries shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii), or (iii) above; or (v) Borrower or any of its Subsidiaries shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due; or

(h) (i) any Person shall engage in any “prohibited transaction” (as defined in Section 406 of ERISA or Section 4975 of the Code) involving any Plan, (ii) any “accumulated funding deficiency” (as defined in Section 302 of ERISA), whether or not waived, shall exist with respect to any Plan or any Lien in favor of the PBGC or a Plan shall arise on the assets of Borrower or any of its Subsidiaries or any Commonly Controlled Entity, (iii) a Reportable Event shall occur with respect to, or proceedings shall commence to have a trustee appointed, or a trustee shall be appointed, to administer or to terminate, any Single Employer Plan, which Reportable Event or commencement of proceedings or appointment of a trustee is, in the reasonable opinion of the Required Lenders, likely to result in the termination of such Plan for purposes of Title IV of ERISA, (iv) any Single Employer Plan shall terminate for purposes of Title IV of ERISA, (v) Borrower or any of its Subsidiaries or any Commonly Controlled Entity shall, or in the reasonable opinion of the Required Lenders is likely to, incur any liability in connection with a withdrawal from, or the Insolvency or Reorganization of, a Multiemployer Plan or (vi) any other event or condition shall occur or exist with respect to a Plan; and in each case in clauses (i) through (vi) above, such event or condition, together with all other such events or conditions, if any, could, in the reasonable judgment of the Required Lenders, reasonably be expected to have a Material Adverse Effect; or

(i) one or more judgments or decrees shall be entered against the Borrower or any of its Subsidiaries involving in the aggregate a liability (not paid or fully covered by insurance as to which the relevant insurance company has acknowledged coverage) of $5,000,000 or more, unless all such judgments or decrees shall have been vacated, discharged, stayed or bonded pending appeal within 30 days from the entry thereof; or

(j) any of the Security Documents shall cease, for any reason, to be in full force and effect, or Borrower or any of its Subsidiaries or any Affiliate of Borrower or any of its Subsidiaries shall so assert, or any Lien created by any of the Security Documents shall cease to be enforceable and of the same effect and priority purported to be created thereby; or

(k) the guarantee contained in Section 2 of the Guarantee and Collateral Agreement shall cease, for any reason, to be in full force and effect or Borrower or any of its Subsidiaries or any Affiliate of Borrower or any of its Subsidiaries shall so assert; or

(l) AerCap B.V. shall cease to own and control, of record and beneficially, directly or indirectly, 51% of each class of outstanding Capital Stock of the Borrower;

then, and in any such event, (A) if such event is an Event of Default specified in clause (i) or (ii) of paragraph (g) above with respect to the Borrower, automatically the Commitments shall immediately terminate and the Loans (with accrued interest thereon) and all other amounts owing under this Agreement and the other Loan shall immediately become due and payable, and (B) if such event is any other Event of Default, either or both of the following actions may be taken: (i) with the consent of the Required Lenders, the Administrative Agent may, or upon the request of the Required Lenders, the Administrative Agent shall, by notice to the Borrower declare the Revolving Commitments to be terminated forthwith, whereupon the Revolving Commitments shall immediately terminate; and (ii) with the consent of the Required Lenders, the Administrative Agent may, or upon the request of the Required Lenders, the Administrative Agent shall, by notice to the Borrower, declare the Loans (with accrued interest thereon) and all other amounts owing under this Agreement and the other Loan Documents to be due and payable forthwith, whereupon the same shall immediately become due and payable. Except as expressly provided above in this Section, presentment, demand, protest and all other notices of any kind are hereby expressly waived by the Borrower. All amounts collected or received by the Administrative Agent or any Lender after the exercise of remedies pursuant to this Section 8 shall be paid over or delivered to the Collateral Agent for distribution in accordance with Section 9(a) of the Guaranty and Collateral Agreement and Section 4.01(a) of the Aircraft Asset Security Agreement.

Section 9. The Agents.

9.1 Appointment. Each Lender hereby irrevocably designates and appoints CALYON New York Branch as the agent of such Lender under this Agreement and the other Loan Documents, and each such Lender irrevocably authorizes the Administrative Agent, in such capacity, to take such action on its behalf under the provisions of this Agreement and the other Loan Documents and to exercise such powers and perform such duties as are expressly delegated to the Administrative Agent by the terms of this Agreement and the other Loan Documents, together with such other powers as are reasonably incidental thereto. Notwithstanding any

provision to the contrary elsewhere in this Agreement, the Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against the Administrative Agent. Each Lender further appoints Wachovia Bank, National Association and National City Bank as Co−Documentation Agents under this Agreement and HSH Nordbank AG as Syndication Agent. The Co−Documentation Agents and the Syndication Agent shall have no duties, liabilities or responsibilities in such capacity whatsoever.

9.2 Delegation of Duties. The Administrative Agent may execute any of its duties under this Agreement and the other Loan Documents by or through agents or attorneys−in−fact selected by the Administrative Agent with reasonable care and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agents or attorneys−in−fact selected by it with reasonable care.

9.3 Exculpatory Provisions. Neither any Administrative Agent, the Syndication Agent, any Co−Documentation Agent nor any of their respective officers, directors, employees, agents, attorneys−in−fact or affiliates shall be (i) liable for any action lawfully taken or omitted to be taken by it or such Person under or in connection with this Agreement or any other Loan Document (except to the extent that any of the foregoing are found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from its or such Person's own gross negligence or willful misconduct) or (ii) responsible in any manner to any of the Lenders for any recitals, statements, representations or warranties made by Borrower or any of its Subsidiaries or any officer thereof contained in this Agreement or any other Loan Document or in any certificate, report, statement or other document referred to or provided for in, or received by the any such Agent under or in connection with, this Agreement or any other Loan Document or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document or for any failure of Borrower or any of its Subsidiaries a party thereto to perform its obligations hereunder or thereunder. No such Agent shall be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of Borrower or any of its Subsidiaries.

9.4 Reliance by Administrative Agent. The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any instrument, writing, resolution, notice, consent, certificate, affidavit, letter, telecopy, telex or teletype message, statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including counsel to the Borrower), independent accountants and other experts selected by the Administrative Agent. The Administrative Agent may deem and treat each Person whose name is recorded in the Register as the owner of the Loans recorded therein for all purposes for all purposes unless a written notice of assignment, negotiation or transfer thereof shall have been filed with the Administrative Agent. The Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless it shall first receive such advice or concurrence of the Required Lenders (or, if so specified by this

Agreement, all Lenders) as it deems appropriate or it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense that may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement and the other Loan Documents in accordance with a request of the Required Lenders (or, if so specified by this Agreement, all Lenders), and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders and all future holders of the Loans.

9.5 Notice of Default. The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default unless the Administrative Agent has received notice from a Lender or the Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". In the event that the Administrative Agent receives such a notice, the Administrative Agent shall give notice thereof to the Lenders. The Administrative Agent shall take such action with respect to such Default or Event of Default as shall be reasonably directed by the Required Lenders (or, if so specified by this Agreement, all Lenders); provided that unless and until the Administrative Agent shall have received such directions, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interests of the Lenders.

9.6 Non−Reliance on Agents and Other Lenders. Each Lender expressly acknowledges that neither the Agents nor any of their respective officers, directors, employees, agents, attorneys−in−fact or affiliates have made any representations or warranties to it and that no act by any Administrative Agent hereafter taken, including any review of the affairs of a Loan Party or any affiliate of a Loan Party, shall be deemed to constitute any representation or warranty by any Administrative Agent to any Lender. Each Lender represents to the Agents that it has, independently and without reliance upon any Administrative Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Loan Parties and their affiliates and made its own decision to make its Loans hereunder and enter into this Agreement. Each Lender also represents that it will, independently and without reliance upon any Administrative Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and creditworthiness of the Loan Parties and their affiliates. Except for notices, reports and other documents expressly required to be furnished to the Lenders by the Administrative Agent hereunder, the Administrative Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, property, condition (financial or otherwise), prospects or creditworthiness of Borrower or any of its Subsidiaries or any affiliate of a Loan Party that may come into the possession of the Administrative Agent or any of its officers, directors, employees, agents, attorneys−in−fact or affiliates.

9.7 Indemnification. The Lenders agree to indemnify the Administrative Agent in its capacity as such (to the extent not reimbursed by the Borrower and without limiting the

obligation of the Borrower to do so), ratably according to their respective Aggregate Exposure Percentages in effect on the date on which indemnification is sought under this Section (or, if indemnification is sought after the date upon which the Commitments shall have terminated and the Loans shall have been paid in full, ratably in accordance with such Aggregate Exposure Percentages immediately prior to such date), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever that may at any time (whether before or after the payment of the Loans) be imposed on, incurred by or asserted against such Administrative Agent in any way relating to or arising out of, the Commitments, this Agreement, any of the other Loan Documents or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or any action taken or omitted by such Administrative Agent under or in connection with any of the foregoing; provided that no Lender shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements that are found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from such Administrative Agent's gross negligence or willful misconduct. The agreements in this Section shall survive the payment of the Loans and all other amounts payable hereunder.

9.8 Administrative Agent in Its Individual Capacity. The Administrative Agent and its affiliates may make loans to, accept deposits from and generally engage in any kind of business with Borrower or any of its Subsidiaries as though such Administrative Agent were not an Administrative Agent. With respect to its Loans made or renewed by it, the Administrative Agent shall have the same rights and powers under this Agreement and the other Loan Documents as any Lender and may exercise the same as though it were not an Administrative Agent, and the terms "Lender" and "Lenders" shall include the Administrative Agent in its individual capacity.

9.9 Successor Administrative Agent. The Administrative Agent may resign as Administrative Agent upon 10 days' notice to the Lenders and the Borrower. If the Administrative Agent shall resign as Administrative Agent under this Agreement and the other Loan Documents, then the Required Lenders shall appoint from among the Lenders a successor agent for the Lenders, which successor agent shall (unless an Event of Default under Section 8(a) or Section 8(f) with respect to the Borrower shall have occurred and be continuing) be subject to approval by the Borrower (which approval shall not be unreasonably withheld or delayed), whereupon such successor agent shall succeed to the rights, powers and duties of the Administrative Agent, and the term "Administrative Agent" shall mean such successor agent effective upon such appointment and approval, and the former Administrative Agent's rights, powers and duties as Administrative Agent shall be terminated, without any other or further act or deed on the part of such former Administrative Agent or any of the parties to this Agreement or any holders of the Loans. If no successor agent has accepted appointment as Administrative Agent by the date that is 10 days following a retiring Administrative Agent's notice of resignation, the retiring Administrative Agent's resignation shall nevertheless thereupon become effective, and the Lenders shall assume and perform all of the duties of the Administrative Agent hereunder until such time, if any, as the Required Lenders appoint a successor agent as provided for above. After any retiring Administrative Agent's resignation as Administrative Agent, the provisions of this Section 9 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement and the other Loan Documents.

9.10 Administrative Agent Fees. The Borrower agrees to pay to the Administrative Agent the fees in the amounts and on the dates previously agreed to in writing by the Borrower and the Administrative Agent.

9.11 [Intentionally Omitted].

9.12 Intralinks. The Administrative Agent will post all financial statements and other information received by it pursuant to Section 6.1 or 6.2 on Intralinks within ten Business Days of receipt.

Section 10. Miscellaneous.

10.1 Amendments and Waivers. Neither this Agreement, any other Loan Document, nor any terms hereof or thereof may be amended, supplemented or modified except in accordance with the provisions of this Section 10.1. The Required Lenders and the Borrower and each of its Subsidiaries party to the relevant Loan Document may, or, with the written consent of the Required Lenders, the Administrative Agent and the Borrower and each of its Subsidiaries party to the relevant Loan Document may, from time to time, (a) enter into written amendments, supplements or modifications hereto and to the other Loan Documents for the purpose of adding any provisions to this Agreement or the other Loan Documents or changing in any manner the rights of the Lenders or of the Loan Parties hereunder or thereunder or (b) waive, on such terms and conditions as the Required Lenders or the Administrative Agent, as the case may be, may specify in such instrument, any of the requirements of this Agreement or the other Loan Documents or any Default or Event of Default and its consequences; provided, however, that no such waiver and no such amendment, supplement or modification shall (i) forgive the principal amount or extend the final scheduled date of maturity of any Loan, reduce the stated rate of any interest or fee payable hereunder (except (x) in connection with the waiver of applicability of any post−default increase in interest rates (which waiver shall be effective with the consent of the Majority Facility Lenders of each adversely affected Facility) and (y) that any amendment or modification of defined terms used in the financial covenants in this Agreement shall not constitute a reduction in the rate of interest or fees for purposes of this clause (i)) or extend the scheduled date of any payment thereof, or increase the amount or extend the expiration date of any Lender's Revolving Commitment, in each case without the written consent of each Lender directly affected thereby; (ii) eliminate or reduce the voting rights of any Lender under this Section 10.1 without the written consent of such Lender; (iii) reduce any percentage specified in the definition of Required Lenders, consent to the assignment or transfer by the Borrower of any of its rights and obligations under this Agreement and the other Loan Documents, release all or substantially all of the Collateral or release all or substantially all of the Subsidiaries from their obligations under the Guarantee and Collateral Agreement, in each case without the written consent of all Lenders; (iv) reduce the percentage specified in the definition of Majority Facility Lenders with respect to any Facility without the written consent of all Lenders under such Facility; (v) amend, modify or waive any provision of (A) Sections 2.9(e), 3.1, 3.2 or 3.3 hereof; (B) Annex B hereto to add Eligible Equipment or to change the Advance Category for Eligible Equipment; (C) Annex C to increase the Borrowing Base Advance Rate; (D) Section 9(a) of the Guaranty and Collateral Agreement; or (E) Section 4.01(a) of the Aircraft Asset Security Agreement, without the written consent of all Lenders, (vi) amend, modify or waive any provision of Section 9 without the written consent of the

Administrative Agent, (vii) amend, modify or waive any provision of Section 2.3 without the written consent of the Swing Line Lender, or (viii) amend, modify or waive the right of any Lender to receive its pro rata share of payments or Collateral. Any such waiver and any such amendment, supplement or modification shall apply equally to each of the Lenders and shall be binding upon the Loan Parties, the Lenders, the Administrative Agent and all future holders of the Loans. In the case of any waiver, the Loan Parties, the Lenders and the Administrative Agent shall be restored to their former position and rights hereunder and under the other Loan Documents, and any Default or Event of Default waived shall be deemed to be cured and not continuing; but no such waiver shall extend to any subsequent or other Default or Event of Default, or impair any right consequent thereon.

10.2 Notices. All notices, requests and demands to or upon the respective parties hereto to be effective shall be in writing (including by telecopy), and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when delivered, or three Business Days after being deposited in the mail, postage prepaid, or, in the case of telecopy notice, when received, addressed as set forth in Schedule 10.2 in the case of the Borrower and the Administrative Agent, and as set forth in an administrative questionnaire delivered to the Administrative Agent in the case of the Lenders, or to such other address as may be hereafter notified by the respective parties hereto; provided that any notice, request or demand to or upon the Administrative Agent or the Lenders shall not be effective until received.

10.3 No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of the Administrative Agent or any Lender, any right, remedy, power or privilege hereunder or under the other Loan Documents shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

10.4 Survival of Representations and Warranties. All representations and warranties made hereunder, in the other Loan Documents and in any document, certificate or statement delivered pursuant hereto or in connection herewith shall survive the execution and delivery of this Agreement and the making of the Loans and other extensions of credit hereunder.

10.5 Payment of Expenses. The Borrower agrees (a) to pay or reimburse the Administrative Agent for all its out−of−pocket costs and expenses incurred connection with the development, preparation and execution of, and any amendment, supplement or modification to, this Agreement and the other Loan Documents and any other documents prepared in connection herewith or therewith, and the consummation and administration of the transactions contemplated hereby and thereby, including the reasonable fees and disbursements of counsel to the Administrative Agent (including (i) Vedder, Price, Kaufman & Kammholz, P.C., special New York counsel, the costs of each appraisal to determine the Appraisal Value and filing, registration and recording fees and expenses, with statements with respect to the foregoing to be submitted to the Borrower prior to the Effective Date (in the case of amounts to be paid on the Effective Date) and from time to time thereafter on a quarterly basis or such other periodic basis as the Administrative Agent shall deem appropriate, (b) to pay or reimburse each Lender and the Administrative Agent for all its costs and expenses (other than Taxes, which are solely governed

by Sections 2.13 and 2.14 of this Agreement, Section 15 of the Guarantee and Collateral Agreement, and Section 5.01 of the Aircraft Asset Security Agreement) incurred in connection with the enforcement or preservation of any rights under this Agreement, the other Loan Documents and any such other documents, including the fees and disbursements of counsel (including the allocated fees and expenses of in−house counsel) to each Lender and of counsel to the Administrative Agent, (c) to pay, indemnify, and hold each Lender and the Administrative Agent and their respective officers, directors, employees, affiliates, agents and controlling persons (each, an "**Indemnitee**") harmless from and against any and all other liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever (other than Taxes which are solely governed by Sections 2.13 and 2.14 of this Agreement, Section 15 of the Guarantee and Collateral Agreement, and Section 5.01 of the Aircraft Asset Security Agreement) with respect to the execution, delivery, enforcement, performance and administration of this Agreement, the other Loan Documents and any such other documents, including any of the foregoing relating to the use of proceeds of the Loans or the violation of, noncompliance with or liability under, any Environmental Law applicable to the operations of Borrower or any of its Subsidiaries or any of the Properties and the reasonable fees and expenses of legal counsel in connection with claims, actions or proceedings by any Indemnitee against Borrower or any of its Subsidiaries under any Loan Document (all the foregoing in this clause (c), collectively, the "**Indemnified Liabilities**"), provided, that the Borrower shall have no obligation hereunder to any Indemnitee with respect to Indemnified Liabilities to the extent such Indemnified Liabilities are found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of such Indemnitee. Without limiting the foregoing, and to the extent permitted by applicable law, the Borrower agrees not to assert and to cause its Subsidiaries not to assert, and hereby waives and agrees to cause its Subsidiaries to waive, all rights for contribution or any other rights of recovery with respect to all claims, demands, penalties, fines, liabilities, settlements, damages, costs and expenses of whatever kind or nature, under or related to Environmental Laws, that any of them might have by statute or otherwise against any Indemnitee. All amounts due under this Section 10.5 shall be payable not later than 10 days after written demand therefor. Statements payable by the Borrower pursuant to this Section 10.5 shall be submitted to Lawrence Preston (Telephone No. 305−590−2600, x301) (Telecopy No. 305−590−2695), at the address of the Borrower set forth in Section 10.2, or to such other Person or address as may be hereafter designated by the Borrower in a written notice to the Administrative Agent. The agreements in this Section 10.5 shall survive repayment of the Loans and all other amounts payable hereunder.

10.6 Successors and Assigns; Participations and Assignments. (a) This Agreement shall be binding upon and inure to the benefit of the Borrower, the Lenders, the Administrative Agent, all future holders of the Loans and their respective successors and assigns, except that the Borrower may not assign or transfer any of its rights or obligations under this Agreement without the prior written consent of each Lender.

(b) Any Lender other than any Conduit Lender may, without the consent of the Borrower, in accordance with applicable law, at any time sell to one or more banks, financial institutions or other entities (each, a "**Participant**") participating interests in any Loan owing to such Lender, any Commitment of such Lender or any other interest of such Lender hereunder and under the other Loan Documents. In the event of any such sale by a Lender of a

participating interest to a Participant, such Lender's obligations under this Agreement to the other parties to this Agreement shall remain unchanged, such Lender shall remain solely responsible for the performance thereof, such Lender shall remain the holder of any such Loan for all purposes under this Agreement and the other Loan Documents, and the Borrower and the Administrative Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and the other Loan Documents. In no event shall any Participant under any such participation have any right to approve any amendment or waiver of any provision of any Loan Document, or any consent to any departure by Borrower or any of its Subsidiaries therefrom, except to the extent that such amendment, waiver or consent would reduce the principal of, or interest on, the Loans or any fees payable hereunder, or postpone the date of the final maturity of the Loans, in each case to the extent subject to such participation. The Borrower agrees that if amounts outstanding under this Agreement and the Loans are due or unpaid, or shall have been declared or shall have become due and payable upon the occurrence of an Event of Default, each Participant shall, to the maximum extent permitted by applicable law, be deemed to have the right of setoff in respect of its participating interest in amounts owing under this Agreement to the same extent as if the amount of its participating interest were owing directly to it as a Lender under this Agreement, provided that, in purchasing such participating interest, such Participant shall be deemed to have agreed to share with the Lenders the proceeds thereof as provided in Section 10.7(a) as fully as if it were a Lender hereunder. The Borrower also agrees that each Participant shall be entitled to the benefits of Sections 2.13, 2.14 and 2.15 with respect to its participation in the Commitments and the Loans outstanding from time to time as if it was a Lender; provided that, in the case of Section 2.14, such Participant shall have complied with the requirements of said Section and provided, further, that no Participant shall be entitled to receive any greater amount pursuant to any such Section than the transferor Lender would have been entitled to receive in respect of the amount of the participation transferred by such transferor Lender to such Participant had no such transfer occurred.

(c) Any Lender other than any Conduit Lender (an "**Assignor**") may, in accordance with applicable law, at any time and from time to time assign to any Lender or any Lender Affiliate or, with the consent of the Administrative Agent (which shall not be unreasonably withheld or delayed), to an additional bank, financial institution or other entity (an "**Assignee**") all or any part of its rights and obligations under this Agreement and the other Loan Documents pursuant to an Assignment and Acceptance, executed by such Assignee and such Assignor, and delivered to the Administrative Agent for its acceptance and recording in the Register; provided (i) that, unless otherwise agreed by the Borrower and the Administrative Agent, no such assignment to an Assignee (other than any Lender or any Lender Affiliate) shall be in an aggregate principal amount of less than $3,000,000, in each case except in the case of an assignment of all of a Lender's interests under this Agreement or if a Default has occurred and is continuing and (ii) such Assignee shall have complied with the requirements of Section 2.14 of this Agreement. For purposes of the proviso contained in the preceding sentence, the amount described therein shall be aggregated in respect of each Lender and its Lender Affiliates, if any. No Assignee shall be entitled to receive a greater amount pursuant to Section 2.14 of this Agreement than the Assignor would have been entitled to receive in respect of the assigned rights and obligations had no such assignment occurred. Any such assignment need not be ratable as among the Facilities. Upon such execution, delivery, acceptance and recording, from and after the effective date determined pursuant to such Assignment and Acceptance, (x) the

Assignee thereunder shall be a party hereto and, to the extent provided in such Assignment and Acceptance, have the rights and obligations of a Lender hereunder with a Commitment and/or Loans as set forth therein, and (y) the Assignor thereunder shall, to the extent provided in such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of an Assignor's rights and obligations under this Agreement, such Assignor shall cease to be a party hereto). Notwithstanding the foregoing, any Conduit Lender may assign at any time to its designating Lender hereunder without the consent of the Administrative Agent any or all of the Loans it may have funded hereunder and pursuant to its designation agreement and without regard to the limitations set forth in the first sentence of this Section 10.6(c). Notwithstanding anything in this Section 10.6(c) or elsewhere in this Agreement to the contrary, in the case of any assignments contemplated by this Section 10.6(c) occurring after CALYON New York Branch's primary syndication of the Loans, no Assignee shall be entitled to receive any greater amount pursuant to any such Section hereof than the Assignor would have been entitled to receive in respect of the amount of the Loans transferred by such Assignor to such Assignee had no such transfer occurred.

(d) The Administrative Agent shall, on behalf of the Borrower, maintain at its address referred to in Section 10.2 a copy of each Assignment and Acceptance delivered to it and a register (the "**Register**") for the recordation of the names and addresses of the Lenders and the Commitment of, and the principal amount of the Loans owing to, each Lender from time to time. The entries in the Register shall be conclusive, in the absence of manifest error, and the Borrower, each other Loan Party, the Administrative Agent and the Lenders shall treat each Person whose name is recorded in the Register as the owner of the Loans recorded therein for all purposes of this Agreement. Any assignment of any Loan shall be effective only upon appropriate entries with respect thereto being made in the Register.

(e) Upon its receipt of an Assignment and Acceptance executed by an Assignor, an Assignee and any other Person whose consent is required by Section 10.6(c), together with payment to the Administrative Agent of a registration and processing fee of $4,000, the Administrative Agent shall (i) promptly accept such Assignment and Acceptance and (ii) record the information contained therein in the Register on the effective date determined pursuant thereto.

(f) For avoidance of doubt, the parties to this Agreement acknowledge that the provisions of this Section 10.6 concerning assignments relate only to absolute assignments and that such provisions do not prohibit assignments creating security interests, including any pledge or assignment by a Lender to any Federal Reserve Bank in accordance with applicable law.

(g) Each of the Borrower, each Lender and the Administrative Agent hereby confirms that it will not institute against a Conduit Lender or join any other Person in instituting against a Conduit Lender any bankruptcy, reorganization, arrangement, insolvency or liquidation proceeding under any state bankruptcy or similar law, for one year and one day after the payment in full of the latest maturing commercial paper note issued by such Conduit Lender; provided, however, that each Lender designating any Conduit Lender hereby agrees to indemnify, save and hold harmless each other party hereto for any loss, cost, damage or expense arising out of its

inability to institute such a proceeding against such Conduit Lender during such period of forbearance.

10.7 Adjustments; Set−off. (a) Except to the extent that this Agreement expressly provides for payments to be allocated to a particular Lender or to the Lenders under a particular Facility, if any Lender (a "**Benefited Lender**") shall, at any time after the Loans and other amounts payable hereunder shall immediately become due and payable pursuant to Section 8, receive any payment of all or part of the Obligations owing to it, or receive any collateral in respect thereof (whether voluntarily or involuntarily, by set−off, pursuant to events or proceedings of the nature referred to in Section 8(f), or otherwise), in a greater proportion than any such payment to or collateral received by any other Lender, if any, in respect of the Obligations owing to such other Lender, such Benefited Lender shall purchase for cash from the other Lenders a participating interest in such portion of the Obligations owing to each such other Lender, or shall provide such other Lenders with the benefits of any such collateral, as shall be necessary to cause such Benefited Lender to share the excess payment or benefits of such collateral ratably with each of the Lenders; provided, however, that if all or any portion of such excess payment or benefits is thereafter recovered from such Benefited Lender, such purchase shall be rescinded, and the purchase price and benefits returned, to the extent of such recovery, but without interest.

(b) In addition to any rights and remedies of the Lenders provided by law, each Lender shall have the right, without prior notice to the Borrower, any such notice being expressly waived by the Borrower to the extent permitted by applicable law, upon any amount becoming due and payable by the Borrower hereunder (whether at the stated maturity, by acceleration or otherwise), to set off and appropriate and apply against such amount any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by such Lender or any branch or agency thereof to or for the credit or the account of the Borrower, as the case may be. Each Lender agrees promptly to notify the Borrower and the Administrative Agent after any such setoff and application made by such Lender, provided that the failure to give such notice shall not affect the validity of such setoff and application.

10.8 Counterparts. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of an executed signature page of this Agreement by facsimile transmission shall be effective as delivery of a manually executed counterpart hereof. A set of the copies of this Agreement signed by all the parties shall be lodged with the Borrower and the Administrative Agent.

10.9 Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

10.10 Integration. This Agreement and the other Loan Documents represent the entire agreement of the Borrower, the Administrative Agent and the Lenders with respect to the subject matter hereof and thereof, and there are no promises, undertakings, representations or warranties by the Administrative Agent or any Lender relative to the subject matter hereof not expressly set forth or referred to herein or in the other Loan Documents.

10.11 Governing Law. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

10.12 Submission To Jurisdiction; Waivers. The Borrower hereby irrevocably and unconditionally:

(a) submits for itself and its property in any legal action or proceeding relating to this Agreement and the other Loan Documents to which it is a party, or for recognition and enforcement of any judgment in respect thereof, to the non−exclusive general jurisdiction of the courts of the State of New York, the courts of the United States for the Southern District of New York, and appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to the Borrower, as the case may be at its address set forth in Section 10.2 or at such other address of which the Administrative Agent shall have been notified pursuant thereto;

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

(e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section any special, exemplary, punitive or consequential damages.

10.13 Acknowledgements. The Borrower hereby acknowledges that:

(a) it has been advised by counsel in the negotiation, execution and delivery of this Agreement and the other Loan Documents;

(b) neither the Administrative Agent nor any Lender has any fiduciary relationship with or duty to the Borrower arising out of or in connection with this Agreement or any of the other Loan Documents, and the relationship between Administrative Agent and Lenders, on one hand, and the Borrower, on the other hand, in connection herewith or therewith is solely that of debtor and creditor; and

(c) no joint venture is created hereby or by the other Loan Documents or otherwise exists by virtue of the transactions contemplated hereby among the Lenders or among the Borrower and the Lenders.

10.14 Releases of Guarantees and Liens. (a) Notwithstanding anything to the contrary contained herein or in any other Loan Document, the Administrative Agent is hereby irrevocably authorized by each Lender (without requirement of notice to or consent of any Lender except as expressly required by Section 10.1) to take any action requested by the Borrower having the effect of releasing any Collateral or guarantee obligations (i) to the extent necessary to permit consummation of any transaction not prohibited by any Loan Document or that has been consented to in accordance with Section 10.1 or (ii) under the circumstances described in paragraph (b) below.

(b) At such time as the Loans and the other obligations under the Loan Documents (other than obligations under or in respect of Specified Hedge Agreements) shall have been paid in full and the Commitments have been terminated, the Collateral shall be released from the Liens created by the Security Documents, and the Security Documents and all obligations (other than those expressly stated to survive such termination) of the Administrative Agent and the Borrower and each of its Subsidiaries under the Security Documents shall terminate, all without delivery of any instrument or performance of any act by any Person.

10.15 Confidentiality. Each of the Administrative Agent and each Lender agrees to keep confidential all non−public information provided to it by Borrower or any of its Subsidiaries pursuant to this Agreement that is designated by such Loan Party as confidential; provided that nothing herein shall prevent the Administrative Agent or any Lender from disclosing any such information (a) to the Administrative Agent, any other Lender or any Lender Affiliate, (b) subject to an agreement to comply with the provisions of this Section, to any actual or prospective Transferee or any direct or indirect counterparty to any Specified Hedge Agreement (or any professional advisor to such counterparty), (c) to its employees, directors, agents, attorneys, accountants and other professional advisors or those of any of its affiliates, (d) upon the request or demand of any Governmental Authority, (e) in response to any order of any court or other Governmental Authority or as may otherwise be required pursuant to any Requirement of Law, (f) if requested or required to do so in connection with any litigation or similar proceeding, (g) that has been publicly disclosed, (h) to the National Association of Insurance Commissioners or any similar organization or any nationally recognized rating agency that requires access to information about a Lender's investment portfolio in connection with ratings issued with respect to such Lender, or (i) in connection with the exercise of any remedy hereunder or under any other Loan Document.

10.16 WAIVERS OF JURY TRIAL. THE BORROWER, THE ADMINISTRATIVE AGENT AND THE LENDERS HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN.

10.17 USA Patriot Act. Each Lender hereby notifies the Borrower that pursuant to the requirements of the USA Patriot Act (title III of Pub.L.107−56 (signed into law October 26,

2001)) (the "Act"), it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrowers and other information that will allow such Lender to identify the Borrower in accordance with the Act. The Borrower shall provide such information promptly upon the request of the Administrative Agent.

IN WITNESS WHEREOF, the parties hereto have caused this Amended and Restated Senior Credit Agreement to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

AEROTURBINE, INC., as Borrower

By: /s/ Nicolas Finazzo
Name: Nicolas Finazzo
Title: Chief Executive Officer

CALYON NEW YORK BRANCH, as
Administrative Agent and as a Lender

By: /s/ Brian Bolotin
Name: Brian Bolotin
Title: Managing Director

By: /s/ Angel Naranjo
Name: Angel Naranjo
Title: Director

HSH NORDBANK AG, NEW YORK BRANCH, as Syndication Agent and as a Lender

By: /s/ Eric Dollman and Wolfgang Arbaczewski
Name: Eric Dollman and Wolfgang Arbaczewski
Title: Vice President Vice President

WACHOVIA BANK, NATIONAL ASSOCIATION, as Co−Documentation Agent and as a Lender

By: /s/ William C. Davies Jr.
Name: William C. Davies Jr.
Title: Senior Vice President

NATIONAL CITY BANK, as Co Documentation Agent and as a Lender

By: /s/ Christos Kytzidis
Name: Christos Kytzidis
Title: Senior Vice President

SUNTRUST BANK, as Lender

By: /s/ Richard Thill
Name: Richard Thill
Title: Senior Vice President

DEKABANK DEUTSCHE
GIROZENTRALE, as Lender

By: /s/ Angelika Beyer
Name: Angelika Beyer
Title: First Vice President

By: /s/ Jens Epping
Name: Jens Epping
Title: Assistant Manager

KfW, as Lender

By: /s/ Christian Beve
Name: Christian Beve
Title: First Vice President

By: /s/ Torsten Osterloh
Name: Torsten Osterloh
Title: Project Manager

APPENDIX I

Definitions

Annex A

Economic Schedule

"**Applicable Margin**": subject to the provisions of Section 2.10(b)(i), for each Loan, the rate per annum set forth under the relevant column heading below:

	Applicable Margin (LIBOR Rate)	Applicable Margin (ABR Rate)
Revolving Loans (so long as the Consolidated Leverage Ratio is equal to or greater than 3.5:1)	2.0%	0.5%
Revolving Loans (so long as the Consolidated Leverage Ratio is less than 3.5:1)	1.5%	0.0%
Swing Line Loans (so long as the Consolidated Leverage Ratio is equal to or greater than 3.5:1)	N/A	0.5%
Swing Line Loans (so long as the Consolidated Leverage Ratio is less than 3.5:1)	N/A	0.0%

"**Commitment Fee Rate**": ½ of 1% per annum.

"**Effective Date**": the date on which the conditions precedent set forth in Section 5.1 shall have been satisfied, which date is December 13, 2006.

"**Maturity Date**": the fifth anniversary of the Original Closing Date.

"**Original Closing Date**": April, 26, 2006.

"**Total Revolving Credit Commitments**": The original amount of the Total Revolving Commitments is $220,000,000.

"**Transaction Costs**": the one−time initial expenses directly associated with the Acquisition, and fees and expenses associated with the Wachovia Credit Facility which amount shall not exceed, for the purposes of Section 7.1(c), $18,000,000, which amount shall be calculated, solely for the purpose of this definition, without giving effect to the Statement of Financial Accounting Standards No. 123 (Revised 2004) or "FAS 123(R)", issued by the Financial Accounting Standards Board ("FASB").

Annex B

Eligible Equipment

Eligible Equipment	Inventory Category(1)	Engine Category(2)	Aircraft Category(3)
CFM56−5C	1	1	N/a
Boeing 747−400	1	N/a	1
Engines powering 747−400	1	1	N/a
Airbus A320	1	N/a	1
Engines powering A320	1	1	N/a
Boeing 767	1	N/a	1
Engines powering 767	1	1	N/a
CF680C2A8	2	2	N/a
Boeing 737NG	1	N/a	1
Engines powering 737NG	1	1	N/a
Boeing 737 −300/400 /500	2	N/a	2
Engines powering 737 −300/400 /500	2	2	N/a
MD−11	2	N/a	2
Engines powering MD−11	2	2	N/a
MD−80	2	N/a	3
JT8D/JT8D−200/217/219	2	3	N/a
Boeing 757	2	N/a	2
Engines powering 757	2	2	N/a
MD−90	3	N/a	3
Engines powering MD−90	3	3	N/a
Fokker F100	3	N/a	3
Engines powering F100	3	3	N/a
Airbus A310	3	N/a	3
Engines powering A310	3	3	N/a
DC−8	4	N/a	4
Engines powering DC−8 (except CFM56−2)	4	4	N/a
CFM56−2	3	N/a	N/a
Boeing 747−100/200/300	4	N/a	4
Engines powering 747−100/200/300	4	4	N/a
DC−10	4	N/a	4
Engines powering DC−10	4	4	N/a
DC−9	4	N/a	4
Engines powering DC−9	4	4	N/a

(1) Inventory Category: Parts and components of referenced equipment; not whole/complete equipment.

(2) Engine Category: A complete engine.

(3) Aircraft Category: A complete aircraft.

Annex C

Borrowing Base Advance Rates

Category	Inventory as a % of Adj. CMV	Engines as a % of Adj. CMV***	Aircraft − the lower of: Aircraft as a % of Adj. CMV*	Aircraft as a % of Cost*
1	50%	80%	70%	85%
2	40%	70%	60%	80%
3**	20%	40%	50%	75%
4	0%	0%	0%	0%
Inventory at Vendors	−100%			

**Aggregate Category 3 Aircraft advances will not exceed 10% of the total Borrowing Base calculation attributable to Engines and Inventory

***For engines in overhaul, a cash collateral deposit equal to the repair amount due the overhaul provider will be maintained by Administrative Agent. As an alternative, Borrower may exclude these engines from the Borrowing Base calculation

APPENDIX I

Definitions

"**ABR**": for any day, a rate per annum equal to the greater of (a) the Prime Rate in effect on such day and (b) the Federal Funds Effective Rate in effect on such day plus ½ of 1%.

"**ABR Loans**": Loans the rate of interest applicable to which is based upon the ABR.

"**Account Control Agreement**": an Account Control Agreement with a Deposit Bank substantially in the form of Exhibit F to the Senior Credit Agreement, or in such other form as is agreed with the Deposit Bank. The initial Account Control Agreement is the Deposit Account Control Agreement (With Further Notification) among the Borrower, the Collateral Agent and Wachovia Bank, National Association.

"**Acquisition**": the acquisition by AerCap AT, Inc. of all of the Capital Stock of AeroTurbine, Inc. pursuant to the Acquisition Documents.

"**Acquisition Agreement**": that certain Stock Purchase Agreement dated as of March 16, 2006 between AerCap, Inc., Nicolas Finazzo, Rose Ann Finazzo and Robert Nichols with respect to all of the outstanding capital stock of AeroTurbine, Inc.

"**Acquisition Documentation**": collectively, the Acquisition Agreement and all schedules, exhibits and annexes thereto and all side letters and agreements affecting the terms thereof or entered into in connection therewith.

"**Advance Category**": for any item of Eligible Equipment: is specified opposite such item on Annex B to the Senior Credit Agreement.

"**Advance Rate**": for any item of Eligible Equipment: the applicable percentage specified on Annex C to the Senior Credit Agreement as determined by reference to such item's Advance Category of the purchase price or appraised value for such item.

"**Affiliate**": as to any Person, any other Person that, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person. For purposes of this definition, "control" of a Person means the power, directly or indirectly, either to (a) vote 10% or more of the securities having ordinary voting power for the election of directors (or persons performing similar functions) of such Person or (b) direct or cause the direction of the management and policies of such Person, whether by contract or otherwise.

"**Agent**": the Senior Agent.

"**Aggregate Exposure**": with respect to any Senior Lender at any time, an amount equal to the amount of such Lender's Revolving Commitment then in effect or, if the Revolving

Commitments have been terminated, the amount of such Lender's Revolving Extensions of Credit then outstanding plus, in the case of the Swing Line Lender, the Swing Line Commitment.

"**Aggregate Exposure Percentage**": with respect to any Senior Lender at any time, the ratio (expressed as a percentage) of such Lender's Aggregate Exposure at such time to the Aggregate Exposure of all Senior Lenders at such time.

"**Agreement**": the Senior Credit Agreement.

"**Aircraft Asset**": any airframe or engine owned by the Borrower or any of its Subsidiaries.

"**Aircraft Asset Collateral**": all property of the Borrower and its Subsidiaries, now owned or hereafter acquired, upon which a Lien is purported to be created by the Aircraft Asset Security Agreement.

"**Aircraft Asset Lease**": any lease relating to an Aircraft Asset.

"**Aircraft Asset Security Agreement**": that certain Aircraft Asset Security Agreement, dated as of April 26, 2006, among the Borrower, the Subsidiary Guarantors and Trusts party thereto and the Collateral Agent, as amended.

"**Aircraft Asset Security Agreement Supplement**": a supplement to the Aircraft Asset Security Agreement, substantially in the form of Exhibit A thereto, which shall particularly describe any Aircraft Asset (or category thereof) and any Aircraft Asset Lease.

"**aircraft object**": is defined in the Cape Town Convention.

"**Assignee**": as defined in Section 10.6(c) of the Senior Credit Agreement.

"**Assignment and Acceptance**": an Assignment and Acceptance, substantially in the form of Exhibit D to the Senior Credit Agreement.

"**Assignment of Lease**": as defined in the Aircraft Asset Security Agreement.

"**Assignor**": as defined in Section 10.6(c) of the Senior Credit Agreement.

"**Available Revolving Commitment**": as to any Revolving Lender at any time, an amount equal to the excess, if any, of (a) such Lender's Revolving Commitment then in effect over (b) such Lender's Revolving Extensions of Credit then outstanding.

"**Benefited Lender**": as defined in Section 10.7(a) of the Senior Credit Agreement.

"**Board**": the Board of Governors of the Federal Reserve System of the United States (or any successor).

"**Borrower**": as defined in the preamble to the Senior Credit Agreement.

"**Borrowing Base**": as defined in Section 3.2 of the Senior Credit Agreement.

"**Borrowing Date**": any Business Day specified by the Borrower as a date on which the Borrower requests the relevant Lenders to make Loans hereunder.

"**Business**": as defined in Section 4.17(b) of the Senior Credit Agreement.

"**Business Day**": a day other than a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to close, provided, that with respect to notices and determinations in connection with, and payments of principal and interest on, Loans, such day is also a day for trading by and between banks in Dollar deposits in the London interbank market.

"**Calyon Hedge Agreement**": the interest rate swap entered into between CALYON New York Branch and the Borrower, with respect to, initially, a Notional Amount of $60,000,000 (increasing to $80,000,0000 on January 15, 2007) for the purpose of hedging the interest rate payable under the Loans.

"**Cape Town Convention**": the official English language texts of the Convention on International Interests in Mobile Equipment and the Protocol to the Convention on International Interests in Mobile Equipment on Matters Specific to Aircraft Equipment which were signed in Cape Town, South Africa on November 16, 2001.

"**Capital Expenditures**": for any period, with respect to any Person, the aggregate of all expenditures by such Person and its Subsidiaries for the acquisition or leasing (pursuant to a capital lease) of fixed or capital assets or additions to equipment (including replacements, capitalized repairs and improvements during such period) that should be capitalized under GAAP on a consolidated balance sheet of such Person and its Subsidiaries.

"**Capital Lease Obligations**": as to any Person, the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP and, for the purposes of this Agreement, the amount of such obligations at any time shall be the capitalized amount thereof at such time determined in accordance with GAAP.

"**Capital Stock**": any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership interests in a Person (other than a corporation) and any and all warrants, rights or options to purchase any of the foregoing.

"**Cash Equivalents**": (a) marketable direct obligations issued by, or unconditionally guaranteed by, the United States Government or issued by any agency thereof and backed by the full faith and credit of the United States, in each case maturing within one year from the date of acquisition; (b) certificates of deposit, time deposits, eurodollar time deposits or overnight bank deposits having maturities of six months or less from the date of acquisition issued by any Lender or by any commercial bank organized under the laws of the United States or any state thereof having combined capital and surplus of not less than $500,000,000; (c) commercial paper of an issuer rated at least A−1 by Standard & Poor's Ratings Services ("**S&P**") or P−1 by Moody's Investors Service, Inc. ("**Moody's**"), or carrying an equivalent rating by a nationally

recognized rating agency, if both of the two named rating agencies cease publishing ratings of commercial paper issuers generally, and maturing within six months from the date of acquisition; (d) repurchase obligations of any Lender or of any commercial bank satisfying the requirements of clause (b) of this definition, having a term of not more than 30 days, with respect to securities issued or fully guaranteed or insured by the United States government; (e) securities with maturities of one year or less from the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United States, by any political subdivision or taxing authority of any such state, commonwealth or territory or by any foreign government, the securities of which state, commonwealth, territory, political subdivision, taxing authority or foreign government (as the case may be) are rated at least A by S&P or A by Moody's; (f) securities with maturities of six months or less from the date of acquisition backed by standby letters of credit issued by any Lender or any commercial bank satisfying the requirements of clause (b) of this definition; or (g) shares of money market mutual or similar funds which invest exclusively in assets satisfying the requirements of clauses (a) through (f) of this definition.

"**Code**": the Internal Revenue Code of 1986, as amended from time to time.

"**Collateral**": all property of the Borrower and its Subsidiaries, now owned or hereafter acquired, upon which a Lien is purported to be created by any Security Document.

"**Collateral Agent**": CALYON New York Branch, in its capacity as the Collateral Agent for the Senior Agent and the Senior Lenders under the Security Documents, and its successors in such capacity.

"**Collateral Assignment of Lease**": a Collateral Assignment of Lease from the Borrower or a Subsidiary in favor of the Collateral Agent in substantially in the form of Exhibit I to the Senior Credit Agreement, or in such other form as the Collateral Agent may reasonably approve.

"**Commitment**": as to any Lender, such Lender's Revolving Commitment and, as to the Swing Line Lender, the Swing Line Commitment.

"**Commitment Fee Rate**": is defined on Annex A to the Senior Credit Agreement.

"**Commonly Controlled Entity**": an entity, whether or not incorporated, that is under common control with the Borrower within the meaning of Section 4001 of ERISA or is part of a group that includes the Borrower and that is treated as a single employer under Section 414 of the Code.

"**Compliance Certificate**": a certificate duly executed by a Responsible Officer substantially in the form of Exhibit B to the Senior Credit Agreement.

"**Conduit Lender**": any special purpose corporation organized and administered by any Lender for the purpose of making Loans otherwise required to be made by such Lender and designated by such Lender in a written instrument; provided, that the designation by any Lender of a Conduit Lender shall not relieve the designating Lender of any of its obligations to fund a Loan under this Agreement if, for any reason, its Conduit Lender fails to fund any such Loan, and the designating Lender (and not the Conduit Lender) shall have the sole right and

responsibility to deliver all consents and waivers required or requested under this Agreement with respect to its Conduit Lender, and provided, further, that no Conduit Lender shall (a) be entitled to receive any greater amount pursuant to Section 2.13, 2.14, 2.15 or 10.5 than the designating Lender would have been entitled to receive in respect of the extensions of credit made by such Conduit Lender or (b) be deemed to have any Commitment.

"**Consolidated EBITDA**": for any period, Consolidated Net Income for such period plus, without duplication and to the extent reflected as a charge in the statement of such Consolidated Net Income for such period, the sum of (a) income tax expense, (b) interest expense, amortization or writeoff of debt discount and debt issuance costs and commissions, discounts and other fees and charges associated with Indebtedness (including the Loans), (c) depreciation and amortization expense and (d) amortization of intangibles (including, but not limited to, goodwill) and organization costs.

"**Consolidated Fixed Charge Coverage Ratio**": for any period, the ratio of (a) Consolidated EBITDA for such period *to* (b) Consolidated Fixed Charges for such period.

"**Consolidated Fixed Charges**": for any period, the sum (without duplication) of (a) Consolidated Interest Expense for such period, (b) Consolidated Lease Expense for such period, (c) taxes paid by the Borrower and its Subsidiaries during such period, and (d) Restricted Payments made by the Borrower during such period.

"**Consolidated Interest Expense**": for any period, total cash interest expense (including that attributable to Capital Lease Obligations) of the Borrower and its Subsidiaries for such period with respect to all outstanding Indebtedness of the Borrower and its Subsidiaries (including all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing and net costs under Hedge Agreements in respect of interest rates to the extent such net costs are allocable to such period in accordance with GAAP).

"**Consolidated Lease Expense**": for any period, the aggregate amount of fixed rentals payable by the Borrower and its Subsidiaries for such period with respect to leases of real and personal property, determined on a consolidated basis in accordance with GAAP.

"**Consolidated Leverage Ratio**": as at the last day of any period, the ratio of (a) Consolidated Net Debt for the fiscal quarter ending on such day *to* (b) Consolidated EBITDA for such period.

"**Consolidated Net Debt**": at any date, the difference of (i) the average aggregate principal amount of all Loans for the fiscal quarter ending as at such date, less (ii) the amount of unrestricted cash of the Borrower at such date.

