

AerCap Holdings N.V.
Form 20-F
March 18, 2014

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**UNITED STATES
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, 2013

Commission file number 001-33159

AerCap Holdings N.V.

(Exact name of Registrant as specified in its charter)

The Netherlands

(Jurisdiction of incorporation or organization)

**AerCap
AerCap House
Stationsplein 965
1117 CE Schiphol
The Netherlands
+ 31 20 655 9655**

(Address of principal executive offices)

**Wouter M. den Dikken, AerCap House, Stationsplein 965, 1117 CE Schiphol, The Netherlands,
Telephone number: +31 20 655 9655, Fax number: +31 20 655 9100**

(Name, Telephone, Email and/or Facsimile number and Address of Company Contact Person)

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:

6.375% Senior Unsecured Notes due 2017

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

Ordinary Shares, Euro 0.01 par value

113,783,799

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated
filer

Accelerated filer

Non accelerated
filer

Smaller reporting
company

(Do not check if a
smaller reporting
company)

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as
issued by the International Accounting Standards
Board

Other

If "Other" has been checked in response to the previous question, 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" within the meaning of the Private Securities Litigation Reform Act of 1995, 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:

the availability of capital to us and to our customers and changes in interest rates;

the ability of our lessees and potential lessees to make operating lease payments to us;

our ability to successfully negotiate aircraft purchases, sales and leases, to collect outstanding amounts due and to repossess aircraft under defaulted leases, and to control costs and expenses;

decreases in the overall demand for commercial aircraft leasing and aircraft management services;

the economic condition of the global airline and cargo industry and the economic and political conditions;

competitive pressures within the industry;

the negotiation of aircraft management services contracts;

our ability to satisfy the conditions or obtain the approvals required to complete our proposed acquisition of International Lease Finance Corporation ("ILFC") (the "ILFC Transaction"), or whether such approvals will contain material restrictions or conditions;

if completed, the ILFC Transaction may not be successful or achieve its anticipated benefits;

failure to complete the ILFC Transaction could adversely affect the market price of our ordinary shares as well as our business, financial condition, results of operations and cash flows;

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", "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.

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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

AerCap Holdings N.V. was formed as a Netherlands public limited liability company ("*naamloze vennootschap*" or "*N.V.*") on July 10, 2006. On November 27, 2006, we completed the initial public offering of 26.1 million of our ordinary shares on the New York Stock Exchange (the "NYSE"). On August 6, 2007 we completed the secondary offering of 20.0 million additional ordinary shares on the NYSE. On March 25, 2010, the all-share acquisition of Genesis (the "Genesis Transaction") was completed and increased our outstanding ordinary shares by 34.3 million. On November 11, 2010, we completed a transaction with Abu Dhabi-based investment holding company Waha Capital PJSC ("Waha") (the "Waha Transaction"). As part of this transaction our outstanding ordinary shares increased by 29.8 million. On October 7, 2011, we closed on the sale of our wholly-owned subsidiary AeroTurbine, Inc ("AeroTurbine") to ILFC (the "AeroTurbine Transaction"). On November 14, 2012 we sold our equity interest in Aircraft Lease Securitisation Limited ("ALS") to a subsidiary of Guggenheim Partners, LLC ("Guggenheim") (the "ALS Transaction"). During 2011 and 2012 we repurchased 35.9 million of our ordinary shares in the market under our share repurchase programs. These shares have all been cancelled. As of December 31, 2013, we had 113.8 million shares issued and outstanding.

On December 16, 2013, we announced that we entered into a definitive agreement with American International Group ("AIG") under which we will acquire 100% of the common stock of ILFC, a wholly-owned subsidiary of AIG. If the ILFC Transaction is completed, the combined company will retain the name AerCap, and ILFC will become a wholly-owned subsidiary of AerCap. Upon consummation of the ILFC Transaction, our total aircraft portfolio will consist of over 1,300 aircraft and an order book of 379 new aircraft contracted to be delivered as of December 31, 2013. Under the terms of the acquisition agreement, AIG will receive \$3.0 billion in cash and 97,560,976 AerCap shares. As part of the ILFC Transaction, AerCap will assume approximately \$21 billion of ILFC's debt. In addition, AIG will provide AerCap with a committed five-year \$1.0 billion unsecured revolving credit facility. The ILFC Transaction is subject to receipt of necessary regulatory approvals and satisfaction of other customary closing conditions and is expected to close in the second quarter of 2014. We cannot assure you that we will be able to satisfy the conditions or obtain the approvals required to complete the ILFC Transaction (*See "Risk Factors Risks Related to the ILFC Transaction"*).

Selected financial data.

The following table presents AerCap Holdings N.V.'s selected consolidated financial data for each of the periods indicated, prepared in accordance with U.S. GAAP. This information should be read in conjunction with AerCap Holdings N.V.'s audited consolidated financial statements and related notes and "Item 5. Operating and Financial Review and Prospects". The financial information presented as of December 31, 2012 and 2013 and for the years ended December 31, 2011, 2012 and 2013 was derived from AerCap Holdings N.V.'s audited consolidated financial statements included in this annual report. The financial information presented as of December 31, 2009, 2010 and 2011 and for the years ended December 31, 2009 and 2010 was derived from AerCap Holdings N.V. audited consolidated financial statements not included in this annual report.

Table of Contents**Consolidated Balance Sheet Data:**

	As of December 31,				
	2009(1)	2010(1)	2011(1)	2012(1)	2013
	(U.S. dollars in thousands)				
Assets					
Cash and cash equivalents	\$ 182,617	\$ 404,450	\$ 411,081	\$ 520,401	\$ 295,514
Restricted cash	134,866	233,844	244,495	280,653	272,787
Flight equipment held for operating leases, net	5,230,437	8,061,260	7,895,874	7,261,899	8,085,947
Notes receivable	138,488	15,497	5,200	78,163	75,788
Prepayments on flight equipment	527,666	199,417	95,619	53,594	223,815
Other assets	555,427	697,519	462,533	439,088	497,290
Total assets	\$ 6,769,501	\$ 9,611,987	\$ 9,114,802	\$ 8,633,798	\$ 9,451,141
Liabilities and Equity					
Debt	4,846,664	6,566,163	6,111,165	5,803,499	6,236,892
Other liabilities	509,505	828,427	720,320	707,393	785,071
Total liabilities	5,356,169	7,394,590	6,831,485	6,510,892	7,021,909
AerCap Holdings N.V. shareholders' equity	1,258,009	2,211,350	2,277,236	2,122,038	2,425,372
Non-controlling interest	155,323	6,047	6,081	868	3,860
Total equity	1,413,332	2,217,397	2,283,317	2,122,906	2,429,232
Total liabilities and equity	\$ 6,769,501	\$ 9,611,987	\$ 9,114,802	\$ 8,633,798	\$ 9,451,141

(1)

The Consolidated Balance Sheet for the year ended December 31, 2012 includes a reclassification of \$51.6 million from deferred income tax asset to deferred income tax liability which was previously presented on a net basis as part of the deferred tax asset. There were no changes to Net Income or Total Equity as a result of this reclassification in that period. No reclassifications were made to the periods prior to 2012 as the impact is not considered material.

The Consolidated Balance Sheet for the years ended December 31, 2009, 2010, 2011 and 2012 include reclassifications of \$5.9 million, \$11.4 million, \$7.2 million and \$0.8 million respectively from restricted cash to other assets or other liabilities. There were no changes to Net Income or Total Equity as a result of this reclassification in the respective periods.

Table of Contents**Consolidated Income Statement Data:**

	Year ended December 31,				
	2009(1)	2010(1)(2)	2011	2012	2013
(U.S. dollars in thousands except share and per share amounts)					
Revenues					
Lease revenue	\$ 581,134	\$ 902,320	\$ 1,050,536	\$ 997,147	\$ 976,147
Net gain (loss) on sale of assets	40,243	36,204	9,284	(46,421)	41,873
Management fee revenue	12,964	12,975	19,059	17,311	20,651
Interest revenue	9,459	3,913	2,761	2,471	5,525
Other revenue	3,692	3,866	12,283	2,012	5,870
Total revenues	647,492	959,278	1,093,923	972,520	1,050,066
Expenses					
Depreciation	194,161	307,706	361,210	357,347	337,730
Asset impairment	18,833	10,905	15,594	12,625	26,155
Interest on debt	86,193	233,985	292,486	286,019	226,329
Other expenses	68,067	67,829	73,836	78,241	59,982
Selling, general and administrative expenses	76,628	80,627	120,746	83,409	89,079
Total expenses	443,882	701,052	863,872	817,641	739,275
Income from continuing operations before income taxes and income of investments accounted for under the equity method					
	203,610	258,226	230,051	154,879	310,791
Provision for income taxes	(953)	(22,194)	(15,460)	(8,067)	(26,026)
Net income of investments accounted for under the equity method	983	3,713	10,904	11,630	10,637
Net income from continuing operations	203,640	239,745	225,495	158,442	295,402
Income (loss) from discontinued operations (AeroTurbine, including loss on disposal), net of tax	2,731	(3,199)	(52,745)		
Bargain purchase gain ("Amalgamation gain"), net of transaction expenses		274			
Net Income	\$ 206,371	\$ 236,820	\$ 172,750	\$ 158,442	\$ 295,402
Net loss (income) attributable to non- controlling interest, net of tax	(41,205)	(29,247)	(526)	5,213	(2,992)
Net income attributable to AerCap Holdings N.V.	\$ 165,166	\$ 207,573	\$ 172,224	\$ 163,655	\$ 292,410
Net income per share basic					
Continuing operations	\$ 1.94	\$ 1.81	\$ 1.53	\$ 1.24	\$ 2.58
Discontinued operations	\$ 0.03	\$ (0.03)	\$ (0.36)	\$	\$
Net income per share basic	\$ 1.94	\$ 1.81	\$ 1.17	\$ 1.24	\$ 2.58
Net income per share diluted					
Continuing operations	\$ 1.91	\$ 1.84	\$ 1.53	\$ 1.24	\$ 2.54

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Discontinued operations	\$	0.03	\$	(0.03)	\$	(0.36)	\$			
Net income per share diluted	\$	1.94	\$	1.81	\$	1.17	\$	1.24	\$	2.54

- (1) As a result of the sale of AeroTurbine and based on ASC 205-20, which governs financial statements for discontinued operations, the results of AeroTurbine have been reclassified to discontinued operations.
- (2) Includes the results of Genesis for the period from March 25, 2010 (date of acquisition) to December 31, 2010.

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RISK FACTORS

Risks Related to Our Business

We require significant capital to fund our obligations under our forward purchase commitments.

As of December 31, 2013, we had 44 new aircraft on order, which included three A330 aircraft, five A320neo aircraft, nine A350 aircraft, 20 Boeing 737 aircraft (including five purchase rights as part of a Boeing order), and seven Boeing 787 aircraft. If we complete the ILFC Transaction, we expect to have 379 new aircraft on order (as of December 31, 2013). In order to meet our commitments under our forward purchase contracts (and if the ILFC Transaction is completed, under ILFC's forward purchase contracts), and to maintain an adequate level of unrestricted cash, we will need to raise additional funds through a combination of accessing committed debt facilities and securing additional financing for pre-delivery and final delivery payment obligations and we may need to raise additional funds through selling aircraft or other aircraft investments, including participations in our joint ventures, and if necessary, generating proceeds from potential capital market transactions. Our typical sources of funding may not be sufficient to meet our operating requirements and fund our forward purchase commitments, and we may be required to raise additional capital through the issuance of new equity or equity-linked securities. If we issue new equity or equity-linked securities, the percentage ownership of our then current shareholders would be diluted. Any newly issued equity or equity-linked securities may have rights, preferences or privileges senior to those of our ordinary shares.

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

Our business model depends on the continual re-leasing of our aircraft when our current leases expire in order to generate sufficient revenues to finance our operations and pay our debt service obligations. Between December 31, 2013 and December 31, 2016, aircraft leases accounting for 30.1% of our lease revenues for the year ended December 31, 2013 are scheduled to expire, and the aircraft subject to those leases that we do not sell prior to lease termination will need to be re-leased or the current leases will need to be extended. In 2013, we generated \$24.0 million of revenues from leases that are scheduled to expire in 2014, \$98.5 million of revenues from leases that are scheduled to expire in 2015 and \$124.7 million of revenues from leases that are scheduled to expire in 2016. Our ability to re-lease our existing aircraft or lease a new aircraft prior to delivery will depend on general market and competitive conditions at the time the leases expire or prior to delivery. If we are unable to re-lease an existing aircraft or lease a new aircraft prior to delivery on acceptable terms, our lease revenue and margin may decline and we may need to sell the aircraft at unfavorable prices to provide adequate funds for our debt service obligations and to otherwise finance our operations.

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

Our financial condition depends on the financial strength of our lessees, our ability to appropriately assess the credit risk of our lessees and the ability of lessees to perform under our leases. In 2013, we generated the primary portion of our revenue from leases to the aviation 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:

passenger air travel and air cargo rates;

passenger air travel and air cargo demand;

competition;

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economic conditions and currency fluctuations in the countries and regions in which the lessee operates;

the price and availability of jet fuel;

availability and cost of financing;

fare levels;

geopolitical and other events, including war, acts of terrorism, outbreaks of epidemic diseases and natural disasters;

increases in operating costs, including labor costs and other general economic conditions affecting our lessees' operations;

labor difficulties;

governmental regulation and associated fees affecting the air transportation business; and

environmental regulations, including, but not limited to, restrictions on carbon emissions.

Generally, airlines with high financial leverage are more likely than airlines with stronger balance sheets to seek operating leases. As a result, most of our existing lessees are not rated investment grade by the principal U.S. rating agencies 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 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. Further or future downturns in the aviation 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 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 default on their leases, our financial results will be adversely affected.

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.

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, we may not be able to re-lease the aircraft promptly at favorable rates, if at all. We expect that additional restructurings and/or repossessions with some lessees will occur in the future. If additional repossessions occur we will incur significant costs and expenses that are unlikely to be recouped and terms and conditions of possible lease restructurings may result in a significant reduction of lease revenue, all of which may adversely affect our financial results.

We have incurred costs resulting from lessee defaults and may incur similar costs in the future.

We may also suffer other adverse consequences as a result of a lessee default and the related termination of the lease and repossession of the related aircraft. Our rights upon a lessee default vary significantly depending upon the jurisdiction and the applicable law, including the need to obtain a

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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 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 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.

If we repossess an aircraft, we will not necessarily be able to export or de-register and profitably redeploy the aircraft. For instance, where a lessee or other operator flies only domestic routes in the jurisdiction in which the aircraft 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 records required for registration of the aircraft, and in obtaining the certificate of airworthiness for an aircraft. If we incur significant costs repossessing our aircraft, are delayed in repossessing our aircraft or are unable to obtain possession of our aircraft as a result of lessee defaults, our financial results may be materially and adversely affected.

During 2013, two of our lessees, leasing three of our aircraft, defaulted. The total cost of these defaults in terms of lost revenue during off-lease periods, impairments and related technical costs, net of the release of deposits and maintenance reserves, totaled \$10.5 million during 2013. As a result of the current economic environment, the highly competitive nature of the airline industry and increasing fuel prices, additional lessees might default on their lease obligations or file for bankruptcy in the future. If we are required to repossess an aircraft they lease, 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 security bonds or letters of credit necessary to effect repossession of the aircraft, particularly if the lessee is contesting the proceedings or is in bankruptcy. In addition, during these proceedings the relevant aircraft 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 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.

The business of leasing, financing and selling aircraft has historically experienced prolonged periods of oversupply during which lease rates and aircraft values, relating particularly to older and less fuel efficient aircraft, have declined, and any future oversupply could materially and adversely affect our financial results.

In the past, the business of leasing, financing and selling aircraft has experienced prolonged periods of equipment shortages and oversupply. Over recent years, the business of leasing, financing and selling aircraft has experienced a market that had been characterized by an oversupply of certain older, less fuel-efficient aircraft. The oversupply of a specific type of aircraft typically depresses the lease rates for, and the value of, that type of aircraft. The supply and demand for aircraft 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;

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governmental regulation;

interest rates;

the availability and cost of financing;

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;

increases in production rates from manufacturers;

reintroduction into service of aircraft previously in storage; and

airport and air traffic control infrastructure constraints.

During recent years, the airline industry has committed to a significant number of aircraft deliveries through order placements with manufacturers. In response, aircraft manufacturers have raised their production output. The increase in these production levels could result in an oversupply of aircraft if growth in projected airline traffic does not meet airline industry expectations.

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

Aircraft values and lease rates have historically experienced sharp decreases due to a number of factors including, but not limited to, decreases in passenger air travel 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, including:

the particular maintenance, operating history and documentary records of the aircraft;

the number of operators using that type of aircraft;

the regulatory authority under which the aircraft is operated;

whether the aircraft is subject to a lease and, if so, whether the lease terms are favorable to the lessor;

the age of our aircraft;

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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;

decrease in the credit-worthiness of our lessees;

compatibility of our aircraft configurations or specifications with other aircraft owned by operators of that type;

comparative value based on newly manufactured competitive aircraft; and

the availability of spare parts.

Any decrease in the value and lease rates of aircraft which may result from the above factors or other factors not mentioned above, may have a material adverse effect on our financial results.

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Changes in demand and supply of aircraft could depress lease rates and the value of our aircraft portfolio.

During the recent global recession, the airline industry substantially curtailed capacity. As traffic demand recovered from late 2009, the continued capacity control resulted in a substantial recovery in financial performance of the airline industry. Although year-on-year growth rates have begun to normalize, the gradual increase in production rates by aircraft manufacturers may increase the risk of renewed overcapacity in the market. The potential for deteriorating financial performance of the airline industry as a result of capacity growth exceeding traffic demand growth could result in lower demand for our aircraft. As a result, the values and lease rates for our aircraft might be negatively impacted.

We were required to write-down the value of some of our assets during 2011, 2012 and 2013, and if economic conditions worsen again or further worsen, we may be required to make additional write-downs.

We test long-lived assets for impairment whenever events or changes in circumstances indicate that the assets' carrying amounts are not recoverable from their undiscounted cash flows. We performed impairment analyses of our long-lived assets during the year 2013 and as of December 31, 2013. In these impairment analyses, we focused on aircraft older than 15 years, since the cash flows supporting our carrying values of those aircraft are more dependent upon current lease contracts, which leases are more sensitive to weakness in the global economic environment. In addition, we believe that residual values of older aircraft are more exposed to non-recoverable declines in value in the current economic environment. In the year ended December 31, 2013, we recognized an aggregated impairment charge of \$26.2 million in income from continuing operations. The impairment recognized related to two older A319 aircraft, two Boeing 737-700 aircraft and two older Boeing 747 freighters. The impairment on the Boeing 737-700 aircraft was triggered by the release of \$9.9 million of maintenance reserve upon redelivery whereas the impairment on the two Boeing 747 freighters was triggered by the receipt of \$17.7 million end-of-lease payments. The impairment on the two older A319 aircraft was the result of our annual assessment whereby we concluded that the net book values were no longer supportable based on the latest cash flow estimates including residual value proceeds. In the years ended December 31, 2011 and 2012, we recognized aggregate impairment charges of \$15.6 million and \$12.6 million, respectively.

If conditions significantly worsen again uncertainties may cause a potential adverse impact on our business. In particular, our estimates and assumptions regarding forecasted cash flows from our long-lived assets would need to be reassessed. This includes the duration of the economic downturn along with the timing and strength of the pending recovery, both of which are important variables for purposes of our long-lived asset impairment tests. Any of our assumptions may prove to be inaccurate which could adversely impact forecasted cash flows of certain long-lived assets, especially for aircraft older than 15 years. If so, it is possible that an impairment may be triggered for other long-lived assets in 2014 and that any such impairment amounts may be material. As of December 31, 2013, 13 aircraft were older than 15 years of age, with a net book value of \$206.8 million which represented 2.6% of our total flight equipment held for operating lease.

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

We are currently joint venture partners in several joint ventures. Under the joint venture agreements, we share control over significant decisions with our joint venture partners. Since we have limited control over our joint ventures and may not be able to exercise control over any future joint venture, we may not be able to require our 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.

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Changes in interest rates may adversely affect our financial results.

We use floating rate debt to finance the acquisition of a significant portion of our aircraft and engines. As of December 31, 2012 and December 31, 2013, we had \$3.5 billion and \$3.9 billion, respectively, of floating rate indebtedness outstanding. We incurred floating rate interest expense of \$88.2 million in the year ended December 31, 2013. If interest rates increase, we would be obligated to make higher interest payments to our lenders. Our practice has been to protect ourselves against interest rate increases on a portion of our floating-rate liabilities by entering into derivative contracts, such as interest rate caps and interest rate swaps. We remain exposed, however, to changes in interest rates to the extent that our derivative contracts are not correlated to our financial liabilities (Please refer to pages 107-108 for details regarding our interest rate derivatives). In addition, we are exposed to the credit risk that the counter parties to our derivative contracts will default in their obligations. 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.

Decreases in interest rates may also adversely affect our interest revenue on cash deposits as well as lease revenues generated from leases with lease rates tied to floating interest rates. In the year ended December 31, 2013, 12.9% of our basic lease revenue was attributable to leases with lease rates tied to floating interest rates. Therefore, if interest rates were to decrease, our lease revenue would decrease. In addition, since 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 fixed rate leases we enter into may be at lower lease rates and our lease revenue will be adversely affected.

As of December 31, 2013, 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 \$34.2 million on an annualized basis, including the offsetting benefits of interest rate caps and swaps currently in effect, which would be partially offset by an increase in our interest revenue of approximately \$3.0 million and lease revenue by approximately \$8.0 million on an annualized basis. A decrease in interest rates would result in a saving in our interest expense, which would be partially offset by a reduction in the interest revenue and lease revenue.

Our level of indebtedness requires significant debt service payments.

As of December 31, 2013, our consolidated indebtedness was \$6.2 billion and represented 66% of our total assets as of that date and our interest expense (including the impact of hedging activities) was \$226.3 million for the year ended December 31, 2013. Due to the capital intensive nature of our business and our strategy of expanding our aircraft portfolio, we expect that we will incur additional indebtedness in the future and continue to maintain these levels of indebtedness. If market conditions worsen and precipitate further declines in aircraft- and aviation-related markets, our operations may not generate sufficient cash to service our debt which will have a material adverse impact on us. Our level of indebtedness:

causes a substantial portion of our cash flows from operations to be dedicated to interest and principal payments and therefore not available to fund our operations, working capital, capital expenditures, expansion, acquisitions or general corporate or other purposes;

restricts the ability of some of our subsidiaries and joint ventures to make distributions to us;

may impair our ability to obtain additional financing in the future;

may limit our flexibility in planning for, or reacting to, changes in our business and industry; and

may make us more vulnerable to downturns in our business, our industry or the economy in general.

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In addition, if the ILFC Transaction is completed, we will assume ILFC's debt of approximately \$21 billion and will incur additional debt, including approximately \$3.0 billion of debt to finance the ILFC Transaction, which would further exacerbate the risks outlined above.

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

A significant number of our aircraft are leased to airlines in emerging market countries. As of December 31, 2013, we leased 47.1% of our aircraft, weighted by net book value, to airlines in emerging market countries. The emerging markets in which our aircraft are operated are Brazil, Bulgaria, Chile, China, Czech Republic, Ecuador, Egypt, El Salvador, Hungary, India, Indonesia, Jordan, Mexico, Pakistan, Philippines, Poland, Republic of Korea, Russia, Slovenia, Taiwan, Thailand, Tunisia, Turkey, Ukraine, United Arab Emirates and Vietnam. We also may lease aircraft to airlines in other emerging market countries in the future.

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 subject to lease in such countries, or the ability of our lessees that operate in these markets to meet their lease obligations. As a result, lessees that 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 may be materially and adversely affected by economic and political developments in emerging market countries.

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.

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. 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 may have a material adverse effect on the ability of our lessees to meet their financial and other obligations under our leases. Furthermore a disruption in the financial markets, terrorist attacks, high fuel prices or a weak local currency may increase the adverse impact on our lessees.

Lease rental revenues from lessees based in Europe accounted for 35% of our lease revenues in 2013. 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. According to International Air Transport Association ("IATA"), airline passenger traffic in Europe expanded by 3.8% and freight traffic expanded by 1.8% in 2013 compared to 2012. The risk of another economic recession in Europe could adversely impact the financial health of some European airlines including our lessees. A reduction in traffic growth in Europe could lower demand and lease rates and our ability to lease and release our aircraft in Europe.

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Lease rental revenues from lessees based in Asia/Pacific/Russia accounted for 32% of our lease revenues in 2013. In recent periods, Asia has been one of the highest growth areas for airline passenger traffic and freight traffic, which has resulted in strong demand for aircraft from the region. According to IATA, Asian/Pacific airline passenger traffic in 2013 increased by 7.1% compared to 2012. Many airlines in the Asia Pacific region generate a relatively large portion of their revenues from cargo traffic, which contracted regionally by 1% in 2013 and expanded just 1.4% globally in 2013, while global freight capacity increased 2.6%. As a result, if the downturn in the air freight market persists, it could adversely impact individual airline financial performance, including that of our lessees and it could adversely impact cargo aircraft demand and lease rates and our ability to lease and release our freighter aircraft.

Lease rental revenues from lessees based in North America, accounted for 18% of our lease revenues in 2013. According to IATA, passenger traffic increased by 2.3% compared to 2012, while freight traffic contracted by 0.4% in 2013. The lack of growth in the North American market has been offset by capacity discipline among North American airlines, which increased by only 2% in 2013. The order backlog for North American carriers, however, has increased substantially in recent years, creating the potential for accelerated capacity growth. Continuing slow traffic growth in North America in combination with accelerated capacity growth in 2014 could adversely affect the financial health of some airlines in the region, including our lessees, which also would adversely impact aircraft demand and lease rates and our ability to lease and release our aircraft.

Lease rental revenues from lessees based in Latin America accounted for 11% of our lease revenues in 2013. Latin American traffic was up 6.3% during 2013, supported by strong growth in Chile, Colombia and Peru, according to IATA. Growth in Latin America was constricted, however, in comparison to traffic growth in 2012, by economic adversity and subsequent subdued traffic growth in Brazil, where domestic traffic only expanded by 0.8%, causing Brazilian airlines to cut capacity by 3.3% in 2013. Continued adverse economic conditions in Brazil or weakening economic conditions in other Latin American countries could still negatively impact the financial health of some Latin American airlines, including our lessees.

Lease rental revenues from lessees based in Africa/Middle East accounted for 4% of our lease revenues in 2013. In recent years the airline industry in the Middle East experienced tremendous growth as a result of high oil prices, strong economic growth, significant investment in attracting tourism and gradual deregulation of the airline industry. Rapid traffic growth in the Middle East continued in 2013 with passenger traffic growing 11.4% year on year while cargo traffic increased by 12.8% according to IATA. During 2013, the 12% passenger capacity increase in the Middle East already exceeded traffic growth. Due to the region's substantial aircraft order backlog, continued high-paced growth is required to prevent overcapacity. As such the scheduled capacity growth committed by airlines in this region through aircraft orders could have an adverse impact on the financial health of some Middle Eastern airlines, including our lessees.

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

We may be exposed to increased maintenance costs for our leased aircraft associated with a lessee's failure to properly maintain the aircraft or pay supplemental maintenance rent. If an aircraft 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 complying with all governmental requirements applicable to the lessee and the aircraft, 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, an inability to re-lease an aircraft at favorable rates, if at all, or a potential

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grounding of an aircraft. 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 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 may materially and adversely affect our financial results.

Strong competition from other aircraft lessors could adversely affect our financial results.

The aircraft leasing industry is highly competitive. Our competition is comprised of major aircraft leasing companies including GE Capital Aviation Services ("GECAS"), ILFC, CIT Aerospace, Aviation Capital Group, Air Lease Corporation, SMBC Aviation Capital, AWAS Aviation Capital Limited, FLY Leasing Limited, BOC Aviation and AirCastle Ltd. On December 16, 2013, we agreed to acquire ILFC from AIG, with the acquisition subject to receipt of necessary regulatory approvals and satisfaction of other customary closing conditions.

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

airlines;

aircraft manufacturers;

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 leasing companies that we do not currently consider our major competitors.

Some of these competitors currently have greater operating and financial resources than we. We may not always be able to compete successfully with such competitors and other entities, which could materially and adversely affect our financial results.

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

As our aircraft age, they will depreciate and generally the aircraft will generate lower revenues and cash flows. As of December 31, 2013, 2.6% of our aircraft portfolio by net book value was older than 15 years. 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. This risk would increase if the ILFC Transaction is completed because ILFC has an older aircraft portfolio. In addition, 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.

The advent of superior aircraft and engine technology or the introduction of a new line of aircraft could cause our existing aircraft portfolio to become outdated and therefore less desirable, which could adversely affect our financial results.

As manufacturers introduce technological innovations and new types of aircraft and engines, some of the aircraft and engines in our aircraft portfolio 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

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adversely affect our ability to lease or sell our aircraft on favorable terms, if at all, which would have a material adverse effect on our financial results.

New aircraft manufacturers, such as Mitsubishi Aircraft Corporation in Japan, Irkut Sukhoi Company (JSC) in Russia and Commercial Aircraft Corporation of China, Ltd. in China could someday produce aircraft that compete with current offerings from Airbus, ATR, Boeing, Bombardier and Embraer. Additionally, new manufacturers may develop aircraft that compete with established aircraft types from Boeing and Airbus, and the new products could put downward price pressure on and decrease the marketability for aircraft from Boeing and Airbus. New aircraft types that are introduced into the market could be more attractive for the target lessees of our aircraft.

Additionally, the market may not be able to absorb the scheduled production increases by Airbus and Boeing. If the additional capacity scheduled to be produced by the manufacturers exceeds the additional future requirement for capacity the resultant overcapacity could have a negative effect on aircraft values and lease rates. Also the financial community would be required to increase their lending volume to match the increase in aircraft production. As a result of the increased funding requirement for new deliveries, the cost of lending or the ability to obtain debt could be negatively affected if lending capacity does not increase in line with the increased aircraft production.

Airbus and Boeing have launched new aircraft types, which could decrease the value and lease rates of aircraft we own.

Airbus and Boeing have launched several new aircraft types in recent years, including the Boeing 787 family, the Boeing 737 MAX family, the Boeing 777X, the Airbus A320neo family and the Airbus A350 family. The first variant of the Boeing 787 was introduced in 2011, with the other new aircraft types scheduled to be introduced into service between 2014 and 2020. The availability of these new aircraft types may have an adverse effect on the residual value and future lease rates of current technology aircraft. The development of these new aircraft could decrease the desirability of current technology aircraft and thereby increase the supply of current technology aircraft in the marketplace. This increase in supply could, in turn, reduce both future residual values and lease rates for these types of aircraft.

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

While we do not directly control the operation of any of our aircraft, 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, 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.

Following the terrorist attacks of September 11, 2001, however, 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 by our lessees. Inadequate insurance coverage or default by lessees in fulfilling their indemnification or insurance obligations will reduce the insurance 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.

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Our lessee insurance coverage is dependent on the financial condition of insurance companies. If insurance companies are unable to meet their obligations, it could adversely impact our financial results.

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

In 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. 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 to which the liens have attached. Aircraft 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 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.

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. Such payments would materially and adversely affect our financial results.

Conflicts of interest may arise between us and customers who utilize our fleet management services, which may adversely affect our business interests.

Conflicts of interest may arise between us and third-party aircraft owners, financiers and operating lessors who hire us to perform fleet management services such as leasing, re-leasing, lease management and sales services. Our servicing contracts require that we act in good faith and not unreasonably discriminate against serviced aircraft in favor of our owned aircraft. Nevertheless, competing with our fleet management customers may result in strained relationships with these customers, which may adversely affect our business interests.

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. As of December 31, 2013, less than 0.5% of our flight equipment held for operating leases, by net book value, related to engines available for lease on a standalone basis.

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

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. 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 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. 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, which would materially and adversely affect our financial condition and results of operations.

We are subject to various risks and requirements associated with transacting business in foreign countries.

Our international operations expose us to trade and economic sanctions and other restrictions imposed by the United States or other governments or organizations. The U.S. Departments of Justice, Commerce, State and Treasury and other federal agencies and authorities have a broad range of civil and criminal penalties they may seek to impose against corporations and individuals for violations of economic sanctions laws, export control laws, the Foreign Corrupt Practices Act ("FCPA"), and other federal statutes and regulations, including those established by the Office of Foreign Asset Control ("OFAC"). Under these laws and regulations, the government may require export licenses, may seek to impose modifications to business practices, including cessation of business activities in sanctioned countries, and modifications to compliance programs, which may increase compliance costs, and may subject us to fines, penalties and other sanctions. A violation of these laws or regulations could adversely impact our business, operating results, and financial condition.

We have implemented and maintain in effect policies and procedures designed to ensure compliance by us, our subsidiaries and our directors, officers, employees, consultants and agents with respect to FCPA, OFAC and other export control, anti-corruption, anti-terrorism and anti-money laundering laws and regulations. We cannot assure you, however, that our directors, officers, employees, consultants and agents will not engage in conduct for which we may be held responsible. Violations of the FCPA, OFAC and other export control, anti-corruption, anti-terrorism and anti-money laundering laws and regulations may result in severe criminal or civil sanctions, and we may be subject to other liabilities, which could negatively affect our business, operating results and financial condition.

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.

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There is 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.

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. 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 and/or reputational damage 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 and our customers are subject to various environmental regulations that may have an adverse impact on our financial results.

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, the United States and the International Civil Aviation Organization, or ICAO, have adopted a more stringent set of standards for noise levels which apply to engines manufactured or certified beginning in 2006. Currently, United States regulations do not require any phase-out of aircraft that qualify with the older standards, but the European Union has established a framework for the imposition of operating limitations on aircraft that do not comply with the newer 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, European Union and other jurisdictions are beginning to impose more stringent limits on the emission of nitrogen oxide, carbon monoxide and carbon dioxide from engines. Although current emissions control laws generally apply to newer engines, new laws could be passed in the future that also impose limits on older engines, and therefore any new engines we purchase, as well as our older engines, could be subject to existing or new emissions limitations or indirect taxation. For example, the European Union issued a directive in January 2009 to include aviation within the scope of its greenhouse gas emissions trading scheme, thereby requiring that all flights arriving, departing or flying within any European Union country,

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beginning on January 1, 2012, comply with the scheme and surrender allowances for emissions, regardless of the age of the engine used in the aircraft. Similar legislation is currently being proposed in the United States. Limitations on emissions such as the one in the European Union could favor younger more fuel efficient aircraft since they generally produce lower levels of emissions per passenger, which could adversely affect our ability to re-lease or otherwise dispose of less efficient aircraft on a timely basis, at favorable terms, or at all. This is an area of law that is rapidly changing and as of yet remains specific to certain jurisdictions. While we do not know at this time whether new emission control laws will be passed, and if passed what impact such laws might have on our business, any future emissions limitations could adversely affect us.

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 our 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 in complete compliance with these laws, regulations or permits at all times. 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 2013, we generated revenue of \$20.7 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 as aircraft manager for any securitization vehicle or joint venture that generates a significant portion of our management fees, our financial results could be materially and adversely affected.

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

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.

A cyber-attack that bypasses our information technology, or IT, security systems, causing an IT security breach, may lead to a material disruption of our IT systems and the loss of business information which may hinder our ability to conduct our business effectively and may result in lost revenues and additional costs.

Parts of our business depend on the secure operation of our computer systems to manage, process, store, and transmit information associated with aircraft leasing. Like other global companies, we have, from time to time, experienced threats to our data and systems, including malware and computer virus attacks, internet network scans, systems failures and disruptions. A cyber-attack could adversely impact our daily operations and lead to the loss of sensitive information, including our own proprietary information and that of our customers, suppliers and employees. Such losses could harm our reputation and result in competitive disadvantages, litigation, regulatory enforcement actions, lost revenues,

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additional costs and liability. While we devote substantial resources to maintaining adequate levels of cyber-security, our resources and technical sophistication may not be adequate to prevent all types of cyber-attacks.

Risks Related to the Aviation Industry

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

The global financial markets have been highly volatile and the availability of credit from financial markets and financial institutions can vary substantially depending on developments in the global financial markets. Many of our lessees have expanded their airline operations through borrowings and are leveraged. These lessees will depend on banks and the capital markets to provide working capital and to refinance existing indebtedness. To the extent such funding is unavailable or available only at high interest costs or on unfavorable terms, and to the extent financial markets do not allow equity financing as an alternative, our lessees operations and operating results may be adversely affected and they may not comply with their respective payment obligations to us.

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

On June 10, 2013, Standard & Poor's Ratings Group, Inc., or Standard & Poor's, affirmed its long-term sovereign credit rating on the United States of America of AA+, but revised the rating outlook to stable from negative. Previously, on August 5, 2011, Standard & Poor's lowered its long-term sovereign credit rating on the United States of America from AAA to AA+. While the government entered a partial shutdown on October 1, 2013 because of U.S. lawmakers' failure to reach an agreement on raising the debt ceiling, the government was re-opened 16 days later after lawmakers ratified current spending levels until January 15, 2014 and raised the debt ceiling to a level sufficient to accommodate normal borrowing until approximately February 13, 2014. On February 15, 2014, U.S. lawmakers suspended the debt ceiling through March 15, 2015. The affirmation reflected Standard & Poor's view of the strengths of the U.S. economy and monetary system, as well as the U.S. dollar's status as the world's key reserve currency. The ratings also take account the high level of U.S. external indebtedness, Standard & Poor's view of the effectiveness, stability, and predictability of U.S. policymaking and of political institutions and the U.S. fiscal performance. In addition, significant concerns regarding the sovereign debt of numerous other countries have developed and required some of these countries to seek emergency financing. Specifically, the debt crisis in certain European countries could cause the value of the Euro to deteriorate, thus reducing the purchasing power of our European customers. Many of the structural issues facing the Eurozone remain and problems could resurface that could have significant adverse effects on our business, results of operations, financial condition and liquidity, particularly if they lead to sovereign debt default, significant bank failures or defaults and/or the exit of one or more countries from the European Monetary Union (the "EMU"). Financial market conditions could, however, materially worsen if, for example, consecutive Eurozone countries were to default on their sovereign debt, significant bank failures or defaults in these countries were to occur, and/or one or more of the members of the Eurozone were to exit the EMU. Further, the effects of the Eurozone debt crisis could be even more significant if they lead to a partial or complete break-up of the EMU. The partial or full break-up of the EMU would be unprecedented and its impact highly uncertain. The exit of one or more countries from the EMU or the dissolution of the EMU could lead to redenomination of certain obligations of obligors in exiting countries. Any such exit and redenomination would cause significant uncertainty with respect to outstanding obligations of counterparties and debtors in any exiting country, whether sovereign or otherwise, and lead to complex and lengthy disputes and litigation.

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The downgrade of the credit rating of the United States and the ongoing European debt crisis have contributed to the instability in global credit markets. The sovereign debt crisis could further adversely impact the financial health of the global banking system, not only due to its exposure to the sovereign debt, but also by the imposition of stricter capital requirements, which could limit availability of credit. Further, the sovereign debt crisis could lower consumer confidence, which could impact global financial markets and economic conditions in the United States and throughout the world. As a result, any combination of lower consumer confidence, disrupted global capital markets and/or reduced economic conditions could have a material adverse effect on our business, financial condition and liquidity.

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

In recent years, several airlines have filed for protection under their local bankruptcy and insolvency laws and, over the past several years, certain airlines have gone into liquidation. Historically, airlines involved in reorganizations have undertaken substantial fare discounting to maintain cash flows and to encourage continued customer loyalty. The bankruptcies have led to the grounding of significant numbers of aircraft, rejection of leases and negotiated reductions in aircraft lease rentals, with the effect of depressing aircraft market values.

Additional reorganizations or liquidations by airlines under applicable bankruptcy or reorganization laws or further rejection or abandonment of aircraft by airlines in bankruptcy proceedings may depress aircraft values and aircraft lease rates. Additional grounded aircraft and lower market values would adversely affect our ability to sell certain of our aircraft or re-lease other aircraft at favorable rates.

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

Fuel costs represent a major expense to companies operating in the aviation industry. Fuel prices have fluctuated widely depending primarily on international market conditions, geopolitical and environmental events and currency/exchange rates. Fuel costs are not within the control of lessees and significant increases in fuel costs or hedges that inaccurately assess the direction of 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. The perception of a structural shortage in oil supplies resulted in the 2008 oil price boom, and saw fuel prices increase to historical highs before declining substantially as a result of the 2008-09 global recession, the subsequent political unrest in North Africa and the fear of political unrest spreading to the large oil exporting countries in the Middle East resulted in rising fuel prices thereafter. A return to 2008 historically high fuel prices that are not hedged appropriately would have a material adverse impact on airlines' profitability. Swift movements in fuel prices when airlines have hedged their fuel costs can adversely affect profitability and liquidity as airlines may be required to post cash collateral under hedge agreements. Due to the competitive nature of the aviation industry, operators may be unable to pass on increases in fuel prices to their customers by increasing fares in a manner that fully offsets the increased fuel costs they may incur. In addition, they may not be able to manage this risk by appropriately hedging their exposure to fuel price fluctuations. If fuel prices return to historically high levels 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 effect on their financial condition and liquidity. Consequently, these conditions may adversely affect our lessees' ability to make rental

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and other lease payments, result in lease restructurings and/or aircraft repossessions, increase our costs of servicing and marketing our aircraft, 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.

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.

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 the Ukraine, Iraq, Syria, the Israeli/Palestinian conflict, tension over the nuclear programs of Iran and North Korea, political instability in North Africa and the Middle East, and the dispute between Japan and China may lead to further instability in these regions. Future terrorist attacks, war or armed hostilities, or the fear of such events in the above or any other region, could further adversely affect the aviation industry and may have an adverse effect on the financial condition and liquidity of our lessees, aircraft values and rental rates, and may lead to lease restructurings or repossessions, all of which could adversely affect our financial results.

Terrorist attacks and adverse geopolitical conditions have negatively impacted 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 only provide reduced amounts of coverage that are insufficient to comply with the levels of insurance coverage currently required by aircraft lenders and lessors or by applicable government regulations, or to not be available at all.

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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 upon any disposition. These results could adversely affect our financial results.

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

The outbreak of epidemic diseases, such as previously experienced with Severe Acute Respiratory Syndrome (SARS) and H1N1 (swine flu), could materially and adversely affect passenger demand for air travel. Similarly the lack of air travel demand and/or the inability of airlines to operate to or from certain regions due to severe weather conditions and natural disasters including floods, earthquakes and volcano eruptions could impact the financial health of certain airlines including our lessees. 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. Additionally the potential reduction in air travel demand could result in lower demand for aircraft and consequently lower market values that would adversely affect our ability to sell certain of our aircraft or re-lease other aircraft at favorable rates.

Risks Related to Our Organization and Structure

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

Currently, our largest shareholder is Waha which owns 26.2% of our ordinary shares. If we complete the ILFC Transaction, AIG will be our largest shareholder and will own approximately 46% of our ordinary shares and will be entitled, pursuant to a shareholder agreement, to elect two members of our board of directors. Waha, and AIG, if the ILFC Transaction is completed, may be able to significantly influence fundamental corporate matters and transactions, including the appointment 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.

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

We were incorporated 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 the courts of The 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 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 geopolitical, 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 legal systems that may be less developed and less predictable than those in the United States;
and

laws of countries that do not protect our intellectual property and 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.

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. While we do not currently, or intend to, pay dividends, 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

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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.

Our financial reporting for lease revenue may be significantly impacted by a proposed new accounting standard for lease accounting.

In 2013, the Financial Accounting Standards Board ("FASB") issued a second Exposure Draft proposing substantial changes to existing lease accounting. This second Exposure Draft sets out a new accounting standard for lessee accounting under which a lessee would recognize a "right-of-use" asset representing its right to use the underlying asset and a liability representing its obligation to pay lease rentals over the lease term. A lessor would account for its leases under either a "receivable and residual" approach or continue an accounting approach similar to today's operating lease accounting. When assessing how to subsequently account for a lease, a lessee and a lessor would classify a lease as either "Type A" or "Type B" on the basis of whether or not a lessee is expected to consume more than an insignificant portion of the economic benefits embedded in the underlying asset. Type A leases are leases where the lessee is expected to consume more than an insignificant portion of the economic benefits embedded in a leased asset. Type B leases are leases where the lessee is not expected to consume more than an insignificant portion of the economic benefits embedded in a leased asset. The second Exposure Draft in 2013 also proposes a practical expedient, under which an entity would classify a lease largely on the basis of the nature of the underlying asset such that most leases of property would be Type B leases and most leases of non-property would be Type A leases. The FASB received significant feedback on the second Exposure Draft and it is possible that an alternative approach will be included in a final standard, possibly without any changes to lessor accounting. The proposals do not contain an effective date for the proposed changes; however, we believe it is unlikely that a new lease accounting standard will be effective prior to 2017. At present, we are unable to assess the effects an adoption of the new lease standard will have on our financial statements. If the proposals are adopted as included in the second Exposure Draft in 2013, we believe the presentation of our financial statements, and those of our lessees, will be materially impacted.

Risks Related to Taxation

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

We cannot yet determine whether we will be classified as a PFIC for the 2014 fiscal year. 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. It is unclear how some of these rules apply to us. Further, this determination must be tested annually and our circumstances may change in any given year. We do not intend to make decisions regarding the purchase and sale of aircraft with the specific purpose of reducing the likelihood of our becoming a PFIC. Accordingly, our business plan (including the ILFC Transaction) may result in our engaging in activities that could cause us to become a PFIC. 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.