"**Consolidated Net Income**": for any period, the consolidated net income (or loss) of the Borrower and its Subsidiaries, determined on a consolidated basis in accordance with GAAP; provided that there shall be excluded (a) the income (or deficit) of any Person accrued prior to the date it becomes a Subsidiary of the Borrower or is merged into or consolidated with the Borrower or any of its Subsidiaries, (b) the income (or deficit) of any Person (other than a Subsidiary of the Borrower) in which the Borrower or any of its Subsidiaries has an ownership interest, except to the extent that any such income is actually received by the Borrower or such

Subsidiary in the form of dividends or similar distributions, (c) the undistributed earnings of any Subsidiary of the Borrower to the extent that the declaration or payment of dividends or similar distributions by such Subsidiary is not at the time permitted by the terms of any Contractual Obligation (other than under any Loan Document) or Requirement of Law applicable to such Subsidiary and, (d) the non−cash income statement charge to compensation expense included in the "Selling, General and Administrative Expenses" category of the financial statements of the Borrower for share−based compensation solely related to the acquisition of the Borrower by the Pledgor; provided that the exclusion referred to in clause (d) above shall only apply if the amount of the non−cash income statement charge referred to in clause (d) above is off−set by an equal dollar−for−dollar increase in equity.

"**Contractual Obligation**": as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound.

"**Default**": any of the events specified in Section 8, whether or not any requirement for the giving of notice, the lapse of time, or both, has been satisfied.

"**Deposit Account**": any deposit, bank or brokerage account of the Borrower or any Subsidiary.

"**Deposit Bank**": each bank or financial institution that holds a Deposit Account.

"**Disposition**": with respect to any property, any sale, lease, sale and leaseback, assignment, conveyance, transfer or other disposition thereof. The terms "Dispose" and "Disposed of" shall have correlative meanings.

"**Dollars**" and "**$**": dollars in lawful currency of the United States.

"**Effective Date**": is defined on Annex A to the Senior Credit Agreement.

"**Eligible Equipment**": is listed on Annex B to the Senior Credit Agreement.

"**Eligible Inventory**": inventory of the Borrower and its Subsidiaries constituting parts and components of Eligible Equipment.

"**Environmental Laws**": any and all foreign, Federal, state, local or municipal laws, rules, orders, regulations, statutes, ordinances, codes, decrees, requirements of any Governmental Authority or other Requirements of Law (including common law) regulating, relating to or imposing liability or standards of conduct concerning protection of human health or the environment, as now or may at any time hereafter be in effect.

"**ERISA**": the Employee Retirement Income Security Act of 1974, as amended from time to time.

"**Event of Default**": Senior Event of Default.

"**Exempt Aircraft**": is defined in the Aircraft Asset Security Agreement.

"**Exempted Property**": Each Exempt Aircraft, each Aircraft Asset whose value is not included in the Borrowing Base, and any other property of the Borrower or any of its Subsidiaries under the Loan Documents as to which no Lien in favor of the Collateral Agent need be perfected.

"**Existing Hedge Agreements**": the interest rate swap transaction entered into between National City Bank and AeroTurbine, Inc., on January 12, 2004, with a Notional Amount of $10,000,000 and terminating on December 29, 2006 and the interest rate swap transaction entered into between Wachovia Bank, N.A. and AeroTurbine, Inc., on January 26, 2004, with a Notional Amount of $10,000,000 and terminating on December 31, 2006.

"**Facility**": the Revolving Commitments, the Revolving Extensions of Credit and the Swing Line Commitment.

"**Federal Aviation Administration**" and "**FAA**": mean the United States Federal Aviation Administration and any agency or instrumentality of the United States government succeeding to their functions.

"**Federal Funds Effective Rate**": for any day, the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for the day of such transactions received by CALYON New York Branch from three federal funds brokers of recognized standing selected by it.

"**Fee Letter**": the fee letter between the Borrower and CALYON New York Branch dated April 26, 2006.

"**Funding Office**": the office of the Agent specified in Schedule 10.2 or such other office as may be specified from time to time by the Agent as its funding office by written notice to the Borrower and the Lenders.

"**GAAP**": generally accepted accounting principles in the United States as in effect from time to time, except that for purposes of Section 7.1, GAAP shall be determined on the basis of such principles in effect on the date hereof and consistent with those used in the preparation of the most recent audited financial statements referred to in Section 4.1(b) and shall exclude non−cash adjustments to the accounts of the Borrower and its Subsidiaries resulting from purchase accounting or "push down accounting" (i.e., adjustments to the carrying value of the assets of the Borrower and its Subsidiaries resulting solely from the Acquisition). In the event that any "Accounting Change" (as defined below) shall occur and such change results in a change in the method of calculation of financial covenants, standards or terms in this Agreement, then the Borrower and the Agent agree to enter into negotiations in order to amend such provisions of this Agreement so as to equitably reflect such Accounting Changes with the desired result that the criteria for evaluating the Borrower's financial condition shall be the same after such Accounting Changes as if such Accounting Changes had not been made. Until such time as such an amendment shall have been executed and delivered by the Borrower, the Agent and the Required Lenders, all financial covenants, standards and terms in this Agreement shall continue to be

calculated or construed as if such Accounting Changes had not occurred. "Accounting Changes" refers to (x) changes in accounting principles required by the promulgation of any rule, regulation, pronouncement or opinion by the Financial Accounting Standards Board of the American Institute of Certified Public Accountants or, if applicable, the SEC or (y) changes in the manner by which the Borrower's auditors apply GAAP to the Borrower's financial statements (as compared to any previously delivered financial statements).

"**Governmental Authority**": any nation or government, any state or other political subdivision thereof, any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative functions of or pertaining to government, any securities exchange and any self−regulatory organization.

"**Guarantee and Collateral Agreement**": that certain Guarantee and Collateral Agreement, dated as of April 26, 2006, among the Borrower, the Subsidiary Guarantors, and the Collateral Agent, as amended.

"**Guarantee Obligation**": as to any Person (the "**guaranteeing person**"), any obligation of (a) the guaranteeing person or (b) another Person (including any bank under any letter of credit) to induce the creation of which the guaranteeing person has issued a reimbursement, counterindemnity or similar obligation, in either case guaranteeing or in effect guaranteeing any Indebtedness, leases, dividends or other obligations (the "**primary obligations**") of any other third Person (the "**primary obligor**") in any manner, whether directly or indirectly, including any obligation of the guaranteeing person, whether or not contingent, (i) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (ii) to advance or supply funds (1) for the purchase or payment of any such primary obligation or (2) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (iii) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (iv) otherwise to assure or hold harmless the owner of any such primary obligation against loss in respect thereof; provided, however, that the term Guarantee Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Guarantee Obligation of any guaranteeing person shall be deemed to be the lower of (a) an amount equal to the stated or determinable amount of the primary obligation in respect of which such Guarantee Obligation is made and (b) the maximum amount for which such guaranteeing person may be liable pursuant to the terms of the instrument embodying such Guarantee Obligation, unless such primary obligation and the maximum amount for which such guaranteeing person may be liable are not stated or determinable, in which case the amount of such Guarantee Obligation shall be such guaranteeing person's maximum reasonably anticipated liability in respect thereof as determined by the Borrower in good faith.

"**Hedge Agreements**": all interest rate swaps, caps or collar agreements or similar arrangements dealing with interest rates or currency exchange rates or the exchange of nominal interest obligations, either generally or under specific contingencies.

"**Impaired Aircraft Asset**": an Aircraft Asset which (i) in the case of an Aircraft, is not registered as required by Section 2.02 of the Aircraft Asset Security Agreement or (ii) is not insured in the amounts and against the risks required by Section 2.07 of the Aircraft Asset Security Agreement. An Aircraft or Engine not subject to an Aircraft Asset Lease with respect to which Aircraft or Engine the Borrower has elected to disassemble for its parts shall not be considered an "Aircraft" or "Engine" for purposes of this definition.

"**Indebtedness**": of any Person at any date, without duplication, (a) all indebtedness of such Person for borrowed money, (b) all obligations of such Person for the deferred purchase price of property or services (other than current trade payables incurred in the ordinary course of such Person's business), (c) all obligations of such Person evidenced by notes, bonds, debentures or other similar instruments, (d) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (e) all Capital Lease Obligations of such Person, (f) all obligations of such Person, contingent or otherwise, as an account party or applicant under or in respect of acceptances, letters of credit, surety bonds or similar arrangements, (g) the liquidation value of all redeemable preferred Capital Stock of such Person, (h) all Guarantee Obligations of such Person in respect of obligations of the kind referred to in clauses (a) through (g) above, (i) all obligations of the kind referred to in clauses (a) through (h) above secured by (or for which the holder of such obligation has an existing right, contingent or otherwise, to be secured by) any Lien on property (including accounts and contract rights) owned by such Person, whether or not such Person has assumed or become liable for the payment of such obligation, and (j) for the purposes of Sections 7.2 and 8(e) of the Senior Credit Agreement, all obligations of such Person in respect of Hedge Agreements. The Indebtedness of any Person shall include the Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness expressly provide that such Person is not liable therefor.

"**Insolvency**": with respect to any Multiemployer Plan, the condition that such Plan is insolvent within the meaning of Section 4245 of ERISA.

"**Insolvent**": pertaining to a condition of Insolvency.

"**Intellectual Property**": the collective reference to all rights, priorities and privileges relating to intellectual property, whether arising under United States, multinational or foreign laws or otherwise, including copyrights, copyright licenses, patents, patent licenses, trademarks, trademark licenses, technology, know−how and processes, and all rights to sue at law or in equity for any infringement or other impairment thereof, including the right to receive all proceeds and damages therefrom.

"**Interest Payment Date**": (a) as to any ABR Loan , (i) the 15th day of each January, April, July and October to occur while such Loan is outstanding and (ii) the Maturity Date and (b) as to any LIBOR Loan, (i) if the Interest Period for such LIBOR Loan is equal to or less than three months, the last day of the Interest Period for such LIBOR Loan and (ii) if the Interest Period for such LIBOR Loan is greater than three months, (x) each day that occurs at an interval

of three months from and including the first day of such Interest Period and (y) the last day of such Interest Period.

"**Interest Period**": as to any LIBOR Loan, each period commencing on its Borrowing Date (or, if later, the date of conversion from an ABR Loan) or (in the event of a continuation of such LIBOR Loan), the last day of the immediately preceding Interest Period for such LIBOR Loan, and ending on a date one month, three months, six months or nine months thereafter (or longer with the consent of the Administrative Agent) or, with respect to the initial Interest Period, the 15th day of January, April, July or October next to occur, as selected by the Borrower in the Notice of Borrowing or Notice of Conversion, as the case may be, given with respect thereto; provided that, all of the foregoing provisions relating to Interest Periods are subject to the following:

(i) if any Interest Period would otherwise end on a day that is not a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless the result of such extension would be to carry such Interest Period into another calendar month in which event such Interest Period shall end on the immediately preceding Business Day;

(ii) any Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of a calendar month; and

(iii) the final Interest Period shall end on the Maturity Date.

"**international interest**": is defined in the Cape Town Convention.

"**International Registry**": is defined in the Cape Town Convention.

"**Investments**": as defined in Section 7.8 of the Senior Credit Agreement.

"**Key Man Insurance**": a policy of insurance which shall not expire prior to the Maturity Date with respect to each of Nicolas Finazzo and Robert Nichols providing for the payment of not less than $10,000,000, in the event of the death of the beneficiary thereof and (i) payable to the Borrower and assigned to the Collateral Agent in a form reasonably acceptable to the Collateral Agent or (ii) payable to the Collateral Agent as loss payee.

"**Landlord Consent**": a Landlord Consent among a owner of real estate leased to the Borrower or a Subsidiary, the Borrower or such Subsidiary and the Collateral Agent in substantially in the form of Exhibit H to the Senior Credit Agreement, or in such other form as the Collateral Agent may reasonably approve.

"**Lease**": as defined in Section 2.04 of the Aircraft Asset Security Agreement.

"**Lease Default Equipment**": Aircraft Assets subject to an Aircraft Asset Lease which at the earlier of the termination or expiration of such Aircraft Asset Lease and at any time thereafter shall not have been physically returned to the Borrower or one of its Subsidiaries,

together with all records, logs and manuals maintained with respect thereto and modification and maintenance records maintained with respect thereto, free of all rights of the Lessee, with all required export permits and licenses, and (in the case of an Aircraft registered in the name of a Lessee), re−registered (on a permanent or temporary basis) in the name of the Borrower or one of its Subsidiaries or a Trust) in a country permitted by Section 2.02 of the Aircraft Asset Security Agreement.

"**Lender Affiliate**": (a) any Affiliate of any Lender, (b) any Person that is administered or managed by any Lender and that is engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business and (c) with respect to any Lender which is a fund that invests in commercial loans and similar extensions of credit, any other fund that invests in commercial loans and similar extensions of credit and is managed or advised by the same investment advisor as such Lender or by an Affiliate of such Lender or investment advisor.

"**Lenders**": as defined in the preamble to the Senior Credit Agreement; provided, that unless the context otherwise requires, each reference therein to the Lenders shall be deemed to include any Conduit Lender and the Swing Line Lender.

"**Lessee**": as defined in Section 2.04 of the Aircraft Asset Security Agreement.

"**Lessee Consent to Assignment**": in relation to any Aircraft Asset Lease, either (a) an express provision in the Lease pursuant to which the Lessee acknowledges that the Aircraft Asset Lease may be assigned absolutely and/or as collateral by the Borrower or its Subsidiaries (whichever is the lessor) without the consent or acknowledgement of the Lessee, provided that the Borrower or its Subsidiaries (whichever is the lessor) shall have notified the Lessee pursuant to the terms of such Aircraft Asset Lease that the Aircraft Asset Lease has been assigned to the Collateral Agent pursuant to an Assignment of Lease or (b) a written statement signed by the Lessee addressed to the Borrower or its Subsidiaries (whichever is the lessor) and the Collateral Agent acknowledging notice of, and consenting to the terms of, an Assignment of Lease with respect to such Aircraft Asset Lease in form and substance reasonably satisfactory to the Collateral Agent.

"**LIBOR Loans**": Loans the rate of interest applicable to which is based upon the LIBOR Rate.

"**LIBOR Rate**": in relation to any amount to be advanced to, or owing by, the Borrower hereunder on which interest for a given period is to accrue or be calculated: (a) the percentage rate per annum equal to the offered quotation which appears on the page of the Reuters screen which displays an average British Bankers Association Interest Settlement Rate for Dollars or the currency of the relevant amount for such period as at 11.00 a.m. (London time) on the second Business Day prior to the commencement of such period or, if such page or such service shall cease to be available, such other page or such other service for the purpose of displaying an average British Bankers Association Interest Settlement Rate for Dollars as the relevant Agent, after consultation with the Lenders, shall select; or (b) if no quotation for Dollars and the relevant period is displayed on the Reuters Screen and the relevant Agent has not selected an alternative service on which a quotation is displayed, the arithmetic mean (rounded upwards to

four decimal places) of the rates (as notified to the relevant Agent) at which each of the Reference Banks was offering to prime banks in the London interbank market deposits in Dollars for such period as at 11.00 a.m. (London time) on the second Business Day prior to the commencement of such period.

"**Lien**": any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge or other security interest or any preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including any conditional sale or other title retention agreement and any capital lease having substantially the same economic effect as any of the foregoing). "Lien" shall include any international interest or other notation registered on the International Registry.

"**Loan**": the Revolving Loans and the Swing Line Loans.

"**Loan Documents**": the Senior Credit Agreement, the Pledge Agreement, the Fee Letter and the Security Documents.

"**Loan Parties**": the Pledgor, the Borrower and each of the Borrower's Subsidiaries.

"**Majority Facility Lenders**": the holders of more than 50% of the Total Revolving Commitment.

"**Material Adverse Effect**": a material adverse effect on (a) the Acquisition, (b) the business, property, operations or financial condition of the Borrower and its Subsidiaries taken as a whole or (c) the validity or enforceability of this Agreement or any of the other Loan Documents or the rights or remedies of the Agent or the Lenders hereunder or thereunder.

"**Materials of Environmental Concern**": any gasoline or petroleum (including crude oil or any fraction thereof) or petroleum products or any hazardous or toxic substances, materials or wastes, defined or regulated as such in or under any Environmental Law, including asbestos, polychlorinated biphenyls and urea−formaldehyde insulation.

"**Maturity Date**": is defined on Annex A to the Senior Credit Agreement.

"**Multiemployer Plan**": a Plan that is a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"**Net Cash Proceeds**": in connection with any Recovery Event, the proceeds thereof in the form of cash and Cash Equivalents (including any such proceeds received by way of deferred payment of principal pursuant to a note or installment receivable or purchase price adjustment receivable or otherwise, but only as and when received) of such Recovery Event, net of attorneys' fees, accountants' fees, investment banking fees, amounts required to be applied to the repayment of Indebtedness secured by a Lien expressly permitted hereunder on any asset that is the subject of such Recovery Event (other than any Lien pursuant to a Security Document) and other customary fees and expenses actually incurred in connection therewith and net of taxes paid or reasonably estimated to be payable as a result thereof (after taking into account any available tax credits or deductions and any tax sharing arrangements).

"**Non−Excluded Taxes**": as defined in Section 2.14(a) of the Senior Credit Agreement.

"**Non−U.S. Lender**": as defined in Section 2.14(d) of the Senior Credit Agreement.

"**Notice of Borrowing**": the Notice of Borrowing, duly executed and delivered by the Borrower, substantially in the form of Exhibit C to the Senior Credit Agreement.

"**Notice of Conversion**": as defined in Section 2.10 of the Senior Credit Agreement.

"**Obligations**": the unpaid principal of and interest on (including interest accruing after the maturity of the Loans and interest accruing after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to the Borrower, whether or not a claim for post−filing or post−petition interest is allowed in such proceeding) the Loans and all other obligations and liabilities of the Borrower to the Agent or to any Lender (or, in the case of Specified Hedge Agreements, any affiliate of any Lender), whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, out of, or in connection with, this Agreement, any other Loan Document, any Specified Hedge Agreement or any other document made, delivered or given in connection herewith or therewith, whether on account of principal, interest, reimbursement obligations, fees, indemnities, costs, expenses (including all fees, charges and disbursements of counsel to the Agent or to any Lender that are required to be paid by the Borrower pursuant hereto) or otherwise.

"**Omnibus Amendment**": the Omnibus Amendment, dated as of December 13, 2006, among the Borrower, the Pledgor, the Senior Lenders and the Collateral Agent, which amends the Guarantee and Collateral Agreement, the Aircraft Asset Security Agreement and the Pledge Agreement.

"**Original Closing Date**": is defined on Annex A to the Senior Credit Agreement.

"**Other Taxes**": any and all present or future stamp or documentary taxes or any other excise or property taxes, charges, or similar levies arising from any payment made under the Senior Credit Agreement or any other Loan Document or from the execution, delivery, or enforcement of, or otherwise with respect to, the Senior Credit Agreement or any other Loan Document.

"**Participant**": as defined in Section 10.6(b) of the Senior Credit Agreement.

"**PBGC**": the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA (or any successor).

"**Permitted Liens**": as described in Section 7.3 of the Senior Credit Agreement.

"**Person**": an individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature.

"**Plan**": at a particular time, any employee benefit plan that is covered by ERISA and in respect of which the Borrower or a Commonly Controlled Entity is (or, if such plan were terminated at such time, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"**Pledge Agreement**": the Pledge Agreement, dated as of April 26, 2006, executed and delivered by the Pledgor, as amended.

"**Pledgor**": AerCap, Inc., a Delaware corporation.

"**Prime Rate**": for any day, the "prime rate" as published in the Wall Street Journal on such day (or if such day is not a day on which the Wall Street Journal is published, as published in the Wall Street Journal on the immediately preceding date on which the Wall Street Journal is published).

"**Pro Forma Balance Sheet**": as defined in Section 4.1(a) of the Senior Credit Agreement.

"**Projections**": as defined in Section 6.2(b) of the Senior Credit Agreement.

"**Properties**": as defined in Section 4.17(a) of the Senior Credit Agreement.

"**Prospective international interest**": is defined in the Cape Town Convention.

"**Purchase Price**": of any item of Equipment: the cash purchase price paid by the Borrower for such item from the seller thereof, as certified by the Borrower in the related Notice of Borrowing.

"**Quarterly Date**": the last day of each March, June, September and December of each year.

"**Recovery Event**": any settlement of or payment in respect of any property or casualty insurance claim or any condemnation proceeding relating to any asset of the Borrower or any of its Subsidiaries.

"**Reference Banks**": CALYON New York Branch, Wachovia Bank, National Association and National City Bank.

"**Register**": as defined in Section 10.6(d) of the Senior Credit Agreement.

"**Regulation U**": Regulation U of the Board as in effect from time to time.

"**Reorganization**": with respect to any Multiemployer Plan, the condition that such plan is in reorganization within the meaning of Section 4241 of ERISA.

"**Report Date**": the date any Borrowing Base valuation report under Section 3.3(a) of the Senior Credit Agreement shall be delivered.

"**Reportable Event**": any of the events set forth in Section 4043(c) of ERISA, other than those events as to which the thirty day notice period is waived under subsections .27, .28, .29, .30, .31, .32, .34 or .35 of PBGC Reg. § 4043.

"**Required Lenders**": the Majority Facility Lenders.

"**Requirement of Law**": as to any Person, the Certificate of Incorporation and By−Laws or other organizational or governing documents of such Person, and any law, treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"**Responsible Officer**": the chief executive officer, president or chief financial officer of the Borrower, but in any event, with respect to financial matters, the chief financial officer of the Borrower.

"**Restricted Account**": as defined in the Guarantee and Collateral Agreement. Monies on deposit in the Restricted Account shall be deemed "restricted cash" for all purposes hereof.

"**Restricted Payments**": as defined in Section 7.6 of the Senior Credit Agreement.

"Returned Equipment": an Aircraft Asset which is Lease Default Equipment whose Borrowing Base Value has been determined pursuant to the proviso to Section 3.2(h) of the Senior Credit Agreement shall be "Returned Equipment" when it ceases to be Lease Default Equipment and an Aircraft Asset which is an Impaired Aircraft Asset shall be "Returned Equipment" when the circumstances causing such Aircraft Asset to be an Impaired Aircraft Asset shall no longer exist.

"**Revolving Commitment**": as to any Lender, the obligation of such Lender, if any, to make Revolving Loans in an aggregate principal and/or face amount not to exceed the amount set forth under the heading "Revolving Commitment" opposite such Lender's name on Schedule 1.1A of the Senior Credit Agreement or in the Assignment and Acceptance pursuant to which such Lender became a party hereto, as the same may be changed from time to time pursuant to the terms hereof. The amount of the Total Revolving Commitments is as specified on Annex A to the Senior Credit Agreement.

"**Revolving Commitment Period**": the period from and including the original Closing Date to the Maturity Date.

"**Revolving Extensions of Credit**": as to any Revolving Lender at any time, an amount equal to the aggregate principal amount of all Revolving Loans held by such Lender then outstanding.

"**Revolving Lender**": each Lender that has a Revolving Commitment or that holds Revolving Loans.

"**Revolving Loans**": as defined in Section 2.4(a) of the Senior Credit Agreement.

"**Revolving Percentage**": as to any Revolving Lender at any time, the percentage which such Lender's Revolving Commitment then constitutes of the Total Revolving Commitments or, at any time after the Revolving Commitments shall have expired or terminated, the percentage which the aggregate principal amount of such Lender's Revolving Loans then outstanding constitutes of the aggregate principal amount of the Revolving Loans then outstanding, provided, that, in the event that the Revolving Loans are paid in full prior to the reduction to zero of the Total Revolving Extensions of Credit, the Revolving Percentages shall be determined in a manner designed to ensure that the other outstanding Revolving Extensions of Credit shall be held by the Revolving Lenders on a comparable basis.

"**SEC**": the Securities and Exchange Commission, any successor thereto and any analogous Governmental Authority.

"**Security Documents**": the collective reference to the Guarantee and Collateral Agreement, the Aircraft Asset Security Agreement, the Account Control Agreement and all other security documents hereafter delivered to the Agent granting a Lien on any property of any Person to secure the obligations and liabilities of any Loan Party under any Loan Document.

"**Senior Agent**": CALYON New York Branch, together with its affiliates, as the arranger of the Commitments and as the Administrative Agent for the Lenders under the Senior Credit Agreement and the other Loan Documents, together with any of its successors.

"**Senior Credit Agreement**": the Amended and Restated Senior Credit Agreement, dated as of December 13, 2006, among the Borrower, the Senior Lenders and the Administrative Agent.

"**Senior Event of Default**": any of the events specified in Section 8 of the Senior Credit Agreement, provided that any requirement for the giving of notice, the lapse of time, or both, has been satisfied.

"**Senior Lenders**": the lenders from time to time party to the Senior Credit Agreement.

"**Senior Loans**": the Revolving Loans and the Swing Line Loans.

"**Single Employer Plan**": any Plan that is covered by Title IV of ERISA, but that is not a Multiemployer Plan.

"**Solvent**": when used with respect to any Person, means that, as of any date of determination, (a) the amount of the "present fair saleable value" of the assets of such Person will, as of such date, exceed the amount of all "liabilities of such Person, contingent or otherwise", as of such date, as such quoted terms are determined in accordance with applicable federal and state laws governing determinations of the insolvency of debtors, (b) the present fair saleable value of the assets of such Person will, as of such date, be greater than the amount that will be required to pay the liability of such Person on its debts as such debts become absolute and matured, (c) such Person will not have, as of such date, an unreasonably small amount of capital with which to conduct its business, and (d) such Person will be able to pay its debts as they mature. For purposes of this definition, (i) "debt" means liability on a "claim", and (ii) "claim" means any (x) right to payment, whether or not such a right is reduced to judgment, liquidated,

unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured or (y) right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured or unmatured, disputed, undisputed, secured or unsecured.

"**Special Purpose Vehicle**": any Person established for the special purpose of holding a single Aircraft Asset or multiple Aircraft Assets so long as such Aircraft Assets are leased to a single Lessee, and which satisfies the Special Purpose Vehicle Criteria.

"**Special Purpose Vehicle Criteria**": include the following: (i) not conducting, transacting or otherwise engaging in, or committing to conduct, transact or otherwise engage in, any business or operations other than those incidental to its ownership of a single Aircraft Asset or multiple Aircraft Assets so long as such Aircraft Assets are leased to a single Lessee, (ii) not incurring, creating, assuming or suffering to exist any Indebtedness or other liabilities or financial obligations, except (x) nonconsensual obligations imposed by operation of law, (y) pursuant to the Loan Documents to which it is a party and (z) obligations with respect to its Aircraft Asset(s), or (iii) not owning, leasing, managing or otherwise operating any properties or assets other than its Aircraft Asset(s).

"**Specified Hedge Agreements**": the Calyon Hedge Agreement and the Existing Hedge Agreements.

"**Subsidiary**": as to any Person, a corporation, partnership, limited liability company or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership or other entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise qualified, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of the Borrower.

"**Subsidiary Guarantor**": as defined in the Guarantee and Collateral Agreement.

"**Subordinated Indebtedness**": means Indebtedness of the Borrower or any of its Subsidiaries which is subordinated to the Loans in form and substance satisfactory to the Agent , such subordination to include, inter alia, a provision whereby no payments of principal or interest (other than accrual of interest) will be paid on the Subordinated Indebtedness until the Loans are paid in full, an agreement not to institute against the Borrower or any Subsidiary or join any other Person in instituting against the Borrower or any Subsidiary any bankruptcy, reorganization, arrangement, insolvency or liquidation proceeding under any state bankruptcy or similar law, for one year and one day after the payment in full of the Loans and an agreement not to enforce any claim to payment with respect to such Subordinated Indebtedness in any court proceeding or otherwise until the payment in full of the Loans.

"**Swing Line Commitment**": means with respect to the Swing Line Lender, the lesser of (i) $25,000,000, and (ii) such Lender's Available Revolving Commitment.

"**Swing Line Lender**": means CALYON New York Branch in its capacity as Swing Line Lender under the Senior Credit Agreement, together with its permitted successors and assigns in such capacity.

"**Swing Line Loan**": means a Loan made by the Swing Line Lender to the Borrower pursuant to Section 2.3 of the Senior Credit Agreement.

"**Synthetic Purchase Agreement**": any agreement pursuant to which the Borrower is or may become obligated to make (a) any payment in connection with the purchase by any third party from a Person other than the Borrower of any Capital Stock of the Borrower or any Indebtedness referred to in Section 7.9 of the Senior Credit Agreement or (b) any payment (except as otherwise expressly permitted by Section 7.6 or Section 7.9 of the Senior Credit Agreement) the amount of which is determined by reference to the price or value at any time of any such Capital Stock or Indebtedness; provided, that no phantom stock or similar plan providing for payments only to current or former directors, officers or employees of the Borrower (or to their heirs or estates) shall be deemed to be a Synthetic Purchase Agreement.

"**Taxes**": all present and future taxes, levies, imposts, duties, charges, fees, deductions, withholdings, assessments, fees or charges of any nature whatsoever, imposed, levied, collected, withheld or assessed, together with any penalties, additions to tax, fines or interest in respect of the foregoing by any Governmental Authority.

"**Total Revolving Commitments**": at any time, the aggregate amount of the Revolving Commitments then in effect.

"**Total Revolving Extensions of Credit**": at any time, the aggregate amount of the Revolving Extensions of Credit of the Lenders outstanding at such time.

"**Transferee**": any Assignee or Participant.

"**Trust**": has the meaning set forth in the Aircraft Asset Security Agreement.

"**United States**": the United States of America.

"**Wachovia Credit Facility**": the existing credit agreement dated December 29, 2003 between the AeroTurbine, Inc., the subsidiaries of AeroTurbine, Inc. from time to time parties thereto, the lenders parties thereto, National City Bank and Wachovia Bank, National Association.

"**Wholly Owned Subsidiary**": as to any Person, any other Person all of the Capital Stock of which (other than directors' qualifying shares required by law) is owned by such Person directly and/or through other Wholly Owned Subsidiaries.

Exhibit 2.15

CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO CERTAIN INFORMATION IN THIS AGREEMENT. THIS INFORMATION HAS BEEN REDACTED AND DENOTED BY ASTERISKS [***].

A330 A I R C R A F T P U R C H A S E A G R E E M E N T

B E T W E E N

A I R B U S S.A.S.
as Seller

A N D

AERCAP IRELAND LIMITED
as Buyer

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AIRCRAFT PURCHASE AGREEMENT

This Aircraft Purchase Agreement is made as of December ,2006.

BETWEEN:

AIRBUS S.A.S., a *société par actions simplifiée*, legal successor of Airbus S.N.C., formerly known as Airbus G.I.E. and Airbus Industrie G.I.E. created and existing under French law having its registered office at 1 Rond−Point Maurice Bellonte, 31707 Blagnac−Cedex, France and registered with the Toulouse *Registre du Commerce* under number RCS Toulouse 383 474 814 (the "**Seller**"),

and

AerCap Ireland Limited a company organised under the laws of the Ireland having its principal place of business located at AerCap House, Shannon, Co Clare, Ireland (the "**Buyer**").

WHEREAS subject to the terms and conditions of this Agreement, the Seller desires to sell the Aircraft to the Buyer and the Buyer desires to purchase the Aircraft from the Seller.

NOW THEREFORE IT IS AGREED AS FOLLOWS:

0. DEFINITIONS AND INTERPRETATION

0.1 In addition to words and terms elsewhere defined in this Agreement, the initially capitalised words and terms used in this Agreement shall have the meaning set out below.

Affiliate	means with respect to any person or entity, any other person or entity directly or indirectly controlling, controlled by or under common control with such person or entity.
Affiliated Training Centers	has the meaning set out in Clause 16.3.1.
Agreement	this Aircraft Purchase Agreement, including all exhibits, appendixes and letter agreements attached hereto, as the same may be amended or modified in writing by the parties and in effect from time to time.
Aircraft	any or all of the twenty (20) Airbus A330−200 aircraft to be sold by the Seller to the Buyer pursuant to this Agreement, subject to any subsequently agreed conversion into A330−300 aircraft, together with all components, equipment, parts and accessories installed in or on such aircraft and the Propulsion Systems installed thereon upon Delivery.
Aircraft Training Services	means all training courses, flight training, line training, flight assistance, line assistance, maintenance support, maintenance training (including Practical Training) or training support performed on aircraft and provided to the Buyer pursuant to this Agreement, whether or not provided in the Seller's or Seller's Affiliate facilities.
Airframe	means the Aircraft excluding the Propulsion Systems.
Airframe Basic Price	has the meaning set out in Clause 3.2.
Airframe Price Revision Formula	is set out in Part 1 of Exhibit C.
Assignment of Airframe Warranty and Support Rights	with respect to an Aircraft, means the assignment of airframe warranty and support rights entered into or to be entered into between the Buyer and its Operator in the form or substantially in the form of Exhibit I or in such other form as Buyer and its Operator may agree (and as consented to by the Seller).
Approved List	has the meaning set out in Clause 18.5.2.
Approved Suppliers	has the meaning set out in Clause 18.5.2.
Aviation Authority	means when used in respect of any jurisdiction the government entity, which under the laws of such jurisdiction has control over civil aviation or the registration, airworthiness or operation of aircraft in such jurisdiction.

Balance of Final Price	has the meaning set out in Clause 5.4.1
Basic Price	means the sum of the Airframe Basic Price and the Propulsion Systems Basic Price.
Bill of Sale	with respect to a Aircraft, means a bill of sale in the form of Exhibit E.
Buyer Furnished Equipment	has the meaning set out in Clause 18.1.1.
Certificate of Acceptance	with respect to an Aircraft, means a certificate of acceptance in the form of Exhibit D.
Default Rate	means the default rate of interest as defined in Clause 5.7.
Delivery	with respect to an Aircraft, means the transfer of title to the Aircraft from the Seller to the Buyer in accordance with Clause 9.
Delivery Date	with respect to an Aircraft, means the date on which Delivery shall occur.
Delivery Location	with respect to an Aircraft, means the facilities of the Seller at the location of final assembly of the Aircraft which depending on the Aircraft model is either in France or in Germany.
Delivery Period	has the meaning ascribed thereto in Clause 9.2.1.
Deposit	has the meaning set out in Clause 5.2.
Designated Airworthiness Authority	has the meaning set out in Clause 7.2.6.
Development Changes	as defined in Clause 2.1.3 of this Agreement
Excusable Delay	has the meaning set out in Clause 10.1.
Export Airworthiness Certificate	with respect to an Aircraft, means an export certificate of airworthiness issued by the Aviation Authority of the Delivery Location.
Failure	has the meaning set out in Clause 12.2.1.
Final Price	has the meaning set out in Clause 3.4
Gross Negligence	means any act or omission done with either (i) intent to cause damage or (ii) recklessly, and with knowledge that damage would probably result, or (iii) where the risk of damage resulting from such act or omission would be obvious to a person acting reasonably and in knowledge of the same facts as the offending party but the offending party has not considered the possible existence of such risk.

Ground Training Services	means all training courses performed in classrooms (classical or Airbus CBT courses), full flight simulator sessions, fixed base simulator sessions, field trips and any other services provided to the Buyer on the ground pursuant to this Agreement and which are not Aircraft Training Services.
Initial Operator	with respect to an Aircraft, means the first operator of such Aircraft in commercial revenue service following its Delivery by the Seller to the Buyer.
Item	has the meaning set out in Clause 12.2.1.
Manufacture Facilities	means the various manufacture facilities of the Seller, its Affiliates or any sub−contractor, where the Airframe or its parts are manufactured or assembled.
Material	has the meaning set out in Clause 1.2 of Exhibit H.
Operator	with respect to an Aircraft, means any operator of such Aircraft following Delivery hereunder.
Non−Excusable Delay	has the meaning set out in Clause 11.1.
Participation Agreement	with respect to an Aircraft means the participation agreement relating to such Aircraft entered into or to be entered into between the Buyer and the relevant Operator in the form or substantially in the form of Exhibit J or in such other form as Buyer and its Operator may agree (and as consented to by the Seller).
Predelivery Payment	means the payment(s) determined in accordance with Clause 5.3.
Predelivery Payment Reference Price	with respect to an Aircraft, means the predelivery reference price for such Aircraft determined in accordance with Clause 5.3.1.
Propulsion Systems	with respect to an Aircraft, means any of (i) the set of two (2) General Electric (GE) engines, including nacelles, thrust reversers and associated standard equipment, installed on such Aircraft on Delivery; or (ii) the set of two (2) Pratt & Whitney engines, including nacelles, thrust reversers and associated standard equipment, installed on such Aircraft on Delivery, or (iii) the set of two (2) Rolls Royce (RR) engines, including nacelles, thrust reversers and associated standard equipment, installed on such Aircraft on Delivery, in each case selected as per sub−Clause 3.3.5 hereof.

Propulsion Systems Basic Price	with respect to a set of Propulsion Systems, means the price of such set of Propulsion Systems as set out in Clause 3.3.
Propulsion Systems Reference Price	with respect to a set of Propulsion Systems, means the reference price for such set of Propulsion Systems as set out in Part 2 of Exhibit C.
Propulsion Systems Manufacturer	with respect to an Aircraft, means the manufacturer of the Propulsion Systems selected by the Buyer pursuant to sub−Clause 3.3.5 for that Aircraft.
Propulsion Systems Price Revision Formula	. is set out in Part 2 of Exhibit C
Ready for Delivery	with respect to an Aircraft, means the time when (i) the Technical Acceptance Process has been successfully completed and (ii) the Export Airworthiness Certificate has been issued for that Aircraft.
Scheduled Delivery Month	has the meaning set out in Clause 9.1.
Seller's Representatives	means the representatives of the Seller referred to in Clause 15.2.
Seller Representatives Services	means the services provided by the Seller to the Buyer pursuant to Clause 15.
Seller Service Life Policy	has the meaning set out in Clause 12.2.
Seller's Training Course	
Catalog	has the meaning set out in Clause 16.4.1.
Seller's Training Center	has the meaning set out in Clause 16.3.1.
Spare Parts	means the items of equipment and material which may be provided pursuant to Exhibit H.
Specification Change	
Notice or SCN	means an agreement in writing between the parties to amend the Specification pursuant to Clause 2.1.2
Specification	with respect to an Aircraft, means either (a) the Standard Specification if no SCNs are applicable or (b) if SCNs are issued in this Agreement, the Standard Specification as amended by all applicable SCNs for that Aircraft.

Standard Specification	with respect to an Aircraft, means the Seller's relevant standard specification document number, issue and issue date, as well as the relevant design weights relating to the aircraft purchased and sold in this Agreement a copy of which has been annexed as an Exhibit A to this Agreement.
Supplier	has the meaning set out in Clause 12.3.1.1.
Supplier Part	has the meaning set out in Clause 12.3.1.2.
Supplier Product	
Support Agreement	has the meaning set out in Clause 12.3.1.3.
Technical Acceptance Process	with respect to an Aircraft, means the technical acceptance process for such Aircraft to be performed pursuant to Clause 8 including without limitation the acceptance tests performed on the Aircraft in order to demonstrate the satisfactory functioning of the Aircraft and compliance with the Specification.
Technical Data	has the meaning set out in Clause 14
Total Loss Aircraft	has the meaning set out in Clause 10.4.
Training Conference	has the meaning set out in Clause 16.4.1
Type Certificate	has the meaning set out in Clause 7.1.
Warranty Part	has the meaning set out in Clause 12.1.1.
Warranty Period	has the meaning set out in Clause 12.1.3
Working Day	with respect to (i) any action to be taken hereunder, a day other than a Saturday, Sunday or other day designated as a holiday in the jurisdiction in which such action is required to be taken or (ii) any payment to be made hereunder, any day other than a Saturday, Sunday or a day that is a legal holiday or a day on which banking institutions are authorised to close in the City of New York − USA, Amsterdam − The Netherlands, Hamburg — Ireland, Germany, Shannon − Ireland or Paris − France.

0.2 Clause headings and the Index are inserted for convenience of reference only and shall be ignored in the interpretation of this Agreement.

0.3 In this Agreement unless the context otherwise requires:

(a) references to Clauses, paragraphs, Appendices, Schedules and Exhibits are to be construed as references to the Clauses of, paragraphs of and Appendices, Schedules and Exhibits to this Agreement and references to this Agreement include its Schedules, Exhibits and Appendices;

(b) words importing the plural shall include the singular and vice versa; and

(c) references to a person shall be construed as including, without limitation, references to an individual, firm, company, corporation, unincorporated body of persons and any state or agency of a state.

1 **SALE AND PURCHASE**

The Seller will cause to be manufactured and will sell and deliver, and the Buyer will buy and take delivery of each of the Aircraft subject to the terms and conditions contained in this Agreement.

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2 SPECIFICATION

2.1 Airframe Specification

2.1.1 Specification

The A330−200 aircraft (the "A330−200 Aircraft") will be manufactured in accordance with the Standard Specification, Document G.000.02000, Issue 4.3 dated July 13, 2006, as amended to reflect 233t MTOW, 182t MLW, 170t MZFW (as so amended, the "Standard Specification", a copy of which is annexed hereto as Exhibit A1).

The A330−300 aircraft (the "A330−300 Aircraft") will be manufactured in accordance with the Standard Specification, Document G.000.03000, Issue 7.3 dated July 13, 2006, as amended to reflect 233t MTOW, 187t MLW, 175t MZFW (as so amended, the "Standard Specification", a copy of which is annexed hereto as Exhibit A2).

2.1.2 Specification Change Notice (SCN)

The Specification may be amended by written agreement between the parties in a Specification Change Notice. Each Specification Change Notice shall be substantially in the form set out in Exhibit B and shall set out in detail the particular change to be made to the Specification and the effect, if any, of such change on design, performance, weight, time of Delivery of the relevant Aircraft, and on the text of the Specification. Such SCN may result in an adjustment of the Basic Price.

2.1.3 Development Changes

The Specification may also be revised by the Seller without the Buyer's consent in order to incorporate development changes if such changes do not adversely affect price, time of delivery, weight or performance of the Aircraft, interchangeability or replaceability requirements under the Specification. In any other case the Seller shall issue to the Buyer a Manufacturer Specification Change Notice. Development changes are changes deemed necessary by the Seller to improve the Aircraft, prevent delay or ensure compliance with this Agreement (the "Development Changes").

2.1.4 Specification Change Notices for Certification

The provisions relating to Specification Change Notices for certification are set out in Clauses 7.1

2.1.5 Buyer Import Requirements

The provisions relating to Specification Change Notices for Buyer import requirements are set out in Clause 7.2.

2.1.6 Inconsistency

In the event of any inconsistency between the Specification and any other part of this Agreement, this Agreement shall prevail to the extent of such inconsistency.

2.2 Propulsion Systems

Each of the Aircraft shall be equipped with either a set of (a) General Electric CF6−80E1A4, or (b) Rolls Royce Trent 772B, or (c) Pratt & Whitney 4168A series Propulsion Systems, as shall be selected by the Buyer pursuant to sub−Clause 3.3.5 below.

2.3 **Customisation Milestones Chart**

As part of the Agreement, the Seller is providing the Buyer with an agreed Customisation Milestones Chart setting out the minimum lead times prior to the Scheduled Delivery Month of the Aircraft, when a mutual agreement shall be reached (execution of a SCN) in order to integrate into the Specification, any items requested by the Buyer from the Specification Changes Catalogues made available by the Seller.

3 **PRICES**

3.1 **Basic Price of the Aircraft**

3.1.1 The "Basic Price" of each Aircraft is the sum of:

(i) the Basic Price of the Airframe, and

(ii) the Basic Price of the Propulsion Systems.

3.2 **Airframe Basic Price**

3.2.1 The A330−200 Airframe Basic Price is the sum of:

(i) the basic price of the A330−200 Airframe as defined in the Standard Specification (excluding Buyer Furnished Equipment), which is:

US$[***]

(US Dollars — [***])

(ii) the sum of the basic prices of all SCNs as set forth in Exhibit A−1 to the Agreement, which is:

US$[***]

(US Dollars —[***])

3.2.2 The A330−300 Airframe Basic Price is the sum of:

(i) the basic price of the A330−300 Airframe as defined in the Standard Specification (excluding Buyer Furnished Equipment) , which is:

US$[***]

(US Dollars − [***])

(ii) the sum of the basic prices of all SCNs as set forth in Exhibit A−2 to the Agreement, which is:

US$[***]

(US Dollars — [***])

3.2.3 The Airframe Basic Price has been established in accordance with the average economic conditions prevailing in December 2004, January 2005 and February 2005 and corresponding to a theoretical delivery in January 2006 − (the "**Base Period**").

3.3 **Propulsion Systems Basic Price**

3.3.1 The A330−200 and A330−300 General Electric Propulsion Systems

The Basic Price of the GE CF6−80E1A4 Propulsion System (including nacelles, thrust reversers and additional standard equipment) for the A330−200 and A330−300 Aircraft, at delivery conditions prevailing in January 2006, is:

US $[***]

(US dollars — [***]).

3.3.2 The A330−200 and A330−300 Pratt & Whitney Propulsion Systems

The Basic Price of the PW 4168A Propulsion System (including nacelles, thrust reversers and additional standard equipment) for the A330−200 and A330−300 Aircraft, at delivery conditions prevailing in January 2006, is:

US $[***]

(US dollars — [***]).

3.3.3 The A330−200 and A330−300 Rolls Royce Propulsion Systems

The Basic Price of the RR Trent 772B Propulsion System (including nacelles, thrust reversers and additional standard equipment) for the A330−200 and A330−300 Aircraft, at delivery conditions prevailing in January 2006, is:

US $[***]

(US dollars — [***]).

3.3.4 Propulsion Systems Reference Period

The Propulsion Systems Basic Price has been established in January 2006 delivery conditions and has been calculated from the Propulsion Systems Reference Price. The Propulsion Systems Reference Price is set forth in the [***] in Exhibit C for [***] respectively.

3.3.5 Selection of Propulsion Systems

The Buyer shall notify the Seller in writing within [***] months from the date hereof of its initial selection of the Propulsion Systems to be installed on the Aircraft at Delivery. The Buyer shall then have the flexibility up to the first day of the [***] month prior to the Scheduled Delivery Month of each Aircraft to change its initial Propulsion Systems selection, by giving written notice of any such change to the Seller.

3.3.6 Predelivery Payments Assumed Propulsion Systems

The parties hereto agree that for the purposes of calculating the Predelivery Payment Reference Price as defined under Clause 5.3.1 herein, it will be assumed that the Buyer has selected the Rolls Royce Propulsion Systems. For the avoidance of doubt there shall be no revision to the Predelivery Payment Reference Price in the event that the Buyer selects another Propulsion System.

3.4 **Final Price**

With respect to each Aircraft, the Final Price of such Aircraft shall be the sum of:

(i) the Airframe Basic Price as revised as of the Delivery Date in accordance with Clause 4.1; plus

(ii) the aggregate of all increases or decreases to the Airframe Basic Price as agreed in any Specification Change Notice or part thereof applicable to the Airframe subsequent to the date of this Agreement as revised as of the Delivery Date in accordance with Clause 4.1; plus

(iii) the Propulsion Systems Reference Price as revised as of the Delivery Date in accordance with Clause 4.2; plus

(iv) the aggregate of all increases or decreases to the Propulsion Systems Reference Price as agreed in any Specification Change Notice or part thereof applicable to the Propulsion Systems subsequent to the date of this Agreement as revised as of the Delivery Date in accordance with Clause 4.2; plus

(v) any further amount resulting from any other provisions of this Agreement and/or any other written agreement between the Buyer and the Seller, in each case, relating to the Aircraft and specifically making reference to the Final Price of an Aircraft.

4. **PRICE REVISION**

4.1 **Revision of Airframe Basic Price**

The Airframe Basic Price is subject to revision in accordance with the relevant Airframe Price Revision Formula up to and including the Delivery Date as set forth in Part 1 of Exhibit C to this Agreement.

4.2 **Revision of Propulsion Systems Reference Price**

4.2.1. The Propulsion Systems Reference Price is subject to revision in accordance with the relevant Propulsion Systems Price Revision Formula up to and including the Delivery Date, as set forth in Part 2 of Exhibit C.

4.2.2 **Modification of Propulsion Systems Reference Price and Propulsion Systems Price Revision Formula**

The Propulsion Systems Reference Price, the prices of the related equipment and the Propulsion Systems Price Revision Formula are based on information received from the Propulsions Systems Manufacturer and are subject to amendment by the Propulsion Systems Manufacturer at any time prior to the Delivery Date. If the Propulsion Systems Manufacturer makes any such amendment, the amendment shall be automatically incorporated into this Agreement, and the Propulsion Systems Reference Price, the prices of the related equipment and the Propulsion Systems Price Revision Formula shall be adjusted accordingly. The Seller agrees to notify the Buyer as soon as it receives notice of any such amendment from the Propulsion Systems Manufacturer.

5 **PAYMENTS**

5.1 Seller's Account

The Buyer shall pay the Predelivery Payments, the Balance of Final Price and/or any other amount due by the Buyer to the Seller, to the Seller's account:

Beneficiary Name: AIRBUS

account identification: [***]

with:

[***]

SWIFT: [***]

ABA: [***]

[***]

or to such other account as may be designated by the Seller in writing no later than three (3) Working Days prior to the date on which such payment is due.