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

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. Our effective tax rate in any period is impacted by the source and the amount of earnings among our different tax jurisdictions. A change in the division of our earnings among our tax jurisdictions could have a material impact on our effective tax rate and our financial results. 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, we may be subject to such taxes in the future and such taxes may be substantial. The imposition of such taxes could have a material adverse effect on our financial results.

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

We expect to make current tax payments in some of the jurisdictions where we do business in the normal course of our operations. Our ability to defer the payment of some level of income taxes to future periods is dependent upon the continued benefit of accelerated tax depreciation on our flight equipment in some jurisdictions, the continued deductibility of external and intercompany financing arrangements and the application of tax losses prior to their expiration in certain tax jurisdictions, among other factors. The level of current tax payments we make in any of our primary operating jurisdictions could adversely affect our cash flows and have a material adverse effect on our financial results.

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 33%, 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, 2013, we had significant 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 Limited 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. We may not continue to be entitled to apply our loss carry-forwards 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. 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 may depend on, among others, the nature and level of activities carried on by us and our subsidiaries in each jurisdiction, the identity of the owners of equity interests in subsidiaries that are not wholly owned and the identities of the direct and indirect owners of our indebtedness.

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The nature of our activities may be such that our subsidiaries may not continue to qualify for the benefits under income tax treaties with the United States and that may not 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.

Risks Related to the ILFC Transaction

We may be unable to satisfy the conditions or obtain the approvals required to complete the ILFC Transaction or such approvals may contain material restrictions or conditions.

The consummation of the ILFC Transaction is subject to numerous conditions, including (i) the approval by our shareholders, which was received on February 13, 2014, and (ii) the receipt of certain regulatory approvals. We cannot assure you that the ILFC Transaction will be consummated on the terms or timeline currently contemplated, or at all. We have expended and will continue to expend management's time and resources and incur expenses due to legal, advisory and financial services fees related to the ILFC Transaction. Governmental agencies may not approve the ILFC Transaction or the related transactions necessary to complete it, or may impose conditions to any such approval or require changes to the terms of the ILFC Transaction. In addition, any relevant regulatory body may impose requirements on us subsequent to the completion of the ILFC Transaction, and we may be subject to additional compliance requirements subsequent to the completion of the ILFC Transaction. Any such conditions or changes could have the effect of delaying completion of the ILFC Transaction, imposing costs on or limiting the revenues of the combined company following the ILFC Transaction or otherwise reducing the anticipated benefits of the ILFC Transaction. Any condition or change may result in burdensome conditions on ILFC and/or us under the acquisition agreement and might cause AIG and/or us to restructure or terminate the ILFC Transaction or the related transactions.

If completed, the ILFC Transaction may not be successful or achieve its anticipated benefits.

If the ILFC Transaction is completed, we may not successfully realize anticipated growth or cost-savings opportunities or integrate our business and operations with those of ILFC. After the ILFC Transaction, we will have significantly more revenue, expenses, assets and employees than we did prior to the ILFC Transaction. In the ILFC Transaction, we will also be assuming all of the liabilities of ILFC and taking on other obligations. We may not successfully or cost-effectively integrate ILFC's business and operations into our business and operations. Even if the combined company is able to integrate ILFC's businesses and operations successfully, this integration may not result in the realization of the full benefits of the growth opportunities or cost-savings that we currently expect from the ILFC Transaction within the anticipated time frame, or at all.

The ILFC Transaction may prove disruptive and could result in the combined business failing to meet our expectations.

The process of integrating our operations with ILFC may require a disproportionate amount of resources and management attention. If the ILFC Transaction is completed, our future operations and cash flows will depend largely upon our ability to operate the combined company efficiently, achieve the strategic operating objectives for the combined business and realize significant cost savings and synergies. Our management team may encounter unforeseen difficulties in managing the integration. In order to successfully combine AerCap and ILFC and operate the combined company, our management team will need to focus on realizing anticipated synergies and cost savings on a timely basis while maintaining the efficiency of our operations. Any substantial diversion of management attention to difficulties in operating the combined business could affect our revenues and ability to achieve operational, financial and strategic objectives.

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The ILFC Transaction could adversely impact our relationship with our customers and may result in the departure of key personnel.

If completed, the ILFC Transaction could cause disruptions in our business. For example, our customers may refrain from leasing or re-leasing our aircraft until they determine whether the ILFC Transaction will affect our business, including, but not limited to, the pricing of our leases, the availability of certain aircraft, and our customer support. Our customers may also choose to lease aircraft and purchase services from our competitors until they determine whether the ILFC Transaction will affect our business or our relationship with them. Uncertainty concerning potential changes to us and our business could also harm our ability to enter into agreements with new customers. In addition, key personnel may depart for a variety of reasons, including perceived uncertainty regarding the effect of the ILFC Transaction on their employment.

Failure to complete the ILFC Transaction could adversely affect the market price of our ordinary shares as well as our business, financial condition, results of operations and cash flows.

If the ILFC Transaction is not completed for any reason, the price of our ordinary shares may decline to the extent that the market price of our ordinary shares reflects positive market assumptions that the ILFC Transaction will be completed and the related benefits will be realized. In addition, significant expenses such as legal, advisory and financial services, many of which generally will be incurred regardless of whether the ILFC Transaction is completed, must be paid. Under the acquisition agreement, under certain limited circumstances, we must pay ILFC a termination fee.

Investors holding our ordinary shares immediately prior to the completion of the ILFC Transaction will, in the aggregate, have a significantly reduced ownership and voting interest in us after the ILFC Transaction and will exercise less influence over management.

Investors holding our ordinary shares immediately prior to the completion of the ILFC Transaction will, in the aggregate, own a significantly smaller percentage of the combined company immediately after the completion of the ILFC Transaction. Immediately following the completion of the ILFC Transaction, AIG will hold approximately 46% of our ordinary shares, and our existing shareholders, including Waha, will hold approximately 54% of our ordinary shares. The ordinary shares received by AIG will be subject to certain voting restrictions and standstill provisions. Furthermore, pursuant to the terms of the acquisition agreement, AIG will be entitled to nominate two directors for election to our board of directors. Consequently, existing shareholders, collectively, will be able to exercise less influence over the management and policies of the combined company than they are able to exercise over the management and our policies immediately prior to the completion of the ILFC Transaction.

After the completion of the ILFC Transaction, sales of our ordinary shares may negatively affect the market price thereof.

Immediately following the completion of the ILFC Transaction, it is expected that AIG will hold approximately 46% of our ordinary shares, and our existing shareholders, including Waha, will hold approximately 54% of our ordinary shares. The ordinary shares to be issued in the ILFC Transaction to AIG will be subject to a lock-up period which will expire in stages over a 9 to 15 month periods, following the closing of the ILFC Transaction. Sales by AIG of these ordinary shares, or the perception in the market that these sales could occur, following the expiration of the lock-up period may negatively affect the price of our ordinary shares following the ILFC Transaction.

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Item 4. Information on the Company

We are an integrated global aviation company with a leading market position in aircraft leasing. It is our strategy to acquire aviation assets at attractive prices, lease the assets to suitable lessees, and manage the funding and other lease related costs efficiently. We also provide aircraft management services. We believe that by applying our expertise through an integrated business model, we will be able to identify and execute on a broad range of market opportunities that we expect will generate attractive returns for our shareholders. We are headquartered in The Netherlands and have offices in Ireland, the United States, Singapore, China and the United Arab Emirates, with a total of 163 employees, as of December 31, 2013.

We operate our business on a global basis, providing aircraft to customers in every major geographical region. As of December 31, 2013, we owned 236 aircraft and seven engines, managed 69 aircraft, had 44 new aircraft on order, which included five A320neo aircraft, three A330 aircraft, nine A350 aircraft, 20 Boeing 737 aircraft (including five purchase rights as part of a Boeing order) and seven Boeing 787 aircraft. In addition, we had entered into sales contracts for four aircraft. We also have a 20.3% ownership interest in a joint venture that owned, or had on order, 33 aircraft as of December 31, 2013, which was not included in the above.

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, 2013, our owned and managed aircraft were leased to 89 commercial airline and cargo operator customers in 48 countries and managed from our offices in The Netherlands, Ireland, the United States, Singapore, China and the United Arab Emirates.

We have the infrastructure, expertise and resources to execute a large number of diverse aircraft transactions in a variety of market conditions. From January 1, 2011 to December 31, 2013, we executed over 400 aircraft transactions. Our teams of dedicated marketing and asset trading professionals have been successful in leasing and trading our aircraft portfolio. Between January 1, 2011 and December 31, 2013, our weighted average owned aircraft utilization rate was 98.8%. Our utilization rate for aircraft is calculated based on the average number of months the aircraft are on lease each year. The utilization rate is weighted proportionate to the net book value of the aircraft at the end of the period measured.

We were formed as a Netherlands public limited liability company ("*naamloze vennootschap*" or "*N.V.*") on July 10, 2006. On November 27, 2006, we completed the initial public offering of 26.1 million of our ordinary shares on the NYSE. On August 6, 2007 we completed the secondary offering of an additional 20.0 million of our ordinary shares on the NYSE. On March 25, 2010, the Genesis Transaction was completed and increased our outstanding ordinary shares by 34.3 million. On November 11, 2010, we completed the Waha Transaction. As part of this transaction our outstanding ordinary shares increased by 29.8 million. During 2011 and 2012, we repurchased 35.9 million of our ordinary shares in the market under our share repurchase programs. These shares have all been cancelled. As of December 31, 2013, we had 113.8 million shares issued and outstanding.

On December 16, 2013, we announced that we entered into a definitive agreement in connection with the ILFC Transaction. If the ILFC Transaction is completed, the combined company will retain the name AerCap, and ILFC will become a wholly-owned subsidiary of AerCap. Upon consummation of the ILFC Transaction, our total aircraft portfolio will consist of over 1,300 aircraft and an order book of approximately 379 new aircraft contracted to be delivered as of December 31, 2013. Under the terms of the acquisition agreement, AIG will receive \$3.0 billion in cash and 97,560,976 AerCap shares. As part of the transaction, AerCap will assume approximately \$21 billion of ILFC's debt. In addition, AIG will provide AerCap with a committed five-year \$1.0 billion unsecured revolving credit facility. The ILFC Transaction is subject to receipt of necessary regulatory approvals and satisfaction of other

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customary closing conditions and is expected to close in the second quarter of 2014. We cannot assure you that we will be able to satisfy the conditions or obtain the approvals required to complete the ILFC Transaction (*See* "Risk Factors Risks Related to the ILFC Transaction").

Our principal executive offices are located at AerCap House, Stationsplein 965, 1117 CE Schiphol, The Netherlands, and our general telephone number is +31 20 655-9655. Our website address is *www.aercap.com*. Information contained on our website does not constitute a part of this annual report. 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 +1 (302) 738-6680.

Our Business Strategy

Manage the Profitability of our Aircraft Portfolio by selectively:

purchasing aircraft directly from manufacturers;

entering into sale-leaseback transactions with aircraft operators;

using our global customer relationships to obtain favorable lease terms for aircraft and maximizing aircraft utilization;

maintaining diverse sources of global funding;

optimizing our portfolio by selling select aircraft; and

providing management services to securitization vehicles, our joint ventures and other aircraft owners at limited incremental cost to us.

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

Efficiently Manage Our Liquidity. As of December 31, 2013, we had access to \$0.9 billion of committed undrawn credit facilities, excluding the financing facilities related to the ILFC Transaction. We strive to maintain a diverse financing strategy, both in terms of capital providers and structure, through the use of bank debt, securitization structures, note issuance and export/import financings including European Export Credit Agencies ("ECA") guaranteed loans, in order to maximize our financial flexibility. We also leverage our long-standing relationships with the major aircraft financiers and lenders to secure access to capital. In addition, we attempt to maximize the cash flows and continue to pursue the sale of aircraft to generate additional cash flows.

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

Maintain a Diversified and Satisfied Customer Base. We currently lease our owned and managed aircraft to 89 different airlines in 48 different countries. We monitor our exposure concentrations by both lessee and country jurisdiction and intend to maintain a well-diversified customer base. We believe we offer a quality product, both in terms of asset and customer service, to all of our customers. We have successfully worked with many airlines to find mutually beneficial solutions to operational and

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financial challenges. We believe we maintain excellent relations with our customers. We have been able to achieve a high utilization rate on our aircraft assets as a result of our customer reach and quality product offering and strong portfolio management capabilities.

Selectively Pursue Acquisitions. We intend to selectively pursue acquisitions that we believe will provide us with benefits currently not available to us, such as the ILFC Transaction, the Genesis Transaction and the Waha Transaction. 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.

ILFC Acquisition. If we complete the ILFC Transaction, we will focus on integration in the short term while maintaining the efficiency of our operations in order to achieve our operational, financial and strategic objectives. We plan to continue to execute our business strategy described above with modifications as deemed appropriate.

Aircraft Portfolio

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, 2013, we owned 236 aircraft and managed 69 aircraft. We also have a 20.3% ownership interest in a joint venture that owned, or had on order, 33 aircraft as of December 31, 2013, which was not included in the above. The weighted average age of our 236 owned aircraft was 5.4 years as of December 31, 2013. We believe that we own one of the youngest aircraft fleets in the world. As of December 31, 2013, we also had seven engines on lease on a standalone basis. We operate our aircraft business on a global basis and as of December 31, 2013, 232 out of our 236 owned aircraft and each of our seven owned engines were on lease to 74 commercial airline and cargo operator customers in 42 countries. The four aircraft off-lease as of December 31, 2013 were subject to lease agreements as of December 31, 2013. Two of these aircraft have been delivered since December 31, 2013 and the remaining two are scheduled for delivery in the first and second quarters of 2014.

The following table provides details regarding our aircraft portfolio by type of aircraft as of December 31, 2013:

Aircraft type	Owned portfolio		Managed portfolio & AerDragon	Number of aircraft on order(1)	Number of aircraft under Purchase/sale contract	Total owned, Managed and ordered aircraft
	Number of aircraft owned	Percentage of total net book value	Number of aircraft			
Airbus A300 Freighter			1			1
Airbus A319	24	7.4%	6			30
Airbus A320	92	32.7%	28			120
Airbus A320neo	0			5		5
Airbus A321	8	3.4%	14			22
Airbus A330	33	27.9%	5	3	(2)	39
Airbus A350				9		9
Boeing 737 Classics	1	0.1%	10		(1)	10
Boeing 737 (NG)	67	25.6%	32	20		119
Boeing 747 Freighter	2	0.5%				2
Boeing 757			2			2
Boeing 767	3	1.3%	2		(1)	4
Boeing 777			2			2
Boeing 787				7		7
CRJ 900	4	0.8%				4
ERJ 170	2	0.3%				2
Total	236	100.0%	102	44	(4)	378

-
- (1) Includes five A320neo aircraft, three A330 aircraft (including two that are subject to sales contracts) and five purchase rights on Boeing 737 aircraft as part of a Boeing order.

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If we complete the ILFC Transaction, we expect to have a portfolio of approximately 1,300 aircraft with over 85% of the total aircraft portfolio, by value, consisting of A320, A330, Boeing 737NG and Boeing 777 family aircraft.

Aircraft on Order

As of December 31, 2013, we had 44 new aircraft on order, which included five A320neo aircraft, three A330 aircraft, nine A350 aircraft, 20 Boeing 737 aircraft (including five purchase rights as part of a Boeing order) and seven Boeing 787 aircraft.

If we complete the ILFC Transaction, we expect to have aircraft purchase orders for approximately 379 new aircraft (as of December 31, 2013). Due to our 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, maintenance, repair and overhaul service providers and commercial and financial institutions gives us a competitive advantage in sourcing and executing transactions. Our revolving credit facilities are designed to allow us to rapidly execute our portfolio management strategies by providing us with large scale committed funding to acquire new and used aircraft.

As of December 31, 2013, we had \$0.9 billion of committed undrawn credit facilities, excluding the financing facility related to the ILFC Transaction.

As of December 31, 2013, excluding five purchase rights, there were 39 aircraft contracted for purchase, including the following:

Three A330 aircraft scheduled for delivery in 2014 and 2015, of which two are subject to sales contracts;

Five Boeing 737-800 aircraft scheduled for delivery in 2014 under the American Airlines purchase and leaseback agreement;

15 LATAM Airlines Group ("LATAM") aircraft (nine A350 aircraft and six Boeing 787 aircraft), under a purchase and leaseback agreement, scheduled for delivery between 2014 and 2018;

Five A320neo aircraft scheduled for delivery in 2016;

Ten Boeing 737-800 forward order aircraft scheduled for delivery in 2015; and

One Boeing 787 aircraft scheduled for delivery in 2014.

We expect to finance our new aircraft acquisitions through a combination of secured or unsecured debt, using our already committed lines and new commercial facilities to be put in place.

Aircraft Subject to Sale Agreements

As of December 31, 2013, we had entered into sale contracts to sell two new aircraft (including one which will be sold to a related party) and two other aircraft. The following table provides information regarding the agreements in place and executed for the sale of these four aircraft as of December 31, 2013.

Aircraft type	Number of aircraft	Agreement	New/Used	Owned/Managed
Airbus A330-300	2	Sale agreement	New	Owned
Boeing 737-400	1	Sale agreement	Used	Managed
Boeing 767-300ER	1	Sale agreement	Used	Managed

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Aircraft Acquisitions and Dispositions

We purchase new and used aircraft directly from aircraft manufacturers, airlines, financial investors and 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 investors in aircraft assets who lack the infrastructure to manage their aircraft throughout their lifecycle. The buyers of our aircraft include airlines, financial investors and other aircraft leasing companies. We primarily acquire aircraft at attractive prices in three ways: by purchasing large quantities of aircraft directly from manufacturers to take advantage of volume discounts, by purchasing portfolios consisting of aircraft of varying types and ages, and by entering into large purchase and leaseback transactions with airlines. 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 further 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 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 creditworthiness of the existing lessee, the jurisdiction of the lessee, industry trends, financing arrangements and the aircraft's redeployment potential and value, among other factors. From January 1, 2011 to December 31, 2013, we purchased 71 aircraft and sold 94 aircraft, which included or related to the following significant historical transactions:

In December 2005, we placed an order with Airbus for the forward purchase of 70 aircraft, including eight aircraft subject to reconfirmation rights. During 2008 and the first two months of 2009, we notified Airbus that we would not take delivery of the eight aircraft subject to reconfirmation rights. In 2009 four additional aircraft were added to the forward order. As of December 31, 2013, all 66 aircraft had been delivered, 12 of which were subsequently sold.

In December 2006, we placed an order with Airbus to acquire 20 new A330 wide-body aircraft. In May 2007, we added an additional ten A330 aircraft to this order. In 2009, two additional A330 aircraft were added to the forward order. As of December 31, 2013, all 32 aircraft had been delivered, 12 of which were subsequently sold.

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

In 2011, we entered into a purchase and leaseback transaction with American Airlines for 35 Boeing 737-800 aircraft, all of which had been delivered as of December 31, 2013. On July 30, 2013, we signed an agreement with American Airlines for six additional aircraft, one of which had been delivered as of December 31, 2013 and the remaining five of these aircraft are expected to be delivered in 2014.

On May 28, 2013, we entered into a \$2.6 billion purchase and leaseback agreement with LATAM for 25 widebody aircraft, including 15 deliveries scheduled between 2014 and 2018. The aircraft consist of nine new Airbus A350-900s, four new Boeing 787-9s, two new Boeing 787-8s from LATAM's order backlog and ten Airbus A330-200s with an average age of four years from LATAM's existing fleet. As of December 31, 2013 ten aircraft had been purchased and leased back to LATAM.

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Aircraft Leases and Transactions

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. 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 168 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 redelivery 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 or sell the aircraft. 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 over 400 aircraft transactions between January 1, 2011 and December 31, 2013.

The following tables set forth information regarding the aircraft transactions we have executed between January 1, 2011 and December 31, 2013, 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

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of the various elements of our leasing strategy for our owned and managed portfolio, as described further below.

Activity	Owned Aircraft			Total/ Average
	2011	2012	2013	
New leases on new aircraft	14	27	21	62
New leases on used aircraft	16	19	30	65
Extensions of lease contracts	19	10	23	52
Average lease term for new leases (months)(1)	133.7	149.3	163.4	148.8
Average lease term for re-leases (months)(1)	80.8	61.9	59.2	67.3
Average lease term for lease extensions (months)(2)	30.5	35.2	47.6	37.8
Aircraft purchases	13	20	38	71
Aircraft sales	21	59	14	94
Average aircraft utilization rates(3)	98.5%	98.5%	99.5%	98.8%

- (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 proportionately to the net book value of the aircraft at the end of the period measured.

Activity	Managed Aircraft			Total/ Average
	2011	2012	2013	
New leases on new aircraft				
New leases on used aircraft	1	1	4	6
Extensions of lease contracts	3	8	7	18
Average lease term for re-leases (months)(1)	20.0	72.0	49.5	47.2
Average lease term for lease extensions (months)(2)	27.0	27.3	44.9	33.1
Aircraft purchases				
Aircraft sales	8	11	14	33

- (1) Average lease term of re-leases contracted during the period. The average lease term for 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.

Leases of new aircraft generally have longer terms than used aircraft which are re-leased. In addition, leases of more expensive aircraft generally have longer lease terms than less expensive aircraft. Lease terms for owned aircraft tend to be longer than for managed aircraft because the average age of our owned fleet is lower than that of our managed fleet.

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,

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maintenance records, operational performance histories, hedging arrangements for fuel, foreign currency and interest rates and relevant regulatory approvals and documentation. We also 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 typically require our lessees to provide a security deposit for their performance under their leases, including the return of the aircraft in the specified maintenance condition at the expiration of the lease. The size of the security deposit is normally 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. In most lease contracts not requiring the payment of supplemental rents, the lessee is required to redeliver the aircraft in a similar maintenance condition as when accepted under the lease. To the extent that the redelivery condition is different from the acceptance condition, there is normally an end-of-lease compensation adjustment for the difference at redelivery. As of December 31, 2013, 112 of our 236 owned aircraft provided for the payment of supplemental maintenance rent. Whether a lessee pays supplemental maintenance rent or not, we usually 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 normally received cash compensation from prior lessees of the aircraft, which was recognized as income at the end of the prior lease.

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. All of our leases contain extensive provisions regarding our remedies and rights in the event of a default by the lessee, and also include 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 usually 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 85 aircraft under defaulted leases with 41 different lessees in 28 jurisdictions.

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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, 2013.

Lessee	Percentage of 2013 lease revenue
American Airlines	10.9%
Aeroflot Russian Airlines	7.4%
Virgin Atlantic Airways	6.2%
TUI Aviation	4.4%
LATAM	4.2%
Asiana Airlines	3.7%
Alitalia	3.5%
Air China	3.0%
Air France	2.8%
TAP (Transporte Aéreos Portugueses)	2.7%
Sichuan Airlines	2.6%
VRG Linhas Aereas	2.5%
Other(1)	46.1%
Total	100%

(1) Consists of 74 individual lessees. No other lessee accounted for more than 2.5% of our lease revenue in 2013.

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 of lessee in which we lease our owned aircraft for the year ended December 31, 2013.

Country	Percentage of 2013 lease revenue
United States of America	17.3%
Russia	9.6%
United Kingdom	8.4%
China	8.0%
Germany	7.1%
Chile	4.9%
Italy	4.0%
Korea	3.7%
Brazil	2.9%
France	2.8%
Portugal	2.7%
Other(1)	28.6%
Total	100%

(1) No other country accounted for more than 2.5% of our lease revenue in 2013.

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As of December 31, 2013, leases representing approximately 30.1% of our lease revenues in 2013 were scheduled to expire before December 31, 2016. As of December 31, 2013, of our 236 owned aircraft, 232 aircraft were on lease and had a weighted average remaining lease period per aircraft of 80 months and four aircraft were off-lease. The aircraft off-lease were subject to lease agreements as of December 31, 2013. Two of these aircraft have been delivered since December 31, 2013 and the remaining two are scheduled for delivery in the first and second quarters of 2014.

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The following table sets forth as of December 31, 2013 the number of leases that were scheduled to expire between December 31, 2013 and December 31, 2027 as a percentage of our 2013 lease revenue.

Year	Percentage of 2013 lease revenue(1)	Number of aircraft with leases expiring
2014	4.9	11
2015	10.1	28
2016	12.8	31
2017	5.7	16
2018	6.9	24
2019	11.7	23
2020	12.2	25
2021	5.2	13
2022	7.0	17
2023	4.5	6
2024	4.3	8
2025	2.4	6
2026	5.8	14
2027	2.0	10
Total	95.5%	232

(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 2013 (1.8%), revenue from the off-lease aircraft (2.3%), revenue from the leasing of engines (0.3%) and lease revenue from the aircraft subject to lease-in lease-out transactions (0.1%).

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

	2011	2012	2013
United States of America	8.8%	12.1%	17.3%
Russia	10.3%	9.4%	9.6%

The following table sets forth the percentage of long-lived assets (flight equipment and intangible assets) attributable to individual countries representing at least 10% of total long-lived assets in 2013 based on each airline's principal place of business for the years indicated:

	2012	2013
United States of America	16.6%	22.2%
Russia	11.4%	10.4%

We lease and sell aircraft to airlines and others throughout the world and our trade and notes receivable are from entities located throughout the world. We generally obtain deposits on leases and obtain collateral in flight equipment on notes receivable. During the year ended December 31, 2013 we had one lessee, American Airlines, that represented 10.9% of total lease revenue. During the years ended December 31, 2012 and 2011 we had no lessees that represented at least 10% of total lease revenue.

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During the years ended December 31, 2011, 2012 and 2013, no lease revenue and no long-lived assets were attributable to The Netherlands, our country of domicile.

Financing

Our management analyzes sources of financing based on pricing and other terms and conditions in order to optimize the return on our investments. We have the ability to access a broad range of liquidity sources globally, and since 2006, we have raised in excess of \$20.0 billion of new financings, including bank debt, governmental secured debt, securitization and debt capital markets.

Credit Facilities

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 a broad range of aircraft. In June 2011, we amended this credit facility to allow for an additional two year revolving period with a three year term-out period, extending the facility to June 2016, and amending the facility size to \$775.0 million. The facility size was increased to \$800.0 million in 2012. In May 2013, the facility was amended to increase the facility size to \$1.1 billion and to allow for an additional two year revolving period with a three year term-out period, extending the maturity date to June 2018. This amendment also allows us to increase the size of the facility in the future if certain conditions are met. This facility provides us with large scale committed financing allowing us to rapidly execute aircraft portfolio purchases. Following the initial closing, the facility size was increased from \$1.1 billion to \$1.3 billion.

In November 2012, we entered into a \$285.0 million unsecured revolving credit facility for general corporate purposes, which we subsequently increased to \$290.0 million. Citigroup Global Markets Inc., Crédit Agricole Corporate and Investment Bank and RBS Securities Inc. were joint lead arrangers for the facility. This facility provides us with additional flexibility allowing us to rapidly capitalize on opportunities in the market.

In October 2013, we entered into a \$180.0 million unsecured revolving and term loan facility for general corporate purposes. The size of the facility may be increased up to \$250.0 million in the aggregate if certain conditions are met. DBS Bank Ltd. acted as Mandated Lead Arranger and Bookrunner on the transaction. The facility provides us with additional committed capital and significant flexibility.

On December 16, 2013, AerCap Ireland Capital Limited ("AerCap Capital"), a wholly-owned subsidiary of AerCap, entered into a \$2.75 billion bridge credit agreement (the "Bridge Facility") with UBS AG, Stamford Branch, as administrative agent, and Citibank N.A. as syndication agent. The proceeds from the facility may be used to finance the ILFC Transaction. Additionally, AerCap Capital entered into a \$1.0 billion unsecured revolving credit facility with AIG, the proceeds of which will become available upon the closing of the ILFC Transaction for general corporate purposes.

Securitizations

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 \$35.0 billion of funding in the global financial markets including over \$11 billion of funds through initial issuances and refinancings in the aircraft securitization market.

In May 2007, we completed a \$1.7 billion securitization of 70 aircraft subject to operating leases. This securitization was a refinancing of our 2005 securitization and is non-recourse. In the refinancing, we added 28 aircraft to the structure. On November 14, 2012, we sold 100% of our interest in the E-Notes, the equity securities issued by the securitization, to Guggenheim; and

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In June 2008, our consolidated subsidiary Aircraft Lease Securitisation II Limited ("ALS II") closed a \$1.0 billion aircraft securitization. The securitization provides long-term non-recourse funding for 30 A320 family aircraft which are part of the 70 aircraft order placed by us.

Export Credit Facilities

As of December 31, 2013, 13 A330 aircraft, 33 A320 family aircraft, two Boeing 737-800 aircraft and four CRJ aircraft have been financed in export credit facilities with banks and financial institutions, which contained the negotiated terms pursuant to which the ECAs, the Export-Import Bank of the United States (U.S. Ex-Im Bank) and Export Development Canada (EDC) agreed to provide guarantees. From time to time, the ECA facilities have been amended to cover certain additional aircraft and an ECA capital markets transaction in relation to three A330 aircraft was completed.

Issuance of Notes

In May 2012, we issued \$300 million aggregate principal amount of 6.375% senior unsecured notes, which will mature on May 30, 2017. The notes were issued through our subsidiary, AerCap Aviation Solutions B.V. ("AerCap Aviation"), and initially guaranteed by AerCap Holdings N.V., and subsequently also by AerCap Ireland Ltd. Part of the proceeds of these notes were used to repay \$170.0 million of outstanding indebtedness.

Transactions

During 2011, we signed financing facilities in the amount of \$1.5 billion, including the following:

long-term secured debt with banks to finance up to 12 Boeing 737-800 aircraft to be delivered to American Airlines with a total of \$402.0 million;

amendment and extension of our AerFunding revolving credit facility with a total of \$775.0 million; and

other secured financings with a total of \$360.0 million.

During 2012, we signed financing facilities in the amount of \$1.5 billion, including the following:

unsecured facilities, including a \$300.0 million unsecured notes issuance and a \$285.0 million unsecured revolving facility, with a total of \$585.0 million;

additional ECA-guaranteed facilities with a total of \$246.0 million;

long-term secured debt with banks to finance up to six Boeing 737-800 aircraft to be delivered to American Airlines with a total of \$192.0 million;

a pre-delivery payment facility in order to partially finance the pre-delivery payment amounts on ten of our Boeing 737-800 forward order with a total of \$200.0 million; and

other secured financings with a total of \$307.0 million.

During 2013, we signed financing facilities in the amount of \$5.9 billion, including the following:

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amendment and extension of the AerFunding credit facility with a total of \$1.3 billion;

unsecured facilities, including a \$180.0 million senior unsecured revolving credit facility;

long-term secured debt with banks to finance up to seven Boeing 737-800 aircraft to be delivered to American Airlines with a total of \$232.0 million;

a \$2.75 billion bridge credit facility, the proceeds of which may be used to finance the ILFC Transaction;

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a \$1.0 billion unsecured revolving credit facility, the proceeds of which will become available upon the closing of the ILFC Transaction for general corporate purposes; and

other secured financings with a total of \$423.0 million.

Joint Ventures

We have conducted some of our business through joint ventures. The joint venture arrangements allowed us to:

order new aircraft in larger quantities to increase our buying power and economic leverage;

increase the geographical and product diversity of our portfolio;

obtain stable servicing revenues; and

diversify our exposure to the economic risks related to aircraft purchases.

AerDragon. In May 2006, we signed a joint venture agreement with China Aviation Supplies Holding Company ("CAS") and affiliates of Cr dit Agricole Corporate and Investment Bank ("CA-CIB) establishing AerDragon with initial registered capital of \$50.0 million. The registered capital of AerDragon was increased to \$120.0 million in 2010, to \$130.0 million in 2011, to \$183.5 million in 2013 and to \$223.5 million in early 2014. During 2013 the joint venture agreement was amended to include East Epoch Limited who agreed to become a shareholder in AerDragon. As at December 31, 2013, AerDragon was 50% owned by CAS, 20.3% owned by us, 20.3% owned by CA-CIB, and 9.4% owned by East Epoch Limited. As at the date of this report CAS owned 50% of AerDragon, with the other 50% owned equally by us, CA-CIB, and East Epoch Limited. We provide certain aircraft- and accounting-related services to the joint venture, and act as guarantor to the lenders of AerDragon, related to debt secured by the aircraft which AerDragon purchased directly from us. This joint venture enhances our presence in the increasingly important Chinese market and will enhance our ability to lease our aircraft and engines throughout the entire Asia/Pacific region. On December 30, 2013, AerDragon signed a purchase agreement with Boeing for ten new B737-800 aircraft to be delivered in the years 2014 to 2016. AerDragon had 20 aircraft on lease to 9 airlines as of December 31, 2013, including one acquired from AerCap during the first quarter of 2013. In addition to the aircraft on lease at December 31, 2013, AerDragon had 13 aircraft yet to be delivered including one A330 that AerDragon contracted to purchase from AerCap.

We have reassessed our ownership and have determined that AerDragon remains a variable interest entity, in which we continue to not have control and are not to be primary beneficiary of AerDragon. Accordingly, we account for our investment in AerDragon under the equity method of accounting. With the exception of debt for which we act as guarantor, the obligations of AerDragon are non-recourse to us.

AerCap Partners I. In June 2008, AerCap Partners I, a 50% joint venture entered into between us and Deucalion Aviation Funds, acquired a portfolio of 19 aircraft from TUI Travel. The aircraft acquired were leased back to TUI Travel for varying terms. As of December 31, 2013, six Boeing 757-200 aircraft have been sold, and 11 Boeing 737-800 and two Boeing 767-300ER remain in the portfolio. The initial aircraft portfolio was financed through a \$425.7 million senior debt facility and \$125.6 million of subordinated debt consisting of \$62.8 million from us and \$62.8 million from our joint venture partner. On the applicable maturity date under the senior debt facility, which for the first tranche is April 2015 and for the second tranche was April 2012, or if earlier, in case of an AerCap insolvency, if the joint venture partners do not make additional subordinated capital available to the joint venture, AerCap can be required to purchase the aircraft from the joint venture for a price equal to the outstanding senior debt facility balance plus certain expenses and taxes related to the purchase. We have also entered into agreements to provide management and marketing services to AerCap

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Partners I. At December 31, 2013, AerCap Partners I had \$163.9 million of indebtedness outstanding under its senior debt facility.

The second tranche of senior debt was refinanced in April 2012, and as part of the refinancing, AerCap Partners 767 Limited ("AerCap Partners 767") was incorporated. AerCap Partners 767 acquired two Boeing 767 aircraft with leases attached (from AerCap Partners I) which were financed through a \$36.0 million senior debt facility and \$30.9 million of subordinated debt consisting of \$15.45 million from us and \$15.45 million from our joint venture partner. \$30.9 million of AerCap Partners I's subordinated debt was redeemed upon sale of the two Boeing 767 aircraft to AerCap Partners 767.

We have determined that AerCap Partners I and AerCap Partners 767 are variable interest entities in which we have control and are the primary beneficiary. As such, we have consolidated AerCap Partners I's and AerCap Partners 767's financial results in our consolidated financial statements.

Joint ventures with Waha. In 2010, we entered into two joint ventures with Waha, with us owning 50% in AerLift Jet and 40% in AerLift. AerLift Jet owned four CRJ aircraft, and AerLift owned eight aircraft as of December 31, 2013. We have determined that the joint ventures are variable interest entities. For AerLift Jet we are the primary beneficiary. As such, we consolidate the financial results of AerLift Jet in our consolidated financial statements. For AerLift we do not have control and are not the primary beneficiary and accordingly, we account for our investment in AerLift under the equity method of accounting.

Other joint ventures. In 2010, we entered into two 50% joint ventures with two separate joint venture partners. The two joint ventures collectively owned six aircraft, consisting of three A330 and three A320 aircraft. On June 1, 2011 we sold our 50% interest in three A330 aircraft that had been part of one of the joint ventures. We have determined that the remaining joint venture is a variable interest entity in which we have control and we are the primary beneficiary. As such, we consolidate the financial results of this joint venture in our consolidated financial statements.

We also own 42.3% of AerData, an integrated software solution provider for the aircraft leasing industry, which provides and manages our main corporate management system ("CMS"). AerData's impact to our financial results is not material.

We guarantee debt obligations on behalf of joint venture entities in the total amount of \$308.6 million as of December 31, 2013.

The effect on equity attributable to us due to changes in ownership interest in subsidiaries was nil in the years ended December 31, 2011, 2012 and 2013.

Relationship with Airbus

We have a close and longstanding mutually advantageous relationship with Airbus. Our relationship dates back to our formation, when Daimler AG (formerly known as Daimler-Benz AG and DaimlerChrysler AG), a principal shareholder of European Aeronautic Defense & Space Company EADS N.V., a shareholder of Airbus, was one of our founding shareholders. In the last ten years, we, directly or through our joint ventures, have contracted to purchase over 100 commercial jet 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.

Relationship with Boeing

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

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customers operate and often seek aircraft alternatives from both Airbus and Boeing, the Boeing order is a response to the needs and interests of our customers.

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, 2013, we had aircraft management and administration and cash management service contracts with 14 parties covering over 220 aircraft, four of which accounted for 92% of our aircraft services revenue in 2013. 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 revenues or sale proceeds, or specific upside sharing arrangements.

We provide cash management and administrative services to securitization vehicles and joint ventures. Cash management services consist of treasury services such as the financing, refinancing, hedging and ongoing 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.

Subsidiaries

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AerCap Holdings N.V.'s major subsidiaries as of December 31, 2013, were AerCap Ireland Ltd., Aircraft Lease Securitisation II Ltd., AerFunding I Ltd., and Genesis Funding Ltd. AerCap Holdings N.V. has numerous other subsidiaries, none of which contribute more than 5% of our consolidated revenues or represent more than 5% of our total assets.

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

Location	December 31, 2011	December 31, 2012	December 31, 2013
Amsterdam, The Netherlands	74	77	79
Shannon, Ireland	54	54	55
Fort Lauderdale, FL	15	17	16
Other(1)	10	11	13
Total	153	159	163

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

None of our employees are covered by a collective bargaining agreement and we believe that we maintain excellent employee relations. Although under Netherlands law we may be required to have a works council for our operations in The Netherlands, our employees have not elected to date to organize a works council. A works council is an employee organization that is granted certain statutory rights to be involved in certain of the company's decision making processes. The exercise of such rights, however, must take into account the interests of the company and its stakeholders.

Organizational Structure

AerCap Holdings N.V. is a holding company which holds directly and indirectly consolidated investments in four main operating companies, most of which in turn own special purpose entities which hold our aircraft assets. AerCap Holdings N.V. employs 39 people and does not own significant assets outside of its investments in its subsidiaries. Within the group, we also have several inactive subsidiaries or subsidiaries which are in the process of being liquidated. In addition to AerCap Holdings N.V.'s ownership in our principal operating subsidiaries, it holds our 50% economic interests in AerCap Partners II (three aircraft) and a 50% ownership interest in a joint venture with Waha (four aircraft). The four principal operating subsidiaries, their share ownership and the identity of their significant asset owning subsidiaries are detailed below.

AerCap B.V. is owned 100% by AerCap Holdings N.V. *AerCap B.V.* is located in Amsterdam, The Netherlands, and through its special purpose subsidiaries, owns the economic interests in 22 aircraft. *AerCap B.V.* does not employ any personnel.

AerCap Group Services B.V. is owned 100% by AerCap Holdings N.V. *AerCap Group Services B.V.* is located in Amsterdam, The Netherlands and had 40 employees as of December 31, 2013. *AerCap Group Services B.V.* does not own significant assets, but provides a range of management services to other asset owning companies in the AerCap group of companies.

AerCap Ireland Limited is indirectly owned 100% by AerCap Holdings N.V. *AerCap Ireland Limited* is located in Shannon, Ireland and holds our economic interests in ALS II, which owns 30 aircraft and in Genesis Funding Ltd ("GFL"), which owns 37 aircraft and it holds our 50% economic interests in AerCap Partners I (11 aircraft). In addition, *AerCap Ireland Limited* owns 94 aircraft and seven engines directly or through single aircraft owning special purpose entities and holds the economic interests in AerFunding (33 aircraft). *AerCap Ireland Limited* is also the holder of our joint venture investment in AerDragon. *AerCap Ireland Limited* had 55 employees as of December 31, 2013.

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AerCap, Inc. is 100%-owned by AerCap Holdings N.V. AerCap, Inc. is located in Ft. Lauderdale, Florida. AerCap, Inc. does not employ any personnel. AerCap, Inc. owns 100% of AerCap Group Services, Inc., which had 16 employees as of December 31, 2013 and provides a range of services to other asset owning companies in the AerCap group of companies.

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. Our competition is comprised of major aircraft leasing companies including GECAS, ILFC, CIT Aerospace, Aviation Capital Group, Air Lease Corporation, SMBC Aviation Capital, AWAS Aviation Capital Limited, FLY Leasing Limited, BOC Aviation and AirCastle Ltd. On December 16, 2013, we agreed to acquire ILFC from AIG, with the acquisition subject to receipt of necessary regulatory approvals and satisfaction of other customary closing conditions.

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. 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. 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. Our lessees, however, are subject to extensive regulation under the laws of the jurisdictions 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.

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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.

Facilities

We lease a 38,750 square foot office facility in Amsterdam, The Netherlands. The lease runs through March 31, 2018. We lease our Shannon, Ireland facility under a 21-year lease (10,000 square feet) and a 19 year lease (6,000 square feet) which began March 28, 2008 and June 18, 2010 respectively, and have options to terminate both leases in 2018 and in 2024.

In addition to the above facilities, we also lease small offices in New York (New York), Fort Lauderdale (Florida), Shanghai (China), the United Arab Emirates and Singapore.

Trademarks

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

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On February 23, 2006, VASP commenced a procedure to calculate its alleged 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 VASP prevails on the issue of liability, they do not believe that VASP will be able to demonstrate any damages. We continue to actively pursue all courses of action that may be available to us and intend to defend our position vigorously.

In July 2006, we brought a claim for damages against VASP in the English courts, seeking damages incurred by AerCap as a result of VASP's default under seven leases that were governed by English law. VASP was served with process in Brazil in October 2007 and in response filed an application challenging the jurisdiction of the English court, which we opposed. VASP also applied to the court to adjourn the hearing on its jurisdictional challenge pending the sale of some of its assets in Brazil. We opposed this application and by an order dated March 6, 2008 the English court dismissed VASP's applications.

In September 2008, the bankruptcy court in Brazil ordered the bankruptcy of VASP. VASP appealed this decision. In December 2008, we filed with the English court an application for default judgment, seeking damages plus accrued interest pursuant to seven lease agreements. On March 16, 2009 we obtained a default judgment in which we were awarded approximately \$40.0 million in damages plus accrued interest. We subsequently applied to the STJ for an order ratifying the English judgment, so that it might be enforced in Brazil. The STJ granted AerCap's application and entered an order ratifying the English judgment. Although VASP appealed that order, the order is fully effective pending a resolution of VASP's appeal of the order ratifying the English judgment.

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

In addition to its claim in the English courts, AerCap has also brought an action against VASP in the Irish courts to recover damages incurred as a result of VASP's default under nine leases governed by Irish law. The Irish courts granted an order for service of process. Although VASP opposed service in Brazil, the STJ ruled that service of process had been properly completed. After some additional delay due to procedural issues related to VASP's bankruptcy, the Irish action is now moving forward.

Our management, based on the advice of external legal counsel, does not believe the outcome of this case will have a material effect on our consolidated financial condition, results of operations or cash flows.

Transbrasil Litigation

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

Transbrasil brought a lawsuit against the Lessors in February 2001, claiming that the Notes had in fact been paid at the time GECC brought the enforcement action. In 2007, the trial judge ruled in

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favor of Transbrasil. That decision was appealed. In April 2010, the appellate court published a judgment (the "2010 Judgment") rejecting the Lessors' appeal, ordering them to pay Transbrasil statutory penalties equal to double the face amount of the Notes (plus interest and monetary adjustments), and awarding Transbrasil damages for any losses incurred as a result of the attempts to collect on the Notes. The 2010 Judgment provided that the amount of such losses would be calculated in separate proceedings in the trial court (the "Indemnity Claim"). In June 2010, the AerCap Lessors and GE Lessors separately filed special appeals before the STJ in Brazil. These special appeals were subsequently admitted for hearing.

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

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

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

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

Our management, based on the facts and the advice of external legal counsel, does not believe the outcome of this case will have a material effect on our consolidated financial condition, results of operations or cash flows.

Iran Sanctions Disclosure

Pursuant to Section 13(r) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), if during 2013, AerCap or any of its affiliates have engaged in certain transactions with Iran or with persons or entities designated under certain executive orders, AerCap would be required to disclose information regarding such transactions in our annual report as required under Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012. During 2013, AerCap did not engage in any transactions with Iran or with persons or entities related to Iran.

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 accounting principles generally accepted in the United States of America, or U.S. GAAP. The discussion

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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

Net income attributable to AerCap Holdings N.V. for the full year 2013 was \$292.4 million, compared to \$163.7 million in 2012. Adjusted net income was \$299.9 million for the full year 2013, compared to \$258.0 million in 2012. Adjusted net income excludes non-cash charges relating to the mark-to-market of interest rate caps and share-based compensation, charges to interest expense from the early repayment of secured loans, the loss on sale of the ALS portfolio and transaction expenses related to the ILFC Transaction. Please refer to page 74 for the reconciliation of adjusted net income (and adjusted earnings per share) to net income attributable to AerCap Holdings N.V. for the years ended December 31, 2013 and 2012. Total basic earnings per share for the full year 2013 were \$2.58. Adjusted basic earnings per share were \$2.64. The average number of outstanding basic shares was 113.5 million for the year ended December 31, 2013. Net interest margin, or net spread, the difference between basic lease rents and interest expense excluding the mark-to-market of interest rate caps, was \$663.6 million for full year 2013.