5.2 **Deposit**

An amount equal to [***] US dollars (US$[***]) (the "Deposit") per Aircraft specified in this Agreement already paid by the Buyer to the Seller prior to the date of execution of this Agreement shall be deducted from the first Predelivery Payment due under this Agreement, with respect to such Aircraft.

5.3 **Predelivery Payments**

5.3.1 With respect to each Aircraft, the Buyer shall pay Predelivery Payments to the Seller calculated on the Predelivery Payment Reference Price of the relevant Aircraft. The Predelivery Payment Reference Price is determined by the following formula:

A = Pb (1 + [***])

Where

A : The Predelivery Payment Reference Price for Aircraft to be delivered in year T;

T : the year of Delivery of the relevant Aircraft

Pb : the Basic Price;

N : (T− 2006)

5.3.2 Such Predelivery Payments shall be made in accordance with the following schedule:

DUE DATE OF PAYMENTS	PERCENTAGE OF PREDELIVERY PAYMENT REFERENCE PRICE
Upon signature of this Agreement	[***] (less the Deposit)
On the first day of each of the following months prior to the Scheduled Delivery Month:	
[***]	[***]
Total Payment prior to Delivery	[***]

5.3.3 Any Predelivery Payment received by the Seller shall constitute an instalment in respect of the Final Price of the relevant Aircraft. The Seller shall be entitled to hold and use any Predelivery Payment as absolute owner thereof, subject only to (i) the obligation to deduct any such Predelivery Payment from the Final Price when calculating the Balance of Final Price or (ii) the obligation to repay to the Buyer an amount equal to the Predelivery Payments pursuant to any other provision of this Agreement.

5.3.4 If any Predelivery Payment is not received on the relevant due date specified in Clause 5.3.2 then, and in addition to any other rights and remedies available to Seller, the Seller shall have the right to set back the Scheduled Delivery Month for the relevant Aircraft, by a period of one (1) month for each thirty (30) days such payment is delayed.

Furthermore, if such delay is greater than [***] days, the Seller shall have no obligation to deliver the relevant Aircraft within the Scheduled Delivery Month for such Aircraft, as modified pursuant to the preceding paragraph. Upon receipt of the full amount of all delayed Predelivery Payments, together with Default Interest pursuant to Clause 5.7, the Seller shall inform the Buyer of a new Scheduled Delivery Month for such Aircraft consistent with the Seller's other commitments and production capabilities.

5.4 **Balance of Final Price**

5.4.1 With respect to each Aircraft, the Balance of Final Price payable by the Buyer to the Seller on the Delivery Date shall be the Final Price of such Aircraft less the amount of Predelivery Payments received by the Seller on or before the Delivery Date with respect to such Aircraft.

5.4.2 Upon receipt of the Seller's invoice, and immediately prior to Delivery, the Buyer shall pay to the Seller the Balance of Final Price with respect to such Aircraft.

5.5 **Other Charges**

Unless expressly stipulated otherwise, any other charges due under this Agreement other than those set out in Clauses 5.2, 5.3 and 5.4 shall be paid by the Buyer at the same time as payment of the Balance of Final Price or, if invoiced after the Delivery Date, within [***] days after receipt of the invoice by the Buyer.

5.6 **Method of Payment**

5.6.1 All payments provided for in this Agreement shall be made in United States Dollars (USD) in immediately available funds.

5.6.2 All payments due to the Seller hereunder shall be made in full, without deduction or withholding of any kind. Consequently, the Buyer shall procure that the sums received by the Seller under this Agreement shall be equal to the full amounts expressed to be due to the Seller hereunder, without deduction or withholding on account of and free from any and all taxes, levies, imposts, dues or charges of whatever nature. If the Buyer is compelled by law to make any such deduction or withholding the Buyer shall pay such additional amounts as may be necessary in order that the net amount received by the Seller after such deduction or withholding shall be equal to the amounts which would have been received in the absence of such deduction or withholding and pay to the relevant taxation or other authorities within the period for payment permitted by applicable law, the full amount of the deduction or withholding. If the Seller receives a refund of any amount with respect to which the Buyer has paid an additional amount as described above the Seller shall pay to the Buyer, as soon as practicable after the refund has been made (but not before the Buyer has made all payments to the Seller required under this Clause), an amount equal to such refund, provided that after such payment the Seller shall be in no worse position in respect of its overall tax position than it would have been if no such payment had been made.

5.7 **Default Interest**

If any payment due to the Seller under this Agreement including but not limited to any predelivery payment, or deposit for the Aircraft as well as any payment for any spare parts, data, documents, training and services due to the Seller is not received within three (3) Working Days of the due date, without prejudice to the Seller's other rights under this Agreement or at law, the Seller shall be entitled to interest for late payment calculated on the amount due from but excluding such date up to and including the date when the payment is received by the Seller at a rate equal to LIBOR for six (6) months deposits in US Dollars (as published in the Reuters screen or its successor screen on the due date) plus [***] per annum.

5.8 **Taxes**

5.8.1 The amounts stated in this Agreement to be payable by the Buyer are exclusive of value added tax chargeable under the laws of the Delivery Location ("VAT") and accordingly the Buyer shall pay any VAT chargeable in respect of supplies to the Buyer as contemplated by this Agreement provided that the Seller shall reasonably cooperate with the Buyer to mitigate the imposition of any tax liability on the Buyer with respect to such circumstances.

5.8.2 The Seller shall, in respect of the Aircraft, services, parts, instructions or data delivered or furnished hereunder (i) pay all taxes, duties or similar charges of any nature whatsoever, whenever and wheresoever levied, assessed, charged or, collected for, or in connection with the execution of this Agreement and the fabrication, manufacture and assembly of the Aircraft, or the sale or delivery to the Seller of any component of the Aircraft by a sub−contractor, a Supplier or an Affiliate of the Seller in connection with [***].

5.8.3 The Buyer shall bear the costs of and pay any and all taxes, duties or similar charges of any nature whatsoever not assumed by the Seller under Clause 5.8.2 including but not limited to any duties or taxes due upon or in relation to the importation or registration of the Aircraft in the Buyer's country and/or any withholdings or deductions levied or required in the Buyer's country in respect of the payment to the Seller of any amount due by the Buyer hereunder.

5.9 Proprietary Interest

The Buyer shall not, by virtue of anything contained in this Agreement (including, without limitation, any Predelivery Payments hereunder, or any designation or identification by the Seller of a particular aircraft as an Aircraft to which any of the provisions of this Agreement refer) acquire any proprietary, insurable or other interest whatsoever in any Aircraft before Delivery of such Aircraft, as provided in this Agreement.

5.10 Set−Off

The Seller may set−off any matured obligation owed by the Buyer to the Seller and/or its Affiliates against any obligation (whether or not matured) owed by the Seller to the Buyer, regardless of the place of payment or currency. The Seller will promptly notify the Buyer in writing following the exercise by it of such right of set−off.

6 **MANUFACTURE PROCEDURE — INSPECTION**

6.1. **Manufacture Procedure**

Each Airframe shall be manufactured in accordance with the relevant requirements of the laws of the jurisdiction of incorporation of the Seller or of its relevant Affiliate as enforced by the Aviation Authority of such jurisdiction.

6.2 **Inspection**

6.2.1 Subject to providing the Seller with certificates evidencing compliance with the insurance requirements set forth in Clause 19, the Buyer or its duly authorised representatives (which may include, without limitation, a reasonable number of representatives from the Initial Operator with respect to any Aircraft) (the "**Buyer's Inspector(s)**") shall be entitled to inspect the manufacture of each Airframe and all materials and parts obtained by the Seller for the manufacture of such Airframe on the following terms and conditions;

(i) any inspection shall be made according to a procedure to be agreed upon with the Buyer but shall be conducted pursuant to the Seller's own system of inspection as developed under the supervision of the relevant Aviation Authority;

(ii) the Buyer's Inspector(s) shall have access to such relevant technical data as is reasonably necessary for the purpose of the inspection;

(iii) any inspection and any related discussions with the Seller and other relevant personnel by the Buyer's Inspector(s) shall be at reasonable times during business hours and shall take place in the presence of relevant inspection department personnel of the Seller;

(iv) the inspections shall be performed in a manner not to unduly delay or hinder the manufacture or assembly of the Aircraft or the performance of this Agreement by the Seller or any other work in progress at the Manufacture Facilities.

6.2.2 **Location of Inspections**

The Buyer's Inspector(s) shall be entitled to conduct any such inspection at the relevant Manufacture Facility of the Seller or its relevant Affiliate and where possible at the Manufacture Facilities of the sub−contractors provided that if access to any part of the Manufacture Facilities where the Airframe manufacture is in progress or materials or parts are stored are restricted for security or confidentiality reasons, the Seller shall be allowed reasonable time to make the relevant items available elsewhere.

6.3 **Seller's Service for Buyer's Inspector(s)**

For the purpose of the inspections, and commencing with the date of this Agreement until the Delivery Date of the final Aircraft hereunder, the Seller shall furnish without additional charge suitable space and office equipment (including reasonable telephone communications) in or conveniently located with respect to the Delivery Location for the use of a reasonable number of Buyer's Inspector(s) .

7 CERTIFICATION

7.1 Type Certification

Each Aircraft is type certificated under European Aviation Safety Agency (EASA) procedures for joint certification in the transport category. The Seller has obtained the relevant type certificate (the "**Type Certificate**") to allow the issuance of the Export Airworthiness Certificate.

The Seller confirms that it has obtained an FAA Type Certificate (transport category) for the Aircraft pursuant to Part 21 and in compliance with the applicable provisions of Part 25 of the US Federal Aviation Regulations.

7.2 Export Airworthiness Certificate

7.2.1 Each Aircraft will be delivered to the Buyer with the Export Airworthiness Certificate and shall have incorporated all means of compliance with all applicable EASA and FAA Airworthiness Directives, on a terminating basis if available, and in a condition enabling the Buyer (or an eligible person under then applicable law) to obtain at time of Delivery a standard airworthiness certificate issued pursuant to Part 21 of the US Federal Aviation Regulations.

7.2.2 If any law or regulation is promulgated or becomes effective or an interpretation of any law is issued before an Aircraft purchased under this Agreement is "Ready for Delivery" to the Buyer and which law, regulation or interpretation requires any change to the Specification as it may be modified pursuant to Clause 2 in order to obtain the Type Certificates and Export Airworthiness Certificate as hereinabove provided for such Aircraft, the Seller shall make the requisite variation or modification.

The effect on price of such a change shall be borne:

(i) by the Seller insofar as it results from laws, regulations or interpretations that are to be complied with by the Seller before the Delivery of the relevant Aircraft. In addition, the Seller will provide the Buyer with the kits and labor necessary to terminate any Airworthiness Directive or other "mandatory continuing airworthiness information" issued by the state of manufacture under Ch. 4.2 of Annex 8 to the International Convention on Civil Aviation that has been issued prior to the Delivery of the relevant Aircraft but which is not required to be terminated by the Seller, provided that such kits have been defined pursuant to the then applicable airworthiness requirement described above.

(ii) by the Buyer for any operational requirements to be complied with by any Operator or changes other than those set forth in sub−paragraph (i) above.

If the Seller anticipates that the Scheduled Delivery Month of any Aircraft will be postponed by reason of such change it shall promptly notify the Buyer and the provisions of Clause 10 (Excusable Delay) will apply.

In the event of such a variation or modification being made pursuant to this sub−Clause, the parties hereto shall sign a SCN, in which the effects, if any, upon performances, weights, interchangeability and Delivery shall be specified and agreed between the Buyer and the Seller.

7.2.3 Notwithstanding the provisions of sub−Clause 7.2.2, if any such change is applicable to Propulsion Systems, engine accessories, quick engine change units or thrust reversers, or to Buyer Furnished Equipment, the costs of such change shall be borne in accordance with such arrangements as may be made separately between the Buyer and the Propulsion System and/or Buyer Furnished Equipment manufacturers.

7.2.4 The Seller shall as far as practicable take into account the information available to it concerning any proposed new regulations of the Seller's Aviation Authorities in order to minimize the costs of changes which may appear necessary to obtain the Export Airworthiness Certificate after such proposed new regulations have become mandatory.

7.2.5 In the event that type certification has not been previously undertaken by the Seller in a country where the Buyer intends to lease an Aircraft to an Initial Operator, then subject to due notice from the Buyer to the Seller at least nine months prior to the month of delivery of the relevant Aircraft (or such lesser period that the Seller acting reasonably agrees is practicable), the Seller shall use all reasonable efforts to obtain such type certification, and shall not charge the Buyer with its costs for the necessary documentation and justification work to demonstrate the aircraft specification compliance for such type certification purposes.

7.2.6 Upon the Buyer's request, to be provided to the Seller with adequate notice, the Seller shall identify the changes that may be required in order for an Aircraft to be eligible for a standard airworthiness certificate to be issued by the airworthiness authority designated by the Buyer for the registration of such Aircraft (the "Designated Airworthiness Authority").

Where the Buyer's Designated Airworthiness Authority requires a modification to comply with additional import aviation requirements and/or supply of additional data, prior to the issuance of the Export Airworthiness Certificate, the Seller shall incorporate such modification and/or provide such data at costs to be borne by the Buyer, provided that the Buyer's request is made at a time reasonably in advance of the Scheduled Delivery Month for such Aircraft and in accordance with the Seller's lead times for specification changes.

Such changes shall be made the subject of an SCN to be agreed between the parties, which shall specify the corresponding effect, if any, on the price and time of Delivery of the relevant Aircraft.

If the Seller anticipates that the Scheduled Delivery Month of the relevant Aircraft will be postponed by reason of such change it shall promptly notify the Buyer and the Scheduled Delivery Month of such Aircraft as provided in sub−Clause 9.1 will be extended to the extent of such postponement.

8 BUYER'S TECHNICAL ACCEPTANCE

8.1 Technical Acceptance Process

Prior to Delivery each Aircraft shall undergo the Technical Acceptance Process. The Seller will give to the Buyer not less than [***] days written notice of the proposed time when the Technical Acceptance Process will commence. Completion of the Technical Acceptance Process shall demonstrate the satisfactory functioning of the relevant Aircraft and shall be deemed to demonstrate compliance with the Specification. Should it be established that the relevant Aircraft does not comply with the Technical Acceptance Process requirements, the Seller shall without hindrance from the Buyer be entitled to carry out any necessary changes and, as soon as practicable thereafter, resubmit the relevant Aircraft to such further Technical Acceptance Process as is necessary to demonstrate the elimination of the non−compliance. The Seller will keep the Buyer informed as to progress with such changes and, as soon as practicable thereafter, will be entitled to resubmit the relevant Aircraft for new acceptance tests to demonstrate the elimination of such non−compliance or defect, such tests to be held and carried out in accordance with this Clause 8.

The Technical Acceptance Process shall, without limitation, include a technical acceptance flight which shall not exceed [***] duration (save as may be extended by agreement between the Buyer and the Seller).

8.2 Buyer's Attendance

8.2.1 The Buyer shall be entitled to elect to attend the Technical Acceptance Process.

8.2.2 If the Buyer elects to attend the Technical Acceptance Process, the Buyer;

(i) shall co−operate in complying with the reasonable requirements of the Seller with the intention of completing the Technical Acceptance Process within [***] Working Days after its commencement;

(ii) may have a maximum of four (4) of the Buyer's representatives (with no more than three (3) such representatives having access to the cockpit at any one time) accompany the Seller's representatives on a technical acceptance flight and during such flight the Buyer's representatives shall comply with the instructions of the Seller's representatives.

8.2.3 If the Buyer does not attend and/or fails to co−operate in the Technical Acceptance Process, the Seller shall be entitled to complete the Technical Acceptance Process and the Buyer shall be deemed to have accepted the Technical Acceptance Process as satisfactory in all respects and the Seller will furnish such data with respect to such tests as the Buyer may reasonably request, [***].

8.3 **Certificate of Acceptance**

Once the relevant Aircraft is Ready for Delivery, the Buyer shall, on or before the Delivery Date, sign and deliver to the Seller a Certificate of Acceptance in respect of such Aircraft.

8.4 **Finality of Acceptance**

Delivery by the Buyer of a signed and dated Certificate of Acceptance with respect to the relevant Aircraft will be irrevocable and the Buyer shall have no right to revoke such acceptance for any reason, whether known or unknown to the Buyer at the time of acceptance.

8.5 **Seller's Use of Aircraft**

The Seller will be entitled to use, without compensation to the Buyer or other liability, each Aircraft prior to its Delivery as may be necessary to obtain the certificates required under Clause 6 hereof, and such use will not affect the Buyer's obligation to accept Delivery of any Aircraft hereunder. [***].

9 **DELIVERY**

9.1 **Delivery Schedule**

9.1.1 Subject to the provisions of this Agreement, the Seller shall have each Aircraft Ready for Delivery at the Delivery Location within the months specified below.

Each such month shall be, with respect to the corresponding Aircraft, the "**Scheduled Delivery Month**" for such Aircraft.

A330−200 Aircraft

Number	Scheduled Delivery Month	Year
[***]	[***]	2008
[***]	[***]	
		2009
[***]	[***]	
		2010
TOTAL	20	

9.1.2 The Seller shall give the Buyer at least [***]. Thereafter the Seller shall notify the Buyer of any change in such date necessitated by the conditions of manufacture or flight. In addition, the Seller shall give the Buyer at least [***] days prior written notice of the anticipated week during which the relevant Aircraft shall be Ready for Delivery.

9.2 **Delivery**

9.2.1 The Buyer shall send its representatives to the Delivery Location to take Delivery

of, and collect, the relevant Aircraft within seven (7) days after the date on which such Aircraft is Ready for Delivery (the "Delivery Period") and shall pay the Balance of the Final Price on or before the Delivery Date.

9.2.2 Title to and risk of loss of or damage to the relevant Aircraft will pass to the Buyer upon Delivery following the execution and delivery of the Certificate of Acceptance by the Buyer and upon payment of the Final Price for such Aircraft. The Seller shall deliver and transfer title to the relevant Aircraft free and clear of all encumbrances and will provide the Buyer with such appropriate documents of title (such as a full warranty Bill of Sale (except for warranties in respect of any Buyer Furnished Equipment converted to Seller Furnished Equipment and other Buyer Furnished Equipment, which shall be as received by the Seller from the suppliers of such Buyer Furnished Equipment), certificate of transfer, or other documents) as the Buyer may reasonably request.

9.2.3 Should the Buyer fail to:

(i) deliver the signed Certificate of Acceptance to the Seller, when required to do so pursuant to Clause 8.3, within the Delivery Period; or

(ii) pay the Balance of the Final Price for the relevant Aircraft to the Seller on or before the Delivery Date;

(iii) within two (2) Working Days after Delivery of the relevant Aircraft, remove such Aircraft from the Delivery Location for whatever reason (except for reasons directly attributable to the Seller),

then the Buyer will on demand reimburse the Seller for all reasonable costs and expenses (including, without limitation, costs and expenses attributable to storage, preservation and protection, insurance and taxes) sustained by the Seller and resulting from any such delay or failure. Such reimbursement will be in addition to any other rights that the Seller may have as a result of any such delay or failure.

9.3 **Fly Away**

9.3.1 The Buyer and the Seller shall co−operate to obtain any licenses which may be required by the Aviation Authority of the Delivery Location for the purpose of exporting the Aircraft. The Seller shall not charge the Buyer for such assistance.

9.3.2 Except for expenses to be borne by the Seller as provided in Clause 5.8.2 of this Agreement, all expenses of, or connected with, flying the Aircraft from the Delivery Location after Delivery shall be borne by the Buyer. The Buyer shall make direct arrangements with the supplying companies for the fuel required for all post−Delivery flights [***]. In addition, it is understood between the parties that at Delivery the Aircraft should be serviced with all lubricating and hydraulic fluid levels full to the normal operating levels.

10 EXCUSABLE DELAY

10.1 The Buyer acknowledges that the Aircraft are to be manufactured by Seller in performance of this Agreement and that the Scheduled Delivery Months are based on the assumption that there shall be no delay due to causes beyond the control of the Seller. Accordingly, Seller shall not be responsible for any delay in the Delivery of the Aircraft or delay or interruption in the performance of the other obligations of the Seller hereunder due to causes beyond its control, and not occasioned by its fault or negligence including (but without limitation) acts of God or the public enemy, war, civil war, warlike operations, terrorism, insurrections or riots, fires, explosions, natural disasters, compliance with any applicable foreign or domestic governmental regulation or order, labour disputes causing cessation, slowdown or interruption of work, inability after due and timely diligence to procure materials, equipment or parts, general hindrance in transportation or failure of a sub−contractor or Supplier to furnish materials, components, accessories, equipment or parts, for any of the reasons referred to above. Any delay or interruption resulting from any of the foregoing causes (including any delay pursuant to Clause 7.2.2) is referred to as an "**Excusable Delay**".

10.2 If an Excusable Delay occurs:

(i) the Seller shall notify the Buyer of such Excusable Delay as soon as practicable after becoming aware of the same, [***];

(ii) the Seller shall not be responsible for any damages arising from or in connection with such Excusable Delay suffered or incurred by the Buyer;

(iii) the Seller shall not be deemed to be in default in the performance of its obligations hereunder as a result of such Excusable Delay; and

(iv) the Seller shall as soon as practicable after the removal of the cause of the delay resume performance of its obligations under this Agreement and in particular shall promptly notify to the Buyer the revised Scheduled Delivery Month for the relevant Aircraft, which shall be determined in a non discriminatory manner compared with other customers of the Seller similarly affected.

10.3 Termination on Excusable Delay

10.3.1 If the Delivery of any Aircraft is delayed as a result of an Excusable Delay for a period of more than [***] months after the last day of the Scheduled Delivery Month of such Aircraft as at the commencement of such Excusable Delay, the Buyer will be entitled to terminate this Agreement with respect only to the Aircraft so affected by giving written notice to the Seller within thirty (30) days after the expiry of such [***] month period.

In the event that such delay continues for an additional [***] month period after the expiration of such [***] months period, either party will have the option to terminate this Agreement with respect only to the Aircraft so affected by giving written notice to the other party within [***] days after the expiry of such additional [***] month period.

The Buyer shall not be entitled to terminate this Agreement pursuant to this Clause if the Excusable Delay results from a cause within its control.

Such termination will discharge all obligations and liabilities of the parties hereunder with respect to such affected Aircraft, except that the Seller will repay to the Buyer an amount equal to the entire amount of any Predelivery Payments received from the Buyer hereunder with respect to such affected Aircraft, [***].

10.3.2 If, in respect of any Aircraft, the Seller concludes that the Delivery of such Aircraft shall be delayed for more than [***] months after the last day of the Scheduled Delivery Month of such Aircraft as at the commencement of such Excusable Delay, due to an Excusable Delay and as a result thereof reschedules Delivery of such Aircraft to a date or month reflecting such delay then the Seller shall promptly notify the Buyer in writing to this effect and shall include in such notification the new Scheduled Delivery Month. Either party may thereupon terminate this Agreement with respect to such Aircraft by giving written notice to the other party within [***] days after receipt by the Buyer of the notice of anticipated delay.

Such termination will discharge all obligations and liabilities of the parties hereunder with respect to such affected Aircraft, except that the Seller will repay to the Buyer an amount equal to the entire amount of any Predelivery Payments received from the Buyer hereunder with respect to such affected Aircraft, [***].

10.3.3 If this Agreement shall not have been terminated with respect to the delayed Aircraft during the [***] day period referred to in either Clause 10.3.1 or 10.3.2 above, then the Seller shall be entitled to reschedule Delivery and the new Scheduled Delivery Month shall be notified to the Buyer and shall be binding on the parties.

10.4 Total Loss, Destruction or Damage

If prior to Delivery, any Aircraft is lost, destroyed or in the reasonable opinion of the Seller is damaged beyond repair ("Total Loss Aircraft"), the Seller shall notify the Buyer to this effect, as soon as practicable, but in any event, within one (1) month of such occurrence. The Seller shall include in said notification (or as soon after the issue of the notice as such information becomes available to the Seller) the earliest date consistent with the Seller's other commitments and production capabilities that an aircraft to replace the Aircraft may be delivered to the Buyer and the Scheduled Delivery Month shall be extended as specified in the Seller's notice to accommodate the delivery of the replacement aircraft; provided, however, that in the event the specified extension of the Scheduled Delivery Month is to a month exceeding [***] months after the last day of the original Scheduled Delivery Month then this Agreement shall terminate with respect to said Aircraft unless:

(i) the Buyer notifies the Seller within one (1) month of the date of receipt of the Seller's notice that it desires the Seller to provide a replacement aircraft during the month quoted in the Seller's notice; and

(ii) the parties execute an amendment to this Agreement recording the variation in the Scheduled Delivery Month;

provided, however, that nothing herein shall require the Seller to manufacture and deliver a replacement aircraft if such manufacture would require the reactivation of its production line for the model or series of aircraft which includes the Aircraft purchased hereunder.

In the event that the Agreement with respect to such Total Loss Aircraft is terminated pursuant to this sub−Clause 10.4, the obligations and liabilities of the parties hereunder with respect to such Aircraft will be discharged. The Seller will repay to the Buyer an amount equal to the entire amount of any Predelivery Payments received from the Buyer hereunder with respect to any such Total Loss Aircraft, [***].

10.5 Termination Rights Exclusive

In the event that this Agreement shall be terminated as provided for under the terms of Clauses 10.3 or 10.4, such termination shall discharge all obligations and liabilities of the parties hereunder with respect to such affected Aircraft and undelivered material, services, data or other items applicable thereto and to be furnished hereunder and neither party shall have any claim against the other for any loss resulting from such non−delivery. The Seller shall in no circumstances have any liability whatsoever for Excusable Delay other than as set forth in this Clause 10.

11 NON−EXCUSABLE DELAY

11.1 Liquidated Damages

Should any of the Aircraft not be Ready for Delivery to the Buyer [***] and such delay is not as a result of an Excusable Delay or Total Loss (a "**Non−Excusable Delay**"), then the Buyer shall have the right to claim, and the Seller shall pay upon demand by way of liquidated damages to the Buyer, the following amounts:

(a) In the event that the Seller has notified the Buyer of the anticipated delay at the **latest three** (3) months prior to the first day of the Scheduled Delivery Month (as it may have been amended by mutual agreement): US Dollars — [***] (**US$**[***]) for each day of delay commencing on the [***] Working Day following the last day of the Scheduled Delivery Month and ending on the day of Delivery of the relevant Aircraft;

(b) In the event that the Seller has notified the Buyer of the anticipated delay **less than three** (3) months prior to the first day of the Scheduled Delivery Month (as it may have been amended by mutual agreement) but prior to the date on which the Seller informs the Buyer of the Notified Delivery Date: US Dollars — [***] (**US$**[***]) for each day of delay commencing on the [***] Working Day following the last day of the Scheduled Delivery Month and ending on the day of Delivery of the relevant Aircraft;

(c) In the event that the Seller has notified the Buyer of the anticipated delay on or after the date on which the Seller informs the Buyer of the Notified Delivery Date: US Dollars — [***] (**US$**[***]) for each day of delay which falls within the Scheduled Delivery Month, commencing on the [***] Working Day following the Notified Delivery Date and increasing to US Dollars — [***] (**US$**[***]) for each such day of delay which continues **beyond the last day of the Scheduled Delivery Month;**

The amount of such liquidated damages shall in no event exceed the total of US Dollars [***] (US$[***]) in respect of any one Aircraft.

11.2 [***]

In the event that such delay in Delivery exceeds [***] months, the Buyer will have the further right, exercisable by written notice to the Seller given no more than one (1) month after such [***] month period, to terminate this Agreement in respect only of the Aircraft that is the subject of such delay, whereupon the Seller will pay the Buyer, within ten (10) Working Days after receipt of such notice, an amount equal to [***], together with interest in an amount equal to LIBOR for six month deposits of a similar amount plus [***] per annum over the period from date of receipt of the relevant Predelivery Payment to date of reimbursement hereunder. Such payment will be in addition to any amount due pursuant to sub−Clause 11.1 above.

11.3 Termination

In the event that (i) the Buyer has not exercised its right to terminate under Clause 11.2 hereof and (ii) such subsequent delay in Delivery exceeds twelve (12) months, either party will have the right, exercisable by written notice to the other party given no more than one (1) month after such twelve (12) month period, to terminate this Agreement in respect only of the Aircraft that is subject to such delay, whereupon the Seller will pay the Buyer, within ten (10) Working Days after such notice, an amount equal to all Predelivery Payments made by the Buyer to the Seller in relation to such Aircraft, together with interest in an amount equal to LIBOR for six month deposits of a similar amount plus [***] per annum over the period from date of receipt of the relevant Predelivery Payment to date of reimbursement hereunder. Such payment will be in addition to any amount due pursuant to sub−Clause 11.1 above.

11.4 [***]

11.5 Limitation of Damages

The Buyer and the Seller agree that payment by the Seller of the amounts due pursuant to Clause 11.1 shall be considered to be liquidated damages and have been calculated to compensate the Buyer for its entire damages for all losses of any kind due to Non−Excusable Delay. The Seller shall not in any circumstances have any liability whatsoever for Non−Excusable Delay other than as set forth in this Clause 11.

11.6 Remedies

THIS CLAUSE 11 SETS FORTH THE SOLE AND EXCLUSIVE REMEDY OF THE BUYER FOR DELAYS IN DELIVERY OR FAILURE TO DELIVER, OTHER THAN SUCH DELAYS AS ARE COVERED BY CLAUSE 10, AND THE BUYER HEREBY WAIVES ALL RIGHTS, INCLUDING WITHOUT LIMITATION ANY RIGHTS TO INCIDENTAL AND CONSEQUENTIAL DAMAGES OR SPECIFIC PERFORMANCE, TO WHICH IT WOULD OTHERWISE BE ENTITLED IN RESPECT THEREOF. THE BUYER WILL NOT BE ENTITLED TO CLAIM THE REMEDIES AND RECEIVE THE BENEFITS PROVIDED IN THIS CLAUSE 11 WHERE THE DELAY REFERRED TO IN THIS CLAUSE 11 IS CAUSED BY THE NEGLIGENCE OR WILFULL MISCONDUCT OF THE BUYER OR ITS REPRESENTATIVES.

12 WARRANTIES AND SERVICE LIFE POLICY

This Clause covers the terms and conditions of the warranty and service life policy.

12.1 Standard Warranty

12.1.1 Nature of Warranty

Subject to the conditions and limitations as hereinafter provided for and except as provided for in Clause 12.1.2, the Seller warrants to the Buyer that each Aircraft and all Warranted Parts as defined hereinafter shall at Delivery to the Buyer:

(i) be free from defects in material;

(ii) be free from defects in workmanship, including without limitation processes of manufacture;

(iii) be free from defects in design (including without limitation the selection of materials) having regard to the state of the art at the date of such design; and

(iv) be free from defects arising from failure to conform to the Specification, except to those portions of the Specification relating to performance or where it is expressly stated that they are estimates, approximations or design aims.

For the purpose of this Agreement the term "**Warranted Part**" shall mean any Seller proprietary component, equipment, accessory or part as installed on an Aircraft at Delivery of such Aircraft and

(a) which is manufactured to the detailed design of the Seller or a subcontractor of the Seller and

(b) which bears a part number of the Seller at the time of such delivery.

12.1.2 Exclusions

The warranties set forth in Clause 12.1.1 shall not apply to Buyer Furnished Equipment, nor to the Propulsion Systems (in the case of CFM Propulsion System, excluding nacelles and thrust reversers), nor to any component, equipment, accessory or part purchased by the Seller that is not a Warranted Part except that:

(i) any defect in the Seller's workmanship incorporated in the installation of such items in the Aircraft, including any failure by the Seller to conform to the installation instructions of the manufacturer of such item that invalidates any applicable warranty from such manufacturer, shall constitute a defect in workmanship for the purpose of this Clause and be covered by the warranty set forth in sub−Clause 12.1.1 (ii); and

(ii) any defect inherent in the Seller's design of the installation, in view of the state of the art at the date of such design, which impair the use of such item shall constitute a defect in design for the purpose of this Clause and be covered by the warranty set forth in sub−Clause 12.1.1 (iii).

12.1.3 Warranty Period

The warranties contained in Clauses 12.1.1 and 12.1.2 shall be limited to those defects which become apparent within thirty six (36) months after Delivery of the affected Aircraft ("**Warranty Period**").

12.1.4 **Buyer's Remedy and Seller's Obligation**

12.1.4.1 The Buyer's remedy and the Seller's obligation and liability under Clauses 12.1.1 and 12.1.2 are limited to the [***], repair, replacement or correction of any Warranted Part which is defective and the [***] or to the supply of modification kits rectifying the defect, at the Seller's expense and option.

The Seller may equally at its option furnish a credit to the Buyer equal to the price at which the Buyer is entitled to purchase a replacement for the defective Warranted Part.

12.1.4.2 In the event of a defect covered by sub−Clauses 12.1.1 (iii), 12.1.1 (iv) and 12.1.2 (ii) becoming apparent within the Warranty Period and the Seller being obliged to correct such defect, the Seller shall also, if so requested by the Buyer, make such correction in any Aircraft which has not yet been delivered to the Buyer; provided, however,

(i) that the Seller shall not be responsible nor deemed to be in default on account of any delay in Delivery of any Aircraft or otherwise, in respect of the performance of this Agreement due to the Seller's undertaking to make such correction and provided further

(ii) that, rather than accept a delay in the Delivery of any such Aircraft, the Buyer and the Seller may agree to deliver such Aircraft with subsequent correction of the defect by the Buyer at the Seller's expense, or the Buyer may elect to accept Delivery and thereafter file a warranty claim as though the defect had become apparent immediately after Delivery of such Aircraft.

12.1.4.3 In addition to the remedies set forth in Clauses 12.1.4.1 and 12.1.4.2, the Seller shall reimburse the direct labor costs spent by the Buyer in performing inspections of the Aircraft to determine whether or not a defect exists in any Warranted Part within the Warranty Period or until the corrective technical solution removing the need for the inspection is provided by the Seller.

The above commitment is subject to the following conditions:

(i) such inspections are recommended by a Seller Service Bulletin to be performed within the Warranty Period;

(ii) the inspection is performed outside of a scheduled maintenance check as recommended by the Seller's Maintenance Planning Document;

(iii) the reimbursement shall not apply for any inspections performed as an alternative to accomplishing corrective action when such corrective action has been made available at no charge to the Buyer and such corrective action could have reasonably been accomplished by the Buyer at the time such inspections are performed or earlier,

(iv) the labor rate to be used for the reimbursement shall be labor rate defined in Clause 12.1.7, and

(v) the manhours used to determine such reimbursement shall not exceed the Seller's reasonable estimate of the manhours required by the Buyer for such inspections unless reasonably proven that more man−hours than the Seller's reasonable estimate were required.

12.1.5 **Warranty Claim Requirements**

Each Buyer's warranty claim ("**Warranty Claim**") shall be considered by the Seller only if the following conditions are first fulfilled:

(i) the defect having become apparent within the Warranty Period;

(ii) the Buyer having submitted to the Seller evidence reasonably satisfactory to the Seller that the claimed defect is due to a matter set out within this Clause 12.1, and that such defect has not resulted from any act or omission of the Buyer, including but not limited to, any failure to operate and maintain the affected Aircraft or part thereof in accordance with the standards set forth or any matter covered in Clause 12.1.10;

(iii) the Buyer having returned as soon as practicable the Warranted Part claimed to be defective to the repair facilities as may be designated by the Seller, except when the Buyer elects to repair a defective Warranted Part in accordance with the provisions of Clause 12.1.7;

(iv) the Seller having received a Warranty Claim as set forth in Clause 12.1.6.

12.1.6 **Warranty Administration**

The warranties set forth in Clause 12.1 shall be administered as hereinafter provided for:

(i) **Claim Determination**

Warranty Claim determination by the Seller shall be reasonably based upon the claim details, reports from the Seller's local representative, historical data logs, inspection, tests, findings during repair, defect analysis and other suitable documents.

(ii) **Transportation Costs**

Transportation costs for sending a defective Warranted Part to the facilities designated by the Seller and for the return therefrom of a repaired or replaced Warranted Part shall be borne by the Buyer .

(iii) **Return of an Aircraft**

In the event of the Buyer desiring to return an Aircraft to the Seller for consideration of a Warranty Claim, the Buyer shall notify the Seller of its intention to do so and the Seller shall, prior to such return, have the right to inspect such Aircraft and thereafter, without prejudice to its rights hereunder, to repair such Aircraft, at its sole option, either at the Buyer's facilities or at another place acceptable to the Seller. Return of any Aircraft by the Buyer to the Seller and return of such Aircraft to the Buyer's facilities shall be at the Buyer's expense.

(iv) **On−Aircraft Work by the Seller**

In the event that a defect subject to this Clause 12.1 may justify the dispatch by the Seller of a working team to repair or correct such defect through the embodiment of one or several Seller's Service Bulletins at the Buyer's facilities, or in the event of the Seller accepting the return of an Aircraft to perform or have performed such repair or correction, then the labor costs for such on−Aircraft work are to be borne [***].

All related expenses, including but not limited to reasonable travel and living expenses, in excess of the labour costs as defined above, incurred in performing such repair or correction shall be borne by the Buyer, unless otherwise mutually agreed.

The condition which has to be fulfilled for on−Aircraft work by the Seller is that in the opinion of the Seller, the work necessitates the technical expertise of the Seller as manufacturer of the Aircraft.

If said condition is fulfilled and if the Seller is requested to perform the work, the Seller and the Buyer shall agree on a schedule and place for the work to be performed.

(v) **Warranty Claim Substantiation**

In connection with each claim by the Buyer made under this Clause 12.1, the Buyer shall file a Warranty Claim on the Buyer's form within sixty (60) days after a defect became apparent. Such form must contain at least the following data:

a) description of defect and action taken, if any,

b) date of incident and/or removal date,

c) description of the defective part,

d) part number,

e) serial number (if applicable),

f) position on Aircraft,

g) total flying hours or calendar time, as applicable at the date of defect appearance,

h) time since last shop visit at the date of defect appearance,

i) manufacturer serial number ("**Manufacturer's Serial Number**") of the Aircraft and/or its registration,

j) Aircraft total flying hours and/or number of landings at the date of defect appearance,

k) Warranty Claim number,

l) date of Warranty Claim,

m) delivery date of Aircraft or part to the Buyer, Warranty Claims are to be addressed as follows:

AIRBUS
CUSTOMER SERVICES DIRECTORATE
WARRANTY ADMINISTRATION
Rond−Point Maurice Bellonte
B.P. 33
F−31707 BLAGNAC CEDEX
FRANCE

(vi) **Replacements**

Components, equipment, accessories or parts, which the Seller has replaced pursuant to this Clause, shall become the Seller's property. The replacement components, equipment, accessories or parts provided by the Seller to the Buyer pursuant to this Clause shall become the Buyer's property.

(vii) **Seller's Reply and/or Rejection**

The Seller shall use all reasonable endeavours to reply to any Warranty Claim within fourteen (14) days of receipt. In case of rejection of any Warranty Claim, the Seller shall in addition provide reasonable written substantiation thereof. In the event that such Warranty Claim is reasonably shown to be unjustified, the Buyer shall refund to the Seller reasonable inspection and test charges incurred in connection therewith.

(viii) **Seller's Inspection**

The Seller shall have the right to inspect the affected Aircraft and documents and other records relating thereto in the event of any Warranty Claim under this Clause 12.1.

(ix) **Turn−Around Time**

The Seller will endeavor to repair defective Warranted Parts within fifteen (15) days of receipt of such item(s) at the repair facilities designated by the Seller, and if such repair is not effected within such fifteen (15) day period, the Seller will supply a free forward exchange of the items in question.

12.1.7 **Inhouse Warranty**

(i) **Seller's Authorization**

The Seller hereby authorizes the Buyer to perform the repair of Warranted Parts ("**Inhouse Warranty**") subject to the terms of this Clause 12.1.7.

(ii) **Conditions for Seller's Authorization**

The Buyer shall be entitled to repair such Warranted Parts only:

— if the Buyer notifies the Seller's Representative of its intention to perform Inhouse Warranty repairs before any such repairs are started where the estimated cost of such repair is in excess of US Dollars [***] (US$ [***]). The Buyer's notification shall include sufficient detail regarding the defect, estimated labor hours and material to allow the Seller to ascertain the reasonableness of the estimate. The Seller agrees to use all reasonable efforts to ensure a prompt response and shall not unreasonably withhold authorization;

— if adequate facilities and qualified personnel are available to the Buyer;

— in accordance with the Seller's written instructions set forth in the applicable Seller's technical documentation;

— to the extent specified by the Seller, or, in the absence of such specification, to the extent reasonably necessary to correct the defect, in accordance with the standards set forth in Clause 12.1.10.

(iii) **Seller's Rights**

The Seller shall have the right to have any Warranted Part, or any part removed therefrom, claimed to be defective, returned to the Seller, as set forth in sub−Clause 12.1.6 (ii) if, in the judgement of the Seller, the nature of the defect requires technical investigation. The Seller shall further have the right to have a representative present during the disassembly, inspection and testing of any Warranted Part claimed to be defective, subject to its presence being practical and not unduly delaying the repair.

(iv) **Inhouse Warranty Claim Substantiation**

Claims for Inhouse Warranty credit shall contain the same information as that required for Warranty Claims under sub−Clause 12.1.6 (v) and in addition shall include:

a) a report of technical findings with respect to the defect,

b) for parts required to remedy the defect:

— part numbers,

— serial numbers (if applicable),

— parts description,

— quantity of parts,

— unit price of parts,

— related Seller's or third party's invoices (if applicable),

— total price of parts,

c) detailed number of labor hours,

d) Inhouse Warranty Labor Rate,

e) total claim value.

(v) **Credit**

The Buyer's account shall be credited with an amount equal to the mutually agreed direct labor costs expended in performing the repair of a Warranted Part and to the direct costs of materials incorporated in said repair.

— For the determination of direct labor costs only manhours spent on removal from the Aircraft, disassembly, inspection, repair, reassembly, and final inspection and test of the Warranted Part and reinstallation thereof on the Aircraft are permissible. Any manhour required for maintenance work concurrently being carried out on the Aircraft or Warranted Part is not included.

— The manhours permissible above shall be multiplied by an agreed labor rate, ("Inhouse Warranty Labour Rate") and representing the Buyer's composite labor rate meaning the average hourly rate (excluding all fringe benefits, premium time allowances, social charges, business taxes and the like) paid to the Buyer's employees whose jobs are directly related to the performance of the repair.

— Direct material costs are determined by the prices at which the Buyer acquired such material, excluding any parts and materials used for overhaul and as may be furnished by the Seller at no charge.

(vi) **Limitation**

The Buyer shall in no event be credited for repair costs (including labor and material) in excess of [***] per cent ([***]%) of the current catalogue price for a replacement of the defective Warranted Part,

or

where the repair cost (including labor and material) is in excess of US Dollars [***] (US$[***]) unless previously approved by the Seller in accordance with sub−Clause 12.1.7 (ii).

(vii) **Scrapped Material**

The Buyer shall retain any defective Warranted Part beyond economic repair and any defective part removed from a Warranted Part during repair for a period of either [***] days after the date of completion of repair or [***] days after submission of a claim for Inhouse Warranty credit relating thereto, whichever is longer. Such parts shall be returned to the Seller within [***] days of receipt of the Seller's request to that effect.

Notwithstanding the foregoing, the Buyer may scrap any such defective parts which are beyond economic repair and not required for technical evaluation locally with the agreement of the Seller's local representative. Scrapped Warranted Parts shall be evidenced by a record of scrapped material certified by an authorized representative of the Buyer.

12.1.8 **Standard Warranty Transferability**

The warranties provided for in this Clause 12.1 for any Warranted Part shall accrue to the benefit of any airline in revenue service, other than the Buyer, if the Warranted Part enters into the possession of any such airline as a result of a pooling or leasing agreement between such airlines and the Buyer, in accordance with the terms and subject to the limitations and exclusions of the foregoing warranties, and to the extent permitted by any applicable law or regulations.

12.1.9 **Warranty for Corrected, Replaced or Repaired Warranted Parts**

Whenever any Warranted Part which contains a defect for which the Seller is liable under Clause 12.1 has been corrected, replaced or repaired pursuant to the terms of this Clause 12.1, the period of the Seller's warranty with respect to such corrected, replaced or repaired Warranted Part whichever may be the case, shall be the remaining portion of the original Warranty Period of the repaired or replaced Warranted Part, or twelve months, whichever is last to expire.

12.1.10 **Accepted Industry Standard Practices — Normal Wear and Tear**

The Buyer's rights under this Clause 12.1 are subject to the Aircraft and each component, equipment, accessory and part thereof being maintained, overhauled, repaired, and operated in accordance with accepted industry standard practices, all technical documentation and any other instructions issued by the Seller and the Suppliers and the Propulsion Systems Manufacturer and all applicable rules, regulations and directives of relevant Aviation Authorities.

12.1.10.1 The Seller's liability under this Clause 12.1 shall not extend to normal wear and tear nor to:

(i) any Aircraft or component, equipment, accessory or part thereof which has been repaired, altered or modified after Delivery except by the Seller or in a manner approved by the Seller;

(ii) any Aircraft or component, equipment, accessory or part thereof which has been operated in a damaged state;

(iii) any component, equipment, accessory and part from which the trademark, name, part or serial number or other identification marks have been removed;

unless in any such case (except in the case of (iii) above) the Buyer submits reasonable evidence to the Seller that the defect did not arise from nor was contributed to by any one or more of the said causes.

12.2 Seller Service Life Policy

12.2.1 In addition to the warranties set forth in Clause 12.1, the Seller further agrees that should any item listed in Exhibit "F" ("Item") sustain any breakage or defect which can reasonably be expected to occur on a fleetwide basis, and which materially impairs the utility of the Item ("Failure"), and subject to the general conditions and limitations set forth in Clause 12.2.4, then the provisions of this Clause 12.2 ("Seller Service Life Policy") shall apply.

12.2.2 **Periods and Seller's Undertakings**

The Seller agrees that if a Failure occurs in an Item before the Aircraft in which such Item has been originally installed has completed [***] flying hours, or has completed [***] flight cycles, or within [***] years after the Delivery of said Aircraft to the Buyer, whichever shall first occur, the Seller shall at its own discretion and as promptly as practicable and with the Seller's financial participation as hereinafter provided either:

12.2.2.1 design and furnish to the Buyer a correction for such Item with a Failure and provide any parts required for such correction (including Seller designed standard parts but excluding industry standard parts), or,

12.2.2.2 replace such Item.

12.2.3 **Seller's Participation in the Costs**

Any part or Item which the Seller is required to furnish to the Buyer under this Service Life Policy in connection with the correction or replacement of an Item shall be furnished to the Buyer with the Seller's financial participation determined in accordance with the following formula:

$P = C (N - T)/N$

where:

P : financial participation of the Seller,

C : Seller's then current sales prices for the required Item or

Seller designed parts,

(i) T : total flying time in hours of the Aircraft in which the Item subject to a Failure has been originally installed,

and,

N: [***] hours,

or,

(ii) T: total number of flight cycles which have been accumulated by the Aircraft in which the Item subject to a Failure has been originally installed,

and,

N: [***] flight cycles,

or,

(iii) T: total time in months since Delivery of the

Aircraft in which the Item subject to a Failure has been originally installed,

and,

N: [***] months,

[***]

12.2.4 **General Conditions and Limitations**

12.2.4.1 The undertakings given in this Clause 12.2 shall be valid after the period of the Seller's warranty applicable to an Item under Clause 12.1.

12.2.4.2 The Buyer's remedy and the Seller's obligation and liability under this Service Life Policy are subject to the prior compliance by the Buyer with the following conditions:

(i) the Buyer shall maintain log books and other historical records with respect to each Item adequate to enable determination of whether the alleged Failure is covered by this Service Life Policy and if so to define the costs to be borne by the Seller in accordance with Clause 12.2.3;

(ii) the Buyer shall keep the Seller informed of any significant incidents relating to an Aircraft howsoever occurring or recorded;

(iii) the Buyer shall comply with the conditions of Clause 12.1.10;

(iv) the Buyer shall carry out specific structural inspection programs for monitoring purposes as may be established from time to time by the Seller. Such programs shall be as compatible as possible with the Buyer's operational requirements and shall be carried out at the Buyer's expense. Reports relating thereto shall be regularly furnished to the Seller;

(v) in the case of any breakage or defect, the Buyer must have reported the same in writing to the Seller within [***] days after any breakage or defect in an Item becomes apparent whether or not said breakage or defect can reasonably be expected to occur in any other aircraft, and the Buyer shall have informed the Seller of the breakage or defect in sufficient detail to enable the Seller to determine whether said breakage or defect is subject to this Service Life Policy.