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Major Developments in 2013

On March 26, 2013, Cerberus Capital Management, L.P. ("Cerberus"), through its affiliate, Fern S.a.r.l, sold approximately 8.2 million ordinary shares in AerCap, reducing Cerberus' stake in AerCap to less than 0.1%.

On May 6, 2013, East Epoch Limited agreed to become a new shareholder of AerDragon, AerCap's operating lease joint venture that primarily serves the aviation markets in China and Asia. CAS, a founder of AerDragon, agreed to simultaneously increase its investment in AerDragon. This was in addition to the previously committed capital increase agreed by CAS and the other founders of AerDragon, AerCap and CA-CIB. These new investments when completed will bring AerDragon's total share capital to \$268.5 million. As of the date of this report AerDragon's total capital was \$223.5 million.

On May 13, 2013, we amended our AerFunding revolving credit facility with Credit Suisse AG, Bank of America Merrill Lynch and RBC Capital Markets and the other lenders party thereto. The amendment increased the facility size to \$1.3 billion and extended the final maturity to June 2018.

On May 28, 2013, we entered into a \$2.6 billion purchase and leaseback agreement with LATAM for 25 widebody aircraft, including 15 deliveries scheduled between 2014 and 2018. The aircraft consist of nine new Airbus A350-900s, four new Boeing 787-9s, two new Boeing 787-8s from LATAM's order backlog and ten Airbus A330-200s with an average age of four years from LATAM's existing fleet. As of December 31, 2013 ten aircraft had been purchased and leased back to LATAM.

On October 21, 2013, we closed a \$180.0 million senior unsecured revolving and term loan facility. The five year facility comprises a three year revolving period followed by a two year term loan period. The size of the facility may be increased up to \$250.0 million in the aggregate if certain conditions are met. DBS Bank Ltd. acted as mandated lead arranger for a syndicate of ten banks.

On December 16, 2013, we announced the ILFC Transaction. Assuming the consummation of the ILFC Transaction, the combined company will retain the name AerCap, and ILFC will become a wholly-owned subsidiary of AerCap. Under the terms of the agreement, AIG will receive \$3.0 billion in cash and 97,560,976 AerCap shares. After the ILFC Transaction, AerCap's total aircraft portfolio will be valued at approximately \$35 billion, with a fleet of over 1,300 aircraft and an order book of 379 new aircraft contracted to be delivered as of December 31, 2013. As part of the transaction, AerCap will assume approximately \$21 billion of ILFC's debt. The ILFC Transaction is expected to close in the second quarter of 2014, subject to receipt of necessary regulatory approvals and satisfaction of other customary closing conditions.

On December 16, 2013, AerCap Ireland Capital Limited ("AerCap Capital"), a wholly-owned subsidiary of AerCap, entered into a \$2.75 billion bridge credit agreement with UBS AG, Stamford Branch, as administrative agent, and Citibank N.A. as syndication agent. The proceeds from the facility may be used to finance the ILFC Transaction.

On December 16, 2013, AerCap Capital entered into a \$1.0 billion revolving credit facility with AIG, the proceeds of which will become available upon the closing of the ILFC Transaction for general corporate purposes.

Liquidity and Access to Capital

Aircraft leasing is a capital-intensive business and we have significant capital requirements. These commitments might include requirements to make pre-delivery payments, in addition to the

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requirement to pay the balance of the purchase price for aircraft on delivery. As of December 31, 2013, we had 44 new aircraft on order, which included three A330 aircraft, five A320neo aircraft, nine A350 aircraft, 20 Boeing 737 aircraft (including five purchase rights as part of a Boeing order) and seven Boeing 787 aircraft. Furthermore, while we have secured the Bridge Facility to fund, in part, the purchase price of the ILFC Transaction, we may need to incur additional debt to consummate the ILFC Transaction. As a result, we will need to raise additional funds through a combination of borrowings under committed debt facilities as well as arranging additional financings, the net proceeds of which will be used to meet pre-delivery and final delivery payment obligations in addition to financing the ILFC Transaction. We may also need to raise additional funds through selling aircraft or other aircraft investments, including participations in our joint ventures, and if necessary, generating proceeds from potential capital market transactions.

In the longer term, we expect to fund the growth of our business, including the acquisition of aircraft, through internally generated cash flows, the incurrence of new bank debt, the refinancing of existing bank debt and other capital raising initiatives. For additional information on the availability of funding under our contracted credit facilities see " *Indebtedness*".

Non-Cash Charge for Share-based Compensation

The non-cash charge for share-based compensation, net of tax, was \$8.1 million for the full year 2013. The charge relates to restricted shares and restricted share units in AerCap Holdings N.V. which are held by members of our senior management and independent directors. The charge did not reduce our net equity.

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

The non-cash income for mark-to-market of interest rate caps, net of tax and non-controlling interest, was \$10.2 million for the full year 2013. We use interest rate caps to hedge against the impact of interest rate increases on variable-rate debt. Our interest rate caps do not qualify for hedge accounting under U.S. GAAP and the periodic mark-to-market gains or losses of our caps is recorded as interest expense.

Aviation Assets

We acquired \$1.8 billion of aviation assets including 38 aircraft in 2013. Total assets were \$9.5 billion as of December 31, 2013. Total assets increased 9% during 2013 which was driven primarily by the acquisition of new aircraft. As of December 31, 2013, we owned 236 aircraft and seven engines, managed 69 aircraft, had 44 new aircraft on order, which included three A330 aircraft, five A320neo aircraft, nine A350 aircraft, 20 Boeing 737 aircraft (including five purchase rights as part of a Boeing order) and seven Boeing 787 aircraft. We also have a 20.3% ownership in a joint venture that owned, or had on order, 33 aircraft as of December 31, 2013, which was not included in the above.

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 we own;

aviation industry market conditions including general economic and political conditions;

the demand for our aircraft and the resulting lease rates we are able to obtain for our aircraft;

the availability and cost of debt capital to finance purchases of aircraft and aviation assets;

the purchase price we pay for our aircraft;

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the number, types and sale prices of aircraft we sell in a period;

the ability of our lessee customers to meet their lease obligations and maintain our aircraft in airworthy and marketable condition;

the utilization rate of our aircraft;

the recognition of non-cash share-based compensation expense related to the issuance of restricted stock and stock options to our employees and our Non-Executive Directors by the Cerberus funds which controlled 100% of our stock at the time of the acquisition by AerCap Holdings C.V. (which we acquired in 2006) of AerCap B.V. in 2005 and the issuance by AerCap of stock options to our employees; and

interest rates which affect our aircraft lease revenues, our interest on debt expense and the market value of our interest rate derivatives.

Factors Affecting the Comparability of Our Results

AeroTurbine Transaction

On August 2, 2011, we entered into an agreement with ILFC for the sale of AeroTurbine. The AeroTurbine Transaction was completed on October 7, 2011. The purchase price for all of the outstanding shares of AeroTurbine was \$228.0 million. As a result of the sale we recognized a loss from discontinued operations of \$52.8 million in the year ended December 31, 2011. The loss consisted of: (1) \$22.5 million of bank fees, legal fees and contractual incentive payments to AeroTurbine management, (2) a \$8.7 million deferred tax asset write-off as a result of the transfer of tax losses to the buyer; and (3) a \$21.6 million book loss. The sale resulted in a \$119.9 million increase of our cash position, net of incentive payments and net of AeroTurbine's cash held at the transaction date. The completion of the sale followed receipt of all necessary regulatory approvals and satisfaction of all other closing conditions. As a result of the agreement with ILFC and based on ASC 205-20, which governs financial statements for discontinued operations, for all periods presented, we have reclassified the results of AeroTurbine into discontinued operations in Consolidated Income Statements. If we complete the ILFC Transaction, AeroTurbine will again become one of our subsidiaries.

ALS Transaction

On November 14, 2012, we signed and completed an agreement with an entity incorporated at the direction of Guggenheim for the sale of our equity interest in ALS by transferring 100% of our interest in the E-Notes, the equity securities issued by ALS, to Guggenheim. The total proceeds comprised of the cash received and a contingent asset (the "ALS Note Receivable"), which entitles us to receive future cash flows based on the performance of ALS. The total proceeds were in excess of the fair value of the E-Notes sold and included a financing from Guggenheim to us (the "ALS Coupon Liability"). The repayments of the ALS Coupon Liability are equal to a specified amount of \$2.5 million per month until the earlier of December 2016 or the month in which the senior securities issued by ALS, the G-Notes, are fully repaid. After the repayment of the ALS Coupon Liability, the ALS Note Receivable entitles us to receive future cash up to the total amount paid under the ALS Coupon Liability. As a result of the transaction, we concluded that substantial risk of ownership is transferred to Guggenheim. The transaction thus resulted in the sale and deconsolidation of ALS, which included 50 aircraft with a net book value of approximately \$1.0 billion and debt of approximately \$0.5 billion prior to the sale. As of December 31, 2013, the ALS Coupon Liability was valued at \$71.1 million and the ALS Note Receivable was valued at \$72.8 million.

The ALS transaction resulted in a loss, net of tax, of \$54.6 million, including transaction expenses of \$13.5 million. The ALS Coupon Liability was initially recognized at fair value, at the transaction date, of \$97.1 million, using a discount rate of 5.5%. The ALS Coupon Liability is recorded as debt in

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our Consolidated Balance Sheets. The corresponding ALS Note Receivable was initially recognized at fair value, at the transaction date, of \$67.3 million using a discount rate of 6.8%. The ALS Note Receivable is recorded as notes receivable in our Consolidated Balance Sheets. The ALS Coupon Liability and ALS Note Receivable are both subsequently measured at amortized cost using the retrospective effective interest method.

LATAM Transaction

On May 28, 2013, we entered into a \$2.6 billion purchase and leaseback agreement with LATAM for 25 widebody aircraft, including 15 with deliveries scheduled between 2014 and 2018. The aircraft consist of nine new Airbus A350-900s, four new Boeing 787-9s, and two new Boeing 787-8s from LATAM's order backlog, and ten Airbus A330-200s with an average age of four years, from LATAM's existing fleet, which were purchased and leased back in June 2013. In accordance with ASC 805-50, we allocated the portfolio purchase price of \$2.6 billion to individual aircraft acquired based on their relative fair values which were based on independent appraised values. As part of the transaction, we made payments of \$659 million in June 2013, and allocated \$577 million to flight equipment held for operating leases relating to the ten aircraft delivered, and accounted for the other \$82 million as prepayments on flight equipment for the remaining 15 aircraft to be delivered.

Guggenheim Transaction

On June 27, 2013, we completed a transaction under which we sold eight Boeing 737-800 aircraft to ACSAL HOLDCO, LLC ("ACSAL"), an affiliate of Guggenheim, in exchange for cash and in addition we made a capital contribution of 19.4% in the equity of ACSAL. The aircraft are subject to long term leases to American Airlines. We will continue to service the Boeing 737-800 portfolio. Based on ASC 840 we concluded that we did not retain a substantial risk of ownership and therefore the assets were deconsolidated and a \$10.5 million gain on sale was recognized.

We have assessed our ownership in ACSAL, and have determined that it is a variable interest entity. We further determined that while we do not have control and are not the primary beneficiary of ACSAL, we do have significant influence and accordingly, we account for our investment in ACSAL under the equity method of accounting.

Trends in Our Business

Demand for more technologically-advanced, fuel-efficient aircraft has fueled a steady increase in demand for the A330, A320 and Boeing 737 NG aircraft, the most highly concentrated aircraft in our current portfolio (comprising 86.2% by net book value), over the past several years. We expect that demand for these types of aircraft will remain strong and combined with our orderbook of current and new technology aircraft will result in increased revenues in the future.

Demand for older, less-fuel efficient aircraft such as older Boeing 737-300s, 400s and 500s (737 classics), Boeing 747 Freighters and older Airbus A320s has declined sharply in recent years. We have strategically managed our aircraft fleet to reduce the exposure to these older aircraft in our fleet, reducing the percentage of older aircraft from 3.4% of our owned fleet in 2011 to 0.9% in 2013. Reducing the number of these aircraft in our fleet protects us from the downward pressure on lease rates for these aircraft and the difficulties in leasing them when their leases expire or are terminated. In addition, we have been engaged in efforts to reduce the weighted average age of our aircraft portfolio, resulting in a decrease from 5.5 years in 2011 to 5.4 years in 2013. We expect our investment in younger, more in-demand aircraft to improve our lease rates as well as our revenues. This risk would increase if the ILFC Transaction is completed because ILFC's aircraft portfolio has a weighted average age of 8.7 years.

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Air traffic demand is returning to 2008 levels as the global economy continues to recover. Emerging markets, including the Asia/Pacific/Russia markets, have exhibited some of the strongest growth in demand. A significant number (56.0% in 2011, 49.6% in 2012 and 47.1% in 2013) of our aircraft are leased to airlines in emerging markets countries. We anticipate that as demand in emerging markets continues to strengthen, our established presence in these areas will lead to increased revenues and future opportunities for growth and expansion.

In the last several years, we have incurred significant costs resulting from lease defaults. In 2011, 2012 and 2013, we faced defaults from four, five and two of our lessees, respectively. As a result of the current economic environment, the highly competitive nature of the airline industry and increasing fuel prices, we expect that we may face significant costs from additional airline defaults. Costs related to lease defaults include material expenses to repossess flight equipment and maintenance related costs. Despite the costs of lease defaults, we are able to effectively repossess and re-lease aircraft in a timely manner thanks to our sophisticated marketing and technical teams as well as our broad geographic reach and relationships.

Critical Accounting Policies

Our Operating and Financial Review and Prospects is based upon our consolidated financial statements, which have been prepared in accordance with U.S. 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 judgments, estimates and assumptions. Our most critical accounting policies and estimates are described below.

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. At lease inception we review all necessary criteria under ASC 840-10-25 to determine proper lease classification including the criteria set forth in ASC 840-10-25-14. Our lease contracts normally include default covenants, and the effect of a default by a lessee is generally to oblige the lessee to pay damages to the lessor to put the lessor in the position one would have been had the lessee performed under the lease in full. There are no additional payments required which would increase the minimum lease payments under ASC 840-10-25-1. 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 collectability 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

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management's assessment of collectability and to the extent such rentals exceed related security deposits held, and are recorded as expenses on the income statement.

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

Net gain (loss) on sale of assets originate primarily from the sale of aircraft and engines 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.

As described below, revenue from supplemental maintenance rent is recognized when we no longer expect to reimburse maintenance rent to lessees.

Flight equipment held for operating leases, net

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

We apply ASC 360, which addresses financial accounting and reporting for the impairment of long-lived assets 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. We regularly,

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at least on a quarterly basis, evaluate these events and circumstances. The review for recoverability includes an assessment of the estimated future cash flows associated with the use of an asset and its eventual disposal. The assets are grouped at the lowest level for which identifiable cash flows are largely independent of other groups of assets. In relation to flight equipment on operating lease, the impairment assessment is performed on each individual aircraft. 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 15% of the original manufacture costs, in line with industry standards, except where more recent industry information indicates a different value is appropriate. We generally focus our impairment assessment on older aircraft as the cash flows supporting the carrying value of such older aircraft are more dependent upon current lease contracts, which leases are more sensitive to weaknesses in the global economic environment. Further deterioration of the global economic environment and a further decrease of aircraft values might have a negative effect on the undiscounted cash flows of older aircraft and might trigger further impairments.

Impairments

We have defined a threshold of 10% for aircraft for which the undiscounted cash flows do not substantially exceed the carrying value of the aircraft. The aggregated carrying value of the nine aircraft that did not substantially exceed our 10% threshold on December 31, 2013 amounted to \$257.2 million, and their aggregated net book value was \$261.8 million, which represented 3.2% of our total flight equipment held for operating lease.

As of December 31, 2013, we owned 236 aircraft, of which, 13 were older than 15 years. The 13 aircraft had a net book value of \$206.8 million which represented 2.6% of our total flight equipment held for operating lease. The undiscounted cash flows of the 13 aircraft older than 15 years were estimated at \$234.6 million, which represents 13.5% excess above net book value. As of December 31, 2013, all 13 aircraft passed the recoverability test, including two aircraft that were impaired after their leases were terminated following a lessee default during the year. The 13 aircraft passed the recoverability test with undiscounted cash flows exceeding the carrying value of aircraft between 1% and 90%. The following assumptions drive the undiscounted cash flows: contracted lease rents per aircraft through current lease expiry, subsequent re-lease rates based on current marketing information and residual values based on current market transactions. We review and stress test our key assumptions to reflect any observed weakness in the global economic environment. Further deterioration of the global economic environment and a further decrease of aircraft values might have a negative effect on the undiscounted cash flows of older aircraft and might triggering further impairments.

In the year ended December 31, 2013, we recognized an impairment charge of \$26.2 million in income from continuing operations. The impairment charge recognized related to two older A319 aircraft, two Boeing 737-700 aircraft and two Boeing 747 freighters, which were older than 15 years of age as of December 31, 2013.

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Accrued Maintenance Liability

In all of our aircraft leases, the lessees are responsible for maintenance and repairs of our flight equipment and related expenses during the term of the lease. In some instances, we may incur maintenance and repair expenses for our 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. AerCap records as revenue all maintenance rent receipts not expected to be repaid to lessees. We estimate the total amount of maintenance reimbursements for the entire lease and only record revenue after we have received enough maintenance rent under a particular lease to cover the estimated total amount of revenue reimbursements. In these leases, upon lessee presentation of invoices evidencing the completion of qualifying maintenance on the aircraft, we make a payment to the lessee to compensate for the cost of the maintenance, up to the maximum of the supplemental maintenance rental payments made with respect to the lease contract.

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

In addition, we may be obligated to make additional payments to the lessee for maintenance related expenses (lessor maintenance contributions or top-ups) primarily related to usage of major life-limited components occurring prior to entering into the lease. We account for planned major maintenance activities such as lessor contributions and top-ups based on the expense as incurred method in accordance with the Airline Audit and Accounting Guide. We record a charge to leasing expenses at the time of the occurrence of a lessor contribution or top-up payment, except in instances where we have established an accrual as an assumed liability for such payment in connection with the purchase of an aircraft with a lease attached, in which case such payments are charged against the existing accrual.

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

Consolidation

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 and have control under ASC 810. 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.

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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.

Revenues

Our revenues consist primarily of lease revenue from aircraft leases, net gain on sale of assets, management fee revenue and interest revenue.

Lease Revenue

Nearly all of our aircraft 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 the year ended December 31, 2013, 12.9% of our basic aircraft lease revenue was attributable to leases tied to floating interest rates. 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 utilization and lease term, or an end-of-lease compensation amount calculated with reference to the technical condition of the aircraft 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 end-of-lease compensation payments we receive and the amount of accrued maintenance liabilities released to revenue during and at the end of a lease.

In addition to aircraft-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 and as of December 31, 2013, 232 out of our 236 owned aircraft and each of our seven owned engines were on lease to 74 customers in 42 countries, with no lessee accounting for more than 11% of lease revenue for the year ended December 31, 2013. The four aircraft off-lease as of December 31, 2013 were subject to lease agreements at December 31, 2013. Two of these aircraft have been delivered since December 31, 2013 and the remaining two are scheduled for delivery in the first and second quarters of 2014.

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The following table shows the regional profile of our lease revenue for the periods indicated:

	AerCap Holdings N.V.		
	Year ended December 31, 2011	Year ended December 31, 2012	Year ended December 31, 2013
Europe	38%	39%	35%
Asia/Pacific/Russia	39%	36%	32%
North America/Caribbean	12%	14%	18%
Latin America	6%	7%	11%
Africa/Middle East	5%	4%	4%
Total	100%	100%	100%

Net Gain (Loss) on Sale of Assets

Our net gain (loss) on sale of assets is generated from the sale of our aircraft, engines, and inventory. The net gain (loss) on sale we achieve on the sale of 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 net gain (loss) on sale of assets is 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, net gain (loss) on sales of assets recorded in one fiscal quarter or other reporting period may not be comparable to net gain (loss) on sales of assets 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.

Interest Revenue

Our interest revenue is derived primarily from deposit interest on unrestricted and restricted cash balances, interest earned on assets supporting defeased liabilities 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 scheduled amortization of defeased liabilities, 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, and reversals of provisions on such 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

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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, and selling, general and administrative expenses.

Depreciation

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.

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 for which we did not achieve cash flow hedge accounting treatment.

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 all had expired as of December 31, 2013.

Our leasing expenses consist primarily of maintenance expenses on our flight equipment, which we incur when our flight equipment is off-lease, lessor maintenance contribution expenses, 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.

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;

the frequency of lease transitions and the associated costs; and

the frequency and amount of lessor maintenance contribution expenses.

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Selling, General and Administrative Expenses

Our principal selling, general and administrative expenses consist of personnel expenses, including salaries, benefits, charges for share-based compensation, severance compensation, professional and advisory costs and office and travel expenses as summarized in Note 19 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 U.S. GAAP income from continuing operations before income taxes and our taxable income. Our effective tax rate has varied significantly year to year. The primary source of temporary differences is the availability of accelerated tax depreciation in our primary operating jurisdictions. 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 U.S. GAAP income from continuing operations before income taxes 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.

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	Year ended December 31, 2012	Year ended December 31, 2013
	(U.S. dollars in millions)	
Revenues		
Lease revenue	\$ 997.2	\$ 976.1
Net (loss) gain on sale of assets	(46.4)	41.9
Management fee revenue	17.3	20.7
Interest revenue	2.4	5.5
Other revenue	2.0	5.9
Total revenues	972.5	1,050.1
Expenses		
Depreciation	357.4	337.7
Asset Impairment	12.6	26.2
Interest on debt	286.0	226.3
Other operating expenses	78.2	49.1
Transaction expenses		10.9
Selling, general and administrative expenses	83.4	89.1
Total expenses	817.6	739.3
Income from continuing operations before income taxes and income of investments accounted for under the equity method	154.9	310.8
Provision for income taxes	(8.1)	(26.0)
Net income of investments accounted for under the equity method	11.6	10.6
Net income	158.4	295.4
Net loss (income) attributable to non-controlling interest, net of taxes	5.3	(3.0)
Net income attributable to AerCap Holdings N.V.	\$ 163.7	\$ 292.4

Revenues. Our total revenues increased by \$77.6 million, or 8.0%, to \$1,050.1 million in the year ended December 31, 2013 from \$972.5 million in the year ended December 31, 2012. The principal categories of our revenue and their variances were:

	Year ended December 31, 2012	Year ended December 31, 2013	Increase/ (decrease)	Percentage Difference
	(U.S. dollars in millions)			
Lease revenue				
Basic rents	\$ 931.9	\$ 901.6	\$ (30.3)	(3.3)%
Maintenance rents and end-of-lease compensation	65.3	74.5	9.2	14.1%
Net gain (loss) on sale of assets	(46.4)	41.9	88.3	190.3%
Management fee revenue	17.3	20.7	3.4	19.7%
Interest revenue	2.4	5.5	3.1	129.2%
Other revenue	2.0	5.9	3.9	195.0%

Total	\$	972.5	\$	1,050.1	\$	77.6	8.0%
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Basic rents decreased by \$30.3 million, or 3.3%, to \$901.6 million in the year ended December 31, 2013 from \$931.9 million in the year ended December 31, 2012. The decrease in basic rents was attributable primarily to:

a decrease in basic rents of \$19.0 million in the year ended December 31, 2013 compared to the year ended December 31, 2012 due to re-leases at lower rates following their scheduled lease expiration coupled with aircraft that were off-lease and therefore not producing rents and being transitioned between lessees. When aircraft come off-lease following their scheduled lease expiration, the contracted lease rates of their new leases tend to be lower than their previous lease rates as the aircraft are older and older aircraft have lower lease rates than newer aircraft; and

the sale of 73 aircraft between January 1, 2012 and December 31, 2013 with an aggregate net book value of \$2.0 billion at the date of sale (including 50 aircraft sold as part of the ALS Transaction) which was partially offset by the acquisition, during such period, of 58 aircraft for lease with an aggregate net book value of \$2.9 billion at the date of acquisition. The sale of older aircraft with higher lease rate factor and timing of sales and purchases resulted in a \$9.1 million decrease in basic rents in the year ended December 31, 2013 as compared to the year ended December 31, 2012.

Maintenance rents and other receipts increased by \$9.2 million, or 14.1%, to \$74.5 million in the year ended December 31, 2013 from \$65.3 million in the year ended December 31, 2012. The increase was primarily attributable to:

an increase of \$26.7 million in regular maintenance rents and end-of-lease compensation relating primarily to the redelivery of two older Boeing 737 aircraft and two older Boeing 747 freighter aircraft in the year ended December 31, 2013 compared to the year ended December 31, 2012,

partially offset by

a decrease of \$17.5 million in maintenance revenue and other receipts from airline defaults in the year ended December 31, 2013 compared to the year ended December 31, 2012 due to fewer airline defaults in the year ended December 31, 2013.

Net gain (loss) on sale of assets increased by \$88.3 million, or 190.3%, to a \$41.9 million gain in the year ended December 31, 2013 from a \$46.4 million loss in the year ended December 31, 2012. In the year ended December 31, 2013, we sold three A330 aircraft, nine Boeing 737 aircraft (including eight aircraft sold as part of the Guggenheim Transaction), one MD-11 aircraft and one Boeing 737 aircraft (both of which were included in net investment in direct finance leases), whereas in the year ended December 31, 2012, we sold 35 A320 aircraft, four A330 aircraft, 14 Boeing 737 aircraft, and six other aircraft. Net loss on sale of assets in the year ended December 31, 2013 of \$46.4 million included a \$59.9 million loss as a result of the ALS Transaction. Net gain on sale of assets excluding this \$59.9 million loss was \$13.5 million.

Management fee revenue increased by \$3.4 million, or 19.7%, to \$20.7 million in the year ended December 31, 2013 from \$17.3 million in the year ended December 31, 2012. The increase was mainly attributable to the additional management fee revenue in 2013 as a result of the ALS Transaction, which closed at the end of 2012.

Interest revenue increased by \$3.1 million, or 129.2%, to \$5.5 million in the year ended December 31, 2013 from \$2.4 million in the year ended December 31, 2012. The increase was mainly attributable to interest accrued on the ALS Note Receivable.

Other revenue increased by \$3.9 million, or 195.0%, to \$5.9 million in the year ended December 31, 2013 from \$2.0 million in the year ended December 31, 2012. Other revenue in both

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periods related primarily to the cash recovery of bankruptcy claims against previous lessees, guarantee fees and non-recurring payments.

Depreciation. Depreciation decreased by \$19.6 million, or 5.5%, to \$337.7 million in the year ended December 31, 2013 from \$357.4 million in the year ended December 31, 2012. The decrease was primarily the result of sales of older aircraft with a higher depreciation rate factor which was partially offset by the purchases of new aircraft between January 1, 2012 and December 31, 2013.

Asset impairment. In the year ended December 31, 2013, we recognized an aggregated impairment charge of \$26.2 million, whereas in the year ended December 31, 2012, we recognized an aggregated impairment charge of \$12.6 million. The impairment charge recognized in the year ended December 31, 2013, primarily related to two older Boeing 737-700 aircraft, two older A319 aircraft and two older Boeing 747 freighters. The impairment on the Boeing 737-700 aircraft was triggered by the release of \$9.9 million of maintenance reserve upon redelivery and the impairment of the two Boeing 747 freighters was triggered by \$17.7 million end of lease payments upon redeliveries. The impairment charge recognized in the year ended December 31, 2012, related to four older A320 aircraft, which were repossessed, and one older Boeing 737 aircraft.

Interest on Debt. Our interest on debt decreased by \$59.7 million, or 20.9%, to \$226.3 million in the year ended December 31, 2013 from \$286.0 million in the year ended December 31, 2012. The majority of the decrease in interest on debt was caused by:

a \$26.1 million decrease in the non-cash recognition of mark-to-market charges on derivatives due to a \$11.7 million income in the year ended December 31, 2013, compared with a \$14.4 million charge in the year ended December 31, 2012;

a \$18.2 million decrease in charges from the early repayment of secured loans to \$6.4 million in the year ended December 31, 2013 from \$24.6 million in the year ended December 31, 2012;

a decrease in average outstanding debt balance to \$6.0 billion in the year ended December 31, 2013 from \$6.1 billion in the year ended December 31, 2012, resulting in a \$5.1 million decrease in our interest on debt; and

a decrease in our average cost of debt, excluding the effect of mark-to-market movements and the charges from the early repayment of secured loans, to 3.9% in the year ended December 31, 2013 from 4.1% in the year ended December 31, 2012. The decrease in our average cost of debt resulted in a \$5.4 million decrease in our interest on debt.

Other Operating Expenses. Our other operating expenses decreased by \$29.1 million, or 37.2%, to \$49.1 million in the year ended December 31, 2013 from \$78.2 million in the year ended December 31, 2012. The principal categories of our other operating expenses and their variances were as follows:

	Year ended December 31, 2012	Year ended December 31, 2013	Increase/ (decrease)	Percentage difference
	(U.S. dollars in millions)			
Operating lease-in costs	\$ 6.1	\$ 0.6	\$ (5.5)	(90.2)%
Leasing expenses	72.1	48.5	(23.6)	(32.7)%
Total	\$ 78.2	\$ 49.1	\$ 29.1	37.2%

Our operating lease-in costs decreased by \$5.5 million, or 90.2%, to \$0.6 million in the year ended December 31, 2013 from \$6.1 million in the year ended December 31, 2012. The decrease was primarily due to the expiration of our remaining lease-in, lease-out transactions.

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Our leasing expenses decreased by \$23.6 million, or 32.7%, to \$48.5 million in the year ended December 31, 2012 from \$72.1 million in the year ended December 31, 2012. The decrease was primarily due to a decrease of \$25.5 million in expenses relating to airline defaults and restructurings. We recognized expenses of \$15.5 million relating to airline defaults and restructurings in the year ended December 31, 2013, which related to defaults and restructurings that occurred in 2012 and 2013. In the year ended December 31, 2012, we recognized expenses of \$41.2 million relating to airline defaults and restructurings. Other leasing expenses increased by \$1.8 million in the year ended December 31, 2013 as compared to the year ended December 31, 2012.

Transaction expenses. In the year ended December 31, 2013 we incurred \$10.9 million of transaction expenses related to the ILFC Transaction.

Selling, General and Administrative Expenses. Our selling, general and administrative expenses increased by \$5.7 million, or 6.8%, to \$89.1 million in the year ended December 31, 2013 from \$83.4 million in the year ended December 31, 2012. The increase was primarily caused by an \$8.8 million increase in personnel expenses partially offset by lower professional fees.

Income From Continuing Operations Before Income Taxes and Income of Investments Accounted for Under the Equity Method. For the reasons explained above, our income from continuing operations before income taxes and income of investments accounted for under the equity method increased by \$154.9 million, or 100.6%, to \$310.8 million in the year ended December 31, 2013 from \$154.9 million in the year ended December 31, 2012.

Provision for Income Taxes. Our provision for income taxes increased by \$17.9 million, or 221.0%, to a charge of \$26.0 million in the year ended December 31, 2013. Our effective tax rate was 8.4% for the year ended December 31, 2013 and was 5.2% for the year ended December 31, 2012. The 2012 tax rate was reduced by the loss from the ALS Transaction and charges from repayment of certain secured loans. Our effective tax rate in any period is impacted by the source and the amount of earnings among our different tax jurisdictions.

Net income of Investments Accounted for Under the Equity Method. Our net income of investments accounted for under the equity method decreased by \$1.0 million, or 8.6% to \$10.6 million in the year ended December 31, 2013 from \$11.6 million in the year ended December 31, 2012.

Net Income. For the reasons explained above, our net income increased by \$137.0 million, or 86.5%, to \$295.4 million in the year ended December 31, 2013 from \$158.4 million in the year ended December 31, 2012.

Non-controlling interest, net of tax. Net income attributable to non-controlling interest, net of tax was \$3.0 million in the year ended December 31, 2013 compared to net loss attributable to non-controlling interest, net of tax of \$5.2 million in the year ended December 31, 2012, which was primarily caused by the higher income in our consolidated joint ventures.

Net Income attributable to AerCap Holdings N.V. For the reasons explained above, our net income attributable to AerCap Holdings N.V. increased by \$128.7 million, or 78.6%, to \$292.4 million in the year ended December 31, 2013 from \$163.7 million in the year ended December 31, 2012.

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Results of Operations for the Year Ended December 31, 2012 Compared to the Year Ended December 31, 2011

	Year ended December 31, 2011	Year ended December 31, 2012
	(U.S. dollars in millions)	
Revenues		
Lease revenue	\$ 1,050.5	\$ 997.2
Net gain (loss) on sale of assets	9.3	(46.4)
Management fee revenue	19.1	17.3
Interest revenue	2.7	2.4
Other revenue	12.3	2.0
Total revenues	1,093.9	972.5
Expenses		
Depreciation	361.2	357.4
Asset Impairment	15.6	12.6
Interest on debt	292.5	286.0
Other operating expenses	73.8	78.2
Selling, general and administrative expenses	120.8	83.4
Total expenses	863.9	817.6
Income from continuing operations before income taxes and income of investments accounted for under the equity method	230.0	154.9
Provision for income taxes	(15.4)	(8.1)
Net income of investments accounted for under the equity method	10.9	11.6
Net income from continuing operations	225.5	158.4
Income (loss) from discontinued operations (AeroTurbine, including loss on disposal), net of tax	(52.8)	
Net income	172.7	158.4
Net loss (income) attributable to non-controlling interest, net of taxes	(0.5)	5.3
Net income attributable to AerCap Holdings N.V.	\$ 172.2	\$ 163.7

Revenues. Our total revenues decreased by \$121.4 million, or 11.1%, to \$972.5 million in the year ended December 31, 2012 from \$1,093.9 million in the year ended December 31, 2011. The principal categories of our revenue and their variances were:

	Year ended December 31, 2011	Year ended December 31, 2012	Increase/ (decrease)	Percentage Difference
	(U.S. dollars in millions)			
Lease revenue				
Basic rents	\$ 951.3	\$ 931.9	\$ (19.4)	(2.0)%
Maintenance rents and end-of-lease compensation	99.2	65.3	(33.9)	(34.2)%
Net gain (loss) on sale of assets	9.3	(46.4)	(55.7)	(599.0)%
Management fee revenue	19.1	17.3	(1.8)	(9.4)%
Interest revenue	2.7	2.4	(0.3)	(11.1)%

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Other revenue	12.3	2.0	(10.3)	(83.7)%
Total	\$ 1,093.9	\$ 972.5	\$ (121.4)	(11.1)%

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Basic rents decreased by \$19.4 million, or 2.0%, to \$931.9 million in the year ended December 31, 2012 from \$951.3 million in the year ended December 31, 2011. The decrease in basic rents was attributable primarily to:

a decrease in basic rents of \$13.0 million in the year ended December 31, 2012 compared to the year ended December 31, 2011 as a result of the off-lease time following the defaults of five of our lessees (Airblue, Kingfisher, World Airways, Fly Aruba, Windjet and Hello) which occurred in the year ended December 31, 2012 and late 2011;

a decrease in basic rents of \$6.0 million in the year ended December 31, 2012 compared to the year ended December 31, 2011 due to re-leases at lower rates following their scheduled lease expiration coupled with aircraft that were off-lease and therefore not producing rents and being transitioned between lessees. When aircraft come off-lease following their scheduled lease expiration, the contracted lease rates of their new leases tend to be lower than their previous lease rates as the aircraft are older and older aircraft have lower lease rates than newer aircraft; and

the sale of 80 aircraft between January 1, 2011 and December 31, 2012 with an aggregate net book value of \$1.7 billion at the date of sale (including 50 aircraft sold as part of the ALS Transaction) which was partially offset by the acquisition, during such period, of 33 aircraft for lease with an aggregate net book value of \$2.0 billion at the date of acquisition. The change in our aircraft portfolio (including those sold as part of the ALS Transaction) resulted in a \$0.4 million decrease in basic rents in the year ended December 31, 2012 as compared to the year ended December 31, 2011.

Maintenance rents and other receipts decreased by \$33.9 million, or 34.2%, to \$65.3 million in the year ended December 31, 2012 from \$99.2 million in the year ended December 31, 2011. The decrease was primarily attributable to:

a decrease of \$10.6 million in maintenance revenue and other receipts from airline defaults in the year ended December 31, 2012 compared to the year ended December 31, 2011; and

a decrease of \$32.6 million in maintenance revenue related to restructurings in the year ended December 31, 2012 compared to the year ended December 31, 2011,

offset by

an increase of \$9.3 million in regular maintenance rents in the year ended December 31, 2012 compared to the year ended December 31, 2011.

Net gain (loss) on sale of assets decreased by \$55.7 million, or 599.0%, to a \$46.4 million loss in the year ended December 31, 2012 from a \$9.3 million gain in the year ended December 31, 2011. Net loss on sale of assets of \$46.4 million in the year ended December 31, 2012 included a \$59.9 million loss as a result of the ALS Transaction. Net gain on sale of assets excluding this \$59.9 million loss was \$13.5 million. In the year ended December 31, 2012, we sold 35 A320 aircraft, four A330 aircraft, 14 Boeing 737 aircraft and six other aircraft, whereas in the year ended December 31, 2011, we sold three A320, one A330, six Boeing 737 aircraft, three Boeing 757 aircraft, five MD80 aircraft, and three A330 aircraft through the sale of a 50% interest in a joint venture.

Management fee revenue decreased by \$1.8 million, or 9.4%, to \$17.3 million in the year ended December 31, 2012 from \$19.1 million in the year ended December 31, 2011. The decrease was mainly attributable to the decrease in managed aircraft from 42 aircraft as of December 31, 2011 to 30 aircraft as of December 31, 2012 (excluding the 50 ALS aircraft that started generating management fee revenue from November 2012, as a result of the ALS Transaction).

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Interest revenue decreased by \$0.3 million, or 11.1%, to \$2.4 million in the year ended December 31, 2012 from \$2.7 million in the year ended December 31, 2011.

Other revenue decreased by \$10.3 million, or 83.7%, to \$2.0 million in the year ended December 31, 2012 from \$12.3 million in the year ended December 31, 2011. Other revenue in both periods related primarily to the cash recovery of bankruptcy claims against previous lessees, guarantee fees and one-time payments. The decrease in 2012 was due primarily to a large one-time payment (income) of \$8.2 million in 2011.

Depreciation. Depreciation decreased by \$3.8 million, or 1.1%, to \$357.4 million in the year ended December 31, 2012 from \$361.2 million in the year ended December 31, 2011. The decrease was primarily attributable to a \$9.7 million decrease in depreciation as a result of purchases and sales of aircraft between January 1, 2011 and December 31, 2012 which was partially offset by a \$5.9 million increase in the year ended December 31, 2012 as a result of our changed estimates of useful lives and residual values of certain older aircraft.

Asset impairment. In the year ended December 31, 2012, we recognized an aggregated impairment charge of \$12.6 million, whereas in the year ended December 31, 2011, we recognized an aggregated impairment charge of \$15.6 million. The impairment charge recognized in the year ended December 31, 2012, related to four older A320 aircraft, which were repossessed, and one older Boeing 737 aircraft. Upon the lease terminations, the four repossessed A320 aircraft released \$12.0 million of maintenance reserves. The impairment charge recognized in the year ended December 31, 2011, related to four older A320 aircraft, one older Boeing 737 aircraft, two engines and an intangible lease premium.

Interest on Debt. Our interest on debt decreased by \$6.5 million, or 2.2%, to \$286.0 million in the year ended December 31, 2012 from \$292.5 million in the year ended December 31, 2011. The majority of the decrease in interest on debt was caused by:

a \$44.9 million decrease in the non-cash recognition of mark-to-market charges on derivatives to a \$14.4 million charge in the year ended December 31, 2012 from a \$59.3 million charge in the year ended December 31, 2011;

a decrease in average outstanding debt balance to \$6.1 billion in the year ended December 31, 2012 from \$6.3 billion in the year ended December 31, 2011, resulting in a \$7.3 million decrease in our interest on debt; and

a decrease of \$4.5 million in the amortization of debt issuance expenses to \$25.8 million in the year ended December 31, 2012 from \$30.2 million in the year ended December 31, 2011,

partially offset by

charges from the early repayment of secured loans of \$23.9 million with the proceeds of our unsecured notes offering in the year ended December 31, 2012; and

an increase in our average cost of debt, excluding the effect of mark-to-market movements and the charges from the early repayment of secured loans, to 4.1% in the year ended December 31, 2012 from 3.7% in the year ended December 31, 2011. The increase in our average cost of debt, which is primarily the result of the increased use of fixed rate interest debt, resulted in a \$26.3 million increase in our interest on debt.

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Other Operating Expenses. Our other operating expenses increased by \$4.4 million, or 6.0%, to \$78.2 million in the year ended December 31, 2012 from \$73.8 million in the year ended December 31, 2011. The principal categories of our other operating expenses and their variances were as follows:

	Year ended December 31, 2011	Year ended December 31, 2012	Increase/ (decrease)	Percentage difference
(U.S. dollars in millions)				
Operating lease-in costs	\$ 12.1	\$ 6.1	\$ (6.0)	(49.6)%
Leasing expenses	58.4	72.1	13.7	23.5%
Provision for doubtful notes and accounts receivable	3.3		(3.3)	100.0%
Total	\$ 73.8	\$ 78.2	\$ 4.4	6.0%

Our operating lease-in costs decreased by \$6.0 million, or 49.6%, to \$6.1 million in the year ended December 31, 2012 from \$12.1 million in the year ended December 31, 2011. The decrease is primarily due to the expiration of one of our lease-in, lease-out transactions.

Our leasing expenses increased by \$13.7 million, or 23.5%, to \$72.1 million in the year ended December 31, 2012 from \$58.4 million in the year ended December 31, 2011. The increase is primarily due to an increase of \$10.5 million in expenses relating to airline defaults and restructurings. We recognized expenses of \$41.2 million relating to airline defaults and restructurings in the year ended December 31, 2012, which related to defaults and restructurings that occurred in 2011 and 2012. In the year ended December 31, 2011, we recognized expenses of \$30.7 million relating to airline defaults and restructurings. Other leasing expenses increased by \$3.2 million in the year ended December 31, 2012 as compared to the year ended December 31, 2011.

In the year ended December 31, 2012 none of our leases had defaults that significantly affected the provision for doubtful accounts. In the year ended December 31, 2011 the provision for doubtful accounts was \$3.3 million which was caused by the default of two of our lessees.

Selling, General and Administrative Expenses. Our selling, general and administrative expenses decreased by \$37.4 million, or 31.0%, to \$83.4 million in the year ended December 31, 2012 from \$120.8 million in the year ended December 31, 2011. The decrease was primarily caused by a \$24.5 million one-off charge relating to the buy-out of the Genesis portfolio servicing rights in the year ended December 31, 2011, a \$5.7 million decrease in the mark-to-market of foreign currency hedges, foreign currency cash balances and other derivatives and a \$4.5 million decrease in termination and severance payments.

Income from Continuing Operations Before Income Taxes and Income of Investments Accounted for Under the Equity Method. For the reasons explained above, our income from continuing operations before income taxes and income of investments accounted for under the equity method decreased by \$75.1 million, or 32.7%, to \$154.9 million in the year ended December 31, 2012 from \$230.0 million in the year ended December 31, 2011.

Provision for Income Taxes. Our provision for income taxes decreased by \$7.4 million to a charge of \$8.1 million in the year ended December 31, 2012. Our effective tax rate was 5.2% for the year ended December 31, 2012 and was 6.7% for the year ended December 31, 2011. Our effective tax rate in any period is impacted by the source and the amount of earnings among our different tax jurisdictions.

Net Income of Investments Accounted for Under the Equity Method. Our net income of investments accounted for under the equity method increased by \$0.7 million, or 6.4% to \$11.6 million in the year ended December 31, 2012 from \$10.9 million in the year ended December 31, 2011.

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Net Income from Continuing Operations. For the reasons explained above, our net income from continuing operations decreased by \$67.1 million, or 29.8%, to \$158.4 million in the year ended December 31, 2012 from \$225.5 million in the year ended December 31, 2011.

Income (Loss) from Discontinued Operations. In the year ended December 31, 2011 we recognized a loss of \$52.8 million from discontinued operations as a result of the sale of AeroTurbine.

Net Income. For the reasons explained above, our net income decreased by \$14.3 million, or 8.3%, to \$158.4 million in the year ended December 31, 2012 from \$172.7 million in the year ended December 31, 2011.

Non-controlling interest, net of tax. Net loss attributable to non-controlling interest, net of tax was \$5.2 million in the year ended December 31, 2012 compared to net income attributable to non-controlling interest, net of tax of \$0.5 million in the year ended December 31, 2011. The net loss attributable to non-controlling interest, net of tax of \$5.2 million in year ended December 31, 2012, was caused, amongst other things, by the higher leasing expenses and loss on sale of two Boeing 757 aircraft by our consolidated 50% joint venture AerCap Partners I.

Net Income attributable to AerCap Holdings N.V. For the reasons explained above, our net income attributable to AerCap Holdings N.V. decreased by \$8.5 million, or 4.9%, to \$163.7 million in the year ended December 31, 2012 from \$172.2 million in the year ended December 31, 2011.

Consolidated Cash Flows

The following table presents our consolidated cash flows for 2012 and 2013. We currently generate significant cash flows from our aircraft leasing business. Since a significant portion of our owned aircraft are held through restricted cash entities, such as ALS II and GFL, and since a significant portion of our capital requirements are outside our restricted cash entities, our management analyzes our cash flow at both consolidated and unconsolidated levels to make sure that we have sufficient cash flows available to finance our capital needs in our restricted cash entities and outside our restricted cash entities. Therefore, the following table and analysis should be read in conjunction with the Liquidity and Access to Capital section.

	2012	2013
	(U.S. dollars in millions)	
Net cash flow provided by operating activities	\$ 656.7	\$ 694.9
Net cash flow used in investing activities	(351.6)	(1,337.1)
Net cash flow (used in) provided by financing activities	(193.9)	417.4

Cash Flows Provided by Operating Activities. Our cash flow provided by operating activities increased by \$38.2 million, or 5.8%, to \$694.9 million for the year ended December 31, 2013 from \$656.7 million for the year ended December 31, 2012 primarily due to the acquisition of aircraft.

Cash Flows Used in Investing Activities. Our cash flows used in investing activities increased by \$985.5 million, or 280.3%, to \$1,337.1 million for the year ended December 31, 2013 from \$351.6 million for the year ended December 31, 2012. The increased use of cash was primarily due to an increase of \$921.4 million in aircraft purchase activity, an increase of \$13.2 million in capital contributions, relating to non-consolidated joint ventures, and a decrease in cash flow of \$116.9 million from asset sale proceeds which was partially offset by a decrease of \$66.0 million due to the movement of our restricted cash balances relating mostly to refinancings.

Cash Flows (Used in) Provided by Financing Activities. Our cash flows provided by financing activities increased by \$611.4 million, or 315.3%, to \$417.4 million of cash flow provided by financing

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activities for the year ended December 31, 2013 from \$193.9 million of cash flow used in financing activities for the year ended December 31, 2012. This increase in cash flows provided by financing activities was due primarily to an increase of \$325.3 million in new financing proceeds, net of repayments and debt issuance costs, and the effect of share repurchases of \$320.1 million in the year ended December 31, 2012, partially offset by a decrease of \$34.0 million of net receipts of maintenance and security deposits.

Material Unused Sources of Liquidity. Our cash balance as of December 31, 2013 was \$568.3 million, including restricted cash of \$272.8 million. Our unused lines of credit as of December 31, 2013 were \$0.9 billion and primarily consisted of an AerFunding revolving credit facility of \$332.9 million, an unsecured revolving credit facility of \$320.0 million, a \$152.9 million Boeing 737-800 pre-delivery-payment facility to finance the pre-delivery payments to Boeing for the aircraft to be delivered in 2015 and a \$70.0 million facility for the funding of Boeing 737 aircraft to be delivered in 2014.

We are a publicly limited company based in, and resident for tax purposes in, The Netherlands. We are not engaged in business within, nor do we have a permanent establishment in the United States. Only our U.S. subsidiaries are subject to U.S. net income tax or would potentially have to withhold U.S. taxes upon a distribution of our earnings. Accordingly, we do not have to accrue and pay any United States taxes as a result of repatriation of earnings from our foreign subsidiaries.

Likewise, for Dutch tax purposes, we do not have to accrue and pay any taxes as a result of repatriation of earnings from any of our foreign subsidiaries to The Netherlands. As of December 31, 2013, \$147.6 million out of \$295.5 million of cash and short-term investments were held by our foreign subsidiaries. Additionally, our legal restrictions in relation to dividend payments are described on pages 97 through 99 of this 20-F. There are no other legal or economic restrictions on the ability of our subsidiaries to transfer funds in the form of cash dividends, loans or advances.

Indebtedness

As of December 31, 2013, our outstanding indebtedness totaled \$6.2 billion and primarily consisted of export credit facilities, commercial bank debt, revolving credit debt and securitization debt.

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The following table provides a summary of our indebtedness as of December 31, 2013:

	2012	2013(1)	Weighted average interest rate December 31, 2013(2)	Maturity
Secured				
ECA-guaranteed financings	\$ 1,675,387	\$ 1,504,429	2.48%	2024
ALS II debt	572,270	450,045	2.02%	2038
AerFunding revolving credit facility	538,024	967,094	2.92%	2018
Genesis securitization debt	549,288	452,233	0.41%	2032
TUI portfolio acquisition facility	188,393	163,943	1.92%	2015
SkyFunding I and II facilities	507,475	623,785	3.74%	2023
Other debt	1,179,169	1,390,521	3.12%	2023
Unsecured				
Senior unsecured notes due 2017	300,000	300,000	6.38%	2017
DBS revolving credit facility		150,000	2.50%	2018
Other				
Subordinated debt joint ventures partners(3)	64,280	64,280	1.96%	2022
DBS B737-800 PDP Facility		47,458	3.00%	2015
Other debt	229,213	123,104	5.67%	2020
	\$ 5,803,499	\$ 6,236,892		

(1) As of December 31, 2013, we remain in compliance with the respective financial covenants across the Company's various debt obligations.

(2) The weighted average interest rate is calculated based on the U.S. dollar LIBOR rate as of December 31, 2013, and excludes the impact of related derivative instruments which we hold to hedge our exposure to interest rates as well as any amortization of the debt issuance costs.

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

During the year ended December 31, 2013, we were in compliance with all applicable financial covenants contained in our debt instruments.

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 and excludes deferred debt discount. 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.

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The following table sets forth our contractual obligations and their maturity dates as of December 31, 2013:

Payments Due By Period as of December 31, 2013

Contractual Obligations	Less than one year	One to three years	Three to five years	Thereafter	Total
(U.S. dollars in thousands)					
Debt(1)	\$ 787,022	\$ 1,669,952	\$ 2,249,407	\$ 1,620,788	\$ 6,327,169
Estimated interest payments(2)	182,772	310,914	193,152	80,233	767,072
Purchase obligations(3)	785,901	1,277,124	947,291		3,010,317
Operating leases(4)	2,227	3,718	1,997		7,941
Derivative obligations(2)	5,872	4,311			10,183
Total	\$ 1,763,794	\$ 3,266,019	\$ 3,391,847	\$ 1,701,021	\$ 10,122,682

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- (1) Exclusive of deferred debt discount.
- (2) Includes estimated interest payments based on one-month LIBOR of 0.17% and three-month LIBOR of 0.25% as of December 31, 2013.
- (3) As of December 31, 2013, we expect to make capital expenditures related to 39 new aircraft on order, including three A330 aircraft, five A320neo aircraft, nine A350 aircraft, 15 Boeing 737 aircraft and seven Boeing 787 aircraft in 2014 and thereafter.
- (4) Represents contractual payments on our office and facility leases in Amsterdam, The Netherlands, New York (New York), Fort Lauderdale, Florida, Shannon, Ireland, Singapore, Shanghai, China and Abu Dhabi.

The table below provides information as of December 31, 2013 regarding our debt obligations and estimated interest obligations based on one-month LIBOR of 0.17% and three-month LIBOR of 0.25% as of December 31, 2013, per facility type:

	Less than one year	One to three years	Three to five years	Thereafter	Total
(U.S. dollars in thousands)					
Pre-delivery payment facilities(1)	\$ 1,422	\$ 48,169	\$	\$	\$ 49,591
Debt facilities with non-scheduled amortization(2)	331,086	588,078	1,056,209	291,045	2,266,418
Other facilities	637,287	1,344,619	1,386,350	1,409,976	4,778,232
Total	\$ 969,795	\$ 1,980,866	\$ 2,442,559	\$ 1,701,021	\$ 7,094,241

- (1) Repayment of debt owed on pre-delivery payment facilities is essentially offset by proceeds received from aircraft purchase debt facilities.
- (2) Debt is amortized by the amount of free cash flow generated within each of these facilities.

Table of Contents**Capital Expenditures**

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

	Year ended December 31,		
	2011	2012	2013
	(U.S. dollars in thousands)		
Capital expenditures	\$ 763,159	\$ 1,038,657	\$ 1,782,839
Pre-delivery payments	47,752	36,124	213,320

In 2011, our principal capital expenditures were for two A320 and seven A330 aircraft delivered under our forward order agreements and four Boeing 737-800 aircraft delivered under the purchase and leaseback transaction with American Airlines. In 2012, our principal capital expenditures were for one A320 and five A330 aircraft delivered under our forward order agreements and 14 Boeing 737-800 aircraft delivered under the purchase and leaseback transaction with American Airlines. In 2013, our principal capital expenditures were for ten A330 aircraft delivered under the LATAM purchase and leaseback agreement, two new A330 aircraft, four A320 aircraft delivered under our forward order agreements and 22 Boeing 737-800 aircraft delivered under the purchase and leaseback transaction with American Airlines.

The table below sets forth our expected capital expenditures for future periods indicated based on contracted commitments as of December 31, 2013.

	2014	2015	2016	Thereafter	Total
	(U.S. dollars in thousands)				
Capital expenditures	\$ 657,392	\$ 281,907	\$ 969,184	\$ 947,291	\$ 2,855,774
Pre-delivery payments	128,509	26,034			154,543
Total	\$ 785,901	\$ 307,941	\$ 969,184	\$ 947,291	\$ 3,010,317

As of December 31, 2013, excluding five purchase rights, we expected to make capital expenditures related to 39 new aircraft on order, including three A330 aircraft, five A320neo aircraft, nine A350 aircraft, 15 Boeing 737 aircraft and seven Boeing 787 aircraft in 2014 and thereafter.

Off-Balance Sheet Arrangements

We continue to have an economic interest in AerCo. Historically the investment in AerCo has been written down to zero, because we do not expect to realize any value. 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 also entered into two joint ventures, AerDragon and AerLift, that do not qualify for consolidated accounting treatment. The assets and liabilities of these two joint ventures are off our balance sheet and we only record our net investment under the equity method of accounting.

Table of Contents**Management's use of "net income attributable to AerCap Holdings N.V. excluding non-cash charges relating to the mark-to-market of our interest rate caps and share-based compensation"**

The following is a definition of a non-GAAP measure used in this report on Form 20-F and a reconciliation of such measure to the most closely related GAAP measure:

Adjusted net income. This measure is determined by adding non-cash charges related to the mark-to-market losses on our interest rate caps and share-based compensation during the applicable period, net of related tax benefits, to GAAP net income. In addition to GAAP net income, we believe this measure may provide investors with supplemental information regarding our operational performance and may further assist investors in their understanding of our operational performance in relation to past and future reporting periods. We use interest rate caps to allow us to benefit from decreasing interest rates and protect against the negative impact of rising interest rates on its floating rate debt. Management determines the appropriate level of caps in any period with reference to the mix of floating and fixed cash inflows from our lease and other contracts. We do not apply hedge accounting to our interest rate caps. As a result, we recognize the change in fair value of the interest rate caps in our income statement during each period. For 2012, adjusted net income also excludes the charges to interest expense from the early repayment of secured loans and the net loss on sale of the ALS portfolio. For 2013, adjusted net income also excludes transaction expenses related to the ILFC Transaction.

The following is a reconciliation of adjusted net income to net income attributable to AerCap Holdings N.V. for the years ended December 31, 2012 and 2013:

	Year ended December 31, 2012	Year ended December 31, 2013
	(U.S. dollars in millions)	
Net income attributable to AerCap Holdings N.V.	\$ 163.7	\$ 292.4
Plus: Non-cash charges (income) relating to the mark-to-market of interest rate caps, net of tax	12.5	(10.2)
Non-cash charges related to share-based compensation, net of tax	6.3	8.1
Net income attributable to AerCap Holdings N.V. excluding non-cash charges related to mark-to-market of interest rate caps and share-based compensation	\$ 182.5	\$ 290.3
Plus: Transaction expenses		9.6
Charges to interest expense from the early repayment of secured loans, net of tax	20.9	
Net loss on sale of the ALS portfolio	54.6	
Adjusted net income	\$ 258.0	\$ 299.9

Adjusted earnings per share are determined by dividing the amount of adjusted net income by the average number of shares outstanding for that period. The average number of shares is based on a daily average.

Management's use of "net interest margin or net spread"

Net interest margin or net spread. This measure is the difference between basic lease rents and interest expense excluding the impact from the mark-to-market of interest rate caps and non-recurring charges. We believe this measure may further assist investors in their understanding of the changes and trends related to the earnings of our leasing activities. This measure reflects the impact from changes in the number of aircraft leased, lease rates, utilization rates, as well as the impact from the use of

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interest rate caps instead of swaps to hedge our interest rate risk. The following is a reconciliation of net spread to basic rents for the year ended December 31, 2012 and 2013:

	Year ended December 31, 2012	Year ended December 31, 2013
(U.S. dollars in millions)		
Basic rents	\$ 931.9	\$ 901.6
Interest on debt	286.0	226.3
Plus: mark-to-market of interest rate caps	(14.4)	11.7
Plus: charges to interest expense from the early repayment of secured loans	(23.9)	
Interest on debt excluding the impact of mark-to-market of interest rate caps and charges to interest expense from the early repayment of secured loans(a)	247.7	238.0
Net spread	\$ 684.2	\$ 663.6

(a) Interest on debt excluding the above charges for the twelve months ended December 31, 2013 and 2012 includes \$29.6 million and \$27.1 million of amortization of debt issuance costs, respectively.

Recent Accounting Pronouncements

In December 2011, the FASB issued ASU 2011-11, Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities, to improve the comparability of financial statements prepared in accordance with U.S. GAAP and IFRS. Entities are required to disclose both gross information and net information about both (1) instruments and transactions eligible for offset in the statement of financial position in accordance with either Section 210-20-45 or Section 815-10-45 or (2) instruments and transactions subject to an agreement similar to a master netting arrangement. This scope would include derivatives, sale and repurchase agreements and reverse sale and repurchase agreements, and securities borrowing and securities lending arrangements. The amendments in this update require an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. This information will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements on an entity's financial position, including the effect or potential effect of rights of setoff associated with certain financial instruments and derivative instruments in the scope of this update. ASU 2011-11 is effective for interim and annual reporting periods beginning on or after January 1, 2013 and should be applied retrospectively. The adoption of ASU 2011-11 did not have an effect on our consolidated financial statements.

In February 2013, the FASB issued ASU 2013-02, Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income, which adds new disclosure requirements for items reclassified out of accumulated other comprehensive income (AOCI). This new standard is intended to help entities improve the transparency of changes in other comprehensive income and items reclassified out of AOCI in their financial statements. The new standard requires entities to disclose additional information about reclassification adjustments, including (1) changes in AOCI balances by component and (2) significant items reclassified out of AOCI. The new disclosure requirements became effective for interim and annual periods beginning on January 1, 2013. The adoption of the new standard requires us to include additional disclosures for items reclassified out of AOCI when applicable.

In July 2013, the FASB issued an accounting standard that requires a liability related to unrecognized tax benefits to be presented as a reduction to the related deferred tax asset for a net operating loss carry-forward or a tax credit carry-forward (the "Carry-forwards"). When the Carry-

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forwards are not available at the reporting date under the tax law of the jurisdiction or the tax law of the jurisdiction does not require, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit will be presented in the financial statements as a liability and will not be combined with the related deferred tax assets. This standard is effective for fiscal years and interim periods beginning after December 15, 2013, but earlier adoption is permitted. Upon adoption, the standard must be applied prospectively to unrecognized tax benefits that exist at the effective date. Retrospective application is permitted. We plan to adopt the standard prospectively on its required effective date of January 1, 2014 and do not expect the adoption of the standard to have a material effect on our consolidated financial condition, results of operations or cash flows.

INDEBTEDNESS

Please refer to pages F-31 through F-49 of this annual report for a detailed description of our outstanding indebtedness.

Item 6. Directors, Senior Management and Employees**Directors and officers.**

Name	Age	Position	Date of First Appointment	End Current Term
Directors				
Pieter Korteweg	72	Non-Executive Chairman of the Board of Directors	July 2006	2015 AGM
Aengus Kelly	40	Executive Director and Chief Executive Officer	May 2011	2019 AGM
Salem Al Noaimi	38	Non-Executive Director	May 2011	2015 AGM
Homaid Al Shemmari	46	Non-Executive Director	May 2011	2015 AGM
James (Jim) Chapman	51	Non-Executive Director	July 2006	2017 AGM
Paul Dacier	56	Non-Executive Director Vice Chairman	May 2010	2018 AGM
Richard (Michael) Gradon	54	Non-Executive Director	May 2010	2018 AGM
Marius Jonkhart	63	Non-Executive Director	July 2006	2017 AGM
Robert (Bob) Warden	41	Non-Executive Director	July 2006	2018 AGM
Officers				
Keith Helming	55	Chief Financial Officer		
Wouter (Erwin) den Dikken	46	Chief Operating Officer Chief Legal Officer		
Tom Kelly	50	CEO AerCap Ireland		
Edward (Ted) O'Byrne	42	Chief Investment Officer		
Paul Rofe	54	Group Treasurer		
Joe Venuto	56	Chief Technical Officer		
Kenneth Wigmore	45	Chief Marketing Officer		

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

Directors

Pieter Korteweg. Mr. Korteweg has been a Director of our company since September 27, 2006. He serves as Vice Chairman of Cerberus Global Investment Advisors, LLC, and Director of Cerberus entities in the Netherlands. In addition, he serves as Non-Executive Member of the Board of Showa

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Jisho Co. Ltd (Tokyo), Member of the Supervisory Board of Bawag PSK Bank (Vienna), Member of the Board of Bawag Holding GmbH (Vienna) and Non-Executive Member of the Board of Promontoria Plataforma S.L. (Madrid). He currently also serves as senior advisor to Anthos B.V. Mr. Korteweg previously served as Member of the Supervisory Board of Mercedes Benz Nederland BV, as Non-Executive Member of the Board of Aozora Bank Ltd. (Tokyo), Chairman of the Supervisory Board of Pensions and Insurance Supervisory Authority of The Netherlands, Chairman of the Supervisory Board of the Dutch Central Bureau of Statistics and Vice-Chairman of the Supervisory Board of De Nederlandsche Bank. From 1987 to 2001, Mr. Korteweg was President and Chief Executive Officer of the Group Executive Committee of Robeco Group in Rotterdam. From 1981 to 1986, he was Treasurer-General at The Netherlands Ministry of Finance. In addition, Mr. Korteweg was a professor of economics from 1971 to 1998 at Erasmus University Rotterdam in The Netherlands. Mr. Korteweg holds a PhD in Economics from Erasmus University Rotterdam.

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

Salem Al Noaimi. Mr. Al Noaimi has been a Director of our company since May 18, 2011. Mr. Al Noaimi is also Waha Capital's Chief Executive Officer and Managing Director, responsible for leading the company's overall strategy across its business lines. Mr. Al Noaimi has served as Waha Capital's CEO over the past 5 years, with previous roles including Deputy CEO of Waha Capital, and CEO of Waha Leasing. Earlier in his career, Mr. Al Noaimi held various positions at Dubai Islamic Bank, the UAE Central Bank, the Abu Dhabi Fund for Development and Kraft Foods. He chairs and sits on the board of a number of companies, including Abu Dhabi Ship Building, Dunia Finance, Siraj Finance, Anglo Arabian Healthcare, the MENA Infrastructure Fund and Bahrain's ADDAX Bank. Mr. Al Noaimi is a UAE national with a degree in Finance and International Business from Northeastern University in Boston.

Homaid Al Shemmari. Mr. Al Shemmari has been a Director of our company since May 18, 2011. Mr. Al Shemmari is also the Chief Executive Officer of Mubadala Aerospace & Engineering Services and member of the Investment Committee at Mubadala. He serves as Chairman of Abu Dhabi Aircraft Technologies (ADAT), Abu Dhabi Ship Building, Strata Manufacturing, Advance Military Maintenance Repair and overhaul Centre (AMMROC), Maximus Air Cargo and Abu Dhabi Autonomous Systems Investment. In addition, he holds board positions with Mubadala Petroleum, Piaggio Aero Industries, Abu Dhabi Aviation, Royal Jet and Advanced Technology Investment Company (ATIC). Before joining Mubadala, Mr. Al Shemmari was a Lieutenant Colonel in the UAE Armed Forces serving in the areas of military aviation, maintenance, procurement and logistics. Mr. Al Shemmari holds a Bachelor of Science in Aeronautical Engineering from Embry Riddle Aeronautical University in Daytona Beach, Florida, and holds a black belt in six sigma from General Electric, a highly disciplined leadership program.

James N. Chapman. Mr. Chapman has been a Director of our company since July 26, 2006. Mr. Chapman serves as a Non-Executive Advisory Director of SkyWorks Capital, LLC, an aviation and aerospace management consulting services company based in Greenwich, Connecticut, which he joined in December 2004. Prior to SkyWorks, Mr. Chapman joined Regiment Capital Advisors, an investment advisor based in Boston specializing in high yield investments, which he joined in January 2003. Prior to Regiment, Mr. Chapman was a capital markets and strategic planning consultant and worked with

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private and public companies as well as hedge funds (including Regiment) across a range of industries. Mr. Chapman was affiliated with The Renco Group, Inc. from December 1996 to December 2001. Presently, Mr. Chapman serves as a member of the Board of Directors of Tembec Inc. and Tower International, Inc., as well as a number of private companies. Mr. Chapman received an MBA with distinction from Dartmouth College and was elected as an Edward Tuck Scholar. He received his BA, with distinction, magna cum laude, from Dartmouth College and was elected to Phi Beta Kappa, in addition to being a Rufus Choate Scholar.

Paul T. Dacier. Mr. Dacier has been a Director of our company since May 27, 2010. He is also currently Executive Vice President and General Counsel of EMC Corporation (an information infrastructure technology and solutions company). He served as Senior Vice President and General Counsel of EMC from February 2000 to May 2006 and joined that company in 1990 as Corporate Counsel. He was a Non-Executive Director of Genesis from November 2007 until the date of the amalgamation with AerCap International Bermuda Limited. Prior to joining EMC, Mr. Dacier was an attorney with Apollo Computer Inc. (a computer work station company) from 1984 to 1990. Mr. Dacier received a BA in history and a JD in 1983 from Marquette University. He is admitted to practice law in the Commonwealth of Massachusetts and the state of Wisconsin.

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

Marius J.L. Jonkhart. Mr. Jonkhart has been a Director of our company since July 26, 2006. He is currently also a member of the Supervisory Boards of Ecorys Holding, Orco Banking Group and Tata Steel Nederland. Mr. Jonkhart is an independent financial consultant for various companies. He was previously the Chief Executive Officer of De Nationale Investeringsbank (NIBC) and the Chief Executive Officer of NOB Holding. He also served as the Director of monetary affairs of the Dutch Ministry of finance. In addition, he has been a professor of finance at Erasmus University Rotterdam. He has served as a member of a number of supervisory boards, including the Supervisory Boards of BAWAG PSK Bank, Staatsbosbeheer, Connexxion Holding, European Investment Bank, Bank Nederlandse Gemeenten, Postbank, NPM Capital, Kema, AM Holding and De Nederlandsche Bank. He has also served as a non-executive director of Aozora Bank, 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.

Robert G. (Bob) Warden. Mr. Warden has been a Director of our company since July 26, 2006. He is also currently a Partner at Pamplona Capital Management, a private equity investment firm, which he joined in August 2012. Prior to joining Pamplona, Mr. Warden was Managing Director at Cerberus Capital Management, L.P. from February 2003 to August 2012, a Vice President at J.H. Whitney from May 2000 to February 2003, a Principal at Cornerstone Equity Investors LLC from July 1998 to May 2000 and an Associate at Donaldson, Lufkin & Jenrette from July 1995 to July 1998. Mr. Warden received his AB from Brown University.

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Conditional Appointment of Directors

In connection with the ILFC Transaction and pursuant to the acquisition agreement, related thereto, we proposed, and the shareholders approved at the February 13, 2014, EGM, to appoint to the Board of Directors two non-executive directors nominated by AIG, Mr. Robert H. Benmosche and Mr. David L. Herzog, subject to and with effect from the consummation of the ILFC Transaction.

Officers

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

Wouter (Erwin) den Dikken. Mr. den Dikken was appointed as our Chief Operating Officer in 2010 in addition to his role as Chief Legal Officer to which role he was appointed in 2005. Mr. den Dikken also previously served as the Chief Executive Officer of our Irish operations. He joined our legal department in 1998. Prior to joining us, Mr. den Dikken worked for an international packaging company in Germany as Senior Legal Counsel where he focused on mergers and acquisitions. Mr. den Dikken holds a law degree from Utrecht University.

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

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

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

Joe Venuto. Mr. Venuto was appointed Chief Technical Officer of AerCap in February 2012. He previously served in the role of Senior Vice President Operations for the Americas at AerCap for four years. From 2004 to 2008, he was the Senior Vice President Operations at AeroTurbine responsible for all technical related issues. Prior to joining AeroTurbine, Joe Venuto held the role of Senior Director Maintenance at several airlines including Trump Shuttle, Laker Airways and Amerijet International. He

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has over 30 years' experience in the aviation industry and he commenced his aviation career as an Airplane & Powerplant technician for Eastern Airlines. Joe Venuto is a graduate of the College of Aeronautics and a licensed FAA Airframe and Powerplant Technician.

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

Compensation of Non-Employee Directors

We currently pay each Non-Executive Director an annual fee of €95,000 (€200,000 for the Chairman of our Board of Directors and €115,000 for the Vice Chairman) and pay each of these directors an additional €4,000 per meeting attended in person or €1,000 per meeting attended by phone. In addition, we pay the chair of the Audit Committee an annual fee of €25,000 and each committee member will receive an annual fee of €15,000 and a fee of €4,000 per committee meeting attended in person or €1,000 per committee meeting attended by phone. We further pay the non-executive chair of each of the Nomination and Compensation Committee, the Group Treasury and Accounting Committee and the Group Portfolio and Investment Committee an annual fee of €15,000 and each committee member will receive an annual fee of €10,000 and a fee of €4,000 per committee meeting attended in person or €1,000 per committee meeting attended by phone. In addition our Non-Executive Directors receive an annual equity award, as provided for in AerCap's remuneration policy for members of the Board of Directors and in accordance with the terms of AerCap's equity incentive plan as approved by the general meeting of shareholders on October 31, 2006. As per December 31, 2013, our Non-Executive Directors hold options to acquire a total of 44,050 shares in AerCap and 7,085 restricted share units, which equity awards have been granted under this plan to our Non-Executive Directors, as further specified below in this report. All members of the Board of Directors are reimbursed for reasonable costs and expenses incurred in attending meetings of our Board of Directors.

Officer Compensation

In 2013, we paid an aggregate of approximately \$8.7 million in cash (base salary and bonuses) and benefits as compensation to our Chief Executive Officer, our Chief Financial Officer, our Chief Operating Officer and the other Officers during the year, including \$0.5 million as part of their retirement and pension plan.

The compensation packages of our officers, consisting of base salary, bonuses and, for some officers, annual grants of AER equity instruments ("Annual Equity Awards"), along with other benefits, are determined by the Nomination and Compensation Committee upon recommendation of the Chief Executive Officer on an annual basis. The annual compensation package of our Chief Executive Officer, consisting of base salary, bonus and Annual Equity Awards, along with other benefits, is determined by the Board of Directors, upon recommendation of the Nomination and Compensation Committee. In addition, the Nomination and Compensation Committee may grant AER equity incentive awards to our officers and employees (or, in the case of our Chief Executive Officer: the Board of Directors, upon recommendation of the Nomination and Compensation Committee) on a non-recurring basis ("Other Equity Awards") under our equity incentive plans, as further outlined below.

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The amount of the annual bonus and, if applicable, the number of Annual Equity Awards granted to our Chief Executive Officer, our Chief Financial Officer, our Chief Operating Officer and the other Officers are dependent on the target bonus level and, if applicable, the target Annual Equity Awards level, pre-established for the individual Officers and the Chief Executive Officer by the Nomination and Compensation Committee and the Board of Directors, respectively, in combination with our actual performance relative to our internal budget for the past financial year, as approved by the Board of Directors each year, and the personal performance of the individual Officer and the Chief Executive Officer, respectively. The annual bonuses are paid in arrears. Actual bonuses will not exceed target bonus levels as long as our budget for the relevant year has not been met, subject to exceptions which, if so, will be disclosed in this annual report. As a matter of policy, actual bonuses will be determined below target level in years that our budget is not met, unless specific circumstances require otherwise. The Annual Equity Awards are granted in arrears. The Annual Equity Awards are time-based with a three-year vesting period, subject to limited exceptions.

The Other Equity Awards granted to our Chief Executive Officer, our Chief Financial Officer, our Chief Operating Officer and the other Officers under AerCap's equity incentive plans are subject to vesting criteria related to our performance relative to our internal budget or multiple-year planning, as approved by the Board of Directors each year. However, the stock options granted in December 2008, which have all meanwhile vested, were solely subject to time-based vesting criteria in view of the unpredictable global economic situation at the time of granting those particular option awards.

The Other Equity Awards granted to our Chief Executive Officer, our Chief Financial Officer, our Chief Operating Officer and the other Officers during 2011, 2012 and 2013 are subject to vesting criteria related to our average performance over a number of years in order to promote and encourage good performance over a prolonged period of time, except one equity award to one Officer not being our Chief Executive Officer, our Chief Financial Officer or our Chief Operating Officer, which equity award is only subject to time based vesting criteria. All equity awards contain change of control provisions causing immediate vesting of all equity awards, to the extent not yet forfeited, in case of a change of control as defined in the respective equity award agreements as per customary practice.

Severance payments are part of the employment agreements with our Chief Executive Officer, our Chief Financial Officer and our Chief Operating Officer. The amount of the pre-agreed severance is based upon calculations in accordance with the so-called cantonal court termination formula (*Kantonrechttersformule*) applicable at the time that the employment agreement was entered into or renewed, as the case may be, as customarily applied in the Netherlands labor practice.

AerCap Equity Incentive Plans

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

In March 2012, we implemented an additional equity incentive plan ("Equity Incentive Plan 2012") that is designed to promote our interests by enabling us to attract, retain and motivate officers, employees, consultants and advisors, or those who may become employees, consultants or advisors, and align their interests with ours. The Equity Incentive Plan 2012 provides for the grant of stock options, nonqualified stock options, restricted stock, restricted stock units, stock appreciation rights and other stock awards to participants of the plan selected by the Nomination and Compensation Committee of

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our Board of Directors. Subject to certain adjustments, the maximum number of equity awards initially available to be granted under the plan was equivalent to 2,000,000 of our shares. Unlike the Equity Incentive Plan 2006, the Equity Incentive Plan 2012 is not open for equity awards to our Directors.

The terms and conditions, including the vesting conditions, of the equity awards granted under AerCap's equity incentive plans, are determined by the Nomination and Compensation Committee and, for our Directors, by the Board of Directors in line with the remuneration policy approved by the General Meeting of Shareholders. Equity awards granted to our officers are partly subject to long term performance-based vesting criteria with challenging targets in order to promote and encourage superior performance over a prolonged period of time. Some of our officers receive annual equity awards as part of their compensation package. Annual equity awards are granted in arrears and the number of granted awards is dependent on the performance of AerCap and the individual involved during the previous financial year, to ensure that AerCap retains and motivates its senior staff. The annual equity awards have a three-year time-based vesting period, subject to limited exceptions. Equity awards to our other employees (below officer level) are, at a minimum, subject to time-based vesting criteria.

At December 31, 2013, a total of 1,162,500 share options were outstanding at an exercise price of \$24.63 per share, 350,000 share options were outstanding at an exercise price of \$2.95 per share, 21,287 share options were outstanding at an exercise price of \$14.12 per share, 23,662 share options were outstanding at an exercise price of \$11.29 per share and 19,833 share options were outstanding at an exercise price of \$13.72 per share. At December 31, 2013, 1,512,500 outstanding options were vested (excluding 131,475 remaining AER options rolled-over from Genesis) and 64,782 options were subject to future vesting criteria. At December 31, a total of 2,502,661 restricted share units and 139,920 restricted shares were outstanding and were all subject to future time and/or performance-based vesting criteria or restrictions, as applicable.

In February 2014, the General Meeting of Shareholders approved a new equity incentive plan for the directors, officers and employees of AerCap (the "Equity Incentive Plan 2014") with a capacity of 4,500,000 shares, as replacement for the Equity Incentive Plan 2006, subject to and with effect from the closing effective time of the ILFC Transaction. The purpose of the Equity Incentive Plan 2014 is to retain senior management to successfully implement the ILFC Transaction and for general compensation and retention purposes in the years ahead. The terms and conditions of the Equity Incentive Plan 2014 are substantially the same as those of the Equity Incentive Plan 2006. Furthermore, on March 13, 2014, our Board of Directors adjusted the Equity Incentive Plan 2012 for the officers and employees of AerCap, to include an additional 6,064,081 shares, subject to and with effect from the closing effective time of the ILFC Transaction.

Board Practices

General

Our Board of Directors currently consists of nine directors, eight of whom are non-executive.

As a foreign private issuer, as defined by the Exchange Act, we are not required to have a majority independent Board of Directors under applicable NYSE rules. Our Board of Directors meets The Netherlands Corporate Governance Code independence requirements. For a Non-Executive Director to be considered "independent", he or she (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

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more of our ordinary shares, and (vi) in the year prior to his or her appointment, have temporarily managed our day-to-day affairs while the executive director was unable to discharge his or her duties.

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

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

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 and other stakeholders in AerCap. 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 ensure, among other things, that (i) each director receives all information about matters that he or she may deem useful or necessary in connection with the proper performance of his or her duties, (ii) each director has sufficient time for consultation and decision making, and (iii) the Board of Directors and the board committees are properly constituted and functioning.

Each director has the right to cast one vote and may be represented at a meeting of the Board of Directors by a fellow director. The Board of Directors may pass resolutions only if a quorum of four directors, including our Chief Executive Officer and the Chairman, or, in his absence, the Vice Chairman, are present at the meeting. 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 absence, the Vice Chairman.

In 2013, the Board of Directors met on 13 occasions. Throughout the year, the Chairman of the Board and individual Non-Executive Directors were in close contact with our Chief Executive Officer and also with our Chief Financial Officer and Chief Operating Officer. During its meetings and contacts with the Chief Executive Officer, Chief Financial Officer and Chief Operating Officer, the Board discussed such topics as AerCap's annual reports and annual accounts for the financial year 2012, AerCap's liquidity position and funding sources, AerCap's hedging policies, topics for the AGM 2013, optimization of AerCap's portfolio of aircraft including the purchase and leaseback transaction with LATAM, the ILFC Transaction, macroeconomic and monetary developments in the world and in Europe in particular industry developments, reports from the various Board committees, shareholder value, the budget for 2014, remuneration and compensation, Board rotation, governance and risk management and control, including but not limited to compliance with the Sarbanes-Oxley Act.

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

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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

As described above, the Chief Executive Officer is primarily responsible for managing our day-to-day affairs as well as other duties that have been delegated to the executive director in accordance with our Articles of Association and our internal rules for the Board of Directors. The Chief Financial Officer and Chief Operating Officer assist the Chief Executive Officer in performing his duties and as such have managerial and policy making functions within the company in their respective areas of responsibility. 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 assists the Chief Executive Officer with regards to the operational management of the company, subject to the Chief Executive Officer's ultimate responsibility. It is chaired by our Chief Executive Officer and is comprised of up to eight current members of our senior management. The current members of our Group Executive Committee are Mr. A. Kelly, Mr. Helming, Mr. den Dikken, Mr. O'Byrne, Mr. T. Kelly, Mr. Rofo, Mr. Wigmore and Mr. Venuto.

Our Group Portfolio and Investment Committee is entrusted with the authority to consent to 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, among others. It is chaired by our Chief Financial 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 Mr. Helming, Mr. A. Kelly, Mr. Warden, Mr. Chapman and Mr. Noaimi.

Our Group Treasury and Accounting Committee is entrusted with the authority to consent to debt funding in excess of \$100 million but not exceeding \$500 million per transaction, among others. 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 Mr. Helming, Mr. A. Kelly, Mr. Rofo, Mr. T. Kelly, Mr. Jonkhart, Mr. Warden and Mr. Al Noaimi.

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

Our Nomination and Compensation Committee selects and recruits candidates for the positions of Chief Executive Officer, Non-Executive Director and Chairman of the Board of Directors and recommends their remuneration, bonuses and other terms of employment or engagement to the Board of Directors. In addition our Nomination and Compensation Committee approves the remuneration, bonuses and other terms of employment and recommends candidates for positions in the Group Portfolio and Investment Committee, the Group Treasury and Accounting Committee, the Group

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Executive Committee and recommends candidates for the Audit Committee and plans the succession within the Board of Directors and committees. It is chaired by the Chairman of our Board of Directors and is further comprised of up to three Non-Executive Directors appointed by the Board of Directors. The current members of our Nomination and Compensation Committee are Mr. Warden, Mr. Al Noaimi, Mr. Dacier and Mr. 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 principal geographical locations as of the dates indicated.

Location	December 31, 2011	December 31, 2012	December 31, 2013
Amsterdam, The Netherlands	74	77	79
Shannon, Ireland	54	54	55
Fort Lauderdale, FL	15	17	16
Other(1)	10	11	13
Total	153	159	163

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

None of our employees are covered by a collective bargaining agreement and we believe that we maintain excellent employee relations. Although by law we may be required to have a works council for our operations in The Netherlands, our employees have not elected to date to organize a works council. A works council is an employee organization that is granted statutory rights to be involved in certain of the company's decision-making processes. The exercise of such rights, however, must not only promote the interests of employees, but also take into account the interests of the company and its stakeholders.

Table of Contents**Share ownership**

The following table sets forth beneficial ownership of our shares which are held by our Directors and our Officers as of December 31, 2013:

	Ordinary shares underlying options(1)	Restricted share units(2)	Ordinary shares acquired through open market purchases	Fully Diluted Ownership Percentage(3)
Directors:				*
Salem Al Noaimi	3,954	852		*
Homaid Al Shemmari				*
James N. Chapman	5,728	852	19,015	*
Paul T. Dacier	5,728	1,031	10,10*	*
Michael Gradon	5,728	852	2,609	*
Aengus Kelly(4) (CEO)	625,000	890,006	297,690	1.6%
Pieter Korteweg	11,456	1,794	27,230	*
Marius J. L. Jonkhart	5,728	852	20,555	*
Robert G. Warden	5,728	852		*
Total	669,050	897,097	377,208	
Reporting Officers:				
Keith A. Helming (CFO)	375,000	245,210	243,461	*
Wouter M. (Erwin) den Dikken (COO)	287,500	247,455	173,013	*
Total Directors and Reporting Officers	1,331,550	1,389,756	793,682	

*
Less than 1.0%.

(1) 937,500 of these outstanding options expire on September 13, 2017 and carry a strike price of \$24.63 per option. 350,000 of these options expire on December 11, 2018 and carry a strike price of \$2.95 per option. 12,417 of these options expire on December 31, 2020 and carry a strike price of \$14.12 per option. 17,209 of these options expire on December 31, 2021 and carry a strike price of \$11.29 per option. The remaining 14,424 options expire on December 31, 2022 and carry a strike price of \$13.72 per option.

(2) All restricted share units are subject to time-based or performance-based vesting conditions. 103,275 of these restricted share units will vest, subject to the vesting conditions, on February 16, 2015. 926,234 of these restricted share units will vest, subject to the vesting conditions, on May 31, 2015. 53,162 of these restricted share units will vest, subject to the vesting conditions, on February 14, 2016. 300,000 of these restricted share units will vest, subject to the vesting conditions, on March 31, 2016. 7,085 of these restricted share units will vest, subject to the vesting conditions, on January 1, 2017.

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

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

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All of our ordinary shares have the same voting rights.

The address for all our Officers and directors is c/o AerCap Holdings N.V., AerCap House, Stationsplein 965, 1117 CE Schiphol, The Netherlands.

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The table below indicates the beneficial holders of 5% or more of our ordinary outstanding shares as of March 17, 2014, based on available public filings:

	Ordinary shares beneficially owned	
	Number	Percent
5% or Greater Beneficial Share Owner:		
Waha Capital PJSC	29,846,611	26.2%
Wellington Management Company, LLP	10,252,695	9.0%
Donald Smith & Co., Inc.	9,528,538	8.4%

We do not register the jurisdiction of all record holders as this information is not always available. We believe that very few of our ordinary shares as of December 31, 2013, 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, 2005.

Related Party Transactions with Current Affiliates

As at December 31, 2013, AerDragon was owned 50.0% by China Aviation Supplies Holding Company, 20.3% by an affiliate of Crédit Agricole, 20.3% by AerCap and 9.4% by East Epoch Limited. As at the date of this report CAS owned 50% of AerDragon, with the other 50% owned equally by us, CA-CIB, and East Epoch Limited. In 2007 AerCap sold an A320 aircraft that was subject to a lease with an airline to AerDragon and guaranteed AerDragon's performance under the debt which was assumed by AerDragon from AerCap in the transaction. During 2013 AerCap sold one B737-800 aircraft and contracted to sell one A330 aircraft to AerDragon. The A330 aircraft is due to be delivered in the second quarter of 2014. AerCap provides lease management, insurance management and aircraft asset management services to AerDragon. All of these transactions were executed at terms, which we believe reflected market conditions at the time. AerCap charged AerDragon a total of \$0.5 million as a guarantee fee and for these management services during 2013. We apply equity accounting for our investment in this joint venture company. Accordingly, the income statement effect of all sale transactions with the joint venture company is eliminated in our financial statements.

AerCo is an aircraft securitization vehicle from which we hold all of the most junior class of subordinated notes and some notes immediately senior to those junior notes. Historically the investment in AerCo has been written down to zero, because we do not expect to realize any value. We consolidated AerCo through March 2003, but we deconsolidated the vehicle in accordance with ASC 810 at that time. Subsequent to the deconsolidation of AerCo, we received interest from AerCo on its D note investment of \$1.7 million and \$0.4 million for the years ended December 31, 2006 and December 31, 2007, respectively. In addition, we provide a variety of management services to AerCo for which we received fees of \$3.3 million, \$3.0 million and \$1.9 million the years ended December 31, 2011, 2012 and 2013, respectively.

On November 11, 2010, we issued approximately 29.8 million new shares to Waha. In exchange, we received \$105 million in cash, Waha's 50% interest in the joint venture company AerVenture, a 40% interest in AerLift and a 50% interest in AerLift Jet. We provide a variety of management services to AerLift for which we received a fee of \$6.9 million in the year ended December 31, 2013.

On June 10, 2012, we purchased 5,000,000 of our ordinary shares from Fern S.a.r.l., an indirect subsidiary of Cerberus, which was an affiliate of AerCap. The aggregate price of the shares was

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\$55.9 million. On August 20, 2012, we purchased 10,000,000 of our ordinary shares from Fern S.a.r.l. The aggregate price of the shares was \$120.0 million. Additionally, on December 6, 2012, we purchased 5,040,000 of our ordinary shares from Fern S.a.r.l. The aggregate price of the shares was \$64.1 million. These repurchases were done under the \$320 million share repurchase program, and undertaken on an arm's-length basis at fair market value overseen by the management and disinterested directors.

Item 8. Financial Information

Consolidated Statements and Other Financial Information.

Please refer to Item 18. Financial Statements and to pages F-1 through F-82 of this annual report.

Item 9. The Offer and Listing.

Offer and listing details.

Not applicable.

Markets.

AerCap's shares are traded on the NYSE under the symbol "AER".

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

	Price Per AerCap Holdings N.V. Ordinary Share(1)	
	High (\$)	Low (\$)
Annual highs and lows		
2009	9.54	1.83
2010	14.41	7.51
2011	15.99	8.77
2012	13.95	10.51
2013	39.10	13.73
2011 and 2012 Quarterly highs and lows		
Quarter 1 2012	13.50	11.00
Quarter 2 2012	11.81	10.51
Quarter 3 2012	13.28	10.84
Quarter 4 2012	13.95	12.28
Quarter 1 2013	16.57	13.73
Quarter 2 2013	17.72	15.04
Quarter 3 2013	19.71	17.17
Quarter 4 2013	39.10	19.03
2013 Monthly highs and lows		
January	14.75	13.73
February	15.75	14.65
March	16.57	15.29
April	16.47	15.04
May	17.72	15.64
June	17.65	16.16
July	18.16	17.26
August	18.61	17.17
September	19.71	17.82
October	21.16	19.03
November	21.77	20.09
December	39.10	21.06
2014 Monthly highs and lows		
January	38.82	34.38
February	43.69	36.09
March (through March 14, 2014)	\$ 41.95	\$ 36.78

(1) Share prices provided are intraday highs and lows for all periods presented.

On March 14, 2014, the closing sales price for our ordinary shares on the NYSE as reported on the NYSE Composite Tape was \$40.13.

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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, 2013, we had 250,000,000 authorized ordinary shares, par value €0.01 per share, of which 113,783,799 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 AerCap, subject to provisions stemming from private international law. Our ordinary shares are freely transferable.

Issuance of Ordinary Shares

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

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

On December 16, 2013, our Board of Directors resolved to issue 97,560,976 ordinary shares in the capital of AerCap in connection with the ILFC Transaction, and to exclude the pre-emption rights of shareholders in respect of the issuance of these shares, subject to, to the extent consummated, completion of the ILFC Transaction.

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 (contribution in kind) or ordinary shares issued to our employees.

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

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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 such part of our issued share capital as set by law from time to time (currently 50%).

At the annual general meeting held in 2012, pursuant to our articles of association, our shareholders authorized our Board of Directors to acquire ordinary shares, which authorization was valid for 18 months. In 2012, we repurchased 26.5 million of our ordinary shares pursuant to that authorization. At the annual general meeting held in 2013, pursuant to our articles of association our shareholders authorized our Board of Directors to acquire ordinary shares up to 10% of the issued capital as of May 2, 2013, which authorization was valid for 18 months. In addition, the Board of Directors has been authorized to repurchase up to an additional 10% of the issued share capital conditional upon an amendment to AerCap's articles of association increasing the limit on acquisition and holding by AerCap of its own share capital from 10% to 50%, which took effect on May 2, 2013. This conditional authorization is also valid for 18 months. The shareholders also authorized the Board of Directors to cancel shares to be acquired under the repurchase authorizations.