12.2.4.3 Except as otherwise provided for in this Clause 12.2, any claim under this Service Life Policy shall be administered as provided for in and shall be subject to the terms and conditions of Clause 12.1.6.

12.2.4.4 In the event that the Seller shall have issued a modification applicable to an Aircraft, the purpose of which is to avoid a Failure, the Seller may elect to supply the necessary modification kit free of charge or under a pro rata formula. If such a kit is so offered to the Buyer, then, to the extent of such Failure and any Failures that could ensue therefrom, the validity of the Seller's commitment under this Clause 12.2 shall be subject to the Buyer's incorporating such modification in the relevant Aircraft, as promulgated by the Seller and in accordance with the Seller's instructions, within a reasonable time.

12.2.4.5 This Service Life Policy is neither a warranty, performance guarantee, nor an agreement to modify any Aircraft or airframe components to conform to new developments occurring in the state of airframe design and manufacturing art.

The Seller's obligation herein is to furnish only those corrections to the Items or provide replacement therefor as provided for in Clause 12.2.2.

The Buyer's sole remedy and relief for the non−performance of any obligation or liability of the Seller arising under or by virtue of this Service Life Policy shall be in monetary damages, limited to the amount the Buyer y this reasonably expends in procuring a correction or replacement for any Item which is the subject of a Failure covered bService Life Policy and to which such non−performance is related.

The Buyer hereby waives, releases and renounces all claims to any further damages, direct, incidental or consequential, including loss of profits and all other rights, claims and remedies, arising under or by virtue of this Service Life Policy.

12.2.5 **Transferability**

The Buyer's rights under this Clause 12.2 shall not be assigned, sold, leased, transferred or otherwise alienated by operation of law or otherwise, without the Seller's prior consent thereto, which shall not be unreasonably withheld and given in writing.

Any unauthorized assignment, sale, lease, transfer or other alienation of the Buyer's rights under this Service Life Policy shall, as to the particular Aircraft involved, immediately void this Service Life Policy in its entirety.

12.3 Supplier Product Support Agreements

Prior to the Delivery of the first Aircraft, the Seller shall provide the Buyer with all enforceable and transferable warranties and service life policies with respect to Supplier Parts that the Seller has obtained pursuant to each Supplier Product Support Agreement.

12.3.1 **Definitions**

12.3.1.1 **"Supplier"** means any supplier of Supplier Parts.

12.3.1.2 **"Supplier Part"** means any component, equipment, accessory or part installed in an Aircraft at the time of Delivery thereof as to which there exists a Supplier Product Support Agreement. The Propulsion Systems and Buyer Furnished Equipment and other equipment selected by the Buyer to be supplied by Suppliers with whom the Seller has no Supplier Product Support Agreement are not Supplier Parts.

12.3.1.3 **"Supplier Product Support Agreement"** means an agreement between the Seller and a Supplier containing enforceable and transferable warranties and in the case of landing gear suppliers, service life policies for selected structural landing gear elements.

12.3.2 **Supplier's Default**

12.3.2.1 In the event of any Supplier, under any standard warranty obtained by the Seller pursuant to Clause 12.3, defaulting in the performance of any material obligation with respect thereto and the Buyer submitting in reasonable time to the Seller reasonable proof that such default has occurred, then Clause 12.1 shall apply to the extent the same would have been applicable had such Supplier Part been a Warranted Part, except that the Supplier's warranty period as indicated in the Supplier Product Support Agreement shall apply.

12.3.2.2 In the event of any Supplier, under any Supplier service life policy obtained by the Seller pursuant to Clause 12.3, defaulting in the performance of any material obligation with respect thereto and the Buyer submitting in reasonable time to the Seller reasonable proof that such default has occurred, then Clause 12.2 shall apply to the extent the same would have been applicable had such Supplier Item been listed in Exhibit F, Seller Service Life Policy, except that the Supplier's service life policy period as indicated in the Supplier Product Support Agreement shall apply.

12.3.2.3 At the Seller's request, the Buyer shall assign to the Seller, and the Seller shall be subrogated to, all of the Buyer's rights against the relevant Supplier with respect to and arising by reason of such default and shall provide reasonable assistance to enable the Seller to enforce the rights so assigned.

12.4 Interface Commitment

12.4.1 **Interface Problem**

If the Buyer experiences any technical problem in the operation of an Aircraft or its systems due to a malfunction, the cause of which, after due and reasonable investigation, is not readily identifiable by the Buyer, but which the Buyer reasonably believes to be attributable to the design characteristics of one or more components of the relevant Aircraft (**"Interface Problem "**), the Seller shall, if so requested by the Buyer, and without additional charge to the Buyer (except for transportation of the Seller's personnel to the Buyer's facilities, the cost of which shall be mutually agreed between the Buyer and the Seller), promptly conduct or have conducted an investigation and analysis of such problem to determine, if possible, the cause or causes of the problem and to recommend such corrective action as may be feasible. The Buyer shall furnish to the Seller all data and information in the Buyer's possession relevant to the Interface Problem, and shall cooperate with the Seller in the conduct of the Seller's investigations and such tests as may be required.

At the conclusion of such investigation the Seller shall promptly advise the Buyer in writing of the Seller's opinion as to the cause or causes of the Interface Problem and the Seller's recommendations as to corrective action.

12.4.2 **Seller's Responsibility**

If the Seller determines that the Interface Problem is primarily attributable to the design of a Warranted Part, the Seller shall, if so requested by the Buyer and pursuant to the terms and conditions of Clause 12.1, correct the design of such Warranted Part to the extent of the Seller's obligation as defined in Clause 12.1.

12.4.3 **Supplier's Responsibility**

If the Seller determines that the Interface Problem is primarily attributable to the design of any Supplier Part, the Seller shall, if so requested by the Buyer, reasonably assist the Buyer (at no additional charge to the Buyer) in processing any warranty claim the Buyer may have against the Supplier.

12.4.4 **Joint Responsibility**

If the Seller determines that the Interface Problem is attributable partially to the design of a Warranted Part and partially to the design of any Supplier Part, the Seller shall, if so requested by the Buyer, seek a solution within a reasonable time to the Interface Problem through cooperative efforts of the Seller and any Supplier involved.

The Seller shall promptly advise the Buyer of such corrective action as may be proposed by the Seller and any such Supplier. Such proposal shall be consistent with any then existing obligations of the Seller hereunder and of any such Supplier to the Buyer. Such corrective action when accepted by the Buyer shall constitute full satisfaction of any claim the Buyer may have against either the Seller or any such Supplier with respect to such Interface Problem.

12.4.5 **General**

12.4.5.1 All requests under this Clause 12.4 shall be directed to both the Seller and the Supplier.

12.4.5.2 Except as specifically set forth in this Clause 12.4, this Clause shall not be deemed to impose on the Seller any obligations not expressly set forth elsewhere in this Clause 12.

12.4.5.3 All reports, recommendations, data and other documents furnished by the Seller to the Buyer pursuant to this Clause 12.4 shall be deemed to be delivered under this Agreement and shall be subject to the terms, covenants and conditions set forth in this Clause 12.

12.5 Waiver, Release and Renunciation

12.5.1 SUBJECT TO CLAUSE 12.5.2 THE WARRANTIES, OBLIGATIONS AND LIABILITIES OF THE SELLER AND/OR ITS SUPPLIERS AND REMEDIES OF THE BUYER SET FORTH IN THIS CLAUSE 12 ARE EXCLUSIVE AND IN SUBSTITUTION FOR, AND THE BUYER HEREBY WAIVES, RELEASES AND RENOUNCES ALL OTHER WARRANTIES, OBLIGATIONS AND LIABILITIES OF THE SELLER AND/OR ITS SUPPLIERS AND RIGHTS, CLAIMS AND REMEDIES OF THE BUYER AGAINST THE SELLER, AND/OR ITS SUPPLIERS, EXPRESS OR IMPLIED, ARISING BY LAW OR OTHERWISE WITH RESPECT TO ANY NON−CONFORMITY OR DEFECT IN ANY AIRCRAFT, COMPONENT, EQUIPMENT, ACCESSORY, PART, SOFTWARE OR DATA DELIVERED UNDER THIS AGREEMENT INCLUDING BUT NOT LIMITED TO:

(A) ANY WARRANTY AGAINST HIDDEN DEFECTS;

(B) ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS;

(C) ANY IMPLIED WARRANTY ARISING FROM COURSE OF PERFORMANCE, COURSE OF DEALING OR USAGE OF TRADE;

(D) ANY OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY, WHETHER CONTRACTUAL OR DELICTUAL AND WHETHER OR NOT ARISING FROM THE SELLER'S AND/OR ITS SUPPLIERS' NEGLIGENCE, ACTUAL OR IMPUTED; AND

(E) ANY OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY FOR LOSS OR DAMAGE TO ANY AIRCRAFT, COMPONENT, EQUIPMENT, ACCESSORY, PART, SOFTWARE OR DATA DELIVERED UNDER THIS AGREEMENT.

THE SELLER AND/OR ITS SUPPLIERS SHALL HAVE NO OBLIGATION OR LIABILITY, HOWSOEVER ARISING, FOR LOSS OF USE, REVENUE OR PROFIT OR FOR ANY OTHER DIRECT, INCIDENTAL, OR CONSEQUENTIAL DAMAGES WITH RESPECT TO ANY NON−CONFORMITY OR DEFECT IN ANY AIRCRAFT, COMPONENT, EQUIPMENT, ACCESSORY, PART, SOFTWARE OR DATA DELIVERED UNDER THIS AGREEMENT.

FOR THE PURPOSES OF THIS CLAUSE 12.5, "THE SELLER" SHALL INCLUDE THE SELLER AND ITS AFFILIATES.

12.5.2 NOTHING IN THIS CLAUSE 12.5 SHALL CONSTITUTE A WAIVER, RELEASE OR RENUNCIATION BY THE BUYER OR ANY AFFILIATE OF THE BUYER OF ANY EXPRESS OBLIGATIONS OR LIABILITIES OWED BY ANY SUPPLIER OR ANY AFFILIATE OF THE SELLER TO THE BUYER OR ANY AFFILIATE OF THE BUYER PURSUANT TO ANY AGREEMENT BETWEEN SUCH SUPPLIER OR SUCH AFFILIATE OF THE SELLER AND THE BUYER OR ITS AFFILIATE.

THE PROVISIONS OF THIS CLAUSE 12.5 SHALL BE WITHOUT PREJUDICE TO THE PROVISIONS OF CLAUSES 14.9 AND 14.11 OF THIS AGREEMENT, CLAUSES 5.4 AND 6.9.6 OF EXHIBIT H TO THIS AGREEMENT, CLAUSE 11 OF ANY SOFTWARE LICENCE AND CLAUSE 8.2 OF ANY CBT LICENCE AND THE OBLIGATIONS OF THE SELLER EXPRESSLY PRESERVED THEREUNDER;

12.6 Duplicate Remedies

The Seller shall not be obliged to provide any remedy which duplicates any other remedy already provided to the Buyer in respect of the same defect under any part of this Clause 12 as such Clause may be amended, complemented or supplemented by other contractual agreements or by other Clauses of this Agreement.

12.7 Negotiated Agreement

The Buyer and the Seller agree that this Clause 12 has been the subject of discussion and negotiation and is fully understood by the parties and that the price of the Aircraft and the other mutual agreements of the parties set forth in this Agreement were arrived at in consideration of, inter alia, the provisions of this Clause 12, specifically including the Exclusivity of Warranties and General Limitations of Liability provisions and the Duplicate Remedies provisions set forth in Clause 12.6.

13 **PATENT AND COPYRIGHT INDEMNITY**

13.1 **Indemnity**

13.1.1 Subject to the provisions of Clause 13.2.3, the Seller shall indemnify the Buyer from and against any damages, costs or expenses including, without limitation legal costs and any costs incurred by the Buyer in obtaining the release of any Aircraft pursuant to clause 13.2.1(iii) (but excluding damages, costs, expenses, loss of profits and other liabilities in respect of or resulting from loss of use of the Aircraft) resulting from any infringement or claim of infringement by any Airframe (or any part or software installed therein at Delivery) of:

(i) any British, French, German, Spanish or U.S. patent;

and

(ii) any patent issued under the laws of any other country in which the Buyer may lawfully operate the relevant Aircraft, provided that:

(1) at the time of such infringement or claim, such country and the flag country of the relevant Aircraft are each a party to the Chicago Convention on International Civil Aviation of December 7, 1944, and are each fully entitled to all benefits of Article 27 thereof,

or in the alternative,

(2) at the time of such infringement or claim, such country and the flag country of the relevant Aircraft are each a party to the International Convention for the Protection of Industrial Property of March 20, 1883 ("Paris Convention");

and

(iii) in respect of computer software installed on the relevant Aircraft, any copyright, provided that the Seller's obligation to indemnify shall be limited to infringements in countries which, at the time of infringement, are members of The Berne Union and recognise computer software as a "work" under the Berne Convention.

13.1.2 Clause 13.1.1 shall not apply to

(i) Buyer Furnished Equipment or Propulsion Systems; or

(ii) parts not supplied pursuant to a Supplier Product Support Agreement; or

(iii) software not created by the Seller.

13.1.3 In the event that the Buyer is prevented from using the Aircraft (or any of them) (whether by a valid judgement of a court of competent jurisdiction or by a settlement arrived at between claimant, Seller and Buyer), the Seller shall at its expense either:

(i) procure for the Buyer the right to use the same free of charge to the Buyer; or

(ii) replace the infringing part of the relevant Aircraft as soon as possible with a non−infringing substitute complying in all other respects with the requirements of this Agreement.

13.2 **Administration of Patent and Copyright Indemnity Claims**

13.2.1 If the Buyer receives a written claim or a suit is threatened or commenced against the Buyer for infringement of a patent or copyright referred to in Clause 13.1, the Buyer shall:

(i) forthwith notify the Seller giving particulars thereof;

(ii) in so far as permitted by law and the regulatory authorities having jurisdiction over the Buyer, furnish to the Seller all data, papers and records within the Buyer's control or possession relating to such patent or claim;

(iii) refrain from admitting any liability or making any payment or assuming any expenses, damages, costs or royalties or otherwise acting in a manner prejudicial to the defense or denial of such suit or claim provided always that nothing in this sub−Clause (iii) shall prevent the Buyer from paying such sums as may be required in order to obtain the release of the relevant Aircraft, provided such payment is accompanied by a denial of liability and is made without prejudice;

(iv) [***] fully co−operate with, and render all such assistance to, the Seller as may be pertinent to the defense or denial of the suit or claim ;

(v) [***] mitigate damages and / or to reduce the amount of royalties which may be payable as well as to minimise costs and expenses.

13.2.2 The Seller shall be entitled either in its own name or on behalf of the Buyer to conduct negotiations with the party or parties alleging infringement and may assume and conduct the defense or settlement of any suit or claim in the manner which, in the Seller's opinion, it deems proper.

13.2.3 The Seller's liability hereunder shall be conditional upon the strict and timely compliance by the Buyer with the terms of this Clause and is in lieu of any other liability to the Buyer express or implied which the Seller might incur at law as a result of any infringement or claim of infringement of any patent or copyright.

14 TECHNICAL DATA AND SOFTWARE SERVICES

This Clause covers the terms and conditions for the supply of technical data and software services (hereinafter "**Technical Data** ") to support the Aircraft operation.

14.1 Scope

The Technical Data shall be supplied in the English language using the aeronautical terminology in common use.

Range, form, type, format, Air Transport Association ("**ATA**") / Non ATA compliance, quantity and delivery schedule of the Technical Data to be provided under this Agreement are covered in Exhibit G.

Not used or only partially used Technical Data provided pursuant to this Clause shall not be compensated or credited to the Buyer.

14.2 Aircraft Identification for Technical Data

14.2.1 For the customized Technical Data the Buyer agrees to the allocation of fleet serial numbers ("**Fleet Serial Numbers**") in the form of block of numbers selected in the range from 001 to 999.

14.2.2 The sequence shall not be interrupted except if two (2) different Propulsion Systems or two (2) different Aircraft models are selected.

14.2.3 The Buyer shall indicate to the Seller the Fleet Serial Number allocated to each Aircraft corresponding to the Aircraft rank in the Delivery schedule set forth in Clause 9.1.1 hereof within [***] days or as soon as is reasonably practicable after execution of this Agreement. The subsequent allocation of such Fleet Serial Numbers to Manufacturer's Serial Numbers for the purpose of producing customized Technical Data shall not constitute any property, insurable or other interest of the Buyer whatsoever in any Aircraft prior to the Delivery of such Aircraft as provided for in this Agreement.

The affected customized Technical Data are:

— Aircraft Maintenance Manual,

— Illustrated Parts Catalog,

— Trouble Shooting Manual,

— Aircraft Wiring Manual,

— Aircraft Schematics Manual,

— Aircraft Wiring Lists.

14.3 Integration of Equipment Data

14.3.1 Supplier Equipment

Information relating to Supplier equipment which is installed on the Aircraft by the Seller shall be introduced into the customized Technical Data to the extent necessary for the comprehension of the systems concerned, at no additional charge to the Buyer for the Technical Data basic issue.

14.3.2 **Buyer Furnished Equipment**

14.3.2.1 The Seller shall introduce Buyer Furnished Equipment data, for equipment which is installed on the Aircraft by the Seller, into the customized Technical Data at no additional charge to the Buyer for the Technical Data basic issue, provided such data is provided in accordance with the conditions set forth in Clauses 14.3.2.2 through 14.3.2.5 hereunder.

14.3.2.2 The Buyer shall supply the data related to Buyer Furnished Equipment to the Seller at least six (6) months before the scheduled delivery of the customized Technical Data. The Buyer Furnished Equipment data supplied to the Buyer by the Seller shall be in English Language.

14.3.2.3 The supplied Buyer Furnished Equipment data shall be established in compliance with ATA 2200 standard Specification, in the Revision applicable to the corresponding Aircraft type.

Subsequent revisions of the ATA Specification shall be considered as applicable.

14.3.2.4 The Buyer and the Seller shall agree on the requirements for the provision to the Seller of BFE data for "on−aircraft maintenance", such as but not limited to timeframe, media and format, for integration of such data into Technical Data, with the aim of managing the BFE data integration process in an efficient, expedite and economic manner.

14.3.2.5 The Buyer Furnished Equipment data shall be delivered in digital format (SGML) and/or in Portable Document Format (PDF), as shall have been agreed between the Buyer and the Seller.

14.3.2.6 All costs related to the delivery to the Seller of the applicable Buyer Furnished Equipment data shall be borne by the Buyer.

14.3.2.7 In the event of the Seller providing directly certain items, which are considered as Buyer Furnished Equipment according to the Specification pursuant to and in accordance with Clause 18.1.4, this Clause 14.3.2 shall remain fully applicable to the data related to such Buyer Furnished Equipment.

14.4 Delivery

14.4.1 The Technical Data are delivered on−line and/or off−line, as set forth in Exhibit G hereto.

14.4.2 For Technical Data not delivered on−line, the Technical Data and corresponding revisions to be supplied by the Seller shall be sent to one address only as advised by the Buyer.

14.4.3 Packing and shipment of the Technical Data and their revisions shall be carried out in consideration of the quickest transportation methods. The shipment shall be Free Carrier (FCA) TOULOUSE, FRANCE and/or Free Carrier (FCA) HAMBURG, FEDERAL REPUBLIC OF GERMANY, as the term Free Carrier (FCA) is defined by publication n° 560 of the International Chamber of Commerce, published in January 2000.

14.4.4 The delivery schedule of the Technical Data shall be phased as mutually agreed to correspond with each of the Aircraft Deliveries. The Buyer agrees to provide forty (40) days notice when requesting a change to the delivery schedule.

14.4.5 It shall be the responsibility of the Buyer, in conjunction with any Operator to coordinate and satisfy local Aviation Authorities' needs for Technical Data. Reasonable quantities of such Technical Data shall be supplied by the Seller at no charge to the Duty Unpaid (DDU) TOULOUSE, FRANCE and/or Duty Unpaid (DDU) HAMBURG, FEDERAL REPUBLIC OF GERMANY.

14.5 Revision Service

Unless otherwise specifically stated, revision service shall be provided on a free of charge basis for a period of [***] years per firmly ordered Aircraft covered under this Agreement, as such Delivery is scheduled under Clause 9 of the Agreement (and as such schedule may be subsequently amended).Thereafter revision service shall be provided at the standard conditions set forth in the then current Seller's Customer Services Catalog.

[***]

Mandatory changes shall be incorporated into the Technical Data [***].

14.6 Service Bulletins (SB) Incorporation

Upon the Buyer's request for incorporation, which shall be made within [***] after issuance of a Service Bulletin or if later, within [***] from Delivery of the last firmly ordered aircraft covered under this Agreement, Seller's Service Bulletin information shall be incorporated into the Technical Data for the Buyer's Aircraft after formal notification by the Buyer of its intention to accomplish a Service Bulletin. The split effectivity for the corresponding Service Bulletin shall remain in the Technical Data until notification from the Buyer that embodiment has been completed on all the Buyer's Aircraft. The above is applicable for Technical Data relating to maintenance. For the operational Data only the pre or post Service Bulletin status shall be shown.

14.7 Future Developments

The Seller shall continuously monitor technological developments and apply them to data and document production and methods of transmission where beneficial and economical. The Buyer accepts to consider any new development proposed by the Seller for possible implementation.

14.8 Technical Data Familiarization

Upon request by the Buyer, the Seller is ready to provide per Operator a one (1) week Technical Data familiarization training at the Seller's or at the Buyer's or its designated Operator's facilities. If such familiarization is conducted at the Buyer's or such Operators facilities, the Buyer or the relevant Operator (as applicable) shall reimburse the Seller for all air travel (business class) and reasonable expenses (including but not limited to lodging, food and local transportation to and from the place of lodging and the training course location) of the representatives of the Seller conducting such familiarization. For the purposes of this Clause 14.8 in the event that such training is conducted at the Operator's facilities or for the benefit of any Operator the Seller's representatives conducting such training shall fly business class with the relevant Operator subject to this being feasible and practical.

14.9 Customer Originated Changes (COC)

14.9.1 Buyer (or its Operator if approved in writing by the Buyer) originated data may be introduced as COC into the following customized Technical Data:

— Aircraft Maintenance Manual,

— Illustrated Parts Catalog,

— Trouble Shooting Manual,

— Aircraft Wiring Manual,

— Aircraft Schematics Manual,

— Aircraft Wiring Lists,

— Flight Crew Operating Manual,

— Quick Reference Handbook.

14.9.2 COC data shall be established by the Buyer (or its Operator, if approved in writing by the Buyer) according to the Customer Guide for Customer Originated Changes, as issued by the Seller. The Buyer or its Operator (as applicable) shall ensure that any such data is in compliance with the requirements of its local Aviation Authorities.

COC data shall be incorporated within two (2) revisions by the Seller into all affected customized Technical Data unless the Buyer specifies in writing the documents of its choice into which the COC data shall be incorporated. The customized Technical Data into which the COC data are incorporated shall only show the Aircraft configuration reflecting the COC data and not the configuration before such COC data's incorporation.

14.9.3.1 The Buyer hereby acknowledges and accepts that the incorporation of any COC into the Technical Data issued by the Seller shall be entirely at the Buyer's risk and that the Seller shall not be required to check any COC data submitted for incorporation save that the Seller shall incorporate accurately the COC as legibly supplied, within two (2) revisions.

Further, the Buyer acknowledges full liability for the effects, including all related costs, which any COC may have on any subsequent Service Bulletins and/or modifications.

14.9.3.2 THE SELLER HEREBY EXPRESSLY DISCLAIMS ANY AND ALL WARRANTIES OR LIABILITIES, EXPRESSED OR IMPLIED, ORAL OR WRITTEN, ARISING BY LAW, COURSE OF DEALING OR OTHERWISE, AND WITHOUT LIMITATION ALL WARRANTIES AS TO QUALITY, OPERATION, MERCHANTABILITY, FITNESS FOR ANY INTENDED PURPOSE, AND ALL OTHER CHARACTERISTICS WHATSOEVER, INCLUDING ANY OMISSIONS OR INACCURACIES THEREIN, IN RESPECT OF ANY CUSTOMER ORIGINATED CHANGES INCORPORATED INTO THE TECHNICAL DATA ISSUED BY THE SELLER SAVE THAT THIS CLAUSE 14.9.3.2 SHALL BE WITHOUT PREJUDICE TO ANY EXPRESS OBLIGATION ASSUMED BY THE SELLER IN THIS CLAUSE 14.9.

THE FOREGOING DISCLAIMER SHALL ALSO APPLY TO ANY OTHER PORTION OF THE SELLER'S TECHNICAL DATA TO THE EXTENT (BUT ONLY TO THE EXTENT) THAT SUCH SELLER'S TECHNICAL DATA IS ADVERSELY AFFECTED BY ANY SUCH CUSTOMER ORIGINATED CHANGES.

14.9.3.3 In the event of the Seller being required under any court order or settlement to indemnify any third party for injury, loss or damage incurred directly or indirectly as a result of incorporation of any COC into the Technical Data issued by the Seller, the Buyer agrees to reimburse the Seller for all payments or settlements made in respect of such injury, loss or damage including any expenses incurred by the Seller in defending such claims.

14.9.3.4 In the event of the Buyer selling, leasing or otherwise transferring any Aircraft to which the COC data applies, the Buyer hereby agrees that, unless the COC data is removed from the Technical Data at the Buyer's request and expense prior to such transfer:

(i) the Buyer shall remain fully liable for the COC data and any and all effects of its incorporation, as set forth in this Clause 14.9;

(ii) the Seller may disclose the COC data to the subsequent owner(s) or Operator(s) of the transferred Aircraft;

(iii) it shall be the sole responsibility of the Buyer to notify, or cause to be notified, the subsequent owner(s) or Operator(s) of the existence of the such COC data in the Technical Data applicable to the corresponding Aircraft.

The Seller hereby disclaims any and all liabilities whatsoever for the COC data in the event of transfer, sale or lease as set forth in clause 14.9.3.2.

14.9.4 The incorporation of any COC as aforesaid shall be performed under the conditions specified in the Seller's then current Customer Services Catalog.

14.10 Software Services

14.10.1 Performance Engineer's Programs

14.10.1.1 In addition to the standard operational manuals, the Seller shall provide to the Buyer software components and databases composing the Performance Engineer's Programs (PEP) for the Aircraft type covered under this Agreement under licence conditions as defined in Appendix A to this Clause.

14.10.1.2 Use of the PEP shall be limited to one (1) copy to be used on one (1) computer. The PEP is intended for use on ground only and shall not be embarked on board of the Aircraft.

14.10.1.3 The licence to use the PEP shall be granted free of charge for as long as the revisions of the PEP are free of charge in accordance with Clause 14.5. At the end of such period, the yearly revision service for the PEP shall be provided to the Buyer at the standard commercial conditions set forth in the then current Seller's Customer Services Catalog.

14.10.2 AirN@v and/or ADOC N@vigator Based Consultation

Certain Technical Data are provided on DVD and/or on line under licence conditions as defined in Appendix A to this Clause.

The affected Technical Data under AirN@v are the following:

— Trouble Shooting Manual,

— Aircraft Maintenance Manual,

— Illustrated Parts Catalog (Airframe),

— Aircraft Schematics Manual,

— Aircraft Wiring Lists,

— Aircraft Wiring Manual,

— Electrical Standard Practices Manual,

— Consumable Material List,

— Standards Manual.

The affected Technical Data covered under an Advanced Consultation Tool based on ADOC N@vigator browser are:

— Engineering Documentation Combined Index

— Engineering Drawings Parts Usage

— Engineering Drawings Parts List

The licence to use AirN@v and/or ADOC N@vigator based products shall be granted free of charge for each Aircraft for as long as the revisions of such Technical Data are free of charge in accordance with Clause 14.5. At the end of such period, the yearly revision service for AirN@v and/or ADOC N@vigator based products shall be provided to the Buyer at the standard commercial conditions set forth in the then current Seller's Customer Services Catalog.

14.10.3 Airbus|World Customer Portal

14.10.3.1 The Buyer (and its Operators) shall be entitled to obtain access to a wide range of information and services, including Technical Data, available in the secure zone of Airbus' Customer Portal Airbus|World **("Airbus|World").**

Access to the secure zone of Airbus|World, which is reserved to Airbus owners and operators (the "**Secure Zone**"), shall be subject to the prior signature by the Buyer or its Operators (as applicable) of the "General Terms and Conditions of Access to and Use of Airbus Secure Area of Customer Portal" (hereinafter the "**GTC**.").

A description of the Basic Services, which are available to the Buyer and its Operators in the Secure Zone and are provided to the Buyer and its Operators free of charge after signature of the GTC with respect to each Aircraft, for as long as the Buyer owns or such Operator operates the relevant Aircraft, is set forth in Appendix B to this Clause 14.

Furthermore, although part of the data available on Airbus|World is neither sensitive nor confidential and is also available to the general internet public in the public zone of the portal (the "**Public Zone**"), it is however recommended that for simplicity of access the Buyer find this information in the Secure Zone.

14.10.3.2 On−Line Technical Data

14.10.3.2.1 The Technical Data defined in Exhibit "G" as being provided on−line shall be made available to the Buyer and its Operators through the Secure Zone.

Such provision shall be at no cost as long as revision service for such Technical Data is free of charge in accordance with Clause 14.5

14.10.3.2.2 The list of the Technical Data available on−line may be extended from time to time.

For any Technical Data which is or becomes available on−line, the Seller reserves the right to suppress other formats for the concerned Technical Data.

14.10.3.3 Access to the Secure Zone shall be granted free of charge for a maximum of [***] of the Buyer's or its Operators users per Operator (including one Buyer Administrator) (or more as the Buyer and the Seller may agree, at the Buyer's request) for the Technical Data related to the Aircraft

14.10.3.4 For the sake of clarification, it is hereby specified that Technical Data accessed through the Secure Zone − which access shall be covered by terms and conditions set forth in the GTC — shall remain subject to the conditions of this Clause 14.

In addition, should the Secure Zone provide access to Technical Data in software format, the use of such software shall be further subject to the conditions of Appendix A hereto.

14.11 Warranties

14.11.1 The Seller warrants that the Technical Data are prepared in accordance with the state of art at the date of their conception. Should any Technical Data prepared by the Seller contain non−conformity or defect, the sole and exclusive liability of the Seller shall be to take all reasonable and proper steps to, at its option, correct or replace such Technical Data. Notwithstanding the above, no warranties of any kind are given for the Customer Originated Changes, as set forth in Clause 14.9.

14.11.2 THE WARRANTIES, OBLIGATIONS AND LIABILITIES OF THE SELLER AND/OR ITS SUPPLIERS AND REMEDIES OF THE BUYER SET FORTH IN THIS CLAUSE 14 ARE EXCLUSIVE AND IN SUBSTITUTION FOR, AND THE BUYER HEREBY WAIVES, RELEASES AND RENOUNCES ALL OTHER WARRANTIES, OBLIGATIONS AND LIABILITIES OF THE SELLER AND/OR ITS SUPPLIERS AND RIGHTS, CLAIMS AND REMEDIES OF THE BUYER AGAINST THE SELLER AND/OR ITS SUPPLIERS, EXPRESS OR IMPLIED, ARISING BY LAW OR OTHERWISE, WITH RESPECT TO ANY NON−CONFORMITY OR DEFECT IN ANY TECHNICAL DATA DELIVERED UNDER THIS AGREEMENT INCLUDING BUT NOT LIMITED TO:

(A) ANY WARRANTY AGAINST HIDDEN DEFECTS;

(B) ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS;

(C) ANY IMPLIED WARRANTY ARISING FROM COURSE OF PERFORMANCE, COURSE OF DEALING OR USAGE OF TRADE;

(D) ANY OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY, WHETHER CONTRACTUAL OR DELICTUAL AND WHETHER OR NOT ARISING FROM THE SELLER'S AND/OR ITS SUPPLIERS' NEGLIGENCE, ACTUAL OR IMPUTED; AND

(E) ANY OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY FOR LOSS OR DAMAGE TO ANY AIRCRAFT, COMPONENT, EQUIPMENT, ACCESSORY OR PART THEREOF OR ANY TECHNICAL DATA DELIVERED HEREUNDER.

THE SELLER AND/OR ITS SUPPLIERS SHALL HAVE NO OBLIGATION OR LIABILITY, HOWSOEVER ARISING, FOR LOSS OF USE, REVENUE OR PROFIT OR FOR ANY OTHER DIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES WITH RESPECT TO ANY NON−CONFORMITY OR DEFECT IN ANY TECHNICAL DATA DELIVERED UNDER THIS AGREEMENT.

FOR THE PURPOSES OF THIS CLAUSE 14.11.2, "THE SELLER" SHALL INCLUDE THE SELLER AND ITS AFFILIATES. NOTHING IN THIS CLAUSE 14.11 SHALL CONSTITUTE A WAIVER, RELEASE OR RENUNCIATION BY THE BUYER OR ANY AFFILIATE OF THE BUYER OF ANY EXPRESS OBLIGATIONS OR LIABILITIES OWED BY ANY SUPPLIER OR ANY AFFILIATE OF THE SELLER TO THE BUYER OR ANY OF ITS AFFILIATES PURSUANT TO ANY AGREEMENT BETWEEN SUCH SUPPLIER OR ANY AFFILIATE OF THE SELLER AND THE BUYER OR ITS AFFILIATE.

THE PROVISIONS OF THIS CLAUSE 14.11 SHALL BE WITHOUT PREJUDICE TO THE PROVISIONS OF CLAUSES 12.5 AND 14.9 OF THIS AGREEMENT, CLAUSES 5.4 AND 6.9.6 OF EXHIBIT H TO THIS AGREEMENT, CLAUSE 11 OF ANY SOFTWARE LICENCE AND CLAUSE 8.2 OF ANY CBT LICENCE AND THE OBLIGATIONS OF THE SELLER EXPRESSLY PRESERVED THEREUNDER;

14.12 Proprietary Rights

14.12.1 All proprietary rights, including but not limited to patent, design and copyrights, relating to Technical Data shall remain with the Seller and/or its Affiliates as the case may be.

These proprietary rights shall also apply to any translation into a language or languages or media that may have been performed or caused to be performed by the Buyer.

14.12.2 Whenever this Agreement provide for manufacturing by the Buyer, the consent given by the Seller shall not be construed as express or implicit approval howsoever neither of the Buyer nor of the manufactured products. The supply of the Technical Data shall not be construed as any further right for the Buyer to design or manufacture any Aircraft or part thereof or spare part.

14.13 Confidentiality

14.13.1 The Technical Data and their content are designated as confidential. All such Technical Data are supplied to the Buyer for the sole use of the Buyer who undertakes not to disclose the contents thereof to any third party without the prior written consent of the Seller save as permitted therein or otherwise pursuant to any government or legal requirement imposed upon the Buyer.

14.13.2 In the case of the Seller having authorized the disclosure to third parties either under this Agreement, or by an express prior written authorization, the Buyer shall undertake that such third party agrees to be bound by the same conditions and restrictions as the Buyer with respect to the disclosed Technical Data.

APPENDIX A TO CLAUSE 14

LICENCE FOR USE

OF

SOFTWARE
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LICENCE FOR USE OF SOFTWARE

1. Definitions

For the purposes of this licence the following definitions shall apply:

"Agreement" means the aircraft purchase agreement dated December __, 2006 and entered in between the Licensor as Seller and the Licensee as Buyer with respect to up to twenty (20) Airbus A330−200 aircraft including all exhibits, appendices and letter agreements attached thereto and as the same may be modified in writing by the parties thereto from time to time.

"Licensor" means the Seller.

"Licensee" means the Buyer.

"Software" means the set of programs, configurations, processes, rules and, if applicable, documentation related to the operation of the data processing**.**

"Freeware" means the Software furnished free of charge to the Licensee.

"Composite Work" means the work composed of various elements, such as database, software or data, and which necessitates the use of the Software

"User Guide" means the documentation, which may be in electronic format, designed to assist the Licensee to use the Software, Freeware or Composite Work, as applicable.

Capitalized terms used herein and not otherwise defined in this Software Licence shall have the meaning assigned thereto in this Agreement.

2. Grant

The Licensor grants the Licensee the right to use the Software under the conditions set forth below ("the Software Licence"). The Software Licence shall also apply to any Freeware and/or Composite Work delivered by the Licensor.

3. Personal Licence

The sole right granted to the Licensee under this Software Licence is the right to use the Software. The Software Licence is personal to the Licensee, for its own internal use, and subject to Clause 15.1, is non−transferable and non−exclusive.

4. Copies

Use of the Software is limited to the number of copies delivered by the Licensor to the Licensee and to the medium on which the Software is delivered. No reproduction shall be made without the written consent of the Licensor. It is however agreed that the Licensee is authorized to copy the Software for back−up and archiving purposes. Any copy authorized by the Licensor to be made by the Licensee shall be performed under the sole responsibility of the Licensee. The Licensee agrees to reproduce the copyright and other notices as they appear on or within the original media on any copies that the Licensee makes of the Software.

5. Term

Subject to the Licensee having complied with the terms of this Software Licence, the rights under the Software Licence shall be granted by the Licensor to the Licensee from the date of first delivery of the Software to the Licensee for so long as the Licensee owns or leases the Aircraft (or any of them).

The Licensee may terminate the Software Licence by notifying in writing to the Licensor its desire to terminate the Software Licence. Such notification shall be received by the Licensor not later than November 30th of the current year.

For clarification purposes, it is hereby expressly stated that the Software may be offered for a limited period. In the event that the Licensor should offer a replacement product, the conditions for using such product shall be based on the general conditions agreed herein but shall be subject to a separate agreement.

6. Conditions of Use

Under the present Software Licence, the Licensee shall:

do its utmost to maintain the Software and the relating documentation in good working condition, in order to ensure the correct operation thereof;

use the Software in accordance with such documentation and the User Guide, and ensure that the staff using the Software has received the appropriate training;

use the Software exclusively in the technical environment defined in the applicable User Guide, except as otherwise agreed in writing between the parties (subject to said agreement, decompilation may be exceptionally agreed to by the Licensor in order for the Licensee to obtain the necessary information to enable the Software to function in another technical environment);

use the Software for its own internal needs and on its network only, when technically possible, and exclusively on the machine referenced and the site declared;

not alter, reverse engineer, modify or adapt the Software, nor integrate all or part of the Software in any manner whatsoever into another software product;

when the source code is provided to the Licensee, the Licensee shall have the right to study and test the Software, under conditions to be expressly specified by the Licensor, but in no event shall the Licensee have the right to correct, modify or translate the Software;

nor correct the Software, except that such correction right may exceptionally be granted to the Licensee by the Licensor in writing

not translate, disassemble or decompile the Software, nor create a software product derived from the Software;

not attempt to or authorize a third party to discover or re−write the Software source codes in any manner whatsoever;

not delete any identification or declaration relative to the intellectual property rights, trademarks or any other information related to ownership or intellectual property rights provided in the Software by the Licensor;

not pledge, sell, distribute, grant, sub−licence (without the prior written consent of the Licensor), lease, lend, whether on a free−of−charge basis or against payment, or permit

access on a time−sharing basis or any other utilization of the Software, whether in whole or in part, for the benefit of a third party;

other than pursuant to an assignment or transfer of this Software Licence to which the Licensor has given its express consent, not permit any third party to use the Software in any manner, including but not limited to, any outsourcing, loan, commercialization of the Software or commercialization by merging the Software into another software or adapting the Software, without prior written consent from the Licensor.

The Licensor shall be entitled, subject to providing reasonable prior written notice thereof to the Licensee, and subject to such inspections not disturbing the Licensee's work or operations to come and verify in the Licensee's facilities whether the conditions specified in the present Software Licence are respected. This shall not however engage the responsibility of the Licensor in any way whatsoever.

7. Training

In addition to the User Guide provided with the Software, training and other assistance shall be provided upon the Licensee's request on a non−chargeable basis.

8. Proprietary Rights

The Software is proprietary to the Licensor or the Licensor has acquired the intellectual property rights necessary to grant this Software Licence. The copyright and all other proprietary rights in the Software are and shall remain the property of the Licensor.

The Licensor reserves the right to modify any Software at its sole discretion without prior notice to the Licensee.

9. Copyright Indemnity

The Licensor shall defend and indemnify the Licensee against any claim that the Software infringes the intellectual property rights of any third party, provided that the Licensee:

- Immediately notifies the Licensor of any such claim;
- Makes no decision or settlement of any claim without the prior written consent of the Licensor;
- Allows the Licensor to have sole control over all negotiations for its settlement;
- Gives the Licensor all reasonable assistance in connection therewith.

Should the Licensee be prevented from using the Software by any enforceable court decision, the Licensor shall at its own costs and at its choice either modify the Software to avoid infringement or obtain for the Licensee the right to use the Software.

10. Confidentiality

The Software and its contents are designated as confidential. The Licensee undertakes not to disclose the Software or parts thereof to any third party without the prior written consent of the Licensor. In so far as it is necessary to disclose aspects of the Software to the employees, such disclosure is permitted solely for the purpose for which the Software is supplied and only to those employees who need to know the same.

The obligations of the Licensee to maintain confidentiality shall survive the termination of the Software Licence grant for a period of five (5) years.

11. Warranty

The Licensor warrants that the Software is prepared in accordance with the state of art at the date of its conception and shall perform substantially in accordance with its functional and technical specification at the time of delivery. Should the Software be found to contain any non−conformity or defect, the Licensee shall notify the Licensor promptly thereof and the sole and exclusive liability of the Licensor under this Software Licence shall be to correct the same.

THE WARRANTIES, OBLIGATIONS AND LIABILITIES OF THE LICENSOR AND/OR ITS SUPPLIERS AND REMEDIES OF THE LICENSEE ARE EXCLUSIVE AND IN SUBSTITUTION FOR, AND THE LICENSEE HEREBY WAIVES, RELEASES AND RENOUNCES, ALL OTHER WARRANTIES, OBLIGATIONS AND LIABILITIES OF THE LICENSOR AND/OR ITS SUPPLIERS AND RIGHTS, CLAIMS AND REMEDIES OF THE LICENSEE AGAINST THE LICENSOR, AND/OR ITS SUPPLIERS, EXPRESS OR IMPLIED, ARISING BY LAW OR OTHERWISE WITH RESPECT TO ANY NON−CONFORMITY OR DEFECT IN ANY SOFTWARE DELIVERED UNDER THIS SOFTWARE LICENCE INCLUDING BUT NOT LIMITED TO:

(A) ANY WARRANTY AGAINST HIDDEN DEFECTS;

(B) ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS;

(C) ANY IMPLIED WARRANTY ARISING FROM COURSE OF PERFORMANCE, COURSE OF DEALING OR USAGE OF TRADE;

(D) ANY OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY, WHETHER CONTRACTUAL OR DELICTUAL AND WHETHER OR NOT ARISING FROM THE LICENSOR'S AND/OR ITS SUPPLIERS' NEGLIGENCE, ACTUAL OR IMPUTED; AND

(E) ANY OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY FOR LOSS OR DAMAGE TO ANY AIRCRAFT, COMPONENT, EQUIPMENT, ACCESSORY OR PART THEREOF OR ANY SOFTWARE DELIVERED HEREUNDER.

THE LICENSOR AND/OR ITS SUPPLIERS SHALL HAVE NO OBLIGATION OR LIABILITY, HOWSOEVER ARISING, FOR LOSS OF USE, REVENUE OR PROFIT OR FOR ANY OTHER DIRECT, INCIDENTAL, OR CONSEQUENTIAL DAMAGES WITH RESPECT TO ANY NON−CONFORMITY OR DEFECT IN ANY SOFTWARE DELIVERED UNDER THIS SOFTWARE LICENCE.

FOR THE PURPOSES OF THIS CLAUSE 11, "THE LICENSOR" SHALL INCLUDE THE LICENSOR AND ITS AFFILIATES. .

NOTHING IN THIS CLAUSE 11 SHALL CONSTITUTE A WAIVER, RELEASE OR RENUNCIATION BY THE LICENSEE OR ANY AFFILIATE OF THE LICENSEE OF ANY EXPRESS OBLIGATIONS OR LIABILITIES OWED BY ANY SUPPLIER OR ANY AFFILIATE OF THE LICENSOR TO THE LICENSEE OR ANY AFFILIATE OF THE LICENSEE PURSUANT TO ANY AGREEMENT BETWEEN SUCH LICENSEE OR ITS AFFILIATE AND SUCH SUPPLIER OR ANY AFFILIATE OF THE LICENSOR.

THE PROVISIONS OF THIS CLAUSE 11 SHALL BE WITHOUT PREJUDICE TO THE PROVISIONS OF CLAUSES 12.5, 14.9, AND 14.11 OF THE AGREEMENT, CLAUSES 5.4 AND 6.9.6 OF EXHIBIT H TO THE AGREEMENT AND CLAUSE 8.2 OF ANY CBT LICENCE AND THE OBLIGATIONS OF THE LICENSOR EXPRESSLY PRESERVED THEREUNDER;

The Licensor shall have no liability for data that is entered into the Software by the Licensee

and/or used for computation purposes.

12. Liability and Indemnity

The Software is supplied under the express condition that save as provided in this Software Licence, the Licensor shall have no liability in contract or in tort arising from or in connection with the use or possession by the Licensee of the Software and that the Licensee shall indemnify and hold the Licensor harmless from and against any liabilities and claims resulting from such use or possession save to the extent (but only to the extent) that such claim or liability does not relate to (i) an intellectual proprty infringement claim contemplated by Clause 9 nor (ii) any failure by the Licensor to comply with its obligations under Clause 11 or any other provision of this Software Licence.

13. Excusable Delays

13.1 The Licensor shall not be responsible nor be deemed to be in default on account of delays in delivery or otherwise in the performance of this Software Licence or any part thereof due to causes reasonably beyond Licensor's or its subcontractors' control and not occasioned by the fault or negligence of the Licensor or its subcontractors including but not limited to: natural disasters, fires, floods, explosions or earthquakes, epidemics or quarantine restrictions, serious accidents, total or constructive total loss, any act of the government of the country of the Licensee or the governments of the countries of Licensor or its subcontractors, war, insurrections or riots, failure of transportation, communications or services, strikes or labor troubles causing cessation, slow down or interruption of services, inability after due and timely diligence to procure materials, accessories, equipment or parts, failure of a subcontractor or vendor to furnish materials, accessories, equipment or parts due to causes reasonably beyond such subcontractor's or vendor's control or failure of the Licensee to comply with its obligations arising out of the present Software Licence. The Licensor shall use all reasonable endeavours to minimize such delays.

13.2 The Licensor shall, as soon as practicable after becoming aware of any delay falling within the provisions of this Clause, notify the Licensee of such delay and of the probable extent thereof and shall, subject to the conditions as hereinafter provided and as soon as practicable after the removal of the cause or causes for delay, resume performance under the Software Licence.

13.3 Should an event of force majeure last for a period extending beyond three (3) months, the Software Licence shall be automatically terminated, as a matter of right, unless otherwise agreed in writing, without compensation for either the Licensor or the Licensee.

14. Termination

In the event of breach of an obligation set forth in this Software Licence by either the Licensor or the Licensee, which is not cured within 30 days from the date of receipt of a written notice notifying the breach, the non−breaching party shall be entitled to terminate this Software Licence.

In the event of termination for any cause, the Licensee shall no longer have any right to use the Software and shall return to the Licensor all copies of the Software and any relating documentation together with an affidavit to that effect. In case of breach by the Licensee, the Licensor shall be entitled to retain any amount paid for the ongoing year.

15. General Provisions

15.1 This Software Licence or part thereof shall not be assigned to a third party without the prior written consent of the other party except that the Licensor may assign this Licence to any of the Licensor's Affiliates .

15.2 This Software Licence shall be governed by the laws of England. All disputes arising in connection with this Software Licence shall be submitted to the competent courts of England and the provisions of clause 22.4 of the Agreement shall be incorporated herein (with all necessary changes).

15.3 In the event that any provision of this Software Licence should for any reason be held ineffective, the remainder of this Software Licence shall remain in full force and effect.

The invalid provision shall be replaced by such valid one as the parties would have chosen had they been aware of such invalidity.

15.4 All notices and requests required or authorized hereunder shall be given in writing either by registered mail (return receipt requested) or by telefax. In the case of any such notice or request being given by registered mail, the date upon which the answerback is recorded by the addressee or, in case of a telefax, the date upon which the answerback is recorded by the sender's telefax machine, shall be deemed to be the effective date of such notice or request.