During 2011 and 2012, we repurchased 35.9 million of our ordinary shares in the aggregate, all of which were cancelled. During 2013 we did not repurchase any shares.

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.

At the annual general meeting held in 2013 our shareholders resolved to cancel the ordinary shares acquired under the repurchase authorizations described above, subject to determination by our Board of Directors of the exact number to be cancelled.

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.

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

Planning and Control Cycle

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

Risk Management and Internal Controls

We have developed a system of policies and procedures for all areas of our operations, both financial and non-financial, that constitutes a broad system of internal control. This system of internal control has been developed through a risk-based approach and enhanced with a view to achieving and maintaining full compliance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, as amended (the "Sarbanes-Oxley Act"). Our system of internal control is embedded in our standard business practices and is validated through audits performed by our internal auditors and through management testing of Sarbanes-Oxley Act controls, which is performed with the assistance of external advisors. In addition, senior management personnel and finance managers of our main operating subsidiaries annually sign a detailed letter of representation with regard to financial reporting, internal controls and ethical principles. All of our employees working in finance or accounting functions are subject to a separate Finance Code of Ethics.

Controls and Procedures Statement Under the Sarbanes-Oxley Act

As of December 31, 2013, our management (with the participation of our Chief Executive Officer and Chief Financial Officer) conducted an evaluation of the effectiveness of the design and operation of the our disclosure controls and procedures, pursuant to Section 302 of the US Sarbanes-Oxley Act and Rule 13a-15 of the Exchange Act. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of December 31, 2013, such disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission (the "SEC").

Disclosure Controls and Procedures

The Disclosure Committee assists our Chief Executive Officer and Chief Financial Officer in overseeing our financial and non-financial disclosure activities and to ensure compliance with applicable disclosure requirements arising under U.S. and 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 along with various business reports. The Disclosure Committee comprises various members of senior management.

Code of Conduct and Whistleblower Policy

Our Code of Conduct is applicable to all our employees, including the Chief Executive Officer, Chief Financial Officer and controllers. It is designed to promote honest and ethical conduct and timely and accurate disclosure in our periodic financial results. Our Whistleblower Policy provides for the reporting, if so wished on an anonymous basis, of alleged violations of the Code of Conduct, alleged irregularities of a financial nature by our employees, Directors or other stakeholders, alleged

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violation of our compliance procedures and other alleged irregularities without any fear of reprisal against the individual that reports the violation or irregularity.

Compliance Procedures

AerCap has various procedures and programs in place to ensure compliance with relevant laws and regulations, including anti insider trading procedures, anti-bribery procedures and anti-fraud procedures. AerCap's compliance officer is responsible for the design and effective operation of the compliance procedures and programs. The procedures are subject to regular audits by the internal audit function.

Corporate Social Responsibility

During 2013 the Board has discussed and reviewed our corporate social responsibility (CSR) objectives and activities. Although it is acknowledged that our aircraft are generally used for high impact activities when it comes to the environment, we maintain a fleet of young and fuel efficient aircraft and engines that are relatively less pollutive in comparison with other, older aircraft and engines that use more fuel and produce higher noise levels. In addition, the Board has discussed and reviewed our activities and conduct as it relates to ethics, labor environment, citizenship and transparency and financial reporting.

External Auditors

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

At the request of the Board of Directors and the Audit Committee, the Chief Financial Officer and the Internal Audit department review, in advance, each service to be provided by the auditor to identify any possible breaches of the auditor's independence. The Audit Committee preapproves every engagement of our external auditor. In accordance with applicable regulations, the partner of the external audit firm in charge of the audit activities during a continuous period of five years will rotate off. The current responsible partner was appointed in the year 2010 for the first time.

Internal Auditors

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

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

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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. The Directors may be granted equity based remuneration under AerCap's incentive plan that is designed to promote AerCap's interests by granting remuneration in the form of, amongst others, share or share options to directors, employees, consultants and advisors with a view to align their interests with AerCap's ("Equity Incentive Plan 2006"), as approved by our shareholders on October 31, 2006, prior to the listing of the shares in our Company on the NYSE. As of December 31, 2013, our Non-Executive Directors held options to acquire a total of 44,050 shares in AerCap and 7,085 restricted share units, which equity awards have been granted under this plan.

General Meetings of Shareholders

At least one general meeting of shareholders must be held every year. Shareholders can exercise their voting rights through submitting their proxy forms or equivalent means prior to a set date in accordance with the procedures indicated in the notice and agenda of the applicable general meeting of shareholders. Shareholders may exercise their meeting rights in person after notifying us prior to a set date and providing us with appropriate evidence of ownership of the shares and authority to vote prior to a set date in accordance with the procedures indicated in the notice and agenda of the applicable general meeting of shareholders.

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

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

capital reduction;

exclusion or restriction of preemptive rights, or designation of the Board of Directors as the authorized corporate body for this purpose; and

legal merger or legal demerger within the meaning of Title 7 of Book 2 of The Netherlands Civil Code (*Boek 2 van het Burgerlijk Wetboek*).

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

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

AerCap held its 2013 annual general meeting (AGM) of shareholders on May 2, 2013. The AGM adopted the 2012 annual accounts and voted for all other items which required a vote. Two notaries from the Dutch law firm NautaDutilh acted as the proxy committee, duly authorized by our shareholders who elected to exercise their votes by proxy.

On February 13, 2014, AerCap held an extraordinary general meeting (EGM) of shareholders. The EGM approved, among other things, the ILFC Transaction, which remains subject to receipt of necessary regulatory approvals and satisfaction of other customary closing conditions, and voted for all other items which required a vote.

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Voting Rights

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

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

the sale or transfer of substantially all our business or assets;

the commencement or termination of certain major joint ventures and our participation as a general partner with full liability in a limited partnership (*commanditaire vennootschap*) or general partnership (*vennootschap onder firma*); and

the acquisition or disposal by us of a participating interest in a company's share capital, the value of which amounts to at least one third of the value of our assets.

Adoption of Annual Accounts and Discharge of Management Liability

Each year, our Board of Directors must prepare annual accounts within four months after the end of our financial year. The annual accounts must be made available for inspection by shareholders at our offices within the same period. The annual accounts must be accompanied by an auditor's certificate, 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 our reporting officers report their equity interests in AerCap to the SEC on a voluntary basis and to the Dutch Securities Regulator, AFM (*Autoriteit Financiële Markten*).

Netherlands Statutory Squeeze-out Proceedings

If a person or a company or two or more group companies within the meaning of Article 2:24b of The Netherlands Civil Code acting in concert holds in total 95% of a Netherlands public limited

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liability company's issued share capital by par value for their own account, the laws of The Netherlands permit that person or company or those group companies acting in concert to acquire the remaining ordinary shares in the company by initiating statutory squeeze out proceedings against the holders of the remaining shares. The price to be paid for such shares will be determined by the Enterprise Chamber of the Amsterdam Court of Appeal.

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 or other legal proceedings.

Registrar and Transfer Agent

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

Material Contracts

Share Purchase Agreement dated as of December 16, 2013, by and among AIG Capital Corporation, American International Group, Inc., AerCap Holdings N.V. and AerCap Ireland Limited. Pursuant to this agreement, we will acquire 100% of the common stock of ILFC, a wholly-owned subsidiary of AIG. Under the terms of this agreement, AIG will receive \$3.0 billion in cash and 97,560,976 of our shares. The consummation of the ILFC Transaction is subject to approval by our shareholders, which was received on February 13, 2014, receipt of necessary regulatory approvals and satisfaction of other customary closing conditions. Upon closing of the ILFC Transaction, AIG will own approximately 46% of the combined company, while our existing shareholders will own approximately 54% of the combined company. The shares AIG receives in the ILFC Transaction will be subject to lockup periods which will expire in stages over a 9 to 15 month period after the completion of the ILFC Transaction. AIG has entered into agreements with us regarding voting restrictions, standstill provisions and certain registration rights. AIG will also provide us with a five-year \$1.0 billion unsecured revolving facility.

On May 28, 2013, we entered into a \$2.6 billion purchase and leaseback agreement with LATAM for 25 widebody aircraft, including 15 deliveries scheduled between 2014 and 2018. The aircraft consist of nine new Airbus A350-900s, four new Boeing 787-9s, and two new Boeing 787-8s from LATAM's order backlog, and ten Airbus A330-200s with an average age of four years, from LATAM's existing fleet which were purchased and leased back in June 2013.

We have entered into several credit facilities and other financing arrangements to fund our acquisition of our aircraft. See "Item 5. Operating and Financial Review and Prospects - Indebtedness" for more information regarding the credit facilities and financing arrangements.

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Exchange Controls

Not applicable.

Taxation

Netherlands Tax Considerations

The following is a general summary of certain 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, some of which may be subject to special treatment under applicable law (such as trusts or similar arrangements). 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) rights to acquire, directly or indirectly, such interest; or (iii) 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 as a "participation" for the purposes of The Netherlands Corporate Income Tax Act 1969. A participation 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 published regulations whereby Netherlands means the part of the Kingdom of the Netherlands located in Europe, 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 15%. The withholding mechanism requires us to deduct from the dividend an amount of withholding tax to be paid to The Netherlands tax authorities. The withholding tax is therefore effectively carried by the recipient of a dividend and not by us. 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;

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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 recipient of a dividend of the shares that is a qualifying company and that satisfies the conditions of the Convention between The Netherlands and the United States for the avoidance of double taxation of December 18, 1992 (the "Convention"), may be entitled to a reduced rate of dividend withholding tax (a "U.S. Holder"). These conditions include but are not limited to being a resident of the U.S. for the purposes of the Convention, being the beneficial owner of such dividend and qualifying under section 26 of the Convention (the so-called "Limitation on Benefits" article).

To claim a reduced withholding tax rate under the Convention (both reduction and refund procedure), the U.S. Holder that is a company must file a request with The Netherlands tax authorities for which no specific form is available.

A U.S. Holder that is a qualifying tax-exempt pension fund, pension trust, tax-exempt company or other organization constituted and operated exclusively to administer or provide benefits under one or more funds or plans established to provide pension, retirement or other employee benefits that satisfies the conditions of the Convention, may be entitled to an exemption or a refund of paid dividend taxes. Qualifying tax exempt pension organizations (as referred to in Section 35 of the Convention) must file form IB 96 USA for the application of relief at source from or refund of dividend withholding tax. Qualifying tax-exempt trusts, companies or U.S. organizations (as referred to in Section 36 of the Convention) are not entitled under the Convention to claim benefits at source, and instead must file claims for refund by filing form IB 95 USA. Copies of the forms may be obtained from the Belastingdienst/Limburg/kantoor buitenland, Postbus 2865, 6401 DJ Heerlen, The Netherlands, or may be downloaded from www.belastingdienst.nl.

A qualifying tax-exempt entity that is a resident of a Member State of the European Union, or resident of a State of the European Economic Area that has been specifically designated in a Ministerial Regulation (Norway, Iceland and Liechtenstein), may be eligible for a refund of paid dividend taxes, if such entity also would not be subject to Dutch corporate income tax if it would be tax resident in The Netherlands. This refund is not available to entities that are engaged in similar activities as investment institutions (in Dutch, "*beleggingsinstellingen*") as referred to in Section 6a or 28 of The Netherlands Corporate Income Tax Act 1969.

Qualifying investors (such as pension funds, sovereign wealth funds and exempt government bodies) from outside the EU and the EEA (so-called third countries) may be eligible for a refund of Netherlands dividend withholding tax. The refund only applies in connection to portfolio investments and in case the following conditions are cumulatively met:

- (a) The investor is resident in a designated country with which The Netherlands has concluded adequate arrangements for the exchange of information; and

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(b) The investor is not subject to any profits tax or exempt from any profits tax in the country of residence and would not have been subject to Netherlands corporate income tax, if he/she had been resident in The Netherlands.

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) can generally credit 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. 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 credit Netherlands dividend withholding tax against their Netherlands income as referred to in Chapter 7 of The Netherlands Income Tax Act 2001. In this respect, it is relevant whether the dividend income also would have qualified as Netherlands taxable income without the application of this election.

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

Three percent of the portion of the distribution paid by us that is subject to Netherlands dividend withholding tax; and

Three 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 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

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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 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 a co-entitlement to the net worth (in Dutch, "*medegerechtigd tot het vermogen*") of 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 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/her net investment assets for the year at an income tax rate of 30%. The aggregate amount of the investment assets for the year is the fair market value of the investment less the allowable liabilities on January 1 of the relevant calendar year. A tax free allowance may be available. Actual benefits derived from the ordinary shares are 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 20% with respect to taxable profits up to €200,000 and 25% with respect to profits in excess of that amount.

A Netherlands qualifying pension fund and a Netherlands qualifying tax exempt investment fund (in Dutch, "*vrijgestelde beleggingsinstelling*") are, 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 and Inheritance Taxes

Non-residents of The Netherlands. No Netherlands gift 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) in case of a gift of the ordinary shares under a condition precedent (in Dutch, "*opshortende voorwaarde*") by an individual who at the date of the gift was neither resident nor

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deemed to be resident in The Netherlands, such individual is resident or deemed to be resident in The Netherlands at the date of the fulfillment of the condition; or

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

Furthermore, Netherlands inheritance tax will arise in case of a gift under a condition precedent by an individual who at the date of the gift was neither resident nor deemed to be resident of The Netherlands, but at the date of his/her death was resident or deemed to be resident in The Netherlands, and the condition was fulfilled after the date of his/her death.

Residents of The Netherlands. Gift or 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.

No Netherlands gift tax will arise in case of a gift of the ordinary shares under a condition precedent by an individual who at the date of the gift was resident or deemed to be resident, but at the date of the fulfillment of the condition was neither resident nor deemed to be resident in The Netherlands, unless such individual dies within 180 days after the date of the fulfillment of the condition, while being resident or deemed to be resident in The Netherlands.

For purposes of Netherlands gift 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, in case of a gift under a condition precedent the date of the fulfillment of the condition 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 or in case of a gift under a condition precedent the date of the fulfillment of the condition. Applicable tax treaties may override the tax implications of deemed residency.

Other Taxes and Duties

No Netherlands VAT and 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 for U.S. federal income tax purposes and does not address the tax consequences to any special class of holder, including without limitation, holders of (directly, indirectly or constructively) 10% or more of the total combined voting power, if any, of our 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

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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, the Medicare tax on net investment income, 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 neither a U.S. Holder nor a partnership for U.S. federal income tax purposes.

If an entity or arrangement that is treated as a partnership for U.S. federal income tax purposes holds the shares, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and activities of the partnership. Partnerships holding shares and partners therein should consult their tax advisors as to the particular U.S. federal income tax consequences of acquiring, owning and disposing of the shares.

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 20% 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 NYSE. 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 20%.

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

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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 advisors 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 AerCap 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, 2013, 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, 2012, 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 believe we will be classified as a PFIC for 2013. We cannot yet make a determination as to whether we will be classified as a PFIC for 2014 or subsequent years. In particular, we do not yet have sufficient information to determine the impact of the ILFC Transaction on our status as a PFIC. In general, a non-U.S. corporation will be classified as a PFIC for U.S. federal income tax purposes in

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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.

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 applicable rules. 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. Further, we do not yet have sufficient information to determine the impact of the ILFC Transaction on our status as 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 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 AerCap'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 NYSE, 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.

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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 advisors 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 AerCap 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

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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 advisors 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 and have not done so in the past. Our Board of Directors determines whether and how much of the remaining profit they will reserve, and, if the Board of Directors determines that not all of the remaining profit is reserved, the manner and date of a dividend 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 U.S. 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, 2013 and our equity as of December 31, 2013 as set forth in our annual statutory accounts were \$181.1 million and \$2,345.9 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.

Table of Contents**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, 10 and 13 to our audited consolidated financial statements contained in this annual report, which provide further information on our debt and 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 debt and finance lease obligations. An interest rate exposure arises to the extent that the mix of these obligations is not matched with our assets. This exposure is primarily managed through the use of interest rate caps, fixing the rate on debt, interest rate swaps and interest rate floors using a cash flow-based risk management model. This model takes the expected cash flows generated by our assets and liabilities and then calculates by how much the value of these cash flows will change for a given movement in interest rates.

Under our interest rate caps, we will receive the excess, if any, of LIBOR, reset monthly or quarterly on an actual/360 adjusted basis, over the strike rate of the relevant cap.

The table below provides information as of December 31, 2013 regarding our derivative financial instruments that are sensitive to changes in interest rates on our borrowing, including our interest rate caps, swaps and floors.

The table presents the average notional amounts and weighted average interest rates which are contracted for the specified year. Notional amounts are used to calculate the contractual payments to be exchanged under the contract. Weighted average variable rates are based on implied forward rates in the yield curve at the applicable date.

	2014	2015	2016	2017	2018	2019	Thereafter	Fair value
(U.S. dollars in millions)								
Interest rate caps								
Notional amounts	\$ 1,728	\$ 1,458	\$ 1,125	\$ 837	\$ 572	\$ 235	\$ 65	\$ 32.5
Weighted average strike rate	1.97%	1.94%	2.23%	2.56%	2.90%	2.48%	2.76%	

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	2014	2015	2016	2017	2018	2019	Thereafter	Fair value
(U.S. dollars in millions)								
Interest rate swaps								
Notional amounts	\$ 383	\$ 300	\$ 135	\$	\$	\$	\$	\$ (5.7)
Weighted average pay rate	1.37%	1.15%	0.99%					

	2014	2015	2016	2017	2018	2019	Thereafter	Fair value
(U.S. dollars in millions)								
Interest rate floors								
Notional amounts	\$ 45	\$ 9	\$	\$	\$	\$	\$	\$ (1.6)
Weighted average pay rate	3.00%	3.00%						

The variable benchmark interest rates associated with these instruments ranged from one- to three-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 the majority of our interest rate derivative counterparties are required to cash collateralize in the event of their downgrade by the rating agencies below a certain level. 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, 2013, all of our aircraft 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, 2013, our aggregate expenses denominated in currencies other than the U.S. dollar, such as payroll and office costs and professional advisory costs, were \$65.1 million in U.S. dollar equivalents and represented 72.7% 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. We do not believe that a change in foreign exchange rates will have material impact on our results of operations. 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. 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.

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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, 2013, our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2013, our disclosure controls and procedures are effective. These disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to AerCap's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act. Our internal control over financial reporting is a process designed 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.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or because the degree of compliance with policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including our CEO and CFO, we conducted an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2013. The assessment was based on criteria established in the framework Internal Control Integrated Framework, issued by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission in 1992. Based on this assessment, management concluded that our internal control over financial reporting was effective as of December 31, 2013.

PricewaterhouseCoopers Accountants N.V., the independent registered public accounting firm that audited our Consolidated Financial Statements included in this Form 20-F, audited the effectiveness of our controls over financial reporting as of December 31, 2013 under Auditing Standard No. 5 of the Public Company Accounting Oversight Board (United States). Their audit report may be found on page F-2.

Table of Contents**Changes in Internal Control Over Financial Reporting**

There were no changes in AerCap's internal control over financial reporting that occurred during the year ended December 31, 2013 that have materially affected, or are reasonably likely to materially affect, AerCap's internal control over financial reporting.

Item 16A. Audit Committee Financial Expert.

Our Board of Directors has determined that Mr. Chapman and Mr. Jonkhart are "audit committee financial experts" as that term is defined by SEC rules, and that they are "independent" as that term is defined under applicable NYSE 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, 2012 and December 31, 2013:

	2012	2013
	(U.S. dollars in thousands)	
Audit fees	\$ 1,878	\$ 1,643
Audit-related fees	89	353
Tax fees	40	45
All other fees		
Total	\$ 2,007	\$ 2,041

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 SEC 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.

Tax Fees relate to the aggregated fees for services rendered on tax compliance.

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

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services on a case-by-case basis. All audit-related fees and tax fees were approved by the Audit Committee.

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

Not applicable.

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

In the year ended December 31, 2011 our board of directors approved a \$100.0 million share repurchase program under which we purchased 9.4 million shares at an average price of \$10.64 per share. The repurchase program was completed in December 2011.

In the year ended December 31, 2012 our board of directors approved a \$320.0 million share repurchase program under which we purchased 26.5 million shares at an average price of \$12.06 per share. The repurchase program was completed in December 2012.

Item 16F. Change in Registrant's Certifying Accountant.

Not applicable.

Item 16G. Corporate Governance.

The NYSE requires U.S. domestic entities with shares listed on the exchange to comply with its corporate governance standards. As we are a foreign private issuer, however, the NYSE only requires us to comply with the NYSE rules relating to audit committees and periodic certifications to the NYSE as long as we comply with home country corporate governance standards (in our case, Dutch corporate governance standards). The NYSE requires that we disclose to investors any significant ways in which our corporate governance practices differ from those followed by U.S. domestic companies under NYSE requirements.

Among these differences, shareholder approval is required by the NYSE prior to the issuance of ordinary stock:

to a director, officer or substantial security holder of the company (or their affiliates or entities in which they have a substantial interest) in excess of one percent of either the number of shares of ordinary stock or the voting power outstanding before the issuance, with certain exceptions;

that will have voting power equal to or in excess of 20 percent of either the voting power or the number of shares outstanding before the issuance, with certain exceptions; or

that will result in a change of control of the issuer.

Under Dutch rules, shareholders can delegate this approval to the Board of Directors at the annual shareholders meeting. In the past, our shareholders have delegated this approval power to our Board at our annual meeting.

In some situations, NYSE rules are more stringent, and in others the Dutch rules are. Other significant differences include:

NYSE rules require shareholder approval for changes to equity compensation plans, but under Dutch rules, shareholder approval is only required for changes to equity compensation plans for members of the Board of Directors;

Under Dutch corporate governance rules the audit and remuneration committees may not be chaired by the Chairman of the Board;

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Under Dutch rules, auditors must be appointed by the general meeting of shareholders. NYSE rules require only that they be appointed by the audit committee;

Both NYSE and Dutch rules require that a majority of the Board of Directors be independent, but the definition of independence under each set of rules is not identical. For example, Dutch rules require a longer "look-back" period for former directors; and

The Dutch rules permit deviation from the rules if the deviations are explained in accordance with the rules. The NYSE rules do not allow such deviations.

Item 16H. Mine Safety Disclosures.

Not applicable.

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PART III

Item 17. Financial Statements.

Not applicable.

Item 18. Financial Statements.

Please refer to pages F-1 through F-82 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	AerCap Holdings N.V. 2006 Equity Incentive Plan (including form of Stock Option Agreement)(1)
2.2	Trust Indenture, dated as of June 26, 2008, among Aircraft Lease Securitisation II Limited, Deutsche Bank Trust Company Americas, as the Cash Manager, Operating Bank and Trustee, Crédit Agricole, as the Initial Primary Liquidity Facility Provider, and Crédit Agricole as the Class A-1 Funding Agent(2)
2.3	Facility Agreement, dated as of December 30, 2008, among the Banks and Financial Institutions named therein as ECA Lenders, Crédit Agricole as National Agent, ECA Agent and Security Trustee, Jetstream Aircraft Leasing Limited as Principal Borrower, AerCap Ireland Limited and AerCap A330 Holdings Limited as Principal AerCap Obligors and AerCap Holdings, N.V.(3)
2.4	Subscription Agreement dated as of October 25, 2010 between AerCap Holdings N.V., Waha AC Coöperatief U.A. and Waha Capital PJSC
2.5	AerCap Holdings N.V. 2012 Equity Incentive Plan(4)
2.6	Indenture related to the 6.375% Senior Unsecured Notes due 2017, dated as of May 22, 2012(5)
2.7	First Supplemental Indenture related to the 6.375% Senior Unsecured Notes due 2017, dated as of June 15, 2012, among AerCap Aviation Solutions B.V., AerCap Holdings N.V. and Wilmington Trust, National Association, as trustee(5)
2.8	Third Amended and Restated Credit Agreement, dated as of May 10, 2013, among the Service Providers and Financial Institutions named therein, Credit Suisse AG, New York Branch, Deutsche Bank Trust Company Americas, AerFunding 1 Limited and AerCap Ireland Limited
2.9	Amended and Restated Registration Rights Agreement, dated as of December 16, 2013, between AerCap Holdings N.V. and Waha AC Coöperatief U.A.
2.10	Revolving Credit Agreement dated as of December 16, 2013, among AerCap Holdings N.V., AerCap Ireland Capital Limited, the Subsidiary Guarantors party thereto and American International, Group, Inc., as lender and administrative agent.
2.11	Amended and Restated Bridge Credit Agreement, dated as of March 10, 2014, among AerCap Holdings N.V., AerCap Ireland Capital Limited, the subsidiary guarantors party thereto, UBS AG, Stamford Branch, Citibank N.A. and the other parties named therein

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Exhibit Number	Description of Exhibit
4.1	Aircraft Purchase Agreement, dated as of December 30, 2005, between Airbus S.A.S. and AerVenture Limited(1)
4.2	Agreement and Plan of Amalgamation, dated as of September 17, 2009, among AerCap Holdings N.V., Genesis Lease Limited and AerCap International Bermuda Limited(6)
4.3	Framework Deed, dated as of May 28, 2013, between AerCap Holdings N.V. and LATAM Airlines Group S.A. (portions of which have been omitted pursuant to a request for confidential treatment)
4.4	Share Purchase Agreement, dated as of December 16, 2013, among AIG Capital Corporation, American International Group, Inc., AerCap Holdings N.V. and AerCap Ireland Limited
8.1	List of Subsidiaries of AerCap Holdings 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
13.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1	Consent of PricewaterhouseCoopers Accountants, N.V., an independent registered public accounting firm
101	The following financial information formatted in Extensible Business Reporting Language (XBRL):
(1)	Consolidated Balance Sheets as of December 31, 2012 and 2013
(2)	Consolidated Income Statements for the Years Ended December 31, 2011, 2012 and 2013
(3)	Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2011, 2012 and 2013
(4)	Consolidated Statements of Cash Flows for the Years Ended December 31, 2011, 2012 and 2013
(5)	Consolidated Statements of Equity for the Years Ended December 31, 2011, 2012 and 2013

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- (1) Previously filed with Registration Statement on Form F-1, File No. 333-138381.
- (2) Previously filed with Form 6-K on September 11, 2008.
- (3) Previously filed with Form 20-F for the year ended December 31, 2008.
- (4) Previously filed with Registration Statement on Form S-8, File No. 333-180323.
- (5) Previously filed with Registration Statement on Form F-4, File No. 333-182169-01.
- (6) Previously filed with Form 6-K on September 18, 2009.

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REPORT 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.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, comprehensive income, cash flows and equity present fairly, in all material respects, the financial position of AerCap Holdings N.V. and its subsidiaries at December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control over Financial Reporting under Item 15. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Amsterdam, March 17, 2014
PricewaterhouseCoopers Accountants N.V.

/s/ P.C. Dams RA

Table of Contents**AerCap Holdings N.V. and Subsidiaries****Consolidated Balance Sheets****As of December 31, 2012 and 2013**

	Note	As of December 31, 2012(1) 2013 (U.S. dollars in thousands except share and per share amounts)	
Assets			
Cash and cash equivalents		\$ 520,401	\$ 295,514
Restricted cash	3	280,653	272,787
Trade receivables	4	6,636	5,203
Flight equipment held for operating leases, net	5	7,261,899	8,085,947
Net investment in direct finance leases		21,350	31,995
Notes receivable	6	78,163	75,788
Prepayments on flight equipment	7	53,594	223,815
Investments	8	93,862	112,380
Intangibles	9	18,100	9,354
Derivative assets	10	9,993	32,673
Deferred income taxes	14	131,296	121,663
Other assets	11	157,851	184,022
Total Assets		\$ 8,633,798	\$ 9,451,141
Liabilities and Equity			
Accounts payable		\$ 740	\$ 829
Accrued expenses and other liabilities	12	92,761	108,462
Accrued maintenance liability		421,830	466,293
Lessee deposit liability		86,268	92,660
Debt	13	5,803,499	6,236,892
Deferred revenue		39,547	47,698
Derivative liabilities	10	14,677	7,233
Deferred income taxes	14	51,570	61,842
Commitments and contingencies	23		
Total Liabilities		6,510,892	7,021,909
Ordinary share capital, €0.01 par value (250,000,000 ordinary shares authorized, 113,783,799 ordinary shares issued and outstanding at December 31, 2013 and 113,363,535 ordinary shares issued and outstanding at December 31, 2012)	15	1,193	1,199
Additional paid-in capital		927,617	934,024
Accumulated other comprehensive loss		(14,401)	(9,890)
Accumulated retained earnings		1,207,629	1,500,039
Total AerCap Holdings N.V. shareholders' equity		2,122,038	2,425,372
Non-controlling interest		868	3,860

<i>Total Equity</i>	2,122,906	2,429,232
Total Liabilities and Equity	\$ 8,633,798	\$ 9,451,141

(1) Certain reclassifications have been made to the prior year Consolidated Balance Sheet to reflect the current year presentation.

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

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Table of Contents**AerCap Holdings N.V. and Subsidiaries****Consolidated Income Statements****For the Years Ended December 31, 2011, 2012 and 2013**

	Note	Year ended December 31,		
		2011	2012	2013
		(U.S. dollars in thousands, except share and per share amounts)		
Revenues				
Lease revenue	18	\$ 1,050,536	\$ 997,147	\$ 976,147
Net gain (loss) on sale of assets		9,284	(46,421)	41,873
Management fee revenue		19,059	17,311	20,651
Interest revenue		2,761	2,471	5,525
Other revenue		12,283	2,012	5,870
Total Revenues		1,093,923	972,520	1,050,066
Expenses				
Depreciation	5	361,210	357,347	337,730
Asset impairment	20	15,594	12,625	26,155
Interest on debt	13	292,486	286,019	226,329
Operating lease-in costs	12	12,069	6,119	550
Leasing expenses		58,432	72,122	48,473
Provision for doubtful accounts	4	3,335		
Transaction expenses	1			10,959
Selling, general and administrative expenses	17,19	120,746	83,409	89,079
Total Expenses		863,872	817,641	739,275
Income from continuing operations before income taxes and income of investments accounted for under the equity method				
		230,051	154,879	310,791
Provision for income taxes	14	(15,460)	(8,067)	(26,026)
Net income of investments accounted for under the equity method		10,904	11,630	10,637
Net income from continuing operations		\$ 225,495	\$ 158,442	\$ 295,402
Loss from discontinued operations (AeroTurbine, including loss on disposal), net of tax		(52,745)		
Net income		\$ 172,750	\$ 158,442	\$ 295,402
Net (income) loss attributable to non-controlling interest		(526)	5,213	(2,992)
Net income attributable to AerCap Holdings N.V.		\$ 172,224	\$ 163,655	\$ 292,410
Net income per share attributable to AerCap Holdings N.V. basic	21			
Continuing operations		\$ 1.53	\$ 1.24	\$ 2.58
Discontinued operations		(0.36)		
Net income per share basic		\$ 1.17	\$ 1.24	\$ 2.58

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Net income per share attributable to AerCap Holdings N.V. diluted

Continuing operations	\$	1.53	\$	1.24	\$	2.54
Discontinued operations		(0.36)				

Net income per share diluted	\$	1.17	\$	1.24	\$	2.54
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Weighted average shares outstanding basic	146,587,752	131,492,057	113,463,813
Weighted average shares outstanding diluted	146,587,752	132,497,913	115,002,458

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

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Table of Contents**AerCap Holdings N.V. and Subsidiaries****Consolidated Statements of Comprehensive Income****For the Years Ended December 31, 2011, 2012 and 2013**

	Year ended December 31,		
	2011	2012	2013
	(U.S. dollars in thousands)		
Net income attributable to AerCap Holdings N.V.	\$ 172,224	\$ 163,655	\$ 292,410
Other comprehensive income:			
Net change in fair value of derivatives (Note 10), net of tax of \$1,931, \$194 and \$(711), respectively(1)	(13,518)	(1,360)	4,975
Net change in pension obligations (Note 17), net of tax of nil, \$1,057 and \$117, respectively(2)		(4,528)	(464)
Total other comprehensive income (loss):	(13,518)	(5,888)	4,511
Total comprehensive income attributable to AerCap Holdings N.V.	\$ 158,706	\$ 157,767	\$ 296,921

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- (1) In 2011, 2012 and 2013 we entered into interest rate swaps for which we achieved cash flow hedge accounting treatment. During these years no amounts were reclassified from accumulated other comprehensive (loss) income to the income statement.
- (2) We recognize the actuarial gains or losses that arise during the period as a component of other comprehensive (loss) income.

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

Table of Contents**AerCap Holdings N.V. and Subsidiaries****Consolidated Statements of Cash Flows****For the Years Ended December 31, 2011, 2012 and 2013**

	Year ended December 31,		
	2011(1)	2012(1)	2013
	(U.S. dollars in thousands)		
Net income	\$ 172,750	\$ 158,442	\$ 295,402
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	384,855	357,347	337,730
Asset impairment	24,496	12,625	26,155
Amortization of debt issuance costs and debt discount	53,180	69,651	47,442
Amortization of intangibles	17,319	11,577	8,746
Provision for doubtful accounts	4,843		
Net (gain) loss on sale of assets	(12,939)	46,421	(41,873)
Loss on discontinued operations (AeroTurbine)	52,745		
Mark-to-market of non-hedged derivatives	23,167	2,059	(11,805)
Deferred taxes	23,892	7,695	21,186
Share based compensation	6,236	7,127	9,292
Changes in assets and liabilities:			
Trade receivables and notes receivable, net	(16,434)	912	2,854
Inventories	(18,100)	7,877	
Other assets	(41,056)	(2,732)	(30,551)
Other liabilities	(27,465)	(20,070)	22,149
Deferred revenue	(9,289)	(2,215)	8,151
Net cash provided by operating activities	638,200	656,716	694,878
Purchase of flight equipment	(763,159)	(1,038,657)	(1,782,839)
Proceeds from sale/disposal of assets	140,785	781,278	664,415
Prepayments on flight equipment	(47,752)	(36,124)	(213,320)
Capital contributions	(2,500)		(13,180)
Proceeds from the disposal of subsidiaries, net of cash disposed	119,917		
Movement in restricted cash	(11,621)	(58,131)	7,866
Net cash used in investing activities	(564,330)	(351,634)	(1,337,058)
Issuance of debt	1,672,089	1,297,087	2,299,706
Repayment of debt	(1,646,735)	(1,213,832)	(1,889,194)
Debt issuance costs paid	(37,306)	(43,177)	(45,213)
Maintenance payments received	110,358	132,046	100,708
Maintenance payments returned	(54,751)	(49,728)	(56,909)
Security deposits received	20,135	25,624	23,364
Security deposits returned	(37,190)	(21,855)	(15,032)
Repurchase of shares	(100,000)	(320,093)	
Net cash (used in) provided by financing activities	(73,400)	(193,928)	417,430
Net increase (decrease) in cash and cash equivalents	470	111,154	(224,750)
Effect of exchange rate changes	6,161	(1,834)	(137)
Cash and cash equivalents at beginning of period	404,450	411,081	520,401

Cash and cash equivalents at end of period	\$ 411,081	\$ 520,401	\$ 295,514
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Supplemental cash flow information:

Interest paid, net of amounts capitalized	224,129	180,968	211,075
Taxes paid	135	1,518	4,966

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

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

Table of Contents**AerCap Holdings N.V. and Subsidiaries****Consolidated Statements of Equity****For the Years Ended December 31, 2011, 2012 and 2013**

	AerCap Holdings N.V. Shareholders						
	Number of	Share	Additional	Treasury	Accumulated	Retained	AerCap
	Shares	capital	paid-in	stock	other	earnings	Holdings N.V.
			capital		comprehensive		shareholders'
					income		equity
U.S. dollars in thousands, except share amounts							
Year ended December 31, 2011							
Balance at January 1, 2011	149,232,426	\$ 1,570	\$ 1,333,025	\$	\$ 5,005	\$ 871,750	\$ 2,211,350
Share-based compensation			7,180				7,180
Purchase of treasury stock				(100,000)			(100,000)
Total comprehensive income					(13,518)	172,224	158,706
Balance at December 31, 2011	149,232,426	\$ 1,570	\$ 1,340,205	\$ (100,000)	\$ (8,513)	\$ 1,043,974	\$ 2,277,236
Year ended December 31, 2012							
Balance at January 1, 2012	149,232,426	\$ 1,570	\$ 1,340,205	\$ (100,000)	\$ (8,513)	\$ 1,043,974	\$ 2,277,236
Share-based compensation			7,128				7,128
Purchase of treasury stock/share cancellation	(35,868,891)	(377)	(419,716)	100,000			(320,093)
Total comprehensive (loss) income					(5,888)	163,655	157,767
Balance at December 31, 2012	113,363,535	\$ 1,193	\$ 927,617	\$	\$ (14,401)	\$ 1,207,629	\$ 2,122,038
Year ended December 31, 2013							
Balance at January 1, 2013	113,363,535	\$ 1,193	\$ 927,617	\$	\$ (14,401)	\$ 1,207,629	\$ 2,122,038
Issuance of shares to directors and employees	420,264	6					6
Share-based compensation			6,407				6,407
Total comprehensive income					4,511	292,410	296,921
Balance at December 31, 2013	113,783,799	\$ 1,199	\$ 934,024	\$	\$ (9,890)	\$ 1,500,039	\$ 2,425,372

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

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Table of Contents**AerCap Holdings N.V. and Subsidiaries****Consolidated Statements of Equity (Continued)****For the Years Ended December 31, 2011, 2012 and 2013**

	AerCap Holdings N.V. shareholders' equity	Non- controlling interest	Total equity
	U.S. dollars in thousands, except share amounts		
Year ended December 31, 2011			
Balance at January 1, 2011	\$ 2,211,350	\$ 6,047	\$ 2,217,397
Share-based compensation	7,180		7,180
Sale of non-controlling interest		(492)	(492)
Purchase of treasury stock	(100,000)		(100,000)
Total comprehensive income	158,706	526	159,232
Balance at December 31, 2011	\$ 2,277,236	\$ 6,081	\$ 2,283,317
Year ended December 31, 2012			
Balance at January 1, 2012	\$ 2,277,236	\$ 6,081	\$ 2,283,317
Share-based compensation	7,128		7,128
Purchase of treasury stock/share cancellation	(320,093)		(320,093)
Total comprehensive (loss) income	157,767	(5,213)	152,554
Balance at December 31, 2012	\$ 2,122,038	\$ 868	\$ 2,122,906
Year ended December 31, 2013			
Balance at January 1, 2013	\$ 2,122,038	\$ 868	\$ 2,122,906
Issuance of shares to directors and employees	6		6
Share-based compensation	6,407		6,407
Total comprehensive income	296,921	2,992	299,913
Balance at December 31, 2013	\$ 2,425,372	\$ 3,860	\$ 2,429,232

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

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AerCap Holdings N.V. and Subsidiaries

Notes to the Consolidated Financial Statements

(U.S. dollars in thousands)

1. General

The Company

We are an independent aircraft leasing company with \$9.5 billion of total assets on our balance sheet mainly consisting of 236 owned aircraft. We are a New York Stock Exchange-listed company (AER) headquartered in The Netherlands with offices in Ireland, the United States, China, Singapore and the United Arab Emirates.

These consolidated financial statements include the accounts of AerCap Holdings N.V. and its subsidiaries ("AerCap" or the "Company"). AerCap Holdings N.V. is a Netherlands public limited liability company ("*naamloze vennootschap*" or "*N.V.*") formed on July 10, 2006 for the purpose of acquiring all of the assets and liabilities of AerCap Holdings C.V. AerCap Holdings C.V. is a limited partnership ("*commanditaire vennootschap*") formed under the laws of The Netherlands on June 27, 2005 for the purposes of acquiring the share capital, subordinated debt and senior debt of debis AirFinance B.V. ("AerCap B.V."), which occurred on June 30, 2005 (the "2005 Acquisition"). In anticipation of our initial public offering, we changed our corporate structure from a Netherlands partnership to a Netherlands public limited liability company. This change was effected through the acquisition of all of the assets and liabilities of AerCap Holdings C.V. by AerCap Holdings N.V. on October 27, 2006. In accordance with ASC 805, "*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.

On December 16, 2013, we entered into a definitive agreement with American International Group, Inc. ("AIG") (NYSE: AIG) under which AerCap will acquire 100% of the common stock of International Lease Finance Corporation ("ILFC"), a wholly-owned subsidiary of AIG (the "ILFC Transaction"). Under the terms of the agreement, AIG will receive \$3.0 billion in cash and 97,560,976 AerCap shares. The ILFC Transaction is expected to close in the second quarter of 2014, subject to receipt of necessary regulatory approvals and satisfaction of other customary closing conditions.

Variable interest entities

AerDragon. In May 2006, we signed a joint venture agreement with China Aviation Supplies Holding Company ("CAS") and affiliates of Crédit Agricole Corporate and Investment Bank ("CA-CIB") establishing AerDragon ("AerDragon") with initial registered capital of \$50.0 million. The registered capital of AerDragon was increased to \$120.0 million in 2010, to \$130.0 million in 2011, to \$183.5 million in 2013 and to \$223.5 million in early 2014. During 2013 the joint venture agreement was amended to include East Epoch Limited who agreed to become a shareholder in AerDragon. As of December 31, 2013, AerDragon was 50% owned by CAS, 20.3% owned by us, 20.3% owned by CA-CIB, and 9.4% owned by East Epoch Limited. As at the date of this report CAS owned 50% of AerDragon, with the other 50% owned equally by us, CA-CIB, and East Epoch Limited. We provide certain aircraft- and accounting-related services to the joint venture, and act as guarantor to the lenders of AerDragon, related to debt secured by the aircraft which AerDragon purchased directly from us. This joint venture enhances our presence in the increasingly important Chinese market and will enhance our ability to lease our aircraft and engines throughout the entire Asia/Pacific region. On December 30, 2013, AerDragon signed a purchase agreement with Boeing for ten new B737-800 aircraft to be delivered in the years 2014 to 2016. AerDragon had 20 aircraft on lease to 9 airlines as of

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AerCap Holdings N.V. and Subsidiaries

Notes to the Consolidated Financial Statements (Continued)

(U.S. dollars in thousands)

1. General (Continued)

December 31, 2013, including one acquired from AerCap during the first quarter of 2013. In addition to the aircraft on lease as of December 31, 2013, AerDragon had 13 aircraft yet to be delivered including one A330 that AerDragon contracted to purchase from AerCap.

We have reassessed our ownership and have determined that AerDragon remains a variable interest entity, in which we continue not to have control and are not to be primary beneficiary of AerDragon. Accordingly, we account for our investment in AerDragon under the equity method of accounting. With the exception of debt for which we act as guarantor, the obligations of AerDragon are non-recourse to us.

AerCap Partners I. In June 2008, AerCap Partners I Holding Limited ("AerCap Partners I"), a 50% joint venture entered into between us and Deucalion Aviation Funds, acquired a portfolio of 19 aircraft from TUI Travel. The aircraft acquired were leased back to TUI Travel for varying terms. As of December 31, 2013, six Boeing 757-200 aircraft have been sold, and 11 Boeing 737-800 and two Boeing 767-300ER remain in the portfolio. The initial aircraft portfolio was financed through a \$425.7 million senior debt facility and \$125.6 million of subordinated debt consisting of \$62.8 million from us and \$62.8 million from our joint venture partner. On the applicable maturity date under the senior debt facility, which for the first tranche is April 2015 and for the second tranche was April 2012, or, earlier, in case of an AerCap insolvency, if the joint venture partners do not make additional subordinated capital available to the joint venture. AerCap can be required to purchase the aircraft from the joint venture for a price equal to the outstanding senior debt facility balance plus certain expenses and taxes related to the purchase. We have also entered into agreements to provide management and marketing services to AerCap Partners I. At December 31, 2013, AerCap Partners I had \$163.9 outstanding under its senior debt facility.

The second tranche of senior debt was refinanced in April 2012, and as part of the refinancing, AerCap Partners 767 Limited, ("AerCap Partners 767"), was incorporated. AerCap Partners 767 acquired two Boeing 767 aircraft with leases attached (from AerCap Partners I) which were financed through a \$36.0 million senior debt facility and \$30.9 million of subordinated debt consisting of \$15.45 million from us and \$15.45 million from our joint venture partner. \$30.9 million of AerCap Partners I's subordinated debt was redeemed upon sale of the two Boeing 767 aircraft to AerCap Partners 767.

We have determined that AerCap Partners I and AerCap Partners 767 are variable interest entities in which we have control and are the primary beneficiary. As such, we have consolidated AerCap Partners I's and AerCap Partners 767's financial results in our consolidated financial statements.

Joint ventures with Waha. In 2010, we entered into two joint ventures with Waha Capital PJSC ("Waha"), with us owning 50% in AerLift Leasing Jet Ltd. ("AerLift Jet") and 40% in AerLift Leasing Ltd. ("AerLift"). AerLift Jet owned four CRJ aircraft, and AerLift owned eight aircraft as of December 31, 2013. We have determined that the joint ventures are variable interest entities. For AerLift Jet we do have control and are the primary beneficiary. As such, we consolidate the financial results of AerLift Jet in our consolidated financial statements. For AerLift we do not have control and are not the primary beneficiary and accordingly, we account for our investment in AerLift under the equity method of accounting.

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AerCap Holdings N.V. and Subsidiaries

Notes to the Consolidated Financial Statements (Continued)

(U.S. dollars in thousands)

1. General (Continued)

Other joint ventures. In 2010, we entered into two 50% joint ventures with two separate joint venture partners. The two joint ventures collectively owned six aircraft, consisting of three A330 and three A320 aircraft. On June 1, 2011 we sold our 50% interest in three A330 aircraft that had been part of one of the joint ventures. We have determined that the remaining joint venture is a variable interest entity in which we have control and we are the primary beneficiary. As such, we consolidate the financial results of this joint venture in our consolidated financial statements.

As further discussed in Note 13, we hold equity and subordinated debt investments in ALS II and AerFunding. ALS II and AerFunding are variable interest entities in which we have control and we are the primary beneficiary. As such, we consolidate the financial results of these entities in our consolidated financial statements.

We also have an economic interest in AerCo. AerCo is a variable interest entity for which we determined that we do not have control and are not the primary beneficiary and, accordingly, we do not consolidate the financial results of AerCo in our consolidated financial statements. Historically the investment in AerCo has been written down to zero, because we do not expect to realize any value.

We also own 42.3% of AerData, an integrated software solution provider for the aircraft leasing industry, which provides and manages our main corporate management system ("CMS"). AerData's impact to our financial results is not material.

We guarantee debt obligations on behalf of joint venture entities in the total amount of \$308.6 million as of December 31, 2013.

The effect on equity attributable to us due to changes in ownership interest in subsidiaries was nil in the years ended December 31, 2011, 2012 and 2013.

AeroTurbine Transaction

On August 2, 2011, we entered into an agreement with International Lease Finance Corporation ("ILFC") for the sale of our wholly-owned subsidiary AeroTurbine, Inc ("AeroTurbine"). The AeroTurbine Transaction was completed on October 7, 2011. The purchase price for all of the outstanding shares of AeroTurbine was \$228.0 million. As a result of the sale we recognized a loss from discontinued operations of \$52.8 million in the year ended December 31, 2011. The loss consisted of: (1) \$22.5 million of bank fees, legal fees and contractual incentive payments to AeroTurbine management, (2) a \$8.7 million deferred tax asset write-off as a result of the transfer of tax losses to the buyer and (3) a \$21.6 million book loss. The sale resulted in a \$119.9 million increase of our cash position, net of incentive payments and net of AeroTurbine's cash held at the transaction date. The completion of the sale followed receipt of all necessary regulatory approvals and satisfaction of all other closing conditions. As a result of the agreement with ILFC and based on ASC 205-20, which governs financial statements for discontinued operations, we have reclassified the results of AeroTurbine into discontinued operations in Consolidated Income Statements. If we complete the ILFC Transaction, AeroTurbine will again become one of our subsidiaries.

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AerCap Holdings N.V. and Subsidiaries

Notes to the Consolidated Financial Statements (Continued)

(U.S. dollars in thousands)

1. General (Continued)

ALS Transaction

On November 14, 2012, we signed and completed an agreement with an entity incorporated at the direction of Guggenheim Partners, LLC ("Guggenheim") for the sale of our equity interest in Aircraft Lease Securitisation Limited ("ALS") by transferring 100% of our interest in the E-Notes, the equity securities issued by ALS, to Guggenheim. The total proceeds comprised of the cash received and a contingent asset (the "ALS Note Receivable"), which entitles us to receive future cash flows based on the performance of ALS. The total proceeds were in excess of the fair value of the E-Notes sold and included a financing from Guggenheim to us (the "ALS Coupon Liability"). The repayments of the ALS Coupon Liability are equal to a specified amount of \$2.5 million per month until the earlier of December 2016 or the month in which the senior securities issued by ALS, the G-Notes, which were held by third parties, are fully repaid. After the repayment of the ALS Coupon Liability, the ALS Note Receivable entitles us to receive future cash up to the total amount paid under the ALS Coupon Liability. As a result of the transaction, we concluded that substantial risk of ownership is transferred to Guggenheim. The transaction thus resulted in the sale and deconsolidation of ALS, which included 50 aircraft with a net book value of approximately \$1.0 billion and debt of approximately \$0.5 billion prior to the sale. As of December 31, 2013, the ALS Coupon Liability was valued at \$71.1 million and the ALS Note Receivable was valued at \$72.8 million.

The ALS transaction resulted in a loss, net of tax, of \$54.6 million, including transaction expenses of \$13.5 million. The ALS Coupon Liability was initially recognized at fair value, at the transaction date, of \$97.1 million, using a discount rate of 5.5%. The ALS Coupon Liability is recorded as debt in our Consolidated Balance Sheets. The corresponding ALS Note Receivable was initially recognized at fair value, at the transaction date, of \$67.3 million, using a discount rate of 6.8%. The ALS Note Receivable is recorded as notes receivable in our Consolidated Balance Sheets. The ALS Coupon Liability and ALS Note Receivable are both subsequently measured at amortized cost using the retrospective effective interest method.

LATAM Transaction

On May 28, 2013, we entered into a \$2.6 billion purchase and leaseback agreement with LATAM Airlines Group ("LATAM") for 25 widebody aircraft, including 15 deliveries scheduled between 2014 and 2018. The aircraft consist of nine new Airbus A350-900s, four new Boeing 787-9s, and two new Boeing 787-8s from LATAM's order backlog, and ten Airbus A330-200s with an average age of four years from LATAM's existing fleet, which were purchased and leased back in June 2013. In accordance with ASC 805-50, we allocated the portfolio purchase price of \$2.6 billion to individual aircraft acquired based on their relative fair values which were based on independent appraised values. As part of the transaction, we made payments of \$659 million in June 2013, allocated \$577 million to flight equipment held for operating leases relating to the ten aircraft delivered, and accounted for the other \$82 million as prepayments on flight equipment for the remaining 15 aircraft to be delivered.

Guggenheim Transaction

On June 27, 2013, we completed a transaction under which we sold eight Boeing 737-800 aircraft to ACSAL HOLDCO, LLC ("ACSAL"), an affiliate of Guggenheim, in exchange for cash and in addition we made a capital contribution of 19.4% in the equity of ACSAL. The aircraft are subject to

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AerCap Holdings N.V. and Subsidiaries

Notes to the Consolidated Financial Statements (Continued)

(U.S. dollars in thousands)

1. General (Continued)

long term leases to American Airlines. We will continue to service the Boeing 737-800 portfolio. Based on ASC 840 we concluded that we did not retain a substantial risk of ownership and therefore the assets were deconsolidated and a \$10.5 million gain on sale was recognized.

We have assessed our ownership in ACSAL, and have determined that it is a variable interest entity. We further determined that while we do not have control and are not the primary beneficiary of ACSAL, we do have significant influence and accordingly, we account for our investment in ACSAL under the equity method of accounting.

Risks and uncertainties

Aircraft leasing is a capital-intensive business and we have significant capital requirements. In order to meet our forward purchase commitments, we will need to access committed debt facilities, secure additional financing for pre-delivery payment obligations, use our existing available cash balances, cash generated from aircraft leasing and sales, and, if necessary, the proceeds from potential capital market transactions. If we cannot meet our obligations under our forward purchase commitments, we will not recover the value of prepayments on flight equipment on our balance sheets and may be subject to other contract breach damages.

We are dependent upon the viability of the commercial aviation industry, which determines our ability to service existing and future operating leases of our aircraft. Although the aviation market recovered significantly from late 2009, a deterioration of economic conditions and the movement in oil prices could cause our lessees to default under their leases with us, which could negatively impact our cash flows and results of operations. Furthermore, the value of the largest asset on our balance sheet flight equipment held for operating leases is subject to fluctuations in the values of commercial aircraft worldwide. A material decrease in aircraft values could have a downward effect on lease rentals and residual values and may require that the carrying value of our flight equipment be materially reduced.

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

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

We periodically perform reviews of the carrying values of our aircraft and customer receivables, 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.

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AerCap Holdings N.V. and Subsidiaries

Notes to the Consolidated Financial Statements (Continued)

(U.S. dollars in thousands)

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 and have control under ASC 810. 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.

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 ("U.S. dollars"), which is our functional currency.

Adoption of Recent Accounting Guidance:

We adopted the following accounting standards during 2013:

In December 2011, the FASB issued ASU 2011-11, Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities in U.S. GAAP and IFRSs, to improve the comparability of financial statements prepared in accordance with U.S. GAAP and IFRS. Entities are required to disclose both gross information and net information about both (1) instruments and transactions eligible for offset in the statement of financial position in accordance with either Section 210-20-45 or Section 815-10-45 or (2) instruments and transactions subject to an agreement similar to a master netting arrangement. This scope would include derivatives, sale and repurchase agreements and reverse sale and repurchase agreements, and securities borrowing and securities lending arrangements. The amendments in this update require an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. This information will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements on an entity's financial position, including the effect or potential effect of rights of setoff associated with certain financial instruments and derivative instruments in the scope of this update. ASU 2011-11 is effective for interim and annual reporting periods beginning on or after January 1, 2013 and should be applied retrospectively. The adoption of ASU 2011-11 did not have an effect on our consolidated financial statements.

In February 2013, the FASB issued ASU 2013-02, Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income, which adds new disclosure requirements for items reclassified out of accumulated other comprehensive income (AOCI). This new standard is intended to help entities improve the transparency of changes in OCI and items reclassified out of AOCI in their financial statements. The new standard requires entities to disclose additional information about reclassification adjustments, including (1) changes in AOCI balances by component

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AerCap Holdings N.V. and Subsidiaries

Notes to the Consolidated Financial Statements (Continued)

(U.S. dollars in thousands)

2. Summary of significant accounting policies (Continued)

and (2) significant items reclassified out of AOCI. The new disclosure requirements became effective for interim and annual periods beginning on January 1, 2013. The adoption of the new standard requires us to include additional disclosures for items reclassified out of AOCI when applicable.

Future Application of Accounting Guidance:

In July 2013, the FASB issued an accounting standard that requires a liability related to unrecognized tax benefits to be presented as a reduction to the related deferred tax asset for a net operating loss carry-forward or a tax credit carry-forward (the "Carry-forwards"). When the Carry-forwards are not available at the reporting date under the tax law of the jurisdiction or the tax law of the jurisdiction does not require, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit will be presented in the financial statements as a liability and will not be combined with the related deferred tax assets. This standard is effective for fiscal years and interim periods beginning after December 15, 2013, but earlier adoption is permitted. Upon adoption, the standard must be applied prospectively to unrecognized tax benefits that exist at the effective date. Retrospective application is permitted. We plan to adopt the standard prospectively on its required effective date of January 1, 2014 and do not expect the adoption of the standard to have a material effect on our consolidated financial condition, results of operations or cash flows.

Use of estimates

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

The Company reviews estimated useful life and residual value of aircraft periodically based on its knowledge and external factors coupled with market conditions to determine if they are appropriate and record adjustments on an aircraft by aircraft basis as necessary. In the years ended December 31, 2011, December 31, 2012 and December 31, 2013, we changed our estimates of useful lives and residual values of certain older aircraft. The change in estimates is a result of the current market conditions that have negatively affected the useful lives and residual values for such aircraft. The effect on net income from continuing operations for the year ended December 31, 2013 was to reduce net income by \$8.0 million, or \$0.07 basic and diluted earnings per share.

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AerCap Holdings N.V. and Subsidiaries

Notes to the Consolidated Financial Statements (Continued)

(U.S. dollars in thousands)

2. Summary of significant accounting policies (Continued)

Reclassifications

Amortization of debt issuance costs and debt discount The Consolidated Statements of Cashflows for the years ended December 31, 2012 and December 31, 2011, includes a reclassification, as compared to the 2012 20-F, of \$18.7 million and \$20.2 million respectively from net cash provided by financing activities to net cash provided by operating activities with respect to the amortization of fair value adjustments on some of our debt which were previously netted against debt repayments. There were no changes to the Consolidated Balance Sheets, Net Income or Total Equity as a result of these reclassifications in the respective periods.

Deferred tax The Consolidated Balance Sheet for the year ended December 31, 2012 includes a reclassification, as compared to the 2012 20-F, of \$51.6 million from deferred income tax asset to deferred income tax liability which were previously presented on a net basis as part of the deferred tax asset. There were no changes to Net Income or Total Equity as a result of this reclassification in the respective period.

Restricted cash The Consolidated Balance Sheet for the year ended December 31, 2012 includes a reclassification, as compared to the 2012 20-F, of \$0.8 million from restricted cash to other liabilities. The Consolidated Statement of Cash Flows was changed accordingly for the respective period. There were no changes to Net Income or Total Equity as a result of this reclassification in the respective period.

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 or term of the related lease. In instances where the purchase price includes additional consideration which can be allocated to the value of an acquired lease containing above market terms, such allocated cost is

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AerCap Holdings N.V. and Subsidiaries

Notes to the Consolidated Financial Statements (Continued)

(U.S. dollars in thousands)

2. Summary of significant accounting policies (Continued)

recognized as an intangible lease premium which is amortized over the term of the related lease in 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. The cost of improvements to flight equipment are normally expensed unless the improvement materially increases the long-term value of the flight equipment or extends the useful life of the flight equipment. In instances where the increased value benefits the existing lease, such capitalized cost is depreciated over the life of the lease. Otherwise, the capitalized cost is depreciated over the remaining useful life of the aircraft. Flight equipment acquired is depreciated over the assets' useful life, based on 25 years from the date of manufacture, using the straight-line method to the estimated residual value. The current estimates for residual (salvage) values for most aircraft types are 15% of original manufacture cost, in line with industry standards, except where more recent industry information indicates a different value is appropriate. Differences between our estimates of useful lives and residual values and actual experience may result in future impairments of aircraft and/or additional gains or losses upon disposal. We review estimated useful life and residual value of aircraft periodically based on our knowledge to determine if they are appropriate and record adjustments on an aircraft by aircraft basis as necessary.

We apply ASC 360, which addresses financial accounting and reporting for the impairment of long-lived assets 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. We regularly, at least on a quarterly basis, evaluate these events and circumstances. The review for recoverability includes an assessment of the estimated future cash flows associated with the use of an asset and its eventual disposal. The assets are grouped at the lowest level for which identifiable cash flows are largely independent of other groups of assets. In relation to flight equipment on operating lease, the impairment assessment is performed on each individual aircraft. 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 15% of the original manufacture costs, in line with industry standards, except where more recent industry information indicates a different value is appropriate. We generally focus our impairment assessment on older aircraft as the cash flows supporting the carrying value of such older aircraft are more dependent upon current lease contracts, which leases are more sensitive to weaknesses in the global economic environment. Further deterioration of the global economic environment and a further decrease of aircraft values might have a negative effect on the undiscounted cash flows of older aircraft and might trigger further impairments.

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AerCap Holdings N.V. and Subsidiaries

Notes to the Consolidated Financial Statements (Continued)

(U.S. dollars in thousands)

2. Summary of significant accounting policies (Continued)

Notes receivable

Notes receivable arise from the restructuring and deferring of trade receivables from lessees experiencing financial difficulties. Allowances are made for doubtful accounts where there is a significant risk of non-recovery of the note receivable. The assessment of the risk of non-recovery is primarily based on the extent to which amounts outstanding exceed the value of security held, together with an assessment of the financial strength and condition of a debtor and the economic conditions persisting in the debtor's operating environment. The ALS Note Receivable (described in Note 1) is recorded at fair value and subsequently measured at amortized cost using the retrospective effective interest method.

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 ASC 320 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.

Definite-lived intangible assets

We recognize intangible assets acquired in a business combination in accordance with the principles of ASC 805. 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 are recognized as an intangible lease premium asset and amortized on a straight-line basis over the term of the related lease as a reduction of lease revenue. Similarly, we recognize a lease deficiency liability as part of accrued expenses and other liabilities for lease contracts where the terms of the lease contract are unfavorable to market terms and amortize the liability over the term of the related lease as an addition to lease revenue. We consider lease renewals on a lease by lease basis. We do not assume lease renewals in the determination of the lease premiums or

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AerCap Holdings N.V. and Subsidiaries

Notes to the Consolidated Financial Statements (Continued)

(U.S. dollars in thousands)

2. Summary of significant accounting policies (Continued)

deficiencies given a market participant would expect the lessee to renegotiate the lease on market terms. We evaluate all definite-lived intangible assets for impairment in accordance with ASC 360.

Inventory

Inventory consists primarily of engine and airframe parts when we have aircraft for part out. It is valued at the lower of cost or market value.

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 ASC 815. All derivatives are recognized on the balance sheet at their fair value which includes a consideration of the credit rating and risk attaching to the counterparty of the derivative contract. We have considered both the quantitative and qualitative factors when determining our counterparty credit risk.

When cash flow hedge accounting treatment is achieved under ASC 815, the changes in fair values related to the effective portion of the derivatives are recorded in accumulated other comprehensive income, and the ineffective portion is recognized immediately in income. Amounts reflected in accumulated other comprehensive income related to the effective portion are reclassified into earnings in the same period or periods during which the hedged transactions affects earnings.

We discontinue hedge accounting prospectively when (i) we determine that the derivative is no longer effective in offsetting changes in the fair value or cash flows of a hedged item; (ii) the derivative expires or is sold, terminated, or exercised; or (iii) management determines that designating the derivative as a hedging instrument is no longer appropriate. In all situations in which hedge accounting is discontinued and the derivative remains outstanding, we carry the derivative at its fair value on the balance sheet, recognizing changes in the fair value in current-period earnings. The remaining balance in accumulated other comprehensive income at the time we discontinue hedge accounting is not recognized in the income statement unless it is probable that the forecasted transaction will not occur. Such amounts are recognized in earnings when earnings are affected by the hedged transaction.

When cash flow hedge accounting treatment is not achieved under ASC 815, the changes in fair values related to interest derivatives between periods are recognized as a reduction or increase of interest expense and changes to fair value relating to currency derivatives are recognized as a reduction or increase of selling, general and administrative expenses on the income statement .

Net cash received or paid under derivative contracts 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

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AerCap Holdings N.V. and Subsidiaries

Notes to the Consolidated Financial Statements (Continued)

(U.S. dollars in thousands)

2. Summary of significant accounting policies (Continued)

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.

Other assets

Other assets consist of receivables from aircraft manufacturers, 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 aircraft leases, the lessees are responsible for maintenance and repairs of our flight equipment and related expenses during the term of the lease. In some instances, we may incur maintenance and repair expenses for our 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. AerCap records as revenue all maintenance rent receipts not expected to be repaid to lessees. We estimate the total amount of maintenance reimbursements for the entire lease and only record revenue after we have received enough maintenance rent under a particular lease to cover the estimated total amount of revenue reimbursements. In these leases, upon lessee presentation of invoices evidencing the completion of qualifying maintenance on the aircraft, we make a payment to the lessee to compensate for the cost of the maintenance, up to the maximum of the supplemental maintenance rental payments made with respect to the lease contract.

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

In addition, we may be obligated to make additional payments to the lessee for maintenance related expenses (lessor maintenance contributions or top-ups) primarily related to usage of major life-limited components occurring prior to entering into the lease. We account for planned major maintenance activities such as lessor contributions and top-ups based on the expense as incurred method in accordance with the Airline Audit and Accounting Guide. We record a charge to leasing expenses at the time of the occurrence of a lessor contribution or top-up payment, except in instances where we have established an accrual as an assumed liability for such payment in connection with the purchase of an aircraft with a lease attached, in which case such payments are charged against the existing accrual.

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AerCap Holdings N.V. and Subsidiaries

Notes to the Consolidated Financial Statements (Continued)

(U.S. dollars in thousands)

2. Summary of significant accounting policies (Continued)

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

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. At lease inception we review all necessary criteria under ASC 840-10-25 to determine proper lease classification including the criteria set forth in ASC 840-10-25-14. Our lease contracts normally include default covenants, and the effect of a default by a lessee is generally to oblige the lessee to pay damages to the lessor to put the lessor in the position one would have been had the lessee performed under the lease in full. There are no additional payments required which would increase the minimum lease payments under ASC 840-10-25-1. 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 collectability 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 collectability and to the extent such rentals exceed related security deposits held, and are recorded as expenses on the income statement.

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

Net gain (loss) on sale of assets originate primarily from the sale of aircraft and engines 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.

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AerCap Holdings N.V. and Subsidiaries

Notes to the Consolidated Financial Statements (Continued)

(U.S. dollars in thousands)

2. Summary of significant accounting policies (Continued)

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.

Pension

We operate a defined benefit pension plan for our Dutch employees and some of our Irish employees. As of June 30, 2009, the Irish defined benefit plan was closed to new participants, but will continue to accrue benefits for existing participants. As required by ASC715, we recognize net periodic pension costs associated with this plan in income from continuing operations and recognize the unfunded status of the plan, if any, as a liability. The change in fair value of the funded pension liability that is not related to the net periodic pension cost is recorded as other comprehensive income. The projection of benefit obligation and fair value of plan assets requires the use of assumptions and estimates, including discount rates. Actual results could differ from those estimates. Furthermore, we also operate a defined contribution plan for the Irish employees that do not fall under the defined benefit pension plan. We expense these contributions in the period the contribution is made.

Share-based compensation

We account for share-based compensation in accordance with ASC 718. The amount of such expense is determined by reference to the fair value of the restricted share units or options on the grant date. The share-based compensation expenses are recognized over the vesting period using the straight-line method. We estimate the fair value of options using the Black Scholes option pricing model.

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 under selling, general and administrative expenses.

Variable interest entities

We account for investments in variable interest entities in accordance with ASC 810.

Table of Contents**AerCap Holdings N.V. and Subsidiaries****Notes to the Consolidated Financial Statements (Continued)**

(U.S. dollars in thousands)

2. Summary of significant accounting policies (Continued)**Earnings Per Share**

Earnings per share is presented in accordance with ASC 260 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 ordinary shareholders by the weighted-average number of ordinary shares outstanding during the period. For the purposes of calculating diluted earnings per share, the denominator includes both the weighted average number of ordinary shares outstanding during the period and the weighted average number of potentially dilutive ordinary shares, such as restricted share units, restricted shares and share options .

3. Restricted cash

Restricted cash consists of the following at December 31:

	2012	2013
Cash securing our obligations under ECA-guaranteed financings	\$ 41,895	\$ 59,609
Cash securing our obligations under ALS II debt	15,712	15,004
Cash securing our obligations under AerFunding revolving credit facility	82,070	71,379
Cash securing our obligations under Genesis securitization debt	28,955	35,836
Cash securing our obligations under TUI portfolio acquisition facility	25,656	26,509
Cash securing our obligations under other debt	82,043	52,800
Cash securing our obligations under SkyFunding I and II facilities	2,740	7,472
Other	1,582	4,178
	\$ 280,653	\$ 272,787

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

4. Trade receivables, net of provisions

Trade receivables include amounts invoiced to lessees in respect of lease rentals and maintenance reserves. As of December 31, 2013, we did not have any trade receivables recorded in relation to lessee defaults. Furthermore we did not have any provisions for doubtful accounts as of December 31, 2012 and 2013.

Table of Contents**AerCap Holdings N.V. and Subsidiaries****Notes to the Consolidated Financial Statements (Continued)**

(U.S. dollars in thousands)

4. Trade receivables, net of provisions (Continued)

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

	Year ended December 31,		
	2011	2012	2013
Provision at beginning of period	\$ 2,606	\$ 3,530	\$
Expense for doubtful accounts	3,335		
Discontinued operations	(2,567)		
Other(1)	156	(3,530)	
Provision at the end of period	\$ 3,530	\$	\$

(1) Includes direct write-offs and cash accounting for certain trade receivables.

5. Flight equipment held for operating leases, net

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

	Year ended December 31,		
	2011	2012	2013
Net book value at beginning of period	\$ 8,061,260	\$ 7,895,874	\$ 7,261,899
Additions	882,625	1,116,808	1,825,937
Depreciation	(383,148)	(355,697)	(336,888)
Impairment (Note 22)	(23,323)	(12,625)	(25,616)
Disposals	(333,140)	(1,376,461)	(606,495)
Transfers to direct finance leases/flight equipment held for sale	(11,430)	(6,000)	(32,890)
Sale of AeroTurbine	(296,970)		
Net book value at end of period	\$ 7,895,874	\$ 7,261,899	\$ 8,085,947

Accumulated depreciation/impairment at December 31, 2011, 2012 and 2013	\$ (1,060,416)	\$ (992,528)	\$ (1,337,675)
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At December 31, 2013, 232 out of our 236 owned aircraft and each of our seven owned engines were on lease under operating leases to 74 lessees in 42 countries. The four aircraft off-lease as of December 31, 2013 were subject to lease agreements at December 31, 2013. Two of these aircraft have been delivered since December 31, 2013 and the remaining two are scheduled for delivery in the first and second quarters of 2014. The geographic concentrations of leasing revenues are set out in Note 18.

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Prepayments on flight equipment (including related capitalized interest) of \$151,550, \$78,149 and \$43,099 have been applied against the purchase of aircraft during the years ended December 31, 2011, 2012 and 2013, respectively.

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Table of Contents**AerCap Holdings N.V. and Subsidiaries****Notes to the Consolidated Financial Statements (Continued)**

(U.S. dollars in thousands)

5. Flight equipment held for operating leases, net (Continued)

The following table indicates our contractual commitments for the prepayment and purchase of flight equipment in the periods indicated as of December 31, 2013, excluding any potential capitalized interest:

	2014	2015	2016	Thereafter	Total
Capital expenditures	\$ 657,392	\$ 281,907	\$ 969,184	\$ 947,291	\$ 2,855,774
Pre-delivery payments	128,509	26,034			154,543
	\$ 785,901	\$ 307,941	\$ 969,184	\$ 947,291	\$ 3,010,317

As of December 31, 2013, excluding five purchase rights, we expected to make capital expenditures related to 39 new aircraft on order in 2014 and thereafter, comprised of three A330 aircraft, five A320neo aircraft, nine A350 aircraft, 15 Boeing 737 aircraft and seven Boeing 787 aircraft. As we implement our growth strategy, currently focused on the mid- to long-term, and expand our aircraft portfolio, we expect our capital expenditures to increase in the future. We anticipate that we will fund these capital expenditures through internally generated cash flows, draw downs on our committed revolving credit facilities, the incurrence of bank debt and capital market issuances.

Our current operating lease agreements expire up to and over the next 14 years. The contracted minimum future lease payments receivable from lessees for equipment on non-cancelable operating leases at December 31, 2013 are as follows:

	Contracted minimum future lease receivables
2014	\$ 931,801
2015	878,948
2016	772,706
2017	591,965
2018	526,397
Thereafter	1,643,197
	\$ 5,345,014

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.

Table of Contents**AerCap Holdings N.V. and Subsidiaries****Notes to the Consolidated Financial Statements (Continued)**

(U.S. dollars in thousands)

6. Notes receivable

Notes receivable consist of the following at December 31:

	2012	2013
Secured notes receivable	\$ 10,135	\$ 2,987
ALS Note Receivable(1)	68,028	72,801
	\$ 78,163	\$ 75,788

(1)

In 2012 we obtained the ALS Note Receivable as part of the ALS transaction with an effective interest of 6.8% per year. After the repayment of the ALS Coupon Liability, the ALS Note Receivable entitles us to receive future cash up to the total amount paid under the ALS Coupon Liability. For further details refer to the ALS Transaction as described in Note 1.

7. Prepayments on flight equipment

In December 2005, we placed an order with Airbus for the forward purchase of 70 aircraft, including eight aircraft subject to reconfirmation rights. During 2008 and the first two months of 2009, we notified Airbus that we would not take delivery of the eight aircraft subject to reconfirmation rights. In 2009 four additional aircraft were added to the forward order. As of December 31, 2013, all 66 aircraft had been delivered of which 12 aircraft were sold.

In December 2006, we placed an order with Airbus to acquire 20 new A330 wide-body aircraft. In May 2007, we added an additional ten A330 aircraft to this order. In 2009, two additional A330 aircraft were added to the forward order. As of December 31, 2013 all 32 aircraft had been delivered of which 13 aircraft were sold.

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

On May 28, 2013, we entered into a \$2.6 billion purchase and leaseback agreement with LATAM for 25 widebody aircraft, including 15 with deliveries scheduled between 2014 and 2018. As part of the transaction, we made payments of \$659 million in June 2013, and allocated \$577 million to flight equipment held for operating leases relating to the ten A330 aircraft purchased and leased back and accounted for the other \$82 million as prepayments on flight equipment for the remaining 15 aircraft to be delivered.

In connection with the current forward order contract, we are required to make scheduled prepayments toward these future deliveries (Note 5). In addition, 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.

Table of Contents**AerCap Holdings N.V. and Subsidiaries****Notes to the Consolidated Financial Statements (Continued)**

(U.S. dollars in thousands)

7. Prepayments on flight equipment (Continued)

The following table presents a summary of the movements in prepayments on flight equipment and capitalized interest during the years ended December 31, 2011, 2012 and 2013:

	Year ended December 31,		
	2011	2012	2013
Net book value at beginning of period	\$ 199,417	\$ 95,619	\$ 53,594
Prepayments made during the period	43,313	33,508	205,865
Interest capitalized during the period	4,439	2,616	7,455
Prepayments and capitalized interest applied against the purchase of flight equipment	(151,550)	(78,149)	(43,099)
Net book value at end of period	\$ 95,619	\$ 53,594	\$ 223,815

8. Investments

Investments consist of the following at December 31:

	2012	2013
20.3% equity investment in unconsolidated joint venture (AerDragon)	\$ 41,161	\$ 47,672
39.6% equity investment in unconsolidated joint venture (AerLift)	51,721	54,457
42.3% equity investment in unconsolidated joint venture (AerData)	980	882
19.4% equity investment in unconsolidated joint venture (ACSAL)		9,175
Other investments at cost		194
	\$ 93,862	\$ 112,380

The undistributed earnings of investments in which our ownership interest is less than 50 percent were \$31.4 million, \$25.0 million and \$15.3 million at December 31, 2013, 2012, and 2011, respectively. Our equity investment in our unconsolidated joint ventures, AerDragon, AerLift, AerData and ACSAL, are accounted for under the equity method.

9. Intangible assets

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

	As of December 31, 2012		
	Gross	Accumulated amortization	Net
Lease premiums	\$ 54,945	\$ (36,845)	\$ 18,100

As of December 31, 2013

	Gross	Accumulated amortization	Net
Lease premiums	\$ 35,461	\$ (26,107)	\$ 9,354

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Table of Contents**AerCap Holdings N.V. and Subsidiaries****Notes to the Consolidated Financial Statements (Continued)**

(U.S. dollars in thousands)

9. Intangible assets (Continued)

Lease premiums that are fully amortized are removed from the gross and accumulated amortization column in the table above. The following table presents the changes to amortizable intangible assets during the periods indicated:

	Year ending December 31,	
	2012	2013
Net carrying value at beginning of period	\$ 29,677	\$ 18,100
Amortization	(11,577)	(8,746)
Net carrying value at end of period	\$ 18,100	\$ 9,354

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

	Amortization of intangible assets
2014	\$ 5,844
2015	3,085
2016	425
	\$ 9,354

The remaining weighted average amortization period for the amortizable intangible assets is 21 months. In 2012, the weighted average amortization period for amortizable intangible assets was 29 months. Please refer to Note 20 for the impairment analysis of intangible assets.

10. Derivative assets and liabilities

The objective of our hedging policy is to adopt a risk adverse position with respect to changes in interest rates and foreign currencies. We have entered into a number of interest rate derivatives to hedge the current and future interest rate payments on our variable rate debt. Furthermore from time to time we enter into foreign currency derivatives to hedge the current and future Euro /U.S. dollar exposure to our business. These derivative products can include interest rate swaps, caps, floors, options and forward contracts. As of December 31, 2013, we had interest rate swaps, caps and floors, with a combined notional amount of \$1.9 billion and a combined positive fair value of \$25.5 million. The positive fair value as of December 31, 2013, is recorded in the balance sheet as derivative assets of \$32.7 million and derivative liabilities of \$7.2 million. As of December 31, 2012, we had interest rate swaps and floors with a combined notional amount of \$2.4 billion and a combined negative fair value of \$4.7 million. The negative fair value as of December 31, 2012 is recorded in the balance sheet as derivative asset of \$10.0 million and derivative liabilities of \$ 14.7 million. The variable benchmark interest rates associated with these instruments ranged from one to three-month U.S. dollar LIBOR.

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We have not applied hedge accounting under ASC 815 to any of the above mentioned caps and floors and to two interest rate swaps. The two interest rate swaps expired in the year ending

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Table of Contents**AerCap Holdings N.V. and Subsidiaries****Notes to the Consolidated Financial Statements (Continued)**

(U.S. dollars in thousands)

10. Derivative assets and liabilities (Continued)

December 31, 2012. The change in fair value of these derivatives, therefore, is recorded in the income statement as interest expense (income) as specified below:

	Year ended December 31,		
	2011	2012	2013
Change in fair value of interest rate caps and floors	\$ 59,312	\$ 14,388	\$ (11,709)
Change in fair value of interest rate swaps	(39,536)	(3,713)	
	\$ 19,776	\$ 10,675	\$ (11,709)

As of December 31, 2013, we had five interest rate swaps to hedge forecasted monthly LIBOR-based interest payments, for which we achieved cash flow hedge accounting treatment. The five interest rate swaps had a combined notional amount of \$0.5 billion and a combined negative fair value of \$5.6 million which has been recorded as part of derivative liabilities in the consolidated balance sheet as of December 31, 2013. As of December 31, 2012, we had six interest rate swaps for which we achieved cash flow hedge accounting treatment. The six interest rate swaps had a combined notional amount of \$0.7 billion and a combined negative fair value of \$11.3 million which has been recorded as part of derivative liabilities in the consolidated balance sheet as of December 31, 2012. The change in fair value related to the effective portion of these six interest rate swaps is recorded, net of tax, in accumulated other comprehensive income. We do not expect to reclassify amounts from accumulated other comprehensive income to net interest over the next 12 months. Some of our agreements with derivative counterparties require a two-way cash collateralization of derivative fair values. As of December 31, 2013 and 2012, the Company had received cash collateral of \$4.9 and \$0.8 million, respectively, from various counterparties and the obligation to return such collateral is recorded in Accrued expenses and other liabilities. The Company had not advanced any cash collateral to counterparties as of December 31, 2013 or 2012.

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

Table of Contents**AerCap Holdings N.V. and Subsidiaries****Notes to the Consolidated Financial Statements (Continued)**

(U.S. dollars in thousands)

11. Other assets

Other assets consist of the following at December 31:

	2012	2013
Debt issuance costs	\$ 133,352	\$ 148,315
Other tangible fixed assets	2,482	2,427
Receivables from aircraft manufacturer	8,203	5,800
Prepaid expenses	4,690	6,057
Other receivables	9,124	21,423
	\$ 157,851	\$ 184,022

Amortization of debt issuance costs was \$33,001, \$50,989 and \$29,633 for the years ended December 31, 2011, 2012 and 2013 respectively. The higher amortization in 2012 was due mostly to the early repayment of secured loans during the year. The unamortized debt issuance costs at December 31, 2013 amortize from 2014 through 2024.

12. Accrued expenses and other liabilities

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

	2012	2013
Accrued expenses	\$ 33,077	\$ 50,087
Accrued interest	44,257	44,916
Lease deficiency	15,427	13,459
	\$ 92,761	\$ 108,462

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 92 months as of December 31, 2013, compared with an average 102 months as of December 31, 2012.

Table of Contents**AerCap Holdings N.V. and Subsidiaries****Notes to the Consolidated Financial Statements (Continued)**

(U.S. dollars in thousands)

13. Debt

Debt consists of the following as of December 31:

	2012(1)	2013(1)	Weighted average interest rate December 31, 2013(2)	Maturity
Secured				
ECA-guaranteed financings	\$ 1,675,387	\$ 1,504,429	2.48%	2024
ALS II debt	572,270	450,045	2.02%	2038
AerFunding revolving credit facility	538,024	967,094	2.92%	2018
Genesis securitization debt	549,288	452,233	0.41%	2032
TUI portfolio acquisition facility	188,393	163,943	1.92%	2015
SkyFunding I and II facilities	507,475	623,785	3.74%	2023
Other debt	1,179,169	1,390,521	3.12%	2023
Unsecured				
Senior unsecured notes due 2017	300,000	300,000	6.38%	2017
DBS revolving credit facility		150,000	2.50%	2018
Other				
Subordinated debt joint ventures partners(3)	64,280	64,280	1.96%	2022
DBS B737-800 PDP Facility		47,458	3.00%	2015
Other debt	229,213	123,104	5.67%	2020
	\$ 5,803,499	\$ 6,236,892		

(1) As of December 31, 2013, we remain in compliance with the respective financial covenants across the Company's various debt obligations.

(2) The weighted average interest rate is calculated based on the U.S. dollar LIBOR rate as of December 31, 2013, and excludes the impact of related derivative instruments which we hold to hedge our exposure to interest rates as well as any amortization of the debt issuance costs.

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

Aggregate maturities of debt and capital lease obligations (included in other debt), excluding \$90.3 million debt discount, during the next five years and thereafter are as follows:

	Debt maturing
2014	\$ 787,022

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2015	997,097
2016	672,855
2017	992,821
2018	1,256,585
Thereafter	1,620,789

\$ 6,327,169

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Table of Contents**AerCap Holdings N.V. and Subsidiaries****Notes to the Consolidated Financial Statements (Continued)**

(U.S. dollars in thousands)

13. Debt (Continued)**ECA-guaranteed financings Airbus A320 aircraft**

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 the ECA. 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 \$1.2 billion.

In November 2008, the export credit facility was further amended to cover one additional aircraft and the maximum amount of the facility remained unchanged. 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-month rolling basis and have no obligation to fund deliveries beyond that period. No additional new aircraft are expected to be financed in this 2003 facility.

As of December 31, 2013, we had 18 aircraft financed under this facility and \$323.4 million of loans outstanding.

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

	Amount outstanding December 31, 2013 (U.S. dollars in thousands)	Interest rate
Floating Rate Tranches	\$ 323,420	Three-month LIBOR plus 0.33%
Purchase accounting fair value adjustments	(955)	
	\$ 322,465	

Maturity Date. The principal of the export credit facility amortizes over a 12-year term, with a final maturity on November 9, 2020.

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.

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AerCap Holdings N.V. and Subsidiaries

Notes to the Consolidated Financial Statements (Continued)

(U.S. dollars in thousands)

13. Debt (Continued)

ECA-guaranteed financings Airbus A330 and A320 family aircraft

General. In December 2008, we entered into a \$1.4 billion export credit facility for the financing of up to 15 Airbus A330 aircraft. Funding under the facility is provided by commercial banks, but the repayment is guaranteed by the ECA. From time to time since 2008, the export credit facility has been further amended to cover certain additional Airbus A330 and A320 family aircraft and an ECA capital markets transaction in relation to three A330 aircraft. The maximum size of the facility was increased to \$1.6 billion. 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. No additional new aircraft are expected to be financed in this 2008 facility.

As of December 31, 2013, seven A330 aircraft and 10 A320 family under this 2008 facility have been delivered from the manufacturer. We had \$657.7 million of loans outstanding under this facility as of December 31, 2013.

In March 2009, we entered into a \$846.0 million export credit facility for the financing of up to 20 Airbus A320 aircraft. Funding under the facility is provided by commercial banks, but the repayment is guaranteed by the ECA. As of December 31, 2013, five A320 family aircraft under this facility have been delivered from the manufacturer and financed in this facility. We had \$134.7 million of loans outstanding under this facility as of December 31, 2013. Following the redemption of shares issued by AerVenture such that AerCap AerVenture Holding B.V. became the 100% owner of the issued share capital in AerVenture, this facility will no longer be utilized. No additional new aircraft are expected to be financed in this 2009 facility.

In June 2010 and September 2010, we completed the refinancing of three A330-300 aircraft that were previously financed under our 2008 facility to an ECA capital markets transaction. We had \$167.5 million of loans outstanding under the ECA capital markets facilities as of December 31, 2013.

During 2012, we entered into three additional separate ECA facility agreements in order to finance three A330-300 aircraft which delivered during the year pursuant to a purchase and lease-back transaction with one airline. These facilities carry similar commercial terms to the 2008 facility agreement. We had \$222.1 million of loans outstanding under this facility as of December 31, 2013.

Table of Contents**AerCap Holdings N.V. and Subsidiaries****Notes to the Consolidated Financial Statements (Continued)**

(U.S. dollars in thousands)

13. Debt (Continued)

Interest Rate. Set forth below are the interest rates for the first and subsequent export credit facilities. The interest rates for the remaining loans will be agreed on a rolling basis.

		Amount outstanding December 31, 2013 (U.S. dollars in thousands)	Interest rate
2008 A330 & A320 Facility	Floating rate tranches	\$ 58,175	Three-month LIBOR plus 1.47%
	Fixed rate tranches	599,536	3.20%
2009 A320 Facility	Floating rate tranches	53,348	Three-month LIBOR plus 1.11%
	Fixed rate tranches	81,336	4.23%
ECA A330 Capital Market facilities	Fixed rate tranches	167,462	3.60%
2012 Facilities	Fixed rate tranches	222,107	2.29%
Total		\$ 1,181,964	

Maturity Date. We are obligated to repay principal on the export credit facility over a 12-year term from April 23, 2009.

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 will enter into lease agreements on these aircraft which transfer the risk and rewards of ownership of the aircraft to AerCap. The obligations outstanding under the export credit facilities are secured by, among other things, a pledge of the shares of the company which holds legal title to the aircraft financed under the facility. Each subsidiary's obligations under the financings are guaranteed by 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 these 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. A change of control occurs under our December 2008 export credit facility if:

- (i) AerCap Holdings N.V.'s 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 issued shares and voting rights 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.;
- (ii) AerCap Holdings N.V. ceases to own and control 100% of the shares in AerCap A330 Holdings B.V., AerCap B.V. or AerCap Ireland Limited; or
- (iii) AerCap A330 Holdings B.V. ceases to own and control at least 51% of the shares in AerCap A330 Holdings Limited.

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AerCap Holdings N.V. and Subsidiaries

Notes to the Consolidated Financial Statements (Continued)

(U.S. dollars in thousands)

13. Debt (Continued)

Additional covenants related to the 2009 AerVenture facility are as follows:

- (i) AerCap Holdings N.V. ceases to own and control 100% of the shares in AerCap AerVenture Holding B.V; or
- (ii) AerCap AerVenture Holding B.V. ceases to own and control at least 50% of the shares in AerVenture; or
- (iii) AerVenture ceases to own and control (directly or indirectly) 100% of the export lessees.

As of December 31, 2013, we had financed 46 aircraft under ECA-guaranteed financings. The net book value of aircraft pledged to the ECA lenders was \$2.1 billion at December 31, 2013.

ALS II debt

General. On June 26, 2008, we completed a securitization in which ALS II issued securitized class A-1 notes and class A-2 notes, rated A+ by Standard & Poor's ("S&P") and A1 by Moody's. The class A-1 notes each had an outstanding principal balance of zero, and were issued to commitment holders. The commitment holders committed to advance funds, subject to certain conditions, including that ALS II shall have acquired at least 15 aircraft, up to an aggregate amount of \$1.0 billion in connection with the purchase of 30 A320 family aircraft by ALS II. Funded class A-1 notes may be exchanged for class A-2 notes subject to certain conditions. The class A-1 notes are ranked pari passu with the class A-2 notes.

The advances made by the commitment holders were used to purchase 30 aircraft from AerVenture Leasing 1 Limited, a subsidiary of AerVenture, all 30 of which have been delivered. The final aircraft was delivered in May 2010. The 30 aircraft are among the aircraft delivered by Airbus to AerVenture between 2007 and 2011. During 2011, a portion of A-1 notes were exchanged for A-2 notes.

ALS II also issued class E-1 notes (the most junior class of notes) to AerVenture Leasing 1 Limited on June 26, 2008, the proceeds of which were applied to pay expenses of ALS II during the period between June 26, 2008 and the first delivery of aircraft. Additional class E-1 notes were issued to AerVenture Leasing 1 Limited in connection with the sale of aircraft to ALS II, and will be issued to AerVenture Leasing 1 Limited, AerVenture and AerCap Holdings N.V. in certain other circumstances. ALS II's financial results are consolidated in our financial statements.

Liquidity. Crédit Agricole provided a liquidity facility in the amount of \$55 million, which may be drawn upon to pay expenses of ALS II and its subsidiaries, commitment fees owed to the commitment holders, senior hedge payments and interest on the class A-1 notes and class A-2 notes.

Table of Contents**AerCap Holdings N.V. and Subsidiaries****Notes to the Consolidated Financial Statements (Continued)**

(U.S. dollars in thousands)

13. Debt (Continued)

Interest Rate. Set forth below is the interest rate for the subclasses of notes not held by us. LIBOR is the London interbank offered rate for one-month U.S. dollar deposits or, under certain circumstances, an interpolated LIBOR rate.

	Amount outstanding December 31, 2013 (U.S. dollars in thousands)	Interest rate
Class A-1 Notes	\$ 433,249	One-month LIBOR plus 1.85%
Class A-2 Notes	16,796	One-month LIBOR plus 1.85%
Total	\$ 450,045	

Maturity Date. The final maturity date of the notes will be June 15, 2038.

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

As of December 31, 2013, 30 aircraft were financed in ALS II. The net book value of 30 aircraft pledged as collateral for the securitization debt was \$1.0 billion as of December 31, 2013.

AerFunding revolving credit facility

General. AerFunding 1 Limited ("AerFunding") is a special purpose company incorporated with limited liability in Bermuda. The share capital of AerFunding is owned 95% by a charitable trust and 5% by AerCap Ireland. AerFunding is a consolidated subsidiary formed for the purpose of acquiring new and used aircraft assets. On April 26, 2006, AerFunding 1 Limited entered into a non-recourse senior secured revolving credit facility in the aggregate amount of up to \$1.0 billion. The facility was subsequently amended in 2010, 2011 and 2013.

On June 10, 2010, the facility was amended and the revolving loans under the AerFunding revolving credit facility, which are divided into two classes, were amended. The maximum advance limit on class A loans was amended to \$705.5 million from \$830.0 million and the maximum advance limit on class B loans was amended to \$144.5 million from \$170.0 million.