APPENDIX B TO CLAUSE 14
AIRBUSWORLD CUSTOMER PORTAL

SECURE ZONE

BASIC SERVICES

1. General services

1.1 GCS General Information

Providing general information such as:

- Airbus Abbreviations Dictionary (AAD)
- Airbus Monitored Retrofit Campaign
- Engineering and Technical Services (Contact List)
- Events & Symposium
- On−line Services General Information
- Training Catalogues
- Monthly Service Report
- Tutorials
- Spares Information
- Fast Magazine
- Upgrade Services

1.2 FTP Site

This service provides access on an ad−hoc basis to specific documents or data that first need to be downloaded onto the user's local workstation for display and use, after prior arrangement with the corresponding Airbus technical counterpart.

1.3 "What is New" facility and E−mail notification

The "What is New function" allows a user to be informed of new information put On−Line within a specific date range (default value is between user's last login and "now").

This facility is applicable to following services:

- AIDA (Drawings)
- AOG RG
- CAWA
- ETDS
- General Information
- SPSA
- TPPO
- VIM

As a complementary service to the “What is New facility”, a subscription to e−mail notification is available for some mainly used documents.

This function provides information of new data on−line, with direct access links, via e−mail, according to the user’s subscription.

2. Technical Data

2.1 ETDS (Engineering Technical Documentation) service

The service provides access via a document index to the contents of:

- Service Bulletins — all SB in PDF, but SB issued after July 1997 in PDF and SGML
- Technical Follow−Up (TFU) — all
- Modification Information Document (MID) — all
- All Operators Telex (AOT) — all
- Operators Information Telex (OIT) — all
- Flight Operations Telex (FOT) — all
- Service Information Letter (SIL) — all
- Consignes de Navigabilité (CN) — all
- Advisory Directives (AD) — all

In addition, links between such documents are available through the service.

Documents can be printed or downloaded, depending of their electronic format.

SBs available in SGML format can be downloaded in SGML.

Printing will be based on PDF format.

2.2 STDO (Supplier Technical Manuals) service

The Supplier Technical Manuals service provides an on−line consultation of Suppliers' component maintenance manuals (CMMv) available in PDF.

It allows access to Suppliers' CMMs that are effective for the Buyer's fleet.

Through the application interface, users are able to:

- Search documents by Aircraft type, ATA references, document type, Supplier code and Part number;
- Access, print and download via the PDF reader plug in (Acrobat Reader) the available release of the Suppliers' technical documentation.

3. Spare Parts and Repair

3.1 ARG (AOG and Repair Guide) service

Access to vendor and repairs stations by P/N.

3.2.1 ASDS (Airbus Support Data for Supplier) service

This service offers for all Airbus aircraft:

- Part number information such as price, lead−time, manufacturer code, stock status and location
- Part number interchangeability
- Single purchase order status
- Useful information such as contact details, help function and e−mail
- Internet parts ordering
- Information link to selected in−house forwarders
- Support guide and excess inventory list

3.3 VIM (Vendor Information Manual) service

The service offers:

- List of Airbus vendors with location, fax, phones, addresses and contacts
- List of repairs stations
- List of equipment manufactured by the vendors

3.4 SPSA (Supplier Product Support Agreements) service

Information relative to agreements negotiated between Airbus and Aircraft Equipment Suppliers.

DMC and MTBUR are available for the main Suppliers

3.5 Spares services

This service is already available in an autonomous mode through the Spares Portal (http://spares.airbus.com).

The service offers for all AIRBUS aircraft:

- Part number information such as price, lead−time, manufacturer code, stock status and location
- Part number interchangeability
- Single purchase order status

- Useful information such as contact details, help function and e−mail
- Internet parts ordering
- Information link to selected in−house forwarders
- Support guide and excess inventory list

4. Warranty

4.1 CAWA (Contracts and Warranty Administration) service

: The Warranty Claim Service proposes four main functions

- Warranty claims booking
- Consultation of the warranty claims status
- Consultation of statistics on response time regarding closed/open files
- Consultation of warranty guide

5. Customize & Deliver

5.1 ACCL (A/C Comparison List) service

Aircraft configuration comparison list, 6 months and 1 month before Delivery.

5.2 CDIS (Customization and Delivery Information) services

The following service provides access to:

- RFC (Request For Change)
- AIR (Aircraft Inspection Report)
- SCN (Specification change Notices)
- CCR (Customer Change Register)
- Concessions

15 SELLER REPRESENTATIVES

15.1 Customer Support Manager

The Seller shall assign one (1) customer support manager based at the Seller's main office to coordinate customer support matters between the Seller's main office and the Buyer following the signature of this Agreement for as long as [***] Aircraft is operated by an Operator or is still owned by the Buyer.

15.2 Customer Services Representatives

15.2.1 The Seller shall provide free of charge the services of Seller customer services representatives ("**Seller's Representatives**") acting in an advisory capacity in accordance with the allocation set forth in Appendix A of this Clause 15.

15.2.2 The Seller has set up a global technical services network available for the non−exclusive use by each Operator. The Buyer and each Operator will have free access to this global network at any time in the course of the Aircraft operation and, in particular in the event of a need for non−routine technical assistance, the Buyer and its Operators shall have non−exclusive access to the Seller's Representatives closest to the Buyer's or relevant Operator's (as applicable) main base after the end of the assignment of the Seller's Representatives referred to in Appendix A of this Clause 15. A list of the contacts for the Seller's Representatives closest to the Buyer's or relevant Operator's (as applicable) main base shall be provided to the Buyer and such Operator.

15.2.3 The Seller shall cause similar services to be provided by competent representatives of the Propulsion System Manufacturer and by Supplier representatives when necessary and applicable.

15.2.4 The Seller shall provide to the Buyer an annual written accounting of the consumed man−months and any remaining man−month balance. Such accounting shall be deemed as final and acceptable to the Buyer unless the Seller receives written objection from the Buyer within thirty (30) days of receipt of such accounting.

15.2.5 If requested by the Buyer, Seller Representative services exceeding the allocation specified in Appendix A of this Clause 15 may be provided by the Seller subject to terms and conditions to be mutually agreed.

15.3 Buyer's Service

15.3.1 From the date of arrival of the first of the Seller's Representatives and for the duration of the assignment, the Buyer or its Operator (as applicable) shall provide free of charge a suitable lockable office, conveniently located with respect to the Buyer's or Operator's (as applicable) maintenance facilities, with complete office furniture and equipment for the sole use of the Seller's Representatives. The Buyer or its Operator (as applicable) shall provide or cause to be provided telecommunications facilities.

15.3.2 In accordance with the Operator's regulations, the Buyer or its Operator (as applicable) shall provide at no cost to the Seller:

(a) airline tickets in business class confirmed and guaranteed between the locations mentioned in Clause 15.1 and 15.2 and the international airport nearest Toulouse, France that is on the relevant Operator's network for the Seller's Representatives mentioned in Clause 15.1 or Clause 15.2. When the use of the relevant Operators' route network is not feasible or practical, the relevant Operator shall reimburse the Seller for business class travel on other airlines; and

(b) when the Seller's Representatives are assigned away from the locations mentioned in Clause 15.1 or 15.2 at the relevant Operator's or Buyers' request, transportation between the said locations and the place of assignment.

15.3.4 The Buyer or its Operator (as applicable) shall assist the Seller to obtain from the civil authorities of the Buyer's or Operator's country those documents which are necessary to permit the Seller's Representatives to live and work in the Buyer's or Operator's (as applicable) country. Failure of the Seller to obtain the necessary documents shall relieve the Seller of any obligation to the Buyer or Operator under the provisions of Clause 15.2.

15.3.5 The Buyer or its Operator (as applicable) shall reimburse to the Seller charges, taxes, duties, imposts or levies of any kind whatsoever, imposed by authorities of the Buyer's or its Operator's (as applicable) country upon :

- the entry into or exit from the Buyer's or Operator's country of the Seller's Representatives and their families,

- the entry into or the exit from the Buyer's or Operator's country of the Seller's Representatives and their families' personal property,

- the entry into or the exit from the Buyer's or Operator's country of the Seller's property.

15.4 Withdrawal of the Seller's Representatives

The Seller shall have the right to withdraw its assigned Seller Representatives as it sees fit if conditions arise which are in the Seller's opinion dangerous to their safety or health or prevent them from fulfilling their contractual tasks.

15.5 Seller's Representatives' Status

In providing the above technical services, the Seller's Representatives and other employees are deemed to be acting in an advisory capacity only and at no time shall they be deemed to act as Buyer's employees or agents, either directly or indirectly.

15.6 Indemnities

INDEMNIFICATION PROVISIONS APPLICABLE TO THIS CLAUSE 15 ARE SET FORTH IN CLAUSE 19.

APPENDIX A TO CLAUSE 15

SELLER REPRESENTATIVE ALLOCATION

The Seller Representative allocation that is provided to the Buyer or its Operator (as applicable) pursuant to Clause 15.2 is set out below.

1 The Buyer shall be provided a total of [***] man−months of Seller Representative services per Aircraft at the Buyer's main base or at other locations to be mutually agreed including, without limitation, the base of any Operator.

2 For clarification, such Seller Representatives' services shall include initial Aircraft Entry Into Service (**EIS**) assistance and sustaining support services.

3 The number of the Seller's Representatives assigned to the Buyer or to its Operator at any one time shall be mutually agreed, but at no time shall it exceed [***] men per Operator.

4 Absence of an assigned Seller's Representative during normal statutory vacation periods are covered by the Seller's Representatives as defined in Clause 15.2.2 and as such are accounted against the total allocation provided in item 1 above.

16 TRAINING AND TRAINING AIDS

16.1 General

This Clause 16 covers the terms and conditions for the supply of training and training aids for the Buyer's and its Operator's personnel to support the Aircraft operation.

16.2 Scope

16.2.1 The range and quantity of training and training aids to be provided free of charge under this Agreement are covered in Appendix A to this Clause 16.

16.2.2.1 With respect to Maintenance Training, training courses shall be provided up to one (1) year after Delivery of the last firm Aircraft ordered under this Agreement.

16.2.2.2 With respect to Flight Operations Training, the quantity of training allocated to each Aircraft shall be provided up to one (1) year after Delivery of each corresponding Aircraft.

16.3 Training Organisation / Location

16.3.1 The Seller shall provide training at its training center in Blagnac, France, or in Hamburg, Germany (each the "**Seller's Training Center**") or one of its affiliated training centers in Miami, U.S.A., or Beijing, China (the "**Affiliated Training Centers**").

16.3.2 In the event of the non−availability of facilities or scheduling imperatives making training by the Seller impractical, the Seller shall make arrangements for the provision to the Buyer or its Operator (as applicable) of such training support elsewhere. Provided that the Buyer's or its Operator's (as applicable) requirements have been indicated to the Seller ideally nine (9) months prior to Delivery of the relevant Aircraft but in any event as early as such Operator of the relevant Aircraft is known to the Buyer and in the event that the Seller is unable to accommodate the Buyer's or its Operator's (as applicable) requirements for training at a convenient location, [***].

16.3.3.1 Upon the Buyer's request, the Seller may also provide certain training at a location other than the Seller's Training Centers or Affiliated Training Centers, including one of the Operator's bases, if and when practicable for the Seller, under terms and conditions to be mutually agreed upon. In this event, all additional charges listed in Clause 16.6.2 shall be borne by the Buyer or its relevant Operator (as applicable).

16.3.3.2 If the training as set forth in Clause 16.3.3.1 above is either an Airbus EASA — Part 147 (for maintenance training) or a Type Rating Training Organisation (TRTO) (for flight operation training) approved course, the Buyer or its relevant Operator (as applicable) shall provide access to its training facilities to the Seller's and the relevant Aviation Authorities' representatives for the necessary approval of such facilities for the training.

16.3.3.3. Training courses provided for the Buyer's or Operator's (as applicable) personnel shall be scheduled according to plans mutually agreed upon during a Training Conference to be held with the relevant Operator as soon as such Operator is known. The Seller shall use its best efforts to accommodate the Buyer's or its Operator's (as applicable) requirements provided that such are confirmed to the Seller at the latest nine (9) months prior to Delivery of the relevant Aircraft. In the event that such requirements are communicated to the Seller after such nine (9) months period, the Seller shall cooperate with the Buyer or its Operator (as applicable) to schedule the requested training so as to provide a training program as close as possible to the Buyer's or Operator's (as applicable) requirements, subject to the Seller's then prevailing constraints.

16.4 Training Courses

16.4.1 Training courses, as well as the minimum and maximum numbers of trainees per course provided for the Buyer's or Operator's (as applicable) personnel, are defined in the applicable brochure describing the various Seller's training courses (the "**Seller's Training Course Catalog**") and shall be scheduled as mutually agreed upon during a training conference ("the **Training Conference**") to be held between nine (9) and twelve (12) months prior to Delivery of the first Aircraft to each Operator.

16.4.2 When training is performed by the Seller:

(i) Training courses shall be the Seller's standard courses as described in the applicable Seller's Training Course Catalog valid at the time of the execution of the course. The Seller shall be responsible for all training course syllabi, training aids and training equipment necessary for the organisation of the training courses; however, for the purpose of performing training, training equipment does not include aircraft. The academic curricula and equipment used for the training of flight and maintenance personnel shall not be fully customized; however, they shall be configured in order to obtain the relevant approval and to support the Seller's teaching programs.

The equipment used for training of flight and maintenance personnel shall not be fully customised, however such equipment and the training curricula used for training of flight and/or maintenance personnel shall be configured in order to obtain the relevant Aviation Authorities' approval and to support the Seller's training programs. Training data and documentation shall not be revised;

(ii) Training data and documentation for trainees receiving the training at the Seller's Training Centers or Affiliated Training Centers shall be free−of−charge. Training data and documentation shall be marked "FOR TRAINING ONLY" and as such are supplied for the sole and express purpose of training ;

(iii) Upon the Buyer's request, the Seller shall collect and pack for consolidated shipment to the Buyer's facility, all training data and documentation of the Buyer's trainees attending training at the Seller's Training Centers or Affiliated Training Centers at no charge to the Buyer;

The above shipment shall be delivered Free Carrier ("**FCA**") to the airport closest to the location at which the training actually takes place, as the term Free Carrier ("FCA") is defined by publication N° 560 of the International Chamber of Commerce published in January 2000. Title to and risk of loss of said shipment shall pass to the Buyer upon delivery.

16.4.3 When the Seller's training courses are provided by the Seller's instructors, the Seller shall deliver a Certificate of Recognition, a Certificate of Course Completion or an Attestation, as applicable, at the end of any such training course. Any such certificate shall not represent authority or qualification by any Aviation Authorities but may be presented to such Aviation Authorities in order to obtain relevant formal qualification.

In the event of the training courses being provided by a training provider selected by the Seller, the Seller shall cause such training provider to deliver a Certificate of Recognition, a Certificate of Course Completion or an Attestation, as applicable, at the end of any such training course. Any such certificate shall not represent authority or qualification by any Aviation Authorities but may be presented to such Aviation Authorities in order to obtain relevant formal qualification.

16.5 Prerequisites and Conditions

16.5.1 Training shall be conducted in English and all training aids are written in English using common aeronautical terminology. Trainees shall have the prerequisite knowledge and experience defined in Appendix "B" to this Clause 16.

The Buyer hereby acknowledges that the Seller's training courses are "Standard Transition Training Courses" and not "Ab Initio Training Courses".

The Buyer or its Operator (as applicable) shall be responsible for the selection of the trainees and for any liability with respect to the entry knowledge level of the trainees.

16.5.2.1 The Buyer or its Operator (as applicable) shall provide the Seller with an attendance list of the trainees for each course with the validated qualification of each trainee. The Seller reserves the right to check the trainees' proficiency and previous professional experience. The Seller shall in no case warrant or otherwise be held liable for any trainee's performance as a result of any training provided.

16.5.2.2 The Buyer or its Operator (as applicable) shall further return to the Seller the "Airbus Pre−Training Survey" or the "Maintenance Training Survey", as applicable, detailing the trainees' associated background at the latest two (2) months before the start of the training course.

16.5.2.3 In the event of the Buyer or its Operator (as applicable) having to make a change to the trainees attendance list within the two (2) month period stated in Clause 16.5.2.2, the Buyer or its Operator (as applicable) shall immediately inform the Seller thereof and send to the Seller an updated Airbus Pre−Training Survey or Maintenance Training Survey reflecting such change.

16.5.3 Upon the Buyer's or its Operator's (as applicable) request, the Seller may be consulted to direct the above mentioned trainee(s) through a relevant entry level training program, which shall be at the Buyer's or its Operator's (as applicable) charge, and, if necessary, to coordinate with competent outside organisations for this purpose. Such consultation shall be held during the Training Conference.In the event of the Seller determining that a trainee lacks the required entry level,

following consultation with the Buyer or its Operator (as applicable), such trainee shall be withdrawn from the program.

16.6 Logistics

16.6.1 **Trainees**

16.6.1.1 The Seller shall provide free local transportation by bus for the Buyer's or Operator's (as applicable) trainees to and from designated pick−up points and the Seller's Training Centers or Affiliated Training Centers.

16.6.1.2 Living and travel expenses for the Buyer's or Operator's (as applicable) trainees shall be borne by the Buyer or the Operator (as applicable).

16.6.2 **Training at External Location − Seller's Instructors**

In the event of training being provided at an external location specifically at the Seller's request, the conditions relative to expenses shall be the same as those which would have been applicable if the training had been provided at the Seller's Training Centers or Affiliated Training Centers.

In the event of training being provided by the Seller's instructors at any location other than the Seller's Training Centers or Affiliated Training Centers at the Buyer's or Operator's (as applicable) request or as otherwise detailed in this Clause 16, the Buyer or Operator (as applicable) shall reimburse the Seller for all the expenses related to the assignment of such instructors and their performance of the duties as aforesaid.

16.6.2.1 **Living Expenses**

Such expenses, covering the entire period from day of departure from to day of return to Seller's base, shall include but shall not be limited to lodging, food and local transportation to and from the place of lodging and the training course location. The Buyer shall reimburse the Seller for such expenses at the per diem rate currently used by the Seller for its personnel.

16.6.2.2 **Air Travel**

Airline reservations for travel between the Buyer's or Operator's (as applicable) designated training site and the Seller's Training Centers or Affiliated Training Centers shall be guaranteed and confirmed to the Seller's instructors in business class on the relevant Operator's route network. When the use of such Operator's route network is not feasible or practical, the Buyer or such Operator (as applicable) shall reimburse the Seller for business class travel for such journey on other airlines

16.6.2.3 **Training Material**

The Buyer or its Operator (as applicable) shall reimburse the Seller the cost of shipment for the training material needed to conduct such courses.

16.6.2.4 **Transportation**

The Buyer shall be solely liable for any and all delay in the performance of the training outside of the Seller's or the Seller's Affiliated Training Centers associated with any transportation described in this Clause 16.6 same where such training is provided at such external location at the Seller's request.

16.6.3 **Training Equipment Availability − Training at External Location**

Training equipment necessary for course performance at any course location other than the Seller's Training Centers or Affiliated Training Centers or the facilities of the training provider selected by the Seller shall be provided by the Buyer or its Operator (as applicable) in accordance with the Seller's specifications.

16.7 Flight Operations Training

16.7.1 **Flight Crew Training Course**

16.7.1.1 The Seller shall perform a flight crew training course program (standard transition course or a cross crew qualification program as applicable) for [***] of each Operator's flight crews, each of which shall consist of one (1) captain and one (1) first officer, as set out in Appendix A to this Clause 16. The training manual used shall be the Seller's Flight Crew Operating Manual (FCOM), except for base Flight training, for which such Operator's customized FCOM shall be used.

16.7.1.2 Base Flight Training

16.7.1.2.1 Each Operator shall use its delivered Aircraft, or any other aircraft operated by such Operator , for any base flight training, which shall not exceed [***] per pilot, according to the related Airbus training course definition.

16.7.1.2.2 In the event of it being necessary to ferry the relevant Operator's delivered Aircraft to the location where the base flight training shall take place, the additional flight time required for the ferry flight to and/or from the base training field shall not be deducted from the base flight training allowance.

However, if the base flight training is performed outside of the zone where the Seller usually performs such training, the ferry flight to the location where the base flight training shall take place shall be performed by a crew composed of the Seller's and/or the relevant Operator's qualified pilots, in accordance with the Aviation Authorities' regulations related to the place of performance of the base flight training.

16.7.2 **Flight Crew Line Initial Operating Experience**

16.7.2.1 To assist each Operator with initial operating experience after Delivery of the first Aircraft to such Operator, the Seller shall provide to the relevant Operator pilot instructor(s) as defined in Appendix A to this Clause 16.

16.7.2.2 The relevant Operator shall reimburse the expenses for [***]. Additional pilot instructors can be provided at such Operator's expense and upon conditions to be mutually agreed upon.

16.7.3 **Instructor Cabin Attendants' Familiarization Course**

The Seller shall provide instructor cabin attendants' course(s) to each Operator's cabin attendants, as defined in Appendix A to this Clause 16, at one of the locations defined in Clause 16.3.1.

The instructor cabin attendants' course, when incorporating the features of the relevant Operator's Aircraft, can be given at the earliest two (2) weeks before the Delivery Date of such Operator's first Aircraft.

16.7.4 **Performance / Operations Course**

The Seller shall provide performance/operations training for each Operator's personnel as defined in Appendix A to this Clause 16.

The available courses are listed in the Seller's applicable Training Courses Catalog.

16.7.5 **Transition Type Rating Instructor (TRI) Course**

The Seller shall provide transition type rating instructor (TRI) training for each Operator's flight crew instructors as defined in Appendix A to this Clause 16.

This course provides the Operator's instructors with the training in flight instruction and synthetic instruction required to instruct on Airbus aircraft.

16.7.6 During any and all flights performed in accordance with this Clause 16.7, the relevant Operator shall bear full responsibility for the aircraft upon which the flight is performed, including but not limited to any required maintenance, all expenses such as fuel, oil or landing fees and the provision of insurance in line with Clause 16.12.

16.8 Maintenance Training

The Seller shall provide maintenance training for each Operator's ground personnel as defined in Appendix A to this Clause 16.

The available courses are listed in the Seller's applicable Training Courses Catalog.

The relevant Operator shall provide the Seller with an attendance list of trainees at the latest one (1) month before the start of the training course.

The practical training provided in the frame of maintenance training is performed exclusively on the training devices in use in the Seller's Training Centers or Affiliated Training Centers.

In the event of practical training on aircraft being requested by an Operator (as applicable), such practical training can be organized with the assistance of the Seller, in accordance with Clause 16.8.1 hereunder.

16.8.1 **Practical Training on Aircraft**

If the practical training does not need to be covered by an EASA — Part 147 (or equivalent) certificate, the Seller may assist the Operator in organizing such practical training on aircraft, at the relevant Operator's expense.

In the event of an Operator requiring a full EASA — Part 147 certificate from the Seller, the practical training on aircraft shall be conducted by the Seller, at the relevant Operator's expense, in a EASA − Part 145 facility approved and selected by the Seller.

In the event of an Operator requiring such practical training to be conducted at the relevant Operator's EASA — Part 145 (or equivalent) approved facilities, such training shall be subject to prior approval by the Seller of the facilities at which the training is to be conducted.

The provision of an instructor by the Seller for the practical training shall be deducted from the trainee days allowance defined in Appendix A to this Clause 16, subject to the conditions detailed in Paragraph 3.2 thereof.

The relevant Operator shall reimburse the expenses for said instructor(s) in accordance with Clause 16.6.2.

16.8.2 **Line Maintenance Initial Operating Experience Training**

In order to assist the relevant Operator during the entry into service of the Aircraft, the Seller shall provide to each Operator maintenance instructor(s) at the relevant Operator's base as defined in Appendix A to this Clause 16.

16.8.2.1 This line maintenance training shall cover training in handling and servicing of Aircraft, flight crew / maintenance coordination, use of Technical Data and any other activities that may be deemed necessary after Delivery of the first Aircraft to the relevant Operator.

16.8.2.2 The relevant Operator shall reimburse the expenses for said instructor(s) in accordance with Clause 16.6.2. Additional maintenance instructors can be provided at the Operator's expense.

16.9 Supplier and Propulsion System Manufacturer Training

Upon the Buyer's or its Operator's request, the Seller shall provide to the Buyer or its Operator (as applicable) the list of the maintenance and overhaul training courses (the "Supplier Training Catalog") provided by major Suppliers and the applicable Propulsion Systems Manufacturer on their products.

16.10 Training Aids for the Buyer's or its Operator's Training Organisation

16.10.1 With respect to each Aircraft, the Seller shall provide to the Buyer or its Operator (as applicable) training aids, including the **Airbus Computer Based Training (Airbus CBT)**, as used in the Seller's Training Centers, and the Virtual Aircraft **(Walk around and Component Location)**, free of charge as defined in Appendix A to this Clause 16.

The Airbus CBT and training aids supplied to the Buyer and its Operator (as applicable) shall be similar to those used in the Seller's Training Centers for the training provided for the Buyer or its Operators (as applicable). The Airbus CBT and Virtual Aircraft in use at the Seller's Training Centers are revised on a regular basis and with respect to each Aircraft, such revision shall be provided to the Buyer or its Operator (as applicable) during the period when training courses provided under Appendix A of this Clause 16 are performed for the Buyer or its relevant Operator or up to three (3) years after delivery of the Airbus CBT or the Virtual Aircraft to the Buyer or its relevant Operator (as applicable) under this Agreement, whichever first occurs.

16.10.2 **Delivery**

16.10.2.1 With respect to each Aircraft, the Seller shall deliver to the Buyer or its Operator (as applicable) the Airbus CBT and training aids, as defined in Appendix A to this Clause 16, at a date to be mutually agreed during the Training Conference.

16.10.2.2 The items supplied to the Buyer or its Operator's (as applicable) pursuant to Clause 16.10.1 shall be delivered FCA Toulouse, Blagnac Airport. Title to and risk of loss of said items shall pass to the Buyer upon delivery.

16.10.2.3 All costs related to transportation and insurance of said items from the FCA point to the Buyer's or its Operator's (as applicable) facilities shall be at the Buyer's or its Operator's (as applicable) expense.

16.10.3 **Installation of the Airbus CBT**

16.10.3.1.1 With respect to each Aircraft, before the initial delivery of the Airbus CBT, as defined in Appendix A hereto, the Seller shall provide to up to six (6) trainees of the Buyer or its Operator, at the Buyer's or its Operator's facilities, the Airbus CBT Administrator Course, as defined in Appendix C hereto.

To conduct the course, the workstations and/or "Servers", as applicable, shall be ready for use and shall comply with the latest "Airbus CBT Workstation Technical Specification" or "Airbus CBT Server Technical Specification", as applicable (collectively "the Airbus CBT Technical Specification").

16.10.3.1.2 The Airbus CBT shall be installed by the Buyer's or its Operator's (as applicable) personnel, who shall have followed the Airbus CBT Administrator Course. The Seller shall be held harmless from any injury to person and/or damage to property caused by or in any way connected with the handling and/or installation of the Airbus CBT by the Buyer's or its Operator's (as applicable) personnel.

16.10.3.2 Upon the Buyer's or its Operator's (as applicable) request and subject to conditions to be quoted by the Seller, the Seller may assist the Buyer or its Operator (as applicable) with the initial installation of the Airbus CBT at the Buyer's or its Operator's (as applicable) facilities. Such assistance shall follow notification in writing that the various components, which shall be in accordance with the specifications defined in the Airbus CBT Technical Specification, are ready for installation and available at the Buyer's or is Operator's (as applicable)facilities.

16.10.3.3 The Buyer or its Operator (as applicable) shall reimburse the expenses in accordance with Clause 16.6.2, for the Seller's personnel required at the Buyer's or its Operator's (as applicable) facilities to conduct the Airbus CBT Administrator Course and/or provide installation assistance.

16.10.4 **Licences**

16.10.4.1 **Airbus CBT License**

16.10.4.1.1 The Seller shall grant the Buyer a Licence to use the Airbus CBT, under conditions defined in Appendix C to this Clause 16.

16.10.4.1.2 Supply of sets of CBT Courseware, as defined in Appendix C, and additional to those indicated in Appendix A, as well as any extension to the Licence of such CBT Courseware, shall be subject to terms and conditions to be mutually agreed.

16.10.4.2 **Virtual Aircraft License**

16.10.4.2.1 The Seller shall grant the Buyer a Licence to use the Virtual Aircraft, under conditions defined in Appendix C to this Clause 16. For the purpose of such Licence, the term "Airbus CBT" as used in such License shall mean the "Virtual Aircraft".

16.10.4.2.2 Supply of sets of Virtual Aircraft Software, as defined in Appendix C, and additional to those indicated in Appendix A, as well as any extension to the Licence of such Virtual Aircraft Software, shall be subject to terms and conditions to be mutually agreed.

16.10.5 The Seller shall not be responsible for and hereby disclaims any and all liabilities resulting from or in connection with the use by the Buyer of the Airbus CBT, the Virtual Aircraft and any other training aids provided under this Clause 16.10.

16.11 Proprietary Rights

The Seller's training data and documentation, Airbus CBT, Virtual Aircraft and training aids are proprietary to the Seller and/or its Affiliates and/or its suppliers and the Buyer agrees not to disclose the content of the courseware or any information or documentation provided by the Seller in relation to training, in whole or in part, to any third party without the prior written consent of the Seller.

16.12 Indemnities and Insurance

INDEMNIFICATION PROVISIONS AND INSURANCE REQUIREMENTS APPLICABLE TO THIS CLAUSE 16 ARE AS SET FORTH IN CLAUSE 19.

THE BUYER OR ITS OPERATOR (AS APPLICABLE) WILL PROVIDE THE SELLER WITH AN ADEQUATE INSURANCE CERTIFICATE PRIOR TO ANY TRAINING ON AIRCRAFT.

APPENDIX "A" TO CLAUSE 16
TRAINING ALLOWANCE

For the avoidance of doubt, all quantities indicated below are the total quantities granted for the whole of the Buyer's fleet under this Agreement, unless otherwise specified.

1. FLIGHT OPERATIONS TRAINING

1.1 Flight Crew Training (standard transition course or cross crew qualification (CCQ) as applicable)

With respect to each Aircraft, the Seller shall provide flight crew training including LVO (standard transition course or CCQ as applicable) free of charge for [***] of the relevant Operator's flight crews, which shall consist of [***] per firmly ordered Aircraft.

1.2 Flight Crew Line Initial Operating Experience

The Seller shall provide to the relevant Operator pilot instructor(s) free of charge for a period of [***] pilot instructor [***] per Aircraft.

1.2.1 The maximum number of pilot instructors present at any one time shall be limited to three (3) pilot instructors, unless otherwise mutually agreed.

1.2.2 The Seller shall provide to the Buyer 3 instructor cabin attendants' familiarization courses per firmly ordered Aircraft.

1.3 Performance / Operations Course(s)

1.3.1 The Seller shall provide to the Buyer [***] trainee days of performance / operations training free of charge for each Initial Operator personnel per Initial Operator.

1.3.2 The above trainee days shall be used solely for the performance/operations training courses as defined in the Seller's applicable Training Course Catalog.

1.4 Transition Type Rating Instructor (TRI) course

The Seller shall provide to the Operator one (1) transition type rating instructor training (transition or CCQ, as applicable) free of charge per Aircraft.

2 MAINTENANCE TRAINING

2.1 Maintenance Training Courses

2.1.1 The Seller shall provide to the Buyer [***] trainee days of maintenance training free of charge for each Operator's personnel per Aircraft.

2.1.2 The above trainee days shall be used solely for the Maintenance training courses as defined in the Seller's applicable Training Courses Catalog.

2.1.3 Within the trainee days allowance in Paragraph 2.1.1 above, the number of Engine Run−up courses shall be limited to one (1) course for three (3) trainees per firmly ordered Aircraft and to a maximum of nine (9) courses in total.

3 TRAINEE DAYS ACCOUNTING

Trainee days are counted as follows:

3.1 For instruction at the Seller's Training Centers or Affiliated Training Centers: one (1) day of instruction for one (1) trainee equals one (1) trainee day. The number of trainees originally registered at the beginning of the course shall be counted as the number of trainees to have taken the course.

3.2 For instruction outside of the Seller's Training Centers or Affiliated Training Centers: one (1) day of instruction by one (1) Seller instructor equals the actual number of trainees attending the course or a minimum of twelve (12) trainee days.

3.3 For practical training, one (1) day of instruction by one (1) Seller instructor equals the actual number of trainees attending the course or a minimum of six (6) trainee days.

3.4 In the event of training being provided outside of the Seller's Training Centers or Affiliated Training Centers specifically at the Seller's request, Paragraph 3.1 hereabove shall be applicable to the trainee days accounting for such training.

4 TRAINING AIDS FOR BUYER'S TRAINING ORGANISATION

The Seller shall provide to the Buyer free of charge:

— one (1) Airbus CBT (flight and/or maintenance) related to the Aircraft type(s) as covered by this Agreement (including one (1) set of CBT Courseware and one (1) set of CBT Software for flight and one (1) set of CBT Courseware and one (1) set of CBT Software for maintenance, as applicable). The detailed description of the Airbus CBT shall be provided to the Buyer at the Training Conference;

— one (1) Virtual Aircraft (Walk around and Component Location) related to the aircraft type (s) as covered in this Agreement.

— one (1) set of training documentation on CD−ROM;

— one (1) CD−ROM of cockpit panels for training.

APPENDIX "B" TO CLAUSE 16

MINIMUM RECOMMENDED QUALIFICATION

IN RELATION TO TRAINING REQUIREMENTS

The prerequisites listed below are the minimum recommended requirements specified for Airbus training. If the appropriate Aviation Authorities or the specific airline policy of the trainee demand greater or additional requirements, they shall apply as prerequisites.

FLIGHT CREW Standard Transition Courses)

Captain prerequisites:

- Previously qualified on JAR/FAR/CS 25 aircraft and commercial operations
- Valid and Current Airline Transport Pilot License (ATPLY)
- Previous command experience
- Fluency in English (able to write, read and communicate at an adequately understandable level in English language)
- Jet experience
- Flight time:

  — 1 500 hours as pilot

  — 1 000 hours on JAR/FAR/CS 25 aircraft

  — 200 hours experience as airline, corporate or military transport pilot

First Officer prerequisites:

- Previously qualified on JAR/FAR/CS 25 aircraft and commercial operations
- Aircraft and commercial operations valid and current CPL (Commercial pilot license) with Instrument rating,
- Fluency in English (able to write, read and communicate at an adequately understandable level in English language)
- Jet experience
- Flight time :

  — 500 hours as pilot

  — 300 hours on JAR/FAR/CS 25 aircraft

  — 200 hours experience as airline, corporate or military transport pilot

If the Trainee does not speak English or is not fluent enough to follow the Standard Transition course, he shall follow the Adapted language transition and provide a translator as indicated by the Seller.

If no Jet experience, both CAPTAIN and/or FIRST OFFICER must follow before entering the transition course, a dedicated “Jet Familiarization entry level course”. Such course(s), if required, shall be at the Buyer’s or the relevant Operator’s expense (as applicable).

First type rating course

This course is designed for Ab initio pilots who do not hold an aircraft type rating on their pilot license

Pilot prerequisites

- Valid and current CPL (commercial pilot license)
- Valid and current Instrument Rating on multi engine aircraft
- APTLY written examination
- Fluency in English (able to write, read and communicate at an adequately understandable level in English language)
- Flight experience:

  — 220 hours as pilot

  — 100 hours as pilot in command (PIC)

  — 25 hours on multi engine aircraft (up to 10 hours can be completed in a simulator)

In addition to the above conditions and in accordance to the JAR Flight Crew Licensing (FCL) and the Airbus Training Policy, a pilot applying for a first type rating must have followed either an approved JAR Multi Crew Cooperation (MCC) program or regulatory equivalent or the "Airbus Entry Level Training (ELT) program" (combined MCC and Jet familiarization course). Such course, if required, shall be at the relevant Operator's expense.

CCQ additional prerequisites

In addition to the prerequisites set forth for the Flight Crew Standard Transition Course, both CAPTAIN and FIRST OFFICER must:

- be qualified and current on the base aircraft type
- have 150 hours minimum and 3 months minimum of operations on the base aircraft type.

TRI course additional prerequisites

In addition to the prerequisites set forth for the Flight Crew Standard Transition Course, it is the responsibility of the relevant Operator to:

— select instructor candidate(s) with airmanship and behaviour corresponding to the role and responsibility of an airline instructor

— designate instructor candidate(s) with the Airbus prerequisite, which corresponds to the JAR requirements (ref JAR — FCL 1 — Requirements/ Subparts H — Instructor rating (Aeroplane)

Performance and Operations personnel prerequisites

The relevant Operator's performance and operations personnel shall be fluent in English (able to write, read and communicate at an adequately understandable level in English language).

All further detailed prerequisites shall be provided by the Seller to the Buyer and its Operator during the Training Conference, depending on the type of training course(s) selected by the Buyer or its Operator as applicable.

Maintenance Personnel prerequisites

— Fluency in English (understanding of English (able to write, read and communicate at an adequately understandable level in English language) adequate to be able to follow the training (If this is not the case, the Buyer or the relevant Operator (as applicable) shall assign a minimum of one (1) translator for eight (8) trainees).

— Technical experience in the line or/and base maintenance activity of commercial jet aircraft.

Additional prerequisites for Aircraft Rigging Course

Qualification as line or line and base mechanic on one type of Airbus aircraft family.

Additional prerequisites for Maintenance Initial Operating Experience

Qualification as line or line and base mechanic on the concerned Airbus aircraft type (for Course).

Maintenance Training Difference Courses additional prerequisites
In addition to the prerequisites set forth for Maintenance Personnel, the personnel shall be current and operating on the base aircraft

APPENDIX C TO CLAUSE 16

LICENCE FOR USE OF AIRBUS COMPUTER BASED TRAINING

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LICENCE FOR USE OF AIRBUS COMPUTER BASED TRAINING (AIRBUS CBT)

1 DEFINITIONS

1.1 For the purpose of this Airbus CBT Licence (the "Airbus CBT Licence"), the following definitions shall apply:

"Agreement" means the aircraft purchase agreement dated December __, 2006 and entered into between the Seller and the Buyer with respect to twenty (20) Airbus A330−200 aircraft including all exhibit appendices and letter agreements attached thereto and as the same may be modified in writing by the parties thereto from time to time.

1.1.1 **"Airbus CBT"** means the combination of the Airbus CBT Software and the Airbus CBT Courseware.

1.1.2 **"Airbus CBT Courseware"** means the programmed instructions that provide flight crew and maintenance training.

1.1.3 **"Airbus CBT Software"** means the system software that permits the use of the Airbus CBT Courseware.

1.1.4 **"Student / Instructor Mode"** means the mode that allows the Buyer to run the Airbus CBT Courseware.

1.1.5 **"Airbus CBT Administrator Course"** means the training enabling the Buyer to load and use the Airbus CBT either on stand−alone workstations or in a Server mode.

1.1.6 **"Network"** means the group of the Buyer's computers connected to each other through cables and allowing the transmission of data and instructions, which can be used by all of the Buyer's computers so linked.

1.1.7 **"Server"** means the computer dedicated to the administration of a Network and on which the Airbus CBT is installed and can be reached through the Network**.**

1.1.8 **"Technical Specification"** means either the "Airbus CBT Workstation Technical Specification" or the "Airbus CBT Server Technical Specification", as applicable.

1.1.9 **"Intranet"** means the Buyer's private and local Network using the same technical protocols as internet but which is not open to public connection.

1.1.10 **"Extranet"** means the network constituted of an external Intranet, allowing communication between the Buyer and certain defined external entities.

1.1.11 **"User Guide"** means the documentation, which may be in electronic format, designed to assist the Buyer to use the Airbus CBT.

1.1.12 **"Term"** has the meaning ascribed thereto in Clause 4 of this Airbus CBT Licence.

1.2 Capitalised terms used herein and not otherwise defined in this Airbus CBT Licence shall have the meaning assigned thereto in this Agreement.

1.3 Any and all hardware required for the operation of the Airbus CBT is not part of the Airbus CBT and shall be procured under the sole responsibility of the Buyer. The Seller shall not be responsible for any incompatibility of such hardware with the Airbus CBT.

2 GRANT

The Seller grants the Buyer the right, pursuant to the terms and conditions herein, to use the Airbus CBT for the Term of this Airbus CBT Licence.

3 COPIES

Use of the Airbus CBT is limited to the number of copies delivered by the Seller to the Buyer and to the medium on which the Airbus CBT is delivered. No reproduction shall be made without the prior written consent of the Seller. Notwithstanding the above, specific rights as detailed hereafter shall be granted for respectively the Airbus CBT Software and the Airbus CBT Courseware.

3.1 Airbus CBT Software

The Buyer shall be permitted to copy the Airbus CBT Software for back−up and archiving purposes and for loading of the Airbus CBT Software exclusively on the Buyer's workstations or Server, as applicable. In such cases, the Buyer shall advise the Seller in writing of the number of any copies made. Any other copy for any other purpose is strictly prohibited.

3.2 Airbus CBT Courseware

The Buyer shall be permitted to copy the Airbus CBT Courseware for the sole purpose of internal training of the Buyer's personnel, explicitly such copies shall be used by the Buyer's employees only on their laptops for training purposes.

In such cases, the Buyer shall advise the Seller in writing of the number of copies made and shall cause its employees to strictly comply with the conditions of use and the confidentiality provisions of this Airbus CBT Licence. In particular, the Buyer's employees shall agree to use such copy for training purposes only and to make no additional copy. The Buyer shall further ensure that any copy provided to an employee is returned to the Buyer either upon request by the Buyer or upon termination of the employment of the employee. Any other copy for any other purpose is strictly prohibited.

3.3 Any copy made by the Buyer shall be performed under the sole responsibility of the Buyer The Buyer agrees to reproduce the copyright and other notices as they appear on or within the original media on any copies that the Buyer makes of the Airbus CBT Software or the Airbus CBT Courseware. The Seller shall not provide revision service for any copies made.

4 TERM

The rights under this Airbus CBT Licence shall be granted to the Buyer for as long as the Buyer operates or owns the Seller's Aircraft model to which the Airbus CBT Software and the Airbus CBT Courseware apply ("the Term"). At the end of the Term, the Buyer shall return the Airbus CBT and any copies thereof to the Seller, accompanied by a note certifying that the Buyer has returned all existing copies.

5 PERSONAL ON−SITE LICENCE

The sole right granted to the Buyer under this Airbus CBT Licence is the right to use the Airbus CBT. The Airbus CBT Licence is personal to the Buyer, for its own internal use, and is non−exclusive. Save with the prior written consent of the Seller, the Buyer shall not assign or transfer this Airbus CBT Licence to any third party.

6 CONDITIONS OF USE

6.1 The Buyer shall:

- do its utmost to maintain the Airbus CBT and the relating documentation in good working condition, in order to ensure the correct operation thereof;
- use the Airbus CBT in accordance with such documentation and the User Guide, and ensure that the staff using the Airbus CBT has received the appropriate training;
- use the Airbus CBT exclusively in the technical environment defined in the Technical Specification, except as otherwise agreed in writing between the parties;
- use the Airbus CBT for its own internal needs and on its Network, when technically possible, only and exclusively on the machine referenced and the site declared;
- not transmit the Airbus CBT electronically by any means, nor use the Airbus CBT on either the internet, Intranet or Extranet;
- not alter, reverse engineer, modify or adapt the Airbus CBT, or integrate all or part of the Airbus CBT in any manner whatsoever into another software product;
- not correct the Airbus CBT, except that such correction right may exceptionally be granted to the Buyer by the Seller in writing;
- not translate, disassemble or decompile the Airbus CBT Software or create a software product derived from the Airbus CBT Software;
- not attempt to or authorise a third party to discover or re−write the Airbus CBT source codes in any manner whatsoever;
- not delete any identification or declaration relative to the intellectual property rights, trademarks or any other information related to ownership or intellectual property rights provided in the Airbus CBT by the Seller;

- not pledge, sell, distribute, grant, sub−license (without the prior written consent of the Seller), lease, lend, whether on a free−of−charge basis or against payment, or permit access on a time−sharing basis or any other utilisation of the Airbus CBT, whether in whole or in part, for the benefit of a third party;

- other than pursuant to or an assignment or transfer of this Airbus CBT Licence to which the Seller has given its express consent, not permit any third party to use the Airbus CBT in any manner, including but not limited to, any outsourcing, loan, commercialisation of the Airbus CBT or commercialisation by merging the Airbus CBT into another software or adapting the Airbus CBT, without prior written consent from the Seller.

The Seller shall be entitled, subject to providing reasonable prior written notice thereof to the Buyer and subject to any such inspections not disturbing the Buyer's or the Operator's (as applicable) work or operations, to come and verify in the Buyer's facilities whether the conditions specified in this Airbus CBT License are respected. This shall not however commit the responsibility of the Seller in any way whatsoever.

6.2 Use of the Airbus CBT Software

Notwithstanding Clause 6.1 above, the Buyer shall use the Airbus CBT Software for the exclusive purpose of, for the student delivery mode:

(i) rostering students for one or several courses syllabi in order to follow students' progression,

(ii) rearranging courses syllabi or creating new ones using available courseware modules.

However, the Seller disclaims any responsibility regarding any course(s) that may be modified or rearranged by the Buyer.

6.3 Use of the Airbus CBT Courseware

Notwithstanding Clause 5 above, the Buyer shall use the Airbus CBT Courseware for the exclusive purpose of performing training of its personnel, or of third party personnel contracted to perform maintenance work on the Buyer's Aircraft on behalf of the Buyer. Such training shall be performed exclusively at the Buyer's facility.

7 PROPRIETARY RIGHTS AND NON DISCLOSURE

The Airbus CBT Software and Airbus CBT Courseware, the copyrights and any and all other author rights, intellectual, commercial or industrial proprietary rights of whatever nature in the Airbus CBT Software and Airbus CBT Courseware are and shall remain with the Seller and/or its Affiliates or suppliers, as the case may be. The Airbus CBT Software and Airbus CBT Courseware and their contents are designated as confidential. The Buyer shall not take any commercial advantage by copy or presentation to third parties of the Airbus CBT Software, the documentation, the Airbus CBT Courseware, and/or any rearrangement, modification or copy thereof.

The Buyer acknowledges the Seller's proprietary rights in the Airbus CBT and undertakes not to disclose the Airbus CBT Software or Airbus CBT Courseware or parts thereof or their contents to any third party without the prior written consent of the Seller. Insofar as it is necessary to disclose aspects of the Airbus CBT Software and Airbus CBT Courseware to the Buyer's personnel, such disclosure is permitted only for the purpose for which the Airbus CBT Software and Airbus CBT Courseware are supplied to the Buyer under the present Airbus CBT Licence.

8 WARRANTY

8.1 The Seller warrants that the Airbus CBT is prepared in accordance with the state of art at the date of its conception. Should the Airbus CBT be found to contain any non−conformity or defect, the Buyer shall promptly notify the Seller thereof and the sole and exclusive liability of the Seller under this Clause 8.1 shall be to correct the same at its own expense.

8.2 THE WARRANTIES, OBLIGATIONS AND LIABILITIES OF THE SELLER AND/OR ITS SUPPLIERS AND REMEDIES OF THE BUYER SET FORTH IN THE AIRBUS CBT LICENCE ARE EXCLUSIVE AND IN SUBSTITUTION FOR, AND THE BUYER HEREBY WAIVES, RELEASES AND RENOUNCES ALL OTHER WARRANTIES, OBLIGATIONS AND LIABILITIES OF THE SELLER AND/OR ITS SUPPLIERS AND RIGHTS, CLAIMS AND REMEDIES OF THE BUYER AGAINST THE SELLER AND/OR ITS SUPPLIERS EXPRESS OR IMPLIED, ARISING BY LAW OR OTHERWISE WITH RESPECT TO ANY NON−CONFORMITY OR DEFECT IN THE AIRBUS CBT DELIVERED UNDER THIS AGREEMENT INCLUDING BUT NOT LIMITED TO:

(A) ANY WARRANTY AGAINST HIDDEN DEFECTS;

(B) ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS;

(C) ANY IMPLIED WARRANTY ARISING FROM COURSE OF PERFORMANCE, COURSE OF DEALING OR USAGE OF TRADE;

(D) ANY OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY, WHETHER CONTRACTUAL OR DELICTUAL AND WHETHER OR NOT ARISING FROM THE SELLER'S AND/OR ITS SUPPLIERS' NEGLIGENCE, ACTUAL OR IMPUTED; AND

(E) ANY OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY FOR LOSS OF OR DAMAGE TO ANY AIRCRAFT, COMPONENT, EQUIPMENT, ACCESSORY OR PART THEREOF OR THE AIRBUS CBT DELIVERED HEREUNDER.