On June 9, 2011, the facility was amended to allow for an additional two year revolving period to June 2013, and a three year term-out period to June 2016. The maximum facility size was amended to \$775.0 million and the commitment and borrowings amended to a single class of loans. In addition to UBS Securities LLC, lenders to the transaction are Credit Suisse AG, Citibank N.A., Nomura Global Financial Products Inc. and Scotiabank Europe plc. In April, 2012, the facility size was increased to \$800.0 million with an additional commitment provided by Everbank.

On May 10, 2013, the AerFunding facility was amended to allow for an additional two year revolving period to June 2015, and a three year term-out period to June 2018. The maximum facility size was amended from \$800.0 million to \$1.1 billion. Credit Suisse AG acted as lead arranger and structuring agent on the transaction, and in addition, lenders to the transaction included Bank of

Table of Contents**AerCap Holdings N.V. and Subsidiaries****Notes to the Consolidated Financial Statements (Continued)**

(U.S. dollars in thousands)

13. Debt (Continued)

America Merrill Lynch and RBC Capital Markets who acted as joint lead arrangers. Nomura and Citi acted as documentation agents, with the syndicate also including Scotiabank, BNP Paribas, ING Bank and Everbank Commercial Finance. Following initial closing, the facility size was increased to \$1.3 billion with additional commitments provided by Royal Bank of Scotland, who also acted as a joint lead arranger, and HSBC.

As of December 31, 2013, we had \$967.1 million of loans outstanding under the AerFunding revolving credit facility, relating to 33 aircraft. The net book value of aircraft pledged to lenders under the credit facility was \$1.2 billion as of December 31, 2013.

Borrowings under the AerFunding revolving credit facility can be used to finance between 73.5% and 80.0% of the lower of the purchase price and the appraised value of the eligible aircraft. Eligible aircraft include A320 family aircraft, Boeing 737-700, -800 and 900ER aircraft, Boeing 777, Boeing 787 aircraft and A330 aircraft. In addition, value enhancing expenditures and required liquidity reserves are also funded by the lenders.

All borrowings under the AerFunding revolving credit facility are subject to the satisfaction of customary conditions and restrictions on the purchase of aircraft that would result in our portfolio becoming too highly concentrated, with regard to both aircraft type and geographical location. The borrowing period during which new advances may be made under the facility will expire on June 9, 2015.

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

	Applicable Margin
Borrowing period(1)	2.75%
Period from June 10, 2015 to June 9, 2016	3.75%
Period from June 10, 2016 to June 9, 2017	4.25%
Period from June 10, 2017 to June 9, 2018	4.75%

(1)

The borrowing period is until June 9, 2015, after which the loan converts to a term loan.

Additionally, we are subject to (a) a 0.50% fee on any portion of the unused loan commitment if the average facility utilization is greater than 50% during a period or (b) a 0.75% fee on any unused portion of the unused loan commitment if the average facility utilization is less than 50% during a period.

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.

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AerCap Holdings N.V. and Subsidiaries

Notes to the Consolidated Financial Statements (Continued)

(U.S. dollars in thousands)

13. Debt (Continued)

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

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

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

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

Maturity Date. The maturity date of the AerFunding revolving credit facility is June 9, 2018.

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

Collateral. Borrowings under the AerFunding revolving credit facility are secured by, among other things, security interests in and pledges or assignments of equity ownership and beneficial interests in all of the subsidiaries of AerFunding, as well as by AerFunding's interests in the leases of its assets.

Certain Covenants. The AerFunding 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 AerFunding 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 AerFunding 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 AerFunding revolving credit facility;

own, operate or lease assets financed with proceeds from the AerFunding revolving credit facility; and

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Table of Contents**AerCap Holdings N.V. and Subsidiaries****Notes to the Consolidated Financial Statements (Continued)**

(U.S. dollars in thousands)

13. Debt (Continued)

enter into a securitization transaction involving assets financed with proceeds from the AerFunding revolving credit facility unless certain conditions are met.

Genesis securitization debt

General. On December 19, 2006, Genesis Funding Limited, or GFL, completed a securitization and issued a single class of AAA-rated G-1 floating rate notes. The proceeds of the transaction were used by GFL to finance the acquisition of a portfolio of 41 aircraft. Following a number of sales, there are 37 aircraft in the GFL portfolio as of December 31, 2013. The primary source of payments on the notes is the lease payments on the aircraft owned by the subsidiaries of GFL. The notes have the benefit of a financial guaranty insurance policy issued by Financial Guaranty Insurance Company, or FGIC, which has issued a financial guaranty insurance policy to support the payment of interest when due on the notes and the payment of the outstanding principal balance of the notes on the final maturity date of the notes and, under certain other circumstances, prior thereto.

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

Liquidity. Credit Agricole provides a liquidity facility in the amount of \$60.0 million, which may be drawn upon to pay expenses of GFL and its subsidiaries, senior hedge payments and interest on the notes.

Interest Rate. Set forth below is the interest rate for the Class G-1 note:

	Amount outstanding December 31, 2013	Interest rate
	(U.S. dollars in thousands)	
Class G-1 Notes	\$ 452,233	One-month LIBOR plus 0.24%

Maturity Date. The final maturity date of the notes is December 22, 2032.

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

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

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AerCap Holdings N.V. and Subsidiaries

Notes to the Consolidated Financial Statements (Continued)

(U.S. dollars in thousands)

13. Debt (Continued)

Aircraft Management Services. As of June 30, 2011, AerCap, through its Irish subsidiary, AerCap Ireland Limited, replaced GECAS as servicer to the Genesis aircraft portfolio, for a consideration paid to GECAS of \$24.5 million. This includes most services related to leasing the fleet of aircraft, including marketing aircraft for lease and re-lease, collecting rents and other payments from lessees, monitoring maintenance, insurance and other obligations under leases and enforcing rights against lessees.

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

As of December 31, 2013, 37 aircraft were financed in the GFL securitization. The net book value of 37 aircraft pledged as collateral for the securitization debt was \$0.7 billion as of December 31, 2013.

TUI portfolio acquisition facility

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

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

Following drawdown of the amounts in relation to the 19 aircraft, the remaining commitment under the facility was cancelled subsequent to June 30, 2008.

As of December 31, 2013, the joint venture owned 11 Boeing 737-800 aircraft. Two Boeing 767-300ER aircraft that had been originally part of AerCap Partners I have been refinanced through AerCap Partners 767 Ltd, and six Boeing 757-200 aircraft have been sold. The aggregate principal amount of the loans outstanding under the senior facility as of December 31, 2013 was \$163.9 million, and the net book value of the 11 aircraft pledged to lenders under the credit facility was \$0.3 billion as of December 31, 2013.

Interest Rate. Borrowings under the first tranche of the senior facility bear interest at a floating interest rate of one month U.S. dollar LIBOR plus a margin of 1.575% until April 1, 2013 and a

Table of Contents**AerCap Holdings N.V. and Subsidiaries****Notes to the Consolidated Financial Statements (Continued)**

(U.S. dollars in thousands)

13. Debt (Continued)

margin of 1.75% thereafter. Interest under the senior facility is payable monthly in arrears on each repayment date.

	Amount outstanding December 31, 2013 (U.S. dollars in thousands)	Interest rate
Senior Facility	\$ 163,943	One-month LIBOR plus 1.75%

Prepayment. Borrowings under the facilities may be prepaid (subject to minimum payment amounts and notice provisions) without penalty, except for break funding costs if payment is made on a day other than a repayment date. However, a prepayment fee of 1% of the amount prepaid is payable to the lenders if such prepayment exceeds \$15.0 million in aggregate in each of the first and second years following the signing date.

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

Maturity Date. The maturity date of the remaining tranche of the senior facility is April 1, 2015.

Collateral. Borrowings under the senior facility are secured by, among other things, charges over the shares in AerCap Partners I, AerCap Partners I Limited and Lantana Aircraft Leasing Limited, charges over various bank accounts, mortgages over the financed aircraft and security assignments of, inter alia, the lease agreements and letters of credit provided to AerCap Partners I by Royal Bank of Scotland plc.

Certain Covenants. The senior facility contains customary covenants for secured financings through special purpose companies. AerCap Partners I also covenants in the senior facility (a) to provide loan-to-value ratio appraisals to the agent on agreed dates and (b) that the ratio of tranche 1 aircraft to all financed aircraft must be at least 43%.

SkyFunding I and SkyFunding II facilities

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

On September 28, 2012, SkyFunding II Limited, a wholly owned indirect subsidiary of AerCap Ireland Limited, entered into a \$128.0 million credit facility, which was co-arranged by Norddeutsche Landesbank Girozentrale, Commonwealth Bank of Australia and DVB Bank SE. DVB Bank SE acted as coordinating bank and Crédit Agricole Corporate and Investment Bank acted as senior agent.

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(U.S. dollars in thousands)

13. Debt (Continued)

Subsequent to the initial closing of the SkyFunding II facility, Landesbank Hessen-Thüringen Girozentrale, Natixis and BNP Paribas have joined the SkyFunding II facility under this feature, increasing the total facility size to \$288.0 million.

These ten-year credit facilities provide long term committed financing for 21 Boeing 737-800 aircraft subject to leases with American Airlines Inc.

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

As of December 31, 2013, all of the 12 aircraft have been delivered and financed under the SkyFunding I facility; the aggregate principal amount of the senior loans outstanding under the facility was \$350.3 million.

As of December 31, 2013, nine aircraft have been delivered and financed under the SkyFunding II facility, the aggregate principal amount of the senior loans outstanding under the facility was \$273.5 million.

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

Interest Rate. The SkyFunding I senior loans bear interest at a floating interest rate of one-month LIBOR plus a margin of 2.85%, payable quarterly in arrears on each repayment date. The SkyFunding II senior loans bear interest at a floating interest rate of one-month LIBOR plus a margin of 3.15%, payable quarterly in arrears on each repayment date. Both SkyFunding Limited and SkyFunding II Limited have fixed the debt on a number of aircraft, and have also entered into certain interest rate caps. Set forth below are the amounts of fixed and floating rate debt outstanding as of December 31, 2013:

		Amount outstanding December 31, 2013 (U.S. dollars in thousands)	Interest rate
SkyFunding I	Floating rate tranche	\$ 175,774	Three-month LIBOR plus 2.85%
	Fixed rate tranche	174,560	4.43%
SkyFunding II	Floating rate tranche	184,362	Three-month LIBOR plus 3.15%
	Fixed rate tranche	89,089	4.43%
Total		\$ 623,785	

Prepayment. All borrowings under the SkyFunding facilities may be voluntarily prepaid, subject to minimum payment amounts and notice provisions, and subject to a prepayment fee of 2.00% of the amount prepaid if the voluntary prepayment is made before the first anniversary of the drawdown, a prepayment fee of 1.50% of the amount prepaid if the voluntary prepayment is made on or after the first and before the second anniversary of the drawdown and a prepayment fee of 1.00% of the amount prepaid if the voluntary prepayment is made on or after the second and before the third anniversary of

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AerCap Holdings N.V. and Subsidiaries

Notes to the Consolidated Financial Statements (Continued)

(U.S. dollars in thousands)

13. Debt (Continued)

the drawdown. There are no prepayment penalties for any voluntary prepayments made on or after the third anniversary of the drawdown.

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

Maturity Date. We are obligated to repay principal over a ten year term from the initial drawdown date of each loan.

Collateral. Borrowings under the SkyFunding facilities are secured by, among other things, mortgages on the aircraft, assignments of the respective borrower's beneficial interest in the owner trust relating to each aircraft and the respective borrower's and the relevant owner trustee's interests in the lease documentation relating to each aircraft.

Certain Covenants. The facility contains customary covenants for secured financings, including general and operating covenants.

As of December 31, 2013, we had financed 21 aircraft under the SkyFunding facilities. The net book value of aircraft pledged to lenders under the facility was \$0.8 billion as of December 31, 2013.

Senior unsecured notes due 2017

General. In May 2012, AerCap Aviation Solutions B.V. ("AerCap Aviation"), a 100%- owned finance subsidiary of AerCap Holdings N.V. ("AerCap"), issued \$300.0 million of 6.375% senior unsecured notes due 2017 (the "AerCap Aviation Notes"). The AerCap Aviation Notes are fully and unconditionally guaranteed by AerCap Holding N.V. and AerCap Ireland Ltd. The AerCap Aviation Notes were issued at a price of 100%, plus accrued and unpaid interest, if any from and including May 22, 2012. AerCap Aviation subsequently lent the net proceeds from the offering to us to enable us to acquire, invest in, finance or refinance aircraft assets and for other general corporate purposes.

Maturity Date. The final maturity date of the senior unsecured notes will be May 30, 2017.

Collateral. None.

Optional Redemption. We may redeem the notes, in whole or in part, at any time at a price equal to 100% of the aggregate principal amount of the notes plus the applicable "make whole" premium. The "make whole" premium is the excess of:

- (1) the sum of the present value at such redemption date of all remaining scheduled payments of principal and interest on such note through the stated maturity date of the notes, discounted

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AerCap Holdings N.V. and Subsidiaries

Notes to the Consolidated Financial Statements (Continued)

(U.S. dollars in thousands)

13. Debt (Continued)

to the date of redemption using a discount rate equal to the Treasury Rate plus 50 basis points; over

- (2) the principal amount of the notes to be redeemed.

Certain Covenants. The AerCap Aviation Notes do not have any financial condition covenants that require AerCap Aviation to maintain compliance with any financial ratios or measurements on a periodic basis. The AerCap Aviation Notes do contain non-financial covenants that, among other things, limit our ability to incur additional indebtedness, enter into certain mergers or consolidations, incur certain liens and engage in certain transactions with our affiliates. In addition, the indenture governing the AerCap Aviation Notes (the "AerCap Aviation Indenture") restricts our ability to pay dividends or make other Restricted Payments (as defined in the AerCap Aviation Indenture), subject to certain exceptions, unless certain conditions are met, including the following:

- (1) no default under the AerCap Aviation Indenture shall have occurred and be continuing;
- (2) we meet a financial ratio; and
- (3) the amount of distributions may not exceed a certain amount based on, among other things, our consolidated net income.

Such restrictions are not expected to affect our ability to meet our cash obligations for the next 12 months. The AerCap Aviation Indenture does not restrict the ability of AerCap Aviation to pay dividends or provide loans to us.

There are certain restrictions on the ability of AerCap and AerCap Aviation to obtain funds from its subsidiaries by dividend and loan. For example, the provisions of AerCap's aircraft securitization vehicles, ALS II and Genesis Funding Limited, prohibit distributions on the subordinated notes issued pursuant to those facilities to AerCap until such time as the senior classes of notes issued pursuant to those facilities are repaid in full.

Additionally, AerCap's revolving warehouse credit facility with a syndicate of banks led by affiliates of UBS Real Estate Securities Inc., or the "warehouse facility," permits limited distributions to AerCap by the relevant subsidiary borrower during the first two years provided specified principal payments are made. Furthermore, most of AerCap's 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. As a result, AerCap Aviation and AerCap's ability to receive dividends and loans from its subsidiaries may be impacted by any event of default which restricts the ability of AerCap's subsidiaries to distribute cash to AerCap as dividends and in the form of other distributions, including in the form of interest and principal payments and the return of subordinated investments.

Unsecured revolving credit facilities

General.

Citi revolving credit facility: On November 9, 2012, we entered into a \$285.0 million unsecured revolving credit facility, which was co-arranged by Citigroup Global Markets Inc., Crédit Agricole Corporate and Investment Bank and RBS Securities Inc. Crédit Agricole Corporate and Investment

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AerCap Holdings N.V. and Subsidiaries

Notes to the Consolidated Financial Statements (Continued)

(U.S. dollars in thousands)

13. Debt (Continued)

Bank and The Royal Bank of Scotland acted as syndication agents. Citibank, N.A. acts as administrative agent. The three-year credit facility may be used for our general corporate purposes.

As of December 31, 2013, there were no loans outstanding under the facility and the undrawn commitment available for drawdown under the facility was increased to \$290.0 million.

All borrowings under the facility are subject to the satisfaction of customary conditions precedent. We have the right, no more than once a year, to increase the commitment amount by a minimum amount of \$5.0 million or any multiple of \$1.0 million in excess thereof, up to a maximum commitment amount of \$385.0 million, provided that no default or mandatory prepayment event has occurred and is continuing. In addition, we have the right to terminate or cancel, in whole or in part, the unused portion of the commitment amount, provided that any partial reduction shall be in a minimum amount of \$5.0 million or any multiple of \$1.0 million in excess thereof.

We are obligated to repay the outstanding principal amount of the loans on November 9, 2015.

DBS revolving credit facility In October 2013, we entered into a \$180.0 million unsecured revolving credit facility, with an accordion feature to permit other lenders to enter to a maximum of size of \$250.0 million. DBS Bank is Lead Arranger and Facility Agent. The facility is a five year facility, split between a three year revolving period followed by a two year term loan, and may be used for general corporate purposes.

As of December 31, 2013, there was \$150.0 million outstanding under the facility and the undrawn commitment available for drawdown under the facility was \$30.0 million.

All borrowings under the facility are subject to the satisfaction of customary conditions precedent. We have the right, no more than once a year, to increase the commitment amount up to a maximum commitment amount of \$250.0 million, provided that no default or mandatory prepayment event has occurred and is continuing. In addition, we have the right to terminate or cancel, in whole or in part, the unused portion of the commitment amount.

The outstanding principal amount of the loan at the end of the revolving period will be amortized over the remaining two year term out period of the facility. One third of the balance is to be repaid on October 20, 2017, and the remaining two thirds on October 20, 2018.

Unsecured AIG revolving credit facility

General. On December 16, 2013, AerCap Ireland Capital Limited, one of our wholly-owned subsidiaries, entered into a \$1.0 billion five-year senior unsecured revolving credit facility with American International Group, Inc. as lender and administrative agent. The facility is fully and unconditionally guaranteed by AerCap and AerCap Ireland Ltd. The facility may be used for our general corporate purposes.

As of December 31, 2013, there were no loans outstanding under the facility. No drawdowns under the facility are permitted until we complete the ILFC Transaction, which we expect to close in the second quarter of 2014.

All borrowings under the facility are subject to the satisfaction of customary conditions precedent. AerCap Ireland Capital Limited has the right to terminate or cancel, in whole or in part, the unused

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(U.S. dollars in thousands)

13. Debt (Continued)

portion of the commitment amount, provided that any partial reduction shall be in a minimum amount of \$5.0 million or any multiple of \$1.0 million excess thereof.

Interest Rate. The interest rate for borrowings under the facility is, at AerCap Ireland Capital Limited's option, either (i) LIBOR plus 3.75% or (ii) 2.75% plus the greatest of (x) the U.S. federal funds rate plus 0.5%, (y) the rate of interest publicly announced from time to time by Citibank, N.A. as its "base rate" and (z) one-month LIBOR plus 1%.

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

Maturity. The facility matures on the date that is the fifth anniversary of the date the facility becomes available for drawdowns.

\$2.75 billion unsecured bridge credit facility

General. On December 16, 2013, AerCap Ireland Capital Limited, one of our wholly-owned subsidiaries, entered into a \$2.75 billion 364-day senior unsecured bridge credit facility. The bridge credit facility is fully and unconditionally guaranteed by AerCap and AerCap Ireland Ltd.. The bridge credit facility is available to finance the ILFC Transaction.

As of December 31, 2013, there were no loans outstanding under the bridge credit facility. In addition to the satisfaction of other customary conditions precedent, the availability of loans under the bridge credit facility is subject to the substantially concurrent consummation of the ILFC Transaction.

Interest Rate and Duration Fees. The interest rate for borrowings under the bridge credit facility is, at AerCap Ireland Capital Limited's option, either (i) adjusted LIBOR plus an applicable margin, or (ii) an alternative base rate, equal to the greatest of (x) the rate of interest publicly announced from time to time by UBS AG as its prime commercial lending rate, (y) the U.S. federal funds rate plus 0.5% and (z) one-month adjusted LIBOR plus 1%, in each case plus an applicable margin. The following table sets forth the applicable margin for the borrowings under the bridge credit facility during the periods specified

Borrowing Period	Applicable Margin	
	LIBOR Loans	Alternative Base Rate Loans
From initial funding to 89 days after initial funding	1.750%	0.750%
90 days after initial funding to 179 days after initial funding	2.250%	1.250%
180 days after initial funding to 269 days after initial funding	2.625%	1.625%
270 days after initial funding to maturity date	3.125%	2.125%

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(U.S. dollars in thousands)

13. Debt (Continued)

The interest rate spreads set forth in the table above for the period from the initial funding of the bridge credit facility through the 89th day thereafter will each increase by 25 basis points per annum if the ratings of our senior unsecured long-term debt by each of Standard & Poor's Rating Services and Fitch Ratings, Inc. are not BB (stable or positive outlook) or better.

If all loans under the bridge credit facility have not been prepaid in full prior to the applicable dates set forth below, duration fees will be payable under the bridge credit facility in the amounts of (i) 0.50% of the aggregate principal amount of the loans outstanding on the 90th day following the initial funding of the bridge credit facility, (ii) 0.75% of the aggregate principal amount of the loans outstanding on the 180th day following the initial funding of the bridge credit facility and (iii) 1.25% of the aggregate principal amount of the loans outstanding on the 270th day following the initial funding of the bridge credit facility. If a Demand Failure Event (as defined in the bridge credit agreement) occurs, all such duration fees will become immediately due and payable.

Certain Covenants. The bridge credit facility does not have any financial covenants that require us to maintain compliance with any financial ratios or measurements on a periodic basis. The bridge credit facility does contain non-financial covenants that, among other things, limit our ability to incur additional indebtedness, enter into certain mergers or consolidations, incur certain liens and engage in certain transactions with our affiliates. In addition, the bridge credit facility restricts our ability to pay dividends or make other Restricted Payments (as defined in the bridge credit agreement), subject to certain exceptions, unless certain conditions are met, including the following:

- (1) no default under the bridge credit agreement shall have occurred and be continuing;
- (2) we meet a financial ratio; and
- (3) the amount of distributions may not exceed a certain amount based on, among other things, our consolidated net income.

Such restrictions are not expected to affect our ability to meet our cash obligations for the next 12 months.

Mandatory Prepayments. We are required to prepay the bridge credit facility and reduce commitments outstanding thereunder with the net cash proceeds of certain asset sales, certain issuances of debt, certain issuances of equity and upon the occurrence of a Change of Control Triggering Event (as defined in the bridge credit agreement).

Maturity. The bridge credit facility matures on the date that is the 364th day after the initial funding of loans under the bridge credit facility.

Boeing 737-800 pre-delivery payment facility

General. In December 2010, we signed a purchase agreement to purchase up to fifteen (15) Boeing 737-800 aircraft, consisting of ten firm aircraft to be delivered in 2015 and five purchase rights.

Under the purchase agreement, we agreed to make scheduled pre-delivery payments to Boeing prior to the physical delivery of each aircraft. In connection with the scheduled delivery of the ten firm

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(U.S. dollars in thousands)

13. Debt (Continued)

aircraft, we entered into a facility in December 2012 with DBS Bank Ltd, as lender, to finance up to \$200.3 million of the pre-delivery payments to Boeing.

As of December 31, 2013, we had \$47.5 million loans outstanding under the facility and the undrawn commitment available for drawdown under the facility was \$152.9 million.

We must repay the lender(s) 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 nine months of the scheduled delivery date.

The maturity date for each advance will be the earlier of (a) the delivery date for each aircraft to be delivered and (b), the date falling nine months after the scheduled delivery date for each aircraft. The last aircraft is scheduled for delivery in November 2015.

Borrowings under the facility are secured by, among other things, the partial assignment of the airframe and engine purchase agreements in respect of the aircraft, including the right to take delivery of the aircraft where the lender(s) have provided the pre-delivery payments and the aircraft remains undelivered.

Subordinated debt joint venture partners

General. In 2008 and 2010, AerCap and our joint venture partners each subscribed a total of \$64.3 million of subordinated loan notes bearing fixed rates of between 15% and 20%. The subordinated debt held by AerCap is eliminated in consolidation of the joint ventures. The subordinated loan notes are fully subordinated in all respects including in priority of payment to, amongst other debts of the joint ventures, the senior facility. As is the case in respect of the senior facility, the obligation of the joint ventures to make payments in respect of the subordinated loan notes is limited in recourse to certain amounts actually received by the joint ventures. In June 2013, we entered into amendments in respect of the 2008 joint venture subordinated debt reducing the interest rate from 20% to 0% effective from January 1, 2013.

Interest Rate. Interest accrues on the subordinated loan notes at a rate of 15% per annum in the case of the 2010 joint venture, and 0% in the case of the 2008 joint venture, effective as of January 1, 2013 as described above. Subject to certain exceptions on AerCap subordinated loan notes, interest is payable quarterly in arrears on the tenth business day after March 31, June 30, September 30 and December 31. Where (i) the amount which, pursuant to the terms of the senior facility, is available to the joint ventures to make payments in respect of, amongst other things, the subordinated loan notes is insufficient to meet the interest payments or (ii) the terms of the senior facility prohibit the payment in full of interest on the relevant payment date, then the joint venture partners must pay the maximum amount of interest that can properly be paid to the note holders on the relevant interest payment date and the unpaid interest carries interest at a rate of 19.5% per annum until paid.

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

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(U.S. dollars in thousands)

13. Debt (Continued)

Collateral. The collateral granted in respect of the senior facility also secures the debt constituted by the subordinated loan notes. However, the rights of the holders of subordinated loan notes in respect of this security are subordinated to the rights of the senior facility lenders, amongst others.

As of December 31, 2013, the total of subordinated debt in joint ventures amounted to \$64.3 million.

Other

We have entered into various other commercial bank financings to fund the purchase of aircraft and for general corporate purposes in respect of which the aggregate principal outstanding as of December 31, 2013 was \$1.5 billion. These financings include:

	Amount outstanding December 31, 2012 (U.S. dollars in thousands)	Amount outstanding December 31, 2013 (U.S. dollars in thousands)
Secured		
Secured aircraft transactions(1)	\$ 1,110,202	\$ 1,327,987
Japanese operating lease	68,967	62,534
	\$ 1,179,169	\$ 1,390,521
Unsecured		
ALS Coupon Liability(2)	\$ 96,070	\$ 71,131
Subordinated debt facilities	72,000	30,000
Other financings	61,143	21,973
	\$ 229,213	\$ 123,104

(1) Secured aircraft transactions comprise financing transactions for portfolios and single aircraft. These financings are secured by 58 aircraft and seven engines. The net book value of the aircraft pledged was \$2.0 billion at December 31, 2013.

(2) In 2012 we obtained the ALS Coupon Liability as part of the ALS transaction, with an effective interest of 5.5% per year. The repayments of the ALS Coupon Liability are equal to a specified amount of \$2.5 million until the earlier of December 2016 or the month in which the senior securities issued by ALS, the G-Notes, are fully repaid. For further details refer to the ALS Transaction as

described in Note 1.

The financings mature at various dates through 2023. The interest rates are based on fixed or floating U.S. dollar LIBOR rates, with spreads on the floating rate transactions ranging up between 0.24% and 6.00% or fixed rate between 2.80% and 7.28%. The majority of the financings are secured by, among other things, a pledge of the shares of the subsidiaries owning the related aircraft, a guarantee from us and, in certain cases, a mortgage on the applicable aircraft. All of our financings contain affirmative covenants customary for secured financings.

Table of Contents**AerCap Holdings N.V. and Subsidiaries****Notes to the Consolidated Financial Statements (Continued)**

(U.S. dollars in thousands)

14. Income taxes

Our subsidiaries are subject to taxation in a number of tax jurisdictions, principally, The Netherlands, Ireland, the United States of America and Sweden. Income tax expense (benefit) by tax jurisdiction is summarized below for the periods indicated.

	Year ended December 31,		
	2011	2012	2013
Deferred tax expense (benefit)			
The Netherlands	\$ 4,322	\$ 1,952	\$ 686
Ireland	6,668	3,685	17,158
United States of America	4,317	2,022	3,686
Sweden	633	(789)	(344)
	15,940	6,870	21,186
Current tax expense (benefit)			
United States of America	(1,730)		
The Netherlands	1,250	1,197	4,840
	(480)	1,197	4,840
Income tax expense	\$ 15,460	\$ 8,067	\$ 26,026

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

	Year ended December 31,		
	2011	2012	2013
Income tax expense at statutory income tax rate	\$ 57,513	\$ 38,719	\$ 77,698
Valuation allowance(1)	9,661		
Income arising from non-taxable items (permanent differences)(2)	(8,089)	(58,604)	(128)
Tax on global activities	(43,625)	27,952	(51,544)
	(42,053)	(30,652)	(51,672)
Actual income tax expense	\$ 15,460	\$ 8,067	\$ 26,026

- (1) Valuation allowance in 2011 related to losses and credit forwards in our Dutch tax jurisdiction.
- (2) Relates to non-taxable income arising from aircraft with a higher tax basis in general. The 2012 non-taxable income also included an imputed gain for tax purposes that offsets all remaining taxable losses for the period 2006 through 2012 in The Netherlands. This offset of the taxable losses was already foreseen in the Dutch tax filing position and included in the valuation allowance of previous years. The imputed gain results from a revaluation of the tax asset base as well as the retrospective revisions of certain intercompany obligations between the Netherlands and Isle of Man jurisdictions.

Table of Contents**AerCap Holdings N.V. and Subsidiaries****Notes to the Consolidated Financial Statements (Continued)**

(U.S. dollars in thousands)

14. Income taxes (Continued)

The following tables summarize our global tax activities into each specific tax jurisdiction for each of the years presented:

Tax jurisdiction	Year ended December 31, 2011			Tax variance as a result of global activities(2)
	Pre-tax income (loss)	Local statutory tax rate(1)	Variance to Dutch statutory tax rate of 25.0%	
The Netherlands	\$ (33,149)	25.0%	0.0%	\$
Ireland	91,973	12.5%	(12.5)%	(11,497)
United States of America	5,204	37.6%	12.6%	656
Sweden	3,384	18.6%	(6.4)%	(213)
Isle of Man	130,284	0.0%	(25.0)%	(32,571)
	\$ 197,696			\$ (43,625)

Income arising from non-taxable items 32,355

Income from continuing operations before income tax	\$ 230,051
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Tax jurisdiction	Year ended December 31, 2012			Tax variance as a result of global activities(2)
	Pre-tax income (loss)	Local statutory tax rate(1)	Variance to Dutch statutory tax rate of 25.0%	
The Netherlands	\$ 12,596	25.0%	0.0%	\$
Ireland	29,486	12.5%	(12.5)%	(3,686)
United States of America	5,586	36.2%	11.2%	626
Sweden	(4,220)	18.6%	(6.4)%	266
Isle of Man	(122,983)	0.0%	(25.0)%	30,746
	\$ (79,535)			\$ 27,952

Income arising from non-taxable items(3) 234,414

Income from continuing operations before income tax \$ 154,879

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Table of Contents**AerCap Holdings N.V. and Subsidiaries****Notes to the Consolidated Financial Statements (Continued)**

(U.S. dollars in thousands)

14. Income taxes (Continued)

Tax jurisdiction	Year ended December 31, 2013			Tax variance as a result of global activities(2)
	Pre-tax income (loss)	Local statutory tax rate(1)	Variance to Dutch statutory tax rate of 25.0%	
The Netherlands	\$ 22,106	25.0%	0.0%	\$
Ireland	135,424	12.5%	(12.5)%	(16,928)
United States of America	10,354	35.6%	10.6%	1,098
Sweden	(1,848)	18.6%	(6.4)%	118
Isle of Man	143,327	0.0%	(25.0)%	(35,832)
	\$ 309,363			\$ (51,544)
Income arising from non-taxable items	1,428			
Income from continuing operations before income tax	\$ 310,791			

- (1) The local statutory income tax expense for our significant tax jurisdictions (The Netherlands, Ireland and Isle of Man) does not differ from the actual income tax expense.
- (2) The tax variance as a result of global activities is mainly caused by our operations in countries with a lower statutory tax rate than the statutory tax rate in The Netherlands.
- (3) The 2012 non-taxable income included an imputed gain for tax purposes that offsets all remaining taxable losses for the period 2006 through 2012 in The Netherlands. This offset of the taxable losses was already foreseen in the Dutch filing position and included in the valuation allowance of previous years. The imputed gain results from a revaluation of the tax asset base as well as the retrospective revisions of certain intercompany obligations between the Netherlands and Isle of Man jurisdictions.

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 carry forwards and accelerated tax depreciation on flight equipment held for operating leases give rise to the most significant timing differences.

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Table of Contents**AerCap Holdings N.V. and Subsidiaries****Notes to the Consolidated Financial Statements (Continued)**

(U.S. dollars in thousands)

14. Income taxes (Continued)

The following tables describe the principal components of our deferred tax assets and (liabilities) by jurisdiction at December 31, 2012 and 2013.

	December 31, 2012				
	The Netherlands	Ireland	U.S.	Sweden	Total
Depreciation/Impairment	\$ 15,142	\$ (212,706)	\$	\$	\$ (197,564)
Debt		(13,807)			(13,807)
Intangibles		(1,564)			(1,564)
Interest expense			7,401		7,401
Accrued maintenance liability		5,265			5,265
Obligations under capital leases and debt obligations		8,493			8,493
Investments		2,500			2,500
Losses and credits forward		254,477	6,894	8,050	269,421
Other	2,492	(3,945)	1,034		(419)
Net deferred tax asset	\$ 17,634	\$ 38,713	\$ 15,329	\$ 8,050	\$ 79,726

	December 31, 2013				
	The Netherlands	Ireland	U.S.	Sweden	Total
Depreciation/Impairment	\$ 13,994	\$ (286,027)	\$ (36)	\$	\$ (272,069)
Debt		(11,580)			(11,580)
Intangibles		(838)			(838)
Interest expense			7,147		7,147
Accrued maintenance liability		3,729			3,729
Obligations under capital leases and debt obligations		1,170			1,170
Investments		2,500	(2,128)		372
Losses and credits forward		308,696	6,941	8,394	324,031
Other	3,705	4,110	44		7,859
Net deferred tax asset	\$ 17,699	\$ 21,760	\$ 11,968	\$ 8,394	\$ 59,821

The net deferred tax asset as of December 31, 2013, of \$59.8 million is recognized in the Consolidated Balance Sheet as a deferred income tax asset of \$121.7 million and as a deferred income tax liability of \$61.8 million. The net deferred tax asset as of December 31, 2012, of \$79.7 million is recognized in the Consolidated Balance Sheet as a deferred income tax asset of \$131.3 million and as a deferred income tax liability of \$51.6 million.

Table of Contents**AerCap Holdings N.V. and Subsidiaries****Notes to the Consolidated Financial Statements (Continued)**

(U.S. dollars in thousands)

14. Income taxes (Continued)

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

	Year ended December 31,		
	2011	2012	2013
Valuation allowance at beginning of period	\$ 44,696	\$ 54,357	\$
Increase (decrease) of allowance to income tax provision	9,661	(54,357)	
Valuation allowance at end of period	\$ 54,357	\$	\$

Valuation allowance in prior years related to losses and credit forwards in our Dutch tax jurisdiction, the cumulative amount of which was cancelled at the end of 2012.

We did not have any unrecognized tax benefits as of December 31, 2011, 2012 and 2013.

Our primary tax jurisdictions are the Netherlands, United States, Ireland and Sweden. Our tax returns in The Netherlands are open for examination from 2008 forward, in Ireland from 2009 forward, in Sweden from 2008 forward and in the United States from 2010 forward. None of our tax returns are currently subject to examination.

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

The Netherlands

The majority of our Netherlands subsidiaries are part of a single Netherlands fiscal unity and are included in a consolidated tax filing. Due to the existence of interest bearing intercompany liabilities with different jurisdictions, current tax expenses are limited with respect to the Netherlands subsidiaries. Deferred income tax is calculated using the Netherlands corporate income tax rate (25.0%). We expect to recover the full value of our Dutch tax assets and have not recognized a valuation allowance against such assets as of December 31, 2013.

Ireland

Since 2006, the enacted Irish tax rate is 12.5%. Our principal Irish tax-resident operating subsidiary has significant losses carry forward at December 31, 2013 which give rise to deferred tax assets. The availability of these losses does not expire with time. In addition, the vast majority of all of our Irish tax-resident subsidiaries are entitled to accelerated aircraft depreciation for tax purposes and shelter net taxable income with the surrender of losses on a current year basis within the Irish tax group. Accordingly, no Irish tax charge arose during the year. Based on projected taxable profits in our Irish subsidiaries, including our principal Irish tax-resident operating subsidiary where we hold significant Irish tax losses, we expect to recover the full value of our Irish tax assets and have not recognized a valuation allowance against such assets as of December 31, 2013.

Table of Contents**AerCap Holdings N.V. and Subsidiaries****Notes to the Consolidated Financial Statements (Continued)**

(U.S. dollars in thousands)

14. Income taxes (Continued)*United States of America*

Our U.S. subsidiaries are assessable to federal and state U.S. taxes. Beginning with the tax year ending December 31, 2006, we filed a consolidated federal income tax return in the U.S. which includes the accounts of AeroTurbine until the date the shares of AeroTurbine were sold (October 7, 2011). The blended federal and state tax rate applicable to our consolidated U.S. group is 35.6% for the year ended December 31, 2013. Due to the existence of tax losses, which expire over time, no current tax expense arose in the U.S. in 2013. Based on projected taxable profits in our U.S. subsidiaries, we expect to recover the full value of our U.S. tax asset and have not recognized a valuation allowance against such assets as of December 31, 2013.

Sweden

The Swedish entity has significant losses carry forward at December 31, 2013, which give rise to deferred tax assets. The availability of these losses does not expire with time. Accordingly, no Swedish current tax charge arose during the year. Based on projected taxable profits in our Swedish subsidiaries we expect to recover the full value of our Swedish tax assets and have not recognized a valuation allowance as of December 31, 2013.

15. Share capital

During 2011 and 2012 the Company executed a share repurchase program. During 2011, we acquired 9,402,663 ordinary shares for a consideration of \$100 million, with an average share price of \$10.64. During 2012 we acquired a total number of 26,535,939 ordinary shares for a consideration of \$320 million with an average share price of \$12.06. All repurchased shares have been cancelled by the Board of Directors in accordance with the authorizations obtained from the Company's shareholders.

As of December 31, 2013, our authorized share capital consists of 250,000,000 ordinary shares with a par value of €0.01. Our outstanding ordinary share capital as per December 31, 2013, included 113,783,799 ordinary shares.

The changes in accumulated other comprehensive income (loss) by component for the year ended December 31, 2013 are:

	Net change in fair value of derivatives	Net change in fair value of pension obligations	Total
	(U.S. dollars in thousands)		
Beginning balance	\$ (9,873)	\$ (4,528)	\$ (14,401)
Current-period other comprehensive income (loss)	4,975	(464)	4,511
Ending balance	\$ (4,898)	\$ (4,992)	\$ (9,890)

Table of Contents**AerCap Holdings N.V. and Subsidiaries****Notes to the Consolidated Financial Statements (Continued)**

(U.S. dollars in thousands)

16. Share-based compensation***Cerberus Funds Equity Grants***

Effective June 30, 2005, companies controlled by Cerberus ("Cerberus Funds") which, at the time, indirectly owned 100% of our equity interests put into place an Equity Incentive Plan ("Cerberus Funds Equity Plan") under which members of our senior management, Board of Directors and an employee of Cerberus (the "participants") were granted certain direct or indirect rights (share options) to the Company's shares held by the Cerberus Funds.

A summary of activity during the year ended December 31, 2013 is set forth below.

	Number of Options
Beginning outstanding January 1, 2013	110,768
Exercised	(83,034)
Ending outstanding December 31, 2013	27,734

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

AerCap Holdings NV Equity Grants

In October 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 ("Equity Incentive Plan 2006"). The Equity Incentive Plan 2006 provides for the grant of nonqualified share options, incentive share options, share appreciation rights, restricted shares, restricted share units and other share awards ("NV Equity Grants") to participants of the plan selected by the Nomination and Compensation Committee of our Board of Directors. Subject to certain adjustments, the maximum number of equity awards available to be granted under the plan is equivalent to 4,251,848 Company's shares.

In March 2012, we implemented an additional equity incentive plan ("Equity Incentive Plan 2012") that is designed to promote our interests by enabling us to attract, retain and motivate employees, consultants and advisors, or those who may become employees, consultants or advisors, and align their interests with ours. The Equity Incentive Plan 2012 provides for the grant of stock options, nonqualified stock options, restricted stock, restricted stock units, stock appreciation rights and other stock awards to participants of the plan selected by the Nomination and Compensation Committee of our Board of Directors. Subject to certain adjustments, the maximum number of equity awards available to be granted under the plan is equivalent to 2,000,000 of our shares. Unlike the Equity Incentive Plan 2006, the Equity Incentive Plan 2012 is not open for equity awards to our Directors.

The terms and conditions, including the vesting conditions, of the equity awards granted under the Company's equity incentive plans, are determined by the Nomination and Compensation Committee and, for our Directors, by the Board of Directors in line with the remuneration policy approved by the General Meeting of Shareholders. Equity awards granted to our officers are partly subject to long term performance-based vesting criteria with challenging targets in order to promote and encourage superior performance over a prolonged period of time. Some of our officers receive annual equity awards as part of their compensation package. Annual equity awards are granted in arrears and the number of granted awards is dependent on the performance of the Company and the individual involved during

Table of Contents**AerCap Holdings N.V. and Subsidiaries****Notes to the Consolidated Financial Statements (Continued)**

(U.S. dollars in thousands)

16. Share-based compensation (Continued)

the previous financial year, to ensure that the Company retains and motivates its senior staff. The annual equity awards have a three year time-based vesting period, subject to limited exceptions. Equity awards to our other employees (below officer level) are, at a minimum, subject to time based vesting criteria.

In 2013, a total of 302,433 restricted share units and 220,000 restricted shares were granted under the Equity Incentive Plans, of which 139,920 restricted shares were issued with the remaining restricted shares being withheld and applied to pay the wage taxes involved. During the same period, 200,000 share options, which were previously granted under the Equity Incentive Plans, were exercised. In connection with the exercise of the share options, the Company issued, in full satisfaction of its obligations, 107,353 ordinary shares to the holder of these share options. During the same period, 200,000 restricted share units, which were previously granted under the Equity Incentive Plans, vested. In connection with the vesting of the restricted share units, the Company issued, in full satisfaction of its obligations, 109,834 ordinary shares to the holder of these restricted share units.

At December 31, 2013, a total of 1,162,500 share options were outstanding at an exercise price of \$24.63 per share, 350,000 share options were outstanding at an exercise price of \$2.95 per share, 21,287 share options outstanding at an exercise price of \$14.12 per share, 23,662 share options outstanding at an exercise price of \$11.29 per share and 19,833 share options outstanding at an exercise price of \$13.72 per share. At December 31, 2013, 1,512,500 outstanding options were vested (excluding 131,475 remaining AER options rolled-over from Genesis) and 64,782 options were subject to future vesting criteria. At December 31, 2013, a total of 2,502,661 restricted share units and 139,920 restricted shares were outstanding and were all subject to future time and/or performance-based vesting criteria or restrictions, as applicable.

Following is a summary of option issuances to-date under the Equity Incentive Plan 2006 (no options were granted under the Equity Incentive Plan 2012):

	Number of Options	Weighted Average Exercise Price
Options outstanding at January 1, 2013(1)	2,077,036	NA
Forfeitures		NA
Options exercised during year(2)	(368,279)	26.57
Options issued during year		NA
Options outstanding at December 31, 2013	1,708,757	NA

(1) Including 299,754 AER options granted to former Genesis directors and employees at the closing of the amalgamation with Genesis on March 25, 2010; these options were issued pursuant to a separate board resolution, so not under any of AerCap Equity Incentive Plans.

(2) Including 168,279 AER options granted to former Genesis directors and employees; refer to footnote 1.

The weighted average remaining contractual term of the 1.7 million options outstanding at December 31, 2013 is 4.1 years. The weighted average grant date fair value for options issued in 2008 is

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AerCap Holdings N.V. and Subsidiaries

Notes to the Consolidated Financial Statements (Continued)

(U.S. dollars in thousands)

16. Share-based compensation (Continued)

\$1.52 per option. There were no options granted subsequent to 2008. Total share-based compensation recognized for the above options was \$1,431, nil and nil for the years ending December 31, 2011, 2012 and 2013, respectively. As of December 31, 2011, we have completely recognized the share-based compensation expenses related to NV Equity Grants. There are no remaining share options which are still subject to future vesting criteria.

In February 2014, the General Meeting of Shareholders approved a new equity incentive plan for the directors, officers and employees of the Company (the "Equity Incentive Plan 2014") with a capacity of 4,500,000 shares, as replacement for the Equity Incentive Plan 2006, subject to and with effect from the closing effective time of the ILFC Transaction. The purpose of the Equity Incentive Plan 2014 is to retain senior management to successfully implement the ILFC Transaction and for general compensation and retention purposes in the years ahead. The terms and conditions of the Equity Incentive Plan 2014 are substantially the same as those of the Equity Incentive Plan 2006.

Assuming that established performance criteria are met and that no forfeitures occur, we expect to recognize share-based compensation related to AerCap Holdings N.V. restricted share units of approximately \$9.5 million during 2014, \$5.6 million in 2015, \$2.1 million in 2016 and \$0.6 million in 2017.

17. Pension plans

We operate defined benefit plans and a defined contribution pension plan for our employees. These plans do not have a material impact on our Consolidated Balance Sheets and Consolidated Income Statements.