THE SELLER AND/OR ITS SUPPLIERS SHALL HAVE NO OBLIGATION OR LIABILITY, HOWSOEVER ARISING, FOR LOSS OF USE, REVENUE OR PROFIT OR FOR ANY OTHER DIRECT, INCIDENTAL, OR CONSEQUENTIAL DAMAGES WITH RESPECT TO ANY NON−CONFORMITY OR DEFECT IN THE AIRBUS CBT DELIVERED UNDER THIS AGREEMENT.

FOR THE PURPOSES OF THIS CLAUSE 8.2, "THE SELLER" SHALL INCLUDE THE SELLER, AND ITS AFFILIATES.

NOTHING IN THIS CLAUSE 8 SHALL CONSTITUTE A WAIVER, RELEASE OR RENUNCIATION BY THE BUYER OR ANY AFFILIATE OF THE BUYER OF ANY EXPRESS OBLIGATIONS OR LIABILITIES OWED BY ANY SUPPLIER OR ANY AFFILIATE OF THE SELLER TO THE BUYER OR ITS AFFILIATE PURSUANT TO ANY AGREEMENT BETWEEN SUCH SUPPLIER OR SUCH AFFILIATE OF THE SELLER AND THE BUYER OR ITS AFFILIATE.

THE PROVISIONS OF THIS CLAUSE 8.2 SHALL BE WITHOUT PREJUDICE TO THE PROVISIONS OF CLAUSE 12.5, CLAUSE 14.9 AND CLAUSE 14.11 OF THE AGREEMENT, CLAUSES 5.4 AND 6.9.6 OF EXHIBIT "H" TO THE AGREEMENT AND CLAUSE 11 OF ANY SOFTWARE LICENSE AND THE OBLIGATIONS OF THE SELLER EXPRESSLY PRESERVED THEREUNDER.

17 EQUIPMENT SUPPLIER PRODUCT SUPPORT

17.1 Equipment Supplier Product Support Agreements

17.1.1 The Seller has obtained enforceable and transferable product support agreements from Suppliers of Seller Furnished Equipment listed in the Specification.

17.1.2 These agreements are based on the "World Airlines Suppliers Guide" and include Supplier commitments as contained in the "**Supplier Product Support Agreements**" which include the following provisions:

17.1.2.1 Technical data and manuals required to operate, maintain, service and overhaul the Supplier Parts. Such technical data and manuals shall be prepared in accordance with the applicable provisions of ATA Specification 2200 (iSpec2200) Information Standards for Aviation Maintenance (Revision 2005 or latest applicable) including revision service and be published in the English language. The Seller shall recommend that software data, where applicable, be supplied in the form of an appendix to the Component Maintenance Manual, such data shall be provided in compliance with the applicable ATA Specification.

17.1.2.2 Warranties and guarantees including standard warranties. In addition, landing gear Suppliers shall provide service life policies for selected structural landing gear elements.

17.1.2.3 Training to ensure efficient operation, maintenance and overhaul of the Supplier Parts for the Buyer's instructors, shop and line service personnel.

17.1.2.4 Spares data in compliance with ATA 200/2000 Specification, initial provisioning recommendations, spare parts and logistic service including routine and expedited deliveries.

17.1.2.5 Technical service to assist the Buyer with maintenance, overhaul, repair, operation and inspection of Supplier Parts as well as required tooling and spares provisioning.

17.2 Supplier Compliance

The Seller shall monitor Supplier compliance with support commitments defined in the Supplier Product Support Agreements and shall take remedial action together with the Buyer and/or Operators if requested by the Buyer and/or Operators.

18 BUYER FURNISHED EQUIPMENT

18.1 Administration

18.1.1 With respect to each Aircraft, without additional charge, the Seller shall provide for the installation and testing of those items of equipment which are identified in the Specification as being furnished by the Buyer **("Buyer Furnished Equipment" or "BFE")**, provided that they are referred to in the Airbus BFE Catalog of Approved Suppliers by Products valid at time of ordering of the concerned BFE.

The Seller shall advise the Buyer of the dates by which, in the planned release of engineering for the relevant Aircraft, the Seller requires a written detailed engineering definition including the description of the dimensions and weight of BFE, the information related to its certification and information necessary for the installation and operation thereof. The Buyer shall furnish such detailed description and information by the dates so specified. Such information, dimensions and weights shall not thereafter be revised unless authorised by a Specification Change Notice.

The Seller shall also furnish in due time to the Buyer a schedule of dates and indication of shipping addresses for delivery of BFE and, where requested by the Seller, additional spare BFE to permit installation in the relevant Aircraft and delivery of the relevant Aircraft in accordance with the delivery schedule. The Buyer shall provide such equipment by such dates in a serviceable condition, in order to allow performance of any assembly, test, or acceptance process in accordance with the industrial schedule.

The Buyer shall also provide, when requested by the Seller, at AIRBUS FRANCE S.A.S. works in TOULOUSE (FRANCE) adequate field service including support from BFE suppliers to act in a technical advisory capacity to the Seller in the installation, calibration and possible repair of any BFE.

18.1.2 The Seller shall be entitled to refuse any item of BFE which it considers incompatible with the Specification, the above mentioned engineering definition or the certification requirements.

18.1.3 The BFE shall be imported into FRANCE by the Buyer under a suspensive customs system ("Régime de l'entrepôt industriel pour fabrication coordonnée") without application of any French tax or customs duty, and shall be Delivered Duty Unpaid (DDU) according to the Incoterms definition.

Shipping Addresses:

AIRBUS FRANCE S.A.S.

316 Route de Bayonne

31300 TOULOUSE

FRANCE

as provided in Clause 18.1.

18.1.4 If the Buyer requests the Seller to supply directly certain items which are considered as BFE according to the Specification and if such request is notified to the Seller in due time in order not to affect the Scheduled Delivery Month of the relevant Aircraft, the Seller may agree to order such items subject to the execution of a Specification Change Notice reflecting the effect on price, escalation adjustment, and any other conditions of this Agreement. In such a case the Seller shall be entitled to the payment of a reasonable handling charge and shall bear no liability in respect of delay and product support commitments for such items which shall be the subject of separate arrangements between the Buyer and the relevant supplier.

18.2 Aviation Authorities' Requirements

The Buyer is responsible for, at its expense, and warrants that BFE shall be manufactured by a qualified supplier, shall meet the requirements of the applicable Specification, shall comply with applicable requirements incorporated by reference to the Type Certificate and listed in the Type Certificate Data Sheet, shall be approved by the EASA and the Designated Authorities delivering the Export Certificate of Airworthiness and by the Buyer's Aviation Authority for installation and use on the Aircraft at the time of Delivery of such Aircraft.

18.3 Buyer's Obligation and Seller's Remedies

18.3.1 Any delay or failure in complying with the foregoing warranty or in providing the descriptive information or service representatives mentioned in Clause 18.1 or in furnishing the BFE in serviceable condition at the requested delivery date or in obtaining any required approval for such equipment under the above mentioned Aviation Authorities regulations may delay the performance of any act to be performed by the Seller, and cause the Final Price of the relevant Aircraft to be adjusted in accordance with the updated delivery schedule and to include in particular the amount of the Seller's additional reasonable costs, attributable to such delay or failure such as storage, taxes, insurance and costs of out−of sequence installation.

18.3.2 Further, in any such event, the Seller may:

(i) select, purchase and install an equipment similar to the involved one, in which event the Final Price of the affected Aircraft shall also be increased by the purchase price of such equipment plus reasonable costs and expenses incurred by the Seller for handling charges, transportation, insurance, packaging and if so required and not already provided for in the price of the relevant Aircraft for adjustment and calibration; or

(ii) if the BFE shall be so delayed by more than thirty (30) days after the date specified by the Seller for the delivery of such Buyer Furnished Equipment, or unapproved within thirty (30) days after the date specified by the Seller for the delivery of such Buyer Furnished Equipment (and in each case, unless the Seller is in a position to allow, with no costs to the Seller, a longer delay period) deliver the relevant Aircraft without the installation of such equipment, notwithstanding the terms of Clause 7 insofar as it may otherwise have applied, and the Seller shall thereupon be relieved of all obligations to install such equipment. The Buyer may also elect to have the relevant Aircraft so delivered.

18.4 Title and Risk of Loss

Title to and risk of loss of any BFE shall at all times remain with the Buyer except that risk of loss (limited to cost of replacement of said BFE and excluding in particular loss of use) shall be with the Seller for as long as such BFE shall be under the care, custody and control of the Seller.

19 INDEMNIFICATION AND INSURANCE

19.1 Indemnities Relating to Inspection, Technical Acceptance Process and Ground Training

19.1.1 The Seller shall, except in case of Gross Negligence of the Buyer, its directors, officers, agents or employees, be solely liable for and shall indemnify and hold harmless the Buyer, its Affiliates and each of their respective directors, officers, agents, employees and insurers from and against all liabilities, claims, damages, costs and expenses (including legal expenses and attorney fees) in respect of:

(i) loss of, or damage to, the Seller's property;

(ii) injury to, or death of, the directors, officers, agents or employees of the Seller;

(iii) any damage caused by the Seller to third parties arising out of, or in any way connected with, any ground check, check or controls under Clause 6 or Clause 8 of this Agreement and/or Ground Training Services ; and

(iv) any damage caused by the Buyer and/or the Seller to third parties arising out of, or in any way connected with, technical acceptance flights under Clause 8 of this Agreement.

19.1.2 The Buyer shall, except in case of Gross Negligence of the Seller, its Affiliates or any of their respective directors, officers, agents or employees, be solely liable for and shall indemnify and hold harmless the Seller, its Affiliates and each of their respective directors, officers, agents, employees, sub−contractors from and against all liabilities, claims, damages, costs and expenses (including legal expenses and attorney fees) in respect of:

(i) loss of, or damage to, the Buyer's property;

(ii) injury to, or death of, the directors, officers, agents or employees of the Buyer; and

(iii) any damage caused by the Buyer to third parties arising out of, or in any way connected with, any ground check, check or controls under Clause 6 or Clause 8 of this Agreement and/or Ground Training Services

The indemnity in Clause 19.1.2 shall not apply with respect to the Seller's legal liability to any person other than the Buyer, its directors, officers, agents or employees arising out of an accident caused solely by a product defect in the Aircraft.

19.2 Indemnities Relating to Training on Aircraft after Delivery

19.2.1 The Buyer shall, except in the case of Gross Negligence of the Seller, its Affiliates or any of their respective directors, officers, agents and employees, be solely liable for and shall indemnify and hold harmless the Seller, its Affiliates and each of their respective directors, officers, agents, employees, sub−contractors from and against all liabilities, claims, damages, costs and expenses (including legal expenses and attorney fees) incident thereto or incident to successfully establishing the right to indemnification in respect of:

(i) injury to, or death of, any person (including any of the Buyer's directors, officers, agents and employees, but not directors, officers, agents and employees of the Seller); and

(ii) loss of, or damage to, any property and for loss of use thereof (including the aircraft on which the Aircraft Training Services are performed),

arising out of, or in any way connected with, the performance of any Aircraft Training Services.

19.2.2 The foregoing indemnity shall not apply with respect to the Seller's legal liability towards any person other than the Buyer, its directors, officers, agents or employees arising out of an accident caused solely by a product defect in the Aircraft delivered to and accepted by the Buyer hereunder.

19.3 Indemnities relating to Seller Representatives Services

19.3.1 The Buyer shall, except in case of Gross Negligence of the Seller, its directors, officers, agents or employees, be solely liable for and shall indemnify and hold harmless the Seller, its Affiliates and each of their respective directors, officers, agents, employees, sub−contractors from and against all liabilities, claims, damages, costs and expenses (including legal expenses and attorney fees) in respect of:

(i) injury to, or death of, any person (except Seller's Representatives); and

(ii) loss of, or damage to, any property and for loss of use thereof;

arising out of, or in any way connected with the Seller's Representatives Services.

19.3.2 The Seller shall, except in case of Gross Negligence of the Buyer, its directors, officers, agents or employees, be solely liable for and shall indemnify and hold harmless the Buyer, its Affiliates and each of their respective directors, officers, agents, employees from and against all liabilities, claims, damages, costs and expenses (including legal expenses and attorney fees) in respect of all injuries to, or death of, the Seller's Representatives arising out of, or in any way connected with the Seller's Representatives Services.

19.4 Insurances

To the extent of the Buyer's undertaking set forth in Clause 19.2.1, for all training periods on aircraft, the Buyer shall:

(i) cause the Seller, its directors, officers, agents, employees, Affiliates and sub−contractors to be named as additional insureds under the Buyer's Comprehensive Aviation Legal Liability insurance policies, including War Risks and Allied Perils such insurance shall include the AVN 52E Extended Coverage Endorsement Aviation Liabilities as well an additional coverage in respect of War and Allied Perils Third Parties Legal Liabilities Insurance; and

(ii) with respect to the Buyer's Hull All Risks and Hull War Risks insurances and Allied Perils, cause the insurers of the Buyer's hull insurance policies to waive all rights of subrogation against the Seller, its directors, officers, agents, employees, Affiliates and sub−contractors.

Any applicable deductible shall be borne by the Buyer.

With respect to the above policies, the Buyer shall furnish to the Seller, not less than seven (7) Working Days prior to the start of any such training period, certificates of insurance from the Buyer's insurance broker(s), in English, evidencing the limit of liability cover and period of insurance in a form acceptable to the Seller certifying that such policies have been endorsed as follows:

(i) under the Comprehensive Aviation Legal Liability Insurances, the Buyer's policies are primary and non−contributory to any insurance maintained by the Seller;

(ii) such insurance can only be cancelled or materially altered by the giving of not less than thirty (30) days (but seven (7) days or such lesser period as may be customarily available in respect of War Risks and Allied Perils) prior written notice thereof to the Seller; and

(iii) under any such cover, all rights of subrogation against the Seller, its directors, officers, agents, employees, Affiliates and sub−contractors have been waived to the extent of the Buyer's undertaking and specifically referring to Clause 19.2.1 and to this Clause 19.4.

19.5 Notice of Claims

If any claim is made or suit is brought against either party (or its respective directors, officers, agents, employees, Affiliates and sub−contractors) for damages for which liability has been assumed by the other party in accordance with the provisions of this Agreement, the party against which a claim is so made or suit is so brought shall promptly give notice to the other party, and the latter shall (unless otherwise requested by the party against which a claim is so made or suit is so brought, in which case the other party nevertheless shall have the right to) assume and conduct the defence thereof, or effect any settlement which it, in its opinion, deems proper.

19.7 Participation Agreement

With respect to each Aircraft, the provisions of Clause 19 are subject to the provisions of Clause 3 of any Participation Agreement.

20 TERMINATION

20.1 Termination for Insolvency

In the event [***]:

(a) makes a general assignment for the benefit of creditors or becomes insolvent;

(b) files a voluntary petition in bankruptcy;

(c) petitions for or acquiesces in the appointment of any receiver, trustee or similar officer to liquidate or conserve its business or any substantial part of its assets;

(d) commences under the laws of any competent jurisdiction any proceeding involving its insolvency, bankruptcy, readjustment of debt, liquidation or any other similar proceeding for the relief of financially distressed debtors;

(e) becomes the object of any proceeding or action of the type described in (c) or (d) above and such proceeding or action remains undismissed or unstayed for a period of at least [***] days; or

then the other party may, to the full extent permitted by law, by written notice, terminate all or part of this Agreement.

20.2 Termination for Non−Payment of Predelivery Payments

If for any Aircraft the Buyer fails to make any Predelivery Payments at the time, in the manner and in the amount specified in Clause 5.3 and such delay continues for [***] Working Days the Seller may, by written notice, terminate all or part of this Agreement with respect to undelivered Aircraft.

20.3 Termination for Failure to Take Delivery

If the Buyer fails to comply with its obligations as set forth under Clause 8 and/or Clause 9, or fails to pay the Final Price of the Aircraft, the Seller shall have the right to put the Buyer on notice to do so within a period of [***] Working Days after the date of deemed delivery of such notification.

If the Buyer has not cured such default within such period of [***] Working Days after the date of deemed delivery of such notification, the Seller may, by written notice, terminate all or part of this Agreement with respect to undelivered Aircraft.

All costs referred to in Clause 9.2.3 and relating to the period between the notified date of delivery (as referred to in Clause 9.2.3) and the date of termination of all or part of this Agreement shall be borne by the Buyer.

[***]

20.4 Not Applicable

20.5 General

20.5.1 To the full extent permitted by law, the termination of all or part of this Agreement pursuant to Clauses 20.1, 20.2, 20.3 and 20.4 shall become effective immediately upon receipt by the [***] of the notice of termination sent by the [***] without it being necessary for [***] to take any further action or to seek any consent from the [***] or any court having jurisdiction.

20.5.2 The right for [***] under Clause 20.1 and for the Seller under Clauses 20.2, 20.3, and 20.4 to terminate all or part of this Agreement shall be without prejudice to any other rights and remedies available to [***] to seek termination of all or part of this Agreement before any court having jurisdiction pursuant to any failure by the [***] to perform its obligations under this Agreement.

20.5.3 If [***] taking the initiative of terminating this Agreement decides to terminate part of it only, the notice sent to the [***] shall specify those provisions of this Agreement which shall be terminated.

20.5.4 In the event of termination of this Agreement following a default from the Buyer, including but not limited to a default under Clauses 20.1, 20.2, 20.3 and 20.4, the Seller without prejudice to any other rights and remedies available under this Agreement or by law, shall retain all Predelivery Payments, commitment fees, option fees and any other moneys paid by the Buyer to the Seller under this Agreement and corresponding to the Aircraft, services, data and other items covered by such termination.

20.5.5 In the event of termination of this Agreement by the Buyer following an event relative to the Seller under sub−Clause 20.1, the Seller, without prejudice to any other rights and remedies available under this Agreement or by law, shall reimburse an amount equal to all Predelivery Payments paid by the Buyer to the Seller under this Agreement and corresponding to any undelivered Aircraft covered by such termination, together with interest thereon at [***] for the period from date of receipt to each such predelivery payments, commitment fees, option fees and any other monies paid by the Buyer to the Seller under this Agreement to date of reimbursement

21 ASSIGNMENTS AND TRANSFERS

21.1 **Assignments by Buyer**

Except as hereinafter provided, the Buyer may not sell, assign, novate or transfer its rights and obligations under this Agreement to any person without the prior written consent of the Seller, which shall not unreasonably be withheld.

21.1.1 **Assignments for Predelivery Financing**

[***] The Buyer shall be entitled to assign its rights under this Agreement in whole or in part at any time in order to provide security for the financing of any Predelivery Payments subject to such assignment being in form and substance acceptable to the Seller [***].

21.1.2 **Assignments for Delivery Financing**

The Buyer shall be entitled to assign its rights under this Agreement at any time in connection with the financing of its obligation to pay the Final Price subject to such assignment being in form and substance acceptable to the Seller acting reasonably.

21.2 **Assignments by Seller**

[***]

21.2.1 **Transfer of Rights and Obligations upon Restructuring**

In the event that the Seller is subject to a corporate restructuring (the "Restructuring") having as its object the transfer of, or succession by operation of law in, all or a substantial part of its assets and liabilities, rights and obligations, including those existing under this Agreement, to a person ("**the Successor**") under the control of the ultimate controlling shareholders of the Seller at the time of that restructuring, for the purpose of the Successor carrying on the business carried on by the Seller at the time of the restructuring, such restructuring shall be completed without consent of the Buyer following notification by the Seller to the Buyer in writing, provided that the Buyer's rights and obligations are not adversely affected by such Restructuring. The Buyer recognises that succession of the Successor to this Agreement by operation of law, which is valid under the law pursuant to which that succession occurs, shall be binding upon the Buyer**.**

21.3 **Assignment in Case of Lease or Sale**

21 .3.1 In the context of the lease or sale of any Aircraft by the Buyer, and subject to the consent of the Seller, which consent shall not be unreasonably withheld (and shall be granted where the conditions referred to in clause 21.3.2 are satisfied) :

(a) the Buyer's rights with respect to such Aircraft under Clauses 12, 13, 17 and 20 of this Agreement and any allocations of field assistance, training and training aids under Clauses 15 and 16 (including without limitation the Airbus CBT Licence pursuant thereto) and of manuals and technical publications under Clause 14 (including without limitation the Software Licence pursuant

thereto) of this Agreement which are specific to an Aircraft or which are otherwise specified in this Agreement as being for the benefit of an Operator may be transferred (subject to consultation with the Seller on the nature of training and training aids to be transferred under Clauses 15 and 16) to the benefit of such Operator or purchaser ; and

(b) the Buyer may also delegate certain of its rights under Clauses 8 (Acceptance) and 9 (Delivery) to any such Operator or purchaser ; and

(c) the Buyer may also sub−licence to any such Operator its rights under any Airbus CBT Licence or Software Licence entered into pursuant to this Agreement ; and

(d) for the purposes of such assignment, transfer or delegation, the Buyer may disclose to the Operator or purchaser the provisions of clauses 8, 9, 12, 13, 14, 15, 16, 17, 19 and 21 in so far as the same relate to such assignment, transfer or delegation

21 .3.2 Any assignment under this Clause 21 .3 shall be subject to all of the following conditions :

(1) that the assignee agrees , in a form reasonably satisfactory to the Seller (and Seller agrees that execution by the Buyer and an Operator of an Assignment of Airframe Warranty and Support Rights and a Participation Agreement will fulfill this requirement), to be bound by all relevant terms , conditions and limitations of this Agreement (including without limitation Clauses 12 , 13, 14, 15, 16, 17, 19 and 21), and

(2) that no assignment or transfer by the Buyer pursuant to this Clause 21 .3 shall subject the Seller to any liability, increased risk, costs or expenses to which it would not otherwise be subject hereunder or modify in any way the Seller’s contractual rights hereunder, and

(3) no further assignment or transfer is permitted except in accordance with the provisions of this sub−Clause .

Provided that the above conditions are met, the Buyer shall be released from the obligations and liabilities of the Buyer so assumed by the Buyer’s assignee.

22 MISCELLANEOUS PROVISIONS

22.1 Data Retrieval

The Buyer shall provide the Seller, as the Seller may reasonably request, with all the necessary data as customarily compiled by the Buyer and pertaining to the operation of the Aircraft to assist the Seller in making efficient and coordinated survey of all reliability, maintainability, operational and cost data with a view to improving the safety, availability and operational costs of the Aircraft.

22.2 Notices

All notices and requests required or authorized hereunder shall be given in writing either by personal delivery to an authorized representative of the party to whom the same is given or by registered mail (return receipt requested), express mail (tracking receipt requested) or by facsimile, to be confirmed by subsequent registered mail, and the date upon which any such notice or request is so personally delivered or if such notice or request is given by registered mail, the date upon which it is received by the addressee or, if given by facsimile, the date upon which it is sent with a correct confirmation printout, provided that if such date of receipt is not a Working Day notice shall be deemed to have been received on the first following Working Day, shall be deemed to be the effective date of such notice or request.

Seller's address for notices is:

AIRBUS

Attention : Vice−President Contracts

[***]

FranceFax: + [***]

Tel : + [***]

Buyer's address for notices is:

[***]

Attention: [***]

[***]

Fax: + [***]

Tel : + [***]

or such other address or such other person as the party receiving the notice or request may reasonably designate from time to time.

22.3 Waiver

The failure of either party to enforce at any time any of the provisions of this Agreement, or to exercise any right herein provided, or to require at any time performance by the other party of any of the provisions hereof, shall in no way be construed to be a present or future waiver of such provisions nor in any way to affect the validity of this Agreement, or any part thereof or the right of the other party thereafter to enforce each and every such provision. The express waiver (whether made one (1) or several times) by either party of any provision, condition or requirement of this Agreement shall not constitute a waiver of any future obligation to comply with such provision, condition or requirement.

22.4 Law and Jurisdiction

22.4.1 This Agreement shall be governed by and construed in accordance with the laws of England.

Any dispute arising out of or in connection with this Agreement shall be within the exclusive jurisdiction of the Courts of England.

22.5 The Seller appoints **Airbus UK Ltd,** New Filton House, Filton, Bristol, United Kingdom (fax: [***]) as its process agent to be served with court documents relating to this Agreement.

The Seller agrees that if its process agent does not notify it about any court documents served on it, this will not affect the proceedings concerned. The Seller shall forthwith notify the Buyer of any change in the identity or address of its process agent.

The Seller agrees that court documents can be served on its process agent by faxing, posting or hand delivery a copy to such process agent at the address above.

The Buyer appoints Norose Notices Limited, Attention of Director of Administration at the address of its registered office from time to time (currently Kempson House, Camomile Street, London EC3A 7AN) Reference LN03751 as its process agent to be served with court documents relating to this Agreement.

The Buyer agrees that if its process agent does not notify it about any court documents served on it, this will not affect the proceedings

concerned. The Buyer shall forthwith notify the Seller of any change in the identity or address of its process agent.

The Buyer agrees that court documents can be served on its process agent by faxing, posting or hand delivery a copy to such process agent at the address above.

22.6 **Contracts (Rights of Third Parties) Act 1999**

The parties do not intend that any term of this Agreement shall be enforceable solely by virtue of the Contracts (Rights of Third Parties) Act 1999 by any person who is not a party to this Agreement.

Subject only to Clause 21, the parties may rescind, vary, waive, release, assign, novate or otherwise dispose of all or any of their respective rights or obligations under this Agreement in accordance with the terms hereof without the consent of any person who is not party to this Agreement.

22.7 **International Supply Contract**

The Buyer and the Seller recognise that this Agreement is an international supply contract which has been the subject of discussion and negotiation, that all its terms and conditions are fully understood by the parties, and that the Specification and price of the Aircraft and the other mutual agreements of the parties set forth herein were arrived at in consideration of, inter alia, all the provisions hereof specifically including all waivers, releases and renunciations by the Buyer set out herein.

The Buyer and the Seller hereby also agree that the United Nations Convention on Contracts for the International Sale of Goods will not apply to this transaction

22.8 **Severability**

In the event that any provision of this Agreement should for any reason be held ineffective, the remainder of this Agreement shall remain in full force and effect. To the extent permitted by applicable law, each party hereto hereby waives any provision of law which renders any provision of this Agreement prohibited or unenforceable in any respect.

22.9 **Alterations to Contract**

This Agreement contains the entire agreement between the parties with respect to the subject matter hereof and supersedes any previous understandings, commitments or representations whatsoever oral or written in respect thereto. This Agreement shall not be varied except by an instrument in writing of date even herewith or subsequent hereto executed by both parties or by their duly authorised representatives.

22.10 **Language**

All correspondence, documents and any other written matters in connection with this Agreement shall be in English

22.11 **Counterparts**

This Agreement has been executed in two (2) original copies. Notwithstanding the above, this Agreement may be executed by the parties in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same Agreement.

22.12 **Confidentiality**

This Agreement including any Exhibits, other documents or data exchanged between the Buyer and the Seller for the fulfilment of their respective obligations under the Agreement shall be treated by both parties as confidential and shall not be released in whole or in part to any third party except a) as may be required by law, b) to its members and their shareholders provided that such members and their shareholders sign or have signed a non disclosure agreement or c) to professional advisors for the purpose of implementation hereof.

In particular, both parties agree:

— not to make any press release concerning the whole or any part of the contents and/or subject matter hereof or of any future addendum hereto without the prior written consent of the other party hereto.

— that any and all terms and conditions of the transaction contemplated in this Agreement are strictly personal and exclusive to the Buyer, including in particular, but not limited [***]. The Buyer therefore agrees to enter into consultations with the Seller reasonably in advance of any required disclosure of Personal Information to a) financial institutions, including investment banks and their agents or other relevant institutions for aircraft sale and leaseback or any other Aircraft or Predelivery Payment financing purposes or b) to any proposed purchaser, assignee or transferee in connection with any sale, assignment, novation or transfer under Clause 21.1 hereof (the "Receiving Party").

Without prejudice to the foregoing, any disclosure of Personal Information to a Receiving Party shall be subject to written agreement between the Buyer and the Seller including in particular, but not limited to:

(i) the contact details of the Receiving Party,

(ii) the extent of the Personal Information subject to disclosure,

(iii) [***]

(iv) the signature of a non−disclosure agreement by the Receiving Party

Furthermore, the Buyer shall use its best reasonable efforts to limit the disclosure of the contents of this Agreement to the extent legally permissible in any filing required to be made by the Buyer with any governmental or regulatory agency. The Buyer agrees that prior to any such disclosure or filing, the Seller and the Buyer shall jointly review and agree on the terms and conditions of the document to be filed or disclosed.

The provisions of this Clause 22.12 shall survive any termination of this Agreement for a period of five (5) years.

IN WITNESS WHEREOF this Agreement was entered into the day and year first above written.

For and on behalf of	For and on behalf of
AERCAP IRELAND LTD	**AIRBUS S.A.S.**
Name:	Name:
Title:	Title:
Name:	Name:
Title:	Title:

EXHIBIT A-1

SPECIFICATION

The A330−200 Standard Specification is contained in a separate folder.

A330−200 Baseline Specification

EPAC N°	TITLE	PRICE, USD DC 01/06, per a/c	COMMENTS
ATA02	*GENERAL REQUIREMENTS*		
02.10.137/01	FAA type certificate	NC	
02.10.134/05	Compliance with JAR OPS 1 − subpart K&L requirements	[***]	
02.10.130	14/15 knots tailwind certification (PW / RR or GE engines) at take off	[***]	
02.10.134/16	Compliance status with FAR 121 subpart J and K requirements	[***]	
02.40.101/01	External livery	in A/F price	Standard Livery (1 colour for background, 2 colours for decoration, Primer & top coat, Linear Design)
ATA03	***DESIGN WEIGHTS***		
03.20.190/05	DESIGN WEIGHTS MTOW 233 t, MLW 182 t, MZFW 170 t	PA	
ATA11	***PLACARDS AND MARKINGS***		
11.00.124/01	Installation of leasing plate on engines	NC	
11.00.124/02	Installation of leasing plate on forward LH passenger door	NC	
11.00.124/03	Installation of leasing plate on cockpit rear partition	NC	
11.20.205	Engine Danger area marking in feet and metric	NC	
11.30.111/std	Exit identifier from Airsigna monolingual	NC	
11.00.131/04	Oxygen supply system label change	NC	
11.35.101/01	Weight indication in kg and lb for cargo compartments	NC	
ATA23	***COMMUNICATIONS***		
23.00.100	Installation of Emergency Locator Transmitter (ELT)	[***]	
IFE	1−class layout ref. 330.25.20807(318 pax)	[***]	
IFE GLOBAL	i−PRAM	—	
IFE GLOBAL	PES Music	—	
IFE GLOBAL	PES video system provision	—	
IFE GLOBAL	Entertainment/ Video system installation on top of Video Sytem Provision (OHSC monitors & bulkhead LCD)	—	
IFE GLOBAL	Installation of telephone in B/C	—	
IFE GLOBAL	Installation of PVIS	—	
IFE	Alternate 2−class layout ref 330.25.20804 (305 pax)	[***]	
IFE GLOBAL	Entertainment/Video system installation on top of Video Sytem Provision (in seat video in B/C + OHSC monitors & bulkhead LCD in Y/C)		
ATA24	***ELECTRICAL POWER***		
24.56.134/03	Additional 15kVA galley power supply door 4	[***]	
ATA25	***EQUIPMENT/FURNISHING***		
CABIN	1−class layout ref. 330.25.26807(318 pax)	[***]	
CABIN GLOBAL	Installation of 7 Lavatories (SFE) + 3 provisions		
CABIN GLOBAL	Installation of 6 galleys wet −galley dry (BFE) + 1 provision	[***]	
CABIN GLOBAL	Galley cooling (SFE qty 6)		
CABIN GLOBAL	Installation of 11 C/A seats	[***]	
CABIN GLOBAL	Installation of 2 full height stowage + 1 VCC (BFE)		
CABIN GLOBAL	Installation of 7 doghouses (SFE)		
CABIN GLOBAL	Installation of partitions (SFE 1)	[***]	
CABIN GLOBAL	Installation of 6 magazine racks + 15 literature pockets (SFE)		
CABIN GLOBAL	Installation of 6 baby bassinet (BFE)		
CABIN GLOBAL	PSU		

CABIN	Alternate 2−class layout ref 330.25.20804 − (B/C 42 pax Y/C 263 pax)	[***]
25.21.710	Installation of 110V PED outlets in B/C seats	[***]
25.21.750	PED enable/disable function	Incl. in PED
25.67.101/01	Installation of medical outlets	[***]
25.65.160/01	CABIN EMERGENCY EQUIPMENT	in cabin
25.23.101/01	INTERIOR COLOUR SPECIFICATION	in cabin

25.51.100/01	Application of first level of enhanced cargo loading system	[***]	
25.75.235/01	Underfloor crew rest provisions	[***]	
ATA33	***LIGHTS***		
33.50.134/01	EEPMS − Photoluminescent − PER	[***]	
ATA34	***NAVIGATION***		
34.20.202/02	Installation of ISIS −	[***]	
34.43.240	Wiring provisions for T2CAS	[***]	
34.52.130/01	Wiring provisions for enhanced surveillance	[***]	
ATA52	***DOORS***		
52.10.107/01	Type ‘A’ door	[***]	long lead−time item 14 months
	TOTAL BASELINE SPEC. (USD D/C 1/ 06)	[***]	

EXHIBIT A-2

SPECIFICATION

The A330-300 Standard Specification is contained in a separate folder.

A330−300 Baseline Specification

EPAC N°	TITLE	PRICE, USD DC 01/06, per a/c	COMMENTS
ATA02	***GENERAL REQUIREMENTS***		
02.10.137/01	FAA type certificate	NC	
02.10.134/05	Compliance with JAR OPS 1 − subpart K&L requirements	[***]	
02.10.130	14/15 knots tailwind certification (PW / RR or GE engines) at take off	[***]	
02.10.134/16	Compliance status with FAR 121 subpart J and K requirements	[***]	
02.40.101/01	External livery	in A/F price	Standard Livery (1 colour for background, 2 colours for decoration, Primer & top coat, Linear Design)
ATA03	***DESIGN WEIGHTS***		
03.20.195/08	DESIGN WEIGHTS MTOW 233 t, MLW 187 t, MZFW 175 t	PA	
ATA11	***PLACARDS AND MARKINGS***		
11.00.124/01	Installation of leasing plate on engines	NC	
11.00.124/02	Installation of leasing plate on forward LH passenger door	NC	
11.00.124/03	Installation of leasing plate on cockpit rear partition	NC	
11.20.205	Engine Danger area marking in feet and metric	NC	
11.30.111/std	Exit identifier from Airsigna monolingual	NC	
11.00.131/04	Oxygen supply system label change	NC	
11.35.101/01	Weight indication in kg and lb for cargo compartments	NC	
ATA23	***COMMUNICATIONS***		
23.00.100	Installation of Emergency Locator Transmitter (ELT)	[***]	
IFE	1−class layout IFE ref 330.25.20808 (369 pax)	[***]	
IFE GLOBAL	i−PRAM	—	
IFE GLOBAL	PES Music	—	
IFE GLOBAL	PES video system provision	—	
IFE GLOBAL	Entertainment/Video system installation on top of Video System Provision (OHSC monitors & bulkhead LCD)	—	
IFE GLOBAL	Installation of telephone in B/C	—	
IFE GLOBAL	Installation of PVIS	—	
IFE	Alternate 2−class layout ref 330.25.20806 (352 pax)	[***]	
IFE GLOBAL	Entertainment/ Video system installation on top of Video System Provision (in seat video in B/C + OHSC monitors & bulkhead LCD in Y/C)		
ATA24	***ELECTRICAL POWER***		
24.56.134/03	Additional 15kVA galley power supply door 4	[***]	
ATA25	***EQUIPMENT/FURNISHING***		
CABIN	Alternative 1−class layout ref. 330.25.20808 (369 pax)	[***]	
CABIN GLOBAL	Installation of 7 Lavatories (SFE)		
CABIN GLOBAL	Installation of 6 galleys wet −galley dry (BFE) + 1 provision	[***]	
CABIN GLOBAL	Galley cooling (SFE qty 6)		
CABIN GLOBAL	Installation of 11 C/A seats	[***]	
CABIN GLOBAL	Installation of 2 full height stowage + 1 VCC (BFE)		
CABIN GLOBAL	Installation of 7 doghouses (SFE)		
CABIN GLOBAL	Installation of partitions (SFE 2)	[***]	

CABIN GLOBAL	Installation of 6 magazine racks + 15 literature pockets (SFE)	
CABIN GLOBAL	Installation of 6 baby bassinet (BFE)	
CABIN GLOBAL	PSU	
CABIN	Alternate Cabin 2−class layout ref 330.25.20806 — (B/C 42 pax Y/C 310 pax)	[***]
25.21.710	Installation of 110V PED outlets in B/C seats	[***]
25.21.750	PED enable/disable function	incl. in PED
25.67.101/01	Installation of medical outlets	[***]

25.65.160/01	CABIN EMERGENCY EQUIPMENT	in cabin	
25.23.101/01	INTERIOR COLOUR SPECIFICATION	in cabin	
25.51.100/01	Application of first level of enhanced cargo loading system	[***]	
25.75.235/01	Underfloor crew rest provisons	[***]	
ATA33	***LIGHTS***		
33.50.134/01	EEPMS − Photoluminescent — PER	[***]	
ATA34	***NAVIGATION***		
34.20.202/02	Installation of ISIS −	[***]	
34.43.240	Wiring provisions for T2CAS	[***]	
34.52.130/01	Wiring provisions for enhanced surveillance	[***]	
ATA52	***DOORS***		
52.10.107/01	Type ‘A’ door	[***]	long lead−time item 14 months
	TOTAL BASELINE SPEC. (USD D/C 1/06)	[***]	

EXHIBIT B

FORM OF
SPECIFICATION CHANGE NOTICE

EXHIBIT C

PART 1 — AIRFRAME PRICE REVISION FORMULA

1 BASIC PRICE

The Airframe Basic Price quoted in Clause 3.1 of the Agreement is subject to adjustment for changes in economic conditions as measured by data obtained from the US Department of Labor, Bureau of Labor Statistics, and in accordance with the provisions hereof.

2 BASE PERIOD

The Airframe Basic Price has been established in accordance with the average economic conditions prevailing in December 2004, January 2005, February 2005 and corresponding to a theoretical delivery in January 2006 as defined by "ECIb" and "ICb" index values indicated hereafter.

"ECIb" and "ICb" index values indicated herein shall not be subject to any revision.

3 INDEXES

Labor Index: "Employment Cost Index for Workers in Aerospace manufacturing" hereinafter referred to as "ECI336411W", quarterly published by the US Department of Labor, Bureau of Labor Statistics, in "NEWS", and found in Table 9, "WAGES and SALARIES (not seasonally adjusted): Employment Cost Indexes for Wages and Salaries for private industry workers by industry and occupational group", or such other name that may be from time to time used for the publication title and/or table, (Aircraft manufacturing, NAICS Code 336411, base month and year December 2005 = 100).

The quarterly value released for a certain month (March, June, September and December) shall be the one deemed to apply for the two preceding months.

Index code for access on the Web site of the US Bureau of Labor Statistics: CIU2023211000000I.

Material Index : "Industrial commodities" (hereinafter referred to as "IC") as published in "Producer Price Indexes" (Table 6,

Producer price indexes and percent changes for commodity groupings and individual items). (Base Year 1982 = 100).

Index code for access on the Web site of the US Bureau of Labor Statistics: WPU03THRU15.

4 **REVISION FORMULA**

Pn = (Pb + F) x [([***] (ECIn/EClb)) + ([***] (lCn/lCb))]

Where :

Pn : Airframe Basic Price as revised at the Delivery Date of the Aircraft

Pb : Airframe Basic Price at economic conditions December 2004, January 2005, February 2005 averaged (January 2006 delivery conditions)

F : ([***] x N x Pb)
where N = the calender year of Delivery of the Aircraft minus 2006

ECIn : the arithmetic average of the latest published values of the [***] available at the Delivery Date of the Aircraft for the 11th, 12th and 13 th month prior to the month of Aircraft Delivery

ECIb : [***] for December 2004, January 2005, February 2005 averaged (=[***])

ICn : the arithmetic average of the latest published values of the IC−Index available at the Delivery Date of the Aircraft for the 11th, 12th and 13 th month prior to the month of Aircraft Delivery

ICb : IC−Index for December 2004, January 2005, February 2005, averaged (=[***])

5 GENERAL PROVISIONS

5.1 Roundings

The Labor Index average and the Material Index average shall be computed to the first decimal. If the next succeeding place is five (5) or more, the preceding decimal place shall be raised to the next higher figure.

Each quotient (ECIn/ECIb) and (ICn/ICb) shall be rounded to the nearest ten−thousandth (4 decimals). If the next succeeding place is five (5) or more, the preceding decimal place shall be raised to the next higher figure.

The final factor shall be rounded to the nearest ten−thousandth (4 decimals).

The final price shall be rounded to the nearest whole number (0.5 or more rounded to 1).

5.2 Substitution of Indexes for Airframe Price Revision Formula

If:

(i) the United States Department of Labor substantially revises the methodology of calculation of the Labor Index or the Material Index as used in the Airframe Price Revision Formula, or

(ii) the United States Department of Labor discontinues, either temporarily or permanently, such Labor Index or such Material Index, or

(iii) the data samples used to calculate such Labor Index or such Material Index are substantially changed;

the Seller shall select a substitute index for inclusion in the Airframe Price Revision Formula (the "Substitute Index").

The Substitute Index shall reflect as closely as possible [***].

As a result of the selection of the Substitute Index, the Seller shall make an appropriate adjustment to the Airframe Price Revision Formula to combine the successive utilization of the original Labor Index or Material Index (as the case may be) and of the Substitute Index.

5.3 **Final Index Values**

The Index values as defined in Clause 4 above shall be considered final and no further adjustment to the basic prices as revised at Delivery of the Aircraft shall be made after Aircraft Delivery for any subsequent changes in the published Index values.

PART 2 — PROPULSION SYSTEMS PRICE REVISION FORMULA

A. General Electric Price Revision Formula

Reference Price of the Propulsion Systems

The Reference Price of a set of two (2) GENERAL ELECTRIC CF6−80E1A4 Propulsion Systems is:

USD [***]

(US Dollars — [***])

This Reference Price is subject to adjustment for changes in economic conditions as measured by data obtained from the US Department of Labor, Bureau of Labor Statistics and in accordance with the provisions of Clauses 4 and 5 of this Exhibit C, part 2−A.

2. REFERENCE PERIOD

The above Reference Price has been established in accordance with the economical conditions prevailing for a theoretical delivery in January 2003 as defined by [***].

3. INDEXES

Labor Index : "Employment Cost Index for Workers in Aerospace manufacturing" hereinafter referred to as "ECI336411W, quarterly published by the US Department of Labor, Bureau of Labor Statistics, in "NEWS", and found in Table 9, "WAGES and SALARIES (not seasonally adjusted) : Employment Cost Indexes for Wages and Salaries for private industry workers by industry and occupational group", or such other name that may be from time to time used for the publication title and/or table, (Aircraft manufacturing, NAICS code 336411, base month and year December 2005 = 100, hereinafter multiplied by 1.777 and rounded to the first decimal place).

The quarterly value released for a certain month (March, June, September and December) shall be the one deemed to apply for the two preceding months.

Index code for access on the Web site of the US Bureau of Labor Statistics: CIU20232110000000I.

Material Index : "Industrial Commodities" (hereinafter referred to as "IC") as published in "PPI Detailed report" (found in Table 6. "Producer price indexes and percent changes for commodity groupings and individual items not seasonally adjusted " or such other names that may be from time to time used for the publication title and/or table). (Base Year 1982 = 100).

Index code for access on the Web site of the US Bureau of Labor Statistics: WPU03THRU15.

4. REVISION FORMULA

Pn : (Pb + F) x (CPIn/[***])

where :

Pn : revised Reference Price at Aircraft Delivery.

Pb : Reference Price at delivery conditions January 2003

F : ([***] x N x Pb)
where N = the calendar year of Delivery of the Aircraft minus 2003

CPIn : the Composite Price Index (CPI) applicable for the month of Aircraft Delivery. This Composite Price Index is composed as follows :

CPIn= ([***] x ECIn) + ([***] x Icn)

where :

ECIn : The arithmetic average of the [***] available at the Delivery date of the Aircraft for the 11th,12th and 13 th month prior to the month of Aircraft Delivery, multiplied by [***] and individually rounded to the first decimal place.

ICn : The arithmetic average of the IC−Index available at the Delivery Date of the Aircraft for the 11th,12th and 13 th month prior to the month of Aircraft Delivery.

5. GENERAL PROVISIONS

5.1 Roundings

(i) The Material index average (ICn) shall be rounded to the nearest second decimal place and the labor index average (ECIn) shall be rounded to the nearest first decimal place.

(ii) CPIn shall be rounded to the nearest second decimal place.

(iii) The final factor (CPIn/[***]) shall be rounded to the nearest third decimal place.

If the next succeeding place is five (5) or more, the preceding decimal place shall be raised to the next higher figure.

After final computation Pn shall be rounded to the nearest whole number (0.5 rounds to 1).

5.2 Final Index Values

The revised Reference Price at the date of Aircraft Delivery shall not be subject to any further adjustments in the indexes.

5.3 Interruption of Index Publication

If the US Department of Labor substantially revises the methodology of calculation or discontinues any to the indexes referred to hereabove, the Seller shall reflect the substitute for the revised or discontinued index selected by [***], such substitute index to lead in application to the same adjustment result, insofar as possible, as would have been achieved by continuing the use of the original index as it may have fluctuated had it not been revised or discontinued.

Appropriate revision of the formula shall be made to accomplish this result.

5.4 Annulment of Formula

Should the above escalation provisions become null and void by action of the US Government, the Reference Price shall be adjusted due to increases in the costs of labor, and material which have occurred from the period represented by the applicable Reference Composite Price Index to the twelfth (12th) month prior to the Scheduled Delivery Month of the Aircraft.

5.5 Limitations

Should the ratio (CPIn/[***]) be lower than 1.000, Pn will be equal to Pb+F.

B. Pratt & Whitney Price Revision Formula

1. Reference Price of the Propulsion Systems

The Reference Price for a set of two (2) PRATT & WHITNEY 4168A Propulsion Systems is:

USD [***]

(US Dollars — [***])

This Reference Price is subject to adjustment for changes in economic conditions as measured by data obtained from the US Department of Labor, Bureau of Labor Statistics, and in accordance with the provisions of Clauses 4 and 5 of this Exhibit C, Part 2 — B.

2. Reference Period

The above Reference Price has been established in accordance with the economic conditions prevailing in June 2005 as defined, according to PRATT & WHITNEY by the HEb and ICb index values indicated in Clause 4 hereof.

3. Indexes

Labor Index: “Aircraft engines and engine parts” North American Industries Classification System code 336412 − Average hourly earnings (hereinafter referred to as “AHEnaics336412”) as published in “Employment and Earnings” (Establishment Data−Hours and Earnings not seasonally adjusted Table B−15. Average hours and earnings of production or non−supervisory workers on private non−farm payrolls by detailed industry).

Index code for access on the Web site of the US Bureau of Labor Statistics: CEU3133641206.

Material Index : "Industrial Commodities" (hereinafter referred to as "IC") as published in "PPI Detailed report" (found in Table 6: "Producer price indexes and percent changes for commodity groupings and individual items not seasonally adjusted" or such other names that may from time to time be used for the publication title and/or table). (Base Year 1982 = 100).

Index code for access on the Web site of the US Bureau of Labor Statistics: WPU03THRU15.

4. Revision Formula

Pn = (Pb + F) x [([***] x (HEn/HEb)) + ([***] x (ICn/ICb))]

Where :

F : ([***] X N X Pb)
Where N = the calendar year of Delivery of the Aircraft minus 2006

Pn : Revised Reference Price at Aircraft Delivery

Pb : Reference Price at economic conditions June 2005

HEn : [***] for the twelfth (12^{th}) month prior to the month of Aircraft Delivery

HEb : [***] for June 2005 (= [***])

ICn : IC−Index for the twelfth (12^{th}) month prior to the month of Aircraft Delivery

ICb : IC−Index for June 2005 (= [***])

5. General Provisions

5.1 Roundings

(i) Each quotient, HEn/HEb and ICn/ICb, shall be calculated to the nearest ten−thousandth (4 decimals).

(ii) The final factor shall be rounded to the nearest ten−thousandth (4 decimals).

If the next succeeding place is five (5) or more the preceding decimal place shall be raised to the nearest higher figure.

After final computation Pn shall be rounded to the nearest whole number (0.5 rounds to 1).

5.2 Final Index Values

The Revised Reference Price at the date of Aircraft Delivery shall be the final price and shall not be subject to any further adjustments in the indexes. If no final index values are available for any of the applicable months, the then published preliminary figures shall be the basis on which the Revised Reference Price shall be computed.

5.3 Interruption of Index Publication

If the US Department of Labor substantially revises the methodology of calculation or discontinues any of these indexes referred to hereabove, the Seller shall reflect the substitute for the revised or discontinued index selected by [***], such substitute index to lead in application to the same adjustment result, insofar as possible, as would have been achieved by continuing the use of the original index as it may have fluctuated had it not been revised or discontinued. Appropriate revision of the formula shall be made to accomplish this result.

5.4 Annulment of Formula

Should the above escalation provisions become null and void by action of the US Government, the Reference Price shall be adjusted due to increases in the costs of labor and material which have occurred from the period represented by the applicable Reference Price Indexes to the sixth (6^{th}) month prior to the Scheduled Aircraft Delivery Month.

5.5 Limitation

Should the Revised Reference Price be lower than the Reference Price, the final price shall be computed with the Reference Price.

C. Rolls Royce Price Revision Formula

1 Reference Price of the Propulsion Systems

The Reference Price of a set of two (2) Rolls Royce Trent 772 B Propulsion Systems is:

USD [***]

(US Dollars [***])

This Reference Price is subject to adjustment for changes in economic conditions as measured by data obtained from the US Department of Labor, Bureau of Labor Statistics, and in accordance with the provisions of Clause 4 and 5 of Section (C) of this Exhibit C, part 2−C

2 Reference Period

The above Reference Price has been established in accordance with the average economic conditions prevailing in December 1999, January 2000, February 2000 (delivery conditions January 2001), as defined according to ROLLS ROYCE, by the ECIb, MMPb, EPb index values indicated in Clause 4 of this Exhibit C.

3 Indexes

Labor Index: "Employment Cost Index for Workers in Aerospace manufacturing" hereinafter referred to as "ECI336411W", quarterly published by the US Department of Labor, Bureau of Labor Statistics, in "NEWS", and found in: Table 9, "WAGES and SALARIES (not seasonally adjusted): Employment Cost Indexes for Wages and Salaries for private industry workers by industry and occupational group", or such other name that may be from time to time used for the publication title and/or table, (Aircraft manufacturing, NAICS code 336411, base month and year December 2005 = 100).
The quarterly value released for a certain month (March, June, September and December) shall be the one deemed to apply for the two preceding months.
Index code for access on the Web site of the US Bureau of Labor Statistics: CIU2023211000000I.

Material Index: "Metals and metal products" Code 10 (hereinafter referred to as "MMP") as published in "PPI Detailed report" (found in Table 6, "Producer price indexes and percent changes for

commodity groupings and individual items not seasonally adjusted " or such other names that may be from time to time used for the publication title and/or table). (Base Year 1982 = 100).
Index code for access on the Web site of the US Bureau of Labor Statistics: WPU10.

Energy Index: "Fuels and related products and power" Code 5 (hereinafter referred to as "EP") as published in "PPI Detailed report" (found in Table 6, "Producer price indexes and percent changes for commodity groupings and individual items not seasonally adjusted " or such other names that may be from time to time used for the publication title and/or table). (Base Year 1982 = 100).
Index code for access on the Web site of the US Bureau of Labor Statistics: WPU05.

4 **Revision Formula**

Pn = (Pb + F) x [([***] x (ECIn/ECIb)) + ([***] x (MMPn/MMPb)) + ([***] x (EPn/EPb))]

where:

F	:	([***] x N x Pb) where N is the calendar year of Aircraft Delivery minus 2001
Pn	:	Revised Reference Price of a set of two Propulsion Systems at Aircraft Delivery
Pb	:	Reference Price at averaged economic conditions December 1999, January 2000, February 2000
ECIn	:	[***] for 13th, 12th, 11th months averaged prior to the month of Aircraft Delivery
ECIb	:	[***] for December 1999, January 2000, February 2000 averaged (=[***])
MMPn	:	MMP−Index for the 13th, 12th, 11th months averaged prior to the month of Aircraft Delivery
MMPb	:	MMP−Index for December 1999, January 2000, February 2000 averaged (=[***])
EPn	:	EP−Index for the 13th, 12th, 11th months averaged prior to the month of Aircraft Delivery
EPb	:	EP−Index for December 1999, January 2000, February 2000 averaged (=[***])

5 General Provisions

5.1 Roundings

The Labor Index average shall be computed to the third decimal place and Material Index and Energy Index averages shall be computed to the second decimal place.

Each factor ([***] x (ECIn/ECIb)), ([***] x (MMPn/MMPb)), ([***] x (EPn/EPb)) shall be calculated to the nearest ten−thousandth (4 decimals).

If the next succeeding place is five (5) or more the preceding decimal shall be raised to the next higher figure.

After final computation Pn shall be rounded to the nearest whole number (0.5 or more rounded to 1).

5.2 Final Index Values

The revised Reference Price at the date of Aircraft Delivery shall not be subject to any further adjustments in the indexes.

5.3 Interruption of Index Publication

If the US Department of Labor substantially revises the methodology of calculation or discontinues any of the indexes referred to hereabove, the Seller shall reflect the substitute for the revised or discontinued index selected by [***], such substitute index to lead in application to the same adjustment result, insofar as possible, as would have been achieved by continuing the use of the original index as it may have fluctuated had it not been revised or discontinued.

Appropriate revision of the formula shall be made to accomplish this result.

5.4 Annulment of Formula

Should the above escalation provisions become null and void by action of the British Government, the Price shall be adjusted due to increases in the costs of labor, material and fuel which have occurred from the period represented by the applicable Reference Price Indexes to the twelfth (12^{th}) month prior to the Scheduled Delivery Month of the Aircraft.

EXHIBIT D

CERTIFICATE OF ACCEPTANCE

In accordance with the terms of the A330 Aircraft purchase agreement dated [ ] 2006 and made between AerCap Ireland Limited and AIRBUS S.A.S., as amended from time to time (the "**Purchase Agreement**"), the acceptance tests relating to the A330−[ ] aircraft, Manufacturer's Serial Number: [ ], Registration Mark: [ ] (the "**Aircraft**"), have taken place at Blagnac, France or Hamburg, Germany Works on the [ ] day of [ ].

In view of said tests having been carried out with satisfactory results, Buyer hereby approves and accepts the Aircraft as being in conformity with the provisions of the Purchase Agreement.

Such acceptance does not impair the rights that may be derived from the warranties relating to the Aircraft set forth in the Purchase Agreement.

Any right at law or otherwise to revoke this acceptance of the Aircraft is hereby waived.

The [ ] day of [ ]

[Buyer]

By:

Its:

EXHIBIT E

BILL OF SALE

Know all men by these presents that Airbus S.A.S. (the "**Seller**"), "société par actions simplifiée" existing under French law and whose address is 1 rond−point Maurice Bellonte, 31707 Blagnac Cedex, FRANCE, is, this [ ] 200[ ], the owner of the title to the following airframe (the "**Airframe**"), the engines as specified (the "**Engines**") and all appliances, components, parts, instruments, accessories, furnishings, modules and other equipment of any nature, excluding Buyer Furnished Equipment (**"BFE"**), incorporated therein, installed thereon or attached thereto on the date hereof (the "**Parts**"):

AIRFRAME:
ENGINES:

AIRBUS Model A330[−200 / −300] [EM's name] Model [ ]

MANUFACTURER'S SERIAL NUMBER:[ ]

ENGINE SERIAL NUMBERS:
LH: [ ]
RH: [ ]

REGISTRATION MARK: [ ]

and has such title to the BFE as was transferred to the Seller by [ ] by a bill of sale dated [ ] (the "BFE Bill of Sale").

The Airframe, Engines and Parts are hereafter together referred to as the Aircraft (the "**Aircraft**").

The Seller does hereby on this [ ] day of [ ] sell, transfer and deliver all of its above described rights, title and interest to the Aircraft and the BFE to the following company and to its successors and assigns forever, said Aircraft and the BFE to be the property thereof:

[Name of Buyer] **The Buyer**

The Seller hereby warrants to the Buyer, its successors and assigns that it has this day (i) good and lawful right to sell, deliver and transfer title to the Aircraft to the Buyer and that there is hereby conveyed to the Buyer good, legal and valid title to the Aircraft, free and clear of all liens, claims, charges, encumbrances and rights of others and that the Seller will warrant and defend such title forever against all claims and demands whatsoever and (ii) such title to the BFE as the Seller acquired from [ ] pursuant to the BFE Bill of Sale.

This Bill of Sale shall be governed by and construed in accordance with the laws of England.

IN WITNESS WHEREOF, the undersigned has caused this instrument to be executed by its duly authorized representative this _____ day of [ ]
AIRBUS S.A.S.
By: Title:

EXHIBIT F
SERVICE LIFE POLICY

ITEMS OF PRIMARY STRUCTURE

23

SELLER SERVICE LIFE POLICY

1 The Items covered by the Service Life Policy pursuant to Clause 12.2 are those Seller Items of primary and auxiliary structure described hereunder.

2 WINGS − CENTER AND OUTER WING BOX (LEFT AND RIGHT)

2.1 Wing Structure

2.1.1 Spars

2.1.2 Ribs and stringers inside the wing box

2.1.3 Upper and lower wing skin panels of the wing box

2.2 Fittings

2.2.1 Support structure and attachment fittings for the flap structure

2.2.2 Support structure and attachment fitting for the engine pylons

2.2.3 Support structure and attachment fitting for the main landing gear

2.2.4 Support structure and attachment fitting for the center wing box

2.3 Auxiliary Support Structure

2.3.1 For the slats:

2.3.1.1 Ribs supporting the track rollers on wing box structure

2.3.1.2 Ribs supporting the actuators on wing box structure

2.3.2 For the ailerons:

2.3.2.1 Hinge brackets and ribs on wing box rear spar or shroud box

2.3.2.2 Actuator fittings on wing box rear spar or shroud box

2.3.3 For airbrakes, spoilers, lift dumpers:

2.3.3.1 Hinge brackets and ribs on wing box rear spar or shroud box

2.3.3.2 Actuator fittings on wing box rear spar or shroud box

2.4 Pylon

2.4.1 For the Pylon Main Structural Box

2.4.1.1 Spars

2.4.1.2 Ribs

2.4.1.3 Skin, doublers and stiffeners

2.4.1.4 Support structure and attachment fitting for engine supports

3 FUSELAGE

3.1 Fuselage structure

3.1.1 Fore and aft bulkheads

3.1.2 Pressurized floors and bulkheads surrounding the main and nose gear wheel well and center wing box

3.1.3 Skins with doublers, stringers and frames from the forward pressure bulkheads to the frame supporting the rear attachment of horizontal stabilizer

3.1.4 Window and windscreen attachment structure but excluding transparencies

3.1.5 Passenger and cargo doors internal structure

3.1.6 Sills, excluding scuff plates, and upper beams surrounding passenger and cargo door apertures

3.1.7 Cockpit floor structure and passenger cabin floor beams excluding floor panels and seat rails

3.1.8 Keel beam structure

3.2 Fittings

3.2.1 Landing gear support structure and attachment fitting

3.2.2 Support structure and attachment fittings for the vertical and horizontal stabilizers

3.2.3 Support structure and attachment fitting for the APU

4 STABILIZERS

4.1 Horizontal Stabilizer Main Structural Box

4.1.1 Spars

4.1.2 Ribs

4.1.3 Upper and lower skins and stringers

4.1.4 Support structure and attachment fitting to fuselage and trim screw actuator

4.1.5 Elevator support structure

4.1.5.1 Hinge bracket

4.1.5.2 Servocontrol attachment brackets

4.2 Vertical Stabilizer Main Structural Box

4.2.1 Spars

4.2.2 Ribs

4.2.3 Skins and stringers

4.2.4 Support structure and attachment fitting to fuselage

4.2.5 Rudder support structure

4.2.5.1 Hinge brackets

4.2.5.2 Servocontrol attachment brackets

5 EXCLUSIONS

Bearing and roller assemblies, bearing surfaces, bushings, fittings other than those listed above, access and inspection doors, including manhole doors, latching mechanisms, all system components, commercial interior parts, insulation and related installation and connecting devices are excluded from this Seller Service Life Policy.

EXHIBIT G

TECHNICAL DATA INDEX
27

TECHNICAL DATA INDEX

Where applicable data will be established in general compliance with ATA Specification 2200 (iSpec2200), Information Standards for Aviation Maintenance (Revision 2005).

The following index identifies the Technical Data provided in support of the Aircraft.

The explanation of the table is as follows:

NOMENCLATURE — Self−explanatory.

ABBREVIATED DESIGNATION (Abbr) — Self−explanatory.

AVAILABILITY (Avail)

Technical Data can be made available:

- ON−LINE (ON) through the relevant service on Airbus|World, and / or
- OFF−LINE (OFF) through the most suitable means applicable to the size of the concerned document (e.g CD or DVD).

FORMAT (Form)

Following Technical Data formats may be used:

— SGML − Standard Generalized Mark−up Language, which allows further data processing by the Buyer.

— XML − Evolution of the SGML format to cope with WEB technology requirements.

— PDF (PDF) − Portable Document Format allowing data consultation.

— Advanced Consultation Tool − refers to Technical Data Consultation application that offers advanced consultation & navigation functionality

compared to PDF. Both browser software & Technical Data are packaged together.

— P1 / P2 − refers to manuals printed on one side or both sides of the sheet.

— CD−P − refers to CD−Rom including Portable Document Format (PDF) Data.

TYPE

C CUSTOMIZED. Refers to manuals that are applicable to an individual Airbus customer/operator fleet or aircraft.

G GENERIC. Refers to manuals that are applicable for all Airbus aircraft types/models/series.

E ENVELOPE. Refers to manuals that are applicable to a whole group of Airbus customers for a specific aircraft type/model/series.

QUANTITY (Qty) Self−explanatory for physical media.

DELIVERY (Deliv) Delivery refers to scheduled delivery dates and is expressed in either the number of corresponding days prior to first Aircraft delivery, or nil (0) corresponding to the first delivery day.

The number of days indicated shall be rounded up to the next regular revision release date.

NOMENCLATURE	Abbr	Avail	Form	Type	Qty	Deliv	Comments
OPERATIONAL MANUALS AND DATA							
Flight Crew Operating Manual	FCOM	OFF	P2	C	[***]	90	Per crew quantity / Plus one copy per Aircraft at Delivery
	FCOM	OFF	CD−P	C	[***]	90	PDF is fallback solution to paper for on−ground consultation only
	FCOM	ON	PDF	C	N/A	90	
	FCOM	ON	Advanced Consultation Tool	C	N/A	90	FCOM Module including 0EB & TR download & consultation
	FCOM	OFF	Advanced Consultation Tool on CD	C	[***]	90	SGML shall be used to process Buyer's own FCOM for delivery to flight crew
	FCOM	OFF	SGML	C	[***]	90	
Flight Crew Training Manual	FCTM	OFF	CD−P	C	[***]	90	FCTM is a supplement to FCOM / a "Pilot's guide" for use in training and in operations
	FCTM	ON	PDF	C	N/A	90	
	FCTM	OFF	XML	C	[***]	90	XML data for further processing/customization by the Buyer
Cabin Crew Operating Manual	CCOM	OFF	CD−P	C	[***]	90	
		ON	PDF	C	N/A	90	XML data are for further processing by the Buyer
		OFF	XML	C	[***]	90	
Flight Manual	FM	OFF	P2	C	[***]	0	Plus one copy per Aircraft at Delivery
	FM	OFF	CD−P	C	[***]	0	
	FM	ON	PDF	C	N/A	0	

NOMENCLATURE	Abbr	Avail	Form	Type	Qty	Deliv	Comments
OPERATIONAL MANUALS AND DATA							
Master Minimum Equipment List	MMEL	OFF	P2	C	[***]	180	Per crew quantity / Plus one copy per Aircraft at Delivery
	MMEL	OFF	CD−P	C	[***]	180	PDF CD is fallback solution to paper for on−ground consultation only(For Temporary Revisions & OEB's, refer to paper)
	MMEL	ON	PDF	C	N/A	180	
	MMEL	OFF	SGML	C	[***]	180	SGML data, including Parts 1 and 2, for further processing by the Buyer. Part 3 (Maintenance procedures) not covered. Recommended for issue of MEL by using the Starter Pack (for conversion of SGML Data to e.g. Framemaker or MS Word RTF format)
Quick Reference Handbook (if required by Airworthiness Authorities)	QRH	OFF	P2	C	[***]	90	Per crew quantity / Plus one copy per Aircraft at Delivery
Trim Sheet	TS	OFF	WordDoc	C	[***]	0	Office Automation format (.doc) for further processing by the Buyer
Weight and Balance Manual	WBM	OFF	P1	C	[***]	0	Fleet customized WBM for reference in central Library (*) plus one copy per Aircraft at Delivery. For the WBM the flight deck copy is an advance copy only of the customized manual, not subject to revision or updating. Weighing Equipment List delivered two weeks after Aircraft Delivery
	WBM	OFF	CD−P	C	[***]	0	
	WBM	ON	PDF	C	N/A	0	
Performance Engineer's Programs	PEP	ON	Advanced Consultation Tool	C	[***]	90	
	PEP	OFF	Advanced Consultation Tool on CD	C	N/A	90	
Performance Programs Manual	PPM	OFF	Advanced Consultation Tool on CD	C	[***]	90	Included in the PEP CD

NOMENCLATURE	Abbr	Avail	Form	Type	Qty	Deliv	Comments
MAINTENANCE AND ASSOCIATED MANUALS							
AirN@v / Maintenance , including : Aircraft Maintenance Manual	AirN@v	ON	Advanced Consultation Tool	C	N/A	90	
Illustrated Parts Catalog (Airframe) Trouble Shooting Manual Aircraft Schematics Manual Aircraft Wiring Lists Aircraft Wiring Manual Electrical Standard Practices Manual	AirN@v	OFF	Advanced Consultation Tool on DVD	C	[***]	90	
AirN@v / Associated Data Consumable Material List Standards Manual Electrical Standard Practices Material			G				
Technical Follow−up	TFU	OFF	CD−P	E	[***]	90	TFU for Trouble shooting & maintenance, to be used with AirN@v
Aircraft Maintenance Manual	AMM	ON	PDF	C	N/A	90	
	AMM	OFF	CD−P	C	[***]	90	Fallback solution to AirN@v / Maintenance
	AMM	OFF	SGML	C	[***]	90	If selected by the Buyer, SGML format will not be automatically supplied . Effective delivery will only take place upon explicit request from the Buyer (Graphics in TIFF or CGM, to be specified).
Aircraft Schematics Manual	ASM	ON	PDF	C	N/A	90	
	ASM	OFF	CD−P	C	[***]	90	Fallback solution to AirN@v / Maintenance :
	ASM	OFF	SGML	C	[***]	90	If selected by the Buyer, SGML format will not be automatically supplied . Effective delivery will only take place upon explicit request from the Buyer (Graphics in TIFF or CGM, to be specified).

NOMENCLATURE	Abbr	Avail	Form	Type	Qty	Deliv	Comments
MAINTENANCE AND ASSOCIATED MANUALS (Cont'd)							
Aircraft Wiring List	AWL	ON	PDF	C	N/A	90	
	AWL	OFF	CD−P	C	[***]	90	Fallback solution to AirN@v / Maintenance
	AWL	OFF	SGML	C	[***]	90	If selected by the Buyer, SGML format will not be automatically supplied . Effective delivery will only take place upon explicit request from the Buyer (Graphics in TIFF or CGM, to be specified).
Aircraft Wiring Manual	AWM	ON	PDF	C	N/A	90	
	AWM	OFF	CD−P	C	[***]	90	Fallback solution to AirN@v / Maintenance
	AWM	OFF	SGML	C	[***]	90	If selected by the Buyer, SGML format will not be automatically supplied . Effective delivery will only take place upon explicit request from the Buyer (Graphics in TIFF or CGM, to be specified).
Component Location Manual	CLM	ON	PDF	C	N/A	90	
	CLM	OFF	CD−P	C	[***]	90	
Consumable Material List	CML	OFF	SGML	G	[***]	180	If selected by the Buyer, SGML format will not be automatically supplied . Effective delivery will only take place upon explicit request from the Buyer Fallback solution to AirN@v / Associated Data and Maintenance Supplement
			CD−P	C	[***]	90	
Duct Repair Manual	DRM	ON	PDF	G	N/A	90	
	DRM	OFF	CD−P	G	[***]	90	
Ecam System Logic Data	ESLD	ON	PDF	E	N/A	90	
	ESLD	OFF	CD−P	E	[***]	90	

NOMENCLATURE	Abbr	Avail	Form	Type	Qty	Deliv	Comments
MAINTENANCE AND ASSOCIATED MANUALS (Cont'd)							
Electrical Load Analysis	ELA	OFF	PDF/RTF/ Excel	C	[***]	+30	One ELA supplied for each Aircraft, delivered one month after Aircraft Delivery PDF File + Office automation format RTF & Excel file delivered on one single CD for ELA updating by the Buyer
Electrical Standard Practices Manual	ESPM	ON	PDF	G	N/A	90	
	ESPM	OFF	CD−P	G	[***]	90	Fallback solution to AirN@v
	ESPM	OFF	SGML	G	[***]	90	If selected by the Buyer, SGML format will not be automatically supplied Effective delivery will only take place upon explicit request from the Buyer (Graphics format in TIFF or CGM, to be specified).
Electrical Standard Practices booklet	ESP	OFF	P2*	G	[***]	90	*Pocket size format booklets for ground mechanics
Flight Data Recording Parameter Library	FDRPL	OFF	Advanced Consultation Tool on CD	E	[***]	90	
Fuel Pipe Repair Manual	FPRM	ON	PDF	G	N/A	90	
	FPRM	OFF	CD−P	G	[***]	90	
Illustrated Parts Catalog (Airframe)	IPC	ON	PDF	C	N/A	90	
	IPC	OFF	CD−P	C	[***]	90	Fallback solution to AirN@v / Maintenance
	IPC	OFF	SGML	C	[***]	90	If selected by the Buyer, SGML format will not be automatically supplied .Effective delivery will only take place upon explicit request from the Buyer (Graphics in TIFF or CGM, to be specified).
Illustrated Parts Catalog (Powerplant)	PIPC	ON	PDF	C	N/A	90	
	PIPC	OFF	CD−P	C	[***]	90	Provided by the PowerPlant Supplier.

NOMENCLATURE	Abbr	Avail	Form	Type	Qty	Deliv	Comments
MAINTENANCE AND ASSOCIATED MANUALS (Cont'd)							
Maintenance Planning Document	MPD	ON	PDF	E	N/A	360	
	MPD	OFF	CD−P	E	[***]	360	
Maintenance Review Board Report	MRBR	ON	PDF	E	N/A	360	MRB Report document includes the Certification Maintenance Requirements (CMR) and Airworthiness Limitation Items (ALI) documents.
	MRBR	OFF	CD−P	E	[***]	360	
Scheduled Maintenance Data	SMD	ON	PDF	E	NA	360	SMD is the Airbus repository for the Maintenance Review Board Report / MRBR & the Airworthiness Limitation Section / ALS Includes PDF files and Excel tables
	SMD	OFF	CD−P	E	[***]	360	
Illustrated Tool and Equipment Manual Tool and Equipment Index	TEM/TEI	ON	PDF	G	N/A	360	
		OFF	CD−P	G	[***]	360	TEI & TEM are grouped on a single CD
Tool & Equipment Bulletins	TEB	OFF	P2	E	[***]	N/A	
Tool and Equipment Drawings	TED	ON	Advanced Consultation Tool	E	N/A	360	On−line Consultation from Engineering Drawings Service
AirN@v / Engineering , including: Airworthiness Directives / AD Consignes de Navigabilite / CN (French DGAC)	Enginerring Technical Data Service	ON	Advanced Consultation Tool	C	N/A	90	
All Operator Telex / AOT Operator Information Telex / OIT Flight Operator Telex / FOT Modification / MOD Modification Proposal / MP Service Bulletin / SB Service Information Letter / SIL Technical Follow−Up / TFU Vendor Service Bulletin / VSB	AirN@v	OFF	Advanced Consultation Tool on DVD	C	[***]	90	Outstations with no On−Line connection to Airbus|World to be supplied with one DVD set

NOMENCLATURE	Abbr	Avail	Form	Type	Qty	Deliv	Comments
MAINTENANCE AND ASSOCIATED MANUALS (Cont'd)							
Trouble Shooting Manual	TSM	ON	PDF	C	N/A	90	
	TSM	OFF	CD−P	C	[***]	90	Fallback solution to AirN@v / Maintenance
	TSM	OFF	SGML	C	[***]	90	If selected by the Buyer, SGML format will not be automatically supplied .Effective delivery will only take place upon explicit request from the Buyer Graphics in TIFF or CGM format to be specified

NOMENCLATURE	Abbr	Avail	Form	Type	Qty	Deliv	Comments
STRUCTURAL MANUALS							
Nondestructive Testing Manual	NTM	ON	PDF	E	N/A	90	
	NTM	OFF	CD−P	E	[***]	90	
	NSRM	OFF	CD−P	E	[***]	90	
Structural Repair Manual	SRM	ON	PDF	E	N/A	90	
	SRM	OFF	CD−P	E	[***]	90	
	SRM	OFF	SGML	E	[***]	90	If selected by the Buyer, SGML format will be automaticly supplied. Effective delivery will only take place upon explicit request from the Buyer. Graphics in TIFF or CGM to be specified.

NOMENCLATURE	Abbr	Avail	Form	Type	Qty	Deliv	Comments
OVERHAUL DATA							
Component Documentation Status	CDS	OFF	D	C	[***]	180	Revised until 180 days after Aircraft Delivery
Component Evolution List	CEL	ON	PDF	G	N/A	—	
	CEL	OFF	CD−P	G	[***]	—	Delivered as follow−on for CDS.
Component Maintenance Manual—Manufacturer	CMMM	ON	PDF	E	N/A	180	
	CMMM	OFF	CD−P	E	[***]	180	
Component Maintenance Manual—Vendor	CMMV	OFF	CD−P	E	[***]	180	PDF on CD to be provided by Vendors. If more than one Airbus aircraft type in operation with the Buyer, dispatch of the “common” CMMV only
	CMMV	ON	PDF	E	N/A	180	Available from the “Supplier Technical Documentation “ Service in Airbus|World

NOMENCLATURE	Abbr	Avail	Form	Type	Qty	Deliv	Comments
ENGINEERING DOCUMENTS							
Mechanical Drawings Installation and Assembly Drawings (IAD)	MD	ON	Advanced Consultation Tool	C	N/A	0	On−line Consultation from Engineering Drawings Service
Parts Usage (Effectivity)	PU	ON	Advanced Consultation Tool	C	N/A	0	On−line Consultation from Engineering Drawings Service
Parts List	PL	ON	Advanced Consultation Tool	C	N/A	0	On−line Consultation from Engineering Drawings Service
Standards Manual	SM	OFF	SGML	G	[***]	180	If selected by the Buyer, SGML format will not be automatically supplied
			CD−P		[***]		Effective delivery will only take place upon explicit request from the Buyer
Process and Material Specification	PMS	ON	PDF	G	N/A	0	
	PMS	OFF	CD−P	G	[***]	0	

NOMENCLATURE	Abbr	Avail	Form	Type	Qty	Deliv	Comments
MISCELLANEOUS PUBLICATIONS							
Airplane Characteristics for Airport Planning / AC	AMVG	ON	PDF	E	N/A	360	Available On−Line from the Airbus | World
Maintenance Facility Planning / MFP Ground Support Equipment Vendor Information Manual / GSE VIM	AMVG	OFF	CD−P	E	[***]	360	AC, MFP and GSE VIM are grouped on one single CD / Back−up set to On−Line access
ATA 100 Breakdown	ATAB	OFF	CD−P	E	[***]	360	6 Digits ATA 100 Breakdown
C@DETS /Technical Data Training Software	C@DETS	OFF	Advanced Consultation Tool on CD	G	[***]	360	Training Software applicable to major Maintenance , Material , Repair Technical Data and to Maintenance Associated Data
	C@DETS	ON	PDF	G	NA	360	
Aircraft Recovery Manual	ARM	ON	PDF	E	N/A	90	
	ARM	OFF	CD−P	E	[***]	90	
Aircraft Rescue & Firefighting Chart	ARFC	ON	PDF	E	N/A	180	Available On−Line from the Airbus | World
Crash Crew Chart	CCC	OFF	P1	E	[***]	180	
Cargo Loading System Manual	CLS	ON	PDF	E	N/A	180	
	CLS	OFF	CD−P	E	[***]	180	**One CLS per delivered Aircraft**
List of Effective Technical Data	LETD	ON	PDF	C	N/A	90	
List of Applicable Publications (LAP)							
List of Radioactive and Hazardous Elements	LRE	ON	PDF	G	N/A	90	
	LRE	OFF	CD−P	G	[***]	90	
Livestock Transportation Manual	LTM	ON	PDF	E	N/A	90	
	LTM	OFF	CD−P	E	[***]	90	
Service Bulletins	SB	ON	Advanced Consultation Tool	C	N/A	0	Full content available from the Airbus | World / SB Index available from AirN@v / Engineering on DVD
	SB	OFF	CD−P	C	[***]	0	One CD per SB issued and/or revised

NOMENCLATURE	Abbr	Avail	Form	Type	Qty	Deliv	Comments
MISCELLANEOUS PUBLICATIONS							
Supplier Product Support Agreements 2000	SPSA	ON	PDF	G	N/A	360	Based on General Conditions of Purchase (GCP) 2000 issue 5
	SPSA	OFF	CD−P	G	[***]	360	
Transportability Manual	TM	OFF	CD−P	G	[***]	180	
Vendor Information Manual	VIM	ON	Advanced Consultation Tool	G	N/A	360	
	VIM	OFF	Advanced Consultation Tool on CD	G	[***]	360	

EXHIBIT "H"

MATERIAL

SUPPLY AND SERVICES

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1 GENERAL

1.1 This Exhibit defines the terms and conditions for the material support services offered by the Seller to the Buyer in the following areas:

— Initial provisioning of data and material
— Replenishment of material
— Lease of certain Seller Parts

1.1.1 Capitalized terms used herein and not otherwise defined in this Exhibit "H" shall have the same meanings assigned thereto in the Agreement.

1.1.2 References made to Clauses or sub−Clauses shall refer to Clauses or sub−Clauses of this Exhibit "H" unless otherwise specified.

1.2 Scope of Material Support

Material is classified into the following categories (hereinafter referred to as "**Material**"):

(i) Seller Parts (Seller's proprietary Material bearing an official part number of the Seller or Material for which the Seller has the exclusive sales rights);

(ii) Supplier Parts classified as Repairable Line Maintenance Parts in accordance with SPEC 2000;

(iii) Supplier Parts classified as Expendable Line Maintenance Parts in accordance with SPEC 2000;

(iv) Ground Support Equipment and Specific (To Type) Tools.

1.2.1 Certain Seller Parts listed in Appendix A of Clause 6 are available for lease by the Seller to the Buyer.

1.2.2 The Material support to be provided hereunder by the Seller covers items classified as Material in sub−Clauses 1.2 (i) through (iv) both for initial provisioning as described in Clause 2 ("**Initial Provisioning**") and for replenishment as described in Clause 3.

Repairable Line Maintenance Parts as specified in sub−Clauses 1.2 (i) and 1.2 (ii) above having less than [***] flight−hours are considered as new.

1.2.3 Propulsion Systems, nacelles (as applicable), quick engine change kit and thrust reverser (as applicable), accessories and parts, including associated parts, are not covered under this Exhibit "H" and shall be subject to direct agreements between the Buyer and the relevant Propulsion System Manufacturer. The Seller shall use its reasonable efforts to assist the Buyer

in case of any difficulties with availability of Propulsion Systems and associated spare parts.

1.2.4 During a period commencing on the date hereof and continuing for as long as at least [***] covered under this Agreement are operated in commercial air transport service (the "**Term**"), the Seller shall maintain or have maintained such stock of Seller Parts as is deemed reasonable by the Seller and shall furnish at reasonable prices Seller Parts adequate to meet the Buyer's needs for maintenance of the Aircraft.

The Seller shall use its reasonable efforts to obtain a similar service from all Suppliers of parts which are originally installed on the Aircraft and not manufactured by the Seller.

1.3 Airbus Spares Support and Services Headquarter

1.3.1 The Seller has established its Airbus Spares Support Centre in HAMBURG, FEDERAL REPUBLIC OF GERMANY (" **Airbus Spares Support Centre**") and shall maintain or cause to be maintained during the Term a central store of Seller Parts.

1.3.2 The Airbus Spares Support Centre is operated twenty−four (24) hours/day and seven (7) days/week.

1.3.3 The Seller reserves the right to effect deliveries from distribution centres other than Airbus Spares Support Centre or from any designated production or Suppliers' facilities.

For efficient and convenient deliveries, the Seller and its Affiliate companies operate regional satellite stores.

1.4 Agreements of the Buyer

1.4.1 The Buyer agrees to purchase from the Seller or its licensee(s) ("the Licensees") the Seller Parts required for the Buyer's own needs during the Term, provided that the provisions of this Clause 1.4 shall not in any way prevent the Buyer from resorting to the Seller Parts stocks of other operators using the same Aircraft or from purchasing Seller Parts from said operators or from distributors, provided said Seller Parts have been designed by the Seller and manufactured by the Seller or its Licensee(s).

1.4.2 The Buyer may manufacture or have manufactured for its own use without paying any license fee to the Seller parts equivalent to Seller Parts :

1.4.2.1 after expiration of the Term if at such time the Seller Parts are out of stock,

1.4.2.2 at any time, to the extent Seller Parts are needed to effect aircraft on ground ("**AOG**") repairs upon any Aircraft delivered under the Agreement and are not available from the Seller or its Licensees within a lead time shorter than or equal to the time in which the Buyer can procure such Seller Parts, and provided the Buyer shall not sell such Seller Parts,

1.4.2.3 in the event that the Seller fails to fulfil its obligations with respect to any Seller Parts pursuant to Clause 1.2 within a reasonable time after written notice thereof from the Buyer,

1.4.2.4 in those instances where a Seller Part is identified as "Local Manufacture" in the Illustrated Parts Catalog (IPC).

1.4.3.1 The rights granted to the Buyer in Clause 1.4.2 shall not in any way be construed as a license, nor shall they in any way obligate the Buyer to the payment of any license fee or royalty, nor shall they in any way be construed to affect the rights of third parties.

1.4.3.2 Furthermore, in the event of the Buyer manufacturing or having manufactured any parts, subject to the conditions of Clause 1.4.2, such manufacturing and any use made of the manufactured part shall be under the sole liability of the Buyer and the consent given by the Seller shall not be construed as express or implicit approval howsoever either of the Buyer or of the manufactured parts.

It shall further be the Buyer's responsibility to ensure that such manufacturing is performed in accordance with the relevant procedures and Aviation Authority requirements.

1.4.3.3 The Buyer shall allocate or cause to be allocated its own part number to any part manufactured or caused to be manufactured subject to Clause1.4.2 above. The Buyer shall not be allowed to use or cause to be used the Airbus Partnumber of the Seller Part to which such manufactured part is equivalent.

1.4.3.4 Notwithstanding any right provided to the Buyer under Clause 1.4.2, the Buyer shall not be entitled under any circumstances to sell any part manufactured or caused to be manufactured under Clause 1.4.2 to any third party.

2 **INITIAL PROVISIONING**

2.1 Initial Provisioning Period

The **Initial Provisioning Period** is defined as the period up to and expiring on the [***] day after Delivery of the last Aircraft subject to firm order under the Agreement.

2.2 Pre−Provisioning Meeting

2.2.1 The Seller shall organize a pre−provisioning meeting ("**Pre−Provisioning Meeting**") at its Airbus Spares Support Centre for the purpose of formulating an acceptable schedule and working procedure to accomplish the initial provisioning of Material.

2.2.2 The date of the meeting shall be mutually agreed upon, allowing a minimum preparation time of [***] weeks for the Initial Provisioning Conference referred to in Clause 2.4 below.

2.3 Initial Provisioning Training

Upon the request of the Buyer, the Seller can provide Initial Provisioning training for the Buyer's provisioning and purchasing personnel. The following areas shall be covered:

(i) The Seller during the Pre−Provisioning Meeting shall familiarize the Buyer with the provisioning documents.

(ii) The technical function as well as the necessary technical and commercial Initial Provisioning Data shall be explained during the Initial Provisioning Conference.

(iii) A familiarization with the Seller's purchase order administration system shall be conducted during the Initial Provisioning Conference.

2.4 Initial Provisioning Conference

The Seller shall organize an Initial Provisioning conference ("**Initial Provisioning Conference**") at the Airbus Spares Support Centre, including participation of major Suppliers as mutually agreed upon during the Pre−Provisioning Meeting.

Such conference shall not take place earlier than [***] weeks after Manufacturer Serial Number allocation, Buyer Furnished Equipment selection or Contractual Definition Freeze, whichever is the latest

2.5 Seller−Supplied Data

The Seller shall prepare and supply to the Buyer the data set forth hereunder.

2.5.1 **Initial Provisioning Data**

Initial Provisioning data elements generally in accordance with SPEC 2000, Chapter 1, ("**Initial Provisioning Data**") shall be supplied by the Seller to the Buyer in a form, format and a time−scale to be mutually agreed upon during the Pre−Provisioning Meeting.

2.5.1.1 Revision service shall be provided every [***] days, up to the end of the Initial Provisioning Period.

2.5.1.2 In any event, the Seller shall ensure that Initial Provisioning Data is released to the Buyer in due time to give the Buyer sufficient time to perform any necessary evaluation and allow the on−time delivery of any ordered Material.

2.5.2 **Supplementary Data**

The Seller shall provide the Buyer with supplementary data to the Initial Provisioning Data, including Local Manufacture Tables (X−File) and Ground Support Equipment and Specific (To−Type) Tools (W−File) in accordance with SPEC 2000, Chapter 1.

2.5.3 **Data for Standard Hardware**

The Initial Provisioning Data provided to the Buyer shall include data for hardware and standard material.

2.6 Supplier−Supplied Data

2.6.1 **General**

The Seller shall obtain from Suppliers agreements to prepare and issue for their own products as per Clause 1.2 (ii) repair/overhaul Initial Provisioning Data in the English language, for those components for which the Buyer has elected to receive data.

Said data (initial issue and revisions) shall be transmitted to the Buyer through the Suppliers and/or the Seller. The Seller shall not be responsible for the substance of such data.

In any event, the Seller shall exert its reasonable efforts to supply such Data to the Buyer in due time to give the Buyer sufficient time to perform any necessary evaluation and allow on−time deliveries.

2.6.2 **Initial Provisioning Data**

Initial Provisioning Data elements for Supplier Parts as per sub−Clause 1.2 (ii) generally in accordance with SPEC 2000, Chapter 1, shall be furnished as mutually agreed upon during a Pre−Provisioning Meeting with revision service assured up to the end of the Initial Provisioning period.

2.7 Initial Provisioning Data Compliance

2.7.1 Initial Provisioning Data generated by the Seller and supplied to the Buyer shall comply with the latest configuration of the Aircraft to which such data relate as known [***] months before the date of issue. Said data shall enable the Buyer to order Material conforming to its Aircraft as required for maintenance and overhaul.

This provision shall not cover:

— Buyer modifications not known to the Seller,
— modifications not agreed to by the Seller.

2.8 Commercial Offer

2.8.1 At the end of the Initial Provisioning Conference, the Seller shall, at the Buyer's request, submit a commercial offer for all Material as defined in Clauses 1.2 (i) thru 1.2 (iv) mutually agreed as being Initial Provisioning based on the Seller's sales prices valid at the time of finalization of the Initial Provisioning Conference. This commercial offer shall be valid for a period to be mutually agreed upon, irrespective of any price changes for Seller Parts during this period, except for significant error and/or price alterations due to part number changes and/or Supplier price changes.

2.8.2 During the Initial Provisioning Period the Seller shall supply Material, as defined in Clause 1.2 and ordered from the Seller, which shall be in conformity with the configuration standard of the concerned Aircraft and with the Initial Provisioning Data transmitted by the Seller.

2.8.3 The Seller shall in addition use its reasonable efforts to cause Suppliers to provide a similar service for their items.

2.9 Delivery of Initial Provisioning Material

2.9.1 To cover the requirements in Material for entry into service of the Aircraft, the Seller shall use its reasonable efforts to deliver Material ordered during the Initial Provisioning Period against the Buyer's orders and according to a mutually agreed schedule. Such deliveries shall cover the Material requirements in line with the Aircraft fleet build up, only up to that portion of the ordered quantity that is recommended for the number of Aircraft operated during the Initial Provisioning Period.

The Seller shall in addition use its reasonable efforts to cause Suppliers to provide to the Buyer a similar service for their items.

2.9.2 The Buyer may, subject to the Seller's agreement, cancel or modify Initial Provisioning orders placed with the Seller, with no cancellation charge, not later than the quoted lead−time before scheduled delivery of said Material.

2.9.3 In the event of the Buyer cancelling or modifying (without any liability of the Seller for the cancellation or modification) any orders for Material outside the time limits defined in Clause 2.9.2, the Buyer shall reimburse the Seller for any costs incurred in connection therewith.

2.9.4 All transportation costs for the return of Material under this Clause 2, including any insurance, customs and duties applicable or other related expenditures, shall be borne by the Buyer.

2.10 Initial Provisioning Data for Exercised Options

2.10.1 All Aircraft for which the Buyer exercises its option shall be included into the revision of the provisioning data that is issued after execution of the relevant amendment to the Agreement if such revision is not scheduled to be issued within four (4) weeks from the date of execution. If the execution date does not allow four (4) weeks preparation time for the Seller, the concerned Aircraft shall be included in the subsequent revision as may be mutually agreed upon.

2.10.2 The Seller shall, from the date of execution of the relevant amendment to the Agreement until three (3) months after Delivery of each Aircraft, submit to the Buyer details of particular Supplier components being installed on each Aircraft, with recommendations regarding order quantity. A list of such components shall be supplied at the time of the provisioning data revision as specified above.

2.10.3 The data concerning Material shall at the time of each Aircraft Delivery at least cover such Aircraft's technical configuration as it existed six (6) months prior to Aircraft Delivery and shall be updated to reflect the final status of the concerned Aircraft once manufactured. Such update shall be included in the data revisions issued three (3) months after Delivery of such Aircraft.

3 REPLENISHMENT AND DELIVERY

3.1 General

Buyer's purchase orders are administered in accordance with SPEC 2000, Chapter 3.

For the purpose of clarification it is expressly stated that the provisions of Clause 3.2 do not apply to Initial Provisioning Data and Material as described in Clause 2.

3.2 Lead times

In general, lead times are in accordance with the provisions of the "World Airlines and Suppliers' Guide" (Latest Edition).

3.2.1 Seller Parts as per sub−Clause 1.2 (i) listed in the Seller's Spare Parts Price Catalog can be dispatched within the lead times defined in the Spare Parts Price Catalog.

Lead times for Seller Parts, which are not published in the Seller's Spare Parts Price Catalog, are quoted upon request.

3.2.2 Material of sub−Clauses 1.2 (ii) thru 1.2 (iv) can be dispatched within the Supplier's lead−time augmented by the Seller's own order and delivery processing time.

3.2.3 **Expedite Service**

The Seller shall provide a [***] hours−a−day, [***] days−a−week expedite service to provide for the supply of the relevant Seller Parts available in the Seller's stock, workshops and assembly line including long lead time spare parts, to the international airport nearest to the location of such part **("Expedite Service").**

3.2.3.1 The Expedite Service is operated in accordance with the "World Airlines and Suppliers' Guide", and the Seller shall notify the Buyer of the action taken to satisfy the expedite within:

— [***] hours after receipt of an AOG Order,
— [***] hours after receipt of a Critical Order (imminent AOG or work stoppage),
— [***] days after receipt of an Expedite Order from the Buyer.

3.2.3.2 The Seller shall deliver Seller Parts requested on an Expedite basis against normal orders placed by the Buyer, or upon telephone or telex requests by the Buyer's representatives. Such telephone or telex requests

shall be confirmed by subsequent Buyer's orders for such Seller Parts within a reasonable time.

3.3 Delivery Status

The Seller shall make available to the Buyer on the Airbus Spares Portal the status of supplies against orders.

3.4 Excusable Delay

Clause 10.1 of the Agreement shall apply to the Material support.

3.5 Shortages, Overshipments, Non−Conformity in Orders

3.5.1 The Buyer shall immediately and not later than [***] days after receipt of Material delivered pursuant to a purchase order advise the Seller:

a) of any alleged shortages or overshipments with respect to such order,

b) of all non−conformities to specification of parts in such order subjected to inspections by the Buyer.

In the event of the Buyer not having advised the Seller of any such alleged shortages, overshipments or non−conformity within the above defined period, the Buyer shall be deemed to have accepted the deliveries.

3.5.2 In the event of the Buyer reporting overshipments or non−conformity to the specifications within the period defined in Clause 3.5.1 the Seller shall, if the Seller accepts such overshipment or non−conformity, either replace the concerned Material or credit the Buyer for the returned Material. In such case, transportation costs shall be borne by the Seller.

The Buyer shall endeavour to minimize such costs, particularly through the use of its own airfreight system for transportation at no charge to the Seller.

3.6 Packaging

All Material shall be packaged in accordance with ATA 300 Specification, Category III for consumable/expendable material and Category II for rotables. Category I containers shall be used if requested by the Buyer and the difference between Category I and Category II packaging costs shall be paid by the Buyer together with payment for the respective Material.

3.7 Cessation of Deliveries

The Seller reserves the right to restrict, stop or otherwise suspend deliveries if the Buyer fails to meet its obligations defined in Clauses 4.2 thru 4.4.

4 COMMERCIAL CONDITIONS

4.1 Price

4.1.1 The Material prices shall be :

— Free Carrier (FCA) the Airbus Spares Support Centre for deliveries from the Airbus Spares Support −−Centre.

— Free Carrier (FCA) place specified by the Seller for deliveries from other Seller or Supplier facilities as the term Free Carrier (FCA) is defined by the publication N° 560 of the International Chamber of Commerce published in January 2000.

4.1.2 Prices shall be the Seller's sales prices in effect on the date of receipt of the order (subject to reasonable quantities and delivery time) and shall be expressed in US−Dollars.

4.1.3 Prices of Seller Parts shall be in accordance with the current Seller's Spare Parts Price Catalog. Prices shall be firm for each calendar year. The Seller, however, reserves the right to revise the prices of said parts during the course of the calendar year in the following cases:

— significant revision in manufacturing costs,

— significant revision in manufacturer's purchase price of parts or materials (including significant variation of exchange rates),

— significant error in estimation or expression of any price.

4.1.4 Prices of Material as defined in sub−Clauses 1.2 (ii) thru 1.2 (iv) shall be the valid list prices of the Supplier augmented by the Seller's handling charge. The percentage of the handling charge shall vary with the Material's value and shall be determined item by item.

4.2 Payment Procedures and Conditions

4.2.1 Payment shall be made in immediately available funds in the quoted currency. In case of payment in any other free convertible currency, the exchange rate valid on the day of actual money transfer shall be applied for conversion.

4.2.2 Payment shall be made by the Buyer to the Seller within thirty [***] from date of the invoice to the effect that the value date of the credit to the Seller's account of the payment falls within this [***] period.

4.2.3 The Buyer shall make all payments hereunder to the Seller's account with:

VEREINS & WESTBANK AG − 20457 Hamburg − Germany

Account: [***]

Swift Address: VUWB DE HH,
using international IBAN Code: DE[***]

or as otherwise directed by the Seller.

4.2.4 All payments due to the Seller hereunder shall be made in full without deduction or withholding of any kind. Consequently, the Buyer shall procure that the sums received by the Seller under this Exhibit "H" shall be equal to the full amounts expressed to be due to the Seller hereunder, without deduction or withholding on account of and free from any and all taxes, levies, imposts, dues or charges of whatever nature except that if the Buyer is compelled by law to make any such deduction or withholding the Buyer shall pay such additional amounts as may be necessary in order that the net amount received by the Seller after such deduction or withholding shall equal the amounts which would have been received in the absence of such deduction or withholding. If the Seller receives a refund of any amount with respect to which the Buyer has paid an additional amount as described above the Seller shall pay to the Buyer, as soon as practicable after the refund has been made (but not before the Buyer has made all payments to the Seller required under this Clause), an amount equal to such refund, provided that after such payment the Seller shall be in no worse position in respect of its overall tax position than it would have been if no such payment had been made.