Defined benefit plans:

We provide an insured defined benefit pension plan covering our Dutch employees ("Dutch Plan") based on years of service and career average pay. The Dutch plan is funded through a guaranteed insurance contract, and we determine the funded status of this plan with the assistance of an actuary. In the year ended December 31, 2013 we recognized a \$0.3 million, net of tax, actuarial loss in Accumulated Other Comprehensive Income. Based on ASC 715, this was calculated assuming a discount rate of 4.0% (2012: 4.0%), and various assumptions regarding the future funding and pay out. At December 31, 2013, we recorded a liability in Accrued expenses and other liabilities of \$4.6 million which covers our projected benefit obligation exceeding the plan assets.

We provide a defined benefit pension plan covering some of our Irish employees ("Irish Plan") based on years of service and final pensionable pay. The Irish plan is funded through contributions by the Company and invested in trustee administered funds, which was closed to new participants, as of June 30, 2009, but will continue to accrue benefits for existing participants. We determine the funded status of this plan with the assistance of an actuary. In the year ended December 31, 2013 we recognized a \$0.2 million, net of tax, actuarial loss in Accumulated Other Comprehensive Income. Based on ASC 715, this was calculated assuming a discount rate of 3.9% (2012: 4.2%), and various assumptions regarding the future funding and pay out. At December 31, 2013, we recorded a liability in Accrued expenses and other liabilities of \$3.3 million which covers our projected benefit obligation exceeding the plan assets.

Table of Contents**AerCap Holdings N.V. and Subsidiaries****Notes to the Consolidated Financial Statements (Continued)**

(U.S. dollars in thousands)

17. Pension plans (Continued)*Defined contribution plan:*

We provide a defined contribution pension plan for the Irish employees that are not covered by the defined benefit plan. In the year ended December 31, 2013 we contributed \$0.2 million (2012: \$0.2 million). No amounts were outstanding in respect of pension contributions at December 31, 2013.

18. Segment information*Reportable Segments*

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

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

	2011	2012	2013
United States of America	8.8%	12.1%	17.3%
Russia	10.3%	9.4%	9.6%

The following table sets forth the percentage of long-lived assets attributable to individual countries representing at least 10% of total long-lived assets in 2013 based on each airline's principal place of business for the years indicated:

	2012	2013
United States of America	16.6%	22.2%
Russia	11.4%	10.4%

We lease and sell aircraft to airlines and others throughout the world and our trade and notes receivables are from entities located throughout the world. We generally obtain deposits on leases and obtain collateral in flight equipment on notes receivable. During the year ended December 31, 2013 we had one lessee, American Airlines, that represented 10.9% of total lease revenue. During the years ended December 31, 2012 and 2011 we had no lessees that represented more than 10% of total lease revenue.

During the years ended December 31, 2011, 2012 and 2013, no lease revenue and no long-lived assets were attributable to The Netherlands, our country of domicile.

Table of Contents**AerCap Holdings N.V. and Subsidiaries****Notes to the Consolidated Financial Statements (Continued)**

(U.S. dollars in thousands)

19. Selling, general and administrative expenses

We had 153, 159 and 163 persons in employment as of December 31, 2011, 2012 and 2013, respectively. Selling, general and administrative expenses include the following expenses:

	Year ended December 31,		
	2011	2012	2013
Personnel expenses(1)(3)	\$ 52,262	\$ 44,645	\$ 55,654
Travel expenses	5,862	7,098	6,728
Professional services	13,159	17,906	13,253
Office expenses	3,943	3,506	3,443
Directors expenses	5,582	4,786	3,393
Aircraft management fee(2)	26,841	641	(477)
Mark-to-market on derivative instruments and foreign currency results	2,811	(2,914)	115
Other expenses	10,286	7,741	6,970
	\$ 120,746	\$ 83,409	\$ 89,079

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- (1) Includes share-based compensation of \$6,159, \$7,128 and \$9,292 in the years ended December 31, 2011, 2012 and 2013, respectively.
- (2) Includes a charge of \$24,500 relating to the buy-out of the Genesis portfolio servicing rights in the year ended December 31, 2011.
- (3) Includes termination and severance payments of \$5,151 in the year ended December 31, 2011.

20. Asset impairment

Asset impairment includes the following expenses:

	2011	2012	2013
Flight equipment (Note 5)	\$ 23,323	\$ 12,625	\$ 25,616
Discontinued operations	(8,902)		
Notes receivable (Note 6)			539
Intangible lease premium (Note 9)	1,173		
	\$ 15,594	\$ 12,625	\$ 26,155

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

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AerCap Holdings N.V. and Subsidiaries

Notes to the Consolidated Financial Statements (Continued)

(U.S. dollars in thousands)

20. Asset impairment (Continued)

We performed an impairment analysis of our long-lived assets during the year 2013 and as of December 31, 2013. In this impairment analysis, we focused on aircraft older than 15 years, since the cash flows supporting our carrying values of those aircraft are more dependent upon current lease contracts, which leases are more sensitive. In addition, we believe that residual values of older aircraft are more exposed to non-recoverable declines in value in the current economic environment. If conditions again worsen significant uncertainties may cause a potential adverse impact on our business. In particular, our estimates and assumptions regarding forecasted cash flows from our long-lived assets would need to be reassessed. This includes the duration of the economic downturn along with the timing and strength of the pending recovery, both of which are important variables for purposes of our long-lived asset impairment tests. Any of our assumptions may prove to be inaccurate which could adversely impact forecasted cash flows of certain long-lived assets, especially for aircraft older than 15 years.

In the year ended December 31, 2013, we recognized an impairment charge of \$26.2 million in income from continuing operations. The impairment recognized related to two older A319 aircraft, two Boeing 737-700 and two older Boeing 747 freighters. The impairment on the Boeing 737-700 aircraft was triggered by the release of \$9.9 million of maintenance reserve upon redelivery and the impairment of the two Boeing 747 freighters was triggered by \$17.7 million end-of-lease payments upon redeliveries. The impairment on the two older A319 aircraft was the result of our annual assessment whereby we concluded that the net book values were no longer supportable based on the latest cash flow estimates including residual value proceeds. Also a note receivable for an aircraft which has been sold last year has been impaired.

As of December 31, 2013, we owned 236 aircraft, 13 of which were older than 15 years. These 13 aircraft had a net book value of \$206.8 million which represented 2.6% of our total flight equipment held for operating lease. The undiscounted cash flows of the 13 aircraft older than 15 years were estimated at \$234.6 million, which represents 13.5% excess above net book value. After the impairments earlier in the year as of December 31, 2013 all 13 aircraft passed the recoverability test, including two aircraft that were impaired after the leases were terminated following a contractual redelivery during the year. The 13 aircraft passed the recoverability test with undiscounted cash flows exceeding the carrying value of aircraft between 1% and 90%. The following assumptions drive the undiscounted cash flows: contracted lease rents per aircraft through current lease expiry, subsequent re-lease rates based on current marketing information and residual values based on current market transactions. We review and stress test our key assumptions to reflect any observed weakness in the global economic environment. Further deterioration of the global economic environment and a further decrease of aircraft values might have a negative effect on the undiscounted cash flows of older aircraft and might trigger further impairments.

We have nine aircraft whose undiscounted cash flows do not substantially exceed their carrying value as of December 31, 2013. We have defined 10% as substantial. The aggregated carrying value of the nine aircraft on December 31, 2013, amounted to \$257.2 million, and their aggregated net book value was \$261.8 million, which represented 3.2% of our total flight equipment held for operating lease.

There can be no assurance that the Company's estimates and assumptions regarding the economic environment, or the period or strength of recovery, made for purposes of the long-lived asset impairment tests will prove to be accurate predictions of the future. A deterioration in the global

Table of Contents**AerCap Holdings N.V. and Subsidiaries****Notes to the Consolidated Financial Statements (Continued)**

(U.S. dollars in thousands)

20. Asset impairment (Continued)

economic environment and a decrease of appraised values will have a negative effect on the undiscounted cash flow, which might then trigger impairment on some of the 13 aircraft which are older than 15 years or other aircraft in our portfolio.

21. Earnings per ordinary share

Basic earnings per share (EPS) is calculated by dividing net income by the weighted average of our ordinary shares outstanding. For the calculation of diluted EPS, net income attributable to common stockholders for basic EPS is adjusted by the effect of dilutive securities, including awards under our equity compensation plans. The number of shares excluded from diluted shares outstanding were 1.3 million, 1.5 million and 1.6 million for the years ended December 31, 2013, 2012 and 2011, respectively, because the effect of including those shares in the calculation would have been anti-dilutive. The computations of basic and diluted earnings per ordinary share for the periods indicated below are shown in the following table:

	Year ended December 31, 2011	Year ended December 31, 2012	Year ended December 31, 2013
Net income for the computation of basic earnings per share	\$ 172,224	\$ 163,655	\$ 292,410
Weighted average ordinary shares outstanding basic	146,587,752	131,492,057	113,463,813
Basic earnings per ordinary share	\$ 1.17	\$ 1.24	\$ 2.58

	Year ended December 31, 2011	Year ended December 31, 2012	Year ended December 31, 2013
Net income for the computation of diluted earnings per share	\$ 172,224	\$ 163,655	\$ 292,410
Weighted average ordinary shares outstanding diluted	146,587,752	132,497,913	115,002,458
Diluted earnings per ordinary share	\$ 1.17	\$ 1.24	\$ 2.54

22. Related party transactions

As at December 31, 2013, AerDragon was owned 50.0% by China Aviation Supplies Holding Company, 20.3% by an affiliate of Crédit Agricole, 20.3% by AerCap and 9.4% by East Epoch Limited. As at the date of this report, CAS owned 50% of AerDragon, with the other 50% owned equally by us, CA-CIB, and East Epoch Limited. In 2007 AerCap sold an A320 aircraft that was subject to a lease with an airline to AerDragon and guaranteed AerDragon's performance under the debt which was assumed by AerDragon from AerCap in the transaction. During 2013 AerCap sold one B737-800 aircraft and contracted to sell one A330 aircraft to AerDragon. The A330 aircraft is due to be delivered in the second quarter of 2014. AerCap provides lease management, insurance management and aircraft asset management services to AerDragon. All of these transactions were executed at terms, which we believe reflected market conditions at the time. AerCap charged AerDragon a total of

\$0.5 million as a guarantee fee and for these management services during 2013. We apply equity

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Table of Contents**AerCap Holdings N.V. and Subsidiaries****Notes to the Consolidated Financial Statements (Continued)**

(U.S. dollars in thousands)

22. Related party transactions (Continued)

accounting for our investment in this joint venture company. Accordingly, the income statement effect of all sale transactions with either of the joint venture companies is eliminated in our financial statements.

AerCo is an aircraft securitization vehicle from which we hold all of the most junior class of subordinated notes and some notes immediately senior to those junior notes. Historically, the investment in AerCo has been written down to zero, because we do not expect to realize any value. We consolidated AerCo through March 2003, but we deconsolidated the vehicle in accordance with ASC 810 at that time. Subsequent to the deconsolidation of AerCo, we received interest from AerCo on its D note investment of \$1.7 million and \$0.4 million for the years ended December 31, 2006 and December 31, 2007, respectively. In addition, we provide a variety of management services to AerCo for which we received fees of \$3.3 million, \$3.0 million and \$1.9 million in the years ended December 31, 2011, 2012 and 2013, respectively.

On November 11, 2010, we issued approximately 29.8 million new shares to Waha. In exchange, we received \$105 million in cash, Waha's 50% interest in the joint venture company AerVenture, a 40% interest in AerLift and a 50% interest in AerLift Jet. We provide a variety of management services to AerLift for which we received a fee of \$6.9 million in the year ended December 31, 2013.

On June 10, 2012, we purchased 5,000,000 of our ordinary shares from Fern S.a.r.l., an indirect subsidiary of Cerberus, which was an affiliate of AerCap. The aggregate price of the shares was \$55.9 million. On August 20, 2012, we purchased 10,000,000 of our ordinary shares from Fern S.a.r.l. The aggregate price of the shares was \$120.0 million. Additionally, on December 6, 2012, we purchased 5,040,000 of our ordinary shares from Fern S.a.r.l. The aggregate price of the shares was \$64.1 million. These repurchases were done under the \$320 million share repurchase program, and undertaken on an arm's-length basis at fair market value overseen by the management and disinterested directors.

23. Commitments and contingencies*Property and other rental commitments*

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

2014	\$ 2,227
2015	2,080
2016	1,638
2017	1,608
2018	388
Thereafter	
	\$ 7,941

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AerCap Holdings N.V. and Subsidiaries

Notes to the Consolidated Financial Statements (Continued)

(U.S. dollars in thousands)

23. Commitments and contingencies (Continued)

Legal proceedings

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

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

In July 2006, we brought a claim for damages against VASP in the English courts, seeking damages incurred by AerCap as a result of VASP's default under seven leases that were governed by English law. VASP was served with process in Brazil in October 2007 and in response filed an application challenging the jurisdiction of the English court, which we opposed. VASP also applied to the court to adjourn the hearing on its jurisdictional challenge pending the sale of some of its assets in Brazil. We opposed this application and by an order dated March 6, 2008 the English court dismissed VASP's applications.

In September 2008, the bankruptcy court in Brazil ordered the bankruptcy of VASP. VASP appealed this decision. In December 2008, we filed with the English court an application for default

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AerCap Holdings N.V. and Subsidiaries

Notes to the Consolidated Financial Statements (Continued)

(U.S. dollars in thousands)

23. Commitments and contingencies (Continued)

judgment, seeking damages plus accrued interest pursuant to seven lease agreements. On March 16, 2009, we obtained a default judgment in which we were awarded approximately \$40.0 million in damages plus accrued interest. We subsequently applied to the STJ for an order ratifying the English judgment, so that it might be enforced in Brazil. The STJ granted AerCap's application and entered an order ratifying the English judgment. Although VASP appealed that order; the order is fully effective pending a resolution of VASP's appeal of the order ratifying the English judgment.

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

In addition to its claim in the English courts, AerCap has also brought an action against VASP in the Irish courts to recover damages incurred as a result of VASP's default under nine leases governed by Irish law. The Irish courts granted an order for service of process, and although VASP opposed service in Brazil, the STJ ruled that service of process had been properly completed. After some additional delay due to procedural issues related to VASP's bankruptcy, the Irish action is now moving forward.

Our management, based on the advice of external legal counsel, does not believe the outcome of this case will have a material effect on our consolidated financial condition, results of operations or cash flows.

Transbrasil litigation

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

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

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AerCap Holdings N.V. and Subsidiaries

Notes to the Consolidated Financial Statements (Continued)

(U.S. dollars in thousands)

23. Commitments and contingencies (Continued)

and GE Lessors separately filed special appeals before the STJ in Brazil. These special appeals were subsequently admitted for hearing.

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

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

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

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

Our management, based on the facts and the advice of external legal counsel, does not believe the outcome of this case will have a material effect on our consolidated financial condition, results of operations or cash flows.

24. Fair value measurements

Under ASC 820, the Company determines fair value based on 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. It is the Company's policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements, in accordance with the fair value hierarchy as described below. Where limited or no observable market data exists, fair value measurements for assets and liabilities are based primarily on management's own estimates and are calculated based upon the Company's pricing policy, the economic and competitive environment, the characteristics of the asset or liability and other such factors. Therefore, the results may not be realized in actual sale or immediate settlement of the asset or liability.

Under ASC 820, there is a hierarchal disclosure framework associated with the level of pricing observability utilized in measuring assets and liabilities at fair value.

Table of Contents**AerCap Holdings N.V. and Subsidiaries****Notes to the Consolidated Financial Statements (Continued)**

(U.S. dollars in thousands)

24. Fair value measurements (Continued)

The three broad levels defined by the ASC 820 hierarchy are as follows:

Level 1 Quoted prices available in active markets for identical assets or liabilities as of the reported date.

Level 2 Observable market data. Inputs include quoted prices for similar assets, liabilities (risk adjusted) and market-corroborated inputs, such as market comparables, interest rates, yield curves and other items that allow value to be determined.

Level 3 Unobservable inputs from the Company's own assumptions about market risk developed based on the best information available, subject to cost benefit analysis. Inputs may include the Company's own data.

When there are no observable comparables, inputs used to determine value are derived through extrapolation and interpolation and other Company-specific inputs such as projected financial data and the Company's own views about the assumptions that market participants would use.

The following table summarizes our financial assets and liabilities as of December 31, 2013 and December 31, 2012, that we measured at fair value on a recurring basis by level within the fair value hierarchy. As required by ASC 820, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to their fair value measurement.

	31-Dec-12	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 520,401	\$ 520,401	\$	\$
Restricted cash	280,653	280,653		
Derivative assets	9,993		9,993	
Derivative liabilities	(14,677)		(14,677)	
	\$ 796,370	\$ 801,054	\$ (4,684)	\$

	31-Dec-13	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 295,514	\$ 295,514	\$	\$
Restricted cash	272,787	272,787		
Derivative assets	32,673		32,673	
Derivative liabilities	(7,233)		(7,233)	
	\$ 593,741	\$ 568,301	\$ 25,440	\$

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Our cash and cash equivalents, along with our restricted cash and cash equivalents balances, consist largely of money market securities that are considered to be highly liquid and easily tradable. These securities are valued using inputs observable in active markets for identical securities and are therefore classified as level 1 within our fair value hierarchy. Our derivative assets and liabilities included in level 2 consist of United States dollar denominated interest rate derivatives comprising caps, swaps and floors. Their fair values are determined by applying standard modeling techniques under the income approach to value the transactions, taking into account the actual contractual terms of the derivatives, market interest rates and volatilities in effect at the period close to determine appropriate reset and discount rates.

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Table of Contents**AerCap Holdings N.V. and Subsidiaries****Notes to the Consolidated Financial Statements (Continued)**

(U.S. dollars in thousands)

24. Fair value measurements (Continued)

We also measure the fair value of certain assets and liabilities on a non-recurring basis, when GAAP requires the application of fair value, including events or changes in circumstances that indicate that the carrying amounts of assets may not be recoverable. Assets subject to these measurements include aircraft. We record aircraft at fair value when we determine the carrying value may not be recoverable, in accordance with ASC 360 and other accounting pronouncements requiring re-measurements at fair value. Fair value measurements for aircraft in impairment tests are based on level 3 inputs, which include the Company's assumptions as to future cash proceeds from leasing and selling aircraft and third party aircraft valuations. In the year ended December 31, 2013, we recognized an impairment of \$26.2 million. The impairment recognized related to two older A319 aircraft, two Boeing 737-700 aircraft and two older Boeing 747 freighters. The impairment on the Boeing 737-700 aircraft was triggered by the release of \$9.9 million of maintenance reserve upon redelivery and the impairment of the two Boeing 747 freighters was triggered by \$17.7 million end-of-lease payments upon redeliveries. The impairment on the two older A319 aircraft was the result of our annual assessment whereby we concluded that the net book values were no longer supportable based on the latest cash flow estimates including residual value proceeds. Also a note receivable for an aircraft which has been sold last year has been impaired.

For level 3 assets that were measured at fair value on a non-recurring basis during the year ended December 31, 2013, the following tables present the fair value of those assets as of the measurement date, valuation techniques and related unobservable input of those assets:

	Fair Value	Valuation Techniques	Unobservable Input	Range for Quantitative Inputs Used
Flight equipment held for operating leases	\$ 57.5 million	Market approach	Third party valuations	\$55.0 million - \$67.2 million

	Fair Value	Valuation Techniques	Unobservable Input	Range
Flight equipment held for operating leases	\$ 40.6 million	Income approach	Discount	5.4%
			Remaining Holding Period	52 months
			Present value of non-contractual cash flows	39%

In 2012, as a result of the ALS Transaction, we also recorded the ALS Coupon Liability under debt and the ALS Note Receivable, under notes receivable, both initially recognized at fair value. Due to the lack of comparable market transactions we determined the fair value of the ALS Coupon Liability based on the income method using the Company's own assumptions about the market risk of similar financial instruments, as well as an estimate of future cash flow projections (level 3 inputs). The ALS Coupon Liability was valued at \$97.1 million based on a 5.5% discount rate, which was comparable to the traded yield of the Company's senior unsecured notes with a similar duration on the date of completing the ALS

Table of Contents**AerCap Holdings N.V. and Subsidiaries****Notes to the Consolidated Financial Statements (Continued)**

(U.S. dollars in thousands)

24. Fair value measurements (Continued)

Transaction. The ALS Note Receivable was valued at \$67.3 million based on a 6.8% discount rate, which was derived from the overall components of the ALS Transaction and considered its longer duration and higher risk (level 2). The ALS Coupon Liability and ALS Note Receivable are both subsequently measured at amortized cost using the retrospective effective interest method.

Our financial instruments consist principally of restricted cash, derivatives, notes receivable, trade receivables, accounts payable and cash equivalents. The fair value of restricted cash, trade receivables, accounts payable and cash and cash equivalents approximates the carrying value of these financial instruments because of their short term nature (level 1). The fair value of fixed rate notes is estimated using discounted cash flow analysis using interest rates offered on loans with similar terms to borrowers of similar credit quality (level 2). The fair values of our debt are estimated using a discounted cash flow analysis, based on our current incremental borrowing rates for similar types of borrowing arrangements (level 2).

The carrying amounts and fair values of our most significant financial instruments at December 31, 2012 and 2013 are as follows:

	December 31, 2012		December 31, 2013	
	Book value	Fair value	Book value	Fair value
Assets				
Restricted cash	\$ 280,653	\$ 280,653	\$ 272,787	\$ 272,787
Derivative assets	9,993	9,993	32,673	32,673
Notes receivable	78,163	78,163	75,788	75,788
Cash and cash equivalents	520,401	520,401	295,514	295,514
	\$ 889,210	\$ 889,210	\$ 676,762	\$ 676,762
Liabilities				
Debt	\$ 5,803,499	\$ 5,756,519	\$ 6,236,892	\$ 6,333,906
Derivative liabilities	14,677	14,677	7,233	7,233
	\$ 5,818,176	\$ 5,771,196	\$ 6,244,125	\$ 6,341,139

25. Supplemental Guarantor Financial Information

The following guarantor financial information is presented to comply with U.S. SEC disclosure requirements of Rule 3-10 of Regulation S-X.

The issuances or exchanges of securities described below are related to securities fully and unconditionally guaranteed by AerCap Holdings N.V. (the "Parent Guarantor SEC registered") and also jointly and severally guaranteed by AerCap Ireland Limited (the "Subsidiary Guarantor").

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In May 2012, AerCap Aviation Solutions B.V., a 100%- owned finance subsidiary of AerCap Holdings N.V., issued \$300.0 million of 6.375% senior unsecured notes due 2017 (the "AerCap Aviation Notes"). The AerCap Aviation Notes were initially fully and unconditionally guaranteed by AerCap Holding N.V.

On November 9, 2012, we entered into a \$285.0 million unsecured revolving credit facility which was guaranteed by AerCap Holdings N.V. and AerCap Ireland Ltd. The guarantee by AerCap Ireland Ltd under this facility triggered a springing guarantee under the AerCap Aviation Notes indenture.

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Table of Contents**AerCap Holdings N.V. and Subsidiaries****Notes to the Consolidated Financial Statements (Continued)**

(U.S. dollars in thousands)

25. Supplemental Guarantor Financial Information (Continued)

The following condensed consolidating financial information presents the Condensed Consolidating Balance Sheet as of December 31, 2013, 2012 and 2011, the Condensed Consolidating Income Statement, Condensed Consolidating Statements of Cash Flows and Condensed Consolidating Statement of Comprehensive Income for the years ended December 31, 2013, 2012, 2011 and 2010 of (a) AerCap Holdings N.V. (the "Parent Guarantor"), (b) AerCap Aviation Solutions B.V. (the "Issuer"), (c) AerCap Ireland Ltd (the "Subsidiary Guarantor"), (d) the non-guarantor subsidiaries, (e) elimination entries necessary to consolidate the Parent with the issuer, the guarantor subsidiaries and the non-guarantor subsidiaries and (f) the Company on a consolidated basis. Investments in consolidated subsidiaries are presented under the equity method of accounting. Separate financial statements and other disclosures with respect to the guarantor subsidiaries have not been provided as management believes the following information is sufficient as the guarantor subsidiaries are 100% owned by the Parent and all guarantees are full and unconditional. A portion of our cash and cash equivalents is held by subsidiaries and access to such cash by us for group purposes is limited.

Condensed Consolidating Balance Sheet

	December 31, 2013 (U.S. dollars in millions)					
	AerCap Holdings N.V.	AerCap Aviation Solutions B.V.	AerCap Ireland Ltd	Non- Guarantors	Eliminations	Total
Assets						
Cash and cash equivalents			140	156		296
Restricted cash			5	268		273
Flight equipment held for operating leases, net			77	8,009		8,086
Notes receivables			73	3		76
Prepayments on flight equipment			29	195		224
Investments including investments in subsidiaries	2,408		1,479	112	(3,887)	112
Intercompany receivables and other assets	743	284	(1,201)	2,631	(4,475)	384
Total Assets	3,151	284	3,004	11,374	(8,362)	9,451
Liabilities and Equity						
Debt	151	300	120	5,666		6,237
Intercompany payables and other liabilities	575	2	1,753	3,227	(4,772)	785
Total liabilities	726	302	1,873	8,893	(4,772)	7,022
Total AerCap Holdings N.V. Shareholders' equity	2,425	(18)	1,131	2,477	(3,590)	2,425
Non-controlling interest				4		4
Total Equity	2,425	(18)	1,131	2,481	(3,590)	2,429

Total Liabilities and Equity	3,151	284	3,004	11,374	(8,362)	9,451
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Table of Contents**AerCap Holdings N.V. and Subsidiaries****Notes to the Consolidated Financial Statements (Continued)**

(U.S. dollars in thousands)

25. Supplemental Guarantor Financial Information (Continued)

	December 31, 2012 (U.S. dollars in millions)					
	AerCap Holdings N.V.	AerCap Aviation Solutions B.V.	AerCap Ireland Ltd	Non- Guarantors	Eliminations	Total
Assets						
Cash and cash equivalents	1		163	356		520
Restricted cash			4	276		280
Flight equipment held for operating leases, net			80	7,182		7,262
Notes receivables			72	6		78
Prepayments on flight equipment			8	46		54
Investments including investments in subsidiaries	2,093		1,177	99	(3,275)	94
Intercompany receivables and other assets	327	296	825	1,535	(2,638)	345
Total Assets	2,421	296	2,329	9,500	(5,913)	8,633
Liabilities and Equity						
Debt	1	300	156	5,346		5,803
Intercompany payables and other liabilities	298	2	1,181	1,864	(2,638)	707
Total liabilities	299	302	1,337	7,210	(2,638)	6,510
Total AerCap Holdings N.V. Shareholders' equity	2,122	(6)	992	2,289	(3,275)	2,122
Non-controlling interest				1		1
Total Equity	2,122	(6)	992	2,290	(3,275)	2,123
Total Liabilities and Equity	2,421	296	2,329	9,500	(5,913)	8,633

Table of Contents**AerCap Holdings N.V. and Subsidiaries****Notes to the Consolidated Financial Statements (Continued)**

(U.S. dollars in thousands)

25. Supplemental Guarantor Financial Information (Continued)

	December 31, 2011 (U.S. dollars in millions)					
	AerCap Holdings N.V.	AerCap Aviation Solutions B.V.	AerCap Ireland Ltd	Non- Guarantors	Eliminations	Total
Assets						
Cash and cash equivalents	175		158	79		412
Restricted cash			4	240		244
Flight equipment held for operating leases, net			91	7,805		7,896
Notes receivables				5		5
Prepayments on flight equipment			69	27		96
Investments including investments in subsidiaries	1,917		1,710	84	(3,627)	84
Intercompany receivables and other assets	492		762	2,252	(3,128)	378
Total Assets	2,584		2,794	10,492	(6,755)	9,115
Liabilities and Equity						
Debt	1		107	6,003		6,111
Intercompany payables and other liabilities	306		1,646	2,426	(3,657)	721
Total liabilities	307		1,753	8,429	(3,657)	6,832
Total AerCap Holdings N.V. shareholders' equity	2,277		1,041	2,057	(3,098)	2,277
Non-controlling interest				6		6
Total Equity	2,277		1,041	2,063	(3,098)	2,283
Total Liabilities and Equity	2,584		2,794	10,492	(6,755)	9,115

Table of Contents**AerCap Holdings N.V. and Subsidiaries****Notes to the Consolidated Financial Statements (Continued)**

(U.S. dollars in thousands)

25. Supplemental Guarantor Financial Information (Continued)**Condensed Consolidating Income Statement**

Year ended December 31, 2013 (U.S. dollars in millions)

	AerCap Holdings N.V.	AerCap Aviation Solutions B.V.	AerCap Ireland Ltd	Non- Guarantors	Eliminations	Total
Revenues						
Lease revenue			7	969		976
Net (loss) gain on sale of assets			(12)	42	12	42
Management fee revenue	2		35	5	(21)	21
Interest revenue	2	8	122		(127)	5
Other revenue	1			5		6
Total Revenues	5	8	152	1,021	(136)	1,050
Expenses						
Depreciation			3	335		338
Asset impairment				26		26
Interest on debt	10	20	152	171	(127)	226
Other expenses				49		49
Transaction expenses				11		11
Selling, general and administrative expenses	18		53	40	(21)	90
Total Expenses	28	20	208	632	(148)	740
Income from continuing operations before income taxes and income of investments accounted for under the equity method	(23)	(12)	(56)	389	12	310
Provision for income taxes			(6)	(20)		(26)
Net income of investments accounted for under the equity method				11		11
Net income before income from subsidiaries	(23)	(12)	(62)	380	12	295
Income from subsidiaries	315		202	(62)	(455)	
Net income	292	(12)	140	318	(443)	295
Net loss (income) attributable to non-controlling interest				(3)		(3)
Net income attributable to AerCap Holdings N.V.	292	(12)	140	315	(443)	292

Table of Contents**AerCap Holdings N.V. and Subsidiaries****Notes to the Consolidated Financial Statements (Continued)**

(U.S. dollars in thousands)

25. Supplemental Guarantor Financial Information (Continued)

	Year ended December 31, 2012 (U.S. dollars in millions)					Total
	AerCap Holdings N.V.	AerCap Aviation Solutions B.V.	AerCap Ireland Ltd	Non- Guarantors	Eliminations	
Revenues						
Lease revenue			7	990		997
Net (loss) gain on sale of assets			(132)	79	7	(46)
Management fee revenue	2		33	4	(22)	17
Interest revenue	3	7	76		(84)	2
Other revenue	1			2		3
Total Revenues	6	7	(16)	1,075	(99)	973
Expenses						
Depreciation			3	354		357
Asset impairment				13		13
Interest on debt	5	12	177	176	(84)	286
Other expenses			3	76		79
Selling, general and administrative expenses	12		51	42	(22)	83
Total Expenses	17	12	234	661	(106)	818
Income from continuing operations before income taxes and income of investments accounted for under the equity method						
	(11)	(5)	(250)	414	7	155
Provision for income taxes	(1)		(8)	1		(8)
Net income of investments accounted for under the equity method				12		12
Net income before income from subsidiaries	(12)	(5)	(258)	427	7	159
Income from subsidiaries	176		209	(258)	(127)	
Net Income	164	(5)	(49)	169	(120)	159
Net loss (income) attributable to non-controlling interest				5		5
Net income attributable to AerCap Holdings N.V.	164	(5)	(49)	174	(120)	164

Table of Contents**AerCap Holdings N.V. and Subsidiaries****Notes to the Consolidated Financial Statements (Continued)**

(U.S. dollars in thousands)

25. Supplemental Guarantor Financial Information (Continued)

	Year ended December 31, 2011 (U.S. dollars in millions)					Total
	AerCap Holdings N.V.	AerCap Aviation Solutions B.V.	AerCap Ireland Ltd	Non- Guarantors	Eliminations	
Revenues						
Lease revenue			8	1,043		1,051
Net (loss) gain on sale of assets			18	7	(16)	9
Management fee revenue	3		33	5	(22)	19
Interest revenue	2		33	(6)	(26)	3
Other revenue				12		12
Total Revenues	5		92	1,061	(64)	1,094
Expenses						
Depreciation			4	357		361
Asset impairment				16		16
Interest on debt			123	195	(26)	292
Other expenses				74		74
Selling, general and administrative expenses	11		86	46	(22)	121
Total Expenses	11		213	688	(48)	864
Income from continuing operations before income taxes and income of investments accounted for under the equity method	(6)		(121)	373	(16)	230
Provision for income taxes			7	(22)		(15)
Net income of investments accounted for under the equity method	1			10		11
Net income before income from subsidiaries	(5)		(114)	361	(16)	226
Income (loss) from discontinued operations (AeroTurbine, including loss on disposal), net of tax				(53)		(53)
Income from subsidiaries	177		216	(114)	(279)	
Net Income	172		102	194	(295)	173
Net loss (income) attributable to non-controlling interest				(1)		(1)
Net income attributable to AerCap Holdings N.V.	172		102	193	(295)	172

Table of Contents**AerCap Holdings N.V. and Subsidiaries****Notes to the Consolidated Financial Statements (Continued)**

(U.S. dollars in thousands)

25. Supplemental Guarantor Financial Information (Continued)

	Year ended December 31, 2010 (U.S. dollars in millions)					Total
	AerCap Holdings N.V.	AerCap Aviation Solutions B.V.	AerCap Ireland Ltd	Non- Guarantors	Eliminations	
Revenues						
Lease revenue			4	898		902
Net (loss) gain on sale of assets	1		24	15	(4)	36
Management fee revenue			30	4	(21)	13
Interest revenue	4		1		(1)	4
Other revenue	4					4
Total Revenues	9		59	917	(26)	959
Expenses						
Depreciation			1	307		308
Asset impairment				11		11
Interest on debt	3		12	220	(1)	234
Other expenses				67		67
Selling, general and administrative expenses	11		77	14	(21)	81
Total Expenses	14		90	619	(22)	701
Income from continuing operations before income taxes and income of investments accounted for under the equity method	(5)		(31)	298	(4)	258
Provision for income taxes			(18)	(4)		(22)
Net income of investments accounted for under the equity method				4		4
Net income before income from subsidiaries	(5)		(49)	298	(4)	240
Income (loss) from discontinued operations (AeroTurbine, including loss on disposal), net of tax				(3)		(3)
Bargain purchase gain ("Amalgamation gain"), net of transaction expenses						
Income from subsidiaries	213		177	(49)	(341)	
Net income	208		128	246	(345)	237
Net loss (income) attributable to non-controlling interest				(29)		(29)
Net income attributable to AerCap Holdings N.V.	208		128	217	(345)	208

Table of Contents**AerCap Holdings N.V. and Subsidiaries****Notes to the Consolidated Financial Statements (Continued)**

(U.S. dollars in thousands)

25. Supplemental Guarantor Financial Information (Continued)**Condensed Consolidating Statement of Cash Flows**

	Year ended December 31, 2013 (U.S. dollars in millions)					
	AerCap Holdings N.V.	AerCap Aviation Solutions B.V.	AerCap Ireland Ltd	Non- Guarantors	Eliminations	Total
Net income	292	(12)	140	318	(443)	295
Adjustments to reconcile net income to net cash provided by operating activities:						
Income from subsidiaries	(315)		(202)	62	455	
Dividend received			3		(3)	
Depreciation			3	335		338
Asset impairment				26		26
Amortization of debt issuance costs and debt discount	1	1	1	44		47
Amortization of intangibles				9		9
Net (gain) loss on sale of assets			12	(42)	(12)	(42)
Mark-to-market of non-hedged derivatives				(12)		(12)
Deferred taxes			6	15		21
Share-based compensation	9					9
Cash flow from operating activities before changes in working capital	(13)	(11)	(37)	755	(3)	691
Working capital	(136)	11	100	30		5
Net cash provided by operating activities	(149)		63	785	(3)	696
Purchase of flight equipment				(1,783)		(1,783)
Proceeds from sale/disposal of assets				664		664
Prepayments on flight equipment			20	(233)		(213)
Capital contributions				(13)		(13)
Movement in restricted cash				8		8
Net cash used in investing activities			20	(1,357)		(1,337)
Issuance of debt	150			2,150		2,300
Repayment of debt			(107)	(1,783)		(1,890)
Debt issuance costs paid	(2)			(43)		(45)
Maintenance payments received			3	98		101
Maintenance payments returned				(57)		(57)
Security deposits received				23		23
Security deposits returned			(3)	(12)		(15)
Dividend paid				(3)	3	
Net cash provided by (used in) financing activities	148		(107)	373	3	417
Net increase (decrease) in cash and cash equivalents	(1)		(24)	(199)		(224)
Effect of exchange rate changes			1	(1)		
Cash and cash equivalents at beginning of period	1		163	356		520

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Cash and cash equivalents at end of period	140	156	296
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Table of Contents**AerCap Holdings N.V. and Subsidiaries****Notes to the Consolidated Financial Statements (Continued)**

(U.S. dollars in thousands)

25. Supplemental Guarantor Financial Information (Continued)

	Year ended December 31, 2012 (U.S. dollars in millions)					
	AerCap Holdings N.V.	AerCap Aviation Solutions B.V.	AerCap Ireland Ltd	Non- Guarantors	Eliminations	Total
Net income	164	(5)	(49)	169	(120)	159
Adjustments to reconcile net income to net cash provided by operating activities:						
Income from subsidiaries	(176)		(209)	258	127	
Depreciation			3	354		357
Asset impairment				13		13
Amortization of debt issuance costs and debt discount		1	6	63		70
Amortization of intangibles				12		12
Net (gain) loss on sale of assets			132	(79)	(7)	46
Mark-to-market of non-hedged derivatives				2		2
Deferred taxes	1		8	(1)		8
Share-based compensation	7					7
Cash flow from operating activities before changes in working capital	(4)	(4)	(109)	791		674
Working capital	150	(291)	221	(98)		(18)
Net cash provided by operating activities	146	(295)	112	693		656
Purchase of flight equipment				(1,039)		(1,039)
Proceeds from sale/disposal of assets				781		781
Prepayments on flight equipment			(61)	25		(36)
Movement in restricted cash				(58)		(58)
Net cash used in investing activities			(61)	(291)		(352)
Issuance of debt		300		997		1,297
Repayment of debt			(47)	(1,167)		(1,214)
Debt issuance costs paid		(5)		(38)		(43)
Maintenance payments received			3	129		132
Maintenance payments returned				(50)		(50)
Security deposits received				26		26
Security deposits returned			(1)	(21)		(22)
Repurchase of shares	(320)					(320)
Net cash provided by (used in) financing activities	(320)	295	(45)	(124)		(194)
Net increase (decrease) in cash and cash equivalents	(174)		6	278		110
Effect of exchange rate changes			(1)	(1)		(2)
Cash and cash equivalents at beginning of period	175		158	79		412
Cash and cash equivalents at end of period	1		163	356		520

Table of Contents**AerCap Holdings N.V. and Subsidiaries****Notes to the Consolidated Financial Statements (Continued)**

(U.S. dollars in thousands)

25. Supplemental Guarantor Financial Information (Continued)

	Year ended December 31, 2011 (U.S. dollars in millions)					Total
	AerCap Holdings N.V.	AerCap Aviation Solutions B.V.	AerCap Ireland Ltd	Non- Guarantors	Eliminations	
Net income	172		102	194	(295)	173
Adjustments to reconcile net income to net cash provided by operating activities:						
Income from subsidiaries	(177)		(216)	114	279	
Dividend received			4		(4)	
Depreciation			4	381		385
Asset impairment				24		24
Amortization of debt issuance costs and debt discount			2	51		53
Amortization of intangibles				17		17
Provision for doubtful accounts				5		5
Net (gain) loss on sale of assets			(18)	(10)	16	(12)
Loss on discontinued operations (AeroTurbine)				53		53
Mark-to-market of non-hedged derivatives				23		23
Deferred taxes			(7)	31		24
Share-based compensation	6					6
Cash flow from operating activities before changes in working capital	1		(129)	883	(4)	751
Working capital	274		369	(753)		(110)
Net cash provided by operating activities	275		240	130	(4)	641
Purchase of flight equipment				(763)		(763)
Proceeds from sale/disposal of assets				141		141
Prepayments on flight equipment			(93)	45		(48)
Capital contributions				(3)		(3)
Proceeds from the disposal of subsidiaries, net of cash disposed				120		120
Movement in restricted cash	(1)			(11)		(12)
Net cash used in investing activities	(1)		(93)	(471)		(565)
Issuance of debt				1,672		1,672
Repayment of debt			(80)	(1,567)		(1,647)
Debt issuance costs paid				(37)		(37)
Maintenance payments received			3	107		110
Maintenance payments returned				(55)		(55)
Security deposits received				20		20
Security deposits returned			(1)	(36)		(37)
Repurchase of shares	(100)					(100)
Dividend paid				(4)	4	
Net cash provided by (used in) financing activities	(100)		(78)	100	4	(74)

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Net increase (decrease) in cash and cash equivalents	174	69	(241)	2
Effect of exchange rate changes		6		6
Cash and cash equivalents at beginning of period	1	83	320	404
Cash and cash equivalents at end of period	175	158	79	412

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Table of Contents**AerCap Holdings N.V. and Subsidiaries****Notes to the Consolidated Financial Statements (Continued)**

(U.S. dollars in thousands)

25. Supplemental Guarantor Financial Information (Continued)

	Year ended December 31, 2010 (U.S. dollars in millions)					
	AerCap	AerCap	AerCap	Non-	Eliminations	Total
	Holdings N.V.	Aviation Solutions B.V.	Ireland Ltd	Guarantors		
Net income	208		128	246	(345)	237
Adjustments to reconcile net income to net cash provided by operating activities:						
Income from subsidiaries	(213)		(177)	49	341	
Amalgamation gain				(31)		(31)
Depreciation			1	333		334
Asset impairment				14		14
Amortization of debt issuance costs and debt discount				42		42
Amortization of intangibles				22		22
Provision for doubtful accounts				1		1
Net (gain) loss on sale of assets			(24)	(15)	4	(35)
Mark-to-market of non-hedged derivatives				1		1
Deferred taxes			18			18
Share-based compensation	3					3
Cash flow from operating activities before changes in working capital	(2)		(54)	662		606
Working capital	(13)		104	(22)		69
Net cash provided by operating activities	(15)		50	640		675
Purchase of flight equipment				(1,940)		(1,940)
Proceeds from sale/disposal of assets				665		665
Prepayments on flight equipment			(57)	(84)		(141)
Purchase of subsidiaries, net of cash acquired				104		104
Capital contributions				(8)		(8)
Purchase of intangibles				(9)		(9)
Movement in restricted cash	1			(69)		(68)
Net cash used in investing activities	1		(57)	(1,341)		(1,397)
Issuance of debt				2,325		2,325
Repayment of debt			33	(1,535)		(1,502)
Debt issuance costs paid				(60)		(60)
Maintenance payments received				90		90
Maintenance payments returned				(42)		(42)
Security deposits received				30		30
Security deposits returned			(7)	(33)		(40)
Issuance of equity interest				110		110
Capital contributions from non-controlling interests				32		32
Net cash provided by (used in) financing activities			26	917		943

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Net increase (decrease) in cash and cash equivalents	(14)	19	216	221
Effect of exchange rate changes				
Cash and cash equivalents at beginning of period	15	64	104	183
Cash and cash equivalents at end of period	1	83	320	404

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Table of Contents**AerCap Holdings N.V. and Subsidiaries****Notes to the Consolidated Financial Statements (Continued)**

(U.S. dollars in thousands)

25. Supplemental Guarantor Financial Information (Continued)**Condensed Consolidating Statement of Comprehensive Income**

	December 31, 2013 (U.S. dollars in millions)					Total
	AerCap Holdings N.V.	AerCap Aviation Solutions B.V.	AerCap Ireland Ltd	Non- Guarantors	Eliminations	
Net income attributable to AerCap Holdings N.V.	292	(12)	140	315	(443)	292
Other comprehensive income:						
Net change in fair value of derivatives, net of tax				5		5
Net change in pension obligations, net of tax						
Total other comprehensive income (loss)				5		5
Share of other comprehensive income (loss)	5		5		(10)	
Total comprehensive income attributable to AerCap Holdings N.V.	297	(12)	145	320	(453)	297

	December 31, 2012 (U.S. dollars in millions)					Total
	AerCap Holdings N.V.	AerCap Aviation Solutions B.V.	AerCap Ireland Ltd	Non- Guarantors	Eliminations	
Net income attributable to AerCap Holdings N.V.	164	(5)	(49)	174	(120)	164
Other comprehensive income:						
Net change in fair value of derivatives, net of tax				(1)		(1)
Net change in pension obligations, net of tax			(3)	(2)		(5)
Total other comprehensive income (loss)			(3)	(3)		(6)
Share of other comprehensive income (loss)	(6)		(3)		9	
Total comprehensive income attributable to AerCap Holdings N.V.	158	(5)	(55)	171	(111)	158

Table of Contents**AerCap Holdings N.V. and Subsidiaries****Notes to the Consolidated Financial Statements (Continued)**

(U.S. dollars in thousands)

25. Supplemental Guarantor Financial Information (Continued)

	December 31, 2011 (U.S. dollars in millions)					
	AerCap	AerCap	AerCap	Non-		
	Holdings N.V.	Aviation	Ireland Ltd	Guarantors	Eliminations	Total
Net income attributable to AerCap Holdings N.V.	172		102	193	(295)	172
Other comprehensive income:						
Net change in fair value of derivatives, net of tax					(14)	(14)
Total other comprehensive income (loss)					(14)	(14)
Share of other comprehensive income (loss) from subsidiaries	(14)		(14)		28	
Total comprehensive income attributable to AerCap Holdings N.V.	158		88	179	(267)	158

December 31, 2010 (U.S. dollars in millions)