4.2.5 If any payment due to the Seller is not received in accordance with the timescale provided in Clause 4.2.2, without prejudice to the Seller's other rights under this Exhibit "H", the Seller shall be entitled to interest for late payment calculated on the amount due from and including the date falling three (3) Working Days after due date of payment up to and including the date when the payment is received by the Seller at a rate equal to the London Interbank Offered Rate (LIBOR) for [***] months deposits in US Dollars (as published in the Financial Times on the due date) plus [***] per year (part year to be prorated).

4.3 Title

Title to any Material purchased under this Exhibit "H" remains with the Seller until full payment of the invoices and any interest thereon has been received by the Seller.

The Buyer shall undertake that Material, title to which has not passed to the Buyer, shall be kept free from any debenture or mortgage or any similar charge or claim in favour of any third party.

4.5 Buy−Back

4.5.1 **Buy−Back of Obsolete Material**

The Seller agrees to buy back unused Seller Parts which may become obsolete before Delivery of the first Aircraft to the Buyer as a result of mandatory modifications required by the Buyer's or the Seller's Aviation Authorities, subject to the following:

4.5.1.1 The Seller Parts involved shall be those, which the Buyer is directed by the Seller to scrap or dispose of and which cannot be reworked or repaired to satisfy the revised standard.

4.5.1.2 The Seller shall credit to the Buyer the purchase price paid by the Buyer for any such obsolete parts, provided that the Seller's liability in this respect does not extend to quantities in excess of the Seller's Initial Provisioning recommendation.

4.5.1.3 The Seller shall use its reasonable efforts to obtain for the Buyer the same protection from Suppliers.

4.5.2 **Buy−Back of Initial Provisioning Surplus Material**

4.5.2.1 The Seller agrees that at any time after [***] and within [***] years after Delivery of the first Aircraft to the Buyer, the Buyer shall have the right to return to the Seller, at a credit of [***] of the original purchase price paid by the Buyer, unused and undamaged Material as per sub−Clause 1.2 (i) and at a credit of [***] of the original Supplier list price, unused and undamaged Material as per sub−Clause 1.2 (ii) originally purchased from the Seller under the terms hereof, provided that the selected protection level does not exceed [***] with a transit time of [***] days and said Material was recommended for the Buyer's purchase in the Seller's Initial Provisioning recommendations to the Buyer and does not exceed the provisioning quantities recommended by the Seller, and is not shelflife limited, or does not contain any shelflife limited components with less than [***] shelflife remaining when returned to the Seller and provided that the Material is returned with the Seller's original documentation (tag, certificates).

4.5.2.2 In the event of the Buyer electing to procure Material in excess of the Seller's recommendation, the Buyer shall notify the Seller thereof in writing, with due reference to the present Clause. The Seller's agreement in writing is necessary before any Material in excess of the Seller's recommendation shall be considered for buy−back.

4.5.2.3 It is expressly understood and agreed that the rights granted to the Buyer under this Clause 4.5.2 shall not apply to Material which may become surplus to requirements due to obsolescence at any time or for any reason other than those set forth in Clause 4.5.1 above.

4.5.2.4 Further, it is expressly understood and agreed that all credits described in this Clause 4.5.2 shall be provided by the Seller to the Buyer exclusively by means of credit notes to be entered into the Buyer's spares account with the Seller.

4.5.3 All transportation costs for the return of obsolete or surplus Material under this Clause 4, including any insurance and customs duties applicable or other related expenditures, shall be borne by the Buyer.

4.6 Inventory Usage Data

The Buyer undertakes to provide periodically to the Seller a quantitative list of the parts used for maintenance and overhaul of the Aircraft. The range and contents of this list shall be established according to SPEC 2000, Chapter 5, or as mutually agreed between the Seller and the Buyer.

5. WARRANTIES

5.1 Seller Parts

Subject to the limitations and conditions as hereinafter provided, the Seller warrants to the Buyer that all Seller Parts in sub−Clause 1.2 (i) shall at delivery to the Buyer:

(i) be free from defects in material,

(ii) be free from defects in workmanship, including without limitation processes of manufacture,

(iii) be free from defects arising from failure to conform to the applicable specification for such part.

5.2 Warranty Period

5.2.1 The standard warranty period for new Seller Parts is [***] months after delivery of such parts to the Buyer.

5.2.2 The standard warranty period for used Seller Parts delivered by and/or repaired, modified, overhauled or exchanged by the Seller is [***] months after delivery of such parts to the Buyer.

5.3 Buyer's Remedy and Seller's Obligation

The Buyer's remedy and Seller's obligation and liability under this Clause 5 are limited to the repair, replacement or correction, at the Seller's expense and option, of any Seller Part which is defective.

The Seller may equally at its option furnish a credit to the Buyer for the future purchase of Seller Parts equal to the price at which the Buyer is then entitled to acquire a replacement for the defective Seller Parts.

The provisions of Clauses 12.1.5 thru 12.1.10 of the Agreement shall apply to this Clause 5 of this Exhibit "H".

5.4 Waiver, Release and Renunciation

THE WARRANTIES, OBLIGATIONS AND LIABILITIES OF THE SELLER AND/OR ITS SUPPLIERS AND REMEDIES OF THE BUYER SET FORTH IN THIS CLAUSE 5 ARE EXCLUSIVE AND IN SUBSTITUTION FOR, AND THE BUYER HEREBY WAIVES, RELEASES AND RENOUNCES, ALL OTHER WARRANTIES, OBLIGATIONS AND LIABILITIES OF THE SELLER AND/OR ITS SUPPLIERS AND RIGHTS, CLAIMS AND REMEDIES OF THE BUYER AGAINST THE SELLER, ITS SUPPLIERS AND/OR THEIR INSURERS EXPRESS OR IMPLIED, ARISING BY LAW OR OTHERWISE WITH RESPECT TO ANY NON−CONFORMITY OR DEFECT IN ANY MATERIAL DELIVERED UNDER THIS AGREEMENT INCLUDING BUT NOT LIMITED TO:

(A) ANY WARRANTY AGAINST HIDDEN DEFECTS;

(B) ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS;

(C) ANY IMPLIED WARRANTY ARISING FROM COURSE OF PERFORMANCE, COURSE OF DEALING OR USAGE OF TRADE;

(D) ANY OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY, WHETHER CONTRACTUAL OR DELICTUAL AND WHETHER OR NOT ARISING FROM THE SELLER'S AND/OR ITS SUPPLIERS' NEGLIGENCE, ACTUAL OR IMPUTED; AND

(E) ANY OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY FOR LOSS OR DAMAGE TO ANY AIRCRAFT, COMPONENT, EQUIPMENT, ACCESSORY OR PART THEREOF OR MATERIAL DELIVERED HEREUNDER.

THE SELLER AND/OR ITS SUPPLIERS SHALL HAVE NO OBLIGATION OR LIABILITY, HOWSOEVER ARISING, FOR LOSS OF USE, REVENUE OR PROFIT OR FOR ANY OTHER DIRECT, INCIDENTAL, OR CONSEQUENTIAL DAMAGES WITH RESPECT TO ANY NON−CONFORMITY OR DEFECT IN ANY MATERIAL DELIVERED UNDER THIS AGREEMENT.

FOR THE PURPOSES OF THIS CLAUSE 5.4, THE "SELLER" SHALL INCLUDE THE SELLER AND ITS AFFILIATES.

NOTHING IN THIS CLAUSE 5.4 SHALL CONSTITUE A WAIVER, RELEASE OR RENUNCIATION BY THE BUYER OR ANY AFFILIATE OF THE BUYER OF ANY EXPRESS OBLIGATIONS OR LIABILITIES OWED BY ANY SUPPLIER OR ANY AFFILIATE OF THE SELLER TO THE BUYER OR ITS AFFILIATE PURSUANT TO ANY AGREEMENT BETWEEN SUCH SUPPLIER OR AFFILIATE OF THE SELLER AND THE BUYER OR ITS AFFILIATE.

THE PROVISIONS OF THIS CLAUSE 5.4 SHALL BE WITHOUT PREJUDICE TO THE PROVISIONS OF CLAUSES 14.9 AND CLAUSE 14.11 OF THIS AGREEMENT, CLAUSE 6.9.6 OF THIS EXHIBIT H, CLAUSE 11 OF ANY SOFTWARE LICENCE AND CLAUSE 8.2 OF ANY

CBT LICENCE AND THE OBLIGATIONS OF THE SELLER EXPRESSLY PRESERVED THEREUNDER;

6 SELLER PARTS LEASING

6.1 General

The terms and conditions of this Clause 6 shall apply for the leasing of Seller Parts listed in Appendix A to this Clause 6, hereinafter "**Leased Parts**" or a "**Leased Part**", and shall form a part of each lease of Seller Parts by the Buyer from the Seller.

6.1.1 The terms and conditions of this Clause 6 shall prevail over all other terms and conditions appearing on any order form or other document pertaining to Leased Parts. The Seller's current proprietary parts Repair Guide shall be provided to the Buyer and shall be used, along with this Agreement, as the basis for Seller Parts lease transactions between the Buyer and the Seller. In case of discrepancy, this Agreement shall prevail.

6.1.2 For the purposes of this Clause 6, the term "**Lessor**" refers to the Seller and the term "**Lessee**" refers to the Buyer.

6.1.3 Parts not included in Appendix A to this Clause 6 shall be the subject of a separate lease agreement supplied by the Seller at the Buyer's request.

6.2 Leasing Procedure

Upon the Lessee's request by telephone (to be confirmed promptly in writing), facsimile, cable, SITA, letter or other written instrument, the Lessor shall lease such Leased Parts, which shall be made available in accordance with Clause 3.2.3 for the purpose of being substituted for a part removed from an Aircraft for repair or overhaul. Each lease of Leased Parts shall be evidenced by a lease document (hereinafter "**Lease**") issued by the Lessor to the Lessee not later than [***] days after delivery of the Leased Part.

6.3 Lease Period

6.3.1 The total term of the Lease (hereinafter "**Lease Period**") shall be counted from inclusively the day the Leased Part is delivered Free Carrier (FCA) up to inclusively the day of receipt of the Leased Part back at the Lessor or at any other address indicated by the Lessor.

6.3.2 If a Leased Part is not returned by the Lessee within [***] days, the Lease shall be converted into a sale. Should the Lessee not return the Leased Part to the Lessor within [***] days and if the Lessor so elects, by giving

prompt written notice to the Lessee, such non return shall be deemed to be an election by the Lessee to purchase the Leased Part and, upon the happening of such event, the Lessee shall pay the Lessor all amounts due under Clauses 6.4 and 6.8 for the Leased Part for the Lease Period of [***] days plus the current sales price of the Leased Part at the moment of the conversion of the Lease.

6.3.3 Notwithstanding the foregoing, the Lease Period shall end in the event of, and upon the date that, the Lessee acquiring title to a Leased Part as a result of exercise of the Lessee's option to purchase the Leased Part, as provided for herein.

6.3.4 The chargeable period to lease a part is a minimum of [***] days. If the shipment of the Leased Part has been arranged and the Lessee cancels the lease order, the minimum chargeable period of [***] days shall apply.

6.4 Lease Charges and Taxes

The Lessee shall pay the Lessor:

(i) a Lease fee per day of the Lease Period amounting to [***] of the part's sales price as set forth in the Seller's Spare Parts Price Catalog in effect on the date of the commencement of the Lease Period;

(ii) any reasonable additional costs which may be incurred by the Lessor as a direct result of such Lease, such as recertification, inspection, test, repair, overhaul, removal of paint and/or repackaging costs as required to place the Leased Part in a satisfactory condition for lease to a subsequent customer;

(iii) all transportation and insurance charges; and

(iv) any taxes, charges or custom duties imposed upon the Lessor or its property as a result of the Lease, sale, delivery, storage or transfer of any Leased Part. All payments due hereunder shall be made in accordance with Clause 4.

6.5 Risk of Loss, Maintenance, Storing and Repair of the Leased Part

(i) The Lessee shall be liable for maintaining and storing the Leased Part in accordance with all applicable rules of the relevant aviation authorities and the technical documentation and other instructions issued by the Lessor.

(ii) Except for normal wear and tear, each Leased Part shall be returned to the Lessor in the same condition as when delivered to the Lessee.

(iii) The Leased Part shall be repaired solely at repair stations approved by the Lessor. If during the Lease Period any inspection, maintenance, rework and/or repair is carried out to maintain the Leased Part serviceable, in accordance with the standards of the Lessor, the Lessee shall provide details and documentation about the scope of the work performed, including respective inspection, work and test reports.

(iv) All documentation shall include, but not be limited to, evidence of incidents such as hard landings, abnormalities of operation and corrective action taken by the Lessee as a result of such incidents.

(v) The Leased Part must not be lent to a third party.

(vi) Risk of loss or damage to each Leased Part shall remain with the Lessee until such Leased Part is redelivered to the Lessor at the return location specified in the applicable Lease. If a Leased Part is lost, damaged beyond economical repair or damaged unrepairable, the Lessee shall be deemed to have exercised its option to purchase said Leased Part in accordance with Clause 6.8 as of the date of such loss or damage.

6.6 Title

Title to each Leased Part shall remain with the Lessor at all times unless the Lessee exercises its option to purchase in accordance with Clause 6.8, in which case title shall pass to the Lessee upon receipt by the Lessor of the payment for the purchased Leased Part.

6.7 Return of Leased Part

6.7.1 The Lessee shall return the Leased Part at the end of the Lease Period to the address indicated on the individual lease document provided by the Lessor at the start of each Lease transaction.

6.7.2 The return shipping document shall indicate the reference of the Lease document and the removal data, such as:

(i) aircraft manufacturer serial number

(ii) removal date

(iii) total flight hours and flight cycles for the period the Leased Part was installed on the aircraft

(iv) documentation in accordance with Clause 6.5.

If the Lessee cannot provide the above mentioned data and documentation for the Leased Part to be returned from Lease, lease charges of [***] of the

Lessor's current sales price for a new part plus [***] of the accumulated Lease fees shall be invoiced. According to the Lessor's quality standards, parts are not serviceable without the maintenance history data outlined above and have to be scrapped on site.

6.7.3 The unserviceable or serviceable tag issued by the Lessee and the original Lessor certification documents must be attached to the Leased Part.

6.7.4 Except for normal wear and tear, each Leased Part shall be returned to the Lessor in the same condition as when delivered to the Lessee. The Leased Part shall be returned with the same painting as when delivered (Airbus grey or primary paint). If the Lessee is not in a position to return the Leased Part in the same serviceable condition, the Lessee has to contact the Lessor for instructions.

6.7.5 The Leased Part is to be returned in the same shipping container as that delivered by the Lessor. The container must be in a serviceable condition, normal wear and tear excepted.

6.7.6 The return of an equivalent part different from the Leased Part delivered by the Lessor is not allowed without previous written agreement of the Lessor.

6.8 Option to Purchase

6.8.1 The Lessee may at its option, exercisable by written notice given to the Lessor during the Lease Period, elect to purchase the Leased Part, in which case the then current sales price for such Leased Part as set forth in the Seller's Spare Parts Price Catalog shall be paid by the Lessee to the Lessor. Should the Lessee exercise such option, [***] of the Lease rental charges due pursuant to sub−Clause 6.4 (i) shall be credited to the Lessee against said purchase price of the Leased Part.

6.8.2 In the event of purchase, the Leased Part shall be warranted in accordance with Clause 5 as though such Leased Part were a Seller Part, but the warranty period shall be deemed to have commenced on the date such part was first installed on any Aircraft; provided, however, that in no event shall such warranty period be less than [***] months from the date of purchase of such Leased Part. A warranty granted under this Clause 6.8.2 shall be in substitution for the warranty granted under Clause 6.9 at the commencement of the Lease Period.

6.9 Warranties

6.9.1 The Lessor warrants that each Leased Part shall at the time of delivery be free from defects in material and workmanship which could materially impair the utility of the Leased Part.

6.9.2 **Warranty and Notice Periods**

The Lessee's remedy and the Lessor's obligation and liability under this Clause 6.9, with respect to each defect, are conditioned upon:

(i) the defect having become apparent to the Lessee within the Lease Period, and

(ii) the return by the Lessee as soon as practicable to the return location specified in the applicable Lease, or such other place as may be mutually agreed upon, of the Leased Part claimed to be defective, and

(iii) the Lessor's warranty administrator having received written notice of the defect from the Lessee within [***] days after the defect becomes apparent to the Lessee, with reasonable proof that the claimed defect is due to a matter embraced within the Lessor's warranty under this Clause 6.9 and that such defect did not result from any act or omission of the Lessee, including but not limited to any failure to operate or maintain the Leased Part claimed to be defective or the Aircraft in which it was installed in accordance with applicable governmental regulations and the Lessor's applicable written instructions.

6.9.3 **Remedies**

The Lessee's remedy and the Lessor's obligation and liability under this Clause 6.9 with respect to each defect are limited to the repair of such defect in the Leased Part in which the defect appears, or, as mutually agreed, to the replacement of such Leased Part with a similar part free from defect.

Any replacement part furnished under this Clause 6.9.3 shall be deemed to be the Leased Part so replaced.

6.9.4 **Suspension and Transportation Costs**

6.9.4.1 If a Leased Part is found to be defective and covered by this warranty, the Lease Period and the Lessee's obligation to pay rental charges as provided for in sub−Clause 6.4 (i) shall be suspended from the date on which the Lessee notifies the Lessor of such defect until the date upon which the Lessor has repaired, corrected or replaced the defective Leased Part, provided, however, that the Lessee has, promptly after giving such notice to the Lessor, withdrawn such defective Leased Part from use. If the

defective Leased Part is replaced, such replaced part shall be deemed to no longer be a Leased Part under the Lease as of the date upon which such part was received by the Lessor at the return location specified in the applicable Lease.

If a Leased Part is found to be defective upon first use by the Lessee and is covered by this warranty, no rental charges as provided in sub−Clause 6.4 (i) shall accrue and be payable by the Lessee until the date on which the Lessor has repaired, corrected or replaced the defective Leased Part.

6.9.4.2 All transportation and insurance costs of returning the defective Leased Part and returning the repaired, corrected or replacement part to the Lessee shall be borne by the Lessor.

6.9.5 **Wear and Tear**

Normal wear and tear and the need for regular maintenance and overhaul shall not constitute a defect or non−conformance under this Clause 6.9.

6.9.6 **Waiver, Release and Renunciation**

THE WARRANTIES, OBLIGATIONS AND LIABILITIES OF THE LESSOR AND/OR ITS SUPPLIERS AND REMEDIES OF THE LESSEE SET FORTH IN THIS CLAUSE 6 ARE EXCLUSIVE AND IN SUBSTITUTION FOR, AND THE LESSEE HEREBY WAIVES, RELEASES AND RENOUNCES, ALL OTHER WARRANTIES, OBLIGATIONS AND LIABILITIES OF THE LESSOR AND/OR ITS SUPPLIERS AND RIGHTS, CLAIMS AND REMEDIES OF THE LESSEE AGAINST THE LESSOR, ITS SUPPLIERS AND/OR THEIR INSURERS EXPRESS OR IMPLIED, ARISING BY LAW OR OTHERWISE WITH RESPECT TO ANY NON−CONFORMITY OR DEFECT IN ANY LEASED PART DELIVERED UNDER THESE LEASING CONDITIONS INCLUDING BUT NOT LIMITED TO:

(A) ANY WARRANTY AGAINST HIDDEN DEFECTS;

(B) ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS;

(C) ANY IMPLIED WARRANTY ARISING FROM COURSE OF PERFORMANCE, COURSE OF DEALING OR USAGE OF TRADE;

(D) ANY OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY, WHETHER CONTRACTUAL OR DELICTUAL AND WHETHER OR NOT ARISING FROM THE LESSOR'S OR ITS SUPPLIERS' NEGLIGENCE, ACTUAL OR IMPUTED; AND

(E) ANY OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY FOR LOSS OR DAMAGE TO ANY AIRCRAFT, COMPONENT, EQUIPMENT, ACCESSORY OR PART THEREOF OR ANY LEASED PART DELIVERED HEREUNDER.

THE LESSOR AND/OR ITS SUPPLIERS SHALL HAVE NO OBLIGATION OR LIABILITY, HOWSOEVER ARISING, FOR LOSS OF USE, REVENUE OR PROFIT OR FOR ANY OTHER DIRECT, INCIDENTAL, OR CONSEQUENTIAL DAMAGES WITH RESPECT TO ANY NON−CONFORMITY OR DEFECT IN ANY LEASED PART DELIVERED UNDER THESE LEASING CONDITIONS.

FOR THE PURPOSES OF THIS CLAUSE 6.9.6, “THE LESSOR” SHALL INCLUDE THE LESSOR AND ITS AFFILIATES.

NOTHING IN THIS CLAUSE 6.9.6 SHALL CONSTITUE A WAIVER, RELEASE OR RENUNCIATION BY THE BUYER OR ANY AFFILIATE OF THE BUYER OF ANY EXPRESS OBLIGATIONS OR LIABILITIES OWED BY ANY SUPPLIER OR ANY AFFILIATE OF THE SELLER TO THE BUYER OR ITS AFFILIATE PURSUANT TO ANY AGREEMENT BETWEEN SUCH SUPPLIER OR AFFILIATE OF THE SELLER AND THE BUYER OR ITS AFFILIATE.

THE PROVISIONS OF THIS CLAUSE 6.9.6 SHALL BE WITHOUT PREJUDICE TO THE PROVISIONS OF CLAUSES 14.9 AND CLAUSE 14.11 OF THIS AGREEMENT, CLAUSE 5.4 OF THIS EXHIBIT H, CLAUSE 11 OF ANY SOFTWARE LICENCE AND CLAUSE 8.2 OF ANY CBT LICENCE AND THE OBLIGATIONS OF THE SELLER EXPRESSLY PRESERVED THEREUNDER;

APPENDIX “A” TO CLAUSE 6 OF EXHIBIT “H”

SELLER PARTS AVAILABLE FOR LEASING

AILERONS

APU DOORS

CARGO DOORS

PASSENGER DOORS

ELEVATORS

FLAPS

LANDING GEAR DOORS

RUDDER

TAIL CONE

SLATS

SPOILERS

AIRBRAKES

WING TIPS

WINGLETS

7 TERMINATION OF SPARES PROCUREMENT COMMITMENTS

7.1 In the event of the Agreement being terminated with respect to any Aircraft due to causes provided for in Clauses 10, 11 or 20 of the Agreement, such termination may also affect the terms of this Exhibit "H" to the extent set forth in Clause 7.2 below.

7.2 Any termination under Clauses 10, 11 or 20 of the Agreement shall discharge all obligations and liabilities of the parties hereunder with respect to such undelivered spare parts, services, data or other items to be purchased hereunder which are applicable to those Aircraft for which the Agreement has been terminated. Unused spare parts in excess of the Buyer's requirements due to such Aircraft cancellation shall be repurchased by the Seller as provided for in Clause 4.5.2.

EXHIBIT I

AIRFRAME WARRANTY AND SUPPORT ASSIGNMENT AGREEMENT

Dated [ ]

between

AerCap Ireland Limited
as Assignor

and

[AIRLINE]
as Assignee

in respect of one (1) Airbus A330−[ ] Aircraft
bearing Manufacturer's Serial Number [ ]

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SCHEDULE 1
THE WARRANTIES
SCHEDULE 2
CONSENT AND AGREEMENT

THIS AIRFRAME WARRANTY AND SUPPORT ASSIGNMENT AGREEMENT (the **"Agreement")** dated [ ] is made by way of deed

BETWEEN:

(1) **AerCap Ireland Ltd.** a company organised under the laws of the Ireland having its principal place of business located at AerCap House, Shannon County Clare, Ireland (the "**Assignor**"); and

(2) **[AIRLINE**] a company organised and existing under the laws of [ ] having its principal office at [ ] (the **"Assignee")**

WHEREAS:

(A) Pursuant to a purchase agreement dated [ ] between Airbus and the Assignor (the "**Purchase Agreement**"), the Assignor agreed, among other things, to purchase the Aircraft (as defined below) from Airbus.

(B) Pursuant to an aircraft lease agreement dated [ ] between the Assignor and the Assignee, (the "**Lease Agreement**"), the Assignor has agreed to lease the Aircraft to the Assignee.

(C) Pursuant to a participation agreement dated [ ] between the Assignor and the Assignee, (the "**Participation Agreement**"), the Assignor has authorised the Assignee to participate in certain operations relating to the Aircraft and to receive the benefit of certain customer support in respect of the Aircraft prior to Delivery.

(D) The Assignor wishes to assign to the Assignee its interest in and to the Warranties (as defined below) and the Support Rights (as defined below) upon the terms and subject to the conditions of this Agreement.

NOW, IT IS AGREED AS FOLLOWS :

1. Definitions and Interpretation

In this Agreement, including the recitals and schedules, the following terms shall have the following meaning:

"Aircraft" means collectively the Airframe and the aircraft engines installed thereon;

"Airframe" means the Airbus A3[ ]−[ ] aircraft bearing manufacturer's serial number [ ] (excluding the aircraft engines installed thereon) together with all parts incorporated in, installed on or attached to such airframe on the Delivery Date;

"Airbus" means Airbus S.A.S. (legal successor of Airbus S.N.C., formerly known as Airbus G.I.E. and Airbus Industrie G.I.E.), a *Société par Actions Simplifiée* duly created and existing under French Law, and includes its successors and assigns;

"Business Day" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in [ ] and France;

"Consent and Agreement" means the consent of Airbus to this Agreement and the agreement of the Assignor and the Assignee to the terms of such consent substantially in the form set out in Schedule 2;

"Delivery*"* means the delivery of and transfer of title to the Aircraft *by the Assignor to the Assignee pursuant to the Lease Agreement.*

"Delivery Date" for the Aircraft means the date on which Delivery shall occur;

"Event of Default" means the events of default set out in Clause [ ] of the Lease Agreement;

"Support Rights" means the support rights in respect of the Aircraft pursuant to Clauses [ ] and [ ] of the Purchase Agreement as set out in Schedule [ ] of the Participation Agreement, and which remain available as of the date hereof;

"Warranties" means the warranty rights given by Airbus in respect of the Airframe to the Assignor pursuant to Clause 12 (Warranties and Service Life Policy) and Clause 13 (Patent Indemnity) of the Purchase Agreement, as set out in Schedule 1 including all post−delivery rights in respect thereof.

In this Agreement a reference to any Clause, paragraph or Schedule is a reference to such Clause, paragraph or Schedule of this Agreement, and the headings of Clauses and Schedules are inserted for convenience of reference only and shall not affect the interpretation.

Reference to any document or agreement means such document or agreement as originally signed, or as modified, amended, varied, or supplemented from time to time.

2. Assignment

Subject to the terms and conditions of this Agreement, the Assignor assigns to the Assignee all of its rights and interest in and to the Warranties and the Support Rights (together the "**Assigned Rights**") and the Assignee hereby accepts such assignment.

3. Rights and Obligations of the Assignor and Assignee

3.1 The terms and conditions of the Purchase Agreement shall apply to all claims made in respect of the Warranties and any exercise of the Assigned Rights and shall be binding upon the Assignee and the Assignee shall be subject to all obligations, restrictions, limitations and conditions of the Purchase Agreement with respect to the exercise of such rights or the making of such claim (including, without limitation, (i) the Waiver, Release and Renunciation in Clause 12.5 and (ii) the indemnities and insurance provisions in Clause 19 (copies of which are attached in Exhibit 3 of the Participation Agreement) of the Purchase Agreement) in accordance with Clause 3 of the Participation Agreement, in each case to the same extent as if the Assignee had been named "Buyer" thereunder).

3.2 For as long as this Agreement is in full force and effect, the Assignee and not the

Assignor will be responsible for compliance with Clauses 12.5 and Clause 19 of the Purchase Agreement (to the extent provided in the Participation Agreement) in each case in respect of the Aircraft. Upon termination of this Agreement in accordance with Clause 4, the Assignor shall once again be bound by such Clauses with respect to the Aircraft.

3.3 The assignment referred to in Clause 2 shall not constitute a novation of the Purchase Agreement and save as provided in Clause 3.2 and in the Participation Agreement, the Assignor shall not be discharged from any of its obligations under the Purchase Agreement by reason of this Agreement.

3.4 The parties agree, and stipulate in favour of Airbus, that, save to the extent rights are hereby assigned to the Assignee, all other terms of the Purchase Agreement shall continue to apply and have full effect between the Assignor and Airbus and save as provided in Clause 3.2, nothing herein shall modify in any way the rights of Airbus under the Purchase Agreement or subject Airbus to any liability to which it would not otherwise be subject.

3.5 For the avoidance of doubt, the Assignee agrees that it will not, and does not have the power or the authority to enter into any agreement with Airbus which would amend, modify, rescind, cancel or terminate the Purchase Agreement without the prior written consent of the Assignor.

4. Termination

Upon expiration or termination of the Lease Agreement, then (a) the Assignee shall at its own cost re−assign the Assigned Rights to the Assignor; and (b) the Assignor shall promptly notify Airbus in writing of such re−assignment .Airbus shall not be deemed to have knowledge of any such reassignment unless and until Airbus shall have received such written notice. If the Assignor notifies Airbus that Assignee has failed to re−assign such Assigned Rights, then the remaining Assigned Rights shall no longer be available to Assignee and any remaining balance of the Assigned Rights shall be cancelled and reissued in favour of the Assignor.

5. Onward Transfer of Rights

Neither the Assignor nor the Assignee may assign, sell, transfer, delegate or otherwise dispose of any of its respective rights or obligations under this Agreement without the prior written consent of the other party and Airbus.

6. Notification

(i) This Agreement (and any re−assignment pursuant to Clause 4 shall at the Assignee’s expense be notified to Airbus on or within 14 days following the Delivery Date in accordance with the provisions of Article 1690 of the French Civil Code.

(ii) The Assignor undertakes that it shall, on or prior to the Delivery Date, notify Airbus of

this Agreement in accordance with Clause 136 of the Law of Property Act (1925) and use its reasonable endeavours to obtain the execution by Airbus of the Consent and Agreement.

7. Non−disclosure

Each of the Assignor and the Assignee agrees that it shall not disclose to any person

the terms of Clauses 12, 13, [ ] and [ ] of the Purchase Agreement or this Agreement, except (a) as required by applicable law or governmental regulations, (b) as required in connection with any legal proceedings arising from or in connection with this Agreement or (c) to the Export Credit Agencies, (d) with the prior written consent of Airbus.

8. Further Acts

The parties agree that at any time and from time to time, and at the cost of the Assignee, they shall promptly and duly execute and deliver any and all such further instruments and documents and take such further action as may reasonably be necessary in order to give full effect to this Agreement and the rights and powers herein granted.

9. Waiver

No term or provision of this Agreement may be changed, waived, discharged or terminated except by written instruments signed by or on behalf of each of the parties and previously consented to in writing by Airbus.

10. Illegality

If at any time any provision of this Agreement is or becomes illegal, invalid or unenforceable in any respect neither the legality, validity or enforceability of the remaining provisions shall in any way be affected or impaired.

Any provision of this Agreement which may prove to be or become illegal, invalid or unenforceable in whole or in part shall so far as reasonably possible be performed according to the spirit and purpose of this Agreement

11. Notices

Any notice or other communication given or made under this Agreement shall be in writing and, provided it shall be addressed as set out below, shall be deemed to have been duly given:

−if sent by personal delivery, upon delivery at the address of the relevant party (provided that if the date of delivery is not a Business Day, notice shall be deemed to have been received on the first following Business Day);

− if sent by post, then five Business Days after posting;

− if sent by facsimile, when dispatched with correct confirmation printout (provided that if the date of receipt is not a Business Day, notice shall be deemed to have been received on the first following Business Day),

to the parties as follows:

in the case of the Assignor to:

AERCAP B.V.

Attention: Diederik Lindhout

Avioport Building

Evert van de Beekstraat 312

Schiphol Amsterdam Airport 1118 CX

The Netherlands

Fax: + 31 20 6590 962

Tel : + 31 20 655 9662

in the case of the Assignee to:

[Assignee address]

Attention:

Telefax:

in the case of Airbus to:

Airbus S.A.S.

1, rond−point Maurice Bellonte

31707 Blagnac Cedex

France

Attention: Executive Vice President Customer Services

Telefax: (33) 5.61.93.46.65

12. Counterparts

This Agreement may be executed by the parties hereto in separate counterparts and when taken together each of the counterparts executed by the parties hereto shall constitute one and the same Agreement and a full original Agreement for all purposes.

13. Effective Date

This Agreement shall enter into effect and be binding upon the parties with effect from the Delivery Date.

14. Governing Law and Jurisdiction

This Agreement shall be governed by and construed in accordance with the laws of England and Wales.

The parties irrevocably agree that the courts of England shall have exclusive jurisdiction to settle any disputes arising out of or in connection with this Agreement.

Each of the parties irrevocably and unconditionally waives (a) any immunity from the

jurisdiction of any court mentioned in this Clause 14 and any immunity from suit, judgement, execution, set−off, attachment, arrest, specific performance, injunction or other judicial order or remedy to which it or any of its assets may be entitled at present or in the future in any jurisdiction in respect of any legal action or proceedings with respect to or in connection with this Agreement and (b) any objections to such jurisdiction on the ground of venue or forum non conveniens or any similar grounds.

IN WITNESS WHEREOF the parties have executed this Agreement in [ ] originals on the day and year first above written.

AERCAP Ireland Limited

Name:
Title:
Signature
In the presence of:

[AIRLINE]
Name:
Title:
Signature:
In the presence of:

SCHEDULE 1

THE WARRANTIES

[Copy of Clauses 12 and 13 of the Purchase Agreement]

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SCHEDULE 2

CONSENT AND AGREEMENT
(Airbus A330[−200/−300] Aircraft MSN [ ])

1. Consent
The undersigned, Airbus, consents to the assignment provisions contained in Article 2 of the airframe warranty and support assignment made between [AerCap Ireland Ltd.] (the "**Assignor**") and [AIRLINE] (the "**Assignee**") and dated [ ], 200[ ] (the "**Assignment**").

2. Interpretation
Capitalised terms used in this Consent and Agreement shall have the meaning ascribed to them in the Assignment.

3. Rights and Obligations of the Parties

3.1 Save as provided in Clause 3.2 of the Assignment, nothing herein or in the Assignment shall modify in any way the rights of Airbus under the Purchase Agreement or subject Airbus to any obligations, costs, expenses or liabilities to which it would not otherwise be subject.

3.2 No novation shall take place by reason of the execution and performance of the Assignment and this Consent and Agreement in relation to the obligations contained in the Purchase Agreement and the Assignor shall not be discharged from any of its obligations under the Purchase Agreement save to the extent that such duties or obligations are performed by the Assignee.

3.3 The Assignee agrees expressly for the benefit of Airbus that the terms and conditions of the Purchase Agreement shall apply to all claims made in respect of the Warranties and shall be binding upon the Assignee and the Assignee shall be subject to all obligations, restrictions, limitations and conditions of the Purchase Agreement with respect to the making of such claim (including, without limitation, the Waiver, Release and Renunciation in Clause 12 of the Purchase Agreement) to the same extent as if the Assignee had been named "Buyer" thereunder.

3.4 Airbus shall not be deemed to have knowledge of any re−assignment of the Assigned Rights referred to in Clause 4.1 of the Assignment unless and until Airbus shall have received the written notice required by Clause 4.2 thereof;

3.5 Airbus accepts the stipulations in its favour contained in the Assignment.

4. Indemnities
Each of the Assignor and the Assignee hereby jointly and severally indemnifies and hold harmless Airbus from and against any and all costs, expenses, losses and liabilities (including any taxes or duties of any kind) imposed on, incurred by or asserted against Airbus in any way relating to or arising out of this Consent and Agreement and the Assignment or any action or inaction of the Assignor in connection with this Consent and Agreement and the Assignment, unless and

except to the extent that such costs, expenses, losses and liabilities are attributable to the gross negligence or wilful misconduct of Airbus. Any claim for payment by Airbus, as the case may be, shall be substantiated by the certificate of its Vice−President, Contracts Administration and Delivery Transactions (which certificate shall, in the absence of manifest error, be conclusive and binding on the parties).

5. Non−disclosure

Each of the Assignor and the Assignee agrees that it shall not disclose to any person the terms of Clauses 12, 13, [ ] and [ ] of the Purchase Agreement or this Agreement, except (a) as required by applicable law or governmental regulations, (b) as required in connection with any legal proceedings arising from or in connection with this Agreement or (c) to the Export Credit Agencies, (d) with the prior written consent of Airbus.

6. Illegality

If at any time any provision of this Consent and Agreement is or becomes illegal, invalid or unenforceable in any respect neither the legality, validity or enforceability of the remaining provisions shall in any way be affected or impaired.

7. Counterparts

This Consent and Agreement may be executed by the parties in separate counterparts and when taken together each of the counterparts executed by the parties shall constitute one and the same Agreement and a full original Agreement for all purposes.

8. Governing Law and Jurisdiction

This Consent and Agreement shall be governed by and construed in accordance with the laws of England and Wales. The courts of England shall have exclusive jurisdiction over any dispute arising hereunder.

9. Purchase Agreement Consent

This Consent and Agreement shall constitute the consent of Airbus required in respect of the Assignment by the Purchase Agreement.

Dated 200[ ]

AIRBUS S.A.S.

Name :
Title :
Signature :

Accepted and Agreed
AERCAP Ireland Ltd.

Name :
Title :
Signature :

Accepted and Agreed

[AIRLINE]

Name :
Title :
Signature :

PARTICIPATION AGREEMENT

This Participation Agreement is made this [ ] day of [,] (the "Participation Agreement")

BETWEEN

(1) **AerCap Ireland Ltd.** a company organised under the laws of the Ireland having its principal place of business located at AerCap House, Shannon County Clare Ireland (the "LESSOR")

and

(2) (FULL CORPORATE NAME OF LESSEE), a corporation organized and existing under the laws of [ ], whose address and principal place of business is at (LESSEE FULL ADDRESS) ("LESSEE").

RECITALS

(A) Pursuant to the Airbus A3[ ] aircraft purchase agreement between LESSOR and AIRBUS, S.A.S. ("Airbus") dated as of [ ], as further amended (the "Purchase Agreement"), LESSOR has agreed to purchase from AIRBUS certain Airbus A330 model aircraft, including the aircraft bearing as of today manufacturer's serial number [ ] and scheduled for delivery in the month of [,](the "Aircraft");

(B) Pursuant to an Aircraft Lease Agreement between LESSOR and LESSEE dated as of [ ] (the "Lease Agreement"), LESSOR has agreed to lease the Aircraft to LESSEE;

(C) LESSOR and LESSEE have agreed to enter into this Participation Agreement :

IT IS NOW HEREBY AGREED AS FOLLOWS :

1. Authorization.

(a) Delivery : LESSOR hereby authorizes LESSEE to inspect, pursuant to Clause 6 of the Purchase Agreement, the manufacture of the Aircraft and the materials and parts thereto, and to attend and observe the acceptance tests of the Aircraft referred to in Clause 8.1 of the Purchase Agreement.

(b) Customer Support: LESSOR hereby authorizes LESSEE [to receive pursuant to Clause 14 of the Purchase Agreement the technical publications set forth in Appendix 2 hereto, and to arrange training coordination meetings pursuant to Clause 16 of the Purchase Agreement and to take the benefit of the field assistance and training support set forth in Appendix 2 hereto pursuant to Clauses 15 and 16, respectively, of the Purchase Agreement (collectively the "Customer Support")].

2. Effectiveness of Participation Agreement. This Participation Agreement shall be effective from the date hereof until the earlier to occur (i) the occurrence of an Event of Default as defined in the Lease Agreement or (ii) the term of the Lease Agreement expires or the Lease Agreement is otherwise terminated for any reason, at which time the rights referred to in Clause 1 will immediately revert to LESSOR or (iii) the date on which title to the Aircraft is transferred to LESSOR in accordance with the terms of the Purchase Agreement.

3. Conditions of Participation. This Participation Agreement is made subject to the following conditions:

(a) LESSEE hereby agrees to be bound by and to comply with the following provisions of the Purchase Agreement (copies of which are attached hereto) as if LESSEE had been named "Buyer" of the Aircraft under such agreement :

(i) Clauses [ ] and [19] [check numbering] of the Purchase Agreement (indemnity provisions), copies of which are attached in Appendix 3 hereto, to the extent of (aa) injury to or death of any LESSEE representative, (bb) loss or damage to property of any LESSEE representatives and (cc) liabilities, damages, losses, costs and expenses of Seller, Manufacturer (as such terms are defined in the Purchase Agreement) and their associated subcontractors, directors, officers, agents and employees arising out of or caused by the wilful misconduct or gross negligence of LESSEE's representatives, and

(ii) Clauses [15 and 16] [check numbering] of the Purchase Agreement, copies of which are attached in Appendix 3 hereto.

(b) So long as this Participation Agreement is in full force and effect, LESSEE and not LESSOR will be responsible for the liabilities and obligations set forth in clause 3(a) above.

(c) For the avoidance of doubt, even while this Participation Agreement is in full force and effect, LESSOR will remain responsible for compliance with Clauses [check numbering] of the Purchase Agreement to the extent of (aa) injury to or death of any LESSOR representative, (bb) loss or damage to property of any LESSOR representative and (cc) liabilities, damages, losses, costs and expenses of Seller, Manufacturer and their associated subcontractors, directors, officers, agents and employees arising out of or caused by the wilful misconduct or gross negligence of LESSOR's representatives.

(d) Except with respect to events occurring prior to termination of the Participation Agreement, upon termination of this Participation Agreement, LESSOR shall once again be bound by Clauses [check numbering] of the Purchase Agreement with respect to the Aircraft.

(e) Other than with respect to the obligations assumed by LESSEE under this Participation Agreement as set forth in clause 3(a) above, LESSOR shall remain fully bound by all provisions of the Purchase Agreement.

(f) Nothing contained herein shall subject Airbus to any liability or additional obligations whatsoever to which it would not otherwise be subject under the Purchase Agreement or, except to the extent set forth in clauses 3(a) and (b) above, modify in any respect whatsoever its contractual rights under the said agreement.

(g) LESSEE shall not be appointed as LESSOR's agent and shall not be permitted to act on behalf or in place of LESSOR without the express written authorization of LESSOR and nothing contained herein shall be construed as to give such authorization.

4. Notification.

(a) This Participation Agreement shall be notified to Airbus by courier service promptly after the execution hereof. Airbus shall not be deemed to have received notice

of any of the provisions hereof prior to receipt of notice as provided in this clause 4(a) in the form of Appendix 1 hereto. Upon receipt of such notice, Airbus shall promptly countersign and return such acknowledgment to LESSOR, as set out in Appendix 1 hereto.

(b) On termination of this Participation Agreement as provided in clause 2 hereof, LESSOR shall promptly notify Airbus thereof in writing, addressed as aforesaid. Airbus shall not be deemed to have knowledge of any change in the authority of LESSOR or LESSEE, as the case may be, or of an Event of Default or the expiration or termination of the Term until Airbus has received notice thereof in writing, addressed as aforesaid.

(c) All notices and requests required or authorized under this Participation Agreement shall be given in writing either by personal delivery to a responsible officer of the party to whom the same is given or by internationally recognized courier service or by telecopy directed as set forth below:

LESSOR shall be addressed at:
[LESSOR'S FULL ADDRESS]

Attention: [ ]

Telephone: [ ]
Telecopy: [ ]

LESSEE shall be addressed at:
[LESSEE's FULL ADDRESS]

Attention: [ ]

Telephone: [ ]
Telecopy: [ ]

Airbus shall be addressed at :
1 Rond−Point Maurice Bellonte
31 700 Blagnac, France

Attention: Director Contracts

Telephone: (33) 5.61.[ ]
Telecopy: (33) 5.61.[ ]

or at such other address or to such other person as the party receiving the notice or request may designate from time to time.

Such notice or request shall be deemed to be effective in the case of (i) personal delivery, on the date upon which personally delivered, (ii) delivery by courier, on the date of receipt or (iii) telecopy transmission, on the date of confirmation of successful transmission.

5. Further Assurances. Both parties hereto agree that from time to time after the execution and delivery of this Participation Agreement, the parties will, at their own cost, promptly and duly execute and deliver such further documents and instruments and take such further actions which may be necessary in order to effectuate fully the intent and purposes of, and the transactions contemplated by, this Participation Agreement.

6. Modification, revision and Substitution of Entitlement. For the avoidance of doubt, LESSEE agrees that it will not, and does not have the power to enter into any agreement that would amend, modify, supplement, rescind, cancel or terminate the Purchase Agreement without the prior written consent of LESSOR and Airbus.

7. Confidential Treatment. LESSEE agrees that it will not disclose, directly or indirectly, any of the terms of the Purchase Agreement to any third party without the prior written consent of LESSOR and Airbus except (a)as required by applicable law or governmental regulation or (b) to LESSEE's professional advisors. Any disclosure as contemplated by clause (b) of the preceding sentence shall include a requirement that the entity to which such information is disclosed shall be subject to obligations of non−disclosure substantially the same as those contained herein.

8. Amendments. This Participation Agreement shall not be amended, modified, supplemented or terminated except in writing signed by each party hereto and acknowledged by Airbus.

9. Counterparts. This Participation Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

10. Severability. The covenants, warranties, representations and agreements contained herein are separate and severable and the invalidity or unenforceability of any one or more such convenants, warranties, representations or agreements shall not affect the validity or enforceability of any other convenant, warranty, representation or agreement contained herein.

11. Entire Agreement. This Participation Agreement constitutes, on and as of the date hereof, the entire agreement of the parties hereto with respect to the subject matter hereof, and all prior or other contemporaneous understanding or agreements, whether written or oral, between the parties hereto with respect to the subject matter hereof are hereby superseded in their entireties.

12. Assignment. The rights and obligations under this Participation Agreement are personal to the parties and shall not be assigned, transferred, sold or otherwise disposed of by either of the parties hereto.

13. Governing Law and Jurisdiction. This Participation Agreement shall be governed by and construed in accordance with the laws of England and Wales . The parties hereto irrevocably agree that the courts of England shall have jurisdiction to settle any disputes arising out of or in connection with this Agreement.

IN WITNESS WHEREOF, the parties have caused this Participation Agreement to be executed on their behalf by their duly authorized officers.

LESSOR FULL NAME	LESSEE FULL NAME)
By:	By:
Its:	Its:

APPENDIX 1

BY COURIER
Airbus S.A.S
1, rond−point Maurice Bellonte
31700 BLAGNAC

Date : _____

Attention: Director−Contracts

Re: [Full names of LESSOR/ LESSEE]: PARTICIPATION AGREEMENT

Dear Sirs,

Pursuant to Clause 4(a) of the Participation Agreement between AerCap Ireland Ltd. and (FULL NAME OF LESSEE) dated , we advise you that pursuant to the Participation Agreement(a copy of which is attached hereto), (FULL NAME OF LESSEE) has been authorized by LESSOR to participate with respect to the delivery of the Aircraft. This authorization shall be effective on acknowledgment of this letter by you.

We confirm for your benefit the provisions of Clauses 3(c), 3(d), 3(e) and 3(f) contained therein.

Yours faithfully,

_____
for and on behalf of
AERCAP Ireland Ltd.

cc. (FULL NAME OF LESSEE)

Airbus S.A.S confirms receipt of this
notice and agrees to the terms of Clause 3
of the Participation Agreement.

By:

Its:

Date:

APPENDIX 2

1. TECHNICAL PUBLICATIONS

As listed in Exhibit [ ] to the Purchase Agreement.

2. FIELD ASSISTANCE

3. TRAINING SUPPORT

APPENDIX 3

[Copies of Clauses [ ]and [ ] of the Purchase Agreement].

Exhibit 12.1

CERTIFICATIONS

I, Klaus Heinemann, certify that:

1. I have reviewed this annual report on Form 20−F of AerCap Holdings N.V.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a−15(e) and 15d−15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a−15(f) and 15d−15(f)) for the company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting;

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 21, 2007
/s/ KLAUS HEINEMANN
Signature
Chief Executive Officer
Title

Exhibit 12.2

CERTIFICATION

I, Keith Helming, certify that:

1. I have reviewed this annual report on Form 20−F of AerCap Holdings N.V.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a−15(e) and 15d−15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a−15(f) and 15d−15(f)) for the company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting;

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 21, 2007
/s/ KEITH HELMING
Signature
Chief Financial Officer
Title

Exhibit 12.3

CERTIFICATION

Pursuant to Section 906 of the Sarbanes−Oxley Act of 2002

(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to Section 906 of the Sarbanes Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), each of the undersigned officers of AerCap Holdings N.V. (the "Company"), does hereby certify, to such officer's knowledge, that:

The Annual Report on Form 20−F for the year ended December 31, 2006 (the "Form−20−F") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 20−F fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 21, 2007

/s/ KLAUS HEINEMANN
Klaus Heinemann
Chief Executive Officer

Dated: March 21, 2007

/s/ KEITH HELMING
Keith Helming
Chief Financial Officer